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COPORATE INFORMATION

BOARD OF GOVERNORS:	J. Mills Jones - Executive Governor and Chairman of the Board of Governors
	David Vinton
	John G. Bestman
	Samuel W. Thompson
	Betty Maima Jackson-Saway
AUDITOR	Pricewaterhousecoopers
	Chartered Accountants
	No. 12, Airport city
	Una Home, 3rd Floor
	PMB CT 42
	Cantonments-Accra
SECRETARY/ SOLICITOR	Central Bank of Liberia
	Post Office Box 2048
	Monrovia, Liberia
REGISTERED OFFICE:	Central Bank of Liberia
	Post Office Box 2048

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 three (3) 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 Chairperson, four (4) Directors, an Expatriate Advisor and the Legal Counsellor. The committee meets on a quarterly basis. The term and reference of the committee are determined by the main Board. The Banking Reform Committee is responsible for the stability of the banking system and promoting its contribution to economic growth and the increased participation of Liberian entrepreneurs in the national economy. A reform agenda was drafted geared towards ensuring that banks are adequately capitalized with appropriate management procedures and internal controls and the Central Bank has the capacity to effectively supervise and regulate the activities of the commercial banks.

Compliance Committee

The Compliance Committee is a sub committee 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 chairperson and three (3) Directors.

Its responsibilities includes 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 September 2007, the CBL appointed PricewaterhouseCoopers (PwC) Accra, to be its auditor for the 2007 financial statements. It is expected that PricewaterhouseCoopers will continue as auditor of the Central Bank for 2009. The 2006 audit was conducted by Ernst and Young and financed by the European Union (EU).

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, 2008.

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

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

NATURE OF BUSINESS/FUNCTIONS

The Central Bank 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.

GOVERNORS AND GOVERNMENT INTEREST

The statement of responsibility of the Board of Governors of the Bank is set out on pages 4-5. 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:

	L$'000'
Total income for the year	177,878
to which is added an exchange difference on translation to presentation currency of, and	358,727
to which is added balance on general reserves account brought forward of	1,669,481
giving a balance on general reserve account to be carried forward of	2,206,086

Signed on behalf of the Board by:

J. Mills Jones
Fr. Executive Governor and Chairman of the Board
April ..28,..2009

John G. Bestman
For Governor
April ..28... 2009

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 the Central Bank of Liberia set out on pages 8 to 78.These financial statements comprise the balance sheet as at December 31, 2008 and the income statement, statement of changes in equity and cash flows statements for the year ended and explanatory notes.

Board of Governors' Responsibility for the Financial Statements

The Board of Governors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing 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.

REPORT OF THE INDEPENDENT AUDITOR

TO THE BOARD OF GOVERNORS OF THE CENTRAL BANK OF LIBERIA (continued)

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 2008 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter- Contingent liability

Without qualifying our opinion we draw attention to Note 37(ii) (c) which states that there was collusion between some tellers of CBL and staff of the Ministry of Finance to perpetrate fraud involving the re-encashment of certain Government of Liberia salary checks. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in these financial statements.

PricewaterhouseCoopers

Chartered Accountants

Accra

Date: April ...25... 2009

PRICEWATERHOUSECOOPERS

Income Statement

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

	Note	Year ended Dec-31 2008	Year ended Dec-31 2007
Interest and similar income	7	581,099	2,033,058
Interest expenses and similar charges	7(i)	(7,636)	(8,613)
Net interest income		573,463	2,024,445
Fees and commissions	8	179,925	164,753
Other income	9	22,106	51,895
Net operating income		775,494	2,241,093
Administrative expenses	10	(423,610)	(356,114)
Other operating expenses	11	(175,489)	(198,270)
Impairment losses on financial assets	12	(301)	(4,261,890)
Impairment release/(charge) on non-financial assets	13	8,314	(8,314)
Actuarial loss on defined benefit pension plan	33	(6,530)	-
Net operating profit/(loss) transferred to general reserve		177,878	(2,583,495)

Balance Sheet

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

		As at	
	Note	**Dec-31 2008**	Dec-31 2007
Assets			
Cash and balances with Central Banks	14	**7,185,826**	5,845,563
Cash and balances with commercial banks	15	**1,648,505**	1,616,947
Loans and advances to banks	16	**-**	300
Loans and advances to Government of Liberia	17	**12,392,010**	11,884,593
Other receivables-GOL	17(i)	**4**	3,566
Investment security:Held-to-maturity	18	**444,247**	434,131
Staff loans	19	**14,483**	14,531
Intangible assets	21	**15,705**	648
Investment property	22	**8,779**	8,873
Property,machinery and equipment	23	**396,781**	413,748
Other assets	24	**321,584**	238,831
Total assets		**22,427,924**	20,461,731
Liabilities			
Notes in circulation	25	**4,159,184**	3,594,342
Deposits from banks	26	**4,036,532**	2,698,003
Other deposits	27	**8,261**	141
Deposits of GOL and agencies	28	**2,501,286**	3,342,695
Other borrowed funds	29	**430,876**	420,808
Commercial bank loan	30	**814,588**	787,773
Other liabilities	31	**410,762**	149,737
Provident fund	32	**35,684**	25,450
Retirement benefit obligations	33	**226,078**	174,714
Total liabilities		**12,623,251**	11,193,663
Equity			
Share Capital	34	**7,598,587**	7,598,587
General reserve	35	**2,206,086**	1,669,481
Total equity		**9,804,673**	9,268,069
Total equity and liabilities		**22,427,924**	20,461,731

The financial statements on pages 8 to 78 were approved by the Board of Governors on April………2009 and signed on its behalf by:

Jr. **Executive Governor and Chairman of the Board** ……………………………

Governor ……………………………

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, 2008	**7,598,587**	**1,669,481**	**9,268,068**
Changes in equity for 2008:			
Total income for the year	-	177,878	177,878
Exchange difference on translation to presentation currency	-	358,727	358,727
Balance at December 31, 2008	**7,598,587**	**2,206,086**	**9,804,674**
Balance at January 1, 2007	**7,598,587**	**4,955,965**	**12,554,552**
Changes in equity for 2007:			
Total deficit for the year	-	(2,583,495)	(2,583,495)
Exchange difference on translation to presentation currency	-	(702,989)	(702,989)
Balance at December 31, 2007	**7,598,587**	**1,669,481**	**9,268,068**

Cash Flows Statement

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

	Note	Year ended Dec-31 2008	Year ended Dec-31 2007
Cash flows from operating activities			
Interest received	7	342,965	2,033,058
Interest expenses	7(i)	-	(1,061)
Fees and commission receipts	8	179,925	164,753
Other income received	9	22,106	51,536
Payments to employees and suppliers		(226,707)	(1,032,849)
Cash generated from opertaions before		318,289	1,215,437
Changes in operating assets and liabilities:			
Loans and advances to banks	16	300	26,414
Other assets	17(i)&19&24	(79,001)	47,546
Notes in circulation	25	564,842	781,052
Deposits from banks and others	26,27	1,346,649	663,758
Deposits of GOL and agencies	28	(841,409)	1,469,480
Other liabilities	31	261,025	39,757
Net cash from opertaing activities		1,570,695	4,243,444
Cash flows from investing activities			
Proceeds from sale of machinery & equipment	23	485	1,386
Purchase of machinery and equipment	23	(7,008)	(38,601)
Purchase of BankMaster Plus/ Swift software	21	(21,066)	(1,054)
Investment security	18	(10,490)	(24,426)
Loans and advances to GOL - long term		(170,863)	(936,390)
Net cash used in investing activities		(208,942)	(999,085)
Cash flows from financing activities			
Other borrowed funds	29	10,068	(63,309)
Net cash generated from financing activities		10,068	(63,309)
Net increase in cash and cash equivalents		1,371,821	3,181,050
Cash and cash equivalents at January 1		7,462,510	4,281,460
Cash and cash equivalents at December 31	36	8,834,331	7,462,510

Notes

1. General information

The Central Bank of Liberia (CBL) is the Central Bank of the Republic of Liberia and is incorporated under an Act of Legislature of March 18, 1999. The Board of Governors and other officers of the 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 Bank have been stated under note 1.5 below.

1.1 Capital

The minimum authorized capital of the 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 Bank. Per the provisions of the Act, the Bank is required to have a minimum paid-up capital of L$100 million.

1.2 Commitments on behalf of The Government of Liberia

Commitments on behalf of the Government of Liberia (GOL) in foreign currencies and gold, or on a gold basis, are not included in these financial statements as the CBL is concerned in such transactions only as agent.

1.3 Paid-up capital

The total paid-up capital of the Central Bank as at October 20, 1999 of L$7.6 billion (note 34) represented the book value of the net assets taken over from the erstwhile National Bank of Liberia. The principal assets which underlie the capital transfer of L$7.6 billion are two long-term loans denominated in L$ and US$ due from the Government of Liberia. The amounts are a result of transactions between the Government and the erstwhile National Bank of Liberia prior to the formation of the Central Bank of Liberia.

Notes (continued)

General information (continued)

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.

1.5 Functions of the 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.

1.7 Powers of the Bank

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

Notes (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 of the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flows Statement and the notes. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), which the CBL adopted with effect from January 1, 2008. This is the first year in which the CBL has presented its financial statements in accordance with IFRS accounting framework. Hence, December 31, 2008 is its date of first time reporting. IFRS 1, First-time adoption of IFRS has been applied in preparing these financial statements. The comparative figures for the year ended December 31, 2007 have been restated on the same basis. Reconciliation and descriptions of the effect of transition from IAAP to IFRS are disclosed in note 39 (pages 70-78).

