

Rokel Commercial Bank (Sierra Leone) Limited

Financial statements
for the year ended 31 December 2023

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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: Freetown Nominees Limited
55 Sir Samuel Lewis Road
Aberdeen
Freetown

Registered office: 25/27 Siaka Stevens Street
Freetown

Auditors: Baker Tilly SL
Chartered Accountants
Baker Tilly House
37 Siaka Stevens Street
Freetown

Solicitors: Messrs Yada Williams & Associates
7 Walpole Street
Freetown

Report of the Directors

The Directors hereby submit their report to the shareholders together with the audited financial statements for the year ended 31 December 2023.

Directors' responsibility statement

The Bank's Directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at 31 December 2023 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and 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 2009, the Banking Act of Sierra Leone and the Banking Regulations of Sierra Leone and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

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.

Share capital

Details of the Bank's share capital are given in note 27 to the financial statements. The issued ordinary share capital of the Bank is 91,485,287 ordinary shares of Le0.001 each.

The Bank has one class of ordinary shares, which carry 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 0.1 cent 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 SLe 143 Million (2022: Profit of SLe 69.00 Million).

Dividends

The Board proposed a dividend of SLe 0.0004 per share for approval by the shareholders of the Bank for the 2023 financial year, (2022: SLe 0.2000000 per share). A total of SLe 18,297,056 was paid to shareholders in 2023.

Capital adequacy

The Bank is required to maintain a minimum capital adequacy ratio of 15% of total adjusted assets. As at 31 December 2023, the capital adequacy of the Bank was 40.05 % (2022: 33.61%). Details of the computation are shown in note 5(d) to these financial statements.

Directors

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

Under the terms of Article 29 of the Articles of Association, Directors normally retire by rotation and being eligible offer themselves for re-election. The re-election of the Directors or the appointment of new Directors will be determined by the National Commission for Privatization in accordance with Section 13 of the National Commission for Privatization Act, 2002.

Report of the Directors *(continued)*

Principal activities

The Bank is engaged in retail, corporate and commercial banking services in Sierra Leone and operates eighteen branches including Head Office.

The Audit Committee

The audit committee comprises of three members of the Board of Directors with the exception of the Executive Directors of the Bank 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

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 Manager, 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. Human Resources Committee

IT Steering Committee

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

Disciplinary Committee

The Disciplinary 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 Adviser, 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 comprises 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 assists management in ensuring that the Bank is in compliance with its own policies and all other regulatory requirements.

Report of the Directors *(continued)*

Special Debt Recovery Committee

The objective of the committee is to ensure the Bank maintains advances not to breach the single obligor as required by the Bank of Sierra Leone and to also 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 the 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 Baker Tilly SL appointed by the Auditor-General on **30 November 2023** to conduct the audit of the financial statements for the year ended 31 December 2023, will hold office till the end of the forth coming Annual General Meeting.

The Auditor-General has the responsibility to re-appoint the existing auditor for the bank for the ensuing year.

Approval of the financial statements

The financial statements of the Bank as indicated above were approved by the Board of Directors on2024 and are signed on their behalf by:

.....
Chairman

.....
Managing Director

.....
Director

.....
Director

.....
Secretary

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

Report on the Audit of the Financial Statements

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 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes comprising a summary of 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 2023 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Sierra Leone 2009, the Banking Act of Sierra Leone and the Banking Regulations of Sierra Leone.

Basis for opinion

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

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of Sierra Leone 2009, 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.

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

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 2009, the Banking Act of Sierra Leone the Banking Regulations of Sierra Leone and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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.

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

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

- 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.

Report on other Legal and Regulatory Requirements

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

The accounts give a true and fair view of the state of affairs of the Bank and its results for the year under review;

We obtained all the information and explanations required so far for the efficient performance of our duties; and

The Bank did not comply with the relevant provisions of the Banking Act of Sierra Leone in relation to the following:

- As at 31 December 2023 the Bank's non-performing loans to total loans ratio of 13% exceeded the tolerable ratio of 10% by 3%.

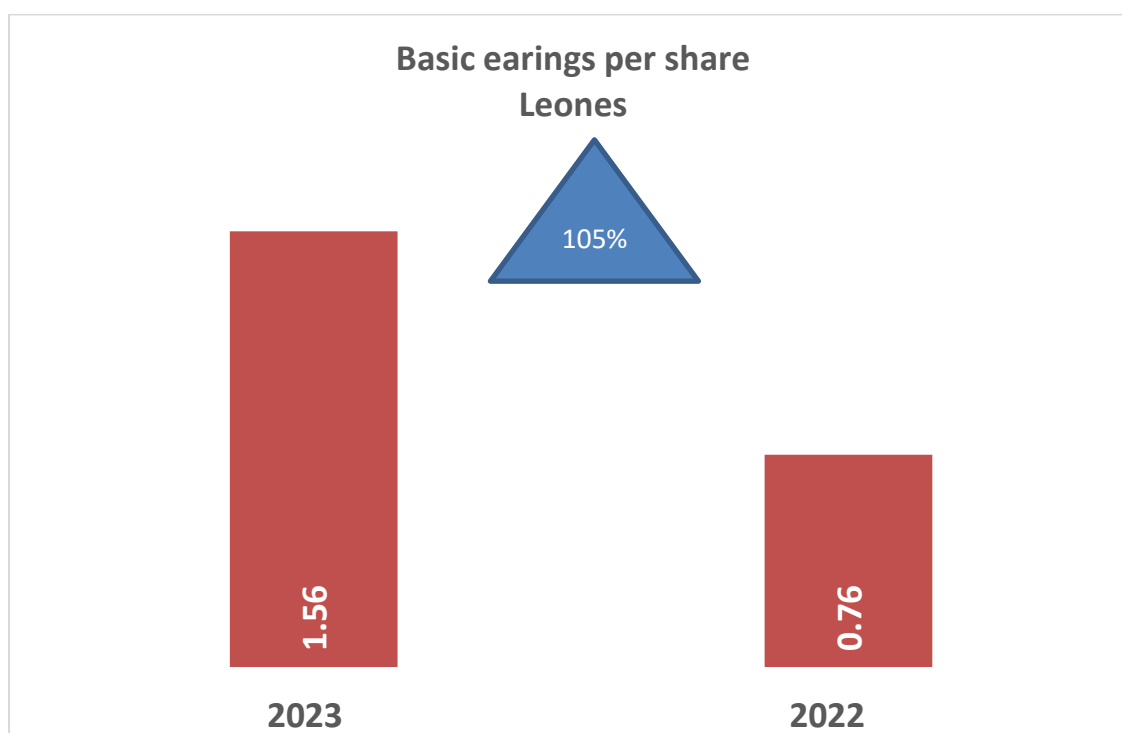
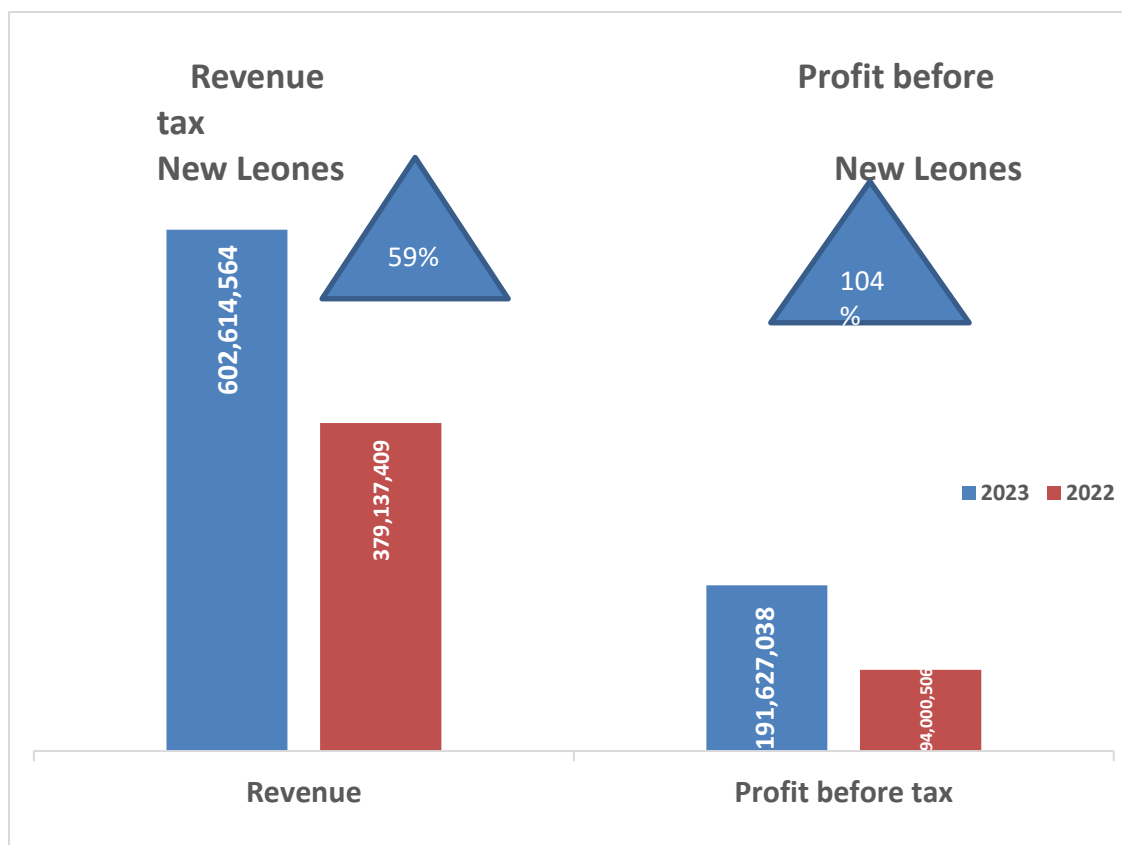
The Engagement Partner on the audit resulting in this Independent auditor's report is Agnes N. Sawyerr.

Freetown

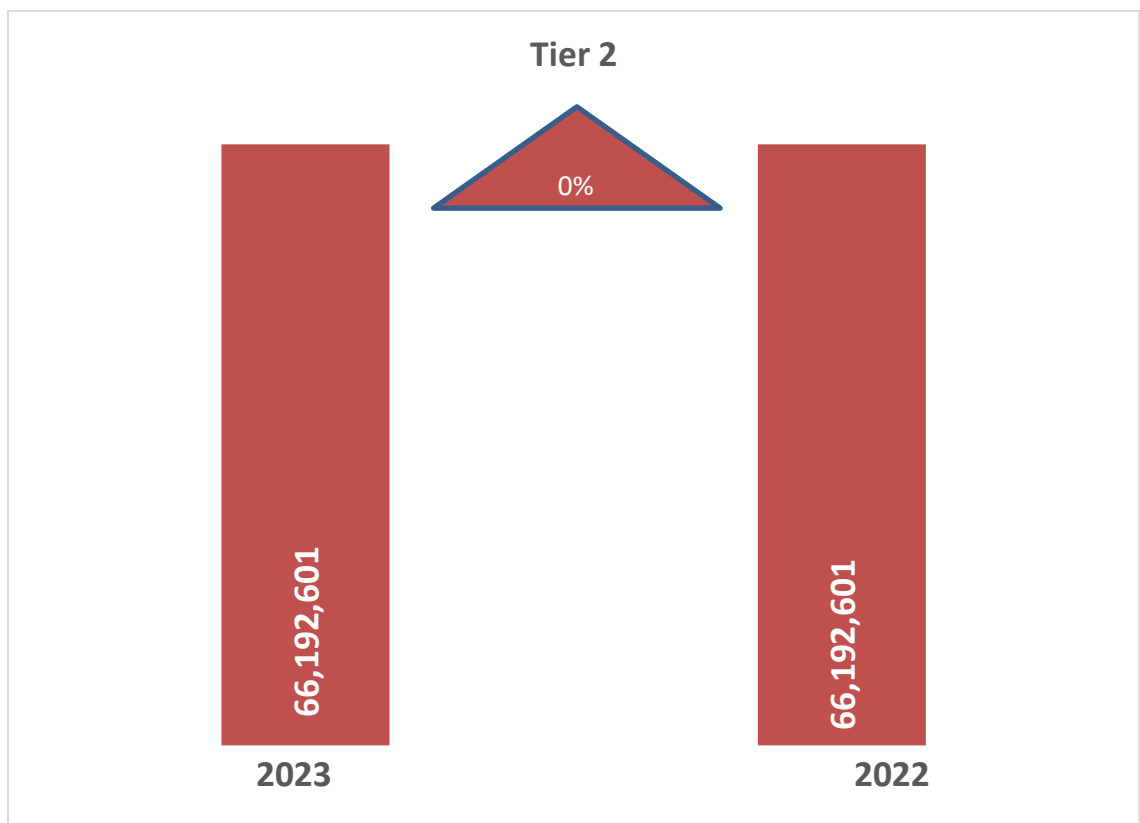
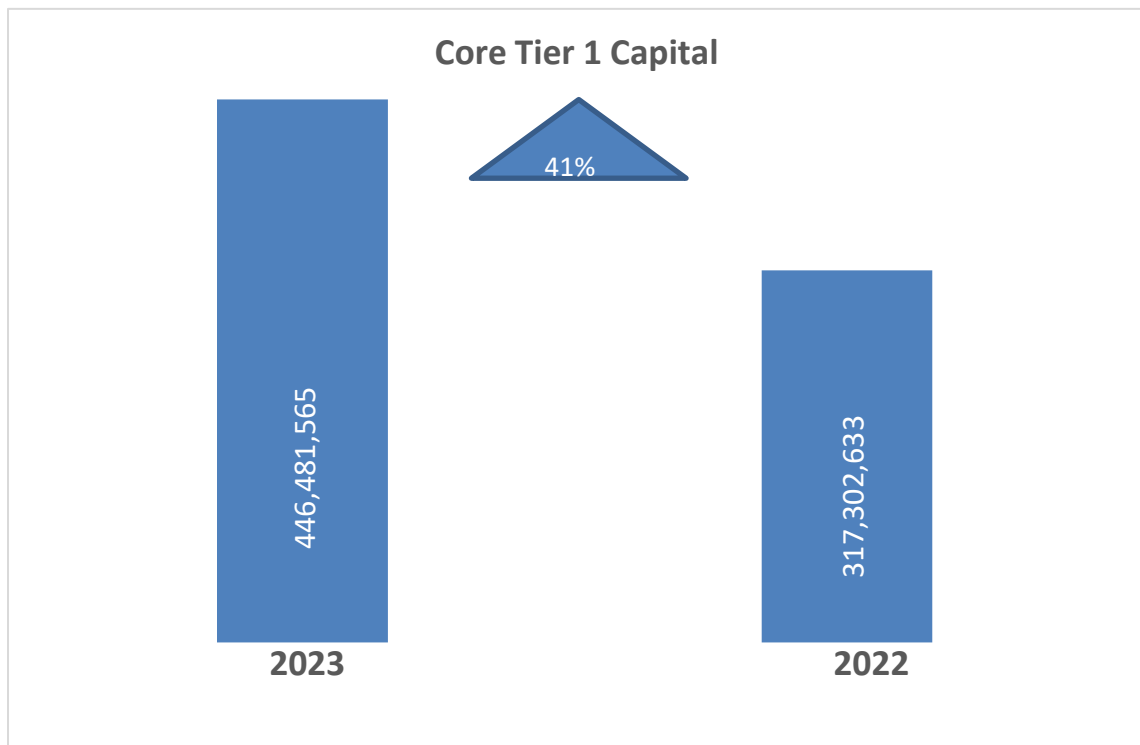
Chartered Accountants

