LIBERIAN BANK FOR DEVELOPMENT AND INVESTMENT

Financial Statements and Independent Auditor's Report
For the year ended December 31, 2019

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The

Baker Tilly International

Mission Statement

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

Baker Tilly Values

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

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TABLE OF CONTENTS

Contents	Page
Corporate information	1
Report of the Directors	2
Independent auditor's report	3-6
Statement of profit and loss	7
Statement of financial position	8
Statement of cash flows	9
Statement of changes in equity	10
Notes to the financial statements	11 - 83

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**.** *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. Dewitt vonBallmoos – *Chairman, Credit Committee* Mrs. Elizabeth G. Anthony - *Member* Dr. James S. P. Cooper – – *Chairman, Asset & Liability Committee* Mr. S.T. Eugene Peabody – *Member* Mr. Paarock VanPercy – *Member* Mr. MacDonald S. Goanue, Jr. – *Member* Mr. Joe Ofori-Teiko – 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 of the Liberian Bank for Development and Investment ("LBDI", "Bank" or "Institution") together with the financial statements for the year ended December 31, 2019.

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, 2019, profit or loss and other comprehensive income, changes in equity, and 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

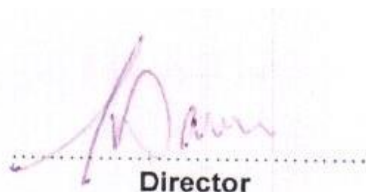
The Board of Directors approved the financial statements of the Bank on December 31, 2020.

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

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Shareholders
The Liberian Bank for Development & Investment

Report on the audit of the financial statements

Qualified opinion

We have audited the financial statements of the Liberian Bank for Development & Investment ("LBDI", "Bank" or "Institution"), which comprise the statement of profit and loss and other comprehensive income, the statement of financial position as of December 31, 2019, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects the financial position of the Bank as of December 31, 2019, and (of) its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the New Financial Institutions Act ("FIA") of 1999.

Basis for qualified opinion

Central Bank of Liberia Regulation number CBL/RSD/004/2014 requires commercial banks to make provisions for losses on loans and advances, based on a classification of those loans and advances using a defined framework. This regulation specifies that loans and advances should be classified into the five categories below, and the respective provision percentage applied for each category irrespective of collateral considerations.

1. Current or performing – 1%
2. Other Loans Especially Mentioned (OLEM) - 5%
3. Substandard - 20%
4. Doubtful – 50%
5. Loss - 100%

For the year ended December 31, 2019, LDBI has only provided for loan losses based on the expected credit loss (ECL) model as prescribed in IFRS 9 Financial Instruments. Under IFRS 9, financial assets are classified according to the business model for managing them and their cash flow characteristics. In essence, if (a) a financial asset is a simple debt instrument such as a loan, (b) the objective of the business model in which it is held is to collect its contractual cash flows (and generally not to sell the asset) and (c) those contractual cash flows represent payments of principal and interest solely, then the financial asset is held at amortized cost.

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Under Regulation CBL/RSD/004/2014, the total provision to be made on LBDI's portfolio of loans and advances for the year ended December 31, 2019, would be LRD3,909,310,688. Total provision actually made in the 2019 financial statements by LBDI using the expected credit loss model is LRD 974,105,752.

Had additional provisions been made as required by CBL Regulation CBL/RSD/004/2014, the potential net loss for the year would have been LRD 2,991,397,412.

The amount to be recognized would require more detailed review and consideration of all factors including collateral offered, guarantees and cash margins provided in the subsequent audit period.

Additionally, the impact of the COVID crisis on the banking industry in Liberia could also make these potential losses real.

As discussed in Note 31, Liberia, where the Bank operates, is experiencing certain challenges with its socio-economic, political, monetary, and financial systems. Those challenges are impacting businesses and financial institutions across the country and LBDI has not been immune. The Bank has experienced liquidity and cash flows challenges with severe impacts on its operations.

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

Key audit matters

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

Key audit matter(s)	**How matter was addressed in our audit**
Impairment of loans and advances The impairment of loans and advances to customers is significant to the audit due to the level of subjectivity inherent in estimating the key assumptions that impact the recoverability of loan and advances, including the application of industry knowledge and the prevailing economic conditions in determine the level of impairment allowance required. The determination is made based on 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 judgment.	We evaluated the design and implementation over the keys controls the impairment determination process. Key controls evaluated included management's review of input data, including forward-looking macroeconomic data used. We performed extensive procedures to assess the reliability of qualitative factors used by management in the determination of loan-asset stage classification. We documented management's judgment criteria and evaluated the validity of management's judgment criteria to underlying supporting information.

Impairment allowances on loan facilities that have shown significant increases in credit risk are 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 are recognized based on the 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 that include the evaluation of past-due information. The Bank incorporates forward-looking information into both the assessment of whether credit risk has increased significantly and in the measurement of ECL. Management has used significant judgment in the classification of loans into stages, as well as in estimating the key assumptions applied to the recoverability of loan balances. See Notes 2.9 to the financial statements for further 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 for future economic conditions. Other information considered included credit conversion factors, historical default rates, foreign exchange rates, and Gross Domestic Product growth rates. 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 the probability of defaults, we tested the reasonableness of assumptions and the methodology used. We tested the reasonableness of the estimation of losses given default, which included assessing haircut adjustments. We re-performed the calculations of impairment allowances for loans and advances using the Bank's impairment model and reviewed IFRS 9 disclosures for reasonableness. Finally, we examined the provisions under the ECL model to determine if they met the minimum thresholds defined under Regulation CBL/RSD/004/2014 of the Central Bank of Liberia
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.	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.

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 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 substantive analytical procedures by comparing 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 FIA 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 ISA 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 ISA, 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 FIA, we report that we received satisfactory explanations/information from the officers and agents of the Bank regarding LBDI's compliance with the Act.

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 FIA and other regulations and guidelines issued by the CBL.

Baker Tilly Liberia
(Certified Public Accountants)
Monrovia
December 31, 2020

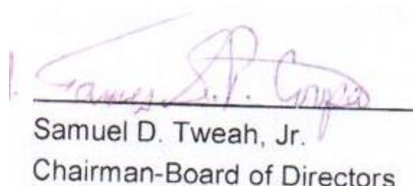
Statements of Profit or Loss and Other Comprehensive Income

In Liberian $	Note	December 31, 2019	December 31, 2018
Interest income calculated using effective interest method	9	1,286,915,666	1,073,003,491
Interest expense	10	(462,455,238)	(305,342,892)
Net interest income		**824,460,428**	**767,660,599**
Loan impairment charges		(184,508,144)	(130,606,340)
Net interest income after loan impairment charges		**639,952,284**	**637,054,259**
Fee and commission income	11	821,255,621	641,573,203
Net interest and commission on loans & advances		**1,461,207,905**	**1,278,627,462**
Other operating income	12	670,890,267	594,009,086
Total income for the period		**2,132,098,171**	**1,872,636,548**
Personnel expenses	13	(916,886,598)	(787,825,309)
General and administrative expenses	14	(1,128,105,029)	(806,681,219)
Operating lease expenses	14	(42,064,111)	(54,463,420)
Other operating expenses	15	(97,158,017)	(123,402,309)
Finance cost		(4,076,892)	-
Total operating expenses for the year		**(2,188,290,647)**	**(1,772,372,257)**
Loss / Profit for the year		**(56,192,476)**	**100,264,291**
Profit attributable to:			
Equity holders of the entity			
Profit for the period from continuing operations		**(56,192,476)**	**100,264,291**
Other comprehensive income:			
Net revaluation surplus of PPE		-	52,960,447
Total comprehensive income		**(56,192,476)**	**153,224,738**
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		(82.89)	147.90
- Diluted		(82.89)	147.90

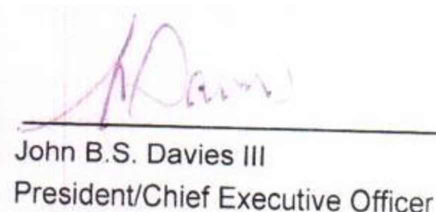
The notes on pages 11 to 83 are integral parts of these financial statements

Statement of Financial Position

In Liberian $	Note	December 31, 2019	December 31, 2018
Assets			
Cash and cash equivalents	16	2,562,366,382	3,327,286,436
Investments	17	8,912,099,874	3,114,115,448
Loans and advances to customers	18	15,900,076,773	14,911,140,874
Other assets	19	5,414,343,863	5,844,190,399
Investment property	20	1,433,326,616	1,433,326,616
Leased assets	21b	71,560,603	-
Intangible assets	21a	270,042,779	186,607,446
Property and equipment	22	1,504,441,943	1,350,745,907
Total assets		**36,068,258,832**	**30,167,413,126**
Liabilities			
Deposits from customers	23	19,779,424,450	18,775,213,418
Due to Central Bank & EBID	24	3,197,167,343	2,625,949,235
Lease liabilities	25a	98,366,797	-
Other liabilities	25	8,497,730,334	5,172,622,747
Total liabilities		**31,572,688,925**	**26,573,785,400**
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	419,589,986
Revaluation surplus – PPE	27b	503,656,388	503,656,388
Treasury stock		(5,254,643)	(5,254,643)
Translation adjustments	28	2,893,496,819	1,906,684,279
Retained earnings		154,894,544	239,764,904
Total equity attributable to the owners of the Bank		**4,495,569,907**	**3,593,627,726**
Total liabilities and equity		**36,068,258,832**	**30,167,413,126**



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



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

The notes on pages 11 to 83 are integral parts of these financial statements

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Statement of Cash Flows

In Liberian $	December 31, 2019	December 31, 2018
Cash flows from operating activities		
(Loss)/profit for the period	(56,192,476)	100,264,291
Adjustments for:		
Depreciation and amortization	165,190,631	145,491,421
Depreciation of leased assets	42,064,111	-
Provisions on credit losses	184,508,144	130,606,340
	335,570,408	**376,362,053**
Changes in:		
Loans and advances to customers	988,935,899	(3,896,605,711)
Other assets	429,846,536	(1,906,447,439)
Deposits from customers	1,004,211,032	4,984,754,585
Other liabilities	3,525,107,590	434,144,971
Net cash from\ (used in) operating activities	**6,083,671,466**	**(7,791,542)**
Cash flows from investing activities		
Purchase of property, equipment, and intangible assets	(216,810,095)	(262,797,705)
Investments	(5,797,984,426)	(1,439,595,427)
Adjustments (retained earnings and fixed assets)	(304,555,361)	(700,524,824)
Net cash used in investing activities	**(6,319,349,881)**	**(2,402,917,956)**
Cash flows from financing activities		
Due to Central Bank & other Banks	571,218,108	807,893,461
Dividends payable	(84,969,326)	(79,240,563)
Net cash from financing activities	**486,248,783**	**728,652,898**
Net (decrease) in cash and cash equivalents	**250,570,368**	**(1,682,056,600)**
Translation differences	(986,812,538)	1,290,577,249
Prior period adjustment	(28,677,884)	59,518,631
Cash and cash equivalents at beginning of the year	3,327,286,436	3,659,247,155
Cash and cash equivalents at the end of the year	**2,562,366,382**	**3,327,286,436**

The notes on pages 11 to 83 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 $								
Balance at January 1, 2019	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
Movement due to revaluation-Leasehold Improvement								
Other adjustment (prior year items)							(28,677,884)	(28,677,884)
Profit for the period							(56,192,476)	(56,192,476)
Dividends								
Foreign currency translation difference)						986,812,539		986,812,539
Total equity & reserves at December 31, 2019	**388,228,269**	**140,958,544**	**503,656,388**	**419,589,986**	**(5,254,643)**	**2,893,496,819**	**154,894,544**	**4,495,569,907**

Statement of Changes in Equity								
	Share capital	**Share premium**	**Revaluation PPE reserves**	**Statutory reserves**	**Treasury stock**	**Translation adjustments**	**Retained earnings**	**Total**
Liberian $								
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 11 to 83 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 that year. The Act was amended twice, the final amendment occurring on March 22, 1965, following which, the Bank commenced operations on November 24. The financial statements represent that of the Bank alone.

