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HANDBOOK
FOR

BANKING SUPERVISION

Central Bank of The Gambia

DRAFT

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Preface

This handbook provides an overview of the role of the Banking Supervision Department(BSD) of the Central Bank of The Gambia, and provides guidance for BSD staff in fulfilling BSD's duties and responsibilities.

It has been designed in a loose-leaf binder form to allow for periodic revisions. In the bottom left-hand corner of each page is a date. As revisions occur, the revised pages will be sent out with an index of revisions showing the pages which have been revised, added, or deleted and a brief summary of the changes made. The revised pages will show the revision date.

The first section provides an overview of the supervisory process. The appendix section includes specific examination procedures, report formats, and reference material.

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I. INTRODUCTION

The Central Bank of the Gambia's (Central Bank's) overall banking supervisory responsibility is to maintain public confidence in the safety and soundness of the financial system as a whole, and protect the interests of depositors and creditors, while encouraging the competitiveness, efficiency, and deepening of the financial sector. The *Central Bank of The Gambia Act, 1992, Parts VIII and IX*, and the *Financial Institutions Act, 1992* provide broad powers to the Central Bank in supervising financial institutions in The Gambia.

The Banking Supervision Department (BSD) of the Central Bank is responsible for regulating banks and other financial institutions licensed under the Financial Institutions Act, 1992. BSD's ultimate supervisory goal is to ensure that all licensed financial institutions possess:

- Competent, honest boards of directors and management that recognize their fiduciary responsibilities and plan for the long-term safety and prosperity of the institution.
- Effective management practices including efficient financial and internal controls backed by appropriate audit functions.
- Conservative asset valuation and accounting practices, particularly those relating to recognition of income.
- Prudent capital adequacy standards and adequate liquidity.
- Responsible and viable competitive position in the market, based on sustaining sufficient profitability for absorbing unexpected losses.

BSD seeks to carry out its supervisory duties and responsibilities using a variety of initiatives such as:

- establishing prudential standards for financial institutions to ensure that each institution is able to meet all its obligations as they fall due,
- developing a supervisory approach employing both off-site and on-site supervisory techniques to ensure effective supervision of financial institutions on an on-going basis, and

- developing licensing guidelines to ensure that new entrants into the financial system have sufficient capital and expertise to operate in a safe and sound manner,

BSD is organized into three units: Bank Examination, Compliance, and Policy and Development. An organization chart is shown in the appendix section of this handbook.

- The Bank Examination unit is largely responsible for the periodic on-site examination of licenced financial institutions. These examinations are used to determine the adequacy of management, and the financial performance and condition of each institution.

- The Compliance unit is responsible for the licensing of banks and other financial institutions and ensuring compliance with existing legislation. This unit will perform off-site reviews of regulatory reports.

- The Policy and Development unit is responsible for the development and implementation of appropriate policies, regulations and guidelines relating to the operations of licensed financial institutions.

Due to the size of BSD's staff and the overlapping of many supervisory activities, it is anticipated that much interaction will occur between these units.

II. LEGISLATION COVERING FINANCIAL INSTITUTIONS

Prior to 1992, commercial banks and other credit institutions were regulated to varying degrees under the following laws:

Central Bank of The Gambia Act 1971
Financial Institutions Act, 1974
Insurance Act, 1974
Savings Bank Act, 1964, and
Moneylenders Act, 1974

In 1992, both the Central Bank of The Gambia Act and the Financial Institutions Act were revised to define more clearly and broadly the roles and powers of the Central Bank. These Acts provide an adequate framework for the Central Bank to carry out prudential bank supervision.

A. The Financial Institutions Act, 1992

The Financial Institutions Act, 1992, gives the Central Bank the power to issue licenses to and impose restrictions on financial institutions. The Central Bank must approve branches, mergers, acquisitions, and sales of assets. If a financial institution breaches any provision of the Act, the Central Bank has the power to revoke the license.

The Act gives the Central Bank the right to set capital adequacy standards. The Act also gives the Central Bank authority to establish statutory reserve requirements.

The Act gives the Central Bank the power to define the composition and minimum level of liquid assets.

The Act prohibits or limits large credit exposures to single or related borrowers, loans secured by its own shares; unsecured loans to directors, officers and employees and their related interests; non-banking activities; and the acquisition of assets unrelated to banking activities.

The Act requires that any change in controlling ownership of a licensed financial institution be approved by the Central Bank.

The Act establishes audit and financial reporting requirements, and gives the Central Bank the power to require further information and conduct examinations.

The Act gives the Central Bank broad powers if a financial institution is found to be unsound, including the requirement of corrective actions, the appointment of advisors and suspension of the license (with Minister of Finance concurrence).

The Act places certain requirements and restrictions on bank directors and gives the Central Bank the power to suspend any director or officer who fails to take all reasonable steps to ensure compliance with the Act.

The Act gives the Central Bank the authority to issue orders to banks to cease or refrain from unsound banking practices and can prohibit the granting of loans or the taking of deposits when unsound practices are detected. The Central Bank can seize a financial institution with the vote of four Central Bank Board members. Compulsory liquidation of a bank can be decreed by the Supreme Court upon petition by the Central Bank.

If convicted of non-compliance with certain portions of the law, the financial institution may be subject to fines. Also, if convicted, persons determined to be responsible for non-compliance may be subject to fines as well as possible terms of imprisonment.

B. The Central Bank of The Gambia Act, 1992

Although the Central Bank of The Gambia Act, 1992, addresses all of the activities of the Central Bank, Parts VIII and XI specifically relate to supervision of financial institutions.

The Act permits the Central Bank to provide advances to banks, although these generally will be short-term and well-secured.

The Act gives the Central Bank the power to establish reserve requirements against deposits and other similar liabilities.

The Act gives the Central Bank the power to establish interest rates for loans and deposits.

The Act gives the Central Bank the authority to grant licenses for foreign exchange dealings and may set the maximum amount that financial institutions hold in foreign currencies.

The Act gives the Central Bank the power to regulate dealers in government securities.

III. PRUDENTIAL STANDARDS

The Financial Institutions Act, 1992, and The Central Bank of The Gambia Act, 1992, provided the Central Bank with the legislative basis for issuing regulations and guidelines establishing prudential standards. Part III describes the prudential standards which have been established to date.

A. Capital Adequacy Guidelines

The principal function of capital is to serve as a backstop for absorbing unexpected losses. Capital provides protection to depositors and creditors, and in the absence of deposit insurance, ultimately the Government. The perception of capital adequacy consequently influences public confidence in a financial institution, and adherence to effective capital adequacy policies is essential for maintaining public confidence in the system.

Guideline 2 requires that banks maintain a ***minimum capital adequacy ratio of** 8%* by December 31, 1994. The components of capital are divided into two categories:

Tier 1 (Primary Capital)
Tier 2 (Supplementary Capital)

The aggregate amount of Tier 2 capital may not exceed 50% of a financial institution's Tier 1 capital.

The method of computation of the capital adequacy ratio and further definition of components of capital are addressed in detail in Guideline 2 which is located in the Appendix Section of this handbook.

B. Statutory Reserve Requirements

The statutory reserve ranks as primary capital for purposes of measuring capital adequacy since it cannot be impaired or reduced, except with approval of the Central Bank for purposes of increasing or preventing impairment of paid-up or assigned capital.

Guideline 3 states that the amount of the Statutory Reserve should at no time be less than the amount of Paid-up or Assigned Capital. If, at any time, the amount of the Statutory Reserve should fall below Paid-up or Assigned Capital, then at the end of the financial year the institution must restore the Statutory Reserve to an amount equal to Paid-up or Assigned Capital before any transfers to head office are made or any dividends may be paid.

Any financial institution which has a reserve deficiency at year-end is not permitted to pay dividends or transfer profits to head office or elsewhere until the difieciency has been corrected..

The time frame for a newly licensed institution to build its statutory reserve balance to the minimum set for established institutions is determined by the Central Bank on a case-by-case basis.

C. Liquid Assets Standards

A financial institution is expected to maintain sufficient liquidity in its balance sheet so it can honour all commitments and meet maturing liabilities as they fall due, in particular in periods of any temporary disruption in its operations.

Guideline 4 sets a minimum liquid asset ratio requirement for licensed financial institutions in compliance with Section 14(1) of the Financial Institutions Act, 1992. The Central Bank has the option of establishing different ratios for different types of financial institutions, so long as the ratio is consistent for each financial institution within a given class.

The minimum liquid asset ratio is expressed as a percentage with eligible liquid assets being the numerator and liabilities in The Gambia being the denominator. Since 1980, banks have been required to maintain a minimum liquid asset ratio of 30%. Liquid assets and liabilities in The Gambia are defined in Guideline 4 in the Appendix section of this handbook.

Financial institutions which fail to provide required information for monitoring compliance or whose liquid asset ratio falls below 30% are subject to fines, as detailed in the Guideline.

In addition to these guidelines, the Central bank, acting under the powers granted in the Central Bank of The Gambia Act, 1992, requires that licensed financial institutions maintain amounts in the Central Bank equal to 24% of their demand deposits and 8% of their savings and time deposits.

D. Classification and Accounting Standards for Non-performing Credits

A realistic valuation of assets and prudent recognition of income and expense are critical factors for evaluating the financial condition and operating performance of financial institutions. Objective classification standards are accordingly required for recognition of non-performing credits on a timely basis. Similarly, uniform accounting standards are needed for timely provisioning and prudent income recognition on non-performing credits.

Guideline 5 states that loans and advances contractually past due 30 days on principal or interest, which are not in doubt as to payment, are referred to as ***non-current*** loans.

When such loans become past due 90 days, they are automatically classified as ***non-accrual*** loans. Non-accrual loans are defined as loans and advances on which interest is not being accrued due to the existence of reasonable doubt as to the ultimate collect ability of principal or interest.

Loans, where the terms of the credit have been modified to accommodate the weakened financial condition of the borrower, are classified as ***restructured***. A restructured credit may return to performing status when it has fully met the debt service requirements of the restructured credit agreement on a timely basis for a period of one year, so long as management determines that there is no reasonable doubt as to the ultimate collectability of the principal and interest according to the prevailing terms of the credit agreement.

Finally, ***non-performing*** loans are those loans which have been classified as either non-accrual or restructured. Accrual and capitalization of interest on non-performing credits is not permitted for financial reporting purposes. On restructured credits, interest income is recognized on a cash basis until it reverts to a performing status.

When a credit has been designated non-accrual, a ***specific loss provision*** is required in recognition of the deterioration in financial performance by the debtor. The amount of the specific loss provision should be sufficient to cover the estimated ultimate loss of principal, based on bank management's assessment of the financial condition of the creditor, and near-term prospects for realizing on any security held or third party guarantees.

Where credits are well secured with readily marketable securities or similar collateral, the bank's estimate of ultimate loss may initially be a negligible amount or no loss, in which case the initial specific provision can be a token amount. In such cases, however, avoiding a subsequent escalation in the provision will normally require prompt disposition of the security.

Asset classifications are used to identify the level of risk in each and every loan, advance, or other earning asset. While it is recognized that individual banks may have their own internal guidelines and criteria for asset classification, the Central Bank encourages banks to adopt classifications similar to those defined below.

Substandard credits are those credits which are inadequately protected by the current paying capacity and/or sound worth of the obligor. Assets so classified have a well-defined weakness or potential weaknesses that jeopardize liquidation of the debt.

They are characterized by the distinct possibility that the bank will sustain some loss if the deficiencies are not corrected.

Doubtful credits exhibit all the weaknesses inherent in assets classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently available facts, conditions and collateral values highly questionable and improbable. The possibility of loss is high, but because of certain important and specific pending factors (i.e., liquidation process, capital injection, additional collateral) which may strengthen the credit, its classification as an estimated loss is being deferred until a more exact status can be determined.

Assets classified as ***loss*** are considered as uncollectible or of such little value their continuance as bankable assets is no longer warranted. This does not mean that the asset has no recovery value, but rather that it is no longer prudent or desirable to defer write-offs pending the outcome of foreclosure and collection proceedings.

The Central Bank seeks to foster conservative reserve adequacy standards for banks operating in The Gambia. It encourages banks to develop a well-considered and realistic approach in determining the Allowance. To assist bank examiners in assessing the adequacy of the Allowance for Loan Losses (reserve), certain benchmarks have been provided. These ***provisioning benchmarks*** are as follows:

- Substandard: Non-accrual credits in arrears more than 3 months and up to 6 months on interest or principal payments, except for any such credits already classified as "doubtful"" or "loss' based on the foregoing asset classification definitions. The benchmark used by examiners is a ***20%*** provision.

- Doubtful: Non-accrual credits that have been in arrears more than 6 months and less than 1 year are classified doubtful, except for those already classified "loss". The standard provision is ***50%*** on the outstanding balance.

- Loss: Non-accrual credits in arrears over 1 year are classified as loss and provisioned ***100%;*** if over 2 years in arrears, they should be written-off and removed from the books. In this regard, prompt write-offs are recommended.

- Restructured: Until restructured loans have been transferred to a performing status, a provision of ***5%*** is used against the balance of these loans.

In addition a ***1%*** provision against the remainder of the portfolio is used to provide for foreseen, but yet undetected, losses in the portfolio.

Bank management is not required to use the above benchmarks in provisioning. There may be instances where the amount of the Allowance would be far greater or much less than the ***benchmark provision*** might reflect. However, if at any time, the bank's

Allowance is considerably less than the benchmark amount calculated by the examiners, then the burden of proof is on management to demonstrate why the Allowance should not be increased. If there is inadequate evidence to support the bank's rationale, the examiner may recommend that additional provisions be made.

E. Lending and Credit Concentration Limits

Bank management is expected to have written policies imposing prudential credit limits for control of bank exposures to single borrowers, related groups and geographical or economic sectors. Exposure limits on credit are generally expressed as a ratio of a bank's core capital. The ratios accordingly measure the extent to which the capital base is able to absorb losses arising from such credit exposures.

Guideline 6 states that a "single large credit risk" refers to the sum total exposure to a single customer and connected interest, where the exposure exceeds 15% of the bank's primary capital as defined for capital adequacy purposes. The ***statutory single large credit limit is 25% of primary capital*** as mandated by the Financial Institutions Act, 1992. Although the act does provide exceptions for secured credits, the Central Bank, for prudential bank supervision, will apply the credit limit against secured as well as unsecured credits.

The statutory single large credit limit is reinforced by an ***aggregate large credit limit*** to prevent undue concentration of exposure to large borrowers. Banks operating in The Gambia are expected to ensure that the aggregate of single large credits does not exceed ***50%*** of their total credit exposures.

Loans and advances to or instruments guaranteed by the government are exempted from the statutory single large credit limit and the aggregate large credit limit.

IV. THE SUPERVISORY APPROACH

As indicated in the Introduction, BSD also uses both off-site and on-site supervisory techniques to provide "on-going" supervision of banks. The primary purpose of off-site supervisory activities is to monitor the performance and condition of each institution through the review of regulatory reports. The primary purpose of on-site examinations is to verify the accuracy of the information submitted in the regulatory reports and assess the ability of management to develop and maintain appropriate policies, procedures, and risk controls within the institution.

A. Developing the Bank's Risk Profile

In order to determine the scope and nature of supervisory activities to be performed for each bank, a ***risk profile*** of that institution is developed. This profile provides information regarding the overall size and scope of activities, ownership, management, and the current condition and financial performance of the institution, as well as the level of risk(s) within the institution.

B. Assigning Bank Ratings

In order to facilitate the supervisory process, each bank is assigned a numerical rating to reflect its risk profile. The five components used are:

Capital adequacy
Asset quality
Management
Earnings
Liquidity

Each of these components is rated and based upon the component ratings, the bank is given an overall composite rating referred to as the *CAMEL* rating. Numbers "1" through "5" are assigned to each component indicating relative rating, with number "1" being the highest, or best rating that can be assigned, and "5" being the lowest, or worst rating that can be assigned.

C. Selecting CAMEL Rating Components

Capital adequacy is a key component of the CAMEL rating as capital provides the cushion to absorb losses. Capital adequacy is accordingly a key determinant of the financial condition of a bank.

Asset quality is also a key component as the level of risk in the asset portfolios is an indicator of the quality of earnings as well as potential future losses.

Management is a critical component since the quality of management, to a large extent, determines the adequacy of policies, procedures, and controls to manage risk and thereby avert future losses.

Earnings is a key component since the level and quality of earnings foretell the ability to pay dividends to stockholders and maintain an adequate capital base.

Finally, liquidity is critical, since the bank's liquidity position indicates its ability to meet anticipated and unanticipated needs for funding. Any real or perceived liquidity shortfall can severely damage public confidence in the bank and lead to significant deposit withdrawals.

D. Assigning Numerical Ratings

For each camel component, the same definition is generally applied to the ***numerical ratings*** which can be applied:

1. Excellent/Strong - reflects a very high level of performance with no existing or potential weaknesses indicated.

2. Good - reflects a high level of performance which generally can be sustained in a stable environment. Only minor deficiencies or weaknesses are noted.

3. Marginal - reflects performance which can be seriously impacted in an unstable environment.

4. Poor - Performance potentially threatens the overall solvency of the bank.

5. Unsatisfactory - Performance which threatens the overall solvency of the bank

A composite rating of "1" indicates that the bank is fundamentally sound. The bank is considered stable and well managed, and so is expected to withstand business fluctuations; in the event that minor weaknesses have been detected, the bank is aware and making appropriate adjustments in the normal course of business.

A composite rating of "2" generally has the same definition as a "1" except that the weaknesses noted in a "2" rated institution are more pronounced than that found in a "1" rated institution.

A composite rating of "3" generally indicates that the bank is nominally resistant to adverse business conditions, but could deteriorate if action is not effective in correcting the areas of weakness. Overall financial strength, however, makes failure a remote possibility.

A composite rating of "4" generally indicates a serious problem bank that requires close supervision and specific remedial action. If immediate management attention is not given to weaknesses and deficiencies noted, the overall solvency of the institution is threatened.

A composite rating of "5" generally indicates a bank "close to" or actually insolvent, with supervisory consideration given to possible compulsory liquidation or re-organization.

E. Developing the Supervisory Profile

Once the bank's risk profile has been identified, a ***supervisory profile*** can be completed. This profile includes the bank' risk profile as well as the ***supervisory strategy*** which BSD will use to supervise the institution. The supervisory strategy refers to the frequency and scope of on-site examinations and the focus of off-site reviews. For example, on-site examinations of a "4" or "5" rated bank will generally require much greater depth, possibly audit procedures or actual verification of assets,

It also provides for the addition of comments noting the results of any off-site reviews and other activities which have occurred since the bank's risk profile was last updated. If an off-site review indicates significant changes in the bank's risk profile, the supervisory strategy will be reviewed to assess the need for any changes.

A Supervisory Profile format is shown on the next page, with further detail regarding information to be presented.

SUPERVISORY PROFILE

Bank Name: Camel Rating:
Address:
Date of Last Entry: Reason:

BACKGROUND

(describe bank history, ownership, geographic locations, size and scope of ativities and bank's proposed strategy)

In this ection information would be provided regarding the date the bank was chartered, intended scope of activities, composition of ownership, and management. Significant events (e.g., branch openings, expansion of activities, changes in senior management or principal shareholders) would be outlined.

Further information would be provided regarding current management structure, ownership, scope of activities, and relative position in the marketplace.

Finanlly, available information regarding thebank's future strategy would be detailed.

CONDITION OF THE BANK

(describe the condition of the bank relative to capital adequacy, asset quality, management, earnings, and liquidity and rovide reasons for present rating in each camel rating)

In this section information would be provided regarding the condition of the bank disclosed during the last on-site examination. It would also include summary conclusions of any off-site reviews performed since that examination, particularly any significant changes (positive or negative) noted in the condition of the bank.

SUPERVISORY STRATEGY

(outline planned supervisory activities for the next twelve months)

In this section, the writer would discuss any specific actions which BSD has requested the bank to accomplish to address regulatory concerns. Supervisory activities planned for the next twelve months to focus on areas of greatest risk would be outlined. The proposed scope of on-site examinations would be described, including approximate start date, time frame to accomplish, and resource requirements. Specific areas of concern which should be addressed in off-site reviews would also be noted.

OTHER SIGNIFICANT EVENTS

(detail any other significant events which have occurred since the supervisory profile was last updated)

This area is provided to note activities which have occurred, which are significant, but would not justify completely updating the supervisory profile. For example, branch openings, information regarding changes in management or scope of activities, or significant newspaper articles would be noted here as they occur.

V. OFF-SITE SUPERVISION

A. Purpose of Off-Site Supervision

As mentioned earlier, the primary purpose of off-site supervisory activities is to monitor the performance and condition of each institution through the review and analysis of regulatory reports.

1. Regulatory reporting requirements

In late 1993, new supervisory reporting requirements were introduced by BSD. The new requirements greatly expand the amount of data which the banks submit to BSD. Banks are now required to complete the following reports:

Report	*Time Frames*	*Frequency*
Consolidated Statement of Assets and Liabilities (Balance Sheet)	Month-end Month-end Prior Yr	Monthly
Off-Balance Sheet Exposures	Same as above	Monthly
Profit & Loss Statement - interim	Current Qtr/Prior Yr Qtr Yr-to-date/Pr Yr-to-date	Quarterly
Profit & Loss Statement - annual	Current Yr/Prior Year	Annually
Interim Changes in Reserve Accounts and in Allowance for Credit Losses	Current quarter, past quarters in current period; prior year quarter	Quarterly
Statement of Liquid Assets	Current date	Bi-weekly
Supplement - Foreign Currency	Same as above	Bi-weekly
Prospective Required Reserves	Past two weeks	Bi-weekly
Prior Period Cash Reserves	Past two weeks	Bi-weekly
Specific Loss Provisions and Loss Experience	Past four months Current Period/Pr Period	Quarterly
Non-accrual Credits Outstanding	Quarter-end	Quarterly
Restructured Credits Outstanding	Quarter-end	Quarterly
Reclassification to Performing Status & Write-offs	Quarter	Quarterly
Components of Capital	Quarter-end	Quarterly
Assets & OBS Exposures & Capital Ratios	Quarter-end	Quarterly
Insider Credits	Qtr-end/Pr Yr Qtr-end	Quarterly
Commercial & Personal Lending	Month	Monthly
Weekly Loans Outstanding	Week-end	Weekly
Monthly Loans Outstanding	Month-end	Monthly
Number & Value of Loan Accts	Quarter-end	Quarterly

Report	***Time Frames***	***Frequency***
Security Pledged on Loans	Quarter-end	Quarterly
Lending Rates	Qtr-end/Period-end	Quarterly
Deposit Ownership & Turnover	Month-end	Quarterly
Deposits by Account Size	Quarter-end	Quarterly
Deposits by Interest Rate	Prior five weeks	Weekly
Structure of Lending & Int Rates	Quarter-end	Quarterly
Unclaimed Funds	Year-end	Annually
Unclaimed Funds - supplement	Year-end	Annually

The overall purpose of these reports is to provide data for evaluating the financial condition and performance of individual banks as well as assess trends in the financial sector as a whole. The report formats and instructions for completing the reports are included in the appendix section of this report.

The Economic Research department of the CBG is responsible for performing industry overviews and the reports necessary to generate these overviews is forwarded directly to that department. The other reports are used by BSD in performing its off-site analyses.

2. Types of off-site analyses

The ***quarterly*** off-site analysis is, in general, the most meaningful. Since banks are only required to report their profit and loss on a quarterly basis, that is the only time when a full assessment of financial performance can be made. However, analyses are also performed on a weekly, bi-weekly, and monthly basis. These include both individual bank and industry trend analyses.

Weekly Analyses monitor loan growth and interest rates (primarily used for reporting purposes and industry trend analysis).

Bi-weekly analyses monitor individual bank liquidity positions relative to reserve requirements. These analyses are also used to determine whether penalties should be assessed if banks do not meet reserve requirements.

Monthly analyses monitor trend & composition of the banks' balance sheet, off-balance sheet exposures and volume of new loan activity.

3. The quarterly bank performance analysis (QBPA)

The purpose of the QBPA is to provide a periodic quantitative analysis of the bank's performance. This information is then used to determine whether the bank's supervisory profile should be revised. In this way the bank's supervisory profile is maintained on an ongoing basis.

The QBPA is performed through the use of lotus 3.1 spreadsheets. These spreadsheets are used to capture and manipulate the data for analytical purposes. The next section of the handbook provides detailed instructions regarding the use of these spreadsheets and readers may want to refer to that section while reading the comments below.

The two primary reports used in the quarterly analysis are the Consolidated Statement of Assets and Liabilities (balance sheet) and the interim Profit and Loss Statement (income statement). In addition, selected data is taken from several other reports. A diagram showing the worksheet files used in the QBPA, and the structure of these files is included in the Appendix section of the handbook. The diagram also shows data sources and how data is moved and transferred between files.

The report generated from the QBPA is called the ***quarterly bank performance report (QBPR)***. This report consists of an overall summary of bank performance during the quarter as well as the following detailed worksheets:

The ***Balance Sheet Analysis (BSA)*** reflects trends and changes in the composition of balance sheet of individual banks/all banks over a period of time.

The ***Income and Expense (IEA) Analysis*** details all components of the Profit & Loss Statement submitted by the bank over various periods of time, and also includes the following:

The ***Average Balances and Rates (ABR) Analysis*** is used for monitoring balance sheet trends resulting from local economic conditions or asset/liability management strategies. It links net interest income in the income statement with the earning assets in the balance sheet, thereby deriving yields on earning assets and interest costs on the related funding sources. Such yields and costs are then compared with the corresponding market rates, which is a useful check on the data.

The ABR worksheet places the focus on earning assets, as already indicated, but residually must also take into account so-called non-interest bearing or non-earning assets. This is achieved by applying capital as a funding source, when earning assets exceed deposits; any remaining capital for purposes of the ABR is allocated to non-interest earning assets like bank premises.

Off-balance sheet items in "contra" accounts are excluded from this analysis, since risk assessment for the underlying exposures are best addressed during an on-site exam.

The ***composition*** and ***growth*** of a bank's earning assets and balance sheet are the products of :

(a) shifts in economic conditions/competitive market forces and/or
(b) decisions by management concerning the type of business the bank is seeking.

A bank operating in an non-competitive market typically has above-average net interest margins, frequently attributable to its having a high proportion of non-interest bearing funds. Comparing the current and beginning of period ABRs will reveal the impact on profits in the interim caused by ***rate*** and ***volume*** changes, as follows:

positive (negative) ***spread*** change due to -
    changes in ***yields on earning assets***
    changes in ***costs of funding sources***,
and positive (negative) ***volume*** change due to -
    changes in volume of ***earning assets***
    changes in volume of ***funding sources***.

In evaluating the financial performance of the bank using the ABR analysis, the analyst should consider the performance of the bank relative to prior periods and comparable banks. Where significant changes or differences occur, the analyst should indicate the apparent cause of the changes or differences.

The ***Return on Average Assets Analysis (ROA)*** is derived by dividing each line in the income statement by average assets (excludes contra). The "bottom line" of this schedule is return on assets (ROA), considered to be the a primary measure of productivity for a bank. Changes in the component ratios should be rendered intelligible as between reporting periods, which forms a solid basis for tracking operating results.

The ROA analysis is based on the income statement, and consequently picks up from the point where the ABR analysis concluded. The first line in the ROA worksheet is net interest income, derived by deducting interest expenses on deposits and any other funding sources from interest income from loans, investments, and other interest-bearing assets. The corresponding entries shown in the ABR worksheet are ***return on earning assets*** and ***net interest margin (NIM)***.

The ROA worksheet is composed of a linked series of productivity ratios, that readily identify which revenue stream(s) or cost(s) have most influenced current operating performance.

The bottom line ratio in the ROA worksheet is the ***ROA***, which is a primary measure for tracking a bank's relative profitability. As in the analysis of the ABR, the analyst should compare the ROA against previous periods as well as comparable banks.

