CENTER BANK OF LIBERIA

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

TABLE OF CONTENTS **PAGE**

COPORATE INFORMATION

BOARD OF GOVERNORS

NON- EXECUTIVES	David Farhat (Tenure completed October 30, 2017) Melissa A. Emeh (Tenure completed December 31, 2017) Elsie Dossen Badio (Tenure completed May 31, 2017) Kollie Tamba (Appointed May 1, 2016)
EXECUTIVES	Milton A. Weeks, Executive Governor (Appointed May 1, 2016) Charles E. Sirleaf, Deputy Governor for Operation (Reappointed April 2017) Dr. Mounir Siaplay, Deputy Governor for Economic Policy (Appointed May 1, 2016)
AUDITOR	KPMG Marlin House 13 Yiyiwa Drive Abelenkpe P. O. Box GP 242 Accra, Ghana
SOLICITORS	Joseph K. Jallah Counselor Central Bank of Liberia Post Office Box 2048 Ashmun Street Monrovia, Liberia International Group of Legal Advocates and Consultants 3rd Floor, 4 Clay Street, Crown Hill Monrovia, Liberia Brumskine and Associates Tubman Boulevard P. O. Box 1344 Monrovia, Liberia
REGISTERED OFFICE	Central Bank of Liberia Post Office Box 2048 Ashmun Street Monrovia, Liberia

CORPORATE GOVERNANCE

Introduction

The Central Bank of Liberia (CBL) is committed to the principles and implementation of good corporate governance. The Bank recognizes the valuable contribution that it makes to long-term business prosperity and to ensuring accountability to the Government of Liberia (GOL). The CBL believes that full disclosure and transparency in its operations are in the interests of good governance. As indicated in the statement of responsibilities of Governors and notes to the financial statements, the Bank has adopted internationally recognized standard accounting practices and has implemented rigorous internal controls to facilitate the reliability of the financial statements.

The Board of Governors

The Board is responsible for the formulation and implementation of policies and controlling and monitoring activities of the Bank's executive management. The Board consists of five (5) Governors, including, the Executive Governor who serves as Chairman of the Board and four (4) Non-Executive Governors. Members of the Board are appointed by the President of Liberia and confirmed by the Liberian senate. The Non-Executive Governors are independent of management and free from any constraints, which could materially interfere with the exercise of their independent judgment. They have the experience and knowledge of the industry, markets, financial and/or other business information to make valuable contributions to the Bank's progress. The Board is required to meet as often as is required, but not less frequently than once every three months.

The Audit Committee

The Audit Committee is made up of four (4) Governors, one of whom is a non-voting member. Committee members are independent of management and free of any relationships that could interfere with their independent judgments. The committee meets on a quarterly basis. Members of the audit committee elect the Chairman of the Audit Committee. The terms of reference of the Audit Committee is made available to members of management. The duties of the Audit Committee include; keeping under review the scope and results of the audit, as well as the independence and objectivity of the external auditor. The Audit Committee also keeps under review internal financial controls, risk management, and compliance with laws and regulations. The Audit Committee also reviews the adequacy of the audit program of the Internal Audit Section on an annual basis. Additionally, the Audit Committee reviews reports prepared by the Internal Audit Section in addition to the financial statements of the Central Bank.

Financial Stability Committee

The Financial Stability Committee, formerly Banking Reform Committee is made up of the Deputy Governor for Economic Policy, who is the Chairman, Deputy Governor for Operations, Co-Chairman and six (6) Directors and the Legal Counsellor. The committee meets on a quarterly basis. The terms of reference of the committee are determined by the Board of Governors. The Financial Stability Committee is responsible for the stability of the banking system and promoting its contribution to economic growth and increased participation of Liberian entrepreneurs in the national economy. A reform agenda was drafted geared towards ensuring that banks are adequately capitalized with appropriate management procedures and internal controls and the Central Bank has the capacity to effectively supervise and regulate the activities of the commercial banks.

CORPORATE GOVERNANCE (continued)

Compliance Committee

The Compliance Committee is a subcommittee of the Financial Stability Committee, set up to strengthen the supervisory function of the Bank and ensure that commercial banks are in compliance with the banking laws, regulations and directives of the Central Bank.

Money Management and Policy Review Committee

The Money Management and Policy Review Committee is an advisory body to the Executive Governor. The committee is made up of the Executive Governor who is ex-officio, (2) Deputy Governors and three (3) Directors. Its responsibilities include discussions of a wide range of monetary, financial and economic issues, reviewing policies and making appropriate recommendations to the Governor for smooth operation of the Bank and the strengthening of the banking system.

Board Investment Committee

The Board Investment Committee is made up of the Executive Governor and Board of Governors. The purpose of the committee is to exercise appropriate oversight with respect to the prudent investment of the CBL's assets in accordance with the long – term objects of the Bank. In doing so, the committee's broad objectives are as follow: To provide oversight of the finance and investment functions of the CBL by establishing guidelines for the investment of the CBL assets, to determine or approve asset allocations to achieve the CBL's objectives, to assist the Board in evaluating investment transactions in which the CBL engages as part of its business strategy from time to time and take corrective action when it becomes apparent that objectives and guidelines are not being met and lastly to perform such other duties and responsibilities as are enumerated in and consistent with this charter or as delegated by the Board.

External Auditors

On December 21, 2016, the Board of Governors appointed KPMG Ghana, to be its external auditors for the audit of the Central Bank of Liberia financial statements from 2016 to 2018.

REPORT OF THE BOARD OF GOVERNORS ON THE CENTRAL BANK OF LIBERIA (CBL)

The Governors take pleasure in presenting their report together with the audited financial statements of the Central Bank of Liberia for the year ended December 31, 2017.

STATEMENT OF RESPONSIBILITY OF THE BOARD OF GOVERNORS

The Acts of Legislature establishing the Central Bank of Liberia (approved into law on March 18, 1999) and By-laws adopted on December 16, 1999 require the Board of Governors to ensure that financial statements prepared for each financial year give a true and fair view of the state of affairs of the Bank and the result of its operations for the financial period. In preparing the financial statements, the Board of Governors are required to:

- Select and consistently apply suitable accounting policies consistent with International Financial Reporting Standards (IFRS) and in a manner required by the CBL Act 1999;
- Make judgments and estimates that are reasonable and prudent;
- State whether the applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements;
- Ensure that the financial statements are prepared on a going-concern basis, unless it is inappropriate to presume that the Bank will continue to be in business;
- Ensure that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the Central Bank of Liberia;
- Ensure that the financial statements comply with the reporting requirements of the Act of Legislature establishing the Bank, as well as the By-laws pertaining to its operation; and
- Put in place relevant mechanisms for safeguarding the assets of the Bank, accordingly, take reasonable steps for the prevention and detection of fraud and other irregularities, if any, in the normal course of business.

The statement above is made with the view of distinguishing for the benefit of all interested parties, the responsibilities of the Board of Governors and those of the External Auditor in relation to the financial statements of the Central Bank of Liberia.

NATURE OF BUSINESS/FUNCTIONS

The Central Bank has functional independence, power and authority to:

I. Issue legal tender banknotes and coins;
II. Administer the currency laws and regulate the supply of money;
III. Provide credit to bank-financial institutions on a discretionary basis;
IV. Act as fiscal agent for the Government;
V. Administer the New Financial Institutions Act of 1999 and regulate banking activities;
VI. Regulate bank and non-bank financial institution as well as non-bank financial services institutions;
VII. Hold and manage the foreign exchange reserves of Liberia;
VIII. Advise the Government on financial and economic matters;
IX. Conduct foreign exchange operations; and
X. Play an active role in collaboration with bank-financial institutions in the creation and maintenance of efficient and safe mechanisms for payments, clearing and settlements to meet the needs of the financial markets, commerce, government agencies and the public. The Central Bank executes this responsibility through implementation of proper regulations and standards, as needed.

REPORT OF THE BOARD OF GOVERNORS ON THE CENTRAL BANK OF LIBERIA (CBL) (CONTINUED)

GOVERNORS INTEREST

The statement of responsibility of the Board of Governors of the Bank is set out on page 5. The Board of Governors of the Bank does not have any interest in contracts entered by the Bank.

FINANCIAL RESULTS

The financial results for the year are set out below:

	2017 L$'000	2016 L$'000
General reserves brought forward – January 1	(4,086,932)	(2,488,305)
Operating losses attributed to shareholder	(4,742,086)	(2,253,781)
General reserves carried forward – December 31	(8,829,018)	(4,742,086)

Signed on behalf of the Board by:

....
Kofi Tamba
Governor

....
Milton A. Weeks
Executive Governor

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF GOVERNORS OF CENTRAL BANK OF LIBERIA

Opinion

We have audited the financial statements of Central Bank of Liberia ("the Bank") which comprise the statement of financial position at 31 December 2017, and statements of 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 note, as set out on pages 14 to 60.

In our opinion, the financial statements give a true and fair view of the financial position of the Central Bank of Liberia at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Central Bank of Liberia Act, 1999.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)*, 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.

Other Information

The Board of Governors are responsible for the other information. The other information comprises the information included in the Annual Report and the Board of Governors' Report as required by the Central Bank of Liberia Act, 1999 but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF GOVERNORS OF CENTRAL BANK OF LIBERIA (CONT'D)

Responsibilities of the Board of Governors for the Financial Statements

The Board of Governors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Central Bank of Liberia Act, 1999, and for such internal control as the Board of Governors determine 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, the Board of Governors are 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 the Board of Governors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The Board of Governors 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 are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for 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.

KPMG

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF GOVERNORS OF CENTRAL BANK OF LIBERIA (CONT'D)

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

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

We communicate with the Board of Governors 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.

The engagement partner on the audit resulting in this independent auditor's report is Frederick Nyan Dennis (ICAG/P/1426)

KPMG

FOR AND ON BEHALF OF:
KPMG: (ICAG/F/2018/038)
CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELENKPE
P O BOX GP 242
ACCRA

30 April 2018

Statement of comprehensive income

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

	Note	2017	2016
Interest income	5	914,029	1,785,719
Fees and commission	6	375,044	274,931
Other income	7	115,665	47,191
Operating income		**1,404,738**	**2,107,841**
Loans and advances impairment charges	8	(33,457)	(175,703)
Administrative expenses	9	(3,432,866)	(3,705,706)
Provision for unsupported assets	10	(1,133,767)	-
Currency expense	11	(891,580)	(480,213)
Net operating loss for the year		**(4,086,932)**	**(2,253,781)**
Other comprehensive income			
Items that will not be classified to profit or loss			
Re- measurement of pension plan	29	(3,217)	124,984
Items that may be reclassified subsequently to profit or loss			
Translation difference	30	9,563,144	2,999,020
Other comprehensive income for the year		9,559,927	3,124,004
Total comprehensive income		**5,472,995**	**870,223**

The notes on pages 14 to 60 are an integral part of these financial statements.

