LIBERIAN BANK FOR DEVELOPMENT AND INVESTMENT

Financial Statements and Independent Auditor's Report
For the year ended December 31, 2018

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

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.

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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 (Resigned in March 2018) Joe Ofori-Teiko (Appointed in March 2018) – *Chairman, Asset & 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 *(Certified Public Accountants)* King Plaza, Second to Fourth Floors 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 December 31, 2018.

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 December 31, 2018, 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 assessed LBDI'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 LBDI'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 ………, 2019.

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

Key audit matter(s)	How matter was addressed in our audit
Impairment of loans and advances	
The impairment of loans and advances to customers is significant to the audit due to the level of subjectivity inherent in estimating loan loss provisions. During the year, the Bank adopted a new accounting standard, IFRS 9 Financial Instruments, which became effective on January 1, 2018.	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. Key controls evaluated included management's review of input data, including forward-looking macroeconomic data used.
The key change arising from the adoption of IFRS 9 was the Bank's provision for losses on financial assets using the expected credit loss (ECL) model rather than the incurred loss model. The determination of provisions for credit losses using the ECL approach requires complex financial quantitative models as well as qualitative data; the latter of which employs a significant amount of management judgement.	We performed extensive procedures on assessing the reliability of qualitative factors used by management in the determination of loan-asset stage classification. We documented management's judgment criteria and assessed the validity of management's judgment criteria to underlying supporting information.
Impairment allowances on loan facilities that have shown significant increases in credit risk is based on the Bank's estimate of losses expected to result from default events over the lives of the facilities. Impairment allowances on other facilities that have not shown significant increases in credit risks is recognized based on estimate of losses expected as a result of default events within twelve months after the reporting date. These estimates are also an output of models which include the evaluation of past due information.	We performed substantive tests of details in assessing key data and assumptions for data input into the ECL model used by the Bank. Our procedures included the following; We challenged the reasonableness of the Bank's ECL methodology by considering whether it reflects unbiased and probability-weighted amounts that are determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information. This information included relevant past events, current conditions and forecasts of future economic conditions. Other information considered included credit conversion factors, historical default rates, foreign exchange rates and Gross Domestic Product growth rates.
The Bank incorporates forward–looking information into both the assessment of whether credit risk have increased significantly and in the measurement of ECL.	We evaluated the appropriateness of the bases of determining exposures at default, including the contractual cash flows, outstanding loan balances, loan repayment types, loan tenor and effective interest rates. For probability of defaults, we tested the reasonableness of assumptions and the methodology used.
Management has used significant judgement in the classification of loans into stages, as well as in estimating the key assumptions applied on the recoverability of loan balances. See Notes 2.9 to the financial statements for further information.	We tested the reasonableness of estimation of losses given default, which included assessing haircut adjustments. We re-performed the calculations of impairment allowances for loan and advances using the Bank's impairment model and reviewed IFRS 9 disclosures for reasonableness.

Revenue recognition	
The amount of revenue recognized during the year on interest income and fees and commission income is dependent on the appropriate assessment/classification of loan assets, and an appropriate fee amortization schedule, respectively. As the classification of overdraft facilities is complex, significant judgment is applied in determining the appropriate asset class of these facilities. The determination of 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. This would usually lead to revenue and profit being recognized too early. Management's determination of interest income relies extensively on the Bank's computer information system. A malfunction 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.	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 the 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 assessing the amortization schedule with information held from prior periods, testing loan assets to underlying supporting information (customer credit files) and performing re-computation of fee and commission income amortization schedules. We performed substantive analytical procedures by benchmarking the Bank's "revenue to loan" ratios to the industry averages 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 IFRS, 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. Future events or conditions however, 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 LBDI's compliance with the Act.

In accordance with Section 15-2 of CBL Regulation No CBL/RSD/008/2017, we report the Bank was fined by CBL during the year under review for non-compliance with Reserve Requirement Regulation CBL/RSD/003/2016.

Except for the issues mentioned above, nothing significant came to our attention to cause us to believe that the Bank has not, in all material respects, complied with the provisions of the New Financial Institutions Act of 1999, and other regulations and guidelines issued by the CBL.

Baker Tilly Liberia
Certified Public Accountants
Monrovia
July 22, 2019

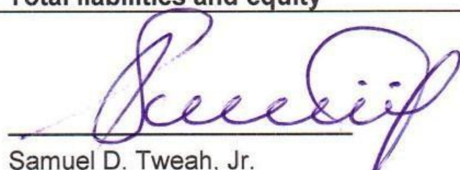
Statement of Profit or Loss and Other Comprehensive Income

In Liberian dollars	Note	Dec-31-2018	Dec-31-2017
Interest income	9	1,073,003,491	742,108,538
Interest expense	10	(305,342,892)	(190,604,399)
Net interest income		**767,660,599**	**551,504,139**
Loan impairment charges		(130,606,340)	(37,283,523)
Net interest income after loan impairment charges		**637,054,259**	**514,220,617**
Fee and commission income	11	641,573,203	514,665,493
Net interest and commission on loans & advances		**1,278,627,462**	**1,028,886,110**
Other operating income	12	594,009,086	378,584,560
Total income for the period		**1,872,636,548**	**1,407,470,668**
Personnel expenses	13	(787,825,309)	549,384,802
General and administrative expenses	14	(806,681,219)	570,658,711
Operating lease expenses		(54,463,420)	43,296,603
Other operating expenses	15	(123,402,309)	130,593,863
Total operating expenses for the year		**(1,772,372,257)**	**1,293,933,979**
Profit for the year		**100,264,291**	**113,536,689**
Profit attributable to:			
Equity holders of the entity			
Profit for the period from continuing operations		**100,264,291**	**113,536,689**
Other comprehensive income:			
Net revaluation surplus of PPE		52,960,447	-
Total comprehensive income		**153,224,738**	**113,536,689**
Earnings per share for the profit/loss from continuing operations attributable to the equity holders of the Bank during the year (expressed in Liberian dollars per share):			
- Basic		147.90	167.48
- Diluted		147.90	167.48

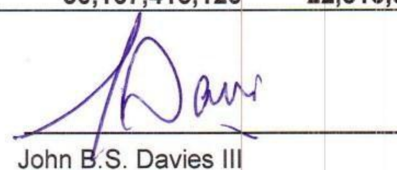
The notes on pages 14 to 82 are integral parts of these financial statements

Statement of Financial Position as at

In Liberian dollars	Note	Dec-31-2018	Dec-31-2017
Assets			
Cash and cash equivalents	16	3,327,286,436	1,956,788,070
Investments	17	3,114,115,448	1,674,520,020
Loans and Advances to customers	18	14,911,140,874	11,014,535,163
Other assets	19	5,844,190,399	5,640,202,045
Investment property	20	1,433,326,616	745,500,000
Intangible assets	21	186,607,446	164,451,457
Property and equipment	22	1,350,745,907	1,320,543,297
Total assets		**30,167,413,126**	**22,516,540,052**
Liabilities			
Deposits from customers	23	18,775,213,418	13,790,458,832
Due to Central Bank & EBID	24	2,625,949,235	1,818,055,773
Other liabilities	25	5,172,622,747	4,603,496,567
Total liabilities		**26,573,785,400**	**20,212,011,172**
Equity			
Share capital	26	388,228,269	388,228,269
Share premium	26	140,958,544	140,958,544
Statutory reserves	27a	419,589,986	394,523,913
Revaluation surplus – PPE	27b	503,656,388	450,695,941
Treasury stock		(5,254,643)	(5,254,643)
Translation adjustments	28	1,906,684,279	616,107,032
Retained earnings		239,764,904	319,269,825
Total equity attributable to the owners of the Bank		**3,593,627,726**	**2,304,528,880**
Total liabilities and equity		**30,167,413,126**	**22,516,540,052**



Samuel D. Tweah, Jr.
Chairman-Board of Directors



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

The notes on pages 14 to 82 are integral parts of these financial statements

Statement of Cash Flows

In Liberian dollars	Dec-31-2018	Dec-31-2017
Cash flows from operating activities		
Profit for the period	100,264,291	113,536,689
Adjustments for:		
Prior period adjustment	59,518,631	(139,750,759)
Depreciation and amortization	145,491,421	91,976,364
	305,274,344	**65,762,293**
Changes in:		
Loans and advances to customers	(3,896,605,711)	(2,364,171,911)
Other assets	(1,906,447,439)	(360,950,332)
Deposits from customers	4,984,754,585	2,366,080,401
Other liabilities	434,144,971	1,745,820,930
Net cash from operating activities	**(78,879,250)**	**1,452,541,381**
Cash flows from investing activities		
Purchase of property, equipment and intangible assets	(262,797,705)	(206,567,858)
Investments	(1,439,595,427)	(66,310,349)
Adjustments (fixed assets)	(569,918,484)	(312,372,179)
Net cash used in investing activities	**(2,272,311,615)**	**(585,250,386)**
Cash flows from financing activities		
Due to Central Bank & other Banks	807,893,461	576,482,324
Dividends paid	(79,240,563)	(84,861,648)
Net cash from financing activities	**728,652,898**	**491,620,676**
Net (decrease) in cash and cash equivalents	**(1,622,537,967)**	**1,358,911,670**
Translation differences	1,290,577,249	290,795,686
Cash and cash equivalents at beginning of year	3,659,247,155	2,009,539,798
Cash and cash equivalents at end of year	**3,327,286,436**	**3,659,247,155**

The notes on pages 14 to 82 are integral parts of these financial statements

Statement of changes in equity								
	Share capital	**Share premium**	**Revaluation PPE reserves**	**Statutory reserves**	**Treasury stock**	**Translation adjustments**	**Retained earnings**	**Total**
In Liberian dollars								
Balance at January 1, 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
Other adjustments (prior years' items)							(139,750,757)	(139,750,757)
Profit for the period				28,384,172			85,152,517	113,536,689
Dividends							(84,861,650)	(84,861,650)
Foreign currency translation difference						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**

Statement of changes in equity								
	Share capital	**Share premium**	**Revaluation PPE reserves**	**Statutory reserves**	**Treasury stock**	**Translation adjustments**	**Retained earnings**	**Total**
In Liberian dollars								
Balance at January 1, 2018	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
Movement due to revaluation-Leasehold Improvement			(157,520,790)					(157,520,790)
Movement due to revaluation-Land and Building			210,481,237					210,481,237
Other adjustment (prior year items)							59,518,632	59,518,632
Profit for the period				25,066,073			75,198,218	100,264,291
Dividends							(214,221,772)	(214,221,772)
Foreign currency translation difference)						1,290,577,248		1,290,577,248
Total equity & reserves at December 31, 2018	**388,228,269**	**140,958,544**	**503,656,388**	**419,589,986**	**(5,254,643)**	**1,906,684,279**	**239,764,904**	**3,593,627,726**

The notes on pages 14 to 82 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 (GOL) in accordance with chapter 41 sections 965 through 1004 of an Act of the National Legislature and approved into law in the same year. The Act was amended twice, the final amendment occurring on March 22, 1965, following which the Bank commenced operations on November 24.

The Bank was established to facilitate the following economic policies of the GOL:

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 purposes 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. In 1988 the scope of operations of the Bank was expanded however, 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

A summary of LBDI's significant accounting policies follows:

2.1 Basis of preparation

The financial statements of the Bank have 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. Supplementary financial statements are included in United States dollars however, because the Bank operates in an economy with dual currencies. The closing rate used to present the statement of financial position was L$ 158.00 to US$1 as at December 31, 2018, (**2017:** L$125.18 to US$1) and the statement of profit or loss was L$144.67 (**2017:** L$114.17 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-constant dollar basis and fair value have been applied as appropriate.

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 and those differences could be material. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period 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 LBDI operates ('the functional currency'). The Liberian dollar and the United States dollar are both functional currencies of the Bank.

(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. 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

Except for the following new standards, the Bank has consistently applied the accounting policies as set out in Notes 2.4 - 2.7 and Notes 2.9 - 2.17 to all periods presented in the financial statements.

IFRS 9: Financial instruments

The Bank adopted IFRS 9 - Financial Instruments. Subsequently, the Bank's accounting policies were changed in the areas outlined below, and these new policies became effective from 1 January 2018. As permitted by the transition provisions of IFRS 9, the Bank has elected not to restate comparative

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Notes to the financial statements *(continued)*

Significant accounting policies (continued)

period results. Accordingly, all comparative period information is presented in accordance with previous accounting policies, as described in our 2017 Accounts.

Adjustments to carrying amounts of financial assets and liabilities at the date of initial application (1 January 2018) were recognized in opening retained earnings and other components of equity in the current period. New or amended disclosures have been provided for the current period, where applicable, and comparative period disclosures are consistent with those made in the prior year.

New and amended standards not yet adopted by the Bank

2.4.2 New and amended Standards effective in the current year

In the current year, the Bank has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for annual periods that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Transfers of Investment Property — Amendments to IAS 40

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight.

Effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed. This amendment has no significant effect on the Bank's Financial Statement.

2.4.3 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.

IFRS 16- Leases

IFRS 16 Leases was issued by the IASB on 13 January 2016 and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 Revenue from Contracts with Customers has also been applied. IFRS 16 Leases replaces IAS 17 Leases, this standard is effective IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use

Notes to the financial statements *(continued)*

Significant accounting policies (continued)

the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. This new standard will most likely have a significant impact on the Bank, which will include a possible change in the Bank's accounting for lease transactions. The Bank is currently in the process of performing a detailed assessment of the impact of this standard on the Bank and will provide more information in its financial statements for the year ending December 31, 2019.

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, LBDI 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 commissions

Fees and commissions that are integral to the effective interest rate on financial assets 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 guarantees, collateral and other security, negotiation of instruments' terms, preparing and processing documentation and finalizing such transactions are integral parts of the effective interest rate on financial assets or liabilities and are included in the measurement of the effective interest rate of financial assets or liabilities.

Other fees and commissions which relate 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 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 both lessee on buildings used as branch offices and lessor for investment property (ies) lease out.

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 leases are terminated before the lease period expires, any payments required to be made to the lessors by way of penalty are recognized as expense in the period in which termination take place.

