# BANK OF SIERRA LEONE ANNUAL REPORT AND STATEMENT OF ACCOUNTS 2022

ISBN: 978-99910-943-3-5

## TABLE OF CONTENTS

## LIST OF TABLES

## LIST OF FIGURES

# Vision, Mission and Objectives and Functions of the Bank

## Vision Statement

To create a modern, effective and dynamic Central Bank that serves the overall financial, growth and development requirements of Sierra Leone

## Mission Statement

To formulate and implement monetary and supervisory policies to foster a sound economic and financial environment.

## Objectives and Functions of the Bank

(1) The main objective of the Bank as specified in Section 4 of the Bank of Sierra Leone Act 2011, is to achieve and maintain price stability.

(2) Without prejudice to subsection (1) the Bank shall:

(a) Formulate and implement monetary policy, financial regulation and prudential standards;

(b) Act as banker, adviser and fiscal agent of the Government;

(c) Formulate and implement the foreign exchange policy of Sierra Leone;

(d) Conduct foreign-exchange operations;

(e) Own, hold and maintain the official international reserves including the reserves of gold;

(f) Issue and manage the currency of Sierra Leone;

(g) Establish, promote, license and oversee sound and efficient payment and securities settlement systems;

(h) License, register, regulate and supervise financial institutions as specified in this Act or any other enactment;

(i) Act as a depository for funds from international organizations.

## STATEMENT BY THE GOVERNOR

I am pleased to present the Annual Report of the Bank of Sierra Leone (BSL) for 2022, a year in which the global economy witnessed significant challenges that resulted in weak economic growth. The challenges posed by the COVID-19 pandemic, particularly involving supply-chain bottlenecks, have played a significant role in shaping the global landscape. These challenges initially resulted in disruptions, setting off a chain reaction that disturbed global growth and heightened inflationary pressures. The conflict between Russia and Ukraine, which started in February 2022, further worsened these problems, causing shortages in food and fuel and imposing constraints on global supply chains, consequently intensifying inflationary pressures. In reaction to the widespread and enduring inflation, central banks worldwide have implemented unconventional measures to address and alleviate the economic impact.

According to the January 2023 World Economic Outlook (WEO), global growth decreased to 3.4 percent in 2022, down from 5.9 percent in 2021. The slowdown in the global economy was evident across major countries, with advanced economies growing by 2.7 percent in 2022, down from 5.0 percent in 2021. However, emerging markets and developing economies grew by 3.9 percent in 2022, from 6.5 percent in 2021, while Sub-Saharan Africa (SSA) grew by 3.8 percent in 2022, down from 4.0 percent in 2021. In the Economic Community of West African States (ECOWAS), growth declined from 4.3 percent in 2021 to 3.8 percent in 2022. In the West African Monetary Zone (WAMZ), growth declined from 3.8 percent in 2021 to 3.3 percent in 2022.

Economic activities during the review period grew by 3.6 percent, down from 4.1 percent in 2021. This was lower than SSA growth, while slightly higher than the growth of ECOWAS and WAMZ. Due to weak domestic demand, a persistent global growth slowdown, limited fiscal capacity and unexpected challenges from the Ukraine war affecting the supply side, the economy is now projected to grow by 2.7 percent (2.6 percent excluding Iron Ore) in 2023. This is a decrease from the initial forecast of 3.4 percent. Moreover, higher growth is expected in the medium term, with growth of 4.7 percent (4.6 excluding Iron ore) in 2024.

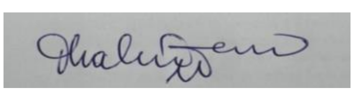
Headline inflation increased from 17.94 percent in December 2021 to 37.09 percent in December 2022, driven by increases in both food and non-food prices. Driven by the need to curb persistent inflationary pressures, monetary policy was contractionary throughout 2022, with successive increases in the Monetary Policy Rate (MPR). In December 2022, the MPR was 18.25 percent, up from 14.25 percent in December 2021. The Standing Lending Facility (SLF) and the Standing Deposit Facility (SDF) Rates were 21.25 percent and 12.25 percent, respectively, in December 2022, up from 17.25 percent and 8.25 percent, respectively in December 2021. The stock of gross foreign exchange reserves of the Bank of Sierra Leone decreased to US$610.42mn at the end of December 2022, equivalent to 3.4 months of import cover, down from US$931.76mn at the end of December 2021, which was 5.4 months of import cover.

In response to the economic challenges posed by the COVID-19 pandemic and subsequently, the Russia-Ukraine conflict, the Bank had implemented a range of proactive measures to bolster the economy and mitigate the adverse consequences of these shocks. A Special Credit Facility (SCF) aimed at cushioning price shocks on essential items like food and fuel, and the provision of foreign exchange to oil marketers, are examples of the action taken to address the consequences of these shocks. These actions helped to prevent the scarcity of essential goods and contain inflationary pressures.

Despite the noted challenges, the banking system was stable in 2022. All financial soundness indicators (FSI) with the exception of Non-Performing Loans (NPLs) were within their prudential limits. NPLs, an asset-quality FSI, was slightly above its tolerance limit of 10%.

On 1 July 2022, the national currency, the Leone (SLL), was redenominated by dropping three zeroes. The redenominated currency, the New Leone (SLE), and the Leone (SLL) were permitted to coexist as legal tender from 1 July 2022, for an initial transition period of six months.

Other developments at the Bank include the ongoing work on the National Payments Switch. The launch of the first phase of the national switch, which encompasses card and point of sales switching, is scheduled for May 2023. Instant payments and access to the international gateway would be the next two phases. The development in digital financial services is transformative for both the financial sector and the wider economy. Therefore, despite the lingering impact of COVID-19 and the consequences of the Russia-Ukraine conflict on the domestic economy, the Bank has worked assiduously to achieve its mandate.

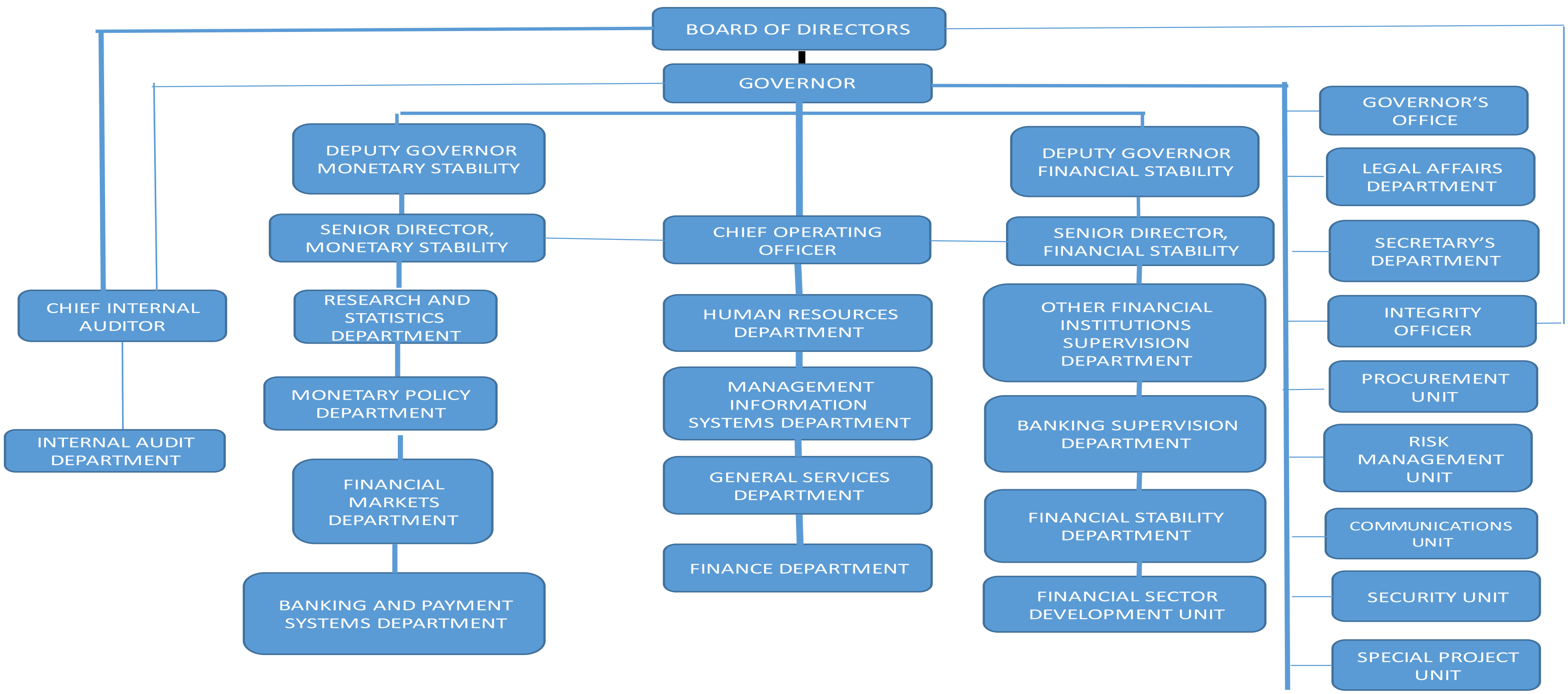


**Ibrahim L. Stevens, PhD**

**Governor**

# MEMBERS OF THE BOARD AS AT 31ST DECEMBER 2022

# ORGANISATIONAL STRUCTURE-2022



# PART A: ANNUAL REPORT

# 1. GOVERNANCE

## 1.1. The Board of Directors

The Bank of Sierra Leone Act 2019 provides for a Board which shall consist of the Governor as the Chairman, two Deputy Governors and five Non-Executive Directors, all of whom shall be appointed by the President subject to approval by Parliament.

The Governor and the Deputy Governors shall each be appointed for a term of five years and shall be eligible for reappointment for another term only.

The Directors of the Board, who shall be persons with experience in economics, finance, banking, accounting and law, shall hold office for a term of three years and shall be eligible for reappointment for another term only.

## 1.2. Functions of the Board

According to Section 10 of the Bank of Sierra Leone Act 2019, the functions of the Board are:

1. Control and supervise the Bank and shall provide policy guidance and advice that will secure the efficient implementation of the objects of the Bank and enhance the overall performance of the Bank.
2. Without prejudice to the generality of sub-section (1) as stated above the Board shall perform the following functions:
    a. Determine the strategic organisation of the Bank, including the establishment and location of branches, representative office and operations facilities;
    b. Determine the general policies and adopt internal rules applicable to the administration and operations of the Bank;
    c. Supervise the implementation of the policies and the exercise of the functions of the Bank;
    d. Approve the annual budget of the Bank;
    e. Approve the accounting policies and procedures of the Bank in line with International Financial Reporting Standards;
    f. Oversee the financial reporting, risk management, compliance, information technology, security and internal control systems of the Bank;
    g. Approve the audited accounts, annual reports and other formal reports and financial statements of the Bank;
    h. Determine denomination and design of banknotes, coins and their issuance and handling;
    i. Appoint committees consisting of members of the Board or members of the Board's staff and assign their responsibilities;
    j. Approve the internal audit report prepared by the Audit and Risk Committees and monitor implementation of the internal auditor's recommendations;
    k. Assess risks and formulate contingency plans for the ongoing operations and security of the Bank;

l. Adopt the rules of procedure for meetings of the Board;
m. Exercise all powers that are not specifically reserved for the Governor; and
n. Perform other functions as prescribed by this Act.

| | |
|---|---|
| **Registered Office** | **30 Siaka Stevens Street**<br>**Freetown** |
| **Solicitors** | **Lambert and Partners**<br>**40 Pademba Road**<br>**Freetown** |
| **Auditors** | **Baker Tilly**<br>**37 Siaka Stevens Street**<br>**Freetown** |

Table 1 shows meetings held by the Board of Directors in 2022 and Table 2 shows the Executive and Non-Executive Board Members of the Bank in 2022 while Table 3 shows the Senior Management team of the Bank in 2022. Table 4 shows Directors of the Bank as at 31st December, 2022.

**Table 1: Board of Directors Meetings held in 2022**

| | Meetings | Date |
|---|---|---|
| **1** | **Emergency Board Meeting** | **18-01-2022** |
| **2** | **515th Board Meeting** | **27-01-2022<br>28-01-2022** |
| **3** | **516th Board Meeting** | **24-03-2022** |
| | | **01-04-2022** |
| **4** | **517th Board Meeting** | **28-04-2022** |
| **5** | **518th Board Meeting** | **26-05-2022<br>30-05-2022** |
| **6** | **519th Board Meeting** | **27-06-2022** |
| **7** | **Emergency Board Meeting** | **30-06-2022** |
| **8** | **520th Board Meeting** | **01-09-2022** |
| **9** | **521st Board Meeting** | **20-09-2022** |
| **10** | **Emergency Board Meeting** | **05-10-2022** |
| **11** | **522nd Board Meeting** | **20-10-2022** |
| **12** | **523rd Board Meeting** | **17-11-2022** |
| **13** | **524th Board Meeting** | **08-12-2022** |

Source: Secretary's Department, BSL

**Table 2: Executive and Non-Executive Board of Directors**

| Name of Board Members | Date of Paliamentary Approval/Re-appointment | Date of Expiration | Term of service |
|---|---|---|---|
| **Prof. Kelfala M. Kallon** | 3rd October, 2018 | 2nd October, 2023 | 1st Appointment |
| **Dr. Ibrahim L. Stevens** | 24th July, 2019 | 23rd July, 2024 | 2nd Appointment |
| **Mr. Sheikh A. Y. Sesay** | 3rd August, 2020 | 2nd August, 2025 | 1st Appointment |
| **Ms. Cecilia M. Demby** | 18th October, 2021 | 17th October, 2024 | 2nd Appointment |
| **Mr. George C. Taylor** | 25th October, 2021 | 24th October, 2024 | 2nd Appointment |
| **Mr. Sheikh R. Kamara** | 31st October, 2021 | 30th October, 2024 | 2nd Appointment |
| **Mrs. Amy M. Myers** | 19th September, 2022 | 18th September, 2025 | 2nd Appointment |
| **PC Dr. Michael Shamsu Mustapha Ngebeh VI** | 13th January, 2022 | 12th January, 2025 | 1st Appointment |

Source: Secretary's Department, BSL

**Table 3: Senior Management of the Bank of Sierra Leone in 2022**

| **Prof. Kelfala M. Kallon** | **Governor** |
|---|---|
| **Dr. Ibrahim L. Stevens** | Deputy Governor, Monetary Stability |
| **Mr. Sheikh A. Y. Sesay** | Deputy Governor, Financial Stability |
| **Mr. Ralph Ansumana** | Director, Other Financial Institution Supervision Department |
| **Mrs. Hanifa Addai** | Director, Management Information Systems Department |
| **Mr. Sullay A. Mannah** | Director, Legal Affairs Department |
| **Ms. Jenneh Jabati** | Director, Human Resources Department |
| **Mr. Morlai Bangura** | Director, Monetary Policy Department |
| **Ms. Hawa E. Kallon** | Director, Secretary's Department |
| **Mrs. Veronica M. Finney** | Director, General Services Department |
| **Mr. Mohamed S. Bah** | Director, Finance Department |
| **Mr. Alfred W. B. Samah** | Director, Banking Department |
| **Mr. Eugene Caulker** | Director, Financial Stability Department |
| **Dr. Robert Dauda Korsu** | Director, Research and Statistics Department |
| **Mr. Alhaji S. Dukuray** | Deputy Director, Internal Audit Department |
| **Mr. Hilton Jarrett** | Deputy Director, Banking Supervision Department |
| **Mr. Crispin D-George** | Deputy Director, Governors' Office |
| **Mr. Thomas M. Boima** | Deputy Director, Financial Markets Department |

Source: Secretary's Department, BSL

**Table 4: Directors of the Bank as at 31$^{st}$ December, 20222**

| Name | Position | Appointment | Expiration of Tenure |
|---|---|---|---|
| **Prof. Kelfala M. Kallon** | Governor (Chairman of the Board) | 3$^{rd}$ October, 2018 | 2$^{nd}$ October, 2023 |
| **Dr. Ibrahim L. Stevens (2$^{nd}$ term appointment)** | Deputy Governor, Monetary Stability | 24$^{th}$ July, 2019 | 23$^{rd}$ July, 2024 |
| **Mr. Sheikh A. Y. Sesay** | Deputy Governor, Financial Stability | 3$^{rd}$ August, 2020 | 2$^{nd}$ August, 2025 |
| **Ms. Cecilia M. Demby (2$^{nd}$ term appointment)** | Non-Executive Director | 18$^{th}$ October, 2021 | 17$^{th}$ October, 2024 |
| **Mr. George C. Taylor (2$^{nd}$ term appointment)** | Non-Executive Director | 25$^{th}$ October, 2021 | 24$^{th}$ October, 2024 |
| **Mr. Sheikh R. Kamara (2$^{nd}$ term appointment)** | Non-Executive Director | 31$^{st}$ October, 2021 | 30$^{th}$ October, 2024 |
| **Mrs. Amy M. Myers (2$^{nd}$ term appointment)** | Non-Executive Director | 19$^{th}$ September, 2022 | 18$^{th}$ September, 2025 |
| **PC Dr. Michael Shamsu Mustapha Ngebeh VI** | Non-Executive Director | 13$^{th}$ January, 2022 | 12$^{th}$ January, 2025 |

Source: Secretary's Department, BSL

By Section 7(2) of the Bank of Sierra Leone Act 2019, the Governor and Deputy Governors shall hold office for a term of five years each and shall be eligible for re-appointment for another term only.

The Non-Executive Directors are to hold office for three years each and shall be eligible for re-appointment for another term only.

During the year, no director had a material interest in any contract or arrangement of significance to which the Bank was or is a party.

### 1.3. The Monetary Policy Committee

The Bank of Sierra Leone Act 2019 grants the Bank operational independence in the conduct of its monetary policy. In this regard, the Act provides for the establishment of a Monetary Policy Committee (MPC), comprising the Governor, Deputy Governors, three persons appointed by the Governor and two persons appointed by the Minister of Finance.

The MPC formulates and determines the monetary policy stance through adjustment in the monetary policy rate. The decisions of the MPC are informed by an assessment of the balance of risks between inflation and economic growth, based on developments in the domestic and international environments.

The decisions on the monetary policy stance are communicated through a monetary policy statement, which is published on the Bank's website and local newspapers within 48 hours after the MPC meetings. The MPC met every quarter and held four meetings in 2022.

As at end of December 2022, the MPC comprised:

Prof. Kelfala M. Kallon, Governor, Bank of Sierra Leone;

Dr. Ibrahim L Stevens, Deputy Governor, Monetary Stability, Bank of Sierra Leone;

Mr. Sheikh A. Y. Sesay, Deputy Governor, Financial Stability, Bank of Sierra Leone;

Mr. Alimamy Bangura, Chief Economist, Ministry of Finance.

### 1.4. The Financial Policy Committee

The Bank of Sierra Leone Act 2019 provides for the establishment of a Financial Policy Committee (FPC), which advises on all policy issues related to financial policy, micro and macroprudential regulation and supervision, and financial market infrastructure. As at end December 2022, the FPC's membership had not yet been constituted by the Board of the Bank.

## 2. GLOBAL DEVELOPMENTS IN 2022

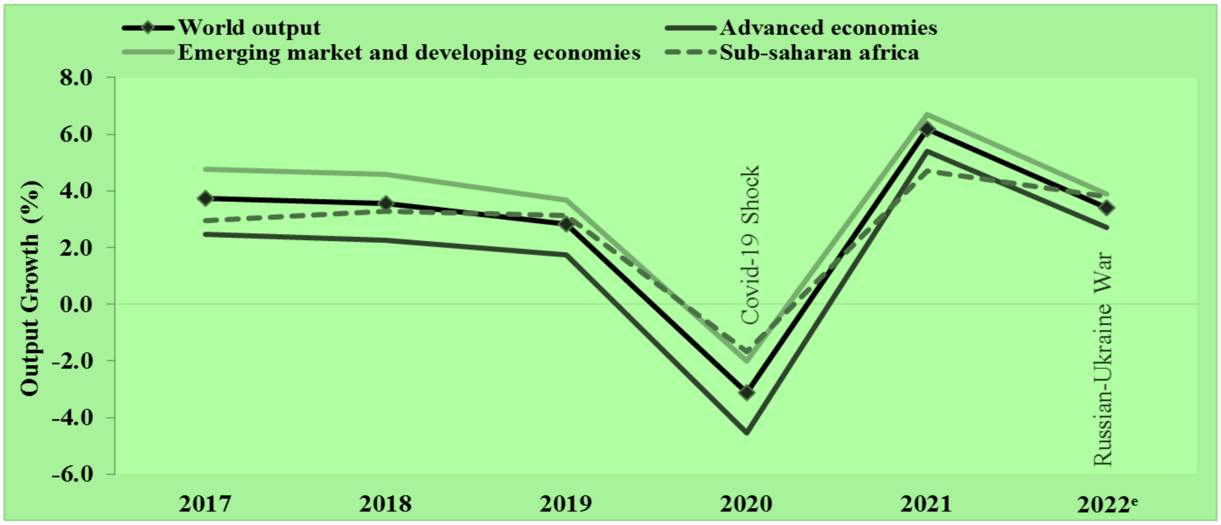
### 2.1. Overview

The year 2022 presented significant challenges for the global economy, marked by widespread turbulence due to multiple shocks. Despite hopes of a full recovery from the COVID-19 pandemic, unforeseen challenges and uncertainty emerged, mainly driven by the Russia-Ukraine war. The COVID-19 pandemic lockdowns in China continued to impose supply chain constraints on the global economy and this constraint was exacerbated by the conflict, leading to food and fuel shortages, with its attendant inflationary pressure. Central Banks worldwide responded to the high and persistent inflation by implementing measures to curb it, but these actions also led to depressing economic activities and dampened household and business confidence. By end of 2022, the global economic recovery was expected to remain moderate in the short-to-medium term geopolitical tensions continued to rise and uncertainties surrounding the war in Ukraine was persistent.

### 2.2. Global Output

The global economic recovery was disrupted by the Russian-Ukraine war in 2022, which accelerated global commodity prices, worsened global financial conditions, and led to a cost-of-living crisis. Accordingly, global growth decreased to 3.4 percent in 2022, down from 6.2 percent in 2021. The slowdown in the global economy was evident across major groupings, with growth in advanced economies estimated at 2.7 percent in 2022, compared to 5.4 percent in 2021. Similarly, growth in emerging markets and developing economies decreased to 3.9 percent in 2022 from 6.7 percent in 2021 while Sub-Saharan Africa experienced economic growth of 3.8 percent in 2022, compared to 4.7 percent in 2021. Figure 1 shows the global output growth.

**Figure 1: Global output growth**




Source: IMF World Economic Outlook (January 2023 Update)

### 2.3. Advanced Economies

In advanced economies, economic activities slowed down significantly, which was due to the adverse impact of the Russian-Ukraine war and monetary policy tightening. Consequently, growth in the United States and Euro Area decelerated to 2.0 percent and 3.5 percent in 2022, respectively from the 2021 growth of 5.9 percent and 5.3 percent, respectively.

### 2.4. Emerging Markets and Developing Economies

The weak growth in emerging markets and developing economies in 2022 was mainly due to weak outturn in China, India, Brazil, and Russia. Economic activity in China was hampered by the reoccurrence of COVID-19, as growth decelerated to 3.0 percent in 2022 from 8.4 percent in 2021. Similarly, growth in India and Brazil slowed to 6.8 percent and 3.1 percent in 2022, down from 8.7 percent and 5.0 percent in 2021, respectively. In Russia, the economy contracted by 2.2 percent in 2022, compared to the growth of 4.7 percent in 2021, primarily due to the impact of sanctions following the invasion of Ukraine.

### 2.5. Sub-Saharan Africa

Sub-Saharan Africa was also significantly affected by the adverse global development. Nigeria and South Africa, two major economies in the region, encountered economic challenges in 2022. Both economies experienced weaker growth of 3.0 percent and 2.6 percent in 2022, compared to

3.6 percent and 4.9 percent in 2021, respectively. By the end of December 2022 and early 2023, the outlook for the region was tilted towards a continuation of various challenges, including mounting debt levels, elevated unemployment, exchange rate depreciation pressures, worsening cost of living and extreme weather conditions, all of which could further weigh on economic activity. Table 5 shows the global output growth.

**Table 5: Global output growth (%)**

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| **World Output** | 3.8 | 3.6 | 2.8 | -3.1 | 6.2 | 3.4 |
| **Advanced Economies** | 2.5 | 2.3 | 1.7 | -4.5 | 5.4 | 2.7 |
| ***United States*** | 2.3 | 2.9 | 2.3 | -3.4 | 5.9 | 2.0 |
| ***Euro Area*** | 2.6 | 1.9 | 1.5 | -6.4 | 5.3 | 3.5 |
| ***Japan*** | 1.7 | 0.6 | 0.0 | -4.5 | 2.1 | 1.4 |
| **Emerging Market and Developing Economies** | 4.8 | 4.6 | 3.7 | -2.0 | 6.7 | 3.9 |
| ***Brazil*** | 1.3 | 1.8 | 1.4 | -3.9 | 5.0 | 3.1 |
| ***Russia*** | 1.8 | 2.8 | 2.0 | -2.7 | 4.7 | -2.2 |
| ***India*** | 6.8 | 6.5 | 4.0 | -7.3 | 8.7 | 6.8 |
| ***China*** | 6.9 | 6.8 | 6.0 | 2.3 | 8.4 | 3.0 |
| **Sub-Saharan Africa** | 3.0 | 3.3 | 3.1 | -1.7 | 4.7 | 3.8 |
| ***Nigeria*** | 0.8 | 1.9 | 2.2 | -1.8 | 3.6 | 3.0 |
| ***South Africa*** | 1.2 | 1.5 | 0.1 | -6.4 | 4.9 | 2.6 |

Source: IMF World Economic Outlook (January 2023 Update)

### 2.6. Global Consumer Price Inflation

Inflationary pressures intensified across the world in 2022, primarily driven by the Russian-Ukraine war. Average global inflation reached a historical level at 8.8 percent in 2022, compared to 4.7 percent in 2021. Advanced economies experienced a surge in average inflation from 3.1 percent in 2021 to 7.3 percent in 2022. Similarly, emerging markets and developing economies witnessed a notable increase in average inflation to 9.9 percent in 2022, compared to 5.9 percent in 2021. In Sub-Saharan Africa, average inflation edged up from 11.1 percent in 2021 to 14.4 percent in 2022, reflecting elevated food and energy prices, combined with exchange rate depreciation pressures. By end December 2022 and early 2023, global inflation pressures were projected to start receding in 2023 but remaining significantly above targest in most economies. Table 6 shows the global consumer price inflation.

**Table 6: Global Consumer Price Inflation (%)**

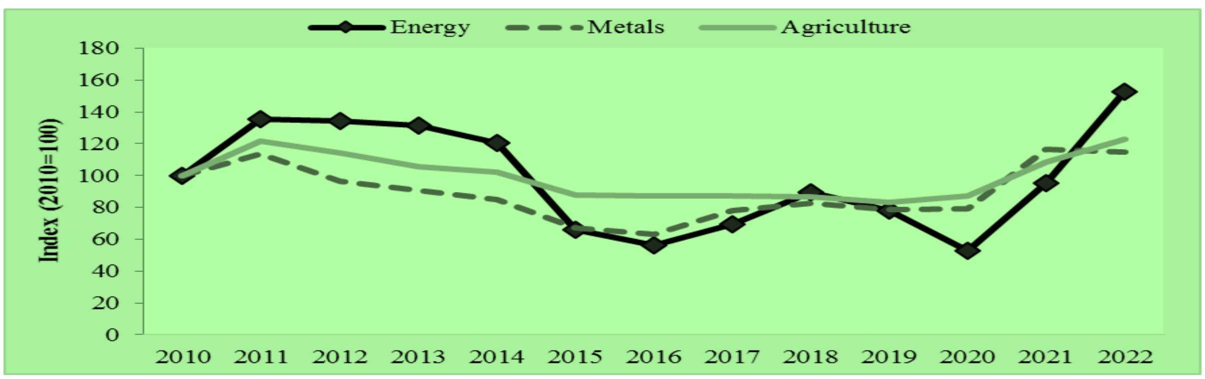
| Consumer Price Inflation | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|
| **Global Inflation** | 3.0 | 3.3 | 3.5 | 3.8 | 2.7 | 4.7 | 8.8 |
| **Advance Economies** | 1.5 | 1.7 | 1.6 | 1.5 | 0.5 | 3.1 | 7.3 |
| **Emerging Markets and Developing Economies** | 4.2 | 4.6 | 5.0 | 5.6 | 4.4 | 5.9 | 9.9 |
| **Sub-Saharan Africa** | 11.5 | 10.0 | 7.7 | 9.2 | 10.7 | 11.1 | 14.4 |

Source: IMF World Economic Outlook (January 2023 update)

### 2.7. Commodity Prices

Global energy and agriculture prices surged in 2022, primarily triggered by the outbreak of the war in Ukraine and subsequent sanctions imposed on Russia. Energy prices increased substantially by 59.9 percent in 2022, underpinned by the dominant role of Russia in the crude oil and gas exports. Also, agriculture prices increased by 13.0 percent in 2022, mainly due to adverse supply conditions in key producing countries, including Ukraine. However, metal prices decreased marginally by 1.2 percent in 2022, underscored by subdued demand from China. Figure 2 shows the trend of commodity price indices.

**Figure 2: Commodity price indices (2010=100)**

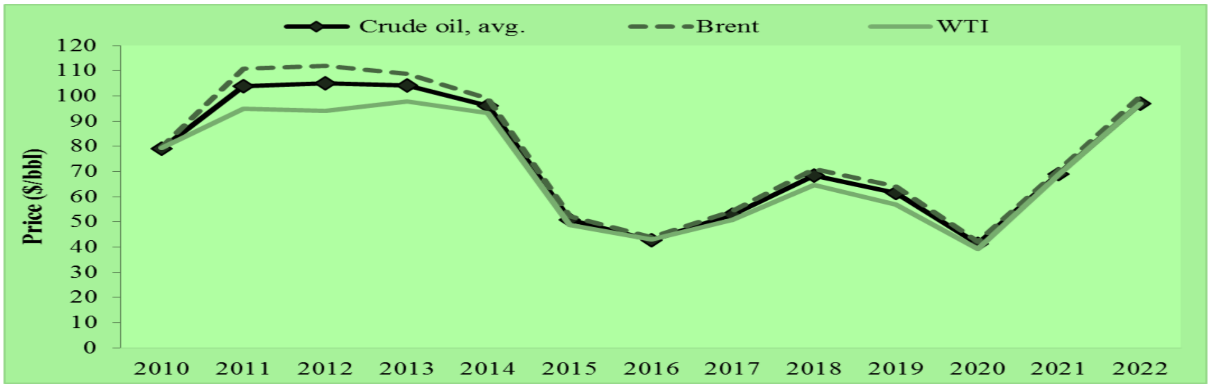



Source: World Bank Commodity Market Outlook (January 2023 database)

#### 2.7.1. Crude Oil

The Russian-Ukraine war amplified the existing increase in crude oil prices throughout 2022. Before the crisis in Ukraine, crude oil prices already recorded significant gains, but prices skyrocketed in February 2022 at the onset of the war. Accordingly, average crude oil price increased by 67.41 percent to US$97.10/bbl in 2022, the highest price in more than a decade.

**Figure 3: Crude oil prices ($/bbl)**

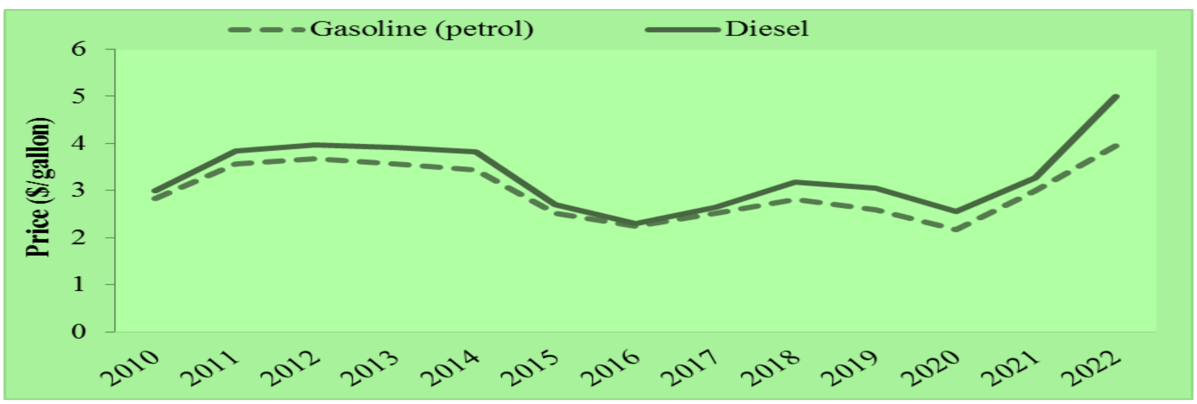



Source: World Bank Commodity Market Outlook (January 2023 database)

### 2.7.2. Platt Prices

Global retail global prices for both petrol and diesel surged in 2022, mainly reflecting the sharp increase in crude oil prices. Petrol price increased to US$3.96/gallon in 2022, up from US$3.00/gallon in 2021. Similarly, diesel price increased to US$5.00gallon in 2022, up from US$3.28/gallon in 2021. Figure 4 shows the trend of Platt prices of gasoline and diesel.

**Figure 4: Platt prices ($/gallon)**

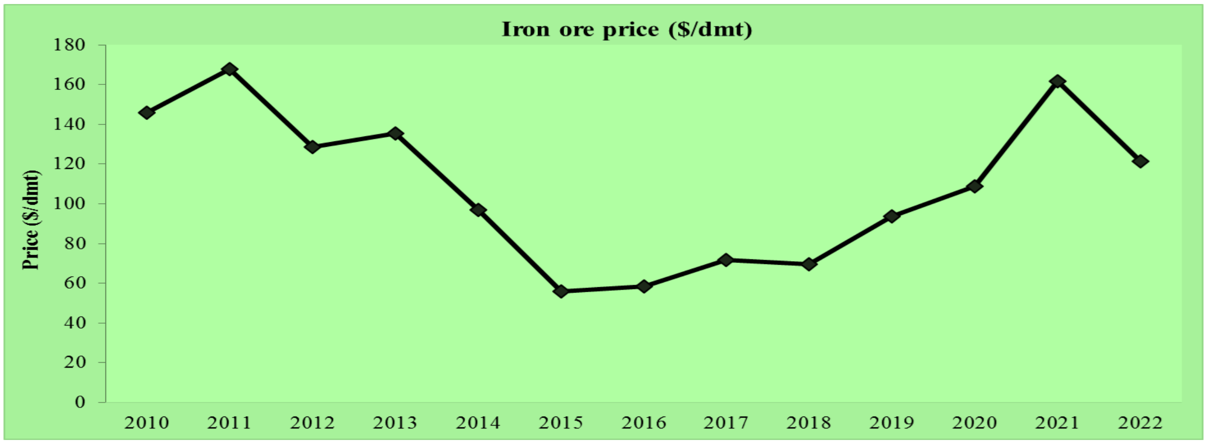



Source: U.S. Energy Information Admin, January 2023

### 2.7.3. Iron Ore price

Iron ore price dropped significantly by 24.99 percent to US$121.30/dmt in 2022, down from US$161.71/dmt in 2021. The decrease in iron ore prices was attributed mainly to weaker demand from China and inventory build-ups in Australia and Brazil.

**Figure 5: Iron ore price ($/dmt)**




Source: World Bank Commodity Market Outlook

### 2.7.4. Cocoa and Coffee

Cocoa prices moderated in 2022, mainly due to subdued global demand for cocoa-related products. On the other hand, both Arabica and Robusta coffee prices increased by 24.79 percent and 15.3 percent to US$5.63/kg and US$2.29/kg in 2022, respectively. The increase in coffee prices was attributed mainly to supply constraints, exacerbated by a deficit of fertilizers and pesticides, resulting from the war in Ukraine.

## 2.8. Implications of global developments for the Sierra Leone Economy

The global fallout from the war in Ukraine in 2022 had profound consequences, including a weakening of global economic activity, worsening trade conditions, and an intensification of inflationary pressures worldwide. These adverse global developments had spillover effects on small open economies like Sierra Leone through various channels such as trade, financial inflows, and exchange rate developments.

The surge in global prices for food and fuel significantly raised Sierra Leone’s import bill, putting pressure on its external balance. Indeed, the heightened global inflationary pressures translated into domestic inflationary pressures in Sierra Leone. Rising global commodity prices, coupled with supply chain disruptions, led to increased costs of imported goods, resulting in a higher cost of living. This, in turn, constrained households' purchasing power and posed challenges to poverty alleviation efforts.

Additionally, the tightened global financial conditions had adverse effects on financial inflows to Sierra Leone, especially in terms of foreign direct investment (FDI) and Official Development Assistance (ODA). The reduced financial inflows in 2022 weighed on gross foreign exchange reserves and also led to a sharp depreciation of the Leone against major international currencies.

# 3. DEVELOPMENTS IN THE DOMESTIC ECONOMY

## 3.1. Economic Growth

The Sierra Leone economy experienced slow growth in 2022 relative to 2021, as real GDP grew by 3.5 percent in 2022, down from 4.1 percent in 2021. The slow growth was due to the adverse impact of the COVID-19 pandemic, through supply chain disruption; and the adverse impact of the Russian-Ukraine war, which created uncertainty that translated into macroeconomic uncertainty in the form of higher inflation rates, with slower growth of economic activities.

The growth was driven by the growth of all the three sectors: agricultural, services and industry, though the industrial sector grew by less than it grew in 2021. Specifically, the agricultural sector recorded a growth of 3.0 percent in 2022, up from 2.5 percent in 2021, driven by increased crop production, fishery, and forestry activities. The development in Agriculture and services sectors aligns with the Government's diversification strategy, which included enhancing productivity in agriculture, with a focus on ensuring food security, and boosting the services sector, among other objectives. The Government implemented key policy measures in the agricultural sector, including the establishment of an Electronic Voucher (E-Voucher) System hosted by Rokel Commercial Bank for framers, the provision of machinery at the district level, and strengthened the capacity of the Fertilizer Regulatory Agency and Seed Certification Agency to regulate the standard and quality of fertilisers and seeds distributed to farmers by the private sector.

The industrial sector experienced a slow growth compared to the growth in 2021, primarily due to reduced diamond production, with a decline of 14.0 percent, from 28.8 percent in 2021. The growth of industry declined to 8.2 percent in 2022, compared to 17.41 percent in 2021. The services sector showed strong growth, with a growth rate of 4.7 percent in 2022, up from 2.9 percent in 2021, attributed to increased trade and tourism activities, enhanced administration of public services, and growth in finance, insurance, and real estate sectors. Furthermore, investments in tourism, including the physical upgrade of the various tourist sites by the government in 2022, contributed to the growth of tourism activities.

Other mining components such as iron ore and 'Other minerals' ((rutile, ilmenite, zacom, bauxite, Gold) experienced higher growth in 2022 than in 2021, along with manufacturing & handicrafts, electricity and water and construction sub-sectors. Table 7 shows the sectoral distribution growth rates of Sierra Leone.

**Table 7: Real Gross Domestic Product Growth Rates of Sierra Leone by Sector**

| | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| **Growth Rate of Real Gross Domestic Product (GDP)** | **5.3** | **(2.0)** | **4.1** | **3.5** |
| **1. Agriculture, Forestry and Fishing** | **5.4** | **1.6** | **2.5** | **3.0** |
| **1.1 Crops** | 6.6 | 2.1 | 2.9 | 3.4 |
| **1.2 Livestock** | 2.0 | 0.2 | 1.8 | 2.0 |
| **1.3 Forestry** | 3.7 | 0.8 | 1.8 | 1.8 |
| **1.4 Fishery** | 1.2 | 0.2 | 1.2 | 2.0 |
| **2. Industry** | **10.9** | **(7.1)** | **17.4** | **8.2** |
| **2.1Mining and Quarrying** | 17.1 | (12.7) | 30.5 | 10.9 |
| **Diamond** | 7.1 | (16.9) | 28.8 | (14.0) |
| **Iron ore** | - | (100.0) | - | 175.9 |
| **Other minerals (rutile, ilmenite, zacom, bauxite, Gold)** | 30.2 | 5.0 | 8.2 | 10.0 |
| **Quarrying** | (4.1) | 4.3 | 6.5 | 14.3 |
| **2.2 Manufacturing and Handicrafts** | 4.5 | (6.7) | 4.0 | 4.5 |
| **2.3 Electricity and Water Supply** | 4.7 | 3.6 | 4.6 | 4.9 |
| **2.31 Electricity** | 4.7 | 3.9 | 5.1 | 5.2 |
| **2.32 Water** | 5.0 | 2.4 | 2.6 | 3.3 |
| **2.4 Construction** | 4.7 | 4.6 | 4.9 | 5.2 |
| **3. Services** | **3.7** | **(5.6)** | **2.9** | **3.1** |
| **3.1 Trade and Tourism** | 0.1 | (29.6) | 2.4 | 2.2 |
| **3.1.1 Wholesale & retail** | - | (29.7) | 2.3 | 2.1 |
| **3.1.2 Hotels and restaurants** | 2.6 | (27.1) | 4.4 | 4.7 |
| **3.2 Transport, Storage and Communication** | 6.7 | 2.6 | 4.0 | 4.3 |
| **3.21 Transport** | 6.6 | (0.4) | 2.1 | 2.5 |
| **3.22 Communication** | 6.9 | 5.6 | 5.9 | 6.0 |
| **3.3 Finance, Insurance and Real Estate** | 3.0 | 2.2 | 3.6 | 4.6 |
| **3.31 Banking** | 2.5 | 0.2 | 4.2 | 5.3 |
| **3.32 Insurance** | 3.2 | 3.9 | 2.1 | 3.5 |
| **3.33 Real Estate** | 3.0 | 3.1 | 3.4 | 4.2 |
| **3.34 Other financial Institutions** | 6.0 | 3.6 | 7.0 | 7.1 |
| **3.4 Administration of Public Services** | 6.0 | (0.5) | 0.8 | 1.4 |
| **3.5 Other Services** | 4.7 | (4.0) | 3.7 | 4.4 |
| **3.6 Education** | (1.0) | 0.7 | 2.6 | 2.7 |
| **3.7 Health** | 5.0 | 2.4 | 2.6 | 1.7 |

Source: Statistics Sierra Leone

### 3.1.1. Agriculture

The agricultural sector showed steady improvement in performance, with a growth of 3.0 percent in 2022, compared to 2.5 percent in 2021 and 1.6 percent in 2020. This positive development can be attributed to government policies aimed at supporting agricultural productivity and the increased mechanization of farming practices. Specifically, crop production increased by 3.4 percent in 2022, from 2.9 percent in 2021. Similarly, both livestock and fishery grew by 2.0 percent and 2.0 percent in 2022, from growth rates of 1.8 percent and 1.2 percent in 2021, respectively. However, the growth rate of forestry in 2022 was as in 2021, when it grew by 1.8 percent.

### 3.1.2. Industry

#### Mining and Quarrying

The mining sector growth declined to 10.9 percent in 2022, from 30.5 percent in 2021. The slowdown in the mining sector was primarily attributed to a sharp contraction in diamond mining, which contracted by 14.0 percent in 2022, compared to a robust growth rate of 28.8 percent in 2021. Despite this overall slowdown, other segments of the mining sector demonstrated noteworthy performance. Iron ore mining, for instance, surged with a remarkable growth rate of 175.9 percent, indicating a substantial expansion. Additionally, the mining of other minerals, including rutile, ilmenite, zacorn, bauxite and gold, experienced a growth of 10.0 percent, an increase from the 8.2 percent growth rate observed in 2021. Quarrying also grew by 14.3 percent in 2022, compared to 6.5 percent in 2021.

#### Manufacturing

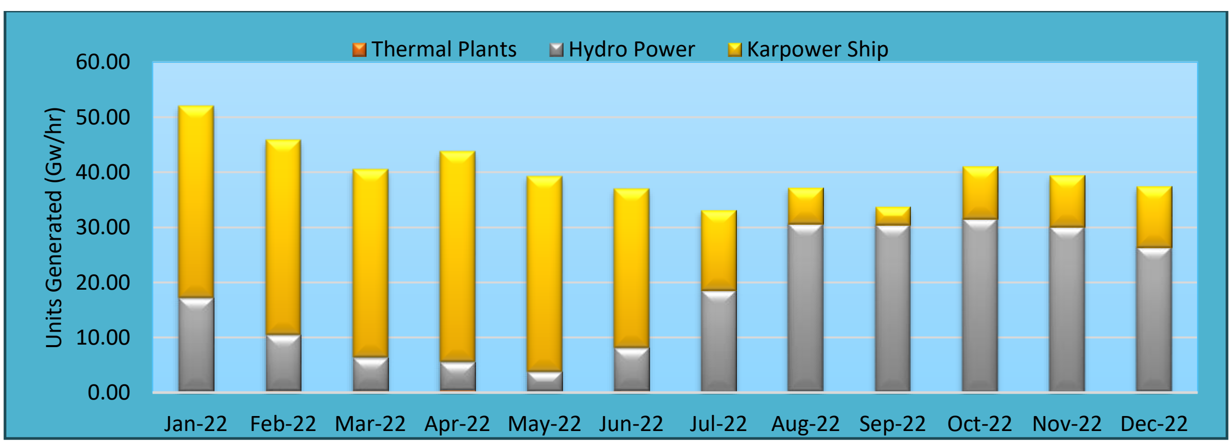
In 2022, the manufacturing and handicrafts sector experienced a growth of 4.5 percent, up from 4.0 percent observed in 2021. Despite the overall sectoral growth, there were notable declines in the production of major products in 2022. Specifically, the production of beer and stout decreased by 8.37 percent, resulting in a total output of 1,417.49 thousand cartons. Maltina production fell by 4.95 percent, with a total output of 462.47 thousand cartons produced. Oxygen production experienced a significant decline of 38.25 percent, resulting in a total output of 274.01 thousand cubic feet. Similarly, confectionary production declined by 16.00 percent to 2739.96 thousand pounds; Common soap production declined by 47.35 percent, resulting in an output of 292.47 thousand metric tons. Paint production dropped by 24.04 percent to 530.78 thousand gallons produced. Additionally, cement production decreased by 46.79 percent, with a total of167.67 thousand metric tons.

## Electricity Generation

In 2022, electricity growth within the services sector saw a marginal increase of 5.2 percent, up from 5.1 percent in 2021. However, electricity generation as a whole fell by 9.43 percent to 219.40 Gw/hr in 2022 compared to 242.23 Gw/hr in 2021. This decline was primarily driven by a substantial drop in thermal plant generation, which contracted by 73.03 percent to 3.43 Gw/hr in 2022 from 12.71Gw/hr in 2021. The contraction in the Freetown thermal generation played a significant role in this decline. Similarly, total hydropower generation also declined by 8.92 percent, with an output of 215.97 Gw/hr in 2022, down from 237.13 Gw/hr in the previous year. As part of efforts to enhance the electricity sector, the government entered into an agreement with the Turkey's Karpowership Company, which operates floating power plants to provide electricity to Sierra Leone. Karpower Ship contributed 261.17 Gw/hr to electricity generation in 2022.

Broadly, the contribution of the Bumbuna hydro plant increased to 97.24 percent in 2022, up from 90.56 percent in 2021, accounting for the majority of total domestic electricity generation. In contrast, the Guma hydro plant's contribution decreased to 0.15 percent in 2022, down from 3.43 percent in 2021. Additionally, the contribution of the Freetown thermal plant contribution contracted to 0.09 percent, while total Provincial Thermal Plants contributed 1.65 percent to electricity generation in 2022. Figure 6 shows the electricity generation of total thermal plants, hydro power and Karpower Ship.

**Figure 6: Electricity Generation**




Source: Electricity Distribution and Supply Authority (EDSA)

**Construction**

The construction sector achieved a growth of 5.2 percent, showing an improvement in 2022, up from 4.9 percent growth observed in 2021. This growth did was not only higher than the previous year's performance but also exceeded the pre-pandemic growth of 4.7 percent in 2019.

### 3.1.3. Services

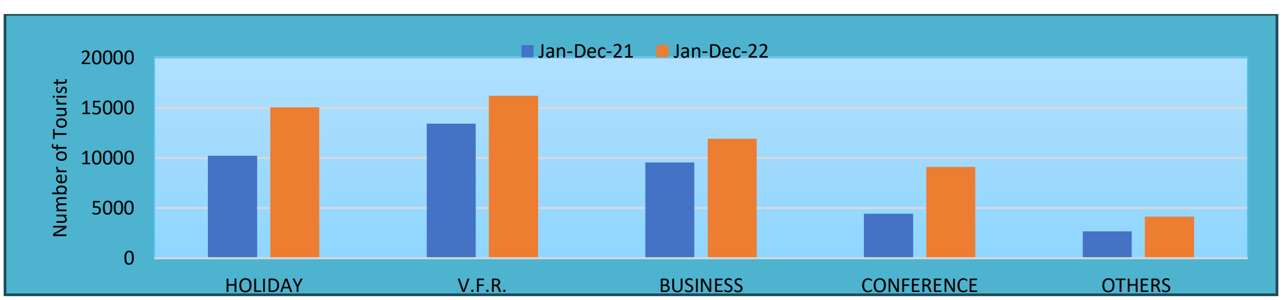
In 2022, the services sector experienced a growth that was mainly driven by increase in the administration of public service activities, which surged by 1.4 percent, a remarkable improvement from the 0.8 percent growth observed in 2021. Furthermore, other components within the services sector exhibited positive growth. Trade and tourism increased by 2.2 percent, while transport, storage & communication grew by 4.3 percent, and finance, insurance and real estate segment recorded a growth rate of 4.6 percent.

**Tourism**

In 2022, tourist arrivals increased significantly following the resumption of flights and the inclusion of visiting Sierra Leonean citizens living abroad compared to 2021. This resulted in a total of 99,839 tourists arriving in Sierra Leone, reflecting an impressive 40.24 percent increase compared to the 71,193 tourist arrivals in 2021. The total number of foreign nationals visiting Sierra Leone in 2022 increased to 56,417, up from 40,309 in 2021. Additionally, Sierra Leone received 43,422 of its diaspora population, who returned to visit in 2022 compared to 30,884 in 2021.

Regarding the purpose of tourist visits, the breakdown is as follows: holiday visits: 15,053, visits to friends and relative: 16,205, business visit:11,929, conference visit: 9,088, and visit for other purposes:4,142. Figure 7 shows tourist arrival by purpose of visits.

