



# **BANK OF SIERRA LEONE**

## **FINANCIAL STABILITY REPORT 2025**

### **NUMBER 09**

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## ACRONYMS

ABSL	Apex Bank Sierra Leone Limited
ACH	Automated Clearing House
AfDB	African Development Bank
ACF	Agricultural Credit Facility
ACP	Automated Cheque Processing
AFRITAC West 2	Africa Regional Technical Assistance Centre
AEs	Advanced Economies
AFREXIMBANK	African Export and Import Bank
AML/CFT	Anti Money Laundering and Combating Financial Terrorism
ATM	Automated Teller Machine
BN	Billion
BPSD	Banking and Payments System Department
BSD	Banking Supervision Department
BSL	Bank of Sierra Leone
CAR	Capital Adequacy Ratio
CBs	Community Banks
COMFIs	Credit-Only Microfinance Institutions
CRB	Credit Reference Bureau
CRR	Cash Reserve Ratio
CPI	Consumer Price Index
CUs	Credit Unions
DHs	Discount Houses
DFS	Digital Financial Services
DTMFIs	Deposit-Taking Microfinance Institutions
EAs	Euro Area
ECL	Expected Credit Loss
EFT	Electronic Fund Transfer
ELA	Emergency Liquidity Assistance
EMDEs	Emerging Markets and Developing Economies
FEB	Foreign Exchange Bureaux
FMD	Financial Markets Department
FSAs	Financial Services Associations
FSD	Financial Stability Department
FSDU	Financial Sector Development Unit
FIA	Financial Intelligent Agency
FPC	Financial Policy Committee
FSB	Financial Stability Board
FSR	Financial Stability Report

FX	Foreign Exchange
G2P	Government-to-People
GDP	Gross Domestic Products
GRM	Grievance Redress Mechanism
GS	Government Securities
HHI	Herfindahl Hirschman Index
IADI	International Association of Deposits Insurers
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IMTOs	International Money Transfer Organizations
IPS	Instant Payment Service
LCY	Local Currency
LHS	Left Hand Side
LR	Liquidity Ratio
MDAs	Ministries, Departments and Agencies
MoF	Ministry of Finance
MFIs	Microfinance Institutions
MIX	Microfinance Information Exchange
MMOs	Mobile Money Operators
MoU	Memorandum of Understanding
MPC	Monetary Policy Committee
MPD	Monetary Policy Department
MPR	Monetary Policy Rate
MSMEs	Micro, Small and Medium Enterprises
NASSIT	National Social Security and Insurance Trust
NBFIs	Non-Bank Financial Institutions
NCRA	National Civil Registration Authority
NGOs	Non-Governmental Organizations
NIN	National Identification Number
NLe	New Leone
NOPs	Net Open Positions
NPLs	Non-Performing Loans
NPS	National Payment Switch
NSFI	National Strategy for Financial Inclusion
ODTIs	Other Deposit-Taking Institutions
OFISD	Other Financial Institutions Supervision Department
OMO	Open Market Operations
O/N	Over Night
OSS	Operational Self Sufficiency

PAPSS	Pan African Payment and Settlement System
PaR	Portfolio at Risk
PCA	Prompt Corrective Actions
POS	Point of Sales
PSP	Payment Service Providers
PP	Percentage Points
Q1, Q2, Q3 and Q4	First, Second, Third and Fourth Quarters
RBS	Risk Based Supervision
RHS	Right Hand Side
ROA	Return on Assets
ROE	Return on Equity
RTGS	Real Time Gross Settlement
SDF	Standing Deposit Facility
SLF	Standing Lending Facility
SLICOM	Sierra Leone Insurance Commission
SLSFIP	Sierra Leone Second Financial Inclusion Project
SSSS	Scripless Securities Settlement System
STP	Straight Through Processing
T-Bills	Treasury Bills
T-Bonds	Treasury Bearer Bonds
US	United States
USD	United States Dollars
VSLA	Village Savings and Loans Associations
WAMZ	West African Monetary Zone
WEO	World Economic Outlook
YEF	Youth Entrepreneurship Fund

## **GOVERNOR’S FOREWORD**

It is my privilege to present the 9th Edition of the Bank of Sierra Leone’s Financial Stability Report, which provides a comprehensive and forward-looking assessment of the condition of the financial system, the evolving risk landscape, and the policy actions required to safeguard stability. This Report underscores our unwavering commitment to maintaining a sound, resilient, and inclusive financial system, strengthening public confidence, and ensuring that the financial sector continues to support sustainable economic growth and national development.

Since the beginning of 2026, the global economic environment has become significantly more uncertain and increasingly fragile. The escalation of the USA–Israel–Iran conflict has significantly disrupted global energy markets, particularly through constrained oil supply channels and elevated geopolitical risk premia. These developments have driven a sharp increase in global oil and commodity prices, reversing earlier disinflation gains and reintroducing inflationary pressures across both advanced and emerging economies. Consequently, the previously anticipated path of gradual global stabilization has given way to heightened volatility, weaker growth prospects, tighter financial conditions, and increased uncertainty in global trade and capital flows.

For Sierra Leone, these developments carry immediate and material implications. As a net importer of fuel, food, and other essential commodities, the economy remains highly exposed to external shocks transmitted through trade and exchange rate channels. Rising global oil prices have increased import costs, exerted pressure on the exchange rate, and contributed to higher domestic prices through second-round effects. The inflation outlook has therefore become more uncertain, with risks now firmly tilted to the upside. These evolving dynamics have complicated the policy environment and require a careful balancing of price stability objectives with the need to sustain economic recovery.

Notwithstanding these external headwinds, Sierra Leone’s financial system has remained resilient. The banking sector continues to be well-capitalized, liquid, and profitable, reflecting the cumulative impact of prudent macroeconomic policies and sustained supervisory vigilance. Capital adequacy ratios remained comfortably above regulatory thresholds, supported by ongoing capital strengthening measures and generally conservative risk profiles. Liquidity conditions remain adequate, underpinned by high levels of liquid asset holdings, including government securities, which continue to provide stable income streams. Profitability has also remained robust, although it is still largely driven by investments in government instruments rather than strong private sector credit expansion.

This resilience reflects the Bank's disciplined policy stance and strengthened supervisory framework. In close coordination with the Ministry of Finance and other stakeholders, the Bank of Sierra Leone has continued to implement prudent and forward-looking policies aimed at preserving macroeconomic and financial stability. This has included maintaining an appropriately tight monetary policy stance to contain inflationary pressures, strengthening regulatory frameworks, and enhancing systemic risk monitoring through improved surveillance and analytical tools. The Bank stands ready to act decisively, as warranted, to address emerging risks and vulnerabilities.

However, structural challenges within the financial system persist and warrant continued attention. Financial intermediation remains limited, as reflected in subdued credit to the private sector and a relatively low loan-to-deposit ratio. Credit concentration remains elevated, with lending skewed toward a narrow set of sectors and large obligors, thereby increasing vulnerability to sector-specific shocks. In addition, the continued reliance on government securities as a primary investment avenue presents medium-term risks, particularly in the context of declining yields and evolving fiscal dynamics. These structural weaknesses underscore the need for sustained reforms aimed at deepening financial intermediation, diversifying credit allocation, and enhancing overall financial system efficiency.

In response, the Bank has implemented a range of reforms to strengthen the regulatory and supervisory architecture. The introduction of the Prompt Corrective Action Framework enhances early intervention and ensures that emerging weaknesses are addressed in a timely and proportionate manner. Similarly, the establishment of Crisis Management and Resolution frameworks strengthens the Bank's capacity to manage financial distress and facilitate the orderly resolution of institutions, thereby safeguarding financial stability and protecting depositors. The operationalization of the Emergency Liquidity Assistance Framework further reinforces the Bank's ability to provide temporary liquidity support to solvent institutions facing short-term funding pressures, thereby preserving confidence in the system. At the same time, the ongoing implementation of revised minimum capital requirements continues to strengthen the resilience and loss-absorbing capacity of financial institutions.

The Bank is also advancing its supervisory effectiveness through the deployment of Supervisory Technology (SupTech). This transition to a more data-driven, risk-based, and forward-looking supervisory approach will enhance the timeliness and accuracy of regulatory oversight. Improved data collection and analytical capabilities will enable the Bank to better identify emerging risks, monitor institutional performance in real time, and take proactive supervisory actions where necessary.

In recognition of the growing importance of digital financial services, the Bank has intensified its focus on technology-related risks. Strengthened directives on fraud risk management, digital financial services, and cybersecurity are being implemented to ensure that innovation is accompanied by robust safeguards that protect consumers and preserve system integrity. The establishment of specialized supervisory functions, including IT examination capabilities, reflects our commitment to addressing the evolving risk landscape in an increasingly digital financial ecosystem.

Looking ahead, the outlook of the financial system remains cautiously optimistic, subject to significant downside risks. Developments in the USA–Israel–Iran conflict, particularly through their impact on global energy markets, will continue to shape domestic macroeconomic conditions. Prolonged geopolitical tensions could sustain elevated import costs, intensify inflationary pressures, and exacerbate exchange rate volatility, with potential spillovers to financial stability through asset quality deterioration and weaker economic activity.

In this context, the Bank of Sierra Leone will remain vigilant, proactive, and steadfast in the execution of its mandate. We will continue to closely monitor both global and domestic developments, strengthen our analytical and supervisory frameworks, and deploy appropriate policy measures to mitigate risks and preserve stability. Collaboration with domestic and international stakeholders will remain central to our approach as we navigate an increasingly complex and uncertain global environment.

Our objective remains clear and unwavering: to maintain a stable, resilient, and inclusive financial system that supports sustainable economic growth, fosters financial deepening, and enhances the welfare of the people of Sierra Leone. Even in the face of heightened uncertainty, the Bank of Sierra Leone stands ready to uphold its mandate with resolve, discipline, and an unwavering commitment to long-term national prosperity.

**Ibrahim L. Stevens, PhD**  
**Governor, Bank of Sierra Leone**

## **EXECUTIVE SUMMARY**

### **Overview of Financial Stability Assessment**

The 2025 Financial Stability Report provides a comprehensive assessment of Sierra Leone’s macroeconomic environment, financial sector performance, systemic risks, monetary policy developments, and payments system infrastructure as of December 2025. It evaluates the resilience, vulnerabilities, and outlook of the financial system within the context of evolving global uncertainties and domestic policy adjustments.

Overall, the financial system exhibited improved stability during the review period, supported by declining inflation, prudent monetary policy, and strong capital buffers. Notwithstanding these gains, structural vulnerabilities remain evident, particularly the banking sector’s significant reliance on Government Securities, which poses medium- to long-term sustainability concerns as yields decline and fiscal conditions evolve.

### **Global Macroeconomic and Financial Environment**

Global economic activity continued its recovery in 2025, although unevenly, with growth projected at 3.3 percent for 2026 to 2027. Inflation is expected to moderate gradually from 3.8 percent in 2026 to 3.4 percent in 2027. Advanced economies exhibited divergent patterns, with the United States experiencing persistent inflation driven by tariff pass-through, while the Euro Area recorded smoother disinflation, supported by easing energy prices and weaker demand.

Despite largely stable financial market conditions, underlying vulnerabilities intensified, including stretched risk asset valuations, emerging weaknesses in the functioning of the sovereign bond market, and increasing interconnectedness between banks and non-bank financial intermediaries. Stress testing suggests that approximately 18 percent of global banks could fall below capital thresholds under adverse scenarios, rising to 21 percent if shocks from non-bank financial intermediaries materialize.

### **Domestic Macroeconomic Developments**

Domestic economic activity strengthened modestly, with real GDP growth increasing to 4.4 percent in 2025 from 4.3 percent in 2024, supported by improved performance in agriculture, manufacturing, and services, alongside policy initiatives such as the Feed Salone Programme. Medium-term growth is projected to average 4.6 percent over the period 2026 to 2028.

Inflation declined significantly during the second half of 2025, with headline inflation falling from 7.1 percent in June to 4.4 percent by December. This decline was driven by tight monetary policy, fiscal consolidation, exchange rate stability, stable domestic fuel prices, and favorable global commodity conditions, with both food and non-food prices contributing to the disinflationary trend.

In response to easing inflationary pressures, the Monetary Policy Committee reduced the Monetary Policy Rate (MPR) by 3 percentage points from 21.8 percent to 18.8 percent in September 2025. Standing Lending and Deposit Facilities were correspondingly adjusted, and the interbank rate declined to 18.8 percent by November 2025, reflecting improved monetary conditions.

## **BANKING SECTOR PERFORMANCE**

### **Structure and Size**

The banking sector remained dominant, accounting for 85.7 percent of total financial system assets, up from 83.6 percent in 2024, followed by pension funds at 8.7 percent. The sector comprises 13 commercial banks, including two state-owned, two domestic-private, and nine foreign-owned institutions, following Access Bank's acquisition of Standard Chartered Bank (SL) Limited. Total financial system assets grew by 19 percent, slightly lower than the 21.9 percent recorded in 2024, while banking sector assets expanded by 22 percent.

### **Asset Composition and Intermediation**

Banking sector assets remained heavily concentrated in investments, particularly Government Securities, which accounted for 40.8 percent of total assets in 2025, down from 42.2 percent in 2024. Claims represented 22.7 percent of assets, while net loans and advances grew strongly by 79.7 percent, although from a low base. The loans-to-deposits ratio increased to 31.6 percent from 22 percent in 2024 but remained significantly below the regulatory threshold of 80 percent, indicating continued weak financial intermediation.

### **Asset Quality and Credit Risk**

Asset quality improved during the review period, with the non-performing loans (NPL) ratio declining to 8 percent in 2025 from 8.9 percent in 2024, remaining within the prudential threshold of 10 percent. The ratio of NPL net of provisions to regulatory capital declined to 16.8 percent, strengthening the sector's capacity to absorb losses. However, sectoral concentrations persist, with the highest NPL recorded in Agriculture and Forestry at 21 percent, Mining and Quarrying at 20.6 percent, and Commerce and Finance at 15.5 percent.

Credit concentration remains a significant vulnerability, with the 50 largest exposures accounting for 67.8 percent of total balance sheet exposures and 100.1 percent of the sector's capital base. The largest single borrower accounted for 5.8 percent of total exposures and 16.2 percent of sector capital, underscoring elevated systemic risk.

### **Liquidity and Funding Conditions**

The banking sector maintained strong liquidity buffers, with the liquidity reserve ratio at 116.9 percent, well above the minimum requirement of 34 percent. However, the cash reserve ratio declined slightly to 11.8 percent, marginally below the 12 percent regulatory threshold. Customer deposits grew by 20.1 percent, while foreign currency deposits declined to 45.6 percent from 50 percent in 2024, reflecting improved exchange rate stability.

### **Capital Adequacy and Solvency**

The sector remained highly capitalized, with a Capital Adequacy Ratio of 41.8 percent and a Tier 1 Capital Ratio of 27.4 percent, both significantly above regulatory minimums of 15 percent and 7.5 percent, respectively. The Tier 1 leverage ratio stood at 11.3 percent, well above the Basel III minimum of 3 percent. Notwithstanding this strong position, one bank recorded a capital adequacy ratio below the regulatory minimum and was subject to appropriate supervisory actions.

### **Profitability and Business Model Sustainability**

Profitability weakened during the period, with pre-tax nominal profit declining by 43.1 percent in 2025, compared to growth of 48 percent in 2024, although profits remained above inflation. Earnings remain highly concentrated, with 62.4 percent derived from Government Securities, while interest income from loans and advances accounted for only 18.2 percent. The cost-to-income ratio improved to 46.7 percent from 50 percent in 2024, reflecting improved operational efficiency.

The prevailing business model, heavily reliant on Government Securities, is assessed as unsustainable over the medium-to-long term. Declining yields from the second quarter of 2025, coupled with anticipated fiscal consolidation and potential financial repression, are expected to constrain profitability. This underscores the need for banks to diversify their revenue streams and strengthen private-sector lending.

## **NON-BANK FINANCIAL SECTOR PERFORMANCE**

The non-bank financial sector recorded mixed performance across segments. Deposit-taking microfinance institutions expanded total assets by 16 percent to NLe1.082 million but experienced an 81 percent decline in profitability, with returns on assets falling to 0.56 percent, significantly below the 2.1 percent benchmark. Portfolio at risk increased to 11.43 percent, exceeding the acceptable threshold of 4.8 percent, while the sector remained highly concentrated, with the three largest institutions accounting for 98 percent of total assets.

Credit-only microfinance institutions (38 out of 86) demonstrated strong asset growth of 33 percent and loan portfolio expansion of 26 percent among reporting institutions, with total profits reaching NLe53.63 million. Return on assets improved to 5.90 percent and return on equity to 18.83 percent. However, the portfolio-at-risk deteriorated to 15.62 percent, and compliance challenges persisted, with fewer than half of institutions submitting regulatory returns.

Community banks recorded asset growth of 20 percent to NLe256 million and a substantial 217 percent increase in profitability. Return on assets improved to 7.27 percent, while return on equity stood at 12.67 percent, below the 13.6 percent benchmark. Portfolio at risk declined significantly, from 29.45 percent in 2024 to 15.78 percent, but remained above the acceptable threshold.

Other segments also recorded notable developments. Mobile money operators experienced strong growth across all indicators, while discount houses saw assets nearly double to NLe58 million, with profits increasing to NLe675,000 and return on assets at 1.21 percent. Credit unions expanded membership by 16 percent, to 22,269, with assets rising by 24 percent to NLe61.03 million and loans increasing by 23 percent to NLe40.61 million. In the foreign exchange market, inward remittances increased to USD 566 million from USD 493 million in 2024.

## **MONETARY POLICY AND FINANCIAL MARKETS**

The Bank of Sierra Leone implemented a significant monetary easing cycle in 2025, reducing the MPR from 24.8 percent in December 2024 to 16.8 percent in December 2025, an 800-basis-point cut. Correspondingly, the interbank weighted average rate declined to 19.7 percent, reflecting improved monetary policy transmission.

The Government Securities market remained characterized by limited secondary market activity, with most investors holding instruments to maturity. Total Government Securities stock increased by 13.7 percent to NLe29.22 million. The 364-day Treasury Bills dominated the market,

accounting for 81.2 percent of total holdings, while commercial banks remained the largest investors, holding 58.3 percent of marketable securities equivalent to NLe17.02 million.

## **PAYMENTS SYSTEM AND FINANCIAL INFRASTRUCTURE**

Sierra Leone's payment system continues to operate as a dual structure, with cash remaining dominant but non-cash transactions increasing steadily. Key infrastructures include the Real-Time Gross Settlement System, Automated Clearing House, Scripless Securities Settlement System, National Payment Switch, and Electronic Funds Transfer systems.

Progress continues under the World Bank-supported National Payment Switch project, with Phase III, focusing on the international gateway, still pending. Additionally, five banks have gone live on the Pan-African Payments and Settlement System platform, supporting regional payment integration.

## **REGULATORY AND SUPERVISORY DEVELOPMENTS**

The Bank of Sierra Leone implemented several key regulatory and supervisory reforms, including the Emergency Liquidity Assistance Framework, the Crisis Management and Resolution Framework, revised Minimum Paid-Up Capital requirements, the Enterprise Risk Management Framework, the Credit Risk Management frameworks, and the Prompt Corrective Action Framework. Progress was also made toward implementing Supervisory Technology to enhance off-site monitoring.

Financial inclusion initiatives advanced under the National Strategy for Financial Inclusion (2022–2026), including the rollout of the National Payment Switch, completion of the DigiGov project, and ongoing implementation of the Youth Entrepreneurship Fund valued at NLe22.8 million and the Agricultural Credit Facility valued at NLe230 million.

## **STRESS TESTING AND SYSTEMIC RISK ASSESSMENT**

Stress testing based on December 2025 data indicates that the banking sector remains broadly resilient under severe but plausible shocks, including credit, interest rate, exchange rate, and liquidity shocks. However, the results also highlight that the sector's resilience is partly overstated because the zero percent risk weight applied to Government Securities reduces measured risk-weighted assets.

Accordingly, the report recommends placing greater emphasis on alternative indicators, particularly the leverage ratio, which provides a more comprehensive assessment of underlying risks independent of asset risk-weighting assumptions.

# 1. MACROECONOMIC AND FINANCIAL DEVELOPMENTS

## 1.1 Global Macroeconomic Developments

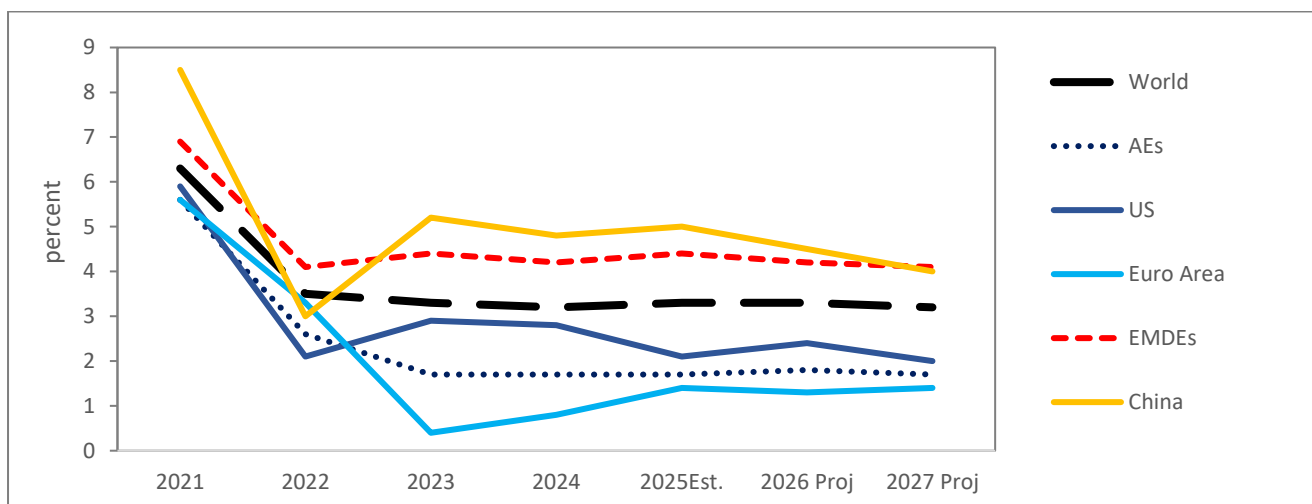
Prior to the US/Israel-Iran war, the global economic recovery was expected to remain steady based on the January 2026 World Economic Outlook (WEO), though uneven with persistent headwinds, leading to a modest downward revision in the near-term growth. World inflation was also expected to continue to recede, with a slower decline than previously anticipated, particularly in services. Financial conditions were projected to be tightened as major central banks maintained a restrictive stance to ensure inflation returns to target.

