Access Bank (SL) Limited

Financial statements
for the year ended 31 December 2023

This report contains 94 pages

Contents	**Page**

Notes

Corporate information

Board of Directors	Mrs. Alice Maria Onomake	Chairperson (Resigned: 12th December 2023)
	Mr. Ganiyu Olayinka Sanni	Managing Director
	Ms. Aminata Dumbuya	Director (Resigned: 12th December 2023)
	Mr. Maurice Nathaniel Cole	Chairman (With effect from 12th December 2023)
	Mr. Kolawole Augustine Ajimoko	Director
	Ms. Olajumoke Oluwakemi Ajayi	Director
	Mr. Nsikak Nnana Usoro	Director
	Mr. Ibrahim Khalil Lamin	Director (Appointed: 1st February, 2024)
	Ms. Michala Mackay	Director (Appointed: 1st February, 2024)

Registered office	30 Siaka Stevens Street Freetown
Solicitors	Wright and Co 8 Pademba Road Freetown
Corporate Secretaries	Freetown Nominees Limited 3D Third Road, Off Regent Road, Hill Station Freetown
Auditors	Moore Sierra Leone 3D Third Road, Off Regent Road, Hill Station Freetown Sierra Leone

Report of the directors

The directors have pleasure in submitting their Report on the business and operations of Access Bank (SL) Limited to the shareholders together with the audited financial statements for the year ended 31 December 2023.

Principal activities

The Bank is engaged in retail, corporate and commercial banking services in Sierra Leone and operates with six branches in addition to its Head Office.

Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the financial statements comprising the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS), and in the manner required by 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 and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

In preparing the financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant and reliable;
- Assess the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that its financial statements comply with IFRS, the Companies Act of Sierra Leone, the Banking Act of Sierra Leone and the Banking Regulations of Sierra Leone and an effective system of risk management.

The directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Bank and of their profit or loss for that period.

The directors are also responsible for preparing a Directors' Report that complies with applicable laws and regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information and the dissemination of the information.

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.

Report of the directors *(continued)*
Directors Responsibility Statement *(continued)*

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Bank

- The financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Bank's position and performance, business model and strategy.

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 27 of the financial statements. The issued ordinary share capital of the Bank is 8,956,081 ordinary shares of NLe10 each.

The Bank has one class of ordinary shares, which carries no rights to fixed income. All ordinary shares rank equally among the Bank's residual assets.

Profit for the year

The profit for the year after taxation was NLe 61.2 million (2022: NLe 39.8 million).

Dividends

At the Annual General Meeting on 11th August 2023 the directors recommended the payment of NLe 0.60013 per share for each ordinary share to shareholders, whose names are in the register of members as at 31 December 2022. The shareholders approved the recommendation and shareholders whose names were in the share register as of 31 December 2022 received NLe 0.60013 per ordinary share. In total, dividends of NLe 4,774,680 were paid to shareholders in 2023 for the year ended 31 December 2022.

The Bank intends to maintain a Dividend policy which allows a minimum payment of 20% as Dividend on the Profit After Tax to Shareholders.

Capital adequacy

The Bank is required to maintain a minimum capital adequacy ratio of 15% of total adjusted assets. As at 31 December 2023, the capital adequacy of the Bank was 71.7% (2022: 59.9%). Details of the computation are shown in note 33(f) to these financial statements.

Report of the directors *(continued)*

Directors

The directors who served during the year were as follows:

Mrs. Alice Maria Onomake	Chairperson (Resigned: 12th December 2023)
Mr. Ganiyu Olayinka Sanni	Managing Director
Ms. Aminata Dumbuya	Director (Resigned: 12th December 2023)
Mr. Maurice Nathaniel Cole	Chairman (With effect from 12th December 2023)
Mr. Kolawole Augustine Ajimoko	Director
Ms. Olajumoke Oluwakemi Ajayi	Director
Mr. Nsikak Nnana Usoro	Director

Mrs. Alice Maria Onomake (Chairperson) and Ms. Aminata Dumbuya retired on the 12th December 2023 to fill the vacancy thus created Mr. Maurice Nathaniel Cole was appointed Chairman of the Board of Directors on the 12th December 2023. On 1st February 2024, Mr. Ibrahim Khalil Lamin and Ms. Michala Mackay were appointed members of the Board of Directors of the Bank.

In accordance with Article 86 of the Articles of Association, the directors do not retire by rotation.

Audit Committee

The Audit Committee comprises of four (4) members of the Board of Directors excluding the Executive Directors of the Bank and the Chairman of the Board. The committee assists the Board in fulfilling its oversight responsibility relating to the integrity of the Bank's financial reporting process, the independence and performance of the Bank's internal & external auditors, the Bank's system of internal control and mechanism for receiving complaints regarding the Bank's accounting and operating procedures.

Credit and Finance Committee

The Credit Committee comprises of Managing Director, Executive Director, IT and operations and four Non-Executive Directors. The committee is responsible for reviewing, implementing, monitoring, and evaluating the Bank's credit exposure.

Risk Committee

The Risk Committee comprises the Managing Director, Executive Director IT and operations, and four (4) other Non-Executive Directors. The committee is responsible for the enforcement of policies and risk related activities facing the Bank by reviewing matters relating to fraud, insubordination, negligence, and absenteeism, breach of the terms and conditions of service, professional and other misconduct by staff.

Governance and Remuneration Committee

The Governance and Remuneration Committee is comprised of the Managing Director, ED, IT & Operations, and four other Directors. The committee is responsible for reviewing, implementing, monitoring, and evaluating the staff and Board welfare activities

Management Committee

The Management Committee comprises the Managing Director (Chairman), Executive Director IT & Operations, Chief Finance Officer, Head of Treasury, Head of Human Resource, Head of Compliance, Head of Corporate Banking Group, Head of Commercial Banking Group, Head of Retail Banking Group, Head of Legal, Head of Information and Technology, Head of Operation, Head of Risk Management. The committee meets monthly to discuss general issues affecting the Bank.

Assets and Liability Committee

The Assets and Liabilities Committee comprises the Managing Director (Chairman), ED IT and Operations, Chief Finance Officer, Head Risk Management, Head of Corporate Banking Group, Head of Commercial Banking Group, Head of Retail Banking Group. The Committee meets weekly to monitor the Bank's Assets and Liabilities and assists management in ensuring that the Bank follows its own policies and all other regulatory requirements.

Report of the directors *(continued)*

Enterprise Risk Management Committee

The committee comprises the Managing Director, ED IT & Operations, Head Risk Management, Head Information Technology, Head Treasury, Head Information Security Head Human Resource Management, Head Compliance and Head Legal. They are responsible for identifying opportunities, assessing the risk inherent in these opportunities, and managing these risks proactively in a cost-effective manner.

Auditors

In accordance with Section 308 of the Companies Act 2009, of the Laws of Sierra Leone a resolution for the re-appointment of Messrs. Moore as auditors of Access Bank (SL) Limited is to be proposed at the forthcoming Annual General Meeting.

Approval of the financial statements

The financial statements of the Bank were approved by the Board of Directors on 27 MARCH 2024 and are signed on its behalf by:

....
Chairman

....
Managing Director

....
Director

....
Director

FREETOWN NOMINEES LIMITED

....
Secretary

.

Independent Auditor's report to the shareholders of Access Bank (SL) Limited

Opinion

We have audited the financial statements of Access Bank (SL) Limited, which comprise the statement of financial position as at 31 December 2023, 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, including material accounting policies, and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2023, and 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 Matters

The financial statements of the Bank for the year ended 31 December 2022 were audited by another auditors who expressed an unmodified opinion on those financial statements on 20th March-2023.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit, and directing the efforts of the engagement team.

We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters, and our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Impairment of Loans and Advances

The impairment of loans and advances disbursed to customers is considered to be of most significance in the audit due to the level of subjectivity inherent in estimating the key assumptions that impact the recoverability of loan and advances, including the application of industry knowledge and the prevailing economic conditions in determining the level of impairment allowance required.

The determination of impairment allowance using the Expected Credit Loss (ECL) model requires the application of certain financial indices which are estimated from historical financial data obtained within and outside the Bank, as inputs, into the complex financial model.

***Independent Auditor's report to the shareholders of Access Bank (SL) Limited** (continued)*

Impairment allowance on loans that have shown a significant increase in credit risk, is based on the Bank's estimate of losses expected to result from default events over the life of the loans. Impairment allowance on loans that have not shown a significant increase in credit risk is recognized based on an estimate of the losses expected to result from default events within the next 12 months. This estimate is also an output of models, with the key assumptions being the possibility of a loan becoming past due and subsequently defaulting, and the rate of recovery on the loans that are past due and in default. The Bank also incorporates forward looking information into the measurement of ECL.

The judgment involved in classifying loans into expected credit loss stages, the level of subjectivity inherent in estimating the key assumptions on the recoverability of loan balances, the inputs estimated, the complexity of the estimation process and the significant judgment involved in applying these estimates to determine the level of impairment allowance required, make the impairment allowance of loans and advances a matter of significance to the audit.

Procedures

Our procedures include the following:

- We evaluated the design and implementation of the key controls over the impairment determination process such as the board credit committee review of loans and advances, management review of relevant data used in the calculation of expected credit losses including forward looking macroeconomic data to be included in the impairment model and evaluation of ECL impairment computation.

- We tested the appropriateness of the Bank's determination of significant increase in credit risk and the resultant classification of loans into the various stages by examining the loans on a sample basis. We evaluated the level of past due obligations and qualitative factors such as publicly available information about the obligors to determine whether the Bank should estimate the expected credit loss over a period of 12 months or over the life of the loans and advances.

- Assisted by our financial risk management specialists, we checked the key data and assumptions for the data input into the ECL model used by the Bank. Our procedures in this regard included the following:

  (i) We challenged the reasonableness of the Bank's ECL methodology by considering whether it reflects unbiased and probability-weighted amounts that are determined by evaluating a range of possible outcomes, the time value of money, reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions;

  (ii) For forward looking assumptions including inflation rate used by the Bank's management in its ECL calculations, we corroborated the Bank's assumptions using publicly available information from external sources;

  (iii) We evaluated the appropriateness of the basis of determining Exposure at Default, including the contractual cash flows, outstanding loan balance, loan repayment type, loan tenor and effective interest rate;

  (iv) For Probability of Default (PD) used in the ECL calculations, we checked the historical movement in the balances of facilities between default and non-default categories for each sector;

***Independent Auditor's report to the shareholders of Access Bank (SL) Limited** (continued)*

(v) We checked the calculation of the Loss Given Default (LGD) used by the Bank in the ECL calculations, including the appropriateness of the use of collateral, by recomputing the LGD;

(vi) We re-performed the calculations of impairment allowance for loans and advances using the Bank's impairment model and validated key inputs. For loans and advances which have shown a significant increase in credit risk, the recalculation was based on the amount which may not be recovered throughout the life of the loans while for loans and advances that have not shown significant increase in credit risk, the recalculation was based on the losses expected to result from default events within a year.

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.

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.

***Independent Auditor's report to the shareholders of Access Bank (SL) Limited** (continued)*

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

***Independent Auditor's report to the shareholders of Access Bank (SL) Limited** (continued)*

Report on other Legal and Regulatory Requirements

In accordance with the requirements of section 113(2) of the 2019 Banking Act of Sierra Leone, we report that:

- The financial statements give a true and fair view of the state of affairs of the Bank and its results for the year under review;
- We were able to obtain all the information and explanation required for the efficient performance of our duties;
- The Bank's transactions are within the powers of the Bank

The engagement partner on the audit resulting in this independent auditor's report is Albert Randle.

