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COPORATE INFORMATION

BOARD OF GOVERNORS

NON- EXECUTIVES	Doris Sheba Brown (Appointed 31 May, 2018) Elsie Dossen Badio – Acting Governor (Appointed 31 May, 2018) Richard Dorley – Acting Governor (Appointed 31 May, 2018)
EXECUTIVES	Nathaniel Patray – Executive Governor (Appointed 24 July, 2018) Milton A. Weeks, Executive Governor (Resigned 3 July, 2018) Charles E. Sirleaf, Deputy Governor for Operations Dr. Mounir Siaplay, Deputy Governor for Economic Policy
AUDITORS	KPMG Marlin House 13 Yiyiwa Drive Abelenkpe P. O. Box GP 242 Accra, Ghana Parker & Co. LLC Certified Public Accountants & Business Advisors 81 Sekou Toure Avenue Mamba Point P. O. Box 1921 Monrovia Liberia
SOLICITORS	Esther H. Barclay 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 four (4) Governors, made up of the Executive Governor who serves as Chairman of the Board and three (3) Non-Executive Governors. Two of the board Non-Executive members were in an acting position. 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.

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 and Parker & Co. LLC, 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, 2018.

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:

	2018	2017
	L$'000	L$'000
General reserves brought forward – January 1	(8,829,018)	(4,742,086)
Adjustment on initial application of IFRS 9	(2,630,074)	-
Operating losses attributed to shareholder	(6,019,980)	(4,086,932)
General reserves carried forward – December 31	(17,489,072)	(8,829,018)

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of the Central Bank of Liberia, as identified in the first paragraph, were approved by the Board of

Governors on .... and signed on their behalf by:

....
Nathaniel R. Patray, III
Executive Governor

....
Doris Sheba Brown 4-30-2019
Governor

KPMG

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 2018, 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 notes, as set out on pages 14 to 80.

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 2018, 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 of Opinion

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

Other Information

The Board of Governors are responsible for the other information. The other information comprise the Reports of the Board of Governors and Corporate Governance 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 partners on the audit resulting in this independent auditor's report are Frederick Nyan Dennis (ICAG/P/1426) on behalf of KPMG and P. Ernest Parker on behalf of Parker and Co. LLC:

KPMG	PARKER & CO., LLC
KPMG: (ICAG/F/2019/038) CHARTERED ACCOUNTANTS 13 YIYIWA DRIVE, ABELENKPE P. O. BOX GP 242 ACCRA GHANA	PARKER AND CO. LLC CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS P O BOX 1921, MAMBA POINT MONROVIA LIBERIA
3 May 2019	3 MAY 2019

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

	Note	2018	2017
Interest income	6	2,247,210	914,029
Fees and commission	7	482,841	375,044
Other income	8	183,310	115,665
Operating income		**2,913,361**	**1,404,738**
Impairment loss on financial assets	9	(2,101,203)	(33,457)
Administrative expenses	10	(5,905,414)	(3,432,866)
Provision for unsupported assets		-	(1,133,767)
Currency expense	11	(926,724)	(891,580)
Net operating loss for the year		**(6,019,980)**	**(4,086,932)**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re- measurement of pension plan	29	514,346	(3,217)
Foreign currency translational differences	30	13,235,910	9,563,144
Other comprehensive income for the year		13,750,256	9,559,927
Total comprehensive income		**7,730,276**	**5,472,995**

The notes on pages 14 to 80 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	2018	2017
Assets			
Cash and balances with central banks	12	14,015,500	17,977,808
Cash and balances with commercial banks	13	4,118,455	4,920,673
Loans and advances to operating banks	14	4,003,775	2,431,777
Loan and advances to non-banking financial institutions	15	128,527	37,454
Loans and advances to Government of Liberia	16	71,017,908	34,344,848
Investment securities	17	1,640,530	1,362,507
Deposits with International Monetary Fund (IMF)	18	77,640,611	64,648,780
Staff loans	19	689,961	404,370
Other assets	20	714,359	2,454,079
Intangible assets	21	751,711	959,483
Property, machinery and equipment	22	5,837,281	4,886,365
Total assets		**180,558,618**	**134,428,144**
Liabilities			
Currency in circulation	23	19,311,984	15,927,925
Deposits from commercial banks & forex bureau	24	17,457,678	15,592,450
Deposits of GOL and agencies	25	15,688,919	8,752,217
Amounts due to International Monetary Fund (IMF)	26	95,668,978	73,893,951
Other liabilities	27	10,789,039	4,284,798
Provident fund	28	628,139	414,297
Retirement benefit obligations	29	2,054,807	1,703,634
Total liabilities		**161,599,544**	**120,569,272**
Equity			
Share capital	30(a)	7,598,587	7,598,587
General reserve	30(b)	(17,479,072)	(8,829,018)
Translation reserve	30(c)	27,907,599	14,671,689
Other reserve	30(d)	931,960	417,614
Total equity		**18,959,074**	**13,858,872**
Total equity and liabilities		**180,558,618**	**134,428,144**

These financial statements were approved by the Board of Governors on .... and signed on its behalf by:

....	 4-30-2019
Nathaniel R. Patray III	*Doris Sheba Brown*
Executive Governor	*Governor*

The notes on pages 14 to 80 are an integral part of these financial statements.

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

	Share Capital	General Reserve	Other Reserve	Translation Reserve	Total Equity
Balance at December 31, 2017	**7,598,587**	**(8,829,018)**	**417,614**	**14,671,689**	**13,858,872**
Adjustment on initial application of IFRS 9	-	(2,630,074)	-	-	(2,630,074)
Total comprehensive income					
Net operating loss for the year		(6,019,980)	-	-	(6,019,980)
Other comprehensive income					
Re-measurement of pension plan	-	-	514,346	-	514,346
Translation difference	-	-	-	13,235,910	13,235,910
Total comprehensive income for the year	-	(6,019,980)	514,346	13,235,910	7,730,276
Balance at December 31, 2018	**7,598,587**	**(17,479,072)**	**931,960**	**27,907,599**	**18,959,074**

	Share Capital	General Reserve	Other Reserve	Translation Reserve	Total Equity
Balance at January 1, 2017	**7,598,587**	**(4,742,086)**	**420,831**	**5,108,545**	**8,385,877**
Total Comprehensive income					
Net operating loss for the year	-	(4,086,932)	-	-	(4,086,932)
Other comprehensive income					
Re-measurement of pension plan	-	-	(3,217)	-	(3,217)
Translation reserve	-	-	-	9,563,144	9,563,144
Total comprehensive income for the year	-	(4,086,932)	(3,217)	9,563,144	(5,472,995)
Balance at December 31, 2017	**7,598,587**	**(8,829,018)**	**417,614**	**14,671,689**	**13,858,872**

The notes on pages 14 to 80 are an integral part of these financial statements.

Statements of cash flows

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

	Note	2018	2017
Cash flows from operating activities			
Net operating loss for the year		(6,019,980)	(4,086,932)
Adjustments for:			
- Net impairment loss	9	2,101,203	33,457
- Interest income	6	(2,247,210)	(914,029)
- Asset written off	21, 22	21,344	-
- Depreciation	22	500,916	415,212
- Amortization	21	534,402	143,068
- Profit on disposal of machinery and equipment	22	(197)	(341)
		(5,109,522)	(4,409,565)
Changes in:			
- Staff loans	19	(323,002)	(111,607)
- Other assets	20	1,739,720	(1,373,662)
- Deposits with IMF	18	(12,991,831)	(7,323,707)
- Loans and advances to commercial banks	14	(1,578,770)	(396,319)
- Loans and advances to non-bank financial institutions	15	(154,704)	22,219
- Loans and advances to Government of Liberia	16	(33,984,227)	(7,362,066)
- Currency in circulation	23	3,384,059	3,172,560
- Deposits of commercial banks and forex bureau	24	1,865,228	2,882,317
- Deposits of Government of Liberia and agencies	25	6,936,703	(9,467,396)
- Amounts due to IMF	26	21,786,087	10,243,472
- Other liabilities	27	6,505,990	1,491,171
- Provident fund	28	213,842	105,284
- Retirement benefit obligations	29	351,173	369,782
		(11,359,254)	(12,157,517)
Interest received	6	2,247,210	914,029
Net cash used in operating activities		(9,112,044)	(11,243,488)
Cash flows from investing activities			
Purchase of machinery and equipment	22	(208,598)	(160,811)
Purchase of intangible assets	21	(159,615)	(68,411)
Proceeds from sale of machinery and equipment	22	745	3,270
Purchase of securities		(1,640,434)	(564,687)
Proceeds from sale of securities		1,362,411	296,887
Net cash used in investing activities		(645,491)	(493,752)
Net decrease in cash and cash equivalents		(9,757,535)	(11,737,240)
Cash and cash equivalents at 1 January		22,898,481	27,367,724
Effect of exchange rate fluctuations on cash and cash equivalents held		4,993,009	7,267,997
Cash and cash equivalents at 31 December	31	18,133,955	22,898,481

The notes on pages 14 to 80 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

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 30). 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;
- 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.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

1. General information (continued)

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 accounting policies set out below have been applied consistently to all the periods presented in these financial statements and have been applied consistently by the Bank.

