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COPORATE INFORMATION

BOARD OF GOVERNORS:	J. Mills Jones-Executive Governor
	David Vinton
	John G. Bestman
	Betty Maima Jackson-Saway
	Mildred Reeves
AUDITOR	PricewaterhouseCoopers
	Chartered Accountants
	No. 12, Airport city
	Una Home, 3rd Floor
	PMB CT 42
	Cantonments-Accra
SOLICITOR	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.

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 adopts standard accounting practices and ensures sound internal control to facilitate the reliability of the financial statements.

The Board of Governors

The Board is responsible for the formulation and implementation of policies of the Bank and controlling and monitoring activities of the 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 experience and knowledge of the industry, markets, financial and/or other business information to make a valuable contribution to the Bank's progress. The Board is required to meet as often as the business of the Bank may require, but not less frequently than once every three months.

The Audit Committee

The Audit Committee is made up of four (4) Governors of which one is a non-voting member. They are independent of management and free of any relationship, which could interfere with their independent judgments. The committee meets on a quarterly basis. Members of the committee elect the Chairman of the 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 a yearly basis. The Committee also reviews reports prepared by the Internal Audit Section and the financial statements of the Central Bank.

Banking Reform Committee

The Committee is made up of the Deputy Governor, who is the Chairman, four (4) Directors, and the Legal Counsellor. The committee meets on a quarterly basis. The terms and reference of the committee are determined by the main Board. The Banking Reform Committee is responsible for the stability of the banking system and promoting its contribution to economic growth and the increased participation of Liberian entrepreneurs in the national economy.

CORPORATE GOVERNANCE (continued)

Compliance Committee

The Compliance Committee is a subcommittee of the Banking Reform 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 Committee is an advisory body to the Executive Governor. The committee is made up of the Executive Governor who is an ex-officio, Deputy Governor who is the chairman 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.

External Auditors

In August 2010, the CBL re-appointed PricewaterhouseCoopers Ghana, to be its auditor for the 2010 and 2011 financial statements. It is expected that PricewaterhouseCoopers will continue as auditor of the Central Bank up to the end of 2012.

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

The Governors have the pleasure in presenting their report with the audited financial statements of the Central Bank of Liberia for the year ended December 31, 2011.

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 Bye laws adopted on December 16, 1999 required 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 year then ended. In preparing the financial statements, the Board of Governors is required to:

- Select suitable accounting policies consistent with International Financial Reporting Standards (IFRS) and apply them consistently;
- Make judgments and estimate 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 Bye laws pertaining to its operation; and
- Put in place relevant mechanisms for safeguarding the assets of the Bank and accordingly, take reasonable steps for the prevention and detection of fraud and other irregularities, if any.

The above statement is made with the view to 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:

1. issue legal tender banknotes and coins;
2. administer the currency laws and regulate the supply of money
3. provide credit to bank-financial institutions on a discretionary basis;
4. act as fiscal agent for the Government;
5. administer the New Financial Institutions Act of 1999 and regulate banking activities;
6. regulate bank and non-bank financial institution as well as non-bank financial services institutions;
7. hold and manage the foreign exchange reserve of Liberia, including gold;
8. advise the Government on financial and economic matter;
9. conduct foreign exchange operations; and

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

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

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:

	2011 **L$'000'**	2010 L$'000'
Operating loss attributed to shareholder	**(375,733)**	(532,509)
to which is added balance on general reserves account brought forward of	**3,491,461**	3,817,416
Other comprehensive income	**159,544**	206,554
leaving a balance on general reserve account to be carried forward of	**3,275,272**	3,491,461

Signed on behalf of the Board by:

J. Mills Jones

pp Charles E. Sirleaf

Executive Governor and Chairman of the Board

April 30, 2012

John G. Bestman

John G. Bestman

Governor

April 30, 2012

REPORT OF THE INDEPENDENT AUDITOR TO THE BOARD OF GOVERNORS OF THE CENTRAL BANK OF LIBERIA

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Central Bank of Liberia set out on pages 8 to 63. These financial statements comprise the statement of financial position as at December 31, 2011, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Governors' responsibility 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 for such internal control, as the Governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Governors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Central Bank of Liberia as at December 31, 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants

April 30, 2012

Accra, Ghana

pwc

Statement of comprehensive income

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

	Note	2011	2010
Interest income	5(i)	559,851	541,713
Interest expenses	5(ii)	(8,182)	(38,493)
Net interest income		551,669	503,220
Fees and commissions	6	235,344	218,754
Other income	7	7,177	17,874
Operating income		794,190	739,848
Administrative expenses	8	(835,801)	(944,760)
Other operating expenses	9	(334,122)	(327,597)
Loss for the year	30	(375,733)	(532,509)
Other comprehensive income:			
Actuarial gain/(loss) on defined benefit pension plan	28	43,433	(41,631)
Exchange difference on translation to presentation currency		116,111	248,185
Other comprehensive income for the year		159,544	206,554
Total comprehensive income transferred to general reserve account		(216,189)	(325,955)

The notes on pages 12 to 63 are an integral part of these financial statements

CENTRAL BANK OF LIBERIA
Financial statements
for the year ended December 31, 2011

Statement of financial position

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

	Note	2011	2010
Assets			
Cash and balances with Central Banks	10	11,071,115	11,935,787
Cash and balances with commercial banks	11	6,504,251	2,950,282
Loans, advances and overdraft to operating banks	12	387,774	357,500
Loans and advances to Government of Liberia	13	14,596,789	14,116,647
Investment securities:Held-to-maturity	14	4,126,512	4,069,808
Staff loans	15	57,945	34,500
Intangible assets	17	-	1,350
Investment property	18	-	20,020
Other assets	19	1,110,735	415,844
Property, machinery and equipment	20	1,084,747	484,569
Total assets		38,939,868	34,386,307
Liabilities			
Notes in circulation	21	7,251,552	5,550,742
Deposits from banks	22	11,894,510	7,328,812
Other deposits	23	150	6,783
Deposits of GOL and agencies	24	4,498,916	7,620,881
Commercial bank loan	25	979,373	958,073
Other liabilities	26	2,917,522	1,376,771
Provident fund	27	76,427	63,472
Retirement benefit obligations	28	447,559	390,725
Total liabilities		28,066,009	23,296,259
Equity			
Share capital	29	7,598,587	7,598,587
General reserve	30	3,275,272	3,491,461
Total equity		10,873,859	11,090,048
Total equity and liabilities		38,939,868	34,386,307

The financial statements on pages 12 to 63 were approval by the Board of Governors on April 30, 2012 and signed on its behalf by:

Executive Governor and Chairman of the Board pp ....

Governor ....

The notes on pages 12 to 63 are an integral part of these financial statements

Statement of Changes in Equity

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

	Share capital	General reserve	Total equity
Balance at January 1, 2011	**7,598,587**	**3,491,461**	**11,090,048**
Loss for the year	-	(375,733)	**(375,733)**
Actuarial gain		43,433	**43,433**
Exchange difference on translation to presentation currency	-	116,111	**116,111**
Total comprehensive income	-	(216,189)	**(216,189)**
Balance at December 31, 2011	**7,598,587**	**3,275,272**	**10,873,859**
Balance at January 1, 2010	**7,598,587**	**3,817,416**	**11,416,003**
Loss for the year	-	(532,509)	**(532,509)**
Actuarial loss	-	(41,631)	**(41,631)**
Exchange difference on translation to presentation currency	-	248,185	**248,185**
Total comprehensive income	-	(325,955)	**(325,955)**
Balance at December 31, 2010	**7,598,587**	**3,491,461**	**11,090,048**

The notes on pages 12 to 63 are an integral part of these financial statements

Statement of Cash Flows

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

	Note	2011	2010
Cash flows from operating activities			
Interest received		271,718	260,086
Fees and commission receipts		235,343	184,968
Other income received	7	7,177	50,578
Payment to suppliers		**(1,031,602)**	**(839,917)**
Cash used in operations before changes In operating assets and liabilities:		**(517,364)**	**(344,285)**
Change in operating assets and liabilities:			
Loans, advances and overdraft in operating banks	12	(30,274)	(320,011)
Staff loans	15	(26,616)	(19,874)
Other assets	19	(694,891)	(71,859)
Notes in circulation	21	1,700,810	967,305
Deposits from banks and others	22,23	4,559,065	2,255,579
Deposits of GOL and agencies	24	(3,121,965)	3,474,185
Other liabilities	26	**1,540,751**	**215,858**
Net cash from operating activities		**3,409,516**	**6,156,898**
Cash flows from investing activities			
Proceeds from sale of machinery & equipment	20	1,823	1,083
Purchase of machinery and equipment	20	(608,609)	**(44,887)**
Investment securities	**14**	**(50,456)**	**(3,571,521)**
Net cash used in investing activities		**(657,242)**	**(3,615,325)**
Exchange difference on transaction to presentation currency		**(62,977)**	96,118
Net increases in cash and cash equivalents		**2.689,297**	**2,637,691**
Cash and cash equivalents at January 1		14,886,069	12,248,378
Cash and cash equivalents at December 31		**17,575,366**	**14,886,069**

The notes on pages **12 to 63 are an integral part of these financial statements**

Notes to the financial statements

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 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 have been stated under note 1.5 below.