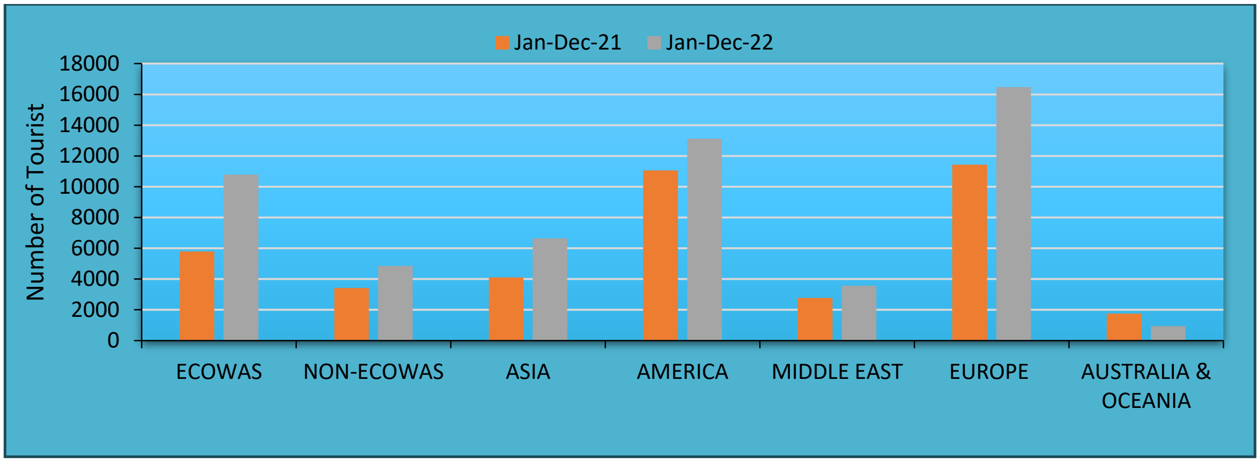
**Figure 7: Tourist Arrival by Purpose of Visit**




Source: National Tourist Board Sierra Leone

Tourist arrivals, categorised by place of residence, are as follows: 10,784 arrivals from ECOWAS, 4,852 arrivals from non-ECOWAS, 6,651 arrivals from ASIA, 13,121 arrivals from the AMERICA, 16,480 arrivals from EUROPE, 3,578 arrivals from the MIDDLE EAST and 951 arrivals from AUSTRALIA and OCIANEAN. Figure 8 shows Tourist Arrivals by Place of Residence.

**Figure 8: Tourist Arrival by Place of Residence**



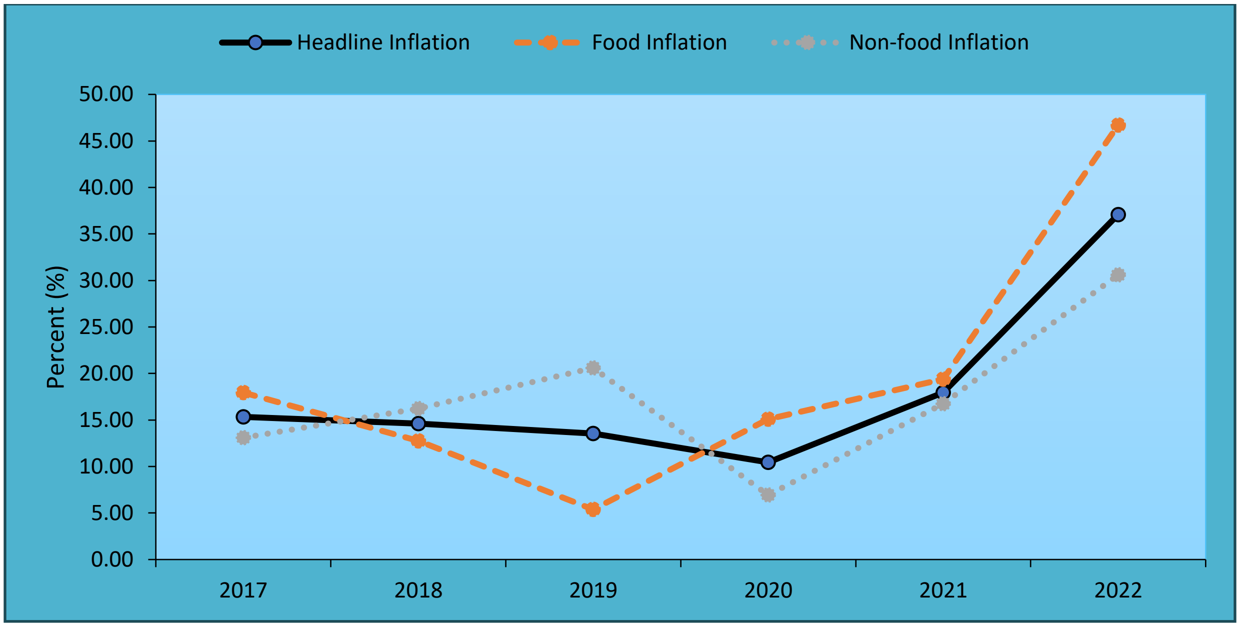

Source: National Tourist Board Sierra Leone

### 3.2. Price Developments

Inflationary pressures elevated in 2022, as annual headline inflation in December 2022 increased to 37.09 percent, up from 17.94 percent in December 2021 and 13.54 percent in December 2019 while average inflation increased from 11.88 percent in 2021 to 27.21 percent in 2022. The end-December inflation rate exceeded the IMF's projected end-year programme inflation rate of 22.1 percent. Similarly, the average headline inflation rose to 27.21 percent in 2022, compared with 11.88 percent in 2021, surpassing the average inflation for the IMF's end- of- year programme rate projection of 21.7 percent. The upswing in headline inflation was driven mainly by notable rise in food and energy prices, which emanated from the Russian-Ukraine war and built an environment of high uncertainty. Tightening financial conditions that strengthened the United States dollar, as well as the lingering impact of the pandemic and its associated uncertainties were other factors behind the high inflation rate in 2022. These factors collectively translated into higher domestic prices for essential goods and services, such as food, fuel and transport in 2022.

The rise in inflation was reflected in an increase in both food and non-food inflation rates. Food inflation increased to 46.70 percent at end-December 2022, compared to 19.40 percent at end-December 2021. Non-food inflation rose to 30.60 percent at end-December 2022, from 16.75 percent at end-December 2021. Figure 9 shows the trends of year-on-year headline inflation rate.

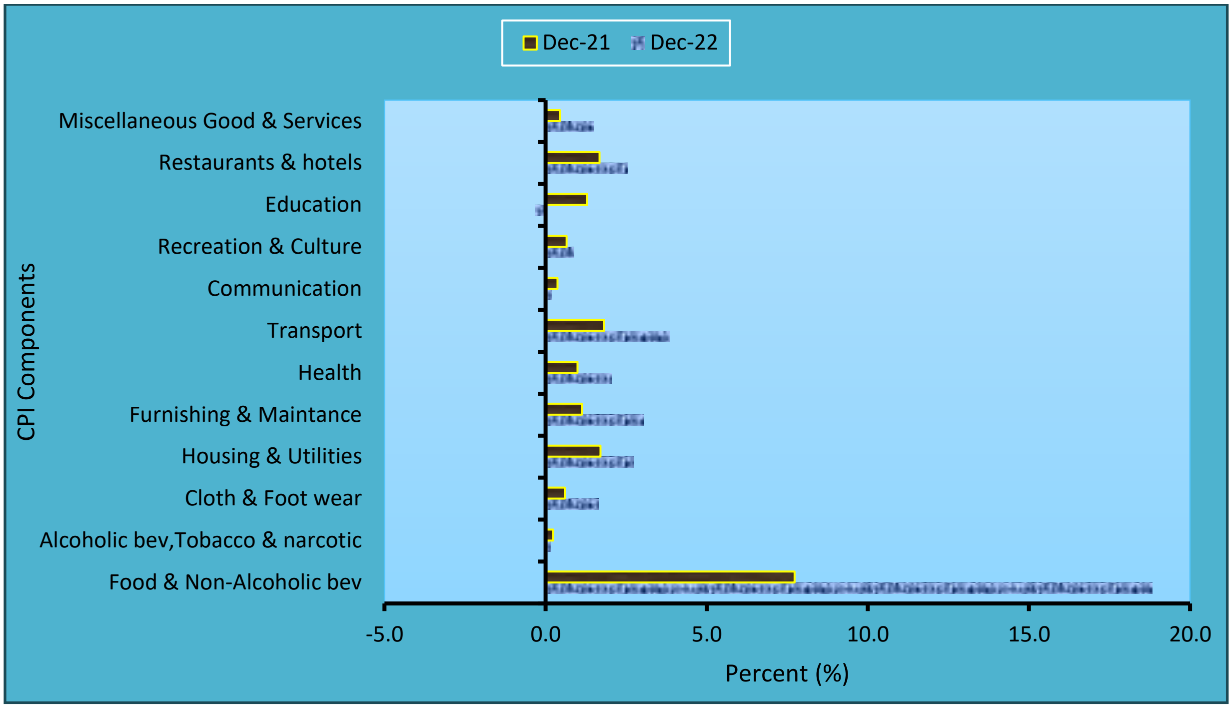
**Figure 9: Year-on-Year Headline, Food and Non-Food Inflation**




Source: Statistics Sierra Leone

The major components within the consumer price index (CPI) basket that contributed to the increase in annual headline inflation were food and non-alcoholic beverages, transport, health, housing and utilities, furnishing and maintenance, restaurants and hotels, clothing and footwear, recreation and culture and miscellaneous items. In contrast, alcoholic beverages, tobacco and narcotics, communication and  education experienced declines in inflation. Figure 10 provides the breakdown of the major contributors to headline inflation.

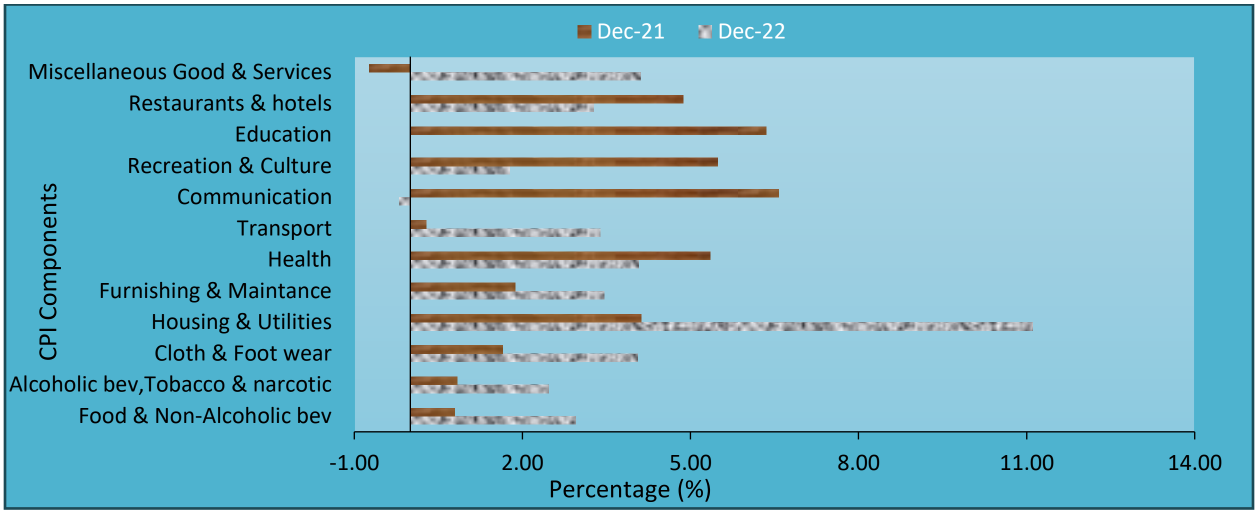
**Figure 10: Drivers of Annual Headline Inflation**




Source: Statistics Sierra Leone

The month-on-month headline inflation rate increased to 3.67 percent in December 2022, up from 2.12 percent in December 2021. This upward trend in monthly inflation closely mirrored the developments in the year-on-year headline inflation. Similarly, major components within the CPI basket that contributed to the rise in the month-on-month inflation rate in December 2022 were food and non-alcoholic beverage, alcoholic beverage, tobacco and narcotic, clothing and footwear, housing, water, electricity and other fuels, furnishing and maintenance, transport, as well as miscellaneous goods and services. In contrast, declines were recorded in the categories of health, communication, recreation and culture, education and restaurant and hotels. Figure 11 provides a breakdown of the CPI components that influenced the movement in monthly inflation rate in December 2022.

**Figure 11: Major Contributors to Monthly inflation at end December 2022 and 2021**



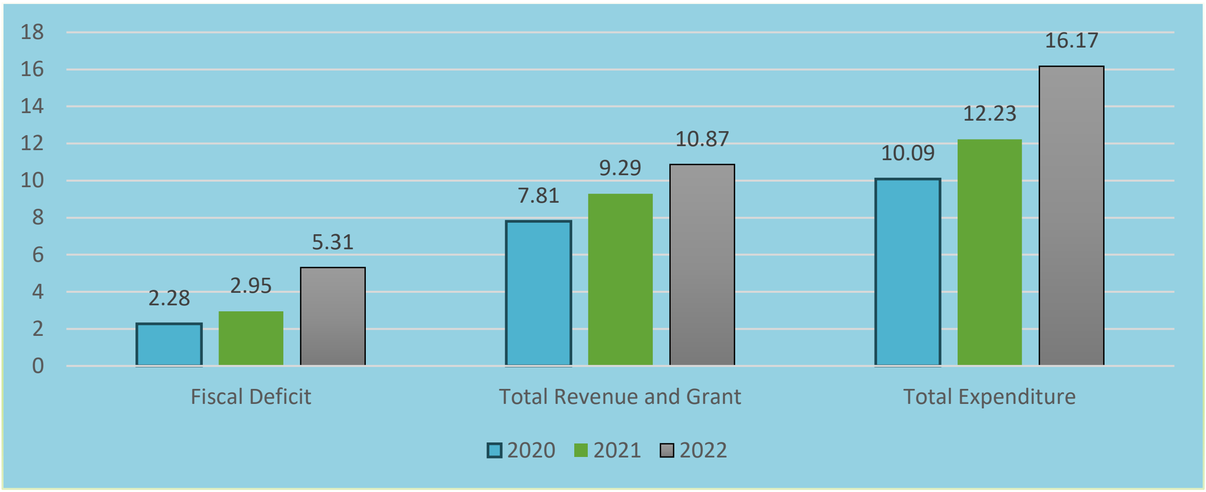

Source: Statistics Sierra Leone

### 3.3. Fiscal Developments

The thrust of fiscal policy in 2022 was revenue consolidation and expenditure rationalization. This strategy aimed to enhance domestic revenue mobilisation to support spending on priority sectors, including climate change, human capital development, social protection, infrastructure, and sectors driving economic growth. However, the persistent adverse effect of supply-side shocks and uncertainties had repercussions on economic activities and, consequently, revenue generation.

Government budgetary outcomes in the year 2022 showed an expansionary outcome. On a cash-flow basis, government fiscal operations resulted in widened fiscal deficit (including grant) in 2022, amounting to NLe5.31 billion, which was equivalent to 9.59 % of GDP, compared to the deficit of NLe2.95 billion (6.69 % of GDP) in 2021, which exceeded the budgeted deficit of NLe2.52 billion (4.55% of GDP). The widened deficit was attributed to increased government expenditure and net lending, which offset the increase in government revenue. Overall deficit, excluding grant, amounted to NLe9.08bn (16.42% of GDP), which exceeded the budgeted deficit of NLe6.29 billion (11.37% of GDP) and was higher than the previous year's deficit of NLe5.32 billion (12.07% of GDP). Figure 12 shows a summary of government budget operation outcome while Table 8 shows government budget operation in detail.

**Figure 12: Summary of Government Budgetary Operations**




Source: Ministry of Finance

**Table 8: Government Fiscal Operation (In Million Leones)**

| | 2021 | 2022 | 2022 |
|---|---|---|---|
| | Jan. - Dec. | Jan. - Dec. | Budget |
| **TOTAL REVENUE (PLUS GRANTS)** | **9,287,851** | **10,867,130** | **11,179,886** |
| **DOMESTIC REVENUE** | **6,917,103** | **7,046,402** | **7,385,686** |
| **Of which:** | | | |
| **Customs & Excise** | **1,288,651** | **1,223,207** | **1,325,883** |
| **Income Tax Department** | **2,435,025** | **2,876,502** | **3,029,140** |
| **Goods and Services Tax** | **1,257,858** | **1,308,389** | **1,337,895** |
| **Miscellaneous** | **1,723,731** | **1,468,358** | **1,495,015** |
| **Road User Charges** | **211,839** | **169,946** | **197,753** |
| **GRANTS** | **2,370,748** | **3,820,728** | **3,794,200** |
| **TOTAL EXPENDIUTRE & NET LENDING** | **10,093,069** | **16,126,715** | **13,677,458** |
| **Of which:** | | | |
| **Current Expenditure** | **8,706,740** | **11,064,372** | **9,599,610** |
| **Of which:** | | | |
| **Wages & Salaries** | **3,925,524** | **4,346,208** | **4,315,695** |
| **Domestic Interest** | **1,133,851** | **1,631,775** | **1,637,765** |
| **Foreign Interest** | **134,291** | **198,635** | **161,910** |
| **Non-Salary Non-Interest Expenditure** | **3,513,075** | **4,887,754** | **3,484,239** |
| **Contingency Exp** | **84,798** | **45,803** | **20,965** |
| **Development Exp. & Net Lending** | **3,527,985** | **5,062,343** | **4,077,848** |
| **Foreign Loans & Grants** | **1,836,087** | **2,179,694** | **2,583,343** |
| **Domestic** | **1,691,897** | **2,882,649** | **1,494,505** |
| **Lending Minus Repayment** | **0** | **0** | **0** |
| **CURRENT BALANCE+/- (Including grants)** | **581,110** | **(243,044)** | **1,559,311** |
| **ADD DEVELOPMENT EXPENDITURE** | **(3,527,985)** | **(5,062,343)** | **(4,077,848)** |
| **Basic Primary Balance** | **(2,167,382)** | **(4,758,343)** | **(1,629,719)** |
| **OVERALL DEFICIT/SURPLUS +/- (Incl. grants)** | **(2,946,874)** | **(5,305,387)** | **(2,518,537)** |
| **FINANCING** | **2,946,874** | **5,305,387** | **2,518,918** |
| | | | |
| **Domestic** | **2,881,892** | **5,709,961** | **2,696,328** |
| **Of which:** | | | |
| **Bank Financing** | **2,361,708** | **4,273,023** | **1,362,028** |
| **Non-Bank Financing** | **520,184** | **203,937** | **101,300** |
| **Privatization Receipts** | **0** | **1,233,000** | **1,233,000** |
| | | | |
| **External** | **350,242** | **(231,733)** | **99,845** |
| **Of which:** | | | |
| **Loans** | **876,087** | **700,784** | **1,049,904** |
| **Project** | **876,087** | **700,784** | **1,049,904** |
| **Program** | **0** | **0** | **0** |
| **Amortization** | **(525,845)** | **(932,518)** | **(950,058)** |
| **Others** | **(285,260)** | **(172,840)** | **(277,255)** |

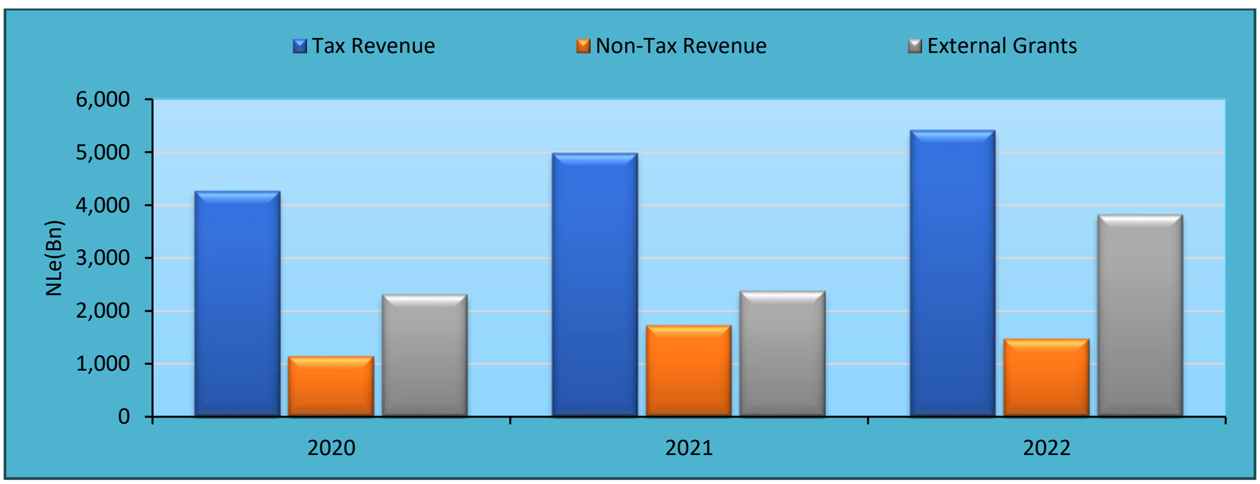
Source: Budget Bureau, Ministry of Finance

### 3.3.1. Government Revenue & Grants

Government revenue and grants amounted to NLe10.87bn (19.65% of GDP) in 2022, reflecting 17.00 percent increase compared to NLe9.29bn (21.08% of GDP) in 2021. However, it fell slightly short of the target of NLe11.18 billion (20.21% of GDP) by 2.80 percent. The expansion in government revenue was attributable to the increase in both domestic revenue and foreign grants.

Domestic revenue increased by 1.87 percent in 2022 to NLe7.05 billion (12.74% of GDP), compared to NLe6.92 billion (15.70% of GDP) in 2021. Nevertheless, this performance was slightly below the target of NLe7.39 billion (13.35% of GDP), falling short by 4.59 percent. The expansion in domestic revenue was primarily driven by the improved performance of tax revenue collections, although non-tax revenue declined. Tax revenue, constituting nearly half of total revenue and 77 percent of domestic revenue, expanded by 8.56 percent to NLe5.41 billion (9.78% of GDP) in 2022. However, it also fell short of the target of NLe5.69 billion (10.29% of GDP) by 5.72 percent. Tax revenue comprised receipts from customs and excise, goods and services, and income tax. Figure 13 shows trend in key components of government revenue.

**Figure 13: Trends in Government Revenue 2020-2022**




Source: Ministry of Finance

**Customs and Excise:** Customs and excise receipts decreased to NLe1.22bn (2.21% of GDP) in 2022. This represented a 5.08 percent decrease compared to the previous year and fell short of the target of NLe1.33 billion (2.40% of GDP) by 7.74 percent. The decline in customs and excise receipts was primarily attributed to a reduction in excise duties on petroleum, dropping by 29.56

percent to NLe285.00 billion. However, import taxes and other excise duties increased by 5.32 percent to NLe850.30 billion and 14.59 percent to NLe87.91 billion, respectively.

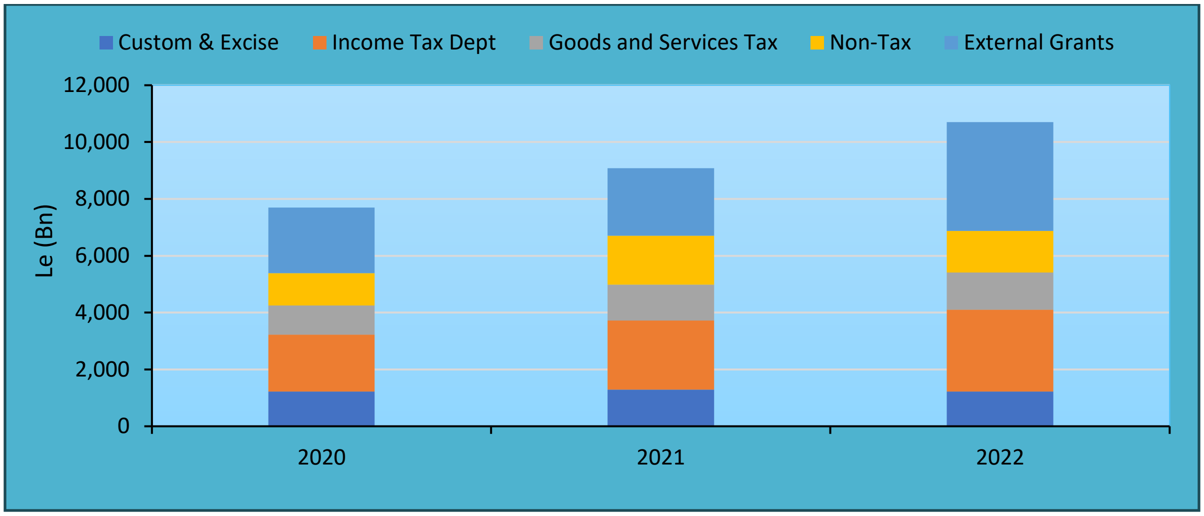
**Income Tax**: Income tax revenue amounted to NLe2.88 billion (5.20% of GDP) in 2022, which represented an 18.13 percent increase, yet it fell short of the target of NLe3.03 billion (5.48% of GDP) by 5.04 percent. The expansion in income tax revenue was driven by the increase in both personal income tax and company tax. Company tax collections surged by 45.51 percent to NLe1.11 billion, while personal income tax rose by 5.58 percent to NLe1.76 billion.

**Goods and Services Tax**: Goods and services tax expanded by 4.02 percent to NLe1.31 billion, equivalent to 2.37% of GDP. However, it was 2.21 percent below the target of NLe1.34 billion (2.42% of GDP). The growth in GST was driven by an increase in import sales tax, whereas domestic GST decreased during the review period. Import GST rose by 23.22 percent to NLe834.42 billion, while domestic GST dropped by 18.38 percent to NLe473.97 billion.

**Non-tax Revenue:** Non-tax revenue contracted by 14.82 percent to NLe1.47bn (2.65% of GDP) and fell slightly below the target of NLe1.50bn (2.70% of GDP) by 1.78 percent. The decline in non-tax revenue was attributed to decreased revenue collected from both mines department and other departments during the review period. Mines department revenue fell to NLe414.97bn, a decrease of 20.62 percent, and receipts from other departments dropped to NLe1.05bn, marking a decline of 12.29 percent. Road user charges decreased to NLe169.95bn (0.31% of GDP), a decline of 19.78 percent, and were lower than the target of NLe197.75bn (0.36% of GDP) by 14.06 percent in 2022.

**External Grants:** Foreign grants received amounted to NLe3.82bn (6.91% of GDP), reflecting a 61.16 percent increase compared to the NLe2.37bn (5.38% of GDP) in 2021. This amount slightly exceeded the target of NLe3.79bn (6.86% of GDP) by 0.70 percent. External grants comprised programme grants, amounting to NLe2.34bn (4.23% of GDP), and development grants, amounting to NLe1.48bn (2.67% of GDP). Figure 14 shows disaggregated components of government revenue.

**Figure 14: Disaggregated Government Revenue 2020-2022**




Sources: Ministry of Finance

### 3.3.2. Government Expenditure and Net Lending

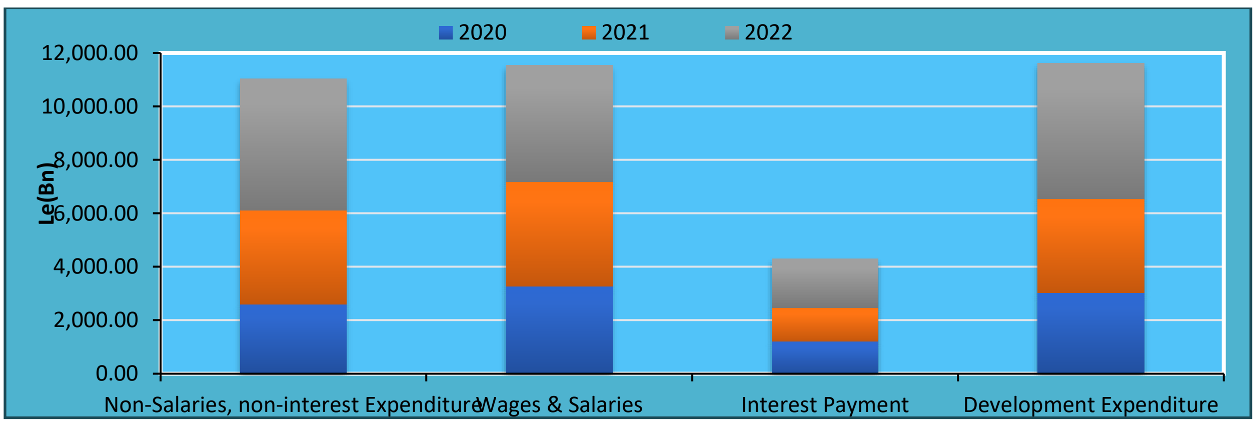
Total government payments and net lending in 2022 expanded to NLe16.13bn (29.16% of GDP) by 32.19 percent, compared to NLe12.23bn (27.76% of GDP) in 2021, exceeding the ceiling of NLe13.68bn (24.73% of GDP) by 18.24 percent. The expansion in government expenditure and net lending was due to increases in both recurrent and development expenditure.

**Recurrent Expenditure:** Recurrent expenditure, constituting 69 percent of total government expenditure, increased to NLe11.11bn (20.09% of GDP), up by 27.60 percent. It breached the ceiling of NLe9.62bn (17.39% of GDP) by 15.48 percent. The increase in recurrent spending resulted from expansions in all expenditure components during the review period. The wage bill expanded to NLe4.35bn, an increase of 10.72 percent, slightly exceeding the ceiling of NLe4.32bn (7.80% of GDP) by 0.71 percent.

Total interest payment increased to NLe1.83bn (3.31% of GDP), a 44.33 percent rise, surpassing the ceiling of NLe1.80bn (3.25% of GDP) by 1.71 percent. Domestic interest payments reached NLe1.63bn (2.95% of GDP), a 43.91 percent increase but lower than the ceiling of NLe1.64bn by 0.37 percent. Foreign interest payments rose to NLe198.64bn (0.36% of GDP), a 47.91 percent increase, breaching the ceiling of NLe161.91bn (0.29% of GDP) by 22.68 percent. Non-salary, non-interest expenditure increased to NLe4.89bn (8.84% of GDP) by 39.13 percent, exceeding the ceiling of NLe3.48bn (6.30% of GDP) by 40.28 percent.

**Development Expenditure:** Development expenditure expanded to NLe5.06bn (9.15% of GDP) by 43.49 percent, exceeding the ceiling of NLe4.08bn (7.37% of GDP) by 24.14 percent. The increase in capital expenditure was driven by expansions in both foreign loans and grants and domestic capital expenditures. Foreign loans and grants rose to NLe2.18bn (3.94% of GDP) by 18.71 percent but lower than the ceiling of NLe2.58bn (4.67% of GDP) by 15.63 percent. Domestic capital spending surged to NLe2.88bn (5.21% of GDP), a 70.38 percent increase, although it was lower than the ceiling of NLe1.49bn (2.70% of GDP) by 92.88 percent. The figure 15 below shows trends of key components of government expenditure.

**Figure 15: Disaggregation of Government Expenditure**




Source: Ministry of Finance

### 3.3.3. Financing

The overall budget deficit (including grants), which was NLe5.31bn (9.59% of GDP), was funded through a combination of domestic, foreign, and other sources. Deficit financing from domestic sources amounted to NLe5.71bn (10.32% of GDP), which included NLe4.27bn (7.73% of GDP) from the banking system, NLe203.94bn (0.37% of GDP) from non-bank borrowing, and NLe1.23bn (2.23% of GDP) from receipts payments related to privatization. External deficit financing involved a repayment of NLe231.73bn (0.42% of GDP), consisting of project loans totaling NLe700.78bn (1.27% of GDP) and amortization payment amounting to NLe932.52bn (1.69% of GDP). Other sources of deficit financing resulted in a net payment of NLe172.84bn (0.31% of GDP).

### 3.4. External Sector Developments

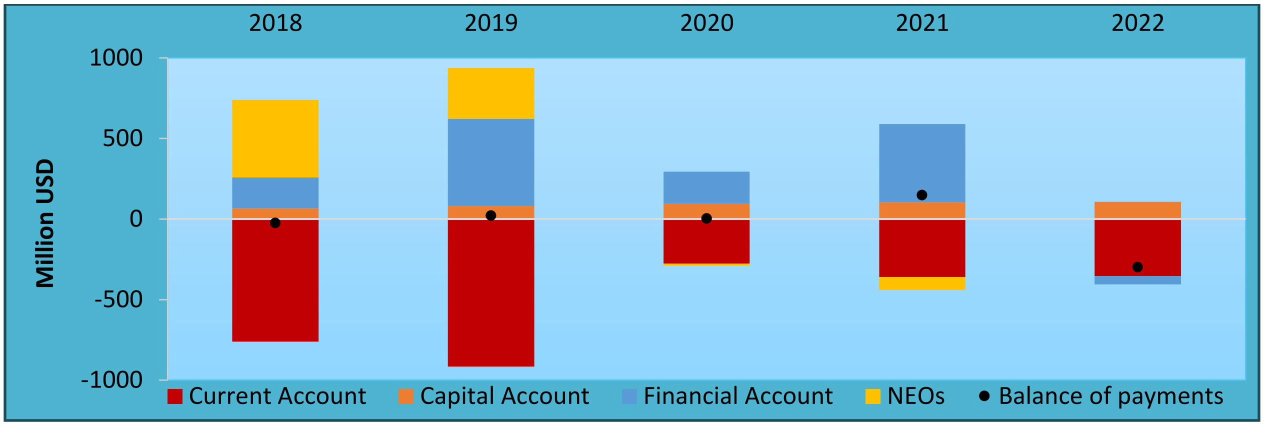
The global economic challenges exacerbated by the Russia-Ukraine crisis had adverse effects on Sierra Leone's external sector in 2022. The overall balance of payment deteriorated in 2022. Current account deficit increased to US$424.3 million (10.5 percent of GDP) in 2022, from US$366.18 million (8.9 percent of GDP) in 2021, which was attributed mainly to a deterioration in the net import of services, which deteriorated from a deficit of US$198.95 million (4.8 percent of GDP) in 2021 to US$264.99 million (6.6 percent of GDP) in 2022. In addition, the merchandise trade deteriorated from a deficit of US$584.7 million (14.2 percent of GDP) in 2021 to a deficit of US$594.48 million (14.7 percent of GPD) in 2022.

Net primary income improved from a deficit of US$70.10 million (1.7 percent of GDP) in 2021 to a deficit of US$66.97 million (1.7 percent of GDP) in 2022, whereas net current transfers (secondary income) improved to US$502.13 million (12.4 percent of GDP) in 2022 from US$487.56 million (11.8 percent of GDP) in 2021, emanating from significant inflow of migrant remittances. Net capital inflows improved from US$124.6 million (3.0 percent of GDP) in 2021 to US$220.09 million (5.5 percent of GDP) in 2022 on the backdrop of official project grant from the development partners.

The capital and financial accounts recorded a surplus of US$54.7 million (1.4 percent of GDP) in 2022, compared to a surplus of US$589.0 million (14.29 percent of GDP) in 2021. The deterioration was driven mainly by a significant deterioration in the financial account, which shifted to a deficit of US$52.4 million (1.30 percent of GDP) in 2022, from a surplus of US$483.3 million (11.73 percent of GDP) in 2021. The capital account, on the other hand, improved from US$105.7 million (2.56 percent of GDP) in 2021 to US$107.2 million (2.66 percent of GDP) in 2022.

The overall balance of payments position deteriorated from a surplus of US$149.0 million (3.6 percent of GDP) in 2021 to a deficit of US$298.5 million (7.7 percent of GDP) in 2022. This decline was primarily as a result of reduced investment inflows under the financial account, which is linked to the negative impact of the war in Ukraine and the resulting global financial tightening. Figure 16 shows the trend of key components of the balance of payments of Sierra Leone.

**Figure 16: Sierra Leone Balance of Payments Millions (US$)**

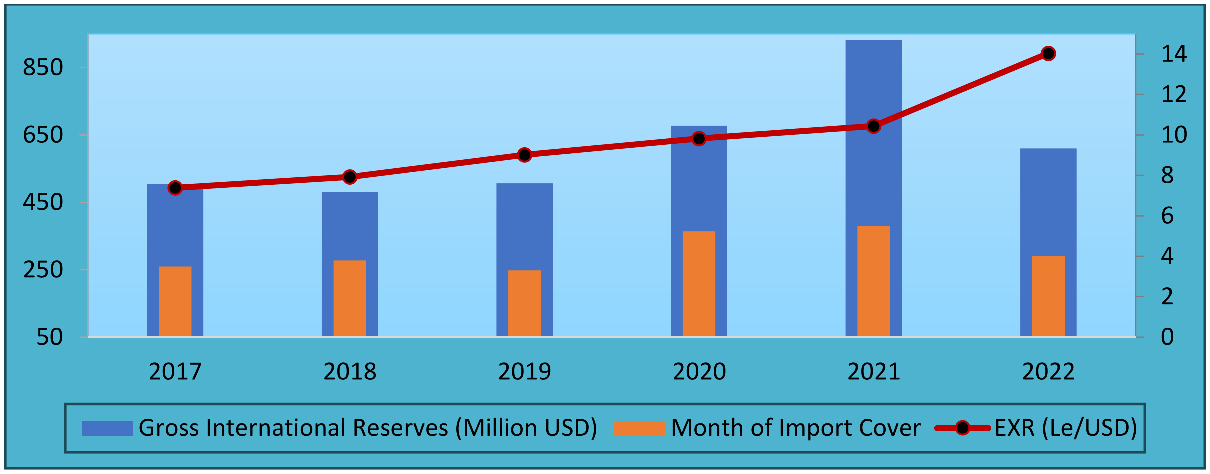



Data Source: Research and Statistics Department, BSL

**Gross Foreign Exchange Reserves:** On the back of weak financial inflows and high current account deficit, the gross foreign exchange reserves held by the Bank of Sierra Leone decreased to US$610.42 million (4.0 months of import cover) in 2022 from US$931.76 million (5.5 months of import cover) in 2021. The drawdown on reserves was attributed primarily to higher external debt service payments, as well as the BSL's efforts to provide additional support for imports of food and fuel. Additionally, the BSL intervened in the foreign exchange market to help smooth out excess volatility in the exchange rate and complement the supply of foreign currency in the market.

**Exchange Rate:** The depreciation of the Leone against major foreign currencies intensified in 2022, driven by excessive demand for foreign currency outweighing available supply. A contributing factor was the increase in interest rates in the United States, which led to a global strengthening of the US dollar. This, in turn, resulted in a sharp depreciation of the currencies of smaller open economies like Sierra Leone. Specifically, the official exchange rate of the Leone against the US dollar depreciated by 34.50 percent in 2022, compared to the 6.20 percent depreciation in 2021.

**Figure 17: Gross Foreign Exchange Reserves and Exchange Rate Movement**




Source: Financial Markets Department, BSL

# 4. MONETARY SECTOR DEVELOPMENTS

## 4.1. Monetary Policy

The Bank of Sierra Leone remained focused on its core mandate of price and financial stability while supporting the general economic policy of Government. The BSL continued to implement a monetary targeting framework alongside the policy corridor system to communicate its policy stance.

During the period, monetary policy implementation faced significant challenges due to high and persistent inflation, driven by various global factors, including rising food and energy prices, supply constraints, elevated freight costs, and tight financial conditions resulting from the overlapping effects of the war in Ukraine and the COVID-19 pandemic. In response, the BSL adopted a tight monetary policy stance to contain inflation.

## 4.2. Developments in Monetary Aggregates

Both Broad Money (M2) and Reserve Money (RM) experienced significant growth in 2022. Broad Money (M2) expanded by 41.74 percent in 2022, which was notable increase compared to the 22.05 percent growth observed in 2021. This expansion in broad money primarily reflected the growth of Net Domestic Assets (NDA) within the banking system, alongside moderate growth in Net Foreign Assets (NFA) of the banking system.

The NDA of the banking system expanded by 38.61 percent in 2022, compared to a growth rate of 27.05 percent in 2021. This expansion in NDA was attributed to the 34.27 percent increase in Net Claims on the Central Government by the banking sector in 2022, exceeding the 19.63 percent growth observed in 2021. Net Claims on the Central Government by the Bank of Sierra Leone increased by 62.76 percent in 2022, relative to the 23.88 percent growth in 2021. Furthermore, Net Claims on the Central Government by the commercial banks grew by 13.28 percent in 2022, a slight decrease from the 16.68 percent growth recorded in 2021. Additionally, credit extended to the private sector declined by 12.05 percent in 2022, down from 33.89 percent in 2021. The NFA of the banking system showed huge growth, increasing by 51.56 percent in 2022, compared to the 8.67 percent growth observed in 2021.

**Table 9: Money Supply and its Components**

| | | | | Jan-Dec 21 | | Jan-Dec 22 | |
|---|---|---|---|---|---|---|---|
| Millions of NLe | **2020** | **2021** | **2022** | **Change** | **Percent Change** | **Change** | **Percent Change** |
| **Money Supply (M2)** | 11,790.92 | 14,391.06 | 20,398.49 | 2,600.14 | 22.05 | 6,007.43 | 41.74 |
| **Narrow Money (M1)** | 6,003.96 | 7,539.77 | 9,101.63 | 1,535.81 | 25.58 | 1,561.85 | 20.71 |
| **Currency outside Banks** | 2,806.99 | 3,479.76 | 4,589.10 | 672.77 | 23.97 | 1,109.34 | 31.88 |
| **Demand Deposits** | 3,196.96 | 4,060.01 | 4,512.53 | 863.05 | 27.00 | 452.52 | 11.15 |
| **Quasi Money** | 5,786.97 | 6,851.29 | 11,296.87 | 1,064.32 | 18.39 | 4,445.58 | 64.89 |
| **o.w. Foreign currency Deposits** | 2,797.74 | 3,703.87 | 7,590.73 | 906.14 | 32.39 | 3,886.86 | 104.94 |
| **Time and Savings (ODC)** | 2,966.90 | 3,142.45 | 3,701.89 | 175.56 | 5.92 | 559.43 | 17.80 |
| | | | | | | | |
| **Net Foreign Asset** | 3,204.76 | 3,482.71 | 5,278.47 | 277.95 | 8.67 | 1,795.76 | 51.56 |
| **BSL** | 623.19 | (169.31) | (2,961.24) | (792.50) | (127.17) | (2,791.93) | 1,648.96 |
| **ODC's** | 2,581.58 | 3,652.03 | 8,239.72 | 1,070.45 | 41.46 | 4,587.69 | 125.62 |
| **Ne Domestic Asset** | 8,586.16 | 10,908.35 | 15,120.02 | 2,322.19 | 27.05 | 4,211.67 | 38.61 |
| **Net Domestic Credit** | 10,892.82 | 13,260.34 | 17,319.31 | 2,367.52 | 21.73 | 4,058.97 | 30.61 |
| **Government (Net)** | 8,682.96 | 10,387.50 | 13,947.49 | 1,704.54 | 19.63 | 3,559.99 | 34.27 |
| **o.w. BSL** | 3,557.53 | 4,407.14 | 7,172.94 | 849.61 | 23.88 | 2,765.81 | 62.76 |
| **ODC's** | 5,125.44 | 5,980.36 | 6,774.54 | 854.93 | 16.68 | 794.18 | 13.285 |
| **Private Sector** | 2,379.92 | 3,161.95 | 3,539.11 | 782.03 | 32.86 | 377.17 | 11.93 |
| **o.w. BSL** | 30.91 | 16.78 | 14.93 | (14.13) | (45.70) | (1.85) | (11.03) |
| **ODC's** | 2,349.01 | 3,145.16 | 3,524.18 | 796.15 | 33.89 | 379.02 | 12.05 |
| **Other Items (Net)** | (2,306.66) | (2,351.99) | (2,199.29) | (45.34) | 1.97 | 152.70 | (6.49) |
| **Money Multiplier** | 2.78 | 3.13 | 3.37 | | | | |

Source: Research and Statistics Department, BSL

From the liability side, the growth in M2 was reflected in both Narrow Money and Quasi Money. Narrow Money grew by 20.71 percent in 2022, compared to the 25.58 percent growth in 2021, reflecting moderation in the growth of demand deposits. Quasi Money expanded by 64.89 percent in 2022, compared to the 18.39 percent growth in 2021, driven by substantial increase in foreign currency deposits, which rose by 104.94 percent, and time and savings deposits, which grew by 17.80 percent. and

Reserve Money (RM) expanded by 31.53 percent in 2022, up from 8.68 percent growth recorded in 2021. This expansion in Reserve Money was primarily driven by an increase in the Net Domestic Assets (NDA) of the BSL, which outpaced the deterioration in the Net Foreign Assets (NFA) of the BSL. Specifically, NDA of the BSL grew by 88.92 percent in 2022, compared to the 32.12 percent growth in 2021. This expansion in NDA of the BSL was predominantly attributed to the significant increase in net claims on the government by the BSL, which grew by 62.76 percent in 2022, compared to a growth of 23.88 percent in 2021. This substantial surge reflected the notable increase in the BSL's holdings of government securities, coupled with an uptick in GoSL/IMF budget financing. NFA of the BSL deteriorated significantly, primarily due to an increase in foreign currency liabilities, combined with the drawdown of foreign currency reserves to support the importation of essential commodities, including food and energy items. Table 10 shows reserve money and its components.

From the liabilities side, RM growth was a consequence of a 31.07 percent increase in currency issued in 2022, compared to the 27.19 percent growth in 2021. Additionally, banks' reserves expanded by 34.10 percent in 2022, after contracting by 35.99 percent in 2021. Table 10 shows reserve money and its components.

**Table 10: Reserve Money and Components**

| | | | | Jan - Dec. 2021 | | Jan - Dec. 2022 | |
|---|---|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **change** | **Percent change** | **change** | **Percent change** |
| **Net Foreign Asset** | 623.19 | (169.31) | (2,961.24) | (792.50) | (127.17) | (2,791.93) | 1,648.96 |
| **Net Domestic Asset** | 3,611.37 | 4,771.50 | 9014.36 | 1,160.13 | 32.12 | 4,242.86 | 88.92 |
| **Government Borrowing Net (o.w)** | 3,557.53 | 4,407.14 | 7,172.94 | 849.61 | 23.88 | 2,765.81 | 62.76 |
| **Securities** | 1,011.43 | 1,110.22 | 3,696.70 | 98.79 | 9.77 | 2,586.48 | 232.97 |
| **Ways and Means Advances** | 213.57 | 196.19 | 117.99 | (17.38) | (8.14) | (78.20) | (39.86) |
| **GoSL/IMF Budget financing** | 2,525.22 | 3,365.50 | 3,530.75 | 840.28 | 33.28 | 165.25 | 4.91 |
| **Reserve Money (o.w)** | 4,234.55 | 4,602.18 | 6,053.11 | 367.63 | 8.68 | 1,450.93 | 31.53 |
| **Currency issued** | 3,009.15 | 3,827.19 | 5,016.27 | 818.04 | 27.19 | 1,189.08 | 31.07 |
| **Bank Reserves** | 1,203.08 | 770.04 | 1,032.59 | (433.04) | (35.99) | 262.56 | 34.10 |

Source: Research and Statistics, BSL

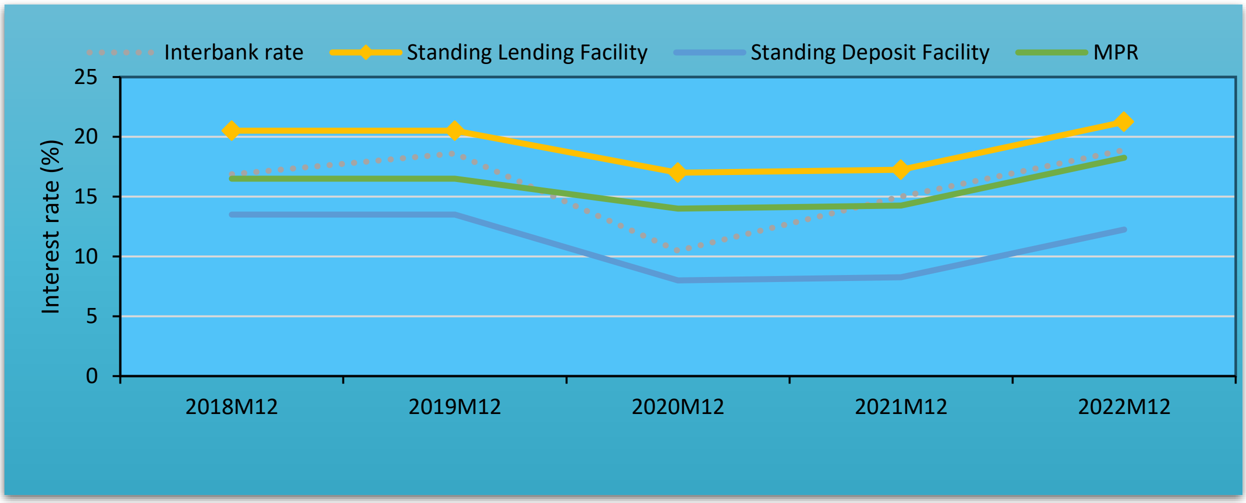
## 4.3. Interest Rate Developments

### 4.3.1. Monetary Policy Rate and Interbank Rate

The Monetary Policy Committee (MPC) took a series of decisions to address the persistent inflationary pressures in 2022. The MPC raised the Monetary Policy Rate (MPR) on a cumulative basis by 4.0 percentage points to 18.25 percent in December 2022, from 14.25 percent in December 2021. Simultaneously, the Standing Lending Facility (SLF) and Standing Deposit Facility (SDF) rates were adjusted to 21.25 percent and 12.25 percent in December 2022, up from 17.25 percent and 8.25 percent in December 2021, respectively. Consequently, the interbank rate rose to 18.90

percent in December 2022, from 15.01 percent in December 2021. However, the interbank rate remained within the boundaries set by the Policy Corridor. Figure 18 shows Monetary Policy Rate and other key interest rates.

**Figure 18: Monetary Policy Rates and Other Key Rates**

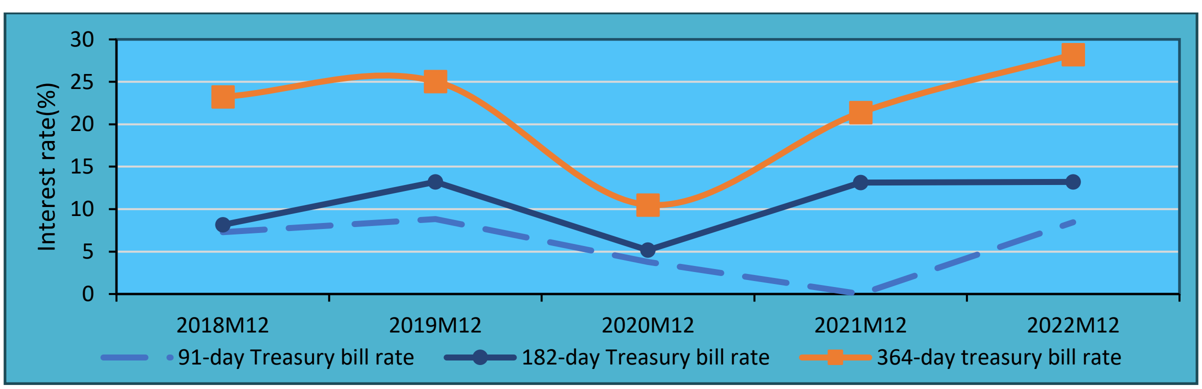



Source: Research and Statistics Department, BSL

### 4.3.2. Yields on Government Treasury Bills

Yield rates on government securities for 182-day and 364-day Treasury bills exhibited upward movements during the review period. Specifically, the yield on the 182-day Treasury bills increased from 13.13 percent in December 2021 to 13.21 percent in December 2022. Similarly, the yield on the 364-day Treasury bills surged from 21.38 percent in December 2021 to 28.23 percent in December 2022. Figure 19 shows  the yield movements for Government bills.