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 initially established to provide development Banking services as outlined above. On July 21,1988, the scope of operations of the Bank was expanded, to include commercial Banking services which authorized the expansion, the Bank commencing commercial Banking activities on September 1, 1988. LBDI was 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. This is the first set of the Bank's annual financial statements in which IFRS 16 Leases has been applied. The related changes to significant accounting policies are described in Note 2.4.1

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 because the Bank operates in an economy with dual currencies. The closing rate used to present the statement of financial position was L$ 188.00 to US$1 as of December 31, 2019, (**2018:** L$158 to US$1), and the statement of profit or loss was L$189 (**2018:** L$144.67 to US$1). All amounts are shown in absolute figures.

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 has 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. As both currencies at present, represent the principal economic environment within Liberia, the Bank employs them as usual.

(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 currencies are translated using the closing rate as at the reporting date. Non-monetary items denominated in foreign currencies are measured and translated at the historical rates (the rate at the date of initial recognition). Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and 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

The Bank initially applied the following standards and amendments to standards from January 1, 2019. – Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). – IFRS 16 Leases. A number of other new standards are also effective from January 1, 2019 but they do not have a material effect on the Bank's financial statements.

A. Leases

The Bank applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Significant accounting policies (continued)

2019. Accordingly, the comparative information presented for 2018 is not restated – i.e., it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

i. Definition of a lease

Previously, the Bank determined at contract inception, whether an arrangement is or contains a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Bank now assesses whether a contract is or contains a lease, based on the definition of a lease.

On transition to IFRS 16, the Bank elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Bank applied IFRS 16 only to contracts previously identified as leases. Contracts not identified as leases under IAS 17 and IFRIC 4, were not reassessed for whether there is a lease under IFRS 16.

ii. As a lessee

As a lessee, the Bank leases some branch and office premises. The Bank previously classified these leases as operating leases under IAS 17, based on its assessments of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Bank. Under IFRS 16, the Bank recognizes right-of-use assets and lease liabilities for leases of branch and office premises – i.e. these leases are on-balance sheet. Further, the Bank has not entered into any new leases during the year ended December 31, 2019.

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. For leases of branches and office premises however, the Bank has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Bank's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

The Bank used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Bank:

- relied on its assessment of whether leases are onerous under IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review;
- did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Significant accounting policies (continued)

iii. As a lessor

The Bank leases out certain buildings. The Bank had classified the leases as operating leases of investment properties: see Note 17 The Bank is not required to make any adjustments on the transition to IFRS 16 for leases in which it acts as a lessor. The Bank has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

B. Leases (continued)

iv. Impact on financial statements

Impact on transition*

On transition to IFRS 16, the Bank recognized additional right-of-use assets and additional lease liabilities, recognizing the difference in retained earnings. The impact on transition is summarized below.

	1 January 2019
Right-of-use assets presented in property and equipment	113,624,713
Prepaid rent	(12,750,110)
Lease liabilities	(102,443,690)
Retained earnings	1,569,087

When measuring lease liabilities for leases classified as operating leases, the Bank discounted lease payments using its incremental borrowing rate on 1 January 2019. The weighted average rate applied is 4%.

New and amended standards not yet adopted by the Bank

2.4.2 New and amended Standards effective in the current year

A number of new Standards and amendments to Standards are effective for periods beginning after January 1, 2019, and earlier application is permitted; however, The Bank has not early adopted them in preparing these consolidated financial statements. The following amended standards are not expected to have a significant impact on the Bank's financial statements.

– Amendments to References to Conceptual Framework in IFRS Standards.
The International Accounting Standards Board (Board) issued the revised Conceptual Framework for Financial Reporting (Conceptual Framework), a comprehensive set of concepts for financial reporting in March 2018. It sets out:

- the objective of financial reporting
- the qualitative characteristics of useful financial information
- a description of the reporting entity and its boundary
- definitions of an asset, liability, equity, income, and expenses
- criteria for including assets and liabilities in financial statements (recognition) and guidance on when to remove them (derecognition)
- measurement bases and guidance on when to use the concepts and guidance on presentation and disclosure.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Significant accounting policies (continued)

Purpose:

- to assist the Board in developing IFRS Standards ("Standards") based on consistent concepts, resulting in financial information that is useful to investors, lenders and other creditors
- to assist preparers of financial reports in developing consistent accounting policies for transactions or other events when no Standards apply or a Standard allows choices of accounting policies
- to assist all parties to understand and interpret Standards

Status

- provides concepts and guidance that underpin the decisions the Board makes when developing Standards
- not a Standard
- does not override any Standard or any requirement in a Standard

Effective Date

- immediately for the Board and the IFRS Interpretations Committee
- annual periods beginning on or after 1 January 2020 for preparers who develop an accounting policy based on the Conceptual Framework

Definition of a Business (Amendments to IFRS 3)

In October 2018, the International Accounting Standards Board (IASB or Board) issued amendments to the definition of a business in IFRS 3 Business Combinations.

The amendments are intended to assist entities in determing whether a transaction should be accounted for as a business combination or as an asset acquisition. IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments: clarify the minimum requirements for a business; remove the assessment of whether market participants are capable of replacing any missing elements; add guidance to help entities assess whether an acquired process is substantive; narrow the definitions of business and of outputs; and introduce an optional fair value concentration test. The Board also added examples to illustrate the application of the guidance in IFRS 3 on the definition of a business.

The Board expects that the amendments to IFRS 3 and the equivalent amendments made to US GAAP in 2017, will lead to more consistency in applying the definition of business across entities applying IFRS and entities applying US GAAP. The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted.

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, 2020.

2.5 Interest Income and Expense

Interest income and expense for all interest-bearing financial instruments are recognized in the statement of profit or loss and other comprehensive income 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

NOTES TO THE FINANCIAL STATEMENTS (continued)

Significant accounting policies (continued)

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 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 statement of profit or loss and other comprehensive income include:

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

i. Effective interest rate

Interest income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of financial liability. When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows, including ECL. The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisitions or issues of financial assets or financial liabilities.

ii. Amortized cost and gross carrying amount The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

iii. Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest.

iv. For financial assets that have become credit-impaired subsequent to initial recognition however, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to a gross basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Significant accounting policies (continued)

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes a

- interest on financial assets and financial liabilities measured at amortized cost; interest on debt instruments measured at FVOCI;
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and
- the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

Other interest income presented in the statement of profit or loss and OCI includes interest income on lease receivables (see (H)). Interest expense presented in the statement of profit or loss and OCI includes

- financial liabilities measured at amortized cost;
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense;
- negative interest on financial assets; and – interest expense on lease liabilities. Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income

v. Interest income and expenses on other financial assets and financial liabilities at FVTPL are presented in net income and from other financial instruments at FVTPL. Cash flows related to capitalized interest are presented in the statement of cash flows consistently with interest cash flows that are not capitalized.

2.6 Fees and commissions

Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognized on a straight-line basis over the commitment period. Other fees and commission income:

- including account servicing fees, investment management fees, guarantee issuance fees, sales commission, placement fees, and syndication fees.

- is recognized as the related services are performed.

A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual. Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

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

The Bank has applied IFRS 16 using the modified retrospective approach, and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019.

At inception of a contract, the Bank assesses whether a contract, is or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into (or changed) on or after January 1, 2019.

LBDI acting as a lessee

At commencement or on modification of a contract that contains a lease component, The Bank allocates consideration in the contract to each lease component based on its relative stand-alone price. For leases of branches and office premises, the Bank has elected however, not to separate non-lease components and accounts for the lease and non-lease components as single lease components.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

The Bank determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.
Lease payments included in the measurement of the lease liability comprise the following: – fixed payments, including in-substance fixed payments;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that The Bank is reasonably certain to exercise, lease payments in an optional renewal period if The Bank is reasonably certain

NOTES TO THE FINANCIAL STATEMENTS (continued)

Significant accounting policies (continued)

to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statements of financial position.

Short-term leases and leases of low-value assets

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

ii. LBDI acting as a lessor

At inception or on modification of a contract that contains a lease component, The Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When The Bank acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, The Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

As part of this assessment, The Bank considers certain indicators, such as whether the lease is for the major part of the economic life of the asset. The Bank applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Bank further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

Policy applicable before January 1, 2019
For contracts entered into before January 1, 2019

The Bank determined whether the arrangement was or contained a lease based on the assessment of whether: – fulfillment of the arrangement was dependent on the use of a specific asset or assets, and – the agreement had conveyed a right to use the asset.

i. As a lessee

The Bank did not have any finance leases under IAS 17.

Assets held under other leases were classified as operating leases and were not recognized in The Bank's statements of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives

NOTES TO THE FINANCIAL STATEMENTS (continued)

Significant accounting policies (continued)

received were recognized as an integral part of the total lease expense over the term of the lease.

ii. As a lessor

When the Bank acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease

To classify each lease, the Bank made an overall assessment of whether the lease transferred all of the risks and rewards incidental to ownership of the underlying asset substantially. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, The Bank considered certain indicators, such as whether the lease was for the major part of the economic life of the asset.

A. Leases as lessee (IFRS 16)

The Bank leases a number of branches and office premises. The leases typically run for a period of ten years, with an option to renew the lease after that date. For some leases, payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. These leases are short-term and/or leases of low-value items. The Bank has elected not to recognize right-of-use assets and lease liabilities for these leases. Previously, these leases were classified as operating leases under IAS 17. Information about leases for which the Bank is a lessee is presented below.

i. Right-of-use assets

Right-of-use assets relate to leased branch and office premises that are presented within property and equipment

	Branch, residence and office premises 2019
Balance at 1 January	113,624,713
Depreciation charge for the year	(42,064,111)
Additions during the	-
Balance on December 31,	**71,560,603**

At 31 December 2018, the future minimum lease payments under non-cancellable operating leases were payable as follow

	2018
Maturity analysis – contractual undiscounted cash flows	
Less than one year	15,983,739
Between one and five years	14,142,078
Total undiscounted lease liabilities of December 31,	**30,125,817**

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Significant accounting policies (continued)

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 amortized 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 are 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").

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 are 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Significant accounting policies (continued)

The Bank's business models fall into three categories, 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 an 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 TO THE FINANCIAL STATEMENTS (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value

d) Option

A financial instrument with a reliably measurable fair value could be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally to sell or repurchase. 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 assesses 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 subsequently measured in accordance with the classification of financial assets policy provided above. Loans are carried at amortized cost using the effective interest method, which represents the gross carrying amount less allowance for credit losses. Interest in 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 they are

NOTES TO THE FINANCIAL STATEMENTS (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 amortized 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 amortized cost and presented net of ACL on the Statement of Financial Position. ACL on loans is shown 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 is 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 to 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 the 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 twelve 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 TO THE FINANCIAL STATEMENTS (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-recognition 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 modeled on a collective basis using portfolio segmentation that allows for the appropriate incorporation of forward-looking information.

