TABLE OF CONTENTS **PAGE**

COPORATE INFORMATION

BOARD OF GOVERNORS:	J. Mills Jones-Executive Governor (Chairman of the Board of Governors)
	David Vinton
	John G. Bestman
	Betty Maima Jackson-Saway
	Samuel Thompson (Resigned - August 18, 2009)
	Mildred Reeves (Appointed - August 18, 2009)
AUDITOR	PricewaterhouseCoopers
	Chartered Accountants
	No. 12, Airport city
	Una Home, 3rd Floor
	PMB CT 42
	Cantonments-Accra
SOLICITOR	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 Central Bank adopts standard accounting practices and ensures sound internal control to facilitate the reliability of the financial statements.

The Board of Governors

The Board is responsible for the formulation and implementation of policies of the Central Bank and controlling and monitoring activities of the executive management. The Board consists of five (5) Governors, including, the Executive Governor who serves as Chairman of the Board and four (4) Non-Executive Governors. Members of the Board are appointed by the President of Liberia and confirmed by the Liberian senate. The Non-Executive Governors are independent of management and free from any constraints, which could materially interfere with the exercise of their independent judgment. They have experience and knowledge of the industry, markets, financial and/or other business information to make a valuable contribution to the Central Bank's progress. The Board is required to meet as often as the business of the Central Bank may require, but not less frequently than once every three months. During the period under review, Governor Samuel Thompson was appointed Deputy Governor on August 18, 2009, whist Mrs. Mildred Reeves was appointed to replace him on the Board.

The Audit Committee

The Audit Committee is made up of four (4) Governors who are independent of management and free of any relationship, which could interfere with their independent judgments. The committee meets on a quarterly basis. Members of the committee elect the Chairman of the committee. The terms of reference of the audit committee is made available to members of management.

The duties of the Audit Committee includes; keeping under review the scope and results of the audit, as well as the independence and objectivity of the external auditor. The Audit Committee also keeps under review internal financial controls, risk management, and compliance with laws and regulations. The Audit Committee also reviews the adequacy of the audit program of the Internal Audit Section on a yearly basis. The Committee also reviews reports prepared by the Internal Audit Section and the financial statements of the Central Bank.

Banking Reform Committee

The Committee is made up of the Deputy Governor, who is the Chairman, four (4) Directors, an Expatriate Advisor and the Legal Counsellor. The Committee meets on a quarterly basis. The term and reference of the committee are determined by the main Board. The Banking Reform Committee is responsible for the stability of the banking system and promoting its contribution to economic growth and the increased participation of Liberian entrepreneurs in the national economy. 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 sub-committee of the Banking Reform Committee, set up to strengthen the supervisory function of the Central Bank and ensure that commercial banks are in compliance with the banking laws, regulations and directives of the Central Bank.

Money management and Policy Review Committee

The Money Management Committee is an advisory body to the Executive Governor. The committee is made up of the Executive Governor who is an ex-officio, Deputy Governor who is the chairman and three (3) Directors.

Its responsibilities include discussions of a wide range of monetary, financial and economic issues, reviewing policies and making appropriate recommendations to the Governor for smooth operation of the Central Bank, and the strengthening of the banking system.

External Auditor

In September 2007, the CBL appointed PricewaterhouseCoopers (PwC) Accra, to be its auditor for the 2007 financial statements. It is expected that PricewaterhouseCoopers will continue as auditor of the Central Bank up to the end of 2009.

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, 2009.

STATEMENT OF RESPONSIBILITY OF THE BOARD OF GOVERNORS

The Acts of Legislature establishing the Central Bank of Liberia (approved into law on March 18, 1999) and Bye laws adopted on December 16, 1999 required the Board of Governors to ensure that financial statements prepared for each financial year give a true and fair view of the state of affairs of the Central 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 Central 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 Central Bank, as well as the Bye laws pertaining to its operation; and
- Put in place relevant mechanisms for safeguarding the assets of the Central 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 institution as well as non-bank financial services institutions;
7. hold and manage the foreign exchange reserve of Liberia, including gold;
8. advise the Government on financial and economic matters;
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.

CENTRAL BANK OF LIBERIA
Annual Report
Year ended December 31, 2009

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

The Central Bank shall execute this responsibility through implementation of the proper regulations and standards, as needed.

GOVERNORS AND GOVERNMENT INTEREST

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

Financial results

The financial results for the year are set out below:

	2009 L$'000	2008 L$'000
Operating profit attributable to shareholder	74,667	184,408
to which is added balance on general reserves brought forward of	2,219,387	1,669,481
Other comprehensive income	1,523,362	365,498
leaving a balance on general reserve account to be carried forward of	3,817,416	2,219,387

Signed on behalf of the Board by:

pp **J. Mills Jones**
Executive Governor and Chairman of the Board

John G. Bestman
Governor

April 23, 2010

April 23, 2010

INDEPNENDENT AUDITOR'S REPORT
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 7 to 70. Theses financial statements of compromise the statement of financial position as at December 31, 2009, statement of comprehensive income, statement of changes in equity and statement of cash flow 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 and fair presentation of these financial statement in accordance with International Financial Reporting Standards. This responsibity includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an independent opinion on these 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 our audit to obtain reasonable assurance that 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 judgment, 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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing and 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 management, 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.

INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF GOVERNORS OF THE CENTRAL BANK OF LIBERIA (CONTINUED)

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Central Bank of Liberia as at December 31, 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants

PRICEWATERHOUSECOOPERS

April 29, 2010

Accra, Ghana

Statement of comprehensive income

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

	Note	**Year ended December-31 2009**	Year ended December-31 2008
Interest income	**6**	**561,258**	581,099
Interest expenses	**6(i)**	**(8,339)**	(7,636)
Net interest income		**552,919**	573,463
Fees and commissions	**7**	**192,472**	179,925
Other income	**8**	**37,796**	22,106
Operating income		**783,187**	775,494
Administrative expenses	**9**	**(505,043)**	(423,610)
Other operating expenses	**10**	**(203,757)**	(175,489)
Impairment loss on financial assets	**11**	**(534)**	(301)
Impairment release on non-financial assets	**12**	**814**	8,314
Net operating profit attributable to shareholder transferred to general reserve account	**35**	**74,667**	184,408
Other comprehensive income and expenses:			
Gain on fair value of investment of property	**13**	**-**	14,535
Actuarial gain / (loss) on defined benefit pension plan	**33**	**22,970**	(6,530)
Exchange difference on translation to presentation currency		**1,500,392**	357,493
Other comprehensive income for the year		**1,523,362**	365,498
Total comprehensive income transferred to general reserve account	**35**	**1,598,029**	549,906

The notes on pages 11 to 70 are integral part of these financial statements

Statement of financial position

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

	Note	As at December 31 2009	As at December-31 2008
Assets			
Cash and balances with Central Banks	**14**	**10,217,291**	7,185,826
Cash and balances with commercial banks	**15**	**2,031,087**	1,648,505
Loans,advances and overdraft to Operating Bank	**16**	**37,489**	-
Loans and advances to Government of Liberia	**17**	**13,653,539**	12,392,010
Other receivables-GOL	**17(i)**	**-**	4
Investment security:Held-to-maturity	**18**	**488,998**	444,247
Staff loans	**19**	**17,541**	14,483
Intangible assets	**21**	**9,315**	15,705
Investment property	**22**	**19,740**	22,080
Property,machinery and equipment	**23**	**469,380**	396,781
Other assets	**24**	**343,986**	321,584
Total assets		**27,288,366**	22,441,225
Liabilities			
Notes in circulation	**25**	**4,583,438**	4,159,184
Deposits from banks	**26**	**5,060,310**	4,036,532
Other deposits	**27**	**19,706**	8,261
Deposits of GOL and agencies	**28**	**4,146,696**	2,501,286
Other borrowed funds	**29**	**482,757**	430,876
Commercial bank loan	**30**	**906,032**	814,588
Other liabilities	**31**	**350,874**	410,762
Provident fund	**32**	**47,740**	35,684
Retirement benefit obligations	**33**	**274,810**	226,078
Total liabilities		**15,872,363**	12,623,251
Equity			
Share capital	**34**	**7,598,587**	7,598,587
General reserve	**35**	**3,817,416**	2,219,387
Total equity		**11,416,003**	9,817,974
Total equity and liabilities		**27,288,366**	22,441,225

The financial statements on pages 7 to 70 were approved by the Board of Governors on April 23, 2010 and were signed on its behalf by:

Name of Governor:……………………..   Name of Governor:……………………………..