Freetown

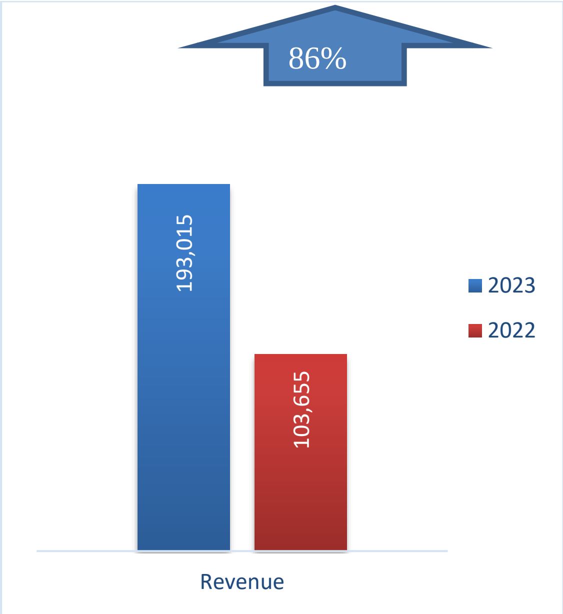
Moore
Chartered Accountants

MOORE SIERRA LEONE

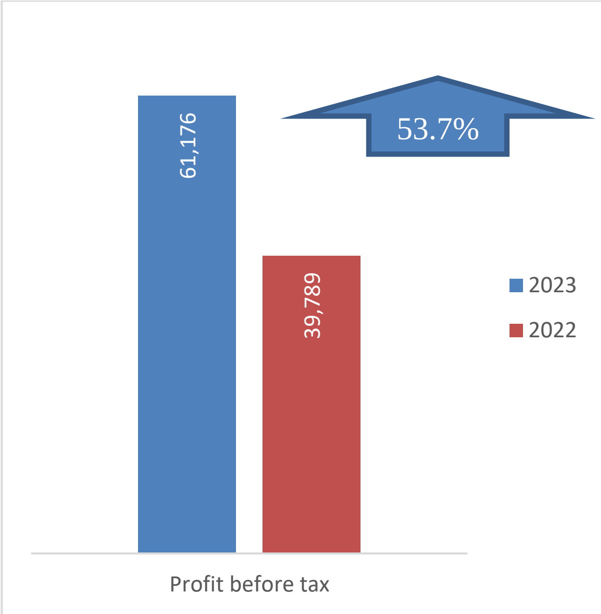
Date: 27th March 2024

Financial highlights

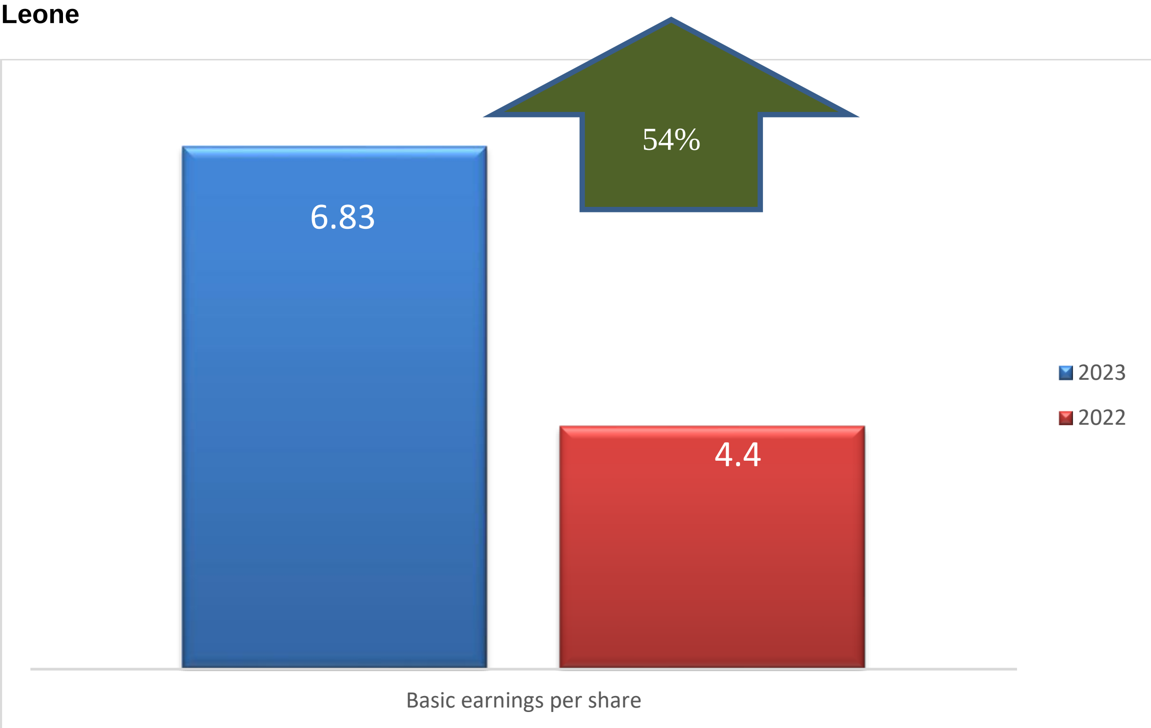
Revenue



Profit before tax



Basic earnings per shares
Leone



Regulatory Capital

Statement of financial position
as at 31 December

Statement of Financial Statement

In thousands of (new) Leones	*Notes*	**2023**	2022
Assets			
Cash and cash equivalents	*18*	**206,801**	273,821
Loans and advances to customers	*19a.*	**183,037**	147,450
Investment securities	*20*	**785,973**	726,777
Property plant and equipment	*21*	**66,135**	54,798
Intangible assets	*22*	**6,770**	7,871
Tax receivable	*16d*	**-**	809
Deferred tax assets	*16e*	**1,455**	-
Other assets	*23*	**34,344**	28,828
Total assets		**1,284,515**	1,240,354
Liabilities			
Deposit from banks	*24b*	**348,768**	368,309
Deposit from customers	*24a*	**690,035**	656,290
Deferred tax liability	*16e*	**-**	151
Income tax liability	*16d*	**3,449**	-
Other liabilities	*25*	**21,077**	51,095
End of Service Benefits	*26*	**1,183**	637
Total Liabilities		**1,064,512**	1,076,482
Equity			
Issued capital	*27*	**89,561**	89,561
Statutory reserves	*28c*	**67,698**	37,110
Retained earnings	*28d*	**62,695**	36,881
Other reserves	*28a*	**49**	320
Total equity attributable to equity holder of the Bank		**220,003**	163,872
Total equity and liabilities		**1,284,515**	1,240,354

These financial statements were approved by the Board of Directors on 27 MARCH 2024

....)Chairman
)
)
....)Managing Director
)
)
....)Director
)
)
....

The notes on pages 21 to 94 are an integral part of these financial statements

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

In thousands of new leones	*Notes*	**2023**	2022
Interest Income	*8a*	**161,054**	104,270
Interest expense	*8b*	**(56,259)**	(30,124)
Net interest Income		**104,795**	74,146
Net Fees and commission incomes	*9*	**32,559**	19,397
Net trading income	*10*	**55,662**	10,112
		88,221	29,509
Total Revenue		**193,016**	103,655
Other income	*11*	**1,916**	2,378
Net impairment loss	*14*	**(2,802)**	(204)
Personnel expenses	*12*	**(7,657)**	(5,067)
Depreciation and amortization	*13.1*	**(12,246)**	(7,137)
Other expenses	*13.2*	**(90,755)**	(40,602)
Profit before income tax		**81,472**	53,023
Income tax expenses	*16a*	**(20,296)**	(13,234)
Profit of the year		**61,176**	39,789
Other Comprehensive income, Items that will never be reclassified to profit or loss			
Re-measurement of defined benefit asset		**(362)**	47
Related tax		**91**	(12)
Other comprehensive income net of tax		**(271)**	35
Total Comprehensive income		**60,905**	39,824

The notes on pages 21 to 94 are an integral part of these financial statements

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

Profit Attributable to		
Equity holder of the Bank	**61,176**	39,789
Profit for the year	**61,176**	39,789
Total Comprehensive income attributable to		
Equity holders of the Bank	**60,905**	39,824
Total Comprehensive income for the year	**60,905**	39,824

These financial statements were approved by the Board of Directors on 27 MARCH 2024

) Chairman

) Managing Director

) Director

) Director

The notes on pages 21 to 94 are an integral part of these financial statements

Statement of changes in equity
For the year ended 31 December 2023

Statement of changes in equity	**Share Capital**	**Statutory reserve**	**Retained earnings**	**Other Reserves**	**Total**
In thousands of new leones					
Balance at 1 January 2023	**89,561**	**37,110**	**36,881**	**320**	**163,872**
Total comprehensive income for the year	-	-	-	-	-
Profit for the year	-	-	61,176	-	61,176
Other comprehensive income:					
Re-measurement of defined benefit liability	-	-	-	(362)	(362)
Tax on defined benefit liability	-	-	-	91	91
Total comprehensive income for the year	**-**	**-**	61,176	(271)	60,905
Other transfer					
Transfer of Statutory reserve	-	30,588	(30,588)		-
Total other transfer	**-**	30,588	(30,588)	**-**	**-**
Total Comprehensive income and other transfers	**-**	30,588	(30,588)	(271)	**(271)**
Transaction with owners recorded directly in equity contribution by and distribution to owners	-	-	-	-	-
Dividend paid to equity holders	-	-	(4,774)	-	(4,774)
Total Transaction with owners of equity	**-**	**-**	**(4,774)**	**-**	**(4,774)**
Balance at 31st December 2023	**89,561**	**67,698**	**62,695**	**49**	**220,003**

The notes on pages 21 to 94 are an integral part of these financial statements

Statement of changes in equity

For the year ended 31 December 2023

In thousands of (New) Leones	Attributable to equity holders of the Bank				
	Share Capital	**Statutory reserve**	**Retained earnings**	**Other Reserves**	**Total**
Balance at 1 January 2022	**89,561**	**17,216**	**16,986**	**285**	**124,048**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**
Profit for the year	**-**	**-**	**39,789**	**-**	**39,789**
Other comprehensive income:					
Re-measurement of defined benefit liability	**-**	**-**	**-**	**47**	**47**
Tax on defined benefit liability	**-**	**-**	**-**	**(12)**	**(12)**
Total comprehensive income for the year	**-**	**-**	**-**	**35**	**35**
Other transfer					
Transfer of Statutory reserve	**-**	**19,894**	**(19,894)**	**-**	**-**
Total other transfer	**-**	**19,894**	**(19,894)**	**-**	**-**
Total Comprehensive income and other transfers	**-**	**19,894**	**(19,894)**	**35**	**35**
Transaction with owners recorded directly in equity contribution by and distribution to owners					
Dividend paid to equity holders	**-**	**-**	**-**	**-**	**-**
Balance at 31st December 2022	**89,561**	**37,110**	**36,881**	**320**	**163,872**

The notes on pages 21 to 94 are an integral part of these financial statements

Statement of cash flows
for the year ended 31 December

In thousands of (new) Leones	*Note*	**2023**	2022
Cash flows from operating activities			
Profit for the year		**81,472**	53,023
Adjustments for:			
Depreciation and amortization	*13.1*	**12,246**	7,137
Net interest income	*8*	**(104,795)**	(74,146)
Actuarial loss in other reserves		**(362)**	47
Income tax adjustments		**130**	-
		(11,309)	(13,939)
Changes in:			
Loans and advances to customers (12b)	*19a*	**(35,587)**	(82,289)
Other assets	*23*	**(5,516)**	(23,276)
Deposit from banks	*24b*	**(19,541)**	319,482
Deposit from customers	*24a*	**33,745**	304,016
Other liabilities	*25*	**(29,472)**	(9,758)
		(67,680)	494,236
Interest received	*8a*	**161,054**	104,270
Interest paid	*8b*	**(56,258)**	(30,124)
Income tax paid	*16d*	**(17,683)**	(13,495)
Net cash generated from operating activities		**19,433**	554,887
Cash flows from investing activities			
Acquisition of investment securities	*20*	**(59,196)**	(322,532)
Acquisition of property and equipment	*21*	**(21,178)**	(34,288)
Acquisition of intangible assets	*22*	**(1,304)**	-
		(62,245)	(356,820)
Cash flows from financing activities			
Issue of shares		**-**	-
Dividend paid to equity holders		**(4,775)**	-
Net cash flow from financing		**(4,775)**	**-**
Net increase in cash and cash equivalents		**(67,020)**	198,067
Cash and cash equivalents at 1 January		**273,821**	75,754
Cash and cash equivalents at year end		**206,801**	273,821

The notes on pages 21 to 94 are an integral part of these financial statements

Notes to the Financial Statements

Access Bank (SL) Limited (the Bank) has consistently applied the following accounting policies to all periods presented in these 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.

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.

2. Compliance with International Financial Reporting Standards

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the Interpretations Committee (IFRICs), as published by the International Accounting Standards Board (IASB). The principal accounting policies applied in the preparation of financial statements are set out below, and in the relevant notes to the financial statements

3. Basis of accounting

a. Compliance with International Financial Reporting Standards

The financial statements of Access Bank (SL) Limited have been prepared in accordance with International Financial Reporting Standards ('IFRSs') and in the manner required by the Companies Act 2009 and the Banking Act of Sierra Leone 2019 and other relevant Acts and regulations of the Bank of Sierra Leone.

b. Basis of preparation

The financial statements have been prepared under the historical cost convention modified to include financial instruments classification based on IFRS 9. This is outlined under the relevant accounting policies.

c. Going concern

The financial statements are prepared on a going concern basis, as management is satisfied that the Bank has adequate resources to continue as a going concern for the foreseeable future. In making this assessment, management has considered a wide range of information including projections of profitability, regulatory capital requirements and funding needs. The assessment also includes consideration of reasonably possible downside economic scenarios and their potential impacts on the profitability, capital and liquidity of the Bank.

d. Functional and presentation currency

The Government of Sierra Leone re-denominated the Leone by removing three zeros ('000) with effect from 1 July 2022 resulting in one new Leone being the equivalent of one thousand old Leone. Transactions from 1 January 2022 to 31 December 2022 have been denominated and reported in the New Leones.

These financial statements are presented in Leones (New Leone) which is the company's functional currency. Except as indicated, financial information presented in Leones has been rounded to the nearest thousand

4. Use of judgements, and estimates

In preparing these financial statements the directors have 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 accounting estimates are recognized prospectively.

(a) Judgements

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

Measurement of the expected credit loss allowance for Financial Assets.
The Bank reviews its loan portfolio to assess the Expected Credit Loss (ECL) allowance that should be recorded in the income statement. The Bank makes judgement in applying the accounting requirements for measuring the ECL; such as

- Determining criteria for significant increase in credit risk;
- Choosing appropriate assumptions for the measurement of ECL
- Establishing the number and relative weightings of forward – looking scenarios for each type of product/market and the associated ECL,
- Determine whether credit risk has increased significantly
- Establishing groups of similar financial assets for the purpose of measuring ECL

(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 2023 are set out below and in the following notes:

a.	Note 6(g) (vii)	determination of fair value of financial instruments with significant unobservable inputs
b.	Note16(c)	recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used;
c.	Note 32	recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
d.	Note 6(g) (viii)	Identification and measurement of impairment

(c) Determination of default prior to the measurement of ECL.

The Bank considers objective evidence of default for the purpose of determining it stage classification of impairment. All financial assets with objective evidence of impairment will be further referred to as defaulted. Exposure is considered defaulted if the obligatory payments of the exposure have been past due for at least 90 days**.** An exposure is comprised of the following components at the reporting date*:*

- Overdue principal receivable
- Undue principal receivable
- Overdue contract interest receivable
- Other outstanding exposure
- Unconditional and conditional off-balance sheet exposure
- Unamortized discount or premium

Notes to the Financial Statements *(continued)*

4. Use of judgements, and estimates *(continued)*

(d) **Measurement of the expected credit loss allowance for financial assets.**

The measurement of ECL allowance for a financial asset measured at amortised cost or fair value through other comprehensive income (FVOCI) is an area that requires the use of complex models and significant assumptions about the future economic conditions and credit behavior. The ECL is measured on either a 12 month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit – impaired.

ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). The PD represents the likelihood of the borrower defaulting on its financial obligation either over the next 12months (12 months PD) or over the remaining lifetime (lifetime PD) of the obligation. EAD is based on the amount the Bank expects to be owed at the time of default, over the next 12 months or over the remaining life. LGD represents the Bank's expectation of the extent of loss on a default exposure. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as percentage loss per unit of exposure at the time of default (EAD) and is calculated on a 12months or lifetime basis.

Explanation of the inputs, assumptions and estimation techniques used in measuring ECL are further detailed in note 36(a)(iv)

5. Changes in material accounting policies

Except as noted below, the Bank has consistently applied the accounting policies as set out in Note 6 to all periods presented in these financial statements.

The Bank has adopted where applicable the following new standards and amendments including any consequential amendments to other standards with the initial date of application of January 1, 2023.

Deferred tax related to assets and liabilities arising from a single transaction

The Bank has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) from 1 January 2023.The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences, example, leases and decommissioning liabilities. For leases and decommissioning liabilities, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

The Bank previously accounted for deferred tax on leases and decommissioning liabilities by applying the 'integrally linked' approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Bank has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of IAS 12. There was also no impact on the opening retained earnings as at 1 January 2022 as a result of the change.

Material accounting policy information

The Bank also adopted Disclosure of Accounting Policies (Amendments to IAS 1 and
IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

6. Material accounting policies

The Bank prepares financial statements in accordance with IFRS. The Banks material accounting policies relating to specific financial statement items, together with a description of the accounting estimates and judgements that were critical to preparing them, are set out under the relevant notes. Accounting policies that affect the financial statements as a whole are set out below.