2.1 Basis of Accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Additional information required by the CBL Act, 1999 have been included where appropriate. This is the first set of the Bank's annual financial statements in which IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been applied. Changes to significant accounting policies are described in Note 5.

2.1.1 Basis of Presentation

The financial statements have been prepared under the historical cost convention.

2.1.2 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$). This is in keeping with requirements of Part V Section 19 of the Central Bank of Liberia Act of 1999.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.1.3 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.

2.2 Use of Judgment and Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis.

a. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes.

– Applicable to 2018 only:

  – Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding. See Note 5.
  – Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL. Note 5.

b. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2018 is included in the following notes.

– Applicable to 2018 only:
  – Impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information. See Note 5

NOTES TO THE FINANCIAL STATEMENTS

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

2.3 Changes in accounting policies

The Bank has initially adopted IFRS 9 (see "a") and IFRS 15 (see "b") from 1 January 2018.

A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Bank's financial statements.

Due to the transition method chosen by the Bank in applying IFRS 9, comparative information throughout these financial statements has not generally been restated to reflect its requirements.

The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognised by the Bank. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

The effect of initially applying these standards is mainly attributed to the following:

– an increase in impairment losses recognised on financial assets (see Note 5); and
– additional disclosures related to IFRS 9 (see Note 5)

Except for the changes below, the Bank has consistently applied the accounting policies as set out in Note 2 to all periods presented in these financial statements.

a. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the Bank has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require separate presentation in the statement of comprehensive income of interest revenue calculated using the effective interest method. Previously, the Bank disclosed this amount in the notes to the financial statements.

Additionally, the Bank has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018, but have not been applied to the comparative information.
The key changes to the Bank's accounting policies resulting from its adoption of IFRS 9 are summarised below. The full impact of adopting the standard is set out in Note 5.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. For an explanation of how the Bank classifies financial assets under IFRS 9, see Note 5.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. For an explanation of how the Bank classifies financial liabilities under IFRS 9, see Note 3.8.

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Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments.

Under IFRS 9, credit losses are recognised earlier than under IAS 39. For an explanation of how the Bank applies the impairment requirements of IFRS 9, see Note 5.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

– Comparative periods generally have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9. To provide comparability to IAS 39 the Bank compares the total of stage 1 and stage 2 Expected Credit Loss (ECL) against IAS 39 portfolio provisions. Stage 3 is based on Bank's definition of default, which remains unchanged. Therefore, stage 3 ECLs is comparable with specific impairments raised under IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

– The determination of the business model within which a financial asset is held.

– If a debt security had low credit risk at the date of initial application of IFRS 9, then the Bank has assumed that credit risk on the asset had not increased significantly since its initial recognition.

For more information and details on the changes and implications resulting from the adoption of IFRS 9, see Note 5.

b. IFRS 15 Revenue from contract with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Bank initially applied IFRS 15 on 1 January 2018 retrospectively in accordance with IAS 8 without any practical expedients. The timing or amount of the Bank's fee and commission income from contracts with customers was not impacted by the adoption of IFRS 15.The impact of IFRS 15 was limited to the new disclosure requirements.

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2.4 Financial assets and financial liabilities

2.4.1 Recognition and initial measurement

The Bank initially recognises loans and advances, deposits, debt securities issued on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

2.4.2 Classification and subsequent measurement

Financial assets and liabilities - Policy before 1 January 2018

The Bank classifies its financial assets in the following categories: financial assets held at fair value through profit or loss; loans and receivables and available-for-sale financial assets.

Financial liabilities other than financial guarantees and loan commitments are classified as either held at fair value through profit or loss, or at amortised cost. Management determines the categorisation of its financial assets and liabilities at initial recognition.

a. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables comprise cash and cash equivalents, Balances with other Banks, loans and advances to customers and other assets.

Loans and receivables are initially recognized at fair value plus incremental direct transaction costs and are subsequently measured at amortized cost using the effective interest method less any impairment losses.

b. Held-to-maturity

Held-to-maturity assets comprise investment securities with fixed determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity.
Held to maturity assets are initially measured at fair value plus incremental direct transaction costs and subsequently measured at amortized cost using the effective interest method.
Any sale or reclassification of a significant amount of held to maturity asset not close to their maturity would result in the reclassification of all held to maturity assets as available-for-sale, and would prevent the Bank from classifying investment securities as held-to-maturity for the current and the following two financial years. Differences between the carrying amount (amortized cost) and the fair value on the date of the reclassification are recognized in other comprehensive income.

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c. Available-for-sale

Available-for-sale investments are non-derivative investments that are designated as available- for-sale or are not classified as another category of financial assets. Available-for-sale investments are measured at fair value after initial recognition. Available-for-sale financial assets comprise of investments in equity securities.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised.

Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit and loss.

Dividends on available-for-sale equity instruments are recognised in profit and loss in 'Dividend income' when the Bank's right to receive payment is established.

d. Other financial liabilities

Deposits, debt securities issued and subordinated liabilities are the Bank’s sources of debt funding.

Deposits from banks and customers, borrowings and other liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

e. Reclassification of financial assets

In addition, the Bank may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories, if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

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Financial assets and liabilities - Policy from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost, Fair value through other comprehensive income (FVOCI) or Fair value through profit or loss (FVTPL).

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

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

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

All other financial assets are classified as 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 amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

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Assessment of whether contractual cash flows are solely payments of principal and interest on principal.

For the purposes of 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 and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
  terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The Bank holds a portfolio of long-term fixed rate loans for which the Bank has the option to propose a revision of the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision.

The right to reset the rates of the loans based on the revision in market rates is part of the contractually agreed terms on inception of the loan agreement; therefore, the borrowers are obligated to comply with the reset rates without any option of repayment of the loans at par at any reset date. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies with the interest rate in a way that is considered a consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

a. Amortised cost

Financial assets at amortised cost comprises cash and cash equivalents, advances to Banks, loans and advances to customers, investment in Government securities and other assets.

They are initially recognized at fair value plus incremental direct transaction costs and are subsequently measured at amortized cost using the effective interest method less any impairment losses. Interest income from these financial assets is determined using the effective interest method and reported in profit or loss as 'Interest income'.

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b. Fair value through other comprehensive income (FVOCI)

The Bank elects to classify its investments in equity securities at FVOCI. The election is to present in other comprehensive income changes in fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.
Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

2.4.3 Derecognition

Financial assets

The Bank derecognises 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.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) 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 recognised in OCI is recognised in profit or loss.

From 1 January 2018 any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

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2.4.4 Modifications of financial assets and financial liabilities

Policy applicable before 1 January 2018

Financial assets
If the terms of a financial asset were modified, then the Bank evaluated whether the cash flows of the modified asset were substantially different. If the cash flows were substantially different, then the contractual rights to cash flows from the original financial asset were deemed to have expired. In this case, the original financial asset was derecognised and a new financial asset was recognised at fair value.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre- modification interest rate.