ECL for exposures in stage 1 (twelve-months ECL) is calculated by multiplying the twelve-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.

NOTES TO THE FINANCIAL STATEMENTS (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 amortization. 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 guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modeling 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 twelve-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 more extended 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 more extended period is estimated, taking into account the credit risk management actions that the Bank expects to make 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 modeling 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 TO THE FINANCIAL STATEMENTS (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 modeling, the lifetime PD is determined to have increased by more than a predetermined percentage/range.

Using its expert credit judgment and, where possible, relevant historical experience, the Bank may determine that 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 twelve-month ECL. Some qualitative indicators of an increase in credit risks, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behavior to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for 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 Lifetime ECL, not credit-impaired (Stage 2), are monitored for a probationary period of ninety 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 twelve-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 the 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 TO THE FINANCIAL STATEMENTS (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 the 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 the scope of this exemption include overdraft balances and certain revolving lines of credit. Determining the instruments in range 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 of assessing changes in credit risk is based on the use of quantitative and qualitative indicators. Instruments that 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 exceptions:

i. An 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. An outstanding obligation is an insignificant amount compared to the total amount due. Any amount of not more than ten percent 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 a 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 improvements 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 ninety 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 specific 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 fulfill 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 TO THE FINANCIAL STATEMENTS (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 require significant judgment.

The PD, LGD, and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modeled 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; and,
- 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 TO THE FINANCIAL STATEMENTS (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The elements to be taken as indications of unlikeliness to pay to 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; and,
- The Bank has filed for the obligor's Bankruptcy or similar order in respect of the obligor's credit obligation to the Bank.

The following are considered exceptions:

- An 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;
- An outstanding obligation is an insignificant amount compared to the total amount due, any amount not more than ten percent of the amount due is considered insignificant. Only applicable where there is no significant increase in credit risk and analyzed on a case by case basis; and,
- 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 continue 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 status of the payments 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 a 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); and,
iii) Evidence of full repayment of principal or interest.

Generally, the above is to represent improvements in credit risk warranting consideration for backward transitions of loans. Where there is evidence of a 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 are withdrawn and undrawn components, expected credit losses

NOTES TO THE FINANCIAL STATEMENTS (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 an accrual basis, which accrues income based on the gross carrying amount of the asset. Instead, 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 maybe 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 change in 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 an 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 ten percent; and,
- 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 purchased or originated credit-impaired financial assets 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;

NOTES TO THE FINANCIAL STATEMENTS (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Change in the annuity repayment pattern, for example, from monthly to quarterly, half-yearly or yearly;
- 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 specific criteria. Any interests in transferred financial assets that are 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 kept, 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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 maintained, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Bank de-recognizes a financial liability when its contractual obligations are discharged, canceled or expire.

Allowance for credit losses on financial instruments

	2019	2018
Allowance for credit losses:		
Stage 1	121,763,219	103,021,683
Stage 2	194,821,150	175,090,919
Stage 3	(657,521,383)	347,183,279
Specific impairment	-	233,502,277
Collective Impairment	-	86,363,856
	974,105,752	**625,295,881**
Loans and advances		
Gross amount	16,874,182,525	15,356,915,080
Less: Allowance for credit losses	(974,105,752)	(625,295,881)
Carrying amount	**15,900,076,773**	**14,731,619,199**

2.10 Property, plant and equipment

(i) Recognition and measurement

The Bank recognizes property, plant, and equipment when costs are incurred. These costs include those incurred initially to acquire or construct 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 carrying amounts do not differ materially from those which would be determined using fair value at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 identified 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.

(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 operating leases. The Bank has 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 statements of profit or loss and other comprehensive income 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 TO THE FINANCIAL STATEMENTS (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

Items of property and equipment are derecognized on disposal or when no future economic benefits are expected from 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 statements of profit or loss and other comprehensive income 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 the statement of profit or loss. Investment properties are subject to renovations and improvements at regular intervals.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

When the use of a property change such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Bank's investment in Cemenco is not held for trading. Instead, it is held for short-term funding 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.

2.12 Intangible assets

2.12.1 Software

Software acquired by the Bank is stated at cost less accumulated amortization and any 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 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 identified 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, largely independent of 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 amounts of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units), on a pro-rata basis.

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NOTES TO THE FINANCIAL STATEMENTS (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, loans from CBL, and other institutions 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.

Deposits, debt securities in issue, and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs. Subsequently, they are measured at their amortized cost using the effective interest method, except where the Bank designates liabilities at FVTPL.

When the Bank designates a financial liability as at FVTPL, the amount of change in the fair value of the liability that is attributable to changes in its credit risk is presented in OCI as a liability credit reserve. On initial recognition of the financial liability, the Bank assesses whether presenting the amount of change in the fair value of the liability that is attributable to credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. This assessment is made by using regression analysis to compare:

– the expected changes in the fair values of the liabilities related to changes in the credit risk; with
– the impact on profit or loss of expected changes in the fair value of instruments where characteristics are economically related to the characteristics of the liability. Amounts presented in the liability credit reserve are not subsequently transferred to profit or loss. When these instruments are derecognized, the related cumulative amount in the liability credit reserve is transferred to retained earnings.

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. 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 liabilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 bank levies is recognized when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognized when that minimum activity threshold is reached.

2.16 Financial guarantees

'Financial guarantees' are contracts that require the Bank to make specified payments to reimburse the holder for losses that it incurs because specified debtors fail to make payments when due in accordance with the terms of debt instruments. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide loans at a below-market interest rates, are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15.

The Bank has issued no loan commitments that are measured at FVTPL.
Liabilities arising from financial guarantees and loan commitments are included within provisions.

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 and 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 expenses when the Bank is demonstrably committed, without realistic possibility of withdrawal, to formal, detailed plans to terminate employment before normal retirement dates.

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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A liability is recognized for the amount expected to be paid under short-term cash bonuses or profit-sharing plans, if the Bank has a present legal or constructive obligation to pay 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 equity instruments are deducted from the initial measurement of the instruments.

(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.

2.19 Earnings per share

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

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 a strong commitment to the following vital 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 the 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.

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 adhere 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 regularly report 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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 progresses towards meeting regulatory Risk-Based Supervision requirements and migration to Basel II compliance as well as the overall Regulatory and Capital Adequacy and the Bank's transition to IFRS.

The Bank's Board of Directors has delegated responsibility for the management of credit risk to the Board Credit Committee. The Board Credit Committee considers and approves all lending exposures above management'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 accounts 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 credit exposure, which arises as a result of lending and investment activities, as well as other unfunded credit exposure that has default probabilities, such as contingent liabilities.

3.4 Risk management methodology

LBDI recognizes that it is in the business of managing risk in order 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,

NOTES TO THE FINANCIAL STATEMENTS (continued)

- Treasury Policies

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

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

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 to 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 the Management Credit Committee's approval.

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

NOTES TO THE FINANCIAL STATEMENTS (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, industries, sectors, rating grades, and a geographical areas 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 practices throughout the Bank in the management of credit risk.

NOTES TO THE FINANCIAL STATEMENTS (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 an 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 several intrinsic risks inherent in its different business segments and, as a result, applies different parameters to manage the risks in each business segment adequately.

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 a 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 apply additional parameters internally, in determining the suitable limits that individual borrowers should have.

These include obligor ratings, 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 difficulties of the current macroeconomic events.

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

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 easy to verify and readily disposable. Such collateral must be in 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 safekeeping, 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 TO THE FINANCIAL STATEMENTS (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, like 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 the 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.

3.14.4 Allowances for impairment

LBDI has established an allowance for impairment losses that represent 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 balances (and any related allowances for impairment losses), when the Management Credit Committee, with Board approval, 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 service 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 are given collectively to individual employees in public and private institutions).

NOTES TO THE FINANCIAL STATEMENTS (continued)

3.16 Liquidity risk

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

Liquidity ratio

The bank's liquidity position is down by one point from 17% in 2018 to 16% in 2019 and also above regulatory limits. **Error! Not a valid link.**

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 that 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.

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NOTES TO THE FINANCIAL STATEMENTS (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 evaluation of their implementation.

NOTES TO THE FINANCIAL STATEMENTS (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 these tests, 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 affects 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. On December 31, 2019, however, no significant interest rate changes occurred, impacting the Bank.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4.0 Capital management and Other Risks

4.1 Regulatory capital

Capital requirements are set to ensure that banks and depository institutions' holdings are not dominated by investments that increase the risk of default. They also ensure that banks and depository institutions have enough capital to sustain operating losses (OL) while still honoring withdrawals.

CBL sets and monitors capital requirements for the Bank. LBDI's operations are directly supervised by CBL and other regulatory and oversight authorities in Liberia.

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

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

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

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

4.2 Capital adequacy ratio

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk-weighted asset base. In accordance with CBL regulations, a minimum ratio of 10% is to be maintained as capital adequacy ratio, and as of December 31, 2019, LBDI's position is 21.55 %(2018: 21.23%). Computation of the capital adequacy ratio of the Bank is shown below:

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NOTES TO THE FINANCIAL STATEMENTS (continued)

Capital Adequacy Ratio Computation:

In Liberian Dollars		
1. Tier 1 Capital	**December 31, 2019**	**December 31, 2018**
Paid-in-capital	388,228,269	388,228,269
Share premium	140,958,544	140,958,544
Statutory capital	419,589,986	437,094,514
Retained earnings	154,894,544	239,764,904
Other distributable & legal reserves	3,397,153,207	803,007,286
	4,500,824,550	**1,991,548,988**
Deduction from tier 1 capital:		
Intangibles	270,042,779	186,607,446
Treasury shares	5,254,643	5,254,643
Connected lending of capital nature	90,961,248	28,925,910
Total qualifying tier 1 capital	4,134,565,880	**1,770,760,989**
2. Tier 2 Capital		
Subordinated Term Debt	**3,197,167,343**	**1,241,673,449**
Qualifying subordinated term debt (limited to 50% of tier 1)	2,250,412,275	1,078,531,778
Total qualifying tier two (2) capital	2,250,412,275	1,078,531,778
Total qualifying capital (qualifying tier 1 + qualifying tier 2)	**6,384,978,155**	**2,849,292,767**

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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	27,051,194,124	27,051,194,124	-	-	27,051,194,124	12,066,965,250
Off-Balance sheet Item	2,070,789,920	2,070,789,920	-	-	2,070,789,920	1,357,215,260
Total risk-weighted on & off-balance sheet Items					**29,121,984,044**	**13,424,180,510**
Adjusted capital base/total risk-weighted on & off-balance sheet items					**21.92**	**21.23**
Regulatory capital adequacy ratio					**10.00**	**10.00**
Surplus/(deficit)					**11.92**	**11.23**

NOTES TO THE FINANCIAL STATEMENTS (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 workplaces, 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 related 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 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 the 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.

- the implementation of controls by relevant stakeholders is also tracked and reported.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

Legal Risk Management involves the monitoring of litigation against the Bank to ascertain likely financial or non-financial loss exposures. It also requires the conduct of causal analysis on identified points of failure that occasioned litigation. 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 observed: 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 threats and trending of prevalent threats.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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 risks that the strategies are unclear, clear, but not viable or clear and viable but poorly implemented or strategy failure due to unexpected circumstances.

