ROKEL COMMERCIAL BANK (SL) LTD

ANNUAL REPORT

ROKEL COMMERCIAL BANK (SIERRA LEONE) LIMITED

FINANCIAL STATEMENTS

for the year ended 31 December 2022

This report contains 97 pages

NOTICE OF ANNUAL GENERAL MEETING

Registered Office:
25/27 Siaka Stevens Street
Freetown
Sierra Leone

NOTICE IS HEREBY GIVEN that the FIFTIETH ANNUAL GENERAL MEETING of Members of the above-named Company will be held at THE FREETOWN CITY COUNCIL AUDITORIUM, 17 WALLACE JOHNSON STREET, FREETOWN on Wednesday 17th January, 2024 at 11:30 A.M. to transact the following business: -

1. To amend, accept and adopt the Minutes of the 49th Annual General Meeting held on 17th November, 2022.
2. To receive the Chairman's Statement.
3. To receive the Audited Financial Statements of the Company for the year ended 31st December, 2022 together with the Reports of the Directors and Auditors thereon.
4. To declare dividend for the year ended 31st December, 2022.
5. To elect/re-elect Directors and to fix their remuneration.
6. To appoint Auditors and to authorise the Directors to fix their remuneration.

Dated this 21st day of November, 2023
By Order of the Board

FREETOWN NOMINEES LIMITED

Company Secretary
Freetown Nominees Limited
55 Sir Samuel Lewis Road
Aberdeen
Freetown
+232 78 004 905

NOTE: A member has the right to appoint a proxy to attend and vote for and on the member's behalf. Such proxy need not be a member of the company. A copy of the instrument appointing the proxy should reach the Registered Office of the Company, not later than 48 hours before the meeting.

CHAIRMAN'S STATEMENT 2023

INTRODUCTION

Dear members, it gives me great pleasure to warmly welcome you all to another Annual General Meeting (AGM) of our Bank. It is and has always been a pleasure to present to you the Annual Report and Financial Statements of your company. The Annual Report for the year ended 31st December 2022 shows significant progress made by the Bank as it succeeded in achieving the targets set and profit for the year, thus increasing shareholder value. Please permit me to comment on few areas which are important information for shareholders to help you understand the environment in which the Bank operated during the year 2022.

BOARD GOVERNANCE

Board governance plays a crucial role in the effective functioning and decision-making processes of any organization, including the RCBank. A well-structured governance framework is essential to ensure transparency, accountability, and sound decision-making within the institution.

Board Structure:
In the case of the RcBank, the Board of Directors consists of nine members who represent diverse backgrounds and expertise, bringing a wide range of perspectives to the decision-making process. Six of the Board members are appointed by the Government (being the majority shareholder) including the Chairman. Among the six, there are two executive directors who are responsible for overseeing the day-to-day operations of the bank and providing guidance to the board, i.e., the Managing Director and the Deputy Managing Director. Three of the other Board members represent the Private Shareholders.

Sub-Committees:
The RCBank has established four sub-committees to address specific areas of focus.

- The Board Risk Management Committee: It is responsible for monitoring of Management's adherence to prudent and sound risk policies, assessing the ever changing risk profile and determining Risk Acceptance Criteria (RAC) of the Bank. Also, for assessing and managing the Bank's risk exposure, ensuring that appropriate risk management strategies are in place.

- The Audit Committee: It is responsible for overseeing the Bank's financial reporting processes, internal controls, and compliance with regulatory requirements.

- The Administrative Committee: the administrative Committee assists the Board to oversee activities and programmes related to human resource management, administration and legal issues.

- The Nomination and Remuneration Committee: the Nomination and Remuneration Committee is appointed by the Board of Directors in accordance with relevant legislation, to advise the Board on;
  - the nomination for appointment, re-appointment or dismissal of a member of the Board of Directors or a member of the Executive Management Team, and
  - the remuneration policy of the Company and the individual remuneration of the members of the Board of Directors and the members of the Executive Management Team.

Board Evaluation and Training:
To maintain an effective board, a Board Evaluation was conducted to assess the performance of individual board members, the board as a whole, and its sub-committees. The evaluation helped identify areas for improvement and allowed for the implementation of necessary changes to enhance board effectiveness. Additionally, board members participated in ongoing training programs to stay updated on industry trends, regulatory changes, and best practices in governance. This ensures that the board remains well-informed and equipped to make informed decisions.

Effective board governance is essential for the RCBank, to navigate the complexities of the financial industry, manage risks, ensure compliance, and make sound strategic decisions. By maintaining a well-structured board with appropriate sub-committees, conducting regular evaluations, and providing continuous training, the RCBank enhances its governance practices, foster transparency, and accountability, and ultimately drive long-term success.

THE ECONOMY

Sierra Leone's post-pandemic recovery was disrupted by concurrent domestic and external shocks, impairing existing macro-fiscal policies. Inflation and exchange rate depreciation reached record levels, depressing economic activity and triggering a severe cost-of-living crisis. Inflation worsened due to the depreciation of the Leone (60% during 2022).

However, GDP growth is projected to increase to 3.1% in 2023 and 4.8% in 2024, driven by the mining sector and the continued recovery of agriculture, manufacturing, construction, and tourism.

Inflation is projected to rise to 50% in 2023 but decline to 20.8% in 2024 as external shocks subside. The fiscal deficit is projected to narrow to 3.2% of GDP in 2023 and 2.3% in 2024 due to higher tax revenue supported by economic recovery and spending rationalization.

The current account deficit is projected to narrow to 8.0% of GDP in 2023 and 7.4% in 2024 as the trade deficit narrows and official and private grants increase.

Headwinds include the likelihood of a global economic recession, a prolongment of Russia's invasion of Ukraine, sustained increases in food and fuel prices, lower international financial assistance, and a re-emergence of COVID-19 and other public health emergencies.

FINANCIAL PERFORMANCE/RESULT

First and foremost, I am pleased to inform you that your Bank has achieved commendable results throughout the year. The financial report indicates strong growth in key areas, reflecting the dedication and hard work of our entire team.

The report highlights several positive aspects of our financial performance. The Bank has experienced a significant increase in total assets, driven by successful customer acquisition and prudent risk management practices. Total assets grew by 43% from Le2.26BN in 2021 to Le3.22BN in 2022. This has contributed to improved profitability and enhanced shareholder value.

Furthermore, our net interest income has shown a healthy upward trend, demonstrating our Bank's ability to effectively manage interest rate risk and optimize our interest-earning assets. Profit before tax for the year under review was Le94M indicating an increase of 6% when compared to 2021 results of NLe89M. Total customer deposits grew by 34% from NLE1.75Bn in 2021 to NLe2.35BN in 2022. This growth is a testament to our ability to attract and retain customers in a highly competitive market.

It is worth noting that we have managed to maintain healthy margins while simultaneously investing in strategic initiatives to support future growth. This balance between profitability and investment highlights our commitment to long-term sustainability.

In addition, the report provides a comprehensive overview of our Bank's loan portfolio. It indicates a well-diversified and resilient loan book, with a low level of non-performing loans. This is a reflection of our stringent credit assessment processes and proactive risk management measures.

The report also highlights our bank's commitment to maintaining a strong capital position. Our capital adequacy ratio remains well above regulatory requirements, providing a solid foundation for future growth and stability. The Bank's capital adequacy ratio was 33.61% as of December 31, 2022, well above the regulatory limits of 15%. This is a testament to our focus on prudent capital management and risk mitigation strategies.

As we move forward, it is crucial that we build upon this momentum and continue to strive for excellence in all aspects of our business. The insights provided in the report will serve as a valuable resource as we develop our strategies for the upcoming year. I am confident that with our collective efforts, we will achieve even greater success.

OPERATIONS/BRANCH EXPANSION

The year 2022 was quite an eventual year for the Bank in that the Board and management prioritized the transformation of the Bank from a predominantly traditional bank to a digital financial institution where customers pride themselves to access the Bank's numerous products and services in the comfort of their homes 24/7.

The Bank remained highly competitive in the Sierra Leonean market through extensive reforms of its operations from a predominantly traditional bank to a now full digital entity and thus the Bank's presence is now visible all over the country. During the period under review, management through support from the Board of Directors redefined its representation strategy from a predominantly bricks and mortar representation to a fully digital bank, whose services can now be accessible by our customers and non-customers seamlessly. The introduction of key digital products, such as, the Rokel Simkorpor, the Rokel VisaDebit Card, the Rokel Korpor card, increased deployment of new ATMs, Agency Banking and Corporate Banking Platform have changed the bank's way of serving customers. Customers are now at liberty to initiate and complete transactions from the comfort of their homes or offices without having to visit any of our branch network.

To enhance financial inclusion further in the country, the Bank through partnership with Orange and Africell, introduced the transfer of funds from Rcbank customers' accounts to any beneficiary's mobile number using the Bank-to-wallet and Wallet-to bank facility at any time of the day.

Through the introduction of the Rokel Simkorpor and Agency Banking, businesses and individuals in cities and rural communities have been on boarded to act as agents of the bank and through which, customers and non-customers can now transact banking business in their local communities without having to visit any of our branch networks. The agency banking has not only provided our numerous clientele the comfort of doing banking around the clock, it has also served as a source of income for these agents as they now receive commission for any transaction they carry out.

Presently the Bank has on-boarded 377 agents across the country and most are actively providing financial services for customers and those desirous to access financial services to do so with ease.

Through the strong leadership and the implementation of various transformative programmes, the Bank is now one of the most dynamic financial institutions in the banking industry in Sierra Leone and continues to meet/exceed all regulatory requirements.

INFORMATION TECHNOLOGY/DIGITALIZATION

Transformation Overview

The modern world in which we are living is dominated by the concept called "Digitalization". Digitization and Digitalization are two words that are often used when we talk about data in Information Technology.

Digitization refers to the process of converting physical information into digital formats, while digitalization refers to the use of digital technologies to improve business operations and create new value for customers.

The role of digitalization in the banking sector has altered customers' preferences and demands. At RCBank Digitization and Digitalization both played a crucial role in transforming the bank's business processes by enhancing its operational efficiency, improving customer experiences, and maintaining competitiveness in the banking sector.

With evolving new technologies like Internet Banking, App Banking, Mobile Wallets etc. more people are accessing and using financial services provided by banks from the comfort of their homes.

How digitization and digitalization is playing key roles in the operations of RCBank:

Enhancing Business Processes:

- **RCBank has introduced ATM Cardless transactions on all its ATMs:** - this enables customers and non-customers to withdraw cash from RCBank's ATMs without the use of ATM cards – a customer only needs to input on the ATM a secure code received through SMS on their phones to do cash withdrawal.

- **RCBank has started the issuance of its Visa Prepaid Card** – with a Prepaid card customers and non-customers can now do both local and international transactions through the ATMs, POS terminals, and on the web.

- RCBank has also made it possible for its customers to be able to load (i.e. credit) their prepaid cards using the SIMKorpor applications.

- **Integration of the Agency Banking and the EKorpor** – This allows RC Bank customers to be able to withdraw EKorpor through the Agency Banking POS terminals.

Automation:
Digitization enables the automation of repetitive and manual tasks (manual filing of vouchers to digital storage). This leads to increased operational efficiency, reduced errors, and faster processing times.

Data Analytics:
By digitizing our business processes, RCBank can collect and analyze data more effectively. Insights gained from data analytics help in making informed decisions, optimizing processes, and identifying areas for improvement.

Streamlining Communication:
Digital communication tools (Emails and HR Portal) facilitate real-time collaboration among employees, partners, and stakeholders. This accelerates decision-making and improves overall communication efficiency.

Improving Customer Experiences:

Personalization:
Digitization allows RCBank to collect and analyze customer data, enabling personalized experiences (Customize Ekorpor). From targeted marketing to tailored product recommendations, personalization has enhanced our customer satisfaction.

Multichannel Engagement:
Digital channels, including websites, Online Transactions (VISA), ATMs, Simkorpor App, and social media, provide multiple touchpoints for customer engagement.

RCBank offers seamless experiences across these channels, meeting customers where they are.

Data Security and Compliance:
Staying competitive requires a strong focus on data security and compliance with regulations. Trust is a key factor in the digital era, and RCBank has demonstrate their commitment to protecting customer information by employing an Information Security Officer to advise management on security related issues.

Continuous Learning and Adaptation:
The digital landscape evolves rapidly. Staying competitive involves a commitment by RCBank to continuous learning, adopting new technologies, and adapting business strategies to changing market conditions.

Digitization and Digitalization are fundamental drivers of RCBank's transformation. It empowers RCBank to optimize processes, enhance customer experiences, and remain competitive in an increasingly digital and dynamic business environment.

RCBank embrace digitization strategically in order to be better positioned to thrive in this digital era.

HUMAN RESOURCES

The Bank values its Human Resources and believes that its staff are its core strength. Their contributions over the years to the Bank's growth have been commendable. The Bank continues to invest in its Human Resource Development in providing rewarding career opportunities to all levels of staff.

Staff Complement
Total staff as at end of 2022 was 557: Permanent 467; Contract/Temporary 90
Comprising of Female:225 and Male:332

A Total staff of 66 were recruited/upgraded from Temporary status including 43 who were contracted to assist in the updating of customers records that is key to the effective functioning of the new core banking application. Seven (7) members of staff resigned, Three (3) were terminated, Three (3) retired and one (1) passed away.

Training
Training of our employees remains key, and the Bank continues to invest in its human resources through the provision of appropriate learning and development programmes. During the course of the year three hundred and thirteen staff (313) benefitted from courses facilitated by the In-house training Centre and two hundred and thirty (230) gained from external courses conducted locally. In addition, twenty two (22) staff benefitted from overseas training.

Staff Welfare
The Bank remains committed to the welfare of its staff in order to keep them happy and productive. During the course of the year a number of deserving staff received incentives and bonuses. Two staff were sent to Ghana and India for Overseas Treatments.

ACKNOWLEDGMENT

On behalf of colleague Board members let me sincerely appreciate the support of all our shareholders that have been the bedrock of this bank, as you are the reason for the existence of the bank. Without your trust, loyalty and confidence you have in the Board and Management of the bank, the bank would not be where it is today.

I also want to express our profound thanks and appreciation to our Supervisory body, the Ministry of Finance and our Regulators the Bank of Sierra Leone for their invaluable support. Many thanks also for your continued guidance and directives which has aided the bank in achieving its successes. We continue to rely on your

guidance.

My thanks and appreciation also go to our numerous esteemed customers for their loyalty and confidence in RC Bank. Thank you for believing in us and thank you for journeying with us.

I would also like to thank the Management and staff of the bank for their invaluable contributions towards the success of RC Bank.

Special thanks to the Managing Director and CEO Dr. Walton E. Gilpin for his innovations, outstanding collaborative relationship with the Board and his managerial skills and direction in moving the bank forward.

Let me also acknowledge colleague Board members for their contribution, dedication and support as we continue to work tirelessly to move RC Bank forward.

I THANK YOU ALL

MANAGING DIRECTORS STATEMENT

In September this year, we celebrated twenty-four (24) years of existence as Rokel Commercial Bank - after a transition from Barclays Bank in 1999. Some would say local ownership of the bank has been like a fairy tale....a tale of upheavals, and of triumphs. Indeed, today we are thankful not just because we are one of the biggest and fastest growing financial institutions in Sierra Leone with the most modern and secured digital platform, but also because we have remained the most committed champions for financial inclusion in the country.

For the year under review, our balance sheet showed a profit (before tax) of NLe94M (Ninety-four Million Leones), representing a 6 % increase from the previous NLe89M (Eighty - Eight Million) profit of 2021. Our customers deposits grew from Nle1.7 Billion in 2021 to NLe2.4 Billion in 2022. It should be noted that the bank has been able to achieve this feat in the midst of a very challenging global economic environment.

Additionally, we have not wavered in our quest to expand and fully digitalize our operations to respond to new market demands as we thrive in a high competitive business environment. Arguably, we have gone down in history as the bank with the largest number of Automated Teller Machines (ATMs) in Sierra Leone. By the end of the year, we would have installed over thirty (35) ATMs at our branches and selected locations across the country. In September this year, RCBank launched its enhanced user-friendly and highly securitized Electronic Banking (E-Banking) products and services.

The new products and services include; Pre-paid Card, Visa Card, Propruetary/Local Card, Cardless Transaction on ATM, ATM Terminals and Money Transfer platforms like Moneygram, Western Union and Ria. Clearly, these products have proven to be so effective that the Bank is contemplating on rolling them out to other institutions. There have been very encouraging testimonies from customers and so far, the music is sweet. We are poised to continue championing financial inclusion as it resonates well with the government of Sierra Leone's commitment towards a Middle Income country by 2035.