1.1 Share capital

The minimum authorized capital of the Central Bank is L$400 million. The amount may be increased by an amendment to the Act, as shall be proposed to the National Legislature by the Board of Governors of the Central Bank. Per 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 the CBL through the issuance of promissory notes for L$200 million (equivalent to US$5 million at the exchange rate at the time 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 the CBL. The net worth of the erstwhile National Bank of Liberia (NBL) was L$7.3 billion (Note 30). The principal assets which underlie the capital transfer of L$7.3 billion are two long-term loans denominated in L$ and US$ 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 provision 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 the CBL.

Notes to the financial statements (continued)

1. General information (continued)

1.5 Functions of the Central Bank

The principal objectives of the Bank, as set out in the Act, are to issue legal tender banknotes and coins; to administer the currency laws and regulate the supply of money; to provide credit to bank-financial institutions on a discretionary basis; to act as fiscal agent for the Government; to administer the Financial Institution Act (FIA) of 1999 and regulate banking activities; to 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; to 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 market, commerce, government agencies and the general public.

1.6 Powers of the Central Bank

The powers of the Central Bank of Liberia include but not limited to supervision of banks/financial institutions, non-bank financial institutions and authorized non-bank financial service dealers and brokers; 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.

1.7 Approval of financial statements for December 31, 2011

The financial statements for the year ended December 31, 2011 have been approved for issued by the Board of Governors on April 30, 2012. Neither the Board of Governors nor senior management has the power to amend the financial statement after issue.

Notes to the financial statements (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. The financial statements have been prepared under the historical cost convention, except for investment properties which have been measured at fair value and financial assets and liabilities which are initially recognised at fair value.

The disclosures on risks from financial instruments are presented in the financial risk management report contained in Note 3.

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 believe that the underlying assumptions are appropriate and that the Bank's financial statements therefore present the financial position and results fairly. The 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 policy and disclosures

(a) New and amended standards adopted by the Bank.

The amendments to existing standards below are relevant to the Bank's operation:

Standard	Title	Applicable for financial year beginning on/after
IAS 1	Presentation of financial statements	1 January 2011
IAS 24	Related party disclosures	1 January 2011
IFRS 7	Financial Instruments: Disclosures	1 January 2011

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

- The amendment to IAS 1, Presentation of financial statements' is part of the 2010 Annual Improvement and clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The application of this amendment has no significant impact as the Bank was already disclosing the analysis of the other comprehensive income on its statement of changes in equity.

- The amendment to IAS 24, 'Related party disclosures 'clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The amended definition means that some entities will be required to make additional disclosures. The amended standard currently has no impact on the Bank's financial statements.

- The amendment to IFRS 7, 'Financial Instruments- Disclosures' are part of the 2010 Annual Improvements and emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment also removed the requirement to disclosed the following;

    - Maximum exposure to credit risk if the carrying amount best represents the maximum exposure to credit risk;
    - Fair value of collaterals; and
    - Renegotiated loans that would otherwise be past due but not impaired.

The application of the above amendments simplified financial risk disclosures made by the Bank.

Other amendments and interpretations to standards became mandatory for the year beginning 1 January 2011 but had no significant effect on the Bank's financial statements.

(b) Standards, amendments and interpretation to existing standards that are not yet effective and have not been early adopted by the Bank.

Numerous new standards, amendments and interpretations to existing standards have been issued but are not yet effective. Below is the list of new standards that are likely to be relevant to the Bank. However, the Board of Governors are yet to assess the impact on the Bank's operations.

Standard	Title	Applicable for Financial year beginning on/after
IAS 1	Presentation of financial statements	1 July 2012
IAS 19	Employee benefits	1 January 2013
IFRS 9	Financial instruments	1 January 2015
IFRS 13	Fair value measurement	1 January 2013

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

- IAS 1, Presentation of financial statements

  The amendment changes the disclosure of items presented in other comprehensive income (OCI) into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

  The title used by IAS 1 for the statement of comprehensive income has changed to 'statement of profit or loss and other comprehensive income', though IAS 1 still permits entities to use other titles.

- IAS 19, 'Employees benefits'

  - The amendment to IAS 19, 'Employee benefits' makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits and to the disclosures for all employee benefits. Key features are as follows:

  - Actuarial gains and losses are renamed 're-measurements' and can only be recognized in 'other comprehensive income' without any recycling through profit or loss in subsequent periods.

  - Past service costs will be recognized in the period of a plan amendment and curtailment occurs only when an entity reduces significantly the number of employees.

  - The amendment clarifies the definition of termination benefits. Any benefit that has a future service obligation is not a termination benefit.

  - Annual benefit expense for a funded benefit plan will include net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability.

- IFRS 9, 'Financial instruments' part 1: Classification and measurement and part 2: Financial liabilities and De-recognition of financial instruments

  - IFRS 9, part 1 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

    - Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortized cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

    - An instrument is subsequently measured at amortized cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

    - All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealized and realized fair value gains and losses through other comprehensive income rather than profit or loss.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

- IFRS 9, 'Financial instruments' part 1: Classification and measurement and part 2: Financial liabilities and De-recognition of financial instruments(continued)

    - There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by- instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

    - While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Bank is considering the implications of the Standard, the impact on the Bank and the timing of its adoption by the Bank.

    - IFRS 9, part 2 was issued in October 2010 and includes guidance on financial liabilities and de-recognition of financial instruments. The accounting and presentation of financial liabilities and for derecognizing financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change except for financial liabilities that are designated at fair value through profit or loss.

    - Under the new standard, entities with financial liabilities at fair value through profit or loss recognize changes in the liability's credit risk directly in other comprehensive income. There is no subsequent recycling of the amounts in other comprehensive income to profit or loss, but accumulated gains or losses may be transferred within equity. There are no other IFRS or IFRIC interpretations not yet effective which are expected to have a material impact on the Bank

- IFRS 13, 'Fair value measurement'

    - IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures; it does not say when to measure fair value or require additional fair value measurements. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

    - The principal market is the market with the greatest volume and level of activity for the asset or liability that can be accessed by the entity. The guidance includes enhanced disclosure that would result in significantly more work for the Bank. The requirements are similar to IFRS 7, 'Financial instruments: Disclosures' but apply to all assets and liabilities measured at fair value, not just financial ones.

- There are no other IFRS or IFRIC interpretations, not yet effective which are expected to have a material impact on the Bank.

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 Central Bank's transactions are currently denominated in United States Dollars (US$).

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.2. Foreign currency translation (continued)
(a) Functional and presentation currency (continued)

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 Central 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 or valuation when items are re-measured. 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 are translated at historic rates. Exchange differences resulting from this conversion and translation are recognized in the 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 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, work-in-progress (building under construction), leasehold improvements, motor vehicles, furniture, generators and office equipments. 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 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 the profit or loss during the financial period in which they are incurred.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.3 Property, machinery and equipment (continued)

(b) Depreciation

Land is not depreciated. It is stated at cost.

Depreciation on other assets is calculated using the straight-line basis to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements: over the life of the lease

Buildings	forty (40) years
Equipment	three (3) years
Motor vehicles	four (4) to five (5) years
Furniture & fittings	five (5) years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount many not be recoverable. An asset 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 profit or loss.

The estimated life of furniture and fixture has change from 6% to 5% approved by the Governor taking effect in 2011.

2.4 Investment property

An investment property is a land or building-or part of a building, or both, held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or for sale in the ordinary course of business. Investment property is initially recognized at cost including transaction costs. They are subsequently measured using the fair value model. Gains and losses arising from changes in the fair value of investment property are recognized in profit or loss for the period in which they arise. Investment properties are derecognized when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. Transfer from Investment property to owner occupied shall be made only when there is evidence of commencement of owner occupation and approval from the Board of Governor.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.4 Investment property (continued)

The fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. Fair value specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale. The bank determines fair value without any deduction for transaction costs it may incur on sale or other disposal. All subsequent expenditures are expensed when it below the threshold of US$25,000.00.

2.5 Intangible assets

CBL has adopted the cost model in accounting for its intangible assets. On initial recognition, intangible assets are recognized at cost. Intangible assets consist of BankMaster Plus software acquired externally and used by CBL. The costs of the BankMaster Plus software include acquisition, installation and other major costs associated with getting the software ready 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 recognized as an expense when incurred. Intangible assets are carried at cost less accumulated amortization.

2.6 Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets’ fair value (less costs to sell) and value in use. Non-financial assets that suffered impairment are reviewed for possible reversal at each reporting date.