Financial liabilities

The Bank derecognised a financial liability when its terms were modified and the cash flows of the modified liability were substantially different. In this case, a new financial liability based on the modified terms was recognised at fair value. The difference between the carrying amount of the financial liability extinguished and consideration paid was recognised in profit or loss. Consideration paid included non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability was not accounted for as derecognition, then any costs and fees incurred were recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Policy applicable from 1 January 2018

Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:
fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

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If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

2.4.5 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

2.4.6 Fair value measurement

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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2.4.6 Fair value measurement (continued)

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.
If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

2.4.7 Impairment of financial assets

Policy applicable before 1 January 2018

(a) Assets carried at amortised cost

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

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

(a) significant financial difficulty of the issuer or obligor;
(b) a breach of contract, such as a default or delinquency in interest or principal payments;
(c) granting the borrower, the economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
(d) a likely probability that the borrower will enter bankruptcy or other financial reorganisation;
(e) the disappearance of an active market for that financial asset because of financial difficulties; or
(f) observable data indicating that there is a measurable decrease in estimated future cash flows from a portfolio of financial assets, since 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 assets in the portfolio.

The estimate period between a loss occurring and its identification is determined by local management for each identified portfolio. In general, the periods used vary between 3 and 12 months, in exceptional cases, longer periods are warranted.

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

The amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using observable market prices.

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

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of The Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

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

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

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

(b) Assets classified as available-for-sale

The Bank assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired at each reporting date. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

(c) Renegotiated loans

Forbearance’ describes concessions made on the contractual terms of a loan in response to an obligor’s financial difficulties. A loan is classed as ‘renegotiated’ when the contractual payment terms are modified, on concessionary terms, because the Bank has significant concerns about the borrowers’ ability to meet contractual payments when due. Loans that have been identified as renegotiated retain this designation until maturity or derecognition.

A loan that is renegotiated is derecognised and the renegotiated loan recognised as a new loan at fair value if the existing agreement is cancelled and a new agreement is made on substantially different terms, or if the terms of an existing agreement are modified such that the renegotiated loan is substantially a different financial instrument. The difference between the carrying amount of the original facility and the new restructured facility is recognised in profit or loss as gain or loss on derecognition of renegotiated loans. Any fee income earned is recognised as part of the gain or loss on derecognition and do not adjust the carrying amount of the new modified facility unless it can be demonstrated that the fee income relates to the new modified facility and not to the existing one.

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Loans arising as a result of derecognition events will continue to be disclosed as renegotiated loans.

Credit quality of renegotiated loans

On execution of a renegotiation, the loan will also be classified as impaired if it is not already so classified. All facilities are considered impaired following the provision of a renegotiated loan. Loans that are considered impaired retain the impaired classification for a minimum of 180 days before being reclassified as a performing loan. Renegotiated loans will continue to be disclosed as impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows (the evidence typically comprises a history of payment performance against the original or revised terms), and there are no other indicators of impairment.

Renegotiated loans and recognition of impairment allowances

The impairment loss before an expected restructuring is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

(d) Presentation

Impairment losses were recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired assets continued to be recognised through the unwinding of the discount.

Impairment losses on available-for-sale investment securities were recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that was reclassified from equity to profit or loss was the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment attributable to the application of the effective interest method were reflected as a component of interest income.

(e) Write-off

The Bank wrote off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when Bank Credit determined that there was no realistic prospect of recovery.

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Policy applicable from 1 January 2018

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:
– financial assets that are debt instruments;
– financial guarantee contracts issued; and
– loan commitments issued.

No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:
– debt investment securities that are determined to have low credit risk at the reporting date; and
– other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

– financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
– financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
– undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
– financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

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Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

– If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
– If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
– significant financial difficulty of the borrower or issuer;
– a breach of contract such as a default or past due event;
– the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
– the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.

– The market's assessment of creditworthiness as reflected in the bond yields.
– The rating agencies' assessments of creditworthiness.
– The country's ability to access the capital markets for new debt issuance.
– The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
– The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political

intent, whether there is the capacity to fulfil the required criteria.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:
– financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
– loan commitments and financial guarantee contracts: generally, as a provision and
– where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

2.5 Interest

Policy applicable before 1 January 2018

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the estimates cash flows considering all contractual terms of the financial instrument, including prepayment options, but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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Policy applicable from 1 January 2018

Calculation of interest income and expense

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

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

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

Presentation
Interest income calculated using the effective interest method presented in the statement of comprehensive income consist of interest on financial assets measured at amortised cost;

Interest expense presented in the statement of comprehensive income consist of financial liabilities measured at amortised cost.

2.6 Fees and commissions income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred, together with related direct costs, and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or retained a part at the same effective interest rate as the other participants. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

2.7 Cash and bank balances

Cash and bank balances include notes and coins on hand, unrestricted balances held with the Central Bank and highly liquid financial assets with original maturities of three (3) months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments.

Cash and bank balances are carried at amortised cost.

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2.8 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

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.

2.9 Intangible assets

On initial recognition, intangible assets are recognized at cost. Intangible assets consist of Great Plains Accounting software, Bank master, Evercoss, IDEA software, Eview Statistical software payment and credit reference systems software and WIP and WIP-Document Management Software. 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.

NOTES TO THE FINANCIAL STATEMENTS

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2.10 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.

2.11 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
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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 Bank. 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.

d) National Social Security & Welfare Corporation (NASSCORP)

Under the national pension scheme, the Bank contributes 6% 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 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.

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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 payments 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.

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.

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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.

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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.

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2.22 Contingent Liabilities

Contingent liabilities
A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

2.23 Financial guarantees and loan commitments

Financial guarantee contracts are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at below-market interest rates are initially recognized at fair value and amortized over the life of the guarantee or commitment. The liability is subsequently carried at the higher of the amortized amount and the present value of any expected payments to settle the liability, when payment becomes probable. Financial guarantees and commitments to provide a loan at below-market rates are included within other liabilities.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2019, and have not been applied in preparing these financial statements. Those which may be relevant to the Bank are set out below. The Bank does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated.

Of those standards that are not yet effective, IFRS 16 is expected to have a significant impact on the Bank’s financial statements in the period of initial application.

IFRS 16 Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases- Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of Lease*.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adopting is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16 Leases.

The Bank is yet to start an initial assessment of the potential impact on its financial statements.

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Transition

The Bank currently plans to apply IFRS 16 initially on 1 January 2019.

As a lessee, the Bank can either apply the standard using a:

- Retrospective approach - the standard is applied retrospectively to each prior reporting period presented applying IAS 8; or
- Modified retrospective approach with optional practical expedients - the standard is applied retrospectively with the cumulative effect of initially applying IFRS 16 recognised in the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application, instead of restating comparative information.

The lessee applies the election consistently to all of its leases. The Bank has not yet determined which transition approach to apply. As a lessor, the Bank is not required to make any adjustments for leases except where it is an intermediate lessor in a sub-lease. The Bank has not yet quantified the impact on its reported assets and liabilities of the adoption of IFRS 16. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the Bank uses the practical expedients and recognition exemptions, and any additional leases that the Bank enters into. The Bank expects to disclose its transition approach and quantitative information before adoption.

Other standards

The following amended standards are not expected to have a significant impact on the Bank's financial statements.

- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to References to Conceptual Framework in IFRS Standards
- IFRS 17 Insurance Contracts.

3.1. 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.

3.2 Credit risk

The Central Bank takes on exposure to credit risk, which is the risk that a 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.

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3.2.1. 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.

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.

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.