Date: _____

Financial highlights



Financial highlights (continued)



Statement of financial position

as at 31 December

<i>In New Leone</i>	Note	2023	2022
Assets			
Cash and balances with banks	18	320,721,593	449,361,454
Loans and advances to customers	19	541,248,553	493,142,764
Investment securities	20	1,544,800,313	1,145,783,202
Due from other bank	21	839,319,763	674,521,399
Property and equipment	22	273,262,675	293,529,500
Intangible assets	23	56,042,021	61,506,687
Other assets	24	223,894,594	89,250,989
Current tax asset	16c	-	3,312,200
Deferred tax assets	16d	25,868,810	16,019,491
Total assets		3,825,158,322	3,226,427,686
Liabilities			
Deposit from customers	25	2,948,573,358	2,351,733,068
Current tax liabilities	16c	12,389,600	-
Deferred tax liabilities	16d	-	-
Other liabilities	26	67,870,766	223,000,702
Employee benefits liabilities	27	84,272,628	68,729,433
Total liabilities		3,113,106,352	2,643,463,203
Equity			
Share capital	28	91,485,287	91,485,287
Share premium	29	-	-
Reserves	31	420,724,190	378,940,290
Retained earnings	31(h)	199,842,493	112,538,906
Total equity attributable to equity holders of the Bank		712,051,970	582,964,483
Total equity and liabilities		3,825,158,322	3,226,427,686

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

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

The notes on pages 16 to 107 are an integral part of these financial statements

Statement of profit or loss and other comprehensive income

for the year ended 31 December

<i>In New Leone</i>	Note	2023	2022
Interest income	8a	499,356,269	342,660,867
Interest expenses	8b	(42,256,606)	(13,495,553)
Net interest income		457,099,663	329,165,314
Net fees and commission income	9a	74,729,355	58,745,975
Fee and commission income expense	9b	(1,992,022)	(1,176,070)
Net fee and commission		72,737,333	57,569,905
Net trading (income)/expense	10	66,079,763	(7,763,346)
Other operating income	11	6,697,805	165,536
Net other income		72,777,568	(7,597,810)
Revenue		602,614,564	379,137,409
Net impairment loss on financial assets	14	(17,335,110)	(16,213,159)
Personnel expenses	12	(186,983,008)	(129,175,140)
Depreciation and amortisation	13.1	(47,776,075)	(27,065,505)
Other operating expenses	13.2	(158,893,333)	(112,683,099)
Profit operating before income tax		191,627,038	94,000,506
Income tax expenses	16(a)	(48,824,719)	(24,515,482)
Profit/(Loss) for the year		142,802,319	69,485,024
Other comprehensive income, Items that will never be reclassified to profit or loss			
Revaluation Reserve		-	247,213,822
Re-measurements of defined benefit liability gains		8,111,094	(4,643,290)
Related tax on defined benefit liability		(2,027,774)	1,160,823
Other comprehensive income net of tax		6,083,320	243,731,355
Total comprehensive income		148,885,639	313,215,379

The notes on pages 16 to 107 are an integral part of these financial statements

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

<i>In New Leones</i>	Note	2023	2022
Profit attributable to:			
Equity holders of the Bank		142,802,319	69,485,024
Profit for the year		142,802,319 =====	69,485,024 =====
Total comprehensive income attributable to:			
Equity holders of the Bank		148,885,639	313,215,379
Total comprehensive income for the year		148,885,639 =====	313,215,379 =====
Earnings per share			
Basic earnings per share (Leones)	15	1.56 =====	0.76 =====
Diluted earnings per share (Leones)	15	1.56 =====	0.76 =====

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

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

The notes on pages 16 to 107 are an integral part of these financial statements

Statement of changes in equity
for the year ended 31 December
In new Leone

	Attributable to equity holder of the bank								
	Share Capital	Share Premium	Capital Reserve	Statutory Reserves	Statutory loan lost reserve	Other Reserves	Total Reserve	Retained earnings	Total equity
Balance at 1 January 2023	91,485,287	-	264,770,404	113,358,440		811,446	378,940,290	112,538,906	582,964,483
Prior Year Adjustment	-	-	-	-	-	-	-	(1,501,096)	(1,501,096)
Adjusted balance as at 1 January 2023	91,485,287	-	264,770,404	113,358,440	-	811,446	378,940,290	111,037,810	581,463,387
Total comprehensive income for the year									
Net profit for the year	-	-	-	-	-	-	-	142,802,319	142,802,319
Other comprehensive income, net of income tax, (defined benefit obligation)	-	-	-	-	-	-	-	-	-
Actuarial gain	-	-	-	-	-	8,111,094	8,111,094	-	8,111,094
Related tax on actuarial gain	-	-	-	-	-	(2,027,774)	(2,027,774)	-	(2,027,774)
Total other comprehensive income for the year	-	-	-	-	-	6,083,320	6,083,320	142,802,319	148,885,639
Other transfer									
Allowances for losses on loans and advances written off	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	35,700,580	-	-	35,700,580	(35,700,580)	-
Total transfers	-	-	-	35,700,580	-	-	35,700,580	(35,700,580)	-
Total comprehensive income and other transfers	-	-	-	35,700,580	-	6,083,320	41,783,900	107,101,739	148,885,639
Transactions with owners of the bank recorded directly in equity									
Contribution by and distributions to owners									
Issue of new shares	-	-	-	-	-	-	-	-	-
Dividend to shareholders	-	-	-	-	-	-	-	(18,297,056)	(18,297,056)
Total contribution by and distribution to owners	-	-	-	-	-	-	-	(18,297,056)	-
Balance as at 31 December 2023	91,485,287	-	264,770,404	149,059,020	-	6,894,766	420,724,190	199,842,493	712,015,970

The notes on pages 16 to 107 are an integral part of these financial statements

Statement of changes in equity
for the year ended 31 December
In New Leone

	Attributable to equity holder 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 2022	91,485,287	-	17,556,582	95,987,434	-	4,293,913	117,837,929	77,810,238	287,133,454
Net profit for the year	-	-	-	-	-	-	-	69,484,024	69,484,024
Other comprehensive income, net of Income tax (Revaluation fixed assets and Defined benefits obligations)									
Revaluation	-	-	247,213,822	-	-	-	247,213,822	-	247,213,822
Actuarial gain	-	-	-	-	-	(3,482,467)	(3,482,467)	-	(3,482,467)
Other comprehensive income for the year	-	-	247,213,822	-	-	(3,482,467)	243,731,355	-	243,731,355
Total comprehensive income for the year	-	-	247,213,822	-	-	(3,482,467)	243,731,355	69,484,024	313,215,379
Other transfers									
Allowances for losses on loans and advances	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	17,371,006	-	-	17,371,006	(17,371,006)	-
Total other transfers	-	-	-	17,371,006	-	-	17,371,006	(17,371,006)	-
Total comprehensive income and other transfers	-	-	247,213,822	17,371,006	-	(3,482,467)	261,102,361	52,113,018	313,215,379
Transactions with owners of the bank recorded directly in equity									
Contribution by and distributions to owners									
Dividend to shareholders	-	-	-	-	-	-	-	(17,384,315)	(17,384,315)
Shares movement	-	-	-	-	-	-	-	-	-
Total contribution by and distribution to owners	-	-	-	-	-	-	-	(17,384,315)	(17,384,315)
Balance as at 31 December 202	91,485,287		264,770,404	113,358,440	-	811,446	378,940,290	112,538,906	582,964,483

The notes on pages 16 to 107 are an integral part of these financial statements

Statement of cash flows

<i>In New Leone</i>	Note	2023	2022
Cash flows from operating activities			
Profit/(Loss) for the year before tax		191,627,038	94,000,506
Adjustment for:			
Depreciation	13.1	25,791,925	11,688,833
Amortisation		21,984,150	15,376,672
(Net recoveries from)/impairment		17,335,110	16,213,169
Net interest income	8	(457,099,663)	(329,165,314)
Opening balance adjustment		(1,501,096)	-
PPE Adjustment			
Actuarial gains		8,111,094	(4,643,290)
Cash flows from operating profit before		(193,751,442)	(196,529,434)
Changes in operating assets and liabilities			
Changes in loans and advances to customers		(65,440,899)	(29,480,026)
Changes in deposits from customers		596,840,290	597,919,747
Changes in other liabilities		(155,129,936)	58,922,254
Other assets		(134,643,605)	11,440,227
End of service Benefit		15,543,195	12,889,635
Loans and advances to customers			
Due from another banks		(164,798,364)	(453,871,960)
		(101,380,761)	1,290,443
Interest received	8a	499,356,269	342,660,867
Interest paid	8b	(42,256,606)	(13,495,553)
Income tax paid	16c	(45,000,009)	(27,851,003)
Net cash from operating activities		310,718,893	302,604,754
Cash flows from investing activities			
Acquisition of investment securities		(399,017,111)	(53,822,063)
Acquisition of property and equipment	22	(5,525,100)	(10,393,997)
Purchase of intangible assets	23	(16,519,487)	(76,883,359)
Equity		-	-
Proceeds from sale on disposal		-	-
Net cash used in investing activities		(421,061,698)	(141,099,419)
Cash flows from financing activities			
Dividend paid		(18,297,056)	(17,384,350)
Unrecognized exchange gain		-	-
Net cash flow from financing		(18,297,056)	(17,384,350)
Net increase in cash and cash equivalents		(128,639,861)	144,120,985
Unrecognized exchange gain			
Cash and cash equivalents at 1 January		449,361,454	305,240,469
Cash and cash equivalents at 31 December	18	320,721,593	449,361,454
		=====	=====

The notes on pages 16 to 107 are an integral part of these financial statements

Notes to the financial statements

1. Reporting entity

Rokel Commercial Bank Limited (the Bank) is a Bank domiciled in Sierra Leone. The address of the Bank's registered office is 25/27 Siaka Stevens Street Freetown. The financial statements of the Bank as at and for the year ended 31 December 2023 comprise the Head Office and its branches. The Bank is primarily involved in retail, consumer banking, financial services and wholesale banking services.

2. Basis of accounting

The financial statements of Rokel Commercial Bank Limited have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). They were authorised for issue by the Bank's board of Directors on 2024.

Details of the bank's accounting policies, including changes during the year, are included in notes 38 and 39.

3. Functional and presentation currency

These financial statements are presented in Leones, which is the Bank's functional currency. Except as otherwise indicated the financial information presented in Leones has been rounded to the nearest thousand.

4. Use of judgments and estimates

In preparing these financial statements management has made judgments estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual reports may differ from these estimates.

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

(a) Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is set out below.

(i) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Bank, or national or local economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Held to maturity investments

The Bank classifies non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity. The investments are therefore measured at amortised cost.

Notes to the financial statements *(continued)*

4. Use of judgments and estimates (continued)

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2023 is set out below in relation to the impairment of financial instruments and in the following notes:

- Note 6 - determination of fair value of financial statements with significant unobservable inputs;
- Note 16(e) - recognition of deferred tax assets: availability of future taxable Profit against which carry forward tax losses can be used;
- Note 32 - recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

Impairment of financial instruments

Assets accounted for at amortised cost are evaluated for impairment on the basis described in note 39(g)(v).

The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

A collective component of the total allowance is established for:

- groups of homogeneous loans that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired (loss 'incurred but not reported' or IBNR).

The collective allowance for groups of homogeneous loans is established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience. The roll rate methodology uses statistical analysis of historical data on delinquency to estimate the amount of loss. Management applies judgment to ensure that the estimate of loss arrived at on the basis of historical information is appropriately adjusted to reflect the economic conditions and product mix at the reporting date. Roll rates and loss rates are regularly benchmarked against actual loss experience.

The IBNR allowance covers credit losses inherent in portfolios of loans and advances, and held-to-maturity investment securities with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired items but the individual impaired items cannot yet be identified.

In assessing the need for collective loss allowance, management considers factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define how inherent losses are modeled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the model assumptions and parameters used in determining the collective allowance.

Notes to the financial statements (continued)

5. Financial risk management

(a) Credit risk

- i Analysis of credit quality
- ii Collateral held and other credit enhancements, and their financial effect
- iii Amounts arising from ECL
- iv Offsetting financial assets and financial liabilities
- v Concentrations of credit risk
- vi Exposures to higher risk Eurozone countries

(b) Liquidity risk

(c) Market risk

(d) Capital management

(a) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and investment securities. For information on how credit risk is managed by the Bank, see note 35(b), and for explanation of the terms Stage 1, Stage 2 and Stage 3 is included in note 39(g) (vii).

(i) Credit quality analysis

	2023				2022
<i>In New Leones</i>	Stage 1	Stage 2	Stage 3	Total	
Grades 1–6: Low–fair risk					
Grades 7–9: High risk	558,952,043	-	-	558,952,043	496,954,110
Grade 10 Standard	-	34,771,904	-	34,771,904	8,793,817
Grade 11 Doubtful	-	-	-	-	45,479,796
Grade 12 Loss	-	-	64,040,816	64,040,816	-
Total gross amount	558,952,043	34,771,904	64,040,816	657,764,763	551,227,723
Allowance for impairment	(24,239,407)	(10,931,564)	(32,671,124)	(67,842,095)	(48,702,274)
Fair value adjustment on staff loan	-	-	-	(13,192,663)	(8,851,903)
Interest on classified loan	-	-	-	(35,062,223)	(530,782)
Other adjustment	-	-	-	(419,229)	-
Carrying amount	534,712,636	23,840,340	31,369,692	541,248,553	493,142,764

Debt investment securities amortised cost

Grades 1-6: Low-fair risk	1,544,800,313	-	-	1,544,800,313	1,145,783,202
Carrying amount	1,544,800,313	-	-	1,544,800,313	1,145,783,202

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

Current	558,952,043	-	-	558,952,043	496,954,110
Overdue < 30 days	-	34,771,904	-	34,771,904	8,793,817
Overdue > 30 days	-	-	64,040,816	64,040,816	45,479,796
Total	558,952,043	34,771,904	64,040,816	657,764,763	551,227,723

Debt investment securities amortised cost

Grades 1-6: Low-fair risk	1,545,229,161	-	-	1,545,229,161	1,145,783,202
Loss allowance	(428,848)	-	-	(428,848)	-
Carrying amount	1,544,800,313	-	-	1,544,800,313	1,145,783,202

Financial guarantee contracts

Grades 4-5: Low-fair risk	9,056,597	-	-	9,056,597	14,605,095
Loss allowance	-	-	-	-	-
Carrying amount (provision)	9,056,597	-	-	9,056,597	14,605,095

Notes to the financial statements *(continued)*

5. Financial risk management

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

(i) Credit quality analysis

Cash and cash equivalents

The Bank held cash and cash equivalents of SLe 320,721,593 at 31 December 2023 (2022: SLe 449,361,454). The cash and cash equivalents are held with central banks and financial institution counterparties.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Bank's Audit Committee regularly reviews reports on forbearance activities.

For the purposes of disclosures in these financial statements, 'loans with renegotiated terms' are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the bank has made concessions by agreeing to terms and conditions that are more 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, earlier repayment or until it is written off.