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the CBL's accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The CBL considers itself to be a single operation and accordingly, no segmental information is included in these financial statements.

Notes (continued)

2. Summary of significant accounting policies (continued)

2.1.1 Standards, amendments and interpretations to existing standards that are not yet effective

The following standards and amendments to existing standards have been published and are mandatory for the CBL's accounting periods beginning on or after 1 January 2009 or later periods.

IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009)
(and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009)
IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures')
(effective from 1 January 2009).
IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009).
IAS 38 (Amendment), 'Intangible assets'(effective from 1 January 2009).
IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009).

2.1.2 Interpretations effective in 2008 but not relevant

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 January 2008 but is not relevant to the Central Bank of Liberia's operations:

IFRIC 12, 'Service concession arrangements'; and

IFRIC 13, 'Customer loyalty programmes'.

2.2 Foreign currency translation

a) Functional and presentation currency

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

Notes (continued)

2. Summary of significant accounting policies (continued)

b) Transactions and balances

Foreign currency and Liberia dollar transactions are converted into the functional currency (US$) using the exchange rates prevailing at the dates of the transactions. 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 Income Statement. 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 equity.

2.3 Financial assets

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

a) Loans and receivables

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

b) Held-to-maturity financial assets

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

Notes (continued)

2. Summary of significant accounting policies (continued)

2.3 Financial assets (continued)

2.3.1 Measurement of financial assets and liabilities

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.

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.

2.4 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.

2.5 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized within 'interest income' and 'interest expense' in the income statement 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. The CBL derives its interest income principally from the GOL long-term loans and investment security and its deposits with foreign banks. Interest expense is derived principally from interest accrued on loan from a commercial bank.

Notes (continued)

2. Summary of significant accounting policies (continued)

2.6 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.

2.7 Impairment of financial assets

a) Assets carried at amortized cost

The CBL assesses at each balance sheet 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.

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 income statement.

Notes (continued)

2. Summary of significant accounting policies (continued)

2.7 Impairment of financial assets (continued)

a) Assets carried at amortized cost (continued)

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 income statement.

b) Renegotiated loans

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

2.8 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 (continued)

2. Summary of significant accounting policies (continued)

2.9 Property, machinery and equipment

The CBL has adopted the cost model (historical cost) in accounting for its property, machinery and equipment in accordance with IAS 16. Historical cost includes expenditures directly attributable to the acquisition of the assets. Property, machinery and equipment 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 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. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. Property, machinery and equipment that are depreciable are depreciated on a straight-line basis.

Land is not depreciated. It is stated at cost.

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

All other assets are stated at cost less depreciation and impairment losses.

Depreciation, on a straight-line basis, is charged as follows:

Leasehold improvements: over the life of the lease

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance sheet date.

Gains and losses on disposals of property, machinery and equipment are determined by comparing proceeds with carrying amounts. These are included in the Income statement and expenses.

Notes (continued)

2. Summary of significant accounting policies (continued)

2.10 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 has adopted the cost model in accordance with IAS 40 to account for its investment property. It is held at cost less depreciation and provision for impairment and depreciated on a straight-line basis. 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. Repairs and maintenance of the building are the responsibility of the occupant whilst they use it. The CBL has assessed the useful life as 40 years. The asset's useful life is reviewed, and adjusted if appropriate, at each balance sheet date. In assessing impairment, the CBL has estimated the value of the property using an independent professional valuer.

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

2.11 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events of changes in circumstances indicate that the carrying amount may not be recoverable. 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.

Notes (continued)

2. Summary of significant accounting policies (continued)

2.12 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.

2.13 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 balance sheet 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.

2.14 Currency in circulation

Currency issued by the CBL represents a claim on the Bank in favour of the holder. The liability in respect of notes and coins in issue at the balance sheet 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 Bank.

2.15 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 income statement on a straight-line basis over the period of the lease in conformity with IAS 17.

Notes (continued)

2. Summary of significant accounting policies (continued)

2.15 Leases (continued)

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.

2.16 Cash and cash equivalents

For the purposes of the statement cash flows, cash and cash equivalents comprise balances with less than three month's maturity from the date of acquisition, including cash and balances with other Central Banks, loans and advances to banks, amounts due from other banks and short-term government securities (if any).

2.17 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.

2.18 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.

Notes (continued)

2. Summary of significant accounting policies (continued)

2.18 Employees' benefits (continued)

a) Pension obligations (continued)

The liability recognized in the balance sheet in respect of a defined benefit retirement scheme is the present value of the defined benefit obligation in respect of past service at the balance sheet 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 U.S. corporate bonds, since the obligation is quoted in United States dollars. Actuarial gains and losses arising from experience adjustments and changes in assumptions are recognized immediately in the income statement. Past service costs are recognized in administrative expenses, 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.

b) Other employee's benefits

Other employees' benefits include social security contributions and provident fund. These benefits are fixed contributions paid to publicly and privately administered entities. The Bank has no further payment obligations once the contributions have been paid. These benefits constitute a defined contribution plan.

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.

3.0 Financial Risk Management

The 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 Bank's aim is therefore to achieve an appropriate balance between risk and reward intended to minimize potential adverse effects on the Bank's financial performance, taking into account its role in policy-oriented activities.

Notes (continued)

3.0 Financial Risk Management (continued)

The 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 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.

3.1.1Credit risk measurement

Loans and advances

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

3.1.2 Risk limit control and mitigation policy

The 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 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.

Notes (continued)

3.0 Financial Risk Management (continued)

3.1.3 Impairment and provisioning policy

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

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

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

	Dec-31-08			Dec-31-07		
	Loans and advances to GOL L$000	Loans and advances to Staff L$000	Balances with Central Bank &Comm. Banks L$000	Loans and advances to GOL L$000	Loans and advances to Staff L$000	Balances with Central Bank &Comm. Banks L$000
Neither past due nor impaired	17,074,688	16,785	8,834,331	12,434,542	16,785	7,462,510
Past due but not impaired	4	-	-	3,566	-	-
Individually impaired	301	-	300	4,261,857	-	600
Gross	17,074,993	16,785	8,834,631	16,699,965	16,785	7,463,110
Less: allowance for impairment	(301)	-	(300)	(4,261,857)	-	(600)
Carrying value	17,074,692	16,785	8,834,331	12,438,108	16,785	7,462,510

The impairment provision for loan and advance to banks is for a facility granted to Liberia Bank for Development and Investment (LBDI) which has not been performing since 2002. This amount was written off in 2008.

During the period ended December 31,2008, the Bank's reported total loans and advances increased by 4% mainly as result of exchange rate effect (December-2008:64 and December-2007:62.5).

Notes (continued)

3.0 Financial Risk Management (continued)

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

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

	Dec-31	Dec-31
	L$000	L$000
Past due up to 15 days	4	3,566

(b) **Loans and advances individually impaired**

Loans and advance to banks

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

	Dec-31-2008		Dec-31-2007	
	Loans and advances to GOL	Balances with Central Bank & Comm. Banks	Loans and advances to GOL	Balances with Central Bank & Comm. Banks
	L$000	L$000	L$000	L$000
Individually impaired	301	300	4,261,857	600

(c) **Loans and advances renegotiated**

The renegotiated loans are: loans and advances to GOL-long term and investment security held-to-maturity. The loans were renegotiated on June 30, 2007. The restructuring include extended payment arrangement and renegotiation of interest rates. Following the restructuring, all outstanding interest amounts were capitalized as shown in the table below:

Notes (continued)

3.0 Financial Risk Management (continued)

(c) Loans and advances renegotiated (continued)

	Balance before Restructuring L$000	Capitalized Interest L$000	Balance after Restructuring L$000
Loans and advances to GOL	13,611,173	2,648,136	16,259,309
Investment security:Held-to-maturity	390,625	46,465	437,090
Total	14,001,798	2,694,601	16,696,399

3.1.4 Concentration of credit exposures of financial assets

	Dec-31-2008		Dec-31-2007	
	L$000	**% of financial assets**	L$000	% of financial assets
Balances with Central Banks	**6,285,666**	30.2	5,295,315	27.5
Balances with commercial banks	**1,648,505**	7.9	1,616,947	8.4
Staff loans	**14,483**	0.1	14,531	0.1
Loans and advances to GOL	**12,392,010**	59.7	11,884,593	61.8
Investment security(HTM)	**444,247**	2.1	434,131	2.2
Other receivables from GOL	**4**	0.0	3,566	0.0
	20,784,915	100.00	19,249,083	100.00

Category	Dec-31-2008	Dec-31-2007
Group 1	**7,948,654**	6,926,793
Group 2	**12,836,261**	12,322,290
Total	**20,784,915**	19,249,083

Notes (continued)

3.0 Financial Risk Management (continued)

3.1.4 Concentration of credit exposures of financial assets (continued)

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 and employees (staff loans).

Group 2

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.

3.2 Liquidity risk

Liquidity risk is the risk that the 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 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 Balance sheet, 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.

