UNITED BANK FOR AFRICA LIBERIA LIMITED

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

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CORPORATE INFORMATION

Board of Directors	Dr. Eugene Shannon	Chairman
	Abiola Bawuah	Director
	Ebele Ogbue	Director
	Cllr. Cyril Jones	Director
	Dr. Wede Brownell	Director
	Angelique Weeks	Director
	Nkechi Arizor	Managing Director

Registered Office

United Bank for Africa (Liberia) Limited
P. O. Box 4523, Broad & Nelson Streets
Monrovia, Liberia

Independent Auditor

PricewaterhouseCoopers (Liberia) LLC
9th Street, Payne Avenue
Sinkor
1000 Monrovia 10, Liberia

Solicitor

Pierre, Tweh & Associates
Palm Hotel Building
P. O. Box 10-2536
Broad & Randall Streets
Monrovia, Liberia

Bankers

United Bank for Africa (PLC)
Citi Bank (London, England)
United Bank for Africa (New York)
Citi Bank (New York)
United Bank for Africa (Ghana)
Central Bank of Liberia

REPORT OF DIRECTORS

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

Directors' Responsibility Statement

The Bank's Directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes to the financial statements. These notes include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS), the requirements of the Business Corporation Act of the Associations Law (amended) 2020 and the New Financial Institutions Act of 1999.

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

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

Holding company

The Bank is a wholly owned subsidiary of United Bank for Africa Plc, a company incorporated in the Federal Republic of Nigeria.

Principal activities

The Bank's principal activities comprise corporate, commercial and consumer banking. There was no change in the nature of the Bank's business during the year.

Financial results

The highlights of the financial results of the Bank for the year ended December 31, 2020 are set out below:

	2020
	LR$'000
Profit after tax (attributable to equity holders)	510,664
to which is added the balance brought forward on retained earnings of	351,180
	861,844
out of which is transferred to the statutory reserve in accordance with the New Financial Institutions Act of 1999 an amount of	(127,666)
leaving a balance to be carried forward on the retained earnings of	734,178

REPORT OF THE DIRECTORS (continued)

Directors

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

Approval of the financial statements

The financial statements of the Bank were approved by the Board of Directors on June 21 2021 and signed on their behalf by:

By Order of the Board

Dr. Eugene Shannon
Chairman

Nkechi Arizor
Managing Director

CORPORATE GOVERNANCE REPORT

BOARD ASSET-LIABILITY/STRATEGY/FINANCE COMMITTEE (BASFC)

Name	Designation	Number of Meetings	Attendance
Angelique Weeks	Chairman	4	4
Nkechi Arizor	Member	4	4
Abiola Bawuah	Member	4	4

At least once a year, the Board is required to review the UBA Liberia's long-term plans and the principal issues that UBA Liberia will face in the future. This will be coordinated by the Board ALCO/Strategy/Finance & Governance Committee which may engage an Adviser to facilitate this role.

The BASFC committee is mandated to;

- formulate and shape the strategy of the Bank and make recommendations to the Board accordingly;
- conduct one (1) Board/Management/Key Shareholders Strategy retreat a year to formulate the strategy;
- review and approve the budget of the Bank within its limit and make recommendations to the Board for approvals above its limit;
- review and approve within its approved limits the annual Manpower plan for the Bank as part of the Budget approval process. The Manpower plan shall at a minimum include the vacancies, maximum levels, cost implication;
- monitor performance of the Bank against its budget;
- conduct quarterly business reviews with management and the Board;
- concur on compensation for Executives;
- approve compensation of MD/CEO with the concurrence of the Chairman of the Board.
- consider and approve expenses (including Donations, Sponsorships and Overseas Training) above the limits of Executive management and its organs as specified in the Expense Empowerment policy.
- consider and approve significant IT investments and expenditure.
- consider and approve extra budgetary expenditure (including Donations, Sponsorships and Overseas Training) above the limits of Executive management and its organs as specified in the Expense Empowerment policy.
- consider and approve income reversals, refunds of fraud losses on customer accounts and concessions on charges (non-credit related) above the limits of Executive Management and as specified in the Expense Empowerment policy;
- review the Assets and Liability Committee reports;
- develop and review a Board information system needed for the Board to carry out its oversight role;
- approve compensation and incentives policies for ED, DMD, MD/CEO;
- recommend the entitlements of Directors to the Board for approval.

CORPORATE GOVERNANCE REPORT (continued)

BOARD CREDIT COMMITTEE (BCC)

Name	Designation	Number of Meetings	Attendance
Abiola Bawuah	Chairman	4	4
Nkechi Arizor	Member	4	4
Ebele Ogbue	Member	4	4

The Board Credit Committee is mandated to;

- review and oversee the overall lending policy of the Bank;
- deliberate on and approve loan applications in excess of the defined limits for management;
- direct the formulation of, and review the credit principles and policies of the Bank;
- ensure that there are effective procedures and resources to identify and manage irregular problem credits, minimise credit losses and maximise recoveries;
- direct, monitor, review and consider all issues that may materially impact on the present and future quality of the Bank's credit risk management;
- delegate and review lending to the various levels of the Bank;
- review and recommend to the Board for approval, the Bank's credit policies and strategies;
- make credit decisions on behalf of the Board within its limits defined by the Bank's Credit Policy;
- review and recommend to the Board for approval the credit and lending policies, frameworks and procedures of the Bank and review delegated credit authorities for compliance;
- review and approve products that have credit and non- credit elements;
- approve credits above the limits of the Executive Credit Committee and subject to limits set by the credit policy and as approved by the Board;
- recommend credits above the Board BCC and BRMC limit to the Board for approval;
- periodically review the loan portfolio;
- review recommendations and approve subject to set limits write offs, loan restructures, loan/interest write offs, concessions and waivers in line with approved policies.

BOARD AUDIT COMMITTEE (BAC)

Name	Designation	Number of Meetings	Attendance
Dr. Wede Brownell	Chairman	4	4
Cyril Jones	Member	4	4
Angelique Weeks	Member	4	4

The Board Audit Committee is mandated to;

- review the integrity of the Bank's financial reporting and oversee the independence and objectivity of the external auditor;
- review and approve the annual audit plan, internal audit charter and make necessary changes to the plan, the adoption of which must be subject to the full Board's approval giving due relevance to the Committee's recommendation(s);
- review the performance of the head of internal audit annually, the overall internal audit function quarterly, as well as approve the remuneration of staff in the internal audit section or department, subject to final approval of the Board;
- make recommendations to the full board on the appointment, re-appointment and change of the external auditor;

CORPORATE GOVERNANCE REPORT (continued)

BOARD AUDIT COMMITTEE (BAC) (continued)

- approve the remuneration and terms of engagement of the external auditors;
- review the auditor's finding and bring key issues to the attention of the full Board and require management to report periodically on progress in addressing problems raised by the audits so that the board can ensure that the necessary corrective actions are implemented in a timely manner;
- monitor and assess the overall integrity of the financial statements and disclosures of the financial condition and results of operations of the Bank;
- monitor management's responsibilities to ensure that an effective system of financial and internal controls are in place;
- assist the Board in discharging its responsibilities on information technology (IT) as it relates to financial reporting and the status of the Bank as a going concern;
- monitor and evaluate on a regular basis the qualifications, independence and performance of the External Auditors and the Internal Audit and Control Department;

BOARD RISK MANAGEMENT COMMITTEE (BRMC)

Name	Designation	Number of Meetings	Attendance
Cyril Jones	Chairman	4	4
Wede Elliott-Brownell	Member	4	4
Ebele Ogbue	Member	4	4

The Board Risk Management Committee is mandated to;

- approve the annual risk management plan including a fraud risk plan for the Bank and oversee its implementation and monitor performance;
- ensure that risk assessments are performed on a continual basis and ensure that frameworks and methodologies are in place to increase the probability of anticipating unpredictable risks;
- monitor, review and assess the integrity and adequacy of the overall risk management framework of the Bank;
- set the bank's appetite and tolerance for risk and recommend risk limits within acceptable tolerance for the risk levels to the Board for approval;
- review and on a continuous basis update the risk management policies frameworks and procedures of the Bank subject to the approval of the Board;
- Review the sensitivity of the Bank's earnings to volatility in equity, credit, treasury and foreign exchange markets and make recommendations to the Board for approval.

CONTROL ENVIRONMENT

The Board has continued to place emphasis on risk management as an essential tool for achieving the Bank's objectives. Towards this end, it has ensured that the management has in place robust risk management policies and mechanisms to ensure identification of risk and effective control. The Board approves the annual budget for management and ensures that a robust budgetary process is operated with adequate authorisation levels put in place to regulate capital expenditure.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF UNITED BANK FOR AFRICA LIBERIA LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of United Bank for Africa Liberia Limited (the "Bank") as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the New Financial Institutions Act of 1999.

What we have audited

We have audited the financial statements of United Bank for Africa Liberia Limited for the year ended December 31, 2020.

The financial statements comprise:

the statement of financial position as at December 31, 2020;

the statement of comprehensive income for the year then ended;

the statement of changes in equity for the year then ended;

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.

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

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) issued by the International Ethics Standards Board for Accountants that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors are responsible for the other information. The other information comprises the Corporate Information, Report of the Directors and Corporate Governance Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Business Corporation Act of the Associations Law (amended) 2020 and the New Financial Institutions Act of 1999, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional 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;

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

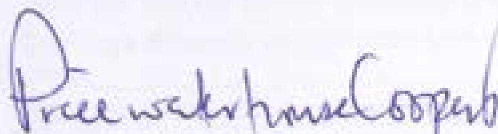
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with section 21(1)(a) of the New Financial Institutions Act of 1999, we hereby confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were required for the purposes of our audit; and

ii) the Bank's balance sheet (statement of financial position) and income statement (statement of comprehensive income) are properly drawn up so as to present a true and fair view of the state of the Bank's affairs according to the best of the information and the explanations given to us, and as shown by the books of the Bank.