2.9. Financial instruments

Initial recognition and measurement

Financial instruments are recognized initially when the Bank becomes a party to the contractual provisions of instruments. Financial instruments carried at fair value through profit or loss are initially recognized at fair value with transaction costs, which are directly attributable to the acquisition or issue of the financial instruments, being recognized immediately through profit or loss. Financial instruments that are not carried at fair value through profit or loss, are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments. Financial instruments are recognized or de-recognized on the date the Bank commits to purchase or sell the instruments (trade day accounting).

Subsequent to initial measurement, financial instruments are measured either at amortised cost or fair value depending on their classification category.

a) Initial recognition, classification and measurement of Financial assets

i. Regular-way purchases and sales of financial assets are recognized on the settlement date. Financial assets, which include both debt and equity securities are measured at initial recognition at fair value, and are classified and subsequently measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortized cost. Subsequent classification and measurement for debt securities is based on the business model for managing the financial instruments and the contractual cash flow characteristics of the instruments.

ii. Debt instruments are measured at amortized cost if both of the following conditions are met and the asset is not designated as FVTPL:
- the asset is held within a business model that is Hold-to-Collect (HTC) as described below, and
- the contractual terms of the instrument give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Notes to the financial statements *(continued)*

Significant accounting policies (continued)

iii. Debt instruments are measured at FVOCI if both of the following conditions are met and the asset is not designated as FVTPL:

- the asset is held within a business model that is Hold-to-Collect-and-Sell (HTC&S) as described below, and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI.

All other debt instruments are measured at FVTPL. The Bank has irrevocably elected to measure equity instruments at FVOCI as no equity instruments are held for trading purposes.

b) Business model assessment

The Bank determines the business models at the level that best reflects how portfolios of financial assets are managed to achieve the Bank's business objectives. Judgment is used in determining the business models, which is supported by relevant, objective evidence including:

- How the economic activities of our businesses generate benefits, for example through trading revenue, enhancing yields or other costs and how such economic activities are evaluated and reported to key management personnel;
- The significant risks affecting the performance of our businesses, for example, market risk, credit risk, or other risks and the activities undertaken to manage those risks; and
- Historical and future expectations of sales of the loans or securities portfolios managed as part of a business model.

The Bank's business models fall into three categories, which are indicative of the key strategies used to generate returns:

- Hold-to-Collect (HTC): The objective of this business model is to hold financial assets to collect contractual principal and interest cash flows. Sales are incidental to this objective and are expected to be insignificant or infrequent.
- Hold-to-Collect-and-Sell (HTC&S): Both collecting contractual cash flows and sales are integral to achieving the objective of the business model.
- Other fair value business models: These business models are neither HTC nor HTC&S, and primarily represent business models where assets are held-for-trading or managed on a fair value basis.

c) SPPI assessment

Instruments held within a HTC or HTC&S business model are assessed to determine if their contractual cash flows are comprised of solely payments of principal and interest (SPPI). SPPI payments are those which would typically be expected from basic lending arrangements. Principal amounts include par repayments from lending and financing arrangements, and interest primarily relates to basic lending returns, including compensation for credit risk and the time value of money associated with the principal amount outstanding over a period of time. Interest can also include other basic lending risks and costs (for example, liquidity risk, servicing or administrative costs) associated with holding the financial asset for a period of time, and a profit margin.

Where the contractual terms introduce exposure to risk or variability of cash flows that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

NOTES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value

d) option

A financial instrument with a reliably measurable fair value can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option can be used for financial assets if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognizing related gains and losses on a different basis (an "accounting mismatch"). The fair value option can be elected for financial liabilities if: (i) the election eliminates an accounting mismatch; (ii) the financial liability is part of a portfolio that is managed on a fair value basis, in accordance with a documented risk management or investment strategy; or (iii) there is an embedded derivative in the financial or non-financial host contract and the derivative is not closely related to the host contract. These instruments cannot be reclassified out of the FVTPL category while they are held or issued. Financial assets designated as FVTPL are recorded at fair value and any unrealized gains or losses arising due to changes in fair value are included in net trading and foreign exchange income.

Financial liabilities designated as FVTPL are recorded at fair value and fair value changes attributable to changes in the Bank's own credit risk are recorded in OCI. Own credit risk amounts recognized in OCI are not reclassified subsequently to net income. The remaining fair value changes not attributable to changes in the Bank's own credit risk are recorded in other operating income. Upon initial recognition, if it is determined that presenting the effects of own credit risk changes in OCI would create or enlarge an accounting mismatch in net income, the full fair value change in debt securities designated as FVTPL is recognized in net income.

To make that determination, the Bank assess whether to expect that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. Such an expectation is based on an economic relationship between the characteristics of the liability and the characteristics of the other financial instrument. The determination is made at initial recognition and is not reassessed. To determine the fair value adjustments on debt instruments designated at FVTPL, the Bank calculates the present value of the instruments based on the contractual cash flows over the term of the arrangement by using our effective funding rate at the beginning and end of the period.

Financial assets are reclassified when and only when the business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

e) Loans

Loans are debt instruments recognized initially at fair value and are subsequently measured in accordance with the classification of financial assets policy provided above. Loans are carried at amortised cost using the effective interest method, which represents the gross carrying amount less allowance for credit losses. Interest on loans is recognized in interest income using the effective interest method. The estimated future cash flows used in this calculation include those determined by the contractual term of the asset and all fees that are

NOTES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

considered to be integral to the effective interest rate. Also included in this amount are transaction costs and all other premiums or discounts. Fees that relate to activities such as originating, restructuring or renegotiating loans are deferred and recognized as Interest income over the expected term of such loans using the effective interest method. Where there is a reasonable expectation that a loan will be originated, commitment and standby fees are also recognized as interest income over the expected term of the resulting loans using the effective interest method. Otherwise, such fees are recorded as other liabilities and amortised into Other operating income over the commitment or standby period.

Impairment losses on loans are recognized at each balance sheet date in accordance with the three-stage impairment model outlined below.

f) Allowance for credit losses

An allowance for credit losses (ACL) is established for all financial assets, except for financial assets classified or designated as FVTPL and equity securities, which are not subject to impairment assessment. Assets subject to impairment assessment include loans, overdrafts, debt securities and accrued interest receivable. These are carried at amortised cost and presented net of ACL on the Statement of Financial Position. ACL on loans is presented in Allowance for credit losses - loans and advances. ACL on debt securities measured at FVOCI is presented in profit or loss with the corresponding entry to other comprehensive income.

Off-balance sheet items subject to impairment assessment include financial guarantees and undrawn loan commitments. For all other off-balance sheet products subject to impairment assessment, ACL is separately calculated and included in Other Liabilities–. Provisions

The Credit Conversion Factor (CCF) is used to determine the credit exposure equivalent of the off balance sheet exposure including the open or undrawn limits. The undrawn portion of the approved limit that would have been drawn at the time of default are converted to exposure at default (EAD), this is in addition to the other off-balance sheet exposures like bonds and guarantees, letters of credit etc.

In determining the CCF, the Bank considers the behavioral cash flow, collateral type and the collateral value securing the facility, time to discover and prevent further drawing during the time of increased credit risk, time lag to convert the collateral to cash, the recovery strategy and cost are also considered. CCF is applied on the off balance exposures to determine the EAD and then subsequently the expected credit loss (ECL).

The ACL is measured at each reporting date according to a three-stage expected credit loss impairment model which is based on changes in credit risk of financial assets since initial recognition.

1) Performing financial assets:
- **Stage 1** – From initial recognition of a financial asset to the reporting date, where the asset has not experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults occurring over the 12 months following the reporting date. Interest income is calculated on the gross carrying amount of these financial assets.

2) Underperforming financial assets:
- **Stage 2** – Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognized equal to the credit losses expected over the remaining lifetime of the asset. Interest income is calculated on the gross carrying amount of these financial assets.

NOTES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3) Impaired financial assets

- **Stage 3** – When a financial asset is considered to be credit-impaired, a loss allowance is recognized equal to credit losses expected over the remaining lifetime of the asset. The Stage 3 expected credit loss impairment model is based on changes in credit quality since initial recognition. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount. The ACL is a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon. For loan commitments, credit loss estimates consider the portion of the commitment that is expected to be drawn over the relevant time period. For financial guarantees, credit loss estimates are based on the expected payments required under the guarantee contract.

  Increases or decreases in the required ACL attributable to purchases and new originations, de-recognitions or maturities, and re-measurements due to changes in loss expectations or stage migrations are recorded in Provision for credit losses. Write-offs and recoveries of amounts previously written off are recorded against ACL.

  The ACL represents an unbiased estimate of expected credit losses on our financial assets as at the balance sheet date. Judgment is required in making assumptions and estimations when calculating the ACL, including movements between the three stages and the application of forward looking information. The underlying assumptions and estimates may result in changes to the provisions from period to period that significantly affect our results of operations.

g) Measurement of expected credit losses

Expected credit losses are based on a range of possible outcomes and consider all available reasonable and supportable information including internal and external ratings, historical credit loss experience, and expectations about future cash flows. The measurement of expected credit losses is based primarily on the product of the instrument's probability of default (PD), loss given default (LGD) and exposure at default (EAD) discounted to the reporting date. Stage 1 estimates project PD, LGD and EAD over a maximum period of 12 months while Stage 2 estimates project PD, LGD and EAD over the remaining lifetime of the instrument.

An expected credit loss estimate is produced for each individual exposure. Relevant parameters are modelled on a collective basis using portfolio segmentation that allows for appropriate incorporation of forward looking information.

ECL for exposures in stage 1 (12-months ECL) is calculated by multiplying the 12-months PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD. Expected credit losses are discounted to the reporting period date using the effective interest rate.

PD is an estimate of the likelihood of default over a given time horizon, which is calculated based on statistical models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

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NOTES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios and, for lending, to reflect possible changes in the economies. They are calculated on a discounted cash flow basis using the effective interest rate as the discount.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques. As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.
For overdrafts and revolving facilities that include both a loan and an undrawn commitment component,however, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

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

- instrument type
- credit risk gradings
- collateral type
- Past due information
- date of initial recognition
- remaining term to maturity
- industry categorization

NOTES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Significant increase in credit risk

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs, days past due information and a range of qualitative factors.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's quantitative modelling, the lifetime PD is determined to have increased by more than a predetermined percentage/range.

Using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

The Bank considers that a significant increase in credit risk occurs no later than when an asset is more than thirty days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognizing lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms. Generally, facilities with loss allowances being measured as Life-time ECL not credit impaired (Stage 2) are monitored for a probationary period of 90 days to confirm if the credit risk has decreased sufficiently before they can be migrated from Lifetime ECL not credit impaired (Stage 2) to 12-month ECL (Stage 1) while credit-impaired facilities (Stage 3) are monitored for a probationary period of 180 days before migration from Stage 3 to 12-month ECL (Stage 1). The decrease in risk of default is a critical input for the staging of financial assets.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

i) Expected life

For instruments in Stage 2 or Stage 3, loss allowances reflect expected credit losses over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life.
An exemption is provided for certain instruments with the following characteristics:

- the instrument includes both a loan and undrawn commitment component;

NOTES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- the Bank has the contractual ability to demand repayment and cancel the undrawn commitment; and
- the Bank's exposure to credit losses is not limited to the contractual notice period.

For products in scope of this exemption, the expected life may exceed the remaining contractual life and is the period over which exposure to credit losses is not mitigated by normal credit risk management actions. This period varies by product and risk category and is estimated based on the historical experience with similar exposures and consideration of credit risk management actions taken as part of regular credit review cycle. Products in scope of this exemption include overdraft balances and certain revolving lines of credit. Determining the instruments in scope for this exemption and estimating the appropriate remaining life based on our historical experience and credit risk mitigation practices requires significant judgment.

j) Assessment of significant increase in credit risk

The assessment of significant increase in credit risk requires significant judgment. The Bank's process to assess changes in credit risk is based on the use quantitative and qualitative indicators. Instruments which are more than thirty days past due may be credit-impaired. There is a rebuttable presumption that the credit risk has increased significantly if contractual payments are more than thirty days past due; this presumption is applied unless the Bank has reasonable and supportable information demonstrating that the credit risk has not increased significantly since initial recognition.

The following are considered as exception:

i. Outstanding obligation is a result of an amount being disputed between the Bank and obligor where the dispute is not more than ninety days.
ii. Outstanding obligation is an insignificant amount compared to the total amount due. Any amount not more than 10% of the total amount due is considered insignificant. Only applicable where there is no significant increase in credit risk and analyzed on a case by case basis.

The assessment is generally performed at the instrument level and it is performed at least on quarterly basis. If any of the factors above indicate that a significant increase in credit risk has occurred, the instrument is moved from Stage 1 to Stage 2. The assessments for significant increases in credit risk since initial recognition and credit-impairment are performed independently at each reporting period. Assets can move in both directions through the stages of the impairment model. After a financial asset has migrated to Stage 2, if it is no longer considered that credit risk has significantly increased relative to initial recognition in a subsequent reporting period, it will move back to Stage 1 after ninety days. Similarly, an asset that is in Stage 3 will move back to Stage 2 if it is no longer considered to be credit-impaired after 90 days. An asset will not move back from stage 3 to stage 1 until after a minimum of 180 days, if it is no longer considered to be credit impaired.

For certain instruments with low credit risk as at the reporting date, it is presumed that credit risk has not increased significantly relative to initial recognition. Credit risk is considered to be low if the instrument has a low risk of default, and the borrower has the ability to fulfil their contractual obligations both in the near term and in the longer term, including periods of adverse changes in the economic or business environment.

NOTES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Use of forward-looking information

The measurement of expected credit losses for each stage and the assessment of significant increase in credit risk considers information about past events and current conditions as well as reasonable and supportable projections of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

The PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macro-economic scenario used in the expected credit loss calculation includes a projection of all relevant macroeconomic variables applying scenario weights. Macro-economic variables used in the expected credit loss models include GDP growth rate, foreign exchange rates, inflation rate, and risk free-rate.

The estimation of expected credit losses in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. The base case scenario is based on macroeconomic forecasts published by relevant government agencies. Upside and downside scenarios vary relative to our base case scenario based on reasonably possible alternative macroeconomic conditions. Additional and more severe downside scenarios are designed to capture material non-linearity of potential credit losses in portfolios. Scenario design, including the identification of additional downside scenarios, occurs at least on an annual basis and more frequently if conditions warrant.