Notes (continued)

3.0 Financial Risk Management (continued)

3.2.2 Non-derivative cash flows

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are contractual undiscounted cash outflows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

As at 31 December 2008 (L$000)	**Up to 3 month**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Liabilities					
Notes in circulation	4,159,184	-		-	4,159,184
Deposits from banks (i)	457,826	592,666	-	2,986,040	4,036,532
Other deposits	8,261	-	-	-	8,261
Deposits of GOL and agencies	2,455,161	-	46,125	-	2,501,286
Commercial bank loan	-	-		814,588	814,588
Other borrowed funds	430,876	-	-	-	430,876
Other liabilities	410,762	-	-	-	410,762
Provident fund	-	35,684	-	-	35,684
Total liabilities	**7,922,070**	**628,350**	**46,125**	**3,800,628**	**12,397,173**
(contractual maturity dates)					
Total assets					
(expected maturity dates)	**8,834,335**	**-**	**16,849**	**17,074,989**	**25,926,173**

As at 31 December 2007 (L$000)	**Up to 1 month**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Liabilities					
Notes in circulation	3,594,342	-	-	-	3,594,342
Deposits from banks(i)	503,711	49,961	-	2,144,331	2,698,003
Other deposits	141	-	-	-	141
Deposits of GOL and agencies	3,306,337	-	36,358	-	3,342,695
Commercial bank loan	-	-	-	787,773	787,773
Other borrowed funds	420,808	-	-	-	420,808
Other liabilities	149,737	-	-	-	149,737
Provident fund	-	25,450	-	-	25,450
Total liabilities	**7,975,076**	**75,411**	**36,358**	**2,932,104**	**11,018,949**
(contractual maturity dates)					
Total assets					
(expected maturity dates)	**7,467,867**	**-**	**16,785**	**16,696,398**	**24,181,050**

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

Notes (continued)

3.0 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 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 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 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 Bank's exposure to interest rate risk. It includes the Bank's financial instruments at their carrying amounts, categorized by the earlier of contractual repricing or maturity date.

Notes (continued)

3.0 Financial Risk Management (continued)

3.3 Market Risk (continued)

a) Interest rate risk (continued)

As at December 31, 2008 (L$000)	Up to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Assets					
Cash and balances with central banks	6,285,666	-	-	900,160	7,185,826
Cash and balances with commercial banks	1,634,098	-	-	14,407	1,648,505
Loans and advances to GOL	-	-	12,392,010	-	12,392,010
Investment security (HTM)	-	-	444,247	-	444,247
Staff loans	-	14,483	-	-	14,483
Total financial assets	**7,919,764**	**14,483**	**12,836,257**	**914,567**	**21,685,071**
Liabilities					
Notes in circulation	-	-	-	4,159,184	4,159,184
Deposits from banks	-	-	-	4,036,532	4,036,532
Other deposits		-	-	8,261	8,261
Deposits of GOL and agencies	-	-	-	2,501,286	2,501,286
Commercial bank loan	-	-	814,588	-	814,588
Other borrowed funds	-	-	-	430,876	430,876
Other liabilities	-	-	-	410,762	410,762
Provident fund		-	-	35,684	35,684
Retirement benefit obligations	-	-	-	226,078	226,078
Total financial liabilities	**-**	**-**	**814,588**	**11,808,663**	**12,623,251**
Total interest rate repricing gap	**7,919,764**	**14,483**	**12,021,669**		

Notes (continued)

3.0 Financial Risk Management (continued)

3.3 Market Risk (continued)

a) Interest rate risk (continued)

As at 31 December 2007 (L$000)	Up to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
Assets					
Cash and balances with central banks	5,295,315	-	-	550,248	5,845,563
Cash and balances with commercial banks	1,611,422	-	-	5,525	1,616,947
Loans and advances to GOL	-	-	11,884,593	-	11,884,593
Investment security (HTM)	-	-	434,131	-	434,131
Staff loans	-	14,531	-	-	14,531
Total financial assets	**6,906,737**	**14,531**	**12,318,724**	**555,773**	**19,795,765**
Liabilities					
Notes in circulation	-	-	-	3,594,342	3,594,342
Deposits from banks	-	-	-	2,698,003	2,698,003
Other deposits	-	-	-	141	141
Deposits of GOL and agencies	-	-	-	3,342,695	3,342,695
Commercial bank loan	-	-	787,773	-	787,773
Other borrowed funds	-	-		420,808	420,808
Other liabilities	-	-	-	149,737	149,737
Provident fund	-	-	-	25,450	25,450
Retirement benefit obligations	-	-	-	174,714	174,714
Total financial liabilities	**-**	**-**	**787,773**	**10,405,890**	**11,193,663**
Total interest rate repricing gap	**6,906,737**	**14,531**	**11,530,951**		

b) Foreign exchange risk

The 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 Bank's exposure to exchange rate risk at December 31. Included in the table are the Bank's carrying amounts, categorized by currency.

Notes (continued)

3.0 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, 2008	US dollar	Liberian dollar	Total
	L$ (000)	L$ (000)	L$ (000)
Assets			
Cash and balances with Central Banks	7,185,826	-	7,185,826
Cash and balances with commercial banks	1,648,505	-	1,648,505
Loans and advances to Government of Liberia	11,645,689	746,321	12,392,010
Other receivable-GOL	4	-	4
Investment security (held-to-maturity)	444,247	-	444,247
Staff loans	14,483	-	14,483
Intangible assets	-	15,705	15,705
Investment property	-	8,779	8,779
Property, machinery and equipment	-	396,781	396,781
Other assets	155,910	165,674	321,584
Total assets	**21,094,664**	**1,333,260**	**22,427,924**
Liabilities			
Notes in circulation	-	4,159,184	4,159,184
Deposit from banks	3,426,337	610,195	4,036,532
Other deposits	134	8,127	8,261
Deposits of GOL and agencies	2,096,006	405,280	2,501,286
Other borrowed funds	429,558	1,318	430,876
Commercial bank loan	814,588	-	814,588
Other liabilities	393,662	17,100	410,762
Provident fund	35,684	-	35,684
Retirement benefit obligations	226,078	-	226,078
Total financial Liabilities	**7,422,047**	**5,201,204**	**12,623,251**
Net on balance sheet	**13,672,617**	**(3,867,944)**	**9,804,673**

Notes (continued)

3.0 Financial Risk Management (continued)

3.3 Market Risk (continued)

b) Foreign exchange risk (continued)

Concentration of currency risk on financial instruments (continued)

Analysis of Assets and Liabilities by currency

At December 31, 2007	US dollar	Liberian Dollar	Total
Assets	**L$ (000)**	**L$ (000)**	**L$ (000)**
Cash and balances with central banks	5,845,563	-	5,845,563
Cash and balances with commercial banks	1,616,947	-	1,616,947
Loans and advances to banks	-	300	300
Loans and advances to Government of Liberia	11,156,253	728,340	11,884,593
Other receivable-GOL	3,566	-	3,566
Investment security (Held-to-maturity)	434,131	-	434,131
Staff loans	14,531	-	14,531
Intangible assets	-	648	648
Investment property	-	8,873	8,873
Property, machinery and equipment	-	413,748	413,748
Other assets	166,891	71,940	238,831
Total financial assets	**19,237,882**	**1,223,849**	**20,461,731**
Liabilities			
Notes in circulation	-	3,594,342	3,594,342
Deposit from banks	2,129,533	568,470	2,698,003
Other deposits	133	8	141
Deposits of GOL and agencies	3,219,657	123,038	3,342,695
Other borrowed funds	420,808	-	420,808
Commercial bank loan	787,773	-	787,773
Other liabilities	148,131	1,606	149,737
Provident fund	25,450	-	25,450
Retirement benefit obligation	174,714	-	174,714
Total financial Liabilities	**6,906,199**	**4,287,464**	**11,193,663**
Net on balance sheet	**12,331,683**	**(3,063,615)**	**9,268,068**

Notes (continued)

3.0 Financial Risk Management (continued)

c) Sensitivity analysis

i. Sensitivity for "Foreign exchange risk"

	2008			2007		
	L$ (000)			L$ (000)		
	Balance Dec.31	Exchange rate + 2%	Exchange rate - 2%	Balance Dec.31	Exchange rate + 2%	Exchange rate - 2%
Total Assets	21,094,664	21,516,558	20,672,771	19,237,882	19,622,641	18,853,125
Movement		421,894	(421,893)		384,759	(384,757)

If the Liberian Dollar depreciated by 2% against the U.S. Dollar at December 31, 2008, financial assets denominated in U.S. Dollars would have been L$21.52 billion, L$0.42 billion higher than the December 31, 2008 figure of L$21.09 billion (December 31, 2007: L$19.62 billion, L$.38 billion higher than L$19.24 billion), financial assets denominated in U.S. Dollars would have been L$21.09 billion, L$0.42 billion lower than the December 31, 2008 figures L$21.67 billion (December 31, 2007: L$18.85 billion, L$.38 billion lower than L$19.24 billion),

	2008			2007		
	L$ (000)			L$ (000)		
	Balance Dec.31	Exchange rate + 2%	Exchange rate - 2%	Balance Dec.31	Exchange rate + 2%	Exchange rate - 2%
Total Liabilities	7,422,047	7,578,639	7,281,437	6,906,199	7,044,323	6,768,075
Movement		156,592	(140,610)		138,123	(138,124)

The financial liabilities denominated in U.S. Dollars on the Balance sheet would have been L$7.58 billion, 0.16 billion higher than the December 31, 2008 figure of L$7.42 billion (December 31, 2007: L$7.04 billion, L$0.14 billion higher than L$6.91 billion). If the Liberian Dollar appreciated by 2% against the U.S. Dollar at December 31, 2008 and financial liabilities denominated in U.S. Dollars would have been L$6.6 billion, L$0.14 billion lower than L$7.4billion at December 31, 2008 (December 31, 2007: L$6.7 billion, L$0.14 billion lower than L$6.91 billion).

ii. Sensitivity for "Interest rate risk"

	2008			2007		
	L$ (000)			L$ (000)		
	Balance Dec.31	+ 1%	1%	Dec.31	1%	Interest rate - 1%
Int. and similar income	581,099	659,418	502,780	2,033,058	2,100,211	1,965,905
Movement		78,319	(78,319)		67,153	(67,153)

Notes (continued)

3.0 Financial Risk Management (continued)

ii. Sensitivity for "Interest rate risk (continued)

If the United States Dollar interest rate on financial assets had increased by 1% (in absolute terms) at December 31, 2008 on financial assets with variable interest rates, interest and similar income would have been L$421.2 million, L$78.3 million higher than the December 31, 2008 figure of L$343 million (December 31, 2007: L$2.1 billion, L$67.2 million higher than L$2.0 billion), and if interest rate on financial assets with variable interest rates had decreased by 1% (absolute terms) at December 31, 2008, interest and similar income would have been L$264.6 million, L$78.3 million lower than the December 31, 2008 figure of L$342.9 million at December 31, 2008 (December 31, 2007: L$1.9 billion, L$67.2 million lower than L$2.03 billion).

