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**The Government of the Republic of Liberia announces that the Central Bank of Liberia (CBL), pursuant to its mandate under the Amendment and Restatement of the Act Establishing the Central Bank of Liberia and its authority under the Bank-Financial Institutions and Bank-Financial Holding Companies Act, 2025, and specifically consistent with Section 68 of the said Amendment and Restatement of the Act Establishing the Central Bank of Liberia and Sections 52 and 61 of the Bank-Financial Institutions and Bank-Financial Holding Companies Act, 2025, has issued on _____, its Regulation No. CBL/RSD/002/2026 amending and restating Regulation No. CBL/RSD/002/2021 to the extent herein.**

**CONCERNING**
**PRUDENTIAL REGULATIONS FOR ASSET CLASSIFICATION, PROVISIONS FOR LOAN LOSSES AND SUSPENSION OF INTEREST ON NON-PERFORMING LOANS AND ADVANCES, 2026**

**BY ORDER OF THE PRESIDENT**
**MINISTER OF FOREIGN AFFAIRS**

**MINISTRY OF FOREIGN AFFAIRS**
**MONROVIA, LIBERIA**

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## Part I – Preliminary

### 1.0 Introduction

Pursuant to Section 52 of the Bank-Financial Institutions and Bank-Financial Holding Companies Act, 2025 (BFIA) and without prejudice to IFRS Accounting Standards as adopted by banks by directive of the Central Bank of Liberia (CBL), all bank-financial institutions shall comply with the provisions set forth in this Regulation. Where this Regulation requires a higher provision or stricter classification than IFRS 9, this Regulation prevails for prudential purposes.

Bank-financial institutions that have already adopted more stringent policies, procedures, and practices shall continue to maintain and apply such higher standards.

### 2.0 Title

These Regulations shall be cited as the **"Prudential Regulations for Asset Classification, Provisions for Loan Losses, and Suspension of Interest on Non-Performing Loans and Advances, 2026"**, Regulation No. **CBL/RSD/002/2026**.

### 3.0 Scope

These Regulations shall apply to all **bank-financial institutions licensed by the Central Bank of Liberia (CBL)**.

### 4.0 Definitions

For purposes of this Regulation, unless the context otherwise requires:

a) "Exposure" means any funded or unfunded credit exposure subject to this Regulation.

b) "Obligor" means a person or connected group of persons legally or economically responsible for an exposure.

c) "Days past due" means the calendar days elapsed from the first day any amount due remains unpaid.

d) "Default" means a non-performing exposure condition under this Regulation.

e) "Unlikeliness to pay (UTP)" means a circumstance in which the bank-financial institution considers that the obligor is unlikely to pay its obligations in full without recourse to collateral realization.

f) "Non-performing loan (NPL)" means an exposure that is more than ninety (90) days past due or assessed as unlikely to be repaid without recourse to collateral realization.

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g) "Forbearance" or "distressed restructuring" means a concession granted because of financial difficulty that would not otherwise be granted on comparable commercial terms.

h) "Credit-impaired" and Significant Increase in Credit Risk "SICR" have the meanings assigned under IFRS 9 as adopted in Liberia.

i) "Cure" means satisfaction of the conditions for upgrading a non-performing exposure under this Regulation.

j) "Net realizable value (NRV)" means the estimated recoverable amount of eligible collateral after reasonable realization costs and other prescribed deductions.

k) "Related party" has the meaning assigned under applicable CBL regulations and the BFIA, 2025.

l) "Retail exposures" means credit exposures to individuals or eligible small businesses. Retail exposures may include personal loans, consumer loans, credit cards, residential mortgage loans, and eligible small-business loans, subject to the applicable regulatory classification criteria.

m) "Loan-to-Value ratio (LTV)" means the ratio, expressed as a percentage, of the total credit exposure secured by a collateral asset (including undrawn committed amounts and the amount of any prior-ranking or pari passu charge held by another lender over the same asset) to the value of that collateral determined in accordance with Sections 21.10 and 21.13.

n) "Loan-to-Deposit ratio (LDR)" means the ratio, expressed as a percentage, of gross loans and advances to customers to total customer deposits, computed in accordance with Section 6.3.

o) "Market value" means the estimated amount for which an asset would be exchanged on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing, where each party has acted knowledgeably, prudently and without compulsion.

p) "Forced sale value (FSV)" means the amount that could reasonably be obtained from the sale of an asset under forced or distressed sale conditions within the applicable realization period, fully reflecting the possibility of price fluctuations.

q) "Qualified independent valuer" means a valuer who meets the qualification, registration and independence requirements of Section 21.10 and is included on the bank-financial institution's approved valuer panel.

r) "Key management personnel (KMP)" has the meaning assigned under the BFIA, 2025, and includes the chief executive, deputy chief executive, chief operating officer, chief finance officer, board secretary, treasurer, chief internal auditor,



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chief risk officer, head of compliance, head of anti-money laundering functions, head of internal control functions, chief legal officer, manager of a significant business unit of a bank-financial institution or financial holding company, or any person with similar responsibilities.

## 5.0 Objectives

The objectives of this Regulation are to:

a) Ensure timely recognition of credit deterioration and losses.
b) Promote prudent recognition of interest income.
c) Ensure adequate and consistent provisioning for credit losses.
d) Establish consistent asset classification standards.
e) Strengthen credit-risk monitoring and management.
f) Facilitate effective supervisory intervention by the Central Bank.
g) Ensure accurate, reliable, and timely credit-risk reporting.
h) Promote financial stability and sound banking practices.
i) Promote prudent credit intermediation and sound collateral valuation practices.

# Part II – Regulatory Requirements

## 6.0 Credit Risk Management

6.1 Bank-financial institutions shall be required to maintain sound and acceptable policies and practices to prudently manage and control their credit portfolio and exposure to credit risks. The credit risk management framework shall provide, at a minimum, a credit policy and credit review process.

6.2 Credit intermediation and Loan-to-Deposit ratio: Pursuant to Section 61.0(1) of the BFIA, 2025, and without prejudice to the liquidity requirements of Section 36.0 thereof, each bank-financial institution shall manage its balance sheet so that it performs its core function of financial intermediation while avoiding excessive reliance on short-term or volatile funding. For this purpose, each bank-financial institution shall maintain its LDR within the following prudential band:

a) a minimum LDR of 50% (the "intermediation floor"); and

b) a maximum LDR of 90% (the "prudential ceiling"), with an early-warning level of 80%. A breach of the prudential ceiling shall require submission of a funding plan and may be addressed as a Pillar 2 matter under Section 34.0 of the BFIA, 2025, including restriction of new lending.

6.3 Computation: The LDR shall be computed as gross loans and advances to customers, excluding interbank placements, investments in securities and loans to other bank-financial institutions, divided by total customer deposits, excluding interbank deposits and deposits of other bank-financial institutions. Compliance shall be assessed on the monthly average of daily balances, on an aggregate basis and separately for Liberian dollar and United States dollar positions, consistent with Section 36.0(3) of the BFIA, 2025. The CBL may, by circular, assign a weight greater than one hundred percent

(100%) to lending to designated priority sectors, such as agriculture and micro, small and medium enterprises, for computing compliance with the intermediation floor only.

6.4 Phase-in: Having regard to the current level of intermediation in the Liberian banking sector, the intermediation floor shall apply at 40% from the end of the twelfth (12th) month after the Effective Date and at 50% from the end of the twenty-fourth (24th) month after the Effective Date. The prudential ceiling shall apply from the Effective Date.

6.5 Prudential safeguards: Lending undertaken to meet the intermediation floor shall comply with the bank-financial institution's Board-approved credit policy, the LTV limits in Section 21.14 and the other requirements of this Regulation. No bank-financial institution shall relax its underwriting standards, extend credit to a borrower without demonstrated repayment capacity, or refinance, roll over or restructure an exposure for the purpose of meeting the floor. A bank-financial institution whose gross NPL ratio exceeds the threshold in Section 18.1, or which is under heightened monitoring under Section 18.2, shall not be required to meet the floor, while it remains in that position, but shall give priority to reducing its NPL ratio in accordance with its Board-approved plan.

6.6 Supervisory response: A bank-financial institution whose LDR is below the floor, or above the early-warning level, for three (3) consecutive months shall notify the Central Bank within ten (10) business days and shall submit, within thirty (30) days, a Board-approved plan setting out the causes and the measures to bring its LDR within the band. Where the LDR exceeds the prudential ceiling, the Central Bank may, in addition to any measure available under Section 36.0 of the BFIA, 2025, require the bank-financial institution to limit the growth of its loan portfolio to the growth of its stable funding, to raise additional stable funding or capital, or to hold additional liquid assets. Where the LDR remains below the floor without satisfactory justification, the Central Bank may require periodic intermediation reports and may take such other supervisory measures as it considers appropriate, including in coordination with its monetary policy framework.

6.7 Review of the band: The Central Bank may review and recalibrate the band by circular, having regard to macroeconomic and monetary conditions, sector-wide liquidity and asset-quality trends, and the implementation of Basel III liquidity standards in Liberia. The Central Bank shall publish the LDR of each bank-financial institution in its financial stability reporting.

6.8 Ethical conduct of lending staff: Every bank-financial institution shall establish and maintain an effective, Board-approved system to monitor and review the conduct of its loan officers and all other staff involved in the lending process, including origination, appraisal, approval, documentation, disbursement, monitoring, restructuring, recovery and write-off. The system shall be designed to detect and determine whether any staff member is engaged in unethical conduct in the lending process, including but not limited to:

a) soliciting or accepting any bribe, kickback, gift, commission or other inducement from a borrower, guarantor, valuer or other third party;

b) colluding with a borrower, valuer or other person in the misrepresentation of a borrower's identity, income, financial position or collateral, or in the falsification of any credit document;

c) approving, recommending or disbursing a facility in breach of the bank-financial institution's credit policy, delegated authority or this Regulation, or splitting facilities to avoid approval limits;

d) failing to disclose a personal, family or financial interest in a credit transaction;

e) misclassifying, concealing, evergreening or improperly restructuring a non-performing exposure, or manipulating repayment records, in breach of this Regulation;

f) misleading a borrower about the cost, terms or consequences of a facility, or failing to comply with Sections 28.0 and 29.0; and

g) using threatening, abusive or other unfair practices in the recovery of loans.

6.9 Controls: The system under Section 6.8 shall, at a minimum, provide for: segregation of duties between origination, approval and disbursement; periodic rotation of loan officers where practicable; an annual conflict-of-interest declaration by every staff member involved in lending; review by the compliance and internal audit functions of a risk-based sample of credit files, with particular attention to facilities that become non-performing within twelve (12) months of disbursement; and a protected whistle-blowing channel for staff.

6.10 Suspension and immediate reporting: Where a bank-financial institution has reasonable grounds to suspect that a staff member has engaged in unethical conduct in the lending process, it shall immediately suspend the staff member from all lending-related duties, or from employment, pending the outcome of an investigation, and shall report the matter to the Central Bank in writing within three (3) business days. The report shall identify the staff member, the facilities and borrowers concerned, the nature of the suspected conduct, the estimated financial exposure and the interim measures taken. Where the conduct may constitute a criminal offense, the bank-financial institution shall also refer the matter to the appropriate law enforcement authority and inform the Central Bank accordingly.

6.11 Investigation and report to the Central Bank: The investigation shall be conducted independently of the business line concerned, under the oversight of the Board Audit Committee or Board Risk Committee, and shall be concluded within sixty (60) days of the suspension, unless the Central Bank approves a longer period. Within ten (10) business days of its conclusion, the bank-financial institution shall submit to the Central Bank the investigation report, including its findings, the evidence relied upon, the staff member's response, the financial impact, the disciplinary and remedial actions recommended or taken, and any measures to strengthen controls.

6.12 Additional measures by the Central Bank: To protect the integrity of the financial sector, the Central Bank may, after reviewing the report or on the basis of its own examination, require the bank-financial institution to take more stringent action against any staff member found to have breached ethical lending standards, and may exercise its powers under Section 71.0 of the BFIA, 2025, including directing the dismissal of the staff

member and prohibiting the staff member from serving in, or being engaged by, any institution under the regulation and supervision of the Central Bank, for such period as the Central Bank may determine. The Central Bank shall maintain a register of staff so prohibited, which every licensed financial institution shall consult before employing any person in a lending-related function.

6.13 Due process: No disciplinary action shall be taken by a bank-financial institution, and no measure shall be imposed by the Central Bank under Section 6.12, unless the staff member has been informed in writing of the allegations and the evidence relied upon, has been given a reasonable opportunity, of not less than ten (10) business days, to respond in writing and to be heard, and has been notified in writing of the decision and the reasons for it. A staff member against whom the Central Bank imposes a measure under Section 6.12 may apply to the Central Bank for a review of the decision within thirty (30) days of notification, without prejudice to the right of judicial review. A suspension under Section 6.10 shall not of itself constitute a finding of misconduct.

6.14 Customer reporting of unethical lending practices: Every bank-financial institution shall establish transparent, accessible and clearly publicized channels, including in its branches, on its website and in the Truth-in-Lending Disclosure Statement, through which customers and members of the public may report unethical lending practices by its staff, including anonymously. The bank-financial institution shall acknowledge each report within three (3) business days, investigate it in accordance with Sections 6.10 and 6.11, protect the complainant from retaliation, and inform the complainant of the outcome. A customer who is not satisfied with the handling of a report may refer it to the Consumer Protection Unit of the Central Bank. Each bank-financial institution shall include the number, nature and outcome of such reports, and of all cases under Section 6.10, in a monthly return to the Central Bank.