Scenarios are designed to capture a wide range of possible outcomes and weighted according to the best estimates of the relative likelihood of the range of outcomes that each scenario represents. Scenario weights take into account historical frequency, current trends, and forward looking conditions and are updated on a quarterly basis. All scenarios considered are applied to all portfolios subject to expected credit losses with the same probabilities.

The assessment of significant increases in credit risk is based on changes in probability-weighted forward-looking lifetime PD as at the reporting date and days past due, using the same macroeconomic scenarios as the calculation of expected credit losses.

l) Definition of default

A default is considered to have occurred with regard to a particular obligor when either or both of the following events have taken place.

- The Bank considers that the obligor is unlikely to pay its credit obligations in full, without recourse by the Bank to actions such as realizing security (if held).
- The obligor is past due more than ninety days on any material credit obligation to the Bank (principal or interest). Overdrafts will be considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than current outstanding.
- Interest payments equal to ninety days or more have been capitalized, rescheduled, rolled over into a new loan (except where facilities have been reclassified).

NOTES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The elements to be taken as indications of unlikeliness to pay include:

- The Bank sells the credit obligation at a material credit-related economic loss
- The Bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, interest or (where relevant) fees.
- The Bank has filed for the obligor's Bankruptcy or a similar order in respect of the obligor's credit obligation to the Bank.

The following are considered as exceptions:

- Outstanding obligation is a result of an amount being disputed between the Bank and an obligor where the dispute has not lingered more than 150 days;
- In the case of specialized loans, default is defined as where the obligor is past due more than 180 days on any material credit obligation to the Bank (principal or interest). In addition, it is consistent with the Bank's historical default pattern on this category of loans. The specialized loans to which this is applicable are Project Financing, Object Financing, Income Producing Real Estate, Commercial Real Estate and Mortgage Loans;
- Outstanding obligation is an insignificant amount compared to the total amount due. Any amount not more than 10% of amount due is considered insignificant. Only applicable where there is no significant increase in credit risk and analyzed on a case by case basis.
- Exposure is still in default due to a new debit when the initial debit has been cleared. This usually occurs when the debit that initiated the initial days past due has been paid but the days past due continues to reflect a debit.

m) Credit-impaired financial assets (Stage 3)

Financial assets are assessed for credit-impairment at each balance sheet date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, probability of Bankruptcy or other financial reorganization, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the borrower or economic conditions that correlate with defaults. A loan is considered for transfer from stage 2 to stage 1 where there is significant improvement in credit risk and from stage 3 to stage 2 (declassified) where the facility is no longer in default. Factors that are considered in such backward transitioning include the following:

i) Declassification of the exposure by all the licensed private credit bureaux or the credit risk management system;
ii) Improvement of relevant credit risk drivers for an individual obligor (or pool of obligors);
iii) Evidence of full repayment of principal or interest.

Generally, the above are to represent improvements in credit risk warranting consideration for a backward transitions of loans. Where there is evidence of significant reduction in credit risk, the following probationary periods should apply before a loan may be moved to a lower stage (indicating lower risk):
Transfer from Stage 2 to 1:- 90 days
Transfer from Stage 3 to 2:- 90 days
Transfer from Stage 3 to Stage 1:- 180 days

When a financial asset has been identified as credit-impaired, expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate. For impaired financial assets with drawn and undrawn components, expected credit losses

NOTES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

also reflect any credit losses related to the portion of the loan commitment that is expected to be drawn down over the remaining life of the instrument.

When a financial asset is credit-impaired, interest ceases to be recognized on accrual basis, which accrues income based on the gross carrying amount of the asset. Rather, interest income is calculated by applying the original effective interest rate to the amortized cost of the asset, which is the gross carrying amount less the related ACL. Following impairment, interest income is recognized on the unwinding of the discount from the initial recognition of impairment.

n) Write-off of loans

Loans and the related ACL are written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, they are generally written off after receipt of any proceeds from the realization of collateral. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write off may be earlier. Written-off loans are derecognized from the Bank's books. The Bank continues enforcement activities on all written-off loans, however, until full recovery is achieved or such time when it is objectively evident that recovery is no longer feasible.

o) Modifications

The credit risk of a financial asset will not necessarily decrease merely as a result of a modification of the contractual cash flows. If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not de-recognized, the Bank assesses whether there has been a significant increase in the credit risk of the financial by comparing:

- the risk of a default occurring at the reporting date (based on the modified contractual terms); and
- the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

A modification will however lead to de-recognition of existing loan and recognition of a new loan i.e. substantial modification if:

- the discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is at least 10 per cent
- different from the discounted present value of the remaining cash flows of the original financial asset.

The following will be applicable to modified financial assets:

The modification of a distressed asset is treated as an originated credit-impaired asset requiring recognition of lifetime ECL after modification.

- The cumulative changes in lifetime expected credit losses since initial recognition is recognized as a loss allowance for purchase or originated credit-impaired financial asset at the reporting date.
- The general impairment model does not apply to purchased or originated credit-impaired assets.

The following situations (qualitative) may however not lead to a de-recognition of the loan:

- Change in financial asset's tenor (increase or decrease);
- Change in installment amount to higher or lower amount;
- Change in the annuity repayment pattern, for example, from monthly to quarterly, half-yearly or yearly;

NOTES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Change in the applicable financial asset fee; and,
- Modification gain or loss is included as part of allowance for credit loss for each financial year.

p) Classification and measurement of financial liabilities

The Bank recognizes financial liabilities when it first becomes a party to the contractual rights and obligations in the relevant contracts.
Under IFRS 9, financial liabilities are either classified as financial liabilities at amortized cost or financial liabilities at FVTPL. The Bank classifies its financial liabilities as measured at amortized cost, except for:

i. Financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. A financial liability is classified as held for trading if it is a part of a portfolio of specific financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.
Gains or losses from financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the Bank's own credit risk, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the Bank's credit risk are also presented in profit or loss;
ii. Financial guarantee contracts and commitments.
Financial liabilities that are not classified at fair value through profit or loss are measured at amortized cost using the effective interest rate method. Financial liabilities measured at amortized cost are deposits from Banks or customers, borrowings, and subordinated liabilities

q) De-recognition of financial instruments

The Bank derecognizes financial assets only when the contractual rights to the cash flows from such assets expire or when the Bank transfers the right to receive the contractual cash flows on the financial asset in transactions in which substantially all the risks and rewards of ownership of the financial assets are transferred, or has assumed obligations to pay those cash flows to one or more recipients, subject to certain criteria. Any interest in transferred financial assets that is created or retained by the Bank is recognized as separate assets or liabilities.

The Bank may enter into transactions whereby it transfers assets, but retains either all risks or rewards of the transferred assets or portions of them. If all or substantially all risks and rewards are retained, then the transferred assets are not de-recognized. In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of financial assets, it de-recognizes such assets if control over the assets is lost.

The rights and obligations retained in the transfer are recognized separately as assets and liabilities, as appropriate. In transfers where control over the asset is retained, the Bank

NOTES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 de-recognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

2.9.1 Impact of adoption of IFRS 9

- Mandatory reclassifications

  The combined application of the business model and SPPI tests on adoption of IFRS 9 resulted in the reclassification of the following financial assets.

Classification of all financial liabilities remain the same under IFRS 9

	1 January 2018		31 December 2017	
Financial assets	Measurement category	Carrying amount	Previous measurement category	Carrying amount
Cash and Bank balances	Amortized cost	3,659,247,155	Amortized cost	3,659,247,155
Loans and advances	Amortized cost	10,972,576,605	Held-to-maturity	11,014,535,163
Investment in syndicated loan	Amortized cost	78,237,496	Held-to-maturity	78,237,496

The following financial assets previously classified as HTM are now reclassified to FVTPL as they are managed under a business model to 'hold to collect and sell' and meet the SPPI requirements;

		1 January 2018		31 December 2017
Financial assets	Measurement category	Carrying amount	Previous measurement category	Carrying amount
GOL T-Bond & T-Bills	FVTPL	**1,430,712,697**	HTM	**1,430,712,697**
Equity Investment	FVTPL	**394,214,241**	Available for sale	**394,214,241**

On 1 January 2018, the balance sheet line item Investment securities (GOL T-Bond & T-Bills) represent all securities other than those measured at FVOCI, which are presented as financial assets at fair value through profit or loss. For comparative periods, Investment securities represent securities previously classified as available-for-sale and held-to-maturity under IAS 39. For the current period, Investment securities represent securities classified as FVTPL and amortised cost under IFRS 9.

The following tables show the comparison of impairment allowances determined in accordance with IAS 39 to the corresponding impairment allowance determined in accordance with IFRS 9 as at 1 January, 2018;

	Allowance for credit losses: Loans and advances	Total allowance for credit losses
IAS 39 as at 31 December 2017		
Specific impairment	233,502,277	233,502,277
Portfolio impairment	86,363,856	86,363,856
Transition adjustments	41,958,558	41,958,558
Exchange rate effect	161,414,614	161,414,614
IFRS 9 as at 1 January 2018	**523,239,305**	**523,239,305**

NOTES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Analyzed as follow:		
Stage 1	113,045,906	113,045,906
Stage 2	140,625,506	140,625,506
Stage 3	269,567,892	269,567,892
Total	**523,239,305**	**523,239,305**

Impact of adoption of IFRS 9

Mandatory reclassifications

Allowance for credit losses on loans and advances to customers 31 December 2018 (IFRS 9)

Allowance for credit loss	**Specific impairment**	**Portfolio impairment**	**Total**	**Stage 1 - 12-month ECL**	**Stage 2 - Lifetime ECL**	**Stage 3 - Lifetime ECL**	**Total**
Balance at 31 December 2017 (IAS 39)	233,502,277	86,363,856	319,866,132	47,979,920	95,959,840	175,926,373	319,866,132
Transition adjustment	(233,502,277)	(86,363,856)	(319,866,132)	3,973,980	5,551,302	32,433,276	41,958,558
Balance, beginning of period (IFRS 9)	-	-	-	**51,953,900**	**101,511,142**	**208,359,649**	**361,824,690**
Charge for the period			-	13,297,167	26,594,334	48,756,280	88,647,782
Exchange difference				37,770,616	46,985,443	90,067,351	174,823,409
Balance, end of period	-	-	-	**103,021,683**	**175,090,919**	**347,183,280**	**625,295,881**

Allowance for credit losses on financial instruments

Allowance for credit losses on loans and advances to customers: allowance for credit losses	**2018**	**2017**
Less: Allowance for credit losses		
Stage 1	103,021,683	
Stage 2	175,090,919	
Stage 3	347,183,279	
Specific impairment		233,502,277
Collective Impairment		86,363,856
	625,295,881	**319,866,132**

31 December 2018 (IFRS 9)		
Loans and advances		
Gross amount	**15,361,613,347**	
Less: Allowance for credit losses		
Stage 1	(103,021,683)	
Stage 2	(175,090,919)	
Stage 3	(347,183,279)	
Total provision for credit losses	(625,295,881)	-
Carrying amount	**14,736,317,466**	-
Loans and advances		

NOTES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Gross amount	**15,361,613,347**	11,334,401,296
Less: Allowance for credit losses	**(625,295,881)**	
specific impairment		(233,502,277)
Collective Impairment		(86,363,856)
Carrying amount	**14,736,317,466**	11,014,535,163

2.10 Property, plant and equipment

(i) Recognition and measurement

The Bank recognizes property, plant and equipment at the time the costs are incurred. These costs include those incurred initially to acquire or construct an item of property and equipment. Those costs also include the costs of its dismantlement, removal or restoration, the obligation for which an entity incurs as 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 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.

(ii) Land and Buildings

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

Revaluation is carried out with sufficient regularity, in this case, every five years, to ensure that the carrying amount does not differ 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**". The increase is recognized in other comprehensive income however, to the extent that it reverses a revaluation decrease of the same asset previously recognized in other comprehensive income. If an asset carrying amount is decreased as a result of a revaluation, the decrease is recognized in profit and loss. The decrease can be recognized in other comprehensive income however, 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 as 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.

NOTES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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. The Bank have decided to revalue leasehold improvements.

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

Expenditures made to improve leased properties, are capitalized if the lease term is more than one year and reported as a line item within 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.

(iii) 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.

(iv) Depreciation

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

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:

NOTES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Item of Property, Plant and Equipment	Estimated Useful Life
Leasehold improvements -	Over the shorter of the useful life or lease term.
Buildings	Fair value approach
Furniture and equipment	Ten years
Computer hardware	Five years
Motor vehicles	Three years
Miscellaneous properties	Three 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 statement of profit or loss. Investment properties are subject to renovations and improvements at regular intervals.

The costs of major renovations and improvements are capitalized and the carrying amounts of the replaced components are recognized in profit or loss. The costs 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.

The Bank's investment in Cemenco is not held for trading. Instead, it is held for short-term profit purposes. Accordingly, the directors of the Bank have elected to designate this investment in equity instruments as at FVTPL, as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would be consistent with the Bank's strategy of holding these investments for short-term investment purposes.

NOTES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, as appropriate.

2.13 Impairment of non-financial assets

The carrying amounts of LBDI's non-financial assets are reviewed at each reporting date to determine whether there are indicators of impairment. If any such impairment 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. LBDI chooses the cost model measurement to reassess intangible assets however, 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 are largely 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 (continued)

SUMMARY OF 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 holders for losses it incurs because specified debtors fail to make payments when due in accordance with the terms of a debt instrument.

NOTES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial guarantee liabilities are initially recognized at their fair values, and the initial fair values are amortized over the lives of the financial guarantees.

The guarantee liability is subsequently carried at the higher of these amortized amounts and the present values of any expected payments (when payments under guarantees 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 NASSCORP the administrator of the Government of Liberia; employee and retiree benefit plans, retirement Fund. 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 employees' 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 twelve 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 (continued)

SUMMARY OF 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

LBDI has a functional Enterprise-wide Risk Management (ERM) Framework 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 risk
- Foreign exchange risk
- Strategy risk and
- Reputational risk

This note presents information about the Bank's exposure to each of the risk categories 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 (continued)

3.3 Risk management framework

The Bank's risk management policies are established to identify and analyze the risks faced by LBDI, 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 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 roles, obligations and responsibilities.