Irrespective of whether loans with renegotiated terms have been derecognised or not, they remain disclosed as impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows and there are no other indicators of impairment.

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 floating charges over corporate assets	Commercial property,
Investment debt securities	None

The Bank typically does not hold collateral against investment securities, and no such collateral was held at 31 December 2023 or 2022.

Notes to the financial statements *(continued)*

5. Financial risk management (continued)

(a) Credit risk (continued)

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

Assets obtained by taking possession of collateral

The Bank did not hold any financial and non-financial assets resulting from taking possession of collateral held as security against loans and advances at the reporting date.

(iii) Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment
See accounting policy in Note 39 (g)(vii)

Significant increase in credit risk

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

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

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

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

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

Credit risk grades

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

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

Notes to the financial statements *(continued)*

5. Financial risk management (continued)

(a) Credit risk (continued)

(iii) Amounts arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Credit risk grades (continued)

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

Corporate and retail exposures

- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes;
- Data from, press articles;
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities;
- Payment record – this includes overdue status as well as a range of variables about payment ratios;
- Utilisation of the granted limit;
- Requests for and granting of forbearance; and
- Existing and forecast changes in business, financial and economic conditions

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by type of product and borrower. The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly.

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and other qualitative factors.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

Notes to the financial statements *(continued)*

5. Financial risk management (continued)

(a) Credit risk (continued)

(iii) Amounts arising from ECL (continued)

Definition of default

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

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

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

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

Incorporation of forward-looking information

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

The Bank formulates five economic scenarios: a base case, and four other likely scenarios. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the country.

Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

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 allocated to Stage 1 (assuming it is not credit-impaired at that time). The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to 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.

Notes to the financial statements *(continued)*

5. Financial risk management (continued)

(a) Credit risk (continued)

(iii) Amounts arising from ECL (continued)

Modified financial assets (continued)

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment 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 stage 1.

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

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

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

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

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 modeling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

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

Where modeling 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;
- date of initial recognition; and
- remaining term to maturity;

Notes to the financial statements (continued)

5. Financial risk management (continued)

(a) Credit risk (continued)

(iii) Amounts arising from ECL (continued)

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous. For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data.

Loss allowance

The following table show a reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument.

	2023				2022			
<i>In new Leone</i>	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortised cost								
Balance at 1 January	21,324,234	27,378,040	-	48,702,274	22,132,563	19,117,910	-	41,250,473
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	2,915,173	(16,446,476)	32,671,124	19,139,821	(808,329)	8,260,130	-	7,451,801
Balance at 31 December	24,239,407	10,931,564	32,671,124	67,842,095	21,324,234	27,378,040	-	48,702,274

<i>In New Leone</i>	2023 Total	2022 Total
Debt investment securities at amortised cost		
Balance at 1 January	1,145,783,202	1,091,961,139
New financial assets originated or purchased/(disposal)	399,445,959	53,822,063
Net remeasurement of loss allowance	(428,848)	-
Balance at 31 December	1,544,800,313	1,145,783,202

Cash and cash equivalents		
Balance at 1 January	449,361,454	305,240,469
Net remeasurement of loss allowance		
Net increase/(decrease) in cash and cash equivalents	(128,639,861)	144,120,985
Balance at 31 December	320,721,593	449,361,454

Loan commitments and financial guarantee contracts		
Balance at 1 January	14,605,095	-
Net remeasurement of loss allowance	(5,548,498)	14,605,095
New loan commitment and financial guarantees (Expired)/Issued		
Balance at 31 December	9,056,597	14,605,095

Notes to the financial statements *(continued)*

5. Financial risk management (continued)

(a) Credit risk (continued)

(iv) Offsetting financial assets and financial liabilities

No financial assets and financial liabilities including financial instruments such as loans and deposits were offset in the Bank's statement of financial position nor were there any financial assets and financial liabilities that were subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

Notes to the financial statements (continued)

5. Financial risk review (continued)

(a) Credit risk (continued)

(v) Concentrations of credit risk

The Bank monitors concentrations of credit risk by sector and by type of customer. All customer for loans and advances are domiciled in Sierra Leone and the investment debt securities are securities issued by the government of Sierra Leone. An analysis of concentrations of credit from loans advances, lending commitments financial guarantees and investment securities is shown below:

<i>In New Leone</i>	Loans and advances to customer		Investment debt securities		Financial guarantees	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Carrying amount						
Amount committed/guaranteed	541,248,553	493,142,764	1,544,800,313	1,145,783,202	9,056,597	14,805,095
Concentration by type of customer						
Individuals and others private enterprise	622,127,130	521,671,500	1,544,800,313	1,145,783,202	9,056,597	14,805,095
- Staff	35,637,633	29,556,223	-	-	-	-
- Government	-	-	-	-	-	-
	657,764,763	551,227,723	1,544,800,313	1,145,783,202	9,056,597	14,805,095
Concentration by sector						
Agric, forestry and fishing	42,181,517	54,678,292	-	-	-	-
Manufacturing	14,172,245	22,161,194	-	-	-	-
Construction	29,296,236	31,040,285	-	-	-	-
Commerce and finance	133,688,446	178,113,856	1,544,800,313	1,145,783,202	9,056,597	14,505,095
Transport, storage and communication	64,196,781	47,683,343	-	-	-	-
Services and others	343,853,056	215,940,284	-	-	-	-
Mining and Quarry	30,376,482	1,610,469	-	-	-	-
	657,764,763	551,227,723	1,544,800,313	1,145,783,202	9,056,597	14,505,095

Notes to the financial statements *(continued)*

5. Financial risk review (continued)

(a) Credit risk (continued)

(vi) Exposures to higher risk Eurozone

This note summarises the Bank's exposure to higher-risk eurozone countries. The Bank regards a eurozone country as 'higher-risk' when the country exhibits higher volatility and economic and political uncertainties than other eurozone members. The specific factors that are taken into account in making this assessment include the ratio of sovereign debt to GDP, seeking international financial assistance, credit ratings, levels of market yields and concentrations of maturities.

Based on its assessment of the above factors the Bank is not exposed to higher risk Eurozone countries as its nostro accounts are maintained with banks in England which is regarded as a core country of the Eurozone, and not as higher risk Eurozone countries. The Bank has no accounts or facilities with banks in countries perceived to be higher risk Eurozone countries.

The Bank's exposure was mainly nostro balances amounting to SLe 86.29 Million.

(b) Liquidity risk

Liquidity risk is the risk that the bank either does not have sufficient financial resource available to meet all its obligations and commitments as they fall due, or can access them only at excessive cost.

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, 'net liquid assets' includes cash and cash equivalents and investment-grade debt securities for which there is an active and liquid market less any deposits from banks, customers, and other borrowings and commitments.

Notes to the financial statements *(continued)*

5. Financial risk review (continued)

(b) Liquidity risk (continued)

Maturity analysis for financial assets and financial liabilities

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

31 December 2023 <i>In New Leones</i>	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
Financial liability by type		-	-	-	-	-	-	-
Non-derivative liabilities		-	-	-	-	-	-	-
Deposits from customers commitments	25	2,948,573,358	2,948,573,358	2,948,573,358	-	-	-	-
		2,948,573,358	2,948,573,358	2,948,573,358	-	-	-	-
Financial asset by type								
Non-derivative liabilities								
Cash and bank balances	18	299,828,823	299,828,823	299,828,823	-	-	-	-
Cash on hand	18	20,892,770	20,892,770	20,892,770	-	-	-	-
Investment securities	20	1,544,800,313	1,544,800,313	1,544,800,313	-	-	-	-
Loans and advances to customers	19	541,248,553	541,248,553	142,069,330	106,697,838	167,447,733	115,817,964	9,215,688
Due from other banks	21	839,319,763	839,319,763	839,319,763	-	-	-	-
		3,246,090,223	3,246,090,222	2,846,910,999	106,697,838	167,447,733	115,817,964	9,215,688

Notes to the financial statements (continued)

5. Financial risk review (continued)

(b) Liquidity risk (continued)

Maturity analysis for financial assets and financial liabilities (continued)

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

31 December 2022 <i>In New Leone</i>	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
Financial liability by type		-	-	-	-	-	-	-
Non-derivative liabilities		-	-	-	-	-	-	-
Deposits from customers		2,351,733,068	2,351,733,068	1,555,274,979	-	796,458,089	-	-
commitments		-	-	-	-	-	-	-
		2,351,733,068	2,351,733,068	1,555,274,979	-	796,458,089	-	-
Financial asset by type								
Non-derivative liabilities								
Cash and balances with banks	18	332,702,529	332,702,529	332,702,529	-	-	-	-
Cash on hand	18	116,658,925	116,658,925	116,658,925	-	-	-	-
Investment securities	20	1,145,783,202	1,145,783,202	-	-	-	1,145,783,202	-
Loans and advances to customers	19	493,142,764	493,142,764	-	-	-	493,142,764	-
Due from Banks	21	674,521,399	674,521,399	674,521,399	-	-	-	-
		2,762,808,819	2,762,808,819	1,123,882,853	-	-	1,638,925,966	-

Notes to the financial statements (continued)

5. Financial risk review (continued)

(b) Liquidity risk (continued)

Maturity analysis for financial assets and financial liabilities (continued)

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

Type of financial instrument	Basis on which amounts are compiled
Non-derivative financial liabilities and financial assets	Undiscounted cash flows, which include estimated interest payments.
Issued financial guaranty contracts and unrecognized loan commitments	Earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guaranty could be called.

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 the government of Sierra Leone eligible for use as collateral with the central bank and other 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.

<i>In New Leone</i>	2023	2022
Financial assets		
Loans and advances to customers	541,248,553	493,142,764
Investment securities	1,544,800,313	1,145,783,202
Due from other Banks	839,319,763	674,521,399
Financial liabilities		
Deposits from customers	2,948,573,358	2,351,733,068

Notes to the financial statements (continued)

5. Financial risk review (continued)

(b) Liquidity risk (continued)

Liquidity reserves

Maturity analysis for financial assets and financial liabilities (continued)

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

Liquidity reserves

	2023 Carrying amount	2023 Fair value	2022 Carrying amount	2022 Fair value
<i>In New Leone</i>				
Balances with central banks	(16,541,530)	(16,541,530)	101,683,034	101,683,034
Cash and balances with banks	316,370,353	316,370,353	231,019,495	231,019,495
Other cash and cash equivalent	20,892,770	20,892,770	116,658,925	116,658,925
Total liquidity reserve	320,721,593	320,721,593	449,361,454	449,361,454

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

2023

<i>In New Leone</i>	Encumbered Pledge as collateral	Other	Unencumbered Available as collateral	Other*	Total
Cash and cash equivalents	-	-	320,721,593	-	320,721,593
Loans and advances	-	-	-	541,248,553	541,248,553
Investment securities	-	-	1,544,800,313	-	1,544,800,313
Due from other banks	-	-	839,319,763	-	839,319,763
Total assets	-	-	2,704,841,669	541,248,553	3,246,090,222

2022

<i>In thousands of Leones</i>	Encumbered Pledge as Collateral	Other	Unencumbered Available as collateral	Other*	Total
Cash and cash equivalents	-	-	449,361,454	-	449,361,454
Loans and advances	-	-	-	493,142,764	493,142,764
Investment securities	-	-	1,145,783,202	-	1,145,783,202
Due from other Banks	-	-	674,521,399	-	674,521,399
Other financial assets	- 84,122,447	-	-	-	84,122,447
Non-financial assets	- 3,733,420	-	-	-	3,733,420
Total assets	- 87,855,867	2,269,666,055	493,142,764	2,850,664,686	

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

Notes to the financial statements (continued)

5. Financial risk review (continued)

(b) Liquidity risk (continued)

Financial assets pledged as collateral

The total financial assets that had been pledged as collateral for liabilities at 31 December 2023 is shown in the preceding table.

Financial assets are pledged as collateral as part of securitization transactions under terms that are usual and customary for such activities.

(c) Market risks

For the definition of market risk and how it is managed by the Bank note 39 (d).

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

A summary of the Bank's interest rate gap position on non-trading portfolios is as follows:

31 December 2023

	Note	Carrying amount	Market risk measures Trading portfolios	Non-trading portfolios
<i>In New Leones</i>				
Assets subject to market risk				
Cash and cash equivalents	18	320,721,593	-	320,721,593
Loans and advances to customers	19	541,248,553	541,248,553	-
Investment securities	20	1,544,800,313	1,544,800,313	-
Due from other Banks	21	839,319,763	-	839,319,763
Liabilities subject to market risk				
Deposits from customers	25	2,948,573,358	-	2,948,573,358

31 December 2022

	Note	Carrying amount	Trading portfolios	Non-trading portfolios
<i>In New Leones</i>				
Assets subject to market risk				
Cash and cash equivalents	18	449,361,454	-	449,361,454
Loans and advances to customers	19	493,142,764	493,142,764	-
Investment securities	20(b)	1,145,783,202	1,145,783,202	-
Due from other Banks	21	674,521,399	-	674,521,399
Liabilities subject to market risk				
Deposits	25	2,351,733,068	-	2,351,733,068

Notes to the financial statements *(continued)*

5. Financial risk management *(continued)*

(c) Market risks *(continued)*

Exposure to interest rate risk – non trading portfolios

The following is a summary of the Bank's interest rate gap position on non-trading portfolios.

<i>In New Leones</i>	Note	Carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 years	Above 5 years
31 December 2023							
Cash and balances with Banks	18	320,721,593	320,721,593	-	-	-	-
Loans and advances to customers	19	541,248,553	142,069,330	106,697,838	167,447,733	115,817,964	9,215,688
Investment securities	20	1,544,800,313	-	-	1,334,405,971	210,394,342	-
Due from banks	21	839,319,763	839,319,763	-	-	-	-
		3,246,090,222	1,302,110,686	106,697,838	1,501,853,704	326,212,306	9,215,688
Deposits from customers	25	(2,948,573,358)	(1,015,824,813)	(1,931,927,830)	(820,715)	-	-
Effect of derivatives held for risk Management		-	-	-	-	-	-
		297,516,864	(286,285,873)	(1,825,229,992)	1,501,032,989	326,212,306	9,215,688
=====							

Notes to the financial statements (continued)

5. Financial risk management (continued)

(c) Market risks (continued)

<i>In New Leones</i>	Note	Carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 years	Above 5 years
31 December 2022							
Cash and balances with Banks	18	449,361,454	449,361,454	-	-	-	-
Loans and advances to customers	19	493,142,764	-	-	-	493,142,764	-
Investment securities	20	1,145,783,202	-	-	770,743,500	374,239,702	800,000
Due from other banks	21	674,521,399	-	-	674,521,399	-	-
		2,762,808,819	449,361,454	-	1,445,264,899	867,382,466	800,000
Deposits from customers	25	(2,351,733,063)	(1,555,274,979)	-	(796,458,089)	-	-
Effect of derivatives held for risk management		-	-	-	-	-	-
		411,075,756	(1,105,913,525)	-	648,806,810	867,382,466	800,000
=====							

Notes to the financial statements *(continued)*

5. Financial risk review *(continued)*

(c) Market risk *(continued)*

Exposure to interest rate risk – non-trading portfolios

The management of interest rate risk against interest rate gap limits is supplemented by monitoring sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 200 basis point (bp) parallel fall or rise in market interest rates.