Global growth was expected to remain steady in 2026, with a projected slight deceleration from an estimated 3.3 percent in 2025 and 3.2 percent in 2027. The 2026 forecast was revised upward by 0.2 percentage point. While high-tech sector momentum was moderating, it continued to partly offset broader economic drags. The growth-depressing effects of tariffs and policy uncertainty were expected to fade over the forecast horizon.

Growth in Advanced Economies (AE) was projected at 1.8 percent in 2026 and 1.7 percent in 2027. The United States (US) economy was expected to expand by 2.4 percent in 2026, revised up by 0.3 percentage point, supported by fiscal policy, lower policy rates, and a fading impact from trade barriers. Growth was projected to remain solid at 2.0 percent in 2027, aided by tax incentives for corporate investments, though the moderating tech momentum will partly offset lower immigration and consumption. In the Euro Area (EA), growth was expected to remain subdued at 1.3 percent in 2026 and 1.4 percent in 2027, reflecting unresolved structural headwinds, a lesser benefit from tech investment, and lingering pressures from past energy price shocks and Euro appreciation.

In Emerging Markets and Developing Economies (EMDEs), growth was expected to hover just above 4.0 percent through 2027. China's growth for 2025 was revised up to 5.0 percent and for 2026 to 4.5 percent, reflecting stimulus measures, policy bank lending, and a temporary tariff truce with the US. Growth was expected to decelerate to 4.0 percent in 2027 as structural headwinds reassert.

**Figure 1.1: Annual Real GDP Growth (%)**



Source: IMF, *World Economic Outlook (WEO) January 2026 Update*.

Global inflation was on a continued, gradual disinflationary path. Headline inflation was projected to fall from 3.8 percent in 2026 to 3.4 percent in 2027, virtually unchanged from the October 2025 forecasts. This trend was driven by two consistent, broad factors, softening global demand and lower energy prices. For advanced economies, inflation was converging toward target levels, but the pace and timing vary significantly by region, reflecting diverging domestic economic conditions and policy impacts.

The US exhibited a notable divergence from other advanced economies, with a more persistent inflation process. The key reason for this persistence is the gradual pass-through of higher import tariffs, which was keeping upward pressure on prices. Consequently, while inflation was declining, US core inflation was projected to return to the Federal Reserve's 2 percent target only during 2027, later than in many peers. The January 2026 revisions underscored this drawn-out timeline due to on-going robust domestic demand and tight labor market conditions.

The Euro area would experience comparatively smoother and faster disinflation. Headline inflation was projected to hover around the 2 percent target, supported by the significant past energy price shock fading and weaker demand. Core inflation (excluding energy and food) was also on a firm downward path, projected to decline to the 2 percent target level in 2027. The region should benefit from a more pronounced softening of economic activity, which would exert downward pressure on prices.

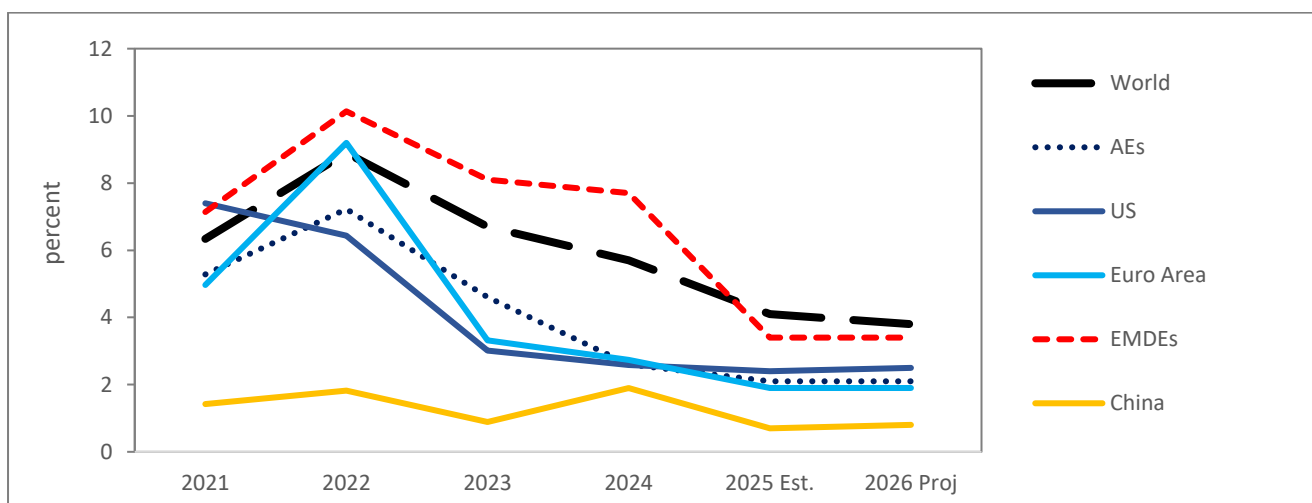
Inflation across EMDEs was diverse, but a broad decline was in progress, often from higher peaks than in AEs. A major driver for many countries, notably in Asia, has been the normalization of food prices from earlier spikes. For instance, in India, a marked decline in inflation in 2025 was significantly

driven by subdued food prices, with inflation expected to return to near-target levels thereafter. However, EMDEs face varied risks, including currency volatility and differing paces of domestic demand cooling.

China presented a unique case, moving against the global disinflationary trend, but from a very low base. Inflation is projected to start rising from low levels. The reasons for this anticipated increase were not overheating demand, but rather a moderation of prior strong disinflationary forces. Specifically, the easing of significant declines in food and commodity prices was expected to allow inflation to normalize moderately toward target. The outlook remained one of low inflation relative to global averages, with no significant overheating pressures. (Figure 1.2).

However, the global economic landscape has shifted notably since the release of the January 2026 IMF-WEO. While that report projected a stable 3.3 percent global GDP growth and 3.8 percent inflation for 2026, the subsequent escalation of the war involving US, Israel and Iran has introduced significant downward pressure, particularly through energy markets. The effects of the current conflict will have a prolonged and lasting impact on the global economy when compared to the twelve-day war on Iran by Israel and USA in August 2025. This would present downward projections to the global economy, effectively erasing the anticipated acceleration, as a near-halt in shipments through the Strait of Hormuz drives energy prices even higher. This supply shock will reignite global inflationary pressures, as the cost of oil, gas, and fertiliser feeds into core consumer prices. Consequently, the global growth path is now more fragile, characterized by slower activities and higher costs than previously estimated.

**Figure 1.2: Developments in Global and Regional Annual Inflation**



Source: IMF, World Economic Outlook (WEO) January 2026 Update.

## **1.2 Global Financial Developments**

Global financial conditions eased since April 2025 inspite of the twelve-day Israel-USA/Iran war in August 2025 amid rebounding asset prices and a weaker Dollar, yet underlying vulnerabilities were mounting as stretched valuations, shifting debt burdens toward governments, and growing risks in non-bank financial intermediaries set the stage for potential instability. While calm markets mask these pressures, elevated risks persist with global growth still tilted to the downside and significant portions of the financial system exposed to sharp corrections or tightening shocks.

The current US/Israel-Iran war has caused significant volatility in the global financial markets, characterised by surge in oil prices and fluctuations in the stock markets. Key impacts include rising inflation, a stronger US Dollar, higher import costs, and declining equities, particularly in industries sensitive to oil prices. As a result, risks remained elevated, with probability that global growth will fall in 2026 and 2027.

Debt is increasingly shifting toward Governments as fiscal deficits expand as the focus grows to higher defence spending. In advanced economies, sovereign bonds now rely more on price-sensitive investors, pushing up term premiums. The growing size and interconnection of non-bank financial intermediaries (NBFIs) with banks will heighten systemic risks, particularly in sovereign and corporate debt markets.

Corporate sectors have so far been resilient, but tariffs and higher refinancing costs could pressure profits and debt servicing, potentially leaving over half of corporate debt in some countries with insufficient earnings to cover interest. Vulnerabilities are also visible in leveraged loans and private credit, where liquidity remained strained for weaker borrowers. Additionally, the rapid growth of stablecoins posed new risks, including currency substitution in weaker economies, changes to bond market structure, and the potential for investor runs. Finally, despite deep liquidity, foreign exchange markets remained exposed to stress during periods of uncertainty, with structural fragilities, such as currency mismatches and settlement risks, capable of amplifying shocks and spilling over into broader financial conditions.

## **1.3 Domestic Macroeconomic Developments**

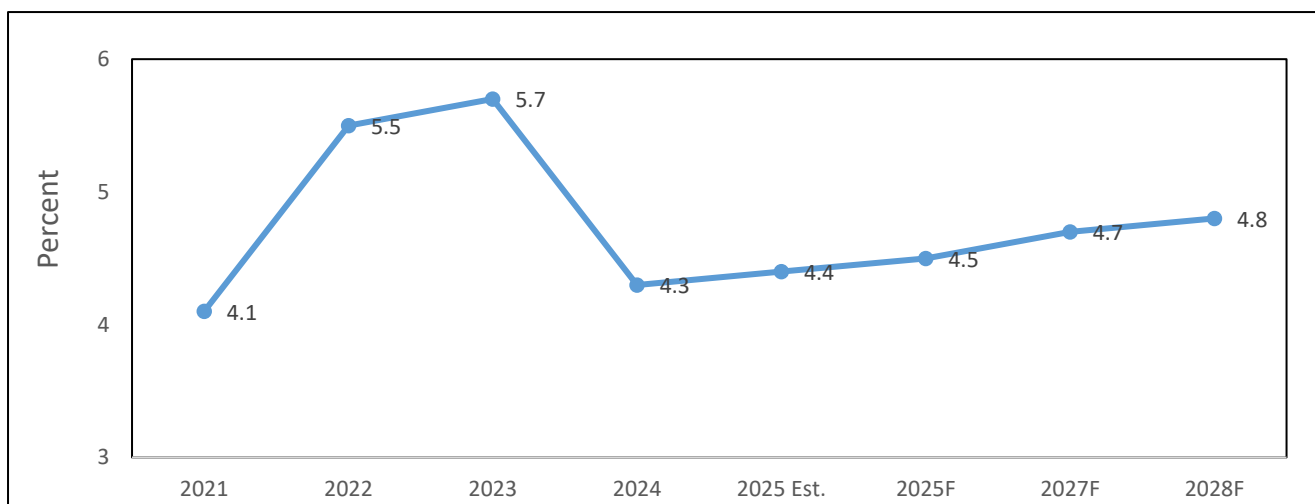
### *1.3.1 GDP Growth and Inflation*

Economic growth in Sierra Leone was thought to have strengthened modestly in 2025, with real GDP growth projected at 4.4 percent, roughly the same as in 2024 (4.3 percent). This steady growth is fueled by a more stable macroeconomic climate and heightened output in the agriculture, manufacturing and services sectors. Key drivers included robust activity in wholesale and retail trade, public administration, and defense, alongside consistent gains in construction.

The agricultural sector saw moderate, though variable growth. Enhanced access to inputs, supportive Government policies, and beneficial weather conditions boosted production of food and tree crops, as well as livestock development. These outcomes were supported by the on-going Feed Salone Programme, which continued to direct investment into agriculture, aided by improvements in rural infrastructure.

Real GDP has been forecast to grow by 4.5 percent in 2026, driven by robust agricultural output, sustained mining operations, and growth in the services sector. Although domestic outlook remains favorable, bolstered by the Feed Salone Programme, persistent rises in global oil prices because of the US, Israel and Iran war risk dampening business confidence, elevating production costs, and slowing the pace of expansion, possibly leading to a lower growth rate than earlier projected.

**Figure 1.3: Real Annual GDP Growth in Sierra Leone**



Source : Statistics Sierra Leone & IMF

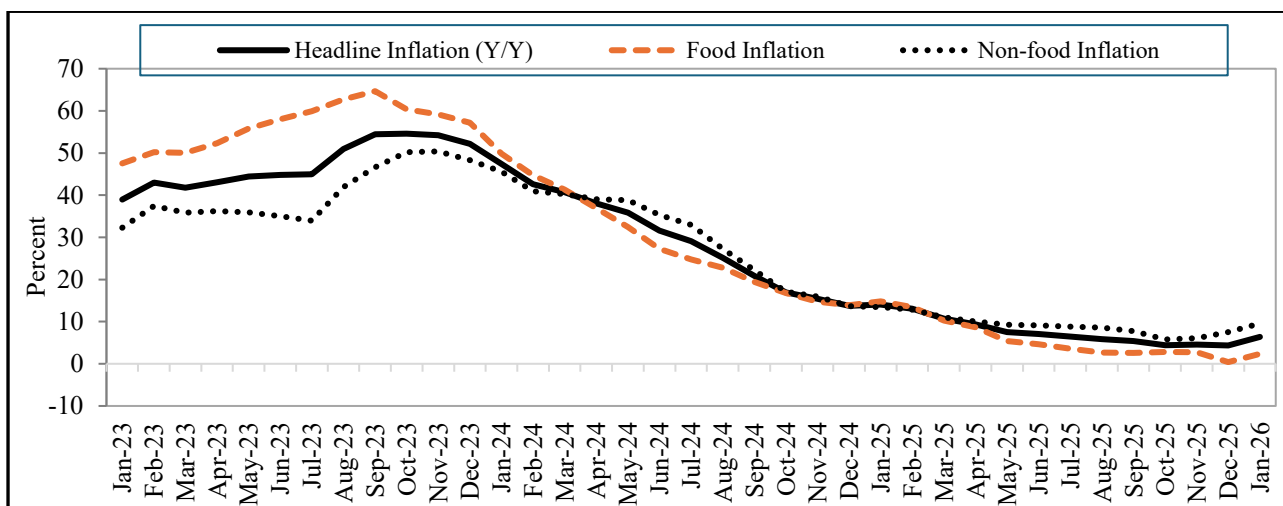
Annual inflation in Sierra Leone fell consistently during the second half of 2025. The overall headline inflation fell from 7.1 percent in June to 5.4 percent by September and further declined to 4.6 percent in November. After declining to 4.4 percent in December 2025, domestic headline inflation rose to 6.38 percent in January 2026 and further accelerated to 8.1 percent in February 2026. This uptick stemmed from the recent adjustment in domestic fuel pump prices alongside other tax policy measures introduced in the 2026 Finance Act. Inflation is expected to be accelerated as the realities of the current war, permeates into the local economy notably through fuel price increases.

This disinflationary trend was broad-based. Food price inflation slowed from 4.6 percent in June to 2.6 percent in September, with a slight uptick to 2.7 percent in November and a further decline to 0.4 percent in December. Non-food inflation also saw a marked reduction, dropping from 9.1 percent in June to 7.7

percent in September and then to 6.1 percent and 7.5 percent in November and December respectively. Several key factors contributed to this sustained moderation in price inflation pressures. These included the on-going effects of restrained monetary policy, Government efforts toward fiscal consolidation, relative stability in the exchange rate, and lower and steady domestic fuel prices. Additionally, favorable conditions in global commodity markets and Government adjustments to the prices of essential goods helped contain inflationary pressures at that time.

Due to heightened geopolitical tensions from the US/Israel-Iran war, Sierra Leone's projected 4.4 percent GDP growth for 2025 faces significant downside risk as the war threatens to disrupt the wholesale and retail trade sector while raising global energy and food prices. The impact of the war could stall momentum from key agricultural initiatives like the Feed Salone Programme, leading to stronger inflationary pressures, potential depreciation of the Leone and a more constrained fiscal space.

**Figure 1.4: Headline, Food and Non-Food Inflation**



Source: MPD, BSL

### 1.4 Monetary Policy Management

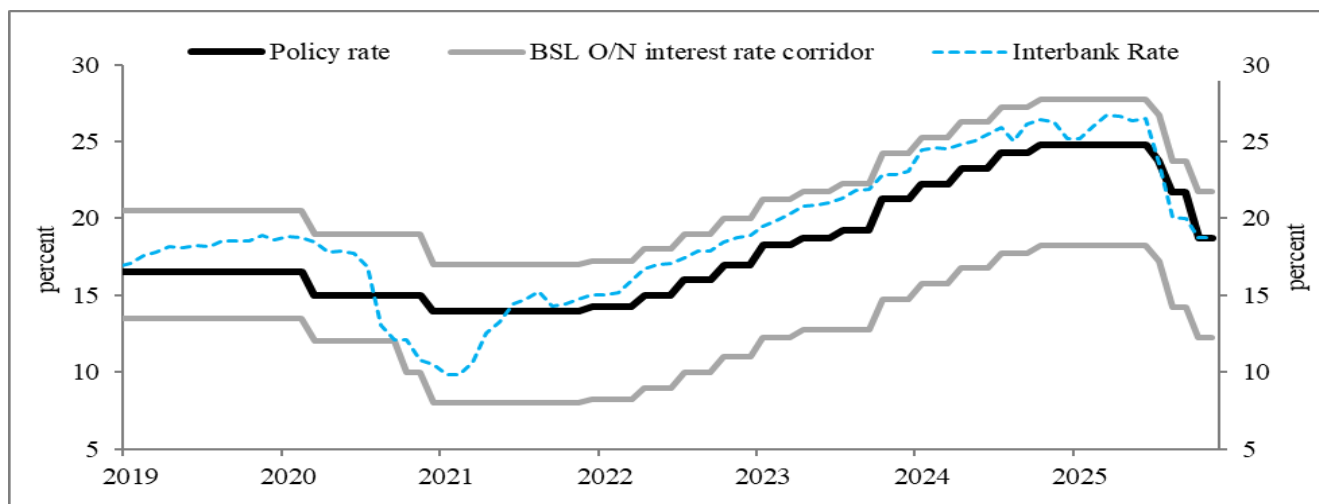
At its meeting on September 23, 2025, the BSL’s Monetary Policy Committee (MPC) reduced the Monetary Policy Rate (MPR) by 3 percentage points to 18.8 percent. This decision was based on the Bank's evaluation that inflationary pressures were subsiding and that supportive measures were needed to bolster economic growth.

In line with this rate cut, BSL also lowered its Standing Lending Facility (SLF) and Standing Deposit Facility (SDF) rates by 2 percentage points each, bringing them down to 21.8 percent and 12.3 percent, respectively.

Reflecting this more accommodative monetary policy, the interbank rate followed a downward trend, falling from 23.6 percent in July to 20 percent in September and declining further to 18.8 percent by November 2025.

The BSL may however consider reintroducing a tight monetary policy stance to curb upside risks to inflation emanating from the US/Israel-Iran war and global uncertainties.

**Figure 1.5: BSL Policy Rates and Interbank Rates**



Source:MPD, BSL

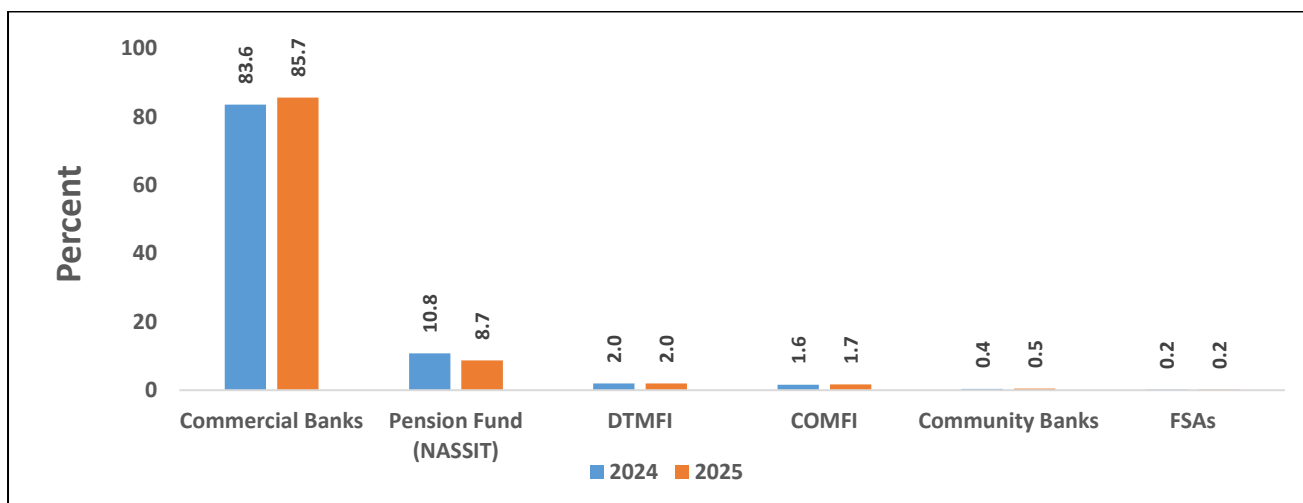
### 1.5 Structure of the Financial System

The Banking sector maintained its dominance in the financial system, accounting for 85.7 percent of the assets of the financial system as of December 2025, up from 83.6 percent as of December 2024. Pension funds ranked second with 8.7 percent of the total financial system assets, though slightly below the 10.8 percent that was recorded in the previous year. The other sectors of the financial system accounted for 5.6 percent of the total. (

Figure 1.6).

In 2025, the banking sector comprised thirteen (13) commercial banks, of which two are state-owned, two domestic privately-owned and nine foreign-owned, the majority originating from Nigeria.