(a) Foreign currency

Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial liability designated as the hedging instrument in a hedge, which are recognised directly in equity.

(b) Interest

Interest income and expense are recognised in profit or loss for all interest-bearing instruments measured on an accrual basis using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

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

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

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

Notes to the Financial Statements *(continued)*

6. Material accounting policies *(continued)*

Interest income and expenses presented in the statement of profit or loss and other comprehensive income (OCI) include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.
- Interest on available-for-sale investment securities on an effective interest basis.
- Fair value changes

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

Fair value changes on the other derivative held for risk management purposes and other financial assets and liabilities carried at fair value through profit or loss are presented in net income from other financial instruments at fair value through profit and loss in the statement of comprehensive income.

(c) **Fees and commissions**

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

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

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

(d) **Net trading income**

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

(e) **Leases**

The Bank, as a lessee has recognized the right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor's accounting remains similar to previous accounting policies.

Notes to the Financial Statements *(continued)*

6. Material accounting policies *(continued)*

(e) **Leases** *(continued)*

(i) Definition of lease

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The change in the definition of a lease mainly relates to the concept of control. The Bank distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and

- The right to direct the use of that asset.
  At inception or on reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Bank has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single component

(ii) Bank as a lessee

Leases, under which the Bank possesses a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration are disclosed in the Bank's statement of financial position and recognized as a leased asset.

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Bank assesses whether, throughout the period of use, it has both of the following:

(a) the right to obtain substantially all of the economic benefits from use of the identified asset, and
(b) the right to direct the use of the identified asset.

The Bank has elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets. The Bank recognizes expenses associated with these leases as an expense on a straight-line basis over the lease term.

The Bank presents right-of-use assets as a separate class under ‘property and equipment’, and the lease liability in other liabilities in the statement of financial position.

Notes to the Financial Statements *(continued)*

6. Material accounting policies *(continued)*

(e) Leases (*continued)*

(ii) Bank as a lessee*(continued)*

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Bank has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Bank is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

iii. Bank as a lessor

Lease and instalment sale contracts are primarily financing transactions in banking activities, with rentals and instalments receivable, less unearned finance charges, being included in Loans and advances to customers in the statement of financial position. Finance charges earned are computed using the effective interest method which reflects a constant periodic return on the investment in the finance lease. Initial direct costs paid are capitalized to the value of the lease amount receivable and accounted for over the lease term as an adjustment to the effective rate of return.

The Bank recognizes assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. Initially, the Bank will recognize a finance lease receivable at the amount equal to the net investment in the lease. Subsequently, finance income will be recognized at a constant rate on the net investment. During any 'payment free' period, this will result in the accrued finance income increasing the finance lease receivable.

For finance leases, the lease payments included in the measurement of the net investment in a lease at the commencement date includes variable lease payments that depend on an index or a rate; other variable payments (e.g. those linked to future performance or use of an underlying asset) are excluded from the measurement of the net investment and are instead recognized as income when they arise. The treatment adopted for variable lease payments under operating leases should be consistent with these policies.

Notes to the Financial Statements *(continued)*

6. Material accounting policies *(continued)*

(f) **Income tax**

(i) Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

(ii) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes if any. It is measured using the rates enacted or substantially enacted at the reporting date. Current tax also includes any tax arising from dividends.

(iii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Future taxable profits are determined based on the business plans of the Bank and the reversal of temporary differences. 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.

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 and rates that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis of their tax assets and liabilities will be realized simultaneously.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects at the reporting date to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through a sale and the Bank has not rebutted this presumption.

Unrecognised deferred assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Additional income taxes that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognised. These amounts are generally recognized in profit or loss because they generally relate to income arising from transactions that were not originally recognized in profit or loss.

Notes to the Financial Statements *(continued)*

6. Material accounting policies *(continued)*

f. Income tax *(continued)*

iv. Tax exposures

In determining the amount of asset and deferred tax, the Bank takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Bank to charge its judgement regarding the adequacy of existing tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such a determination is made.

g. Financial assets and financial liabilities

i. Recognition

The Bank initially recognised loans and advances, deposits, debt securities issued and subordinated liabilities on the date at which they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the Bank commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date, which is the date that 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 fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

ii. Classification

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

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

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

iii. Derecognition

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 the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Any interest in such transferred financial assets that qualify for derecognition that is created by the Bank is recognized as a separate asset or liability.

Notes to the Financial Statements *(continued)*

6. Material accounting policies *(continued)*

(g) **Financial assets and financial liabilities** *(continued)*

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

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

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

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

The Bank securities various consumer and commercial financial assets, which generally results in the sale of these assets to special-purpose entities, which in turn issue securities to investors. Interests in the securitized financial assets may be retained in the form of senior or subordinated tranches, interest-only strips or other residual interests ("retained interest"). Retained interests are primarily recorded in available-for-sale investment securities and carried at fair value. Gains or losses on securitization depend in part on the carrying amount of the transferred financial assets, allocated between the financial assets derecognized and the retained interests based on their relative fair values at the date of the transfer. Gains or losses on securitization are recorded in other operating income.

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

iv. Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when and only when the Bank has a legal right to set off the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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

v. Amortised cost measurement

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

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.

Notes to the Financial Statements *(continued)*

6. Material accounting policies *(continued)*

(g) Financial assets and financial liabilities *(continued)*

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

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

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

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

vii. Fair value measurement

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure.

Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

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

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

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

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

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received.

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

Notes to the Financial Statements *(continued)*

6. Material accounting policies *(continued)*

(g) Financial assets and financial liabilities *(continued)*

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

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price. Where the Bank has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions, and a bid or ask price adjustment is applied only to the net open position as appropriate.

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

viii. Identification and measurement of impairment

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

Objective evidence that financial assets are impaired includes:

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

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

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

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

6. Material accounting policies *(continued)*

(g) Financial assets and financial liabilities *(continued)*

Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

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

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

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

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

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

ix. Designation at fair value through profit or loss

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

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

Note 17 sets out the amount of each class of financial asset or liability that is measured at amortised costs and or classified as available for sale.

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

Notes to the Financial Statements *(continued)*

6. Material accounting policies *(continued)*

(h) 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 from the reporting 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 amortised cost in the statement of financial position.

(i) Loans and advances

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

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

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

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

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

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

(j) Investment securities

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

Notes to the Financial Statements *(continued)*

6. Material accounting policies *(continued)*

(i) Held-to-maturity

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

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

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

- Sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;

- Sales or reclassifications after the Bank has collected substantially all of the asset's original principal; and

- Sale or reclassifications that are attributable to non-recurring isolated events beyond the Bank's control that would not have been reasonably anticipated.

(ii) *Fair value through profit or loss*

The Bank does not hold any securities designated at fair value, with fair value changes recognised immediately in profit or loss as at 31 December 2022.

(iii) *Available-for-sale*

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

Interest income is recognised in profit or loss using the effective interest method. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes other than impairment losses are recognised in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in equity are reclassified to profit or loss as a reclassification adjustment.

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

Notes to the Financial Statements *(continued)*

6. Material accounting policies *(continued)*

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property and equipment are measured at historic cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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

Any gain or loss on disposal of property and equipment is recognized within other income in profit or loss.

Land and buildings comprise mainly branches and offices and are measured using revaluation model.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

(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 item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

(iii) Depreciation

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their costs less their residual values and is generally recognized in profit or loss. Leased assets are depreciated over the shorter of the lease term and the useful lives unless it is reasonably certain that the Bank will obtain ownership by the end of the lease term.

The estimated useful lives of significant items of property and equipment are as follows:

Freehold land and building	50 years
Right of use assets	Over the lease terms
Motor vehicle	4 years
Office furniture and equipment	5 years

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

Notes to the Financial Statements *(continued)*

6. Material accounting policies *(continued)*

The assets 'residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

(iv) Intangible assets

Computer software

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

Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development.

The capitalized costs of internally developed software include all costs directly attributable to developing the software and capitalized borrowing costs and are amortised 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.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is three to five years.

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

(l) Impairment of non-financial assets

At each reporting date the Bank reviews the carrying amounts of its non-financial assets (other than investment property and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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.

Notes to the Financial Statements *(continued)*

6. Material accounting policies *(continued)*

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit” or “CGU”). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Bank’s corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

(m) Deposits

Deposits are the Bank’s main sources of debt funding.

When the Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (“repo” or “stock lending”), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank’s financial statements.

Deposits and debts securities issued are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank chooses to carry the liabilities at fair value through profit or loss.

(n) Provisions

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

(i) Restructuring

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

(ii) Onerous contracts

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

(o) **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 it is due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

(p) **Employee benefit**

(i) Short term benefits

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

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Bank has a present legal and constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be reliably estimated.

(ii) Defined contribution plans

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

(iii) Defined benefit plans

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

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

The Bank recognizes all actuarial gains and losses arising from defined benefits plans and all expenses related to defined benefits plans in employee benefits expense in OCI.

Notes to the Financial Statements *(continued)*

6. Material accounting policies *(continued)*

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without the 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.

(q) **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) Share premium

Share premium is measured as the excess of the issue price over the par value of the ordinary shares.

(iii) Dividends on ordinary shares

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

(iv) Statutory reserves

Statutory reserves are based on the requirements of section 30 of the 2019 Banking Act of Sierra Leone. Transfers into statutory reserves are made in accordance with the relationship between the Bank's reserve fund and its paid-up capital, which determines the proportion of profits for the period that should be transferred.

(v) Statutory loan loss 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.

(r) **Earnings per share**

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

Notes to the Financial Statements *(continued)*

6. Material accounting policies *(continued)*

(s) **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.

7. Operating segments

Business segmentation

The Bank operates three main business segments:

1) Retail Banking - Incorporating private banking services, private customer current accounts, savings, deposits, investments savings products, custody, consumer loans and other financial products

2) Corporate Banking - Incorporating direct debt facilities, current accounts, deposits, overdrafts, loans and other credit facilities, foreign currency and other financial products; and

3) Money Transfer - Incorporating money transfers between jurisdictions.

Transactions between the business segments are on normal commercial terms and conditions.

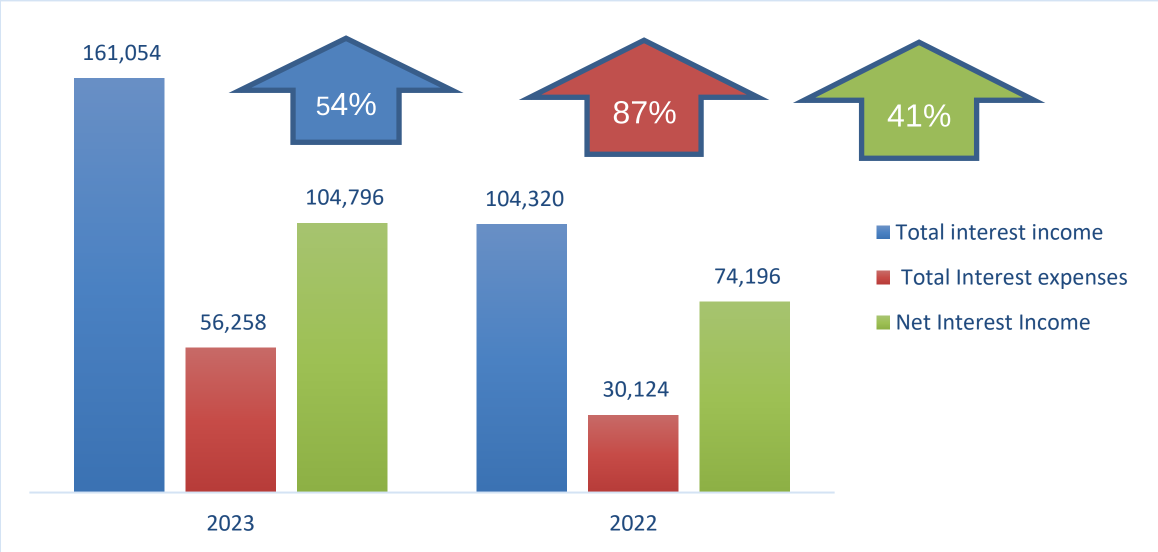
Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in cooperating income. Interest charged for these funds is based on the Bank's cost of capital. There are no other material items of income or expense between the business segments.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balances in the statement of financial position, but exclude items such as taxation and borrowings.

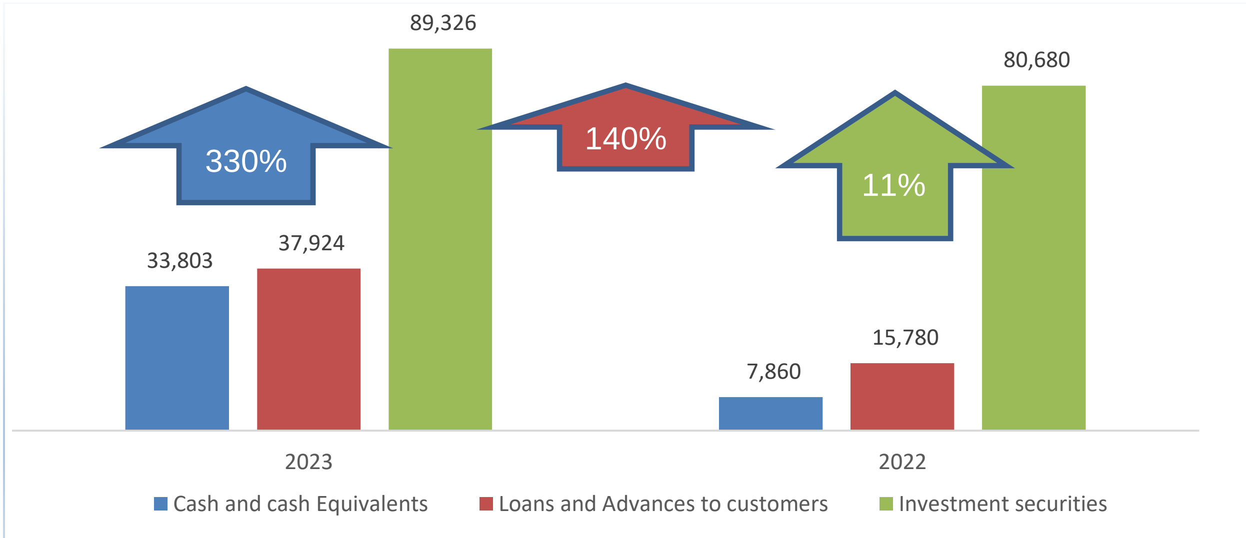
Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customers' revenues to a business segment on a reasonable basis.