The ***Re-investment Rate Variables (RIR) Analysis*** follows from the ROA, starting with profitability (ROA) as the first variable affecting the re-investment rate (RIR) and hence captures the significance of capital leverage and the impact of the dividend payout. The resulting RIR should correspond with balance sheet growth over time. If the RIR lags, the bank's capital ratio would decline in the absence of external capital generation.

The use of this analysis assumes that banks declare dividends on a quarterly or annual basis at the end of the reporting period and the amount of the dividend to be paid is removed from capital and transferred to a liability account (Reserve for dividends payable).
If dividends are not declared during the reporting period, the RIR analysis can not be performed.

4. Using ratios for analysis

The following ratios should be used in performing the quarterly analysis. The use of these ratios will assist the analyst in determining whether the CAMEL ratings presently assigned to the bank are still appropriate or whether changes in the ratings may be recommended due to the bank's current performance.

(a) Capital

In assessing the appropriateness of the capital rating, the analyst should consider the following ratios:

The ***Capital Adequacy ratio*** is capital expressed as a percent of assets including "contra account". The minimum target for supervisory purposes is 8% to be attained by December 31, 1994.

The ***Primary Capital ratio*** is primary capital expressed as a percent of assets including "contra account".

The ***Re-investment rate (RIR)*** is the internal capital generation rate. Having a high RIR ranking usually reflects above average profitability and leverage and/or a low payout; a high ratio is accordingly seen as positive, and vice versa.

The ***Non-Performing Loans/Primary Capital ratio*** relates capital to non-performing loans, which in effect identifies banks with a weak capital position.

The *Non-accrual Loans/Primary Capital & Allowance for Credit Losses* includes the loan loss reserve set up for absorbing losses, so it is a better mirror of a bank's capacity for absorbing a one-time catastrophic loss then the ratio above.

(b) Asset quality

In evaluating the appropriateness of the asset quality component rating, the following ratios should be analyzed:

The *Non-performing Loan Ratio* is a "gross" ratio calculated by dividing non-performing loans and advances by gross loans outstanding, and expressing the ratio as a percentage. The ratio accordingly indicates the percentage of the loan portfolio experiencing payment problems.

The *Non-accrual Loan Ratio* is calculated on the same basis as the ratio above, however this ratio substitutes non-accrual exposures in the numerator. The Non-accrual ratio could prove to be a more dependable indicator of asset quality, due to the strict accounting rules that apply.

The *Aggregate Provision Level* is the Allowance for Credit Losses expressed as a percent of non-accrual loans. This ratio serves to monitor how the amount provided mirrors the level of problem loans.

The *Loan Loss Reserve ratio* is the Allowance for Credit Losses (referred to as the "loan loss reserve" in the ratio) is expressed as a percentage of gross loans. This ratio offers perspectives on "reserve" adequacy per se.

The *Loan Loss Experience ratio* is the actual loss experience expressed as a percentage of average loans outstanding. Losses realized in any given period are relatively unpredictable. The Loan Loss Experience ratio tends therefore to be volatile, and deserves close monitoring to stay abreast of management's "provisions" perspective.

The *Recoveries/Write-offs ratio* indicates the amount of recoveries the bank has received related to the loans it has written off.

The *Off-Balance Sheet Exposures/Assets & Contra ratio* records the trend and level of off-balance sheet exposures. It would flag a bank with a large and/or growing OBS risk exposure.

(c) Management

The "management" rating is qualitative and thus is best determined during an on-site examination. However there are certain quantitative factors which can be considered in determining whether the "management" rating is appropriate.

A sustained increase over time in the ROA ratio is an indicator of management success. Likewise continuing declines in the ROA ratio do not reflect well on management. However, changes in the ROA ratio can not be assessed without taking into consideration the many other factors which can increase or decrease the ratio.

Control of overhead is usually one of the most significant measures of management performance. An increase in the Overhead Ratio (see Earnings below), in most instances, would be interpreted as a negative.

If a bank fails to keep asset growth at or below the RIR, sooner or later there would be a need for additional capital. At worst, the indicated disequalibrium could signify a loss of control of the balance sheet/asset growth by management.

Asset quality indicators are another factor in evaluating management. Deterioration in asset quality indicators generally reflects poorly on the management of the loan portfolio.

A bank's compliance with reporting requirements, and with regulations generally, is a direct reflection on management's commitment to excellence. The timeliness and accuracy of the regulatory reports submitted should also be considered in evaluating management.

(d) Earnings

Determining the strength of earnings is usually the first topic to be addressed on commencing an analysis of a bank. A judgment as to the adequacy of earnings, and profitability also considers whether there is sufficient retention of earnings to provide for future capital needs after paying dividends to the banks owners.

Attention to any downtrend in profitability is essential. The analyst needs to decide if it represents a cross-industry phenomenon or the start of new problems for the bank. In particular, has it been accompanied by a deterioration in earnings quality, for example, evidence of an insufficient charge for loan losses against income. If so, reported earnings will be overstated, and potentially attributable to management manipulation.

There are a host of ratios used for monitoring earnings and profitability, as evidenced by earlier comments regarding the ABR , ROA, and RIR analyses. Six earnings/profitability ratios are further described:

The Return on Average Assets (ROA), as mentioned previously, is obtained by dividing Net Income by Average Assets. The ROA instantly reflects changes in profitability.

The ***Net Interest Margin (NIM)*** is interest income less interest expense divided by average assets. Since interest income and expense may be the largest source of a bank's costs/profits, this ratio is very important.

The ***Non-interest Income Ratio*** is non-interest income divided by total income, with the latter component being before the "Provision for Credit Losses" charged to income. The exclusion is to avoid possible distortions in the denominator, which would be the case if the "Provision" was significantly different as between the two periods being compared. Banks in the Gambia typically derive a notable proportion of their revenues from commissions and fees.

The ***Overhead Ratio*** is non-interest expense divided by total income. Non-interest expense includes salaries & benefits, and occupancy and other relatively fixed costs. The overhead ratio is generally quite stable over time, and is closely monitored by management as a reflection of success/failure in the bank's cost control endeavors. Also, the overhead and the non-interest income ratios share the same common denominator which allows useful comparisons to be made as between the trend of the two ratios over any given time interval.

The ***ratio of loan loss provisions/loan loss experience*** is important as the provision is the principal means of building the Allowance for Credit Losses (reserve). Consequently when this ratio falls below 100%, there would likely be a simultaneous decline in the reserve balance. Similarly, when loss experience exceeds the provision, the two most probable reasons are management manipulation of earnings or a build-up of loan losses. Below 100%, therefore, this ratio is interpreted as being an earnings quality warning.

The ***Percent Effective Tax Rate*** is the ratio of taxes payable to income before taxes. Tax incentive schemes and tax-exempt income are not prominent in the Gambia, so any deviations from the 50% corporate rate should be verified.

(e) Liquidity

The statutory requirements for required reserves and for liquid assets tend to govern local liquidity considerations and, since there is no deposit insurance, they impose demanding standards.

Historically, the local banks have had the benefit of operating off a strong core deposit base. Savings and demand deposits have provided stable growth, so any reliance on time deposits has been modest. As a result, useful ratios for monitoring liquidity are limited in scope.

The ***Liquid Assets Ratio*** is calculated by dividing liquid assets by Gambian liabilities, where both components are defined in the Financial Institutions Act (1992). Its shortcomings as a measure of "readily encashable assets" are twofold. Most banks hold a significant proportion of eligible liquidity in foreign currency assets, which for a number of reasons may not be available when urgently needed to cover deposit withdrawals denominated in dalasis. Also deposits with other banks are included in liquid assets net of any corresponding liabilities, which can obscure a bank's true liquidity position.

Dalasi Liquid Assets/Dalasi Deposits measures the ready availability of encashable liquid assets in dalasis to meet deposit withdrawals, as the deposit base is essentially denominated in dalasis. Alternatively, this ratio is the only true measure of liquid assets available in lieu of deposit insurance, so the comfort level of depositors would improve as the reading for the ratio increases.

Time Deposits/Deposits highlights potential deposit volatility. Past experience indicates that the owners of large time deposits are more adept at re-investing their funds elsewhere when a bank gets in difficult, as compared with demand and savings depositors. However, the maturity structure can go to one year, so these time deposits can not always be viewed as potentially volatile "purchased" funds.

B. The Off-Site Supervisory Process

This section discusses the various steps involved in the off-site supervisory process and provides detailed instructions for performing the various taks involved.

1. Collecting regulatory reports

At the present time, the regulatory reports are hand-delivered to BSD by bank messengers. At the time of receipt, BSD staff sign a receipt form (or register) provided by the institution acknowledging receipt of the reports. Upon receipt by BSD, the reports should be date-stamped (or dated and initialed by person receiving report). ***This step is important as monetary penalties can be assessed for late submission of reports.*** Files have been established to maintain these regulatory reports. The report should be placed in the appropriate bank file until the review process begins. The structure of bank files is provided in the Appendix Section of this handbook.

2. Reviewing (scrutinizing) regulatory reports

As soon as possible, the reports should be reviewed (scrutinized). The primary purpose of the initial review is to determine that the form has been completed properly.

Does it appear that all of the data which should have been provided has been provided? Are the dates used in the report correct?

If there are obvious errors, the reviewer should contact the bank to advise management that the report is inaccurate and to request that an amended report be submitted. To track the receipt and review of these reports, a ***Supervisory Returns Submissions Register*** has been developed. This checklist is shown in the Appendix Section of this handbook..

All requests for resubmission of regulatory reports should be documented in writing to the bank, even if the bank is also contacted telephonically for quicker turnaround. A letter format has been designed to facilitate this process and is shown in the Appendix section of this handbook.

3. Using Lotus 3.1 spreadsheets for analysis

Lotus 3.1 spreadsheets (worksheets) have been designed for data capture and manipulation to provide accurate and efficient tools for off-site analysis. They have been designed to reduce manual data input and calculation, to provide

increased productivity,
consistency in analytical approach, and
a greater level of data integrity

Productivity is increased as the worksheets require manual input of report data only once. Report data is manually input into "input' worksheets which have been designed in the same format as the regulatory reports. This allows for quick and easy input.

Then through simple lotus commands, the data is transferred into other worksheets which have been designed with formulas to manipulate the data and generate the various ratios and numbers needed for analysis.

Finally, through a series of print commands, reports can be generated highlighting the information required to support the analysis that is performed.

The following ***lotus 3.1wks files*** containing worksheets are currently being used for data capture and analysis:

Liquidity Management Report file (LMR.wk3) - this file contains a single worksheet in which data related to the banks' liquidity position is monitored.

Weekly Monitoring (WM .wk3) - this file captures data related to liquidity on a weekly basis.

Balance Sheet Input file (BSINPUT. WK3) - this file contains a single worksheet used to capture data from the monthly Consolidated Statements of Assets and Liabilities. The data is then transferred, when necessary, to other files via lotus commands. (This file is only used when the person performing the input does not have direct access to the Balance Sheet Analysis file.)

P&L Input file (P&LINPUT. WK3) - this is the same as the worksheet detailed above except it is used to capture data from the Profit and Loss Statements.

Balance Sheet Analysis file (BSANLFOR. WK3) - this file has been designed to facilitate analysis of the balance sheet for each individual bank. It consists of three linked worksheets, the first providing for the capture (or transfer) of data from the monthly Consolidated Statement of Assets and Liabilities, the second being a worksheet using formulas to automatically convert data into percentages showing the composition of the balance sheet, and the third using formulas to automatically reflect changes in account balances over various time periods. Also on the first worksheet, a format has been designed to facilitate transfer of data from the balance sheet to the Income and Expense Analysis file..

Balance Sheet Summary Analysis file (FORMATBS. WK3) - this file consists of five linked worksheets. The first four worksheets provide for transfer of balance sheet data from the individual bank balance sheet analysis files. The fifth worksheet contains formulas to roll-up the data from all of the banks into a summary balance sheet which can then be used for comparative analysis.

Income and Experse Analysis file (P&LFORMA.WK3) - this file also consists of five linked worksheets, one for each bank and one summary for all banks. Data from the banks' Profit and Loss Statements are input (or transferred) to the worksheets. Selected data from the banks' BSAs is also transferred to this file. The worksheets reflect various time periods for analytical purposes. Every line item on the Profit and Loss Statement is shown on the income and expense analysis worksheet, with a percentage figure which represents the amount that the individual line item contributes to/reduces the Return on Average Assets (ROA). There are three additional formats for analyzing average rates and balances, ROA, and RIR.

Ratio Analysis file (FORMARAT.wk3) - this file has been designed to capture information necessary to perform ratio analysis. The file consists of five linked worksheets, one for each bank, and one for industry analysis.

Analysis of Allowance for Credit Loss (FORMAALL.wk3) - this file is used to capture data from the banks' loan returns in order to apply benchmarks standards for loan loss provisioning.

The use of these worksheets for analytical purposes is detailed in the next section. Examples of these worksheets are located in the Appendix Section of the handbook.

Analysis of ratios is facilitated through the use of the ***Ratio Analysis*** worksheet. This worksheet captures data necessary to calculate ratios and through the use of formulas calculates the ratios.

4. Performing the QBPA

Once the analyst has reviewed all of the worksheets which have been developed for the QBPA and has reviewed all appropriate regulatory reports, the quarterly bank performance report is prepared (QBPR). This report will contain the analyst's findings and conclusions, and recommended revisions to the bank's supervisory profile (including the bank ratings). It will also include copies of the worksheet analyses that have been performed.

The QBPR is then submitted to the analyst's supervisor for review and further processing. If the supervisor concurs with the analyst's findings, it should be so noted, and the supervisor should make proposed revisions to the bank's supervisory profile and rating. If the supervisor does not concur with the analyst's findings, conclusions, or recommendations, the supervisor should meet with the analyst to resolve the differences.

5. Creating and maintaining Lotus 3.1 files for the QBPA

To create an analysis file, the appropriate format file is retrieved. Off-site analysis files are maintained in the hard-drive of Computer #2 in the following manner:

Format files are located in the ***C:\Format*** subdirectory
Analysis files are located in the ***C:\OFF(year)*** subdirectories, e.g., ***OFF93, OFF94***

Once the appropriate format file is retrieved it should be renamed to identify the analysis being performed. A uniform and consistent method of naming these files has been developed to facilitate easy retrieval. Lotus file names can only contain (8) characters. Files are named in the following manner:

The first group of characters identify the type of analysis,
The second group of characters relate to the bank's name, and
The last group of characters relate to the year

For example the balance sheet analysis file created for the ABC bank for the calendar year 1993 using the BSANLFOR.WK3 format file would be named ***BSAABC93.WK3.***

Likewise, the balance sheet summary file created for all banks for 1993 from the FORMATBS.WK3 file would be named ***BSASUM93.WK3***.

The Income and Expense analysis created for each bank/all banks for 1993 from the P&LFORMA.WK3 file would be named P&LSUM93.WK3.

Since the Balance Sheet Input file may be created on a monthly basis, the name must reflect not only the year but also the month. For example, the balance sheet input file created for XYZ bank for January 1994 would be named ***PSXY0194.wk3***

One the analysis file has been completed it should be saved to the appropriate hard-drive sub-directory and also saved to a 3.5" diskette (in case of hard-drive failure). The diskettes are labeled the same as the hard-drive subdirectories and files should be saved to diskettes bearing the same name as the hard-drive subdirectory where the file has been saved. The diskettes are maintained in the ***data defender*** located in the computer room.

All analysis files (except input files) should be maintained on the hard-drive and on diskette for a period of two-years from the date of the analysis. After that time, files may be removed from the computer hard-drive and only maintained on diskettes. These diskettes should be maintained for a period of five years. Since input files are only used for data transfer, these are not considered permanent files and should only be maintained for a three-month period from the input date.

6. Establishing and maintaining workpaper files for the QBPA

The analyst should create a workpaper file to contain the quarterly bank performance report (QBPR) and supporting documents for each QBPA performed. Workpaper files will utilize folders which are colored ***blue*** to distinguish these files from other types of files. The files should be labeled QBPA (Bank initials) (Qtr-Year), e. g., the quarterly analysis performed for the ABC bank for Jun-94 would be labeled QBPA-ABC-2Q94.

To provide quick and easy reference to workpapers, all QBPA workpapers will be filed in the same order. To facilitate this, a workpaper index format has been developed. This workpaper format is illustrated on the next page.

Hanging files have been set-up to contain the workpaper files for the four QBPAs performed for each bank each year. These files will be labeled in the following manner: QBPAs (Bank initials) (Year), e.g., QBPAs performed for the ABC bank during 1994 would be placed in a file labeled QBPAs-ABC-94.

VI. ON-SITE EXAMINATIONS

A. The Purpose of On-Site Examinations

The ultimate aim of BSD's supervisory approach is to foster "self-supervision" within the financial institutions which it supervises. This requires that management of these financial institutions develops and implements appropriate risk management processes to ensure financial solvency and achieve a high level of compliance with laws and regulations.

While off-site reviews can provide "quantitative" analyses of financial performance, only on-site examinations provide a vehicle to perform a "qualitative" appraisal of risk management processes.

The examination complements and, to some extent, relies on the adequacy of the work performed by external and internal auditors. External auditors are engaged by management to form an opinion on whether the accounting and other records are adequate and the financial statements present fairly the financial condition of the institution. Internal auditors, on the other hand, are responsible for evaluating the effectiveness of internal controls and management information systems.

The examination concerns itself with appraisal, while auditing concerns itself with verification. The extent to which audit procedures are used during an examination varies from bank to bank depending on the scope and effectiveness of each bank's audit process, internal controls, quality of staffing, and other relevant factors.

1. Types of risk

There are generally five major areas of risk which the bank must manage effectively in order to be profitable and remain sound and solvent:

Credit (Collection) Risk - An institution has a financial structure which, on the asset side, consists of various balance-sheet and non balance-sheet items--items which by their nature carry varying degrees of principal collection risk. These risks range from nominal to potential total loss.

Interest Rate Risk - Bank management has to analyse the effects of market changes on interest rates. How much of the loan portfolio is tied to an index versus how much is fixed and for how long? What effect will rising or falling rates have on interest income collection? Is there a positive or negative gap?

Liquidity Risk - What is the maturity structure of the assets and liabilities? Where does the bank originate its deposits and other money? Could it consist of flight capital under certain circumstances? What is the bank's ability to raise funds or liquidate assets and how quickly?

Operational Risk - What types of risk do the bank's various operating systems present.

Legal/Compliance Risk - Have all banking transactions been accomplished in accordance with appropriate laws and regulations? Have all collateral instruments been properly perfected? Will many of our loans face long-term litigation?

There are other risks which bank management must deal with also, such as electronic risk, delivery risk, cross-currency risk, etc. However the five major risks listed above generally require considerable management attention.. Therefore it is very important that the examiner fully assesses the processes which are in place to manage these risks.

2. Risk management processes

isk management processes are those processes which management has developed and implemented to effectively supervise risks in various areas of banking activity. Risk Management Processes generally consist of four components:

Risk tolerance refers to the level of risk which bank management is willing to take to achieve its overall goals and strategies. The bank's risk tolerance is usually outlined in its policies and planning.

Risk identification is the process of identifying risk in individual transactions, portfolios, or activities.

Risk Supervision refers to the organization structure, and adequacy of staffing and internal controls to supervise risks on a day-to-day basis.

Risk Monitoring refers to the independent assessment of risk and risk controls, primarily through management information reports, internal/external audits, or other activities such as loan review.

The scope of an examination might require the examiner to appraise all components of risk management in all major areas of risk. This would be considered a comprehensive review of risk management processes.

The scope may focus on just one component of risk management (i.e., risk monitoring) which would be reviewed in all major areas of risk (this would be considered a horizontal review). If the scope dictated a review of all components of risk management but only in one area of risk, it would be considered a vertical review.

The following provides a more detailed discussion of the components of risk management. Although the process has been divided into four parts for ease of discussion, it should be recognized that risk management is a very fluid process. Overlapping of certain functions may easily occur. Or perhaps some banks have rearranged or renamed some functions to meet their particular needs.

(a) Risk tolerance

The primary vehicles through which the board of directors establishes the bank's risk tolerance are the written policies which are established for the major areas of bank activity. These policies provide the framework under which operating officers can act, and generally establish the risk parameters for transactions which occur in that area of activity. If risk parameters are very stringent, then it can be assumed that the level of risk which the board is willing to take in that activity is low. If, on the other hand, risk parameters are lax, then it can be assumed that the level of risk which the board is willing to take is much greater.

If a bank has a high risk tolerance in a particular area or activity -- for example, the lending area -- this, in and of itself, is not necessarily a problem. What needs to be considered is whether the bank can effectively manage the level of risk it is willing to take.,(i.e., a bank with a higher risk tolerance must have more stringent risk management processes than a bank with a lower risk tolerance).

Written policies should generally always outline what the bank's objectives are in a particular activity, who is primarily responsible for supervising this activity, what the risk parameters are for transactions occurring in this activity, and what kind of reporting is required.

Written policies should be approved by the board of directors and periodically reviewed to determine whether the policies continue to reflect the level of risk tolerance which the board is willing to take and whether revisions have to be made to cover new or expanded activities.

Another mechanism by which the board of directors establishes the bank's risk tolerance is the bank's strategic planning process. The planning process should include a careful consideration of any new or increased risks which may be incurred to achieve the bank's strategic objectives, and a requirement that existing risk management processes be upgraded or expanded to effectively manage any new or increased level of risks anticipated. Otherwise, if the board approves an ambitious strategic plan without carefully considering the risk which may be incurred in achieving this plan, it may be unknowingly increasing its risk tolerance.

(b) Risk identification

Management establishes risk identification processes to identify the types and levels of risk to which the bank is exposed. Risk identification processes may be used to identify risk in individual transactions or the overall level of risk in portfolios or activities.

For example, one risk identification process in the lending area is the assigning of risk classifications to loans when they are granted. This process measures the level of risk in each particular loan (transaction).To identify the level of liquidity risk, however, measurements are generally calculated based upon portions (or entire portfolios) of various types of assets and deposits.

Risk identification processes should be quantifiable so that levels or risk can be measured and monitored over time for trend analysis. Many risk measurements are in the form of ratios which are calculated either daily, weekly, or monthly.

Risk identification processes should also be timely. For example, classifying the risk in a loan transaction should be done when the loan is granted so that the loan pricing reflects the risk cost involved. Also, loans should be reviewed on a periodic basis to determine that the risk classification assigned to the loans is still appropriate.

(c) Risk supervision (risk control)

Risk supervision is the sum total of the various systems, structures, and controls which management has put in place to manage risk on a day-to-day basis.

An essential ingredient in risk supervision is a satisfactory organizational structure. This structure should provide for the appropriate distribution of responsibilities, lines of communication and job descriptions.

The Board of Directors of a bank is responsible for the formulation of sound policies and objectives of the bank and the effective supervision of its affairs. The soundness of a bank depends largely upon the policy decisions of the Board, the integrity of its members, the interest it takes in the affairs of the bank, the choice of personnel for managing the bank at different levels and the general control which it exercises in ensuring that its policies are carried out in an effective manner.

Another essential ingredient in effective risk supervision is adequate staffing. There must be sufficient staff to perform all necessary transactions in a timely manner, and the staff must also have sufficient expertise and skill to perform these transactions in an appropriate manner. Staffing adequacy should be appraised in those areas being examined. The stability of management and staff should be ascertained, as high turnover can lead to a breakdown in effective risk supervision. Likewise, the education and skill level requirements for jobs in the area as well as ongoing training programs should be assessed.

Strong internal controls are also required for effective risk supervision. Although no internal control system is 100% fraud proof, it is still essential for each bank to organize its staff procedures and routine properly to ensure that potential for fraud is minimized. The need to establish an internal control system which will be subject to constant review cannot be over-emphasized. Below are some important internal control concepts which banks should utilize:

Separation of duties - no single individual should be allowed to handle exclusively all the stages of any transaction, e.g., tellers should not post ledgers. Incompatible functions should not be combined, e.g., persons who can draw drafts on correspondent bank accounts should not reconcile these accounts.

Dual control - custody and control of easily transferable items such as cash, savings passbooks, bank drafts, and collateral should be kept under dual control.

Employee rotation or review - the work of each employee should be exposed to the scrutiny of another through employee rotation or review.

Compulsory vacation - generally each employee should be away from the bank for at least two consecutive weeks during the year. This will serve to interrupt staff manipulation of irregularities or fraudulent activities.

(d) Risk monitoring

In reviewing risk monitoring processes, the examiner determines the adequacy of the independent review processes which the bank has installed to monitor risk, as well as the adequacy of management reports provided to senior management and the board. The most common independent review processes are internal/external audit and internal loan review.

The basic objective of the internal audit process is to appraise the adequacy of risk supervision. Internal audits are generally conducted to accomplish the following:

- determine that the records of the bank are complete and adequate, and that transactions are properly recorded;

- determine that assets are adequately safeguarded and properly presented in financial reports, and that liabilities are completely disclosed and accounted for;
- determine that security documents for loan facilities and other collateral are properly recorded and protected by effective custodial control;
- check for compliance with appropriate internal policies, and laws, regulations and guidelines
- check the system of accounting for the receipt of income and reviewing the expenses to determine that they are authorized, correct in amount, and consistent with bank policy;
- appraise the performance of personnel in accomplishing assigned internal control functions and responsibilities; and
- review the authorities granted to approving officers in areas such as loan approval, signing checks, bank drafts, internal entries, letters of authorization, deed transfers and any other legal or accounting documents to be certain that there are no departures from established policy.

The chief auditor and the audit staff must be independent from the operations of the bank. The chief auditor should report directly to the board of directors.

In order to determine the overall adequacy of the internal audit process, the following must be reviewed:

- The expertise and skill of the chief auditor and the audit staff
- The adequacy of audit procedures which have been developed
- The criteria used to judge the adequacy of internal controls
- The schedule of audits performed/to be performed over a specific time period
- The scope of audits to be performed

External auditors are also employed by the bank. primarily to certify the bank's annual statements. However, a certain amount of internal control testing is generally done, depending upon the size and scope of the bank's internal audit and the level of internal controls in the bank. External auditors generally submit a "management" letter to the bank addressing internal control deficiencies noted.

Management reports are those periodic reports which senior management and the board of directors use in overseeing the risk management process in the bank. These reports generally include the following:

- ***Activity reports*** for current period for major asset and liabilities categories, i.e., volume of new loans granted, changes in deposits, loans to insiders, etc.

- ***Risk indicators*** such as delinquency reports, non-accruals, internal loan classification profile, audit reports, liquidity ratios, etc.

- ***Trend analyses*** (longer time frame) of changes in major asset and liability categories and risk indicators

- ***Personnel changes/training statistics***

- ***Significant events*** or changes which have occurred during the current period

A detailed listing of reports generally provided to senior management is included in the Appendix section of this handbook.

VI. ON-SITE EXAMINATIONS

B. The On-Site Examination Process

Presently it is the policy of BSD to conduct on-site examinations of all licensed financial institutions every year. However, as mentioned earlier, the scope of on-site examinations is developed from the bank's supervisory profile. This enables BSD to focus its resources on areas of greatest risk to the Gambian banking system. Therefore each examination is customized to achieve current supervisory goals for that particular institution and/or for all institutions within The Gambia.

1. Phases of the on-site examination

The on-site examination process can be broken down into three distinct phases: ***planning*** the examination; ***conducting*** the examination, and ***communicating results*** to both the bank and BSD

Planning the examination involves determining the scope of the examination, the time frame for accomplishing the examination, and resource requirements to conduct the examination. Conducting the examination involves performing the procedures determined by the scope, making appropriate evaluations, drawing conclusions, and determining appropriate follow-up action required. Communicating examination results includes the meeting with senior management to discuss examination findings, writing the examination report, and revising the bank' supervisory profile as required.

2. Planning the examination

The examiner should review the scope of the proposed on-site examination which is outlined in the supervisory strategy section of the bank's supervisory profile. The examiner should determine whether any significant changes have occurred since the last revision to the strategy which might necessitate a change in the scope. If the examiner believes that the scope should be changed, the examiner should discuss the proposed changes with BSD management to obtain approval.