Statements of financial position

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

	Note	2017	2016
Assets			
Cash and balances with central banks	12	17,977,808	23,071,346
Cash and balances with commercial banks	13	4,920,673	4,296,378
Loans and advances to operating banks	14	2,431,777	2,035,458
Loan and advances to non-banking financial institutions	15	37,454	93,130
Loans and advances to Government of Liberia	16	34,344,848	26,982,782
Investment securities: Held-to-maturity	17	1,362,507	1,094,707
Deposits with International Monetary Fund (IMF)	18	64,648,780	57,325,073
Staff loans	19	404,370	292,763
Other assets	20	2,454,079	1,080,417
Intangible assets	21	959,483	808,090
Property, machinery and equipment	22	4,886,365	3,081,032
Total assets		**134,428,144**	**120,161,176**
Liabilities			
Currency in circulation	23	15,927,925	12,755,365
Deposits from commercial banks & forex bureau	24	15,592,450	12,710,133
Deposits of GOL and agencies	25	8,752,217	18,219,613
Amounts due to International Monetary Fund (IMF)	26	73,893,951	63,650,479
Other liabilities	27	4,284,798	2,793,627
Provident fund	28	414,297	309,013
Retirement benefit obligations	29	1,703,634	1,337,069
Total liabilities		**120,569,272**	**111,775,299**
Equity			
Share capital	30(a)	7,598,587	7,598,587
General reserve	30(b)	(8,829,018)	(4,742,086)
Translation reserve	30(c)	14,671,689	5,108,545
Other reserve	30(d)	417,614	420,831
Total equity		**13,858,872**	**8,385,877**
Total equity and liabilities		**134,428,144**	**120,161,176**

The notes on pages 14 to 60 were approved by the Board of Governors on April 30, 2018 and on its behalf by:

Kolli Tamba
Governor

Milton A. Weeks
Executive Governor

Statements of changes in equity

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

	Share Capital	General Reserve	Other Reserve	Translation Reserves	Total Equity
Balance at January 1, 2017	**7,598,587**	**(4,742,086)**	**420,831**	**5,108,545**	**8,385,877**
Loss for the year	-	(4,086,932)	-	-	(4,086,932)
Remeasurement of pension plan	-	-	(3,217)	-	(3,217)
Translation reserve	-	-	-	9,563,144	9,563,144
Balance at December 31, 2017	**7,598,587**	**(8,829,018)**	**417,614**	**14,671,689**	**13,858,872**

	Share Capital	General Reserve	Other Reserve	Translation Reserves	Total Equity
Balance at January 1, 2016	**7,598,587**	**(2,488,305)**	**295,847**	**2,109,525**	**7,515,654**
Loss for the year	-	(2,253,781)	-	-	(2,253,781)
Remeasurement of pension plan	-	-	124,984	-	124,984
Translation reserve	-	-	-	2,999,020	2,999,020
Balance at December 31, 2016	**7,598,587**	**(4,742,086)**	**420,831**	**5,108,545**	**8,385,877**

The notes on pages 14 to 60 are an integral part of these financial statements.

Statements of cash flow

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

	Note	2017	2016
Cash flows from operating activities			
Loss for the year		(4,086,932)	(2,253,781)
Adjustments for:			
- Net impairment loss on loans and advances to non-banking Financial institutions	8	33,457	175,703
- Net interest income		(914,029)	(1,785,719)
- Depreciation	22	415,212	316,765
- Amortization	21	143,068	98,287
- Profit on disposal	22	(341)	-
		(4,409,565)	(3,448,745)
Changes in:			
- Staff loans		(111,607)	(83,848)
- Other assets		(1,373,662)	827,763
- Deposits with IMF		(7,323,707)	(20,093,183)
- Loans and advances to operating banks		(396,319)	(76,954)
- Loans and advances to non-bank financial institutions		22,219	47,100
- Loans and advances to Government of Liberia		(7,362,066)	(2,205,955)
- Currency in circulation		3,172,560	2,362,346
- Deposits of commercial banks and forex bureau		2,882,317	887,695
- Deposits of Government of Liberia and agencies		(9,467,396)	1,938,702
- Amounts due to IMF		10,243,472	20,071,559
- Other liabilities		1,491,171	681,827
- Provident fund		105,284	78,046
- Retirement obligations		369,782	375,714
- Held-to-maturity investments		(267,800)	(425,913)
		(12,425,317)	936,154
Interest received	5	914,029	1,785,719
Net cash (used in)/from operating activities		(11,511,288)	2,721,873
Cash flows from investing activities			
Purchase of machinery and equipment	22	(160,811)	(54,716)
Purchase of intangible assets	21	(68,411)	(906,377)
Proceeds from sale of property, plant and equipment	22	3,270	-
Net cash used in investing activities		(225,952)	(961,093)
Cash flows from financing activities			
Repayment of instruments		-	(1,579,938)
Net cash used in financing activities		-	(1,579,938)
Net (decrease)/increase in cash and cash equivalents		(11,737,240)	180,842
Cash and cash equivalents at 1 January	31	27,367,724	23,964,174
Effect of exchange rate fluctuations on cash and cash equivalents held		7,267,997	3,222,708
Cash and cash equivalents at 31 December	31	22,898,481	27,367,724

The notes on pages 14 to 60 are an integral part of these financial statements.

1. General information

The Central Bank of Liberia (CBL) is the Central Bank of the Republic of Liberia and is incorporated under a March 18, 1999 Act of Legislature. The Board of Governors and other officers of the Central Bank officially took office on October 20, 1999. The Central Bank of Liberia is the successor to the erstwhile National Bank of Liberia (NBL) and took over its functions, assets and liabilities. The address of its registered office is Central Bank of Liberia, P.O. Box 2048, Monrovia, Liberia. The principal activities of the Central Bank are stated under note 1.5 below.

1.1 Share capital

The minimum authorized capital of the Central Bank is L$400 million. That amount may be increased by legislative amendment to the Act, when proposed to the National Legislature by the Board of Governors of the Central Bank. According to the provisions of the Act, the Central Bank is required to have a minimum paid-up capital of L$100 million.

1.2 Subscribed capital

The Government of Liberia (GOL) in October 1999 contributed to the share capital of CBL through the issuance of promissory notes of L$200 million (equivalent of US$ 5 million at the exchange rate ruling at the date of issue).

1.3 Paid-up capital

The consideration for the paid-up capital was the net book value of assets and liabilities taken over from the National Bank of Liberia (NBL) on the establishment of CBL. The net worth of the erstwhile NBL was L$7.3 billion (Note 32). The principal assets which underline the capital transfer of L$7.3 billion are two long-term loans denominated in Liberia and United States dollars due from the Government of Liberia. The amounts are a result of transactions between the Government and the NBL prior to the formation of the CBL.

1.4 Ownership

In keeping with the relevant provisions of the Act, all paid-up capital shall be subscribed to and held exclusively by the GOL. No reduction of capital shall be effected except by amendment of the legislative Act which created CBL.

1.5 Functions of the Central Bank

The principal objectives of the Bank, as set out in the Act are:

- To issue legal tender banknotes and coins;
- To administer the currency laws and regulate the supply of money;
- Provide credit to bank-financial institutions on a discretionary basis.
- Act as fiscal agent for the Government; to administer the New Financial Institution Act (FIA) of 1999 and regulate banking activities;

1. General information (continued)

1.5 Functions of the Central Bank (continued)

- Regulate bank and non-bank financial institutions, as well as non-bank financial services institutions; to hold and manage the foreign exchange reserves of Liberia, including gold.
- Advise the Government on financial and economic matters; to conduct foreign exchange operations; and
- To play an active role in collaboration with bank-financial institutions in the creation and maintenance of efficient and safe mechanisms for payments, clearing and settlements to meet the needs of the financial markets, commerce, government agencies and the public.

1.6 Powers of the Central Bank

The powers of the Central Bank of Liberia include but are not limited to:

- Supervision of banks/financial institutions, non-bank financial institutions and authorized non-bank financial services;
- Formulation and implementation of monetary policies; handling of external banking affairs of the Government;
- Determination of an appropriate foreign exchange regime, formulation and implementation of foreign exchange policy, holding and managing foreign exchange reserves; and
- Management of aggregate credit in the economy by indirect means, by loan securitization, purchase and sale of securities, transactions in derivatives and foreign exchange, and through the establishment of required reserves of the commercial banks under its jurisdiction.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Bank’s financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and in a manner required by the CBL Act 1999. The financial statements have been prepared under the historical cost convention, except defined benefit obligation measured at the present value of future benefits obligation.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Governors to exercise judgement in the process of applying the Bank’s accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions change. The Board of Governors believes that the underlying assumptions are appropriate and that the Bank's financial statements therefore present the financial position and results fairly. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2. Summary of significant accounting policies (continued)

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Bank

The following standards have been adopted by the Bank for the first time for the financial year beginning on 1 January 2016 and have an impact on the Bank:

Amendments to IAS 1, Presentation of Financial Statements
The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments also clarify presentation principles applicable to the order of notes, OCI of equity accounted investees and subtotals presented in the statement of financial position and statement of profit or loss and other comprehensive income

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2016 are not material to the Bank.

(b) New and amended standards issued but not effective

IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard will have a significant impact on the Bank, which will include changes in the measurement bases of the Bank's financial assets to amortized cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are like IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognized in the Bank.

Classification – Financial Assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as at FVTPL:

I. It is held within a business model whose objective is to hold assets to collect contractual cash flows;

II. Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

2. Summary of significant accounting policies (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) New and amended standards not yet adopted by the Bank (continued)

Classification – Financial Assets (continued)

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

I. It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

II. Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. A financial asset is classified into one of these categories on initial recognition.

Business Model assessment:

The Bank will assess the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. Assessment of whether contractual cash flows are solely payments of principal and interest

For this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and cost (eg liquidity risk and administrative costs), as well as a profit margin.

In assessing whether contractual cash flows are solely payments of principal and interest, the Bank will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amounts of contractual cash flows such that it would not meet this condition.

Impact Assessment

The Bank is currently assessing the impact of the classification and measurement requirements of the new standard on its portfolio of financial assets. As at the year ended 31 December 2017, the Bank had not completed this assessment hence has not disclosed the impact on the financial statements.

Impairment – Financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward looking ‘expected credit loss’ model. This will require considerable judgement over how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model applies to the following financial instruments that are not measured at FVTPL:

2. Summary of significant accounting policies (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) New and amended standards not yet adopted by the Bank (continued)

Impairment – Financial Assets (continued)
Financial assets that are debt instruments

Loan commitments and financial guarantee contracts issued

IFRS 9 requires a loss allowance to be recognized at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

Impact Assessment

The Bank is currently assessing the impact of the impairment requirements of the new standard on its portfolio of financial assets. As at the year ended 31 December 2017, the Bank had not completed this assessment hence has not disclosed the quantitative impact on the financial statements.

IFRS 15 Revenue from contracts with customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

Impact Assessment

The Bank is currently assessing the impact of the impairment requirements of the new standard on its contracts with customers. As at the year ended 31 December 2017, the company did not complete this assessment hence has not disclosed the quantitative impact on the financial statements.

IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The bank has begun assessing the potential impact on the financial statements resulting from the application of IFRS 16. No significant impact is expected for the bank's finance leases.

2. Summary of significant accounting policies (continued)

2.2 Foreign currency translation

(a) Functional and presentation currency

Both the Liberian Dollar (L$) and the United States Dollar (US$) are legal tender in Liberia and circulate freely in the country simultaneously. Although, transactions are consummated in both currencies, the majority of the Bank's transactions are currently denominated in United States Dollars (US$). Accordingly, the Central Bank considers the United States Dollars as its functional currency for the purpose of IFRS.

The financial statements are presented in Liberian Dollars (L$), which is the Bank's presentation currency. This is in keeping with requirements of Part V Section 19 of the Central Bank of Liberia Act of 1999.

b) Transactions and balances

Foreign currency and Liberia dollar transactions are converted into the functional currency (US$) using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in currencies other than the functional currency, are translated into the functional currency at period end rates. Non-monetary assets and liabilities measured at cost are translated at transaction date rates. Exchange differences resulting from such conversions and translations are recognized in translation reserve. For reporting purposes all assets and liabilities are translated from the functional currency into the presentation currency at their respective year-end exchange rates, and income and expenses items are translated at their average rates. Exchange differences resulting from translation into the reporting currency are recognized in other comprehensive income.

2.3 Property, machinery and equipment

(a) Cost

Property, machinery and equipment are recorded at historical cost less accumulated depreciation. Historical cost includes expenditures directly attributable to the acquisition of the property, machinery and equipment which comprise land, building, motor vehicles, furniture, generators, office equipment and elevators.

Subsequent costs are included in assets' carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to CBL and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are expensed during the financial period incurred.

(b) Depreciation

Land is measured at cost and not depreciated. Depreciation on other assets is calculated using the straight-line basis to allocate cost to residual values over their estimated useful lives, as follows:

Leasehold improvements over the life of the lease

Building	50 years
Equipment	3 years
Elevators	25 years
Motor vehicles	4 to 5 years
Furniture and fixtures	5 years

2. Summary of significant accounting policies (continued)

2.3 Property, machinery and equipment (continued)

The assets' depreciation value, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount. Gains and losses on disposals of property, machinery and equipment are determined by comparing the net disposal proceeds with the carrying amount of the item and are recognized within other income in the Statement of Comprehensive Income.