In terms of impact on profit, increase in interest rate by 1% will increase profit by 15% to US$0.61 million. Conversely, a reduction in the interest rate will decrease the profit by 15% US$0.46 million.

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 balance sheet at their fair values:

	Carrying Value		Fair Value	
	Dec-31 2008	Dec-31 2007	**Dec-31 2008**	Dec-31 2007
Financial assets				
Cash and balances with central banks	**7,185,826**	5,845,563	**7,185,826**	5,845,563
Cash and balances with commercial banks	**1,648,505**	1,616,947	**1,648,505**	1,616,947
Loans and advances to banks	-	300	-	300
Other assets	**321,584**	238,831	**321,584**	238,831
	9,155,915	7,701,641	**9,155,915**	7,701,641
Financial liabilities				
Notes in circulation	**4,159,184**	3,594,342	**4,159,184**	3,594,342
Deposits from Banks	**4,036,532**	2,698,003	**4,036,532**	2,698,003
Deposits of GOL and agencies	**2,501,286**	3,342,695	**2,501,286**	3,342,695
Other deposits	**8,261**	8,261	**141**	141
Other borrowed funds	**430,876**	420,808	**430,876**	420,808
Other liabilities	**410,762**	149,737	**410,762**	149,737
Provident Fund	**35,684**	25,450	**35,684**	25,450
	11,582,586	10,239,296	**11,574,465**	10,231,175

(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.

Notes (continued)

3.4 Fair value of financial assets and liabilities (continued)

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.

3.5 Capital management

The Bank's objective when managing capital and reserves is to safeguard the 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 Bank and to comply with the capital requirement set by the Central Bank of Liberia Act of 1999 which is set out below:

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 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 balance sheet 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;

Notes (continued)

3.5 Capital management (continued)

Allocation of net profits (continued)

(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;

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 balance sheet of the Central Bank.

4. Critical accounting estimates and judgments in applying accounting policies

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

a) Functional and presentation currency

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

Notes (continued)

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

a) Functional and presentation currency (continued)

Accordingly, the Bank considers the United States Dollars as its functional currency for the purpose of IFRS. The financial statements are presented in Liberian Dollars (L$), which is the Bank's presentation currency. This is in keeping with requirements of Part V Section 19 of the Central Bank of Liberia Act of 1999.

b) 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 income statement, 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.

c) Held-to-maturity investment security

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

d) Property, machinery and equipment

Estimates of the future useful economic life have been made by management in determining depreciation rates for property machinery and equipment. The useful lives used have been set out in note 2.9. 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 (continued)

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

e) Investment property

Estimates of the future useful economic lives have been made by management in determining the depreciation rates for its investment property. The useful lives used have been set out in note 2.10.

f) Post employment benefits- Pension benefits

Critical estimates have been made by management in determining the actual liability of the post-employment benefits. The key assumptions are set in notes 2.18 and 33.

The liability for post employment benefits is sensitive to the assumptions made. In Liberia there is limited data available on which to make the actuarial assessment, including the assumptions necessary. In particular details of mortality are not available and there are no long tem securities to give a benchmark discount rate. Furthermore there is limited experience of staff turnover patterns at the CBL. These factors make the actuarial assumptions more than usually uncertain. Management has taken professional actuarial advice in determining the assumptions and the quantum of the liability.

5. Tax

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

6. Adoption of IFRS as an accounting framework of reporting

The Board of Governors of the Central Bank of Liberia passed a resolution in 2006 to fully adopt the International Financial Reporting Standards (IFRS) as the accounting framework under which to report the financial statements for the year ending December 31, 2008 (year of first time reporting).

The following standards impacted the financial statements for the year ended December 31, 2008.

- IFRS 1 First time adoption
- IFRS 7 Financial Instruments: Disclosures (effective January 1, 2007)
- IAS 7 Cash flow statements
- IAS 8 Accounting policies, changes in accounting estimates and errors
- IAS 16 Property, plant and equipment
- IAS 17 Leases
- IAS 18 Revenue
- IAS 19 Employee benefits

Notes (continued)

6. Adoption of IFRS as an accounting framework of reporting (continued)

- IAS 20 Accounting for Government and Disclosure of Government Assistance
- IAS 21 The effects of changes in foreign exchange rates
- IAS 24 Related party disclosures
- IAS 32 Financial Instruments: Presentation
- IAS 36 Impairment of assets
- IAS 37 Provisions, contingent liabilities and contingent assets
- IAS 38 Intangible assets
- IAS 39 Financial Instruments: recognition and measurement
- IAS 40 Investment property

Notes (continued)

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

7. Net interest income

	Year-ended Dec-31-08 L$'000'	Year-ended Dec-31-07 L$'000'
GOL loans and advances	167,934	1,735,452
Investment Security-held-to-maturity	43,212	40,081
Deposits and staff loans	131,819	257,525
Unwinding of discount element of credit impairment for GOL loans and staff loan (note 17& 19)	238,134	-
	581,099	2,033,058
7(i) Interest expense		
Local Banks:		
Interest Expense-TRADEVCO loan	7,636	7,552
Interest Expense-IBLL placement	-	1,061
	7,636	8,613

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

8. Fees and commissions

Service fees and commissions	178,689	160,205
Foreign exchange commission	-	2,000
Notes transfer fees	1,236	2,548
	179,925	164,753

Other income

Rental income	579	853
Other income-fines	575	235
Other miscellaneous income	20,952	50,807
	22,106	51,895

Notes (continued)

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

10. Administrative expenses

	Year-ended Dec-31-08 L$'000'	Year-ended Dec-31-07 L$'000'
Staff costs	195,254	158,998
Board fees and expenses(ii)	9,706	8,457
Depreciation/Amortization(iii)	46,404	29,127
Other administrative expenses(iv)	172,246	159,532
	423,610	356,114
Staff costs:		
Salaries & wages	142,831	118,137
Social security contibution	5,237	4,468
Pension cost: (note 33)		
Current service cost	35,955	28,285
Interest cost	10,502	8,089
Severance benefits	729	19
	195,254	158,998
(ii) Board fees and expenses		
Board fees	8,451	6,298
Board entertainment	71	132
Others	1,184	2,027
	9,706	8,457
(iii) Depreciation/amortization		
Depreciation on equipments	28,561	9,752
Depreciation on furnitures and fixtures	3,059	1,076
Depreciation on vehicles	4,530	11,526
Amortization on leasehold properties	3,529	3,655
Amortization on banking software	6,461	2,863
Depreciation on real estate	264	255
	46,404	29,127
(iv) Other administrative expenses		
Other personnel cost	30,252	45,192
Property cost/occupancy	34,785	30,759
Office expenses	14,180	13,186
Professional services	41,498	23,275
Travel expenses	7,625	8,347
Others miscellaneous expenses	43,906	38,773
	172,246	159,532

Notes (continued)

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

10. Administrative expenses (continued)

Included in professional services is the following:

	Year-ended Dec-31-08 L$'000'	Year-ended Dec-31-07 L$'000'
Fees paid to auditors:		
- Audit of the bank's financial statement	6,824	6,958
Other assurance services	7,636	-
Sub-total for audit services	14,460	6,958
Other-non audit services:		
- Accounting advice on IFRS	7,217	-
Total	21,677	6,958

11. Other operating expenses

	Year-ended Dec-31-08 L$'000'	Year-ended Dec-31-07 L$'000'
Currency expense		
Notes importation cost	47,983	36,663
Mute exportation cost	6,235	7,266
Cost of destroying banknotes	280	194
Amortization of currency printing cost-banknotes	120,991	154,147
	175,489	198,270

12. Impairment losses on financial assets

	Year-ended Dec-31-08 L$'000'	Year-ended Dec-31-07 L$'000'
GOL-Long Term Loan	-	4,258,980
Investment Security-Held-to-maturity	301	2,876
Staff Loan	-	34
	301	4,261,890

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

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

Notes (continued)

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

13. Impairment release/(charge) on non-financial assets

	Year-ended Dec-31-08	Year-ended Dec-31-07
Impairment charge:		
Uncompleted building-work-in-progress	-	(8,314)
Impairment release:		
Uncompleted building-work-in-progress	8,314	-
Impairment release/(charge)	8,314	(8,314)