Signature:………………………………   Signature:……………..…………………………

The notes on pages 11 to 70 are integral part of these financial statements

Statement of Changes in Equity

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

	Stated Capital	General Reserve	Total Equity
Balance at January 1, 2009	**7,598,587**	**2,219,387**	**9,817,974**
Profit for the year	-	74,667	**74,667**
Acturial gain	-	22,970	**22,970**
Exchange difference on translation to presentation currency	-	1,500,392	**1,500,392**
Total comprehensive income	-	1,598,029	**1,598,029**
Balance at December 31, 2009	**7,598,587**	**3,817,416**	**11,416,003**
Balance at January 1, 2008	7,598,587	1,669,481	9,268,068
Profit for the year	-	184,408	184,408
Acturial loss	-	(6,530)	(6,530)
Gain on fair value of investment property	-	14,535	14,535
Exchange difference on translation to presentation currency	-	357,493	357,493
Total comprehensive income	-	549,906	549,906
Balance as at December 31, 2008	7,598,587	2,219,387	9,817,974

The notes on pages 11 to 70 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	
		2009	2008
Cash flows from operating activities			
Interest received	**6**	**240,267**	342,965
Fees and commission receipts	**7**	**192,472**	179,925
Other income received	**8**	**37,796**	22,106
Payments to employees and suppliers		**(802,596)**	(417,618)
Exchange difference on translation to presentation currency		**591,703**	1,025,378
Cash generated from operations before changes in operating assets and liabilities:		**259,641**	1,152,756
Loans,advances and overdraft to operating banks	**16**	**(37,489)**	(300)
Other assets	**24**	**(25,923)**	190
Notes in circulation	**25**	**424,254**	(564,842)
Deposits from banks and others	**26,27**	**1,035,222**	1,346,649
Deposits of GOL and agencies	**28**	**1,645,410**	(841,409)
Other liabilities	**31**	**(59,888)**	264,234
Net cash from operating activities		**3,241,228**	1,357,278
Cash flows from investing activities			
Proceeds from sale of machinery & equipment	**23**	**725**	485
Purchase of machinery and equipment	**23**	**(62,541)**	(7,008)
Purchase of BankMaster Plus	**21**	**-**	21,066
Loans and advances to GOL - long term	**17**	**234,636**	-
Net cash used in investing activities		**172,820**	14,543
Net increase in cash and cash equivalents		**3,414,047**	1,371,821
Cash and cash equivalents at January 1	**37**	**8,834,331**	7,462,510
Cash and cash equivalents at December 31		**12,248,378**	8,834,331

The notes on pages 11 to 70 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 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 1.3 below.

1.1 Share Capital

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

1.2 Subscribed Capital

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

1.3 Paid-up capital

The consideration for the paid-up capital was the net book value of assets and liabilities taken over from the National Bank of Liberia (NBL) on the establishment of the CBL. The net worth of the erstwhile National Bank of Liberia (NBL) was L$7.3 billion.(note 34). The principal assets which underlie the capital transfer of L$7.3 billion are two long-term loans denominated in L$ and US$ due from the Government of Liberia. The amounts are a result of transactions between the Government and the former National Bank of Liberia prior to the formation of the Central Bank of Liberia.

1.4 Ownership

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

Notes to the financial statements (continued)

1. General information (continued)

1.4 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.

1.5 Powers of the Central Bank

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

Notes to the financial statements (continued)

2. Summary of significant accounting policies

The accounting policies applied are consistent with those of annual financial statements for the year ended December 31, 2009. These policies have been consistently applied to all of the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). They have been prepared under the historical cost convention, as modified by the revaluation of land and building, investment property and financial assets and financial liabilities.

The financial statements comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes.

The financial statements are prepared in Liberian dollars which is the Bank's presentation currency. These figures shown in the financial statement are stated in thousand of Liberia dollars.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the CBL's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4. The CBL considers itself to be a single operation and accordingly, no segmental information is included in these financial statements.

2.2 Standards, amendments and interpretations effective on or after 1 January 2009

(i) The following standards, amendments and interpretations, which became effective in 2009 are relevant to the Central Bank:

Standard/ interpretation/ amendments	**Content**	**Applicable for financial years beginning on/after**
IAS 1 (Revised)	Presentation of financial statements	1 January 2009
IAS 32 and IAS 1	Puttable financial instruments and obligations arising on liquidation	1 January 2009

- **IAS 1 (revised), 'Presentation of financial statements'**

A revised version of IAS 1 was issued in September 2007. It prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.2 Standards, amendments and interpretations effective on or after 1 January 2009 (continued)

- **IAS 1 (revised), 'Presentation of financial statements'(continued)**

As a result, the Bank presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also conforms with the revised standard.

According to the amendment, each component of equity, including each item of other comprehensive income, should be reconciled between the carrying amount at the beginning and at the end of the period. Since the change in accounting policy only impacts presentation aspects, there is no impact on retained earnings.

- **IAS 32 and IAS 1, 'Puttable financial instruments and obligations arising on liquidation'**

The IASB amended IAS 32 in February 2008. It now requires some financial instruments that meet the definition of a financial liability to be classified as equity. Puttable financial instruments that represent a residual interest in the net assets of the entity are now classified as equity provided that specified conditions are met. Similar to those requirements is the exception to the definition of a financial liability for instruments that entitle the holder to a pro rata share of the net assets of an entity only on liquidation. The adoption of the IAS 32 amendment does not have any material effect for the Central Bank.

(ii) The following standards, amendments and interpretations became effective in 2009, but were not relevant for the Bank's operations:

Standard/ interpretation	**Content**	**Applicable for financial years beginning on/after**
IFRIC 13	Customer loyalty programmes	1 July 2008
IFRS 8	Operating segments	1 January 2009
IFRIC 15	Agreements for the construction of real estate	1 January 2009
IFRIC 16	Hedges of a net investment in a foreign operation	1 October 2008
IAS 23 (Amendment)	Borrowing costs	1 January 2009
IFRS 2 (Amendment)	Share-based payment – Vesting conditions and cancellations	1 January 2009
IFRS 7 (Amendment)	Improving disclosures about financial instruments	1 January 2009

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.2 Standards, amendments and interpretations effective on or after 1 January 2009 (continued)

- **IFRIC 13, 'Customer loyalty programmes'**

IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple element arrangement. The consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Central Bank's operations because the Central Bank does not operate any loyalty programmes.

- **IFRIC 15 'Agreements for the construction of real estate'**

The interpretation clarifies whether IAS 18, 'Revenue', or IAS 11, 'Construction contracts', should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. IFRIC 15 is not relevant to the Central Bank's operations as all revenue transactions are accounted for under IAS 18 and not IAS 11.

- **IFRS 8, 'Operating segments'**

IFRS 8 was issued in November 2006 and applicable for financial year beginning on/after 1 January 2009. The standard replaces IAS 14, 'Segment reporting', with its requirement to determine primary and secondary reporting segments. Under the requirements of the revised standard, the Central Bank's external segment reporting will be based on the internal reporting to the Board of Governors (in its function as the chief operating decision-maker), which makes decisions on the allocation of resources and assess the performance of the reportable segments. The application of IFRS 8 does not impact the Central Bank because the Central Bank does not have equity or debt securities that are publicly traded nor issues equity or debt securities in a public market. In addition the Central Bank is not in the process of filing financial statements with a regulatory organisation for purposes of issuing securities in a public market.

- **IFRIC 16, 'Hedges of a net investment in a foreign operation'**

This interpretation clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Central Bank. This interpretation does not impact he Central Bank's financial statements because the Central Bank does not have a net investment in a foreign operation.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.2 Standards, amendments and interpretations effective on or after 1 January 2009 (continued)

- **IAS 23, 'Borrowing costs'**

A revised version of IAS 23 was issued in March 2007. It eliminates the option of immediate recognition of borrowing costs as an expense for assets that require a substantial period of time to get ready for their intended use. The application of the IAS 23 amendment does not impact the Central Bank financial statements because the Central Bank does not borrow to finance assets that require a substantial period of time to get ready for their intended use.