**Figure 19: Yields of Government securities**




Source: Research and Statistics Department, BSL

### 4.3.3. Commercial Banks' Lending and Deposit Rates

The average lending rate offered by commercial banks increased slightly from 19.77 percent in December 2021 to 20.10 percent in December 2022. Similarly, the interest rate on savings deposit rate also saw a marginal uptick, from 2.15 percent in 2021 to 2.17 percent in December 2022. Table 11 shows the lending and deposit rates and other interest rates.

**Table 11: Lending and Deposit Interest Rates and Other Interest Rates**

| | 2018M12 | 2019M12 | 2020M12 | 2021M12 | 2022M12 |
|---|---|---|---|---|---|
| **91-day Treasury** | 7.3 | 8.83 | 3.78 | 0 | 8.44 |
| **182-day Treasury** | 8.14 | 13.21 | 5.17 | 13.13 | 13.21 |
| **364-day Treasury** | 23.23 | 25.045 | 10.51 | 21.38 | 28.23 |
| **Interbank rate** | 16.88 | 18.61 | 10.48 | 15.01 | 18.90 |
| **Standing Lending Facility** | 20.5 | 20.5 | 17.00 | 17.25 | 21.25 |
| **Standing Deposit Facility** | 13.5 | 13.5 | 8.00 | 8.25 | 12.25 |
| **MPR** | 16.5 | 16.5 | 14.00 | 14.25 | 18.25 |
| **Average Lending rate** | 19.62 | 20.17 | 21.42 | 19.77 | 20.10 |
| **Savings deposits** | 2.9 | 2.9 | 2.61 | 2.15 | 2.17 |

Source: Research and Statistics Department, BSL

# 5. DEVELOPMENTS IN THE FOREIGN EXCHANGE MARKETS

## 5.1. Reserve Management and Investment

### 5.1.1. Gross Foreign Exchange Reserves

The stock of gross foreign exchange reserves of the Bank of Sierra Leone decreased by 34.49 percent to US$610.42mn at the end of December2022 from US$931.76mn at the end of December 2021, reflecting a net outflow of US$285.99mn during the review period.

### 5.1.2. Foreign Exchange Inflows

Total foreign exchange inflows decreased by 55.86 percent from USD626.01 in 2021 to USD276.37 in 2022. The decrease was mainly due to a significant decrease in Aid Disbursements of USD335.76 from USD479.36 at end December 2021. Other components of foreign exchange inflows include receipts from exports, amounting to USD 44.64 million compared to USD 106.67 million at the end of December 2021, and other receipts totaling USD 88.13 million (increased from USD 39.97 million at December 2021).

### 5.1.3. Foreign Exchange Outflows

Foreign exchange outflows witnessed a significant uptick of 24.33 percent, rising from USD 362.9 million in 2021 to USD 451.24 million in 2022. The increase was mainly driven by higher debt service payments of USD111.12mn. Notably, payments to the International Monetary Fund (IMF) amounted to USD 42.07 million, OPEC/OFID stood at USD 10.97 million, and other multilateral/bilateral institutions accounted for USD 41.92 million at the end of December 2022, up from USD 39.60 million at the end of December 2021. Additionally, payments for goods and services increased by 39.56 percent from USD 323.34 million at end December 2021 to USD 451.24 million at end December 2022. This surge was attributed to significant outflows in interbank market operations (USD111.32mn), BSL SCF Forex Operations (USD100.60mn), Electricity Support (USD48.11), Embassy/Missions (USD30.25mn), BSL operating activities (USD87.48mn) and Other Government Expenditures (USD66.78mn).

## 5.2. Foreign Exchange Management

During the year 2022, the exchange rate of the Leone faced significant challenges due to demand and supply conditions, as well as speculative activities by market participants following the redenomination of the Leone. To address the various challenges in the foreign exchange market during the review period, BSL provided foreign exchange through direct sales of forex via the Reserve Facility for Fuel (RFF) and Special Food Facility (SFF) to commercial banks for subsequent sale to oil marketing companies and importers of rice, sugar, and flour. Additionally, the Bank reintroduced the weekly wholesale foreign exchange auction in September 2022 to mitigate excessive volatility in the exchange rate and bolster the supply of foreign currency in the market.

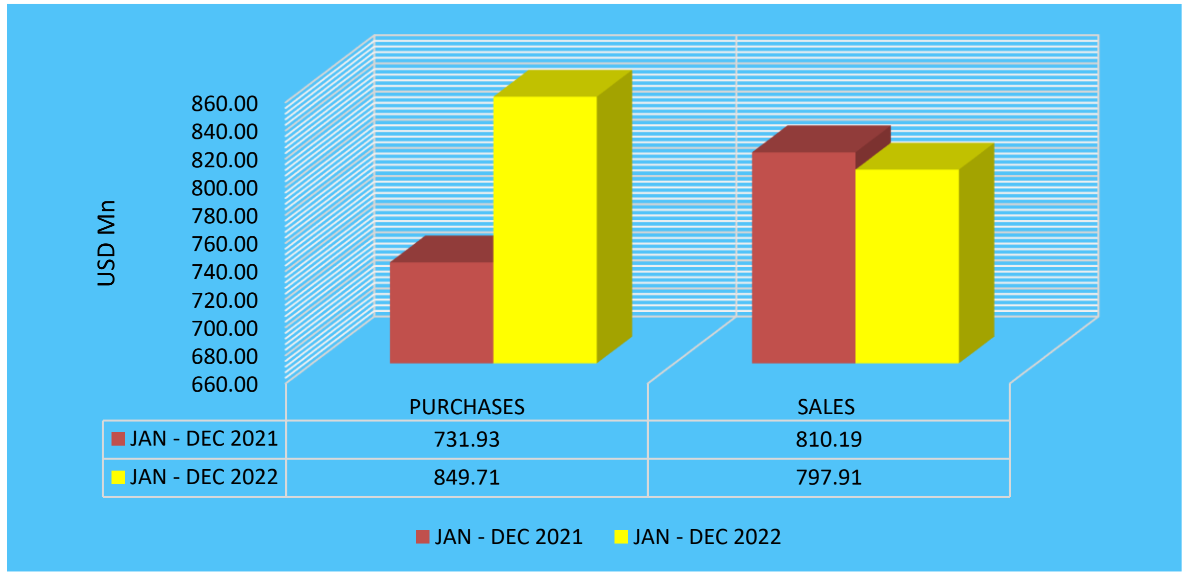
### 5.2.1. Foreign Exchange Flows

The total volume of trade (both purchases and sales) in the foreign exchange market from January to December 2022 amounted to USD 1.65 billion, which represented a 6.84 percent increase compared to the total trade volume of USD 1.54 billion recorded in the preceding year of 2021. The monthly average amount traded in January-December 2022 stood at USD 823.81 million, whereas during the corresponding period in 2021, the monthly average was USD 771.06 million.

### 5.2.2. Purchases and Sales of Forex by Commercial Banks

Total purchases by commercial banks for the period January- December 2022 amounted to USD849.71 million, indicating an increase of 16.09 percent, compared to USD731.93 million in 2021. The increase was largely due to purchases made by the mining sector, foreign exchange bureaus, diaspora remittances and the service. Conversely, the total sale of foreign exchange by commercial banks decreased slightly by 1.52 percent, from USD810.19 million in 2021 to USD797.91 million in 2022. The major activities that accounted for decrease in forex sales by the commercial banks in 2022 were trade related payments and payments for rice imports. Figure 20 shows the purchases and sales of foreign exchange by commercial banks.

**Figure 20: Purchases and Sales of Foreign Exchange by Commercial Banks**



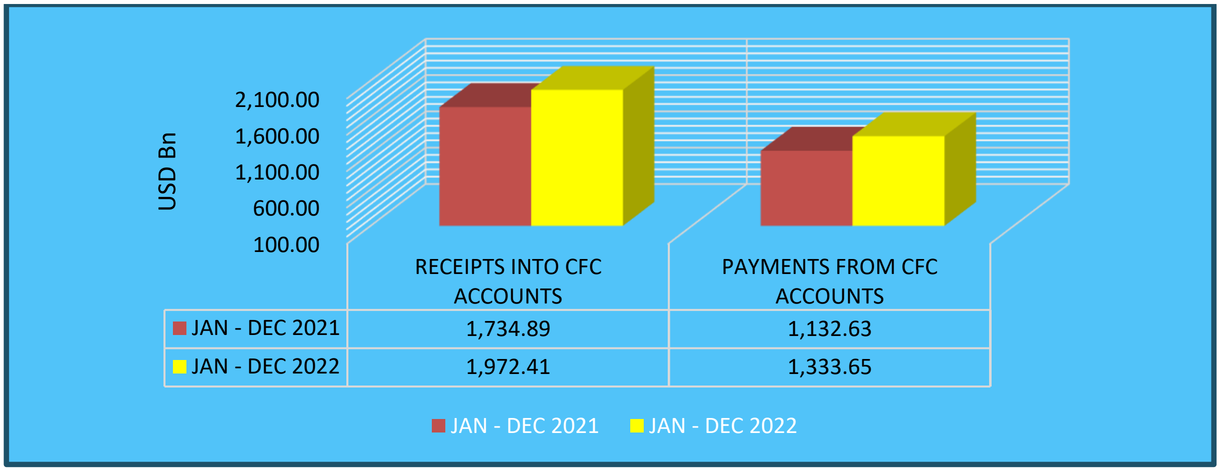

Source: Financial Markets Department, BSL

**5.2.3. Receipts into and Payments from Customers Foreign Currency (CFC) Accounts**

Receipts into customer foreign currency accounts for the period January – December 2022 amounted to USD1.97 billion, which increased by 13.69%, from USD1.73 billion recorded in 2021. The growth was primarily attributed to flows from some companies in the mining industry, international organizations, non-governmental organizations (NGOs) and migrant remittance and money transfer agencies.

Payments from customer foreign currency accounts for the period January – December 2022 increased by 17.75 percent to USD1.33 billion compared to USD1.13 billion recorded in 2021. The outflows or payments from customer foreign currency accounts were primarily associated with rice importers, the mining industry and payments related to petroleum products. Figure 21 shows receipts and payments from customer foreign currency accounts.

**Figure 21: Receipts and Payments from Customer Foreign Currency Accounts**




Source: Financial Markets Department, BSL

### 5.2.4. Foreign Exchange Auction

To address the supply and liquidity challenges that arose in the foreign exchange market during the review period, the BSL took proactive measures to intervene in the market, including the implementation of a weekly wholesale foreign exchange auction. The primary objective of this intervention was to bolster the supply of foreign exchange in the market and restore stability. To this end, a total of USD 40.00 million was allocated for sale through this wholesale foreign exchange auction, with a weekly offering of USD 8.00 million. Three auctions were conducted during the review period, and the outcomes of these auctions are detailed in Table 12.

**Table 12: Foreign Exchange Auction**

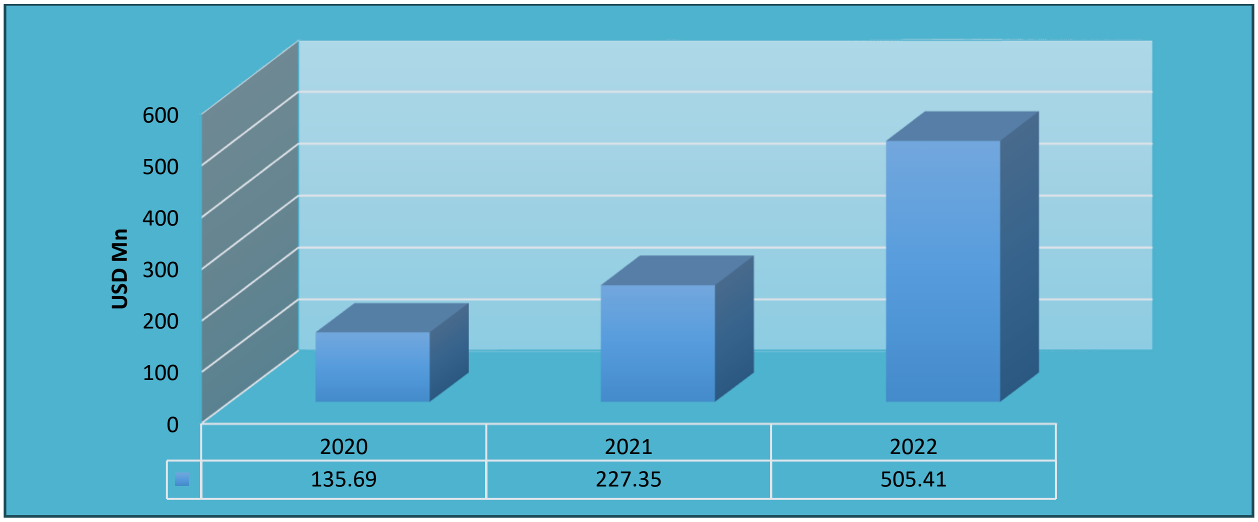
| Auction Date & No. | Amt offered USD'000 | Total demand USD'000 | Total Amt Sold USD'000 | Auction rate (Le) | BSL Selling rate (Le) | Comm Bank Selling rate (Le) | Spread btw Auction rate/comm bank rate |
|---|---|---|---|---|---|---|---|
| **21st Sep** | 8,000 | 9,000 | 8,000 | 14.9899 | 15.0203 | 15.1609 | 1.13 |
| **28th Sep** | 8,000 | 11,000 | 8,000 | 15.4819 | 15.5745 | 15.718 | 1.5 |
| **5th Oct** | 8,000 | 10,800 | 8,000 | 16.2408 | 16.0571 | 16.1312 | 0.68 |

Source: Financial Markets Department, BSL

#### 5.2.5. Diaspora Remittances

Total Diaspora remittances from January to December 2022 increased significantly by 122.30% to USD505.41 million, from USD227.35 million in 2021.

**Figure 22: Diaspora Remittances**




Source: Financial Markets Department, BSL

#### 5.2.6. Foreign Exchange Rate Movements

The stability of the exchange rates faced significant challenges throughout 2022, given the liquidity constraints that grew gradually since the second half of 2021, compounded by rising crude oil prices and increased freight costs.  This occurred against the backdrop of the global supply shock resulting from the Russian –Ukrainian war.

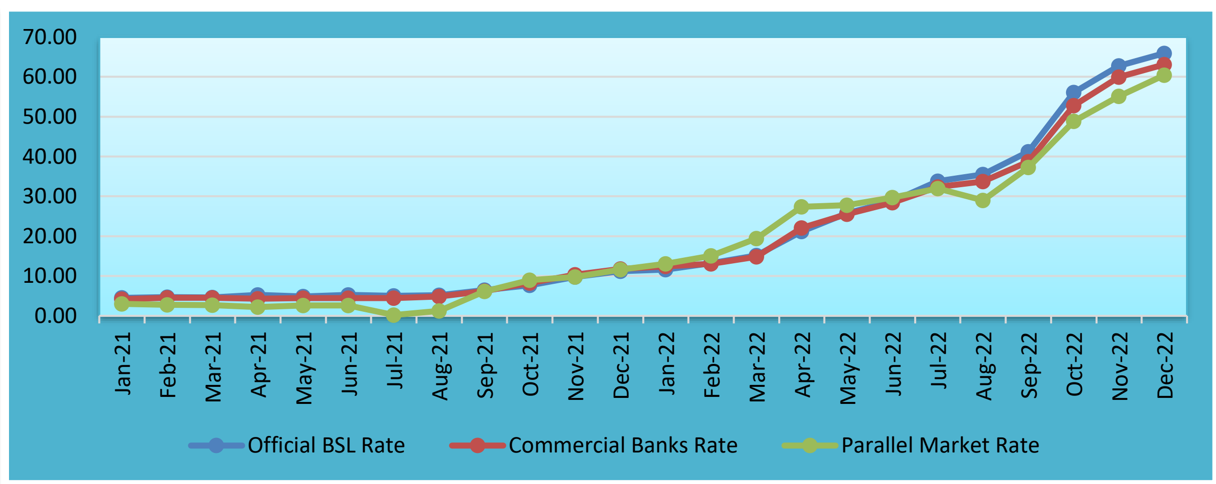
In the second quarter of 2022, foreign exchange market challenges persisted due to heightened demand for food and other imported goods, coinciding with the rainy season. Reduced mining activities during this period, along with sluggish growth in the real sector, placed additional pressure on exchange rates. The increase in global crude oil prices which grew significantly from the first quarter to the second quarter of 2022, a consequence of the ongoing Russia-Ukraine crisis, further contributed to exchange rate depreciation. A combination of factors, including higher inflation rate and the advent of redenomination, sparked speculative activities in the foreign currency market, as participants sought to hedge against the Leone, thereby intensifying pressure on exchange rates.

To address these challenges, the BSL took proactive measures in 2022, making foreign exchange available through direct sales of forex under the Special Facility for Food (SFF), amounting to USD 50 million, and the Reserve Facility for Fuel (RFF), amounting to USD 36 million. These funds were allocated to commercial banks for onward sale to importers of food and oil marketing companies (OMCs), respectively. The primary aim of this intervention was to alleviate foreign currency liquidity constraints in the economy and ensure the availability of essential commodities with the ultimately aim of stabilizing the exchange rate.

In the fourth quarter of 2022, the demand for foreign currency surged due to increased imports of food and other trade-related commodities associated with the festive season, amid increased speculative activities unconnected to higher inflation rates. This heightened demand exerted further pressure on exchange rates, resulting in the depreciation of the Leone against the US dollar and other major international currencies.

On a year-on-year basis, the Official BSL exchange rate, commercial bank exchange rate, and parallel market exchange rate depreciated by 65.93 percent, 63.10 percent, and 60.43 percent, respectively, from Le/USD 11,237.04, Le/USD 11,442.26, and Le/USD 11,655.00 in 2021 to Le/USD 18,645.38, Le/USD 18,662.14, and Le/USD 18,697.87, respectively, in 2022. Figure 23 shows the year-on-year depreciation of the Leone against the US dollar.

**Figure 23: Exchange Rate Depreciation (Year-on-year (%)**

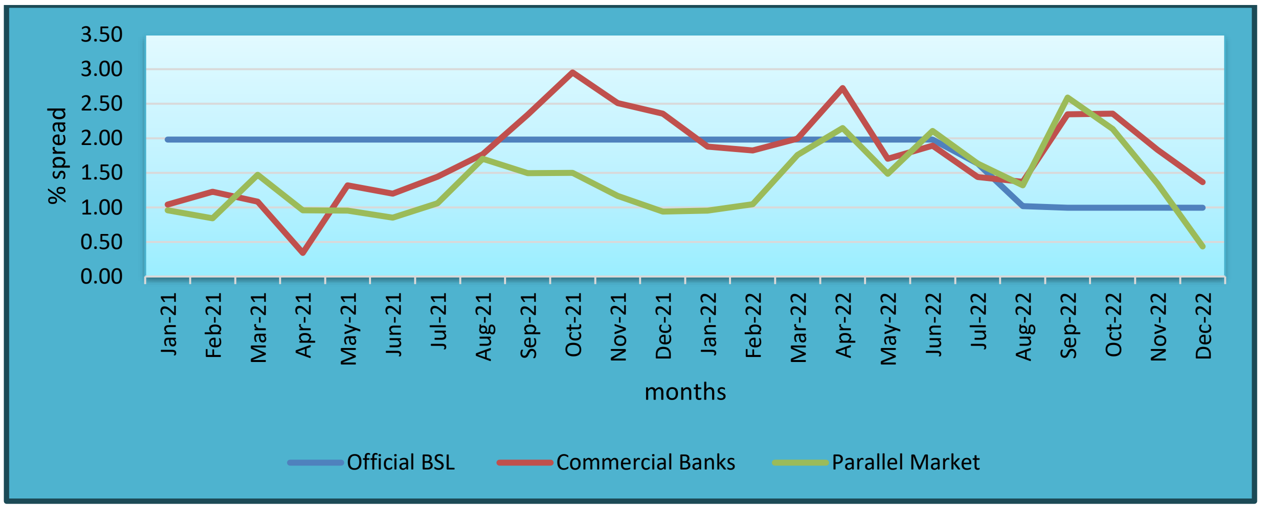



Source: Financial Markets Department, BSL

#### 5.2.7. Spread in various Markets

The percentage spread between the average official buying and selling rates by the BSL was 1.00 percent as at December 31, 2022. In the commercial banks' rates, this spread narrowed in 2022, reaching 1.37 percent at end 2022, compared to 2.36 percent recorded as at end 2021. Similarly, the spread in the parallel market rates narrowed in 2022, with an end-of-year spread of 0.43 percent, down from 0.94 percent in 2021. Figure 24 shows the average monthly exchange rate spread between the selling and buying rates.

**Figure 24: Average Monthly Exchange Rate Spread**




Source: Financial Markets Department, BSL

### 5.3. Monetary Policy Operations

#### 5.3.1. Primary Market Auction Outcomes

In 2022, the primary market auctions for Government Securities exhibited mixed outcomes. The 91-day and 182-day tenures were largely undersubscribed, while the 364-day tenure was mostly oversubscribed in 2022. Consequently, the demand for government treasury bills continued to be concentrated in the 364-day tenure, with commercial banks being the primary participants. However, the non-bank public remained the dominant participant in the 91-day and 182-day tenures of the treasury bills auctions.

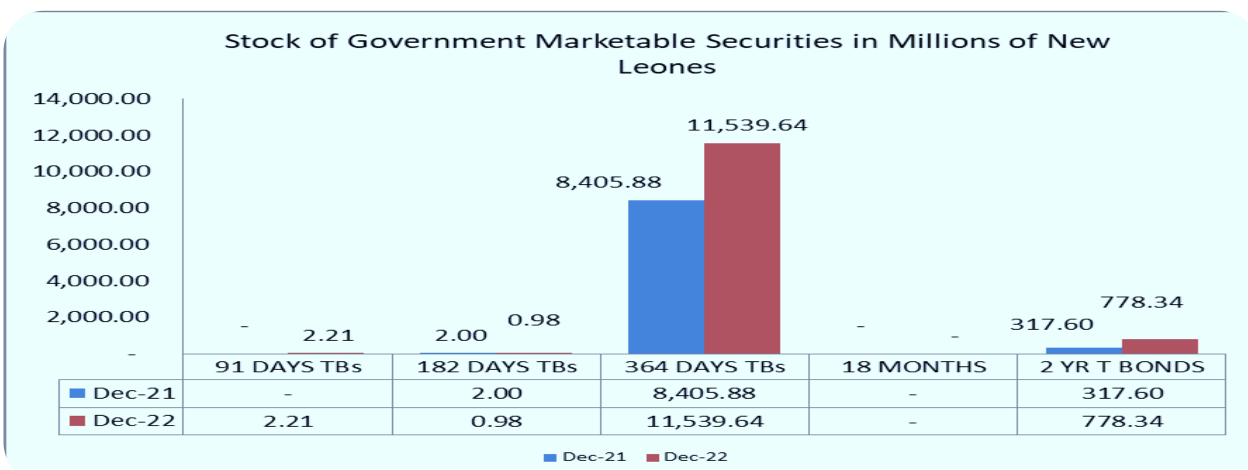
### 5.3.2. Stock of Government Securities

The total stock of Government securities increased significantly by NLe4,310.82mn (45.58%) from NLe9,458.15mn in December 2021 to NLe13,768.97mn in December 2022. Among these securities, marketable securities accounted for 89.49 percent of the total stock of government securities while non-marketable securities accounted for the remaining 10.51 percent.

The stock of marketable securities increased by NLe3,595.69mn (41.21%) from NLe8,725.48mn as at end December 2021 to NLe12,321.17mn as at end December 2022. This was primarily driven by an increase in the 364-day Treasury bills issuance. Non-marketable securities increased by NLe715.13mn (97.61%) from NLe732.67mn as at end December 2021 to NLe1,447.80mn as at end December 2022, mainly due to new issuances of 2-year and 3-year Treasury bonds to commercial banks for financing of specific infrastructural projects.

As at end December 2022, the proportion of 91-day, 182-day and 364-day treasury bills in total marketable securities was 0.02 percent, 0.01 percent and 93.65 percent respectively, while that of the 2-year treasury bond was 6.32 percent. Regarding non-marketable securities, the 3-year, 5- year and 10-year treasury bonds accounted for 73.80 percent, 25.42 percent and 0.78 percent respectively. Figure 25 shows the stock of marketable government securities by tenure. Figure 25 shows the stock of marketable government securities by tenure.

**Figure 25: Stock of Marketable Government Securities by Tenure (Millions of New Leones)**



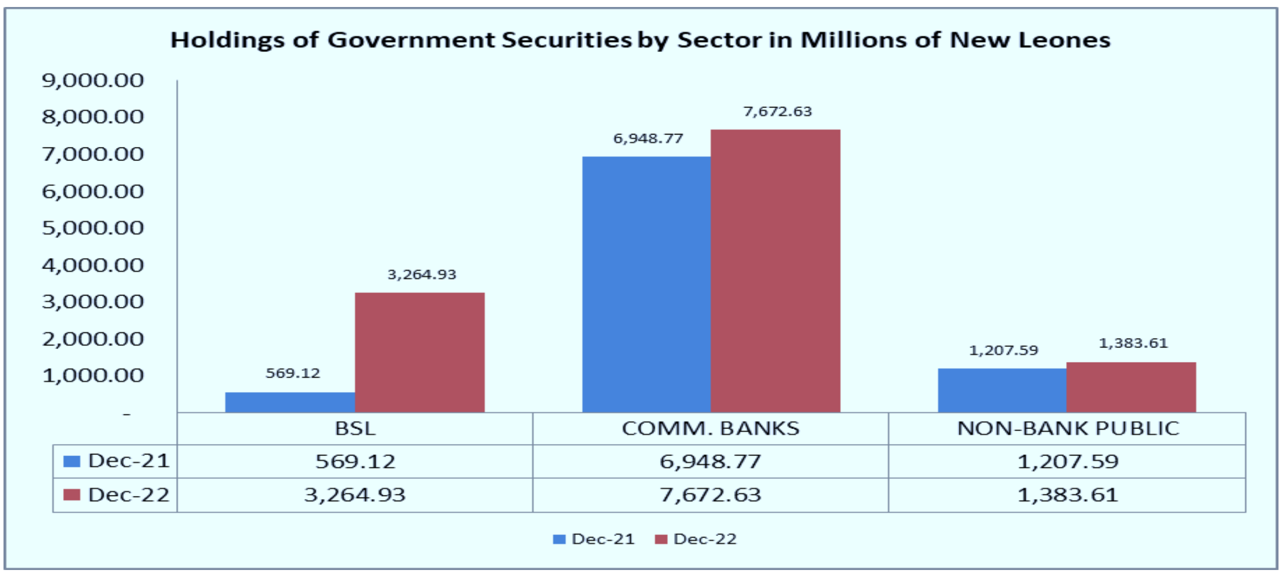

Source: Financial Markets Department, BSL

### 5.3.3. Distribution of the Stock of Government Securities by Holders

In 2022, there was a significant increase in the holdings of government securities across all three segments: the Bank of Sierra Leone (BSL), commercial banks, and the non-bank public.

The holdings of marketable government securities by commercial banks increased by NLe723.86mn (10.42%) from NLe6,948.77mn as at end December 2021 to NLe7,672.63mn at end-December 2022. Non-bank holdings of marketable government securities increased by NLe176.02mn (14.58%) from NLe1,207.59mn end-December 2021 to NLe1,383.61mn at end-December 2022. The BSL holdings of marketable government securities increased by NLe2,695.81mn (473.68%) from NLe569.12mn at end-December 2021 to NLe3,264.93mn at end-December 2022. This was largely attributed to BSL's outright purchases of treasury bills from the commercial banks to support liquidity management within the banking system. Figure 26 presents the holdings of marketable government securities by sector while Table 13 gives a detailed description of the holdings.

**Figure 26: Holdings of Marketable Government Securities by Sector (in Millions of New Leones)**




| | BSL | COMM. BANKS | NON-BANK PUBLIC |
|---|---|---|---|
| Dec-21 | 569.12 | 6,948.77 | 1,207.59 |
| Dec-22 | 3,264.93 | 7,672.63 | 1,383.61 |

Source: Financial Markets Department, BSL

## Table 13: Stock of Outstanding Government Securities

| STOCK OF GOVERNMENT SECURITIES OUTSTANDING BY TENOR AND BY HOLDER (IN MILLIONS OF NEW LEONES) | Dec-21 | Dec-22 | Change (Dec 21-Dec 22) |
|---|---|---|---|
| **91 DAYS TBs** | **-** | **2.21** | **2.21** |
| BSL | - | - | - |
| COMM. BANKS | - | - | - |
| NON-BANK PUBLIC | - | 2.21 | 2.21 |
| *o/w NASSIT* | - | - | - |
| **182 DAYS TBs** | **2.00** | **0.98** | **(1.02)** |
| BSL | - | - | - |
| COMM. BANKS | - | - | - |
| NON-BANK PUBLIC | 2.00 | 0.98 | (1.02) |
| *o/w NASSIT* | | | - |
| **364 DAYS TBs** | **8,405.88** | **11,539.64** | **3,133.76** |
| BSL | 569.12 | 3,264.93 | 2,695.81 |
| COMM. BANKS | 6,691.66 | 6,989.78 | 298.12 |
| NON-BANK PUBLIC | 1,145.10 | 1,284.93 | 139.83 |
| *o/w NASSIT* | *55.50* | *82.95* | 27.45 |
| **1.5 YR T BONDS** | **-** | **-** | **-** |
| BSL | - | - | - |
| COMM. BANKS | - | - | - |
| NON-BANK PUBLIC | - | - | - |
| *o/w NASSIT* | - | - | - |
| **2 YR T BONDS** | **317.60** | **778.34** | **460.74** |
| BSL | - | - | - |
| COMM. BANKS | 257.11 | 682.85 | 425.74 |
| NON-BANK PUBLIC | 60.49 | 95.49 | 35.00 |
| *o/w NASSIT* | *60.49* | *95.49* | 35.00 |
| **TOTAL MARKETABLE** | **8,725.48** | **12,321.17** | **3,595.69** |
| BSL | 569.12 | 3,264.93 | 2,695.81 |
| COMM. BANKS | 6,948.77 | 7,672.63 | 723.86 |
| NON-BANK PUBLIC | 1,207.59 | 1,383.61 | 176.02 |
| *o/w NASSIT* | 115.99 | *178.44* | 62.45 |
| **3 YR T BONDS** | **345.93** | **1,068.56** | **722.63** |
| BSL | 227.38 | 425.56 | 198.18 |
| COMM. BANKS | 93.55 | 608.00 | **514.45** |
| NON-BANK PUBLIC | 25.00 | 35.00 | 10.00 |
| *o/w NASSIT* | *25.00* | *35.00* | 10.00 |
| **5 YR T BONDS** | **367.99** | **367.99** | **-** |
| BSL | 326.92 | 326.92 | - |
| COMM. BANKS | - | - | - |
| NON-BANK PUBLIC | 41.07 | 41.07 | - |
| *o/w NASSIT* | *41.07* | *41.07* | - |
| **10 YR T BONDS** | **18.75** | **11.25** | **(7.50)** |
| BSL | 18.75 | 11.25 | **(7.50)** |
| COMM. BANKS | - | - | **-** |
| NON-BANK PUBLIC | - | - | **-** |
| *o/w NASSIT* | - | - | **-** |
| **TOTAL NON-MARKETABLE** | **732.67** | **1,447.80** | **715.13** |
| BSL | 573.05 | 763.73 | **190.68** |
| COMM. BANKS | 93.55 | 608.00 | 514.45 |
| NON-BANK PUBLIC | 66.07 | 76.07 | **10.00** |
| *o/w NASSIT* | *66.07* | *76.07* | **10.00** |
| **TOTAL GOV. SECURITIES** | **9,458.15** | **13,768.97** | **4,310.82** |
| BSL | 1,142.17 | 4,028.66 | 2,886.49 |
| COMM. BANKS | 7,042.32 | 8,280.63 | 1,238.31 |
| NON-BANK PUBLIC | 1,273.66 | 1,459.68 | 186.02 |
| o/w NASSIT | 182.06 | 254.51 | 72.45 |

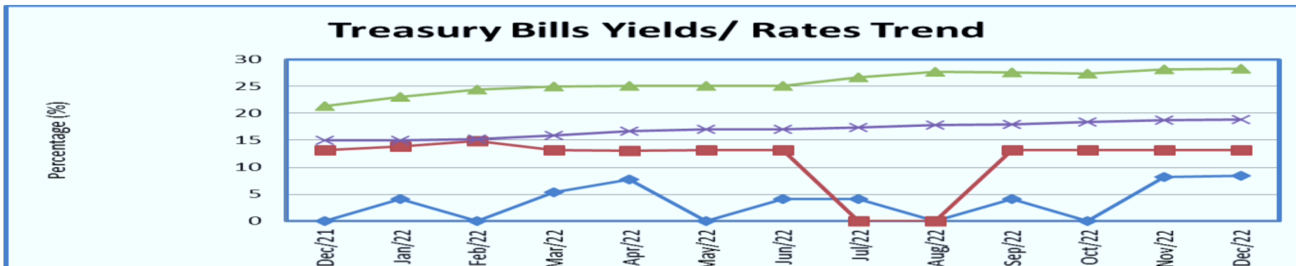
Source: Financial Markets Department, BSL

### 5.3.4. Trends in Yields of Government Securities in the Primary and Interbank Markets

During the review period, it was observed that the yields of all the tenures of treasury bills generally increased, albeit with minor fluctuations. Notably, there was no auction for 91-day treasury bills in December 2021. The average annual yield of the 91-day tenure in 2022, ranged from 4.11 percent in January 2022 to a peak of 8.44 percent in December 2022, marking the highest since 2020. Similarly, the yield of the 182 days T-bills increased by 0.08 percentage points, from 13.13 percent in December 2021 to 13.21 percent in December 2022. The most significant increase was in the yield of the 364-day treasury bills, rising by 6.85 percentage points from 21.38 percent in December 2021 to 28.23 percent in December 2022.

The interbank weighted average yield increased by 3.89 percentage points from 15.01 percent in December 2021 to 18.90 percent in December 2022. This increase aligned with the upward adjustment in the Monetary Policy Rate (MPR) during the period. The increase in the rates in both the primary and interbank markets reflected the observed liquidity tightness in the banking system, especially in the second half of 2022. Figure 27 shows the trends in yields on government securities in both the Primary and Interbank markets. In the Figure, zero implies the security was not traded.

**Figure 27: Trends in Yields of Government Securities in the Primary and the Interbank Market**




| | Dec-21 | Jan-22 | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 | Jul-22 | Aug-22 | Sep-22 | Oct-22 | Nov-22 | Dec-22 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 91 Days Yield | 0 | 4.11 | 0 | 5.40 | 7.78 | 0 | 4.11 | 4.11 | 0 | 4.11 | 0 | 8.21 | 8.44 |
| 182 Days Yield | 13.13 | 13.82 | 14.85 | 13.21 | 13.04 | 13.21 | 13.17 | 0 | 0 | 13.19 | 13.19 | 13.21 | 13.21 |
| 364 Days Yield | 21.38 | 23.07 | 24.43 | 24.95 | 25.04 | 25.04 | 25.08 | 26.68 | 27.69 | 27.59 | 27.35 | 28.18 | 28.23 |
| Interbank W.A.R | 15.01 | 15.03 | 15.18 | 15.96 | 16.73 | 17.01 | 17.04 | 17.43 | 17.85 | 17.90 | 18.44 | 18.77 | 18.90 |

Months

Source: Financial Markets Department, BSL

### 5.3.5. BSL Standing Facilities

Access to the BSL Standing Lending Facility (SLF) window significantly increased by NLe42,194.17mn (1,044.28%) from NLe4,040.50mn as at end December2021 to NLe46,234.67mn in 2022. This surge in access to the SLF window was primarily a response to the observed liquidity tightness in the banking system, particularly evident since the second quarter of the review period.

In the Standing Deposit Facility (SDF) window, the volume of transactions decreased by Le1,728.70bn (87.38%) from Le1,978.30bn in 2021 to Le249.60bn in 2022, underscoring the tight liquidity conditions faced by commercial banks in 2022.

### 5.3.6. Secondary Market Outcomes

The level of intermediation in the interbank money market deepened during the review period, with the volume of interbank transactions increasing by NLe2,087.51mn (23.48%) from NLe8,889.71mn in 2021 to NLe10,977.22mn in 2022.

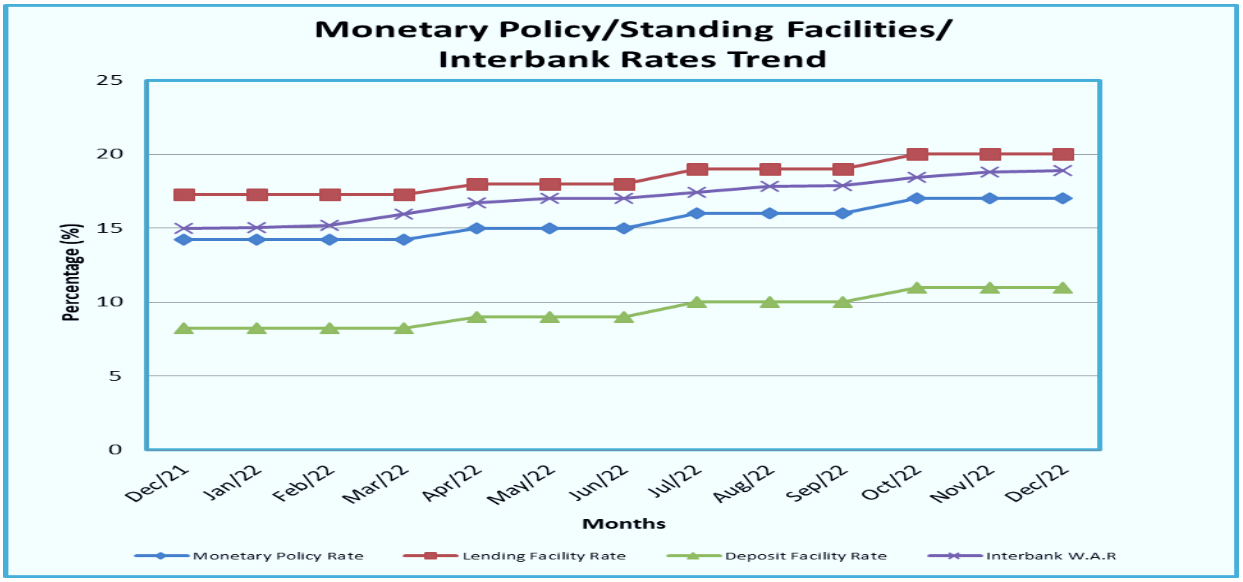
The Bank's intervention in the secondary market, primarily through outright purchases of Treasury Bills increased in 2022. The volume of outright purchases of Treasury bills in the secondary market increased considerably by NLe2,788.43mn (358.73%) from NLe777.30mn in 2021 to NLe3,565.73mn in 2022.

### 5.3.7. Policy Rates and the Status of the Corridor System

The Monetary Policy Rate (MPR), which signals the Bank's monetary policy stance was gradually increased at the Monetary Policy Committee meetings by 4.0 percentage points to 18.25 percent in December 2022, from 14.25 percent in December 2021. The Standing Lending Facility and Standing Deposit Facility rates were adjusted to 21.25 percent and 12.25 percent in December 2022, up from 17.25 percent and 8.25 percent in December 2021, respectively.

At end-December 2022, the interbank weighted average yield stood at 18.90 percent, which was 1.90 percentage points higher than the MPR, suggesting there was tight liquidity in the banking system. However, the interbank rate remained within the policy corridor. Figure 28 depicts the trends in BSL Policy Rates and Interbank Average Rate for the period December 2021 to December 2022.

**Figure 28: Trends in BSL Policy Rates and the Interbank Weighted Average Rate**




Source: Financial Markets Department, BSL

## 6. FINANCIAL STABILITY

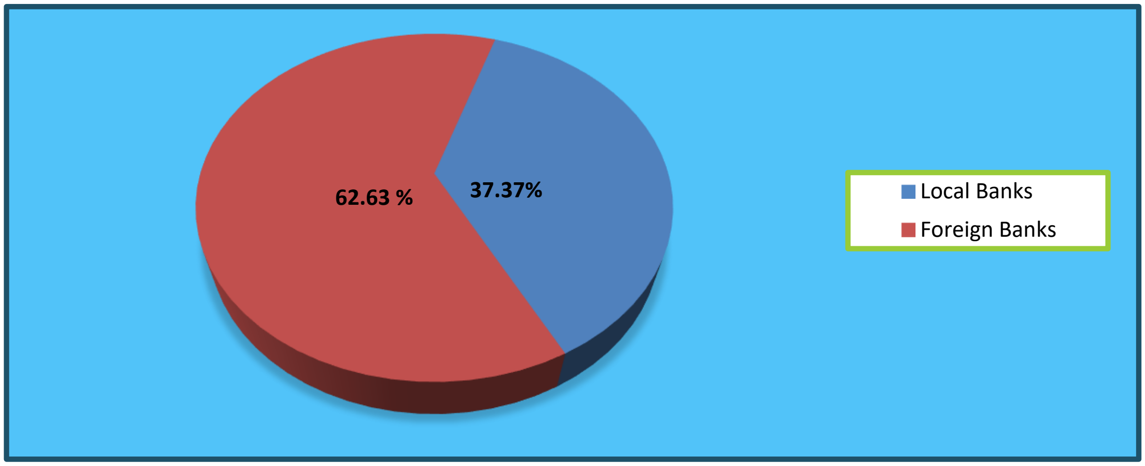
The Bank of Sierra Leone remains committed to providing robust regulatory and supervisory oversight of the banking system, primarily through a Risk-Based approach, with plans to gradually adopt the Basel 2 and Basel 3 frameworks over time. This strategic direction is aimed at ensuring the stability and resilience of the banking sector. To achieve this goal, the BSL has been diligently enhancing the regulatory and supervisory framework governing the banking system. Notably, the BSL has recently reviewed and published key banking sector guidelines, including the Revised Prudential Guidelines for Commercial Banks and Holding Companies, Guidelines on Financial Consumer Protection, Guidelines for Managing Cyber and IT Security Risks, and updated guidelines regarding the use of Agents.

The BSL has maintained a strong focus on the supervision of state-owned banks through an Enhanced Supervision framework. This approach is designed to bolster their capacity to withstand any potential shocks, underpinned by the maintenance of adequate and resilient capital levels. The state-owned banks are subject to regular examinations and continuous monitoring by resident supervisors, ensuring strict adherence to regulatory directives. This strategy fosters confidence in the state-owned banks, allowing them to fulfill their intermediation role prudently within a culture of risk management. Furthermore, these banks operate with fully constituted Boards, responsible for upholding principles of corporate governance and shaping overall policy formulation. The Board members were drawn from diverse disciplines related to the banking sector. The BSL is actively engaged in evaluating the performance and effectiveness of these Boards, with ongoing efforts to identify opportunities for enhancing Board efficiency and overall corporate governance. These efforts are aligned with the newly established Corporate Governance Guidelines for Financial Institutions.

### 6.1. Asset

The total assets in the banking sector amounted to NLe23.22 billion as at end December 2022. Among these assets, the four (4) local banks constituted 37.37 percent, while the ten (10) foreign owned commercial banks accounted for the remaining 62.63% of the industry’s total assets. Figure 29 shows the composition of banking sector assets in 2022 according to local and foreign ownership shares.

**Figure 29: Composition of Banking Sector Assets in 2022**




Source: Financial Stability Department, BSL

The asset base of the banking industry increased by NLe7.42billion (46.92%) from NLe15.81billion in December 2021 to NLe23.22billion in December 2022. This significant expansion was mainly attributed to notable increases in Customers' Deposits, Shareholders funds and takings and other financial instruments, which resulted in increases in Investments in Government Securities from NLe6.77billion in December 2021 to NLe8.13 billion in December 2022.Investments in government securities constituted 35.03% of the industry's asset base as at end December 2022. Other significant asset classes included claims on other Financial Institutions, Loans and Advances, Fixed Assets and Other Assets which constituted 37.59%, 11.76%, 6.43 and 5.21% of total assets, respectively. All banks within the sector recorded increases in their asset base.

### 6.2. Capital

The issued and paid-up capital of the banking system grew by NLe132.99 million (11.36 percent) over the year, from NLe1.17billion in December 2021 to NLe1.30 billion in December 2022. With the exception of one bank, all banks met the minimum paid-up capital of NLe85 million by the end of December 2022.

The industry's Capital Adequacy Ratio (CAR) was recorded at 35.17percent as at end-December 2022, compared to 39.86percent as at end-December 2021, and remained above the statutory minimum requirement of 15 percent. The CAR reflects the banks' ability to maintain a healthy capital buffer to cover potential risks. All banks, except two, met the minimum CAR threshold of 15 percent.

### 6.3. Shareholders' Funds

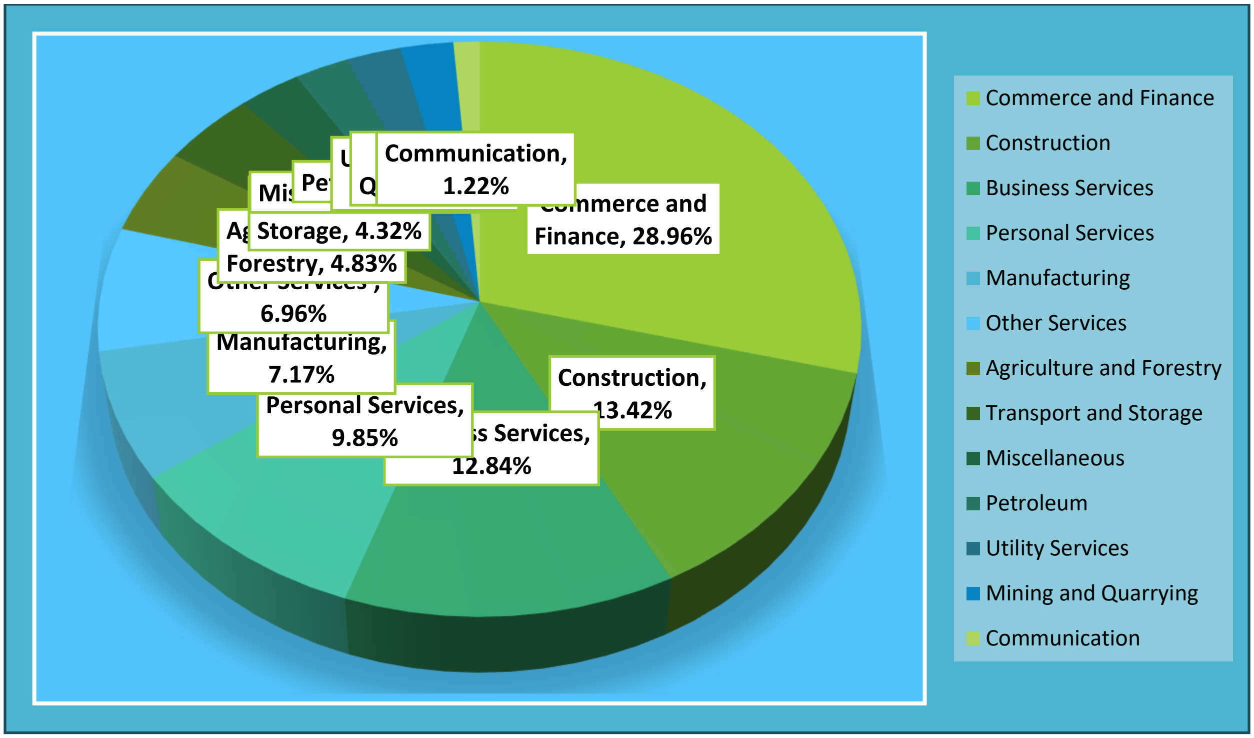
Shareholders' funds increased by NLe1.03billion (39.85 percent) from NLe2.58billion as at 31st December 2021 to NLe3.61 billion as at end December 2022. The growth in shareholders' funds was attributed to the increase in minimum paid-up capital by most banks, as they met the Le85bn requirement by the end of December 2022, as well as an expansion in overall profits. This accounted for 15.55 percent of the industry's total liabilities in 2022. The shareholders' funds to deposits ratio stood at 21.32 percent and 22.28 percent at end-December 2021 and end-December 2022, respectively.

### 6.4. Credit Portfolio and Sectoral Distribution of Loans and Advances

The Gross Loans and Advances portfolio increased by NLe347.34million (12.45percent) from NLe2.79billion in December 2021 to NLe3.14billion in December 2022.

As at 31st December 2021, Commerce & Finance had the largest share of the credit portfolio, amounting to NLe908.23million (28.96%), followed by construction at NLe420.89million (13.42%); Business Services, with NLe402.61million (12.84%); Personal Services with NLe309.07million (9.85%); Manufacturing with NLe224.88billion (7.17%) and Other Services NLe218.21million (6.96%). The remaining sectors collectively accounted for less than five percent of the loan portfolio. Figure 30 shows the sectoral distribution of loans and advances.

**Figure 30: Sectoral Distribution of Loans and Advances of the Banking System as at December 2022**




Source: Financial Stability Department, BSL

### 6.5. Non-Performing Loans (NPLs)

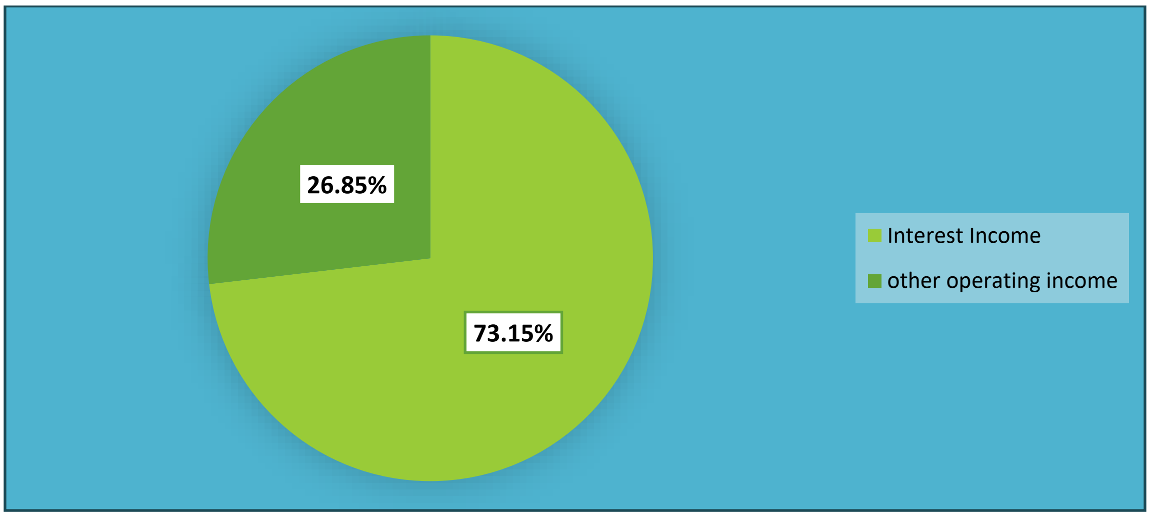
The non-performing loan ratio (NPL) stood at 11.59 percent as at end-December 2022, compared to 14.81 percent as at end-December 2021. Despite this improvement, the NPL ratio remained above the prudential limit of 10%. The reduction in the NPL ratio was attributed to banks' compliance with the loan write-off directives issued by the Bank, along with successful recoveries made during the period. Additionally, banks implemented stringent credit administration and monitoring practices to minimize the impact on their loan portfolios.