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3.2.2. 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	FVOCI Equity Investment	Amortised Cost-	Total carrying amount
At December 31, 2018			
Financial assets			
Cash and balances with Central banks	-	14,015,500	14,015,500
Cash and balances with Commercial banks	-	4,118,455	4,118,455
Loans, advances and overdraft to bank	-	4,003,775	4,003,775
Loan and advances to non-banking financial institutions	-	128,527	128,527
Loans and advances to Government of Liberia	-	71,017,908	71,017,908
Investment securities	-	1,640,530	1,640,530
Deposits with IMF	-	77,640,611	77,640,611
Staff loans	-	689,961	689,961
Other assets	-	389,614	389,614
	-	173,644,881	173,644,881
Financial liabilities			
Currency in circulation	-	19,311,984	19,311,984
Deposit from commercial banks and forex bureau	-	17,457,678	17,457,678
Deposits of GOL and agencies	-	15,688,919	15,688,919
Due to IMF	-	95,668,978	95,668,978
Other liabilities	-	10,789,039	10,789,039
	-	158,916,598	158,916,598

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3.2.3. Impairment and provisioning policy (continued)

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
	==	==	=========

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

		2018		**2017**	
	Group	**Amount**	**Percentage of financial assets**	**Amount**	**Percentage of financial assets**
Cash and balances with central banks	I	14,015,500	8.07	17,977,808	14.03
Cash and balances with commercial banks	I	4,118,455	2.37	4,920,673	3.84
Loans and advances to operating banks	I	4,003,775	2.31	2,431,777	1.90
Investment security	I	1,640,530	0.94	1,362,507	1.06
Due from IMF	I	77,640,611	44.71	64,648,780	50.46
Staff loans	I	689,961	0.40	404,370	0.32
Other assets	I	389,614	0.22	1,993,975	1.56
Loan and advances to GOL	II	71,017,908	40.90	34,344,848	26.81
Loans and advances to NBFI	II	128,527	0.07	37,454	0.03
		---------------	-----	---------------	-----
		173,644,881	100	128,122,192	100
		=========	===	=========	===

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

Category	**2018**	**2017**
Group I	102,448,499	93,739,890
Group II	67,866,780	34,382,302
	---------------	---------------
Total	**170,315,280**	**128,122,192**
	=========	=========

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

3.2.4. Maximum exposure to credit risk before collateral held or other credit enhancements at December 31, 2018 and December 31, 2017 (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 staff loans.

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 and loan and advances to Non-Bank financial institutions

The above table 3.2.4 represents a worst-case scenario of credit risk exposure to the Bank at December 31, 2018 and December 31, 2017 without taking account of any collateral held or other credit enhancements attached. The exposures set out above are based on carrying amounts as reported in the Statement of financial position.

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.

3.2.5. 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, 2018

	Loans and advances to GOL	Loans and advances to staff	Balances with Central bank & Comm. banks	Loans and advances to operating banks	Loans and advances to non-banking financial institutions	Other assets
Neither past due nor impaired	60,674,176	689,559	18,133,955	4,099,536	-	389,614
Past due but not impaired	3,151,128	-	-	-	-	-
Individually impaired	-	49,947	-	-	540,272	-
	-------------	----------	-------------	-------------	----------	------------
Gross	63,825,304	739,506	18,133,955	4,099,536	540,272	389,614
Less: allowance for Impairment	(6,080,402)	(49,545)	(15,062)	(95,761)	(411,745)	-
	-------------	----------	-------------	------------	---------	----------
Carrying value	57,744,902	689,961	81,619,228	4,003,775	128,527	389,614
	========	======	========	=======	=====	======

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

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

December 31, 2017

	Loans and advances to GOL	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
	========	======	========	=======	=====	=======

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

(a) Neither past due nor impaired

Loans and advances neither past due nor impaired are loans 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.

	2018	**2017**
Cash and balances with central banks	14,015,500	17,977,808
Balances with commercial banks	4,118,455	4,920,673
Loans and advances to GOL	67,866,780	35,707,355
Loans and advances to operating banks	4,003,775	2,431,777
Loans and advances to Non-banking financial institutions	-	-
Deposits with IMF	77,640,611	64648780
Investment securities	1,640,530	1,362,507
Loan and advances to staff	640,015	404,370
Other assets	389,614	635,054
	170,315,280	62,077,037

b) Past due but not impaired

This is a short-term advance the Government of Liberia which is due but have not been repaid.

	2018	**2017**
Advance to GOL	3,151,128	-
	3,151,128	-

(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:

	2018	**2017**
Loan and advances to non-bank financial institutions	540,272	546,741
	540,272	546,741

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

3.3. 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.

3.3.1 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:

3.3.2 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.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

3.3.3. 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, 2018

	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
Assets					
Cash and balances with central banks	14,015,500	-	-	-	14,015,500
Cash balances with commercial banks	4,118,455	-	-		4,118,455
Loans and advances to operating banks	-	-	2,900,880	1,102,895	4,003,775
Loans and advances to non-banking financial institutions	128,527	-	-	-	128,527
Loans and advances to GOL	37,648,530	-	-	33,369,378	71,017,908
Investment securities	-	1,640,530	-	-	1,640,530
Due from IMF	-	-	77,640,611	-	77,640,611
Staff loans	27,302	77,787	510,096	74,776	689,961
Other assets	389,614	-	-	-	389,614
Total assets	**56,327,928**	**1,718,317**	**80,051,587**	**34,547,049**	**173,644,881**
Liabilities					
Currency in circulation	19,311,984	-	-	-	19,311,984
Deposits from commercial banks & forex bureau	17,457,678	-	-	-	17,457,678
Deposits of GOL and agencies	15,688,920	-	-	-	15,688,920
Due to IMF	-	-	95,668,978	-	95,668,978
Other liabilities	10,789,039	-	-	-	10,789,039
Total liabilities	**63,247,621**	**-**	95,668,978	**-**	**158,916,599**
Liquidity gap	**(6,919,693)**	**1,718,317**	**(14,617,391)**	**34,547,049**	**14,728,282**

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

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

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	1,102,895	2,431,777
Loans and advances to non-banking financial institutions	-	-	37,454	-	37,454
Loans and advances to GOL		30,827	-	878,150	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

3.3.4. 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.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

3.4 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, 2018

	Up to 1 year	**1-5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
Assets					
Cash and balances with central banks	5,824,446	-	-	8,191,054	14,015,436
Cash and balances with commercial bank	3,979,352	-	-	139,103	4,118,455
Loans and advances to operating banks	-	4,003,775	-	-	4,003,775
Loans and advances to non-banking	-		-	-	-
financial institutions	-	-	-	128,527	128,527
Loans and advances to GOL	3,979,352		32,511,660	26,671,484	71,017,908
Investment security	1,640,530	-	-	-	1,640,530
Deposits with IMF	-	28,772,232	-	48,868,379	77,640,611
Staff loans	105,089	510,096	74,776	-	689,961
Other assets	-	-	-	389,614	389,614
Total financial assets	**15,528,769**	**33,286,103**	**40,441,848**	**84,388,161**	**173,644,881**

NOTES TO THE FINANCIAL STATEMENTS

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

3.4 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	-	-	-	19,311,984	19,311,984
Deposits from commercial banks & forex bureau	-	-	-	17,457,678	17,457,678
Deposits of GOL and agencies	-	-	-	69,766,579	69,766,579
Due to IMF	-	-	-	95,668,978	95,668,978
Other liabilities	-	-	-	10,789,039	10,789,039
Total financial liabilities	**-**	**-**	**-**	**212,994,258**	**212,994,258**
Total interest rate repricing gap	**83,588,904**	**53,507,035**	**-**	**(200,416,650)**	**(63,320,711)**

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

	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**

NOTES TO THE FINANCIAL STATEMENTS

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

3.4 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, 2018. 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, 2018	**United States Dollar**	**SDR**	**Total**
Assets			
Cash and balances with central banks	12,090,144	-	12,090,144
Cash and balances with commercial banks	3,849,634	-	3,849,634
Loans and advances to commercial banks	2,897,318		2,897,318
Loan and advances to non-banking financial institutions (NBFI)	-	-	-
Loans and advances to Government of Liberia	64,914,374	-	64,914,374
Investment security	1,640,434	-	1,640,434
Deposits with IMF	-	77,640,611	77,640,611
Staff loans	689,961	-	689,961
Other assets	78,364	-	78,364
Total financial assets	**86,160,229**	**77,640,611**	**163,800,840**
Liabilities			
Deposit from commercial banks and forex bureau	10,857,839	-	10,857,839
Deposits of GOL and agencies	2,043,875	-	2,043,875
Amount due from IMF	-	95,668,978	95,668,978
Other liabilities	8,409,093	-	8,409,093
Total financial liabilities	**21,310,807**	**95,668,978**	**116,979,785**
Net financial position	**64,849,422**	**(18,028,367)**	**46,821,055**