2.7 Financial assets

(i) Classification

CBL classifies its financial assets in the following categories: loans and receivables and held-to-maturity investments. Management determines the classification of financial instruments at initial recognition. The Bank uses trade date accounting for regular way contract when recording financial assets transactions.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.7 Financial assets (continued)

a) Loans and receivables

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

b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities. They comprise: (i) loan notes issued by the Government of Liberia. The terms of these loan notes were renegotiated with the GOL in July 2007. The agreement requires CBL to hold this instrument until redeemed by the GOL. Hence, CBL has classified the instruments as held-to-maturity. (ii) United States Treasury Bills which form part of CBL's international reserve. CBL has the intention and ability to hold these to maturity, which is typically 6 months. Accordingly CBL has classified these as held to maturity.

(ii) Recognition and measurement

Financial assets are recognized when CBL becomes a party to the contractual provisions of an instrument. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where CBL has substantially transferred all the risk and rewards of ownership.

Loans and receivable are initially recognized at fair value, which is the cash consideration to originate or purchase the loan including transaction costs and measured subsequently at amortized cost using the effective interest rate method.

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

2.8 Financial liabilities

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

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position 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. Currently, CBL does not have any contractual or legal right to offset any financial asset and liability.

2.10 Impairment of financial assets

a) Assets carried at amortized cost

CBL assesses annually at each reporting date whether there is objective evidence that loans and receivables and held-to-maturity financial assets are 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 initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial assets that can be reliably measured. The criteria that CBL uses to determine that there is objective evidence of impairment include:

- significant financial difficulty to the issuer or obligor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- the Bank, for economic or legal reasons relating to borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for the financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets:

(i) adverse changes in the payment status of borrowers in the portfolio; and
(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The estimated period between a loss occurring and its identification is determined by management. In general, the periods used vary between six months and twelve months; in exceptional cases, longer periods are warranted. The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on these assets has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at such financial assets' respective original effective interest rate.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.10 Impairment of financial assets (continued)

a) Assets carried at amortized cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. 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. For the purpose of 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 group of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

b) Renegotiated loans

Loans that are subject to impairment assessment and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans.

2.11 Cash and cash equivalents

Cash and cash equivalents include US dollar banknote in operational vault, deposits held with banks; loans and advances to banks, amounts due from other banks and short-term highly liquid government securities (if any) with original maturities of 3 months or less.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.12 Employees' benefits

a) Pension obligations

The Bank operates an unfunded pension scheme. The 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 an employee 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 a defined benefit retirement scheme is the present value of the defined benefit obligation in respect of past service at the reporting date. 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.

Actuarial gains and losses from experience adjustments and changes in assumptions are charged to other comprehensive income in the period in which they arise. Past service costs are recognized immediately in administrative expenses in profit or loss, unless the changes to the pension plan are conditional on the employee remaining in service for a specified period of time. In this case past-service costs are amortized on a straight-line basis over the vesting period.

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 contributions once the contributions have been paid. The contributions are recognized as employee benefit expense when due.

b) Provident fund

Provident fund is an employee benefit that is non-interest bearing payable when a staff retires, resigns or when service is terminated. Management and staff are required to contribute 5% each as contribution to the fund.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.13 Trade receivable

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are a classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less provision for impairment.

2.14 Trade payable

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

2.15 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 obligation 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 the obligation using a rate that reflects current market assessment of the time value of money and the risks specific to the obligation.

2.16 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 profit or loss 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

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.16 Revenue recognition (continued)

a) Interest income and expense (continued)

through the expected life of the financial instrument or when appropriate, a shorter period of the net carrying amount of the financial asset or financial liability.

CBL derives its interest income principally from GOL long-term loans and investment security and its deposits with foreign banks and holdings in US Treasury Bills. Interest expense is incurred principally from interest accrued on loan from Liberian Trading and Development Bank Limited (TRADEVCO).

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 for a third party, are recognized on completion of the underlying transaction.

2.17 Deferred currency cost-Liberian banknotes

Printing costs on currency are amortized when the notes are put into circulation using a weighted average method. Unissued Liberian Dollar notes at the reporting date are treated as an inventory item at their cost of production. All other costs relating to the production of notes are expensed in the period in which they are incurred.

2.18 Currency in circulation

Currency issued by CBL represents a claim on the Central Bank in favour 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 Central Bank.

2.19 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 where CBL is the lessee. The lease agreements specify options for renewal. Per the 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

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.19 Leases (continued)

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 termination takes place.

2.20 Leasehold improvements

This involves cost incurred in refurbishing various properties that are leased by CBL. The various lease agreements all specified options for renewal (capital leases). The lease period normally covers periods of 1-10 years. Costs associated with the lease include initial rental repayments, cost of improvements, renovations, and all other costs incurred in getting the property ready for use. Leasehold improvement is amortized over the life of the lease. Annual rental payments are charged to a prepaid rent account and amortized accordingly.

2.21 Allocation of net profits

Profits of CBL are dealt with in terms of Part X, Section 46 of the CBL Act of 1999, Subject to subsection (4), the net profit of the Central Bank in each year shall be dealt with as follows:

(a) an allocation from net profit shall be 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 shall be 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 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;

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.21 Allocation of net profits (continued)

(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.

2.22 Allocation of net loss

If the Central Bank incurs a net loss for any financial year, the net loss shall be allocated as follow:

- 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 sum of net operating revenue and greater net realized valuation losses, the net shall be allocated 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 capital in that order, or

- If the net loss is the sum of the net operating loss and smaller net unrealized valuation gains, the net loss shall be charged to the General Reserve or Capital in that order.

2.23 Comparatives

Where necessary comparatives figures have been adjusted to conform with changes in presentation. Borrowed funds in the amount of L$795,954.00(2010: L$810,038.00) has been reclassified as other liabilities because they don’t have the characteristic of borrowed fund. This reclassification is not material to required three statement of financial position.

Notes to the financial statements (continued)

3. Financial Risk Management

The Central Bank's activities expose it to limited financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of 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 a counterparty will cause a financial loss for 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 also as well as trade and other receivables. Credit risk is managed by the finance director and for accounts receivable balances, he is responsible for managing and analyzing credit risk for each new customer before standard payment and delivery terms are offered. The Banks is also exposed to other credit risk arising from investment securities. The Credit exposure arises principally in lending activities.

3.1.1. Credit risk measurement

Loan and advances

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

Balance with central banks and operating banks

For banks and financial institutions, only reputable well established financial institutions are accepted base on the Bank's internal policy and the treasury department manages the credit risk exposure by assessing the central banks and other operating banks performances.

Investment securities- held to maturity

For investment securities, the Central Bank considers the 'probability of default' by the client 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.

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

3.1. Credit risk (continued)

3.1.1. Credit risk measurement (continued)

Staff loans

The Director of Finance together with the Head of Human Resources department assess each staffs liability to the Bank on a monthly and ensures adequate measures are put to ensure the staff does not default. The credit risk occurs when the staff's appointment is terminated or resigns.

Other assets

For trade receivables, the Director of Finance assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The Company 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. The utilization of credit limits is regularly monitored.

3.1.2. Risk limit control and mitigation policy

The Central Bank manages limits and controls concentration of credit risk wherever they are 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 include:

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 fund, life insurance, and property deeds for staff loans. All loan and advances to Government of Liberia and commercial banks have no collateral but as the holder of various accounts for GOL and commercial contracts are signed. There is no signed agreement as to the collateral but in case of any default the bank can rest on the deposits place in the books by GOL and the operating banks.

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 loss 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 to the financial statements (continued)

3. Financial Risk Management (continued)

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

		31-Dec-11		31-Dec-10	
	Grouping	L$'000'	% of financial assets	L$'000'	% of financial assets
Cash and balances with central banks	I	**11,071,115**	29.81	11,935,787	35.58
Cash and balances with commercial banks	I	**6,504,251**	17.51	2,950,282	8.79
Loans and advances to operating Bank	I	**387,774**	1.04	357,500	1.07
Staff loans	I	**57,945**	0.16	34,500	0.09
Loans and advances to GOL	II	**14,596,789**	39.30	14,116,647	42.09
Investment security(HTM)	II	**4,126,512**	11.11	4,069,808	12.13
Other assets	I	**399,645**	1.08	69,781	0.25
		37,144,031	100.00	**33,534,305**	100.00

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

Category	31-Dec-11	31-Dec-10
Group 1	**18,420,730**	15,347,850
Group II	**18,723,301**	18,186,455
Total	**37,144,031**	33,534,305

Group 1

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 13.

The above table represents a worst case scenario of credit risk exposure to the Bank at December 31, 2011 and 2010 without taking account of any collateral held or other credit enhancements attached. The exposures set out above are based on net carrying amounts as reported in the balance sheet.

Notes to the financial statements (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)

As shown above, 88.79% (2010:87.53%) of the total maximum exposure arises from loans and advances to GOL and operating banks and amounts due from the central banks and operating banks.

Management is confident in its ability to continues and minimize the loss arising from its exposure to credit risk resulting from loans and advances to GOL and amounts due from the central banks and operating banks based on the following:

- The loans and advance to GOL and operating banks and amounts due from the central banks and operating banks are categorized in the top grades of the bank's internal grading system; and
- The Bank continuously reviews its credit policy and changes are made based on the management Information System (MIS) reports and the patterns that emerge from these reports.

