BANK OF SIERRA LEONE

ANNUAL REPORT

AND

STATEMENT OF ACCOUNTS

2021

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Abbreviations:

AfDB	-	African Development Bank
BIS	-	Bank for International Settlement
BOP	-	Balance of Payments
BSL	-	Bank of Sierra Leone
CFC	-	Customers Foreign Currency
CIF	-	Cost, Insurance and Freight
CPI	-	Consumer Price Index
ECOWAS	-	Economic Community of West African States
EMSL	-	Eclipse Microfinance Sierra Leone
FI	-	Financial Inclusion
GDP	-	Gross Domestic Product
GFER	-	Gross Foreign Exchange Reserves
GoSL	-	Government of Sierra Leone
GW/hr	-	Giga-Watts per Hour
HIPC	-	Heavily Indebted Poor Countries
IDA	-	International Development Association
IFAD	-	International Fund for Agriculture Development
IMF	-	International Monetary Fund
M2	-	Broad Money
MER	-	Monthly Economic Review
MIF	-	Microfinance Institutions

MoFED	-	Ministry of Finance and Economic Development
MPC	-	Monetary Policy Committee
MPR	-	Monetary Policy Rate
NDA	-	Net Domestic Assets
NERS	-	National Ebola Recovery Strategy
NFA	-	Net Foreign Assets
NMA	-	National Minerals Agency
ODC	-	Other Depository Corporation
OFID	-	OPEC Fund for International Development
OIN	-	Other Items Net
OPEC	-	Organization of the Petroleum Exporting Countries
PTMO	-	Precious Minerals Trading Office
RM	-	Reserve Money
SDF	-	Standing Deposit Facility
SLF	-	Standing Lending Facility
SSA	-	Sub-Saharan Africa
WAIFEM	-	West African Institute for Financial and Economic Management
WB	-	World Bank
WTI	-	West Texas Intermediate

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 2021, a year in which the global economy witnessed partial recovery from the imbalances of the COVID-19 pandemic. Coming from the COVID-19 pandemic-related recession of 2020, the global economy grew in 2021 by 5.9 percent, compared to the COVID-19-induced contraction of 3.1 percent in 2020. The drivers of the recovery were the removal of COVID-related restrictions, domestic economic policy actions and the rapid response to the health crisis in advanced economies. The advanced economies recorded growth of 5.0 percent in 2021, from - 4.5 percent in 2020. Emerging markets and developing economies grew by 6.5 percent in 2021, from -2.0 percent in 2020. Sub-Saharan Africa grew by 4.0 percent in 2021, from -1.7 percent in 2020. Economic performance in Sierra Leone in 2021 relative to 2020 mimicked the global performance, growing by 4.0 percent in 2021, from -2.0 percent in 2020. The 2021economic recovery in Sierra Leone reflected growth in all the three sectors; agriculture, industry and services, compared to a contraction in all the sectors in 2020.

Monetary policy management in 2021 was aimed at achieving an end-year inflation rate of 14.8 percent while stabilising the exchange rate in order to cushion the adverse impact of the COVID-19 pandemic on the economy. However, this objective was challenged by rising global commodity prices (particularly energy and food prices), disruptions in the global supply chain, high freight charges and exchange rate depreciation. Inflationary pressures moderated in the first quarter of 2021, with headline inflation falling to 8.95 percent in March, 2021. However, inflationary pressures emerged gradually thereafter. In June, 2021, headline inflation reached 10.20 percent and it further rose to 17.94 percent in December, 2021, up from 10.45 percent in December 2020.

The BSL assesses inflationary outlook and monetary conditions to take monetary policy decisions that are consistent with its objectives. Thus, the Monetary Policy Rate (MPR), which was maintained at 14.0 percent during most of 2021, was increased by 25 basis point to 14.25 percent in the last quarter of 2021. The Standing Lending Facility Rate and the Standing Deposit Facility Rates were similarly adjusted upward by 25 basis points to 18.25 and 8.25 percent respectively. In September 2021, the BSL implemented the second phase of the Special Credit Facility (SCF) with the injection of Le 500 billion at 5 percent interest rate in order to support the procurement of essential commodities. In addition, the BSL created Le 100 billion Agricultural Credit Facility (ACF) to support the agricultural sector. Private sector credit grew by 33.9 percent in 2021, up from 4.95 percent in 2020.

The stock of gross foreign reserves of the Bank of Sierra Leone stood at US$948.32 million at the end of December 2021, from 677.21 million at the end of December, 2020. The increase in reserves was mainly due to increased aid disbursement by the country's development partners. External Debt service payments amounted to US$39.60mn in 2021.

Despite the continued of COVID-19 disruption to economic activities, the banking system remained safe, sound and stable in 2021. While some of the key Financial Soundness Indicators (FSIs) deteriorated during the year, they were within the prudential limits, with the exception of Non-Performing Loan (NPL) ratio, which was above the 10 percent tolerable limit. The BSL continued its effort to pursue financial inclusion initiatives to broaden access to financial services and products.

In August 2021, the BSL initiated the process for redenominating the Leone, which received parliamentary approval in December, 2021. On July 1, 2022, the New Leone notes became legal tender and were put in circulation. To support innovation in digital payments system and improve the FinTech landscape in Sierra Leone, the BSL remains committed to building the infrastructure for the National Switch and other infrastructure that are conducive to a modern payments system.

Recent global geo-political tensions, notably Russian-Ukraine War, its associated supply-chain disruptions and higher commodity prices have revealed that, going forward, both domestic and global economic growth will be challenged, with inflationary pressure more likely to build up in the near term.

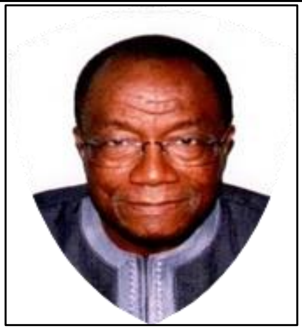
In this regard, the achievement of the monetary and financial policy objectives of the BSL is expected to be constrained by continued threat of supply-side disruptions, especially food and fuel supply, emanating from the continuing geopolitical tensions.

To conclude, it behooves me to state that much of what the Bank achieved in 2021, in one of the most challenging economic environments in recent history, could not have materialised without the dedication of, and effort from, its Board of Directors, especially the Audit Committee of the Board. Members of the Bank’s Monetary Policy Committee also played their part in guiding the monetary policy of the Bank during these perilous times. Finally, the Management and staff of the Bank also played a significant part in making these achievements possible. It is therefore, my profound honour and pleasure to extend my sincere thanks to everyone who in their own little ways served the Bank with honesty and sincerity during 2021.

Prof. Kelfala M. Kallon

Governor, Bank of Sierra Leone

Figure 1: MEMBERS OF THE BOARD AS AT 31ST DECEMBER 2021



Prof. Kelfala M. Kallon

Dr. Ibrahim L. Stevens

Mr. Sheikh A.Y. Sesay

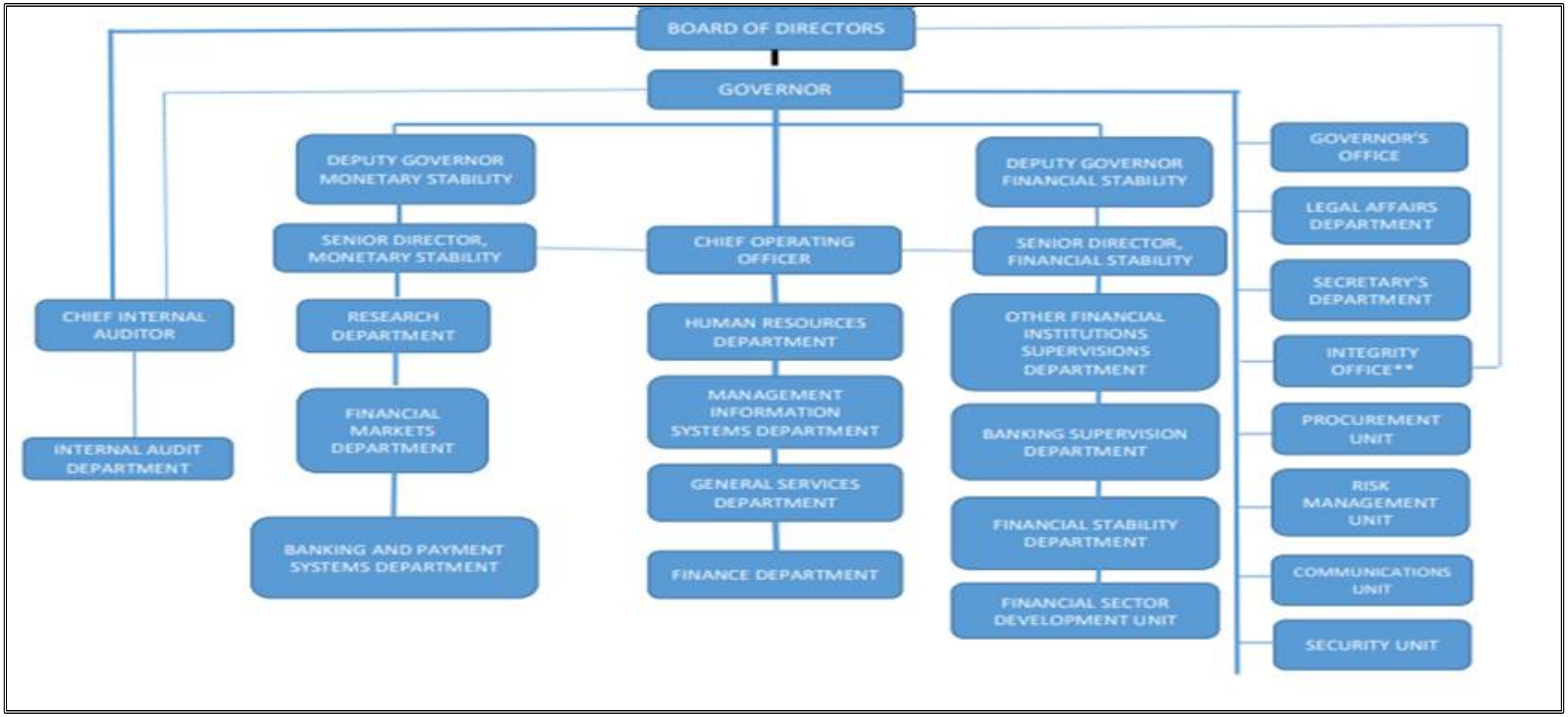
Ms. Cecilia Demby

Mr. George C. Taylor

Mr. Sheikh Kamara

Mrs. Amy M. Myers

Figure 2: ORGANISATIONAL STRUCTURE



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 Bank’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 prescribed by this Act.

Registered Office:	30 Siaka Stevens Street, Freetown, Sierra Leone
Solicitors	Lambert & Partners 40 Pademba Road, Freetown, Sierra Leone
Secretary to the Board:	Ms. Hawa E. Kallon
Auditors	Baker Tilly 37 Siaka Stevens Street Freetown, Sierra Leone P.O. Box 575

Table 1 shows meetings held by the Board of Directors in 2021 and Table 2 shows the Executive and Non-Executive Board Members of the Bank in 2021 while Table 3 shows the Senior Management team of the Bank in 2021. Table 4 shows Directors of the Bank as at 31st December, 2021.

Table 1: Board of Directors Meetings held in the year 2021

	Meeting	Date
1.	Emergency Board Meeting	14-01-2021
2.	Emergency Board Meeting	15-01-2021
3.	508th Meeting of the Board	11-03-2021
4.	509th Meeting of the Board	12-03-2021 22-03-2021 29-03-2021
5.	510th Meeting of the Board	20-05-2021
6.	Emergency Board Meeting	03-06-2021
7.	511th Meeting of the Board	08-07-2021
8.	Emergency Board Meeting	11-08-2021
9.	512th Meeting of the Board	09-09-2021
10.	513th Meeting of the Board	11-11-2021 17-11-2021 18-11-2021
11.	514th Meeting of the Board	17-12-2021 18-12-2021

Table 2: Executive and Non-Executive Board Members

Name of Board Member	Date of Parliamentary Approval and assumption of duty	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, 2019	18th September, 2022	1st Appointment

Table 3: Senior Management of the Bank of Sierra Leone in 2021

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 Institutions Supervision Department
Mrs. Hanifa Addai	Director, Management Information Systems Department
Mr. Sullay A. Mannah	Director, Legal Affairs Department
Mrs. Mary M. Kargbo	Director, General Services Department
Ms. Jenneh Jabati	Director, Human Resources Department
Mr. Morlai Bangura	Director, Research Department
Ms. Hawa E. Kallon	Director, Secretary’s Department
Mrs. Veronica M. Finney	Director, Financial Markets Department
Mr. Mohamed S. Bah	Director, Finance Department
Mr. Alfred W.B. Samah	Director, Banking Department
Mr. Eugene Caulker	Director, Financial Stability Department
Mr. Alhaji S. Dukuray	Deputy Director, Internal Audit Department
Mr. Hilton O. Jarrett	Deputy Director, Banking Supervision Department
Mr. Crispin D-George	Deputy Director, Governor’s Office

Table 4: Directors of the Bank as at 31st December, 2021

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

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 and Economic Development.

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 MPC met every quarter and held four meetings in 2021. 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.

As at end of December 2021, 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;

2. GLOBAL DEVELOPMENTS IN 2021

2.1. Overview

In 2021, the global economy rebounded strongly from the pandemic-induced recession in 2020. The historic recovery was mainly driven by the massive deployment of both traditional and novel policy supports, as well as the speedy efforts in containing the health crisis. However, the recovery was followed by supply chain disruptions and firming commodity prices, giving rise to global inflationary pressures. The recovery process was expected to be moderate in 2022, underscored by the possibility of policy withdrawal in response to rising inflation, pandemic-related uncertainties and growing geopolitical tensions.

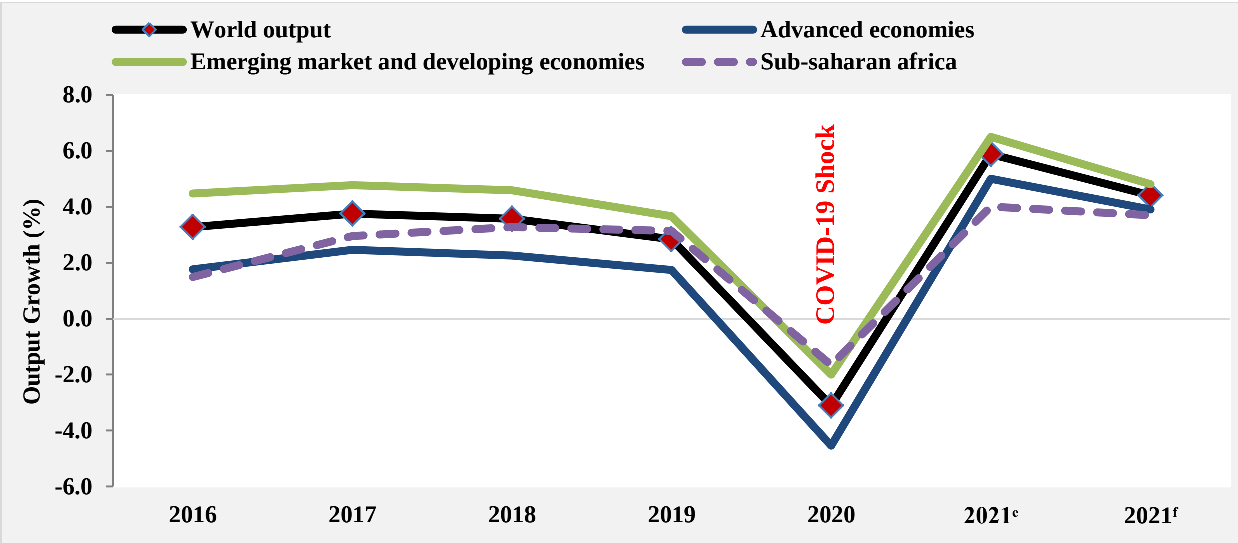
2.2. Global output

Global economic activities rebounded in 2021 recording an estimated growth of 5.9 percent, compared to the COVID-19-induced contraction of 3.1 percent in 2020. This strong rebound in economic activities was due to a combination of factors, including the removal of COVID-related restrictions, coordinated policy actions and rapid response to the health crisis in advanced economies. The economic recovery was reflected in the major groupings of global economy with the growth in advanced economies estimated at 5.0 percent in 2021, compared to -4.5 percent in 2020. Similarly, emerging markets and developing economies grew by 6.5 percent in 2021, compared to -2.0 percent in 2020. In Sub-Saharan Africa, economic growth rose to 4.0 percent in 2021, compared to -1.7 percent in 2020.

2.3. Outlook and Risks to Global Output Growth

Looking ahead, global economic prospects remained clouded by high uncertainty, as global growth is projected to moderate at 4.4 percent in 2022. Risks to the outlook remain largely on the downside and include, COVID-19 dynamics, growing supply chain constraints, rising commodity prices, nascent inflationary pressures, geo-political tensions and diminishing policy space in most economies. Figure 3 shows global output growth.

Figure 3: Global output growth (%)



Source: IMF World Economic Outlook (January 2022 Update)

2.4. Advanced Economies

Economic performance in advanced economies was mainly driven by expansive policy support and quicker access to vaccines. This was evident in the United States and Euro Area, both recording growth rates of 5.6 percent and 5.2 percent in 2021, compared to -3.4 percent and -6.4 percent in 2020, respectively. The Japanese economy also rebounded, recording a growth rate of 1.6 percent in 2021 from the contraction of 4.5 percent in 2020. However, by January 2022, growth in advanced economies was projected to moderate to 3.9 percent in 2022, underpinned by high uncertainty related to the evolution of the COVID-19 pandemic and rising geopolitical tensions in Europe, which could weigh severely on economic performance.

2.5. Emerging Markets and Developing Economies

The recovery process in emerging markets and developing economies was mainly driven by the economic performance in India and China, which continued to exhibit strong resilience amid the persistent COVID-19-related challenges. India registered a strong growth of 9.0 percent in 2021, from a contraction of 7.3 percent in 2020. China recorded an estimated growth rate of 8.1 percent in 2021, compared to 2.3 percent in 2020, driven by strong investment activities on the back of improved global trade. However, early removal of policy support and lingering COVID-19-related effects could weigh on economic performance in the group.

2.6. Sub-Saharan Africa

Economic activities in Sub-Saharan Africa improved in 2021, which was mainly supported by the improvement in exports and commodity prices as the world economy recovered, along with the recovery in both private consumption and investment. Consequently, the region recorded a growth rate of 4.0 percent in 2021, compared with -1.7 percent in 2020.By January 2022, growth in the region was expected to recede to 3.7 percent in 2022, with downside risks, including rising debt to GDP ratios, diminishing fiscal space, growing unemployment among youths and rising socio-political tensions. Table 5 shows global output growth.

Table 5:Global output growth (%)

	2016	2017	2018	2019	2020	2021[e]	2022[f]
World Output	3.3	3.8	3.6	2.8	-3.1	5.9	4.4
Advanced Economies	1.8	2.5	2.3	1.7	-4.5	5.0	3.9
United States	1.7	2.3	2.9	2.3	-3.4	5.6	4.0
Euro Area	1.9	2.6	1.9	1.5	-6.4	5.2	3.9
Japan	0.8	1.7	0.6	0.0	-4.5	1.6	3.3
Emerging Market and Developing Economies	4.5	4.8	4.6	3.7	-2.0	6.5	4.8
Brazil	-3.3	1.3	1.8	1.4	-3.9	4.7	0.3
Russia	0.2	1.8	2.8	2.0	-2.7	4.5	2.4
India	8.3	6.8	6.5	4.0	-7.3	9.0	9.0
China	6.9	6.9	6.8	6.0	2.3	8.1	4.8
Sub-Saharan Africa	1.5	3.0	3.3	3.1	-1.7	4.0	3.7
Nigeria	-1.6	0.8	1.9	2.2	-1.8	3.0	2.7
South Africa	0.7	1.2	1.5	0.1	-6.4	4.6	1.9
e =Estimate; f =Forecast;							

Source: IMF World Economic Outlook (January 2022 Update)

2.7. Global Consumer Price Inflation

Global inflationary pressures increased in 2021, mainly driven by recovery in a demand, following the removal of COVID-19 related restrictions, the ease in global financial conditions, firming commodity prices and supply chain disruptions. Consequently, global consumer price inflation surged to 4.8 percent in 2021, compared to the 2.7 percent in 2020. Similarly, inflation in advanced economies reached 3.5 percent, while emerging markets and developing economies recorded an estimated inflation rate of 5.8 percent. In Sub-Saharan Africa, inflation moderated slightly but remained double-digit, mainly on account of the high food and energy prices. Going forward, global inflationary pressures could remain high in 2022, contingent on persistent supply chain issues, as well as rising food and energy prices. Table 6 shows global consumer price inflation.

Table 6: Global Consumer Price Inflation (%)

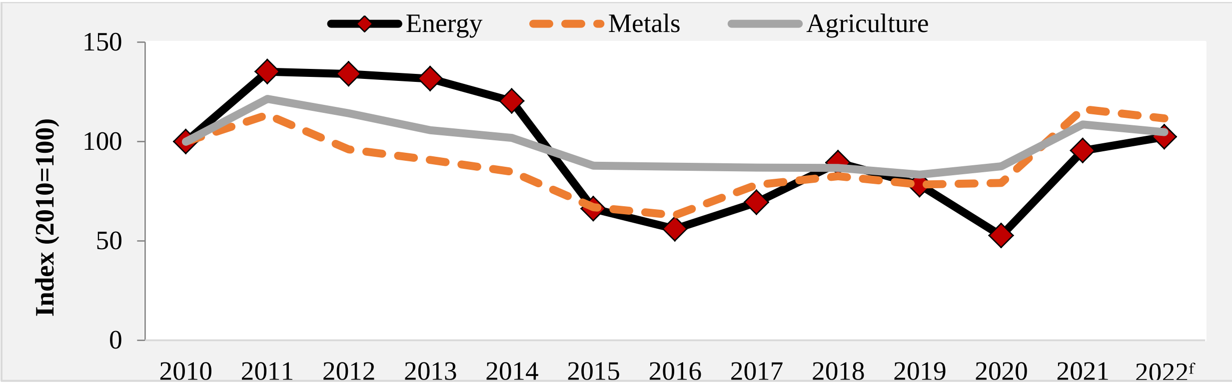
Consumer Price Inflation	2016		2017	2018	2019	2020	2021^{e}	2022^{f}
Global Inflation	3.0		3.3	3.5	3.8	2.7	4.8	3.4
Advanced Economies	1.5		1.7	1.6	1.5	0.5	3.5	1.9
Emerging Markets and Developing Economies	4.2		4.6	5.0	5.6	4.4	5.8	4.6
Sub-Saharan Africa	11.5		10.0	7.7	9.2	10.7	10.1	7.6
e =Estimate; f =Forecast								

Source: IMF World Economic Outlook (January, 2022 update)

2.8. Commodity Prices

Global commodity prices recovered in 2021, after the pandemic-related dismal performance in 2020. Energy prices rebounded strongly in 2021, making gains of about 81.05 percent, mainly driven by the re-opening of economies and resumption of production activities. Similarly, metals and agriculture prices recovered by 47.12 percent and 24.20 percent in 2021, respectively. Figure 4 shows the trend of commodity price indices.

Figure 4: Commodity price indices (2010=100)

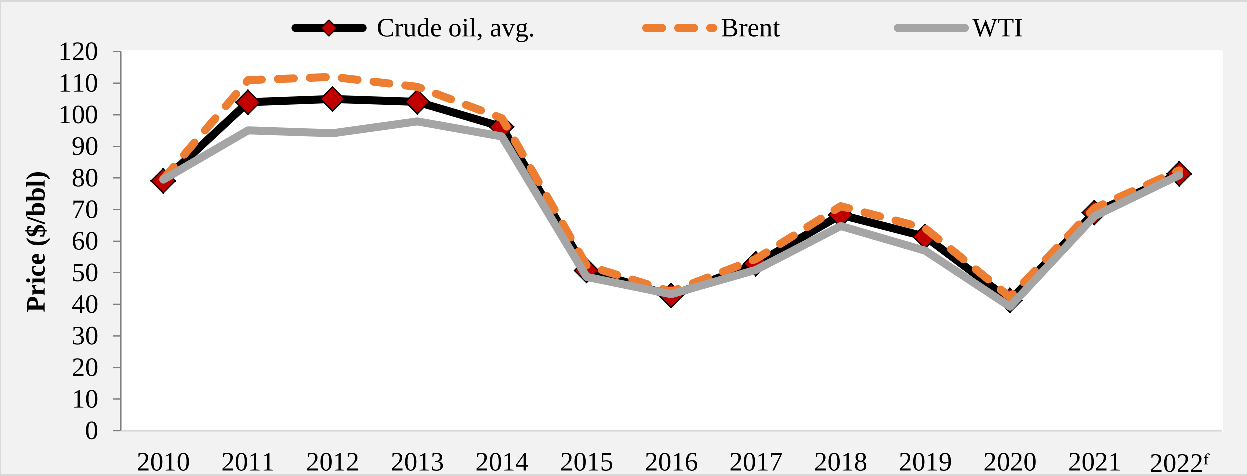


Source: World Bank Commodity Market Outlook (January 2022 database)

2.8.1. Crude Oil

The crude oil market was generally bullish in 2021, with an average crude price of US$69.07/bbl, compared to an average price of US$41.26/bbl in 2020. Similarly, the prices of both Brent and WTI increased to US$70.44/bbl and US$67.96/bbl respectively in 2021 from US$42.30/bbl and US$39.31/bbl respectively in 2020,. The key drivers for the surge in prices included production restraint by OPEC+, recovering demand, and underinvestment by U.S. oil producers. By March 2022, prices were expected to remain firm in 2022, driven by the growing tensions between Russia and Ukraine. Figure 5 shows the trend of crude oil prices.

Figure 5:Crude oil prices ($/bbl)

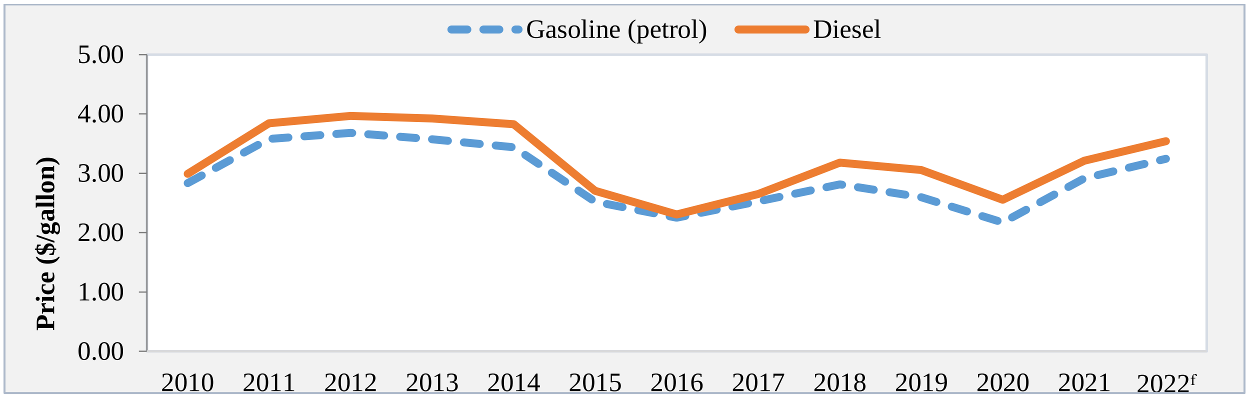


Source: World Bank Commodity Market Outlook (January 2022 database)

2.8.2. Platt Prices

In line with the recovery in crude oil prices, both gasoline (petrol) and diesel prices increased by 34.42 percent and 25.61 percent respectively, selling at average prices of US$2.92/gallon and US$3.21/gallon respectively in 2021, relative to the selling prices of US$2.17/gallon and US$2.56/gallon in 2020, respectively. Figure 6 shows the trend of Platt prices of gasoline and diesel.