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

In New Leones

	200 bp (2%) Increase	200bp (2%) Decrease
2023		
Interest income impact	9,987,125	(9,987,125)
Interest expense impact	(845,132)	845,132
Net impact	<u>9,141,993</u> =====	<u>(9,141,993)</u> =====
2022		
Interest income impact	6,853,217	(6,853,217)
Interest expense impact	(269,911)	269,911
Net impact	<u>7,123,128</u> =====	<u>(7,123,128)</u> =====

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 New Leones</i>		
31 December 2023		
Net (after tax) interest impact on retained earnings	<u>6,856,495</u> =====	<u>(6,856,495)</u> =====
31 December 2022		
Net (after tax) interest impact on retained earnings	<u>5,342,346</u> =====	<u>(5,342,346)</u> =====

Notes to the financial statements (continued)

5. Financial risk review (continued)

(c) Market risk (continued)

Exposure to interest rate risk – non-trading portfolios

Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities and advances to customers to manage the overall position arising from the Bank's non-trading activities. Interest rate movement affect reported equity through the resultant change in retained earnings by the increase or decrease in net interest income reported in profit or loss.

Exposure to currency risk – non trading portfolios

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2023. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by currency.

Concentrations of assets, liabilities and off balance sheet items

<i>In thousands of Leones</i>	SLE	Euro	US\$	GBP	Others	Total
Cash and cash equivalents	255,352,839	(39,440,239)	101,926,814	2,882,179	-	320,721,593
Loans and advances to customers	541,248,553	-	-	-	-	541,248,553
Due from other banks	-	84,000,000	756,500,000	(1,180,237)	-	839,319,763
Treasury bills and other eligible bills	1,335,856,074	-	208,944,239	-	-	1,544,800,313
Property and equipment	273,262,675	-	-	-	-	273,262,675
Intangible assets	56,042,021	-	-	-	-	56,042,021
Other assets	186,013,935	1,953,600	35,381,459	545,600	-	223,894,594
Total assets	2,647,776,097	46,513,361	1,102,752,512	2,247,542	-	3,799,289,512
Due to customers	1,733,384,380	49,455,875	1,135,814,721	29,918,382	-	2,948,573,358
Other Liabilities	51,781,950	2,790,771	57,633	13,240,412	-	67,870,766
Employee benefit liability	84,272,628	-	-	-	-	84,272,628
Total liabilities	1,869,438,958	52,246,646	1,135,872,354	43,158,794	-	3,100,716,752
Net on-financial Position	778,337,139	(5,733,285)	(33,119,842)	(40,911,252)	-	698,572,760
Credit commitments/ financial guaranties	-	-	-	-	-	-
At 31 December 2022						
Total assets	2,169,143,043	95,347,340	832,717,676	48,380,348	-	3,145,588,407
Deposit from customers	1,361,677,840	50,164,569	910,026,050	29,864,609	-	2,351,733,068
Other liabilities	288,677,119	23,539	2,687,184	342,292	-	291,730,134
Total liabilities	1,650,354,959	50,188,108	912,713,234	30,206,901	-	2,643,463,202
Net on-financial position	518,788,084	45,159,232	(79,995,558)	18,173,447	-	502,125,205
Credit commitments/ financial guaranties	-	-	-	-	-	-

Notes to the financial statements (continued)

5. Financial risk review (continued)

(c) Currency risk (continued)

Foreign currency sensitivity analysis

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

2023

<i>In New Leones</i>	Euro	US\$	GBP	Total
Cash and balances with the Bank	(39,440,239)	101,926,814	2,882,179	65,368,754
Loans and advances to customers				
Investment Security	-	208,944,239	-	208,944,239
Due from other banks	84,000,000	756,500,000	(1,180,237)	839,319,763
Other asset	1,953,600	35,381,459	545,600	37,880,659
Total assets	46,513,361	1,102,752,512	2,247,542	1,151,513,415
Liabilities				
Due to customers	49,455,875	1,135,814,721	29,918,382	1,215,188,978
Other liabilities	430,800	1,008,781	115,474	1,555,055
Total liabilities	49,886,675	136,823,502	30,033,856	1,216,744,033
Net on financial position	(3,373,314)	(34,070,990)	(27,786,314)	(65,230,618)

2022

<i>In New Leones</i>	Euro	US\$	GBP	Total
Cash and balances with the Bank	46,038,121	235,471,592	14,799,608	296,309,321
Due from other banks	49,125,000	592,021,399	33,375,000	674,521,399
Other assets	184,219	5,224,685	205,740	5,614,644
Loans and advances to customers	-	-	-	-
Equity investment	-	-	-	-
Treasury bills and other eligible bills	-	-	-	-
Total assets	95,347,340	832,717,676	48,380,348	976,445,364
Liabilities				
Due to customers	50,164,569	910,026,050	29,864,609	990,055,228
Other Liabilities	23,539	2,687,184	342,292	3,053,015
Total liabilities	50,188,108	912,713,234	30,206,901	993,108,243
Net on financial position	45,159,232	(79,996,558)	18,173,447	(16,662,879)

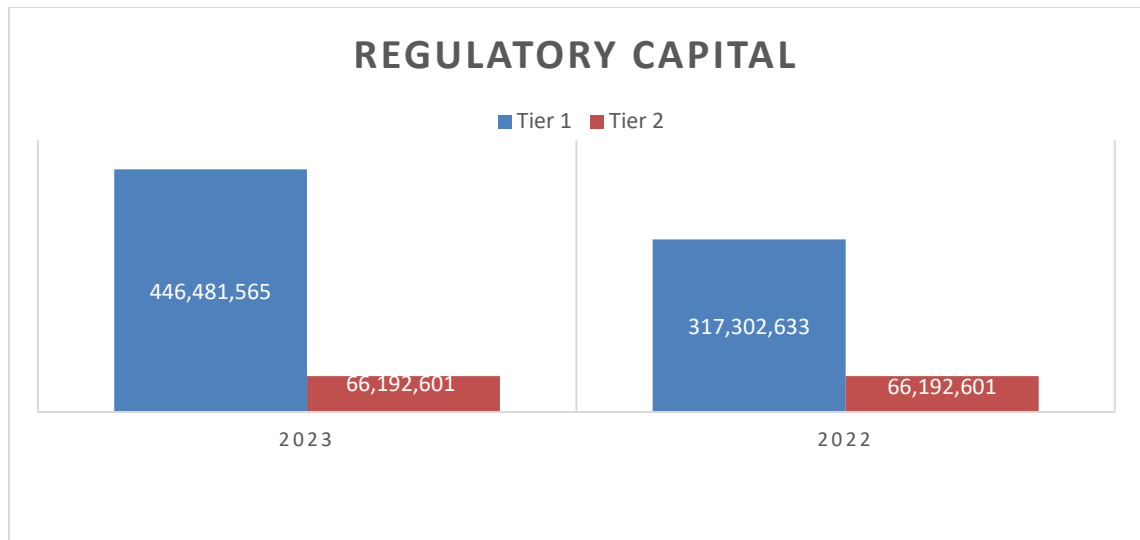
The above sensitivity analysis has been based on a 10% change in foreign currency exchange rate against the Leone. The Leone has been relatively stable for the past couple of years, but may well depreciate or strengthen against the foreign currency by a margin of 10 percent.

Notes to the financial statements *(continued)*

5. Financial risk review *(continued)*

(d) Capital management

Regulatory capital



The Bank's regulator, Bank of Sierra Leone sets and monitors capital requirements for the Bank as a whole. In implementing current capital requirements the Bank of Sierra Leone requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital includes the following:

- Tier 1 capital, which includes paid up ordinary share capital, share premium, retained earnings, translation reserve fund after deductions for goodwill and intangible assets other than computer software, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes capital reserve limited to 50% of risk weighted assets total value.

Various limits are applied to elements of the capital base. The amount of qualifying Tier 2 capital cannot exceed Tier 1 capital. There also are restrictions on the amount of collective impairment allowances that may be included as part of Tier 2 capital. Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investment in the capital of other licensed institutions and non-Bank financial institutions and certain other regulatory items.

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

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

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

Notes to the financial statements (continued)

5. Financial risk review (continued)

(d) Capital management (continued)

Capital adequacy ratio

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base. In accordance with section 27(i) of the Banking Act 2019 the Bank is supposed to maintain a minimum ratio of 15%

<i>In thousands of Leones</i>	2023	2022
Capital base:		
1. Tier 1 capital		
Issued capital	91,485,287	91,485,287
Share premium	-	-
Statutory reserves	149,059,020	225,897,346
Retained earnings	199,842,492	
Other reserves	6,894,766	-
Capital reserve	-	-
Less: equity investment	(800,000)	(800,000)
Less: unrecognized gains on foreign exchange	-	-
	<u>446,481,565</u>	<u>317,302,633</u>
2. Tier 2 capital		
Capital reserve	66,192,601	66,192,601
	<u>66,192,601</u>	<u>66,192,601</u>
Total capital base	<u>512,674,166</u>	<u>382,495,234</u>
	=====	=====

Risk weighted asset base

	2023		2022
	Amount	Weighted %	Weighted amount
Foreign cash and			
Nostro balances	65,368,754	20	13,073,751
Due from other banks	839,319,763	20	167,863,953
Advances (non cash			
guaranteed)	541,248,553	100	541,248,553
Other assets	223,894,594	100	223,894,594
Fixed assets	273,262,675	100	273,262,675
Intangible assets	56,042,021	100	56,042,021
	<u>1,999,136,360</u>		<u>1,275,385,547</u>
	=====		<u>1,908,260,660</u>

Notes to the financial statements (continued)

5. Financial risk review (continued)

(d) Capital management (continued)

Capital adequacy ratio (continued)

Off balance sheet accounts

	Amount	Weighting %	2023 Weighted amount	2022 Weighted amount
Performance bonds				
acceptances (cash securities)	9,056,597	50	4,528,985	14,605,095
Confirmed documentary letters of credit	-	50	-	
	9,056,597		4,528,985	14,605,095
Total	2,008,192,957 =====		1,279,914,532 =====	1,922,865,755 =====
Capital adequacy ratio			40.05% =====	33.61% =====
Core capital ratio			34.88 % =====	27.80% =====

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 optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on the regulatory capital, but in some cases the regulatory requirements do not fully reflect the varying degree of risk associated with different activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation by Bank Risk and Bank Credit, and is subject to review by the Bank Credit Committee or the Bank Asset and Liability Management Committee (ALCO), as appropriate.

Although 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.

Notes to the financial statements (continued)

5. Financial risk review (continued)

(e) Prudential statistics

The Revised Prudential Guidelines for Commercial Banks specifies ratios which must be met by commercial banks. The statistics recorded by the Bank for the year ended 31 December 2023 are as follows:

Details	Aggregate exposure to capital base ratio	Non-performing loans ratio	Loans to deposit ratio	Minimum cash reserve	Local assets ratio	Single borrower limits
Required ration	300%(max)	10%(max)	80%(max)	12%(min)	75%(min)	25%10% (max)
Actual ratio	113%	13%	38%	10%	78.88%	9%

Details	Capital adequacy ratio	Liquidity ratio
Required ratio	15%	60%
Actual ratio	40.05%	63%

(f) Other matter

Regulatory Penalty and Internal Controls

On 26th January, Rokel Commercial Bank Limited was fined by the Bank of Sierra Leone for a breach of banking procedure that involved the diversion of government revenue into accounts belonging to Magnus Cole and Talu Jalloh at Ecobank (SL) Limited.

The incident occurred due to the bank's failure to verify the authenticity of one signature on a letter from Ecobank (SL) Limited, requesting a direct credit. This irregularity constitutes a violation of Section 62(1)(a) of the Banking Act 2019 and has resulted in a penalty of 5% (NLe 3,762.42) of the transacted amount (NLe 75,248.42).

In response to this incident, the following internal controls and corrective actions have been implemented to mitigate the risk of future occurrences:

- i. **Strengthened Verification Processes:** Enhanced verification guidelines have been put in place to ensure the authenticity of all signatures on official documents and requests.
- ii. **Staff Training:** Regular training sessions will be conducted for all employees to improve their understanding of compliance requirements, fraud detection, and banking security protocols.
- iii. **Increased Internal Audits:** The frequency of internal audits will be increased to detect and address compliance issues promptly.
- iv. **Verification of Identity:** Implement strict identity verification measures when customers provide instructions, including matching signatures with those on file and confirming identity through secure channels.
- v. **Dual Authorization:** Establish a dual authorization process for significant transactions, requiring verification from two authorized personnel before execution.
- vi. **Documentation:** Maintain thorough documentation of all customer instructions and the steps taken to process them, including compliance checks.
- vii. **Follow-Up:** After completing a transaction, promptly communicate the transaction details back to the customer for verification and record-keeping.

Notes to the financial statements *(continued)*

6. Fair values of financial instruments

See accounting policy in note 39(g)(vi)

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, that use only observable market data and require little management judgment and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Notes to the financial statements *(continued)*

6. Fair values of financial instruments (continued)

See accounting policy in note 39(g)(vi)

(a) Valuation models (continued)

For more complex instruments, the Bank uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value.

Management judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

(b) Valuation framework

The Financial Controller has overall responsibility for verifying all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- quarterly calibration and back-testing of models against observed market transactions; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous measurement.

When third party information, such as broker quotes or pricing services, is used to measure fair value, these would be assessed and documented to support the conclusion that such valuations meet the requirements of IFRS. This includes:

- verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- if a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

(c) Financial instruments measured at fair value

At the reporting date no financial instruments were reported at fair value

Notes to the financial statements (continued)

6. Fair values of financial instruments (continued)

(d) Financial instruments not measured at fair value

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

31 December 2023

	Assets			Total fair values	Total carrying amount
<i>In Leones</i>	Level 1	Level 2	Level 3		
Cash and cash equivalent	-	320,721,593	-	320,721,593	320,721,593
Loans and advances to Customers	-	-	541,248,553	541,248,553	541,248,553
Held-to-maturity					
Investment securities	-	1,544,800,313	-	1,544,800,313	1,544,800,313
Due from other banks	-	839,319,763	-	839,319,763	839,319,763
Total	-	2,704,841,669	541,248,553	3,246,090,222	3,246,090,222

31 December 2022

	Assets			Total fair values	Total carrying amount
<i>In thousands of Leones</i>	Level 1	Level 2	Level 3		
Cash and cash equivalent	-	449,361,454	-	449,361,454	449,361,454
Loans and advances to Customers	-	-	493,142,764	493,142,764	493,142,764
Held-to-maturity					
Investment securities	-	1,145,783,202	-	1,145,783,202	1,145,783,202
Due from other banks	-	674,521,399	-	674,521,399	674,521,399
Total	-	2,351,733,068	493,142,764	2,762,808,819	2,762,808,819

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, and interest rates. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral. Input into the models may include information obtained from other market participants, which includes observed primary and secondary transactions.

To improve the accuracy of the valuation estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics such as industry type and default probability.

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

Notes to the financial statements *(continued)*

7. Business segments

The Bank 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.

