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COPORATE INFORMATION

BOARD OF GOVERNORS:	J. Mills Jones-Executive Governor
	David Vinton
	John G. Bestman
	Betty Maima Jackson-Saway
	Mildred Reeves
AUDITOR	PricewaterhouseCoopers
	Chartered Accountants
	No. 12, Airport city
	Una Home, 3rd Floor
	PMB CT 42
	Cantonments-Accra
SOLICITOR	Counselor
	Central Bank of Liberia
	Post Office Box 2048
	Monrovia, Liberia
REGISTERED OFFICE:	Central Bank of Liberia
	Post Office Box 2048
	Monrovia, Liberia

CORPORATE GOVERNANCE

Introduction

The Central Bank of Liberia (CBL) is committed to the principles and implementation of good corporate governance. The Bank recognizes the valuable contribution that it makes to long-term business prosperity and to ensuring accountability to the Government of Liberia.

The CBL believes that full disclosure and transparency in its operations are in the interests of good governance. As indicated in the statement of responsibilities of Governors and notes to the financial statements, the Bank adopts standard accounting practices and ensures sound internal control to facilitate the reliability of the financial statements.

The Board of Governors

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

The Audit Committee

The Audit Committee is made up of four (4) Governors 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 terms and reference of the committee are determined by the main Board. The Banking Reform Committee is responsible for the stability of the banking system and promoting its contribution to economic growth and the increased participation of Liberian entrepreneurs in the national economy. A reform agenda was drafted geared towards ensuring that banks are adequately capitalized with appropriate management procedures and internal controls and the Central Bank has the capacity to effectively supervise and regulate the activities of the commercial banks.

CORPORATE GOVERNANCE (continued)

Compliance Committee

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

Money management and Policy Review Committee

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

External Auditors

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

REPORT OF THE BOARD OF GOVERNORS 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, 2010.

STATEMENT OF RESPONSIBILITY OF THE BOARD OF GOVERNORS

The Acts of Legislature establishing the Central Bank of Liberia (approved into law on March 18, 1999) and Bye laws adopted on December 16, 1999 required the Board of Governors to ensure that financial statements prepared for each financial year give a true and fair view of the state of affairs of the Bank and the result of its operations for the year then ended. In preparing the financial statement, the Board of Governors is required to:

- Select suitable accounting policies consistent with International Financial Reporting Standards (IFRS) and apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether the applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements;
- Ensure that the financial statements are prepared on a going-concern basis unless it is inappropriate to presume that the Bank will continue to be in business;
- Ensure that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the Central Bank of Liberia;
- Ensure that the financial statements comply with the reporting requirements of the Act of Legislature establishing the Bank, as well as the Bye laws pertaining to its operation; and
- Put in place relevant mechanisms for safeguarding the assets of the Bank and accordingly, take reasonable steps for the prevention and detection of fraud and other irregularities, if any.

The above statement is made with the view to distinguishing for the benefit of all interested parties, the responsibilities of the Board of Governors and those of the External Auditor in relation to the financial statements of the Central Bank of Liberia.

NATURE OF BUSINESS/FUNCTIONS

The Central Bank shall have functional independence, power and authority to:
1. issue legal tender banknotes and coins;
2. administer the currency laws and regulate the supply of money
3. provide credit to bank-financial institutions on a discretionary basis;
4. act as fiscal agent for the Government;
5. administer the New Financial Institutions Act of 1999 and regulate banking activities;
6. regulate bank and non-bank financial institution as well as non-bank financial services institutions;
7. hold and manage the foreign exchange reserve of Liberia, including gold;
8. advise the Government on financial and economic matter;
9. conduct foreign exchange operations; and
10. play an active role in collaboration with bank-financial institutions in the creation and maintenance of efficient and safe mechanisms for payments, clearing and settlements to meet the needs of the financial markets, commerce, government agencies and the public. The Central Bank shall execute this responsibility through implementation of the proper regulations and standards, as needed.

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

GOVERNORS AND GOVERNMENT INTEREST

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

Financial results

The financial results for the year are set out below:

	2010	2009
	L$'000'	L$'000'
Operating (loss)/profit attributed to shareholder	**(532,509)**	74,667
to which is added balance on general reserves account brought forward of	**3,817,416**	2,219,387
Other comprehensive income	**206,554**	1,523,362
leaving a balance on general reserve account to be carried forward of	**3,491,461**	3,817,416

Signed on behalf of the Board by:

J. Mills Jones — **Executive Governor and Chairman of the Board** — **April ……. …2011**

John G. Bestman — **Governor** — **April ………. 2011**

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Central Bank of Liberia set out on pages 8 to 64. These financial statements comprise the statement of financial position as at December 31, 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Governors' responsibility for the financial statements

The Board of Governors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control, as the Governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on 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 the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Central Bank of Liberia as at December 31, 2010 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants

April...... 2011

Accra, Ghana

Statement of comprehensive income

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

	Note	Year ended December-31 2010	2009
Interest income	**6**	**541,713**	561,258
Interest expenses	**6(i)**	**(38,493)**	(8,694)
Net interest income		**503,220**	552,564
Fees and commissions	**7**	**184,968**	192,472
Other income	**8**	**51,660**	37,796
Operating income		**739,848**	782,832
Administrative expenses	**9**	**(944,760)**	(505,222)
Other operating expenses	**10**	**(327,597)**	(203,757)
Impairment release on non-financial assets	**11**	**-**	814
Net operating (loss)/profit attributable to shareholder transferred to general reserve account	**33**	**(532,509)**	74,667
Other comprehensive income and expenses:			
Actuarial (loss)/gain on defined benefit pension plan	**31**	**(41,631)**	22,970
Exchange difference on translation to presentation currency		**248,185**	1,500,392
Other comprehensive loss/income for the year	**33**	**206,554**	1,523,362
Total comprehensive loss/gain transferred to general reserve account		**(325,955)**	1,598,029