We will continue to innovate and share with you new exciting opportunities that will make banking a worthwhile experience and we will continue to open new branches nationwide to sustain our legacy as the most widely distributed banking network in Sierra Leone.

As we progress into our digital transformation, we will develop more products and services that will stand the test of time.

We are grateful to all those who have contributed to our success story especially our valued customers, our shareholders, the people and government of Sierra Leone. On behalf of the Board of Directors, Management staff of RCbank, we say a big thank you.

MINUTES OF THE FORTY-NINTH ANNUAL GENERAL MEETING (AGM) OF MEMBERS OF THE ABOVE NAMED COMPANY HELD AT THE FREETOWN CITY COUNCIL CONFERENCE HALL, 3RD FLOOR, 17 WALLACE JOHNSON STREET, FREETOWN ON THURSDAY 17TH NOVEMBER, 2022 AT 11:05AM.

PRESENT:

Mr. Buffy B. Bailor	-	Chairman
Members	-	As recorded in the Register of Attendance

IN ATTENDANCE:

Dr. Walton E. Gilpin	-	Managing Director
Dr. Haja R. Wurie	-	Director
Mr. Santigie C. Conteh	-	Director
Mr. David O. Carew	-	Messrs. Moore Sierra Leone-External Auditors
Mrs. Patricia V. Fomba	-	Freetown Nominees Limited-Company Secretary

OPENING AND NOTICE:

The Chairman declared the 49th Annual General Meeting of the Company open at 11:05 A.M. and welcomed all. He confirmed that members present and those represented by Proxy, constituted a quorum for the meeting.

He asked that a moment of silent prayers be observed and thereafter, the notice convening the meeting was read by Mrs. Patricia V. Fomba, of Freetown Nominees Limited, the Company Secretary.

The Chairman then requested for a motion for the adoption of the notice if there were no amendments and explained that members would have the opportunity for questions, comments and observations on any motion before the vote on it was taken. There being no amendment to the agenda, **IT WAS RESOLVED THAT** the agenda of the meeting **BE AND IS HEREBY** adopted on a motion moved by Mr. Victor Wright and seconded by Ms. Catherine Beth Cole.

TO RECEIVE THE CHAIRMAN'S STATEMENT

The Chairman stated that the next agenda item was to consider his Statement for the period ended 31st December, 2021. He proposed that his Statement which had been incorporated in the 2021 Annual Reports of the Company should be taken as read and that questions on it be taken after the presentation of the Audited Financial Statements.

A counter motion was moved by Mr. Abu Bangura that the minutes of the 48th Annual General Meeting held on 23rd July, 2021 should be considered before the Chairman's Statement. The motion was seconded by Mr. Bernard Eldred Jones.

Accordingly, the Chairman asked that a vote by show of hands should be taken on the two motions:

1 - That the Chairman's Statement which had been incorporated into the 2021 AnnualReport of the Company should be taken as read and that questions on it be taken after the presentation of the Audited Financial Statements.

2 - That the Minutes of the 48th Annual General Meeting be considered before the Chairman's Statements.

The vote on the motions was duly conducted and there was a majority of votes in favour of the motion that the minutes should be considered before the Chairman's Statements that motion was duly passed.

TO CONSIDER THE MINUTES OF THE 48TH ANNUAL GENERAL MEETING HELD ON 23RD JULY, 2021

The Minutes of the 48th Annual General Meeting held on 23rd July, 2021 were tabled for adoption.

Mr. Josiah Cole-Davies observed that the information given to Members at the last meeting that both the Chairman and the Managing Director had received the Commander of the Order of the Rokel from the President of Sierra Leone was not recorded in the minutes. He requested that the minutes be amended in that regard.

There being no further amendment, **IT WAS RESOLVED THAT** the minutes be and are hereby adopted as amended on a motion moved by Ms. Ramatu M. Fofana and seconded by Mr. Abu Koroma, proxy for Ms. Margaret Bernard-Jones. There being no objection, the motion was duly carried.

MATTERS ARISING FROM THE ADOPTED MINUTES - The following matters arising from the adopted minutes were considered:

1. **Delay in convening an Annual General Meeting (AGM)-** Mr. Abu Bangura requested for an apology from the Board of Directors for the delay in convening the AGM which he noted was usually held in the month of July. He stated that the Company had breached a statutory regulations by not holding the meeting on time and as a result of the delay he expected that the Company should be penalized by the Corporate Affairs Commission.

   The Chairman apologized to Members for the delay in convening the meeting and noted that the delay was as a result of some internal constrains. He however informed Shareholders that approval was sought from and granted by the Corporate Affairs Commission (CAC) to extend the time within which to hold the AGM. As a result, the Company had not breached any statutory regulation.

2. **Update of digitalization** – Rev. Archer Campbell requested for an update on digitalization which was discussed at the previous meeting. The Managing Director responded that the Bank had changed its core banking system and this had enabled the Bank to make progress in terms of digitalization. He reported that the following products had being implemented:

   a) Online banking, that is, customers can access their accounts online.
   b) Integration of the mobile app- Sim Korpor.
   c) Agency banking.
   d) Roll out of Visa cards.
   e) 24 hours online help desk/real time SMS.
   f) Integrate bigger entities to pay salaries through a portal.

   The Managing Director submitted that the Bank had made quite significant progress in terms of digitalization and that 90% of what was expected to be done in this regard had been realised. He noted that the only outstanding items were installation of Automatic Teller Machines (ATM) and the roll out of the Point of Sale (PoS) Machines.

   He assured Members that Management was working closely with a supplier for thecore banking system for these projects to be concluded within the shortest possible time. He also informed members that there were plans to work with AFRICELL in terms of mobile banking connectivity.

3. **Tripartite Agreement with the Government of Sierra Leone (GoSL)** - It was recalled that the

Bank had entered into a Tripartite Agreement with the GoSL when the latter injected fresh capital into the Bank to improve its capital base when the same was negative. As a result of the Agreement, the shareholding of the GoSL had increased significantly to 65% and significantly diluting the private shareholders holdings. In the premise, the private shareholders had expressed their grievances in that they were not given the opportunity to participate in the shares that were issued to the GoSL. Rev. Archer Campbell asked that the Board of Directors should consider making an appeal to the GoSL to transfer/sell part of their shareholding to other shareholders in order to bring their holdings to the original position it was before the capital injection.

Mr. Alimamy Wurie also echoed the concerns of Rev. Campbell noting that the minority shareholders would be demanding that their previous shareholding in the Company be restored as they had no part in the transaction leading up to the GoSL owning up to 65% of the Company.

The shareholders expressed their concerns that with 65% holding, there was a real possibility that the GoSL might make decisions which may not favour them as minority/private shareholders.

Mr. Bernard E. Jones enquired about the percentage representation of the private shareholders on the Board as Dr. Sanpha Koroma had indicated his intention to retire from his responsibilities of representing private shareholders. He proposed that a forum be set up for the private shareholders to further discussions their representation on the Board of Directors. Other members were in concurrence of this proposal and agreed to set up a WhatsApp Group for such purpose.

The Chairman noted the concerns of the shareholders and clarified that the Bank is not indebted to the GoSL but the capital that was injected by the GoSL was equity. He assured them that the Board and Management were making strides to resolve the matter and was in discussions with the GoSL for an amicable resolution. He stated that a Cabinet Paper had been drafted on the matter and it would be presented to the Cabinet for deliberations. He therefore craved the indulgence of Members to exercise patience.

4. **Update on Non-performing Loans and Human Resource Department** -Mr. Bernard Davies proxy for Cecilia Davies requested for an update on the strides made by the Bank to recover Non-performing Loans (NPLs) and also the measures taken by Management to develop the Human Resource Department of the Bank.

   The Chairman responded that NPLs had significantly reduced because of the robustness of the Credit Risk Department's interventions and progress made in the recovery of debts. Regarding the Human Resource Department, the Chairman informed the meeting that several training sessions had been conducted for staff locally, an Enterprise Risk Management Framework had been developed and a Compliance Unit had been setup to ensure compliance with the requirements of the Bank of the Sierra Leone (BSL) and applicable laws and regulations. He noted that human capacity development was key to the bank and was a work in progress.

5. **Souvenirs**- Canon Llewelyn Rogers-Wright called the attention of the Board to the manner in which souvenirs of the Bank were distributed annually. He noted that some shareholders had not received the souvenirs. The Chairman apologised for the oversight and called on the members who had their changed addresses to update their contact details with the Bank as that would help in ensuring an equitable distribution.

THE CHAIRMAN'S STATEMENTS

The Chairman proposed that his statement which had been incorporated into the 2021 Annual Report of the Company should be taken as read having been earlier circulated to all Members and that any question relating to his statements be dealt with after the presentation of the Report of the Directors and Auditors by the External Auditors.

The motion was seconded by Ms. Margaret Bernard-Jones. The motion was put to the vote and it was duly carried.

TO RECEIVE THE AUDITED FINANCIAL STATEMENTS THE COMPANY FOR THE YEAR ENDED 31ST DECEMBER, 2021 TOGETHER WITH THE REPORTS OF THE DIRECTORS AND AUDITORS:

The Audited Financial Statements of the Company for the year ended 31st December 2021 together with the reports of the Directors and Auditors thereon were presented by Mr. David O. Carew of Messrs. Moore Sierra Leone the External Auditors.

Mr. Carew explained to the meeting the basis of audit opinion, the key audit findings and otherlegal and regulatory requirements. He then read the External Auditors report informing shareholders that the Financial Statements were unqualified and that they gave a true and fair view of the financial position of the Bank as at 31st December, 2021.

QUESTIONS, COMMENTS AND OBSERVATIONS OF MEMBERS ON THE ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS OF THE COMPANY

The following questions were asked and responded to accordingly:

a) Mr. Ebu Thomas observed that the Bank had doubled its loans and advances to customers in the year under review noting that the increase was alarming considering the history of the Bank in so far as recovering of NPLs was concerned. He enquired of Bank's current position in terms of large loans and repayments.

   In response to the above, the Director of Risk, Mr. Morrison Conteh stated that from 2015 when the Bank was under sanction by BSL, Management had been giving out small loans but as the situation improved, the Bank had gone back to its core function which was to give loans and advances to its customers. He assured shareholders that loans were adequately secured and the Bank would be in a position to recover in the event of default.

b) Ms. Fatmata Mansaray, representing *the National Social Security and Investment Trust (NASSIT),* asked whether there were any sanctions by BSL due to the undermentioned breach of the Prudential Guidelines for Commercial Banks reported by the Auditors:

   "*That the bank breached the regulations of the prudential guidelines for Commercial Banks as the bank's non-performing loans to total loans ratio of 11.74% exceeded the tolerable ratio of 10% by 1.74%"*.

   The Chairman responded in the negative noting that the breach was 1% variance and that although it was nevertheless a breach, it was within a manageable range and not adverse to the operations to the Bank. However, particular attention was being paid to this and the Board and Management were doing everything to ensure that the Bank complies with regulations and operates with statutory limits.

c) Mr. Abu Bangura requested that clarity should be given to the following in which he had noted increases:
   - Directors' fees which had increased by 100%.

   - Operating and personnel expenses – He submitted that if the Bank was doing as well in technology as reported, then these costs should be lower in terms of personnel expenses. He also observed that the number of employees was also on the increase. He stated that the Bank was not a charitable organisation and the Bank should not be employing additional staff if not required. He also enquired about the branch in Bonthe and whether it was profitable.

   - How much had been spent on the new technology?
   - What accounted for the increase in legal and operational costs of the Bank?

On the increase in Directors' fees, the Chairman responded that the total amount including revenue growth and inflation had been taken into account when computing the figures. Also, a survey had been conducted of what currently obtains in the other Banks and that the increase was commensurate with peers and other government owned entities.

Regarding legal and other professional fees, the increase in legal fees was attributed to an ongoing legal issue the Bank was facing with a member of staff and that of the Audit fees which was a reflection of inflation. The Chairman noted that the Audit fees were determined and fixed by the Auditor General.

In respect of operating and personnel expenses, the Chairman noted that digitalization was implemented in 2022 and the effect of it would be evident in the 2022 accounts and not on the expenses of 2021. Also, the Bank had opened a branch in Bonthe hence the increase in the number of employees and expenses.

d) Rev. Archer Campbell expressed the view that the explanation given with respect to the breach of the prudential guidelines was not good enough and that Management should do more to ensure that there was compliance in every indicator set by BSL.

He also noted that the remuneration of Non-Executive Directors (NEDs) had increased by almost a billion Leones and asked the Board to explain the increase.

Addressing the issue of the breach, the Chairman explained that in 2021, a good number of debtors had been unable to repay their loans due to the COVID -19 pandemic and as a result, the Bank had exceeded the tolerable limit for non-performing loans to total loans rati*o* from 10% to 11.74%. He reiterated that Management was closely monitoring the ratio and would ensure that the breach does not reoccur.

Regarding the increase in the remuneration of NEDs, the Chairman explained that both the monthly and sitting fees to Directors had all been factored into the figures shown in the accounts. He also noted that there had been an increase in the number of Directors on the Board.

e) Mr. A. R. Wurie observed that the increase in the remuneration of the Directors had not been approved by the Shareholders as required. The Chairman responded that the main reason was due to the increase in the number of Directors and when the Bank had gained a more positive footing, the fees had been revised to measure up with that of peers in the industry.

f) Ms. Margaret Bernard-Jones requested that an abridged version of the audited accounts should be prepared and circulated to shareholders for subsequent meetings.

g) Change of Company Secretary- Mr. Bernard E. Jones observed that the Company Secretary of the Bank appeared to have been changed and enquired for the reason of the change. The Chairman responded that the contract of the erstwhile Company Secretary Mrs. Margaret A. Davies had been terminated and that given that the termination may be the subject of a legal action he would not dwell on it.

h) Mr. Ebu Thomas, informed the meeting that he was visited by some members of staffof the Bank expressing their dissatisfaction of how staff were treated by management. He noted that he was of the opinion that Bank should not be involved in litigation but in the past months and weeks the name of the Bank had been brought to disrepute and on front pages of most newspapers as a result of sexual allegations against the Managing Director of the Bank. He noted that the issue should be addressed with urgency.

The Chairman noted Mr. Thomas' comments and advised that the matter before the meeting was the approval of the financial statements and another matter should be considered under the item that made provision for matters proper to be considered at an AGM and if the issues he had raised were deemed proper they should be brought up when that item was considered by the meeting.

There being no other comments, questions and/or observation, on a motion proposed by Mr. Manage Momoh and seconded by Mr. Dennis Mohamed Bundu, **IT WAS RESOLVED THAT** the Audited Financial Statements of the Company for the year ended 31st December 2021 together with the reports of the Directors and Auditors thereon **BE AND ARE HEREBY** received and adopted. The motion was put to the vote and it was duly carried.

TO DECLARE A DIVIDEND
FOR THE YEAR ENDED 31ST DECEMBER, 2021

The Chairman informed the meeting that the Board of Directors was recommending that a total dividend of Le17, 384,351,705.18 (Seventeen Billion, Three Hundred and Eighty-four Million, Three Hundred and Fifty-one Thousand, Seven Hundred and Five Old Leones and Eighteen Cents) of the profit realized and distributable should be declared as dividend for the financial year ended 31st December, 2021.

The Chairman stated that the sum of Le11,299,805,005.79 (Eleven Billion Two Hundred and Ninety-nine Million Eight Hundred and Five Thousand, Five Leones and Seventy-Nine Cents)would be paid to the Government of Sierra Leone and the sum of Le6, 084,510,387.73 (Six Billion and Eighty-Four Million, Five Hundred and Ten Thousand, Three Hundred and Eighty-Seven Leones Seventy-Three Cents) would be paid to the private shareholders. Therefore, the sum of Le0.19 Cents (Nineteen Cents) will be paid on every share held by a Shareholder whose name is on the Register of Members of the Company on 31st December, 2021.

He stated that the said amount was what the Directors considered appropriate in line with other compelling demands on the net income of the Company for the year under review.

He therefore proposed that as recommended by the Directors, a dividend of Le 0.19 cents (Nineteen Cents) be paid on every share held by members who were on the Register of Members of the Company on 31st December, 2021 if there were no questions, comments and/or observations.

There being no questions, comments of observations, **IT WAS RESOLVED** on a motion proposed by the Chairman and seconded by Mr. Mohamed Lamin Njai **THAT** a dividend of Le 0.19 cents (Nineteen Cents) be paid on every share held by members who were on the Register of Members of the Company as at 31st December, 2021.