## 7.0 Credit Policy

**7.1** All bank-financial institutions are required to have a Board-approved credit policy that is reviewed at least annually and updated to reflect changes in the institution's risk appetite, market conditions, and regulatory requirements. The policy must be clearly documented, communicated to all relevant staff, and contain, at a minimum, the following:

**a) General Areas of Credit**

The types of loans and advances the bank-financial institution will extend, target borrower segments, permissible sectors and industries, geographic scope, currency exposure limits, and any categories of lending the bank-financial institution will not undertake. This shall align with the bank-financial institution's stated risk appetite and overall business strategy.

**b) Delegation of Authority**

Clearly defined approval levels for credit decisions, escalation thresholds, portfolio and single-obligor concentration limits (including limits on connected/related-party lending consistent with large exposure standards), and authority for provisioning, restructuring, and write-offs. Approval authority shall be tiered by exposure size and risk, with no individual having unilateral authority



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over material credit decisions.

**c) Procedures for Evaluation, Approval, Documentation, and Monitoring**

Standardized underwriting criteria, including independent credit risk assessment separate from the business origination function; use of an internal credit risk rating system to grade borrowers at origination and on an ongoing basis; documented procedures for disbursement, monitoring, early-warning indicators, and remedial/workout processes for deteriorating credits; and periodic portfolio reviews and stress testing to assess vulnerability to adverse economic scenarios.

The bank-financial institution shall maintain a documented mapping from its internal credit-risk grades to the prudential classifications in Section 10 and shall report that mapping to the Central Bank on request.

As part of credit appraisal, renewal and restructuring, bank-financial institutions shall obtain and review credit references from the Central Bank's Credit Information System, in accordance with applicable credit reference requirements. The credit reference shall inform the assessment of the borrower's total indebtedness, repayment history and repayment capacity. Evidence of the review and its consideration in the credit decision shall be retained in the credit file.

**d) Credit File Requirements**

A complete credit file must be maintained for each borrower to allow proper review of the credit and assessment of repayment capacity, at minimum comprising:

i. Borrower identification (legal name, business type, ownership structure, and disclosure of connected parties and related-party relationships)
ii. Evidence of legal authority to borrow (corporate resolutions, signatory authority, etc.)
iii. Historical and current financial statements, with evidence of independent verification where material
iv. Purpose, amount, tenor, pricing, and terms of the credit
v. Collateral details, including independent valuation, perfection of security interest, search and registration results from the CBL collateral registry, and periodic revaluation
vi. Credit risk rating at origination and subsequent reviews
vii. Approval documentation showing compliance with delegated authority
viii. Repayment history, including any restructuring, arrears, or default events
ix. Records of internal credit reviews and any remedial actions taken

**e) Internal Credit Inspection and Audit**

An independent function separate from credit origination and portfolio management responsible for periodic review of credit quality, compliance with policy and regulatory requirements, and accuracy of credit risk ratings and provisioning levels. Findings shall be reported directly to the Board or its Risk/Audit Committee, with tracked remediation of identified deficiencies.

**f) Provisioning and Impairment**

A framework for timely recognition of credit losses consistent with prudential requirements and expected credit loss approach (e.g., IFRS 9), including criteria for staging exposures by credit risk deterioration and methodology for calculating provisions.

**g) Credit Risk Appetite and Governance**

A Board-approved statement of aggregate credit risk appetite, tolerance for concentration risk, and periodic reporting to the Board on portfolio quality, exceptions to policy, and emerging risks.

**h) Provisioning Governance**

The Board shall approve the institution's provisioning methodology at least annually. Expected credit loss models shall be independently validated at least annually or more frequently where material changes occur, and the external auditor shall report to the Central Bank on the adequacy of classification and provisioning.

**i) Collateral, Loan-to-Value and Valuation Policy**

The acceptable types of collateral; the maximum LTV for each collateral type and product, which shall be no less conservative than Sections 21.14 and 21.15; the approved valuer panel, valuation methods and revaluation frequency in accordance with Section 21.10; and the approval and reporting of exceptions.

## 8.0 Credit Portfolio Review

8.1 Bank-financial institutions shall establish adequate procedures to effectively monitor and control their credits so as to be aware of the borrowers' current financial condition, ensure that collateral is appropriately documented and valued, and that the security interest is perfected and registered with the CBL Collateral Registry or any other applicable registry, where required by law. Bank-financial institutions shall retain evidence of registration, relevant searches and the priority of their security interests, and shall monitor registration validity and make amendments, renewals or discharges as required by applicable law.

8.2 Bank-financial institutions shall review their credit portfolios at least monthly for (a) exposures exceeding one percent (1%) of the institution's Tier 1 capital, and (b) all exposures classified OLEM or on the Watch List, or restructured or rolled over; and at least quarterly for all other exposures, with a view to recognizing any deterioration in credit quality. Reviews shall consider repayment performance, current repayment capacity, collateral NRV, UTP indicators and other relevant credit-risk information.

## 9.0 Loan Payments

9.1 Loan or authorized overdraft payments may be made from checking/deposit accounts of customers. However, there shall be no loan payment applied to unfunded checking/deposit accounts. This means that loan payment through checking/deposit accounts shall be allowed only to the extent of the amount in the customer's account. The unfunded portion of the loan shall remain part of the outstanding loan amount, and

not be converted into an overdraft.

## 10.0 Asset Classification

10.1 The loans and advances subject to this Regulation shall include Loans and Advances, Overdrafts, Commercial Papers, Bankers' Acceptances, Bills Discounted, Lease Financing, Hire Purchase Loans, debt securities held on the bank-financial institution's books, amounts of interest and fees due, and Off-Balance Sheet Items. Debt securities measured at amortized cost or at fair value through other comprehensive income shall be classified under this Regulation and shall be subject to IFRS 9 expected credit loss requirements. Securities issued or unconditionally guaranteed by the Government of Liberia or the Central Bank of Liberia, whether denominated in Liberian dollars or United States dollars, that attract a zero percent (0%) risk weight under the CBL capital adequacy framework shall not be subject to the minimum prudential provisioning rates in Section 24 while all contractual payments are current, but shall be classified and provisioned in accordance with this Regulation where any payment is past due, or where the securities have been rescheduled, exchanged or otherwise restructured because of the issuer's financial difficulty. Foreign sovereign and other debt securities shall be classified and provisioned on the same basis as other exposures.

10.2 Loans and Advances shall be classified in the following five categories which will determine the level of provisions required against the perceived or anticipated diminution in asset quality:

a) Current or Performing

b) Other Loans Especially Mentioned (OLEM or Watch)

c) Substandard

d) Doubtful

e) Loss

These classifications shall be applied together with the non-performing exposure tests in Section 10.3.

10.3 Non-Performing Loan: An exposure shall be classified as non-performing where

a) any amount of principal, interest, or other contractual payment is more than ninety (90) days past due, or

b) the bank-financial institution considers that the obligor is unlikely to pay in full without recourse to collateral realization, whether or not any amount is past due.

10.4 Indicators of UTP include non-accrual status, a specific credit adjustment, a sale at a material credit-related loss, distressed restructuring, bankruptcy or similar protection. Other evidence of inability or unwillingness to repay, include: (a) the loss or material reduction of the obligor's recurring sources of income or cash flow; (b) breach of material financial covenants that is not waived on commercial terms; (c) cross-default or the non-performing classification of the obligor by another bank-financial institution as reported in the Central Bank's Credit Information System; (d) for exposures reliant on collateral for repayment, a material decline in the value of the collateral; (e) the exposure having

been purchased or originated at a material discount reflecting incurred credit losses; and (f) evidence of fraud in relation to the exposure.

10.5 Non-performing status shall be assessed at the level of the obligor for non-retail exposures. Where any material exposure to an obligor is non-performing, all exposures to that obligor shall be classified as non-performing. For retail exposures, non-performing status may be applied at the transaction level, having regard to the status of the obligor's other exposures. Where an obligor belongs to a connected group, the non-performing status of one member shall be considered in assessing the other members but shall not automatically extend to them. By way of exception, an exposure to a non-retail obligor need not be classified as non-performing solely because another exposure to that obligor is non-performing where the bank-financial institution documents, and its independent credit-risk function approves, that the exposure is (a) fully secured by cash or eligible financial collateral under Section 21.8(a); or (b) self-liquidating and repayable from a distinct, legally ring-fenced source of cash flow (such as an assignment of contract proceeds or a domiciliation of receipts) that is independent of the non-performing exposure and is itself performing. Any such exposure shall be classified at a minimum as OLEM, assessed for UTP at each review, and reported to the Central Bank.

## 11.0 Current or Performing Loans and Advances

11.1 Loans and Advances are deemed to be performing if the payments of both principal and interest are up-to-date in accordance with the agreed terms and no UTP indicator exists. An overdraft shall be regarded as current where there is regular activity on the account with no sign of a hard core of debt developing. An exposure meeting Section 10.3 shall not remain performing merely because it is less than ninety (90) days past due. Exposures one (1) to thirty (90) days past due shall be classified as Current, provided no UTP indicator exists, and shall be monitored under the institution's early-arrears procedures.

## 12.0 OLEM Loans and Advances

12.1 Loans and Advances are deemed OLEM where principal or interest is past due, or where it meets any watch-list criterion in this Section. Loans and Advances in this category are currently protected by adequate security, both as to principal and interest, but they are potentially weak and vulnerable to credit risk, although not to the point of justifying the classification "Substandard". The credit risk may be relatively minor yet constitute an unwarranted risk in the light of circumstances surrounding a specific case. The weaknesses may, if not checked or corrected, weaken the asset or inadequately protect the bank-financial institution's credit position at some future date. OLEM exposures shall be reported to and monitored by the Board Risk Committee.

12.2 This category would also include loans and advances that are unusual due to their nature, the customer or project; loans in respect of which financial information is lacking; the lending officer may be unable to supervise the loan properly because of lack of expertise; an inadequate loan agreement; the condition of and control over collateral may require improvement; or any other deviations from prudent lending practices. Bank-financial institutions are required to keep such loans and advances in the Watch List so as to properly and closely monitor them.

12.3 Days past due shall be counted from the first day any amount is overdue. Partial payments shall not reset the count. Re-ageing, capitalization of arrears, or renewal without a documented performing test is prohibited. For instalment loans, the entire outstanding principal shall be classified by reference to the oldest unpaid instalment.

## 13.0 Substandard Loans and Advances

13.1 Non-performing loans and advances for which the principal and/or the interest remain outstanding for more than ninety (90) days but not more than one hundred and eighty (180) days shall be classified as Substandard. Loans that are non-performing under Section 10.3(b) but are not more than ninety (90) days past due shall be classified at a minimum as Substandard.

13.2 Overdrafts and other credits without pre-established repayment programs are considered Substandard when the advances exceed the customer's borrowing line for more than ninety (90) consecutive days but not more than one hundred and eighty (180) days; or the borrowing line has expired for more than ninety (90) days but not more than one hundred and eighty (180) days; or interest is due and unpaid for more than ninety (90) days but not more than one hundred and eighty (180) days and deposits are insufficient to cover the interest capitalized during the period. The principal balance outstanding (and not the unpaid amounts) is used in determining the aggregate amount of past-due obligations.

## 14.0 Doubtful Loans and Advances

14.1 Non-performing loans and advances for which the principal and/or the interest remain outstanding for more than one hundred and eighty (180) days but not more than three hundred and sixty (360) days shall be classified as Doubtful.

14.2 Doubtful loans and advances display all the weaknesses inherent in loans and advances classified as Substandard but with the added characteristics that they are not well secured and the weaknesses make collection or liquidation in full, on the basis of currently available information, highly questionable and improbable.

14.3 The possibility of loss is extremely high, but because of certain mitigating circumstances, which may work to the advantage and strengthening of the facility, its classification as an estimated loss is postponed until its more defined status is ascertained.

## 15.0 Loss Loans and Advances

15.1 Non-performing loans and advances for which the principal and/or the interest remain outstanding for more than three hundred and sixty (360) days shall be classified as Loss.

15.2 Loans and advances shall be classified as loss where they are considered uncollectible and of such little value that their continuation as recoverable facilities is not defensible. This classification does not imply that the facility has absolutely no recoverable value, but rather it is not practical or desirable to defer making full provisions for the facility even though partial recovery in future may not be entirely ruled out. Loans and advances classified as loss include those to bankrupt companies and insolvent firms with negative



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working capital and cash flow or those to judgment debtors with no means or foreclosable collateral to settle the debts. Bank-financial institutions shall not retain such facilities on their books while pursuing long-term recoveries. Losses shall be recognized in the period in which they surface as uncollectible.

15.3 A non-performing loan may be upgraded only when: (a) all overdue principal, interest, fees, and other contractual amounts have been paid in cash from demonstrably legitimate sources of funds available to the obligor, excluding funds provided directly or indirectly by the institution for the purpose of curing the arrears; (b) no UTP indicator remains; (c) the obligor has made timely payments for at least three (3) consecutive months for monthly installments or shorter and six (6) months for quarterly installments or longer; (d) no material exposure of the obligor to the institution is more than ninety (90) days past due; and (e) the exposure is no longer credit-impaired under IFRS 9 as adopted in Liberia. Any upgrade shall be supported by documented approval from an independent credit function.