From the broad outline of the scope contained in the supervisory profile, the examiner must determine what examination procedures will be required. Once the examination procedures have been selected (or customized, if necessary), the examiner will determine the resource requirements to perform the procedures. A request for these resource requirements will be made to BSD management.

If the necessary resources are not available to perform the examination, several options are available:

Revise the scope of the examination to fit the resources available to conduct the examination,

Postpone the examination until the resources are available,

Revise other work schedules to make appropriate resources available for the examination.

The examiner and BSD management must work together to determine which of the above options is the most appropriate. Once the actual scope of the examination has been finalized, it should be approved by BSD management.

(a) Developing the on-site planning & time management report (OSPTMR)

To facilitate the planning and performance of the examination, the examiner develops an ***on-site planning & time management report (OSPTMR)***. This report consists of the following:

The areas of bank activity which are to be examined

The objectives of the examination in each area of bank activity

The procedures to be used in conducting the examination in each area

Information requested from the bank in each area to be examined

The time frame and resource requirements for the exam

A calendar reflecting when significant events will occur during the exam

An attendance schedule

The OSPTMR is a management tool to assist the examiner in planning and conducting the examination. It also enhances the communication process between the examiner and the bank, the examiner and BSD, and the examiner and the assisting staff.

When the OSPTMR is initially drafted, it is presented to BSD for approval. At this time resource availability and any revisions in examination scope will be discussed. Once the examiner has made any revisions required, BSD will note approval by signing the report. The OSPTMR format is shown in the Appendix section of this handbook.

(b) Communicating with the bank

Generally, it is appropriate and helpful to communicate the scope and objectives of the on-site examination to bank management. This will allow them to determine the most efficient way to assist the examination process. The information request will also be communicated to the bank as soon as possible to enable the bank to gather the information. And finally, proposed dates of meeting with bank officials will be communicated so that arrangements can be made for appropriate bank management and personnel to attend.

(c) Establishing and maintaining workpapers

During the course of the examination, numerous documents will be received from the bank. Also examiners will create various work papers as procedures are performed. It is very important that these papers be well-managed during the examination process in order to provide quick access to necessary information.

The definition of working papers, their purpose, and their quality and organization are important because the workpapers as a whole should support the information and conclusions contained in the related report of examination. The primary purposes of workpapers are to:

- Organize the material assembled during an examination to facilitate review and future reference.
- Aid the examiner in efficiently conducting the examination.
- Document the policies, practices, procedures and internal controls of the bank.
- Provide written support of the examination and verification procedures performed during the examination.
- Substantiate the assertions of fact or opinion contained in the report of examination.

They are also useful as:

- A tool for the examiner-in-charge to use in planning, directing, and coordinating the work of the assisting examiners.
- A means of evaluating the quality of the work performed.
- A guide in estimating future personnel and time requirements.

An efficient method of ***controlling workpapers*** is to catalogue them by the major areas or activities being examined. The examiner-in-charge of each area is responsible for maintaining and cataloguing the workpapers for that area. A suggested format for cataloguing workpapers is shown in the appendix section of this handbook.

Generally, during the planning process, the workpapers from the prior on-site examination will be reviewed to provide more in-depth information about the bank. The examiner should consider whether any workpapers from the previous on-site examination will still have value to the present examination. If the documents in the prior workpapers are still of value, they should be removed from the old workpapers and made part of the current workpapers. An example of a document which may still have value from the prior examination would be a copy of a written bank policy that has not changed since the prior examination.

Likewise, as soon as possible, examiners should review the information provided by the bank for this examination to determine whether it adequate. Then this information should be catalogued in the work papers so that it is easily retrievable. Also any work papers which examiners develop during the course of the examination should be kept and catalogued.

Maintaining adequate work papers is critical to the overall success of the examination. The clarity of the workpapers should be such that an examiner or other Central Bank officer unfamiliar with the work could readily understand it. Handwritten commentaries should be legible and concise and should support the examiner's conclusions. Descriptions of completed work, notations of conference with bankers, conclusions reached and explanations of symbols used should be clear.

All examiners assigned to an examination should insure that the workpapers are controlled at all times while the examination is in progress. For example, when in the bank's offices, the working papers should be secured at night and safeguarded during the lunch hour or at other times when no examining personnel are present in the immediate vicinity. In addition, **it is essential to completely control confidential information provided by the bank.** Also information relating to tests and similar details of examination procedures should not be made available to bank employees.

Examiners should retain working papers for all types of analyses until superseded, obsolete, or no longer needed for administrative purposes. All workpapers that contain information an examiner expects to be useful in the future should be retained.

3. Conducting the on-site examination

As indicated earlier, on-site examinations can vary considerably in their focus and scope. However, there are certain steps which are generally followed in conducting all examinations.

(a) Introductory meetings with management

The initial step in conducting the examination is to meet with senior management to introduce the examiners and discuss the purpose and scope of the examination. This meeting also provides the opportunity to learn about any significant events which have occurred since the last examination which may impact on the scope of examination.

This meeting is also a good opportunity to request that a specific person be designated to act as a liaison between bank senior management and the examiners. This generally provides a centralized focus for gathering information and communicating with senior management.

The individual designated should have sufficient expertise and knowledge to understand the examination process and should have sufficient authority to fulfill examiner requests. (In many instances, if the bank has an internal auditor, this individual is designated as the liaison.)

The individuals who supervise the areas or departments to be examined may be in attendance at this initial meeting. If they are not, their names should be obtained. These managers should be advised that the examination is in process and request that an introductory meeting with the managers be scheduled.

Also, working arrangements such as office space, availability of telephones, copiers, computers, etc. should be discussed at this time.

After the initial meeting with senior management, the examiner should proceed with introductory meetings with department heads or managers. The purpose of this meeting is similar to the initial meeting.

(b) Managing the examination

The supervising examiner (examiner-in-charge) should periodically meet with assisting examiners to review work which has been completed, answer any questions which the assisting examiners may have and monitor performance against the OSPTMR. If the examination is falling behind schedule, the examiner must determine whether additional resources are needed, if the time frame should be extended, or whether the scope of the work yet to be performed can be reduced to meet existing deadlines.

The examiner-in-charge should also keep BSD staff informed regarding the status of the examination, particularly relating to any significant problems being encountered.

(c) Management interviews

Independent assessments of the institution's operations should be well advanced prior to commencing senior line management interviews. Meetings with the officers responsible for the areas selected for special on-site review require careful forethought and should be to-the-point. Providing an agenda giving topics for discussion prior to initiating a management interview is recommended, as it will enable management to locate back-up documentation and/or call on support staff to answer specific questions.

In meeting with managers, the examiner should:

- Convey the perspectives obtained on the operational or functional area being examined, and determine if management is in agreement. If not, the facts applicable will need to be checked.
- Ascertain remedial measures being taken by the institution, if considered necessary.
- Assess management perspectives as to the risks inherent in its specific responsibilities, and whether internal controls can be considered appropriate.
- Solicit information about the institution's future policy and strategic directions and determine if and when this might alter its risk profile.

An interview with the internal and external auditors is also advisable prior to initiating the final meeting with the Chief Executive Officer. This will permit the examiner(s) to confirm specific accounting, valuation and internal control issues that have arisen in the course of the examination. However, the main purpose is to discuss the scope of the external audit and issues raised in the auditor's report; and hence decide what degree of reliance can reasonably be placed on the work of the auditors.

Since external auditors may be reluctant to engage in conversations regarding the audit work which they performed due to a possible concern about client confidentiality, the examiners should inform the chief executive officer of the bank of the need for such a meeting and request that such a meeting be arranged.

(d) Drawing conclusions

During the examination, the examiner-in-charge will be constantly drawing conclusions based upon his own observations, discussions with others, and review of various information. It is important to constantly reconsider any preliminary conclusions as new information is provided. In many instances, conclusions may be drawn based upon certain information, only to discover that these conclusions may be incorrect based upon new or additional information.

If an examiner is unclear regarding a transaction or event which is under review, the examiner should find out who in the bank could best explain it. The examiner should meet with that person and try to clarify the situation. Even if the examiner believes that an error has been made, the examiner should review the facts and any new information provided before making any criticism.

As the on-site examination draws to a close, the examiners should begin finalizing their conclusions. The best approach is to write a brief summary of the facts supporting each conclusion. Review the summaries with other examiners to determine if they agree with your facts and conclusions. Where serious weaknesses or deficiencies are noted in a particular area, it may be appropriate for an examiner to have an informal discussion with the manager in that area to restate the ***facts*** that have been gathered. This is done so that when the examiner reaches critical conclusions based upon the facts provided, the examiner can be sure that the facts are correct and it will be more difficult for the bank to refute them..

Prior to the exit interview with the chief executive officer, examiners are encouraged to draft a preliminary outline of the examination report. This is helpful as it requires the examiner to prioritize the message to the bank and ensures that there is sufficient documentation to support any criticisms being made.

4. Communicating results of the on-site examination

Once the examination is concluded, the results must be communicated to both the bank and BSD. Communicating the examination results is done through the exit interview with the bank CEO, an examination report to the bank's board of directors, and through the revision of the bank's supervisory profile (for BSD's use only). Each of these communications serves a separate purpose:

- The exit interview with the bank CEO informs the CEO of regulatory concerns and provides an opportunity for immediate correction

- The examination report is an official document from BSD reviewing the findings and conclusions of the examiners and, where appropriate, BSD will request that improvements be made or corrective actions be taken.

- The revision to the bank's supervisory profile will be made in order to present the current facts concerning the condition of the bank and the recommended supervisory strategy to be employed in the future.

Since all of these communications have separate audiences and separate message, it is important that the writer clearly understand both what message is being sent and who is receiving it.

(a) Conducting the exit interview

At the conclusion of the examination, the examiner-in-charge should meet with the chief executive officer to review the examination findings and conclusions. This meeting provides an opportunity for clarifying policy issues that have not been adequately covered or explained in prior line management interviews, for instances relating to strategic planning, management successions, personnel matters, parent company surveillance (if applicable) and similar overview or sensitive topics.

It is generally helpful to prepare an agenda for this meeting. The agenda should be constructed in such a way that bank management will see it as a framework for discussion, rather than a synopsis of examination results. The agenda should show the date, meeting location, and attendees. It should also list, in priority order, broad areas to be covered. Only if there are matters "in contention" should detailed information be provided for reference or clarification.

The main purpose of the meeting is to convey the outgoing message covering the results of the examination. This message should be quite clear, namely in outlining the scope of the examination, explaining positive and negative findings, and making preliminary recommendations. Contingent on the perspectives gained from the Chief Executive's responses, these are usually the points contained in the examination report.

As a general rule, it is a good policy to ensure that all issues of a critical nature are discussed (not necessarily resolved) at the exit interview. Good channels of communication between the examiners and bank management can be maintained when bankers have a good understanding of the content of the examination report which they will receive.

(b) Writing the examination report

The use of the examination report in western countries has evolved considerably. Historically it was the primary tool to inform both the ***banks*** and the ***regulators*** of the examination results, this many time created problems. However, this presented problems, as the examination report had two audiences. Much of the information was a "regurgitation" of information the banks already knew, and some of the information was of such a confidential nature that only the regulators should know.

As a stopgap measure it was decided to add two or three pages to the back of the report (called the "confidential section") in which the examiner could convey information that might not be appropriate for the bank. This practice was eventually discontinued as the examiners did not fully appreciate how to use the "confidential" pages and at times the confidential pages were inadvertently sent to the banks.

In addition, the mere size of the examination report became overwhelming, since every time a financial institution commenced a new activity, a new report page was created to address it. This then required someone to answer the page, type the page, proof-read the page, re-type the page, review the page, and file it.

With the advent of the supervisory approach and the supervisory profile, this problem has been resolved. Now there are two documents:

- The Examination Report which communicates BSD's message to the bank, and
- The Supervisory Profile, which informs all BSD staff of the condition of the bank and also provides information regarding BSD's supervisory strategy for the bank. And finally, the results of any recent QBPRs done since the last revision.

In the appendix section of the handbook, there is a report format which can be used in communicating with the bank. The report. is very self-explanatory, and needs no further discussion here. The report has been designed in "building block" design to encompass a variety of circumstances which an examiner may be meet. Depending upon the circumstances, the portion of the report which is applicable to that circumstance should be used.

In no situation, should it be construed that the examination report format be completed for all on-site examinations. Examiners should only use those portions which are necessary to convey their message to the bank and to support that message.

There are many statistical tables and worksheets in the report format. These are only to be used in instances where the bank is incorrectly submitted such information in its regulatory reports to demonstrate how the reports should be properly be prepared. The use of other such tables is at the examiner's discretion.

Generally, the reports will be primarily narrative. They will consist of an executive summary, and a narrative portion relating to each major area of examination. The following illustration on the next two pages is provided as a guide, but are in no way meant to be inclusive. The information provided here does not purport to represent the condition of any bank in The Gambia and should be recognized as such.

FOR ILLUSTRATIVE PURPOSES ONLY

XYZ Bank
EXECUTIVE SUMMARY

We recently conducted an on-site examination of your bank. The purpose of the examination was primarily to:

- *Assess the adequacy of the bank's internal risk classification system,*
- *The adequacy of their Allowance for Loan Losses,*
- *The reporting of loan data for regulatory reporting purposes.*

We performed certain reviews, test checks, and verifications in order to arrive at our findings and conclusings:

- *We reviewed all appropriate policies and procedures, and management reports related to the above areas. We discussed these with department management and staff as well as the internal auditor.*
- *We sampled a select number of your commercial loans to see if they were in compliance with you own internal loan classification guidelines and lending policies and procedures.*
- *We test-checked the data provided to the Central Bank against the data on the bank's ledgers and discussed why certain deficiencies were noted.*

Based upon the examination procedures which were used, we conclude the following:

Your internal risk classification system is very sophisticated and appears to adequately differentiate between the levels of risk in the portfolio. However, there were instances noted in both our sample and that performed by recent outside inspectors where risk classifications should have been lowered. The amount of these was not significant and as such does not detract from the overall adequacy of the internal loan risk classification system.

Your present methodology for determining the allowance for loan losses is considered weak. It does not provide documentation to support management's contention of what exposures may exist in the portfolio. Management should *determine potential losses and have adequate evidence to support any contention that little or no loss will occur. This is necessary for the bank examiners as well as your external auditors and internal inspectors. In addition, management should exercise extreme caution is setting aside reserves in periods of uncertain economic conditions.*

Numerous problems were noted between data shown on the bank's records and those submitted in regulatory reports. Some of the problems deal with confusion as to what actual numbers are required on the form. In some cases, management does not agree with definitions which have been used to classify certain loans. It is recommended that the persons involved in these reports visit the Central Bank and discuss their concerns. Also one of our examiners would be happy to walk you through the preparation of any report you are having difficulty with.

In closing, we would like you to advise us, within ninety days, of those actions which you have taken to improve the weaknesses which were noted during the examination.

The narrative sections would be similar in structure, but would contain more documentation to support the overall conclusions.

Once the report has been drafted, it should be reviewed by the examiner's supervisor. an/or the manager of BSD. Based upon current BSD policy, only the executive summary, in the form of a letter is sent to the bank. The remainder of the report is maintained in the workpapers..

In the IV. Supervisory Approach section there is an example of a supervisory profile and detailed instructions for completing it.

VII. LICENSING

The Banking Supervision Department (BSD) is responsible for processing of applications for a license by financial institutions. Domestic and foreign financial institutions are required to apply for a license in order to conduct any banking business in The Gambia under the Financial Institutions Act, 1992, Section 3.

A. Processing a Request for Licensing

BSD conducts the investigation of applications for a license including, but without being limited to those aspects conveyed in the Financial Institutions Action, 1992, Section 4(3a) as follows:

Character and experience of proposed management - The reputation, experience and qualifications of the proposed management requires appropriate assessment and verification. Readily evident international credentials will be required if the applicant's parent organization is a foreign bank.

Financial condition and past performance - An applicant with a record of operations in a financial or other business will need to show sufficient assets to support a financial institution in The Gambia and a sufficiently profitable record over a number of years.

Adequacy of capital - Sources of capital and capital adequacy generally will be thoroughly reviewed, namely depending on whether the application is for a de novo (start-up) or established financial institution, the scope of its proposed operations and the capital adequacy criteria set for banks already established in The Gambia.

Convenience and needs of the community - the additional financial services which will be made available to the community will be assessed relative to the perceived needs of the community.

Prospects for profitable operations - an applicant is expected to provide a business plan showing the types of financial activities offered and expected growth of activities over the first three years a license is granted. The applicant will be required to submit a pro-forma balance sheet and an income and expense statement for the first three years of operations. The format for these statements is included in the Appendix of this Handbook.

Effects on existing financial institutions - the possible impact which the proposed institution will have on already existing financial institutions will be assessed.

In addition to these areas of review, further investigation may required, depending on the status of the application as it relates to the proposed financial services to be offered. For instance, in the case of an international bank seeking a license to operate in The Gambia, supporting evidence would routinely be sought from the relevant authorities abroad.

The time for completion of the investigation accordingly depends in part on whether all necessary information to satisfy the Central Bank's inquiries can be obtained in The Gambia, or requires being obtain from abroad. In the former case, the time frame is set at 120 days from receipt of the completed application requirements and in the latter 180 days. In either instance, however, if the Central Bank notifies the applicant in writing of additional information requirements, the previously indicated time frames can be extended 180 days, on a recurring basis until all the necessary information has been obtained.

B. Approval Process

On completion of the investigation, the Governor advises the Central Bank Board of Directors as to the outcome of the investigation. The recommendation can e to approve the application, approve the application with conditions limiting the exercise of powers by the applicant per FIA(1992) Section 4(5), or refuse a license.

In consultation with the Minister of Finance and Economic Affairs, the Central Bank will approve the license or write to the applicant informing that the license has been refused and the reasons. In this regard, where granting of the license is deemed as not being in the public interest of the Gambia, no other reason for refusal need to be furnished. In corporation and obtaining a license to commence banking operations is accordingly pre-conditioned on obtaining Central Bank approval in principle.

A financial institution that fails to commence operations within 6 months following receipt of a license can have its license revoked under FIA (1992) Section 9 (1a). Alternatively, once it has received its license, a financial institution is required to notify the Central Bank in writing within 30 days of any subsequent amendments to its memorandum and articles of association, any change in its head office address or shareholders accounting for more than 10% of any class of shares outstanding per FIA (1992) Section 4 (10).

C. Application Requirements

An application for a license must be in writing, signed by the Chief Executive or Chief Operating Officer, and submitted along with the following:

1. Name of the proposed company.

2. Address where its head office will be located.

3. One copy of the most recent audited financial statements of the applicant and of the consolidated parent organization, if applicable. In the case of a start-up company, the audited statement must indicate pre-opening expenditures.

4. Proposed memorandum and articles of association of a new financial institution; or if already incorporated in The Gambia and seeking a license to do "banking business", authenticated copies of its previously obtained memorandum and articles of association.

5. Shareholders - the names and permanent address of persons who subscribed for or intend subscribing to shares with full voting right or other classes of shares to be issued, where any such holding will represent 5% or more of such class of shares.

6. Directors - the names and permanent addresses of the proposed directors and their principal business activities.

7. Executive officers - the name, permanent address and curriculum vitae of the person designated as chief executive of the proposed financial institution, and all other identified executives of the proposed financial institution.

8. Associations - a list indicated other Gambian corporations or partnerships in which each director, executive officer or major shareholders (see 5 above) is associated, indicting the nature (employee, director, etc.) of the relationship and/or amount invested.

9. Corporate ownership links - list of names and permanent addresses of all companies in which the applicant or its parent hold more than 5% of the voting shares, including an outline of the main business undertaken by each such company.

10. Business plan - list particulars of the business it proposes conducting, with estimates of profitability during each of the first three years of operations. The business plan is to be approved by the chief executive officer or chief financial officer of the proposed company and include pertinent information such as:

    - Organization chart giving names, titles, responsibilities of senior officers for the proposed company.

    - Addresses of places it proposes to locate and financial services intended for each location relating these to the perceived needs of the community to be served. In the case of a mobile office, the area proposed to be served.

    - The amount of the initial capital investment and planned subsequent disposition of capital based on financial projections covering each of the initial 3 years of operations. Indicate salient assumptions in support of projections.

The BSD uses the above information to conduct its investigation of the merits of each application. In certain instances, additional information may be required, as in the case of an international bank seeking a license to operate in The Gambia.

A foreign financial institution is specifically required to identify any director, officer agent or other person upon whom any legal process may be served under FIA (1992) Section 4 (11a).

In addition to the foregoing requirements (see 1 through 10) the following information will routinely be sought from foreign financial institutions intending to establish a subsidiary or branch in The Gambia:

11. Annual report and/or prospectus of the parent organization providing at least 5 years of operating results, including as a minimum balance sheet, profit and loss statements and changes in shareholders' equity and reserves. If the Gambia bank is ultimately owned or controlled by a senior parent organization, similar information will be requested on a consolidated basis.

12. Summary of banking business activity of the applicant's parent organization, if any, including a list of jurisdictions in which it operates.

13. A letter of comfort from the parent organization covering the operations of its Gambia bank (annex 1).

14. Information regarding the type and scope of supervision that applies in the home jurisdiction as evidence that the applicant's parent organization is being closely supervised in its home jurisdiction.

15. A positive report on the applicant's parent organization from the regulatory authority in its home jurisdiction in the form of a certificate of good standing (annex 2).

D. Subsequent Events

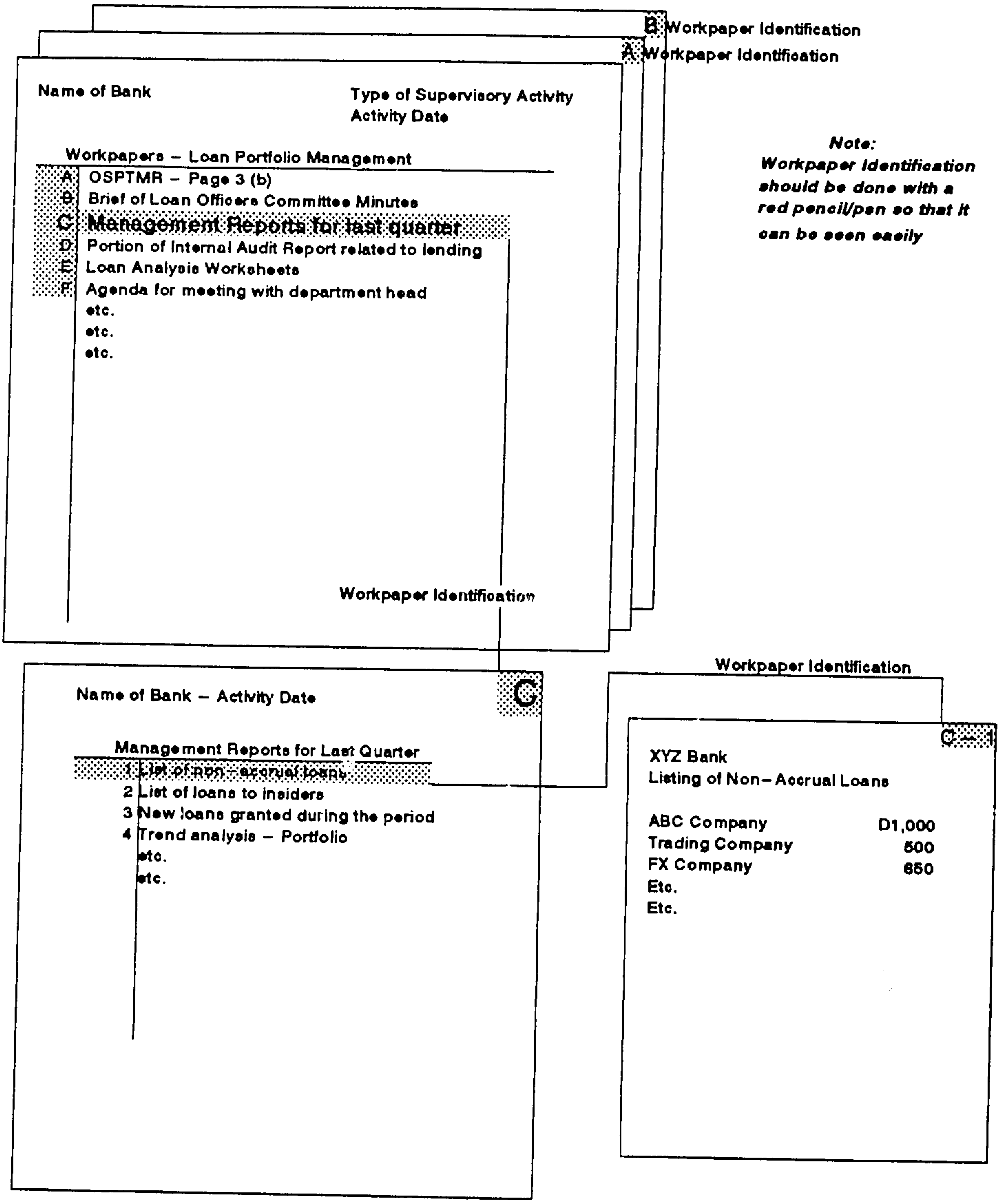
After any financial institution has received a license, it will be expected to provide the Central Bank with advance notice in writing regarding any substantive changes from the information submitted when applying for a license. Substantive change sin this context refers to company name (item 1 of the application requirements), head office address (2), memorandum and articles of association (4), over 5% shareholdings (5), directors (6), chief executive officer (7), associations (8), corporate ownership links (9), or if the parent organization's business is likely to undergo a material change due to its being acquired or similar substantive developments (12).

APPENDIX

APPENDIX

Reference Material

EXAMPLE OF WORKPAPER FORMATS



CHECKLIST FOR REPORT WRITING

BANK PROFILE ANALYSIS

I   Company Characteristics - Scope of operations, importance in the market and competitive position:

a) Ownership and management trade-offs and control;
b) Managements competence at forward planning;
c) Any specifical areas of expertise;
d) Diversification by types of business and funding sources;
e) Concentration of lending risk, by industry or type of borrower;
f) Referenced Instructions (numbers) for background information and related data:

Consolidated Statement of Assets and Liabilities Addendum - Off-Balance Sheet Exposures.

Market share trends, shifts in composition of Assets/Liabilities/Off-Balance Sheet exposures.

9. Loan Returns

Cash flow, concentration by economic sector, market share, security pledged, rates.

8. Return of Insider Credits

Exposures, disclosure and changes.

II   Profitability - Earnings quality and sustainability and ability to generate capital support for future growth:

a) ROA trends, net interest spread trends and ability to maintain volume.

b) Impact of provision for losses, current level, past volatility and adequacy in relation to current reserve level.

c) Other income analysis, breakdown, relative volatility of components, and prospect for growth.

d) Operating expense ratios, trend of the ratios composition of overhead and ability to control level.

e) Recent unusual income or expense factors.

f) General opinion of quality, consistency of earnings/profitability.

g) Reference Instructions (numbers) for breakdown information and related data:

2. Consolidated Profit and Loss Statement

Expanded information in December year end report permits detailed annual analysis.

11. Structure of Bank Rates

Consistency with August yields/costs in the "Average Balance and Rates"; assess interest sensitivity.

III <u>Asset Quality</u> - Credit quality of assets; Monitor changes to detect deterioration:

a) Historical loss experience record and relative to comparable banks.

b) Historical non-performing assets trends, non accrual in particular.

c) Conservative management policies for setting "Reserves" (Allowance for credit losses) and level of recovery rate relative to prior write-offs.

d) Analysis of non-performing, special provisions by category of loans and advances, indicating reasons for problems, eg concentrations, lending aggressiveness, lack of control.

e) Analysis of current loan portfolio condition and control rate, risk exposures and provisions.

f) Assessment of potential future problem areas.

g) Investment portfolio credit quality.

h) Reference Instructions (numbers) for background information and related data:

6. Non-Performing Credit Returns

Specific provisions trend, loss experience, adequacy of reserve, non-accrual/restructured credit risks, accounting for payments on non-accrual loans, write-off and recoveries trends.