### 6.6. Profitability

The pre-tax profits for the industry increased by NLe514.44million (68.36%) from NLe752.56 million as at end December 2021 to NLe1.27billion in December,2022. Interest income emerged as the primary source of growth of revenue which increased by NLe865.03million (43.05 percent) from NLe2.01billion to NLe2.87 billion. This substantial expansion in interest income underscores its pivotal role in bolstering the industry's financial health. Other operating income also increased by NLe149.81million (24.09percent) from NLe621.89million in 2021 to NLe771.69million in 2022.

*In*terest income, which recorded NLe2.10billion accounted for 73.15percent of the industry's total income of NLe2.87billion. This consisted of interest income from investments in government securities (76.21percent) and interest from loans and advances (23.79 percent). Other operating income contributed 26.85 percent to total income. Figure 31 shows the banking sector income by source.

**Figure 31: Total Income of the Banking Sector by Source**

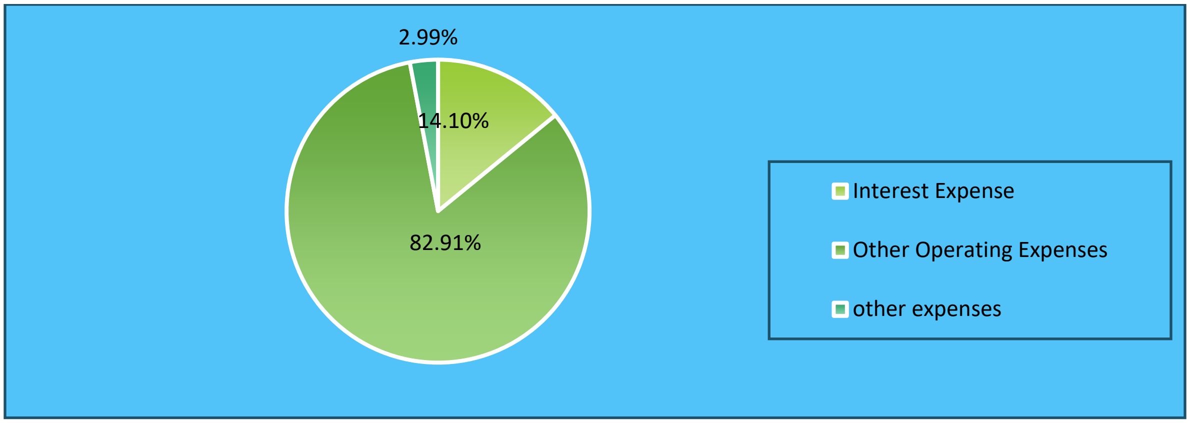



Source: Financial Stability Department, BSL

On the expenditure side, other operating expenses accounted for 82.91% of the industry's total expenses in 2022, within which Administrative and other costs represented 52.55percent, followed by staff costs (37.12 percent), depreciation (7.58percent) and other provision (2.75percent), while interest expenses and other expenses accounted for 14.10percent and 2.99percent of total expenses, respectively.

Figure 32 Shows the composition of total operating expenses of the banking sector, while Table 14 shows the consolidated profit and loss account of the banking industry for the period ended 31st December 2022 while Tables 15 to 17 shows various banking sector tables representing various aspects of financial stability growth of the banking system.

**Figure 32: Total Operating Expenses of the Banking Sector**




Source: Financial Stability Department, BSL

**Table 14 Consolidated Profit and Loss Account for the Banking Industry (Unaudited) for the Period ended 31st December 2022 ( in thousands of New Leones)**

| | 2021 | 2022 |
|---|---|---|
| **Interest Income** | 1,387,402 | 2,102,628 |
| | | |
| **Interest Expenses** | -159,741 | -226,579 |
| | | |
| **Net Interest Income** | 1,227,662 | 1,876,049 |
| | | |
| **Loan Loss Provision** | -43,939 | -48,113 |
| | | |
| **Net Intermediation Income** | 1,183,723 | 1,827,936 |
| | | |
| **Other Operating Income** | 621,888 | 771,693 |
| | | |
| **Total Operating Income** | 1,805,611 | 2,599,629 |
| | | |
| **Other Operating Expenses** | -1,053,051 | -1,332,630 |
| | | |
| **Net Operating Income** | 752,560 | 1,266,999 |
| | | |
| **Other Income** | 0 | 0 |
| | | |
| **Profit before Tax** | 752,560 | 1,266,999 |
| **Taxation** | -196,306 | -327,037 |
| **Profit after Tax** | 556,254 | 939,962 |

Source: Financial Stability Department, BSL

**Table 15: Consolidated Balance Sheet of the Banking System as at December 2022 ( in Millions of Leones)**

| Balance Sheet | Dec'21 | Dec'22 |
|---|---|---|
| **Cash:** | 686,382 | 1,317,289 |
| **Claims On Financial Institution** | 4,190,012 | 8,728,603 |
| **Investment:** | 6,885,657 | 8,255,996 |
| **Net Advances:** | 2,405,291 | 2,731,375 |
| **Other Assets** | 1,118,684 | 1,210,280 |
| **Fixed Assets** | 500,216 | 959,312 |
| **Intangible Assets** | 19,335 | 19114.8 |
| **Total Assets** | **15,805,577** | **23,221,970** |
| | | |
| **LIABILITIES** | | |
| **Issued & paid –up** | 1,170,492 | 1,303,470 |
| **Statutory Reserve** | 548,870 | 680,246 |
| **Revaluation Reserve** | 41,300 | 284,123 |
| **General Reserve** | 66 | 66 |
| **Other Reserves** | 140,692 | 192,812 |
| **Purchase of Shares** | 41,085 | 16,608 |
| **Special Capital Fund** | 0 | 1.00 |
| **Retained earnings** | 83,532 | 193,936 |
| **Current** | 556,254 | 939,962 |
| **Short Term Borrowings** | 248,346 | 160,369 |
| **Long Term Borrowings** | 8,250 | 3,500 |
| **Takings and other financial Instruments** | 92,102 | 596,638 |
| **Balances due to Financial Institutions** | 13,666 | 5,446 |
| **Local Deposits** | 7,449,143 | 8,317,212 |
| **Foreign Deosit** | 4,143,402 | 8,618,138 |
| **Special Deposit** | 348,288 | 182,214 |
| **Margins Against Contingent Liabs.-** | 96,023 | 264,785 |
| **Other Liabilities:** | 824,065 | 1,462,446 |
| **Total Liabilities** | **15,805,577** | **23,221,970** |

Source: Financial Stability Department, BSL

## Table 16: Key Financial Soundness Indicators as at December 2022

| INDICATORS | Dec'21 | Dec'22 |
|---|---|---|
| **CAPITAL ADEQUACY** | | |
| **Regulatory capital to risk-weighted assets (%)** | 39.86 | 35.17 |
| **Primary capital to risk-weighted assets (%)** | 35.71 | 28.55 |
| **Capital (net-worth) to assets (%)** | 16.34 | 15.55 |
| | | |
| **ASSET QUALITY & COMPOSITION** | | |
| **Non- Performing Loans as a % of Total Advances** | 14.81 | 11.59 |
| **Loan Loss Provisions as a % of Non-Performing** | 74.53 | 71.88 |
| | | |
| **PROFITABILITY AND EFFICIENCY** | | |
| **Return on Assets** | 5.46 | 5.46 |
| **Return on Equity Funds** | 26.74 | 26.03 |
| **Net Interest Spread** | 12.31 | 15.63 |
| **Expense to income ratio** | 62.55 | 55.92 |
| **LIQUIDITY** | | |
| **Cash Ratio** | 15.25 | 19.36 |
| **Overall Liquidity Ratio** | 106.14 | 117.16 |
| **SENSITIVITY TO MARKET RISKS** | | |
| **Percentage of aggregate Net Open position to capital Base** | -11.01 | -0.19 |
| **Percentage of single currency (USD) open position to capital base** | -9.74 | -3.01 |
| **Percentage of single currency (GBP)open position to capital base** | -0.38 | 0.36 |
| **Percentage of single currency (EURO)open position to capital base** | -0.95 | 2.43 |

Source: Financial Stability Department, BSL

## Table 17: Account Holdings in the Banking System as at 31st December 2022

| No.of Deposits Accounts | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | Banking System |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Current: Domestic | 827 | 57,697 | 126,564 | 10,123 | 37,782 | 16,919 | 3,312 | 18,726 | 9,546 | 35,547 | 5,874 | 14,596 | 4,423 | 5,952 | 347,888 |
| Foreign | 825 | 16,951 | 14,646 | 1,967 | 15,950 | 1,530 | 682 | 4,450 | 2,714 | 14,163 | 2,986 | - | 1,681 | 1,128 | 79,673 |
| Savings:Domestic | 9,659 | 408,077 | 261,407 | 92,958 | 240,480 | 66,360 | 10,113 | 40,283 | 27,525 | 407,507 | 16,802 | 39,988 | 27,059 | 4,145 | 1,652,363 |
| Foreign | - | - | - | - | 844 | 1,350 | 6 | 1,394 | - | - | 563 | 8,645 | - | - | 12,802 |
| Time :Domestic | 90 | 24 | 37 | 65 | 798 | 11 | 30 | 1,038 | 25 | 16 | 26 | 274 | 16 | 24 | 2,474 |
| Foreign | - | - | - | - | - | | 292 | 20 | - | 10 | - | - | - | - | 322 |
| **Total** | **11,401** | **482,749** | **402,654** | **105,113** | **295,854** | **86,170** | **14,435** | **65,911** | **39,810** | **457,243** | **26,251** | **63,503** | **33,179** | **11,249** | **2,095,522** |

Source: Financial Stability Department, BSL

## 7. FINANCIAL SECTOR DEVELOPMENTS

### 7.1. Supervisory Reviews and Recent Developments

Sierra Leone's financial landscape in 2022 remained predominantly shaped by the banking industry, affirming its pivotal role in the nation's economy. The banking sector comprised a total of fourteen (14) institutions, comprising ten (10) foreign banks and four (4) domestic banks. Among the domestic banks, two were state-owned, while the remaining two were privately owned.

The banking sector consistently demonstrated resilience, sustained profitability, and well-capitalized institutions. The BSL achieved notable progress in enhancing regulatory standards. This included the implementation of Revised Prudential Guidelines for Commercial Banks and Holding Companies. Additionally, guidelines addressing consumer protection, Cyber and IT Security Risks, and the utilization of Agents within the financial landscape were introduced. The BSL embarked on initiatives aimed at aligning its regulatory and supervisory frameworks with BASEL II and III standards. These proactive measures are expected to fortify the banking sector's resilience, enabling it to withstand economic shocks and crises and thus maintaining stability.

In tandem with these evolving regulatory changes, the BSL intensified its commitment to improving corporate governance practices within banks. By emphasizing ethical conduct and responsible practices, these efforts sought to enhance transparency, accountability, and risk management capabilities across the sector. This dedication to addressing corporate governance issues underscores the BSL's unwavering commitment to upholding the highest standards of integrity and trust within the banking sector.

### 7.2. Credit Reference Bureau

Alongside ongoing efforts to automate the database of the Credit Reference Bureau (CRB) to ensure real-time production of credit reports for financial institutions, Sierra Leone was set to benefit from a project initiated by the West African Monetary Institute and funded by the African Development Bank to develop the unique bank identification (UBI) and digital interoperability project for four West African states. This transformative endeavor aims to establish a Unique Bank Identification (UBI) system and promote digital interoperability across the West African Monetary

Zone (WAMZ). Three other West African nations, namely The Gambia, Guinea, and Liberia, were to benefit from the project.

The UBI and digital interoperability project represent a significant stride towards modernizing and harmonizing banking and financial systems within the WAMZ region. Sierra Leone, in particular, stands to gain immensely from this initiative. With the UBI system in place, banks and other financial institutions would have access to a standardized and unique identification mechanism. This would streamline the identification process for both financial institutions and their clients, with the ultimate effect of improving efficiency and enhancing overall customer satisfaction with the relevant financial service. It would facilitate secure and seamless digital transactions, making banking services more accessible to the population and contributing to financial inclusion efforts.

Furthermore, the digital interoperability aspect of the project would foster collaboration and connectivity between various financial service providers in Sierra Leone and across WAMZ. This connectivity would not only facilitate cross-border transactions but would also enable interoperability between different banking platforms and payment systems.

### 7.3. Sierra Leone Collateral Registry

The BSL, in collaboration with a legal consultant contracted by the Sierra Leone Economic Diversification Project (SLEDP), developed the Borrowers and Lenders (Collateral Registry) Regulations. These regulations are designed to provide a clear explanation of the key provisions outlined in the Borrowers and Lenders Act of 2019.

At the end of 2022, the draft regulations, along with the associated Cabinet Paper, had been submitted to the Ministry of Finance, which is responsible for presenting these documents to the Law Officer Department (LOD) for final drafting. Furthermore, the BSL launched a one-year nationwide public awareness campaign to educate and inform key stakeholders about the upgraded Collateral Registry System and key provisions within the aforementioned Act. This initiative was part of ongoing financial sector reforms implemented by the BSL, in collaboration with development partners.

### 7.4. Consumer Protection

Following the publication of the Financial Consumer Protection Guidelines in the Sierra Leone Gazette, the BSL with support from the African Development Bank, embarked on a six-month nationwide awareness campaign aimed at explaining the key provisions in the guidelines to the various stakeholders. Activities under this campaign included town hall meetings, radio and television discussions in both Freetown and the provinces, as well as the printing and distribution of leaflet and flyers.

### 7.5. Anti-Money Laundering and Combating of the Financing of Terrorism (AML/CFT)

The BSL has consistently demonstrated its commitment to bolstering AML/CFT measures within the banking sector, ensuring compliance with relevant legislation, and intensifying the risk management framework to safeguard the integrity of the financial system. In 2022, the Bank through the Banking Supervision Department made significant progress in the development of an Operations Manual for examiners. This was aimed at facilitating the AML/CFT Risk Analysis of commercial banks. This manual is expected to be finalised by the end of the second quarter of 2023. In tandem with this, the BSL issued comprehensive AML/CFT Risk Management Guidelines and also commenced monitoring of commercial banks' compliance with the provisions of the guidelines.

As part of its broader risk-based supervision (RBS) framework, the BSL considered AML/CFT as an inherent risk, drawing inspiration from the West African Monetary Zone (WAMZ) Harmonized RBS framework and aimed to enhance the ability of commercial banks to conduct thorough money laundering and terrorism financing (ML/TF) risk assessments. This initiative aligns with the AML/CFT Acts of 2012 and 2019, along with associated regulations.

Additionally, the BSL continued its collaborative efforts with the Financial Intelligence Unit (FIU) by conducting joint examinations of commercial banks. These examinations served as critical components of the broader AML/CFT risk management strategy, contributing significantly to maintaining the overall integrity and security of the financial sector.

## 7.6. Cyber Security and Information Technology

The BSL successfully implemented its Cyber Security and IT Risk Management Guidelines across all commercial banks. The Banking Supervision Department actively engaged in evaluating and reviewing the cyber security frameworks currently employed by commercial banks to ensure their adequacy and effectiveness.

These guidelines were specifically developed to harness the advantages of technological advancements while safeguarding financial stability, consumer protection, and cyber resilience. They aimed to establish mechanisms capable of identifying, measuring, monitoring, and controlling risks associated with commercial banks' information systems, ensuring data integrity, availability, confidentiality, and consistency, among other critical aspects.

## 7.7. Development in the IFRS Implementation

The International Financial Reporting Standards (IFRS) 9 was adopted in 2019, and since then, banks have consistently reported their financial statements in accordance with this standard. Furthermore, the transition from International Accounting Standards (IAS) 17 to IFRS 16 was underway.

## 7.8. Financial Inclusion

In an unwavering commitment to enhancing financial inclusion and building upon the achievements of the previous National Strategy for Financial Inclusion (2017-2020), the BSL successfully developed and launched the country’s second National Strategy for Financial Inclusion (NSFI) 2022-2026, marking a dynamic shift towards fostering financial inclusivity in Sierra Leone. This comprehensive 5-year roadmap, unveiled in April 2022, is tailored to address the diverse needs of key demographics, including women, youth, rural communities, and Micro, Small, and Medium Enterprises (MSMEs). Emphasizing innovation in digital finance, client-centric product and service offerings, and bolstered financial education and literacy initiatives. By the end of 2022, the NSFI (2022-2026) had been set to usher in a new era of financial inclusion.

### 7.8.1. Key Achievements under Financial Inclusion

(i) **Strategy Development and Implementation**

The National Strategy for Financial Inclusion (NSFI) had not only been developed but was actively implemented, demonstrating the BSL's unwavering dedication to promoting financial inclusivity.

(ii) **Information Dissemination**:

In a bid to disseminate valuable insights and updates on financial inclusion, the BSL launched its inaugural semi-annual Financial Inclusion Newsletter in August 2022, providing stakeholders with timely information and progress reports.

(iii) **Enhanced Data Accessibility**

The introduction of a financial inclusion data template and a dedicated financial inclusion dashboard was set to revolutionize the availability of disaggregated financial inclusion data. These tools empower policymakers and stakeholders to make informed decisions and craft tailored policies that drive financial inclusion.

(iv) **Geospatial Mapping Initiative**

In December 2022, the World Bank engaged the services of a geospatial consultant with the mandate of modernizing the existing database of financial access points across all regulated financial institutions. The consultant's responsibilities encompassed the creation of an interactive dashboard, offering a visual representation of access points at both district and chiefdom levels. Additionally, the consultant was tasked with the design, development, and operationalization of a mobile application that would facilitate the continuous update of financial access points on the Bank's website. While the comprehensive survey was successfully conducted and before the end of 2022, the outcomes were under discussion and evaluation.

(v) **National Payment Switch**

As part of the Sierra Leone Financial Inclusion Project, funded by the World Bank, the BSL successfully launched the National Payment Switch. This pivotal platform, already operational, marks the beginning of phase two. Phase two would focus on promoting access to finance for individuals and MSMEs by increasing usage of transaction accounts and access to credit for MSMEs, thus broadening financial access and services.

(vi) **Digitalization of Government Payments (DIGIGOV) Project**:

The Digitalization of Government Payments (DIGIGOV) Project, funded by the African Development Bank (AfDB), aims to promote financial inclusion, particularly among vulnerable population segments, by promoting Government-to-Person (G2P) and Person-to-Government (P2G) payments. Additionally, the project places a strong emphasis on providing meaningful financial education. Implementation of this impactful project was actively ongoing with the National Commission for Social Action’s (NaCSA's) active engagement as a major stakeholder.

### 7.8.2. Financial Technology (Fin Tech) Developments

To foster the development of FinTech, the BSL has initiated several impactful initiatives:
(a) Launched two Sierra Leone FinTech Challenges aimed at providing startup capital to FinTech firms for piloting tech-based solutions that address exclusionary challenges.
(b) Established a Sandbox Program designed to pilot tech-based solutions addressing the challenges of exclusion, involving both emerging financial technology firms and established entities such as commercial banks.
(c) Embarked on a G2P and P2P Project, focusing on creating digital payment solutions tailored to vulnerable population segments.

The BSL is actively implementing the Sandbox Program and the G2P and P2P Project. For the latter, the Bank has collaborated with the World Bank to engage a firm to develop payment solutions and enhance the capacity of ecosystem stakeholders, with the recruitment process at an advanced stage.

In addition to these initiatives, the BSL has worked closely with the Sierra Leone Fintech Association to restructure the Association and elevate Fintech development in the country.

Notably, two participants from the first Sandbox cohort have received licenses to launch their products into the market.

From 2021 to end of 2022, the BSL received twenty-four (24) new applications for participation in the BSL Regulatory Sandbox Program on a rolling basis. Seventeen (17) of these applicants have been granted licenses for a twelve (12)-month period, during which their respective products were undergoing testing. Furthermore, four (4) applicants were in the process of finalizing their Test Plans in collaboration with the Sandbox team, while three (3) applicants were undergoing assessment for admission into the Sandbox Program.

### 7.9. Regulatory Frameworks and Measures

To foster financial inclusion and cultivate a robust financial sector, the BSL has introduced several pivotal regulatory initiatives strategically designed to create a conducive environment for financial services while safeguarding the interests and well-being of consumers.

**Guidelines on Money Remittance Business:** These guidelines were developed and published to facilitate the seamless transmission of money or any monetary representation without the necessity of creating a payment account in the name of either the payer or the payee. By removing this traditional constraint, the BSL aims to bolster the accessibility and ease of financial transactions for all.

**Guidelines for e-Money Issuers:** In support of Sierra Leone's National Financial Inclusion Strategy, the BSL established guidelines aimed at fostering a secure and reliable ecosystem for electronic money (e-money). These guidelines are instrumental in realizing the overarching objectives of financial inclusion and enhancing the safety of e-money systems.

**Revised Guidelines on the Use of Agents:** These updated guidelines have been issued in alignment with Sierra Leone's National Financial Inclusion Strategy. Their purpose is to make financial services readily available, accessible, and affordable for all Sierra Leoneans. This initiative further supports the development of an inclusive and resilient private sector, contributing to sustainable economic growth.

**Guidelines on Financial Consumer Protection**: The BSL has published the Guidelines on Financial Customer Protection in the Gazette to enhance customer confidence in the financial services industry and promote financial stability. These guidelines have been developed to protect customers from unethical and predatory practices that could erode trust in the use of financial products and services. Therefore, cultivating trust is essential for a resilient financial ecosystem.

### 7.10. Financial Literacy, Education and Consumer Protection

In 2022, the BSL forged a valuable partnership with the Catholic Agency for Overseas Development (CAFOD) to facilitate financial literacy training sessions for women's savings groups situated in the provinces. These training sessions primarily centered on critical topics such as redenomination, tiered know-your-customer guidelines, and consumer protection.

As part of its commitment to safeguarding consumer interests, the BSL developed the Consumer Protection Guidelines to enhance consumer confidence in the financial services sector and promote financial stability and growth.

A significant milestone achieved in pursuit of robust consumer protection and responsible financial conduct is the development of the Market Conduct and Supervision Manual. This manual plays a pivotal role in promoting fair competition, preserving financial stability, and ensuring consumer protection. Beyond the consumer protection guidelines, the manual is extended to encompass environmental, social, and governance (ESG) compliance, broader operational aspects, and best practices within financial institutions. This holistic approach underscores the BSL’s commitment to nurturing a well-rounded and ethically sound financial ecosystem.

## 8. OTHER FINANCIAL INSTITUTIONS DEVELOPMENTS

The Other Financial Institutions (OFI) sector in Sierra Leone encompasses a diverse range of entities, including Apex Bank (ABSL), Community Banks (CBs), Financial Services Associations (FSAs), Microfinance Institutions (MFIs), Discount Houses (DHs), Leasing Companies, Savings and Loans Institutions, Foreign Exchange Bureaux (FXBs), Mobile Money Operators (MMOs), Mortgage and Savings Institutions (MSBs), Cooperative Societies, Credit Unions (CUs), etc. The Other Financial Institutions licensed by the BSL include the Apex Bank (ABSL), Community Banks (CBs), Deposit-taking Microfinance Institutions (DTMFIs), Credit-only Microfinance Institutions (COMFIs), Discount Houses (DHs), Mobile Money Operators (MMOs) and Foreign Exchange Bureaux (FXBs). This diverse sector plays a crucial role in Sierra Leone's financial landscape, catering to various financial needs and services.

This section of the report covers financial institutions licensed by the BSL or operating under the Other Financial Services (OFS) Act, 2001 that submitted returns for 2022. These institutions included five (5) Deposit-taking MFIs (DTMFIs), thirty-six (36) Credit-Only MFIs (COMFIs), Seventeen (17) Community Banks (CBs), two (2) Discount Houses (DHs), forty-three (43) Foreign Exchange Bureaux, fifty-nine (59) Financial Services Associations (FSAs), twenty-seven (27) Credit Unions (CUs) and two (2) Mobile Money Operators (MMOs).

The overall performance of the sector was generally deemed satisfactory. Notably, there was an expansion in the resource base of CBs, DTMFIs, COMFIs and DHs. Additionally, the operational performance of FSAs and CUs demonstrated improvements. However, it is essential to highlight certain areas of concern. The Portfolio at Risk (PaR) of the CBs and many MFIs exceeded the tolerable limit of 4.8% prescribed by the Microfinance, Information and Exchange (MiX) Standard. Furthermore, a significant number of CBs did not met the minimum paid-up capital requirement, indicating a need for corrective measures in this regard.

### 8.1. Community Banks

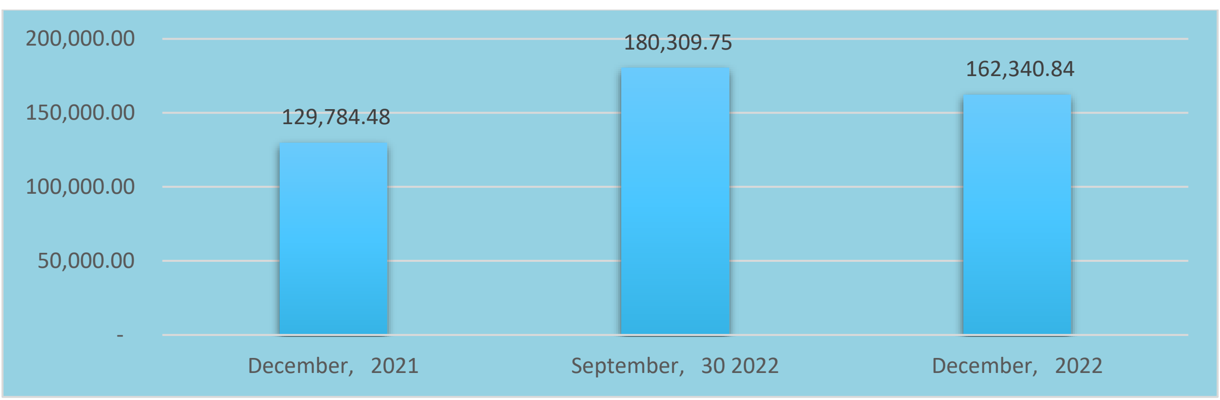
There were seventeen (17) CBs in the financial system, with a cumulative resource base of NLe162.34 million. Four (4) of these CBs accounted for a substantial 48.22 percent of the resource base, signifying a degree of concentration within this segment of the financial industry.

#### 8.1.1. Financial Condition

Within the one -year period ending 31st December 2022, there was an overall expansion in the CBs sector, with the resource base increasing by NLe32.56 million (25.08 percent) from NLe129.78million to NLe162.34million as of 31st December 2022. This expansion was driven mainly by a significant increase in deposits, which by 30.88% to NLe75.99 million. However, lending activity actually contracted as gross loan portfolio declined to NLe89.90 million as of 31st December 2022, down from NLe94.92 as at 31st December 2021.

The community banking system recorded a profit of NLe13.04 million, an improvement from NLe10.13 million in December 2021. Despite this growth, the PaR continued to be a challenge within the community banking financial system. As of 31st December, 2022, PaR stood at 16.08 percent above the MiX Standard of 4.8 percent, compared to a PaR of 25.65 percent as of 31st December 2021. However, all but two CBs failed to meet the MiX Standard. The movement in the resource base is displayed in Figure 33.

**Figure 33: Movement in Resource Base of Community Banks CBs ( in Billions of NLe)**




Source: Other Financial Institutions Supervision Department, BSL

During 2022, the long-term borrowings more than doubled to NLe5.59 million. The total equity of CBs showed a marked increase of 22.80percent, amounting to NLe63.90 million, which is unconnected to the 28.63 percent increase in current year’s profit and a 23.68 percent increase in the paid-up capital.

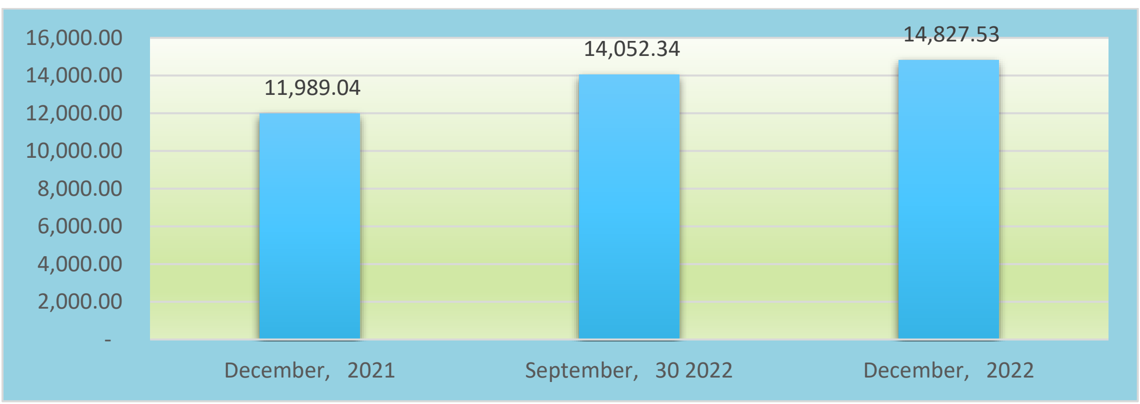
On the assets side, the increase was mainly reflected in the surge of cash and bank balances, which grew by 66.28 percent, totaling NLe60.17 million as at December 2022. However, the loan disbursements declined by 5.29 percent, with the loan portfolio standing at NLe89.90 million in 2022.

### 8.1.2. Capital

**Minimum Paid-Up Capital**

Six (6) out of seventeen (17) CBs met the minimum paid-up capital of NLe1.00 million. Notably, there was an improvement in share capital mobilization during 2022, as paid-up capital increased by 23.68 percent, rising from NLe11.99 million in December 2021 to NLe14.83 million in December 2022. Figure 34 shows the trend in Paid-up Capital the Community Bank Industry.

**Figure 34: Paid-up Capital of Community Banks (billions of Leones)**




Source: Other Financial Institutions Supervision Department, BSL

**Capital Adequacy Ratio (CAR)**

The Capital Adequacy Ratio (CAR) for the review period indicates that all CBs except one, complied with the minimum CAR requirement of 8 percent. The non-compliant one registered a deficiency of 4.15 percent. The consolidated CAR for the sector stood at 55.21 percent. This underscores the overall strong capital adequacy position of CBs in 2022. Figure 35 shows the trend in the Capital Adequacy Ration of the Community Bank Industry.

**Figure 35: Capital Adequacy Ratio (CAR) of Community Banks (%)**


Source: Other Financial Institutions Supervision Department, BSL

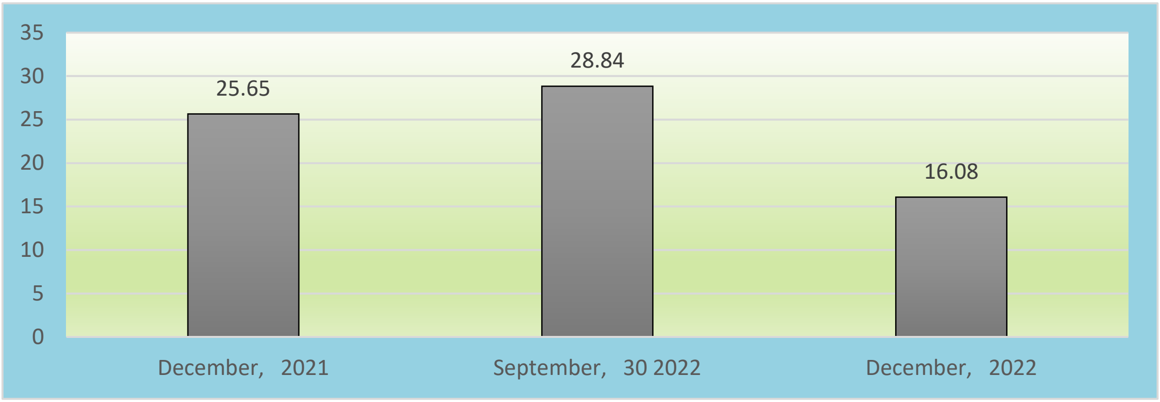
**8.1.3. Asset Quality**

In 2022, gross loans declined by 5.29 percent, amounting to NLe89.90 million as at end December 2022, compared to NLe94.92million at end December 2021. The PaR improved, decreasing from 25.65 percent in December 2021 to 16.08 percent in December 2022, primarily due to enhanced loan collection activities. The gross loan to total deposits, which serves as an indicator of the level of intermediation, stood at118.30 percent as at end December 2022, reflecting a decrease from 163.48 percent as at end December 2021.

The Community Bank Industry recorded a PaR of 16.08% as at December 2022 which improved significantly over the year by 9.57% as a result of improved loan collection activities. However, it was well above the MiX Standard of 4.8%, implying that the loan portfolios of these CBs are still at a higher risk and must be closely monitored. Fifteen CBs did not meet the MiX Standard of 4.8%.

Despite improvement in the quality of the loan portfolio, the ratio remains significantly above the MiX Standard of 4.8 percent. This suggests that the loan portfolios of these CBs carried higher level of risk, requiring close monitoring. It is worth noting that fifteen (15) out of seventeen (17) CBs failed to meet the MiX Standard of 4.8 percent, signifying the need for enhanced risk management and loan portfolio quality. Figure 36 shows the Portfolio at Risk (PaR) of Community Banks.

**Figure 36: Portfolio at Risk (PaR) of Community Banks (%)**



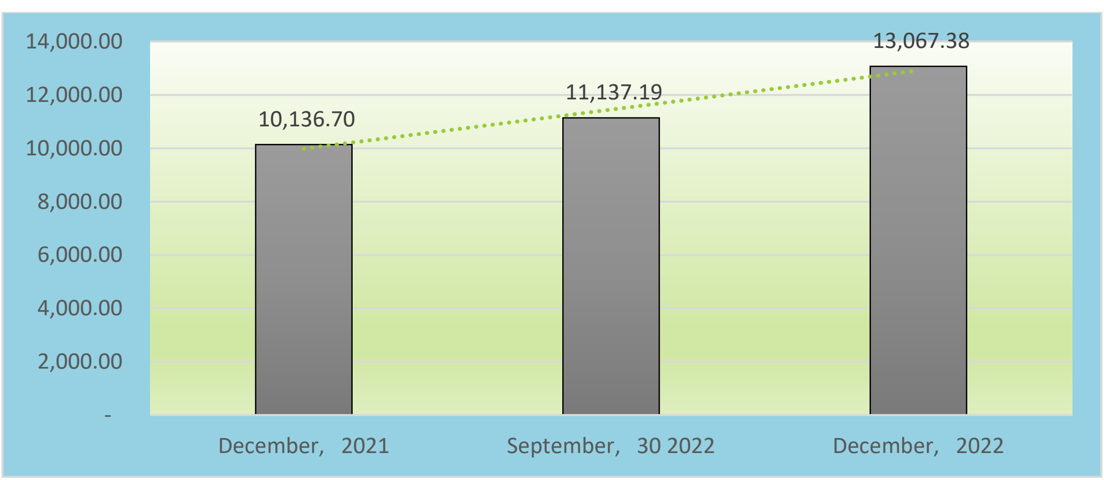

Source: Other Financial Institutions Supervision Department, BSL

### 8.1.4. Earnings

**Profitability and Sustainability**

The CB sector effectively boosted its profitability in 2022. All seventeen (17) Community Banks reported profits during the year. The consolidated pre-tax profit increased by 29 percent to NLe13.07 million. This growth was mainly driven by net financial income, which increased by 27.80 percent. While there was a slight reduction in interest expenses, it was more than offset by a 20.20 percent rise in operating expenses. Figure 37 shows pre-tax profit recorded during the review period.

**Figure 37: Pre-Tax Profit of the Community Banks (billions of Leones)**




Source: Other Financial Institutions Supervision Department, BSL

### Operational Self Sufficiency (OSS)

The consolidated Operational Self Sufficiency (OSS) improved to 133.01 percent, surpassing the MiX Standard of 112 percent, compared to 72.08 percent as of December 2021. However, five (5) out of seventeen (17) CBs did not meet the MiX Standard because they continued to generate less revenue relative to their expenses, largely due to their high NPLs.

### Return on Assets (ROA) and Return on Equity (ROE)

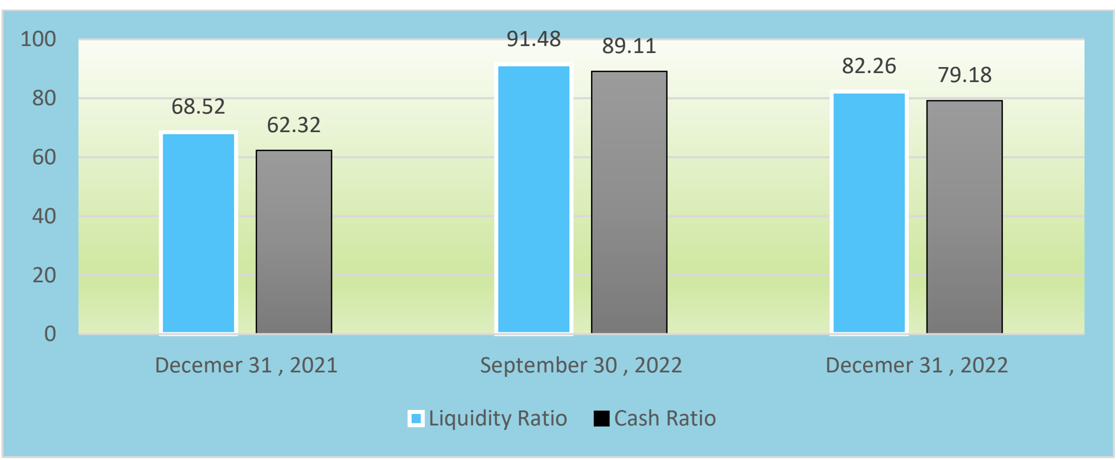
The ROA was 8.05 percent in 2022, representing a marginal increase of 0.24percent over the year. All CBs successfully met the MiX Standard of 2.1 percent.

The ROE increased slightly by 0.68 percent to 14.32 percent in 2022. However, nine (9) out of seventeen (17) CBs did not meet the MiX Standard of 13.6 percent for ROE.

### 8.1.5. Liquidity

Actual liquidity and cash ratios of CBs in 2022 were 82.26 percent and 79.18percent, respectively. All CBs recorded significant surpluses in both liquidity and cash ratios. Figure 38 shows the liquidity and cash ratios of CBs.

**Figure 38: Liquidity Ratio and Cash Ratio of the Community Bank**




Source: Other Financial Institutions Supervision Department, BSL

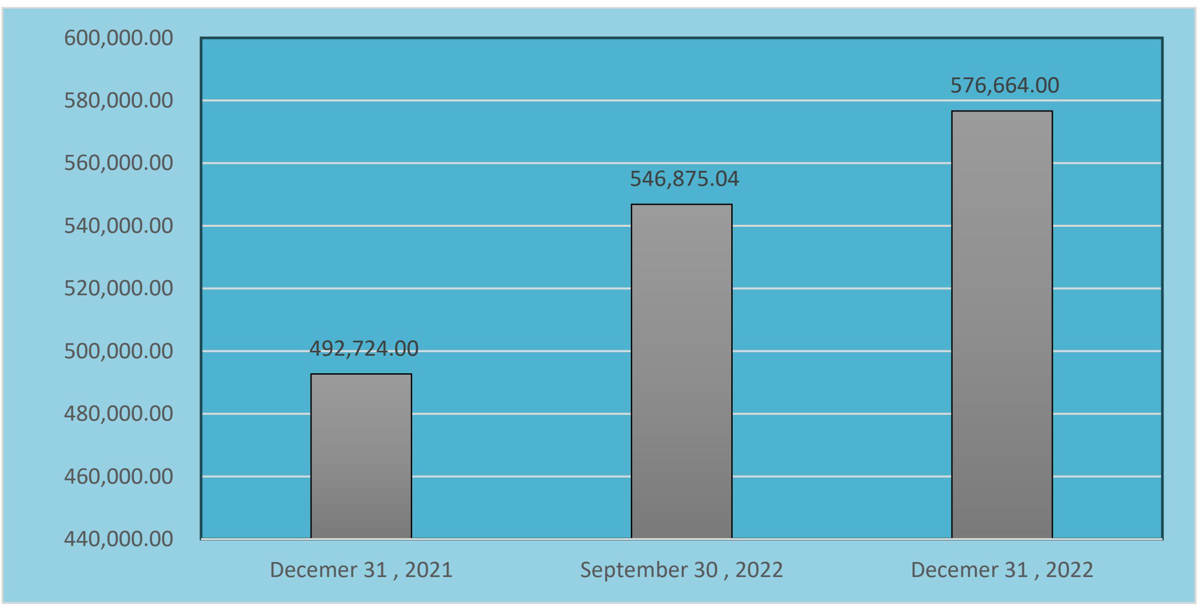
### 8.2. Microfinance: Deposit-Taking Microfinance Institutions

#### 8.2.1. Financial Condition

In 2022, Deposit-taking Microfinance Institutions (DTMFIs) continued to expand in terms of assets, equity, deposits and loans. The total assets of DTMFIs increased by 17 percent in 2022 to NLe576.66 million. The sector demonstrated a significant degree of concentration, with the largest DTMFI accounting for 41.56 percent of the sector's total resource base in 2022.

The total equity of DTMFIs increased by 27.04% to NLe133.4 million in December 2022 of which paid-up capital was NLe86.77 million. Deposits surged by 23.5% to NLe228.82 million. This growth was clearly reflected on the assets side, with total loans increasing by 17.05 percent to NLe309.75 million at the end of 2022. Figure 39 shows the industry resource base of Deposit-Taking Microfinance Institutions.

**Figure 39: Industry Resource Base of Deposit-Taking Institutions (billions of Leones)**




Source: Other Financial Institutions Supervision Department, BSL

Table 18 shows the main consolidated balance sheet items of the Deposit-Taking Microfinance Institutions.

**Table 18: Changes in Main Balance Sheet Items of Deposit-Taking Microfinance Institutions**

| Main Balance Sheet Items | Dec-21 (Millions of New Leone) | Dec-22 (Millions of New Leone) | Change (Millions of New Leone) |
|---|---|---|---|
| **Balances with financial institutions in S/L** | **51.40** | **64.47** | **13.07** |
| **Investment in securities** | **58.53** | **84.32** | **25.79** |
| **Gross Loans** | **264.63** | **309.75** | **45.12** |
| **Loan loss allowances** | **12.43** | **20.00** | **7.57** |
| **Other Assets** | **97.08** | **97.78** | **0.7** |
| **Total deposits** | **185.34** | **228.82** | **43.48** |
| **Other liabilities** | **57.53** | **69.87** | **12.34** |
| **Paid-up Capital** | **70.12** | **86.77** | **16.65** |

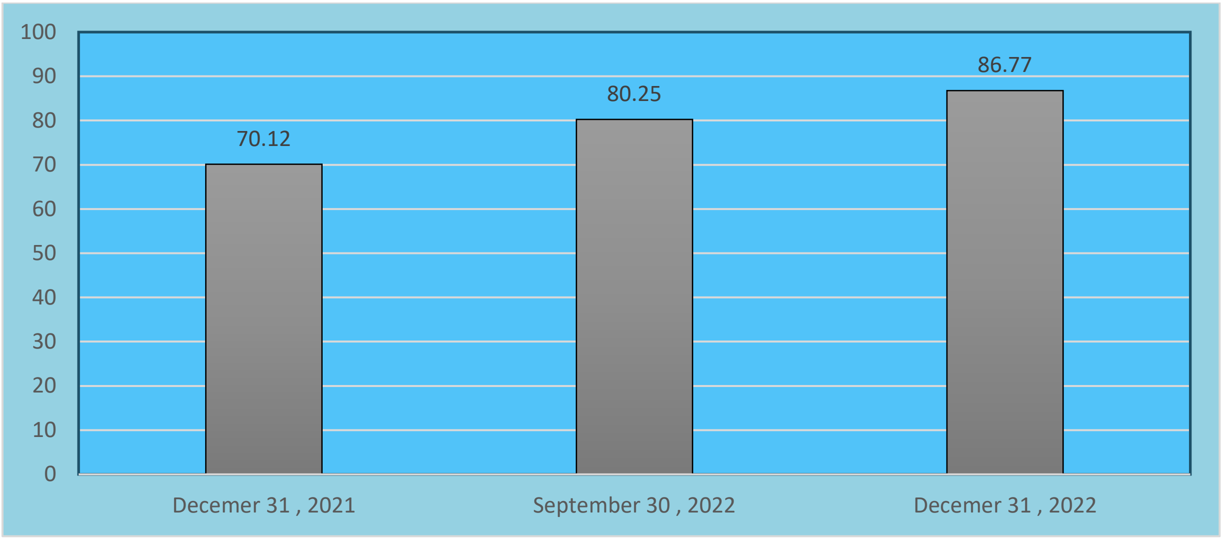
Source: Other Financial Institutions Supervision Department, BSL

### 8.2.2. Capital

**Minimum Paid-Up Capital**

All DTMFIs met the minimum paid-up capital of NLe1.00 million. Figure 40 shows the paid-up capital of the Deposit-Taking Microfinance Institutions, which shows the paid-up capital increased from 70.12 million new leones at the end of December 2021 to 86.77 million new leones at the end of December 2022.

**Figure 40: Paid-up Capital of Deposit-Taking Microfinance Institutions (billions of Leones)**




Source: Other Financial Institutions Supervision Department, BSL

**Capital Adequacy Ratio (CAR)**

The consolidated Capital Adequacy Ratio (CAR) was 29.97 percent above the minimum CAR requirement of 8 percent. All DTMFIs met the CAR requirement.

### 8.2.3. Asset Quality

The gross loan portfolio expanded to NLe309.75 million as at end December 2022, reflecting an increase of 17.05 percent (NLe45.12 million) from NLe264.63 million as at end December 2021. Table 19 Shows the consolidated activity ratios of Deposit-Taking Microfinance Institutions.

**Table 19: Activity Ratios of Deposit Taking Microfinance Institutions**

| Ratios | MIX | Dec-21 | Dec-22 |
|---|---|---|---|
| ***Yield on Gross Loan Portfolio (%)*** | *35.3* | 56.72 | 65.52 |
| ***Portfolio at Risk (PAR) (%)*** | *4.8* | 8.02 | 12.67 |
| ***Debt to equity (%)*** | | 369.22 | 332.27 |
| ***Portfolio to assets (%)*** | | 53.71 | 53.71 |
| ***Loans to Deposit (%)*** | | 142.78 | 135.37 |

Source: Other Financial Institutions Supervision Department, BSL

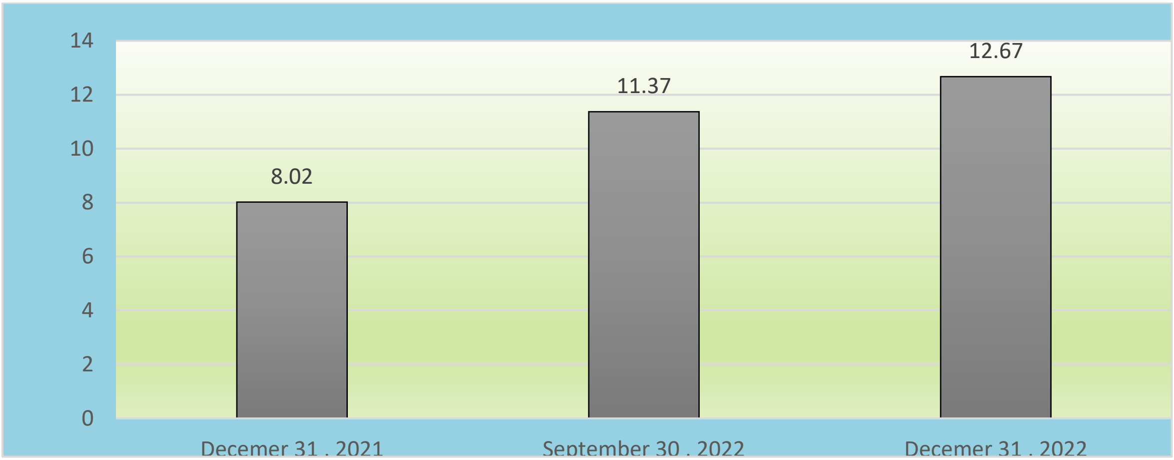
**Yield on Gross Loan Portfolio**

The consolidated yield on gross loan portfolio was above the MIX standard of 35.3 percent, with a recorded yield of 65.52 percent at end December 2022, compared to 56.72 percent at end December 2021. This indicates higher returns from loans disbursed in 2022 than 2021.

**Portfolio at Risk (PaR) ≥ 15 days**

PaR increased significantly to 12.67 percent in 2022, up from 8.02 percent in 2021. This level of PaR was far above the MiX Standard of 4.8 percent. All DTMFIs failed to meet the MiX Standard, with three institutions recording levels above the industry average, ranging from 10.45 percent to 95.42 percent. The institution with the highest PaR resumed loan collection activities in early 2022 after facing some major operational challenges that rendered them inactive for a while. However, it was expected that PaR would decrease as they had been advised to substantially improve their credit management and loan recovery strategies.

**Figure 41: Portfolio at Risk (PaR) of Deposit-Taking Microfinance Institutions**




Source: Other Financial Institutions Supervision Department, BSL

**Debt to Equity**

The consolidated debt to equity ratio remains high for all the institutions. This suggests that more debt financing was used rather than investing fresh capital.

**Portfolio to Assets, Loan to Deposits and Average Outstanding Loan Size**

The consolidated portfolio to assets ratio remained above 50 percent during the reviewed period, indicating that the majority of their assets were assigned to their core function, which is loan disbursement. However, the ratio slightly declined to 53.71 percent at the end of 2022 from 56.72 percent in the previous year, indicating a marginal reduction in the percentage of gross loans to total assets.

The consolidated gross loan to total deposits was 135.37 percent as at end December 2022, compared to 142.78 percent as at end December 2021, showing an improvement in deposit mobilization during the year in comparison to outstanding loans.

