BAKER TILLY
LIBERIA

LIBERIAN BANK FOR DEVELOPMENT AND INVESTMENT (LBDI)
FINANCIAL STATEMENTS AND AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017

an independent member of
BAKER TILLY
INTERNATIONAL

Assurance | Tax | Advisory

Our Shared Values

BAKER TILLY
LIBERIA

The

Baker Tilly International

Mission Statement

To operate a network whose members deliver, with integrity and objectivity, superior independent audit, accounting, tax and financial services to clients through global resources and relationships.

Baker Tilly Values

1. We lead by example.
2. We deliver a quality service with an emphasis on integrity.
3. We are open and honest in all communications.
4. We act ethically.
5. We foster teamwork and collaboration with other Baker Tilly member firms.
6. We maintain a supportive environment in which our individuals can flourish

TABLE OF CONTENTS

Contents	**Page**

CORPORATE INFORMATION

Registered Office:	Liberian Bank for Development and Investment P.O. Box 10 – 0547 – 1000 Monrovia 10 Corner of Tubman Boulevard & 9th Street, Sinkor
Directors:	Samuel D.Tweah Jr. (Joined in February 2018) /Boimah S. Kamara(Resigned in February 2018) Chairman – Board of Directors Mr. John B. S. Davies, III – President and Chief Executive Officer Chairman – Executive Committee Mr. David C. Johnson – Chairman: Audit & Risk Management Committees Mr. Ashton Towler – Chairman: Asset and Liability Committee Mr. Dewitt vonBallmoos – Chairman: Credit Committee Mrs. Elizabeth G. Anthony - Member Dr. James S. P. Cooper – Member Mr. S.T. Eugene Peabody – Member Mr. Paarock VanPercy – Member Mr. MacDonald S. Goanue, Jr. – Member
Corporate Secretary:	Ms. Gloria Y. Menjor, General Manager/Deputy Chief Executive Officer
Solicitor:	Cooper & Togbah Law Office
Auditors:	BAKER TILLY LIBERIA LIMITED *(Certified Public Accountants)* King Plaza, 2nd-4th Floor 80 Broad Street Monrovia

Report of the Directors

The Directors herewith present their report to the shareholders together with the financial statements for the year ended 31 December 2017.

Directors' responsibility statement

The Bank's Directors are responsible for the preparation and fair presentation of the financial statements; comprising the statement of financial position at 31 December 2017, statement of profit or loss and other comprehensive income, the statement of changes in equity, statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS), and in the manner required by the New Financial Institutions Act (FIA) of 1999 and the Prudential Regulations of the Central Bank of Liberia (CBL), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Results

The results for the year and the state of the bank's affairs are set out in the attached financial statements.

Approval of the financial statements

The financial statements of the Bank were approved by the Board of Directors on ………, 2018.

Secretary

The Secretary of the Board is Ms. Gloria Y. Menjor, General Manager/Deputy Chief Executive Officer (DCEO).

By Order of the Board

.... Director

.... Director

BAKER TILLY
LIBERIA

King Plaza
2nd – 4th Floors
Broad Street
P. O. Box 10-0011
1000 Monrovia 10
Liberia

T: +231 (0) 886 490 120
F: +1 905 469 0986

info@bakertillyliberia.com
www.bakertillyliberia.com

INDEPENDENT AUDITOR'S REPORT

To: The Board of Director and Shareholders
The Liberian Bank for Development & Investment (LBDI)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Liberian Bank for Development & Investment (LBDI) (the Bank), which comprise the statement of financial position as at December 31, 2017, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Bank as at December 31, 2017, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the New Financial Institutions Act of 1999.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter(s)	How matter was addressed in our audit
Impairment of loans and advances to customers The assumptions that underpin the Bank's determination of collective and specific impairment are subjective and involve a significant amount of judgment in the determination of loan asset classification as well as estimation of the timing and certainty of future cash flows. Management uses a mix of objective criteria and judgment in the determination of loan asset classification. This classification, which is predominantly subjective because of management's extensive use of judgment, impacts whether loan assets are tested for impairment specifically or collectively. For loan assets assessed individually for impairment, Management employs significant judgment and assumptions in estimating the timing and certainty of cash flows as well as the future value(s) of collateral(s) pledged against the assets. Impairment loss has not been recognized on a significant number of classified loans due to management's estimation of high collateral values. Unclassified loans have been tested for impairment on a portfolio basis. Management has made significant assumptions in estimating the historical loss ratio and emergence period used in the impairment model for the determination of collective impairment. See Note 3.15 to the financial statements for further information.	We assessed the design and implementation as well as the operating effectiveness of controls over the Bank's procedures used in the classification of loan assets. We selected high value loans which account for a significant percentage of the Bank's loan portfolio for the purpose of this test. Our approach was to perform extensive procedures on management's use of judgment in the determination of loan asset classification. We documented management's judgment criteria used and assessed the validity of judgment criteria to underlying supporting documents. We challenged management's judgments/assumptions used in determination of loan asset class for low value customer accounts with unauthorized overdrafts. We performed substantive tests of details in assessing management's estimation of the timing and certainty of cash flows. For a sample of high value loan assets, we challenged management determination of collateral values, testing these to underlying supporting information such as liens, loan contracts and other relevant information which were used in management's determination. We performed re-computations on specific impairments, based on our review of the timing of future cash flows. We assessed management's input data and computational approach used in the estimation of historical loss ratio by comparing this with information available and methods used in prior periods. Based on our extensive understanding of the industry and the Bank, we re-assessed the emergence period used by the bank and performed a re-computation of collective impairment.
Revenue recognition The amount of revenue recognized in the year on interest income and fee and commission income is dependent on the appropriate assessment/classification of loan assets and an appropriate fee amortization schedule. As the classification of overdraft facilities is complex, significant judgment is applied in determining the asset class of these facilities. The determination of	We performed tests on the operating effectiveness of controls relating to loan asset classification by testing the classification of a sample of high value loan assets from the banking application to underlying supporting documents obtained from the credit department (credit report, credit recommendation on classification and loan portfolio). We performed substantive tests of details on fee and commission income by

loan asset class informs the appropriateness of accounting treatment of related income. In our view, revenue recognition is significant to our audit as the Bank might inappropriately recognize interest income on loan and overdraft facilities or use aggressive methods for fee and commission income amortization and this would usually lead to revenue and profit being recognized too early. Management determination of interest income relies extensively on the Bank's computer information system. A malfunctioning of the banking application, inappropriate input of data and/or lack of timely update of data could lead to extensive and long running misstatement of revenue. See Notes 2.5 and 2.6 to the financial statements for further information.	assessing the amortization schedule with information held from prior periods, testing loan asset period to underlying supporting information (customer credit files) and performing re-computation of fee and commission income. We performed substantive analytical procedures on various income streams, assessing month on month movements with observed movements in prior periods, corroboration from other supporting information and obtaining management's comments when outcomes exceeded our established expectations. We performed substantive analytical procedures by benchmarking the Bank's revenue to loan ratio to the industry average on an annual basis, noting exceptions and obtaining relevant corroborations from management. We also tested the accuracy of interest computations performed by the computer information system.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, the requirements of the New Financial Institutions Act (FIA) of 1999 and the Prudential Regulations of the Central Bank of Liberia (CBL) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Section 21-1(a) of the New Financial Institutions Act of 1999, we report that we received satisfactory explanations/information from the officers and /or agents of the bank, regarding the Bank's compliance with the Act.

Baker Tilly Liberia Limited
(Certified Public Accountants)
20 March, 2018
Monrovia

Statement of Profit or Loss and Other Comprehensive Income

In Liberian dollars	**Note**	**31-Dec-2017**	**31-Dec-2016**
Interest income	**9**	742,108,538	675,122,241
Interest expense	**10**	190,604,399	157,080,355
Net interest income		**551,504,139**	**518,041,886**
Loan impairment charges		37,283,523	50,589,002
Net interest income after loan impairment charges		**514,220,616**	**467,452,884**
Fee and commission income	**11**	514,665,492	450,069,424
Fee and commission expense		-	-
Net interest and commission on Loans & Advances		**1,028,886,108**	**917,522,308**
Other operating income	**12**	378,584,560	199,796,664
Total income for the period		**1,407,470,668**	**1,117,318,972**
Personnel expenses	**13**	549,384,802	419,916,801
General and administrative expenses	**14**	570,658,711	430,323,091
Operating lease expenses		43,296,603	32,009,308
Other operating expenses	**15**	130,593,863	64,584,387
Total operating expenditure for the period		**1,293,933,979**	**946,833,587**
Profit for the period		**113,536,689**	**170,485,385**
Profit attributable to:			
Equity holders of the entity			
Profit for the period from continuing operations		**113,536,689**	**170,485,385**
Earnings per share for the profit/loss from continuing operations attributable to the equity holders of the bank during the period (expressed in Liberian dollars per share):			
- Basic		167.48	251.48
- Diluted		167.48	251.48

The notes on pages 12 to 66 are integral parts of these financial statements

Statement of Financial Position

In Liberian dollars	Note	31-Dec-2017	31-Dec-2016
Assets			
Cash and cash equivalents	16	1,956,788,070	2,009,539,798
Investments	17	1,674,520,020	1,608,209,672
Loans and Advances to Customers	18	11,014,535,163	8,650,363,252
Other assets	19	5,640,202,045	3,576,792,627
Investment property	20	745,500,000	745,500,000
Intangible assets	21	164,451,457	59,643,489
Property and equipment	22	1,320,543,297	998,387,591
Total assets		**22,516,540,052**	**17,648,436,429**
Liabilities			
Deposits from Customers	23	13,790,458,832	11,424,378,431
Due to Central Bank & EBID	24	1,818,055,774	1,241,573,449
Other liabilities	25	4,603,496,567	2,853,675,636
Total liabilities		**20,212,011,173**	**15,523,627,516**
Equity			
Share capital	26	388,228,269	388,228,269
Share Premium	26	140,958,544	140,958,544
Statutory Reserves	27a	394,523,913	366,139,741
Revaluation Surplus	27b	450,695,941	450,695,941
Treasury stock		(5,254,643)	(5,254,643)
Translation Adjustments	28b	616,107,031	325,311,345
Retained earnings / (Accumulated losses)		319,269,826	458,729,716
Total equity attributable to the owners of the bank		**2,304,528,881**	**2,124,808,913**
Total liabilities and equity		**22,516,540,052**	**17,648,436,429**

John B.S. Davies III
President/Chief Executive Officer

Dr. James S.P. Cooper
Director

The notes on pages 12 to 66 are integral parts of these financial statements

Statement of Cash Flows

In Liberian dollars	31-Dec-2017	31-Dec-2016
Cash flows from operating activities		
Profit for the period	113,536,689	170,485,385
Adjustments for:		
Prior year adjustment	(139,750,757)	-
Depreciation and amortization	91,976,364	94,416,705
Translation differences	290,795,686	8,142,302
	356,557,982	**273,044,392**
Changes in:		
Loans and advances to customers	(2,364,171,911)	(1,837,964,039)
Other assets	(2,063,409,417)	159,229,019
Deposits from customers	2,366,080,401	972,608,369
Other liabilities	1,745,820,930	1,149,763889
Net cash from/(used in) operating activities	**40,877,985**	**716,681,630**
Cash flows from investing activities		
Purchase of property & equipment and Intangible	(206,567,858)	(164,671,300)
Investments	(66,310,349)	(151,228,858)
Adjustments (retained earning & fixed assets)	(312,372,179)	(433,179,173)
Net cash from/(used in) investing activities	**(585,250,387)**	**(749,079,331)**
Cash flows from financing activities		
Due to Central Bank & EBID	576,482,324	(27,984,345)
Dividend payable	(84,861,650)	69,597,500
Net cash from/(used in) financing activities	**491,980,674**	**(97,581,845)**
Net (decrease) / increase in cash and cash equivalents	**(52,751,728)**	**(129,979,546)**
Cash and cash equivalent at beginning of period	2,009,539,798	2,139,519,344
Cash and cash equivalent at end of period	**1,956,788,070**	**2,009,539,798**

The notes on pages 12 to 66 are integral parts of these financial statements

Statement of changes in equity									
	Share capital	**Share Premium**	**Revaluation reserves**	**Credit Risk Reserves**	**Statutory reserves**	**Treasury stock**	**Translation Adjustments**	**Retained earnings**	**Total**
In Liberian dollars									
Balance at 1 January 2016	388,228,269	140,958,544	615,619,573	392,052,257	323,518,395	(5,254,643)	458,801,263	89,764,444	2,403,688,102
Shares issued: Class B Common stock $10 par value	-	-	-	-	-	-	-	-	-
Share premium (Paid - in Capital in excess of par)	-	-	-	-	-	-	-	-	-
Reclassification based on CBL Guidelines/RSD/0864/2016	-	-	-	(392,052,257)	-	-	-	392,052,257	-
Revaluation reserves on investment properties	-	-	(164,923,632)	-	-	-	-	-	(164,923,632)
Write back of Provision	-	-	-	-	-	-	-	-	-
Other adjustment (Prior year items)			-	-	-	-	(489,515,844)	(81,353,522)	(570,869,366)
Total comprehensive income for the period:									
Profit for the period	-	-	-	-	42,621,346	-	-	127,864,039	170,485,385
Dividend payable	-	-	-	-	-	-	-	(69,597,500)	(69,597,500)
Other comprehensive income, net of tax									
Foreign currency translation difference (USD, EURO & GBP)	-	-	-	-	-	-	356,025,926	-	356,025,926
Total Equity & Reserves at December 31, 2016	**388,228,269**	**140,958,544**	**450,695,941**	**-**	**366,139,741**	**(5,254,643)**	**325,311,345**	**458,729,716**	**2,124,808,912**

Statement of changes in equity									
	Share capital	**Share Premium**	**Revaluation reserves**	**Credit Risk Reserves**	**Statutory reserves**	**Treasury stock**	**Translation Adjustments**	**Retained earnings**	**Total**
In Liberian dollars									
Balance at 1 January 2017	388,228,269	140,958,544	450,695,941	-	366,139,741	(5,254,643)	325,311,345	458,729,716	2,124,808,912
Shares issued: Class B Common stock $10 par value									
Share premium (Paid - in Capital in excess of par)									
Revaluation reserves on investment properties									
Other adjustment (Prior year items)								(139,750,757)	(139,750,757)
Total comprehensive income for the period:									
Profit for the period					28,384,172			85,152,517	113,536,689
Dividend payable									
								(84,861,650)	(84,861,650)
Other comprehensive income, net of tax									
Foreign currency translation difference (USD, EURO & GBP)							290,795,686		290,795,686
Total Equity & Reserves at December 31, 2017	**388,228,269**	**140,958,544**	**450,695,941**	**-**	**394,523,913**	**(5,254,643)**	**616,107,031**	**319,269,826**	**2,304,528,881**

The notes on pages 12 to 66 are integral parts of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1.0 Establishment and operation of LBDI

The Liberian Bank for Development and Investment (LBDI) was established in 1962 by the Government of Liberia in accordance with chapter 41 section 965 through 1004 of an Act of the National Legislature approved into law in the same year. The Act was amended twice, the final amendment being on March 22, 1965, following which the Bank commenced operations on November 24 of that year.

The Bank was established to facilitate, inter alia, the following economic policies of the Government of Liberia:

a) Develop the national economy through the free enterprise system;

b) Encourage the economic development of the country by facilitating international trade and investment of private capital for productive purposes;

c) Fund the establishment and expansion of small and medium enterprises;

d) Assist in the establishment, expansion and modernization of private enterprise;

e) In general, provide and nurture a climate favorable to the investment of private capital for the purpose of increasing the productive capacities of the national economy.

1.1 Activities of LBDI

LBDI was originally established to provide development banking services as outlined above. However, in 1988 the scope of operations of the Bank was expanded to include commercial banking services. The Act establishing the Bank was amended on July 21,1988 to authorize the expansion and the Bank commenced commercial banking activities on September 1, 1988 after being licensed by the then National Bank of Liberia, the predecessor of the Central Bank of Liberia.

2.0 Significant Accounting Policies

2.1 Basis of preparation

The financial statement of the bank has been prepared in accordance with International Financial Reporting Standards (IFRS) since 2013.

2.2 Currency of Accounting and Reporting

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

2.2.1 Functional and presentation currency

These financial statements are presented in Liberian dollars in accordance with the requirements of the Financial Institution Act of 1999. However, supplementary financial statements are included in United States dollars because the bank operates in an economy with dual currencies. The closing rate used to consolidate the statement of financial position was L$125.18 to US$1 as at December 31, 2017(2016: L$102.50 to US$1) and the Statement of Profit or Loss and Other Comprehensive Income was L$114.17 (2016: L$100.8 to US$1).

Notes to the financial statements *(continued)*

Significant accounting policies (continued)

2.3 Basis of measurement

These financial statements have been prepared on the historical cost basis and fair value have been applied where necessary.

2.4 Use of estimates and judgments.

The preparation of the financial statements in conformity with IFRS requires the Directors to make judgments, estimates and assumptions that affect the application of policies and related amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Other Accounting Policies

Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

(ii) Transactions and balances

Foreign currency transactions that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date. Non-monetary items denominated in foreign currency are measured and translated at historical rate (rate at the date of initial recognition). Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Income statement.

All foreign exchange gains and losses recognized in the Income statement are presented net in the Income statement. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

2.4.1 Changes in accounting policies and disclosures

New and amended standards not yet adopted by the Bank

There are new or revised Accounting Standards and Interpretations in issue that are not yet effective. These include the following Standards and Interpretations that may have an impact on future financial statements.

Notes to the financial statements *(continued)*

Significant accounting policies (continued)

Standard/Interpretation		Effective date
IFRS 9	Financial Instruments	1 January 2018
Annual Improvements 2015-2017 Cycle	Annual Improvements	31 December 2017
IFRS 15	Revenue from contract with customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contract	1 January 2021

IFRS 9(2014) Financial Instruments

IFRS 9 has been completed in stages with the IASB's phased approach reflected in a number of the standard being issued since 2009. Previous versions of the standard will be superseded by the version issued in July 2014 at its effective date of 1 January 2018.