8. Net interest income

Net interest income
In thousands of (New) Leones



Revenue by category
In thousands of (New) Leones



8(a)	**Interest Income**	**2023**	2022
	In thousands of (New) Leones		
	Cash and cash Equivalents	**33,804**	7,860
	Loans and Advances to customers	**37,924**	15,730
	Investment securities	**89,326**	80,680
	Total interest income	**161,054**	104,270

The NLe89 million (2022: NLe80 million) from interest on investment securities relates to interests earned on Government Securities.

8. Net interest income *(continued)*

(b)	**Interest expense** *In thousands of (New) Leones*	**2023**	2022
	Deposits from customers	**15,287**	16,977
	Interbank deposits	**40,972**	13,147
	Total Interest expenses	**56,259**	30,124
	Net Interest Income	**104,796**	74,196

9. Fee and commission income
See accounting policy in note 6(c)

9 **Net Fee and Commission income** *In thousands of (New) Leones*	**2023**	2022
Credit related fees and commission	**926**	1,378
Trade finances and other fees	**24,791**	15,632
Commission on turnover	**6,842**	5,200
Total fee and commission income	**32,559**	22,210
Fees and commission expenses	**-**	(2,813)
Net fees and commission income	**32,559**	19,397

Performance obligation and revenue recognition policies

Fee and commission income from contracts with costumers is measured based on the consideration specified in the contract with the customer. The Bank recognizes revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	**Nature and timing of satisfaction of performance obligations, including significant payment terms**	**Revenue recognition under IFRS 15**
Retail and corporate banking services	The Bank provides banking services to retail and corporate customers including account management provision of overdraft facilities, foreign currency transactions credit card and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate banking customers on an annual basis. Transaction – based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Bank.	Revenue from account service and servicing fees is recognized over time as the services are provided. Revenue related to transactions is recognized at the point in time when the transaction takes place.

Notes to the financial statements *(continued)*

9. Fee and commission income *(continued)*

Credit-related fees and commissions relate to establishment fees earned on loans and advances other than interest income.

Trade finance and other fees relate to income on import and export finance transactions, issue of letters of credit, guarantees and other similar transactions.

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

10 Net Trading income - *See accounting policy in note 6(d)*

In thousands of (New) Leones	**2023**	2022
foreign exchange gains	**3,112,898**	1,086,012
foreign exchange loss	**(3,057,236)**	(1,075,900)
Net Trading income	**55,662**	10,112

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

11 Other Income

In thousands of (New) Leones	**2023**	2022
Rental Income	**-**	-
Other income	**1,916**	2,378
Other Income	**1,916**	2,378

12 Personnel expense - *See accounting policy in note 6(p)*

In thousands of (New) Leones	**2023**	2022
Salaries and allowances	**4,857**	3,107
Compulsory social security obligation	**170**	113
Medical	**934**	682
Other employee cost	**1,696**	1,165
Total Personnel expenses	**7,657**	5,067

Other employee benefits

The Bank maintains a post-employment defined benefit plan in accordance with statutory requirements, which entitles an employee to receive a lump sum payment when leaving the employment of the Bank, whether due to resignation, retirement or death. The lump sum payment is determined by the final basic salary and number of years of service provided.

These defined benefit plans expose the Bank to actuarial risks such as interest rate risk.

Notes to the financial statements *(continued)*

(i) Movement in net defined benefit liability

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

In thousands of (New) Leones	**2023**	2022
Liability at 1 January	**637**	568
Expense recognized in profit or loss and other comprehensive income		
Current service cost	**168**	139
Interest on obligation	**167**	82
Total **Cost charged in Profit & Loss for the period**	**335**	221
Included in other comprehensive income		
Actuarial (gain) loss	**362**	(47)
Total re-measurements (gain)/loss recognized in OCI	**362**	(47)
Other		
Recovery from provident fund contribution/(recovered)	**-**	-
Benefits paid by the plan	**(150)**	(105)
Total others	**(150)**	(105)
Total present value of obligation	**1,184**	637
Fair value of plan assets	**-**	-
Liability at 31 December	**1,184**	637

(ii) Movement in plan assets

ii	*In thousands of (New) Leones*	**2023**	2022
	Net defined benefit liability/(asset) – opening	**637**	568
	Net benefit cost/(income) for the period	**336**	221
	Benefits paid to outgoing members	**(150)**	(105)
	Total remeasurements recognized in OCI during the period	**362**	(47)
	Fair value of plan assets at the end of the reporting year	**1,185**	637

13. Operating expenses

13.1 Depreciation and amortization

In thousands of (New) Leones	**2023**	2022
Depreciation and amortization	**12,246**	7,137

Notes to the financial statements *(continued)*

13.2 **Other expenses** *In thousands of (New) Leones*	**2023**	2022
Premises and Equipment	**661**	3,529
Professional Fees	**187**	584
Business travel expenses	**4,237**	2,595
Administrative expenses	**20,278**	15,951
Consultancy and IT	**1,984**	2,754
Outsourcing cost	**6,614**	4,459
Recruitment and training	**-**	246
Event charities and sponsorship	**10**	-
Security expenses	**1,058**	850
Audit fees	**578**	420
Cash processing and management cost	**41,419**	301
Communication	**4,375**	2,853
Stationeries, postage and printing	**6,614**	4,380
Advertising and business promoting	**113**	255
Board expenses	**1,137**	580
Insurance	**604**	457
Office provisions and entertainment	**789**	388
Provision for legal fees	**97**	-
Total other expenses	**90,755**	40,602

Included in the above costs is non-executive directors' remuneration of NLe 1.1 million (2022 NLe 580 thousand).

14. Net impairment loss

In thousands of (New) Leones	**2023**	2022
This comprises:		
New provisions on loans and advances	**2,626**	830
Investment securities, placements and guarantees	**176**	55
Total	**2,802**	885

15. Earnings per share

	2023	2022
In thousands of (New) Leones		
Profit attributable to equity holders of the Bank	**61,176**	61,176
Weighted average number of ordinary shares in issue	**89,561**	89,561
Basic earning per share (in Leones par share)	**0.68**	0.44

Basic

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of shares in issue during the year, excluding the average number of ordinary shares purchased by the Bank and held as treasury shares.

Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Bank had no category of dilutive potential ordinary shares as at 31 December 2023; hence diluted and basic earnings per share are the same.

Notes to the financial statements *(continued)*

16. Taxation

See accounting policy in note (6(f)

16a Income tax expense:

In thousands of (New) Leones	**2023**	2022
Current year	**21,810**	13,421
Differed tax expense:		
Origination and reversal of temporary difference	**(1,514)**	(187)
Total tax expense	**20,296**	13,234
Reconciliation of effective tax rate		
Profit before income tax	**81,472**	53,023
Income tax on profit before tax	**20,368**	13,256
Tax impact of permanent difference:		
Non-deductible expenses	**17**	-
Tax adjustment due to tax charge	**-**	(22)
Tax incentives	**(89)**	-
Total income tax expense	**20,296**	13,234

16b Income tax asset

In thousands of (New) Leones	**2023**	2022
Balance as at 1 January	**809**	735
Charge for the year	**(21,811)**	(13,421)
Income tax adjustment	**(130)**	-
Income tax paid	**17,683**	13,495
Balance as at 31 December	**(3,449)**	809

16c Deferred tax asset

In thousands of (New) Leones	**2023**	2022
Balance as at 1 January	**151**	326
Charge for the year	**(1,515)**	(187)
Differed tax recognized in reserves	**(91)**	12
Balance at 31 December (Asset)/liabilities	**(1,455)**	151

Notes to the financial statements *(continued)*

16. Taxation *(continued)*

(d) **Deferred tax asset and liabilities**

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In thousands of (New) Leones	**Asset**	**Liabilities**	**2023 Net**	Asset	Liabilities	2022 Net
Property, plant and Equipment	**-**	**2,596**	**2,596**	-	1,977	1,977
Employee benefit	**(1,247)**	**-**	**(1,247)**	(1,007)	-	(1,007)
Actuarial gain tax	**90**	**-**	**90**	-	317	317
Allowance on loan Losses	**(2,101)**	**-**	**(2,101)**	(1,624)	-	(1,624)
Tax loss	**-**	**-**	**-**	-	-	-
Unrecognized deferred tax asset	**-**	**-**	**-**	-	-	-
Net tax (asset)/Liabilities	**(3,258)**	**2,596**	**(662)**	(2,631)	2,294	(337)

Movement in temporary differences during the year

16e. Deffered tax asset and liabilities

31-Dec-23	**Opening Balance**	**Recognized in profit and loss**	**Recognized in equity**	**Closing balance**
Property and Equipment	671	(646)	-	25
Allowance on loan losses	(381)	(823)	-	(1,204)
Employee benefit	(283)	(46)	-	(329)
Recognized in other reserves	143	-	(90)	53
Total	**150**	**(1,515)**	**(90)**	**1,455**

Notes to the financial statements *(continued)*

16. Taxation *(continued)*

(f) **Deferred tax asset and liabilities** *(continued)*

Movement in deferred tax balances:

31-Dec-22	**Opening Balance**	**Recognized in profit and loss**	**Recognized in equity**	**Closing balance**
Property and Equipment	640	31	-	671
Allowance on loan losses	-	-	-	-
Employee benefit	(191)	(190)	-	(381)
Employee benefit	(254)	(29)	-	(283)
Recognized in other reserves	131	-	12	143
Total	**326**	**(188)**	**12**	**150**

Derecognition of deferred tax assets of NLe Nil (2022: NLe Nil) is based on management's profit forecasts (which are based on the available evidence, including historical levels of profitability), which indicates that it is probable that the Bank will have future taxable profits against which these assets can be utilised.

17. Financial assets and financial liabilities

a. Classification of financial assets and financial liabilities

31 December 2023	Mandatorily at FVTPL	Designated as at FVTPL	FVOCI debt instruments	FVOCI equity instruments	Amortized Cost	Total Carrying Amount
Cash and cash equivalent	-	-	-	-	206,801	206,801
Loans and advances to customers measured at amortized cost	-	-	-	-	183,037	183,037
Investment securities at measured amortized cost	-	-	-	-	785,973	785,973
Other assets	-	-	-	-	34,344	34,344
Total financial assets	-	-	-	-	1,210,155	1,210,155

Notes to the financial statements *(continued)*

17. Financial assets and financial liabilities

a. Classification of financial assets and financial liabilities

31 December 2023	Mandatorily at FVTPL	Designated as at FVTPL	FVOCI debt instruments	FVOCI equity instruments	Amortized Cost	Total Carrying Amount
Deposit from Banks	-	-	-	-	348,768	348,768
Deposit from customer	-	-	-	-	690,035	690,035
Other Liabilities	-	-	-	-	22,260	22,260
Total financial liabilities	-	-	-	-	1,061,063	1,061,063

The table below provides reconciliation between line items in the financial position categories of financial instruments:

31 December 2022	Mandatorily at FVTPL	Designated as at FVTPL	FVOCI debt instruments	FVOCI equity instruments	Amortised Cost	Total Carrying Amount
Cash and cash equivalent	-	-	-	-	273,821	273,821
Loans and advances to customers measured at amortised cost	-	-	-	-	147,450	147,450
Investment securities at measured amortised cost	-	-	-	-	726,777	726,777
Other assets	-	-	-	-	28,828	28,828
Total financial assets	-	-	-	-	1,176,876	1,176,876
Deposit from Banks	-	-	-	-	656,290	656,290
Deposit from customer					368,309	368,309
Other Liabilities					51,732	51,732
Total financial liabilities	-	-	-	-	1,076,331	1,076,331

18. Cash and cash equivalents
See accounting policy in note 6(h)

Cash and balances with banks	**2023**	2022
In thousands of (New) Leones		
Cash in hand and balance with banks	**185,807**	180,311
Balance with the Central Bank	**20,994**	93,510
Balance at 31 December	**206,801**	273,821

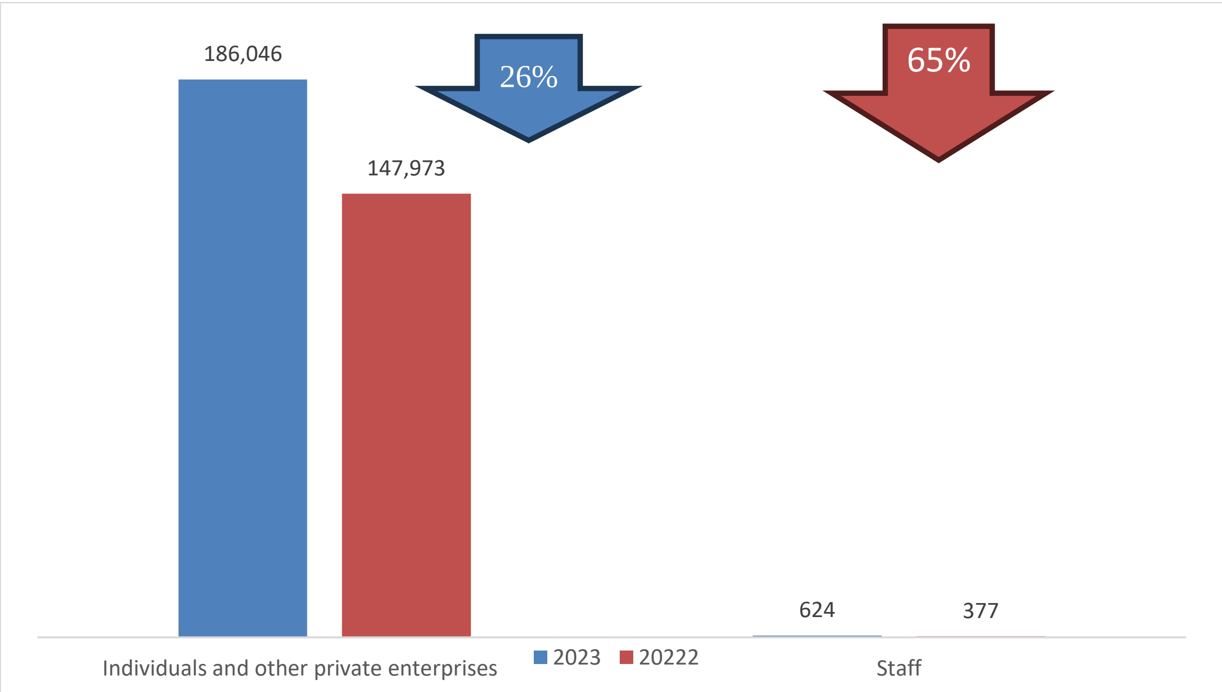
Balances with the Central Bank are non-interest bearing.