PricewaterhouseCoopers
Certified Public Accountants
Monrovia, Liberia
June 25th, 2021

STATEMENT OF COMPREHENSIVE INCOME

(All amounts are in thousands of Liberian dollars)

	Note	Year ended December 31 2020	2019
Interest income	5	1,539,277	894,876
Interest expense	5	(224,326)	(152,786)
Net interest income		1,314,951	742,090
Fees and commission income	6	992,956	928,265
Net trading (expense)/income	7	(5,749)	18,403
Other operating income	8	200	62,353
Operating income		2,302,358	1,751,111
Impairment charge on financial assets	9	(223,263)	(91,359)
Personnel expenses	10	(543,765)	(489,172)
Depreciation and amortisation	11	(92,920)	(110,612)
Other operating expenses	12	(805,673)	(715,488)
Profit before income tax		636,737	344,480
Income tax expense	13	(126,073)	(85,566)
Profit after income tax		510,664	258,914
Other comprehensive income:			
Items that may not be reclassified to profit or loss			
Exchange difference on translation from US dollars to Liberian dollars		(141,300)	197,281
Total comprehensive income for the year		369,364	456,195
Basic earnings per share	24	0.452	0.229
Diluted earnings per share	24	0.452	0.229

The notes on pages 14 to 63 are an integral part of these financial statements.

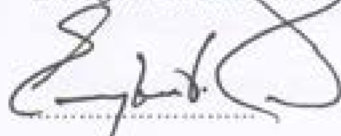
STATEMENT OF FINANCIAL POSITION

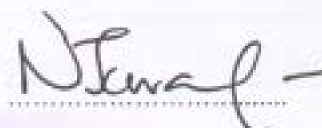
(All amounts are in thousands of Liberian dollars)

		At December 31	
	Note	2020	2019
Assets			
Cash and bank balances	14	**11,028,981**	8,659,375
Loans and advances to customers	15	**4,575,157**	4,876,968
Investment securities at amortised cost	16	**5,286,228**	4,493,743
Other assets	17	**2,574,824**	1,890,383
Property and equipment	18	**156,597**	193,016
Intangible assets	19	**478**	2,275
Deferred income tax assets	13	**18,817**	-
Right-of-use assets	20	**200,529**	41,083
Total assets		**23,841,611**	20,156,843
Liabilities			
Deposits from customers	21	**20,278,800**	16,167,121
Other liabilities	22	**346,994**	1,314,246
Current income tax liabilities	13	**160,138**	91,626
Deferred income tax liabilities	13	**-**	16,987
Lease liabilities	20	**155,706**	36,254
Total liabilities		**20,941,638**	17,626,234
Equity			
Share capital	23	**1,128,769**	1,128,769
Cumulative translation reserve	23	**724,424**	865,724
Statutory reserve	23	**312,602**	184,936
Retained earnings	23	**734,178**	351,180
Total equity		**2,899,973**	2,530,609
Total equity and liabilities		**23,841,611**	20,156,843

The notes on pages 14 to 63 are an integral part of these financial statements.

The financial statements on pages 10 to 63 were approved by the Board of Directors on June 21, 2021 and signed on their behalf by:





Dr. Eugene Shannon
Chairman

Nkechi Arizor
Managing Director

STATEMENT OF CHANGES IN EQUITY

(All amounts are in thousands of Liberian dollars)

Year ended December 31, 2020	Share capital	Cumulative translation reserve	Retained earnings	Statutory reserve	Total
At January 1	1,128,769	865,724	351,180	184,936	**2,530,609**
Profit for the year	-	-	510,664	-	**510,664**
Other comprehensive income					
Foreign currency translation	-	(141,300)	-	-	**(141,300)**
Total comprehensive income	-	**(141,300)**	**510,664**	-	**369,364**
Transfer to statutory reserve	-	-	(127,666)	127,666	-
At December 31	**1,128,769**	**724,424**	**734,178**	**312,602**	**2,899,973**
Year ended December 31, 2019					
At January 1	1,128,769	668,443	186,962	120,208	2,104,382
IFRS 9 transition adjustments:					
Increase in impairment provisioning	-	-	(29,968)	-	(29,968)
At January 1 (restated)	1,128,769	668,443	156,994	120,208	2,074,414
Profit for the year	-	-	258,914	-	258,914
Other comprehensive income					
Foreign currency translation	-	197,281	-	-	197,281
Total comprehensive income	-	197,281	258,914	-	456,195
Transfer to statutory reserve	-	-	(64,728)	64,728	-
At December 31	1,128,769	865,724	351,180	184,936	2,530,609

The notes on pages 14 to 63 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

(All amounts are in thousands of Liberian dollars)

	Note	Year ended December 31	
		2020	2019
Cash flows from operating activities			
Profit before tax		636,737	344,480
Adjustments for:			
Depreciation and amortisation	11	92,920	110,612
Interest expense on lease liabilities	20	13,373	1,814
Impact of IFRS 9 adoption	15	-	(29,968)
Exchange gain on lease liabilities	20	(23,710)	-
Changes in:			
Loans and advances to customers		301,811	(801,025)
Other assets		(706,691)	(1,335,109)
Deposits from customers		4,111,679	4,217,500
Other liabilities		(967,252)	358,495
Income tax paid	13	(93,365)	(28,323)
Net cash generated from operating activities		3,365,502	2,838,476
Cash flows from investing activities			
Purchase of property and equipment	18	(9,192)	(82,455)
Net purchase of investment securities maturing over 91 days	16	(3,160,991)	-
Purchase of intangible assets	19	(478)	(335)
Net cash outflow from investing activities		(3,170,661)	(82,790)
Cash flows from financing activities			
Finance lease payments	20	(52,441)	-
Net cash outflow from financing activities		(52,441)	-
Net increase in cash and cash equivalents		142,400	2,755,686
Effect of exchange rate fluctuations		(141,300)	197,281
Cash and cash equivalents at January 1	14	13,153,118	10,200,151
Cash and cash equivalents at December 31	14	13,154,218	13,153,118

The notes on pages 14 to 63 are an integral part of these financial statements.

NOTES

1. Reporting entity

United Bank for Africa (UBA) Liberia Limited ("the Bank") is a limited liability company domiciled in Liberia. The address of the Bank's registered office is P. O. Box 4523, Broad & Nelson Streets, Monrovia. The Bank is a subsidiary of United Bank for Africa (Plc). The Bank operates with a universal Banking license that allows it to undertake all banking and related service.

2. Summary of significant accounting policies

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

2.1 Basis of preparation and adoption of IFRS

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the New Financial Institutions Act (1999) and the Business Corporation Act of the Associations Law (amended) 2020. These financial statements have been prepared under the historical cost convention unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgment in the process of applying the Bank's accounting policies.

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Bank's functional currency is the United States Dollars while the presentation currency is the Liberian Dollars.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies.

(c) Use of estimates and judgments

The preparation of the financial statements requires the directors to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. These estimates have been disclosed in note 4 to the financial statements.

(d) Comparative figures

Where necessary, comparative figures within notes have been reclassified to conform to changes in presentation in the current year.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures

2.2.1 New and amended standards and interpretations adopted by the Bank

Amendment to IAS 1 and IAS 8

In October 2018, the IASB issued the definition of 'material'. The amendments are intended to clarify, modify and ensure that the definition of 'material' is consistent across all IFRS. In IAS 1 (Presentation of Financial Statements) and IAS 8 (*Accounting Policies, Changes in Accounting Estimates and Errors*), the revised definition of 'material' is quoted below:

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

The amendments laid emphasis on five (5) ways material information can be obscured. These include:

- If the language regarding a material item, transaction or other event is vague or unclear;
- If information regarding a material item, transaction or other event is scattered in different places in the financial statements;
- If dissimilar items, transactions or other events are inappropriately aggregated;
- If similar items, transactions or other events are inappropriately disaggregated; and
- If material information is hidden by immaterial information to the extent that it becomes unclear what information is material.

The Bank has taken into consideration the new definition in the preparation of its financial statements.

2.2.2 New and amended Standards not yet adopted by the Bank

The following standards have been issued or amended by the IASB but are yet to become effective for annual periods beginning on or after January 1, 2020.

The Bank has not applied the following new or amended standards in preparing these financial statements as it plans to adopt these standards at their respective effective dates. Commentaries on these new standards/amendments are provided below.

Amendment to IFRS 16 – Leases: COVID-19-Related Rent Concessions

In May 2020, the IASB amended IFRS 16 Leases to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment does not apply to lessors.

As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

2.2.2 New and amended Standards not yet adopted by the Bank (continued)

Amendment to IFRS 16 – Leases: COVID-19-Related Rent Concessions (continued)

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- There is no substantive change to other terms and conditions of the lease.

IFRS 17 - Insurance Contracts

The IASB issued IFRS 17 in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021. The new IFRS 17 standard establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

This standard does not impact the Bank in anyway as it does not engage in insurance contracts.

2.3 Foreign currency translation

Functional and presentation currency

Foreign currency transactions that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

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

- assets and liabilities are translated at the closing rate at the reporting date;
- income and expenses are translated at average exchange rates; and
- resulting exchange differences on non-monetary assets and liabilities are recognised in other comprehensive income.

NOTES (continued)

2. **Summary of significant accounting policies (continued)**

2.4 Interest income and interest expense

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

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, which appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

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

Interest income and expenses include interest on financial assets and liabilities at amortised cost on an effective interest rate basis. Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other charges in the fair value of trading assets and liabilities in net trading income.

2.5 Fees and commissions

Fees and commissions income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Fees and commissions include but not limited to;

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

Account servicing fees relate to income earned on current account services and related services. Commission on remittances 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.

Credit related fees and commission relate to establishment fees earned on loans and advances other than interest income. Other commissions and fees relate to income on import and export finance transactions, issuance of letters of credit, guarantees and other transactions not included in the other categories.

Fees and commission income, including account servicing fees, investment management fees, sales commissions, placement fees and syndication fees, are recognised as the related services are performed. Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

2.6 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.

NOTES (continued)

2. **Summary of significant accounting policies (continued)**

2.7 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the statement of financial position method, providing for 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 temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. 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 enacted or substantively enacted by the reporting date.

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

2.8 Financial assets and liabilities

a) Initial recognition and measurement of financial assets

Financial instruments are recognised initially when the Bank becomes a party to the contractual provisions of the instrument. Financial instruments carried at fair value through profit or loss are initially recognised at fair value with transaction costs, which are directly attributable to the acquisition or issue of the financial instruments, being recognised immediately through profit or loss. Financial instruments that are not carried at fair value through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments. Financial instruments are recognised or de-recognised on the date the Bank commits to purchase or sell the instrument (trade day accounting).

i. Regular-way purchases and sales of financial assets are recognised on the trade date. Financial assets, which include both debt and equity securities are measured at initial recognition at fair value, and are classified and subsequently measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortised cost. Subsequent classification and measurement for debt securities is based on the business model for managing the financial instruments and the contractual cash flow characteristics of the instruments.

ii. Debt instruments are measured at amortised cost if both of the following conditions are met and the asset is not designated as FVTPL:

- the asset is held within a business model that is Hold-to-Collect (HTC) as described below, and
- the contractual terms of the instrument give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

iii. Debt instruments are measured at FVOCI if both of the following conditions are met and the asset is not designated as FVTPL:

- the asset is held within a business model that is Hold-to-Collect-and-Sell (HTC&S) as described below, and
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI.