The notes on pages 12 to 64 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 2010	2009
Assets			
Cash and balances with Central Banks	**12**	**11,935,787**	10,217,291
Cash and balances with commercial banks	**13**	**2,950,282**	2,031,087
Loans and advances to banks	**14**	**357,500**	37,489
Loans and advances to Government of Liberia	**15**	**14,116,647**	13,653,539
Investment securities:Held-to-maturity	**16**	**4,069,808**	488,998
Staff loans	**17**	**34,500**	17,541
Intangible assets	**19**	**1,350**	9,315
Investment property	**20**	**20,020**	19,740
Property,machinery and equipment	**21**	**484,569**	469,380
Other assets	**22**	**415,844**	343,986
Total assets		**34,386,307**	27,288,366
Liabilities			
Notes in circulation	**23**	**5,550,742**	4,583,438
Deposits from banks	**24**	**7,328,812**	5,060,310
Other deposits	**25**	**6,783**	19,706
Deposits of GOL and Agencies	**26**	**7,620,881**	4,146,696
Other borrowed funds	**27**	**810,038**	482,757
Commercial bank loan	**28**	**958,073**	906,032
Other liabilities	**29**	**566,733**	350,874
Provident fund	**30**	**63,472**	47,740
Retirement benefit obligations	**31**	**390,725**	274,810
Total liabilities		**23,296,259**	15,872,363
Equity			
Share capital	**32**	**7,598,587**	7,598,587
General reserve	**33**	**3,491,461**	3,817,416
Total equity		**11,090,048**	11,416,003
Total equity and liabilities		**34,386,307**	27,288,366

The financial statements on pages 8 to 64 were approved by the Board of Governors on April……2011, and signed on its behalf by:

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

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

The notes on pages 12 to 64 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, 2010	**7,598,587**	**3,817,416**	**11,416,003**
Loss for the year	-	(532,509)	**(532,509)**
Acturial loss		(41,631)	**(41,631)**
Exchange difference on translation to presentation currency	-	248,185	**248,185**
Total comprehensive Loss	-	(325,955)	**(325,955)**
Balance at December 31, 2010	**7,598,587**	**3,491,461**	**11,090,048**
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**

The notes on pages 12 to 64 are integral part of these financial statements

Statement of Cash Flows

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

	Note	As at December 2010	2009
Cash flows from operating activities			
Interest received		260,086	240,267
Fees and commission receipts	7	184,968	192,472
Other income received		50,578	37,796
Payments to employees and suppliers		(859,791)	(706,342)
Exchange difference on translation to presentation currency		96,118	495,448
Cash generated from operations before changes in operating assets and liabilities:		(268,041)	259,641
Loans and advances to banks	14	(320,011)	(37,489)
Other assets	22	(71,859)	(25,923)
Notes in circulation	23	967,305	424,254
Deposits from banks and others	24,25	2,255,579	1,035,222
Deposits of GOL and agencies	26	3,474,185	1,645,410
Other liabilities	29	215,858	(59,888)
Net cash from operating activities		6,253,017	3,241,227
Cash flows from investing activities			
Proceeds from sale of machinery & equipment	21	1,083	725
Purchase of machinery and equipment	21	(44,887)	(62,541)
Investment security	16	(3,571,521)	-
Loans and advances to GOL - long term	15	-	234,636
Net cash used in investing activities		(3,615,325)	172,820
Net increase in cash and cash equivalents		2,637,691	3,414,047
Cash and cash equivalents at January 1	34	12,248,378	8,834,331
Cash and cash equivalents at December 31		14,886,069	12,248,378

The notes on pages 12 to 64 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 1.5 below.

1.1 Share Capital

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

1.2 Subscribed Capital

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

1.3 Paid-up capital

The consideration for the paid-up capital was the net book value of assets and liabilities taken over from the National Bank of Liberia (NBL) on the establishment of the CBL. The net worth of the erstwhile National Bank of Liberia (NBL) was L$7.3 billion. (note 32). The principal assets which underlie the capital transfer of L$7.3 billion are two long-term loans denominated in L$ and US$ due from the Government of Liberia. The amounts are a result of transactions between the Government and the former National Bank of Liberia prior to the formation of the Central Bank of Liberia.

1.4 Ownership

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

Notes to the financial statements (continued)

1. General information (continued)

1.5 Functions of the Central Bank

The principal objectives of the Bank, as set out in the Act, are to issue legal tender banknotes and coins; to administer the currency laws and regulate the supply of money; to provide credit to bank-financial institutions on a discretionary basis; to act as fiscal agent for the Government; to administer the New Financial Institution Act (FIA) of 1999 and regulate banking activities; to regulate bank and non-bank financial institutions, as well as non-bank financial services institutions; to hold and manage the foreign exchange reserves of Liberia, including gold; to advise the Government on financial and economic matters; to conduct foreign exchange operations; and to play an active role in collaboration with bank-financial institutions in the creation and maintenance of efficient and safe mechanisms for payments, clearing and settlements to meet the needs of the financial markets, commerce, government agencies and the general public.

1.6 Powers of the Central Bank

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

Notes to the financial statements (continued)

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The Bank’s financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The financial statements have been prepared under the historical cost convention, except for investment properties which have been measured at fair value and financial assets and liabilities which are initially recognised at fair value.

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

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

Notes to the financial statements (continued)

2. Summary of significant accounting policies

2.1 Basis of preparation

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Bank

The amendments to existing standards below that are part of the Annual Improvements Project 2009 are relevant to the Bank's operations:

Standard	Title	Applicable for financial year beginning on/after
IAS 1	Presentation of financial statements	1 January 2010
IAS 17	Leases	1 January 2010
IAS 36	Impairment of Assets	1 January 2010

- IAS 1, 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period. The application of the amendment does not have a significant impact on the Bank's financial statements.

- IAS 17, 'Leases. The amendment clarifies that when a lease includes both land and buildings elements, an entity shall assess the classification of each element as a finance or an operating lease separately. The application of the amendment does not have a significant impact on the Bank's financial statements.

- IAS 36, 'Impairment of Assets'. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating Segments' (that is, before the aggregation of segments with similar economic characteristics). The application of the amendment does not have a significant impact on the Bank's financial statements

Notes to the financial statements (continued)

2. Summary of significant accounting policies

2.1 Basis of preparation

2.1.1 Changes in accounting policy and disclosures

(b) New and amended standards, and interpretations mandatory for the financial year beginning 1 January 2010 but not relevant to the Bank:

Standard/ Interpretation	**Title**	**Applicable for financial years beginning on/after**
IFRS 1	First-time Adoption of International Financial Reporting Standards - Additional exemptions for first-time adopters	1 July 2009
IFRS 2 (amended)	Share-based payment – Group cash-settled share-based payment transaction	1 January 2010
IFRS 2	Share-based Payment (part of Annual Improvement Project 2009) - Scope of IFRS 2 and revised IFRS 3	1 July 2009
IFRS 3	Business combinations	1 July 2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations (part of Annual Improvement Project 2009) – Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations	1 January 2010
IAS 27 (revised)	Consolidated and Separate Financial Statements	1 July 2009
IAS 38	Intangible assets (part of Annual Improvement Project 2009) – Additional consequential amendments arising from revised IFRS 3	1 July 2009
IAS 39	Financial Instruments: Recognition and Measurement (part of Annual Improvement Project 2009) – (i) Treating loan prepayment penalties as closely related embedded derivatives (ii) Scope exemption for business combination contracts	1 January 2010
IFRIC 9 & IAS 39	Reassessment of embedded derivatives & Financial Instruments: Recognition and Measurement	30 June 2009
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009
IFRIC 18	Transfers of assets from customers	1 July 2009
IFRS 8	Operating Segments	1 January 2010

Notes to the financial statements (continued)

2. Summary of significant accounting policies

2.1 Basis of preparation

2.1.1 Changes in accounting policy and disclosures

(c) Standards and interpretations issued but not yet effective

The following new standards, amendments to existing standards and interpretations have been issued and are mandatory for the Bank's accounting periods beginning on or after 1 January 2011 or later periods and are not expected to be relevant to the Bank, except for IFRS 9 and IAS 24.