2.4 Intangible assets

On initial recognition, intangible assets are recognized at cost. Intangible assets consist of Great Plains Accounting software, Bank master, Vregcoss, IDEA software, Eview Statatical software and WIP-payment and credit reference systems. The cost of the software includes acquisition, installation and other major costs associated with preparing the software for use. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to CBL and the cost of the item can be measured reliably.

These costs are amortized based on the expected useful lives of the software, estimated at 3 years, using the straight-line method. Costs associated with maintaining software programs are expensed when incurred. Intangible assets are subsequently measured at cost less accumulated amortization and any other accumulated loses. Gains and losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in Statement of Comprehensive income when the asset is derecognized.

2.5 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its cash generating unit (CGU) exceeds its recoverable amount. The recoverable amount is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rates that reflect current market assessments of the time value of money and the risk specific to the asset.

A previously recognized impairment loss is reversed where there has been a change in circumstances or in the basis of estimation used to determine the recoverable value, but only to the extent that the asset's net carrying amount does not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.6 Financial assets

(i) Classification

The CBL classifies its financial assets in the following categories: loans and receivables and held-to-maturity. Management determines the classification of financial instruments at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when CBL provides money, or services directly to a debtor with no intention of trading the receivable.

2. Summary of significant accounting policies (continued)

2.6 Financial assets (continued)

Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. They comprise: (i) loan notes issued by the Government of Liberia. The agreement requires CBL to hold this instrument until redeemed by the GOL. (ii) United States Treasury Bills which form part of the CBL's international reserve. The CBL has the intention and ability to hold these to maturity.

(ii) Recognition and measurement

The Bank initially recognizes loans and advances, deposits, debt securities issued on the date on which they are originated. All other financial instruments are recognized on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instruments. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the CBL has substantially transferred all the risk and rewards of ownership. Gains and losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in statement of comprehensive income when the asset is derecognized.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest and similar income in Statement of Comprehensive income. The losses arising from impairment are recognized in Statement of Comprehensive income in loan impairment charge.

The Bank's loans and receivables comprise loans to Government of Liberia, loans to commercial banks, short term advances and staff loans.

Held-to-maturity investments are initially recognized at fair value including direct and incremental transaction costs and subsequently measured at amortized cost, using the effective interest method.

Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognizes the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Net trading income'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the profit or loss when the inputs become observable, or when the instrument is derecognized.

(iii) De-recognition of financial assets

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

2. Summary of significant accounting policies (continued)
2.6 Financial assets (continued)

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Bank is recognized as a separate asset or liability.

2.7 Financial liabilities

The Bank's financial liabilities represent mainly deposits from commercial banks, liabilities to the IMF, other liabilities and commercial bank loans. These financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. They are derecognized when they are extinguished, when the obligation to settle is discharged, cancelled or expires.

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amounts reported on the reporting date when there is a legally enforceable right to offset the amounts recognized and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the bank or the counterparty. Currently, the CBL does not have any contractual or legal right to offset any financial asset and financial liability.

2.9 Impairment of financial assets

a) Assets carried at amortized cost

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

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

(i) A breach of contract, such as a default or delinquency in interest or principal payments;
(ii) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
(iii) It becomes probable that the borrower will enter bankruptcy or other financial reorganization; or
(iv) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including adverse changes in the payment status of borrowers in the portfolio and national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

2. Summary of significant accounting policies (continued)
2.9 Impairment of financial assets (continued)

a) Assets carried at amortized cost (continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced using an allowance account and the amount of the loss is recognized in the statement of comprehensive income.

If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment based on an instrument's fair value using an observable market price.

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

For the purposes of a collective evaluation of impairment, financial assets are grouped based on similar credit risk characteristics. Those characteristics are relevant to estimating future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

b) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant with terms that have been renegotiated and where repayments are being received regularly, are no longer considered to be past due but are treated as new loans. In subsequent years, the renegotiated terms apply in determining whether the asset is considered to be past due.

2.10 Cash and cash equivalents

Cash and cash equivalents include US dollars banknotes in the operational vault, deposits held with banks, short-term highly liquid government securities with original maturities of three months or less and subject to insignificant risk of changes in value. Currency in circulation currently refers to both the asset and liability adjustment under "Liberian dollars notes held by the Bank that is not in circulation" are not liabilities or assets of the Bank.

2.11 Employees' benefits

a) Pension obligations

A legislative Act, approved on June 6, 1961, "Requiring payment of retirement pensions to employees" added part V, Chapter 26 in the Labor Practices Law to provide for retirement pensions. The last amendment to the Scheme's rules occurred in December 2012. CBL has not established a formal pension scheme, however the provisions under the Labor Practices Act create a defined benefit obligation on CBL to provide post-employment benefits (pensions) for its retiring employees.

The Scheme is a Defined Benefit Scheme which provides for retirement benefits in Liberian dollar (indexed to the US dollar) to retirees until death. An employee is entitled to receive from his employment retirement pension on retirement from an undertaking at the age of 60 and if such an employee has completed at least fifteen years of continuous service or he may retire at any age after he has completed twenty-five years of continuous service in such undertaking.

2. Summary of significant accounting policies (continued)

2.11 Employees' benefits (continued)

a) Pension obligations (continued)

The annual pensions payable at retirement of a member from the employment of the Bank represent a percentage (40%) of final five-year average salary, independent of the number of years employed with the bank. Membership is compulsory for eligible employees, and members are required to sign an undertaking to be bound by the conditions and regulations under the scheme. The law states that one-twelfth of the annual amount shall be paid each month from the time of retirement until death of the employee, yet in practice, lump sum payments are made to retiring employees. Because of this practice, currently all scheme participants are in active employment with no members receiving monthly pensions. The scheme is unfunded, and accordingly no assets related to the Scheme are recorded.

A defined benefit plan is a pension plan that defines an amount of pension benefit that employees will receive on retirement, usually dependent on one or more factors, such as retirement age, years of service and final year compensation. The liability recognized in the statement of financial position related to defined benefit retirement plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. In the absence of any high-quality bonds in Liberia, the present value of the defined benefit obligation is determined by discounting the projected cash outflows using the average rates of return on US corporate bonds, since the obligation is quoted in United States dollars.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. They are included in the other reserve on the Statement of Changes in Equity and in the Statement of Financial Position. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in Statement of Comprehensive Income as past service cost.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the Statement of Comprehensive Income. The changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in statement of comprehensive income as past service cost.

b) Provident fund

The provident fund is a defined contribution plan under which the Bank pays fixed contributions into a separate entity. The Bank's obligations to the defined contribution scheme are reported in the Statement of Comprehensive Income in the year due. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Bank has a Provident Fund Scheme for all employees who have completed their probation period with the Group. The Bank contribute 5% of their basic salary to the Fund. Obligations under the plan are limited to the relevant contributions which have been recognised in the financial statements.

c) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions to a separate company and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.11 Employees' benefits (continued)

d) National Social Security & Welfare Corporation (NASSCORP)

Under the national pension scheme, the Group contributes 13% of employees' basic salary to the National Social Security & Welfare Corporation for employee pensions. The Bank's obligation is limited to the relevant contributions, which have been recognised in the financial statements. The pension liabilities and obligations, however, rest with NASSCORP.

2.12 Account receivable

Accounts receivable are amounts due from staff and customers for services provided in the ordinary course of business. If collection is expected in one year or less, they are a classified as current assets. If not, they are presented as non-current assets. Account receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less provision for impairment.

2.13 Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less. Where such payment are not due, they are presented as non-current liabilities. Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.14 Provisions

(a) General

Provisions, including any restructuring, redundancy and legal claims are recognized: when CBL has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Where there are several similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small. Provisions are measured at the present value of the expenditures expected to be required to settle obligations using a rate that reflects a current market assessment of the time value of money and the risks specific to such obligation. The unwinding of the discount is recognized as finance cost.

(b) Leave pay accrual

Leave pay accrual at the reporting date represents the present obligation to employees as a result of employee's services provided up to the reporting date. The accrual is measured as the amount that is expected to be paid as a result of the leave entitlement that has accumulated at the reporting date.

2.15 Revenue recognition

a) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized within 'interest income' and 'interest expense' in Statement of Comprehensive Income using the effective interest method.

2. Summary of significant accounting policies (continued)
2.15 Revenue recognition (continued)

a) Interest income and expense (continued)

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or when appropriate, a shorter period of the net carrying amount of the financial asset or financial liability.
CBL derives its interest income principally from GOL long-term loans and investment securities and its deposits with foreign banks. Interest expense is incurred principally on Treasury bills issued to commercial banks.

b) Fees and commission income

Fees and commissions are generally recognized on an accrual basis when the related service has been provided. Commissions and fees arising from negotiating or participating in the negotiation of a transaction with a third party, are recognized on completion of the underlying transaction.

2.16 Deferred currency cost

Costs related to printing currency are amortized when the notes are put into circulation using the weighted average method. Unissued Liberian Dollar notes at the reporting date are treated as inventory items at the cost of production. All other costs relating to the production of such notes are expensed in the period in which they are incurred.

2.17 Currency in circulation

Currency issued by CBL represents claims on the Central Bank in favor of the holder. The liability in respect of notes and coins in issue at the reporting date is stated at the nominal value of the currency. Liberian dollar notes held by CBL that are not in circulation are not liabilities or assets of the Bank.

2.18 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Significant leases entered by CBL are operating leases on which CBL is the lessee. Those lease agreements specify options for renewal. According to these lease agreements, a substantial portion of the risks is transferred to CBL, but all of the rewards substantially remain with the lessor(s). The total payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty, is recognized as an expense in the period in which the termination takes place.

2.19 Leasehold improvements

This involves costs incurred in refurbishing various properties leased by CBL. Certain lease agreements specify options for renewal (capital leases). Lease agreements normally cover periods of 1-10 years. Costs associated with leases include initial rental repayments, cost of improvements, renovations, and other costs incurred in preparing the property for use. Leasehold improvements are amortized over the lives of the related or underlying leases.

2. Summary of significant accounting policies (continued)

2.20 Allocation of net profits

Profits of CBL are stated according to Part X; Section 46 of the CBL Act of 1999, Subject to subsection (4), the net profit of the Central Bank in each year is reflected as follows:

(a) An allocation from net profit is made to the capital account of the Central Bank in such amount as shall be required to increase the authorized capital of the Central Bank to a level equivalent to at least five percent of the aggregate amount of monetary liabilities shown on the Statement of Financial Position of the Central Bank for the end of the fiscal year.

The aggregate amount of the monetary liabilities of the Central Bank shall be at any time the sum of;

(i) All outstanding banknotes, coins and debts securities issued by the Central Bank; and

(ii) The credit balances of all accounts maintained on the books of the Central Bank by account holders;

(b) An allocation from net profit is made to redeem the securities (now capital notes) issued by the Ministry of Finance to the CBL;

(c) An allocation from net profit shall be made to the General Reserve maintained by the Central Bank in such an amount as shall be required to increase the amount of the General Reserve to a level equivalent to the amount of the authorized capital of the Central Bank; the General Reserve may only be used to offset losses of the Central Bank;

(d) Any residual profit remaining after the allocations shall be allocated as follows:

   i) the preceding allocations from net profit shall be deemed to have been made entirely from net operating revenues, except that, if no operating revenues are included in net profit or after the proceeding allocations have exhausted net operating revenues included in net profit, such allocations shall be deemed to have been made from net unrealized valuation gains;

   ii) Residual net operating revenues, if any, shall be distributed to the National Treasury within four months after the end of the financial year, and residual net realized valuation gains, if any, shall be allocated to a Valuation Reserve Account maintained on the Statement of Financial position of the Central bank.