All other debt instruments are measured at FVTPL. The Bank has irrevocably elected to measure equity instruments at FVOCI as no equity instrument is held for trading purposes.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial assets and liabilities (continued)

a) Initial recognition and measurement of financial assets (continued)

Business model assessment

The Bank determines the business models at the level that best reflects how portfolios of financial assets are managed to achieve the Bank's business objectives. Judgment is used in determining the business models, which is supported by relevant, objective evidence including:

- How the economic activities of our businesses generate benefits, for example through trading revenue, enhancing yields or other costs and how such economic activities are evaluated and reported to key management personnel;
- The significant risks affecting the performance of the Bank's business, for example, market risk, credit risk, or other risks and the activities undertaken to manage those risks; and
- Historical and future expectations of sales of the loans or securities portfolios managed as part of a business model.

The Bank's business models fall into three categories, which are indicative of the key strategies used to generate returns:

- *Hold-to-Collect (HTC):* The objective of this business model is to hold financial assets to collect contractual principal and interest cash flows. Sales are incidental to this objective and are expected to be insignificant or infrequent.
- *Hold-to-Collect-and-Sell (HTC&S):* Both collecting contractual cash flows and sales are integral to achieving the objective of the business model.
- *Other fair value business models:* These business models are neither HTC nor HTC&S, and primarily represent business models where assets are held-for-trading or managed on a fair value basis.

Instruments held within the HTC or HTC&S business models are assessed to determine if their contractual cash flows are comprised of solely payments of principal and interest (SPPI). SPPI payments are those which would typically be expected from basic lending arrangements. Principal amounts include par repayments from lending and financing arrangements, and interest primarily relates to basic lending returns, including compensation for credit risk and the time value of money associated with the principal amount outstanding over a period of time. Interest can also include other basic lending risks and costs (for example, liquidity risk, servicing or administrative costs) associated with holding the financial asset for a period of time, and a profit margin.

Where the contractual terms introduce exposure to risk or variability of cash flows that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Fair value option

A financial instrument with a reliably measurable fair value can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option can be used for financial assets if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognising related gains and losses on a different basis (an "accounting mismatch"). The fair value option can be elected for financial liabilities if the election eliminates an accounting mismatch.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial assets and liabilities (continued)

a) Initial recognition and measurement of financial assets (continued)

Fair value option (continued)

Financial assets designated as FVTPL are recorded at fair value and any unrealised gains or losses arising due to changes in fair value are included in net trading and foreign exchange income.

Financial liabilities designated as FVTPL are recorded at fair value and fair value changes attributable to changes in the Bank's own credit risk are recorded in OCI. Own credit risk amounts recognised in OCI are not reclassified subsequently to net income. The remaining fair value changes not attributable to changes in the Bank's own credit risk are recorded in Other operating income. Upon initial recognition, if it is determined that presenting the effects of own credit risk changes in OCI would create or enlarge an accounting mismatch in net income, the full fair value change in debt securities designated as FVTPL is recognised in net income.

To make that determination, the Bank assesses whether to expect that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. Such an expectation is based on an economic relationship between the characteristics of the liability and the characteristics of the other financial instrument. The determination is made at initial recognition and is not reassessed. To determine the fair value adjustments on debt instruments designated at FVTPL, the Bank calculates the present value of the instruments based on the contractual cash flows over the term of the arrangement by using our effective funding rate at the beginning and end of the period.

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

b) Financial liabilities

The Bank recognises financial liabilities when it first becomes a party to the contractual rights and obligations in relevant contracts.

Under IFRS 9, financial liabilities are either classified as financial liabilities at amortised cost or financial liabilities at FVTPL. The Bank classifies its financial liabilities as measured at amortised cost, except for:

Financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. A financial liability is classified as held for trading if it is a part of a portfolio of specific financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Gains or losses from financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the Bank's own credit risk, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the Bank's credit risk are also presented in profit or loss.

Financial liabilities that are not classified at fair value through profit or loss are measured at amortised cost using the effective interest rate method. Financial liabilities measured at amortised cost are deposits from banks or customers, borrowings, and other financial liabilities.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial assets and liabilities (continued)

(c) Modifications of financial assets

The credit risk of a financial asset will not necessarily decrease merely as a result of a modification of the contractual cash flows. If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not de-recognised, the Bank assesses whether there has been a significant increase in the credit risk of the financial asset by comparing:

- the risk of a default occurring at the reporting date (based on the modified contractual terms); and
- the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

A modification will however lead to de-recognition of existing loan and recognition of a new loan i.e. substantial modification if the discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is at least ten per cent different from the discounted present value of the remaining cash flows of the original financial asset.

The following will be applicable to modified financial assets:

- the modification of a distressed asset is treated as an originated credit-impaired asset requiring recognition of lifetime ECL after modification.
- the cumulative changes in lifetime expected credit losses since initial recognition is recognised as a loss allowance for purchase or originated credit-impaired financial asset at the reporting date.
- the general impairment model does not apply to purchased or originated credit-impaired assets.

The following situations (qualitative) may however, not lead to a de-recognition of the loan:

- Change in financial asset's tenor (increase or decrease).
- Change in installment amount to higher or lower amount.
- Change in the annuity repayment pattern, for example, from monthly to quarterly, half-yearly or yearly.
- Change in the applicable financial asset fee.

Modification gain or loss is included as part of allowance for credit loss for each financial asset.

(d) De-recognition of financial instruments

The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when the Bank transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank may enter into transactions whereby it transfers assets, but retains either all risks or 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 de-recognised. In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it de-recognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, 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.

The Bank de-recognises a financial liability when its contractual obligations are discharged or cancelled or expire.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial assets and liabilities (continued)

e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the company or the counterparty.

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

f) Impairment of financial assets

In line with IFRS 9, the Bank assesses the under listed financial instruments for impairment using Expected Credit Loss (ECL) approach:

- Financial assets at amortised cost;
- Debt securities classified as at FVOCI;
- Off-balance sheet loan commitments; and
- Financial guarantee contracts.

Equity instruments and financial assets measured at FVTPL are not subjected to impairment under the standard.

g) Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holders for losses incur because specified debtors fail to make payments when due, in accordance with the terms of a debt instrument.

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

2.9 Loans

Loans are debt instruments recognised initially at fair value and are subsequently measured in accordance with the classification of financial assets policy provided above. Loans are carried at amortised cost using the effective interest method, which represents the gross carrying amount less allowance for credit losses.

Interest on loans is recognised in interest income using the effective interest method. The estimated future cash flows used in this calculation include those determined by the contractual term of the asset and all fees that are considered to be integral to the effective interest rate. Also included in this amount are transaction costs and all other premiums or discounts.

Fees that relate to activities such as originating, restructuring or renegotiating loans are deferred and recognised as Interest income over the expected term of such loans using the effective interest method. Where there is a reasonable expectation that a loan will be originated, commitment and standby fees are also recognised as interest income over the expected term of the resulting loans using the effective interest method. Otherwise, such fees are recorded as other liabilities and amortised into other operating income over the commitment or standby period.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.10 Cash and cash equivalents

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

2.11 Property and equipment

Recognition and measurement

Items of property and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is de-recognised or classified as held for sale in accordance with IFRS *5 Non-current Assets Held for Sale and Discontinued Operations*.

The estimated useful lives for the current and corresponding periods are as follows:

Leasehold improvement	Leased terms on a straight-line basis
Motor vehicles	20%
Equipment and furniture	20%

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates.

De-recognition

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

2.12 Intangible assets

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.12 Intangible assets (continued)

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

Amortization is recognised in profit or loss on a straight-line basis over the estimated useful life not exceeding five years, from the date that it is available for use. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each reporting date. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or methodology, as appropriate, which are then treated as changes in accounting estimates.

2.13 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

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

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

2.14 Deposits

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

2.15 Provisions

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

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

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from 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 recognises any impairment loss on the assets associated with that contract.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.16 Employee benefits

Short-term benefits

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

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

Defined contribution plans

The Bank pays contributions to the National Social Security and Welfare Corporation (NASSCORP) 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 when they are due. Prepaid contributions are recognised as assets to the extent that a cash refund or a reduction in the future payments is available.

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 possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the balance sheet date are discounted to present value.

Provident fund

The Bank also operates a provident fund scheme (Staff Investment Fund Account – SIFA), which by its nature is a defined contribution scheme to which it contributes 2% of employees basic salary in addition to the 2% contribution made by the employee themselves. The provident fund is administered by the Trustees to the fund under the rules of the fund. Employees receive their contributed benefits plus a portion or all of Management's contribution (based on the length of time they stay with the Bank) when they leave the services of the Bank.

2.17 Share capital and reserves

Ordinary shares

Ordinary shares are classified as 'share capital' in equity.

Share issue costs

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

Dividend on the Bank's ordinary shares

Dividends on the Bank's ordinary shares are recognised in equity when approved by the Bank's Board of Directors.

2.18 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.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.19 Leases

The Bank leased various offices, branches and other premises under non-cancellable lease arrangements. The lease typically ran for a period of up to five years with an option to renew the lease after that date.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on a rate, initially measured as at the commencement date;
- amounts expected to be payable by the Bank under residual value guarantees;
- the exercise price of a purchase option if the Bank is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Bank exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Bank, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Bank:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- makes adjustments specific to the lease, eg term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Bank is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Right-of-use buildings held by the Bank under IFRS 16 are not revalued.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise residential premises for management.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.19 Leases (continued)

The Bank's leasing activities and how these are accounted for under IFRS 16 (continued)

Extension and termination options are included in a number of property and equipment leases across the Bank. These are used to maximise operational flexibility in terms of managing the assets used in the Bank's operations. The majority of extension and termination options held are exercisable only by the Bank and not by the respective lessor.

3. FINANCIAL RISK MANAGEMENT

3.1 Introduction

The Bank's business involves taking on risk in a targeted manner and managing the consequences professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in market, products and best market practice.

The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. The Bank defines risk as the possibility of losses or profits forgone, which may be caused by internal or external factors.

The Bank has exposure to the following forms of risk from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

3.2 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework.