The consolidated average loan amount per borrower increased to NLe5 thousand in 2022, up from NLe4 thousand in 2021.

### 8.2.4. Earnings

#### Operating Performance

A consolidated pre-tax profit of NLe15.78 million was recorded in 2022, representing an increase of 5.35 percent compared to NLe14.97 million in2021. This increase was attributed to the significant rise in gross financial income, which increased by 27.66 percent to NLe123.94 million. However, operating expenses went up to NLe77.89million, reflecting a 27.89 percent increase from NLe60.91million in 2021. Salaries and benefits accounted for a significant proportion, representing 49.99 percent of total operating expenses in December 2022. Net financial income increased by NLe17.92 million (23.45 percent) to NLe93.67 million. Financial expenses related to lending funds, rose by 42.76 percent to NLe30.27 million. Of the five institutions, only one failed to record profits in 2022. Table 20 shows the consolidated Operating self-sufficiency (OSS), Return on assets (ROA) and Return on equity (ROE) of Deposit-Taking Microfinance Institutions.

**Table 20: Performance Indicator of Deposit-Taking Microfinance Institutions**

| Performance Ratios | MIX | Dec-21 | Dec-22 |
|---|---|---|---|
| **Operating self-sufficiency (OSS) (%)** | 112 | 118.24 | 114.59 |
| **Return on assets (ROA) (%)** | 2.1 | 3.65 | 2.95 |
| **Return on equity (ROE) (%)** | 13.6 | 17.74 | 13.26 |

Source: Other Financial Institutions Supervision Department, BSL

#### Operational Self Sufficiency (OSS)

The DTMFI sector demonstrated solid financial performance, with revenue exceeding operating cost by 14.59 percent. This strong performance allowed DTMFIs, on a consolidated basis, to meet the MiX Standard of 112 percent for OSS. However, two institutions fell did not meet the MiX Standard for OSS in 2022, which was mainly as a result of low revenue generated due to higher NPLs.

**Return on Assets (ROA) %**

Overall, the pre-tax profit increased by 5.35 percent in 2022. However, when compared with total assets, the ROA decreased to 2.95 percent in 2022 from 3.65 percent in 2021, which was mainly driven by increases in expenses compared to total revenue. Nonetheless, the consolidated ROA exceeded the MiX Standard of 2.1 percent.

**Return on Equity (ROE) %**

The consolidated ROE declined to 13.26 percent in 2022, slightly below the MiX Standard of 13.6 percent, down from 17.74 percent in 2021. This decrease was mainly because increases in average equity were not proportionate to net income as paid-up capital increased by 23.74 percent, while net income increased by 5.38 percent. Four DTMFIs recorded ROE below the MiX Standard.

### 8.2.5 Liquidity

All the institutions met the minimum liquidity and cash ratio requirements as at end-December 2022. Table 21 shows the prudential ratios of the Deposit-Taking Microfinance Institutions.

**Table 21: Prudential Ratios of Deposit-Taking Microfinance Institutions**

| Prudential Ratios as at December, 2022 | MIX | Dec-21 | Dec-22 |
|---|---|---|---|
| **Actual Cash Ratio (%)** | *10* | 30.39 | 31.47 |
| **Actual Liquidity Ratio (%)** | *20* | 61.97 | 68.32 |

Source: Other Financial Institutions Supervision Department, BSL

## 8.3. Credit-Only Microfinance Institutions

### 8.3.1. Financial Condition

The total assets of COMFIs increased to NLe486.59 million in 2022 from NLe310.94 million in the previous year, marking an impressive growth of 56.49 percent. It is worth noting that the number of returns submitted increased to thirty-six (36) 2022 from twenty-six (26) in 2021.

In terms of liabilities, equity played a significant role, increasing by 48.57% to NLe180.77 million in 2022, with profits increasing by 79.97percent, recording NLe47.76 million for the year.

**Table 22: Movement in key items in the consolidated Balance Sheet of Credit-Only Microfinance Institutions**

| Main Balance Sheet Items | Dec-21 (NLe'm) | Dec-22 (NLe'm) | Change | Growth (%) |
|---|---|---|---|---|
| **Resource Base** | 310.94 | 486.59 | 175.65 | 56.49 |
| **Total Equity** | 121.68 | 180.77 | 59.10 | 48.57 |
| **Gross Loans** | 259.06 | 349.45 | 90.39 | 34.89 |
| **Pre-tax** | 26.54 | 47.76 | 21.22 | 79.97 |

Source: Other Financial Institutions Supervision Department, BSL

### 8.3.2. Asset Quality

In 2022, the gross loan portfolio of COMFIs increased to NLe349.45 million in 2022, up by NLe90.39 million (34.89 percent) from NLe259.06 in 2021. This growth was accompanied by a 57.41 percent increase in impairment loss allowances in 2022. Gross Loan to total assets decreased to 71.82% as at December 2022, down from 83.32% as at December 2021.

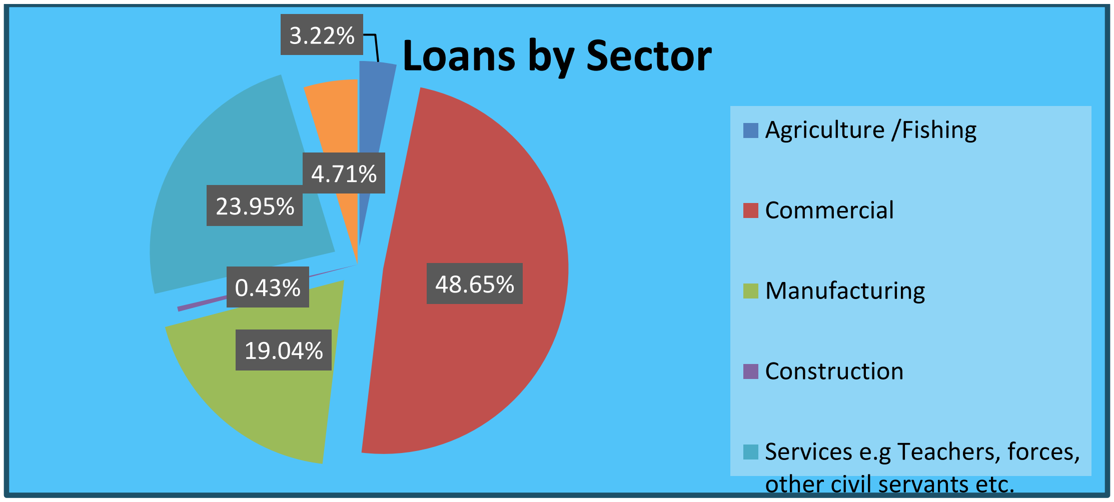
**Portfolio Activity**

The value of loans outstanding as at 31st December 2022 was NLe349.45 million, which was in increase from NLe259.06 million in December 2021. Number of loans outstanding as at end December 2022 was 151,534 against 154,580 in December 2021 representing a decrease of 3,046.

**Loans by Sector**

The majority of loans within the industry were allocated to the Commercial Sector, accounting for 48.65 percent of the total loans; followed by the Services Sector with 23.95 percent of the loans; and the Construction Sector had the smallest share of loans, representing only 0.43 percent of the total loans as of December 2022. Figure 42 shows the distribution of loans by sector.

**Figure 42: Loans by Sector as at December 2022**




Source: Other Financial Institutions Supervision Department, BSL

### 8.3.3. Non-Financial Data

The number of active clients in 2022 increased significantly by 54.34percent to 358,068 as at end December,2022. Furthermore, 54.22 percent of the total number of active borrowers in the industry were women. Table 23 shows the number of active clients of credit only microfinance institutions.

**Table 23: Number of Active Clients of Credit-only Microfinance Institutions**

| Details | Active Clients (Number) | New Clients (Number) | Active Borrowers (Number) | No. of Loan Officers | No. of Personnel |
|---|---|---|---|---|---|
| **End-Dec. 2021** | 232,002 | 4,671 | 155,762 | 630 | 973 |
| **End-Dec. 2022** | 358,068 | 4,164 | 274,116 | 401 | 1148 |

Source: Other Financial Institutions Supervision Department, BSL

### 8.3.4. Earnings

#### Operating Performance

In 2022, the consolidated pre-tax profit of the industry amounted to NLe56.08 million. In addition, profit increased over the year by 61.28% from NLe34.77 million in 2021. The highest pre-tax profit was NLe36.27 million, accounting for 64.67% of the consolidated pre-tax profit in 2022. However, eleven institutions still experienced losses, ranging from NLe0.001 million to NLe2.32 million. These losses offset the consolidated pretax profit of the industry.

#### Performance Indicators

Table 24 provides the performance on the OSS for the credit-only microfinance institutions, in addition to other performance indicators.

**Table 24: Performance Indicators of Credit-Only Microfinance Institutions**

| Performance Ratios | MIX | Dec-21 | Dec-22 |
|---|---|---|---|
| **Operating self-sufficiency (OSS) (%)** | 112 | 160.11 | 169.48 |
| **Return on assets (ROA) (%)** | 2.1 | 5.85 | 11.02 |
| **Return on equity (ROE) (%)** | 13.6 | 14.28 | 29.91 |
| **Debt to equity (%)** | | 139.35 | 169.17 |
| **Portfolio to assets (%)** | | 83.32 | 71.82 |

Source: Other Financial Institutions Supervision Department, BSL

#### Operational Self Sufficiency

The COMFIs showed satisfactory performance in terms of OSS on a consolidated basis, achieving an OSS of 169.5 percent, which significantly exceeded the MiX Standard of 112 percent. However, only twenty-one (21) out of thirty-six (36) institutions met the MiX Standard.

#### Return on Assets

The industry’s ROA increased to 11.02 percent as at end December 2022 from 5.84 percent at end December 2021. This surpasses the minimum MiX Standard of 2.1 percent. Twelve (12) institutions recorded ROA ratios above the average, but fourteen out of thirty-six COMFIs did not meet the Standard of 2.1 percent.

**Return on Equity**

The sector's ROE significantly increased in 2022, almost doubling, to 29 percent from 14.37 percent in 2021. Eleven (11) institutions recorded ROEs above the industry average. However, seventeen (17) COMFIs did not meet the MiX Standard of 13.6 percent for ROE.

**Portfolio at Risk > 30 Days**

The PaR for COMFIs on a consolidated basis increased to 11.67 percent at the end of December 2022, up from 7.62 percent in 2021. Twenty-seven (27) institutions had PaR ratios below the industry average, but eighteen (18) COMFIs failed to meet the MIX requirement of not exceeding 4.8 percent.

### 8.4. Discount Houses

#### 8.4.1. Financial Condition

The total assets of the two Discount Houses increased more than twofold to NLe48.31 million in 2022.In terms of liabilities, there was a substantial increase of 242.35 percent from NLe10.84 million as at December 2021 to NLe37.10 million as at December 2022. The key driver of this increase was matured treasury bills for customers, which amounted to NLe32.76 million, representing 88.3 percent of total liabilities. Conversely, deposits and placements decreased by 22.3 percent to NLe1.35 million. This shift was reflected on the asset side, with customer Treasury bill holdings increasing to NLe24.7 million from zero in the previous year, accounting for 51 percent of total assets. In contrast, investment in government securities decreased by 13.7 percent to NLe6.0 million. Table 25 shows the components of the consolidated liabilities of the Discount Houses.

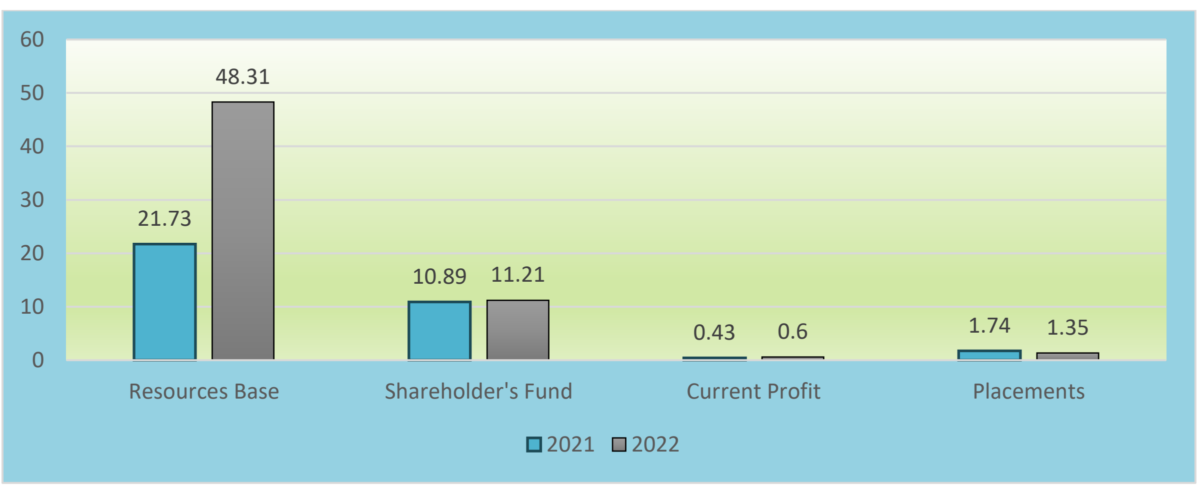
**Table 25: Components of Consolidated Liabilities of the Discount Houses Components of Consolidated Liabilities of the Discount Houses**

| | Dec-2021 | Dec – 2022 | Change |
|---|---|---|---|
| | NLe'mn | NLe'mn | % |
| **Statutory Reserve** | 1.13 | 0.71 | 2.59 |
| **Current Profit** | 0.43 | 0.60 | 39.38 |
| **Retained Earnings** | 0.47 | 0.71 | 53.58 |
| **Placement** | 1.74 | 1.35 | 22.33 |

Source: Other Financial Institutions Supervision Department, BSL

In 2022, the resource base expanded significantly to Le48.31 billion, from Le21.73 billion at end December 2021. Shareholders' funds increased to Le11.21 billion at end-December 2022, up from Le10.89 billion at end-December 2021. Current profit rose to Le0.60 billion at end-December 2022, compared to Le0.43 billion at the end-December 2021. However, placements decreased slightly, totaling Le1.34 billion at end-December 2021, down from Le1.74 billion at end-December 2021. Figure 43 shows the resource base and liabilities/equity of discount houses.

**Figure 43: Resource Base and Liabilities/Equity of Discount Houses (billions of Leones)**




Source: Other Financial Institutions Supervision Department, BSL

Increases in the consolidated resource base of the Discount Houses, as evidenced on the assets side, can be attributed to significant increases in several key areas. Notably, other assets surged by an impressive 301.38 percent, while Loan Repos witnessed substantial growth of 68.79 percent. Local Cash holdings also contributed to the boost, increasing by 3.76 percent. Table 26 shows the composition of the Assets of the Discount Houses.

**Table 26: Composition of the Assets of the Discount Houses**

| Details | Dec -21 NLe'mn | Dec -22 NLe'mn | % Change |
|---|---|---|---|
| **Other Asset** | 8.83 | 35.44 | 301.38 |
| **Local Cash** | 2.30 | 2.39 | 3.76 |
| **Loans Repo** | 1.37 | 2.31 | 68.79 |
| **Investment** | 6.90 | 5.95 | (13.73) |

Source: Other Financial Institutions Supervision Department, BSL

### 8.4.2. Minimum Paid up Capital and Capital Adequacy Ratio

Both institutions were in compliance with the minimum paid-up capital and capital adequacy ratio requirements, which were set at NLe2million and 8 percent, respectively.

### 8.4.3. Earnings

**Operating Performance**

The consolidated pre-tax profit of Discount Houses amounted to NLe0.60 million as at end December 2022, representing a significant increase of 63.28 percent compared to NLe0.43 million as at end December 2021. This growth was attributed to a 16.30 percent increase in total operating income, which amounted to NLe2.07 million. However, operating expenses also went up to NLe1.47million, reflecting an 8.97 percent increase compared to NLe1.35million reported in 2021. Salaries and benefits accounted for a substantial portion, making up 52.98 percent of total operating expenses in 2022. Both institutions recorded profits over the one-year period, reflecting their operational success.

**Performance Ratios**

**Table 27: Performance Ratios and Operating Expense**

| Details | Dec-21 | Dec-22 |
|---|---|---|
| **ROA (%)** | 1.29 | 1.25 |
| **ROE (%)** | 2.75 | 4.34 |
| **Operating expense/operating income (%)** | 327.76 | 261.14 |

Source: Other Financial Institutions Supervision Department, BSL

A consolidated ROA of 1.25% was recorded, and ROE for the Discount Houses was 4.34 percent. This implies that the Discount Houses generated higher profits for investors than in the previous year. On consolidation, the institutions recorded a lower operating expenses to operating income in 2022 than 2021.

### 8.4.4. Liquidity

The Discount Houses recorded actual liquidity ratios of 1,547.723% in December 2022, showing an upward trend compared with 447.41% in December2021.

## 8.5. Mobile Money Financial Institutions

### 8.5.1. Activity of the Mobile Money Providers

In 2022, there were three licensed mobile money financial service providers, although one had not yet commenced full operations by December 2022. These providers experienced significant increases in their activities, with notable growth in the number of agents, accounts, transactions and value of transactions. Agent mobilization increased by 10,315 (27 percent) during in 2022.

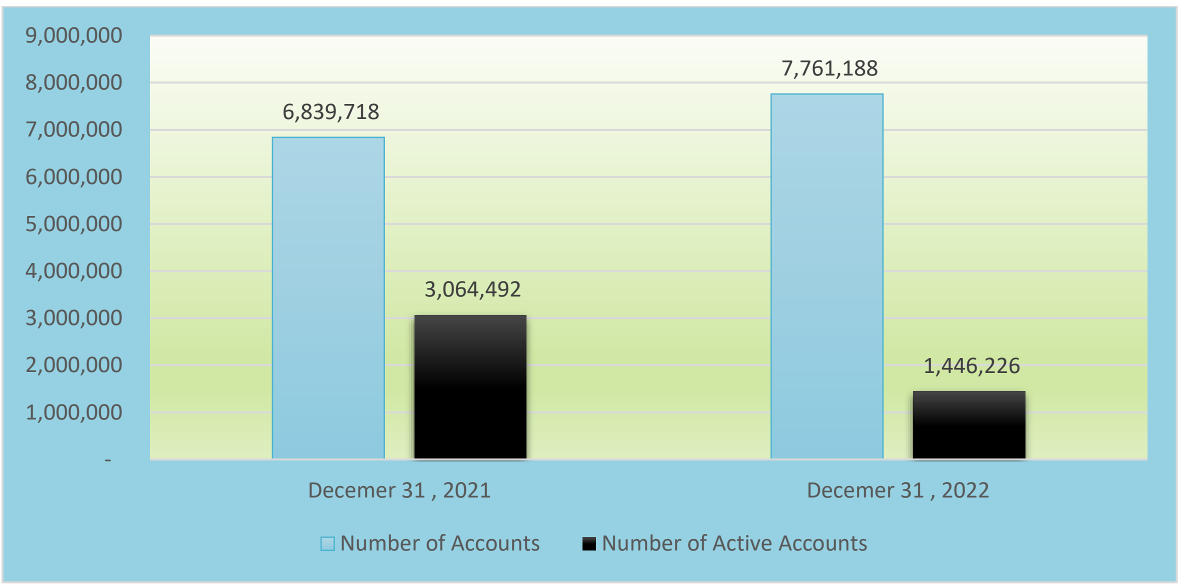
### 8.5.2. Escrow Account & Virtual Money in Circulation

As at end December 2022, the balances in escrow accounts amounted to NLe402.24 million, while the e-money in circulation was NLe364.67 million, which was NLe37.57 million less than total escrow account balances.

### 8.5.3. Number of Account Holders

The number of registered mobile money account holders increased by 13 percent compared to the previous year, reaching 7.76 million customers. Among these customers, 19 percent were active customers who had conducted transactions in the last ninety days. However, the number of active customers decreased due to one institution migrating only fully registered (or non-zero balance customers) to their new system. Figure 44 shows the movement in the number of accounts and active accounts.

**Figure 44: Number of Accounts and Active Accounts**




Source: Other Financial Institutions Supervision Department, BSL

### 8.5.4. Transactions

A total of 92.12 million transactions were conducted in 2022, with the value of these transactions increasing to NLe19.88 billion from NLe13.43 billion recorded in 2021.

### 8.5.5. Agents

As at end-December 2022, there were 48,087 registered Mobile Money agents, with a total outstanding balance of NLe41.44 million. The number of merchants, corporate customers, and dealers reached 1,554,175, and 741, respectively.

### 8.5.6. Customer Complaints

Customer complaints were primarily related to issues like lost PIN codes, balance enquiries, cash reversals, recharges and message receipts. These complaints revealed an increase to 18,681 in 2022, up from 13,622 in 2021. In addition, all the complaints were effectively resolved.

## 8.6. Foreign Exchange Bureaus

There were sixty-nine (69) registered foreign exchange bureaux as of 31 December 2022. The US dollar remained the most traded currency in 2022, as was the case in 2021. In December 2022, the total purchase of US dollars by foreign exchange bureaux increased by 10.78 percent to USD 44,236,720, compared to USD 39,933,419 recorded in December 2021. However, there was a slight reduction in US Dollar sales by the bureaux in December 2022, with total sales amounting to USD 39,556,842, reflecting a 0.81 percent decrease from the USD 39,878,845 recorded in December 2021. Table 28 shows the purchases and sales of foreign currencies.

**Table 28: Purchases and Sales of Foreign Currencies**

| | *Purchases* | | | | *Sales* | | | |
|---|---|---|---|---|---|---|---|---|
| | **Dec-21** | **Dec-22** | **Change** | **% Change** | **Dec-21** | **Dec-22** | **Change** | **% Change** |
| *USD* | 39,933,419 | 44,236,720 | 4,303,301 | 10.78 | 39,878,845 | 39,556,842 | -322,003 | -0.81 |
| *UK* | 13,825 | 129,080 | 115,255 | 833.67 | 12,850 | 19,190 | 6,340 | 49.34 |
| *EUR* | 21,165 | 24,955 | 3,790 | 17.91 | 21,575 | 21,955 | 380 | 1.76 |

Source: Other Financial Institutions Supervision Department, BSL

In the fourth quarter of 2022, the purchase of Pound sterling by foreign exchange bureaux significantly increased to £129,080, reflecting an 833 percent increase from the £13,825 recorded in December 2021. Sales of Pound Sterling in the same period also increased to £19,190, representing a 49 percent increase from the £12,850 reported in December 2021.

Regarding the Euro, foreign exchange bureaux purchase in December 2022 increased by 17.19 percent to €24,955 from €21,165 in December 2021. Sales of the Euro by Foreign Exchange Bureaux in December 2022 increased by 2 percent to €21,955 from €21,575 in December 2021.

### 8.7. Financial Services Association (FSAs)

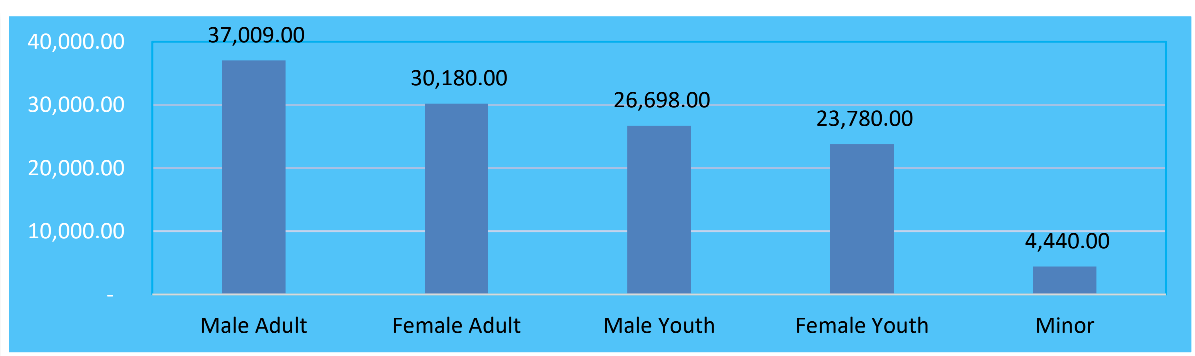
#### 8.7.1. Financial Condition

The Financial Services Associations (FSAs) exhibited satisfactory performance in 2022. The total assets increased by NLe8.10 million to NLe92.22 million from NLe84.08 million in 2021. Additionally, share capital and the loan portfolio increased by 4.96 percent to NLe27.89 million and 3.42 percent to NLe64.67 million, respectively. The Portfolio at Risk (PaR) showed improvement, decreasing by 31.38 percent and recording 11.02 percent as at end-December 2022. However, profitability reduced slightly by 6.08 percent to NLe4.44 million, from NLe4.72 million at end-December 2021.

#### 8.7.2. Non-Financial Data

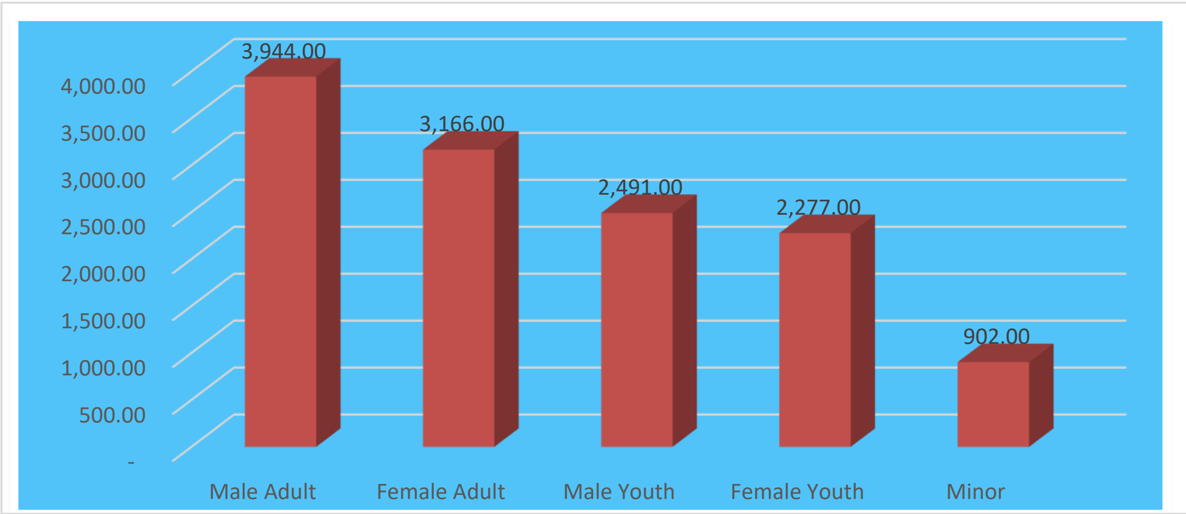
Total number of Shareholders as at end-December 2022 was 122,107 with 52% being male and 44% being female, whilst 4% were below 18 years of age. Active loan clients, and number of savers were 34,321, and 13,658, respectively. There were 122,107 shareholders as at end- December 2022. Among them, 52 percent were males, 44 percent were females and 4 percent were below 18 years of age. There were 43,321 active loan clients and 13,658 savers. Figure 45 shows the number of Financial Services Association shareholders in December 2022, Figure 46 shows the number of savers in 2022, while Figure 47 shows the active number of loan clients.

**Figure 45: Number of Financial Services Association Shareholders in December 2022**



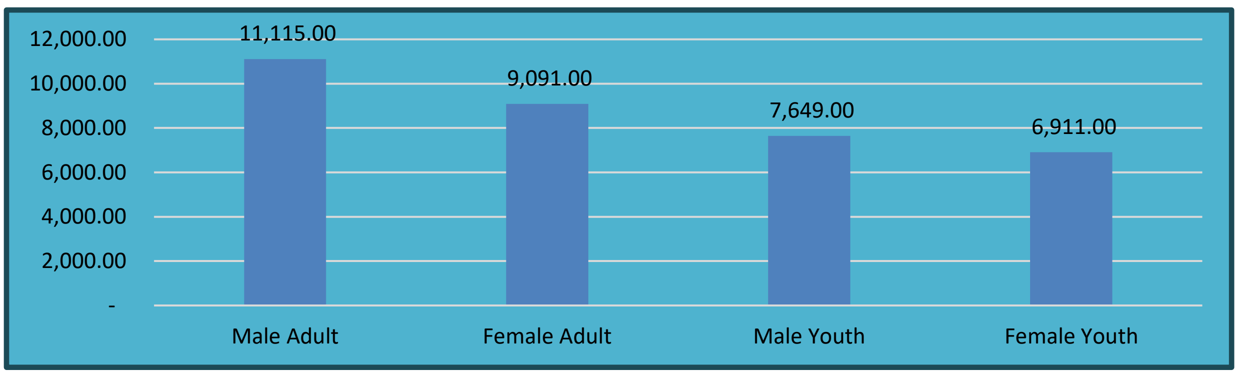

Source: Other Financial Institutions Supervision Department, BSL

**Figure 46: Financial Services Association Savers in December 2022**




Source: Other Financial Institutions Supervision Department, BSL

**Figure 47: Active Loan Clients of Financial Services Association at end December 2022**




Source: Other Financial Institutions Supervision Department, BSL

### 8.7.3. Operating Performance

Total income for FSAs increased to NLe15.40 million, primarily driven by interest income, which constituted 93.20 percent of total income. The rise in personnel and administrative expenses exceeded the growth in interest income during in 2022. As a result, profits declined by NLe0.29 million (6.07 percent) to NLe4.44 million, compared to NLe4.72 million in 2021.

**Return on Assets (ROA)**

The consolidated ROA for FSAs was7.06 percent, marking an improvement from the 5.62 percent recorded in 2021. Importantly, this figure surpasses the MiX Standard, which requires a minimum of 2.1 percent.

**Return on Equity (ROE)**

The consolidated ROE decreased by 0.79 percent in 2022 to 16.98 percent, which remains above the minimum MiX Standard of 13.6 percent.

**Portfolio at Risk (PaR)**

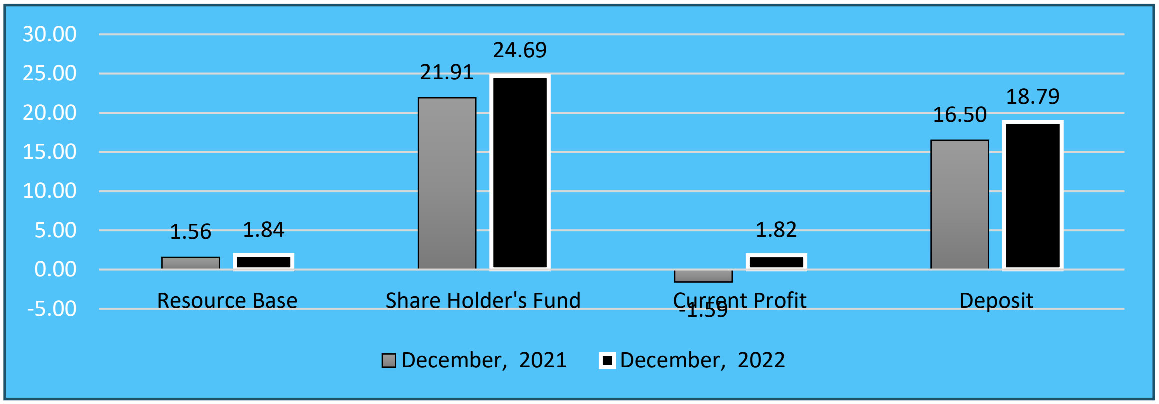
On aggregate, the FSAs did not meet the minimum MiX Standard of 4.8 percent. However, the PaR decreased by 5 percent to 11.02 percent in 2022, which indicates improvements in asset quality management.

## 8.8. Credit Unions (CUs)

### 8.8.1. Financial Condition and Operating Performance

As of December 2022, there were twenty-seven (27) credit unions. The total assets of these unions increased by NLe8.7 million to NLe24.36 million, compared to NLe15.66 million in December 2021. Total savings increased from Nle9.27 million in December 2021 to Nle15.31 million in December 2022. Both share capital and gross loan increased from Nle1.77 and Nle 10.25 million respectively to NLe 2.57 and NLe 17.74. The total membership also grew by 3,344 members, a 25.43 percent increase to 14,707 members in December 2022, up from 11,363 in December 2021. Figure 48 shows the consolidated balance sheet of the credit unions.

**Figure 48: Key Items in Consolidated Balance Sheet of Credit Unions**




Source: Other Financial Institutions Supervision Department, BSL

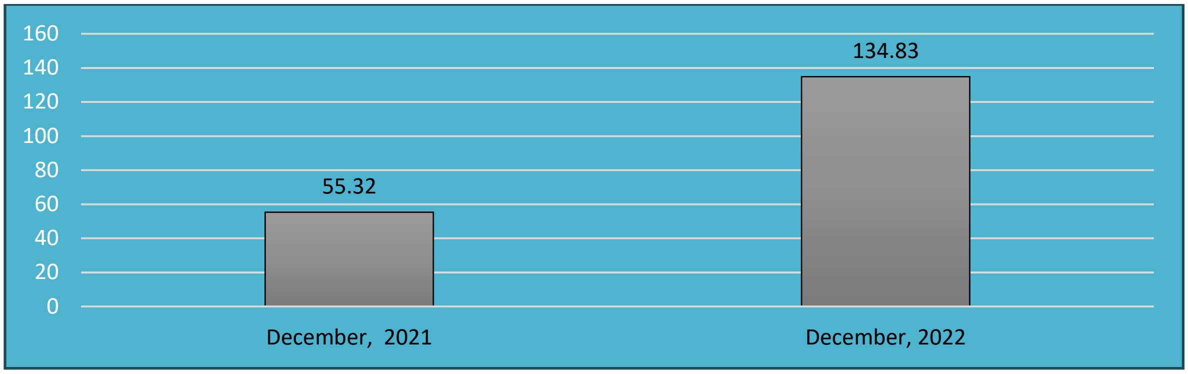
## 8.9. Apex Bank (SL) Limited

### 8.9.1. Financial Condition

In 2022, Apex Bank continued its expansion, with notable increases in assets, equity, deposits, and loans. The asset base surged by an impressive 143.72 percent to NLe134.84 million. Total equity grew by 12.67 percent to NLe24.69 million in 2022, with paid-up capital standing at NLe1.83 million. Total liabilities increased by 69.67 percent to NLe110.14 million in 2022 from NLe33.41 million at December 2021.

The growth in the resource base was mainly attributed to increase in deposits by 13.93percent to NLe18.79 million in 2022, and a remarkable 421.84 percent increase in the funds managed on behalf of other institutions, which amounted to NLe86.01 million. This expansion was also evident on the assets side, with total loans increasing by 21.09 percent to NLe16.36 million, increase in investment in securities surging by 244.64 percent to NLe68.91 million, and balance with financial institutions growing by 595.05 percent to NLe27.99 million at the end of 2022. Figure 49 shows the resource base of the Apex Bank. Table 29 shows yearly balance sheet items and their movements.

**Figure 49: Resource Base of Apex Bank (in millions of NLe)**



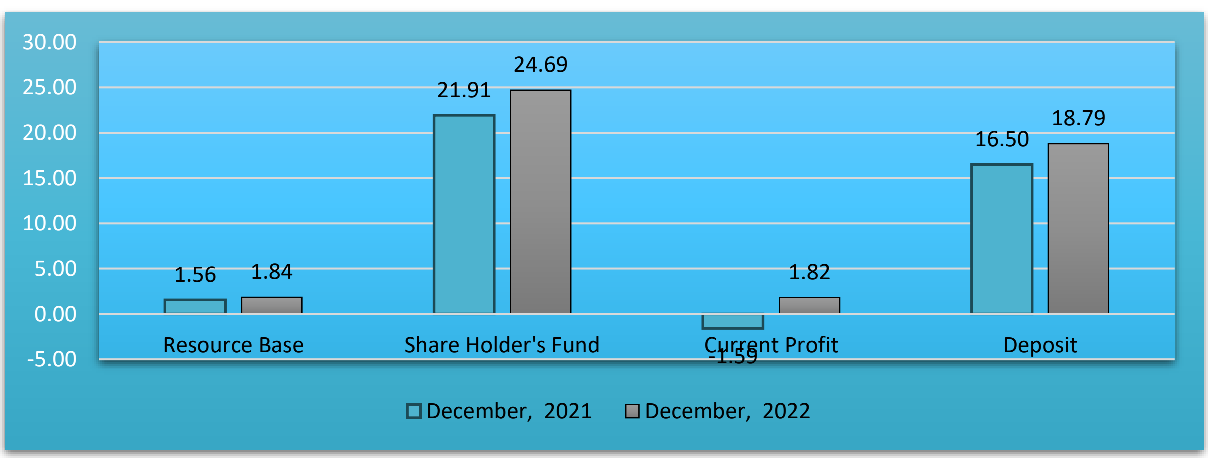

Source: Other Financial Institutions Supervision Department, BSL

**Table 29: Main Balance Sheet items of Apex Bank (SL) Limited (in Millions of NLe)**

| Main Balance Sheet Items | Dec-21 | Dec-22 | Change |
|---|---|---|---|
| **Balances with financial institutions in S/L** | 4.03 | 27.99 | 23.96 |
| **Investment in securities** | 19.99 | 68.91 | 48.92 |
| **Gross Loans** | 12.88 | 16.36 | 3.48 |
| **Loan loss allowances** | 2.87 | 2.87 | 0 |
| **Other Assets** | 0.62 | 1.39 | 0.77 |
| **Total deposits** | 16.50 | 18.79 | 2.29 |
| **Other liabilities** | 2.36 | 0.83 | -1.53 |

Source: Other Financial Institutions Supervision Department, BSL

**Figure 50: Key Items of the Consolidated Balance Sheet of Apex Bank (in millions of NLe)**



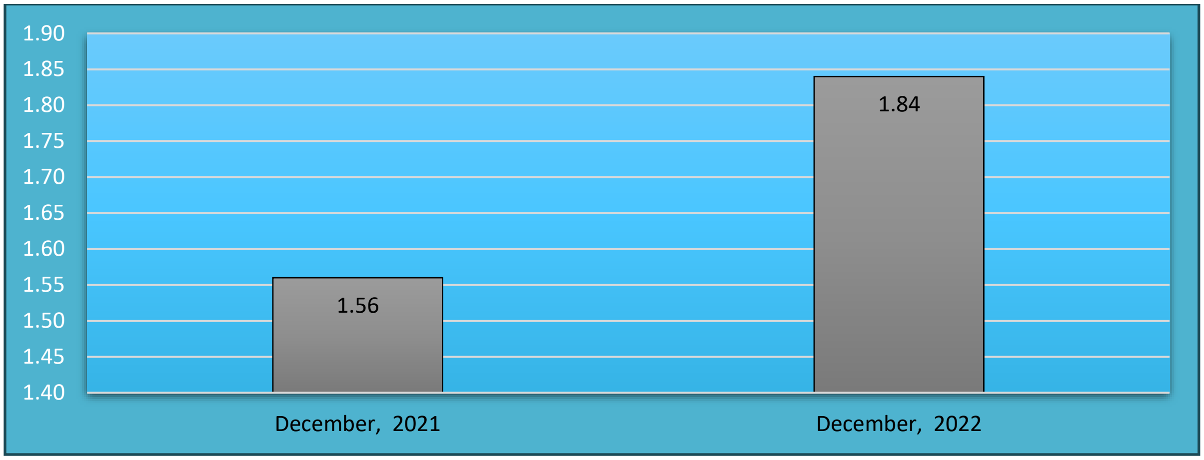

Source: Other Financial Institutions Supervision Department, BSL

### 8.9.2. Capital

**Minimum Paid-Up Capital**

In 2022, as was the case in 2021, Apex Bank did not meet the minimum paid-up capital of NLe30.00 million. Figure 51 shows the paid-up capital.

**Figure 51: Paid up Capital of Apex Bank (SL) Limited (millions of NLe)**




Source: Other Financial Institutions Supervision Department, BSL

**Capital Adequacy Ratio (CAR)**

Apex Bank's CAR was 79.74 percent, well above the minimum CAR requirement of 8 percent.

### 8.9.3. Asset Quality

The gross loan portfolio increased significantly to NLe16.36 million at end-December 2022, reflecting a growth of 27.02 percent (NLe23.96 million) from NLe4.03 million at end-December 2021.

**Table 30: Activity Ratios of Apex Bank (SL) Limited**

| Ratios | MIX | Dec-21 | Dec-22 |
|---|---|---|---|
| ***Yield on Gross Loan Portfolio (%)*** | *35.3* | 62.42 | 84.22 |
| ***Debt to equity (%)*** | | 152.46 | 446.08 |
| ***Portfolio to assets (%)*** | | 23.28 | 12.13 |
| ***Loans to Deposit (%)*** | | 78.09 | 87.05 |

Source: Other Financial Institutions Supervision Department, BSL

### Yield on Gross Loan Portfolio

As shown in Table 30, the yield on the gross loan portfolio exceeded the MIX standard of 35.3 percent, recording 84.22percent at end December 2022 (compared to 62.42 percent in December 2021. This indicates higher returns from loans disbursed during the period compared to December2021.

### Debt to Equity

The debt-to-equity ratio remains high, increasing from 152.46 in 2021 to 446.08 percent in 2022, suggesting that more debt financing is employed rather than investing fresh capital.

### Portfolio to Assets

The portfolio to asset ratio declined to 12.13% at the end of 2022 from 23.28% in 2021, indicating a significant reduction in portfolio activity.

### Loan to Deposits

The gross loan to total deposits ratio was 87.05 percent as at end December 2022, compared to 78.09 percent at end-December 2021, which showed an improvement in gross loans compared to total deposit in 2022.

# 9. PAYMENTS SYSTEM DEVELOPMENTS

## 9.1. National Payments System Landscape

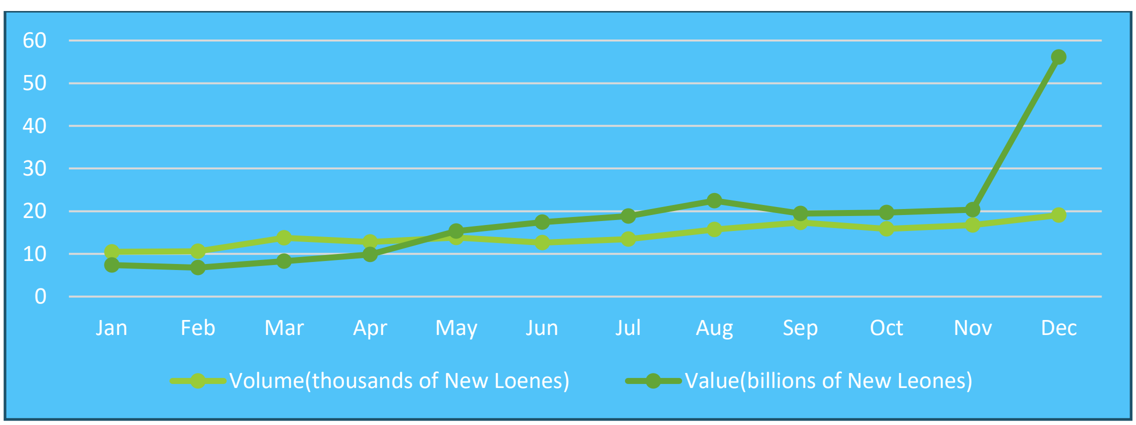
The BSL recognizes the critical role of financial market infrastructure and remains committed to monitoring and evaluating its performance to ensure both safety and efficiency.

Sierra Leone's payments system maintains a dual structure, with the coexistence of both cash and non-cash transactions. The BSL's efforts continued to be focused on promoting financial inclusion, safeguarding the integrity of the payment systems landscape, and fostering collaboration with relevant stakeholders. Although non-cash transactions have been on the rise, cash transactions still constitute a significant portion of the country's payment ecosystem. Non-cash transactions are further categorised into retail and large value transactions, based on their value and the interbank systems supporting these transactions.

## 9.2. Real Time Gross Settlement (RTGS) System

The Real Time Gross Settlement (RTGS) is a robust electronic funds transfer system designed for seamless payment settlement across the country. This system ensures that transactions are settled efficiently, enabling the rapid transfer of funds between participating financial institutions. Figure 52 shows the volume and value of RTGS transactions in 2022. While the value and volume of transactions exhibit fluctuations, the prevailing trend demonstrates the widespread acceptance and reliability of the system for interbank transactions.

**Figure 52: Volume and Value of RTGS Transactions in 2023**

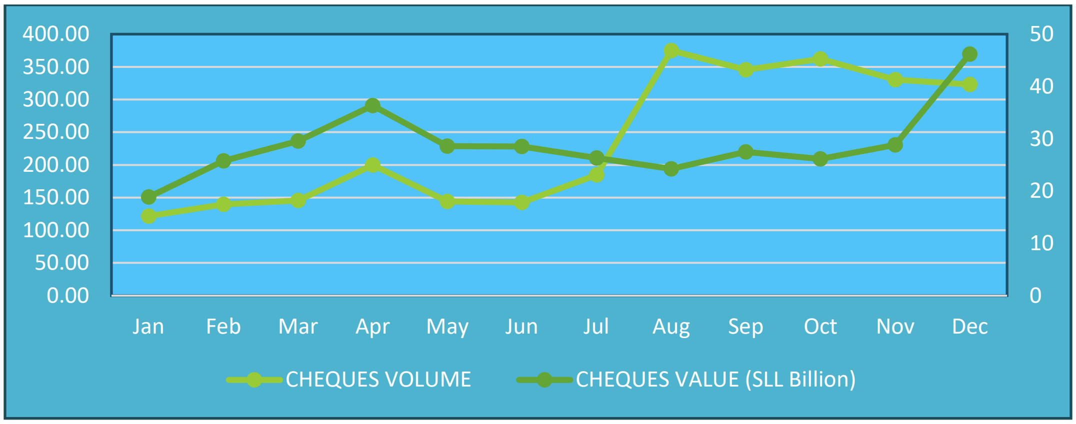



Source: Banking and Payment Systems Department, BSL

### 9.3. Automated Clearing House (ACH) Transactions

The Automated Clearing House (ACH) is the retail payment system through which a vast number of payment items (both paper-based and electronic) are cleared. Tables 32 and 33 show the ACH transactions before and after redenomination, while Figures 53 shows the total volume and direct credit value of ACH transactions in 2022.

**Figure 53: Volume and Direct Credit Value of ACH Transactions in 2022**




Source: Banking and Payment Systems Department, BSL

Tables 31 and 32 show ACH transactions for the period January to December 2022, segmented into two periods: the first half (before redenomination) and the second half (after redenomination). When this is compared with direct credit, it shows that the utilisation of cheques in transactions remained higher than direct credit as a preferred means of transactions. Nonetheless, the use of direct credit for interbank transactions remained consistent and has prospects to improve in the near future.

**Table 31: ACH Transactions (Before Redenomination)**

| MONTHS | CHEQUES VOLUME | CHEQUES VALUE (SLL Billion) |
|---|---|---|
| **Jan** | 14,169 | 254,694,944.94 |
| **Feb** | 14,960 | 237,060,974.97 |
| **Mar** | 16,523 | 285,356,626.63 |
| **Apr** | 19,448 | 370,198,486.49 |
| **May** | 15,624 | 269,917,769.77 |
| **Jun** | 14,674 | 226,018,056.06 |

Source: Banking and Payment Systems Department, BSL

**Table 32: ACH Transactions (After Redenomination)**

| MONTHS | CHEQUES VOLUME | | CHEQUES VALUE | |
|---|---|---|---|---|
| | OLD SERIES (694) | NEW SERIES (925) | OLD SERIES (694) SLL | NEW SERIES (925) SLE |
| **Jul** | 6,821 | 946 | 101,294,474,528.20 | 743,109,026.98 |
| **Aug** | 4,282 | 14,174 | 151,126,760,675.39 | 1,115,657,103.15 |
| **Sep** | 4,411 | 5,250 | 168,025,695,393.66 | 1,159,191,638.83 |
| **Oct** | 3,466 | 5,477 | 117,344,073,861.04 | 957,043,934.98 |
| **Nov** | 3,101 | 9,793 | 176,538,928,737.74 | 277,939,263.11 |
| **Dec** | 2,894 | 8,074 | 154,444,780,868.58 | 337,696,628.47 |

Source: Banking and Payment Systems Department, BSL

### 9.4. Other Retail Payment Systems

In alignment with the BSL's commitment to financial inclusion, Tables 33 and 34 show the regional distribution of ATMs and POS terminals. While the Bank has made significant strides in ensuring public acceptability of electronic means of transactions processing, the distribution of these financial services reveals that the majority of these facilities are concentrated in the Western Area (the capital city), accounting for 77.55 percent of ATMs and 90.38 percent of POS terminals as of December 2022. This distribution pattern indicates that there is an uneven distribution of these payment services, resulting in financial exclusion for a significant proportion of the population residing in the rural areas.

**Table 33: Regional Spread of ATM**

| REGION | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| **NORTHERN PROVINCE** | 16 | 10 | 10 | 16 |
| **SOUTHERN PROVINCE** | 9 | 11 | 10 | 10 |
| **EASTERN PROVINCE** | 6 | 5 | 6 | 7 |
| **WESTERN AREA** | 76 | 84 | 106 | 114 |
| **TOTAL** | **107** | **110** | **132** | **147** |

Source: Banking and Payment Systems Department, BSL

**Table 34: Regional Spread of POS**

| REGION | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| **NORTHERN PROVINCE** | 17 | 12 | 12 | 9 |
| **SOUTHERN PROVINCE** | 14 | 8 | 9 | 8 |
| **EASTERN PROVINCE** | 2 | 3 | 4 | 3 |
| **WESTERN AREA** | 268 | 205 | 207 | 188 |
| **TOTAL** | **301** | **228** | **232** | **208** |

Source: Banking and Payment Systems Department, BSL

### 9.5. Established Systems and Developments

#### 9.5.1. Automated Treasury Single Account Management (TSA)

In 2021, the Bank automated revenue sharing for key institutions within the Treasury Single Account (TSA). Previously, revenues from these institutions were manually calculated and distributed to relevant beneficiaries on a weekly basis, as mandated by law. In 2022 the BSL and the Ministry of Finance collaborated to onboard the remaining revenue institutions onto the automated TSA system.

The automation process has streamlined revenue collection and distribution, allowing these institutions to share revenues seamlessly among beneficiary entities on a daily basis based on percentages required by law.

#### 9.5.2. Electronic Fund Transfer (EFT) Project

The Electronic Fund Transfer (EFT) project, funded by the Ministry of Finance, aims to facilitate interoperability between the Bank of Sierra Leone's Core Banking Application T24 and the Accountant General's Integrated Financial Management Information System (IFMIS). This initiative seeks to replace the manual processing of payment to banks through cheques and letters with electronic transfers. The implementation of this project has gone live, despite facing some challenges in settlement of transactions from the Accountant General's Department.