15.4 The following shall not result in the upgrade of a non-performing exposure: (a) a partial write-off of the exposure; (b) repossession of collateral, until the collateral has been disposed of and the proceeds realized, and an exposure kept on the balance sheet following repossession shall remain non-performing; and (c) the granting of forbearance on an exposure that is already non-performing, which remains subject to Section 16. Any upgrade shall be made at the same level (obligor or transaction) at which the exposure was classified as non-performing.

## 16.0 Restructured or Rolled-over Loans and Advances

16.1 Bank-financial institutions may, on their own or at the borrower's request, restructure or roll over a loan facility by agreeing sustainable repayment options, with the objective of enhancing the affordability and sustainability of loan repayment for eligible borrowers.

16.2 Bank-financial institutions shall ensure that any restructuring or rollover is supported by an updated and documented assessment of the borrower's repayment capacity and is not used to conceal arrears or avoid appropriate credit risk classification and provisioning.

16.3 Loans and advances classified as Substandard, Doubtful or Loss may be renewed or rolled over on a case-by-case basis, where such action forms part of a credible restructuring plan and remains consistent with prudent recognition of credit impairment and, where applicable, expected credit losses.

16.4 A restructured or rolled-over exposure shall retain its pre-restructuring classification and provisioning and shall remain non-performing where it was non-performing immediately before restructuring. No upgrade is permitted on the date of restructuring. Where forbearance is granted on an exposure that is performing, the institution shall assess whether the exposure meets the criteria in Section 10.3, and where the original exposure would have been classified as non-performing had the forbearance not been granted, the restructured or new exposure shall be classified as non-performing.

16.5 A restructured non-performing loan shall not return to performing status until the

borrower has made all payments on time under the new schedule for at least three (3) consecutive months for monthly repayment frequency or less, and for at least six (6) months for quarterly repayment frequency or more, and no UTP indicator remains. Following return to performing status, the exposure shall remain identified, monitored and reported as restructured for a further minimum period of twenty-four (24) months. Any arrears exceeding thirty (30) days, or the grant of any further restructuring or rollover, arising during either the probation period or this subsequent monitoring period shall result in immediate reclassification as non-performing and the restart of the applicable probation period. No shortening shall be permitted except under published CBL criteria.

16.6 Where the restructuring constitutes a distressed restructuring or forbearance measure granted due to the borrower's financial difficulty (that is, a concession such as a reduced interest rate, extended maturity, capitalization of arrears, grace period, forgiveness of principal or interest, refinancing of the facility (even on terms no more favorable than its existing terms), or the exercise by the borrower of a contractual right to change the terms because of financial difficulty, granted because the borrower is experiencing or is about to experience difficulty meeting its financial obligations, and which would not have been granted on the commercial terms otherwise available to a borrower of similar credit standing), the bank-financial institution shall apply a more conservative "probation" period and shall return the exposure to performing status only after sustained timely payment of all amounts due for at least twelve (12) consecutive months, except under published CBL criteria. A forborne exposure that is performing shall remain subject to a minimum OLEM designation throughout the subsequent monitoring period.

16.7 Bank-financial institutions shall ensure that the restructured or rolled-over loans are appropriately classified and provisioned in accordance with the requirements as set forth in this Regulation and applicable accounting standards and are subject to enhanced monitoring and reporting.

16.8 All restructured exposures shall be subject to enhanced provisioning requirements. At a minimum, such exposures shall be assessed for a significant increase in credit risk (SICR) and, where appropriate, classified as credit-impaired, including in cases where there is evidence of unlikeliness to pay.

16.9 A bank-financial institution shall not engage in repeated refinancing or rollover practices that may obscure or delay the recognition of underlying credit deterioration. Any refinanced, rolled-over or restructured loan shall be supported by a comprehensive and well-documented reassessment of the borrower's creditworthiness and repayment capacity, including under stressed conditions.

16.10 Before any loan or advance is restructured or rolled over, the bank-financial institution shall complete, and retain evidence of, each of the following pre-restructuring requirements:

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a) **Purpose and trigger:** Document why the restructuring is proposed (borrower- or institution-initiated), the nature and cause of the borrower's difficulty, and whether it is a distressed restructuring or forbearance measure under Section 16.6**.**

b) **Borrower request:** Obtain a written request from the borrower, supported by current financial information (financial statements, cash-flow projections, evidence of income, and a statement of other debts).

c) **Loan history:** Review the facility's full history (repayments, arrears, classification, provisioning, and prior restructurings, refinancing or rollovers) to confirm the action is not part of a repeated pattern prohibited under Section 16.9.

d) **Repayment capacity:** Document an updated assessment of creditworthiness and repayment capacity, including under stressed conditions, and confirm the borrower can meet the revised terms.

e) **Collateral and guarantees:** Obtain an updated collateral valuation, confirm security remains valid, enforceable and perfected, and obtain written consent or reaffirmation from guarantors and other obligors.

f) **Classification and provisioning:** Record the loan's classification immediately before restructuring, assess any significant increase in credit risk or impairment (including unlikeliness to pay), and estimate provisions and expected credit losses before and after restructuring.

g) **Alternatives:** Consider other recovery options, including enforcing security, and document why restructuring is expected to yield better recovery.

h) **Legitimate purpose:** Confirm the action is not meant to conceal arrears, avoid proper classification and provisioning, or provide new financing solely to service existing obligations.

16.11 The bank-financial institution shall prepare a written restructuring plan for each restructured or rolled-over facility, setting out at a minimum: (a) the proposed revised terms, including principal, interest rate, maturity, repayment schedule and any grace period; (b) the repayment schedule aligned to the borrower’s verified cash flows; (c) any conditions precedent, such as payment of a portion of arrears, additional collateral or guarantees, or financial covenants; (d) the treatment of arrears and accrued interest; (e) the milestones, performance indicators and monitoring arrangements to be applied; and (f) the actions to be taken if the borrower fails to perform under the plan.

16.12 Every restructuring or rollover shall be reviewed and approved in writing by the Credit Committee or other body with appropriate delegated authority, independently of the officer who manages the borrower relationship. Restructuring or rollover of facilities to directors, senior management, shareholders or other related parties shall require prior approval of the Board of Directors. The approval, the basis for the decision and any dissenting views shall be recorded in the minutes and retained in the credit file. The bank-

financial institution shall notify the Central Bank within ten (10) business days of approving any restructuring in favour of a related party (a write-off in favour of a related party being subject to prior Central Bank approval under Section 19.10), together with the Board minute and restructuring plan.

16.13 Following approval, the bank-financial institution shall: (a) execute a written restructuring or rollover agreement signed by the borrower and all guarantors, with legal review where required; (b) update security documentation and registrations as necessary; (c) flag the facility in the loan system as restructured, with the effective date of restructuring recorded; and (d) inform the borrower in writing of the revised terms, including the consequences of default under the new repayment schedule.

16.14 Payment of all accrued interest shall not be a precondition for restructuring or rollover. However, the treatment of unpaid interest shall be as follows:

a) **Upfront payment:** Before the restructuring takes effect, the borrower shall pay an amount of accrued interest determined by the Credit Committee and documented in the restructuring plan, which shall not be less than twenty-five percent (25%) of the interest outstanding, or such minimum as the Central Bank of Liberia may prescribe.

b) **Remaining interest:** Any remaining unpaid interest may be repaid under the new schedule, capitalized or waived, provided the treatment is documented and approved under Section 16.12. Capitalization or waiver of interest constitutes a concession and the exposure shall be treated as a distressed restructuring or forbearance measure under Section 16.6.

c) **Income recognition:** Interest that is capitalized or remains unpaid on a non-performing loan shall not be recognized as income until received in cash or until the exposure meets the conditions for return to performing status under Section 16.5.

d) **Return to performing status:** All arrears outstanding at the time of restructuring, including past-due principal and accrued interest, shall be fully repaid before the exposure is returned to accrual (performing) status. For this purpose, capitalized interest shall be treated as arrears, and interest waived under paragraph (b) shall be excluded from the repayment requirement and shall not be recognized as income.

16.15 Bank-financial institutions shall on a monthly basis submit to the CBL the status of all restructured loans. The monthly return shall be submitted in the format prescribed by the Central Bank and shall include the borrower, original and revised terms, pre- and post-restructuring classification, restructuring date, probation end date, provisions and arrears.

## 17.0 Bullet Loans

17.1 Bank-financial institutions shall assess bullet loans for default in accordance with the definition of non-performing loans (NPLs), which shall include exposures that are:

i) more than ninety (90) days past due; or

ii) where it is determined that the borrower is unlikely to pay its obligations



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in full without recourse to collateral realization[1].

17.2 A bank-financial institution shall recognize default on a bullet loan without delay where there is evidence of unlikeliness to pay, including where there are concerns regarding the borrower's capacity to refinance or meet the bullet payment at maturity.

17.3 A bank-financial institution shall classify as defaulted any refinancing, rollover, or restructuring of a bullet loan granted to a borrower experiencing financial difficulty and shall maintain such classification until the borrower's creditworthiness has been demonstrably restored.

17.4 A bank-financial institution shall ensure that provisioning for bullet loans reflects the evolution of credit risk over time, including risks arising from refinancing, exchange rate movement, and concentration risks. Where such loans are classified as non-performing, provisioning shall be applied to the net unsecured outstanding balance in accordance with Section 24 and applicable accounting requirements.

17.5 Bank-financial institutions shall establish classification triggers for material specialized lending portfolios, including project finance, seasonal agriculture, mortgages and trade finance, linked to contractual cash-flow milestones, maturity and repayment capacity. Each material milestone shall include a documented UTP assessment and maximum permitted grace period.

## 18.0 Non-Performing Loans Threshold

18.1 Bank-financial institutions are required to effectively manage their credit portfolios so as to ensure that their Non-performing Loan (NPL) ratios do not exceed 10%, calculated on a gross basis (i.e., calculated as gross non-performing loans and advances divided by gross loans and advances on the balance sheet, before deduction of specific provisions) and assessed at the level of each individual institution. A bank-financial institution whose NPL ratio exceeds 10% shall, within ninety (90) days, submit to the Central Bank a board-approved NPL reduction plan, on the template prescribed by the Central Bank, setting quarterly glide-path targets and measures to reduce both the stock of NPLs and the formation of new NPLs, and shall report progress against the plan quarterly. In addition, the CBL may take one or more of the following measures against bank-financial institutions whose NPL ratios exceed 10%, applied proportionately having regard to the extent and persistence of the breach:

a) Require the implementation of the board-approved NPL reduction plan, with such modifications as the Central Bank may direct, to reduce the NPL ratio to 10% or below within a defined time frame, including clear targets and milestones;

b) Restrict new lending to the level supported by recoveries;

c) Restrict dividend distributions and/or bonus payments;

d) Require the strengthening of provisioning levels and/or maintenance of additional

[1] A bullet loan is a credit facility in which the principal amount is due in a single payment at maturity, with little or no prior amortization.

capital buffers to address credit risk;

e) Stop the granting of new loans or suspend specific high-risk lending products, where warranted;

f) Require the reconstitution of the bank-financial institution's credit and/or risk management committee(s) where material deficiencies are identified;

g) Require strengthening of credit risk management, recovery and internal controls, including underwriting standards and loan classification practices;

h) Conduct targeted supervisory assessments, including on-site examinations or asset quality reviews, and apply such additional supervisory measures as may be appropriate given the severity and persistence of the deterioration in asset quality; and

i) Require any shortfall between the minimum provisions required by this Regulation and the provisions booked to be deducted from Tier 1 capital in computing the capital adequacy ratio, and impose additional capital requirements under Section 34.0 of the BFIA, 2025.

### 18.2 Early-warning threshold and heightened supervision:

A bank-financial institution shall be placed under heightened supervisory monitoring where its gross NPL ratio, calculated under Section 18.1: (i) reaches or exceeds eight percent (8%) (the "early-warning threshold"); or (ii) has increased by more than two (2) percentage points over any two (2) consecutive quarters, even if the ratio remains below the early-warning threshold.

a) The bank-financial institution shall notify the Central Bank within ten (10) business days of becoming aware that it has met a trigger as stated above. The Central Bank may also place a bank-financial institution under heightened monitoring on the basis of its own supervisory assessment.

b) While under heightened monitoring, the Central Bank may require the institution to:
(i) submit NPL and asset-quality returns, including restructured and forborne exposures, fortnightly or monthly, as the Central Bank may direct;
(ii) submit, within thirty (30) days, a board-approved NPL containment plan covering underwriting standards, early-arrears management, recovery targets and milestones;
(iii) provide monthly reports to the Board and the Central Bank on the twenty-five (25) largest adversely classified exposures, watch-list movements, new restructurings and rollovers, and write-offs;
(iv) refrain from, or obtain Central Bank approval before, declaring dividends, paying bonuses, or making new related-party credit;
(v) meet with the Central Bank at least quarterly, with the Chief Executive Officer, Chief Risk Officer and Chair of the Board Risk Committee attending; and
(vi) commission an independent asset quality review or loan file review by a qualified firm acceptable to the Central Bank, at the institution's cost.

c) In assessing a bank-financial institution under heightened monitoring, the Central Bank shall give particular attention to whether the institution has:
(i) delayed recognition of non-performing loans, including through re-ageing or capitalization of arrears;
(ii) engaged in evergreening, repeated rollovers or restructurings that obscure credit deterioration, contrary to Section 16.9;
(iii) written off exposures prematurely or without adequate recovery efforts, including to remain below the threshold in Section 18.1;
(iv) transferred or sold exposures on non-arm's-length terms, or reclassified them, with the effect of reducing the reported NPL ratio.

d) A bank-financial institution that meets a trigger under Section 18.2(i) or (ii) shall be a priority for an on-site examination or targeted asset quality review within ninety (90) days, to establish the root causes of the deterioration.

e) Where an institution under heightened monitoring fails to implement its containment plan, or its NPL ratio exceeds 10%, the Central Bank may apply any of the measures in Section 18.1.

f) An institution shall be released from heightened monitoring when its NPL ratio has remained below the early-warning threshold for two (2) consecutive quarters and the Central Bank is satisfied that the measures in (b) have been implemented.