NOTES TO THE FINANCIAL STATEMENTS (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 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 that 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, also 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 a 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.

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.

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 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 TO THE FINANCIAL STATEMENTS (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 flow 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

Liberian $	December 31, 2019	December 31, 2018
Loans and advances to customers	1,286,915,666	1,073,003,491
	1,286,915,666	**1,073,003,491**
Geographical location		
Interest income earned in Liberia	1,286,915,666	1,073,003,491
	1,286,915,666	**1,073,003,491**

10 Interest expense

Savings accounts-individuals	179,626,900	117,428,781
Savings accounts-joint in trust for	14,407	7,749
Savings accounts-in trust for	4,358,666	2,554,432
Savings accounts-not for profit	23,588,529	17,730,810
Savings accounts-joint	18,596,333	14,003,650
Savings accounts-staff	3,382,320	1,940,791
Savings accounts-non-residents	3,321,290	2,787,250
Savings accounts-clubs & associations	-	8,171,375
Savings accounts-direct deposits	5,404,616	4,211,405
Interest on time deposits	131,514,908	99,720,607
Short term borrowings	84,475,894	38,302,495
	462,455,238	**305,342,892**

11 Fee and commission income

Fees and commissions on loan and advances	127,009,039	73,888,425
Commission on MoneyGram operations	34,632,102	60,899,161
Commission on Western Union operations	29,848,384	26,852,598
Commission on transfers and drafts	238,118,460	225,541,561
Service charges on customer deposits	149,581,650	87,989,218
Commission on guarantees and bonds	8,711,337	12,468,339
Other commission and fees	233,354,647	143,562,154
	821,255,621	**514,665,493**

NOTES TO THE FINANCIAL STATEMENTS (continued)

Liberian $

		December 31, 2019	December 31, 2018
12	**Other operating income**		
	Income on GOL bonds	501,411,100	331,475,360
	Income on-call deposits	66,178	(7,203)
	Others	19,976,812	149,015,178
	Gain from fair value of shares in CEMENCO	62,756,505	21,291,420
	Gain from fair value of investment property	-	11,326,615
	Rental income	86,679,672	80,907,716
		670,890,267	**594,009,086**

13	**Personnel expense**		
	Wages and salaries	4,383,538	4,589,839
	Housing and transportation allowances	478,859,909	478,859,909
	Contributions to defined contribution plans	241,939,718	241,939,718
	Other staff costs	191,703,433	197,530,462
		916,886,598	**787,825,309**

14	**General and administrative expenses**		
	Other premises and equipment costs	232,133,045	155,928,912
	Directors' emoluments	62,141,594	35,626,740
	Professional services	165,201,822	109,938,368
	Office expenses	84,162,074	65,577,304
	Licenses and fees	175,711,524	54,219,893
	Operational expenses-investment property	3,782	9,717
	Foreign travel	28,698,509	35,212,677
	Local travel & transportation	63,766,433	39,263,812
	Bank service and note import charges	154,334,617	57,228,460
	Advertising and business promotion	11,901,656	23,718,205
	Amortization of intangibles	57,256,622	46,382,842
	Amortization of leased assets	42,064,111	-
	Depreciation of property, plant and equipment	92,793,353	99,108,580
		1,170,169,140	**806,681,219**

15	**Other operating expenses**		
	Scholarships and donations	2,873,063	11,234,374
	Sundry expenses	45,790,690	47,608,130
	Fines by CBL	-	928,000
	Treasury operations	22,075,464	31,875,035
	Other/cash short and over	26,418,800	31,756,770
		97,158,017	**123,402,309**

NOTES TO THE FINANCIAL STATEMENTS (continued)

Liberian $

16	**Cash and cash equivalents**	**December 31, 2019**	**December 31, 2018**
	Cash and balances with banks	1,219,622,430	965,193,557
	Unrestricted balances with banks	1,342,743,952	2,362,092,879
		2,562,366,382	**3,327,286,436**

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 of December 31, 2019.

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
CBL	300,000,000	-
	300,000,000	**23,129,237**
Other investments		
Available for sale	-	-
Investment in Treasury bonds	2,152,655,637	2,511,304,347
Equity investment	339,083,853	232,232,559
Investment in bonds-GOL	6,026,360,383	322,761,811
Investment in syndicated loan	-	24,687,494
LBDI/Loita investment banking Fund	94,000,000	-
	8,912,099,874	**3,114,115,448**

The investments in Indexed C-bills issued by CBL paid an average of 7% on the 365-day instruments. These instruments matured in January, 2020. Treasury bonds issued by the CBL paid 16% interest per annum. The bonds will mature in July 2020. At maturity, the Bank will receive a nominal amount of L$2,640,000,000. 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 other shareholders, hold the ordinary share capital.

During the year audited, the Bank moved from the 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 on 31 December 2019 was performed by an independent consulting firm and a registered member firm of the Liberian Institute of Certified Public Accountants.

On May 2, 2019, the Government of Liberia through its Ministry of Finance and Development Planning, issued a promissory note to LBDI of US$37,183,925.80 for GOL exposures in loans given to various government agencies and contractors working on behalf of GOL.

NOTES TO THE FINANCIAL STATEMENTS (continued)

This represents 100% repayment of principal of US$32,055,108 and accrued interest US$5,128,817 outstanding.
The maturity date is April 1,2026 and principal and accrued interest are to be paid over seven installments.

Subsequent to the statements of financial position date, LBDI discounted eighty percent of the total value of the promissory note at discount rate of 6%.

The property rental income earned by the Bank from its investment property, amounted to LRD 105,744,327 (2018: LRD 80,907,716). Direct operating expenses arising on the investment property amounted to LRD 3,782 (2018: LRD 9,717).

Through a duly approved board resolution, LBDI entered into a Joint Venture arrangement with LOITA International for the creation of a special investment vehicle called the LBDI Loita. This is separate legal entity charged with the responsibility of investment banking activities. The amount represents advances made by LBDI to LOITA International for the setting up of LBDI LOITA.
As at statements of financial position date, have not reached an agreement on the profit/loss sharing ratio and the amount of contribution to be made by LBDI under this arrangement.

Subsequent to the statement of financial position date, LBDI LOITA was incorporated as company in Liberia

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

18 Loans and advances to customers

Dec-31- 2019
Liberian $

	Gross Amount	Translation adjustment on migration to IFRS 9 (See Note 2.9.1)	Portfolio Impairment	Total Impairment	Carrying Amount
Loans to non-individuals	14,324,439,816.82	-	(974,105,752)	(974,105,752)	13,350,334,065
Loans to individuals	2,549,742,709	-	-	-	2,549,742,709
	16,874,182,525	**-**	**(974,105,752)**	**(974,105,752)**	**15,900,076,773**

Refer to Note 2.9.1 for details

Dec-31- 2018

	Gross amount		Portfolio Impairment	Total Impairment	Carrying amount
Loans to non-individuals	11,916,740,041	174,823,409	(625,295,881)	(625,295,881)	11,466,267,568
Loans to individuals	3,265,351,631	-	-	-	3,265,351,631
	15,182,091,672	**174,823,409**	**(625,295,881)**	**(625,295,881)**	**14,731,619,199**

See note 2.9.1 for detail movement in the impairment figure.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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	1,163	29%	12,468,032,385	74%	124,680,324	3%
Total performing	**1,163**	**29%**	**12,468,032,385**	**74%**	**124,680,324**	**3%**
Substandard	17	0%	91,187,220.00	1%	18,237,444	0%
Doubtful	300	8%	1,097,140,000	7%	548,570,000	14%
Loss	2,511	63%	3,217,822,920	19%	3,217,822,920	82%
Total NPL	**2,828**	**71%**	**4,406,150,140**	**26%**	**3,784,630,364**	**97%**
Total performing & NPL	**3,991**	**100%**	**16,874,182,525**	**100%**	**3,909,310,688**	**100%**

Sensitivity Analysis on recognition of provision based on CBL guidelines concerning Accounting and Financial Reporting for Banks.

Year	Provision CBL Guidelines	Provision IFRS	Net Provision Impact	Impact on Capital	Provision impact on P&L	Impact on Profit
2019	3,909,310,688	974,105,752	2,935,204,936	4,495,569,907	3,355,398,700	(56,192,476)
2018	2,201,750,013	625,295,881	1,795,033,728	(1,140,171,208)	(184,508,144)	3,170,890,556
Net	**1,707,560,675**	**348,809,871.14**	**1,140,171,208**	**3,355,398,700**	**3,170,890,556**	**3,114,698,080**

N/S	SECTORIAL CLASSIFICATION OF LOANS & ADVANCES:		
	SECTOR	**December 31, 2019**	**December 31, 2018**
1	**AGRICULTURE**		
	Fishery	8,915,051	6,469,177
	Rubber	269,994,498	195,920,612
	Others	69,592,608	50,499,645
		348,502,158	**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
		850,920,815	**617,467,866**

NOTES TO THE FINANCIAL STATEMENTS (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	9,857,252	7,152,883
	General	2,354,045,160	1,265,354,184
		9,060,037,970	**8,071,102,071**
	TOTAL SUMMARY LOANS	**15,900,076,773**	**14,911,140,874**

19 Other current assets	**December 31, 2019**	**December 31, 2018**
Accounts receivable	3,399,602,388	5,161,021,503
Prepayments	276,220,106	216,953,029
Deferred expenses - advances & software	1,563,753,517	276,900,832
Short term borrower	235	-
Stock/Stationery	174,767,616	189,315,035
	5,414,343,863	**5,844,190,399**

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 TO THE FINANCIAL STATEMENTS (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 the 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 on 31 December 2019 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.

The 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	December 31, 2019	December 31, 2018
Cost:		
Balance at beginning of the year	494,054,262	336,559,889
Addition	168,924,836	105,494,373
Exchange rate effect	-	52,000,000
	662,979,098	**494,054,262**
Accumulated amortization:		
Balance at beginning of the year	307,446,816	172,108,432
Amortization for the year	57,256,622	46,382,842
Exchange rate effect	28,232,881	88,955,542
	392,936,319	**307,446,816**
Carrying amounts	**270,042,779**	**186,607,446**

22. Net Book Value of Property, Plant, and Equipment (see page 59). 1,504,441,943

The Bank's freehold land and buildings and leasehold improvement properties are stated at their revalued amounts as on December 31, 2019, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The revaluation of the Bank's freehold land and building and leasehold improvements as of 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 Association of Liberia Architects.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21b Leased assets	**December 31, 2019**	**December 31, 2018**
Cost:		
Balance at beginning of the year	-	-
Addition	113,624,713	-
Exchange rate effect	-	-
	113,624,713	**-**
Accumulated amortization:		
Balance at beginning of the year	-	-
Amortization for the year	42,064,111	-
Exchange rate effect	-	-
	42,064,111	**-**
Carrying amounts	**71,560,603**	**-**

23. Deposits from customers

Term deposits	401,364,539	87,277,565
Current deposits	9,116,947,795	8,896,854,188
Savings deposits	10,261,112,116	9,791,081,665
	19,779,424,450	**18,775,213,418**

24. Due to Central Bank, BADEA & EBID

Due to Central Bank

Long term debt-CBL Mortgage loan	1,560,500,000	1,560,500,000
Accrued interest payable general	14,473,813	14,473,813
Long term debt-CBL rubber stimulus fund	303,550,000	303,550,000
Small business development funds	1,000,001	1,000,001
	1,879,523,813	**1,879,523,813**
Due to BADEA		
Long term debt- Arab Bank for Economic Development in Africa	1,146,798,120	553,000,000
Due to EBID		
Long term debt-ECOWAS Bank for Investment & Development	170,845,410	193,425,422
	3,197,167,343	**2,625,949,235**

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

In 2017, the Bank received US$1,500,000 at 2% for two years from CBL to support an 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 is 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.