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IV <u>Capital Adequacy</u> - Equity cushion available to support operating or portfolio losses

a) Capital ratio standing, comparison with peer group banks.
b) Quality of capital in terms of its components.
c) Dividend payment ratio/internal growth rate of equity.
d) Relationship of asset quality to capital.
e) Off-Balance sheet risk assessment.
f) Ability to tap external capital in case of need.
g) Reference instructions (numbers) for back:

7. Capital Adequacy Returns

Ratio trends, reinvestment rate versus asset growth.

8. Changes in Reserve Accounts

Trends and basis for changes, in particular Statutory Reserve, and Dividend cover/sustainability.

V <u>Liquidity</u> - Readily encashable assets and diversity of funding sources

a) Statutory liquid asset compliance/management.
b) Assessment of emergency liquidity sources.
c) Management stated policy on asset/liability management.
d) Assessment of flexibility of balance sheet, assets and liabilities.
e) Referenced Instructions (numbers) for background information and related data:

4. Statement of Liquid Assets.
5. Statement of Required Reserves

Dalasi/Foreign currency liquid asset trends, compliance with statutory requirements.

10. Deposit Return

Concentrations, turnover rates by category, term to maturity (time deposits) market share, rates.

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CREDIT PORTFOLIO EVALUATION*

The objective of this section is to offer direction to bank examiners on the process and techniques for examining bank activities involving the assumption of credit risk. More specifically, it describes a methodology for assessing credit quality composed of four steps:

1) planning the loan examination review;

2) assessing the quality of the credit management process;

3) executing individual loan reviews; and,

4) drawing conclusions from the examination.

Planning the Loan Examination

The objective of this first step is to learn and summarize the profile and characteristics of the bank lending activities in order to prioritized the review. The first step before actually assessing loan quality is to plan adequately the work to be done. Loan assessment is both a time consuming and resource intensive task which needs to be started when the examination begins. Adequate planning, coordination, and quality control of the examiners working in this area is essential. Planning the examination of the loan portfolio involves carefully reviewing:

1) previous examination reports;

2) audit reports and auditors working papers, when accessible;

3) peer and trend performance; and, credit risk bureau information, when available.

Some of the aspects to be alert to are:

- the risk profile of the bank's lending activities;
- any previously detected problem and classified borrowers;
- persons and companies belonging to the bank's related persons, including subsidiaries and affiliates; and,
- any weakness detected in the past in the bank's loan administration process, procedures and policies.

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*Note: Extract from World Bank's Guidelines entitled "Credit Portfolio Evaluation."

BEST AVAILABLE DOCUMENT

Selection of individual borrowers to be reviewed, assessment of timing, and assignment of tasks will follow the planning stage.

Borrowers with total credit exposures exceeding a predetermined cut-off point should be listed for review and credit analysis sheets prepared for their individual study. Customarily, for a full scope examination, the cut-off point will be established as a percentage of the bank's net worth to assure a satisfactory coverage. The cut-off point varies according to the perceived bank's rating. For non-problem banks, the cut off point should not be lower than 1% of net worth. For problems banks the cut-off point may be reduced to around 0.25% of the bank's net worth.

Credit exposures selected in this manner must be assessed individually. The portfolio is normally segmented by different types of loans such as commercial, industrial, mortgage on dwellings, installment loans, and any other relevant to the activities of each bank. Their evaluation is based on assessment of the existing procedures, controls and internal reporting. This leads to the selection for analysis of a representative sample of each segment.

The borrowers selected should be about 60%-70% of a bank's total credit risk exposure, including off-balance sheet exposures, securities and stocks held of those borrowers. For certain types of borrowers instead of random selection techniques it is worth following subjective selection techniques. Borrowers presenting special features always need to be analyzed. Such borrowers are typically:

- accumulating arrears;

- systematically extended, renewed, or granted market rate concessions;

- rescheduled interest rate and term facilities;

- relatively unknown companies or individuals, with low capitalization but sizable facilities;

- internally identified problem credits; and

- loans which present "red flag" warning signals.

The usual causes of "problem" credits are noted in Appendix II.

<u>Assessment of the Credit Process</u>

The evaluation of selected individual borrowers parallels the assessment of the systems and processes followed in the administration of the bank's lending activities. When policies and procedures are not formalized in writing, discussions with management and directors and the review of individual loans will provide an insight into the existing practices.

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The lending policies instituted by the board and their implementation through the credit procedures and guidelines established by management must be reviewed for soundness and actual compliance. Bank examiners need to assure themselves of the bank's present condition and focus on tomorrow's stability by encouraging bank management to reinforce their lending process in order to generate quality loan risks. During the examination of the credit management process and individual borrowers, the emphasis needs to be put on:

1) identification of exceptions for financial analysis, collateral, approval, conditions and documentation;

2) compliance with laws, rules and regulations;

3) management commitment to control and limit risk profiles and concentrations; and,

4) evidence of self-dealing and insider lending.

The overall rating of a bank's credit risk management process (good - fair, bad) is determined by its weakest state. Weakness in any stage is likely to result in the accumulation of flaws and problems. These may eventually materialized in losses and threaten the bank's viability. Bank examiners need to be as interested in the final result -- the quality of assets and assumed risks in terms of satisfactory level of provisioning -- as in the adequacy of the system as a whole that produces them. A "top-down" approach in examining credit risk activities requires attention to the quality of the credit risk management process. The procedures for evaluating the quality and depth of the credit management practices as listed in Appendix III should facilitate a review and assessment of:

- the process and manner in which the bank's credit strategy and policies are developed and detailed;
- the involvement, role, composition and actual credit decisions of the Board, committees and of bank's lending authorities;
- the minimum acceptable credit standards applied to customers and the means of assessing them; and,
- the types, quality and usefulness of the reports generated and used to control repayments, concentrations, borrowers's performance, and the quality of risks.

Individual Credit Analysis

Apart from assessing the quality of the bank's lending process, the bank examiner needs to review the performance status and collectibility prospects of selected borrowers.

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Individual credit analysis concentrates on:

1) the borrower's ability (initial, present and future) to repay debts according to the terms agreed;

2) capacity to support interest costs;

3) the bank's built-in protection against principal and interest losses; and eventually,

4) the actions initiated by the bank to improve and reinforce any material weakness in the borrower's credit quality.

In order to evaluate these four aspects, the examination emphasizes the evaluation of quantitative credit risk factors. It specifically stresses the analysis of the borrower's industry characterists, economic condition, profitability, and cash flow patterns.

The effect of unplanned changes of external variables even for financially sound borrowers can have a substantial impact on creditworthiness. The relative importance of the borrower in the economy and in its industry, and its sensitivity to downturns and to the credit tightness of the business cycle needs to be considered. Medium and smaller industry players are more exposed to the impact of deteriorating general economic and credit conditions, and to changes in technology and consumer preferences. During the evaluation of the borrower's industry related aspects therefore, the examiner needs to determine whether the banker has properly assessed and understands the risks posed by the characteristics of the borrower's business, as follows:

- market and customers;

- production process and techniques;

- product distribution and selling strategy;

- the importance of price, quality and/or service for markets;

- the manner in which future market trends will effect the borrower's standing, and how well he is prepared to cope with them.

Some of these features can be assessed from the borrower's financials which should be reviewed to detect early signals of weaknesses that may help protect the bank's position. From the point of view of the examiner, it is important to relate any existing evidence about the downside vulnerability of the borrower with the phase of the business and industry cycle in which the bank loan relation was initiated.

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Normally, the later in the cycle the relationship was started , the greater the chances for the borrower being a marginal quality risk and hence a lurking problem. Likewise, borrowers operating unprotected economics or subsidized industries that currently present a solid financial profile, may pose a serious threat for a bank when trade band credit terms are liberalized. Excessive exposures of this type may suggest the need for contingency plans. By assessing managements' knowledge and expertise on these risk issues, the examiner can gain insight as to the effectiveness of the bank's credit control system.

The borrower's past and present accounts contain information regarding its business relations with the bank. Even if the borrower's credit file does not contain reference to previous facilities granted by the bank, the analysis of the borrower's accounts should permit a determination of how present facilities arose from the renewal, extension, or rescheduling of past operations. Old repaid facilities need to be tracked to investigate whether they were punctually serviced or if they were financed. Part of the borrower's turnover, or in some cases its totality, passes through the bank's accounts. The quality of the borrower's receivables and customers may be often detected through its accounts movements.

The borrower's current account, and those of its related interest, should be reviewed by the examiner to check whether interest payments had been in the past satisfied with real cash flow derived from operations. Or, as is sometimes the case, the extension of new bank facilities, overdraft refinancing and capitalization of unpaid interest permits the fiction of apparent performance.

The analysis of the accounts of insiders and borrowers suspected to be related to them may help to determine the true application of loan funds, and how in some cases the source of principal and interest repayment originates from other loans or facilities granted to a related concern. Evidence of insider abuse and fraud may also be established through a detailed and patient investigation of the movements of funds between groups of unrelated client accounts. In some cases, the investigation may need to be extended to other banks.

Ascertaining customer risks in a bank's loan portfolio involves the analysis of the borrower's financial condition and profitability; and its ability, faced with economic and industry pressures, to generate sufficient cash flow to serve its debts. For these purposes, provided that the banker's analytical skills and procedures are judged to be satisfactory, the examiner can evaluate the assessment done by the banker of the borrower's past and prospective financial and economic performance.

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Customer credit analysis should accordingly go further than the evaluation of historical performance. The examiner needs to evaluate how the repayment sources of a customer are monitored by the banker, which includes the preparation of pro-forma financial statements and budgets.

In this regard, the examiner's analysis devolves on the borrower's ability and resources to support debt service requirements as follows:

- its historical ability to plan, and the banker's capacity to assess it;

- the sensitivity of projected cash flow to external economic and industry variables;

- alternative plans to reinstate the flow of cash funds if necessary.

At this stage, the examiner needs to draw conclusions on the quality and collectibility of the borrower. Hence, any deficiency in the projected cash flow would point to additional asset classification, provisioning, and interest suspensions by the bank, particularly if not appropriately covered by the repayment ability or collateral of the borrower.

<u>Concluding Loan Evaluation and Summarizing Results</u>

As the result of the evaluation of the credit process, the following should be addressed, if present:

1) weaknesses detected should be discussed and agreement reached with the banker on corrective action;

2) excess concentrations and a plan and timetable for reduction;

3) the classification of problem credits and the estimation of any additional provisions necessary; and,

4) the effect on the bank's profitability of the suspension of interest accruals.

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APPENDIX 3
LOAN PORTFOLIO MANAGEMENT PROCEDURES

1. Request Reports on the following from the bank, by department, as of the examination date, unless otherwise specified:

   a. Non-current loans-this report should cover loans & advances 30 days or more past due on interest.

      Obtain the following minimum information:

      - Name of the obligor
      - Original amount of the loan
      - Outstanding amount of the loan
      - Date the loan was made
      - Due date
      - Terms of the loan
      - Number of payments the loan is delinquent
      - Date of the borrower's last payment
      - Interest billing cycle
      - Date up to which interest is paid

      For larger loans, the report should also include:

      - Purpose of the loan
      - Any action being taken

   b. Non-Accrual Loans-As needed contingent on data in Instruction 6. Otherwise per(a).

   c. Restructured Loan--Same basis. as (b).

   d. Loans considered "problem loans" by management. (This report may be either as of the examination date or as submitted to officer's loan review committee, loan and discount committee or board of directors).

   e. Loan commitments & contingent liabilities.

   f. Extensions of credit to employees, officers, directors, principal shareholder & their interests. As needed, see Instructions 8.

2. Obtain the following regarding the role of the Board of Directors:

   a. A copy of written policies covering all lending functions.

   b. A statement of whether a standing committee administer the lending function.

   c. Copies of reports furnished to the board for its meetings.

   d. Lists of directors, executive officers, principal shareholders & their interests.

   e. A list of rebooked charged-off loans approved by the directors.

3. Obtain a copy of the latest reports furnished to the loan committee.

4. Review the lending policies and updates thereto and abstract appropriate excepts on:

   a. Distribution of loans by category.

   b. Geographic limitations.

   c. Lending authorities of committees & officers.

   d. Maximum maturities for various types of loans.

e. Collateral appraisal policies including:

Persons authorized to perform appraisals

Lending values of various types of property

f. Guidelines for loans to major stockholders, directors, officers or their interests.

5. Perform the following steps for past-due loans:

a. Compare the following to determine any material inconsistencies:

The non-current loan schedule received in step 1.

Delinquency reports submitted to the board.

List of loans considered "problem" loans by management.

Non-performing (Instruction 6) lists submitted for regulatory purposes.

b. Scan the delinquency lists submitted to the board, to determine that reports are sufficiently detailed to evaluate risk factors.

6. Through discussion with departmental management, evaluate the quality of the internal loan review personnel considering:

a. Level of education

b. Significant experience

c. Availability & participation in continuing education programs.

d. Training methods

e. Level and quality of supervision

7. Through discussion with appropriate personnel and the possible use of flowcharts, organizational charts, observation, investigation, etc., analyze the operation of the overall internal loan review process.

APPENDIX 2(a)

LOAN PROBLEMS

Failure of the directors to establish a sound lending policy, or of management to establish adequate written procedures and of both to monitor and administer the lending function within stated guidelines has resulted in substantial problems for many institutions. Loan problems may be caused by a plethora of errors the bank may have permitted its borrowers to make. Major sources and causes of "problem" credits are:

Self-Dealing - Self dealing is involved in a significant number of serious problem bank situations. It is generally found in the form of an over-extension of credit on an unsound basis to directors or large shareholders, or to their interests, who have improperly used their positions as owners to obtain funds in the form of unjustified loans (or sometimes as fees, salaries, or payments for goods or services). Officers who hold their positions at the pleasure of the board and shareholders may be subject to influence and, therefore, may not be in a position to evaluate and reject such credits on the same basis as credit requests of other customers. In that situation, management will often vigorously defend the unsound loans or other self-dealing practices perpetrated upon the bank by the owners. In a self-dealing situation, both the source and the cause of the problem may originate within the bank.

Anxiety for income - The loan portfolio is often the most important revenue producing asset. The earnings factor, however, must never be permitted to outweigh that of soundness so that credits that carry undue risks or unsatisfactory repayment terms are granted. Unsound loans usually cost far more than they produce in revenue.

Compromise of Credit Principles - Bank management, for various reasons, may grant loans carrying undue risks or unsatisfactory terms, with full knowledge of the violation of sound credit principles. The reasons for compromise of basic credit principles may include timidity in dealing with individuals having dominating personalities or influential connections, or there may be friendships or personal conflicts of interest involved. Self-dealing, anxiety for income, and competitive pressures also may lead to a compromise of credit principles.

Incomplete Credit Information - Character and capability may be determined by many means, but complete credit information is the only acceptable and reasonably accurate method for determining a borrower's financial capacity. The lack of supporting credit information is an important cause of "problem" credits. Adequate and comparative financial statements, operating statements, and other pertinent statistical support should be available. Other

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essential information, such as the purpose of the borrowing and the intended plan and source of repayment, progress reports, inspections, and memoranda of outside information and loan conferences, should be contained in the bank's inspections, and memoranda of outside information and loan conferences, should be contained in the bank's credit files. Proper credit administration and accurate credit appraisal is not possible without such information.

Failure To Obtain or Enforce Repayment Agreements - This constitutes a very important cause of loan trouble loans granted without a clear agreement governing repayment are, at the very least, in violation of a fundamental banking principle. Such loans are likely to become problems at some subsequent data. More common, and generally as bad, is the case where the bank has an agreement with the borrower regarding the repayment or progressive liquidation of his loan, but fails to collect the principal payments when and how it should. A study of loan losses will show that, in many cases, amortization never equalled the principal payments the borrower agreed to make it is a sound axiom that good lending and good borrowing both require consistent liquidation.

Complacency - The following items manifest complacency and should always be guarded against:

Lack of adequate supervision of old and familiar borrowers.

Dependence on oral information furnished by borrowers in lieu of reliable financial data.

Optimistic interpretation of known credit weaknesses based on past survival or recurrent hazards and distress.

Lack of Supervision - Many loans that are sound at their inception have developed into problems and losses because of lack of effective supervision. Ineffective supervision is almost invariably the result of a lack of knowledge of the borrower's affairs over the lifetime of the loan.

Technical Incompetence - The technical ability to analyze financial statements and to obtain and evaluate other credit information, thereby protecting the bank in the placement and supervision of loans, is possessed by all able and experienced bankers. When it is not, unwarranted losses are certain to develop. Credit incompetence of management should be discussed promptly with the board of directors.

Poor Selection of Risks - A majority of banks have some large loans or a rather large number of small loans, insignificant to the bank in their aggregate, which they regard, not only as warranted loans, but also as exceptions to their general credit policies because of inherent weaknesses. Because they are recognized as a departure from sound credit principles, and because their aggregate amount is moderate, the examiner need not be unduly concerned. However, when

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exception become the rule, recognized or unrecognized, important loan problems develop. Following is a list of general loan types that may fall within the category of poor selection risks:

- Loans to finance the establishment of businesses, wherein the bank advances an excessive proportion of the required capital relative to the equity investment of the owners.
- Loans based more on the expectation of successfully completing a business transaction than on existing net worth.
- Loans for the speculative purchase of securities or goods.
- Collateral loans carried without adequate margins of security.
- Loans for carrying real estate transactions against narrow equity ownerships.
- Loans made because of other benefits, such as the control of large balances on deposit in the bank and not based on sound net worth or collateral.
- Loans weakened by a bad moral risk.
- Loans resting on the non-marketable stock of a local corporation in conjunction with loans directly to that corporation. The bank is placed in a dual position. it may consider itself forced to finance the corporation far beyond warranted limits to avoid loss on the loans that rest on the stock of the corporation.
- Loans predicated on collateral of problematical liquidation value. A moderate amount of such loans, when recognized by bank management as subject to inherent weakness, may cause few problems. Should they become the rule, however, the bank will be in serious trouble.

Overlending - In one sense, this point should be joined with technical incompetence. However, it is a weakness found in some bankers who are otherwise competent. It is almost as serious, from the standpoint of ultimate losses, to lend a fundamentally sound financial risk too much money as it is to lend to an unsound risk. Loans beyond the reasonable capacity of the borrower to repay are unsound. Nowhere is technical competence and common sense more at a premium than in determining a sound borrowers's safe, maximum loan level.

Competition - Competition among banks for size and community influence may result in the compromise of credit principles and the acquisition of unsound loans. The ultimate cost of unsound loans always outweighs temporary gains in growth and influence.

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OVERVIEW

LOAN PORTFOLIO MANAGEMENT
RISK MANAGEMENT PROCESS

RISK TOLERANCE

Loan Policy
- Limits concentrations
- Composition criteria
- specifies collateral requirements
- specifies lending authorities
- specific acceptable loans

Planning
- identifies risk in new or expanded activities
- develops appropriate risk management to control

RISK IDENTIFICATION

Internal Loan Classification
- Loan officers identify risk in each loan at inception
- Loan officers periodically reassess risk in portfolios

Provisioning for Loan Losses
- identifies risk in total portfolio

RISK SUPERVISION

Organization Structure
- separation of duties
  - Credit Administration
  - Lending Officers

Staffing
- Adequate to manage risks

Internal Controls
- Periodic revaluation of collateral positions

RISK MONITORING

Internal Audit
- reviews internal controls

Internal Loan Review
- reviews loan classifications

Management Reports
- Non–accrual loans
- New loans
- Large loans
- Concentrations
- Loans to insiders

An Overview of Interest Rate Risk

I. The Nature of Interest Rate Risk

The management of interest rate risk is fundamental to sound banking practice. If poorly managed, a bank can experience earnings, liquidity, and ultimately, capital adequacy problems. Traditionally, bankers and bank regulators have focused on the impact on earnings from changes in interest rates. Although this focus is important it is not complete. A change in interest rates affects not only earnings, but also the market values of all fixed rate instruments. Whether these changes manifest themselves immediately in earnings depends on accounting rules. But merely because such changes may be buried in historic cost accounting does not mean that they do not matter. Eventually, unrealized losses will surface, usually in the form of earnings that underperform the market.

Interest rate risk can thus be viewed from two different, but complementary, perspectives. One perspective is the traditional accounting perspective, which focuses on the sensitivity of earnings to rate movements. The other is the economic perspective, which focuses on the sensitivity of the market values of all financial instruments, whether they are assets, liabilities, or off-balance sheet contracts. By definition then, the economic perspective focuses on the market value of the bank's capital accounts, which is often referred to as the market value of portfolio equity.[1] The sensitivity of the market value of portfolio equity to changes in interest rates is a good, comprehensive indicator of the level of interest rate risk inherent in an institution's current position and a leading indicator of future earnings trends.

Accounting Perspective

The accounting perspective focuses on the risk to reported earnings, usually in the near term. Bankers typically evaluate the sensitivity of earnings to interest rate changes over the next four to eight quarters. It is important to evaluate earnings sensitivity because reported earnings determine the book value of capital and often are the focus of stockholders and stock analysts. Reported earnings can affect a bank's cost of capital, its liquidity and its cost of funds.

From the accounting perspective, interest rate risk arises from potential changes in: (1) net interest income, and (2) in larger banks, the market value of instruments carried on a market valuation basis, such as securities trading accounts. To control the risk to reported earnings, a bank should measure and limit risk to earnings from these two sources separately.

The risk to net interest income arises from changes in the rates of accrual on assets, liabilities and off-balance sheet instruments carried on a historic cost basis.

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[1] As used here, the term "market value of portfolio equity" refers to the net market value, in the current interest rate environment, of an institution's existing assets, liabilities, and off-balance sheet instruments. Obviously, factors other than interest rates influence market values of specific financial instruments. This paper focuses only on the influence of changes in interest rates on market values.

economic earnings for the period. Next consider how that value would change under different interest rate scenarios. The risk to the bank arises from the potential change in the market values of all instruments, and thus the market value of portfolio equity, resulting from adverse interest rate movements. It is the potential *change* in value that is important, not necessarily the value itself.

For example, from the economic perspective, a five-year note funded overnight would have more risk than a similarly funded two-year note . The risk of the five- year bond is greater because the potential earnings exposure lasts for a longer period of time. If interest rates were to increase, the interest spread on this position would decline or turn negative. In the case of the five-year bond, the resultant drag on earnings could last a full five years, instead of only two.

To identify the relative riskiness of these two positions, the change in the market values for a given increase in interest rates is measured. In this case, the market value of the five-year note would decline more than the two-year, representing the greater negative impact on earnings of this position in a higher rate environment. By focusing on change in market values instead of the reported earnings effect, the economic perspective succinctly captures the greater exposure arising from the five-year position. Under a two-year earnings horizon, the risk would appear to be equivalent.

The economic perspective provides a more comprehensive measure of interest rate risk, because it captures the risk arising from all existing assets, liabilities and off-balance sheet contracts. For regulators, this perspective is particularly relevant because negative changes in the market value of portfolio equity can be a leading indicator of future earnings problems.

Limitations of the Economic Perspective

While the economic perspective provides a more comprehensive measure of interest rate risk, it does not identify the timing of the accounting recognition of that risk. In other words, it does not indicate when a decline in earnings will appear. As noted earlier, bank managers must be sensitive to the potential impact of rate movements on reported earnings.

The economic perspective is more difficult to apply than the accounting perspective. The measurement of risk from both perspectives is based on repricing maturities and management must make assumptions when the repricing maturities are unknown. In the near term, however, there is greater certainty as to which accounts will reprice and so management assumptions have a less significant impact on the results.

Measurement of risk under the economic perspective involves making assumptions as to the repricing of all accounts including long-term funding sources such as savings and demand deposits. Because of the relative size of these accounts, the measurement of risk can be extremely dependent on assumptions. While the quantification of risk from the economic perspective may be problematic, understanding the risk arising from long-term fixed rate positions is important in adequately assessing interest rate risk.

Accounting and Economic Perspectives--A Numerical Example

The following chart and discussion illustrate the difference between the accounting and economic perspectives. The example is based on a bank exposed to interest rate risk arising from the repricing gap between a five-year asset and a one-year liability. The bank's asset is carried at historic cost (*i.e.*, not on a market valuation basis) so,

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Business Risk

Banks are often vulnerable to periods of rising interest rates because of their business mix. Loans to certain economic sectors adversely affected by rising rates may experience more credit problems. Increased rates also can affect the volume of a bank's transaction-related business and, therefore, its fee income. For example, when interest rates decline, a consumer-oriented bank with an exposure to declining rates may at the same time generate more mortgages. The increase in fees may partially offset the decline in net interest income. For these reasons, the extent of a bank's interest rate exposure should be evaluated with its business mix in mind.

II. Measurement of Interest Rate Risk

The Risk Matrix

Different aspects of a bank's business give rise to interest rate risk and separate measurement tools may be needed to evaluate various exposures. Some of the more common techniques include gap reports, simulation models and analyses of market value sensitivity. The following matrix divides a bank's business into four components -- current business, new business, the tactical time horizon, and the strategic time horizon. This matrix will be used to illustrate various risk measurement techniques and how they relate to the different components of a bank's business.

	Current Position	New Business
Tactical Horizon		
Strategic Horizon		

The matrix looks at interest rate risk arising from the current position and from new business. The current position includes the bank's existing assets, liabilities and off-balance sheet contracts, including firm commitments. New business represents the reinvestment and refunding of assets and liabilities as they mature. It also involves the incremental assets and liabilities a bank generates as it grows.

The matrix looks at a bank's current position, and its potential new business, in two timeframes. The tactical horizon is shorter-term, typically up to one or two years. Interest rate risk in this horizon can often result from management's attempts to profit from anticipated changes in rates. Management usually is more willing to assume rate risk in the tactical horizon because short-term interest rate forecasts are more reliable and hedging the risk is easier.

The strategic horizon is longer term. Interest rate risk in this horizon is often the result of the bank's lending and deposit taking business and discretionary investments in long-term fixed rate instruments. Examples include long-term fixed rate mortgages and bonds funded with short-term liabilities. The interest rate risk a bank incurs in the strategic horizon often remains relatively stable since it reflects the nature of the bank's core business.

Measurement of Risk and Risk Limits

The gap report produces a series of net repricing balances which, by themselves, do not quantify the risk to net interest income. To measure that risk, the cumulative net repricing gaps can be translated into the amount of income at risk under a probable adverse interest rate scenario. For example, a $1 million bond position that matures in one year and is funded by overnight borrowings would create a $1 million positive gap at year one. If interest rates increased on day one by one percentage point and remained at their new level, net interest income would decline by $10,000. ($1,000,000 X 1%)

Many banks, rather than relating repricing imbalances to earnings at risk, simply limit the size of the gap. For instance, a bank might limit the one-year cumulative gap to 25 percent of total assets, or the ratio of rate sensitive assets to rate sensitive liabilities to a given range, *e.g.*, .90 to 1.10. Such limits, however, are imprecise and may be unnecessarily constraining. To measure and limit interest rate risk, gap balances are best expressed in terms of the account at risk, net interest income.

Advantages and Limitations

Gap reports are important to interest rate risk management because they can measure net interest income at risk and indicate the timing of the risk. They are particularly useful in identifying sources of risk arising from the existing assets, liabilities and off-balance sheet contracts of a bank.

Gap reports can be misleading, however. Significant risk may be hidden in the repricing timeframes of the gap report, particularly when the timeframes are large. A gap report using quarterly timeframes and showing no repricing imbalance, or gap, within each quarter would suggest no risk. In fact, net interest income may be significantly exposed.[2]

Another weakness of gap reports is that they often do not capture risks from options. Many retail banking products incorporate options features, which are often referred to as embedded options. Examples of these include prepayment rights on fixed rate loans, periodic and lifetime caps on floating rate loans, early withdrawal rights on deposits and the right to renew term deposits in the future at the current or historic rate. All banks are, in effect, net sellers of these options. Ignoring the impact of options can produce misleading assessments of interest rate risk exposure.