2.21 Allocation of net losses

If the Central Bank incurs net losses for any financial year, the net losses shall be allocated as follows: If the net loss is comprised of net operating losses and net unrealized valuation losses, the amount of net operating losses shall be charged to the general reserve or to capital in that order, and the amount of net unrealized valuation losses shall be allocated to the valuation reserve account or, to the extent that the balance of the valuation reserve account would be negative as a result of such allocation, to the general reserve or to capital in that order; If the net loss is the operating revenue is greater than the net unrealized valuation losses, the net shall be to the valuation reserve account or, to the extent the balance of the valuation reserve account would be negative as a result of such allocation, to the general reserve or capital in that order, or if the net loss is the sum of the net operating loss less the smaller net unrealized valuation gains, the net loss shall be charged to the general reserve or capital in that order.
(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

3. Financial risk management

The Central Bank's activities are exposed to financial risks. The Central Bank's aim is therefore to achieve an appropriate balance between risk and reward intended to minimize potential adverse effects on the Central Bank's financial performance, considering its role in policy-oriented activities. The Central Bank's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The most important types of risks are credit risk, liquidity risk, and market risk. Market risks include foreign exchange risk and interest rate risk.

3.1. Credit risk

The Central Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk arises from loans and advances, cash and cash equivalents and deposits with banks and financial institutions, staff loans and other receivables. The credit risk management and control are centralized in a credit risk management team, which reports to the Board of Governors on a quarterly basis. The Bank is also exposed to other credit risks arising from investment securities. Exposure to the risk of loss from credit arises principally in lending activities.

3.1.1. Credit risk measurement

Loans and advances

In measuring credit risk related to loans and advances to GOL and commercial banks at a counterparty level, the Central Bank considers the 'probability of default' by the GOL or counterparty on its contractual obligations. Exposure at default is based on the amount the Central Bank expects to be owed at the time of default.

Balance with central banks and operating banks

For banks and financial institutions, only reputable financial institutions are accepted based on the Bank's internal policy. The treasury department manages the credit risk exposure, by assessing the counterparties' performances.

Loan Extension and Availability Facility (LEAF)

For the Loan Extension and Availability Facility, only microfinance institutions, credit unions and village savings and loan associations are accepted based on the program requirements and the Microfinance unit manages the credit risk exposure, by on-site monitoring and participating in activities of the mentioned groups including periodic distribution of funds at share-out programs. This facility was suspended in 2016.

Held-to-maturity investment securities

Investments are held with the Government of Liberia. The treasury department manages the credit risk exposure by assessing the counterparties' performance.

Other assets

For accounts receivable, the Finance Department assesses the credit worthiness of potential customers, taking into account its financial position, past experience and other factors. The bank does not grade the credit quality of receivables. Individual risk limits are set based on internal ratings in accordance with limits set by the Board. Credit limits is regularly monitored.

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

3. Financial risk management (continued)

3.1. Credit risk (continued)

3.1.1. Credit risk measurement (continued)

3.1.2. Risk limit control and mitigation policy

The Central Bank manages limits and controls the concentration of credit risk wherever identified. Exposure to credit risk is managed through regular analysis of the ability of the borrowers to meet interest and capital repayment obligations. Specific control and mitigation measures used by the CBL are collateral.

The Central Bank employs policies and practices to mitigate credit risk. The most traditional of these is the taking of security for advances. CBL implements guidelines on the acceptability of specific classes of collateral or other credit risk mitigation. The principal collateral for loans and advances includes provident funds, life insurance, and property deeds for staff loans. Collateral on all loan and advances to the Government of Liberia and commercial banks is their deposit accounts held at the Bank when contracts are signed.

3.1.3. Impairment and provisioning policy

Impairment provisions are recognized for financial reporting purposes only for potential losses that have been incurred at the reporting date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred losses provided for in the financial statements is usually lower than the amount determined from the expected loss, as the provisions are discounted to reflect the time value of money.

Financial instruments by category	**Loans and receivables**	**Held-to-maturity**	**Other liabilities**
At December 31, 2017			
Financial assets			
Cash and balances with Central banks	17,977,808	-	-
Cash and balances with Commercial banks	4,920,673	-	-
Loans, advances and overdraft to bank	2,431,777	-	-
Loan and advances to non-banking financial institutions	37,454	-	-
Loans and advances to Government of Liberia	34,344,848	-	-
Investment securities (held-to-maturity)	-	1,362,507	-
Deposits with IMF	64,648,780	-	-
Staff loans	404,370	-	-
Other assets	2,454,079	-	-
	127,219,789	1,362,507	-
Financial liabilities			
Currency in circulation	-	-	15,927,925
Deposit from commercial banks and forex bureau	-	-	15,592,450
Deposits of GOL and agencies	-	-	8,752,217
Due to IMF	-	-	73,893,951
Other liabilities			4,284,798
	-	-	118,451,341

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

3. Financial risk management (continued)

3.1. Credit risk (continued)

3.1.3. Impairment and provisioning policy (continued)

Financial instruments by category	**Loans and receivables**	**Held-to-maturity**	**Other liabilities**
At December 31, 2016			
Financial assets			
Cash and balances with Central banks	23,071,346	-	-
Cash and balances with Commercial banks	4,296,378	-	-
Loans, advances and overdraft to bank	2,035,458	-	-
Loan and advances to non-banking financial institutions	93,130	-	-
Loans and advances to Government of Liberia	26,982,782	-	-
Investment securities (held-to-maturity)		1,094,707	-
Deposits with IMF	57,325,073	-	-
Staff loans	292,763	-	-
Other assets	1,080,417	-	-
	115,177,347	1,094,707	-
Financial liabilities			
Currency in circulation	-	-	12,755,365
Deposit from commercial banks and forex bureau	-	-	12,710,133
Deposits of GOL and agencies	-	-	18,219,613
Due to IMF	-	-	63,650,479
Other liabilities	-	-	2,793,627
	-	-	110,129,217

3.1.4. Maximum exposure to credit risk before collateral held or other credit enhancements

		2017		**2016**	
	Group	**Amount**	**Percentage of financial assets**	**Amount**	**Percentage of financial assets**
Cash and balances with central banks	I	17,977,808	28.12	23,071,346	39.14
Cash and balances with commercial banks	I	4,920,673	7.70	4,296,378	7.29
Loans and advances to operating banks	I	2,431,777	3.80	2,035,458	3.45
Investment security (HTM)	I	1,362,507	2.13	1,094,707	1.86
Other assets	I	2,454,079	3.84	1,080,417	1.83
Loan and advances to GOL	I	34,344,848	53.72	26,982,782	45.77
Loans and advances to NBFI	II	37,454	0.06	93,130	0.16
Staff loans	II	404,370	0.63	292,763	0.50
		63,933,516	100	58,946,981	100

Credit quality of financial assets that are neither past due nor impaired

Category	**2017**	**2016**
Group I	63,491,692	58,561,080
Group II	441,824	385,893
Total	**63,933,516**	**58,946,981**

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

3. Financial risk management (continued)

3.1. Credit risk (continued)

3.1.4. Maximum exposure to credit risk before collateral held or other credit enhancements at December 31, 2017 and December 31, 2016 (continued)

Group I

These are existing customers (more than 6 months) with no defaults in the past. Counterparties in this group include other central banks, commercial banks, and other assets.

Group II

These are existing customers (more than 6 months) with some defaults in the past. This group is mainly composed of loans to the Government of Liberia, staff loans and loan and advances to Non-Bank financial institutions

The above table 3.1.4 represents a worst-case scenario of credit risk exposure to the Bank at December 31, 2017 and December 31, 2016 without taking account of any collateral held or other credit enhancements attached. The exposures set out above are based on carrying amounts as reported in the Statement of financial position.

As shown above, 96.2% as at December 31, 2017 (December 31, 2016:98.21%) of the total maximum exposure arises from loans and advances to GOL, Investment Security (HTM), operating banks cash and balances with central and commercial banks.

Management is confident in its ability to continue and to minimize the losses arising from its exposure to credit risk resulting from loans and advances to the GOL and amounts due from the central banks and commercial banks.

3.1.5. Loans and advances, amounts due from banks and other assets

The table below shows the gross (undiscounted) balances of CBL's loans and advances with central banks, commercial banks and other assets analyzed by type and performance less impairment:

	December 31, 2017					
	Loans and advances to GOL and HTM	**Loans and advances to staff**	**Balances with central bank & comm. banks**	**Loans and advances to operating bank**	**Loans and advances to non-banking financial institutions**	**other assets**
Neither past due nor impaired	35,707,355	347,084	22,898,481	2,431,777	-	635,054
Past due but not impaired	-	57,286	-	-	37,454	1,819,025
Individually impaired	-	-	-	-	-	3,271,072
Gross	35,707,355	404,370	22,898,481	2,431,777	37,454	5,725,151
Less: allowance for Impairment	-	-	-	-	-	(3,271,072)
Carrying value	35,707,355	404,370	22,898,481	2,431,777	37,454	2,454,079

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

3. Financial Risk Management (continued)

3.1. Credit risk (continued)

3.1.5. Loans and advances, amounts due from banks and other assets (continued)

December 31, 2016

	Loans and advances to GOL and HTM	**Loans and advances to staff**	**Balances with central bank & comm. banks**	**Loans and advances to operating bank**	**Loans and advances to non-banking financial institutions**	**other assets**
Neither past due nor impaired	28,077,489	254,540	27,367,724	2,035,458	93,130	1,080,417
Past due but not impaired	-	38,223	-	-	-	-
Individually impaired	-	-	-	-	175,703	-
Gross	28,077,489	292,763	27,367,724	2,035,458	268,833	1,080,417
Less: allowance for Impairment	-	-	-	-	(175,703)	-
Carrying value	28,077,489	292,763	27,367,724	2,035,458	93,130	1,080,417

(a) Neither past due nor impaired

Loans and advances neither past due nor impaired are loan and advances to GOL, other Central Banks and Commercial Banks with no default in the past. The table below details the nature of counterparties by industry.

	2017	**2016**
Loans and advances to GOL and HTM	35,707,355	28,077,489
Balances with commercial banks	4,920,673	4,296,378
Balances with central banks	17,977,808	23,071,346
Loans and advances to operating banks	2,431,777	2,035,458
Loan and advances to staff	404,370	254,540
Other assets	635,054	1,080,417
	62,077,037	58,815,628

b) Past due but not impaired

These are loans to staff that have resigned from the Bank and defaulted in repayment and loans, advances to non-banking financial institutions and short term receivable from GOL.

	2017	**2016**
Loans and advances to staff	57,286	38,223
Loans and advances to non-banking financial institutions	37,454	93,130
Short term receivable – GOL (Note 20 (i))	1,819,025	-
	1,913,765	131,353

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

3. Financial Risk Management (continued)

3.1. Credit risk (continued)

3.1.5. Loans and advances, amounts due from banks and other assets (continued)

(c) Assets individually impaired

The individually impaired assets before taking into consideration the cash flows from collateral held has been disclosed in the table below:

	2017	2016
Loan and advances to non-bank financial institutions	33,457	175,703
Other assets	1,133,767	-
	1,167,224	**175,703**

3.2. Liquidity risk

Liquidity risk is the risk that the Central Bank is unable to, or will encounter difficulty, in meeting its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.

3.2.1 Liquidity risk management process

The liquidity management processes, as carried out within the Finance Department and monitored by executive management and the Treasury Section include:

3.2.1 Liquidity risk management process

- Preparing cash-based budgets and periodic variance reports to ensure management of future cash flows to meet payment demands when they fall due;
- Managing the concentration and profile of debt maturities;
- Monitoring the Statement of financial position, liquidity ratios against internal requirements; and
- Managing the concentration and profile of asset maturities.

