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COPORATE INFORMATION

BOARD OF GOVERNORS:

J. Mills Jones-Executive Governor

David K. Vinton

John G. Bestman

Betty Maima Jackson-Saway

Mildred B. 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 has adapted internationally recognized standard accounting practices and has implemented rigorous internal controls to facilitate the reliability of the financial statements.

The Board of Governors

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

The Audit Committee

The Audit Committee is made up of four (4) Governors, one of which is a non-voting member. Committee members are independent of management and free of any relationships that could interfere with their independent judgments. The committee meets on a quarterly basis. Members of the 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.

Financial Stability Committee

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

CORPORATE GOVERNANCE (continued)

Compliance Committee

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

Money management and Policy Review Committee

The Money Management Committee is an advisory body to the Executive Governor. The committee is made up of the Executive Governor, who is the chairman, two (2) Deputy Governors, four (4) Directors, Legal Counsel, the heads of Treasury operations and Payment System. 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.

Appointment of Deputy Governor for Economic Policy

The Act of the Central Bank of Liberia was amended in 2012 to make provision for an additional Deputy Governor. In keeping with the amendment, the President appointed Theophilus T. Bettie as the Deputy Governor for Economic Policy.

External Auditors

In August 2010, the Board of Governors re-appointed PricewaterhouseCoopers Ghana, to be its external auditor for the audit of the Central Bank of Liberia financial statements from 2010 to 2012.

REPORT OF THE BOARD OF GOVERNORS ON 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, 2012.

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 requires 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 statement, 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 estimates that are reasonable and prudent;
- State whether the applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements;
- Ensure that the financial statements are prepared on a going-concern basis, unless it is inappropriate to presume that the Bank will continue to be in business;
- Ensure that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the Central Bank of Liberia;
- Ensure that the financial statements comply with the reporting requirements of the Act of Legislature establishing the Bank, as well as the 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 shall have 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 institutions 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
10. play an active role in collaboration with bank-financial institutions in the creation and maintenance of efficient and safe mechanisms for payments, clearing and settlements to meet the needs of the financial markets, commerce, government agencies and the public. The Central Bank shall execute this responsibility through implementation of the proper regulations and standards, as needed.

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

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:

	2012 LS'000'	2011 LS'000'
Operating losses attributed to shareholder to which is added balance on general reserves account brought forward of	(870,696)	(375,733)
	<u>3,275,272</u>	<u>3,491,461</u>
	2,404,576	3,115,728
Other comprehensive income	(158,834)	159,544
leaving a balance on general reserve account to be carried forward of	<u>2,245,742</u>	<u>3,275,272</u>

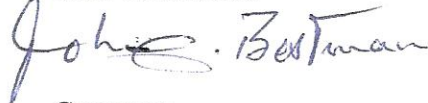
Signed on behalf of the Board by:

J. Mills Jones



Executive Governor and Chairman of the Board

John G. Bestman



Governor

Date: April²⁹.....2013

**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 57. These financial statements comprise the statement of financial position as at 31 December, 2012, 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 directors, 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 31 December, 2012 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Signed by: Michael Asiedu-Antwi (ICAG/P/1138)

For and on behalf of:

PricewaterhouseCoopers (ICAG/F/028)

Chartered Accountants

Accra, Ghana

30 April 2013



Statement of comprehensive income

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

	Note	Year ended December 31	
		2012	2011
Interest income	5(i)	599,058	559,851
Interest expenses	5(ii)	(199,118)	(8,182)
Net interest income		399,940	551,669
Fees and commissions	6	194,906	235,344
Other income	7	33,546	7,177
Operating income		628,392	794,190
Administrative expenses	8	(1,141,557)	(835,801)
Other operating expenses	9	(357,531)	(334,122)
Loss for the year		(870,696)	(375,733)
Other comprehensive income:			
Actuarial gain on defined benefit pension plan	28	10,666	43,433
Exchange difference on translation to presentation currency		(169,500)	116,111
Other comprehensive income for the year		(158,834)	159,544
Total comprehensive income for the year		(1,029,530)	(216,189)

The notes on pages 12 to 57 are integral part of these financial statements.

Statement of financial position*(All amounts in thousands of Liberian Dollars unless otherwise stated)*

	Note	As at	
		2012	2011
Assets			
Cash and balances with Central Banks	10	12,207,647	11,071,115
Cash and balances with commercial banks	11	6,639,180	6,504,251
Loans and advances to operating banks	12	1,573,525	387,774
Loans and advances to non-bank financial institutions	13	92,087	-
Loans and advances to Government of Liberia	14	17,363,251	14,596,789
Investment securities:Held-to-maturity	15	501,511	4,126,512
Intangible assets	17	17,064	-
Staff loans	18	79,528	57,945
Other assets	19	495,251	1,110,735
Property, machinery and equipment	20	1,705,809	1,084,747
Total assets		40,674,853	38,939,868
Liabilities			
Notes in circulation	21	8,614,152	7,251,552
Deposits from banks	22	12,677,654	11,894,510
Other deposits	23	471	150
Deposits of GOL and agencies	24	5,628,891	4,498,916
Commercial bank loan	25	986,462	979,373
Other liabilities	26	2,236,714	2,917,522
Provident fund	27	100,820	76,427
Retirement benefit obligations	28	585,360	447,559
Total liabilities		30,830,524	28,066,009
Equity			
Share capital	29	7,598,587	7,598,587
General reserve	30	2,245,742	3,275,272
Total equity		9,844,329	10,873,859
Total equity and liabilities		40,674,853	38,939,868

The financial statements on pages 12 to 57 were approved by the Board of Governors on April 29, 2013 and signed on its behalf by:

Executive Governor and Chairman of the Board

Chie & Saly

Governor

Johns. Boatman

The notes on pages 12 to 57 are 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, 2012	7,598,587	3,275,272	10,873,859
Loss for the year	-	(870,696)	(870,696)
Acturial gain	-	10,666	10,666
Exchange difference on translation to presentation currency	-	(169,500)	(169,500)
Total comprehensive income	-	(1,029,530)	(1,029,530)
Balance at December 31, 2012	7,598,587	2,245,742	9,844,329
Balance at January 1, 2011	7,598,587	3,491,461	11,090,048
Loss for the year	-	(375,733)	(375,733)
Acturial 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

The notes on pages 12 to 57 are integral part of these financial statements.