- **IFRS 2, 'Share-based payment' – Vesting conditions and cancellations**

The IASB published an amendment to IFRS 2, 'Share-based payment', in January 2008. The changes pertain mainly to the definition of vesting conditions and the regulations for the cancellation of a plan. These changes clarify that vesting conditions are solely service and performance conditions. As a result of the amended definition of vesting conditions, non-vesting conditions should now be considered when estimating the fair value of the equity instrument granted. In addition, the standard describes the posting type if the vesting conditions and non-vesting conditions are not fulfilled. There is no material impact on the financial statements by applying the amendment of IFRS 2 at the date of the statement of financial position. These amendments are applied retrospectively.

- **Amendment to IFRS 7, 'Financial instruments: Disclosures'**

The IASB published an amendment to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy and separate liquidity risk disclosure for derivative financial instruments.

The adoption of the amendment does not impact the Central Bank as the Bank does not hold any financial instruments that are measured at fair value subsequent to initial recognition.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.3 Standards amendments and interpretations to existing standards issued but not yet effective

iii) The following standards amendments and interpretations to existing standards have been issued and are mandatory for the Central Bank's accounting periods beginning on or after 1 July 2009 or later periods and are expected to be relevant to the Central Bank:

Standard/ interpretation	**Content**	**Applicable for financial years beginning on/after**
IFRS 1 (Amendment)	Additional exemption for first-time adoption	1 January 2010
IAS 24 (Amendment)	Related party disclosures	1 January 2011
IAS 39 (Amendment)	Financial instruments: Recognition and measurement – Eligible hedged items	1 July 2009
IFRS 9	Financial instruments part 1: Classification and measurement	1 January 2013
IFRIC 19	Extinguishing financial liabilities with equity Instruments	1 July 2010
Amendments to IFRIC 9 and IAS 39	Embedded Derivatives	30 June 2009

- **IFRS 1 (Amendment) 'Additional exemption for first-time adoption'**

The amendment granted relief to existing IFRS preparers from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 'Financial Instruments: Disclosures'. The relief was provided because the amendments to IFRS 7 were issued after the comparative periods had ended. The use of hindsight would have been required to prepare the disclosures.

Certain first-time adopters (first reporting period starting before 1 January 2010) would otherwise be required to present the comparative information as first-time adopters do not use the transition provisions in other IFRSs. The amendment to IFRS 1 provides first-time adopters with the same transition provisions (and thereby the same relief) as included in the amendment to IFRS 7.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.3 Standards amendments and interpretations to existing standards issued but not yet effective (continued)

- **IAS 24 'Related party disclosures'**

The amendment removes the requirement for government related entities to disclose details of all transactions with the government and other government – related entities and clarifies the definition of a related party. This amendment is not expected to have any impact on the Central Bank's operations.

- **IAS 39, 'Financial instruments: Recognition and measurement – Eligible hedged items'**

The amendment 'Eligible hedged items' was issued in July 2008. It provides guidance for two situations. On the designation of a one-sided risk in a hedged item, IAS 39 concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. This will not give rise to any changes to the Central Bank's financial statements.

- **IFRS 9, 'Financial instruments part 1: Classification and measurement'**

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

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.3 Standards amendments and interpretations to existing standards issued but not yet effective (continued)

IFRS 9, 'Financial instruments part 1: Classification and measurement' (continued)

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The Central Bank is considering the implications of the standard, the impact on the Central Bank and the timing of its adoption.
- **IFRIC 9 and IAS 39 'Embedded Derivatives'**

The amendment states that an entity should assess whether an embedded derivative is to be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. The assessment is made on the basis of the circumstances that existed at the later of: (a) the date when the entity first became a party to the contract, and (b) the date of a change in the terms of the contract that significantly modifies the cash flows that otherwise would have been required under the contract. This amendment is not expected to have any impact on the Central Bank's operations.

- **IFRIC 19 'Extinguishing financial liabilities with equity Instruments'**

The new interpretation clarifies the accounting when an entity renegotiates the terms of its debts with the result that the liability is extinguished by the debtor issuing 'its aim equity instruments to the creditor (referred to as 'debt for equity swap'). This interpretation is not expected to have any impact on the Central Bank's operations.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.4. 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 Central Bank's presentation currency. This is in keeping with requirements of Part V Section 19 of the Central Central Bank of Liberia Act of 1999.

b) Transactions and balances

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

2.5 Property, machinery and equipment

(a) Cost or Valuation

Property, machinery and equipment is recorded at historical costs or revalued amounts, as described below, less accumulated depreciation in accordance with IAS 16.

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 the CBL and the cost of the item can be measured reliably.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.5 Property, machinery and equipment (continued)

(a) Cost or Valuation (continued)

The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are charged to the statement of comprehensive income and expenses during the financial period in which they are incurred. Property, machinery and equipment that are depreciable are depreciated on a straight-line basis.

Land and building are shown at fair value, based on periodic, but at least triennial valuations by external independent valuer, less subsequent depreciation for building. Revaluations are required with sufficient regularity to ensure that the carrying amount of an asset does not differ materially from that which would be determined using fair value at the reporting period date.

(b) Depreciation

Land is not depreciated. It is stated at cost.

WIP (Building) is not depreciated. It is stated at cost less impairment losses.

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

Leasehold improvements: over the life of the lease

Equipments:	three (3) years
Motor Vehicles:	four (4) years
Furniture & fittings:	six (6) years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance sheet date. Gains and losses on disposals of property, machinery and equipment are determined by comparing the net disposal proceeds with the carrying amount of the item and are recognized within "Other (losses)/gains – net" in the Statement of Comprehensive Income.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.6 Investment property

An investment property is a land or building-or part of a building, or both, held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or for sale in the ordinary course of business. The property is a building situated in Virginia, Montserrado County, and is not occupied by the CBL. The CBL intends to use the building to earn rental or for capital appreciation purposes, although, the property is not currently rented out.

The CBL revised its policy from the cost model and has adopted the fair value model in accordance with IAS 40 to account for its investment property. The bank considers that the new policy gives a fairer presentation of Investment Property. Fair value is the price at which the property could be exchanged between knowledgeable, willing parties in an arms length transaction. The property is stated at fair value, determined at balance sheet date by an independent valuer based on market evidence. Changes in fair value are recognized in profit or loss in the period in which they arise. The asset's useful life is reviewed, and adjusted if appropriate, at each Statement of Financial Position date at least triennially.

Gains and losses on disposals of investment property are determined by comparing proceeds with carrying amounts. These are included in the Statement of Comprehensive Income.

2.7 Intangible assets

The CBL has adopted the cost model in accounting for its intangible assets in accordance with IAS 38. On initial recognition, intangible assets are recognized at cost. Intangible assets consist of BankMaster Plus software acquired externally and used by the CBL. The costs of the BankMaster Plus software include acquisition, installation and other major costs associated with getting the software ready for use. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the CBL and the cost of the item can be measured reliably. These costs are amortized on the basis of the expected useful lives of the software estimated at 3 years, using the straight-line method. Costs associated with maintaining software programs are recognized as an expense when incurred. Intangible assets are carried at cost less accumulated amortization.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.8 Impairment of non-financial assets

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

2.9 Financial assets classification

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

a) Loans and receivables

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

b) Held-to-maturity financial assets

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

Recognition and measurement of financial instruments

The CBL measures its financial assets initially at fair value including transaction costs. Subsequently, all non-trading financial assets are measured at amortized cost, less impairment losses, while financial liabilities are measured at amortized cost. Amortized cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.9. Financial assets (continued)

Recognition and measurement of financial instruments (continued)

Financial assets and liabilities are recognized when the 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 the CBL has substantially transferred all the risk and rewards of ownership. Financial liabilities are derecognized when they are extinguished-that is, when the obligation is discharged, cancelled or expired.

2.10 Offsetting financial instruments

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

2.11 Cash and Cash equivalents

Cash and cash equivalents includes 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).

