



Rokel Commercial Bank (Sierra Leone) Limited

Financial statements
for the year ended 31 December 2021

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Rokel Commercial Bank (Sierra Leone) Limited
Financial statements
for the year ended 31 December 2021

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Corporate information

Board of Directors

Mr. Buffy B. Bailor	Chairman
Dr. Walton E. Gilpin	Managing Director
Mr. Emmanuel E. Borbor	Deputy Managing Director
Dr. Prince Harding	Member
Mr. Sabieu Conteh	Member
Mr. Santigie C. Conteh	Member
Mr. Andre T. Hope	Member
Mrs. Marcella B. Jones	Member
Mrs. Haja R. Kamara	Member

**Company Secretary/
Legal adviser:**

Mrs. Margaret A.L. Davies

Registered office:

25/27 Siaka Stevens Street
Freetown.

Auditors:

Moore Sierra Leone
Chartered Accountants
55 Sir Samuel Lewis Road
Aberdeen
Freetown

Report of the directors

The directors have pleasure in submitting their Annual Report on the business and operations of Rokel Commercial Bank (Sierra Leone) Limited to the shareholders together with the audited financial statements for the year ended 31 December 2021.

Principal activities

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

Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the financial statements comprising the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of Sierra Leone, the Banking Act of Sierra Leone and the Banking Regulations of Sierra Leone, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

- ☐ Select suitable accounting policies and then apply them consistently;
- ☐ Make judgements and estimates that are reasonable, relevant and reliable;
- ☐ State whether they have been prepared in accordance with IFRSs and in the manner required by the Companies Act of Sierra Leone, the Banking Act of Sierra Leone and the Banking Regulations of Sierra Leone;
- ☐ Assess the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- ☐ Use the going concern basis of accounting unless they either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

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

They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

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

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

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

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

Rokel Commercial Bank (Sierra Leone) Limited
Financial Statements
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Report of the directors (continued)
Directors Responsibility Statement (continued)

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Bank
- The financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Bank's position and performance, business model and strategy.

Share capital

On 6 March 2019, the Bank of Sierra Leone granted approval for the minimum paid up capital for banks to be reviewed as follows:

By end December 2019 increase to Le 45 billion

By end December 2020 increase to Le 65 billion

By end December 2021 increase to Le 85 billion

To comply with the Bank of Sierra Leone minimum paid up capital requirement, the Bank increased its authorized share capital from Le60 billion to Le100 billion by the creation of Le40 billion ordinary shares of Le1 each. Details of the Bank's share capital are shown in note 28 to the financial statements. The issued ordinary share capital of the Bank is 91,485,287 ordinary shares of Le1 each.

On 23 July 2021 a bonus of one ordinary share for every five share was awarded to shareholders to bring the total paid up shares to Le 91.48 billion. The new shares rank pari-passu with the existing shares.

The Bank has one class of ordinary shares, which carries no rights to fixed income. The holders of ordinary shares are entitled to receive dividends as declared from time to time. On a show of hands, each member present has the right to one vote at the general meetings. On a poll, each member is entitled to one vote for every Le1 nominal value of share capital held. All ordinary shares rank equally with regards to the Bank's residual assets.

Profit for the year

The profit for the year after taxation was Le 65.81 billion (2020: Le57.59 billion).

Dividends

On 23 August 2022, the Board of Directors recommend dividend payment of Le 0.19 cents per Share.

Capital adequacy

The Bank is required to maintain a minimum capital adequacy ratio of 15% of total adjusted assets. As at 31 December 2021 the capital adequacy of the Bank was 56.80% (2020: 82.69%). Details of the computation are shown in note 35(f) to these financial statements.

Rokel Commercial Bank (Sierra Leone) Limited
Financial Statements
for the year ended 31 December 2021

Report of the directors (continued)

Directors

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

Under the terms of Article 89 of the Articles and Memorandum of Association, Prince Harding, Santigie C. Conteh and Sabieu Conteh retire by rotation and being eligible to offer themselves for re-election.

In accordance with the provisions of section 24 of the Finance Act 2019 the representative of the Government of Sierra Leone on the Board of a Public Enterprise shall be the Financial Secretary of the Ministry of Finance or his Representative. Consequentially Mr. Sahr L. Jusu, is the designated Director of the Company. On 2 April 2019 Mr. Santigie C. Conteh was nominated by the Financial Secretary and approved by the Bank of Sierra Leone on as alternate Director to Sahr L. Jusa until further notice.

The Audit Committee

The audit committee comprises of three members of the Board of Directors with the exception of the Executive Directors of the Board and the Chairman of the Board. The committee assisted the Board in fulfilling its oversight responsibility relating to the integrity of the Bank's financial reporting process, the independence and performance of the Bank's internal and external auditors and the Bank's system of internal control and mechanism for receiving complaints regarding the Bank's accounting and operating procedures.

Executive Committee

The executive committee (exco) comprises the Managing Director (Chairman), Deputy Managing Director, Director of Strategy, Head of operation, Director Risk Management, Director of Finance, Director of Business Center, Company Secretary and Legal Adviser, Head of Business Development and Wholesale Banking, Director of Audit, IT Manager, E Banking Manger, Head of Public Relations and Protocol, Head of Corporate Affairs and Customer Services, Head of Administration, Human Resource Manager and Head of compliance. The exco staff of the Bank meet on a weekly basis to discuss general issues affecting the bank.

IT Steering Committee

The IT steering Committee comprises of Managing Director (chairman), IT Manager, E Banking Manager, IT Consultant, Head of Operations, Director of Finance. The committee is responsible for reviewing, implementing, monitoring and evaluating the Bank's IT system (UNIVBANK) and the E-Banking (VISA) that the Bank uses in its operations.

Disciplinary Committee

This committee comprises the Deputy Managing Director (Chairman), Director of Finance, Director of Strategy, Director of Risk Management, Head of Operations, Head of administration, Head of Compliance, Company Secretary and Legal Advisor, Legal Adviser and Human Resource Manager. The committee is responsible for the enforcement of discipline within the bank by reviewing matters relating to fraud, insubordination, negligence, and absenteeism, breach of the terms and conditions of service, professional and other misconducts by staff.

Assets and Liability Committee

The Assets and Liabilities Committee comprise the Managing Director (Chairman), Director of Finance, Deputy Managing Director, Director of Risk Management, Director of Strategy, Head of Operation and Director of Business Centre. The Committee meets monthly to monitor the Bank's Assets and Liabilities and it assist management in ensuring that the Bank is in compliance with its policies and all other regulatory requirements.

Rokel Commercial Bank (Sierra Leone) Limited
Financial Statements
for the year ended 31 December 2021
Report of the directors (continued)

Special Debt Recovery Committee

The objectives of the committee is to ensure the Bank maintains advances within the limit of Le 300 billion as required by the Bank of Sierra Leone and also to monitor the process of debt recovery/collection.

Disposal of Recovered Properties Committee

The Bank set up a new committee, the Disposal of recovered properties committee to complement the work of Special Debt Recovery Committee. The committee is tasked to maintain a list of properties available for sale, advertise the properties available for sale, establish a procedure to make the committee the official reference point, negotiate every sale of properties concerned, prepare monthly report of activities of the committee and any other activities as directed by the Board of Directors.

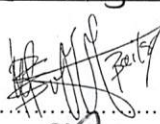
Auditors

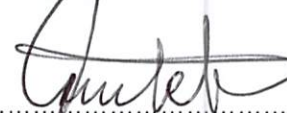
The auditors Messrs Moore Sierra Leone appointed by the Auditor-General on 16 November 2021 to conduct the audit of the financial statements for the year ended 31 December 2021 will hold office till the end of the forthcoming Annual General Meeting.

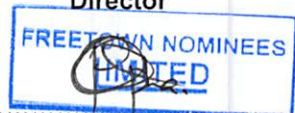
The Auditor-General has the responsibility to appoint auditors for the Bank for the ensuing year.

Approval of the financial statements

The financial statements of the Bank were approved by the Board of Directors on 23 August 2022 and are signed on its behalf by:


.....
Chairman


.....
Director


.....
Secretary


.....
Managing Director


.....
Director

Independent Auditor's report to the shareholders of Rokel Commercial Bank (Sierra Leone) Limited

Opinion

We have audited the financial statements of *Rokel Commercial Bank (Sierra Leone) Limited*, which comprise the statement of financial position as at 31 December 2021, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies, and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of Sierra Leone, the Banking Act of Sierra Leone and the Banking Regulations of Sierra Leone.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Sierra Leone, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Impairment of Loans and Advances

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

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

Independent Auditor's report to the shareholders of Rokel Commercial Bank (Sierra Leone) Limited (continued)

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

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

Procedures

Our procedures include the following:

- We evaluated the design and implementation of the key controls over the impairment determination process such as the board credit committee review of loans and advances, management review of relevant data used in the calculation of expected credit losses including forward looking macroeconomic data to be included in the impairment model and evaluation of ECL impairment computation.
- We tested the appropriateness of the Bank's determination of significant increase in credit risk and the resultant classification of loans into the various stages by examining the loans on a sample basis. We evaluated the level of past due obligations and qualitative factors such as publicly available information about the obligors to determine whether the Bank should estimate the expected credit loss over a period of 12 months or over the life of the loans and advances.
- Assisted by our financial risk management specialists, we checked the key data and assumptions for the data input into the ECL model used by the Bank. Our procedures in this regard included the following:
 - (i) We challenged the reasonableness of the Bank's ECL methodology by considering whether it reflects unbiased and probability-weighted amounts that are determined by evaluating a range of possible outcomes, the time value of money, reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions;
 - (ii) For forward looking assumptions comprising inflation rate used by the Bank's management in its ECL calculations, we corroborated the Bank's assumptions using publicly available information from external sources;
 - (iii) We evaluated the appropriateness of the basis of determining Exposure at Default, including the contractual cash flows, outstanding loan balance, loan repayment type, loan tenor and effective interest rate;
 - (iv) For Probability of Default (PD) used in the ECL calculations, we checked the historical movement in the balances of facilities between default and non-default categories for each sector;

Independent Auditor's report to the shareholders of Rokel Commercial Bank (Sierra Leone) Limited (continued)

- (v) We checked the calculation of the Loss Given Default (LGD) used by the Bank in the ECL calculations, including the appropriateness of the use of collateral, by recomputing the LGD;
- (vi) We re-performed the calculations of impairment allowance for loans and advances using the Bank's impairment model and validated key inputs. For loans and advances which have shown a significant increase in credit risk, the recalculation was based on the amount which may not be recovered throughout the life of the loans while for loans and advances that have not shown significant increase in credit risk, the recalculation was based on the losses expected to result from default events within a year.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of Sierra Leone, which we obtained prior to the date of this report. Other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of Sierra Leone, the Banking Act of Sierra Leone and the Banking Regulations of Sierra Leone, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent Auditor's report to the shareholders of Rokel Commercial Bank (Sierra Leone) Limited (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank's audit. We remain solely responsible for our audit opinion

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

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

Independent Auditor's report to the shareholders of Rokel Commercial Bank (Sierra Leone) Limited (continued)

Report on other Legal and Regulatory Requirements

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

- The financial statements give a true and fair view of the state of affairs of the Bank and its results for the year under review;
- We were able to obtain all the information and explanation required for the efficient performance of our duties;
- The Bank transactions are within the powers of the bank; and
- The Bank did not comply with the relevant provisions of the Banking Act of Sierra Leone; as at 31 December 2021, the bank breached the regulations of the prudential guidelines for commercial banks as the bank's non-performing loans to total loans ratio of 11.74% exceeded the tolerable ratio of 10% by 1.74%.

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

Freetown

Moore SL
Chartered Accountants

Date:

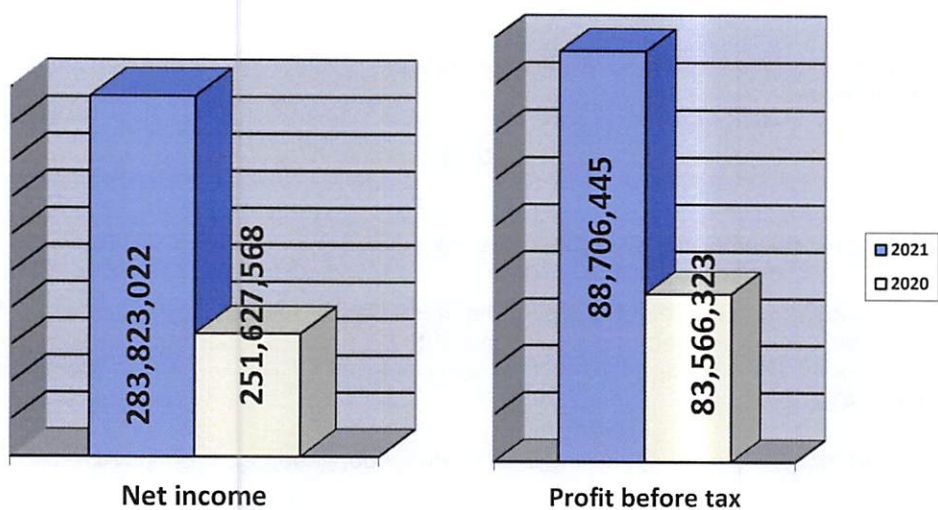
23 August 2022



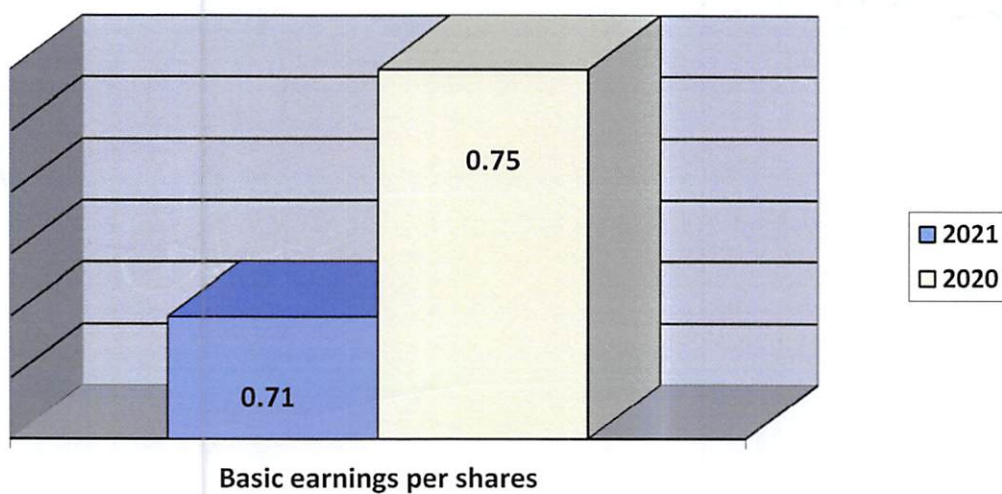
Financial highlights

Revenue
(Thousands of Leones)