Statement of Cash Flows

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

	Note	Year ended December 31	
		2012	2011
Cash flows from operating activities			
Interest received	5	302,694	271,008
Fee and commission receipts	6	194,906	235,344
Other income received	7	33,546	7,177
Payments to employees and suppliers		<u>(1,306,846)</u>	<u>(1,031,602)</u>
Cash used in operations in operating assets and liabilities:		(775,700)	(518,073)
Loans and advances to operating banks	12	(1,185,751)	(30,274)
Loan and advances to non-banking financial institutions	13	(92,087)	-
Staff loans	18	(21,583)	(26,616)
Other assets	19	615,484	(694,891)
Notes in circulation	21	1,362,600	1,700,810
Deposits from banks and others	22,23	783,465	4,559,065
Deposits of GOL and agencies	24	1,129,975	(3,121,965)
Other liabilities	26	<u>(680,808)</u>	<u>1,540,751</u>
Net cash from operating activities		1,135,595	3,408,807
Cash flows from investing activities			
Proceeds from sale of machinery and equipment	20	-	1,823
Purchase of machinery and equipment	20	(664,959)	(608,609)
Purchase of financial accounting software	17	(18,615)	-
Investment security		-	(49,746)
Loans and advances to GOL (Net movement)	14	<u>(2,606,913)</u>	<u>-</u>
Net cash used in investing activities		(3,290,487)	(656,532)
Exchange difference on translation to presentation currency		3,426,353	(62,978)
Net increase in cash and cash equivalents		1,271,461	2,689,297
Cash and cash equivalents at January 1		<u>17,575,366</u>	<u>14,886,069</u>
Cash and cash equivalents at December 31	31	18,846,827	17,575,366

The notes on pages 12 to 57 are 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 (NBL) and took over its functions, assets and liabilities. The address of its registered office is Central Bank of Liberia, P.O. Box 2048, Monrovia, Liberia. The principal activities of the Central Bank have been stated under note 1.5 below.

1.1 Share capital

The minimum authorized capital of the Central Bank is L\$400 million. That amount may be increased by legislative amendment to the Act, when proposed to the National Legislature by the Board of Governors of the Central Bank. 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 CBL through the issuance of promissory notes for L\$200 million (equivalent of 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 29). 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 provisions of the Act, all paid-up capital shall be subscribed to and held exclusively by the Government of Liberia (GOL). No reduction of capital shall be effected except by amendment of the legislative Act which created the CBL.

Notes to the financial statements (continued)

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 New 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 markets, commerce, government agencies and the general public.

1.6 Powers of the Central Bank

The powers of the Central Bank of Liberia include but are not limited to supervision of banks/financial institutions, non-bank financial institutions and authorized non-bank financial 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, 2012

The financial statements for the year ended December 31, 2012, have been approved for issue by the Board of Governors on April 29, 2013. Neither the Board of Governor 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 financial assets and liabilities which are initially recognized 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. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2.1.1 Changes in accounting policies and disclosures

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

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2012 that would be expected to have a material impact on the Bank.

(b) New standards and interpretations that are not yet effective and have not been early adopted.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Bank, except the following set out below:

(b) New standards and interpretations that are not yet effective and have not been early adopted (continued)

Amendment to IAS 1, 'Presentation of Financial Statements' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The application of this amendment will mainly impact the presentation of the primary statements.

Notes to the financial statements (continued)

2. Summary of significant accounting policies

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The application of IFRS 13 may enhance fair value disclosures in a lot of circumstances.

IAS 19, 'Employee benefits', was amended in June 2012. The impact on the Bank will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The directors are yet to assess the full impact of the amendments.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. Issued in November 2009 and October 2011, it replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is 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. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The directors are yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The directors will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be 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\$). Accordingly, the Central Bank considers the United States Dollars as its functional currency for the purpose of IFRS. The financial statements are presented in Liberian Dollars (L\$), which is the Bank's presentation currency. This is in keeping with requirements of Part V Section 19 of the Central Bank of Liberia Act of 1999.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.2 Foreign currency translation (continued)

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 conversions and translations 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 items are translated at their average rates. Exchange differences resulting from translation into the reporting currency are recognized in other comprehensive income.

2.3 Property, machinery and equipment

(a) Cost

Property, machinery and equipment are recorded at historical cost less accumulated depreciation.

Historical cost includes expenditures directly attributable to the acquisition of the property, machinery and equipment which comprise land, 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 profit or loss during the financial period in which they are incurred.

(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 costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements over the life of the lease

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

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.3 Property, machinery and equipment (continued)

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 may 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 disposal of property, machinery and equipment are determined by comparing the net disposal proceeds with the carrying amount of the item and are recognized within other income in the income statement.

2.4 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 Great Plain Accounting software acquired externally and used by the CBL. The cost of the software includes 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 expense when incurred. Intangible assets are carried at cost less accumulated amortization.

2.5 Impairment of non-financial assets

Assets 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.

2.6 Financial assets

(i) Classification

CBL classifies its financial assets into 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 contract when recording financial assets transactions.

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.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.6 Financial assets (continued)

Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities. They comprise: (i) loan notes issued by the Government of Liberia. The terms of these loan notes were renegotiated with GOL in July 2007. The agreement requires CBL to hold this instrument until redeemed by 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.

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

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

2.7 Financial liabilities

The Bank's financial liabilities represent mainly deposits from commercial banks, 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 expires.

2.8 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.

2.9 Impairment of financial assets

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:

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.9 Impairment of financial assets (continued)

a) Assets carried at amortized cost

- 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 losses 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.

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.

Notes to the financial statements (continued)

2.0 Summary of significant accounting policies (continued)

2.9 Impairment of financial assets (continued)

a) Assets carried at amortized cost (continued)

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.

2.10 Cash and cash equivalents

Cash and cash equivalents include US dollars banknotes 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.

2.11 Employee 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 plan 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.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.11 Employee benefits (continued)

a) Pension obligations (continued)

For defined contribution plans, CBL pays contributions (i.e. social security contributions) to publicly administered pension insurance on a mandatory, contractual or voluntary basis. CBL has no further payment obligation once the contributions have been made. 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. The Bank's obligation under the plan is limited to the relevant contribution and these are settled on due dates.

2.12 Accounts payable

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

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

2.14 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 allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or when appropriate, a shorter period of the net carrying amount of the financial asset or financial liability.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.14 Revenue recognition (continued)

a) Interest income and expense (continued)

CBL derives its interest income principally from GOL long-term loans and investment securities and its deposits with foreign banks. Interest expense is incurred principally on interest payable on loan from Liberian Trading and Development Bank Limited (TRADEVCO).

b) Fee 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.

2.15 Deferred currency cost-Liberian bank notes

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 inventory items at the cost of production. All other costs relating to the production of notes are expensed in the period in which they are incurred.

2.16 Currency in circulation

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

2.17 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The significant leases entered into by CBL are operating leases on which CBL is the lessee. 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 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.