Monitoring and reporting take the form of cash flow measurement and projection for the next day, week and months respectively, as these are key periods for liquidity management. The basis for the projection is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

3. Financial Risk Management (continued)

3.2. Liquidity risk (continued)

3.2.2. Financial liabilities and financial assets held for managing liquidity risk

The table below presents the Central Bank's financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are contractual undiscounted cash outflows, whereas the Central Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

As at December 31 2017

	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
Assets					
Cash and balances with central banks	17,977,808	-	-	-	17,977,808
Cash balances with commercial banks	4,920,673	-	-	-	4,920,673
Loans and advances to operating banks	-	-	2,431,777	-	2,431,777
Loans and advances to non-banking financial institutions	-	-	37,454	-	37,454
Loans and advances to GOL	-	30,827	-	34,314,021	34,344,848
Investment security (HTM)	-	-	507,114	855,393	1,362,507
Due from IMF	-	-	64,648,780	-	64,648,780
Staff loans	-	404,370	-	-	404,370
Other assets	-	2,454,079	-	-	2,454,079
Total assets	22,898,481	2,889,276	67,625,125	35,169,414	128,582,296
Liabilities					
Currency in circulation	15,927,925	-	-	-	15,927,925
Deposits from commercial banks & forex bureau	15,592,450	-	-	-	15,592,450
Deposits of GOL and agencies	8,752,217	-	-	-	8,752,217
Due to IMF	-	-	73,893,951	-	73,893,951
Other liabilities	-	4,284,798	-	-	4,284,798
Total liabilities	40,272,592	4,284,798	73,893,951	-	118,451,341
Liquidity gap	(17,374,111)	(1,395,522)	(6,268,826)	35,169,414	10,130,955

3. Financial Risk Management (continued)

3.2. Liquidity risk (continued)

3.2.2. Financial liabilities and financial assets held for managing liquidity risk (continued)

As at December 31 2016

	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
Assets					
Cash and balances with central banks	23,071,346	-	-	-	23,071,346
Cash balances with commercial banks	4,296,378	-	-	-	4,296,378
Loans and advances to operating banks	-	-	402,241	1,633,217	2,035,458
Loans and advances to non-banking financial institutions	-	-	93,130	-	93,130
Loans and advances to GOL	-	185,413	-	26,797,369	26,982,782
Investment security (HTM)	-	-	-	1,094,707	1,094,707
Due from IMF	-	-	57,325,073	-	57,325,073
Staff loans	-	-	292,763	-	292,763
Other assets	-	649,778	-	-	649,778
Total assets	27,367,724	835,191	58,113,207	29,525,293	115,841,415
Liabilities					
Currency in circulation	12,755,365	-	-	-	12,755,365
Deposits from commercial banks & forex bureau	12,658,842	51,291	-	-	12,710,133
Deposits of GOL and agencies	18,219,613	-	-	-	18,219,613
Due to IMF	-	-	63,650,479	-	63,650,479
Other liabilities	-	2,793,627	-	-	2,793,627
Total liabilities	43,633,820	2,844,918	63,650,479	-	110,129,217
Liquidity gap	(16,266,096)	(2,009,727)	(5,537,272)	29,525,293	5,712,198

3.2.3. Assets held for managing liquidity risk

The Bank manages its liquidity risks through appropriate structuring of its investment portfolios to ensure that the maturity profiles of assets adequately match those commitments. This is monitored and managed on a daily basis. In addition, the Bank's investment portfolio comprises mainly highly liquid investment instruments. The Bank's assets held for managing liquidity risk comprise:

- Cash and balances with central banks and other operating banks;
- Loans and advances to operating banks, non-bank financial institutions and Government of Liberia;
- Investment securities;
- Amount due from IMF; and
- Staff loans and other assets.

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

3. Financial Risk Management (continued)

3.3 Market risk

Market risk, is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk arises from open positions in interest rates and currency, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates and foreign exchange rates.

The Central Bank's primary exposure to market risk lies with its deposits held overseas which are exposed to changes in U.S. dollars interest rate.

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimizing the return on risk. The Bank treasury is responsible for the development of detailed risk management policies and for day-to-day implementation of those policies.

a) Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Central Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on cash flows. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. Investment denominated in U.S. dollars and Liberian dollars attracts interests in U.S. dollars and Liberian dollars respectively.

The Central Bank has capacity to manage these risks by monitoring interest rates daily and ensuring within the limits of its policy function that its financial liabilities match the maturing profile of its financial assets.

The Bank uses gap analysis to measure its exposure to interest rate risk. Through this analysis, it compares the values of interest rate sensitive assets and interest rate sensitive liabilities that mature or re-price at various time periods in the future.

As at December 31, 2017

	Up to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Assets					
Cash and balances with central banks	14,288,337	-	-	3,689,471	17,977,808
Cash and balances with commercial bank	4,920,673	-	-	-	4,920,673
Loans and advances to operating banks	-	2,431,777	-	-	2,431,777
Loans and advances to non-banking financial institutions	-	37,454	-	-	37,454
Loans and advances to GOL	30,827	-	27,003,172	7,310,849	34,344,848
Investment security (HTM)	175,538	-	1,186,969	-	1,362,507
Deposits with IMF	-	22,393,143	-	42,255,637	64,648,780
Staff loans	-	404,370	-	-	404,370
Other assets	-	-	-	2,454,079	2,454,079
Total financial assets	19,415,375	25,266,744	28,190,141	55,710,036	128,582,296

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

3. Financial Risk Management (continued)
3.3 Market risk (continued)
a) Interest rate risk (continued)

	Up to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Liabilities					
Currency in circulation	-	-	-	15,927,925	15,927,925
Deposits from commercial banks & forex bureau	-	-	-	15,592,450	15,592,450
Deposits of GOL and agencies	-	-	-	8,752,217	8,752,217
Due to IMF	-	-	-	73,893,951	73,893,951
Other liabilities	-	-	-	4,284,798	4,284,798
Total financial liabilities	**-**	**-**	**-**	118,451,341	118,451,341
Total interest rate repricing gap	**19,415,375**	**25,266,744**	**28,190,141**	**(62,741,305)**	**10,130,955**

As at December 31, 2016

	Up to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Assets					
Cash and balances with central banks	22,443,431	-	-	627,915	23,071,346
Cash and balances with commercial bank	4,296,378	-	-	-	4,296,378
Loans and advances to operating banks	-	2,035,458	-	-	2,035,458
Loans and advances to non-banking financial institutions	-	93,130	-	-	93,130
Loans and advances to GOL	4,294,692	-	22,688,090	-	26,982,782
Investment security (HTM)	425,913	-	668,794	-	1,094,797
Deposits with IMF	-	19,867,978	-	37,457,095	57,325,073
Staff loans	-	292,763	-	-	292,763
Other assets	-	-	-	1,080,417	1,080,417
Total financial assets	**31,460,414**	**22,289,329**	**23,356,884**	**39,165,427**	**116,272,144**

	Up to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Liabilities					
Currency in circulation	-	-	-	12,755,365	12,755,365
Deposits from commercial banks & forex bureau	-	-	-	12,710,133	12,710,133
Deposits of GOL and agencies	-	-	-	18,219,613	18,219,613
Due to IMF	-	-	-	63,650,479	63,650,479
Other liabilities	-	-	-	2,793,627	2,793,627
Total financial liabilities	-	-	-	110,129,217	110,129,217
Total interest rate repricing gap	31,460,414	22,289,329	23,171,471	(67,667,763)	9,253,451

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

3. Financial Risk Management (continued)
3.3 Market risk (continued)

b) Foreign exchange risk

The Central Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. It is exposed to fluctuations in the exchange rate between the Liberian Dollar, United States Dollars and the Euro. The table below summarizes the Central Bank's exposure to exchange rate risk at December 31, 2017. Also reflected is the carrying amount of the Central Bank's holdings, categorized by currency.

Concentration of currency risk on financial instruments

At December 31, 2017	United States Dollar	Others	Liberian dollar	Total
Assets				
Cash and balances with central banks	17,977,808	-	-	17,977,808
Cash and balances with commercial banks	4,788,166	11,666	120,841	4,920,673
Loans, advances and overdraft to commercial banks	1,847,878	-	583,899	2,431,777
Loan and advances to non-banking financial institutions (NBFI)	-	-	37,454	37,454
Loans and advances to Government of Liberia	28,333,271	-	6,011,578	34,344,849
Investment security (held-to-maturity)	797,820	-	564,687	1,362,507
Deposits with IMF	-	64,648,780	-	64,648,780
Staff loans	404,370	-	-	404,370
Other assets	1,819,495	-	634,584	2,454,079
Total financial assets	**55,968,808**	**64,660,446**	**7,953,043**	**128,582,297**
Liabilities				
Currency in circulation	-	-	15,927,925	15,927,925
Deposit from commercial banks and forex bureau	9,568,732	-	6,023,718	15,592,450
Deposits of GOL and agencies	5,309,338	-	3,442,879	8,752,217
Amount due from IMF	-	73,893,951	-	73,893,951
Other liabilities	2,588,425	-	1,696,373	4,284,798
Total financial liabilities	**17,466,495**	**73,893,951**	**27,090,895**	**118,451,341**
Net financial position	**38,502,312**	**(9,233,505)**	**(19,137,852)**	**10,130,956**

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

3. Financial Risk Management (continued)

3.3 Market risk (continued)

b) Foreign exchange risk (continued)

Concentration of currency risk on financial instruments

At December 31, 2016	**United States Dollar**	**Others**	**Liberian dollar**	**Total**
Assets				
Cash and balances with central banks	23,071,346	-	-	23,071,346
Cash and balances with commercial banks	3,596,699	285,475	414,204	4,296,378
Loans, advances and overdraft to commercial banks	1,455,549	-	579,909	2,035,458
Loan and advances to non-banking financial institutions (NBFI)	-	-	93,130	93,130
Loans and advances to Government of Liberia	22,688,090	-	4,294,692	26,982,782
Investment security (held-to-maturity)	705,557	-	389,150	1,094,707
Deposits with IMF	-	57,325,073	-	57,325,073
Staff loans	292,763	-	-	292,763
Other assets	625,824	-	454,593	1,080,417
Total financial assets	**52,435,828**	**57,610,548**	**6,225,678**	**116,272,054**
Liabilities				
Currency in circulation	-	-	12,755,365	12,755,365
Deposit from commercial banks and forex bureau	9,164,673	-	3,545,460	12,710,133
Deposits of GOL and agencies	9,754,316	-	8,465,297	18,219,613
Amount due from IMF	-	63,650,479	-	63,650,479
Other liabilities	2,544,169	-	249,458	2,793,627
Total financial liabilities	**21,463,158**	**63,650,479**	**25,015,580**	**110,129,217**
Net financial position	**30,972,670**	**(6,039,931)**	**(18,789,902)**	**6,142,837**

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

3. Financial Risk Management (continued)

3.3 Market risk (continued)

c) Sensitivity analysis for "foreign exchange risk"

			2017			2016
	Balance Dec. 31	**Exchange rate +1%**	**Exchange rate -1%**	Balance Dec. 31	Exchange rate + 1%	Exchange - 1%
Total assets	**55,968,808**	**56,528,496**	**55,409,120**	52,435,829	52,960,188	51,960,188
Movement		**559,688**	**(559,688)**		524,359	(524,357)

If the Liberian Dollars depreciated by 1% against the U.S Dollars at December 31, 2017, assets denominated in U.S. Dollars would have been L$56.5 billion, which is L$0.559 billion higher than the reported figure of L$55.96 billion. The comparative would have been L$52.9 billion, which is L$0.524 billion higher than L$52.4 billion reported for December 31, 2016. If the Liberian Dollar appreciated by 1% against the U.S. Dollar at December 31, 2017, financial assets denominated in U.S. Dollars would have been L$55.4 billion, L$0.559 billion lower than L$55.9 billion at December 31, 2017 (December 31, 2016: L$51.9 billion, L$0.524 billion lower than L$52.4billion). This analysis shows how profit or loss and equity would have been affected by changes in the risk variable that were reasonably possible at the reporting date.