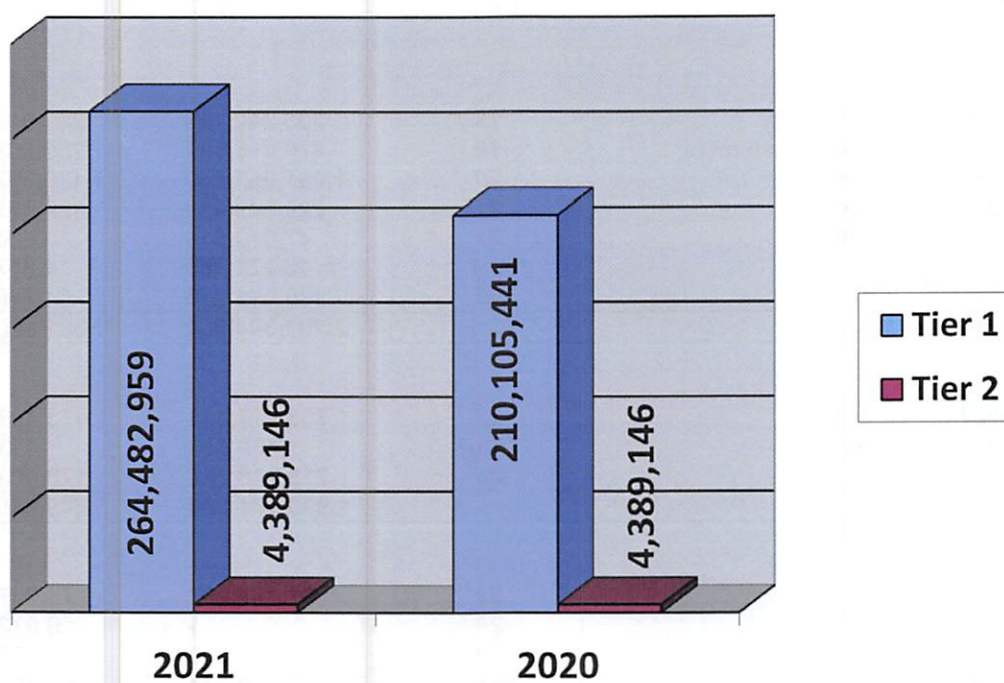
Profit before tax
(Thousands of Leones)



Basic earnings per shares
Leone



Regulatory Capital
(Thousands of Leones)

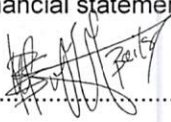


Rokel Commercial Bank (Sierra Leone) Limited
Financial statements
for the year ended 31 December 2021

Statement of financial position

As at 31 December <i>In thousands of Leones</i>	Note	2021	2020
Assets			
Cash and cash equivalents	18	305,240,469	249,014,793
Loans and advances to customers	19	479,875,897	259,863,413
Investment securities	20	1,091,961,139	1,130,007,261
Due from other banks	21	220,649,439	129,183,518
Property and equipment	22	47,610,514	46,686,713
Deferred tax assets	16(c)	16,275,980	14,317,603
Other assets	23	100,691,216	54,746,894
Total assets		2,262,304,654	1,883,820,195
Liabilities			
Deposits from customers	25	1,753,813,321	1,473,429,428
Current tax liabilities	16(d)	1,439,633	413,096
Other liabilities	26	219,918,246	176,003,138
Total liabilities		1,975,171,200	1,649,845,662
Equity			
Share capital	28	91,485,287	76,237,738
Share premium	29	-	10,972,040
Reserves	30	117,837,929	102,602,909
Retained earnings	30(e)	77,810,238	44,161,846
Total equity attributable to equity holders of the Bank		287,133,454	233,974,533
Total liabilities and equity		2,262,304,654	1,883,820,195

These financial statements were approved by the Board of Directors on... 23/01/ 2022


 Chairman

 Managing Director

 Director

 Director

The notes on pages 19 to 96 are an integral part of these financial statements

Rokel Commercial Bank (Sierra Leone) Limited
Financial statements
for the year ended 31 December 2021

Statement of profit or loss and other comprehensive income

for the year ended 31 December
In thousands of Leones

	Note	2021	2020
Interest income	8(a)	244,211,604	210,412,234
Interest expense	8(b)	(11,975,173)	(9,509,493)
Net interest income		232,236,431	200,902,741
Fee and commission income	9	36,921,950	28,758,358
Fee and commission income expense	9	(1,793,139)	(2,342,726)
Net Fee and commission		35,128,811	26,415,632
Net trading income	10	16,036,417	24,204,164
Other operating income	11	421,363	105,029
Net other income		16,457,780	24,309,193
Revenue		283,823,022	251,627,566
Net impairment gain/(loss) on financial assets	14.1	(10,964,518)	(3,459,233)
Personnel expenses	12	(95,237,083)	(90,501,998)
Depreciation	13.1	(6,243,145)	(5,251,598)
Other operating expenses	13.2	(82,671,831)	(68,848,414)
Profit before income tax		88,706,445	83,566,323
Income tax expense	16(a)	(22,891,974)	(25,972,946)
Profit for the year		65,814,471	57,593,377
Other comprehensive income, Items that will never be reclassified to profit or loss			
Re measurement of defined benefit liability		(1,624,796)	(1,359,028)
Related tax		406,199	339,757
Other comprehensive profit for the year, net of income tax		(1,218,597)	(1,019,271)
Total comprehensive profit for the year		64,595,874	56,574,106

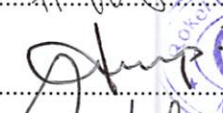
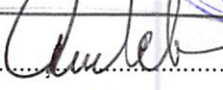
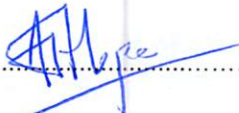
The notes on pages 19 to 96 are an integral part of these financial statements

Rokel Commercial Bank (Sierra Leone) Limited
Financial statements
for the year ended 31 December 2021

Statement of profit or loss and other comprehensive income (continued)

<i>In thousands of Leones</i>	Note	2021	2020
Profit attributable to:			
Equity holders of the Bank		65,814,471	57,593,377
Profit for the year		65,814,471	57,593,377
Total comprehensive profit			
Attributable to:			
Equity holders of the Bank		64,595,874	56,574,106
Total comprehensive income for the year		64,595,874	56,574,106
Basic earnings per share (Leones)	15	0.71	0.75
Diluted earnings per share (Leones)	15	0.71	0.75

These financial statements were approved by the Board of Directors on 23/08/.....2022


..... Chairman

..... Chief Executive Officer

..... Director

..... Director

The notes on pages 19 to 96 are an integral part of these financial statements

Rokel Commercial Bank (SL) Limited
Financial statements
for the year ended 31 December 2021
Statement of changes in equity
For the year ended 31 December 2021
In thousands of Leones

	Attributable to equity holders of the Bank								
	Share Capital	Share premium	Capital Reserve	Statutory Reserve	Statutory loan loss reserve	Other Reserve	Total Reserves	Retained Earnings	Total equity
Balance at 1 January 2021	76,237,738	10,972,040	17,556,582	79,533,817	-	5,512,510	102,602,909	44,161,846	233,974,533
Total comprehensive income for the year									
Net profit for the year								65,814,471	65,814,471
Other comprehensive income, net of income tax (defined benefits obligations)									
Actuarial gain	-	-	-	-	-	(1,218,597)	(1,218,597)	-	(1,218,597)
Other comprehensive income for the year	-	-	-	-	-	(1,218,597)	(1,218,597)	-	(1,218,597)
Total comprehensive income for the year	-	-	-	-	-	(1,218,597)	(1,218,597)	65,814,471	64,595,874
Other transfers									
Allowances for losses on loans and advances	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	16,453,617	-	-	16,453,617	(16,453,617)	-
Total other transfers				16,453,617	-	-	16,453,617	(16,453,617)	-
Total comprehensive income and other transfers	-	-	-	16,453,617	-	(1,218,597)	15,235,020	49,360,854	64,595,874
Transactions with owners of the bank, recorded directly in equity									
Contribution by and distributions to owners									
Dividend to shareholders	-	-	-	-	-	-	-	(11,436,953)	(11,436,953)
Shares movement	15,247,549	(10,972,040)	-	-	-	-	-	(4,275,509)	-
Total contribution by and distribution to owners	15,247,549	(10,972,040)	-	-	-	-	-	(15,712,462)	(11,436,953)
Balance at 31 December 2021	91,485,287	-	17,556,582	95,987,434	-	4,293,913	117,837,929	77,810,238	287,133,454

The notes on pages 19 to 96 are an integral part of these financial statements

Rokel Commercial Bank (S L) Limited
Financial statements
for the year ended 31 December 2021

Statement of changes in equity

For the year ended 31 December 2021

In thousands of Leones

	Share Capital	Share premium	Attributable to equity holders of the Bank				Total Reserves	Retained Earnings	Total equity
			Capital Reserve	Statutory Reserve	Statutory loan loss reserve	Other Reserve			
Balance at 1 January 2020	76,237,738	10,972,040	17,556,582	65,135,472	-	6,531,781	89,223,835	966,814	177,400,427
Total comprehensive income for the year									
Net profit for the year								57,593,377	57,593,377
Other comprehensive income, net of income tax (defined benefits obligations)									
Actuarial gain	-	-	-	-	-	(1,019,271)	(1,019,271)	-	(1,019,271)
Other comprehensive income for the year	-	-	-	-	-	(1,019,271)	(1,019,271)	-	(1,019,271)
Total comprehensive income for the year	-	-	-	-	-	(1,019,271)	(1,019,271)	57,593,377	56,574,106
Other transfer									
Allowances for losses on loans and advances	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	14,398,345	-	-	14,398,345	(14,398,345)	-
Total other transfers				14,398,345	-	-	14,398,345	(14,398,345)	-
Total comprehensive income and other transfers	-			14,398,345	-	(1,019,271)	13,379,074	43,195,032	56,574,106
Transactions with owners of the bank, recorded directly in equity									
Contribution by and distributions to owners									
Dividend to shareholders	-	-	-	-	-	-	-	-	-
Shares movement	-	-	-	-	-	-	-	-	-
Total contribution by and distribution to owners	-	-	-	-	-	-	-	-	-
Balance at 31 December 2020	-	-	-	-	-	-	-	-	-
Total contribution by and distribution to owners	-	-	-	-	-	-	-	-	-
Balance at 31 December 2020	76,237,738	10,972,040	17,556,582	79,533,817	-	5,512,510	102,602,909	44,161,846	233,974,533

The notes on pages 19 to 96 are an integral part of these financial statements

Rokel Commercial Bank (SL) Limited
Financial statements
for the year ended 31 December 2021

Statement of cash flows
for the year ended 31 December
In thousands of Leones

	Note	2021	2020
Cash flows from operating activities			
Profit before tax		88,706,445	83,566,323
Adjustment for:			
Depreciation	13.1	6,243,145	5,251,598
Net impairment losses on financial assets	14.1	10,964,518	3,459,233
Net interest income	8	(232,236,431)	(200,902,741)
Actuarial Loss		(1,624,796)	(1,359,028)
		(127,947,119)	(109,984,615)
Changes in:			
Operating assets and liabilities			
Loans and advances to customers		(230,977,002)	(100,346,876)
Due from other bank		(91,465,921)	(117,966,750)
Other assets		(45,944,322)	(17,236,888)
Deposits from customers		280,383,893	506,026,909
Other liabilities		43,915,108	70,365,631
		(172,035,356)	230,857,411
Interest received	8a	244,211,604	210,412,234
Interest paid	8b	(11,975,173)	(9,509,493)
Income tax paid	16d	(23,417,615)	(24,199,333)
Net cash generated from operating activities		36,783,453	407,560,819
Cash flows from investing activities			
Purchase of property and equipment	22	(7,166,946)	(17,769,838)
Disposal/(acquisition) of investment securities		38,046,122	(391,110,927)
Net cash used in investing activities		30,879,176	(408,880,765)
Cash flow from financing activities			
Dividend paid		(11,436,963)	-
Net cash flow from financing activities		(11,436,953)	-
Net increase in cash and cash equivalents		56,225,676	(1,319,946)
Cash and cash equivalents at 1 January		249,014,793	250,334,739
Cash and cash equivalents at 31 December	18	305,240,469	249,014,793

The notes on pages 19 to 96 are an integral part of these financial statements

Rokel Commercial Bank (SL) Limited (the Bank) has consistently applied the following accounting policies to all periods presented in these financial statements.