Dividend Collection- the Chairman informed the meeting that Shareholders who had provided the Bank with details of their bank accounts should expect their dividend to be credited into their accounts by Thursday 24th November, 2022. He encouraged those who may not have provided their account details to do so before leaving the meeting.

TO RE-ELECT DIRECTORS
AND TO DETERMINE THEIR REMUNERATION:

The Chairman informed Shareholders that Pursuant to Section 220 (1) and (2) of the Companies Act (No.5 of 2009) of the Laws of Sierra Leone, the following Directors would retire by rotation at the meeting and being eligible, they have offered themselves for re-election:

1) Mr. Buffy Batham Bailor
2) Mr. Andre Hope
3) Mr. Santigie Charles Conteh

At this juncture, the Chairman explained that he was stepping down from his role as the Chairman of the meeting as he was the first to be re-elected and cannot preside over his reelection process. He requested that Dr. Haja R. Wurie chaired the meeting and conduct his re-election.

Dr. Haja R. Wurie, proposed **THAT** Buffy Batham Bailor be and is hereby re-elected as a Director of the

Company. The motion was seconded by Rev. Archer Campbell. There being no objection, the motion was put to the vote and the same as duly carried.

Dr. Wurie congratulated Mr. Bailor on his re-election and asked him to proceed with the rest of the meeting.

The Chairman thanked the shareholders for the continued confidence in him by re-electing him to the Board of Directors. He stated that the next re-election was that of Mr. Andre Hope who was unavoidably absent. There being no comment, on a motion proposed by Margaret Bernard-Jones and seconded by Mr. Bernard Eldred Jones **IT WAS RESOLVED THAT** Mr. Andre Hope be and is hereby re-elected as a Director of the Company. There being no objection, the Chairman declared the motion carried.

The re-election of Mr. Santigie Charles Conteh was also put to the meeting and on a motion moved by Ms. Christiana During and seconded by Mr. Cecil French, **IT WAS RESOLVED THAT** Mr. Santigie Charles Conteh be and is hereby re-elected as a Director of the Company. There being no objection, the Chairman declared the motion carried.

Following the re-election of Directors, the Chairman turned his attention to obtaining the requisite approvals for Directors remuneration from the shareholders and proposed the following;

a. **THAT** the prior increase in Directors remuneration to the under-mentioned amounts be and are hereby **RATIFIED:**

Directors - Le15,000,000 monthly.
Chairman - Le20,000,000 monthly.

b. **AND THAT** Directors remuneration be and are hereby increased by 25% from the above-stated amounts to:
Directors - Le18,750,000 monthly.
Chairman - Le25,000,000 monthly

The motion was seconded by Canon Rogers-Wright. A counter motion was moved by Mr. A. R Wurie that the 25% increase in the remuneration of Directors should be deferred to the following year. The motion was however not seconded and therefore, failed.

The Chairman then put the motion that Directors remuneration be increased by 25% to the meeting. There being no other objection and/or counter motion, the motion was put to the vote and it was duly carried.

TO APPOINT AUDITORS AND TO FIX THEIR REMUNERATION:

On a motion proposed by the Chairman and seconded by Ms. Fatmata Mansaray, *proxy for NASSIT*, **IT WAS RESOLVED THAT** Messrs. Moore Sierra Leone having indicated their willingness to continue in office **BE AND ARE HEREBY** appointed as the External Auditors of the Company **AND THAT** their remuneration be fixed by the Auditor General through the Board of Directors in respect of the period ending 31st December, 2022.

There being no objection, the Chairman declared the motion carried.

TO TRANSACT ANY OTHER MATTER PROPER TO BE TRANSACTED AT AN AGM:

The Chairman enquired whether any member had any matter, proper to be transacted at the meeting. The following matters were discussed:

1. **Forum for Shareholders** –Mr. Nathaniel King asked that the Bank should consider setting up a forum for Shareholders to converge apart from general meetings in the event that an urgent matter emerged requiring member's consideration. Canon Rogers-Wright responded that there was a provision in the Companies Act giving authority to shareholders to requisition an Extraordinary General Meeting as may be deemed necessary.

   Canon Rogers-Wright craved the indulgence of the Board to consider changing the time meetings were called noted that morning hours were not convenient for some shareholders who may be advance in age. The Chairman noted the request.

2. Mrs. Ayodeji Scott-Boyle reiterated the request for an abridged version of the Audited Financial Statements. The Chairman noted the same and assured her that he would confer with Management on the request.

3. Mr. Charles Campbell stated that he had sought for an appointment with the Managing Director on several occasions but had been unsuccessful. He asked that the Managing Director should take note of this and work at making himself available to see shareholders when a request is made in that regard.

4. Mr. A. R Wurie commended Management and staff of the Bank for an excellent performance during the period under review. He however noted that, the Bank did not pay dividends for 2015 and 2016 even though profit was recorded for the referred years. The Managing Director responded that the point was well noted, however, the retained earnings of the Bank had been negative and as result, it was not permissible for dividend to have been declared for the referred years.

5. Mr. Abubakarr Rashid thanked the Managing Director for his excellent contribution to the growth of the Bank and presented a plaque to him in this regard. Other shareholders also expressed the similar sentiments to the Managing Director and he was given a standing ovation. The Managing Director thanked all for their kind sentiments and noted that he was deeply touched by the gestures.

CLOSURE:

The Chairman thanked all for their attendance and participation and declared the meeting close at 2:02 P.M.

Submitted by Freetown Nominees Limited
Company Secretary

CONTENTS

PAGE

Notes

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:	Moore Sierra Leone Chartered Accountants 55 Sir Samuel Lewis Road Aberdeen Freetown	
Solicitors:	Messrs Yada Williams & Associates 7 Walpole Street Freetown	

Report of the directors

The directors have pleasure in submitting their Annual Report on the business and operations of Rokel Commercial Bank (Sierra Leone) Limited to the shareholders together with the audited financial statements for the year ended 31 December 2022.

Principal activities

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

Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the financial statements comprising the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of Sierra Leone, the Banking Act of Sierra Leone and the Banking Regulations of Sierra Leone, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

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

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

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

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

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

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

The directors have made an assessment of the Bank's ability to continue as a going concern and have no reason to

Report of the directors (continued)

Directors Responsibility Statement (continued)

believe the business will not be a going concern in the year ahead.

We confirm that to the best of our knowledge:

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

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

Share capital

Details of the Bank's share capital is shown in note 29 to the financial statements. The issued ordinary share capital of the Bank is 91,485,287,000 ordinary shares of Le0.001 each.

The Bank has one class of ordinary shares, which carries no rights to fixed income. The holders of ordinary shares are entitled to receive dividends as declared from time to time. On a show of hands, each member present has the right to one vote at the general meetings. On a poll, each member is entitled to one vote for every 0.1 cent nominal value of share capital held. All ordinary shares rank equally with regards to the Bank's residual assets.

Re-denomination

During the year, the Bank of Sierra Leone redenominated the country's currency by removing three zeros, Le1,000 (old leone) to Le1 (new leone). The comparative figures in these financial statements have therefore been restated to the new leone. The bank has reconfigured its core banking system to the new leone.

Profit for the year

The profit for the year after taxation was Le 66.00 million (2021: Le 65.81 million).

Dividends

The Board of Directors recommend dividend payment of Le 0.00020 (2021: Le 0.00019) per share.

Capital adequacy

The Bank is required to maintain a minimum capital adequacy ratio of 15% of total adjusted assets. As at 31 December 2022 the capital adequacy of the Bank was 33.61% (2021: 56.80%). Details of the computation are shown in note 36(f) to these financial statements.

Report of the directors (continued)

Directors

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

Under the terms of Article 89 of the Articles and Memorandum of Association, Dr. Prince Harding, Mrs. Haja R. Kamara and Mr. Marcella B. Jones retire by rotation and being eligible to offer themselves for re-election.

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

The Audit Committee

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

Executive Committee

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

The IT steering Committee comprises of Managing Director (chairman), IT Manager, E Banking Manager, IT Consultant, Head of Operations, Director of Finance. The committee is responsible for reviewing, implementing, monitoring and evaluating the Bank's IT system 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 Advisor, Legal Adviser and Human Resource Manager. The committee is responsible for the enforcement of discipline within the bank by reviewing matters relating to fraud, insubordination, negligence, and absenteeism, breach of the terms and conditions of service, professional and other misconducts by staff.

Report of the directors (continued)

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.

Special Debt Recovery Committee

The objectives 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 also to monitor the process of debt recovery/collection.

Disposal of Recovered Properties Committee

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

Auditors

The auditors Messrs Moore Sierra Leone appointed by the Auditor-General on 2 December 2022 to conduct the audit of the financial statements for the year ended 31 December 2022, will hold office till the end of the forthcoming Annual General Meeting.

The Auditor-General has the responsibility to appoint new auditors or reappoint the existing auditor for the Bank for the ensuing year.

Approval of the financial statements

The financial statements of the Bank were approved by the Board of Directors

on 23 August 2023 and are signed on its behalf by:

Rokel Commercial Bank (SL) Ltd.
RCBank
Bank of Choice
MANAGING DIRECTOR

.... Chairman

.... Managing Director

.... Director

.... Director

FOREIGN NOMINEES LIMITED

.... Secretary

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

Opinion

We have audited the financial statements of Rokel Commercial Bank (Sierra Leone) Limited, which comprise the statement of financial position as at 31 December 2022, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies, and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of Sierra Leone, the Banking Act of Sierra Leone and the Banking Regulations of Sierra Leone.

Basis for Opinion

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

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

Key Audit Matters

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

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

Impairment of Loans and Advances

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

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

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

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

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

Procedures

Our procedures include the following:

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

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

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

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

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

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

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

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

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

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

Other Information

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

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

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

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

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

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

Report on other Legal and Regulatory Requirements

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

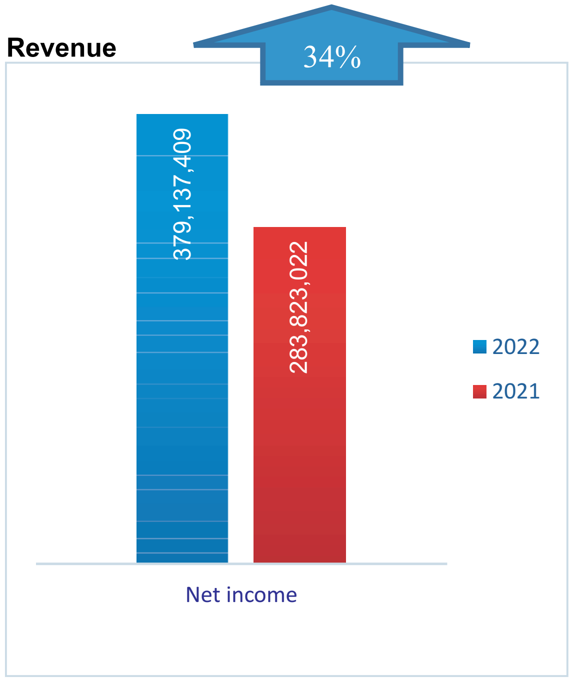
- The financial statements give a true and fair view of the state of affairs of the Bank and its results for the year under review;
- We were able to obtain all the information and explanation required for the efficient performance of our duties;
- The Bank's transactions are within the powers of the Bank; and
- The Bank did not comply with the provisions of the Banking Act of Sierra Leone in relation to the following:
    - Minimum cash reserve ratio as at 31 December 2022, the Bank did not meet its minimum cash reserve ratio of 12% by 0.76%.
    - The Bank's net open position aggregate is 27%, which should not exceed 25%. Therefore, the Bank breaches its net open position aggregate by 2%.

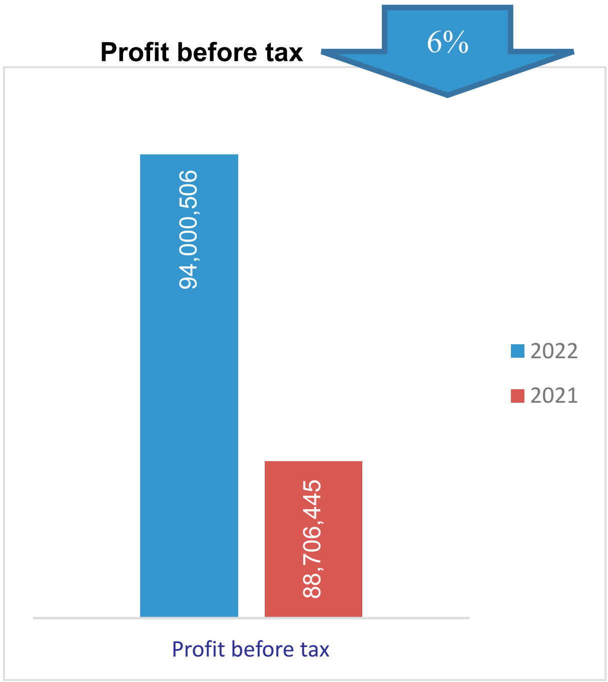
The engagement partner on the audit resulting in this independent auditor's report is Albert Randle.