18.3 Each institution shall maintain a loan-classification management information system capable of producing day-count, classification, provision and NPL reports without manual adjustment. The internal audit function shall attest annually to data integrity and the operation of the classification system.

## 19.0 Write-Off of Loans

19.1 In accordance with Section 52.0(5) of the BFIA, 2025, an asset or financial exposure of a bank-financial institution shall not be written off or waived fully or partially, without the approval of the board of directors and the prior written approval of the Central Bank. Notwithstanding the foregoing, and in keeping with Section 52.0(6) of the BFIA, 2025, exposures below USD 10,000.00 (or its Liberian dollar equivalent) per obligor may be written off with the approval of the Board only and shall be reported under Section 19.12. All exposures requiring Central Bank's approval shall remain classified as Loss and fully provisioned, until approved.

19.2 A bank-financial institution shall write off a loan immediately when there is no reasonable expectation of recovery (i.e., the loan is assessed as uncollectible and all reasonable recovery actions have been exhausted), regardless of the number of months of delinquency or days past due, and in a manner consistent with applicable accounting and prudential standards. This requirement is the earliest write-off trigger and shall not be delayed by the time limits in Sections 19.3 or 19.7.

19.3 A loan classified as Loss and fully provisioned shall, at the latest, be written off within two (2) years from the date of its Loss classification. A write-off shall be made earlier where Section 19.2 or 19.6 requires it, or where recovery prospects are otherwise

assessed to be remote. Accordingly, a loan classified as Loss shall not remain on the balance sheet beyond this maximum period.

19.4 A write-off shall not, by itself, be construed as a waiver of the bank-financial institution's legal right to recover the debt or require deletion of the facility's credit history from the Credit Reference System. Bank-financial institutions shall accurately report written-off facilities and subsequently update recoveries, settlements, restructuring arrangements and account closure in accordance with applicable CBL credit information system requirements. Bank-financial institutions shall continue to pursue reasonable recovery efforts where practicable.

19.5 The bank-financial institution shall maintain a memorandum ledger for all written-off exposures and shall report post-write-off recoveries to the Central Bank at least quarterly, including amounts recovered, recovery costs and outstanding legal actions.

19.6 Loans that are determined to have been made as a result of fraudulent activities of a borrower or collusion between the borrower and the bank-financial institution's relationship officer or staff member or any other type of fraud relating to acquisition of a loan must be promptly classified as Loss, fully provisioned for, and written off immediately where deemed uncollectible, without prejudice to ongoing recovery actions and legal proceedings. Any such classification and write-off shall be without prejudice to, and shall not substitute for, the financial institution's obligation to file a suspicious transaction report with the Financial Intelligence Agency in accordance with the Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Act and regulations. The report shall be filed with the FIA as soon as possible and no later than three (3) days, as required by Section 15.3.20 of the AML/CFT Act.

19.7 As an additional mandatory trigger, a loan that has been past due for two (2) years or more shall be written off where (i) the borrower cannot be located, or there has been no contact with the borrower, or (ii) legal proceedings have not been initiated against the borrower, provided that there is no eligible collateral or enforcement is demonstrably futile, including because the borrower cannot be located or reasonable recovery proceedings have been exhausted. This provision does not postpone or limit an earlier write-off required under Section 19.2 or the maximum time limit in Section 19.3. This Section shall apply to the existing loan portfolio, subject to the transition arrangements in Section 31.

19.8 Each bank-financial institution is required to have a well-defined and transparent write-off policy approved by its Board of Directors (BoD), including clear approval authorities, documentation requirements, internal controls, and reporting requirements. The policy shall define materiality thresholds establishing which write-offs may be approved at management level and which require Board approval and shall provide for periodic independent review of write-off decisions by the internal audit function.

19.9 Before considering or processing a write-off proposal, bank-financial institutions shall adhere to the following minimum requirements:

i) ensure that reasonable efforts have been made to recover the outstanding loan amount.



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ii) ensure that there is substantial evidence that the debt is uncollectible. There is evidence of uncollectibility if one or more of the following circumstances are present:

a) the debtor is insolvent, and the debt in question has been discharged in a bankruptcy proceeding;

b) the debtor has died leaving no assets or the assets are insufficient to repay the debt;

c) the debtor has become incapacitated, and has no income or income is insufficient to permit repayment of the obligation;

d) the debtor is a legal person that has ceased operation and has insufficient assets to pay the debt, or has suffered a severe business loss and there is no reasonable expectation that the debtor will recover or otherwise be financially competent to repay the obligation.

iii) establish that all reasonable and available means have been exerted to verify that the borrower(s) has not created other business interests and assets out of the non-performing loans proposed to be written off and that the loan is truly irrecoverable.

iv) The bank-financial institution may also rely on any other circumstance that, in the bank-financial institution's documented judgment and subject to supervisory review, constitutes substantial evidence that the debt is uncollectible.

v) Assets held by the bank-financial institutions as security for these loans shall be revalued at the time of write-off. The valuation report shall clearly indicate, among other things, the present market value as well as forced sale value. The valuation shall be conducted by a qualified independent valuer in accordance with Section 21.10.

19.10 The write-off of a loan to a director, chief executive, key management personnel (KMP), shareholder, relative or dependent of such person, or related entity shall require prior approval of the Board of Directors and the Central Bank. A write-off shall not automatically render a person not fit and proper, automatically terminate an appointment, impose a lifetime prohibition, or require divestment. Where the facts may raise a fit-and-proper, removal, prohibition or ownership concern, the Central Bank may commence a separate determination under its applicable statutory powers and procedures.

a) Any proposed withdrawal of approval, removal or prohibition concerning a director, chief executive or KMP shall be determined by the Central Bank only under an applicable statutory power and after the process set out in Section 19.11.

b) Any proposed divestment by a significant shareholder may be required only where an applicable statutory power authorizes it, following the process set out in Section 19.11; where legally permitted, the Central Bank may direct that proceeds be applied to the relevant credit facility.

19.11 A person who may be affected by a determination under Section 19.10 shall receive

written notice of the proposed action, the material grounds and the legal basis, and shall be given thirty (30) calendar days to submit a written response and supporting information. The Central Bank shall consider the response and issue a reasoned written decision identifying the findings, legal authority, and any action imposed. The decision shall state any right and deadline to seek review or appeal available under applicable law. No prohibition, removal or divestment shall take effect before completion of this process, except where an applicable law expressly permits an interim measure.

19.12 Bank-financial institutions shall submit to the Central Bank, quarterly, a report on loans written off, with the details prescribed by the Central Bank.

## 20.0 Willful and Serial Defaulters

20.1 A "willful default" shall be deemed to have occurred if any of the following events are noted:

i. The borrower has defaulted on its repayment obligations despite having the capacity to honor the obligation;

ii. The borrower has defaulted on its repayment obligations and has siphoned or diverted the funds for other purposes;

iii. The borrower has defaulted on its repayment obligations and has provided falsified or misrepresented collateral or any other documentation in support of the loan application, thereby securing the facility through fraudulent means;

iv. The borrower has defaulted on its repayment obligations and has relocated without the bank-financial institution's knowledge of the new address, in circumstances evidencing an intent to evade repayment or enforcement; or

v. The borrower has defaulted and, with intent to defeat recovery, disposed of, removed or concealed assets pledged as security.

20.2 However, the borrower may be exempted from classification as a Willful Defaulter if evidence is provided that its inability to meet repayment obligations is due to loss of employment, adverse macroeconomic conditions, force majeure or disability, or other verifiable loss of income or capacity to repay.

20.3 A "serial default" shall be deemed to have occurred where the borrower has a documented pattern of default across two (2) or more bank-financial institutions, including where the aggregate defaulted amount is at least such amount, or such percentage of total exposure, as the Central Bank may prescribe. A borrower may also be deemed to be in serial default, irrespective of the thresholds specified above, where documented evidence establishes that the borrower repeatedly obtains or utilizes new credit to service existing overdue or defaulted obligations without a sustainable repayment capacity.

20.4 Institutions and individuals that have commenced an insolvency case or have been adjudged insolvent shall be exempted, in keeping with Section 8.55 of the Insolvency and Restructuring Law.

20.5 A decision to classify a borrower as a willful or serial defaulter shall be based on

documented evidence, and shall be made in the first instance by a designated identification committee which shall include credit, risk and legal functions, and confirmed by a separate, more senior review committee, neither of which shall include the officer(s) who approved the credit facility in question. This shall be preceded by appropriate due process, including the provision of a written notice of the proposed classification and a reasonable opportunity for the borrower to make representation before final determination. The borrower shall be notified in writing of the final classification decision and provided an opportunity to respond and/or appeal within thirty (30) days of the date of notification. The designated committee shall consider the representations impartially and shall not make a final decision before the response period expires, unless the borrower submits an express written waiver. The institution shall then issue a written, reasoned decision and notify the borrower of the findings, effective date, and appeal rights.

20.6 An appeal shall in the first instance be determined by a committee of the financial institution's Board of Directors (or a committee of non-executive/independent directors) that did not participate in the identification or review of the classification. The committee shall consider the grounds of appeal and issue a written, reasoned decision within thirty (30) calendar days after receiving a complete appeal or notify the borrower in writing of the reasons for any extension. Where the borrower remains aggrieved following the financial institution's determination, the borrower may escalate the matter to the Central Bank, which shall review whether the bank-financial institution's classification and appeal process complied with the requirements of this Regulation. Such review shall be conducted by the Consumer Protection Unit of the Regulation and Supervision Department of the Central Bank.

20.7 Subject to applicable law and the Central Bank's Credit Reference System requirements, bank-financial institutions shall not extend new credit or provide credit-enabling services to a borrower formally classified as a willful or serial defaulter during the prohibition period. The Central Bank shall maintain a central register of persons and institutions declared willful or serial defaulters, to which bank-financial institutions shall have access for the purpose of complying with this prohibition. Financial institutions are prohibited from doing business in any form or manner in the course of their operations, including making payments, maintaining existing accounts (joint or individual) or opening new accounts, on behalf of or with individuals or institutions that have been declared a wilful and serial defaulter or commencing the date of write-off.

20.8 The prohibition shall remain in force until such willful or serial defaulters have satisfied the conditions stated in Section 20.10, at which time they shall be eligible to be considered for new credit only in accordance with that Section.

20.9 Shareholders and directors may be considered willful or serial defaulters where there is documented evidence of diversion, falsification, asset stripping or other intentional conduct falling within Section 20.1. Any sanction or restriction shall be imposed only after the notice, hearing and appeal procedures in Sections 20.5 and 20.6.

20.10 A borrower classified as a willful or serial defaulter may be considered for reclassification only where: (a) all overdue obligations have been repaid or resolved under a written

settlement or restructuring expressly permitted by the Central Bank; (b) the borrower has demonstrated satisfactory performance for at least twelve (12) consecutive months under the applicable repayment terms; (c) an updated assessment, supported by documented evidence, confirms restored creditworthiness and that the conduct giving rise to the classification has been remedied; and (d) the financial institution's independent review committee approves reclassification in writing. Reclassification shall result in correction of the relevant register in accordance with CBL procedures but shall not, by itself, authorize new credit. Any renewed credit must be assessed and approved separately under the bank-financial institution's ordinary underwriting standards and applicable prudential requirements.

## 21.0 Security

21.1 All loans and advances to customers and staff shall, where required by applicable law or the bank-financial institution's credit policy, be adequately and appropriately secured on prudential grounds. A facility shall be considered well secured where the bank-financial institution has a valid, perfected and enforceable security interest or other legally enforceable right over collateral that is sufficient to protect the bank-financial institution against loss of principal and accrued interest through timely realization or other lawful enforcement following default.

21.2 For prudential recognition, every collateral type shall satisfy the minimum legal and valuation requirements in this Section and the applicable CBL collateral schedule to be issued by the Central Bank by circular. The schedule shall be the controlling instrument for collateral-specific eligibility, valuation methods, realization periods, valuation frequency, currency adjustments, supervisory haircuts and any cap on recognized value.