The complete version of IFRS 9 replaces most of the guidance in IAS3 9. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through Other Comprehensive Income and fair value through P&L. The existing IAS39 categories of held-to-maturity, loans and receivables, and available for sale, are removed.

The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. A financial asset is classified as being subsequently measured at amortized cost if the asset is held within a business model whose objective is to collect contractual cashflows, and the contractual in terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

A financial asset is classified as being subsequently measured at fair value through other comprehensive income if it meets the solely payments of principal and interest criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

All other financial assets are subsequently measured at fair value though Profit and Loss. In addition an entity may, at initial recognition, irrevocably designate a financial asset as at fair value through profit and loss if doing so eliminates or significantly reduces an accounting mis-match that would otherwise arise.

Investments inequity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in Other Comprehensive Income.

Notes to the financial statements *(continued)*

Significant accounting policies (continued)

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Reclassification of financial assets is required if the objective of the business model in which they are held changes after initial recognition of the assets, and if the change is significant to the entity's operations. Such changes are expected to be very in frequent. No other reclassifications are permitted.

New and amended standards not yet adopted by the Bank

There is now a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. The new model uses a dual measurement approach under which the loss allowance is measured as either 12- month expected credit losses or life time expected losses.

Disclosures
FRS 9 will require extensive new disclosures, in particular about credit risk and expected credit losses.

Transition
IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018. Early adoption of the standard is permitted. The Bank does not intend to adopt the standard earlier. The classification and measurement and impairment requirements are generally applied retrospectively (with some exemptions) by adjusting the opening retained earnings and reserves at the date of initial application, with no requirement to restate comparative periods.

The Bank would be impacted due to the extensive new requirements for data and calculations and there may be the need for new processes to allocate financial assets to the appropriate measurement category.

Annual Improvements to IFRS Standards 2015 – 2017 Cycle
The International Accounting Standards Board issued 'Annual Improvements to IFRS Standards 2015 – 2017 Cycle' in December 2017. These are minor amendments affecting IFRS 3, 'Business combinations', IFRS 11, 'Joint arrangements', IAS 12, 'Income taxes', and IAS 23, 'Borrowing costs'.

Amended Standard	The amendments clarify that:
FRS 3 *Business Combinations*	A company re-measures its previously held interest in a joint operation when it obtains control of the business.
FRS 11 *Joint Arrangements*	A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
IAS 12 *Income Taxes*	A company accounts for all income tax consequences of dividend payments in the same way.
IAS 23 *Borrowing Costs*	A company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The amendments are effective from 1 January 2019, with early application permitted.

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

Clarifying measurement of previously held interest in obtaining control over a joint operation under IFRS 3

The amendments clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages. The acquirer should remeasure its previously held interest in the joint operation at fair value at of the acquisition date. The amendments are effective for business combinations with acquisition date on or after the beginning of annual periods beginning on or after 1 January 2019. Earlier application is permitted.

New and amended standards not yet adopted by the Bank

Clarifying measurement of previously held interest in obtaining joint control over a joint operation under IFRS 11
The amendments clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation. The amendments are effective for transactions resulting in obtaining joint control on or after the beginning of annual periods beginning on or after 1 January 2019 and is not expected to have a significant impact on the Bank.

Income tax consequences under IAS 12 of payments on financial instruments classified as equity

The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. These requirements apply to all income tax consequences of dividends.
Previously, it was unclear whether the income tax consequences of dividends should be recognised in profit or loss, or in equity, and the scope of the existing guidance was ambiguous. The IASB Board noted that the amendments do not suggest that an entity recognises in profit or loss the income tax consequences of all payments on financial instruments classified as equity. Rather, the tax consequences are recognised in profit or loss only when an entity determines payments on such instruments are distributions of profits (that is, dividends). An entity may need to apply judgement in making this determination. These amendments should be applied for annual periods beginning on or after 1 January 2019 to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period are not expected to have a significant impact on the Bank.

Borrowing costs eligible for capitalisation under IAS 23
The amendments clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. These amendments should be applied prospectively for borrowing costs incurred on or after the beginning of annual periods beginning on or after 1 January 2019 is not expected to have a significant impact on the Bank.

- As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

IFRS 15 Revenue from contracts with customers

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized.
IFRS 15 Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

The new standard introduces comprehensive guidance on identifying separate components, which applies to all types of revenue-generating transactions. This could result in goods or services being unbundled or bundled more frequently than under current practice. However, in most cases, a 'traditional' construction contract relating to a single asset or a combination of assets that are closely inter-related or interdependent, will meet the conditions to be a single performance obligation –and so treating the whole contract as the unit of account is likely to continue.

New and amended standards not yet adopted by the Bank

Additionally, contracts are currently accounted for under the stage-of-completion method in accordance with IAS 11 whenever they meet the definition of a construction contract. By contrast, the new standard uses new concepts that entities need to apply to the specific facts and circumstances of individual performance obligations. This could result in different assessment outcomes –and therefore, significant differences in the timing of revenue recognition – compared with current practice.
The core principle of the new standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements.

The Bank has started formal assessment of potential impact on its financial statements resulting from the application of IFRS 15 and has initiated any specific actions towards the preparation for implementation of IFRS 15. Accordingly, it is will provide more information in the financial statements for the year ending December 31, 2018 in respect of estimating the impact that the application of IFRS 15 will have on the bank's financial statements.
This new standard will most likely have a significant impact on the Bank, which will include a possible change in the timing of when revenue is recognized and the amount of revenue recognized.

This standard is effective for annual periods beginning onorafter1 January 2018 with early adoption permitted and is not expected to have a significant impact on the Bank.

IFRS 16- Leases

On January 13, 2016, the International Accounting Standard Board (IASB) published a new standard- IFRS 16- Leases. The standard brings most leases on-balance sheet for lessees under a singles model, eliminating the distinction between operating and finance leases. Less or accounting, however remain largely unchanged and the distinctions is made between operating and finance leases. IFRS 16- Leases supersede IAS 17 Leases and related interpretations.

This new standard will most likely have a significant impact on the Bank, which will include a possible change in the accounting arrangement for lease transactions. The Bank is currently in the process of performing a more detailed assessment of the impact of this standard on the Bank and will provide more information in the year ending 31 December 2018 financial statements.

This standard is effective or annual periods beginning onorafter1 January 2019 and is not expected to have a significant impact on the Bank.

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

New and amended standards not yet adopted by the Bank

Summary of Other Changes to IFRS
The following new or amended standards are not expected to have a significant impact of the Bank's financial statements.

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 Share-Based Payment) (effective for annual periods beginning on or after 1 January 2018)
- Annual Improvements to IFRS Standards 2015-2015 Cycle (effective for annual periods beginning on or after 1January 2018) See above.
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations (effective for annual periods beginning on or after 1 January 2018)
- IFRS 17 Insurance contracts (effective for annual periods beginning on or after 1 January 2021)
- IAS 40 (Amendments) Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018)

2.5 Interest Income and Expense

Interest income and expense for all interest bearing financial instruments are recognized in the Income Statement within "interest income" and "interest expense" section using the effective interest rate method.

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

The calculation of the effective interest rate includes contractual fees and charges paid or transaction costs received, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.
Interest income and expense presented in the Income Statement include:

- Interest on financial assets and liabilities measured at amortized cost calculated on an effective interest rate basis.

2.6 Fees and commission

Fees and Commission that are integral to the effective interest rate on a financial asset are included in the measurement of the effective interest rate. Fees, such as processing and management fees charged for assessing the financial position of the borrower, evaluating and reviewing guarantee, collateral and other security, negotiation of instruments' terms, preparing and processing documentation and finalizing the transaction are an integral part of the effective interest rate on a financial asset or liability and are included in the measurement of the effective interest rate of financial assets or liabilities.

Other fees and commissions which relates mainly to transaction and service fees, including loan account structuring and service fees, investment management and other fiduciary activity fees, sales commission, placement line fees, syndication fees and guarantee issuance fees are recognized as the related services are provided / performed.

Notes to the financial statements *(continued)*

Significant accounting policies (continued)

2.7 Net trading income

Net trading income comprises trading gains and losses on trading in foreign Exchange.

2.8 Leases

Leases are accounted for in accordance with IAS 17 and IFRIC 4. They are divided into finance leases and operating leases.

The Bank is the lessee

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

2.9. Financial assets and liabilities

(i) Recognition

The Bank initially recognizes loans and advances, deposits amounts, due from Central Bank and to intercompany on the date that the transactions are originated. All other financial assets and liabilities are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

(ii) Classification

The classification of financial instruments depends on the purpose, characteristics and management's intention for which the financial instruments were acquired. The Bank's classification of financial assets and liabilities are in accordance with IAS 39.

a) <u>Loans and Receivables</u>.

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

Loans are initially recognized at their transaction price, which is the cash amount advance to the borrower. In addition, the net of direct and incremental transaction costs and fees are included in the initial carrying amount of the loans.
These loans are subsequently measured at amortized cost using the effective interest method less impairment.

Loans which have been acquired as assets purchased are initially recognized at fair value at the acquisition date. The fair value at the acquisition date incorporates expected cash flow which considers the credit quality of these loans including any incurred losses.

Notes to the financial statements *(continued)*

Significant accounting policies (continued)

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with the Central Bank of Liberia and highly liquid financial assets with original maturities of less than three months, as well as cash on deposit with premier correspondent banks, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term financial commitments. Cash and cash equivalents are carried at amortized cost in the Statement of financial position.

b) **Investment Securities**

(i) Available-for-sale

Available-for-sale assets are those intended to be held for an indefinite period of time, which may be sold in response to the bank's needs for liquidity or changes in interest rates, exchange rates, or equity prices. Investment securities and treasury bills with a maturity of 182 days or less are classified as available for sale.
Financial assets not classified as at fair value through profit or loss or as loans are classified as Available-for-sale (AFS). A financial asset is initially recognized at its fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Financial assets classified as AFS are carried at fair value with the changes in fair value reported in other comprehensive income, unless the asset is subject to a fair value hedge, in which case changes in fair value resulting from the risk of being hedged, in which case changes in fair value are recorded in other income.
Financial assets classified as available-for-sale (AFS) are assessed for impairment as discussed in the section entitles 'Impairment of financial assets'.
Shares of Blue chip companies held for sale to the public are classified as available-for-sale and are recognized on trade-date-the date on which the bank commits to the purchase of the instrument.

(ii) Held-to maturity

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has an intention and ability to hold to maturity. Were the entity is to sell more than an insignificant amount of held-to-maturity assets, the entire category would have to be reclassified as available for sale. Treasury bills with an original maturity of more than 182 days, treasury notes and other government bonds are classified as held-to-maturity.

c) <u>Government Bonds</u>

Government bonds are measured at the face amount of the instrument and recognized at the date the instrument is issued. Bonds interests are amortized over the life of the instrument. Government Bonds are reported or carried at amortized costs.

d) <u>Restricted Assets</u>

These are reported when restrictions on the use of the assets change the nature or the normal understanding of the availability of the assets. For example, cash held with correspondent banks are normally classified as cash and cash equivalents, and normal understanding of these presumes that restrictions do not limit the bank's ability to use the resources to pay current liabilities. But cash and investment held in a separate account that can only be used to pay obligation, for example, a letter of credit commitment as required by the arrangements and cannot be used to settle other current obligations are reported as restricted assets and classified under other Assets on the statement of financial position.

Notes to the financial statements *(continued)*

Significant accounting policies (continued)

e) Financial assets classified as Available-for-sale (AFS)

Financial assets that are not classified as at fair value through profit or loss or as loans are classified as Available-for-sale (AFS). A financial asset is initially recognized as its fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. The amortization of premiums and accretion of discount are recorded in net interest income. Financial assets classified as AFS are carried at fair value with the changes in fair value reported in other comprehensive income, unless the asset subject to a fair value hedge, in which case changes in fair value resulting from the risk of being hedged are recorded in other income.

Financial assets classified as available-for-sale (AFS) are assessed for impairment as discussed in the section entitled 'Impairment of financial assets'. Realized gain or losses are recognized in Net gain on financial assets available-for-sale.

(iii) Measurement

All financial instruments are measured initially at their fair value plus transaction costs. For assets and liabilities not quoted in active markets, fair value is determined using valuation techniques, such as discounted cash flows models or option pricing models. Such valuation techniques estimate the price that would have been paid in an arm-length transaction motivated by normal business consideration on the balance sheet date.

Non-tradable financial liabilities are measured at amortized cost. Subsequent recognition of financial assets and liabilities is at amortized cost or fair value.

a) Amortized cost measurement

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

b) Fair value measurement

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

(iv) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statements of financial position when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(v) De-recognition

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain

Notes to the financial statements *(continued)*

Significant accounting policies (continued)

or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or when it is no longer permissible to continue carrying the asset under IFRS.

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

The Bank enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions. In transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Bank derecognizes a financial liability other than financial guarantees and loan commitments as measured at amortized cost.

(vi) Identification and measurement of impairment

Assets carried at amortized cost

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

(a) significant financial difficulty of the issuer or obligor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(d) it becomes probable that the borrower will enter bankruptcy or other financial re-organization;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) adverse changes in the payment status of borrowers in the portfolio; and

(ii) national economic conditions that correlate with defaults on the assets in the portfolio.

The estimated period between a loss occurring and its identification is determined by local management for each identified portfolio. In general, the periods used vary between three months and 12 months; in exceptional cases, longer periods are warranted.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the Income Statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Bank's

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors).
Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the bank and historical loss experience for assets with credit risk characteristics similar to those in the bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans and advances to banks and customers are classified in loan impairment charges whilst impairment charges relating to investment securities (held to maturity category) are classified in 'Net impairment loss on financial assets'.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the Income Statement.

2.10 Property, plant and equipment

(i) Recognition and measurement

The bank recognizes items of property, plant and equipment at the time the cost is incurred. These costs include costs incurred initially to acquire or construct an item of property and equipment. This cost also includes the costs of its dismantlement, removal or restoration, the obligation for which an entity incurs is a consequence of using the item during a particular period.
Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

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

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

(ii) Land and Buildings

The Bank reports all land and buildings at their revalued amount, being their fair value less any subsequent accumulated depreciation and impairment losses.

Revaluation is carried out with sufficient regularity, in this case, every five (5) years to ensure that the carrying amount does not defer materially from that which would be determined using fair value at the end of the reporting period.

If the asset carrying amount is increased as a result of revaluation, the increase is recognized in other comprehensive income and accumulated in equity under a heading "**Revaluation surplus"**. However, the increase is recognized in profit and Loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit and loss. If an asset carrying amount is decreased as a result of a revaluation, the decrease is recognized in profit and loss. However, the decrease can be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation Surplus in respect of that asset.

The assets' carrying values and useful lives are reviewed, and written down if appropriate, at each date of the Statements of financial position. Assets are impaired whenever events or changes in circumstances indicate that the carrying amount is less than the recoverable amount on impairment of non-financial assets.

(iii) Leasehold Improvements

Leasehold improvements are additions or improvements the bank makes to lease properties. They are typically referred to as improvements made to buildings or land (real properties) that the Bank currently occupies through an operating lease.
Expenditure made to improve leased properties are capitalized if the lease term is more than one year and reported as a line item with Property, Plant and Equipment in the statement of financial position. Leasehold improvements are amortized over the shorter of the remaining life of the lease term or the useful life of the asset.

(iv) Subsequent costs

The cost of replacing part of an item of Property, Plant or Equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to- day servicing of property and equipment are recognized in the income statement as incurred.

(v) Depreciation

Depreciation is recognized in the income statement on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives.

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognized or classified as held for sale in accordance with IFRS 5. A non-current asset or disposal group is not depreciated while it is classified as held for sale. The estimated useful lives for the current and comparative periods are as follows:

Item of Property, Plant and Equipment	Estimated Useful Life
Leasehold improvements -	Over the shorter of the useful Life of the item or lease term
Buildings	Fair value approach
Furniture and equipment	10 years
Computer hardware	5 years
Motor vehicles	3 years
Miscellaneous properties	3 years

Capital work in progress is not depreciated. Upon completion it is transferred to the relevant asset category. Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(iv) De-recognition

An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

2.11 Investment Properties

Investment properties include office buildings and other real properties that are held for long-term rental yields and/or capital appreciation. Investment properties include properties constructed or developed for future use as investment properties.

Investment properties are recognized initially at cost and subsequently carried at fair value determined every five years by independent valuers on the highest and best-use basis. Changes in fair values are recognized in profit or loss. Investment properties are subject to renovations and improvements at regular intervals.

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

The cost of major renovations and improvements is capitalized and the carrying amount of the replaced component is recognized in profit or loss. The cost of repairs, maintenance and minor improvements are recognized in profit or loss when incurred. On disposal of investment properties, the difference between the carrying amount and disposal proceeds is recognized in profit or loss.

2.12 Intangible assets

2.12.1 Software

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

Expenditure on internally developed software is recognized as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. Development costs previously expensed cannot be capitalized. The capitalized costs of internally developed software include all costs directly attributable to developing the software and capitalized borrowing costs, and are amortized over its useful life. Internally developed software, if any, is stated at capitalized cost less accumulated amortization and impairment.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates (e.g. upgrading or modification cost). All other expenditure is expensed as incurred.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The maximum useful life of software is between five and ten years.

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

2.13 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated, an impairment loss is determined and recognized on the asset. For intangible assets that have indefinite useful lives or that are available for use, the recoverable amount is estimated each year. However, the Bank chooses the cost model measurement to reassess intangible assets after initial recognition i.e. depreciated cost less any accumulated impairment losses.

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

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

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

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

2.14 Deposits

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

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

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

2.15 Provisions

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

A provision for restructuring is recognized when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. The Bank recognizes no provision for future operating losses.

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

2.16 Financial guarantees

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

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

Financial guarantee liabilities are initially recognized at their fair value, and the initial fair value is amortized over the life of the financial guarantee.

The guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees, principally consisting of letters of credit are included within other liabilities.

2.17 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a pension plan under which the Bank pays fixed contributions to a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(ii) Termination benefits

Termination benefits are recognized as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognized if the Bank has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(iii) Short-term employee benefits

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

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

2.18 Share capital and reserves

(i) Share issue costs

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

(ii) Dividend on the Bank's ordinary shares

Dividends on the Bank's ordinary shares are recognized in equity when approved by the Bank's shareholders.

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

2.19 Earnings per share

The Bank presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

3.0 Financial risk management

3.1 Introduction and overview

The Liberian Bank for Development and Investment (LBDI) has a robust and functional Enterprise-wide Risk Management (ERM) Framework that is responsible for identifying and managing the whole universe of inherent and residual risks facing the Bank. The bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risks
- Foreign exchange risk
- Strategy risk and
- Reputational risk

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

3.2 Risk management philosophy

The risk management philosophy of the bank is drawn from its mission and vision statements and seeks to achieve maximum optimization of the risk – return trade off, while ensuring strong commitment to the following key indices:

- excellent service delivery across business segments;
- sound performance reporting (financial and non-financial);
- sound corporate governance;
- consistent appreciation of shareholders' value; and
- appreciation of contribution of employees.

The bank will continue to adhere to the following risk principles to perform consistently on the above stated indices:

- the Bank will not take any action that will compromise its integrity and sound performance reporting (financial and non-financial);
- the Bank will adhere to the risk management practice of identifying, measuring, controlling and reporting risks;
- risk control will not constitute an impediment to the achievement of the Bank's Strategic objectives;
- the Bank will always comply with all government regulations and embrace global best practices; and
- the Bank will only assume risks that fall within its risk appetite which commensurate with returns.

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

3.3 Risk management framework

The bank's risk management policies are established to identify and analyze the risks faced by the bank, set appropriate risk limits and controls, monitor risks and adherence to limits. This policy is subject to review at least once a year at the level of the Board of Directors.

More frequent reviews may be conducted in the opinion of the Board, when changes in laws, market conditions or the bank's activities are material enough to impact on the continued adoption of existing policies. The bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles, obligations and responsibilities.

The Board of Directors has overall responsibility for the establishment and oversight of the bank's risk management framework via its committees – The Board's Risk Management Committee, Credit Committee, Audit & Compliance Committee and Assets & Liabilities Committee. These committees are responsible for developing and monitoring risk policies in their specified areas and report regularly to the Board of Directors on their activities. There is also an Executive Committee chaired by the President considering of those Board members resident in Liberia which meets if emergencies arise.

The Board Committees are assisted by the various Management Committees in identifying and assessing risks arising from the day to day activities of the bank. These committees are:

- The Management Credit Committee (MCC)
- Management Assets and Liabilities Committee (M-ALCO)
- Management Audit Committee
- Other Ad-hoc Committees

Audit and Risk Management have re-executive members.
These committees meet on a regular basis while others are set up on an ad-hoc basis as dictated by circumstances.

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

Risk management of the Bank is structured as follows:

The Board's Risk Management Committee is responsible for reviewing and recommending risk management policies, procedures and profiles including risk philosophy, risk appetite and risk tolerance levels of the bank. The oversight functions cut across all risk areas. The committee monitors the Bank's plans and progress towards meeting regulatory Risk-Based Supervision requirements and migration to Basel II compliance as well as the overall Regulatory and Capital Adequacy and the Bank's transition to IFRS.

The bank's Board of Directors has delegated responsibility for the management of credit risk to the **Board Credit Committee**. The Board Credit Committee considers and approves all lending exposures above management limit but up to LRD 0.5 million as well as insider-related credits in excess of limits assigned to the **Management Credit Committee** by the Board.

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

Management Credit Committee formulates credit policies in consultation with business units, covering credit assessment, risk grading and reporting, collateral, regulatory and statutory requirements. The committee also assesses and approves all credit exposures in excess of the Management Credit Committee unit and recommends then for approval by the Board Credit Committee (BCC). The BCC in turns recommends credits in excess of their limit for approval by the full Board.

The Assets & Liabilities Management Committee establishes the bank's standards and policies covering the various components of Market and Liquidity Risks. These include issues on Interest Rate Risk, Liquidity Risk, Investment Risk and Trading Risk. It ensures that the authority delegated by the Board and **Management Risk Committees** with regards to Market Risk is exercised, and that Market Risk exposures are monitored and managed effectively. Furthermore, the Committee limits and monitors the potential impact of specific pre-defined market movements on the comprehensive income of the Bank through stress tests and simulations.

The Management Credit Committee is responsible for identifying, controlling, monitoring and reporting credit risk related issues. The Head of Credit Administration (CAD) of the bank also serves as the secretariat for the **Management Credit Committee**.

Credit risk is the most critical risk for the bank as credit exposures, arising from lending activities account for the major portion of the bank's assets and source of its revenue. Thus, the bank ensures that credit risk related exposures are properly monitored, managed and controlled.

The Credit Risk Management Department is responsible for managing the credit exposures, which arise as a result of the lending and investment activities as well as other unfunded credit exposures that have default probabilities; such as contingent liabilities.

3.4 Risk management methodology

The bank recognizes that it is in the business of managing risks to derive optimal satisfaction for all stakeholders. It has therefore, over the years detailed its approach to risk management through various policies and procedures, which include the following:

- RM Policies
- Credit Policy Guide
- Human Resources Policy Manual
- Standard Operating Procedures
- IT Policies
- Treasury policies

To ensure adherence to the policies and procedures, several exception reports on customers and activities of the bank are generated by the various audit control units for management's decision making. These include:

- Monthly Management Profitability Reports (MPR) for the marketing teams including branches and business units;
- Monthly Operations Performance Reports (OPR) for the support teams;
- Quarterly Business Profitability Review ;
- Annual Bank-wide performance appraisal systems;
- Criticized Asset Committee Report;
- Monthly Expense Control Monitoring Report; and
- Semi-annual Strategy Review

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

3.5 Risk management overview

The bank operates a functional Risk Management Department that reports to the Board of Risk Management Committee. The risk management infrastructure therefore further encompasses a comprehensive and integrated approach to identifying, managing and reporting risks:

(i) the main risk categories covered by LBDI are those outlined in the CBL guidelines: Credit Market/Liquidity and Operational;
(ii) additional core risks such as Reputation and Strategy risks.

The bank has implemented the Basel II recommended capital measurement approaches for the estimate of the bank's economic capital required to cope with unexpected losses. It is putting in place other qualitative and quantitative measures that will assist with enhancing risk management processes and creating a platform for more risk-adjusted decision-making.

3.6 Credit risk

Lending and other financial activities form the core business of the bank. The bank recognizes this and has laid great emphasis on effective management of its exposure to credit risk. The bank defines credit risk as the risk of counterparty's failure to meet the terms of any lending contracts with the bank or otherwise to perform as agreed. Credit risk arises anytime the bank's funds are extended, committed, invested or otherwise exposed through actual or implied contractual agreements.

The bank's specific credit risk objectives, as contained in the Credit Risk Management Framework, are:

- maintenance of an efficient loan portfolio;
- institutionalization of sound credit culture in the Bank;
- adoption of international best practices in credit risk management;
- minimizing the bank's exposure to potential bad credit; and
- development of Credit Risk Management professionals.

Each business unit is required to implement credit policies and procedures in line with the credit approval authorities granted by the Board. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolio, including those subject to Management Credit Committee's approval.

The Internal Audit and Compliance Department undertakes regular audits of business units and credit quality reviews.

The bank continues to focus attention on intrinsic and concentration risks inherent in its business in order to manage its portfolio risk. It sets portfolio concentration limits that are measured under the following parameters: concentration limits per obligor, business lines, industry, sector, rating grade and geographical area within Liberia. Sector limits reflect the risk appetite of the bank.

The bank drives the credit risk management processes using a combination of appropriate technology and market experience to achieve global best practices.

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

For Credit Risk Capital Adequacy computation under Basel ll Pillar l, the bank has commenced with the use of the Standardized Approach for Credit Risk Measurement, while collating relevant data required for migration to the Internal Rating Based (Foundation) Approach.

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

3.7 Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Board Credit Committee. The Board Credit committee is responsible for oversight of the bank's credit risk, including:

- *Formulating credit policies* in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- *Establishing the authorization structure* for the approval and renewal of credit facilities. Authorization limits are allocated to the Executive Credit Committee, Deputy Chief Executive Officer, Chief Executive Officer and the Board Credit Committee/Board of Directors as appropriate.
- *Reviewing and assessing credit risk*. Management Credit Committee assesses all credit exposures, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- *Developing and maintaining the bank's risk grading* in order to categorize exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The current risk grading framework consists of ten grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for approving the risk grades lies with the Board Credit Committee. The risk grades are subject to regular reviews by the Risk Management Committee.
- *Reviewing compliance* of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to the Board Risk Management Committee on the credit quality of portfolios and appropriate corrective action is taken.
- *Providing advice, guidance and specialist skills* to business units to promote best practice throughout the bank in the management of credit risk.

There were no changes in the bank's risk management policies. As credit is centralized, each business unit is required to implement credit policies and procedures, in line with credit approval policies authorized by the Board Credit Committee.

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

3.8 Credit risk measurement

In line with IAS 39, the bank adopted incurred loss approach and intends to migrate to the expected loss approach outlined under IFRS 9. The incurred loss approach takes into consideration the emergence period (EP) to arrive at losses that have been incurred at the reporting date. To enable the bank migrate to the internal rating based (foundation approach) as well as the expected loss approach as outlined under IFRS 9, the bank has developed its internal rating models.

LBDI undertakes lending activities after careful analysis of the borrowers' character, capacity to repay, cash flow, credit history, industry and other factors. The bank acknowledges that there are diverse intrinsic risks inherent in its different business segments and, as a result, applies different parameters to adequately dimension the risks in each business segment.

The Bank's rating grades reflect the range of parameters developed to predict the default probabilities of each rating class in line with international best practices and in compliance with BASEL II requirements. The grades reflect granularities and are handled by Account Officers and Relationship Managers with further check by Credit Risk Analysis Unit in Credit Risk Management Department.

Standardize methods have been used to estimate the amount of credit exposures, as the value of a product varies with changes in market variables, expected cash flows and time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring.

3.9 Risk Limit Control and Mitigation Policies

The bank applies limits to control credit risk concentration and diversification of its risk assets portfolio. The Bank maintains limits for individual borrowers and groups of related borrowers, business lines, rating grade and geographical area.

The Bank adopted obligor limits as set by the regulators and it is currently at 20% of the Bank shareholders' funds. The obligor limit covers exposures to counterparties and related parties. Although the Bank is guided by this regulatory limit, we apply additional parameters internally in determining the suitable limits that an individual borrower should have.

These include: obligor rating, position in the industry and perceived requirements of key players (e.g. import finance limit may be determined by the customer's import cycle and volume during each cycle), financial analysis, etc.

The Bank imposes industry/economic sector limits to guide against concentration risk as a result of exposures to sets of counterparties operating in a particular industry. The industry limits are arrived at after rigorous analysis of the risks inherent in the industry/economic sectors. The limits are usually recommended by the Bank's Board Credit Committee and approved by the Board. The limits set for each industry or economic sector depend on the historical performance of the sector as well as the intelligence report on the outlook of the sector. During the period, limits can be realigned (by way of outright removal, reduction or increase) to meet the exigencies of the prevailing macroeconomic events.

The Bank also sets internal credit approval limits for various levels of officers in the credit process.

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

Approval decisions are guided by the Bank's strategic focus as well as the stated risk appetite and the other limits established by the board or regulatory authorities such as Aggregate Large Exposure Limits, Single Obligor Limits, and Geographical Limits, Industry / Economic sector limits etc. The lending authority in the Bank flows through the management hierarchy with the final authority residing with the Board of Directors.

The deposit required for all cash collateralized facilities (with the exception of bonds, guarantees and indemnities) must be 140% of the facility amount to provide a cushion for interest and other charges.

3.10 Collateral policies

The Bank ensures that each credit is reviewed and granted based on the strength of the borrowers' cash flow. However, the Bank also ensures its credit facilities are well secured as a second way out strategy. The policies that guide collateral for facilities are embedded within the Bank's Credit Policy Guide.

These include the following policy statements amongst others:

(i) Loans to individuals or sole proprietors must be secured by tangible, marketable collateral that has a market value that is supported by a valuation report from a registered estate value who is acceptable to the Bank. The collateral must also be easy to check and easy to dispose of. This collateral must be in the possession of, or pledged to the Bank

(ii) Client's account balances must be within the scope of cover provided by its collateral

(iii) All collateral offered must have the following attributes:
- there must be good legal title;
- the title must be easy to transfer;
- it should be easy and relatively cheap to value;
- the value should be appreciating or at least stable; and
- the security must be easy to sell.

All collateral must be fully insured. Exceptions include cash collateral, securities in safe keeping, indemnity or guarantees, or where our interest is general (for instance in a negative pledge). The insurance policy has to be issued by an insurer acceptable to the Bank.

The main collateral types acceptable to the Bank for loans and advances include:

(i) mortgages over residential properties;
(ii) chattels over business premises, fixed and floating assets as well as inventory; and
(iii) charges over financial instruments such as equities, other assets, etc.

The Bank ensures that other financial assets, aside from loans and advances, such as Bank placements, are secured.

3.11 Off-balance sheet engagements

These instruments are contingent in nature and carry the same credit risk as loans and advances. As a policy, the Bank ensures that all its off-balance sheet exposures are subjected to the same rigorous credit analysis, like that of the on-balance sheet exposures, before a ailment. The major off-balance sheet items in the Bank's books are Bonds and Guarantees, which the Bank will only issue where it has full cash collateral or a counter indemnity from a first class bank, or another acceptable security.

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

3.12 Contingencies

Contingent assets which include transaction related bonds and guarantees, letters of credit and short term foreign currency related transactions, are not recognized in the annual financial statements but are disclosed when, as a result of past events, it is highly likely that economic benefits will flow to the bank, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the bank's control.

Contingent liabilities include transaction related bonds and guarantees, letters of credit and short term foreign currency related transactions. Contingent liabilities are not recognized in the annual financial statements but are disclosed in the notes to the annual financial statements unless they are remote.

3.13 Placements

The Bank has placement lines for its Bank counterparties. The lines cover the settlement risks inherent in our activities with these counterparties. The limits are arrived at after conducting fundamental analysis of the counterparties, presentation of findings to, and approval by the Bank's Management Credit Committee. The lines are monitored by Risk Management Department/Unit.

3.14 Impairment and provisioning policies

3.14.1 Impaired loans and securities

Impaired loans and securities are loans and securities for which the bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan /securities agreement(s). These are loans and securities specifically impaired and are graded 8 to 10 in the bank's internal credit risk grading system.

3.14.2 Past due but not impaired loans

Loans and securities where contractual interest or principal payments are past due but the bank believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the bank.

3.14.3 Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring or as prescribed by the regulations.

3.14.4 Allowances for impairment

The bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance, established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

3.14.5 Write-off policy

The bank writes off a loan / security balance (and any related allowances for impairment losses) when Management Credit Committee, with approval from the Board, determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balances standardized loans, charge off decisions are generally based on a product specific past due status.

3.15 Loans and advances

All loans and advances are categorized as follows:

- **Neither past due nor impaired:**

  These are loans and advances where contractual interest or principal payments are not past due. These loans and advances belong to the investment grade (rating grades 1 – 3).

- **Past due but not impaired:**

  These are loans and advances where contractual interest or principal payments are past due but individually assessed as not being impaired. The bank believes that impairment is not appropriate on the basis of the level of receivable/security/collateral available and/or the stage of collection of amounts owed to the bank.

- **Individually impaired:**

  Individually impaired are loans and advances for which the bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/advance agreement(s). These are loans and advances specifically impaired and are graded 8 to 10 in the bank's internal credit risk grading system.

- **Collectively impaired:**

  Collectively impaired are portfolios of homogenous characteristics where contractual interest or principal payments are not past due, but have been assessed for impairment by the bank. E.g. Mortgage and loans given collectively to individual employee in public and private institution.

3.16 Liquidity risk

The Bank's liquidity risk management process is primarily the responsibility of the Treasury and Risk Management Departments.

A brief overview of the bank's liquidity management processes during the year includes the following:

1. maintenance of minimum levels of liquid and marketable assets above the regulatory requirement of 15%. The Bank has also set for itself more stringent in-house limits of 30% and above the regulatory requirement to which it adheres;

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

2. monitoring of its cash flow and balance sheet trends. The Bank also makes forecasts of anticipated deposits and withdrawals to determine their potential effect on the Bank;
3. regular measurement & monitoring of its liquidity position/ratios in line with regulatory requirements and in-house limits;
4. regular monitoring of non-earning assets;
5. monitoring of deposit concentration;
6. ensure diversification of funding sources;
7. monitoring of level of undrawn commitments; and
8. maintaining a contingency funding plan.

(i) Funding approach

The Bank's overall approach to funding is as follows:
1. Generation of large pool of low cost deposits; and
2. Maintenance of efficiently diversified sources of funds along product lines, business segments to avoid concentration risk.

The bank was able to meet all its financial commitments and obligations without any liquidity risk exposure in the first five years (apart from that of CBL). The bank's Management Asset and Liability Committee (ALCO) is charged with the responsibility of managing the bank's daily liquidity position. A daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

All liquidity policies and procedures are subject to review and approval by Board ALCO. The Board ALCO sets limits which are in conformity with the regulatory limits. The limits are monitored regularly and exceptions are reported to the Board ALCO as appropriate. In addition, gap reports are prepared monthly to measure the maturity mismatches between assets and liabilities. The cumulative gap over total assets is not expected to exceed 15%.

(ii) Exposure to liquidity risk

The key measure used by the bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers and designated liabilities. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. A similar calculation is used to measure the bank's compliance with the liquidity limit established by the Bank's lead regulator (The Central Bank of Liberia).

