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COPORATE INFORMATION

BOARD OF GOVERNORS	Milton A. Weeks Executive Governor (Appointed May 1, 2016) J. Mills Jones-Executive Governor (Retired February 15, 2016) David Farhat (Appointed October 30, 2013) Melissa A. Emeh (Appointed January 9, 2015) Elsie Dossen Badio (Appointed May 1, 2016) Kollie Tamba (Appointed May 1, 2016)
AUDITOR	KPMG Marlin House 13 Yiyiwa Drive Abelenkpe P. O. Box GP 242 Accra, Ghana
SOLICITOR	Joseph K. Jallah Counselor Central Bank of Liberia Post Office Box 2048 Monrovia, Liberia
REGISTERED OFFICE	Central Bank of Liberia Post Office Box 2048 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 adapted internationally recognized standard accounting practices and has implemented rigorous internal controls to facilitate the reliability of the financial statements.

The Board of Governors

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

The Audit Committee

The Audit Committee is made up of four (4) Governors, one of which 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 includes; 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 of Operations, who is the Chairman, four (4) Directors and the Legal Counsellor. The committee meets on a quarterly basis. The terms of reference of the committee are determined by the main Board. The Financial Stability Committee is responsible for the stability of the banking system and promoting its contribution to economic growth and increased participation of Liberian entrepreneurs in the national economy. A reform agenda was drafted geared towards ensuring that banks are adequately capitalized with appropriate management procedures and internal controls and the Central Bank has the capacity to effectively supervise and regulate the activities of the commercial banks.

CORPORATE GOVERNANCE (continued)

Compliance Committee

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

Money Management and Policy Review Committee

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

Board Investment Committee

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

External Auditors

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

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

The Governors take pleasure in presenting their report with the audited financial statements of the Central Bank of Liberia for the year ended December 31, 2016.

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 period ended. In preparing the financial statements, the Board of Governors is 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, including gold;
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 the proper regulations and standards, as needed.

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

The Loan Extension and Availability Facility (LEAF) program

The Central Bank of Liberia (CBL) has been championing the Government of Liberia's fight against poverty through an agenda that provides access to finance and creates an inclusive financial environment for all in Liberia. A number of economic intervention schemes have been developed and are being implemented through participating commercial banks. These schemes have provided access to finance capital to Liberian-owned SMEs, for agriculture projects, mortgage etc. CBL recognized, that despite these interventions, a large number of Liberians were still being excluded with lack of access, primarily because this huge segment of the Liberian population operated in the microfinance sector and did not have collateral requirements required to access finance. It was against this backdrop that The Loan Extension and Availability Facility (LEAF) program was conceived and launched in January, 2012. LEAF is being administered by CBL's Microfinance and Financial Inclusion Unit as a collateral-free economic intervention.

The core focus of implementation is achieving the objectives as approved by the Board of Governors; which include:

- Provide access to finance to microfinance sector;
- Ensuring that beneficiaries under the program derive and retain economic benefits;
- Promoting the integration of beneficiaries into formal sector of the economy;
- Creating and enhancing economic activities in rural Liberia; and
- Managing risks under the program to ensure a high repayment rate.

GOVERNORS AND GOVERNMENT 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 into by the Bank.

Financial results

The financial results for the year are set out below:

	31-Dec-16 L$'000'	31-Dec-15 L$'000'
Operating losses attributed to shareholder	(2,253,781)	(4,378,439)
to which is added balance on general reserves account brought forward of	(520,807)	3,857,632
leaving a balance on general reserve accountto be carried forward of	(2,774,588)	(520,807)

Signed on behalf of the Board by:

David Farhart
Governor

Milton A. Weeks
Executive 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 2016, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory note, as set out on pages 11 to 61

In our opinion, these financial statements give a true and fair view of the financial position of the Central Bank of Liberia at 31 December 2016, 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 Act, 1999.

Basis for Opinion

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

Other Matter

The financial statements of the Bank for the year ended 31 December 2015 were audited by another auditor who expressed an unmodified opinion on those statements on April 29, 2016

Key Audit Matters

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

KPMG

INDEPENDENT AUDITOR'S REPORT

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

Key Audit Matters (cont'd)

Key audit matter	How the matter was addressed
Impairment of loans and advances to non - bank financial institutions (LRD176 million). Refer to note 8 of the financial statements.	
Impairment allowance on loans and advances to non-bank financial institutions. The identification of impaired loans and advances and the estimation of impairment involves significant management judgment due to the complexity and subjectivity in estimating the timing and amount of the cash flow used in the computation. Loans for which there is objective evidence that an impairment event has occurred are assessed individually for impairment. If there is no evidence that an impairment exist on an individual basis, loans are assessed collectively for impairment. Assessing individual impairment allowances on loans and advances to non-bank financial institutions requires management to make assumptions about financial conditions and the timing of expected future cash flows. The collective impairment loss allowance relates to losses incurred but not yet identified (IBNR loss allowances) on loans and advances. The two key judgments in the collective provisioning assessment are the likelihood of default and the emergency period. The impairment assessment requires the application of significant judgment by management including the application of industry knowledge, prevailing economic conditions and historical data to determine the level of impairment allowance required.	Our procedures included; • We compared the assumptions used in the impairment models to those approved by management. We critically assessed those assumptions against our understanding of the Bank, the historical accuracy of its estimates and the current and past performance of the loans and our knowledge of the industry in respect of these types of loans. • We assessed the appropriateness and consistencies of the model used by management for collective and individual impairment by re-performing calculations and agreeing a sample of data inputs to source documentation. • Evaluated the adequacy of the Bank's disclosures in relation to impairment, the changes in estimate occurring during the period and the sensitivity to the key assumptions.

KPMG

INDEPENDENT AUDITOR'S REPORT

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

Other Information

The Board of Governors are responsible for the other information. The other information comprises the information included in the Annual Report and the Board of Governors' Report as required by the Central Bank of Liberia Act, 1999 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

KPMG

INDEPENDENT AUDITOR'S REPORT

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

We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

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

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

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

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

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

KPMG
....

FOR AND ON BEHALF OF:
KPMG: (ICAG/F/2017/038)
CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELENKPE
P O BOX GP 242, ACCRA

28 April 2017

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

		Year ended December 31	
	Note	**2016**	2015
Interest income	**5(i)**	**506,319**	513,266
Unwinding of the fair value of GOL loan	**5(ii)**	**1,279,400**	305,756
Interest expenses	**5(iii)**	**-**	(95,646)
Net interest income		**1,785,719**	723,376
Fees and commissions	**6**	**274,931**	214,814
Other income	**7**	**47,191**	36,288
Operating income		**2,107,841**	974,478
Loans and advances impairment charges	**8**	**(175,703)**	(1,641,445)
Administrative expenses	**9**	**(3,705,706)**	(3,462,433)
Other operating expenses	**10**	**(480,213)**	(249,039)
Net operating loss attributable to shareholder transferred to general reserve account		**(2,253,781)**	(4,378,439)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurment of pension plan	**31**	**124,984**	(18,397)
Exchange difference on translation to presentation currency		**2,999,020**	458,221
		3,124,004	439,824
Total comprehensive Income transferred to general reserve account		**870,223**	(3,938,615)

The notes on pages 15 to 61 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	**December 2016**	December 2015
Assets			
Cash and balances with Central Banks	11	**23,071,346**	21,232,382
Cash and balances with commercial banks	12	**4,296,378**	2,731,792
Loans and advances to operating banks	13	**2,035,458**	1,958,504
Loan and advances to non-banking financial institutions	14	**93,130**	315,933
Loans and advances to Government of Liberia	15	**26,982,782**	24,776,827
Investment securities: Held-to-maturity	16	**1,094,707**	668,794
Deposits with International Monetary Fund	17	**57,325,073**	37,231,890
Staff loans	18	**292,763**	208,915
Other assets	19	**1,080,417**	1,908,180
Intangible assets	21	**808,090**	-
Property, machinery and equipment	22	**3,081,032**	3,343,081
Total assets		**120,161,176**	94,376,298
Liabilities			
Currency in circulation	23	**12,755,365**	10,393,019
Deposits from commercial banks	24	**12,708,161**	11,820,642
Other deposits	25	**1,972**	1,796
Deposits of GOL and agencies	26	**18,219,613**	16,280,911
Instrument-CBL bills	27	**-**	1,579,938
Amount due to International Monetary Fund	28	**63,650,479**	43,578,920
Other liabilities	29	**2,793,627**	2,111,800
Provident fund	30	**309,013**	230,967
Retirement benefit obligations	31	**1,337,069**	1,086,339
Total liabilities		**111,775,299**	87,084,332
Equity			
Share capital	32	**7,598,587**	7,598,587
General reserve	33	**(2,774,588)**	(520,807)
Remittance Reserve		**4,060**	-
Other Reserves		**3,557,818**	214,186
Total equity		**8,385,877**	7,291,966
Total equity and liabilities		**120,161,176**	94,376,298