21.3 No collateral shall reduce required provisions unless: (a) the underlying security or guarantee is cash, government/CBL securities with maturity not exceeding 180 days, or others to be determined by the CBL from time to time, which are valid, legally enforceable and properly documented; (b) it is perfected and registered where required, with appropriate priority and no undisclosed prior claim that materially impairs recovery; (c) the institution has an enforceable right to realize it following default; (d) its net realizable value is supported by a sufficiently current and reliable valuation after costs and prescribed haircuts; and (e) it meets the realization and other eligibility conditions applicable to that collateral type under the CBL schedule.

21.4 **Sufficiency of security shall require, as applicable:**

a) proper, valid and enforceable legal documentation establishing the borrower's obligations and the bank-financial institution's rights in the collateral;

b) perfection and registration of the security interest, where required by applicable law, including registration with the CBL Collateral Registry or any other applicable registry;

c) appropriate priority of the bank-financial institution's security interest, supported by relevant searches to identify prior or competing liens, charges, security

interests or other encumbrances that may adversely affect the bank-financial institution's rights or recovery;

d) adequate net realizable value of the collateral, based on an appropriate and sufficiently current valuation, after taking into account applicable valuation adjustments, realization costs and other factors affecting recoverability, to provide adequate coverage of the bank-financial institution's outstanding principal, accrued interest and other recoverable amounts;

e) legally enforceable rights to take possession of, control, realize or otherwise enforce against the collateral upon default, in accordance with applicable law; and

f) collateral that is legally capable of realization and appropriate to the nature of the facility, whether movable, immovable, tangible, intangible or financial property, as permitted by applicable law.

21.5 The bank-financial institution shall not treat collateral as adequate solely on the basis of its nominal or market value. The bank-financial institution shall also satisfy itself that the security interest has been properly created, perfected, registered where applicable, has appropriate priority, and can reasonably be enforced and realized in the event of default.

21.6 Collateral shall be recognized for prudential purposes only if it is legally enforceable, appropriately perfected and capable of timely realization in accordance with the realization period prescribed for that collateral type in the CBL collateral schedule. The realization period shall be measured from the date of default, unless the schedule expressly prescribes a different, objectively verifiable trigger for a specified collateral type. The bank-financial institution shall retain evidence supporting its assessment of the likely realization period and shall not recognize collateral where timely realization cannot reasonably be demonstrated.

21.7 Eligible guarantees shall be unconditional, irrevocable and legally enforceable and issued by a guarantor acceptable under CBL prudential requirements. Only the protected portion that meets all eligibility conditions may reduce the exposure used to calculate the prudential provision.

21.8 For purposes of calculating loan-loss provisions, the following collateral may be recognized, subject to applicable regulatory requirements:

**a) Cash and cash-equivalents**

Cash and cash-equivalents, including Treasury bills and CBL Bills not exceeding 180 days, other readily realizable securities and valid, enforceable liens or rights of set-off over deposit accounts, may be recognized, provided that the bank-financial institution has an enforceable and perfected interest or control over the relevant asset, as applicable, and there are no prior or competing claims that would adversely affect the bank-financial institution's ability to realize the security. Such assets shall be valued at current market value at each

reporting date and, where denominated in a currency other than that of the facility, shall be subject to such currency haircut as the CBL prescribes.

**b) Readily marketable movable assets**

The net realizable value of readily marketable movable assets may be recognized where:

1. the collateral satisfies the legal eligibility requirements of Section 21.4 (a) to (c) and (e), namely valid and enforceable documentation, perfection and registration, appropriate priority, and enforceable rights of realization;

2. the collateral remains under the bank-financial institution's possession, control, or other legally enforceable arrangement sufficient to enable timely realization;

3. the collateral is adequately insured against loss or damage, where the nature of the asset permits, with the bank-financial institution named as loss payee;

4. the collateral has been valued by an independent valuer in accordance with Section 21.10, with the valuation supported by the bank-financial institution's credit records; and

5. the collateral can reasonably be realized for its net realizable value within the realization period.

Where any of the above conditions is not satisfied, the collateral shall not be recognized for purposes of reducing the required loan-loss provision. Equipment and other movable assets that are not readily marketable shall be recognized only where they satisfy each of conditions 1 to 5 above and are listed as eligible in the CBL collateral schedule.

**c) Other collateral**

Other forms of collateral, including movable or immovable property, may constitute valid security for a credit facility where the requirements in keeping with Section 5 of the Liberia Commercial Code and the Secured Transactions Regulations have been satisfied. However, such collateral shall only be recognized for purposes of reducing loan-loss provisions where it satisfies the applicable prudential requirements for recognition, including legal enforceability, appropriate perfection and priority, reliable valuation, and timely and demonstrable realization.

**d) Realization period**

The bank-financial institution shall assess the collateral based on the period reasonably required to obtain and realize its value, measured from the date of default, unless the CBL collateral schedule expressly prescribes a different, objectively verifiable trigger for the collateral type. Collateral that cannot reasonably be realized within the realization period shall be disallowed for purposes of calculating loan-loss provisions.

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**e) Net realizable value**

Only the **net realizable value** of eligible collateral shall be recognized. The bank-financial institution shall take into account all reasonable costs, expenses, discounts, taxes, legal costs, enforcement costs and other factors that could reduce the amount ultimately recoverable from realization of the collateral.

**f) Loss classification**

For loans classified as Loss, collateral shall not be recognized for purposes of reducing the required loan-loss provision except to the extent expressly permitted by the Central Bank.

21.9 Nothing in this Section or the CBL collateral schedule prevents a bank-financial institution from taking, perfecting, registering, enforcing or realizing collateral in accordance with the Liberia Commercial Code, the CBL Collateral Registry Regulation, the Secured Transactions Regulations and other applicable laws. Recognition of collateral for prudential provisioning remains subject to the eligibility and valuation requirements of this Section and the controlling CBL collateral schedule.

21.10 The CBL shall prescribe and maintain a single collateral schedule identifying eligible collateral types and, for each type, the required legal documentation, perfection and priority standards, valuation methodology and frequency, realization period, and applicable supervisory haircut or valuation adjustment. All valuations shall be performed by an appropriately qualified and independent valuer, except where the schedule permits another reliable valuation method for specified assets. Real estate securing a non-performing exposure shall be revalued at least annually, or more frequently where required by the schedule or where material changes in value are evident. A collateral type for which the CBL has not prescribed an applicable haircut or other valuation adjustment shall not be recognized for reducing required provisions until the CBL specifies the applicable treatment. In addition to the collateral schedule, each bank-financial institution shall comply with the following minimum collateral valuation standards:

a) Valuation policy: The Board shall approve a collateral valuation policy, reviewed at least annually, setting out the acceptable valuation methods for each collateral type, the approved valuer panel, revaluation frequency and triggers, the use of indexation (where permitted), quality-assurance procedures and the treatment of valuation exceptions.

b) Qualification and registration: Valuations of real estate, plant, machinery and other non-financial collateral shall be performed by a valuer who holds a recognized professional valuation qualification, is registered or licensed with the relevant professional body in Liberia or is a member in good standing of an internationally recognized valuation body, carries adequate professional indemnity insurance, and has demonstrable experience in the relevant asset class and location.

c) Independence and rotation: The valuer shall be appointed and instructed by the bank-financial institution and not by the borrower, shall be independent of the credit origination, assessment and approval process, and shall have no direct or

indirect interest in the borrower, the asset or the outcome of the credit decision. The same valuer shall not perform more than two (2) consecutive valuations of the same asset. The bank-financial institution shall review its valuer panel at least annually and submit the panel to the Central Bank on request. The Central Bank may direct the removal of any valuer whose reports it finds to be unreliable.

d) Basis of value: For purposes of recognizing collateral in the calculation of provisions under Section 24, real estate and other non-financial collateral shall be measured at forced sale value, less estimated realization costs, and subject to the haircuts in the CBL collateral schedule. Listed securities and other financial collateral shall be measured at market value. All valuations shall be prudently conservative and shall exclude expectations of future price increases.

e) Valuation report: Each valuation report shall state, at a minimum: the purpose of the valuation; the dates of inspection and of valuation; the identity, qualification and registration number of the valuer; the legal description of the asset, the results of title verification and registry searches, and any encumbrances; the valuation methods, assumptions and comparable evidence used; the market value and forced sale value and the currency in which they are expressed; the estimated realization period and costs; and any factors affecting marketability, including access, occupancy, location, condition and the risk of encroachment or title dispute.

f) Frequency of valuation: Collateral shall be valued before first disbursement and revalued at least: (i) monthly, for listed securities and other financial collateral; (ii) every six (6) months, for inventories and commodities; (iii) annually, for commercial and income-producing real estate, plant and machinery; (iv) every three (3) years, for residential real estate securing performing exposures; and (v) when an exposure is classified as non-performing, restructured, rolled over or proposed for write-off, and at least annually thereafter while it remains non-performing. Collateral shall also be revalued without delay where market conditions indicate that its value may have declined by more than fifteen percent (15%) since the last valuation.

g) Indexation and desktop reviews: For performing residential real estate exposures below such amount as the Central Bank may prescribe, a bank-financial institution may update values between full valuations through a documented desktop review or a price index acceptable to the Central Bank, provided that a full inspection-based valuation is performed at least every three (3) years. Indexation shall not be used for non-performing exposures.

h) Quality assurance and back-testing: The independent credit-risk function shall review each valuation report for completeness and reasonableness before it is relied upon. At least annually, the bank-financial institution shall compare the sale proceeds realized on collateral disposed of during the year with the most recent market value and forced sale value, and shall adjust its valuation practices, haircuts and valuer panel where realized values are materially lower. The results shall be reported to the Board Risk Committee and made available to the Central Bank on request.

i) Supervisory review: The Central Bank may require any collateral to be revalued, at the bank-financial institution's cost, by a valuer designated by the Central Bank,

and may disallow or adjust any collateral value that it considers unreliable for purposes of this Regulation. The external auditor shall, as part of its report under Section 7.1(h), review the valuations relied upon to reduce provisions on material non-performing exposures.

j) Interim treatment: Until the CBL collateral schedule referred to in Section 21.2 is issued, collateral that otherwise satisfies Sections 21.3 to 21.8 may be recognized at not more than the following percentages of its forced sale value or, for financial collateral, its market value, and these percentages shall constitute the applicable treatment for purposes of this Section: cash and deposits in the currency of the facility, 100%; cash and deposits in another currency, 90%; securities issued by the Government of Liberia or the CBL, 95%; listed shares, 50%; residential real estate, 70%; commercial real estate, 60%; inventories and readily marketable movable assets, 50%; and all other collateral, nil.

21.11 The CBL collateral schedule is the single controlling prudential schedule for collateral eligibility, valuation, realization periods, haircuts and caps on recognized value. Collateral-specific provisions in this Section shall be read consistently with that schedule and shall not create a separate or duplicate cap. Where a specific collateral type is not listed as eligible, or the conditions for recognition are not met, that collateral shall not reduce the required loan-loss provision. Nothing in this Section requires a bank-financial institution to recognize collateral for an exposure classified as Loss where recognition is otherwise prohibited by this Regulation.

**a) Property**

i) Property may be recognized for prudential provisioning only where it satisfies the legal, perfection, priority, valuation and other requirements of this Section and the CBL collateral schedule, and is subject to documented enforcement or other lawful realization steps. The bank-financial institution shall demonstrate that the property can reasonably be realized within the realization period prescribed by the CBL schedule, measured from the date of default unless the schedule specifies a different trigger for property.

**b) Inventories**

i) They shall be readily marketable goods remaining under the control of the bank-financial institution, in which it retains a security interest. The time required to realize the collateral shall not exceed the realization period prescribed in the CBL collateral schedule.

ii) The collateral must be properly assigned, must be fully insured with the bank-financial institution named as loss payee, and must be recently valued in good faith by an independent, qualified valuer in accordance with Section 21.10. The bank-financial institution's credit files shall document the basis and currency of the valuation. The valuation shall state market value, forced-sale value where applicable, NRV and valuation date.

iii) The outstanding unprovided portion of the loans and advances

shall not exceed fifty percent (50%) of the net realizable value of the collateral.

c) For loans and advances that are classified as Loss (i.e., more than three hundred and sixty (360) days past due), the values of the property, inventories, or readily marketable goods shall not be recognized in making provisions for loan losses.

21.12 Where a bank-financial institution successfully obtains legal title to property but is unable to sell it immediately, the bank-financial institution shall have the asset valued by a qualified independent valuer. Any difference between the carrying amount of the facility and the valuation of the asset shall be written off or written back to provisions for loan losses, as applicable. The asset shall thereafter be carried at its new valuation. In accordance with Section 51.0(8) of the BFIA, 2025, property acquired in satisfaction of a debt shall be disposed of within twelve (12) months of acquisition, which period the Central Bank may extend once, on written application, for a further period not exceeding twelve (12) months. While held, the asset shall be revalued by a qualified independent valuer at least annually, and any shortfall shall be recognized immediately. The related exposure shall remain classified as non-performing until the asset has been disposed of and the proceeds realized, and repossessed assets shall be identified separately in the returns to the Central Bank.

21.13 Loan-to-Value ratio: Each bank-financial institution shall compute and record the LTV of every secured exposure at origination, at each renewal, increase, restructuring or rollover, and at each revaluation of the collateral. For real estate collateral, the value used shall be the value at origination determined by a qualified independent valuer under Section 21.10 on a prudently conservative basis, excluding expectations of future price increases. That value shall not be increased thereafter except to reflect documented improvements to the property, and shall be reduced where a subsequent valuation is lower.