3.17 Settlement risk

The bank's activities may give rise to risk at the time of settlement of transactions and trade. Settlement risk is the risk of loss due to the failure of a company to honor its obligations to deliver cash, securities or other assets as contractually agreed. For certain types of transactions, the bank mitigates this risk by conducting settlements through a settlement clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process described earlier. Acceptance of settlement risk on free settlement trade requires transaction specific or counterparty specific approvals from Risk Management Department.

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

3.18 Market risk

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

(i) Management of market risk

The bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios are mainly held by the Treasury Management Department, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis. With the exception of translation risk arising on the bank's net investment in its foreign operations, all foreign exchange risks within the bank are monitored by the Management ALCO Committee. Accordingly, the foreign exchange position is treated as part of the bank's trading portfolios for risk management purposes. Overall authority for market risk is vested in Management ALCO Committee.

However, they are also responsible for the development of detailed risk management policies (subject to review and approval by the Board ALCO and for the day-to-day review of their implementation.

(ii) Exposure to market risks – trading portfolios

The principal tool used to measure and control market risk exposure within the bank's trading portfolios is the open position limits using the Earning-at-Risk approach.

Specific limits (regulatory and in-house) have been set across the various trading portfolios to prevent undue exposure and the Treasury Management Department ensures that these limits and triggers are adhered to by the bank.

3.19 Exposure to interest rate risk – Trading and non-trading portfolios

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

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

The Bank makes use of limit monitoring, earnings-at-risk, gap analyses and scenario analyses to measure and control the market risk exposures within its trading and banking books.

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

The bank also performs regular stress tests on its banking and trading books. In performing this, the bank ensures that there are quantitative criteria in building the scenarios. The bank determines the effect of changes in interest rates on interest income; volatility in prices on trading income; and changes in funding sources and uses on the bank's liquidity. However, all potential risk exposures in the course of the year were successfully mitigated as mentioned above.

(i) Exposure to other market risks – non-trading portfolios (continued)

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the bank's financial assets and liabilities to various scenarios. Credit spread risk (not relating to changes in the obligor / issuer's credit standing) on debt securities held by the bank and equity price risk is subject to regular monitoring by Management ALCO and the Risk Management Department, but is not currently significant in relation to the overall results and financial position of the bank. Interest rate movement affect reported equity in the following ways:

- Retained earnings arising from increase or decrease in net interest income and the fair value changes reported in profit or loss.
- Fair value reserves arising from increases or decreases in fair value of financial instruments reported directly in other comprehensive income.

Overall non-trading interest rate risk positions are managed by Treasury, which uses advances to banks and deposits from banks to manage the overall position arising from the bank's non- trading activities. However, as at December 31, 2016 no significant interest rate changes occurred that impacted the bank.

4.0 Capital management and Other Risks

4.1 Regulatory capital

The bank's regulator, the Central Bank of Liberia, sets and monitors capital requirements for the Bank. The banking operation is directly supervised by the Central Bank of Liberia and other regulatory authorities in the country.

In implementing current capital requirements, Central Bank of Liberia requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets. The Bank's regulatory capital is analyzed into two tiers:

Tier 1 or Primary Capital: This includes ordinary share capital, share premium, retained earnings, translation reserve and non-controlling interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Tier 2 or Secondary Capital: This represents the secondary or supplemental capital and it consist of the following: hybrid (debt/equity) - Capital Instruments and subordinated term debt or loan stock or debenture stock.

The Bank and its individually regulated operations have complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Bank's management of capital during the year.

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

4.2 Capital adequacy ratio

The capital adequacy ratio is the quotient of the capital base of the bank and the bank's risk weighted asset base. In accordance with Central Bank of Liberia regulations, a minimum ratio of 10% is to be maintained as capital adequacy ratio and as at December 31, 2016, the Liberian Bank for Development and Investment's position is 28.11 %(2016: 34.60%). Computation of the capital adequacy ratio of the Bank is given below:

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

Capital Adequacy Ratio Computation:

In Liberian Dollars		
1. Tier 1 Capital	**2017**	**2016**
Paid-in-Capital	388,228,269	388,228,269
Share premium	140,958,544	140,958,544
Statutory capital	395,957,664	366,139,741
Retained Earnings	402,697,724	458,729,716
Other distributable & Legal reserves	1,066,802,973	803,007,286
	2,394,645,174	**2,157,063,556**
Deduction from Tier 1 Capital:		
Intangibles	164,451,457	59,643,489
Treasury shares	5,254,643	5,254,643
Connected Lending of Capital Nature	90,961,248	28,925,910
Total qualifying Tier 1 Capital	**2,133,977,826**	**2,063,239,514**
2. Tier 2 Capital		
Subordinated Term Debt	1,818,055,774	1,269,557,974
Qualifying Subordinated Term Debt (Limited to 50% of Tier 1)	1,066,988,913	1,204,471,373
Total Qualifying Tier Two (2) Capital	1,066,988,913	1,204,471,373
Total Qualifying Capital (Qualifying Tier 1 + Qualifying Tier 2)	**3,200,966,740**	**3,141,771,292**

on and off Balance sheet Exposures items

Total Aggregate On-Balance Exposures	**Value of Exposures**	**Risk Weighted value**	**Risk Weighted Without CRM**	**Effect of CRM**	**Amount**	**Amount**
Loans & Advances	11,014,535,163	11,014,535,163	-	-	11,014,535,163	8,650,363,252
Off Balance sheet Item	371,921,047	371,921,047	-	-	371,921,047	431,159,595
Total Risk Weighted On & Off Balance Sheet Items					**11,386,456,210**	**9,081,522,847**
Adjusted Capital Base/Total Risk Weighted On & Off Balance Sheet Items					**28.11**	**34.60**
Regulatory Capital Adequacy Ratio					**10.00**	**10.00**
Surplus/(Deficit)					**18.11**	**24.60**

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

4.3 Operational risk

LBDI defines Operational Risk Management "Operations Risk" as "the direct/indirect risk of loss resulting from inadequate and/or failed internal processes, people, and systems or from external events". This definition requires the review and monitoring of all strategies and initiatives deployed in its people management, process engineering and re-engineering, technology investment and deployment, management of all regulatory responsibilities and response to external threats.

To ensure a holistic framework is implemented, Operational Risk Management also monitors Strategic and Reputational Risks from a broad perspective.

The following practices, tools and methodologies have been implemented for this purpose:

- **Loss Incident Reporting** – An in-house developed manual Loss Incident Reporting System is deployed thorough the Bank's Internal system of logging operational risk incidents bank-wide. All staff members are encouraged to report operational risk incidents that occur within their work places whether it crystallize into actual losses or not. As a result, LBDI has collated Operation Risk loss data for five years. Information gathered is used to identify risk concentrations and for appropriate operational risk capital calculation.

- **Fraud Risk Management** Initiatives – Causal analysis of key fraud and forgeries trends identified in the Bank or prevalent in local and global business environments are carried out and reported on a monthly basis. Likely and unlikely loss estimations are also determined in the process as input in the Operation Risk capital calculation process. The focus in Fraud Risk Management is to ensure that processes for preventing, deterring, detecting fraud and forgeries incidents, and sanctioning offenders are effective.

- **Business Continuity Management (BCM)** in line with BS 25999 Standards – To ensure the resilience of our business to any disruptive eventuality, the Bank has in place a robust Business Continuity Plan (BCP) which assures timely resumption of its business with minimal financial losses or reputational damage and continuity of service to its customers, vendors and regulators. Desktop and UPS Walkthrough Tests are being conducted bank-wide to ensure that recovery plans and processes are effective and that all staff are aware of their roles and responsibilities when there is an alert. This plan is reviewed monthly and when necessary, it is updated to ensure reliability and relevance of information contained.

- **Information on Risk Management Awareness and Monitoring** – Strategies for ensuring the Confidentiality, Availability and Integrity of all the Bank's information assets (hardware, software, documents, backup media, etc.) are continuously reviewed and key risks identified reported to key stakeholders. Where applicable, implementation of controls by relevant stakeholders is also tracked and reported.

- **Compliance and Legal Risk Management** – Compliance Risk Management involves close monitoring of KYC compliance by the Bank, escalation of Audit Non-conformances, Complaints Management, and observance of the Bank's zero-tolerance culture for regulatory breaches.

  It also entails an oversight role for monitoring adherence to regulatory guidelines and global best practices on an on-going basis.

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

Legal Risk Management involves the monitoring of litigations against the Bank to ascertain likely financial or non-financial loss exposures. It also involves conduct of causal analysis on identified points of failure that occasioned these litigations. Medium – High risk factors identified are duly reported and escalated for appropriate treatment where necessary.

- **Occupational Health and Safety procedures and initiatives** – Global best practices for ensuring the health and safety of all staff, customers and visitors to the Bank's premises are advised, reported on to relevant stakeholders and monitored for implementation. As a result, the following are conducted and monitored: Fire Risk Assessments, Burglaries and Injuries that occur within the Bank's premises are reviewed and evaluated for appropriateness.

5.0 Operational Risk Management Philosophy and Principles

5.1 Governance Structure

- The Board through its Board Risk Management Committee (BRMC) oversees the operational risk function in the Bank. It ensures that the Operation Risk policy is robust and provides a framework on the Bank's Operation Risk profile and limits. It also determines the adequacy and completeness of the Bank's risk detection, and measurement systems, assesses the adequacy of risk mitigates, reviews and approves contingency plans for Specific Risks and lays down the principles on how operational risk incidents are to be identified, assessed, controlled, monitored and measured. The BRMC reviews Operation Risk Reports on a quarterly basis.

- The Management Risk Committee monitors the activities of Operation Risk and approves key decisions made before presentation to the Board. It ensures the implementation of the guiding Operation Risk framework bank-wide, and ensures that all departments in the Bank are fully aware of the risks embedded in respective process flows and business activities.

- All process owners are responsible for the day-to-day management of Operation Risks prevalent in their respective departments, Sections, Units, Branches of the Bank.

- The Internal Audit Department conducts independent reviews on the implementation of Operation Risk Policies and Procedures bank-wide.

6.0 Approaches to Managing Operation Risk

- The Bank adopts operational risk procedures and practices that are "fit for purpose" and will increase the efficiency and effectiveness of the bank's resources, minimize losses and utilize opportunities.
- This outlook embeds Operation Risk practices in the bank's day-to-day business activities.

6.1 Principles

- Operational risks inherent in all products, activities, processes and systems are assessed periodically for timely identification of new risks and trending of prevalent risks.

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

- The Bank ensures that before any new products, processes, activities and systems are introduced or undertaken, the operational risks inherent are assessed and likely plan put in place to mitigate the risks.

- In accordance with this, the Bank ensures regular monitoring of its operational risk profile and material exposure to losses.

- Pertinent information is reported regularly to Senior Management and the Board to ensure proactive management of operational risk.

- In addition to this, the Bank's Business Continuity Plan outlines the Bank's requirements for contingency and business continuity plans to ensure its ability to operate on an ongoing basis and limit losses in the event of severe business disruption.

6.2 Treatment of Operational Risks

- The Operation Risk identification and assessment process provides a guide on the decision-making process for the extent and nature of risk treatment to be employed by the Bank. In line with best practices, the cost of risk treatments introduced must not exceed the reward.

- The following comprise the Operation Risk treatments adopted by the Bank:

  - **Risk Acceptance and Reduction:** The Bank accepts the risk because the reward of engaging in the business activity far outweighs the cost of mitigating the risk. Residual risks retained by the business after deploying suitable mitigants are accepted

  - **Risk Transfer (Insurance):** This involves another party or parties bearing the risk, by mutual consent. Relationships are guided by the use of contracts and insurance arrangements

  - **Risk Sharing (Outsourcing):** Risk is shared with other parties that provide expert solutions required to mitigate risk or reduce risk burden whether operationally or financially.

  - **Risk Avoidance:** Requires discontinuance of the business activity that gives rise to the risk.

7.0 Strategy Risk Management

Strategic Risk Management is the process for identifying, assessing and managing risks and uncertainties, affected by internal and external events or scenarios, that could inhibit the Bank's ability to achieve its strategy and strategic objectives with the ultimate goal of creating and protecting shareholder and stakeholder value.

In LBDI, it is also regarded as the possibility that the Bank's strategy may be inappropriate to support its long-term corporate goals due to the inadequacy of its strategic planning and/or decision-making process or the inadequate implementation of such strategies. This could include the risk that the strategy is unclear, clear but not viable or clear and viable but badly implemented, or strategy failure due to unexpected circumstances.

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

A specialized process is in place for monitoring and tracking Strategic Risk and tracking key activities designed or defined by the Bank to achieve its strategic intent in the short, medium and long term.

One of such process is the Monthly Performance Review process in which actual performance is reviewed against planned performance.

7.1 Reputational Risk Management

The bank regularly reviews its policies and procedures for safeguarding against reputational risk. This is an evolutionary process which takes account of relevant developments, industry guidance, best practices and societal expectations.

As an indigenous Liberian bank which has survived over the year, LBDI has always aspired to the highest standards of conduct and, as a matter of routine, take account of reputational risks to its business. Reputational risks can arise from a wide variety of causes. As a banking concern, good reputation depends not only upon the way in which we conduct our business, but also by the way in which clients, to whom we provide financial services, conduct themselves.

Functions with responsibility for activities that attract reputational risk are represented at the Bank's Executive Management Committee (EMC) level, which is chaired by the Chief Executive Officer of the Bank. In addition to the primary role of the EMC, it is also mandated to consider areas and activities presenting significant reputational risk and, where appropriate, to make recommendations to the Board of Directors for a policy or procedural changes to mitigate such risk.

Standards on all major aspects of business are set for LBDI and for individual branches, businesses units and functions. Reputational risks, including environmental, social and governance matters, are considered and assessed by the Board, the Risk Management committee, Board committees and senior management through the EMC during the formulation of policy and the establishment of standards. These policies, which form an integral part of the internal control system, are communicated through manuals and statements of policy and are promulgated through internal communications and training. The policies set out the bank's risk appetite and operational procedures in all areas of reputational risk, including money laundering deterrence, counter-terrorist financing, environmental impact, anti-bribery and corruption measures and employee relations. The policy manuals address risk issues in detail, and co-operation between departments and businesses is required to ensure a strong adherence to its risk management system and sustainability practices.

7.2 Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities.
In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

the bank's Finance Department, and is subject to review by the bank's Board or Asset and Liability Committee as appropriate.

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

8.0 Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortized cost are evaluated for impairment on a basis described in accounting policy 2.9.1.

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about a counter party's financial situation and the net realizable value of any underlying collateral.

Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances and held to maturity investment securities with similar economic characteristics when there is objective evidence to suggest that they contain impaired loans and advances and held to maturity investment securities, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for country risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modeled and to determine the required input parameters, based on historical experience and current economic conditions.

The accuracy of the allowances depends on how well future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are estimated.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 2.6). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Critical accounting judgments in applying the bank's accounting policies

Critical accounting judgments made in applying the bank's accounting policies include:

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

Depreciation and carrying value of property and equipment

The estimation of the useful lives of assets is based on management's judgment. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

Determination of impairment of property and equipment, and intangible assets

Management is required to make judgments concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The bank applies the impairment assessment to its separate cash generating units. This requires management to make significant judgments and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realizable values. Management's judgment is also required when assessing whether a previously recognized impairment loss should be reversed.

Impairment of Held-to-Maturity investments (Treasury bills)

The bank determines that Treasury bills investments are impaired when there has been a significant or prolonged decline in the fair value below cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the bank evaluates among other factors, the volatility in the price of treasury bills. In addition, objective evidence of impairment may be deterioration in the financial health of the investee, in this case, political instability in the country and financing cash flows.

Valuation of financial instruments

The bank's accounting policy on fair value measurements is discussed under note 2.9.1

The bank measures fair values using the following hierarchy of methods.

Level 1: Quoted market price in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: This includes financial instruments, the valuation of which incorporate significant inputs for the asset or liability that is not based on observable market date (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on inputs of a similar nature, historic observations on the level of the input or analytical techniques.

This category includes loans and advances to banks and customers, investment securities, deposits from banks and customers, debt securities and other borrowed funds.

Accounting classification measurement basis and fair values

Financial instruments at fair value (including loans and those held to maturity (Treasury bills) are either priced with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using a valuation model, the methodology is to calculate the expected cash flows under the terms of each specific contract, where applicable,

Notes to the financial statements *(continued)*
Significant accounting policies (continued)

and then discount these values back to a present value. The expected cash flows for each contract are determined either directly by reference to actual cash flows implicit in observable market prices or through modeling cash flows using appropriate financial markets pricing models.

Financial instruments at fair value (including those held for trading, designated at fair value, derivatives and available-for-sale) are either priced with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using a valuation model, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. The expected cash flows for each contract are determined either directly by reference to actual cash flows implicit in observable market prices or through modeling cash flows using appropriate financial markets pricing models. Wherever possible these models use as their basis observable market prices and rates including, for example, interest rate yield curves, equities and prices.