The Board of Directors is responsible for articulating the risk management policies of the Bank to enable informed decision making and approval, and establish/maintain an appropriate environment for risk management in the Bank. All UBA employees involved in the creation and management of risk exposures are required to comply at all times with the risk management policies, and procedures as approved. Compliance is monitored on an on-going basis by the Bank's Internal Audit Unit.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions, products and services offered.

3.3 Credit risk

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

The Board of Directors has delegated responsibility for the management of credit risk to its Board Credit Committee and Management Credit Committee.

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Credit risk (continued)

3.3.1 Management of credit risk

The Board Credit committee under delegated authority is responsible for the following:

- facilitating the effective management of credit risk by the Bank;
- approving credit risk management policies, underwriting guidelines and standard proposals on the recommendation of the Management Credit Committee ;
- approving definition of risk and return preferences and target risk portfolio;
  approving the bank's credit rating methodology and ensure its proper implementation;
- approving credit appetite and portfolio strategy;
- approving lending decisions and limit setting;
- approving new credit products and processes;
- approving assignment of credit approval authority on the recommendation of the Management Credit Committee;
- approving credit facility requests and proposals within limits defined by UBA Bank plc's credit authorities;
- recommending credit facility requests above stipulated limit to the board;
- reviewing credit risk reports on a periodic basis;
- approving credit exceptions in line with Board approval; and
- making recommendations to the Board on credit policy and strategy where appropriate.

The Management Credit Committee is responsible for managing credit risks in the Bank. The members of the Committee include all group heads and Head of Credit Risk. This Committee is responsible for the following:

- reviewing Credit Policy recommendations for Board approval;
- approving individual credit exposure in line with its approval limits;
- agreeing on portfolio plan/strategy for the Bank;
- reviewing monthly credit risk reports and remedial action plan; and
- coordinating the Bank's response to material events that may have an impact on the credit portfolio.

The Bank is required to implement credit policies and procedures, with credit approval authorities delegated from the Board Credit Committee.

3.3.2 Allowance for credit losses

An allowance for credit losses ("ACL") is established for all financial assets, except for financial assets classified or designated as FVTPL and equity securities, which are not subject to impairment assessment. Assets subject to impairment assessment include loans, overdrafts, debt securities and accrued interest receivable. These are carried at amortised cost and presented net of ACL on the statement of financial position. ACL on loans is presented in allowance for credit losses - loans and advances. ACL on debt securities measured at FVOCI is presented in profit or loss with the corresponding entry to other comprehensive income.

Off-balance sheet items subject to impairment assessment include financial guarantees and undrawn loan commitments. For all other off-balance sheet products subject to impairment assessment, ACL is separately calculated and included in other liabilities provisions.

The Credit Conversion Factor ("CCF") is used to determine the credit exposure equivalent of the off balance sheet exposure including the open or undrawn limits. The undrawn portion of the approved limit that would have been drawn at the time of default are converted to exposure at default ("EAD"), this is in addition to the other off-balance sheet exposures like bonds and guarantees, letters of credit etc.

In determining the CCF, the Bank considers the behavioral cash flows, collateral type and the collateral value securing the facility, time to discover and prevent further drawing during the time of increased credit risk, time lag to convert the collateral to cash, the recovery strategy and cost are also considered. CCF is applied on the off-balance sheets exposures to determine the EAD and then subsequently the expected credit loss ("ECL").

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Credit risk (continued)

3.3.2 Allowance for credit losses (continued)

The ACL is measured at each reporting date according to a three-stage expected credit loss impairment model which is based on changes in credit risk of financial assets since initial recognition.

Stage 1(Performing financial assets): From initial recognition of a financial asset to the reporting date, where the asset has not experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the 12 months following the reporting date. Interest income is calculated on the gross carrying amount of these financial assets.

Stage 2 (Underperforming financial assets): Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognised equal to the credit losses expected over the remaining lifetime of the asset. Interest income is calculated on the gross carrying amount of those financial assets.

Stage 3 (Impaired financial assets): When a financial asset is considered to be credit-impaired, a loss allowance is recognised equal to credit losses expected over the remaining lifetime of the asset. The Stage 3 expected credit loss impairment model is based on changes in credit quality since initial recognition. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

The ACL is a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon. For loan commitments, credit loss estimates consider the portion of the commitment that is expected to be drawn over the relevant time period. For financial guarantees, credit loss estimates are based on the expected payments required under the guarantee contract.

Increases or decreases in the required ACL attributable to purchases and new originations, de-recognitions or maturities, and re-measurements due to changes in loss expectations or stage migrations are recorded in Provision for credit losses. Write-offs and recoveries of amounts previously written off are recorded against ACL.

The ACL represents an unbiased estimate of expected credit losses on financial assets as at the balance sheet date. Judgment is required in making assumptions and estimations when calculating the ACL, including movements between the three stages and the application of forward looking information. The underlying assumptions and estimates may result in changes to the provisions from period to period that significantly affect our results of operations.

3.3.3 Measurement of expected credit losses

Expected credit losses are based on a range of possible outcomes and consider all available reasonable and supportable information including internal and external ratings, historical credit loss experience, and expectations about future cash flows. The measurement of expected credit losses is based primarily on the product of the instrument's probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") discounted to the reporting date. Stage 1 estimates project PD, LGD and EAD over a maximum period of twelve months while Stage 2 estimates project PD, LGD and EAD over the remaining lifetime of the instrument. Expected credit losses are discounted to the reporting period date using the effective interest rate.

PD is an estimate of the likelihood of default over a given time horizon, which are calculated based on statistical models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Credit risk (continued)

3.3.3 Measurement of expected credit losses (continued)

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. LGD estimates are recalibrated for different economic scenarios and, for lending, to reflect possible changes in the economies. They are calculated on a discounted cash flow basis using the effective interest rate as the discount.

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 including amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EAD includes the amount drawn, as well as 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 twelve month PD for financial assets for which credit risk has not significantly increased, 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 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.

However, for overdrafts and revolving facilities that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of parameters are carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include instrument type, date of initial recognition, credit risk gradings, industry categorization, collateral type, remaining term to maturity and past due information.

Significant increase in credit risk

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs, days past due information and a range of qualitative factors.

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 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 where the effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

The Bank considers that a significant increase in credit risk occurs no later than when an asset is more than thirty(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.

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Credit risk (continued)

3.3.3 Measurement of expected credit losses (continued)

Significant increase in credit risk (continued)

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 returns to being measured as twelve 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.

Generally, facilities with loss allowances being measured as life-time ECL not credit impaired (Stage 2) are monitored for a probationary period of ninety (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 twelve 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 twelve month ECL (Stage 1). The decrease in risk of default is a critical input for the staging of financial assets.

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 thirty (30) days past due; and
- there is no unwarranted volatility in loss allowance from transfers between twelve month PD (Stage 1) and lifetime PD (Stage 2).

Assessment of significant increase in credit risk

The assessment of significant increase in credit risk requires significant judgment. The Bank's process to assess changes in credit risk is based on the use quantitative and qualitative indicators. Instruments which are more than thirty days past due may be credit-impaired. There is a rebuttable presumption that the credit risk has increased significantly if contractual payments are more than thirty-days past due; this presumption is applied unless the Bank has reasonable and supportable information demonstrating that the credit risk has not increased significantly since initial recognition.

The assessment is generally performed at the instrument level and it is performed at least on quarterly basis. If any of the factors above indicate that a significant increase in credit risk has occurred, the instrument is moved from Stage 1 to Stage 2. The assessments for significant increases in credit risk since initial recognition and credit-impairment are performed independently at each reporting period. Assets can move in both directions through the stages of the impairment model. After a financial asset has migrated to Stage 2, if it is no longer considered that credit risk has significantly increased relative to initial recognition in a subsequent reporting period, it will move back to Stage 1 after ninety (90) days. Similarly, an asset that is in Stage 3 will move back to Stage 2 if it is no longer considered to be credit-impaired after ninety (90) days. An asset will not move back from Stage 3 to Stage 1 until after a minimum of 180 days, if it is no longer considered to be credit impaired.

For certain instruments with low credit risk as at the reporting date, it is presumed that credit risk has not increased significantly relative to initial recognition. Credit risk is considered to be low if the instrument has a low risk of default, and the borrower has the ability to fulfil their contractual obligations both in the near term and in the longer term, including periods of adverse changes in the economic or business environment.

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Credit risk (continued)

3.3.3 Measurement of expected credit losses (continued)

Expected life

For instruments in Stage 2 or Stage 3, loss allowances reflect expected credit losses over the expected remaining lifetime of the instruments. For most instruments, the expected life is limited to the remaining contractual life. An exemption is provided for certain instruments with the following characteristics:

- the instrument includes both a loan and undrawn commitment component;
- the Bank has the contractual ability to demand repayment and cancel the undrawn commitment; and
- the Bank's exposure to credit losses is not limited to the contractual notice period.

For products in scope of this exemption, the expected life may exceed the remaining contractual life and is the period over which exposure to credit losses is not mitigated by normal credit risk management actions. This period varies by product and risk category and is estimated based on the historical experience with similar exposures and consideration of credit risk management actions taken as part of regular credit review cycle. Products in scope of this exemption include overdraft balances and certain revolving lines of credit. Determining the instruments in scope for this exemption and estimating the appropriate remaining life based on our historical experience and credit risk mitigation practices requires significant judgment.

Use of forward-looking information

The measurement of expected credit losses for each stage and the assessment of significant increase in credit risk considers information about past events and current conditions as well as reasonable and supportable projections of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

The PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in the expected credit loss calculation includes a projection of all relevant macroeconomic variables applying scenario weights. Macroeconomic variables used in the expected credit loss models include GDP growth rate, foreign exchange rates, inflation and rate.

The estimation of expected credit losses in Stage 1 and Stage 2 are discounted probability-weighted estimates that considers a minimum of three future macroeconomic scenarios. The base case scenario is based on macroeconomic forecasts published by relevant government agencies. Upside and downside scenarios vary relative to our base case scenario based on reasonably possible alternative macroeconomic conditions. Additional and more severe downside scenarios are designed to capture material non-linearity of potential credit losses in portfolios. Scenario design, including the identification of additional downside scenarios, occurs at least on an annual basis and more frequently if conditions warrant.

Scenarios are designed to capture a wide range of possible outcomes and weighted according to the best estimate of the relative likelihood of the range of outcomes that each scenario represents. Scenario weights take into account historical frequency, current trends, and forward looking conditions and are updated on a quarterly basis. All scenarios considered are applied to all portfolios subject to expected credit losses with the same probabilities.