14. Cash and balances with Central Banks

Cash on hand and in vault	979,452	597,049
Cash balances at rural branches	192,055	73,378
Balances with other Central Banks	6,285,666	5,295,315
Less: Liberian Dollars in vault & cash centers	(271,347)	(120,179)
	7,185,826	5,845,563

15. Cash and balances with commercial banks

Balances with local banks	14,407	5,525
Balances with foreign banks (commercial)	1,634,098	1,611,422
	1,648,505	1,616,947

16. Loan and advances to banks

Loans, advances, & overdraft	300	300
Time deposit in local banks	-	600
Less: allowance for impairment	(300)	(600)
	-	300

Notes (continued)

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

17. Loans to the Government of Liberia

	As at Dec-31-08 L$'000'	As at Dec-31-07 L$'000'
Loans and advances to Government of Liberia	16,627,409	16,259,309
Less :		
At January 1	(4,374,716)	-
Release/(charge) during year	237,936	(4,258,980)
Exchange difference	(98,619)	(115,736)
At December 31	(4,235,399)	(4,374,716)
Carrying value	12,392,010	11,884,593
17(i) Other receivables-GOL		
GOL-Service charges	4	3,566

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

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

Notes (continued)

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

18. Investment security: Held-to-maturity

	As at Dec-31-08 L$'000'	As at Dec-31-07 L$'000'
Investment security:Held-to-maturity	447,580	437,090
Less:		
At January 1	(2,959)	-
Charge during the year	(301)	(2,877)
Exchange difference	(73)	(82)
At December 31	(3,333)	(2,959)
Carrying value	444,247	434,131

Investment security: Held-to-maturity

These are six promissory notes, which were intended to secure payment of L$200 million (equivalent to US$ 5 million at the exchange rate at the time of issue) by the Government of Liberia as capital contributions to the CBL. The notes fell due on April 30 and October 20 commencing October 20, 2001, with the final note due to mature on April 20 2004. During 2007, the notes were renegotiated with the GOL and the following terms agreed. The new loan agreement provides for a moratorium period of ten (10) years for principal repayment. Repayment of the principal is spread equally over the remaining twenty (20) years beginning June 2017 at an annual interest rate of 10%. The CBL is currently holding these instruments until maturity, although the GOL as issuer can repay them early. They are currently held at cost less provision for impairment. In assessing the impairment, the CBL has taken the estimated present value of the future cash flows, based on the agreed repayment dates, and regards this as the appropriate carrying amount for the notes in the balance sheet.

Notes (continued)

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

19. Staff loans

	As at Dec-31-08 L$'000'	As at Dec-31-07 L$'000'
Staff loans	16,785	16,975
Less:		
At January 1	(2,444)	(2,293)
Release/(charge)	198	(34)
Exchange difference	(56)	(117)
At December 31	(2,302)	(2,444)
Carrying value	14,483	14,531

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

Foreign Currency Investments and Claims		
IMF Quota Subcription	13,112,026	6,683,477
SDR Holdings	1,439,209	-
Accrued Interest on SDR Holdings	1,418	-
Total Assets	14,552,653	6,683,477
Liabilities:		
Foreign Currency Liabilities to International Financial Institutions		
SDR Allocations	2,131,922	1,969,142
Liabilities to Non-Residents:		
IMF No.1 Account	3,919,180	25,407,449
IMF No. 2 Account	1,245	1,150
Securities Account	43,975,971	-
Accrued charges on use of credit fund (GRA Credit)	143,265	151,753
Accrued charges on SDR Allocations	4,068	28,212
PRGF Loans	21,744,447	-
Acrued Interest on PRGF Loan	297	-
IMF Trust Fund Loan	-	2,145,642
IMF Overdue Charges-GRA Credit	-	26,253,708
IMF Overdue Charges-Trust Fund	-	732,596
IMF Overdue Charges-SDR	-	2,775,996
IMF Accrued Charges-Trust Fund	-	118
Total Liabilities	71,920,395	59,465,766
GOL net position with the IMF	(57,367,742)	(52,782,289)

Notes (continued)

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

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

Relationship

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

With reference to the guidelines of the Financial Organizational and Operations manual of the IMF, the Central Bank of Liberia uses the gross method of presenting the assets and liabilities arising from the GOL's membership with the Fund. The IMF recommends the use of the gross method for a country whose depository and fiscal agent are the same. The position in the General Department is presented on a gross basis if the IMF No.1, No.2, and Securities Accounts are shown as liabilities and the member's quota is shown as an asset.

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

General resource account (GRA)

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

Notes (continued)

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

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

Trust fund loan

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

Special drawing rights holdings and allocation

SDR's are interest-bearing assets allocated by the IMF to each participant in the Special Drawing Rights Department to meet various global operating needs of the Fund as and when they arise, as a supplement to the Fund's existing reserves. Although participation in the SDR department is voluntary, all member countries are participants. SDR's are allocated by the IMF to members participating in the SDR department in proportion to their quotas to the Fund at the time of allocation. The arrears clearance resulted in a balance of SDR 8,341,601 in the Liberia's SDR holdings account. The accrued interest on SDR holdings is based on the weekly SDR interest rate and is accrued on a daily basis. The interest payable on SDR allocations is based on the weekly SDR interest rate and is accrued daily.

PRGF loan and interest

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

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

Notes (continued)

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

21. Intangible assets

	Software		
	Bankmaster Software	Swift System	Total
At December 31, 2008:			
Opening net book value	-	**648**	**648**
Additions	21,066	-	21,066
Amortization charge	(5,852)	(610)	(6,462)
Exchange difference	491	(38)	453
Closing net book value	**15,705**	**-**	**15,705**
At December 31, 2008:			
Cost	45,092	1,508	46,600
Accumulated amortization	(29,387)	(1,508)	(30,895)
Net book value	**15,705**	**-**	**15,705**
At January 1, 2007:			
Cost	21,705	391	22,096
Accumulated amortization	(20,686)	(66)	(20,752)
Net book value	1,019	325	1,344
At December 31, 2007:			
Opening net book value	1,019	325	1,344
Additions	-	1,054	1,054
Amortization charge	(2,143)	(719)	(2,862)
Exchange difference	1,124	(12)	1,112
Closing net book value	-	648	648
At December 31, 2007:			
Cost	22,799	1,473	24,272
Accumulated amortization	(22,799)	(825)	(23,624)
Net book value	**-**	**648**	**648**

A
s explained in note 2.8, the CBL has adopted the cost model in accordance with IAS 38 to account for its intangible assets. On initial recognition, intangible assets are measured at cost. Subsequent costs are capitalized only when it is probable that future economic benefits attributable to the asset will flow to the Bank, and the cost of the asset can be measured reliably. They are stated at cost less accumulated amortization. Intangible assets consist of BankMaster Plus software used by the CBL. The costs of the software include acquisition, installation and other major cost associated with getting it ready for use. These costs are amortized on the basis of the expected useful lives of the software, which is 3 years. Costs associated with maintaining software programs are recognized as an expense when incurred. Intangible assets are tested annually for impairment when there are indications that impairment may have occurred. There was no impairment identified in 2008 (2007: nil).

Notes (continued)

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

22. Investment property

	TOTAL
At Decenber 31, 2008:	
Opening net book value	8,873
Charge	(264)
Exchange difference	170
Closing net book value	**8,779**
At Dec 31, 2008:	
Cost	12,293
Accumulated depreciation	(3,514)
Net book value	**8,779**
At January 1, 2007:	
Cost	11,979
Accumulated depreciation	(2,748)
Net book value	**9,231**
At December 31, 2007:	
Opening net book value	9,231
Additions	-
Disposals	(248)
Charge	(254)
Exchange difference	144
Closing net book value	**8,873**
At December 31, 2007:	
Cost	12,005
Accumulated depreciation	(3,132)
Net book value	**8,873**

Notes (continued)

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

22. Investment property (continued)

As explained in note 2.10, the CBL has adopted the cost model in accordance with IAS 40 to account for its investment property. The cost model measures investment property at cost less accumulated depreciation and impairment losses. Investment property is annually fair valued to assess for impairment. In assessing for impairment of its investment property, management hired an independent professional appraiser, AEP Consultants Incorporated to determine its recoverable amount. The recoverable amount was determined using the Market and Income Valuation Techniques. Market valuation is an analysis by comparison of sales of comparable properties to obtain sales values related to the property being appraised. The income valuation technique was used to determine the value in use. The income valuation technique is a method of capitalizing net operating income from land and buildings. This method is usually applicable to income generating properties. Value is calculated from the present worth of a stream of income over the remaining life of the building at a discount rate (14.5%) added to the present worth of the reversion of the land (and/or improvement) over the same period. Based on the valuation, the recoverable amount has been determined to be L$22 million. The recoverable amount, when compared with the carrying amount (note 22) indicates no impairment. Accordingly, no impairment has been recognized in 2008 (2007: nil).