Standard/ Interpretation	**Title**	**Applicable for financial years beginning on/after**
IFRS 1 (amended)	First-time Adoption of International Financial Reporting Standards – Limited exemption from comparative IFRS 7 disclosures for first-time adopters	1 July 2010
IFRS 9	Financial instruments part 1: Classification and measurement	1 January 2013
IAS 24 (amended)	Related party disclosures	1 January 2011
IAS 32 (amended)	Financial instruments: Presentation – Classification of rights issue	1 February 2010
IFRIC 14 (amended)	IAS 19 – The limit on a defined benefit asset, minimum funding requirement and their interaction	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

- **IFRS 9, 'Financial instruments part 1: Classification and measurement' and part 2: Financial liabilities and De-recognition of financial instruments**
  - IFRS 9,part 1 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:
  - Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at 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

2.1 Basis of preparation

2.1.1 Changes in accounting policy and disclosures

(c) Standards and interpretations issued but not yet effective (continued)

- **IFRS 9, 'Financial instruments part 1: Classification and measurement' and part 2: Financial liabilities and De-recognition of financial instruments (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 recognise 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 Bank is considering the implications of the Standard, the impact on the Bank and the timing of its adoption by the Bank.

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

  - Under the new standard, entities with financial liabilities at fair value through profit or loss recognise changes in the liability's credit risk directly in other comprehensive income. There is no subsequent recycling of the amounts in other comprehensive income to profit or loss, but accumulated gains or losses may be transferred within equity.

- **Improvements to IFRS**

'Improvements to IFRS' were issued in May 2010. The amendments that are relevant to the Bank's operations relate to: IFRS 7, 'Financial Instruments: Disclosures' and IAS 1, 'Presentation of financial statements'. Most of the amendments are effective for annual periods beginning on or after 1 January 2011 with early application permitted.

IFRS 7, 'Financial Instruments: Disclosures'. The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.

IAS 1, 'Presentation of financial statements'. The amendment clarifies that an entity must present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

(d) Early adoption of standards

The Bank did not early-adopt new or amended standards in 2010.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.2. Foreign currency translation (continued)

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 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.

2.3 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)

2.3 Property, machinery and equipment (continued)

(a) Cost or Valuation

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 buildings 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
Equipment:	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)

2.4 Investment property

An investment property is a land or building-or part of a building, or both, held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or for sale in the ordinary course of business. 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 arm's 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.

2.5 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)

2.6 Impairment of non-financial assets

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

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

2.7 Financial assets classification (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.

2.8 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.

2.9 Cash and Cash equivalents

Cash and cash equivalents includes US dollars banknotes in operational vault, deposits held with banks; loans and advances to banks, amounts due from other banks and short-term highly liquid government securities (if any).

2.10 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)

2.10 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.

2.11 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.

2.12 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)

2.10 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 and holdings with US Treasury Bills. 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.

2.13 Impairment of financial assets

a) Assets carried at amortized cost

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

2.13 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.

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)

2.15 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.

2.16 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.

2.17 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The 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)

2.18 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.

2.19 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)

2. Summary of significant accounting policies (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:

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.

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

3.1. Credit risk (continued)

3.1.3. Impairment and provisioning policy (continued)

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

	December 31, 2010			December 31, 2009		
	Loans and advances to GOL L$000	Loans and advances to Staff L$000	Balances with Federal Reserve Bank & Comm. Banks L$000	Loans and advances to GOL L$000	Loans and advances to Staff L$000	Balances with Federal Reserve Bank & Comm. Banks L$000
Neither past due nor impaired	18,186,454	34,500	15,243,569	14,142,537	17,541	12,285,867
Past due but not impaired	-	-	-	-	-	-
Individually impaired	-	629	-	-	2,282	-
Gross	18,186,454	35,129	15,243,569	14,142,537	19,823	12,285,867
Less: allowance for impairment	-	(629)	-	-	(2,282)	-
Carrying value	18,186,454	34,500	15,243,569	14,142,537	17,541	12,285,867

During the period ended December 31, 2010, the Central Bank's total loans and advances increased by 22% 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.

Loans and advances to banks

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

	December 31, 2010			December 31, 2009		
	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
Individually impaired	-	629	-	-	2,282	-

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

3.1. Credit risk (continued)

3.1.3. Impairment and provisioning policy (continued)

(b) Loans and advances individually impaired (continued)

Concentration of credit exposures of financial assets

		31 December 2010		31 December 2009	
	Grouping	L$'000'	% of financial assets	L$'000'	% of financial assets
Cash and balances with central banks	I	11,935,787	35.58	10,217,291	38.42
Cash and balances with commercial banks	I	2,950,282	8.79	2,031,087	7.64
Loans,advances and overdraft to operating Bank	I	357,500	1.07	37,489	0.14
Staff loans	I	34,500	0.09	17,541	0.07
Loans and advances to GOL	II	14,116,647	42.09	13,653,539	51.36
Investment security(HTM)	II	4,069,808	12.13	488,998	1.84
Other assets	I	69,781	0.20	137,718	0.52
		33,534,305	100.00	26,583,663	100.00

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

Category	31 December 2010	31 December 2009
Group I	15,347,850	12,441,126
Group II	18,186,455	14,142,537
Total	33,534,305	26,583,663

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)