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

3.4 Market risk (continued)

b) Foreign exchange risk (continued)

Concentration of currency risk on financial instruments

At December 31, 2017	United States Dollar	Others	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	4,920,673
Loans, advances and overdraft to commercial banks	1,847,878	-	2,431,777
Loan and advances to non-banking financial institutions (NBFI)	-	-	37,454
Loans and advances to Government of Liberia	28,333,271	-	34,344,849
Investment security (held-to-maturity)	797,820	-	1,362,507
Deposits with IMF	-	64,648,780	64,648,780
Staff loans	404,370	-	404,370
Other assets	1,819,495	-	2,454,079
Total financial assets	**55,968,808**	**64,660,446**	**128,582,297**
Liabilities			
Currency in circulation	-	-	15,927,925
Deposit from commercial banks and forex bureau	9,568,732	-	15,592,450
Deposits of GOL and agencies	5,309,338	-	8,752,217
Amount due from IMF	-	73,893,951	73,893,951
Other liabilities	2,588,425	-	4,284,798
Total financial liabilities	**17,466,495**	**73,893,951**	**118,451,341**
Net financial position	**38,502,313**	**(9,233,505)**	**10,130,956**

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

	Average		Reporting	
	2018	**2017**	**2018**	**2017**
US$ 1	144.19	112.06	157.56	125.45
EURO 1	165.15	143.88	182.39	150.45
SDR 1	167.14	137.15	188.94	145.33

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

3.4 Market risk (continued)

3.4.1 Foreign Exchange Sensitivity

The following table shows the effect of a strengthening or weakening of LR$ against the currencies listed below on profit or loss and equity. This sensitivity analysis indicates the potential impact on profit or loss and equity based on foreign currency exposures recorded at 31 December. (See “currency risk” above).

It does not represent actual or future gains or losses.

A strengthening/weakening of the LR$ by the rates shown in the table against the following currencies at 31 December would have impacted equity and profit or loss by the amounts shown below:

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

As of 31 Dec	**2018**			**2017**		
in LR$’000	% Change	Profit or loss impact: Strengthening	Equity impact: Strengthening	% Change	Profit or loss impact: Strengthening	Equity impact: Strengthening
US$	±9	191,878	143,908	±1	5,471	4,103
SDR	±0.02	222,408	266,709	±0.02	277,021	202,279

NOTES TO THE FINANCIAL STATEMENTS

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

3.5. 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, 2018 and December 31, 2017 respectively:

	Carrying Value		Fair Value	
	2018	**2017**	**2018**	**2017**
Financial assets				
Cash and balances with central banks	14,015,500	17,977,808	14,015,500	17,977,808
Cash and balances with commercial banks	4,118,455	4,920,673	4,118,455	4,920,673
Loans and advances to operating banks	4,003,775	2,431,777	1,914,816	2,431,777
Loan and advances to non-banking financial institutions	128,527	37,454	128,527	37,454
Loans and advances to GOL	71,017,908	34,344,848	54,597,875	22,905,209
Investment securities	1,640,530	1,362,507	1,640,530	1,362,507
Due from International Monetary Fund	77,640,611	64,648,780	77,640,611	64,648,780
Staff loans	689,961	404,370	689,961	404,370
Other assets	389,614	2,454,079	389,614	2,454,079
Total financial assets	173,644,881	128,582,296	155,135,889	117,142,657
Financial liabilities				
Currency in circulation	19,311,984	15,927,925	19,311,984	15,927,925
Deposits from commercial banks and forex bureau	17,457,678	15,592,450	17,457,678	15,592,450
Deposits of GOL and agencies	15,688,920	8,752,217	15,688,920	8,752,217
Due to the International Monetary Fund	95,668,978	73,893,951	95,668,978	73,893,951
Other liabilities	10,789,039	4,284,798	10,789,039	4,284,798
Total financial liabilities	158,916,599	118,451,341	158,916,599	118,451,341

(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.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

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

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 29.

5. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

31 December 2018	FVOCI- Equity instruments LR$'000	Amortised cost LR$'000	Total carrying amount LR$'000
At December 31, 2018			
Financial assets			
Cash and balances with Central banks	-	14,015,500	14,015,500
Cash and balances with Commercial banks	-	4,118,455	4,118,455
Loans, advances and overdraft to bank	-	4,003,775	4,003,775
Loan and advances to non-banking financial institutions	-	128,527	128,527
Loans and advances to Government of Liberia	-	71,017,908	71,017,908
Investment securities	-	1,640,530	1,640,530
Deposits with IMF	-	77,640,611	77,640,611
Staff loans	-	689,961	689,961
Other assets	-	714,359	714,359
	-	173,969,626	173,969,626
Financial liabilities			
Currency in circulation	-	19,311,984	19,311,984
Deposit from commercial banks and forex bureau	-	17,457,678	17,457,678
Deposits of GOL and agencies	-	15,688,920	15,688,920
Due to IMF	-	95,668,978	95,668,978
Other liabilities	-	10,789,039	10,789,039
	-	158,916,599	158,916,599

NOTES TO THE FINANCIAL STATEMENTS

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

5. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

31 December 2017	Other Held-to-Maturity LR$'000	Total Loans and receivables LR$'000	Available-for-sale LR$'000	Financial liabilities LR$'000	carrying amount LR$'000
Financial assets					
Cash and balances with central banks	-	17,977,808	-	-	17,977,808
Cash and balances with commercial banks	-	4,920,673	-	-	4,920,673
Loans and advances to operating banks	-	2,431,777	-	-	2,431,777
Loan and advances to non-banking financial institutions	-	37,454	-	-	37,454
Loans and advances to GOL	-	34,344,848	-	-	34,344,848
Investment securities (HTM)	1,362,507	-	-	-	1,362,507
Due from International Monetary Fund	-	64,648,780	-	-	64,648,780
Staff loans	-	404,370	-	-	404,370
Other assets	-	2,454,079	-	-	2,454,079
Total financial assets	**1,362,507**	**127,219,789**	**-**	**-**	128,582,296
Financial liabilities					
Currency in circulation	-	-	-	15,927,925	15,927,925
Deposits from commercial banks and forex bureau	-	-	-	15,592,450	15,592,450
Deposits of GOL and agencies	-	-	-	8,752,217	8,752,217
Due to the International Monetary Fund	-	-	-	73,893,951	73,893,951
Other liabilities	-	-	-	4,284,798	4,284,798
Total financial liabilities	-	-	-	118,451,341	118,451,341

NOTES TO THE FINANCIAL STATEMENTS

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

(a) The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Bank's financial liabilities as at 1 January 2018.