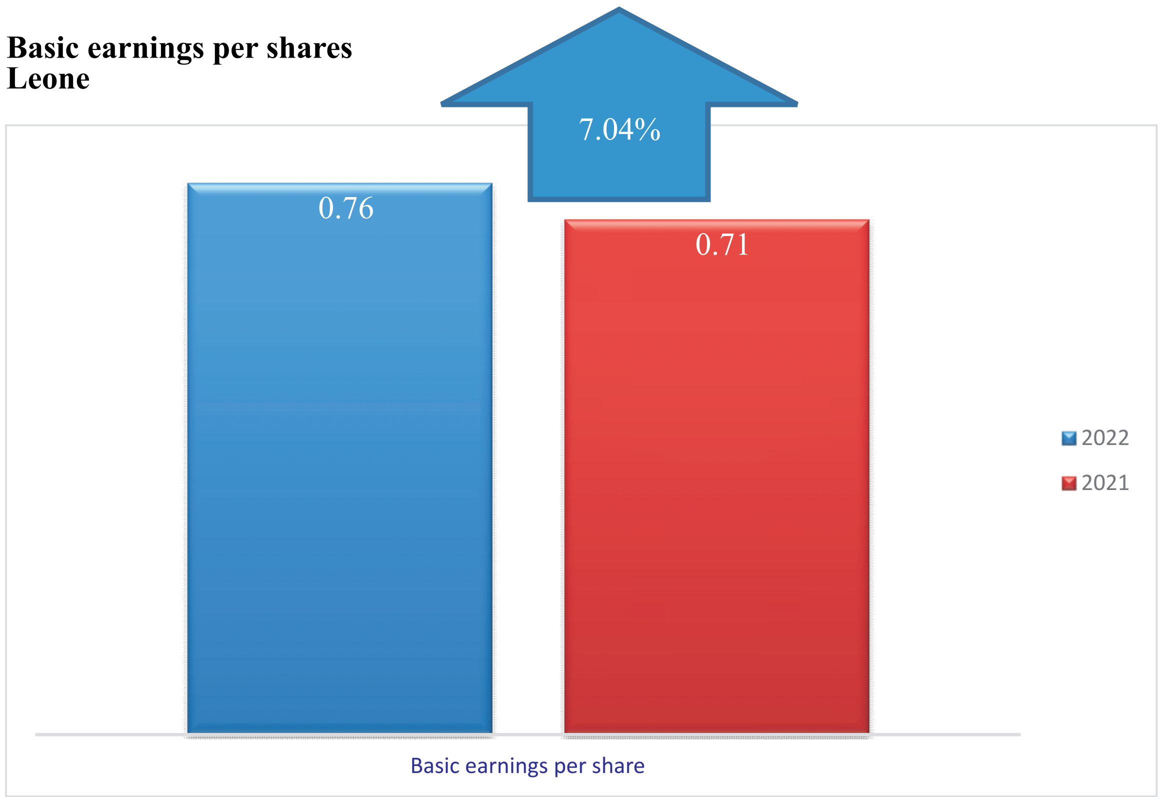
Moore SL
Freetown Chartered Accountants

Date: 23 August 2022

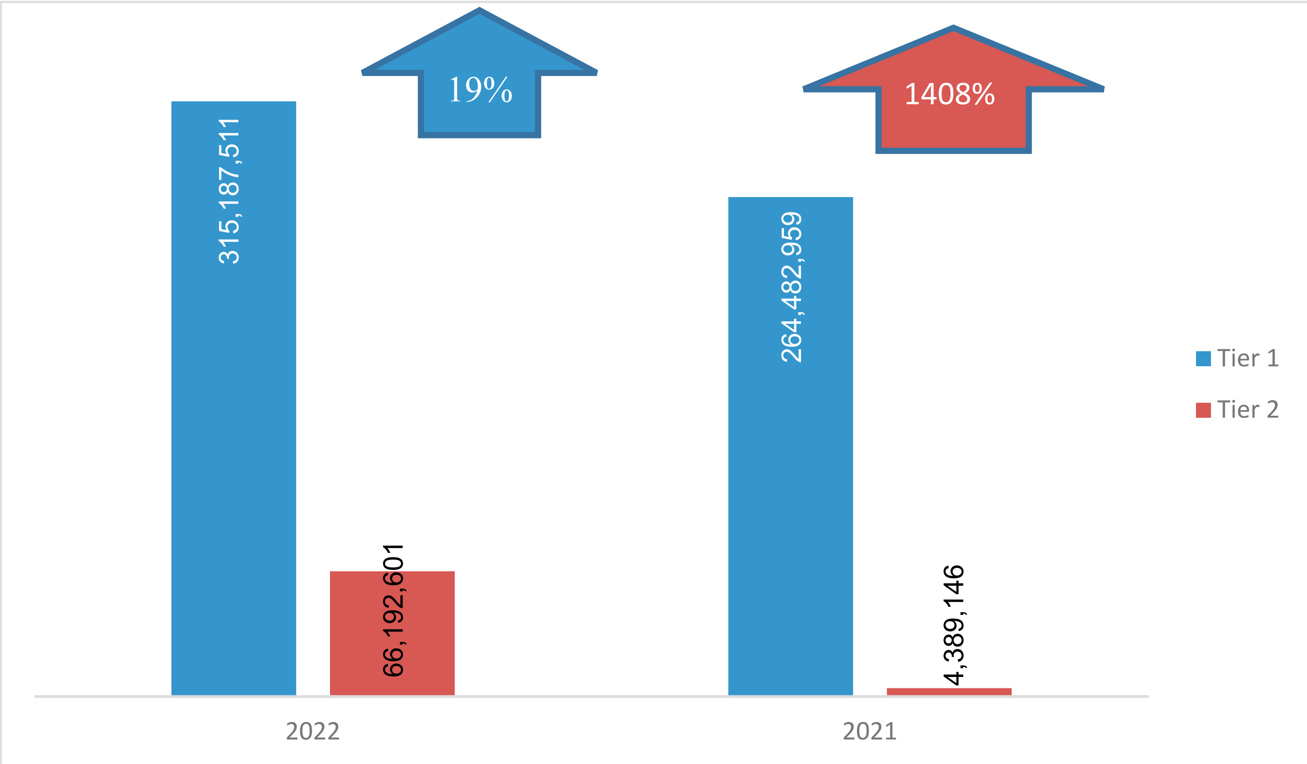
Financial highlights







Regulatory Capital



Statement of financial position

As at 31 December

In New Leones	Note	2022	2021
Assets			
Cash and cash equivalents	*18*	**449,361,454**	305,240,469
Loans and advances to customers	*19*	**493,142,764**	479,875,897
Investment securities	*20*	**1,145,783,202**	1,091,961,139
Due from other banks	*21*	**674,521,399**	220,649,439
Property and equipment	*22*	**293,529,500**	47,610,514
Intangible assets	*23*	**61,506,687**	-
Deferred tax assets	*16(c)*	**16,019,491**	16,275,980
Current tax assets	*16(d)*	**3,312,200**	-
Other assets	*24*	**89,250,989**	100,691,216
Total assets		**3,226,427,686**	2,262,304,654
Liabilities			
Deposits from customers	*26*	**2,351,733,068**	1,753,813,321
Current tax liabilities	*16(d)*	**-**	1,439,633
Other liabilities	*27*	**291,730,135**	219,918,246
Total liabilities		**2,643,463,203**	1,975,171,200
Equity			
Share capital	*29*	**91,485,287**	91,485,287
Share premium	*30*	**-**	-
Reserves	*31*	**378,940,290**	117,837,929
Retained earnings	*31(e)*	**112,538,906**	77,810,238
Total equity attributable to equity holders of the Bank		**582,964,483**	287,133,454
Total liabilities and equity		**3,226,427,686**	2,262,304,654

These financial statements were approved by the Board of Directors on ……….....23/08/……….. 2023

Rokel Commercial Bank (SL) Ltd
RCBank
MANAGING DIRECTOR

……………………………………………………) **Chairman**
)
)
……………………………………………………) Managing Director
)
)
……………………………………………………) Director
)
)
……………………………………………………) Director

The notes on pages 19 to 97 are an integral part of these financial statements

Statement of profit or loss and other comprehensive income

for the year ended 31 December

In New Leones	***Note***	**2022**	2021
Interest income	***8(a)***	**342,660,867**	244,211,604
Interest expense	***8(b)***	**(13,495,553)**	(11,975,173)
Net interest income		**329,165,314**	232,236,431
Fee and commission income	***9***	**58,745,975**	36,921,950
Fee and commission income expense	***9***	**(1,176,070)**	(1,793,139)
Net Fee and commission		**57,569,905**	35,128,811
Net trading (expense)/income	***10***	**(7,763,346)**	16,036,417
Other operating income	***11***	**165,536**	421,363
Net other income		**(7,597,810)**	16,457,780
Revenue		**379,137,409**	283,823,022
Net impairment gain/(loss) on financial assets	***14.1***	**(16,213,159)**	(10,964,518)
Personnel expenses	***12***	**(129,175,140)**	(95,237,083)
Depreciation	***13.1***	**(27,065,505)**	(6,243,145)
Other operating expenses	***13.2***	**(112,683,099)**	(82,671,831)
Profit before income tax		**94,000,506**	88,706,445
Income tax expense	***16(a)***	**(24,516,482)**	(22,891,974)
Profit for the year		**69,484,024**	65,814,471
Other comprehensive income, Items that will not be reclassified to profit or loss			
Revaluation reserve		**247,213,822**	-
Re measurement of defined benefit liability		**(4,643,290)**	(1,624,796)
Related tax on defined benefit liability		**1,160,823**	406,199
Other comprehensive profit for the year, net of income tax		**243,731,355**	(1,218,597)
Total comprehensive profit for the year		**313,215,379**	64,595,874

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

In New Leones	Note	2022	2021
Profit attributable to:			
Equity holders of the Bank		**69,484,024**	65,814,471
Profit for the year		**69,484,024**	65,814,471
Total comprehensive profit Attributable to:			
Equity holders of the Bank		**313,215,379**	64,595,874
Total comprehensive income for the year		**313,215,379**	64,595,874
Basic earnings per share (Leones)	*15*	**0.00076**	0.00071
Diluted earnings per share (Leones)	*15*	**0.00076**	0.00071

These financial statements were approved by the Board of Directors on ……23/08/……2023

…………………………………………) Chairman
)
)
…………………………………………) Managing Director
)
)
…………………………………………) Director
)
)
…………………………………………) Director

The notes on pages 19 to 97 are an integral part of these financial statements

Statement of changes in equity

For the year ended 31 December 2022

In New Leones

	Attributable to equity holders of the Bank								
	Share Capital	Share premium	Capital Reserve	Statutory Reserve	Statutory loan loss reserve	Other Reserve	Total Reserves	Retained Earnings	Total equity
Balance at 1 January 2022	91,485,287	-	17,556,582	95,987,434	-	4,293,913	117,837,929	77,810,238	287,133,454
Total comprehensive income for the year									
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 at 31 December 2022	91,485,287	-	264,770,404	113,358,440	-	811,446	378,940,290	112,538,906	582,964,483

The notes on pages 19 to 97 are an integral part of these financial statements

Statement of changes in equity
For the year ended 31 December 2022
In New Leones

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

The notes on pages 19 to 97 are an integral part of these financial statements

for the year ended 31 December
In New Leones

Statement of cash flows

	Note	2022	2021
Cash flows from operating activities			
Profit before tax		**94,000,506**	88,706,445
Adjustment for:			
Depreciation	*13.1*	**11,688,833**	6,243,145
Amortisation	*13.1*	**15,376,672**	-
Net impairment losses on financial assets	*14.1*	**16,213,159**	10,964,518
Net interest income	*8*	**(329,165,314)**	(232,236,431)
Actuarial Loss		**(4,643,290)**	(1,624,796)
		(196,529,434)	(127,947,119)
Changes in:			
Operating assets and liabilities			
Loans and advances to customers		**(29,480,026)**	(230,977,002)
Due from another bank		**(453,871,960)**	(91,465,921)
Other assets		**11,440,227**	(45,944,322)
Deposits from customers		**597,919,747**	280,383,893
Other liabilities		**71,811,889**	43,915,108
		1,290,443	(172,035,356)
Interest received	*8a*	**342,660,867**	244,211,604
Interest paid	*8b*	**(13,495,553)**	(11,975,173)
Income tax paid	*16d*	**(27,851,003)**	(23,417,615)
Net cash generated from operating activities		**302,604,754**	36,783,453
Cash flows from investing activities			
Purchase of property and equipment	*22*	**(10,393,997)**	(7,166,946)
Purchase of intangibles	*23*	**(76,883,359)**	-
Disposal/(acquisition) of investment securities	20	**(53,822,063)**	38,046,122
Net cash used in investing activities		**(141,099,419)**	30,879,176
Cash flow from financing activities			
Dividend paid		**(17,384,350)**	(11,436,963)
Net cash flow from financing activities		**(17,384,350)**	(11,436,953)
Net increase in cash and cash equivalents		**144,120,985**	56,225,676
Cash and cash equivalents at 1 January		**305,240,469**	249,014,793
Cash and cash equivalents at 31 December	*18*	**449,361,454**	305,240,469

The notes on pages 19 to 97 are an integral part of these financial statements

Notes to the Financial Statements

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

1. Reporting entity

Rokel Commercial Bank (S L) Limited (the Bank) is a Bank domiciled in Sierra Leone. The Bank's registered office is at 25/27 Siaka Stevens Street Freetown. The financial statements of the Bank as at and for the year ended 31 December 2022 comprise the Head Office and its branches. The Bank is primarily involved in retail, consumer banking, financial services and wholesale banking services.

2. Compliance with International Financial Reporting Standards

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

3. Basis of accounting

a. Compliance with International Financial Reporting Standards

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

b. Basis of preparation

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

c. Going concern

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

d. Functional and presentation currency

These financial statements are presented in Leones which is the company's functional currency.

The Government of Sierra Leone re-denominated the Leone by removing three zeros ('000) with effect from 1 July 2022 resulting in one new leone being the equivalent of one thousand old leone. Transactions from 1 January to 30 June 2022 have been converted to the new Leones. The comparative figures for the 2021 financial year have also been converted to and presented in the new leones.

4. Use of judgements, and estimates

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

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

(a) Judgements

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

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

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

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2022 are set out below and in the following notes:

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

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

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

- Overdue principal receivable
- Undue principal receivable

Notes to the Financial Statements (continued)

4. Use of judgements, and estimates (continued)

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

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

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

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

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

5. Changes in accounting policies

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

The Bank has adopted where applicable the following new standards and amendments including any consequential amendments to other standards with the initial date of application of January 1, 2022.

Effective dates	New standards or amendments
1 April2022	COVID -19 - Related Rent Concessions beyond 30 June 2022 — Amendment to IFRS 16
1 April2022	Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)
1 January 2022	Annual Improvements to IFRS Standards 2018 -2021
1 January 2022	Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
1 January 2022	Reference to the Conceptual Framework (Amendments to IFRS 3)
1 January 2022	IFRS 17 Insurance Contracts

6. Significant accounting policies

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

(a) Foreign currency

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

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

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

(b) Interest

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

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

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

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

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

Notes to the Financial Statements (continued)

6. Significant Accounting policies (continued)

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

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

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

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

(c) Fees and commissions

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

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

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

(d) Net trading income

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

(e) Leases

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

(e) Leases (continued)

(i) Definition of lease

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

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

(ii) Bank as a lessee

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

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

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

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

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

(e) Leases (continued)

(ii) Bank as a lessee(continued)

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

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

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

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

iii. Bank as a lessor

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

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

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

(f) Income tax

(i) Tax expense

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

(ii) Current tax

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

(iii) Deferred tax

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

f. Income tax (continued)

iv. Tax exposures

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

(g) Financial assets and financial liabilities

i. Recognition

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

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

ii. Classification

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

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

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

iii. Derecognition

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

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

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

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

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

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

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

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

iv. Offsetting

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

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

v. Amortised cost measurement

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

vi. Fair value measurement

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

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

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

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

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

vii. Fair value measurement

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

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

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

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

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

viii. Identification and measurement of impairment

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

Objective evidence that financial assets are impaired includes:

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

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

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

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

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

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

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

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

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

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

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

ix. Designation at fair value through profit or loss

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

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

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

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

(h) Cash and cash equivalents

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

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

(i) Loans and advances

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

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

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

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

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

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

(j) Investment securities

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

(i) Held-to-maturity

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

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

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

- o 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;
- o Sales or reclassifications after the Bank has collected substantially all of the asset's original principal; and
- o Sale or reclassifications that are attributable to non-recurring isolated events beyond the Bank's control that would not have been reasonably anticipated.

(ii) Fair value through profit or loss

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

(iii) Available-for-sale

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

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

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

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

(k) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

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

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

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

(i) Intangible assets

Computer software

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

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

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

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

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

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

(l) Impairment of non-financial assets

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

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

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

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

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

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

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

(m) Deposits

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

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

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

(n) Provisions

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

(i) Restructuring

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

(ii) Onerous contracts

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

(o) Financial guarantees

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

(p) Employee benefit

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

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

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

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

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

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

(iv) Termination benefits

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

(q) Share capital and reserves

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

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

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

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

(v) Statutory loan loss reserves

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

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

(r) Earnings per share

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

Notes to the Financial Statements (continued)

6. Significant accounting policies (continued)

(s) Segment reporting

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

7. Operating segments

Business segmentation

The Bank operates three main business segments:

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

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

3) Money Transfer - Incorporating money transfers between jurisdictions.

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

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

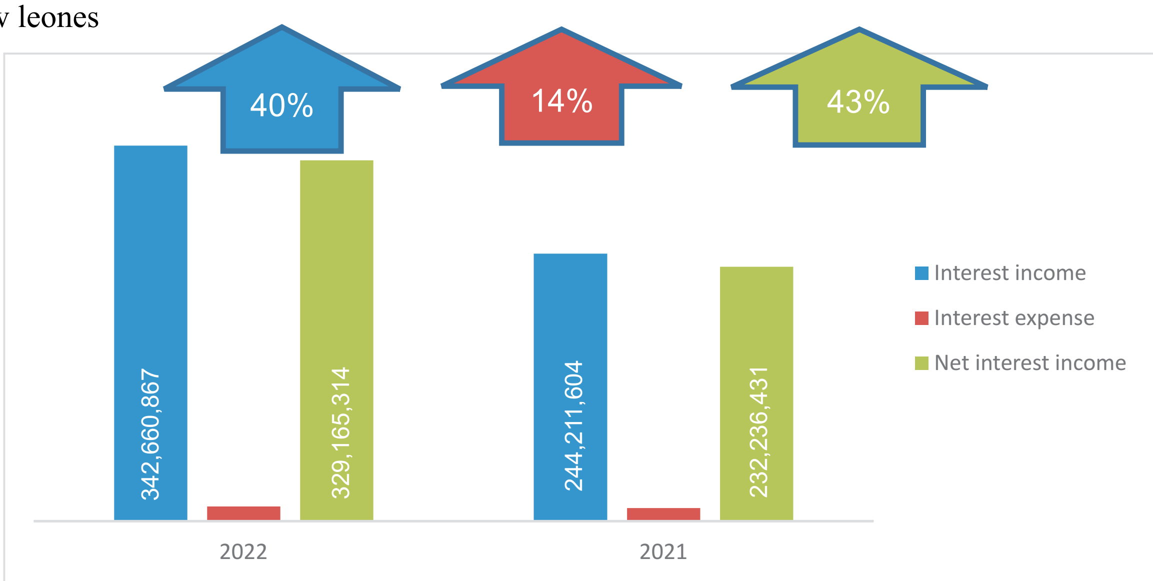
Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balances in the statement of financial position, but exclude items such as taxation and borrowings.