The financial statement on pages 15 to 61 were approved by the Board of Governors on April 28, 2017 and on its behalf by:

David Farhart
Governor
Date: 4-28-17

Pp.
Milton A. Weeks
Executive Governor
Date: 4-25-17

Statement of changes in equity

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

	Share Capital	General Reserve	Remittance Reserve	Other Reserves	Total Equity
Balance at January 1, 2016	**7,598,587**	**(520,807)**	**-**	**214,186**	**7,291,966**
Loss for the year	-	(2,253,781)	-	-	(2,253,781)
Remeasurement on pension plan	-	-	-	124,984	124,984
Remittance conversion Account	-	-	4,060	-	4,060
Position Account				(89,663)	(89,663)
Currency Conversion				309,291	309,291
Exchange difference on translation to presentation currency	-	-	-	2,999,020	2,999,020
Total	-	**(2,253,781)**	**4,060**	**3,343,632**	**1,093,911**
Balance at December 31, 2016	**7,598,587**	**(2,774,588)**	**4,060**	**3,557,818**	**8,385,877**
Balance at January 1, 2015	7,598,587	3,857,632	-	(225,638)	11,230,581
Loss for the year	-	(4,378,439)	-	-	(4,378,439)
Remeasurement on pension plan		-	-	(18,397)	(18,397)
Exchange difference on translation to presentation currency	-	-	-	458,221	458,221
Total	-	(4,378,439)	-	439,824	(3,938,615)
Balance at December 31, 2015	7,598,587	(520,807)	-	214,186	7,291,966

The notes on pages 15 to 61 are an integral part of these financial statements.

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

		December 2016	December 2015
Cash flows from operating activities			
Interest received	5(i)	506,319	513,267
Fees and commission receipts	6	274,931	214,814
Other income received	7	47,191	36,288
Interest payment	5(ii)	-	(95,646)
Payments to employees and suppliers		(2,695,980)	(3,027,749)
Cash used in operations before changes in operating assets and liabilities:		(1,867,539)	(2,359,026)
Change in:			
Loans and advances to operating banks	13	(76,954)	607,497
Loan and advances to non-banking financial institutions	14	222,803	80,476
Loans and advances to Government of Liberia	15	(2,205,955)	(454,972)
Staff loans	18	(83,848)	(99,308)
Investment securities: Held to maturity	16	(425,913)	(25,378)
Other assets	19	827,763	(1,051,396)
Currency in circulation	23	2,362,346	998,702
Deposits from banks and others	24&25	887,519	(415,282)
Deposits of GOL and agencies	26	1,938,702	5,065,421
Other liabilities	30	681,827	921,899
Net cash generated from operating activities		2,260,751	3,268,633
Cash flows from investing activities			
Purchase of machinery and equipment	22	(54,716)	(426,145)
Proceeds from sale of machinery and equiptment		-	1,778
Purchase of Vregcoss/IDEAL software		(445,218)	-
Net cash used in investing activities		(499,934)	(424,367)
Cash flows from financing activities			
Proceeds from instruments-CBL Bills	27	-	2,667,371
Repayment of instruments upon maturity	27	(1,579,938)	(2,092,470)
Net cash generated from/(used in) financing activities		(1,579,938)	574,901
Effects of exchange rate changes on cash and cash equivalents		3,151,733	(1,696,824)
Net increase in cash and cash equivalents		3,332,612	1,722,343
Cash and cash equivalents at January 1		24,035,112	22,312,769
Cash and cash equivalents at December 31		27,367,724	24,035,112

The notes on pages 15 to 61 are an integral part of these financial statements.

Notes

1. General information

The Central Bank of Liberia (CBL) is the Central Bank of the Republic of Liberia and is incorporated under an Act of Legislature of March 18, 1999. 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 in business 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 National Bank of Liberia (NBL) was L$7.3 billion (Note 32). The principal assets which underline the capital transfer of L$7.3 billion are two long-term loans denominated in Liberia and United States dollars due from the Government of Liberia. The amounts are a result of transactions between the Government and the former National Bank of Liberia prior to the formation of the Central Bank of Liberia.

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 Government of Liberia (GOL). No reduction of capital shall be effected except by amendment of the legislative Act which created CBL.

Notes (continued)

1. General information (continued)

1.5 Functions of the Central Bank

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

- 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 general public.

1.6 Powers of the Central Bank

The powers of the Central Bank of Liberia include but are not limited to supervision of banks/financial institutions, non-bank financial institutions and authorized non-bank financial services; formulation and implementation of monetary policies; handling of external banking affairs of the Government; determination of an appropriate foreign exchange regime, formulation and implementation of foreign exchange policy, holding and managing foreign exchange reserves; and management of aggregate credit in the economy by indirect means, by loan securitization, purchase and sale of securities, transactions in derivatives and foreign exchange, and through the establishment of required reserves of the commercial banks under its jurisdiction.

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

Notes (continued)

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Bank

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

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

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

(b) New and amended standards issued but effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Bank has not early adopted the following new or amended standards in preparing these financial statements. The new standards and amendments listed below are those that could potentially have an impact on the Bank's performance, financial position or disclosures:

Disclosure Initiative (Amendment to IAS 7)

The amendments require disclosures that enable users of statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and noncash changes. The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

Notes (continued)

2. Summary of significant accounting policies (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

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

IFRS 15 Revenue from contracts with customers

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

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

This new standard will most likely have a significant impact on the Bank, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Bank is currently in the process of performing a more detailed assessment of the impact of this standard on the Bank and will provide more information in the year ended 31 December 2016 financial statements.

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

IFRS 9 Financial Instruments

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

The actual impact of adopting IFRS 9 on the Bank's Financial Statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the bank holds and economic conditions at the time as well as accounting elections and judgement that it will make in the future. The new standard will require the bank to revise its accounting processes and internal control related to reporting financial instruments and these changes are not yet complete.

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

IFRS 16 Leases

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

Notes (continued)

2. Summary of significant accounting policies (continued)

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

IFRS 16 Leases *(*continued)

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

2.2 Foreign currency translation

(a) Functional and presentation currency

Both the Liberian Dollar (L$) and the United States Dollar (US$) are legal tender in Liberia and circulate freely in the country alongside each other. Although, transactions are carried out in both currencies, the majority of the Bank's transactions are currently denominated in United States Dollars (US$). Accordingly, the Central Bank considers the United States Dollars as its functional currency for the purpose of IFRS. The financial statements are presented in Liberian Dollars (L$), which is the Bank's presentation currency. This is in keeping with requirements of Part V Section 19 of the Central Bank of Liberia Act of 1999.

b) Transactions and balances

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

2.3 Property, machinery and equipment

(a) Cost

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

Subsequent costs are included in the assets' carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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 charged to profit or loss during the financial period in which they are incurred.

Notes (continued)

3. Summary of significant accounting policies (continued)

2.3 Property, machinery and equipment (continued)

(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 date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount. Gains and losses on disposals of property, machinery and equipment are determined by comparing the net disposal proceeds with the carrying amount of the item and are recognized within other income in the Statement of comprehensive income.

2.4 Intangible assets

On initial recognition, intangible assets are recognized at cost. Intangible assets consist of Great Plain Accounting software, Bank master, Vregcoss, Idea software and WIP-payment system. 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 on the basis of 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.

2.5 Impairment of non-financial assets

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

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

Notes (continued)

2. Summary of significant accounting policies (continued)

2.6 Financial assets

(i) Classification

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

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

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

(ii) Recognition and measurement

The Bank initially recognizes loans and advances, deposits, debt securities issued on the date on which they are originated. All other financial instruments are recognized on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instruments. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the CBL has substantially transferred all the risk and rewards of ownership.

Loan and receivables are initially recognized at fair value, which is the cash consideration to originate or purchase such loans including transaction costs and are measured subsequently, at amortized cost using the effective interest method.

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

2.7 Financial liabilities

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

2.8 Offsetting financial instruments

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

Notes (continued)

2. Summary of significant accounting policies (continued)

2.9 Impairment of financial assets

a) Assets carried at amortized cost

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

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

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

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

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

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

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. 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.

Notes (continued)

2. Summary of significant accounting policies (continued)

2.9. Impairment of financial assets (continued)

a) Assets carried at amortized cost (continued)

b) Renegotiated loans

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

2.10 Cash and cash equivalents

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

2.11 Employees' benefits

a) Pension obligations

The Bank operates an unfunded pension plan. The related liability is determined by periodic actuarial assumptions under a defined benefit pension plan.