The assessment of significant increases in credit risk is based on changes in probability-weighted forward-looking lifetime PD as at the reporting date and days past due, using the same macroeconomic scenarios as the calculation of expected credit losses.

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Credit risk (continued)

3.3.3 Measurement of expected credit losses (continued)

Macroeconomic factors

The Bank relies on a broad range of forward- looking information as economic inputs, such as: GDP growth rate, foreign exchange rates, inflation rate, and risk free-rate. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgment.

The most significant period end assumptions used for the ECL estimate as at 31 December 2020 are set out below:

Scenario	Weight	GDP Growth	Inflation	Exchange rate
Base Case	50%	(3.24)%	9.5%	178.60
Upside	20 %	(2.92)%	8.55%	160.74
Downside	30 %	(3.56)%	10.45%	196.46

In 2020, weighting of any upside, downside and base case economic scenarios have been updated to reflect the adverse impact of COVID-19 on the economy, ascribing more weight to the downside scenario. Economic variable forecasts have also been updated in response to COVID-19; with key indicators being adjusted to reflect the impact of COVID-19 on the economy.

Sensitivity to macroeconomic factors

The changes to the expected credit loss allowance at 31 December 2020 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Bank's assumptions are set out below.

At 31 December 2020, an increase/decrease of 100 basis points on the estimated GDP growth rate would have resulted in a decrease/increase in post-tax profit of LRD 66,827 (2019: LRD 32,902).

At 31 December 2020, an increase/decrease of 100 basis points on the estimated inflation rate would have resulted in a decrease/increase in post-tax profit of LRD 52,831(2019: LRD 97,145).

At 31 December 2020, an increase/decrease of 100 basis points on the estimated policy rate would have resulted in a decrease/increase in post-tax profit of LRD 959,970 (2019: LRD 647,346).

Definition of default

A default is considered to have occurred with regard to a particular obligor when either or all of the following events have taken place.

- The Bank considers that the obligor is unlikely to pay its credit obligations in full, without recourse by the Bank to actions such as realizing security (if held).
- The obligor is past due more than 90 days on any material credit obligation to the Bank (principal or interest). Overdrafts will be considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than current outstanding.
- Interest payments equal to 90 days or more have been capitalised, rescheduled, rolled over into a new loan (except where facilities have been reclassified).

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Credit risk (continued)

3.3.3 Measurement of expected credit losses (continued)

Definition of default (continued)

The elements to be taken as indications of unlikeliness to pay include:

- The Bank sells the credit obligation at a material credit-related economic loss;
- The Bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, interest or (where relevant) fees; and
- The Bank has filed for the obligor's bankruptcy or a similar order in respect of the obligor's credit obligation to the Bank.

Credit-impaired financial assets (Stage 3)

Financial assets are assessed for credit-impairment at each balance sheet date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganisation, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the borrower or economic conditions that correlate with defaults.

A loan is considered for transfer from stage 2 to stage 1 where there is significant improvement in credit risk and from stage 3 to stage 2 (declassified) where the facility is no longer in default. Factors that are considered in such backward transitioning include the following: i) Declassification of the exposure by all the licensed private credit bureau or the credit risk management system; ii) Improvement of relevant credit risk drivers for an individual obligor (or pool of obligors); iii) Evidence of full repayment of principal or interest.

When a financial asset has been identified as credit-impaired, expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows, discounted at the instrument's original effective interest rate. For impaired financial assets with drawn and undrawn components, expected credit losses also reflect any credit losses related to the portion of the loan commitment that is expected to be drawn down over the remaining life of the instrument.

When a financial asset is credit-impaired, interest ceases to be recognised on the regular accrual basis, which accrues income based on the gross carrying amount of the asset. Rather, interest income is calculated by applying the original effective interest rate to the amortised cost of the asset, which is the gross carrying amount less the related ACL. Following impairment, interest income is recognised on the unwinding of the discount from the initial recognition of impairment.

NOTES (continued)
(All amounts are in thousands of Liberian dollars unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Credit risk (continued)

3.3.3 Measurement of expected credit losses (continued)

Write-off of loans

Loans and the related ACL are written-off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, they are generally written-off after receipt of any proceed from the realization of collateral. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-offs may occur earlier. Written-off loans are derecognised from the Bank's books. However, the Bank continues enforcement activities on all written-off loans until full recovery is achieved or such time when it is objectively evident that recovery is no longer feasible.

3.3.4 Credit risk exposures

The maximum exposure to credit risk before collateral held and other credit enhancements in respect of loans and advances to customers are:

(i) Credit risk exposures relating to On-Balance Sheet

Credit risk exposures relating to on-balance sheet assets are as follows:

Maximum Exposure	2020	2019
Classification		
Cash and bank balances:		
- Balances with the Central Bank of Liberia	**3,645,472**	3,525,938
- Balances held with other banks	**6,975,658**	4,313,218
Investment securities at amortised cost	**5,365,863**	4,493,743
Loans and advances to customers	**4,813,101**	5,040,697
Other assets (less prepayments)	**2,629,451**	1,737,128
Total	**23,429,545**	19,110,724

(ii) Credit risk exposures relating to Off-Balance Sheet

Credit risk exposures relating to off-balance sheet items are as follows:

Maximum exposure	2020	2019
Financial guarantees	**250,169**	1,528,493
Letters of credit	**-**	1,081,988
	250,169	2,610,481

NOTES (continued)
(All amounts are in thousands of Liberian dollars unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Credit risk (continued)

3.3.4 Credit risk exposures (continued)

The credit quality of financial asset is managed by the Bank using internal credit ratings. The Bank's credit exposures were categorised under IFRS 9 as follows:

- Stage 1 – At initial recognition and no significant increase in credit risk after initial recognition
- Stage 2 – Significant increase in credit risk since initial recognition
- Stage 3 – Credit impaired

The tables below show the credit quality by class of financial assets subject to impairment and the allowance for impairment losses held by the Bank against those assets

2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Bank balances	10,621,130	-	-	**10,621,130**
Loans and advances to customers	2,802,526	851,626	1,158,949	**4,813,101**
Investment securities	5,291,648	-	74,215	**5,365,863**
Other assets (less prepayments)	2,571,054	-	58,397	**2,629,451**
Gross balances	**21,286,358**	**851,626**	**1,291,561**	**23,429,545**
Expected credit loss provision	(178,652)	-	(197,324)	(375,976)
Carrying amount	**21,107,706**	**851,626**	**1,094,237**	**23,053,569**

2019	Stage 1	Stage 2	Stage 3	Total
Bank balances	7,839,156	-	-	7,839,156
Loans and advances to customers	4,753,688	-	287,009	5,040,697
Investment securities	4,493,743	-	-	4,493,743
Other assets (less prepayments)	1,737,128	-	-	1,737,128
Gross balances	18,823,715	-	287,009	19,110,724
Expected credit loss provision	(127,569)	-	(36,160)	(163,729)
Carrying amount	18,696,146	-	250,849	18,946,995

Country analysis

The following note incorporates the Banks' credit risk exposures per geographical concentrations of assets

(i) Credit risk exposures relating to On-Balance Sheet

December 31, 2020	**In Liberia**	**Outside Liberia**	**Total**
Assets			
Cash and bank balances	3,682,498	6,938,632	**10,621,130**
Loans and advances to customers	4,813,101	-	**4,813,101**
Investment securities	5,365,863	-	**5,365,863**
Other assets (less prepayments)	2,629,451	-	**2,629,451**
Gross balances	16,490,913	6,938,632	**23,429,545**
Expected credit loss provision	(375,976)	-	**(375,976)**
	16,114,937	**6,938,632**	**23,053,569**

NOTES (continued)
(All amounts are in thousands of Liberian dollars unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3.4 Credit risk exposures (continued)

Country analysis (continued)

(i) Credit risk exposures relating to On-Balance Sheet (continued)

December 31, 2019	In Liberia	Outside Liberia	Total
Assets			
Cash and bank balances	3,525,938	4,313,218	7,839,156
Loans and advances to customers	5,040,697	-	5,040,697
Investment securities	4,493,743	-	4,493,743
Other assets (less prepayments)	1,737,128	-	1,737,128
Gross balances	14,797,506	4,313,218	19,110,724
Expected credit loss provision	(163,729)	-	(163,729)
	14,633,777	4,313,218	18,946,995

(ii) Credit risk exposures relating to Off-Balance Sheet

Credit risk exposure relating to off-balance sheet items are as follows:

At December 31 2020	**Liberia**	**Outside Africa**	**Total**
Financial guarantees	**250,169**	-	**250,169**

At December 31 2019	Liberia	Outside Africa	Total
Financial guarantees	1,528,493	-	1,528,493
Letters of credit	1,081,988	-	1,081,988
	2,610,481	-	2,610,481

3.3.5 Loans and advances to customers

Loans and advances are summarised as follows:

Analysis per loan type	**2020**	2019
Loans	**3,140,446**	2,504,155
Overdrafts	**1,672,655**	2,536,542
Gross loans and advances	**4,813,101**	5,040,697
Allowances for impairment	**(237,944)**	(163,729)
	4,575,157	4,876,968

NOTES (continued)
(All amounts are in thousands of Liberian dollars unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3.5 Loans and advances (continued)

Additional disclosures of loans and advances as per the Central Bank of Liberia prudential regulations are as follows:

Gross loans and advances to customers:

Analysis by:	2020	2019
TYPE		
Term loans	2,184,253	2,504,155
Overdrafts	1,469,899	2,235,802
Past due loans	1,158,949	300,740
Total Gross Loans	4,813,101	5,040,697
RISK GRADE		
Current	2,802,526	4,739,957
OLEM	851,627	-
Substandard	14,565	264,516
Doubtful	682,851	23,624
Loss	461,532	12,600
Total Gross Loans	4,813,101	5,040,697
CUSTOMER		
Individual	662,768	928,596
Private Corporation & Business	2,905,310	48,418
Central and other level of Government	1,245,023	4,063,683
Total Gross Loans	4,813,101	5,040,697
SECTOR		
Agriculture, Fishery & Forestry	155,096	178,635
Construction	14,811	16,905
Communication	775,544	992,751
Transportation	2,053	3,390
Oil & Gas	855,246	1,007,326
Government of Liberia	1,265,855	625,746
Others	1,744,496	2,215,944
Total Gross Loans	4,813,101	5,040,697

NOTES (continued)
(All amounts are in thousands of Liberian dollars unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities settled by delivering cash or other financial assets.