9 Interest income

In Liberian dollars	31-Dec-2017	31-Dec-2016
Loans and advances to customers	742,108,538	675,122,241
Cash and Cash equivalent	-	-
	742,108,538	**675,122,241**
Geographical location		
Interest income earned in Liberia	742,108,538	675,122,241
Interest income earned outside Liberia	-	-
	742,108,538	**675,122,241**

10 Interest expense

In Liberian dollars	31-Dec-2017	31-Dec-2016
Savings account individuals	91,410,828	78,109,032
Savings account joint in trust for	7,338	,945
Savings account in trust for	2,112,696	1,447,705
Savings account not for profit	13,168,173	11,210,397
Savings account joint	10,946,711	9,780,650
Savings account staff	1,095,341	874,008
Savings account non resident	2,132,509	1,596,993
Savings account clubs & associations	5,856,244	4,692,427
Savings direct deposit	3,000,201	2,056,282
Interest on time deposit	20,839,098	45,804,579
Short term borrowing	40,035,260	1,498,337
	190,604,399	**157,080,355**

11 Fee and commission income

In Liberian dollars	31-Dec-2017	31-Dec-2016
Fees and commissions on loan and advances	45,464,219	63,252,667
Commission on MoneyGram operations	57,074,591	43,365,375
Commission on Western Union operations	18,544,092	22,949,865
Commission on transfers and drafts	145,480,470	104,677,548
Service charges on customer deposits	99,873,494	118,556,878
Commission on guarantees and bonds	4,666,472	3,350,418
Other commission and fees	143,562,154	93,916,673
	514,665,492	**450,069,424**

12 Other operating income

In Liberian dollars	31-Dec-2017	31-Dec-2016
Income on GOL/Bond	237,956,898	103,694,376
Income on call deposits	174,601	95,386
Other	82,362,191	49,020,308
Rental income	58,090,870	46,986,594
	434,567,776	**212,024,582**

13 Personnel expense

In Liberian dollars	31-Dec-2017	31-Dec-2016
Wages and salaries	4,451,556	4,274,098
Housing and transportation allowance	281,231,750	223,075,029
Contributions to defined contribution plans	121,353,761	86,560,852
Other staff cost	142,347,735	106,006,822
	549,384,802	**419,916,801**

14	General and administrative expenses	31-Dec-2017	31-Dec-2016
	In Liberian dollars		
	Other premises and equipment costs	128,450,957	92,788,602
	Directors' emoluments	35,626,740	22,087,943
	Professional services	109,938,368	76,253,877
	Office expenses	65,577,304	63,937,748
	Licenses and fees	54,219,893	51,104,300
	Operational expenses-investment property	35,221	106,594
	Foreign travel	22,173,526	11,162,922
	Local travel & transportation	33,809,690	10,650,096
	Bank service and note import charges	7,764,054	2,203,449
	Advertising and business promotion	21,086,595	15,195,855
	Amortization of intangibles	24,674,947	20,017,668
	Depreciation of Property, Plant and Equipment	67,301,416	74,399,037
		570,658,711	**430,323,091**

15	Other Operating expenses	31-Dec-2017	31-Dec-2016
	In Liberian dollars		
	Scholarships and donations	6,636,277	21,026,753
	Sundry expenses	49,323,737	39,290,823
	Fines by CBL	8,782,071	-
	Treasury Operations	67,774,316	-
	Other/Cash short and over	(1,922,538)	(5,318,189)
		130,593,863	**64,584,387**

Fine of US$76,921 (LRD 8,782,071) was levied by CBL for violation of Reserve Requirement Regulation CBL/RSD/003/2016.

16	Cash and cash equivalents	31-Dec-2017	31-Dec-2016
	In Liberian dollars		
	Cash and balances with banks	773,485,583	539,039,677
	Unrestricted balances with banks	1,183,302,487	1,470,500,121
		1,956,788,070	**2,009,539,798**

17 Investment in securities & others

17.1. Available-for-sale

The bank acquired shares in Liberia Cement Corporation in 2016 of LD$ 84,793,796 for resale to Liberians. The bank designated the shares as available-for-sale investment securities as at Dec. 31, 2017. However the bank still maintains the shares bought in 2014/2015 in their books.

17.2 Treasury bills

During the year, the bank acquired treasury bonds from both the Government of Liberia and Central Bank.

Investment in securities & others

In Liberian dollars	31-Dec-2017	31-Dec-2016
Investment securities		
Held- to- maturity		
GOL	-	-
CBL	-	-
	-	**-**
Other investments		
Available for sale	140,583,342	84,793,796
Investment in Treasury Bond	1,177,081,797	1,177,081,797
Equity investment	24,986,486	24,986,486
Investment in Bonds-GOL	253,630,900	208,691,346
Investment in syndicated loan	78,237,495	112,656,247
	1,674,520,020	**1,608,209,672**

18 Loans and Advances to Customers

31-Dec-2017

In Liberian Dollars	Gross Amount	Portfolio Impairment	Total Impairment	Carrying Amount
Loans to non-individuals	8,245,689,245	(319,866,132)	(319,866,132)	7,925,823,113
Loans to individuals	3,088,712,050	-	-	3,088,712,050
	11,334,401,295	**(319,866,132)**	**(319,866,132)**	**11,014,535,163**

31-Dec-2016

In Liberian dollars	Gross amount	Portfolio Impairment	Total Impairment	Carrying amount
Loans to non-individuals	6,114,312,688	(282,582,610)	(282,582,610)	5,831,730,078
Loans to individuals	2,818,633,174	-	-	2,818,633,174
	8,932,945,862	**(**282,582,610**)**	**(**282,582,610**)**	**8,650,363,252**

Performance Profile of Loans and Advances per CBL Prudential Guidelines Is As Follows (In Liberian Dollars):

Status	Count	% Total Count	Value	% Total Value	Provision Amount	% Total Prov.
1 – CURRENT	2,819	15.9%	8,448,930,527	78.9%	84,489,305	5.04%
2 – OLEM	94	0.5%	22,011,215	0.2%	1,100,561	0.07%
Total Performing	**2,913**	**16.5%**	**8,470,941,742**	**79.1%**	**85,589,866**	5.11%
3 - SUB-STANDARD	1,021	5.8%	706,592,822	6.6%	141,318,564	8.43%
4 - DOUBTFUL	3,454	19.5%	163,370,328	1.5%	81,685,164	4.87%
5 – LOSS	10,303	58.2%	1,367,511,825	12.8%	1,367,511,825	81.59%
Total NPL	**14,778**	**83.5%**	**2,237,474,975**	**20.9%**	**1,590,515,553**	94.89%
Total Performing & NPL	**17,691**	**100.0%**	**10,708,416,716**	**100.0%**	**1,676,105,419**	100%

Sensitivity Analysis on recognition of provision based on CBL Guidelines Concerning Accounting and Financial Reporting for Banks.

Year	Provision CBL Guidelines	Provision IFRS	Net provision impact	Impact on Capital	Provision impact on P&L	Impact on Profit
2017	1,676,105,419	399,788,272	1,276,317,147	2,389,390,532	(1,162,780,458)	(1,162,780,458)
2016	1,808,066,584	282,582,610	1,525,483,974	2,124,808,913	(1,354,998,589)	(1,354,998,589)
Net	**(131,961,165)**	**117,205,662**	**(249,166,827)**	**2,140,223,705**	(192,218,131)	(192,218,131)

N/S	SECTORIAL CLASSIFICATION OF LOANS & ADVANCES:		
	SECTOR	**31-Dec-17**	**31-Dec-16**
1	**AGRICULTURE**	**LRD**	**LRD**
	Fishery	6,469,177	4,889,677
	Rubber	195,920,612	148,085,062
	Others	50,499,645	38,169,761
		252,889,434	**191,144,500**
2	**CONSTRUCTION**		
	Commercial mortgage	996,505,376	753,200,751
	Home mortgage	236,585,478	178,821,272
	Road construction	2,514,795,214	1,925,901,651
	Other construction	49,394,034	37,334,092
		3,797,280,101	**2,895,257,766**

		31-Dec-17 LRD	31-Dec-16 LRD
3	**COMMUNICATION**	**205,360,582**	**155,220,181**
4	**SERVICES**		
	Hotels	75,757,961	57,261,058
	Bar & restaurant	89,751,327	67,837,835
	Other services	451,958,578	341,609,337
		617,467,866	**466,708,231**
5	**EXTRACTIVE**		
	Iron ore	-	-
	Diamond	-	-
	Gold	-	-
	Quarrying	-	-
	Forestry	123,132,455	93,068,698
		123,132,455	**93,068,698**
6	**OTHERS**		
	Manufacturing	130,264,400	98,459,322
	Trade	3,926,304,148	2,967,666,110
	Personal	688,828,207	520,645,383
	Government of Liberia	500,902	378,603
	Central bank	-	-
	Public corporation	7,152,883	5,406,450
	General	1,265,354,184	956,408,008
		6,018,404,724	**4,848,963,876**
	TOTAL SUMMARY LOANS	**11,014,535,163**	**8,650,363,252**

19 Other current assets

In Liberian dollars	31-Dec-2017	31-Dec-2016
Accounts receivable	3,470,351,552	1,527,115,587
Prepayments	189,691,145	155,378,018
Deferred expenses - advances & software	135,707,475	152,189,206
Restricted deposits with Central bank	1,702,495,085	1,621,749,112
Stock/Stationery	141,992,788	120,360,704
	5,640,202,045	**3,576,792,627**

20. Investment properties

Investment Properties have been measured at fair value in the statement of financial position and are categorized by levels according to the inputs used in the market measurement.

Investment properties

	Dec. 17	Current valued prices for identical properties Level 1	Significant other observable Inputs Level 2	Significant unobservable Inputs Level3
	LRD	LRD	LRD	LRD
Investment Properties				
E.E. Saleeby Property/Buildings	745,500,000	745,500,000	-	745,500,000
Total	**745,500,000**	**745,500,000**	**-**	**745,500,000**

Fair value for Investment properties are calculated using the revaluation method, which results in the measurement being classified as level 1 in the fair view value hierarchy.

Stabilized NOI:

Revenue less any property operating expenses adjusted for item such as any lease up costs, long-term vacancy rate, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring costs.

Investment properties are valued on a highest and best use basis. For the Bank's investment properties, the current use is considered the highest and best use. Since 2013, the property has been recorded at market valued.

21 Intangible assets

In Liberian dollars	31-Dec-2017	31-Dec-2016
Cost:		
Balance at beginning of the year	178,844,093	150,990,275
Addition	113,851,914	5,400,445
Exchange rate effect	43,863,882	22,453,373
	336,559,889	178,844,093
Accumulated amortization:		
Balance at beginning of the year	119,200,604	83,750,257
Amortization for the year	24,674,947	20,017,668
Exchange rate effect	28,232,881	15,432,679
	172,108,432	119,200,604

Carrying amounts	**164,451,457**	**59,643,489**

22. Net Book Value of Property, Plant and Equipment (see page 54). 1,320,543,297

23 Deposits from customers

In Liberian dollars	31-Dec-2017	31-Dec-2016
Term deposits	22,565,918	16,147,079
Current deposits	5,717,675,226	4,975,176,397
Savings deposits	8,050,217,688	6,433,054,955
	13,790,458,832	**11,424,378,431**

24. Due to Central Bank & EBID

Due to Central Bank

In Liberian dollars	31-Dec-2017	31-Dec-2016
Long term debt-CBL Mortgage loan	1,281,530,000	798,500,000
Accrued interest payable general	7,794	7,794
Long term debt-CBL rubber stimulus fund	267,448,000	221,050,000
Small business development funds	1,000,000	1,000,000
	1,549,985,794	**1,020,557,794**
Due to EBID		
Long term debt-ECOWAS banks for Investment & Development	268,069,980	221,015,655
	1,818,055,774	**1,241,573,449**

24.1 During the year under review, the Bank received US$1,500,000 at 2% for period of two years from CBL to support ongoing Micro Small and Medium Enterprise Rural Finance Post-Ebola Recovery Project. Interest shall be made on quarterly basis.

In November 2012, the CBL again provided additional US$ 7 million and L$ 217.5 million at 2% for the purpose of intermediation through long-term affordable mortgage loans to Liberian Nationals, also at a total servicing cost (interest, fees and other charges) not exceeding eight percent (8%) per annum. The placement is for ten (10) years repayable in full on November 14, 2022. Interest payment shall be made on a quarterly basis and at maturity; the remaining interest plus principal shall be made via debit to the relevant LBDI account at the CBL.

25	**Other Liabilities**	**31-Dec-2017**	**31-Dec-2016**
	In Liberian dollars		
	Accounts payable	2,707,997,638	2,482,828,819
	Short term borrowing	1,431,520,997	-
	Dividend payable	106,923,092	164,304,572
	Provision for employee benefits	226,079,229	162,983,784
	Accrued interest on customer deposits	88,046,106	37,102,504
	Unearned fees and commission	41,264,144	8,576,298
	Current income tax liabilities	1,665,361	1,879,659
		4,603,496,567	**2,857,675,636**

26 Paid - in – Capital

	31-Dec-2017	31-Dec-2016
Share Capital		
Class A Common stock $10 par value		
(Authorized 1,000,000 shares)		
Issued and outstanding at beginning of year 422,653 shares	219,991,038	219,991,038
Issued during the year	-	-
Issued and outstanding at end of year 422,653 shares	219,991,038	219,991,038
Class B Common stock $10 par value		
(Authorized 1,000,000 shares)		
Issued and outstanding at beginning of year 349,771 shares	168,237,231	168,237,231
Issued during the year	-	-
Issued and outstanding at end of year 349,771 shares	**168,237,231**	**168,237,231**
Total Share Capital	**388,228,269**	**388,228,269**
Paid - in Capital in excess of Par	140,958,544	140,958,544
Paid - in Capital	**529,186,813**	**529,186,813**

22. PROPERTY,PLANT AND EQUIPMENT-In Liberian Dollar

Descriptions	Land & Buildings	Leasehold Improvement	Equipment	Furniture & fixtures	Vehicles	Misc. Properties	Work in progress	Total
Cost:	**LRD**	**LRD**	**LRD**	**LRD**	**LRD**	**LRD**	**LRD**	**LRD**
Balance at January 1, 2016	560,455,428	180,930,598	380,868,134	63,241,765	81,823,692	3,928,696	18,027,908	1,289,276,221
Additions during the year	79,870,572	46,705,763	3,197,007	158,108	872,471	3,621	33,863,759	164,671,301
Disposals during the year	-	-	(973,500)	-	-	-	-	(973,500)
Effect of Exchange rate	(28,621,617)	2,180,074	82,427,609	7,794,526	24,620,218	320,857	(10,384,218)	78,337,449
Balance at December 31, 2016	611,704,383	229,816,435	465,519,250	71,194,399	107,316,381	4,253,174	41,507,449	1,531,311,470
Balance at January 1, 2017	611,704,383	229,816,435	465,519,250	71,194,399	107,316,381	4,253,174	41,507,449	1,531,311,471
Additions during the year	-	-	65,299,527	4,469,865	25,091,413	2,008,932	92,715,944	189,585,682
Disposals during the year	-	-	-	-	-	-	-	-
Transfers	-	-					(96,869,738)	(96,869,738)
Effect of Exchange rate	267,702,737	61,718,419	99,835,237	15,294,937	23,109,488	910,871	3,544,370	472,116,059
Balance at December 31, 2017	879,407,120	291,534,854	630,654,014	90,959,201	155,517,282	7,172,977	40,898,026	2,096,143,473
Depreciation:								
Balance at January 1, 2016	-	72,298,694	253,480,318	27,567,800	57,167,702	3,495,038	-	414,009,551
Charge for the year	-	17,317,131	40,030,998	5,717,206	11,312,269	21,432	-	74,399,037
Disposals during the year	-	2,054,115	39,303,800	1,143,753	2,624,107	217,171	-	45,342,946
Effect of Exchange rate	-	-	(827,654)	-	-	-	-	(827,654)
Balance at December 31, 2016	-	91,669,940	331,987,462	34,428,758	71,104,078	3,733,641	-	532,923,880
								532,923,880

Balance at January 1, 2017	-	91,669,940	331,987,462	34,428,758	71,104,078	3,733,641	-	
Charge for the year	-	6,189,155	36,255,059	7,025,353	17,582,306	249,544	-	67,301,416
Effect of Exchange rate	-	63,511,857	87,563,874	11,275,700	12,067,222	956,226	-	175,374,880
Disposals during the year	-	-	-	-	-	-	-	-
Balance at December 31, 2017	-	161,370,952	455,806,395	52,729,812	100,753,606	4,939,411	-	775,600,177
Net book value:								
As at December 31, 2016	**611,704,383**	**138,146,495**	**133,531,786**	**36,765,641**	**36,212,303**	**519,533**	**41,507,449**	**998,387,591**
As at December 31, 2017	**879,407,120**	**130,163,902**	**174,847,619**	**38,229,389**	**54,763,676**	**2,233,566**	**40,898,025**	**1,320,543,297**

27a Statutory Reserve

Section 1001 of the bank's charter requires that "before the bank may determine the profit available for dividends, the bank shall set aside in each year in a special reserve fund a sum equal to not less than 25% of the net profit of the bank as shown in the bank's financial statements for that year, until the aggregate of that amounts so set aside equals the amount of the loans to the bank then outstanding. In addition to amounts set aside as special reserve, the Directors shall set aside from any profits otherwise available for the payments of dividends such other reserves as they deem prudent."

27 Revaluation Reserve

	31-Dec-2017	31-Dec-2016
	450,695,941	450,695,941

The bank exercised an option to fair value all buildings it owned at the date of transition to market value from the portfolio of fixed assets on its books including investment properties. The impact of the fair valuation was an increased in the value of the assets. The bank has reclassified the surplus to a Revaluation Surplus account.

28 Credit Risk Reserve

The credit risk reserve warehouses the difference between the impairment on loans and advances determined using the Central Bank of Liberia prudential guidelines, compared with the incurred loss model used in determining the impairment loss under IFRSs.

Movement in Credit Risk Reserve	**31-Dec-2017**	**31-Dec-2016**
Opening balance	-	392,052,257
Transfer to retained earnings	-	(392,052,257)
Balance at year end	**-**	**-**

Where the loan loss impairment determined using the Central Bank of Liberia (CBL) prudential guidelines is higher than the loan loss impairment determined using the incurred loss model under IFRSs, prior to 2016, the difference was transferred to credit risk reserve and the reverse case is also a direct application to income statement. In 2016, the balance in the Credit Risk Reserve was moved to retained earning based on new CBL prudential guideline CBL/RSD/0864/2016 effective July 28 2016.

Thereafter, the same guideline requires the Bank not to make adjustment in it book for such difference but rather to show the impact on capital and profit if CBL impairment model was aborted using sensitivity analysis as done in page 49 of this financial statements.