To illustrate the impact of embedded options on a bank's gap analysis, consider an adjustable rate mortgage that reprices annually and is subject to a lifetime cap of 10 percent. To avoid interest rate risk, the bank funds the mortgage with a one-year CD. If interest rates exceed 10 percent, the option will come into effect. The adjustable rate mortgage will not adjust upwards, but the cost of funds will. One way to incorporate the effect of options into a gap analysis is to prepare different gap reports for different interest rate scenarios. In this case, the adjustable rate mortgage could be considered to be fixed rate in a rising rate environment and a one-year repricing asset in a declining rate environment. This is only one rather simple way of incorporating options and other methods may be more accurate.

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2 A bank with a $100 loan that reprices daily and a $100 deposit that reprices on day 90 shows a zero gap in t 90-day maturity bucket. The bank actually is exposed to a decline in interest rates for those 90 days.

Input associated with the current position includes all current and committed positions (information typically found in a gap report), as well as contractual yields on existing business and current market interest rates. Strategies and forecasts include new business, future interest rates, and rate relationships among the indices the bank uses to price loans, deposits and other products. Output includes balance sheets and income statements under the various forecast scenarios, an analysis of the impact of the different scenarios on the value of the target account (*see* Measurement of Risk, below); and graphic representations of the analysis.

Measurement of Risk

Risk is expressed in terms of changes in the value of the target account under different interest rate scenarios. The target account is usually net interest income, although some models may also be able to assess changes in the book value of capital, the market value of portfolio equity or the market value of specific instruments. For comparison purposes, most banks run several alternative business and rate scenarios. Rate scenarios usually include rising, flat, and declining rates as well as a most probable scenario.

An example of a risk matrix generated by a simulation model follows. In the matrix, the different business strategies may involve variations in the mix of new business. Variations around the base scenario (base strategy and flat rates) can be expressed in terms of absolute dollars or percentages.

Variation in Net Interest Income
(dollars in millions)

		Interest Rate Scenarios:			
		Most Probable	Rising	Flat	Declining
	#1	10	-50	-20	40
Business	BASE	30	-100	0	75
Strategies	#2	25	-160	40	200

Advantages and Limitations

Simulation models allow greater versatility in dealing with some of the assumptions underlying gap-based risk measurements. Gap measurements assume a one-time shift in interest rates, while simulation models handle varied interest rate paths and variations in the shape of the yield curve. Gap risk measurements also usually assume that current assets and liabilities run off and are reinvested overnight. A simulation model can accommodate various business forecasts and allow more flexibility in running sensitivity analyses. For instance, basis risk can be evaluated by varying the spreads between the various indices the bank uses to price its products. The impact of caps, prepayment rights and other options can be evaluated by more sophisticated models.

While offering greater versatility, simulations often do not provide an objective indicator of the risk of the bank's current position. This is because changes in the target account arise from predicted balance sheet changes as well as predicted interest rate changes. For this reason, simulation is usually supplemented by a separate measurement of risk that excludes predictions regarding future business. The reinvestment of accounts that mature (future business) can be handled either by assuming income contracts is calculated by adding together the weighted durations of the individual contracts. The duration of the portfolio indicates the risk to earnings arising from that position if interest rates move adversely. For example, the value of a trading portfolio of $100 million in bonds with a duration of five will decline by about $50,000 for every basis point increase in interest rates.

Risk Measurement -- Portfolio Equity at Risk

Some banks are now exploring the use of duration to set parameters on the sensitivity of the market value of portfolio equity to changes in interest rates. In other words, a limit is established on the acceptable decline in the market value of portfolio equity given a probable adverse change in interest rates. While often complex in practice, the duration of equity is derived by calculating the durations of assets, liabilities, and off-balance sheet contracts. The duration of equity indicates whether the market value of portfolio equity will increase or decrease with a change in rates.

A bank with long-term assets funded by shorter-term liabilities will generally have a positive duration of equity. The market value of its portfolio equity will decline if interest rates increase. A bank with short-term assets funded with long-term liabilities will generally have a negative duration of equity. The market value of its portfolio equity will decline if interest rates decline. The higher the duration of equity, the more sensitive the market value of portfolio equity to changes in rates.

Advantages and Limitations

Duration is useful for setting risk limits on trading accounts. In the past, many banks limited the earnings risk arising from trading portfolios with simple position limits, usually based on maturity. This provided only an indirect limit on exposure. Limits based on duration analysis can more precisely assess the sensitivity of market values to future changes in rates.

Duration is one way to measure the sensitivity of the market value of portfolio equity to changes in interest rates. Whatever measurement system is used, the results are normally extremely sensitive to assumptions regarding the repricing of accounts with noncontractual repricing dates. To mitigate the dependence of the outcome on assumptions, some risk managers focus on *change* in the sensitivity of the market value of portfolio equity, keeping all assumptions constant, instead of on the absolute level.

Duration also has limitations as a measurement of exposure and as a tool for hedging. Duration accurately measures changes in market value only for small changes in rates. For a large change in interest rates, the actual change in market value would differ from the change indicated by the instrument's duration.

The duration of an instrument is useful in constructing a hedge to protect the market value against interest rate changes. The position is hedged by entering into an opposite position with the same duration. Duration hedging, however, can require frequent adjustments to the hedge because the duration of the two positions can change at different rates as time passes. In addition, the complexity of duration calculations increases as certain simplifying assumptions (such as parallel shifts in yield curves) are relaxed.

INTERNAL CONTROL SYSTEMS*

Introduction

The scope and nature of effective control systems should take account of the size of the business, the diversity of operations, the volume and size of transactions, the degree of risk associated with each area of operation, the amount of control by senior management over day-to-day operations, the degree of centralization and the extent and methods of electronic data processing.

A system of internal control must be designed to ensure that all the institution's revenues accrue to its benefit, all expenditure is properly authorized and disbursed, all assets are adequately safeguarded and all liabilities are recorded.

It is not appropriate to prepare a comprehensive list of internal control procedures which would then be applicable to any authorized institution. Nor is it possible to prepare a detailed list of particular procedures which should be undertaken, where appropriate, by all authorized institutions. Nonetheless, internal control systems should provide reasonable assurance that:-

a) the business is planned and conducted in an orderly, prudent and cost-effective manner in adherence to establish policies;

b) transactions and commitments are entered into in accordance with management's general or specific authority;

c) management is able to safeguard the assets and control the liabilities of the business; there are measures to minimize the risk of loss from irregularities, fraud and error, and promptly and readily to identify them when they occur;

d) the accounting and other records of the business provide complete, accurate and timely information;

e) management is able to monitor on a regular and timely basis, inter alia, the adequacy of the institution's capital, liquidity and profitability and the quality of its assets;

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*NOTE: Extracts from a Bank of England guidance note dated September, 1987 with potential operational significance for regulated financial institutions in The Gambia are conveyed in this section. Deletions (marked ***) have been made where the control feature relates to a full-service international bank.

f) management is able to identify, regularly assess and, where appropriate, quantify the risk of loss in the conduct of the business so that:-

   (i) the risks can be monitored and controlled on a regular and timely basis; and

   (ii) appropriate provisions can be made for bad and doubtful debts, and for any other exposures both on and off-balance sheet; and

g) management is able to prepare returns made to the Bank completely and accurately and in accordance with the Bank's current reporting instructions and to submit them on a timely basis.

In seeking to secure reasonable assurance that their internal control objectives are achieved, management must exercise judgement in determining the scope and nature of the control procedures to be adopted.***

It is a responsibility of directors and management to review, monitor and test its internal control systems on a regular basis in order to assure their effectiveness on a day-to-day basis and their continuing relevance to the business. In many institutions such a function is delegated to an internal audit department whose independence from daily operations and operational management should be assured by its being responsible directly to the board, a sub-committee of the board or to an executive specified by the board.***

Detailed control features

The scope and nature of the specific control objectives which are required for the business to be conducted in a prudent manner should be commensurate with an institution's needs and particular circumstances and should have regard to the manner in which the business is structured, organized and managed, to its size and the nature, volume and complexity of its transactions and commitments.***

Subject to this qualification an institution should consider the necessity for and if needed maintain the following range of control features:

(i) Organizational and administrative controls:

   a) a concise statement providing the short and medium term strategic and policy objectives of the institution;

b) a formal organization chart, supported by detailed employee job descriptions, their duties and responsibilities, and line of reporting and communication;

c) a written code of officer and employee conduct and a policy statement governing conflicts of interest;

d) a programme for training employees and arrangements to keep employees informed about their duties and any changes or developments in the institution; selection procedures designed to ensure that employees have professional and personal skills commensurate with their responsibilities; ongoing procedures for allocating responsibilities to appropriate employees and for reviewing their competence

e) a manual clearly setting outfits accounting policies and practices;

f) a manual containing a full description of day-to-day operational procedures and controls both computer-based and manual; documentation on accounting and control systems, including a record of changes made to the systems and the date of and authority for their implementation; and

g) an up-to-date record of authorized signatories, including specimen signatures, identifying for each their level of authority.

(ii) Monitoring procedures:

a) a regular review of reports showing actual risk exposures against limits authorized by management or a review of exception reports showing only those exposures which exceed or are likely to exceed authorized limits. These limits should be appropriate to the type, nature and volume of business undertaken.***

b) procedures for identifying, reporting and resolving breaches of controls or limit excesses.***

c) procedures to ensure that relevant and accurate management information is provided to appropriate levels of management on a regular and timely basis;

d) a regular and frequent review to monitor compliance with established policies and procedures relating to the lending function; a regular and frequent review and assessment of the quality of individual loans and advances (including security for them), with a view to ensuring the early identification of problem or delinquent loans and to enabling management to appraise their effect on the institution;

e) a regular and frequent review of realized and unrealized profits and losses arising from assets held for dealing purposes;

f) a regular and frequent review of the source, concentration and likelihood of withdrawal of deposits;

g) a review of reports of actual results and performance analyses, both cumulative and by discrete period, compared to both operating budgets and the results for the same period of the previous accounting period; and

h) a continuous review of statutory, supervisory and regulatory requirements and guidance to determine how the institution's activities are affected and whether it is in compliance.

(iii) Segregation of duties:

Segregation of duties reduces the risk of intentional manipulation or error by increasing the element of checking, by ensuring:

a) different individuals are responsible for the record keeping and physical custody of assets and for the authorization, initiation and general supervision of transactions and commitments entered into; and

b) segregation is such that no one individual can, intentionally or unintentionally misappropriate assets, misstate liabilities or improperly record or account for transactions without a reasonable chance of subsequent detection.

(iv) Authorization and approval:

By authorization is meant the process by which a proposal to commit the institution to risk is agreed. By approval is meant the process by which such an authorization (which may have been conditional on a number of events having occurred) is translated into specific transactions. In some circumstances these processes occur simultaneously. Accordingly, an institution should maintain procedures to ensure that:

a) commitments are entered into in accordance with management's intentions and authority;

b) authorization policies which specify the limit for general and specific authorizations and the name of the appropriate individual responsible for exercising each authority are complied with ***; and

c) disbursements or other transactions relating to authorizations described in a) and b) are approved as consistent with these authorizations.

(v) Recording:

***

a) transactions are processed each day and the books of account are balanced at the end of the working day;

b) where records are maintained on computerized accounting systems there exist strong inbuilt validation checks and a complete and adequate audit trail;

c) the arithmetical accuracy of the records is verified; totals reconciliations, control accounts, and trial balances are maintained and checked; the flow of documents through the accounting system is controlled; errors and discrepancies are reported to management; and

d) the documentary evidence that a transaction or commitment has been recorded includes those documents which demonstrate the fact of its existence and that it has been entered into the accounting and other records themselves.

(v) Safeguarding:
***

a) safe custody procedures exist for assets held on behalf of customers or other parties whether in their own name or in that of a nominee company; and

b) there are procedures for safeguarding its accounting and other records.

(vii) Reconciliation:

a) accounting records are compared with the related assets, documents and control accounts on a frequent, regular and timely basis by, for example, the reconciliation of nostro accounts to bank statements, the reconciliation of balances on loan, investment, fixed asset and client accounts to detailed records, control accounts, and documents of title *** and by the regular and prompt analysis and clearance of transactions posted to suspense accounts;***

b) the nature and amount of reconciliation differences are determined; reconciling items are investigated;*** and

c) the frequency, regularity and extent of reconciliation procedures throughout the institution have regard to the size and nature of its operations and the volume and size of its transactions.

(viii) Valuation:

a) the value of assets and liabilities and off-balance sheet rights and obligations are regularly and frequently reviewed and assessed; and

b) provisions or other adjustments are made and recorded against those assets and rights, as appropriate, in order to conform with statutory and supervisory requirements, accounting standards and the institution's accounting policies.

Controls in a computer environment

While the control objectives set out above apply to operations undertaken both in a manual and a computer environment there are nevertheless certain aspects of an internal control system which can be unique to a computer (or electronic data processing) environment. Nevertheless, computer security and control procedures form an integral part of an institution's overall control system and it is therefore important for management to understand the relationship that exists between the computer controls and the total system of control.***

Particular attention should therefore be paid to the following procedures and controls which can contribute to the effectiveness, integrity and reliability of computer systems and make an important contribution to mitigating some of the principle risks associated with computer operations:

a) Development risks - This development of computer operations requires long-term strategic planning of equipment and software systems, comprehensive feasibility studies, precise specification of systems requirements, careful selection of hardware and software suppliers and rigorous project control. It is also important to maintain detailed documentation for the design and operation of the computer system and a record of any subsequent amendments or additions made to it.

b) Errors - High standards of error control are required if accurate and complete records of transactions and commitments, balances and other management information are to be maintained. Data input controls and reconciliation procedures and authentication of telecommunication messages are vital for the containment and detection of errors. It is important too to have procedures to ensure that systems specifications meet the needs of the institution, projects are properly controlled, systems are well tested before implementation and documentation is accurate.

c) Business interruption - Procedures and controls to protect hardware, software and data against fire, flood, power failure and malicious physical damage are important. There should be adequate recovery procedures or standby arrangements, in place and tested, to call on when events occur which cause systems to fail. The control over business interruption starts with the careful design and setting of computer centres; this is followed by a need for dual capacity in telecommunication and computer networks to limit the adverse consequences of breakdown of individual components, by fire detection and extinguishing equipment, a secondary power source, and by contingency plans to aid recovery if the computer centre is disabled by, for example, fire, flood, explosion or power cut.

d) Fraud and unauthorized access to confidential information- Before effective controls to prevent fraud can be implemented care should be taken to identify all the vulnerable points in the computer system. The security and control systems necessary to protect the bank from fraud and unauthorized access to confidential information include physical security devices and procedures to prevent unauthorized access to computer hardware installations and to software and data libraries and passwords (which are changed regularly) designed to restrict access to computer programmes and data. It may also be necessary to encrypt highly confidential information so that if it is lost or intercepted it cannot be deciphered, understood and manipulated. Control over access to software at the development stage is vital. The software system should be designed to report details of attempts at unauthorized access to computer hardware installations and to computer software and also be designed to report and document all changes, deletions or additions to master files.

Internal Audit

The existence, scope and objectives of internal audit are dependent upon the judgement of management as to its own needs and duties, the size and structure of the institution and the risks inherent in its business. Important considerations in assessing the effectiveness of internal control include the scope of its terms of reference, its independence from operational management, its reporting regime and the quality of its staff. Functions typically assigned for internal audit are ***:

a) review of accounting and other records and the internal control environment;

b) review of the appropriateness, scope, efficiency and effectiveness of internal control system;

c) detailed testing of transactions and balances and the operation of individual internal controls to ensure that specific control objectives have been met;

d) review of the implementation of management policies; and

e) special investigations for management.

APPENDIX 4

EXTRACTS-BSD OPERATIONS MANUAL - APRIL 1990

Previous to publication of The Examination Manual, the Banking Supervision Department (BSD) Operations Manual (1990) was the main reference sourse for on-site examinations. Passage of the Financial Institutions Act (1992) necessitated its being replaced.

In future, the Examination Manual, currently in draft, and the Manual of Guidelines, Instructions and Reporting Forms will be the principle reference sources for implementation of prudential supervision initiatives.

The bulk of the Banking Supervision Department Operations Manual covered a step-by-step approach for Examination of Assets and Liabilities. This information could be useful for asset or liability specific "Audits", and so justifices the ensuing Appendix 4 content.

Appendix 4 divides in three parts providing separate checklists for the principle component accounts as follows:

I ASSET CHECKLIST

Cash

Verification of a bank's cash position will not normally require a full cash count, other than in cases where irregularities resulting from fraud and /or defective controls have been detected.

Test check to verify cash balance by the following procedures:

(i) Reconcile the cashier's records and the treasury cash book with the general ledger balance.

(ii) Check the system of controls for treasury and vault operations; they should be under dual control.

(iii) Review cash books to determine adequacy; postings should be up to date, cancellations/alterations initialled etc.

(iv) Assess the bank's policy on cash holdings; ascertain compliance as to whether cash holdings by cashiers are not large, substantial deposits explained and transferred to the vault etc.

(v) Appraise the adequacy of the bank's insurance policies covering cash shortages.

Balances Held With Other Banks

Correspondent bank balances of banks in The Gambia are usually operating balances held in foreign currency with foreign banks. Foreign exchange departments (see note) generally control these accounts.

The statements or certificates of correspondent banks should be verified as at the date of examination against the balances earned, paying particular attention to:

(i) Reconciliation of cheques in process of collection;

(ii) Entries of large amounts and clearing frequency in the accounts;

(iii) Debit entries which feature in the bank's books for an unreasonable period;

(iv) Where interbranch accounts appear, determine their uses and reconcile to control figure in general ledger.

NOTE: The examiner should be familiar with the mandate of the foreign exchange department, its organizational structure, the scope and process for initiating foreign currency transactions, the risks involved, internal controls, documentation requirements and income sources.

Investments

Treasury Bills account for the bulk of the investment portfolios of banks in The Gambia. In certain instances, other liquid investments (money at call, commercial paper etc) and longer term government securities are held in the investment portfolio. The examiner should:

(i) Check all investment holdings and agree them with the records

(ii) Determine yields and the valuation of each investment holding, including discounted bills.

(iii) Note maturity dates and ascertain that they are being surrendered as they mature.

(iv) Confirm all investments are securely kept under dual control.

Loans And Advances

Loans and Advances are reported on the balance sheet net of the allowance for credit losses.

Banks in The Gambia have historically exercised discretion in setting standards for adversely classifying credits and establishing loss provisions. The Banking Supervision Department "Operations Manual" (1990) refers to "prevailing" classification practices on the lines suggested below (Note):

(a) Specially mentioned - Loans and advances under surveillance due characteristics that although not rendering the advance subject to classification, are nevertheless, either unusual or reveal irregularities or suggest developments which could adversely affect future collectibility.

(b) Substandard - Advances which involve more than a normal risk due to the financial condition or unfavorable record of the borrower, inadequate security and/or other factors specifically noted. They are characterized by the distinct possibility that the bank will sustain some losses if the deficiencies are nor promptly rectified.

(c) Doubtful - Advances or portions of advances that have all the weaknesses inherent in loans classified 'substandard', where the weaknesses are so pronounced that full payment is highly questionable or improbable. A substantial portion of such advances may be considered a loss.

NOTE: The draft Examination Manual explains the uniform standards for classifying & provisioning on non-performing credits implemented effective Dec.31, 1993.

(d) <u>Loss</u> - Advances which appear to be uncollectible and are in need of a full provision.

The task of assessing the effectiveness of these loan classification standards requires a review of the bank's credit risk selection policies internal controls and loan portfolio administration practices to ensure they are adequate to safeguard the underlying assets. In this regard, some of the more frequent causes of problem loans are:

(i) Inappropriate credit risk selection - A bank should have written loan policies. In their absence or due lax implementation, disciplined lending is compromised, which can lead to poor credit risk selection. The examiner should review the institution's loan policies manual, ascertain the level of understanding of such policies by loan officers, and whether they obtain and properly evaluate credit information (see vi, credit files).

(ii) Lack of supervision - Failure to provide adequate supervision increases the likelihood of future losses. In particular, the examiner should determine the frequency of internal credit reviews, the process for recognition of non-performing loans, the scope and effectiveness of discretionary lending limits and the internal controls applicable for loans to directors, officer, their families and connections.

(iii) Overlending to a single customer or connected group - The statutory lending limit for single and connected customers is 25% of capital, defined to include statutory reserves, in which case the examiner will need to assess the internal limits imposed and the system of internal monitoring to ensure compliance.

(iv) Concentration of credit risk - This risk arises where there is an overexposure in an institution's loan and investment portfolio to an industry, an economic sector or a geographical area. Management would be expected to ensure portfolio diversification by means of regularly up-dating its analysis of the bank's credit portfolio.

(v) Overemphasis of fixed rate loans - Banks should avoid developing undue exposure to long term fixed rate loans funded by interest - sensitive deposits, in which case a sustained rise in market rates could cause operating losses. As for credit risk, management should have a system for monitoring changes in the interest rate sensitivity of the portfolio.

(iv) Incomplete/outdated credit files - A review of credit fees is necessary to determine the efficacy of the loan portfolio administrative function. Each credit file should contain basic information on the borrower such as:

- The name, address, occupation and references of the borrower;

- Financial capacity and repayment track record of the borrower;

- Assessment of the financial viability of each loan, supported by the following documentation:
  - o Purpose of loan, repayment programme, security pledged;
  - o And of overdrafts, limits, interest payment schedule and expiry date;
  - o Nature and adequacy of security taken and/or guarantees in context of (a) the lending institution's required standards and (b) the criteria for valuing properties and other assets taken as collateral.

A loan-by-loan review is needed for the examiner to form an independent opinion on the adequacy of the bank's loss provisions, and review the overall quality of its portfolio of loans and advances. This task can be expedited by obtaining the following information from management:

- A list of large loans and advances and large connected credit exposures (Note);

- A list of all loans/advances adversely classified by management as at the most recent date available;

- A list of new specific provisions and reversals for the year under review;

- A list of loan write-offs for the year under review;

  A list of all recoveries made on loans either partially or wholly written off over a specified timeframe, for instance three years to-date.

Analysis of this information will indicate the materiality of large credit exposures, loans adversely classified by management and possibly other related risk exposures of the bank being examined. Preliminary analysis is needed to affirm or expand the scope of the loan-by-loan review process considered necessary.

The review of loans is to objectively assess those credits not expected to perform according to the terms agreed with the bank, and hence the risk of loss and adequacy of provisioning standards. The results must be well documented by the examiner(s) responsible, clearly stating the basis for loan losses that differ from the views of management. For a constructive dialogue with senior management, a professional loan report appropriately documented to set the agenda is critical if additional loan loss provisions are required.

NOTE: "Large" may be expressed as a percent of capital,ie. over 5% of capital; or it may be given number of the largest such loan ie; largest 50 exposures; or it may be over a Dalasi amount ie; D500,000.

Acceptances, Endorsements And Guarantees (Per Contra)

Acceptances, endorsements and guarantees for fees give rise to contingent liabilities that can become actual liabilities of the bank in the event of non-performance by the bank's customer.

Factors for assessing the risk of loss on contra account exposures are essentially the same as for loans and advances. Thus a bank may be forced to honor drafts on a letter of credit due failure of its customer, where asset realization potential is doubtful and with little prospect of reimbursement from the customer. Alternatively, undisbursed funds on loan commitments and guaranteed represent contingent risks that can become potential claims on the bank's assets.

The policies governing a bank's acceptances, endorsements and guarantees business should be well documented and available for review by the examiner. The policies should provide the examiner with information on such aspects as credit underwriting standards, documentation process including file maintenance, collection procedures, officer discretionary limits, large exposure limits and the effectiveness of management review procedures.

The examiner's assessment of financial performance should address the profitability of the bank's letter of credit business and other endorsements, as well as the risks entailed in context of the collateral pledged and adequacy of loss provisions. Any losses sustained and subsequent corrective measures require special attention, as do transactions that have been outstanding for an extended period.

Fixed Assets

Banks in The Gambia are not permitted to own real estate other than for banking infrastructure or, for a short period, in process of foreclosing on credits (Financial Institutions Act, 1992 Section 17(i)(g).

The components of fixed assets are in the general ledger. Back-up registers provide more detailed information, such as purchase date, asset type, depreciation rate, additions/disposals and location.

In addition for checking the underlying asset valuations, the examiner should determine the adequacy of depreciation provisions. Where revaluation of premises has occurred, it should be certified by an independent and qualified appraiser.

Other Assets

"Other Assets" include miscellaneous accounts, for instance inventory items like stationary, prepaid expenses like unexpired rent, prepaid income taxes, accrued interest income not yet received, suspense account (debit balance) and so forth.

The examiner should check the process by which such transactions are authorized, and the nature of transactions passing through the suspense account.

2 - CAPITAL AND RESERVES CHECKLIST

Capital Adequacy

Capital and reserves must be sufficient to absorb losses and sustain depositor confidence. This fundamental concept of capital adequacy should be considered in context of the loan and other losses the examiner has concluded are appropriate. In the event identified losses exceed those provisioned by the bank, the examiner would have to agree with management on remedial measures to strengthen capital.

Paid-Up Or Assigned Capital

Capital represents the owners' stake in the bank, whereby paid-up capital refers to the interest of shareholders in the bank. Assigned capital is segregated parent organization equity in support of its branch operation. The Financial Institutions Act (1992), Section 12 establishes the groundrules for a minimum capital of a financial institution and Guideline 2 "Definition of Capital for purposes of measuring capital adequacy" provides the basis for calculating the minimum capital to asset ratio of 8%.

The examiner's review of paid-up assigned capital should:

(i) Ensure compliance with FIA(1992) Sections 12 and Guideline 2.

(ii) In the case of a bank with shareholders, FIA(1992) Section 8(2) establishes a limit on the direct or indirect ownership of voting shares at 10% by any one person without prior approval by the Central Bank. Consequently, the examiner should check the shareholders' register to determine ownership concentrations and potential conflicts of interest, namely as they relate to the ownership by directors, management or related connected parties, in process of reviewing changes in ownership structure.

(iii) In the case of a branch in The Gambia of a foreign bank, note the basis for any changes in assigned capital, which per FIA(1992) Section 12(1) must remain unimpaired, and the criteria governing the allocation of assigned capital.

Reserves

Three reserve classifications are included in the capital section of the balance sheet of banks in The Gambia:

(i) Statutory Reserves: The Financial Institutions ACT, Section 13 requires financial institutions to maintain a reserve that shall neither be reduced nor impaired. Guideline 3 "Statutory Reserve Requirements" states that the minimum balance in this reserve account must equal the paid-up/assigned capital balance; and if the reserve falls below the minimum at any time, that transfers of not less than 25% of net profits after taxes be made at year-end until the reserve shortfall has been expunged. The balance in the Statutory Reserve can only be reduced below the prior year-end level with the prior written approval of the Central Bank, and only then for purposes of increasing Paid-up/Assigned Capital.

(ii) Undivided Profits: Includes retained earnings net of cash dividends/payments to head office less any transfers to Statutory Reserve.

(iii) Other Reserves: These refer to tax-paid and asset revaluation reserves. The former are accumulated appropriations from net income for special purposes, whereas the latter generally refer to the surplus on revaluation of premises. A bank that has revalued its premises from historic cost should have an independent appraisal explaining the basis of the most recent evaluation signed by a qualified appraiser.

The examiners' review of reserve should:

(i) Ensure statutory reserve compliance with FIA(1992) Sections 13 and Guideline 3 "Statutory Reserve Requirements".

(ii) Review any change in the statutory reserve, the basis, and required documentation.

(iii) Analyze the growth and adequacy of the Undivided Profits, in context of the financial institution's earnings capacity and dividend policy.

(iv) Define each component of "other reserves", their purpose and their adequacy for absorbing potential losses. In the case of asset revaluation reserves check the basis of the expert's appraisal report to justify any resulting surplus relative to historic costs.

By this process, the examiner should endeavor to understand management policies as regards the accumulation and utilization of such reserves, and how this relates to internally set capital adequacy standards.