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

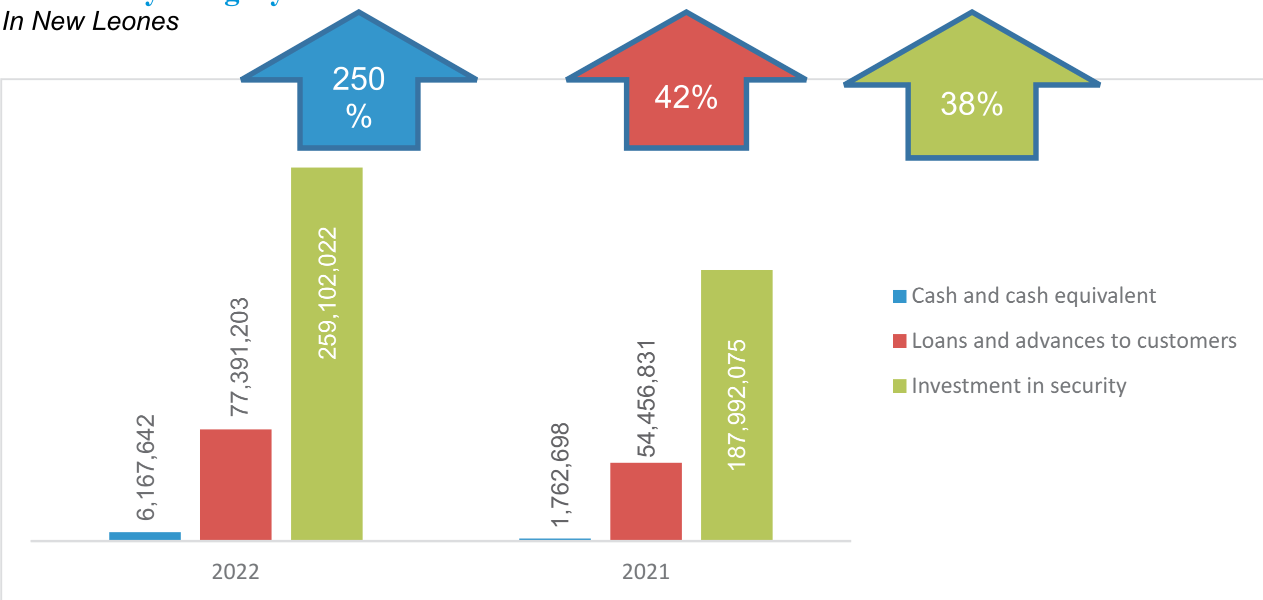
Notes to the financial statements (continued)

8. Net interest income

Net interest income
In new leones



Revenue by category
In New Leones



In new Leones	**2022**	2021
(a) Interest income:		
Interest income from		
Cash and cash equivalents	**6,167,642**	1,762,698
Loans and advances to customers	**77,391,203**	54,456,831
Investment securities	**259,102,022**	187,992,075
Total interest income	**342,660,867**	244,211,604

The Le259.10 million (2021: Le187.99 million) from interest on investment securities relates to interests earned on Government Securities.

Notes to the financial statements (continued)

8. Net interest income (continued)

(b)	**Interest expense**	**2022**	2021
	Interest expenses on Deposits from customers	**(13,495,553)**	(11,975,173)
	Total interest expense	**(13,495,553)**	(11,975,173)
	Net interest income	**329,165,314**	232,236,431

9. Fee and commission income

See accounting policy in note 6(c)

In New Leones	**2022**	2021
Credit related fees and commission	**5,849,865**	4,187,661
Trade finance and other fees	**18,483,532**	13,866,590
Commission on turnover	**34,412,578**	18,867,699
Total fee and commission income	**58,745,975**	36,921,950
Fees and commission expense		
Fees and commission paid	**(1,176,070)**	(1,793,139)
Net fees and commission income	**57,569,905**	35,128,811

Performance obligation and revenue recognition policies

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

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

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

Notes to the financial statements (continued)

9. Fee and commission income (continued)

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

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

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

10. Net trading (expense)/income

See accounting policy in note 6(d)

In New Leones	**2022**	2021
Foreign exchange (loss)/gains	**(7,763,346)**	16,036,417

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

11. Other operating income

In New Leones	**2022**	2021
Rent received	**160,278**	401,013
Sundry income	**5,258**	20,350
Total operating income	**165,536**	421,363

12. Personnel expenses

See accounting policy in note 6(p)

In New Leones	**2022**	2021
Salaries and allowances	**90,898,667**	71,634,865
Compulsory social security obligations	**5,068,264**	3,786,899
Expenses related to post-employment:		
Current service cost	**3,941,130**	3,518,844
Interest cost	**7,844,762**	8,013,301
Other employee costs`	**21,422,317**	8,283,174
Total personal expenses	**129,175,140**	95,237,083

Other employee benefits

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

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

Notes to the financial statements *(continued)*

(i) Movement in net defined benefit liability

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

In New Leones	**2022**	2021
Liability at 1 January	**55,839,798**	53,107,724
Expense recognized in profit or loss and other comprehensive income		
Current service cost	**3,941,130**	3,518,844
Interest on obligation	**7,844,762**	8,013,301
Past service (credit)/cost	**-**	(7,557,335)
	11,785,892	3,974,810
Included in other comprehensive income		
Actuarial (gain) loss	**4,643,290**	1,624,796
	4,643,290	1,624,796
Other		
Recovery from provident fund contribution/(recovered)	**-**	-
Benefits paid by the plan	**(3,539,547)**	(2,867,532)
	(3,539,547)	(2,867,532)
Liability at 31 December	**68,729,433**	55,839,798

(ii) Movement in plan assets

In New Leones	**2022**	2021
Fair value of plan assets at the beginning of the reporting period	**-**	-
Contribution paid into the plan	**4,643,290**	2,867,532
Benefits paid by the plan	**(4,643,290)**	(2,867,532)
Actuarial (losses)/gains	**-**	-
Expected return on plan assets	**-**	-
Fair value of plan assets at the end of the reporting period	**-**	-

13. Operating expenses

13.1 Depreciation and amortisation

In New Leones	**2022**	2021
Depreciation and amortization	**27,065,505**	6,243,145

Notes to the financial statements (continued)

13.2 Other operating expenses

In New Leones	**2022**	2021
Audit fees	**640,000**	480,000
Legal and professional fees	**980,863**	1,433,196
Property costs	**17,973,329**	17,272,864
Computer costs	**22,768,805**	18,209,346
Communications	**12,232,401**	6,586,704
Travel	**5,697,002**	9,076,409
Directors' fees	**2,378,594**	2,216,643
General administrative expenses	**21,602,184**	15,905,240
Others	**28,409,921**	11,491,429
Total operating expenses	**112,683,099**	82,671,831

Included in the above costs is non-executive directors' remuneration of Le 2.3 million (2021 Le 2.2 million).

14. Net impairment loss

14.1 Net impairment loss

In New Leones	**2022**	2021
This comprises:		
New provisions on loans and advances	**12,731,049**	11,309,349
Due from other bank provision	**178,601**	13,061
Guarantees provision	**-**	64,748
Write off	**4,748,364**	-
Recovery of amounts previously written off	**(1,444,855)**	(422,640)
Total	**16,213,159**	10,964,518

14.2. Advances written off

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

In New Leones	**2022**	2021
Long outstanding loan balances	**4,748,365**	-
Balance at year end	**4,748,365**	**-**

15. Earnings per share

In New Leones	**2022**	2021
Profit attributable to equity holders of the Bank	**69,484,024**	65,814,471
Weighted average number of ordinary shares in issue	**91,485,287,000**	91,485,287,000
Basic earnings per share (expressed in Leones per share)	**0.00076**	0.00071

Basic

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

Notes to the financial statements (continued)

Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Bank had no category of dilutive potential ordinary shares as at 31 December 2022; hence diluted and basic earnings per share are the same.

16. Taxation

See accounting policy in note (6(f)

Income tax expense

Recognised in the statement of comprehensive income

In New Leone	**2022**	2021
(a) **Current tax expense:**		
Current year charge at 25%	**23,099,170**	24,444,152
Deferred tax expense		
Origination and reversal of temporary Differences	**1,417,312**	(1,552,178)
Total income tax expense	**24,516,482**	22,891,974

(b) Reconciliation of effective tax rate

In New Leones	**2022**	2021
Profit before income tax	**94,000,506**	88,706,445
Income tax using the corporation tax rate	**23,500,127**	22,176,611
Reconciliation of opening position		
Tax impact of permanent difference:		
Deferred tax adjustment due to change in tax rate	**-**	-
Tax exempt income	**(40,070)**	(100,253)
Non deductible expanses	**1,175,230**	895,611
Tax inventives	**(118,805)**	(79,995)
Total income tax expense in the income statement	**24,516,482**	22,891,974

(c) *Deferred tax account* *In New Leones*	**2022**	2021
Balance brought forward	**(16,275,980)**	(14,317,603)
Charge/(credit) for the year	**1,417,312**	(1,552,178)
Tax on a ctuarial gain	**(1,160,823)**	(406,199)
Balance at end of year	**(16,019,491)**	(16,275,980)

Notes to the financial statements (continued)

16. Taxation (continued)

(d) Current tax (assets)/liabilities

In New Leones	**2022**	2021
Balance at 1 January	**1,439,633**	413,096
Charge for the year	**23,099,170**	24,444,152
Income tax paid	**(27,851,003)**	(23,417,615)
Balance at end of year	**(3,312,200)**	1,439,633

Notes to the financial statements *(continued)*

16. Taxation *(continued)*

(e) Deferred tax asset and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In New Leones	**2022** Asset	**2022** Liabilities	**2022** Net	2021 Asset	2021 Liabilities	2021 Net
Property, plant and Equipment	**-**	**7,008,328**	**7,008,328**	-	3,665,643	3,665,643
Employee benefit	**(24,098,901)**	**-**	**(24,098,901)**	(22,037,314)	-	(22,037,314)
Actuarial gain tax	**-**	**892,556**	**892,556**	-	2,053,379	2,053,379
Allowance on loan Losses	**160,065**	**-**	**160,065**	23,851	-	23,851
Exchange gains/ (loss)unrealized	**18,458**	**-**	**18,458**	18,458	-	18,458
Tax loss	**-**	**-**	**-**	-	-	-
Unrecognized deferred tax asset		**-**	**-**		-	-
Net tax (asset)/Liabilities	**(23,920,378)**	**7,900,884**	**(16,019,494)**	(21,995,005)	5,719,022	(16,275,983)

Movement in temporary differences during the year

In New Leones	**Opening Balance**	**Recognised in profit and loss**	**Recognised in equity**	**Closing Balance**
2022				
Property, plant and Equipment	**3,665,643**	**3,342,685**	**-**	**7,008,328**
Employee benefit	**(22,037,314)**	**(2,061,586)**	**-**	**(24,098,900)**
Allowance on loan Losses	**23,851**	**136,213**	**-**	**160,064**
Foreign exchange loss	**18,458**	**-**	**-**	**18,458**
Tax loss carry forward	**-**	**-**	**-**	**-**
Actuarial gains	**2,053,379**	**-**	**(1,160,823)**	**892,556**
Total	**(16,275,983)**	**1,417,312**	**(1,160,823)**	**(16,019,494)**

Notes to the financial statements *(continued)*

16. Taxation *(continued)*

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

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

Derecognition of deferred tax assets of Le Nil (2021: Le Nil) is based on management's profit forecasts (which are based on the available evidence, including historical levels of profitability), which indicates that it is probable that the Bank will have future taxable profits against which these assets can be utilised.

17. Financial assets and financial liabilities

a. Classification of financial assets and financial liabilities

31 December 2022	**Mandatorily at FVTPL**	**Designated as at FVTPL**	**FVOCI debt instruments**	**FVOCI equity instruments**	**Amortised Cost**	**Total Carrying Amount**
Cash and cash equivalent	-	-	-	-	**449,361,454**	**449,361,454**
Loans and advances to customers measured at amortised cost	-	-	-	-	**493,142,764**	**493,142,764**
Investment securities at measured amortised cost	-	-	-	-	**1,145,783,202**	**1,145,783,202**
Placement measured at amortised cost	-	-	-	-	**674,521,399**	**674,521,399**
Investment securities at fair value	-	-	-	**800,000**	-	**800,000**
Total financial assets	-	-	-	**800,000**	**2,762,808,819**	**2,763,608,819**
Deposit from customers	-	-	-	-	**2,351,733,068**	**2,351,733,068**
Total financial liabilities	-	-	-	-	**2,351,733,068**	**2,351,733,068**

Notes to the financial statements *(continued)*

17. Financial assets and financial liabilities *(continued)*

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

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

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

Notes to the financial statements *(continued)*

18. Cash and cash equivalents

See accounting policy in note 6(h)

In New Leones	**2022**	2021
Cash in hand	**116,658,925**	77,766,127
Balance with the Central Bank	**101,683,034**	132,361,022
Balances with other banks (Nostros)	**231,017,172**	94,985,922
Items in clearing from other banks	**2,323**	127,398
Cash and cash equivalents included in the statement of cash flows	**449,361,454**	305,240,469

Balances with the Central Bank are non-interest bearing.

19. Loans and advances to customers

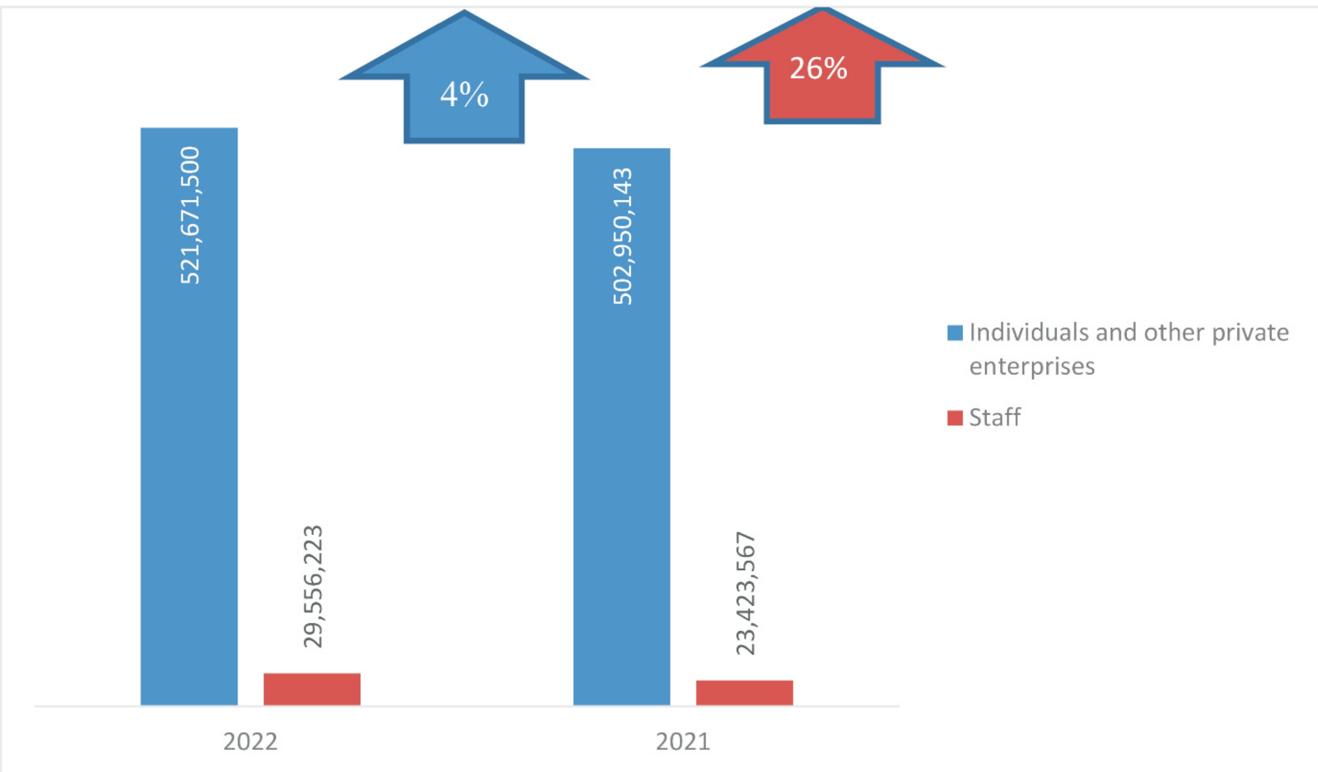
See accounting policy in note 6(i)

a. **Loans and advances to customers at amortized costs**

In New Leones	**2022**	2021
Loans and advances to customers at amortized costs	**493,142,764**	479,875,897
	493,142,764	479,875,897

b. **Analysis by type of customer**

In New Leones



Notes to the financial statements *(continued)*

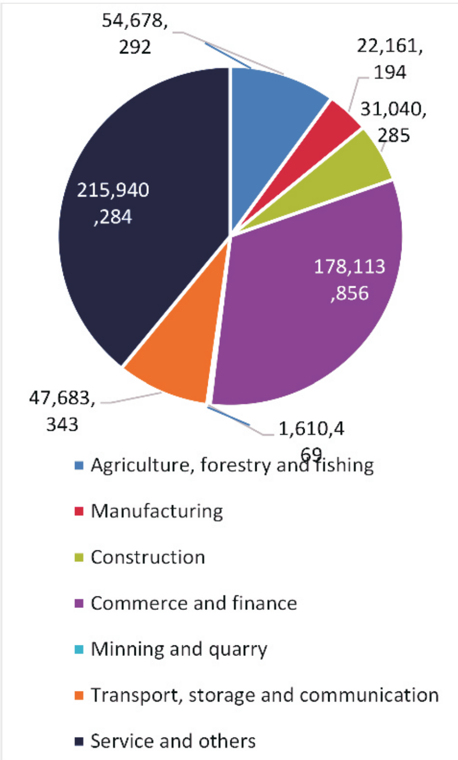
19. Loans and advances to customers *(continued)*

