UNITED BANK FOR AFRICA LIBERIA LIMITED

Independent Auditor's Report and Financial Statements
For the Year Ended December 31, 2019

Contents

CORPORATE INFORMATION

Directors	:	Dr. Eugene Shannon	Chairman
		Abiola Bawuah	Director
		Ebele Ogbue	Director
		Cllr. Cyril Jones	Director
		Dr. Wede Brownell	Director
		Atty. Angelique Weeks	Director
		Olalekan Balogun	Chief Executive Officer
Managing Director	:	Olalekan Balogun	
Registered Office	:	United Bank for Africa (Liberia) Limited P. O. Box 4523, Broad & Nelson Streets Monrovia, Liberia	
Auditors	:	Baker Tilly Liberia King Plaza 2nd-4th Floor 80 Broad Street P. O. Box 10-0011 Monrovia, Liberia	
Solicitors	:	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	

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CORPORATE GOVERNANCE INFORMATION

BOARD ALCO/STRATEGY/FINANCE & GOVERNANCE COMMITTEE (BASFG)

Atty. Angelique Weeks	-	**Chairman**
Mr. Olalekan Balogun	-	**Member**
Mrs. Abiola Bawuah	-	**Member**

Functions:

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 Responsibilities and Scope of the BASFG shall be:

- Formulate and shape the strategy of the Bank and make recommendations to the Board accordingly.
- In carrying out its functions, the BASFG may engage an adviser on behalf of the Board to facilitate an annual review of the Bank's long term plans and the principle issues that the bank may face in the future.
- 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, etc.
- Monitor performance of the Bank against budget.
- Conduct Quarterly business reviews with management/Board.
- Concur on compensation for Executives.
- Compensation of MD/CEO shall be approved by the Board ALCO, Strategy, Finance & Governance Committee with the concurrence of the Chairman of the Board and Chairman of BASFG.
- 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 of UBA Liberia.
- 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.
- The compensation of the Board members shall be evaluated and recommended by the BASFG of the Board to the Board for approval.
- Compensation of ED, MD/CEO and DMD shall be approved by the BASFG with the concurrence of the Board of Director.
- Evaluate and Recommend to the Board for approval the compensation of the Board Committee members.

CORPORATE GOVERNANCE INFORMATION (continued)

- Ensure the remuneration of the Chairman of Board Committees shall be higher than other members of the Board Committee.
- Define the MD/CEO's accountabilities and how performance will be appraised.
- Approve the accountabilities and how performance will be appraised for ED and DMD as defined by the MD/CEO.

BOARD CREDIT COMMITTEE (BCC)

Mrs. Abiola Bawuah	**-**	**Chairman**
Mr. Olalekan Balogun	**-**	**Member**
Mr. Ebele Ogbue	**-**	**Member**

Functions:
The functions of the Committee shall include, but not be limited to the following:

- Reviewing and overseeing the overall lending policy of the banking institution;
- Deliberating on and approving loan applications in excess of the defined limits for management;
- Directing the formulation of, reviewing and monitoring the credit principles and policies of the banking institution;
- Ensuring that there are effective procedures and resources to identify and manage irregular problem credits, minimize credit loss and maximize recoveries;
- Directing, monitoring, reviewing and considering all issues that may materially impact on the present and future quality of the financial institution's credit risk management;
- Delegating and reviewing lending to the various levels of the banking institution;
- To review and recommend to the Board for approval UBA Liberia's credit policies and strategies;
- To make credit decisions on behalf of the Board within its limits defined by the Credit Policy as approved by the Board.
- To approve and advise in writing credit limits of Executives in line with the Board's approved Credit Policy guidelines;
- These approved limits shall be communicated in writing and signed by the Chairman Board Risk Management Committee (BRMC) and the Bank Secretary;
- Review and approve UBA Liberia's credit strategy and the credit risk tolerance;
- Review and recommend to the Board for approval the credit and lending policies, frameworks and procedures of UBA Liberia and review delegated credit authorities for compliance;
- Review and approve products that have credit and non- credit elements;
- Determine and set lending limits;
- Determine and set parameters for credit risk and asset concentration and review compliance with such limits;
- 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;
- Only Credits approved by the Executive Credit Committee (ECC) will be referred to BRMC for consideration except as referred to the BRMC by the Chairman of the ECC for adjudication as provided in the approved credit policy;
- Recommend credits above the BCC and BRMC limit to the Board for approval;
- Periodically review the loan portfolio;
- Review the non-performing loans 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;

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CORPORATE GOVERNANCE INFORMATION (continued)

- Where the deferral is at ECC level, it must be ratified at the next BCC and BRMC meeting;
- Deferrals at BCC and BRMC level must first be ratified at the next Board meeting;
- Waivers for credits approved at the ECC level must go to BCC and BRMC for approval;
- Waivers for credits approved at BRMC must go to the Board for approval;
- Decisions to write off interest should be taken at the next higher level. Interest write offs for loans approved at the ECC level are approved at BRMC. Interest write offs for loans approved at BRMC level are approved by the Board.

BOARD AUDIT COMMITTEE (BAC)

Dr. Wede Brownell	**-**	**Chairman**
Cllr. Cyril Jones	**-**	**Member**
Atty. Angelique Weeks	**-**	**Member**

Functions:

The functions of the BAC include, but not limited to the following:

- Review the integrity of the bank's financial reporting and overseeing the independence and objectivity of the external auditor;
- Have access to the external auditors to seek explanations and additional information about the bank without management's participation and/or knowledge;
- Have the authority to review and approve the annual audit plan 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;
- Approve the remuneration and terms of engagement of the external auditors;
- review carefully 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;
- To assist the Board of Directors in fulfilling its oversight responsibilities in regards to audit and control;
- To monitor and assess the overall integrity of the financial statements and disclosures of the financial condition and results of operations of UBA Liberia;
- To monitor management's responsibilities to ensure that an effective system of financial and internal controls are in place;
- To 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;
- To monitor and evaluate on a regular basis the qualifications, independence and performance of the External Auditors and the Internal Audit and Control Department;

The responsibilities and scope of the BAC shall be to:

- Ensure that an effective system of Audit and internal controls are in place to:
    - Safeguard the assets and income of UBA Liberia.
    - Assure the integrity of UBA Liberia's financial statements.

CORPORATE GOVERNANCE INFORMATION (continued)

  - Monitor processes designed to ensure compliance by UBA Liberia in all respect with legal and regulatory requirements, including disclosure controls and procedures and the impact (or potential impact) of developments related thereto.

- Select and review appointments of Independent External Auditors and recommend to the Board for approval prior to the Board's recommendation to shareholders for ratification.
- Evaluate annually the independence and performance of the External and Internal Auditors.
- Review with Management and the External Auditors the annual audited financial statements before its submission to the Board.
- Review with Management and the External Auditors any correspondence of significance with regulators or government agencies and any employee complaints of significance or analyst's report which raise significant issues regarding UBA Liberia's financial statements or accounting policies. Obtain explanations from management and consider whether such matters indicate the need for further investigation, modification of policies and/or disclosures.
- Review with Management and the External Auditors periodically (at least annually), the procedure to identify and understand related parties and significant related parties' transactions, and consider the transparency of the related disclosures.
- Obtain assurance from Management. The Head Internal Audit & Control and the External Auditors that they know of no significant instances in which UBA Liberia are in breach of applicable legal and regulatory requirements, including disclosures of insider and related party transaction.
- Review with UBA Liberia's Legal Counsel legal matters that may have a significant impact on the financial statements, UBA Liberia's compliance policies and any significant reports or inquiries received from regulators or government agencies.
- Evaluate the adequacy of internal audits and internal controls that could significantly affect the UBA Liberia's financial statements and special audit steps adopted in the event of significant control deficiencies, if any, including those reported by Internal Audit.
- Review Audit reports relating to UBA Liberia's compliance of major policies including Expense Empowerment, Credit and HR policies.
- Review fraud losses and recommend controls that will address these to the Board.
- Review Management's Internal Audit and Control Report and recommend controls that will address control lapses to the Board.
- Review the program established by Management that monitors compliance with the code of conduct and reviews the record of such compliance.
- Review all Whistle Blowing reports.
- Review Regulators audit reports and ensure systems are put in place to address any weaknesses.
- In collaboration with the BASFG, respond to Regulators on behalf of the Board in respect of their audit comments.
- Review and approve the audit policies of UBA Liberia.
- Review and approve the Internal Audit charter.
- Recommend, in line with best practice, the Head, Internal Audit and Control for appointment by the Board.
- The Head Internal Audit & Control will report directly to the Chairman of the Board through the BAC and will be assessed annually by the BAC.
- Approve the promotion of Audit Staff for levels of Senior Manager and above in conjunction with BASFG. These promotions must be based on approved promotion eligibility criteria and the approved annual Manpower plan by the BASFG.

CORPORATE GOVERNANCE INFORMATION (continued)

BOARD RISK MANAGEMENT COMMITTEE (BRMC)

Cllr. Cyril Jones	**-**	**Chairman**
Dr. Wede Brownell	**-**	**Member**
Mr. Ebele Ogbue	**-**	**Member**

The purpose of the BRMC is to:

- Discharge the Board's risk management responsibilities as defined in UBA Liberia Risk policies and in compliance with regulation, law and statute.
- These responsibilities include the governance of risk and determining the risk tolerance, risk appetite, and risk monitoring, risk assurance and risk disclosure for UBA Liberia.
- Discharge the Board's responsibilities for information technology (IT) governance and ensure it aligns with UBA Liberia's objectives, enables the business strategy, delivers value and improves performance.
- Review and assess the integrity and adequacy of the of the overall risk management function of UBA Liberia.
- Review and recommend for approval to the Board UBA Liberia policies relating to risk management.
- Review the adequacy of UBA Liberia's capital (economic, regulatory and escalator) and its allocation to UBA Liberia's business.
- Review risk limits and periodic risk and compliance reports and make recommendations to the Board.
- Recommend risk management decisions to the Board.
- To assist the Board of Directors to discharge the responsibility to exercise due care, diligence and skill to oversee, direct and review the management of the credit portfolio of UBA Liberia.