Figure 6: Platt prices ($/gallon)

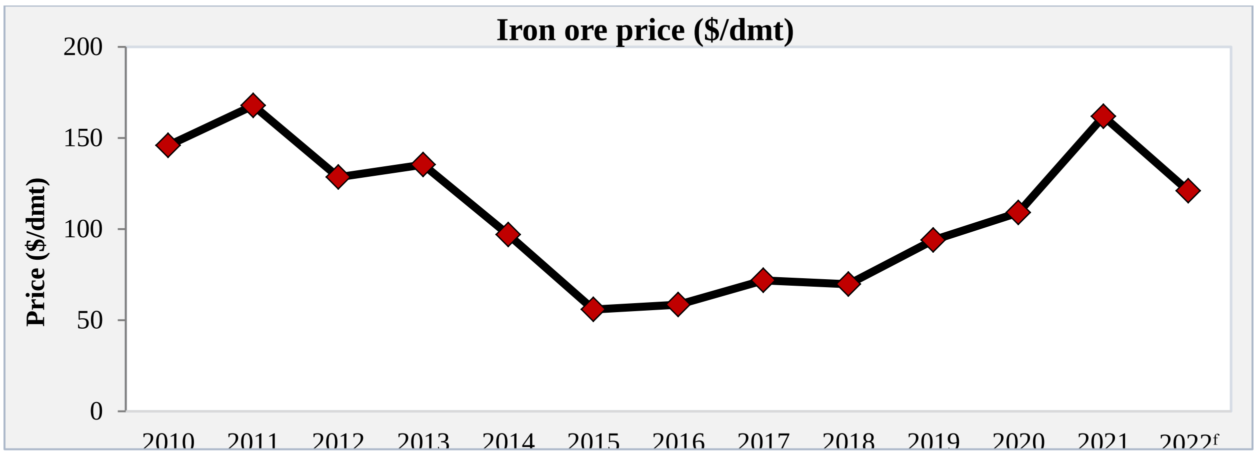


Source: U.S. Energy Information Admin, January 2022

2.8.3. Iron Ore price

Following the rebound of investment and industrial production in China, combined with supply disruptions in Australia and Brazil, iron ore prices increased by 48.47 percent to US$161.71/dmt in 2021 from US$108.92/dmt in 2020. However, by March 2022, iron ore price was projected to decline slightly in 2022, but was expected to remain stronger than its pre-pandemic level. Figure 7 shows the trend of iron ore price.

Figure 7: Iron ore price ($/dmt)

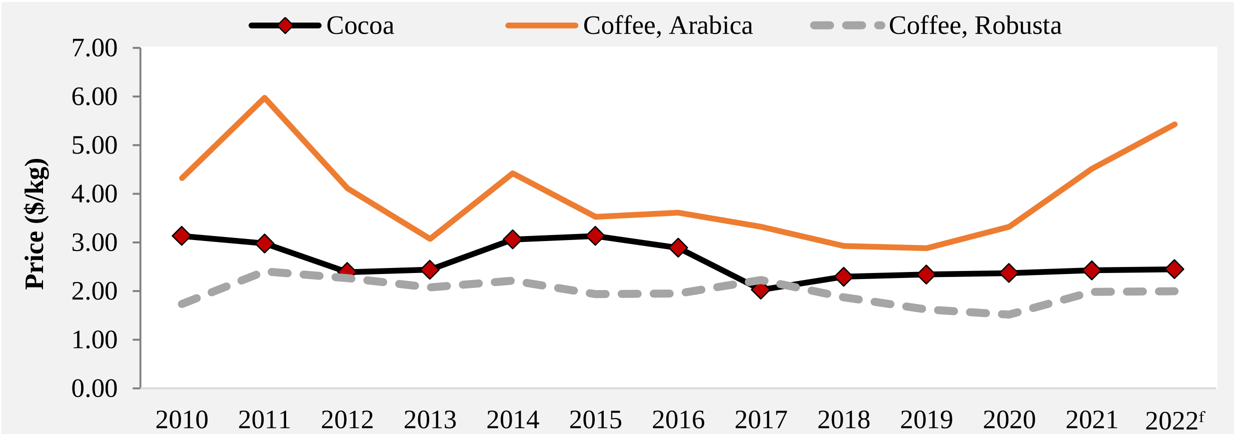


Source: World Bank Commodity Market Outlook

2.8.5. Cocoa and Coffee

Cocoa and coffee prices made some gains in 2021, mainly on account of improved demand on the back of strong global economic activities. Cocoa prices increased to US$2.43/kg in 2021, compared with US$2.37/kg in 2020. The prices of both Arabica and Robusta coffee settled at US$4.51/kg and US$1.98/kg respectively, compared with US$3.32/kg and US$1.52/kg respectively, in 2020. Figure 8 shows the prices of cocoa and coffee.

Figure 8: Cocoa and coffee prices ($/kg)



Source: World Bank Commodity Market Outlook

2.9. Implications of global developments for the Sierra Leone Economy

The gains observed in global economic activities in 2021 were gradually wiped out by emerging supply chain disruptions, surging energy prices and budding inflationary pressures, giving rise to high economic uncertainty. This development could have adverse implications for trade, foreign direct investment (FDI) flows and reserves accumulation in Sierra Leone. However, the strong global prices of the country's key exports (iron ore, cocoa and coffee) could boost foreign currency receipts. Coupled with improved remittance inflows, these could help moderate the effects of the adverse global exogenous shocks on the economy.

3. DEVELOPMENTS IN THE DOMESTIC ECONOMY

3.1 Economic Growth

Real GDP grew by 4.0 percent in 2021, up from a contraction of 2.0 percent in 2020. The growth was driven by improved investment environment, ushered by global improvement in the COVID-19 pandemic situation, which led to relaxing the COVID-19 restrictions in Sierra Leone and ensured increased activities in various sectors of the economy, including reopening of mining activities and resumption of international flights for tourist activities. Though gradual recovery from the pandemic impact took off in 2021, the 2021 growth of 4.0 percent was however below the pre-pandemic growth of 5.3 percent in 2019. This reflected uncertainties in the mining sector and the lingering impact of the COVID-19 pandemic. Non-mining sectors supported growth, driven by improvement in a broad range of government diversification policies, which included promoting private sector participation in the delivery of agricultural inputs by providing "Agricultural Credit Facility (ACF)" to support the importation of essential goods and services.

Agriculture contributed 57.4 percent to GDP in 2021, compared to 59.5 percent in 2020 while services and industry contributed 32.3 percent and 5.9 percent respectively in 2021 from 31.0 and 5.2 percent respectively in 2020. Agriculture, which remained the largest contributor to GDP, grew by 2.9 percent, down from 2.5 percent in 2020. Industry and services sectors, which observed contractions of 7.1 percent and 5.6 percent respectively in 2020, recorded growth rates of 17.4 and 2.9 percent respectively in 2021. Table 7 shows the growth rates of Sierra Leone by Sector.

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

	2018	2019	2020	2021
Growth Rate of Real Gross Domestic Product (GDP)	3.5	5.3	-2.0	4.0
1. Agriculture, Forestry and Fishing	3.9	5.4	1.6	2.5
1.1 Crops	4.1	6.6	2.1	2.9
1.2 Livestock	2.6	2.0	0.2	1.8
1.3 Forestry	4.7	3.7	0.8	1.8
1.4 Fishery	2.8	1.2	0.2	1.2
2. Industry	-2.5	10.9	-7.1	17.4
2.1 Mining and Quarrying	-4	17.1	-12.7	30.5
2.2 Manufacturing and Handicrafts	3.2	4.5	-6.7	4.0
2.3 Electricity and Water Supply	4.8	4.7	3.6	4.6
2.31 Electricity	5.8	4.7	3.9	5.1
2.32 Water	1.3	5.0	2.4	2.6
2.4 Construction	-6.5	4.7	4.6	4.9
3. Services	4.1	3.7	-5.6	2.9
3.1 Trade and Tourism	1.9	0.1	-29.6	2.4
3.1.1 Wholesale and Retail	1.9	0.0	-29.7	2.3
3.1.2 Hotels and Restaurants	2.9	2.6	-27.1	4.4
3.2 Transport, Storage and Communication	4	6.7	2.6	4.0
3.21 Transport	4	6.6	-0.4	2.1
3.22 Communication	4.1	6.9	5.6	5.9
3.3 Finance, Insurance and Real Estate	4	3.0	2.2	3.6
3.31 Banking	5.6	2.5	0.2	4.2
3.32 Insurance	4.4	3.2	3.9	2.1
3.33 Real Estate	2.8	3.0	3.1	3.4
3.34 Other financial Institutions	3.4	6.0	3.6	7.0
3.4 Administration of Public Services	5.4	6.0	-0.5	0.8
3.5 Other Services	4.7	4.7	-4.0	3.7
3.6 Education	6.1	-1.0	0.7	2.6
3.7 Health	4.8	5.0	2.4	2.6

Source: Statistics Sierra Leone

Agriculture

The agricultural sector grew by less than half of its pre-pandemic growth of 5.4 percent in 2019, recording a growth of 2.5 percent in 2021, up from the growth of 1.6 percent in 2020. Government recovery and diversification programmes focused on enhancing the agricultural sector to achieve food security and address domestic food inflation. Ministry of Agriculture and Forestry in partnership with the Ministry of Finance and the Bank of Sierra Leone embarked on a major policy shift aimed at promoting private sector participation in the delivery of agricultural inputs by providing “Agricultural Credit Facility (ACF)” to support the importation of essential goods and services. Crop production increased by 2.9 percent in 2021, from 2.1 percent in 2020, though lower than the 6.6 percent growth recorded in 2019. Livestock, forestry and fishery recorded growth rates of 1.8 percent, 1.8 percent and 1.2 percent respectively, up from growth rates of 0.2 percent, 0.8 percent and 0.2 percent respectively in 2020.

Industry

- **Mining**

The mining sector grew by 30.5 percent in 2021, up from a contraction of 12.7 percent in 2020. The growth recovery in mining was a reflection of the growth rates of 28.8 percent in diamond mining, 6.5 percent in quarrying and 8.2 percent from mining of other minerals (rutile, ilmenite, zacorn, bauxite and gold), compared to contraction of diamond production by 16.9 percent and the lower growth rates of 4.3 percent and 5.0 percent in quarrying and other minerals respectively in 2020.

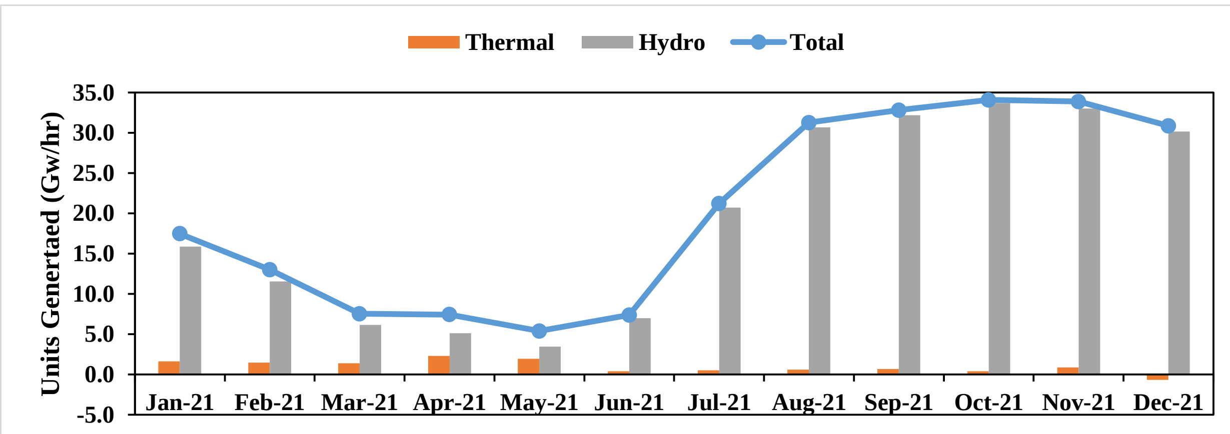
- **Manufacturing**

The manufacturing sector grew by 4.0 percent in 2021, from a contraction of 6.7 percent in 2020. Productions of beer and stout, maltina, acetylene and paint expanded. Beer and stout increased by 29.93 percent to 1, 546.93 thousand cartons, and maltina production grew by 35.09 percent to 486.57 thousand cartons. Acetylene production expanded by 12.22 percent to 382.43 thousand cubic feet, and paint production grew by 0.21 percent to 698.77 thousand gallons. However, oxygen production declined by 15.82 percent to 443.77 thousand cubic feet, confectionary production fell by 10.11 percent to 3,261.87 thousand pounds and common soap dropped by 6.65 percent to 555.55 thousand metric tons.

- **Electricity Generation**

Total output of the electricity service sector increased by 0.6 percent in 2021, from 0.5 percent in 2020. Electricity generation marginally declined by 0.28 percent to 242.23 Gw/hr in 2021, up from 242.92 Gw/hr in 2020. The slight decrease in electricity generation was attributed to a drop in hydropower, while thermal plants increased during the review period. Hydro power generation fell by 2.77 percent to 229.51 Gw/hr. Thermal plant generation however increased by 65.04 percent to 11.32 Gw/hr. The contribution of Bumbuna's hydro plant rose to 94.75 percent in 2021 from 94.18 percent in 2020. Goma hydro plant contributed 3.62 percent in 2021, from 4.82 percent in 2020. On the other hand, provincial thermal plants accounted for 60.63 percent in 2021 from 93.37 percent in 2020, while Freetown thermal plants contributed 39.37 percent to total thermal plant generation in 2021, from 6.63 percent in 2020. Figure 9 shows the trend of electricity generation.

Figure 9: Electricity Generation



Source: EDSA

- **Construction**

The construction sector observed a growth of 4.9 percent in 2021, up from a growth of 4.6 percent in 2020 and the pre-pandemic growth of 4.7 percent in 2019.

Services

Within the services sector, transport, storage and communication remained the greatest contributor to GDP, with 8.8 percent of GDP; followed by administration of public services with 6.5 percent; trade and tourism with 6.1 percent and finance, insurance and real estate taking 4.8 percent of GDP.

The services sector grew by 2.9 percent in 2021, from a contraction of 5.6 percent in 2020, and a pre-pandemic 2019 growth of 3.7 percent. The growth reflected growth in trade and tourism by

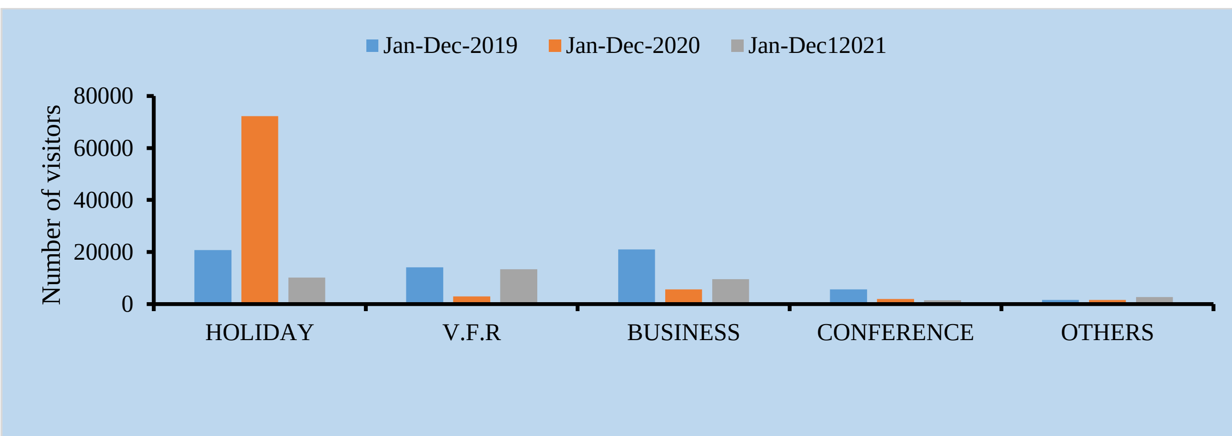
2.4 percent, growth in transport, storage and communication by 4.0 percent, growth in finance, insurance and real estate by 3.6 percent, growth in administration of public services by 0.8 percent, growth in education services by 2.6 percent and growth in health services by 2.6 percent. The growth in all these services were higher than their 2020 growth rates.

- **Tourism**

Tourist arrivals in 2021 was 40,309, representing an increase of 174.4 percent compared to 14,961 in 2020. The increase in tourist arrivals was due to the gradual slowdown of the COVID-19 pandemic cases and consequent relaxation of COVID-19 restrictions.

In terms of tourist arrival by purpose, the breakdown is summarised as follows. Holiday visits was 10,225, visit to friends and relatives (VFR) was 13,413, Business visit was 9,539, conference visit was 4,442 and visit for other purposes was 2,690. Figure 10 shows tourist arrival by purpose of visit.

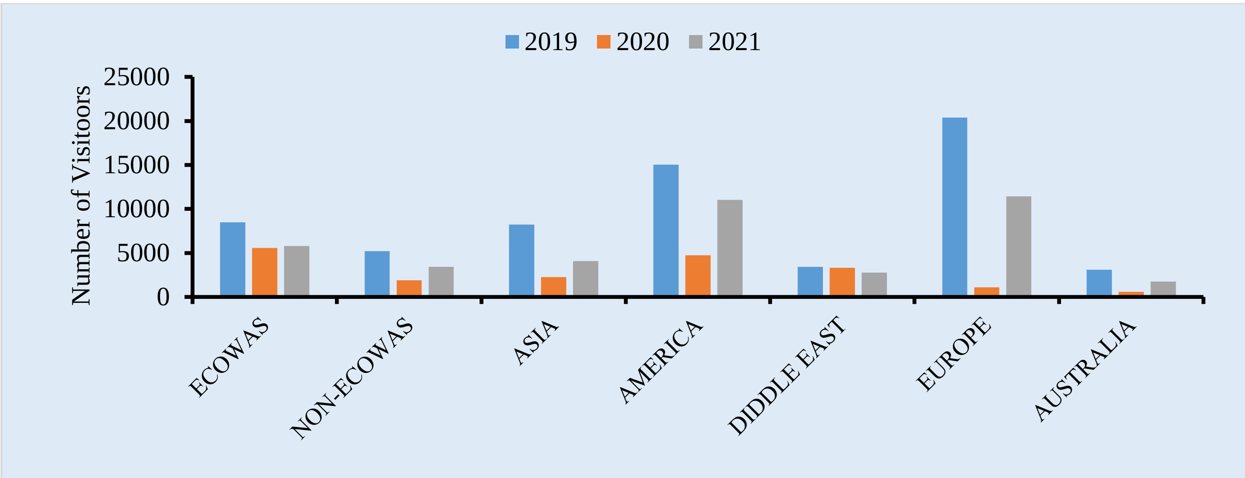
Figure 10: Tourist Arrival by Purpose of Visit



Source: National Tourist Board

In terms of tourist arrival by place of Residence, 5788 were from ECOWAS, 3,412 were from NON-ECOWAS, 4,096 were from ASIA, 11,049 were from AMERICA, 11,428 were from EUROPE, 2,778 were from MIDDLE EAST and 1,758 were from AUSTRALIA & OCEANEAN. Figure 11 shows Tourist Arrivals by Place of Residence.

Figure 11: Tourist Arrivals by Place of Residence



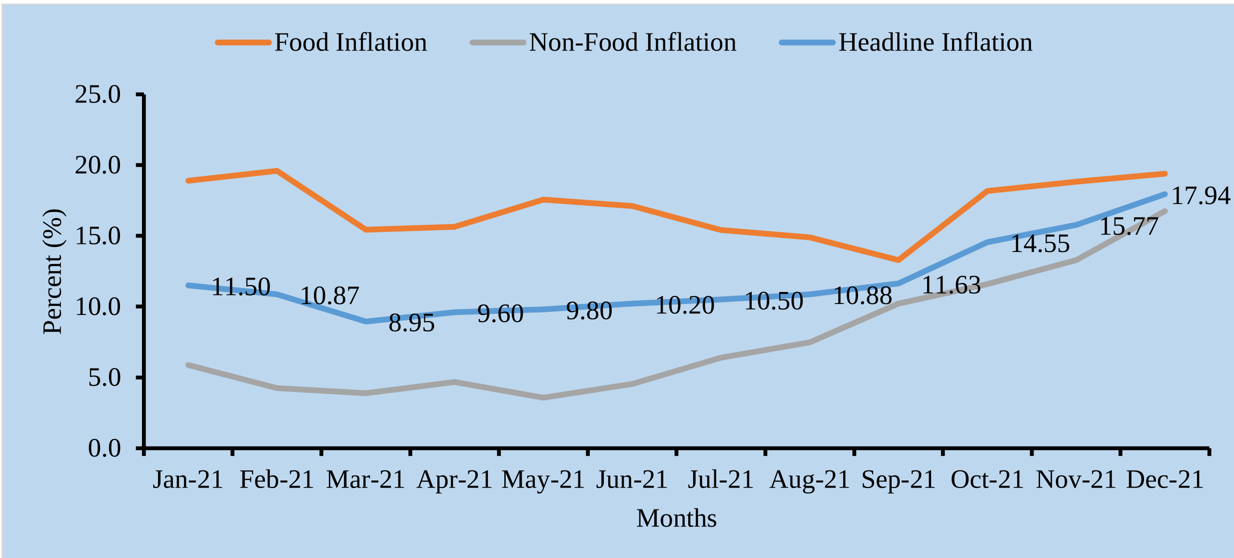
Source: National Tourist Board

3.2 Price Developments

Headline inflation as at end of December 2021 was 17.94 percent, up from 10.45 percent at end of December 2020. This reflected uncertainty, surged in global commodities prices, energy prices combined with high freight charges and supply chain disruptions. Headline inflation declined to a single digit of 8.95 percent in March 2021 and gradually pick up to 10.20 percent in June 2021, further increasing to 14.55 percent and 15.77 percent in October 2021 and November 2021 respectively

The broad components of headline inflation, which are food inflation and non-food inflation, mirrored the developments in the overall inflation. Food inflation increased to 19.40 percent in December 2021 from 15.10 percent in December 2020, reflecting the distortions caused by the COVID-19 pandemic. Similarly, non-food inflation increased to 16.75 percent in December 2021 from 6.93 percent in December 2020. Figure 12 shows the trends of headline inflation (year-on-year).

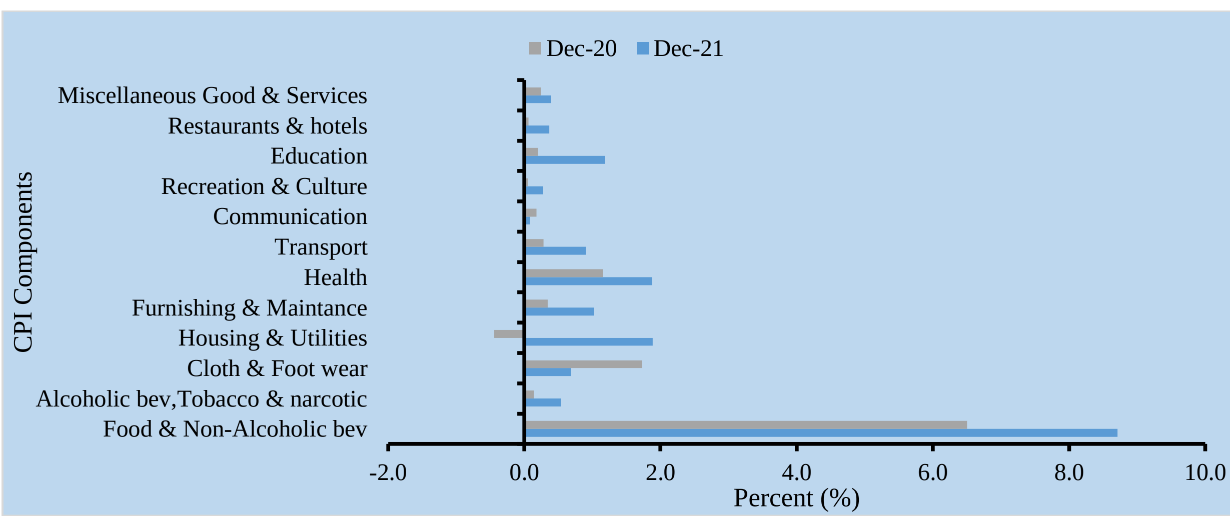
Figure 12: Headline, Food & Non-Food Inflation (Year-on-Year, %)



Source: Statistics Sierra Leone

Key drivers in the CPI basket contributing to the headline inflation were: food & non-alcoholic beverages, health, housing and utilities, furnishing and maintenance, transport and education among others. Figure 13 shows the major contributors to headline.

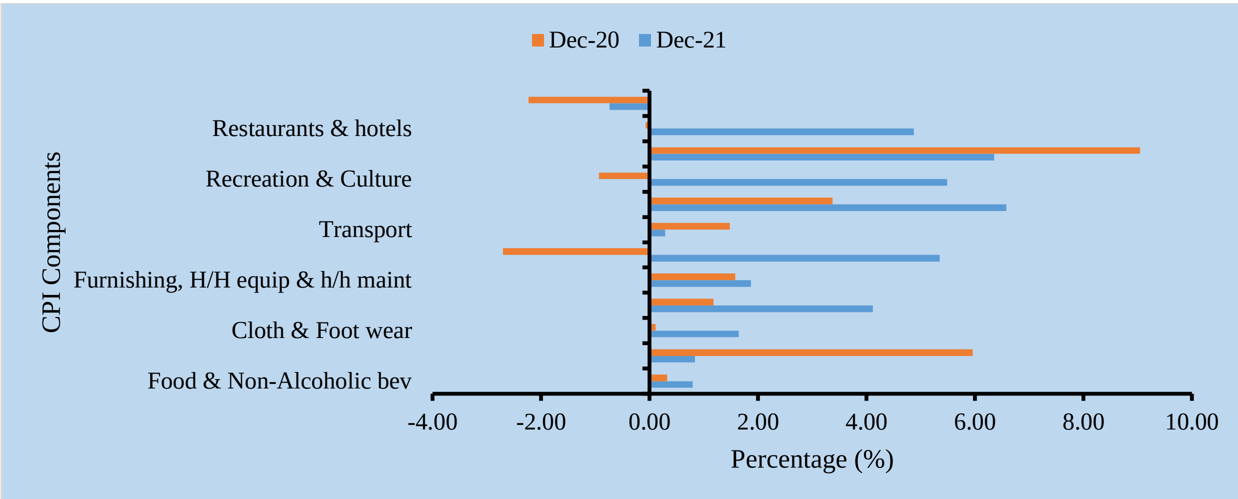
Figure 13: Drivers of Annual Headline Inflation



Source: Statistics Sierra Leone

Monthly headline inflation increased to 2.12 percent in December 2021 from 0.24 percent in December 2020. This was in part due to exchange rate depreciation, coupled with the surge in global commodities prices. Similarly, major components in the CPI basket contributing to a rise in inflation include: housing & utilities, health, communication and recreation & culture, restaurants & hotels among others. Figure 14 shows CPI components contributing to the upward movement in inflation.

Figure 14: Major Contributors to Monthly inflation



Source: Statistics Sierra Leone

3.3 Fiscal Developments

Government budgetary operations based on provisional data resulted in a widening of the deficit (inclusive of grants) to Le2, 390.71bn (5.39% of GDP) in 2021 compared to Le2, 283.85bn (5.72% of GDP) in 2020, which was 9.05 percent above the budgeted deficit of Le1, 869.67bn (4.21% of GDP). The widened deficit was as a result of expansion in government expenditure and net lending, which more than offset the increase in government revenue during the review period. Excluding grants, overall deficit was Le4, 490.41bn (10.12% of GDP), which was higher than the budgeted target of Le4, 170.14bn (9.39% of GDP) but lower than the previous deficit of Le4, 586.39bn (11.48% of GDP). Table 8 shows government fiscal operations.

Table 8: Government Fiscal Operations (In Millions of Leones)

	2020	2021	2021
	Jan. - Dec.	Jan. - Dec.	Budget
TOTAL REVENUE (PLUS GRANTS)	7,809,218	8,992,749	9,942,973
DOMESTIC REVENUE	5,506,684	6,893,049	7,642,500
Customs & Excise	1,222,450	1,294,090	1,737,100
Income Tax Department	1,999,824	2,438,706	2,709,000
Goods and Services Tax	1,033,450	1,263,725	1,464,000
Miscellaneous	1,132,460	1,681,929	1,446,140
Road User Charges	118,500	214,599	286,260
GRANTS	2,302,533	2,099,700	2,300,473
TOTAL EXPENDITURE & NET LENDING	10,093,069	11,383,456	11,812,640
Current Expenditure	7,066,947	8,040,624	8,170,351
Of which:			
Wages & Salaries	3,263,502	3,797,726	3,898,000
Domestic Interest	1,088,540	1,133,851	1,260,249
Foreign Interest	120,377	102,879	178,724
Non-Salary Non-Interest Expenditure	2,594,529	3,006,168	2,833,378
Contingency Expenditure	0	0	0
Development Exp. & Net Lending	3,026,121	3,342,832	3,642,289
Foreign Loans & Grants	1,708,955	1,836,087	2,452,038
Domestic	1,317,166	1,506,745	1,190,251
Lending Minus Repayment	0	0	0
CURRENT BALANCE+/- (Including grants)	742,271	952,125	1,772,623
ADD DEVELOPMENT EXPENDITURE	(3,026,121)	(3,342,832)	(3,642,289)
Basic Primary Balance	(1,657,261)	(1,395,580)	20,872
OVERALL DEFICIT/SURPLUS +/- (Incl. grants)	(2,283,851)	(2,390,708)	(1,890,542)
FINANCING	2,283,851	2,390,708	1,890,542
Domestic	2,686,803	2,774,993	1,595,000
Of which:			
Bank Financing	2,740,000	2,254,809	1,782,000
Non-Bank Financing	(53,197)	520,184	(187,000)
External	692,391	487,667	395,542
Of which:			
Loans	1,112,172	876,087	1,135,500
Project	1,112,172	876,087	1,135,500
Programme	0	0	0
Amortisation	(419,781)	(388,420)	(739,958)
Others	(1,095,343)	(871,952)	(100,000)

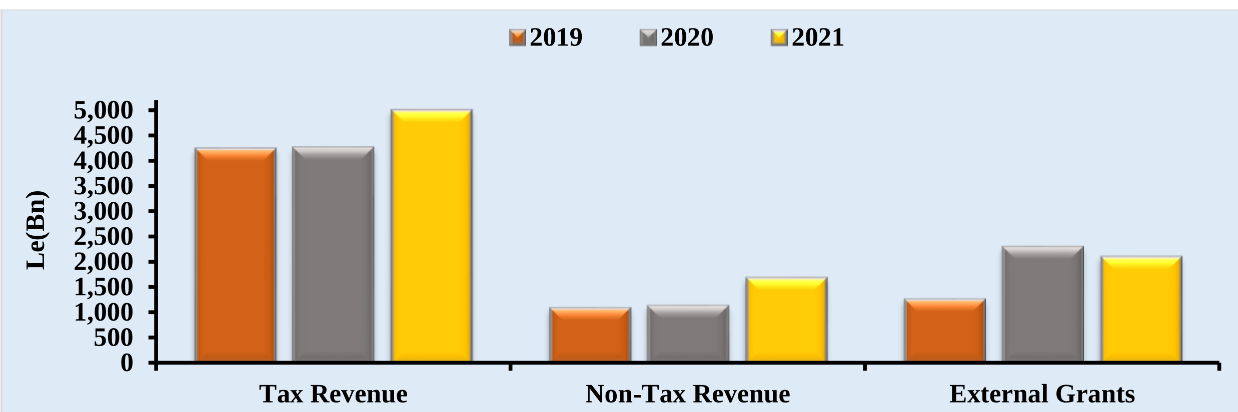
Source: Ministry of Finance

Government Revenue

Total Government revenue and grants collected expanded by 15.16 percent to Le8, 992.75bn (20.26% of GDP) in 2021, from Le7, 809.22bn (19.55% of GDP) in 2020, yet lower than the target of Le9, 942.97bn (22.40% of GDP) by 9.56 percent. The increase in government revenue was on account of the increase in domestic revenue mobilisation, while the disbursement of foreign grants declined in the review period.