21.14 Maximum LTV at origination: Unless the CBL prescribes otherwise by circular, a bank-financial institution shall not grant, renew or increase a secured facility where the LTV would exceed the following limits:

a) residential real estate occupied by the borrower: 80%, which may be increased to 90% where the excess over 80% is covered by an eligible guarantee or mortgage insurance meeting Section 21.7;

b) other residential real estate, including property let to third parties: 70%;

c) commercial and other income-producing real estate: 65%;

d) land, and acquisition, development and construction exposures: 50% of the lower of cost and appraised value, with disbursements tied to independently verified construction progress;

e) motor vehicles, equipment and other movable assets financed through hire purchase, leasing or term loans: 80% of the purchase price for new assets and 60% of market value for used assets;

f) inventories and commodities under the bank-financial institution’s control or under a collateral management agreement: 70%;

g) listed shares and other marketable securities, other than those referred to in paragraph (h): 50% of market value; and

h) cash deposits held with the bank-financial institution, and securities issued by the Government of Liberia or the CBL: 100% where denominated in the currency of the facility and 90% otherwise.

21.15 Currency mismatch: Where a facility is denominated in a currency other than that of the borrower's principal source of income or of the collateral, the applicable maximum LTV in Section 21.14 shall be reduced by ten (10) percentage points, unless the currency risk is effectively hedged.

21.16 Exceptions: Any exception to the limits in Sections 21.14 and 21.15 shall be approved by the Board Credit Committee or the Board, with the compensating factors documented in the credit file. Exceptions shall not, in aggregate, exceed five percent (5%) of the gross amount of facilities in each collateral category originated in any financial year, shall be reported to the Central Bank quarterly, and shall not be granted to a related party.

21.17 Ongoing LTV monitoring: Where the current LTV of an exposure, based on the latest valuation, exceeds the applicable limit by more than ten (10) percentage points, the bank-financial institution shall place the exposure on the Watch List, assess it for UTP and SICR, and, where appropriate, require additional security or a partial repayment. An LTV breach shall not by itself require adverse classification but shall be considered in the assessment under Sections 10 to 15. Sections 21.13 to 21.17 apply to facilities granted, renewed or increased after the Effective Date and are without prejudice to the risk weights for real estate exposures under the CBL capital adequacy framework.

## 22.0 Suspension of Interest on Non-Performing Loans and Advances

22.1 The following requirements apply to the accrual, suspension and recognition of interest on exposures classified as non-performing under this Regulation. An exposure that meets the non-performing test, including on the basis of unlikeliness to pay where applicable, shall be subject to non-accrual and interest-in-suspense treatment regardless of whether it has reached a specified days-past-due classification threshold.

a) All non-performing loans and advances shall be placed on non-accrual status. Interest that accrues after an exposure becomes non-performing shall not be recognized as income while the exposure remains non-performing and shall instead be recorded in an interest-in-suspense or equivalent non-income account, subject to applicable accounting standards and CBL requirements.

b) Previously accrued but uncollected interest on a non-performing exposure that was recognized as income shall be reversed through the income statement and credited to an interest-in-suspense account. Subsequent contractual interest shall not be recognized as income while the exposure remains non-performing. Capitalization, refinancing, rescheduling or waiver of interest shall not be treated as a cash receipt and shall not, by itself, permit interest to be recognized as income or cure the non-performing status of the exposure.

c) Interest recorded in suspense may be recognized as income only when the relevant amount is actually received in cash from the borrower or otherwise

recovered in cash from a legally enforceable source, and only to the extent permitted by applicable accounting standards and CBL requirements. Repayment funded directly or indirectly by a new loan or advance from the same bank-financial institution shall not qualify as actual recovery for this purpose. The bank-financial institution shall maintain records that reconcile cash receipts, interest reversed, interest held in suspense and any amount subsequently recognized as income.

d) Cash payments shall be allocated in accordance with applicable law and the enforceable terms disclosed to the borrower, subject to any CBL restrictions on fees and charges. For prudential cure calculations, the institution shall separately identify actual cash applied to overdue principal, contractual interest and permitted charges; penal charges or fees shall not be used to defer recognition of a reduction in principal or to represent overdue principal or interest as cured. Only amounts actually received and applied to the relevant arrears may be counted as paid. An exposure shall not be treated as cured solely because interest is capitalized, waived, transferred to suspense, or reclassified in the institution's books; return to performing status remains subject to the applicable cure and sustained-performance requirements in this Regulation. The institution shall disclose payment allocation and reconcile the treatment with applicable accounting standards, including IFRS 9 where applicable.

## 23.0 Provisions for Loan Losses

23.1 IFRS 9 bridge: Institutions shall compute (a) the IFRS 9 impairment allowance and (b) the prudential provision under Sections 23–26. The prudential provision shall be used for regulatory reporting, while the IFRS 9 allowance shall be used for audited and abridged financials. Where IFRS is used for audited and interim financials, banks shall still calculate and disclose the prudential provisions and indicate the impact of any difference on earnings and capital as per the IFRS reporting guidelines issued by the CBL. Where the prudential provision exceeds the IFRS 9 allowance, the excess shall be appropriated from retained earnings to a Regulatory Credit Risk Reserve, which shall not be distributable and shall be treated in accordance with applicable regulatory-capital rules. Where the IFRS 9 allowance exceeds the prudential provision, the IFRS 9 allowance shall apply. No bank-financial institution shall declare, credit or pay any dividend until it has made the provisions and the Regulatory Credit Risk Reserve required by this Regulation, in accordance with Section 35.0(2)(ii) of the BFIA, 2025. Transfers to and from the reserve shall be approved by the Board and disclosed in the annual financial statements.

23.2 The provisions to be made against loans and advances depend on the classification of each asset.

## 24.0 Specific Provisions

24.1 Specific provisions shall be made as follows:

i) For loans and advances classified as OLEM: five percent (5%) of the aggregate net unsecured outstanding balance;

ii) For loans and advances classified as Substandard: twenty percent (20%)

of the aggregate net unsecured outstanding balance;

iii) For loans and advances classified as Doubtful: fifty percent (50%) of the aggregate net unsecured outstanding balance;

iv) For loans and advances classified as Loss: one hundred percent (100%) of the aggregate net unsecured outstanding balance.

The net unsecured balance is the principal outstanding less the net realizable value of collateral recognized under Section 21 (and, for loans classified as Loss, subject to Section 21.8(f)).

## 25.0 General Provisions

25.1 Bank-financial institutions shall maintain a general provision of at least one percent (1%) of aggregate current loans and advances for which no specific provisions are required, subject to the IFRS 9 bridge in Section 23. For regulatory-capital purposes, IFRS 9 Stage 1 and Stage 2 allowances shall be treated as general provisions and Stage 3 allowances as specific provisions, subject to applicable capital limits.

25.2 The CBL shall periodically calibrate the OLEM and Substandard provision floors against observed loss experience, loss-given-default data, collateral quality and relevant peer benchmarks. Any revised rate shall be prescribed by circular or amendment.

## 26.0 Additional Provisions

26.1 The Central Bank may require any institution to reclassify an exposure, adjust any provision or restate any return, within the period specified by the Central Bank, where the classification or provision does not reflect the actual credit risk.

26.2 The CBL may, after taking into account factors such as the bank-financial institution's prior loss experience, loan growth, loan collection, quality of credit management and economic trends, require a bank-financial institution to make additional provisions for losses to ensure adequate levels of provisions.

26.3 Off-balance-sheet exposures, including guarantees, letters of credit and undrawn commitments, shall be converted to credit-equivalent exposure using the credit conversion factors prescribed by the CBL and provisioned on that basis. Until otherwise prescribed, the following conversion factors shall apply: direct credit substitutes, including financial guarantees and standby letters of credit serving as financial guarantees, 100%; transaction-related contingent items, including performance bonds, bid bonds and warranties, 50%; short-term self-liquidating trade letters of credit arising from the movement of goods, 20%; other commitments, 40%; and commitments that are unconditionally cancellable at any time without prior notice, 10%. Other assets, including accrued interest, foreclosed assets, interbank placements and securities, shall be classified and provisioned in accordance with this Regulation and applicable IFRS 9 requirements.

## 27.0 Reporting Requirements

27.1 Bank-financial institutions shall submit monthly NPL and asset-quality returns and quarterly detailed schedules in the formats prescribed by the Central Bank. Monthly returns shall include ageing buckets, sector, currency, forborne/restructured exposures, NPL ratio and provision coverage. Quarterly returns shall include the twenty-five (25)

largest adversely classified exposures and any additional schedules prescribed by the CBL. The formats for the returns shall be as prescribed by the Central Bank by circular.

## 28.0 Interest Computation and Pre-Contract Disclosure

28.1 Method of interest computation: Consistent with Section 103.0(4) of the BFIA, 2025, Section 3.2 of the Regulation Concerning Interest Rate Determination and Display of Interest Rates and Charges No. CBL/RSD/005/2017 and Section 2.2(I)(ii) of the Regulations Concerning Consumer Protection and Market Conduct No. CBL/RSD/004/2020, every bank-financial institution shall compute interest on loans and advances using the declining-balance method with uniform principal repayment, under which interest for each period is charged only on the principal outstanding at the beginning of that period, and principal is repaid in equal instalments. The flat-rate, add-on and annuity (equal-instalment) methods are prohibited, save as provided in Section 28.4. Nothing in this Section prescribes the level of interest rates, which remain market-determined.

28.2 Formula: For a facility of principal P, repayable in n equal periodic principal instalments at a nominal annual interest rate R, with k repayment periods in a year:

a) periodic interest rate, $i = R \div k$;

b) principal instalment for each period = $P \div n$;

c) opening balance for period m, $B(m) = P - (m - 1) \times (P \div n)$;

d) interest for period m = $B(m) \times i$;

e) total instalment for period m, $A(m) = (P \div n) + B(m) \times i$; and

f) total interest over the tenor = $P \times i \times (n + 1) \div 2$.

28.3 Illustration: A loan of US$100,000 at a nominal rate of 12% per annum, repayable in 24 monthly instalments, gives a monthly rate of 1% (12% ÷ 12) and a monthly principal instalment of US$4,166.67 (US$100,000 ÷ 24). The repayment schedule begins and ends as follows:

Month 1: opening balance US$100,000.00; principal US$4,166.67; interest US$1,000.00; instalment US$5,166.67; closing balance US$95,833.33.

Month 2: opening balance US$95,833.33; principal US$4,166.67; interest US$958.33; instalment US$5,125.00; closing balance US$91,666.67.

Month 3: opening balance US$91,666.67; principal US$4,166.67; interest US$916.67; instalment US$5,083.33; closing balance US$87,500.00.

Month 24: opening balance US$4,166.67; principal US$4,166.67; interest US$41.67; instalment US$4,208.33; closing balance nil.

Total interest = US$100,000 × 1% × (24 + 1) ÷ 2 = US$12,500.00. Under the prohibited annuity method, the same loan at the same rate would carry a constant instalment of US$4,707.35 and total interest of US$12,976.33, and would leave a higher principal balance outstanding at every point before maturity.

28.4 Exception: The Central Bank may, on written application, grant non-objection to the use

of the annuity method for a specific product where the borrower's income is demonstrably level and periodic. In such case, the Truth-in-Lending Disclosure Statement shall show both the total cost of credit under the annuity method and the total cost that would apply under the declining-balance method, and the borrower shall elect the method in writing.

28.5 Certification and remediation: Within ninety (90) days of the Effective Date, each bank-financial institution shall submit to the Central Bank a certification, signed by its Chief Executive Officer and confirmed by its Board, identifying the interest computation method applied to each loan product and in its core banking system. Any facility booked after the effective date of this Regulation on a prohibited method shall be recomputed on the declining-balance basis, any excess interest charged shall be credited to the borrower's account, and the remediation shall be reported to the Central Bank monthly until completed. Where such a facility is restructured, the restructured balance shall be determined after the recomputation.

28.6 Annual Percentage Rate: The annual percentage rate (APR) disclosed to a borrower shall be the nominal annual rate r that equates the amount actually received by the borrower (the loan amount less any prepaid finance charges, fees and insurance deducted at disbursement) with the present value of all scheduled payments, such that: Amount received = Σ [A(m) ÷ (1 + r ÷ k)^m], for m = 1 to n, where A(m) is the total payment due in period m, including any fees payable in that period. The APR shall be stated to two decimal places and shall be computed in the same manner by all bank-financial institutions.

Illustration of the APR calculation: A borrower obtains a loan of US$10,000 at a nominal interest rate of 18% per annum, repayable in 24 monthly instalments under the declining-balance method. A processing fee of 1% (US$100) and an insurance fee of 0.5% (US$50) are deducted at disbursement.

Step 1 – Amount actually received by the borrower: US$10,000 − US$100 − US$50 = US$9,850.

Step 2 – Scheduled payments (Section 28.2): principal of US$416.67 each month, plus interest at 1.5% per month on the opening balance. The first instalment is US$566.67 (US$416.67 + US$150.00), the second is US$560.42 (US$416.67 + US$143.75), and the instalments decline by US$6.25 each month to US$422.92 in month 24. The 24 instalments total US$11,875.00.