1. Reporting entity

Rokel Commercial Bank (S L) Limited (the Bank) is a Bank domiciled in Sierra Leone. The Bank's registered office is at 25/27 Siaka Stevens Street Freetown. The financial statements of the Bank as at and for the year ended 31 December 2020 comprise the Head Office and its branches. The Bank is primarily involved in retail, consumer banking, financial services and wholesale banking services.

2. Compliance with International Financial Reporting Standards

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

3. Basis of preparation

The financial statements have been prepared under the historical cost convention modified to include the particular financial instruments, to the extent required or permitted under IFRS as set out in the relevant accounting policies. They are stated in thousands of Leones (Le'000), the functional currency of Rokel Commercial Bank (SL) Limited.

The financial statements have been prepared on a going concern basis, in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of Sierra Leone, the Banking Act of Sierra Leone and the Banking Regulations of Sierra Leone.

4. Use of judgements, and estimates

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

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

(a) Judgements

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

Measurement of the expected credit loss allowance for Financial Assets.

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

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

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2021 is set out below and in the following notes:

Notes to the Financial Statements (continued)

4. Use of judgements, and estimates (continued)

a.	Note 6(g) (vii)	determination of fair value of financial instruments with significant unobservable inputs
b.	Note 16(c)	recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used;
c.	Note 31	recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
d.	Note 6(g)(viii)	Identification and measurement of impairment

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

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

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

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

The measurement of ECL allowance for a financial asset measured at amortised cost or fair value through other comprehensive income (FVOCI) is an area that requires the use of complex models and significant assumptions about the future economic conditions and credit behavior. The ECL is measured on either a 12 month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit – impaired. ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). The PD represents the likelihood of the borrower defaulting on its financial obligation either over the next 12months (12 months PD) or over the remaining lifetime (lifetime PD) of the obligation. EAD is based on the amount the Bank expects to be owed at the time of default, over the next 12 months or over the remaining life. LGD represents the Bank's expectation of the extent of loss on a default exposure. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as percentage loss per unit of exposure at the time of default (EAD) and is calculated on a 12months or lifetime.

Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 35(a)(iv)

5. Changes in accounting policies

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

The bank has adopted the following new standards and amendments including any consequential amendments to other standards with the initial date of application of January 1, 2021.

Notes to the Financial Statements (continued)

5. Changes in accounting policies (continued)

a) IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- * A specific adaptation for contracts with direct participation features (the variable fee approach)
- * A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

IFRS 17 will have no impact on the Bank, as it does not issue insurance contracts.

b) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2 (IBOR reform phase 2)

On 27 August 2020 the IASB published 'Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (IBOR reform phase 2). IBOR reform phase 2 provides temporary relief to address the accounting issues which arise upon the replacement of an IBOR with an alternative nearly risk-free profit rate. The amendment is effective for annual reporting periods beginning on or after 1 January 2021 with earlier adoption permitted.

The impact of the replacement of interbank offered rates with alternative risk-free rates on the Company's products and services remains a key area of focus. The Company has exposure to contracts referencing IBORs, such as LIBOR, extending past 2021, when it is likely that these IBORs will cease being published or any subsequent timeline as determined by the relevant bodies. The Company is currently assessing the impact of the transition to the new rate regimes after 2021 by considering changes in its products, services, systems, and reporting and will continue to engage with internal and external stakeholders to support an orderly transition and to mitigate the risks resulting from the transition.

c) Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Bank has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within the allowed period of application.

6. Significant accounting policies

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

(a) Foreign currency

Foreign currency transactions

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

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

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

(b) Interest

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

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

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

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

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

Notes to the Financial Statements (continued)

6. Significant Accounting policies (continued)

Interest income and expenses presented in the statement of profit or loss and OCI include:

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

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

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

(c) Fees and commissions

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

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

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

(d) Net trading income

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

(e) Leases

The Bank has initially adopted IFRS 16 Leases from 1 January 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for leases. As a result, the Bank, as a lessee has recognized the right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor's accounting remains similar to previous accounting policies.

Notes to the Financial Statements (continued)
6. Significant accounting policies (continued)
(e) Leases (continued)

(i) Definition of lease

The Bank has elected to apply the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The change in the definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

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

The Bank will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

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

(ii) Bank as a lessee

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

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

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

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

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

(e) Leases (continued)

(ii) Bank as a lessee(continued)

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

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

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

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

iii. Transition

Previously, the Bank classified property leases as finance leases under IAS 17. These properties are the Bank's branch offices.

- At transition, for leases classified as finance leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Bank's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments - the Bank applied this approach to all other leases.

The Bank used the following practical expedients when applying IFRS 16 to leases previously classified as finance leases under IAS 17.

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

(e) Leases (continued)

iv. Bank as a lessor (continued)

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

The accounting policies applicable to the Bank as a lessor are not different from those under IAS 17. The Bank is not required to make any adjustments on transition to IFRS 16 for lease in which it acts as a lessor.

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

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

(f) Income tax

(i) Tax expense

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

(ii) Current tax

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

(iii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

(f) Income tax (continued)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Future taxable profits are determined based on the business plans of the Bank and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

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

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

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

iv. Tax exposures

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

(g) Financial assets and financial liabilities

i. Recognition

The Bank initially recognised loans and advances, deposits, debt securities issued and subordinated liabilities on the date at which they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the Bank commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date, which is the date that the Bank becomes a party to the contractual provisions of the instrument.

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

ii. Classification

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

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

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

iii. Derecognition

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

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

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

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

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

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

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

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

iv. Offsetting

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

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

v. Amortised cost measurement

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

vi. Fair value measurement

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

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

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

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

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

vii. Fair value measurement

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

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

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

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

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

viii. Identification and measurement of impairment

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

Objective evidence that financial assets are impaired includes:

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

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

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

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

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

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

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

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

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

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

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

ix. Designation at fair value through profit or loss

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

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

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

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

(h) Cash and cash equivalents

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

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

(i) Loans and advances

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

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

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

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

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

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

(j) Investment securities

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

(i) Held-to-maturity

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

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

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

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

(ii) Fair value through profit or loss

The Bank does not hold any securities designated at fair value, with fair value changes recognised immediately in profit or loss as at 31 December 2020.

(iii) Available-for-sale

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

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

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

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

(k) Property and equipment

(i) Recognition and measurement

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

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

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

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

Land and buildings comprise mainly branches and offices.

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

Office premises	50 years
Right of use assets	2 to 50 years
Furniture and fittings	5 years
Computer equipment	3 years
Motor vehicles	5 years
Other equipment	5 years

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

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

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

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

(iv) Intangible assets

Computer software

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

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

The capitalized costs of internally developed software include all costs directly attributable to developing the software and capitalized borrowing costs and are amortised over its useful life. Internally developed software is stated at capitalized cost less accumulated amortization and impairment.

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

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

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

(i) Impairment of non-financial assets

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

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

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

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

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

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

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

(m) Deposits

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

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

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

(n) Provisions

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

Notes to the Financial Statements (continued)

(i) Restructuring

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

(ii) Onerous contracts

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

(o) Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

(p) Employee benefit

(i) Short term benefits

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

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

(ii) Defined contribution plans

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

(iii) Defined benefit plans

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

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

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

(iv) Termination benefits

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

(q) Share capital and reserves

(i) Share issue costs

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

(ii) Share premium

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

(iii) Dividends on ordinary shares

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

(v) Statutory reserves

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

(v) Statutory loan loss reserves

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

(vi) Other reserves

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

(r) Earnings per share

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

(s) Segment reporting

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

7. Operating segments

Business segmentation

The Bank operates three main business segments:

- | | | | |
|----|-------------------|---|--|
| 1) | Retail Banking | - | Incorporating private banking services, private customer current accounts, savings, deposits, investments savings products, custody, consumer loans and other financial products |
| 2) | Corporate Banking | - | Incorporating direct debt facilities, current accounts, deposits, overdrafts, loans and other credit facilities, foreign currency and other financial products; and |
| 3) | Money Transfer | - | Incorporating money transfers between jurisdictions. |

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

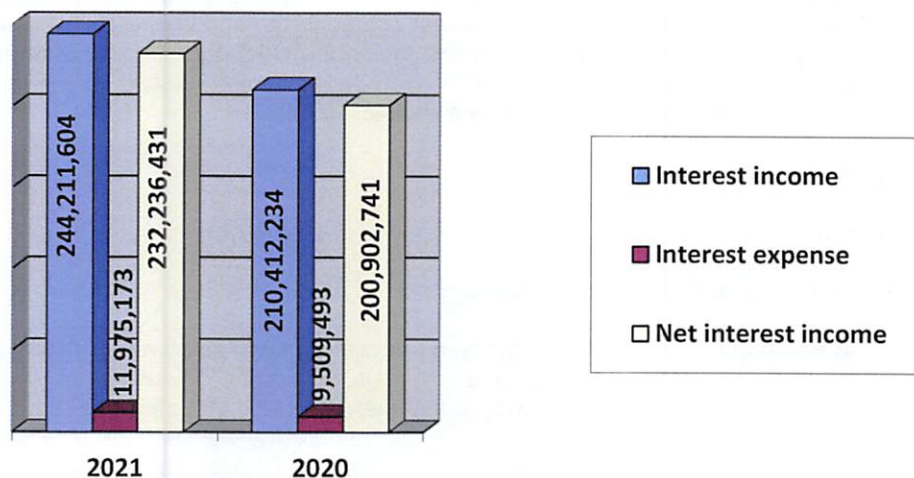
Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in cooperating income. Interest charged for these funds is based on the Bank's cost of capital. There are no other material items of income or expense between the business segments.

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

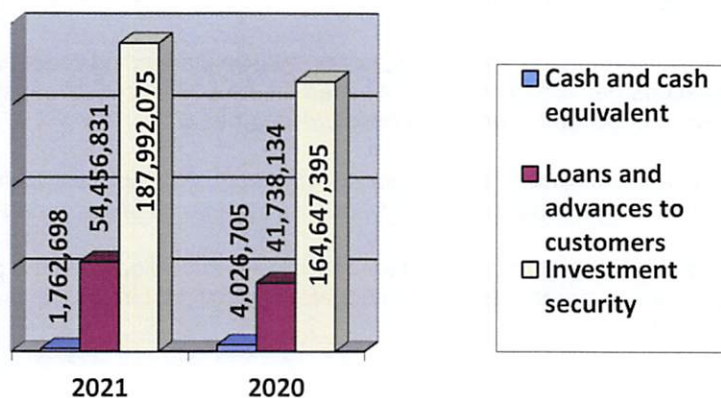
Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customers' revenues to a business segment on a reasonable basis.

8. Net interest income

Net interest income In thousands of Leones



Revenue by category In thousands of Leones



In thousands of Leones

(a) Interest income:

	2021	2020
Interest income from		
Cash and cash equivalents	1,762,698	4,026,705
Loans and advances to customers	54,456,831	41,738,134
Investment securities	187,992,075	164,647,395
Total interest income	244,211,604	210,412,234

The Le187.99 billion (2020: Le164.65 billion) from interest on investment securities relates to interests earned on Government Securities.

Notes to the financial statements (continued)

8. Net interest income (continued)

(b) Interest expense		
Interest expenses on		
Deposits from customers	(11,975,173)	(9,509,493)
Total interest expense	(11,975,173)	(9,509,493)
Net interest income	232,236,431	200,902,741

9. Fee and commission income

See accounting policy in note 6(c)

<i>In thousands of Leones</i>	2021	2020
Credit related fees and commission	4,187,661	3,201,882
Trade finance and other fees	13,866,590	10,669,912
Commission on turnover	18,867,699	14,886,564
Total fee and commission income	36,921,950	28,758,358

Fees and commission expense

Fees and commission paid	(1,793,139)	(2,342,726)
Net fees and commission income	35,128,811	26,415,632

Performance obligation and revenue recognition policies

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

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

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

Notes to the financial statements (continued)

9. Fee and commission income (continued)

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

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

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

10. Net trading income

See accounting policy in note 6(d)

<i>In thousands of Leones</i>	2021	2020
Foreign exchange gains	16,036,417	24,204,164

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

11. Other operating income

<i>In thousands of Leones</i>	2021	2020
Rent received	401,013	105,029
Sale of items	20,350	-
Total operating income	421,363	105,029

12. Personnel expenses

See accounting policy in note 6(p)

<i>In thousands of Leones</i>	2021	2020
Salaries and allowances	71,634,865	62,013,217
Compulsory social security obligations	3,786,899	3,068,035
Expenses related to post-employment:	-	-
Current service cost	3,518,844	1,907,809
Interest cost	8,013,301	10,225,292
Other employee costs	8,283,174	13,287,645
Total personal expenses	95,237,083	90,501,998

Other employee benefits

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

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

Notes to the financial statements (continued)

(i) Movement in net defined benefit liability

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

<i>In thousands of Leones</i>	2021	2020
Liability at 1 January	53,107,724	39,333,506
Expense recognized in profit or loss and other comprehensive income		
Current service cost	3,518,844	1,907,809
Interest on obligation	8,013,301	10,225,292
Past service (credit)/cost	(7,557,335)	-
	3,974,810	12,133,101
Included in other comprehensive income		
Actuarial (gain) loss	1,624,796	1,359,028
	1,624,796	1,359,028
Other		
Recovery from provident fund contribution/(recovered)	-	1,011,121
Benefits paid by the plan	(2,867,532)	(729,032)
	(2,867,532)	282,089
	(2,867,532)	53,107,724
Liability at 31 December	55,839,798	53,107,724

(ii) Movement in plan assets

<i>In thousands of Leones</i>	2021	2020
Fair value of plan assets at the beginning of the reporting period		
Contribution paid into the plan	2,867,532	729,032
Benefits paid by the plan	(2,867,532)	(729,032)
Actuarial (losses)/gains	-	-
Expected return on plan assets	-	-
Fair value of plan assets at the end of the reporting period	-	-

13. Operating expenses

13.1 Depreciation

<i>In thousands of Leones</i>	2021	2020
Depreciation	6,243,145	5,251,598

Rokel Commercial Bank (SL) Limited
Financial statements
for the year ended 31 December 2021

Notes to the financial statements (continued)

13.2 Other operating expenses

<i>In thousands of Leones</i>	2021	2020
Audit fees	480,000	420,000
Legal and professional fees	1,433,196	641,283
Property costs	17,272,864	13,442,716
Computer costs	18,209,346	17,084,186
Communications	6,586,704	4,149,432
Travel	9,076,409	6,578,575
Directors' fees	2,216,643	1,246,783
General administrative expenses	15,905,240	15,303,187
Fraud expense	-	6,408,449
Others	11,491,429	3,573,803
Total operating expenses	82,671,831	68,848,414

Included in the above costs is non-executive directors' remuneration of Le 2.2 billion (2020: Le 1.2 billion).