			2017			2016
	Balance Dec. 31	**Exchange rate +1%**	**Exchange rate -1%**	Balance Dec. 31	Exchange rate + 1%	Exchange - 1%
Total liabilities	**17,466,496**	**17,641,161**	**17,291,831**	21,463,158	21,677,788	21,248,528
Movement		**174,665**	**(174,665)**		214,630	214,630

If the financial liabilities in Liberian Dollars depreciated by 1% against the U.S Dollars on the reporting date, liabilities denominated in U.S. Dollars would have been L$17.64 billion, which is L$0.174 billion higher than the reported figure of L$17.46 billion. The comparative would have been L$21.67 billion, which is L$0.214 billion higher than L$21.46 billion reported for December 31, 2016. If the Liberian Dollar appreciated by 1% against the U.S. Dollar at December 31, 2017, financial liabilities denominated in U.S. Dollars would have been L$17.29 billion, which is L$0.174 billion lower than L$17.46 billion at December 31, 2017 (December 31, 2016: L$21.2 billion, L$0.214 billion lower than L$21.4billion). This analysis shows how profit or loss and equity would have been affected by changes in the risk variable that were reasonably possible at the reporting date.

			2017			2016
	Balance Dec. 31	**Exchange rate +1%**	**Exchange rate -1%**	Balance Dec. 31	Exchange rate + 1%	Exchange - 1%
Net interest income	**914,029**	**1,080,674**	**747,391**	**1,785,719**	374,343	(110,565)
Movement		**166,645**	**(166,645)**		1,411,376	(1,896,284)

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

3. Financial Risk Management (continued)

3.3 Market risk (continued)

c) Sensitivity analysis for "foreign exchange risk" (continued)

If the interest rate increased by 1% on USD denominated investments on the reporting date, net interest income would have been L$1.08 billion, which is L$0.16 billion higher than the reported figure of L$0.914 billion. The comparative would have been L$0.374 billion, which is L$1.4 billion lower than L$1.7 billion reported for December 31, 2016. If the interest rate decreased by 1% on USD denominated investments on the reporting date, net interest income would have been L$0.75 billion, L$.16 billion lower than L$0.914 billion at December 31, 2017 (Dec 31, 2016: L$0.110 billion, L$0.1.8 billion lower than L$1.8 billion). This analysis shows how profit or loss and equity would have been affected by changes in the risk variable that were reasonably possible at the reporting date.

The following significant exchange rates have been applied during the year and at the year end.

	Average		year end	
	2017	**2016**	**2017**	**2016**
US$	112.06	93.86	125.45	102.5
EURO	143.88	132.54	150.45	137.30
SDR	137.15	123.55	145.33	128.97

3.4. Fair value of financial assets and liabilities

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented at their fair values as at December 31, 2017 and December 31, 2016 respectively:

	Carrying Value		Fair Value	
	2017	**2016**	**2017**	**2016**
Financial assets				
Cash and balances with central banks	17,977,808	23,071,346	17,977,808	23,071,356
Cash and balances with commercial banks	4,920,673	4,296,378	4,920,673	4,296,378
Loans and advances to operating banks	2,431,777	2,035,458	2,431,777	2,035,458
Loan and advances to non-banking financial institutions	37,454	93,130	37,454	93,130
Loans and advances to GOL	34,344,848	26,982,782	22,905,209	18,845,949
Investment securities (HTM)	1,362,507	1,094,707	1,362,507	1,094,707
Due from International Monetary Fund	64,648,780	57,325,073	64,648,780	57,325,073
Staff loans	404,370	292,763	404,370	292,763
Other assets	2,454,079	1,080,417	2,454,079	1,080,417
Total financial assets	128,582,296	116,272,054	117,142,657	108,135,231
Financial liabilities				
Currency in circulation	15,927,925	12,755,365	15,927,925	12,755,365
Deposits from commercial banks and forex bureau	15,592,450	12,710,133	15,592,450	12,710,133
Deposits of GOL and agencies	8,752,217	18,219,613	8,752,217	18,219,613
Due to the International Monetary Fund	73,893,951	63,650,479	73,893,951	63,650,479
Other liabilities	4,284,798	2,793,627	4,284,798	2,793,627
Total financial assets	118,451,341	110,129,217	118,451,341	110,129,217

3. Financial Risk Management (continued)

3.4. Fair value of financial assets and liabilities (continued)

(i) Loans and advances to banks

Loans and advances to banks include inter-bank placements and items in the course of collection.
Their fair value approximates their carrying amounts.

(ii) Deposits from banks, government and agencies, and other deposits

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

(iii) Fair value hierarchy

The Bank currently does not hold any financial instruments measured at fair value.

3.5 Capital management

The Central Bank's objective in managing capital and reserves is to ensure the Central Bank's ability to continue to perform its functions as set by the Central Bank of Liberia Act of 1999.

4. Critical accounting estimates and judgments in applying accounting policies

CBL makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually made and evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas where estimates are made are:

a) Impairment losses on loans and advances

CBL reviews its loans and advances to assess for impairment on an annual basis. In determining whether an impairment loss should be recorded in Statement of Comprehensive income, CBL makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows of the loans. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with defaults on assets. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to loans of the same portfolio when determining its future cash flows. The methodology and assumptions used to estimate both the amount and timing of future cash flows are reviewed regularly to reduce any differences between estimated loss and actual loss experience.

b) Held-to-maturity investment securities

CBL classifies some financial assets with fixed or determinable payments and fixed maturities as held-to-maturity investment. In making these judgments, CBL has the positive intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than certain specific circumstances, these investments are reclassified as loans and receivable. Accordingly, the investment would be measured at amortized cost.

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

4. Critical accounting estimates and judgments in applying accounting policies (continued)

c) Property, machinery and equipment

Estimates of the future useful economic life have been made by management in determining depreciation rates for property, machinery and equipment.

d) Post-employment benefits Pension benefits

Critical estimates have been made by management in determining the actual liability of the post- employment benefits. The liability for post-employment benefits is sensitive to the assumptions made.

In Liberia there is limited data available on which to make actuarial assessments, including the assumptions necessary. In particular details of mortality are not available and there are no long term securities benchmark discount rates. Furthermore, there is limited experience of staff turnover patterns at CBL. These factors make the actuarial assumptions unusual and uncertain. Management has solicited and received professional actuarial advice in determining the assumptions and the quantum of the liability. Details are disclosed in note 31.

e) Functional currency

Both the Liberian Dollar (L$) and the United States Dollar (US$) are legal tender in Liberia and circulate freely in the country alongside each other. Although, transactions are carried out in both currencies, the majority of the Bank's transactions are currently denominated in United States Dollars (US$). Accordingly, the Central Bank considers the United States Dollars as its functional currency for the purpose of IFRS.

5. Interest income	**2017**	**2016**
GOL loans and advances	469,223	1,535,025
Investment securities-held-to-maturity	158,280	71,118
Placement and staff loans	286,526	179,470
Loan Extension and Availability Facility (LEAF)	-	106
	914,029	1,785,719

6. Fees and commissions		
Service fees and commissions	367,627	270,383
Note transfer fees	7,417	4,548
	375,044	274,931

7. Other income		
Rental income	438	426
Fines	21,566	3,991
Rural banking check encashment	33,618	28,325
Spot charges on notes advanced	55,804	9,294
Other miscellaneous income	3,983	5,155
Gain on disposal of PPE	256	-
	115,665	47,191

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

	2017	**2016**
8. Loan and advances impairment charge		
Loan and advances to non-banking financial institutions	33,457	175,703

	2017	**2016**
9. Administrative expenses		
Staff costs (i)	1,309,842	1,427,877
Board fees and expenses (ii)	65,828	78,997
Depreciation/amortization (notes 21 & 22)	557,961	415,052
Other administrative expenses (iii)	1,130,787	1,519,088
CBL contribution to regional bodies*	368,448	264,692
	3,432,866	3,705,706

*CBL contribution comprises of L$179 million as contribution to regional bodies and L$189 million as corporate Social responsibilities.

	2017	**2016**
(i) Staff costs:		
Salaries and wages	780,153	940,413
Social security contributions	37,598	28,536
Other personnel costs	175,957	160,916
(Gain)/loss on fair valuation of staff loan	(7,113)	(933)
Pension cost (Note 31):		
- Current service cost	259,339	241,816
- Interest cost	63,908	57,129
	1,309,842	1,427,877

	2017	**2016**
(ii) Board fees and expenses		
Board fees	44,339	76,368
Board expenses	21,489	2,629
	65,828	78,997

The number persons employed by the Bank at the end of year was 357 (2016: 364)

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

9. Administrative expenses (continued)

(iii) Other administrative expenses	2017	2016
Vehicle fuel, insurance and maintenance	83,250	45,597
Property cost/occupancy	209,261	173,341
Office expenses	123,485	128,204
Professional services	230,750	168,543
Travel expenses	118,027	132,984
Write-off of other assets	-	171,236
Software & network costs	214,189	67,391
Bank and internet charges	55,255	11,717
Port and clearing charges	15,069	277
Vehicle serving cost	31,489	18,627
Other miscellaneous	21,619	47,203
FIBLL provision	-	518,673
Subscription and public relation	28,393	35,295
	1,130,787	1,519,088

Included in professional services are the following:	2017	2016
Audit fees:		
Audit of the bank's financial statements	13,447	11,275
Other assurance services	6,724	-
	20,171	11,275

10. Provision for unsupported assets

Clearing suspense was created by management as a temporary account for all revenues collected on behalf of Government of Liberia. The bank maintains suspense accounts for clearing related transactions with Government of Liberia. This was created to be a temporary account until the appropriate accounts are identified for posting into their respective accounts. However as at the year-end management had accumulated an amount of L$1,134million that they could not reconcile. The amount of L$1,134million represents a provision for the unreconciled amount.

11. Currency expense

	2017	2016
Notes importation	81,911	70,150
Mute exportation	-	4,795
Cost of destroying bank notes	1,573	585
Amortization of currency printing cost-banknotes	808,096	404,683
	891,580	480,213

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

12. Cash and balances with central Banks

	2017	2016
Cash on hand and in vault	4,525,759	1,381,495
Cash balances at rural branches	53,790	158,633
Balances with other central banks	14,288,337	22,443,431
Less: Liberian Dollars in vault and cash centers (Note 23)	(890,078)	(912,213)
	17,977,808	23,071,346

13. Cash and balances with Commercial Banks

	2017	2016
Balances with local banks	514,251	469,885
Balances with foreign banks (commercial)	4,406,422	3,826,493
	4,920,673	4,296,378

14. Loans and advances to operating banks

Currency	Years of maturity	2017 Carrying amount	2017 Face value	2016 Carrying amount	2016 Face value
LIBA loans (a)	2020	361,083	359,982	301,496	301,976
Mortgage loans (b)	2024	1,125,642	1,095,650	896,796	935,000
RPAL(c)	2019	136,552	129,750	133,889	129,750
Agric loans (d)	2026	808,500	808,500	703,277	693,750
		2,431,777	2,393,882	2,035,458	2,060,476

(a) Liberia Business Association Loan (LIBA LOAN)

The Central Bank of Liberia (CBL) made a placement with Ecobank Liberia Limited, International Bank Liberia Limited, and First International Bank Liberia Limited on behalf of the Liberia Business Association named and styled LIBA LOANS on January 10, 2013 with a face value of US$4,000,000 and L$72,500,000.00 and at a fixed interest rate of 2%. The loan was originally expected to mature in 2020. The loan has a grace period of six months and interest on this loan is paid on a quarterly basis with an automatic debit to each bank's current account at the end of the quarter. Due to the Ebola epidemic in the country, CBL issued policy No. 5 extending the duration of the loan by two (2) years which indicates that the loan will mature in 2020. In 2014, Ecobank returned US$600,000 and L$ 7,842,625. CBL then extended US$600,000 to the Liberia Bank for Development and Investment (LBDI) under the same LIBA program.