#### 9.5.3. The Payment System Act (2022)

With the ongoing modernization and improvement in the payment systems in the country, the BSL continued to focus on promoting financial inclusion, safeguarding the payment systems landscape, and collaborating with relevant stakeholders to preserve the gains made in digital payment. In line with evolving trends in payment and settlement mechanisms, the Payment Systems Act of 2009 was reviewed, leading to the passage of the new Payment System Act 2022 by the Parliament of Sierra Leone.

#### 9.5.4. Currency Redenomination

On 1st July 2022, the BSL implemented a currency redenomination by removing three (3) zeroes from the Leone. Thus, one thousand old Leone (Le1,000) became 1 new Leone (NLe 1). However, both the old and new currencies were to remain in circulation until 31st December 2023 when the old Leone would no longer be a legal tender.

### 9.6. Planned Systems and Developments

#### 9.6.1. Financial Inclusion Project

The Financial Inclusion Project, funded by the World Bank, aims to establish interconnectivity and interoperability among all retail payment infrastructures, fostering efficiency in the financial system. This initiative includes the implementation of a national switch that enhances payment processes and improves connectivity in rural areas. The project was in progress in 2022 and the first phase was launched in 2023.

#### AFREXIMBANK – Pan African Payments and Settlement Platform (PAPSP)

In collaboration with Central Banks in the West African Monetary Zone (WAMZ), Afreximbank was working on a payment and settlement platform known as the Pan African Payments and Settlement Platform (PAPSP) to resolve the challenges of cross -border payments in the sub-region. PAPSS introduced an instant payment solution that would interconnect the national payment systems within WAMZ and, subsequently, the Economic Community of West African States (ECOWAS) to promote regional trade. The Bank is actively collaborating with PAPSS on this project and has reached the stage of conducting controlled transactions in a live environment.

# 10. STAFFING AND HUMAN RESOURCES DEVELOPMENT

## 10.1. Staff Strength

As of December 31, 2022, the total staff strength stood at 614, signifying a 3.4 percent increase from a staff strength of 594 at the end of December 2021. The increase in staff strength was evident across all categories, with the exception of the others cadre. In particular, Management staff increased from ten (10) to eleven (11) as at end December 2022, due to the recruitment of one Director.

Within the Professional and Sub-professional cadre, there was an increase of 8 (eight) employees, while the others cadre saw a significant rise of 51 (fifty-one) staff members. In 2021, there were 259 professionals and 134 sub-professionals, and this grew to 267 professionals and 185 sub-professionals by the end of December 2022. Notably, the Others cadre experienced a decrease from 135 staff members in 2021 to 133 in 2022.

At the end of December 2022, the total male staff count was 405, including sixteen Fixed Term Employees, representing 66.0 percent of the overall staff strength. The female staff headcount reached 209, with forty-eight Fixed Term Employees, making up 34.0 percent of the total staff strength.

Fixed Term Employees constituted 10.4 percent of the workforce, numbering 64 employees as of December 2022. This marked an increase of 8 individuals from the 56 reported in 2021. The increase was attributed to the recruitment of part-time note counters for the redenomination exercise. Table 35 shows the Bank's staff strength.

**Table 35: Staff Strength of the Bank by Category and Gender**

| | 2021 | | | 2022 | | |
|---|---|---|---|---|---|---|
| **CATEGORY** | **MALE** | **FEMALE** | **TOTAL** | **MALE** | **FEMALE** | **TOTAL** |
| **Management** | 6 | 4 | 10 | 6 | 5 | 11 |
| **Professional** | 169 | 90 | 259 | 177 | 90 | 267 |
| **Sub-Professional** | 89 | 45 | 134 | 92 | 53 | 185 |
| **Others** | 119 | 16 | 135 | 123 | 14 | 133 |
| **Total Regular Staff** | **383** | **155** | **538** | **390** | **162** | **550** |
| **Fixed Term Employees** | **14** | **42** | **56** | **16** | **48** | **64** |
| **Total** | **397** | **197** | **594** | **405** | **209** | **614** |

Source: Human Resources Department, BSL

### 10.2. Severance and Recruitment

Table 36 provides a summary of staff severance, while Table 37 shows the staff audit returns for 2022. The Bank recruited 30 individuals on a permanent basis and 17 members of staff severed from the service of the Bank.

**Table 36: Severance as at end December 2022**

| DETAILS | 2021 | 2022 |
|---|---|---|
| **Termination of Contract Appointment** | 0 | 0 |
| **Resignation** | 10 | 0 |
| **Dismissal** | 1 | 0 |
| **Deceased** | 3 | 3 |
| **Retirement** | 16 | 14 |
| **Termination** | 0 | 0 |
| **Voluntary Retirement** | 0 | 0 |
| **Retirement on Medical Grounds** | 0 | 0 |
| **Position Declared Vacant** | 0 | 0 |
| **Total** | **30** | **17** |

Source: Human Resources Department, BSL

**Table 37: Staff Audit returns as at end December 2022**

| DETAILS | 2021 | 2022 |
|---|---|---|
| **Recruitment** | 30 | 30 |
| **Fixed Term Employees** | 38 | 18 |
| **Vacated** | 0 | 0 |
| **Dismissal** | 1 | 0 |
| **Deceased** | 3 | 3 |
| **Termination** | 2 | 0 |
| **Retirement** | 16 | 14 |
| **Voluntary Retirement** | 0 | 0 |
| **Retired on Medical Grounds** | 0 | 0 |
| **End of Fixed Term** | 0 | 0 |
| **Absorption into Permanent Service** | 0 | 4 |
| **Total** | **60** | **69** |

Source: Human Resources Department, BSL

**Table 38: Recruitment of Permanent Staff in 2022**

| | |
|---|---|
| **Director** | **1** |
| **Assistant Manager** | 2 |
| **Banking Officer** | 8 |
| **Clerk** | 6 |
| **Administrative Assistant** | 4 |
| **Printing Technician** | 2 |
| **Driver** | 5 |
| **Lift Operator** | 2 |
| **Total** | **30** |

Source: Human Resources Department, BSL

### 10.3. Manpower Planning, Career Development and Appraisal

To enhance the operations at the Kenema Branch, the BSL consistently deployed staff with the necessary skills and expertise for two-year assignments and related responsibilities. In 2022, the BSL embarked on inter and intra-departmental transfers at various levels, involving a total of sixty staff members. Furthermore, the BSL recognized the dedication and commitment of its staff by promoting a total of twenty-one (21) employees from various categories. These promotions included seven (7) female and fourteen (14) male staff members, illustrating the Bank's commitment to career growth and acknowledging their hard work and dedication.

### 10.4. Training

There was stability in the execution of Capacity Development Programmes in 2022, unlike 2021 when it was disrupted by the COVID-19 pandemic and the Human Resources Department resulted to having a large number of virtual training programmes to enhance the skills of staff across the Bank. The institution continued to invest in and enhance the capabilities of its human resources, with unwavering support from the Board and Management Team.

The Bank remained committed to collaborating with accredited training institutions, including the West African Institute for Financial and Economic Management (WAIFEM), African Institute of Management Science, International Monetary Fund (IMF), the Bank of England, etc.

Staff members benefited from both short-term and long-term training across various disciplines directly relevant to the core functions of the Bank. These disciplines include Management, Economics, Human Resources, Financial Inclusion, Banking Supervision, Financial Sector Surveillance, Money Laundering, Cyber-crime Security, Management and Leadership, among others.

A total of one hundred and seventy-four (174) staff members participated in capacity-building programs and meetings throughout in 2022. Noteworthy is that out of the 174 staff, two (2) employees from the Monetary Policy Department, as well as the Research and Statistics Departments, respectively, received Full Bank Sponsorship. Additionally, one (1) staff member benefited from Study Leave with pay. Table 39 shows the distribution of staff across Departments/Units who participated in various modes of training in 2022.

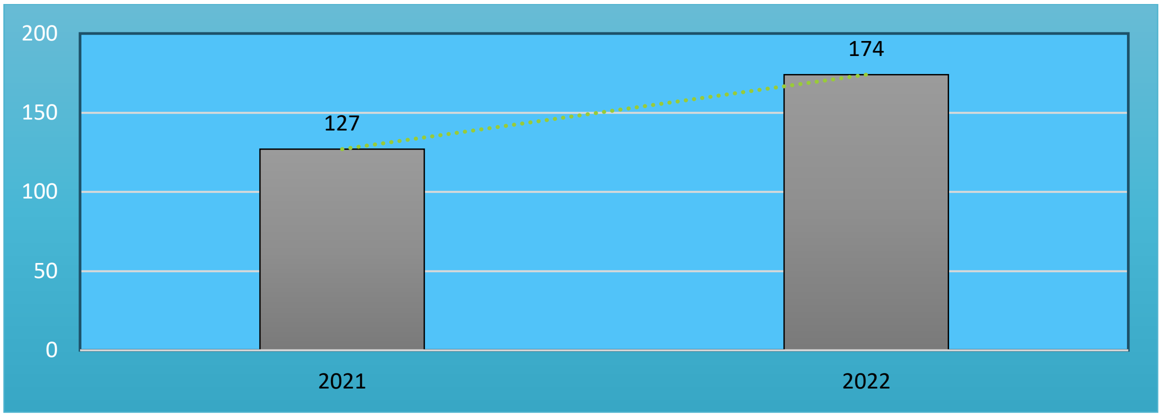
**Table 39: Staff Training by Department/Unit**

| Department | Number of staff that benefitted from Virtual Overseas Training | Number of Staff that benefitted from overseas short-term Training | Number of staff that benefitted from overseas long-term training | Number of staff that benefitted from Local trainings | Number of staff that benefitted from face-to -face Meetings, conference, Workshops | Number of staff that benefitted from Study Leave |
|---|---|---|---|---|---|---|
| **Banking** | 1 | 1 | - | - | 6 | - |
| **Banking (Kenema)** | - | 1 | - | - | - | - |
| **Banking Supervision** | 13 | 4 | - | 2 | 11 | - |
| **Finance** | - | 3 | - | - | 2 | - |
| **Financial Markets** | 6 | 3 | - | - | 6 | - |
| **FSDU** | 2 | 1 | - | - | 4 | - |
| **Financial Stability** | 8 | 1 | - | 1 | 7 | - |
| **General Services** | 1 | 1 | - | - | 2 | - |
| **Governor's Office (Main Offices)** | - | - | - | - | 2 | - |
| **Governor's Office (Procurement)** | - | 1 | - | - | - | - |
| **Governor's Office (Security Unit)** | - | - | - | - | - | - |
| **Human Resources** | 4 | 5 | - | - | 1 | - |
| **Internal Audit** | 1 | 3 | - | - | 1 | - |
| **Legal Affairs** | - | - | - | - | 2 | - |
| **MIS** | 2 | 2 | - | - | 1 | - |
| **Monetary Policy** | 6 | 5 | 1 | - | 3 | 1 |
| **OFIS** | 7 | 2 | - | 1 | 6 | - |
| **Research & Statistics** | 8 | 4 | 1 | - | 6 | - |
| **Risk Management** | 1 | 2 | - | - | 4 | - |
| **Secretary's** | 2 | 1 | - | - | 1 | - |
| **Sub-Total** | **62** | **40** | **2** | **4** | **65** | **1** |
| **Grand Total** | **174** | | | | | |

Source: Human Resources Department, BSL

Figure 54 indicates that more staff benefitted from trainings in 2022 than 2021 due to the return of normalcy from covid-19 and the full operations of training institutions.

**Figure 54: Number of staff that benefitted from Training Programmes**




Source: Human Resources Department, BSL

## 11. THE ECOWAS MACROECONOMIC CONVERGENCE CRITERIA

Sierra Leone's performance on the primary convergence criteria in 2022 was the same as in 2021, as the country met only one of the four primary criteria, which was the criterion on gross external reserves. The country did not meet the criteria on inflation, fiscal deficit and central bank financing of fiscal deficit. Both secondary convergence criteria were not met (that is, the criteria on nominal exchange rate variation and public). Tables 41 and 42 shows the performance of Sierra Leone on the primary and secondary criteria.

### 11.1. Primary Convergence Criteria

#### (i) Inflation Rate

The inflation criterion was not met in 2022. In 2022, the annual average inflation was 26.9 percent, compared to 11.9 percent in 2021 and was higher than the ECOWAS target of 5 % on the primary convergence criterion.

#### (i) Fiscal Deficit, including Grants (% of GDP)

The criterion on fiscal deficit was not met. Fiscal deficit (including grant) widened to 9.2 percent of GDP in 2022, exceeding the 3.0 percent of GDP threshold.

#### (ii) Central Bank Financing of the Budget Deficit

Sierra Leone did not meet this criterion on central bank financing of fiscal deficit in 2022. The ratio of central bank financing to the previous year's tax revenue stood at 35.8 percent in 2022, compared to the threshold of ≤ 10 percent.

#### (iii) Gross External Reserves

The country complied with the criterion on gross external reserves in 2022.The level of gross external reserves was US$610.4 million, which was 4.0 months of import cover in 2022. This was above the 3-month import cover threshold. This level of reserves was 34.5 percent lower than the US$931.7 million (5.5 months of imports) recorded in 2021.

**Table 40: Status of Sierra Leone on the ECOWAS Primary Convergence Criteria**

| Criteria | Target | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| | | Dec | Dec | Dec | Dec |
| **Inflation (Annual Average)** | ≤ 5% | 13.9 | 13.5 | 11.9 | 26.9 |
| **Fiscal Deficit including grants (percent GDP)** | ≤ 3% | 2.6 | 6.2 | 6.2 | 9.2 |
| **Central Bank Financing of Fiscal Deficit, percentage of previous year's tax revenue** | ≤ 10% | 0.7 | 21.9 | 20.0 | 35.8 |
| **Gross External Reserves (in months of import cover)** | ≥ 3 | 3.1 | 4.5 | 5.5 | 4.0 |
| **Number of criteria satisfied** | | 3 | 1 | 1 | 1 |

Source: Ministry of Finance and BSL

## 11.2. Secondary Criteria

### (i) Nominal Exchange Rate Variation

Sierra Leone did not meet the criterion on nominal exchange rate variation in 2022. The nominal exchange rate variation was 23.9 percent in 2022, which was above the threshold of 10 percent.

### (ii) Public Debt

Sierra Leone did not meet the criterion on public debt. Public debt to GDP ratio was 92.6 percent, which was above the 70.0 percent threshold.

**Table 41: Status of Sierra Leone on the ECOWAS Secondary Convergence Criteria**

| Criteria | Target | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| | | Dec | Dec | Dec | Dec |
| **Exchange Rate Variation** | ± 10 | 13.6 | 4.1 | 9.2 | 23.9 |
| **Public Debt (% of GD)** | ≤ 70% | 61 | 75.3 | 74.6 | 92.6 |
| **Number of criteria satisfied** | | 1 | 1 | 1 | 0 |

Source: Ministry of Finance and BSL

# PART B:  STATEMENT OF ACCOUNTS

**Bank of Sierra Leone**

# Financial statements for the year ended 31 December 2022

*This report contains 94 pages*
*Ref: B60/ans/eap*

# Contents

## Notes

# General information

| | | | |
|---|---|---|---|
| **Board of directors** | : | Professor Kelfala M. Kallon | - Governor (Retired 2 October 2023) |
| | | Dr. Ibrahim L. Stevens | - Governor (Appointed 16 November 2023) |
| | | Mr Sheikh A. Y. Sesay | - Deputy Governor (appointed 26 June 2020) |
| | | Ms Cecilia M. Demby | - Re-appointed 18 October 2021 |
| | | Mr George Taylor | - Re-appointed 25 October 2021 |
| | | Mr Sheikh R. Kamara | - Re-appointed 31 October 2021 |
| | | Mrs Amy Myers | - Appointed 19 September 2019 |
| | | PC Dr. Michael Shamsu Mustapha Ngebeh VI | - Appointed 13 January 2022 |
| **Senior management** | : | Dr. Ibrahim L. Stevens | - Acting Governor |
| | | Mr Sheikh A. Y. Sesay | - Deputy Governor, Financial Stability |
| | | Ms Jenneh Jabati | - Director, Human Resources Department |
| | | Mr Ralph Ansumana | - Director, Other Financial Institutions Supervision Department |
| | | Mrs. Hanifa Addai | - Director, Management Information Systems Department |
| | | Ms Jenneh Jabati | - Director, Human Resources Department |
| | | Mr Sullay Alhaji Mannah | - Director, Legal Affairs Department |
| | | Mr Morlai Bangura | - Director, Research Department |
| | | Ms Hawa E. Kallon | - Director, Secretary's Department |
| | | Mrs Veronica Finney | - Director, Financial Markets Department |
| | | Mr Mohamed S. Bah | - Director, Finance Department |
| | | Mr Eugene Caulker | - Director, Financial Stability Department |
| | | Mr Alfred W. B. Samah | - Director, Banking Department |
| | | Mr Alhaji Salihu Dukuray | - Deputy Director, Internal Audit Department |
| | | Mr Hilton Jarrett | - Deputy Director, Banking Supervision Department |
| | | Mr Chrispin Dennison-George | - Deputy Director, Governor's Office |
| | | Mr Albert Gandi | - Officer-In-Charge, General Services Department |
| | | Ms Josephine Mansaray | - Assistant Director, Risk Management Unit |
| | | Mrs Feima Jabati | - Officer-in-Charge, Governor's Office (Procurement Unit) |
| **Registered office** | : | Siaka Stevens Street<br>Freetown | |
| **Solicitors** | : | Lambert and Partners<br>40 Pademba Road<br>Freetown | |
| **Secretary to the Board** | : | Ms Hawa E. Kallon | |
| **Auditors** | : | Baker Tilly SL<br>Chartered Accountants<br>Baker Tilly House<br>37 Siaka Stevens Street<br>Freetown | |

# Report of the Directors

The Directors have pleasure in submitting their report to the Government of Sierra Leone together with the audited financial statements for the year ended 31 December 2022.

**Principal activity**

The principal activity of the Bank is to:

(a) formulate and implement monetary policy, financial regulations and prudential standards;

(b) act as banker, adviser and fiscal agent of the Government;

(c) formulate and implement the foreign exchange policy of Sierra Leone;

(d) conduct foreign exchange operations;

(e) own, hold and maintain the official international reserves including the reserves of gold

(f) issue and manage the currency of Sierra Leone;

(g) establish, promote, license and oversee sound and efficient payment and securities settlement systems;

(h) license, register, regulate and supervise financial institutions as specified in the Bank of Sierra Leone Act or any other enactment and;

(i) act as a depository for funds from international organizations.

**Directors' responsibility statement**

The Bank's Directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at 31 December 2022 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Bank of Sierra Leone Act 2019 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors have assessed the ability of the Bank to continue as a going concern. The directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future which is guaranteed by the Government of Sierra Leone. Thus, the going concern basis has been adopted in preparing the annual financial statements of the Bank.

# Report of the Directors *(continued)*

## Share capital

The bank's authorised capital is SLE 250 million. Additional details of the Bank's capital are given in note 30 to the financial statements.

## Results for the year

Loss for the period was **SLE 1.36 billion** (2021: loss of SLE 92.96 million).

## Audit and Risk Committee

The Audit and Risk Committee comprising Non-Executive Directors and one Technical Expert are responsible for oversight function over the audit mechanism, internal control system and financial reporting system of the Bank. The Audit committee meets quarterly to review and monitor the status of the audit function including the implementation of recommendations in the internal audit reports, external auditors' management reports and other oversight reports like the IMF Safeguards Assessment Reports.

## Monetary Policy Committee

The Monetary Policy Committee is the highest policy making body in the Bank on monetary policy matters. Chaired by the Governor of the Bank, this committee meets monthly to review developments in the economy and their implications for monetary management. It takes decisions on the level of the key policy rate of the Bank, the Monetary Policy Rate (MPR) to signal to the market the stance and direction of the Bank's Monetary Policy in seeking to achieve the primary objective of price stability.

## Board Finance and Information Technology Strategy Committee

The Finance Committee advised the Board in fulfilling its oversight responsibilities relating to financial planning and reporting and the Information Technology environment.

## Board Human Resource Committee

This committee ensure that sound human resource policies are formulated and implemented. It reviews existing policies and develop new policies with respect to salaries, benefits, incentive composition, succession planning, training and staff development and physical working condition.

## Banking Supervision Technical Committee

This committee is responsible to direct and deliberate on the operations of all financial institutions in order to ensure financial stability in the economy.

## Financial Policy Committee

The Financial Policy Committee (FPC) is responsible for advising the Governor and the Board of Directors of the Bank of Sierra Leone (BSL) on all policy issues relating to the financial stability, micro and macroprudential supervision, crisis management and resolution, financial literacy and the inclusion and financial market infrastructure or any successor law.

# Report of the Directors *(continued)*

**Foreign Investment Committee**

The Foreign Investment Committee is a tactical and operational level committee tasked with investing the Bank's funds. The committee is responsible for the following activities:

1. Reviewing and recommending investment options to the Foreign Assets Committee (FAC)
2. Review and monitor investment holdings in line with the approved investment guidelines

**Foreign Assets Committee**

The Foreign Assets Committee meets quarterly and has responsibility to deliberate on issues relating to foreign assets of the Bank's exchange control regulations relating to capital account transactions, monitors and maintain the external reserves to safeguard the internal value of the legal currency, and formulate policies that support monetary and exchange rate management.

**Project Monitoring Committee**

The Project Monitoring Committee is responsible to monitor ongoing projects implemented by the Bank and make appropriate recommendations to Management and Board of Directors.

**Property and equipment**

Details of the Bank's property and equipment are shown in note 21 to these financial statements.

**Employment of disabled people**

The Bank does not discriminate against a qualified individual with disability with regards to recruitment, advancement, training, compensation, discharge or other terms, conditions or privileges of employment.

**Health, safety and welfare at work**

The Bank has retained the services of a medical doctor for all employees of the Bank and a conducive office environment is maintained for staff and visitors, with adequate lighting and ventilation.

**Employee involvement and training**

There are various forums where the staff meet and discuss issues that relate to them and their progress at the work place, these include unit meetings, and regular general meetings.

There is an approved training schedule for the Bank and staff are trained both locally and internationally in various areas to improve their skills and knowledge. The Bank also has a staff appraisal process through which staff are appraised and promotions and/or increments are awarded.

## Report of the Directors *(continued)*

### Directors and their interest

The following were Directors of the Bank as at 31 December 2022:

| | | |
|---|---|---|
| Professor Kelfala M. Kallon | - Governor | - (Retired 2 October 2023) |
| Dr. Ibrahim L. Stevens | - Governor | - (Appointed 16 November 2023) |
| Mr Sheikh A. Y. Sesay | - Deputy Governor financial Stability | - Deputy Governor (appointed 26 June 2020) |
| Ms Cecilia M. Demby | - Director | - Re-appointed 18 October 2021 |
| Mr George Taylor | - Director | - Re-appointed 25 October 2021 |
| Mr Sheikh R. Kamaraa | - Director | - Re-appointed 31 October 2021 |
| Mrs Amy Myers | - Director | - Appointed 19 September 2019 |
| PC Dr. Michael Shamsu Mustapha Ngebeh VI | - Director | - Appointed 13 January 2022 |

The other Directors are to hold offices for three years each and shall be eligible for re-appointment for another term only.

No Director had during the year or has a material interest in any contract or arrangement of significance to which the Bank was or is a party.

### Auditors

The auditors, Baker Tilly were appointed by the Acting Auditor-General on 28th March 2023 to conduct the audit of the financial statements for the year ended 31 December 2022.

### Approval of the financial statements

The financial statements were approved by the Board of Directors on 17 NOVEMBER 2023

.......................................... ..........................................
**Governor** **Director**

..........................................
**Secretary**

Baker Tilly SL
Baker Tilly House
37 Siaka Stevens Street
P.O Box 100
Freetown
Sierra Leone
Telephone +(232) 30-444-100

# Independent Auditor's Report
# To the Government of Sierra Leone

## Report on the Audit of the Financial Statements

## Opinion

We have audited the financial statements of Bank of Sierra Leone, which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2022 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Bank of Sierra Leone Act 2019.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Sierra Leone, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

A Member Firm of the Baker Tilly Worldwide Network of Independent Accounting Firms
Managing Partner: Derrick Kawaley Partners: Isiaka A Balogun, Agnes N Sawyerr

# Independent Auditor's Report
# To the Government of Sierra Leone *(continued)*

## Key audit matters (continued)

| Key audit matter | How the matter was addressed in the audit |
|---|---|
| **Valuation of defined benefit obligation** | |
| The valuation of the employee defined benefit involves projecting the benefits the scheme members are expected to be paid in the future. Benefits are paid either upon retirement, death or leaving the employment of the Bank.<br>The amount of the benefit payable depends on the length of service and the level of earnings when the event occurs.<br><br>In making these projections, assumptions are made about the likelihood of a benefit becoming payable at any future date, future investments return and increases in a staff member's earnings.<br>The retirement benefits reserve is subject to volatility as the valuation is sensitive to changes in key assumptions such as the discount rate and inflation estimates. The setting of assumptions is complex and involves the application of significant judgement. | We evaluated the design and tested the implementation of key controls over the valuation of staff benefit scheme.<br><br>In evaluating the design of controls, we considered the appropriateness of the control considering the nature and significance of the risk, competence and authority of person(s) performing the control, frequency, consistency with which the control is performed and the criteria for investigation and process for follow-up.<br><br>We tested the accuracy and completeness of data provided by management to its pension valuation experts.<br><br>We tested the validity of the underlying obligations per existing Bank's policy.<br><br>We are satisfied with the actuarial assumptions applied and the measurement of the reserves. The related disclosures are determined to be sufficient as per the requirements of IAS 19 – Employee benefits. |
| **Impairment of financial assets** | |
| We identified the impairment of financial assets representing a significant risk of material misstatement and a key audit matter.<br><br>Significant judgement is required by the Directors in assessing the impairment of financial assets in compliance with IFRS 9, which requires a loss allowance for Expected Credit Loss (ECL) to be measured at the reporting date for those financial assets subject to impairment accounting. | We focused our testing of impairment on loans, receivables and investment in securities on the assumptions of management and in line with IFRS 9.<br><br>We tested the key controls relating to the preparation of the impairment model including the completeness and authority of person(s) performing the control, frequency and consistency with which the control is performed. |

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# Independent Auditor's Report
# To the Government of Sierra Leone *(continued)*

## Key audit matters (continued)

| Key audit matter | How the matter was addressed in the audit |
|---|---|
| **Impairment of financial assets (continued)** | **Impairment of financial assets** |
| The ECL model involves the application of considerable level of judgment and estimation in determining inputs for ECL calculation such as:<br><br>- Determining criteria for assigning Probability of Default rates (PD Rates)<br>- Assessing the relationship between the quantitative factors such as default and qualitative factors such as macro-economic variables<br>- Incorporating forward looking information in the model building process<br>- Factors incorporated in determining the Probability of Default (PD), the Loss Given Default (LGD), the Recovery Rate and the Exposure at Default (EAD).<br>- Factors considered in cash flow estimation including timing and amount and segmentation of portfolios used to develop risk parameters<br>- Given the level of complexity and judgement involved in determining of the ECL and the material nature of the balance, we considered the valuation of the loans, receivables and investment securities impairment allowance to be a key audit matter in the financial statements. | Our audit procedures included:<br><br>- Obtained a detailed understanding of the default definition(s) used in the ECL calculations;<br>- For loans and advances, tested the underlying data behind the determination of the probability of default by agreeing same to underlying supporting documentation<br>- For loans and advances, critically evaluating the determination of the expected cash flows used in assessing and estimating impairments and the reasonableness of any assumptions<br>- For loans and advances, evaluate whether the model used to calculate the recoverable amount complies with the requirement of IFRS 9<br>- Examined the criteria used to allocate the financial assets under stages 1, 2 and 3<br>- Performing sensitivity analysis on the macroeconomic factors used in determining the probability of default<br>- Reviewing and challenging management assumptions on how Covid 19 has influenced the key components of the ECL, thus the LGD and the PD |

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## Independent Auditor's Report
## To the Government of Sierra Leone *(continued)*

### Key audit matters (continued)

| Key audit matter (continued | How the matter was addressed in the audit |
|---|---|
| **Impairment of financial assets (continued)** | **Impairment of financial assets** |
| | - Validating that the discount rate used in discounting the estimated future cash flows meet the effective interest<br>- Verifying the source of the credit ratings used and check the appropriateness of the ratings in accordance with IFRS 9<br>- Tested the disclosures to ensure that the required disclosures under IFRS 9 have been appropriately disclosed<br>- Verifying the source of the credit ratings used and check the appropriateness of te ratings in accordance with IFRS 9 |

### Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report which we obtained prior to the date of this report. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) and the Bank of Sierra Leone Act 2019 for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Responsibilities of Directors and Those Charged with Governance for the Financial Statements (continued)

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Bank's financial reporting process.

## Auditor's responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial

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**Independent Auditor's report**
**To the Shareholders of Bank of Sierra Leone**

## Auditor's responsibilities for the audit of the financial statements (continued)

statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Section 25 of the Bank of Sierra Leone Act 2019, we report that:

- We were able to examine the books and accounting of the Bank and were provided with all the information and explanations about its transactions required by us for the efficient performance of our duties, and

- Key matters arising from the audit and in particular on material weaknesses in internal controls in relation to the financial reporting process have been disclosed.

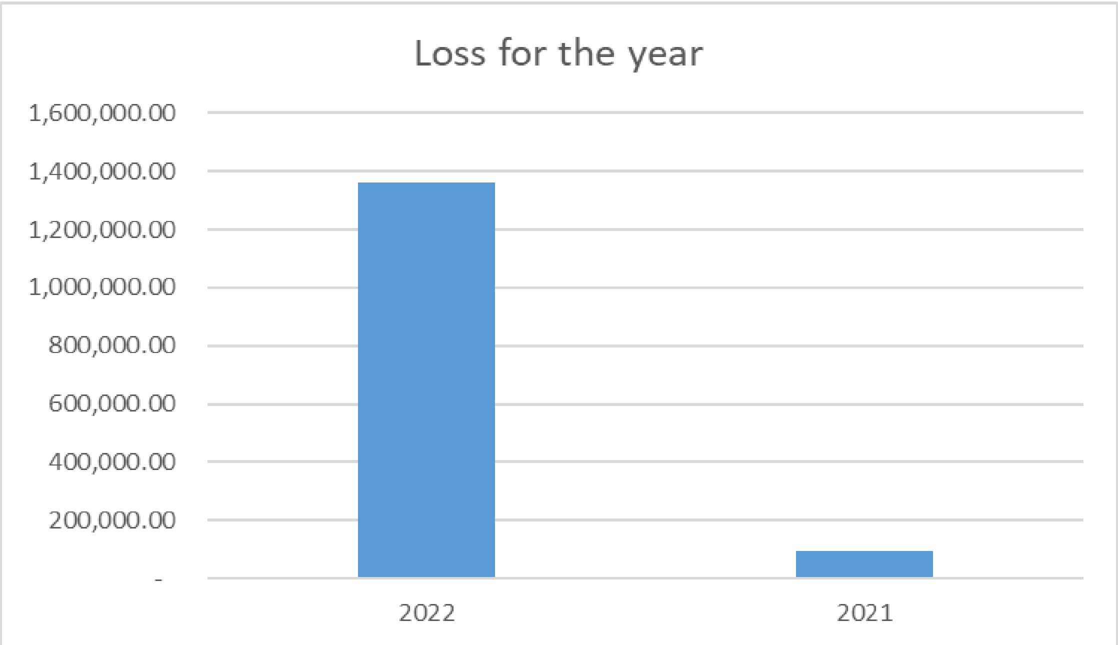
The Engagement Partner on the audit resulting in this Independent auditor's report is **Agnes N. Sawyerr.**

Baker Tilly
*Chartered Accountants*

**Freetown**

**Date:** 17 November 2023

# Financial highlights

## Statement of financial position
*as at 31 December*

| *In thousands of New Leones* | Note | 2022 | 2021 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | *16* | **4,535,312** | 5,255,296 |
| Funds held with International Monetary (IMF) | *17* | **12,833,027** | 8,856,908 |
| Loans and advances to others | *18a* | **13,158** | 12,198 |
| Due from Government of Sierra Leone | *18b* | **4,685,478** | 3,637,654 |
| COVID-19 special credit facility to banks | *18c* | **315,174** | 588,702 |
| Investment in equity | *19* | **196,437** | 84,244 |
| Investment securities | *20* | **3,603,452** | 1,088,820 |
| Property, plant and equipment | *21* | **226,288** | 212,851 |
| Other assets | *22* | **774,605** | 333,659 |
| Total assets | | **27,182,931** | 20,070,332 |
| **Liabilities** | | | |
| Amounts due to International Monetary Fund (IMF) | *23* | **20,338,509** | 14,238,167 |
| Deposits from Government | *24* | **936,045** | 361,128 |
| Deposits from Banks | *25* | **989,444** | 841,677 |
| Deposits from others | *26* | **66,036** | 56,379 |
| Currency in circulation | *27* | **5,181,265** | 3,822,414 |
| Other liabilities | *28* | **654,247** | 411,169 |
| End of service benefit | *29* | **122,212** | 101,760 |
| **Total liabilities** | | **28,287,758** | 19,832,694 |
| **Equity** | | | |
| Share capital | *30* | **125,000** | 125,000 |
| General reserve | *31(a)* | **(1,253,509)** | 91,018 |
| Revaluation reserves | *31(b)* | **32,793** | 32,793 |
| Other reserves | *31(c)* | **(9,111)** | (11,173) |
| **Total equity attributable to equity holders of the Bank** | | **(1,104,827)** | 237,638 |
| **Total liabilities and equity** | | **27,182,931** | 20,070,332 |

**These financial statements were approved by the Board of Directors on 17 NOVEMBER 2023**

..................................) **Governor**
)
)
..................................) **Director**
)
)
..................................) **Secretary**

The notes on pages 19 to 94 are an integral part of these financial statements

# Statement of profit or loss and other comprehensive income

*for the year ended 31 December*

| *In thousands of New Leones* | **Note** | **2022** | 2021 |
|---|---|---|---|
| Interest and similar income | *8* | **502,236** | 176,483 |
| Interest expenses and similar charges | *8* | **(47,913)** | (1,283) |
| **Net interest income** | | **454,323** | 175,200 |
| Fees and commission income | *9* | **4,734** | 4,183 |
| Fees and commission expense | *9* | **(315)** | (279) |
| **Net fee and commission income** | | **4,419** | 3,904 |
| Net exchange (loss)/gain | *10* | **(804,698)** | 109,122 |
| Other income | *11* | **9,822** | 3,616 |
| **Operating (loss)/income** | | **(336,134)** | 291,842 |
| Personnel expenses | *12* | **(202,646)** | (181,902) |
| Currency issue expenses | *13* | **(654,020)** | (138,702) |
| Depreciation and amortisation | *21* | **(5,621)** | (5,412) |
| (Impairment loss)/release on loans and advances | *14(a)* | **(71,374)** | 21,037 |
| Other expenses | *14(b)* | **(89,710)** | (79,820) |
| **Loss for the year** | | **(1,359,505)** | (92,957) |
| | | ======= | ======= |
| **loss income** | | | |
| Defined benefit plan actuarial gain/(loss) | | **2,062** | (2,469) |
| Other comprehensive income for the year | | - | - |
| **Total comprehensive loss for the year** | | **(1,357,443)** | (95,426) |
| | | ======== | ======= |

The notes on pages 19 to 94 are an integral part of these financial statements

## Statement of profit or loss and other comprehensive income *(continued)*

| *In thousands of New Leones* | **Note** | **2022** | 2021 |
|---|---|---|---|
| Loss attributable to: | | | |
| Equity holders of the Bank | | **(1,359,505)** | (92,957) |
| Loss for the year | | **(1,359,505)** | (92,957) |
| **Total comprehensive loss attributable to:** | | | |
| Equity holders of the Bank | | **(1,357,443)** | (95,426) |
| **Total comprehensive loss for the year** | | **(1,359,443)** | (95,426,) |

**These financial statements were approved by the Board of Directors on 17 NOVEMBER 2023**

..................................................) **Governor**
)
)
)
..................................................) **Director**
)
)
)
..................................................) **Secretary**

The notes on pages 19 to 94 are an integral part of these financial statements

# Statement of changes in equity

*for the year ended 31 December 2022*

| *In thousands of New Leones* | Share capital | Property revaluation reserve | General reserve | Other reserves | Total |
|---|---|---|---|---|---|
| Balance at 1 January 2022 | **125,000** | **32,793** | **91,018** | **(11,173)** | **237,638** |
| **Total comprehensive income for the year** | | | | | |
| Net loss for the year | **-** | **-** | **(1,359,505)** | **-** | **(1,359,505)** |
| Securities reserves | - | - | - | - | - |
| **Other comprehensive income** | | | | | |
| Fair value reserve (non-interest bearing securities) | - | - | - | - | - |
| Actuarial gain/ (loss) | - | - | - | **2,062** | **2,062** |
| Prior year adjustment | - | - | **14,978** | - | **14,978** |
| **Total other comprehensive income for the year** | **125,000** | **32,793** | **(1,253,509)** | **(9,111)** | **(1,104,827)** |
| **Total comprehensive income and other transfers** | | | | | |
| Subscribed during the year | - | - | - | - | - |
| Deposit for shares | - | - | - | - | - |
| **Total contribution by and distribution to owners** | **-** | **-** | **-** | **-** | **-** |
| **Balance at 31 December 2022** | **125,000** | **32,793** | **(1,253,509)** | **(9,111)** | **(1,104,827)** |

The notes on pages 19 to 96 are in integral part of these financial statements

## Statement of changes in equity *(continued)*
*for the year ended 31 December 2022*

| *In thousands of New Leones* | Share capital | Property revaluation reserve | General reserve | Other reserves | Total |
|---|---|---|---|---|---|
| Balance at 1 January 2021 | 125,000 | 32,793 | 165,721 | (8,704) | 314,810 |
| Total comprehensive income for the year | | | | | |
| Net loss for the year | - | - | (92,957) | - | (92,957) |
| Securities reserves | - | - | - | - | - |
| Other comprehensive income | | | | | |
| Fair value reserve (non-interest bearing securities) | - | - | - | - | - |
| Actuarial gain/ (loss) | - | - | - | (2,469) | (2,469) |
| Prior year adjustment | - | - | 18,254 | - | 18,254 |
| Total other comprehensive income for the year | 125,000 | 32,793 | 91,018 | (11,173) | 237,638 |
| Total comprehensive income and other transfers | | | | | |
| Subscribed during the year | - | - | - | - | - |
| Deposit for shares | - | - | - | - | - |
| Total contribution by and distribution to owners | - | - | - | - | - |
| Balance at 31 December 2021 | 125,000 | 32,793 | 91,018 | (11,173) | 237,638 |

The notes on pages 19 to 94 are an integral part of these financial statements

# Statement of cash flows
*for the year ended 31 December*

| *In thousands of New Leones* | **Note** | **2022** | 2021 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/ (loss) for the year | | **(1,359,505)** | (92,957) |
| **Adjustment for:** | | | |
| Depreciation and amortisation | *21* | **5,621** | 5,412 |
| Impairment losses on loans and advances | | - | - |
| Net interest income | *8* | **(454,323)** | (175,200) |
| Fixed asset write-off | | - | - |
| Profit on disposals | | **-** | - |
| Fixed assets adjustments | 21 | **65** | - |
| Actuarial gain/(loss)/ on defined benefit obligation | *29d* | **2,062** | (2,469) |
| Prior year adjustment | | **14,978** | 18,254 |
| **Changes in:** | | **(1,791,102)** | (246,960) |
| Loans and advances to others | | **(960)** | 892 |
| Due from Government of Sierra Leone | | **(1,047,824)** | (829,686) |
| Advances to banks | | **273,528** | (99,475) |
| Other assets | | **(440,946)** | (248,078) |
| Currency in circulation | | **1,358,851** | 813,066 |
| Government deposit | | **574,917** | 136,533 |
| Other deposits | | **9,657** | (38,900) |
| Deposits from banks | | **147,767** | (385,817) |
| Other liabilities | | **243,078** | 147,556 |
| End of service benefit | | **20,452** | 42,860 |
| | | **(652,582)** | (708,009) |
| Interest received | *8* | **502,236** | 176,483 |
| Interest paid | *8* | **(47,913)** | (1,283) |
| **Net cash generated from operating activities** | | **(198,259)** | (532,809) |
| **Cash flows from investing activities** | | | |
| (Purchase)/disposal of Investment Securities | | **(2,514,632)** | (264,296) |
| Acquisition of investment in equity | | **(112,193)** | (16,643) |
| Acquisition of property and equipment | | **(19,123)** | (14,154) |
| Proceeds from sale of property, plant and equipment | | **-** | **-** |
| **Net cash generated from/(used in) investing activities** | | **(2,645,948)** | (295,093) |
| **Cash flows from financing activities** | | | |
| Net change in funds from the IMF | | **2,124,223** | 1,051,889 |
| Additional capital subscribed | | - | **-** |
| Net movement in reserves | | - | **-** |
| **Net cash from financing activities** | | **2,124,223** | 1,051,889 |
| **Net increase in cash and cash equivalents** | | **(719,984)** | 223,987 |
| Cash and cash equivalents at 1 January | | **5,255,296** | 5,031,309 |
| **Cash and cash equivalent at 31 December** | *16* | **4,535,312** | 5,255,296 |
| | | ======== | ======== |

The notes on pages 19 to 94 are an integral part of these financial statements

# Notes to the financial statements

## 1. Reporting entity

The Bank of Sierra Leone is domiciled in Sierra Leone and wholly owned by the Government of Sierra Leone. The address of the Bank's registered office is Siaka Stevens Street Freetown. The Bank is an autonomous institution, and in that respect not subject to the control or direction of any person or authority.

The objective of the Bank is to achieve and maintain price and financial stability. The Bank's function is to:

- formulate and implement monetary policy, financial regulation and prudential standards;
- act as banker, adviser and fiscal agent of the Government;
- formulate and implement the foreign exchange policy of Sierra Leone;
- conduct foreign-exchange operations;
- own, hold and maintain the official international reserves including the reserves of gold;
- issue and manage the currency of Sierra Leone;
- establish, promote, license and oversee sound and efficient payment and securities settlement systems;
- license, register, regulate and supervise financial institutions as specified in the Bank of Sierra Leone Act 2019;
- act as depository for funds from international organizations.

## 2. Basis of accounting

The financial statements of Bank of Sierra Leone have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Bank of Sierra Leone Act 2019. They were authorised for issue by the Bank's Board of Directors on 17 November 2023.

Details of the Bank's accounting policies, including changes during the year, as well as the adoption of new and revised International Financial Reporting Standards (IFRS's) and Interpretations are included in notes 37 to 38.

## 3. Functional and presentation currency

These financial statements are presented in Leones, which is the Bank's functional currency. All financial information presented in Leones has been rounded to the nearest thousand.

## 4. Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual reports may differ from these estimates.

### Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2022 is set out below in relation to the impairment of financial instruments and in the following notes:

- Note 38 (g) - determination of fair value of financial instruments with significant unobservable inputs;
- Note 38 (q) measurement of defined benefit obligations: Key actuarial assumptions
- Note 38 (o) - recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources

# Notes to the financial statements *(continued)*

## 4. Use of judgements and estimates (continued)

### Assumptions and estimation uncertainties (continued)

### Impairment of financial instruments

Assets accounted for at amortised cost are evaluated for impairment on the basis described in note 38m

The determination of expected credit loss allowances is subjective and judgemental. With the introduction of IFRS 9 in 2018, a number of additional judgements and assumptions are introduced and reflected in the financial statements, including the identification of significant increases in credit risk and the application of forward-looking economic scenarios reflecting management's view of potential future economic environment. These judgements were key in the development of new models which have been built and implemented to measure the expected credit losses on relevant credit exposures.

There is limited experience available to back-test the charge for expected credit losses ('ECL') with actual results. There is also a significant increase in the number of data inputs required for the impairment calculation. This increases the risk of completeness and accuracy of the data that has been used to create assumptions and operate the model. In some cases, data is unavailable and reasonable alternatives have been applied to allow calculations to be performed.

Key judgements and estimates in respect of the timing and measurement of expected credit losses (ECL) include:

- Definition of default and credit impaired assets focusing on both the qualitative and quantitative criteria used by the Bank;

- Allocation of assets to stage 1, 2, or 3 using the significant increase in credit risk (SICR) criteria and focusing on both the qualitative and quantitative indicators;

- Accounting interpretations and modelling assumptions used to build the models that calculate the ECL such as the Probability of Default (PD), Exposure At Default (EAD), Loss Given Default (LGD);

- Completeness and valuation of post model adjustments; and

- Accuracy and adequacy of the financial statements disclosures.

# Notes to the financial statements *(continued)*

## 5. Financial risk review

This note presents information about the bank's exposure to financial risks and the bank's management of capital. Further details on the Bank's policies have been provided in note 36.



### (a) Credit risk

*Credit quality*

The Bank lends principally to the Government of Sierra Leone, repayment of which is guaranteed by the borrower. On its investment portfolio and other assets on which it may be exposed to credit risk, the Bank minimizes its exposure related to investment made in foreign debt securities and short-term deposits by establishing limits on investments with different credit quality. Credit quality is evaluated on the basis of the ratings set by the International Rating Agencies and the type of borrower. The bulk of the funds is placed with rated banks, central banks and supranational organizations as approved by the Foreign Assets Committee (FAC), Management and the Board).

The following table represents the Bank's financial assets based on Standard and Poor's credit rating of the issuer. AAA is the highest quality rating possible and indicates that the entity has an extremely strong capacity and A is an upper medium grade, indicating a strong capacity to pay interest and principal. BBB is the lowest investment grade rating, indicating a medium capacity to pay interest and principal. N/R indicated that the entity has not been rated by Standard and Poor.

The substantial portion of the investment held with non-rated issuers is guaranteed by the Government of Sierra Leone.

# Notes to the financial statements *(continued)*

## 5. Financial risk review (continued)

### (a) Credit risk (continued)

| | **Credit rating** | **2022** | **% of FA** | 2021 | % of FA |
|---|---|---|---|---|---|
| Cash balances with Central Banks | AAA - Aa2 | **2,512,208** | **19.06** | 817,911 | 7.47 |
| Cash and balances with supranational organizations | Aaa - B1/N/R | **1,592,066** | **12.08** | 3,494,822 | 31.92 |
| Cash and balances with commercial banks | Aa3 - B2/BB*/N/R | **425,389** | **3.23** | 942,269 | 8.61 |
| Cash balances with non-banking financial institutions | N/R | **5,649** | **0.04** | 294 | 0.00 |
| Advances | N/R | **5,013,810** | **38.04** | 4,238,554 | 38.71 |
| Investment securities | Baa1/B* | **3,603,452** | **27.34** | 1,088,820 | 9.94 |
| Contingencies and commitments | N/R | **27,639** | **0.21** | 367,266 | 3.35 |
| **Total** | | **13,180,213** | **100** | 10,949,936 | 100 |

# Notes to the financial statements *(continued)*

## 5. Financial risk review (continued)

### (a) Credit risk (continued)

The maximum loss that the Bank would suffer as a result of a security issuer defaulting is the value reported in the statement of financial position.

The Bank writes off an advance or an investment (and any related allowances for impairment losses) when Management and the Board determine that the assets are uncollectible. This determination is reached after considering information on the probability of collectability of the said balance.

To enable risk management, the Bank analyses its assets, portfolio and liabilities using various parameters, the result of which is the provision of information which facilitates investment decisions.

**Concentration analysis**

The Bank’s policy is to hold investments in fairly stable currencies to avoid losses caused by the depreciation of the Leone.

The analysis below gives an indication of the concentration by currency of the Bank's financial assets:

# Notes to the financial statements *(continued)*

## 5. Financial risk review (continued)

### (a) Credit risk (continued)

**Assets**

| *In thousands of New Leones* | GBP | Euro | US$ | SDR | Leone and Others | Total |
|---|---|---|---|---|---|---|
| **At 31 December 2022** | | | | | | |
| Cash and cash equivalents | **51,117** | **456** | **4,296,087** | **-** | **187,652** | **4,535,312** |
| IMF assets | **-** | **-** | **-** | **12,833,027** | **-** | **12,833,027** |
| Advances | **-** | **-** | **-** | **-** | **5,013,810** | **5,013,810** |
| Investment in equity | **-** | **-** | **196,437** | **-** | **-** | **196,437** |
| Investment securities | **-** | **-** | **-** | **-** | **3,603,452** | **3,603,452** |
| **Total assets** | **51,117** | **456** | **4,492,524** | **12,833,027** | **8,804,914** | **26,182,038** |

# Notes to the financial statements *(continued)*

## 5. Financial risk review (continued)

### (a) Credit risk (continued)

Assets

| *In thousands of New Leones* | GBP | Euro | US$ | SDR | Leone and Others | Total |
|---|---|---|---|---|---|---|
| At 31 December 2021 | | | | | | |
| Cash and cash equivalents | 16,017 | 891 | 4,642,774 | - | 595,614 | 5,255,296 |
| IMF assets | - | - | - | 8,856,908 | - | 8,856,908 |
| Advances | - | - | - | - | 4,238,554 | 4,238,554 |
| Investment in equity | - | - | 84,244 | - | - | 84,244 |
| Investment securities | - | - | - | - | 1,088,820 | 1,088,820 |
| Total assets | 16,017 | 891 | 4,727,018 | 8,856,908 | 5,922,988 | 19,523,822 |

# Notes to the financial statements *(continued)*

## 5. Financial risk review (continued)

### (b) Liquidity risk

Liquidity risk arises when the bank is not able to meet short term financial demands which usually occur when it is unable to convert security or non-liquid assets to cash without loss of capital or revenue. Hence it includes both the risk of being unable to fund assets to appropriate maturities and the risk of being unable to liquidate an asset at a reasonable price, at an appropriate rate and in reasonable timeframe.

Funds are raised using deposits, other liabilities regulated by law and other credit facilities. This enhances funding flexibility, limits dependence on any source of funds and generally lowers the cost of funds. Furthermore, the bank manages liquidity risk through foreign exchange cashflows monitoring tables and by forecasting liquidity in the banking system on a regular basis. This ensures that an appropriate level of liquidity is maintained. However, liquidity risk is present with respect to the foreign assets and liabilities and the Bank mitigates this risk by fixing limits to holding sizes and maturity of its investments.

*(i) Maturity analysis for financial assets and financial liabilities*

The Bank manages its (foreign) liquidity risks through the appropriate structuring of its (foreign) investment portfolios, to ensure that the maturity profile of (foreign) currency assets sufficiently matches those of its (foreign) currency commitments. This is monitored and managed on a daily basis. In addition, the foreign investment portfolio of the Bank includes sufficient short-term, highly liquid investment instruments.

The table below analyses the financial assets and liabilities into relevant maturity groupings based on the remaining period at statement of financial position date to contractual maturity date and shows the mismatch.