14. Net impairment loss

14.1 Net impairment loss

<i>In thousands of Leones</i>	2021	2020
This comprises:		
New provisions on loans and advances	11,309,349	13,093,325
Due from other bank provision	13,061	78,981
Guarantees provision	64,748	4,260
Recovery of amounts previously written off	(422,640)	(9,717,333)
Total	10,964,518	3,459,233

14.2. Advances written off

These relate to various long outstanding overdraft balances that could not be recovered by the Bank as at 31 December as follows:

Overdraft written off	2021	2020
<i>In thousands of Leones</i>		
Long outstanding overdraft balances	-	-
Balance at year end	-	-

15. Earnings per share

	2021	2020
<i>In thousands of Leones</i>		
Profit attributable to equity holders of the Bank	65,814,471	57,593,377
Weighted average number of ordinary shares in issue	91,485,287	76,237,738
Basic earnings per share (expressed in Leones per share)	0.75	0.75

Basic

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

Notes to the financial statements (continued)

Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Bank had no category of dilutive potential ordinary shares as at 31 December 2021; hence diluted and basic earnings per share are the same.

16. Taxation

See accounting policy in note (6(f))

Income tax expense

Recognised in the statement of comprehensive income
In thousands of Leone

2021

2020

(a) Current tax expense:

Current year charge at 25% 24,444,152 24,058,946

Deferred tax expense

Origination and reversal of temporary Differences (1,552,178) 1,914,000

Total income tax expense 22,891,974 25,972,946

(b) Reconciliation of effective tax rate

In thousands of Leones
Profit before income tax 88,706,445 83,566,323

Income tax using the Corporation tax rate 22,176,611 20,891,580

Reconciliation of opening position

Tax impact of permanent difference:

Deferred tax adjustment due to change in tax rate - 2,840,934

Tax exempt income (100,253) (26,257)

Non deductible expenses 895,611 2,328,526

Tax incentives (79,995) (61,837)

(Deferred tax asset not recognised) /

deferred tax charge - -

Total income tax expense in the income statement 22,891,974 25,972,946

**(c) Deferred tax account
In thousands of Leones**

2021

2020

Balance brought forward (14,317,603) (15,891,846)

Charge for the year (1,552,178) 1,914,000

Actuarial gain tax (406,199) (339,757)

Balance at end of year (16,275,980) (14,317,603)

Rokel Commercial Bank (SL) Limited
Financial statements
for the year ended 31 December 2021

Notes to the financial statements (continued)

16. Taxation (continued)

<i>(d) Current tax (assets)/liabilities</i>			
<i>In thousands of Leones</i>			
		2021	2020
Balance at 1 January		413,096	553,483
Charge for the year		24,444,152	24,058,946
Income tax paid		(23,417,615)	(24,199,333)
Balance at end of year		1,439,633	413,096

Rokel Commercial Bank (SL) Limited
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for the year ended 31 December 2021

Notes to the financial statements (continued)

16. Taxation (continued)

(e) Deferred tax asset and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

<i>In thousands of Leones</i>		2021			2020	
	Asset	Liabilities	Net	Asset	Liabilities	Net
Property, plant and Equipment	-	3,665,643	3,665,643	-	4,821,665	4,821,665
Employee benefit	(22,037,314)	-	(22,037,314)	(21,760,495)	-	(21,760,495)
Actuarial gain tax	-	2,053,379	2,053,379	-	2,459,578	2,459,578
Allowance on loan Losses	23,851	-	23,851	143,191	-	143,191
Exchange gains/ (loss)unrealized	18,458	-	18,458	18,458	-	18,458
Tax loss	-	-	-	-	-	-
Unrecognized deferred tax asset	-	-	-	-	-	-
Net tax (asset)/Liabilities	(21,995,005)	5,719,022	(16,275,983)	(21,598,846)	7,281,243	(14,317,603)

Movement in temporary differences during the year

<i>In thousands of Leones</i>	Opening Balance	Recognised in profit and loss	Recognised in equity	Closing Balance
2021				
Property, plant and Equipment	4,821,665	(1,156,018)	-	3,665,647
Employee benefit	(21,760,495)	(276,820)	-	(22,037,315)
Allowance on loan Losses	143,191	(119,340)	-	23,851
Foreign exchange loss	18,458	-	-	18,458
Tax loss carry forward	-	-	-	-
Actuarial gains	2,459,578	-	(406,199)	2,053,379
Total	(14,317,603)	(1,552,178)	(406,199)	(16,275,980)

Notes to the financial statements (continued)

16. Taxation (continued)

(e) Deferred tax asset and liabilities (continued)

<i>In thousands of Leones</i>	Opening Balance	Recognised in profit and loss	Recognised in equity	Closing Balance
2020				
Property, plant and Equipment	6,451,413	(1,629,748)	-	4,821,665
Employee benefit	(22,691,373)	930,878	-	(21,760,495)
Allowance on loan Losses	(2,473,370)	2,616,561	-	143,191
Foreign exchange loss	22,150	(3,692)	-	18,458
Tax loss carry forward	-	-	-	-
Actuarial gains	2,799,334	-	(339,756)	2,459,578
Total deferred tax	(15,891,846)	1,913,999	(339,756)	(14,317,603)

Derecognition of deferred tax assets of Le Nil (2019: Le Nil) is based on management's profit forecasts (which are based on the available evidence, including historical levels of profitability), which indicates that it is probable that the Bank will have future taxable profits against which these assets can be utilised.

17. Financial assets and financial liabilities

a. Classification of financial assets and financial liabilities

31 December 2021	Mandatorily at FVTPL	Designated as at FVTPL	FVOCI debt instruments	FVOCI equity instruments	Amortised Cost	Total Carrying Amount
Cash and cash equivalent	-	-	-	-	305,240,469	305,240,469
Loans and advances to customers measured at amortised cost	-	-	-	-	479,875,897	479,875,897
Investment securities at measured amortised cost	-	-	-	-	1,091,161,139	1,091,161,139
Placement measured at amortised cost	-	-	-	-	220,649,439	220,649,439
Investment securities at fair value	-	-	-	800,000	-	800,000
Total financial assets	-	-	-	800,000	2,096,926,944	2,097,726,944
Deposit from customers	-	-	-	-	1,753,813,321	1,753,813,321
Total financial liabilities	-	-	-	-	1,753,813,321	1,753,813,321

Notes to the financial statements (continued)

17. Financial assets and financial liabilities (continued)

(a) Classification of financial assets and financial liabilities (continued)

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

31 December 2020	Mandatorily at FVTPL	Designated as at FVTPL	FVOCI debt instruments	FVOCI equity instruments	Amortised Cost	Total Carrying Amount
Cash and cash equivalent	-	-	-	-	249,014,793	249,014,793
Loans and advances to customers measured at amortised cost	-	-	-	-	259,863,413	259,863,413
Investment securities at measured amortised cost	-	-	-	-	1,129,207,261	1,129,207,261
Placement measured at amortised cost	-	-	-	-	129,183,518	129,183,518
Investment securities at fair value	-	-	-	800,000	-	800,000
Total financial assets	-	-	-	800,000	1,767,268,985	1,768,068,985
Deposit from customers	-	-	-	-	1,473,429,428	1,473,429,428
Total financial liabilities	-	-	-	-	1,473,429,428	1,473,429,428

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

<i>In thousands of Leones</i>	2021	2020
Cash in hand	77,766,127	25,659,126
Balance with the Central Bank	132,361,022	128,663,967
Balances with other banks (Nostros)	94,985,922	94,136,618
Items in clearing from other banks	127,398	555,082
Cash and cash equivalents included in the statement of cash flows	305,240,469	249,014,793

6

Balances with the Central Bank are non-interest bearing.

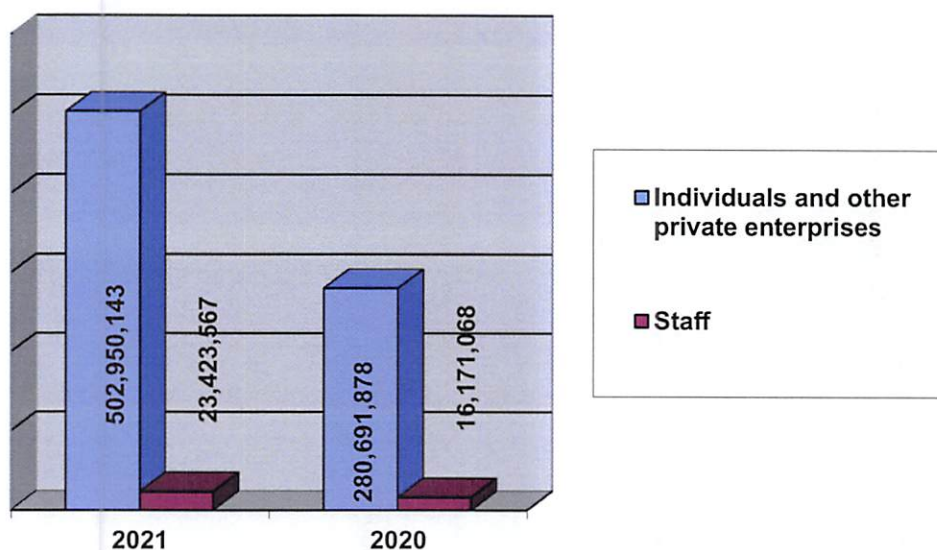
19. Loans and advances to customers
See accounting policy in note 6(i)

a. Loans and advances to customers at amortized costs

<i>In thousands of Leone</i>	2021	2020
Loans and advances to customers at amortized costs	479,875,897	259,863,413
	479,875,897	259,863,413

b. Analysis by type of customer

In thousands of Leones



Notes to the financial statements (continued)

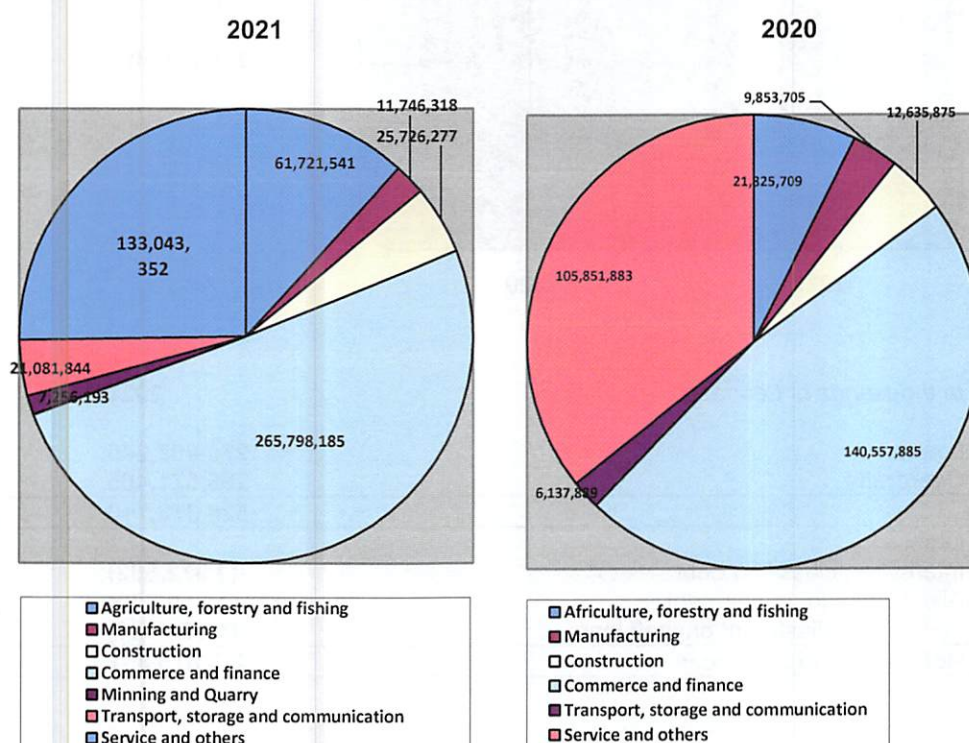
19. Loans and advances to customers (continued)

b. Analysis by type of customer (continued)