2.18 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 leases include initial rental repayments, cost of improvements, renovations, and all other costs incurred in getting the property ready for use. Leasehold improvements are amortized over the lives of the leases. Annual rental payments are charged to a prepaid rent account and amortized accordingly.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.19 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 is reflected 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 CBL;

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

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

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 preceding allocations have exhausted net operating revenues included in net profit, such allocations shall be deemed to have been made from net unrealized valuation gains;

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

2.20 Allocation of net losses

If the Central Bank incurs net losses for any financial year, the net 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;

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.20 Allocation of net losses (continued)

If the net loss is the operating revenue and greater net unrealized valuation losses, the net shall be allocated the Valuation Reserve Account or, to the extent the balance of the Valuation Reserve Account would be negative as a result of such allocation, to the general reserve or capital in that order, or

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

3. Financial Risk Management

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

3.1. Credit risk

The Central Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss 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 trade and other receivables. Credit risk is managed by the Finance Director and is responsible for managing and analyzing credit risk for each new customer before standard payment and delivery terms are offered. The Bank 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

Loans and advances

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

Balance with central banks and operating banks

For banks and financial institutions, the treasury department manages the credit risk exposure by assessing their operating performances based on prudential returns filed with the Central Bank.

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

3.1. Credit risk (continued)

3.1.1. Credit risk measurement (continued)

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.

Staff loans

The Finance Director together with the Head of Human Resource Department assess each staff's liability to the Bank, on a monthly basis and ensures adequate measures are place to ensure the staff does not default. The credit risk occurs when staff appointment is terminated or the employee resigns.

Other assets

For trade receivables, the Finance Director assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. 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 used by CBL are collateral. The Central Bank employs policies and practices to mitigate credit risk. The most traditional of these is the taking of security for advances. CBL implements guidelines on the acceptability of specific classes of collateral or other credit risk mitigation. The principal collateral for loans and advances includes provident fund, life insurance, and property deeds for staff loans. Collateral on all loans and advances to Government of Liberia and commercial banks is their deposit accounts held at the Bank when contracts are signed.

3.1.3. Impairment and provisioning policy

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

Due to the different methodologies applied, the amount of incurred 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. Credit risk (continued)

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

Grouping	31-Dec-12		31-Dec-11		
	L\$'000'	% of financial assets	L\$'000'	% of financial assets	
Cash and balances with Central banks	I	12,207,647	31.62	11,071,115	29.80
Cash and balances with commercial banks	I	6,639,180	17.20	6,504,251	17.51
Loans and advances to operating banks	I	1,573,525	4.08	387,774	1.04
Loans and advances to non-banking financial institutio	I	92,087	0.24	-	-
Staff loans	II	91,824	0.24	66,800	0.18
Loans and advances to GOL	II	17,363,251	44.97	14,596,789	39.29
Investment security(HTM)	II	501,511	1.30	4,126,512	11.11
Other assets	I	140,719	0.36	399,645	1.08
		38,609,744	100.00	37,152,886	100.00

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

Category	31-Dec-12	31-Dec-11
Group I	20,653,160	18,362,785
Group II	17,956,587	18,790,101
Total	38,609,747	37,152,886

Group I

These are existing customers (more than 6 months) with no defaults in the past. Counterparties in this group include other central banks, commercial banks, non-banking financial institutes 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 and staff loan. Refer to Note 14 and 18.

The above table represents a worst case scenario of credit risk exposure to the Bank at December 31, 2012 and 2011 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 Statement of Financial position.

As shown above, 97.63% (2011:86.59%) of the total maximum exposure arises from loans and advances to GOL and operating banks.

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)

Management is confident in its ability to continue and minimize the loss arising from its exposure to credit risk resulting from loans and advances to the 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 other central banks and operating banks are categorized in the top grades of the bank's internal grading system.

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 banks and operating banks and other assets analyzed by type and performance less impairment:

	December 31, 2012				
	Loans and advances to GOL and HTM L\$000	Loans and advances to Staff L\$000	Balances with Central Banks & Comm. Banks L\$000	Loans and advances to operating banks and non-banking financial institutions L\$000	Other assets L\$000
Neither past due nor impaired	17,864,762	84,317	6,639,180	1,665,613	140,719
Past due but not impaired	-	7,507	-	-	-
Individually impaired	-	3,184	-	-	11,536
Gross	17,864,762	95,008	6,639,180	1,665,613	152,255
Less: allowance for impairment	-	(3,184)	-	-	(11,536)
Carrying value	17,864,762	91,824	6,639,180	1,665,613	140,719

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)

	December 31, 2011			
	Loans and advances to GOL and HTM	Loans and advances to Staff	Balances with Central Banks & Comm. Banks	Other assets
	L\$000	L\$000	L\$000	L\$000
Neither past due nor impaired	18,723,301	66,709	6,504,251	411,181
Past due but not impaired	-	91	-	-
Individually impaired	-	3,683	-	11,536
	<u>18,723,301</u>	<u>70,483</u>	<u>6,504,251</u>	<u>422,717</u>
Less: allowance for impairment	-	(3,683)	-	(11,536)
	<u>18,723,301</u>	<u>66,800</u>	<u>6,504,251</u>	<u>411,181</u>

(a) Neither past due nor impaired

Loans and advances neither past due nor impaired are loans 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. The table below details the nature of counterparties.

At December 31	2012	2011
Loans and advances to GOL and HTM	17,864,762	18,723,301
Balances with central banks and comm. banks	6,639,180	6,504,251
Loan and advances to Staff	95,008	70,483
Other assets	140,719	411,181
Total	24,739,669	25,709,216

(b) Past due but not impaired

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

At December 31	2012	2011
Loan and advances to Staff	7,507	91
Total	7,507	91

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)

(c) Loans and advances individually impaired

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

December 31, 2012				December 31, 2011			
Loans and advances to GOL 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 L\$000	Loans and advances to Staff L\$000	Balances with Central Bank & Comm. Banks L\$000	Other Assets L\$000
-	(3,184)	-	(11,536)	-	(3,683)	-	(11,536)

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 liquidity management processes, 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 months respectively, as these are key periods for liquidity management. The basis for the projection is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

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. 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 2012 (L\$'000')	Up to 3 month	3-12 months	1-5 years	Over 5 years	Total
Liabilities					
Notes in circulation	-	-	-	8,614,152	8,614,152
Deposits from banks (i)	4,065,424	39,707	-	8,572,523	12,677,654
Deposits of GOL and agencies	5,487,602	-	141,289	-	5,628,891
Other deposits	471	-	-	-	471
Commercial bank loan	-	113,254	534,114	294,906	942,274
Other liabilities	2,236,714	-	-	-	2,236,714
Total liabilities	11,790,211	152,961	675,403	17,481,581	30,100,156
(contractual maturity dates)					
Total assets					
(expected maturity dates)	20,420,352	1,140,579	10,691	18,958,625	40,530,247
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	-	801,6796	11,894,510
Other deposits	150	-	-	-	150
Deposits of GOL and agencies	4,357,627	-	-	141,289	4,498,916
Commercial bank loan	-	115,407	554,817	397,456	1,067,680
Other liabilities	2,917,522	-	-	-	2,917,522
Total liabilities	11,108,946	159,474	554,817	15,807,093	27,630,330
(contractual maturity dates)					
Total assets					
(expected maturity dates)	17,963,140	3,626,040	64,959	15,103,813	36,757,952

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.