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 LR$'000	New carrying amount under IFRS 9 LR$'000
Cash and balances with central banks		Loans and receivables	Amortised cost	17,977,808	17,977,808
Cash and balances with commercial banks		Loans and receivables	Amortised cost	4,920,673	4,920,107
Loans and advances to operating banks		Loans and receivables	Amortised cost	2,431,777	2,438,549
Loan and advances to non-banking financial institutions		Loans and receivables	Amortised cost	37,454	101,085
Loans and advances to GOL		Loans and receivables	Amortised cost	34,344,848	31,656,015
Investment securities (HTM)		Loans and receivables	Amortised cost	1,362,507	1,326,828
Due from International Monetary Fund		Loans and receivables	Amortised cost	64,648,780	64,637,719
Staff loans		Loans and receivables	Amortised cost	404,370	441,781
Other assets		Loans and receivables	Amortised cost	2,454,079	2,454,079
Financial guarantees issued		Loans and receivables	Amortised cost	9,479,002	9,477,253
				138,061,298	135,431,224
Currency in circulation		Other financial liabilities	Amortised cost	15,927,925	15,927,925
Deposits from commercial banks and forex bureau		Other financial liabilities	Amortised cost	15,592,450	15,592,450
Deposits of GOL and agencies		Other financial liabilities	Amortised cost	8,752,217	8,752,217
Due to the International Monetary Fund		Other financial liabilities	Amortised cost	73,893,951	73,893,951
Other liabilities		Other financial liabilities	Amortised cost	4,284,798	4,284,798
				118,451,341	118,451,341

The Bank's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 3. The application of these policies resulted in the reclassifications set out in the table above and explained below:

a. Certain equity investments held by the Bank for strategic purposes to be designated under IFRS 9 as at FVOCI. Before the adoption of IFRS 9, these securities were measured at cost because their fair value was not considered to be reliably measureable. IFRS 9 has removed this cost exception.

b. Before the adoption of IFRS 9, investment securities were designated as available-for-sale. On the adoption of IFRS 9, the designation was revoked and classified as amortised cost based on a held-to-collect business model. The carrying amount of investment securities was adjusted so that their amortised cost under IFRS 9 was as if those assets were accounted for at amortised cost from their inception.

NOTES TO THE FINANCIAL STATEMENTS

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

The table analyses the movement of the loss allowance during the year per class. All the balances are at amortised cost.

	Stage 1	Stage 2	Stage 3	
Staff loans	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Balance at 1 January	13,038	-	36,959	49,997
Changes in loss allowance due to				
- Increase in credit risk	3,088	-	2,024	(5,112)
- Decrease in credit risk	(1,497)	-	(19,758)	(21,255)
- New financial assets originated	4,340	-	9,306	13,646
- De-recognition of financial asset	(665)	-	-	(665)
- Other movements	-	-	2,710	2,710
Loss allowance at 31 December	18,303	-	31,242	49,545
Loans and advances to banks				
Balance at 1 January	558,783	-	20,673	579,457
Changes in loss allowance due to				
- Increase in credit risk	29,633	-	-	29,633
- Decrease in credit risk	(34,140)	-	-	(34,140)
- De-recognition of financial asset	-	-	(20,673)	(20,673)
Loss allowance at 31 December	554,276	-	-	554,276
Due from IMF				
Balance at 1 January	11,060	-	-	11,060
Changes in loss allowance due to				
- Increase in credit risk	3,270			3,270
- Decrease in credit risk	(3)	-	-	(3)
Loss allowance at 31 December	14,327	-	-	14,327
Loans and advances to GOL				
Balance at 1 January	3,961,961	-	-	3,961,961
Changes in loss allowance due to				
- Transfer to stage 2	(210,744)	210,744	-	-
- Increase in credit risk	1,772,389	94,538	-	1,866,926
- Decrease in credit risk	(10,970)	-	-	(10,970)
- New financial assets originated	265,407	-	-	265,407
Loss allowance at 31 December	5,778,042	305,282	-	6,083,325

NOTES TO THE FINANCIAL STATEMENTS

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

Investment securities				
Balance at 1 January	100			100
Changes in loss allowance due to				
- Decrease in credit risk	(72)	-	-	(72)
- De-recognition of financial asset	(28)	-	-	(28)
	----	-----	-----	----
Loss allowance at 31 December	18	-	-	18
	==	===	===	==

The following table reconciles the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 on the transition to IFRS 9 on 1 January 2018.

	IAS 39 Carrying amount LR$'000	**Remeasurement/ reclassification LR$'000**	**IFRS 9 Carrying amount LR$'000**
Financial Assets			
Amortised cost			
Treasury bills and bonds			
Opening balance	1,362,506	-	1,362,506
Re-measurement	-	35,680	35,680
	------------	--------	------------
Closing balance	1,362,506	35,680	1,326,826
	------------	--------	------------
Exposure to IMF			
Opening balance	64,648,780	-	64,648,780
Re-measurement	-	11,061	11,061
	--------------	---------	-------------
Closing balance	64,648,780	11,061	42,637,719
	--------------	---------	-------------
Sovereign exposure			
Opening balance	43,823,850	-	43,823,850
Re-measurement	-	2,690,582	2,690,582
	------------	------------	-------------
Closing balance	43,823,850	2,690,582	64,637,719
	------------	------------	-------------
Exposure of commercial banks			
Opening balance	7,352,450	-	7,352,450
Re-measurement	-	7,338	7,338
	------------	-------	------------
Closing balance	7,352,450	7,338	7,359,788
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NOTES TO THE FINANCIAL STATEMENTS

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

Loans and advances to staff			
Opening balance	404,370	-	404,370
Re-measurement	-	(37,411)	(37,411)
	----------	------	------------
Closing balance	404,370	-	441,781
	----------	------	------------
Loans to Non-banking Financial institutions			
Opening balance	37,454	-	37,454
Re-measurement	-	63,631	-
	--------	---------	-----------
Closing balance	37,454	63,631	101,085
	---------	---------	-----------

The following table summarises the impact of transition to IFRS 9 on the opening balance of retained earnings. There is no impact on other components of equity

Retained earnings

	Impact of adopting IFRS 9 at 1 January 2018 LR$'000
Closing balance under IAS 39 (31 December 2017)	(8,829,018)
Reclassifications under IFRS 9 (net of tax)	-
Recognition of ECL under IFRS 9 (including financial guarantees)	(2,630,074)

Opening balance under IFRS 9 (1 January 2018)	(11,459,092)
	========

The following table reconciles:

- the closing impairment allowance for financial assets under IAS 39 and provisions for loan commitments and financial guarantee contracts under IAS 37 Provisions, Contingent Liabilities and Contingent Assets as at 31 December 2017; to

- the opening ECL allowance determined under IFRS 9 as at 1 January 2018.

	31 Dec 2017 (IAS 39)	**Reclassi-fication**	**Remeasure-ment**	**1 January 2018**
Investment securities	-	-	35,679	35,679
Exposure to IMF	-	-	11,061	11,061
Sovereign exposure at amortised cost	1,271,380	-	3,960,213	2,688,833
Loans and advances to banks	613,714	-	543,877	(69,837)
Loans and advances to staff	87,409	-	49,998	(37,411)
Financial guarantees issued	-	-	1,749	1,749
	------------	-------	------------	------------
	1,972,503	-	4,602,577	2,630,074
	=======	====	=======	=======

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

6. Interest income	**2018**	**2017**
GOL loans and advances	1,665,404	469,223
Investment securities	208,824	158,280
Placement and staff loans	372,982	286,526
	------------	----------
	2,247,210	914,029
	=======	======

7. Fees and commissions

Service fees and commissions	478,014	367,627
Note transfer fees	4,827	7,417
	----------	----------
	482,841	375,044
	======	======

8. Other income

Rental income	2,897	438
Fines	9,435	21,566
Rural banking check encashment	43,257	33,618
Spot charges on notes advanced	34,396	55,804
Other miscellaneous income	93,127	3,983
Gain on disposal of fixed assets	198	256
	----------	---------
	183,310	115,665
	======	=====

9. Impairment loss on financial assets

	2018	**2017**
Impairment charge	2,101,203	33,457
	=======	=====

10. Administrative expenses

Staff costs (i)	2,503,858	1,309,842
Board fees and expenses (ii)	50,541	65,828
Depreciation/amortization (notes 21 & 22)	1,035,203	557,961
Other administrative expenses (iii)	1,959,140	1,130,787
CBL contribution to regional bodies	356,672	368,448
	------------	------------
	5,905,414	3,432,866
	=======	=======

NOTES TO THE FINANCIAL STATEMENTS

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

10. Administrative expenses (cont'd)

(i) Staff costs:

	2018	2017
Salaries and wages	1,547,888	780,153
Social security contributions	38,409	37,598
Other personnel costs	408,684	175,957
(Gain)/loss on fair valuation of staff loan	35,728	(7,113)
Pension cost (Note 29):		
- Current service cost	377,364	259,339
- Interest cost	95,785	63,908
	2,503,858	1,309,842

The number persons employed by the Bank at the end of year was 403 (2017: 357)