In thousands of Leone

	2021	2020
Individuals and other private enterprises	502,950,143	280,691,878
Staff	23,423,567	16,171,068
Gross loans and advances	526,373,710	296,862,946
Less:		
Interest on classified debts	(3,972,892)	(2,281,952)
ECL allowances for impairment	(41,250,370)	(33,913,913)
Fair value adjustment on staff loan	(1,274,551)	(803,668)
Net loans and advances	479,875,897	259,863,413

c. Analysis by sector



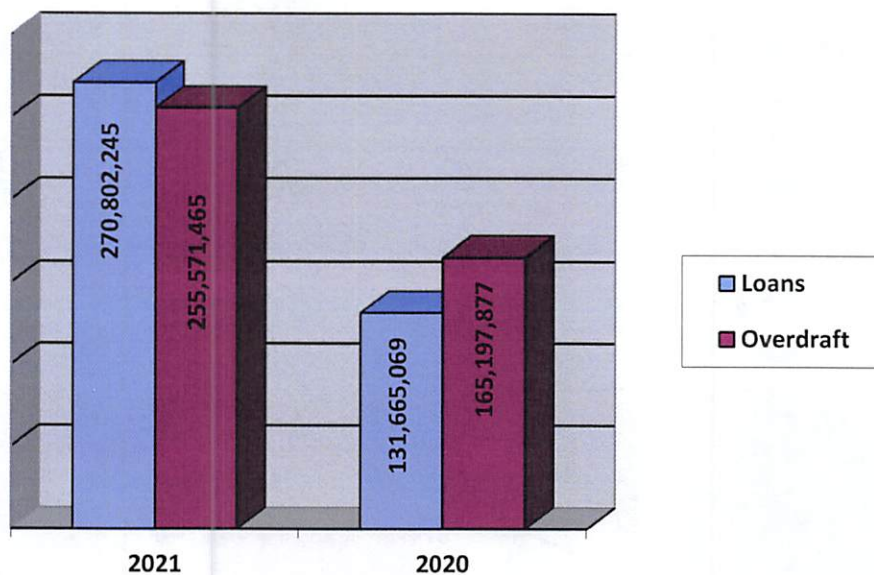
In thousands of Leones

	2021	2020
Agriculture, forestry and fishing	61,721,541	21,825,709
Manufacturing	11,746,318	9,853,705
Construction	25,726,277	12,635,875
Commerce and finance	265,798,185	140,557,885
Transport, storage and communication	21,081,844	6,137,889
Mining and Quarry	7,256,193	-
Service and others	133,043,352	105,851,883
	526,373,710	296,862,946
Less:		
Interest on classified debt	(3,972,892)	(2,281,952)
Allowance for impairment	(41,250,370)	(33,913,913)
Fair value adjustment on staff loan	(1,274,551)	(803,668)
Net loans and advances	479,875,897	259,863,413

19. Notes to the financial statements (continued)
Loans and advances to customers (continued)

d. Type of advance

In thousands of Leones



In thousands of Leones

	2021	2020
Loans	270,802,245	131,665,069
Overdrafts	255,571,465	165,197,877
	526,373,710	296,862,946
Less:		
Interest on classified debt	(3,972,892)	(2,281,952)
Allowances for impairment	(41,250,370)	(33,913,913)
Fair value adjustment on staff loan	(1,274,551)	(803,668)
Net loans and advances	479,875,897	259,863,413

Rokel Commercial Bank (Sierra Leone) Limited
Financial statements
for the year ended 31 December 2021

Notes to the financial statements (continued)

19. Loans and advances to customers (continued)

e. Loans and advances to customers at amortised cost

	2021					2020				
Retail customers:	Gross Amount	Fair value adjustment	Interest on classified debt	ECL allowance	Carrying amount	Gross Amount	Fair value adjustment	Interest on classified debt	ECL Allowance	Carrying amount
<i>In thousands of Leones</i>										
Personal loans	30,418,160	-	-	(2,541,670)	27,876,490	29,504,448	-	-	(1,377,615)	28,126,833
Staff loans	23,423,567	-	-	(63,611)	23,359,956	16,171,068	-	-	(233,828)	15,937,240
Corporate Customer:										
Interest on Classified debt	-	-	(3,972,892)	-	(3,972,892)	-	-	(2,281,952)	-	(2,281,952)
Short- and long-term loan lending	472,531,983	-	-	(38,645,089)	433,886,894	251,187,430	-	-	(32,302,470)	218,884,960
	526,373,710	-	(3,972,892)	(41,250,370)	481,150,448	296,862,946	-	(2,281,952)	(33,913,913)	260,667,081
Deferred Facility Income	-	-	-	-	-	-	-	-	-	-
Fair value Adjustment on staff loan	-	(1,274,551)	-	-	(1,274,551)	-	(803,663)	-	(803,663)	(803,668)
	526,373,710	(1,274,551)	(3,972,892)	(41,250,370)	479,875,897	296,862,946	(803,663)	(2,281,952)	(34,717,576)	259,863,413

Rokel Commercial Bank (Sierra Leone) Limited
Financial statements
for the year ended 31 December 2021

Notes to the financial statements (continued)

19. Loans and advances to customers (continued)

f. Allowances for impairment

<i>In thousands of Leones</i>	2021	2020
Specific allowance for impairment		
Balance at 1 January	27,222,292	17,310,919
Loan recoveries	-	-
Impairment losses for the year:		
Charge for the year	10,409,349	12,193,325
Others/(write-offs)	-	-
Interest on classified debt	(3,972,892)	(2,281,952)
Balance at 31 December	33,658,749	27,222,292

General allowances for impairment

Balance at 1 January	6,691,621	5,791,621
Impairment losses for the year:		
Charge/(reversal) for the year	900,000	900,000
Balance at 31 December	7,591,621	6,691,621
Grand total	41,250,370	33,913,913

g. Allowances for impairment

<i>In thousands of Leones</i>	2021	2020
Movement in allowance for impairment		
Balance at 1 January	33,913,913	23,102,540
Impairment losses for the year:		
Provision for loan impairment	-	-
Others/(write-offs)	-	-
Loan recoveries	-	-
Interest on classified debts	(3,972,892)	(2,281,952)
Charge/(reversal) for the year	11,309,349	13,093,325
Balance at 31 December	41,250,370	33,913,913

Rokel Commercial Bank (Sierra Leone) Limited
Financial statements
for the year ended 31 December 2021
Notes to the financial statements (continued)

20. Investment securities
See accounting policy in note 6(j))

	2021	2020
Held at amortised cost	1,091,161,139	1,129,207,261
Measured at FVOCI	800,000	800,000
Investment Securities	1,091,961,139	1,130,007,261

	2021	2020
a. Measured at amortised cost		
Held to maturity investment securities	1,091,161,139	1,129,207,261
Other eligible bills (treasury bearer bonds)	-	-
For sale assets recognised in equity	-	-
Measured at amortised cost	1,091,161,139	1,129,207,261

**Held to collect cash /
(Held to maturity investment securities)**
In thousands of Leones

	2021	2020
Government treasury bills	1,091,161,139	1,129,207,261
Impairment allowance	-	-
Investment securities	1,091,161,139	1,129,207,261

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

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

b. Ordinary shares	2021	2020
Measured at FVOCI / measured at cost		
First Discount House Limited	450,000	450,000
Capital Discount house	350,000	350,000
	800,000	800,000

At 1 January 2021 the bank designated certain investment shown in table (b) above as equity investment securities at FVOCI. In 2020 these investments were classified as available-for-sale and measured at cost. FVOCI were made because the investments are expected to be held for the long term or for strategic purposes.

Grand total	1,091,961,139	1,130,007,261
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21. Due from other banks

	2021	2020
Placement with other banks	220,662,500	129,262,499
ECL allowance	(13,061)	(78,981)
Total	220,649,439	129,183,518

This balance includes balances with banks outside Sierra Leone in United States Dollars with a maturity greater than 3 months.

Notes to the financial statements (continued)

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

In thousands of Leones

	Office Premises	Computer equipment	Furniture and fittings	Motor vehicles	Other equipment	Right of use assets	Total
Cost							
Balance at 1 January 2020	17,454,459	2,320,324	1,008,714	5,387,490	10,516,256	7,588,056	44,275,299
Additions	11,844,033	860,500	978,875	406,100	3,680,330	-	17,769,838
Transfer	1,097,058	-	-	-	-	(1,097,058)	-
Balance at 31 December 2020	30,395,550	3,180,824	1,987,589	5,793,590	14,196,586	6,490,998	62,045,137
Balance at 1 January 2021	30,395,550	3,180,824	1,987,589	5,793,590	14,196,586	6,490,998	62,045,137
Additions	-	1,057,350	767,380	235,200	5,107,016	-	7,166,946
Balance at 31 December 2021	30,395,550	4,238,174	2,754,969	6,028,790	19,303,602	6,490,998	69,212,083
Accumulated depreciation and impairment losses							
Balance at 1 January 2020	1,063,970	1,185,536	371,251	2,386,306	4,509,721	590,042	10,106,826
Depreciation for the year	458,798	655,909	264,421	1,118,540	2,248,278	505,652	5,251,598
Balance at 31 December 2020	1,522,768	1,841,445	635,672	3,504,846	6,757,999	1,095,694	15,358,424
Balance at 1 January 2021	1,522,768	1,841,445	635,672	3,504,846	6,757,999	1,095,694	15,358,424
Depreciation for the year	582,388	799,027	458,501	1,034,461	2,863,116	505,652	6,243,145
Balance at 31 December 2021	2,105,156	2,640,472	1,094,173	4,539,307	9,621,115	1,601,346	21,601,569
Carrying amounts							
Balance at 31 December 2020	28,872,782	1,339,379	1,351,917	2,288,744	7,438,587	5,395,304	46,686,713
Balance at 31 December 2021	28,290,394	1,597,702	1,660,796	1,489,483	9,682,487	4,889,652	47,610,514

There are no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year (2020: nil).

Notes to the financial statements (continued)

23. Other assets

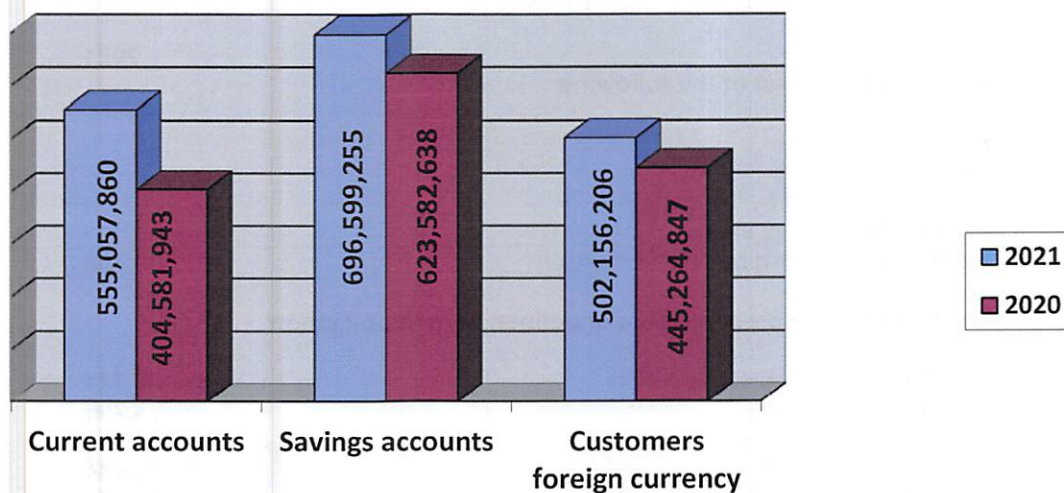
<i>In thousands of Leones</i>	2021	2020
Bills receivable	2,250	2,277
Other receivable and prepayments	94,905,683	41,757,207
Accrued receivables	5,783,283	12,987,410
	100,691,216	54,746,894

24. Deposits from banks

<i>In thousands of Leones</i>	2021	2020
Other deposits from banks	-	-

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

Deposits from customers
In thousands of Leones



Deposits from customers

<i>In thousands of Leones</i>	2021	2020
Customers:		
Current accounts	555,057,860	404,581,943
Savings accounts	696,599,255	623,582,638
Customer's foreign currency funds	502,156,206	445,264,847
Total deposits	1,753,813,321	1,473,429,428

At 31 December 2021 nil (2020: Le Nil) of deposits from customers are expected to be settled more than 12 months after the reporting date.

Notes to the financial statements (continued)

26. Other liabilities

<i>In thousands of Leones</i>	2021	2020
Sundry creditors	157,262,429	117,817,015
Accrued interest	2,497,926	2,349,258
Unpaid dividend	4,318,093	2,729,141
Defined benefit plan	55,839,798	53,107,724
	219,918,246	176,003,138

27. Defined benefit obligation

See accounting policy in note 6(p)

<i>In thousands of Leones</i>	2021	2020
Present value of unfunded obligation	55,839,798	53,107,724
Present value of funded obligation	-	-
Total present value of obligation	55,839,798	53,107,724
Fair value of plan assets		
Present value of net obligation		
Unrecognised actuarial losses		
Recognised liability for defined benefit obligation	55,839,798	53,107,724

	2021	2020
Plan assets consist of the following:		
Equity securities	-	-
Government bonds	-	-
Property occupied by the Bank	-	-
Bank's own ordinary shares	-	-
Liability for defined benefit obligation	55,839,798	53,107,724

Movement in the present value of defined benefit obligation

Liability at beginning of the period	53,107,724	39,333,506
Actuarial (gain)/loss	1,624,796	1,359,028
Benefit paid by the plan	(2,867,532)	(729,032)
Current service cost	3,518,844	1,907,809
Interest cost	8,013,301	10,225,292
Past service cost	(7,557,335)	-
	55,839,798	52,096,603
Provident Fund Contribution/(recovered)*	-	1,011,121
Liability for defined benefit obligation	55,839,798	53,107,724

*This represents the contributions made to provident fund by the bank on behalf the bank staff prior to 2008. These amounts are deducted from the employees' end of benefits upon their exit from the Bank.