Step 3 – Find the monthly rate that discounts the 24 instalments back to the amount received: Discounted at the contract rate of 1.5% per month, the 24 instalments are worth exactly US$10,000, which is more than the US$9,850 received. The monthly rate is therefore increased by trial until the present value equals US$9,850: at 1.60% the present value is US$9,890.62; at 1.70% it is US$9,782.98; at 1.64% it is US$9,847.35; and at 1.6375% it is US$9,850.00. The monthly rate is therefore 1.6375%. For example, at that rate the first instalment of US$566.67 is worth US$566.67 ÷ 1.016375 = US$557.54 today, and the last instalment of US$422.92 is worth US$422.92 ÷ (1.016375)^24 = US$286.39 today. The 24 discounted instalments add up to US$9,850.00.

Step 4 – Annualize: APR = monthly rate × number of payments per year =

1.6375% × 12 = 19.65% per annum.

Result: Although the nominal rate is 18.00%, the APR is 19.65%, because the fees reduce the amount the borrower actually receives while the instalments stay the same. If no fees were charged, the APR would equal the nominal rate of 18.00%. In the Truth-in-Lending Disclosure Statement, the bank-financial institution shall disclose the APR of 19.65% alongside the nominal rate of 18.00%. The computation may be performed with the IRR or RATE function of a standard spreadsheet, applied to the amount received as a negative cash flow at period 0 and the scheduled instalments as positive cash flows in periods 1 to 24, with the resulting monthly rate multiplied by 12.

28.7 Truth-in-Lending Disclosure Statement: No bank-financial institution shall disburse any loan or advance unless the Pre-Agreement Truth-in-Lending Disclosure Statement prescribed in Appendix I (or, for digital credit, Appendix IV) to Regulation No. CBL/RSD/004/2020, together with the Appendix I.B definitions sheet, has been completed for the facility, delivered to the borrower in accordance with Section 29.3, and signed by both the borrower and the bank-financial institution, and a signed copy has been issued to the borrower. The Statement shall, at a minimum: (a) state the interest computation method by name; (b) show the amount received, prepaid finance charges, loan amount, nominal interest rate, APR, total interest, total fees and other charges, total cost of credit and total repayment amount; (c) attach the full-tenor repayment schedule computed under Section 28.2, showing for each instalment the opening balance, principal, interest, fees and closing balance; (d) state late-payment, default and prepayment charges and their basis; (e) state the commencement and expiry dates of the cooling-off period under Section 29.4; and (f) summarize the consequences of default, including those in Section 30. Each bank-financial institution shall build the executed Statement into the disbursement checklist of its core banking system so that no disbursement can occur without it. A specimen completed Statement is set out in Schedule A.

28.8 Credit reference and identification: No facility shall be approved unless the bank-financial institution has obtained a current report on the borrower, and on any guarantor, from the Central Bank's Credit Reference System and has recorded the borrower's national identification number or such other unique identifier as the Central Bank may prescribe.

## 29.0 Borrower Engagement before Signing and Cooling-off Period

29.1 Mandatory pre-signing discussion: Before any loan agreement, guarantee or restructuring agreement is signed, the bank-financial institution shall hold a discussion, in person or through an authenticated video channel, with the borrower (in the case of a corporate borrower, with its authorized signatories) and with any guarantor. The discussion shall be conducted by a credit officer and shall cover, in plain language and in a language the borrower understands: (a) the outcome of the affordability assessment and the borrower's projected capacity to repay from income or cash flow; (b) the Truth-in-Lending Disclosure Statement and repayment schedule, including the computation method, APR and total cost of credit; (c) the security to be provided and the circumstances in which it may be enforced; (d) the consequences of default, including classification, default charges, set-off under the mandate in Section 30.2, reporting to the Credit Reference System, and publication of name and restriction of access to credit and other financial

services under Section 30.5; (e) the borrower's right to consult under Section 29.2, the consideration period under Section 29.3 and the cooling-off right under Section 29.4; and (f) the bank-financial institution's complaints procedure.

29.2 Right to consult: The bank-financial institution shall advise the borrower and any guarantor in writing of their right to seek independent legal, financial or other advice, and to be accompanied by a relative or other trusted person, before signing, and shall provide a copy of the draft loan agreement and all related documents for that purpose. Where the borrower cannot read or understand the documents, the explanation shall be given orally in a language the borrower understands and countersigned by an independent witness of the borrower's choosing.

29.3 Consideration period: A loan agreement shall not be signed earlier than three (3) business days after the borrower has received the Truth-in-Lending Disclosure Statement and the draft agreement, consistent with Section 4.1(IX) of Regulation No. CBL/RSD/004/2020. The borrower may waive this period only by a separate signed written statement, and only for the renewal of an existing facility on terms no less favorable to the borrower.

29.4 Cooling-off period: A borrower may withdraw from a loan agreement within ten (10) business days after signing, excluding Saturdays, Sundays and public holidays, by signed, specific and unconditional written notice to the bank-financial institution, consistent with Section 2.7 of Regulation No. CBL/RSD/004/2020. On withdrawal, the borrower shall repay, within fifteen (15) days of the notice, the principal disbursed and interest accrued at the contract rate for the days the funds were outstanding, together with any documented third-party costs already incurred, such as registration or valuation fees. The bank-financial institution shall refund all other fees and charges, shall impose no penalty, and shall not report the withdrawal as a default or as an adverse entry in the Credit Reference System. The loan agreement and the Truth-in-Lending Disclosure Statement shall state the commencement and expiry dates of the cooling-off period.

29.5 Record of compliance: The bank-financial institution shall keep in each credit file a record of the discussion under Section 29.1, signed by the borrower and the credit officer, together with evidence of compliance with Sections 28.7 and 29.2 to 29.4. The Central Bank shall test compliance through file sampling during on-site examinations. A facility disbursed without such records shall be treated as a documentation deficiency, and the Central Bank may require it to be classified at least as OLEM until regularized, without prejudice to the penalties under Part 10 of Regulation No. CBL/RSD/004/2020 and Section 7.0 of Regulation No. CBL/RSD/005/2017.

## 30.0 Mandatory Provisions in Loan Agreements on Default

30.1 Every loan agreement entered into, renewed or restructured after the Effective Date shall include, as a separate instrument signed by the borrower and any guarantor in a standard form: (a) the set-off mandate in Section 30.2; and (b) the consent to disclosure, publication and restriction of access in Section 30.5. These instruments shall constitute the written authorization of the customer for the purposes of Section 113.0(1)(i) of the BFIA, 2025. No bank-financial institution shall approve the renewal or restructuring of an existing facility unless the borrower has executed both instruments.

30.2 Set-off mandate: The borrower shall irrevocably authorize the bank-financial institution, upon the facility being classified as Substandard or worse, to apply any credit balance held by the borrower in any current, savings, term deposit, investment or electronic wallet account, at the banking institution and at any and all other licensed financial institutions in Liberia, toward settlement of the past-due principal and accrued interest on the non-performing facility, and shall authorize each such institution to disclose the existence and balance of such accounts, and to debit them, for that purpose.

30.3 Safeguards: The mandate shall be exercised subject to the following:

a) penal charges, default interest and fees shall not be recovered by set-off;

b) balances held by the borrower in a trust, escrow, client, tax or statutory-deduction capacity shall be excluded;

c) in a joint account, recovery shall be limited to the borrower's proportionate interest, presumed to be an equal share unless proven otherwise, after prior written notice to the co-holders;

d) for natural persons, such minimum balance, and such proportion of a single month's salary credited to a salary account, as the Central Bank may prescribe shall be protected;

e) the bank-financial institution shall first apply balances held with it, and may exercise the mandate against balances at another institution only after the borrower has received the three notices of delinquency required under Directive No. CBL/RSD/DIR/002/2017 and a further fourteen (14) days' written notice of intention to exercise the mandate;

f) the mandate shall not be exercised against a borrower who is performing under an approved restructuring, is subject to an insolvency proceeding, or whose default arises from a documented failure of a Government counterparty to pay;

g) amounts recovered shall be applied first to accrued interest and then to principal, and the unrecovered balance shall remain classified and shall not be converted into an overdraft or refinanced, consistent with Section 9.1;

h) an erroneous debit shall be reversed on the same business day on which it is identified, with compensation for any consequential loss, without prejudice to administrative sanctions; and

i) each exercise shall be logged and reported to the Central Bank monthly, and the Chief Executive Officer shall report its use to the Board quarterly.

30.4 Operation across institutions: Every licensed bank-financial institution shall honor a valid set-off mandate presented through the channel, message format and response time prescribed by the Central Bank in operational guidelines. Until those guidelines take effect, the mandate shall be exercisable against balances held with the banking institution, consistent with Section 2.10(II)(iv) of Regulation No. CBL/RSD/004/2020.

30.5 Consent to disclosure, publication and restriction of access: The borrower shall agree that, where the facility becomes non-performing, the bank-financial institution and the Central Bank may: (a) report the facility and its status to the Credit Reference System; (b) include

the borrower on a confidential watch-list shared among licensed financial institutions from the date of classification as Substandard; (c) where the borrower is declared a non-compliant delinquent borrower under Directive No. CBL/RSD/DIR/002/2017 or a willful or serial defaulter under Section 20, publish the borrower's name (and, for a corporate borrower, the names of its directors and principal shareholders), the amount outstanding, the date of classification and the name of the bank-financial institution, on the Central Bank's website and in at least two newspapers of national circulation; and (d) deny or restrict the borrower's access to new credit and other non-essential financial services across all licensed financial institutions, while preserving payment and transfer services for the purpose of servicing the delinquent obligation.

30.6 Due process before publication: No name shall be published unless the borrower has received written notice of intention to publish and at least thirty (30) days to respond or regularize the obligation, and the review and appeal procedures in Sections 20.5 and 20.6 have been completed or the time for them has expired. Borrowers in insolvency proceedings, discharged debtors, borrowers whose default arises from documented force majeure or from a verified failure of a Government counterparty to pay, and borrowers performing under an approved restructuring shall not be published. A borrower's name shall be removed from the watch-list and the published register within ten (10) business days after full repayment, or after satisfactory performance under an approved restructuring for the period required by Section 16, and any erroneous entry shall be promptly corrected and publicly retracted. Credit reference records shall be retained for the period prescribed by the Central Bank.

30.7 Transition: Sections 28.7, 28.8, 29.0 and 30.0 shall apply to facilities approved, renewed or restructured after the ninetieth (90th) day following the Effective Date.

**31.0 Effective Date, Transition and Enforcement**

31.1 Regulation CBL/RSD/002/2021 is amended and restated by this Regulation with effect from the date of publication.

31.2 Part II of Regulation CBL/RSD/002/2021 concerning microfinance institutions shall continue to be effective until separate instruments expressly designated by the Central Bank are issued in this regard.

31.3 Existing restructured exposures shall be reviewed and classified in accordance with Section 16 within six (6) months of the Effective Date. Additional provisions arising from this Regulation may be phased in over four (4) consecutive quarters, with the first quarterly tranche being not less than twenty-five percent (25%) of the total additional provisions required. The full amount of additional provisions shall be recognized no later than the end of the fourth quarter, unless otherwise directed by the Central Bank.

31.4 Failure to comply with this Regulation, or submission of inaccurate returns, shall be subject to the administrative and monetary sanctions prescribed under the BFIA, 2025, including Section 62.0(6) (fines of not less than L$200,000 per day for late returns and L$400,000 per day for false or misleading returns) and Section 71.0, without prejudice to the measures in Section 18.0.

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31.5 The Central Bank may issue directives, circulars, schedules and reporting templates necessary to implement this Regulation.

31.6 This Regulation takes effect upon publication in the Official Gazette.

## SCHEDULE A – PRE-AGREEMENT TRUTH-IN-LENDING DISCLOSURE STATEMENT: CBL TEMPLATE AND COMPLETED EXAMPLE

This Schedule reproduces the Pre-Agreement Truth-in-Lending Disclosure Statement prescribed in Appendix I to Regulation No. CBL/RSD/004/2020 Concerning Consumer Protection and Market Conduct, as supplemented by Section 28.7 of this Regulation, followed by a completed example, the repayment schedule for that example, and the explanation of terms in Appendix I.B. Items marked ‡ are additional disclosures required by Section 28.7.