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 in respect of defined benefit retirement plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. In the absence of any high quality bonds in Liberia, the present value of the defined benefit obligation is determined by discounting the projected cash outflows using the average rates of return on US corporate bonds, since the obligation is quoted in United States dollars.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. They include in General reserve in 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 profit or loss 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 profit and loss as past service cost.

For defined contribution plans, CBL pays contributions (i.e. social security contributions) to publicly administered pension insurance on a mandatory, contractual or voluntary basis. CBL has no further payment obligation once the contributions have been paid. The contributions are recognized as employee benefit expense when due.

Notes (continued)

2. Summary of significant accounting policies (continued)

2.11 Employees' benefits

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 charged to the statement of comprehensive income in the year in which they fall 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.

2.12 Account receivable

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

2.13 Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, 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

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 a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

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 recognised as finance cost

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.

Notes (continued)

2. Summary of significant accounting policies (continued)

2.15 Revenue recognition (continued)

a) Interest income and expense (continued)

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 the commercial banks.

b) Fees and commission income

Fees and commissions are generally recognized on an accrual basis when the 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 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. The significant leases entered into 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. The various lease agreements all 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 all other costs incurred in preparing the property for use. Leasehold improvements are amortized over the lives of the related or underlying leases.

Notes (continued)

2. Summary of significant accounting policies

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.

2.20 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.

Notes (continued)

2. Summary of significant accounting policies (continued)

3. Financial risk management

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

3.1. Credit risk

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

The Bank is also exposed to other credit risks arising from investment securities. Exposure to the risk of loss from credit arises principally in lending activities.

3.1.1. Credit risk measurement

Loans and advances

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

Notes (continued)

2. Summary of significant accounting policies (continued)

3.1. Credit risk (continued)

3.1.1. Credit risk measurement (continued)

Loan Granted to Commercial Banks

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 current carrying amount of USD$7,000,000.00 and LRD$217,500,000.00 and at a fixed interest rate of 2%. The loan matures in 2022. The loan has a grace period of six months and interest on this loan is paid on a quarterly basic with a 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 2024.

Rubber Planters Association of Liberia Loan (RPAL) Loan)

The Central Bank of Liberia (CBL) made a placement with the Liberia Bank for Development & Investment (LBDI) named and styled RPAL LOAN on June 18, 2014 with a current carrying amount of LRD$129,750,000.00 and a fixed interest rate of 2%. The loan matures in 2017. The loan has a grace period of six months and interest on this loan is paid at maturity with the principal through an automatic debit to LBDI 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 which indicates that the loan will mature 2019.

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 current carrying amount of USD$5,000,000.00 and LRD$181,250,000.00 and a fixed interest rate of 2% at Variable maturity dates. The loan will finally mature in 2026. The loan has a variable gestation period. Interest on the loan is accrued and repayment is made at the cash out period for each crop with an automatic debit to Afriland 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 which stipulates that the loan will finally mature 2026.

Liberia Business Association Loan (LIBA LOAN)

The Central Bank of Liberia (CBL) made a placement with Eco bank, International Bank Liberia Limited, and First International Bank Liberia Limited on behalf of the Liberia Business Association named and styled LIBA LOAN on January 10, 2013 with a current carrying amount of USD$4,000,000.00 and LRD$72,500,000.00 and at a fixed interest rate of 2%. The loan matures in 2018. 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 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 2020. In 2014, Eco bank returned USD$600,000.00 which the CBL extended to LBDI under the same LIBA Program.

Notes (continued)

2. Summary of significant accounting policies (continued)

3.1. Credit risk (continued)

3.1.1. Credit risk measurement (continued)

Held-to-maturity investment securities

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

Other assets

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

3.1.2. Risk limit control and mitigation policy

The Central Bank manages limits and controls the concentration of credit risk wherever identified. Exposure to credit risk is managed through regular analysis of the ability of the borrowers to meet interest and capital repayment obligations. Specific control and mitigation measures used by the CBL are collateral. The Central Bank employs policies and practices to mitigate credit risk. The most traditional of these is the taking of security for advances. CBL implements guidelines on the acceptability of specific classes of collateral or other credit risk mitigation. The principal collateral for loans and advances includes provident funds, life insurance, and property deeds for staff loans. Collateral on all loan and advances to the Government of Liberia and commercial banks is their deposit accounts held at the Bank when contracts are signed.

3.1.3. Impairment and provisioning policy

Impairment provisions are recognized for financial reporting purposes only for potential losses that have been incurred at the reporting date based on objective evidence of impairment.

Due to the different methodologies applied, the amount of incurred losses provided for in the financial statements is usually lower than the amount determined from the expected loss, as the provisions are discounted to reflect the time value of money.

Notes (continued)

3. Financial Risk Management (continued)

3.1. Credit risk (continued)

3.1.4. Maximum exposure to credit risk before collateral held or other credit enhancements at December 31, 2016 and 2015.

		2016		2015	
	Group	L$'000'	Percentage of financial assets	L$'000'	Percentage of financial assets
Cash and balances with central banks	I	**22,443,431**	38.77	19,585,192	38.32
Cash and balances with commercial banks	I	**4,296,378**	7.42	2,731,792	5.34
Loans and advances to operating banks	I	**2,035,458**	3.52	1,958,504	3.83
Loans and advances to NBFI	I	**93,130**	0.16	315,933	0.63
Staff loans	I	**292,763**	0.51	208,915	0.41
Other assets	I	**649,778**	1.12	866,969	1.70
Loans and advances to GOL	II	**26,982,782**	46.61	24,776,827	48.47
Investment security (HTM)	II	**1,094,707**	1.89	668,794	1.30
		57,888,427	100.00	51,112,926	100.00

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

Category	2016 L$'000'	2015 L$'000'
Group I	**29,810,938**	25,667,305
Group II	**28,077,489**	25,445,621
Total	**57,888,427**	51,112,926

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, employees (staff loans) and other assets.

Group II

These are existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered by means of accrued interest capitalization, re-negotiation of loans and cash settlement. This group is mainly composed of loans to the Government of Liberia and other Agencies of Government. Refer to Note 15.

The above table 3.1.4 represents a worst case scenario of credit risk exposure to the Bank at December 31, 2016 and 2015 without taking account of any collateral held or other credit enhancements attached. The exposures set out above are based on carrying amounts as reported in the Statement of financial position.

As shown above, 98.21% as at December 31, 2016 (2015:97.28%) of the total maximum exposure arises from loans and advances to GOL, Investment Security (HTM) and operating banks.

Notes (continued)

3. Financial Risk Management (continued)

3.1 Credit risk (continued)

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

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

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

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

December 31, 2016

	Loans and advances to GOL and HTM L$000	Loans and advances to Staff L$000	Balances with Central Bank & Comm. Banks L$000	Loans and advances to operating banks and non-banking inancial institute L$000	Other assets L$000
Neither past due nor impaired	**28,077,489**	**254,540**	**26,739,809**	**1,656,755**	**649,778**
Past due but not impaired	-	**38,223**	-	-	-
Individually impaired	-	**14,731**	-	**471,833**	**19,213**
Gross	**28,077,489**	**307,494**	**26,739,809**	**2,128,588**	**668,991**
Less: Allowance for impairment	-	**(14,731)**	-	-	**(19,213)**
Carrying value	**28,077,489**	**292,763**	**26,739,809**	**2,128,588**	**649,778**

December 31, 2015

	Loans and advances to GOL and HTM L$000	Loans and advances to Staff L$000	Balances with Central Bank & Comm. Banks L$000	Loans and advances to commercial banks and non-banking financial institutes L$000	Other assets L$000
Neither past due nor impaired	25,445,621	190,741	22,316,984	2,274,437	866,969
Past due but not impaired	-	18,174	-	-	-
Individually impaired	-	12,719	-	-	115,580
Gross	25,445,621	221,634	22,316,984	2,274,437	982,549
Less: Allowance for impairment	-	(12,719)	-	-	(115,580)
Carrying value	25,445,621	208,915	22,316,984	2,274,437	866,969

Notes (continued)

3. Financial Risk Management (continued)

3.1 Credit risk (continued)

3.1.5. 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 loan and advances to GOL, other Central Banks and Commercial Banks with no default in the past. The table below details the nature of counterparties by industry.