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

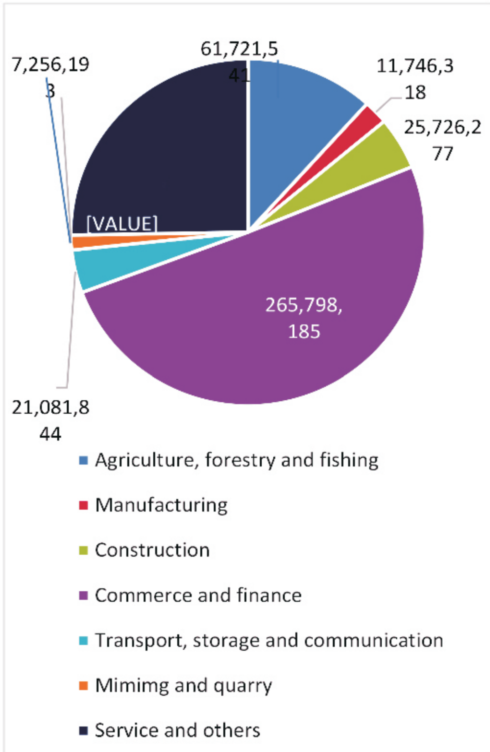
In New Leone	**2022**	2021
Individuals and other private enterprises	**521,671,500**	502,950,143
Staff	**29,556,223**	23,423,567
Gross loans and advances	**551,227,723**	526,373,710
Less:		
Interest on classified debts	**(530,782)**	(3,972,892)
ECL allowances for impairment	**(48,702,274)**	(41,250,370)
Fair value adjustment on staff loan	**(8,851,903)**	(1,274,551)
Net loans and advances	**493,142,764**	479,875,897

c. Analysis by sector

2022



2021



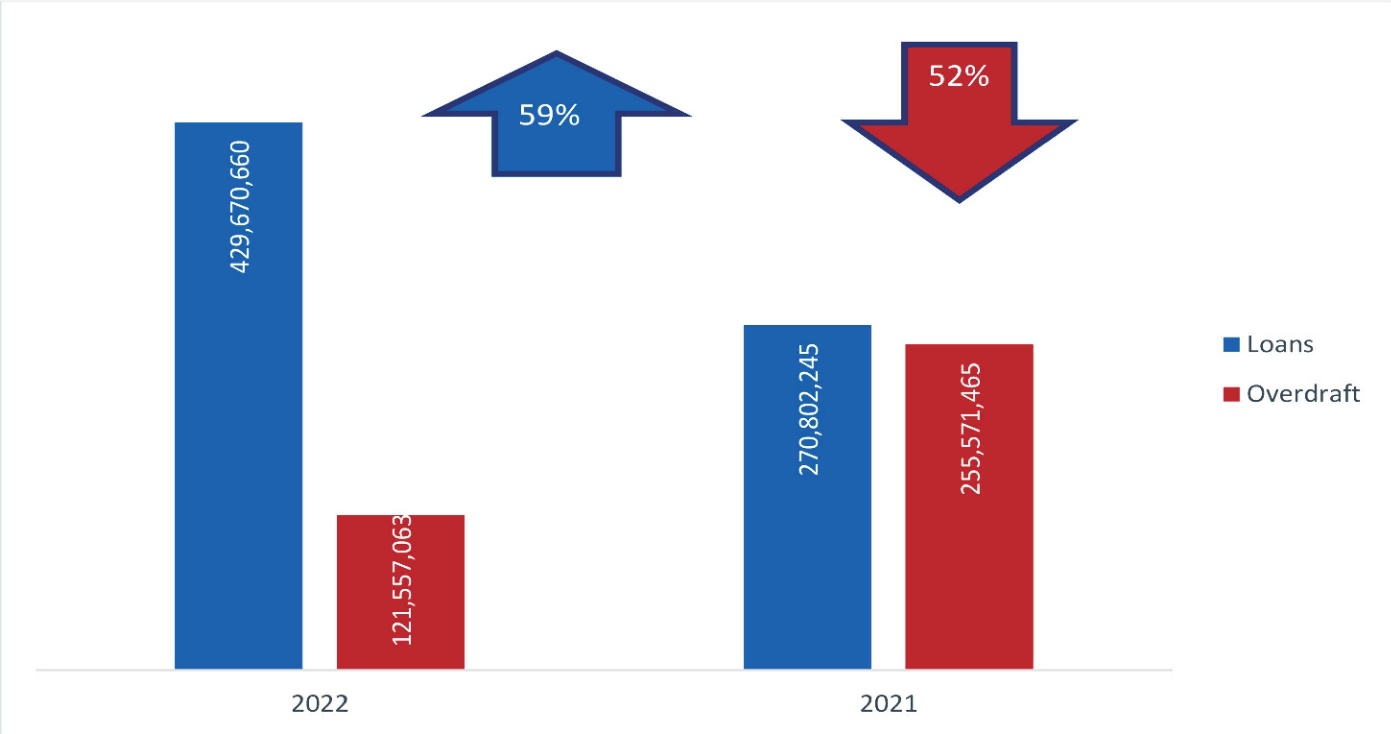
In New Leones	**2022**	2021
Agriculture, forestry and fishing	**54,678,292**	61,721,541
Manufacturing	**22,161,194**	11,746,318
Construction	**31,040,285**	25,726,277
Commerce and finance	**178,113,856**	265,798,185
Transport, storage and communication	**47,683,343**	21,081,844
Mining and Quarry	**1,610,469**	7,256,193
Service and others	**215,940,284**	133,043,352
	551,227,723	526,373,710
Less:		
Interest on classified debt	**(530,782)**	(3,972,892)
Allowance for impairment	**(48,702,274)**	(41,250,370)
Fair value adjustment on staff loan	**(8,851,903)**	(1,274,551)
Net loans and advances	**493,142,764**	479,875,897

Notes to the financial statements *(continued)*

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

d. Type of advance

In New Leones



In New Leones	**2022**	2021
Loans	**429,670,660**	270,802,245
Overdrafts	**121,557,063**	255,571,465
	551,227,723	526,373,710
Less:		
Interest on classified debt	**(530,782)**	(3,972,892)
Allowances for impairment	**(48,702,274)**	(41,250,370)
Fair value adjustment on staff loan	**(8 851,903)**	(1,274,551)
Net loans and advances	**493,142,764**	479,875,897

Notes to the financial statements *(continued)*

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

e. Loans and advances to customers at amortised cost

	2022					2021				
***Retail* customers:**	**Gross Amount**	**Fair value adjustment**	**Interest on classified debt**	**ECL allowance**	**Carrying amount**	Gross Amount	Fair value adjustment	Interest on classified debt	ECL Allowance	Carrying amount
In New Leones										
Personal loans	**194,285,413**	**-**	**-**	**(17,177,266)**	**177,108,147**	30,418,160	-	-	(2,541,670)	27,876,490
Staff loans	**29,556,223**	**-**	**-**	**(72,816)**	**29,483,407**	23,423,567	-	-	(63,611)	23,359,956
Corporate Customer:										
Interest on Classified debt	**-**	**-**	**(530,782)**	**-**	**(530,782)**	-	-	(3,972,892)	-	(3,972,892)
Short- and long-term loan lending	**327,386,087**	**-**	**-**	**(31,452,192)**	**294,933,895**	472,531,983	-	-	(38,645,089)	433,886,894
	551,227,723	**-**	**(530,782)**	**(48,702,274)**	**501,994,667**	526,373,710	-	(3,972,892)	(41,250,370)	481,150,448
Deferred Facility Income	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
Fair value Adjustment on staff loan	**-**	**(8,851,903)**	**-**	**-**	**(8,851,903)**	-	(1,274,551)	-	-	(1,274,551)
	551,227,723	**(8,851,903)**	**(530,782)**	**(48,702,274)**	**493,142,764**	526,373,710	(1,274,551)	(3,972,892)	(41,250,370)	479,875,897

Notes to the financial statements *(continued)*

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

f. Allowances for impairment

In New Leones	**2022**	2021
Specific allowance for impairment		
Balance at 1 January	**33,658,749**	27,222,292
Loan recoveries	**-**	-
Impairment losses for the year:		
Charge for the year	**11,831,049**	10,409,349
Others/(write-offs)	**(4,748,364)**	-
Interest on classified debt	**(530,782)**	(3,972,892)
Balance at 31 December	**40,210,653**	33,658,749
General allowances for impairment		
Balance at 1 January	**7,591,621**	6,691,621
Impairment losses for the year:		
Charge/(reversal) for the year	**900,000**	900,000
Balance at 31 December	**8,491,621**	7,591,621
Grand total	**48,702,274**	41,250,370

g. Allowances for impairment

In New Leones	**2022**	2021
Movement in allowance forimpairment		
Balance at 1 January	**41,250,370**	33,913,913
Impairment losses for the year:		
Provision for loan impairment	**-**	-
Others/(write-offs)	**(4,748,364)**	-
Loan recoveries	**-**	-
Interest on classified debts	**(530,781)**	(3,972,892)
Charge/(reversal) for the year	**12,731,049**	11,309,349
Balance at 31 December	**48,702,274**	41,250,370

Notes to the financial statements *(continued)*

20. Investment securities

See accounting policy in note 6(j)

	2022	2021
Held at amortised cost	**1,144,983,201**	1,091,161,139
Measured at FVOCI	**800,000**	800,000
Investment Securities	**1,145,783,202**	1,091,961,139

	2022	2021
a. *Measured at amortised cost*		
Held to maturity investment securities	**1,144,983,201**	1,091,161,139
Other eligible bills (treasury bearer bonds)	-	-
For sale assets recognised in equity	**-**	-
Measured at amortised cost	**1,144,983,201**	1,091,161,139

(Held to collect cash /
(Held to maturity investment securities)

In New Leones	2022	2021
Government treasury bills	**1,144,983,201**	1,091,161,139
Impairment allowance	**-**	-
Investment securities	**1,144,983,201**	1,091,161,139

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

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

	2022	2021
b. **Ordinary shares**		
Measured at FVOCI / measured at cost		
First Discount House Limited	**450,000**	450,000
Capital Discount house	**350,000**	350,000
	800,000	800,000
Grand total	**1,145,783,202**	1,091,961,139

At 1January 2022 the bank designated certain investment shown in table (b) above as equity investment securities at FVOCI. In 2022 these investments were classified as available-for-sale and measured at cost. FVOCI were made because the investments are expected to be held for the long term or for strategic purposes.

21. Due from other banks

	2022	2021
Placement with other banks	**674,700,000**	220,662,500
ECL allowance	**(178,601)**	(13,061)
Total	**674,521,399**	220,649,439

This balance i ncludes balances with bank s outside Sierra Leone in United States Dollars with a maturity greater than 3 months.

22. Property, plant and equipment

See accounting policy in note 6(k)

In New Leones	Office Premises	Computer equipment	Furniture and fittings	Motor vehicles	Other equipment	Right of use assets	Total
Cost							
Balance at 1 January 2021	30,395,550	3,180,824	1,987,589	5,793,590	14,196,586	6,490,998	62,045,137
Additions	-	1,057,350	767,380	235,200	5,107,016	-	7,166,946
Balance at 31 December 2021	30,395,550	4,238,174	2,754,969	6,028,790	19,303,602	6,490,998	69,212,083
Balance at 1 January 2022	**30,395,550**	**4,238,174**	**2,754,969**	**6,028,790**	**19,303,602**	**6,490,998**	**69,212,083**
Revaluation	**247,213,822**	**-**	**-**	**-**	**-**	**-**	**247,213,822**
Additions	**-**	**369,800**	**889,600**	**4,148,844**	**4,985,753**	**-**	**10,393,997**
Balance at 31 December 2022	**277,609,372**	**4,607,974**	**3,644,569**	**10,177,634**	**24,289,355**	**6,490,998**	**326,819,902**
Accumulated depreciation and impairment losses							
Balance at 1 January 2021	1,522,768	1,841,445	635,672	3,504,846	6,757,999	1,095,694	15,358,424
Depreciation for the year	582,388	799,027	458,501	1,034,461	2,863,116	505,652	6,243,145
Balance at 31 December 2021	2,105,156	2,640,472	1,094,173	4,539,307	9,621,115	1,601,346	21,601,569
Balance at 1 January 2022	**2,105,156**	**2,640,472**	**1,094,173**	**4,539,307**	**9,621,115**	**1,601,346**	**21,601,569**
Depreciation for the year	**4,724,559**	**812,280**	**581,707**	**1,636,753**	**3,427,881**	**505,653**	**11,688,833**
Balance at 31 December 2022	**6,829,715**	**3,452,752**	**1,675,880**	**6,176,060**	**13,048,996**	**2,106,999**	**33,290,402**
Carrying amounts							
Balance at 31 December 2021	28,290,394	1,597,702	1,660,796	1,489,483	9,682,487	4,889,652	47,610,514
Balance 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**

There are no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year (2021: nil).

Freehold properties were revalued by Acepro Partnership, a property valuation expert. This appraisal was made on the 30th 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 statements.

Notes to the financial statements *(continued)*

23. Intangible assets

In New Leones	**2022**	2021
Cost		
Balance as at 1 January	**-**	-
Addition	**76,883,359**	-
Balance as at 31 December	**76,883,359**	-
Accumulated amortization		
Balance as at 1 January	**-**	-
Charge for the year	**15,376,672**	-
At 31 December	**15,376,672**	-
Carrying value		
Balance as at 31 December	**61,506,687**	-

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

24. Other assets

In New Leones	**2022**	2021
Bills receivable	**64,138**	2,250
Other receivable and prepayments	**64,871,592**	94,905,683
Accrued receivables	**24,315,259**	5,783,283
	89,250,989	100,691,216

25. Deposits from banks

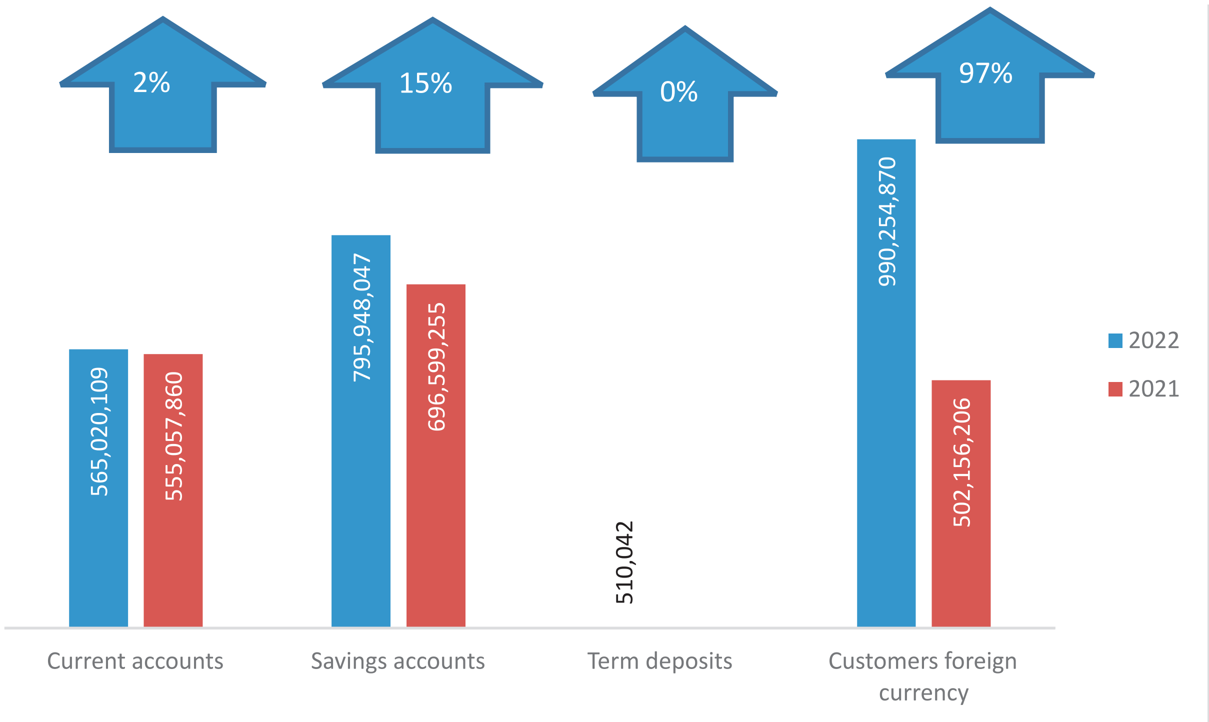
In New Leones	**2022**	2021
Other deposits from banks	-	-

Notes to the financial statements *(continued)*

26. Deposits from customers

See accounting policy in note 6(m)

Deposits from customers
In New Leones



Deposits from customers

In New Leones	**2022**	2021
Retail Customers:		
Current accounts	**565,020,109**	555,057,860
Savings accounts	**795,948,047**	696,599,255
Term deposits	**510,042**	-
Customer's foreign currency funds	**990,254,870**	502,156,206
Total deposits	**2,351,733,068**	1,753,813,321

Deposits from customers are expected to be settled in more than 12 months after 31 December 2022 is Le nil (2021: Le Nil).