The Responsibilities and Scope of the BRMC shall be:

- To approve the annual risk management plan for UBA Liberia and oversee its implementation and monitor performance.
- This annual plan should also include a fraud risk plan to consider UBA Liberia's fraud exposure and prevention.
- 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 UBA Liberia.
- Set UBA Liberia's appetite and tolerance for risk and recommend risk limits within acceptable tolerance for risk levels to the Board for approval.
- Recommend risk approval limits to the Board for approval.
- Review and on a continuous basis update the risk management policies frameworks and procedures of UBA Liberia subject to the approval of the Board.
- Monitor compliance risk and ensure that UBA Liberia operate ethically.
- Review the sensitivity of UBA Liberia's earnings to volatility in equity, credit, treasury and foreign exchange markets and make recommendations to the Board for approval.
- Review UBA Liberia's capital adequacy in relation to credit, market, operational, investment, legal, and compliance and other risks and make recommendations to the Board for approval.
- Advise the Board on any emerging risks that UBA Liberia is or could be exposed to and recommend mitigation actions.
- Risks should include non-financial risks such as staffing and competency, the impact of legislative or regulatory changes on UBA Liberia.

CORPORATE GOVERNANCE INFORMATION (continued)

- Consider IT as a business enabler and strategic asset for UBA Liberia and ensure its related risks and constraints are well governed and controlled.
- Approve the IT governance framework for UBA Liberia and delegate to management the responsibility for the implementation of the IT governance framework.
- Monitor and evaluate significant IT investments and expenditure for UBA Liberia.
- Monitor value delivery and return on investment of IT.
- ensure that the information and intellectual property contained in UBA Liberia's information systems are protected.
- Ensure that a formal information security management system is in place to ensure the confidentiality, integrity and availability of information.
- Require independent assurance over IT governance controls supporting outsourced IT services.
- Ensure good governance principles are in place for the acquisition and disposal of IT goods and services.
- Ensure good project management principles are applied.
- Ensure that IT risk management includes disaster recovery planning, IT Legal risks, compliance to laws, rules, codes and standards.
- Ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to Directors.
- The Board Credit & Risks management committee shall oversee the OCC Remedial process
- Advise the Board of significant control failure and tracking.
- Review and recommend to the Board for approval policies relating to the following:
  - Remedial policies and frameworks
  - Collateral Management policies
  - Charge-Offs
  - Recovery policies
  - Appointment of recovery agents
  - Fees payable on recoveries
  - All other relevant credit policies
- Review and approve credit products above the level of Executive Management.
- Principal write offs are4 in line with the approved credit policy.
- Review the methodologies and the adequacies of the provision for loan losses
- Review and approve country risks exposur4 limits; treasury exposure limits
- Review and consider other authority approval policy matters related to credit.

CONTROL ENVIRONMENT

The Board has continued to place emphasis on risk management as an essential tool for achieving the management'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 the Management and ensures that a robust budgetary process is operated with adequate authorization levels put in place to regulate capital expenditure.

BOARD COMMITTEES

The Board of UBA Liberia has the following committees, namely, the Board Audit Committee, the Board Credit Committee, the Board Risk Management Committee, the Board Assets, Liabilities, Strategy and Finance Committee and the Board Nominations and Governance Committee.

BOARD AUDIT COMMITTEE

The Board Audit Committee comprises:

Dr. Wede Brownell	-	**Chairman**
Cllr. Cyril Jones	-	**Member**
Atty. Angelique Weeks	-	**Member**

The Board Audit Committee was set up to further strengthen internal controls in the Bank. It assists the Board of Directors in fulfilling its audit responsibilities by ensuring that effective systems of Financial and internal controls are in place within the Bank.
Meetings are held at least once a quarter, with the Country Chief Inspector/Auditor of the Bank in attendance.

S/n	Members	Number of Meetings held	Number of meetings attended by members
1.	Dr. Wede Elliott-Brownell	4	4
2.	Cllr. Cyril Jones	4	3
3.	Atty. Angelique Weeks	4	4

BOARD CREDIT COMMITTEE

The Board Credit Committee is made up of three (3) members. One Non-Executive Director and two (2) Executive Directors. The Committee is responsible for approval of credit facilities in the Bank. It reviews all credits granted by the Bank and meets once a quarter.

The Board Credit Committee comprises of the following Directors:

1. Mrs. Abiola Bawuah	-	**Chairman**
2. Mr. Olalekan Balogun	-	**Member**
3. Mr. Ebele Ogbue	-	**Member**

The Board Credit Committee was set up to assist the Board of Directors to discharge its responsibility to exercise due, diligence, care and the ability to oversee, direct, review and management the credit portfolio of the Bank. Among its terms of reference is the setting up and determination of the parameters for credit risk and assets concentration and reviewing compliance within such limits; determining and setting the lending limits, reviewing and approving the Bank's credits strategy and the credit risk tolerance. The Committee also reviews the loan portfolio of the Bank. It also reviews and approves the Subsidiary risks exposure limits.

S/n	Members	Number of Meetings held	Number of meetings attended by members
1.	**Mrs. Abiola Bawuah**	4	4
2.	Mr. Olalekan Balogun	4	4
3.	**Mr. Ebele Ogbue**	4	1

BOARD RISK MANAGEMENT COMMITTEE

The Board Credit Committee comprises of the following Directors:

1.	Cllr. Cyril Jones	Chairman
2.	Dr. Wede Elliott-Brownell	Member
3.	Mr. Ebele Ogbue	Member

The Committee's meetings are held once a quarter. It responsibilities include to review and recommend the risk management strategies, policies and risk tolerance for the Board's approval; to review Management 's period reports on risk exposure, risk portfolio composition and risk management activities; and to consider and examine such other matters as the Board requires, the Committee considers, appropriates, or which are brought to its attention, and make recommendations or reports to the Board accordingly.

S/n	**Members**	**Number of Meetings held**	**Number of meetings attended by members**
1.	Cllr. Cyril Jones	4	3
2.	Dr. Wede Elliott-Brownell	4	4
3.	Mr. Ebele Ogbue	4	1

BOARD ALCO, STRATEGY AND FINANCE COMMITTEE

The Board ALCO, Strategy and Finance Committee comprises of the following Directors:

1. Atty. Angelique Weeks	**-**	**Chairman**
2. Mr. Olalekan Balogun	**-**	**Member**
3. Mrs. Abiola Bawuah	**-**	**Member**

The purpose of this Committee is to discharge the Board's responsibilities with regard to strategic direction and budgeting and to provide oversight on financial matters and the performance of the Bank.

S/n	Members	Number of Meetings held	Number of meetings attended by members
1.	**Atty. Angelique Weeks**	4	4
2.	Mr. Olalekan Balogun	4	4
3.	**Mrs. Abiola Bawuah**	4	4

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Report of the Directors

The Directors have pleasure in submitting their report to the shareholders, together with the financial statements for the year ended December 31, 2019.

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, 2019, 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 New Financial Institutions Act (FIA) of 1999 and the Prudential Regulations of the Central Bank of Liberia (CBL).

The Directors' responsibility includes designing, implementing and maintaining internal 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.

Approval of the financial statements

The financial statements of the Bank were approved by the Board of Directors on the 8 of April, 2020

Share capital

Details of the Bank's share capital are provided in Note 22 to the financial statements.

Directors

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

Auditors

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

By Order of the Board

………………………………………………	…………………………………..
Director	**Director**
………………………………………………	…………………………………..
Director	**Director**

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of United Bank for Africa Liberia Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of United Bank for Africa Liberia Limited (UBALL or "the Bank"), which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, (or give a true and fair view of) the financial position of the Bank as at December 31, 2019, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in a manner required by the Business Corporation Act (2002) of Liberia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing, (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Liberia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter(s)	How the matter was addressed in our audit
Impairment of loans and advances	
The impairment of loans and advances to customers is considered as significant in the audit due to the level of subjectivity inherent in estimating loan loss provisions. During the year, the Bank adopted a new accounting standard, IFSR 9 Financial Instruments, which became effective on January 1, 2018. For the Bank, the key change arising from the adoption of IFRS 9 was the Bank's provision for losses on financial assets that is now calculated using the expected credit loss (ECL) model rather than the incurred, loss model. The determination of provision for credit losses using the ECL approach requires complex financial quantitative models as well as qualitative data; the latter which employs a significant amount of Management's judgement. Impairment allowance on loan facilities that have shown a significant increase in credit risk is based on the Bank's estimate of losses expected to result from default events over the life of the facility. Impairment allowance on other facilities that have not shown a significant increase in credit risks is recognized based on an estimate of losses expected as a result of default event within 12 months after the reporting date. These estimates are also an output of models which includes the evaluation of past due information. The Bank incorporates forward–looking information into both the assessment of whether credit risk has increased significantly and in the measurement of ECL. Management has used significant judgement in the classification of loans into stages, as well as in estimating the key assumptions applied on the recoverability of loan balances. See Notes 15 to the financial statements for further information.	We assessed the design and implementation as well as the operating effectiveness of controls over the Bank's procedures used in the classification of loan asset. Key controls evaluated includes Management review of input data and use of forward-looking macroeconomic data. We performed extensive procedures on assessing the reliability of qualitative factors used by Management in the determination of loan asset stage classification. We documented management's judgment criteria and assessed the validity of Management's judgment criteria to underlying supporting information. We performed substantive test of details in assessing key data and assumptions for data input into the ECL model used by the Bank. Our procedures included the following; We challenged the reasonableness of the Bank's ECL methodology by considering whether it reflects unbiased and probability weighted amounts that is determined by evaluation a range of possible outcomes, the time value of money and reasonable & supportable information as at the reporting date about past events, current conditions and forecasts of future economic condition. Information considered includes; credit conversion factors, historical default rates, foreign exchange rate and Gross Domestic Product growth rates. We evaluated the appropriateness of management's basis used in the determination of exposure at defaults including the contractual cash flows, outstanding loan balance, loan repayment type, loan tenor and effective interest rate. For probability of defaults, we tested the reasonable of assumptions and methodology used in determining the probability of default. We tested the reasonableness of the estimation of loss given defaults, which includes an assessment of haircut adjustments.