(b) Mortgage Loan

The Central Bank of Liberia (CBL) made a placement with the Liberia Bank for Development & Investment (LBDI) named and styled MORTGAGE LOAN on November 13, 2012 with a face value of US$7,000,000.00 and L$217,500,000.00 and at a fixed interest rate of 3%. The loan was originally set to mature in 2022. The loan has a grace period of six months and interest on this loan is paid on a quarterly basis with an automatic debit to LBDI Current account at the end of each quarter. Due to the Ebola epidemic in the country, CBL issued policy No. 5 extending the duration of the loan by two (2) years which indicates that the loan will mature in 2024 and reducing the interest chargeable on the loan by 1% .

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

14. Loans and advances to operating banks (Continued)

(c) RPAL Loan

The Central Bank of Liberia (CBL) made a L$129,750,000 placement on 18 June 2014 with the Liberia Bank for Development and Investment (LBDI) to enable the Central Bank provide medium-term loans to members of the Rubber Planters Association of Liberia (RPAL). Interest was to begin accruing on the loan at 3% after the first 6 months of the loan's tenure. Accrued interest and the loan principal are payable at maturity. Due to the Ebola epidemic in the country, CBL issued policy No. 5 extending the duration of the loan by two (2) years and reducing the interest rate to 2%.

(d) Agriculture Loan

The Central Bank of Liberia (CBL) made a placement with the Afriland First Bank Liberia Limited (AFBLL) named AGRILCUTURE LOAN on December 13, 2012 with a face value of US$5,000,000 and L$181,250,000 and a fixed interest rate of 2.5% at variable maturity dates. The loan will finally mature in 2026. The loan has a variable gestation period. Interest on the loan and the loan principal was originally expected to be paid annually during the cash out period for each crop with an automatic debit to Afriland's current account. Due to the Ebola epidemic in the country, CBL issued policy No. 5 extending the duration of the loan by two (2) years and providing for all interest and principal repayment to be made at maturity.

15. Loan and advances to non-banking financial institutions

	2017	2016
Loan Extension and Availability Facility (LEAF)	93,130	612,063
Specific allowance for impairment	(33,457)	(471,833)
Addition	-	48,850
Repayment	(22,219)	(95,950)
	37,454	93,130

16. Loans and advances to Government of Liberia (GOL)

Loan	Currency	Maturity	2017 Carrying amount	2017 Face value	2016 Carrying amount	2016 Face value
GOL long term loan (a)	L$	2037	867,985	910,284	875,672	921,806
GOL long term loan (b)	US$	2037	26,175,939	30,332,589	21,627,005	24,783,502
Due to IMF (c)	SDR	-	5,137,451	644,493	4,294,692	4,294,692
GOL Short term loan (d)	US$	2018	2,132,650	2,132,650	-	-
Others		-	30,823	30,823	185,413	185,413
			34,344,848	34,050,839	26,982,782	30,185,413

a. This represent US$ loan owed by Government of Liberia which is to be paid in 30 years inclusive of 10 years grace period. Repayment of the loan is to be done in eighty (80) equal quarterly payments of 3,074,081 beginning September 2017. The annual interest is a stepped interest ranging from 1% - 2.5%.

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

16. Loans and advances to Government of Liberia (GOL) (continued)

b. This represent L$ loan owed by Government of Liberia which is to be paid in 30 years inclusive of 10 years grace period. Repayment of the loan is to be done in eighty (80) equal quarterly instalments of L$11,522,577 beginning September 2017. The annual interest is a stepped interest ranging from 2% - 5%

The GOL long term loans referenced (a) and (b) above were mainly taken over from the National Bank of Liberia pursuant to the establishment of CBL in 2000. The terms of these loans were renegotiated with the GOL and agreed in July 2007. The terms included extension of the repayment periods, reductions in interest rates and capitalization of accrued and deferred interest to the date of the agreement.

c. On 18 March 2013 an MOU was signed between the Ministry of Finance of the republic of Liberia and the Central Bank of Liberia (CBL), for CBL to hold all Liberia's balances with the IMF in its books. On inception there was a shortfall of assets and liabilities of SDR16million which was recognised as a long term receivable from the GOL to be paid on a future date agreed by MOF and GOL. On 10 October 2014 an extended credit facility received from the IMF of SDR32,300, 000 was advanced to GOL for budgetary support, this amount was offset by a grant assistance of SDR25,400,000 by the IMF under the catastrophe containment (CC) window in accordance with section III, paragraphs 1 and 3(A) of the CCR trust.

In December 2016, out of the ECF loan of SDR27.69million given to CBL, SDR12.9million was advanced to the Government of Liberia as budgetary support resulting in the total amount due from GOL of SDR35,360,000. The amount in the financial statement represents the L$ equivalent.

d. This represents short-term loans given to the Government of Liberia. The loans are at 2% interest rates.

17. Investment securities: Held-to-maturity

	2017	2016
Investment in GOL treasury bills	564,687	389,150
Investment in GOL bonds *	797,820	705,557
	1,362,507	1,094,707

* Investment in GOL bonds are capital notes to be repaid by the GOL within 30 years inclusive of 10 years grace period on repayment of principal. Repayment of the capital notes will be made in 80 quarterly payments of US$87,417 commencing September 2017.

18. Deposits with International Monetary Fund (IMF)

	2017	2016
IMF quota subscription	37,552,900	33,327,658
Special drawing right holdings	22,393,142	19,826,317
Accrued remuneration	4,698,625	4,169,962
Reserve tranche position	4,113	1,136
	64,648,780	57,325,073

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

18. Deposits with International Monetary Fund (IMF) (continued)
Liberia's Membership with IMF

Article XIII, Sections 2a and 3 in the Articles of Agreement of the IMF requires each member to designate its Central Bank as a depository for all the Fund's holdings and currency and guarantee all assets of the Fund against loss resulting from failure or default on the part of its designated depository. With reference to the guidelines of the Financial Organizational and Operations manual of the IMF, Central Bank of Liberia uses the gross method of presenting the assets and liabilities arising from the GOL's membership in the statement of financial position. The IMF recommends the use of the gross method for a country whose depository and fiscal agents are the same. The position in the General Department is presented on a gross basis if the IMF No.1, No.2, and Securities Accounts are shown as liabilities and the member's quota is shown as an asset. Additionally, on March 18, 2013 a memorandum of understanding between the Ministry of Finance of the Republic of Liberia and the Central Bank of Liberia regarding respective roles and responsibilities in connection with transactions with the International Monetary Fund was signed.

Central Bank of Liberia is the fiscal and depository agent of Liberia for transactions with the International Monetary Fund. Financial resources made available to Liberia by the Fund are channeled through CBL to the Government. CBL has a claim on the GOL matching liabilities to the Fund. Similarly, CBL has a liability to the Government of Liberia matching the assets, the quota subscription, held in the Fund. As of close of business on March 14, 2008, the IMF confirmed the completion of Liberia's clearance of its arrears, payment of quota increases and related Fund financing transactions and the granting of new facilities. All applicable entries were recorded in the IMF's accounts held at Central Bank of Liberia.

IMF Quota Subscription

Quota subscriptions are a central component of the IMF's financial resources. Each member country of the IMF is assigned a quota, based broadly on its relative position in the world economy. A member country's quota determines its maximum financial commitment to the IMF, its voting power, and has a bearing on its access to IMF financing. In 2017, Liberia's Quota was SDR 258.4 million.

Special drawing rights holdings and allocation

SDR's are interest-bearing assets allocated by the IMF to each participant in the Special Drawing Rights Department to meet various global operating needs of the Fund as and when they arise, as a supplement to the Fund's existing reserves. SDR's are allocated by the IMF to members participating in the SDR department in proportion to their quotas to the Fund at the time of allocation.

19. Staff Loans

	2017	**2016**
Gross amount	491,813	370,687
Provision	(18,030)	(14,731)
Fair value adjustment	(69,413)	(63,193)
	404,370	292,763
Provision		
Balance at January 1	14,731	12,719
Exchange difference	3,299	2,012
	18,030	14,731

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

19. Staff Loans (continued)

Staff of the Bank of Liberia are entitled to loans at 3% and 4% as compared to the market rate of 13.28% as at the reporting date.

20. Other assets

	2017	**2016**
Accounts receivable (i)	1,993,975	649,778
Prepaid expenses (ii)	207,698	215,704
Deferred currency cost (iv)	252,406	214,935
	2,454,079	1,080,417

(i) Accounts receivable

Mutes in transit	-	748,636
Due from others	15,486	1,627
FIBL receivable	1,897,572	1,554,428
Short term receivable – GOL (iii)	1,819,025	-
Interest receivable	230,485	44,105
Other receivable	13,185	24,579
Clearing suspense	1,289,294	-
	5,265,047	2,373,375
Less provision:		
Others	(104,428)	(169,169)
FIBL provision	(1,897,572)	(1,554,428)
Provision for unsupported assets	(1,269,072)	-
	(3,271,072)	(1,723,597)
Net book amount	1,993,975	649,778

(ii) Prepaid expenses

Rent	3,387	1,784
Insurance	829	2,497
Fixed asset in transit	58,201	174,538
Others	145,281	36,885
	207,698	215,704

(iii) Short term receivable – GOL

In March and June 2017 the Central Bank agreed to swap USD10 million and USD5 million for LRD1.1 billion and LRD555 million respectively with the Government of Liberia. The swaps expired in June and August respectively. At 31 December, GOL had returned only LRD 62.59million (USD0.5 million). See note 27 for the payable to GOL.

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

20. Other assets (continued)

(iv) Deferred currency cost

	2017	2016
At January 1	214,935	56,942
Addition	744,242	574,291
Amortization charge (note 11)	(808,096)	(404,683)
Exchange difference	101,325	(11,615)
At December 31	252,406	214,935

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

21. Intangible assets

	Vregcoss Software	IDEA Software	WIP Payment System	WIP-Credit Reference System	Eview Econometric Statis-Software	Financial Accounting Software	Bank Master	SP-Monitor	Total
Cost									
At January 1, 2017	371,116	1,942	533,319	-	-	18,616	51,081	-	976,074
Additions	-	-	53,075	12,086	1,653	-	-	1,597	68,411
Translation difference	146,178	435	125,736	1,443	198	13,595	40,263	192	328,040
At December 31, 2017	517,294	2,377	712,130	13,529	1,851	32,211	91,344	1,789	1,372,525
Accumulated amortization									
At January 1, 2017	97,937	350	-	-	-	18,616	51,081	-	167,984
Amortization charge	141,191	1,061	-	-	505	-	-	311	143,068
Translation difference	48,257	(223)	-	-	60	13,595	40,263	38	101,990
At December 31, 2017	287,385	1,188	-	-	565	32,211	91,344	349	413,042
Net book value - at December 31, 2017	229,909	1,189	712,130	13,529	1,286	-	-	1,440	959,483
Cost									
At January 1, 2016	-	-	-	-	-	18,616	51,081	-	69,697
Addition	371,116	1,942	533,319	-	-	-	-	-	906,377
Translation difference	-	-	-	-	-	-	-	-	-
At December 31, 2016	371,116	1,942	533,319	-	-	18,616	51,081	-	976,074
Accumulated amortization									
At January 1, 2016	-	-	-	-	-	18,6161	51,081	-	69,697
Amortization charge	99,937	350	-	-	-	-	-	-	98,287
Translation difference	-	-	-	-	-	-	-	-	-
At December 31, 2016	99,937	350	-	-	-	18,616	51,081	-	167,984
Net book value – at December 31, 2016	273,179	1,592	533,319	-	-	-	-	-	808,090

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

21. Intangible assets (continued)

As explained in note 2.4, the CBL has adopted the cost model in accordance with IAS 38 to account for its intangible assets. On initial recognition, intangible assets are measured at cost. Subsequent costs are capitalized only when it's probable that future economic benefits attributable to the asset will flow to the Bank, and the cost of the asset can be measured reliably. They are stated at cost less accumulated amortization. Intangible assets consist of Vregcoss, Idea software, Eview, WIP-payment system and Credit reference system. The costs of the software include acquisition, installation and other major cost associated with getting it ready for use. These costs are amortized on the basis of the expected useful lives of the software, which is 3 years. Costs associated with maintaining software programs are recognized as an expense when incurred. Intangible assets are tested annually for impairment when there are indications that impairment may have occurred. There was no impairment identified at December 31, 2017 (December 31, 2016: nil).