**Figure 1.6: Share of Financial System Assets by Sector**

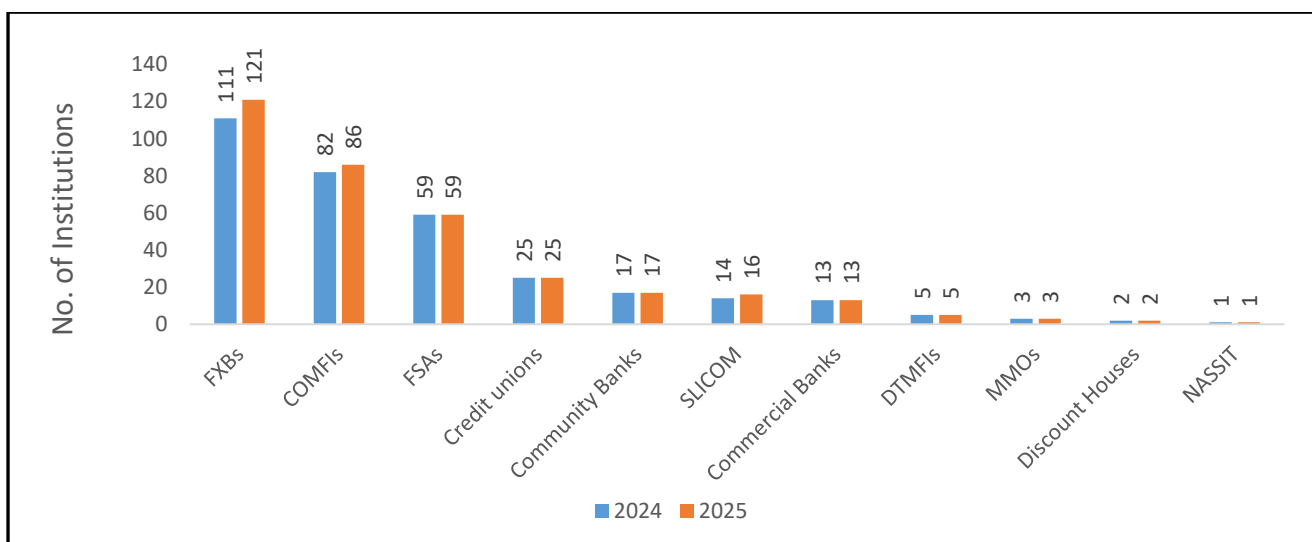


Source: BSL, NASSIT and SLICOM

### 1.6 Financial Institutions in Sierra Leone as at end December 2025

The total number of financial institutions in Sierra Leone increased from 322 in 2024 to 348 in 2025 and with the change taking place in the non-bank sub sectors, such as foreign exchange bureaux, credit-only microfinance institutions, and the number of insurance companies regulated by the Sierra Leone Insurance Commission (SLICOM). There is also an asset management company which was given a licence in 2023.

**Figure 1.7 Financial Institutions in Sierra Leone**



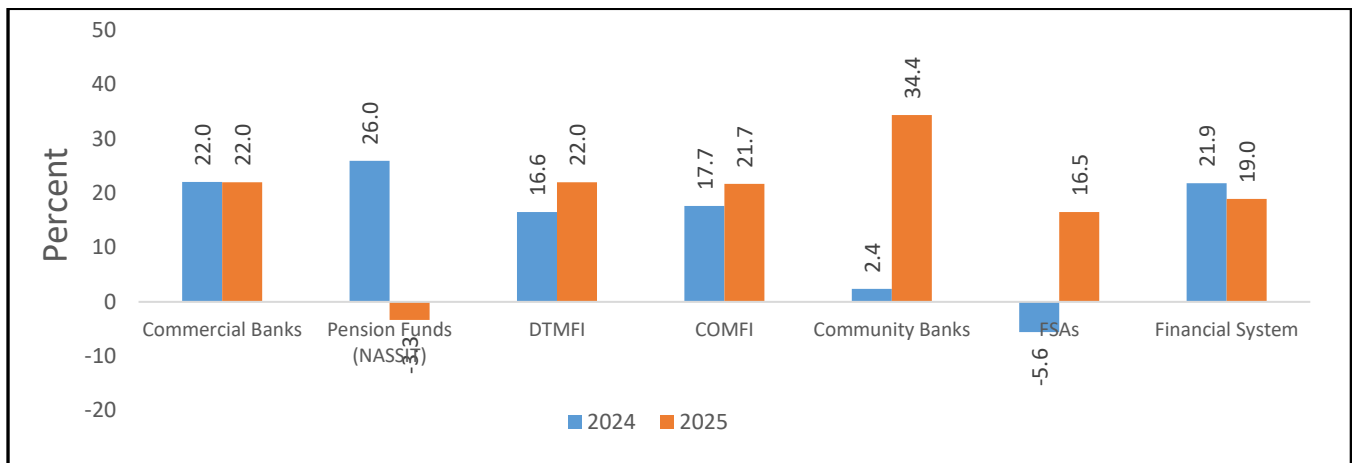
### 1.7 Total Assets of the Financial System

Total assets of the financial system grew by 19 percent in 2025, slightly lower than the 21.9 percent recorded in 2024. The growth was comprehensive with almost all sectors of the financial system

contributing, with the growth in the banking sector exceeding the growth in all the other sectors in the financial system. Pension fund (National Social Security and Insurance Trust-NASSIT) and Deposit-taking Microfinance Institutions (DTMFIs) also recorded increases in their growth, while growth in other sectors stagnated. The FSA sector on the other hand shrank. The banking sector registered asset growth of 22 percent as of end December 2024. The growth in the banking sector, however, declined in nominal terms by almost one third, when compared to the previous year’s growth of 33.8 percent. (

Figure 1.8).

**Figure 1.8 Growth of Assets in Sierra Leone’s Financial System by Sector**



Source: BSL, NASSIT and SLICOM

## 2. BANKING SECTOR ASSESSMENT

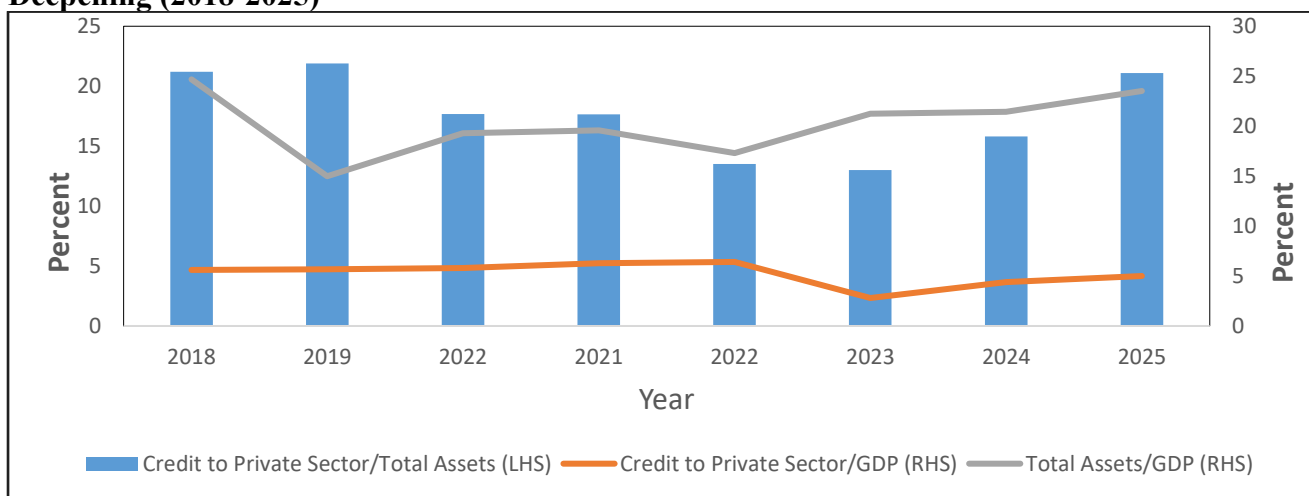
### 2.1 Overview

The banking sector remained resilient and continued to grow in real terms, supported by macroeconomic stability, evidenced by a substantial reduction in inflation to a single digit and a stable exchange rate in 2025. This expansion was driven by prudent policies by the BSL and the Ministry of Finance (MoF), along with falling international prices for food and energy, and higher domestic agricultural output. Nonetheless, challenges persisted, such as decline in Government Securities yields, high Non-Performing Loans (NPLs) in some banks and NPL concentration in few sectors.

Most banks remained profitable and very liquid, and well-capitalized, successfully meeting the new capital requirements. This financial strength, however, was largely due to the sector's heavy reliance on Government Securities (GS), which provided high nominal yields and held a zero percent credit risk weight in the capital adequacy ratio computation and are regarded as high quality liquid assets for regulatory liquidity requirements. The attractiveness of this strategy diminished when GS rates dropped by more than half in Q2 2025 and remained that low for the remainder of the year. Despite this reduction and some recent progress by banks to increase lending, the ratio of private sector credit to GDP remained far below regional and international benchmarks (Figure 2.1).

The banking sector adopted a hybrid service model, combining traditional in-person interactions with remote delivery channels to improve customer service and accessibility. Furthermore, asset quality improved in Q4, 2025, an outcome propelled by the BSL's directive to write off non-performing loans and the successful use of the credit reference bureau and collateral registry.

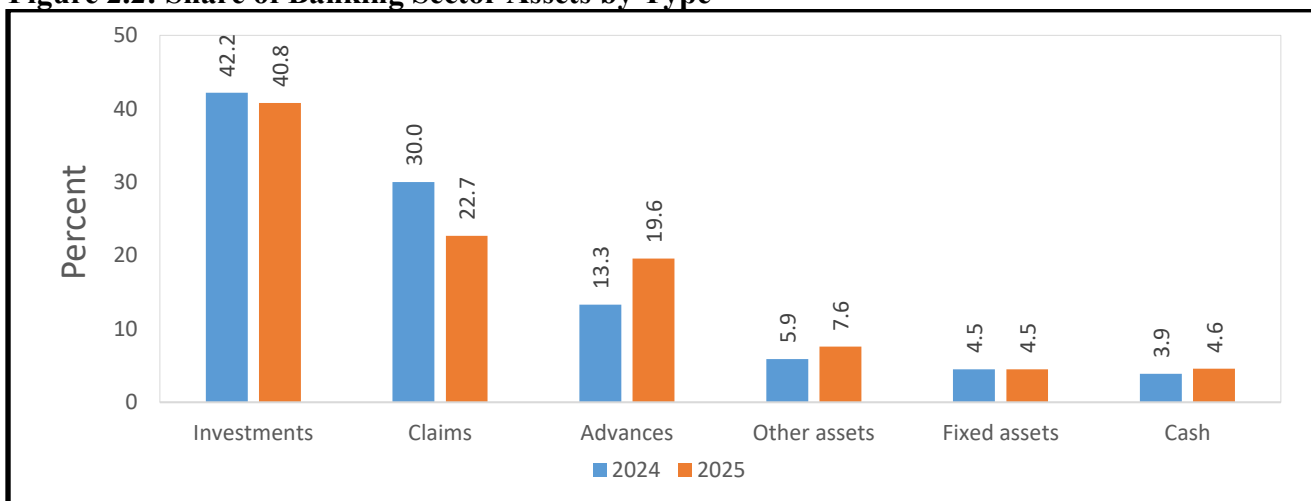
**Figure 2.1: Credit to Private Sector (Loans & Advances): Banking Intermediation and Financial Deepening (2018-2025)**



Source: FSD, BSL

The growth in banking sector's total assets was 22 percent in 2025. Investments continued to remain the dominant share of total assets of the banking sector, though it declined slightly from 42.2 percent in 2024 to 40.8 percent in 2025. This was followed by claims on financial institutions (monies owed by other institutions) of 22.7 percent. The share of claims in the review period also declined by 7.3 percent, when compared to the previous year of 2024.

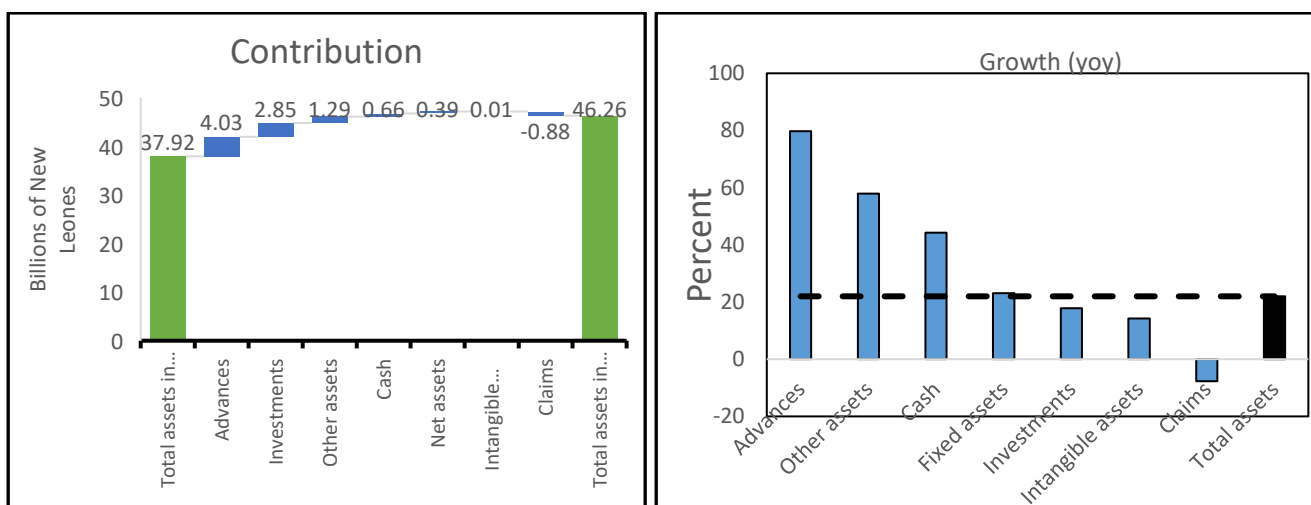
**Figure 2.2: Share of Banking Sector Assets by Type**



Source: BSD, FSD, BSL

During the review period, most asset classes achieved real growth. The sector's overall asset expansion of 22 percent was led primarily by a 17.5 percent rise in Government Securities (T-bills and T-bonds). Growth was strongest in net loans and advances (79.7 percent) and weakest in claims, which declined by -7.7 percent, as exchange rate stability limited valuation gains on foreign currency holdings. Other assets, fixed assets, and vault cash grew by 57.9 percent, 23.1 percent, and 44.3 percent, respectively.

**Figure 2.3: Contribution to Growth and Growth Rate of Banking Sector Assets**



Source: BSD, FSD, BSL

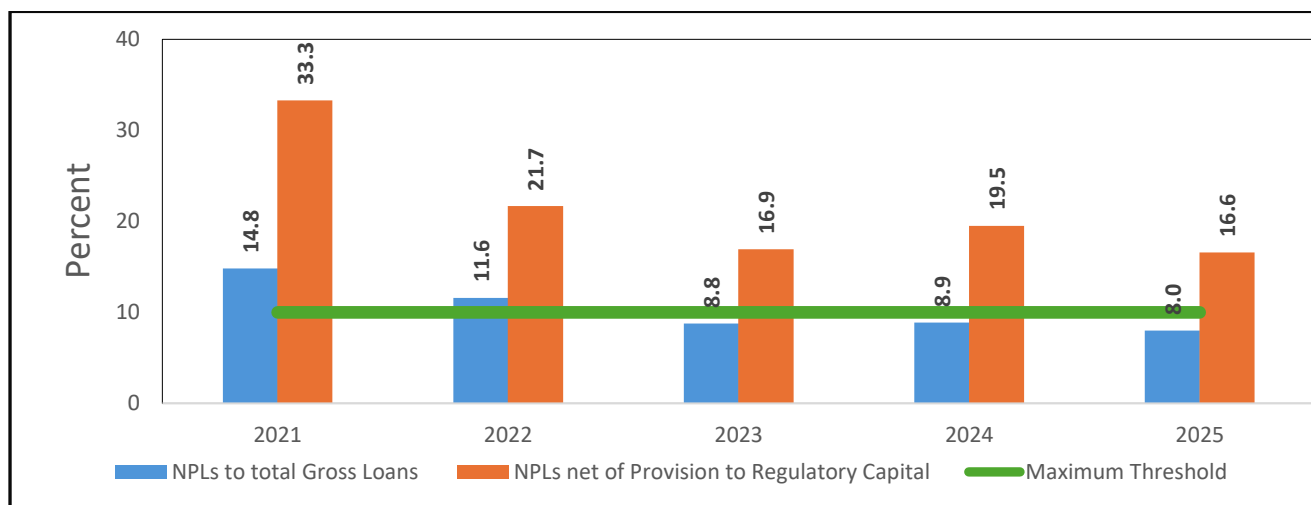
The decline in claims was largely driven by decline in the balances with the BSL and foreign residents, but the balances in foreign banks/nostro accounts to facilitate international transfers increased, followed by placements with foreign banks abroad, as banks currently face limited alternatives within the country to effectively manage foreign exchange risk. As a result, they were constrained to hold foreign currency cash, as intermediation in foreign currency is on case-by-case basis and subject to regulatory scrutiny by the BSL.

## 2.2 Credit Risk and Asset Quality

### 2.2.1 Non-Performing Loans (NPLs) and Provisioning

Non-Performing Loans (NPLs) ratio of the banking sector continued to fall from 8.9 percent in 2024 to 8.0 percent at end 2025, comfortably within the prudential threshold of 10 percent. Asset quality showed limited variation across banks, as most banks reported NPLs below the regulatory limit. The banking sector’s NPLs net of provisions to regulatory capital marginally declined to 16.8 percent in 2025, compared to 19.5 percent in 2024. The BSL expects further declines in NPLs as enhanced oversight is implemented for banks with elevated NPL levels.

**Figure 2.4: Asset Quality Indicators of the Banking Sector**



Source: BSD, FSD, BSL

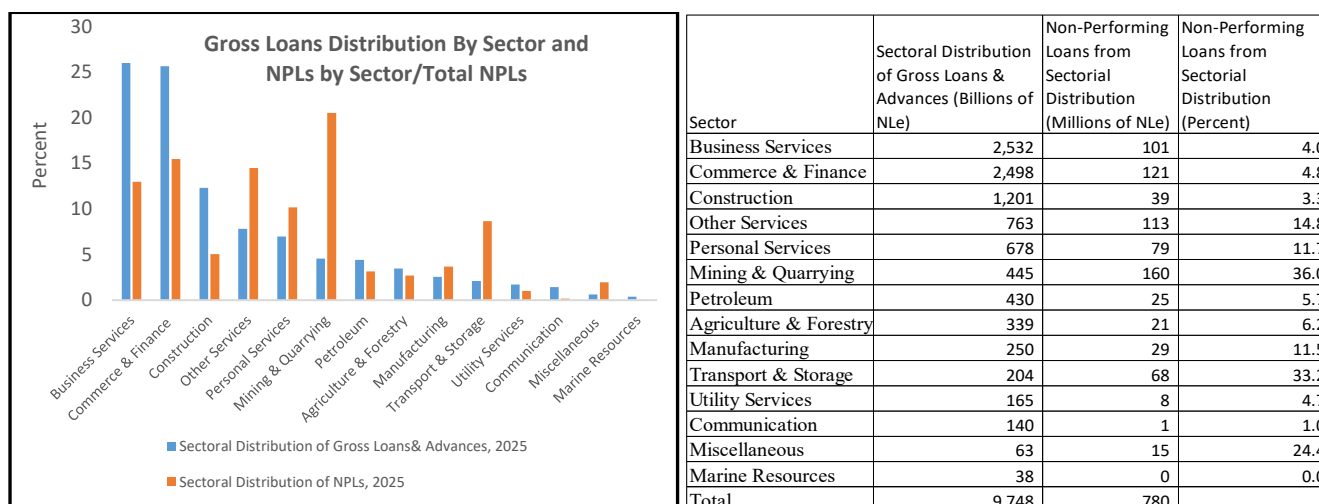
### 2.2.2 Credit Risk from Sectoral Shocks

The sectors that accounted for the largest shares of total non-performing loans (NPLs) were Agriculture and Forestry (21 percent), Mining and Quarrying (20.6 percent), Commerce and Finance (15.5 percent), Other Services (14.5 percent), and Business Services (13 percent).

By contrast, the distribution of total bank lending was concentrated in five sectors. The biggest recipients of credit were Business Services, Commerce and Finance, Construction, Other Services (7.8 percent), and Personal Services. These sectors accounted for 78.7 percent of gross loans.

Notably, despite the heightened exposure of the Commerce and Finance and Business Services sectors to risks like supply chain disruptions and international economic volatility, their levels of NPLs remained comparatively contained. This was largely due to the stability of the local currency (the Leone) and minimal supply chain disruptions experienced during the review period.

**Figure 2.5: Gross Loans Distribution & NPLs by Sector**



Source: BSD, FSD, BSL

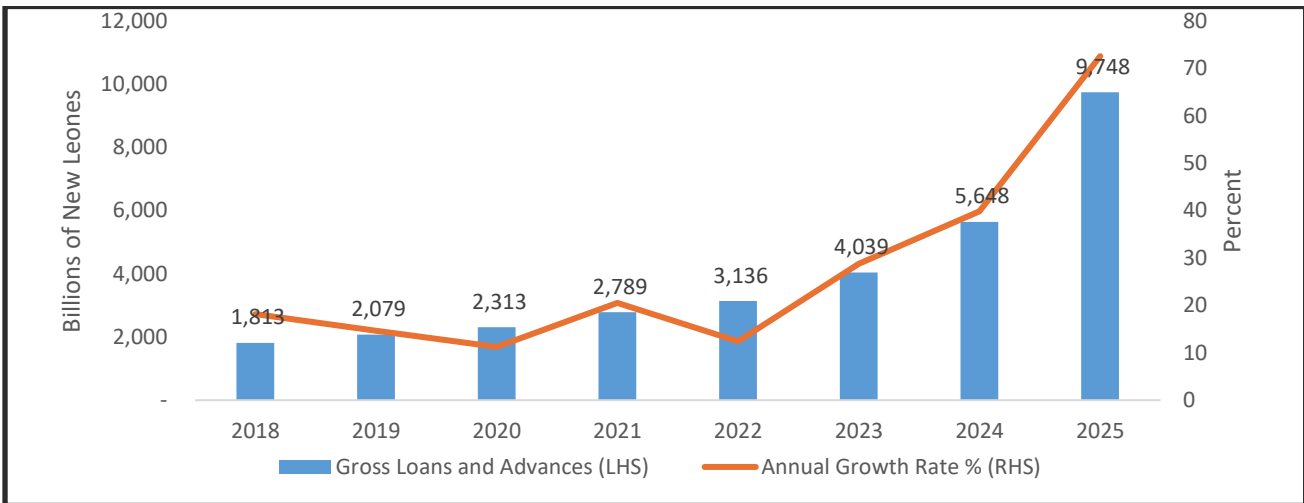
### 2.2.3 Credit Risk

Despite the rapid growth of gross loans and advances during the year they remained only half as large as banks' holdings of Government Securities (GS). One key reason for this is the scarcity of viable, bankable projects in Sierra Leone which offer acceptable risk-return profiles, leading banks to favor the attractive rates of GS, though this trend is slowly shifting.