19. Loans and advances to customers
See accounting policy in note 6(i)

a Loans and advances to customers at amortized costs	**2023**	2022
In thousands of (New) Leones		
Loans and advances to customers at amortized costs	**186,670**	148,350
Less: allowances for impairment	**(3,453)**	(830)
	183,217	147,520
Fair value of staff loan	**(180)**	(70)
Balance at 31 December	**183,037**	147,450

a. **Analysis by type of customer**

In thousands of (New) Leones



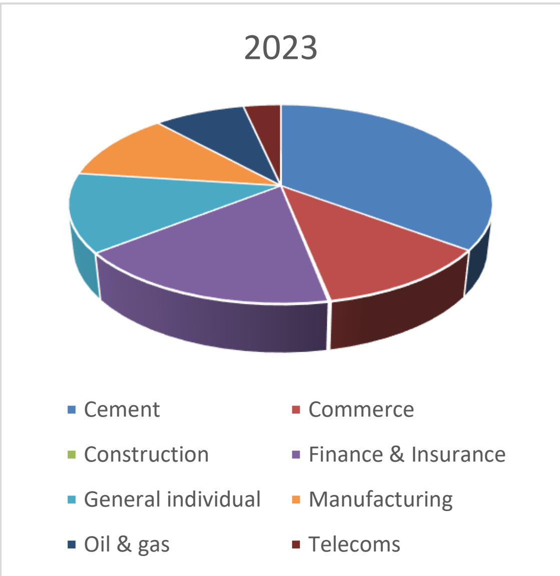
Notes to the financial statements *(continued)*

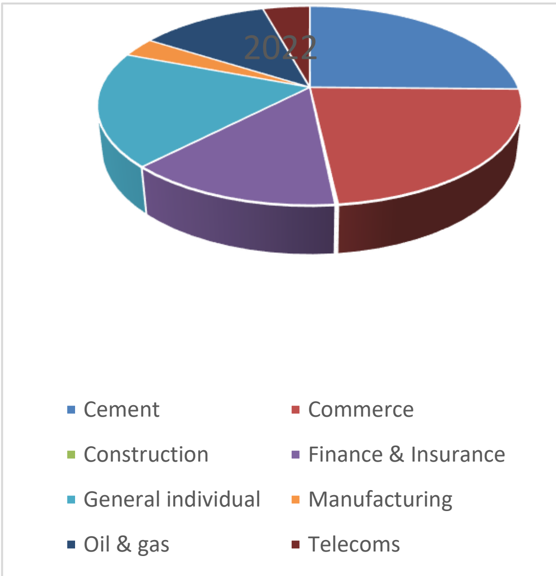
19. Loans and advances to customers *(continued)*

b. **Analysis by type of customer** *(continued)*

In thousands of (New) Leone	**2023**	2022
Individuals and other private enterprises	**186,046**	147,973
Staff	**624**	377
Gross loans and advances	**86,670**	148,350
Less:		
Interest on classified debts	**-**	-
ECL allowances for impairment	**(3,453)**	(830)
Fair value adjustment on staff loan	**(180)**	(70)
Net loans and advances	**183,037**	147,450

c. **Analysis by sector**





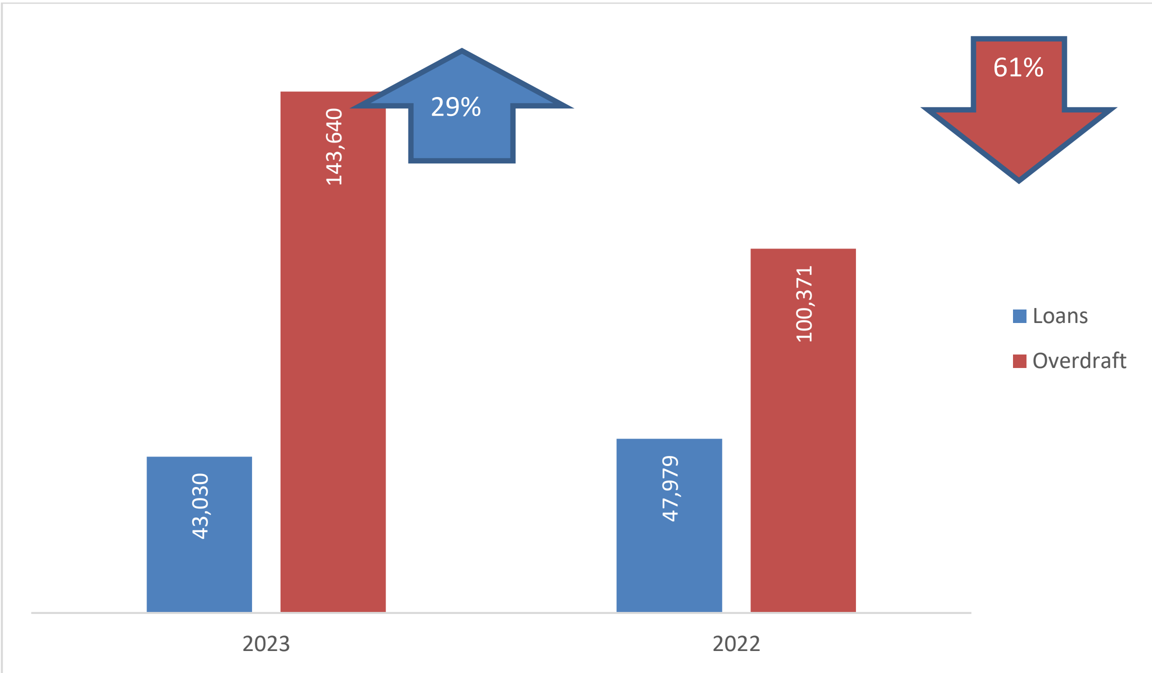
In thousands of (New) Leones	**2023**	2022
Cement	**64,477**	37,297
Commerce	**21,352**	33,841
Construction	**224**	224
Finance & Insurance	**31,727**	20,420
General individual	**23,346**	27,448
Manufacturing	**20,570**	4,653
Oil & gas	**15,161**	17,270
Telecoms	**6,250**	6,297
	183,037	147,450

Notes to the financial statements *(continued)*

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

d. **Type of advance**

In thousands of (New) Leones



In thousands of (New) Leones	**2023**	2022
Loans	**43,030**	47,979
Overdrafts	**143,640**	100,371
	186,670	148,350
Less:		
Interest on classified debt	**-**	-
Allowances for impairment	**(3,453)**	(830)
Fair value adjustment on staff loan	**(180)**	(70)
Net loans and advances	**183,037**	147,450

Notes to the financial statements *(continued)*

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

e. **Loans and advances to customers at amortised cost**

	2023					2022				
***Retail* customers:**	**Gross Amount**	**Fair value adjustment**	**Interest on classified debt**	**ECL allowance**	**Carrying amount**	Gross Amount	Fair value adjustment	Interest on classified debt	ECL Allowance	Carrying amount
In thousands of (New) Leones										
Personal loans	**20,137**	**-**	**-**	**(1,180)**	**18,957**	40,014	-	-	(224)	39,790
Staff loans	**624**	**(3)**	**-**	**-**	**621**	377	(2)	-	-	375
Corporate Customer:										
Interest on Classified debt	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
Short- and long-term loan lending	**165,909**	**-**	**-**	**(2,340)**	**163,569**	107,959	-	-	(604)	107,355
Other adjustment	**-**	**-**	**-**	**-**	**-**	-	(70)	-	-	(70)
	186,670	**(3)**	**-**	**(3,520)**	**183,147**	148,350	(72)	-	(828)	147,450
Fair value Adjustment on staff loan	**-**	**(110)**	**-**	**-**	**(110)**	-	-	-	-	-
	186,670	**(113)**	**-**	**(3,520)**	**183,037**	148,350	(72)	-	(828)	147,450

Notes to the financial statements *(continued)*

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

f. **Allowances for impairment**

In thousands of (New) Leones	**2023**	2022
Movement in allowance for impairment		
Balance at 1 January	**830**	575
Impairment losses for the year:	**-**	-
Provision for loan impairment	**2,623**	255
Balance at 31 December	**3,453**	830

20. Investment securities

See accounting policy in note 6(j)

	2023	2022
Amortized costs Investments	**785,973**	726,777
Investment Securities	**785,973**	726,777

	2023	2022
a. *Measured at amortized cost*		
Held to maturity investment securities	**322,000**	392,664
Money market placements	**464,149**	343,113
Gross investments	**786,149**	735,777
Impairment of Held to Maturity investment securities and Money markets	**(176)**	-
Measured at amortized cost	**785,973**	726,777

Held to collect cash / (Amortised cost-Investment securities) *In thousands of (New) Leones*	**2023**	2022
Government treasury bills	**322,000**	1,084,632
Impairment allowance	**(83)**	(79,772)
Investment securities	**321,917**	1,004,860
Money Markets placement	**464,149**	1,084,632
Impairment allowance	**(93)**	(79,772)
Investment securities	**464,056**	1,004,860

For the purpose of the cash flows statements investment securities with a maturity period greater than three months from the reporting date have been treated as part of investing activities, whilst investment securities with maturity period of three months or less from the reporting date have been treated as cash and cash equivalents in the statement of cash flows.

Treasury bills and bearer bonds are debt securities issued by the Government of Sierra Leone through the Bank of Sierra Leone for a term of three months, six months, one year or more. All bills are subject to variable interest rate risk.

Notes to the financial statements *(continued)*

21. Property, plant and equipment
See accounting policy in note 6(k)

	Leasehold improvement	Motor Vehicle	Furniture and equipment	Work in progress	Total
Cost					
Balance as 1 January 2022	28,291	6,069	15,477	3,799	**53,636**
Additions	25,810	1,754	5,572	1,152	**34,288**
Transfers	-	-	657	-	**657**
Balance as 31 December 2022	54,101	7,823	21,706	4,951	**88,581**
Balance as at 1 January 2023	54,101	7,823	21,706	4,951	**88,581**
Additions	1,083	610	6,547	12,938	**21,178**
Balance as 31 December 2023	55,184	8,433	28,253	17,889	**109,759**
Accumulated Depreciation					
Balance as at 1 January 2022	14,918	3,843	9,072	-	**27,833**
Charge for the year	2,133	1,033	2,784	-	**5,950**
Balance as 31 December 2022	17,051	4,876	11,856	-	**33,783**
Balance as at 1 January 2023	17,051	4,876	11,856	-	**33,783**
Charge for the year	4,503	1,337	4,001	-	**9,841**
Balance as 31 December 2023	21,554	6,213	15,857	-	**43,624**
Carrying Amount					
As at December 2022	37,050	2,947	9,850	4,951	**54,798**
As at December 2023	**33,630**	**2,220**	**12,396**	**17,889**	**66,135**

There are no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year (2022: nil).

Notes to the financial statements *(continued)*

22. Intangible assets

In thousands of (new)leones	**Computer software**
Cost	
Balance at 1 January 2022	13,850
Acquisitions	(656)
Balance at 31 December 2022	13,194
Balance at 1 January 2023	**13,194**
Acquisitions	**1,304**
Balance at 1 January 2023	**14,498**
Amortization	
Balance at 1 January 2022	4,135
Amortization for the year	1,188
Balance at 31 December 2023	5,323
Balance at 1 January 2023	**5,323**
Amortization for the year	**2,405**
Balance at 31 December 2023	**7,728**
Carrying amount	
at 31 December 2022	7,871
at 31 December 2023	**6,770**

The intangible asset is the core banking software with a useful life of 5 years.

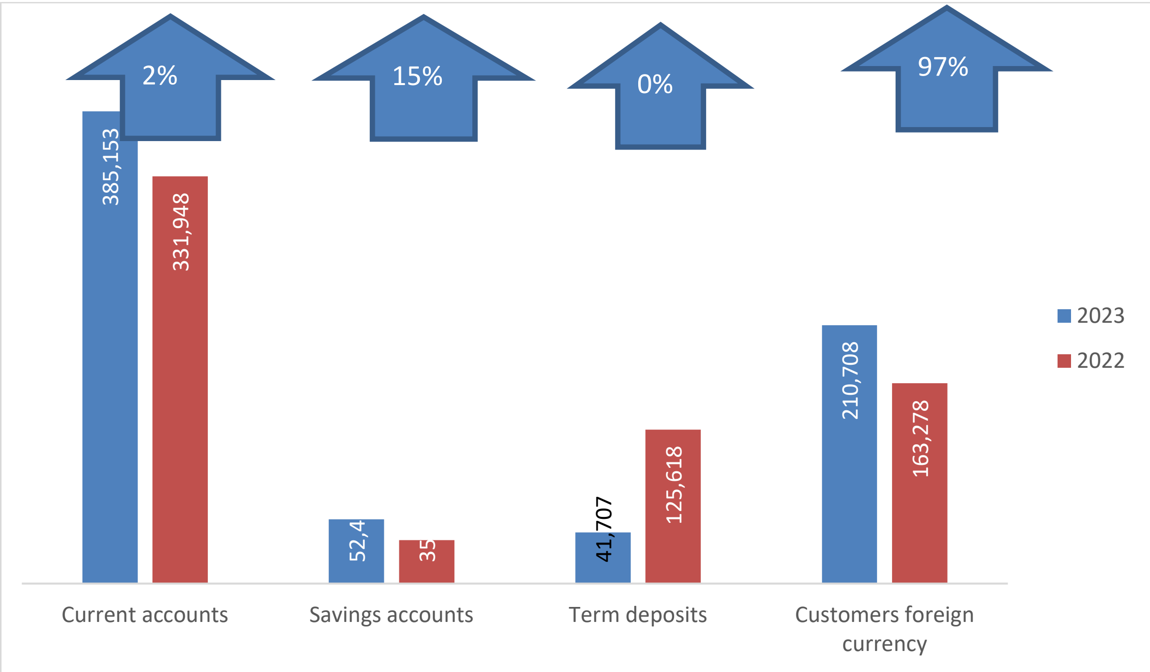
23. Other assets

In thousands of (New) Leones	**2023**	2022
Prepayments	**1,579**	1,947
Sundry receivables	**11,617**	6,851
Inventories	**3,219**	1918
Clearing cheques	**17,929**	18,112
balance at 31 December	**34,344**	28,828

Notes to the financial statements *(continued)*

24a. Deposits from customers
See accounting policy in note 6(m)

Deposits from customers
In thousands of (New) Leones



Deposits from customers

In thousands of (New) Leones	**2023**	2022
Retail customers:		
Term deposits	**139,307**	129,918
Current deposits	**173,733**	36,157
	313,040	166,075
Corporate customers:		
Term deposits	**38,135**	490,215
Current deposits	**338,860**	-
	376,995	490,215
Total deposits	**690,035**	656,290

Deposits from customers are expected to be settled in more than 12 months after 31 December 2023 is NLe nil (2022: NLe Nil).