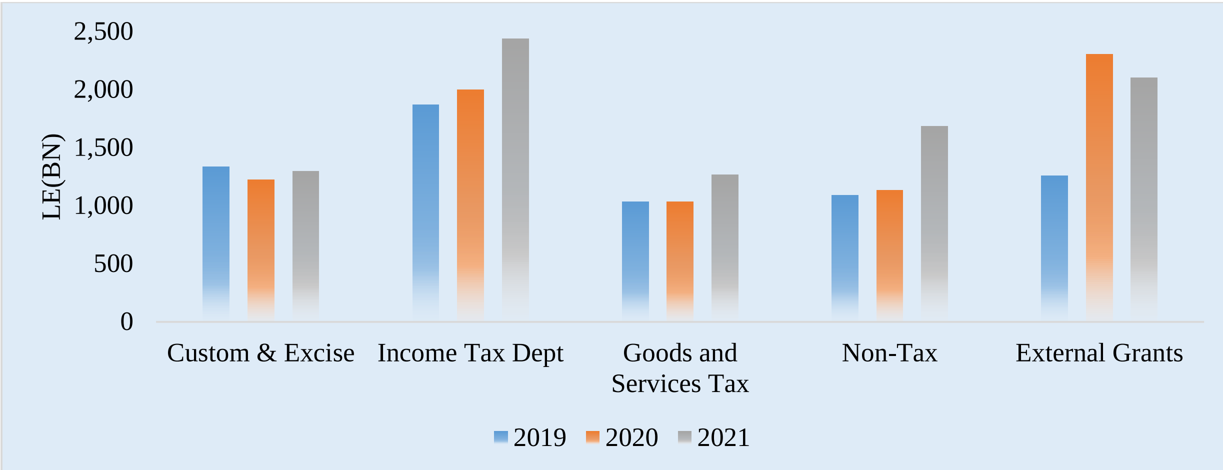
Domestic revenue amounted to Le6, 893.05bn (15.53% of GDP), representing 25.18 percent increase in revenue collected, though, lower than the target of Le7, 642.50bn (17.22% of GDP) by 9.81 percent. The increase in domestic revenue was due to the expansion in both tax revenue and non-tax revenue during the review period. Tax revenue comprises receipts from customs & excise, goods & services and income tax. Tax revenue expanded by 17.41 percent to Le4, 996.52bn (11.26% of GDP), though lower than the target of Le5, 910.10bn (13.31% of GDP) by 21.47 percent. Figure 15 shows trend of key components of government revenue and Figure 16 shows disaggregation of government revenue.

Figure 15: Trend in Key Components of Government Revenue



Source: Ministry of Finance

Figure 16: Disaggregation of Government Revenue 2019-2021



Sources: Ministry of Finance

Customs and Excise: customs and excise revenue increased by 5.86 percent to Le1, 294.09bn (2.92% of GDP) in 2021. This however fell short of the target of Le1, 737.10bn (3.91% of GDP) by 25.50 percent. This was largely attributable to the surge in both import taxes and other excise duties, whereas excise duties on petroleum declined during the review period. Import taxes and other excise duties increased by 26.47 percent to Le813.47bn, and 17.83 percent to Le76.51bn respectively. On the other hand, excise duties on petroleum fell by 21.43 percent to Le404.11bn.

Income Tax: income tax recorded an increase of 21.95 percent to Le2,438.71bn (5.49% of GDP), which surpasses the target of Le2, 709.00bn (6.10% of GDP) by 9.98 percent. The expansion in income tax revenue was related to increase in both personal income tax and company tax. Company tax collected expanded by 102.53 percent to Le677.40bn; and Personal income tax surged by 5.76 percent to Le1, 761.30bn.

Goods and Services Tax: goods and services tax expanded by 22.28 percent to Le1, 263.72bn (2.85% of GDP), though lower than the target of Le1, 464.00bn (3.30% of GDP) by 13.68 percent. The increase in GST was driven by the increase in domestic GST, while import GST fell during the review period. Domestic GST rose by 132.29 percent to Le528.93bn while, import GST declined by 8.81 percent to Le734.79bn.

Non-tax revenue: non-tax revenue increased by 48.52 percent to Le1, 681.92bn (3.79% of GDP), and exceeded the target of Le1, 446.14bn (3.26% of GDP), by 16.30 percent. The increase in non-tax revenue resulted from increase in revenue from both mines department and other departments. Mines department revenue increased by 103.31 percent to Le516.65bn, and receipts from other departments increased by 32.67 percent to Le1, 165.28bn. Road user charges, which is a major component of non-tax revenue from other departments, expanded by 81.10 percent to Le214.60bn (0.48% of GDP), but was lower than the anticipated of Le286.26bn (0.64% of GDP) by 25.03 percent during the review period.

External grants: budgetary support through grants contracted by 8.81 percent to Le2, 099.70bn (4.73% of GDP) from Le2, 302.53bn (5.77% of GDP), which was lower than the target of Le2, 300.47bn (5.18% of GDP) by 8.73 percent. External grant consisted of programme grants, amounting to Le1, 139.70bn and development grants amounting to Le960.00bn.

Government Expenditure and Net Lending

Total government payments and net lending: government payments and net lending expanded by 12.78 percent to Le11, 383.46bn (25.64% of GDP) in 2021, though it was slightly below the ceiling of Le11, 812.64bn (26.61% of GDP) by 3.63 percent. The expansion in government expenditure and net lending was due to increase in both recurrent and development expenditure.

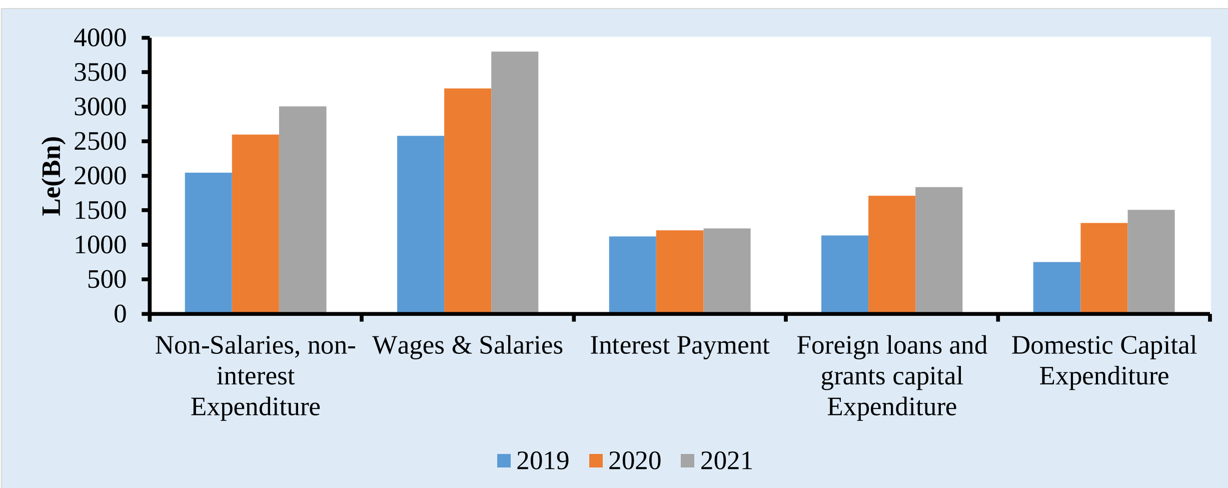
Recurrent expenditure: recurrent expenditure increased by 13.78 percent to Le8, 040.62bn (18.11% of GDP), though lower than the projected ceiling of Le8, 170.35bn (18.40% of GDP) by 1.59 percent. The increase in recurrent spending ensued mainly from the expansion in wage bill, total interest payments, as well as expenditures from non-salary non-interest payments. Wages and salaries expenditure rose by 16.37 percent to Le3, 797.73bn (8.55% of GDP), though below the ceiling of Le3, 898.00bn (8.78% of GDP) by 2.57 percent.

Total interest payment rose marginally by 0.65 percent to Le1, 236.73bn (2.79% of GDP). However, this was 4.75 percent below the ceiling of Le1, 438.97bn (3.24% of GDP).Domestic interest payments increased by 4.16 percent to Le1, 133.85bn, but was lower than the ceiling of Le1, 260.25bn by 10.03 percent while foreign interest payments contracted by 14.54 percent to

Le102.88bn and was lower than the ceiling of Le178.72bn by 42.44 percent. Non-salary-non-interest expenditure increased by 9.67 percent to Le3, 006.17bn (6.77% of GDP), which was higher than the ceiling of Le2, 833.38bn (6.38% of GDP) by 4.06 percent.

Development Expenditure: development expenditure increased by 10.47 percent to Le3, 342.83bn (7.53% of GDP) but was 8.22 percent lower than the target of Le3, 642.29bn (8.20% of GDP). The expansion in capital expenditure was driven by increase in both foreign loans & grants and domestic capital expenditure. Foreign loans and grants increased by 7.44 percent, to Le1, 836.09bn 4.14% of GDP) but was lower than the target of Le2, 452.04bn (5.52% of GDP). Domestic capital spending surged by 14.39 percent to Le1, 506.74bn (3.39% of GDP) and but was 26.59 percent lower than the target of Le1, 190.25bn (2.68% of GDP). Figure 17 shows the trend of key components of government expenditure.

Figure 17: Disaggregation of Government Expenditure



Source: Ministry of Finance

Financing

The overall deficit (including grants) of Le2, 390.71bn (5.39% of GDP) was financed from both domestic and foreign sources. Domestic deficit financing amounted to Le2, 686.80bn (6.55% of GDP), which included, bank borrowing amounting to Le2, 254.81bn (5.08% of GDP), and non-bank borrowing amounted to Le520.18bn (1.17% of GDP). External deficit financing amounted to Le487.67bn (1.10% of GDP), which consisted of project loans of Le876.09bn and amortization payments of Le388.42bn. Other sources of deficit financing amounted to Le871.95bn.

3.4. External Sector Developments

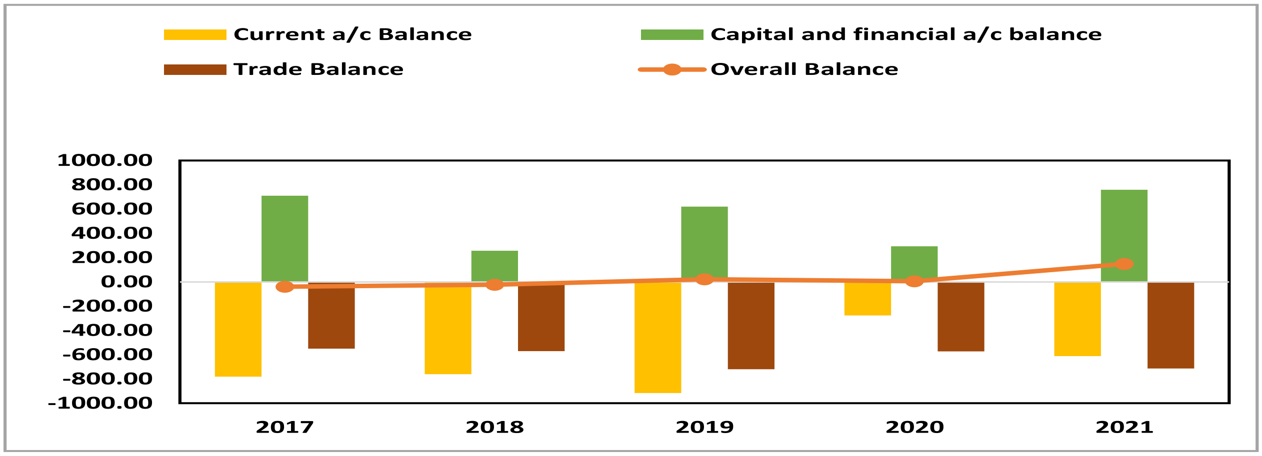
External sector development in 2021 was mixed as the overall balance of payments improved, foreign exchange reserves increased while the nominal exchange rate depreciated, reflecting structural imbalance between demand for and supply of foreign exchange. The Leone depreciated against major international currencies in the face of excess demand pressures. The stock of international reserves increased in 2021 relative to 2020, which was enough to cover about 5.4 months of imports of goods and services.

Despite the widening gap in current account deficit (which was mainly a reflection of deterioration in the Goods Account), the economy recorded a balance of payments surplus in 2021 due to improvement in the capital and financial accounts, supported by FDI inflows, Other Investment and Project Grants.

By the end of the third quarter of 2022, external sector performance was expected to improve in the medium-to-long term. This was premised on the expected recovery in global investment and demand conditions from the devastating impact of COVID-19, resumption of iron ore mining, recovery in global demand for primary exports, and increased inflows of foreign direct investment (FDI). However, risks to the outlook included uncertainties in the mining sector, disruptions to global trade related to geopolitical tension from the Russian-Ukraine War and lower-than-expected support from development partners.

The overall balance of payments (BoP) recorded a significant surplus estimated at US$149.0 million in 2021, representing 3.6 percent of GDP and was higher than US$4.5million (0.1 percent of GDP) in 2020. The improvement in the BoP position was largely due to improved performance in the financial and capital accounts, reflecting huge FDI inflows, other investments and project support grants. However, current account deteriorated to 14.6 percent of GDP from a deficit of 6.8 percent of GDP in 2020, which was on account of expansion in trade deficit and widening of deficit in the primary income (net) and services account (net). Figure 20 shows the trend of key components of the balance of payments of Sierra Leone.

Figure 18: Balance of Payments of Sierra Leone (Million US$)



Source: Research Department, BSL

The current account deficit widened to US$611.1 million (14.6 percent of GDP) in 2021, from a deficit of US$275.6 million (6.8 percent of GDP) in 2020, largely reflecting deterioration in the trade balance and decline in the primary income balance.

The goods account recorded a higher trade deficit of US$713.7million (17.1 percent of GDP) in 2021, compared to US$573.0 million (14.1 percent of GDP) in 2020. The deterioration in trade deficit was mainly due to increase in import bills relative to subdued export receipts.

Export receipts increased by 66.48 percent to US$705.62million in 2021 from US$423.84million in 2020. Mineral exports accounted for 79.47 percent of total exports, while agricultural exports account for 15.23 percent of total exports. Diamond, rutile and bauxite, which were the top mineral exports in 2021, accounted for about 22.83 percent, 22.79 percent and 6.75 percent of total exports respectively , compared to 28.18 percent, 28.25 percent, and 10.33 percent in 2020. Cocoa, palm oil and timber, which were the top agricultural exports, accounted for 5.45 percent, 5.20 percent and 3.89 percent, respectively in 2021 from 5.40 percent, 2.22 percent, and 9.62 percent of total exports respectively in 2020. Fish and shrimps had a share of 0.66 percent of total exports in 2021 relative to 1.03 percent in 2020.

Total merchandise imports increased by 27.75 percent to US$1,773.27 million in 2021, compared to the US$1,388.10million recorded in 2020. When disaggregated, food and petroleum products accounted for about 26.47 percent and 19.48 percent respectively in 2021, relative to 33.36 percent and 21.49 percent of total imports in 2020. Transport equipment, intermediate goods and manufactured goods accounted for 17.25 percent, 13.03 percent and 10.73 percent respectively in 2021 against 16.29 percent, 11.84 percent, and 11.70 percent respectively in 2020.

Deficit in services account expanded to US$308.5million in 2021 from US$143.8 million in 2020. The deficit was largely due to increased payments in respect of travel, freight charges and other business services as economies recover from the pandemic in 2021. Similarly, the deficit in the primary income account increased to US$68.4million in 2021, relative to US$26.6million in 2020. This development was attributed mainly to the decline in receipt of dividends and distributed profits amidst the challenging global business environment, following the social and economic legacy from the COVID-19 pandemic. The surplus in the secondary income account increased to US$479.4million in 2021 from US$467.8million in 2020, reflecting high official transfers.

The capital and financial accounts recorded a net inflow of US$760.1million in 2021 (18.2 percent of GDP) against US$292.7 million in 2020 (7.2 percent of GDP). The capital account recorded a net inflow of US$124.5 million in 2021 relative to the US$94.1 million recorded in 2020, while financial account net inflows increased to US$635.6 million in 2021, compared to US$198.6 million in 2020.

4. MONETARY SECTOR DEVELOPMENT

4.1. Monetary Policy

The objective of monetary policy in 2021 was to achieve an end year inflation rate of 14.8 percent, maintain the international reserves at about 5.4 months of import cover, keep the exchange rate stable and also mitigate the adverse effects of the of COVID-19 pandemic on the domestic economy.

During the review period, monetary policy continued to focus on containing inflationary pressures, while supporting economic recovery. The Monetary Policy Rate (MPR) was maintained at 14.0 percent for most part of 2021, but was raised by 25 basis points in December 2021, signaling a tight monetary policy stance in the face of increasing inflationary pressures. To further dampen inflationary pressures and stabilise the exchange rate, the BSL rolled over the Special Credit Facility (SCF) to the tune of Le500 billion, with a lower interest rate of 5 percent.

Monetary policy management in 2021 was challenged by rising global commodity prices (particularly energy and food), disruption in global supply chain, high freight charges and exchange rate depreciation. During the first quarter of 2021, inflationary pressures moderated, with headline inflation moderating to single digit (8.95 percent) in March 2021 and continued to May 2021. Thereafter, inflationary pressures picked up with headline inflation increasing steadily to 10.20 percent in June 2021 and further to 17.94 percent in December 2021. In response to the high inflationary pressures, the Monetary Policy Committee in its fourth quarter of 2021 meeting in December 2021 raised the monetary policy rate by 25 basis points, from 14.0 percent to 14.25 percent, and also applied an upward adjustment of the Standing Lending Facility Rate and Standing Deposit Facility Rate by the same margin to 18.25 percent and 8.25 percent respectively.

Going forward, monetary policy implementation was expected to be challenged by rising commodity prices, supply chain disruptions, geo-political tension linked with Russia-Ukraine, COVID-19 pandemic uncertainties, high freight charges and exchange rate depreciation. Furthermore, monetary policy normalisation in advanced economies and emerging market and developing economies may likely add further pressures on price developments in small-open economies like Sierra Leone.

4.2. Developments in Monetary Aggregates

Growth in monetary aggregates moderated in 2021 as both broad money and reserve money growth rates were lower in 2021 relative to the levels in 2020. The growth in broad money (M2) moderated to 22.05 percent in 2021, following a 38.18 percent growth in 2020. The expansion in broad money was reflected in increase in both the net domestic assets (NDA) and net foreign assets (NFA) of the banking system.

The NDA of the banking system grew by 27.05 percent in 2021 relative to the growth of 34.40 percent in 2020. This development was underpinned by a 19.63 percent increase in net claims on the central government by the banking sector, which was largely on account of increased borrowing from both the Bank of Sierra Leone (BSL) and the commercial banks. Net Claims on Central Government by the Bank of Sierra Leone increased by 23.88 percent in 2021 compared to the 35.08 percent in 2020. On the other hand, net claims on central government by the commercial banks grew by 16.68 percent in 2021, down from a growth of 38.01 percent in 2020. Credit to the private sector by the commercial banks grew by 33.89 percent in 2021, from a growth of 4.95 per cent in 2020.

Net foreign assets (NFA) of the banking system grew by 8.67 percent in 2021, compared to the growth of 49.45 percent in 2020. The expansion in NFA of the banking system was largely driven by the 41.46 percent growth in NFA of the commercial banks, which more than offset the 127.17 percent contraction in NFA of the BSL. Table 9 shows money supply and its components.

Table 9: Money Supply and its Components

				Jan-Dec 2021		Jan-Dec 2021	
	2019	**2020**	**2021**	**Change**	**percent Change**	**Change**	**percent Change**
Money supply (M2)	**8,533.02**	**11,790.92**	**14,391.06**	**2,600.14**	**22.05**	**3,257.90**	**38.18**
Narrow money (M1)	**4,005.91**	**6,003.96**	**7,539.77**	**1,535.81**	**25.58**	**1,998.05**	**49.88**
Currency outside banks	2,039.90	2,806.99	3,479.76	672.77	23.97	767.09	37.60
Demand deposit	1,966.00	3,196.96	4,060.01	863.05	27.00	1,230.96	62.61
Quasi money	**4,527.11**	**5,786.97**	**6,851.29**	**1,064.32**	**18.39**	**1,259.85**	**27.83**
o.w. Foreign currency deposit	2,231.01	2,797.74	3,703.87	906.14	32.39	566.73	25.40
Time and saving deposit	2,290.91	2,966.90	3,142.45	175.56	5.92	675.99	29.51
				-			
Net Foreign Asset	**2,144.43**	**3,204.76**	**3,482.71**	**277.95**	**8.67**	**1,060.33**	**49.45**
BSL	393.12	623.19	(169.31)	(792.50)	(127.17)	230.07	58.52
ODCs	1,751.32	2,581.58	3,652.03	1,070.45	41.46	830.26	47.41
Net Domestic Assets	**6,388.59**	**8,586.16**	**10,908.35**	**2,322.19**	**27.05**	**2,197.57**	**34.40**
Net Domestic Credit	**8,501.46**	**10,892.82**	**13,260.34**	**2,367.52**	**21.73**	**2,391.36**	**28.13**
Government (Net)	**6,347.44**	**8,682.96**	**10,387.50**	**1,704.54**	**19.63**	**2,335.52**	**36.79**
o.w.BSL	2,633.70	3,557.53	4,407.14	849.61	23.88	923.83	35.08
ODCs	3,713.74	5,125.44	5,980.36	854.93	16.68	1,411.69	38.01
Private Sector	2,268.66	2,379.92	3,161.95	782.03	32.86	111.26	4.90
o.w. ODCs	2,238.15	2,349.01	3,145.16	796.15	33.89	110.86	4.95
Other Sectors (Net)*	(114.64)	(170.07)	(289.11)	(119.04)	70.00	(55.43)	48.35
Other Items (Net)	**(2,112.87)**	**(2,306.66)**	**(2,351.99)**	**(45.34)**	**1.97**	**(193.78)**	**9.17**
Money Multiplier	3.12	2.78	3.13				

Source: Research and Statistics Department, BSL

From the liability side, the moderation in M2 growth was reflected in both Narrow Money and Quasi Money. Narrow Money growth slowed to 25.58 percent in 2021 compared to the 49.88 percent growth in 2020, reflecting moderation in the growth of both Currency outside Banks and Demand Deposits. Quasi Money growth moderated to 18.39 percent in 2021 relative to the growth of 27.83 percent in 2020, which was mainly due to slowdown in the growth of Time and Savings Deposits to 5.92 percent from 29.51 percent in 2020.

The Reserve Money (RM) growth moderated to 8.68 percent in 2021 compared to the growth of 54.82 percent in 2020. The moderation in Reserve Money was reflected in both the NDA and NFA of the Central Bank. The NDA of the BSL grew by 32.12 percent in 2021 relative to the 54.20 percent growth in 2020. The expansion in NDA of the BSL was mainly driven by the 33.28 percent increase in GOSL/IMF Budget Loan to the Government and increased holdings of Government Securities by the BSL by 9.77 percent. NFA of the BSL contracted by 127.17 percent in 2021 compared to the expansion of 58.52 percent in 2020. The contraction in NFA of the BSL was mainly due to higher external payments, relative to receipts. There was however, disbursement of new SDR allocation to the tune of US$286.25mn in August 2021.

From the liabilities side, the slowdown in RM growth reflected a 27.19 percent growth in Currency issued in 2021 compared to the 30.39 percent increase in 2020. Banks' reserves contracted by 35.99 percent in 2021 after expanding by 184.92 percent in 2020. Table 10 shows reserve money and its components.

Table 10: Reserve Money and Components

				Jan-Dec 21		**Jan-Dec 20**	
	2019	2020	2021	Change	percent Change	Change	percent Change
1. Net Foreign Assets	**393.12**	**623.19**	**(169.31)**	**(792.50)**	**(127.17)**	**230.07**	**58.52**
2. Net Domestic Assets	**2,342.08**	**3,611.37**	**4,771.50**	**1,160.13**	**32.12**	**1,269.29**	**54.20**
2.1 Government Borrowing (net)	2,633.70	3,557.53	4,407.14	**849.61**	**23.88**	**923.83**	**35.08**
o.w. 2.11 Securities	1,294.86	1,011.43	1,110.22	**98.79**	**9.77**	**(283.43)**	**(21.89)**
2.12 Ways and Means	192.40	213.57	196.19	**(17.38)**	**(8.14)**	**21.16**	**11.00**
2.13 GoSL/IMF Budget financing	1,294.80	2,525.22	3,365.50	**840.28**	**33.28**	**1,230.43**	**95.03**
3. Reserve money	**2,735.19**	**4,234.55**	**4,602.18**	**367.63**	**8.68**	**1,499.36**	**54.82**
o.w. 3.1 Currency issued	2,307.75	3,009.15	3,827.19	**818.04**	**27.19**	**701.40**	**30.39**
3.2 Bank reserves	422.26	1,203.08	770.04	**(433.04)**	**(35.99)**	**780.82**	**184.92**

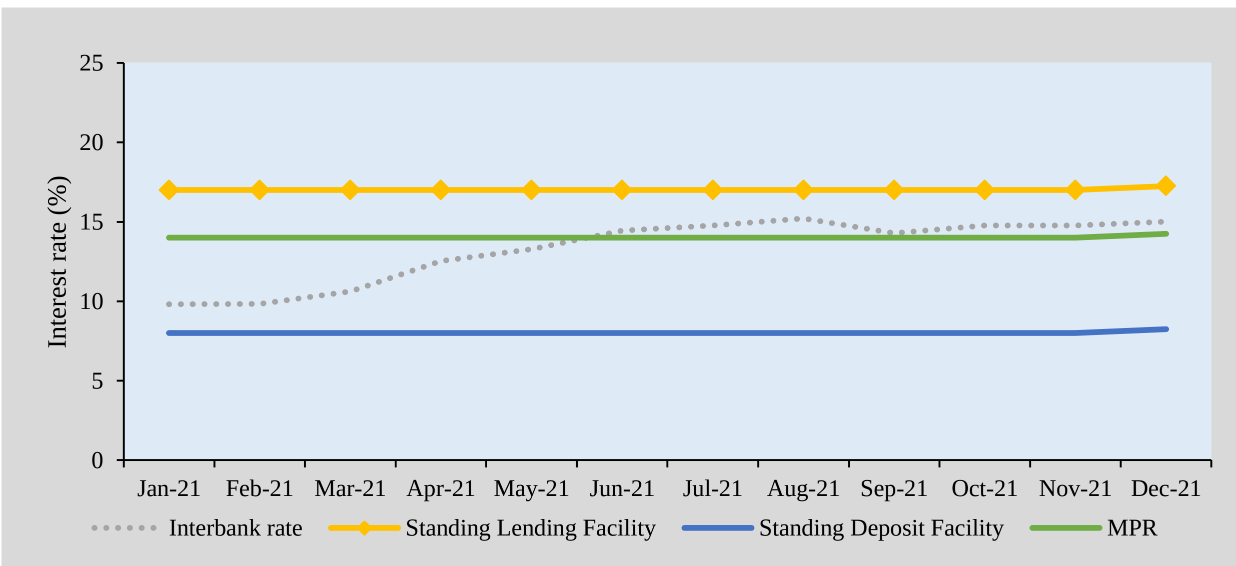
Source: Research and Statistics Department, BSL

4.3. Interest Rate Developments

4.3.1 Monetary Policy Rate and Interbank Rate

The Monetary Policy Rate (MPR) was increased from 14.00 percent in December 2020 to 14.25 percent in December 2021. The Standing Lending Facility (SLF) and Standing Deposit Facility (SDF) rates were also increased from 17.00 percent and 8.00 percent respectively in December 2020 to 17.25 percent and 8.25 percent respectively in December 2021 while, the interbank rate rose from 10.48 percent in December 2020 to 15.01 percent in December 2021, but remained within the policy corridor. Figure 19 shows the monetary policy rate and other key interest rates.