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

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

	December 31, 2011				December 31, 2010			
	Loans and advances to GOL and HTM L$000	**Loans and advances to Staff L$000**	**Balances with Central Banks & Comm. banks L$000**	**Other assets L$000**	Loans and advances to GOL and HTM L$000	Loans and advances to Staff L$000	Balances with Central Banks & Comm. banks L$000	Other assets L$000
Neither past due nor impaired	**18,723,301**	**57,945**	**17,963,140**	**411,181**	18,186,454	34,500	15,243,569	81,312
Individually impaired	**-**	**3,683**	**-**		-	629	-	-
Gross	**18,723,301**	**61,628**	**17,963,140**	**411,181**	18,186,454	35,129	15,243,569	81,312
Less: allowance for impairment	**-**	**(3,683)**	**-**	(11,536)	-	(629)	-	(11,532)
Carrying value	**18,723,301**	**57,945**	**17,963,140**	**399,645**	18,186,454	34,500	15,243,569	69,781

Notes to the financial statements (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

Loan and advances neither past due nor impaired are loan and advances to GOL, other Central Banks and Operating Banks with no default in the past.

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating adopted by the Bank. The table below is the detail of the nature of counterparties by industry.

Loans and advances neither past due nor impaired

At December 31	2011	2010
Government	**18,723,301**	18,186,454
Operating banks	**17,963,140**	15,243,569
Staff laons	**57,945**	34,500
Total	**36,744,386**	33,464,523

b) Past due but not impaired

There are no past due but not impaired assets.

(c) Loans and advances individually impaired

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

	December 31, 2011				December 31, 2010			
	Loans and advances to GOL	**Loans and advances to Staff**	**Balances with Central Bank & Comm. Banks**	**Other Assets**	Loans and advances to GOL	Loans and advances to Staff	Balances with Central Bank & Comm. Banks	Other Assets
	L$000	**L$000**	**L$000**	**L$000**	L$000	L$000	L$000	L$000
Individually impaired	-	**(3,683)**	-	**(11,536)**	-	(629)	-	(11,532)

Loans and advances to staff are impaired because some staff left the bank and stopped payment. Other assets include long outstanding receivable from the Liberia Petroleum Corporation LPRC (Belle Dunbar).

Notes to the financial statements (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)

Amount due to central banks and operating banks

The Bank held amounts due from banks of L$6,892,025.00(2010: L$3,307,782.00) which represents its maximum credit exposure on these assets. The balances due from central banks and operating banks are held with reputable banks.

3.2. Liquidity risk

Liquidity risk is the risk that the Central Bank is unable to meet 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 Central Bank's liquidity management process, as carried out within the Finance Department and monitored by executive management and the Internal Audit Section includes:

- 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 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 month 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. Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the cash flows payable by the Central Bank under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date.

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

3.2. Liquidity risk (continued)

3.2.2. Non-derivative financial liabilities and assets held for managing liquidity risk (continued)

The amounts disclosed in the table are contractual undiscounted cash outflows, whereas the Central Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

As at 31 December 2011 (L$'000')	Up to 3 month	3-12 months	1-5 years	Over 5 years	Total
Liabilities					
Notes in circulation				7,251,552	**7,251,552**
Deposits from banks (i)	3,833,647	44,067	-	8,016,796	**11,894,510**
Deposits of GOL and agencies	4,357,627	-	-	141,289	**4,498,916**
Other deposits	150	-		-	**150**
Commercial bank loan	-	115,407	554,817	397,456	**1,067,680**
Other liabilities	2,917,336	-	-	-	**2,917,336**
Total liabilities (contractual maturity dates)	**11,108,760**	**159,474**	**554,817**	**15,807,093**	**27,630,144**
Total assets (expected maturity dates)	**17,963,140**	**3,626,040**	**64,959**	**15,103,813**	**36,757,952**

As at 31 December 2010 (L$'000')	Up to 3 month	3-12 months	1-5 years	Over 5 years	Total
Liabilities					
Notes in circulation				5,550,742	**5,550,742**
Deposits from banks (i)	1,505,229	43,522	-	5,780,061	**7,328,812**
Other deposits	6,783	-	-	-	**6,783**
Deposits of GOL and agencies	7,481,541	-	139,340	-	**7,620,881**
Commercial bank loan	-	7,728	555,542	502,138	**1,065,408**
Other liabilities	561,628	-	-	-	**561,628**
Total liabilities (contractual maturity dates)	**9,555,181**	**51,250**	**694,882**	**11,832,941**	**22,134,254**
Total assets (expected maturity dates)	**18,887,633**	**-**	**40,184**	**14,612,172**	**33,534,305**

3.2.3. Assets held for managing liquidity risk

The Bank holds a diversified portfolio of cash and securities to support payment obligations. The Bank's assets held for managing liquidity risk comprise:

- Cash and balances with central banks and other operating banks; and
- Investment securities.

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

3.3 Market risk

Market risk, is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate 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 main exposure to market risk lies with its deposit held overseas which are exposed to changes in U.S dollars interest rate.

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

The table below summarizes the Central Bank's exposure to interest rate risk. It includes the Central Bank's financial instruments at their carrying amounts, categorized by the earlier of contractual re-pricing or maturity date.

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

3.3. Market risk (continued)

a) Interest rate risk (continued)

As at December 31, 2011 (L$000)	Up to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Assets					
Cash and balances with central banks	10,038,566	-	-	1,032,549	**11,071,115**
Cash and balances with commercial banks	6,298,734	-	-	205,517	**6,504,251**
Loans,advances and overdraft to operating banks	25,274	362,500	-	-	**387,774**
Loans and advances to GOL	-	-	14,596,789	-	**14,596,789**
Investment securities (HTM)	3,624,514	-	501,998	-	**4,126,512**
Staff loans	-	57,945	-	-	**57,945**
Other assets	-	-	-	399,645	**399,645**
Total financial assets	**19,987,088**	**420,445**	**15,098,787**	**1,637,711**	**37,144,031**
(L$'000')					
Liabilities					
Notes in circulation	-	-	-	7,251,552	**7,251,552**
Deposits from banks	-	-	-	11,894,510	**11,894,510**
Other deposits		-	-	150	**150**
Deposits of GOL and agencies	-	-	-	4,498,916	**4,498,916**
Commercial bank loan	-	-	979,373	-	**979,373**
Other liabilities	-	-	-	2,917,336	**2,917,336**
Total financial liabilities	**-**	**-**	**979,373**	**26,562,464**	**27,541,837**
Total interest rate repricing gap	**19,987,088**	**420,445**	**14,119,414**		

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

3.3. Market risk (continued)

a) Interest rate risk (continued)

As at December 31, 2010 (L$000)	Up to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Assets					
Cash and balances with central banks	10,696,191	-	-	1,239,596	**11,935,787**
Cash and balances with commercial banks	2,751,581	-	-	198,701	**2,950,282**
Loans,advances and overdraft to operating banks	-	357,500	-	-	**357,500**
Loans and advances to GOL	-	-	14,116,647	-	**14,116,647**
Investment securities (HTM)	3,574,283	-	495,525	-	**4,069,808**
Staff loans	-	34,500	-	-	**34,500**
Other assets	-	-	-	69,781	**69,781**
Total financial assets	**17,022,055**	**392,000**	**14,612,172**	**1,508,078**	**33,534,305**
(L$'000')					
Liabilities					
Notes in circulation	-	-	-	5,550,742	**5,550,742**
Deposits from banks	-	-	-	7,328,812	**7,328,812**
Other deposits	-	-	-	6,783	**6,783**
Deposits of GOL and agencies	-	-	-	7,620,881	**7,620,881**
Commercial bank loan	-	-	958,073	-	**958,073**
Other liabilities	-	-	685,316	686,350	**1,371,666**
Total financial liabilities	**-**	**-**	**1,643,389**	**21,193,568**	**22,836,957**
Total interest rate repricing gap	**17,022,055**	**392,000**	**12,968,783**		

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 Liberian Dollar and United States Dollars. The table below summarizes the Central Bank's exposure to exchange rate risk at December 31, 2011. Included in the table are the Central Bank's carrying amounts, categorized by currency.