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.

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

3.3 Market risk (continued)

The Central Bank's primary exposure to market risk lies with its deposits held in 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 repricing or maturity date.

As at December 31, 2012 (L\$000)	Up to 1 year	1-5 years	Over 5 years	Non- interest bearing	Total
Assets					
Cash and balances with central banks	11,235,074	-	-	972,573	12,207,647
Cash and balances with commercial banks	6,428,858	-	-	210,322	6,639,180
Loans and advances to operating bank	-	1,573,525	-	-	1,573,525
Loan and advances to non-banking financial institutions	-	92,087	-	-	92,087
Loans and advances to GOL	771,244	1,700,663	14,891,344	-	17,363,251
Investment security (HTM)	-	-	501,511	-	501,511
Staff loans	-	79,528	-	-	79,528
Other assets	-	-	-	140,719	140,719
Total financial assets	18,435,176	3,445,803	15,392,855	1,323,614	38,597,448
(L'000')					
Liabilities					
Notes in circulation	-	-	-	8,614,081	8,614,081
Deposits from banks	-	-	-	12,677,654	12,677,654
Other deposits	-	-	-	471	471
Deposits of GOL and agencies	-	-	-	5,628,891	5,628,891
Commercial bank loan	-	-	986,462	-	986,462
Other liabilities	-	-	-	2,236,714	2,236,714
Total financial liabilities	-	-	986,462	29,157,811	30,144,273
Total interest rate repricing gap	18,435,176	3,445,803	14,406,393		

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

3.3. Market 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	25,274	362,500	-	-	387,774
Loans and advances to GOL	-	-	14,596,789	-	14,596,789
Investment security (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	-	-	-	2,917,522	2,917,522
Total financial liabilities	-	-	979,373	26,562,650	27,542,023
 Total interest rate repricing gap	 19,987,088	 420,445	 14,119,414		

b) Foreign exchange risk

The Central Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. In particular, it is exposed to fluctuations in the exchange rate between the Liberian Dollar and United States Dollars. The table below summarizes the Central Bank's exposure to exchange rate risk at December 31, 2012. Reflected in the tables 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 2012

	United States		Liberian	Total
	dollar	Euro	Dollar	
Assets	L\$ (000)	L\$ (000)	L\$ (000)	L\$ (000)
Cash and balances with central banks	12,207,647	-	-	12,207,647
Cash and balances with commercial banks	3,081,022	3,557,480	678	6,639,180
Loans, advances to operating banks	1,192,081	-	381,444	1,573,525
Loan and advances to non-banking financial institutions	-	-	92,087	92,087
Loans and advances to Government of Liberia	16,432,417	-	930,834	17,363,251
Investment security (held-to-maturity)	501,511	-	-	501,511
Staff loans	79,528	-	-	79,528
Other assets	96,306	-	44,413	140,719
Total financial assets	33,590,512	3,557,480	1,449,456	38,597,448
Liabilities				
Notes in circulation	-	-	8,614,152	8,614,152
Deposit from banks	8,531,094	-	4,146,560	12,677,654
Other deposits	155	-	316	471
Deposits of GOL and agencies	4,692,938	-	935,954	5,628,892
Commercial bank loan	986,462	-	-	986,462
Other liabilities	2,177,126	-	59,588	2,236,714
Total financial liabilities	16,387,775	-	13,756,570	30,144,305
Net statement of financial position	17,202,737	3,557,480	(12,307,114)	8,453,143

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		Liberian	
	dollar	Euro	Dollar	Total
	L\$ (000)	L\$ (000)	L\$ (000)	L\$ (000)
Assets				
Cash and balances with central banks	11,071,115	-	-	11,071,115
Cash and balances with commercial banks	4,977,747	1,526,505	-	6,504,252
Loans and advances to Bank	387,774	-	-	387,774
Loans and advances to Government of Liberia	13,790,950	-	805,839	14,596,789
Investment security (held-to-maturity)	4,126,512	-	-	4,126,512
Staff loans	57,945	-	-	57,945
Other assets	363,368	-	36,277	399,645
Total assets	34,775,411	1,526,505	842,116	37,144,032
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	2,905,062	-	12,460	2,917,522
Total financial liabilities	20,014,393	-	7,527,630	27,542,023
Net on statement of financial position	14,761,018	1,526,505	(6,685,514)	9,602,009

c) Sensitivity analysis for "Foreign exchange risk"

	2012			2011		
	Balance	Exchange	Exchange	Balance	Exchange	Exchange
	Dec 31	rate + 1%	rate -1%	Dec.31	rate + 1%	rate -1%
Total assets	33,590,512	33,926,417	33,254,607	34,775,411	35,123,165	34,427,657
movement		335,905	(335,905)		347,754	(347,754)

If the financial assets in Liberian Dollars depreciated by 1% against the U.S Dollars on the reporting date, assets denominated in U.S. Dollars would have been L\$33.9 billion, which is L\$0.335 billion higher than the reported figure of L\$33.5 billion. The comparative would have been L\$35.1 billion, which is L\$0.347 billion higher than L\$34.7 billion reported for December 2011. If the Liberian Dollar appreciated by 1% against the U.S. Dollar at December 31, 2012, financial assets denominated in U.S. Dollars would have been L\$33.3 billion, L\$0.335 billion lower than L\$33.5 billion at December 31, 2012 (December 31, 2011: L\$34.4 billion, L\$0.347 billion lower than L\$34.8 billion).