The Board of Directors has overall responsibility for the establishment and oversight of LBDI'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, that gives consideration to those Board members resident in Liberia which may be able to meet 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 LBDI. These committees are:

- The Management Credit Committee
- Management Assets and Liabilities Committee
- Management Audit Committee
- Other Ad-hoc Committees

The Audit and Risk Management Committees have executive members. These committees meet on regular bases, while others are set up on an ad-hoc bases, 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.

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NOTES (continued)

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's limits, but up to USD 0.5 million (or its equivalent in LRD), as well as insider-related credits in excess of limits assigned to the Management Credit Committee by the Board.

Management Credit Committee formulates credit policies in consultation with business units, covering credit assessment, risk grading and reporting, collateral, regulatory and statutory requirements. The Board Credit Committee (BCC) assesses and approves all credit exposures in excess of the Management Credit Committee limit. The BCC, in turn, recommends credit transactions 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 exposure 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 exposure is properly monitored, managed and controlled.

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

3.4 Risk management methodology

LBDI recognizes that it is in the business of managing risk 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:

- Risk Management Policies;
- Credit Policy Guide;
- Human Resources Policy Manual;
- Standard Operating Procedures;
- IT Policies; and,
- Treasury Policies

NOTES (continued)

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

3.5 Risk management overview

The Bank operates a functional Risk Management Department that reports to the Board 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. LBDI is implementing other qualitative and quantitative measures that will assist with enhancing risk management processes and create a platform for more risk-adjusted decision-making.

3.6 Credit risk

Lending and other financial activities form the core business of LBDI. 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 LBDI'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 subject to Management Credit Committee's approval.

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

NOTES (continued)

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 LBDI.

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

For Credit Risk Capital Adequacy computation under Basel II Pillar I, LBDI 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.

NOTES (continued)

There were no changes in LBDI'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.

3.8 Credit risk measurement

In line with IAS 39, the Bank adopted incurred loss approach. The Bank has developed its internal rating models.

LBDI undertakes lending activities after careful analysis of the borrowers' character, capacity to repay, cash flows, 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 manage 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 the Credit Risk Management Department.

Standardized 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

LBDI 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 applies additional parameters internally in determining the suitable limits that individual borrowers 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 (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 managerial 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 loan is reviewed and granted based on the strength of the borrowers' cash flows. The Bank also ensures its credit facilities are well secured, however, as an alternative exit 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 valuer acceptable to the Bank. The collateral must also be easily to verifiable and readily disposable. Such 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 LBDI's 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.

NOTES (continued)

3.11 Off-balance sheet instruments

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, as that of the on-balance sheet exposures. 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 reputable Bank or other acceptable security.

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, 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 financial statements unless they are remote.

3.13 Placements

The Bank has placement lines for its 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 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 or 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.

NOTES (continued)

3.14.4 Allowances for impairment

LBDI has established 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 assessments for impairment.

3.14.5 Write-off policy

The Bank writes off loans / 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 or 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 LBDI 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 interests or principal payments are not past due, but have been assessed for impairment by the Bank (e.g. Mortgages and loans given collectively to individual employees in public and private institutions).

NOTES (continued)

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 fifteen percent. The Bank has also set for itself more stringent in-house limits of thirty percent which is above the regulatory requirement to which it adheres;
2. monitoring of its cash flow and statement of financial position 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 concentrations;
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 a large pool of low-cost deposits; and
2. Maintenance of efficiently diversified sources of funds along product lines and business segments to avoid concentration risk.

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 within the regulatory limits. The limits are monitored regularly and exceptions 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 fifteen percent.

NOTES (continued)

(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 LBDI's compliance with the liquidity limit established by the CBL.

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 customers to honor obligations to deliver cash, securities or other assets, contractually agreed. For certain types of transactions, the Bank mitigates this risk by conducting settlements through a settlement clearing agent to ensure that trades are 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 the Risk Management Department.

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 its 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.

They are also responsible however, 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.

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NOTES (continued)

(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 Banking books.

The Bank also performs regular stress tests on its 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. All potential risk exposures in the course of the year however, were successfully mitigated as mentioned above.

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

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 increases or decreases 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. At December 31, 2018 however, no significant interest rate changes occurred, impacting the Bank..

Notes to the financial statements *(continued)*

Capital Adequacy Ratio Computation:

In Liberian Dollars		
1. Tier 1 Capital	**31-Dec 2018**	**31-Dec 2017**
Paid-in-capital	388,228,269	388,228,269
Share premium	140,958,544	140,958,544
Statutory capital	437,094,514	395,957,664
Retained earnings	239,764,904	402,697,724
Other distributable & legal reserves	2,410,340,668	1,066,802,973
	3,598,882,371	**2,394,645,174**
Deduction from tier 1 capital:		
Intangibles	186,607,446	164,451,457
Treasury shares	5,254,643	5,254,643
Connected lending of capital nature	90,961,248	28,925,910
Total qualifying tier 1 capital	**3,316,059,034**	**1,847,355,827**
2. Tier 2 Capital		
Subordinated Term Debt	**2,625,949,235**	**1,241,573,449**
Qualifying subordinated term debt (limited to 50% of tier 1)	1,312,974,617	1,066,988,913
Total qualifying tier two (2) capital	1,312,974,617	1,078,531,778
Total qualifying capital (qualifying tier 1 + qualifying tier 2)	**4,629,033,651**	**2,925,887,605**

Notes to the financial statements *(continued)*

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	14,911,140,874	14,911,140,874	-	-	14,911,140,874	11,014,535,163
Off Balance sheet Item	1,357,215,260	1,357,215,260	-	-	1,357,215,260	371,921,046
Total risk weighted on & off balance sheet Items					**16,268,356,134**	**11,386,456,210**
Adjusted capital base/total risk weighted on & off balance sheet items					**29.77**	**25.70**
Regulatory capital adequacy ratio					**10.00**	**10.00**
Surplus/(deficit)					**19.77**	**15.70**

NOTES (continued)

4.3 Operational risk

LBDI defines Operational Risk Management "Operational 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 through the Bank's Internal system of logging operational risk incidents Bank-wide. All staff members are encouraged to report operational risk incidents occurring within their work places, whether they 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 analyses 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 forgery incidents, and sanctioning offenders, are effective.

- **Business Continuity Management (BCM)** in line with ISO 22313 - "Societal Security — Business continuity management systems — Guidance"– To ensure the resilience of LBDI's business to disruptive eventualities, 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 are alerts. This plan is reviewed monthly and, when necessary, 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 (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 and burglaries and injuries that occur within the Bank's premises are reviewed and evaluated for relevant actions.

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 and 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 (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 treatment 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.

Within 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 processes or the inadequate implementation of such strategies. This could include the risk that the strategies are unclear, clear but not viable or clear and viable but badly implemented, or strategy failure due to unexpected circumstances.

NOTES (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, having survived over numerous years, LBDI has always aspired to the highest standards of conduct and, as a matter of routine, taken account of reputational risks to its business. Reputational risk can arise from a wide variety of causes. As a Banking concern, a good reputation depends not only upon the way in which LBDI conducts our business, but also by the way in which clients, to whom LBDI provides financial services, conduct themselves.

Functions with responsibilities 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 risks and, where appropriate, to make recommendations to the Board of Directors for a policy or procedural changes to mitigate such risks.

Standards on all major aspects of business are set for our head office and 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 risks, 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 our 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 the Bank's Finance Department and is subject to review by the Board or Asset and Liability Committee, as appropriate.

NOTES (continued)

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 bases described in accounting policy in 2.9.1.

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 in 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 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 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 sizes, 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 in note 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.

NOTES (continued)

Critical accounting judgments in applying LBDI's accounting policies

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

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 causes, timing and amounts of impairments. 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 values below cost. The determination of what is significant or prolonged requires judgment. In making such judgments, 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 in 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.

NOTES (continued)

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, and then discount these values back to a present value. The expected cash flows for each contract is 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.

9 Interest income

In Liberian dollars	Dec-31-2018	Dec-31-2017
Loans and advances to customers	1,073,003,491	742,108,538
	1,073,003,491	**742,108,538**
Geographical location		
Interest income earned in Liberia	1,073,003,491	742,108,538
	1,073,003,491	**742,108,538**

10 Interest expense

	Dec-31-2018	Dec-31-2017
Savings accounts individuals	117,428,781	91,410,828
Savings accounts joint in trust for	7,749	7,338
Savings accounts in trust for	2,554,432	2,112,696
Savings accounts not for profit	17,730,810	13,168,173
Savings accounts joint	14,003,650	10,946,711
Savings accounts staff	1,940,791	1,095,341
Savings accounts non resident	2,787,250	2,132,509
Savings accounts clubs & associations	6,654,922	5,856,244
Savings direct deposits	4,211,405	3,000,201
Interest on time deposits	99,720,607	20,839,098
Short term borrowings	38,302,495	40,035,260
	305,342,892	**190,604,399**

11 Fee and commission income

	Dec-31-2018	Dec-31-2017
Fees and commissions on loan and advances	73,888,425	45,464,219
Commission on MoneyGram operations	60,899,161	57,074,591
Commission on Western Union operations	26,852,598	18,544,092
Commission on transfers and drafts	225,541,561	145,480,470
Service charges on customer deposits	87,989,218	99,873,494
Commission on guarantees and bonds	12,468,339	4,666,472
Other commission and fees	153,933,901	143,562,154
	641,573,203	**514,665,493**

NOTES (continued)

In Liberian Dollars

12	**Other operating income**	**Dec-31-2018**	**Dec-31-2017**
	Income on GOL/Bond	331,475,360	237,956,898
	Income on call deposits	(7,203)	174,601
	Others	149,015,178	82,362,191
	Gain from fair value of shares in CEMENCO	21,291,420	-
	Gain from fair value of investment property	11,326,615	-
	Rental income	80,907,716	58,090,870
		594,009,086	**378,584,560**

13	**Personnel expense**		
	Wages and salaries	4,589,839	4,451,556
	Housing and transportation allowance	363,916,952	281,231,750
	Contributions to defined contribution plans	221,788,056	121,353,761
	Other staff cost	197,530,462	142,347,735
		787,825,309	**549,384,803**

14	**General and administrative expenses**		
	Other premises and equipment costs	155,928,912	128,450,957
	Directors' emoluments	57,771,485	35,626,740
	Professional services	134,784,501	109,938,368
	Office expenses	62,238,335	65,577,304
	Licenses and fees	95,033,693	54,219,893
	Operational expenses-investment property	9,717	35,221
	Foreign travel	35,212,677	22,173,526
	Local travel & transportation	39,263,812	33,809,690
	Bank service and note import charges	57,228,460	7,764,054
	Advertising and business promotion	23,718,205	21,086,595
	Amortization of intangibles	46,382,842	24,674,947
	Depreciation of property, plant and equipment	99,108,580	67,301,416
		806,681,219	**570,658,712**

15	**Other Operating expenses**		
	Scholarships and donations	11,234,374	6,636,277
	Sundry expenses	47,608,130	49,323,737
	Fines by CBL	928,000	8,782,071
	Treasury operations	31,875,035	67,774,316
	Other/cash short and over	31,756,770	(1,922,538)
		123,402,309	**130,593,863**

Included in expenses was a fine of US$6,415 (LRD 928,000) was levied by CBL during the year for violation of Reserve Requirement Regulation CBL/RSD/003/2016.

NOTES (continued)

In Liberian Dollars

16 Cash and cash equivalents	**Dec-31-2018**	**Dec-31-2017**
Cash and balances with Banks	965,193,557	773,485,583
Unrestricted balances with Banks	2,362,092,879	2,885,761,572
	3,327,286,436	**3,659,247,155**

17 Investment in securities & others

17.1. Investment held at FVTPL

LBDI acquired shares in Liberia Cement Corporation in 2016 of L$84,793,796 for resale to the public. The Bank designated the shares as FVTPL as at Dec. 31, 2018.

17.2 Treasury bills

During the year, the Bank acquired treasury bonds from both the GOL and CBL.

Investment in securities & others		
Investment securities		
At amortized cost		
GOL	23,129,237	-
	23,129,237	**-**
Other investments		
Available for sale	-	140,583,342
Investment in Treasury Bond	2,511,304,347	1,177,081,797
Equity investment	232,232,559	24,986,486
Investment in Bonds-GOL	322,761,811	253,630,900
Investment in syndicated loan	24,687,494	78,237,495
	3,114,115,448	**1,674,520,020**

The investments in treasury bills issued by CBL paid an average of 2.93% on the 90-day instruments. These instruments matured in January 2019. Treasury bonds issued by the CBL paid 16% interest per annum. The bonds will mature in August, 2020. At maturity the Bank will receive a nominal amount of L$ 3,314,921,739. The Treasury bills and bonds are held by the Bank solely to collect interest and principal, and are not intended for resale. Hence the treasury bills and bonds are classified at amortized cost.

The Bank holds 7.8% of the ordinary share capital of Liberia Cement Corporation ("Cemenco"), a company involved in the manufacturing and sale of cement in Liberia. The directors of the Company consider that the Bank is unable to exercise significant influence over the Cemenco as the other 92.2%of the ordinary share capital is held by other shareholders.

During the year audited, the Bank moved from cost basis of measuring its equity investment to the fair value method consistent with IFRS 9. The fair value assessment of the Bank's equity investment at 31, December 2018 was performed by an independent consulting firm and registered member firm of the Liberian Institute of Certified Public Accountants.

The property rental income earned by the Bank from its investment property, all of which is leased out under operating leases, amounted to LRD 80,907,716 (2017: LRD 58,090,870 million). Direct operating expenses arising on the investment property amounted to LRD 9,717 (2017: LRD 35,221).

NOTES (continued)

The Bank has not entered into a contract for the maintenance of its investment property as at the date of the statement of financial position, and as such, no annual charge will arise.

18 Loans and advances to customers

Dec-31- 2018
In Liberian Dollars

	Gross Amount	Translation adjustment on migration to IFRS 9 (See Note 2.9.1)	Portfolio Impairment	Total Impairment	Carrying Amount
Loans to non-individuals	12,096,261,716	174,823,409	(625,295,881)	(625,295,881)	11,645,789,243
Loans to individuals	3,265,351,631	-	-	-	3,265,351,631
	15,361,613,347	**174,823,409**	**(625,295,881)**	**(625,295,881)**	**14,911,140,874**

Refer to Note 2.9.1 for details

Dec-31- 2017

	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**

See note 2.9.1 for detail movement in the impairment figure.