As at 31 December 2010 (L$'000')	Up to 3 month	3-12 months	1-5 years	Over 5 years	Total
Liabilities					
Notes in circulation	5,550,742	-		-	5,550,742
Deposits from banks (i)	1,505,229	43,522	-	5,780,061	7,328,812
Other deposits	6,783	-	-	-	6,783
Deposits of GOL and agencies	7,481,541	-	139,340	-	7,620,881
Commercial bank loan	-	106,025	410,847	483,739	1,000,611
Other borrowed funds	810,038	-	-	-	810,038
Other liabilities	561,628	-	-	-	561,628
Provident fund	63,472		-	-	63,472
Total liabilities (contractual maturity dates)	15,979,433	149,547	550,187	6,263,800	22,942,967
Total assets (expected maturity dates)	18,887,633	-	34,500	14,612,172	33,534,305

As at 31 December 2009 (L$'000')	Up to 3 month	3-12 months	1-5 years	Over 5 years	Total
Liabilities					
Notes in circulation	4,583,438	-		-	4,583,438
Deposits from banks (i)	687,389	46,552	-	4,326,369	5,060,310
Other deposits	19,706	-	-	-	19,706
Deposits of GOL and agencies	4,003,043	-	143,653	-	4,146,696
Commercial bank loan	-	104,542	405,101	476,974	986,617
Other borrowed funds	482,757	-	-	-	482,757
Other liabilities	338,811	-	-	-	338,811
Provident fund	47,740		-	-	47,740
Total liabilities (contractual maturity dates)	10,162,884	151,094	548,754	4,803,343	15,666,075
Total assets (expected maturity dates)	12,423,585	-	17,541	14,142,537	26,583,663

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

As at December 31, 2010 (L$000)	Up to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Assets					
Cash and balances with central banks	10,696,191	-	-	1,239,596	11,935,787
Cash and balances with commercial banks	2,751,581	-	-	198,701	2,950,282
Loans,advances and overdraft to operating bank		357,500			357,500
Loans and advances to GOL	-	-	14,116,647	-	14,116,647
Investment security (HTM)	3,574,283	-	495,525	-	4,069,808
Staff loans	-	34,500	-	-	34,500
Other Assets	-	-	-	69,781	69,781
Total financial assets	17,022,055	392,000	14,612,172	1,508,078	33,534,305
(L'000')					
Liabilities					
Notes in circulation	-	-	-	5,550,742	5,550,742
Deposits from banks	-	-	-	7,328,812	7,328,812
Other deposits		-	-	6,783	6,783
Deposits of GOL and agencies	-	-	-	7,620,881	7,620,881
Commercial bank loan	-	-	958,073		958,073
Other borrowed funds	-	-	685,316	124,722	810,038
Other liabilities	-	-	-	561,628	561,628
Provident fund		-	-	63,472	63,472
Total financial liabilities	-	-	1,643,389	21,257,040	22,900,429
Total interest rate repricing gap	17,022,055	392,000	12,968,783		

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

3.3. Market risk (continued)

a) Interest rate risk

As at December 31, 2009 (L$000)	Up to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Assets					
Cash and balances with central banks	8,325,582	-	-	1,891,709.09	10,217,291
Cash and balances with commercial banks	1,836,402	-	-	194,685	2,031,087
Loans,advances and overdraft to operating bank	37,489				37,489
Loans and advances to GOL	-	-	13,653,539	-	13,653,539
Investment security (HTM)	-	-	488,998	-	488,998
Staff loans	-	17,541	-	-	17,541
Other Assets	-	-	-	137,718	137,718
Total financial assets	10,199,473	17,541	14,142,537	2,224,112	26,583,663
(L'000')					
Liabilities					
Notes in circulation	-	-	-	4,583,438	4,583,438
Deposits from banks	-	-	-	5,060,310	5,060,310
Other deposits		-	-	19,706	19,706
Deposits of GOL and agencies	-	-	-	4,146,696	4,146,696
Commercial bank loan	-	-	906,032	-	906,032
Other borrowed funds	-	-	-	482,757	482,757
Other liabilities	-	-	-	338,288	338,288
Provident fund		-	-	47,740	47,740
Total financial liabilities	-	-	906,032	14,678,935	15,584,967
Total interest rate repricing gap	10,199,473	17,541	13,236,505		

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

3.3. Market risk (continued)

b) Foreign exchange risk

The Central Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. 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, 2010. Included in the table are the Central Bank's carrying amounts, categorized by currency.

Concentration of currency risk on financial instruments

Analysis of Assets and Liabilities by currency

At December 31, 2010	United States dollar	Euro	Liberian Dollar	Total
	L$ (000)	L$ (000)	L$ (000)	L$ (000)
Assets				
Cash and balances with central banks	11,935,787			11,935,787
Cash and balances with commercial banks	2,939,048	11,234	-	2,950,282
Loans and advances to Bank	357,500			357,500
Loans and advances to Government of Liberia	13,331,623		785,024	14,116,647
Investment security (held-to-maturity)	4,069,808		-	4,069,808
Staff loans	34,500		-	34,500
Other assets	67,710		2,071	69,781
Total assets	32,735,976	11,234	787,095	33,534,305
Liabilities				
Notes in circulation	-		5,550,742	5,550,742
Deposit from banks	7,328,812		-	7,328,812
Other deposits	6,783		-	6,783
Deposits of GOL and agencies	7,620,881		-	7,620,881
Other borrowed funds	810,038		-	810,038
Commercial bank loan	958,073		-	958,073
Other liabilities	506,042		55,586	561,628
Provident fund	63,472		-	63,472
Total financial liabilities	17,294,101	-	5,606,328	22,900,429
Net on statement of financial position	15,441,875	11,234	(4,819,233)	10,633,876

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

3.3. Market risk (continued)

b) Foreign exchange risk (continued)

Concentration of currency risk on financial instruments

Analysis of Assets and Liabilities by currency

At December 31, 2009	United Stated dollar	Liberian Dollar	Total
Assets	L$ (000)	L$ (000)	L$ (000)
Cash and balances with central banks	10,217,291		10,217,291
Cash and balances with commercial banks	2,031,087	-	2,031,087
Loans and advances to Bank	37,489	-	37,489
Loans and advances to Government of Liberia	12,888,338	765,201	13,653,539
Investment security (Held-to-maturity)	488,998	-	488,998
Staff loans	17,541	-	17,541
Other assets	135,469	2,250	137,719
Total financial assets	25,816,213	767,451	26,583,664
Liabilities			
Notes in circulation	-	4,583,438	4,583,438
Deposit from banks	4,370,200	690,110	5,060,310
Other deposits	16	19,690	19,706
Deposits of GOL and agencies	3,234,436	912,260	4,146,696
Other borrowed funds	482,757	-	482,757
Commercial bank loan	906,032	-	906,032
Other liabilities	303,327	34,961	338,289
Provident fund	47,740	-	47,740
Total financial liabilities	9,344,508	6,240,459	15,584,967
Net statement of financial position	16,471,705	(5,473,008)	10,998,697

c) Sensitivity analysis for "Foreign exchange risk"