Notes to the financial statements *(continued)*

27. Other liabilities

In New Leones	**2022**	2021
Sundry creditors	**204,825,795**	157,262,429
Accrued interest	**2,239,479**	2,497,926
Unpaid dividend	**15,935,428**	4,318,093
Defined benefit plan	**68,729,433**	55,839,798
	291,730,135	219,918,246

28. Defined benefit obligation

See accounting policy in note 6(p)

In New Leones	**2022**	2021
Present value of unfunded obligation	**68,729,433**	55,839,798
Present value of funded obligation	**-**	-
Total present value of obligation	**68,729,433**	55,839,798
Fair value of plan assets		
Present value of net obligation		
Unrecognised actuarial losses		
Recognised liability for defined benefit obligation	**68,729,433**	55,839,798

Plan assets consist of the following:	**2022**	2021
Equity securities	**-**	-
Government bonds	**-**	-
Property occupied by the Bank	**-**	-
Bank's own ordinary shares	**-**	-
Liability for defined benefit obligation	**68,729,433**	55,839,798

Movement in the present value of defined benefit obligation

Liability at beginning of the period	**55,839,798**	53,107,724
Actuarial (gain)/loss	**4,643,290**	1,624,796
Benefit paid by the plan	**(3,539,547)**	(2,867,532)
Current service cost	**3,941,130**	3,518,844
Interest cost	**7,844,762**	8,013,301
Past service cost	**-**	(7,557,335)
Liability for defined benefit obligation	**68,729,433**	55,839,798

Key valuation assumptions

Summary of economic assumption

Basis item	**31 December 2022**	31 December 2021
Discount rate	**26%**	14%
Salary inflation	**24%**	12%
Nominal Inflation gap	**2%**	2%
Effective salary inflation gap	**1.61%**	1.79%

Notes to the financial statements (continued)

28. Defined benefit obligation (continued)

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

Discount rate

Sierra Leone does not have a deep and liquid market in corporate bonds, so government bond yields was applied. In addition, there are no treasury bonds with duration longer than 1 year. The treasury bonds with 1 year duration have had an average yield of 26.11% p.a. over the past twelve months i.e. January 2022 to December 2022 as published by the Bank of Sierra Leone. http://www.bsl.gov.sl/Treasury_Bills.html.

Salary inflation

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

However, the information relating to yield curves is not available. Consequently, we have used 12-months average inflation rate of 23.75% as published by the Bank of Sierra Leone and Statistics Sierra Leone for the period between November 2021 to October 2022.

We therefore assumed that the long-term salary inflation rate to be Inflation rate plus 0.25%.

Demographic assumption

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

Retiring age

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

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

Mortality rates

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

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

29. Share capital

See accounting policy in note 6(q)

In New Leones	**2022**		2021	
Authorised share capital	**No. of shares In Thousand**	**Proceeds Le**	No. of shares In Thousand	Proceeds Le
Ordinary shares of Le0.001 each				
Balance at 1 January	**100,000,000**	**100,000,000**	100,000,000	100,000,000
Balance at 31 December	**100,000,000**	**100,000,000**	100,000,000	100,000,000

Notes to the financial statements *(continued)*

29. Share capital *(Continued)*

Issued share capital

Ordinary shares of Le 0.001 each

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

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

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

In Thousand	**No. of shares**	**2022 %**	No. of shares	2021 %
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
	91,485,287	**100**	91,485,287	100

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

30. Share premium

See accounting policy in note 6(q)

In New Leones	**2022**	2021
Balance as at 1 January	**-**	10,972,040
Transferred to share capital	**-**	(10,972,040)
Balance at 1 January and 31 December	**-**	-

31. Reserves and retained earnings

In New Leones	**2022**	2021
Capital reserve 31 (a)	**264,770,404**	17,556,582
Statutory reserves 31(b)	**113,358,440**	95,987,434
Other reserves 31(d) (ii)	**811,446**	4,293,913
Statutory loan loss reserves 31(d) (i)	**-**	-
Total reserve as at 31 December	**378,940,290**	117,837,929

(a) Capital reserves

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

(b) Statutory reserves

In accordance with Section 30 of the 2019 Banking Act of Sierra Leone the Bank is to maintain a statutory reserve account into which transfers from the net profit of the Bank's should be made. A transfer of Le 17.3 million was made in 2022 (2021: Le16.4 million) as the Bank's reserve funds is more than fifty percent but less than one hundred percent of its paid-up capital fund, an amount which shall not be less than 25% of its current year profit after tax.

Notes to the financial statements *(continued)*

In New Leones	**2022**	2021
Balance at 1 January	**95,987,434**	79,533,817
Transfer from net profits	**17,371,006**	16,453,617
Balance at 31 December	**113,358,440**	95,987,434

(c) **Fair value reserve**

In New Leones	**2022**	2021
Treasury bills provision	-	-
Balance at 31 December	- -	-

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

(d) **Other reserves**

(i) **Statutory loan loss reserve**

In New Leones	**2022**	2021
Balance 1 January	-	-
Transfer (to)/from retained earnings Note (31(e)	-	
	-	-

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

(ii) **Others**

In New Leones	**2022**	2021
At 1 January	**4,293,913**	5,512,510
Actuarial gain/(loss)	**(4,643,290)**	(1,624,796)
Taxation thereof	**1,160,823**	406,199
At 31 December	**811,446**	4,293,913

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

In New Leones	**2022**	2021
At 1 January	**77,810,238**	44,161,846
Net profit for the year	**69,484,024**	65,814,471
	147,294,262	109,976,317
Dividends	**(17,384,350)**	(11,436,953)
Transfer to statutory reserves	**(17,371,006)**	(16,453,617)
Transfer to shares	**-**	(4,275,509)
At 31 December	**112,538,906**	77,810,238

Notes to the financial statements (continued)

32. Contingencies and commitments

The Bank, in its ordinary course of business, is presently involved in 1 case as a defendant and 13 cases as a plaintiff. The total amount claimed in the 1 case against the Bank is estimated at Le8 million, while the total amount claimed in the 13 cases instituted by the Bank is Le27.14 million.

However, the legal adviser of the Bank is of the view that the cases which may result to liability to the bank is zero.

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

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

In New Leones	**2022**	2021
Customs and other guarantees	**14,605,095**	35,729,394
Letters of credits	**-**	-
	14,605,095	35,729,394

33. Capital commitment

Commitment for share capital requirement at 31 December 2022 amounted to Le Nil (2021: Le Nil million).

34. Related party disclosures

Related parties transactions

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

In New Leones	**2022**	2021
Loans and overdrafts to Management and Directors		
Outstanding at 1 January	**6,684,590**	2,575,572
New loans given	**9,967,856**	4,867,800
Repaid during the year	**(736,190)**	(758,782)
Outstanding at 31 December	**15,916,256**	6,684,590

Director Remuneration		
Executive directors' remuneration	**5,895,641**	4,948,579
Non-executive directors' fees	**2,378,594**	2,091,723
	8,274,235	7,040,302

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

35. Subsequent events

There were no events after the reporting period which could have a material effect on the financial position of the company as at 31 December 2022 and profit attributable to equity holders is disclosed in the financial statements. The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report which would require adjustment or disclosure.

36. Financial Risk Review and management

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

Notes to the financial statements (continued)

36. Financial Risk Review and Management (continued)

Risk management framework

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

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

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

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

(a) Credit risk

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

Management of credit risk

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

- Formulating credit policies covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- Establishing the authorisation structure for the approval and renewal of credit facilities. All facilities require the prior approval of the Bank's Executive Committee. Larger facilities require approval by the Board of Directors as appropriate.

- Reviewing and assessing credit risk. The Bank's Executive Committee assesses all credit exposures, prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process.

- Limiting concentrations of exposure to counterparties and industries (for loans and advances).

Notes to the financial statements (continued)

36. Financial Risk Review and Management (continued)

(a) Credit risk (continued)

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

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

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

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

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

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

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

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

(i) Credit quality analysis

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

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

Notes to the financial statements *(continued)*

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

(a) Credit risk *(continued)*

	2022				
Loans and advances to customers at amortised cost	***Stage1 or 12 months***	***Stage2/lifetime ECL not credit impaired***	***Stage 3 or lifetime credit impaired***	***Purchase credit impaired***	***Total***
Grade 1-6 Low-fair risk	496,954,110	-	-	-	496,954,110
Grade 7-9 Higher risk	-	-	-	-	-
Grade 10 Standard	-	8,793,817	-	-	8,793,817
Grade 11 Doubtful	-	45,479,796	-	-	45,479,796
Grade 12 Loss	-	-	-	-	-
Total gross amount	496,954,110	54,273,613	-	-	551,227,723
Allowance for impairment	(21,324,234)	(27,378,040)	-	-	(48,702,274)
Other value adjustment	(8,851,903)	-	-	-	(8,851,903)
Interest on classified loan	-	(530,782)	-	-	(530,782)
Carrying amount	466,777,973	26,364,791	-	-	493,142,764

	2022				
Debt investment securities at amortised cost	***Stage1 or 12months***	***Stage 2/lifetime ECL not credit impaired***	***Stage 3 or lifetime credit impaired***	***Purchase Credit impaired***	**Total**
Grades 1-6 low – fair risk	1,145,783,202	-	-		1,145,783,202
Carrying amount	1,145,783,202	-	-		1,145,783,202

	2022				
Loan commitments	***Stage1 or 12months***	***Stage2/lifetime ECL not credit impaired***	***Stage 3 or lifetime credit impaired***	**Purchase credit impaired**	**Total**
Grades1-6 low fair risk	14,605,095	-	-	-	14,605,095
Allowance for impairment	-	-	-	-	-
Carrying Amount	14,605,095	-	-	-	14,605,095

Notes to the financial statements *(continued)*

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

(a) Credit risk *(continued)*

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

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

			2021		
Loan commitments	*Stage1 or12 months*	*Stage2/lifetime ECL not credit impaired*	*Stage 3 or lifetime credit impaired*	*Purchase credit impaired*	*Total*
Grades1-6 low fair risk	35,729,394	-	-	35,729,394	35,729,394
Less allowance for impairment	(64,747)	-	-	(64,747)	(64,747)
Carrying Amount	35,664,647	-	-	35,664,647	35,664,647

Notes to the financial statements (continued)

36. Financial Risk Review and Management (continued)

(a) Credit risk (continued)

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

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

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

The Bank typically does not hold collateral against investment securities.

Residential mortgage lending

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

Loans secured against property

Loans secured against property	2022	2021
Loans to value (LTV) ratio		
Less than 50%	**242,458,157**	302,518,632
51% to 70%	**25,520,022**	15,461,843
71% to 90%	**125,439,972**	7,163,981
91% to 100%	**97,018,711**	103,941,134
More than 100%	**60,790,860**	97,288,120
Total	**551,227,722**	526,373,710

Credit impaired loans	2022	2021
Less than 50%	**-**	5,903,155
51-70 %	**-**	-
More than 70%	**-**	-
Total	**-**	5,903,155

Loans and advances to customers

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

Notes to the financial statements (continued)

36. Financial Risk Review and Management (continued)

(a) Credit risk (continued)

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

Other types of collateral and credit enhancements

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

Assets obtained by taking possession of collateral

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

Loans and advances to customers

In New Leones	**2022**	2021
Property	**660,391,722**	408,650,000
Other	**6,254,578**	176,784,500
Total	**666,646,300**	585,434,500

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

Notes to the financial statements *(continued)*

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

(a) Credit risk *(continued)*

(III) Concentration of credit risk

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

In New Leones	Loans and advances to customers 31 December 2022	31 December 2021	Investment securities 31 December 2022	31 December 2021	Financial guarantees 31 December 2022	31 December 2021
Carrying amount	**449,361,454**	479,875,897	**1,145,783,202**	1,091,161,139	**14,605,095**	35,664,647
Concentration by type of customer						
Individuals and other private enterprises	**521,671,500**	502,950,143	**1,145,783,202**	1,091,161,139	**14,605,095**	35,664,647
Staff	**29,556,223**	23,423,567	**-**	-	**-**	-
Government	**-**	-	**-**		**-**	-
	551,227,723	526,373,710	**1,145,783,202**	1,091,161,139	**14,605,095**	35,664,647
Concentration by sectors						
Agriculture, forestry and fishing	**54,678,292**	61,721,541	**-**	-	-	-
Manufacturing	**22,161,194**	11,746,318	**-**	-	-	-
Construction	**31,040,285**	25,726,277	**-**	-	**-**	-
Commerce and finance	**178,113,856**	265,798,185	**1,145,783,202**	1,091,161,139	**14,605,095**	35,664,647
Transport, storage and communication	**47,683,343**	21,081,844	**-**	-	**-**	-
Mining and Quarry	**1,610,469**	7,256,193	**-**	-	**-**	-
Services and other	**215,940,284**	133,043,352	**-**	-	**-**	-
	551,227,723	526,373,710	**1,145,783,202**	1,091,161,139	**14,605,095**	35,664,647

Notes to the financial statements (continued)

36. Financial Risk Review and Management (continued)

(a) Credit risk (continued)

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

Significant increase in credit risk

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

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

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

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

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

Credit Risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applies experienced credit judgement.

Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

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

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

Notes to the financial statements *(continued)*

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

(a) Credit risk (continued)

Corporate exposures

- Information obtained during periodic review of customers files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenant quality of management, senior management changes
- Data from credit reference agencies, press articles, changes in external Credit ratings
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities

Retail Exposure

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

All Exposures

- Payment record – this includes overdue status as well as a range of variables about payment ratios
- Utilisation of the granted limit
- Requests for and granting of forbearance
- Existing and forecast changes in business, Financial and economic conditions

Generating the term structure of PD

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

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

Determining whether credit risk has increased significantly

Significant increase in credit risk.

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

Notes to the financial statements (continued)

36. Financial Risk Review and Management (continued)

(a) Credit risk (continued)

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

Modified financial assets

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

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

Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);

- the borrower is more than 90 days past due on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or

- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

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

Notes to the financial statements (continued)

36. Financial Risk Review and Management (continued)

(a) Credit risk (continued)

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

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

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

Incorporation of forward – looking information

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

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

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

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

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

The economic scenarios used as at 31 December 2022 included the following key indicators for Sierra Leone for the years ended 31 December 2022 and 31 December 2021 respectively.

	2022	2021
GDP growth	**Base 2.4%** **Upside 4.8%** **Downside 0.9%**	Base 4.7% Upside 5% Downside 3.2%
Inflation	**Base 20.8%** **Upside 10%** **Downside 24.4%**	Base 11.3% Upside 9% Downside 13.3%
Unemployment rate	**Base 4.6%** **Upside 3%** **Downside 4.9%**	- - -
Industry Non-performing loan	**Base 24.1%** **Upside 23%** **Downside 25.6%**	Base 25.6% Upside 24% Downside 27%

Notes to the financial statements (continued)

36. Financial Risk Review and Management (continued)

(a) Credit risk (continued)

Measurement of ECL

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

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

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

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

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

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

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

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

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

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

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

36. Notes to the financial statements (continued)

(a) Credit risk (continued)

Loans with renegotiated terms

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

Loans and investment debt securities that were due but not impaired

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

(b) Liquidity risk

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

Management of liquidity risk

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

- Maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and wholesale market deposits and maintaining contingency facilities.