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

	2012			2011		
	Balance Dec 31	Exchange rate + 1%	Exchange rate + 1%	Balance Dec.31	Exchange rate + 1%	Exchange rate - 1%
Total liabilities	16,387,775	16,551,653	16,223,897	20,014,393	20,214,537	19,814,249
movement		163,878	(163,878)		200,144	(200,144)

If the financial liabilities in Liberian Dollars depreciated by 1% against the U.S Dollars on the reporting date, liabilities denominated in U.S. Dollars would have been L\$16.6 billion, which is L\$0.163 billion higher than the reported figure of L\$16.4 billion. The comparative would have been L\$20.2 billion, which is L\$0.200 billion higher than L\$20 billion reported for December 2011. If the Liberian Dollar appreciated by 1% against the U.S. Dollar at December 31, 2012, financial liabilities denominated in U.S. Dollars would have been L\$16.2 billion, L\$0.163 billion lower than L\$16.4 billion at December 31, 2012 (December 31, 2011: L\$19.8 billion, L\$0.200 billion lower than L\$20 billion).

d) Sensitivity for “Interest rate risk

	2012			2011		
	Balance Dec 31	Interest rate + 1%	Interest rate - 1%	Balance Jun 30	Interest rate + 1%	Interest rate - 1%
Net interest income	399,940	525,685	274,195	551,669	673,977	429,361
movement		125,745	(125,745)		122,308	(122,308)

The interest rate risk sensitivity analysis estimates the impact that a change in interest rates would have on financial assets. If the United States Dollar interest rate on financial assets had increased by 1% (in absolute terms) at December 31, 2012 on financial assets with variable interest rates, interest and similar income would have been L\$717 million, L\$125 million higher than the December 31, 2012 of L\$591 million (December 31, 2011: L\$673 million, L\$122 million higher than L\$551 million), and if interest rate on financial assets with variable interest rates had decreased by 1% (in absolute terms) at December 31, 2012 interest and similar income would have been of L\$465 million, L\$125 million lower than the December 31, 2012 figure of L\$591 million at December 31, 2012 (December 31, 2011: L\$429 million, L\$122 million lower than L\$551 million).

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

3.4. Fair value of financial assets and liabilities

Financial instruments not measured at fair value. The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on CBL's Statement of Financial Position at their fair values:

	<u>Carrying Value</u>		<u>Fair Value</u>	
	<u>Dec-31</u> <u>2012</u>	Dec-31 <u>2011</u>	<u>Dec-31</u> <u>2012</u>	Dec-31 <u>2011</u>
Financial assets				
Cash and balances with central banks	12,207,647	11,071,115	12,207,647	11,071,115
Cash and balances with commercial banks	6,639,180	6,504,251	6,639,180	6,504,251
Loans and advances operating bank	1,573,525	387,774	1,573,525	387,774
Loan and advances to non-banking financial institutions	92,087	-	92,087	-
Loans and advances to GOL	17,363,251	14,596,789	17,363,251	14,596,789
Investment securities (HTM)	501,511	4,126,512	501,511	4,126,512
Staff loans	79,528	57,945	79,528	57,945
Other assets	140,719	399,645	140,719	399,645
	38,597,448	37,144,031	38,597,448	37,144,031
Financial liabilities				
Notes in circulation	8,614,152	7,251,552	8,614,152	7,251,552
Deposits from banks	12,677,654	11,894,510	12,677,654	11,894,510
Deposits of GOL and agencies	5,628,891	4,498,916	5,628,891	4,498,916
Other deposits	471	150	471	150
Commercial bank loan	986,462	979,373	986,462	979,373
Other liabilities	2,236,714	2,917,522	2,236,714	2,917,522
	30,144,344	27,542,023	30,144,344	27,542,023

(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 include non-interest-bearing 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. Financial Risk Management (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.

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	
	2012	2011
5 (i) Net interest income		
GOL loans and advances	199,561	191,919
Investment security-held-to-maturity	51,047	50,177
Deposits and staff loans	52,086	28,912
Unwinding of discount element of credit impairment on GOL loans (Note 14)	296,364	288,843
	599,058	559,851
5(ii) Interest expense		
Interest expense-Liberian Trading and Development Bank (TRADEVCO) loan	7,106	7,730
Amortized cost-Held to Maturity-Investment Security	490	452
Fair value losses on financial assets upon initial recognition	191,522	-
	199,118	8,182
6. Fees and commissions		
Service fees and commissions	191,676	231,238
Notes transfer fees	3,230	4,106
	194,906	235,344
7. Other income		
Rental income	141	206
Other income-fines	3,701	2,624
Other miscellaneous income	936	2,789
Other	28,768	1,558
	33,546	7,177
8. Administrative expenses		
Staff costs (i)	598,075	470,073
Board fees and expenses(ii)	27,187	40,756
Depreciation/amortization(iii)	45,554	33,359
Other administrative expenses(iv)	330,010	209,773
CBL Contribution to regional bodies(v)	140,731	81,840
	1,141,557	835,801
(i) Staff costs:		
Salaries & wages	352,539	288,099
Social security contribution	12,095	9,610
Other personnel cost	81,031	53,209
Loss on fair valuation of staff loan	3,483	3,011
Pension cost (Note 28):		
Current service cost	125,902	82,509
Interest cost	22,978	18,840
Severance benefits	47	14,795
	598,075	470,073

The number of employees as at December 31, 2012 totaled **289** ;(2011:195)

Notes to the financial statements (continued)

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

	Year ended	
	2012	2011
8. Administrative expense (continued)		
(ii) Board fees and expenses		
Board fees	21,895	37,089
Board entertainment	-	41
Others	5,292	3,626
	<u>27,187</u>	<u>40,756</u>
(iii) Depreciation/amortization		
Depreciation on equipment	18,940	14,373
Depreciation on furnitures and fixtures	552	1,316
Depreciation on vehicles	21,585	15,174
Amortization on leasehold properties	1,509	1,020
Amortization on banking software	1,548	1,359
Depreciation on building	1,420	117
	<u>45,554</u>	<u>33,359</u>
(iv) Other administrative expenses		
Property cost/occupancy	44,551	31,413
Office expenses	38,078	36,588
Professional services	37,889	30,723
Travel expenses	57,873	31,614
Other miscellaneous expenses	26,947	25,140
Subscription and public relation	74,334	23,223
Vehicle fuel, insurance and maintainance	50,338	31,072
	<u>330,010</u>	<u>209,773</u>
(v) CBL Contribution to regional bodies		
CBL contribution	140,731	81,840
Included in professional services is the following:		
Fees paid to auditors:		
Audit of the bank's financial statement	7,178	8,701
Other assurance services	3,045	-
Total	<u>10,223</u>	<u>8,701</u>
9. Other operating expenses		
Currency expense		
Notes importation cost	55,573	58,612
Mute exportation cost	3,779	2,929
Cost of destroying banknotes	728	388
Amortization of currency printing cost-banknotes	297,451	272,193
	<u>357,531</u>	<u>334,122</u>

Notes to the financial statements (continued)