# Notes to the financial statements *(continued)*

## 5. Financial risk management (continued)

### (b) Liquidity risk (continued)

*(i) Maturity analysis for financial assets and financial liabilities (continued)*

The table below set out the remaining contractual maturities of the banks financial liabilities and financial assets

| *In thousands of New Leones* | Note | Carrying amount | Less than 1 month | 1 - 3 months | 3 months to 1 year | 1 - 5 years | More than 5 years |
|---|---|---|---|---|---|---|---|
| **31 December 2022** | | | | | | | |
| **Financial asset by type** | | | | | | | |
| *Non-derivative liabilities* | | | | | | | |
| Cash balances with central banks | *16* | **2,512,208** | **2,512,208** | - | - | - | - |
| Cash balances with supranational Organisations | *16* | **1,592,066** | - | **1,592,066** | - | - | - |
| Cash and balances with commercial Banks | *16* | **425,389** | - | **425,389** | - | - | - |
| Cash balances with non-banking Financial institution | *16* | **5,649** | - | **5,649** | - | - | - |
| International Monetary Fund related asset | *17* | **12,833,027** | - | - | **12,833,027** | - | - |
| Investment in equity | *19* | **196,437** | - | - | **196,437** | - | - |
| Loans and advances | *18* | **5,013,810** | - | **4,685,478** | **315,174** | **11,164** | **1,994** |
| Investment securities | *20* | **3,603,452** | - | **6,603** | **2,853,744** | **732,159** | **10,946** |
| | | **26,182,038** | **2,512,208** | **6,715,185** | **16,198,382** | **743,323** | **12,940** |
| **Financial liability by type** | | | | | | | |
| *Non-derivative assets* | | | | | | | |
| IMF Special drawing rights Allocation | *23* | **20,338,509** | - | - | **20,338,509** | - | - |
| Deposit from Government | *24* | **936,045** | - | - | **936,045** | - | - |
| Deposit from banks | *25* | **989,444** | - | - | **989,444** | - | - |
| Deposit from others | *26* | **66,036** | **66,036** | - | - | - | - |
| End of service benefit | *29* | **122,212** | - | - | - | **122,212** | - |
| Unrecognised loan commitment | | **27,639** | - | - | - | **27,639** | - |
| | | **22,479,885** | **66,036** | - | **22,263,998** | **149,851** | - |

# Notes to the financial statements *(continued)*

## 5. Financial risk management (continued)

### (b) Liquidity risk (continued)

*(ii) Maturity analysis for financial assets and financial liabilities (continued)*

| *In thousands of New Leones* | Note | Carrying amount | Less than 1 month | 1 - 3 months | 3 months to 1 year | 1 - 5 years | More than 5 years |
|---|---|---|---|---|---|---|---|
| 31 December 2021 | | | | | | | |
| **Financial liability by type** | | | | | | | |
| *Non-derivative liabilities* | | | | | | | |
| Cash balances with central banks | *16* | 817,910 | 817,910 | - | - | - | - |
| Cash balances with supranational Organisations | *16* | 3,494,822 | - | 3,494,822 | | - | |
| Cash and balances with commercial Banks | *16* | 942,269 | - | 942,269 | - | - | - |
| Cash balances with non-banking Financial institution | *16* | 295 | - | 295 | - | - | - |
| International Monetary Fund related asset | *17* | 8,856,908 | - | - | 8,856,908 | - | - |
| Investment in equity | *19* | 84,244 | - | - | - | 46,746 | 37,498 |
| Loans and advances | *18* | 4,238,554 | - | 2,602,178 | 1,625,176 | 9,153 | 2,047 |
| Investment securities | *20* | 1,088,820 | - | 174,212 | 537,117 | 358,739 | 18,750 |
| | | 19,523,822 | 817,910 | 7,213,776 | 11,019,201 | 414,638 | 58,295 |
| **Financial liability by type** | | | | | | | |
| *Non-derivative assets* | | | | | | | |
| IMF Special drawing rights Allocation | *23* | 14,238,167 | - | - | 14,238,167 | - | - |
| Deposit from Government | *24* | 361,128 | - | - | 361,128 | - | - |
| Deposit from banks | *25* | 841,677 | - | - | 841,677 | - | - |
| Deposit from others | *26* | 56,379 | 56,379 | - | - | - | - |
| End of service benefit | *29* | 101,760 | - | - | - | 101,761 | - |
| Unrecognised loan commitment | | - | - | - | - | 367,265 | - |
| | | 15,599,112 | 56,379 | - | 15,440,972 | 469,026 | - |

# Notes to the financial statements *(continued)*

## 5. Financial risk management (continued)

### (b) Liquidity risk (continued)

**Liquidity reserve**

The table below sets out the components of the Bank's liquidity reserve

| *In thousands of New Leones* | **2022 Carrying amount** | **2022 Fair value** | 2021 Carrying amount | 2021 Fair value |
|---|---|---|---|---|
| Cash in hand | **5,649** | **5,649** | 224 | 224 |
| Balances with other Central Banks | **2,512,208** | **2,512,208** | 817,910 | 817,910 |
| Balances with Supranational Organizations | **1,592,066** | **1,592,066** | 3,494,822 | 3,494,822 |
| Balances with Commercial Banks | **425,389** | **425,389** | 942,269 | 942,269 |
| Cash balances with non-Banking financial institutions | - | - | 71 | 71 |
| International Monetary Fund related assets | **12,833,027** | **12,833,027** | 8,856,908 | 8,856,908 |
| Investment in equity | **196,437** | **196,437** | 84,244 | 84,244 |
| Advances | **5,013,810** | **5,013,810** | 4,238,554 | 4,238,554 |
| Investment securities | **3,603,452** | **3,603,452** | 1,088,820 | 1,088,820 |
| **Total liquidity reserve** | **26,182,038** | **26,182,038** | 19,523,822 | 19,523,822 |

*Pledged assets*

None of the Bank's asset were encumbered and were therefore available to be provided as collateral to support future borrowing.

### (c) Market risks

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk is to manage and control market risks exposures within acceptable parameters, while optimizing the return on risk.

Overall oversight for management of market risk is vested in the Board. The Foreign Assets Committee is responsible for the development of detailed risk management policies (subject to review and approval by the Board) and for the day-to-day review of their implementation.

*(i) Management of interest rate risk*

The Bank holds a mixture of 1 year, 3 year and 10 year bonds as part of its local portfolio. Of these, only 1-year bonds are marketable/tradable but the Bank normally holds them to maturity because of the absence of an active market.

# Notes to the financial statements *(continued)*

## 5. Financial risk management (continued)

### (c) Market risks (continued)

*(i) Management of interest rate risk (continued)*

The local portfolio is made up mainly of these bonds and treasury bills issued by the Government of Sierra Leone. The Bank does not normally manage its exposure to decreases in yields of these securities because its participation in the secondary market is an intervention mechanism as part of its core functions and not for a profit motive.

The Bank's foreign portfolio is largely made up of fixed deposits in the money market which can be traded prior to maturity if required. This portfolio is however subject to risk of changes in exchange rate and interest rate. The Bank's investment in equity is non-tradable.

Interest rate is managed where fluctuation in interest rate will potentially reduce the Bank's income from foreign and local investment.

For foreign investments, interest rate risk is managed by holding minimum balances in currencies with falling interest rates. The foreign investments are however mainly in fixed term deposits, therefore the bank is not exposed to interest rate resetting.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various interest rate scenarios.

The scenario that is considered on a monthly basis is a 2% basis point (bp) parallel fall or rise in market interest rates.

**Sensitivity of projected net interest income (Interest rate sensitivity analysis)**

| *In thousands of New Leones* | **200 bp (2%) Increase 2022** | **200bp (2%) Decrease 2022** |
|---|---|---|
| Interest income impact | **10,045** | **(10,045)** |
| Interest expense impact | **(958)** | **958** |
| **Net impact** | **9,087** | **(9,087)** |

| *In thousands of New Leones* | 200 bp (2%) Increase 2021 | 200bp (2%) Decrease 2021 |
|---|---|---|
| Interest income impact | 3,530 | (3,530) |
| Interest expense impact | (26) | 26 |
| Net impact | 3,504 | (3,504) |

# Notes to the financial statements *(continued)*

## 5. Financial risk management (continued)

### (c) Market risks (continued)

*(i) Management of interest rate risk (continued)*

**Sensitivity of projected net interest income (Interest rate sensitivity analysis)**

The expected impact on net interest income have been based on a +/- two percent swing in interest rates that may occur during the ensuing year. The computation considered interest income on cash and short-term funds, investment securities and loans and advances.

**Management of exchange rate risk**

The Bank had reduced its exposure to the Eurozone since 2013 due to the protracted sovereign debt crisis in Greece, Portugal and Spain. The Euro has been very volatile and fluctuating significantly against the USD, the Bank's reporting currency for foreign reserves.

# Notes to the financial statements *(continued)*

## 5. Financial risk management (continued)

### (c) Market risks (continued)

*(i) Management of interest rate risk (continued)*

**Management of exchange rate risk (continued)**

*Currency risk*

**Concentrations of assets, liabilities and off balance sheet items**

| *In thousands of New Leones* | GBP | Euro | US$ | SDR | Other | Total |
|---|---|---|---|---|---|---|
| **At 31 December 2022** | | | | | | |
| Cash and balance with the banks | **51,117** | **456** | **4,296,087** | **-** | **187,652** | **4,535,312** |
| IMF assets | **-** | **-** | **-** | **12,833,027** | **-** | **12,833,027** |
| Loans and advances | **-** | **-** | **-** | **-** | **5,013,810** | **5,013,810** |
| Investment in equity | **-** | **-** | **196,437** | **-** | **-** | **196,437** |
| Investment in securities | **-** | **-** | **-** | **-** | **3,603,452** | **3,603,452** |
| **Total assets** | **51,117** | **456** | **4,492,524** | **12,833,027** | **8,804,914** | **26,182,038** |
| **Liabilities** | | | | | | |
| IMF drawing rights allocation | - | - | - | **20,338,509** | **-** | **20,338,509** |
| Deposit from Governmen**t** | - | - | - | **-** | **936,045** | **936,045** |
| Deposit from Banks | - | - | - | **-** | **989,444** | **989,444** |
| Deposit from others | - | - | - | **-** | **66,036** | **66,036** |
| End of service benefit | - | - | - | **-** | **122,212** | **122,212** |
| **Total liabilities** | **-** | **-** | **-** | **20,338,509** | **2,113,737** | **22,452,246** |
| **Net on-balance sheet position** | **51,117** | **456** | **4,492,524** | **(7,505,482)** | **6,691,177** | **3,729,792** |

# Notes to the financial statements *(continued)*

## 5. Financial risk management (continued)

### (c) Market risks (continued)

*(i) Management of interest rate risk (continued)*

**Management of exchange rate risk (continued)**

*Currency risk (continued)*

**Concentrations of assets, liabilities and off balance sheet items**

| *In thousands of New Leones* | GBP | Euro | US$ | SDR | Other | Total |
|---|---|---|---|---|---|---|
| At 31 December 2021 | | | | | | |
| Cash and balance with the banks | 16,017 | 891 | 4,642,774 | - | 595,614 | 5,255,296 |
| IMF assets | - | - | - | 8,856,908 | - | 8,856,908 |
| Loans and advances | - | - | - | - | 4,238,554 | 4,238,554 |
| Investment in equity | - | - | 84,244 | - | - | 84,244 |
| Investment in securities | - | - | - | - | 1,088,820 | 1,088,820 |
| **Total assets** | 16,017 | 891 | 4,727,018 | 8,856,908 | 5,922,988 | 19,523,822 |
| **Liabilities** | | | | | | |
| IMF drawing rights allocation | - | - | - | 14,238,167 | - | 14,238,167 |
| Deposit from Government | - | - | - | - | 361,128 | 361,128 |
| Deposit from Banks | - | - | - | - | 841,677 | 841,677 |
| Deposit from others | - | - | - | - | 56,379 | 56,379 |
| End of service benefit | - | - | - | - | 101,761 | 101,761 |
| **Total liabilities** | - | - | - | 14,238,167 | 1,360,945 | 15,599,112 |
| **Net on-balance sheet position** | 16,017 | 891 | 4,727,081 | (5,381,259) | 4,562,043 | 3,924,710 |

# Notes to the financial statements *(continued)*

## 5. Financial risk management (continued)

### (c) Market risks (continued)

*(i) Management of interest rate risk (continued)*

**Management of exchange rate risk (continued)**

*Foreign currency sensitivity analysis*

Concentration of Leone equivalent of foreign currency denominated assets and liabilities.

The following sensitivity analysis has been based on a 10% upward shift in the exchange rates of various currencies against the Leone. The net impact of a shift in the exchange rate is positive.

| *In thousands of New Leones* | GBP | Euro | US$ | SDR | Other | Total |
|---|---|---|---|---|---|---|
| **At 31 December 2022** | | | | | | |
| Cash and balance with the banks | 5,112 | 46 | 429,609 | - | 18,765 | 453,532 |
| IMF assets | - | - | - | 1,283,303 | - | 1,283,303 |
| Loans and advances | - | - | - | - | 501,381 | 501,381 |
| Investment in equity | - | - | 19,644 | - | - | 19,644 |
| Investment in securities | - | - | - | - | 360,345 | 360,345 |
| **Total assets** | 5,112 | 46 | 449,253 | 1,283,303 | 880,491 | 2,618,205 |
| **Liabilities** | | | | | | |
| IMF drawing rights allocation | - | - | - | 2,033,851 | - | 2,033,851 |
| Deposit from Government | - | - | - | - | 93,605 | 93,605 |
| Deposit from Banks | - | - | - | - | 98,944 | 98,944 |
| Deposit from others | - | - | - | - | 6,604 | 6,604 |
| End of service benefit | - | - | - | - | 12,221 | 12,221 |
| **Total liabilities** | - | - | - | 2,033,851 | 211,374 | 2,245,225 |
| **Net on-balance sheet position** | 5,112 | 46 | 449,253 | (750,548) | 669,117 | 372,980 |
| **Credit commitments** | | | | | | |

# Notes to the financial statements *(continued)*

## 5. Financial risk management (continued)

### (c) Market risks (continued)

*(i) Management of interest rate risk (continued)*

**Management of exchange rate risk (continued)**

*Foreign currency sensitivity analysis (continued)*

The following sensitivity analysis has been based on a 10% upward shift in the exchange rates of various currencies against the Leone. The net impact of a shift in the exchange rate is positive.

| *In thousands of New Leones* | GBP | Euro | US$ | SDR | Other | Total |
|---|---|---|---|---|---|---|
| At 31 December 2021 | | | | | | |
| Cash and balance with the banks | 1,602 | 89 | 464,277 | - | 59,561 | 525,529 |
| IMF assets | - | - | - | 885,691 | - | 885,691 |
| Loans and advances | - | - | - | - | 423,855 | 423,855 |
| Investment in equity | - | - | 8,424 | - | - | 8,424 |
| Investment in securities | - | - | - | - | 108,882 | 108,882 |
| **Total assets** | 1,602 | 89 | 472,701 | 885,691 | 592,298 | 1,952,381 |
| **Liabilities** | | | | | | |
| IMF drawing rights allocation | - | - | - | 1,423,817 | - | 1,423,817 |
| Deposit from Government | - | - | - | - | 36,113 | 36,113 |
| Deposit from Banks | - | - | - | - | 84,168 | 84,168 |
| Deposit from others | - | - | - | - | 5,638 | 5,638 |
| End of service benefit | - | - | - | - | 10,176 | 10,176 |
| **Total liabilities** | - | - | - | 1,423,817 | 136,095 | 1,559,912 |
| **Net on-balance sheet position** | 1,602 | 89 | 472,701 | (538,126) | 456,203 | 392,469 |
| **Credit commitments** | | | | | | |

# Notes to the financial statements *(continued)*

## 5. Financial risk management (continued)

### (c) Market risks (continued)

*(i) Management of interest rate risk (continued)*

**Management of exchange rate risk (continued)**

*Foreign currency sensitivity analysis (continued)*

Concentration of Leone equivalent of foreign currency denominated assets and liabilities.

The following sensitivity analysis has been based on a 10% downward shift in the exchange rates of various currencies against the Leone. The net impact of a shift in the exchange rate is positive.

| *In thousands of New Leones* | GBP | Euro | US$ | SDR | Other | Total |
|---|---|---|---|---|---|---|
| **At 31 December 2022** | | | | | | |
| Cash and balance with the banks | **(5,112)** | **(46)** | **(429,609)** | - | **(18,765)** | **(453,532)** |
| IMF assets | - | - | - | **(1,283,303)** | - | **(1,283,303)** |
| Loans and advances | - | - | - | - | **(501,381)** | **(501,381)** |
| Investment in equity | - | - | **(19,644)** | - | - | **(19,314)** |
| Investment in securities | - | - | - | - | **(360,345)** | **(360,345)** |
| **Total assets** | **(5,112)** | **(46)** | **(449,253)** | **(1,283,303)** | **(880,491)** | **(2,617,875)** |
| **Liabilities** | | | | | | |
| IMF drawing rights allocation | - | - | - | **(2,033,851)** | - | **(2,033,851)** |
| Deposit from Government | - | - | - | - | **(93,605)** | **(93,605)** |
| Deposit from Banks | - | - | - | - | **(98,944)** | **(98,944)** |
| Deposit from others | - | - | - | - | **(6,604)** | **(6,604)** |
| End of service benefit | - | - | - | - | **(12,221)** | **(12,221)** |
| **Total liabilities** | - | - | - | **(2,033,851)** | **(211,374)** | **(2,245,225)** |
| **Net on-balance sheet position** | **(5,112)** | **(46)** | **(449,253)** | **(750,548)** | **(669,117)** | **(372,980)** |
| **Credit commitments** | | | | | | |

# Notes to the financial statements *(continued)*

## 5. Financial risk management (continued)

### (c) Market risks (continued)

*(i) Management of interest rate risk (continued)*

**Management of exchange rate risk (continued)**

*Foreign currency sensitivity analysis (continued)*

Concentration of Leone equivalent of foreign currency denominated assets and liabilities.

The following sensitivity analysis has been based on a 10% downward shift in the exchange rates of various currencies against the Leone. The net impact of a shift in the exchange rate is positive.

| *In thousands of New Leones* | GBP | Euro | US$ | SDR | Other | Total |
|---|---|---|---|---|---|---|
| At 31 December 2021 | | | | | | |
| Cash and balance with the banks | (1,602) | (89) | (464,277) | - | (59,561) | (525,529) |
| IMF assets | - | - | - | (885,691) | - | (885,691) |
| Loans and advances | - | - | - | - | (423,855) | (423,855) |
| Investment in equity | - | - | (8,424) | - | | - |
| Investment in securities | - | - | - | - | (108,882) | (108,882) |
| **Total assets** | (1,602) | (89) | (472,701) | (885,691) | (592,298) | (1,952,381) |
| **Liabilities** | | | | | | |
| IMF drawing rights allocation | - | - | - | (1,423,817) | - | (1,423,817) |
| Deposit from Government | - | - | - | - | (36,113) | (36,113) |
| Deposit from Banks | - | - | - | - | (84,168) | (84,168) |
| Deposit from others | - | - | - | - | (5,638) | (5,638) |
| End of service benefit | - | - | - | - | (10,176) | (10,176) |
| **Total liabilities** | - | - | - | (1,423,817) | (136,095) | (1,559,912) |
| **Net on-balance sheet position** | (1,602) | (89) | (472,701) | (538,126) | (456,203) | (392,469) |
| **Credit commitments** | | | | | | |

# Notes to the financial statements *(continued)*

## 5. Financial risk management (continued)

### (c) Market risk (continued)

*(i) Management of interest rate risk (continued)*

**Management of exchange rate risk (continued)**

The continued depreciation of the foreign exchange rate reflects the structural imbalance between demands for and supply of foreign exchange due to in part the sluggish recovery of real sector activities particularly the mining and agriculture sectors and mismatch between Government revenue and expenditure, which was largely financed through monetary accommodation.

### (d) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Bank. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risk identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective.
- Compliance with the Bank standards is maintained by the Internal Audit Department.

# Notes to the financial statements *(continued)*

## 6. Fair value of financial instruments

*See accounting policy in note 38(g).*

The fair values of financial assets and financial liabilities are ideally based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

### (a) Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data
.

- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free interest rates, foreign currency exchange rates and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received if the asset is sold or the entity is paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

# Notes to the financial statements *(continued)*

## 6. Fair value of financial instruments *(continued)*

### (b) Valuation framework

The Financial Markets and Finance departments are responsible for spotting any indicators of fair value adjustment and to ensure such adjustments are properly booked.

### (c) Financial instruments measured at fair value – fair value hierarchy

The Bank measured equity investments at fair value at the reporting date.

**Principal Financial Instruments – Classification**

The principal financial instruments used by the Bank, from which financial instrument risk arises, are as follows:

- Loans and overdraft to Government and others
- Cash and cash equivalents
- Deposits from Government banks and others
- Dues to IMF
- Investments Securities
- Equity Investment
- Contingencies and commitments

# Notes to the financial statements *(continued)*

## 6. Fair value of financial instruments *(continued)*

### Financial instruments by category

| Financial assets | Fair value through profit or loss | | Amortised cost (Loans and receivables) | | Fair value through Other comprehensive income | |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| | **SLE'000** | SLE'000 | **SLE'000** | SLE'000 | **SLE'000** | SLE'000 |
| Cash and cash equivalents | - | - | **4,535,312** | 5,255,296 | - | - |
| Funds held with International Monetary Fund IMF | - | - | **7,634,235** | 5,589,678 | **5,198,792** | 3,267,230 |
| Loan and advances to others | - | - | **13,158** | 12,198 | - | - |
| Due from Government of Sierra Leone | - | - | **4,685,478** | 3,637,654 | - | - |
| Loans and advances to banks | - | - | **315,174** | 588,702 | - | - |
| Investment securities | - | | **3,603,452** | 1,088,820 | - | - |
| Equity investments | **196,437** | 84,244 | - | - | - | - |
| Other financial assets | | - | **13,265** | 18,492 | - | - |
| **Total financial assets** | **196,437** | 84,244 | **20,800,074** | 16,190,840 | **5,198,792** | 3,267,230 |
| | ======= | ===== | ======== | ======== | ======= | ======= |

# Notes to the financial statements *(continued)*

## 6. Fair value of financial instruments *(continued)*

### Financial instruments by category *(continued)*

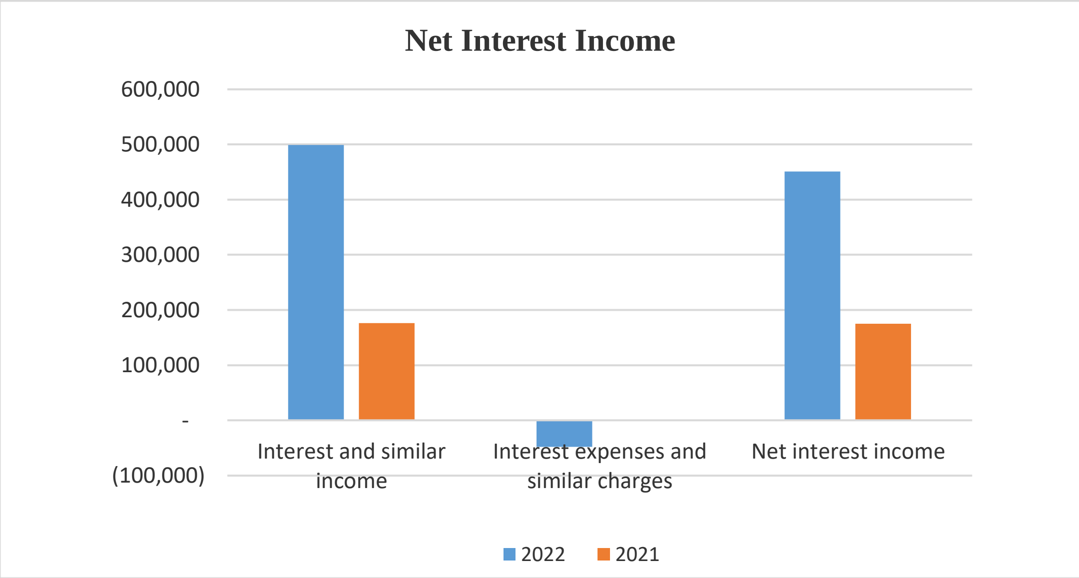
| | **Fair value through profit or loss** | | **Amortised cost** | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **SLE'000** | SLE'000 | **SLE'000** | '000 |
| Due to International Monetary Fund | - | **-** | **20,338,509** | 14,238,167 |
| Deposits from Government | - | **-** | **936,045** | 361,128 |
| Deposit from banks | - | **-** | **989,444** | 841,677 |
| Deposits from others | - | **-** | **66,036** | 56,379 |
| Currency in circulation | - | **-** | **5,181,265** | 3,822,414 |
| Other financial liabilities | - | **-** | **654,247** | 411,169 |
| **Total financial liabilities** | - | **-** | **28,165,546** | 19,730,934 |
| | ====== | ======== | ======== | ======== |

# Notes to the financial statements *(continued*

## 7. Segment reporting

The Bank did not maintain and operate separate business segments during the year. Thus, the presentation of segmented information is not considered informative.

## 8. Net interest income




| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| **Interest and similar income** | | |
| Foreign investment **(Note 8a)** | **164,930** | 30,478 |
| Loans and advances **(Note 8b)** | **46,796** | 21,764 |
| Cash and short term funds **(Note 8c)** | **1,484** | 1,004 |
| Investment securities **(Note 8d)** | **289,026** | 123,237 |
| **Balance at 31 December (Note 8e)** | **502,236** | 176,483 |

**Interest expenses and similar charges**

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| IMF interest and charges | **(47,778)** | (1,218) |
| Others | **(135)** | (65) |
| **Interest expenses** | **(47,913)** | (1,283) |
| **Net interest income** | **454,323** | 175,200 |

# Notes to the financial statements *(continued)*

## 8a. Foreign investment

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Interest income on Sterling investments | **1,980** | 10 |
| Interest income on US Dollar investments | **69,167** | 15,573 |
| Interest income on SDR investments | **78,142** | 1,599 |
| Interest income on other external investments | **15,641** | 13,296 |
| | **164,930** | 30,478 |

## 8b. Loans and advances

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Interest on loans and advances | **10,018** | 6,337 |
| Interest on reverse repos | **35,757** | 3,034 |
| Interest on COVID 19 special credit facility | **1,021** | 12,393 |
| | **46,796** | 21,764 |

## 8c. Cash and short term funds

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Income from investment of Bank Funds | **1,484** | 1,004 |

## 8d. Investment securities

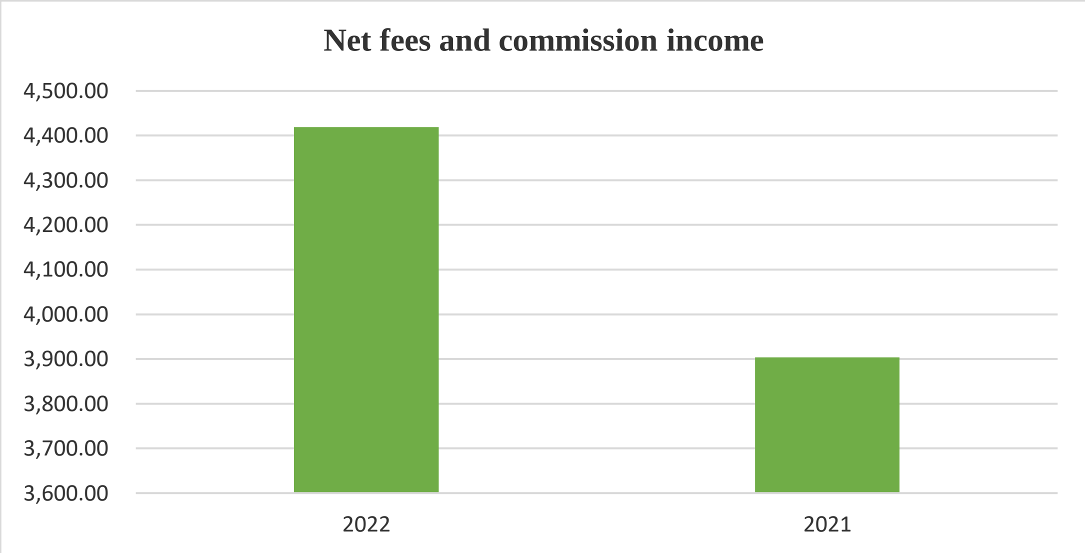
| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Interest on 91-day treasury bills | **1,982** | 3 |
| Interest on 182-day treasury bills | **28** | - |
| Interest on 1-year treasury bills | **208,048** | 67,745 |
| Interest on 2-year treasury bearer bonds | - | - |
| Interest on 3-year medium-term bonds | **42,031** | 18,561 |
| Interest on 3-year bond | **4,816** | 4,232 |
| Interest on 5-year medium-term bonds | **30,871** | 30,846 |
| Interest on 10-year bond | **1,250** | 1,850 |
| | **289,026** | 123,237 |

## 8e. Additional disclosure on income by source:

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Foreign investments | **164,930** | 30,478 |
| Local investments | **337,306** | 146,005 |
| Other interest earnings | **-** | - |
| | **502,236** | 176,483 |

# Notes to the financial statements *(continued)*

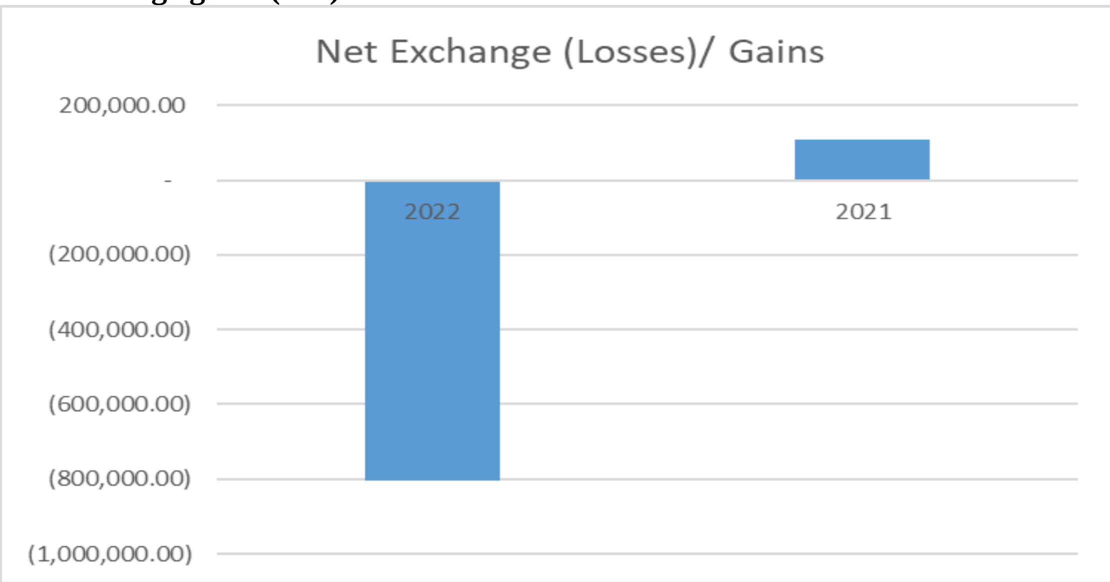
## 9. Net fee and commission income




| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| **Fee and commission income** | | |
| Commissions | **2** | 1 |
| Income on automated clearing system/ real-time gross settlement fees | **4,731** | 4,178 |
| Income on collateral registry | **-** | 3 |
| Credit related fees and commission | **-** | - |
| Sandbox fees and charges | **1** | 1 |
| | **4,734** | 4,183 |
| **Fees and commission expense** | | |
| Fees and commission expense | **(315)** | (279) |
| | **(315)** | (279) |
| **Net fees and commission income** | **4,419** | 3,904 |

# Notes to the financial statements *(continued)*

## 10. Net exchange gains/(loss)




| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Realised gains/(loss) (10a) | **300,572** | 8,171 |
| Unrealised (loss)/gains (10b) | **(1,105,270)** | 100,951 |
| | **(804,698)** | 109,122 |

## 10a. Realised gains/(loss)

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Exchange gain | **308,513** | 10,416 |
| Exchange loss | **(7,941)** | (2,245) |
| | **300,572** | 8,171 |

Realised exchange differences arise from the Bank's day-to-day transactions in foreign currencies as well as through the execution of foreign currency auction with commercial banks and through the purchase and sale of foreign currencies on behalf of the Government or its institutions.

## 10b. Unrealised (loss)/gains

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Revaluation loss | **(7,205,028)** | (1,205,202) |
| Revaluation gain | **6,099,758** | 1,306,153 |
| | **(1,105,270)** | 100,951 |

Unrealised gains and losses relate to exchange differences arising from the retranslation of the Bank's monetary assets and liabilities in foreign currencies, as a result of changes in the exchange rates for the Leone except for items recognised under note 10a.

# Notes to the financial statements *(continued)*

## 10. Net exchange gains/(loss) (continued)

### 10c. Impact on profit of revaluation gains/(loss)

| *In thousands of New Leones* | | **2022** | | 2021 |
|---|---|---|---|---|
| Loss for the year | | **(1,359,505)** | | (92,957) |
| Less: Revaluation loss | **(7,205,028)** | | (1,205,202) | |
| Revaluation gains | **6,099,758** | | 1,306,153 | |
| **Net revaluation (loss)/gains** | | **(1,105,270)** | | 100,951 |
| **Operational loss for the year excluding unrealised exchange gains/(loss)** | | **(254,235)** | | (193,908) |

In essence, the distribution of unrealised exchange gains will be counterproductive to monetary policy as it will lead to inflation in the economy. It is by virtue of this fact that Section 12 (2) requires that all unrealised exchange gains are deducted from net profit for the purposes of calculating Distributable Earnings. The above is a reconciliation of the Financial Reporting Profit (inclusive of unrealised gains and losses) to the operating profit (exclusive of unrealised gains and losses).

## 11. Other income

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Rent received | **291** | 244 |
| Grant income | **19** | 149 |
| Regulatory fees and charges | **2,207** | 1,570 |
| Sundry receipts | **7,238** | 1,305 |
| Interest on GOSL SDR Bridging Finance. | - | 348 |
| Profit on disposal of fixed assets | **-** | - |
| Interest received | **67** | - |
| | **9,822** | 3,616 |

## 12. Personnel expenses

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Salaries and wages | **125,087** | 105,250 |
| Rent allowance | **25,805** | 20,673 |
| Social Security | **9,484** | 6,960 |
| Overtime | **429** | 82 |
| Training scheme | **1,996** | 73 |
| Staff welfare | **6,243** | 980 |
| End of service benefit | **25,491** | 43,526 |
| Medical expenses | **8,111** | 4,358 |
| | **202,646** | 181,902 |

# Notes to the financial statements *(continued)*

## 13. Currency issue expense

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Currency management | **6,019** | 226 |
| Currency Issue expenses | **648,001** | 138,476 |
| | **654,020** | 138,702 |
| | ====== | ======= |

Currency issue expenses relate to the cost of the new notes and coins issued and the currency management expenses relate to all other expenses incurred in transporting notes and coins.

## 14. Other expenses

### 14a. Impairment losses on financial instruments

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| (Impairment losses)/release | **(71,374)** | 21,037 |
| | ===== | ===== |

This relates to provision for expected credit losses on financial instruments in compliance with IFRS 9.

### 14b. Other expenses

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Occupancy cost | **1,052** | 289 |
| Audit fees | **619** | 490 |
| Legal and professional fees | **24,384** | 32,729 |
| Directors' remuneration | **10,236** | 10,137 |
| Advertisement | **698** | 500 |
| Electricity | **5,477** | 2,785 |
| Insurance | **1,036** | 503 |
| Passage and overseas allowances | **9,444** | 1,458 |
| Repairs and maintenance | **4,301** | 955 |
| Hospitality | **2,296** | 1,946 |
| Contributions to International organisations | **14,414** | 8,226 |
| General office expenses | **1,783** | 1,410 |
| Vehicle running expenses | **1,162** | 732 |
| Printing and stationeries | **825** | 553 |
| Telephone and postages | **459** | 334 |
| Travelling and local subsistence | **893** | 411 |
| Uniforms | **1,187** | 1,000 |
| Computer consumables | **1,343** | 1,001 |
| Capital markets development | **664** | 200 |
| Maintenance contracts | **4,353** | 2,968 |
| Others | **3,077** | 9,078 |
| Other assets expense (write-off) | **-** | 1,435 |
| Various stores expense (write-off) | **7** | 680 |
| | **89,710** | 79,820 |
| | ====== | ====== |

# Notes to the financial statements *(continued)*

## 15. Profit/(Loss) for the year

The profit/(loss) for the year has been stated after charging:

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Depreciation and amortisation | **5,621** | 5,412 |
| Directors remuneration | **10,236** | 10,137 |
| Audit fees | **619** | 490 |
| | ===== | ====== |

## 16. Cash and cash equivalent

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Cash in hand | **5,649** | 224 |
| Balance with other Central Banks | **2,512,547** | 818,020 |
| Balances with Supranational Organizations | **1,592,281** | 3,495,294 |
| Balances with Commercial Banks | **425,419** | 942,357 |
| Cash balances with non-banking financial Institutions | - | 71 |
| | **4,535,896** | 5,255,966 |
| Provision for expected credit losses (16a) | **(584)** | (670) |
| | **4,535,312** | 5,255,296 |
| | ======= | ======= |

## 16a. Expended credit loss

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| At 1 January | **670** | - |
| (Release)/Charge for the year | **(86)** | 670 |
| Write off during the year | - | - |
| | **584** | 670 |
| | ===== | ========= |

## 17. Funds held with International Monetary Fund (IMF)

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| IMF Quota subscription | **5,198,792** | 3,267,230 |
| SDR Holdings | **7,634,235** | 5,589,678 |
| | **12,833,027** | 8,856,908 |
| | ======== | ======== |

These are International Monetary Fund related assets and they represent Sierra Leone's interest in the International Monetary Fund. Sierra Leone has been a member of the International Monetary Fund (IMF) since 1962.

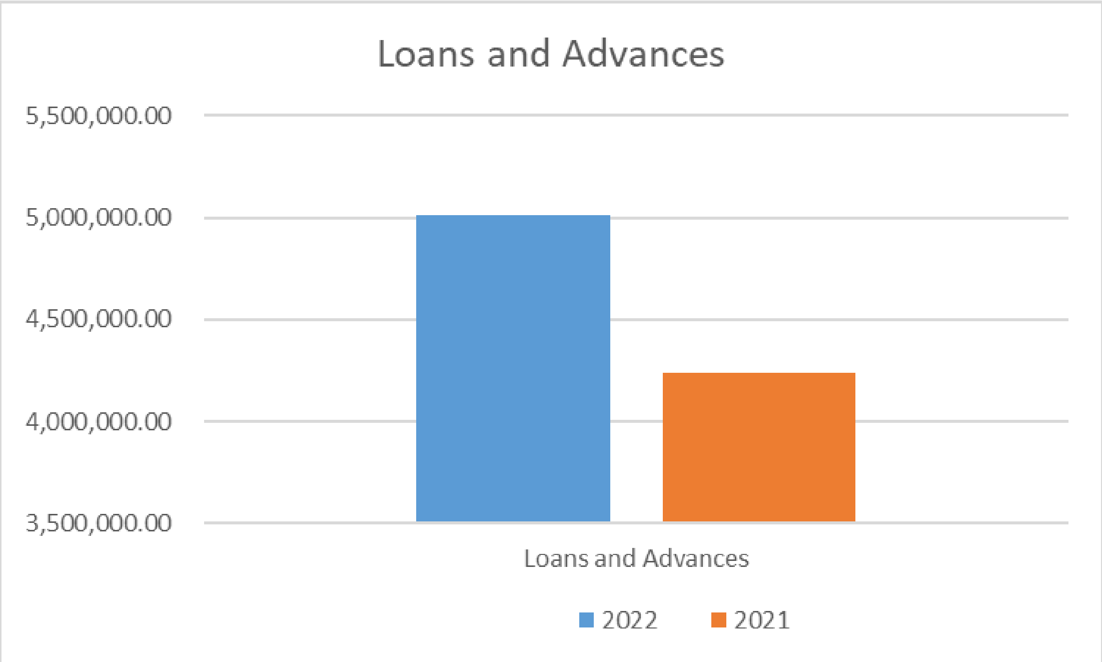
# Notes to the financial statements *(continued)*

## 17. Funds held with International Monetary Fund (IMF) (continued)

The Subscription Account reflects the initial and subsequent quota payments made by the Government to the Fund. Membership in the Fund is reflected as an asset equal to a member's quota. Quota is determined upon admission to membership and is increased periodically under General Quota Reviews or ad hoc increases. The quota subscription and subsequent increases are paid in local currency (75%) and in SDR units (25%). The quota is denominated in SDRs but is expressed in local currency. Initially, the quota subscriptions are recorded at the local currency value based on historical cost. Whenever the Fund revalued its holdings of the member's currency to reflect current exchange rates, and at least once a year at the Fund's financial year-end (April 30), the member's subscription in the Fund should be revalued along with the Fund's holdings of the member's currency, at the same rate of exchange.

As at 31 December 2022 the amount of assets held in the fund was SDR **207.4** million (2021: SDR 207.4 million) The SDR holdings held at 31 December 2022 was SDR **304.5** million (2021: SDR 156 million).

## 18. Loans and advances




| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Loans and advances to others (Note 18a(i)) | **13,158** | 12,198 |
| Due from Government of Sierra Leone (Note 18b) | **4,685,478** | 3,637,654 |
| Special credit facilities to Banks (Note 18c) | **315,174** | 588,702 |
| | **5,013,810** | 4,238,554 |

# Notes to the financial statements *(continued)*

## 18. Loans and advances (continued)

### 18a. Loans and advances to others

#### (i) Analysis by type

| *In thousands of Leone* | **2022** | 2021 |
|---|---|---|
| Staff (18(iii) | **13,274** | 12,315 |
| Others (18(iv) | **1,994** | 2,388 |
| **Gross loans and advances** | **15,268** | 14,703 |
| Less: allowances for losses on loans and advances to others (18(ii)) | **(2,110)** | (2,505) |
| | **13,158** | 12,198 |

#### (ii) Expected credit loss

| *In thousands of Leone* | **2022** | 2021 |
|---|---|---|
| At 1 January | **2,505** | 117 |
| (Release)/Charge for the year | **(394)** | 2,388 |
| Write off | **(1)** | - |
| | **2,110** | 2,505 |

#### (iii) Staff

| *In thousands of Leone* | **2022** | 2021 |
|---|---|---|
| Personal loan | **3,682** | 4,882 |
| Housing Loan | **262** | 304 |
| Vehicle loan | **4,287** | 3,860 |
| Staff advance | **9** | 49 |
| Personal loan II | **5,034** | 3,220 |
| **Balance at 31 December** | **13,274** | 12,315 |

#### (iv) Others

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Advances to contractors | | |
| Loan to Sierra Leone Stock Exchange Company Limited | **1,000** | 1,000 |
| Other advances | **994** | 1,388 |
| **Balance at 31 December** | **1,994** | 2,388 |

# Notes to the financial statements *(continued)*

## 18. Loans and advances (continued)

### 18a. Loans and advances to others (continued)

#### (v) Allowances for impairment

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| **Specific allowances for impairment** | | |
| Balance at 1 January | **2,505** | 117 |
| Impairment loss for the year | **(394)** | 2,388 |
| Write-off during the year | **(1)** | - |
| **Balance at 31 December** | **2,110** | 2,505 |
| **Collective allowance for impairmen** | | |
| Balance at 1 January | - | - |
| Impairment loss for the year | - | - |
| **Balance at 31 December** | **-** | - |
| **Total allowances for impairment** | **2,110** | 2,505 |

### 18b. Due from Government of Sierra Leone

*Advances to Government:*

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| GoSL /IMF Budget Financing | **3,530,746** | 3,365,500 |
| Treasury main | **1,256,913** | 350,104 |
| SLL COVID-19 SLL | - | - |
| Min. of Foreign Affairs imprest A/C | - | - |
| Min. of Energy Elec. Power A/c | **5,669** | 5,781 |
| | **4,793,328** | 3,721,385 |
| Provision for expected credit loss (18b (i)) | **(107,850)** | (83,731) |
| | **4,685,478** | 3,637,654 |

#### (i) Expected credit loss

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| At 1 January | **83,731** | - |
| Charge for the year | **24,119** | 83,731 |
| Write off | - | - |
| | **107,850** | 83,731 |

# Notes to the financial statements *(continued)*

## 18. Loans and advances (continued)

### 18b. Due from Government of Sierra Leone (continued)

The Ways and Means is an overdraft facility granted to the Government of Sierra Leone. The maximum it can withdraw should not exceed 5% of previous year's domestic revenue. At the end of the year the outstanding ways and means balance is repaid in the coming year within three months period as stipulated in the 2019 BSL Act. The Ways and Means of **Le118 million** is part of Treasury Main in note 18b due to Government.

**(ii) Ways and Means advances**

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Ways and means advances brought forward | **196,193** | 213,569 |
| Advances during the year | **6,044,997** | 5,137,317 |
| Receipts during the year | **(6,123,201)** | (5,154,693) |
| **Ways and means advances carried forward** | **117,989** | 196,193 |

Under the provisions of Section 64(5) of the Bank of Sierra Leone Act, 2019, the limit of the Ways and Means Advances that the Bank can grant to the Government shall not exceed five percent of the Government's actual domestic revenue excluding privatisation receipts in the previous year's budget.

**(iii) Others**

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| GoSL/IMF budget financing | **3,530,746** | 3,365,500 |
| | **3,530,746** | 3,365,500 |

GoSL/IMF budget financing is a loan granted by the IMF under the Extended Credit Facility (ECF) arrangement. The ECF funds has supported the fight against the Ebola outbreak through the Catastrophe Containment and Relief (CRR) Trust, budgetary and balance of payment needs and strengthening of the international reserves.

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Ways and Means Advances | **117,989** | 196,194 |
| Government actual revenue in previous year | **6,957,680** | 5,020,390 |
| 5% thereof | **347,884** | 251,019 |
| Buffer in Government lending | **(229,895)** | (54,825) |

# Notes to the financial statements *(continued)*

## 18. Loans and advances (continued)

### 18b. Due from Government of Sierra Leone (continued)

#### (iii) Others (continued)

The Directors report the balance of advances due from the Government of Sierra Leone as at 31 December 2022 amounting to **SLE 117,989,405** (2021: SLE196,193,516). The balance outstanding was within the limit specified in the Bank of Sierra Leone Act 2019.

### 18c. Special Credit Facility to Banks

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| BSL COVID-19 special credit facility | **19,592** | 79,055 |
| BSL COVID-19 special credit facility 11 | **306,313** | 494,000 |
| BSL COVID-19 special credit facility for MFI's | **7,840** | 47,359 |
| AGRIC CREDIT FACILITY (ACF) AC | **6,000** | 15,000 |
| Salone MF Trust Ltd Covid-19 | **(115)** | 95 |
| | **339,630** | 635,509 |
| Provision for expected credit loss (18c (i)) | **(24,456)** | (46,807) |
| | **315,174** | 588,702 |

#### (i) Expected credit loss

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| At 1 January | **46,806** | - |
| (Release)/Charge for the year | **(22,350)** | 46,806 |
| Write off | - | - |
| | **24,456** | 46,806 |

## 19. Investment in equity

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Afrexim Bank Capital Investment | **96,352** | 50,860 |
| Afrexim Bank Dividend Investment | **15,751** | 149 |
| Stabilization and Cooperation Fund | **56,082** | 33,235 |
| AFC Capital Subscription Account | **28,252** | - |
| | **196,437** | 84,244 |

Afrexim investments disclosed above includes the cash received and the dividend re-invested by the Bank.

The amount of **SLE56.08 million** (2021: SLE33.24 million) relates to the Bank's contribution to the Stabilization and Cooperation Fund managed by the West African Monetary Institute and held at the Bank of Ghana.

# Notes to the financial statements *(continued)*

## 20. Investment securities

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| 91-day treasury bills held for monetary policy | **6,783** | 8,557 |
| 182-day treasury bills | **-** | - |
| One-year treasury bills | **2,932,933** | 537,117 |
| BSL holding three-year medium-term bond | **425,558** | 227,383 |
| Five-year medium-term bond | **326,918** | 326,918 |
| Holdings of ten-year bond | **11,250** | 18,750 |
| Others | **3** | 3 |
| | **3,703,445** | 1,118,728 |
| Less: | | |
| Provision for expected credit losses (20a) | **(99,993)** | (29,908) |
| **Net cost of investment securities** | **3,603,452** | 1,088,820 |

## 20a. Expected credit loss

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| At 1 January | **29,908** | 184,541 |
| Charge/(release) for the year | **70,085** | (154,633) |
| Write off | **-** | - |
| | **99,993** | 29,908 |

**BSL Holding 3-year medium-term bond**

The Bank held two individual three-year medium-term bonds. This includes SLE 81.8 million three-year marketable security issued at an interest rate of 6% payable semi-annually.

Following instruction from the Government to convert the remaining stock of the 2010 Ways and Means Advances into three-year medium-term bond at an interest rate of 9% per annum, the said investment was recognised.

**Five-year medium-term bonds**

There is a Memorandum of Understanding (MOU) between the Government of Sierra Leone and the Bank of Sierra Leone for the conversion of Non-negotiable Non-Interest-Bearing Securities (NNIBS) to Five-year medium term bonds at an annual interest rate of 9% to be paid semi-annually. It is subject to rollover upon maturity.

**Holdings of ten-year bond**

The amount of SLE 11.25 million represents the outstanding balance due to the Bank from the Government of Sierra Leone following the issue of a 10-year marketable bond at an interest rate of 8% for the purpose of fully subscribing to the minimum paid-up capital of the Bank. The bond was issued on 1 May 2014 with interest repayable semi-annually.

# Notes to the financial statements *(continued)*

## 21. Property plant and equipment

*In thousands of New Leones*

| Cost | Premises | Motor vehicle | Office furniture equipment | Plant and machinery | Work-in progress | Total |
|---|---|---|---|---|---|---|
| Balance at 1 January 2021 | 81,154 | 6,607 | 35,708 | 12,129 | 138,316 | 273,914 |
| Additions during the year | 197 | 33 | 1,123 | 3 | 12,798 | 14,154 |
| Reclassification | 2,924 | - | 5,223 | 1,773 | (9,920) | - |
| Write-off | - | - | - | - | - | - |
| Balance at 31 December 2021 | 84,275 | 6,640 | 42,054 | 13,905 | 141,194 | 288,068 |
| Balance at 1 January 2022 | **84,275** | **6,640** | **42,054** | **13,905** | **141,194** | **288,068** |
| Additions during the year | - | - | - | - | **19,123** | **19,123** |
| Reclassification | **425** | - | **2,278** | **2** | **(2,705)** | - |
| Write-off | - | - | - | - | - | - |
| Adjustments | - | - | **(1)** | **(2)** | **(59)** | **(62)** |
| **Balance at 31 December 2022** | **84,700** | **6,640** | **44,331** | **13,905** | **157,553** | **307,129** |
| **Depreciation** | | | | | | |
| Balance at 1 January 2021 | 22,114 | 6,231 | 33,066 | 8,394 | - | 69,805 |
| Depreciation for the year | 1,625 | 322 | 2,410 | 1,055 | - | 5,412 |
| Disposal | - | - | - | - | - | - |
| Balance at 31December 2021 | 23,739 | 6,553 | 35,476 | 9,449 | - | 75,217 |
| Balance at 1 January 2022 | **23,739** | **6,553** | **35,476** | **9,449** | - | **75,217** |
| Depreciation for the year | **1,671** | **10** | **2,887** | **1,053** | - | **5,621** |
| Disposal | - | - | - | - | - | - |
| Adjustments | **(2)** | **48** | **(42)** | **(1)** | - | **3** |
| **Balance at 31December 2022** | **25,408** | **6,611** | **38,321** | **10,501** | - | **80,841** |
| **Carrying amount:** | | | | | | |
| At 31 December 2021 | 60,536 | 87 | 6,578 | 4,456 | 141,194 | 212,851 |
| **At 31 December 2022** | **59,292** | **29** | **6,010** | **3,404** | **157,553** | **226,288** |

Work in progress represents amount spent on supply and installation of lift, payments for Oracle software and hardware. Rehabilitation of the Main Bank building and payment for the supply of Hardware for the Collateral Registry Programme.