3 - DEPOSITS AND OTHER LIABILITIES CHECKLIST

Deposits

At the commencement of an examination, a current listing of large deposits for commercial customers, individuals and partnerships and other financial institutions will have been obtained for purposes of evaluating concentrations and general stability of the deposit base.

In the course of the examination the focus can be directed to internal control features and transaction activity in accounts. The examiner should check how frequently the financial institution conducts its review of the sources, concentrations and likelihood of withdrawals, and what internal controls are in place to avoid involvement in money laundering schemes. Key to these reviews is determining how well management knows the bank's customers and its understanding of the customers' businesses.

Deposit categories of banks in The Gambia subdivide between demand, savings and time deposits, whereby aggregate balances are reported from banks, government and private sector. The examiner should ascertain the frequency and means by which customers are notified of their deposit balances.

Checks specific to the type of deposit are as follows:

(i) Demand Deposits
Banks are not obliged to pay interest on demand balances, subject to withdrawal on demand. The current account ledger contains individual customer's accounts and record of transactions.

The examiner should check current accounts with increasing overdraft positions, whether they were authorized and if payments are regular and being met by the beneficiaries.

Unauthorized withdrawals from dormant accounts should be investigated.

Large current account concentrations should be scrutinized for reliance placed on directors, insider connections or other related party groups.

An important aspect of these reviews is to determine the adequacy of the financial institutions' accounting systems and internal controls.

(ii) Savings Accounts
These are interest bearing passbook accounts, where the bank has the right to require written notice before an intended withdrawal. The terms of these accounts are contained in the passbook. Test-check selected accounts for compliance with the terms specified.

(iii) Time Deposits

These are short-term fixed-rate time deposits, including bearer and registered deposits, payable on a specific date and usually subject to an early withdrawal penalty.

The examiner should determine if there is any bunching of maturities, and whether the rates and other terms are reasonable in relation to comparable open-market standards.

Prior trend analysis of information regularly provided in supervisory returns in conjunction with the above reviews will prepare the examiner for discussing the liability management strategy of banks, covering the following topics by category of deposit:

- Marketing plans and anticipated growth rates of deposits;
- Cost of servicing deposits.
- Maturity and volatility of deposits.

Borrowings

The scope for borrowings by banks in The Gambia is limited:

Short term - Likely to be overdrafts extended by correspondent banks or Head Office or advances under Section 34 of the Central Bank Act (1992).

Long term - Defined as any loans or term debt instruments with an original maturity of 5 years or more, and where applicable likely to be from head office.

When they feature, the examiner should know the source and purpose, the terms including rates for such borrowings and determine the bank's ability to make payments on a timely basis.

Other Liabilities

Under this category of miscellaneous liabilities not readily classified elsewhere on the liability side of the balance sheet are accounts like customer payments for settling foreign exchange transactions, unclaimed imprest, accrued expenses not yet paid, sundry creditors and suspense account (credit balance).

The examiner should test-check component accounts, selected on the basis of materiality and/or items outstanding for an extended period.

STRUCTURE OF LOTUS 3.1 FILES USED FOR QUARTERLY BANK PERFORMANCE OFFSITE ANALYSIS

Format Files are used to create *Analysis Files* containing *Worksheets* — *Input via* — *Data Source*

BSANLFOR.wk3
- Balance Sheet Analysis file for each bank
- BSABIC93.wk3
  - Wksht A Dalasi Assets & Liabilities
  - Wksht B Composition of Assets & Liabilities
  - Wksht C Trend Analysis
- BSACBL93.wk3
  - Wksht A Dalasi Assets & Liabilities
  - Wksht B Composition of Assets & Liabilities
  - Wksht C Trend Analysis
- BSAMBG93.wk3
  - Wksht A Dalasi Assets & Liabilities
  - Wksht B Composition of Assets & Liabilities
  - Wksht C Trend Analysis
- BSASCB93.wk3
  - Wksht A Dalasi Assets & Liabilities
  - Wksht B Composition of Assets & Liabilities
  - Wksht C Trend Analysis
- BSAIND93.wk3
  - Wksht A Dalasi Assets & Liabilities
  - Wksht B Composition of Assets & Liabilities
  - Wksht C Trend Analysis

Input via: BSINPUT.wk3 or direct manual input to file — Data Source: Monthly Asset & Liability Statements

Data Tranfer

FORMATBS.wk3
- Summary for All Banks
  - Wksht A Dalasi A&L BICI
  - Wksht B Dalasi A&L CBL
  - Wksht C Dalasi A&L MBG
  - Wksht D Dalasi A&L SCB
  - Wksht E Dalasi A&L Summary (all Banks)

Data Transfer

P&LFORMA.wk3
- Income & Expense Analysis
- Average Rates & Balance Analysis
- ROA/RIR Analysis
- P&L93.wk3
  - Wksht A BICI
  - Wksht B CBL
  - Wksht C MBG
  - Wksht D SCB
  - Wksht E Summary

Input via: P&LINPUT.wk3 or direct manual input to the file — Data Source: Quarterly Profit & Loss Statements

FORMARAT.wk3
- Ratio Analysis
- RATIOS93.wk3
  - Wksht A BICI
  - Wksht B CBL
  - Wksht C MBG
  - Wksht D SCB
  - Wksht E Summary

FORMAALL.wk3
- Analysis of Allowance for Credit Loss
- ALL...93.wk3

Data Source:
- Inst 1 A Annex B
- Inst 4 Annex A
- Inst 7 Annex A
- LMR
- Inst 6 Annex A
- Inst 6 Annex B
- Inst 6 Annex D

RATIOS FOR ANALYSIS

Capital Ratios (C)

1 Capital Adequacy Ratio	Adjusted Capital Total Assets (including contras)	Inst 7 Annex A Adjusted Capital BSA......wk3 Wksht A Page 2 Total Assets
2 Primary Capital Ratio	Primary Capital Total Assets (including contras)	Inst 7 Annex A Primary (Tier 1) Capital BSA......wk3 Wksht A Page 2 Total Assets
3 Re–investment Ratio		P&L
4 Non–performing Loan/Primary Capital	Non–accrual plus Restructured Loans Primary Capital	Inst 6 Annex B Total Non–accruals + Annex D Total Restructured Inst 7 Annex A Primary (Tier 1) Capital
5 Non–accrual Loans/Primary Capital & ALL	Non–accrual loans Primary Capital + ALL	Inst 6 Annex B Total Non–accrual Inst 7 Annex A Primary (Tier 1) Capital plus BSA......wk3 WkshtA Page 2 Allowence for credit loss

Asset Quality (A)

6 Non–performing loan ratio	Non–accrual plus Restructured Loans Gross loan outstanding	Inst 6 Annex B Total Non–accruals + Annex D Total Restructured BSA wkshtA Page 2 Subtotal Loans & Adv (Gross)
7 Non–accrual loan ratio	Non–accrual loans Gross loan outstanding	Inst 6 Annex B Total Non–accrual BSA wkshtA Page 2 Subtotal Loans & Adv (Gross)
8 Aggregate Provision Level	Allowance for credit losses Non–accrual loans	BSA wksht A Page 2 Allowance for credit loss Inst 6 Annex B Total Non–accrual
9 Loan Loss Reserve Ratio	Allowance for credit losses Gross loan outstanding	BSA wksht A Page 2 Allowance for credit loss BSA wkshtA Page 2 Subtotal Loans & Adv (Gross)
0 Loan Loss Experience Ratio	Loan Loss Experience Gross loan outstanding	Inst 6 Annex A Loss experience (net recovery) BSA wkshtA Page 2 Subtotal Loans & Adv (Gross)
1 Recoveries/Write–offs ratio	Recoveries Specific & Direct Write–offs	Inst 6 Annex A Recoveries Inst 6 Annex A Specific Write–offs plus Direct Write–Offs
2 OBS/Gross Total Assets	Off–balance sheet exposures Total Assets (plus contras)	Inst 1A Annex B Total OBS exposure Total AssetsBSA......wk3 Wksht A Page 2 Total Assets

EARNINGS

ROA	Net Income Net Assets	P&L
Net Interest Margin	Net Interest Income Net Assets	P&L
Non–interest income Ratio	Non–interest income Total income	P&L Non–interest income P&L Total interest inc + Non–interest income
Overhead Ratio	Non–interest expense Total Income	P&L Total Non–interest Expense P&L Total interest inc + Non–interest income
Loan loss provisions/ loan loss experience	Provision for credit losses Loan loss experience	P&L Provision for credit losses Inst 6 Annex A Loss experience (net recovery)
Percent Effective Tax Rate	Provision for income taxes Profit (loss) before taxes	P&L provision for income taxes P&L Profit (loss) before taxes

Liquidity

Liquid Assets Ratio	Liquid Assets Gambian Liabilities	LMR Required Liquid Assets Inst 4 Annex A I.
Dalasi Liquid Assets/ Dalasi Deposits	Dalasi Liquid Assets Dalasi Deposits	Inst 4 Annex A Total Liquid Assets – C(ii) with foreign banks Inst 4 Annex A I.A
Time Deposits/Deposits	Time Deposits Total Deposits	BSA Wksht A Page (1)Time Deposits BSA Wksht A Page (1)Subtotal Deposits

EXAMPLES OF MANAGEMENT REPORTS GENERALLY FURNISHED

The following represents the types of reports generally received by bank management and the board of directors. Some of these reports may not be appropriate for all banks, while there may be reports not listed below which might provide critical information for management decisions.

FINANCIAL PERFORMANCE

- Executive Summary
- Trend analysis of balance sheet composition and growth
- Trend analysis of income and expense components
- Actual to Profit plan analysis of balance sheet and income and expenses

CREDIT RISK (Asset Quality)

- Trend analysis of portfolio (by type, concentration)
- Trend of past-due, non-accrual, non-performing & restructured loans
- Trend analysis of internal risk classification for loan portfolio
- Detailed summaries of large problem loans
- Listing of credit and collateral exceptions
- Analysis of Allowance for Loan Losses

INTEREST-RATE RISK/LIQUIDITY RISK /OBS (Asset/Liability Management)

- Investment Portfolio Maturity (by type)
- Investment Portfolio/Book vs Market Value
- Trend analysis of liquidity ratios
- Commitments to purchase and sell securities
- Listing of large or brokered deposits
- Undisbursed loan commitments., letters of credit, guarantees
- Trend analysis of shifts in deposits by type

OPERATIONAL RISK

- Overdraft report
- Differences/Cash Items/Reconcilement Open Items> 60 days
- Internal audit activities

LEGAL/COMPLIANCE RISK

- Insider transaction activities
- Status of any pending matters with regulators
- New laws or regulations being implemented
- Listing of litigation pending against the bank

MARKETING

- New products or marketing activities

HUMAN RESOURCES

- Listing of approved positions, open positions, new hires, resignations, terminations

APPENDIX

Formats

BANKING SUPERVISION DEPARTMENT
SUPERVISORY RETURNS SUBMISSIONS REGISTER

BANK NAME ________________

QUARTER ENDING ________________

INSTRUCTIONS TITLE (REFERENCE NUMBER)	REPORTING FORMS (ANNEX REFERENCE)	DEL. DATE
Loan Returns (9)	Weekly Loans Outstanding (Annex B)	
Structure of Bank Rate (11)	Lending & Deposit Rates (Annex Z)	
Statement of Liquid Assets (4)	Statement of Liquid Assets (Annex A)	
	Supplementary Liquid Asset Information (Annex B)	
Statement of Required Reserves (5)	Prospective Required Reserves (Annex A)	
	Prior Period Required Reserves (Annex B)	
Consolidated Statement of Assets and Liabilities (1)	Consolidated Statement of Assets & Liabilities (Annex A)	
Off-Balance Sheet Exposures (1A)	Off-Balance Sheet Exposures (Annex B)	
Loan Returns (9)	Commercial & Personal Lending Activity (Annex A)	
	Monthly Loans Outstanding (Annex C)	
Consolidated Profit & Loss Statement (2)	Consolidated Interim Profit & Loss Statement (Annex A)	
Changes in Reserve Accounts and Allowance for Credit for Credit Losses (3)	Interim Changes in Reserve Accounts & Allowances for Credit Losses (Annex C)	
Non-Performing Credit Returns (6)	Return of Specific Loss Provisions & Loss Experience (Annex A)	
	Return of Non-Accrual Credits Outstanding (Annex B)	
Non-Performing Credit Returns (6) (Cont)	Return of Memoranda Account Interest Adjustments for Non-Accrual Credits (Annex C)	
	Return of Restructured Credits Outstanding (Annex D)	
	Reclassifications to Performing Status & Write-offs (Annex E)	
Capital Adequacy Returns (7)*	Components of Capital (Annex A)	
	Assets & Off-Balance Sheet Exposure (Denominator) & Capital Ratios (Annex B)	
Return of Insider Credit (8)	Return of Insider Credits (Annex Z)	
Loan Returns (9)	Number & Value of Loan Accounts by Sector (Annex D)	
	Security Pledged on Loans By Sector (Annex E)	
	Lending Rates on Disbursements & Outstanding (Annex F)	
Deposit Returns (10)	Deposit Ownership & Turnover Rate (Annex A)	
	Deposits by Size of Accounts (Annex B)	
	Deposits by Rates of Interest (Annex C)	
Consolidated Profit & Loss Statement (2)	Consolidated Annual Profits & Statement (Annex B)	
Return of Unclaim Funds (12)	Summary Return of Unclaimed Funds (Annex A)	
	Return of Unclaimed Funds Supplementary Information (Annex B)	

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CENTRAL BANK OF THE GAMBIA LETTERHEAD

date

Managing Director,
XYZ Bank,
Banjul, The Gambia

Dear Sir,

We recently received the following report(s) from you:

We are returning the report(s) for the following reason(s):

Please review these reports, make any necessary additions, deletions, or corrections, and resubmit the report(s) to this office within (7) days. If you have any questions regarding the report(s) please contact (name of person responsible for reviewing the report) at (telephone number).

Yours Truly,

Person's name
Title

BEST AVAILABLE DOCUMENT

BCD

BANKING SUPERVISION DEPARTMENT

LIQUIDITY MANAGEMENT REPORT

D,000

	MBGL	SCBG	BICI	CBL	TOTAL
Liquid Assets	0	0	0	0	0
Reserves	0	0	0	0	0
Deposits at CBG	0	0	0	0	0
Cash Holdings	0	0	0	0	0
Foreign Cash hlds	0				0
Foreign Bank Balcs	0	0	0	0	0
Treasury Bills	0	0	0	0	0
Groundnut Bills	0	0	0	0	0
Other Liquid Assets	0	0	0	0	0
Required Liquid Assets 1/	0	0	0	0	0
Required Reserves 2/	0	0	0	0	0

1/ Based on Statutory requirements of 30% of total liabilities to the public
2/ 24% of Average demand deposits and 8% of Average time and savings deposit

Date 7/3/94

Sign: For Manager Banking Supervision.

Copy Received By:_______________

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WEEKLY MONITORING

D,000

LIABILITIES								
(1) Paid-Up Capital								
(2) Profit & Loss					*			
(3) Total Deposits								
(i) Demand Deposits								
(ii) Savings Deposits								
(iii) Time Deposits								
ASSETS								
(1) Cash Holdings								
(2) Balance with CBG								
(3) Balance with other Banks Abro								
(i) Foreign Currency Holdings								
(4) Loans & Advances								
(5) Holdings of 'T' Bills								
TOTAL			0					

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BALANCE SHEET INPUT

(BSINPUT.WK3)

Bank Name

NSOLIDATED ASSETS & LIABILITIES

Capital & Liabilities	Date Month End	Year End
·up – Ordinary / Common Shares		
– up prefered shares		
: premium		
ed Capital		
·– UP / ASSIGNED CAPITAL	0	0
tory Reserves		
nded Profits		
· Reserves		
RVES	0	0
TAL & RESERVES	0	0
› long term borrowings		
long term borrowings		
G TERM BORROWING	0	0
ces by local banks		
ces by group/ branches		
ces by other banks abroad		
NCES DUE OTHER BANKS	0	0
area councils		
atals		
: sector, resident		
: sector, non resident		
ND DEPOSITS	0	0
area councils		
itals		
sector, resident		
sector, non resident		
GS DEPOSITS	0	0
rea councils		
tals		
sector, resident		
sector, non resident		
DEPOSITS	0	0
TAL DEPOSITS	0	0
bank		
anks local		
branches		
anks abroad		
BORROWINGS	0	0
T.ENDOR.GUARAN.		
LIABILITES		
LIABILITIES	0	0
CAPITAL & LIABILITIES	0	0

CONSOLIDATED ASSETS & LIABILITIES

Assets	Date Month End	0 Year End
Gambia Notes and coins		
CFA Francs		
Other Currency		
CASH IN HAND	0	0
Central Bank		
Other local Banks		
Group/Branches		
Other Banks Abroad		
BALANCES DUE FROM BANKS	0	0
CHEQ. & OTH. ITEMS IN TRANSIT		
Treasury Bills		
Other Govt. Securities		
Local Area Council. Securities		
Parastatal debt securities		
GOVT. SECTOR INVESTMENTS	0	0
Shares		
Debt Instruments		
Private Sector Investments		
INVESTMENT A/C SECURITIES	0	0
Bills Payable in The Gambia, Residents		
Bills Payable in The Gambia, Non-Res.		
Bills Payable outside The Gambia		
BILLS PURCHASED & DISCOUNT	0	0
Local Banks		
Banks Abroad		
LOANS & ADVANCES TO BANKS	0	0
Government		
Local Area Councils		
Parastatals		
GOVT. SECT. LOANS & ADVS	0	0
Resident		
Non-Resident		
PRIVATE SECT. LOANS & ADVS	0	0
Subtotal: Loans & Advs (Gross)	0	0
Allowance for Credit Loss		
Net Loans & Advances	0	0
Premises		
Furniture & equipment		
Other Fixed Assets		
FIXED ASSETS (GROSS)	0	0
Less: ACCUMULATED DEPRE.		
FIXED ASSETS	0	0
ACCEP. ENDOR. & GUARAT.		
OTHER ASSETS		
TOTAL ASSETS	0	0
NET TOTAL ASSETS	0	0

ᵢE NAMES	CAPLIABM	CAPLIABY

RANGE NAMES	ASSETSM	ASSETSY

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PROFIT & LOSS INPUT
(P&LINPUT.WK3)

·LINPUT.WK3 Date		
·ccount	Quarter end	Year end
·easury Bills		
·her Government Sector Securities		
·ivate Sector Debt Instruments		
·mmon and Prefered Shares(Divs)		
·her Income from Securities		
·T INCOME FROM SECURITIES	0	0
·ans to Banks		
·erdrafts to Banks		
·ans to Govt Sector		
·erdrafts of Govt Sector		
·ans to Private Sector		
·erdrafts to private Sector		
·TEREST ON LOANS AND ADVANCES	0	0
·oup Operating Balances		
·her Banks		
·TEREST FROM DEPOSITS WITH BANKS	0	0
·erest from Bills Purchased/Disc		
·TAL INTEREST INCOME	0	0
·ances by group banks		
·ances by other Banks		
·EREST ON BAL DUE OTHER BANKS	0	0
·mand deposits		
·ings		
·e Deposits		
·EREST ON DEPOSITS	0	0
·g term borrowing		
·up borrowings		
·er borrowings		
·ER INTEREST EXPENSE	0	0
·TAL INTEREST EXPENSE	0	0
·T INTEREST INCOME	0	0
·ision for credit losses		
·T INTEREST INCOME AFTER ·OVISION FOR CREDIT LOSSES	0	0
·ice charges on deposits		
·Fee Income		
·pt. Guaran. L/Cs Fees		
·r commission / Fee Income		
·mission / Brokrage on FX dealings		
·/Other Charges on FX Transactions		
·alized Foreign Curr Transaction P(L)		
·-INTEREST INCOME	0	0
·INT AND OTHER INCOME	0	0

RANGE NAMES

INCOMEQ	INCOMEY

P&LINPUT.WK3 Date	0	0
Account	Quarter end	Year end
Full time Employee salaries		
Part time & maint. staff remuneration		
Pension and reirement allowances		
Bonuses and other staff benefits		
SALARIES & OTHER COMPEN. BENE.	0	0
Rental of real estates		
Prov. for Deprec. of Premises		
Rental of Office Equip.& furnishings		
Prov. for Depr of Equip/Furnishings		
utility Expenses		
Other property expenses		
PREMISES & EQUIP.EXP.INCL.DEPREC.	0	0
Advertising expenses		
Printing and Stationary		
Communication		
Travelling Expenses		
Staff Training		
Directors' Fees		
Auditors' fees		
Legal Expenses		
Insurance Premiums		
Shortages and Losses		
Other general expenses		
OTHER EXPENSES	0	0
TOTAL NON-INTEREST EXPE.	0	0
PROFIT (LOSS) BEFORE TAXES	0	0
Provision for Income Taxes		
NI BEFORE EXTRA ITEMS	0	0
EXTRAORDINARY ITEMS (SPECIFY)		
NET INCOME	0	0

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RANGE NAMES

EXPENSESQ	EXPENSESY

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Capital & Liabilities	December	January	February	March	Average for Quarter	April	May	June	Average for Quarter	July	August	September	Average for Quarter	October	November	December	Average for Quarter	Average Past 12 Mos
Paid-up – Ordinary / Common Shares					0				0				0				0	0
Paid-up prefered shares					0				0				0				0	0
Share premium					0				0				0				0	0
Asigned Capital					0				0				0				0	0
PAID-UP / ASSIGNED CAPITAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Statutory Reserves					0				0				0				0	0
Undivided Profits					0				0				0				0	0
Other Reserves					0				0				0				0	0
RESERVES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CAPITAL & RESERVES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Group long term borrowings					0				0				0				0	0
Other long term borrowings					0				0				0				0	0
LONG TERM BORROWING	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Balances by local banks					0				0				0				0	0
Balances by group/ branches					0				0				0				0	0
Balances by other banks abroad					0				0				0				0	0
BALANCES DUE OTHER BANKS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Local area councils					0				0				0				0	0
Parastatals					0				0				0				0	0
Private sector, resident					0				0				0				0	0
Private sector, non resident					0				0				0				0	0
DEMAND DEPOSITS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Local area councils					0				0				0				0	0
Parastatals					0				0				0				0	0
Private sector, resident					0				0				0				0	0
Private sector, non resident					0				0				0				0	0
SAVINGS DEPOSITS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Local area councils					0				0				0				0	0
Parastatals					0				0				0				0	0
Private sector, resident					0				0				0				0	0
Private sector, non resident					0				0				0				0	0
TIME DEPOSITS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SUBTOTAL DEPOSITS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Central bank					0				0				0				0	0
Other banks local					0				0				0				0	0
Group/ branches					0				0				0				0	0
Other banks abroad					0				0				0				0	0
OTHER BORROWINGS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ACCEPT.ENDOR.GUARAN.					0				0				0				0	0
OTHER LIABILITES					0				0				0				0	0
TOTAL LIABILITIES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL CAPITAL & LIABILITIES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

BEST AVAILABLE DOCUMENT

Year

Assets	December	January	February	March	Average for Quarter	April	May	June	Average for Quarter	July	August	September	Average for Quarter	October	November	December	Average for Quarter	Average Past 12 Mos
Gambia Notes and coins					0				0				0				0	0
CFA Francs					0				0				0				0	0
Other Currency					0				0				0				0	0
CASH IN HAND	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Central Bank					0				0				0				0	0
Other local Banks					0				0				0				0	0
Group/Branches					0				0				0				0	0
Other Banks Abroad					0				0				0				0	0
BALANCES DUE FROM BANKS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CHEQ. & OTH. ITEMS IN TRANSIT					0				0				0				0	0
Treasury Bills					0				0				0				0	0
Other Govt. Securities					0				0				0				0	0
Local Area Council Securities					0				0				0				0	0
Parastatal debt securities					0				0				0				0	0
GOVT. SECTOR INVESTMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Shares					0				0				0				0	0
Debt Instruments					0				0				0				0	0
Private Sector Investments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
INVESTMENT A/C SECURITIES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bills Payable in The Gambia, Residents					0				0				0				0	0
Bills Payable in The Gambia, Non-Res.					0				0				0				0	0
Bills Payable outside The Gambia					0				0				0				0	0
BILLS PURCHASED & DISCOUNT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Local Banks					0				0				0				0	0
Banks Abroad					0				0				0				0	0
LOANS & ADVANCES TO BANKS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Government					0				0				0				0	0
Local Area Councils					0				0				0				0	0
Parastatals					0				0				0				0	0
GOVT. SECT. LOANS & ADVS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Resident					0				0				0				0	0
Non-Resident					0				0				0				0	0
PRIVATE SECT. LOANS & ADVS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal: Loans & Advs (Gross)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Allowance for Credit Loss					0				0				0				0	0
Net Loans & Advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Premises					0				0				0				0	0
Furniture & equipment					0				0				0				0	0
Other Fixed Assets					0				0				0				0	0
FIXED ASSETS (GROSS)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less: ACCUMULATED DEPRE.					0				0				0				0	0
FIXED ASSETS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ACCEP. ENDOR. & GUARAT.					0				0				0				0	0
OTHER ASSETS					0				0				0				0	0
TOTAL ASSETS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NET TOTAL ASSETS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

BEST AVAILABLE DOCUMENT

Year

WKSHT B Page (1) (000)

Capital & Liabilities	December	January	February	March	Average for Quarter	April	May	June	Average for Quarter	July	August	September	Average for Quarter	October	November	December	Average for Quarter	Average Past 12 Mos
Paid-up - Ordinary / Common Shares	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Paid-up prefered shares	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Share premium	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Asigned Capital	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
PAID-UP / ASSIGNED CAPITAL	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Statutory Reserves	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Undivided Profits	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Other Reserves	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
RESERVES	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
CAPITAL & RESERVES	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Group long term borrowings	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Other long term borrowings	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
LONG TERM BORROWING	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Balances by local banks	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Balances by group/branches	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Balances by other banks abroad	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
BALANCES DUE OTHER BANKS	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Local area councils	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Parastatals	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Private sector, resident	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Private sector, non resident	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
DEMAND DEPOSITS	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Local area councils	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Parastatals	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Private sector, resident	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Private sector, non resident	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
SAVINGS DEPOSITS	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Local area councils	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Parastatals	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Private sector, resident	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Private sector, non resident	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
TIME DEPOSITS	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
SUBTOTAL DEPOSITS	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Central bank	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Other banks local	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Group/branches	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Other banks abroad	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
OTHER BORROWINGS	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
ACCEPT/ENDOS/OTHER contra acc	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
OTHER LIABILITES	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
TOTAL LIABILITIES	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
TOTAL CAPITAL & LIABILITIES	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR

BEST AVAILABLE DOCUMENT

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Bank Name

CONSOLIDATED STATEMENT OF ASSETS & LIABILITIES

WKSHT B

Assets	December	January	February	March	Average for Quarter	April	May	June	Average for Quarter	July	August	September	Average for Quarter	October	November	December	Average for Quarter	Average Past 12 Mos
Gambia Notes and coins	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
CFA Francs	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Other Currency	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
CASH IN HAND	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Central Bank	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Other local Banks	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Group/Branches	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Other Banks Abroad	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
BALANCES DUE FROM BANKS	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
CHEQ. & OTH. ITEMS IN TRANSIT	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Treasury Bills	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Other Govt. Securities	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Local Area Council Securities	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Parastatal debt securities	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
GOVT. SECTOR INVESTMENTS	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Shares	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Debt Instruments	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Private Sector Investments	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
INVESTMENT A/C SECURITIES	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Bills Payable in The Gambia, Residents	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Bills Payable in The Gambia, Non-Res.	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Bills Payable outside The Gambia	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
BILLS PURCHASED & DISCOUNT	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Local Banks	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Banks Abroad	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
LOANS & ADVANCES TO BANKS	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Government	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Local Area Councils	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Parastatals	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
GOVT. SECT. LOANS & ADVS	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Resident	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Non-Resident	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
PRIVATE SECT. LOANS & ADVS	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Subtotal: Loans & Advs (Gross)	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Allowance for Credit Loss	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Net Loans & Advances	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Premises	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Furniture & equipment	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Other Fixed Assets	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
FIXED ASSETS (GROSS)	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
Less: ACCUMULATED DEPRE.	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
FIXED ASSETS	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
[illegible]	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
OTHER ASSETS	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR
TOTAL ASSETS	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR