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

	As at	
	2012	2011
10. Cash and balances with Central Banks		
Cash on hand and in vault	1,677,225	1,267,369
Cash balances at rural branches	270,983	192,397
Balances with other Central Banks	11,235,075	10,038,566
Less: Liberian Dollars in vault & cash centers (Note 21)	(975,636)	(427,217)
	12,207,647	11,071,115
11. Cash and balances with commercial banks		
Balances with local banks	210,322	205,517
Balances with foreign banks (commercial)	6,428,858	6,298,734
	6,639,180	6,504,251
12. Loan and advances to operating banks		
CBL CD with United Bank of Africa Liberia Limited	54,375	54,375
CBL CD with First International Bank Liberia Limited	72,500	72,500
CBL CD with Liberia Bank for Development and Investment	72,500	72,500
CBL CD with Global Bank (Liberia) Limited	54,375	54,375
CBL CD with Guaranty Trust Bank Liberia Limited	54,375	54,375
CBL CD with International Bank Liberia Limited	54,375	54,375
	362,500	362,500
(i) Loan and advances-Placements		
CBL Placement with AFBL	543,750	-
Amortized cost adjustment	(46,939)	-
Exchange difference	(228)	-
	496,583	-
(ii) Loan and advances-Mortgage		
CBL Mortgage Loan to LBDI	725,000	-
Amortized cost adjustment	(10,507)	-
Exchange difference	(51)	-
	714,442	-
(iii) Overdraft to commercial banks		
GB(LIB) Ltd Current Account	-	2,271
UBA Current Account	-	23,003
	-	25,274
Total Loans and advances to operating banks	1,573,525	387,774

These loan and advances to commercial banks were approved by the Board of Governors to stimulate the economy. These loans were given at an interest rate of 3% per annual in the amount of US\$5 million. Also, US\$5 million and L\$181.25 million were given to the agriculture sector to provide affordable and long term loans at 2.5% per annum ranging from 3 to 12 years depending on the sector various gestation periods. The facility is secured. Secondly, US\$10 million and L\$217.5 million were given to provide long term and affordable mortgage related loans with a view to stimulate the economy. These amounts were given at 3% per annum for a period of 10 years. These facilities are secured.

Notes to the financial statements (continued)

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

	As at	
	2012	2011
13. Loan and advances to non-banking financial institutions		
Loan Extension and Availability Facility (LEAF)	92,087	-

Loan Extension and Availability Facility (LEAF) is a mutually understood and agreed term loan grant by the Central Bank of Liberia to Microfinance Institutions, Credit Unions, and Village Saving and Loan Associations with a view of stimulating the economy. The facility is unsecured.

	As at	
	2012	2011
14. Loans and advances to Government of Liberia		
Balance at January 1	14,596,789	14,116,647
Unwinding of discount	296,364	288,843
Exchange difference	(1,809)	191,299
	14,891,344	14,596,789
GOL Bridge Loan		
GOL 2012 Bridge facility	906,250	-
Less: amortized cost adjustment	(134,075)	
Exchange difference	(931)	
	771,244	-
Overdraft to Government of Liberia		
GOL Operation A/C USD (2011-2012)	1,588,307	-
GOL payroll A/C LRD (2011-2012)	26,801	-
GOL payroll A/C LRD	85,555	-
	1,700,663	-
Balance at December 31	17,363,251	14,596,789

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 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 interest rate of 2%, 3%, 4% and 5%, with principal repayment beginning September 30, 2017 and the final installment payable on July 31, 2037. At the date of restructuring, the loans were treated as new loan and fair valued.

GOL Bridge Loan

In 2012, the Bank and GOL agreed a Bridge Loan in the amount of US\$20 million at a rate of 2% per annum. This amount was given in two tranches. The first tranche was in the amount of US\$7.5 million for six (6) months which expired in December 2012, while the second tranche was for US\$12.5 million for a one year period beginning from July 2012 and ending in June 2013.

Notes to the financial statements (continued)

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

15. Investment security: Held-to-maturity

	As at	
	2012	2011
Investment security		
Balance at January 1	501,998	495,525
Amortized cost adjustment	(490)	(452)
Exchange difference	3	6,925
At December 31	501,511	501,998
Treasury bills	-	3,624,290
Interest receivable	-	710
Amortized cost adjustment	-	(486)
At December 31	-	3,624,514
Total held-to-maturity	501,511	4,126,512

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 Bank invested in four (4) Treasury Bills at an interest rate of 0.08% per annum period of six (6) which matured in March and April 2012.

Notes to the financial statements (continued)

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

16. Financial instruments by category

At 31 December 2012	Loan and receivables	Held-to- maturity	Total
Financial assets			
Cash and balances with central banks	12,207,647	-	12,207,647
Cash and balances with commercial banks	6,639,180	-	6,639,180
Loans, advances and overdraft to Bank	1,573,525	-	1,573,525
Loans and advances to non-banking financial institutions	92,087	-	92,087
Loans and advances to Government of Liberia	17,363,251	-	17,363,251
Investment securities (held-to-maturity)	-	501,511	501,511
Staff loans	79,528	-	79,528
Other assets	140,719	-	140,719
	38,095,937	501,511	38,597,448
			Financial liabilities at amortized cost
Financial liabilities			8,614,152
Notes in circulation			12,677,654
Deposit from banks			471
Other deposits			5,628,891
Deposits of GOL and agencies			986,462
Commercial bank loan			2,236,714
Other liabilities			30,144,344
			Financial liabilities at amortized cost
At 31 December 2011	Loan 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 Bank	387,774	-	387,774
Loans and advances to Government of Liberia	14,596,789	-	14,596,789
Investment securities (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 at amortized cost
Financial liabilities			7,251,552
Notes in circulation			11,894,510
Deposit from banks			150
Other deposits			4,498,916
Deposits of GOL and agencies			979,373
Commercial bank loan			2,917,522
Other liabilities			27,542,023

Notes to the financial statements (continued)

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

17. Intangible assets- Accounting software

	As at	
	2012	2011
At December 31		
Opening net book value	-	1,350
Additions	18,615	
Amortization charge	(1,548)	(1,359)
Exchange difference	(3)	9
Closing net book value	17,064	-
At December 31		
Cost	18,615	51,081
Accumulated amortization	(1,551)	(51,081)
Net book value	17,064	-

Intangible assets are tested annually for impairment when there are indications that impairment may have occurred. There was no impairment identified for 2012 (2011; Nil)

	As at	
	2012	2011
18. Loans to staff		
Staff loans	95,008	70,483
Less: provision	(3,184)	(3,683)
	91,824	66,800
Balance at January 1	(8,855)	(5,684)
Release	-	800
Charge	(3,483)	(3,811)
Exchange difference	42	(160)
Balance at December 31	(12,296)	(8,855)
	79,528	57,945
Provision		
Balance at January 1	3,683	629
(Release)/charge	(499)	3,054
Balance at December 31	3,184	3,683

Staff of the Bank is entitled to loan at an interest rate of 5% as compared to the market rate of 13.65% as at the reporting date.