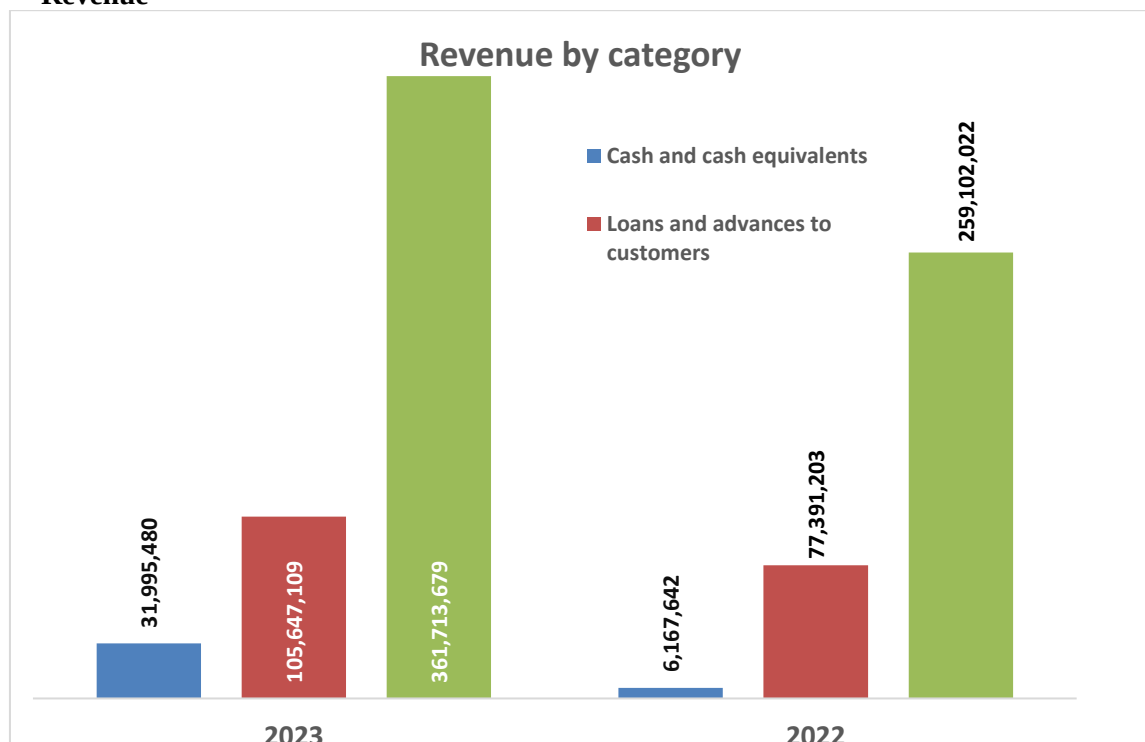
Transactions between the business segments are on normal commercial terms and conditions.

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.

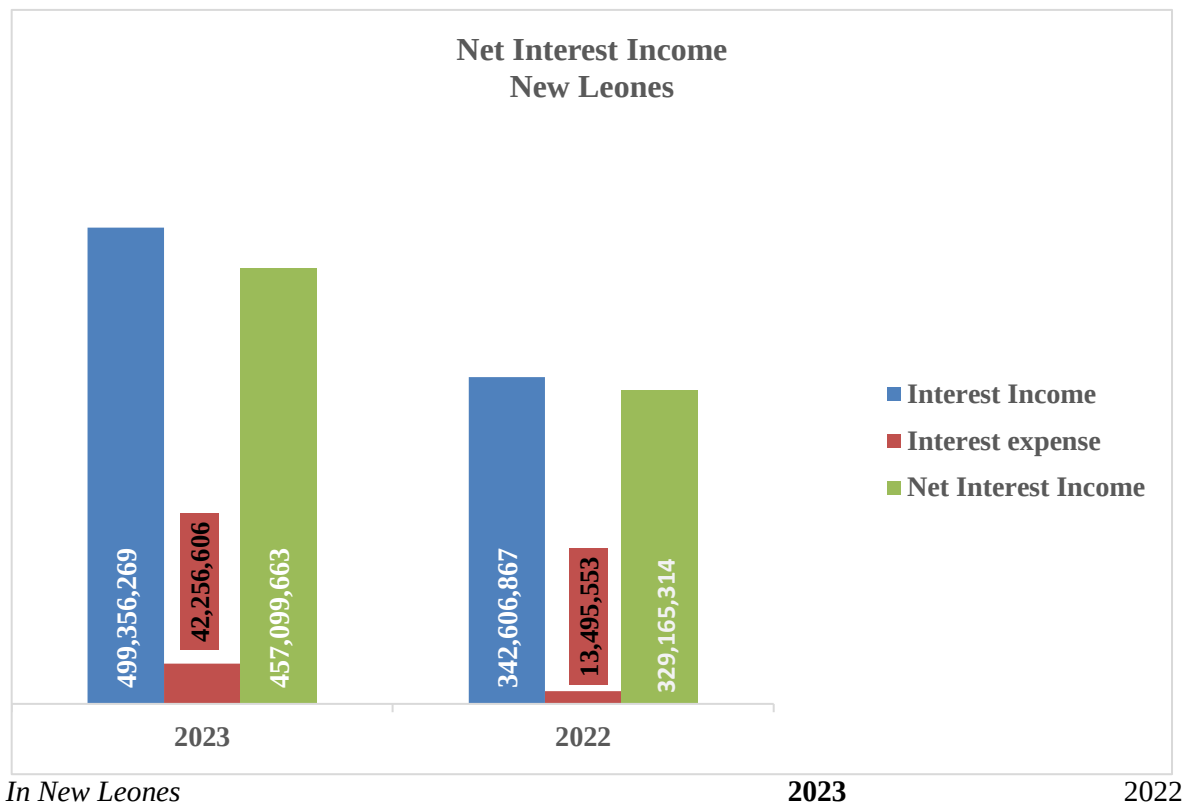
Revenue



Notes to the financial statements (continued)

8. Net interest income

See accounting policy in note 39 (b)



a) Interest income

Cash and cash equivalents	31,995,480	6,167,642
Loans and advances to customers	105,647,109	77,391,203
Investment securities	361,713,680	259,102,022
Total interest income	499,356,269	342,660,867

b) Interest expense

	2023	2022
Deposits from customers	(42,256,606)	(13,495,553)
Total interest expense	(42,256,606)	(13,495,553)
Net interest income	457,099,663	329,165,314

The SLe 361.71 million (2022: SLe259.1 million) of interest for the year ended 31 December 2023 relate to interests earned on Government Securities.

Notes to the financial statements (continued)

9. Net fee and commission income

See accounting policy in note 38(c)

<i>In New Leones</i>	2023	2022
(a) Credit related fees and commission	1,341,472	5,849,865
Trade finance and other fees	34,309,695	18,483,532
Commission on turnover	39,078,188	34,412,578
Total fee and commission income	74,729,355	58,745,975
Fees and commission expenses		
(b) Fees and commission paid	(1,992,022)	(1,176,070)
Net fees and commission income	72,737,333	57,569,905

Credit related fees and commission 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 39 (d)

<i>In New Leones</i>	2023	2022
Foreign exchange gain	66,079,763	(7,763,346)
	66,079,763	(7,763,346)
	=====	=====

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 New Leones</i>	2023	2022
Profit on sale of fixed asset	-	-
Rent received	235,511	160,278
Sundry income	-	5,258
Profit on sale of cheque books	-	-
Others	6,462,294	-
	6,697,805	165,538
	=====	=====

Notes to the financial statements (continued)

12 Personnel expenses

<i>In New Leones</i>	2023	2022
Salaries and allowances	57,626,046	90,898,667
Compulsory social security obligations	5,625,573	5,068,264
Other employee cost	98,466,977	21,422,317
Current service cost	5,044,804	3,941,130
Interest cost	20,219,608	7,844,762
	186,983,008	129,175,140
	=====	=====

(a) 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 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.

(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>	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability	
	2023	2022	2023	2022	2023	2022
Balance at 1 January	68,729,433	55,839,798	68,729,433	55,839,798	68,729,433	55,839,798
Included in profit or loss:						
Current service cost	5,044,804	3,941,130	5,044,804	3,941,130	5,044,804	3,941,130
Past service cost	-	-	-	-	-	-
Interest cost (income)	20,219,608	7,844,762	20,219,608	7,844,762	20,219,412	7,844,762
	93,993,845	67,625,690	93,993,845	67,625,690	93,993,845	67,625,670
Included in OCI						
Remeasurements loss (gain):	-	-	-	-	-	-
Actuarial loss/(gain) arising	(8,111,094)	4,643,290	(8,111,094)	4,643,290	(8,111,094)	4,643,290
From financial assumptions:						
	(8,111,094)	4,643,290	(8,111,094)	4,643,290	(8,111,094)	4,643,290
Other						
Contributions paid by the employer	-	-	-	-	-	-
Benefits paid	(1,610,123)	(3,539,547)	(1,610,123)	(3,539,547)	(1,610,123)	(3,539,547)
	(1,610,123)	(3,539,547)	(1,610,123)	(3,539,547)	(1,610,123)	(3,539,547)
Plan assets	-	-	-	-	-	-
Balance at 31 December	84,272,628	68,729,433	84,272,628	68,729,433	84,272,628	68,729,433

Notes to the financial statements *(continued)*

12 Personnel expenses *(continued)*

(a) Other employee benefits *(continued)*

(ii) Defined benefit obligation

Actuarial assumptions

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

	2023	2022
Discount rate	21%	26%
Salary increase rate	19%	24%
Exit rate	4%	2%
Effective salary inflation gap	-	1.61%

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the benefit obligation by the amounts shown below.

<i>In New Leones</i>	2023	%	2022	%
Discount Rate +1 %				
Accrued liability	79,978,404	5.10	64,039,874	6.82
Discount Rate -1 %				
Accrued liability	89,021,931	5.64	73,990,120	7.66
Salary rate + 1				
Accrued liability	89,437,036	6.13	74,034,744	7.72
Salary rate -1				
Accrued liability	79,538,323	5.62	63,931,956	6.98

Notes to the financial statements (continued)

13. Operating expenses

13.1 Depreciation and amortisation

<i>In New Leones</i>	2023	2022
Depreciation	25,791,925	11,688,833
Amortisation	21,984,150	15,376,672
	47,776,075	27,065,505
	=====	=====

13.2 Other operating expenses

<i>In New Leones</i>	2023	2022
Other operating expenses		
Audit fees	800,000	640,000
Legal and professional fees	1,388,210	980,863
Computer costs	-	22,768,805
Communication	10,238,828	12,232,401
Travel	9,774,517	5,697,002
Repairs and maintenance	50,290,677	17,973,329
Directors Fees	2,379,361	2,378,594
General Administrative expenses	78,960,660	21,602,184
Insurance	2,377,670	-
Donation	2,683,410	-
Others	-	28,409,921
Total operating expenses	158,893,333	112,683,099
	=====	=====

Included in the above costs is directors' remuneration of SLe 2.379 million (2022: SLe 2.378 million).

14. Net impairment loss on financial assets

<i>In New Leones</i>	2023	2022
Loans and advances	16,449,150	12,731,049
Guarantee	-	-
Placement	457,112	-
Treasury bills	428,848	178,601
Recovery of amount previously written off	-	(1,444,855)
Write off	-	4,748,364
Letter of credit	-	-
	17,335,110	16,213,159
	=====	=====

Notes to the financial statements *(continued)*

15. Earnings per share

See accounting policy in notes 39 (t)

Basic

Basic earnings per share is 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.

<i>In New Leones</i>	2023	2022
Profit attributable to equity holders of the Bank	142,802,319 =====	69,484,024 =====
Weighted average number of ordinary shares in issue (in thousands)	91,485,287	91,485,287
Basic earnings per share (expressed in Leones per share)	1.56	0.76

Diluted

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

Notes to the financial statements (continued)

16. Taxation

Income tax expense

See accounting policy in notes 39 (f)

Recognised in the statement of comprehensive income

<i>In New Leone</i>	2023	2022
---------------------	-------------	------

(a) Current tax expense:

Current year at 25% (2022: 25%)	60,701,809	23,099,170
Deferred tax expense		
Origination and reversal of temporary differences	(11,877,090)	1,417,312
Total income tax expense	48,824,719	24,516,482
	=====	=====

(b) Reconciliation of effective tax rate

<i>In New Leones</i>	2023	2022
----------------------	-------------	------

Profit before income tax	191,627,038	94,000,506
	=====	=====
Income tax using the Corporation tax rate	47,906,759	23,500,127
Deferred tax adjustment – PPE adjustment	(13,499)	-
Tax adjustment end of service benefit	-	-
Revaluation gain	-	-
Tax impact of permanent difference:		
Tax exempt income	(58,878)	(40,070)
Tax incentives	(59,198)	(118,805)
None deductible expenses	1,049,535	-
Total income tax expense in the income statement	48,824,719	23,314,252
	=====	=====

(c) Current tax (assets)/liabilities

<i>In New Leones</i>	2023	2022
----------------------	-------------	------

Balance at 1 January	(3,312,200)	1,439,633
Charge for the year	60,701,809	23,099,170
Payment made during the year	(45,000,009)	(27,851,003)
Balance at 31 December	12,389,600	(3,312,200)
	=====	=====

Notes to the financial statements (continued)

16. Taxation (continued)

(d) Deferred tax asset and liabilities

Recognised difference tax assets and liabilities

	2023			2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
<i>In New Leones</i>						
Property, and equipment	491,704	491,704	-	-	7,008,328	7,008,328
Exchange gain/(loss) unrealised	18,458	-	18,458	18,458	-	18,458
Allowances on loan						
Losses	713,171	-	713,171	160,065	-	160,065
Employee benefit plan	(30,012,473)	-	(30,012,473)	(24,098,901)	-	(24,098,901)
Actuarial gain/(loss) on defined benefit obligation	2,920,330	-	2,920,330	-	892,556	892,556
Tax loss carry forward	-	-	-	-	-	-
Deferred tax Adjustment	-	-	-	-	-	-
	26,360,514	(491,704)	(25,868,810)	(23,920,378)	7,900,884	(16,019,494)

(v) Movement in temporary differences during the year

31 December 2023

	Opening balance	Recognised in profit or loss	Recognised in equity	Closing balance
<i>In New Leones</i>				
Property, plant and Equipment	7,008,328	(6,516,624)	-	491,704
Exchange gain/(loss) unrealised	18,458	-	-	18,458
Allowance on loan loss	160,065	553,106	-	713,171
Employee benefit plan	(24,098,901)	(5,913,572)	-	(30,012,473)
Actuarial gain on employee benefit obligation	892,556	-	2,027,774	2,920,330
Tax losses carried forward	-	-	-	-
Deferred tax Adjustment	-	-	-	-
	(16,019,494)	(11,877,090)	2,027,774	25,868,810

(v) Movement in temporary differences during the year

31 December 2022

	Opening balance	Recognised in profit or loss	Recognised in equity	Closing balance
<i>In New Leones</i>				
Property, plant and Equipment	3,665,643	3,342,685	-	7,008,328
Exchange gain/(loss) unrealised	18,458	-	-	18,458
Allowance on loan loss	23,851	136,214	-	160,065
Employee benefit plan	(22,037,314)	(2,061,586)	-	(24,098,901)
Actuarial gain/benefit obligation	2,053,379	-	(1,160,823)	892,550
Tax losses carried forward	-	-	-	-
Deferred tax Adjustment	-	-	-	-
	(16,275,983)	1,417,312	(1,160,823)	16,019,494

Notes to the financial statements (continued)