Notes (continued)

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

23. Property, machinery and equipment

	Land	Work-in-progress	Lease-hold Improvement	Furn. & fixt.	Equipments	Motor vehicles	Total
At December 31, 2008							
Opening net book value	**31,793**	**295,921**	**14,712**	**5,926**	**46,292**	**19,104**	**413,748**
Additions	-	-	-	1,608	5,338	62	7,008
Disposals	-	-	-	(523)	(621)	-	(1,144)
Charge for the year	-	-	(3,529)	(3,059)	(28,561)	(4,530)	(39,679)
Release of impairment	-	8,314	-	-	-	-	8,314
Exchange difference(Net)	763	11,982	(1,765)	(982)	(1,602)	138	8,534
Closing net book value	**32,556**	**316,217**	**9,418**	**2,970**	**20,846**	**14,774**	**396,781**
At December 31, 2008							
Cost	32,556	316,217	60,371	77,705	70,957	46,847	604,653
Accumulated depreciation	-	-	(50,953)	(74,735)	(50,111)	(32,073)	(207,872)
Net book value	**32,556**	**316,217**	**9,418**	**2,970**	**20,846**	**14,774**	**396,781**
At January 1, 2007							
Cost	30,267	294,280	56,126	75,723	87,535	34,399	578,330
Accumulated depreciation	-	-	(36,682)	(69,088)	(59,501)	(14,656)	(179,927)
Net book value	**30,267**	**294,280**	**19,444**	**6,635**	**28,034**	**19,743**	**398,403**
At December 31, 2007							
Opening net book value	**30,267**	**294,280**	**19,444**	**6,635**	**28,034**	**19,743**	**398,403**
Additions	-	-	-	381	26,781	11,439	38,601
Disposals	-	(286)	-	-	(15)	(726)	(1,027)
Depreciation charge	-	-	(3,655)	(1,076)	(9,752)	(11,526)	(26,009)
Impairment charge		(8,314)	-	-	-	-	(8,314)
Exchange difference(Net)	1,526	10,241	(1,077)	(14)	1,244	174	12,094
Closing net book value	**31,793**	**295,921**	**14,712**	**5,926**	**46,292**	**19,104**	**413,748**
At December 31, 2007							
Cost	31,793	295,921	58,956	79,925	119,321	45,688	631,604
Accumulated depreciation	-	-	(44,244)	(73,999)	(73,029)	(26,584)	(217,856)
Net book value	**31,793**	**295,921**	**14,712**	**5,926**	**46,292**	**19,104**	**413,748**

Notes (continued)

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

23. Property, machinery and equipment (continued)

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.

Incomplete building (Work in-process)

The CBL has a partially completed new office building in Monrovia, on which construction was abandoned in 1990. In assessing for impairment on this building, management hired an independent professional appraiser, AEP Consultants Incorporated to determine its recoverable amount. The recoverable amount was determined using the Cost-to-Reproduce valuation technique. The Cost-to-Reproduce valuation technique is a valuation based on determining the current cost of property replacement and depreciating in terms of the present condition of the property. Based on the valuation, it has been determined that the recoverable amount of the building (L$346million) exceeds its carrying amount (note 23). This is indicative that the building is not impaired. Accordingly, no impairment has been recognized in 2008. In 2007, annual valuation of the uncompleted building showed that the recoverable amount (L$295,920 million) was less than its carrying amount (note 23), thus indicating that the building was impaired. The impairment loss was recognized in the income statement and subsequently reversed in 2008 as a result of appreciation of the value of the building.

Notes (continued)

(All amounts in thousands of Liberian Dollars unless otherwise stated

23. Property, machinery and equipment (continued)

Disposals of machinery and equipment

	As at Dec-31-08 L$000	As at Dec-31-07 L$000
Cost	29,617	2,312
Accumulated depreciation	(28,473)	(1,285)
Net book value	1,144	1,027
Proceed from disposal	485	1,386
(Loss)/gain on Disposal	(659)	359

24. Other assets

Accounts receivable(i)	1,972	1,693
Prepaid expenses(ii)	90,073	119,638
Clearing checks(iii)	69,757	48,681
Deferred currency cost(iv)	159,782	68,819
	321,584	238,831
(i) Accounts receivable		
Due from others	12,485	12,086
Other receivables	986	827
	13,471	12,913
less provision:		
Allowance for bad debt-Belle Dunbar	(11,220)	(11,220)
Allowance for other debtors	(279)	-
	(11,499)	(11,220)
Net book value	1,972	1,693
(ii) Prepaid expenses		
Rent	5,660	6,172
Insurance	-	420
Others	7,234	9,087
Advances to currency printer	77,179	103,959
	90,073	119,638

Notes (continued)

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

24. Other assets (continued)

	As at Dec-31-08 L$000	As at Dec-31-07 L$000
(iii) Clearing checks		
Items for clearing	69,757	48,681
	69,757	48,681
(iv) Deferred currency cost		
Cost incurred		
Liberian banknotes	159,782	68,819
Liberian coins	46,643	45,550
	206,425	114,369
Less amortization:		
Liberian coins	46,643	45,550
	46,643	45,550
Net book value	159,782	68,819

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

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

Notes (continued)

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

25. Notes in circulation

	As at Dec-31-08 L$000	As at Dec-31-07 L$000
L$5	516,328	514,186
L$10	560,110	492,463
L$20	1,285,715	1,085,676
L$50	1,120,507	889,086
L$100	924,821	710,060
Total currency notes	4,407,481	3,691,471
Coins	23,050	23,050
Less:		
Liberian Dollars held by the Bank and payment centers	(271,347)	(120,179)
Notes in circulation	4,159,184	3,594,342

26. Deposits from banks

	Dec-31-08	Dec-31-07
Reserve requirement-operating banks	2,967,259	2,125,550
Current accounts-operating banks	449,007	495,132
Current accounts-non operating banks	592,666	49,961
Reserve requirement-Non-operating banks	18,781	18,781
Collection accounts failed banks	8,819	8,579
	4,036,532	2,698,003

27. Other deposits

	Dec-31-08	Dec-31-07
Forex bureau deposits	8,261	141

28. Other deposits

	Dec-31-08	Dec-31-07
Demand deposits-central government	724,301	2,374,613
Withholding taxes payable	5,382	4,761
Demand deposits-individual ministries & agencies	1,175,937	611,242
Other government related deposits	424,817	193,920
SME loans	124,724	121,801
State owned enterprises	46,125	36,358
	2,501,286	3,342,695

29. Other borrowed funds

	Dec-31-08	Dec-31-07
West African Monetary Agency(WAMA)	319,098	311,619
Other foreign banks	111,778	109,189
	430,876	420,808

Notes (continued)

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

29. Other borrowed funds (continued)

Other borrowed funds

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

Other Foreign banks

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

30. Commercial bank loan

	As at Dec-31-08	As at Dec-31-07
	L$000	L$000
At January 1	787,773	742,608
Interest	7,636	7,552
Exchange difference	19,179	37,613
At December 31	**814,588**	787,773

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

Notes (continued)

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

31. Other liabilities

	As at Dec-31-08 L$'000'	As at Dec-31-07 L$'000'
Accounts payables(i)	168,278	101,560
Others(ii)	242,484	48,177
	410,762	149,737
(i) Accounts payables		
Official checks-CBL	15,981	16,231
Unearned Income	17,535	3,223
Managers' checks-CBL	73,290	27,187
Stale Checks Payable	1,945	124
Due to staff	6,203	3,988
Accrued expenses	53,324	50,807
	168,278	101,560
(ii) Others		
Accounts Payable CCI - Foreign	-	172
Additional Commercial Losses Payable	1,216	1,188
Commercial bank Mutes	373	37,481
Sarah K. Howard Testate Estate	9,024	8,813
Dormant Demand Deposit-others	523	523
Special suspense account	231,348	-
	242,484	48,177
32. Provident fund		
At January 1	25,450	14,497
Contribution during the year	10,535	9,155
Interest earned	578	973
Payments	(2,479)	-
Exchange difference	1,600	825
At December 31	35,684	25,450

Notes (continued)

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

33. Retirement benefit obligations

	As at Dec-31-08 L$000	As at Dec-31-07 L$000
Balance Sheet :		
Pension benefits	226,078	174,714
Income Statement :		
Pension benefits	6,530	-
	6,530	-
Pension benefits		
The amount recognized in the balance sheet are determined as follow:		
Present value of unfunded obligations:		
Staff pension scheme	225,812	174,472
Ex-gratia pension scheme	266	242
Liability in the balance sheet	226,078	174,714
The movement in the defined benefit obligation over the year is as follows:		
At January 1	174,714	130,714
Current service cost	35,955	28,285
Interest cost	10,502	8,089
Actuarial loss	6,530	-
Benefits paid	(6,250)	-
Exchange difference	4,627	7,626
At December 31	226,078	174,714
The amounts recognized in the income statement:		
Current service cost	35,955	28,285
Interest cost	10,502	8,089
Total included in staff costs (note 10)	46,457	36,374
Actuarial loss	6,530	-
Total included in income statement	6,530	-

Notes (continued)

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

33. Retirement benefit obligations (continued)

The principal actuarial assumptions used were as follows:

	December-31 2008	December-31 2007
Discount rate	4%	5%
Rate of salary increases	3%	5%
Rate of inflation	2%	3%

Mortality

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

34. Stated capital

	As at Dec-31-08 L$'000'	As at 31-Dec-07 L$'000'
Paid-in-capital	7,398,587	7,398,587
Subscribed capital	200,000	200,000
	7,598,587	7,598,587

The capital of the CBL is owned exclusively by the Government of Liberia. Since the GOL is ultimately entitled to all the net assets of the CBL, the entire capital has been recognized as equity. The minimum authorized capital of the CBL is L$400 million. The amount may be increased by an amendment to the CBL Act, as shall be proposed by the Board of Governors to the National legislature. The Act requires the bank to have a minimum paid-up capital of L$100 million. The consideration for the paid-up capital was the net book value of assets and liabilities taken over from the National bank of Liberia on the establishment of the CBL.