At December 31	2016 L$000	2015 L$000
Loans and advances GOL and HTM	**28,077,489**	25,445,621
Balances with Commercial Banks	**2,128,588**	2,274,437
Balances with Central Banks	**26,739,809**	22,316,984
Loan and advances to Staff	**254,540**	190,741
Other assets	**649,778**	866,969
Total	**57,850,204**	51,094,752

b) Past due but not impaired

Loans to staff that have resigned from the Bank and defaulted in repayment.

At December 31	2016 L$000	2015 L$000
Loans and advances to Staff	**38,223**	18,174
	38,223	18,174

(c) Loans and advances individually impaired

The individually impaired loans and advances to staff before taking into consideration the cash flows from collateral held has been disclosed in the table below:

	December 31, 2016				December 31, 2015			
	Loans and advances to GOL	Loans and advances to staff	Balances with Central Bank &	Other assets	Loans and advances to GOL	Loans and advance s to staff	Balances with Central Bank &	Other assets
	L$ 000	L$ 000	L$ 000	L$ 000	L$ 000	L$ 000	L$ 000	L$ 000
Individually impaired	-	14,731	-	19,213	-	12719	-	115,580
	-	**14,731**	**-**	**19,213**	**-**	**12,719**	**-**	**115,580**

Notes (continued)

3. Financial Risk Management (continued)

3.2. Liquidity risk

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

3.2.1 Liquidity risk management process

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

- Preparing cash-based budgets and periodic variance reports to ensure management of future cash flows in order 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

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

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

Notes (continued)

3. Financial Risk Management (continued)

3.2. Liquidity risk (continued)

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

As at 31 December 2016 (L'000')	Up to 3month	3-12 months	1-5 years	Over 5 years	Total
Assets					
Cash and balances with central banks	23,071,346	-	-	-	23,071,346
Cash and balances with commercial banks	4,296,378	-	-	-	4,296,378
Loans and advances to Bank	-	-	402,241	1,633,217	2,035,458
Loans and advances to Other	-	-	93,130	-	93,130
Loans and advances to GOL	-	185,413	-	26,797,369	26,982,782
Invest. Security(HTM)	-	-	-	1,094,707	1,094,707
Due from IMF	-	-	57,325,073	-	57,325,073
Staff loans	-	-	292,763	-	292,763
Other Assets	-	649,778	-	-	649,778
	27,367,724	835,191	58,113,207	29,525,293	115,841,415

As at December 31, 2015 (L'000')	Up to 3month	3-12 months	1-5 years	Over 5 years	Total
Assets					
Cash and balances with central banks	21,232,382	-	-	-	21,232,382
Cash and balances with commercial banks	2,731,792	-	-	-	2,731,792
Loans and advances to Bank	-	-	1,958,504	-	1,958,504
Loans and advances to Other	-	-	315,933	-	315,933
Loans and advances to GOL	-	2,456,582	-	22,320,245	24,776,827
Invest. Security(HTM)	-	-	-	668,794	668,794
Due from IMF	-	-	37,231,890	-	37,231,890
Staff loans	-	-	208,915	-	208,915
Other Assets	-	866,969	-	-	866,969
	23,964,174	**3,323,551**	**39,715,242**	**22,989,039**	**89,992,006**

Notes (continued)

3. Financial Risk Management (continued)

3.2. Liquidity risk (continued)

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

As at December 31, 2016 (L$'000')	**Up to 3 month**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Liabilities					
Currency in circulation	12,755,365	-	-	-	12,755,365
Deposits from commercial banks	12,656,869	51,292	-	-	12,708,161
Other deposits	1,972	-	-	-	1,972
Deposits of GOL and agencies	18,219,613	-	-	-	18,219,613
Due to IMF		-	63,650,479	-	63,650,479
Instruments-CBL Bills	-	-	-	-	-
Other liabilities	-	2,985,897	-	-	2,985,897
Total liabilities (contractual maturity dates)	43,633,819	3,037,189	63,650,479	-	110,321,487
Assets held for managing liquidity risk (contractual maturity dates)	27,367,724	835,191	58,113,207	29,525,293	115,841,415

As at December 31, 2015 (L$'000')	Up to 3 month	3-12 months	1-5 years	Over 5 years	Total
Liabilities					
Currency in circulation	10,393,019	-	-	-	10,393,019
Deposits from commercial banks	3,265,444	8,555,198	-	-	11,820,642
Other deposits	1,796	-	-	-	1,796
Deposits of GOL and agencies	16,280,911	-	-	-	16,280,911
Due to IMF		-	43,578,920	-	43,578,920
Instruments-CBL Bills	1,579,938	-	-	-	1,579,938
Other liabilities	-	2,229,367	-	-	2,229,367
Total liabilities (contractual maturity dates)	31,521,108	10,784,565	43,578,920	-	85,884,593
Assets held for managing liquidity risk (contractual maturity dates)	23,964,174	3,323,551	39,715,242	22,989,039	89,992,006

Notes (continued)

3. Financial Risk Management (continued)

3.2. Liquidity risk (continued)

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

3.2.3. Assets held for managing liquidity risk

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

The Bank's assets held for managing liquidity risk comprise:

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

3.3 Market risk

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

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

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

a) Interest rate risk

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

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

Notes (continued)

3. Financial Risk Management (continued)

3.3 Market risk (continued)

a) Interest rate risk (continued)

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, 2016 (L$000)	Up to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Assets					
Cash and balances with central banks	22,443,431	-	-	627,915	23,071,346
Cash and balances with commercial banks	4,296,378	-	-	-	4,296,378
Loans and advances to operating banks	-	2,035,458	-	-	2,035,458
Loan and advances to non-banking financial institutions	-	93,130	-	-	93,130
Loans and advances to GOL	185,413	-	22,502,677	4,294,692	26,982,782
Investment security (HTM)	389,150	-	705,558	-	1,094,708
Deposits with IMF	-	19,826,317	-	37,498,756	57,325,073
Staff loans	-	292,763	-	-	292,763
Other assets	-	-	-	1,080,417	1,080,417
Total financial assets	**27,314,372**	**22,247,668**	**23,208,235**	**43,501,780**	**116,272,055**
(L$000)					
Liabilities					
Currency in circulation	-	-	-	12755365	12,755,365
Deposits from banks	-	-	-	12,708,161	12,708,161
Other deposits	-	-	-	1,972	1,972
Deposits of GOL and agencies	-	-	-	18,219,613	18,219,613
Due to IMF	-	-	-	63,650,479	63,650,479
Instruments-CBL Bills	-	-	-	-	-
Other liabilities	-	-	-	2,793,627	2,793,627
Total financial liabilities	-	-	-	**110,129,217**	**110,129,217**
Total interest rate repricing gap	**27,314,372**	**22,247,668**	**23,208,235**		

Notes (continued)

3. Financial Risk Management (continued)

3.3 Market risk (continued)

a) Interest rate risk (continued)

As at December 31, 2015 (L$000)	Up to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Assets					
Cash and balances with central banks	19,585,192	-	-	1,647,189	21,232,381
Cash and balances with commercial banks	2,731,792	-	-	-	2,731,792
Loans and advances to operating banks	-	1,958,505	-	-	1,958,505
Loan and advances to non-banking financial institutions	-	315,933	-	-	315,933
Loans and advances to GOL	33	-	18,430,760	6,346,034	24,776,827
Investment security (HTM)	58,707	-	610,087	-	668,794
Deposits with IMF	-	21,968,340		15,263,550	37,231,890
Staff loans	-	208,915	-	-	208,915
Other assets	-	-	-	866,969	866,969
Total financial assets	22,375,724	24,451,693	19,040,847	24,123,742	89,992,007
(L$000)					
Liabilities					
Currency in circulation	-	-	-	10,393,019	10,393,019
Deposits from banks	-	-	-	11,820,642	11,820,642
Other deposits	-	-	-	1,796	1,796
Deposits of GOL and agencies	-	-	-	16,280,911	16,280,911
Due to IMF	-	-	-	43,578,920	43,578,920
Instruments-CBL Bills	1,579,938	-	-	-	1,579,938
Other liabilities	-	-	-	2,229,367	2,229,367
Total financial liabilities	1,579,938	-	-	84,304,655	85,884,593
Total interest rate repricing gap	20,795,786	24,451,693	19,040,847		

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. In particular, 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, 2016. Also reflected is the carrying amount of the Central Bank's holdings, categorized by currency.