24b. Deposits from Banks

Deposit from local banks	**348,768**	368,309
	348,768	368,309

Notes to the financial statements *(continued)*

25. Other liabilities

Other Liabilities *In thousands of (New) Leones*	**2023**	2022
Creditors and accruals	**20,291**	1,331
Sundry creditors	**786**	49,764
Balance at 31 December	**21,077**	51,095

26. Defined benefit obligation

See accounting policy in note 6(p)

In thousands of (New) Leones	**2023**	2022
Present value of unfunded obligation	**1,183**	637
Present value of funded obligation	**-**	-
Total present value of obligation	**1,183**	637
Fair value of plan assets	**-**	-
Present value of net obligation	**-**	-
Unrecognised actuarial losses	**-**	-
Recognised liability for defined benefit obligation	**1,183**	637

Plan assets consist of the following:	**2023**	2022
Equity securities	**1,183**	637
Government bonds	**-**	-
Property occupied by the Bank	**-**	-
Bank’s own ordinary shares	**-**	-
Liability for defined benefit obligation	**1,183**	637

Movement in the present value of defined benefit obligation

Liability at beginning of the period	**637**	568
Actuarial (gain)/loss	**335**	221
Benefit paid by the plan	**(150)**	(105)
Current service cost	**361**	(47)
Interest cost	**-**	-
Past service cost	**-**	-
Liability for defined benefit obligation	**1,183**	637

Key valuation assumptions

Summary of economic assumption

Basis item	**31 December 2023**	31 December 2022
Discount rate	**21%**	14%
Salary inflation	**19%**	12%
Exit rate	**21%**	30%

Notes to the financial statements *(continued)*

26. Defined benefit obligation *(continued)*

The above assumptions depict the experience of the actuary of the likely future experience of the Bank.

Discount rate

This rate is used to obtain the actuarial present value of the projected benefits is determined by reference to market yields (at the end of reporting period) on government bonds shall be used. The currency and term of the corporate bonds or government bonds is consistent with the currency and expected term of the post-employment benefit obligation.

Sierra Leone does not have a deep and liquid market in corporate bonds so government bond yields have been applied. Treasury bonds with 1 year duration have had an average yield of 20.75% p.a. over the past one hundred and fifty-six (156) months i.e. January 2011 to December 2023 as published by the Bank of Sierra Leone.

Consequently, a discount rate of 21.00% as at the valuation date has been used.

Salary inflation

The best estimate of inflation assumption is calculated as the difference between the nominal and real yield curves at the point corresponding to the duration of the liability including an adjustment for risk premium, as applicable.

As information relating to yield curves is not available the long-term salary inflation rate was considered to be Inflation rate plus 19% based on the 96 - months average inflation rate of 19.15% published by the Bank of Sierra Leone and Statistics Sierra Leone for the period between December 2015 to October 2023.

For the purpose of this valuation, these rates (i.e. discount and salary inflation rates) closely meet the requirements of IAS 19 and the weighted average duration of the liability (in years). The valuation is sensitive to the gap between the interest and salary increase assumptions and should not be viewed in isolation.

Retiring age

Withdrawal rate (also called attrition rate) determine the rate at which employees are assumed to leave the Bank for reasons other than normal retirement and death.

For this valuation, withdrawal rates have been computed at 21% based on Bank's experience.

Mortality rates

Mortality has been allowed for in this valuation based on the country's experience.

27. Share capital

See accounting policy in note 6(q)

In thousands of (New) Leones		**2023**		2022
	No. of shares	**Proceeds NLe**	No. of shares	Proceeds NLe
Authorised share capital	In Thousand		In Thousand	
Ordinary shares of Le10 each				
Balance at 1 January	**10,000**	**100,000**	10,000	100,000
Balance at 31 December	**10,000**	**100,000**	10,000	100,000

Notes to the financial statements *(continued)*

27. Share capital *(Continued)*

Issued share capital

Ordinary shares of NLe1 each

	2023 No. of shares	**Proceeds NLe'000**	2022 No. of shares	Proceeds NLe'000
Balance at 1 January	**8,956,081**	**89,561**	8,956,081	89,561
Addition during the year	**-**	**-**	-	-
Balance at 31 December	**8,956,081**	**89,561**	8,956,081	89,561

28. Reserves and retained earnings

In thousands of (New) Leones	**2023**	2022
Credit risk reserves 29(b)	**-**	-
Other reserves 29(a)	**(42)**	320
Statutory reserves 29(b)	67,698	320
Total reserve as at 31 December	**67,656**	37,430

28a. Other reserves

In thousands of (New) Leones	**2023**	2022
1 January	**320**	285
Remeasurement of defined benefit obligation	**(362)**	47
Tax on net actuarial loss	**91**	(12)
Total reserve as at 31 December	**49**	320

Other reserves are used for the utilization of actuarial gain or loss on end-of-service benefit computation based on IAS 19.

28b. Credit Risk Reserves

In thousands of (New) Leones	**2023**	2022
1 January	**-**	-
Net actuarial gain on employee benefit obligation	**-**	-
Total reserve as at 31 December	**-**	-

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

28c. Statutory Reserve

In New Leones	**2023**	2022
Balance at 1 January	**37,110**	17,216
Transfer from net profits	**30,588**	19,894
Balance at 31 December	**67,698**	37,110

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)*

28(d) **Movements in retained earnings were as follows:**

In thousands of (New) Leones	**2023**	2022
At 1 January	**36,881**	16,986
Net profit for the year	**61,176**	39,789
	98,057	56,775
Transfer to statutory reserves	**(30,588)**	(19,894)
Proposed/(payment) dividend for the year	**(4,774)**	-
At 31 December	**62,695**	36,881

29. Contingencies and commitments

The contractual amount of the Bank's off -balance sheet financial instrument position that extends credit to customers are as follows;

In thousands of (New) Leones	**2023**	2022
Customs and other guarantees	**-**	1,816
	-	1,816

30. Capital commitment

The Bank had a capital commitment for the assets in work-in-progress amounting to NLe 12,292 as at 31 December 2023 (2022: NLe Nil).

31. Related party disclosures

Related parties transactions

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. The volume of related party transactions, outstanding balances at the end of the year and related expense and income for the year are as follows:

In thousands of (New) Leones	**2023**	2022
Director Remuneration		
Non-executive directors' fees	**1,137**	580
	1,137	580

Transactions balances with parent company and other companies/banks in the group during the year:

In thousands of (New) Leones	**2023**	2022
Access Bank Nigeria PLC- Other payables/ (other receivables)	**-**	-
	-	-

32. Subsequent events

There were no events after the reporting period which could have a material effect on the financial position of the Bank as at 31 December 2023 and profit attributable to equity holders is disclosed in the financial statements. The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report which would require adjustment or disclosure.

33. Financial Risk Review and management

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

Notes to the financial statements *(continued)*

34. Financial Risk Review and Management *(continued)*

Risk management framework

The Board of Directors have overall responsibility for the establishment and oversight of the Bank's Risk Management framework.

The Board of Directors is responsible for monitoring compliance with the risk management policies and procedures, reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank, the appropriateness and effectiveness of the Bank's risk management systems and controls and also for considering the implications of changes proposed to regulations and legislation that are material to the Bank's risk appetite and management of risk.

The Board is assisted in these functions by the Head of Internal Audit. The Head of Compliance undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

The Audit Committee is responsible for monitoring the Bank's compliance with financial accounting policies and pronouncements, keeping under review the appropriateness of the accounting policies and internal controls systems, considering the external auditor's report and also reviewing the resources, scope, authority and operations of the Bank's audit function. The Audit Committee is assisted in these functions by the Head of Internal Audit. The Head of Audit undertakes both regular and ad-hoc reviews of audit 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. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, and sector risk).

Management of credit risk

The Board of Directors is responsible for oversight of the Bank's credit risk, including:

- *Formulating credit policies* covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- *Establishing the authorisation structure* for the approval and renewal of credit facilities. All facilities require the prior approval of the Bank's Executive Committee. Larger facilities require approval by the Board of Directors as appropriate.
- *Reviewing and assessing credit risk.* The Bank's Executive 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)*

34. Financial Risk Review and Management *(continued)*

(a) Credit risk *(continued)*

- *Developing and maintaining the Bank's* risk gradings in order to categorise 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 may be 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 the Credit Committee.

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

- *Providing advice, guidance and specialist skills* to promote best practices throughout the Bank in the management of credit risk. The Bank is required to implement credit policies and procedures, with credit approved authorities delegated from the Board of Directors.

- *Developing and maintaining the Bank's process for measuring* ECL includes a process for internal approval, regular validation and back-testing of the module used.

- *Determining and monitoring significant increase in credit risk and incorporating forward-looking information*

- *Reviewing compliance of business units* agreed with exposures limits including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to The Bank's Credit Committee, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.

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

(i) Credit quality analysis

The tables below set out information about the credit quality of financial assets measured at amortised cost, FVOCI equity investment (2021) and available for sale equity investment (2020).

Unless specifically indicated for financial assets, the amounts in the table represents gross carrying amount.

Notes to the financial statements *(continued)*

34. Financial Risk Review and Management *(continued)*

(a) Credit risk *(continued)*

			2023		
Loans and advances to customers at amortised cost	***Stage1 or 12 months***	***Stage2/lifetime ECL not credit impaired***	***Stage 3 or lifetime credit impaired***	***Purchase credit impaired***	***Total***
Grade 1-6 Low-fair risk	**182,577**	**-**	**-**	**-**	**182,577**
Grade 7-9 Higher risk	**-**	**3,783**	**-**	**-**	**3,783**
Grade 10 Standard	**-**	**-**	**229**	**-**	**229**
Grade 11 Doubtful	**-**	**-**	**43**	**-**	**43**
Grade 12 Loss	**-**	**-**	**38**	**-**	**38**
Total gross amount	**182,577**	**3,783**	**310**	**-**	**186,670**
Allowance for impairment	**(2,129)**	**(1,162)**	**(161)**	**-**	**(3,452)**
Other value adjustment	**(180)**	**-**	**-**	**-**	**(180)**
Interest on classified loan	**-**	**-**	**-**	**-**	**-**
Carrying amount	**180,268**	**2,621**	**149**	**-**	**183,037**

			2023		
Debt investment securities at amortised cost	***Stage1 or 12months***	***Stage 2/lifetime ECL not credit impaired***	***Stage 3 or lifetime credit impaired***	***Purchase Credit impaired***	**Total**
Grades 1-6 low – fair risk	**786,149**	-	-		**786,149**
Allowance for impairmrnt	**(176)**	-	-		**(176)**
Carrying amount	**785,973**	-	-		**785,973**

			2023		
Loan commitments	***Stage1 or 12months***	***Stage2/lifetime ECL not credit impaired***	***Stage 3 or lifetime credit impaired***	**Purchase credit impaired**	**Total**
Grades1-6 low fair risk	**-**	-	-	-	**-**
Allowance for impairment	**-**	-	-	**-**	**-**
Carrying Amount	**-**	-	-	**-**	**-**

Notes to the financial statements *(continued)*

34. Financial Risk Review and Management *(continued)*

(a) **Credit risk** *(continued)*

			2022		
Loans and advances to customers at amortised cost	***Stage1 or 12 months***	***Stage2/lifetime ECL not credit impaired***	***Stage 3 or lifetime credit impaired***	***Purchase credit impaired***	***Total***
Grade 1-6 Low-fair risk	148,300	-	-	-	148,300
Grade 7-9 Higher risk	-	-	-	-	-
Grade 10 Standard	-	-	-	-	-
Grade 11 Doubtful	-	-	-	-	-
Grade 12 Loss	-	-	50	-	50
Total gross amount	148,300	-	50		148,350
Allowance for impairment	*(825)*	-	*(5)*	-	*(830)*
Other value adjustment	*(70)*	-		-	*(70)*
Interest on classified loan	-	-	-	-	-
Carrying amount	*147,405*	-	*45*	-	*147,450*

			2022		
Debt investment securities at amortised cost	*Stage1 or 12months*	*Stage 2/lifetime ECL not credit impaired*	*Stage 3 or lifetime credit impaired*	*Purchase credit impaired*	*Total*
Grades 1-6 low – fair risk	726,777	-	-	-	726,777
Less allowance for impairment	-	-	-	-	-
Carrying amount	726,777	-	-	-	726,777

			2022		
Loan commitments	Stage1 or12 months	Stage2/lifetimeECL not credit impaired	Stage 3 or lifetime credit impaired	Purchase credit impaired	Total
Grades1-6 low fair risk	-	-	-	-	-
Less allowance for impairment	-	-	-	-	-
Carrying Amount	-	-	-	-	-

Notes to the financial statements *(continued)*

34. Financial Risk Review and Management *(continued)*

(a) **Credit risk** *(continued)*

(ii) **Collateral held and other credit enhancements, and their 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	**Principal type of collateral held for secured lending**
Loans and advances to retail customers	
Mortgage lending	Residential property
Personal loans	None
Loans and advances to corporate customers	
Financial leases	Property and equipment
Other lending to corporate customers	Commercial property, floating charges over corporate assets
Investment debt securities	None

The Bank typically does not hold collateral against investment securities.

Residential mortgage lending

The tables below stratify credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The gross amounts exclude any impairment allowance. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices.

Loans secured against property

	2023
Loans to value (LTV) ratio	
Less than 50%	**236,944**
51% to 70%	**1,254**
71% to 90%	**31,063**
91% to 100%	**2,409**
More than 100%	**1,151**
Total	**272,821**

Credit impaired loans

	2023
Less than 50%	**3,331**
51-70 %	**-**
More than 70%	**950**
Total	**4,281**

Loans and advances to customers

The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the bank generally requests that borrowers provide it. The Bank may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Notes to the financial statements *(continued)*

34. Financial Risk Review and Management *(continued)*

(a) **Credit risk** *(continued)*

Because of the Bank's focus on corporate customers' creditworthiness, the Bank does not routinely update the valuation of collateral held against all loans to corporate customers. Valuation of collateral is updated when the loan is put on a watch list and the loan is monitored, more closely. For credit impaired Loans the bank obtains appraisal of collateral because it provides input into determining management credit risk actions.

Other types of collateral and credit enhancements

The Bank also holds other types of collateral and credit enhancements such as second charges and floating charges for which specific values are not generally available.

Assets obtained by taking possession of collateral

Details of financial and non-financial assets obtained by the Bank during the year by taking possession of collateral held as security against loans and advances as well as calls made on credit enhancements and held at the year-end are shown below:

Loans and advances to customers

In thousands of (New) Leones	**2023**
Property	**263,923**
Other	**300,386**
Total	**564,309**

The Bank's policy is to pursue timely realisation of the collateral in an orderly manner. The Bank does not generally use the non-cash collateral for its own operations.