Figure 19: Monetary Policy Rates and Other Key Rates



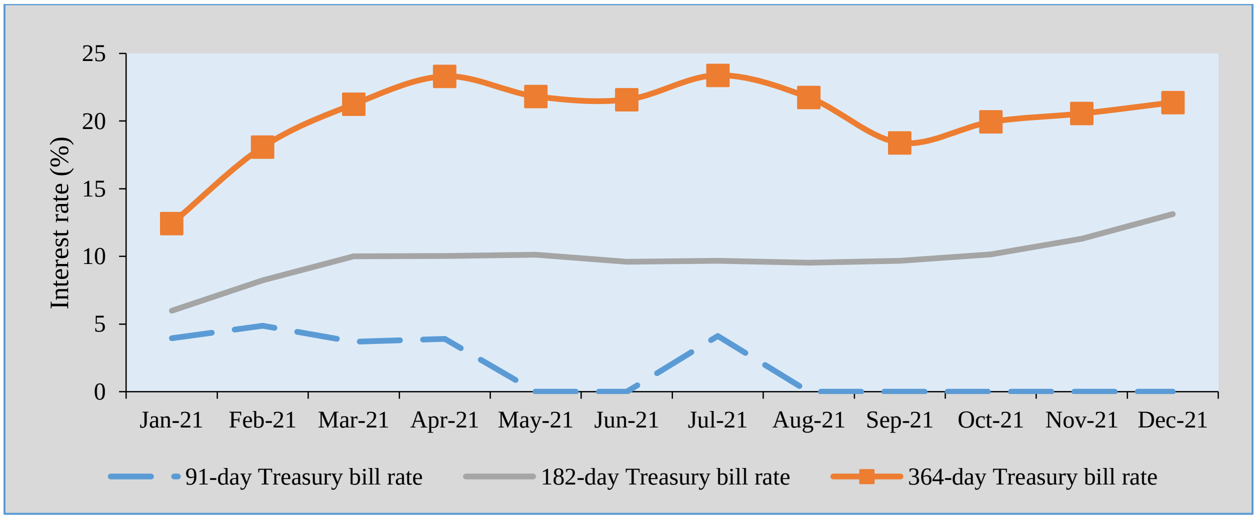
Source; Research Department, BSL

4.3. 2 Yields on Government Treasury Bills

Yields on two tenures of government securities increased in 2021 while the yield on one of them (the 91-day tenure) declined. The observed increase in the rates was partly explained by tightness in liquidity across the banking system. The 182-day T-bill rate increased from 5.17 percent in December 2020 to 13.13 percent in December 2021. Similarly, the 364–day T-bill rate rose from

10.51 percent in December 2020 to 21.38 percent in December 2021. There were no subscriptions for the 91-day T-bills rate in December 2021, while the rate was 3.78 percent in December 2020. Figure 20 shows the yields on Goverment bills.

Figure 20: Yields of Government securities



Source: Research Department, BSL

4.3.3. Commercial Banks' Lending and Deposit Rates

The commercial banks' average lending rate declined from 21.42 percent in December 2020 to 19.77 percent in December 2021. On the other hand, the average saving deposit rate decreased from 2.61 percent in December 2020 to 2.15 percent in December 2021. Table 11 shows lending and deposit rates and other interest rates

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

	2019M12	2020M12	2021M12
91-day T-Bills	8.83	3.78	-
182-day T-Bills	13.21	5.17	13.13
364-day T-Bills	25.045	10.51	21.38
Interbank rate	18.61	10.48	15.01
Standing Lending Facility	20.5	17	17.25
Standing Deposit Facility	13.5	8	8.25
MPR	16.5	14	14.25
Average Lending Rate	21.35	21.42	19.77
Savings deposits Rate	2.9	2.61	2.15

Source: Research 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 increased by 71.41 percent to US$948.32mn at the end of December 2021 from US$677.21mn at the end of December 2020 and was sufficient to cover 4.3 months of imports.

5.1.2 Foreign Exchange Inflows

The total foreign exchange inflows increased by 68.80 percent to US$626.01mn in 2021 from US$430.69 in 2020, which was led mainly by the significant rise in Aid Disbursement (that is, Balance of Payments (BoP) support). Significant foreign exchange inflows during the period comprised Aid Disbursements (BoP support) of US$479.36mn, of which US$94.61mn and US$100.65 were IMF disbursement and World Bank budgetary support respectively; US$281.52mn of SDR allocation; and the IDB disbursement of US$2.53mn for various projects.

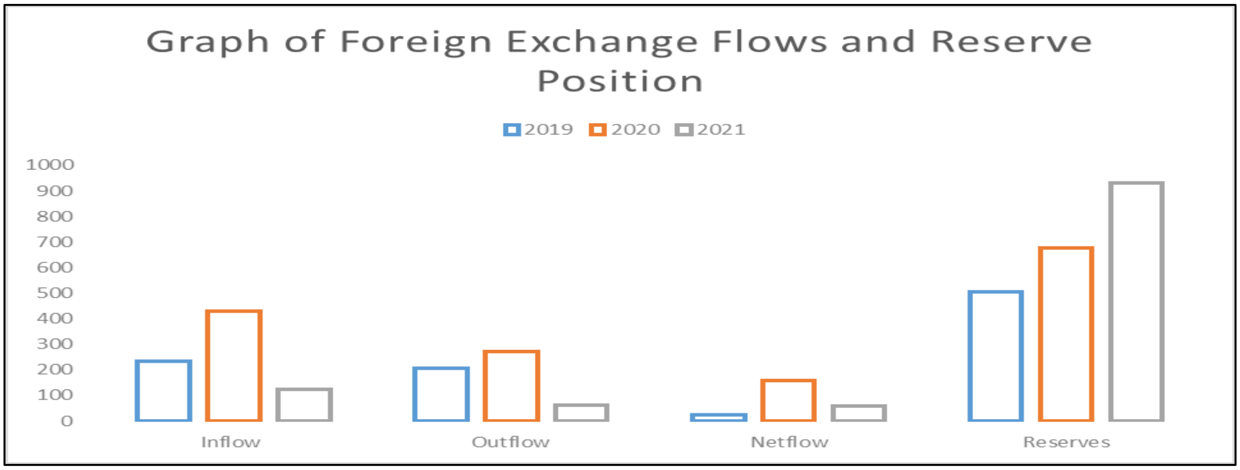
Export receipts in 2021 was US$106.71mn, comprising mainly royalty payments from Sierra Rutile (US$16.61mn), fishing (US$5.60mn), Vimetco (US$3.89mn), other mining receipts (US$29.84mn), Koidu Holdings (US$7.32mn), and diamond exporters' income tax and license fees (US$2.90mn). Other inflows included, US$39.95mn being other government receipts, transactions with commercial banks of US$23.30mn, receipts from Timber mining of US$34.29mn and privatization receipts of US$0.80mn.

5.1.3 Foreign Exchange Outflows

Total foreign exchange outflows increased by 73.03 percent to US$377.96mn in 2021, from US$276.03mn in 2020 driven mainly by the increase in payments for goods and services. Significant foreign exchange outflows comprised US$338.36mn being payments for goods and services of which: the weekly sale of foreign exchange through the BSL's auctions amounted to

US$122.29mn, government travel and other government expenditures amounted to US$54.04mn, payments to embassies/diplomatic missions was US$30.94mn, BSL's utilization for banking related issues was US$33.14mn, and US$3.52mn was in respect of government subscription to international organizations. Debt service payments amounted to US$39.60mn. Figure 21 shows foreign exchange flows and reserve positions.

Figure 21: Foreign Exchange Flows and Reserves Position



Source: Financial Markets Department, BSL

5.2 Foreign Exchange Management

The relative stability of the exchange rates that was envisaged in 2020 continued up to the first half of 2021. The second half of 2021 witnessed increased demand pressure for foreign currency, especially from importers of essential goods, rice and petroleum products. Consequently, the exchange rate was challenged leading to the depreciation of the SLL/USD exchange rates across all market segments.

In a bid to supplement the supply of foreign currency and to support the import of essential products, the BSL made foreign exchange available to oil marketing companies and rice importers, through direct sales of forex to their respective commercial banks under the extended Special Credit Facility (phase II).

5.2.1 Foreign Exchange Flows

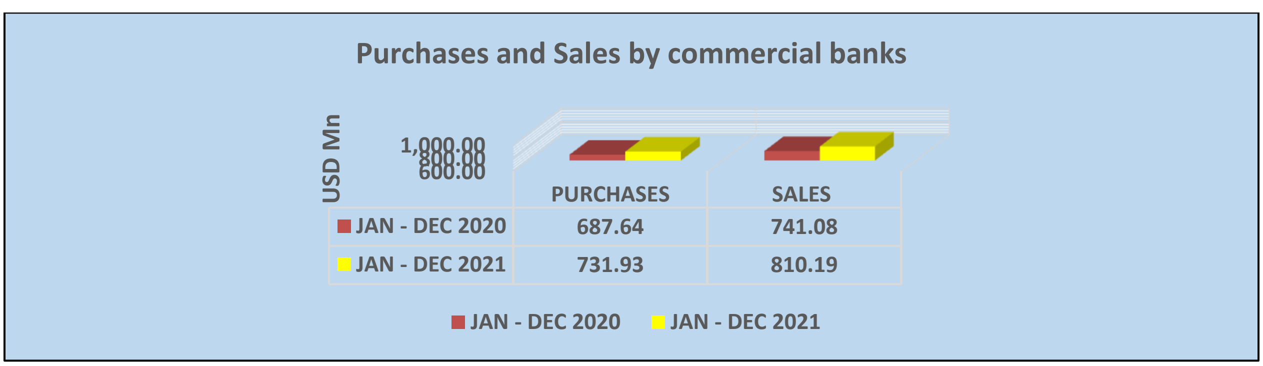
Total amount traded in the Foreign exchange market during the period January – December 2021 was USD1.54 billion, which was 7.69 percent higher than the total amount of USD1.43 billion traded in the preceding period of 2020. The monthly average amount traded in January-December 2021 was USD0.13 billion whereas for the same period in 2020 it was USD0.12 billion.

5.2.2 Purchases and Sales of Forex by Commercial Banks

Total purchases for the period January- December 2021 was USD0.73 billion compared to USD0.69 billion in 2020, indicating an increase of 6.44 percent. The increase was largely due to purchases by the mining sector (particularly Sierra Rutile and Koidu Holdings/Octea mining, and H.M. Diamonds), International NGOs, bureaus remittances, and the service sector.

Consequently, the total sale of foreign exchange by commercial banks also increased by 9.33 percent from USD0.74 billion at the end of December, 2020 to USD0.81 billion at the end of December 2021. The major segments that accounted for the increase in forex sales by the commercial banks in 2021 were trade related payments, services and payments for petroleum products. Figure 22 shows the purchases and sales of foreign exchange by commercial banks.

Figure 22: Purchases and Sales of Foreign Exchange by Commercial Banks



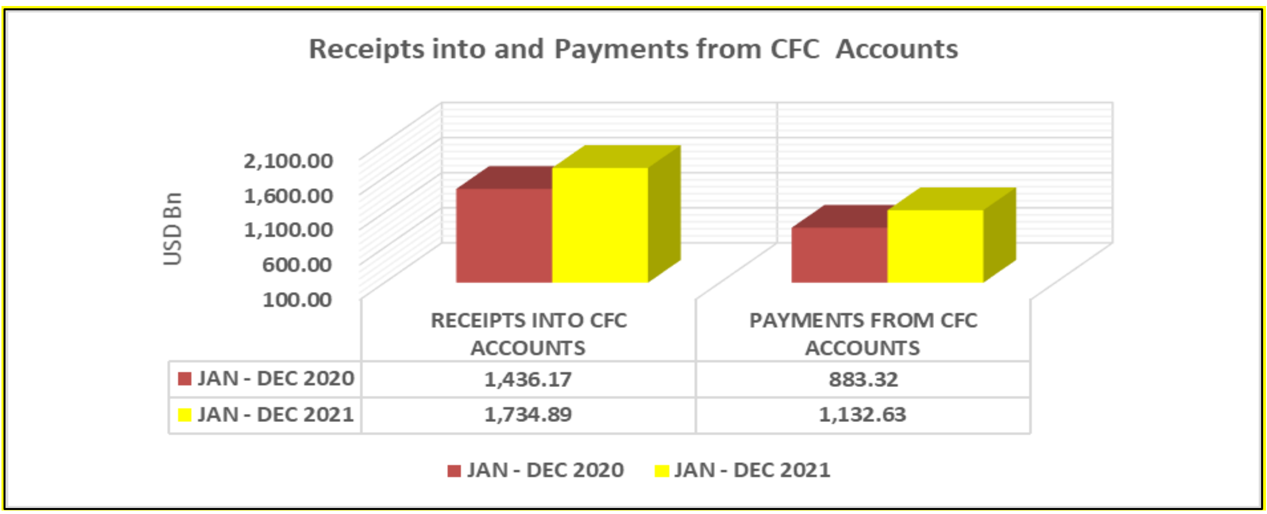
Source: Financial Markets Department, BSL

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

Receipts into customer foreign currency accounts in 2021 was USD1.73 billion, which increased by 20.80%, compared to USD1.44 billion in 2020. The major sectors that accounted for increase of receipts into customer's foreign account were the mining sector (particularly Kingho Investment Co. Ltd, Koidu Holdings Ltd and H.M. Diamonds), services, bureaus and migrant remittances/money transfer agencies.

Payments from customer foreign currency accounts in 2021 increased by 28.22 percent to USD1.13 billion, compared to USD0.88 billion recorded in 2020.The payments from customer foreign currency accounts (outflows) were mainly for trade related imports, rice imports, services imports , mining industry imports, and payment for petroleum products. Figure 23 shows receipts and payments from customer foreign currency accounts.

Figure 23: Receipts and Payments from Customer Foreign Currency Accounts



	RECEIPTS INTO CFC ACCOUNTS	PAYMENTS FROM CFC ACCOUNTS
JAN - DEC 2020	1,436.17	883.32
JAN - DEC 2021	1,734.89	1,132.63

Source: Financial Markets Department (FMD), BSL

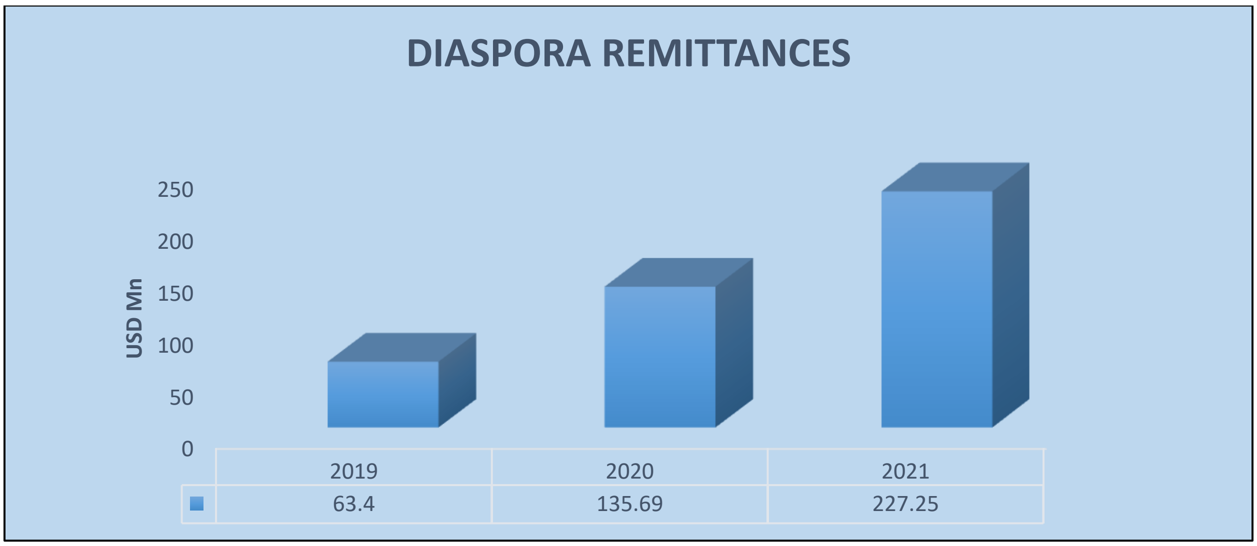
5.2.4. Foreign Exchange Auction

There was no foreign exchange auction in 2021.

5.2.5. Diaspora Remittances

Total Diaspora remittances in 2021 increased by 67.55% to USD227.35 million, from USD135.69 million in 2020. In spite of the global COVID-19 pandemic, diaspora remittances in 2021 was higher than the pre-pandemic (2019) level and the 2020 level. Figure 24 shows trend of diaspora remittances.

Figure 24: Diaspora Remittances



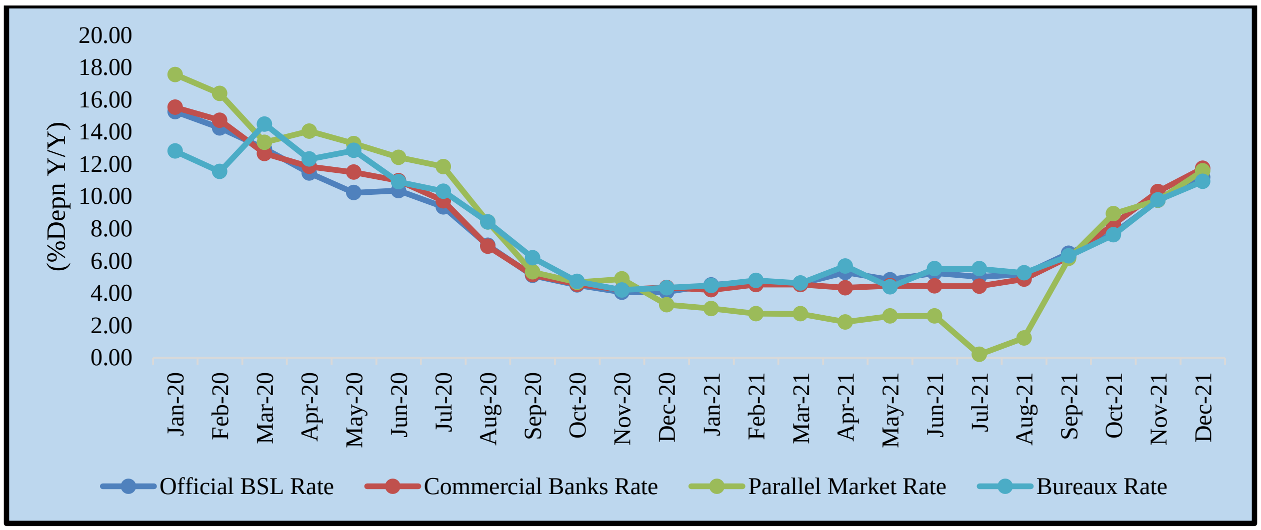
Source: Financial Markets Department, BSL

5.2.6 Foreign Exchange Rate Movements

The Bank continued to deploy its foreign exchange management instruments to stabilise the foreign exchange market. The Bank's intervention in the foreign exchange market through the direct sale of foreign exchange to commercial banks at the beginning of the year helped stabilise market during the first quarter of 2021. This stability continued until the end of the second quarter of 2021, though there were signs of tightness in the market. However, challenges emerged in the foreign exchange market in the third quarter of 2021, with heightened demand pressure for foreign currency to meet import demands of essential goods and services (including food and petroleum products). This exerted pressure on the exchange rates across all market segments, resulting in depreciation of the Leone against major international currencies. These challenges continued in the fourth quarter of 2021, with a further depreciation of the Leone against major international currencies.

On a year-on year basis, the official BSL, commercial banks, bureaus and parallel market exchange rates depreciated by 11.18 percent, 11.75 percent, 10.93 percent, and 11.58 percent respectively, from Le/USD10,106.87, Le/USD10,239.32, Le/USD10,148.19 and Le/USD10,445.00 in 2020 to Le/USD11,237.04, Le/USD11,442.26, Le/USD11,257.89 and USD11,655.00 respectively in 2021. Figure 25 shows the year-on-year depreciation of the Leone against the U.S dollar.

Figure 25: Nominal Exchange Rate (Le/USD) Depreciation (Year-on-year (%))

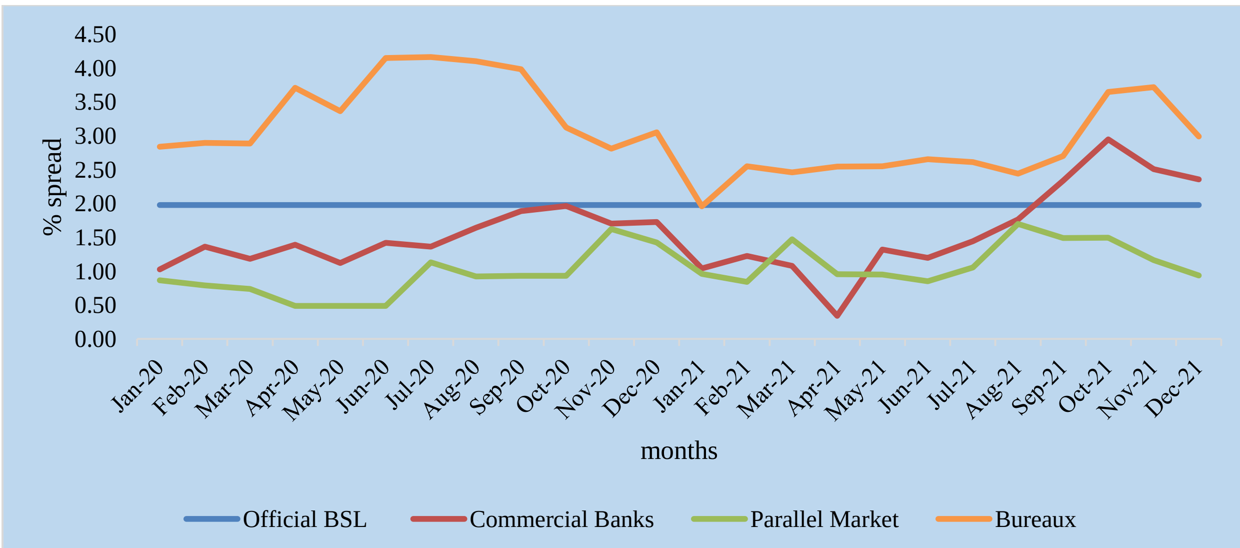


Source: Financial Markets Department, BSL

5.2.7 Spreads in the Various Markets

The percentage spread between the average official BSL buying and selling rates was constant at 1.98 percent. However, the spread in the commercial banks, bureau and parallel market varied. The percentage spread in the commercial banks' rate widened in 2021, recording a spread of 2.36 percent, compared to the maximum spread of 1.73 percent recorded in 2020. The percentage spread in the foreign exchange bureau rate narrowed in 2021, with a spread of 2.99 percent compared to the spread of 3.06 percent recorded in 2020. Similarly, the spread in the parallel market rate narrowed in 2020, with a spread of 0.94 percent, compared to the spread of 1.43 percent recorded in 2020. Figure 26 shows the spread between the buying and selling rates (SLL/USD).

Figure 26: Spread between buying and selling rates of the USD (%)



Source: Financial Markets Department, BSL

5.3 Monetary Policy Operations

5.3.1 Primary Market Auction Outcomes

Primary market auctions for Government Securities exhibited mixed outcomes in 2021. The 91-days and 182-days tenures were largely undersubscribed, while the 364-days tenure was mostly oversubscribed in the review year. As such, the demand for government treasury bills continued to be skewed to the 364 days tenure, with commercial banks as leading participants. However, the non-bank public was the dominant participant in the 91-days and 182-days Treasury bills

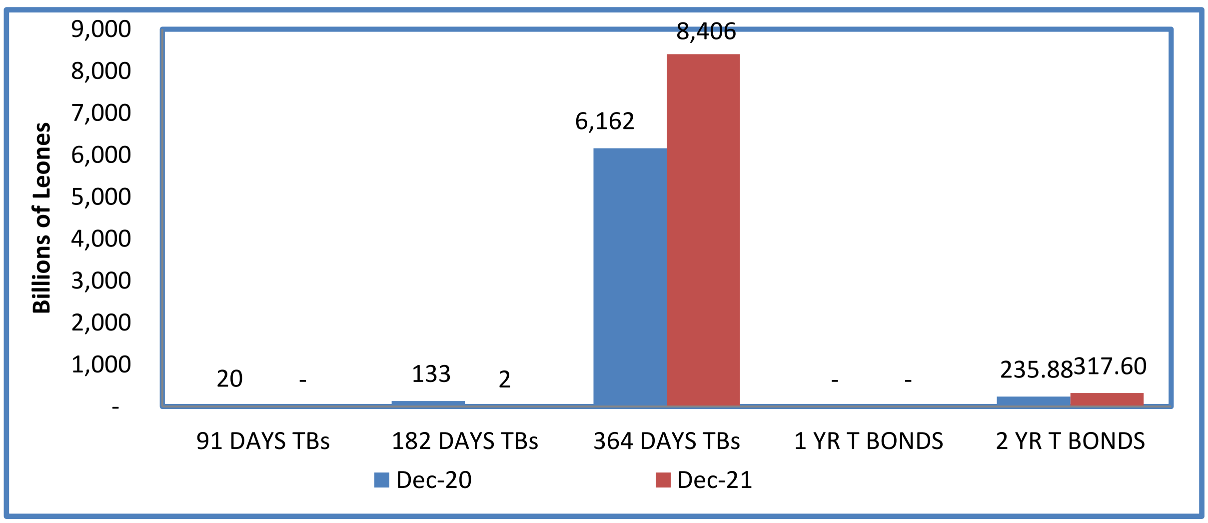
5.3.2 Stock of Government Securities

The total stock of Government securities increased by Le2,227.36 bn (30.80%) from Le7,230.76bn in December, 2020 to Le9,458.14bn in December, 2021. Marketable securities accounted for 92.25 percent of the total stock of government securities, while non-marketable securities accounted for 7.75 percent.

The stock of marketable securities increased by Le2,173.46 bn (33.17%) from Le6,552.02bn as at end December, 2020 to Le8,725.47bn as at end December, 2021. This is largely on account of increase in the 364-days T-bills. The issuance of new treasury securities during the review period was mainly to finance the budget. Non-marketable securities increased by Le53.00bn (7.94%) from Le678.76bn as at end December, 2020 to Le732.67bn as at end December, 2021, which was mainly due to new issuance of a 3-year Treasury bonds.

As at end December 2021, the proportion of 91-day, 182-day and 364-day treasury bills to the total marketable securities was 0.00 percent, 0.02 percent and 96.34 percent respectively, while that of the 2-year Treasury bond was 3.64 percent. With regards non-marketable securities, the 3-year, 5- year and 10-year treasury bonds accounted for 47.21 percent, 50.23 percent and 2.56 percent respectively. Figure 27 shows the stock of marketable government securities by tenure.