### Part 1 – Template

| Field | Entry |
|---|---|
| **Lender** | _____ |
| **Borrower** | _____ |
| **Date** | _____ |
| **Loan Officer** | _____ |
| **Borrower's Address** | _____ |
| **Loan Number / Type** | _____ |
| **LOAN SUMMARY** | |
| **Loan Amount (= Amount Received + Prepaid Finance Charges)** | US$ _____ = US$ _____ + US$ _____ |
| **Annual Interest Rate** | _____ % per annum (fixed / variable) |
| **Interest Charges** | US$ _____ |
| **Total Fees and Charges** | US$ _____ |
| **Total Cost of Credit (= Interest Charges + Total Fees and Charges)** | US$ _____ |
| **Annual Percentage Rate (APR)*** | _____ % |
| **Total Repayment Amount (= Amount Received + Interest Charges + Total Fees and Charges)** | US$ _____ |
| **‡ Interest computation method** | Declining balance with uniform principal repayment |
| **LOAN REPAYMENT SCHEDULE** | |
| **Number of Payments** | _____ |
| **Payment Amounts** | _____ |
| **Payment Frequency** | Weekly / Monthly / Quarterly / Other: _____ |
| **Due Date / Maturity Date** | _____ |
| **‡ Cooling-off period** | From _____ to _____ (ten (10) working days after signing) |
| **FEES, CHARGES, PENALTIES AND OTHER TERMS** | |
| **Insurance Fee** | US$ _____ |
| **Processing Fee** | US$ _____ |

| Field | Entry |
|---|---|
| **Late Charge** | If repayment is more than [ ] days late, the borrower pays a late charge of [ ]/[ ]% of the overdue payment |
| **Prepayment** | If the borrower pays off this loan earlier than the due date: [ ] the borrower will have **NO** penalty to pay; [ ] the borrower will be entitled to a refund of part of the interest, fees and other charges |
| **Other Charges** | US$ _____ |
| **Total Fees and Charges** | US$ _____ |
| **‡ Consequences of default** | Classification and reporting to the Credit Reference System; set-off under the signed mandate; publication of name and restriction of access to credit and other financial services, subject to due process (Section 30) |
| **CONTACT** | Should there be question(s) or concern(s) about this form, please contact: Name _____ Phone _____ Email _____ |
| **ACKNOWLEDGEMENT** | I have fully read the terms and conditions included on this Truth in Lending Disclosure Statement, including the attached Definitions and Amortization Schedule. |
| **Loan Customer** | Name: _____ Signature: _____ Date: _____ |
| **Financial Institution (authorized officer)** | Name: _____ Signature: _____ Date: _____ |

## Part 2 – Completed example

Facts: a personal term loan of US$10,000 at a fixed nominal rate of 18% per annum, repayable in 24 monthly instalments under the declining-balance method. A processing fee of 1% (US$100) and an insurance fee of 0.5% (US$50) are deducted at disbursement. The Statement is delivered on Monday, 1 February 2027, and the loan agreement is signed and the loan disbursed on Thursday, 4 February 2027, after the three-business-day consideration period in Section 29.3. The names are illustrative.

| Field | Entry |
|---|---|
| **Lender** | Monrovia Bank |
| **Borrower** | John Forkpah, Sr. |
| **Date** | 1 February 2027 |
| **Loan Officer** | Jomah Clay |
| **Borrower's Address** | Randall Street, Monrovia |
| **Loan Number / Type** | PL-2027-0153 / Personal term loan (US$) |
| **LOAN SUMMARY** | |
| **Loan Amount (= Amount Received + Prepaid Finance Charges)** | US$10,000.00 = US$9,850.00 + US$150.00 |
| **Annual Interest Rate** | 18.00% per annum, fixed (1.50% per month) |
| **Interest Charges** | US$1,875.00 [US$10,000 × 1.5% × (24 + 1) ÷ 2] |
| **Total Fees and Charges** | US$150.00 |
| **Total Cost of Credit (= Interest Charges + Total Fees** | US$2,025.00 = US$1,875.00 + US$150.00 |

| Field | Entry |
|---|---|
| **and Charges)** | |
| **Annual Percentage Rate (APR)*** | 19.65% (computed under Section 28.6) |
| **Total Repayment Amount (= Amount Received + Interest Charges + Total Fees and Charges)** | US$11,875.00 = US$9,850.00 + US$1,875.00 + US$150.00 |
| **‡ Interest computation method** | Declining balance with uniform principal repayment |
| **LOAN REPAYMENT SCHEDULE** | |
| **Number of Payments** | 24 |
| **Payment Amounts** | Principal of US$416.67 plus interest on the declining balance: US$566.67 (1st), US$560.42 (2nd), falling by US$6.25 each month to US$422.92 (24th). See Part 3. |
| **Payment Frequency** | Monthly |
| **Due Date / Maturity Date** | First payment 4 March 2027; maturity 4 February 2029 |
| **‡ Cooling-off period** | From 4 February 2027 to 19 February 2027 (ten working days, excluding Saturdays, Sundays and Armed Forces Day, 11 February 2027) |
| **FEES, CHARGES, PENALTIES AND OTHER TERMS** | |
| **Insurance Fee** | US$50.00 (0.5% of the loan amount), deducted at disbursement, for credit life cover over the term of the loan |
| **Processing Fee** | US$100.00 (1% of the loan amount), deducted at disbursement |
| **Late Charge** | If repayment is more than [5] days late, the borrower pays a late charge of [2]% of the overdue payment |
| **Prepayment** | If the borrower pays off this loan earlier than the due date, the borrower will have no penalty to pay, and no interest is charged for the remaining months |
| **Other Charges** | None |
| **Total Fees and Charges** | US$150.00 |
| **‡ Consequences of default** | Classification and reporting to the Credit Reference System; set-off under the signed mandate; publication of name and restriction of access to credit and other financial services, subject to due process (Section 30) |
| **CONTACT** | Should there be question(s) or concern(s) about this form, please contact: Name Jomah Clay, Loan Officer Phone [+231 _____] Email [_____] |
| **ACKNOWLEDGEMENT** | I have fully read the terms and conditions included on this Truth in Lending Disclosure Statement, including the attached Definitions and Amortization Schedule. |
| **Loan Customer** | Name: John Forkpah, Sr. Signature: [signed] Date: 4 February 2027 |
| **Financial Institution (authorized officer)** | Name: Jomah Clay Signature: [signed] Date: 4 February 2027 |

**Part 3 – Loan amortization schedule for the example (Appendix III format, declining-**

**balance basis)**

Loan amount: US$10,000.00 Annual interest rate: 18.00% Loan period: 2 years Number of payments per year: 12 Start date of loan: 4 February 2027 Scheduled number of payments: 24 Total interest: US$1,875.00

| No. | Payment Date | Beginning Balance | Scheduled Payment | Extra Payment | Total Payment | Principal | Interest | Ending Balance | Cumulative Interest |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 4 Mar 2027 | 10,000.00 | 566.67 | 0.00 | 566.67 | 416.67 | 150.00 | 9,583.33 | 150.00 |
| 2 | 4 Apr 2027 | 9,583.33 | 560.42 | 0.00 | 560.42 | 416.67 | 143.75 | 9,166.67 | 293.75 |
| 3 | 4 May 2027 | 9,166.67 | 554.17 | 0.00 | 554.17 | 416.67 | 137.50 | 8,750.00 | 431.25 |
| 4 | 4 Jun 2027 | 8,750.00 | 547.92 | 0.00 | 547.92 | 416.67 | 131.25 | 8,333.33 | 562.50 |
| 5 | 4 Jul 2027 | 8,333.33 | 541.67 | 0.00 | 541.67 | 416.67 | 125.00 | 7,916.67 | 687.50 |
| 6 | 4 Aug 2027 | 7,916.67 | 535.42 | 0.00 | 535.42 | 416.67 | 118.75 | 7,500.00 | 806.25 |
| 7 | 4 Sep 2027 | 7,500.00 | 529.17 | 0.00 | 529.17 | 416.67 | 112.50 | 7,083.33 | 918.75 |
| 8 | 4 Oct 2027 | 7,083.33 | 522.92 | 0.00 | 522.92 | 416.67 | 106.25 | 6,666.67 | 1,025.00 |
| 9 | 4 Nov 2027 | 6,666.67 | 516.67 | 0.00 | 516.67 | 416.67 | 100.00 | 6,250.00 | 1,125.00 |
| 10 | 4 Dec 2027 | 6,250.00 | 510.42 | 0.00 | 510.42 | 416.67 | 93.75 | 5,833.33 | 1,218.75 |
| 11 | 4 Jan 2028 | 5,833.33 | 504.17 | 0.00 | 504.17 | 416.67 | 87.50 | 5,416.67 | 1,306.25 |
| 12 | 4 Feb 2028 | 5,416.67 | 497.92 | 0.00 | 497.92 | 416.67 | 81.25 | 5,000.00 | 1,387.50 |
| 13 | 4 Mar 2028 | 5,000.00 | 491.67 | 0.00 | 491.67 | 416.67 | 75.00 | 4,583.33 | 1,462.50 |
| 14 | 4 Apr 2028 | 4,583.33 | 485.42 | 0.00 | 485.42 | 416.67 | 68.75 | 4,166.67 | 1,531.25 |
| 15 | 4 May 2028 | 4,166.67 | 479.17 | 0.00 | 479.17 | 416.67 | 62.50 | 3,750.00 | 1,593.75 |
| 16 | 4 Jun 2028 | 3,750.00 | 472.92 | 0.00 | 472.92 | 416.67 | 56.25 | 3,333.33 | 1,650.00 |
| 17 | 4 Jul 2028 | 3,333.33 | 466.67 | 0.00 | 466.67 | 416.67 | 50.00 | 2,916.67 | 1,700.00 |
| 18 | 4 Aug 2028 | 2,916.67 | 460.42 | 0.00 | 460.42 | 416.67 | 43.75 | 2,500.00 | 1,743.75 |
| 19 | 4 Sep 2028 | 2,500.00 | 454.17 | 0.00 | 454.17 | 416.67 | 37.50 | 2,083.33 | 1,781.25 |
| 20 | 4 Oct 2028 | 2,083.33 | 447.92 | 0.00 | 447.92 | 416.67 | 31.25 | 1,666.67 | 1,812.50 |
| 21 | 4 Nov 2028 | 1,666.67 | 441.67 | 0.00 | 441.67 | 416.67 | 25.00 | 1,250.00 | 1,837.50 |
| 22 | 4 Dec 2028 | 1,250.00 | 435.42 | 0.00 | 435.42 | 416.67 | 18.75 | 833.33 | 1,856.25 |
| 23 | 4 Jan 2029 | 833.33 | 429.17 | 0.00 | 429.17 | 416.67 | 12.50 | 416.67 | 1,868.75 |
| 24 | 4 Feb 2029 | 416.67 | 422.92 | 0.00 | 422.92 | 416.67 | 6.25 | 0.00 | 1,875.00 |
| **Total** | | | **11,875.00** | **0.00** | **11,875.00** | **10,000.00** | **1,875.00** | | |

Each instalment equals the principal of US$416.67 plus interest of 1.5% on the beginning balance. The total of the 24 payments, US$11,875.00, equals the Total Repayment Amount in Part 2.

## Part 4 – Definitions / explanation of terms (Appendix I.B), to be given to the borrower with the Statement

| No. | Term | Definition / condition |
|---|---|---|
| 1 | **Annual Percentage Rate (APR)** | A percentage that represents the actual yearly cost of funds over the term of a loan. This includes any fees or additional costs associated with the transaction. It is computed in accordance with Section 28.6. |
| 2 | **Total Cost of Credit** | The total cost which a borrower is required to pay for a loan, calculated by adding together all costs (interest payments and total |

| No. | Term | Definition / condition |
|---|---|---|
| | | fees and charges) which the borrower is required to pay over the term of the loan. |
| 3 | **Amount Received** | The loan amount applied for less the prepaid finance charges. |
| 4 | **Prepaid Finance Charges** | Fees and charges taken directly from the loan amount. |
| 5 | **Loan Amount** | The loan amount applied for. This is the amount on which the calculation of interest is based. |
| 6 | **Total Repayment Amount** | The amount that the borrower is required to pay back for the loan. It is calculated by adding together the amount received, the interest charges and the total fees and charges. |
| 7 | **Number of Payments** | The total number of payments due to pay off the loan. |
| 8 | **Payment Amounts** | The amount due for each payment. |
| 9 | **Payment Frequency** | The frequency at which payments are due (e.g. weekly, monthly, quarterly). |
| 10 | **Due Date / Maturity Date** | The date on which any outstanding principal balance on the loan is due and should be repaid in full. It is also the termination/end date of the loan. |
| 11 | **Cooling Off Period** | The borrower may cancel or terminate the loan within ten (10) working days, counting from the day the borrower signed the Loan Agreement and Disclosure Form (excluding Saturdays, Sundays and public holidays), by written notice to the lender, in accordance with Section 29.4. |
| 12 | **Processing Fee** | A fee charged to process a loan application, covering some of the costs involved, including credit checks, property appraisals and basic administrative costs. [ ] The borrower will have to pay a processing fee that has been explained to the customer. [ ] The borrower does not have to pay a processing fee. |
| 13 | **Late Charge** | A penalty charge, in addition to the regularly scheduled payment, where the payment has not been made when due. If the repayment is more than [ ] days late, the borrower pays a late charge of [ ]/[ ]% of the overdue payment. |
| 14 | **Interest Charges** | All interest that the borrower will have to pay over the term of the loan, computed by applying the annual interest rate to the declining principal balance in accordance with Section 28.2. |
| 15 | **Prepayment** | Payment of the loan before the due date. If the borrower pays off this loan earlier than the due date: [ ] the borrower will have a penalty to pay; [ ] the borrower will be entitled to a refund of part of the interest, fees and other charges. |
| 16 | **Total Fees and Charges** | All fees, charges, commissions, etc. which the borrower is required to pay over the term of the loan, including prepaid finance charges. |
| 17 | **Insurance Fee** | The cost of a contract or policy under which the borrower receives protection or reimbursement against losses from an insurance company. |

**BY ORDER OF THE PRESIDENT**

**MINISTER OF FOREIGN AFFAIRS**

**MINISTRY OF FOREIGN AFFAIRS MONROVIA, LIBERIA**