2.12 Employees' benefits

a) Pension obligations

The Bank operates an unfunded pension scheme. The liability is determined by periodic actuarial assumptions under a defined benefit pension plan. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as retirement age, years of service and final year compensation. The liability recognized in the statement of financial position in respect of a defined benefit retirement scheme is the present value of the defined benefit obligation in respect of past service at the Statement of Financial Position date, adjusted by unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. In the absence of any high quality bonds in Liberia, the present value of the defined benefit obligation is determined by discounting the projected cash outflows using the average rates of return on US corporate bonds, since the obligation is quoted in United States dollars.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.12 Employees' benefits (continued)

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 in administrative expenses in profit or loss, unless the changes to the pension plan are conditional on the employee remaining in service for a specified period of time. In this case past-service costs are amortized on a straight-line basis over the vesting period.

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

2.13 Provisions

Provisions, including any restructuring, redundancy and legal claims are recognized: when the CBL has a present legal or constructive obligation as a result of past events; and it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligation as a whole.
A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessment of the time value of money and the risks specific to the obligation.

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

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.14 Revenue Recognition (continued)

a) Interest income and expense (continued)

The CBL derives its interest income principally from the GOL long-term loans and investment security and its deposits with foreign banks. Interest expense is derived principally from interest accrued on loan from a commercial bank.

b) Fees and commission income

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Commission 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 Impairment of financial assets

a) Assets carried at amortized cost

The CBL assesses at each Statement of Financial Position 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 the CBL uses to determine that there is objective evidence of impairment include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions; and
- Initiation of bankruptcy proceedings.

The estimated period between a loss occurring and its identification is determined by management. In general, the periods used vary between six months and twelve months; in exceptional cases, longer periods are warranted. The Bank first assesses whether objective evidence of impairment exist individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.15 Impairment of financial assets (continued)

a) Assets carried at amortized cost (continued)

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 the Statement of Comprehensive Income. For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics.

Those characteristics are relevant to the estimation of future cash flows for group of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group.

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

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.

2.16 Donated assets

The CBL has assets, principally computer equipment and software, whose acquisition was financed, in whole or in part, by donors. The CBL has included the costs of such assets in the financial statements. These assets are depreciated according to the policies adopted for equivalent assets purchased by the CBL. The donations have been reflected under deferred income and amortized over the lives of the donated assets using the straight-line method in conformity with IAS 20.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.17 Deferred currency cost-Liberian banknotes

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

2.18 Currency in circulation

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

2.19 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.
The leases entered into by the CBL relate to its main offices and other locations in Monrovia and other parts of the country. Any major costs or losses relating to these leased buildings and other leased properties would fall on the CBL. Major repairs incurred on the building are accounted for as leasehold improvements and amortized over the life of the lease. The significant leases entered into by the CBL are operating leases where the CBL is the lessee. The lease agreements specify options for renewal. Per the lease agreements a substantial portion of the risks is transferred to the CBL, but all of the rewards are substantially transferred to the lessor (s). The total payments made under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease in conformity with IAS 17.

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. The leases entered into by the CBL relate to its main offices and other locations in Monrovia and other parts of the country. Any major costs or losses relating to these leased buildings and other leased properties would fall on the CBL. Major repairs incurred on the building are accounted for as leasehold improvements and amortized over the life of the lease.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.20 Comparatives

Where necessary comparative figures have been adjusted to conform with changes in presentation and accounting policies in the current year consequent to the adoption of IFRS.

Notes to the financial statements (continued)

3. Financial Risk Management

The Central Bank's activities expose it to limited financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risks. Taking risk is core to financial business, and the operational risks are an inevitable consequence of being in business. 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, market risk and other operational 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 CBL by failing to discharge an obligation. Credit risk is the most important risk for the CBL. Hence, the CBL carefully manages its exposure to credit risk. Credit exposure arises principally in lending activities.

Loans and advances

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

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

3.1 Credit risk (continued)

3.1.2. Risk limit control and mitigation policy

The Central Bank manages limits and controls concentration of credit risk wherever they are identified. Exposure to credit risk is managed through regular analysis of the ability of the borrowers to meet interest and capital repayment obligations.

Specific control and mitigation measures include:

(a) Collateral

The Central Bank employs policies and practices to mitigate credit risk. The most traditional of these is the taking of security for advances. The 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.

3.1.3. Impairment and provisioning policy

Impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the Statement of Financial Position 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..

The table below shows the gross (undiscounted) amounts of CBL’s loans and advances analyzed by type and performance and less impairment:

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

3.1. Credit risk (continued)

3.1.3. Impairment and provisioning policy (continued)

	December 31, 2009			Dec-31-08		
	Loans and advances to GOL L$000	Loans and advances to Staff L$000	Balances with Central Bank & Comm. Banks L$000	Loans and advances to GOL L$000	Loans and advances to Staff L$000	Balances with Central Bank & Comm. Banks L$000
Neither past due nor impaired	18,461,053	20,310	12,285,867	17,074,688	16,785	8,834,331
Past due but not impaired	-	-	-	4	-	-
Individually impaired	-	2,282	-	301	-	300
Gross	18,461,053	22,592	12,285,867	17,074,993	16,785	8,834,631
Less: allowance for impairment	-	(2,282)	-	(301)	-	(300)
Carrying value	18,461,053	20,310	12,285,867	17,074,692	16,785	8,834,331

Included in balances with Central Banks and commercial banks are facilities granted to Ecobank Liberia Limited and Guarantee Trust Bank Liberia Limited. During the period ended December 31, 2009, the Central Bank's reported total loans and advances increased by 19% mainly as result of reduction in loans and advances granted to banks.

(a) **Loans and advances past due but not impaired**

Loan and advances less than 15 days past due are not considered impaired, unless other information is available to indicate the contrary. The gross amount of loans and advances to the GOL that were past due but not impaired is as follows:

Error! Not a valid link.

(b) Loans and advances individually impaired

Loans and advances to banks

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

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

3.1. Credit risk (continued)

3.1.3. Impairment and provisioning policy (continued)

Error! Not a valid link.

(c) Loans and advances renegotiated

The renegotiated loans are: loans and advances to GOL-long term and investment security held-to-maturity. The loans were renegotiated on June 30, 2007. The restructuring include extended payment arrangement and renegotiation of interest rates. Following the restructuring, all outstanding interest amounts were capitalized as shown in the table below: Also, in 2009 The Government of Liberia made an early payment toward the restructured loan in April 2009 in the amount of US$3.6 million dollars.

Error! Not a valid link.

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

3.1. Credit risk (continued)

3.1.3. Impairment and provisioning policy (continued)

Concentration of credit exposures of financial assets

Error! Not a valid link.
Group 1

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

Group II

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

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

3.2. Liquidity risk

Liquidity risk is the risk that the Central Bank is unable to meet its payment obligation associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.

3.2.1 Liquidity risk management process

The Central Bank's liquidity management process, as carried out within the Finance Department and monitored by executive management and the Internal Audit Section includes:

- Preparing of cash-based budget and periodic variance report 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 and regulatory requirements; and
- Managing the concentration and profile of asset maturities.

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

3.2.2. Non-derivative cash flows

The table below presents the cash flows payable by the Central Bank under non-derivative financial liabilities by remaining contractual maturities at the Statement of financial position date.

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

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

3.2 Liquidity risk (continued)

3.2.2 Non-derivative cash flows (continued)

Error! Not a valid link.

(i) The reserve requirement rate changes from time to time and any amount resulting surplus or shortfall is payable in the short term. For the purpose of this table, reserve requirement is categorized as over 5 years.

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

3.3 Market risk

Market risks, 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, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates and foreign exchange rates.

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

a) Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Central Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on cash flows. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Central Bank has only limited capacity to manage these risks by monitoring interest rates daily and ensuring within the limits of its policy function that its financial liabilities match the maturing profile of its financial assets.

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

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

3.3. Market risk (continued)

a) Interest rate risk (continued)

Error! Not a valid link.

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

3.3. Market risk (continued)

a) Interest rate risk (continued)

Error! Not a valid link.

b) Foreign exchange risk

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

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

3.3. Market risk (continued)

b) Foreign exchange risk (continued)

Concentration of currency risk on financial instruments

Error! Not a valid link.

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

Error! Not a valid link.

c) Sensitivity analysis for "Foreign exchange risk"

Error! Not a valid link. If the Liberian Dollar depreciated by 6% against the U.S. Dollar at December 31, 2009, financial assets denominated in U.S. Dollars would have been L$27.4 billion, L$1.5 billion higher than the December 31, 2009 figure of L$25.8 billion compared to L$21.5 billion, L$0.42 billion higher than L$21.1 billion for December 2008. If the Liberian Dollar appreciated by 6% against the U.S. Dollar at December 31, 2009 financial assets denominated in U.S. Dollars would have been L$24.3 billion, L$1.5 billion lower than the December 31, 2009 figures L$25.8 billion compared to 20.6 billion which was L$0.42 billion lower than L$21.1 billion for December 2008.