# Notes to the financial statements *(continued)*

## 22. Other assets

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Gold stock | **3,060** | 1,830 |
| Items in transit (Kenema Branch) | **-** | - |
| Consumables | **1,031** | 1,326 |
| Supplies and materials in transit | **283,379** | 203,807 |
| Prepayment | **3,130** | 6,440 |
| Advances to contractors | **664** | 3,155 |
| Interest receivable | **63,526** | 18,437 |
| Deferred currency issue expense | **65,487** | 44,769 |
| Other receivables | **24,748** | 24,395 |
| Reverse repo account | **332,000** | 32,000 |
| Others | **80** | - |
| | **777,105** | 336,159 |
| Less: | | |
| Allowances for impairment | **(2,500)** | (2,500) |
| | **774,605** | 333,659 |

## 22a. Allowances for impairment:

| | | |
|---|---|---|
| At 1 January | **2,500** | 2,500 |
| Impairment charge for the year | **-** | - |
| Write off during the year | - | - |
| | **2,500** | 2,500 |

## 22b. Expected credit loss to balance sheet

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Cash and cash equivalent (16a) | **584** | 670 |
| Loans and advances to others (18a (ii) | **2,110** | 2,505 |
| Due from Government of Sierra Leone (18b (i) | **107,850** | 83,731 |
| Special credit facility to Banks (18c (i)) | **24,456** | 46,807 |
| Investment securities (20a) | **99,993** | 29,908 |
| Other assets (22a) | **2,500** | 2,500 |
| | **237,493** | 166,121 |

## 22c. Expected credit losses to profit and loss

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Cash and cash equivalent (16a) | **(86)** | 670 |
| Loans and advances to others (18a (i)) | **(394)** | 2,388 |
| Due from Government of Sierra Leone (18b (i)) | **24,119** | 83,731 |
| Special credit facility to Banks (18c (i)) | **(22,350)** | 46,807 |
| Investment securities (20a) | **70,085** | (154,633) |
| Other assets (22a) | - | - |
| | **71,374** | (21,037) |

# Notes to the financial statements *(continued)*

## 23. Amounts due to International Monetary Fund (IMF)

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| IMF Special Drawing Rights | **5,819,625** | 4,699,033 |
| IMF Poverty Reduction and Growth Facility | **9,320,462** | 6,276,280 |
| IMF securities | **113,885** | 80,062 |
| IMF No. 1 | **5,084,302** | 3,182,645 |
| IMF No. 2 | **235** | 147 |
| | **20,338,509** | 14,238,167 |

The IMF Special Drawing Rights and Poverty Reduction and Growth Facility accounts relates to amounts due to the International Monetary Fund (IMF) for amounts of SDR's allocated to the Bank for transactions with IMF and to support programs, strengthen balance of payments position and foster durable growth, leading to higher living standards and a reduction in poverty.

The IMF No. 1 Account represents part of the IMF currency holdings held in member's designated depository agency which is used for the IMF's operations, including, inter alia, quota subscription payments, purchases, and repurchases. The No. 1 Account is a cash account. Members are required to maintain a minimum in No. 1 Account equal to 1/4 of 1 percent of the member's quota at all times.

The IMF No. 2 Account represents part of the IMF currency holdings held in member's designated depository agency and it is used for the payment of administrative expenses incurred by the IMF in the member's currency, e.g., expenses of the IMF representative offices.

The IMF Securities Account represents part of the IMF currency holdings held in members' depository agency which contain member's non-negotiable, non-interest-bearing notes encashable on demand.

## 24. Deposit from Government

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Government special deposits/accounts | **936,045** | 361,128 |
| | **936,045** | 361,128 |

Deposits from Government reflect the fact that the bank is acting as a banker to the Government. Relying on this provision, the Bank receives deposits which represent all receipts accruing to the Government and its institutions. The bank facilitates the operation of the Government's cash management through the Treasury Main Account as the expenditure account. The Government has since the 2018 fiscal year instituted the Single Treasury Account into which receipts/revenue collected by Ministries, Departments and Agencies are paid.

# Notes to the financial statements *(continued)*

## 25. Deposit from Banks

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Commercial Bank's reserve account | **916,629** | 813,122 |
| Rural and community bank's reserve accounts | **72,783** | 23,555 |
| Others | **32** | 5,000 |
| | **989,444** | 841,677 |

## 26. Deposits from Others

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Deposits from insurance brokers | **8,631** | 13,433 |
| Multilateral organisations | **16,391** | 10,433 |
| Financial institutions | **841** | 428 |
| Others | **40,173** | 32,085 |
| | **66,036** | 56,379 |

## 27. Currency in circulation

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Notes | **5,164,242** | 3,804,835 |
| Coins | **17,023** | 17,579 |
| **Balance at 31 December** | **5,181,265** | 3,822,414 |

Currency in circulation represents the face value of bank notes and coins in circulation. Currency banknotes and coins are issued in the following denominations:

Bank notes: (Old Leones): Le 10,000, Le 5,000,Le 2,000, Le 1,000, and Le 500
(New Leones): SLE20, SLE10, SLE5, SLE2, SLE1

Coins: (Old Coins): Le 500, Le 100, and Le 50,
(New Coins): 50/Cents, 25/Cents, 10/Cents, 5/Cents and 1/Cents

# Notes to the financial statements *(continued)*

## 28. Other liabilities

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| **Financial liabilities** | | |
| Other foreign currency financial liabilities (28a) | **463,647** | 161,158 |
| Accrued charges and other liabilities (28b) | **67,301** | 175,923 |
| | **530,948** | 337,081 |
| **Non-Financial liabilities** | | |
| Provision for revaluation of pipeline liabilities (28c) | **114,153** | 70,416 |
| Provision for unrealised exchange difference on SWAP revaluation | **3,639** | 3,639 |
| Keystone deposit facility a/c | **-** | - |
| Electronic funds transfer suspense | **5,624** | - |
| Rent received in advance | **102** | - |
| Kenema branch a/c | **(219)** | 33 |
| | **123,299** | 74,088 |
| | **654,247** | 411,169 |

## 28a. Other foreign currency financial liabilities

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Foreign payment | **5,635** | 5,635 |
| Bank of China US$ clearing | **158,500** | 94,719 |
| OFID Debt Relief impress account | **118** | 71 |
| Interest on one year treasury bills | **268,368** | 55,410 |
| Sundry liabilities | **31,026** | 5,323 |
| | **463,647** | 161,158 |

An agreement on the settlement of the balance on the clearing account between Bank of China and Bank of Sierra Leone was signed on 13th August 1993 to work for the settlement of the balance in favour of Bank of China on the clearing account maintained between Bank of China and Bank of Sierra Leone. Both sides confirm that the balance on the clearing account amounts to U.S Dollars 11,220,227.40 standing in favour of Bank of China. Bank of Sierra Leone shall settle the balance in twenty equal instalments, with each instalment amounting to U.S. Dollars 561,011.37. The first instalment payment shall be made on 15th August 1994 and thereafter shall be effective every six months on 15th February and 15th August respectively. There has been no repayment during the year, the movement in the 2022 amount is as a result of exchange rate fluctuations.

# Notes to the financial statements *(continued)*

## 28. Other liabilities (continued)

### 28b. Accrued charges and other liabilities

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Accrued expenses | **17,139** | 126,922 |
| P.S. Bond in circulation | **-** | - |
| Retention monies | **849** | 1,298 |
| Provision for litigation | **47,500** | 40,926 |
| Trade and sundry creditors | **1,813** | 1,813 |
| Provision for currency issue expense | **-** | 4,901 |
| Deferred revenue | **-** | 63 |
| | **67,301** | 175,923 |
| | ====== | ====== |

Included in trade and sundry creditors are balances owed to Wealth Builders.

### 28c. Provision for revaluation of pipeline liabilities

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Balance at January | **70,417** | 64,887 |
| Revaluation loss | **43,736** | 5,530 |
| **Balance at 31 December** | **114,153** | 70,417 |
| | ====== | ====== |

The provision for revaluation of pipelines is a contingency provision in respect of pipeline deposits. This relates to the obligation of the Bank to settle liabilities to commercial Banks in relation to money they deposited in Leones on behalf of importers in exchange for the Bank settling their foreign currency obligation. The liability as stated reflects the Leone value of identifiable liabilities to a number of commercial banks with respect to foreign currency obligations that were not settled by the bank.

## 29. End of service benefit

*In thousands of New Leones* — **2022** — 2021

***(a) Change in liability***

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Balance at 1 January | **101,761** | 58,901 |
| Service cost | **25,313** | 5,734 |
| Interest cost | **-** | 9,104 |
| Plan amendment | **-** | 31,581 |
| Actuarial (gain)/loss other | **(2,062)** | 2,469 |
| Benefits paid | **(2,800)** | (6,028) |
| **Balance at 31 December** | **122,212** | 101,761 |
| | ====== | ====== |

# Notes to the financial statements *(continued)*

## 29. End of service benefit (continued)

### *(b) Change in plan assets*

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Balance at 1 January | - | - |
| Actual return | - | - |
| **Expected returns at 31 December** | **-** | **-** |
| Contribution by participants | (**2,800)** | **(**6,028) |
| Employer | - | - |
| Other | - | - |
| Benefits paid | **(2,800)** | (6,028) |
| Foreign exchange rate effect | - | - |
| **Balance at 31 December** | **(2,800)** | (6,028) |

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|

### *(c) Funding level*

| | | |
|---|---|---|
| Projected benefit obligation | **122,212** | 101,761 |
| Plan assets | - | - |
| **Net obligation reported in the statement of financial position** | **122,212** | 101,761 |
| **Unrecognised actuarial gains/(losses)** | | |
| Balance at 1 January | - | - |
| Amortisation of opening balance | - | - |
| Corridor max | - | - |
| Balance to be amortised | - | - |
| Amortisation period | - | - |
| New gains/(losses) | - | - |
| **Balance at 31 December** | **-** | **-** |

# Notes to the financial statements *(continued)*

## 29. End of service benefit (continued)

### *(d) Balance sheet*

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Projected benefit obligation | **122,212** | 101,761 |
| Plan assets | - | - |
| Net obligation/(assets) | **122,212** | 101,761 |
| Unrecognised actuarial gains/(losses) | - | - |
| Unrecognised past service cost | - | - |
| Unrecognised transitional obligation | - | - |
| Unrecognised (asset ceiling) | - | - |
| Net obligation/(asset) to be in balance sheet | **122,212** | 101,761 |

### *(e) Income statement*

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Service cost | **25,313** | 5,734 |
| Net Interest cost | - | 9,104 |
| - Interest cost | - | - |
| - Expected return on plan assets | - | - |
| - Return on asset ceiling | - | - |
| Interest cost | - | - |
| Expected return on plan asset | - | - |
| Actuarial loss/(gain) recognised | - | - |
| Transitional obligation recognised | - | - |
| Past service cost recognised | - | - |
| **Amount recognised in income statement** | **25,313** | 14,838 |
| ***Other comprehensive income (OCI)*** | | |
| Actuarial (gains)/loss | **(2,062)** | 2,469 |
| Return on plan asset not in P & L | - | - |
| Effect of asset celling not in P & L | - | - |
| **Amount recognised in OCI** | **(2,062)** | 2,469 |
| Initial adjustment to capital amount recognised | **-** | - |
| Cumulative amount recognised in OCI | **(2,062)** | 2,469 |

# Notes to the financial statements *(continued)*

## 29. End of service benefit (continued)

### *(f)* Reconciliation of financial position

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Opening value | **101,761** | 58,901 |
| Employee contribution | **(2,800)** | (6,028) |
| Plan amendment | - | 31,581 |
| Amount recognised in income statement | **25,313** | 14,838 |
| Amount recognised in OCI | **(2,062)** | 2,469 |
| **Closing value** | **122,212** | 101,761 |
| | ====== | ====== |

### *(g)* ***Key valuation assumptions***

| | **2022** | 2021 |
|---|---|---|
| Discount rate (p.a) | **18%** | 16% |
| Salary increase rate (p.a) | **15%** | 15% |
| Inflation rate (p.a) | **37%** | 14% |

### *(h)* Sensitivity information

| | |
|---|---|
| **1% Increase in medical inflation** | Increase in defined benefit obligation (amount)<br>Increase in defined benefit obligation (percentage) |
| | Increase in service cost and interest cost (amount)<br>Increase in service cost and interest cost (percentage) |
| **1% decrease in medical inflation** | Decrease in defined benefit obligation (amount)<br>Decrease in defined benefit obligation (percentage) |
| | Decrease in service cost and interest cost (amount)<br>Decrease in service cost and interest cost (percentage) |

## 30. Share capital

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| **Authorised:** | **250,000** | 250,000 |
| | ====== | ====== |
| **Issued and fully paid** | | |
| Balance at 1 January | **125,000** | 125,000 |
| Subscribed during the year | - | - |
| | **125,000** | 125,000 |
| | ====== | ====== |

Section 38(1) of the Bank of Sierra Leone Act 2019 require the Bank of Sierra Leone to maintain a minimum paid up capital of Le 125 million. The paid-up capital shall be subscribed and held exclusively by the Government of Sierra Leone.

# Notes to the financial statements *(continued)*

## 31. Reserves and retained earnings

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| General reserves (31a)** | **(1,253,509)** | 91,018 |
| Revaluation reserve (31b) | **32,793** | 32,793 |
| Other reserves (31c) | **(9,111)** | (11,173) |
| **Total reserves as at 31 December** | **(1,229,827)** | 112,638 |

### (a) General reserve

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Balance at start of the year | **91,018** | 165,721 |
| Net profit for the year | **(1,359,505)** | (92,957) |
| Prior year adjustment* | **14,978** | 18,254 |
| | **(1,253,509)** | 91,018 |
| Securities reserves | - | - |
| **Balance at 31 December** | **(1,253,509)** | 91,018 |

*Prior year adjustment relates to prior year unutilised accrued charges.

**Impaired General Reserves**

Under Section 42(1) and subject to section 42(b) of the Bank of Sierra Leone Act 2019, where in the audited annual financial statements of the Bank, the value of its assets falls below the sum of its liabilities, its unimpaired issued capital and general reserves, the Board, on the advice of the external auditors of the Bank, shall assess the situation and prepare a report on the causes and extent of the shortfall within a period of not more than thirty days. In the event that the Board approves the report, the Bank shall request the Minister for a capital contribution by the Government to remedy the deficit and upon receipt of this request the Government shall, within a period of not more than thirty calendar days, transfer to the Bank the necessary amount in currency or in negotiable debt instruments with a specified maturity issued at market-related interest rates, as determined by the Board. During the financial year ended 31 December 2022, no funds were allocated by the Government (2021: nil).

**As at 31 December 2022, the total value of the liabilities of the Bank exceeds the sum of its assets by **Le1,104,827** (2021: Nil).

# Notes to the financial statements *(continued)*

## 31. Reserves and retained earnings (continued)

### (b) Revaluation reserves

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Balance at start of the year and end of the year | **32,793** | 32,793 |
| **Balance at 31 December** | **32,793** | 32,793 |

The Bank maintains a property revaluation reserve to which is transferred revaluation gains on revaluing its properties

### (c) Actuarial gains/(loss)

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Balance at start of the year | **(11,173)** | (8,704) |
| Actuarial loss on end of service benefit | - | (2,469) |
| Actuarial gain on end of service benefit | **2,062** | - |
| | **(9,111)** | (11,173) |

The movement in other reserves account represents actuarial gain/ (loss) on the provision of end-of-service benefits of Le 2.06 million gain (2021: loss of SLE2.46 million).

## 32 Contingencies and commitments

### 32a. Contingent Liabilities

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Guarantees and Endorsement | **27,639** | 367,266 |
| | **27,639** | 367,266 |

The loans in the guarantees and endorsements accounts are long outstanding debts contracted by the Government and guaranteed by the Bank in foreign currencies. There has been no claims on these guarantees over the last 10 years. The Bank holds only little information on the terms of the arrangements.

### 32b. Capital commitments

| *In thousands of New Leones* | **2022** | 2021 |
|---|---|---|
| Capital expenditure | **19,123** | 14,154 |
| African Export Import Bank | **96,352** | 50,860 |
| | **115,475** | 65,014 |

# Notes to the financial statements *(continued)*

## 32 Contingencies and commitments (continued)

### 32c. Pending law suits, legal proceedings and claims

The Bank has pending litigations against it in relation to its former employees who are claiming damages for wrongful dismissal, upward revision of pension and payment of terminal benefits and other allowances. However, the Bank has appealed against the judgements and the matters are presently at the Court of Appeal. In the event that the appeals are not successful, the Bank would be liable to pay an amount not less than SLE47.5 million excluding interest and solicitor's costs. As judgement was given against the Bank at the lower court, provision has been made in these accounts for the amounts that might become payable. The provisions have been maintained as the decision is still pending.

## 33. Related parties

Although the Bank is an autonomous entity, the Government of Sierra Leone being the sole subscriber to the share capital of the Bank, is in principle the owner of the Bank. The Bank continued to act as the banker and adviser to, and fiscal agent of, the Government of Sierra Leone as laid down in statutes. In the course of executing these duties, the Bank facilitates payments to the Government's suppliers and creditors, and extends credit facilities to the Government.

As at 31 December 2022, total net advances to the Government was SLE 117.99 million (2021: SLE 196.19 million).

The Board of Directors (including the Governor and Deputy Governor) received remuneration amounting to **SLE 10.24 million** (2021: SLE 10.14 million).

## 34. Significant subsequent events

Events subsequent to the statement of financial position date are reflected only to the extent they relate directly to the financial statements and their effect is material. The following are events occurring subsequent to the balance sheet date:

**Utilization of SDRs Allocation by the Government**

On 23 August 2021, the Executive Board of the International Monetary Fund (IMF) approved a global general allocation of Special Drawing Rights (SDRs) amounting to USD650 billion to its 190 member countries to address the long-term global needs for reserves, build confidence and foster the resilience and stability of the global economy in the midst of the challenges posed by the COVID-19 pandemic. Sierra Leone's share of the allocation was SDR198 million (USD282 million). On 2 February 2023, out of the allocation received, USD860 million was utilized by the Government for financing various budget line items in the 2023 budget. On 8 May 2023, USD467 million was utilized by the Government to finance various budget line items in the 2023 budget as agreed with the IMF. On 3 July 2023, USD467 million was utilized by the Government to finance various budget line items in the 2023 budget as agreed with the IMF**.**

The utilization of the SDRs allocation by the Government was based on the retrocession approach and done through Memorandum of Agreement (MoA) between the Ministry of Finance and the Bank of Sierra Leone. The retrocession arrangement results in a reduction of the BSL's labilities to the IMF, as the Ministry of Finance will assume the liability of the SDRs utilized. However, as the IMF will record the entire allocation for Sierra Leone, the entire SDRs allocation liabilities will be recorded as the BSL liabilities in the books of the IMF. A memorandum item in the BSL balance sheet will highlight this arrangement.

# Notes to the financial statements *(continued)*

## 34. Significant subsequent events (continued)

**Amendment to the BSL Act 2019**

The exchange rate pressures though moderated remained high since December 2022. This reflects the structural imbalance between demand for and supply of foreign exchange. The high demand for foreign exchange was in part explained by increased speculation in the foreign exchange market as shown by increased level of foreign currency deposit by banks' customers to hedge against inflation and exchange rate deprecation. To ease the pressure on the exchange rate and dampen speculative behavior in the foreign exchange market, the BSL amended the BSL Act 2019 on 11 May 2023 to permit the use of currencies other than the Leone in selected transactions in Sierra Leone by certain businesses including, payments that are required to be made in foreign currency pursuance to international treaties and agreements to which Sierra Leone is a party, contracts that are denominated in foreign currency which have been approved by Parliament, contracts involving donor-funded capital projects that require imported inputs including services and persons and businesses that are not licensed by the BSL to buy and sell foreign currency but the nature of their businesses require them to trade in foreign currency (including licensed and registered tourist enterprises under the development of tourist Act 1990, duty-free shops, hotels and restaurants located at the Lungi International Airport and other line of businesses that require them to transact mostly in foreign currency such as Airline operators with mutual agreement with their clients).

**Redenomination**

Sierra Leone went live with redenomination of the Leones on 1st July 2022. In simple terms, redenomination involves dividing a currency unit by a defined denominator and adapting that denominator to every amount in both notes and coins. For the redenomination of the Leone, it required dividing the old currency by one thousand (1,000) resulting in the removal of three (3) zeros from the Leone.

In a public notice dated 16th June 2022 it was announced that the redenominated currency shall be legal tender effective 1st July 2022 and that the old currency shall continue to be legal tender (concurrently with the redenominated currency) for a transition period of 1st July 2022 to 30th September 2022. And that the old currency shall cease to be legal tender effective 1st October 2022.

However, the transition period wherein both the old and new Leone shall continue to be used concurrently was extended to 31st March 2023 in a public notice dated 15th September 2022.

Furthermore, in another public notice dated 10th March 2023, an extension was also made on the concurrent use of the old and new leones to the 31st December 2023.

Therefore, in the absence of any further extension, the old Leones shall cease to be legal tender in Sierra Leone on 1st January 2024.

# Notes to the financial statements *(continued)*

## 35. Financial risk management

### Introduction and overview

The Bank has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risks.

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's framework and has authorised the establishment of a Risk Management Function to ensure effective discharge of its risk oversight responsibility.

The Risk Management Function would be responsible for monitoring compliance with the risk management policies and procedures, reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank, the appropriateness and effectiveness of the Bank's risk management systems and controls and also consider the implications of changes proposed to regulations and legislation that are relevant to the Bank's risk management activity.

The Board Audit Committee is responsible for monitoring the Bank's compliance with financial accounting policies and pronouncements, keep under review the appropriateness of the accounting policies and internal controls systems, consider external auditor's report and also reviewing the resources, scope, authority and operations of the Internal Audit function. The Board Audit Committee is assisted in these functions by the Head of Audit. The Head of Audit undertakes both regular and ad-hoc reviews and audits of management controls and procedures, the results of which are reported to the Audit Committee.

### (a) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's advances and other receivables. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure including default risk.

The Bank grants advances mainly to the Government of Sierra Leone in its capacity as the Government's bankers. The Bank of Sierra Leone Act 2019 specifies the credit limit and the credit limit is strictly monitored to provide a safeguard against breach. The Government provides a guaranty against the risk of failure to finance the facility; therefore credit risk in this regard is considered to be minimal.

The Bank also pays keen attention to the quality of its investment portfolio making sure the bulk of its holdings/deposits are with triple "A" financial institutions.

# Notes to the financial statements *(continued)*

## 35. Financial risk management (continued)

### (b) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities that are settled by delivering cash or another financial assets.

**Management of liquidity risk**

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The key elements of the Bank's liquidity strategy are as follows:

- Maintaining a diversified deposits base consisting of Government and multilateral agencies
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity.
- Monitoring liquidity ratios, maturity mismatches, behavioural characteristics of the Bank's financial assets and financial liabilities, and the extent to which the Bank's assets are encumbered and so not available as potential collateral for obtaining funding.
- Carrying out stress testing of the Bank's liquidity position.

Management receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Management then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to customers, to ensure that sufficient liquidity is maintained within the Bank as a whole. The liquidity requirements of the Bank are met through short-term investment to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

### (c) Market risks

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on the investment.

**Management of market risks**

The Bank is exposed to exchange rate risk on its financial assets and liabilities denominated in foreign currencies. The safeguard against this risk is the holding of assets in various currencies which mitigates the risk.

The Bank is also exposed to interest rate risk on its foreign reserve deposits in instances where the contract provides for the application of floating interest rates.

# Notes to the financial statements *(continued)*

## 35. Financial risk management (continued)

### (e) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the risk management unit within the Bank. This responsibility includes:

- Develop, implement and continuously improve a framework to interpreted the process for managing risk into the Bank's overall governance and strategy;
- The adoption of consistent processes with a comprehensive framework ensuring that the risk is managed effectively and coherently across the Bank;
- Evaluate the effectiveness in managing risks;
- Prepare appropriate risk policies for the approval of the Board;
- Set risk parameters which will be used to monitor and ensure that the risk management activities are in compliance with the policy set by the Board;
- Responsible for managing the policies, framework and processes of the risk management function as stipulated in the ISO 31000;
- Identify and treat risk throughout the Bank;
- Compliance with relevant Legal and Regulatory requirements and International norms;
- Improve the identification of opportunities and threats;
- Documentation of controls and procedures;
- Development of contingency plans;
- Ensure segregation of duties including authorisation limits;
- Risk awareness and sensitization;
- Develop and update Risk Register.
- Manage policies, framework and processes of the risk management function of the Bank.

Compliance with Bank standards is supported by a programme of independent periodic reviews undertaken by the Head, Internal Audit Department. The results of internal audit reviews are discussed and clarified with departmental heads and the clarified reports are submitted to senior management.

## 36. Basis of measurement

The financial statements have been prepared on a historical basis except where specific balances have been stated at fair value.

# Notes to the financial statements *(continued)*

## 37. Changes in accounting policies

*Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS, IAS 39, IFRS 7, IFRS 7, IFRS 4 and IFRS 16)* the Phase 2 amendments) became effective on 1 January 2021.

The Interest Rate Benchmark Reform – Phase 2 (Amendment to IFRS 9, IAS 39, IFRS 4 and IFRS 16) relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting. These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements.

The interest rate benchmarks refer to interest reference rate (interbank offered rate (IBORs) such as LIBOR, EURIBOR and TIBOR, and represent the cost of obtaining unsecured funding, in a particular combination of currency and maturity and in a particular interbak term lending market.

The Bank has no transactions that are affected by the newly effective requirements.

## 38. Significant accounting policies

Except for the changes explained in Note 38 the Bank has consistently applied the following accounting policies to all periods presented in these financial statements.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

# Notes to the financial statements *(continued)*

## 38. Significant accounting policies (continued)

### (a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Foreign currency differences arising as retranslation are recognised in the profit and loss account as required by the Bank of Sierra Leone Act 2019.

### (b) Interest income and expense

Interest income and expenses are recognized in the profit or loss for all interest-bearing instruments on an accruals basis, using the effective interest rate method.

The recognition of interest ceases when the payment of interest or principal is in doubt, interest is included in income thereafter, only when it is received.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability

The calculation of the effective interest rate includes all fees and interest paid or received, transaction costs, (which are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability) and discounts or premiums that are an integral part of the effective interest rate.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank’s trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

### (c) Fees and commission

Fees and commissions that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

# Notes to the financial statements *(continued)*

## 38. Significant accounting policies (continued)

### (d) Net exchange gains/losses

Net exchange gains/losses comprises gains less losses related to conversion of foreign monetary assets and liabilities.

For all foreign payment instructions executed by the Bank of Sierra Leone, the following exchange rates on the value date of transaction are applicable:

i. For foreign payments on behalf of Government and Government Departments, the selling exchange rate of the transactions is applied;
ii. For foreign payments on behalf of Commercial Banks the rate agreed between Bank of Sierra Leone and the Commercial Banks is applied;
iii. For Bank of Sierra Leone transactions, the mid exchange rate of the transaction currency is applied and,
iv. For inward customer transfer, the buying exchange rate of the transactions date is applied

Foreign exchange assets and liabilities are revalued on a daily basis. For the purposes of IMF assets and liabilities the Bank applies the following rules:

At least once every year, all Fund currency holdings are revalued based on the prevailing SDR exchange rate. The difference between the Fund's currency holdings translated at the previous rate and the currency holdings valued at the new rate gives rise to currency valuation adjustments (CVA) and is placed in a CVA account.

This account records the amount which is payable to or receivable from the Fund depending on whether the Leone has depreciated or appreciated vis-à-vis the SDR since the last revaluation. The CVA receivable or payable is also part of the Fund's holdings of currency and is also subject to maintenance of value obligations. The differences arising from the revaluation give rise to a change in the currency terms, as reflected in the CVA account balance. The Bank records a CVA as either a payable or receivable from the Fund. Foreign exchange gains and losses arising from translation or from annual revaluation are recognised in the profit or loss account.

### (e) Lease payments made

There are no contractual agreements in which the Bank is a lessee. However, the Bank leased a part of its buildings to the National Minerals Agency. Payments received under this lease contract are treated as operating lease and are recognized as an income during the term of the lease.

### (f) Income tax expense

In accordance with section 66 of the Bank of Sierra Leone Act 2019, the profits of the Bank are not liable to Income Tax, or any other tax.

# Notes to the financial statements *(continued)*

## 38. Significant accounting policies (continued)

### (g) Financial assets and financial liabilities

(i) *Recognition*

The Bank on the date of origination or purchase recognizes loans, debt and equity securities, deposits and subordinated debentures at the fair value of the consideration paid. For non-revolving facilities, origination date is the date the facility is disbursed while origination date for revolving facilities is the date the line is availed. Regular purchases and sales of financial assets are recognized on the settlement date. All other financial assets and liabilities are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

(ii) Classification and Measurement

Initial measurement of a financial asset or liability is at fair value plus transaction costs that are directly attributable to its purchase or issuance. For instruments measured at fair value through profit or loss, transaction costs are recognized immediately in profit or loss. Financial assets include both debt and equity instruments.

- Amortised cost
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value through Profit or Loss (FVTPL)

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual cash flow characteristics.

Business Model Assessment

Business model assessment involves determining whether financial assets are managed in order to generate cash flows from collection of contractual cash flows, selling financial assets or both. The Bank assesses business model at a portfolio level reflective of how groups of assets are managed together to achieve a particular business objective.

For the assessment of business model the Bank takes into consideration the following factors:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual from interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of assets in a portfolio is evaluated and reported to key decision makers within the Bank's business lines;
- the risks that affect the performance of assets held within a business model and how those risks are managed;
- how compensation is determined for the Bank's business lines' management that manages the assets; and
- the frequency and volume of sales in prior periods and expectations about future sales activity.

# Notes to the financial statements *(continued)*

## 38. Significant accounting policies (continued)

### (g) Financial assets and liabilities (continued)

(ii) Classification and Measurement (continued)

Business Model Assessment (continued)

Management determines the classification of the financial instruments at initial recognition. The business model assessment falls under three categories:

1. Financial assets held with the sole objective to collect contractual cash flows;
2. Financial assets held with the objective of both to collecting contractual cash flows and selling; and

The Bank may decide to sell financial instruments held under the first category with the objective to collect contractual cash flows without necessarily changing its business model if one or more of the following;

- When the Bank sells financial assets to reduce credit risk or losses because of an increase in the assets' credit risk.
- Where these sales are infrequent even if significant in value. A Sale of financial assets is considered infrequent if the sale is one-off during the Financial Year.
- Where these sales are insignificant in value both individually and in aggregate, even if frequent.
- When these sales are made close to the maturity of the financial assets and the proceeds from the sales approximates the collection of the remaining contractual cash flows.

Cash flow characteristics assessment

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest ((SPPI) on the principal amount outstanding.

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instruments due to repayments. Interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

# Notes to the financial statements *(continued)*

## 38. Significant accounting policies (continued)

### (g) Financial assets and liabilities (continued)

(ii) Classification and Measurement (continued)

Cash flow characteristics assessment (continued)

In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and features that modified consideration of the time value of money (e.g. periodical reset of interest rates).

The considerations concern, in particular, contingent liabilities and the housing and vehicle loan schemes provided to eligible staff members. The Bank holds a portfolio of long-term fixed rate loans for which it has the option to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The right to reset the rates of the loans based on the revision in market rates are part of the contractually agreed terms on inception of the loan agreement, therefore the borrowers are obligated to comply with the reset rates without any option of repayment of the loans at par at any reset date. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies with the interest rate in a way that is considered a consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

*a) Financial assets measured at amortised cost*

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost using the effective interest rate method. Amortized cost is calculated taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate. Amortization is included in Interest income in the Statement of Comprehensive Income. Impairment on financial assets measured at amortized cost is calculated using the expected credit loss approach.

Loans and debt securities measured at amortized cost are presented net of the allowance for credit losses (ACL) in the statement of financial position.

# Notes to the financial statements *(continued)*

## 38. Significant accounting policies (continued)

### (g) Financial assets and liabilities (continued)

(ii) Classification and Measurement (continued)

Cash flow characteristics assessment (continued)

*b) Financial assets measured at FVOCI*

Financial assets are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI cost are recorded in other comprehensive Income (OCI), unless the instrument is designated in a fair value hedge relationship. When designated in a fair value hedge relationship, any changes in fair value due to changes in the hedged risk is recognized in Non-interest income in the Statement of Comprehensive Income. Upon derecognition, realized gains and losses are reclassified from OCI and recorded in Non-interest income in the Statement of Comprehensive Income. Foreign exchange gains and losses that relate to the amortized cost of the debt instrument are recognized in the Statement of Comprehensive Income. Premiums, discounts and related transaction costs are amortized over the expected life of the instrument to interest income in the Statement of Comprehensive Income using the effective interest rate method.

*c) Equity Instruments*

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. All equity instruments are measured at FVTOCI according to IFRS 9.

*d) Financial Liabilities at amortised cost*

Financial liabilities that are not classified at fair value through profit or loss fall into this category and are measured at amortised cost using the effective interest rate method. Financial liabilities measured at amortised cost are deposits from banks or customers, other borrowed funds, debt securities in issue for which the fair value option is not applied, convertible bonds and subordinated debts.

# Notes to the financial statements *(continued)*

## 38. Significant accounting policies (continued)

### (g) Financial assets and liabilities (continued)

*iii) Reclassifications*

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets. A change in the Bank's business model will occur only when the Bank either begin or cease to perform an activity that is significant to its operations such as:

- Significant internal restructuring or business combinations; for example an acquisition of a private asset management company that might necessitate transfer and sale of loans to willing buyers; this action will constitute changes in the business model and subsequent reclassification of the loan held from category 1 to Category 2;
- Disposal of a business line i.e. disposal of a business segment;
- Any other reason that might warrant a change in the Bank’s business model as determined by management based on facts and circumstances.

The following are not considered to be changes in the business model:

- A change in intention related to particular financial assets (even in circumstances of significant changes in market conditions);
- A temporary disappearance of a particular market for financial assets;
- A transfer of financial assets between parts of the Bank with different business models.

iv) *Modification of financial assets and liabilities*

a) Financial assets

When the contractual terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognised at fair value. Any difference between the amortized cost and the present value of the estimated future cash flows of the modified asset or consideration received on derecognition is recorded as a separate line item in profit or loss as ‘gains and losses arising from the derecognition of financial assets measured at amortized cost’.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss as part of impairment charge for the year.

In determining when a modification to terms of a financial asset is substantial or not to the existing terms, the Bank will consider the following non-exhaustive criteria:

# Notes to the financial statements *(continued)*

## 38. Significant accounting policies (continued)

### (g) Financial assets and liabilities (continued)

iv) *Modification of financial assets and liabilities (continued)*

a) Financial assets (continued)

*Quantitative criteria*

*A modification would lead to derecognition of existing financial asset and recognition of a new financial asset, i.e. substantial modification, if:*

- The discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

In addition to the above, the Bank shall also consider qualitative factors as detailed below.

*Scenarios where modifications will lead to derecognition of existing loan and recognition of a new loan, i.e. substantial modification, are:*

- The exchange of a loan for another financial asset with substantially different contractual terms and conditions such as the restructuring of a loan to a bond; conversion of a loan to an equity instrument of the borrower;
- Roll up of interest into a single bullet payment of interest and principal at the end of the loan term;
- Conversion of a loan from one currency to another currency;

*Another factor to be considered:*

- Extension of maturity dates

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized in profit or loss (see above) and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset;

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition.

*b) Financial Liabilities*

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

# Notes to the financial statements *(continued)*

## 38. Significant accounting policies (continued)

### (g) Financial assets and liabilities (continued)

iv) *Modification of financial assets and liabilities (continued)*

*b) Financial Liabilities (continued)*

*De-recognition of financial instruments*

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or re-pledge them.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

*v) Impairment of Financial Assets*

In line with IFRS 9, the Bank assesses the under listed financial instruments for impairment using the Expected Credit Loss (ECL) approach:

- Amortized cost financial assets;
- Debt securities classified as at Amortised cost;
- Off-balance sheet loan commitments; and
- Financial guarantee contracts.

Equity instruments and financial assets measured at FVTOCI are not subjected to impairment under the standard.

# Notes to the financial statements *(continued)*

## 38. Significant accounting policies (continued)

### (g) Financial assets and liabilities (continued)

*v) Impairment of Financial Assets*

*Expected Credit Loss Impairment Model*

The Bank's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either over the following twelve months or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The Bank adopts a three-stage approach for impairment assessment based on changes in credit quality since initial recognition.

- Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used;

- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument;

- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The guiding principle for ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments since initial recognition. The ECL allowance is based on credit losses expected to arise over the life of the asset (life time expected credit loss), unless there has been no significant increase in credit risk since origination.

*Measurement of expected credit losses*

The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio.

# Notes to the financial statements *(continued)*

## 38. Significant accounting policies (continued)

### (g) Financial assets and liabilities (continued)

*v) Impairment of Financial Assets (continued)*

*Measurement of expected credit losses (continued)*

*Details of these statistical parameters/inputs are as follows:*

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.

- 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs.

- Lifetime PDs – This is the estimated probability of default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for ‘stage 2’ and ‘stage 3’ exposures. PDs are limited to the maximum period of exposure required by IFRS 9.

- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

To estimate expected credit loss for off-balance sheet exposures, the credit conversion factor (CCF) is usually computed. CCF is a modelled assumption which represents the proportion of any undrawn exposure that is expected to be drawn prior to a default event occurring. It is a factor that converts an off-balance sheet exposure to its credit exposure equivalent. In modelling CCF, the Bank considers its account monitoring and payment processing policies including its ability to prevent further drawings during periods of increased credit risk. CCF is applied on the off-balance sheet exposures to determine the EAD and the ECL impairment model for financial assets.

# Notes to the financial statements *(continued)*

## 38. Significant accounting policies (continued)

### (g) Financial assets and liabilities (continued)

*v) Impairment of Financial Assets (continued)*

*Measurement of expected credit losses (continued)*

The major financial assets for which the ECL is calculated are short-term Treasury Bills and medium and long-term Bonds issued by the State of Sierra Leone with maturities ranging up to 6 years as per 2020 year end. These securities are held by the Central Bank of Sierra Leone. Total exposure increased from Le184.5 billion to Le billion from 2020 year end to 2021 year end respectively.

At the time of the ECL calculation, Sierra Leone was not rated (NR) and hence did not have traded credit instruments in the international market with an observable rating. Consequently, ratings from similar countries were used and adjusted to reflect specific features of Sierra Leone.

The following table shows the Loan loss allowance as of year end 2021 and 2022 as well as the change in 2021 and 2022 which were taken to profit and loss.

| **Expected Credit Losses (ECL)** | **31.12.2022** | 31.12.2021 |
|---|---:|---:|
| | | |
| Expected credit loss allowance (LE) | **234,877** | 163,504 |
| Relative to exposure outstanding (%) | **0.87%** | 0.82% |
| | | |
| Increase/(decrease) in expected credit loss allowance (LE) | **(71,373)** | (21,036) |

*Forward-looking information*

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward - looking information requires significant judgement.

*Macroeconomic factors*

The Bank relies on a broad range of forward-looking information as economic inputs, such as: GDP growth, unemployment rates, central bank base rates, inflation rates and foreign exchange rates. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgement.

# Notes to the financial statements *(continued)*

## 38. Significant accounting policies (continued)

### (g) Financial assets and liabilities (continued)

*v) Impairment of Financial Assets (continued)*

*Assessment of significant increase in credit risk (SICR)*

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors. The common assessments for SICR on retail and non-retail portfolios include macroeconomic outlook, management judgement, and delinquency and monitoring.

*Definition of Default and Credit Impaired Financial Assets*

The Bank defines a financial instrument as being in default which is fully aligned with the definition of credit-impaired financial assets, when it meets one or more of the following criteria:

*Quantitative criteria (default)*

The borrower is more than 90 days past due on its contractual payments.

*Qualitative criteria*

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for a security because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;
- Others include death, insolvency, breach of covenants, etc.

# Notes to the financial statements *(continued)*

## 38. Significant accounting policies (continued)

### (g) Financial assets and liabilities (continued)

*v) Impairment of Financial Assets (continued)*

*Qualitative criteria (continued)*

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six month.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, loans that are more than 90 days past due are considered impaired except for certain specialized loans (Project Finance, Object Finance and Real Estate Loans as specified by the Central Bank of Sierra Leone) in which the Bank has rebutted the 90 Days Past Due presumptions in line with the BSL Prudential Guidelines.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields;
- The rating agencies' assessments of creditworthiness;
- The country's ability to access the capital markets for new debt issuance;
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness;
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to the country, as well as the intention reflected in public statements of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

*Presentation of allowance for ECL in the statement of financial position*

Loan allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

# Notes to the financial statements *(continued)*

## 38. Significant accounting policies (continued)

### (g) Financial assets and liabilities (continued)

vi) *Write-off*

The Bank writes off an impaired financial asset (and the related impairment allowance), either partially or in full. There are no reasonable expectation of recovery set out in IFRS 9, paragraph 5.4.4. After a full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure shall be recommended for write-off (either partially or in full):

- continued contact with the customer is impossible;
- recovery cost is expected to be higher than the outstanding debt;
- The Bank's recovery method is foreclosing collateral and the value of the collateral is such that there is reasonable expectation of recovering the balance in full.

All credit facility write-offs shall require endorsement at the appropriate level, as defined by the Bank. Credit write-off approval shall be documented in writing and properly initialled by the approving authority.

A write-off constitute a derecognition event. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of the amount due. Whenever amounts are recovered on previously written-off credit exposures, such amount recovered is recognised as income on a cash basis only.

*vii) Offsetting financial instruments*

Netting, where financial assets and liabilities are offset and the net amount reported in the statement of financial position, occurs if, and only if, there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize an asset and settle the liability simultaneously. In many cases, even though master netting agreements are in place, the lack of an intention to settle on a net basis results in the related assets and liabilities being presented gross in the statement of financial position. During the financial year 2020 there was no offsetting of financial instruments.

### (h) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand and balances with other foreign Central Banks, commercial banks, supranational organizations and non-banking financial institutions.

These are subject to insignificant risk of changes in their value and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

# Notes to the financial statements *(continued)*

## 38. Significant accounting policies (continued)

### (i) Loans and advances

Advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

Advances are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

### (j) Investment securities

Investment securities are initially measured at cost plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-collect or fair value through profit or loss.

*(i) Amortized cost*

Financial assets at amortized cost comprises cash and cash equivalents, advances to Banks, loans and advances to others. They are subsequently measured at amortized cost using the effective interest method less any impairment losses. Interest income from these financial assets is determined using the effective interest method and reported in profit or loss as interest income.

*(ii) Fair value through other comprehensive income (FVOCI)*

The Bank elects to classify its investments in equity at FVOCI. The election is to present in other comprehensive income changes in fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument—by—instrument basis on initial recognition and is irrevocable. Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognized in profit or loss. Dividends are recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in OCI. Cumulative gains and losses recognized in OCI are transferred to retained earnings on disposal of an investment.

*Financial liabilities*

The Bank classifies its financial liabilities as measured at amortised cost.

# Notes to the financial statements *(continued)*

## 38. Significant accounting policies (continued)

### (k) Property, plant and equipment

*(i) Recognition and measurement*

All property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

*(ii) Subsequent costs*

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Bank and the cost of the items can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Major improvements are capitalised.

*(iii) Depreciation*

Freehold premises are depreciated over a maximum of fifty years

Motor vehicles, equipment and fixtures and fittings are depreciated on a straight line basis over its estimated useful life, principally between 3 and 8 years.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount.  These are included in the income statement.

### (l) Leased assets – Lease

The Bank was not a party to any finance leasing contract during or at the end of the year. Leases are operating leases and the underlying assets are not recognised in the Bank's balance sheet.

# Notes to the financial statements *(continued)*

## 38. Significant accounting policies (continued)

### (m) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rates that reflect current market assessments of the time value of money and the risk specific to the asset.

A previously recognized impairment loss is reversed where there has been a change in circumstances or in the basis of estimation used to determine the recoverable value, but only to the extent that the asset's net carrying amount does not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### (n) Deposits

Deposits are initially measured at fair value, with fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

### (o) Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

### (p) Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

All financial guarantee liabilities are disclosed by way of notes in the financial statements and are only included in other liabilities if the liability has crystalised or becomes probable that it will crystalise.

# Notes to the financial statements *(continued)*

## 38. Significant accounting policies (continued)

### (q) Employee benefits

*(i) Short term benefits*

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided.

A provision is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Bank has a present legal and constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be reliably estimated.

*(ii) Defined contribution plan*

The Bank contributes towards a defined contribution plan. The plan is funded through payments to the National Social Security and Insurance Trust (NASSIT). This defined contribution plan is a Pension Scheme under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the Scheme does not hold sufficient assets to pay all employees the benefit relating to employee service in the current and prior periods and has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefits expense when due.

*(iii) Defined benefit plan*

The bank provides end of service benefits to its retirees. The entitlement to these benefits is conditional on the completion of a minimum service period. End of service benefit is a post-employment benefit plan. The liability recognised in the statement of financial position is the present value of the end of service benefits obligation at the financial position date, together with adjustments for actuarial gains or losses and past service costs. The present value of the obligation is determined by discounting the estimated future cash outflows taking into account average service period and salary increases and using interest rates of Government treasury bonds that are denominated in Leones, the currency in which the obligation will be paid and that matures in one year’s time. The calculation is performed by an actuary using the projected unit credit method. For a description of the financial assumptions see note 29.

The bank recognises all actuarial gains and losses from end of service benefits immediately in Other Comprehensive Income (OCI).

# Notes to the financial statements *(continued)*

## 38. Significant accounting policies (continued)

### (q) Employee benefits (continued)

*(iii) Termination benefits*

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

### (r) Share capital and reserves

*(i) Share capital*

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Sections 38(1) of the Bank of Sierra Leone Act 2019 requires the Bank of Sierra Leone to maintain a minimum paid up capital of Le125 billion. The paid-up capital shall be subscribed and held exclusively by the Government of Sierra Leone.

### (s) Amounts repayable under Repurchase Agreement (REPOs)/Reverse REPOs

REPO is an arrangement involving the sale for cash, of investment security at a specified price with a commitment to repurchase the same or similar securities at a fixed price either at a specific future date or at maturity.

For monetary purposes (liquidity management), the Bank from time to time withdraws liquidity from the financial market (REPO) or injects liquidity into the market (Reverse REPO). The Bank engages in the above with commercial banks only.

When the Bank withdraws money from commercial banks, it creates a liability in its financial statements and secures this borrowing (liability) by assigning part of the securitised debt holding to the commercial banks it has withdrawn from. The commercial banks usually hold the investments to maturity.

Similarly the Bank also lends money to commercial banks (reverse repo). In this process the Bank creates an asset in the financial statements and takes a security from the borrowing bank usually in form of Treasury Bills or Bonds. The bank earns interest on this lending. The injected liquidity stays with the borrowing bank until maturity.

(j) The bank treats reverse REPO as collateralised loans for accounting purposes. In this case, a reverse REPO is recognised as a secured advance and is shown separately as Advance to Banks while repurchase agreements are shown as a liability in the books of Bank.

(i) REPOs continue to be recognised in the statement of financial position and are measured in accordance with the terms of the agreement.

(ii) The difference between sales and repurchase price is treated as interest expenditure and is recognised in the profit or loss.

# Notes to the financial statements *(continued)*

## 38. Significant accounting policies (continued)

### (s) Amounts repayable under Repurchase Agreement (REPOs)/Reverse REPOs (continued)

Section 38(1) of the Bank of Sierra Leone Act 2019 requires the Bank of Sierra Leone to maintain a minimum paid up capital of SLE 125 million. The paid-up capital shall be subscribed and held exclusively by the Government of Sierra Leone.

### (t) Currency in circulation

Currency issued by the Bank represents a claim on the Bank in favour of the holder. Currency in circulation is recognised at face value in these financial statements. Bank notes and coins held by the Bank as cash in main vault and cashiers at the end of the financial year are excluded from the liability of notes and coins in circulation because they do not represent currency in circulation.

Bank notes printing expenses for each denomination which include ordering, printing, freight, insurance and handling costs are initially deferred. Based on the currency issued into circulation, the respective proportional actual costs incurred are released to the profit or loss from the deferred cost account. The stock is issued on a first in first out basis. The receipt of new notes and coins are recorded in the vault register as stock and the movement accounted for as the notes and coins are issued.

### (u) Special drawing rights and International Monetary Fund (IMF) Related transactions

The Bank, on behalf of the Government of Sierra Leone, manages assets and liabilities in denominated in respect of Special Drawing Rights (SDRs) held with the International Monetary Fund (IMF). Ex-change gains and losses arising from translation of SDRs at period ends are recognised in the statement of comprehensive income.

### (v) Gold

Gold holdings are included in the statement of financial position at the prevailing closing spot market price on the London Bullion Market on that date. Foreign exchange gains and losses on gold holdings are transferred to the revaluation account.

### (w) Comparative

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

# Notes to the financial statements *(continued)*

## 39. Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Bank has not early adopted the new and amended standards in preparing these financial statements.

*A. Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. The Bank accounts for deferred tax on leases applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position.

*B. Other standards*

The following new and amended standards are not expected to have a significant impact on the Bank's financial statements.

- Onerous Contracts – Cost of fulfilling a contract (Amendments to IAS 37).
- COVID-19-Related rent concessions beyond 30 June 2021 (Amendment to IFRS 16).
- Annual Improvements to IFRS Standards 2018–2020.
- Property, plant and equipment: Proceeds before intended use (Amendments to IAS 16).
- Reference to conceptual framework (Amendments to IFRS 3).
- Classification of liabilities as current or non-current (Amendments to IAS 1).
- IFRS 17 Insurance contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2).