			2010			2009
			L$ (000)			L$ (000)
	Balance Dec 31	Exchange rate + 2%	Exchange rate -2%	Balance Dec.31	Exchange rate + 2%	Exchange rate -2%
Total assets	**32,735,976**	**33,390,695**	**32,081,256**	25,816,213	27,365,185	24,267,241
movement		**654,720**	**(654,720)**		1,548,972	(1,548,972)

If the Liberian Dollar depreciated by 2% against the U.S. Dollar at December 31, 2010, financial assets denominated in U.S. Dollars would have been L$33.4 billion, L$0.65 billion higher than the December 31, 2010 figure of L$32.7 billion compared to L$27.3 billion, L$1.5 billion higher than L$25.8 billion for December 2009. If the Liberian Dollar appreciated by 2% against the U.S. Dollar at December 31, 2010 financial assets denominated in U.S. Dollars would have been L$32.0 billion, L$0.65 billion lower than the December 31, 2010 figures L$32.7 billion compared to 24.2 billion which was L$1.5 billion lower than L$25.8 billion for December 2009.

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

	2010 L$ (000)			2009 L$ (000)		
	Balance Dec 31	Exchange rate + 2%	Exchange rate - 2%	Balance Dec.31	Exchange rate + 2%	Exchange rate - 2%
Total liabilities	17,294,101	17,639,984	16,948,216	9,344,508	9,903,780	8,782,597
movement		345,885	(345,885)		561,911	(561,911)

If the financial liabilities in Liberian Dollars depreciated by 2% against the U.S Dollars on the Statement of financial position, liabilities denominated in U.S. Dollars would have been L$17.6 billion, L$0.34 billion higher than the December 31, 2010 figure of L$17.3 billion as compared to 9.9 billion, L$0.56 billion higher than L$9.3 billion for December 2009. If the Liberian Dollar appreciated by 2% against the U.S. Dollar at December 31, 2010, financial liabilities denominated in U.S. Dollars would have been L$16.9 billion, L$0.30 billion lower than L$17.3 billion at December 31, 2010 (December 31, 2009: L$8.7 billion, L$0.56 billion lower than L$9.3 billion).

d) Sensitivity for "Interest rate risk

	2010 L$ (000)			2009 L$ (000)		
	Balance Dec 31	Interest rate + 1%	Interest rate - 1%	Balance Dec 31	Interest rate + 1%	Interest rate - 1%
Interest income	541,713	664,021	419,404	561,258	665,316	457,200
movement		122,308	(122,308)		104,058	(104,058)

The Interest rate risk sensitivity analysis estimates the impact that a change in interest rates would have on financial assets. If the United States Dollar interest rate on financial assets had increased by 1% (in absolute terms) at December 31, 2010 on financial assets with variable interest rates, interest and similar income would have been L$664 million, L$122 million higher than the December 31, 2010 of L$541 million (December 31, 2009: L$665 million, L$104 million higher than L$561 million), and if interest rate on financial assets with variable interest rates had decreased by 1% (in absolute terms) at December 31, 2010, interest and similar income would have been of L$419 million, L$122 million lower than the December 31, 2010 figure of L$541 million at December 31, 2010 (December 31, 2009: L$457 million, L$104 million lower than L$561 million).

Notes to the financial statements (continued)

3. Financial Risk Management (continued)

3.4. Fair value of financial assets and liabilities

Financial instruments not measured at fair value.

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on CBL's Statement of financial position at their fair values:

	Carrying Value		Fair Value	
	December-31		December-31	
	2010	2009	2010	2009
Financial assets				
Cash and balances with central banks	11,935,787	10,217,291	11,935,787	10,217,291
Cash and balances with commercial banks	2,950,282	2,031,087	2,950,282	2,031,087
Loans and advances operating Bank	357,500	37,489	357,500	37,489
Loans and advances to GOL	14,116,647	13,653,539	14,116,647	13,653,539
Investment securities (HTM)	4,069,808	488,998	4,069,808	488,998
Staff loans	34,500	17,541	34,500	17,541
Other assets	69,781	137,718	69,781	137,718
	33,534,305	26,583,664	33,534,304	26,583,664
Financial liabilities				
Notes in circulation	5,550,742	4,583,438	5,550,742	4,583,438
Deposits from Banks	7,328,812	5,060,310	7,328,812	5,060,310
Deposits of GOL and agencies	7,620,881	4,146,696	7,620,881	4,146,696
Other deposits	6,783	19,706	6,783	19,706
Other borrowed funds	810,038	482,757	810,038	482,757
Commercial bank oan	958,073	906,032	958,073	906,032
Other liabilities	561,628	338,288	561,628	338,288
Provident Fund	63,472	47,740	63,472	47,740
	22,900,429	15,584,967	22,900,429	15,584,967

(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;

Notes to the financial statements (continued)

3.5. Capital management (continued)

3.5.1. Allocation of net profits (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 judgements 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) 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.

b) 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 financial assets in accordance with IAS 39. In making this judgement, the CBL has the positive intention and ability to hold such investments to maturity.

c) Property, machinery and equipment

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

Notes to the financial statements (continued)

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

d) Investment property

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

e) 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.

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

	As at	
	2010	2009
6. Net interest income	**L$'000'**	L$'000'
GOL loans and advances	**190,756**	182,062
Investment Security-held-to-maturity	**49,856**	47,243
Deposits and staff loans	**22,236**	10,962
Unwinding of discount element of credit impairment on GOL loans (notes 17)	**278,865**	320,991
	541,713	561,258

	2010	2009
6(i) Interest expense		
Interest expense-TRADEVCO loan	**38,087**	8,339
Amortized cost adjustment-HTM	**406**	355
	38,493	8,694

Notes to the financial statements (continued)