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

Error! Not a valid link.

The financial liabilities in Liberian Dollars depreciated by 6% against the U.S Dollars on the Statement of financial position, liabilities denominated in U.S. Dollars would have been L$9.9 billion, L$0.56 billion higher than the December 31, 2009 figure of L$9.3 billion as compared to 7.3 billion, L$0.15 billion higher than L$7.2 billion for December 2008. If the Liberian Dollar appreciated by 6% against the U.S. Dollar at December 31, 2009, financial liabilities denominated in U.S. Dollars would have been L$8.7 billion, L$0.56 billion lower than L$9.3 billion at December 31, 2009 (December 31, 2008: L$7.1 billion, L$0.14 billion lower than L$7.2 billion).

d) Sensitivity for "Interest rate risk

Error! Not a valid link.

We performed a sensitivity analysis that estimated 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, 2009 on financial assets with variable interest rates, interest and similar income would have been L$665 million, L$104 million higher than the December 31, 2009 of L$561 million (Dec 31, 2008: L$659 million, L$78.3 million higher than L$581 million), and if interest rate on financial assets with variable interest rates had decreased by 1% (in absolute terms) at December 31, 2009, interest and similar income would have been L$457 million, L$104 million lower than the December 31, 2009 figure of L$561 million at December 31, 2009 (December 31, 2008: L$502 million, L$78.3 million lower than L$581 million).

In terms of impact on profit, increase in interest rate by 1% will increase profit by 6%. Conversely, a reduction in the interest rate will decrease the profit by 6%.

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:

Error! Not a valid link.

(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.

Deposits from banks, government and agencies, and other deposits

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

Other borrowed funds and provident fund

Other borrowed funds and provident fund are non-interest-bearing liabilities payable when due. The estimated fair value is the amount repayable when due.

Notes to the financial statements (continued)

3.5. Capital management

The Central Bank's objective when managing capital and reserves is to safeguard the Central Bank's ability to continue as a going-concern so that it can continue to perform its functions and to maintain a strong capital base to support development of the Central Bank and to comply with the capital requirement set by the Central Bank of Liberia Act of 1999 which is set out below:

3.5.1. Allocation of net profits

Profits of the CBL are dealt with in terms of Part X, Section 46 of the CBL Act of 1999 as follows:

Subject to subsection (4), the net profit of the Central Bank in each year shall be dealt with as follows:

(a) an allocation from net profit shall be made to the capital account of the Central Bank in such amount as shall be required to increase the authorized capital of the Central Bank to a level equivalent to at least five (5%) 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 issued by the Ministry of Finance to the CBL;

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

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

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

3.5. Capital management (continued)

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

4. Critical accounting estimates and judgments in applying accounting policies

The 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.

a) Functional and presentation currency

Both the Liberian Dollar (L$) and the United States Dollar (US$) are legal tender in Liberia and circulate freely in the country alongside each other. Although, transactions are carried out in both currencies, the majority of the Bank's transactions are currently denominated in United States Dollars (US$).

b) Impairment losses on loans and advances

The CBL reviews its loans and advances to assess for impairment on an annual basis. In determining whether an impairment loss should be recorded in the Statement of comprehensive income, the 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.

Notes to the financial statements (continued)

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

c) Held-to-maturity investment security

The CBL classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity in accordance with IAS 39. In making this judgment, the CBL has the positive intention and ability to hold such investments to maturity.

d) 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. Estimates have also been made by management in determining the actual recoverable amount of the uncompleted building. In making this estimate management has taken professional advice.

c) Investment property

Estimates of the future useful economic lives have been made by management in determining the depreciation rates for its investment property.

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 the actuarial assessment, including the assumptions necessary. In particular details of mortality are not available and there are no long tem securities to give a benchmark discount rate. Furthermore there is limited experience of staff turnover patterns at the 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.

5. Tax

The Central Bank of Liberia is exempted from payment of corporate taxes to the Liberian Government.

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

	As at Dec-31-09	As at Dec-31-08
6. Net interest income	**L$'000'**	L$'000'
GOL loans and advances	**182,062**	167,934
Investment Security-held-to-maturity	**47,243**	43,212
Deposits and staff loans	**10,962**	131,819
Unwinding of discount element of credit impairment on GOL loans (notes 17 and 19)	**320,991**	238,134
	561,258	581,099
6(i) Interest expense		
Interest expense-TRADEVCO loan	**8,339**	**7,636**

GOL loans and advances comprise interest on GOL long term Loan, the investment security include interest on the Capital notes, while deposits and staff loans include interests on CBL's investments with foreign banks and loans granted to employees. Interest payments are to be made in full at the end of each month by GOL.

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

7. Fees and commissions	As at Dec-31-09	As at Dec-31-08
Service fees and commissions	**189,959**	178,689
Foreign exchange commission	**1,005**	-
Notes transfer fees	**1,508**	1,236
	192,472	179,925
8. Other income		
Rental income	**348**	579
Other income-fines	**1,251**	575
Other miscellaneous income	**36,197**	20,952
	37,796	22,106
9. Administrative expenses		
Staff costs (i)	**251,041**	195,254
Board fees and expenses(ii)	**9,576**	9,706
Depreciation/amortization(iii)	**32,418**	46,140
Other administrative expenses(iv)	**212,008**	172,246
	505,043	423,346
(i) Staff costs:		
Salaries & wages	**181,734**	142,831
Social security contibution	**6,616**	5,237
Pension cost (Note 33):		
Current service cost	**45,852**	35,955
Interest cost	**11,255**	10,502
Severance benefits	**5,584**	729
	251,041	195,254
(ii) Board fees and expenses		
Board fees	**7,499**	8,451
Board entertainment	**-**	71
Others	**2,077**	1,184
	9,576	9,706
(iii) Depreciation/amortization		
Depreciation on equipment	**13,354**	28,561
Depreciation on furnitures and fixtures	**706**	3,059
Depreciation on vehicles	**7,777**	4,530
Amortization on leasehold properties	**3,455**	3,529
Amortization on banking software	**7,022**	6,461
Depreciation on building	**104**	-
	32,418	46,140
(iv) Other administrative expenses		
Other personnel cost	**36,136**	30,252
Property cost/occupancy	**30,590**	34,785
Office expenses	**26,371**	14,180
Professional services	**32,491**	41,498
Travel expenses	**17,904**	7,625
Other miscellaneous expenses	**68,516**	43,906
	212,008	172,246

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

9. Administrative expenses (Continued)	**As at** Dec-31-09 **L$'000'**	As at Dec-31-08 L$'000'
Included in professiona services is the following:		
Fees paid to auditors:		
Audit of the bank's financial statement	**9,154**	6,824
Other assurance services	**3,391**	7,636
Sub-total for audit services	**12,545**	14,460
Other-non audit services:		
Accounting advice on IFRS	**-**	7,217
Total	**12,545**	21,677

The average number of employees as at December 31, 2009 was **172** (December 31, 2008: 156).

10. Other operating expenses		
Currency expense		
Notes importation cost	**46,509**	47,983
Mute exportation cost	**(38)**	6,235
Cost of destroying banknotes	**-**	280
Amortization of currency printing cost-banknotes	**157,286**	120,991
	203,757	175,489
11. Amortization cost adjustment on financial assets		
Investment Security-Held-to-maturity	**356**	301
Staff loan	**178**	-
	534	301
12. Impairment release on Non-financial assets		
Impairment release:		
Uncompleted building-work-in-progress	**814**	8,314
Impairment release	**814**	8,314
13. Surplus on Revaluation		
Revaluation Surplus	-	14,535
	-	**14,535**

The loans to the Government of Liberia were taken over from the former National Bank of Liberia on the establishment of the CBL. These loans had been non-performing for several years but no impairment had been recognized under the previous accounting basis.