25a Lease Liabilities

	December 31, 2019	December 31, 2018
Lease liabilities	102,443,690	-
Rent paid	(4,076,892)	-
	98,366,798	**-**

25. Other liabilities

Accounts payable	5,003,487,632	3,184,604,290
Short term borrowings	2,632,000,000	1,274,517,716
Provision for employee benefits	339,477,487	255,829,958
Accrued interest on customer deposits	353,981,634	166,761,385
Unearned fees and commissions	854,248	47,030,327
Current income tax liabilities	10,994,359	1,974,769
	8,340,795,359	**4,930,718,446**
Dividends payable	156,934,975	241,904,301
	8,497,730,334	**5,172,622,747**

26. Paid - in – Capital

Share Capital		
Class A common stock $10 par value		
(Authorized 1,000,000 shares)		
Issued and outstanding at the beginning of year 422,653 shares	219,991,038	219,991,038
Issued during the year	-	-
Issued and outstanding at the 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 the beginning of year 349,771 shares	168,237,231	96,237,231
Issued during the year	-	72,000,000
Issued and outstanding at the 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**

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NOTES TO THE FINANCIAL STATEMENTS (continued)

22. PROPERTY, PLANT AND EQUIPMENT

Descriptions Cost:	Land & buildings LRD	Leasehold improvement LRD	Equipment LRD	Furniture & fixtures LRD	Vehicles LRD	Miscellaneous properties LRD	Work-in-progress LRD	Total LRD
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 rates	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**
Balance at January 1, 2019	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
Additions during the year	-	4,878,291	15,497,949	1,692,226	5,922,000	150,400	19,744,393	47,885,259
Movement due to revaluation	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	(19,744,393)	(19,744,393)
Disposals during the year	-	-	-	-	-	-	-	-
Effect of exchange rates	-	-	-	-	-	-	-	-
Transfer to revaluation account	317,155,761	240,511,778	192,599,313	22,764,293	43,138,479	1,725,788	-	817,895,412
Balance at December 31, 2019	**1,375,502,994**	**470,298,198**	**1,077,968,425**	**142,009,035**	**276,256,465**	**10,965,344**	**36,310,698**	**3,389,311,159**

Accumulated Depreciation:								
Balance at January 1, 2018	393,239,7826	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	**393,239,782.56**	**167,690,023**	**458,695,165**	**54,759,724**	**112,747,121**	**5,397,157**	**-**	**1,192,528,973**
Balance at January 1, 2019	393,239,782.56	167,690,023	458,695,165	54,759,724	112,747,121	5,397,157	-	1,192,528,973
Charge for the year	-	15,297,805	51,119,240	9,343,449	31,393,667	779,849	-	107,934,009
Effect of exchange rate	-	-	-	-	-	-	-	-
Disposals during the year	-	5,778,191	180,214,027	36,264,761	77,681,363	2,935,713	-	302,874,055
Balance at December 31, 2019	**393,239,783**	**188,766,019**	**690,028,431**	**100,367,935**	**221,822,151**	**9,112,719**	**-**	**1,603,337,038**
Net book value:								
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**
As at December 31, 2019	**982,263,212**	**-**	**387,939,993**	**41,641,100**	**54,434,314**	**1,852,625**	**36,310,698**	**1,504,441,943**

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NOTES TO THE FINANCIAL STATEMENTS (continued)

27a Statutory reserve

	December 31, 2019	December 31, 2018
	419,589,986	419,589,986

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

	December 31, 2019	December 31, 2018
Opening balance	503,656,388	450,695,941
Net movement in the year due to revaluation	-	52,960,447
Closing balance	**503,656,388**	**503,656,388**

The Bank exercised an option in 2018 to fair value all land, buildings and leasehold improvements 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 the revaluation surplus account.

28. Translation Adjustment

Items	Monetary-Nonmonetary Method					
	Foreign Currency	**Exchange rate as at December 31, 2019**	**Translated Amount**	**Balance sheet Amount**	**Translation difference**	**% Impact on the capital**
Investment property	9,071,691	188	1,705,477,944	1,433,326,616	(272,151,328)	-19%
Intangible assets	1,899,339	188	357,075,811	270,042,779	(87,033,032)	-32%
Property and equipment	12,344,011	188	2,263,664,035	1,504,441,943	(759,222,092)	-50%
Due to Central Bank & EBID	20,282,195	188	3,813,052,673	2,951,598,120	861,454,553	29%
Share capital	7,724,240	188	1,452,157,120	388,228,269	1,063,928,851	274%
Share Premium	2,442,754	188	459,237,752	140,958,544	318,279,208	226%
Statutory reserves	4,933,720	188	927,539,337	419,589,986	507,949,351	121%
Revaluation surplus	6,111,287	188	1,148,921,956	503,656,388	645,265,568	128%
Treasury stock	63,309	188	11,902,092	(5,254,643)	17,156,735	-327%
Retained earnings	4,767,572	188	992,951,950	154,894,544	597,869,006	386%
					2,893,496,819	
				Opening Balance 2019	**1,906,684,281**	
				Additions 2019	**986,812,538**	
				Closing Balance 2019	**2,893,496,819**	

NOTES TO THE FINANCIAL STATEMENTS (continued)

The assets and liabilities reflected in LBDI's statements of financial position are translated at the closing rate of L$188 on December 31, 2019. 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 that 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 2019, the Bank's opening rate used in its statements of financial position was L$158 to US$1, and the closing rate was L$188, reflecting a 19% 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$158at as 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 that are shown on the face of the statement of financial position as "translation adjustments". 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.

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, 2019. 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. Corresponding obligations of third-parties offset the majority of these facilities. Contingent liabilities and commitments comprise acceptances, guarantees and letters of credit.

29.3 Commitments for capital expenditure

The Bank had no commitments for capital expenditures at December 31, 2019 (2018: 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. Where parties are either directly or indirectly under common control with the Bank, related party arrangements are assumed.

Transactions with executive directors and key management personnel

Key management personnel are defined as those persons having authority and responsibilities 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	December 31, 2019	December 31, 2018
Salaries and other short-term benefits	99,954,002	85,884,440
Contributions to defined contribution plans	10,285,211	8,837,461
	110,239,212	**94,721,901**

31. Going concern

Liberia is at present, experiencing materially significant socio-economic, political, monetary and financial challenges. These challenges have caused reciprocal difficulties across financial and other institutions in the country. LBDI is amongst those institutions. LBDI has experienced financial challenges that create concern. During the year ended December 31, 2019, LBDI experienced:

- Liquidity concerns;
- Net losses from the Bank's operations;
- Challenges in implementing new lending schemes;
- A material decline in cash and cash equivalents; and,
- A material reversal in the Bank's results of operations, when compared to the prior year.

To ameliorate the situation, LBDI's management has implemented aggressive processes to shore-up shortfalls, re-design the Bank's organization and functionality, initiate new revenue streams and garner new sources of cash inflows. In so doing, LBDI utilized its CEMENCO investment to collateralize $1,500,000 in new debt financing.. Management continues to present the Bank's financial statements on a going concern basis. Management, in evaluating the Bank's assets and liabilities, has determined that the recorded amounts, purport to represent the realizable or settlement values. Management valued those assets and liabilities, using methods most practicable. Further, the Bank negotiated $15,000,000 in new debt financing during 2019, which resulted in funding in March, 2020.

32. Subsequent events review

On 12 March 2020, LBDI received proceeds of US$1,500,000 from Ecobank Liberia Limited under a Financial Facility Agreement. LBDI ledged its 10% shares holdings in Liberia Cement Corporation(CEMENCO) as collateral.

In March 2020, management of LBDI attempted to discount eighty percent of the GOL promissory note of US$37,183,925 with face value of US$29,747,140 for US$27,307,875. This discounting facility agreement was consummated between LBDI as borrower and African Export-Import Bank serving as arbitor and lender and establishing a discount rate of 8.2 percent per annum. GOL through the Ministry of Finance and Economic Developments halts the process as they can no longer provide the required guarantee on the promissory note.
This resulted in significant liquidity challenges

In March 2020, LBDI received proceeds of US$15,000,000 from African Export-Import Bank under Financial Facility Agreement. The principal amount is US$15,000,000 with interest rate pegged at LIBOR plus margin. The duration of the loan is three years.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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

In Liberian L$
Dec-31-2019

Classification	TOTAL	LRD	USD	GBP	EUR
Cash and cash equivalents	2,562,366,382	7,451,872,977	(4,889,899,515)	186,120	206,800
Investment securities:	-	-	-	-	-
- Available for sale	-	-	-	-	-
- Held to maturity	300,000,000	300,000,000	-	-	-
Loans and Advances to Customers	15,900,076,773	2,120,209,434	13,779,867,339	-	-
Property, plant and equipment	1,504,441,943	19,904,905	1,484,537,038	-	-
Intangible assets	270,042,779	-	270,042,779	-	-
Other assets	5,414,343,863	1,624,303,159	3,790,040,704	-	-
	25,951,271,740	**11,516,290,474**	**14,434,588,346**	**186,120**	**206,800**
Deposits from customers	19,779,424,45o	5,542,258,473	14,237,165,977	-	-
Due to CBL & EBID	3,197,167,343	56,454,846	3,140,712,497	-	-
Other liabilities	8,497,730,334	50,471,240	8,447,259,094	-	-
	31,474,332,127	**5,649,184,559**	**25,825,137,568**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Classification Dec-31-2018	TOTAL	LRD	USD	GBP	EUR
Cash and cash equivalents	3,327,286,436	225,840,751	3,101,010,695	-	434,990
Investment securities:	207,246,073	-	207,246,073	-	-
- Available for sale	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 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**	**-**	**-**

CASH AND CASH EQUIVALENTS
Dec-31-2019

In Liberian L$	TOTAL	LRD	USD	GBP	EUR
Cash and balances with Banks	1,219,622,430	1,023,228,952	196,000,558	186,120	206,800
Unrestricted balances with CBL	1,063,886,515	724,337,738	339,548,777	-	-
Balances with foreign Banks	278,857,437	-	277,356,747	575,250	925,439
Total	**2,562,366,382**	**1,747,566,690**	**812,906,082**	**761,370**	**1,132,239**

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**

NOTES TO THE FINANCIAL STATEMENTS (continued)

Currency risk exposure relating to on balance sheet assets con

INVESTMENT SECURITIES
Dec-31-2019

In **Liberian L$**	**TOTAL**	**LRD**	**USD**
GOL Treasury bills			
CBL Treasury bills	300,000,000	300,000,000	
Government bonds	6,026,360,383	-	6,026,360,383
Total	**6,326,360,383**	**300,000,000**	**6,026,360,383**