Performance Profile of Loans and Advances per CBL's Prudential Guidelines, is as follows (In Liberian Dollars):

Status	Count	% Total Count	Value	% Total Value	Provision Amount	% Total Prov.
Current	7,078	76.2%	12,722,184,170	83%	127,221,842	5.8%
Olem	153	1.6%	312,435,661	2%	15,621,783	0.7%
Total Performing	**7,231**	**77.8%**	13,034,619,831	85%	142,843,625	6.5%
Substandard	1,047	11.3%	178,602,001	1%	35,720,400	1.6%
Doubtful	136	1.5%	250,411,053	2%	125,205,527	5.7%

NOTES (continued)

Loss	879	9.5%	1,897,980,462	12%	1,897,980,462	86.2%
Total NPL	**2,062**	**22.2%**	2,326,993,516	15%	2,058,906,388	93.5%
Total Performing & NPL	**9,293**	**100%**	**15,361,613,347**	**100.0%**	**2,201,750,013**	**100%**

Notes to the financial statements *(continued)*

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 for 2018
2018	2,201,750,013	625,295,881	1,795,033,728	1,576,454,132	3,507,712,515	153,224,738
2017	1,676,105,419	399,788,272	1,276,317,147	1,276,317,147	(130,606,340)	3,377,106,175
Net	525,644,594	225,507,609	(518,716,581)	300,136,985	3,377,106,175	3,530,330,913

N/S SECTORIAL CLASSIFICATION OF LOANS & ADVANCES:

	SECTOR	Dec-31-2018	Dec-31-2017
1	**AGRICULTURE**		
	Fishery	8,915,051	6,469,177
	Rubber	269,994,498	195,920,612
	Others	69,592,608	50,499,645
		348,502,157	**252,889,434**
2	**CONSTRUCTION**		
	Commercial mortgage	1,361,447,085	996,505,376
	Home mortgage	323,228,170	236,585,478
	Road construction	3,435,767,327	2,514,795,214
	Other construction	67,483,191	49,394,034
		5,187,925,773	**3,797,280,101**
3	**COMMUNICATION**	**283,003,544**	**205,360,582**
4	**SERVICES**		
	Hotels	104,400,616	75,757,961
	Bar & restaurant	123,684,611	89,751,327
	Other services	622,835,589	451,958,578
		850,920,816	**617,467,866**

NOTES (continued)

5	**EXTRACTIVE**		
	Forestry	169,686,513	123,132,455
		169,686,513	**123,132,455**
6	**OTHERS**		
	Manufacturing	179,514,911	130,264,400
	Trade	5,566,669,207	3,926,304,148
	Personal	949,261,155	688,828,207
	Government of Liberia	690,284	500,902
	Public corporation	9,857,253	7,152,883
	General	1,365,109,261	1,265,354,184
		8,071,102,071	**6,018,404,724**
	TOTAL SUMMARY LOANS	**14,911,140,874**	**11,014,535,163**

19 Other current assets	Dec-31-2018	Dec-31-2017
Accounts receivable	5,161,021,503	3,470,351,552
Prepayments	216,953,029	189,691,145
Deferred expenses - advances & software	276,900,832	135,707,475
Stock/Stationery	189,315,035	141,992,788
	5,844,190,399	**3,937,742,960**

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. 18	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	1,433,326,616	-	1,433,326,616
Total	**745,500,000**	**1,433,326,616**	**-**	**1,433,326,616**

NOTES (continued)

Fair value for Investment properties are calculated using the market value of identical properties, 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 items 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 properties have been recorded at market value.

The fair value of the Bank's investment properties at 31 December 2018 has been determined on the basis of a valuation carried out by an external engineering firm incorporated and domiciled in Liberia. The President/Chief Executive officer of this firm owns an insignificant shareholding of 0.19% in LBDI. The firm is a member of the Architecture Association of Liberia.

Gain of LRD11,326,615 resulting from the fair value measurement has been included under Other Operating Income in the statement of profit and loss and other comprehensive income.

21 Intangible assets

	Dec-31- 2018	Dec-31- 2017
Cost:		
Balance at beginning of the year	336,559,889	178,844,093
Addition	105,494,373	113,851,914
Exchange rate effect	52,000,000	43,863,882
	494,054,262	336,559,889
Accumulated amortization:		
Balance at beginning of the year	172,108,432	119,200,604
Amortization for the year	46,382,842	24,674,947
Exchange rate effect	88,955,542	28,232,881
	307,446,816	172,108,432
Carrying amounts	**186,607,446**	**164,451,457**

22. Net Book Value of Property, Plant and Equipment (see page 59). 1,350,745,907

The Bank's freehold land and buildings and leasehold improvement properties are stated at their revalued amounts as at December 31, 2018 less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The revaluation of the Bank's freehold land and building and leasehold improvements as at 31 December 2018 was performed by an external engineering firm incorporated and domiciled in Liberia. The President/Chief Executive officer of this firm owns an insignificant shareholding of 0.19% in LBDI. The firm is a member of the Architecture Association of Liberia.

NOTES (continued)

23. Deposits from customers

	Dec-31- 2018	Dec-31- 2017
Term deposits	87,277,565	22,565,918
Current deposits	8,896,854,188	5,717,675,226
Savings deposits	9,791,081,665	8,050,217,688
	18,775,213,418	**13,790,458,832**

24. Due to Central Bank, BADEA & EBID

Due to Central Bank		
Long term debt-CBL Mortgage loan	1,560,500,000	1,281,530,000
Accrued interest payable general	14,473,812	7,794
Long term debt-CBL rubber stimulus fund	303,550,000	267,448,000
Small business development funds	1,000,001	1,000,000
	1,879,523,813	**1,549,985,794**
Due to BADEA		
Long term debt- Arab Bank for Economic Development in Africa	553,000,000	-
Due to EBID		
Long term debt-ECOWAS Bank for Investment & Development	193,425,422	268,069,980
	2,625,949,235	**1,818,055,774**

24.1 In 2018, the Bank received US$5,000,000 at 5.5%, for period of two years from Arab Bank for Economic Development in Africa (BADEA).

In 2017, 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 is assessed quarterly.

In November 2012, the CBL 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 are scheduled to be made on a quarterly basis and at maturity; the remaining interest plus principal is made via debit to the relevant LBDI accounts at the CBL.

25. Other liabilities

	Dec-31- 2018	Dec-31- 2017
Accounts payable	3,184,604,290	2,707,997,638
Short term borrowings	1,274,517,716	1,431,520,997
Provision for employee benefits	255,829,958	226,079,229
Accrued interest on customer deposits	166,761,386	88,046,106

NOTES (continued)

Unearned fees and commissions	47,030,327	41,264,144
Current income tax liabilities	1,974,769	1,665,361
	4,930,718,446	4,496,573,475
Dividends payable	241,904,301	106,923,092
	5,172,622,747	**4,603,496,567**

26. Paid - in – Capital

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**

NOTES (continued)

22. PROPERTY ,PLANT AND EQUIPMENT

Descriptions Cost:	Land & Buildings LRD	Leasehold Improvement LRD	Equipment LRD	Furniture & fixtures LRD	Vehicles LRD	Misc. Properties LRD	Work in progress LRD	Total LRD
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	1,531,311,470
Additions during the year	-	-	65,299,527	4,469,865	25,091,413	2,008,932	92,715,944	189,585,682
Transfers	-	-	-	-	-	-	(96,869,738)	(96,869,738)
Disposals during the year	-	-	-	-	-	-	-	-
Effect of exchange rate	-	61,718,419	99,835,237	15,294,937	23,109,488	910,871	3,544,370	204,413,321
Balance at December 31, 2017	**611,704,383**	**291,534,854**	**630,654,013**	**90,959,200**	**155,517,283**	**7,172,977**	**40,898,025**	**1,828,440,735**
Balance at January 1, 2018	611,704,383	291,534,854	630,654,013	90,959,200	155,517,283	7,172,977	40,898,025	1,828,440,735
Additions during the year	14,419,353	42,057,737	67,007,062	2,892,151	29,593,400	35,597.40	99,528,210	255,533,511
Movement due to revaluation	210,481,236	(157,520,789)						52,960,447
Transfers							(104,115,537)	(104,115,537)
Disposals during the year			(28,345,025)	(119,883)	-	-	-	(28,464,907)
Effect of exchange rate	221,742,261	48,836,327	200,555,112	23,821,047	42,085,303	1,880,581	-	538,920,632
Balance at December 31, 2018	**1,058,347,233**	**224,908,129**	**869,871,162**	**117,552,516**	**227,195,986**	**9,089,157**	**36,310,698**	**2,543,274,881**

NOTES (continued)

Accumulated Depreciation:								
Balance at January 1, 2017	-	72,298,694	253,480,318	27,567,800	57,167,702	3,495,038	-	414,009,552
Charge for the year	-	17,317,131	40,030,998	5,717,206	11,312,269	21,432	-	431,175,645
Effect of exchange rate	-	2,054,115	39,303,800	1,143,753	2,624,107	217,171		45,342,945
Disposals during the year	-	-	(827,654.00)	-	-	-	-	(827,654)
Balance at December 31, 2017	**-**	**91,669,940**	**331,987,462**	**34,428,759**	**71,104,078**	**3,733,641**	**-**	**889,700,489**
Balance at January 1, 2018	-	91,669,940	331,987,462	34,428,759	71,104,078	3,733,641	-	926,163,662
Charge for the year	-	12,508,227	47,166,779	9,150,464	29,575,820	707,290	-	99,108,580
Effect of exchange rate	-	63,511,857	83,552,399	11,275,700	12,067,223	956,226	-	171,363,405
Disposals during the year	-	-	(4,011,475)	(95,199.74)	-	-	-	(4,106,674)
Balance at December 31, 2018	**-**	**167,690,023**	**458,695,165**	**54,759,724**	**112,747,121**	**5,397,157**	**-**	**1,192,528,973**
Net book value:								
As at December 31, 2017	**611,704,383**	**199,864,914**	**298,666,551**	**56,530,442**	**84,413,205**	**3,439,336**	**40,898,025**	**1,320,543,297**
As at December 31, 2018	**1,058,347,233**	**57,218,105**	**411,175,998**	**62,792,792**	**114,448,865**	**3,691,998**	**36,310,698**	**1,350,745,907**

NOTES (continued)

27a Statutory Reserve

	Dec-31-2018	Dec-31- 2017
	437,094,514	394,523,913

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 Reserve

	Dec-31-2018	Dec-31- 2017
Opening balance	450,695,941	450,695,941
Net movement in the year due to revaluation	52,960,447	-
Closing balance	**503,656,388**	**450,695,941**

The Bank exercised an option in 2018 to fair value all land, buildings and leasehold improvement 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 to increase the value of the assets. The Bank has, accordingly, reclassified the surplus to Revaluation Surplus account.

28. Translation Adjustment

Items	Monetary-Nonmonetary Method					
	Foreign Currency	Exchange rate as at Dec 31-2018	Translated Amount	Balance sheet Amount	Translation difference	% Impact on the capital
Investments	3,978,992	158	628,680,772	581,116,136	(47,564,636)	-8%
Investment property	9,000,000	158	1,422,000,000	745,500,000	(676,500,000)	-91%
Intangible assets	1,292,073	158	204,147,534	164,451,457	(39,696,077)	-24%
Property and equipment	11,382,119	158	1,798,374,846	1,593,953,105	(204,421,741)	-13%
Due to Central Bank & EBID	13,563,814	158	2,143,082,574	1,757,877,235	385,205,339	22%
Share capital	7,724,240	158	1,220,429,920	388,228,269	832,201,651	214%
Share Premium	2,442,754	158	385,955,132	140,958,544	244,996,588	174%
Statutory reserves	4,933,720	158	779,527,740	394,523,913	385,003,827	98%
Revaluation surplus	6,111,287	158	965,583,346	450,695,941	514,887,405	114%
Treasury stock	63,309	158	10,002,822	5,254,643	4,748,179	90%
Retained earnings	6,442,344	128	827,189,049	319,269,826	507,919,223	159%
					1,906,779,758	
				Opening Balance 2017	**616,107,031**	
				Additions 2018	**1,290,672,726**	
				Closing Balance 2018	**1,906,779,758**	

NOTES (continued)

The assets and liabilities reflected in LBDI's statement of financial position are translated at the closing rate of L$158 at December 31, 2018. These balances include the acquisition of investment, property plant & equipment. Equity balances and long-term debt balances in various currencies (USD, EUR & GBP) were translated using historical rates, resulting in differences which are shown on the face of the statement of financial position as "translation adjustments" (also known as translation differences). The balances shown are based on IAS 21.23 which provides guidance on the reporting of monetary and non-monetary translation treatments in financial statements. During 2018, the Bank's opening rate used in its statement of financial position was L$125.18 to US$1, and the closing rate was L$158, reflecting a 26% devaluation of the Liberian dollar against the United States dollar.

The assets and liabilities of the Bank are translated using the closing rate of L$125.18 at as December 31, 2017. These balances include the acquisition of investment, property plant & equipment. Equity balances and long-term debt balances in various currencies (USD, EUR & GBP) were translated using historical rates, resulting in differences which are shown on the face of the statement of financial position as "translation adjustments". During 2017, the Bank's opening rate used in its statement of financial position was L$103 to US$1, and the closing rate was L$125.18, reflecting a 21% devaluation of the Liberian dollar against the United States dollar.

29. Contingencies

29.1 Litigations, claims and assessments

The Bank has contingent liabilities related to legal claims arising in the ordinary course of business at December 31, 2018. It is not anticipated that any material liability will arise from the contingent liabilities and management has therefore not recorded any contingent liabilities.

29.2 Contingent liabilities and commitments

As is common with other Banks, LBDI 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 expenditures at December 31, 2018 (2017: 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.

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 Directors 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) or members of their families that have material financial interests.

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NOTES (continued)

Remuneration of executive directors and other key management personnel are as follows:

	Dec-31- 2018	Dec-31- 2017
Salaries and other short-term benefits	85,884,440	43,087,891
Contributions to defined contribution plans	8,837,461	645,710
	94,721,901	**43,733,601**

31. Subsequent events review

There were no events subsequent to the financial position date which require adjustment to, or disclosure in, these financial statements.