Notes to the financial statements (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, 2011	United States dollar	Euro	Liberian Dollar	Total
Assets	L$ (000)	L$ (000)	L$ (000)	L$ (000)
Cash and balances with central banks	11,071,115	-	-	11,071,115
Cash and balances with commercial banks	4,977,747	1,526,505	-	6,504,251
Loans,advances and overdraft to operating banks	387,774	-	-	387,774
Loans and advances to Government of Liberia	13,790,950	-	805,839	14,596,789
Investment securities (held-to-maturity)	4,126,512	-	-	4,126,512
Staff loans	57,945	-	-	57,945
Other assets	363,368	-	36,277	399,645
Total financial assets	**34,775,411**	**1,526,505**	**842,116**	**37,144,031**
Liabilities				
Notes in circulation	-	-	7,251,552	7,251,552
Deposit from banks	11,849,656	-	44,854	11,894,510
Other deposits	150	-		150
Deposits of GOL and agencies	4,280,152	-	218,764	4,498,916
Commercial bank loan	979,373	-	-	979,373
Other liabilities	2,904,876	-	12,460	2,917,336
Total financial liabilities	**20,014,206**	**-**	**7,527,631**	**27,541,837**
Net statement of financial position	**14,761,205**	**1,526,505**	**(6,685,514)**	**9,602,195**

Notes to the financial statements (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, 2010	United States dollar	Euro	Liberian Dollar	Total
	L$ (000)	L$ (000)	L$ (000)	L$ (000)
Assets				
Cash and balances with central banks	11,935,787	-	-	11,935,787
Cash and balances with commercial banks	2,939,048	11,234	-	2,950,282
Loans, advances and overdrafts to operating banks	357,500	-	-	357,500
Loans and advances to Government of Liberia	13,331,623	-	785,024	14,116,647
Investment securities (held-to-maturity)	4,069,808	-	-	4,069,808
Staff loans	34,500	-	-	34,500
Other assets	67,710	-	2,071	69,781
Total assets	32,735,976	11,234	787,095	33,534,305
Liabilities				
Notes in circulation	-	-	5,550,742	5,550,742
Deposit from banks	5,843,327	-	1,485,485	7,328,812
Other deposits	6,226	-	557	6,783
Deposits of GOL and agencies	7,239,966	-	380,915	7,620,881
Commercial bank loan	958,073	-	-	958,073
Other liabilities	1,319,820	47	56,904	1,376,771
Total financial liabilities	15,367,412	47	7,474,603	22,842,062
Net on statement of financial position	17,368,564	11,187	(6,687,508)	10,692,243

c) Sensitivity analysis for "Foreign exchange risk"

	2011			2010		
	L$ (000)			L$ (000)		
	Balance Dec 31	**Exchange rate + 1%**	**Exchange rate -1%**	Balance Dec.31	Exchange rate + 2%	Exchange rate -2%
Total financial assets	**34,775,411**	**35,123,164**	**34,427,656**	32,735,976	33,390,695	32,081,256
movement		**347,755**	**(347,755)**		654,720	(654,720)

If the Liberian Dollar depreciated or appreciated by 1% against the U.S. Dollar at December 31, 2011, financial assets denominated in U.S. Dollars would have been L$35.1 billion, which is L$0.347 billion higher or lower than the carrying amounts at December 31, 2011 of L$34.7 billion as compared to December 31, 2010 of L$33.3 billion, which L$ 0.654 billion. Total comprehensive for the year income would have been L$0.347 billion higher or lower.

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

3.3. Market risk (continued)

c) Sensitivity analysis for foreign exchange risk (continued)

Concentration of currency risk on financial instruments

	2011			2010		
	L$ (000)			L$ (000)		
Total	**Balance Dec 31**	**Exchange rate + 1%**	**Exchange rate -1%**	Balance Dec.31	Exchange rate + 2%	Exchange rate - 2%
financial liabilities	**20,014,206**	**20,214,349**	**19,814,065**	15,367,412	15,674,760	15,060,064
movement		**200,143**	**(200,143)**		307,350	(307,348)

If the Liberian Dollar depreciated or appreciated by 1% against the U.S Dollar, financial liabilities denominated in U.S. Dollars would have been L$20.2 billion, which L$0.200 billion higher or lower than the December 31, 2011 figure of L$20 billion as compared to December 31, 2010 of L$15.0 billion, which L$ 0.294 billion. Total comprehensive income for the year would have been L$0.200 billion lower or higher.

d) Sensitivity for “Interest rate risk

	2011			2010		
	L$ (000)			L$ (000)		
Total	**Balance Dec 31**	**Exchange rate + 1%**	**Exchange rate -1%**	Balance Dec.31	Exchange rate + 2%	Exchange rate - 2%
interest rate	**34,526,947**	**35,003,180**	**34,050,713**	30,382,838	30,807,773	29,957,903
repricing gap		**476,234**	**(476,236)**		424,937	(424,935)

The interest rate risk sensitivity analysis estimates the impact that a change in interest rates would have on financial assets and liabilities had increased by 1% (in absolute terms) at December 31, 2011 would have been L$35 billion, which is L$.476 billion higher than the December 31, 2011 figure of L$34.5 billion as compared to December 31, 2010 of L$30.8 billion, which L$ 0.424 billion higher than the December 31, 2010 balance of L$30.3 billion. If interest rate on financial assets and liabilities had decreased by 1% (in absolute terms) at December 31, 2011 interest rate pricing gap would have been L$34 billion, which is L$.476 billion lower than the December 31, 2011 figure of L$34 billion as compared to December 31, 2010 of L$29.9 billion, which is L$ .424 billion lower than the December 31, 2010 balance.

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

3.4. Fair value of financial assets and liabilities

(a) Financial instruments not measured at fair value

The table below summarizes the carrying amounts of those financial assets and liabilities not presented on CBL's Statement of financial position at their fair values, represents the fair value of the financial assets and liabilities on the reporting dates.

	Carrying Value		Fair Value	
	Dec-31 2011	Dec-31 2010	**Dec-31 2011**	Dec-31 2010
Financial assets				
Cash and balances with central banks	**11,071,115**	11,935,787	**11,071,115**	11,935,787
Cash and balances with commercial bank	**6,504,251**	2,950,282	**6,504,251**	2,950,282
Loans and advances operating banks	**387,774**	357,500	**387,774**	357,500
Loans and advances to GOL	**14,596,789**	14,116,647	**14,596,789**	14,116,647
Investment securities (HTM)	**4,126,512**	4,069,808	**4,126,512**	4,069,808
Staff loans	**57,945**	40,184	**57,945**	34,500
Other assets	**399,645**	69,781	**399,645**	69,781
	37,144,031	33,539,989	**37,144,031**	33,534,305
Financial liabilities				
Notes in circulation	**7,251,552**	5,550,742	**7,251,552**	5,550,742
Deposits from banks	**11,894,510**	7,328,812	**11,894,510**	7,328,812
Deposits of GOL and agencies	**4,498,916**	7,620,881	**4,498,916**	7,620,881
Other deposits	**150**	6,783	**150**	6,783
Commercial bank loan	**979,373**	958,073	**979,373**	958,073
Other liabilities	**2,917,336**	1,371,665	**2,917,336**	1,371,665
	27,541,837	22,836,955	**27,541,837**	22,836,955

(i) Loan and advances to banks

Loans and advances to banks include inter-bank placements and items in the course of collection.

The fair value of floating rate placements and overnight deposits is their carrying amount.

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

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

(b) Fair value hierarchy

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

Notes to the financial statements (continued)

3.5. Capital management

The Central Bank's objective when managing capital and reserves is to safeguard the Central Bank's ability to continue as a going-concern so that it can 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 non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity investment. In making this judgment, 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 the specific circumstances, these investments will be 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 to the financial statements (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 to give a benchmark discount rate. Furthermore there is limited experience of staff turnover patterns at CBL. These factors make the actuarial assumptions more than usually uncertain. Management has taken professional actuarial advice in determining the assumptions and the quantum of the liability.

Notes to the financial statements (continued)
(All amounts in thousands of Liberian Dollars unless otherwise stated)

	For the year ended	
	2011	2010
5. (i) Interest income		
GOL loans and advances	**191,919**	190,756
Investment securities-held-to-maturities	**50,177**	49,856
Deposits and staff loans	**28,912**	22,236
Unwinding of discount on GOL loans (Note 13)	**288,843**	278,865
	559,851	541,713
5(ii) Interest expense		
Interest expense-Liberian Trading and Development Bank Limited (TRADEVCO) loan	**7,730**	8,586
Amortized cost Adjustment TRADEVCO	**-**	29,501
Amortized cost-Held to Maturity	**452**	406
	8,182	38,493
6. Fees and commissions		
Service fees and commissions	**231,238**	216,555
Foreign exchange commission	**-**	6
Notes transfer fees	**4,106**	2,193
	235,344	218,754
7. Other income		
Rental income	**206**	1,013
Other income-fines	**2,624**	6,937
Other miscellaneous income	**2,789**	6,246
Gain on disposal of equipment and machinery	**-**	1,101
Other income	**1,558**	2,577
	7,177	17,874
8. Administrative expenses		
Staff costs (i)	**470,073**	387,194
Board fees and expenses(ii)	**40,756**	17,289
Depreciation/amortization(iii)	**33,359**	32,526
Other administrative expenses(iv)	**209,773**	474,603
CBL Contribution to regional bodies	**81,840**	33,148
	835,801	944,760
(i) Staff costs:		
Salaries & wages	**288,099**	247,669
Social security contibution	**9,610**	9,061
Other personnel costs	**53,209**	49,025
Loss on fair valuation of staff loan	**3,011**	2,877
Pension cost (Note 28):		
Current service cost	**82,509**	64,859
Interest cost	**18,840**	13,689
Severance benefits	**14,795**	14
	470,073	387,194

The number of employees as at December 31, 2011 was **195.** (December 31, 2010:188).