With the reporting of financial statements under IFRS framework, it is appropriate and necessary to recognize impairment. Although the impairment had existed at the date of transition to IFRS, 1 January 2007, there was no objective data on which to calculate the amount. Following the agreement with the GOL of new terms for the loans in July 2007, such an objective assessment became possible. In these circumstances, the impairment has been shown as a charge during 2007 rather than on transition to IFRS at January 1, 2007.

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

14. Cash and balances with Central Banks

	As at Dec-31-09 L$'000'	As at Dec-31-08 L$'000'
Cash on hand and in vault	2,205,714	979,452
Cash balances at rural branches	169,738	192,055
Balances with other Central Banks	8,325,582	6,285,666
Less: Liberian Dollars in vault & cash centers (Note 25)	(483,743)	(271,347)
	10,217,291	7,185,826
15. Cash and balances with commercial banks		
Balances with local banks	194,685	14,407
Balances with foreign banks (commercial)	1,836,402	1,634,098
	2,031,087	1,648,505
16. Loan and advances to banks		
Guarantee Trust Bank Liberia Limited	12,285	-
Ecobank Liberia Limited	25,204	-
	37,489	-
17. Loans and advances to Government of Liberia		
Loans and advances to Government of Liberia	18,222,510	16,627,409
Repayment	(254,489)	-
	17,968,020	16,627,409
Less amortized cost adjustment:		
Balance at January 1	(4,235,399)	(4,374,716)
Release during the year (Note 6)	320,991	237,936
Exchange difference	(400,073)	(98,619)
Balance at December 31	(4,314,481)	(4,235,399)
Carrying value	13,653,539	12,392,010
17(i) Other receivables-GOL		
GOL-Service charges	-	4
	-	4

Loans to the Government of Liberia

The loans to the Government of Liberia were mainly taken over from the former National Bank of Liberia on the establishment of the CBL in 2000. The loans had been non-performing. The terms of these loans were renegotiated with the GOL and agreed in July 2007. The terms included extension of the repayment period, reduction in interest rates and capitalization of accrued and deferred interests to the date of the agreement. Since then, the loans have been performing under the agreement.

At the date of restructuring, the loans were treated as new loan and fair valued to determine their amortized costs. The amortized cost adjustment has been calculated by discounting the future cash flows using the original interest rate. Provided no further amortized cost adjustment occurs the passage of time will lead to reversals as the effect of the discounting of cash flows unwinds.

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

18. Investment security: Held-to-maturity

	As at Dec-31-09 L$'000'	As at Dec-31-08 L$'000'
Investment security:Held-to-maturity	493,037	447,580
Less amortized cost adjustment:		
Balance at January 1	(3,333)	(2,959)
Charge during the year	(356)	(301)
Exchange difference	(350)	(73)
At December 31	(4,039)	(3,333)
Carrying value	488,998	444,247

Investment security: Held-to-maturity

These are six promissory notes, which were intended to secure payment of L$200 million (equivalent to US$ 5 million at the exchange rate at the time of issue) by the Government of Liberia as capital contributions to the CBL. The notes fell due on April 30 and October 20 commencing October 20, 2001, with the final note due to mature on April 20 2004. During 2007, the notes were renegotiated with the GOL and the following terms agreed. The new 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%. The CBL is currently holding these instruments until maturity, although the GOL as issuer can repay them early. They are currently held at cost less provision for impairment. In assessing the impairment, the CBL has taken the estimated present value of the future cash flows, based on the agreed repayment dates, and regards this as the appropriate carrying amount for the notes in the statement of financial position.

Notes to the financial statements (continued)

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

19. Loans to Staff

	As at Dec-31-09 L$'000'	As at Dec-31-08 L$'000'
Staff loans	22,592	16,785
Less: provision	(2,282)	-
	20,310	16,785
Less amortized cost adjustment:		
Balance at January 1	(2,302)	(2,444)
(Charge)/ release	(178)	198
Exchange difference	(289)	(56)
At December 31	(2,769)	(2,302)
	17,541	14,483

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

Assets:		
Foreign Currency Investments and Claims		
IMF quota subcription	12,869,039	13,112,026
SDR holdings	12,798,412	1,439,209
Accrued interest on SDR holdings	5,057	1,418
Total assets	25,672,508	14,552,653
Liabilities:		
Foreign currency liabilities to International Financial Institutions		
SDR allocations	12,348,999	2,131,922
Liabilities to non-residents:		
IMF No.1 account	3,919,180	3,919,180
IMF No. 2 account	1,222	1,245
Securities account	43,088,396	43,975,971
Accrued charges on use of credit fund (GRA Credit)	71,510	143,265
Accrued charges on SDR Allocations	5,021	4,068
PRGF loans	22,480,976	21,744,447
Acrued Interest on PRGF loan	308	297
Total liabilities	81,915,612	71,920,395
GOL net position with the IMF	(56,243,104)	(57,367,742)

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

20. 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, the Central Bank of Liberia uses the gross method of presenting the assets and liabilities arising from the GOL's membership with the Fund. 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.

The Central Bank of Liberia is the fiscal and depository agent of Liberia for transactions with the International Monetary Fund. Financial resources made available to Liberia by the Fund are channeled through the CBL to the Government. The CBL has a claim on the GOL matching liabilities to the Fund. Similarly the 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 the Central Bank of Liberia.

General resource account (GRA)

This comprises Special Drawing Rights (SDR) currency holdings, which are denominated in Liberian dollars by the 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)

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

Trust fund loan

This represents the Liberian dollar equivalent of SDR 22,889,926 of the Government of Liberia's indebtedness to the Fund under this caption. On March 14, 2008, this amount including overdue trust fund interest of SDR 2,766,057 was settled by the Government of Liberia through the arrears clearance process.

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. Although participation in the SDR department is voluntary, all member countries are participants. 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 the Liberia's SDR holdings account. The accrued interest on SDR holdings is based on the weekly SDR interest rate and is accrued on a daily basis. The interest payable on SDR allocations is based on the weekly SDR interest rate and is accrued daily.

PRGF loan and interest

During the IMF assessment program in March 2008, the Government of Liberia obtained PRGF Loan of SDR 207,260,000 equivalent to L$19,428,014,360.57. SDR 200,260,000 of the PRGF Loan was used to settle the Government of Liberia's outstanding obligation of the bridge loan obtained for the clearance of arrears to the Fund.

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

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

21. Intangible assets

	Software Bankmaster
At December 31 2009:	
Opening net book value	15,705
Additions	-
Amortization charge	(7,022)
Exchange difference	632
Closing net book value	9,315
At December 31 2009:	
Cost	49,672
Accumulated amortization	(40,357)
Net book value	9,315
At December 31, 2008:	
Opening net book value	648
Additions	21,066
Amortization charge	(6,462)
Exchange difference	453
Closing net book value	15,705
At December 31, 2008:	
Cost	46,600
Accumulated amortization	(30,895)
Net book value	15,705

The CBL has adopted the cost model in accordance with IAS 38 to account for its intangible assets. On initial recognition, intangible assets are measured at cost. Subsequent costs are capitalized only when it is probable that future economic benefits attributable to the asset will flow to the Bank, and the cost of the asset can be measured reliably. They are stated at cost less accumulated amortization. Intangible assets consist of BankMaster Plus software used by the CBL. The costs of the software include acquisition, installation and other major cost associated with getting it ready for use. These costs are amortized on the basis of the expected useful lives of the software, which is 3 years. Costs associated with maintaining software programs are recognized as an expense when incurred. Intangible assets are tested annually for impairment when there are indications that impairment may have occurred. There was no impairment identified in 2009 (2008: nil).

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

22. Investment property

	TOTAL
At December 31 2009:	
Opening net book value	22,080
Transfer to PPE classified as Owner Occupied	(4,160)
Exchange difference	1,820
Book value as at December 31, 2009	19,740
At Dec 31, 2008:	
Opening net book value	7,545
Gain from fair value of Investment Property	14,535
Book value as at December 31, 2008	22,080

The CBL revised its policy from using cost model and has adopted the fair value model in accordance with IAS 40 to account for its investment property. In assessing for value of its investment property, management hired an independent professional appraiser, AEP Consultants Incorporated to determine its market value. The recoverable amount was determined using the Market and Income Valuation Techniques. Market valuation is an analysis by comparison of sales of comparable properties to obtain sales values related to the property being appraised. The income valuation technique was used to determine the value in use.