17. Financial assets and financial liabilities

Classification of financial assets and financial liabilities

31 December 2023

In New Leones

	Note	Mandatorily at FVTPL	Designated as at FVTPL	FVOCI debt instruments	FVOCI Equity instruments	Amortised cost	Total carrying amount
Cash and cash equivalents	18	-	320,721,593	-	-	-	320,721,593
Loans and advances to customers:	19	-	541,248,553	-	-	-	541,248,553
Debt securities issued: Measured at amortised cost	20	-	1,544,800,313	-	-	-	1,544,800,313
Due from other bank	21	-	839,319,763	-	-	-	839,319,763
Other assets	24	-	223,894,594	-	-	-	223,894,594
Total financial assets		-	3,469,984,816	-	-	-	3,469,984,816
Deposit from customers	25	-	2,948,573,358	-	-	-	2,948,573,358
Other liabilities	26	-	67,870,766	-	-	-	67,870,766
Employee Benefits	27	-	84,272,628	-	-	-	84,272,628
Total financial liabilities		-	3,100,716,752	-	-	-	3,100,716,752

31 December 2022

	Note	Mandatorily at FVTPL	Designated as at FVTPL	FVOCI debt instruments	FVOCI equity instruments	Amortised cost	Total carrying amount
<i>In New Leones</i>							
Cash and cash equivalents	18	-	449,361,454	-	-	-	449,361,454
Loans and advances to customers:	19	-	493,142,764	-	-	-	493,142,764
Debt securities issued: Measured at amortised cost	20	-	1,145,783,202	-	-	-	1,145,783,202
Due from other banks	21	-	674,521,399	-	-	-	674,521,399
Other assets	23	-	89,250,989	-	-	-	89,250,989
Total financial assets		-	2,832,059,808	-	-	-	2,177,538,409
Deposit from customers	25	-	2,351,733,068	-	-	-	2,351,733,068
Other liabilities	26	-	223,000,702	-	-	-	223,000,702
Employee Benefit	27	-	68,729,433	-	-	-	68,729,433
Total financial liabilities		-	2,643,463,203	-	-	-	2,643,463,203

Notes to the financial statements (continued)

18. Cash and balances equivalent

See accounting policy in note 39 (i)

<i>In New Leones</i>	2023	2022
Cash in hand	20,892,769	116,658,925
Balance with the central bank	(16,541,530)	101,683,034
Balances with other banks	316,370,354	231,017,172
Items in clearing from other banks	-	2,323
	320,721,593	449,361,454
	=====	=====

Cash in hand and balances with the central bank are non-interest-bearing.

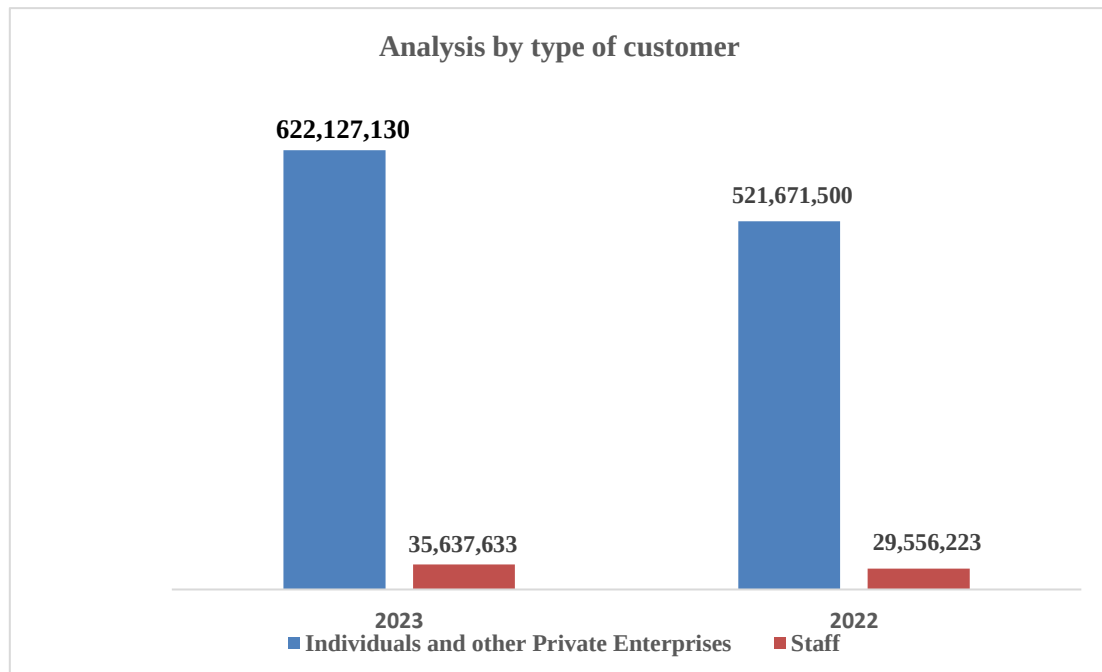
18.1 Cash flow statement presentation

For the purpose of the cash flow statement cash and cash equivalent comprise the following balances with three months or less maturity from the date of acquisition

<i>In thousands of Leones</i>	2023	2022
Cash and cash with banks (Note 18)	320,721,593	449,361,454
Treasury bills and other eligible bills	-	-
	320,721,593	449,361,454
	=====	=====

19. Loans and advances to customers

See accounting policy in note 39 (j)



Notes to the financial statements (continued)

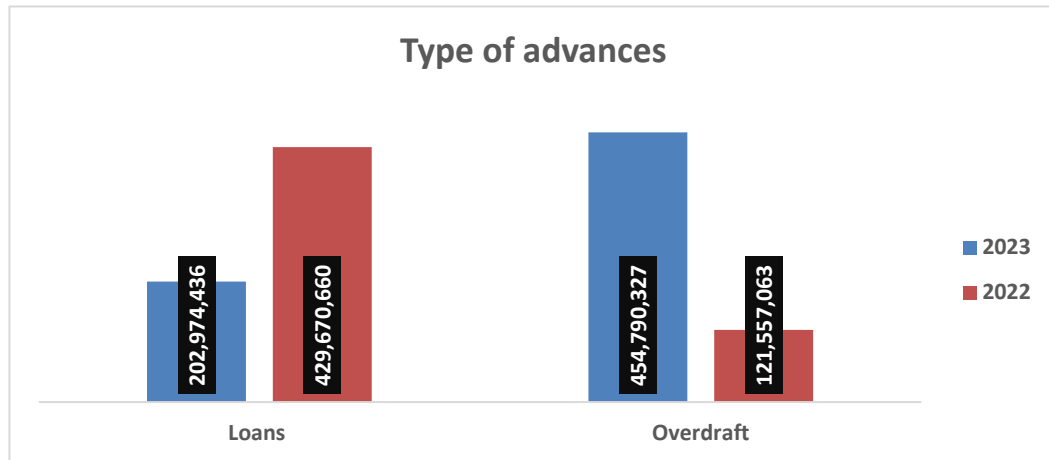
19. Loans and advances to customers (continued)

a. Loans and advances to customers at amortized costs

<i>In New Leones</i>	2023	2022
Loans and advances to customers at amortised costs	541,248,553	493,142,764
	<u>541,248,553</u>	<u>493,142,764</u>
	=====	=====

b. Analysis by type of customer

<i>In New Leones</i>	2023	2022
Individuals and other private enterprises	622,127,130	521,671,500
Staff	35,637,633	29,556,223
Gross loans and advances	<u>657,764,763</u>	<u>551,227,723</u>
Less: impairment allowance	(67,842,095)	(48,702,274)
Fair value of staff loan	(13,192,663)	(8,851,903)
Interest on classified	(35,062,223)	(530,782)
Other adjustment	(419,229)	-
Net loans and advances	<u>541,248,553</u>	<u>493,142,764</u>
	=====	=====



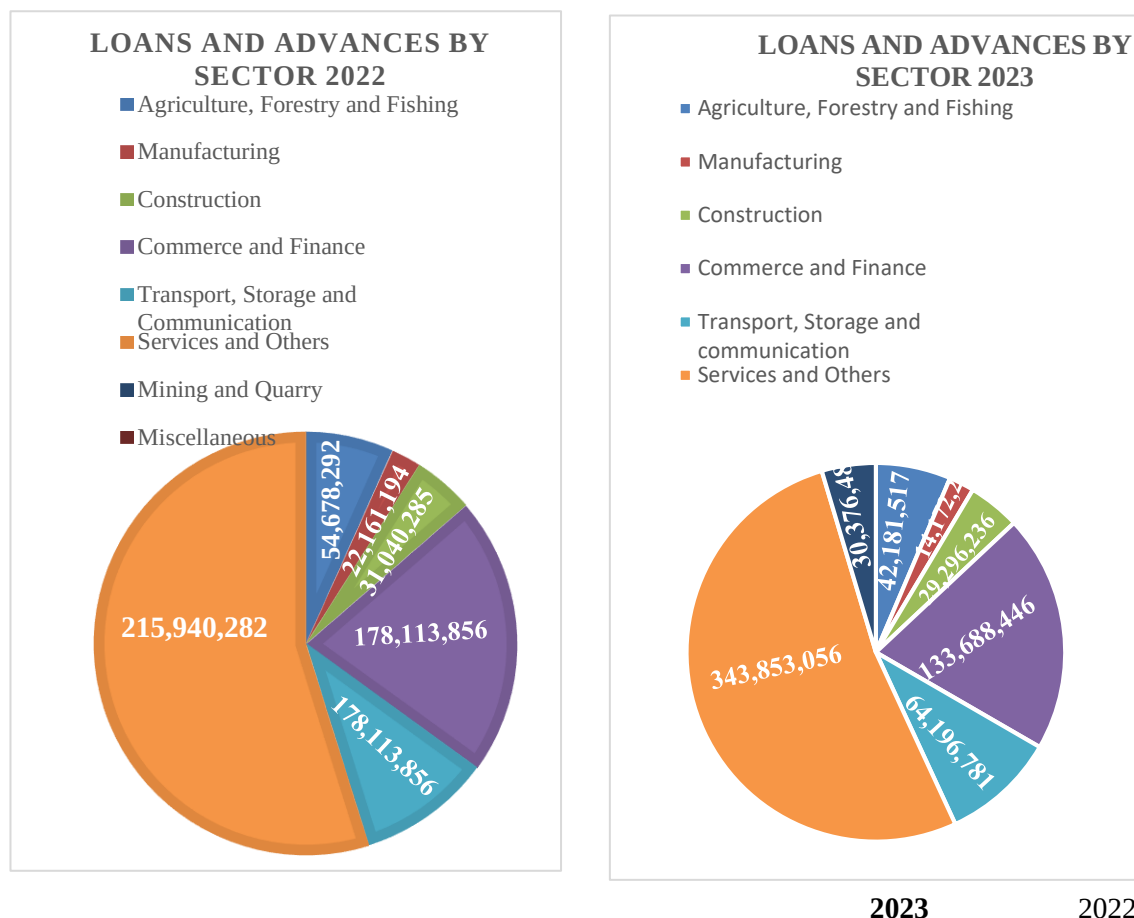
c. Type of advance

<i>In New Leones</i>	2023	2022
Loans	202,974,436	429,670,660
Overdrafts	454,790,327	121,557,063
Gross loans and advances	<u>657,764,763</u>	<u>551,227,723</u>
Less: impairment allowance	(67,842,095)	(48,702,274)
Fair value of staff loan	(13,192,663)	(8,851,903)
Interest on classified	(35,062,223)	(530,782)
Other adjustment	(419,229)	-
Net loans and advances	<u>541,248,553</u>	<u>493,142,764</u>
	=====	=====

Notes to the financial statements (continued)

19 Loans and advances to customers (continued)

d. Analysis by sector



In new Leones

Agriculture, forestry and fishing	42,181,517	54,678,292
Manufacturing	14,172,245	22,161,194
Construction	29,296,236	31,040,285
Commerce and finance	133,688,446	178,113,856
Transport, storage and communication	64,196,781	47,683,343
Services and others	343,853,056	215,940,282
Mining and Quarry	30,376,482	1,610,469
	657,764,763	551,227,723
Less: allowance for impairment	(67,842,095)	(48,702,274)
Fair value adjustment on staff loan	(13,192,663)	(8,851,903)
Interest on classified debt	(35,062,223)	(530,782)
Other adjustment	(419,229)	-
Net loans and advances	541,248,553	493,142,764

Notes to the financial statements (continued)

19. Loans and advances to customers (continued)

e. Retail customer:	2023			2022		
	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
<i>In New Leones</i>						
Personal loans	622,127,130	(64,166,417)	557,960,713	194,285,413	(17,177,266)	177,108,147
Staff loans	35,637,633	(3,675,678)	31,961,955	29,556,223	(72,816)	29,483,407
<i>Corporate customer:</i>						
Interest on classified	-	-	(35,062,223)	-	-	(530,782)
Short and long term loan lending	-	-	-	327,386,087	(31,452,192)	295,933,895
Other adjustment	-	-	(419,229)	-	-	-
	657,764,763	(67,842,095)	554,441,216	551,227,723	(48,702,274)	501,994,667
Fair value Adjustment on staff loan	-	(13,192,663)	(13,192,663)	-	(8,851,903)	(8,851,903)
	657,764,763	(13,192,663)	541,248,553	551,227,723	(8,851,903)	493,142,764
=====						

f. Allowances for impairment

<i>In New Leones</i>		2023	2022
Specific allowances for impairment			
Balance at the beginning of the year		40,210,653	33,658,749
Loan recoveries		(4,612,425)	-
Impairment loss for the year:			
(Release)/charge for the year		16,449,150	11,831,049
Write offs		-	(4,748,364)
Interest on classified		(8,534,820)	(530,781)
Balance at 31 December		43,512,558	40,210,653
Collective allowances for impairment			
Balance at the beginning of the year		8,491,621	7,591,621
Impairment loss for the year:			
Charge for the year		15,837,916	900,000
Balance at 31 December		24,329,537	8,491,621
Total allowances for impairment		67,842,095	48,702,274
		=====	=====

Notes to the financial statements (continued)

19. Loans and advances to customers (continued)

g. Impairment losses on loans and advances

<i>In New Leones</i>	2023	2022
Movement in allowance for impairment		
Balance at the beginning of the reporting period	48,702,274	41,250,370
Impairment loss for the year:		
Provision for loan impairment	-	-
Write off	-	(4,746,364)
Loan recoveries	(4,612,425)	-
Interest on classified debts	(8,534,820)	(530,781)
Charge/(reversal) for the year	32,287,066	12,731,049
Balance at 31 December	67,842,095	48,702,274
	=====	=====

h. (Net recoveries/ release from) Impairment loss on loans and advances

<i>In New Leones</i>	2023	2022
Impairment losses on loan and advances		
Loans and advances to customers	21,061,575	11,831,049
Recoveries	(4,612,425)	-
	16,449,150	11,831,049
	=====	=====

i Reconciliation of impairment loss

Impairment allowance to statement of comprehensive income	2023	2022
- Loans and advances	16,449,150	11,831,049
- Guarantee	-	-
- Placement	457,112	178,601
- Treasury bills	428,848	4,203,509
- Letter of credit	-	-
	17,335,110	16,213,159
	=====	=====

Notes to the financial statements (continued)

20. Investment securities

See accounting policy in note 39(k)