	We re-performed the calculation of impairment allowance for loan and advances using the Bank's impairment model and reviewed IFRS 9 disclosures for reasonableness.
Revenue recognition The amount of revenue recognized in the year on interest income and fee and commission income is dependent on the appropriate assessment/classification of loan assets and an appropriate fee amortization schedule respectively. As the classification of overdraft facilities is complex, significant judgment is applied in determining the appropriate asset class of these facilities. The determination of loan asset class informs the appropriateness of accounting treatment of related income. In our view, revenue recognition is significant to our audit as the Bank might inappropriately recognize interest income on loan and overdraft facilities or use aggressive methods for fee and commission income amortization; This would usually lead to revenue and profit being recognized too early. Management determination of interest income relies extensively on the Bank's computer information system. A malfunctioning of the banking application, inappropriate input of data and/or lack of timely update of data could lead to extensive and long running misstatement of revenue. See Note 5 to the financial statements for further information.	We performed tests on the operating effectiveness of controls relating to loan asset classification by testing the classification of a sample of high value loans assets from the banking application to underlying supporting documents obtained from the credit department. (Credit report, credit recommendation on classification and loan portfolio). We performed substantive test of detail on fee and commission income by assessing the amortization schedule with information held from prior periods, testing loan asset period to underlying supporting information (customer credit files) and performing re-computation of fee and commission income amortization schedule. We performed substantive analytical procedures on various income streams, assessing month on month movements with observed movements in prior periods, corroboration from other supporting information and obtaining supporting documents when outcome exceeds our established expectation. We performed substantive analytical procedures by benchmarking the Bank's revenue to loan ratio to the industry average on an annual basis, noting exceptions and obtaining relevant corroborations from management.
IFRS 16-Leases The bank applied IFRS 16 on January 1, 2019, Using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of general reserve at January 1, 2019, with no restatement of comparative information The impact of IFRS 16 as at December 31, 2019 is disclosed in note 2.3.1 to the financial statements. A number of judgements have been applied and estimates made in determining the impact of the standard. In order to compute the transition impact of IFRS 16, a significant data extraction exercise was undertaken by Management to summarize all property and equipment lease data such that the respective inputs were uploaded into Management's model. Significant judgement is required in the assumptions and estimates made in order to	Through our discussions with management and reading of IFRS 16 documentations, we understood the bank's process in identifying lease contracts, or contracts which contained leases. We read a sample of contracts to assess whether leases have been appropriately identified. We obtained the bank's quantification of ROU assets and lease liabilities. For a sample of leases, we agreed the inputs used in the quantification to the lease agreements, challenged the calculations of the discount rate applied, and performed computation checks. We assessed the Bank's accounting for ROU assets and lease liabilities; Assessed the design and implementation of key controls pertaining to the determination of the IFRS 16 transition impact disclosures; Assessed the appropriateness of the discount rates applied in determining lease liabilities.

determine the ROU asset and lease liability. The assumptions and estimates include assessment of lease term, the depreciation of the ROU asset, the determination of incremental borrowing cost (discount rate). The adjustments arising from applying IFRS 16 are material, and this disclosure of impact is a key focus area in our audit.	Verified the accuracy of the underlying lease data by agreeing a representative sample of leases to original contract or other supporting information, and checked the integrity and mechanical accuracy of the IFRS 16 calculations for each lease sampled through recalculation of the expected IFRS 16 adjustment; Assessed whether the disclosures within the financial statements are appropriate in light of the requirements of IFRS 16 Our conclusions reached were not materially different from Management's conclusion

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, the requirements of the New Financial Institutions Act (FIA) of 1999 and the Prudential Regulations of the Central Bank of Liberia (CBL) and for such internal control as Management determines 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, management is 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 management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

The Business Corporation Act (2002) of Liberia requires that in carrying out our audit, we consider and report on the following matters. We 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 statement of financial position is properly drawn up so as to exhibit 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.

In addition, In accordance with Section 15-2 of the Central Bank of Liberia's Regulation No CBL/RSD/008/2017, we are required to report separately on the Banks' compliance with the New Financial Institution Act of 1999. We report that:

- Nothing significant came to our attention to cause us to believe that the Bank has not, in all material respects, complied with the provisions of the New Financial Institutions Act of 1999, and other regulations and guidelines as issued by the Central Bank of Liberia

Baker Tilly Liberia
(Certified Public Accountants)
Monrovia
April 8, 2020

UBA United Bank for Africa

Statement of profit or loss and other comprehensive income

In Thousands of Liberian dollars	Note	2019	2018
Interest income and commission on loans and advances	5	**894,876**	553,277
Interest expense	5	**(150,972)**	(87,342)
Net interest income and commission on loans and advances		**743,904**	465,935
Fees and commission income	6	**928,265**	633,281
		1,672,169	1,099,216
Net foreign exchange and trade gain	7	**18,403**	5,322
Other operating income	8	**62,353**	48,244
Operating income		**1,752,925**	1,152,782
Loan impairment charges	15	**(91,359)**	(17,542)
Personnel expenses	9	**(489,172)**	(376,803)
Depreciation and amortization	19	**(80,450)**	(56,866)
ROU-Amortization	2.3.1	**(30,161)**	0
Other operating expenses	10	**(715,489)**	(521,737)
		(1,406,631)	(972,948)
Profit before income finance cost & tax		**346,294**	179,833
Interest expense on lease liability	2.3.1	**(1,814)**	-
Profit after income finance cost		**344,480**	179,833
Income tax (expense)/income	11	**(85,566)**	(118,265)
Profit after income tax		**258,914**	61,568
Other comprehensive income:			
Exchange difference arising on translation		**197,281**	278,863
Total comprehensive income for the year		**456,195**	340,431
Earnings per share		**1,128,796**	1,128,796
(Expressed in thousands of Liberian dollar per share)			
Basic earnings per share		**0.229**	0.055
Diluted earnings per share		**0.229**	0.055

The notes on pages 20 to 76 are an integral part of these financial statements

UBA United Bank for Africa

Statement of financial position
As at December 31, 2019

In Thousands of Liberian dollars	Notes	2019	2018
Assets			
Cash and cash equivalents	14	**8,659,375**	7,090,163
Loans and advances	15	**4,874,821**	4,075,943
Investment	16	**4,493,743**	3,109,988
Intangible asset	17	**2,275**	6,026
Other assets	18	**1,890,383**	592,079
Property, plant and equipment	19	**193,016**	186,925
Current tax assets	11	**17,984**	17,984
Right-of-use assets	2.3.1	**41,083**	-
Total assets		**20,172,681**	15,079,108
Liabilities			
Deposits from customers	20	**16,167,121**	11,949,621
Deferred tax liabilities		**16,987**	21,796
Other liabilities	21	**1,312,099**	955,751
Current tax liability	11	**109,611**	47,558
Lease liabilities	2.3.1	**36,254**	-
Total liabilities		**17,642,072**	12,974,726
Equity			
Stated capital	22	**1,128,769**	1,128,769
Cumulative translation reserve		**865,724**	668,443
Statutory reserve		**184,936**	120,208
Retained earnings		**351,180**	186,962
Total equity		**2,530,609**	2,104,382
Total equity and liabilities		**20,172,681**	15,079,108

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

....

Dr. Eugene Shannon
Chairman

Olalekan Balogun
Managing Director/Chief Executive Officer

The notes on pages 20 to 76 are an integral part of these financial statements

UBA United Bank for Africa

Statement of changes in equity

In Thousands of Liberian dollars	Share Capital	Cumulative Translation	Retained Earnings	Statutory Reserve	Total
At 31 December 2018 (IAS 39)	**1,128,769**	**668,443**	**186,962**	**120,208**	**2,104,382**
Transition adjustments (Note 2.8.1)					
Increase in impairment provision due to adoption of IFRS 9	**-**	**-**	**(29,968)**	**-**	**(29,968)**
At 1 January 2019 (IFRS 9)	**1,128,769**	**668,443**	**156,994**	**120,208**	**2,074,414**
Profit for the period			**194,186**	**64,729**	**258,914**
Foreign currency translation		**197,281**	**-**	**-**	**197,281**
31-Dec-19	**1,128,769**	**865,724**	**351,180**	**184,936**	**2,530,609**
At 1 January 2018	1,128,769	389,580	140,786	104,816	1,763,951
Profit for the period			46,176	15,392	61,568
Foreign currency translation		278,863	-	-	278,863
At 31 December 2018 (IAS 39)	1,128,769	668,443	186,962	120,208	2,104,382

The notes on pages 20 to 76 are an integral part of these financial statements

Statement of cash flows

In Thousands of Liberian dollars	**2019**	2018
Cash flows from operating activities		
Profit after tax	**258,914**	61,568
Adjustments for:		
Depreciation and amortization	**80,450**	56,866
ROU-amortization	**30,161**	
Impairment losses on loans and advances	**(29,968)**	17,542
Net interest income	**(743,904)**	(465,935)
(Increase)/Decrease in deferred tax	**(4,809)**	70,707
	(409,156)	(259,252)
Changes in operating assets and liabilities		
Decrease/(Increase) in loans and advances	**(798,878)**	(1,643,440)
(Increase) / Decrease in other assets	**(1,298,303)**	(46,915)
(Decrease)/increase in current tax	**62,053**	(13,985)
(Decrease)\ Increase in deposits from customers	**4,217,501**	4,639,974
Lease liabilities	**36,254**	-
(Decrease)/Increase in other liabilities	**356,347**	622,722
	2,165,818	3,299,104
Interest received	**894,876**	553,277
Interest paid	**(150,972)**	(87,342)
Net cash generated from operating activities	**2,909,722**	3,765,039
Cash flows from investing activities		
purchase of property, plant and equipment	**(82,455)**	(66,189)
Intangible assets	**(335)**	(2,936)
Increased in investment securities	**(1,383,755)**	(1,989,530)
Right-of-use assets	**(71,244)**	-
Net cash used in investing activities	**(1,537,789)**	(2,058,655)
Cash flows from financing activities		
Net cash from financing activities		
Net increase in cash and cash equivalents	**1,371,933**	1,706,384
Translation difference	**197,281**	278,863
Cash and cash equivalents at 1 January	**7,090,163**	5,104,916
Cash and cash equivalents at 31 December	**8,659,376**	7,090,163

The notes on pages 20 to 76 are an integral part of these financial statements

Notes to the financial statements

1. Reporting entity

United Bank for Africa (UBA) Liberia Limited ("the Bank") is a financial institution domiciled in Liberia. The address of the Bank's registered office is P. O. Box 4523, Broad & Nelson Streets, Monrovia. The financial statements of the Bank as at and for the period ended December 31, 2019 comprise the Head Office and its branches. The Bank primarily is involved in retail, consumer banking, financial services and corporate banking services.