Management of liquidity risk

The Bank's approach to managing liquidity risk 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 risk damage to the Bank's reputation. Cash Management Center (CMC) receives information from the various branches regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. CMC then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the bank as a whole. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and severe market conditions. All liquidity policies and procedures are subjected to review and approval by ALCO. The Bank relies on deposits from customers and other Banks, as its primary sources of funding.

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, liquid assets are considered as including cash and cash equivalents including investment securities for which there is an active and liquid market. Details of the reported Bank percentage of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

	2020	2019
	%	%
At December 31	**65**	83
Average for the period	**75**	87
Maximum for the period	**88**	95
Minimum for the period	**72**	79

NOTES (continued)
(All amounts are in thousands of Liberian dollars unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Liquidity risk (continued)

The following table shows the undiscounted cash flows on the Bank's financial assets and liabilities and on the basis of their earliest possible contractual maturity.

December 31, 2020

	Carrying amount	Gross Nominal	0 to 3 Months	3 to 6 months	6 to 12 months	Over 12 Months
Financial assets						
Cash and bank balances	11,028,981	11,028,981	11,028,981	-	-	-
Loans and advances to customers	4,575,157	4,813,101	189,769	165	1,674,245	2,948,922
Investment securities	5,286,228	5,365,863	1,100,000	1,000,000	826,300	2,439,563
Other assets (less prepayments)	2,574,824	2,603,549	982,313	5,794	1,483,951	131,491
Total financial assets held for managing liquidity risk	**23,465,190**	**23,811,494**	**13,301,063**	**1,005,959**	**3,984,496**	**5,519,976**
Deposits from customers	20,278,800	20,443,183	19,599,336	-	843,847	-
Lease liabilities	155,706	155,706	45,766	25,008	1,287	83,645
Other liabilities	290,717	290,717	290,717	-	-	-
Total financial liabilities	**20,725,223**	**20,889,606**	**19,935,819**	**25,008**	**845,134**	**83,645**
Gap (asset - liabilities)	**2,739,967**	**2,921,888**	**(6,634,756)**	**980,951**	**3,139,362**	**5,436,331**

NOTES (continued)
(All amounts are in thousands of Liberian dollars unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Liquidity risk (continued)

December 31, 2019	Carrying amount	Gross Nominal	0 to 3 Months	3 to 6 months	6 to 12 months	Over 12 Months
Financial assets						
Cash and bank balances	8,659,375	8,659,375	8,659,375	-	-	-
Loans and advances to customers	4,876,968	5,040,697	2,809,631	348,596	185,406	1,697,064
Investment securities	4,493,743	4,493,743	350,357	300,144	1,511,555	2,331,687
Other assets (less prepayments)	1,737,128	1,737,128	1,153,529	22,752	153,255	407,592
Total financial assets held for managing liquidity risk	19,767,214	19,930,943	12,972,892	671,492	1,850,216	4,436,343
Deposits from customers	16,167,121	16,519,829	14,785,164	-	1,734,665	-
Lease liabilities	36,254	36,254	24,600	-	11,654	-
Other liabilities	1,194,816	1,194,816	1,194,816		-	-
Total financial liabilities	17,398,191	17,750,899	16,004,580	-	1,746,319	-
Gap (asset - liabilities)	2,369,023	2,180,044	(3,031,688)	671,492	103,897	4,436,343

NOTES (continued)
(All amounts are in thousands of Liberian dollars unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.5 Market risk

Market risk is the risk that changes in market prices, such as interest rates, 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 optimising the return on risk.

Management of market risk

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios are mainly 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. Accordingly, the foreign exchange position is treated as part of the Bank's trading portfolios for risk management purposes.

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

Overall responsibility for management of market risk rests with the Assets and Liability Committee (ALCO). The risk department is responsible for the development of detailed market risk management policies (subject to review and approval by ALCO) and for the day to day implementation of those policies. The Board Sub-Committee on Risk Management has oversight responsibility for market risk management.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing and value at risk that may be undertaken, which is monitored daily by the Bank's Treasury.

Interest rates on advances to customers and other risk assets are based on the individual risk profile of the customer, taking into account the Bank's cost of fund.

The Asset and Liability Committee closely monitors the interest rate trends to minimise the potential adverse impact of interest rate changes.

NOTES (continued)
(All amounts are in thousands of Liberian dollars unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.5 Market risk (continued)

Interest rate risk (continued)

The table below summarises the exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

December 31, 2020	Up to 3 months	3-6 months	6-12 months	Over 1 year	Non-interest bearing	Total
Cash and bank balances	11,028,981	-	-	-	-	11,028,981
Loans and advances	189,769	353,452	1,674,245	2,357,691	-	4,575,157
Investment securities	1,100,000	1,000,000	826,300	2,359,928	-	5,286,228
Other assets	-	-	-	-	2,574,824	2,574,824
Total financial assets	**12,318,750**	**1,353,452**	**2,500,545**	**4,717,619**	**2,574,824**	**23,465,190**
Deposits from customers	13,474,092	-	679,464	6,125,244	-	20,278,800
Lease liabilities	45,766	25,008	1,287	83,645	-	155,706
Other liabilities	-	-	-	-	290,717	290,717
Total financial liabilities	**13,519,858**	**25,008**	**680,751**	**6,208,889**	**290,717**	**20,725,223**
Interest rate sensitivity gap	**(1,201,108)**	**1,328,444**	**1,819,794**	**(1,491,270)**	**2,284,107**	**2,739,967**

NOTES (continued)
(All amounts are in thousands of Liberian dollars unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.5 Market risk (continued)

Interest rate risk (continued)

December 31, 2019	Up to 3 months	3-6 months	6-12 months	Over I year	Non-interest bearing	Total
Cash and bank balances	8,659,375	-	-	-	-	8,659,375
Loans and advances	2,809,631	348,596	185,406	1,533,335	-	4,876,968
Investment securities	350,357	300,144	1,511,555	2,331,687	-	4,493,743
Other assets	-	-	-	-	1,737,128	1,737,128
Total financial assets	11,819,363	648,740	1,696,961	3,865,022	1,737,128	19,767,214
Deposits from customers	9,187,926	-	1,381,957	5,597,238	-	16,167,121
Lease liabilities	24,600	-	11,654	-	-	36,254
Other liabilities	-	-	-	-	1,194,816	1,194,816
Total financial liabilities	9,212,526	-	1,393,611	5,597,238	1,194,816	17,398,191
Interest rate sensitivity gap	2,606,837	648,740	303,350	(1,732,216)	542,312	2,369,023

NOTES (continued)
(All amounts are in thousands of Liberian dollars unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.6 Operational risks

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

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 by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions; requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements; and
- 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; and
- risk mitigation, including insurance where this is effective.

Compliance with Bank standards is supported by a program of periodic reviews undertaken by internal audit. The results of the internal audit reviews are discussed with the management of the Bank.

3.7 Capital management

Regulatory capital

The Bank's Regulator, Central Bank of Liberia sets and monitors capital requirements for the Bank as a whole. In implementing current capital requirements, CBL 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, share premium, retained earnings, statutory reserves and other distributable and legal reserve.
- **Tier 2 capital**, includes the fair value reserve relating to unrealized gains on equity instruments classified as available-for-sale.

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

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised. The Bank recognises 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.

NOTES (continued)
(All amounts are in thousands of Liberian dollars unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.7 Capital management (continued)

Capital adequacy ratio

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base. In accordance with section 15 of the New Financial Institutions Act (FIA) 1999, the Bank must maintain a minimum ratio of 10%.

At December 31 2020

ASSETS	Weight	AMOUNT	VALUE
Cash	0%	7,383,509	-
Due from CBL	0%	3,645,472	-
Performing GOL securities	0%	5,286,228	-
Fully secured claims	0%	-	-
Eligible claims on public	0%	-	-
Eligible claims on banks	50%	-	-
Eligible claims on banks	100%	-	-
Retail exposures	75%	2,098,512	1,573,884
Eligible claims on corporates	100%	1,382,524	1,382,524
Eligible past due exposure	100%	1,094,121	1,094,121
Other exposures	100%	2,594,119	2,594,119
Fixed assets	100%	357,126	357,126
		23,841,611	**7,001,774**
Off balance sheet exposures			
Performance bonds, bid bonds and warranties	50%	250,169	125,085
Documentary letters of credit	20%	-	-
		250,169	**125,085**
TOTAL RISK WEIGHTED ASSETS			**7,126,859**
Core capital			
Share capital			1,128,769
Statutory reserves			312,602
Retained earnings			734,178
Other distributable and legal reserves			724,424
Total core capital			**2,899,973**
Deductions from Tier One (1) Capital:			
Intangible assets			(478)
Total qualifying Tier one (1) Capital			**2,899,495**
Total Tier Two (2) Capital			-
Total Qualifying Capital (Qualifying Tier 1 + Tier 2)			**2,899,495**
CAPITAL ADEQUACY RATIO			**40.69%**

NOTES (continued)
(All amounts are in thousands of Liberian dollars unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.7 Capital management (continued)

Capital adequacy ratio (continued)

At December 31 2019

ASSETS	Weight	AMOUNT	VALUE
Cash	0%	5,133,438	-
Due from CBL	0%	3,525,937	-
Performing GOL securities	0%	4,493,743	-
Fully secured claims	0%	-	-
Eligible claims on public	0%	-	-
Eligible claims on banks	50%	-	-
Eligible claims on banks	100%	-	-
Retail exposures	75%	654,675	491,006
Eligible claims on corporates	100%	3,971,444	3,971,444
Eligible past due exposure	100%	250,849	250,849
Other exposures	100%	1,892,658	1,892,658
Fixed assets	100%	234,099	234,099
		20,156,843	**6,840,056**
Off balance sheet exposures			
Performance bonds, bid bonds and warranties	50%	1,528,493	764,247
Documentary letters of credit	20%	1,081,988	216,398
		2,610,481	**980,645**
TOTAL RISK WEIGHTED ASSETS			**7,820,701**
Core capital			
Share capital			1,128,769
Statutory reserves			184,936
Retained earnings			351,180
Other distributable and legal reserves			865,724
Total core capital			**2,530,609**
Deductions from Tier One (1) Capital:			
Intangible assets			(2,275)
Total qualifying Tier one (1) Capital			**2,528,334**
Total Tier Two (2) Capital			-
Total Qualifying Capital (Qualifying Tier 1 + Tier 2)			**2,528,334**
CAPITAL ADEQUACY RATIO			**32%**

NOTES (continued)
(All amounts are in thousands of Liberian dollars unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.7 Capital management (continued)

Capital adequacy ratio (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.