Notes (continued)

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

34. Stated Capital (continued)

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

35. General reserve

	As at Dec-31-08 L$'000'	As at Dec-31-07 L$'000'
General banking reserve	2,206,086	1,669,481
	2,206,086	1,669,481
Movement in reserve were as follows:		
At January 1	1,669,481	4,955,965
Total income/(deficit) transfered	177,878	(2,583,495)
Exchange difference on translation to presentation currency	358,727	(702,989)
At December 31	2,206,086	1,669,481

Cash and cash equivalent		
Balances with central banks	7,185,826	5,845,563
Balances with local banks	14,407	5,525
Balances with foreign banks (commercial)	1,634,098	1,611,422
	8,834,331	7,462,510

36. Cash and cash equivalent

Cash and cash equivalent		
Balances with central banks	7,185,826	5,845,563
Balances with local banks	14,407	5,525
Balances with foreign banks (commercial)	1,634,098	1,611,422
	8,834,331	7,462,510

Notes (continued)

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

37. Contingent liabilities and commitments

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

Legal proceedings

i) Debt Action

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

a) Construction of Defense Building

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

b) Purchase of Aircraft

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

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

ii) Other litigations

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

Notes (continued)

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

37. Contingent liabilities and commitments (continued)

a) Labor Matters

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

b) The action debt and damages suits

The CBL is a defendant in cases for alleged damages and debts relating to default on lease agreements, and special and general damages against an estate. The estimated amount of the claims relating to the lease agreements and damages is approximately US$5.7 million, of which US$200 thousand represents debt claims. The CBL considers that there may be merit in the claim for the debts, but not on the damages claims. As the outcome is uncertain, no provision has been made in these financial statements.

c) Fraud matters

During the year under review, there was collusion between some tellers of the CBL and some staff of the Ministry of Finance to perpetrate fraud involving the re-encashment of the Government of Liberia salary checks. The matter is currently being investigated by the National Security Agency. The outcome of the investigation is uncertain and therefore, the amount involved as well as the responsibility for the liability cannot be ascertained with any degree of certainty.

Notes (continued)

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

37. Contingent liabilities and commitments (continued)

(iii) Operating lease commitments-minimum lease payment

	As at Dec-08	As at Dec-07
Land and Building	**L$000**	L$000
At the year end, minimum lease payments under non-cancellable operating leases were:		
Expiring within one year	531	12
Between one and two years	211	-
Between one and three years	135	3
	877	15

38. Related party transactions

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

Interest income earned during the year

	As at Dec-31-08	As at Dec-31-07
	L$000	L$000
GOL loans and advances	167,934	1,735,451
GOL investment security:Held-to-maturity	131,819	40,081
	299,753	1,775,532

Notes (continued)

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

38. Related party transactions (continued)

Year to date balances resulting from related party transactions:

	As at Dec-31-08 L$000	As at Dec-31-07 L$000
Receivables from related party:		
Due from Government of Liberia- short term loan	4	3,566
Due from Government of Liberia- long term loan (notes 17&18)	17,074,989	16,696,398
	17,074,993	16,699,964
Payables to related party:		
Deposits of GOL and agencies	2,501,286	3,342,695
	2,501,286	3,342,695

Key management personnel

Governors, Non-Executive Directors and other key management personnel

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

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

	As at Dec-31-08 L$000	As at Dec-31-07 L$000
Loan outstanding at January 1	1,257	1,033
Loan granted during the year	480	1,575
Loan repaid during the year	(566)	(1,351)
Loan outstanding at December 31	1,171	1,257
Interest income earned	29	62

Notes (continued)

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

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

No provisions have been recognized in respect of loans given to related parties

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

Remuneration of key management personnel

	As at Dec-31-08	As at Dec-31-07
Salaries and short term benefits	47,516	42,308
Post employment benefit	2,278	-
	49,794	42,308

Average number of employees

The average number of employees as at December 31, 2008 was 156 (2007: 143).

Other entities with links to the CBL

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

Notes (continued)

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

39. Transition from International Accepted Accounting Practices (IAAP) to IFRS reporting

The Central Bank financial statements up to December 31, 2006, were based on International Accepted Accounting Practices.

In preparation for the first time adoption of the IFRS, the Bank decided as part of its transitional arrangements, to adopt a number of new accounting policies, consistent with the IFRS in the preparation of the financial statements for the year ended December 31, 2007.

The Bank adopted International Financial Reporting Standards (IFRS) with effect from 1 January 2008.

The Bank has applied IFRS 1 (first time adoption) in the transition to IFRS, which requires that the same accounting policies to be used in the opening IFRS balance sheet and throughout all years presented in the first financial statements.

The notes to reconciliations below describe the differences resulting from the adoption of IFRS. The comparative figures shown here are consistent with the previously published information.

i) Reconciliation of income/ (deficit) from IAAP to IFRS for the year ended December 31, 2007

	Year ended Dec-31-07
	L$000
Income previously reported	2,519,869
Post employment benefits	(36,373)
Amortized cost adjustment/release on financial assets	(4,261,890)
Impairment charge on non- financial assets	(8,314)
Item previously recognized as prior year adjustments	(2,622)
De-recognition of exchange difference previously reported	(794,165)
Deficit now reported	**(2,583,495)**

Notes (continued)

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

39. Transition from International Accepted Accounting Practices (IAAP) to IFRS reporting

a) Reconciliation of income statement as at December 31, 2007

		IAAP	Effect of Transition to IFRS		IFRS
	Note	Dec. 31, 2007	effect of reclassi-fication	effect of remeasure-ment	Dec. 31, 2007
Interest income		2,033,058	-	-	**2,033,058**
Interest expense		(8,613)	-	-	**(8,613)**
Fees and commissions	(i)	162,753	2,000	-	**164,753**
Other income	(i)	848,059	(2,000)	(794,164)	**51,895**
Administrative expenses	(ii)&(iii)	(479,238)	162,120	(38,996)	**(356,114)**
Other operating expenses	(ii)&(iii)	(36,150)	(162,120)	-	**(198,270)**
Amortized cost adjustment on financial assets	(iv)	-	-	(4,261,890)	**(4,261,890)**
Impairment charge on non-financial assets	(v)	-	-	(8,314)	**(8,314)**
		2,519,869	**-**	**(5,103,364)**	**(2,583,495)**

Explanation of the reconciling items

i) The amount of L$2 million representing fees earned on foreign exchange transactions initially classified as other income is now classified as fees and commission for fair presentation. The amount L$794.16 million representing exchange difference previously reported has been de-recognized in accordance with IAS 21.

ii) The amount of L$198.27 million previously classified as currency expense under administrative expenses has been reclassified as other operating expenses for fair presentation. This amount represent the cost of notes importation, mutilated note exportation cost, cost of destroying banknotes and amortization of currency printing cost .An amount of L$36.15 million previously classified as other operating expenses has been classified as administrative expenses. The net of these two amounts is L$162.12 million.

Notes (continued)

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

39. Transition from International Accepted Accounting Practices (IAAP) to IFRS reporting (continued)

b) Reconciliation of income statement as at December 31, 2007(continued)

Explanation of the reconciling items (continued)

iii) In compliance with IAS 19 (employees, benefits), the amount of L$36.376 million representing the additional cost of employees' benefit (current service cost and interest cost) has been charged to administrative expenses. The amount of L$2.62 million previously recognized as prior year adjustment, has been recognized as other administrative expenses in accordance with IAS 8.

iv) In compliance with IAS 39 which calls for the fair valuing of financial assets, the amount of L$ 4.48 billion representing impairment charges on investment security: Held-to-maturity, loans and advances to GOL and staff loans has been charged to the income statement.

In compliance with IAS 39, which calls for the fair valuing of financial assets, the amount of L$ 0.22 million representing amortized cost adjustment (impairment releases) on loans and advances to GOL, investment security: Held-to-maturity and staff loans has been recognized in the income statement.

v) In compliance with IAS 36, which was calls for the recognition of impairment on assets and when the recoverable amount exceeds its carrying amount, the amount of L$8.3million represents impairment charge on the bank's uncompleted building under Capital-Work-In-Progress.