The banks' loans-to-deposits ratio increased moderately during 2025, reaching 31.6 reflecting a gradual expansion of private sector credit to support economic growth. Nevertheless, the ratio remained significantly below the maximum regulatory limit of 80 percent, mainly because a large share of banks' deposits continued to be channeled into Government Securities.

As a policy response to improve lending, the BSL plans to introduce a minimum loans-to-deposits ratio in 2026, aimed at incentivizing greater lending to the private sector and, therefore, stimulating economic growth and encouraging banks to diversify their portfolios as a way of reducing concentration risks.

**Figure 2.6: Level and Growth of Gross Loans and Advances, 2025**



Source: BSD, FSD, BSL

### 2.2.4 Large Exposure Risk

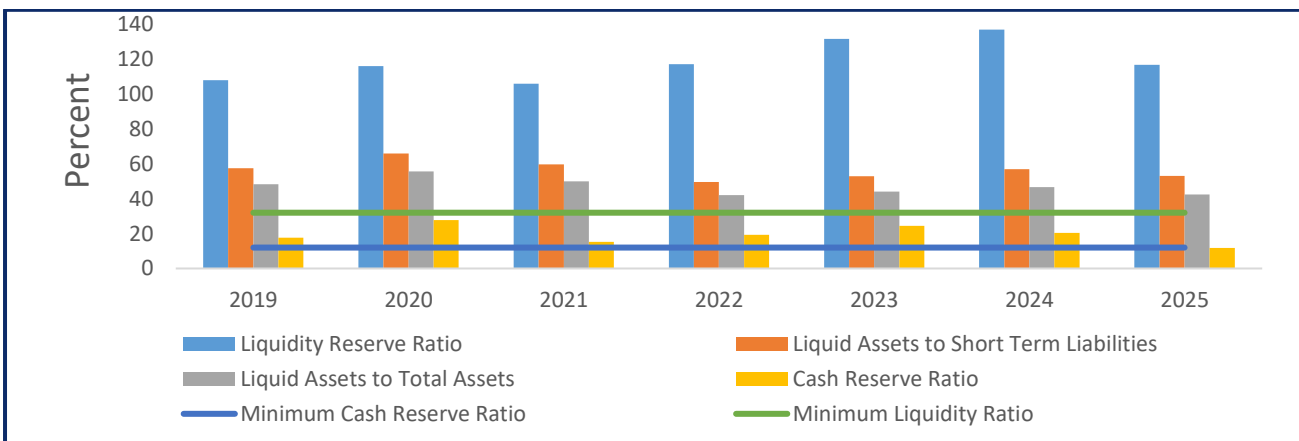
At the end of 2025, the banking sector’s 50 largest credit exposures accounted for 68 percent of the sector’s total balance sheet exposures and 100 percent of its capital base compared to 89 percent and 99 percent respectively in 2024. The sector’s single largest borrower accounted for 5.8 percent of aggregate exposures and 16.2 percent share of the sector’s capital base. The data underscores the high level of concentration in loan portfolios, indicating that the banking sector was heavily reliant on a few large borrowers, which may have adverse consequences for the banks if these customers were to run into any difficulty.

## 2.3 Liquidity Risk

### 2.3.1 Liquidity Assets

The banking sector remained well equipped to meet its short and long-term commitments with high core liquidity metrics (*Figure 2.7*)

**Figure 2.7: Banking Sector Liquidity Performance against the Minimum Requirements**



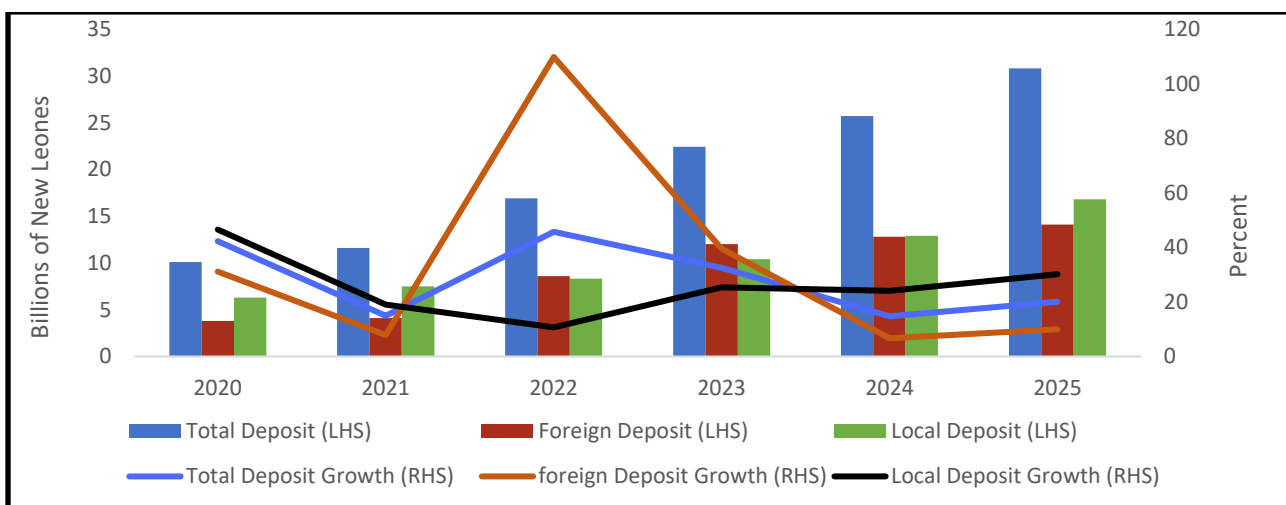
Source: BSD, FSD, BSL

The liquidity ratios (LR) and cash reserve ratio (CRR) indicated that the banking sector remained liquid. The CRR declined from 20.5 percent in 2024 to 11.8 percent in 2025, marginally below the minimum threshold of 12 percent. Similarly, the liquidity reserve ratio declined from 137 percent in 2024 to 116.9 percent in 2025 but stayed far above the required minimum of 34 percent. This very high excess above regulatory liquidity requirements resulted from the banking sector's substantial holdings of GS, which are considered for regulatory purposes as liquid assets. The liquid nature of GS derives from their eligibility for use as collateral for the BSL's Standing Lending Facility (SLF) and the general understanding that GS can always be sold to BSL as a last resort at their current market value but with a haircut.

### 2.3.2 Sources of Funding

Customer deposits continued to be the primary source of funding for the banking sector. The growth in deposits could be attributed to aggressive strides by banks to mobilize deposits. The growth in foreign currency deposits was lower in 2025 (45 percent) than in 2024 (50 percent), reflecting the relative stability of the local currency and confidence by depositors in holding the local currency as a store of value.

**Figure 2.8: Composition of Banking Sector Deposits**



Source: BSD, FSD, BSL

**Figure 2.9: Banking Sector Funding Sources**



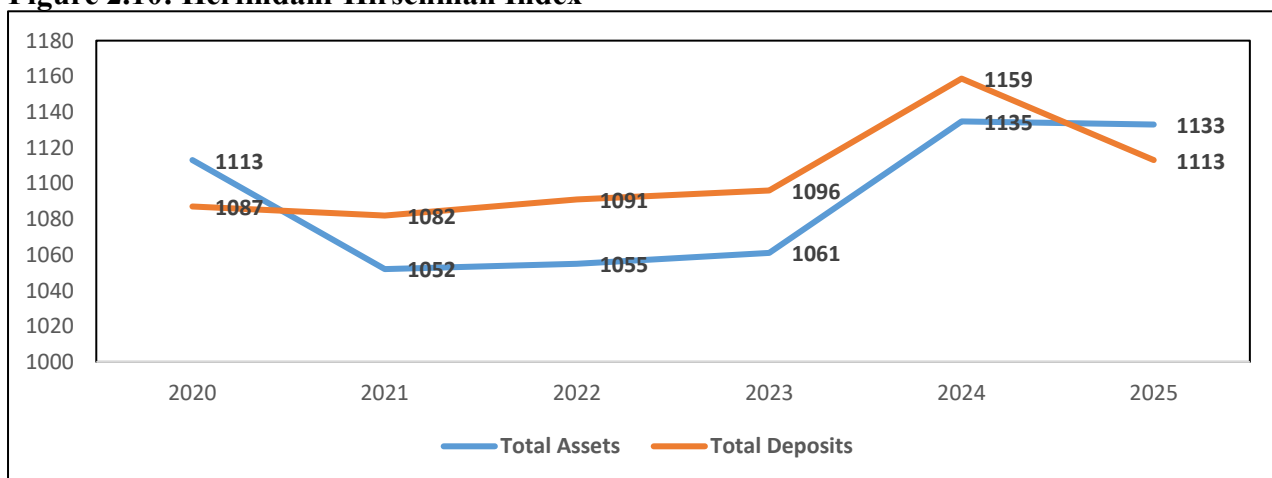
Source: BSD, FSD, BSL.

There was a slight increase in deposit concentration among the top 20 depositors from 25 percent in 2024 to 27 percent in 2025, along with the share held by the single largest depositor, from 6.5 percent in 2024 to 6.8 percent in 2025. Therefore, banks remained exposed to unexpected withdrawals by large depositors which could pose a significant threat to financial stability. This highlights the importance of diversifying the deposit base and enhancing liquidity management practices.

### 2.3.3 Risk of Contagion

Concentration in the banking sector decreased slightly with the five biggest banks accounting for 67 percent and 66.3 percent of total assets and deposits respectively at end 2025, suggesting continued high levels of concentration. That said, according to the more comprehensive Herfindahl-Hirschman Index (HHI), the market seemed to remain competitive (*Figure 2.10*).

**Figure 2.10: Herfindahl-Hirschman Index**



Note: Theoretically, a HHI of less than 1500 is considered a competitive market.

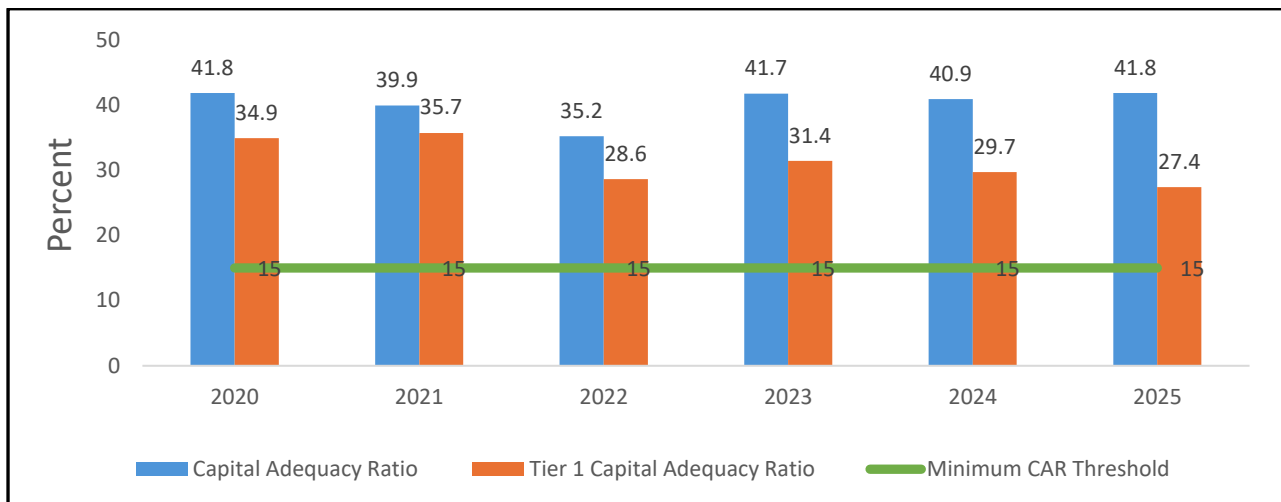
Source: BSD, FSD, BSL.

## 2.4 Resilience

### 2.4.1 Capital Adequacy Ratio

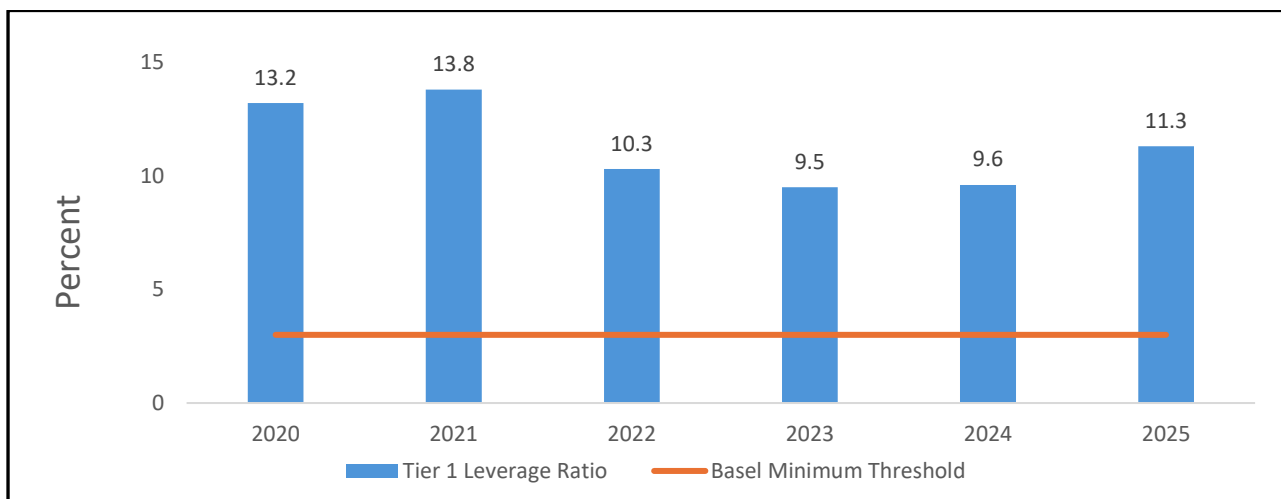
The banking sector remained highly solvent, with a CAR of 42 percent and a Tier 1 CAR of 27 percent at end 2025. This is slightly lower than the previous year, but still far above the regulatory minimum of 15 percent and 7.5 percent respectively. However, one of the banks recorded a CAR below the minimum 15 percent ratio. Appropriate regulatory measures have been applied to address this situation.

**Figure 2.11: Capital Adequacy Ratios of the Banking Sector**



Source: FSD, BSL

**Figure 2.12: Banking Sector Tier 1 Leverage Ratio**



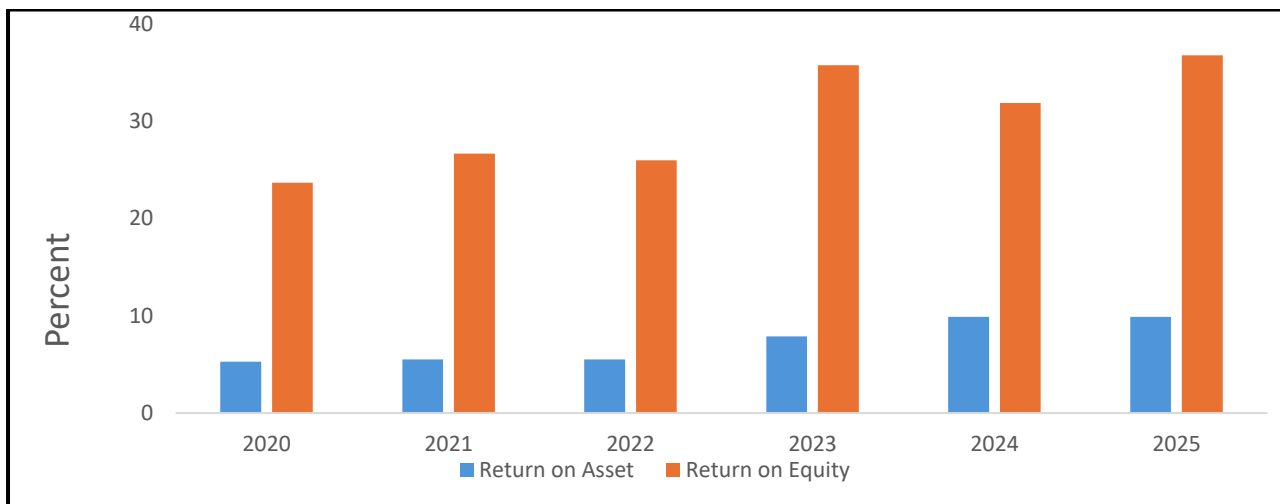
Source: FSD, BSL

The Tier 1 Leverage Ratio remained well above the Basel III minimum level of 3 percent, indicating a well-capitalized banking sector. It increased marginally to 11.3 percent in 2025 from 9.6 percent in 2024.

### 2.4.2 Profitability

The banking sector remained very profitable, despite the zero growth in the Return on Assets (ROA) in the review period.

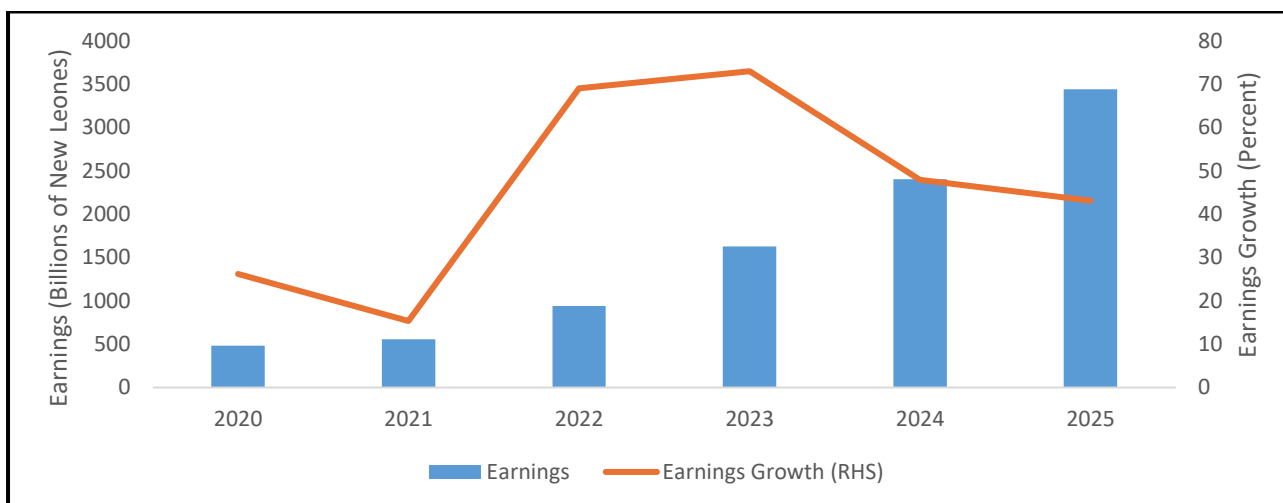
**Figure 2.13: Profitability Indicators of the Banking Sector**



Source: BSD, FSD, BSL

The banking sector's pre-tax nominal profit decreased by 43.1 percent in 2025, when compared to 48 percent in 2024. Earnings growth dropped slightly to 43.1 percent in 2025 from 47.9 percent in 2024. The return on short-term investments in GS accounted for most of the earnings in 2025 (62.4 percent), indicating that almost two-thirds of the overall income generated by the banking sector was from short-term investments. The share of interest income from loans and advances improved slightly to 18.2 in 2025 from 16 percent in 2024, while the share of other operating income decreased from 20.5 percent in 2024 to 19.4 percent during the year. Commissions and fees, as well as the profit on FX deals drove the other operating income, contributing 12.5 percent and 4.4 percent respectively to total earnings in 2025. Since the growth in earnings remained faster than the growth in costs, the banking sector's cost-to-income ratio fell from 50 percent in 2024 to 46.7 percent in 2025.

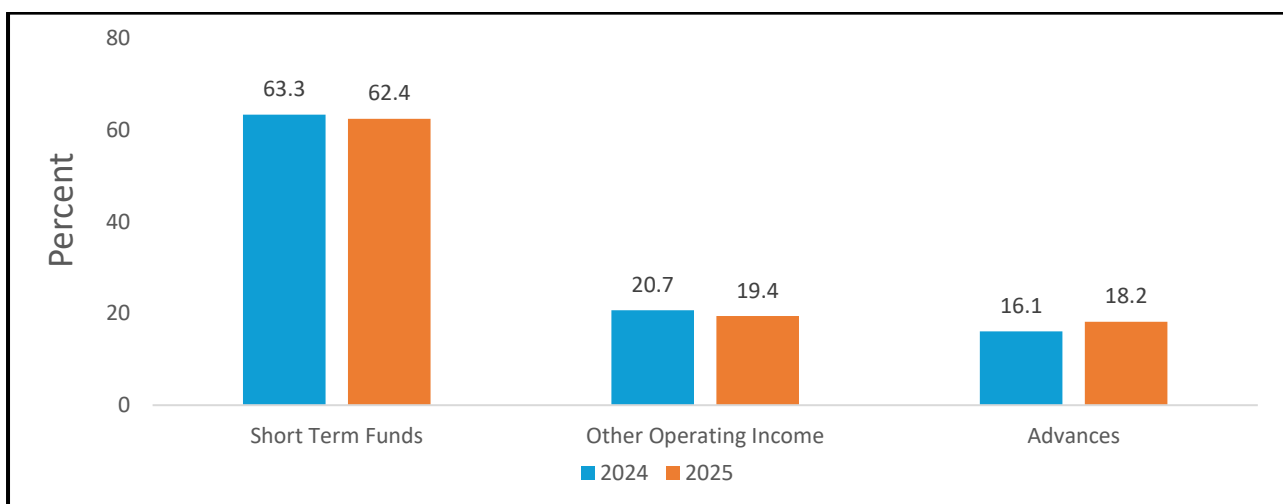
**Figure 2.14: Earnings and Earnings Growth, 2020-2025**



Source: BSD, FSD, BSL

The banking sector’s long-term business viability may however face challenges by relying primarily on revenue from GS. This is because the nominal interest rates on GS have dropped considerably as Government has improved its fiscal position and inflation is on a downward trajectory, which would imply a lower supply of GS. The risk of financial repression that lowers yields on Government assets also exists, according to historical data trends. Continuous decline in GS yields will offer an opportunity for private sector investment and lower the risk to banks’ revenues and profitability, and if maintained over longer period, should spur economic growth.