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

	As at	
	2010	2009
7. Fees and commissions	**L$'000'**	L$'000'
Service fees and commissions	**182,769**	189,959
Foreign exchange commission	**6**	1,005
Notes transfer fees	**2,193**	1,508
	184,968	192,472
8. Other income		
Rental income	**1,013**	348
Other income-fines	**6,937**	1,251
Other miscellaneous income	**43,710**	36,197
	51,660	37,796
9. Administrative expenses		
Staff costs (i)	**338,169**	251,221
Board fees and expenses(ii)	**17,289**	9,576
Depreciation/amortization(iii)	**32,526**	32,418
Other administrative expenses(iv)	**556,776**	212,007
	944,760	505,222
(i) Staff costs:		
Salaries & wages	**247,669**	181,734
Social security contibution	**9,061**	6,616
loss on fair valuation of Staff loan	**2,877**	179
Pension cost (Note 33):		
Current service cost	**64,859**	45,852
Interest cost	**13,689**	11,255
Severance benefits	**14**	5,585
	338,169	251,221
(ii) Board fees and expenses		
Board fees	**13,849**	7,499
Board entertainment	**63**	-
Others	**3,377**	2,077
	17,289	9,576
(iii) Depreciation/amortization		
Depreciation on equipment	**12,393**	13,354
Depreciation on furnitures and fixtures	**798**	706
Depreciation on vehicles	**10,459**	7,777
Amortization on leasehold properties	**1,750**	3,455
Amortization on banking software	**7,022**	7,022
Depreciation on building	**104**	104
	32,526	32,418
(iv) Other administrative expenses		
Other personnel cost	**49,025**	36,136
Property cost/occupancy	**25,607**	30,590
Office expenses	**25,263**	26,371
Professional services	**36,647**	32,491
Travel expenses	**26,536**	17,903
Other miscellaneous expenses	**82,154**	68,516
Provision for WAMA Balance	**311,544**	-
	556,776	212,007

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

	As at	
9. Administrative expenses (Continued)	2010	2009
	L$'000'	L$'000'
Included in professional services is the following:		
Fees paid to auditors:		
Audit of the bank's financial statements	**7,721**	9,154
Other assurance services	**5,328**	3,391
Total	**13,049**	12,545

The average number of employees as at December 31, 2010 was 180 (December 31, 2009:172)

10. Other operating expenses		
Currency expense		
Notes importation cost	**41,415**	46,509
Mute exportation cost	**329**	(38)
Cost of destroying banknotes	**624**	-
Amortization of currency printing cost-banknotes	**284,077**	157,286
Currency expense-General	**1,152**	-
	327,597	203,757
11. Impairment release on Non-financial assets		
Impairment release:		
Uncompleted building-work-in-progress	-	814
Impairment release	-	814

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

	As at	
12. Cash and balances with Central Banks	2010	2009
	L$'000'	L$'000'
Cash on hand and in vault	1,571,826	2,205,714
Cash balances at rural branches	178,527	169,738
Balances with other Central Banks	10,696,191	8,325,582
Less: Liberian Dollars in vault & payment centers (Note 23)	(510,757)	(483,743)
	11,935,787	10,217,291
13. Cash and balances with commercial banks		
Balances with local banks	198,701	194,685
Balances with foreign banks (commercial)	2,751,581	1,836,402
	2,950,282	2,031,087
14. Loan and advances to banks		
Guarantee Trust Bank Liberia Limited	-	12,285
Ecobank Liberia Limited	-	25,204
CBL CD with FIBLL	53,625	-
CBL CD with LBDI	53,625	-
CBL CD with GBLL	71,500	-
CBL CD with GTBLL	53,625	-
CBL CD with IBLL	53,625	-
CBL CD with UBA	71,500	-
	357,500	37,489
15. Loans and advances to Government of Liberia		
Loans and advances to Government of Liberia	18,209,810	18,222,510
Repayment	-	(254,490)
	18,209,810	17,968,020
Less amortized cost adjustment:		
Balance at January 1	(4,314,481)	(4,235,399)
Release	278,865	320,991
Exchange difference	(57,547)	(400,073)
Balance at December 31	(4,093,163)	(4,314,481)
Carrying value	14,116,647	13,653,539

Loans to the Government of Liberia

The loans to the Government of Liberia were mainly taken over from 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.

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

Loans to the Government of Liberia (continued)

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

16. Investment security: Held-to-maturity

	As at	
	2010	2009
	L$'000'	L$'000'
Investment security:Held-to-maturity	500,030	493,037
Less amortized cost adjustment:		
Balance at January 1	(4,039)	(3,333)
Charge during the year	(406)	(356)
Exchange difference	(60)	(350)
At December 31	(4,505)	(4,039)
Carrying value	495,525	488,998
Treasury Bills	3,571,521	-
Interest Receivable	3,479	
Charge during the year	(717)	-
At December 31	3,574,283	-
Total Held-to-maturity	4,069,808	488,998

Investment security: Held-to-maturity

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

The Bank, also invested in four (4) Treasury Bills which matured in January and February 2011. These have subsequently been rolled over for another six months.

Notes to the financial statements (continued)

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

17. Loans to Staff

	As at 2010	As at 2009
	L$'000'	L$'000'
Staff loans	40,813	22,592
Less: provision	(629)	(2,282)
	40,184	20,310
Less amortized cost adjustment:		
Balance at January 1	(2,769)	(2,302)
(Charge)/ release	(2,877)	(178)
Exchange difference	(38)	(289)
At December 31	(5,684)	(2,769)
	34,500	17,541

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

	As at Dec-31-10	As at Dec-31-09
	L$'000'	L$'000'
Assets:		
Foreign Currency Investments and Claims		
IMF Quota Subcription	13,666,549	12,869,039
SDR Holdings	14,457,744	12,798,412
Accrued Interest on SDR Holdings	8,569	5,057
Accrued remuneration		
Total Assets	28,132,862	25,672,508
Liabilities:		
Foreign Currency Liabilities to International Financial Institutions		
SDR Allocations	13,114,282	12,348,999
Liabilities to Non-Residents:		
IMF No.1 Account	6,832,298	3,919,180
IMF No. 2 Account	1,298	1,222
Securities Account	6,830,967	43,088,396
Accrued charges on use of credit fund (GRA Credit)	-	71,510
Accrued charges on SDR Allocations	7,994	5,021
PRGF Loans	3,048,313	22,480,976
Acrued Interest on PRGF Loan	-	308
Total Liabilities	29,835,152	81,915,612
GOL net position with the IMF	(1,702,290)	(56,243,105)

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

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

Relationship

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

With reference to the guidelines of the Financial Organizational and Operations manual of the IMF, Central Bank of Liberia uses the gross method of presenting the assets and liabilities arising from the GOL's membership with the Fund. 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.

Central Bank of Liberia is the fiscal and depository agent of Liberia for transactions with the International Monetary Fund. Financial resources made available to Liberia by the Fund are channeled through CBL to the Government. CBL has a claim on the GOL matching liabilities to the Fund. Similarly CBL has a liability to the Government of Liberia matching the assets, the quota subscription, held in the Fund. As of close of business on March 14, 2008, the IMF confirmed the completion of Liberia's clearance of its arrears, payment of quota increase and related Fund financing transactions and the granting of new facilities. All applicable entries were recorded in the IMF's accounts held at Central Bank of Liberia.