Notes (continued)

3. Financial Risk Management (continued)

3.3 Market risk (continued)

b) Foreign exchange risk (continued)

Concentration of currency risk on financial instruments

Analysis of assets and liabilities by currency

At Decmber 31, 2016

	United States dollar	Others	Liberian dollar	Total
Assets	**L$ (000)**	**L$ (000)**	**L$ (000)**	**L$ (000)**
Cash and balances with central banks	23,071,346		-	23,071,346
Cash and balances with commercial banks	3,596,699	285,475	414,204	4,296,378
Loans, advances and overdraft to commercial banks	1,455,549	-	579,909	2,035,458
Loan and advances to non-banking financial institutions(NBFI)	-	-	93,130	93,130
Loans and advances to Government of Liberia	22,688,090	-	4,294,692	26,982,782
Investment security (held-to-maturity)	705,558	-	389,150	1,094,707
Deposits with IMF	-	57,325,073	-	57,325,073
Staff loans	292,763	-	-	292,763
Other assets	625,824	-	454,593	1,080,417
Total financial assets	**52,435,829**	**57,610,548**	**6,225,678**	**116,272,054**
Liabilities				
Currency in circulation	-	-	12,755,365	12,755,365
Deposit from banks	9,164,423	-	3,543,738	12,708,161
Other deposits	250	-	1,722	1,972
Deposits of GOL and agencies	9,754,316	-	8,465,297	18,219,613
Amount due from IMF	-	63,650,479	-	63,650,479
Instrument-CBL bills	-	-	-	-
Other liabilities	2,544,169	-	249,458	2,793,627
Total financial liabilities	**21,463,158**	**63,650,479**	**25,015,580**	**110,129,217**
Net financial position	**30,972,671**	**(6,039,931)**	**(18,789,902)**	**6,142,837**

Notes (continued)

3. Financial Risk Management (continued)

3.3 Market risk (continued)

b) Foreign exchange risk (continued)

Concentration of currency risk on financial instruments

Analysis of assets and liabilities by currency

At December 31, 2015

	United States dollar	Others	Liberian dollar	Total
Assets	L$ (000)	L$ (000)	L$ (000)	L$ (000)
Cash and balances with central banks	21,232,382	-	-	21,232,382
Cash and balances with commercial banks	2,456,932	200,995	73,865	2,731,792
Loans, advances and overdraft to commercial banks	1,508,927	-	449,577	1,958,504
Loan and advances to non-banking financial institutions(NBFI)	-	-	315,933	315,933
Loans and advances to Government of Liberia	17,599,712	-	7,177,115	24,776,827
Investment security (held-to-maturity)	610,087	58,707	-	668,794
Deposits with IMF	-	37,231,890		37,231,890
Staff loans	208,915	-	-	208,915
Other assets	1,832,674	-	75,506	1,908,180
Total financial assets	45,449,629	37,491,592	8,091,996	91,033,217
Liabilities				
Currency in circulation	-	-	10,393,019	10,393,019
Deposit from banks	7,904,662	-	3,915,980	11,820,642
Other deposits	187	-	1,609	1,796
Deposits of GOL and agencies	11,489,977	-	4,790,934	16,280,911
Amount due from IMF	-	43,578,920	-	43,578,920
Instrument-CBL bills	-		1,579,938	1,579,938
Other liabilities	1,969,363	-	142,437	2,111,800
Total financial liabilities	21,364,189	43,578,920	20,823,917	85,767,026
Net financial position	24,085,440	(6,087,328)	(12,731,921)	5,266,191

Notes (continued)

3. Financial Risk Management (continued)

3.3 Market risk (continued)

c) Sensitivity analysis for "foreign exchange risk"

	2016			2015		
	L$ (000)			L$ (000)		
	Balance December 31	Exchange rate +1%	Exchange rate -1%	Balance December 31	Exchange rate + 1%	Exchange rate -1%
Total assets	52,435,829	52,960,188	51,911,472	45,449,629	45,904,126	44,995,133
movement		524,359	524,357		454,494	(454,496)

If the Liberian Dollars depreciated by 1% against the U.S Dollars at December 31 2016, assets denominated in U.S. Dollars would have been L$52.9 billion, which is L$0.523 billion higher than the reported figure of L$52 billion. The comparative would have been L$45.9 billion, which is L$0.454 billion higher than L$45.4 billion reported for December 2015. If the Liberian Dollar appreciated by 1% against the U.S. Dollar at December 31, 2016, financial assets denominated in U.S. Dollars would have been L$51.8 billion, L$0.523 billion lower than L$52 billion at December 31, 2016 (December 31, 2015: L$44.9 billion, L$0.454 billion lower than L$45.4billion). This analysis shows how profit or loss and equity would have been affected by changes in the risk variable that were reasonably possible at the reporting date.

	2016			2015		
	L$ (000)			L$ (000)		
	December 31	rate + 1%	rate - 1%	December 31	rate + 1%	rate - 1%
Total liabilities	21,463,158	21,677,788	21,248,528	21,364,189	21,577,831	21,150,548
movement		214,630	214,630		213,641	(213,641)

If the financial liabilities in Liberian Dollars depreciated by 1% against the U.S Dollars on the reporting date, liabilities denominated in U.S. Dollars would have been L$21.7 billion, which is L$0.214 billion higher than the reported figure of L$21.5 billion. The comparative would have been L$21.6 billion, which is L$0.213 billion higher than L$21.4 billion reported for December 2015. If the Liberian Dollar appreciated by 1% against the U.S. Dollar at December 31, 2016, financial liabilities denominated in U.S. Dollars would have been L$21.7 billion, L$0.214 billion lower than L$21.5 billion at December 31, 2016 (December 31, 2015: L$21.2 billion, L$0.214 billion lower than L$21.4billion). This analysis shows how profit or loss and equity would have been affected by changes in the risk variable that were reasonably possible at the reporting date.

	2016			2015		
	L$ (000)			L$ (000)		
	December 31	+ 1%	1%	December 31	+ 1%	- 1%
Net interest income	1,785,719	374,343	(110,565)	723,376	430,119	426,035
movement		1,896,284	(1,896,284)		297,341	(297,341)

Notes (continued)

3. Financial Risk Management (continued)

3.3 Market risk (continued)

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

If the Liberian Dollars depreciated by 1% against the U.S Dollars on the reporting date, net interest income would have been L$0.374 billion, which is L$1.8 billion lower than the reported figure of L$1.7 billion. The comparative would have been L$0.430 billion, which is L$0.297 billion lower than L$0.723 billion reported for December 2015. If the Liberian Dollar appreciated by 1% against the U.S. Dollar at December 31, 2016, net interest income would have been L$0.110 billion, L$1.8 billion lower than L$1.7 billion at December 31, 2016 (December 31, 2015: L$0.426 billion, L$0.297 billion lower than L$0.723 billion). This analysis shows how profit or loss and equity would have been affected by changes in the risk variable that were reasonably possible at the reporting date.

3.4. Fair value of financial assets and liabilities

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented at their fair values as at December 31, 2016 and 2015 respectively:

	Carrying Value		Fair Value	
	Dec 31 2016	**Dec 31 2015**	**Dec 31 2016**	**Dec 31 2015**
Financial assets				
Cash and balances with central banks	**23,071,346**	21,232,382	**23,071,346**	21,232,382
Cash and balances with commercial ba	**4,296,378**	2,731,792	**4,296,378**	2,731,792
Loans and advances to operating bank	**2,035,458**	1,958,504	**2,035,458**	1,958,504
Loan and advances to non-banking financial institutions	**93,130**	315,933	**93,130**	315,933
Loans and advances to GOL	**26,982,782**	24,776,827	**26,982,782**	24,776,827
Investment securities (HTM)	**1,094,707**	668,794	**1,094,707**	668,794
Due from International Monetary Fun	**57,325,073**	37,231,890	**57,325,073**	37,231,890
Staff loans	**292,763**	208,915	**292,763**	208,915
Other assets	**1,080,417**	1,908,180	**1,080,417**	1,908,180
Total financial assets	**116,272,054**	91,033,217	**116,272,054**	91,033,217
Financial liabilities				
Currency in circulation	**12,755,365**	10,393,019	**12,755,365**	10,393,019
Deposits from banks	**12,708,161**	11,820,642	**12,708,161**	11,820,642
Other deposits	**1,972**	1,796	**1,972**	1,796
Deposits of GOL and agencies	**18,219,613**	16,280,911	**18,219,613**	16,280,911
Instruments-CBL bills	**-**	1,579,938	**-**	1,579,938
Due to the International Monetary Fu	**63,650,479**	43,578,920	**63,650,479**	43,578,920
Other liabilities	**2,793,627**	2,229,367	**2,793,627**	2,229,367
Total financial liabilities	**110,129,217**	85,884,593	**110,129,217**	85,884,593

(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.