INVESTMENTSECURITIES
Dec-31-2018

In Liberian L$	**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**

DEPOSITS FROM CUSTOMERS
Dec-31-2019

In Liberian L$	**TOTAL**	**LRD**	**USD**
Current deposits	9,116,947,795	1,484,599,563	7,632,348,232
Savings deposits	10,261,112,116	3,517,546,594	6,743,565,522
Term deposits	401,364,539	-	401,364,539
Total	**19,779,424,450**	**5,002,146,156**	**14,777,278,294**

DEPOSITS FROM CUSTOMERS
Dec-31-2018

In Liberian L$	**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**

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Disclosures to the Financial Statements

December-31- 2019

In Liberian L$	Carrying amount	1 month less than 3 months	Three to six months	Six to twelve months	One to five years	More than five years
Financial assets						
Cash and cash equivalents	2,562,366,382	2,562,366,382	-	-	-	-
Loans and advances to customers	15,900,076,773	7,480,410,353	281,372,570	704,532,280	5,139,249,330	2,294,512,240
Investment securities:						
– Other Investments	8,518,099,874	-	-	-	8,518,099,874	-
– Amortized costs	300,000,000	300,000,000	-	-	-	-
Other assets	5,414,343,863	5,414,343,863	-	-	-	-
	32,694,886,892	**15,757,120,598**	**281,372,570**	**704,532,280**	**13,657,349,204**	**2,294,512,240**
Financial liabilities						
Deposits from customers	19,779,424,450	10,217,186,371	9,000,083,304	562,154,775	-	-
Due to CBL & EBID	3,197,167,343	-	-	-	-	3,197,167,343
Other liabilities	8,497,730,334	8,497,730,334	-	-	-	-
	31,474,332,127	**18,714,916,705**	**9,000,083,304**	**562,154,775**	**-**	**3,197,167,343**
Gap (asset - liabilities)	**1,220,564,764**	**(2,957,796,107)**	**(8,718,710,734)**	**142,377,505**	**13,844,440,425**	**(902,655,103)**
Cumulative liquidity gap	**1,220,564,764**	**(2,957,796,107)**	**(8,718,710,734)**	**142,377,505**	**13,844,440,425**	**(902,655,103)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

In Liberian $

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

	Maximum exposure	
	December 31, 2019	**December 31, 2018**
Classification		
Cash and cash equivalents:		
- Balances held with other Banks	1,219,622,430	965,193,557
- Unrestricted balances with CBL	1,063,886,515	542,761,833
- Balances with foreign Banks	278,857,437	1,819,331,046
Investment securities:		
- GOL Treasury bills	-	23,129,237
- CBL Treasury bills	300,000,000	-
- Government bonds	6,026,360,383	322,761,811
Investment in Treasury bonds	2,152,655,637	2,511,304,348
- Equity investment	339,083,853	232,232,559
Loans and advances to customers:		
- Loans to individuals	2,549,742,709	3,265,351,631
- Loans to non-individuals	13,350,334,065	11,645,789,243
Other assets2	5,414,343,863	5,844,190,399
Total	**32,694,886,892**	**27,172,045,663**
Loans exposure to total exposure	49%	55%
Other exposure to total exposure	51%	45%

[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, 2019 and December 31, 2018 without taking account of any collateral held or other credit enhancements attached.

NOTES TO THE FINANCIAL STATEMENTS (continued)

In Liberian $

Loans and advances to customers are analyzed below:

	December 31, 2019	December 31, 2018
Loans to individuals:		
Overdrafts	764,922,813	979,605,489
Loans	1,784,819,896	2,285,746,142
	2,549,742,709	**3,265,351,631**
Loans to non-individuals:		
Overdrafts	3,738,093,538	3,260,820,988
Loans	9,612,240,527	8,384,968,255
	13,350,334,065	**11,645,789,243**

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

	Maximum exposure	
	December 31, 2019	December 31, 2018
Financial guarantees	1,318,895,200	1,106,203,820
Other contingencies	751,894,720	251,011,440
	2,070,789,920	**1,357,215,260**

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 TO THE FINANCIAL STATEMENTS (continued)

In Liberian $

Credit risk exposure relating to assets on the statement of financial position

Dec-31-2019	Liberia	Rest of Africa
Classification		
Cash and cash equivalents:		
- Balances held with other banks	1,219,622,430	-
- Unrestricted balances with CBL	1,063,886,515	-
- Balances with foreign Banks	278,857,437	-
Investment securities:		-
- GOL Treasury bills	-	-
-Investment in Treasury bond	2,152,655,637	
- Equity	339,083,853	-
- Government Bond	6,026,360,383	-
Loans and advances to customers:		-
- Loans to individuals	2,549,742,709	-
- Loans to non-individuals	13,350,334,065	-
Other assets2	5,414,343,863	-
Total	**32,394,886,892**	**-**

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

Loans and advances to outcomes are analyzed below:

Dec-31-19		
In Liberian $	**Liberia**	**Rest of Africa**
Loans to individuals:		
Overdrafts	764,922,813	-
Loans	1,784,819,896	-
	2,549,742,709	**-**
Loans to non-individuals:		
Overdrafts	3,738,093,538	-
Loans	9,612,240,527	-
	13,350,334,065	**-**

[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).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

In Liberian $

Credit risk exposure relating to assets on the 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	11,466,267,568	-
		-
Other assets2	5,844,10	-
Total	**27,172,045,663**	**-**

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

Loans and advances to outcomes are analyzed below:

December 31, 2018

In Liberian $	**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	**-**

[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).

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THE LIBERIAN BANK FOR DEVELOPMENT & INVESTMENT

SUPPLEMENTARY DATA

FOR THE YEAR ENDED DECEMBER 31, 2019

CONTENT:

Introductory comments	85
Statements of profit/loss and other comprehensive income	86
Statements of financial position	87
Statements of cash flows	88
Statements of changes in equity	89
Notes to the financial statements	90-110

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THE LIBERIAN BANK FOR DEVELOPMENT & INVESTMENT

SUPPLEMENTARY DATA

For the year ended December 31, 2019

Introductory Comments

The financial statements for the year ended December 31, 2019, are presented on pages 7 to 87 in accordance with the requirements of law and International Financial Reporting Standard (IFRS). Presented on a supplementary basis in this section (pages 88-114) 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.

The Bank's reporting and functional currency is the Liberian dollar and translates its assets and liabilities into U.S. dollars using the exchange rate prevailing at the financial position dates and the profit/loss, other comprehensive income, changes in equity and cash flows, are translated on those dates as well.Adjustments resulting from the translation from L$ into U.S. dollars are recorded in shareholder's equity as part of accumulated other comprehensive income.

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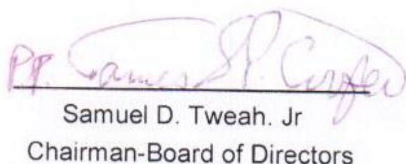
Statement of Profit or Loss and Other Comprehensive Income

In United States $	Note	December 31, 2019	December 31, 2018
Interest income	9	6,809,078	7,416,904
Interest expense	10	(2,446,853)	(2,110,617)
Net interest income		**4,362,225**	**5,306,287**
Loan impairment charges		(976,234)	(902,788)
Net interest income after loan impairment charges		**3,385,991**	**4,403,499**
Fee and commission income	11	4,345,268	4,434,736
Net interest and commission on loans & advances		**7,731,259**	**8,838,235**
Other operating income	12	3,549,684	4,099,354
Total income for the period		**11,280,943**	**12,937,589**
Personnel expenses	13	(4,851,252)	(5,445,672)
General and administrative expenses	14	(5,967,626)	(5,576,009)
Operating lease expenses	14	(223,745)	(376,467)
Other operating expenses	15	(514,029)	(852,992)
		(21,686)	-
Total operating expenses for the period		**(11,578,338)**	**(12,251,140)**
Profit for the period		**(297,395)**	**686,449**
Profit attributable to:			
Equity holders of the entity			
Profit for the period from continuing operations		**(297,395)**	**686,449**
Other comprehensive income:			
Net movement in the revaluation of property, plant and equipment		-	335,193
Total comprehensive income		**(297,395)**	**1,021,642**
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		(0.44)	1.01
- Diluted		(0.44)	1.01

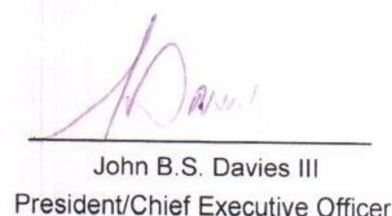
The notes on pages 90 to 110 are integral parts of these financial statements

Statement of Financial Position

In United States $	Note	December 31, 2019	December 31, 2018
Assets			
Cash and cash equivalents	16	13,629,608	21,058,775
Investments	17	47,404,787	19,709,591
Loans and advances to customers	18	84,574,876	94,361,371
Other assets	19	28,799,700	38,361,031
Investment property	20	9,071,687	9,071,687
Leased assets	21a	380,642	-
Intangible assets	21b	1,899,339	1,755,696
Property and equipment	22	12,040,766	11,701,737
Total assets		**197,801,406**	**196,019,888**
Liabilities			
Deposits from customers	23	105,209,705	118,830,464
Due to CBL & other banks	24	20,282,195	17,063,814
Leased liabilities	25a	523,228	-
Other liabilities	25b	45,200,693	32,575,910
Total liabilities		**171,215,820**	**168,470,188**
Equity			
Share capital	26	7,724,240	7,724,240
Share premium	26	2,442,754	2,442,754
Statutory reserves	27a	4,753,763	4,753,762
Revaluation surplus – PPE	27b	6,446,480	6,446,480
Treasury stock		(63,309)	(63,309)
Retained earnings		5,281,659	6,245,773
Total equity attributable to shareholders of the Bank		**26,585,587**	**27,549,700**
Total liabilities and equity		**197,801,406**	**196,019,888**



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 part of these financial statements

Statement of Cash Flows

In United States $	December 31, 2019	December 31, 2018
Cash flows from operating activities		
(Loss)/profit for the period	(297,395)	686,449
Adjustments for:		
Depreciation and amortization	874,025	1,005,678
Provision on loans losses	976,234	902,788
	1,552,862	**2,594,914**
Changes in:		
Loans and advances to customers	9,786,495	(6,871,326)
Other assets	9,561,332	(1,568,770)
Deposits from customers	(13,620,760)	8,665,432
Other liabilities	12,624,782	(4,556,880)
Net cash from/ (used) in operating activities	**19,904,711**	**(1,736,631)**
Cash flows from investing activities		
Purchase of property & equipment and Intangible	(1,228,609)	(1,663,277)
Investments	(27,695,195)	(6,332,694)
Adjustment in PPE	(265,457)	(269,350)
Net cash used in investing activities	**(29,189,261)**	**(8,265,321)**
Cash flows from financing activities		
Due to CBL & EBID	3,218,381	2,540,250
Dividends payable	(696,279)	(1,355,834)
Net cash from financing activities	**2,522,102**	**1,184,416**
Net (decrease) / increase in cash and cash equivalents	**(6,762,448)**	**(8,817,536)**
Prior year adjustments	(666,718)	644,425
Cash and cash equivalents at beginning of year	21,058,775	29,231,887
Cash and cash equivalents at end of year	**13,629,608**	**21,058,775**

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

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Statement of changes in equity