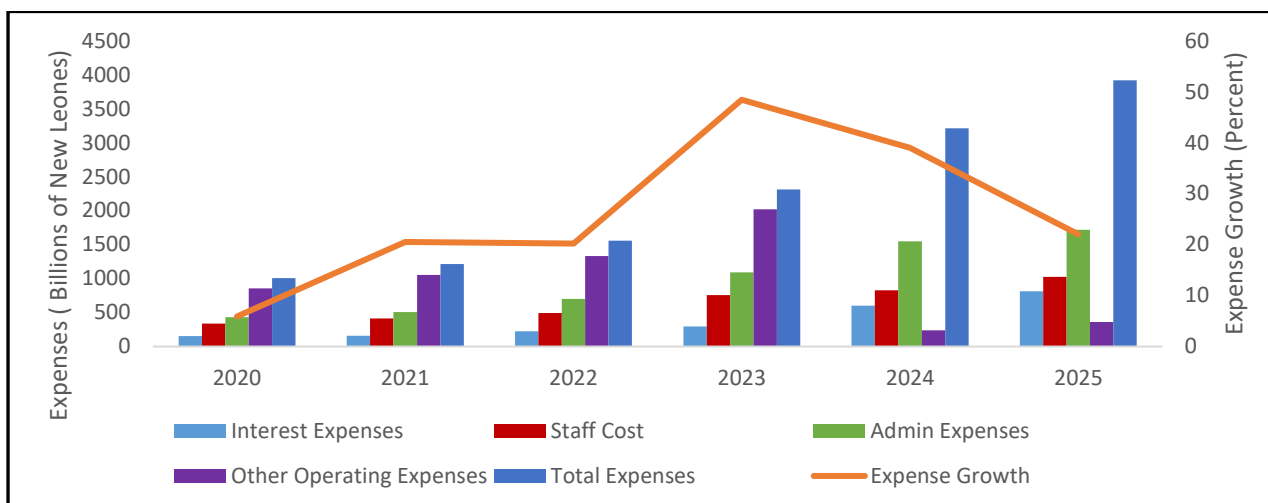
**Figure 2.15: Composition of Banking Sector Income**



Source: BSD, FSD, BSL

Expenditures in the banking sector grew by 22 percent in 2025. Administrative and personnel expenses continued to be the main force behind the growth (Figure 2.16).

**Figure 2.16: Breakdown and Growth of Total Expenses**



Source: BSD, FSD, BSL

## 2.5 Sources of Key Risks and Vulnerabilities

### 2.5.1 Non-performing Loans (NPLs) and Concentration Risks

Credit and depositor concentration increased further and is expected to remain high in the medium term. Concentration risk, however, varied among banks, with over half of them reporting more than 7 percent concentration in a single borrower.

### 2.5.2 Viability of business models over the medium-term

The banking sector faces medium-term challenges due to the continued limited financial intermediation. Lending to the private sector (relative to GDP) remained very low, both in absolute terms and compared to peer countries, with investments in GS crowding out lending to the private sector. Net loans, which include loans and advances, less provisions and interest in suspense, made up only 19.6 percent of total banking sector assets, and these were concentrated in only a few sectors.

The banking sector's profitability too was heavily reliant on GS and yielded significant spreads and was primarily funded by customers' deposits. The reduction in interest rates on these securities could further reduce profitability and weaken the sector's resilience going forward. To mitigate these risks, banks should diversify their loan books and explore alternative revenue sources, while addressing structural issues that could undermine financial stability and economic growth over the medium term.

## 2.6 Systemic Risks Assessment

### 2.6.1 Stress Tests of the Banking Sector

As part of its macroprudential toolkit, the BSL regularly conducts stress tests to measure the banking sector's ability to withstand potential future disruptions. These tests, based on December 2025 data, simulated severe but plausible scenarios to analyze their effects on banks' financial positions and profitability. The goal was to uncover risks and vulnerabilities related to credit, interest rates, exchange rates, and liquidity across the thirteen commercial banks. Given that the banking sector holds a large share of the financial system's total assets, its stability is fundamental to overall financial stability.

To evaluate the adequacy of banks' capital buffers, five scenarios were modelled, ranging from a baseline to more severe cases. These included a reduction in the government's domestic borrowing, an economic recession, a liquidity shortage, and combined shocks. While designed around possible future events, historical precedents helped shape the scenarios.

Specifically, credit risk was tested using three types of shocks: a general rise in non-performing loans (NPLs), sector-specific NPLs increases, and shocks from large exposures. Interest rate risk was evaluated by simulating decline in Treasury bills yields, and liquidity risk was measured by assessing banks' capacity to fulfil short-term obligations during a liquidity squeeze.

### 2.6.2 Risk Scenarios for Stress Testing

#### 2.6.2.1 Baseline

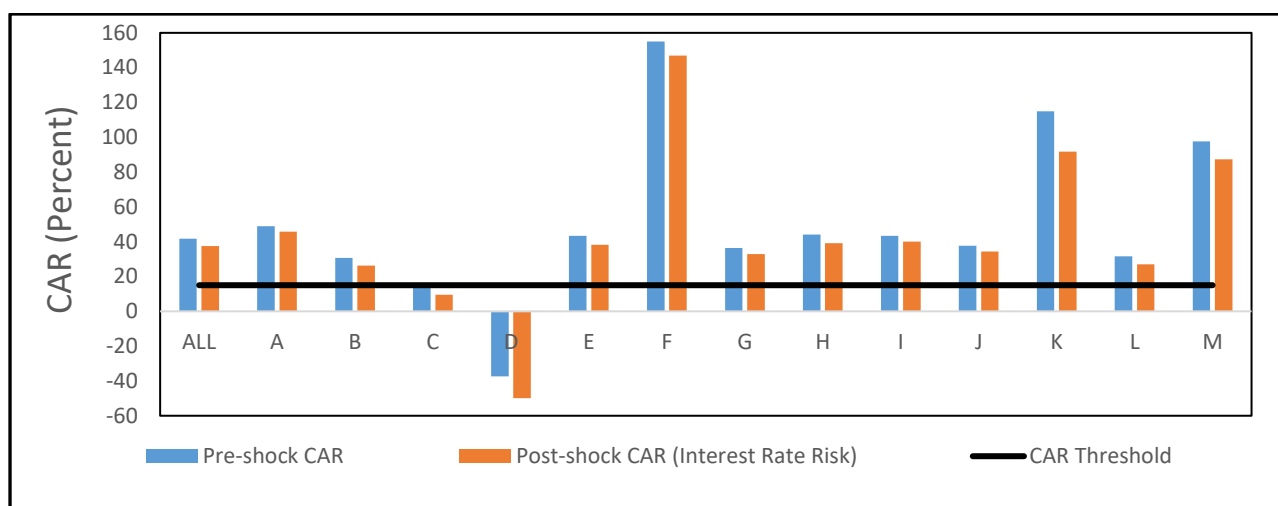
The baseline scenario uses the BSL's latest projections, showing GDP recovering to 4.4 percent in 2025 and stabilizing at 4.6 percent in the medium term (2026-2028). Inflation dropped to 4.4 percent by December 2025 and was forecasted to fall further, remaining in single digits over the medium to long term. The exchange rate for Leone is assumed to depreciate moderately by 5 percent annually.

#### 2.6.2.2 Interest Rate Risk: Reduced Local Currency Borrowing of the Government.

The interest rate risk scenario is based on a significant drop in nominal interest rates, primarily in Treasury bills yields, which would reduce bank interest income and profitability. As commercial banks invest heavily in high-yielding 364-day T-bills, a 5-percentage point decline was modelled. This shock size is historically grounded. While larger drops have occurred briefly in the past, they happened before the BSL established its overnight interest rate corridor, which now serves as a floor for market rates.

The result of the stress test indicates that the banking sector was still resilient to this interest rate shock, even though the post-shock CAR was significantly lower. The banking sector's CAR declined to 37.5 percent from the pre-shock ratio of 41.8 percent but remained firmly above the prudential threshold of 15 percent. From a micro perspective, two banks fell below the prudential CAR regulatory minimum although one of these had already breached the threshold before the shock (Figure 2.17).

**Figure 2.17: Results of Interest Rate Shock: 5 Percentage Point Decline in 1 Year Treasury Bills**



Source: FSD, BSL

### 2.6.3 Credit Risk: Recession

This scenario assumes an adverse situation where the Sierra Leonean economy slips back into recession. A recession would have negative effect on the credit risk on banks' loan portfolios. Three sub-scenarios were investigated to assess the impact of higher credit risk on banks' financial positions, a proportional increase in NPLs across all sectors, a sectoral shock and a large exposure shock.

#### Box 2.1: Credit Risk Stress Test Scenarios

1. The NPLs increase uniformly across all banks and reached 20 percent of existing performing loans in aggregate of total loans.
2. The sectors are affected in different ways, summarized in Table 3.1 below.
3. The 5 biggest loans of each bank default. Even though the international practice involves a lower number of defaulting loans, in Sierra Leone, some of the large lenders borrow from several banks at the same time. If one of the top five largest customers of a bank defaults, it is likely that the same customer will default on its loans with other banks, which usually represents a top 5 loan for another bank. The top 5 customers accounted for 37.1 percent of the sector's gross loans and advances as of December 2025.

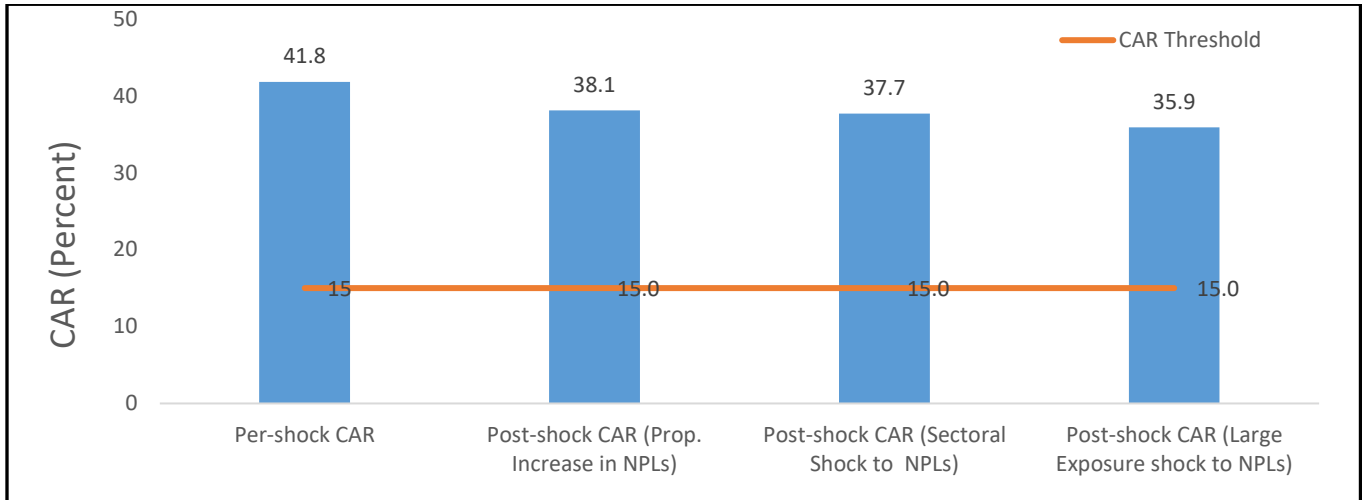
**Table 2.1: Assumed Sectoral Increase in NPL Ratio\***

Sector	NPLs as of Dec 2025	Shock
Commerce and Finance	15.5	30
Construction	5.0	10
Business Services	13.0	30
Personal Services	10.2	20
Manufacturing	3.7	10
Agriculture and Forestry	2.7	10
Transport and Storage	8.7	20
Mining and Quarrying	20.5	40
Utility Services	1.0	10
Communication	0.2	10
Petroleum	3.2	10
Others	14.5	20

*\* Note: percentage of Performing Loans in the Sector Becoming NPLs.  
Source: FSD, BSL*

The results indicate that the banking sector is resilient to credit risk based on all three tests. The current strong capital base of the banking sector was robust enough to absorb the impact of the shocks. In addition, the impact of the shock itself is relatively small because of the low levels of banks' loans relative to total assets. That said, the rise in NPLs varies quite a lot under these sub-scenarios, especially under the large exposure scenario.

**Figure 2.18: Impact of Shocks on the Banking Sector CAR**

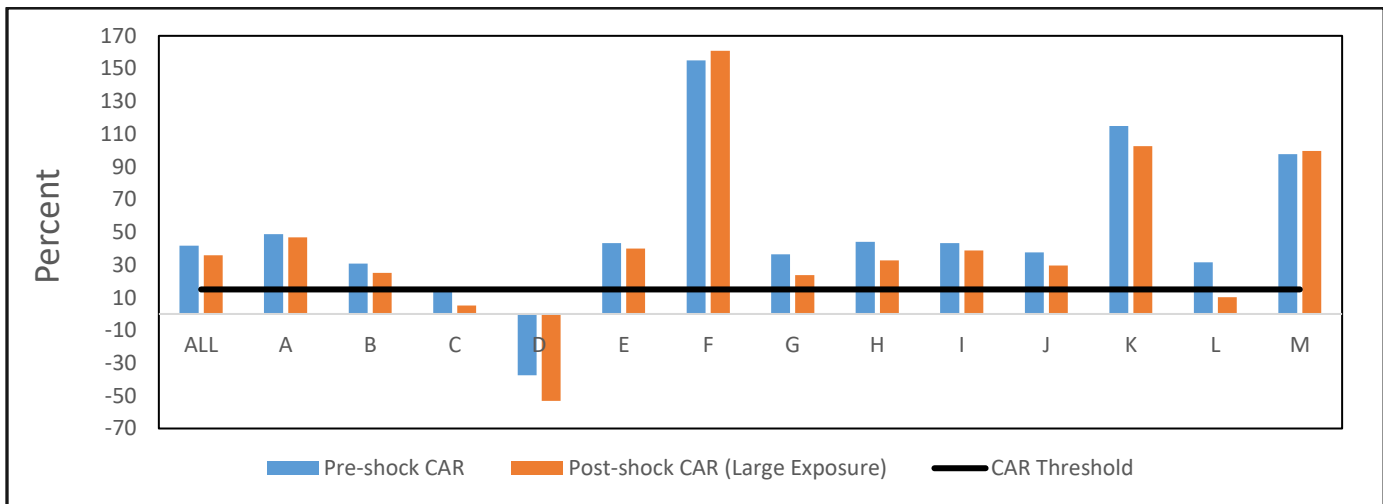


Source: FSD, BSL

### 2.6.3.1 Results of Large Exposure Stress Test

The large exposure scenario had a significant impact, but the banking sector CAR still remained well above the prudential threshold of 15 percent at 35.9 percent from a pre-shock CAR of 41.8. However, the CAR of three banks fell below the prudential threshold.

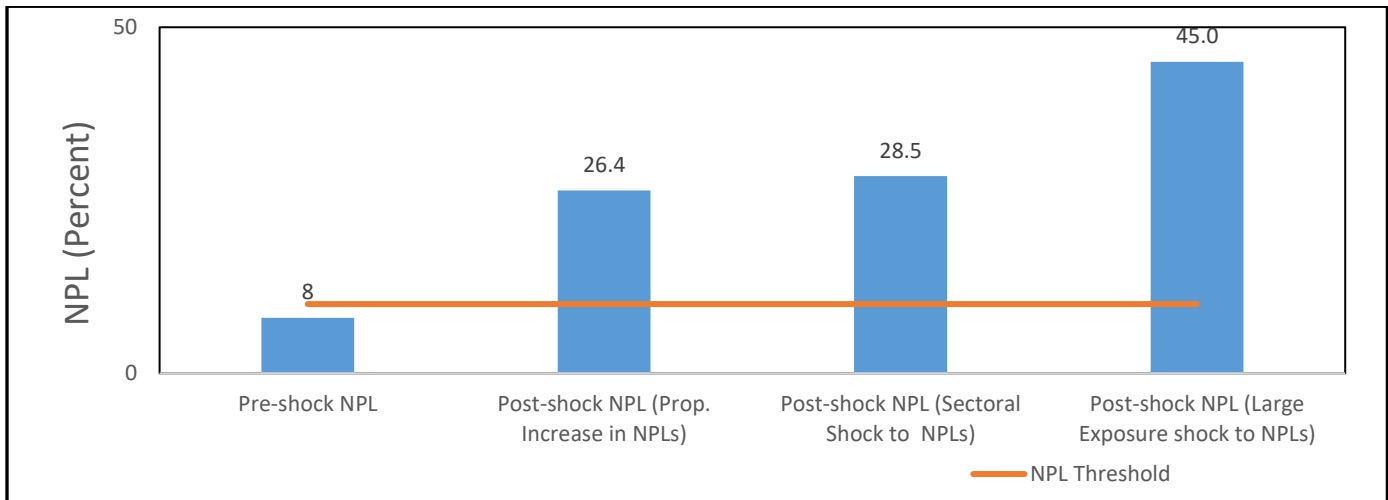
**Figure 2.19: Impact on Individual Banks' CAR of the Five Large Exposures becoming NPLs**



Source: FSD, BSL

However, the impact on the banking sector's NPLs of the large exposure scenario was significant, causing the NPLs to increase to 45 percent, with all the thirteen banks recording NPLs far above the 10 percent prudential limit.

**Figure 2.20: Impact of Large Exposure Shocks on the Banking Sector NPL Ratio**



Source: FSD, BSL

#### 2.6.4 Foreign Exchange Rate Risk: Large Depreciation

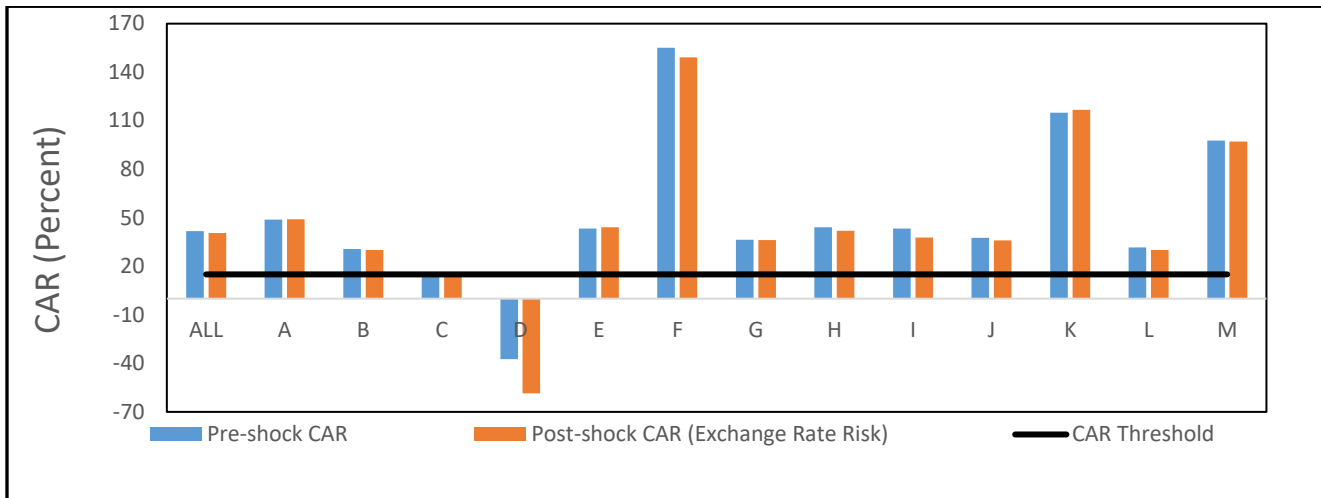
Foreign exchange risk is the risk that exchange rate changes affect the local currency value of financial institutions’ assets, liabilities, and off-balance sheet items. The scenario assumes there is a 30 percent Leone depreciation (against the dollar) over one year period.

In this test, the direct solvency risk arising from banks’ net open positions (NOP) in foreign currency is assessed. Banks’ indirect solvency risk arising from the impact on the creditworthiness of foreign exchange loan borrowers was not considered, since banks are only allowed to lend in foreign currency to naturally hedged borrowers as set out in the Guidelines on Lending in Foreign Currency. The Leone depreciation will have a positive impact on banks that have a long (positive) NOP in foreign currency and a negative impact on banks that have a short (negative) NOP.

##### 2.6.4.1 Results of the Exchange Rate Stress Test

The results show that the impact of the foreign exchange shock on the resilience of the banking sector was minimal given that in aggregate the sector was close to zero NOP. The banking system CAR declined only marginally to 40.5 percent from a pre-shock CAR of 41.8 percent as of December 2026. But individual banks’ NOP differed significantly since six recorded a long position and seven reported a short position. Nonetheless, even for banks with short positions beyond the regulatory minimum, the impact of the Leone depreciation is relatively small.