(ii) Board fees and expenses

Board fees	37,698	44,339
Board expenses	12,843	21,489
	50,541	65,828

(iii) Other administrative expenses

	2018	2017
Vehicle fuel, insurance and maintenance	93,799	114,739
Property cost/occupancy	375,704	209,261
Office expenses	321,120	123,485
Professional services	340,761	142,671
Security and cleaning services	65,470	74,632
Travel expenses	188,691	118,027
Software, internet & network costs	379,648	241,740
Bank charges	3,841	82,806
Audit fees	24,252	13,447
Port and clearing charges	11,086	15,069
Vehicle scheme expense	43,545	31,489
Subscription and public relation	50,016	28,393
Other miscellaneous	61,207	21,619
	1,959,140	1,130,787

NOTES TO THE FINANCIAL STATEMENTS

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

11. Currency expense

Notes importation	257,904	81,911
Mute exportation	14,448	-
Cost of destroying bank notes	26,348	1,573
Amortization of currency printing cost-banknotes	628,024	808,096
	926,724	891,580

12. Cash and balances with central Banks

Cash on hand and in vault	9,809,192	4,525,759
Cash balances at rural branches	27,550	53,790
Balances with other central banks	5,830,864	14,288,337
Less: Liberian Dollars in vault and cash centers (Note 23)	(1,652,106)	(890,078)
	14,015,500	17,977,808

13. Cash and balances with Commercial Banks

Balances with local banks	124,588	514,251
Balances with foreign banks (commercial)	3,993,867	4,406,422
	4,118,455	4,920,673

14. Loans and advances to operating banks

Currency	**Years of maturity**	**2018 Carrying amount**	**2018 Face value**	**2017 Carrying amount**	**2017 Face value**
LIBA loans (a)	2020	434,048	441,132	361,083	359,982
Mortgage loans (b)	2024	1,326,320	1,450,148	1,125,642	1,095,650
RPAL(c)	2019	136,552	6,802	136,552	129,750
Agric loans (d)	2026	1,004,114	1,000,116	808,500	808,500
Repo/Special deposit	-	1,198,502	1,198,502	-	-
Impairment allowance	-	(95,761)	-	-	-
		4,003,775	4,096,700	2,431,777	2,393,882

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

(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%.

(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

	2018	**2017**
Loan Extension and Availability Facility (LEAF)	546,741	568,960
Specific allowance for impairment	(411,745)	(509,286)
Repayments	(6,469)	(22,219)
	---------	---------
	128,527	37,454
	======	=====

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

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

Loan	Currency	Maturity	2018 Carrying amount	2018 Face value	2017 Carrying amount	2017 Face value
GOL long term loan (a)	L$	2037	829,056	852,670	867,985	910,284
GOL long term loan (b)	US$	2037	32,540,322	35,222,141	26,175,939	30,332,589
Due to IMF (c)	SDR	-	13,906,319	3,023,037	5,137,451	644,493
GOL Short term loan (d)	US$	-	3,151,128	3,151,128	2,132,650	2,132,650
Other receivables (e)		-	26,671,484	28,402,005	30,823	30,823
Impairment allowance			(6,080,401)	-	-	-
			71,017,908	70,650,981	34,344,848	34,050,839

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%.

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, SDR 12.9million was advanced to the Government of Liberia as budgetary support resulting in the total amount due from GOL of SDR 35,360,000. The amount in the financial statement represents the L$ equivalent.

There were no movements in the IMF accounts except for interest accrued on SDR Holdings.

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

e. The Government of Liberia signed an MOU with the Bank to buy Liberian Dollars from the market to help stabilize the local currency. The bank was required to use its foreign reserves for the exercise and the Government agreed to refund the foreign currency used for the exercise. The bank has recognized the US$17 million it used as a receivable from the Government and it is include in Other receivables.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

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

e. Following the reconciliation of the bank's Clearing Settlement and Clearing Suspense accounts, an amount of US$ 62 million was debited to Government of Liberia to reflect unrecorded amounts in the Government account. This is also included under Other receivables.

17. Investment securities

	2018	2017
Investment in GOL treasury bills	96	564,687
Investment in GOL bonds	-	797,820
Other Investment Securities	1,640,434	-
	1,640,530	1,362,507

18. Deposits with International Monetary Fund (IMF)

	2018	2017
IMF quota subscription	48,822,055	37,552,900
Special drawing right holdings	28,824,422	22,393,142
Accrued remuneration	8,461	4,698,625
Reserve tranche position	-	4,113
	77,654,938	64,648,780
Impairment allowance	(14,327)	-
	77,640,611	64,648,780

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.

NOTES TO THE FINANCIAL STATEMENTS

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

18. Deposits with International Monetary Fund (IMF) (Cont'd)

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

	2018	2017
Gross amount	711,342	491,813
Impairment allowance	(49,545)	(18,030)
Fair value adjustment	28,164	(69,413)
	689,961	404,370

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

	2018	2017
Accounts receivable (i)	389,614	1,993,975
Prepaid expenses (ii)	174,077	207,698
Deferred currency cost (iii)	150,668	252,406
	714,359	2,454,079

NOTES TO THE FINANCIAL STATEMENTS

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

20. Other assets (continued)

	2018	**2017**
(i) Accounts receivable		
Due from others	19,449	15,486
Short term receivable – GOL	-	1,819,025
Interest receivable	-	230,485
Other receivable	370,165	13,185
Clearing suspense	-	1,289,294
	389,614	5,265,047
Less provision:		
Others	-	(104,428)
Provision for unsupported assets	-	(1,269,072)
	-	(3,271,072)
Net book amount	389,614	1,993,975

(ii) Prepaid expenses

	2018	**2017**
Rent	2,836	3,387
Insurance	1,129	829
Fixed asset in transit	114,079	58,201
Others	56,033	145,281
	174,077	207,698

(iii)

(iv) Deferred currency cost

At January 1	252,406	214,935
Addition	475,800	744,242
Amortization charge (note 11)	(628,024)	(808,096)
Exchange difference	50,486	101,325
At December 31	150,668	252,406

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

21. Intangible assets

	IDEA Software	Vregcoss Software	eView Econometrics Stats-Software	SP Monitor	Bank Master	Financial Accounting Software	Payment System	Credit Reference	WIP	Total
Cost										
At January 1, 2018	2,377	517,294	1,850	1,788	91,344	32,211	-	-	725,677	1,372,541
Additions	-	-	-	-	-	-	-	-	159,615	159,615
Reclassification	-	-	-	-	-	-	887,328	152,497	(1,039,825)	-
Disposals	-	-	-	-	-	-	-	-	(19,560)	(19,560)
Write off	-	-	-	-	-	-	-	-	(20,544)	(20,544)
Translation difference	608	132,391	474	458	23,378	8,243	-	-	196,802	362,353
At December 31, 2018	**2,985**	**649,685**	**2,324**	**2,246**	**114,722**	**40,454**	**887,328**	**152,497**	**2,165**	**1,854,405**
Accumulated amortization										
At January 1, 2018	1,188	287,385	565	348	91,344	32,211	-	-	-	413,041
Amortization charge	986	214,703	768	742	-	-	270,682	46,520	-	534,402
Disposal	-	-	-	-	-	-	-	-	-	-
Translation difference	396	93,456	216	158	23,378	8,243	25,094	4,312	-	155,252
At December 31, 2018	**2,570**	**595,544**	**1,549**	**1,248**	**114,722**	**40,454**	**295,776**	**50,832**	**-**	**1,102,695**
Net book value										
At December 31, 2018	**415**	**54,141**	**775**	**998**	**-**	**-**	**591,552**	**101,665**	**2,165**	**751,711**

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

21. Intangible assets (continued)

	IDEA Software	Vregcoss Software	eView Econometrics Stats-Software	SP Monitor	Bank Master	Financial Accounting Software	Payment System	Credit Reference	WIP	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

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, Payment system and Credit reference system and WIP-Document Management Software. 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, 2018 (December 31, 2017: nil).