Notes to the financial statements *(continued)*

34. Financial Risk Review and Management *(continued)*

(a) Credit risk *(continued)*

(iii) Concentration of credit risk

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from loans and advances, lending commitments, financial guarantees and investment securities is show below:

In thousands of (New) Leones	**Loans and advances to customers** **31 December 2023**	Loans and advances to customers 31 December 2022	**Investment securities** **31 December 2023**	Investment securities 31 December 2022	**Financial guarantees** **31 December 2023**	Financial guarantees 31 December 2022
Carrying amount	**183,037**	147,450	785,973	726,777	**-**	1,816
Concentration by type of customer						
Individuals and other private enterprises	**182,413**	147,076	464,056	-	**-**	1,816
Staff	**624**	374	**-**	-	**-**	-
Government	**-**	-	321,917	726,777		
	183,037	147,450	785,973	726,777	**-**	1,816
Concentration by sectors						
Cement	**64,407**	11,157	**-**	-	-	-
Commerce	**21,352**	-	**-**	-	-	-
Construction	**223**	17,275	**-**	-	**-**	-
Finance and Insurance	**31,726**	29,522	**785,973**	726,777	**-**	1,816
General Individual	**23,237**	50,154	**-**	-	**-**	-
Manufacturing	**20,680**	12,023	**-**	-	**-**	-
Telecoms	**6,251**	-	**-**	-	**-**	-
Oil and Gas	**15,161**	27,319	**-**	-	**-**	-
	183,037	147,450	**785,973**	726,777	**-**	1,816

Notes to the financial statements *(continued)*

34. Financial Risk Review and Management *(continued)*

(a) **Credit risk** *(continued)*

(iv). **Amounts arising from Expected Credit Loss (ECL) -** Inputs, assumptions and techniques used for estimating impairment

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 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 at the point in time that was estimated at the time of initial recognition of the exposure (adjusted where 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 applies 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.

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.

Notes to the financial statements *(continued)*

34. Financial Risk Review and Management *(continued)*

(a) **Credit risk** *(continued)*

Corporate exposures

- Information obtained during periodic review of customers 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 covenant quality of management, senior management changes
- Data from credit reference agencies, press articles, changes in external Credit ratings
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities

Retail Exposure

- Internally collected data on customer behavior –eg. Utilization of credit card facilities
- Affordability metrics
- External data from credit reference agencies, including industry-standard credit scores

All Exposures

- 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
- 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 as well as by credit risk grading.

The Bank 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

Significant increase in credit risk.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's quantitative modelling, the remaining lifetime PD is determined to have increased by more than a predetermined percentage/range. Using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. 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. Due dates are determined without considering any grace period that might be available to the borrower. If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument return to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behavior to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

Notes to the financial statements *(continued)*

34. Financial Risk Review and Management *(continued)*

(a) **Credit risk** *(continued)*

Generally, facilities with loss allowances being measured as Life-time ECL not credit impaired (Stage 2) are monitored for a probationary period of 90 days to confirm if the credit risk has decreased sufficiently before they can be migrated from Lifetime ECL not credit impaired (Stage 2) to 12-month ECL (Stage 1) while credit-impaired facilities (Stage 3) are monitored for a probationary period of 180 days before migration from Stage 3 to 12-month ECL (Stage 1). The decrease in risk of default is reflected in the obligor's Risk Rating which is a critical input for Staging. The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that the criteria are capable of identifying significant increases in credit risk before an exposure is in default; the criteria do not align with the point in time when an asset becomes 30 days past due; and there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in the accounting policy. When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of: its remaining lifetime PD at the reporting date based on the modified terms; with the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities) to maximise collection opportunities and minimise 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. The Bank Audit Committee regularly reviews reports on forbearance activities. For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators. 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/in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12month ECL.

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 indicator that are:

Notes to the financial statements *(continued)*

34. Financial Risk Review and Management *(continued)*

(a) **Credit risk** *(continued)*

- Qualitative : e.g. Breaches of covenant;
- Quantitative : e.g. overdue status and non-payment on another obligation of the same issuer to the Bank
- 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 overtime to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

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 four economic scenarios, in these scenarios, a base case, which is the median scenario, upside and downside assigned alongside the risk profile of each product line with assigned probability based on linear regression forecast. of occurring. The base case is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organisations such as the OECD and the internal Monetary Fund, and selected private –sector and academic forecasters.

Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a Bank expert that advises the Bank's senior management.

The Bank has identified and documented key drivers of credit and credit losses for each portfolio financial instruments and using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk losses.

The key drivers for credit risk for wholesale portfolios are: GDP growth, unemployment rate and interest rates. For exposures to specific industries and /or regions, the key drivers also include relevant commodity and/or real estate prices.

The economic scenarios used as at 31 December 2023 included the following key indicators for Sierra Leone for the year ended 31 December 2023.

	2023
GDP growth	**Base 2.7%** **Upside 4%** **Downside 2%**
Inflation	**Base 37.9%** **Upside 30.20%** **Downside 42.9%**
Unemployment rate	**Base 3.9%** **Upside 2%** **Downside 4.54%**
Industry Non-performing loan	**Base 13%** **Upside 12%** **Downside 14%**

35. Financial Risk Review and Management *(continued)*
(a) **Credit risk** *(continued)*

Measurement of ECL

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

- 4probability 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.

The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD.

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. For loans secured by retail property,

LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

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

As described above, and subject to using a maximum of a 12- months 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, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

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

- instrument type;
- credit risk gradings;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

34. Notes to the financial statements *(continued)*

(a) **Credit risk** *(continued)*

Loans with renegotiated terms

Loans with renegotiated terms are defined as loans that have been restricted 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 favourable 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, early repayment or write – off.

Loans and investment debt securities that were due but not impaired

Loans and investment debt securities were past due but not impaired are those for which contractual interest or principal payments were past due but the Bank believed that impairment was not appropriate on the basis of the level of security or collateral available and/ or the stage of collection of amounts owed to the Bank. The amounts disclosed excluded measured at FVTPL.

(b) **Liquidity risk**

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities that are settled by delivering cash or another financial asset.

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. The key elements of the Bank's liquidity strategy are as follows:

- Maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and wholesale market deposits and maintaining contingency facilities.
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity.
- Monitoring liquidity ratios, maturity mismatches, behavioural characteristics of the Bank's financial assets and financial liabilities, and the extent to which the Bank's assets are encumbered and so not available as potential collateral for obtaining funding.
- Carrying out stress testing of the Bank's liquidity position.

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 the Central Bank, 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.

34. Financial Risk Review and Management *(continued)*

(b) **Liquidity***(continued)*

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, debt securities issued, other borrowings and commitments maturing within the next month.

Notes to the financial statements *(continued)*

34. Financial Risk Review and Management *(continued)*

(b) **Liquidity risk** *(continued)*

Maturity analysis for financial assets and financial liabilities

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

In thousands of (New) Leones

	Note	Carrying Amount	Gross nominal inflow/ (outflow)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
31 December 2023								
Financial liability by type								
Non-derivative liabilities								
Deposit from banks	*22b*	**348,768**	**348,768**	**348,768**	**-**	**-**	**-**	**-**
Deposits from customers	*22a*	**690,035**	**690,035**	**207,010**	**345,018**	**103,505**	**34,502**	**-**
Unrecognized loan commitment		**-**	**-**	**-**	**-**	**-**	**-**	**-**
		1,038,803	**1,038,803**	**555,778**	**345,018**	**103,505**	**34,502**	**-**
Financial asset by type								
Non-derivative assets								
Cash and bank balances with banks	*18*	**206,801**	**206,801**	**124,081**	**41,360**	**31,020**	**10,340**	-
Loans and advances to customers	*19*	**183,037**	**183,037**	**-**	**27,466**	**146,486**	**9,085**	-
Investment securities	*18*	**785,973**	**785,973**	**-**	**157,196**	**550,181**	**78,596**	-
		1,175,811	**1,175,811**	**124,081**	**226,022**	**727,687**	**98,021**	**-**

Notes to the financial statements *(continued)*

34. Financial Risk Review and Management *(continued)*

(b) **Liquidity risk** *(continued)*

Maturity analysis for financial assets and financial liabilities (continued)
In thousands of (New) Leones

	Note	Carrying Amount	Gross nominal inflow/(outflow)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
31 December 2022								
Financial liability by type								
Non-derivative liabilities								
Deposit from banks	22b	368,309	368,309	92,077	276,232	-	-	-
Deposits from customers	22a	656,290	656,290	489,939	36,433	129,918	-	-
Unrecognized loan commitment		-	-	-	-	-	-	-
		1024,599	1,024,599	582,016	312,665	129,918	-	-
							-	
Financial asset by type								
Non-derivative assets								
Cash and bank balances with banks	*18*	273,821	273,821	270,660	3,161	-	-	-
Loans and advances to customers	*19*	147,450	147,450	-	-	147,5000	-	-
Investment securities	20	726,777	726,777	-	185,278	541,499	-	-
		1,148,048	1,148,048	270,660	188,439	688,949	-	-

Notes to the financial statements *(continued)*

34. Financial Risk Review and Management *(continued)*

Maturity analysis for financial assets and financial liabilities (continued)

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

Type of financial instrument	**Basis on which amounts are complied**
Non-derivatives financial liabilities and financial assets	Undiscounted cash flows, which include financial assets estimated interest payments estimated interest payments

The Bank's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. For example, demand deposits from customers are expected to remain stable or increase and unrecognised 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 sovereigns, which can be readily sold to meet liquidity requirements. In addition, the Bank maintains agreed lines of credit with other banks and holds unencumbered assets eligible for use as collateral with central banks (these amounts are referred to as the 'bank's liquidity reserves').

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 (New) Leones	**2023**	2022
Financial assets		
Loans and advances to customers	**183,037**	147,450
Investment securities	**785,973**	726,777
Financial liabilities		
Deposits from customers	**690,035**	656,290

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

Liquidity reserve
In thousands of (New) Leones

	2023 Carrying Amount	**2023 Fair Value**	2022 Carrying amount	2022 Fair Value
Balances with the Central Bank	**20,995**	**20,995**	93,510	93,510
Cash and balances in hand	**79,844**	**79,844**	81,600	81,600
Cash and balances with other banks	**105,962**	**105,962**	98,711	98,711
Total liquidity reserve	**206,801**	**206,801**	273,821	273,821

Notes to the financial statements *(continued)*

34. Financial Risk Review and Management *(continued)*

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

In New Leones

	Encumbered		Unencumbered		
	Pledged as Collateral	**Other**	**Available as Collateral**	**Other***	**Total**
2023					
Cash and cash Equivalents	-	-	**206,801**	-	**206,801**
Loans and advances	-	-	**183,037**	-	**183,037**
Investment securities	-	-	**785,973**	-	**785,973**
Due from other banks	-	-	-	-	-
Other financial assets	-	-	-	-	-
Non-financial assets	-	-	-	-	-
Total assets		-	**1,175,811**	-	**1,175,811**
2022					
Cash and cash Equivalents	-	-	273,821	-	273,821
Loans and advances	-	-	147,450	-	147,450
Investment securities	-	-	726,777	-	726,777
Due from other banks	-	-	-	-	-
Other financial assets	-	-	-	-	-
Non-financial assets	-	-	-	-	-
Total assets	-	-	1,148,048	-	1,148,048

*Represent assets that are not restricted for use as collateral, but the Bank would not consider as readily available to secure funding the ordinary course of business.

Financial assets pledged as collateral

The total financial assets that had been pledged as collateral for liabilities at 31 December 2022 is shown in the preceding table. Financial assets are pledged as collateral as part of sales and repurchases, securities borrowing and securitisation transactions under terms that are usual and customary for such activities.

(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 separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios mainly are 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.

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

Notes to the financial statements *(continued)*

34. Financial Risk Review and Management *(continued)*

Exposure to market risks – trading portfolios

The principal tool used to measure and control market risk exposure within the Bank's trading portfolios are limits placed on open positions. Specified limits have been set for open positions which is 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 the Board. Open position is measured at least daily and more regularly for days of active trade. Regular reports of utilisation of open limits are submitted to the Board.

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 instruments 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 ALCO is the monitoring body for compliance with these limits.

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

In thousands of (New) Leones

		Market risk measures		
	Note	**Carrying Amount**	**Trading Portfolios**	**Non- trading portfolios**
31 December 2023				
Assets subject to market risk				
Cash and cash equivalents	*18*	**206,801**	**-**	**206,801**
Loans and advances to Customers	*19*	**183,037**	**183,037**	**-**
Investment securities	*20*	**785,973**	**-**	**785,973**
Liabilities subject to market risk				
Deposits	*25*	**690,035**	**-**	**690,035**
31 December 2022				
Assets subject to market risk				
Cash and cash equivalents	*18*	273,821	-	273,821
Loans and advances to Customers	*19*	147,450	147,450	-
Investment securities	*20*	726,777	726,777	-
Liabilities subject to market risk				
Deposits	*25*	656,290	-	656,290

Notes to the financial statements *(continued)*

34. Financial Risk Review and Management *(continued)*

(c) **Market risks** *(continued)*

In Thousands of (New) Leones

31 December 2023	**Note**	**Carrying Amount**	**Less than 3 months**	**3-6 months**	**6-12 months**	**1-5 years**	**More than 5 years**
		NLe	**NLe**	**NLe**	**NLe**	**NLe**	**NLe**
Cash and cash equivalents	*18*	**206,801**	**62,040**	**82,720**	**62,040**	**-**	**-**
Loans and advances to customers	*19*	**183,037**	**36,607**	**54,911**	**36,607**	**54,912**	**-**
Investment securities	20	**785,973**	**-**	**314,389**	**471,584**	**-**	**-**
		1,175,811	**98,647**	**452,020**	**570,232**	**54,912**	**-**
Deposits from customers	*25*	**(690,035)**	**(345,017)**	**(138,007)**	**(207,010)**	**-**	**-**
		(690,035)	**(345,017)**	**(138,007)**	**(207,010)**	**-**	**-**
Effects of derivatives held for risk Management		**485,776**	**(246,370)**	**314,013**	**363,222**	**54,912**	**-**
31 December 2022							
Cash and cash equivalents	*18*	625,807	625,807	-	-	-	-
Loans and advances to customers	*19*	147,450	26,541	32,439	36,863	51,608	-
Investment securities	*20*	726,777	-	436,066	290,711	-	-
		1,500,034	652,348	468,505	327,573	51,608	-
Deposits from customers	*25*	(656,720)	(808,747)	(219,521)	(579,661)	-	-
		(656,720)	(808,747)	(219,521)	(579,661)	-	-
Effects of derivatives held for risk management		843,314	(156,399)	248,984	(252,088)	51,608	-

Notes to the financial statements *(continued)*

34. Financial Risk Review and Management *(continued)*

(c) **Market risks** *(continued)*

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 standard and non-standard interest rate scenarios.