Key valuation assumptions

Summary of economic assumption

Basis item	31 December 2021	31 December 2020
Discount rate	14%	15%
Salary inflation	12%	13%
Nominal Inflation gap	2%	2%
Effective salary inflation gap	1.79%	1.77%

Notes to the financial statements (continued)

27. Defined benefit obligation (continued)

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

Discount rate

Based on the actuary, Sierra Leone does not have a deep and liquid market in corporate bonds so government bond yields should apply, and furthermore it does not seem there are treasury bonds with duration longer than 1 year. Therefore, we noted that government bonds with one year duration have had yields of 20.36% per annum as published on 18 November 2021 by the Bank of Sierra Leone. http://www.bsl.gov.sl/Treasury_Bills.html. Considering the rate of inflation, using this Yield to Maturity (YTM) of 1 year government bond could result in negative real rate of return which is not consistent with the long-term economic variables in the country. Consequently, we have applied the current Monetary Policy Rate (MPR) of 14% as published by the Bank of Sierra Leone on 22 November 2021. <http://www.bsl.gov.sl>.

Salary inflation

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

However, the information relating to yield curves is not available. Consequently, we have used inflation rate of 11.63% as published by the Bank of Sierra Leone and Statistics Sierra Leone September and November 2021 respectively.

We therefore assumed that the long term salary inflation rate to be Inflation rate plus 0.37%.

Demographic assumption

Ideally, these assumptions should be based on actual scheme experience but, in practice, most schemes are too small for the data to be credible in assumption determination. Therefore, general population statistics is often used, combined with judgement and knowledge about assumptions used by other organisations in the same community where experience is expected to be similar

Retiring age

It has been assumed that all staff members retire at age 60. No allowance has been made for early retirement either due to ill health or at the option of the member. Experience should be monitored to ensure that the assumptions remain appropriate.

Any member above the retirement age is assumed to be retiring immediately after the valuation date.

Mortality rates

Mortality has been allowed for in this valuation. As in the previous valuation mortality has been assumed to follow the mortality rates according to the A67-70 table.

A67-70 table was based on experience collected from UK insurance companies between 1967 and 1970 and is often used for valuations of benefits of this nature for the population in Sierra Leone. Given the small number of members in this scheme, deriving company specific mortality assumptions is not practical. However, experience should be monitored to ensure that the assumption remains appropriate.

28. Share capital

See accounting policy in note 6(q)

<i>In thousands of Leones</i>	2021		2020	
	No. of shares In thousands	Proceeds Le'000	No. of shares In thousands	Proceeds Le'000
Authorised share capital				
Ordinary shares of Le1.00 each				
Balance at 1 January	100,000,000	100,000,000	100,000,000	100,000,000
Balance at 31 December	100,000,000	100,000,000	100,000,000	100,000,000

Notes to the financial statements (continued)

28. Share capital (Continued)

Issued share capital

Ordinary shares of Le 1 each

Balance at 1 January	76,237,738	76,237,738	76,237,738	76,237,738
Addition during the year	15,247,549	15,247,549	-	-
Balance at 31 December	91,485,287	91,485,287	76,237,738	76,237,738

At the Annual General meeting held on 23 July 2021, the Board approved a bonus share issue of one new fully paid ordinary share for every five shares held by shareholders whose names are on the register of shares as at 23 July 2021, to be funded by the share premium account and retained earnings.

The shareholding structure of the Bank at the reporting date was as follows:

In thousands of Leones	2021		2020	
	No. of shares In thousands	%	No. of shares In thousands	%
Government of Sierra Leone	59,465,437	65	49,554,530	65
Other corporate and private Individuals	32,019,850	35	26,683,208	35
	91,485,287	100	76,237,738	100

All ordinary shares rank equally with regards to the Bank's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at General Meetings of the Bank.

29. Share premium

See accounting policy in note 6(q)

In thousands of Leone	2021	2020
Balance as at 1 January	10,972,040	10,972,040
Transferred to share capital	(10,972,040)	-
Balance at 1 January and 31 December	-	10,972,040

30. Reserves and retained earnings

In thousands of Leones	2021	2020
Capital reserve 30 (a)	17,556,582	17,556,582
Statutory reserves 30(b)	95,987,434	79,533,817
Other reserves 30(d) (ii)	4,293,913	5,512,510
Statutory loan loss reserves 30(d) (i)	-	-
Total reserve as at 31 December	117,837,929	102,602,909

(a) Capital reserves

The capital reserves represent surpluses arising from the revaluation of the freehold buildings of the Bank.

(b) Statutory reserves

In accordance with Section 30 of the 2019 Banking Act of Sierra Leone the Bank is to maintain a statutory reserve account into which transfers from the net profit of the Bank's should be made. A transfer of Le16.4 billion was made in 2021 (2020: Le14.4 billion) as the Bank's reserve funds is more than fifty percent but less than one hundred percent of its paid-up capital fund, an amount which shall not be less than 25% of its current year profit after tax.

Notes to the financial statements (continued)

<i>In thousands of Leones</i>	2021	2020
Balance at 1 January	79,533,817	65,135,472
Transfer from net profits	16,453,617	14,398,345
Balance at 31 December	95,987,434	79,533,817

(c) **Fair value reserve**

<i>In thousands of Leones</i>	2021	2020
Treasury bills provision	-	-
Balance at 31 December	-	-

This reserve relates to gain or loss on an available-for-sale financial asset recognised directly in equity, until the financial asset is de-recognised, at which time, the cumulative gain or loss previously recognised in equity is recognised in the statement of comprehensive income.

(d) **Other reserves**

(i) **Statutory loan loss reserve**

<i>In thousands of Leones</i>	2021	2020
Balance 1 January	-	-
Transfer (to)/from retained earnings Note (30(e))	-	-
	-	-

The statutory loan loss reserves is the excess of impairment losses computed under the prudential guidelines over the impairment losses computed under International Financial Reporting Standards, appropriated from retained earnings.

(ii) **Others**

<i>In thousands of Leones</i>	2021	2020
At 1 January	5,512,510	6,531,781
Actuarial gain/(loss)	(1,624,796)	(1,359,028)
Taxation thereof	406,199	339,757
At 31 December	4,293,913	5,512,510

(e) **Movements in retained earnings were as follows:**

<i>In thousands of Leones</i>	2021	2020
At 1 January	44,161,846	966,814
Net profit for the year	65,814,471	57,593,377
	109,976,317	58,560,191
Dividends	(11,436,953)	-
Transfer to statutory reserves	(16,453,617)	(14,398,345)
Transfer to shares	(4,275,509)	-
At 31 December	77,810,238	44,161,846

Notes to the financial statements (continued)

31. Contingencies and commitments

The Bank, in its ordinary course of business, is presently involved in 3 cases as a defendant and 14 cases as a plaintiff. The total amount claimed in the 3 cases against the Bank is estimated at Le9.39 billion and \$12.26 million while the total amount claimed in the 14 cases instituted by the Bank is Le28.02 billion. However, the solicitors of the Bank are of the view that the cases which may result to liability to the bank is zero.

Management is keenly following up on the matter with its solicitors and is of the view that the ultimate resolution of this matter will not have any impact on the Bank's financial position or liquidity and as a result, no provision has been made in these financial statements.

The Bank entered into various commitments in the normal course of banking business, which are not reflected in the statement of financial position.

<i>In thousands of Leones</i>	2021	2020
Customs and other guarantees	35,729,394	15,021,641
Letters of credits	-	-
	35,729,394	15,021,641

32. Capital commitment

Commitment for share capital requirement at 31 December 2021 amounted to Le Nil (2020: Le9 billion).

33. Related party disclosures

Related parties transactions

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

<i>In thousands of Leones</i>	2021	2020
Loans and overdrafts to Management and Directors		
Outstanding at 1 January	2,575,572	1,679,886
New loans given	4,867,800	3,938,785
Repaid during the year	(758,782)	(3,043,099)
	6,684,590	2,575,572
	=====	=====
Director Remuneration		
Executive directors' remuneration	4,948,579	4,745,743
Non-executive directors' fees	2,091,723	1,231,715
	7,040,302	5,977,458
	=====	=====

The Bank operates a profit-sharing scheme for its employees.

34. Subsequent events

There were no events after the reporting period which could have a material effect on the financial position of the company as at 31 December 2021 and profit attributable to equity holders is disclosed in the financial statements. The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report which would require adjustment or disclosure.

35. Financial Risk Review and management

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

Notes to the financial statements (continued)

35. Financial Risk Review and Management (continued)

Risk management framework

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

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

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

The Audit Committee is responsible for monitoring the Bank's compliance with financial accounting policies and pronouncements, keeping under review the appropriateness of the accounting policies and internal controls systems, considering the external auditor's report and also reviewing the resources, scope, authority and operations of the Bank's audit function. The Audit Committee is assisted in these functions by the Head of Internal Audit. The Head of Audit undertakes both regular and ad-hoc reviews of audit management controls and procedures, the results of which are reported to the Audit Committee.

a	Credit risk:	Page
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b	Liquidity risk	77
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(a) Credit risk

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

Management of credit risk

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

- *Formulating credit policies* covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- *Establishing the authorisation structure* for the approval and renewal of credit facilities. All facilities require the prior approval of the Bank's Executive Committee. Larger facilities require approval by the Board of Directors as appropriate.
- *Reviewing and assessing credit risk.* The Bank's Executive Committee assesses all credit exposures, prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process.
- *Limiting concentrations of exposure* to counterparties and industries (for loans and advances).

Notes to the financial statements (continued)

35. Financial Risk Review and Management (continued)

(a) Credit risk (continued)

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

The responsibility for setting risk grades lies with the final approving executive/committee as appropriate. Risk grades are subject to regular reviews by the Credit Committee.

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

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

- *Developing and maintaining the Bank's process for measuring ECL* includes a process for internal approval, regular validation and back-testing of the module used.
- *Determining and monitoring significant increase in credit risk and incorporating forward-looking information*
- *Reviewing compliance of business units* agreed with exposures limits including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to The Bank's Credit Committee, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
- *Providing advice, guidance and specialist skills* to business units to promote best practices throughout the Bank in the management of credit risk.

(i) Credit quality analysis

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

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

Notes to the financial statements (continued)

35. Financial Risk Review and Management (continued)

(a) Credit risk (continued)

	2021				
Loans and advances to customers at amortised cost	Stage1 or 12 months	Stage2/lifetime ECL not credit impaired	Stage 3 or lifetime credit impaired	Purchase credit impaired	Total
Grade 1-6 Low-fair risk	-	-	-	-	-
Grade 7-9 Higher risk	459,108,117	-	-	-	459,108,117
Grade 10 Standard	-	38,355,885	-	-	38,355,885
Grade 11 Doubtful	-	23,006,553	-	-	23,006,553
Grade 12 Loss	-	-	5,903,155	-	5,903,155
Total gross amount	459,108,117	61,362,438	5,903,155		526,373,710
Allowance for impairment	(22,132,563)	(13,214,755)	(5,903,052)	-	(41,250,370)
Other value adjustment	(1,274,551)	-	-	-	(1,274,551)
Interest on classified loan	-	(3,972,789)	(103)	-	(3,972,892)
Carrying amount	435,701,003	44,174,894	-	-	479,875,897

	2021				
Debt investment securities at amortised cost	Stage1 or 12months	Stage 2/lifetime ECL not credit impaired	Stage 3 or lifetime credit impaired	Purchase credit impaired	Total
Grades 1-6 low – fair risk	1,091,961,139	-	-	-	1,091,961,139
Carrying amount	1,091,961,139	-	-	-	1,091,961,139

	2021				
Loan commitments	Stage1 or 12months	Stage2/lifetime ECL not credit impaired	Stage 3 or lifetime credit impaired	Purchase credit impaired	Total
Grades1-6 low fair risk	35,729,394	-	-	-	35,729,394
Allowance for impairment	(64,747)	-	-	-	(64,747)
Carrying Amount	35,664,647	-	-	-	35,664,647

Notes to the financial statements (continued)

35. Financial Risk Review and Management (continued)

(a) Credit risk (continued)

	2020				
Loans and advances to customers at amortised cost	Stage1 or 12 months	Stage2/lifetime ECL not credit impaired	Stage 3 or lifetime credit impaired	Purchase credit impaired	Total
Grade 1-6 Low-fair risk	-	-	-	-	-
Grade 7-9 Higher risk	277,075,297	-	-	-	277,075,297
Grade 10 Standard	-	8,149,243	-	-	8,149,243
Grade 11 Doubtful	-	7,287,254	-	-	7,287,254
Grade 12 Loss	-	-	4,351,152	-	4,351,152
Total gross amount	277,075,297	15,436,497	4,351,152		296,862,946
Allowance for impairment	(21,927,845)	(8,071,217)	(3,914,851)	-	(33,913,913)
Other value adjustment	-	(803,668)	-	-	(803,668)
Interest on classified loan	-	(1,815,651)	(436,301)	-	(2,251,952)
Carrying amount	255,147,452	4,745,961	-	-	259,893,413

	2020				
Debt investment securities at amortised cost	Stage1 or 12months	Stage 2/lifetime ECL not credit impaired	Stage 3 or lifetime credit impaired	Purchase credit impaired	Total
Grades 1-6 low – fair risk	1,130,007,261	-	-	1,130,007,261	1,130,007,261
Carrying amount	1,130,007,261	-	-	1,130,007,261	1,130,007,261

	2020				
Loan commitments	Stage1 or 12months	Stage2/lifetime ECL not credit impaired	Stage 3 or lifetime credit impaired	Purchase credit impaired	Total
Grades1-6 low fair risk	15,021,640	-	-	-	15,021,641
less allowance for impairment	(4,260)	-	-	-	(4,260)
Carrying Amount	15,017,380	-	-	-	15,017,381

Notes to the financial statements (continued)

35. Financial Risk Review and Management (continued)

(a) Credit risk (continued)

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

The Bank holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure	Principal type of collateral held for secured lending
Loans and advances to retail customers	
Mortgage lending	Residential property
Personal loans	None
Loans and advances to corporate customers	
Financial leases	Property and equipment
Other lending to corporate customers	Commercial property,
floating charges over corporate assets	
Investment debt securities	None

The Bank typically does not hold collateral against investment securities.