Notes (continued)

3. Financial Risk Management (continued)

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

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

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

(iii) Fair value hierarchy

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

3.5 Capital management

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

4. Critical accounting estimates and judgments in applying accounting policies

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

a) Impairment losses on loans and advances

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

b) Held-to-maturity investment securities

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

c) Property, machinery and equipment

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

Notes (continued)

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

d) Post-employment benefits Pension benefits

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

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

e) Functional currency

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

Notes (continued)

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

	Dec-16	Dec-15
5(i) Interest income		
GOL loans and advances	256,547	234,949
Investment securities-held-to-maturity	70,196	61,542
Placements and staff loans	179,470	216,723
Loan Extension and Availability Facility (LEAF) loans and advances	106	52
	506,319	513,266
5(ii) Unwinding of the fair value of GOL loan		
Unwinding of discount element of credit impairment on GOL loans (Note 15)	1,278,478	306,545
Amortized cost-Held to Maturity- Investment security	922	(789)
	1,279,400	305,756
5(iii) Interest expense		
Investment securities: CBL instrument	-	89,629
Interest expense: Deutsche Bundes Bank	-	6,017
	-	95,646
6. Fees and commissions		
Service fees and commissions	270,383	207,603
Note transfer fees	4,548	7,211
	274,931	214,814
7. Other income		
Rental income	426	180
Fines	3,991	830
Other miscellaneous income	42,774	33,716
Profit on disposal of property machinery and equipment	-	1,562
	47,191	36,288
8. Loans and advances impairment charge		
LIBA loan - First International Bank Liberia Limited	-	128,628
Overdraft facility - First International Bank Liberia Limited	-	154,687
Loan facility - First International Bank Liberia Limited	-	1,062,000
Loan and advances to non-banking financial institution	175,703	296,130
	175,703	1,641,445
9. Administrative expenses		
Staff costs (i)	1,427,877	970,195
Board fees and expenses(ii)	78,997	37,634
Depreciation/amortization(iii)	415,052	122,624
Other administrative expenses(iv)	1,519,088	2,030,936
CBL contribution to regional bodies	264,692	301,044
	3,705,706	3,462,433
(i) Staff costs:		
Salaries and wages	940,413	624,023
Social security contibutions	28,536	22,023
Other personnel costs	160,916	136,260
(Gain)/loss on fair valuation of staff loan	(933)	(11,767)
Pension cost (Note 31):		
Current service cost	241,816	158,168
Interest cost	57,129	41,488
	1,427,877	970,195

Notes (continued)

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

	Dec-16	Dec-15
(ii) Board fees and expenses		
Board fees	76,368	31,483
Board expenses	2,629	6,151
	78,997	37,634
(iii) Depreciation and amortization		
Depreciation on equipment	218,529	79,209
Depreciation on furnitures and fixtures	11,813	3,504
Depreciation on vehicles	17,619	15,969
Depreciation on leasehold properties	-	2
Amortization on banking software	-	4,655
Depreciation on building	68,804	19,285
Amortization on vregcoss software	97,937	-
Amortization on IDEAL software	350	-
	415,052	122,624
(iv) Other administrative expenses		
Property cost/occupancy	173,341	115,016
Office expenses	128,204	867,260
Professional services	168,543	102,822
Travel expenses	132,984	171,080
Write-off of Othe Assets	171,236	-
Other miscellaneous expenses	663,888	280,140
Subscription and public relation	35,295	444,832
Vehicle fuel,insurance and maintainance	45,597	49,786
	1,519,088	2,030,936
(v) Other administrative expenses		
CBL contribution to regional bodies	264,692	301,044

Included in professional services is the following:

	Dec-16	Dec-15
Audit fees:		
Audit of the bank's financial statements	15,375	10,309
Total	15,375	10,309

10. Other operating expenses

	Dec-16	Dec-15
Currency expense		
Notes importation cost	70,150	88,717
Mute exportation cost	4,795	1,148
Cost of destroying banknotes	585	1,006
Amortization of currency printing cost-banknotes	404,683	158,168
	480,213	249,039

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

	Dec-16	Dec-15
11. Cash and balances with Central Banks		
Cash on hand and in vault	1,381,495	2,219,521
Cash balances at rural branches	158,633	65,728
Balances with other central banks	22,443,431	19,585,192
Less: Liberian Dollars in vault & cash centers (Note 22)	(912,213)	(638,059)
	23,071,346	21,232,382
12. Cash and balances with commercial banks		
Balances with local banks	469,885	366,881
Balances with foreign banks (commercial)	3,826,493	2,364,911
	4,296,378	2,731,792
13. Loans and advances to operating banks		
(i) Loans and advances-placements		
Balance at January 1	638,918	583,539
Accrued interest	17,288	15,168
Exchange difference	80,215	40,211
Balance at December 31	736,421	638,918
(ii) Loans and advances-mortage - Liberian Bank for Development and Investment (LBDI)		
Balance at January 1	846,775	804,512
Amortized cost adjustment		9,571
Exchange difference	50,021	32,692
Balance at December 31	896,796	846,775
(iii) Loans and advances-placement - Liberia Business Association (LIBA)		
Balance at January 1	269,167	406,778
Addition	-	53,100
Repayment	-	(85,059)
Amortized cost adjustment		3,153
Specific allowance for impairment (Note 8)	-	(128,629)
Exchange difference	3,324	19,824
Balance at December 31	272,491	269,167
(iv) Loans and advances - Rubber Planters Association (RPAL)		
Placements	129,750	131,442
Accrued interest		1,298
Balance at December 31	129,750	132,740
(v) Overdraft to commercial banks		
First International Bank Liberia Limited Current Account	-	154,687
Gobal Bank Liberia Limited Current Account	-	70,904
Specific allowance for impairment (Note 8)	-	(154,687)
	-	70,904
(vi) Loan and advances -First International bank (FIB)		
Placements	-	1,062,000
Specific allowance for impairment (Note 8)	-	(1,062,000)
Balance at December 31	-	-
Total loans and advances to commercial banks	2,035,458	1,958,504

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

14. Loan and advances to Non- banking financial Institution

	Dec-16	Dec-15
Loan Extension and Availability Facility (LEAF)	612,063	612,063
Specific allowance for impairment	(471,833)	(296,130)
Addition	48,850	-
Repayment	(95,950)	-
	93,130	315,933

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

	Dec-16	Dec-15
(i) GOL Long Term Loan		
Balance at January 1	18,430,760	17,533,496
Unwinding of discount	1,278,478	306,545
Exchange difference	2,793,439	590,719
	22,502,677	18,430,760
(ii) Overdraft to Government of Liberia		
GOL payroll account LRD	-	29
African Peer Review Mech. Nat. Secr	185,135	-
GOL Payroll account		2
GOL UNMIL Transition account	-	2
Emergency Urban Sanitaion Proj.AF2	60	-
GOL Revenue A/C 2015/2016	202	-
Bureau of Maritime opr. a/c	3	-
GOL Operation A/C 2015/2016	13	-
FY 2014/2015 Obligation Escrow A/c	-	-
	185,413	33
(iii) Long term receivable from GOL		
Amount due from Ministry of Finance	2,522,657	6,346,034
Accounts Receivable-GOL	1,772,035	-
	4,294,692	6,346,034
Balance at December 31	26,982,782	24,776,827

The loans to the Government of Liberia 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.

In December 2016, the IMF gave a loan to CBL as fiscal agent of GOL in the amount of SDR 27.69 million (US$37.1 million). 12.9 million SDR (US$17.3 million) of this Extended Credit Facility (ECF) loan was provided to GOL as direct budget support.

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

	Dec-16	Dec-15
16. Investment securities: Held-to-maturity		
Balance at January 1	**668,794**	569,486
Additional investment	**389,150**	58,707
Charge during the year	**(922)**	(789)
Exchange difference	**37,685**	41,390
Balance at December 31	**1,094,707**	668,794

17. Deposits with International Monetary Fund

	Dec-16	Dec-15
IMF quota subscription	**33,327,658**	15,263,550
Special drawing right holdings	**19,826,317**	21,968,340
Reserve Tranche Position	**4,169,962**	-
Accrued Remuneration	**1,136**	-
	57,325,073	37,231,890

Liberia's Membership with IMF

Article XIII, Sections 2a and 3 in the Articles of Agreement of the IMF requires each member to designate its Central Bank as a depository for all the Fund's holdings and currency, and guarantee all assets of the Fund against loss resulting from failure or default on the part of its designated depository.

With reference to the guidelines of the Financial Organizational and Operations manual of the IMF, Central Bank of Liberia uses the gross method of presenting the assets and liabilities arising from the GOL's membership in the statement of financial position. The IMF recommends the use of the gross method for a country whose depository and fiscal agent 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 increase and related Fund financing transactions and the granting of new facilities. All applicable entries were recorded in the IMF's accounts held at Central Bank of Liberia.