In United States $

	Share capital	Share Premium	Revaluation PPE reserves	Statutory reserves	Treasury stock	Retained earnings	Total
Balance at 1 January 2019	7,724,240	2,442,754	6,446,480	4,753,762	(63,309)	6,245,773	27,549,700
Revaluation reserves on properties	-	-	-	-	-	-	-
Other adjustment (Prior year items)	-	-	-	-	-	(666,718)	(666,718)
Total comprehensive income for the period:	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	(297,395)	(297,395)
Dividends	-	-	-	-	-	-	-
Foreign currency translation difference						-	-
Total Equity & Reserves at December 31, 2019	**7,724,240**	**2,442,754**	**6,446,480**	**4,753,762**	**(63,309)**	**5,281,659**	**26,585,587**

In United States $

	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 $

9 Interest income

	December 31, 2019	December 31, 2018
Loans and advances to customers	6,809,078	7,416,904
	6,809,078	**7,416,904**
Geographical location		
Interest income earned in Liberia	6,809,078	7,416,904
	6,809,078	**7,416,904**

10 Interest expense

	December 31, 2019	December 31, 2018
Savings accounts individuals	950,407	811,701
Savings accounts joint in trust	76	54
Savings accounts in trust	23,062	17,657
Savings accounts not for profit	124,807	122,560
Savings accounts joint	98,393	96,797
Savings accounts staff	17,896	13,415
Savings accounts non-resident	17,573	19,266
Savings accounts clubs & associations	37,547	46,001
Savings direct deposits	5,688	29,111
Interest on time deposits	28,596	130,830
Long term borrowings	695,846	558,467
Short term borrowings	446,962	264,758
	2,446,853	**2,110,617**

11 Fee and commission income

	December 31, 2019	December 31, 2018
Fees and commissions on loan and advances	672,005	510,738
Commissions on MoneyGram operations	183,239	420,952
Commissions on Western Union operations	157,928	185,613
Commissions on transfers and drafts	1,259,886	1,559,007
Service charges on customer deposits	791,437	608,206
Commission on guarantees and bonds	46,092	86,185
Other commission and fees	1,234,681	1,064,036
	4,345,268	**4,434,736**

NOTES TO THE FINANCIAL STATEMENTS (continued)

In United States $

12	**Other operating income**	**December 31, 2019**	**December 31, 2018**
	Income on GOL bonds	2,652,969	2,291,202
	Gain from fair value of shares in CEMENCO	332,045	147,172
	Gain from fair value of investment property	-	71,687
	Income on call deposits	350	-
	Others	105,697	1,030,036
	Rental income	458,623	559,257
		3,549,684	**4,099,354**

13	**Personnel expense**		
	Wages and salaries	23,193	31,726
	Housing and transportation allowance	2,533,650	2,515,497
	Contributions to defined contribution plans	1,280,104	1,533,062
	Other staff costs	1,014,304	1,365,387
		4,851,252	**5,445,672**

14	**General and administrative expenses**		
	Other premises and equipment costs	1,228,217	1,077,825
	Directors' emoluments	328,792	399,333
	Professional services	874,084	931,669
	Office expenses	445,302	430,208
	Foreign travel	151,844	243,400
	Local travel & transportation	337,389	271,403
	Licenses and fees	929,691	656,900
	Operational expenses-investment property	20	67
	Bank service and note import charges	816,585	395,579
	Advertising and business promotions	62,972	163,947
	Amortization of intangible assets	302,945	320,611
	Amortization of leased assets	223,745	-
	Depreciation of property, plant and equipment	489,786	685,067
		6,191,371	**5,576,009**

15	**Other operating expenses**		
	Scholarships and donations	15,201	77,655
	Sundry expenses	223,074	295,279
	Treasury operation	116,801	220,329
	Fines by CBL	-	6,415
	Other operating expenses	164,903	253,858
	Other/cash short and over	(5,951)	(544)
		514,029	**852,992**

NOTES TO THE FINANCIAL STATEMENTS (continued)

In United States $

16 Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash and clearing items	6,487,353	6,108,820
Unrestricted balances with Banks	7,142,255	14,949,955
	13,629,608	**21,058,775**

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, 2019. 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 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 respectively, amount of L$ 2,640,000,000. 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.

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Investments in securities & others

	December 31, 2019	December 31, 2018
Investment securities		
Amortized cost		
GOL	-	146,388
CBL	1,595,745	-
	1,595,745	**146,388**
Other investments		
Investment in Treasury bond	1,803,638	1,469,826
Equity investment	11,450,296	15,894,331
Investment in bonds-GOL	32,055,108	2,042,796
Investment in syndicated loan	-	156,250
LBDI/Loita investment banking Fund	500,000	-
	47,404,787	**19,709,591**

NOTES TO THE FINANCIAL STATEMENTS (continued)

In United States $

December 31, 2019

	Gross amount	Portfolio Impairment	Total Impairment	Carrying amount
Loans to non-individuals	76,193,829	(5,181,414)	(5,181,414)	71,012,415
Loans to individuals	13,562,461	-	-	13,562,461
	89,756,290	**(5,181,414)**	**(5,181,414)**	**84,574,876**

December 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**

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	1,163	29.1%	66,319,321	74%	663,193	5.2%
Total Performing	**1,163**	**29.1%**	**66,319,321**	**74%**	**663,193**	**5.2%**
Substandard	17	0.4%	485,038	1%	97,008	15.6%
Doubtful	300	7.5%	5,835,851	7%	2,917,926	5.6%
Loss	2,511	62.9%	17,116,079	19%	17,116,079	72.9%
Total NPL	**2,828**	**70.9%**	**23,436,969**	**26%**	**20,131,013**	**94.2%**
Total Performing & NPL	**3,991**	**100.0%**	**89,756,290**	**100%**	**20,794,206**	**99.4%**

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
2019	20,794,206	5,181,414	15,612,792	26,585,587	21,214,392	(297,395)
2018	14,199,167	3,957,569	10,241,598	(5,371,194)	(976,234)	20,238,159
Net	**6,595,039**	**1,223,845**	**5,371,194**	**21,214,392**	**20,238,159**	**19,940,764**

NOTES TO THE FINANCIAL STATEMENTS (continued)

In United States $

	SECTOR	December 31, 2019	December 31, 2018
1	**AGRICULTURE**		
	Fishery	50,407	55,534
	Rubber	1,526,594	1,681,873
	Others	393,488	433,512
		1,970,489	**2,170,919**
2	**CONSTRUCTION**		
	Commercial mortgage	7,764,672	8,554,462
	Home mortgage	1,843,450	2,030,959
	Road construction	19,107,798	21,051,365
	Other construction	384,873	424,021
		29,100,793	**32,060,807**
3	**COMMUNICATIONS**	**1,600,150**	**1,762,911**
4	**SERVICES**		
	Hotels	590,298	650,341
	Bars & restaurants	699,333	770,467
	Others	3,521,617	3,879,821
		4,811,249	**5,300,629**
5	**EXTRACTIVE**		
	Forestry	959,436	1,057,026
		959,436	**1,057,026**
6	**OTHERS**		
	Manufacturing	1,015,008	1,118,250
	Trade	31,359,294	34,549,033
	Personal	5,367,282	5,913,220
	Government of Liberia	3,903	4,299
	Public corporations	55,735	61,404
	General	8,331,539	10,362,873
		46,132,760	**52,009,079**
	TOTAL SUMMARY LOANS	**84,574,876**	**94,361,371**

NOTES TO THE FINANCIAL STATEMENTS (continued)

In United States $

19 Other current assets	**December 31, 2019**	**December 31, 2018**
Accounts receivable	18,082,991	34,037,177
Prepaid expenses	1,469,256	1,373,120
Deferred expenses - advances & software	8,317,838	1,752,537
Stock/stationery	929,615	1,198,197
	28,799,700	**38,361,031**

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 $

21a Leased assets

	December 31, 2019	December 31, 2018
Cost:		
Balance at beginning of the year	-	-
Addition	604,387	-
Exchange rate effect	-	-
	604,387	**-**
Accumulated amortization:		
Balance at beginning of the year	-	-
Amortization for the year	223,745	-
Exchange rate effect	-	-
	223,745	**-**
Carrying amounts	**380,642**	**-**

21b Intangible assets

Cost:		
Balance at beginning of the year	3,986,825	3,023,901
Addition	898,536	720,582
Exchange rate effect	-	242,341
	4,885,361	3,986,824
Accumulated amortization:		
Balance at beginning of the year	2,231,128	1,731,828
Amortization for the year	302,945	320,611
Exchange rate effect	451,948	178,689
	2,986,021	2,231,128
Carrying amounts	**1,899,339**	**1,755,696**

22. Net Book Value of Property, Plant & Equipment (see pages 90-91) 12,344,011 11,701,737

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 December 31, 2019 were performed by same Architect and engineering firm conducting the fair valuation of investment properties.

23. Deposits from customers

Term deposits	2,134,918	552,390
Current deposits	48,494,403	56,309,204
Savings deposits	54,580,384	61,968,870
	105,209,705	**118,830,464**

NOTES TO THE FINANCIAL STATEMENTS (continued)

In United States $

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.

	Due to Central Bank, BADEA & EBID	**December 31, 2019**	**December 31, 2018**
24a	**Due to Central Bank**		
	Long term debt-CBL mortgage loan	10,237,498	10,237,498
	Accrued interest payable general	174,573	174,573
	Long term debt-CBL rubber stimulus fund	2,855,053	1,921,203
	Small business development funds	6,329	6,328
		13,273,453	**12,382,088**
	Due to Arab Bank for Economic Development in Africa BADEA	6,099,990	3,500,000
24b	**Due to EBID**		
	Long term debt-ECOWAS Bank for Investment & Development	908,752	1,224,212
		20,282,195	**17,063,814**

NOTES TO THE FINANCIAL STATEMENTS (continued)

In United States $

		December 31, 2019	December 31, 2018
25a	**Leased Liabilities**		
	Other liabilities consist of:		
	Leased liabilities	544,913	-
	Rent paid during the year	(21,686)	-
		523,228	**-**

		December 31, 2019	December 31, 2018
25b	**Other Liabilities**		
	Other liabilities consist of:		
	Accounts payable	26,614,296	19,993,515
	Short term borrowings	14,000,000	8,066,568
	Dividend payable	834,761	1,531,040
	Provision for employee benefits	1,805,731	1,619,177
	Accrued interest on customer deposits	1,882,881	1,055,452
	Unearned fees and commission	4,544	297,660
	Current income tax liabilities	58,481	12,498
		45,200,693	**31,044,870**
	Dividend payable	-	1,531,040
		45,200,693	**32,575,910**

26. Paid - in – Capital

	December 31, 2019	December 31, 2018
Share Capital		
Class A common stock $10 par value		
(Authorized 1,000,000 shares)		
Issued and outstanding at beginning of year 422,653 shares	4,226,533	4,226,533
Issued during the year	-	-
Issued and outstanding at end of year 422,653 shares	**4,226,533**	**4,226,533**
Class B common stock $10 par value		
(Authorized 1,000,000 shares)		
Issued and outstanding at beginning of year 349,771 shares	3,497,707	3,497,707
Issued during the year	-	-
Issued and outstanding at end of year 349,771 shares	**3,497,707**	**3,497,707**
Total share capital	**7,724,240**	**7,724,240**
Paid - in capital in excess of par	2,442,754	2,442,754
Total paid - in capital	**10,166,994**	**10,166,994**

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NOTES TO THE FINANCIAL STATEMENTS (continued)