22. Property, machinery and equipment

	Land	Building	Leasehold	Furniture Fixtures	Equipment	Motor Vehicle	Total
Cost							
At January 1, 2017	36,880	2,738,029	73,120	50,748	773,748	83,874	3,756,399
Additions	-	-	-	202	131,760	28,849	160,811
Disposals	-	(3,642)	-	-	(2,521)	(107,592)	(113,755)
Translation difference	26,934	1,836,830	53,403	34,167	359,733	113,073	2,424,140
At December 31, 2017	63,814	4,571,217	126,523	85,117	1,262,720	118,204	6,227,595
Accumulated depreciation							
At January 1, 2017	-	92,896	73,120	19,737	429,166	60,448	675,367
Charge for the year	-	81,739	-	13,749	298,242	21,482	415,212
Disposal	-	(783)	-	-	(2,451)	(107,592)	(110,826)
Translation difference	-	48,487	53,403	10,798	155,554	93,235	361,477
At December 31, 2017	-	222,339	126,523	44,284	880,511	67,573	1,341,230
Net book value – at December 31, 2017	63,814	4,348,878	-	40,833	382,209	50,631	4,886,365

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

22. Property, machinery and equipment (continued)

	Land	Building	Leasehold	Furniture Fixtures	Equipment	Motor Vehicle	Total
Cost							
At January 1, 2016	36,880	2,738,029	73,120	50,383	719,397	83,874	3,701,683
Additions	-	-	-	365	54,351	-	54,716
At December 31, 2016	36,880	2,738,029	73,120	50,748	773,748	83,874	3,756,399
Accumulated depreciation							
At January 1, 2016	-	24,092	73,120	7,924	210,637	42,829	358,602
Charge for the year		68,804	-	11,813	218,529	17,619	316,765
	-	92,896	73,120	19,737	429,166	60,448	675,367
At December 31, 2016							
Net book value – at December 31, 2016	36,880	2,645,133	-	31,011	344,582	23,426	3,081,032

Profit/loss on disposal of property, plant and equipment

	2017	2016
Cost	113,755	-
Accumulated depreciation	(110,826)	-
Net book value	2,929	-
Proceed from disposal	3,270	-
Gain on disposal	341	-

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

23. Currency in circulation

	2017	2016
Liberian notes		
L$5	555,436	553,778
L$10	1,217,840	957,526
L$20	2,110,388	1,619,960
L$50	4,146,436	3,833,427
L$100	6,694,852	6,679,837
L$500	2,070,000	-
Total currency notes	16,794,952	13,644,528
Coins	23,050	23,050
Less:		
Liberian Dollars held by the bank and payment centers (note 11)	(408,779)	(276,320)
Mutes in vault*	(481,298)	(635,893)
	15,927,925	12,755,365

* Mutes in vault represent mutilated notes that will not be re circulated and have been marked to be destroyed.

24. Deposits from commercial banks and forex bureau

	2017	2016
Current accounts-commercial banks	15,544,312	12,648,627
Current accounts - non commercial banks	35,542	51,292
Collection accounts - failed banks	9,840	8,242
Forex bureau deposits	2,756	1,972
	15,592,450	12,710,133

25. Deposits of GOL and agencies

Demand deposits-central government	832,406	202,316
Withholding taxes payable	36,425	27,982
Demand deposits-individual ministries & agencies	6,157,651	12,643,115
Small Medium Enterprises deposits	920	200,671
State owned enterprises	1,724,815	5,145,529
	8,752,217	18,219,613

26. Amount due to International Monetary Fund

IMF SDR allocation	18,052,444	15,996,162
GRA accounts # 1 & #2	23,035,820	19,339,040
IMF securities	9,820,238	9,820,238
ECF loan	18,291,337	14,329,082
IMF Rapid Credit Facility Loan-RCF	4,694,112	4,165,957
	73,893,951	63,650,479

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

26. Amount due to International Monetary Fund (continued)

General Resource Account (GRA)

The GRA is the principal account of the IMF and handles transactions between the IMF and its membership. The GRA can best be described as a pool of currencies and reserve assets built up from members' fully paid capital subscriptions in the form of quotas.

Balances of the Fund's holdings of member's currency are shown in the Securities account, the No.1 accounts, and the No. 2 account, as well as currency valuation adjustment accounts. These accounts are considered as liabilities maintained in the currency of the IMF member.

This comprises Special Drawing Rights (SDR) currency holdings, which are denominated in Liberian dollars by IMF. Transactions effected under agreement with the Fund are converted to Liberian dollars at an exchange rate applicable on the dates of the respective transactions. Outstanding balances with the Fund are revalued on the basis of a rate ruling at the reporting date. Foreign exchange gains and losses arising from the annual revaluation are posted to General Reserve.

Extended Credit Facility (ECF) loan and interest (Formerly PRGF Loan)

The ECF is a loan obtained by GOL to strengthen the country's balance of payment position, and to foster sustainable growth, leading to higher living standards and reduction in poverty. The first ECF disbursement date of arrangement was November 19, 2012 and expires on November 18, 2015. Following the extension of Liberia program with the IMF up to November 2017, another additional ECF disbursement of US$37.1 million was provided by the Fund. US$17.3 million of this amount was provided to the Government of Liberia as 2017 budget support.

IMF Rapid Credit Facility Loan-RCF

The rapid credit facility was obtained by GOL to support its balance of payment needs. The RCF date of arrangement was February 2015.

27. Other liabilities

	2017	**2016**
Account payables (i)	203,643	642,072
Deferred income	13,615	8,186
Payables to GOL (Note 20 (iii))	1,691,000	-
Others	-	97,090
Provision for legal claims (Note 32)	1,024,124	854,279
Payable to foreign banks *	1,344,188	1,172,139
Micro-finance & other institutions	4,286	16,298
Payable to depositors of failed banks	3,942	3,563
	4,284,798	2,793,627

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

27. Other liabilities (continued)

(i) Accounts payable

	2017	2016
Official checks-CBL	35,377	248,545
Manager' checks-CBL	36,249	330,829
Stale checks payable	57,087	15,286
Due to Staff	4,963	3,251
Account payables	17,834	-
Accrued expenses	52,133	44,161
	203,643	642,072

*Payable to foreign banks are liabilities that have been in existence for more than 10 years. It comprises of L$0.303 million payable to United Bank of Switzerland and L$1 billion payable to WAMA BCEAO.

28. Provident fund

	2017	2016
At January 1	309,013	230,967
Contributions during the year	90,530	67,518
Interest earned	4,185	1,062
Payments	(62,236)	(27,651)
Exchange difference	72,805	37,117
At December 31	414,297	309,013

Provident Fund is a long-term staff benefit. Staff contributes 5% of their gross salary to the fund and the Bank in addition contributes 5% to the fund for each staff.

29. Retirement benefit obligations

	2017	2016
Statement of financial position obligation:		
Pension benefits	1,703,634	1,337,069
Statement of comprehensive income charge:		
Pension benefits	30,561	88,304

Pension benefits
Amount recognized in the statement of financial position are determined as follows:

Present value of unfunded obligations:

	2017	2016
Staff pension scheme	1,703,634	1,337,069

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

29. Retirement benefit obligations (continued)

The movement in the defined benefit obligation is as follow:

	2017	2016
At January 1	1,337,069	1,086,339
Current service cost	259,339	241,816
Interest cost	63,908	57,219
Remeasurement	(3,217)	(144,755)
Benefit paid	(30,561)	(88,304)
Exchange difference	77,096	184,754
At December 31	1,703,634	1,337,069

	2017	2016
The amounts recognized in the statement of comprehensive income:		
Current service cost	259,339	241,816
Interest cost	63,908	57,129
Total included in staff cost (Note 9)	323,247	298,945
Remeasurement	(3,217)	(124,984)
Total included in the other comprehensive income	320,030	(173,961)

Following the adoption of IAS 19 (revised), there is no effect on the financial statements as pension scheme is unfunded by the Bank and there are no plan amendments.

The principal actuarial assumptions used were as follows:

	2017	2016
Discount rate	5%	4%
Rate of Salary Increase	5%	5%
Rate of inflation	10.8%	8.8%

For mortality assumptions, the 1983 US Sex Distinct Group Annuity Mortality Table (GAM) is the basis for the calculation. The final unisex mortality rate used reflects the 10% margin removed from them and the resulting rates were blended using 95%/5% male-female ratio. The same basis was used in the previous year's valuation. This was considered, on the advice of the actuary, to be the best available basis for assessing mortality.

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

30 Equity

(a) Share capital

	2017	2016
Authorized Capital	400,000	400,000
Paid-in-capital	7,398,587	7,398,587
Subscribed capital	200,000	200,000
	7,598,587	7,598,587

The capital of CBL is owned exclusively by the Government of Liberia. The minimum authorized capital of CBL is L$400 million. The amount may be increased by an amendment to the CBL Act, as shall be proposed by the Board of Governors to the National legislature. The Act requires the Bank to have a minimum paid-up capital of L$100 million. The consideration for the paid-up capital was the net book value of assets and liabilities taken over from National Bank of Liberia on the establishment of CBL. In addition the GOL subscribed a further US$5 million (L$ equivalent L$200 million) at the establishment of CBL to have it capitalized. The consideration was a series of promissory notes, which matured on April 21 and October 20 each year from 2001 to 2003.

(b) General reserve

This represents the residual cumulative annual profits/(loss).

(c) Translation reserve

Translation reserve comprises all foreign currency differences arising from the translation of the financial statements from their functional currency of US$ into their presentation currency of LR$.

(d) Other reserve

Other reserve comprise the cumulative actuarial gains/losses recognized in the valuation of employee benefits.

31. Cash and cash equivalents

For the purposes for the statement of cash flows, cash and cash equivalents comprise the following:

	2017	2016
Balances with central banks (Note 12)	17,977,808	23,071,346
Balances with commercial banks (Note 13)	4,920,673	4,296,378
	22,898,481	27,367,724

32. Contingent Liabilities

There were few legal proceedings outstanding against the Bank as at 31 December 2017 with contingent liabilities of L$1,315 million (2016: L$1,074 million). The Governors estimate that provision made for the contingent liabilities L$1,024 million will be adequate to meet any liability that may crystallize.

(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

33. Financial Guarantee

The Central Bank issued financial guarantee to LOITA Capital Partners International Limited on behalf of the Government of Liberia in respect of bonds and notes issued by NASSCORP to LOITA for an amount of L$6,272 million.

34. Related party transactions

CBL is the official depository and fiscal agent of the Government of Liberia, the sole shareholder of the Bank. The Bank performs official banking services for the Government and a number of its agencies. Related party transactions reflected in the Bank's operations are therefore in respect of these banking services, in addition to loans and advances granted to the Government prior to 2003. The following transactions were carried out with related parties:

Interest income earned during the year

	2017	**2016**
GOL loans and advances (Note 5)	469,223	1,535,025
GOL investment securities: held-to-maturity (Note 5)	158,280	71,118
	627,503	1,606,143
Receivables from related party:		
Due from Government of Liberia – Long term loan (Notes 16)	34,344,848	26,982,782
Payables to related party:		
Deposits of GOL and agencies (Note 25)	8,752,217	18,219,613

Governors, Non-Executive Directors and other key management personnel

The following particulars relate to key management personnel including Board of Governors, Executive Governors and Directors, Loans to key management personnel were as follows:

	2017	**2016**
Loans outstanding at January 1	41,382	51,908
Loans granted during the period	14,302	18,300
Loans repaid during the period	(16,343)	(28,826)
Loans outstanding at December 31	39,341	41,382
Interest income earned	1,757	1,468

No provision has been recognized in respect of loans given to related parties. None of the key management personnel had a material interest, directly or indirectly, at any time during the year in any other significant transaction or arrangement with CBL.

	2017	**2016**
Salaries and short term benefits	193,854	166,793
Post-employment benefit	80,080	15,031
	273,934	181,824