Residential mortgage lending

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

Loans secured against property

	2021	2020
Loans to value (LTV) ratio		
Less than 50%	302,518,632	164,957,869
51% to 70%	15,461,843	37,334,146
71% to 90%	7,163,981	44,084,252
91% to 100%	103,941,134	12,069,305
More than 100%	97,288,120	38,417,374
Total	526,373,710	296,862,946

Credit impaired loans

	2021	2020
Less than 50%	5,903,155	3,767,889
51-70 %	-	454,850
More than 70%	-	128,413
Total	5,903,155	4,351,152

Loans and advances to customers

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

Notes to the financial statements (continued)

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

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

Other types of collateral and credit enhancements

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

Assets obtained by taking possession of collateral

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

Loans and advances to customers

<i>In thousands of Leones</i>	2021	2020
Property	408,650,000	298,528,479
Other	176,784,500	7,859,244
Total	585,434,500	306,387,723

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

Notes to the financial statements (continued)

35. Financial Risk Review and Management (continued)

(a) Credit risk (continued)

(III) Concentration of credit risk

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

<i>In thousands of Leones</i>	Loans and advances to customers		Investment securities		Financial guarantees	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Carrying amount	479,875,897	259,863,413	1,091,161,139	1,130,007,261	35,664,647	15,017,380
Concentration by type of customer						
Individuals and other private enterprises	502,950,143	280,501,948	1,091,161,139	1,130,007,261	35,664,647	15,021,641
Staff	23,423,567	16,171,068	-	-	-	-
Government	-	189,930	-	-	-	-
	526,373,710	296,862,946	1,091,161,139	1,130,007,261	35,664,647	15,021,641
Concentration by sectors						
Agriculture, forestry and fishing	61,721,541	21,825,709	-	-	-	-
Manufacturing	11,746,318	9,853,705	-	-	-	-
Construction	25,726,277	12,635,875	-	-	-	-
Commerce and finance	265,798,185	140,557,885	1,091,161,139	1,130,007,261	35,664,647	15,021,641
Transport, storage and communication	21,081,844	6,137,889	-	-	-	-
Mining and Quarry	7,256,193	-	-	-	-	-
Services and other	133,043,352	105,851,883	-	-	-	-
	526,373,710	296,862,946	1,091,161,139	1,130,007,261	35,664,647	15,021,641

Notes to the financial statements (continued)

35. Financial Risk Review and Management (continued)

(a) Credit risk (continued)

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

Significant increase in credit risk

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

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

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

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

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

Credit Risk grades

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

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

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

Notes to the financial statements (continued)

35. Financial Risk Review and Management (continued)

(a) Credit risk (continued)

<u>Corporate exposures</u>	<u>Retail Exposure</u>	<u>All Exposures</u>
- Information obtained during periodic review of customers files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenant quality of management, senior management changes - Data from credit reference agencies, press articles, changes in external credit ratings - Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	- Internally collected data on customer behavior –eg. Utilization of credit card facilities - Affordability metrics - External data from credit reference agencies, including industry-standard credit scores	- Payment record – this includes overdue status as well as a range of variables about payment ratios - Utilisation of the granted limit - Requests for and granting of forbearance - Existing and forecast changes in business, Financial and economic conditions

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by type of product and borrower as well as by credit risk grading.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly

Significant increase in credit risk.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's quantitative modelling, the remaining lifetime PD is determined to have increased by more than a predetermined percentage/range. Using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument return to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behavior to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

35. Financial Risk Review and Management (continued)

(a) Credit risk (continued)

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

Modified financial assets

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

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Bank Audit Committee regularly reviews reports on forbearance activities. For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators. Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired/in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12month ECL.

Definition of default

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

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

In assessing whether a borrower is in default, The Bank considers indicator that are:

Notes to the financial statements (continued)

35. Financial Risk Review and Management (continued)

(a) Credit risk (continued)

- Qualitative : e.g. Breaches of covenant;
- Quantitative : e.g. overdue status and non-payment on another obligation of the same issuer to the Bank
- Based on data developed internally and obtained from external sources.

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

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

Incorporation of forward – looking information

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

The Bank formulates three economic scenarios a base case, which is the median scenario assigned a 50% probability of occurring, and two less likely scenarios, one upside and one downside, each assigned a 20% probability of occurring. The base case is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organisations such as the OECD and the internal Monetary Fund, and selected private –sector and academic forecasters.

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

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

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

The economic scenarios used as at 31 December 2021 included the following key indicators for Sierra Leone for the years ended 31 December 2021 and 31 December 2020

	2021	2020
GDP growth	Base 4.7% Upside 5% Downside 3.2%	Base 3% Upside 3% Downside 4%
Inflation	Base 11.3% Upside 9% Downside 13.3%	Base 15.7% Upside 12.7% Downside 17%
Monetary Policy rate	- - -	Base 14% Upside 105 Downside 12%
Industry Non-performing loan	Base 25.6% Upside 24% Downside 27%	- - -

35. Financial Risk Review and Management (continued)

(a) Credit risk (continued)

Measurement of ECL

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

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

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

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

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

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

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

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

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

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

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

35. Notes to the financial statements (continued)

(a) Credit risk (continued)

Loans with renegotiated terms

Loans with renegotiated terms are defined as loans that have been restricted due to a deterioration in the borrower's financial position, for which the Bank has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Bank had provided initially and that it would not otherwise consider. A Loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write – off.

Loans and investment debt securities that were due but not impaired

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

(b) Liquidity risk

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

Management of liquidity risk

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

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

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

The liquidity requirements of the Bank are met through short-term investment to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements.

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

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

35. Financial Risk Review and Management (continued)

(b) Liquidity(continued)

Exposure to liquidity risk

The key measure used by the bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, 'net liquid assets' includes cash and cash equivalents and investment-grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. Details of the reported bank ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

	2021	2020
	%	%
At 31 December		
Average for the period	51	63
Maximum for the period	92	109
Minimum for the period	11	16

Notes to the financial statements (continued)

35. Financial Risk Review and Management (continued)

(b) Liquidity risk (continued)

Maturity analysis for financial assets and financial liabilities

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

In thousands of Leones

	Note	Carrying Amount	Gross nominal inflow/(outflow)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
31 December 2021								
Financial liability by type								
<i>Non-derivative liabilities</i>								
Deposit from banks	24	-	-	-	-	-	-	-
Deposits from customers	25	1,753,813,321	1,753,813,321	1,057,214,067	-	696,599,255	-	-
Unrecognized loan commitment								
		1,753,813,321	1,753,813,321	1,057,214,067	-	696,599,255	-	-
Financial asset by type								
<i>Non-derivative assets</i>								
Cash and bank balances with banks	18	227,346,944	227,346,944	227,346,944	-	-	-	-
Cash on hand	18	77,893,525	77,893,525	77,893,525	-	-	-	-
Loans and advances to customers	19	479,875,897	479,875,897	-	-	-	479,875,897	-
Investment securities	20	1,091,961,139	1,091,961,139	-	-	-	1,091,961,139	-
		1,877,077,505	1,877,077,505	305,240,469	-	-	1,571,836,036	-

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Notes to the financial statements (continued)

35. Financial Risk Review and Management (continued)

(b) Liquidity risk (continued)

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

	Note	Carrying Amount	Gross nominal inflow/(outflow)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
31 December 2020								
Financial liability by type								
<i>Non-derivative liabilities</i>								
Deposit from banks	24	-	-	-	-	-	-	-
Deposits from customers	25	1,473,429,428	1,473,429,428	-	-	-	-	-
Unrecognized loan commitment				-	-	-	-	-
		1,473,429,428	1,473,429,428	-	-	-	-	-
Financial asset by type								
<i>derivative assets</i>								
Cash and bank balances with bank	18	222,800,585	222,800,585	222,800,585	-	-	-	-
Cash on hand	18	26,214,208	26,214,208	26,214,208	-	-	-	-
Loans and advances to customers	19	259,863,413	259,863,413	-	-	-	259,863,413	-
Investment securities		1,130,007,261	1,130,007,261	-	-	-	1,130,007,261	-
		1,638,885,467	1,638,885,467	249,014,793	-	-	1,389,870,674	-

Notes to the financial statements (continued)

35. Financial Risk Review and Management (continued)

Maturity analysis for financial assets and financial liabilities (continued)

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

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

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

As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents, and debt securities issued by sovereigns, which can be readily sold to meet liquidity requirements. In addition, the bank maintains agreed lines of credit with other banks and holds unencumbered assets eligible for use as collateral with central banks (these amounts are referred to as the 'bank's liquidity reserves').

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

In thousands of Leones	2021	2020
Financial assets		
Loans and advances to customers	479,875,897	259,863,413
Investment securities	1,091,961,139	1,130,007,260
Financial liabilities		
Deposits from customers	1,753,813,321	1,473,429,427

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

Liquidity reserve

In thousands of Leones

	2021 Carrying Amount	2021 Fair Value	2020 Carrying amount	2020 Fair Value
Balances with the Central Bank	132,361,022	132,361,022	128,663,967	128,663,967
Cash and balances in hand	77,760,702	77,760,702	25,659,125	25,659,125
Cash and balances with other banks	95,118,744	95,118,744	94,691,701	94,691,701
Total liquidity reserve	305,240,468	305,240,468	249,014,793	249,014,793

35. **Notes to the financial statements (continued)**
Financial Risk Review and Management (continued)

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

In thousands of Leones

	Pledged as Collateral	Encumbered Other	Available as Collateral	Unencumbered Other	Total
2021					
Cash and cash					
Equivalents			-	-	305,240,469
Loans and advances	-	-	-	-	479,875,897
Investment securities	-	-	-	-	1,091,961,139
Due from other banks	-	-	-	-	220,649,439
Other financial assets	-	-	-	-	95,379,127
Non-financial assets	-	4,116,050	-	-	4,116,050
Total assets	-	4,116,050	-	-	2,197,222,121
2020					
Cash and cash					
Equivalents	-		-	-	249,014,793
Loans and advances	-	-	-	-	259,863,413
Investment securities					1,130,007,261
Due from other banks					129,183,518
Other financial assets	-	-	-	-	12,987,410
Non-financial assets	-	21,678,435	-	-	21,678,435
Total assets		21,678,435	-	-	1,802,734,830

Financial assets pledged as collateral

The total financial assets that had been pledged as collateral for liabilities at 31 December 2021 is shown in the preceding table. Financial assets are pledged as collateral as part of sales and repurchases, securities borrowing and securitisation transactions under terms that are usual and customary for such activities.

(c) Market risks

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

Management of market risks

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios mainly are held by the treasury unit, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

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

Notes to the financial statements (continued)

35. Financial Risk Review and Management (continued)

Exposure to market risks – trading portfolios

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

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

Exposure to interest rate risk – non-trading portfolios

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

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

In thousands of Leones

	Note	Market risk measures Carrying Amount	Trading Portfolios	Non- trading portfolios
31 December 2021				
Assets subject to market risk				
Cash and cash equivalents	18	305,240,469		305,240,469
Loans and advances to Customers	19	479,875,897		479,875,897
Investment securities	20	1,091,961,139		1,091,961,139
Due from other banks	21			
Liabilities subject to market risk				
Deposits	25	1,753,813,321		1,753,813,321
31 December 2020				
Assets subject to market risk				
Cash and cash equivalents	18	249,014,793		249,014,793
Loans and advances to Customers	19	259,863,413		259,863,413
Investment securities	20	1,130,007,261		1,130,007,261
Due from other banks				
Liabilities subject to market risk				
Deposits	25	1,473,429,428		1,473,429,428

Notes to the financial statements (continued)

Financial Risk Review and Management (continued)

(c) Market risks (continued)

In thousands of Leones

	Note	Carrying Amount	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
31 December 2021							
Cash and cash equivalents	18	305,240,469	305,240,469	-	-	-	-
Loans and advances to customers	19	479,875,897	-	-	-	479,875,897	-
Investment securities	20	1,091,961,139	-	69,845,704	876,853,719	144,461,716	800,000
Due from other banks	21	220,649,439	-	-	220,649,439	-	-
		2,097,726,944	305,240,469	69,845,704	1,097,503,158	624,337,613	800,000
Deposits from customers	25	(1,753,813,321)	(1,057,214,067)	-	(696,599,255)	-	-
		(1,753,813,321)	(1,057,214,067)	-	(696,599,255)	-	-
Effects of derivatives held for risk Management		-	-	-	-	-	-
		343,913,623	(751,973,598)	69,845,704	400,903,903	624,337,613	800,000
31 December 2020							
Cash and cash equivalents	18	249,014,793	249,014,793	-	-	-	-
Loans and advances to customers	19	259,863,413	-	-	-	259,863,413	-
Investment securities	20	1,130,007,261	-	-	895,287,234	233,920,027	800,000
Due from other banks		129,183,518	-	-	-	-	-
		1,768,068,985	249,014,793	-	895,287,234	493,783,440	800,000
Deposits from customers	25	(1,473,429,428)	(376,697,527)	-	(1,072,362,834)	(24,369,067)	-
		(1,473,429,428)	(376,697,527)	-	(1,072,362,834)	(24,369,067)	-
Effects of derivatives held for risk management		-	-	-	-	-	-
		294,639,557	(127,782,734)	-	(177,362,834)	469,414,373	800,000

Notes to the financial statements (continued)

35. Financial Risk Review and Management (continued)

(c) Market risks (continued)

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios.