IMF Quota Subscription

Quota subscriptions are a central component of the IMF's financial resources. Each member country of the IMF is assigned a quota, based broadly on its relative position in the world economy. A member country's quota determines its maximum financial commitment to the IMF, its voting power, and has a bearing on its access to IMF financing. In 2016, Liberia Quota doubled to the amount of SDR 258.4 million.

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

17. Deposits with the International Monetary Fund (continued)

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.

The difference between Liberia's current position (assets and liabilities) with the IMF is recognized as a long term receivable from the Government of Liberia which will be paid by GOL through the Ministry of Finance (MOF) on a future date to be agreed by MOF and CBL. The outstanding difference is shown in note 14 (v).

18. Loans to staff	**Dec-16**	**Dec-15**
Gross amount	**370,687**	266,547
Provision	**(14,731)**	(12,719)
Amortisation of staff loan	**(63,193)**	(44,913)
	292,763	208,915
Amortisation of staff loan		
Balance at January 1	**44,913**	53,282
Charge	**(933)**	(11,767)
Exchange difference	**19,213**	3,398
	63,193	44,913
Provision		
Balance at January 1	**12,719**	3,623
Additions	**2,012**	9,096
Balance at December 31	**14,731**	12,719

Staff of the Bank of Liberia is entitled to loan at 4% as compared to the market rate of 13.28% as at the reporting date.

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

19. Other assets

	Dec-16	Dec-15
Accounts receivable(i)	649,778	866,969
Prepaid expenses(ii)	215,704	984,270
Deferred currency cost(iii)	214,935	56,942
	1,080,417	1,908,181
19(i) Accounts receivable		
Due from others	12,653	1,089
Other receivables	2,307,133	981,460
	2,319,786	982,549
less provision:		
Allowance for bad debt	(1,670,008)	(115,580)
	(1,670,008)	(115,580)
Net book amount	649,778	866,969
Movement on provision		
Balance at January 1	(115,580)	16,830
Transfer of FIBLL balance	(1,554,428)	(115,580)
Balance written off	-	(16,830)
Balance at December 31	(1,670,008)	(115,580)
19(ii) Prepaid expenses		
Rent	1,784	1,420
Insurance	111	219
Others	213,809	982,631
	215,704	984,270
19(iii) Deferred currency cost		
At January 1	56,942	208,235
Addition	574,291	
Amortization charge	(404,683)	(158,168)
Exchange difference	(11,615)	6,875
Balance at December 31	214,935	56,942
Cost	1,017,048	454,372
Accumulated amortization	(802,113)	(397,430)
Net book amount	214,935	56,942

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

20. Financial instruments by category

At 31 December 2016	Loans and receivables	Held-to-maturity	Other liabilities
Financial assets			
Cash and balances with Central banks	23,071,346	-	-
Cash and balances with Ccommercial banks	4,296,378	-	-
Loans, advances and overdraft to bank	2,035,458	-	-
Loan and advances to non-banking financial institutions	93,130	-	-
Loans and advances to Government of Liberia	26,982,782	-	-
Investment securities (held-to-maturity)	-	1,094,708	-
Deposits with IMF	57,325,073	-	-
Staff loans	292,763	-	-
Other assets	1,080,417	-	-
Financial Liabilities	**115,177,347**	**1,094,708**	-
Currency in circulation	-	-	12,755,365
Deposit from banks	-	-	12,708,161
Other deposits	-	-	1,972
Deposits of GOL and agencies	-	-	18,219,613
Due to IMF	-	-	63,650,479
Investment Securities-CBL bills	-	-	-
Other liabilities	-	-	2,793,627
			110,129,217
At 31 December 2015			
Financial assets			
Cash and balances with Central banks	21,232,382	-	-
Cash and balances with Ccommercial banks	2,731,792	-	-
Loans, advances and overdraft to bank	1,958,504	-	-
Loan and advances to non-banking financial institutions	315,933	-	-
Loans and advances to Government of Liberia	24,776,827	-	-
Investment securities (held-to-maturity)	-	668,794	-
Deposits with IMF	37,231,890		-
Staff loans	208,915	-	-
Other assets	866,969	-	-
	89,323,212	**668,794**	-
Financial Liabilities			
Currency in circulation	-	-	10,393,019
Deposit from banks	-	-	11,820,642
Other deposits	-	-	1,796
Deposits of GOL and agencies	-	-	16,280,911
Due to IMF	-	-	43,578,920
Investment Securities-Treasury bills	-	-	1,579,938
Other liabilities	-	-	2,229,367
			85,884,593

Notes (continued)

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

21. Intangible

	Software					
	Vregcoss Software	**IDEA Software**	**WIP-Payment System**	**Financial accounting Software**	**Bank master**	**Total**
At January 1:						
Opening net book value	-	-	-	-	-	-
Transfer from prepayment/other assets	-	-	402,914	-	-	402,914
Addition	371,116	1,942	72,160	-	-	445,218
Amortization charge	(97,937)	(350)	-	-	-	(98,287)
Exchange difference			58,245			58,245
Closing net book value	273,179	1,592	533,319			808,090
At December 31:						
Cost	371,116	1,942	533,319	-	-	906,377
Accumulated amortization	(97,937)	(350)	-	-	-	(98,287)
Net book value	273,179	1,592	533,319			808,090
At December 31, 2015:						
Cost	-	-	-	18,616	51,081	69,697
Accumulated amortization	-	-	-	(18,616)	(51,081)	(69,697)
Net book value	-	-	-	-	-	-

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 softwares and WIP-payment system. The costs of the software include acquisition, installation and other major cost associated with getting it ready for use. These costs are amortized on the basis of the expected useful lives of the software, which is 3 years. Costs associated with maintaining software programs are recognized as an expense when incurred. Intangible assets are tested annually for impairment when there are indications that impairment may have occurred. There was no impairment identified in 2016 (2015: nil).

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

22. Property, machinery and equipment

	Land	Work-in-progress	Building	Leasehold improvement	Furniture & fixtures	Equipment	Motor Vehicles	Total
At December 31, 2016:								
Opening net book value	**36,880**	**-**	**2,713,937**	**-**	**42,459**	**508,760**	**41,045**	**3,343,081**
Additions	**-**	**-**	**-**	**-**	**365**	**54,351**	**-**	**54,716**
Charge for the year	**-**	**-**	**(68,804)**		**(11,813)**	**(218,529)**	**(17,619)**	**(316,765)**
Closing net book value	**36,880**	**-**	**2,645,133**	**-**	**31,011**	**344,582**	**23,426**	**3,081,032**
At December 31, 2016:								
Cost	**36,880**	**-**	**2,738,029**	**-**	**50,748**	**773,748**	**83,874**	**3,683,279**
Accumulated depreciation	**-**	**-**	**(92,896)**		**(19,737)**	**(429,166)**	**(60,448)**	**(602,247)**
Net book value	**36,880**	**-**	**2,645,133**	**-**	**31,011**	**344,582**	**23,426**	**3,081,032**
At December 31 2015:								
Opening net book value	36,880	2,872,672	51,476	2	897	35,034	37,728	3,034,689
Additions	-	8,429	-	-	-	398,646	19,070	426,145
Disposal	-	-	-	-	-	-	217	217
Charge for the year	-	-	(19,285)	(2)	(3,504)	(79,209)	(15,969)	(117,969)
Transfer	-	(2,881,101)	2,681,746		45,066	154,290	-	-
Closing net book value	36,880	-	2,713,937	-	42,459	508,760	41,045	3,343,081
At December 31 2015:								
Cost	36,880	-	2,738,029	73,120	50,383	719,397	83,874	3,701,683
Accumulated depreciation	-	-	(24,092)	(73,120)	(7,924)	(210,637)	(42,829)	(358,602)
Net book value	36,880	-	2,713,937	-	42,459	508,760	41,045	3,343,081

Profit/loss on disposal of property, plant and equipment

	Dec-16	Dec-15
Cost	-	17,735
Accumulated depreciation	-	(17,519)
Net book value	-	216
Proceed from disposal	-	1,778
Gain on disposal	-	1,562

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

23. Currency in circulation
Liberian notes

	Dec-16	Dec-15
L$5	553,778	598,078
L$10	957,526	1,018,926
L$20	1,619,960	1,709,760
L$50	3,833,427	3,079,427
L$100	6,679,837	4,601,837
Total currency notes	13,644,528	11,008,028
Coins	23,050	23,050
Less:		
Liberian Dollars held by the Bank and payment centers (Note 11)	(912,213)	(638,059)
	12,755,365	10,393,019