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, unless otherwise stated.

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

2.2 Basis of preparation and adoption of IFRS

The financial statements are prepared on the historical cost basis, except as modified by the fair valuation of fair value through profit or loss financial assets in accordance with International Financial Reporting Standards (IFRS) and comply with the requirements of the Central Bank of Liberia. ("CBL" or "Regulator").

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

2.3 Changes in accounting policies and disclosures

Except for the following new Standards, the Bank has consistently applied the accounting policies as set out in Notes 2.4 - 2.7 and Notes 2.9 - 2.18 to all periods presented in the financial statements.

IFRS 9: Financial instruments

The Bank adopted IFRS 9 - Financial Instruments. Subsequently, the Bank's accounting policies were changed in the areas outlined below, and these new policies became effective from January 1, 2019. As permitted by the transition provisions of IFRS 9, the Bank has elected not to restate its comparative period results. Accordingly, all comparative period information is presented in accordance with previous accounting policies, as described in our 2018 accounts.

Adjustments to carrying amounts of financial assets and liabilities at the date of initial application (January 1, 2019) were recognized in opening retained earnings and other components of equity in the current period. New or amended disclosures have been provided for the current period, where applicable, and comparative period disclosures are consistent with those made in the prior year.

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

Changes in accounting policies and disclosures (continued)

New and amended Standards effective in the current year

In the current year, the Bank has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after January 1, 2019.

At the date of authorization of these financial statements for the year ended December 31, 2019, the following IFRSs were adopted:

2.3.1 IFRS 16 Leases

As a lessee, IFRS 16 removes distinctions between operating and finance leases and requires the recognition of a right of use asset and corresponding liability for future lease payables. The right of use asset will be subsequently depreciated on a straight-line basis over the life of the lease. Interest will be recognized on the lease liability. This will result in earlier recognition of expense for leases currently classified as operating leases, although over the life of a lease the total expense recognized will not change.

Right of use assets recognized by the Bank comprise of land with buildings leased. The Bank has elected not to recognize right of use assets and lease liabilities for leases of low-value assets, and lease payments associated with those assets will be recognized as an expense on a straight-line basis.

IFRS 16 replaces existing lease accounting guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e., lessors continue to classify leases as finance or operating leases. The Standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted

United Bank for Africa Liberia Limited adopted IFRS 16 with an initial application date of January 1, 2019 using the modified retrospective approach.

Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

The entity applied the practical expedient to grandfather the definition of lease on transition. This means that IFRS 16 is applied to all contracts entered into before January 1, 2019 which have been identified as leases in accordance with IAS 17 and IFRIC 4.

The Bank opted to, on a lease-by-lease basis, to measure an ROU asset at either its carrying amount as if IFRS 16 had been applied since the commencement date; or an amount equal to the lease liability arising from the capitalization of the present value of future lease payments.

Impact on Financial statements

The expenses related to operating leases which were previously shown in the Statement of Profit and Loss under "building rent" are replaced by depreciation expense for ROU assets and finance charges on lease liabilities. The amounts disclosed in the extracts are expressed in dollars and presented in millions. The entity provided quantitative disclosures in its financial statements as of December 31, 2019 in a tabular format based on the nature of the disclosure item (i.e., asset, equity and liability and income statement).

In the context of the transitioned to IFRS 16, Right-of-use assets of L$41million, lease liabilities of L$36million, and finance cost of L$1.8million were recognized at January 1, 2019. The prior year figures were not adjusted in accordance with the transitional provision when applying the modified retrospective approach of IFRS 16. The lease liabilities were discounted at the borrowing rate of at January 1, 2019. Incremental borrowing rate is 5%.

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

Changes in accounting policies and disclosures (continued)

New and amended Standards effective in the current year (continued)

2.3.1 IFRS 16 Leases (continued)

Leases are shown in the financial statements at December, 31 2019 as follows:

Leases in the Statement of Financial Position (In Thousands of Liberian Dollars)

	Buildings leased	Total
Right-of-use assets		
Balance - 1 January 2019	71,244	71,244
Addition	71,244	71,244
Balance - 31 December 2019	71,244	71,244
Depreciation		
Balance - 1 January 2019	-	-
Charge for the period	30,161	30,161
Balance - 31 December 2019	30,161	30,161
Carrying amount		
Balance at 31 December 2019	41,083	41,083

Lease liabilities		
Lease liability	36,254	36,254
Balance - 31 December 2019	36,254	36,254

Lease in the statement of Profit or loss

Depreciation of ROU assets	30,161	30,161
Interest expense on lease liabilities	**1,814**	**1,814**

Notes to the financial statements (continued)

Summary of significant accounting policies (continued

Changes in accounting policies and disclosures (continued)

2.3.2 New and amended Standards not yet adopted by the Bank

There are new or revised Accounting Standards and Interpretations in issue that are not yet effective. These include the following Standards and Interpretations that may have an impact on future financial statements.

The Bank has not applied the following new, revised or amended pronouncements that have been issued by the IASB as they are not yet effective for the annual financial year beginning January 1, 2019.The Board anticipates that the new Standards, Amendments and Interpretations will be adopted in the Bank's financial statements when they become effective. The Bank has assessed, where practicable, the potential impact of all these new Standards, amendments and interpretations that will be effective in future periods.

Details of Standard / interpretation	Anticipated impact	Mandatory application dates and expected Implementation dates
Amendments to References to the Conceptual Framework in IFRS Standards	Together with the revised *Conceptual Framework* published in March 2018, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32	January 1, 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	The amendments in *Definition of Material (Amendments to IAS 1 and IAS 8)* clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards	January 1, 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	The amendments in *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)* clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.	January 1, 2020
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.	January 1, 2022

UBA United Bank for Africa

Notes to the financial statements (continued)

Summary of significant accounting policies (continued

Changes in accounting policies and disclosures (continued)

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

Annual Improvements to IFRS Standards 2014–2017 Cycle Makes amendments to the following standards:	This Standard could improve the understandability and comparability of the financial statements however, it is not expected to have an impact on the financial performance and financial position of the entity.	January 1,2017 and 2019
IAS 12 - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.		

2.4 Translation of foreign currencies

Functional and presentation currency

The financial statements are presented in Liberian dollars, which is the Bank's reporting currency. Except as indicated, financial information presented in Liberian dollars has been rounded to the nearest Liberian dollars.

Along with the Liberian dollar, the United States dollar is legal tender and is also a functional currency of Liberia. The two currencies circulate freely in the Liberian economy at market determined rates of exchange. In view of the dual currencies regime of Liberia, the Bank maintains a dual currency book of accounts- one in actual Liberian dollars and the other in United States dollars. The two sets of ledger balances are translated into equivalent Liberian dollars as outlined above. The closing rate used to translate the statement of financial position was L$188.77 to US$1.00 as at December 31, 2019 and the average rate used to translate the statement of comprehensive income was L$185.80 to US$1.00 (2018: L$ L$157.55 US$1 and L$$144.06 to US $1 respectively).

Transactions and balances

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

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

Notes to the financial statements (continued)

Summary of significant accounting policies (continued

2.5 Interest income and interest expense

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

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

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

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

Transaction costs are incremental costs directly attributable to the acquisition, issue or disposal of a financial assets or liabilities.

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

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

2.6 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. Other 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 relates mainly to transaction and service fees, which are expensed as the services are received. Net trading income comprises gains less losses related to trading assets and liabilities and includes all realized fair value changes, interest, and foreign exchange differences.

2.7 Income tax expense

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

Notes to the financial statements (continued)

Summary of significant accounting policies (continued

Income tax expense (continued)

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

2.8 Financial assets and liabilities

Initial recognition and measurement

Financial instruments are recognized 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 recognized at fair value with transaction costs, which are directly attributable to the acquisition or issue of the financial instruments, being recognized 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).

Subsequent to initial measurement, financial instruments are measured either at amortized cost or fair value depending on their classification category.

a) Initial recognition, classification and measurement of financial assets

i. Regular-way purchases and sales of financial assets are recognised on the settlement 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 amortized 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 amortized 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.

b) 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.

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Business model assessment (continued)

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.

b) SPPI assessment

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.

c) 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 recognizing related gains and losses on a different basis (an "accounting mismatch"). The fair value option can be elected for financial liabilities if:

(i) the election eliminates an accounting mismatch;

(ii) the financial liability is part of a portfolio that is managed on a fair value basis, in accordance with a documented risk management or investment strategy; or

(iii) there is an embedded derivative in the financial or non-financial host contract and the derivative is not closely related to the host contract. These instruments cannot be reclassified out of the FVTPL category while they are held or issued. Financial assets designated as FVTPL are recorded at fair value and any unrealized 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 recognized 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 recognized in net income.

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Fair value option (continued)

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.

d) Loans

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

Interest on loans is recognized 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 recognized 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 recognized 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 amortized into other operating income over the commitment or standby period.
Impairment losses on loans are recognized at each balance sheet date in accordance with the three-stage impairment model outlined below.

e) 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 amortized 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.

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Allowance for credit losses (continued)

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").

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.

1) Performing financial assets:
   - Stage 1 – 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.

2) Underperforming financial assets:
   - Stage 2 – 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.

3) Impaired financial assets
   - Stage 3 – 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.

f) 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.