28b Translation Adjustment

Items	Monetary-Nonmonetary Method					
	Balances held in Foreign Currrency	Closing Rate at Dec. 31. 2017	Translated Amount	Historical Rate	Balance sheet Amount	Translation difference
Investments	3,973,784	125.18	497,438,224	69.10	274,600,253	(222,837,970)
Investment property	9,000,000	125.18	1,126,620,000	82.83	745,500,000	(381,120,000)
Intangible assets	581,888	125.18	72,840,763	102.50	59,643,489	(13,197,274)
Property and equipment	11,200,810	125.18	1,402,117,396	117.90	1,320,543,297	(81,574,099)
Due to Central Bank & EBID	7,840,828	125.18	981,514,862	95.60	749,601,041	231,913,821
Share capital	7,724,240	125.18	966,920,363	50.26	388,228,269	578,692,094
Share Premium	2,442,754	125.18	305,783,946	57.70	140,958,544	164,825,402
Statutory Reserves	3,330,753	125.18	416,943,629	118.45	394,523,913	22,419,716
Revaluation Surplus	6,111,287	125.18	765,010,907	73.75	450,695,941	314,314,966
Treasury stock	63,309	125.18	7,925,021	83.00	5,254,643	2,670,378
Total	**52,269,653**		**6,543,115,109**		**4,529,549,390**	**616,107,032**

The assets and liabilities of the Bank are translated using the closing rate of L$125.18 at as December 31, 2017. This include the acquisition of foreign transactions (Investment, Property Plan Equipment, Long-Term Debt & Equity) in various currencies (USD, EUR & GBP) were translated using historical rates thereby resulting into a difference as shown on the face of the statement of financial position called "Translation Adjustment" otherwise known as Translation Difference.

During the year under review, 2017, the bank opening rate of its statement of financial position was quoted as L$103 to US$1 with a closing rate at L$125.18 which shows a devaluation of the Liberian Dollars against the United States Dollars by 21%.

29. Contingencies

29.1 Claims and Litigation

The bank has contingent liabilities in respect of legal claim arising in the ordinary course of business as at December 31, 2017. It is not anticipated that any material liability will arise from the contingent liabilities.

29.2 Contingent Liabilities and Commitments

In common with other banks, the bank conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and commitments comprise acceptances, guaranties and letters of credit.

29.3 Commitments for capital expenditure

The bank had no commitments for capital expenditure as at December 31, 2017 (2016: Nil)

30 Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both.

31. Subsequent events review

Events subsequent to the balance sheet date are reflected only to the extent that they are material. No such events came to our attention as at the date the financial statements were signed.

Transactions with Executive Directors and Key Management Personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of LBDI (directly or indirectly) and comprise the Director and senior management of the bank. There were no material transactions with companies in which Directors or other members of key management personnel (or any connected persons) are related

Remunerations of Executive Directors and Other Key Management Personnel are as follows:

In Liberian dollars	31-Dec-2017	31-Dec-2016
Salaries and other short term benefits	43,087,891	30,829,500
Contributions to defined contribution plans	645,710	533,929
	43,733,601	**31,363,429**

DISCLOSURES TO THE FINANCIAL STATEMENTS

Currency Risk Exposure relating to on balance sheet assets are as follows:

Dec-17

In Liberian Dollars

Classification	TOTAL	LRD	USD	GBP	EUR
Cash and cash equivalents	1,956,788,070	510,400580	1,444,398,554	671,433	1,317,503
Financial assets held for trading	-	-	-	-	-
Investment securities:					
- Available for sale	140,583,342	-	140,583,342	-	-
- Held to maturity	-	-	-	-	-
Loans and Advances to Customers	11,014,535,163	881,233,421	10,133,301,742	-	-
Property, plant and equipment	1,320,543,297	18,021,954	1,302,521,343	-	-
Intangible assets	164,451,457	-	164,451,457	-	-
Other assets	5,640,202,045	1,692,060,614	3,948,141,431	-	-
	20,237,103,374	**3,101,716,569**	**17,133,397,869**	**671,433**	**1,317,503**
Deposits from banks	-	-	-	-	-
Deposits from customers	13,790,458,832	4,014,359,632	9,776,099,200	-	-
Due to central bank & EBID	1,818,055,774	432,386,864	1,385,668,910	-	-
Other liabilities	4,603,496,567	1,129,093,251	3,474,403,316	-	-
	20,212,011,173	**5,575,839,747**	**14,636,171,426**	**-**	**-**

Currency Risk Exposure relating to on balance sheet assets are as follows:

Dec-16

In Liberian Dollars

Classification	TOTAL	LRD	USD	GBP	EUR
Cash and cash equivalents	2,009,539,798	485,840,830	1,476,476,302	82,902	47,139,764
Financial assets held for trading	-	-	-	-	-
Investment securities:	-	-	-	-	-
- Available for sale	84,793,796	-	84,793,796	-	-
- Held to maturity	-	-	-	-	-
Loans and Advances to Customers	8,650,363,252	797,372,354	7,852,990,897	-	-
Property, plant and equipment	998,387,591	13,316,115	985,071,476	-	-
Intangible assets	59,643,489	-	59,643,489	-	-
Current income tax assets	-	-	-	-	-
Other assets	3,576,792,627	1,473,745,765	2,103,046,861	-	-
	15,379,520,553	**2,770,275,064**	**12,562,022,823**	**82,902**	**47,139,764**
Deposits from banks	-	-	-	-	-
Deposits from customers	11,424,378,431	3,062,603,582	8,361,774,849	-	-
Due to central bank	1,241,573,449	432,386,864	809,186,585	-	-
Due to Intercompany	-	-	-	-	-
Current income tax liabilities	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-
Other liabilities	2,857,675,636	104,983,421	2,752,892,851	-	-
	15,523,627,516	**3,599,973,867**	**11,923,854,285**	**-**	**-**

Currency Risk Exposure relating to on balance sheet assets cont'd:

CASH AND CASH EQUIVALENTS
Dec-17

	TOTAL	LRD	USD	GBP	EUR
Cash and balances with banks	773,485,583	190,343,580	581,153,067	671,433	1,317,503
Unrestricted balances with Central bank	857,107,704	184,224,947	672,882,757	-	-
Balances with foreign banks	326,194,783	-	324,694,093	575,250	925,440
Total	**1,956,788,070**	**374,568,527**	**1,578,729,917**	**1,246,683**	**2,242,943**

CASH AND CASH EQUIVALENTS
Dec-16

	TOTAL	LRD	USD	GBP	EUR
Cash and balances with banks	539,039,677	128,823,514	362,993,497	82,902	47,139,764
Unrestricted balances with Central bank	930,104,951	353,213,803	576,891,148	-	-
Balances with foreign banks	540,395,170	-	489,524,728	115,233	50,755,209
Total	**2,009,539,798**	**482,037,317**	**1,429,409,373**	**198,135**	**97,894,973**

INVESTMENT SECURITY
Dec-17

	TOTAL	LRD	USD	GBP	EUR
GOL Treasury bills	-	-	-	-	-
CBL Treasury bills	-	-	-	-	-
Government bond	253,630,900	-	253,630,900	-	-
Total	**253,630,900**	**-**	**253,630,900**	**-**	**-**

INVESTMENT SECURITY
Dec-16

	TOTAL	LRD	USD	GBP	EUR
GOL Treasury bills	-	-	-	-	-
CBL Treasury bills	-	-	-	-	-
Government bond	208,691,346	-	208,691,346	-	-
Total	**208,691,346**	**-**	**208,691,346**	**-**	**-**

Currency Risk Exposure relating to on balance sheet assets cont'd:

DEPOSITS FROM CUSTOMERS
Dec-17

	TOTAL	LRD	USD	GBP	EUR
Current deposits	5,717,675,226	951,773,886	4,765,901,340	-	-
Savings deposits	8,050,217,688	2,099,289,403	5,950,928,285	-	-
Term deposits	22,565,918	-	22,565,918	-	-
Total	**13,790,458,832**	**3,051,063,289**	**10,739,395,543**	**-**	**-**

DEPOSITS FROM CUSTOMERS
Dec-16

	TOTAL	LRD	USD	GBP	EUR
Current deposits	4,975,176,397	960,081,151	4,015,095,246	-	-
Savings deposits	6,433,054,955	2,099,289,404	4,333,765,551	-	-
Term deposits	16,147,079	-	16,147,079	-	-
Total	**11,424,378,431**	**3,059,370,555**	**8,365,007,876**	**-**	**-**

Net/Gross nominal (undiscounted) maturities of financial assets and liabilities

Disclosures to the Financial Statements

December-2017

In LRD	**Carrying amount**	**1 month Less than 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 5 years**	**More than 5 years**
Financial assets						
Cash and cash equivalents	1,956,788,070	1,956,788,070	-	-	-	-
Loans and advances to customers	11,014,535,163	3,807,850,530	2,590,467,563	782,682,780	3,369,394,196	464,140,094
Investment Securities:						
– Available for sale	140,583,342	-	140,583,342	-	-	-
– Other Investments	1,533,936,679	-	-	-	1,533,936,679	-
– Held to maturity	-	-	-	-	-	-
Other Assets	5,640,202,045	5,640,202,045	-	-	-	-
	20,286,045,299	**11,404,840,645**	**2,731,050,905**	**782,682,780**	**4,903,330,875**	**464,140,094**
Financial liabilities						
Deposits from customers	13,790,458,832	6,757,311,626	6,619,434,249	413,712,957	-	-
Due to central bank & EBID	1,818,055,774	-	-	-	-	1,818,055,774
Other Liabilities	4,603,496,567	4,603,496,567	-	-	-	-
	20,212,011,173	**11,360,808,193**	**6,619,434,249**	**413,712,957**	**-**	**1,818,055,774**
Gap (asset - liabilities)	**74,034,126**	**44,032,452**	**(3,888,383,344)**	**368,969,823**	**4,903,330,875**	**(1,353,915,680)**
Cumulative liquidity gap	**74,034,126**	**44,032,452**	**(3,888,383,344)**	**368,969,823**	**4,903,330,875**	**(1,353,915,680)**

December-2016

In LRD	**Carrying amount**	**1 month Less than 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 5 years**	**More than 5 years**
Financial assets						
Cash and cash equivalents	2,009,539,798	2,009,539,798	-	-	-	-
Loans and advances to customers	8,650,363,252	3,815,091,875	162,574,806	819,989,269	3,386,245,861	466,461,441
Investment Securities:						
– Available for sale	84,793,796	-	84,793,796	-	-	-
– Other Investments	1,523,415,876	-	-	-	1,523,415,876	-
– Held to maturity	-	-	-	-	-	-
Other Assets	3,576,792,627	3,576,792,627	-	-	-	-
	15,844,905,341	**9,401,424,300**	**247,368,602**	**819,989,269**	**4,909,661,737**	**466,461,441**
Financial liabilities						
Deposits from customers	11,424,378,431	5,600,106,836	5,487,860,641	336,410,954	-	-
Due to central bank	1,241,573,449	-	-	-	-	1,241,573,449
Other Liabilities	2,857,675,636	2,857,675,636	-	-	-	-
	15,523,627,516	**8,457,782,472**	**5,487,860,641**	**336,410,954**	**-**	**1,241,573,449**
Gap (asset - liabilities)	**321,277,833**	**943,641,828**	**(5,240,492,039)**	**483,578,315**	**4,909,661,737**	**(775,112,008)**
Cumulative liquidity gap	**321,277,833**	**943,641,828**	**(5,240,492,039)**	**483,578,315**	**4,909,661,737**	**(775,112,008)**

Credit risk exposures relating to on-balance sheet assets are as follows

	Maximum exposure	
In Liberian Dollars	**Dec -2017**	**Dec -2016**
Classification		
Cash and cash equivalents:		
- Balances held with other banks	773,485,583	539,039,677
- Unrestricted balances with Central banks	857,104,704	930,104,951
- Balances with foreign banks	326,194,783	540,395,170
Investment securities:		
- GOL Treasury bills	-	-
- CBL Treasury bills	-	-
- Government Bond	253,630,900	208,691,346
Investment in Treasury Bond	1,177,081,797	1,177,081,797
- Equity Investment	24,986,486	24,986,486
Loans and advances to customers:		
- Loans to individuals	3,088,712,050	5,831,730,078
- Loans to non-individuals	7,925,823,113	2,818,633,174
Other assets2	3,606,059,027	3,576,792,627
Total	**16,871,013,159**	**15,647,455,306**
Loans exposure to total exposure	**55%**	**55%**
Other exposure to total exposure	**45%**	**45%**

[2] Balances included in Other Assets above are those subject to credit risks. Items not subject to credit risk, which 'include Stock/Stationery and Prepaid benefit on employees loan have been excluded.
The table above shows a worst-case scenario of credit risk exposure to the Bank as at 31 December 2017 and 31 December 2016 without taking account of any collateral held or other credit enhancements attached.

Loans and advances to customers is analyzed below:

In Liberian Dollars	**Dec -2017**	**Dec -2016**
Loans to individuals:		
Overdraft	923,836,155	891,516,378
Loans	2,164,875,895	1,888,877,719
	3,088,712,050	**2,780,394,097**
Loans to non-individuals:		
Overdraft	2,243,680,278	1,696,667,405
Loans	5,682,142,836	4,130,253,187
	7,925,823,113	**5,826,920,592**

Credit risk exposures relating to off-balance sheet items are as follows:

	Maximum exposure	
In Liberian Dollars	**Dec -2017**	**Dec -2016**
Financial guarantees	66,947,516	65,234,690
Other contingents	304,973,530	365,925,000
	371,921,046	**431,159,690**

Geographical Sector

Concentration of risks of financial assets with credit risk exposure

The following table breaks down the bank's credit exposure (without taking into account any collateral held or other credit support), as categorized by geographical region as at the reporting date. For this table, the bank has allocated exposures to region.

Credit risk exposure relating to On-Balance Sheet

Dec-17

In Liberian Dollars	**Liberia**	**Rest of Africa**
Classification		
Cash and cash equivalents:		
- Balances held with other banks	773,485,583	-
- Unrestricted balances with Central banks	857,107,704	-
- Balances with foreign banks	326,194,783	-
Investment securities:		
- GOL Treasury bills	-	-
- CBL Treasury bills	-	-
- Government Bond	253,630,900	-
Loans and advances to customers:		
- Loans to individuals	3,088,712,050	-
- Loans to non-individuals	7,925,823,113	-
Other assets[2]	3,606,059,027	-
Total	**16,831,013,159**	**-**

Balances included in Other Assets above are those subject to credit risks. Items not subject to credit risk, which 'include Stock/Stationery and prepaid benefit on employees loan have been excluded.

Loans and advances to customers is analyzed below:

Dec-17

In Liberian Dollars	**Liberia**	**Rest of Africa**
Loans to individuals:		
Overdraft	923,836,155	-
Loans	2,164,875,895	-
	3,088,712,050	**-**
Loans to non-individuals:		
Overdraft	2,243,680,278	-
Loans	5682,142,835	-
	7,925,823,113	**-**

Credit risk exposure relating to On-Balance Sheet

Dec-16

In Liberian Dollars	**Liberia**	**Rest of Africa**
Classification		
Cash and cash equivalents:		
- Balances held with other banks	539,039,677	-
- Unrestricted balances with Central banks	930,104,951	-
- Balances with foreign banks	540,395,170	-
Investment securities:		
- CBL Treasury bills	-	-
- Government Bond	208,691,346	-
Loans and advances to customers:		
- Loans to individuals	5,831,730,078	-
- Loans to non-individuals	2,818,633,174	-
Other assets[2]	3,576,792,627	-
Total	**14,445,387,023**	**-**

[2] Balances included in Other Assets above are those subject to credit risks. Items not subject to credit risk, which include Stock/Stationery and Prepaid benefit on employees' loan have been excluded

Loans and advances to customers is analyzed below:

Dec-16

In Liberian Dollars	**Liberia**	**Rest of Africa**
Loans to individuals:		
Overdraft	820,722,191	-
Loans	1,997,910,983	-
	2,818,633,174	**-**
Loans to non-individuals:		
Overdraft	1,869,908,615	-
Loans	3,961,821,463	-
	5,831,730,078	**-**

THE LIBERIAN BANK FOR DEVELOPMENT & INVESTMENT (LBDI)

SUPPLEMENTARY DATA

FOR THE YEAR ENDED DECEMBER 31, 2017

CONTENT:

THE LIBERIAN BANK FOR DEVELOPMENT & INVESTMENT

SUPPLEMENTARY DATA

For the year ended December 31, 2017

Introductory Comments

The financial statements for the year ended December 31, 2017 are presented on pages 7 to 66, in accordance with the requirements of law and International Financial Reporting Standard (IFRS). Presented on a supplementary basis in this section (pages 68-96) are the corresponding summary financial statements denominated in equivalent United States dollars. This presentation is intended for the benefit of readers who may not be adequately familiar with the Liberian dollar.