24. Deposits from banks

	Dec-16	Dec-15
Reserve requirement-commercial banks	-	8,501,561
Current accounts-commercial banks	12,648,627	3,258,300
Current accounts-non commercial banks	51,292	53,637
Collection accounts failed banks	8,242	7,144
	12,708,161	11,820,642

25. Other deposits

	Dec-16	Dec-15
Forex bureau deposits	1,972	1,796

26. Deposits of GOL and Agencies

	Dec-16	Dec-15
Demand deposits-Central government	202,316	1,686,047
Withholding taxes payable	27,982	24,415
Demand deposits-individual ministries & agencies	12,478,103	9,017,167
Other government related deposits	165,012	342,117
Small Medium Enterprises deposits	200,671	173,387
State owned enterprises	5,145,529	5,037,778
	18,219,613	16,280,911

27. Investment securities

	Dec-16	Dec-15
Instrument-CBL bills	-	1,579,938

Movement in investment securities

	Dec-16	Dec-15
Balance at January 1	1,579,938	964,828
Additions	-	2,667,371
Interest payable	-	40,209
Repayment on maturity	(1,579,938)	(2,092,470)
Balance at December 31	-	1,579,938
Maturing within 120 days of acquisition	-	1,579,938

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

28. Amount due to International Monetary Fund

	Dec-16	Dec-15
IMF SDR allocation	15,996,162	14,647,973
GRA accounts #1	19,337,458	7,889,796
GRA accounts #2	1,582	1,449
IMF securities	9,820,238	7,370,087
ECF loan	14,329,082	9,853,727
IMF Rapid Credit Facility Loan-RCF	4,165,957	3,815,888
	63,650,479	43,578,920

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 facility 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.

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

29. Other Liabilities	**Dec-16**	**Dec-15**
Accounts payables(i)	**722,839**	249,474
Others(ii)	**2,070,788**	1,862,326
	2,793,627	2,111,800
(i) Accounts payable		
Official checks-CBL	**248,545**	23,738
Unearned Banking Operating Levy	**5,538**	2,148
Security Unearned Interest	**-**	5,310
Non-Bank Institution Fees	**256**	-
Unearned Insurance Operating Levy	**2,135**	2,212
Unearned Microfinance Operating Levy	**256**	
Managers' checks-CBL	**330,829**	95,548
Stale checks payable	**15,286**	4,069
Due to staff	**3,251**	3,049
Accrued expenses	**116,743**	113,400
	722,839	249,474
(ii) Others		
Commercial bank Mutes	**-**	57,376
Banking Institute of Liberia	**1,307**	1,204
Micro finance Unit-LISS II Project	**1,087**	938
Union Bank of Switzerland	**175,214**	151,282
First Union Bank	**1,694**	1,463
Agency(MIGA)	**1,318**	1,318
West African Monetary Agency-BCEAO	**924,343**	798,092
Microfinance-LEAF Program	**12,555**	21,005
FUAB Collection Account	**1,869**	1,869
Interest payable-CBL Treasury bills	**-**	12,063
UNDP VSLA Project A/c	**1**	1
Microfinance/UNDP Implementation	**30**	-
Others payables	**97,091**	93,238
Provision for legal claims	**854,279**	722,477
	2,070,788	1,862,326

30. Provident fund		
At January 1	**230,967**	180,184
Contributions during the year	**67,518**	51,082
Interest earned	**1,062**	240
Payments	**(27,651)**	(14,041)
Exchange difference	**37,117**	13,502
At December 31	**309,013**	230,967

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.

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

31. Retirement benefit obligations	**Dec-16**	**Dec-15**
Statement of financial position obligation :		
Pension benefits	**1,337,069**	1,086,339
Statement of comprehensive income charge:		
Pension benefits	**88,304**	14,572
Pension benefits		
Amounts recognized in the statement of financial position are determined as follow:		
Present value of unfunded obligations:		
Staff pension scheme	**1,337,069**	1,086,339
Ex-gratia pension scheme	**-**	-
Liability in the statement of financial position	**1,337,069**	1,086,339
The movement in the defined benefit obligation is as follows:		
At January 1	**1,086,339**	817,574
Current service cost	**241,816**	158,168
Interest cost	**57,129**	41,488
Remeasurement	**(144,755)**	18,397
Benefits paid	**(88,304)**	(14,572)
Exchange difference	**184,844**	65,284
At December 31	**1,337,069**	1,086,339
The amounts recognized in the statement of comprehensive income:		
Current service cost	**241,816**	158,168
Interest cost	**57,129**	41,488
Total included in staff costs (Note 9)	**298,945**	199,656
Remeasurement	**(124,984)**	18,397
Total included in other comprehensive income	**(124,984)**	18,397

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.

Mortality
The principal actuarial assumptions used were as follows:

	2016	2015
Discount rate	**5%**	4%
Rate of Salary Increase	**5%**	5%
Rate of inflation	**8.8%**	2%

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.

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

32. Share capital

	Dec-16	Dec-15
Share authorized	400,000	400,000
Paid-in-capital	7,398,587	7,398,587
Subscribed capital	200,000	200,000
	7,598,587	7,598,587

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

	Dec-16	Dec-15
33. General reserve	(2,774,588)	(306,621)
Movements in reserve were as follows:		
Balance at January 1	(520,807)	3,857,632
Operating loss	(2,253,781)	(4,378,439)
Balance at December 31, 2016	(2,774,588)	(520,807)

34. Cash and cash equivalents

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

	Dec-16	Dec-15
Balances with Central Banks (Note 11)	23,071,346	21,232,382
Balances with Local Banks (Note 12)	469,885	366,881
Balances with foreign banks (commercial) (Note 12)	3,826,493	2,364,911
Overdraft to commercial banks (Note 13)	-	70,904
Overdraft to Government of Liberia (Note 15)	-	33
	27,367,724	24,035,111

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

As part of its normal business, CBL acts as custodian for customers' assets and fulfills an agency role. No significant unrecoverable liability arises from these transactions.

Legal proceedings

Debt action

The Central Bank of Liberia is a co-defendant with the Government of Liberia (GOL) in two separate legal proceeding that have been deemed actionable relative to:

a) Construction of Defense Building

Outstanding commitments related to long-term construction contract on which CBL, through the GOL guaranteed thirty-six promissory notes amounting to approximately US$17 million; and,

b) Purchase of Aircraft

Commitment for the purchase of an aircraft for the Government during the 1980's for which payment remains outstanding. The amount of the liability remains uncertain.

However, the principal defendant in these cases is the Government of Liberia, and it is considered unlikely that any liability will arise against CBL. Accordingly no provisions have been made in these financial statements.

ii) Other litigations
Central Bank of Liberia is also a party to several other proceedings either in fiduciary, receivership capacity, or by reason of regulatory responsibilities:

a) Labor matters

CBL is a defendant in two labor cases involving actions of dismissal. The case involved John Cooper vs the CBL was fully settled with the CBL paying an amount of US$1m. The estimated amount of this claim was approximately US$1.2 million. Also, the legal case with Cephas and the CBL is pending with the estimated liability of US$0.5million. Based on legal advice, CBL considers that these claims are not due now and it is unlikely that any liability will arise in less than one year. Accordingly, no provision has been made for such cases in the financial statements.

b) Fraud matters

In 2008, certain tellers of CBL and certain staff of the Ministry of Finance were alleged to have been involved in the re-encashment of Government of Liberia salary checks. There have been no direct liabilities against the CBL even though the accused employees were found guilty at the lower court. An appeal of the ruling by the Lower Court is currently pending at the Supreme Court.

Notes (continued)

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

37. 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	**Dec-16**	**Dec-15**
GOL loans and advances (Note 5)	**256,547**	234,949
GOL investment securities: Held-to-maturity (Note 5)	**70,196**	61,542
	326,743	296,491
Receivables from related party:		
Due from Government of Liberia- long term loan (Notes 14&15)	**28,077,489**	25,445,620
Payables to related party:		
Deposits of GOL and agencies(Notes 25)	**18,219,613**	16,280,911

Key management personnel

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:

	Dec-16	**Dec-15**
Loans outstanding at January 1	**41,382**	51,908
Loans granted during the period	**22,428**	18,300
Loans repaid during the period	**(11,405)**	(28,826)
Loans outstanding at December 31	**52,405**	41,382
Interest income earned	**1,433**	1,468

No provision has been recognized in respect of loans given to related parties.

None of the key management personnel had a material interest, directly or indirectly, at any time during the year in any other significant transaction or arrangement with CBL.

	Dec-16	**Dec-15**
Salaries and short term benefits	**98,227**	166,793
Post employment benefit	**68,607**	15,031
	166,834	181,824