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

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

Exposure to other market risk – non-trading portfolios

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

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

	200bp (2%) Increase 2021	200bp (2%) Decrease 2021
In thousands of Leones		
Interest income impact	4,884,232	(4,884,232)
Interest expense impact	(239,503)	239,503
Net impact	4,644,729	(4,644,729)
In thousands of Leones	2020	2020
Interest income impact	4,208,245	(4,208,245)
Interest expense impact	(190,190)	190,190
Net impact	4,018,055	(4,018,055)

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

Sensitivity of reported equity to interest rate movement

	200 bp (2%) Increase	200bp (2%) Decrease
<i>In thousands of Leones</i>		
31 December 2021		
Net (after tax) interest impact on retained earnings	3,483,547	(3,483,547)
	200 bp (2%) Increase	200bp (2%) Decrease
31 December 2020		
Net (after tax) interest impact on retained earnings	2,812,638	(2,812,638)

Notes to the financial statements (continued)

35. Financial Risk Review and Management (continued)

Concentrations of assets, liabilities and off financial position items

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

In thousands of Leones

2021	Le	Euro	USD	GBP	Others	Total
Cash and balances with the banks	189,953,883	53,874,330	54,883,114	6,523,717	5,425	305,240,469
Treasury bills and other eligible bills	1,091,961,139	-	-	-	-	1,091,961,139
Loans and advances to customers	479,875,897	-	-	-	-	479,875,897
Due from other banks	-	-	220,649,439	-	-	220,649,439
Property, plant and equipment	47,610,514	-	-	-	-	47,610,514
Other assets	100,063,886	-	627,330	-	-	100,691,216
Total assets	1,909,465,319	53,874,330	276,159,883	6,523,717	5,425	2,246,028,674
Deposit from customers	1,251,657,115	445,748,595	37,138,104	19,269,508	-	1,753,813,322
Other liabilities	218,768,348	996,692	11,671	141,535	-	219,918,246
Total liabilities	1,470,425,463	446,745,287	37,149,775	19,411,043	-	1,973,731,568
Net on-financial position	439,039,856	(392,870,957)	239,010,108	(12,887,326)	5,425	272,297,106

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Notes to the financial statements (continued)

35. Financial Risk Review and Management (continued)

Concentrations of assets, liabilities and off financial position items

2020	Le	Euro	USD	GBP	Others	Total
Cash and balances with the banks	144,874,083	57,707,538	37,527,055	8,906,117	-	249,014,793
Treasury bills and other eligible bills	1,130,007,260	-	-	-	-	1,130,007,260
Loans and advances to customers	259,863,413	-	-	-	-	259,863,413
Due from other banks	-	-	115,862,500	13,321,018	-	129,183,518
Property, plant and equipment	46,686,714	-	-	-	-	46,686,714
Other assets	39,456,443	-	15,290,451	-	-	54,746,894
Total assets	1,620,887,913	57,707,538	168,680,006	22,227,135	-	1,869,502,592
Deposit from customers	1,028,164,580	57,408,980	370,547,720	17,308,147	-	1,473,429,427
Other liabilities	174,922,136	11,069	934,387	135,545	-	176,003,137
Total liabilities	1,203,086,716	57,420,049	371,482,107	17,443,692	-	1,649,432,564
Net on-financial position	417,801,197	287,489	(202,802,101)	4,783,443	-	220,070,028

Notes to the financial statements (continued)

35. Financial Risk Review and Management (continued)

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

In thousands of Leones

	Euro	US\$	GBP	Others	Total
2021					
Cash and balances with the Bank	53,874,330	54,883,114	6,523,717	5,425	115,281,586
Loans and advances to customers	-	-	-	-	-
Due from other banks	-	220,649,439	-	-	220,649,439
Other assets	-	627,330	-	-	627,330
Total assets	53,874,330	276,159,883	6,523,717	5,425	336,563,355
Liabilities					
Due to customer	445,748,595	37,138,104	19,269,508	-	502,156,207
Other liabilities	996,692	11,671	141,535	-	1,149,898
Total liabilities	446,745,287	37,149,775	19,411,043	-	503,306,105
Net on financial position	(392,870,957)	239,010,108	(12,887,326)	5,425	(166,742,750)
2020					
Cash and balances with the Bank	57,707,538	37,527,055	8,906,117	-	104,140,710
Loans and advances to customers	-	-	-	-	-
Due from other banks	-	115,862,500	13,321,018	-	129,183,518
Other assets	-	15,290,451	-	-	15,290,451
Total assets	57,707,538	168,680,006	22,227,135	-	248,614,679
Liabilities					
Due to customer	57,408,980	370,547,720	17,308,147	-	445,264,847
Other liabilities	11,069	934,387	135,545	-	1,081,001
Total liabilities	57,420,049	371,482,107	17,443,692	-	446,345,848
Net on financial position	287,489	(202,802,101)	4,783,443		(197,731,169)

Notes to the financial statements (continued)

35. Financial Risk Review and Management (continued)

(d) Operational risks

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

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

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

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

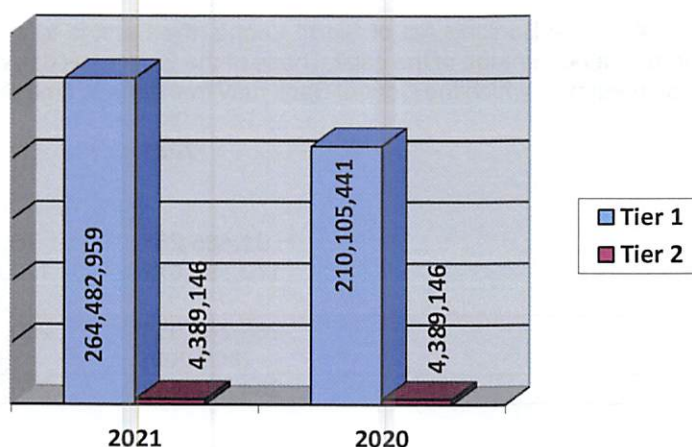
Compliance with Bank standards is supported by a programme of independent periodic reviews undertaken by the Head of Compliance. The results of internal audit reviews are discussed with the management of the Bank with summaries submitted to the senior management of the Bank.

(e) Settlement risk

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

(f) Capital management

Regulatory capital
Thousands of Leones



Notes to the financial statements (continued)

35. Financial Risk Review and Management (continued)

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

In implementing the current capital requirements, Bank of Sierra Leone requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, retained earnings and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes;
- Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale, asset revaluation reserves and high bond (debt equity's capital instruments).

Various limits are applied to elements of the capital base. The amount of innovative Tier 1 securities cannot exceed 15 percent of total Tier 1 capital; qualifying Tier 2 capital cannot exceed Tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of Tier 1 capital. There also are restrictions on the amount of collective impairment allowances that may be included as part of Tier 2 capital. Other deductions from capital include the carrying amounts of investments in the capital of Banks and certain other regulatory items.

(i) Regulatory capital

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

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

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

(ii) Capital adequacy ratio

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

<i>In thousands of Leones</i>	2021	2020
1. Tier 1 capital		
Issued capital	91,485,287	76,237,738
Retained profit and reserves	173,797,672	123,695,663
Share premium	-	10,972,040
	265,282,959	210,905,441
Less equity instruments	(800,000)	(800,000)
	264,482,959	210,105,441

Notes to the financial statements (continued)

35. Financial Risk Review and Management (continued)

2 Tier 2 capital

Capital reserves (25%)	4,389,146	4,389,146
	4,389,146	4,389,146
Total capital base	268,872,105	214,494,587

Risk weighted asset base		2021		2020
	Amount	Weighting %	Weighted Amount	Weighted Amount
Foreign cash and Nostro balances	115,551,710	20	23,110,342	46,664,846
Due from other banks	220,649,439	20	44,129,888	25,836,704
Advances (noncash guaranteed)	479,875,897	50	239,937,948	77,959,024
Other assets	100,691,216	100	100,691,216	54,746,894
Fixed assets	47,610,514	100	47,610,514	46,686,714
	964,378,776	-	455,479,908	251,894,182

Off balance sheet accounts		2021		2020
	Amount	Weighting %	Weighted Amount	Weighted Amount
Performance bonds acceptances (cash securities)	35,729,394	50%	17,864,697	7,510,820
	35,729,394		17,864,697	7,510,820
Total			473,344,605	259,405,002
Capital adequacy ratio			56.80%	82.69%
Core capital ratio			55.87%	80.99%

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

Capital allocation

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

Notes to the financial statements (continued)

35. Financial Risk Review and Management (continued)

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

36. Fair value of financial instruments

See accounting policy in note 6(g)

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

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

(a) Valuation models

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

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

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

Notes to the financial statements (continued)

36. Fair value of financial instruments (continued)

Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

(b) Valuation framework

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

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

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

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

31 December 2021	Level 1	Level 2	Level 3	Total fair values	Total carrying Amount
Assets					
<i>In thousands of Leones</i>					
Cash and cash equivalents	-	305,240,469	-	305,240,469	305,240,469
Loans and advances to Customers	-	-	479,875,897	479,875,897	479,875,897
Investment securities	-	1,091,961,139	-	1,091,961,139	1,091,961,139
Due from other banks	-	220,649,439	-	220,649,439	220,649,439
Liabilities					
Deposits from customers	-	1,753,813,321	-	1,753,813,321	1,753,813,321
31 December 2020	Level 1	Level 2	Level 3	Total fair Values	Total carrying Amount
Assets					
<i>In thousands of Leones</i>					
Cash and cash Equivalents	-	249,014,793	-	249,014,793	249,014,793
Loans and advances to Customers	-	-	259,863,413	259,863,413	259,863,413
Investment securities	-	1,130,007,261	-	1,130,007,261	1,130,007,261
Due from other banks	-	129,183,518	-	129,183,518	129,183,518
Liabilities					
Deposits from customers	-	1,473,429,428	-	1,473,429,428	1,473,429,428

Notes to the financial statements (continued)

36. Fair value of financial instruments (continued)

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

Where available, the fair value of loans and advances is based on observable market transactions.

Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral.

To improve the accuracy of the valuation, estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics such as vintage, LTV ratios, the quality of collateral, product and borrower type, prepayment and delinquency rates, and default probability.

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

37. Standard issued but not yet adopted

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements for the year ended 31 December 2020 are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1

In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification.

These amendments are effective for reporting periods beginning on or after 1 January 2023, with early application permitted. The Company is not expected to be affected by these amendments on the date of transition.

Amendments to IAS 37 – Onerous Contracts: — Cost of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

Since the amendments apply prospectively to transactions or other events that occur on or after 1 January 2022, the Company will not be affected by these amendments on the date of transition.

Notes to the financial statements (continued)

37. Standard issued but not yet adopted (continued)

Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments are effective for reporting periods beginning on or after 1 January 2022, with early application permitted. The Company is not expected to be affected by these amendments on the date of transition.

Amendments to IFRS 3 – Reference to the Conceptual Framework

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

Since the amendments apply prospectively to transactions or other events that occur on or after 1 January 2022, the Company will not be affected by these amendments on the date of transition.

IFRS 17 – Insurance Contracts

The IASB issued IFRS 17 in May 2017 and applies to annual reporting periods beginning on or after 1 January 2023. The new IFRS 17 standard establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard.

The objective of IFRS 17 is to ensure an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. This standard does not impact the Bank in anyway as the Bank does not engage in insurance business.

IFRS 8 – Definition of Accounting Estimates

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board. The amendment does not have any material impact on the Bank. This is effective on 1 January 2023.

37. Notes to the financial statements (continued)
Standard Issued but not yet adopted (continued)

IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

Nevertheless, it is possible that the resulting deferred tax assets and liabilities are not equal (e.g., if the entity is unable to benefit from the tax deductions or if different tax rates apply to the taxable and deductible temporary differences). In such cases, which the Board expects to occur infrequently, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss.

The amendment is not expected to have any material impact on the Bank.

This is effective on 1 January 2023.

IFRS 9 - Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39.

An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. The amendment is not expected to have any material impact on the Bank.

IAS 1 - Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies

And

- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosure.

The amendment is not expected to have any material impact on the Bank.

37. Notes to the financial statements (continued)
Standard issued but not yet adopted (continued)

Annual improvements 2018-2020 cycle

These improvements include:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a First-time Adopter;
- IFRS 9 Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities;
- IAS 41 Agriculture – Taxation in Fair Value Measurements; and
- Illustrative Examples accompanying IFRS 16 Leases – Lease Incentives.

These improvements are effective for reporting periods beginning on or after 1 January 2022, with early application permitted. The Company is not expected to be affected by these amendments on the date of initial application.

38. Regulatory ratios

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

Narration	Bank of Sierra Leone Requirement	2021	2020
Capital Adequacy Ratio	Should not be less than 15%	56.80%	82.69%
Loan to Deposit Ratio	Loan to deposit should not exceed 80%	27.36%	17.64%
Local Asset Ratio	Total Liquid asset should not be less than 60%	80.48%	85.33%
Minimum Cash Reserve Ratio	Should not be less than 12% of total (local) deposit	92%	70.59%
Net Open Position Aggregate	Shall not exceed 25% of the institution's capital base	(7.79%)	1.56%
Non - Performing Loan	Should not be more than 10%	11.74%	6.67%
Aggregate exposure	The bank's exposures shall not exceed 300% of its capital base.	154.99%	100.10%