Statement of Profit or Loss and Other Comprehensive Income

In United States Dollars	Note	31-Dec-2017	31-Dec-2016
Interest income	9	6,500,031	6,697,641
Interest expense	10	1,669,479	1,558,337
Net interest income		**4,830,552**	**5,139,304**
Loan impairment charges		326,561	501,875
Net interest income after loan impairment charges		**4,503,991**	**4,785,900**
Fee and commission income	11	4,507,887	4,464,975
Fee and commission expense		-	-
Net interest and commission on Loans & Advances		**9,011,878**	**10,260,835**
Other operating income	12	3,315,972	1,982,110
Total income for the period		**12,327,850**	**11,084,513**
Personnel expenses	13	4,811,989	4,165,841
General and administrative expenses	14	4,998,325	4,364,168
Operating lease expenses		379,229	317,553
Other operating expenses	15	1,143,854	545,629
Total operating expenditure for the period		**11,333,397**	**9,393,191**
Profit for the period		**994,453**	**1,691,322**
Profit attributable to:			
Equity holders of the entity			
Profit for the period from continuing operations		**994,453**	**1,691,322**
Earnings per share for the profit/loss from continuing operations attributable to the equity holders of the bank during the period (expressed in Liberian dollars per share):			
- Basic		1.47	2.49
- Diluted		1.47	2.49

The notes on pages 74 to 96 are integral parts of these financial statements

Statement of Financial Position

In United States Dollars	Note	31-Dec-2017	31-Dec-2016
Assets			
Cash and cash equivalents	16	15,631,795	19,605,266
Investments	17	13,677,940	15,987,955
Loans and Advances to Customers	18	87,490,045	84,393,788
Other assets	19	50,392,348	41,129,815
Investment property	20	9,000,000	9,000,000
Intangible assets	21	1,292,073	581,888
Property and equipment	22	11,200,810	11,744,106
Total assets		**188,685,011**	**182,442,818**
Liabilities			
Deposits from Customers	23	110,165,033	111,457,351
Due to Central Bank & EBID	24	14,523,564	14,958,716
Other liabilities	25	36,756,947	27,879,762
Total liabilities		**161,445,544**	**154,295,829**
Equity			
Share capital	26	7,724,240	7,724,240
Share Premium	26	2,442,754	2,442,754
Statutory Reserves	27a	4,582,151	4,333,541
Revaluation Surplus	27b	6,111,287	6,111,287
Treasury stock		(63,309)	(63,309)
Retained earnings / (Accumulated losses)		6,442,344	7,598,476
Total equity attributable to the owners of the bank		**27,239,467**	**28,146,989**
Total liabilities and equity		**188,685,011**	**182,442,818**

John B.S. Davies III
President/Chief Executive Officer

Dr. James S.P. Cooper
Director

The notes on pages 74 to 96 are integral parts of these financial statements

Statement of Cash Flows

In United States Dollars	31-Dec-2017	31-Dec-2016
Cash flows from operating activities		
Profit for the period	994,453	1,691,322
Adjustments for:		
Depreciation and amortization	805,609	936,674
Translation differences	(2,271,974)	79,437
	(471,912)	**2,707,433**
Changes in:		
Loans and advances to customers	(3,096,258)	(7,417,525)
Other assets	(9,262,532)	1,085,120
Deposits from customers	(1,292,316)	(6,641,746)
Other liabilities	8,877,185	8,581,324
Net cash from/(used in) operating activities	**(5,245,833)**	**(1,685,394)**
Cash flows from investing activities		
Purchase of property & equipment and Intangible	543,296	(1,606,549)
Investments	2,310,016	557,304
Adjustments (retained earning & fixed assets)	(467,879)	(819,293)
Net cash from/(used in) investing activities	**2,385,431**	**(1,868,538)**
Cash flows from financing activities		
Due to Central Bank & EBID	(435,152)	(337,161)
Dividend payable	(677,917)	(679,000)
Net cash from/(used in) financing activities	**(1,113,069)**	**(1,016,161)**
Net (decrease) / increase in cash and cash equivalents	**(3,973,471)**	**(4,570,093)**
Cash and cash equivalent at beginning of period	19,605,266	24,175,359
Cash and cash equivalent at end of period	**15,631,795**	**19,605,266**

The notes on pages 74 to 96 are integral parts of these financial statements

Statement of changes in equity

In United States Dollars	Share capital	Share Premium	Revaluation reserves	Credit Risk Reserves	Statutory reserves	Treasury stock	Retained earnings	Total
Balance at 1 January 2016	7,724,240	2,442,754	7,710,542	4,723,521	3,910,710	(63,309)	1,079,156	27,527,614
Shares issued: Class B Common stock $10 par value	-	-	-	-	-	-	-	-
Share premium (Paid - in Capital in excess of par)	-	-	-	-	-	-	-	-
Reclassification Based on CBL Guideline/RSD/0864/2016	-	-	-	(4,723,521)	-	-	4,723,521	-
Revaluation reserves on investment properties	-	-	(1,599,255)	-	-	-	-	(1,599,255)
Other adjustment (Prior year items)			-	-	-	-	(793,693)	(793,693)
Total comprehensive income for the period:								
Profit for the period	-	-	-	-	422,831	-	1,268,492	1,691,323
Dividend payable	-	-	-	-	-	-	(679,000)	(679,000)
Other comprehensive income, net of tax	-	-	2,000,000	-	-	-	-	2,000,000
Foreign currency translation difference (USD, EURO & GBP)								
Total Equity & Reserves at December 31, 2016	7,724,240	2,442,754	8,111,287	-	4,333,541	(63,309)	7,598,476	28,146,989

The notes on pages 74 to 96 are integral parts of these financial statements

Statement of changes in equity

In United States Dollars	Share capital	Share Premium	Revaluation reserves	Credit Risk Reserves	Statutory reserves	Treasury stock	Retained earnings	Total
Balance at 1 January 2017	7,724,240	2,442,754	8,111,287	-	4,333,541	(63,309)	7,598,476	28,146,989
Shares issued: Class B Common stock $10 par value	-	-	-	-	-	-	-	-
Share premium (Paid - in Capital in excess of par)	-	-	-	-	-	-	-	-
Reclassification Based on CBL Guideline/RSD/0864/2016	-	-	-	-	-	-	-	-
Revaluation reserves on investment properties	-	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-	-	-
Other adjustment (Prior year items)	-	-	-	-	-	-	(1,224,058)	(1,224,058)
Total comprehensive income for the period:								
Profit for the period	-	-	-	-	248,610	-	745,843	994,453
Dividend payable	-	-	-	-	-	-	(677,917)	(677,917)
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-
Foreign currency translation difference (USD, EURO & GBP)	-	-	-	-	-	-	-	
Total Equity & Reserves at December 31, 2016	**7,724,240**	**2,442,754**	**6,111,287**	**-**	**4,582,151**	**(63,309)**	**6,442,344**	**27,239,466**

The notes on pages 74 to 96 are integral parts of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

9 Interest income

In United States Dollars	31-Dec-2017	31-Dec-2016
Loans and advances to customers	6,500,031	6,697,641
Cash and Cash equivalent	-	-
	6,500,031	**6,697,641**

Geographical location		
Interest income earned in Liberia	6,500,031	6,697,641
Interest income earned outside Liberia		-
	6,500,031	**6,697,641**

10 Interest expense

In United States Dollars	31-Dec-2017	31-Dec-2016
Savings account individuals	800,655	774,891
Savings account joint in trust for	64	99
Savings account in trust for	18,505	14,362
Savings account not for profit	115,338	111,214
Savings account joint	95,881	97,030
Savings account staff	9,594	8,671
Savings account non resident	18,678	15,843
Savings account clubs & associations	51,294	46,552
Savings direct deposit	26,277	20,400
Interest on time deposit	182,527	454,411
Short term borrowing	350,664	14,864
	1,669,479	**1,558,337**

11 Fee and commission income

In United States Dollars	31-Dec-2017	31-Dec-2016
Fees and commissions on loan and advances	398,215	627,507
Commission on MoneyGram operations	499,909	430,212
Commission on Western Union operations	162,425	227,677
Commission on transfers and drafts	1,274,244	1,038,468
Service charges on customer deposits	874,779	1,176,160
Commission on guarantees and bonds	40,873	33,238
Other commission and fees	1,257,442	931,713
	4,507,887	**4,464,975**

12 Other operating income

In United States Dollars	31-Dec-2017	31-Dec-2016
Income on GOL/Bond	2,084,233	1,028,714
Income on call deposits	1,529	946
Other	721,400	486,313
Rental income	508,810	466,137
	3,315,972	**1,982,110**

13 Personnel expense

In United States Dollars	31-Dec-2017	31-Dec-2016
Wages and salaries	38,991	42,402
Housing and transportation allowance	2,463,272	2,213,045
Contributions to defined contribution plans	1,062,921	858,739
Other staff cost	1,246,805	1,051,655
	4,811,989	**4,165,841**

14 General and administrative expenses

In United States Dollars	31-Dec-2017	31-Dec-2016
Other premises and equipment costs	1,125,085	920,522
Directors' emoluments	312,050	219,126
Professional services	962,936	756,487
Office expenses	574,383	634,303
Foreign travel	194,215	110,743
Local travel & transportation	296,135	105,656
Licenses and fees	474,905	506,987
Operational expenses-investment property	308	1,057
Bank service and note import charges	68,004	21,860
Advertising and business promotion	184,695	150,753
Amortization of intangibles	216,125	198,588
Depreciation of Property, Plant and Equipment	589,484	738,086
	4,998,325	**4,364,168**

15 Other operating expenses

In United States Dollars	31-Dec-2017	31-Dec-2016
Scholarships and donations	58,126	208,599
Sundry expenses	432,020	389,790
Treasury Operation	593,626	-
Fine by CBL	76,921	-
Other/Cash short and over	(16,839)	(52,760)
	1,143,854	**545,629**

Fine of US$76,921 levied by CBL for violation of Reserve Requirement Regulation CBL/RSD/003/2016.

16 **Cash and cash equivalents**

	31-Dec-2017	31-Dec-2016
In United States Dollars		
Cash and balances with banks	6,178,987	5,258,924
Unrestricted balances with banks	9,452,808	14,346,342
	15,631,795	**19,605,266**

17. Investment in securities & others

17.1. Available-for-sale

The bank acquired shares in Liberia Cement Corporation in 2016 of US$ 1,068,090 for resale to Liberians. The bank designated the shares as available-for-sale investment securities as at Dec. 31, 2017. However, the bank still maintains the shares bought in 2014/2015.

17.2 Treasury bills

During the year, the bank acquired treasury bonds from both the government of Liberia and Central Bank.

Investment in securities & others

In United States Dollars	31-Dec-2017	31-Dec-2016
Investment securities		
Held- to- maturity		
GOL	-	-
CBL	-	-
	-	**-**
Other investments		
Available for sale	1,322,654	1,068,090
Investment in Treasury Bond	9,403,114	11,483,725
Equity investment	301,042	301,042
Investment in Bonds-GOL	2,026,130	2,036,013
Investment in syndicated loan	625,000	1,099,085
	13,677,940	**15,987,955**

18 Loans and Advances to Customers

31-Dec-2017

In United States Dollars	Gross amount	Portfolio Impairment	Total Impairment	Carrying amount
Loans to non-individuals	65,870,660	(3,054,781)	(3,054,781)	62,815,879
Loans to individuals	24,674,166	-	-	24,674,166
	90,544,826	**(3,054,781)**	**(3,054,781)**	**87,490,045**

31-Dec-2016

In United States Dollars	Gross amount	Portfolio Impairment	Total Impairment	Carrying amount
Loans to non-individuals	59,651,831	(2,756,904)	(2,756,904)	56,894,927
Loans to individuals	27,498,861	-	-	27,498,861
	87,150,692	**(2,756,904)**	**(2,756,904)**	**84,393,788**

Performance Profile of Loans and Advances per CBL Prudential Guidelines Is As Follows (In United States Dollars):

Status	Count	% Total Count	Value	% Total Value	Provision Amount	% Total Prov.
1 – CURRENT	2,819	15.9%	67,499,645	78.90%	674,996	5.04%
2 – OLEM	94	0.5%	175,851	20.60%	8,793	0.07%
Total Performing	**2,913**	**16.5%**	**67,675,495**	**79.11%**	**683,789**	5.11%
3 - SUB-STANDARD	1,021	5.8%	5,645,065	6.60%	1,129,013	8.43%
4 - DOUBTFUL	3,454	19.5%	1,305,188	1.53%	652,594	4.87%
5 – LOSS	10,303	58.2%	10,925,236	12.77%	10,925,236	81.59%
Total NPL	**14,778**	**83.5%**	**17,875,489**	**20.89%**	**12,706,843**	94.89%
Total Performing & NPL	**17,691**	**100%**	**85,550,984**	**100%**	**13,390,632**	100%

Sensitivity Analysis on recognition of provision based on CBL Guidelines Concerning Accounting and Financial Reporting for Banks.

Year	Provision CBL Guidelines	Provision IFRS	Net provision impact	Impact on Capital	Provision impact on P&L	Impact on Profit
2017	13,390,632	3,193,962	10,196,670	27,917,383	23,272,460	(9,202,217)
2016	17,598,497	2,756,904	14,841,593	28,146,989	2,544,772	(13,150,271)
Net	**(4,207,865)**	**437,058**	**4,664,923**	**(229,609)**	**20,727,688**	**(3,948,054)**

N/S	SECTORIAL CLASSIFICATION OF LOANS & ADVANCES:		
	SECTOR	**31-Dec-17**	**31-Dec-16**
1	**AGRICULTURE**	**USD**	**USD**
	Fishery	51,679	48,575
	Rubber	1,565,111	1,471,130
	Others	403,416	379,192
		2,020,206	**1,898,897**
2	**CONSTRUCTION**		
	Commercial mortgage	7,960,580	7,482,565
	Home mortgage	1,889,962	1,776,475
	Road construction	19,589,901	19,132,596
	Other construction	394,584	370,890
		29,835,027	**28,762,526**
3	**COMMUNICATION**	**1,640,523**	**1,514,343**

		31-Dec-17	31-Dec-16
4		**USD**	**USD**
	Hotels	605,192	568,852
	Bar & restaurant	716,978	673,925
	Other services	3,610,470	3,393,669
		4,932,640	**4,636,446**
5	**EXTRACTIVE**		
	Iron ore	-	-
	Diamond	-	-
	Gold	-	-
	Quarrying	-	-
	Forestry	983,643	924,578
		983,643	**924,578**
6	**OTHERS**		
	Manufacturing	1,040,617	3,958,438
	Trade	31,365,267	29,481,856
	Personal	5,502,702	5,172,277
	Government of Liberia	4,001	3,761
	Central bank	-	-
	Public corporation	57,141	53,710
	General	10,108,278	9,501,299
		48,078,005	**48,171,341**
	TOTAL SUMMARY LOANS	**87,490,045**	**84,393,788**

19 Other current assets

In United States Dollars	31-Dec-2017	31-Dec-2016
Accounts receivable	33,058,505	14,898,689
Prepayments	1,515,347	1,515,883
Deferred expenses - advances & software	1,084,099	1,484,773
Restricted deposits with Central bank	13,600,088	22,056,219
Stock/Stationery	1,134,309	1,174,251
	50,392,348	**41,129,815**

20. Investment properties

Investment Properties have been measured at fair value in the statement of financial position and are categorized by levels according to the inputs used in the market measurement.

Investment properties

In United States Dollars	Dec. 17	Current valued prices for identical properties Level 1	significant other observable inputs Level 2	Significant unobservable Inputs Level3
	USD	USD	USD	USD
Investment Properties				
E.E. Sleeby Property/Buildings	9,000,000	9,000,000	-	9,000,000
Total	**9,000,000**	**9,000,000**	**-**	**9,000,000**

Fair value for Investment properties are calculated using the revaluation method, which results in the measurement being classified as level 1 in the fair view value hierarchy.

Stabilized NOI:

Revenue less any property operating expenses adjusted for item such as any lease up costs, long-term vacancy rate, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring costs.

Investment properties are valued on a highest and best use basis. For the Bank's investment properties, the current use is considered the highest and best use.

21 Intangible assets

In United States Dollars	**31-Dec-2017**	31-Dec-2016
Cost:		
Balance at beginning of the year	1,872,053	1,695,057
Addition	909,506	52,687
Exchange rate effect	242,342	124,309
	3,023,901	1,872,053
Accumulated amortization:		
Balance at beginning of the year	1,290,165	941,014
Amortization for the year	216,125	198,588
Exchange rate effect	225,538	150,563
	1,731,828	1,290,165
Carrying amounts	**1,292,073**	**581,888**

22. Net Book Value of Property, Plant & Equipment (see page 84- 85) 11,200,810

23 Deposits from customers

In United States Dollars	31-Dec-2017	31-Dec-2016
Term deposits	180,268	157,532
Current deposits	45,675,629	48,538,306
Savings deposits	64,309,136	62,761,513
	110,165,033	**111,457,351**

24. During the year under review, the Bank received US$1,500,000 at 2% for period of two years from CBL to support ongoing Micro Small and Medium Enterprise Rural Finance Post-Ebola Recovery Project. Interest shall be made on quarterly basis.
In November 2012, the CBL again provided additional US$ 7 million and L$ 217.5 million at 3% for the purpose of intermediation through long-term affordable mortgage loans to Liberian Nationals, also at a total servicing cost (interest, fees and other charges) not exceeding eight percent (8%) per annum. The placement is for ten (10) years repayable in full on November 14, 2022. Interest payment shall be made on a quarterly basis and at maturity; the remaining interest plus principal shall be made via debit to the relevant LBDI account at the CBL.