NOTES (continued)

Currency risk exposure relating to on statement of financial position assets are as follows:

Dec-31-2018

Classification	TOTAL	LRD	USD	GBP	EUR
Cash and cash equivalents	3,327,286,436	225,840,751	3,101,010,695	-	434,990
Investment securities:	-	-	-	-	-
- Available for sale	207,246,073	-	207,246,073	-	-
- Held to maturity	23,129,237	23,129,237	-	-	-
Loans and Advances to Customers	14,755,237,329	1,267,746,082	13,487,491,247	-	-
Property, plant and equipment	1,350,745,907	19,752,450	1,330,993,457	-	-
Intangible assets	186,607,446	-	186,607,446	-	-
Other assets	5,844,190,399	1,753,257,120	4,090,933,280	-	-
	25,694,442,827	**3,289,725,640**	**22,404,282,198**	**-**	**434,990**
Deposits from Banks	-	-	-	-	-
Deposits from customers	18,775,213,418	4,312,022,098	14,463,191,320	-	-
Due to CBL & EBID	2,625,949,235	432,386,864	2,193,562,371	-	-
Other liabilities	5,172,622,747	50,471,240	5,122,151,507	-	-
	26,573,785,400	**4,794,880,202**	**21,778,905,197**	**-**	**-**

NOTES (continued)

Currency Risk Exposure relating to on statement of financial position are as follows:

Classification Dec-31-2017	TOTAL	LRD	USD	GBP	EUR
Cash and cash equivalents	3,659,247,155	510,400,580	3,146,857,639	671,433	1,317,503
Financial assets held for trading	-	-	-	-	-
Investment securities:					
- Available for sale	140,583,342	-	140,583,342	-	-
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	3,937,742,960	1,692,060,614	2,245,682,346	-	-
	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 CBL & 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**	-	-

CASH AND CASH EQUIVALENTS
Dec-31-2018

	TOTAL	LRD	USD	GBP	EUR
Cash and balances with Banks	965,193,557	383,605,500	581,153,067	-	434,990
Unrestricted balances with CBL	542,761,833	184,224,947	358,536,886	-	-
Balances with foreign Banks	1,819,331,046	-	1,817,830,357	575,250	925,439
Total	**3,327,286,436**	**567,830,447**	**2,757,520,310**	**575,250**	**1,360,429**

CASH AND CASH EQUIVALENTS
Dec-31-2017

	TOTAL	LRD	USD
Cash and balances with Banks	773,485,583	190,343,580	581,153,067
Unrestricted balances with Central Bank of Liberia	857,107,704	184,224,947	672,882,757
Balances with foreign Banks	326,194,783	-	324,694,093
Total	**1,956,788,070**	**374,568,527**	**1,578,729,917**

NOTES (continued)

Currency risk exposure relating to on balance sheet assets con

INVESTMENT SECURITIES
Dec-31-2018

	TOTAL	LRD	USD
GOL Treasury bills	23,129,237	23,129,237	-
CBL Treasury bills	-	-	-
Government bonds	322,761,811	-	322,761,811
Total	**345,891,047**	**23,129,237**	**322,761,811**

INVESTMENTSECURITIES
Dec-31-2017

	TOTAL	LRD	USD
GOL Treasury bills	-	-	-
CBL Treasury bills	-	-	-
Government bonds	253,630,900	-	253,630,900
Total	**253,630,900**	**-**	**253,630,900**

DEPOSITS FROM CUSTOMERS
Dec-31-2018

	TOTAL	LRD	USD
Current deposits	8,896,854,188	1,264,505,955	7,632,348,233
Savings deposits	9,791,081,665	3,047,516,143	6,743,565,522
Term deposits	87,277,565	-	87,277,565
Total	**18,775,213,418**	**4,312,022,098**	**14,463,191,320**

DEPOSITS FROM CUSTOMERS
Dec-31-2017

	TOTAL	LRD	USD
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**

NOTES (continued)

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

Disclosures to the Financial Statements

December-31- 2018

	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	3,327,286,436	3,327,286,436	-	-	-	-
Loans and advances to customers	14,911,140,874	4,823,841,217	3,669,874,470	1,178,600,371	4,743,298,565	671,023,926
Investment securities:						
– Other Investments	2,883,740,138	-	-	-	2,883,740,138	-
– Amortized costs	230,375,310	23,129,237	207,246,073	-	-	-
Other assets	5,844,190,399	5,844,190,399	-	-	-	-
	27,196,733,157	**14,018,447,289**	**3,853,867,316**	**1,178,600,371**	**7,627,038,704**	**671,023,926**
Financial liabilities						
Deposits from customers	18,775,213,418	9,181,861,328	8,994,513,010	578,839,080	-	-
Due to CBL & EBID	2,625,949,235	-	-	-	-	2,625,949,235
Other liabilities	5,172,622,747	5,172,622,747	-	-	-	-
	26,573,785,400	**14,391,168,380**	**8,994,513,010**	**578,839,080**	**-**	**2,625,949,235**
Gap (asset - liabilities)	**622,947,757**	**(372,721,091)**	**(5,324,638,540)**	**616,445,596**	**7,658,787,101**	**(1,954,925,308)**
Cumulative liquidity gap	**622,947,757**	**(372,721,091)**	**(5,324,638,540)**	**616,445,596**	**7,658,787,101**	**(1,954,925,308)**

NOTES (continued)

December-31- 2017

	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 CBL & 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)**

NOTES (continued)

Credit risk exposure relating to on-balance sheet assets are presented below:

	Maximum exposure	
	Dec -31- 2018	**Dec -31- 2017**
Classification		
Cash and cash equivalents:		
- Balances held with other Banks	965,193,557	773,485,583
- Unrestricted balances with CBL	542,761,833	857,104,704
- Balances with foreign Banks	1,819,331,046	326,194,783
Investment securities:		
- GOL Treasury bills	23,129,237	-
- CBL Treasury bills	-	-
- Government bonds	322,761,811	253,630,900
Investment in Treasury bonds	2,511,304,348	1,177,081,797
- Equity investment	232,232,559	24,986,486
Loans and advances to customers:		
- Loans to individuals	3,265,351,631	3,088,712,050
- Loans to non-individuals	11,645,789,243	7,925,823,113
Other assets2	5,844,190,399	3,606,059,027
Total	**27,172,045,663**	**18,364,762,377**
Loans exposure to total exposure	55%	60%
Other exposure to total exposure	45%	40%

[2]Balances included in other assets above, are those subject to credit risk. Items not subject to credit risk (eg. 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 at December 31, 2018 and December 31, 2017 without taking account of any collateral held or other credit enhancements attached.

NOTES (continued)

Loans and advances to customers are analyzed below:

	Dec -31- 2018	Dec -31- 2017
Loans to individuals:		
Overdrafts	979,605,489	923,836,155
Loans	2,285,746,142	2,164,875,895
	3,265,351,631	**3,088,712,050**
Loans to non-individuals:		
Overdrafts	3,260,820,988	2,243,680,278
Loans	8,384,968,255	5,682,142,836
	11,645,789,243	**7,925,823,113**

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

	Maximum exposure	
	Dec -31- 2018	Dec -31- 2017
Financial guarantees	1,106,203,820	66,947,516
Other contingencies	251,011,440	304,973,530
	1,357,215,260	**371,921,046**

Geographical Sector

Concentration of risks of financial assets with credit risk exposure

The following table breaks down LBDI's credit exposure (without considering 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 according to region.

NOTES (continued)

Credit risk exposure relating to assets on statement of financial position

Dec-31-2018	**Liberia**	**Rest of Africa**
Classification		
Cash and cash equivalents:		
- Balances held with other Banks	965,193,557	-
- Unrestricted balances with CBL	542,761,833	-
- Balances with foreign Banks	1,819,331,046	-
Investment securities:		
- GOL Treasury bills	23,129,237	-
-Investment in treasury bond	2,511,304,348	-
- Equity	322,761,811	-
- Government Bond	232,232,559	-
Loans and advances to customers:		
- Loans to individuals	3,265,351,631	-
- Loans to non-individuals	11,645,789,243	-
Other assets2	5,437,922,336	-
Total	**27,172,045,663**	**-**

[2] Balances included in Other Assets above, are those subject to credit risk. Items not subject to credit risk (eg. stationery and prepaid benefits on employees' loans have been excluded).

Notes to the financial statements (continued)

Loans and advances to outcomes are analyzed below:

Dec-31- 18

In Liberian Dollars	**Liberia**	**Rest of Africa**
Loans to individuals:		
Overdrafts	979,605,489	-
Loans	2,285,746,142	-
	3,265,351,631	-
Loans to non-individuals:		
Overdrafts	3,260,820,988	-
Loans	8,384,968,255	-
	11,645,789,243	-

Credit risk exposure relating to On-statement of financial position

31-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 CBL	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]	3,937,742,960	-
Total	**17,162,694,093**	-

[2] Balances included in Other Assets above, are those subject to credit risk. Items not subject to credit risk (eg. stationery and prepaid benefits on employees' loans have been excluded).

Notes to the financial statements (continued)

Loans and advances to customers are analyzed below:

31-Dec-17

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

THE LIBERIAN BANK FOR DEVELOPMENT & INVESTMENT

SUPPLEMENTARY DATA

FOR THE YEAR ENDED DECEMBER 31, 2018

CONTENT:

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Statement of profit/loss and other comprehensive income	85
Statement of financial position	86
Statement of cash flows	87
Statement of changes in equity	88-89
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THE LIBERIAN BANK FOR DEVELOPMENT & INVESTMENT

SUPPLEMENTARY DATA

For the year ended December 31, 2018

Introductory Comments

The financial statements for the year ended December 31, 2018 are presented on pages 7 to 83, in accordance with the requirements of law and International Financial Reporting Standard (IFRS). Presented on a supplementary basis in this section (pages 84-110) 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.

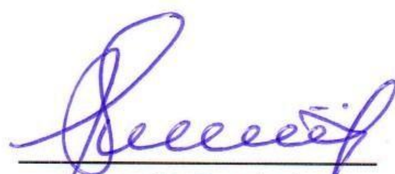
Statement of Profit or Loss and other Comprehensive Income

In United States Dollars	Note	Dec-31-2018	Dec-31-2017
Interest income	9	7,416,904	6,500,031
Interest expense	10	(2,110,617)	(1,669,479)
Net interest income		**5,306,287**	**4,830,552**
Loan impairment charges		(902,788)	(326,561)
Net interest income after loan impairment charges		**4,403,499**	**4,503,991**
Fee and commission income	11	4,434,736	4,507,887
Net interest and commission on loans & advances		**8,838,235**	**9,011,878**
Other operating income	12	4,099,354	3,315,972
Total income for the period		**12,937,589**	**12,327,851**
Personnel expenses	13	(5,445,672)	(4,811,989)
General and administrative expenses	14	(5,576,009)	(4,998,325)
Operating lease expenses		(376,467)	(379,229)
Other operating expenses	15	(852,992)	(1,143,855)
Total operating expenditure for the period		**(12,251,140)**	**(11,333,398)**
Profit for the period		**686,449**	**994,453**
Profit attributable to:			
Equity holders of the entity			
Profit for the period from continuing operations		**686,449**	**994,453**
Other comprehensive income:			
Net movement in revaluation of property, plant and equipment		335,193	-
Total comprehensive income		**1,021,642**	**994,453**
Earnings per share for the profit/loss from continuing operations attributable to the equity holders of the Bank during the period (expressed in United States dollars per share):			
- Basic		1.01	1.47
- Diluted		1.01	1.47

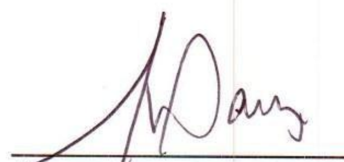
The notes on pages 90 to 110 are integral parts of these financial statements

Statement of Financial Position

In United States Dollars	Note	Dec-31- 2018	Dec-31- 2017
Assets			
Cash and cash equivalents	16	21,058,775	29,231,883
Investments	17	19,709,591	13,376,897
Loans and advances to customers	18	94,361,371	87,490,045
Other assets	19	38,361,031	36,792,261
Investment property	20	9,071,687	9,000,000
Intangible assets	21	1,755,696	1,292,073
Property and equipment	22	11,701,737	11,200,810
Total assets		**196,019,888**	**188,383,969**
Liabilities			
Deposits from customers	23	118,830,464	110,165,033
Due to CBL & others banks	24	17,063,814	14,523,564
Other liabilities	25	32,575,910	36,455,905
Total liabilities		**168,470,188**	**161,144,501**
Equity			
Share capital	26	7,724,240	7,724,240
Share premium	26	2,442,754	2,442,754
Statutory reserves	27a	4,753,762	4,582,151
Revaluation surplus – PPE	27b	6,446,480	6,111,287
Treasury stock		(63,309)	(63,309)
Retained earnings		6,245,773	6,442,344
Total equity attributable to shareholders of the Bank		**27,549,700**	**27,239,467**
Total liabilities and equity		**196,019,888**	**188,383,969**



Samuel D. Tweah. Jr
Chairman-Board of Directors



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

The notes on pages 90 to 110 are integral parts of these financial statements

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Statement of Cash Flows

In United States Dollars	Dec-31- 2018	Dec-31- 2017
Cash flows from operating activities		
Profit for the period	686,449	994,453
Adjustments for:		
Prior year adjustments	644,425	-
Depreciation and amortization	1,005,678	805,609
Translation differences	-	(2,271,974)
	2,336,552	**(471,912)**
Changes in:		
Loans and advances to customers	(6,871,326)	(3,096,258)
Other assets	(1,568,770)	4,337,557
Deposits from customers	8,665,432	(1,292,316)
Other liabilities	(4,556,880)	8,877,185
Net cash used in operating activities	**(1,994,994)**	**8,354,254**
Cash flows from investing activities		
Purchase of property & equipment and Intangible	(1,663,277)	543,296
Investments	(6,332,694)	2,310,016
Adjustment in PPE	(43,447)	(467,879)
Net cash (used in)/from investing activities	**(8,039,418)**	**2,385,433**
Cash flows from financing activities		
Due to CBL & EBID	2,540,250	(435,152)
Dividend paid	(678,949)	(677,917)
Net cash from/(used in) financing activities	**1,861,301**	**(1,113,069)**
Net (decrease) / increase in cash and cash equivalents	**(8,173,111)**	**9,626,618**
Cash and cash equivalents at beginning of year	**29,231,883**	19,605,266
Cash and cash equivalents at end of year	**21,058,775**	**29,231,883**