<i>In New Leones</i>	2023	2022
(a) Held at amortised cost	1,544,429,161	1,144,983,201
Measured at fair value	800,000	800,000
Investment Security	1,545,229,161	1,145,783,201
	=====	=====
Held to maturity investment securities	885,993,511	1,144,983,201
Other eligible bills (treasury bear bonds)	658,435,650	-
	1,544,429,161	1,144,983,201
Less fair value charge on available for sale assets recognised in equity	(428,848)	-
	1,544,000,313	1,144,983,201

Amortized cost securities

<i>In New Leones</i>	2023	2022
Government treasury bills	1,544,000,313	1,144,983,201
	1,544,000,313	1,144,983,201
	=====	=====

For the purpose of the cash flows statement 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	2023	2022
First discount house Limited	450,000	450,000
Capital Discount house	350,000	350,000
	800,000	800,000
	=====	=====
Grand Total	1,544,800,313	1,145,783,202
	=====	=====

21. Due from other banks

See accounting policy in note 39(k)

<i>In New Leones</i>	2023	2022
Placement with other banks	839,776,875	674,700,000
ECL allowance	(457,112)	(178,601)
	839,319,763	674,521,399
	=====	=====

Notes to the financial statements (continued)

22. Property, plant and equipment

See accounting policy in note 39 (i)

	Office Premises Le'000	Computer equipment Le'000	Furniture and fittings Le'000	Motor Vehicles Le'000	Other Equipment Le'000	Right of use assets Le'000	Total Le'000
Cost							
1 January 2022	30,395,550	4,238,174	2,754,969	6,028,790	19,303,602	6,490,998	69,212,083
Revaluations	247,213,822	-	-	-	-	-	247,213,822
Additions	-	369,800	889,600	4,148,844	4,985,753	-	10,393,997
31 December 2022	277,609,372	4,607,974	3,644,569	10,177,634	24,289,355	6,490,998	326,819,902
1 January 2023	277,609,372	4,607,974	3,644,569	10,177,634	24,289,355	6,490,998	326,819,902
Additions	-	729,400	789,300	831,800	3,174,600	-	5,525,100
31 December 2023	277,609,372	5,337,374	4,433,869	11,009,434	27,463,955	6,490,998	332,345,002
Depreciation							
1 January 2022	2,105,156	2,640,472	1,094,173	4,539,307	9,621,115	1,601,346	21,601,569
Charge for the year	4,724,559	812,280	581,707	1,636,753	3,427,881	505,653	11,688,833
31 December 2022	6,829,715	3,452,752	1,675,880	6,176,060	13,048,996	2,106,999	33,290,402
1 January 2023	6,829,715	3,452,752	1,675,880	6,176,060	13,048,996	2,106,999	33,290,402
Charge for the year	19,597,975	696,716	642,032	1,522,394	3,071,840	260,968	25,791,925
31 December 2023	26,427,690	4,149,468	2,317,912	7,698,454	16,120,836	2,367,967	59,082,327
Carrying amount as at 31 December 2023	251,181,682	1,187,906	2,115,957	3,310,980	11,343,119	4,123,031	273,262,675
Carrying amount as at 31 December 2022	270,779,657	1,155,222	1,968,689	4,001,574	11,240,359	4,383,999	293,529,500

Notes to the financial statements *(continued)*

21. Property, plant and equipment

See accounting policy in note 39 (i)

31 December 2022

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

Freehold properties were revalued by Acepro Partnership, a property valuation expert. This appraisal was made on the 30 November 2020 to ascertain the estimated open market value of the assets. In 2022 the board approved the valuation report and the applicable disclosures were made in the 2022 financial statement

Work in progress relates to amount expended on various construction projects for the bank and its branches which were not completed as at 31 December 2023.

Notes to the financial statements *(continued)*

23. Intangible assets

See accounting policy in note 38 (m)

<i>In New Leones</i>	Computer Software
Cost	
Balance as at 1 January 2023	76,883,359
Additions	16,519,487
Balance as at 31 December 2023	93,402,846
	=====
Amortisation	
Balance as at 1 Jan 2023	15,376,672
Charge for the year	18,680,569
PPE Adjustment	3,303,584
Balance as at 31st December 2023	37,360,825
	=====
Carrying amount	
As at 31 December 2023	56,042,021
	=====
The intangible asset is the core banking software with a useful life of 5 years	
31 December 2022	
<i>In New Leones</i>	Computer software
Balance at 1 January 2022	-
Additions	76,883,359
Balance at 31 December 2022	76,883,359
	=====
Amortisation	
Balance at 1 January 2022	-
Charge for the year	15,376,672
Balance at 31 December 2022	15,376,672
	=====
Carrying amount	
As at 31 December 2022	61,506,687
	=====

Notes to the financial statements (continued)
Intangible assets (Continued)

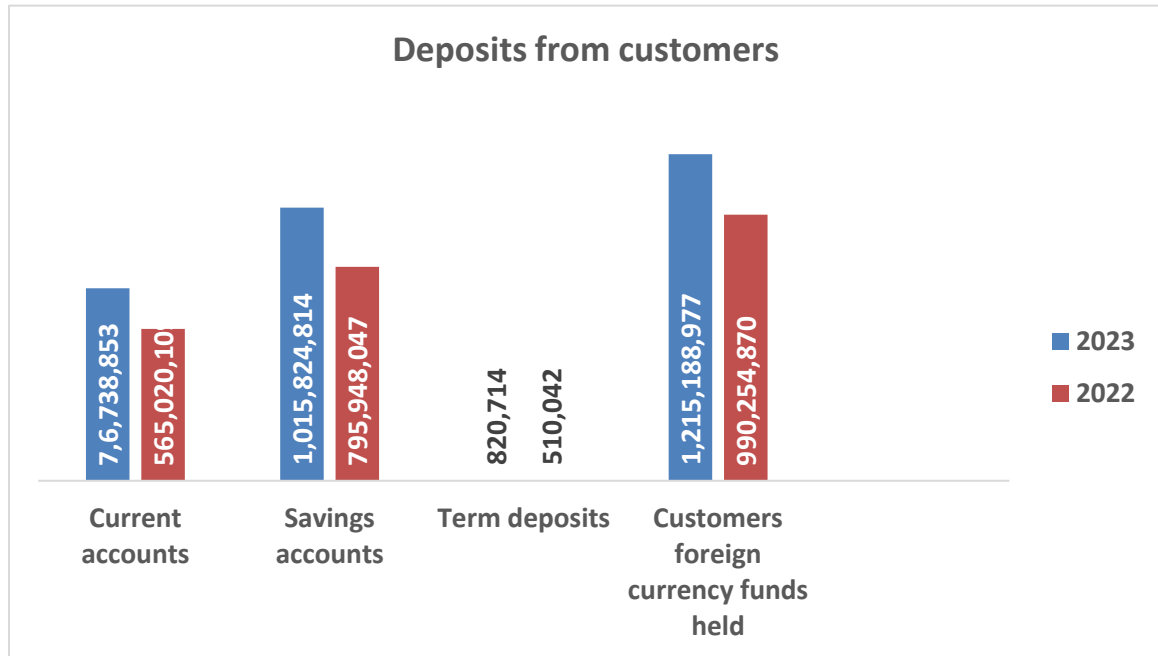
24. Other assets

<i>In New Leones</i>	2023	2022
Interest receivables	60,333,169	10,305,108
Bills receivable	64,138	64,138
Other receivables and prepayment	112,808,540	54,566,484
Accrued receivables	50,688,747	24,315,259
	223,894,594	89,250,989
	=====	=====

24. Deposits from customers

See accounting policy in note 39 (o)

In new Leones



<i>In New Leones</i>	2023	2022
Term deposits	820,714	510,042
Current deposits	716,738,853	565,020,109
Savings deposits	1,015,824,814	795,948,047
Customer's foreign currency funds held	1,215,188,977	990,254,870
	2,948,573,358	2,351,733,068
	=====	=====

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

Notes to the financial statements (continued)

26 Other liabilities

<i>In New Leones</i>	2023	2022
Sundry creditors	56,676,666	204,825,795
Accrued interest	195,380	2,239,479
Unpaid dividend	10,998,720	15,935,428
	<u>67,870,766</u>	<u>223,000,702</u>
	=====	=====

27. Employee Benefit liabilities

<i>In new Leones</i>	2023	2022
Defined benefit plan	84,272,628	68,729,433
	<u>84,272,628</u>	<u>68,729,433</u>
	=====	=====

28. Share capital

See accounting policy in note 38(s)

<i>In New Leones</i>	2023		2022	
	No. of shares In thousands	Proceeds Le'000	No. of shares In thousands	Proceeds Le'000
Authorised share capital				
Ordinary shares of Le 1.00 each				
Balance at 1 January	100,000,000	100,000,000	100,000,000	100,000,000
Increase during the year	-	-	-	-
Balance at 31 December	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
	=====	=====	=====	=====
Issued share capital				
Ordinary shares of Le 1 each				
Balance at 1 January	91,485,287	91,485,287	91,485,287	91,485,287
New shares issued	-	-	-	-
Bonus shares capitalized	-	-	-	-
Balance at 31 December	<u>91,485,287</u>	<u>91,485,287</u>	<u>91,485,287</u>	<u>91,485,287</u>
	=====	=====	=====	=====

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

	2023		2022	
	No of shares In numbers	%	No of shares in numbers	%
Government of Sierra Leone	59,465,437	65	59,465,437	65
Other corporate and private Individuals	32,019,850	35	32,019,850	35
	<u>91,485,287</u>	<u>100</u>	<u>91,485,287</u>	<u>100</u>
	=====	=====	=====	=====

Notes to the financial statements (continued)

28. Share capital (Continued)

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.

28. Share premium

See accounting policy in note 39(s)

<i>In New Leone</i>	2023	2022
Balance at 1 January	-	10,972,040
Transfer to Share capital	-	(10,972,040)
Balance at 31 December	<u>-</u>	<u>-</u>
	=====	=====

30. Dividend

The directors recommend a dividend payment of SLe 0.0004 per ordinary shares in respect of the year ended 31 December 2023. (SLe 0.2000000 per shares). The dividend payment for 2022 have been reflected in these financial statements.

<i>In New Leone</i>	2023	2022
SLe 0.2000000 per ordinary share (2022: SLe 0.190025 billion)	18,297,056	17,384,350
	<u>18,297,056</u>	<u>17,384,350</u>
	=====	=====

31. Reserves

<i>In New Leone</i>	2023	2022
Revaluation reserves:		
Capital reserve 31(a)	264,770,404	264,770,404
Statutory reserves (b)	149,059,020	113,358,440
Other reserves 31 (g)	6,894,766	811,446
Statutory loan loss reserves	-	-
Total reserve as at 31 December	<u>420,724,190</u>	<u>378,940,290</u>
	=====	=====

(a) Capital reserves

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

(b) Statutory reserves

In accordance with section 30 of the banking Act 2019, the Bank is to maintain a statutory reserve account into which transfers from the net profit of the Bank should be made. A transfer of SLe 35.7 million was made in 2023 (2022: SLe 17.3 million).

Notes to the financial statements *(continued)*

31. Reserves and retained earnings *(Continued)*

<i>In New Leone</i>	2023	2022
Balance at 1 January	113,358,440	95,987,434
Transfer from net profits	35,700,580	17,371,006
Balance at 31 December	149,059,020	113,358,440
	=====	=====

(c) Actuarial gain

This is the net actuarial gain/loss on the defined benefit obligation recognised in other comprehensive income.

<i>In New Leone</i>	2023	2022
At 1 January	811,446	4,293,913
Actuarial gain/(loss) for the year	8,111,094	(4,643,290)
Taxation thereof	(2,027,774)	1,160,823
At 31 December	6,894,766	811,446
	=====	=====

(h) Retained earnings

<i>In New Leones</i>	2023	2022
Movements in retained earnings were as follows:		
At 1 January	112,538,906	77,810,238
Prior year adjustment	(1,501,096)	-
Net profit for the year	142,802,319	69,484,024
	253,840,129	147,294,262
Dividends	(18,297,056)	(17,384,350)
Transfer to statutory reserve	(35,700,580)	(17,371,006)
Transfer to reserve	-	-
At 31 December	199,842,493	112,538,906
	=====	=====

32. Contingencies and commitments

See accounting policy in note 39(q)

a) *Acceptances, guarantees and letters of credit.*

The contractual amounts of the Bank's off-financial position financial instruments that commit it to extend credit to customers are as follows:

<i>In New Leones</i>	2023	2022
Customs and other guarantees	9,056,597	14,605,095
	<u>9,056,597</u>	<u>14,605,095</u>
	=====	=====

Notes to the financial statements (continued)

32. Contingencies and commitments (continued)

See accounting policy in note 39(q)

Confirmation received from one of the bank's solicitor indicate that there was no case for or against the bank during the year.

	2023	2022
Customers and other guarantees	9,056,597	14,605,095
Letters of credit	-	-
	<u>9,056,597</u>	<u>14,605,095</u>
	=====	=====

33 Capital commitment

No information was provided for contingencies and commitments during the period (2022: Nil).

34. Related party disclosure

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 New Leones</i>	2023	2022
Loans and overdrafts to Management and Directors		
Outstanding at 1 January	15,916,256	6,684,590
New loans given	11,666,000	9,967,856
Repaid during the year	(8,409,152)	(736,190)
	<u>19,173,104</u>	<u>15,916,256</u>
	=====	=====
Performance bonus to employees		
Management remunerations		
Executive Directors remuneration	2,441,219	5,895,641
Non-Executive Directors Fees	2,178,133	2,378,594
	=====	=====

35. Subsequent events

Events subsequent to the balance sheet are reflected only to the extent they relate directly to the financial statements and their effect is material.

Notes to the financial statement *(continued)*

36. Financial risk management

(a) Introduction and overview

The Bank has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risks
- Operational risks.

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Board Credit Committee, which is responsible for developing and monitoring risk policies in their specified areas. The Committees has both executive and non-executive members and reports regularly to the Board of Directors on its activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Bank's Audit Committee is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(i) 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).

Notes to the financial statement *(continued)*

36. Financial risk management (continued)

(i) Credit risk (continued)

Management of credit risk

The Board of Directors is responsible for oversight 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 Credit Committee. Larger facilities require approval by the Board of Directors as appropriate.
- *Reviewing and assessing credit risk* the Bank's Credit Committee assesses all credit exposures, prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process.
- *Limiting concentrations of exposure* to counterparties and industries (for loans and advances).
- *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 maybe required against specific credit exposures. The current risk grading framework consists of five grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting
- *Risk grades lies with* the final approving executive/committee as appropriate. Risk grades are subject to regular reviews by internal audit.
- *Reviewing compliance* with agreed exposure limits, including those for selected industries, and product types. Regular reports are provided to the 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 practice throughout the Bank in the management of credit risk.

Regular audits of the credit processes are undertaken by Internal Audit.

Notes to the financial statement *(continued)*

36. Financial risk management (continued)

(i) Credit risk (continued)

Management of credit risk (continued)

The Bank ensures that correspondent banking relationships and foreign accounts are only maintained with very reputable and stable banking institutions. The performance of these banks are generally reviewed to ensure that the bank's credit ratings are being maintained and that the relationship is stable. If there are any adverse reports or issues such as a significant drop in the credit rating, of one of its correspondent banks, the bank would review its relationship with the correspondent bank, and if the credit risk is considered too high, the bank may significantly reduce its cash balances in that bank and may even end the relationship. Cash balances held with the Central Bank of Sierra Leone and investment securities issued by the Government of Sierra Leone are considered to be virtually credit risk free.