BEST AVAILABLE DOCUMENT

ANALYSIS

Bank Name

TRENDS IN ASSETS & LIABILITIES

Year

WKSHT C   Page (1) of (2)   (000)

Capital & Liabilities	December	January	February	March	Average for Quarter	April	May	June	Average for Quarter	July	August	September	Average for Quarter	October	November	December
Paid-up – Ordinary / Common Shares		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Paid-up prefered shares		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Share premium		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Assigned Capital		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
PAID-UP / ASSIGNED CAPITAL	0	0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Statutory Reserves		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Undivided Profits		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Other Reserves		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
RESERVES	0	0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
CAPITAL & RESERVES	0	0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
									ERR				ERR			
Group long term borrowings		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Other long term borrowings		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
LONG TERM BORROWING	0	0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Balances by local banks		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Balances by group/ branches		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Balances by other banks abroad		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
BALANCES DUE OTHER BANKS	0	0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Local area councils		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Parastatals		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Private sector, resident		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Private sector, non resident		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
DEMAND DEPOSITS	0	0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Local area councils		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Parastatals		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Private sector, resident		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Private sector, non resident		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
SAVINGS DEPOSITS	0	0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Local area councils		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Parastatals		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Private sector, resident		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Private sector, non resident		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
TIME DEPOSITS	0	0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
SUBTOTAL DEPOSITS	0	0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Central bank		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Other banks local		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Group/ branches		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Other banks abroad		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
OTHER BORROWINGS	0	0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
ACCEPT.ENDOR.GUARAN.		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
OTHER LIABILITES		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
TOTAL LIABILITIES	0	0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
TOTAL CAPITAL & LIABILITIES	0	0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0

BEST AVAILABLE DOCUMENT

Bank Name

TREND ANALYSIS OF ASSETS & LIABILITIES

WKSHTC (000)

Assets	December	January	February	March	Average for Quarter	April	May	June	Average for Quarter	July	August	September	Average for Quarter	October	November	December
Gambia Notes and coins		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
CFA Francs		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Other Currency		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
CASH IN HAND	0	0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Central Bank		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Other local Banks		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Group/Branches		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Other Banks Abroad		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
BALANCES DUE FROM BANKS	0	0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
CHEQ. & OTH. ITEMS IN TRANSIT		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Treasury Bills		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Other Govt. Securities		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Local Area Council Securities		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Parastatal debt securities		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
GOVT. SECTOR INVESTMENTS	0	0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Shares		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Debt Instruments		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Private Sector Investments	0	0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
INVESTMENT A/C SECURITIES	0	0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Bills Payable in The Gambia, Residents		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Bills Payable in The Gambia, Non-Res.		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Bills Payable outside The Gambia		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
BILLS PURCHASED & DISCOUNT	0	0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Local Banks		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Banks Abroad		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
LOANS & ADVANCES TO BANKS	0	0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Government		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Local Area Councils		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Parastatals		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
GOVT. SECT. LOANS & ADVS	0	0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Resident		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Non-Resident		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
PRIVATE SECT. LOANS & ADVS	0	0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Subtotal: Loans & Advs (Gross)	0	0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Allowance for Credit Loss		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Net Loans & Advances	0	0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Premises		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Furniture & e[illegible]ment		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Other Fixed Assets		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
FIXED ASSETS (GROSS)	0	0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
Less: ACCUMULATED DEPRE.		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
FIXED ASSETS	0	0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
ACCEP. ENDOR. & GUARAT.		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
OTHER ASSETS		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
TOTAL ASSETS	0	0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0
		0	0	0	ERR	0	0	0	ERR	0	0	0	ERR	0	0	0

BEST AVAILABLE DOCUMENT

Bank Name SUMMARY

Year

CONSOLIDATED STATEMENT OF ASSETS & LIABILITIES

WKSHT A Page (1) of (2)

Capital & Liabilities	December	January	February	March	Average for Quarter	April	May	June	Average for Quarter	July	August	September	Average for Quarter	October	November	December	Average for Quarter	Average Past 12 Mos
Paid-up – Ordinary / Common Shares	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Paid-up prefered shares	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Share premium	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Asigned Capital	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PAID-UP / ASSIGNED CAPITAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Statutory Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Undivided Profits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RESERVES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CAPITAL & RESERVES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Group long term borrowings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other long term borrowings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LONG TERM BORROWING	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Balances by local banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Balances by group/ branches	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Balances by other banks abroad	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BALANCES DUE OTHER BANKS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Local area councils	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Parastatals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Private sector, resident	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Private sector, non resident	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DEMAND DEPOSITS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Local area councils	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Parastatals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Private sector, resident	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Private sector, non resident	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SAVINGS DEPOSITS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Local area councils	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Parastatals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Private sector, resident	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Private sector, non resident	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TIME DEPOSITS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SUBTOTAL DEPOSITS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other banks local	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Group/ branches	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other banks abroad	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER BORROWINGS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ACCEPT.ENDOR.GUARAN.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER LIABILITES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL LIABILITIES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL CAPITAL & LIABILITIES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

BEST AVAILABLE DOCUMENT

ANALYSIS OF INCOME AND EXPENSE

SUMMARY FOR ALL BANKS Page (1) of (2)

P&LFORMA.WK3 WKSHT E

Account	This Quarter Prior Year	Percent of Avr Assets	Prior Year (Total 4 Qtrs)	Percent of Avr Assets	This Quarter	Percent of Avr Assets	Total Last 4 Quarters	Percent of Avr Assets
Date	0		0		0		0	
Treasury Bills	0	ERR	0	ERR	0	ERR	ERR	ERR
Other Government Sector Securities	0	ERR	0	ERR	0	ERR	ERR	ERR
Private Sector Debt Instruments	0	ERR	0	ERR	0	ERR	ERR	ERR
Common and Prefered Shares(Divs)	0	ERR	0	ERR	0	ERR	ERR	ERR
Other Income from Securities	0	ERR	0	ERR	0	ERR	ERR	ERR
INT INCOME FROM SECURITIES	0	ERR	0	ERR	0	ERR	ERR	ERR
Loans to Banks	0	ERR	0	ERR	0	ERR	ERR	ERR
Overdrafts to Banks	0	ERR	0	ERR	0	ERR	ERR	ERR
Loans to Govt Sector	0	ERR	0	ERR	0	ERR	0	ERR
Overdrafts of Govt Sector	0	ERR	0	ERR	0	ERR	0	ERR
Loans to Private Sector	0	ERR	0	ERR	0	ERR	ERR	ERR
Overdrafts to private Sector	0	ERR	0	ERR	0	ERR	ERR	ERR
INTEREST ON LOANS AND ADVANCES	0	ERR	0	ERR	0	ERR	ERR	ERR
Group Operating Balances	0	ERR	0	ERR	0	ERR	ERR	ERR
Other Banks	0	ERR	0	ERR	0	ERR	ERR	ERR
INTEREST FROM DEPOSITS WITH BKS	0	ERR	0	ERR	0	ERR	ERR	ERR
Interest from Bills Purchased/Disc	0	ERR	0	ERR	0	ERR	ERR	ERR
TOTAL INTEREST INCOME	0	ERR	0	ERR	0	ERR	ERR	ERR
	0		0		0		0	
Balances by group banks	0	ERR	0	ERR	0	ERR	ERR	ERR
Balances by other Banks	0	ERR	0	ERR	0	ERR	ERR	ERR
INTEREST ON BAL DUE OTHER BANKS	0	ERR	0	ERR	0	ERR	ERR	ERR
Demand deposits	0	ERR	0	ERR	0	ERR	ERR	ERR
Savings	0	ERR	0	ERR	0	ERR	ERR	ERR
Time Deposits	0	ERR	0	ERR	0	ERR	ERR	ERR
INTEREST ON DEPOSITS	0	ERR	0	ERR	0	ERR	ERR	ERR
Long term borrowing	0	ERR	0	ERR	0	ERR	ERR	ERR
Group borrowings	0	ERR	0	ERR	0	ERR	ERR	ERR
Other borrowings	0	ERR	0	ERR	0	ERR	ERR	ERR
OTHER INTEREST EXPENSE	0	ERR	0	ERR	0	ERR	ERR	ERR
TOTAL INTEREST EXPENSE	0	ERR	0	ERR	0	ERR	ERR	ERR
NET INTEREST INCOME	0	ERR	0	ERR	0	ERR	ERR	ERR
Provision for credit losses	0	ERR	0	ERR	0	ERR	ERR	ERR
NET INTEREST INCOME AFTER	0	ERR	0	ERR	0	ERR	0	ERR
PROVISION FOR CREDIT LOSSES	0	ERR	0	ERR	0	ERR	ERR	ERR
Service charges on deposits	0	ERR	0	ERR	0	ERR	ERR	ERR
Loan Fee Income	0	ERR	0	ERR	0	ERR	ERR	ERR
Accept. Guaran. L/Cs Fees	0	ERR	0	ERR	0	ERR	ERR	ERR
Other commission / Fee Income	0	ERR	0	ERR	0	ERR	ERR	ERR
Commission / Brokrage on FX dealings	0	ERR	0	ERR	0	ERR	ERR	ERR
Fees/Other Charges on FX Transactions	0	ERR	0	ERR	0	ERR	0	ERR
Unrealized Foriegn Currency Transaction P(I	0	ERR	0	ERR	0	ERR	ERR	ERR
NON-INTEREST INCOME	0	ERR	0	ERR	0	ERR	ERR	ERR
NET INT AND OTHER INCOME	0	ERR	0	ERR	0	ERR	ERR	ERR

BEST AVAILABLE DOCUMENT

ANALYSIS OF INCOME AND EXPENSE

SUMMARY FOR ALL BANKS

Page (2) of (2)

P&LFORMA.WK3 WKSHT A

Account	This Quarter Prior Year	Percent of Avr Assets	Prior Year (Total 4 Qtrs)	Percent of Avr Assets	This Quarter	Percent of Avr Assets	Current Year (Total 4 Qtrs)	Percent of Avr Assets
Date	0		0		0		0	
Full time Employee salaries	0	ERR	0	ERR	0	ERR	ERR	ERR
Part time & maint. staff remuneration	0	ERR	0	ERR	0	ERR	ERR	ERR
Pension and reirement allowances	0	ERR	0	ERR	0	ERR	ERR	ERR
Bonuses and other staff benefits	0	ERR	0	ERR	0	ERR	ERR	ERR
SALARIES & OTHER COMPEN. BENE.	0	ERR	0	ERR	0	ERR	ERR	ERR
Rental of real estates	0	ERR	0	ERR	0	ERR	ERR	ERR
Prov. for Deprec. of Premises	0	ERR	0	ERR	0	ERR	ERR	ERR
Rental of Office Equip.& furnishings	0	ERR	0	ERR	0	ERR	ERR	ERR
Prov. for Depr of Equip/Furnishings	0	ERR	0	ERR	0	ERR	0	ERR
utility Expenses	0	ERR	0	ERR	0	ERR	ERR	ERR
Other property expenses	0	ERR	0	ERR	0	ERR	ERR	ERR
PREMISES & EQUIP.EXP.INCL.DEPREC.	0	ERR	0	ERR	0	ERR	ERR	ERR
Advertising expenses	0	ERR	0	ERR	0	ERR	ERR	ERR
Printing and Stationary	0	ERR	0	ERR	0	ERR	ERR	ERR
Communication	0	ERR	0	ERR	0	ERR	ERR	ERR
Travelling Expenses	0	ERR	0	ERR	0	ERR	ERR	ERR
Staff Training	0	ERR	0	ERR	0	ERR	ERR	ERR
Directors' Fees	0	ERR	0	ERR	0	ERR	ERR	ERR
Auditors' fees	0	ERR	0	ERR	0	ERR	ERR	ERR
Legal Expenses	0	ERR	0	ERR	0	ERR	ERR	ERR
Insurance Premiums	0	ERR	0	ERR	0	ERR	ERR	ERR
Shortages and Losses	0	ERR	0	ERR	0	ERR	ERR	ERR
Other general expenses	0	ERR	0	ERR	0	ERR	ERR	ERR
OTHER EXPENSES	0	ERR	0	ERR	0	ERR	ERR	ERR
TOTAL NON-INTEREST EXPE.	0	ERR	0	ERR	0	ERR	ERR	ERR
PROFIT (LOSS) BEFORE TAXES	0	ERR	0	ERR	0	ERR	ERR	ERR
Provision for Income Taxes	0	ERR	0	ERR	0	ERR	ERR	ERR
NET INCOME BEFORE EXTRA ITEM	0	ERR	0	ERR	0	ERR	ERR	ERR
EXTRAORDINARY ITEMS (SPECIFY)	0	ERR	0	ERR	0	ERR	ERR	ERR
NET INCOME	0	ERR	0	ERR	0	ERR	ERR	ERR

BEST AVAILABLE DOCUMENT

AVERAGE BALANCES & RATES ANALYSIS

SUMMARY FOR ALL BANKS

Account	This Quarter Prior Year		Prior Year (Total 4 Qtrs)		This Quarter		Current Year (Total 4 Qtrs)	
Date	0		0		0		0	
	Average Balance	Yield/ Cost	Average Balance	Yield/ Cost	Average Balance	Yield/ Cost	Average Balance	Yield/ Cost
Investments (Securities)	0	ERR	0	ERR	0	ERR	0	ERR
Loans & Advances	0	ERR	0	ERR	0	ERR	0	ERR
Deposits with Banks	0	ERR	0	ERR	0	ERR	0	ERR
Other Interest Bearing Assets	0	ERR	0	ERR	0	ERR	0	ERR
Total Earning Assets	0	ERR	0	ERR	0	ERR	0	ERR
Demand Deposits	0	ERR	0	ERR	0	ERR	0	ERR
Savings & Time Deposits	0	ERR	0	ERR	0	ERR	0	ERR
Deposits by Banks	0	ERR	0	ERR	0	ERR	0	ERR
Total Deposits		ERR	0	ERR	0	ERR	0	ERR
Other Borrowings	0	ERR	0	ERR	0	ERR	0	ERR
Total Interest–Bearing Funds	0	ERR	0	ERR	0	ERR	0	ERR
Capital Allocated to Earning Assets	0		0		0		0	
Total Funding Sources	0	ERR	0	ERR	0	ERR	0	ERR
Return on Earning Assets		ERR		ERR		ERR		ERR
Non–interest bearing assets funded								
by Other Non–int bearing liab	0		0		0		0	
Residual Capital	0							
Net Interest Margin (NII/AA)	0	ERR	0	ERR	0	ERR	0	ERR

RETURN ON AVERAGE ASSETS (ROA) ANALYSIS

SUMMARY FOR ALL BANKS

	Amount	% ROA	Amount	% ROA	Amount	% ROA	Amount	% ROA
Net Interest Income	0	ERR	0	ERR	0	ERR	ERR	ERR
Provision for Credit Losses	0	ERR	0	ERR	0	ERR	ERR	ERR
Net from Earning Assets	0	ERR	0	ERR	0	ERR	ERR	ERR
plus Non–interest Income	0	ERR	0	ERR	0	ERR	ERR	ERR
Net–Interest & Other Income	0	ERR	0	ERR	0	ERR	ERR	ERR
Salaries	0	ERR	0	ERR	0	ERR	ERR	ERR
Premises/Other Equip. Exp.	0	ERR	0	ERR	0	ERR	ERR	ERR
Other Expense	0	ERR	0	ERR	0	ERR	ERR	ERR
Total Non–interest Exp (Overhead)	0	ERR	0	ERR	0	ERR	ERR	ERR
Profit Before Taxes	0	ERR	0	ERR	0	ERR	ERR	ERR
Income Taxes	0	ERR	0	ERR	0	ERR	ERR	ERR
Net Income (ROA)	0	ERR	0	ERR	0	ERR	ERR	ERR

RE–INVESTMENT RATE VARIABLES

SUMMARY FOR ALL BANKS

Return on Assets (ROA)	ERR	ERR	ERR	ERR
multiplied by CAPITAL LEVERAGE	ERR	ERR	ERR	ERR
equals RETURN ON CAPITAL	ERR	ERR	ERR	ERR
multiplied by INCOME RETENTION RATE				
equals RE–INVESTMENT RATE (RIR)	ERR	ERR	ERR	ERR

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RATIOS FOR ANALYSIS

Name of Bank ______________________ YEAR

FORMARAT WS3

Ratio	Components	Source	First Quarter 1Q %	Second Quarter 2Q %	Third Quarter 3Q %	Fourth Quarter 4Q %
Capital Ratios (C)						
1 Capital Adequacy Ratio	Adjusted Capital	Sect 7 Annex A Adjusted Capital	ERR	ERR	ERR	ERR
	Total Assets (including contras)	BSA .. wk3 Wksht A Page 2 Total Assets				
2 Primary Capital Ratio	Primary Capital	Sect 7 Annex A Primary (Tier 1) Capital	ERR	ERR	ERR	ERR
	Total Assets (including contras)	BSA ... wk3 Wksht A Page 2 Total Assets				
3 Re-investment Ratio		P&L	ERR	ERR	ERR	ERR
4 Non-performing Loan/Primary Capital	Non-accrual plus Restructured Loans	Sect 6 Annex B Total Non-accruals + Annex D Total Restructured	ERR	ERR	ERR	ERR
	Primary Capital	Sect 7 Annex A Primary (Tier 1) Capital				
5 Non-accrual Loans/Primary Capital & ALL	Non-accrual loans	Sect 6 Annex B Total Non-accrual	ERR	ERR	ERR	ERR
	Primary Capital + ALL	Sect 7 Annex A Primary (Tier 1) Capital plus BSA wksht A Page 2 Allowance for credit loss				
Asset Quality (A)						
6 Non-performing loan ratio	Non-accrual plus Restructured Loans	Sect 6 Annex B Total Non-accruals + Annex D Total Restructured	ERR	ERR	ERR	ERR
	Gross loan outstanding	BSA wkshtA Page 2 Subtotal Loans & Adv (Gross)				
7 Non-accrual loan ratio	Non-accrual loans	Sect 6 Annex B Total Non-accrual	ERR	ERR	ERR	ERR
	Gross loan outstanding	BSA wkshtA Page 2 Subtotal Loans & Adv (Gross)				
8 Aggregate Provision Level	Allowance for credit losses	BSA wksht A Page 2 Allowance for credit loss	ERR	ERR	ERR	ERR
	Non-accrual loans	Sect 6 Annex B Total Non-accrual				
9 Loan Loss Reserve Ratio	Allowance for credit losses	BSA wksht A Page 2 Allowance for credit loss	ERR	ERR	ERR	ERR
	Gross loan outstanding	BSA wkshtA Page 2 Subtotal Loans & Adv (Gross)				
10 Loan Loss Experience Ratio	Loan Loss Experience	Sect 6 Annex A Loss experience (net recovery)	ERR	ERR	ERR	ERR
	Gross loan outstanding	BSA wkshtA Page 2 Subtotal Loans & Adv (Gross)				
11 Recoveries/Write-offs ratio	Recoveries	Sect 6 Annex A Recoveries	ERR	ERR	ERR	ERR
	Specific & Direct Write-offs	Sect 6 Annex A Specific Write-offs plus Direct Write-Offs				
12 OBS/Gross Total Assets	Off-balance sheet exposures	Sect 5A Annex B Total OBS exposure	ERR	ERR	ERR	ERR
	Total Assets (plus contras)	BSA ... wk3 Wksht A Page 2 Total Assets				
EARNINGS						
13 ROA	Net Income	P&L	ERR	ERR	ERR	ERR
	Net Assets					
14 Net Interest Margin	Net Interest Income	P&L	ERR	ERR	ERR	ERR
	Net Assets					
15 Non-Interest Income Ratio	Non-Interest Income	P&L Non-interest income	ERR	ERR	ERR	ERR
	Total Income	P&L Total interest inc + Non-interest income				
16 Overhead Ratio	Non-Interest expense	P&L Total Non-interest Expense	ERR	ERR	ERR	ERR
	Total Income	P&L Total interest inc + Non-interest income				
17 Loan loss provisions/ loan loss experience	Provision for credit losses	P&L Provision for credit losses	ERR	ERR	ERR	ERR
	Loan loss experience	Sect 6 Annex A Loss experience (net recovery)				
18 Percent Effective Tax Rate	Provision for income taxes	P&L provision for income taxes	ERR	ERR	ERR	ERR
	Profit (loss) before taxes	P&L Profit (loss) before taxes				
Liquidity						
19 Liquid Assets Ratio	Liquid Assets	LAR Required Liquid Assets	ERR	ERR	ERR	ERR
	Gambian Liabilities	Sect 6 Annex A 1				
20 Dalasi Liquid Assets/ Dalasi Deposits	Dalasi Liquid Assets	Sect 6 Annex A Total Liquid Assets − C(ii) with foreign banks	ERR	ERR	ERR	ERR
	Dalasi Deposits	Sect 6 Annex A 1A				
21 Time Deposits/Deposits	Time Deposits	BSA Wksht A Page (1)Time Deposits	ERR	ERR	ERR	ERR

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Analysis of Allowance for Loan Losses

ANALALL.WK3

Name of bank: **Date:**

From Return on Non-accrual Credits Outstanding

Newly Classified		x 20%	0
Aged to 6 months		x 20%	0
Aged 6 mos – 1 year		x 50%	0
Aged Over 1 year		x 100%	
Total	0		

From Return of Restructured Credits Outstanding

Total Restructured		x 5%	0

From Consolidated Assets & Liabilities

Total Gross Loans			
Amount of portfolio not classified or restructured	0	x 1%	0
Total recommended provision			0

From Consolidated Assets & Liabilites

Allowance for Loan Losses			
Potential (deficiency)/excess			0

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Central Bank of The Gambia
Banking Supervision Department
C:\FORMAT\ANALWP.wk3

WORKPAPERS FOR QUARTERLY BANK PERFORMANCE REPORT

Bank Name: Qtr Ending:

A	Analysis
B	Ratios for Analysis
C	BSA – wksht A Dalasi Assets & Liabilities
D	BSA – wksht B Composition of Assets & Liabilities
E	BSA – wksht C Trend Analysis
F	BSA – Industry
G	Income & Expense/ABR/ROA/RIR
H	Income & Expense/ABR/ROA/RIR – Industry
I	Analysis of Allowance for Credit Loss
J	Liquidity Analysis from LMR
K	Consolidated Statement of Assets & Liabilities – First Month End
L	Consolidated Statement of Assets & Liabilities – Second Month End
M	Consolidated Statement of Assets & Liabilities – Quarter End
N	Off–balance Sheet Exposures (Inst 1A Annex B)
O	Consolidated Interim Profit & Loss Statement (Inst 2, Annex A)
P	Consolidated Annual Profit & Loss Statement (Inst 2, Annex B)
Q	Interim Changes in Reserve Accounts & Allowance for Credit Losses (Inst 3 Annex C)
R	Return of Specific Loss Provisions & Loss Exp (Inst 6 Annex A)
S	Return of Non–accrual Credits Outstanding (Inst 6, Annex B)
T	Return of Memo acct interest adjustments (Inst 6, Annex C)
U	Return of Restructured Credits Outstanding (Inst 6, Annex D)
V	Reclassification to Performing Status & Write–offs
W	Components of Capital/Assets & OBS (Inst 7 Annex A)
X	Return of Insider Credits
Y	Loan Returns
Z	Deposit Returns

ON–SITE PLANNING & TIME MANAGEMENT REPORT

ame of bank

Exam as of date:
Exam start date:
Exam close date:

<kaminer–in–charge:

<u>‹amination Scope</u>

:he proposed scope varies from that outlined in the Supervisory Strategy, indicate
ə differences and the basis for the change in scope

ıntact person at bank:

Telephone No.:

mber of workdays required to perform the examination:
əisting personnel:

PTMR approved by: ______________________________ Date: __________

Manager, Banking Supervision Department

BEST AVAILABLE DOCUMENT

ON–SITE PLANNING & TIME MANAGEMENT REPORT – continued

Name of Bank:

Information Required from the bank:

The bank should furnish a copy of the following documents or reports:

Indicate with an asterisk where information should be made available (copy not required)

Indicate date by which information should be received:

ON–SITE PLANNING & TIME MANAGEMENT REPORT – continued

Name of Bank:

Department or Area of Activity to be Examined:

Objectives of the examination:

Specific Procedures to be used in performing the examination:

Bank contact person:

Telephone No.:

Name of examiner–in–charge:
Assisting personnel:

No. of workdays required to perform examination:

Note: This page should be prepared for each major department or area to be examined and pages should be numbered 3 (a), 3 (b), 3 (c) etc.