The notes on pages 90 to 110 are integral parts of these financial statements

Statement of changes in equity

In United States Dollars

	Share capital	Share Premium	Revaluation PPE reserves	Statutory reserves	Treasury stock	Retained earnings	Total
Balance at 1 January 2017	7,724,240	2,442,754	6,111,287	4,333,537	(63,309)	7,598,476	28,146,985
Other adjustment (Prior year items)	-	-	-	-	-	(1,224,057)	(1,224,057)
Total comprehensive income for the period:							
Profit for the period	-	-	-	248,613	-	745,843	994,456
Dividends	-	-	-	-	-	(677,917)	(677,917)
Foreign currency translation difference (USD, EURO & GBP)	-	-	-	-	-	-	-
Total Equity & Reserves at December 31, 2017	**7,724,240**	**2,442,754**	**6,111,287**	**4,582,151**	**(63,309)**	**6,442,345**	**27,239,467**

Statement of changes in equity

In United States Dollars

	Share capital	Share Premium	Revaluation PPE reserves	Statutory reserves	Treasury stock	Retained earnings	Total
Balance at 1 January 2018	7,724,240	2,442,754	6,111,287	4,582,110	(63,309)	6,442,345	27,239,467
Revaluation reserves on properties	-	-	335,193	-	-	-	335,193
Other adjustment (Prior year items)	-	-	-	-	-	644,425	644,425
Total comprehensive income for the period:	-	-	-	-	-	-	-
Profit for the period	-	-	-	171,612	-	514,837	686,449
Dividends	-	-	-	-	-	(1,355,834)	(1,355,834)
Total Equity & Reserves at December 31, 2018	**7,724,240**	**2,442,754**	**6,446,480**	**4,753,762**	**(63,309)**	**6,245,773**	**27,549,700**

The notes on pages 90 to 110 are integral parts of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

In United States Dollars

	Dec 31,2018	Dec 31,2017
9 Interest income		
Loans and advances to customers	7,416,904	6,500,031
	7,416,904	**6,500,031**
Geographical location		
Interest income earned in Liberia	7,416,904	6,500,031
	7,416,904	**6,500,031**

10 Interest expense

	Dec 31,2018	Dec 31,2017
Savings accounts individuals	811,701	800,655
Savings accounts joint in trust	54	64
Savings accounts in trust	17,657	18,505
Savings accounts not for profit	122,560	115,338
Savings accounts joint	96,797	95,881
Savings accounts staff	13,415	9,594
Savings accounts non resident	19,266	18,678
Savings accounts clubs & associations	46,001	51,294
Savings direct deposits	29,111	26,277
Interest on time deposits	130,830	182,527
Long term borrowings	558,467	178,101
Short term borrowings	264,758	172,562
	2,110,617	**1,669,479**

11 Fee and commission income

	Dec 31,2018	Dec 31,2017
Fees and commissions on loan and advances	510,738	627,507
Commission on MoneyGram operations	420,952	430,212
Commission on Western Union operations	185,613	227,677
Commission on transfers and drafts	1,559,007	1,038,468
Service charges on customer deposits	608,206	1,176,160
Commission on guarantees and bonds	86,185	33,238
Other commission and fees	1,064,036	1,257,442
	4,434,736	**4,507,887**

Notes to the financial statements (continued)

In United States Dollars

		Dec-31- 2018	Dec-31- 2017
12	**Other operating income**		
	Income on GOL bonds	2,291,202	2,084,233
	Gain from fair value of shares in CEMENCO	147,172	-
	Gain from fair value of investment property	71,687	-
	Income on call deposits	-	1,529
	Others	1,030,036	721,400
	Rental income	559,257	508,810
		4,099,354	**3,315,972**
13	**Personnel expense**		
	Wages and salaries	31,726	38,991
	Housing and transportation allowance	2,515,497	2,463,272
	Contributions to defined contribution plans	1,533,062	1,062,921
	Other staff costs	1,365,387	1,246,805
		5,445,672	**4,811,989**
14	**General and administrative expenses**		
	Other premises and equipment costs	1,077,825	920,522
	Directors' emoluments	399,333	312,050
	Professional services	931,669	962,936
	Office expenses	430,208	574,383
	Foreign travel	243,400	194,215
	Local travel & transportation	271,403	296,135
	Licenses and fees	656,900	474,905
	Operational expenses-investment property	67	1,057
	Bank service and note import charges	395,579	21,860
	Advertising and business promotions	163,947	150,753
	Amortization of intangible assets	320,611	216,125
	Depreciation of property, plant and equipment	685,067	738,086
		5,576,009	**4,998,325**
15	**Other operating expenses**		
	Scholarships and donations	77,655	58,126
	Sundry expenses	295,279	330,980
	Treasury operation	220,329	593,626
	Fines by CBL	6,415	76,920
	Other operating expenses	253,858	101,040
	Other/cash short and over	(544)	(16,839)
		852,992	**1,143,854**

Included in expenses is fine of US$6,415 (LRD 928,000) was levied by CBL during the year for violation of Reserve Requirement Regulation CBL/RSD/003/2016.

Notes to the financial statements (continued)

In United States Dollars

16 **Cash and cash equivalents**

	Dec-31, 2018	Dec-31,2017
Cash and clearing items	6,108,820	6,178,987
Unrestricted balances with Banks	14,949,955	23,052,896
	21,058,775	**29,231,883**

17. Investment in securities & other assets

17.1. Available-for-sale

LBDI acquired shares in Liberia Cement Corporation, a company involved in manufacturing cement in Liberia, in 2013 of LD$ 84,793,796 for resale to Liberians. The Bank designated the shares as FVTPL as at Dec. 31, 2018. Currently, the Bank holds 7.8 per cent of the ordinary share capital of CEMENCO and carries the shares on its books at fair value.

17.2 Treasury bills

During the year, the Bank acquired treasury bonds from both the GOL and CBL. The bonds pay 2.93 and 16 per cent of interest per annum and they will mature in January 2019 and August 2020. At maturity, the Bank will receive nominal amount of L$ 3,314,921,739. The treasury bills and bonds are held by the Bank to collect their contractual cash flows which are solely payments of principal and interest on the principal amount outstanding. Hence the Treasury bills and bonds are classified at amortized cost.

Investments in securities & others

	Dec 31, 2018	Dec 31,2017
Investment securities		
Amortized cost		
GOL	146,388	-
CBL	-	-
	146,388	**-**
Other investments		
Available for sale	-	1,322,654
Investment in Treasury bond	15,894,331	9,403,114
Equity investment	1,469,826	301,042
Investment in bonds-GOL	2,042,796	2,026,130
Investment in syndicated loan	156,250	625,000
	19,709,591	**13,677,940**

Notes to the financial statements (continued)

In United States Dollars

18 Loans and Advances to Customers

Dec-31- 2018

	Gross amount	Portfolio Impairment	Total Impairment	Carrying amount
Loans to non-individuals	77,652,158	(3,957,569)	(3,957,569)	73,694,589
Loans to individuals	20,666,782	-	-	20,666,782
	98,318,940	(3,957,569)	(3,957,569)	**94,361,371**

Dec-31- 2017

	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**

Performance profile of loans and advances (in US Dollars) according to CBL Prudential Guidelines is as follows:

Status	Count	% Total Count	Value	% Total Value	Provision Amount	% Total Provision
Current	7,078	76.2%	73,565,782	83%	735,658	5.2%
Other loans especially mentioned-OLEM	153	1.6%	1,805,231	2%	90,262	0.6%
Total Performing	**7,231**	**77.8%**	75,371,013	84.9%	825,920	5.8%
Substandard	1,047	11.3%	10,966,657	1%	2,193,331	15.6%
Doubtful	136	1.5%	1,602,706	2%	801,353	5.6%
Loss	879	9.5%	10,378,563	12%	10,378,563	72.9%
Total NPL	**2,062**	**22.2%**	22,947,926	15.1%	13,373,247	94.2%
Total Performing & NPL	**9,293**	**100%**	98,318,939	100.0%	14,199,167	100.0%

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
2018	14,199,167	3,957,569	10,241,598	28,905,534	28,363,918	686,449
2017	13,390,632	3,690,651	9,699,982	(541,616)	(902,788)	27,461,130
Net	808,535	266,918	541,616	28,363,918	27,461,130	28,147,579

Notes to the financial statements (continued)
In United States Dollars

	SECTOR	Dec 31, 18	Dec 31, 17
1	**AGRICULTURE**		
	Fishery	55,534	51,679
	Rubber	1,681,873	1,565,111
	Others	433,512	403,416
		2,170,919	**2,020,206**
2	**CONSTRUCTION**		
	Commercial mortgage	8,554,462	7,960,580
	Home mortgage	2,030,959	1,889,962
	Road construction	21,051,365	19,589,901
	Other construction	424,021	394,584
		32,060,807	**29,835,027**
3	**COMMUNICATIONS**	**1,762,911**	**1,640,523**
4	**SERVICES**		
	Hotels	650,341	605,192
	Bars & restaurants	770,467	716,978
	Others	3,879,821	3,610,470
		5,300,629	**4,932,640**
5	**EXTRACTIVE**		
	Forestry	1,057,026	983,643
		1,057,026	**983,643**
6	**OTHERS**		
	Manufacturing	1,118,250	1,040,617
	Trade	34,549,033	31,365,267
	Personal	5,913,220	5,502,702
	Government of Liberia	4,299	4,001
	Public corporations	61,404	57,141
	General	10,362,873	10,108,278
		52,009,079	**48,078,006**
	TOTAL SUMMARY LOANS	**94,361,371**	**87,490,045**

Notes to the financial statements (continued)

In United States Dollars

19 Other current assets	Dec 31, 2018	Dec 31, 2017
Accounts receivable	34,037,177	33,058,505
Prepaid expenses	1,373,120	1,515,347
Deferred expenses - advances & software	1,752,537	1,084,099
Stock/stationery	1,198,197	1,134,309
	38,361,031	**36,792,260**

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	December 2018	Current valued prices for identical properties Level 1	significant other observable inputs Level 2	Significant unobservable Inputs Level3
Investment properties				
E.E. Saleeby Property/Buildings	9,000,000	9,000,000	71,687	9,071,687
Total	**9,000,000**	**9,000,000**	**71,687**	**9,071,687**

Stabilized net operating income (NOI):

Stabilized NOI is measured as revenue, less related property operating expenses, adjusted for items such as any lease front up costs, the 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.

The fair value of the Bank's investment property at 31 December 2018 has been arrived at on the basis of a valuation carried out at that date by Architect and engineering firm incorporated and domiciled in Liberia. The President/Chief Executive officer of that Architect firm owns an insignificant shareholding of 0.19% in LBDI. That Architect firm is a member of the Architecture Association of Liberia, and have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations in Liberia.

A gain of US$71,687 resulting from the fair value measurement, has been included in other operating Income in the statement of profit and loss and other comprehensive income.

Notes to the financial statements (continued)

In United States Dollars

21. Intangible assets

	Dec 31, 2018	Dec 31, 2017
Cost:		
Balance at beginning of the year	3,023,901	1,872,053
Addition	720,582	909,506
Exchange rate effect	242,341	242,342
	3,986,824	3,023,901
Accumulated amortization:		
Balance at beginning of the year	1,731,828	1,290,165
Amortization for the year	320,611	216,125
Exchange rate effect	178,689	225,538
	2,231,128	1,731,828
Carrying amounts	**1,755,696**	**1,292,073**

22. Net Book Value of Property, Plant & Equipment (see pages 90-91) 11,701,737 11,200,810

The Bank's freehold land and buildings and leasehold improvement properties are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Bank's freehold land and building, leasehold improvements and investment properties at 31 December 2018 were performed by same Architect and engineering firm that did the fair valuation of investment properties.

23. Deposits from customers

Term deposits	552,390	180,268
Current deposits	56,309,204	45,675,629
Savings deposits	61,968,870	64,309,136
	118,830,464	**110,165,033**

24. In 2018, the Bank received US$5,500,000 at 5.25% for a period of two years from Arab Bank for Economic Development in Africa (BADEA).

In 2017, the Bank received US$1,500,000 at 2%, for period of two years from CBL to support the ongoing Micro Small and Medium Enterprise Rural Finance Post-Ebola Recovery Project. Interest payments apply on a quarterly basis.

In November 2012, the CBL provided US$ 7 million and L$ 217.5 million at 2%, for intermediation through long-term affordable mortgage loans to Liberian nationals. The mortgage loans were not to exceed total servicing cost (interest, fees and other charges) of 8% per annum. The CBL funds have been placed with LBDI for a period of ten years. The funds are repayable in full on November 14, 2022. Interest payments are scheduled to be made quarterly basis. At maturity, the remaining interest plus principal shall be paid via debit to the relevant LBDI account at the CBL.