Figure 27: Stock of Marketable Government Securities by Tenure



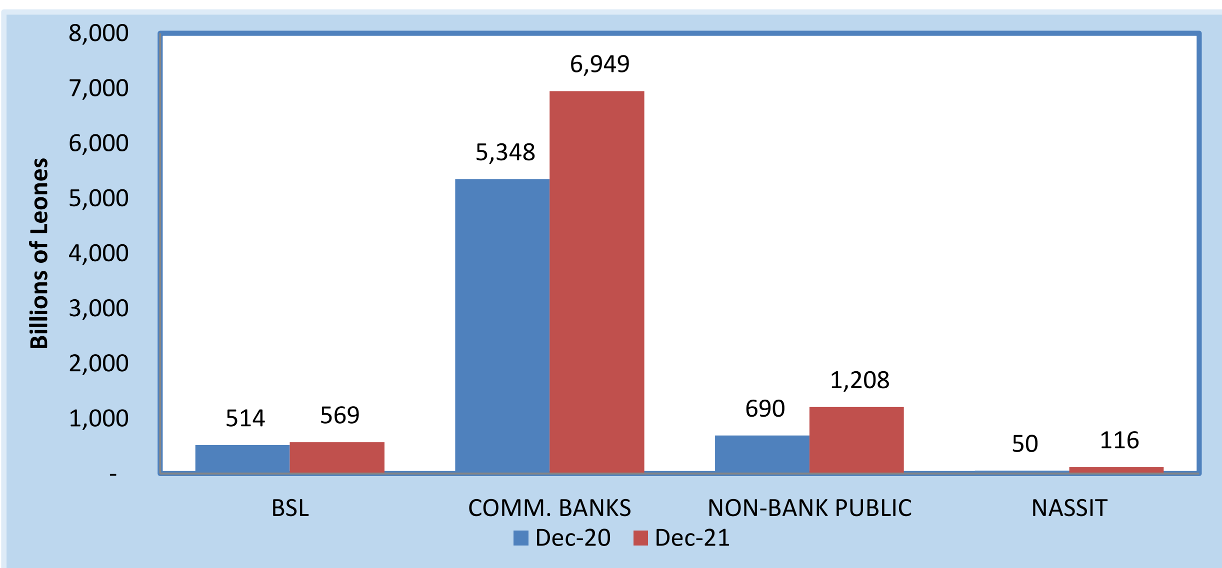
Source: Financial Markets Department, BSL

5.3.3. Distribution of the Stock of Government Securities by Sector

In 2021, there was increased holding of government securities in all the three segments of the holding of these securities, which are the BSL, Commercial Banks and the Non-Bank Public.

The holdings of marketable government securities by the BSL increased by Le54.76bn (10.65%) from Le514.36bn as at end December, 2020 to Le569.12bn as at end December, 2021, which was largely due to BSL's outright purchases of treasury bills from the commercial banks in 2021. The holdings by commercial banks increased by Le1,601.17 bn (29.94%) from Le5,347.60bn as at end December, 2020 to Le6,948.77bn as at end December, 2021. Non-bank holdings of marketable government securities increased by Le517.53bn (75.00%) from Le 690.06bn at the end of December, 2020 to Le1, 207.59bn at the end of December, 2021. The holdings of National Social Security and Insurance Trust (NASSIT) , the largest non-bank public holder, increased by Le65.50bn (129.74%) from Le50.49bn as at end December, 2020 to Le115.99bn as at end December 2021. Figure 28 presents the holdings of marketable government securities by sectors.

Figure 28: Holdings of Marketable Government Securities by Sector (in Billions of Leones)



Source: Financial Markets Department, BSL

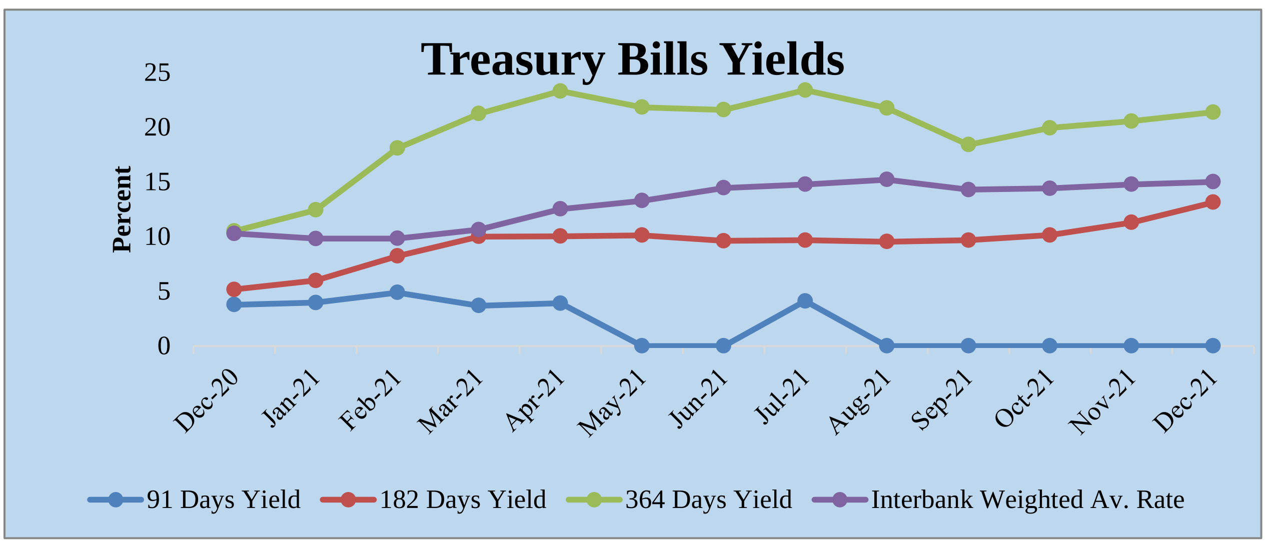
5.3.4. Yields of Government Securities in the Primary Market and Interbank Market

The yields of all the tenures of treasury bills generally increased in 2021. The monthly average annual yield of the 91-days treasury bills increased by 33 basis points from 3.78 percent in December, 2020 to 4.11 percent in July, 2021.There was no demand for the tenure from August to December 2021. The yield of the 182 days T-bills increased by 796 basis points from 5.17 percent in December, 2020 to 13.13 percent in December, 2021. Similarly, the annual yield of the 364-days treasury bills significantly increased by 1,087 basis points from 10.51 percent in December, 2020 to 21.38 percent in December, 2021.

The interbank weighted average yield increased by 472 basis points from 10.29 percent in December, 2020 to 15.01 percent in December, 2021.

The increased rates in both the primary and the interbank markets reflected the observed liquidity tightness in the banking system, especially in the second half of 2021. Figure 31 shows the trends in yields of government securities in both the Primary and Interbank markets.

Figure 29: Yields of Government Securities in the Primary and the Interbank Market



Source: Financial Markets Department, BSL

5.3.5. BSL Standing Facilities

Access to the BSL Standing Lending Facility (SLF) window increased by Le3,202.50bn (382.16.%) from Le838bn as at end December, 2020 to Le4,040.50bn as at end December, 2021. This was mainly owing to the tightness in the liquidity position of banks, especially in the third and fourth quarters of 2021.

In the Standing Deposit Facility (SDF) window, the volume of transactions decreased by Le3,577.70bn (64.37%) from Le5,552bn as at end December, 2020 to Le1,978.30bn as at end December, 2021, depicting the decline in the liquidity condition in the banking system.

5.4.6. Secondary Market Outcomes

The level of intermediation in the interbank money market deepened during the review period as the volume of interbank transactions increased by Le5,864.76bn (193.88%) from Le3,024.95bn in 2020 to Le8,889.71bn in 2021.

The Bank's intervention in the secondary market through outright purchase of Treasury Bills increased in 2022. The volume of outright purchases of Treasury bills in the secondary market increased by Le191.93bn (32.79%) from Le585.37bn in 2020 to Le777.30bn in 2021. Table 12 shows stock of Government securities outstanding by Tenure & Holder (LeMil).

Table 12: Stock of Government Securities Outstanding by Tenure & Holder (LeMil)

STOCK OF GOVERNMENT SECURITIES OUTSTANDING BY TENOR AND BY HOLDER (IN MILLIONS OF LEONES)			
	Dec-20	**Dec-21**	**Change**
91 DAYS TBs	**20,490.80**	**-**	**(20,490.80)**
BSL	30.00	-	(30.00)
COMM. BANKS	7,462.20	-	(7,462.20)
NON-BANK PUBLIC	12,998.60	-	(12,998.60)
o/wNASSIT	-	-	-
182 DAYS TBs	**133,264.15**	**1,996.60**	**(131,267.55)**
BSL	-	-	-
COMM. BANKS	117,951.95	-	(117,951.95)
NON-BANK PUBLIC	15,312.20	1,996.60	(13,315.60)
o/wNASSIT			-
364 DAYS TBs	**6,162,378.70**	**8,405,878.40**	**2,243,499.70**
BSL	514,330.90	569,117.40	54,786.50
COMM. BANKS	5,026,787.70	6,691,656.25	1,664,868.55
NON-BANK PUBLIC	621,260.10	1,145,104.75	523,844.65
o/wNASSIT	*10,000.00*	*55,500.00*	*45,500.00*
2 YR T BONDS	**235,883.95**	**317,597.85**	**81,713.90**
BSL	-	-	-
COMM. BANKS	195,396.95	257,110.85	61,713.90
NON-BANK PUBLIC	40,487.00	60,487.00	20,000.00
o/wNASSIT	*40,487.00*	*60,487.00*	*20,000.00*
TOTAL MARKETABLE	**6,552,017.60**	**8,725,472.85**	**2,173,455.25**
BSL	514,360.90	569,117.40	54,756.50
COMM. BANKS	5,347,598.80	6,948,767.10	1,601,168.30
NON-BANK PUBLIC	690,057.90	1,207,588.35	517,530.45
o/wNASSIT	*50,487.00*	*115,987.00*	*65,500.00*
3 YR T BONDS	**284,518.20**	**345,929.40**	**61,411.20**
BSL	143,814.20	227,382.80	83,568.60
COMM. BANKS	115,704.00	93,546.60	- 22,157.40
NON-BANK PUBLIC	25,000.00	25,000.00	-
o/wNASSIT	*25,000.00*	*25,000.00*	-
5 YR T BONDS	**367,989.80**	**367,989.80**	**-**
BSL	326,918.00	326,918.00	-
COMM. BANKS	-	-	-
NON-BANK PUBLIC	41,071.80	41,071.80	-
o/wNASSIT	*41,071.80*	*41,071.80*	-
10 YR T BONDS	**26,250.00**	**18,750.00**	**(7,500.00)**
BSL	26,250.00	18,750.00	(7,500.00)
COMM. BANKS	-	-	-
NON-BANK PUBLIC	-	-	-
o/wNASSIT	-	-	-
TOTAL NON-MARKETABLE	**678,758.00**	**732,669.20**	**53,911.20**
BSL	496,982.20	573,050.80	76,068.60
COMM. BANKS	115,704.00	93,546.60	- 22,157.40
NON-BANK PUBLIC	66,071.80	66,071.80	-
o/wNASSIT	*66,071.80*	*66,071.80*	-
TOTAL GOV. SECURITIES	**7,230,775.60**	**9,458,142.05**	**2,227,366.45**
BSL	1,011,343.10	1,142,168.20	130,825.10
COMM. BANKS	5,463,302.80	7,042,313.70	1,579,010.90
NON-BANK PUBLIC	756,129.70	1,273,660.15	517,530.45
o/w NASSIT	116,558.80	182,058.80	65,500.00

6. FINANCIAL STABILITY

The banking sector was well capitalised, profitable and relatively stable in 2021. Though some key financial soundness indicators (FSIs) reduced marginally in 2021, all were above the minimum prudential requirement except for the NPL that breached the prudential requirement. However, banking sector asset continued to expand and the sector realized a reasonable amount of profit in 2021 despite the COVID-19 pandemic. The main source of income for the banking sector continued to be interest from government securities. Deposits continued to be the main source of funds for the banking sector whilst investment in government securities is the main use of funds. Gross Loans remained the second major use of funds in 2021.

The Bank of Sierra Leone is working assiduously to keep the banking sector stable by advancing the regulatory and supervisory framework for the banking system. In this context, the BSL started the process to review key banking sector guidelines to include the Prudential Guidelines and the Licensing and Ownership guidelines. The BSL is also working on introducing a comprehensive corporate governance guidelines and a Cyber Security guidelines for Financial Institutions.

To promote gender inclusion in financial services, the BSL issued a directive on the provision of financial services in non-discriminating basis. The directive requires all regulated financial institutions to provide financial services without discrimination based on sex or marital status. This directive serves to promote women’s participation in the financial sector, thereby empowering women financially.

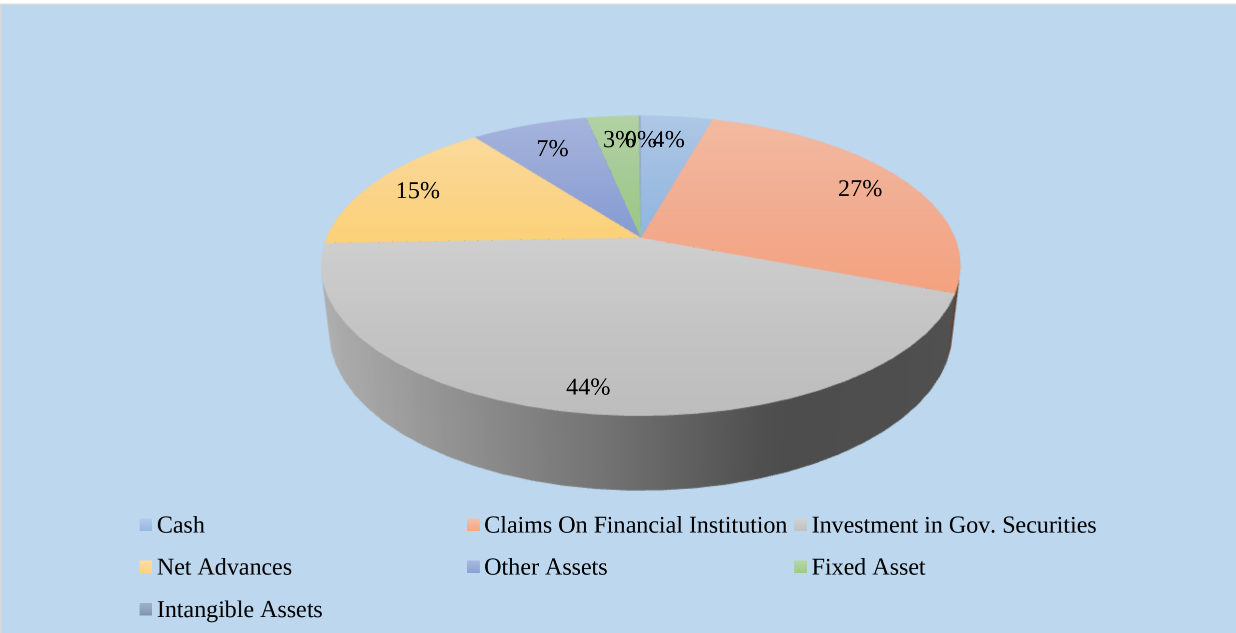
The BSL has also completed the fourth phase of the increase of the Minimum Paid up Capital to 85 billion Leones. In 2018, it gave directives to gradually increase the minimum paid-up capital in four annual phases. A good number of banks have adhered to the directives and have met the minimum paid up capital of 85 billion Leones.

Furthermore, the BSL, with the technical assistance provided by the US Treasury Department worked on setting up of a deposit protection fund. A Deposit Protection Bill was laid in Parliament for legislation and the BSL stands ready to set up the fund once the bill is passed.

6.1. Asset

The banking sector's asset grew by 2,729.92 (20.88 per cent) from Le13, 075.65 bn in 2020 to Le15,805.58 bn in 2021. A breakdown of assets shows that investments in government securities accounted for 43.56 per cent of banking sector asset. This is followed by claims on financial assets, with 26.51 percent and loans and advances with 15.22 per cent. This reflects banks preference for holding government securities over issuing loans and advances given the zero-risk nature and high yields on government securities. Figure 30 shows the composition of banking sector assets in 2021.

Figure 30: Composition of Banking Sector Asset in 2021



Source: Financial Stability Department, BSL

6.2. Capital

The issued and paid-up capital of the banking system grew by Le318.95 billion (37.46 percent) in 2021, from Le851.54 billion in December 2020 to Le1,170.49 billion in December 2021.The Capital Adequacy Ratio (CAR) of the entire commercial banking system recorded 41.16 percent as at end December 2021, compared to 40.10 percent as at end December 2020. The CAR of the banking sector was well above the statutory minimum requirement of 15 per cent. All, but one bank met the minimum CAR threshold of 15 per cent. Although most banks met the CAR, only nine of the fourteen commercial banks met the statutory minimum paid up capital requirement of Le85billion for end December 2021, representing 64 per cent of the industry.

6.3. Shareholders' Funds

Shareholders' funds grew by 534.36 billion (26.09 per cent) from Le2, 047.93 billion in 2020 to Le2, 582.29 billion in 2021. The growth in shareholders' funds was as a result of increase in profits and the increase in the minimum paid up capital, as banks were required to increase capital to Le85bn by end December, 2021. The shareholders' funds to deposits ratio stood at 21.24 percent and 21.63 percent at end December 2020 and end December 2021 respectively.

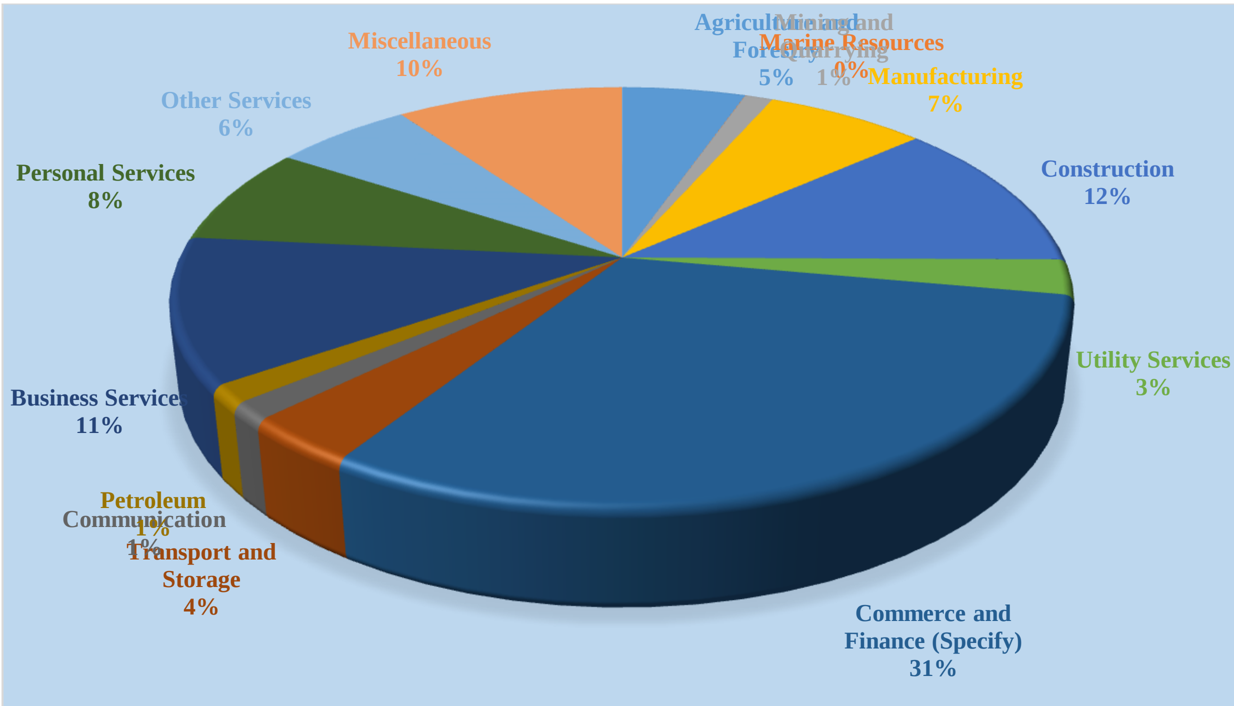
6.4. Credit Portfolio

Gross Loans and Advances increased by Le475bn (20.56 percent) from Le2,313.40bn at the end of December 2020 to Le2789.00bn at the end of December 2021 , indicating increased bank financing of economic activities owing to the resumption in economic activities after the reduction in economic activities in 2020, due to the COVID-19 pandemic.

6.5. Sectorial Distribution of Loans and Advances

As at 31st December 2021, Commerce & Finance had the largest share of the credit portfolio with Le869.61bn (31.18 percent), followed by Construction at Le325.62bn (11.68 percent), Business Services with Le313.2 bn (11.23 percent), Miscellaneous with Le273.71 bn (9.8 percent), Manufacturing with Le193.51 bn (6.94 percent), Transport & Storage with Le100.46 bn (3.60 percent), Personal Services with Le211.68bn (7.59 percent), Agriculture and Forestry with Le140.40 (5.32 percent) and all the other sectors held Le352.72bn (12.65 percent) .Figure 31 shows the sectoral distribution of loans and advances.

Figure 31: Sectorial Distribution of Loans and Advances



Source: Financial Markets Department, BSL

6.7. Non-Performing Loans (NPLs)

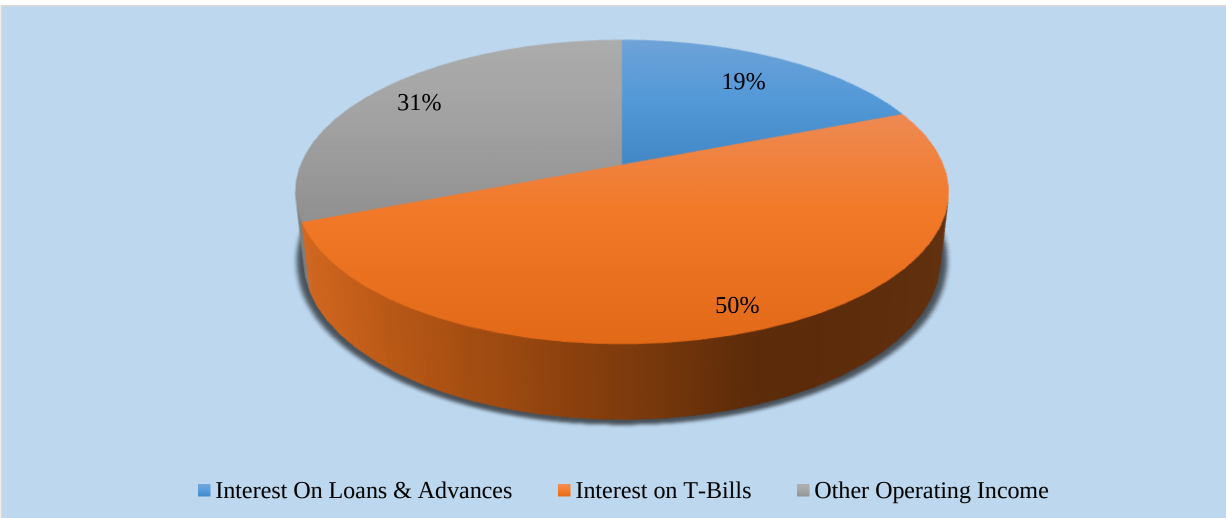
The NPL ratio increased by 256 basis point from 12.67 percent as at end December 2020 to 15.23 percent as at end December 2021. The NPL is 523 basis point above the prudential limit of 10%. The deterioration in the NPL was mainly due to the impact of the COVID-19 pandemic on businesses, which translated through the impact of lock down and other COVID-19 measures, which brought about reduction in economic activities, leading to losses for businesses- especially in the tourism, transportation and other services sectors.

6.8. Profitability

Pre-tax profits for the banking sector increased by Le82.57bn (12 percent) from Le669.99 bn as at end December 2020 to Le752.56 bn in December 2021. The growth was largely supported by a significant increase in ‘Other Operating Income which increased by Le153.64 billion (32 percent) from Le468.25 bn in December 2020 to Le621.88 bn as at end December, 2021.

For the period ending 31st December 2021, interest income accounted for more than half of the banking industry’s total income (68.98 percent).This consisted of interest income from investments in government securities (49.96 percent) and interest from loans & advances (19.02 percent), while other operating income contributed 30.92 percent to total income. Figure 32 shows banking sector income by source.

Figure 32: Total Income of the Banking Sector by Source

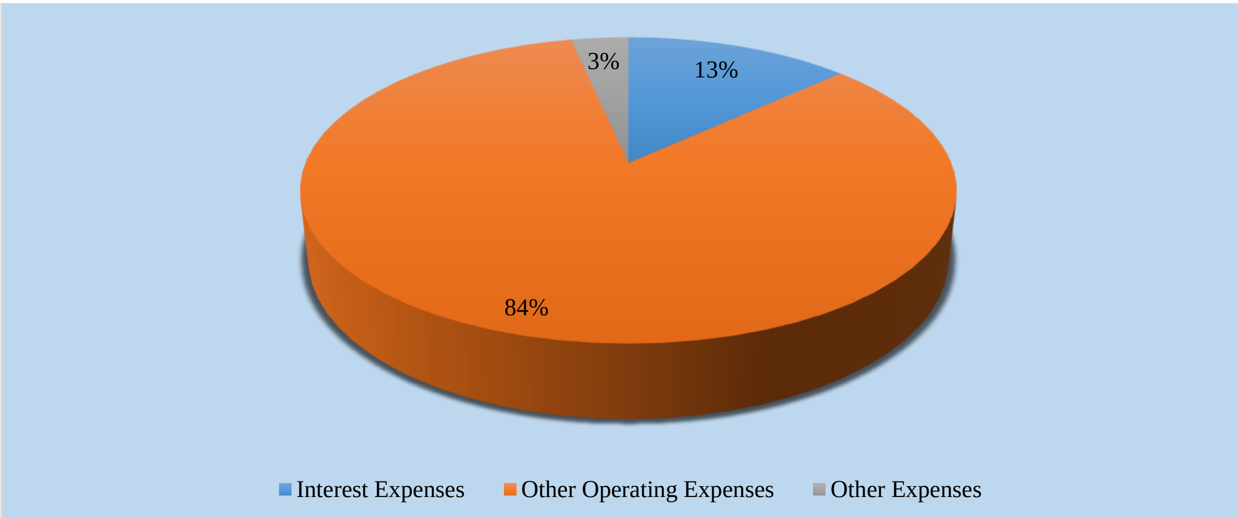


Source: Financial Stability Department, BSL

On the expenditure side, other operating expenses accounted for 83.34 percent of the commercial banks’ expenses, within which administrative & other costs accounted for 48.03 percent and staff costs accounted for 39.34 percent. Interest expenses formed 13.15 percent, while other expenses accounted for 3.35 percent.

Figure 33 shows the total operating expenses of the banking sector while Table 13 shows the consolidated profit and loss account of the banking industry for the period ended 31st December 2021.

Figure 33: Total Operating Expenses of the Banking Sector



Source: Financial Stability Department, BSL

Table 13: Consolidated Profit and Loss Account for the Banking Industry for the Period Ended 31st December 2021

Income and Expenses	2020 (Le Mn)	2021 (Le Mn)
Interest income	1,244,366.00	1,387,402.97
Interest expenses	(152,534.29)	(159,740.96)
Net interest income	1,091,831.70	1,227,662.01
Loan loss provision	(35,763.17)	(43,938.75)
Net intermediation income	1,056,068.53	1,183,723.26
Other operating income	468,245.33	621,888.18
Total operating income	1,524,313.86	1,805,611.44
Other operating expenses	(854,321.03)	(1,053,051.62)
Net operating income	669,992.83	752,559.82
Other income	-	-
Profit before tax	669,992.83	752,559.82
Taxation	(187,759.70)	(196,305.77)
Profit after tax	**482,233.14**	**556,254.05**

Source: Financial Stability Department, BSL

6.9. Liquidity

The Cash Reserve Ratio (CRR) at end December 2021 was 15.25 percent compared to 20.74 percent registered at end December 2020. However, the CRR was above the statutory minimum limit of 12 percent. The commercial banks also met the overall liquidity requirements, though it dropped to 106.14 percent at end December, 2021 from 109.17 percent as at end December, 2020.

6.10. Foreign Exchange Risks

The banking sector as a whole was not susceptible to foreign exchange risk as the aggregate and single net open positions for the various single currencies were recorded at -10.72 percent for aggregate, -9.48 percent for USD, -0.37 percent for GBP and 0.93 percent for EURO, indicating that the banks were within the statutory requirements of +/-25 percent for aggregate and +/-15 for single.

At the bank level, all banks, with the exception of four banks, did not meet the statutory limits of the aggregate net open position. Five banks could not meet the single net open position for USD, while all the banks met the single net open position for GBP and EUR currencies. The share of foreign currency liabilities to total liabilities was 26.21 percent. Table 14 shows the financial soundness indicators of the commercial banking system while Table 15 shows the consolidated balance sheet of the banking system.