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Measurement of expected credit losses (continued)

An expected credit loss estimate is produced for each individual exposure. Relevant parameters are modelled on a collective basis using portfolio segmentation that allows for appropriate incorporation of forward looking information.

ECL for exposures in stage 1 (Twelve-months ECL) is calculated by multiplying the twelve months PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.
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.

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 amortization. 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
* credit risk gradings
* collateral type
* past due information
* date of initial recognition
* industry categorization
* remaining term to maturity

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

g) 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 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument 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 recognizing 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 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 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).

h) 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.

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

i) 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 following are considered as exceptions:

i. Outstanding obligation is a result of an amount being disputed between the Bank and obligor where the dispute is not more than ninety days.
ii. Outstanding obligation is an insignificant amount compared to the total amount due. Any amount not more than 10% of the total amount due is considered insignificant. Only applicable where there is no significant increase in credit risk and analyzed on a case by case basis.

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 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 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.

j) 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 rate, and risk free-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.

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Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Use of forward-looking information (continued)

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.

k) Definition of default

A default is considered to have occurred with regard to a particular obligor when either or both 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 capitalized, rescheduled, rolled over into a new loan (except where facilities have been reclassified).

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.
- The Bank has filed for the obligor's bankruptcy or a similar order in respect of the obligor's credit obligation to the Bank.

The following are considered as exceptions:

- Outstanding obligation is a result of an amount being disputed between the Bank and obligor where the dispute is not more than 150 days;
- In the case of specialized loans, default is defined as where the obligor is past due more than 180 days on any material credit obligation to the bank (principal or interest). In addition, it is consistent with the Bank's historical default pattern on this category of loans. The specialized loans to which this is applicable are project financing, object financing, income producing real estate, commercial real estate and mortgage loans;
- Outstanding obligation is an insignificant amount compared to the total amount due. Any amount not more than 10% of amount due is considered insignificant. Only applicable where there is no significant increase in credit risk and analyzed on a case by case basis.
- Exposure is still in default due to a new debit when the initial debit has been cleared. Usually occurs when the debit that initiated the initial days past due has been paid but the days past due continues to reflect a debit.

l) 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 reorganization, 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.

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Credit-impaired financial assets (Stage 3) (continued)

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.

Generally, the above are to represent an improvement in credit risk to warrant consideration for a backward transition of loans. Where there is evidence of significant reduction in credit risk, the following probationary periods should apply before a loan may be moved to a lower stage
(indicating lower risk):

Transfer from Stage 2 to 1:- 90 days
Transfer from Stage 3 to 2:- 90 days
Transfer from Stage 3 to Stage 1:- 180 days

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 recognized 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 amortized cost of the asset, which is the gross carrying amount less the related ACL. Following impairment, interest income is recognized on the unwinding of the discount from the initial recognition of impairment

m) 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 derecognized 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

n) Modifications

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-recognized, the Bank assesses whether there has been a significant increase in the credit risk of the financial 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

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Modifications (continued)

- 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 recognized 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

o) Classification and measurement of financial liabilities

The Bank recognizes 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 amortized cost or financial liabilities at FVTPL. The Bank classifies its financial liabilities as measured at amortized cost, except for:

i. **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;

ii. **Financial guarantee contracts and commitments:** Financial liabilities that are not classified at fair value through profit or loss are measured at amortized cost using the effective interest rate method. Financial liabilities measured at amortized cost are deposits from banks or customers, borrowings, and subordinated liabilities

p) De-recognition of financial instruments

The Bank derecognizes 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 recognized as a separate asset or liability.

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

De-recognition of financial instruments (continued)

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-recognized. In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it de-recognizes the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognized separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

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

2.8.1 Impact of adoption of IFRS 9

Mandatory reclassifications

The combined application of the business model and SPPI tests on adoption of IFRS 9 resulted in the reclassification of the following financial assets.

Classification of all financial liabilities remain the same under IFRS 9

	1 January 2019		31 December 2018	
Financial assets	**Measurement category**	**Carrying amount**	**Previous measurement category**	**Carrying amount**
Cash and bank balances	Amortized cost	7,090,163	Amortized cost	7,090,163
Loans and advances	Amortized cost	4,075,943	Amortized cost	4,054,493
Investment securities	Amortized cost	3,101,470	Held-to-maturity	3,101,470

The following financial assets previously classified as HTM are now reclassified to FVTPL as they are managed under a business model to 'hold to collect and sell' and meet the SPPI requirements

	January 1, 2019		**December 31, 2018**	
Financial assets	Measurement category	Carrying amount	Previous measurement category	Carrying amount
GOL T-Bond & T-Bills	Amortized cost	**2,525,878**	HTM	**2,525,878**

On January 1, 2019, the balance sheet line item Investment securities (GOL T-Bond & T-Bills) represent all securities other than those measured at FVOCI, which are presented as financial assets at fair value through profit or loss. For comparative periods, Investment securities represent securities previously classified as available-for-sale and held-to-maturity under IAS 39. For the current period, Investment securities represent securities classified as amortized cost under IFRS 9.

The following tables show the comparison of impairment allowances determined in accordance with IAS 39 to the corresponding impairment allowance determined in accordance with IFRS 9 as at January 1, 2019.

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Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Impact of adoption of IFRS 9 (continued)

	Allowance for credit losses: Loans and advances	Total allowance for credit losses
IAS 39 as at December 31, 2018		
Specific impairment	11,253	11,253
Portfolio impairment	39,667	39,667
Transition adjustments	21,450	21,450
Exchange rate effect		
IFRS 9 as at January 1, 2019	72,370	**91,359**
Analyzed as follow:		
Stage 1	127,569	**127,569**
Stage 2	0.110	0.110
Stage 3	36,159	**36,159**
Total	163,729	**163,729**

Impact of adoption of IFRS 9

Mandatory reclassifications

Allowance for credit losses on loans and advances to customers December 31, 2019 (IFRS 9)

Allowance for credit loss	Specific impairment	Portfolio impairment	Total	Stage 1 - 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance at 31 December 2018 (IAS 39)	11,253	39,667	50,920	39,667	-	11,253	50,920
Transition adjustments	(11,253)	(39,667)	(50,920)	5,048	-	16,402	21,450
Balance, beginning of period (IFRS 9)	-	-	-	44,715	-	27,655	72,370
Charge for the period			-	82,854	0.110	8,504	**91,359**
Exchange difference				-	-	-	-
Balance, end of period	-	-	-	**127,569**	0.110	**36,159**	**163,729**

Allowance for credit losses on financial instruments

Allowance for credit losses on loans and advances to customers:

	2019	2018
allowance for credit losses	**2019**	2018
Less: Allowance for credit losses		
Stage 1	**127,569**	
Stage 2	0.110	
Stage 3	**36,159**	
Specific impairment		11,253
Collective Impairment		39,667
	163,729	50,920

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Impact of adoption of IFRS 9 (continued)

December 31, 2019 (IFRS 9)		
Loans and advances		
Gross amount	**5,054,428**	
Less: Allowance for credit losses		
Stage 1	**127,569**	
Stage 2	**0.110**	
Stage 3	**36,159**	
Total provision for credit losses	**163,729**	
Carrying amount	**4,890,700**	
Loans and advances		
Gross amount	**5,054,428**	4,147,630
Less: Allowance for credit losses	**(163,728)**	
Less deferred facility fees & interest suspense	**15,879**	
Specific impairment		(11,253)
Collective Impairment		(39,667)
Less deferred facility fees & interest suspense		(20,767)
Carrying amount	**4,874,821**	**4,075,943**

2.8.2 Accounting policy for financial instruments prior to IFRS 9

(a) Foreign currency

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising as retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.
The closing rate used to consolidate the statement of financial position was L$188.77 to US$1.00 as at December 31, 2019 and statement of comprehensive income was L$185.80 to US$1.00 (2018: L$157.56 to US$1.00 and L$144.06 respectively).

(b) Interest income and interest expense

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

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

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Accounting policy for financial instruments prior to IFRS 9 (continued)

Interest income and interest expense (continued)

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

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

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

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

(c) 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.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognized as the related services are performed.

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

(d) Net trading income

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

(e) Lease payments made

Payments made under operating leases are recognized in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(f) Income tax expense

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

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Accounting policy for financial instruments prior to IFRS 9 (continued)

Income tax expense (continued)

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 balance sheet 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 recognized 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 that have been enacted or substantively enacted by the reporting date.
A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(g) Financial assets and liabilities

(i) *Recognition*

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

(ii) De-*recognition*

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

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

The Bank enters into transactions whereby it transfers assets recognized on its balance sheet, but retains either all risk 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 derecognized from the balance sheet. Transfers of assets with retentions of all or substantially all risks and rewards include, for example securities lending and repurchase transaction.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions. In transactions where the Bank neither retains nor transfers substantially all the risks, and rewards of ownership of a financial asset it derecognizes the assets if control over the asset is lost.

The rights and obligations retained in the transfer are recognized separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

UBA United Bank for Africa

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Accounting policy for financial instruments prior to IFRS 9 (continued)

In certain circumstances the Bank retains rights to service a transferred financial asset for a fee. The transferred asset is derecognized in its entirety if it meets the de-recognition criteria. An asset or liability is recognized for the servicing rights, depending on whether the servicing fee is more than adequate to cover servicing expenses (asset) or is less than adequate for performing the servicing (liability).

(*iii)* *Offsetting*

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

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

(iv) *Amortized cost measurement*

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

(v) *Fair value measurement*

The determination of fair value of financial assets and financial liabilities is based on quoted market prices or dealer price quotation for financial instruments traded in active markets. For all other financial instruments, fair value is determined by using valuation techniques. Valuation techniques include the net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Bank uses widely recognized valuation models for determining the fair value of common and simpler financial instrument like interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

For more complex instruments, the Bank uses probability models which usually are developed from recognized valuation models. Some or all of the inputs to these models may not be market observable, and are derived from market prices or rates or are estimated based on assumptions.