3.10 Fair values of financial instruments

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 judgment 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 and other valuation models. Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, credit spreads and other premium used in estimating discount rates and foreign currency exchange rates 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 judgment and estimation.

Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

NOTES (continued)
(All amounts are in thousands of Liberian dollars unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.8 Fair values of financial instruments(continued)

(b) Financial instruments measured at fair value – fair value hierarchy

At the reporting date, there were no financial assets measured at fair value.

(c) Financial instruments not measured at fair value

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

	Note	Level 2 2020	Level 3 2020	Level 2 2019	Level 3 2019
Assets					
Cash and cash equivalents	14	11,028,981	-	8,659,375	-
Loans and advances to customers	15	4,247,976	-	4,600,913	-
Investment securities	16	4,987,008		4,239,380	-
Other assets	17	2,574,824	-	1,890,383	-
		22,838,789	-	19,390,051	-
Liabilities					
Deposits from customers	21	20,278,800	-	16,167,121	-
Other liabilities	22	290,717	-	1,194,816	-
		20,569,517	-	17,361,937	-

4. Critical accounting estimates and judgments

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and directors' judgements for certain items are especially critical for the Bank's results and financial situation due to their materiality.

(i) Expected credit loss measurement

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and Fair value through Other Comprehensive Income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios and the associated ECL.

Refer to Note 3.3.2 for further details on these estimates and judgments.

NOTES (continued)
(All amounts are in thousands of Liberian dollars unless otherwise stated)

4. Critical accounting estimates and judgments (continued)

(ii) Hold to collect financial assets

The Bank classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as hold to collect. This classification requires significant judgement. In making this judgement, the Bank uses the Business model and Solely for Payment of Principal and Interest (SPPI) model to assess that the purpose for holding these assets was to collect the contractual cash flows associated with the assets. If the Bank were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Bank is required to reclassify the entire category as hold to collect and sell. Accordingly, the investments would be measured at fair value instead of amortised cost.

(iii) Income tax

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

(iv) Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).generating units, remaining useful lives of assets, projected cash flows and net realizable values. Management's judgment is also required when assessing whether a previously recognised impairment loss should be reversed.

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Bank is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Bank is typically reasonably certain to extend (or not terminate).

Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

NOTES (continued)

(All amounts are in thousands of Liberian dollars unless otherwise stated)

	2020	2019
5. Interest income		
Cash and bank balances	394,010	249,329
Loans and advances tb customers	496,570	369,607
Investment securities	648,697	275,940
	1,539,277	894,876
Interest expense		
Deposits from customers	210,953	150,972
Interest on lease liabilities	13,373	1,814
	224,326	152,786
Net interest income	1,314,951	742,090
6. Fee and commission income		
Trade finance and other fees	45,655	46,078
Account service fees	68,372	56,606
Loan related fees	878,929	825,581
	992,956	928,265
7. Net trading (expense)/income		
Foreign exchange (loss)/gain	(5,749)	18,403
8. Other operating income		
Miscellaneous income	200	62,353
9. Impairment charge on financial assets		
Loans and advances to customers	74,215	91,359
Other assets	58,397	-
Off-balance sheet exposures	11,016	-
Investment securities	79,635	-
	223,263	91,359
10. Personnel expenses		
Basic salaries	454,112	416,550
Pension scheme	34,608	29,561
Allowances	54,424	42,888
Staff training	621	173
	543,765	489,172

NOTES (continued)
(All amounts are in thousands of Liberian dollars unless otherwise stated)

		2020	2019
11.	**Depreciation and amortisation**		
	Property and equipment (Note 18)	67,861	76,365
	Intangible assets (Note 19)	2,275	4,086
	Right-of-use assets (Note 20)	22,784	30,161
		92,920	110,612
12.	**Other operating expenses**		
	Repair and maintenance	30,932	68,969
	Audit fees	11,979	7,435
	Legal and professional expenses	5,291	6,668
	Licenses, subscription and registration	22,723	11,957
	Link expenses and computer expenses	60,862	56,529
	Travel costs	10,578	29,918
	Stationery and publication	8,979	13,197
	Business promotion, advertising and marketing	15,005	18,334
	Fuel, gas and water	11,037	10,148
	Directors' expenses	32,258	29,227
	Insurance	29,023	24,943
	Bank charges	39,860	2,230
	Expenses relating to short term leases	19,125	35,801
	Others	508,021	400,132
		805,673	715,488

13. Income taxes

Income tax expense	2020	2019
Current income tax charge	161,877	90,375
Deferred income tax credit	(35,804)	(4,809)
	126,073	85,566

In line with the Liberia Revenue Code 2000 (as amended), tax is assessed at the higher of 2% of revenues and 25% of taxable profit. The tax on the Bank's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

Reconciliation of effective tax rate

	2020	2019
Profit before income tax	636,737	344,480
Tax calculated at the statutory income tax rate of 25% (2019: 25%)	159,184	86,120
Tax effects of:		
Income not subject to tax	(30,813)	-
Tax incentives	(2,298)	(554)
Total income tax expense	126,073	85,566

NOTES (continued)
(All amounts are in thousands of Liberian dollars unless otherwise stated)

13. Income taxes (continued)

Current income tax

Year of assessment	At January 1	Charge for the year	Payments during the year	At December 31
Up to 2019	91,626	-	-	**91,626**
2020	-	161,877	(93,365)	**68,512**
Balance at 31 December	**91,626**	**161,877**	**(93,365)**	**160,138**
Up to 2018	29,574	-	-	29,574
2019	-	90,375	(28,323)	62,052
Balance at 31 December	29,574	90,375	(28,323)	91,626

Deferred income tax

	2020	2019
Balance at January 1	**16,987**	21,796
Credited to profit or loss	**(35,804)**	(4,809)
Balance at 31 December	**(18,817)**	16,987

Deferred tax assets and liabilities are attributable to the following:

Year ended December 31, 2020	At January 1	Charge/(credit)	**At December 31**
Accelerated capital allowance	16,987	(26,035)	**(9,048)**
Unrealised exchange losses	-	1,437	**1,437**
Leases	-	(11,206)	**(11,206)**
	16,987	**(35,804)**	**(18,817)**

Year ended December 31, 2019	At 1 January	Charge/(credit)	At December 31
Accelerated capital allowance	21,796	(4,809)	16,987

NOTES (continued)
(All amounts are in thousands of Liberian dollars unless otherwise stated)

	2020	2019
14. Cash and bank balances		
Cash in hand	407,851	820,219
Balances with the Central Bank of Liberia	3,645,472	3,525,938
Balances with other banks	6,975,658	4,313,218
	11,028,981	8,659,375

The above balances are available for use by the Bank as there are no withdrawal restrictions on such monies.

For the purpose of the statement of cash flows, cash and cash equivalents comprise;

	2020	2019
Cash and bank balances	11,028,981	8,659,375
Treasury bills maturing within 3 months of acquisition (Note 16)	2,125,237	4,493,743
	13,154,218	13,153,118

15. Loans and advances to customers

	2020	2019
Individual and private loans	621,461	928,596
Staff loans	37,655	48,418
Public enterprises	4,153,985	4,063,683
Gross loans and advances	4,813,101	5,040,697
Allowances for impairment	(237,944)	(163,729)
Net loans and advances	4,575,157	4,876,968
Current	2,217,466	3,343,633
Non-current	2,357,691	1,533,335
	4,575,157	4,876,968

Allowance for impairment

The movement in impairment allowance is as follows:

	2020	2019
At January, 1	163,729	50,920
Impact of IFRS 9 adoption	-	29,968
Recoveries	-	(8,518)
Charge for the year	74,215	91,359
At December, 31	237,944	163,729
12 months ECL	173,116	82,854
Lifetime ECL not credit impaired	-	39,667
Lifetime ECL credit impaired	64,828	41,208
	237,944	163,729

NOTES (continued)
(All amounts are in thousands of Liberian dollars unless otherwise stated)

16. Investment securities

	2020	2019
Gross amount	5,365,863	4,493,743
Impairment allowance	(79,635)	-
Carrying amount	5,286,228	4,493,743
Investment securities comprise of:		
Treasury bills maturing within 91 days	2,125,237	4,493,743
Treasury bills maturing above 91 days	3,160,991	-
	5,286,228	4,493,743
Current	2,926,300	2,162,056
Non-current	2,359,928	2,331,687
	5,286,228	4,493,743

Treasury bills are debt securities issued by the Government of Liberia through the Central Bank of Liberia.

17. Other assets

	2020	2019
Prepaid expenses	3,770	153,255
Sundry receivable	2,604,576	1,399,072
Other receivable	24,875	338,056
Gross amount	2,633,221	1,890,383
Impairment allowance	(58,397)	-
Net carrying amount	2,574,824	1,890,383

Included in sundry receivable is an amount of LRD 1,351,578 (2019: LRD 856,672) due from telecommunication providers in respect of mobile money services rendered to their subscribers.