General resource account (GRA)

This comprises Special Drawing Rights (SDR) currency holdings, which are denominated in Liberian dollars by IMF. Transactions effected under agreement with the Fund are converted to Liberian dollars at an exchange rate applicable on the dates of the respective transactions. However outstanding balances with the Fund are revalued on the basis of a rate that is redefined on April 30 of each year. Gains and losses arising from the annual revaluation are for the account of the Government of Liberia.

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

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

Special drawing rights holdings and allocation

SDR's are interest-bearing assets allocated by the IMF to each participant in the Special Drawing Rights Department to meet various global operating needs of the Fund as and when they arise, as a supplement to the Fund's existing reserves. SDR's are allocated by the IMF to members participating in the SDR department in proportion to their quotas to the Fund at the time of allocation. The arrears clearance resulted in a balance of SDR 8,341,601 in Liberia's SDR holdings account. The balance as at December 31, 2010 represents Liberian dollars equivalent of SDR 123.9 million.

PRGF loan and interest

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

At the HIPC completion point in June 2010, a debt relief of SDR 205,762,043 was applied to Liberia's outstanding obligation. Since then, a total disbursement of SDR8,880,000 has been received under the Extended Credit Facility (ECF) program. This program replaced the PRGF post the HIPC completion point.

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

19. Intangible assets

	2010	2009
At December 31:		
Opening net book value	9,315	15,705
Additions	-	-
Amortization charge	(7,022)	(7,022)
Exchange difference	(943)	632
Closing net book value	1,350	9,315
At December 31:		
Cost	52,061	49,672
Accumulated amortization	(50,711)	(40,357)
Net book value	1,350	9,315

Intangible assets are tested annually for impairment when there are indications that impairment may have occurred. There was no impairment identified for 2010 (2009: nil).

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

20. Investment property

	2010	2009
At January 1:		
Opening net book value	19,740	22,080
Exchange difference	280	1,820
Book value as at December 31	20,020	19,740

AEP Consultants Incorporated was hired to determine the market value of the investment property in 2008. Based on the valuation of December 2008, the recoverable amount has been determined to be L$22 million. The next expert valuation will take place in 2011.

21. Property, machinery and equipment

	Land	Work-in-progress	Building	Lease-hold Improvement	Furn. & fixt.	Equipment	Motor vehicles	Total
At December 31 2010:								
Opening net book value	35,862	384,479	4,468	4,288	3,181	22,381	14,721	469,380
Additions	-	-		-	424	10,878	33,585	44,887
Disposals	-	-	-	-	(1)	-	-	(1)
Charge for the year	-	-	(104)	(1,750)	(798)	(12,393)	(10,459)	(25,504)
Transfer/Adjustment		(7,040)					7,040	-
Reclassification to A/C Rec	-	(7,135)	-	-	-	-	-	(7,135)
Release of impairment	-	-	-	-	-	-	-	-
Exchange difference	509	4,940	51	(1,320)	(98)	(813)	(327)	2,942
Closing net book value	36,371	375,244	4,415	1,218	2,708	20,053	44,560	484,569
At December 31 2010:								
Cost	36,371	375,243	4,648	67,445	87,834	89,986	75,004	736,531
Accumulated depreciation	-	-	(232)	(66,227)	(85,126)	(69,933)	(30,444)	(251,962)
Net book value	36,371	375,243	4,415	1,218	2,708	20,053	44,560	484,569
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	56,704	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	14,721	469,380

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

21. Property, machinery and equipment (continued)

Incomplete building (Work in-progress)

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. The carrying amount as at 31 December 2010 is based on the valuation performed in 2008 which put the value at US$4.95 million. The valuations are performed in a three year cycle. The next valuation is therefore expected to be performed in 2011.

Disposals of machinery and equipment

	As at	
	2010	2009
	L$000	L$000
Cost	20,797	12,274
Accumulated depreciation	(20,795)	(11,125)
Net book value	2	1,149
Proceed from disposal	1,083	725
Gain/Loss on disposal	1,081	(424)

22. Other Assets

Accounts receivable(i)	10,824	2,467
Prepaid expenses(ii)	292,047	144,168
Clearing checks(iii)	58,957	46,786
Deferred currency cost(iv)	54,016	150,565
	415,844	343,986

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

22. Other assets (continued)

	As at	
	2010	2009
(i) Accounts receivable	L$000	L$000
Due from others	19,693	12,592
Other receivables	2,663	1,402
	22,356	13,994
less provision:		
Allowance for bad debt-Belle Dunbar	(11,220)	(11,220)
Allowance for other debtors	(312)	(307)
	(11,532)	(11,527)
Net book value	10,824	2,467
(ii) Prepaid expenses		
Rent	1,535	695
Insurance	748	367
Others	3,764	54,948
Advances to currency printer	286,000	88,158
	292,047	144,168
(iii) Clearing checks		
Items for clearing	58,957	46,786
	58,957	46,786
(iv) Deferred currency cost		
Cost incurred:		
Liberian banknotes	54,016	150,565
Liberian coins	40,307	40,307
	94,323	190,872
Less amortization:		
Liberian banknotes	-	-
Liberian coins	40,307	40,307
	40,307	40,307
Net book value	54,016	150,565

Accounts receivables include staff loans (salary advance, short-term loans and long-term loans), and receivables from contractors. 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)

23. Notes in Circulation

	As at	
Liberian Notes	2010	2009
	L$000	L$000
L$5	683,099	612,978
L$10	901,009	719,510
L$20	1,572,731	1,406,315
L$50	1,503,604	1,240,507
L$100	1,378,006	1,064,821
Total currency notes	6,038,449	5,044,131
Coins	23,050	23,050
Less:		
Liberian Dollars held by the Bank and payment centers (Note 12)	(510,757)	(483,743)
Notes in circulation	5,550,742	4,583,438

24. Deposits from banks

	2010	2009
Reserve requirement-operating banks	5,761,280	4,307,588
Current accounts-operating banks	1,492,645	676,712
Current accounts-non operating banks	43,522	46,552
Reserve requirement-Non-operating banks	18,781	18,781
Collection accounts failed banks	12,584	10,677
	7,328,812	5,060,310

25. Other deposits

	2010	2009
Forex bureau deposits	6,783	19,706

26.Deposits of GOL and Agencies

	2010	2009
Demand deposits-central government	2,067	321,061
Withholding taxes payable	10,024	6,261
Demand deposits-individual ministries & agencies	6,128,302	2,925,719
Other government related deposits	928,090	748,838
SME loans	139,340	137,392
State owned enterprises	413,058	7,425
	7,620,881	4,146,696

27. Other borrowed funds

	2010	2009
West African Monetary Agency(WAMA)	685,316	359,761
Other foreign banks	124,722	122,996
	810,038	482,757

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

27. 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 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 on two letters of credit issued by National Bank of Liberia in favor of two foreign banks in October 1985. No payment had been made on these debts.