Notes to the financial statements (continued)

In United States Dollars

	Due to Central Bank, BADEA & EBID	Dec 31, 2018	Dec 31, 2017
24a	**Due to Central Bank**		
	Long term debt-CBL mortgage loan	10,237,498	9,620,482
	Accrued interest payable general	174,573	94
	Long term debt-CBL rubber stimulus fund	1,921,203	2,663,253
	Small business development funds	6,328	12,048
		12,339,602	**12,382,088**
	Due to Arab Bank for Economic Development in Africa BADEA	3,500,000	-
24b	**Due to EBID**		
	Long term debt-ECOWAS Bank for Investment & Development	1,224,212	2,141,476
		17,063,814	**14,523,564**

Notes to the financial statements (continued)

In United States Dollars

25 Other Liabilities	Dec 31,2018	Dec 31,2017
Other liabilities consist of:		
Accounts payable	19,993,515	21,614,761
Short term borrowings	8,066,568	11,435,700
Dividend payable	1,531,040	854,155
Provision for employee benefits	1,619,177	1,806,033
Accrued interest on customer deposits	1,055,452	703,356
Unearned fees and commission	297,660	329,638
Current income tax liabilities	12,498	13,304
	31,044,870	35,601,750
Dividend payable	1,531,040	854,155
	32,575,910	**36,756,947**

26. Paid - in – Capital

Share Capital	Dec 31,2018	Dec 31,2017
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**

Notes to the financial statements (continued)
In United States Dollars

22. PROPERTY,PLANT AND EQUIPMENT

Descriptions	Land & Buildings	Leasehold Improvement	Equipment	Furniture & fixtures	Vehicles	Misc. Properties	Work in progress	Total
Cost:								
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	-	-	-	-	-	-	740,661	740,661
Transfers	-	-	521,645	35,708	200,443	16,048	(773,844)	-
Disposals during the year	-	-	-	-	-	-	-	-
Effect of Exchange rate	-	-	-	-	-	-	-	-
Adjustments		(311,510)	(852,633)	(144,278)	(182,099)	(268,161)	(96,573)	(1,855,254)
Balance at December 31, 2017	**7,206,409**	**2,343,679**	**5,037,977**	**726,628**	**1,242,350**	**57,301**	**326,714**	**16,941,058**
Balance at January 1, 2018	7,206,409	2,343,679	5,037,977	726,628	1,242,350	57,301	326,714	16,941,058
Additions during the year	91,262	266,188	379415	18,305	187300	225		942,695
Revaluation of PPE	1,332,160	(996,967)						335,193
Disposals during the year			(179,399)	(19,336)				(198,735)
Transfers							(90,965)	(90,965)
Effect of exchange rate	15,839	(17,662)	24,105	(171)	8,299	-	-	30,411
Balance at December 31, 2018	**8,645,670**	**1,595,238**	**5,262,098**	**725,426**	**1,437,949**	**57,526**	**235,749**	**17,959,656**

Notes to the financial statements (continued)
<u>In United States Dollars</u>

Accumulated Depreciation:	**Land & Buildings**	**Leasehold Improvement**	**Equipment**	**Furniture & fixtures**	**Vehicles**	**Misc. Properties**	**Work in progress**	**Total**
Balance at January 1, 2017								
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**
Balance at January 1, 2018	-	833,479	3,641,208	421,231	804,870	39,459	-	5,740,247
Charge for the year	-	86,461	326,030	63,251	204,436	4,889	-	685,067
Disposals during the year	-	-	(25,389)				-	(25,389)
Effect of exchange rate		4,932	(151,478)	(25)	4,565			(142,006)
Balance at December 31, 2018	**-**	**924,872**	**3,790,371**	**484,457**	**1,013,871**	**44,348**	**-**	**6,257,919**
Net book value:								
As at December 31, 2017	**7,206,409**	**1,510,200**	**1,396,769**	**305,397**	**437,480**	**17,842**	**326,714**	**11,200,811**
As at December 31, 2018	**8,645,670**	**670,366**	**1,471,727**	**240,969**	**424,078**	**13,178**	**235,749**	**11,701,737**

Notes to the financial statements (continued)

In United States Dollars

27. Statutory Reserve

	Dec 31, 2018	Dec 31, 2017
	4,876,410	**4,582,151**

27a Statutory reserve

Section 1001 of the Bank's charter requires that "before the Bank may determine the profit available for dividends, LBDI 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 LBDI's financial statements for that year, until the aggregate of that amounts so set aside equals the amount of the loans to the Bank than 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 - PPE

	6,446,480	**6,111,287**

The Bank exercised an option to fair value all land and 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 to increase the value of the assets. The Bank has reclassified the surplus to a Revaluation Surplus account

28. Contingencies

28.1 Litigations, claims and assessments

Management has adopted procedures for identifying and assessing litigation, claims and assessments, as a basis for preparing the financial statements. LBDI is named in various claims and legal actions in the normal course of business. As at December 31, 2018, LBDI's legal counsel and management do not anticipate that any material liability will arise from contingent liabilities. Management has, therefore, not recorded any contingent liabilities in the accounts for the year then ended.

28.2 Contingent liabilities and commitments

As is common with other Banks, LBDI 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.

28.3 Commitments for capital expenditure

The Bank had no commitments for capital expenditures at December 31, 2018 (2017: Nil)

Notes to the financial statements (continued)

29. 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.

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 Directors 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) or members of their families that have material financial interests.

Remunerations of executive directors and other key management personnel are as follows:

In United States Dollars	Dec 31, 2018	Dec 31, 2017
Salaries and other short-term benefits	377,401	377,401
Contributions to defined contribution plans	5,656	5,656
	383,057	**333,192**

30. Subsequent events review

Events subsequent to the Statement of financial position date are reflected only to the extent that they are material. No such events had arisen as at the date the financial statements were signed.

Notes to the financial statements (continued)
In United States Dollars

Currency risk exposures relating to assets in the statement of financial position are as follows:

December 31, 2018

Classification	**TOTAL**	**LRD**	**USD**	**GBP**	**EUR**
Cash and cash equivalents	21,058,775	6,457,795	14,564,149	34,078	2,753
Investment securities:					
- FVTPL	1,469,826	-	1,469,826	-	-
- Held to maturity	146,388	146,388	-	-	-
Loans and Advances to Customers	94,361,371	8,492,523	85,868,848	-	-
Property, plant and equipment	11,701,737	651,052	11,350,685	-	-
Intangible assets	1,755,696	-	1,755,696	-	-
Other assets	37,103,114	11,130,934	25,972,180	-	-
Total	168,854,824	26,956,067	141,861,926	34,078	2,753
Deposits from customers	118,830,465	27,331,007	91,499,458	-	-
Due to central Bank & EBID	17,063,814	3,071,486	13,992,327	-	-
Other liabilities	32,575,911	9,366,023	22,803,138	-	-
Total	**168,470,190**	**39,768,517**	**128,294,923**	-	-

December 31, 2017

Classification	**TOTAL**	**LRD**	**USD**	**GBP**	**EUR**
Cash and cash equivalents	29,231,883	4,077,333	25,138,661	5,364	10,525
Investment securities:					
- Available for sale	1,021,612	1,021,612	-	-	-
- Held to maturity	-	-	-	-	-
Loans and Advances to Customers	87,490,045	6,540,199	80,949,846	-	-
Property, plant and equipment	11,200,811	326,217	10,874,593	-	-
Intangible assets	1,292,073	-	1,292,073	-	-
Current income tax assets	-	-	-	-	-
Other assets	36,792,261	15,117,704	21,674,557	-	-
Total	**167,028,685**	**27,083,065**	**139,929,730**	**5,364**	**10,525**
Deposits from customers	110,165,033	32,068,698	78,096,335	-	-
Due to CBL & EBID	14,523,564	4,454,121	10,069,443	-	-
Other liabilities	36,455,905	8,718,715	27,737,190	-	-
Total	**161,144,502**	**45,241,534**	**115,902,968**	-	-

Notes to the financial statements (continued)
In United States Dollars

CASH AND CASH EQUIVALENTS
Dec 31,18

	TOTAL	LRD	USD	GBP	EUR
Cash and balances with Banks	6,108,820	1,140,347	4,965,720	-	2,753
Unrestricted balances with CBL	3,435,201	851,750	2,583,451	-	-
Balances with Foreign Banks	11,514,753	-	10,308,921	34,078	1,171,754
Total	**21,058,775**	**1,992,097**	**117,858,092**	**34,078**	**1,174,507**

CASH AND CASH EQUIVALENTS
Dec 31, 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 CBL	20,447,091	1,471,680	18,975,411	-	-
Balances with Foreign Banks	2,605,806	-	2,593,817	4,596	7,393
Total	**29,231,883**	**3,008,001**	**26,211,767**	**4,639**	**7,477**

INVESTMENT SECURITY

Dec 31, 18

	TOTAL	LRD	USD
GOL Treasury bills	146,388	146,388	-
CBL Treasury bills	2,042,796	-	2,042,796
Government bonds	2,189,184	146,388	2,042,796

INVESTMENT SECURITY

Dec 31, 17

	TOTAL	LRD	USD
CBL Treasury bills	-	-	-
Government bonds	2,026,130	-	2,026,130
Total	**2,026,130**	**-**	**2,026,130**

DEPOSITS FROM CUSTOMERS

Dec 31, 18

	TOTAL	LRD	USD
Current deposits	56,309,204	8,003,202	48,306,001
Savings deposits	61,968,871	19,238,955	42,497,737
Term deposits	552,390	-	552,390
Total	**118,830,465**	**27,242,157**	**91,356,128**

Notes to the financial statements (continued)
In United States Dollars

DEPOSITS FROM CUSTOMERS

Dec 31, 17

	TOTAL	LRD	USD
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**

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

December 31,2018

	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	21,058,775	21,058,775	-	-	-	-
Loans and advances to customers	94,361,371	28,308,411	33,026,480	5,848,631	24,240,254	2,937,596
Investment securities:						
– FVTPL	1,469,826	-	1,469,826	-	-	-
– Other Investments	18,093,378	-	-	-	18,093,378	-
– Held to maturity	146,388	146,388	-	-	-	-
– Other assets	38,361,031	38,361,031	-	-	-	-
	173,490,769	**87,874,605**	**34,496,306**	**5,848,631**	**42,333,632**	**2,937,596**
Financial liabilities						
Deposits from customers	118,830,465	59,531,322	56,927,177	2,371,966	-	-
Due to CBL & EBID	17,063,814	-	-	-	-	17,063,814
Other Liabilities	32,575,911	32,575,911	-	-	-	-
	168,470,190	**92,107,233**	**56,927,177**	**2,371,966**	**-**	**17,063,814**
Gap (asset - liabilities)	**5,020,579**	**(4,232,628)**	**(22,430,871)**	**3,476,665**	**42,333,632**	**(14,126,218)**
Cumulative liquidity gap	**5,020,579**	**(4,232,628)**	**(22,430,871)**	**3,476,665**	**42,333,632**	**(14,126,218)**

Notes to the financial statements (continued)
In United States Dollars

December 31, 2017

	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	29,231,883	29,231,883	-	-	-	-
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	1,021,612	-	1,021,612	-	-	-
– Other Investments	12,355,285	-	-	-	12,355,285	-
– Other assets	36,792,260	36,792,260	-	-	-	-
	166,891,085	**96,443,143**	**21,216,022**	**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	14,523,564	-	-	-	-	14,523,564
Other Liabilities	36,455,905	36,455,905	-	-	-	-
	161,144,502	**90,436,665**	**52,879,328**	**3,304,945**	**-**	**14,523,564**
Gap (asset - liabilities)	**5,746,582**	**6,006,477**	**(31,663,306)**	**2,947,514**	**39,271,679**	**(10,815,782)**
Cumulative liquidity gap	**5,746,582**	**6,006,477**	**(31,663,306)**	**2,947,514**	**39,271,679**	**(10,815,782)**

Notes to the financial statements (continued)

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

	Maximum exposure	
In United States Dollars	**Dec -31- 2018**	**Dec -31- 2017**
Classification		
Cash and cash equivalents:		
- Balances held with other Banks	6,108,820	6,178,987
- Unrestricted balances with CBL	3,435,201	6,847,002
- Balances with foreign banks	11,514,753	2,605,806
Investment securities:		
- GOL Treasury bills	146,388	-
- CBL Treasury bills	-	-
- Government Bonds	2,042,796	2,026,130
Investment in Treasury Bonds	15,894,331	9,403,114
- Equity Investment	1,469,826	301,042
Loans and advances to customers:		
- Loans to individuals	73,694,589	62,815,879
- Loans to non-individuals	20,666,782	24,674,166
Other assets	38,361,031	36,792,261
Total	**173,334,517**	**151,644,387**
	%	%
Loans exposure to total exposure	54%	57%
Other exposure to total exposure	46%	43%

[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 employee's loan, have been excluded.

The table above shows a worst-case scenario of credit risk exposure to LBDI as at December 31, 2018 and December 31, 2017 without taking account of any collateral held or other credit enhancements attached.

Notes to the financial statements (continued)

In United States Dollars

Loans and advances to customers are analyzed below:

	Dec 31, 2018	Dec 31, 2017
Loans to individuals:		
Overdrafts	5,166,696	7,380,062
Loans	15,500,087	17,294,104
	20,666,783	**24,674,166**
Loans to non-individuals:		
Overdrafts	20,634,485	17,923,632
Loans	53,060,104	44,892,247
	73,694,589	**62,815,879**

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

	Maximum exposure	
Financial guarantees	7,001,290	534,810
Other contingencies	1,588,680	2,436,280
	8,589,970	**2,971,090**

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), by geographical region as at the reporting date.

Credit risk exposure relating to On- Balance Sheet

Dec-31- 18

	Liberia	Rest of Africa
Classification		
Cash and cash equivalents:		
- Balances held with other Banks	6,108,820	-
- Unrestricted balances with CBL	3,435,201	-
- Money market placements	11,514,753	-
Investment securities:		
- GOL Treasury bills	146,388	-
- Equity Investment	1,469,826	-
-Investment in treasury bond	15,894,331	
- Government bonds	2,042,796	-
Loans and advances to customers:		
- Loans to individuals	73,694,589	-
- Loans to non-individuals	20,666,782	-
Other assets[2]	38,361,031	-
Total	**173,334,517**	**-**

[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.

Notes to the financial statements (continued)
In United States Dollars

Loans and advances to customers are analyzed below:

December 31, 2018

	Liberia	Rest of Africa
Loans to individuals:		
Overdrafts	5,166,696	-
Loans	15,500,087	-
	20,666,783	-
Loans to non-individuals:		
Overdrafts	20,634,485	-
Loans	53,060,104	-
	73,694,589	-

Credit risk exposure relating to on-balance sheet items

December 31, 2017

	Liberia	Rest of Africa
Classification		
Cash and cash equivalents:		
- Balances held with other Banks	6,178,987	-
- Unrestricted balances with CBL	6,847,002	-
- Money market placements	2,605,806	-
Investment securities:		
- GOL Treasury bills	-	-
- CBL Treasury bills	-	-
- Government Bond	2,026,130	-
Loans and advances to customers:		
- Loans to individuals	62,815,879	-
- Loans to non-individuals	24,674,166	-
Other assets[2]	36,792,261	-
Total	**141,940,231**	-

[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.