Table 14: Financial Soundness Indicators of the commercial banking system

INDICATORS	Dec-2020	Dec-2021
CAPITAL ADEQUACY	Percent [%]	Percent [%]
Regulatory capital to risk-weighted assets (%)	40.10	41.16
Primary capital to risk-weighted assets (%)	33.15	35.25
Capital (net-worth) to assets (%)	11.07	12.12
ASSET QUALITY & COMPOSITION		
Non- Performing Loans as a % of Total Advances	12.67	15.23
Loan Loss Provisions as a % of Non -Performing	73.84	74.53
PROFITABILITY AND EFFICIENCY		
Return on Assets	6.11	5.36
Return on Equity Funds	27.61	23.86
Interest Margin to Gross Income	69.99	66.38
Expense to income ratio	58.79	60.36
LIQUIDITY		
Cash Ratio	20.74	15.25
Overall Liquidity Ratio	109.17	106.14
SENSITIVITY TO MARKET RISKS		
Percentage of aggregate Net Open position to capital Base	-15.41	-10.72
Percentage of single currency open position to capital base (%)USD	-4.01	-9.48
Percentage of single currency open position to capital base (%) GBP	-1.57	-0.37
Percentage of single currency open position to capital base (%)	0.00	0.05

Source: Financial Stability Department, BSL

Table 15: Consolidated Balance Sheet of the Banking System

ASSETS	Dec-2020	Dec-2021
Cash	432,524.64	686,381.74
Claims On Financial Institution	3,619,917.88	4,190,011.56
Investment	5,790,472.70	6,885,656.71
Net Advances	2,054,687.60	2,405,290.71
Other Assets	701,766.93	1,118,684.20
Fixed Asset	470,591.46	500,216.10
Intangible Assets	5,693.20	19,335.05
Total Assets	**13,075,654.41**	**15,805,576.08**
LIABILITIES		
Issued & paid –up capital	851,538.22	1,170,492.09
Statutory Reserve	436,089.18	548,870.44
Revaluation Reserve	41,299.85	41,299.85
General Reserves	4,853.28	65.98
Other (Purchase of shares & proposed Dividend)	59,588.97	140,691.84
Purchase of Shares/premium	29,656.78	41,084.74
Retained earnings	125,362.02	83,532.45
Current	499,543.14	556,254.05
Subordinated Term debt	5,064.17	-
Perpetual Subordinated Term debt	-	-
Takings and other financial Instruments	105,921.76	92,101.69
Short Term Borrowings	147,992.91	247,426.86
Long Term Borrowings	-	9,169.64
Balances due to Financial Institutions	2,845.31	13,665.84
Other Deposits	-	-
Deposit:- Financial Institution:	-	-
Local Deposits	6,269,243.26	7,449,142.96
Foreign Deposits	3,138,729.48	4,143,402.25
Special Deposit	234,195.86	348,288.49
Margins Against Contingent Liabilities	101,785.61	109,526.10
Other Liabilities:	1,021,944.60	810,560.81
Total Liabilities	**13,075,654.41**	**15,805,576.08**

Source: Financial Stability Department, BSL

6. FINANCIAL SECTOR DEVELOPMENTS

7.1. Supervisory Reviews and Recent Developments

The banking sector continued to dominate the Sierra Leone financial system. In 2021, the banking sector consisted of fourteen (14) commercial banks – two state-owned, two domestic privately-owned and ten foreign-owned subsidiaries, mainly from Nigeria, with a total branch network of one hundred and twenty (120) countrywide and they are regulated under the Banking Act, 2019. Table 16 shows the number of commercial bank branches as at 31st December 2021. The banking sector, which held majority of the assets and deposits in the Sierra Leone's financial system, continued to expand and was adequately capitalised in 2021. It was also liquid, profitable and stable.

On site examination was carried out on four (4) out of fourteen commercial banks in the year 2021. These banks, which included the two state owned banks, were placed under enhanced supervision as they were highly exposed to credit and foreign exchange risks and were closely monitored with resident supervisors deployed at each bank.

As the Bank was in the process of migrating to the implementation of BASEL II and III accord in 2021, staff had started benefiting from training programs geared towards migration to BASEL II and III accord.

7.2. Credit Reference Bureau

The Government of Sierra Leone in collaboration with the World Bank Group, under the Sierra Leone Economic Diversification Project (SLEDP), agreed to automate the database of the Credit Reference Bureau (CRB) to ensure that credit reports are available on a real-time basis for all financial institutions. The project is part of the Government's effort towards improving access to finance. The project was to include a review of the Credit Reference Act, 2011, automation of the Bureau in line with the Act and public education and awareness-raising on the Credit Reference Bureau.

Location / Branch	RCB	SLCB	SCB	UTB	GTB	FIB	FBN	ECO	ACCESS	UBA	SKYE	Zenith	Keyst	CMB	Total No. of Prov Banks	Grand Total
Branches	16	13	2	13	16	18	2	10	6	9	4	7	3	1		**120**
Freetown	8	5	2	3	8	8	2	4	3	7	4	4	3	1		**62**
Waterloo		1				1		1							3	**3**
Bo	1	1		1	2	1		1	1	1		1			10	**10**

Table 16: Number of Commercial Banks Branches as at 31st December 2021

Moyamba	1	2		1										4	**4**
Pujehun	1													1	**1**
Njala														0	**0**
Kenema	2	1		1	1	1		1				1			8	**8**
Kono	1	1		1	1	1		1							6	**6**
Kailahun	1					1									2	**2**
Makeni	1	1		1	1	1		1	1	1					8	**8**
Magburaka				1		1									2	**2**
Lunsar				1	1			1							3	**3**
Lungi					1	1			1			1			4	**4**
Mile 91				1											1	**1**
Pepel															0	**0**
Bumbuna					1										1	**1**
Portloko		1				1									2	**2**
Kabala				1		1									2	**2**
Kambia				1											1	**1**
Total	**16**	**13**	**2**	**13**	**16**	**18**	**2**	**10**	**6**	**9**	**4**	**7**	**3**	**1**	**58**	**120**

Source: Banking Supervision Department, BSL

7.3. Sierra Leone Collateral Registry

The upgrade of the Sierra Leone Collateral Registry System (SLCRS) database in line with the Borrowers and Lenders Act, 2019 was completed by the consultant. The upgraded system was officially launched on 20th December, 2021. The new system would enable the registration of immovable assets, in addition to the movable assets. It would also enable individual and institution lenders not regulated by BSL to be able to register security interest notices. The system would also provide a payment module that allows integration with mobile money and debit cards. It was integrated into the Corporate Affairs Commission system for verification of companies/businesses and the National Civil Registration Authority (NCRA) identity database for verification of individuals.

End-user training on the upgraded system for staff of commercial banks, microfinance institutions, community banks, financial services associations and the general public was conducted nation-wide. Furthermore, a legal consultant was contracted under the Sierra Leone Economic Diversification Project (SLEDP) to draft a new Borrowers and Lenders (Collateral Registry) Regulations.

7.4. Deposit Protection Project

The draft Deposit Protection Bill was forwarded to Parliament for enactment. The Bank went through the pre-legislative stage, which must precede the tabling of the Bill before the well of Parliament for enactment.

7.5. Consumer Protection

In order to promote fair and equitable financial services practices and as well as foster confidence in the financial sector, the Bank of Sierra Leone set up a Consumer Protection Unit aimed at providing an efficient and effective mechanism for handling consumer complaints relating to the provision of financial products and services.

The Bank prepared the Financial Consumer Protection Guidelines for publication in the Gazette, prior to its implementation. Stakeholders' consultations on the guidelines was held in the various regions of the country. Furthermore, the Unit continued to receive and analyse complaints from customers of financial institutions and also mediated between the parties as part of its mandate.

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

The BSL developed and issued a gazetted Risk Assessment Framework to Commercial Banks to enable them understand the application of ML/TF risk and mitigating measures. The Bank together with the FIU and other stakeholders reviewed the draft AML/CFT Bill with the aim of addressing the deficiencies raised in the 2nd Round Mutual Evaluation Report of which the country was placed on Enhanced Follow-Up Measures.

7.7. Information Technology Examination

The BSL and published in the Gazette the Cyber and IT Security Guidelines to Commercial Banks, which serves as the minimum standard that commercial banks should adopt to develop an effective Cyber Security Governance and Information Technology Risk Management Framework.

7.8. Financial Inclusion

The BSL remains committed to building a robust financial sector through the promotion of financial inclusion (FI) and financial stability**.** As part of its commitment towards financial inclusion, the BSL undertook the following activities in 2021:

- **Evaluation of the National Strategy for Financial Inclusion (NSFI) 2017-2020:** The Strategy expired in 2020 and to ensure continuity of the gains made under the previous strategy, the Bank through the financial and technical assistance from UNCDF hired AYANI, a consulting firm to evaluate the Strategy in 2021. Some of the key recommendations from the evaluation were: (i) to develop a new strategy; (ii) to have system in place for the collection of disaggregated data on financial inclusion; (iii) to put in place a proper monitoring and evaluation framework; (iv) to have risk mitigation as part of the new strategy and (v) to prioritise gender and youth in the new strategy and also strengthen the apex institutions through capacity building.

- **Efforts made by the BSL in Addressing Key Recommendations in the Evaluation Report on National Strategy for Financial Inclusion (NSFI) 2017-2020:** In addressing some of the above recommendations, the Bank in 2021 was able to secured funds from Alliance for Financial Inclusion(AFI) under the "Bank of Sierra Leone Financial Inclusion Project (BSFIP)'' to: conduct a baseline survey on financial inclusion; develop a new National Strategy for Financial Inclusion (2022 -2026); develop a Financial Inclusion Data Template; develop a manual for market conduct and supervision; and develop capacity through peer learning and exchange programmes. The implementation of this project was in progress at the time of publication of this report.

- **The Geospatial Analysis and Mapping of Financial Access Points:** In addition to addressing some of the recommendations from the evaluation of the old strategy, the Bank was also able to source funds from the World Bank under the "Sierra Leone Financial Inclusion Project" to facilitate the update of data on the geospatial portal on the Bank's website on a continuous basis, through the development of a mobile app. To this end, a draft term of reference for the recruitment of a consultant to facilitate the update on the geospatial software on a continuous basis was developed. The draft terms of reference (ToR) was sent to the World Bank for comments. The World Bank gave its "no objection" for the ToR to be finalised and the consultant was recruited. At the time of publishing this report, the implementation of this project had commenced.

- **The 2020 Annual Provider Survey (APS):** The goal of the Annual Provider Survey report is to provide key insights into the state of the digital financial services market in Sierra Leone. The first survey was undertaken in 2017.The Bank in collaboration with UNCDF continued to produce the report, which is published every year. The most recent report is the 4^{th} edition, which can be accessed on the Bank's website.

- **Implementation of the National Financial Literacy Framework (2020-2024):** Work on this was in progress in 202. The Bank would continue its implementation of the National Financial Literacy Framework 2020-2024 in a bid to promote financial education.

- **Facilitating the Development/Review of Regulations and Guidelines to Promote Financial Inclusion:** The Bank remained committed to the development/review of regulations and guidelines geared towards the promotion of financial inclusion. Status report of some policy documents at the time of the publication of this report were as follows: (i) The National Payment Systems Act - The Act was enacted on 22nd February 2022. (ii) The amendments to Agent Guidelines- to be incorporated by BSL. (iii) The Consumer Protection Guidelines, E-Money and Remittances Guidelines had been gazetted and published on the Bank's website; (iv) Guidelines on the USSD Code- On the recruitment of a firm on the USSD Code, the project was at a negotiation stage; shortlisted firms had submitted both technical & financial proposal.

7.9. National Payments Switch and Digitization of Government Payment Project

7.9.1. Government to People Project (G2P) - Funded by the AfDB

The TOR to hire a firm to develop payment solutions and build the capacity of ecosystem actors was reviewed by AfDB and at the time of publication of this report, it awaited approval for publication. In addition, discussions to get the buy-in of NASSIT for the establishment of a modern electronic payment solution/systems were ongoing.

7.9.2. The Sierra Leone Financial Inclusion Project Funded by the World Bank

The implementation of the project is far advanced. At the time of publishing this report, the Switch was expected to go live in the 4th quarter of 2022.

The finalization of this project would enable commercial banks and other financial institutions to electronically talk to each other. When fully implemented, the National Switch would allow customers of one financial institution to seamlessly use the Automatic Teller Machines (ATMs) of other financial institutions and also use Point of Sale Machines for payments for goods and services across the country. These innovations would reduce the quantity of cash used in transactions, which should lower the transaction cost of economic activity (including petty trading, in which women and youth are very heavily involved), thereby positively impacting on the efficiency of daily payments for good and services.

Along with the National Switch project, the Bank is also pushing the development of the implementation of financial technology related to making payments using mobile phones. The goal is to enable the market women and youth to refrain from use of cash in transactions, unless in exceptional circumstances. Similarly, the farmer in the rural community, would be able to access financial services without travelling to Freetown or major district head quarter towns. This should provide women and youth greater access to financial services, regardless of where they live.

Furthermore, to bring financial services closer to the unbanked and underbanked population, activities related to the strengthening of the Credit Reference Bureau and Collateral Registry and development of a deposit insurance scheme were in progress. The Bank encouraged commercial banks and other financial institutions to accelerate the use of the tired KYC Guidelines, the Credit Reference Bureau, and Collateral Registry to increase the pace of agency banking in the country. By using these guidelines, to conduct financial transactions, financial institutions would be able to extend financial services to the rural poor and the vast majority of the society. As deriving maximum benefit from the agent banking innovations requires increase in mobile phone penetration, the Bank would work with the Government, the development partners and mobile phone companies in Sierra Leone to extend mobile telephone services across the length and breadth of this country.

In this regard, the Bank is of the informed opinion that improving the mobile telephony infrastructure should be a major linchpin in the current World Bank "Sierra Leone Financial Inclusion Project".

In other to protect low-income potential savers, the Bank of Sierra Leone had at the time of publishing this report tabled the Deposit Insurance Bill in Parliament. When it becomes a law, small depositors in Sierra Leone would be protected to a certain threshold, which would enhance confidence in the financial system from this group and promote financial inclusion.

8. OTHER FINANCIAL INSTITUTIONS DEVELOPMENTS

Other Financial Institutions (OFI) sector in Sierra Leone comprises Apex Bank (AB), Community Banks (CBs), Financial Services Associations (FSAs), Microfinance Institutions (MFIs), Discount Houses (DHs), Leasing Companies, Savings and Loans Institutions, Foreign Exchange Bureaus (FXBs), Mobile Money Operators (MMOs), Mortgage and Savings Institutions (MSBs), Cooperative Societies, Credit Unions (CUs) etc. All of the aforementioned financial institutions are registered with the BSL to provide financial service operations in Sierra Leone.

This section of the report covers financial institutions licensed by the Bank of Sierra Leone, under the Other Financial Services Act, 2001, that submitted returns for the year 2021.These institutions were: four (4) Deposit-taking MFIs (DTMFIs), Twenty-six (26) Credit-Only MFIs (COMFIs), Seventeen (17) Community Banks (CBs), two (2) Discount Houses (DHs), sixty-nine (69) Foreign Exchange Bureaux, fifty-nine (59) Financial Services Associations (FSAs), Twenty-three (23) Credit Unions (CUs) and two (2) Mobile Money Operators (MMOs).

This section of the report assesses selected indicators of licensed OFIs that operated in Sierra Leone as at end December 2021. The indicators considered are; Capital adequacy, Asset quality, Earnings, Profitability, Liquidity, for CBs, DTMFIs, COMFIs, DHs, FSAs, as well as some indicators of Credit Unions (CUs); Purchases and Sales of major foreign currencies (US Dollars, Pounds Sterling and the Euro) by Foreign Exchange Bureaux and the transactions and other variables of Mobile Money Operators.

The performance of the sector is satisfactory. There was an expansion in the Resource Base and Current-Year profit of CBs, DTMFIs, COMFIs and DHs. Operational performance of FSAs and CUs also improved during the review period. However, the Portfolio at Risk (PaR) of the CBs and most MFIs was not within the tolerable limit of 4.8% in line with the Microfinance, Information and Exchange (MiX) standard. The minimum paid-up capital requirement was not met by most of the CBs.

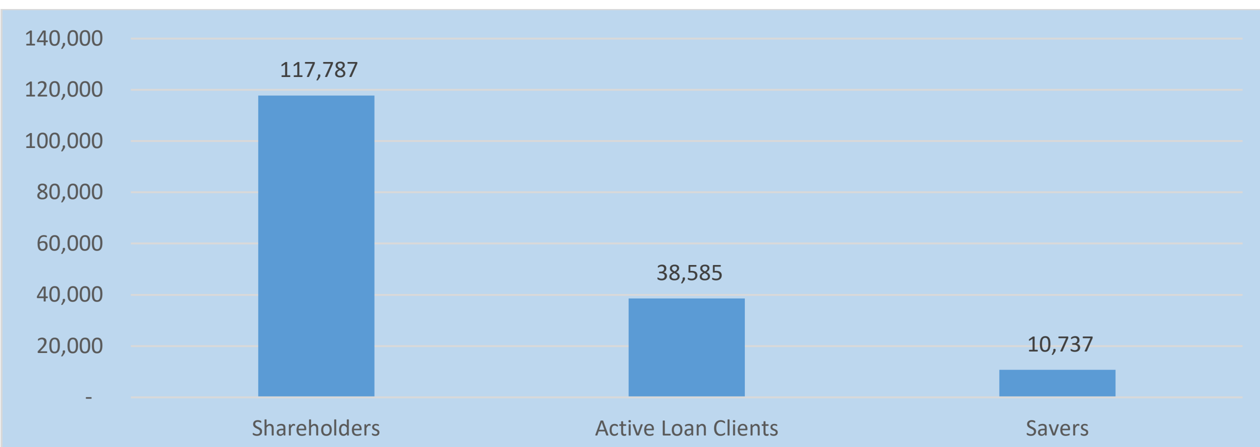
8.1 Community Banks

There were seventeen (17) Community Banks in the financial system, with a cumulative resource base of Le129.78 billion and a loan portfolio of Le94.92 billion as at 31st December 2021. The community banking system recorded a profit of Le10.14billion in 2021, from Le3.09 billion in 2020. As at 31st December, 2021, the Community Banking System recorded a PaR of 30.57%, which is above the tolerable limit of 4.8% and the December 2020 value of 27.61%). All community Banks failed to meet the minimum limit of 4.8%. Thus, the PaR continued to be a challenge to the system.

8.1.1 Financial Condition

The resource base of the Community Banks increased by Le 19.44 billion (17.62%) in 2021 to Le 129.78 billion, from Le 110.34 billion in December 2020. The resource base during the last quarter of 2021 decreased by 5.99% (Le 8.26 billion) to Le129.98 billion from Le138.05billion in September, 2021. Figure 34 shows the size of the resource base of community banks

Figure 34: Size of the Resource Base of the Community Banks (billions of Leones)



Source: Other Financial Institutions Supervision Department, BSL

The yearly increase in the resource base was attributed to increases in total deposits (largely contributed by time deposits) that grew from Le57.80 billion (0.46%) at end-December 2020, to Le58.06 billion at end-December, 2021. Time deposits increased to Le 5.16billion (1,098.05%) from Le0.47billion at end-December, 2020. Other liabilities grew by 215.78% to Le4.35billion, Share premium grew by 48.42% to Le5.23billion, retained earnings grew by 22.07% to Le15.44billion and Current Profit grew by 228.39% to Le10.14 billion, from Le3.09 billion at end-December 2020.

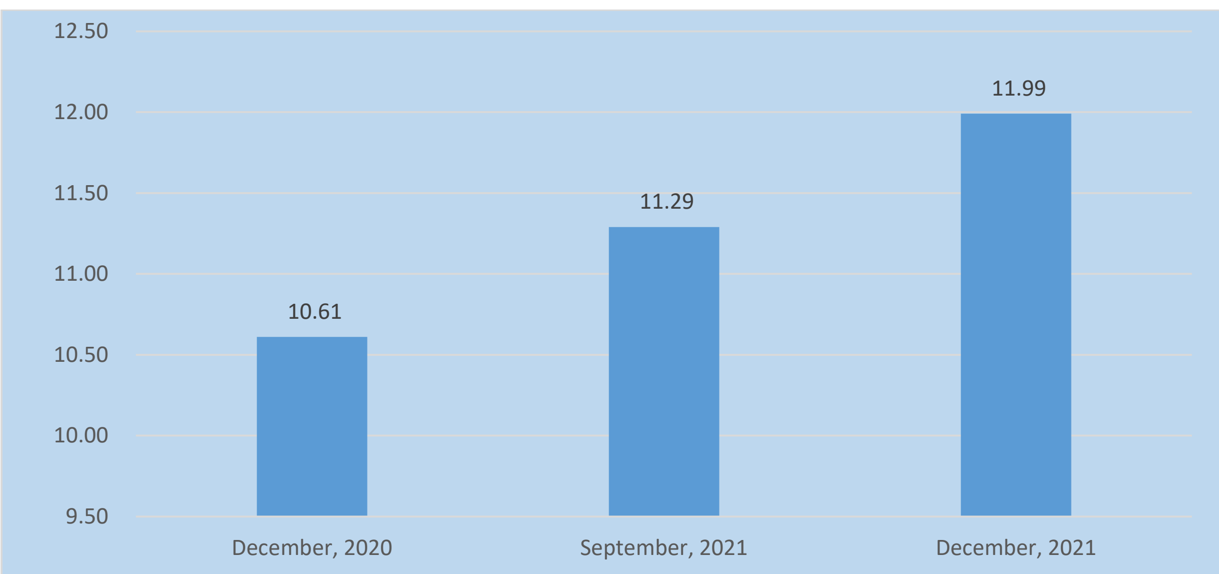
On the assets side, the increase was reflected in increase in investment by 61.28% to Le6.36billion, increase in gross loan by 33.47% to Le94.92 billion, increase in other assets by 63.94% to Le2.64 billion and increase in notes and coins by 2.17% to Le5.02 billion at end-December, 2021.

8.1.2 Capital

Minimum Paid-Up Capital

Four community banks met the minimum paid-up capital of Le1.00 billion. Community banks improved their mobilization of share capital, which led to increase in the Paid-up Capital by Le10.13 billion, from Le10.89 billion recorded in December 2020 to Le11.99 billion in December 2021. Figure 35 shows the growth in paid-up capital of the Community Banks.

Figure 35: Paid-up Capital of Community Banks (billions of Leones)



Source: Other Financial Institutions Supervision Department, BSL

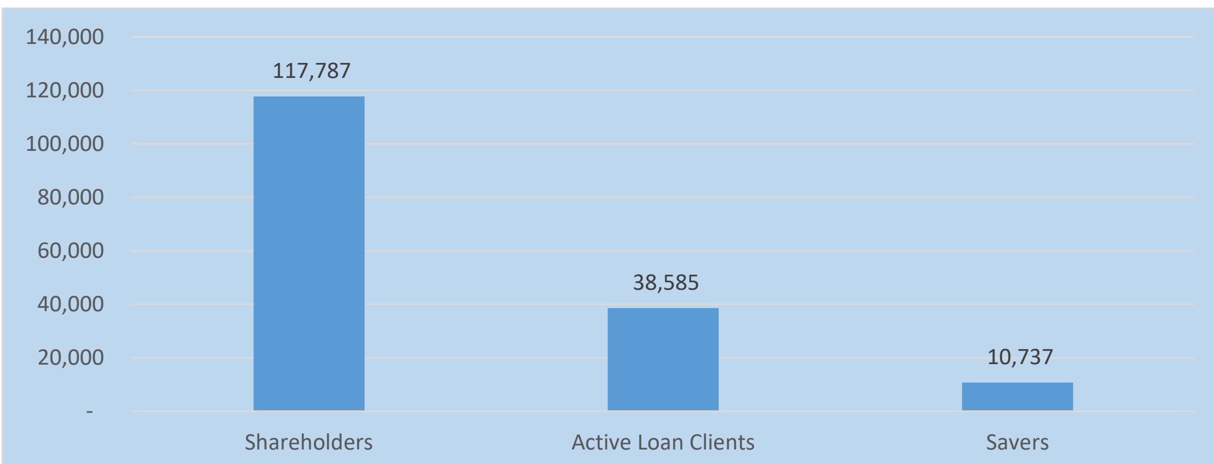
Capital Adequacy Ratio (CAR)

All the Community Banks met the minimum CAR of 8% in the review period recording a consolidated ratio of 45.58%.

8.1.3 Asset Quality

The gross loan portfolio grew to Le94.92 billion as at end December 2021, representing an increase of 33.47% (Le23.80billion) from Le71.12 billion as at end December 2020. The Portfolio at Risk (PaR) as at 31st December, 2021 was 30.57%, compared to 27.61% as at end December 2020. Figure 36 shows the PaR of the CBs.

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



Source: Other Financial Institutions Supervision Department, BSL

Despite improvement in the quality of the loan portfolio, the ratio remains high when compared to the previous quarter, an indication of deteriorating asset quality in the Community Banking system, which is related to the influence of the COVID-19 pandemic, poor underwriting, poor recovery strategies and the reluctance from customers to honour their obligations. This also implies that the loan portfolios of community banks are at high risk of future losses.

8.1.4 Earnings

Profitability & Sustainability

The annual pre-tax profit of the community banking system stood at Le10.14 billion at end December 2021, which shows a 228.39% increase in performance from the Le3.09bn recorded in December 2020. The performance of the community banking system was satisfactory and all seventeen (17) Community Banks made profit during the review period.

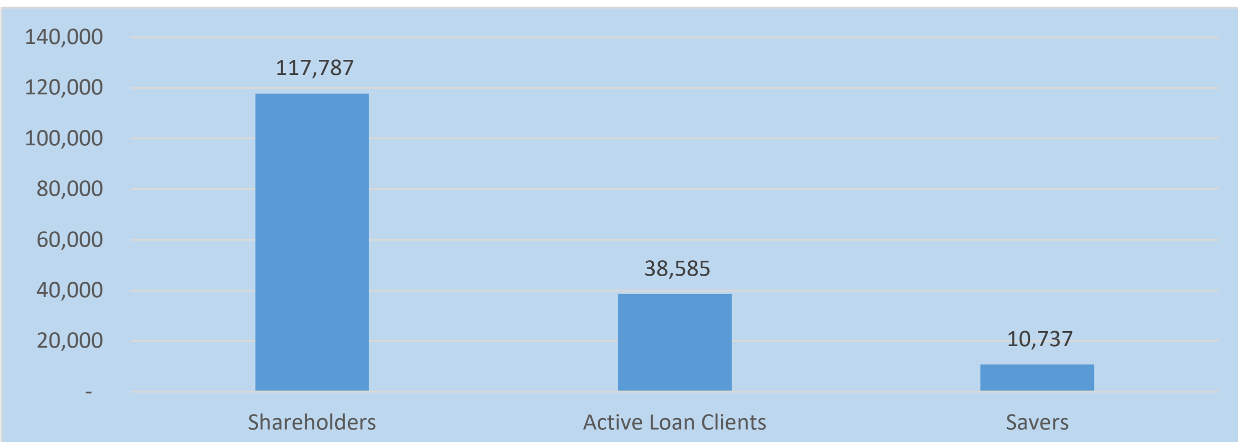


Figure 37: Pre-Tax Profit/Loss of the Community Banks (billions of Leones)

Source: Other Financial Institutions Supervision Department, BSL

Operational Self Sufficiency (OSS)

The industry average of OSS in the review period increased to 72.08% from 26.98% recorded in September, 2021 and 57.88% in December, 2020 and below the MIX standard of 112%. Industry performance during the year increased by 6.61.

Return on Assets (ROA)

The industry average ROA was 7.81% above the MIX Standard of 2.1%. Thirteen (13) out of seventeen (17) CBs met the Mix Standard. It increased in 2021 by 5.92%.

Return on Equity (ROE)

The industry average ROE was 13.77% in 2021, above the minimum MIX standard of 13.6%. Nine (9) Community Banks recorded a ROE above MIX standard. However, yearly performance shows an increase of 10.10%.

Portfolio at Risk (PaR>30 days)

The Community Banking industry recorded a Portfolio at Risk of 30.57% in December, 2021 from 32.48% in September, 2021. Over the year, it increased by 3.85% from 26.72% in December, 2020. All CBs did not meet the minimum mix standard of 4.8%.

Loan to Deposit

The industry average ratio in December, 2021 was 163.48%, which was above the Mix Standard of 100%, indicating an increase of 49.41% from 114.07% in December, 2020. This showed that the banks are mainly using deposits in extending credit- a ratio less than 100% is desirable.

8.1.5 Liquidity

All CBs recorded excess liquidity and Ten (10) out of seventeen (17) were above industry average liquidity ratio. The industry actual liquidity ratio in December, 2021 was 68.52%, which was above the minimum required ratio of 20%.

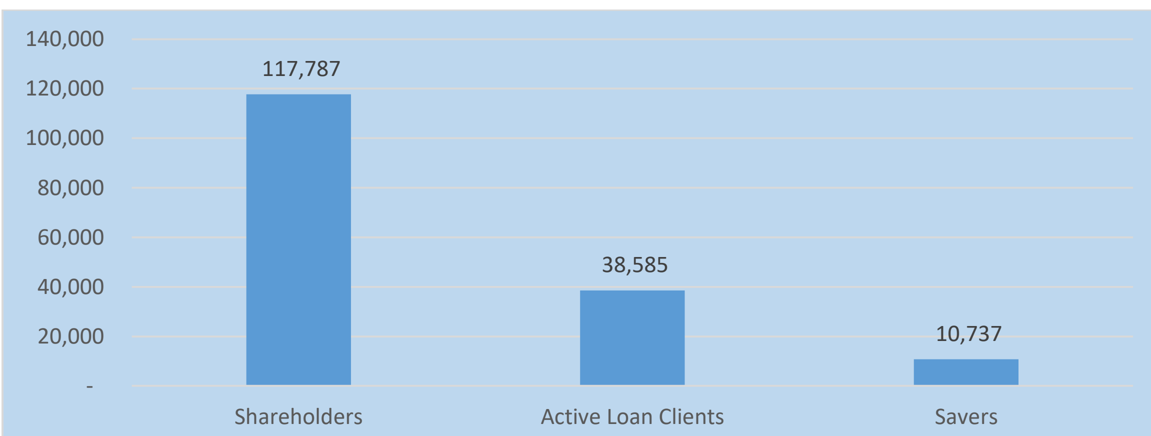
All CBs recorded excess cash ratio and twelve (12) out of seventeen recorded cash above industry average. The industry average for cash ratio in December, 2021 stood at 62.32%, which was above the minimum required ratio of 10%.