The income valuation technique is a method of capitalizing net operating income from land and buildings. This method is usually applicable to income generating properties. Value is calculated from the present worth of a stream of income over the remaining life of the building at a discount rate (14.5%) added to the present worth of the reversion of the land (and/or improvement) over the same period. Based on the valuation of December 2008, the recoverable amount has been determined to be L$22 million.

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

23. Property, machinery and equipment

	Land	Work-in-progress	Building	Lease-hold Improvement	Furn. & fixt.	Equipments	Motor vehicles	Total
At December 31 2009:								
Opening net book value	32,556	316,217		9,418	2,970	20,846	14,774	396,781
Additions	-	34,500	4,160	-	741	15,326	7,814	62,541
Disposals	-	-	-	-	(26)	(1,034)	(89)	(1,149)
Charge for the year	-	-	(104)	(3,455)	(706)	(13,354)	(7,777)	(25,396)
Release of impairment	-	814	-	-	-	-	-	814
Exchange difference	3,306	32,948	412	(1,675)	202	597	(1)	35,789
Closing net book value	35,862	384,479	4,468	4,288	3,181	22,381	14,721	469,380
At December 31 2009:								
Cost	35,862	384,479	4,583	66,502	86,324	81,603	56,705	716,057
Accumulated depreciation	-	-	(115)	(62,214)	(83,143)	(59,222)	(41,983)	(246,677)
Net book value	35,862	384,479	4,468	4,288	3,181	22,381	14,722	469,380
At December 31, 2008								
Opening net book value	31,793	295,921	-	14,712	5,926	46,292	19,104	413,748
Additions	-	-	-	-	1,608	5,338	62	7,008
Disposals	-	-	-	-	(523)	(621)	-	(1,144)
Charge for the year	-	-	-	(3,529)	(3,059)	(28,561)	(4,530)	(39,679)
Release of impairment	-	8,314	-	-	-	-	-	8,314
Exchange difference	763	11,982	-	(1,765)	(982)	(1,602)	138	8,534
Closing net book value	32,556	316,217	-	9,418	2,970	20,846	14,774	396,781
At December 31, 2008								
Cost	32,556	316,217		60,371	77,705	70,957	46,848	604,654
Accumulated depreciation	-	-		(50,953)	(74,735)	(50,111)	(32,073)	(207,872)
Net book value	32,556	316,217		9,418	2,970	20,846	14,774	396,781

Leasehold improvements

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

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

23. Property, machinery and equipment (continued)

Incomplete building (Work in-progress)

The CBL has a partially completed new 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. Based on the valuation, it has been determined that the recoverable amount of the building (L$346million) exceeds its carrying amount (note 23). This is indicative that the building is not impaired. Accordingly, no impairment has been recognized in 2008. In 2007, annual valuation of the uncompleted building showed that the recoverable amount (L$295,920 million) was less than its carrying amount (note 23), thus indicating that the building was impaired. The impairment loss was recognized in the statement of comprehensive income and subsequently reversed in 2008 as a result of appreciation of the value of the building.

Disposals of machinery and equipment

	As at Dec-31-09	As at Dec-31-08
	L$000	L$000
Cost	12,274	29,617
Accumulated depreciation	(11,125)	(28,473)
Net book value	1,149	1,144
Proceed from disposal	725	485
Loss on disposal	(424)	(659)

24. Other assets

Accounts receivable(i)	2,467	1,972
Prepaid expenses(ii)	144,168	90,073
Clearing checks(iii)	46,786	69,757
Deferred currency cost(iv)	150,565	159,782
	343,986	321,584

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

24. Other assets (continued)

	As at Dec-31-09	As at Dec-31-08
(i) Accounts receivable	L$000	L$000
Due from others	12,592	12,485
Other receivables	1,402	986
	13,994	13,471
less provision:		
Allowance for bad debt-Belle Dunbar	(11,220)	(11,220)
Allowance for other debtors	(307)	(279)
	(11,527)	(11,499)
Net book value	2,467	1,972
(ii) Prepaid expenses		
Rent	695	5,660
Insurance	367	-
Others	54,948	7,234
Advances to currency printer	88,158	77,179
	144,168	90,073
(iii) Clearing checks		
Items for clearing	46,786	69,757
	46,786	69,757
(iv) Deferred currency cost		
Cost incurred:		
Liberian banknotes	150,565	159,782
Liberian coins	40,307	46,644
	190,872	206,426
Less amortization:		
Liberian coins	40,307	46,644
	40,307	46,644
Net book value	150,565	159,782

Accounts receivables include staff loans (salary advance, short-term loans and long-term loans), receivables from former staff members, contractors, etc. Salary advance is interest free and payable over three month’s period. Short-term and long-term loans have applicable interest rate of 5% respectively. The short and the long term loans are payable within a 3 and 5 years period respectively. Prepaid expenses are amounts paid in advance for services. This category of expenses includes prepaid rent, insurance, advances to currency printers, and others. Other current assets include clearing house suspense and provision for clearing items.

Deferred currency cost is the cost of new notes held awaiting issue, along with costs relating to the design and other initial costs of new note series. Costs associated with notes issued or placed into circulation are expensed accordingly.

Notes to the financial statements (continued)

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

25. Notes in Circulation

Liberian Notes

	As at Dec-31-09 L$000	As at Dec-31-08 L$000
L$5	612,978	516,328
L$10	719,510	560,110
L$20	1,406,315	1,285,715
L$50	1,240,507	1,120,507
L$100	1,064,821	924,821
Total currency notes	5,044,131	4,407,481
Coins	23,050	23,050
Less:		
Liberian Dollars held by the Bank and payment centers (Note 14)	(483,743)	(271,347)
Notes in circulation	4,583,438	4,159,184

26. Deposits from banks

Reserve requirement-operating banks	4,307,588	2,967,259
Current accounts-operating banks	676,712	449,007
Current accounts-non operating banks	46,552	592,666
Reserve requirement-Non-operating banks	18,781	18,781
Collection accounts failed banks	10,677	8,819
	5,060,310	4,036,532

The substantial reduction in current accounts-non-operating banks is due to re-classification of Global Bank recapitalization amount (L$544 billion) in 2008 to Current Accounts-Operating Banks.

27. Other deposits

Forex bureau deposits	19,706	8,261

28.Deposits of GOL and Agencies

Demand deposits-central government	321,061	724,301
Withholding taxes payable	6,261	5,382
Demand deposits-individual ministries & agencies	2,925,719	1,175,937
Other government related deposits	748,838	424,817
SME loans	137,392	124,724
State owned enterprises	7,425	46,125
	4,146,696	2,501,286

29. Other borrowed funds

West African Monetary Agency(WAMA)	359,761	319,098
Other foreign banks	122,996	111,778
	482,757	430,876

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

29. Other borrowed funds (continued)

Other borrowed funds constitute amounts due to the West African Monetary Agency (WAMA) and two foreign banks. Due to the current financial position of the CBL, portion of amount owed WAMA is being paid, but no payment has been made to the other foreign banks. However, as they are all overdue, they have been included as current liabilities in the above table.

Other foreign banks

This indebtedness represents a liability inherited by the CBL through a letter of credit issued by the then NBL to the Union Bank of Switzerland (UBS) in October 1985 to draw against a US$2.5m (Two million five hundred thousand United States dollar), and the First Union Bank of North Carolina (F.U.N.C) also inherited by the CBL from the erstwhile NBL. To date, no payment had been made against these debts.

30. Commercial bank loan

	As at Dec-31-09	As at Dec-31-08
	L$'000'	L$'000'
At January 1	814,588	787,773
Interest	8,339	7,636
Exchange difference	83,105	19,179
At December 31	906,032	814,588

This indebtedness represents a liability that came about through an agreement between the CBL and the Liberia Trade for Development and Investment Bank, limited (TRADEVCO), under which, the CBL accepted a liability concerning claims of TRADEVCO excess reserves balances. The accepted net obligation of US$ 12.357 million is payable over a 20-years period, and carries an annual interest rate of 0% for years 1-5, 1% for years 6-10 (to accrue only), and 1.5% for years 11-20, respectively. The agreement provides for a ten (10) years moratorium on both the principal and interest repayment of the loan, although, the CBL reserves the right to effect repayment during this period.