**Figure 2.21: Impact on Individual Banks' CAR of 30 Percent Leone Depreciation**



Source: FSD, BSL

### 2.6.5 The Combined Scenario: Recession and Financial Repression

This unfavourable scenario combines the recession scenario with the negative impact of fiscal policy tightening and exchange rate depreciation (against the dollar). It assumes that:

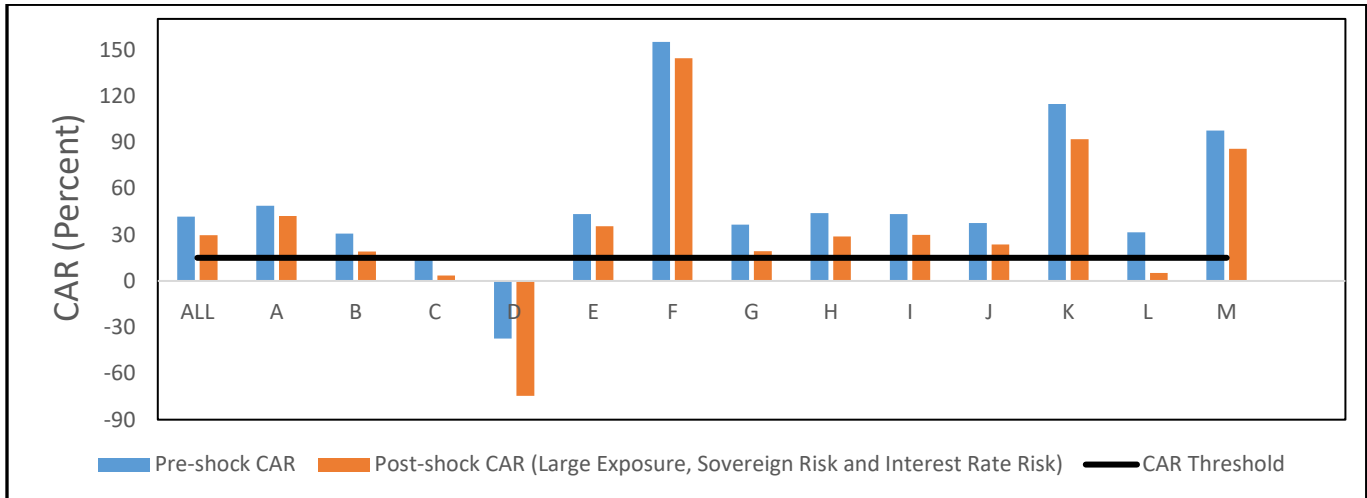
- 5 largest exposures in the banking sector default, yields on GSs fall by 5 percent and the Leone depreciates by 20 percent (against the dollar).

#### 2.6.5.1 Results of the Combined Stress Test (Recession and Financial Repression)

The test added up the impacts of multiple shocks to arrive at an aggregate impact of the CAR on the banking sector. The likelihood of the combined scenario is low, but still a conceivable event.

The results indicate that the banking sector withstood the combined shocks with the aggregate CAR falling to 29.7 percent. Three banks recorded CARs below the 15 percent regulatory threshold with one recording a negative CAR, which was even the case before the test. The CAR of ten banks remained above the regulatory limit of 15 percent. Still, the key takeaway was that such a combined adverse shock, while weakening the banking sector would not cause a full-blown crisis.

**Figure 2.22: Impact on Individual Banks' CAR of the Combined Stress Scenario Test**



Source: FSD, BSL

### 2.6.6 Liquidity Risk

Two different liquidity stress scenarios are used in the stress testing exercise. The impact of the liquidity stress scenarios is calculated for each bank in terms of the number of days it would be able to survive without resorting to liquidity from the interbank market (other banks) or the central bank. Of course, in practice, the BSL may very well choose to intervene through its lender-of-last-resort function, given that it has developed an Emergency Liquidity Assistance Framework, which has been approved by the Board.

## Box 2.2: Liquidity Scenarios

*First scenario:* It affects all banks in the system proportionally (similar run on all banks) depending on their volumes of demand and time deposits. The scenario assumes that banks endure a daily withdrawal from LCY demand deposits, FX demand deposits, LCY time deposits and FX time deposits of 40, 20, 10 and 5 percent, respectively.

*Second scenario:* It stands for “flight to safety,” where the liquidity drain starts in the smallest or weakest banks and the stress test shows how this can affect the larger or stronger banks. The stress test investigates three possible measures of “bank safety”: (i) total assets; (ii) total assets, with a premium for state ownership; and (iii) the public assessment of the banks’ quality, proxied by the BSL’s own internal rating. In the first case, depositors perceive bank safety as linked to the size of the bank, approximated by total assets. In the second case, they also perceive state-owned banks safer than privately-owned banks. In the third case, depositors’ perceptions of bank safety are correlated with the banks’ recent financial performance proxied during the stress testing exercise by the BSL’s own rating.

The second scenario assumes that banks endure a daily deposit withdrawal from LCY demand deposits, FX demand deposits, LCY time deposits and FX time deposits ranging from 40 to 20, 15, 10 and 5 percent, respectively. For each bank, the size of the withdrawal within that range depends on its perceived safety.

For both scenarios, on any given day, banks can utilize 75 percent of their outstanding liquid assets and 1 percent of their non-liquid assets. The liquidity scenarios are evaluated over a five-day horizon, corresponding to a week in calendar terms.

### 2.6.6.1 Liquidity Stress Test Results

The simple test models a liquidity drain that affects all banks proportionally, depending on their volumes of demand and time deposits (see the Box above for details). This assumes that customers do not switch deposits from one bank to another, but rather reduce deposits from all banks. The result of the simple liquidity stress test indicates that one bank will be illiquid after the first day, two banks after the second day, three banks after the third day, six banks after the fourth and fifth days. As the assumed liquidity drain is extremely large, in practice the BSL’s liquidity facilities would be available to the banks, the results suggest that there will be only a moderate overall liquidity risk. However, the affected banks should take action to improve their liquidity positions.

The flight to safety test is based on “liquidity contagion” and assumes that a relatively large liquidity drain starts in the smallest and/or weakest banks and the impact of this effect on the larger or stronger banks is tested. That is, banks’ customers consider stronger banks as safer than weaker banks. According to the flight to safety liquidity test, only one bank will become illiquid on the second day. The number of illiquid banks increased to two, five and six on the third, fourth and fifth days respectively.

As the liquidity drain assumptions are even more severe than in the case of the simple and as the liquidity drain affects the weaker banks disproportionately more under this scenario, the results are in line with expectations. However, the affected banks should take action to improve their liquidity positions.

**Table 2.2: Simple Liquidity Stress Test Results**

Days after shock	Number of illiquid banks	
	Run on all banks	Flight to safety/contagion
After day 1	1	0
After day 2	2	1
After day 3	3	2
After day 4	6	5
After day 5	6	6

*Note: The assumed shock is 25 percent daily withdrawals of deposits for five days*

*Source: FSD, BSL*

### 2.6.7 Conclusion and Recommendations

In summary, the stress tests indicate that the banking sector was generally resilient to large adverse shocks that might emerge in the future. A combination of such large shocks would certainly weaken the banking sector but would not be expected to result in a full-blown crisis. None of the individual macro shock scenarios considered would cause the banking sector's overall CAR to fall below the 15 percent minimum threshold. The reason for this is that most banks are starting with very high levels of CAR, emanating from their unique business models, which is based on large holdings of Government Securities that are considered as liquid assets for regulatory purposes and are risk free with very high returns. Therefore, even with extreme shocks to credit risk, the banking sector's CAR continued to remain adequate. However, the BSL will consider placing a higher weight on alternative financial stability indicators, such as the leverage ratio, as the risk-weighted assets is significantly biased by the large Government Securities portfolios of the banks, which may not be sustainable over the long run.

Vulnerabilities do currently exist in the banking sector, which arise mainly from a few weak banks in the sector. However, these banks are already under enhanced supervision. The BSL will consider whether additional banks should be put under enhanced and more intrusive supervision if the need arises. Thus, the following recommendations are proffered to strengthen the banking sector and reduce its vulnerabilities:

- Prompt steps should be taken to strengthen the bank that has already breached the regulatory capital threshold.
- The BSL will prepare new rules on credit reporting so that banks will need to provide more details when reporting credit information. It will be of great value if a breakdown is also provided on borrowing by the government, individuals, non-profit organizations, corporate and non-corporate businesses etc.
- BSL encourages banks to improve their capital base over time to increase resiliency to shocks, as they diversify their asset portfolio. The BSL will use its available tools for this purpose.
- Even though the stress test results show that the impact of an exchange rate shock is minimal, foreign exchange risk can easily transform into credit risk once banks start lending in foreign currency to their customers, whose original hedge position may change substantially over time. Therefore, the BSL's Financial Policy Committee should consider the introduction of additional macroprudential tools to manage foreign exchange risks.
- At the end of 2025, the banking sector remained stable and well-capitalized despite a slight reduction in regulatory capital. High regulatory capital as well as profitability and liquidity ratios were attributed to the sector's significant holdings of GS. The Tier 1 leverage ratio has been on a downward trend in recent years but remains well above regulatory minimum. All but one bank met the new capital requirements, but banks must raise additional capital to meet the next phases of higher requirements by end 2026 and 2027.
- However, the banks' current business model which focuses heavily on investment in GS is considered unsustainable in the medium to long term, especially with the high and sustained reduction in the yields since the second quarter of 2025.
- The sector's strong capitalization and liquidity positions demonstrated resilience to short-term shocks, but over-reliance on GS may pose structural risks. Meeting phased capital requirements may enhance stability but may constrain banks that have weak profits and/or high NPLs.
- Despite a decline in share, the size of FX deposits resulting from currency substitution poses additional challenges. Banks may face reduced flexibility to invest in local currency instruments, potentially affecting liquidity and profitability. Unlike Leone deposits, foreign currency deposits need to be matched by investments in foreign assets, rather than local currency assets, which would be more beneficial to the local economy. To address these risks, banks need to adopt a more diversified and

sustainable business model, enhance risk management practices for FX positions, and strategically allocate resources to support private sector development. Failure to adapt could limit the sector's contribution to economic growth and exacerbate systemic vulnerabilities. The introduction of a minimum loan to deposit ratio may help to address this issue by encouraging more loans and presumably mobilizing more local deposits.

### **Box 2.3: Financial Sector Regulatory and Supervisory Developments**

The BSL has undertaken initiatives to enhance the resilience and stability of the financial sector. Central to these efforts is the continued strengthening of the Regulatory and Supervisory Framework, guided by the Financial Policy Committee (FPC). In 2025, the BSL implemented a comprehensive range of policy initiatives anchored in its Financial Stability Reports (FSRs) to strengthen the resilience, stability, and integrity of the country's financial system. These reforms aim to enhance supervisory effectiveness, promote sound risk management, ensure depositor protection, and support inclusive and sustainable financial sector development in line with international best practices.

One of the key developments in the review period was the completion of the Emergency Liquidity Assistance (ELA) Framework and Manual of Operation, designed to provide temporary liquidity support to solvent banks facing short-term funding challenges. The ELA serves as a critical financial backstop that allows the BSL to respond swiftly to liquidity pressures and prevent systemic distress. This mechanism preserves confidence in the financial system, ensures the continuity of banking operations, and helps avert contagion during times of market stress.

The Prompt Corrective Action (PCA) Framework, which has been approved by the BSL Board, now forms an integral part of BSL's supervisory toolkit. The Framework provides structured, time-bound interventions for addressing weaknesses in banking institutions and restoring their soundness. It promotes early intervention, transparency and accountability thereby reducing the likelihood of institutional failures.

The BSL has also established a formal Framework to manage and resolve solvency crises in Banks and Deposit-Taking Financial Institutions (DTFIs). The Framework on Crisis Management and Resolution for banks and DTFIs is based on international best practices (FSB & IADI) and grounded in national laws (Banking Act 2019, Deposit Protection Fund Act 2023, Other Financial Services Act 2001). The core objectives of the Framework include, to maintain financial system stability and protect depositors; minimize taxpayer exposure by avoiding bailouts, ensuring losses are borne by shareholders/unsecured creditors; and ensure orderly exit of non-viable institutions while ensuring the continuity of critical financial services.

To further strengthen institutional capacity, the first tranche of the revised Minimum Paid-Up Capital requirements came into force at end December 2025 for commercial banks, non-bank financial institutions, mobile money operators, microfinance institutions, FinTech companies, and entities engaged in foreign exchange spot and remittance transactions. The review was intended to align capital adequacy with risk exposure, business complexity, and evolving market conditions. Enhanced capitalization will improve financial institutions' ability to absorb shocks, reduce vulnerability to insolvency, and sustain confidence in the stability of Sierra Leone's financial system. All thirteen (13) commercial banks, except one (1) met the new minimum paid-up capital requirement of NLe122 million as at end December 2025. Also, four (4) out of five (5) deposit-taking microfinance institutions and 2 out of three mobile money operators met their first tranches of the revised Minimum Paid-Up Capital requirements for the review period, whilst there were various levels of compliance among the other sectors. The BSL is, however, working with the various institutions to ensure maximum compliance.

The BSL, with support from the World Bank will acquire an advanced version of Supervisory Technology (SupTech) and automated Credit Reference Bureau, which will automate data collection, facilitate real-time monitoring, generate credit information with a shorter turnaround period and enable data-driven supervision. By integrating technology into regulatory operations, the BSL aims to improve efficiency, strengthen compliance oversight, and foster proactive, risk-based supervision across the financial sector.

## Box 2.4: Key Regulatory and Supervisory Developments in 2025

### **1. Joint Examination & Cooperation**

The BSL and the Central Bank of Nigeria (CBN) conducted a joint examination in August 2025. Bilateral and multilateral MoUs on joint examinations and information sharing remained active among member supervisory authorities.

### **2. Risk-Based Supervision (RBS)**

The RBS framework has been revised to align with the WAMZ Risk-Based Supervisory Framework, factoring AML/CFT/FPWMD as inherent risks.

### **3. AML/CFT Framework**

BSL participated in the GIABA Plenary, providing progress updates on Sierra Leone's national AML/CFT reforms, including regulations for Virtual Asset Service Providers (VASPs) and fintechs.

The Financial Intelligent Agency has also been admitted into the Egmont Group, which will strengthen international cooperation with respect to monitoring movement of funds, information sharing and tracing beneficial owners. The AML/CFT Unit has completed the national scoping assessment questionnaire for the 2025–2029 National Strategy.

### **4. Credit Reference Bureau**

Examinations of all 13 banks were completed for compliance with the CRB Act. A draft Credit Reference Bill has been finalized and forwarded to the Law Officers' Department (LOD). Work is ongoing with the National Civil Registration Authority (NCRA) on integrating the National Identification Number (NIN) into the CRB software.

### **5. Fraud Management Directives**

The Fraud Management Directives (issued in April 2025) is now under full implementation. Collectively, these policy initiatives underscore the BSL's firm commitment to preserving financial stability, promoting transparency, and building a robust, inclusive, and technology-driven financial system. Through these reforms, the BSL continues to fortify institutional resilience, enhance public trust, and position Sierra Leone's financial sector to withstand internal and external shocks, while contributing to long-term economic growth and national development.

## Box 2.5: Updates on the Financial Sector Development

This report summarizes the key updates relating to other Financial Sector Developments for the review period. It covers two primary areas: (1) the implementation of the National Strategy for Financial Inclusion (2022-2026) and (2) progress on the Sierra Leone Second Financial Inclusion Project (SLSFIP).

### 1. Financial Inclusion

The Bank of Sierra Leone is implementing the National Strategy for Financial Inclusion (NSFI) 2022-2026, a five-year blueprint targeting underserved groups (women, youth, rural communities, and MSMEs). The strategy focuses on three intervention areas: (a) enhancing digital finance, (b) increasing client-centric products, and (c) bolstering financial education. Working groups comprising external stakeholders and the Bank of Sierra Leone to oversee each area has been established.

#### 1.1 Key Achievements and Updates

Implementation of the NSFI is ongoing, with six working group meetings during the review period. A midterm evaluation of the strategy is currently being conducted to guide the remainder of its implementation. As the Strategy has passed its midpoint, the following reflects on the progress made to date.

#### A. Digital Financial Services (DFS)

- ❖ **Sierra Leone Financial Inclusion Project (World Bank-funded):** Under this project, the National Payment Switch was deployed and operationalized to ensure interconnectivity and interoperability of retail infrastructures, enhance efficiency in the financial system, and expand access to finance. The Project closed in June 2025
- ❖ **Digitalization of Government Payments (DigiGov) Project (AfDB-funded):** This project aimed to promote financial inclusion, particularly among vulnerable populations, by facilitating Government-to-People (G2P) and People-to-Government (P2G) payments. The Project closed in December 2024.
- ❖ **Promotion of FinTechs and Innovations:** Efforts include (i) upgrade of the BSL Regulatory Sandbox and the introduction of fintech innovations, and (ii) developing the State of Digital Financial Services (DFS) in Sierra Leone Reports for 2017-2024 to assess impact. The 2025 report is currently in progress.
- ❖ **Retail Payments Ecosystem Assessment:** An ongoing assessment to understand the retail payments ecosystem, market size, customer preferences, and merchant motivations. The findings will help market actors develop inclusive and customer-centric digital retail payment products.

#### B. Financial Education, Literacy & Consumer Protection

- ❖ **Partnerships:** BSL partnered with NGOs, such as CAFOD, to provide training to communities and women groups on various BSL regulations and guidelines.
- ❖ **Financial Inclusion Newsletter:** Launched to raise awareness and improve financial education. The 7th edition (January - June 2025) was published on the BSL website.
- ❖ **National Digital and Financial Literacy Baseline Survey:** Undertaken to promote financial literacy, the report has been finalized and published.

#### C. Access to Client-Centric Financial Products & Services

- ❖ **Youth Entrepreneurship Fund (YEF):** This facility provides NLe22.8 million fund to increase youth employment by funding promising youth-owned or managed enterprises. Implementation has commenced.
- ❖ **Agricultural Credit Facility:** A NLe230 million fund to support the agricultural sector. Implementation is ongoing with several beneficiaries.
- ❖ **Financial Inclusion Baseline Survey:** The Bank is conducting a survey to better measure and monitor financial inclusion progress under the NSFI 2022-2026. The terms of reference have been developed, and recruitment of a consulting firm is ongoing.
- ❖ **VSLA Baseline Mapping:** An ongoing assessment to map Village Savings and Loans Associations (VSLAs) across Sierra Leone is ongoing. The goal is to understand the VSLA landscape and identify opportunities for strengthening linkages with the formal financial sector.
- ❖ **Sustainable Finance Partnership:** Partnered with Invest Salone, a UK government-funded initiative, to boost the Bank's capacity for monitoring and supervising sustainable finance.

#### 1.2 Key Policy Measures for 2026

- Review the NSFI (2022-2026) and implement outstanding activities.
- Conduct the Financial Inclusion Baseline Survey.
- Develop a framework for gender financial inclusion and digital financial literacy.
- Advance in-house discussions on integrating green financing.
- Develop a fintech strategy and regulatory policy framework.

## Box 2.5: Updates on the Financial Sector Development (Cont'd)

### 1.3 Sierra Leone Second Financial Inclusion Project (SLSFIP)

This is a US\$40 million project aimed at promoting a more inclusive and resilient financial sector for individuals and MSMEs. It comprises three components.

#### Component 1: Adoption and Usage of Transaction Accounts

- **Sub-component 1.1: Enhancing Access Points**
  - **Agency Banking Network:** ECOSAN emerged as the most responsive firm and is now implementing. An inception report was submitted, and fieldwork is underway. A draft report is expected by end of February, with a validation workshop planned for mid-March. A one-month contract extension has been requested.
  - **Government Payment System Interoperability:** A contract was signed with PCL International, and a roadmap for interoperability of public financial management systems was developed. The Ministry of Finance has requested additional support for implementation; discussions are ongoing.
- **Sub-component 1.2: National Payments Infrastructure Development**
  - **RTGS, ACH, and ACP System Upgrades:** The RTGS upgrade contract has been signed by BSL, with countersignature pending. The ACH/ACP upgrade contract is under review. Recruitment of a Project Manager for the implementation phase is in progress.

#### Component 2: Increasing Access to Credit for MSMEs

- **Line of Credit (LoC):** The activity was relaunched after earlier challenges. The budget was increased to USD 500,000, and negotiations concluded at USD 599 (inclusive of WHT). The process awaits World Bank clearance to proceed to contract award.
- **Interest Rate Framework:** A cost-of-funds methodology has been applied, incorporating commercial bank and MFI data. The interest rate subsidy has been removed in line with macroeconomic stabilization. Refinements are ongoing to ensure affordability, with a meeting with the Governor pending for review.
- **LoC Manual:** The manual is being revised to reflect the removal of the subsidy, the updated macroeconomic context, and clarified Technical Assistance allocation. It is agreed that the US\$2 million allocation will focus on TA and implementation support.
- **Support to BSL departments/units:**
  - **Deposit Protection Fund:** Awaiting enactment of the revised Act.
  - **Credit information system:** The Request for Bids is being finalized by BSL and IFC.
  - **BSD & OFISD:** A Request for Bids for a Suptech system is being developed; an individual has been selected and implementation is in progress.
  - **FSDU:** Evaluation of the Demand Survey is to be completed.
  - **FSD:** Support for fintech policy is pending evaluation of Expressions of Interest.
  - **Financial Intelligence Agency:** A concept note for additional support (licensing fees for reliable power for the data centre) has been shared with the World Bank.

#### Component 3: Project Management, Monitoring, and Evaluation

- **Grievance Redress Mechanism (GRM):** Manual and online portal completed. Toll-free numbers contracts signed with Orange and Afrimoney.
- **Staffing:** A temporary Procurement Management Specialist is being hired to cover leave. Terms of Reference for M&E and Comms specialists have been developed.

#### 1.4 Key Issues to Address

- **Project Restructuring:** To align objectives with BSL strategy and financial sector reforms, expected to commence by end of Q1 2026.
- **High-Ticket Procurement:** Finalizing RTGS and ACH/ACP upgrades is critical to increasing the project disbursement rate.
- **LoC Implementation:** Timely onboarding of the management firm is essential for MSME lending rollout.
- **Financial Management:** Improving Interim Financial Report (IFR) submission timelines and migrating to improved financial reporting systems are under discussion.

### 3. NON-BANK FINANCIAL SECTOR

#### 3.1 Other Financial Institutions

##### 3.1.1 Landscape

The structure of Other Financial Institutions (OFIs) recorded slight changes in 2025. The number of Deposit-Taking Microfinance Institutions (DTMFIs), Community Banks (CBs), Financial Services Associations (FSAs), Mobile Money Operators (MMOs), Credit Unions, and Discount Houses (DHs) remained the same. However, Credit-Only Microfinance Institutions (COMFIs) increased from seventy-five to eighty-five (*Table 3.1*).

**Table 3.1: Structure of Non-Bank Financial Institutions**

Institutions	Number		Foreign owned		Number of branches		Number of employees		Concentration ratio* (%)	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
Deposit Taking Microfinance Institutions	5	5	2	2	67	65	747	768	97.4	97.7
Credit-Only Microfinance Institutions**	79	85	2	2	128	136	1,597			
Community Banks***	17	17	Nil	Nil	23	24	173	165	39.8	38.8
Financial Services Associations	59	59	Nil	Nil	59	59	189			
Mobile Money****	3	3	3	3			137			
Discount Houses (DHs)	2	2	Nil	Nil	2	2	32	34		

Source: OFISD, BSL

\* Concentration = Assets of 3 largest /Total Assets, (DHs: Assets of 1 large/Total Assets)

\*\* 38 out of 85 COMFIs submitted returns as of December 2025

\*\*\* 17 Community Banks plus 6 Cash Points

\*\*\*\* Mobile Money = No. of Agents, not branches.