When entering into a transaction, the financial instrument is recognized initially at the transaction price which is the best indication of fair value, although the value obtained from the valuation model may differ from the transaction price. This initial difference usually an increase, in the fair value indicated by valuation techniques is recognized in income depending upon the individual facts and circumstances of each transaction and not later than when the market data becomes observable.

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Accounting policy for financial instruments prior to IFRS 9 (continued)

The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction.

Valuation adjustments are recorded to allow for model risks, bid risk spreads, liquidity prices, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the balance sheet.

(vi) Identification and measurement of impairment

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

The Bank considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortized cost) with similar risk characteristics.

Impairment losses on assets carried at amortized cost are recognized in profit and loss and reflected in an allowance account against loans and advances. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

However, any significant recovery in the fair value of an impaired available-for-sale equity security is recognized directly in equity. Changes in impairment provision attributable to the value are reflected as a component of interest income.

2.9 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.

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

2.10 Property, plant and equipment

(a) 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.

(b) Subsequent costs

The cost of replacing part of an item of property and equipment is recognized 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 recognized in profit or loss as incurred.

(c) Depreciation

Depreciation is recognized 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-recognized 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%
Right-of-use asset	various

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 amortization period or methodology, as appropriate, and treated as changes in accounting estimates.

(d) De-recognition

An item of property and equipment is derecognized 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 derecognized.

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

2.11 Intangible Assets

Software

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

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

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life 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 amortization period or methodology, as appropriate, which are then treated as changes in accounting estimates.

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

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

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

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

2.13 Deposits

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

2.14 Provisions

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

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

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

2.15 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.

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

2.16 Employee benefits

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

(ii) Defined contribution plans

The Bank pays contributions to the National Social Security and Welfare Corporation (NASSCORP) on a mandatory basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as assets to the extent that a cash refund or a reduction in the future payments is available.

(iii) Termination benefits

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

(iv) 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 rule 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

Share issue costs

Incremental costs directly attributable to the issue of equity instruments are deducted from the initial measurements of the equity instruments.

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

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.

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 minimize 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 risks
- Operational risks

This note presents information about the Bank's exposure to each of the reflected above risks, 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 analyze 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.

Notes to the financial statements (continued)

Financial risk management (continued)

Risk management framework

The Board of Directors is also responsible for monitoring the adequacy of the accounting and other records and internal control systems. Its functions include:

- examining how management ensures and monitors the adequacy, quality and objectivity of the financial records including external reports to shareholders and regulators;
- reviewing statutory accounts and published financial statements; and,
- reviewing the accounting policies of the Bank.

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.

Key ratios on loans and advances

The total loans loss provision made by the bank constitutes 1.8% (2018: 1.2%) of the gross loans.
UBA NPL (non-performing loans) Ratio: 5.94% (2018: 6.3%)

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 (mcc);
- 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 (mcc);
- 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

Notes to the financial statements (continued)

Financial risk management (continued)

Credit risk (continued)

Management of credit risk (continued)

- make recommendations to the Board on credit policy and strategy where appropriate.

The Management Credit Committee shall be responsible for managing credit risks in the Bank. The members of the committee shall 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.

Settlement risk

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

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

Country analysis

The following note incorporates the Banks' credit risk exposures, geographical concentrations of assets, liabilities and off balance sheet items disclosures and its secondary segments.

	2019		2018	
December 31, 2019	**In**	**Outside**	In	Outside
In thousands of Liberian dollars	**Liberia**	**Liberia**	Liberia	Liberia
Assets				
Cash and cash equivalents	**4,346,157**	**4,313,218**	4,714,982	2,375,181
Other asset accounts	**1,890,383**	**-**	592,080	-
Loans and advances	**4,874,821**	**-**	4,075,943	-
Tax receivable	**17,984**	**-**	17,984	-
Property and equipment	**193,016**	**-**	186,925	-
Intangible asset	**2,275**	**-**	6,026	-
Right-of-use Assets	**41,083**	**-**	-	-
Investment securities	**4,493,743**	**-**	3,109,988	-
	15,859,462	**4,313,218**	12,703,926	2,375,181
Liabilities				
Due to customers	16,167,121	-	11,949,621	-
Other liabilities	1,465,717	-	1,025,105	-
	17,632,838	**-**	12,974,726	-
Operating income	1,752,925	-	1,152,782	-

Notes to the financial statements (continued)

Financial risk management (continued)

Cash and cash

The Bank is managed locally, and operates in Liberia only. The Bank's exposure to credit risk is therefore concentrated in these areas.

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, and issues loans and advances 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:

	2019	2018
	%	%
At December 31	83	85
Average for the period	87	87
Maximum for the period	95	95
Minimum for the period	79	79

Notes to the financial statements (continued)

Financial risk management (continued)

Liquidity risk (continued)

Residual contractual maturities of financial liabilities

December 31, 2019	**Gross Nominal Inflow/ (outflow)**	0 to 3 Months	3 to 6 months	6 to 12 months	Over 12 Months
Cash and cash equivalents	**8,659,375**	8,659,375	-	-	-
Other assets	**1,890,383**	1,668,905	22,752	153,255	45,471
Loans and advances	**4,874,821**	2,809,631	348,596	185,406	1,531,189
Investment securities	**4,493,743**	350,357	300,144	1,511,555	2,331,687
	19,918,322	**13,488,268**	**671,492**	**1,850,216**	**3,908,347**
Non-derivative liabilities					
Deposits from customers	**16,167,121**	14,785,164	-	1,381,957	-
	16,167,121	14,785,164	-	1,381,957	-
	3,751,201	**(1,296,896)**	**671,492**	**468,259**	**3,908,347**

December 31, 2018	Gross Nominal Inflow/ (outflow)	0 to 3 Months	3 to 6 months	6 to 12 months	Over 12 Months
Cash and cash equivalents	7,090,163	7,090,163	-	-	-
Other assets	592,080	500,914	25,440	12,446	53,280
Loans and advances	4,075,943	1,937,352	574,240	433,465	1,130,886
Investment securities	3,109,988	-	-	-	3,109,988
	14,868,173	9,528,428	599,680	445,911	4,294,153
Non-derivative liabilities					
Deposits from customers	11,949,621	11,373,771	-	575,850	-
	11,949,621	11,373,771	-	575,850	-
	2,918,552	**(1,845,343)**	**599,680**	**(129,939)**	**4,294,153**

Notes to the financial statements (continued)

Financial risk management (continued)

Liquidity risk (continued)

Residual contractual maturities of financial liabilities

The previous table shows the undiscounted cash flows on the Bank's financial liabilities and possible contractual maturity. The Bank's expected cash flows on these instruments vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balances.

The gross nominal inflow / (outflow) shown in the previous table is the contractual, undiscounted cash flows on the financial liability or commitment.

The carrying amount is equal to the gross nominal amount as the carrying amount has not been discounted due to the short period of maturity of the deposits.

Contingent Liabilities

The tables that follow highlight those financial commitments not presented on the consolidated statement of financial position but are treated as off balance sheets items. These transactions represent third-party obligations that can crystallize in future and are generally not directly dependent on the customers' credit worthiness.

These transactions include performance bonds and guarantees, letters of credit, and bankers' acceptances. As stated earlier, these instruments are contingent in nature and carry the same credit risk as loans and advances. The Bank ensures that off-balance sheet exposures are subjected to detailed credit analysis.

Notes to the financial statements (continued)

Financial risk management (continued)

Liquidity risk (continued)

Contingent Liabilities

December 31, 2019	Gross Nominal Inflow/ (outflow)	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 12 Months
Performance bonds & guarantees	**1,528,493**	-	-	-	**1,528,493**	-
Letters of credits	**1,081,988**	-	-	-	**1,081,988**	-
	2,610,481	-	-	-	**2,610,481**	-
December 31, 2018						
Performance bonds & guarantees	614,095	9,479	79,996	24,712	237,709	262,199
Letters of credits	988,658	230,585	447,654	310,419	-	-
	1,602,753	240,064	527,650	335,131	237,709	262,199

Notes to the financial statements (continued)

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 optimizing the return on risk.

In thousands of Liberian Dollar	Total	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years
December 31, 2019					
Cash and cash equivalents	**8,659,375**	**8,659,375**	**-**	**-**	**-**
Loans and advances	**4,874,821**	**2,809,631**	**348,596**	**185,406**	**1,531,189**
Investment securities	**4,493,743**	**350,357**	**300,144**	**1,511,555**	**2,331,687**
Total financial assets	**18,027,939**	**11,819,363**	**648,740**	**1,696,961**	**3,862,876**
Deposits from customers	**16,167,121**	**14,785,164**	**-**	**1,381,957**	**-**
Total financial liabilities	**16,167,121**	**14,785,164**	**-**	**1,381,957**	**-**
	1,860,818	**(2,965,801)**	**648,740**	**315,004**	**3,862,876**

	Total	Less than 3 months	3 to 6 months	6 to 12 Months	1 to 5 years
December 31, 2018					
Cash and cash equivalents	7,090,163	7,090,163	-	-	-
Loans and advances	4,075,943	1,937,352	574,240	433,465	1,130,886
Investment securities	3,109,988	-	-	-	3,109,988
Total financial assets	14,276,094	9,027,515	574,240	433,465	4,240,874
Deposits from customers	11,949,621	11,373,771	-	575,850	-
Total financial liabilities	11,949,621	11,373,771	-	575,850	-
	2,326,473	(2,346,256)	574,240	(142,385)	4,240,874

Notes to the financial statements (continued)

Financial risk management (continued)

Market risk (continued)

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

Exposure to other market risk – non-trading portfolios

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

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 authorization 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 and the results of the internal audit reviews are discussed with the management of the Bank.

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Notes to the financial statements (continued)

Financial risk management (continued)

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 analyzed 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 recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

  The Bank has complied with all external imposed capital requirements throughout the period and there have been no material changes in the Bank's management of capital during the period.

f1 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%.