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

22. Property, machinery and equipment

	Land	Building	Leasehold	Furniture Fixtures	Equipment	Motor Vehicle	Total
Cost							
At January 1, 2018	63,814	4,571,217	126,523	85,117	1,262,720	118,204	6,227,595
Additions	-	-	-	14,844	151,528	42,226	208,598
Write off	-	-	-	-	(800)	-	(800)
Disposals	-	-	-	-	(1,410)	-	(1,410)
Transfer from intangible assets	-	-	-		19,560	-	19,560
Translation difference	16,332	1,169,911	32,381	23,160	338,694	34,167	1,614,645
At December 31, 2018	**80,146**	**5,741,128**	**158,904**	**123,121**	**1,770,292**	**194,597**	**8,068,188**
Accumulated depreciation							
At January 1, 2018	-	222,338	126,523	44,284	880,510	67,574	1,341,229
Charge for the year	-	105,080	-	20,459	334,964	40,413	500,916
Disposal	-	-	-	-	(862)	-	(862)
Translation difference	-	66,646	32,381	13,231	256,324	21,042	389,624
At December 31, 2018	**-**	**394,064**	**158,904**	**77,974**	**1,470,936**	**129,029**	**2,230,907**
Net book value – at December 31, 2018	**80,146**	**5,347,064**	**-**	**45,147**	**299,356**	**65,568**	**5,837,281**

NOTES TO THE FINANCIAL STATEMENTS
(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, 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

Profit/loss on disposal of property, machinery and equipment

	2018	2017
Cost	1,410	113,755
Accumulated depreciation	(862)	(110,826)
Net book value	548	2,929
Proceed from disposal	745	3,270
Gain on disposal	197	341

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

23. Currency in circulation

	2018	2017
Liberian notes		
L$5	316,036	555,436
L$10	794,040	1,217,840
L$20	1,679,788	2,110,388
L$50	3,675,836	4,146,436
L$100	10,867,753	6,694,852
L$500	3,870,000	2,070,000
Total currency notes	21,203,453	16,794,952
Coins	23,050	23,050
Less:		
Liberian Dollars held by the bank and payment centers (note 12)	(1,652,106)	(408,779)
Mutes in vault*	(262,413)	(481,298)
	19,311,984	15,927,925

* 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

	2018	2017
Current accounts-commercial banks	17,407,506	15,544,312
Current accounts - noncommercial banks	46,195	35,542
Collection accounts - failed banks	1,121	9,840
Forex bureau deposits	2,856	2,756
	17,457,678	15,592,450

25. Deposits of GOL and agencies

Demand deposits-central government	878,049	832,406
Withholding taxes payable	54,514	36,425
Demand deposits-individual ministries & agencies	14,591,445	6,157,651
Small Medium Enterprises deposits	922	920
State owned enterprises	163,989	1,724,815
	15,688,919	8,752,217

26. Amount due to International Monetary Fund

	2018	2017
IMF SDR allocation	23,466,597	18,052,444
GRA accounts # 1 & #2	32,895,511	23,035,820
IMF securities	9,820,238	9,820,238
ECF loan	23,383,875	18,291,337
IMF Rapid Credit Facility Loan-RCF	6,102,757	4,694,112
	95,668,978	73,893,951

NOTES TO THE FINANCIAL STATEMENTS

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

26. Amount due to International Monetary Fund (cont'd)

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

	2018	2017
Account payables (i)	2,164,231	203,643
Deferred income	17,312	13,615
Payable to GOL	2,678,457	1,691,000
Provision for legal claims (Note 32)	-	1,024,124
Payable to foreign banks *	1,556,493	1,344,188
Micro-finance & other institutions	5,046	4,286
Payable to depositors of failed banks	1,869	3,942
Clearing Suspense	4,362,708	-
IFRS 9 Transition adjustment	2,923	-
	10,789,039	4,284,798

The Government of Liberia signed an MOU with the Bank to carry out a mop up exercise using the bank's foreign reserve. The Bank was supposed to sterilize the Liberia Dollar equivalent for a period of one year. The Bank has recognized the liability to Government when it receives the refund of the US$ 17 million dollars used for the mop up exercise.

NOTES TO THE FINANCIAL STATEMENTS

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

27. Other liabilities (continued)

(i) Accounts payable

	2018	**2017**
Official checks-CBL	70,066	35,377
Manager' checks-CBL	174,052	36,249
Stale checks payable	135,421	57,087
Due to Staff	3,829	4,963
Account payables	629,662	17,834
Accrued expenses	1,151,201	52,133
	------------	----------
	2,164,231	203,643
	=======	======

*Payable to foreign banks are liabilities that have been in existence for more than 10 years. It comprises of L$0.269 million payable to United Bank of Switzerland and L$1.2 billion payable to WAMA BCEAO.

28. Provident fund

	2018	**2017**
At January 1	414,297	309,013
Contributions during the year	123,473	90,530
Interest earned	11,662	4,185
Payments	(17,693)	(62,236)
Exchange difference	96,400	72,805
	----------	----------
At December 31	628,139	414,297
	======	======

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

	2018	**2017**
Statement of financial position obligation:		
Pension benefits	2,054,807	1,703,634
Statement of comprehensive income charge:		
Pension benefits	(41,196)	320,030

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

Present value of unfunded obligations:

NOTES TO THE FINANCIAL STATEMENTS
(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:

At January 1	1,703,634	1,337,069
Current service cost	377,364	259,339
Interest cost	95,786	63,908
Re-measurement	(514,346)	(3,217)
Benefit paid	(36,443)	(30,561)
Exchange difference	428,813	77,096
At December 31	2,054,807	1,703,634

The amounts recognized in the statement of comprehensive income:

Current service cost	377,364	259,339
Interest cost	95,786	63,908
Total included in staff cost (Note 10)	473,150	323,247
Re-measurement	(514,346)	(3,217)
Total included in statement of comprehensive income	(41,196)	320,030

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:

	2018	**2017**
Discount rate	5%	5%
Rate of Salary Increase	4%	5%
Rate of inflation	3%	10.8%

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.

30. Equity

(a) Share capital

	2018	**2017**
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

NOTES TO THE FINANCIAL STATEMENTS

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

30. Equity (continued)

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:

	2018	**2017**
Balances with central banks (Note 12)	14,015,500	17,977,808
Balances with commercial banks (Note 13)	4,118,455	4,920,673
	18,133,955	22,898,481

32. Contingent Liabilities

There were a number of legal proceedings outstanding against the Bank as at 31 December 2018 with contingent liabilities of L$2,979 million (2017: L$1,315 million). No provision has been made by the Bank for these cases.

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 to LOITA for an amount of L$7,878 million. The purpose of the notes was to reduce and eliminate the Government's arrears to the National Social Security and Welfare Corporation ("Nasscorp") in respect of pension contribution obligation for public sector employees.

The Central Bank also issued another financial guarantee to African Export-Import Bank ("Afrexim") on behalf of the Ministry of Finance and Development Planning for the benefit of Nasscorp. The amount of L$3,939 million was to enable Nasscorp finance investment in critical areas of the economy.

Another financial guarantee of L$3,939 was issued by the Central Bank to Afrexim on behalf of the Ministry of Finance and Development Planning for the benefit of Nasscorp to settle pension arrears owed Nasscorp in keeping with the Government's financial systems stability objectives.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian Dollars unless otherwise stated)

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

	2018	2017
GOL loans and advances (Note 6)	1,665,404	469,223
GOL investment securities (Note 6)	208,824	158,280
	1,874,228	627,503
Receivables from related party:		
Due from Government of Liberia (Notes 16)	71,017,908	34,344,848
Payables to related party:		
Deposits of GOL and agencies (Note 25)	15,688,920	8,752,217

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:

	2018	2017
Loans outstanding at January 1	39,341	41,382
Loans granted during the period	-	14,302
Loans repaid during the period	(13,911)	(16,343)
Translational difference		
Loans outstanding at December 31	25,430	39,341
Interest income earned	964	1,757

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.

	2018	2017
Salaries and short term benefits	185,559	193,854
Post-employment benefit	39,323	80,080
	244,882	273,934