8.2 MICROFINANCE: Deposit-Taking Microfinance Institutions

8.2.1 Financial Condition

The consolidated resource base of the institutions showed an increasing trend over the quarters in 2021, with December, 2021 recording Le492.58 billion, which was Le147.80 billion (42.91%) above the Le344.78 billion recorded in December, 2020. In addition, the December 2021 value was Le56.21 billion (13%) above the September, 2021value of Le436.52 billion. Figure 38 shows the industry resource-base of Deposit-Taking Microfinance Institution.

Figure 38: Industry Resource-Base of Deposit-Taking Institutions (billions of Leones)



Source: Other Financial Institutions Supervision Department, BSL

Total deposits increased to Le185.34 billion in December, 2021,up by Le4.38 billion (2.42%), from Le180.97 billion in September, 2021 and up by 59.20% (Le116.42 billion) compared to its December 2020 value, with savings deposits increasing by 13.49% and time deposits decreasing by 15.70%.

Total liabilities increased by 47.26% over the year to Le387.72 billion and this was primarily as a result of increase in deposits and long-term borrowings. On the asset side, the increase in the resource base over the year was reflected in increases in gross loans by Le264.63 billion (39.1%), from Le190.28 billion in December, 2020 and increased investment in securities to Le58.53 billion in December, 2021, up by Le13.37 billion (29.61%), from Le45.16 billion in December, 2020. Also, balances with financial institutions increased by Le51.39 billion (41.10%) from Le36.42 billion as at December, 2020. Table 17 shows the main consolidated balance sheet items of the Deposit-Taking Microfinance Institutions.

Table 17: Changes in Main Balance Sheet Items of Deposit-Taking Microfinance Institutions

Main Balance Sheet Items (Le 'bn)	Dec-20	Sep-21	Dec-21	Quarterly Change	Yearly Change
Balances with financial institutions in S/L	36.42	31.61	51.40	*19.79*	*14.98*
Investment in securities	45.16	60.27	58.53	*(1.74)*	*13.37*
Gross Loans	190.28	246.79	264.63	*17.83*	*74.35*
Loan loss allowances	(11.20)	(10.30)	(12.43)	*2.13*	*1.23*
Other Assets	50.63	72.36	97.08	*24.72*	*46.44*
Total deposits	164.31	180.97	185.34	*4.37*	*21.03*
Other liabilities	26.41	57.84	57.53	*(0.31)*	*31.12*
Shareholders' fund	61.16	52.63	70.12	*17.49*	*8.96*

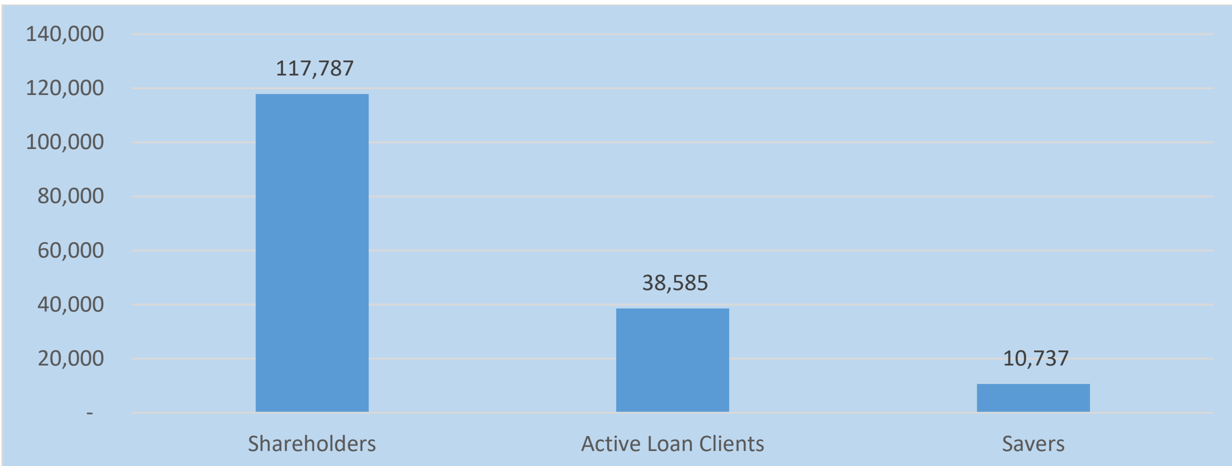
Source: Other Financial Institutions Supervision Department, BSL

8.2.2 Capital

Minimum Paid-Up Capital

Four Deposit Taking MFIs met the minimum paid-up capital of Le1.00 billion, with the exception of one. Figure 39 shows the paid-up capital of deposit taking microfinance institutions.

Figure 39: Paid-up Capital of Deposit Taking Microfinance Institutions (billions of Leones



Source: Other Financial Supervision Institutions Department, BSL

Capital Adequacy Ratio (CAR)

Three DTMFIs met the minimum CAR of 8% in the review period, recording a consolidated ratio of 25.91%, from 26.63% in December, 2020

8.2.3 Asset Quality

The gross loan portfolio grew to Le264.63 billion as at end December 2021, revealing an increase of 39.07% (Le74.35billion) from Le190.28 billion as at end December 2020. Current Loan formed 92.98% of gross loans as at December 2021 and 91.67% in December, 2020. PaR as at 31st December, 2021 was 8.02% from 8.33% in December, 2020, which were above the MiX standard of 4.8%. Tables 18 shows the consolidated activity ratios of deposit-taking microfinance institutions.

Table 18: Activity Ratios Deposit Taking Microfinance Institutions

Ratios	MiX	Dec-20	Dec-21
Yield on Gross Loan Portfolio (%)	*35.3*	25.99	33.28
Portfolio at Risk (PAR) (%)	*4.8*	8.33	8.02
Debt to equity (%)		323.09	369.08
Portfolio to assets (%)	*4.8*	55.19	53.71

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 33.28%, indicating high returns from loans disbursed during the review period, compared to the low returns recorded in December, 2021

Portfolio at Risk (PaR) ≥ 15 days

All the institutions failed to meet the MIX standard of 4.8% during the review period. The industry value was 8.33 percent at the end of December 2021 while it was 8.02 at the end of December 2020. This means that a substantial percentage of the institutions' portfolio was non-performing during the review period. This was mainly due to the impact of the COVID-19 pandemic. Thus, the deposit taking microfinance institutions need to revisit their credit monitoring strategy and find innovative loan repayment measures to reduce the PAR.

Debt to Equity

The consolidated debt to equity ratio remains high for all the institutions except one, which implies more debt financing rather than investing in shareholders' funds was used by deposit taking microfinance institution.

Portfolio to Assets

Consolidated ratio was above 50% during the review period, indicating that the majority of the assets of deposit taking microfinance institution are assigned to their core functions-loan disbursement.

Average Outstanding Loan Size

The average outstanding loan size, which shows the average amount of loan per borrower, stood at 264,626,249 during the review period, indicating an increase of 74,347,172 by 39% from the value in 2020.

8.2.4 Earnings

Operating Performance

A consolidated pre-tax profit of Le14.21 billion was recorded in December, 2021 an increase of 49.6% from Le9.48 billion in December, 2020. The increase in profit was due to increase in gross financial income by 55.15%.

However, operating expenses increased to Le60.9 billion (82.30%) when compared to December 2020 recording Le37.72, largely contributed by salaries and benefits, accounting for 31.13bn (51.12% of total operating expenses).

Net financial income recorded Le75.9 billion in December, 2021, up from Le22.5 billion (an increase of 42.13%) from Le47.65 billion in 2020.

Operational Self Sufficiency (OSS)

This ratio shows how well a bank can cover its costs through operating revenue. Consolidated OSS fell by 0.96% over the year. However, it continued to meet the MIX requirement of 112%. All DTMFIs met the MIX Standard, with the exception of one.

Return on Assets (ROA) %

This ratio measures how well an institution uses all its assets to generate revenue. Consolidated ROA met the MIX requirement of 2.1% as at December. Tables 19 and 20 show consolidated and institution specific ROA, in addition to other performance ratios. All recorded above the MIX, with the exception of one.

Return on Equity (ROE) %

This ratio measures the return on the average funds of the owners. It determines how profitable the institutions are in making use of the shareholders' investment. The consolidated ROE met the MIX benchmark of 13.7%. However, two of them dropped below the Standard recording with 11.75% and negative 17.21% respectively.

Tables 19 shows the consolidated OSS, ROA and ROE of deposit-taking microfinance institutions.

Table 19: Performance Indicators A of Deposit-Taking Microfinance Institutions

Performance Ratios	MIX	Dec-20	Dec-21
Operating self-sufficiency (OSS) (%)	112	119.20	118.24
Return on assets (ROA) (%)	2.1	3.47	4.18
Return on equity (ROE) (%)	13.7	14.72	18.60

Source: Other Financial Institutions Supervision Department, BSL

8.2.5 Liquidity

All the deposit taking microfinance institutions met the minimum liquidity and cash ratio requirements as at December 2021 and on a consolidated basis, the minimum liquidity was met. Tables 20 shows the liquidity performance of DTMFIs.

Table 20: Prudential Ratios of Deposit Taking Microfiance Institutions

Prudential Ratios as at December, 2021	**MiX.**	**Dec-20**	**Dec-21**
Actual Cash Ratio (%)	*10*	18.97	30.39
Actual Liquidity Ratio (%)	*20*	47.79	61.97

Source: Other Financial Institutions Supervision Department, BSL

8.3 Credit-Only Microfinance Institutions

8.3.1 Financial Condition

The Resource Base of Credit-Only Microfinance institutions increased in 2021 by 53.11%, recording Le310.94 billion from Le203.08 billion in December, 2020. Paid-up capital increased by 8.63% in 2021, recording Le41.03 billion as at December, 2021.

On the liability side, long-term borrowings recorded Le101.88 billion, an increase of 131.33% in 2021. In addition, other long-term liabilities increased by 2.74% in 2021, recording Le30.86billion in December, 2021. This was reflected on the assets side, as gross loans increased by 49.79% to Le259.06 billion from Le172.95 billion in December, 2020.

Quarterly review also showed that gross loans increased throughout the quarters. Cash holdings and due from banks increased over the year by 81.13% to Le40.68 billion in December, 2021. Table 21 shows yearly movement of key items in the consolidated balance sheet of credit only microfinance institutions as at 31st December, 2020.

Table 21: Movement in key items in the consolidated balance of Credit Only Microfinance Institutions

Main Balance Sheet Items	Dec-20	Dec-21	Change	Growth (%)
Resource Base (Le'bn)	203.08	310.94	107.86	53.11
Total Equity (Le'bn)	102.53	129.91	27.38	27.38
Gross Loans (Le'bn)	172.95	259.06	86.11	49.79
Pre-tax Profit*	8.07	26.54	18.47	228.77

: Other Financial Institutions Supervision Department, BSL

8.3.2 Assets Quality

The value of loans outstanding as at end December, 2021 was Le259.99 billion, up from Le172.954 billion as at end December, 2020, representing an increase of Le86.25 billion (49.93%). Number of loans outstanding in December, 2021 was 154,580 against 110,998 as at end December, 2020, representing an increase of 43,582 loans from 110,998 as at end December, 2020.

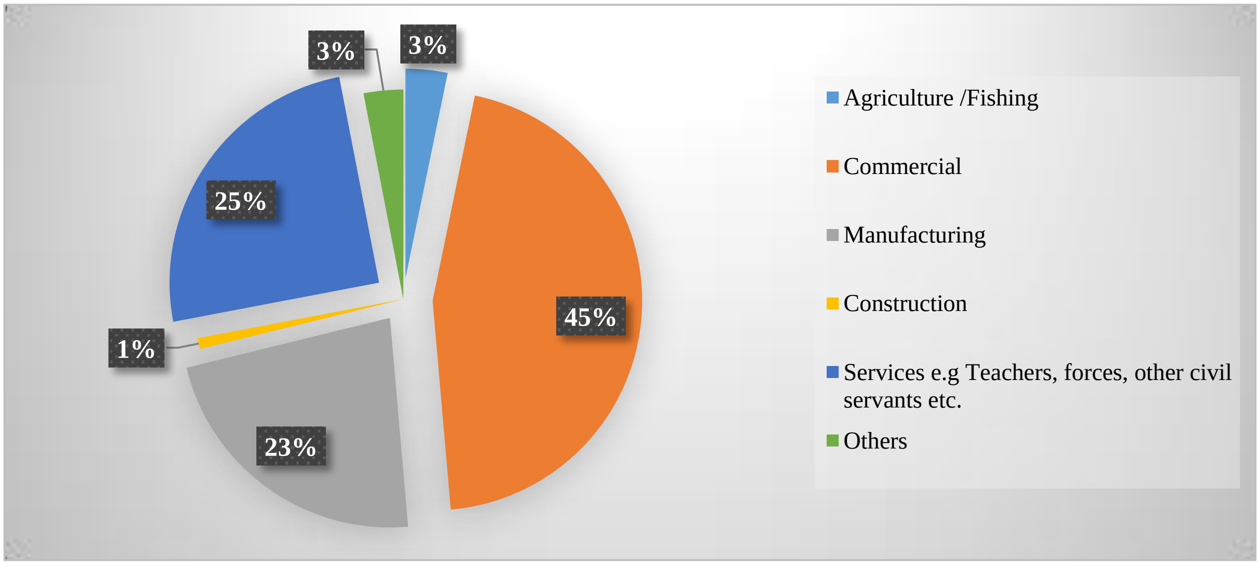
Portfolio Activity

The value of loans outstanding as at end December, 2021 was Le259.99 billion, representing an increase of Le86.25 billion (49.93%) from Le172.74 billion as at end December, 2020.

Number of loans outstanding as at end December, 2021 was 154,580 against 110,998 in December, 2020, representing an increase of 43,582 loans from 110,998 as at end December, 2020. Figure 40 shows the loans of Credit Only Microfinance Institutions by sector. The highest amount of loans in the industry was allocated to the Commercial Sector, recording Le117.48 billion, which was followed by Services Sector, recording Le64.56 billion and the least was the Construction Sector.

Loans by Sector

Figure 40: Loans by Sector as at 31st December 2021



Source: Other Financial Supervision Institutions Department, BSL

8.3.3 Non-Financial Data

Active clients over the year increased by 48% to 232,002 as at end December, 2021. There were 155,762 active borrowers in 2021.Furthermore, 33% of the total number of active borrowers were female, indicating that a vast majority of clients in the industry were men. Table 20 shows key non-financial data for the credit-only microcredit institutions.

Table 22: Non-Financial Data on Credit-Only Microfinance Institutions as at End December 2021

Active Number of Clients	**232,002**
Number of New Clients in 2021	4,671
Active Borrowers	155,762
Female Proportion of active borrowers (%)	33.0
Number of Loan Officers	630
Number of Personnel	973

Source: Other Financial Institutions Supervision Department, BSL

8.3.4 Earnings

Operating Performance

The consolidated yearly pre-tax profit of the Twenty Six (26) institutions recorded Le26.54.77 billion as at end December, 2021, showing increase in performance from the previous quarter (Le15.32 billion), however, profit increased over the year by 228.77% from Le 8.07 as at end December, 2020. A few of these institutions continued to record growth in operational and financial performance in 2021.

Performance Indicators

Operational Self Sufficiency (OSS)

Thirteen (13) of the credit-only institutions did not meet the minimum OSS MIX requirement of 112%. However, all the other institutions (15) met the OSS MIX requirement in the period under review. Table 21 gives the performance on the OSS for the credit-only microfinance institutions, in addition to other performance indicators.

Return on Assets

Industry ROA as at December, 2021 was 5.85% above the minimum MIX requirement of 2.1% and was met by fourteen (14) credit-only microfinance institutions (COMFIs). Table 21 gives the performance on ROA for the credit-only microfinance institutions, in addition to other performance indicators.

Portfolio at Risk > 30 Days

All the institutions except six (6) failed to meet the MIX requirement of not more than 4.8% during the period. Table 21 gives the performance on ROA for the credit-only microfinance institutions, in addition to other performance indicators.

Table 23: Performance Indicators of Credit Only Microfinance Institutions

Performance Ratios	MIX	Dec-20	Dec-21

Operating self-sufficiency (OSS) (%)	112	126.86	160.11
Return on assets (ROA) (%)	2.1	2.71	5.85
Return on equity (ROE) (%)	**13.7**	**5.39**	14.28
Debt to equity (%)		**98.06**	139.35
Portfolio to assets (%)		**85.17**	83.32

Source: Other Financial Institutions Supervision Department, BSL

8.4 Discount Houses

8.4.1 Financial Condition

The Asset Base of the Discount Houses increased to Le21.73 billion as at end December 2021, from Le21.36 billion as at September 2021, representing a growth of 1.72%. Compared to the asset base as at end December 2020, the discount houses observed asset growth of 8.06 % in 2011, from the end December asset value of Le20.11 billion. First Discount House Ltd. (FDHL) accounted for 66.33% of the asset as at December 2021 while Capital Discount House Limited (CDHL) accounted for 33.67%.

The increase in the Resource Base of the Discount Houses in 2021 was as a result of major increases in Share Premium to Le1.89 billion (341.62%) as at end December 2021, from Le0.43 billion as at end December, 2020. Placements increased to Le1.53 billion (99.27%) from Le0.87 billion as at end Dec. 2020. Current profit also rose to Le0.43 billion at end December 2021, from Le 0.22 billion as at December 2020 representing an increase of 96.24%. Total liabilities of the discount houses increased by 8.06%, from Le20.11 billion as at end December 2020 to

Le21.73 billion as at end December 2021. This was mainly due to increases in Share Premium from Le0.43billion as at December 2020 to Le1.89 billion as at end December 2021. Table 22 shows the main movements of the liabilities of the discount houses.

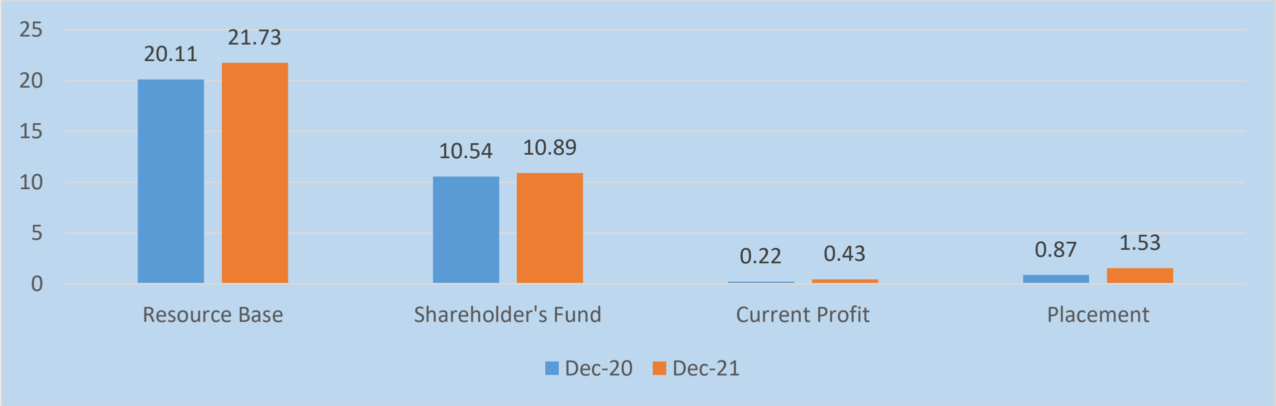
Details	Dec-2020	Dec - 2021	
	Le'bn	Le'bn	% change
Placement	0.87	1.53	99.27
Share Premium	0.43	1.89	341.62
Current Profit	0.22	0.43	96.24

Table 24: Components of Consolidated Liabilities of the Discount Houses

Source: Other Financial Institutions Supervision Department, BSL

Resource Base stood at Le21.73 billion from Le20.11 billion as at December 2020. Shareholders' Funds was Le10.89 billion as at end December 2021, up from Le10.54 billion as at end December, 2020. Current Profit recorded Le0.43 billion as at end December 2021, from Le 0.22 billion as at end December 2020, whiles Placements recorded Le1.53 billion as at end December 2021 from Le0.87 billion as at December 2020. Figure 41 shows the Liabilities and Resource Base of the Discount Houses.

Figure 41: 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 reflected in the assets side was mainly due to increases in Local Cash by 13.21%, investment by 24.70% and other assets by 4.74% respectively. However, Loan Repo reduced by 6.65% to Le1.37 billion, from Le1.47 billion in Dec. 2020. Table 23 shows the composition of the assets of the discount houses.

Table 25: Composition of the Assets of the Discount Houses

Details	Dec - 20	Dec -21	
	Le'bn	Le'bn	%change
Local Cash	0.84	2.25	13.21
Loans Repo	1.47	1.37	(6.65)
Investment	0.19	5.53	24.70
Other Asset	0.35	8.43	4.74

Source: Other Financial Institutions Supervision Department, BSL

8.4.2 Capital: Minimum Paid up Capital and Capital Adequacy Ratio

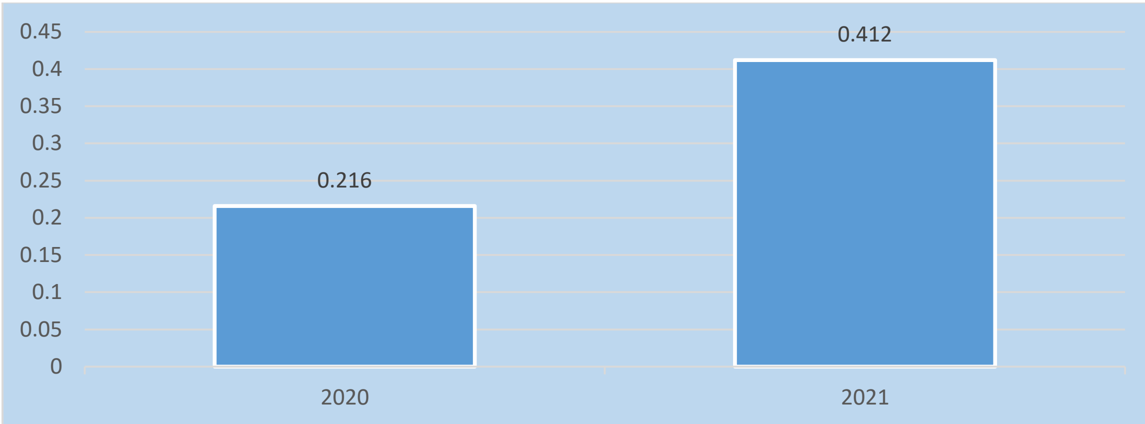
Both institutions in the discount house met the minimum paid-up capital and capital adequacy ratio of Le2billion and 8% respectively.

8.4.3. Earnings

Operating Performance

The consolidated pre-tax profit of the Discount Houses recorded Le0.41 billion as at December, 2021, which represents increases of 10.16% and 90.74% when compared with level recorded in the preceding quarter and corresponding period respectively Table 42 shows the pre-tax profit of the discount houses.

Figure 42: Consolidated Pre-Tax Profit of Discount Houses (Lebn)



Source: Other Financial Institutions Supervision Department, BSL

Performance Ratios

A consolidated ROA of 6.94% was recorded and the average ROE for the Discount Houses was 10.68%. Operating expense was 327.76 percent of operating income. Table 24 shows the performance ratios and Operating Expense.

Table 26: Performance Ratios and Operating Expense

Details	**Dec-21**
ROA (%)	6.94
ROE (%)	10.68
Operating expense/operating income (%)	327.76

Source: Other Financial Institutions Supervision Department, BSL

8.5. Mobile Money Financial Institutions

8.5.1. Activity of the mobile money providers

There were three licensed Mobile Money Financial Service Providers in Sierra Leone; Orange Mobile Finance, AfriMoney, and QMoney. Significant increases were recorded in the activity of the Mobile Money Providers as the number of agents, accounts, transactions, and value of transactions in 2021. Agents mobilization increased by 13,652 (63%) in 2021, which indicates increased use of digital platforms for financial transactions-transfers and payments in 2021.

8.5.2 Escrow Account & Virtual Money in Circulation

The Escrow Account, which is aimed at protecting customers' funds, is a bank account (Trust Account) held on behalf of the participants in the mobile money service business in respect of cash deposited in exchange for e-money they receive on their mobile wallets.

As at end December, 2021, the balance on the Escrow Deposit account stood at Le248.47 billion compared to Le117.70 billion at end December, 2020. Orange Mobile Finance Escrow account balance stood at Le221.73 billion as at Dec, 2021 whilst AfriMoney had Le26.74 billion in their Escrow account.

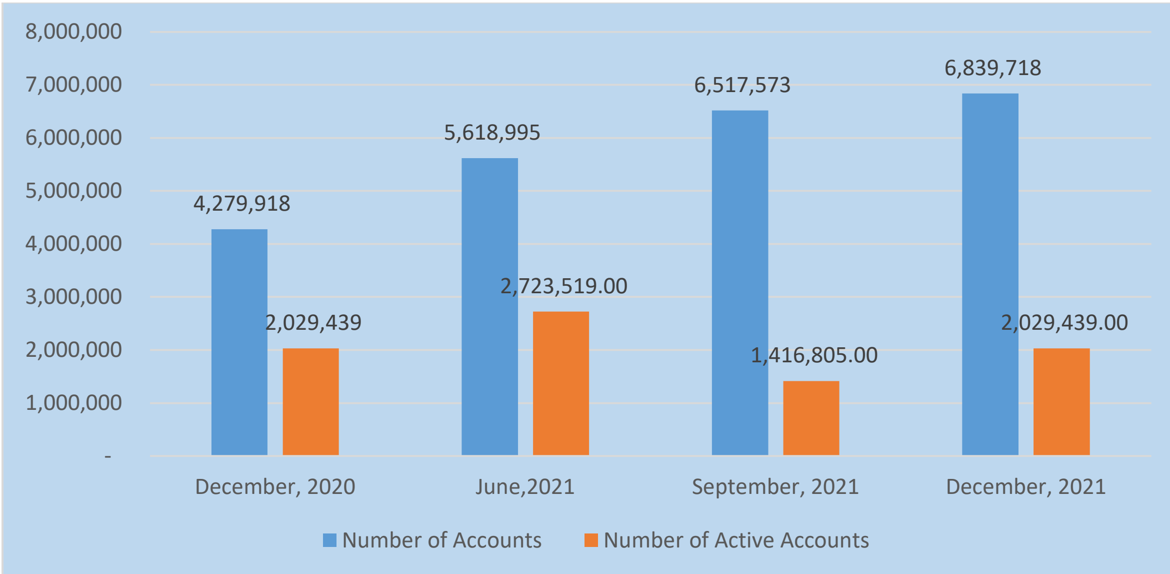
E-Money in circulation as at end December, 2021 was Le239.72 billion, which was Le8.75 billion less than total escrow account balances and AfriMoney's e-Money in circulation was also less than its escrow account balances. In addition, measures were put in place for the institutions to submit daily account balances.

8.5.3. Number of Account Holders

The number of registered Mobile Money customers increased by 5% to 6.84 million recorded at the end of December 2021, while number of active customers increased by 13%, recording 3.1 million at the end of December 2021 from 2.03 million in December, 2020.

The increase in the number of mobile money customers was as a result of the addition in the number of Registered AfriMoney and orange money Customers recorded in the Dec 2021. Orange Mobile Finance recorded 2.95 million active customers whilst AfriMoney recorded 110,953 active customers in Dec, 2021. Figure 43 shows the number of accounts.