In United States $

22. PROPERTY,PLANT AND EQUIPMENT

Descriptions	Land & buildings	Leasehold improvement	Equipment	Furniture & fixtures	Vehicles	Miscellaneous properties	Work-in-progress	Total
Cost:								
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**
Balance at January 1, 2019	8,645,670	1,595,238	5,262,098	725,426	1,437,949	57,526	235,749	17,959,656
Additions during the year	-	-	-	-	-	-	330,072	330,072
Valuation adjustment	-	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	-	-	-
Transfers	30,036	-	132,584	10,795	31,500	800	(205,715)	-
Effect of exchange rate	-	551,211	174,321	19,1456	-	-	-	774,678
Balance at December 31, 2019	**8,675,706**	**2,146,450**	**5,569,003**	**755,367**	**1,469,449**	**58,326**	**360,104**	**19,034,406**

NOTES TO THE FINANCIAL STATEMENTS (continued)

In United States $

Accumulated Depreciation:	**Land & buildings**	**Leasehold improvement**	**Equipment**	**Furniture & fixtures**	**Vehicles**	**Miscellaneous properties**	**Work-in-progress**	**Total**
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
Effect of exchange rate	-	-	(25,389)	-	-	-	-	(25,389)
Disposals during the year	-	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**
Balance at January 1, 2019	-	924,872	3,790,371	484,457	1,013,871	44,348	-	6,257,919
Charge for the year	-	80,941	270,472	49,436	166,104	4,126	-	571,079
Disposals during the year	-	-	-	-	-	-	-	(25,389)
Effect of exchange rate	-	(1,738)	166,470	(21)	(70)			164,641
Balance at December 31, 2019	**-**	**1,004,075**	**4,227,313**	**533,872**	**1,179,905**	**48,475**	**-**	**6,993,640**
Net book value:								
As at December 31, 2018	**8,645,670**	**670,366**	**1,471,727**	**240,969**	**424,078**	**13,178**	**235,749**	**11,701,737**
As at December 31, 2019	**8,675,706**	**-**	**1,341,690**	**221,495**	**289,544**	**9,851**	**360,104**	**12,040,766**

NOTES TO THE FINANCIAL STATEMENTS (continued)

In United States $

27. Statutory Reserve

	December 31, 2019	December 31, 2018
	4,753,763	**4,753,763**

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 a 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	**6,446,480**

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 of December 31, 2019, 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, 2019 (2018: Nil)

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 $

	December 31, 2019	December 31, 2018
Salaries and other short-term benefits	531,670	377,401
Contributions to defined contribution plans	54,709	5,656
	586,379	**383,057**

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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

In United States $

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

December 31, 2019

Classification	TOTAL	LRD	USD	GBP	EUR
Cash and cash equivalents	13,629,608	4,248,313	8,757,818	16,751	606,727
Investment securities:					
- FVTPL	-	-	-	-	-
- Held to maturity	47,904,787	47,904,787	-	-	-
Loans and Advances to Customers	84,574,876	7,611,739	76,963,138	-	-
Property, plant and equipment	12,040,766	361,223	11,679,543	-	-
Intangible assets	1,899,339	-	1,899,339	-	-
Other assets	28,799,700	8,639,910	20,159,790	-	-
Total	**187,849,077**	**68,835,550**	**119,459,628**	**16,751**	**606,727**
Deposits from customers	105,209,705	24,198,232	81,011,472	-	-
Due to Central Bank & EBID	20,282,195	3,650,795	16,631,400	-	-
Other liabilities	45,200,693	13,560,208	31,640,485	-	-
Total	**170,692,593**	**41,409,235**	**129,283,358**	**-**	**-**

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	38,361,032	11,130,934	27,230,098	-	-
Total	**168,854,824**	**26,878,692**	**141,939,302**	**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	23,209,888	-	-
Total	**168,470,190**	**39,768,517**	**128,294,923**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (continued)

In United States $

CASH AND CASH EQUIVALENTS
December 31, 2019

	TOTAL	LRD	USD	GBP	EUR
Cash and balances with Banks	6,487,353	2,764,609	3,720,627	1,126	990
Unrestricted balances with CBL	5,658,971	12,842,269	(7,183,298)	-	-
Balances with foreign banks	1,483,284	-	1,483,284	-	-
Total	**13,629,608**	**15,606,878**	**(1,979,387)**	**1,126**	**990**

CASH AND CASH EQUIVALENTS
December 31, 2018

	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**

INVESTMENT SECURITY

December 31, 2019

	TOTAL	LRD	USD
GOL Treasury bills	1,595,745	1,595,745	-
CBL Treasury bonds	11,450,296	11,450,296	-
Government bonds	32,055,108	-	32,055,108
Equity investment/ CEMENCO	1,803,638	-	1,803,638
Total	**45,974,002**	**13,046,041**	**33,858,746**

INVESTMENT SECURITY

December 31, 2018

	TOTAL	LRD	USD
GOL Treasury bills	146,388	146,388	-
Investment Treasury bond	15,894,331	15,894,331	
CBL Treasury bills	2,042,796	-	2,042,796
Equity investment/ CEMENCO	1,469,826	-	1,469,826
Investment in syndicated loan	156,250	-	156,250
Government bonds	-	-	-
Total	**19,709,591**	**16,040,719**	**3,668,873**

NOTES TO THE FINANCIAL STATEMENTS (continued)

In United States $

DEPOSITS FROM CUSTOMERS

December 31, 2019

	TOTAL	LRD	USD
Current deposits	48,494,403	11,896,092	36,598,311
Savings deposits	54,580,384	17,584,912	36,995,471
Term deposits	2,134,918	-	2,134,918
Total	**105,209,705**	**29,481,004**	**75,728,700**

DEPOSITS FROM CUSTOMERS

December 31, 2018

	TOTAL	LRD	USD
Current deposits	56,309,204	8,003,202	48,306,001
Savings deposits	61,968,871	19,471,134	42,497,737
Term deposits	552,390	-	552,390
Total	**118,830,465**	**27,474,337**	**91,356,128**

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

December 31, 2019

	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	13,629,608	13,629,608	-	-	-	-
Loans and advances to customers	84,574,876	63,197,312	11,639,179	1,491,960	1,496,663	6,749,762
Investment securities:						
– FVTPL	1,803,638	-	1,803,638	-	-	-
– Other investments	43,505,404	-	-	-	43,505,404	-
– Held to maturity	1,595,745	1,595,745	-	-	-	-
– Other assets	28,799,700	28,799,700	-	-	-	-
	173,908,972	**108,296,948**	**13,442,817**	**1,491,960**	**45,002,067**	**6,749,762**
Financial liabilities						
Deposits from customers	105,180,075	97,153,793	8,026,282.21	-	-	-
Due to CBL & EBID	20,282,195	-	-	-	-	20,282,195
Other liabilities	45,200,693	45,200,693	-	-	-	-
	170,692,593	**142,354,486**	**8,026,282**	**-**	**-**	**20,282,195**
Gap (asset - liabilities)	**3,216,379**	**(34,057,538)**	**5,416,535**	**1,491,960**	**45,997,233**	**(13,532,433)**
Cumulative liquidity gap	**3,216,379**	**(34,057,538)**	**5,416,535**	**1,491,960**	**45,997,233**	**(13,532,433)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

In United States $

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	18,239,765	-	-	-	18,239,765	-
– Held to maturity	146,388	146,388	-	-	-	-
– Other assets	38,361,031	38,361,031	-	-	-	-
	173,637,155	**87,874,605**	**34,496,306**	**5,848,631**	**42,480,019**	**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)	**5,166,966**	**(4,232,628)**	**(22,430,871)**	**3,476,665**	**42,480,019**	**(14,126,218)**
Cumulative liquidity gap	**5,166,966**	**(4,232,628)**	**(22,430,871)**	**3,476,665**	**42,480,019**	**(14,126,218)**

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NOTES TO THE FINANCIAL STATEMENTS (continued)

Credit risk exposures relating to statement of financial position are as follows

In United States $	Maximum exposure December 31, 2019	December 31, 2018
Classification		
Cash and cash equivalents:		
- Balances held with other banks	6,487,353	6,178,987
- Unrestricted balances with CBL	5,658,971	6,847,002
- Balances with foreign banks	1,483,284	2,605,806
Investment securities:		
- GOL Treasury bills	11,450,296	-
- Government Bonds	32,055,108	2,026,130
Investment in Treasury Bonds	11,450,296	15,894,331
- Equity Investment	1,803,638	1,469,826
Loans and advances to customers:		
- Loans to individuals	71,012,415	73,694,589
- Loans to non-individuals	13,562,461	16,429,319
Other assets	28,799,700	38,361,031
Total	**183,763,523**	**163,507,023**
Loans exposure to total exposure	46%	54%
Other exposure to total exposure	54%	46%

[2]Balances included in other assets above are those subject to credit risk. Items not subject to credit risk, which include stock/stationery and prepaid benefit on employee's loans, have been excluded.

The table above shows a worst-case scenario of credit risk exposure to LBDI as at December 31, 2019 and December 31, 2018 without taking account of any collateral held or other credit enhancements attached.

NOTES TO THE FINANCIAL STATEMENTS (continued)

In United States $

Loans and advances to customers are analyzed below:

	December 31, 2019	December 31, 2018
Loans to individuals:		
Overdrafts	3,390,615	7,380,062
Loans	10,171,846	17,294,104
	13,562,461	**24,674,166**
Loans to non-individuals:		
Overdrafts	19,883,476	17,923,632
Loans	51,128,939	44,892,247
	71,012,415	**62,815,879**

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

	Maximum exposure	
Financial guarantees	2,305,550	7,001,290
Other contingencies	603,800	1,588,680
	2,909,350	**8,589,970**

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 statement of financial position

December 31, 2019

	Liberia	Rest of Africa
Classification		
Cash and cash equivalents:		
- Balances held with other Banks	6,487,353	-
- Unrestricted balances with CBL	5,658,971	-
- Money market placements	1,483,284	-
Investment securities:		
- GOL Treasury bills	11,450.296	-
- Equity Investment	1,803,638	-
-Investment in Treasury bond	11,450,296	
- Government bonds	32,055,108	-
Loans and advances to customers:		
- Loans to individuals	71,012,415	-
- Loans to non-individuals	13,562,461	-
Other assets[2]	28,799,700	-
Total	**183,763,523**	**-**

[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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

In United States $

Loans and advances to customers are analyzed below:

December 31, 2019

	Liberia	**Rest of Africa**
Loans to individuals:		
Overdrafts	3,390,615	-
Loans	10,171,846	-
	13,562,461	**-**
Loans to non-individuals:		
Overdrafts	19,883,476	-
Loans	51,128,939	-
	71,012,415	-

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	6,178,987	-
- Unrestricted balances with CBL	6,847,002	-
- Money market placements	2,605,806	-
Investment securities:		
- GOL Treasury bills	-	-
- Equity Investment	-	-
- Investment in Treasury bond	-	
- Government bonds	2,026,130	-
Loans and advances to customers:		
- Loans to individuals	73,694,589	-
- Loans to non-individuals	16,429,319	-
Other assets[2]	38,361,031	-
Total	**146,142,865**	**-**

[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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

In United States $

Loans and advances to customers are analyzed below:

December 31, 2018

	Liberia	Rest of Africa
Loans to individuals:		
Overdrafts	7,380,062	-
Loans	17,294,104	-
	24,674,166	**-**
Loans to non-individuals:		
Overdrafts	17,923,632	-
Loans	44,892,247	-
	62,815,879	**-**