Notes to the financial statements (continued)

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

	As at	
	2012	2011
19. Other assets		
Accounts receivable(i)	33,783	23,060
Prepaid expenses(ii)	40,433	710,690
Clearing checks(iii)	106,936	376,585
Deferred currency cost(iv)	314,099	400
	495,251	1,110,735
(i) Accounts receivable		
Due from others	12,278	12,703
Other receivables	33,041	21,893
	45,319	34,596
less provision:		
Allowance for bad debt-Belle Dunbar	(11,220)	(11,220)
Allowance for other debtors	(316)	(316)
	(11,536)	(11,536)
Net book value	33,783	23,060
Movement in Provision		
Balance at January 1	11,536	11,532
Exchange difference	-	4
Balance at December 31	11,536	11,536
(ii) Prepaid expenses		
Rent	2,042	2,653
Insurance	1,742	1,234
Others	6,453	64,963
Advances to currency printer	30,196	641,840
	40,433	710,690
(iii) Clearing checks		
Items for clearing	106,936	376,585
(iv) Deferred currency cost		
At January 1	400	54,016
Addition	613,343	221,902
Amortization charge	(297,451)	(272,193)
Exchange difference	(2,193)	(3,325)
Closing net book value	314,099	400
At December 31		
Cost	354,406	40,707
Accumulated amort.	(40,307)	(40,307)
Net book value	314,099	400

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 2012:								
Opening net book value	36,880	930,738	55,931	204	987	24,868	35,139	1,084,747
Additions	-	581,796	-	4,731	1,345	30,110	46,977	664,959
Disposals	-	-	-	-	-	134	-	134
Charge for the year	-	-	(1,420)	(1,509)	(551)	(18,940)	(21,585)	(44,005)
Exchange difference	-	-	12	(9)	-	(162)	133	(26)
Closing net book value	36,880	1,512,534	54,523	3,417	1,781	36,010	60,664	1,705,809
At December 31 2012:								
Cost	36,880	1,512,534	56,283	73,120	5,045	116,310	116,009	1,916,181
Accumulated depreciation	-	-	(1,760)	(69,703)	(3,264)	(80,300)	(55,345)	(210,372)
Net book value	36,880	1,512,534	54,523	3,417	1,781	36,010	60,664	1,705,809
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

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 31 December 2010 is based on the valuation performed in 2008 which put the value at US\$4.95 million. The valuations are performed triennially.

As work has commenced on the completion of the building and is expected to be completed in 2013, the valuation previously planned for 2011, was deferred until 2013.

Notes to the financial statements (continued)

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

20. Property, machinery and equipment (continued)

Disposal of machinery and equipment

	2012	2011
Cost	13,263	110,395
Accumulated depreciation	(13,129)	(107,249)
Net book value	134	3,146
Proceed from disposal	-	1,823
Loss on disposal	134	1,323

21. Notes in circulation

L\$5	682,004	675,557
L\$10	1,060,874	910,224
L\$20	2,078,297	2,106,297
L\$50	2,585,126	1,956,075
L\$100	3,160,437	2,007,566
Total currency notes	9,566,738	7,655,719
Coins	23,050	23,050
Less:		
Liberian Dollars held by the Bank and payment centers (Note 10)	(975,636)	(427,217)
	8,614,152	7,251,552

22. Deposits from banks

Reserve requirement-operating banks	8,553,742	7,998,014
Current accounts-operating banks	4,054,172	3,822,517
Current accounts-non operating banks	39,707	44,067
Reserve requirement-Non-operating banks	18,781	18,781
Collection accounts failed banks	11,252	11,131
	12,677,654	11,894,510

23. Other deposits

Forex bureau deposits	471	150
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24. Deposits of GOL and Agencies

Demand deposits-individual ministries & agencies	5,161,660	3,151,655
Other government related deposits	299,512	1,192,807
Demand deposits-central government	21	21
Withholding taxes payable	13,060	8,484
SME loans	141,289	141,289
State owned enterprises	13,349	4,660
	5,628,891	4,498,916

Notes to the financial statements (continued)

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

25. Commercial bank loan

	As at	
	2012	2011
At January 1	979,373	958,073
Interest	7,106	7,730
Exchange difference	(17)	13,570
At December 31	986,462	<u>979,373</u>
Current repayment	224,358	257,860
Non-current payment	762,104	721,513
	986,462	<u>979,373</u>

This commercial bank loan is in respect of a liability between CBL and the Liberia Trade for Development and Investment Bank, Limited (TRADEVCO), under which, CBL accepted a liability concerning claims of TRADEVCO's excess reserves balances. The Bank 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-year 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 July 1, 2011, but no payment has been made to TRADEVCO at the date of reporting.

Notes to the financial statements (continued)

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

26. Other liabilities

	As at	
	2012	2011
Accounts payables(i)	1,425,398	2,056,829
Others(ii)	811,316	860,693
	2,236,714	2,917,522
(i) Accounts payables		
Official checks-CBL	39,453	382,692
Unearned Income	4,350	4,836
Managers' checks-CBL	1,302,932	1,598,142
Stale Checks Payable	4,649	2,398
Due to staff	850	789
Accrued expenses	73,164	67,972
	1,425,398	2,056,829
(ii) Others		
Tradevco (In Liquidation) Payout	11,294	11,294
Additional Commercial Losses Payable	1,378	1,378
Commercial bank Mutes	1,275	36,622
Sarah K. Howard Testate Estate	-	13,494
Dormant Demand Deposit-others	523	523
Banking Institute of Liberia	123	12
Micro Finance Unit-LISS II Project	769	1,416
Union Bank of Switzerland	123,932	123,932
First Union Bank/N.C	1,198	1,198
Central Bank of Gambia	15,702	15,702
Multilateral Investment Guarantee Agency(MIGA)	1,318	1,318
West African Monetary Agency-BCEAO	653,804	653,804
Microfinance-LEAF Program	-	-
	811,316	860,693
27. Provident fund		
At January 1	76,427	63,472
Contributions during the year	26,010	21,395
Interest earned	133	83
Payments	(1,754)	(9,550)
Exchange difference	4	1,027
At December 31	100,820	76,427

Notes to the financial statements (continued)

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

28. Retirement benefit obligations

	As at	
	2012	2011
Statement of financial position obligation :		
Pension benefits	585,360	<u>447,559</u>
Statement of comprehensive income charge:		
Pension benefits	9	<u>6,955</u>
Pension benefits		
The amount recognized in the statement of financial position are determined as follow:		
Present value of unfunded obligations:		
Staff pension scheme	585,355	447,548
Ex-gratia pension scheme	5	11
Liability in the statement of financial position	585,360	<u>447,559</u>