Notes (continued)

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

39. Transition from International Accepted Accounting Practices (IAAP) to IFRS reporting (continued)

c) Reconciliation of net asset at January 1, 2007

		IAAP	Effect of Transition to IFRS		IFRS
Assets	**Note**	**Dec. 31, 2006**	**effect of reclassi-fication**	**effect of remeasure-ment**	**Jan. 1, 2007**
Cash and balances with banks	(i)	4,282,060	(4,282,060)	-	-
Cash and balances with central banks		-	4,279,769	-	**4,279,769**
Cash and balances with commercial banks		-	1,691	-	**1,691**
Loans and advances to banks		26,114	600	-	**26,714**
Loans and advances to GOL-short term	(ii)	980,333	(971,163)	-	**9,170**
Loans and advances to GOL-long term	(iii)	12,991,335	930,375	1,401,209	**15,322,919**
Staff loans	(iv)	-	18,124	(2,293)	**15,831**
Investment security:Held-to-maturity	(ii)&(v)	-	412,663	-	**412,663**
Subscription receivable	(v)	371,875	(371,875)	-	-
Intangible assets	(vi)	22,760	-	(21,416)	**1,344**
Investment property	(vi)	8,533	-	698	**9,231**
Property plant and equipment	(vi)	284,305	-	114,098	**398,403**
Other assets	(vii)	283,972	(18,124)	13,776	**279,624**
Total assets		**19,251,287**	**-**	**1,506,072**	**20,757,359**
Liabilities					
Notes in circulation		2,813,290	-	-	**2,813,290**
Deposits from banks		2,034,386	-	-	**2,034,386**
Deposits of GOL and agencies		1,873,215	-	-	**1,873,215**
Other borrowed funds		-	484,117	-	**484,117**
Other liabilities	(viii)	645,839	(537,795)	1,936	**109,980**
Commercial bank loan		742,608	-	-	**742,608**
Provident Fund		-	14,497	-	**14,497**
Retirement benefit obligations	(ix)	-	50,520	80,194	**130,714**
Total Liabilities		**8,109,338**	**11,339**	**82,130**	**8,202,807**
Equity					
Share capital	(x)	7,609,926	(11,339)	-	**7,598,587**
General reserves		3,532,023	-	1,423,942	**4,955,965**
Total Equity		**11,141,949**	(11,339)	**1,423,942**	**12,554,552**
Total Equity and Liabilities		**19,251,287**	**-**	**1,506,072**	**20,757,359**

Notes (continued)

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

39. Transition from International Accepted Accounting Practices (IAAP) to IFRS reporting (continued)

c) Reconciliation of net asset at January 1, 2007(continued)

Explanation of the reconciling items

i) Cash and balances with banks of L$ 4.28 billion previously classified as cash and balances with banks has been reclassified in as follows: cash and balances with central banks of L$ 4.28 billion, cash and balances with commercial banks of L$1.69million and loans and advances to banks of L$ 0.60 million.

ii) The amount of L$971.16 million accounting for outstanding interest receivable on loans and advances to GOL- long term and investment security-held-to-maturity has been reclassified as loans and advances to GOL of L$930.38 million and Investment security-held-to-maturity of L$40.79 millions in compliance with IAS 39 which calls for the initial recognition of financial assets at fair value and subsequently at amortized cost.

iii) The amount of L$1.40billion accounts for effect of re-measurement of loans and advances to GOL-long term in compliance with IAS 39.

iv) In compliance with IAS 39 which calls for the fair valuing of financial assets, the amount of L$2.29 million accounts for impairment on staff loans.

v) Subscription receivable of L$371.86 million representing six promissory notes intended to secure payment of L$200 million by the Government of Liberia as its capital contribution to the CBL has been reclassified as Investment security-held-to-maturity.

Notes (continued)

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

39. Transition from International Accepted Accounting Practices (IAAP) to IFRS reporting (continued)

b) Reconciliation of net asset at January 1, 2007 (continued)

Explanation of the reconciling items (continued)

vi) In compliance with IFRS 1, which calls for adherence to the recognition and de-recognition criteria for elements of the financial statements at the date of transition, the amount of L$22 million representing staff training cost has been de-recognized. In compliance with IAS 21, which calls for the translation of non-monetary assets and liabilities into the presentation currency using the closing rates when an entity's functional currency differs from its presentation currency, the amount of L$0.18million represents exchange difference on the translation of intangible assets; the amount of L$0.69 million represents exchange difference on the translation of investment property; and the amount of L$114.09 million represents exchange difference on the translation of property, machinery and equipment.

vii) The amount of L$18.12 million previously classified as other assets has been reclassified as staff loans. In compliance with IAS 21, which calls for the translation of non-monetary assets and liabilities into the presentation currency using the closing rates when an entity's functional currency differs from its presentation currency at the date of reporting, the amount of L$13.80 million represents exchange difference on the translation of deferred currency cost and prepaid expenses to the presentation currency.

viii) The amount of L$549.13million accounting for due to foreign financial institution of L$484.12 million, and accounts payable due to staff of L$65.02 million previously reported under other liabilities has been reclassified as follows: due to foreign financial institution of L$484.12 million reclassified as other borrowed funds and accounts payable-due to self of L$65.02 million reclassified as provident fund of L$14.50 million and retirement benefit obligations of L$50.52 million.

ix) The amount of L$11.34 million previously classified as share capital accounting for donated assets by UNDP and USAID has been reclassified as deferred income in compliance with IAS 20, accounting for government grants and disclosure of government assistance.

Notes (continued)

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

39. Transition from International Accepted Accounting Practices (IAAP) to IFRS reporting (continued)

c) Reconciliation of net asset at December 31, 2007

		IAAP	Effect of Transition to IFRS		IFRS
Assets	**Note**	**Dec. 31, 2007**	**effect of reclassi-fication**	**effect of remeasure-ment**	**Dec.31, 2007**
Cash and balances with banks	(i)	7,462,510	(7,462,510)	-	-
Cash and balances with central banks		-	5,845,563	-	**5,845,563**
Cash and balances with commercial banks		-	1,616,947	-	**1,616,947**
Loans and advances to banks		300	-	-	**300**
Other receivables-GOL		3,566	-	-	**3,566**
Subscription receivable	(ii)	437,090	(437,090)	-	-
Loans and advances to GOL-long term	(iii)	16,259,308	-	(4,374,715)	**11,884,593**
Staff loans	(iv)		16,785	(2,254)	**14,531**
Investment security		-	-	-	-
- held to maturity	(v)	-	437,090	(2,959)	**434,131**
Intangible assets	(vi)	610	-	38	**648**
Investment property	(vi)	7,809	-	1,064	**8,873**
Property plant and equipment	(vi)	295,873	-	117,875	**413,748**
Other assets	(vii)	252,806	(16,785)	2810	**238,831**
Total assets		**24,719,872**	**-**	**(4,258,141)**	**20,461,731**
Liabilities					
Notes in circulation		3,594,342	-	-	**3,594,342**
Deposits from banks	(viii)	2,698,144	(141)	-	**2,698,003**
Deposits of GOL and agencies		3,306,353	36,342	-	**3,342,695**
Other deposits		-	141	-	**141**
Other borrowed funds		-	420,808	-	**420,808**
Other liabilities	(ix)	685,403	(535,666)	-	**149,737**
Commercial bank loan		787,773	-	-	**787,773**
Provident fund		-	25,450	-	**25,450**
Retirement benefit obligations	(x)	-	53,066	121,648	**174,714**
Total liabilities		**11,072,015**	**-**	**121,648**	**11,193,663**
Equity					
Share capital		7,598,587	-	-	**7,598,587**
General reserve		6,049,270	-	(4,379,789)	**1,669,481**
Total Equity		**13,647,857**	**-**	**(4,379,789)**	**9,268,068**
Total equity and liabilities		**24,719,872**	**-**	**(4,258,141)**	**20,461,731**

Notes (continued)

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

39. Transition from International Accepted Accounting Practices (IAAP) to IFRS reporting (continued)

c) Reconciliation of net asset at December 31, 2007

Explanation of the reconciling items

i) Cash and balances with banks of L$ 7.46 billion has been reclassified in compliance as follows: cash and balances with central banks of L$ 5.85 billion and cash balances with commercial banks of L$1.62 billion.

ii) Subscription receivable of L$437.09 million representing six promissory notes intended to secure payment of L$200 million by the Government of Liberia as its capital contribution to the CBL has been reclassified as Investment security held-to-maturity.

iii) In compliance with IAS 39 which calls for the fair valuing of financial assets, the amount of L$4.38 billion represents impairment on loans and advances to GOL-long term.

iv) In compliance with IAS 39 which calls for the fair valuing of financial assets, the amount of L$2.25 million represents impairment on staff loans.

v) In compliance with IAS 39 which calls for the fair valuing of financial assets, the amount of L$2.96 million represents impairment on Investment security-held-to-maturity.

vi) In compliance with IAS 21, which calls for the translation of non-monetary assets and liabilities into the presentation currency using the closing rates when an entity's functional currency differs from its presentation currency at the date of reporting, the amount of L$0.04 million represents exchange difference on the translation of intangible assets; the amount of L$1.06 million represents exchange difference on the translation of investment property; and the amount of L$118 million represents exchange difference on the translation of property, machinery and equipment.

Notes (continued)

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

39. Transition from International Accepted Accounting Practices (IAAP) to IFRS reporting (continued)

c) Reconciliation of net asset at December 31, 2007

Explanation of the reconciling items (continued)

vii) The amount of L$17 million previously classified as other assets has been reclassified as staff loans. In compliance with IAS 21, which calls for the translation of non-monetary assets and liabilities into the presentation currency using the closing rates when an entity's functional currency differs from its presentation currency at the date of reporting, the amount of L$2.81 million represents exchange difference on the translation of deferred currency cost and prepaid expenses into the presentation currency.

viii) The amount of L$2.10 million, representing forex bureaux deposits and other deposit accounts, previously classified under Deposits from banks has been reclassified as other deposits.

ix) The amount of L$499.33 million representing due to foreign financial institution of L$420.81 million, accounts payable and due to staff of L$78.52 million previously reported under other liabilities has been reclassified in compliance with fair presentation as follows: due to foreign financial institution of L$420.81 million reclassified as other borrowed funds, due to staff of L$78.52 reclassified provident fund of L$25.45 million and retirement benefit obligations of L$53.07 million.

x) In compliance with IAS 19(employees benefits), which calls for the valuation of pension liability using actuarial valuation, the amount of L$121.65 million accounts for effects of re-measurement of CBL's pension liability as calculated by the independent actuary.