#### 3.2 Deposit-Taking Microfinance Institutions (DTMFIs)

The DTMFIs continued to expand their balance sheets in 2025, recording increases in assets, equity, deposits, and loans (*Table 3.2*). The sector remained highly concentrated, with the three largest DTMFIs accounting for 98 percent of the sector's total assets as of December 2025.

Despite asset growth of 16 percent, sector-wide profits fell by 81 percent, causing ROA to decline slightly to 0.56 percent below the MIX benchmark of 2.1 percent. However, three (3) out of the five (5) DTMFIs met the standard on an individual basis. ROE also dropped to 3 percent, falling short of the 13.6 percent benchmark, even though three (3) out of the five (5) DTMFIs individually exceeded it.

Portfolio at Risk (PaR) rose to 11.4 percent, well above the acceptable MIX threshold of 4.8 percent, with all DTMFIs failing to meet the maximum MIX. The BSL plans to intensify engagements with DTMFIs to enhance credit risk management and loan recovery strategies, alongside focusing on more frequent on-site examinations for institutions exceeding the industry average PaR.

**Table 3.2: Activities of the DTMFIs**

<b>Deposit-taking Microfinance Institutions</b>	<b>2024</b>	<b>2025</b>
Total Assets (NLe million)	933	1,082
Total Deposits (NLe million)	279	311
Total Loans (NLe million)	481	550
Total Equity (NLe million)	186	206
Interest Rate on Loans (average) Percent	30-35	30-35
Interest rate on Deposits (average) Percent	2-3	2-3
Number of Borrowers (000s)	65	52

Source: OFISD, BSL

**Table 3.3: Selected Performance Indicators for DTMFIs**

<b>Deposit-Taking Microfinance Institutions</b>	<b>2024</b>	<b>2025</b>
<b>Income:</b>		
<i>Interest Income (NLe million)</i>	151	184
<b>Expenditures:</b>		
<i>Interest Expense (NLe million)</i>	58	101
<i>Personnel and Administrative Expenses (NLe million)</i>	135	156
<b>Net Profit</b>		
<i>ROA (Net Income/Total Assets), in %</i>	3.2	0.6
<i>ROE (Net Income/Capital), in %</i>	16.0	2.8
<i>Non-Performing Loans (NPL), in % (PaR)</i>	10.6	11.4

Source: OFID, BSL

### **3.3 Credit-Only Microfinance Institutions (COMFIs)**

The aggregate assets and loan portfolios of reporting COMFIs grew by 33 percent and 26 percent, respectively, in 2025 (Table 3.4).

Total profits for the COMFIs sector amounted to NLe53.63 million, though six (6) institutions reported losses.

**Table 3.4: Activities of COMFIs\***

Credit-only Microfinance Institutions	2024	2025
Total Assets ( <i>NLe million</i> )	683	908
Total Loans ( <i>NLe million</i> )	520	654
Total Equity ( <i>NLe million</i> )	189	284
Interest Rate on Loans (Average) <i>percent</i>	30-35	30-35
Number of Active Clients (000s)	601	603

Source: OFISD, BSL

\*Note: The figures across years are not comparable as 38 out of 85 institutions reported in 2025, while 39 out of 79 COMFIs submitted returns in 2024. Also, not all institutions that reported in December 2023 may have reported for October 2024.

**Table 3.5: Selected performance indicators of COMFIs**

Credit-only Microfinance Institutions	2024	2025
<b>Income:</b>		
<i>Interest Income (NLe million)</i>	146	273
<b>Expenditure</b>		
<i>Interest Expense (NLe million)</i>	20	50
<i>Personnel and Administrative Expenses (NLe million)</i>	96	148
<b>Net profit/Loss</b>		
<i>ROA (Net Income/Total Assets, in Percent)</i>	4.6	5.9
<i>ROE (Net Income/Capital), in Percent</i>	15.3	18.8
<i>Non-Performing Loans (NPL), in Percent (PaR)</i>	9.0	15.6

Source: OFISD, BSL

### 3.4 Community Banks (CBs)

Total assets of CBs expanded by 20 percent, largely driven by increases in cash holdings, bank balances, loans, and investments. The sector remained concentrated, with the three largest banks controlling 39 percent of total assets. Profitability rose substantially, by 217 percent though Non-Performing Loans increased by 11 percent. ROA and ROE improved year on year, but ROE still fell short of the MIX benchmark of 13.6 percent. The PaR ratio dropped to 15.78 percent, which, despite improvement, remains above the MIX limit of 4.8 percent.

**Table 3.6: Activities of CBs**

Community Banks	2024	2025
Total Assets ( <i>NLe'million</i> )	213	256
Total Loans ( <i>NLe'million</i> )	106	126
Total Deposits ( <i>NLe'million</i> )	105	111
Total Equity ( <i>NLe'million</i> )	90	111
Interest Rate on Loans ( <i>Average; Percent</i> )	30-35	30-35
Number of borrowers (000)	37	48
Number of depositors (000)	100	110

Source: OFISD, BSL

**Table 3.7: Selected Performance Indicators of CBs**

Community Banks	2024	2025
<b>Income:</b>		
<i>Interest Income (NLe million)</i>	29	28
<b>Expenditures:</b>		
<i>Interest Expense (NLe million)</i>	0.7	0.6
<i>Operating Expenses (NLe million)</i>	27	23
<b>Net Profit:</b>		
<i>ROA (Net Income/Total Assets), in Percent</i>	6.85	7.3
<i>ROE (Net Income/Capital), in Percent</i>	11.4	12.7
<i>Non-Performing Loans (NPL), in Percent (PaR)</i>	29.5	15.8

Source: OFISD, BSL

### 3.5 Financial Services Associations (FSAs)

FSAs' total assets and gross loans grew by 20 per cent and 22 per cent respectively. The loan portfolio quality improved slightly with the PaR decreasing to 12 percent in 2025 from 18 percent in 2024.

Financial Services Associations (FSAs) exhibited a satisfactory performance. Total income increased significantly (by 43 percent), driven mainly by decrease in total expenses.

**Table 3.8: Activities of the Financial Services Associations (FSAs)**

Financial Services Associations (FSA)	2024	2025
Total Assets ( <i>NLe million</i> )	83	99
Share Capital ( <i>NLe million</i> )	32	33
Total Loans ( <i>NLe million</i> )	42	51
Number of Active Loan Clients (000s)	33	42

Source: OFISD, BSL

**Table 3.9: Selected Performance Indicators of FSAs**

Financial Services Association	2024	2025
<b>Income:</b>		
Interest on Loan Income ( <i>NLe million</i> )	11	10
<b>Expenses:</b>		
Financial Expense ( <i>NLe million</i> )	0.44	0.61
Admin Expenses and Personnel Expenses ( <i>NLe million</i> )	4	3
<b>Efficiency Ratios:</b>		
ROA (Net Income/Total Assets) Percent	3.5	3
ROE (Net Income/Capital) Percent	5.8	7
Non-Performing Loans (NPLs) Percent	18.0	12

Source: OFISD, BSL

### 3.6 Mobile Money Operators (MMOs)

MMOs saw strong growth across multiple indicators including number of agents, registered accounts, active accounts, transaction volumes, and total transaction value (*Table 3.10*).

**Table 3.10: Activities of the Mobile Money Providers**

Activity of MMOs	2024	2025
Number of Agents	67,149	117,419
Number of Accounts	8,309	9,546
Number of Active Accounts	2,001	2,329
Number of transactions	93,118	118,392
Value of transactions (NLe Million)	29.0	62.3

Source: OFISD, BSL

### 3.7 Discount Houses (DHs)

The total assets of DHs nearly doubled during the year. Increases were particularly noticeable in placements (deposits). Other components, such as shareholder funds, investments in government securities, and repo loans, showed moderate changes.

**Table 3.11: Activities of DHs\***

Discount Houses	2024	2025
Total Assets ( <i>NLe million</i> )	31	58
Placement (Deposits) ( <i>NLe million</i> )	4	24
Share Holders Funds ( <i>NLe million</i> )	9	10
Investment in Gov't Securities ( <i>NLe million</i> )	7	8
Loan (Repo) ( <i>NLe millions</i> )	2	2

Source: OFISD, BSL

Note: The total liabilities figures excluded the Share Holders' Funds for the periods.

Performance indicators for 2025 show increases in discount income, operating income, and net profit, though ROA fell slightly. Operating expenses as a percentage of operating income increased.

**Table 3.12: Selected Performance Indicators of DHs**

Discount Houses	2024	2025
<b>Income:</b>		
Discount Income (NLe million)	1	3
Operating Income (NLe million)	3	5
<b>Expenses:</b>		
Interest Expense (NLe'000)	2	102
Operating Expenses (NLe'000)	2	4
<b>Earnings:</b>		
Current year's profit (NLe'000)	467	675
ROA (Net Income/Total Assets, in Percent)	1.78	1.21
ROE (Net Income/Capital), in Percent	4.13	6.2
Operating Expenses/Operating Income (Percent)	185	195

Source: OFISD, BSL

### 3.8 Credit Unions (CUs)

#### 3.8.1 Financial Condition and Performance of CUs

As of December 2025, the total number of Credit Unions (CUs) remained unchanged at twenty-five (25). Despite no increase in the number of CUs, overall membership grew by 16 percent, reaching 22,269 members. The sector's consolidated assets rose by 24 percent to NLe61.03 million as of December 2025, up from NLe46.40 million the previous year. Total savings also expanded, increasing to NLe40.70 million as of December 2025 from NLe31.98 million. Additionally, share capital grew by 10 percent to NLe4.19 million, while gross loans increased by 23 percent to NLe40.61 million by end December 2025.

### 3.9 Foreign Exchange Bureaux (FEB)

#### 3.9.1 Purchases and Sales of Foreign Currencies

The foreign exchange market continued to be dominated by the US dollar. (Table 3.13).

**Table 3.13: Purchases and Sales of major Foreign Currencies for FXBs**

Details	Dec-24		Dec-25	
	Purchases	Sales	Purchases	Sales
USD (\$)	16,378,966	23,852,916	23,566,182	31,472,431
GBP (£)	291,197	188,112	206,221	57,314
EURO (€)	279,510	138,160	71,030	37,516

Source: OFISD, BSL

As of December 2025, fourteen (14) Foreign Exchange Bureaux operated as Super Agents working directly with International Money Transfer Organizations (IMTOs). Additionally, thirty-one (31) Foreign Exchange Bureaux held “No Objection” approval for inward remittances. Total inward remittances increased moderately to USD 566 million as of December 2025, up from USD 493 million in 2024.

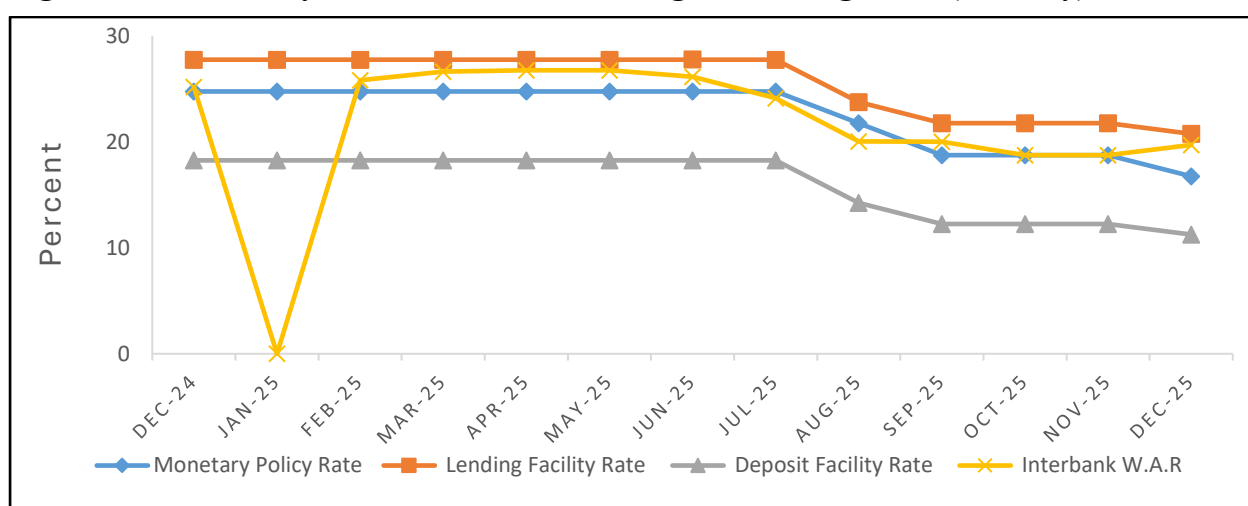
## 4. DEVELOPMENTS IN MONETARY POLICY IMPLEMENTATION AND THE MONEY MARKET

### 4.1 BSL Liquidity Operations

BSL's Monetary Policy Rate (MPR) was reduced in 2025 H2 by 8 percentage points, to 16.8 percent by end December. Similarly, the rates on the Standing Lending Facility and Standing Deposit Facility were reduced by 7 basis points each to 20.75 percent and 11.3 percent respectively.

At end December 2025, the interbank weighted average rate stood at 19.7 percent, 2.9 percentage points above the MPR, signaling improved monetary policy transmission. (Figure 4.1).

**Figure 4.1. BSL Policy Rates and Interbank Weighted Average Rate (Monthly)**

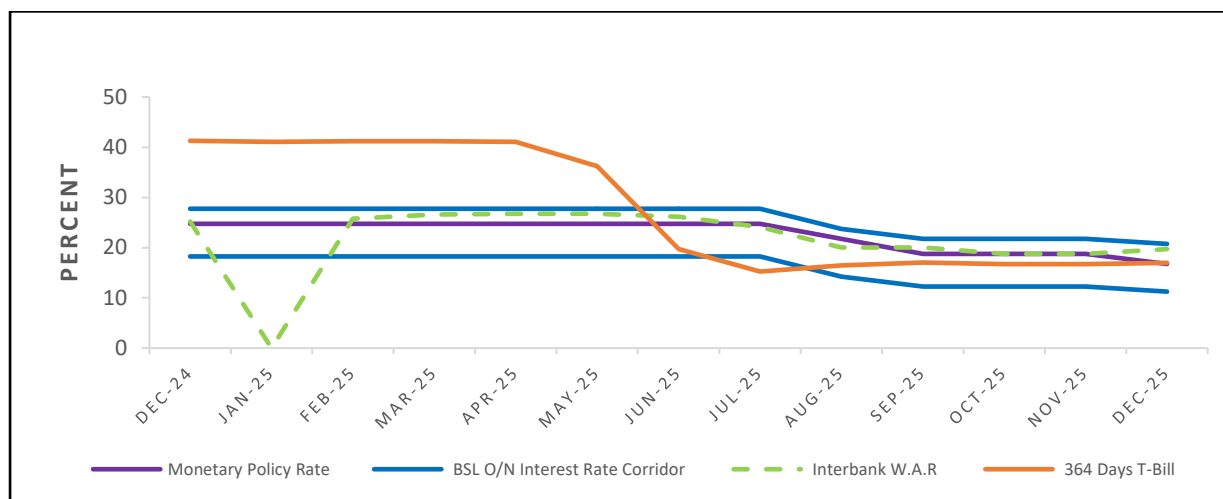


Source: FMD, BSL

### 4.2 Interbank Market

The Sierra Leone interbank money market serves as a secured marketplace for banks and Discount Houses to deal with excess and short liquidity situations, mostly through repurchase agreements. The BSL's strict monetary policy stance was primarily responsible for the 25.3 percent decrease in the interbank weighted average yield in 2025, which went from 26.4 percent in December 2024 to 19.7 percent in December 2025. The 364-days T-bills yield decreased from 41.3 percent at of December 2024 to 17 percent at of December 2025 but remained significantly above the rate of inflation (4.4 percent), hence providing positive real interest rate for investors (Figure 4.2).

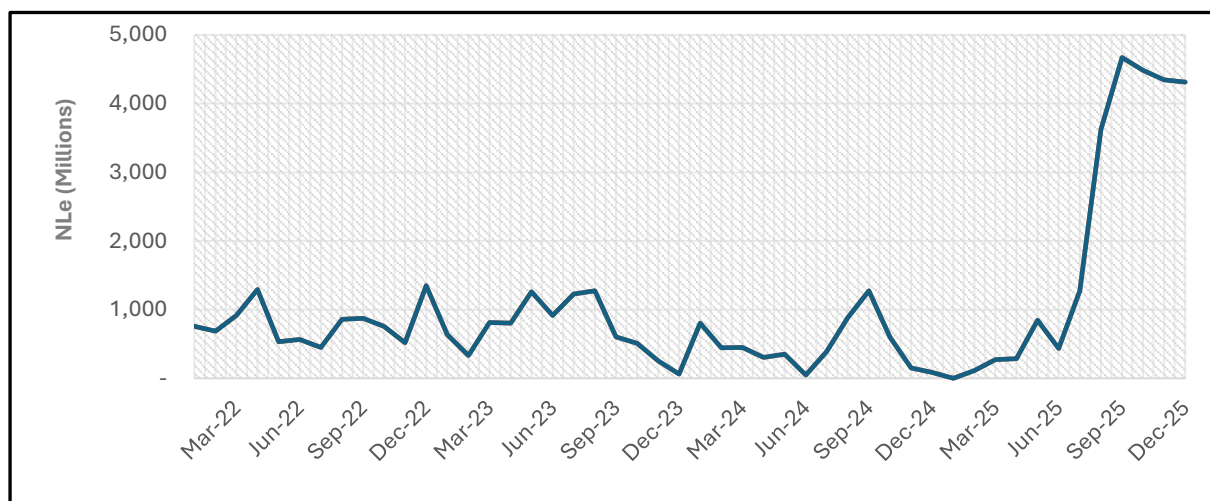
**Figure 4.2: BSL Policy Rates, the Interbank Rates and the 364-day T-bills rate (monthly)**



Source: FMD, BSL

There were fluctuations in the monthly interbank market turnover, but the transaction volume peaked in real terms in September 2025.

**Figure 4.3: Monthly Turnover in the Interbank Money Market**



Source: FMD, BSL

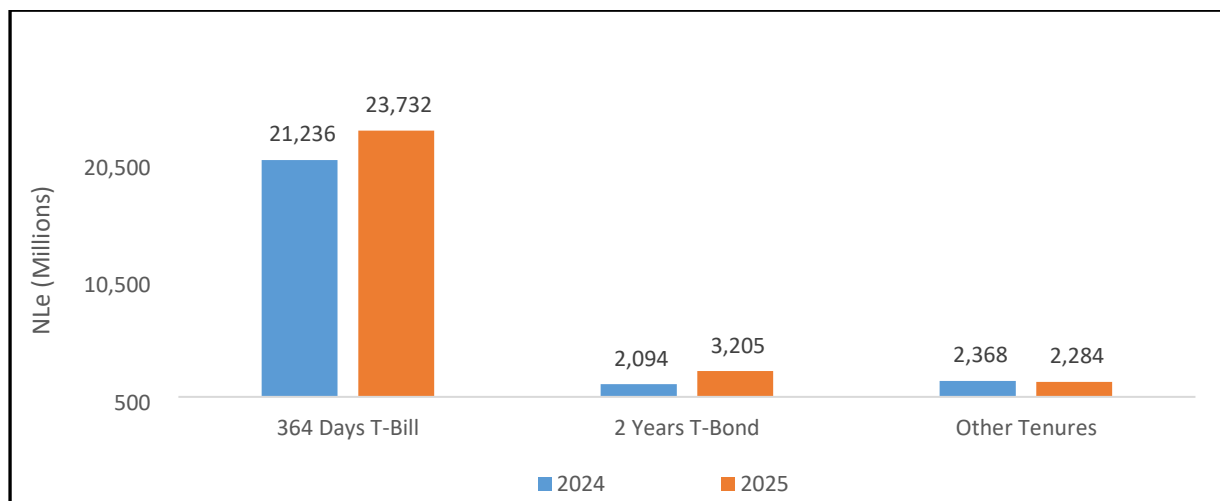
### 4.3 Government Securities Market

Most investors in Sierra Leone usually hold Government Securities (GS) until maturity, hence the secondary market for GS remained illiquid and redundant.

The primary market of GS comprises weekly auctions of 91-days, 182-days and 364-days Treasury bills. The 91-days and 182-days Treasury bills auctions were unutilized as they are usually and significantly undersubscribed, with often no single bid submitted. On the other hand,

the 364-days tenure was mostly oversubscribed with commercial banks being the main players. There were also less frequent auctions for longer term Government Bonds.

**Figure 4.4: Stock of Marketable Government Securities by Tenure**

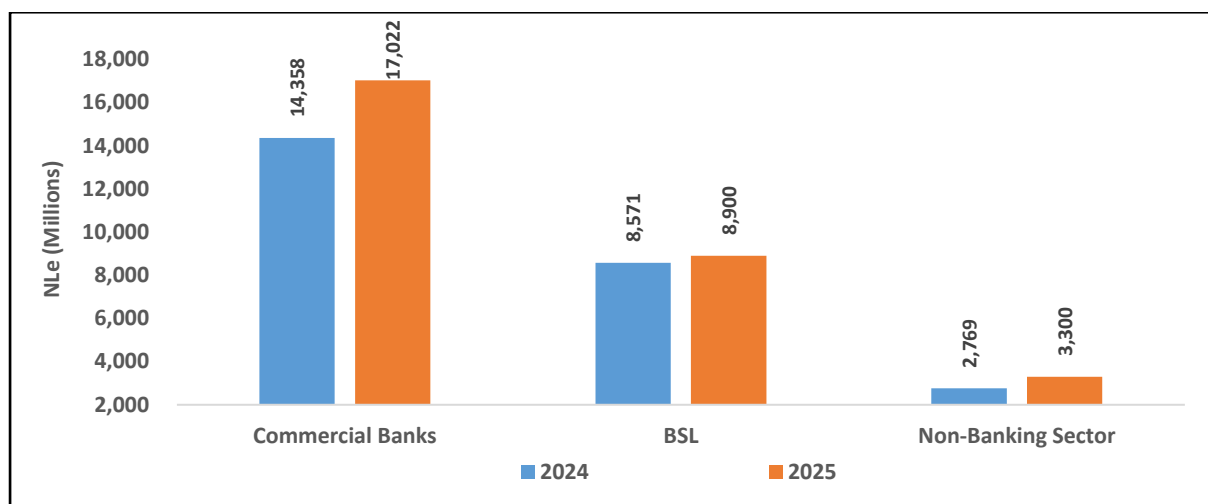


Source: FMD, BSL

The total GS stock increased by 13.7 percent from NLe25,697million in 2024 to NLe29,221 million in 2025. The 364 Day-T-bills, which rose by 11.8 percent, accounted for 81.2 percent of the total GS holdings and the other marketable securities accounted for 7.8 percent, and these mainly served to finance the Government budget. The non-marketable securities (T-bonds) accounted for 11.0 percent of total stock of GS holdings and were mainly used for financing specific infrastructural projects.