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

At January 1	447,559	390,725
Current service cost	125,902	82,509
Interest cost	22,978	18,840
Actuarial gain	(10,666)	(43,433)
Benefits paid	(9)	(6,955)
Exchange difference	(404)	5,873
At December 31	585,360	<u>447,559</u>

The amounts recognized in the statement of comprehensive income:

Current service cost	125,902	82,509
Interest cost	22,978	18,840
Total included in staff costs (Note 8)	148,880	<u>101,349</u>
Actuarial gain	(10,666)	(43,433)
Total included in other comprehensive income	(10,666)	<u>(43,433)</u>

The principal actuarial assumptions used were as follows:

	2012	2011
Discount rate	4%	4%
Rate of salary increases	5%	5%
Rate of inflation	2%	5%

Notes to the financial statements (continued)

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

28. Retirement benefit obligations (continued)

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 a 10% margin reduction, 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

	As at	
	2012	2011
Authorized	400,000	400,000
Paid-in-capital	7,398,587	7,398,587
Subscribed capital	200,000	200,000
	7,598,587	7,598,587

The capital of CBL is owned exclusively by the Government of Liberia. The minimum authorized capital of CBL is L\$400 million. The amount may be increased by an amendment to the CBL Act, as shall be proposed by the Board of Governors to the National legislature. The Act requires the Bank to have a minimum paid-up capital of L\$100 million. The consideration for the paid-up capital was the net book value of assets and liabilities taken over from National Bank of Liberia on the establishment of CBL. In addition the GOL subscribed a further US\$5 million (L\$ equivalent L\$200 million) at the establishment of CBL to have it capitalized. The consideration was a series of promissory notes, which matured on April 21 and October 20 each year from 2001 to 2003. Having re-negotiated the loan in 2007, the US\$5million (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

	As at	
	2012	2011
General reserve	2,245,743	3,275,271
Movement in reserve were as follows:		
Balance at January 1	3,275,272	3,491,461
Operating loss	(870,696)	(375,733)
Other comprehensive income	(158,834)	159,544
At December 31	2,245,743	3,275,272
31. Cash and cash equivalent		
Balances with central banks	12,207,647	11,071,115
Balances with local banks	210,322	205,517
Balances with foreign banks (commercial)	6,428,858	6,298,734
	18,846,827	17,575,366

	For the year ended	
	2012	2011
	L\$'000'	L\$'000'
Assets:		
Foreign Currency Investments and Claims		
IMF Quota Subscription	14,724,301	15,078,802
SDR Holdings	17,945,488	16,994,724
Accrued Interest on SDR Holdings	2,000	5,058
Accrued remuneration		
Total Assets	32,671,790	32,078,584
Liabilities:		
Foreign Currency Liabilities to International Financial Institutions		
SDR Allocations	14,129,291	14,469,466
Accrued Charges on SDR Allocations	1,610	4,412.00
Liabilities to Non-Residents		
IMF No.1 Account	7,889,796	8,244,211
IMF No. 2 Account	1,398	1,432
Securities Account	6,830,967	6,830,967
ECF Loan (formerly PRGF Loan)	5,643,551	4,399,691
Due from GOL and Due to IMF (Net Position)	34,496,612	33,950,179
	-	
GOL net position with the IMF	(1,824,822)	(1,871,595)

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

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 of the financial statements. The IMF recommends the use of the gross method for a country whose depository and fiscal agent are the same. The position in the General Department is presented on a gross basis if the IMF No.1, No.2, and Securities Accounts are shown as liabilities and the member's quota is shown as an asset. However, the Board of Governors of the Central Bank of Liberia with the consent of the external auditors have agreed not disclose Liberia's position in IMF on the face of the Bank's reporting date 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 Liberia 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. As of close of business on March 14, 2008, the IMF confirmed the completion of Liberia's clearance of its arrears, payment of quota increase and related Fund financing transactions and the granting of new facilities. All applicable entries were recorded in the IMF's accounts held at Central Bank of Liberia.

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.

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)

Special drawing rights holdings and allocation

SDR's are interest-bearing assets allocated by the IMF to each participant in the Special Drawing Rights Department to meet various global operating needs of the Fund as and when they arise, as a supplement to the Fund's existing reserves. SDR's are allocated by the IMF to members participating in the SDR department in proportion to their quotas to the Fund at the time of allocation. The arrears clearance resulted in a balance of SDR 8,341,601 in Liberia's SDR holdings account. The balance as at December 31, 2012 represents Liberian dollars equivalent of SDR 157.5 million.

PRGF loan and interest

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

During the IMF assessment program in March 2008, the GOL obtained Poverty Reduction and Growth Facility Loan of SDR 214,260,000 equivalent to L\$ 21,744,447,432.65. On 14 May 2009, an amount of SDR 7,000,000 was also obtained from the IMF. In November 2009 a further SDR 4, 440,000 were obtained from the IMF. This brought the total loan balance to SDR 225,700,000 equivalent to L\$22,480,975,338 as at 31 December 2009.

At the HIPC completion point in June 2010, a debt relief of SDR 205,762,043 was applied to Liberia's outstanding obligation. Since then, a total disbursement of SDR 8,880,000 has been received under the Extended Credit Facility (ECF) program. This program replaced the Poverty Reduction Growth Facilitate post the HIPC completion point. The ECF borrowing amounts to SDR 49.52 million as at December 31, 2012.

33. Contingent liabilities and commitments

As part of its normal business, CBL acts as custodian for customers' assets and fulfills 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 relative 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;

Notes to the financial statements (continued)

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

33. Contingent liabilities and commitments (continued)

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 provisions have been made in these financial statements.

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 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) 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.

Notes to the financial statements (continued)

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

34. Related party transactions (continued)

Interest income earned

Interest income earned to date

	For the year ended	
	2012	2011
GOL loans and advances (Note 5)	199,561	191,919
GOL investment securities:Held-to-maturity (Note 5)	51,047	50,177
	250,608	242,096

Year to date balances resulting from related party transactions:

	As at	
	2012	2011
Receivables from related party:		
Due from Government of Liberia- long term loan (Notes 14&15)	17,864,762	18,723,301
Payables to related party:		
Deposits of GOL and agencies(Notes 24)	5,628,891	4,498,916

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:

	As at	
	2012	2011
Loan outstanding at January 1	11,653	5,295
Loan granted during the period	30,553	8,938
Loan repaid during the period	(4,824)	(2,580)
Loan outstanding at December 31	37,382	11,653
Interest income earned	606	184

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.

Notes to the financial statements (continued)

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

34. Related party transactions (continued)

Remuneration of key management personnel

	As at	
	2012	2011
Salaries and short term benefits	91,202	73,439
Post employment benefit	-	50,950
	91,202	124,389

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.