Due to Central Bank & EBID

24a Due to Central Bank

In United States Dollars	31-Dec-2017	31-Dec-2016
Long term debt-CBL Mortgage loan	10,237,498	9,620,482
Accrued interest payable general	94	94
Long term debt-CBL rubber stimulus fund	2,136,507	2,663,253
Small business development funds	7,989	12,048
	12,382,088	**12,295,877**

24b Due to EBID

Long term debt-ECOWAS banks for Investment & Development	2,141,476	2,662,839
	14,523,564	**14,958,716**

25 Other Liabilities

In United States Dollars	31-Dec-2017	31-Dec-2016
Accounts payable	21,614,761	24,208,758
Short term borrowings	11,435,700	-
Dividend payable	854,155	1,602,971
Provision for employee benefits	1,806,033	1,590,086
Accrued interest on customer deposits	703,356	375,938
Unearned fees and commission	329,638	83,671
Current income tax liabilities	13,304	18,338
	36,756,947	**27,879,762**

26 Paid - in - Capital

	31-Dec-2017	31-Dec-2016
Share Capital		
Class A Common stock $10 par value (Authorized 1,000,000 shares)		
Issued and outstanding at beginning of year 422,653 shares	4,226,533	4,226,533
Issued during the year	-	-
Issued and outstanding at end of year 422,653 shares	**4,226,533**	**4,226,533**
Class B Common stock $10 par value (Authorized 1,000,000 shares)		
Issued and outstanding at beginning of year 349,771 shares	3,497,707	3,497,707
Issued during the year	-	-
Issued and outstanding at end of year 349,771 shares	**3,497,707**	**3,497,707**
Total Share Capital	**7,724,240**	**7,724,240**
Paid - in Capital in excess of par	2,442,754	2,442,754
Total Paid - in Capital	**10,166,994**	**10,166,994**

22. PROPERTY, PLANT AND EQUIPMENT

Descriptions	Land & Buildings	Leasehold Improvement	Equipment	Furniture & fixtures	Vehicles	Misc. Properties	Work in progress	Total
Cost:	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**
Balance at January 1, 2016	6,706,419	2,178,254	4,543,101	757,611	975,297	306,249	227,401	15,694,332
Additions during the year	779,225	455,666	31,190	1,543	8,512	35	330,378	1,606,549
Disposal	-	-	(9,498)	-	-	-	-	(9,498)
Adjustments	(279,235)	21,269	804,172	76,044	240,197	3,130	(101,309)	764,268
Balance at December 31, 2016	7,206,409	2,655,189	5,368,965	835,198	1,224,006	309,414	456,470	18,055,651
Balance at January 1, 2017	7,206,409	2,655,189	5,368,965	835,198	1,224,006	309,414	456,470	18,055,651
Additions during the year	-	-	521,645	35,708	200,443	16,048	740,661	1,514,504
Disposals during the year	-	-	-	-	-	-	-	-
Adjustments	-	(311,510)	(852,633)	(144,279)	(182,099)	(268,161)	(96,573)	(1,855,255)
Balance at December 31, 2017	7,206,409	2,343,679	5,037,977	726,627	1,242,350	57,301	326,714	16,941,057
Balance at January 1, 2016	-	856,274	3,019,259	327,357	679,698	256,576	-	5,139,164
Charge for the year	-	171,797	397,133	56,718	112,225	213	-	738,086
Disposals during the year	-	20,040	383,452	11,159	25,601	2,118	-	442,370
Effect of Exchange rate	-	-	(8,075)	-	-	-	-	(8,075)
Balance at December 31, 2016	-	1,048,111	3,791,769	395,234	817,524	258,907	-	6,311,545

Balance at January 1, 2017	-	1,048,111	3,791,769	395,234	817,524	258,907	-	6,311,545
Charge for the year	-	54,210	317,553	61,534	154,001	2,186	-	589,484
Effect of Exchange rate	-	(268,842)	(468,114)	(35,537)	(166,655)	(221,634)	-	(1,160,782)
Disposals during the year	-	-	-	-	-	-	-	-
Balance at December 31, 2017	-	833,479	3,641,208	421,231	804,870	39,459	-	5,740,247
Net book value:								
As at December 31, 2016	**7,206,409**	**1,607,078**	**1,577,196**	**439,964**	**406,482**	**50,507**	**456,470**	**11,744,106**
As at December 31, 2017	**7,206,409**	**1,510,200**	**1,396,770**	**305,395**	**437,479**	**17,843**	**326,714**	**11,200,810**

27 Revaluation Reserve

In United States Dollars	31-Dec-2017	31-Dec-2016
	6,111,287	**6,111,287**

27aStatutory Reserve

Section 1001 of the bank's charter requires that "before the bank may determine the profit available for dividends, the bank shall set aside in each year in a special reserve fund a sum equal to not less than 25% of the net profit of the bank as shown in the bank's financial statements for that year, until the aggregate of that amounts so set aside equals the amount of the loans to the bank then outstanding. In addition to amounts set aside as special reserve, the Directors shall set aside from any profits otherwise available for the payments of dividends such other reserves as they deem prudent."

27b Revaluation Surplus

	31-Dec. – 2017	31-Dec. – 2016
	6,111,287	6,111,287

The bank exercised an option to fair value all buildings it owned at the date of transition to market value from the portfolio of fixed assets on its books including investment properties. The impact of the fair valuation was an increased in the value of the assets. The bank has reclassified the surplus to a Revaluation Surplus account. The revaluation surplus is now US$6,111,287 (2016: US$6,111,287). This was done in conformity with IAS 40.

28 Credit Risk Reserve

The credit risk reserve warehouses the difference between the impairment on loans and advances determined using the Central Bank of Liberia prudential guidelines, compared with the incurred loss model used in determining the impairment loss under IFRSs.

Movement in Credit Risk Reserve	**31-Dec-2017**	**31-Dec-2016**
Opening balance	-	4,723,521
Transfer to retained earnings	-	(4,723,521)
Balance at year end	-	-

Prior to 2016, the difference was transferred to credit risk reserve and the reverse case is also a direct application to income statement. In 2016, the balance in the Credit Risk Reserve was moved to retained earning based on new CBL prudential guideline CBL/RSD/0864/2016 effective July 28 2016.

Thereafter, the same guideline requires the Bank not to make adjustment in it book for such difference but rather to show the impact on capital and profit if CBL impairment model was aborted using sensitivity analysis as done in page 58 of this financial statements.

29 Contingencies

29.1 Claims and Litigation

The bank has contingent liabilities in respect of legal claim arising in the ordinary course of business as at December 31, 2017. It is not anticipated that any material liability will arise from the contingent liabilities.

29.2 Contingent Liabilities and Commitments

In common with other banks, the bank conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and commitments comprise acceptances, guaranties and letters of credit.

29.3 Commitments for capital expenditure

The bank had no commitments for capital expenditure as at December 31, 2017 (2016: Nil)

30 Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both.

31. Subsequent events review

Events subsequent to the balance sheet date are reflected only to the extent that they are material. No such events came to our attention as at the date the financial statements were signed.

Transactions with Executive Directors and Key Management Personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of LBDI (directly or indirectly) and comprise the Director and senior management of the bank. There were no material transactions with companies in which Directors or other members of key management personnel (or any connected persons) are related

Remunerations of Executive Directors and Other Key Management Personnel are as follows:

In United States Dollars	**31-Dec-2017**	**31-Dec-2016**
Salaries and other short term benefits	377,401	327,520
Contributions to defined contribution plans	5,656	5,672
	383,057	**333,192**

DISCLOSURES TO THE FINANCIAL STATEMENTS

Currency Risk Exposure relating to on balance sheet assets are as follows:

Dec-17

In United States Dollars

Classification	TOTAL	LRD	USD	GBP	EUR
Cash and cash equivalents	15,631,795	4,077,333	11,538,573	5,364	10,525
Financial assets held for trading	-	-	-	-	-
Investment securities:	-	-	-	-	-
- Available for sale	1,322,654	-	1,322,654	-	-
- Held to maturity	-	-	-	-	-
Loans and Advances to Customers	87,490,045	6,540,199	80,949,846	-	-
Property, plant and equipment	11,200,810	326,217	10,874,593	-	-
Intangible assets	1,292,073	-	1,292,073	-	-
Current income tax assets	-	-	-	-	-
Other assets	50,392,348	15,117,704	35,274,644	-	-
	167,329,725	**26,061,453**	**141,252,383**	**5,364**	**10,525**
Deposits from banks	-	-	-	-	-
Deposits from customers	110,165,033	32,068,698	78,096,335	-	-
Due to central bank & EBID	14,523,564	3,454,121	11,069,443	-	-
Due to Intercompany	-	-	-	-	-
Current income tax liabilities	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-
Other liabilities	36,756,947	9,019,757	27,737,190	-	-
	161,445,544	**44,542,576**	**116,902,968**	**-**	**-**

Currency Risk Exposure relating to on balance sheet assets are as follows:

Dec-16

In United States Dollars

Classification	**TOTAL**	**LRD**	**USD**	**GBP**	**EUR**
Cash and cash equivalents	19,605,266	4,702,803	13,945,457	1,933	955,073
Financial assets held for trading	-	-	-	-	-
Investment securities:	-	-	-	-	-
- Available for sale	1,068,090	-	1,068,090	-	-
- Held to maturity	-	-	-	-	-
Loans and Advances to Customers	84,393,788	7,779,242	76,614,546	-	-
Property, plant and equipment	11,744,106	156,638	11,587,468	-	-
Intangible assets	581,888	-	581,888	-	-
Current income tax assets	-	-	-	-	-
Other assets	41,129,815	16,946,717	24,183,098	-	-
	158,522,952	**29,585,400**	**127,980,547**	**1,933**	**995,073**
Deposits from banks	-	-	-	-	-
Deposits from customers	111,457,351	29,879,060	81,578,291	-	-
Due to central bank	14,958,716	5,209,480	9,749,236	-	-
Due to Intercompany	-	-	-	-	-
Current income tax liabilities	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-
Other liabilities	27,879,762	1,019,346	26,860,416	-	-
	154,295,829	**36,107,886**	**118,187,943**	**-**	**-**

Currency Risk Exposure relating to on balance sheet assets cont'd:

CASH AND CASH EQUIVALENTS
Dec-17

	TOTAL	LRD	USD	GBP	EUR
Cash and balances with banks	6,178,987	1,536,321	4,642,539	43	84
Unrestricted balances with Central bank	6,847,002	1,471,680	5,375,322	-	-
Balances with foreign	2,605,806	-	2,593,817	4,596	7,393
Total	**15,631,975**	**3,008,001**	**12,611,678**	**4,639**	**7,477**

CASH AND CASH EQUIVALENTS
Dec-16

	TOTAL	LRD	USD	GBP	EUR
Cash and balances with banks	5,258,924	1,256,815	3,541,400	809	459,900
Unrestricted balances with Central bank	9,074,194	3,445,988	5,628,206	-	-
Money market placements	5,272,148	-	4,775,851	1,124	495,173
Total	**19,605,266**	**4,702,803**	**13,945,457**	**1,933**	**955,073**

INVESTMENT SECURITY

Dec-17

	TOTAL	LRD	USD	GBP	EUR
CBL Treasury bills	-	-	-	-	-
Government bond	2,026,130	-	2,026,130	-	-
Total	**2,026,129**	**-**	**2,026,130**	**-**	**-**

INVESTMENT SECURITY

Dec-16

	TOTAL	LRD	USD	GBP	EUR
CBL Treasury bills	-	-	-	-	-
Government bond	2,036,013	-	2,036,013	-	-
Total	2,036,013	-	2,036,013	-	-

Currency Risk Exposure relating to on balance sheet assets cont'd:

DEPOSITS FROM CUSTOMERS

Dec-17

	TOTAL	LRD	USD	GBP	EUR
Current deposits	45,675,629	7,603,243	38,072,386	-	-
Savings deposits	64,309,136	16,770,166	47,538,970	-	-
Term deposits	180,268	-	180,268	-	-
Total	**110,165,033**	**24,373,409**	**85,791,624**	**-**	**-**

DEPOSITS FROM CUSTOMERS

Dec-16

	TOTAL	LRD	USD	GBP	EUR
Current deposits	48,538,306	9,366,645	39,171,661	-	-
Savings deposits	62,761,511	20,480,872	42,280,639	-	-
Term deposits	157,532	-	157,532	-	-
Total	**111,457,349**	**29,847,517**	**81,609,833**	**-**	**-**

Net/Gross nominal (undiscounted) maturities of financial assets and liabilities

Disclosures to the Financial Statements

December-2017

In United States Dollars	Carrying amount	1 month Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Financial assets						
Cash and cash equivalents	15,631,795	15,631,795	-	-	-	-
Loans and advances to customers	87,490,045	30,419,000	20,194,410	6,252,459	26,916,394	3,707,782
Investment Securities:						
– Available for sale	1,322,654	-	1,322,654	-	-	-
– Other Investments	12,355,285	-	-	-	12,355,285	-
– Held to maturity	-	-	-	-	-	-
Other Assets	50,392,348	50,392,348	-	-	-	-
	167,192,127	**96,443,143**	**21,517,064**	**6,252,459**	**39,271,679**	**3,707,782**
Financial liabilities						
Deposits from customers	110,165,033	53,980,760	52,879,328	3,304,945	-	-
Due to central bank & EBID	14,523,564	-	-	-	-	14,523,564
Other Liabilities	36,756,947	36,756,947	-	-	-	-
	161,445,544	**90,737,707**	**52,879,328**	**3,304,945**	**-**	**14,523,564**
Gap (asset - liabilities)	**5,746,583**	**5,705,437**	**(31,362,264)**	**2,947,514**	**39,271,679**	**(10,815,782)**
Cumulative liquidity gap	**5,746,583**	**5,705,437**	**(31,362,264)**	**2,947,514**	**39,271,679**	**(10,815,782)**

1 Includes balances with no specific contractual maturities

December-2016

In United States Dollars	**Carrying amount**	**1 month Less than 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 5 years**	**More than 5 years**
Financial assets						
Cash and cash equivalents	19,605,266	19,605,266	-	-	-	-
Loans and advances to customers	84,393,788	37,220,408	1,586,096	7,999,895	33,036,545	4,550,844
Investment Securities:						
– Available for sale	1,068,090	-	1,068,090	-	-	-
– Other Investments	14,919,865	-	-	-	14,919,865	-
– Held to maturity	-	-	-	-	-	-
Other Assets	41,129,815	41,129,815	-	-	-	-
	161,116,823	**97,955,489**	**2,654,186**	**7,999,895**	**47,956,410**	**4,550,844**
Financial liabilities						
Deposits from customers	111,457,351	54,635,189	53,540,104	3,282,058	-	-
Due to central bank	14,958,716	-	-	-	-	14,958,716
Other Liabilities	27,879,762	27,879,762	-	-	-	-
	154,295,829	**81,156,951**	**53,540,104**	**3,282,058**	**-**	**14,958,716**
Gap (asset - liabilities)	**6,820,995**	**15,440,538**	**(50,885,918)**	**4,717,837**	**47,956,410**	**(10,407,872)**
Cumulative liquidity gap	**6,820,995**	**15,440,538**	**(50,885,918)**	**4,717,837**	**47,956,410**	**(10,407,872)**

1 Includes balances with no specific contractual maturities

Credit risk exposures relating to on-balance sheet assets are as follows

	Maximum exposure	
In United States Dollars	**Dec -2017**	**Dec -2016**
Classification		
Cash and cash equivalents:		
- Balances held with other banks	6,178,987	5,258,924
- Unrestricted balances with Central banks	6,847,002	9,074,195
- Money market placements	2,605,806	5,272,148
Investment securities:		
- GOL Treasury bills	-	-
- CBL Treasury bills	-	-
- Government Bond	2,026,130	2,036,013
Investment in Treasury Bond	9,403,114	11,483,725
- Equity Investment	301,042	301,042
Loans and advances to customers:		
- Loans to individuals	24,674,166	27,498,860
- Loans to non-individuals	62,815,879	56,894,927
Other assets	50,392,348	41,129,814
Total	**165,244,475**	**158,949,647**
Loans exposure to total exposure	53%	53%
Other exposure to total exposure	47%	47%

Balances included in Other Assets above are those subject to credit risks. Items not subject to credit risk, which include Stock/Stationery and prepaid benefit on employee's loan, have been excluded.

The table above shows a worst-case scenario of credit risk exposure to the Bank as at 31 December 2017 and 31 December 2016 without taking account of any collateral held or other credit enhancements attached.

Loans and advances to customers is analyzed below:

In United States Dollars	**Dec -2017**	**Dec -2016**
Loans to individuals:		
Overdraft	7,380,062	8,697,721
Loans	117,294,104	18,801,140
	24,674,166	**27,498,861**
Loans to non-individuals:		
Overdraft	17,923,633	16,552,853
Loans	44,892,247	40,342,074
	62,815,879	**56,894,927**

Credit risk exposures relating to off-balance sheet items are as follows:

	Maximum exposure	
In United States Dollars	**Dec -2017**	**Dec -2016**
Financial guarantees	534,810	636,435
Other contingents	2,436,280	3,570,000
	2,971,090	**4,206,435**

Geographical Sector

Concentration of risks of financial assets with credit risk exposure

The following table breaks down the bank's credit exposure (without taking into account any collateral held or other credit support), as categorized by geographical region as at the reporting date. For this table, the bank has allocated exposures to region.

Credit risk exposure relating to On-Balance Sheet

Dec-17

In United States Dollars	**Liberia**	**Rest of Africa**
Classification		
Cash and cash equivalents:		
- Balances held with other banks	6,178,987	-
- Unrestricted balances with Central banks	,6847,002	-
- Money market placements	2,605,806	-
Investment securities:		
- GOL Treasury bills	-	-
- CBL Treasury bills	-	-
- Government Bond	2,036,010	-
Loans and advances to customers:		
- Loans to individuals	24,674,166	-
- Loans to non-individuals	62,815,879	-
Other assets[2]	34,142,604	-
Total	**139,290,571**	**-**

[2] Balances included in Other Assets above are those subject to credit risks. Items not subject to credit risk, which include Stock/Stationery and Prepaid benefit on employees loan have been excluded.

Loans and advances to customers is analyzed below:

Dec-17

In United States Dollars	**Liberia**	**Rest of Africa**
Loans to individuals:		
Overdraft	7,380,062	-
Loans	17,294,104	-
	24,674,166	**-**
Loans to non-individuals:		
Overdraft	17,923,633	-
Loans	44,892,246	-
	62,815,879	**-**

Credit risk exposure relating to On-Balance Sheet

Dec-16

In United States Dollars	**Liberia**	**Rest of Africa**
Classification		
Cash and cash equivalents:		
- Balances held with other banks	5,258,924	-
- Unrestricted balances with Central banks	9,074,194	-
- Money market placements	5,272,148	-
Investment securities:		
- GOL Treasury bills	-	-
- CBL Treasury bills	-	-
- Government Bond	2,036,013	-
Loans and advances to customers:		
- Loans to individuals	56,894,927	-
- Loans to non-individuals	27,498,860	-
Other assets[2]	41,129,816	-
Total	**147,164,881**	**-**

[2] Balances included in Other Assets above are those subject to credit risks. Items not subject to credit risk, which include Stock/Stationery and Prepaid benefit on employees loan have been excluded.

Loans and advances to customers is analyzed below:

Dec-16

In United States Dollars	**Liberia**	**Rest of Africa**
Loans to individuals:		
Overdraft	8,697,721	-
Loans	18,801,140	-
	27,498,861	**-**
Loans to non-individuals:		
Overdraft	16,552,853	-
Loans	40,342,074	-
	56,894,927	**-**