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

31. Other liabilities

	As at Dec-31-09 L$'000'	As at Dec-31-08 L$'000'
Accounts payables(i)	199,425	168,278
Others(ii)	151,449	242,484
	350,874	410,762
(i) Accounts payables		
Official checks-CBL	108,169	15,981
Unearned Income	12,063	17,535
Managers' checks-CBL	16,189	73,290
Stale Checks Payable	443	1,945
Due to staff	10,285	6,203
Accrued expenses	52,276	53,324
	199,425	168,278
(ii) Others		
Tradevco (In Liquidation) Payout	12,790	-
Additional Commercial Losses Payable	1,340	1,216
Commercial bank Mutes	121,249	373
Sarah K. Howard Testate Estate	13,122	9,024
Dormant Demand Deposit-others	523	523
A/C Payble CCI - Foreign	2,425	231,348
	151,449	242,484

32. Provident fund

	As at Dec-31-09 L$'000'	As at Dec-31-08 L$'000'
At January 1	35,684	25,450
Contribution during the year	13,966	10,535
Interest earned	62	578
Payments	(5,922)	(2,479)
Exchange difference	3,950	1,600
At December 31	47,740	35,684

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

33. Retirement benefit obligations

	As at Dec-31-09 L$000	As at Dec-31-08 L$000
Statement of financial position obligation :		
Pension benefits	274,810	226,078
Statement of comprehensive income charge:		
Pension benefits	9,887	6,250
	9,887	6,250
Pension benefits		
The amount recognized in the statement of financial position are determined as follow:		
Present value of unfunded obligations:		
Staff pension scheme	274,798	225,812
Ex-gratia pension scheme	12	266
Liability in the statement of financial position	274,810	226,078
The movement in the defined benefit obligation over the year is as follows:		
At January 1	226,078	174,714
Current service cost	45,852	35,955
Interest cost	11,255	10,502
Actuarial (gain) /loss	(22,970)	6,530
Benefits paid	(9,887)	(6,250)
Exchange difference	24,482	4,627
At December 31	274,810	226,078
The amounts recognized in the statement of comprehensive income:		
Current service cost	45,852	35,955
Interest cost	11,255	10,502
Total included in staff costs (note 9)	57,107	46,457
Actuarial (gain) / loss	(22,970)	6,530
Total included in other comprehensive income	(22,970)	6,530

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

33. Retirement benefit obligations (continued)

The principal actuarial assumptions used were as follows:

	December-31 2009	December-31 2008
Discount rate	**4%**	4%
Rate of salary increases	**5%**	3%
Rate of inflation	**2%**	2%

Mortality

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

34. Share capital

	As at **Dec-31-09**	As at Dec-31-08
	L$'000'	L$'000'
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 the CBL is owned exclusively by the Government of Liberia. Since the GOL is ultimately entitled to all the net assets of the CBL, the entire capital has been recognized as equity. The minimum authorized capital of the 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 Government of Liberia (GOL) in October 2009 contributed to share capital of the CBL through the issuance of promissory notes for L$200 million (equivalent to US$ 5 million at the exchange rate at the time of issue). The consideration for the paid-up capital was the net book value of assets and liabilities taken over from the National Bank of Liberia on the establishment of the CBL.

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

34. Stated Capital (continued)

In addition the GOL subscribed a further US$5 million (L$ equivalent L$200 million) at the establishment of the CBL to have it capitalized. The consideration for these was a series of promissory notes, which matured on April 21 and October 20 each year from 2001 to 2003. These notes were renegotiated in 2007.

35. General reserve

	As at Dec-31-09 L$'000'	As at Dec-31-08 L$'000'
General banking reserve	3,817,416	2,219,387
	3,817,416	2,219,387
Movement in reserve were as follows:		
Balance at January 1	2,219,387	1,669,481
Operating profit	74,667	184,408
Other comprehensive income and expenses	1,523,362	350,963
Gain on fair value of Investment Property	-	14,535
At December 31	3,817,416	2,219,387

36. Cash and cash equivalent

	As at Dec-31-09 L$'000'	As at Dec-31-08 L$'000'
Balances with central banks	10,217,291	7,185,826
Balances with local banks	194,685	14,407
Balances with foreign banks (commercial)	1,836,402	1,634,098
	12,248,378	8,834,331

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

37. Contingent liabilities and commitments

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

Legal proceedings

i) Debt Action

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

a) Construction of Defense Building

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

b) Purchase of Aircraft

- commitment for the purchase of an aircraft for the Government in the 1980's for which payment has remained outstanding. The amount of the estimated liability remains uncertain.

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

ii) Other litigations

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

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

37. Contingent liabilities and commitments (continued)

a) Labor matters

The CBL is defendant in several labor cases for action of dismissal. The estimated amount of the claims is approximately US$1.8 million and L$1.5 million. The 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.

b) Fraud matters

In 2008, there was collusion between some tellers of the CBL and some staff of the Ministry of Finance to perpetrate fraud involving the re-encashment of the Government of Liberia salary checks. The matter is currently being investigated 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.

38. Related party transactions

The CBL is the official depository and fiscal agent of the Government of Liberia, the sole shareholder of the Bank. It performs official banking services for the Government and a number of its agencies and wholly owned enterprises. Related party transactions reflected in the Bank's operations are therefore in respect of these banking services, in addition to loans and advances granted to the Government prior to 2003.

Interest income earned during the year

	As at Dec-31-09 L$000	As at Dec-31-08 L$000
GOL loans and advances (Note 6)	182,062	167,934
GOL investment security:Held-to-maturity (Note 6)	47,243	43,212
	229,305	211,146

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

38. Related party transactions (continued)

Year to date balances resulting from related party transactions:

	As at Dec-31-09	As at Dec-31-08
Receivables from related party:	L$000	L$000
Due from Government of Liberia- short term loan (Notes 17(i))	-	4
Due from Government of Liberia- long term loan (Notes 17&18)	18,461,057	17,074,989
	18,461,057	17,074,993
Payables to related party:		
Deposits of GOL and agencies(Notes 28)	4,146,696	2,501,286
	4,146,696	2,501,286

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 given or arranged by the CBL to key management personnel were as follows:

	As at Dec-31-09	As at Dec-31-08
	L$000	L$000
Loan outstanding at January 1	1,171	1,257
Loan granted during the period	679	480
Loan repaid during the period	(741)	(566)
Loan outstanding at December 31	1,108	1,171
Interest income earned	73	29

No provisions have 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 the CBL.

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

38. Related party transactions (continued)
Key management personnel (continued)

Remuneration of key management personnel

	As at Dec-31-09	As at Dec-31-08
Salaries and short term benefits	47,685	47,516
Post employment benefit	7,452	2,278
	55,137	49,794

Other entities with links to the CBL

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

39. Reconciliation of Change in Accounting Policy

The Central Bank of Liberia accounting policy on investment property up to December 31, 2008 was based on the cost model prescribed by IAS 40 Investment property. The Bank has decided to adopt the Fair value model to account for its Investment property as at January 1, 2009.

The notes below describe the difference resulting from the adoption of the Fair value model.

Reconciliation of revaluation gain from cost model to fair value model for the year ended December 31, 2008

	Note	Dec. 31, 2008	Effect of change in policy	Dec. 31, 2008
Revaluation gain	(i)	-	14,535	**14,535**
Net Impact on income		**-**	**14,535**	**14,535**

Explanation of the reconciling item

(i) The amount of L$14.5 million represent gain from fair value of investment property using the fair value model.

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

39. Reconciliation of Change in Accounting Policy (continued)

Reconciliation of investment property from cost model to fair value model for the year ended December 31, 2008

	Note	Cost Model Dec. 31, 2008	Effect of change Fair value Gain	Effect of change Translation Difference	Fair Value Model Jan. 1, 2009
Assets					
Investment property	**(i)**	8,779	14,535	(1,234)	**22,080**
Total assets		**8,779**	**14,535**	**(1,234)**	**22,080**
Equity					
General reserve	**(ii)**	2,206,086	14,535		**2,220,621**
Total Equity		**2,206,086**	**14,535**	**-**	**2,220,621**

Explanation of the reconciling item

(i) The amount of L$8 million represent the about of investment property using the cost model. Using the fair value model the amount of L$22 million represents the value of investment property as at January 1, 2009.

(ii) The amount of L$2,206 billion in equity as at December 2008 is now L$2,219 billion as at January 1, 2009.