NOTES (continued)
(All amounts are in thousands of Liberian dollars unless otherwise stated)

18. Property and equipment

Year ended December 31 2020	Leasehold Improvement	Motor vehicles	Equipment & furniture	Work in progress	Total
Cost:					
At start of year	184,740	73,272	328,174	-	586,186
Additions	-	-	9,192	-	9,192
Reclassification from other assets	-	-	-	22,250	22,250
At end of year	**184,740**	**73,272**	**337,366**	**22,250**	**617,628**
Accumulated depreciation					
At start of year	73,434	68,930	250,806	-	393,170
Charge for the year	15,513	4,342	48,006	-	67,861
At end of year	**88,947**	**73,272**	**298,812**	-	**461,031**
Net book amount	**95,793**	-	**38,554**	**22,250**	**156,597**

18. Property and equipment (continued)

Year ended December 31 2019	Leasehold Improvement	Motor vehicles	Equipment & furniture	Work in progress	Total
Cost:					
At start of year	173,130	73,272	257,329	-	503,731
Additions	11,610	-	70,845	-	82,455
At end of year	184,740	73,272	328,174	-	586,186
Accumulated depreciation					
At start of year	58,483	59,560	198,762	-	316,805
Charge for the year	14,951	9,370	52,044	-	76,365
At end of year	73,434	68,930	250,806	-	393,170
Net book amount	111,306	4,342	77,368	-	193,016

NOTES (continued)
(All amounts are in thousands of Liberian dollars unless otherwise stated)

19. Intangible assets

Cost	2020	2019
At start of year	22,854	22,519
Additions	478	335
At end of year	23,332	22,854
Amortisation		
At start of year	20,579	16,493
Charge for the year	2,275	4,086
At end of year	22,854	20,579
Net book amount	478	2,275

20. Leases

(i) Amounts recognised in the balance sheet

The statement of financial position shows the following amounts relation to leases;

Right of use assets	2020	2019
Buildings	200,529	41,083
Lease liabilities		
Current	26,977	9,547
Non-current	128,729	26,977
	155,706	36,524

Movement on right of use assets		
At January 1,	41,083	71,244
Lease remeasurements	182,230	-
Depreciation charge for the year	(22,784)	(30,161)
At December 31	200,529	41,083

Movement on Lease liabilities		
At January 1	36,254	34,440
Lease remeasurements	182,230	-
Interest expense	13,373	1,814
Exchange gain	(23,710)	-
Lease payments during the year	(52,441)	-
At December 31	155,706	36,254

NOTES (continued)
(All amounts are in thousands of Liberian dollars unless otherwise stated)

21. Deposits from customers

	2020	2019
Demand deposits	14,153,556	10,569,883
Savings deposits	5,189,897	4,215,281
Term deposits	935,347	1,381,957
	20,278,800	16,167,121
Current	14,153,556	10,569,883
Non-current	6,125,244	5,597,238
	20,278,800	16,167,121

22. Other liabilities

	2020	2019
Account payables	15,043	787,809
Managers' checks	204,330	151,348
Due to related parties	34,126	14,904
Accrued liabilities	56,277	119,430
Sundry liabilities	37,218	240,755
	346,994	1,314,246

The accounts payable are all current in nature. The carrying amounts represent their fair values.

23. Capital and reserves

Share capital

	2020		2019	
Authorised share capital	No. of shares	Proceeds	No. of shares	Proceeds
20,000,000 of US$ 1 each	20,000,000	-	20,000,000	-
Balance at December 31	20,000,000	-	20,000,000	-
Issued share capital				
Ordinary shares of US$1 each				
Paid up share capital	1,128,769	1,128,769	1,128,769	1,128,769

Cumulative translation reserve

Translation reserve is a result of translating balances from the functional currency (US Dollars) to the reporting currency (Liberian Dollars) at different rates i.e. statement of financial position items and statement of comprehensive income items.

NOTES (continued)
(All amounts are in thousands of Liberian dollars unless otherwise stated)

23. Capital and reserves (continued)

Statutory reserves

Liberian banking regulations require the Bank to make an annual appropriation from profit for the year to a statutory reserve as stipulated by Section 15 (1) (a) of the Financial Institution Act of 1999. The Bank transferred twenty five percent of the current year's profit after tax to statutory reserves at the end of the financial year.

Retained earnings

Retained earnings are the carried forward recognised income net of expenses plus current period profit attributable to shareholders.

24. Earnings per share

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 period.

	2020	2019
Profit attributable to equity holders of the Bank	510,664	258,914
Weighted average number of ordinary shares in issue	1,128,769	1,128,769
Basic earnings per share (expressed in L$ per share)	0.452	0.229

Diluted earnings per share

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 December 31, 2020 (2019: Nil).

25. Regulatory disclosure

(i) Impairment as per CBL prudential guidelines

At December 2020

Category	Gross amount	%	%	Provision
Performing-Current	2,802,526	58.23%	1%	27,240
OLEM	851,627	17.69%	5%	42,581
Total performing	**3,654,153**	75.92%		**69,821**
Substandard	14,565	0.30%	20%	2,913
Doubtful	682,851	14.19%	50%	341,426
Loss	461,532	9.59%	100%	461,533
Total non- performing	**1,158,948**	**24.08%**		**805,872**
TOTAL	**4,813,101**	**100%**		**875,693**
Non-performing loan ratio				**24.08%**

NOTES (continued)
(All amounts are in thousands of Liberian dollars unless otherwise stated)

25. Regulatory disclosure (continued)

(i) Impairment as per CBL prudential guidelines (continued)

As at December 2019

Category	Gross amount	%	%	Provision
Performing-Current	4,739,957	94.03%	1%	47,400
OLEM	-		5%	
Total performing	4,739,957	94.03%		47,400
Substandard	264,516	5.25%	20%	52,903
Doubtful	23,624	0.47%	50%	11,812
Loss	12,600	0.25%	100%	12,600
Total non- performing	300,740	6%		77,315
TOTAL	5,040,697	100%		124,715
Non-performing loan ratio				6%

(ii) Comparison between IFRS and regulatory provisions

In accordance with sections 8.02 and 8.03 of the Guidelines Concerning Accounting and Financial Reporting for banks (2016) issued by the Central Bank of Liberia, if the amount of the allowance for impairment losses on financial assets exceeds the total amount of provision calculated in accordance with the Regulation CBL/RSD/005/2014, no complementary action must be taken. The Bank should only disclose that impairment losses under IFRS exceed provisions calculated in accordance with the Regulation. Similarly, when the total amount of provision calculated in accordance with Regulation CBL/RSD/005/2014 exceeds the amount of the allowance for impairment losses on financial assets, the Bank must disclose the difference and its impact on the Bank's profit and capital for the period.

Given the above, the practice of using the credit risk reserve as a prudential filter to house the difference between IFRS impairment and provisions calculated using Regulation CBL/RSD/005/2014 is no longer required.

(iii) Impact of difference between the provisions based on CBL guidelines and impairment as per IFRS on profit and equity

	2020	2019
IFRS impairment	**237,944**	163,729
CBL provision	**875,693**	124,715
Excess of CBL provisions over IFRS impairment	**(637,749)**	39,014
Profit before tax	**636,737**	344,480
(Loss)/Profit before tax after CBL provisions	**(1,012)**	383,494
Total equity	**2,899,973**	2,530,609
Impact of prudential provision on equity	**(478,311)**	29,261
Total equity after CBL provisions	**2,421,662**	2,559,870

NOTES (continued)

(All amounts are in thousands of Liberian dollars unless otherwise stated)

26. Contingent liabilities and commitments

Legal proceedings

There are legal proceedings against the Bank. There are no contingent liabilities as at December 31, 2020 associated with legal actions as professional advice indicates that it is unlikely that any significant loss will arise (2019: Nil).

Capital commitments

At December 31 2020, the Bank had no capital commitments in respect of authorised and contracted projects (2019: Nil).

27. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both.

The Bank has a related party relationship with its parent company in the group. The parent company owns 100% of the total shareholding of the Bank. A number of business transactions are entered into with the Group. These include the maintenance of the various accounts on which interests are earned and the payment of certain operating and capital expenditure on behalf of the Bank.

	2020	2019
Due to related parties		
United Bank for Africa Plc	34,126	14,904
Transactions with related parties		
Technical assistance fees-United Bank for Africa Plc.	145,096	65,279

Executive Directors and key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of United Bank of Africa (Liberia) Limited (directly or indirectly) and comprise the Directors and Senior Management of the Bank.

Remuneration and benefits of Executive Directors and key management personnel are as follows:

	2020	2019
Short-term employee benefits	276,902	239,793
Interest income on loans and advances	407,196	339,690
Directors and key management personnel balances		
Deposits	349,235	282,661
Loans and advances	7,841,428	10,681,309

NOTES (continued)
(All amounts are in thousands of Liberian dollars unless otherwise stated)

28. Events after the post financial position date

Following the outbreak of the COVID-19 pandemic, the board has taken a number of measures to monitor and mitigate the effects of the pandemic on the Bank's operations, such as safety and health measures for our people (eg. social distancing and working from home as and when required). At this stage, the impact of the pandemic and the actions taken by the Government to contain it has not significantly affected the Bank's ability to continue as a going concern.

The directors are not aware of any other material events that have occurred between the date of the statement of financial position and the date of approval of the financial statements by the directors that may require adjustment of, or disclosure in, the financial statements.

BRANCH AND ATM LOCATIONS

Appendix

BRANCHES / CASH CENTERS WITH CONTACT DETAILS

Name of Branches / Cash Centres	Location	Contacts
Broad Street	Broad & Nelson Streets, Monrovia, Liberia, Liberia	Mobile: +231-777-909-246 Mobile: +231-884-280-210
Bushrod Branch	Freeport, Bushrod Island, Monrovia, Liberia	Mobile: +231-886-956-194
Paynesville Branch	Red light, Paynesville, Monrovia,, Liberia	Mobile: +231-886-300-323
Congo Town	Tubman Boulevard, Congo Town, Liberia.	Mobile: +231-886-102-314
ELWA Branch	ELWA Junction, Paynesville, Monrovia, Liberia	Mobile: +231-770-395-023
SINKOR Branch	SINKOR, 5th Street, Monrovia, Liberia	Mobile: +231-777-909-246
Ganta	Ganta City, Nimba County, Monrovia, Liberia, Liberia.	Mobile: +231-886-492-476
UNMIL / PAP	United Nations Mission in Liberia Pine African Plaza, Sinkor, Monrovia, Liberia	Mobile: +231-886-422-463
United Methodist University	Ashmum Street, Monrovia, Liberia	Mobile: +231-886-270-165
CUC Cash Centre	Cuttington University Main Campus, Gbarnga, Bong County, Liberia	Mobile: +231-886-102-314

ATM LOCATIONS

S/N	ADDRESSES
1	UBA Paynesville Branch - Red light, Paynesville, Monrovia, Liberia
2	LCCBC - Coca-Cola , Plaza Paynesville
3	UBA Congo Town branch - Tubman Boulevard, Congo Town, Liberia
4	Royal Hotel - Royal Hotel, 15th Street, Sinkor, Monrovia, Liberia
5	Murex Plaza, 10th Street, Sinkor, Monrovia, Liberia
6	Orange Plaza, Capital Bye-Pass, Monrovia
7	UMU, Ashmun Street, Monrovia, Liberia
8	UBA Broad Street branch - Broad & Nelson Streets, Monrovia, Liberia, Liberia
9	UBA Bushrod branch – Free port, Bushrod Island, Monrovia, Liberia
10	UN PAP, Sinkor, Monrovia, Liberia
11	UN Starbase, Bushrod Island Monrovia
12	UBA Ganta branch - Ganta City, Nimba County, Monrovia, Liberia, Liberia
13	UBA CUC – Cuttington University Main Campus, Gbarnga, Bong County, Liberia