ON–SITE PLANNING & TIME MANAGEMENT REPORT – continued

Name of Bank:

Calendar of Significant Events

Date	Time	Nature of Activity	Who will attend

below are some examples of significant events to be placed on the calendar

Examination commences

Initial meeting with senior management

Initial meetings with department heads

Meetings with assisting examiners to review status of examination

Meetings with assisting examiners to review preliminary conclusions and workpapers

Final meetings with department heads to discuss preliminary conclusions

Meeting with BSD to discuss preliminary conclusions

Final meeting with senior management

Date report to be submitted to BSD for approval

Date report to be submitted to bank

ON–SITE PLANNING & TIME MANAGEMENT REPORT – continue

Attendance Schedule

Examiner Name	Date	Date	Date	Date	Date	Date	Date	Date	Date	Date	Date	Date	Date	Date

Total Days

PROJECTED ASSETS & LIABILITIES

(In 000)

Capital & Liabilities	At End of First Year	At End of Second Year	At End of Third Year	
Paid-up – Ordinary / Common Shares				
Paid-up prefered shares				
Share premium				
Asigned Capital				
PAID-UP / ASSIGNED CAPITAL				Sum of lines 1 – 4
Statutory Reserves				
Undivided Profits				
Other Reserves				
RESERVES				Sum of lines 6 – 8
CAPITAL & RESERVES				Lines 5 + 9
Group long term borrowings				
Other long term borrowings				
LONG TERM BORROWING				Lines 12 + 13
Balances by local banks				
Balances by group/ branches				
Balances by other banks abroad				
BALANCES DUE TO OTHER BANKS				Sum of lines 15 – 17
Local area councils				
Parastatals				
Private sector, resident				
Private sector, non resident				
DEMAND DEPOSITS				Sum of lines 19 – 22
Local area councils				
Parastatals				
Private sector, resident				
Private sector, non resident				
SAVINGS DEPOSITS				Wum of lines 24 – 27
Local area councils				
Parastatals				
Private sector, resident				
Private sector, non resident				
TIME DEPOSITS				Sum of lines 29 – 32
TOTAL DEPOSITS				Line 23 + 28 + 33
Central bank				
Other banks local				
Group/ branches				
Other banks abroad				
OTHER BORROWINGS				Sum of lines 35 – 38
ACCEPTANCES, ENDORSEMENTS, GUARANTY				
OTHER LIABILITES				
TOTAL LIABILITIES				Sum of lines 14,18,34,39,40 & 41
TOTAL CAPITAL & LIABILITIES				Line 10 + 42

ASSETS	At End of First Year	At End of Second Year	At End of Third Year	
Gambia Notes and coins				
CFA Francs				
Other Currency				
CASH IN HAND				Sum of lines 44 – 46
Central Bank				
Other local Banks				
Group /Branches				
Other Banks Abroad				
BALANCES DUE FROM BANKS				Sum of lines 48 – 51
CHEQ. & OTH. ITEMS IN TRANSIT				
Treasury Bills				
Other Govt. Securities				
Local Area Council. Securities				
Parastatal debt securities				
GOVT. SECTOR INVESTMENTS				Sum of lines 54 – 57
Shares				
Debt Instruments				
Private Sector Investments				
INVESTMENT A/C SECURITIES				Sum of lines 59 – 61
Bills Payable in The Gambia, Residents				
Bills Payable in The Gambia, Non-Res.				
Bills Payable outside The Gambia				
BILLS PURCHASED & DISCOUNTED				Sum of lines 63 – 65
Local Banks				
Banks Abroad				
LOANS AND ADVANCES TO BANKS				Line 67 + 68
Government				
Local Area Councils				
Parastatals				
GOVT. SECT. LOANS & ADVANCES				Sum of lines 70 – 72
Resident				
Non- Resident				
PRIVATE SECT. LOANS & ADV.				Line 74 + 75
GROSS LOANS & ADVANCES				Line 69 + 73 + 76
Allowance for Credit Loss				
NET LOANS & ADVANCES				Line 77 minus 78
Premises				
Furniture & equipment				
Other Fixed Assets				
FIXED ASSETS (GROSS)				Sum of lines 80 + 82
Less : ACCUMULATED DEPRE.				
FIXED ASSETS				Line 83 minus 84
ACCEPTANCES, ENDORSEMENTS, GUARANTY				
OTHER ASSETS				
TOTAL				Sum of lines 47, 52, 53, 62, 66, 79, 85, 86, 87

PROJECTED INCOME AND EXPENSE

Line No.	Account	Date	At end of First Year	At end of Second Year	At end of Third Year
1	Treasury Bills				
2	Other Government Sector Securities				
3	Private Sector Debt Instruments				
4	Common and Prefered Shares(Divs)				
5	Other Income from Securities				
6	**INT INCOME FROM SECURITIES**	Sum lines 1 – 5			
7	Loans to Banks				
8	Overdrafts to Banks				
9	Loans to Govt Sector				
10	Overdrafts of Govt Sector				
11	Loans to Private Sector				
12	Overdrafts to private Sector				
13	**INTEREST ON LOANS AND ADVANCES**	Sum lines 7 – 12			
14	Group Operating Balances				
15	Other Banks				
16	**INTEREST FROM DEPOSITS WITH BKS**	Line 14 + 15			
17	Interest from Bills Purchased/Disc				
18	**TOTAL INTEREST INCOME**	Line 6+13+16+17			
19					
20	Balances by group banks				
21	Balances by other Banks				
22	**INTEREST ON BAL DUE OTHER BANKS**	Line 20 + 21			
23	Demand deposits				
24	Savings				
25	Time Deposits				
26	**INTEREST ON DEPOSITS**	Sum of lines 23 – 25			
27	Long term borrowing				
28	Group borrowings				
29	Other borrowings				
30	**OTHER INTEREST EXPENSE**	Sum of lines 27–29			
31	**TOTAL INTEREST EXPENSE**	Line 22+26+30			
32	**NET INTEREST INCOME**	Line 18 – 31			
33	Provision for credit losses				
34	**NET INTEREST INCOME AFTER**				
35	**PROVISION FOR CREDIT LOSSES**	Line 32 – 33			
36	Service charges on deposits				
37	Loan Fee Income				
38	Accept. Guaran. L/Cs Fees				
39	Other commission / Fee Income				
40	Commission / Brokrage on FX dealings				
41	Fees/Other Charges on FX Transactions				
42	Unrealized Foreign Curr Transaction P(L)				
43	**NON–INTEREST INCOME**	Sum of lines 36 – 42			
44	**NET INT AND OTHER INCOME**	Lines 35 + 43			

PROJECTED INCOME AND EXPENSE

ine o.	Account		At end of First Year	At end of Second Year	At end of Third Year
5	Full time Employee salaries				
6	Part time & maint. staff remuneration				
7	Pension and reirement allowances				
8	Bonuses and other staff benefits				
9	**SALARIES & OTHER COMPEN. BENE.**	Sum of lines 45 – 48			
0	Rental of real estates				
1	Prov. for Deprec. of Premises				
2	Rental of Office Equip.& furnishings				
3	Prov. for Depr of Equip/Furnishings				
4	utility Expenses				
5	Other property expenses				
6	**PREMISES & EQUIP.EXP.INCL.DEPREC.**	Sum of lines 50 – 55			
7	Advertising expenses				
8	Printing and Stationary				
9	Communication				
0	Travelling Expenses				
1	Staff Training				
2	Directors' Fees				
3	Auditors' fees				
4	Legal Expenses				
5	Insurance Premiums				
6	Shortages and Losses				
7	Other general expenses				
8	**OTHER EXPENSES**	Sum of lines 57 – 67			
9	**TOTAL NON–INTEREST EXPE.**	Line 49 + 56 + 68			
0	**PROFIT (LOSS) BEFORE TAXES**	Line 44 – 69			
1	**Provision for Income Taxes**				
2	**NET INCOME BEFORE EXTRA ITEM**	Line 70 – 71			
3	**EXTRAORDINARY ITEMS (SPECIFY)**				
4	**NET INCOME**				

The Central Bank of the Gambia
Banking Supervision Department

CONFLICT OF INTEREST DISCLOSURE STATEMENT

As required by the Conflict of Interest policy, each employee assigned to the Banking Supervision Department of the Central Bank of The Gambia is required to complete this disclosure statement. The information provided in this form will be used solely for the purpose of determining whether any "conflict of interest" may exist relative to the supervision of licensed financial institutions. The disclosure will be returned in the attached envelope addressed to the Manager, Banking Supervision Department, and marked "confidential". No one, other than the Manager of BSD will have access to this information.

Please list any licensed financial institutions in which you or your immediate family have any ownership interest: (for the purposes of this section, "immediate family" refers to those persons who reside at the same address as the person completing the statement)
Also list any related interests (any company of which you are an officer, director, or voting stockholder) which have any ownership interest in a licensed financial institution.
If none, so state.

Name of Institution	Number of Shares Held	In whose name held

Please list any licensed financial institutions to whom you, a member of your immediate family, or any related interests, are presently indebted. If none, so state.

Name of Institution	Loan Balance & Origination Date	In whose Name	Maturity Date	Purpose/Collateral

Please list any licensed financial institutions with whom you, a member of your immediate family, or any related interests, are contractually involved in any other way (except a deposit or custodial relationship)

Name of Institution	Nature of Contract	Origination Date	In whose name

I, the undersigned, certify that the above answers are true and correct, and understand that failure to properly disclose any such relationship as specified above may be grounds for dismissal.

____________________ Employee Name

__________ Date

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LOAN RATING INFORMATION SHEET

As of Date

Name of Borrower | Loan balance | Account # | Original Amount | Date Originated

Co–signors/Guarantors

Purpose of loan

Collateral:

Amortization Schedule

Interest rate

Loan performance to date

Financial Information

Collateral exceptions noted:

Proposed rating

Date
Rating approved

By

Basis of Rating:

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RELATED ACCOUNTS

Name of borrower ______________________

RELATED BORROWINGS

	In Name of	Acct #	Type of Loan	Original Amount	Amortization
Commercial					
Residential RE					
Consumer					

RELATED DEPOSITS

In Name of	Acct #	Type of Deposit	Balance/ Avr Balance	Maturity

Note: If this information is found elsewhere in the file, do not complete, simply refer to where it can be found

REPORT OF EXAMINATION FOR COMMERCIAL BANKS*

Name: ______________________ Financial data as at: ____________

Exam commenced: ___________ Exam completed on-site: __________

<u>This report of examination is strictly confidential</u>

This report of examination has been conducted by the Central Bank of The Gambia (CBG) as authorized under the Central bank of The Gambia Act, 1992. It is the property of the CBG for use in its supervisory responsibilities.

*Note: The Price Waterhouse consultants recommended that the completed report be provided to bank management and its directors on a confidential basis. This is a policy decision, which due to recent court rulings may not be approved by CBG management. In the meantime, it has been assumed that the report will remain confidential for use by the CBG.

Instead, a letter would be sent to management following an examination indicating the principle findings of the examination and corrective measures if any, which the bank is expected to implement. For this reason, the final page of the recommended reporting format "Signature of Directors" has provisionally been disregarded.

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REPORT OF EXAMINATION

Name of Bank

Address

Financial data as at

On-site exam commenced

AMOUNTS IN THOUSANDS OF DALASIS UNLESS OTHERWISE NOTED

On-site exam completed

TABLE OF CONTENTS

*Note: There are 2 page numbers on each of the pages for the "Examination Reporting Format". The number at the top of the page is confined to this section and indicated in the above index. The number at the bottom of the page is the reference used in the index for the manual.

BEST AVAILABLE DOCUMENT

SCOPE OF EXAMINATION

(This section to be completed by Senior on-site Examiner in consultation with the Manager, Banking Supervision Department.)

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EXAMINER'S COMMENTS CONCLUSIONS

(This section may be several pages long, and will include all the main points conveyed to the CEO at the outgoing interview, and thus forms the basis of the letter explaining the results of the examination sent to the bank.)

Examiner-in-charge

Manager, Banking Supervision

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MONTH-END STATEMENT OF ASSETS & LIABILITIES at: ______

CAPITAL AND LIABILITIES	D'000
Paid-up - Ordinary/Common Shares	
Paid-up - Preferred Shares	
Share Premium	
Assigned Capital	
PAID-UP/ASSIGNED CAPITAL	
Statutory Reserve	
Undivided Profits	
Other Reserve	
RESERVES	
Group Long Term Borrowings	
Other Long Term Borrowings	
LONG TERM BORROWINGS	
Balances by Local Banks	
Balances by Group/Branches	
Balances by Other Banks abroad	
BALANCES DUE TO OTHER BANKS	
Demand on Deposits	
Savings Deposits	
Time Deposits	
DEPOSITS	
Central Bank	
Other Banks, Local	
Group/Branches	
Other Banks Abroad	
OTHER BORROWINGS	
ACCEPTANCES, ENDORSEMENTS AND GUARANTEES	
OTHER LIABILITIES	
TOTAL	

OFF-BALANCE SHEET EXPOSURES

Documentary of Letters of Credit	______
Other Letters of Credit & Endorsements	______
Acceptances	______
Guarantees	______
Unused Overdrafts and Other Firm Loan Commitments	______
Other (specify)	______
TOTAL	______

NOTE: Cash margin against LOC's was D----------

MONTH-END STATEMENT OF ASSETS & LIABILITIES (continued)

ASSETS	D'000
Gambia Notes and Coins	
CFA Francs	
Other Currency	
CASH IN HAND	
Central Bank	
Other Local Banks	
Group Banks Abroad	
Other Banks Abroad	
BALANCES DUE FROM BANKS	
CHEQUES AND OTHER ITEMS IN TRANSIT	
Treasury Bills	
Other Government Securities	
Local Area Council Securities	
Parastatal Debt Securities	
GOVERNMENT SECTOR INVESTMENTS	
Shares	
Debt Instruments	
PRIVATE SECTOR INVESTMENTS	
Bills Payable in The Gambia	
Bills Payable outside The Gambia	
BILLS PURCHASED AND DISCOUNTED	
Loans and Advances to Banks	
Government Sector Loans and Advances	
Private Sector Loans and Advances	
Subtotal: LOANS AND ADVANCES (GROSS)	
Less: Allowance for Credit Losses	
LOANS AND ADVANCES	
Premises	
Furniture and Equipment	
Other Fixed Assets	
FIXED ASSETS (GROSS)	
Less: Accumulated Depreciation	
FIXED ASSETS (GROSS)	
ACCEPTANCE, ENDORSEMENTS AND GUARANTEES	
OTHER ASSETS	
TOTAL	

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MANAGEMENT/ADMINISTRATION

Management is evaluated against all factors necessary to operate a bank in a safe and sound manner and thus protect depositors' funds in accordance with acceptable practices. The evaluation includes: a) performance with regard to the key financial factors of capital adequacy, asset quality, earnings, and liquidity; b) technical competence, leadership, and administrative ability; c) compliance with law and regulations (see next page); d) ability to plan an respond to changes in economic and other circumstances; e) effectiveness of management information systems and other internal controls; f) adequacy of and compliance to internal policies; g) responsiveness to recommendations Central Bank of The Gambia and external auditors; h) management depth and succession; and i) demonstrated willingness to meet the banking needs of its service area and/or The Gambia in general.

In addition, consideration is given to the extend that management is affected by or susceptible to dominant influence, concentration of authority, and questionable practices regarding credit extended to insiders, defined as major shareholders, directors, and executive officers (see subsequent page entitled "Credit Extended to Insiders").

(This section will require several pages for purposes of addressing the topics noted above.)

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CAPITAL ADEQUACY

Capital adequacy is evaluated in relation to: Central Bank of The Gambia guidelines for bank capital (see Guideline 2 & Instructions 7); overall financial condition of the bank; level and trend of classified and/or non-performing assets; level and quality of off-balance-sheet items; balance sheet composition; growth experience and prospects; and the quality of management. In addition, consideration is given to retention of earnings in light of capital needs; reasonableness of dividends; access to new sources of capital and other potential sources of financial assistance; and plans for maintaining or improving capital and/or the correction of any capital deficiencies.

CAPITAL STRUCTURE

Date:

Tier 1 Capital (Primary Capital)	Amount
Paid-up Shares (or Assigned Capital)	______
Paid-up Common Share premium	______
Statutory Reserve	______
Retained Profits from Prior Years	______
Year-to-date Profit/Loss (Net)*	______
Other Tier 1 Capital (describe)	______
Tier 1 Capital (Primary Capital)	______
Tier 2 Capital (Supplementary Capital)	
Asset Revaluation Reserves	______
Other Tier 2 Capital (describe)	______
Tier 2 Capital (Supplementary Capital)	______
TOTAL CAPITAL	______
ADJUSTED CAPITAL (includes adjusted Tier 2 Capital D________)	______

Notes on Additional Tier 1 or Tier 2 Capital Elements:

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*Note: Year-to-date net profits is only to be included in primary capital, if, in the examiner's judgement, the bank has made all proper closing entries for the interim year-to-date period, which should include: adequate provisions for bad debts, taxation, depreciation, and dividends declared. In all other cases, core capital will only include retained profit from prior years.

CAPITAL STRUCTURE (CONTINUED) AND CAPITAL RATIOS

Date:

Revisions of Capital Structure for "Reserve Deficiency"[1]

	C/F D'000	Revised D'000
Tier 1 (Primary) Capital	________	________
Total Capital	________	________
Adjusted Capital	________	________

Capital Ratios (to one decimal place)[2]

For Regulatory Purposes:	As Reported	Revised
Primary Capital Ratio	________	________
Capital Adequacy Ratio	________	________
Risk Weighted:		
Tier 1 Capital Ratio	________	________
Adjusted Capital Ratio	________	________

Note [1]: The total "Reserve Deficiency" was D________ at the above reporting date. It is the shortfall (if applicable) in the balance of the "allowance for credit losses" as compared with the level of "Reserves" derived by the Examiner on the basis of the supervisory standards for asset classifications and provisioning explained in Instructions 6, Introductory Notes. The amount of the revision to capital is calculated on page 9a under Item (b) "Reserve Calculations".

Note [2]: All four "as reported" ratios are reported at calendar quarter-ends, in accordance with Instructions 7. The "Revised" ratios reflect the impact of the above "Reserve Deficiency". Applicable denominators for these ratios are derived on the following page.

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ASSETS/OFF-BALANCE SHEET EXPOSURES

Date:

Assets and Off-Balance Sheet Exposures	As Reported	Risk Weighted %	D'000
Cash & Items in transit		0%	
CBG Current Amount		0%	
Balances due from other banks		20%	
Govt. of The Gambia Investments		0%	
Other Investments		100%	
Govt. of The Gambia Loans/Advances		0%	
Other Loans/Advances, bills distotal		100%	
Fixed/Other Assets		100%	
Assets Excluding Contra Account			
Documentary letters credit		20%	
Other letters of credit		50%	
Guarantees and Acceptances		100	
Undisbursed Funds on Overdrafts		20%	
Other Firm commitments		20%	
Total Risk Exposure			
Assets Including Contra Account			

The "Assets Including Contra Account " is the denominator for the two capital ratios used for regulatory purposes. The "Total Risk Exposure" denominator is for the risk weighted capital ratios.

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ASSET QUALITY

Asset quality is evaluated in relation to: the level, distribution, trend, and severity of adverse classifications; the level, trend, and severity of non-performing assets as defined for purposes of this report; the adequacy of provisions (general and/or specific); and management's demonstrated ability to identify, monitor, administer, and collect problem advances and other such assets.

In addition, the quality of other assets, including investments, as well as the quality of off-balance-sheet items are assessed.

Also considered are any undue degree of concentration of credits, investments, and other assets, the level and quality of insider credit extended, and the effectiveness of lending policies and credit administration procedures.

(This section will require several pages for purposes of addressing the topics highlighted above)

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SUMMARY OF CLASSIFIED AND NON PERFORMING ASSETS
Date:

(a) CATEGORY OF CREDIT	NON-ACCRUAL CLASSIFICATIONS				RESTRU-TURED CREDITS	ASSETS PLUS OFF-BALANCE SHEET ITEMS		
	SUB-STANDARD	DOUBTFUL	LOSS	TOTAL		NON-PERFORM	PERFORMING	TOTAL
Loans								
Overdrafts								
Other Assets								
Off-Balance Sheet								
TOTALS								
(b) RESERVE CALCULATIONS								
(x's) Reserve Standard	20%	50%	100%	....	5%	.....	1%	....
(=) Derived Reserve								
(-) Actual Reserve (2								
(=) Reserve Deficiency								

Notes 1. Non-accrual advances are defined as loans where principal or interest is due and unpai for 90 days or more. Overdrafts are non-performing when for 90 days or more, they have 1) exceeded limits; or 2) expired; or 3) had interest due and unpaid; or 4) credi (deposits) to the account have not exceeded capitalized interest.

2. A standard provision is applied on "Restructed" & "Performing" Assets (in addition to th non-accrual classification explained in Instructions 6 which allows for inherent bu unforeseen losses at 5% & 1% of exposures respectively.

3. When the "Actual Reserve" balance is equal to/exceeds the "Derived Reserve", there wil be zero "Reserve Deficiency" and no "Revised Capital" calculations.

ASSET QUALITY RATIOS & TREND*

Examination Dates:	19-----	19-----	19-----
Non-Performing Loans % gross loans			
Non-accrual loans% gross loans			
Reserve % gross loans			
Reserve % Non-accrual loans			
Non-accrual loans % Tier 1 Capital			
Reserve Deficiency % Tier 1 Capital			

*Examiner comments on the level & trend of non-perf[illegible]ing credits as applicable should be attached.

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SUMMARY OF CLASSIFIED AND NON-PERFORMING ASSETS (continued)

SCHEDULE OF PROVISIONS FOR BAD DEBTS:
(For the past two financial year-ends and year-to-date)

	19---	19---	19--
I SPECIFIC PROVISIONS			
Balance carried forward			
(+) New specific Provisions			
(-) Specific Provision Reversal - Due Improved Statue - Due amounts written-Off(1)			
(=) End of period balance			
II LOSS EXPERIENCE			
Net new specific provisions(2)			
(+) Specific Write-Offs(1) (+) Direct Write-Offs(3) (-) Recoveries			
(=) Loss experience (net recovery)			
III ALLOWANCE FOR CREDIT LOSSES (RESERVE)			
Balance carried forward			
(+) Provision for credit losses (-) Loss experience (net recovery)			
(=) End of period balance			

NOTES:
1 Write-off of specific reversal
2 Change in specific provisions outstanding
3 Direct write-off charged to reserve

Examiner comments on the adequacy of provisions in relation to overall asset quality:

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EARNINGS

Quantity and quality of earnings are first examined as to integrity and potential overstatement, especially with regard to interest accrual policies and adequacy of provisioning. Evaluation is in relation to: the ability to support present and future operations; coverage of losses and build-up of adequate capital; level and trend of profits; and quality with regard to composition of core earnings and recurring nature of profits. Consideration is also given to: the adequacy of provisions and needed transfers to such provisions; reliance on unusual or extraordinary items, security transactions or tax effects; and plans to correct any earnings deficiencies.

(This Section will require several pages for purposes of addressing the topics highlighted above).

CONSOLIDATED REPORTS OF INCOME AND EARNINGS RATIOS

	FOR THE 12 MONTHS ENDED		
	19..	19..	19..
Interest income			
Interest expense			
Net interest income			
Provision for credit losses			
Non-interest income			
Non-interest expense			
Profit (loss) before taxes			
Taxation			
Net income (loss)			
Extraordinary items			
Cash dividends*			

*NOTE: Include cash payments to head office in lieu of dividends.

Earnings Ratios and Trends	19..	19..	19..
Net interest income/ Average earning assets (Interest rate spread)			
Non-interest income/ Average total assets			
Provision expense/ Average total assets			
Net income/Average total assets			
Dividend payout ratio			

LIQUIDITY/FUNDS MANAGEMENT

Liquidity and funds management are evaluated in relation to the overall effectiveness of asset and liability management. These areas are reviewed especially with regard to: proper maintenance of credit balances in CBG current account; compliance with CBG cash reserve requirement; compliance with CBG liquid asset requirement; and performance with regard to borrowings or special facilities granted by the CBG.

Analysis takes into consideration: structure and stability of deposits; the degree and trend of reliance on borrowed funds, including CBG facilities; management of advances portfolio with regard to maintaining adequate liquidity levels; and the ability to raise liquidity quickly through asset conversion or access to funding facilities. In addition, consideration is given to the nature, volume, and anticipated use of commitments, including unused overdraft facilities, and the adequacy of and compliance to written internal liquidity and funding policies.

__________(This section will require several pages for purposes of addressing the topics highlighted above).

LIQUIDITY RATIOS AND TRENDS, COMPLIANCE TO CBG REQUIREMENTS

For the prior 12 month period or since the previous examination, comment on: proper maintenance of CBG current account; compliance with CBG cash reserve requirements; compliance with CBG liquidity requirements and performance with regard to any borrowings and/or special facilities from the CBG. Analysis should include: quantitative review as to number of periods of non-compliance with CBG requirements and/or overdrafts in current account; trend of such balances and compliance; and steps taken by bank management to improve liquidity position if needed.

	As at Date		
Ratios	19..	19..	19..
Cash reserve requirement ratio			
Liquid asset requirement ratio			
Loans and advances/Total deposits			
Short-term assets/Total assets			
Short-term assets/Total deposits			
Short-term assets/Deposits amd borrowings.			

NOTE: For the purpose of these ratios, short-term assets are defined as notes, coin & other cash assets, balances with CBG, balances due from other commercial banks in The Gambia, and Gambian Government Treasury Bills.

OTHER SUPERVISORY MATTERS

Refer to the end of this set of questions for examiner comments on those with a negative response.

1. Is internal audit coverage afforded by the bank adequate in terms of scope, frequency, and independence? ______

2. Is external audit satisfactory with regard to thoroughness, independence, and timeliness? ______

3. Are weekly, monthly, and quarterly returns submitted in a timely and accurate manner? ______

4. Are adequate and written policies approved by the Board of Directors in place in key areas such as credit, investment, & liquidity (funds manage')? ______

5. Is compliance with such internal policies considard satisfactory? ______

6. Does the Board of Director meet on a regular basis (at least bi-monthly) & are such meetings well attended? ______

7. Are internal controls relating to the bank's accounting methods & operating systems adequate? ______

8. Are all accounting practices acceptable, especially with regard to interest accrual, subsequent payments and provisioning? ______

9. Is the bank's holdings of bank premises & other fixed assets considered reasonable in light of size, nature, of business, & overall financial condition? ______

10. Are non-interest expenses considered reasonable, particularly in the areas of executive salaries, directors' fees, premises & misc. costs? ______

11. Does the bank have an adequate policy regarding fraud & other criminal behavior & has it been communicated to all bank staff? ______

12. Has the bank properly reported all frauds & thefts to the proper authorities? ______

13. If the bank has any affiliate relationships, are such relationships free of adverse effects to the bank's overall financial condition? ______

OTHER SUPERVISORY MATTERS (continued)

Explanation and examiner comments on questions answered with a negative response:

CLASSIFICATION OF ASSETS & RELATED INFORMATION ON ASSET QUALITY

Assets and off-balance-sheet items adversely classified on the following pages are done in accordance with the following definitions adopted by the Central Bank of The Gambia in its supervisory role.

Substandard: A substandard credit is inadequately protected by the current paying capacity and/or sound worth of the obligor. Assets so classified have a well-defined weakness or potential weaknesses that jeopardize liquidation of the debt. They are characterized by the distinct possibility that the bank will sustain some loss if the deficiencies are not corrected.

Substandard assets may also include assets which carry more than a normal degree of risk due to the absence of current and satisfactory financial information or inadequate collateral documentation.

Substandard assets are normally accorded a provision of 20% of the total balance outstanding.

Doubtful: Doubtful credits exhibit all the weaknesses inherent in assets classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and collateral values highly questionable and improbable. The possibility of loss is high, but because of certain important and specific pending factors (ie liquidation process, capital injection, additional collateral) which may strengthen the credit, its classification as an estimated loss is being deferred until a more exact status can be determined.

Doubtful assets are normally accorded a provision of 50% of the total balance outstanding.

Loss: Assets classified as loss are considered as uncollectible or of such little value their continuance as bankable assets is no longer warranted. This does not mean that the asset has not recovery value, but rather that it is no longer prudent or desirable to defer write-offs pending the outcome of foreclosure and collection proceedings.

Assets in arrears over 1 year are classified as "loss" and provisioned 100%; if over 2 years in arrears, they should be written-off and removed from the books. Assets other than loans and advances classified as loss should be written off by charging (debiting) other operating expense and crediting the asset balance.

ASSETS/ITEMS SUBJECT TO CLASSIFICATION

Name of borrower*	Sub-standard	Doubtful	Loss	Outstandings	
				Total	Specifics
Non-Accrual					
Other Loans/Advs.					

*NOTE: Cut-off amount(s) of exposure for purpose of this examination was D........

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CREDIT EXTENDED TO INSIDERS

Listed below are extensions of credit to insiders, defined as major shareholders (5% or more of voting shares), directors, executive officers and the interest of each. Comments are to include any security, performance (satisfactory or in arrears), and classification if applicable. (Refer to Instruction 8 for background information).

Name of insider or interest	Type of Facility	Amount Outstand.	Comments

Comment on the appropriateness or reasonableness of credit extended to insiders taking into consideration: any violations of law or regulations; volume and trend of such credit in relation to size of bank and total advances portfolio; performance of such credit with regard to payment record and time periods out of debt; adequacy of security; credit granting procedures ensuring that credit standards are not lowered for insiders; and the existence, if any, of preferential terms with regard to interest rates and/or repayment schedules.

CONCENTRATIONS

Shown below are obligations, direct or indirect, of the same group, entity, or affiliated interests which represent 25 percent or more of a bank's capital <u>or</u>, in the examiner's judgement, are felt to be concentrations. This listing includes all loans, overdrafts, other types of advances, leases, investments, securities, cash items, accounts receivable, due from accounts, letter of credit, acceptances, and guarantees. Indirect obligations include all co-signed notes, endorsements, and guarantees provided. Where appropriate, concentrations of industry, product line, and type of collateral are also shown. (Refer to Guideline 6 for background information).

Account Name(s) and Description/comments	Type of Facility	Amount Outstanding	% of Capital

ADVANCES NOT SUPPORTED BY ADEQUATE DOCUMENTATION

State below the general quality and adequacy of bank documentation, recordkeeping, and Management Information Systems (MIS) with regard to the advances portfolio. Comments may include observations on the adequacy of appraisals, borrowing authorizations, insurance, assignment of security, and recent financial statements as noted in review of bank files. As appropriate, specific credits may be listed to support adverse observations. Also comment on the effectiveness of records with regard to advances, especially with regard to accuracy of information, ease of use, and the ability to determine aggregate credit exposure of a single borrower or related group of borrowers. In addition, comment on the bank's MIS system with particular regard to management reports on large and/or problem credits, and make recommendations for improvement as applicable.