28. Commercial bank loan

	As at	
	2010	2009
	L$'000'	L$'000'
At January 1	906,032	814,588
Interest	38,087	8,339
Exchange difference	13,954	83,105
At December 31	958,073	906,032

This indebtedness represents a liability that came about through an agreement between CBL and the Liberia Trade for Development and Investment Bank, Limited (TRADEVCO), under which, 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. The agreement provides for a ten (10) year moratorium on both the principal and interest repayment. CBL reserves the right to effect repayment during this period.

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

29. Other liabilities

	As at	
	2010	2009
	L$'000'	L$'000'
Accounts payables(i)	383,173	199,425
Others(ii)	183,560	151,449
	566,733	350,874
(i) Accounts payables		
Official checks-CBL	298,450	108,169
Unearned Income	5,057	12,063
Managers' checks-CBL	21,184	16,189
Stale Checks Payable	1,773	443
Due to staff	692	10,285
Accrued expenses	56,017	52,276
	383,173	199,425
(ii) Others		
Tradevco (In Liquidation) Payout	11,907	12,790
Additional Commercial Losses Payable	1,359	1,340
Commercial bank Mutes	156,248	121,249
Sarah K. Howard Testate Estate	13,308	13,122
Dormant Demand Deposit-others	523	523
A/C Payable CCI - Foreign	215	2,425
	183,560	151,449
30. Provident fund		
At January 1	47,740	35,684
Contribution during the year	18,842	13,966
Interest earned	112	62
Payments	(4,174)	(5,922)
Exchange difference	952	3,950
At December 31	63,472	47,740

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

31. Retirement benefit obligations

	As at	
	2010	2009
	L$000	L$000
Statement of financial position obligation :		
Pension benefits	390,725	274,810
Statement of comprehensive income charge:		
Pension benefits	7,949	9,887
	7,949	9,887

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

	2010	2009
Present value of unfunded obligations:		
Staff pension scheme	390,713	274,798
Ex-gratia pension scheme	12	12
Liability in the statement of financial position	390,725	274,810

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

	2010	2009
At January 1	274,810	226,078
Current service cost	64,859	45,852
Interest cost	13,689	11,255
Contribution by plan participants	-	-
Actuarial Loss/(gain)	41,631	(22,970)
Benefits paid	(7,949)	(9,887)
Exchange difference	3,685	24,482
At December 31	390,725	274,810

The amounts recognized in the statement of comprehensive income:

	2010	2009
Current service cost	64,859	45,852
Interest cost	13,689	11,255
Total included in staff costs (note 9)	78,548	57,107
Actuarial (Loss)/gain	41,631	(22,970)
Total included in other comprehensive income	41,631	(22,970)

Notes to the financial statements (continued)

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

31. Retirement benefit obligations (continued)

The principal actuarial assumptions used were as follows:

	2010	2009
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.

32. Share capital

	As at	
	2010	2009
	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 CBL is owned exclusively by the Government of Liberia. The minimum authorized capital of CBL is L$400 million. The amount may be increased by an amendment to the CBL Act, as shall be proposed by the Board of Governors to the National legislature. The Act requires the bank to have a minimum paid-up capital of L$100 million. The consideration for the paid-up capital was the net book value of assets and liabilities taken over from National Bank of Liberia on the establishment of CBL.

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

32. Stated Capital (continued)

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

33. General reserve

	As at	
	2010	2009
	L$'000'	L$'000'
General banking reserve	3,491,461	3,817,416
	3,491,461	3,817,416
Movement in reserve were as follows:		
Balance at January 1	3,817,416	2,219,387
Operating loss/profit	(532,509)	74,667
Other comprehensive income	206,554	1,523,362
At December 31	3,491,461	3,817,416

34. Cash and cash equivalents

	2010	2009
Balances with central banks	11,935,787	10,217,291
Balances with local banks	198,701	194,685
Balances with foreign banks	2,751,581	1,836,402
	14,886,069	12,248,378

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

35. Contingent liabilities and commitments

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

Legal proceedings

i) Debt Action

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

a) Construction of Defense Building

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

b) Purchase of Aircraft

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

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

ii) Other litigations

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

a) Labor matters

CBL is defendant in several labor cases for action of dismissal. The estimated amount of the claims is approximately US$1.8 million and L$1.5 million. CBL, based on legal advice, considers that these claims are not legitimate and it is unlikely that any liability will arise. Accordingly no provision has been made for such cases in the financial statements.

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

35. Contingent liabilities and commitments (continued)

b) Fraud matters

In 2008, certain tellers of CBL and certain staff of the Ministry of Finance were alleged to have been involved in the re-encashment of Government of Liberia salary checks. The matter is under investigation by the National Security Agency. The outcome of the investigation is uncertain and therefore, the amount involved as well as the responsibility for the liability cannot be ascertained with any degree of certainty.

36. Related party transactions

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

Interest income earned during the period

	As at	
	2010	2009
	L$000	L$000
GOL loans and advances (Note 6)	190,756	182,062
GOL investment securities: Held-to-maturity (Note 6)	49,856	47,243
	240,612	229,305

Year to date balances resulting from related party transactions:

	As at	
	2010	2009
Receivables from related party:	L$000	L$000
Due from Government of Liberia- long term loan (Notes 15&16)	18,709,841	18,461,057
	18,709,841	18,461,057
Payables to related party:		
Deposits of GOL and agencies(Notes 26)	7,620,881	4,146,696

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

36. Related party transactions (continued)

Key management personnel

Governors, Non-Executive Directors and other key management personnel

The following particulars relate to key management personnel including Board of Governors, Executive Governors and Directors:

Loans to key management personnel were as follows:

	As at	
	2010	2009
	L$000	L$000
Loan outstanding at January 1	1,108	1,171
Loan granted during the period	6,103	679
Loan repaid during the period	(1,916)	(741)
Loan outstanding at December 31	5,295	1,108
Interest income earned	155	73

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

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

Remuneration of key management personnel

	As at	
	2010	2009
	L$000	L$000
Salaries and short term benefits	74,577	47,685
Post employment benefit	5,232	7,452
	79,809	55,137

Other entities with links to CBL

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