- Carrying a portfolio of highly liquid assets, diversified by currency and maturity.

- Monitoring liquidity ratios, maturity mismatches, behavioural characteristics of the Bank's financial assets and financial liabilities, and the extent to which the Bank's assets are encumbered and so not available as potential collateral for obtaining funding.

- Carrying out stress testing of the Bank's liquidity position.

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

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

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

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

Notes to the financial statements (continued)

36. Financial Risk Review and Management (continued)

(b) Liquidity(continued)

Exposure to liquidity risk

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

	2022	2021
	%	%
At 31 December Average for the period	**53**	51
Maximum for the period	**68**	92
Minimum for the period	**39**	11

Notes to the financial statements *(continued)*

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

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

Maturity analysis for financial assets and financial liabilities

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

In New Leones	Note	Carrying Amount	Gross nominal inflow/(outflow)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
31 December 2022								
Financial liability by type								
Non-derivative liabilities								
Deposit from banks	*24*	-	-	-	-	-	-	-
Deposits from customers	*25*	2,351,733,068	2,351,733,068	1,555,274,979	-	796,458,089	-	-
Unrecognized loan commitment		-	-	-	-	-	-	-
		2,351,733,068	2,351,733,068	1,555,274,979	-	796,458,089	-	-
Financial asset by type								
Non-derivative assets								
Cash and bank 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	-	-	-	-
Loans and advances to customers	*19*	449,361,454	449,361,454	-	-	-	449,361,454	-
Investment securities	*20*	1,145,783,202	1,145,783,202	-	-	-	1,145,783,202	-
		2,044,506,110	2,044,506,110	449,361,454	-	-	1,595,144,656	-

Notes to the financial statements *(continued)*

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

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

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

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

Notes to the financial statements (continued)

36. Financial Risk Review and Management (continued)

Maturity analysis for financial assets and financial liabilities (continued)

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

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

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

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

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

In New Leones	**2022**	2021
Financial assets		
Loans and advances to customers	**493,142,764**	479,875,897
Investment securities	**1,145,783,202**	1,091,961,139
Financial liabilities		
Deposits from customers	**2,351,733,068**	1,753,813,321

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

Liquidity reserve
In New Leones

	2022 Carrying Amount	**2022 Fair Value**	2021 Carrying amount	2021 Fair Value
Balances with the Central Bank	**101,683,034**	**101,683,034**	132,361,022	132,361,022
Cash and balances in hand	**116,658,925**	**116,658,925**	77,760,702	77,760,702
Cash and balances with other banks	**231,019,495**	**231,019,495**	95,118,744	95,118,744
Total liquidity reserve	**449,361,454**	**449,361,454**	305,240,468	305,240,468

Notes to the financial statements *(continued)*

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

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

In New Leones

	Encumbered Pledged as Collateral	Other	Unencumbered Available as Collateral	Other	Total
2022					
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**
2021					
Cash and cash Equivalents	-	-	305,240,469	-	305,240,469
Loans and advances	-	-	-	479,875,897	479,875,897
Investment securities	-	-	1,091,961,139	-	1,091,961,139
Due from other banks	-	-	220,649,439	-	220,649,439
Other financial assets	-	95,379,127	-	-	95,379,127
Non-financial assets	-	4,116,050	-	-	4,116,050
Total assets	-	99,495,177	1,617,851,047	479,875,897	2,197,222,121

Financial assets pledged as collateral

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

(c) Market risks

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

Management of market risks

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

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

Notes to the financial statements (continued)

36. Financial Risk Review and Management (continued)

Exposure to market risks – trading portfolios

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

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

Exposure to interest rate risk – non-trading portfolios

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

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

In New Leones

		Market risk measures		
	Note	**Carrying Amount**	**Trading Portfolios**	**Non- trading portfolios**
31 December 2022				
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*	**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**
31 December 2021				
Assets subject to market risk				
Cash and cash equivalents	*18*	305,240,469	-	305,240,469
Loans and advances to Customers	*19*	479,875,897	479,875,897	-
Investment securities	*20*	1,091,961,139	1,091,961,139	-
Due from other banks		220,649,439	-	220,649,439
Liabilities subject to market risk				
Deposits	*25*	1,753,813,321	-	1,753,813,321

Notes to the financial statements *(continued)*

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

(a) **Market risks** *(continued)*

In New Leones

	Note	Carrying Amount	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
31 December 2022							
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	**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)**	**-**	**-**
		(2,351,733,063)	**(1,555,274,979)**	**-**	**(796,458,089)**	**-**	**-**
Effects of derivatives held for risk Management		**-**	**-**	**-**	**-**	**-**	**-**
		411,075,756	**(1,105,913,525)**	**-**	**648,806,810**	**867,382,466**	**800,000**
31 December 2021							
Cash and cash equivalents	*18*	305,240,469	305,240,469	-	-	-	-
Loans and advances to customers	*19*	479,875,897	-	-	-	479,875,897	-
Investment securities	*20*	1,091,961,139	-	69,845,704	876,853,719	144,461,716	800,000
Due from other banks	*21*	220,649,439	-	-	220,649,439	-	-
		2,097,726,944	305,240,469	69,845,704	1,097,503,158	624,337,613	800,000
Deposits from customers	*25*	(1,753,813,321)	(1,057,214,067)	-	(696,599,255)	-	-
		(1,753,813,321)	(1,057,214,067)	-	(696,599,255)	-	-
Effects of derivatives held for risk management		-	-	-	-	-	-
		343,913,623	(751,973,598)	69,845,704	400,903,903	624,337,613	800,000

Notes to the financial statements (continued)

36. Financial Risk Review and Management (continued)

(c) Market risks (continued)

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

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

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

Exposure to other market risk – non-trading portfolios

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

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

In New Leones	**200bp (2%) Increase 2022**	**200bp (2%) Decrease 2022**
Interest income impact	**6,853,217**	**(6,853,217)**
Interest expense impact	**269,911**	**(269,911)**
Net impact	**7,123,128**	**(7,123,128)**
In New Leones	2021	2021
Interest income impact	4,884,232	(4,884,232)
Interest expense impact	(239,503)	239,503
Net impact	4,644,729	(4,644,729)

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

Sensitivity of reported equity to interest rate movement

In New Leones	**200 bp (2%) Increase**	**200bp (2%) Decrease**
31 December 2022		
Net (after tax) interest impact on retained earnings	**5,342,346**	**(5,342,346)**
	200 bp (2%) Increase	200bp (2%) Decrease
31 December 2021		
Net (after tax) interest impact on retained earnings	3,483,547	(3,483,547)

Notes to the financial statements *(continued)*

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

Concentrations of assets, liabilities and off financial position items

The table below summarizes the Bank exposure to foreign currency exchange rate at 31 December.

Included in the table on the Bank's financial instrument carrying amounts; categorized by currency.

In New Leones

2022	Le	Euro	USD	GBP	Others	Total
Cash and balances with the banks	153,051,232	46,038,121	235,471,592	14,799,608	-	449,360,554
Treasury bills and other eligible bills	1,145,783,202	-	-	-	-	1,145,783,202
Loans and advances to customers	493,142,764	-	-	-	-	493,142,764
Due from other banks	-	49,125,000	592,021,399	33,375,000	-	674,521,399
Property, plant and equipment	293,529,500	-	-	-	-	293,529,500
Other assets	83,636,345	184,219	5,224,685	205,740	-	89,250,989
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

Notes to the financial statements *(continued)*

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

Concentrations of assets, liabilities and off financial position items

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

Notes to the financial statements (continued)

36. Financial Risk Review and Management (continued)

(d) Operational risks

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

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

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

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

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

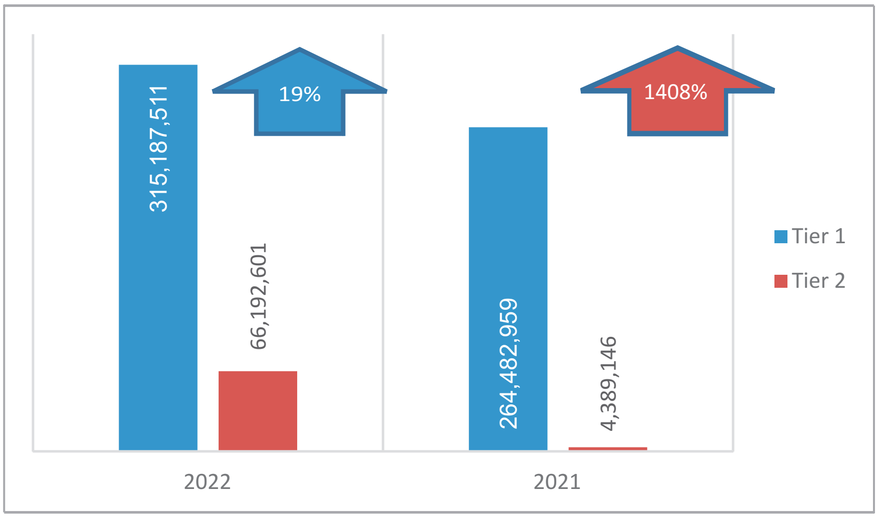
(e) Settlement risk

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

(f) Capital management

Regulatory capital

In New Leones



Notes to the financial statements (continued)

36. Financial Risk Review and Management (continued)

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

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

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

Tier 1 capital, which includes ordinary share capital, retained earnings and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes;

Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale, asset revaluation reserves and high bond (debt equity's capital instruments).

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

(i) Regulatory capital

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

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

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

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

(ii) Capital adequacy ratio

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

In New Leones	**2022**	2021
1. Tier 1 capital		
Issued capital	**91,485,287**	91,485,287
Retained profit and reserves	**225,897,346**	173,797,672
Share premium	**-**	-
	317 382,633	265,282,959
Less equity instruments	**(800,000)**	(800,000)
	316,582,633	264,482,959

Notes to the financial statements *(continued)*

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

2 Tier 2 capital

Capital reserves (25%)	**66,192,601**	4,389,146
	66,192,601	4,389,146
Total capital base	**382,775,234**	268,872,105

Risk weighted asset base

	Amount	Weighting %	2022 Weighted Amount	2021 Weighted Amount
Foreign cash and Nostro balances	**296,309,321**	**20**	**59,261,864**	23,110,342
Due from other banks	**674,521,399**	**20**	**134,904,280**	44,129,888
Advances (non cash guaranteed)	**493,142,764**	**100**	**493,142,764**	239,937,948
Other assets	**89,250,989**	**100**	**89,250,989**	100,691,216
Fixed assets	**293,529,500**	**100**	**293,529,500**	47,610,514
Intangible assets	**61,506,687**	**100**	**61,506,687**	-
	1,908,260,660	**-**	**1,131,596,084**	455,479,908

Off balance sheet accounts

	Amount	Weighting %	2022 Weighted Amount	2021 Weighted Amount
Performance bonds acceptances (cash securities)	**14,605,095**	**50%**	**7,302,548**	17,864,697
	14,605,095	**-**	**7,302,548**	17,864,697

Total	**1,138,898,632**	473,344,605
Capital adequacy ratio	**33.61%**	56.80%
Core capital ratio	**27.80%**	55.87%

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

Capital allocation

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

Notes to the financial statements (continued)

36. Financial Risk Review and Management (continued)

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

37. Fair value of financial instruments

See accounting policy in note 6(g)

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

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

(a) Valuation models

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

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

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

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

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

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

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

Notes to the financial statements (continued)

37. Fair value of financial instruments (continued)

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

(b) Valuation framework

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

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

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

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

31 December 2022 Assets *In New Leones*	**Level 1**	**Level 2**	**Level 3**	**Total fair values**	**Total carrying Amount**
Cash and cash equivalents	-	**449,361,454**	**-**	**449,361,454**	**449,361,454**
Loans and advances to Customers	-	**-**	**493,142,764**	**493,142,764**	**493,142,764**
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**
Liabilities					
Deposits from customers	-	**2,351,733,068**	**-**	**2,351,733,068**	**2,351,733,068**

31 December 2021 Assets *In New Leones*	Level 1	Level 2	Level 3	Total fair Values	Total carrying Amount
Cash and cash Equivalents	-	305,240,469	-	305,240,469	305,240,469
Loans and advances to Customers	-	-	479,875,897	479,875,897	479,875,897
Investment securities	-	1,091,961,139	-	1,091,961,139	1,091,961,139
Due from other banks	-	220,649,439	-	220,649,439	220,649,439
Liabilities					
Deposits from customers	-	1,753,813,321	-	1,753,813,321	1,753,813,321

Notes to the financial statements (continued)

37. Fair value of financial instruments (continued)

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

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

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

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

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

38. Standard issued but not yet adopted

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements for the year ended 31 December 2022 are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Topic	Key Requirement	Effective for years ending
IAS 12 amendment	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	Effective for the financial year commencing 1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	Effective for the financial year commencing 1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	Effective for the financial year commencing 1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates (Amendments to IAS 8)	Effective for the financial year commencing 1 January 2023
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	Effective for the financial year commencing 1 January 2023

Onerous Contracts: Cost of Fulfilling a Contract (Amendments to IAS 37)

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, issued by the International Accounting Standards Board, clarify that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprise both:

- the incremental costs - e.g. direct labour and materials; and
- an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

Notes to the Financial Statements (continued)

38. Standard issued but not yet adopted (continued)

The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments will be recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives will not be restated. Earlier application is permitted.

The Bank is yet to assess the effect of the standard on its financial statements.

Annual Improvements to IFRS Standards 2018-2020

IFRS 16 Leases	The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive.
IFRS 9 Financial Instruments	The amendment clarifies that for the purpose of performing the ''10 per cent test'' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 with earlier application permitted.

The Bank is yet to assess the effect of the standard on its financial statements.

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

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

Proceeds from selling items before the related item of property, plant and equipment is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs.

Companies will therefore need to distinguish between:

- costs associated with producing and selling items before the item of property, plant and equipment is available for use; and
- costs associated with making the item of property, plant and equipment available for its intended use.

Making this allocation of costs may require significant estimation and judgement.

The amendments apply for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the Bank first applies the amendments.

The Bank is yet to assess the effect of the standard on its financial statements.

Notes to the Financial Statements (continued)

38. Standard issued but not yet adopted (continued)

Classification of liabilities as current or non-current (Amendments to IAS 1)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement.

The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged.

The amendments are to be applied retrospectively from the effective date. The Bank is yet to assess the effect of the standard on its financial statements.

Definition of accounting estimates (Amendments to IAS 8)

Distinguishing between accounting policies and accounting estimates is important because changes in accounting policies are generally applied retrospectively, while changes in accounting estimates are applied prospectively.

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates.

- Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

- The Board clarified that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The effects of changes in inputs and/or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the Bank applies the amendments.

The Bank is yet to assess the effect of the standard on its financial statements.

Notes to the Financial Statements (continued)

38. Standard issued but not yet adopted (continued)

Disclosure Initiative: Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

Making information in financial statements more relevant and less cluttered has been one of the key focus areas for the International Accounting Standards Board (the Board).

The IASB has issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;

- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;

- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed;

- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a Bank's financial statements;

- accounting policy information may be material because of its nature, even if the related amounts are immaterial;

- accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and

- the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The IASB also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are consistent with the refined definition of material.

The amendments are effective from 1 January 2023 but may be applied earlier. The Bank is yet to assess the effect of the standard on its financial statements.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendment to IAS 12)

The amendment clarifies that the initial recognition exemption does not apply to transactions that give rise to equal and offsetting temporary differences such as leases and decommissioning obligations. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.
The amendments are effective from 1 January 2023 but may be applied earlier. The Bank is yet to assess the effect of the standard on its financial statements.

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

Notes to the Financial Statements (continued)

39. Regulatory ratios

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

Narration	**Bank of Sierra Leone Requirement**	**2022**	2021
Capital Adequacy Ratio	Should not be less than 15%	**33.61%**	56.80%
Loan to Deposit Ratio	Loan to deposit should not exceed 80%	**20.97%**	27.36%
Local Asset Ratio	Total Liquid asset should not be less than 60%	**60.10%**	80.48%
Minimum Cash Reserve Ratio	Should not be less than 12% of total (local) deposit	**11.24%**	92%
Net Open Position Aggregate	Shall not exceed 25% of the institution's capital base	**27%**	(7.79%)
Non - Performing Loan	Should not be more than 10%	**9.85%**	11.74%
Aggregate exposure	The bank's exposures shall not exceed 300% of its capital base.	**81.52%**	154.99%

39. Comparatives

The 2021 financial statements and its related disclosure is presented to reflect the Bank of Sierra Leone directives on the redenomination of the leones stated in note 3(d) of this financial statement.