Standard scenarios that are considered on a monthly basis include a 2% basis point (bp) parallel fall or rise in market interest rates.

Overall non-trading interest rate risk positions are managed by Global Markets, which uses investment securities, advances to customer's deposits and derivative instruments to manage the overall position arising from the Bank's non-trading activities.

Exposure to other market risk – 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 by credit risk, but is not currently significant in relation to the overall results and financial position of the Bank.

Sensitivity of projected net interest income (Interest rate sensitivity analysis)

In thousands of (New) Leones	**200bp (2%) Increase 2023**	**200bp (2%) Decrease 2023**
Interest income impact	**3221**	**(3221)**
Interest expense impact	**(1,125)**	**1,125**
Net impact	**2,095**	**(2,095)**
In thousands of (New) Leones decrease	2022	2022
Interest income impact	2,085	(2,085)
Interest expense impact	(602)	602
Net impact	1,483	(1,483)

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 interest rate movement

In thousands of (New) Leones	**200 bp (2%) Increase**	**200bp (2%) Decrease**
31 December 2023		
Net (after tax) interest impact on retained earnings	**1,254**	**(1,254)**
	200 bp (2%) Increase	200bp (2%) Decrease
31 December 2022		
Net (after tax) interest impact on retained earnings	1,112	(1,112))

Notes to the financial statements *(continued)*

34. Financial Risk Review and Management *(continued)*

Concentrations of assets, liabilities and off financial position items

The table below summarizes the Bank exposure to foreign currency exchange rate at 31 December. Included in the table on the Bank's financial instrument carrying amounts; categorized by currency.

In thousands of (New) Leones

	Euro	US$	GBP	Others	Total
2023					
Cash and balances with the Bank	**8,665**	**89,782**	**2,772**	**105,581**	**206,801**
Treasury bills and other eligible bills	**-**	**-**	**-**	**785,973**	**785,973**
Other assets	**-**	**-**	**-**	**34,344**	**34,344**
Total assets	**8,665**	**89,782**	**2,772**	**925,898**	**1,027,118**
Liabilities					
Due to customer	-	**368,921**	**-**	**321,114**	**690,035**
Other liabilities	**-**	**-**	**-**	**21,077**	**21,077**
Deposits from banks	**-**	**-**	**-**	**348,768**	**348,768**
Total liabilities	**-**	**368,921**	**-**	**690,959**	**1,059,880**
Net on financial position	**8,665**	**(279,139)**	**2,772**	**234,939**	**(32,762)**

Notes to the financial statements *(continued)*

34. Financial Risk Review and Management *(continued)*

Concentrations of assets, liabilities and off financial position items

2023	NLe	Euro	USD	GBP	Others	Total
Cash and balances with the Bank	105,581	8,665	89,782	2,772	-	206,800
Treasury bills and other eligible bills	785,973	-	-	-		785,973
Loans and advances to customers	183,037	-	-	-	-	183,037
Property, plant and equipment	66,135	-	-	-	-	66,135
Current tax asset	1,455					1,455
Other assets	34,344	-	-	-	-	34,344
Intangible	6,770	-	-	-	-	6,770
Total assets	1,183,295	8,665	89,782	2,772	-	1,284,514
Deposit from customers	321,114	-	368,921	-	-	690,035
Other liabilities	21,077	-	-	-	-	21,077
Deposit from banks	690,959	-	-	-	-	690,959
Deferred tax liability	3,449	-	-	-	-	3,449
Total liabilities	1,036,599	-	368,921	-	-	1,405,520
Net on-financial position	146,696	8,665	(279,139)	2,772	-	(121,006)

Notes to the financial statements *(continued)*

34. Financial Risk Review and Management *(continued)*

Concentrations of assets, liabilities and off financial position items

2022	NLe	Euro	USD	GBP	Others	Total
Cash and balances with the Bank	191,675	5,476	68,455	8,215	-	273,821
Treasury bills and other eligible bills	726,777	-	-	-		726,777
Loans and advances to customers	147,450	-	-	-	-	147,450
Property, plant and equipment	54,798	-	-	-	-	54,798
Current tax asset	-					-
Other assets	28,828	-	-	-	-	28,828
Intangible	7,871	-	-	-	-	7,871
Total assets	1,157,399	5,476	68,455	8,215	-	1,239,545
Deposit from customers	-	-	297,100	-	-	297,100
Other liabilities	51,095	-	-	-	-	51,095
Deposit from banks	368,309	-	-	-	-	368,309
Deferred tax liability	-	-	-	-	-	-
Total liabilities	419,404	-	297,100	-	-	716,504
Net on-financial position	737,995	5,476	(228,645)	8,215	-	523,041

Notes to the financial statements *(continued)*

34. Financial Risk Review and Management *(continued)*

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

In thousands of (New) Leones

	Euro	US$	GBP	Others	Total
2023					
Cash and balances with the Bank	8,665	89,782	2,772	105,581	206,801
Treasury bills and other eligible bills	-	-	-	785,973	785,973
Other assets	-	-	-	34,344	34,344
Total assets	8,665	89,782	2,772	925,898	1,027,118
Liabilities					
Due to customer	-	368,921	-	321,114	690,035
Other liabilities	-	-	-	21,077	21,077
Deposits from banks	-	-	-	348,768	348,768
Total liabilities	-	368,921	-	690,959	1,059,880
Net on financial position	8,665	(279,139)	2,772	234,939	(32,762)
2022					
Cash and balances with the Bank	5,476	68,455	8,215	191,675	273,821
Investment securities	-	33,512	-	726,777	760,289
Other assets	-	-	-	28,828	28,828
Total assets	5,476	101,967	8,215	947,280	1,062,938
Liabilities					
Deposit from customers	-	297,100	-	359,190	656,290
Other liabilities	-	-	-	51,095	51,095
Deposits from banks	-	-	-	368,309	368,309
Total liabilities	-	297,100	-	778,594	1,075,694
Net on financial position	5,476	(195,133)	8,215	168,686	(12,756)

Notes to the financial statements *(continued)*

34. Financial Risk Review and Management *(continued)*

(d) Operational risks

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

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

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Bank. This responsibility is supported through the Bank's Operational Risk and Assurance Methodology Framework (ORAMF) in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risk 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 independent periodic reviews undertaken by the Head of Compliance. The results of internal audit reviews are discussed with the management of the Bank with summaries submitted to the senior management of the Bank.

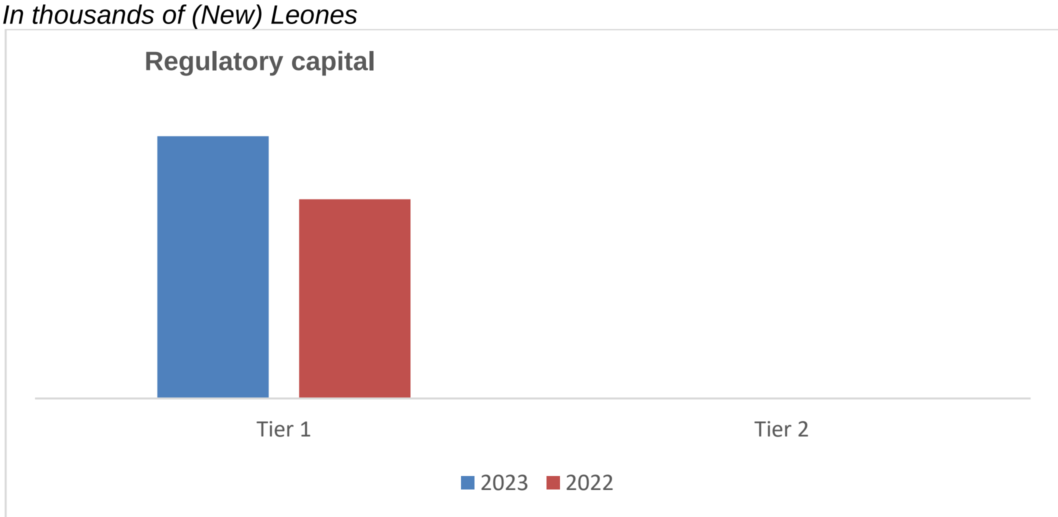
(e) Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transaction and trade. Settlement risk is the risk of loss due to the failure of a counterparty to honour its obligation to deliver cash securities or other assets as contractually agreed.

(f) Capital management

Regulatory capital

In thousands of (New) Leones



Notes to the financial statements *(continued)*

34. Financial Risk Review and Management *(continued)*

Bank of Sierra Leone sets and monitors capital requirements for banks as a whole.

In implementing the current capital requirements, 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 is analysed into two tiers:

Tier 1 capital, which includes ordinary share capital, retained earnings 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 qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale, asset revaluation reserves and high bond (debt equity's capital instruments).

Various limits are applied to elements of the capital base. The amount of innovative Tier 1 securities cannot exceed 15 percent of total Tier 1 capital; qualifying Tier 2 capital cannot exceed Tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of Tier 1 capital. There are also 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 the capital of Banks and certain other regulatory items.

(i) Regulatory capital

Banking operations are categorized as either trading book or non-trading book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and exposures not recognized in the statement of financial position.

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 not complied with all external imposed capital requirements throughout the year. There have been no material changes in the Bank's management of capital during the period.

(ii) Capital adequacy ratio

In accordance with Section 27 (4) of the Banking Act of Sierra Leone, the Bank is to maintain a capital adequacy ratio measured as a percentage of the capital base of the Bank to its risk weighted assets in line with regulations or directions, which the Central Bank may from time to time prescribe.

In thousands of (New) Leones	**2023**	2022
1. Tier 1 capital		
Issued capital	**89,561**	89,561
Retained profit	**62,695**	36,881
Statutory reserves	**67,698**	37,110
	219,954	163,552

Notes to the financial statements *(continued)*

34. Financial Risk Review and Management *(continued)*

2 Tier 2 capital

Collective impairment allowance*	**3,453**	830
Statutory loan loss reserve *	**-**	-
	3,453	830
Total capital base	**223,407**	164,382

*Restricted to a maximum of 1.25% of the risk weighted assets.

Risk weighted asset base

		2023		2022
	Amount	**Weighting %**	Weighted Amount	Weighted Amount
Foreign cash and Nostro balances	**21,192**	**20**	166,193	33,239
Advances (non - cash guaranteed)	**183,037**	**100**	147,450	147,450
Other assets	**34,344**	**100**	28,828	28,828
Fixed assets	**66,135**	**100**	54,798	54,798
Intangible assets	**6,770**	**100**	7,871	7,871
	311,478	**-**	405,140	272,186

Off balance sheet accounts

		2023		2022
	Amount	**Weighting %**	Weighted Amount	Weighted Amount
Performance bonds acceptances (cash securities)	**-**	**50%**	1,816	1,816
	-	**-**	1,816	1,816
Total	**311,478**	**-**	**-**	274,002
Capital adequacy ratio	**71.7%**	**-**	**-**	59.9%
Core capital ratio	**70.6%**	**-**	**-**	59.7%

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.

Notes to the financial statements *(continued)*

34. Financial Risk Review and Management *(continued)*

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

35. Fair value of financial instruments

See accounting policy in note 6(g)

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

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

(a) **Valuation models**

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

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

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

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

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

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

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation.

Notes to the financial statements *(continued)*

35. Fair value of financial instruments *(continued)*

Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps. 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.

(b) **Valuation framework**

The Bank has an established control framework with respect to the measurement of fair values. This framework includes a product control function, which is independent of front office management and reports to the Director of Finance, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- re-performance of model valuations
- a review and approval process for new models and changes to models involving both Product Control and Bank Market Risk;
- quarterly calibration and back-testing of models against observed market transactions;
- analysis and investigation of significant daily valuation movements; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month, by a committee of of the Bank

(c) **Financial instruments not measured at fair value – fair value hierarchy**

The following table analyses financial instruments not measured at fair value by the level in the fair value hierarchy into which each fair value measurement is categorized.

31 December 2023 **Assets** *In thousands of (New) Leones*	**Level 1**	**Level 2**	**Level 3**	**Total fair Values**	**Total carrying Amount**
Cash and cash equivalents	-	**206,801**	**-**	**206,801**	**206,801**
Loans and advances to Customers	-	**183,037**	**-**	**183,037**	**183,037**
Investment securities	-	**785,973**	**-**	**785,973**	**785,973**
Liabilities					
Deposits from customers	-	**690,035**	**-**	**690,035**	**690,035**

31 December 2022 **Assets** *In thousands of (New)Leones*	Level 1	Level 2	Level 3	Total fair Values	Total carrying Amount
Cash and cash Equivalents	-	273,821	-	273,821	273,821
Loans and advances to Customers	-	147,450	-	147,450	147,450
Investment securities	-	726,777	-	726,777	726,777
Liabilities					
Deposits from customers	-	**656,290**	**-**	**656,290**	**656,290**

Notes to the financial statements *(continued)*

35. Fair value of financial instruments *(continued)*

(c) **Financial instruments not measured at fair value – fair value hierarchy**

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, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral.

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 vintage, LTV ratios, the quality of collateral, product and borrower type, prepayment and delinquency rates, 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.

36. Standard issued but not yet adopted

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements for the year ended 31 December 2023 are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Topic	**Key Requirement**	**Effective for years ending**
Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (Amendments to /AS 1)	The amendments, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants.	Effective for the financial year commencing 1 January 2024
Supplier Finance Arrangements (Amendments to /AS 7 and IFRS 7)	The amendments introduce new disclosures relating to supplier finance arrangements that assist users of the financial statements to assess the effects of these arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk.	Effective for the financial year commencing 1 January 2024

37. Regulatory ratios

Key prudential guidance ratios of the Bank for the year ended 31 December.

Narration	**Bank of Sierra Leone Requirement**	**2023**	2022
Capital Adequacy Ratio	Should not be less than 15%	**71.7%**	59.9%
Loan to Deposit Ratio	Loan to deposit should not exceed 80%	**27%**	23%
Local Asset Ratio	Local assets to total liabilities should not be less than 75%	**165%**	107%%
Minimum Cash Reserve Ratio	Should not be less than 12% of total (local) deposit	**20%**	28.72%
Non - Performing Loan	Should not be more than 10%	**1%**	0.21%
Aggregate exposure	The Bank's exposures shall not exceed 300% of its capital base.	**100.79%**	122.88%
Local liquid assets	Total liquid assets should not be less than 60%	**82%**	76%