In thousands of Liberian Dollars	**2019**	2018
Capital base:		
1. Tier 1 capital		
Issued capital	1,128,769	1,128,769
Translation reserve	865,724	668,443
Retained profit and reserves	536,116	307,170
	2,530,609	2,104,382
2. Tier 2 capital		
Financial instrument with equity option	-	-
	2,530,609	2,104,382

Notes to the financial statements (continued)

Financial risk management (continued)

Risk weighted asset base

	2019 Amount	%	Weight Amount	2018 Amount	%	Weight amount
Foreign cash balances	4,313,218	20%	862,644	**2,375,181**	20%	**475,036**
Other assets	**1,890,383**	100%	1,890,383	**803,015**	100%	**803,015**
Loans and advances	**4,874,821**	100%	4,874,821	**4,075,943**	100%	**4,075,943**
Off-balance items	**2,610,481**	100%	2,610,481	**1,602,753**	100%	**1,602,753**
	13,688,903		**10,238,329**	**8,856,892**		**6,956,746**

	2019	2018
Capital adequacy ratio	**25%**	**30%**

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

f2. Central Bank of Liberia disclosure requirement on Capital Adequacy

December 31, 2019

On and off Balance sheet exposure items	Value of exposure (L$' 000)	Risk weighted value (L$' 000)	Risk weighted value without CRM (L$' 000)	Effect of CRM (L$' 000)
Total aggregate On-Balance sheet exposures	**11,078,422**	**4,180,612**	**7,627,848**	**3,447,236**
Total aggregate Off-Balance sheet exposures	2,610,481	2,610,481	2,610,481	-
Total aggregate On and Off Balance sheet exposures	**13,688,903**	**6,791,093**	**10,238,329**	**3,447,236**

December 31, 2018

On and off Balance sheet exposure items	Value of exposure (L$' 000)	Risk weighted value (L$' 000)	Risk weighted value without CRM (L$' 000)	Effect of CRM (L$' 000)
Total aggregate On-Balance sheet exposures	7,254,138	3,938,980	5,353,994	1,415,014
Total aggregate Off-Balance sheet exposures	1,602,753	1,602,753	1,602,753	-
Total aggregate On and Off Balance sheet exposures	8,856,891	5,541,733	6,956,746	1,415,014

Notes to the financial statements (continued)

4.2 Critical Accounting Judgments in applying the Bank's Accounting Policies

Critical accounting judgments made in applying the Bank's accounting policies include:

4.2.1 Financial asset and liability classifications

The Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances: Details of the Bank's classification of financial assets and liabilities are shown in Note 2.8

4.2.2 Determination of impairment of property and equipment, and intangible assets, excluding goodwill

Management is required to make judgments concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists.

The Bank applies the impairment assessment to its separate cash generating units. This requires Management to make significant judgments and estimates concerning the existence of impairment indicators, separate cash 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 recognized impairment loss should be reversed.

Notes to the financial statements (continued)

	In thousands of Liberia dollars	2019	2018
5	**Interest and similar income**		
	Cash and cash equivalents	**249,329**	130,714
	Loans and advances to customers	**369,607**	341,933
	Investment securities	**275,940**	80,630
	Total interest income	**894,876**	553,277
	Interest expenses		
	Deposits from customers	**133,901**	84,826
	Other interest expenses	**17,071**	2,516
	Total interest income	**150,972**	87,342
6	**Fee and commission income**		
	Trade finance and other fees	**46,078**	52,285
	Account service fee	**56,606**	52,740
	Fees and commission	**825,581**	528,256
	Net fee and commission income	**928,265**	633,281

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.

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Notes to the financial statements (continued)

In thousands of Liberia dollars		2019	2018
7	**Net Foreign exchange and trade gains/(loss)**		
	Foreign exchange gain		
		18,403	5,322

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

		2019	2018
8	**Other operating income**		
	Loan recovery	-	-
	Other income	**62,353**	48,244
		62,353	48,244
9	**Personnel expenses**		
	Basic salaries	**416,550**	311,414
	Pension scheme	**29,561**	18,587
	Allowances	**42,888**	42,533
	Staff training	**174**	4,269
		489,172	376,803
10	**Other operating expenses**		
	Occupancy cost	**35,801**	63,654
	Repair and maintenance	**68,969**	27,476
	Audit fees	**7,435**	6,426
	Legal and professional expenses	**6,668**	4,532
	Licenses, subscription & registration	**11,957**	11,416
	Link expenses and computer expenses	**56,529**	32,017
	Travel	**29,918**	50,999
	Stationery and publication	**13,197**	2,873
	Business promotion, advertising and marketing	**18,334**	11,742
	Fuel, gas and water	**10,148**	3,282
	Director's expense	**29,227**	29,487
	Insurance	**24,943**	6,240
	Bank charges	**2,230**	2,111
	Others	**400,134**	269,480
		715,489	521,737

Fines and penalties paid by the Bank during the period ended December 31, 2019, was nil (2018: nil).

Notes to the financial statements (continued)

11. Income tax expense

Recognized in the income statement

(a) Current tax expense:

In thousands of Liberian dollars

Current year	2019	2018
Current year	90,375	**47,558**
Tax impact of temporary difference:		
Non-deductible expenses	(1,751)	**(2,128)**
Tax incentives	(3,059)	**72,835**
Total tax expense	**85,566**	**118,265**

Reconciliation of effective tax rate

Profit before income tax	**344,480**	179,833
Income tax on loss/profit before tax	**90,375**	47,558
Tax impact of temporary difference:		
Non-deductible expenses	**(1,751)**	(2,128)
Tax incentives	**(3,059)**	72,835
Total income tax expense in Income statement	**85,566**	118,265

(b) Current tax account

	Current tax liability		Current tax asset	
	2019	2018	2019	2018
Balance at January 1	**47,558**	**43,559**	**(17,984)**	(17,984)
Tax charge/credit for the year	**90,375**	**47,558**	**-**	-
Income tax paid	**(28,322)**	**(43,559)**	**-**	-
Balance at 31 December	**109,611**	**47,558**	**(17,984)**	(17,984)

(c) Deferred tax account

	2019	2018
Balance at January 1	**21,796**	(48,911)
Credit/Charge for the period	**(4,809)**	70,707
Balance at 31 December	**16,987**	21,796

Notes to the financial statements (continued)

(d) Deferred tax asset and liabilities

Recognized deferred tax asset and liabilities

In thousands of Liberian dollars

Deferred tax assets and liabilities are attributable to the following:

	2019			2018		
	Asset	**Liability**	**Net**	Asset	Liability	Net
Property, plant and equipment	**(3,059)**	**20,045**	**16,987**	(1,806)	23,602	21,796
Deferred income	**-**	**-**	**-**	-	-	-
Tax loss carried forward	**-**	**-**	**-**	-	-	-
	(3,059)	**20,045**	**16,987**	(1,806)	23,602	21,796

Movement in temporary differences during the year 2019

	Opening balance	Recognized in P/L	Closing balance
Property, plant and equipment	**21,796**	**(4,809)**	**16,987**
Deferred income	**-**	**-**	**-**
Tax loss carried forward	**-**	**-**	**-**
	21,796	**(4,809)**	**16,987**

Movement in temporary differences during the year 2018

	Opening balance	Recognized in P/L	Closing balance
Property, plant and equipment	24,396	(2,600)	21,796
Deferred income	-	-	-
Tax loss carried forward	(73,307)	73,307	-
	(48,911)	70,707	21,796

12. Dividends

The directors have recommended dividend payment for the year ended December 31, 2019 and this recommendation is under review with the CBL.

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Notes to the financial statements (continued)

13. 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.

In thousands of Liberia dollars

	2019	2018
Profit attributable to equity holders of the Bank	**258,914**	61,568
Weighted average number of ordinary shares in issue	**1,128,796**	1,128,796
Basic earnings per share(expressed in L$ per share	**0.229**	0.055

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, 2019.

14. Cash and cash equivalents

In Thousand Liberian dollars

	2019	2018
Cash in hand	**820,219**	469,117
Balances with the Central Bank of Liberia	**3,525,938**	4,225,387
Cash & balances with other banks	**4,313,218**	2,395,659
	8,659,375	7,090,163

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 the following balances with less than three months maturity from the date of acquisition.

Notes to the financial statements (continued)

In thousands of Liberia dollars	2019	2018
Cash and cash balances with banks	**8,659,375**	**7,090,157**
Treasury bills and other eligible bills (Note 16)	**4,493,743**	**3,109,988**
	13,153,118	**10,200,145**

15. Loans and advances to customers

15.1 Analysis by sector

	2019	2018
Individual and private loans	**928,596**	868,855
Staff loans	**48,418**	28,805
Public enterprises	**4,077,414**	3,249,970
Gross loans and advances	**5,054,428**	4,147,630
Allowances for impairment	**(163,729)**	(50,920)
Deferred facility fee	**(2,147)**	(5,839)
Interest in suspense	**(13,731)**	(14,928)
	(179,607)	(71,687)
	4,874,821	4,075,943

15.2 Types of advance

	2019	2018
Loans	**2,504,155**	2,645,136
Overdrafts	**2,550,273**	1,502,494
	5,054,428	4,147,630

Gross loans and advances		
Allowances for impairment	**(163,729)**	(50,920)
Deferred facility fee	**(2,147)**	(5,839)
Interest in suspense	**(13,733)**	(14,928)
	(197,607)	(71,687)
	4,874,821	4,147,630

Notes to the financial statements (continued)

15.3 Allowances for impairment

In thousands of Liberian dollars	2019	2018
Specific allowance for impairment		
Impairment losses for the period:		
At January 1	**11,253**	**13,489**
Transition adjustment	16,402	
Charge- allowance for credit losses(Note 2.8.1)	8,504	**-**
Charge- allowances for impairment		**(2,236)**
Balance at December 31	**36,159**	**11,253**
Collective allowances for impairment		
Impairment losses for the period		
At January 1	**39,667**	19,889
Transition adjustment	5,048	-
Charge- allowance for credit losses(Note 2.8.1)	82,854	
Charge- allowances for impairment		19,778
Balance at December 31	**127,569**	39,667
Total	**163,729**	50,920
Impairment charge for the year		
Specific allowance for impairment	**36,159**	(8,636)
Collective allowances for impairment	**127,569**	26,178
	163,729	17,542