Notes to the financial statements (continued)
(All amounts in thousands of Liberian Dollars unless otherwise stated)

8. Administrative expenses (continued)	**For the year ended** 2011	2010
(ii) Board fees and expenses		
Board fees	**37,089**	13,849
Board entertainment	**41**	63
Others	**3,626**	3,377
	40,756	17,289
(iii) Depreciation/amortization		
Depreciation on equipment	**14,373**	12,393
Depreciation on furnitures and fixtures	**1,316**	798
Depreciation on vehicles	**15,174**	10,459
Amortization on leasehold properties	**1,020**	1,750
Amortization on banking software	**1,359**	7,022
Depreciation on building	**117**	104
	33,359	32,526
(iv) Other administrative expenses		
Property cost/occupancy	**31,413**	25,607
Office expenses	**36,588**	25,263
Professional services	**30,723**	36,647
Travel expenses	**31,614**	26,536
Other miscellaneous expenses	**25,140**	13,695
Subscription and public relation	**23,223**	14,159
Vehicle fuel,insurance and maintainance	**31,072**	21,152
Provision for West African Monetary Agency (WAMA) subscription	**-**	311,544
	209,773	474,603

Included in professional services is the following:		
Fees paid to auditors:		
Audit of the Bank's financial statements	**8,701**	7,721
Other assurance services	**-**	5,328
Total	**8,701**	13,049

9. Other operating expenses	**For the year ended** 2011	2010
Currency expense		
Notes importation costs	**58,612**	41,415
Mute exportation costs	**2,929**	329
Cost of destroying banknotes	**388**	624
Amortization of currency printing cost-banknotes	**272,193**	284,077
Currency expense-General	**-**	1,152
	334,122	327,597

Notes to the financial statements (continued)
(All amounts in thousands of Liberian Dollars unless otherwise stated)

	As at	
10. Cash and balances with Central Banks	2011	2010
Cash on hand and in vault	1,267,369	1,571,826
Cash balances at rural branches	192,397	178,527
Balances with other Central Banks	10,038,566	10,696,191
Less: Liberian Dollars in vault & cash centers (Note 21)	(427,217)	(510,757)
	11,071,115	11,935,787
11. Cash and balances with commercial banks		
Balances with local banks	205,517	198,701
Balances with foreign banks (commercial)	6,298,734	2,751,581
	6,504,251	2,950,282
12. Loan and advances to banks		
CBL CD with United Bank of Africa Liberia Limited	54,375	53,625
CBL CD with First International Bank Liberia Limited	72,500	71,500
CBL CD with Liberia Bank for Development and Investment	72,500	71,500
CBL CD with Global Bank (Liberia) Limited	54,375	53,625
CBL CD with Guaranty Trust Bank Liberia Limited	54,375	53,625
CBL CD with International Bank Liberia Limited	54,375	53,625
	362,500	357,500
Overdraft to commercial banks		
GTB(LIB) Ltd Current A/C	2,271	-
UBA Current Account	23,003	-
	25,274	-
	387,774	357,500
13. Loans and advances to Government of Liberia		
Balance at January 1	14,358,438	13,895,329
Interest	479,466	469,232
Release	(190,623)	(190,367)
Exchange difference	(50,492)	(57,547)
Carrying value at December 31	14,596,789	14,116,647

The loans to the Government of Liberia were mainly taken over from the National Bank of Liberia on the establishment of CBL in 2000. The loans had been non-performing. The terms of these loans were renegotiated with the GOL and agreed in July 2007. The terms included extension of the repayment period, reduction in interest rates and capitalization of accrued and deferred interests to the date of the agreement. The loan has interests rate of 2%, 3%, 4% and 5%, with principal repayment beginning September 30, 2017 and the final installment payable on July 31, 2037.

Notes to the financial statements (continued)
(All amounts in thousands of Liberian Dollars unless otherwise stated)

13. Loans and advances to Government of Liberia (continued)

At the date of restructuring, the loans were treated as new loan and fair valued. The amortized cost adjustment has been calculated by discounting the future cash flows using the original interest rate.

14. Investment securities: Held-to-maturity

	As at	
	2011	2010
Investment security:Held-to-Maturity	**507,024**	500,030
Less amortized cost adjustment:		
Balance at January 1	**(4,505)**	(4,039)
Charge during the year	**(452)**	(406)
Exchange difference	**(69)**	(60)
At December 31 2011:	**(5,026)**	(4,505)
Carrying value	**501,998**	495,525
Treasury bills	**3,624,290**	3,571,521
Interest receivable	**710**	3,479
Charge during the year	**(486)**	(717)
At December 31 2011:	**3,624,514**	3,574,283
Total Investment security:Held-to-Maturity	**4,126,512**	4,069,808

These are six promissory notes amounting to L$200 million (equivalent to US$5 million at the exchange rate at the time of issue) issued by the Government of Liberia as capital contributions to CBL. The renegotiated loan agreement provides for a moratorium period of ten (10) years for principal repayment. Repayment of the principal is spread equally over the remaining twenty (20) years beginning June 2017 at an annual interest rate of 10% and ends in 2037. The government has an option of early repayment.

The Bank has invested in four (4) Treasury Bills at an interest rate of 0.08% per annum with a maturity period of six (6) months ending March and April 2012.

Notes to the financial statements (continued)
(All amounts in thousands of Liberian Dollars unless otherwise stated)

	As at	
15. Staff loans	**2011**	**2010**
Staff loans	**70,483**	40,813
Less: provision	**(3,683)**	(629)
	66,800	40,184
Balance at January 1	**(5,684)**	(2,769)
Release	**(800)**	(1,577)
Charge	**(2,211)**	(1,300)
Exchange difference	**(160)**	(38)
At December 31	**(8,855)**	(5,684)
	57,945	34,500
Provision		
Balance at January 1	**629**	2,282
Payment	**-**	(1,653)
Additions	**3,054**	-
Balance at December 31	**3683**	629

Staff of the Central Bank of Liberia is entitled to loan at 5% as compared to the market rate of 13.85% as at the Reporting date.

16. Financial instruments by category

At 31 December 2011	**Loans and receivables**	**Held-to-maturity**	**Total**
Financial assets			
Cash and balances with central banks	**11,071,115**	**-**	**11,071,115**
Cash and balances with commercial banks	**6,504,251**	**-**	**6,504,251**
Loans,advances and overdraft to operating Banks	**387,774**	**-**	**387,774**
Loans and advances to Government of Liberia	**14,596,789**	**-**	**14,596,789**
Investment security (held-to-maturity)	**-**	**4,126,512**	**4,126,512**
Staff loans	**57,945**	**-**	**57,945**
Other assets	**399,645**	**-**	**399,645**
	33,017,519	**4,126,512**	**37,144,031**
Financial liabilities			**Financial liabilities at amortized cost**
Notes in circulation	**-**	**-**	**7,251,552**
Deposits from banks	**-**	**-**	**11,894,510**
Other deposits	**-**	**-**	**150**
Deposits of GOL and agencies	**-**	**-**	**4,498,916**
Commercial bank loan	**-**	**-**	**979,373**
Other liabilities	**-**	**-**	**2,917,522**
			27,542,023

Notes to the financial statements (continued)
(All amounts in thousands of Liberian Dollars unless otherwise stated)

16. Financial instruments by category (continued)

At 31 December 2010	Loans and receivables	Held-to-maturity	Total
Financial assets			
Cash and balances with central banks	11,935,787	-	11,935,787
Cash and balances with commercial banks	2,950,282	-	2,950,282
Loans,advances and overdraft to operating Banks	357,500	-	357,500
Loans and advances to Government of Liberia	14,116,647	-	14,116,647
Investment security (held-to-maturity)	-	4,069,808	4,069,808
Staff loans	34,500	-	34,500
Other assets	69,781	-	69,781
	29,464,497	4,069,808	33,534,305

Financial liabilities	Financial liabilities at amortized cost
Notes in circulation	5,550,742
Deposits from banks	7,328,812
Other deposits	6,783
Deposits of GOL and agencies	7,620,881
Commercial bank loan	958,073
Other liabilities	1,376,771
	22,842,062

17. Intangible assets- Software/ Bankmaster

	2011	2010
At December 31 2011:		
Opening net book value	**1,350**	9,315
Amortization charge	**(1,359)**	(7,022)
Exchange difference	**9**	(943)
Closing net book value	**-**	1,350
At December 31 2011:		
Cost	**51,081**	52,061
Accumulated amortization	**(51,081)**	(50,711)
Net book value	**-**	1,350

Intangible assets are tested annually for impairment when there are indications that impairment may have occurred. There was no impairment identified for 2011 (2010: Nil).