As of December 2025, the non-bank public sector's holdings of marketable GS rose by NLe531.4 million (19.20 percent), while commercial banks and BSL increased their holdings by NLe2,664 million (18.6 percent) and NLe329 million (3.8 percent), respectively. The biggest investors remained commercial banks, and their share of marketable GS holdings stood at NLe17,021 million (58.3 percent) as of December 2025. BSL's outright purchases of T-bills from commercial banks to support aggregate liquidity in the money market were a major factor in the growth of its holdings.

**Figure 4.5: Holdings of Marketable Government Securities by Sector (in Millions of Leones)**



Source: FMD, BSL

#### 4.4 Implications for Financial Stability

The BSL's aggressive monetary easing, while intended to support economic activity, has reduced banks' Net Interest Margins (NIMs). Their cost of funds may not adjust downward as quickly as the yields on their existing asset portfolios (like older, high-yielding Treasury bills), potentially compressing profits. Also, if banks funded long-term assets with short-term liabilities expecting high rates, the swift decline could destabilize their balance sheets.

The Government Securities (GS) market is highly concentrated and dominated by commercial banks, which hold 58% percent of all marketable GS. The market is illiquid and skewed towards short-term 364-day T-bills (81.2 percent of the GS stock). This creates a dangerous feedback loop. Banks are overly exposed to sovereign debt. Any perceived stress on Government finances would directly threaten bank solvency and stability. In addition, Banks' significant holdings of high-yielding T-bills disincentivize lending to the private sector, which is perceived as riskier and may offer lower returns. This stifles economic growth and financial inclusion. The lack of a liquid secondary market and the unattractiveness of shorter-term (91-days & 182-day) T-bills indicate a dysfunctional yield curve and a market that exists primarily for budget financing, not price discovery or liquidity management.

The illiquidity in the secondary market for Government Securities and the volatile nature of interbank market turnover signals a shallow financial market. In times of stress, banks cannot easily liquidate GS holdings in the Secondary market, except they resort to BSL to raise short-term cash, potentially leading to liquidity crunches. While the report notes "improved

transmission" (interbank rate 3.0 percent above MPR), the overall shallow market depth means policy rate changes may not fully or efficiently transmit to the real economy via lending rates. The growth in BSL's own GS holdings via "outright purchases from commercial banks" highlights the central bank's role as a market-maker, which is not sustainable in the long-term.

The financial system exhibits a "bank-centric" bias with underdeveloped non-bank and capital markets. Non-bank public sector holdings of GS are growing, but from a small base. All systemic risks are channelled through the banking sector, making it the single point of failure. Households and businesses lack alternative investments and funding channels, increasing their vulnerability to banking sector shocks. A healthy financial system distributes risk across banks, capital markets, insurers, and pension funds. Sierra Leone's structure lacks this dispersion.

The BSL must complement its monetary policy with macroprudential measures to manage sovereign exposure limits, deepen capital markets by developing non-bank investors, and encourage the development of longer-term Government Bonds to mitigate rollover risks and reduce system-wide reliance on short-term bank funding of the fiscal deficit.

## **5. NATIONAL PAYMENTS SYSTEM**

### **5.1 Introduction**

The annual Report on National Payments System provides an integrated assessment of the structure, performance, and overall functioning of Sierra Leone's payment ecosystem. As a core pillar of financial stability, the BSL continuously monitors the national payment systems to ensure the smooth and reliable transfer of funds, thereby supporting the soundness and efficiency of financial intermediation.

### **5.2 National Payments System Landscape**

Sierra Leone's payment system operates as a dual structure, where cash still handles most transactions, but non-cash methods are growing steadily. This shift reflects the BSL's commitment to advancing financial inclusion and modernizing payments. The BSL promotes secure, efficient, and accessible payment services by collaborating with sector stakeholders to enhance the system's integrity and resilience.

Non-cash payments are divided into retail (smaller) and large-value transactions, each supported by dedicated interbank systems.

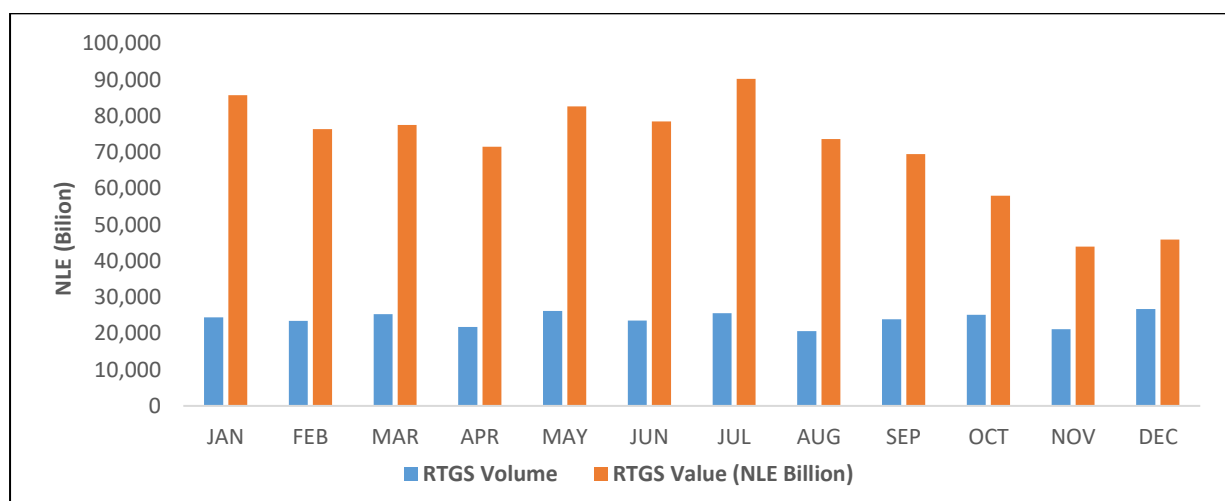
#### *5.2.1 The National payments System Landscape*

The Sierra Leone payments and settlement landscape constitute the Real-Time Gross Settlement (RTGS) System, the Automated Clearing House (ACH), Scripless Securities Settlement System (SSSS), National Payment Switch (NPS) and Electronic Funds Transfer (EFT).

#### *5.2.2 Real Time Gross Settlement (RTGS) System*

The Real Time Gross Settlement (RTGS) system is the central infrastructure for large-value payments, offering an electronic platform for instant and final settlement of transfers between banks. This allows financial institutions to process urgent, high-value payments in real time, enhancing the safety, efficiency, and reliability of national payment flows.

**Figure.5.1: RTGS Volumes and Values January – December 2025**



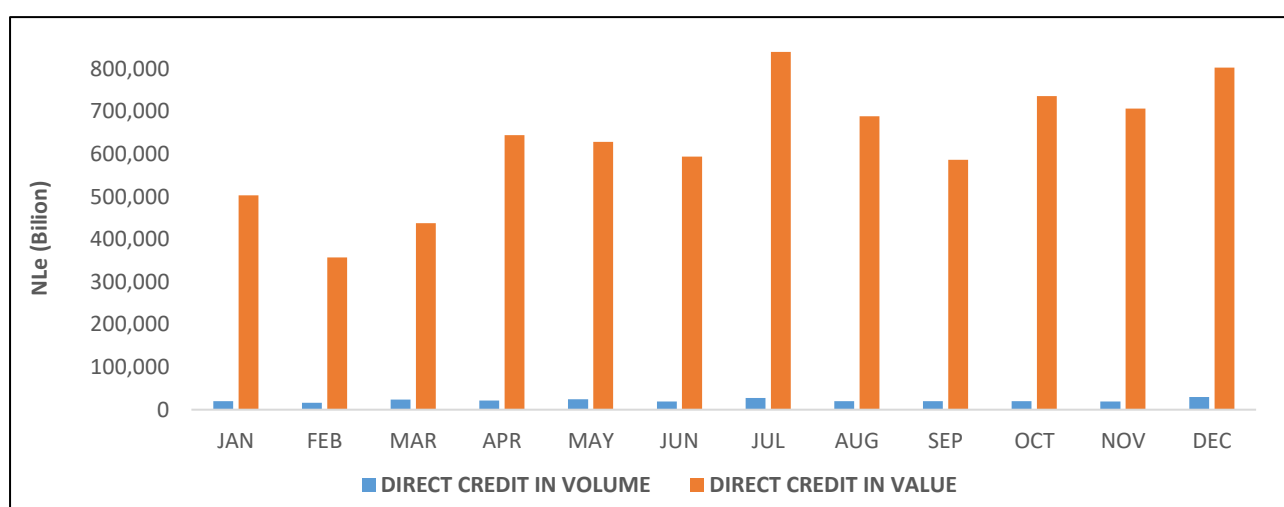
Source: Banking and Payments System Department, BSL

Despite fluctuations in transaction volumes and value, the overall trend indicated widespread acceptance of the system for interbank transactions.

### 5.2.3 Automated Clearing House (ACH)

The Automated Clearing House (ACH) handles bulk, low-value retail payments in Sierra Leone. Before the currency redenomination in July 2022, ACH transactions had a cap of NLe50 million Leones, but this limit was lifted to promote ACH usage and reduce cash dependence. In the coming year, the BSL plans to review the cheque value limit to improve the safety, efficiency, and proper use of retail payment instruments.

**Figure 5.2: Direct Credit (NLe) Transactions January-December 2025**



Source: Banking and Payments System Department, BSL

**Table 5.1 Cheque Transactions (January 2025 – December 2025)**

MONTH	CHEQUE VOLUME		CHEQUE VALUE	
	OLD SERIES (694)	NEW SERIES (925)	OLD SERIES SLL (Bn)	NEW SERIES NLE (Mn)
Jan	197	8,932	19,113	1,263,909
Feb	115	9,002	11,107	1,933,634
Mar	166	8,278	9,155	1,693,504
Apr	399	9,562	30,918	899,783
May	113	9,752	8,774	1,395,118
Jun	241	9,789	32,948	1,496,388
Jul	195	9,793	18,488	1,315,915
Aug	132	8,306	25,769	1,074,163
Sep	113	8,579	12,209	1,390,603
Oct	139	10,182	13,371	1,680,992
Nov	88	9,340	8,123	1,589,161
Dec	87	10,813	20,093	1,724,044

Source: Banking and Payments System Department, BSL

#### 5.2.4 Other Retail Payments System 2024-2025

BSL has made progress with ensuring public acceptability of electronic transaction processing, but most facilities were deployed in the Western Area, accounting for 70.5 percent of Automated Teller Machines (ATMs) and 91.5 percent for Point of Sales (POSs). Limited access to payment services outside the capital contributes to financial exclusion. However, with growing public awareness and consumer trust, ATMs and POSs availability is anticipated to increase nationally. The Bank of Sierra Leone (BSL) will continue to push for broader adoption of digital financial services and the expansion of ATM and POS networks across the country in the coming year.

**Table 5.2: Regional Spread of ATMs**

Province	2023	2024	2025
Northern Province	24	25	25
Southern Province	20	19	20
Eastern Province	9	11	11
Western Area	131	132	134
<b>Total</b>	<b>184</b>	<b>187</b>	<b>190</b>

Source: Banking and Payments System Department, BSL

**Table 5.3: Regional Spread of POS**

Province	2023	2024	2025
Northern Province	14	15	15
Southern Province	3	5	5
Eastern Province	4	4	4
Western Area	268	258	258
<b>Total</b>	<b>289</b>	<b>282</b>	<b>282</b>

Source: Banking and Payments System Department, BSL

## **5.3 Established Systems and Developments**

### *5.3.1 Updates on RTGS and ACH*

The Bank of Sierra Leone is in the final stage of its project to upgrade the RTGS and ACH platforms to modern versions, with the signing of the contract pending. Implementation will begin immediately after the contract is finalized and signed.

### *5.3.2 Electronic Funds Transfer (EFT)*

The Ministry of Finance (MoF) has funded a project to enable seamless electronic data exchange between the Bank of Sierra Leone's Core Banking Application and the Government's Integrated Financial and Management Information System (IFMIS). This aims to replace manual Government payments, currently made via cheques and letters using the Electronic Funds Transfer (EFT).

By the end of 2025, the system also became partially operational for foreign currency payments. Work is underway to expand EFT to all Government Ministries, Departments, and Agencies (MDAs), allowing them to initiate payments directly and broadening the system's capacity to process foreign payments electronically.

## **5.4 Financial Inclusion Projects**

### *5.4.1 National Payments Switch (NPS)*

The National Payment Switch (NPS) is a World Bank–financed project designed to establish full interconnectivity and interoperability across retail payment infrastructures in Sierra Leone. The project aims to enhance efficiency in the national payment ecosystem, support market deepening, and expand access particularly in rural areas. Expected outcomes include improved participant connectivity, growth in transaction volumes, increased Government digital payments, wider deployment of POS terminals, and higher levels of account ownership.

The NPS is being implemented in three sequential phases:

- Phase I – Card Switch: Interconnection of banks to enable interoperable ATMs, POSs, and card-based transactions.

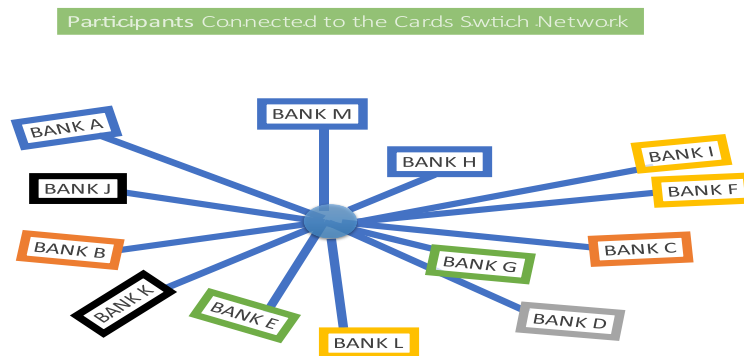
- Phase II – Instant Payments: Establishment of a real-time retail payments platform linking banks and Mobile Money Operators (MMOs).
- Phase III – International Gateway: Facilitation of cross-border interoperability and international scheme connectivity.

### 5.5 Implementation Progress

- **Card Switch (Phase I)**

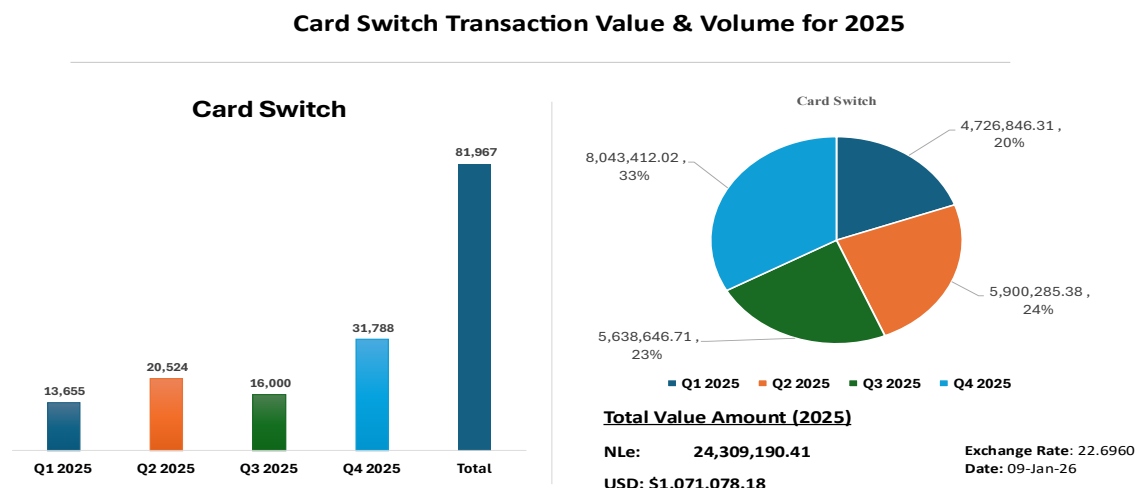
The Bank of Sierra Leone (BSL) launched the card switch on 29 April 2023 with an initial cohort of six banks. All thirteen commercial banks are now fully integrated. The card switch enables interbank ATM withdrawals, balance enquiries, and interoperable debit and prepaid card payments at POS terminals. This functionality supports greater customer convenience by reducing reliance on branch visits and leveraging the growing ATM and card issuance infrastructure.

**Figure 5.3 Connection to the Card Switch Network**



Source: Banking and Payments System Department, BSL

**Figure 5.4 Card Switch Transactions (Value and Volume-2025)**

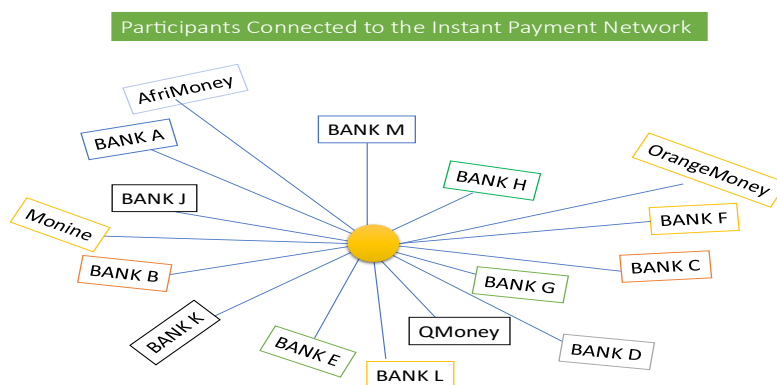


Source: Banking and Payments System Department, BSL

- Instant Payments (Phase II)**

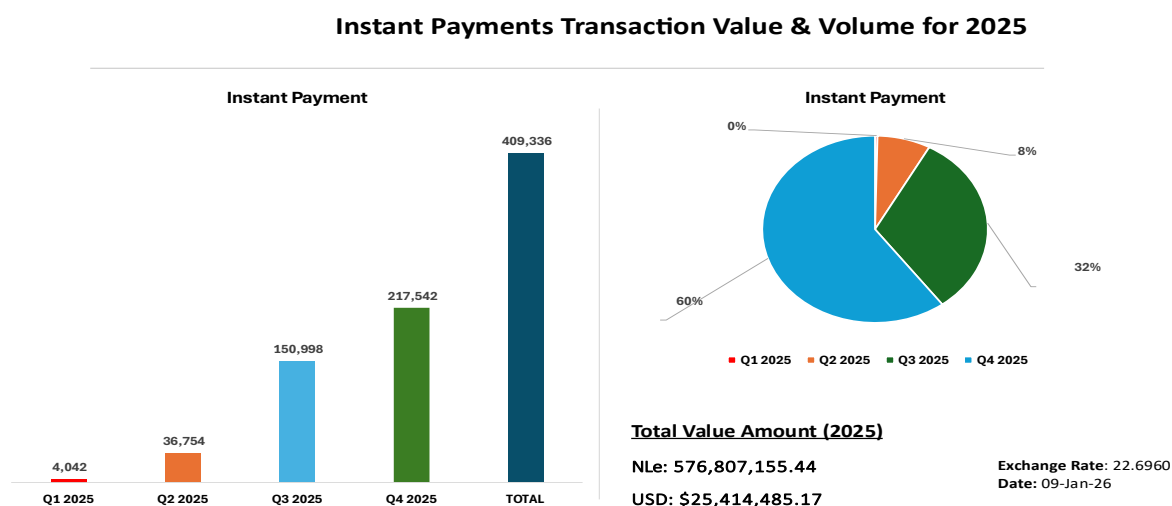
The Bank of Sierra Leone launched an instant payments platform in October 2024, now connecting twelve banks and Mobile Money Operators (MMOs) to enable real-time, cross-network transfers between bank accounts and mobile wallets. This system enhances retail payments, supports digital acceptance by small businesses, reduces cash dependency, and advances financial inclusion.

**Figure 5.5 Connection to Instant Payments Network**



Source: Banking and Payments System Department, BSL

**Figure 5.6 Instant Payments Transactions (Value and Volume-2025)**



Source: Banking and Payments System Department, BSL

## 5.6 Regional Payments System Developments

### 5.6.1 Pan African Payments and Settlement System (PAPSS)

Afreximbank and WAMZ central banks are developing a regional payment platform (PAPSS) to improve cross-border transactions and trade. The Bank of Sierra Leone is implementing an instant local currency solution, currently operating in a controlled environment. Five banks have gone live and are actively sending and receiving transactions on the PAPSS platform. More banks have received approval to join the initiative in the near future.

## 5.7 Challenges

Persistent technical and operational issues weaken system efficiency and reliability. These include poor network connectivity, delayed system upgrades by participants, limited Straight-Through Processing (STP) automation, unstable power supply, and uneven adoption by some commercial banks. Inadequate oversight capacity, slow implementation by Service Providers, and insufficient public awareness of new services also hamper performance. Additionally, the absence of harmonized transaction limits and fee structures across payment systems poses further coordination challenges.

## **5.8 Conclusion**

As electronic payments expand, BSL will upgrade its RTGS and ACH/ACP platforms to enhance efficiency, speed, and reliability, while establishing a dedicated oversight function and a National Payment System Committee to strengthen governance, safety, and stakeholder coordination. Additionally, BSL will intensify financial inclusion efforts, review transaction limits and fees, and boost public sensitization to build trust and encourage broader adoption of digital payments.