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Notes to the financial statements (continued)

15.4 Central Bank of Liberia prudential regulation on asset quality

In thousands of Liberian dollars

December 31,2019

STATUS	Total count	% Total count	Loan Value (Gross) '000	% Total value	Provision amount (Gross) '000	% Total provision
CURRENT	3,672	96.00%	4,753,688	94.05%	51,854	36.39%
Total Current	3,672	96.00%	4,753,688	94.05%	51,854	36.39%
Total Performing	3,672	**96.00%**	**4,753,688**	**94.05%**	**51,854**	**36.39%**
SUB-STANDARD	27	0.71%	264,516	5.23%	61,445	43.11%
DOUBTFUL	27	0.71%	23,624	0.47%	13,972	9.80%
LOSS	99	2.59%	12,600	0.25%	15,244	10.70%
Total NPL	**153**	**4.00%**	**300,740**	**5.95%**	**90,660**	**63.61%**
Total Performing & NPL	3,825	100.00%	5,054,428	100.00%	142,514	100.00%

December 31, 2018

STATUS	Total count	% Total count	Loan Value (Gross) '000	% Total value	Provision amount (Gross) '000	% Total provision
CURRENT	3,604	95.85%	3,885,092	93.67%	38,851	36%
Total Current	3,604	95.85%	3,885,092	93.67%	38,851	36%
Total Performing	3,604	95.85%	3,885,092	93.67%	38,851	36%
SUB-STANDARD	28	0.74%	230,181	5.55%	46,036	43%
DOUBTFUL	27	0.72%	20,936	0.50%	10,468	10%
LOSS	101	2.69%	11,421	0.28%	11,421	11%
Total NPL	156	4.15%	262,538	6.33%	67,925	64%
Total Performing & NPL	3,760	100.00%	4,147,630	100.00%	106,776	100.0%

Notes to the financial statements (continued)

15.5 Sensitivity Analysis of impairment using CBL prudential guidelines on provisioning.

In thousands of Liberian dollars

December 31, 2019

	IFRS 9 impairment LR$ '000	CBL provision LR$ '000	Difference (Credit risk reserve) LR$ '000
Loan & advances: specific impairment (SoCI)	**36,159**	**22,735**	**13,424**
Loan & advances: Collective impairment (SoCI)	**127,569**	**13,004**	**114,565**
Total (SoCI)	**163,729**	**35,738**	**127,990**

December 31, 2018

	IAS 39 provision LR$ '000	CBL provision LR$ '000	Difference (Credit risk reserve) LR$ '000
Loan & advances: specific impairment (SoCI)	26,178	11,925	14,255
Loan & advances: collective impairment (SoCI)	(8,636)	15,854	(24,490)
Total (SoCI)	17,542	27,779	(10,237)

15.5a Impact on statement of financial position

In thousands of Liberian dollars

	2019	2018
Loans	**2,504,155**	2,645,136
Overdrafts	**2,550,273**	1,502,494
	5,054,428	4,147,630
Gross loans and advances		
Allowances for impairment	**(163,729)**	(106,776)
Deferred facility fee	**(2,147)**	(5,839)
Interest in suspense	**(13,733)**	(14,928)
	(197,607)	(127,543)
Carrying value	**4,874,821**	4,020,087

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Notes to the financial statements (continued)

16. Investment securities

Treasury bills	**4,493,743**	3,109,988
	4,493,743	3,109,988

Treasury bills are debt securities issued by the Government of Liberia through the Central Bank of Liberia. CBL bills are issued by the Central Bank of Liberia. Both bills are held to maturity.

17. Intangible assets

In thousands of Liberia dollars

Balance as at Jan 1, 2019	**22,519**
Addition	335
Balance as at December 31, 2019	**22,854**
Depreciation	
Balance as at Jan 1, 2018	**13,334**
Current charge	3,159
Balance as at December 31, 2018	**16,493**
Balance as at Jan 1, 2019	**16,493**
Current charge	4,086
Balance as at December 31, 2019	**20,579**
Net book value:	
As at December 31, 2018	**6,026**
As at December 31, 2019	**2,275**

18. Other assets

	2019	2018
Prepaid expenses	**153,255**	139,018
Sundry receivable	**1,399,072**	261,988
Others	**338,056**	191,073
	1,890,383	592,079

Notes to the financial statements (continued)

In thousands of Liberian dollars

19. Property, plant and equipment

	Leasehold Improvement	Motor vehicles	Equipment & furniture	Total
Cost:				
Balance as at January 1, 2018	155,106	53,592	228,844	437,542
Additions	18,024		48,165	66,189
Disposal/write-off/reclassification	-	19,680	(19,680)	-
Balance as at December 31, 2018	**173,130**	**73,272**	**257,329**	**503,731**
Balance as at January 1, 2019	173,130	73,272	257,329	503,731
Additions	**11,610**	**-**	**70,845**	**82,455**
Balance as at December 31, 2019	**184,740**	**73,272**	**328,174**	**586,186**
Depreciation				
Balance as at January 1, 2018	47,029	46,644	169,426	263,099
Current charge	11,454	11,236	31,017	53,707
Disposal/write-off/reclassification	-	1,680	(1,680)	-
Balance as at December 31, 2018	**58,483**	**59,560**	**198,763**	**316,805**
Depreciation				
Balance as at January 1, 2019	58,483	59,560	198,763	316,805
Current charge	14,951	9,370	52,044	76,365
Balance as at December 31, 2019	**73,434**	**68,930**	**250,806**	**393,170**
Net Book Value				
December 31, 2018	**114,648**	**13,712**	**58,566**	**186,926**
December 31, 2019	**111,307**	**4,342**	**77,368**	**193,016**

Notes to the financial statements (continued)

In thousands of Liberian dollars

	Leasehold Improvement	Motor vehicles	Equipment & furniture	Total
Cost:				
Balance as at January 1	113,085	57,804	196,566	367,455
Additions	42,021	119	32,279	74,419
Disposal	-	(4,331)	-	(4,331)
Balance as at December 31, 2017	155,106	53,592	228,845	437,543
Cost:				
Balance as at January 1	155,106	53,592	228,,845	457,542
Additions	18,024	-	48,165	66,189
Reclassification	-	19,680	(19,680)	-
Balance as at December 31, 2018	173,130	73,272	257,329	503,731
Depreciation				
Balance as at January 1	55,489	39,151	145,502	240,142
Current Charge	(8,460)	11,824	23,924	27,288
Disposal	-	(4,331)	-	(4,331)
Balance as at December 31,2017	47,029	46,644	169,426	263,099
Depreciation				
Balance as at January 1	47,029	46,644	169,426	263,099
Current Charge	11,454	11,236	31,017	53,707
Disposal	-	1,680	(1,680)	-
Balance as at December 31,2018	58,483	59,560	198,763	316,806
Net book value:				
December 31, 2017	108,077	6,948	59,419	174,444
December 31, 2018	114,684	13,712	58,566	186,925

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Notes to the financial statements (continued)

19. Depreciation and amortisation

In Thousand Liberian dollars

	2019	2018
Property and equipment	**76,365**	53,707
Intangible assets (Note 17)	**4,086**	3,159
Right-of use asset (Note 2.3.1)	**30,161**	-
	110,612	56,866

20. Deposits from customers

Demand accounts	**10,569,883**	8,340,068
Savings accounts	**4,215,281**	3,033,703
Term deposits	**1,381,957**	575,850
	16,167,121	11,949,621

21. Other liabilities

Account payables	**802,713**	181,224
Managers' checks	**151,347**	94,908
Accrued liabilities	**119,430**	30,717
Sundry liabilities	**238,608**	648,902
	1,312,099	955,751

22. Share Capital

	2019			2018
Authorized share capital	**No. of shares**	**Proceeds**	No. of shares	Proceeds
20,000,000 of US$ 1 each	**20,000,000**	**20,000,000**	20,000,000	20,000,000
Balance at December 31	**20,000,000**	**20,000,000**	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

Notes to the financial statements (continued)

Reserves:

Retained earnings:

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

Cumulative translation adjustment:

Cumulative Translation Reserve comprises all foreign exchange differences arising from the translation of the financial statements from the functional currency, which is United States dollars to the presentational currency (Liberian dollars).

Credit reserve:
The credit reserve warehouses the difference between the impairment on loans and advances determined using the Central Bank of Liberia prudential guidelines, compared with the incurred loss model used in determining the impairment loss under IFRS.

Where the loan loss impairment determined using the Central Bank of Liberia prudential guidelines is higher than the loan loss impairment determined using the incurred loss model under IFRS, the difference is transferred to regulatory credit reserve and it is non-distributable to owners of the Bank.

23. Contingency

Contingent liabilities in respect of off balance sheet items sums up to LR$ 2,610,481,000 as at December 31, 2019 (2018: 1,602,753,000).

24. Acceptances and guarantees

There were no outstanding commitments as at the end of December 31, 2019 (2018: nil).

25. Capital commitment

Commitment for capital expenditure at December 31, 2019 amounted to nil. (2018: nil)

26. 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.

Identity of related parties
The Bank has a related party relationship with its parent body in the group. The parent body 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. Payments due to the Group as at December 31, 2019 is L$ 122,935,445 (2018: L$ 14,903,919). Remittance to the Group as at December 31, 2019 is Nil (2018: 49,217,959)

Notes to the financial statements (continued)

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:

	2019	2018
Short-term employee benefits	**L$ 107,924,634**	L$ 95,743,088

27. Events after the post financial position date

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. On March 11, 2020, The World Health Organization declared the outbreak a Global Pandemic. On March 21, 2020, the Minister of Health of the Republic of Liberia declared the Coronavirus outbreak a National Health Emergency, in accordance with Liberia's Public Health Law. The Bank's Management is closely monitoring developments and assessing the impact(s) that all these developments are very likely to have on the Bank's operations.

At this point, we cannot reasonably estimate the duration and severity of this pandemic, which could have a material adverse impact on our business, results of operations, financial position, and cash flows.

Other information

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

Other information (continued)

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