Notes to the financial statements (continued)
(All amounts in thousands of Liberian Dollars unless otherwise stated)

18. Investment property

	Total
At December 31 2011	
Opening net book value	**20,020**
Transfer to PPE classified as Owner Occupied	**(20,300)**
Exchange difference	**280**
Balance as at December 31, 2011	-
At December 31 2010	
Opening net book value	19,740
Exchange difference	280
Book value as at December 31, 2010	20,020

AEP Consultants Incorporated was hired to determine the market value of the investment property in 2008. Based on the valuation of December 2008, the fair value amount was determined to be L$22 million. The Bank subsequently refurbished the property and changed the use as investment property to owner occupied property. The carrying value has been classified as property, machinery and equipment.

19. Other assets

	2011	2010
Accounts receivable(i)	**23,060**	10,824
Prepaid expenses(ii)	**710,690**	292,047
Clearing checks(iii)	**376,585**	58,957
Deferred currency cost(iv)	**400**	54,016
	1,110,735	415,844
19(i) Accounts receivable		
Due from others	**12,703**	19,693
Other receivables	**21,893**	2,663
	34,596	22,356
less provision:		
Allowance for bad debt-Belle Dunbar	**(11,220)**	(11,220)
Allowance for other debtors	**(316)**	(312)
	(11,536)	(11,532)
Net book value	**23,060**	10,824
19(ii) Prepaid expenses		
Rent	**2,653**	1,535
Insurance	**1,234**	748
Others	**64,963**	3,764
Advances to currency printer	**641,840**	286,000
	710,690	292,047

Notes to the financial statements (continued)
(All amounts in thousands of Liberian Dollars unless otherwise stated)

19. Other assets(continued)	**2011**	**2010**
19(iii) Clearing checks		
Items for clearing	**376,585**	58,957
19(iv) Deferred currency cost		
Cost incurred:		
Liberian banknotes	**400**	54,016
Liberian coins	**40,307**	40,307
	40,707	94,323
Less amortization:		
Liberian coins	**40,307**	40,307
Net book value	**400**	54,016
Provision		
Balance at January 1	**11,532**	11,527
Exchange difference	**4**	5
Balance at December 31	**11,536**	11,532

Notes to the financial statements (continued)

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

20. Property, machinery and equipment

	Land	Work-in-progress	Building	Lease-hold Improvement	Furn. & fixt.	Equipment	Motor vehicles	Total
At December 31 2011:								
Opening net book value	**36,371**	**375,243**	**4,416**	**1,218**	**2,708**	**20,053**	**44,560**	**484,569**
Additions	-	550,246	31,271	-	419	19,394	7,279	**608,609**
Disposals	-	-	-	-	(850)	(325)	(1,971)	**(3,146)**
Transfer from investment property	-	-	20,300	-	-	-	-	**20,300**
Charge for the year	-	-	(117)	(1,020)	(1,316)	(14,373)	(15,174)	**(32,000)**
Exchange difference	509	5,249	61	6	26	119	445	**6,415**
Closing net book value	**36,880**	**930,738**	**55,931**	**204**	**987**	**24,868**	**35,139**	**1,084,747**
At December 31 2011:								
Cost	36,880	930,738	56,283	68,388	3,699	91,851	76,644	**1,264,483**
Accumulated depreciation	-	-	(352)	(68,184)	(2,712)	(66,983)	(41,505)	**(179,736)**
Net book value	**36,880**	**930,738**	**55,931**	**204**	**987**	**24,868**	**35,139**	**1,084,747**
At December 31 2010:								
Opening net book value	**35,862**	**384,479**	**4,468**	**4,288**	**3,181**	**22,381**	**14,721**	**469,380**
Additions	-	-		-	424	10,878	33,585	**44,887**
Disposals	-	-	-	-	(1)	-	-	**(1)**
Charge for the year	-	-	(104)	(1,750)	(798)	(12,393)	(10,459)	**(25,504)**
Transfer/adjustment		(7,040)	-	-	-	-	7,040	**-**
Reclassification to account receivable	-	(7,135)	-	-	-	-	-	**(7,135)**
Exchange difference	509	4,940	51	(1,320)	(98)	(813)	(327)	**2,942**
Closing net book value	**36,371**	**375,244**	**4,415**	**1,218**	**2,708**	**20,053**	**44,560**	**484,569**
At December 31 2010:								
Cost	36,371	375,243	4,648	67,445	87,834	89,986	75,004	**736,531**
Accumulated depreciation	-	-	(232)	(66,227)	(85,126)	(69,933)	(30,444)	**(251,962)**
Net book value	**36,371**	**375,243**	**4,416**	**1,218**	**2,708**	**20,053**	**44,560**	**484,569**

Included in the furniture and fixture depreciation charge for the year is the change in estimate of L$457,000.

Work in-progress

CBL has a partially completed office building in Monrovia, on which construction was abandoned in 1990. In assessing for impairment on this building, management hired an independent professional appraiser, AEP Consultants Incorporated to determine its recoverable amount. The recoverable amount was determined using the Cost-to-Reproduce valuation technique. The Cost-to-Reproduce valuation technique is a valuation based on determining the current cost of property replacement and depreciating in terms of the present condition of the property. The carrying amount as at December 31, 2010 is based on the valuation performed in 2008 which put the value at US$4.95 million.

Notes to the financial statements (continued)
(All amounts in thousands of Liberian Dollars unless otherwise stated)

20. Property, machinery and equipment (continued)

Work in-progress (continued)
The valuations are performed in a three year cycle. As work has commenced on the completion of the building and is expected to be completed in 2013, the valuation originally planned for 2011, has been deferred until 2013.

Disposal of machinery and equipment

	2011	2010
Cost	**110,395**	20,797
Accumulated depreciation	**(107,249)**	(20,795)
Net book value	**3,146**	1
Proceed from disposal	**1,823**	1,083
(Loss)/gain on disposal	**(1,323)**	1,082

21. Notes in circulation

Liberian notes		
L$5	**675,557**	683,099
L$10	**910,224**	901,009
L$20	**2,106,297**	1,572,731
L$50	**1,956,075**	1,503,604
L$100	**2,007,566**	1,378,006
Total currency notes	**7,655,719**	6,038,449
Coins	**23,050**	23,050
Less:		
Liberian Dollars held by the Bank and payment centers (Note 10)	**(427,217)**	(510,757)
Notes in circulation	**7,251,552**	5,550,742

22. Deposits from banks

Reserve requirement-operating banks	**7,998,014**	5,761,280
Current accounts-operating banks	**3,822,517**	1,492,645
Current accounts-non operating banks	**44,067**	43,522
Reserve requirement-Non-operating banks	**18,781**	18,781
Collection accounts failed banks	**11,131**	12,584
	11,894,510	7,328,812

22. Other deposit

	2011	2010
Forex bureau deposits	**150**	6,783

Notes to the financial statements (continued)
(All amounts in thousands of Liberian Dollars unless otherwise stated)

24. Deposits of GOL and Agencies

	2011	2010
Demand deposits-central government	21	2,067
Withholding taxes payable	8,484	10,024
Demand deposits-individual ministries & agencies	3,151,655	6,128,302
Other government related deposits	1,192,807	928,090
SME loans	141,289	139,340
State owned enterprises	4,660	413,058
	4,498,916	7,620,881

25. Commercial bank loan

	2011	2010
At January 1	958,073	906,032
Interest	7,730	8,586
Amortized cost	-	29,501
Exchange difference	13,570	13,954
At December 31	979,373	958,073
Current repayment	257,860	115,407
Non-current payment	721,513	842,666
	979,373	958,073

This commercial bank loan is in respect of a liability assumed by CBL through an agreement between CBL and Liberian Trading and Development Bank Limited (TRADEVCO), under which, CBL accepted a liability concerning claims of TRADEVCO excess reserves balances. CBL issued ten promissory notes to TRADEVCO upon the signing of the agreement. The accepted net obligation of US$ 12.357 million is payable over a 20-years period, and carries an annual interest rate of 0% for years 1-5, 1% for years 6-10 (to accrue only), and 1.5% for years 11-20. The agreement provides for a ten (10) year moratorium on both the principal and interest repayment. CBL reserves the right to effect repayment during this period. The repayment of these promissory notes was due to begin on July 1, 2011.