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

The Bank's loans and advances to customers are subject to individual credit appraisal and impairment testing. The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional securities and the bank generally requests to borrowers to provide it.

Collateral generally is not held over loans and advances to Banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities.

(ii) 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.

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

Notes to the financial statement *(continued)*

36. Financial risk management (continued)

(ii) Liquidity risk (continued)

Management of liquidity risk (continued)

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 Board Credit Committee. A summary report, including any exceptions and remedial action taken, is submitted regularly to the Board Credit Committee.

(iii) Market risks

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

Management of market risks

The Bank's exposure to market risk is mainly from portfolios held by the treasury unit, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

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

Exposure to market risks – trading portfolios

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

The Bank uses open position limits for specific foreign exchange risks. The overall structure of the limits is subject to review and approval by Board. 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 Board.

Notes to the financial statement *(continued)*

36. Financial risk management (continued)

(iii) Market risks (continued)

Exposure to interest rate risk – non-trading portfolios

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

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various scenarios. Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities, advances to Banks and deposits from Banks to manage the overall position arising from the Bank's non-trading activities.

Exposure to other market risks – non-trading portfolios

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

Currency risk

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

(iv) 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.

Notes to the financial statement *(continued)*

36. Financial risk management (continued)

(iv) Operational risks (continued)

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent 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 risks identified.
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with Bank standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with management of the bank with summaries submitted to Senior Management of the bank.

37. Basis of measurement

The financial statements have been prepared on the historical cost basis except for available for sale investment securities measured at fair value.

The financial statements have been prepared on a historical cost basis except for the following material item.

Items	Measurement basis
Net defined benefit liability	Present value of the defined benefit obligation

Notes to the financial statement *(continued)*

38. Changes in accounting policies

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS, IAS 39, IFRS 7, IFRS 7, IFRS 4 and IFRS 16) the Phase 2 amendments) became effective on 1 January 2023.

The Interest Rate Benchmark Reform – Phase 2 (Amendment to IFRS 9, IAS 39, IFRS 4 and IFRS 16) relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting. These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements.

The interest rate benchmarks refer to interest reference rate (interbank offered rate (IBORs) such as LIBOR, EURIBOR and TIBOR, and represent the cost of obtaining unsecured funding, in a particular combination of currency and maturity and in a particular interbank term lending market.

The Bank has no transactions that are affected by the newly effective requirements.

Notes to the financial statement *(continued)*

39. Significant accounting policies

Except for the changes explained in Note 37, the Bank has consistently applied the following accounting policies to all periods presented in these financial statements.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow:

(a)	Foreign currency transactions	77
(b)	Interest income and expense	77
(c)	Fee and commission income	78
(d)	Net trading income	78
(e)	Leases	78
(f)	Income tax	82
(g)	Financial assets and financial liabilities	83
(h)	Trading assets and liabilities	97
(i)	Cash and cash equivalents	97
(j)	Loans and advances	98
(k)	Investment securities	99
(l)	Property and equipment	101
(m)	Intangible assets	102
(n)	Impairment of non—financial assets	103
(o)	Deposits	103
(p)	Provisions	104
(q)	Financial guarantees	104
(r)	Employee benefits	104
(s)	Share capital and reserves	105
(t)	Earnings per share	106

Notes to the financial statements *(continued)*

39. Significant accounting policies (continued)

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Bank.

(a) Foreign currency transactions

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

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

(b) Interest income and expense

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

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

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

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

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

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

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

Notes to the financial statements *(continued)*

39. Significant accounting policies (continued)

(c) Fees and commission income

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

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

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

(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) Lease

The Bank has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Bank has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated. The Bank has disclosed accounting policies under both IFRS 16 (for the current period) and IAS 17 (for the comparative period presented) in order for users to understand the current period as well as comparative information and changes in significant accounting policies.

Notes to the financial statements *(continued)*

39. Significant accounting policies *(continued)*

(e) Lease *(continued)*

Policy applicable from 1 January 2019 *(continued)*

i. As a lessee *(continued)*

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is measured as if IFRS 16 had always been applied, but using the incremental borrowing rate at the date of initial application. The date of initial application is the beginning of the annual reporting period in which the Bank first applies the standard, which is 1 January 2019.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Bank by the end of the lease term or the cost of the right-of-use asset reflects that the Bank will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the remaining lease payments at the date of initial application, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate. The Bank determines its incremental borrowing rate by obtaining interest rates from various external financing sources (such as LIBOR rates for USD, Euro and Pound Sterling, and the average market bank lending rates for local currencies) and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

Notes to the financial statements *(continued)*

39. Significant accounting policies (continued)

(e) Lease (continued)

Policy applicable from 1 January 2019 (continued)

i. As a lessee (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. As a lessor

At inception or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. When the Bank acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Bank is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Bank applies the exemption described above, then it classifies the sub-lease as an operating lease.

Notes to the financial statements *(continued)*

39. Significant accounting policies (continued)

(e) Lease (continued)

Policy applicable from 1 January 2019 (continued)

ii. As a lessor (continued)

If an arrangement contains lease and non-lease components, then the Bank applies IFRS 15 to allocate the consideration in the contract.

The Bank applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Bank further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease. The Bank recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Bank as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Bank determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset.
- An arrangement conveyed the right to use the asset if one of the following was met:
 - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

Notes to the financial statements *(continued)*

39. Significant accounting policies (continued)

(e) Lease (continued)

Policy applicable before 1 January 2019 (continued)

i. As a lessee

In the comparative period, as a lessee the Bank classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Bank's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

ii. As a lessor

When the Bank acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Bank made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Bank considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

(f) Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or OCI.

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

Income tax payable on profits based in the applicable tax law in Sierra Leone is recognized as an expense in the period in which the profits arise. The tax effects of income tax losses available for carrying forward are recognized as an asset when it is probable that future taxable profits will be available against which these losses can be utilised. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Notes to the financial statements *(continued)*

39. Significant accounting policies (continued)

(f) Income tax (continued)

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

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

(g) Financial assets and financial liabilities

i. Recognition and initial measurement

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

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

ii. Classification

Financial assets – Policy Applicable from 1 January 2018

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

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and solely payments of principal and interest (SPPL).
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.
- A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

Notes to the financial statements *(continued)*

39. Significant accounting policies *(continued)*

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

ii. Classification *(continued)*

Financial assets – Policy Applicable from 1 January 2018 *(continued)*

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

All other financial assets are classified as measured at FVTPL.

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

Business model assessment

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

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

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

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

Notes to the financial statements *(continued)*

39. Significant accounting policies *(continued)*

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

ii. Classification *(continued)*

Business model assessment *(continued)*

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

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

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

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

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

Non-recourse loans

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

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

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

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

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

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

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

Notes to the financial statements *(continued)*

39. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

Reclassifications

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

Financial assets – Policy applicable before 1 January 2018

The Bank classified its financial assets into one of the following categories:
loans and receivables;

held-to-maturity;

available-for-sale; and

at FVTPL, and within this category as:

held-for-trading; or

designated as at FVTPL

Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

iii. Derecognition

Financial assets

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

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

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

Notes to the financial statements *(continued)*

39. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

iii. Derecognition (continued)

Financial assets (continued)

The Bank enters into transactions whereby it transfers assets 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. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

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

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to 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 derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing

Financial liabilities

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

iv. Modifications of financial assets and financial liabilities

Policy applicable from 1 January 2018

Financial assets

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

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

Notes to the financial statements *(continued)*

39. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

iv. Modifications of financial assets and financial liabilities (continued)

Policy applicable from 1 January 2018 (continued)

Financial assets

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

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

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

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

Financial liabilities

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

Notes to the financial statements *(continued)*

39. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

iv. Modifications of financial assets and financial liabilities (continued)

Policy applicable from 1 January 2018 (continued)

Financial liabilities (continued)

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

Policy applicable before 1 January 2018

Financial assets

If the terms of a financial asset were modified, then the Bank evaluated whether the cash flows of the modified asset were substantially different. If the cash flows were substantially different, then the contractual rights to cash flows from the original financial asset were deemed to have expired.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre-modification interest rate.

Financial liabilities

The Bank derecognised a financial liability when its terms were modified and the cash flows of the modified liability were substantially different.

If the modification of a financial liability was not accounted for as derecognition, then any costs and fees incurred were recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Notes to the financial statements *(continued)*

39. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

v. Offsetting

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

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

vi. Fair value measurement

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

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

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

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised 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.

Notes to the financial statements *(continued)*

39. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

vi. Fair value measurement (continued)

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

vii. Impairment

Policy application from 1 January 2018

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:
financial assets that are debt instruments;

financial guarantee contracts issued; and loan commitments issued.

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

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

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

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

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

Measurement of ECL

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

Notes to the financial statements *(continued)*

39. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

vii. Impairment (continued)

Policy application from 1 January 2018 (continued)

Measurement of ECL (continued)

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

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

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

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

Restructured financial assets

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

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

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

Credit impaired financial assets

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

Notes to the financial statements *(continued)*

39. Significant accounting policies *(continued)*

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

vii. Impairment (continued)

Policy application from 1 January 2018 *(continued)*

Restructured financial assets *(continued)*

Credit impaired financial assets (continued)

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

significant financial difficulty of the borrower or issuer; a breach of contract such as a default or past due event; the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise; it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

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

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

The market's assessment of creditworthiness as reflected in the bond yields.

The rating agencies' assessments of creditworthiness.

The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial

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

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

financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

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

Notes to the financial statements *(continued)*

39. Significant accounting policies *(continued)*

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

vii. Impairment (continued)

Presentation of allowance for ECL in the statement of financial (continued)

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

Write-off

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

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

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

Non-integral financial guarantee contracts

The Bank assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Bank considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

Notes to the financial statements (continued)

39. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

vii. Impairment (continued)

Write-off (continued)

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

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

Policy applicable before 1 January 2018

Objective evidence of impairment

At each reporting date, the Bank assessed whether there was objective evidence that financial assets not carried at FVTPL were impaired. A financial asset or a Bank of financial assets was 'impaired' when objective evidence demonstrated that a loss event had occurred after the initial recognition of the asset(s) and that the loss event had an impact on the future cash flows of the asset(s) that could be estimated reliably.

In addition, a retail loan that was overdue for 30 days or more was considered impaired.

Objective evidence that financial assets were impaired included:

- significant financial difficulty of a 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 would enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a Bank of assets, such as adverse changes in the payment status of borrowers or issuers in the Bank, or economic conditions that correlated with defaults in the Bank.

A loan that was renegotiated due to a deterioration in the borrower's condition was usually considered to be impaired unless there was evidence that the risk of not receiving contractual cash flows had reduced significantly and there were no other indicators of impairment.

Notes to the financial statements (*continued*)

39. Significant accounting policies (*continued*)

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

vii. Impairment (continued)

Policy applicable before 1 January 2018 (*continued*)

Objective evidence of impairment (*continued*)

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

In making an assessment of whether an investment in sovereign debt was impaired, the Bank considered the following factors.

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

Individual or collective assessment

An individual measurement of impairment was based on management's best estimate of the present value of the cash flows that were expected to be received. In estimating these cash flows, management made judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset was assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable were independently approved by the Credit Risk function.

The collective allowance for groups of homogeneous loans was established using statistical a formula approach based on historical loss rate experience.

The IBNR allowance covered credit losses inherent in portfolios of loans and advances, and held-to-maturity investment securities with similar credit risk characteristics when there was objective evidence to suggest that they contained impaired items but the individual impaired items could not yet be identified.

Loans that were subject to a collective IBNR provision were not considered impaired.

Notes to the financial statements *(continued)*

39. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

vi. Impairment (continued)

Measurement of impairment

Impairment losses on assets measured at amortised cost were calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses on available-for-sale assets were calculated as the difference between the carrying amount and the fair value.

Reversal of impairment

For assets measured at amortised cost: If an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.

Presentation

Impairment losses were recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities.

Write-off

The Bank wrote off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when the Bank Credit determined that there was no realistic prospect of recovery.

(h) Trading assets and liabilities

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

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

(i) Cash and cash equivalents

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

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

Notes to the financial statements *(continued)*

39. Significant accounting policies (continued)

(j) Loans and advances

Policy applicable from 1 January 2018

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

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

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

Policy applicable before 1 January 2018

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

Policy applicable before 1 January 2018

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.

Notes to the financial statements *(continued)*

39. Significant accounting policies (continued)

(k) Investment securities

Policy applicable from 1 January 2018

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

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

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

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

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

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

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

Policy applicable before 1 January 2018

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 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)*

39. Significant accounting policies (continued)

(k) Investment securities (continued)

Policy applicable before 1 January 2018 (continued)

(i) Held-to-maturity

Held-to-maturity investment 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.

(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.

Notes to the financial statements *(continued)*

38. Significant accounting policies (continued)

(k) Investment securities (continued)

Policy applicable before 1 January 2018 (continued)

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.

(l) Property, Plant and Equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchase software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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

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

(ii) Subsequent costs

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Bank and the cost of the items can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in the profit or loss as incurred.

Notes to the financial statements *(continued)*

39. Significant accounting policies (continued)

(l) Property and equipment (continued)

(iii) Depreciation

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

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

- Office premises	- 60 years
- Right of use assets	- 2 to 50 years
- Computer equipment	- 3 years
- Furniture and fittings	- 5 years
- Motor Vehicle	- 5 years
- Other equipment	- 5 years

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

The assets' residual values and useful lives are reviewed and adjusted, if appropriate at each reporting date.

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 disposals are determined by comparing proceeds with carrying amount. These are recognised net within other income.

(m) Intangible assets

Computer Software

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

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

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

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

Notes to the financial statements *(continued)*

39. Significant accounting policies (continued)

(m) Intangible assets (continued)

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. 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.

(n) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

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

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

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

(o) Deposits

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

Notes to the financial statements *(continued)*

39. Significant accounting policies (continued)

(p) Provisions

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

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

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

(q) Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

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

(r) Employee benefits

(i) Short term benefits

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

A liability is 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 the future payments is available.

Notes to the financial statements *(continued)*

39. Significant accounting policies (continued)

(r) Employee benefits (continued)

(iii) Defined benefit plans

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

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

The Bank recognizes all actuarial gains and losses arising from defined benefit plans and all expenses related to defined benefit plans in employee benefit expense in profit or loss.

(iv) Termination benefits

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

(s) Share capital and reserves

(i) Share issue costs

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

(ii) Deposit for shares

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. The deposit for shares received has been presented as a component of equity.

(iii) Dividends on ordinary shares

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

Notes to the financial statements *(continued)*

39. Significant accounting policies (continued)

(s) Share capital and reserves (continued)

(iv) Statutory reserves

Statutory reserves are based on the requirements of section 24 of the 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) Credit risk reserves

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

(vi) Other reserves

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

(t) Earnings per share

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

Notes to the financial statements *(continued)*

40. Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Bank has not early adopted the new and amended standards in preparing these financial statements.

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

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

B. Other standards

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

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).
- COVID-19-Related Rent Concessions beyond 30 June 2023 (Amendment to IFRS 16).
- Annual Improvements to IFRS Standards 2018–2020.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).