Notes to the financial statements (continued)
(All amounts in thousands of Liberian Dollars unless otherwise stated)

26. Other liabilities

	2011	2010
Accounts payables(i)	**2,056,829**	383,173
Others(ii)	**860,693**	993,598
	2,917,522	1,376,771
(i) Accounts payables		
Official checks-CBL	**382,692**	298,450
Unearned Income	**4,836**	5,057
Managers' checks-CBL	**1,598,142**	21,184
Stale Checks Payable	**2,398**	1,773
Due to staff	**789**	692
Accrued expenses	**67,972**	56,017
	2,056,829	383,173
(ii) Others		
Tradevco (In Liquidation) Payout	**11,294**	11,907
Additional Commercial Losses Payable	**1,378**	1,359
Commercial bank Mutes	**36,622**	156,248
Sarah K. Howard Testate Estate	**13,494**	13,308
Dormant Demand Deposit-others	**523**	523
A/C Payable CCI - Foreign	**-**	215
Banking Institute of Liberia	**12**	-
Micro Finance Unit-LISS II Project	**1,416**	-
Union Bank of Switzerland	**123,932**	122,222
First Union Bank/N.C	**1,198**	1,182
Central Bank of Gambia	**15,702**	39,665
Multilateral Investment Guarantee Agency(MIGA)	**1,318**	1,318
West African Monetary Agency-BCEAO	**653,804**	645,651
	860,693	993,598
27. Provident fund		
At January 1	**63,472**	47,740
Contribution during the year	**21,395**	18,842
Interest earned	**83**	112
Payments	**(9,550)**	(4,174)
Exchange difference	**1,027**	952
At December 31	**76,427**	63,472

Notes to the financial statements (continued)
(All amounts in thousands of Liberian Dollars unless otherwise stated)

28. Retirement benefit obligations

	2011	2010
Statement of financial position obligation :		
Pension benefits	**447,559**	390,725
Statement of comprehensive income charge:		
Pension benefits	**6,955**	7,949

Pension benefits

The amount recognized in the statement of financial position are determined as follow:

	2011	2010
Present value of unfunded obligations:		
Staff pension scheme	**447,548**	390,713
Ex-gratia pension scheme	**11**	12
Liability in the statement of financial position	**447,559**	390,725

The movement in the defined benefit obligation over the year is as follows:

	2011	2010
At January 1	**390,725**	274,810
Current service cost	**82,509**	64,859
Interest cost	**18,840**	13,689
Actuarial gain/(loss)	**(43,433)**	41,631
Benefits paid	**(6,955)**	(7,949)
Exchange difference	**5,873**	3,685
At December 31	**447,559**	390,725

The amounts recognized in the statement of comprehensive income:

	2011	2010
Current service cost	**82,509**	64,859
Interest cost	**18,840**	13,689
Total included in staff costs (note 8)	**101,349**	78,548
Actuarial (loss)/gain	**(43,433)**	41,631
Total included in other comprehensive income	**(43,433)**	41,631

Notes to the financial statements (continued)

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

28. Retirement benefit obligations (continued)

The principal actuarial assumptions used were as follows:

	2011	2010
Discount rate	**4%**	4%
Rate of salary increases	**5%**	3%
Rate of inflation	**2%**	2%

Mortality

For mortality assumptions the 1983 US Sex Distinct Group Annuity Mortality Table (GAM) has been used as the basis for the calculation. The final unisex mortality rate used reflects the 10% margin removed from them and the resulting rates 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.

29. Share capital

	2011	**2010**
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, GOL subscribed a further US$5 million (L$ equivalent L$200 million) at the establishment of CBL. The consideration was a series of promissory notes, which matured on April 21 and October 20 each year from 2001 to 2003. Having re-negotiated the loan in 2007, the US$5 million (L$ equivalent L$200 million) remains as capital and the term of payment has extended to 2037.

Notes to the financial statements (continued)
(All amounts in thousands of Liberian Dollars unless otherwise stated)

30. General reserve

	2011	2010
General banking reserve	**3,275,271**	**3,491,461**
Movement in reserve were as follows:		
Balance at January 1	**3,491,461**	**3,817,416**
Operating loss	**(375,733)**	**(532,509)**
Other comprehensive income	**159,544**	**206,554**
At December 31	**3,275,271**	**3,491,461**

31. Cash and cash equivalents

For the purpose of the statement of cash flow, cash and cash equivalents include:

	2011	2010
Balances with central banks (note 10)	**11,071,115**	**11,935,787**
Balances with local banks (note 11)	**205,517**	**198,701**
Balances with foreign banks (commercial)	**6,298,734**	**2,751,581**
	17,575,366	**14,886,069**

32. GOL Position with the International Monetary Fund (IMF)

	As at	
Assets:	**2011**	**2010**
Foreign Currency Investments and Claims		
IMF quota subcription	**15,078,802**	13,666,549
SDR holdings	**16,994,724**	14,457,744
Accrued interest on SDR holdings	**5,058**	8,569
Total assets	**32,078,584**	28,132,862
Liabilities:		
Foreign currency liabilities to International Financial Institutions		
SDR allocations	**14,469,466**	13,114,282
Liabilities to non-residents:		
IMF No.1 account	**8,244,211**	6,832,298
IMF No. 2 account	**1,432**	1,298
Securities account	**6,830,967**	6,830,967
Accrued charges on SDR Allocations	**4,412**	7,994
ECF loans*	**4,399,691**	3,048,313
Total liabilities	**33,950,179**	29,835,152
GOL net position with the IMF	**(1,871,595)**	(1,702,290)

*Former Poverty Reduction Growth Facilitate loan (PRGF)

Notes to the financial statements (continued)
(All amounts in thousands of Liberian Dollars unless otherwise stated)

Relationship

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 with the Fund in the notes to financial statements. The IMF recommends the use of the gross method for a country whose depository and fiscal agent are the same. However, the Board of Governors of the Central Bank of Liberia with the consent of the external auditors have agreed not to disclose GOL's position with IMF on the face of the Bank's Statement of Financial Position in the absence of an agreement making the Bank responsible for all IMF related assets and liabilities.

Central Bank of Liberia is the fiscal and depository agent of GOL for transactions with the International Monetary Fund. Financial resources made available to GOL 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.

General Resource Account (GRA)

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. However outstanding balances with the Fund are revalued on the basis of a rate that is redefined on April 30 of each year. Gains and losses arising from the annual revaluation are for the account of the Government of Liberia.

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

Notes to the financial statements (continued)
(All amounts in thousands of Liberian Dollars unless otherwise stated)

32. GOL Position with the International Monetary Fund (IMF) (continued)
Relationship (continued)

in the SDR department in proportion to their quotas to the Fund at the time of allocation. The balance as at December 31, 2011 represents Liberian dollars equivalent of SDR 123.9 million.

PRGF loan and interest

The PRGF facility is a loan obtained by GOL in March 2008, to strengthen the country's balance of payment position, and to foster sustainable growth, leading to higher living standards and reduction in poverty. The loan carries an annual interest rate of 0.5% and repayable in 10 years with a 5 ½ year grace period.

33. Contingent liabilities and commitments

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

Legal proceedings

i) Debt action

The Central Bank of Liberia is a co-defendant with the Government of Liberia in two separate cases of action relating to:

a) Construction of Defense building

- outstanding commitments on a long-term construction contract for which CBL through the GOL guaranteed thirty-six promissory notes amounting to a sum of approximately US$17 million; and

b) Purchase of aircraft

- commitment for the purchase of an aircraft for the Government in the 1980's for which payment has remained 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 provision has been made in these financial statements.

Notes to the financial statements (continued)
(All amounts in thousands of Liberian Dollars unless otherwise stated)

33. Contingent liabilities and commitments (continued)

Legal proceedings (continued)

ii) Other litigations

Central Bank of Liberia is also a party to several other cases either as a fiduciary, receiver, or by reason of its regulatory duties:

a) Labor matters

CBL is a defendant in several labor cases for action of dismissal. The estimated amount of the claims is approximately US$1.8 million or (L$ equivalent of 130 million) (2010: US$1.8 million) or (L$ equivalent of L$128 million) and L$1.5 million. CBL, based on legal advice, considers that these claims are not legitimate and it is unlikely that any liability will arise. 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 the re-encashment of Government of Liberia salary checks. The matter is under investigation by the National Security Agency. The outcome of the investigation is uncertain and therefore, the amount involved as well as the responsibility for the liability cannot be ascertained with any degree of certainty.

34. Related party transactions

CBL is the official depository and fiscal agent of the Government of Liberia, the sole shareholder of the Bank. It performs official banking services for the Government and a number of its agencies and wholly owned enterprises. 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.

Interest income earned

	For the year ended	
	2011	2010
GOL loans and advances (Note 5)	**191,919**	190,756
GOL investment securities:Held-to-maturity (Note 5)	**50,177**	49,856
	242,096	240,612

Year to date balances resulting from related party transactions:

Notes to the financial statements (continued)
(All amounts in thousands of Liberian Dollars unless otherwise stated)

34. Related party transactions (continued)

	2011	2010
Receivables from related party:		
Due from Government of Liberia- long term loan (Notes 13&14)	**18,723,301**	18,186,455
Payables to related party:		
Deposits of GOL and agencies(Notes 24)	**4,498,916**	7,620,881

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:

	2011	2010
Loan outstanding at January 1	**5,295**	1,108
Loan granted during the period	**8,938**	6,103
Loan repaid during the period	**(2,580)**	(1,916)
Loan outstanding at December 31	**11,653**	5,295
Interest income earned	**184**	155

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.

Remuneration of key management personnel

	2011	2010
Salaries and short term benefits	**73,439**	74,577
Post employment benefit	**50,950**	5,232
	124,389	79,809

Other entities with links to CBL

In the normal course of its activities as a Central Bank, CBL has relationships, with international and domestic financial institutions, in particular with the International Monetary Fund. CBL does not consider these institutions to be related parties.