Figure 43: Account Holders



Source: Other Financial Institutions Supervision Department, BSL

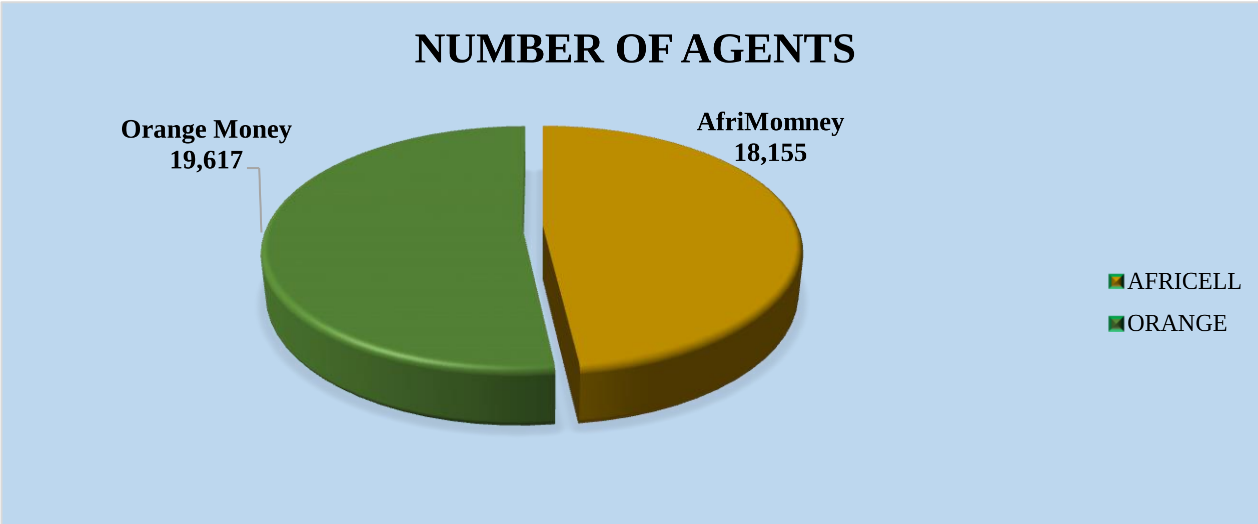
8.5.4 Transactions

A total of 81.11million transactions were conducted as at Dec, 2021. Orange Mobile Finance executed 80,330,603 transactions per active user whilst AfriMoney made 775,979 transactions per active user y. The total value of transactions conducted by customers of mobile money institutions was Le13.43trillion 2021.

8.5.6. Agents

As at December, 2021, there were 37,772 registered Mobile Money agents with a total outstanding balance of Le25.80billion. Agent mobilization increased by 63 % (13,652 agents) in 2021. Orange Mobile Finance had 19,617 Agents whilst AfriMoney had 18,155 agents. Figure 47 shows the number of agents of the mobile money institutions in 2021.

Figure 44: Agent Network by Institution



Source: : Other Financial Institutions Supervision Department, BSL

8.5.6. Customer Complaints

Complaints from customers mainly related to lost Pin code, balance enquiry, cash reversals, recharge and message receipt and the data revealed a decrease in customer complaints over the various quarters of 2021, with a total complaint of 13,622 in 2021, compared to 16,422 in 2020.

8.5.7. Fraud, AML/CFT issues and Suspicious Transactions

There was a high number of fraud related issues, including fake job calls. The total number of fraud messages were 6,060. A total of two (2) suspicious transactions were recorded with a transaction value of Le59.00million, which were under investigation in 2021.

8.6. Foreign Exchange Bureaus

There were sixty-nine (69) registered Foreign Exchange Bureaux (FEB) as at 31st December 2021. The US dollar was the most traded currency during the review period.

Table 27 shows yearly purchases and sales of foreign currencies. On a quarterly basis, total US Dollars purchase by FX Breaux in December 2021 increased to USD 39,877,669 by 23.04% from USD 32,411,345 recorded in December, 2020. Also, total Sales of US Dollar by Bureaux also increase in December 2021 to USD 39,826,745 by 23.99% from USD 32,118,637 recorded in December, 2020.

Pound Sterling purchase by FX Breaux in quarter four of 2021 decreased to £13,825 by 24.00% from £18,155 recorded in the preceding quarter of December, 2020. Sales for quarter four 2021 also decreased by £7,180 (40.37%) to £10,605 from £17,785 in comparison with quarter four, 2020.

Quarterly Euro purchase of FX Breaux for quarter four (4) of 2021 increased to €21,965 by €4,890, from €17,075 recorded in the same quarter of the preceding year (2020). Quarterly Euro Sales of FX Breaux in quarter four of 2021 also increased to €20,775 by 19,175 (1,198.44%) from €1600 recorded in quarter four of 2020.

Table 27: Purchase and Sales of Foreign Currencies

	PURCHASE -LE'000				*SALE-LE'000*			
	Dec-20	**Dec-21**	**Change**	**Growth**	**Dec-20**	**Dec - 21**	**Change**	**Growth**
USD	32,411,345	39,877,669	7,337,714	23.04	32,118,637	39,826,745	10,151,486	23.99
GBP	18,155	13,825	(4,330)	(24)	17,785	10,605	(7,180)	(40.37)
EURO	17,075	21,965	4,890	29	1,600	20,775	19,175	1,198.44

Source: Other Financial Institutions Supervision Department, BSL

8.7. Financial Services Association (FSAs)

Fifty nine (59) registered Financial Services Association operated in the country in 2021.

8.7.1. Financial Condition

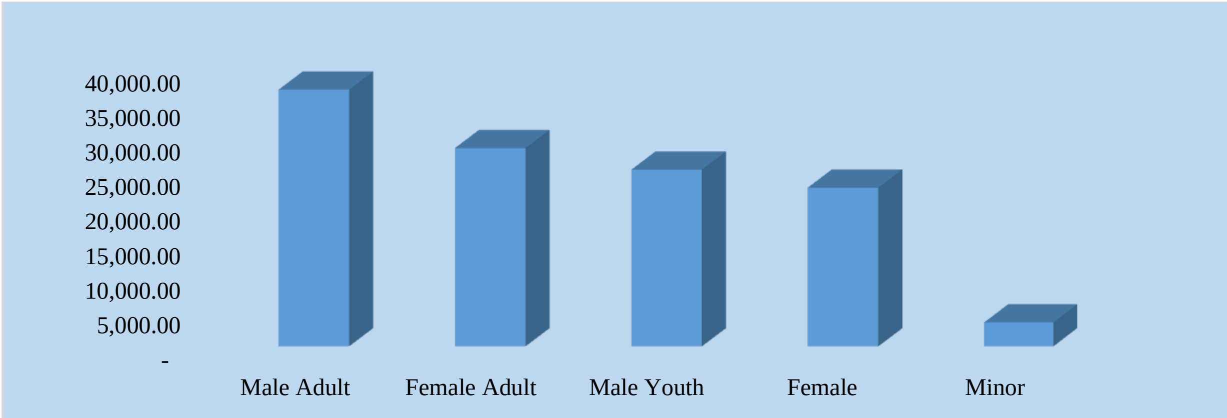
The consolidated resource base of the FSAs was Le84.08 billion, up from Le 69.00 billion in December, 2020. Gross loans of the Financial Services Associations stood at Le62.53 billion as at December, 2021.

Total Equity was Le 51.65 billion while industry share capital of the Financial Services Association stood at Le26.58 billion as at December 2021.

8.7.2. Non-Financial Data

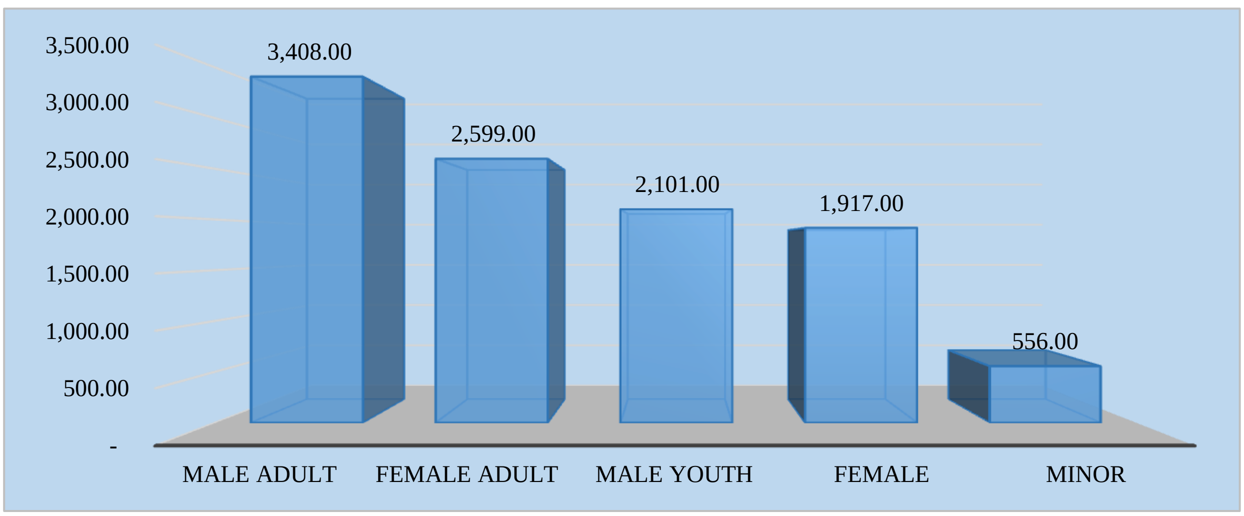
Total number of shareholders as at December, 2021 was 117,787 of which men and women accounted for 53.23% and 43.83% respectively. Active Loan Client for the period was 38,585, while number of savers were 10,736. Figures 45, show the number of FSA shareholders at end December 2021 by gender and youth status, Figure 46 shows the number of FSA savers at end December 2021 by gender and youth status and Figure 47 shows the number of FSA shareholders, number of FSA savers and number of loan clients of FSAs as at end December 2021.

Table 28: Number of FSAs Shareholders in December 2021



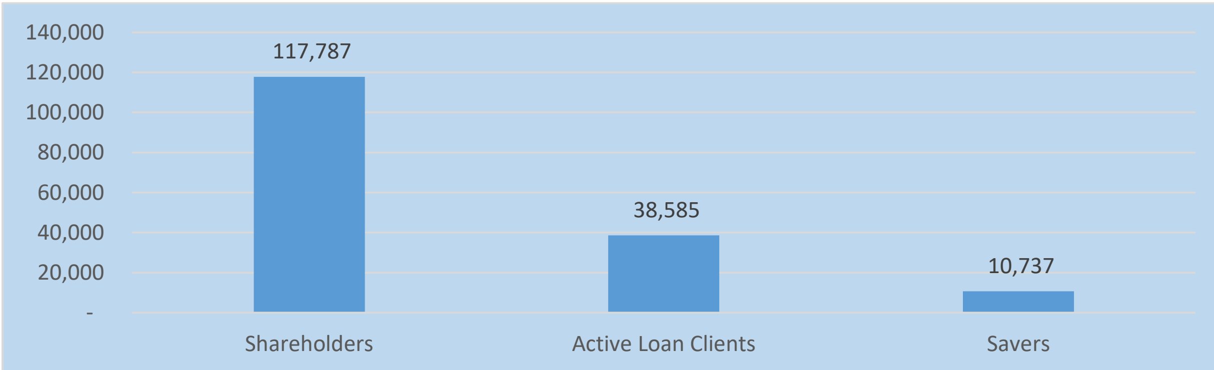
Source: Other Financial Institutions Supervision Department, BSL

Figure 45: FSAs Savers in Dec. 2021



Source: Other Financial Institutions Supervision Department, BSL

Figure 46: Shareholder, Savers and Loan Clients of FSAs at end December 2021



Source: Other Financial Institutions Supervision Department, BSL

9. PAYMENT SYSTEM DEVELOPMENTS

9.1 National Payment System Landscape

Payment System in Sierra Leone continued to be dual with the coexistence of cash and non-cash based transactions. The non-cash is categorised into retail and large value transactions based on the value and the interbank systems that support the transactions. The volume of cash transaction remained high though non-cash transaction continued to increase.

There was strong evidence of increased acceptability of the electronic payment systems in the country, requiring the need to improve on existing market infrastructures and deepen the payment systems landscape. The Bank of Sierra Leone took a number of actions with respect to automation of the TSA, establishing the National Switch, the Electronic Fund Transfer (EFT) project with the Accountant General, the AFREXIMBANK-Pan African Payments and Settlement Platform (PAPSP) and review of the Payment Systems Act (2009). The Bank plans strongly to deepen these activities.

9.2. Real Time Gross Settlement (RTGS) System

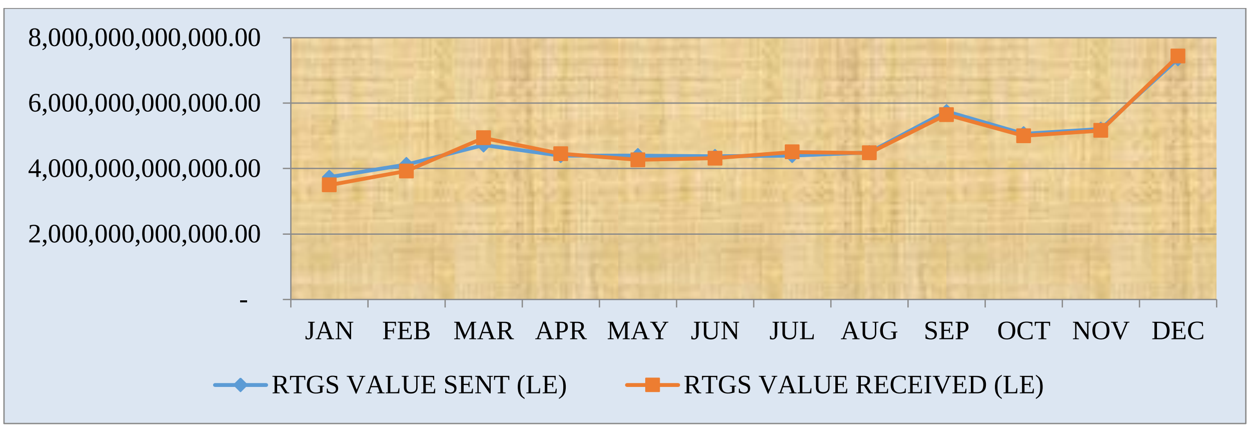
The Real Time Gross Settlement (RTGS) is an electronic funds transfer system for the settlement of payments across the country. Through the RTGS, transactions are settled and funds can be virtually transferred promptly between participating financial institutions. Table 26 shows the Volume and Value of RTGS transaction in 2021 and Figure 48 shows the value of RTGS. The trend indicates increase in general acceptability of the system for the interbank transactions.

Table 29: RTGS Volume and Value of Transactions in 2021

	Volume		Value (Le)	
	Sent	Received	Sent	Received
January	7,609	7,154	3,735,665,186,043.86	3,494,812,251,964.32
February	8,210	7,640	4,122,702,364,134.99	3,920,064,236,177.47
March	10,596	10,536	4,714,855,906,949.11	4,937,378,487,988.92
April	9,589	9,238	4,391,983,351,370.13	4,450,307,983,751.79
May	9,235	8,977	4,394,735,886,446.21	4,265,511,170,141.08
June	10,067	9,362	4,374,771,062,054.94	4,314,604,615,288.61
July	10,127	9,491	4,394,400,546,341.56	4,506,645,843,409.00
August	9,588	9,176	4,490,847,325,554.44	4,474,020,859,613.03
September	9,694	9,326	5,744,005,163,083.96	5,643,162,434,489.10
October	9,471	9,074	5,062,448,277,284.61	5,000,356,496,377.40
November	10,188	9,706	5,203,709,154,836.44	5,160,844,132,248.69
December	10,697	11,173	7,346,345,847,468.67	7,429,249,728,436.18

Source: Other Financial Institutions Supervision Department, BSL

Figure 47: RTGS Values in 2021



Source: Other Financial Institutions Supervision Department, BSL

9.3. Automated Clearing House (ACH) Transactions

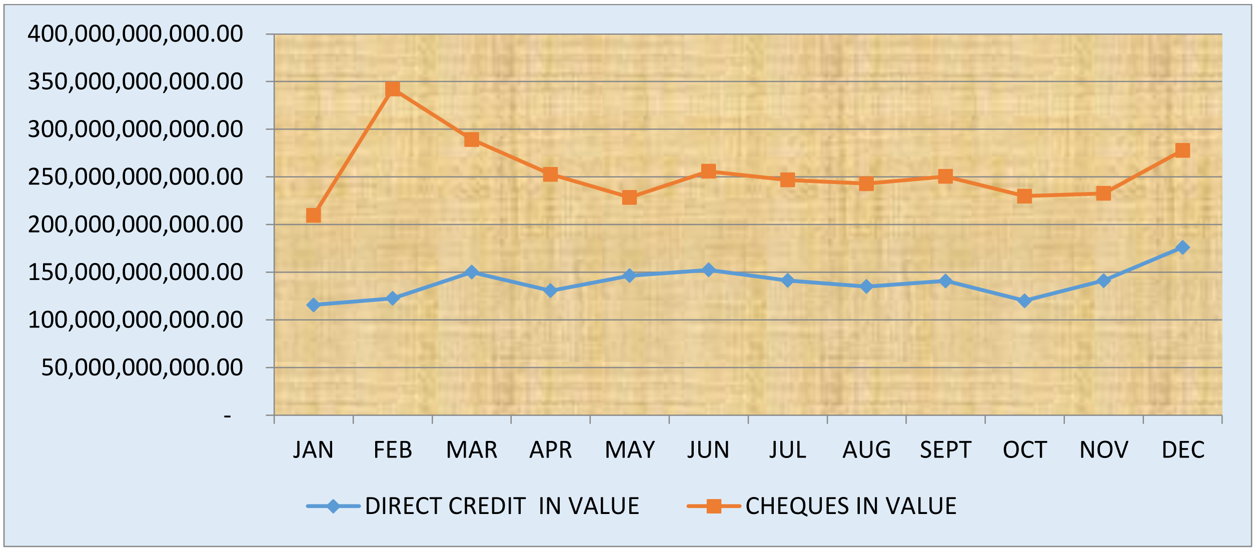
The Automated Clearing House (ACH) is the retail payment system through which a vast number of payment items (both paper-based and electronic) are cleared. These are mainly low-value (those with values that are not more than fifty million Leones) high-volume retail payment cheques. Table 32 shows the ACH transactions for the period January to December 2021, which shows that the use of cheques in transactions remained higher than direct credit. However, the use of direct credit as a means of interbank transactions was sustained, suggesting that it has prospect to improve in the near future. Table 27 shows the ACH transactions in 2021 and Figure 49 shows the value of ACH Transactions in 2021

Table 30: ACH Transactions (Jan - Dec. 2021)

MONTHS	DIRECT CREDIT VOL	DIRECT CREDIT VALUE (Le)	CHEQUES VOL	CHEQUES VALUE (Le)
Jan	18,399.00	115,763,280,006.63	13,730.00	209,645,348,161.19
Feb	20,761.00	122,733,455,751.46	15,692.00	342,279,534,580.99
Mar	32,599.00	150,151,940,986.81	17,888.00	289,370,075,576.23
Apr	25,238.00	130,679,060,088.60	15,751.00	252,805,943,308.46
May	32,111.00	146,449,408,016.09	15,330.00	228,623,543,963.47
Jun	26,516.00	152,616,511,524.01	16,165.00	255,880,221,827.45
Jul	23,333.00	141,416,264,851.81	15,503.00	246,846,771,848.90
Aug	24,641.00	135,122,376,791.56	15,617.00	242,945,516,526.86
Sep	26,035.00	140,986,277,263.04	15,996.00	250,520,500,575.25
Oct	23,320.00	120,133,536,189.40	14,993.00	229,872,326,224.05
Nov	27,230.00	141,287,036,651.20	15,798.00	232,700,351,825.64
Dec	36,724.00	176,163,486,598.20	17,972.00	277,998,783,299.20

Source: Other Financial Institutions Supervision Department, BSL

Figure 48: Value of ACH Transactions (Le) Jan - Dec. 2021



Source: Other Financial Institutions Supervision Department, BSL

9.4. Other Retail Payment Systems 2017-2021

The performance in the value of direct credit transactions is reflected in the growth of other forms of electronic retail payment systems such as ATM and POS transactions. Table 28 shows the ATM and POS transactions, which indicates gradual acceptability of electronic means of processing transactions.

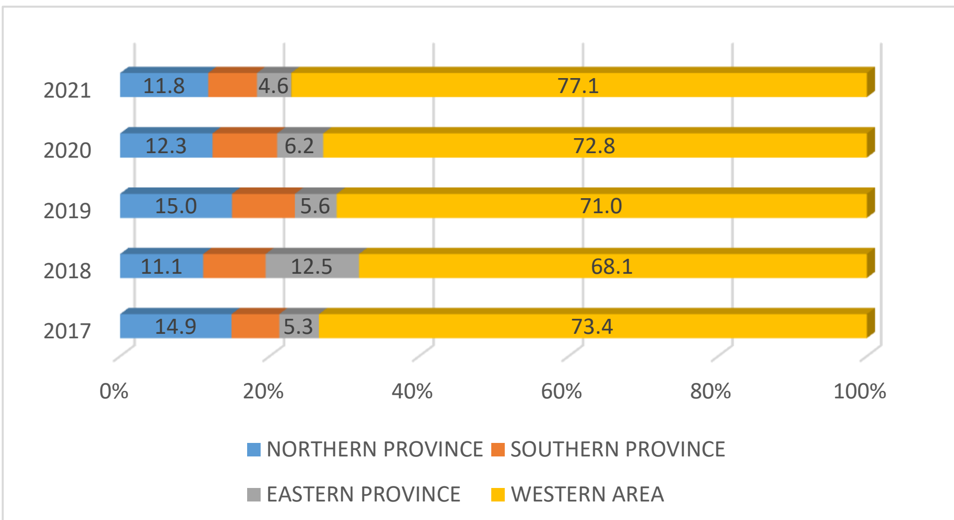
Table 31: ATMs and POSs

Table 3: ATMs and POSs	2017	2018	2019	2020	2021
Number of ATMs	94	72	107	106	116
Number of POSs	243	231	301	297	304
Volume of ATM Transactions	530,342.00	1,204,162	2,199,500.00	5,740,471,240	3,655,266,846
Volume of POS transactions	6,773.00	30,537	40,815.00	60,383	33,322
Value of ATM Transactions (Le'000)	102,109,510.00	267,237,998.00	392,016,130.00	475,235,865.00	299,123,747.00
Value of POS Transactions (Le'000)	5,670,955.00	44,096,804.00	71,970,869.00	58,376,410.00	36,060,274.00

Source: Other Financial Institutions Supervision Department, BSL

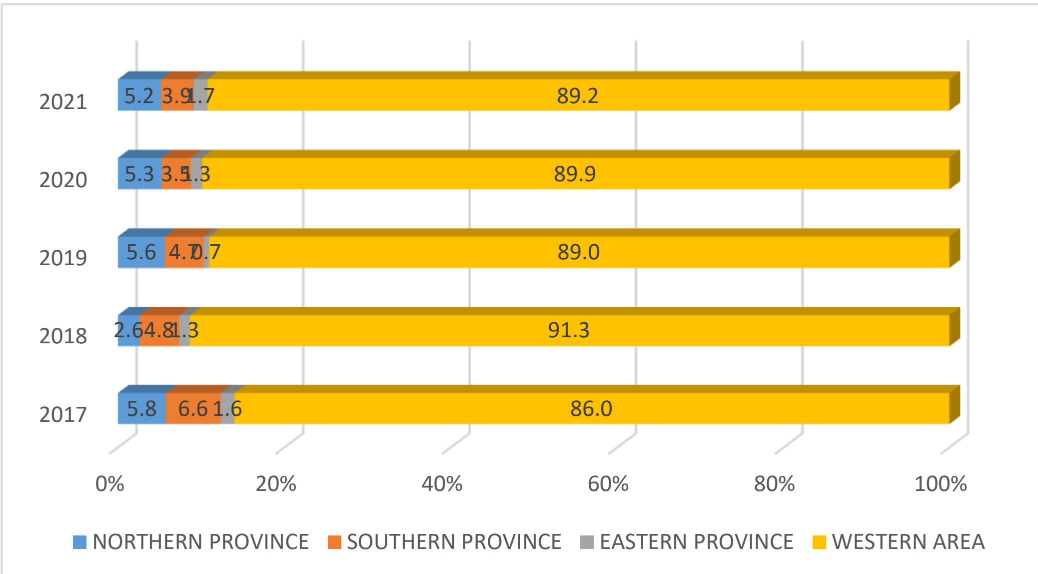
The spread of these financial services indicate that most of these facilities are deployed in the Western Area (capital city), accounting for 77.12% of ATMs and 89.22% of POS as at December 2021.Figures 50 and 51 shows the regional percentage distribution of ATM and POS, which indicates that there is an uneven distribution of these payment services thereby financially excluding a very good number of the population. The above scenario is worthy to in the midst of plans to implement a digital financial services that would ensure smooth flow of funds especially from Government to people (G2P).

Figure 49: Regional Percentage Composition of ATM Spread



Source: Other Financial Institutions Supervision Department, BSL

Figure 50: Regional Percentage Composition of National POSs Spread



Source: Other Financial Institutions Supervision Department, BSL

9.5 Planned Systems

9.5.1 Automating the Treasury Single Account Management (TSA)

The Bank has automated revenue sharing from the TSA institutions over the period. Before automation, revenues from TSA institutions were manually calculated and shared among relevant beneficiaries as required by law on a weekly basis. With automation, revenues collected by these institutions are shared seamlessly among beneficiary entities based on percentages required by law daily.

9.5.2 National Switch

This is a World Bank funded project which targets the establishment of interconnectivity and interoperability of all retail payment infrastructures by providing a national switch. It provides efficiency in the payments system, and also helps improve rural connectivity. The project awarded the contract to procure the switch to the winning bidder who would work on installation of the equipment. The project procured the services of National Switch and Payment System consultants to help coordinate the successful rollout of the Electronic Fund Transfer (Eft) Project.

This is a project funded by Ministry of Finance to facilitate the interoperability between the Bank of Sierra Leone's Core Banking Application T24 and the Accountant General's Integrated Financial Management Information System (IFMIS), to eradicate the manual processing of payment to banks through cheques and letters, and migrate to electronic transfers. The implementation of this project was at an advanced stage at the end of 2021.

9.5.3 Review of the Payment System Act (2009).

With the modernisation and improvement in the payment systems, the need to review the payment systems Act (2009) had been noted by the Bank and in order to catch up with modern trends in payments and settlement landscape, the Bank reviewed the 2009 Act and in 2021, it was awaiting passage into law by Parliament.

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

Afreximbank in collaboration with Central Banks in the WAMZ region were working on a payment and settlement platform to resolve the challenges of cross border payments in the sub-region. PAPSP had introduced an instant payment solution that would interconnect the national payment systems within WAMZ and subsequently ECOWAS, in order to promote regional trade.

In 2021, The Bank of Sierra Leone was working with PAPSP on this project and it was at the stage of doing controlled transactions in the live environment.

10. STAFFING AND HUMAN RESOURCES DEVELOPMENT

10.1. Staff Strength

Table 29 shows the staff strength of the Bank in 2020 and 20221. Total staff strength as at 31st December 2021 was 594 (five hundred and ninety-four), reflecting an increase of 5% from **564** (five hundred and sixty-four) at end December 2020. The variance in staff strength was recorded in all the categories. Management Staff recorded a decrease from 11 (eleven) to 10 (ten) as at end December, 2021. The decrease was as a result of the retirement of 1 (one) staff in this cadre.

Staff Strength in the Professional and Others cadre decreased overall by 13 and 3 respectively, from 272 and 138 respectively in 2020 to 259 and 135 respectively in 2021, which was due to severance of staff. Total Staff Strength in the Sub-professional cadre however increased by 42 from 92 as at 31st December, 2020 to 134 as at 31st December, 2021 due to recruitment of staff in that category. The increase was mainly as a result of the recruitment of Staff in the Cadre.

The total male staff strength amounted to 397 (three hundred and ninety-seven) as at 31st December 2021, of which 14 (fourteen) were Fixed Term Employees. The proportion of male staff, including Fixed Term Employees, to total staff strength was 66.8% as at 31st December, 2021.

Total female staff as at 31st December 2021 was 197 (one hundred and ninety-seven), of which 42 (forty-two) were Fixed Term Employees. The proportion of female staff to total staff strength including, Fixed-term Employees was 33.2% at end December 2021.

Total Fixed term employees accounted for 9.4% or 56 of total staff strength as at end December, 2021, recording an increase of 31 (thirty-one) from 25 (twenty – five) in 2020 to 56 (fifty-six) as at end December, 2021 due to recruitment of part-time note counters for the redenomination exercise.

Table 32: Staff strength as at December 2020 and December 2021

CATEGORY	MALE		FEMALE		TOTAL	
	2020	**2021**	**2020**	**2021**	**2020**	**2021**
Management	6	6	5	4	11	10
Professional	178	169	94	90	272	259
Sub-Professional	84	89	34	45	92	134
Others	125	119	13	16	138	135
Total Regular Staff	393	383	146	155	539	538
Fixed Term Employees	12	14	13	42	25	56
Total	405	397	159	197	**564**	**594**

Source: Human Resources Department, BSL

10.2 Severance and Recruitment

Table 30 shows the severance during the review period, Table 31 shows the staff audit returns and Table 32 shows the distribution of recruited permanent staff. A total of 30 (thirty) members of staff severed from the service of the Bank in 2021.

Table 33: Severance as at end December 2021

Termination of Contract Appointment	**N/A**
Resignation	10
Dismissal	1
Deceased	3
Retirement	16
Termination	-
Voluntary Retirement	-
Retirement on Medical Grounds	-
Position Declared Vacant	-
Total	**30**

Source: Human Resources Department, BSL

Table 34: Staff Audit returns as at end December 2021

DETAILS	2020	2021
Recruitment	121	30
Fixed Term Employees	6	38
Vacated	-	-
Dismissal	-	1
Deceased	3	3
Termination	-	2
Retirement	17	16
Voluntary Retirement	-	-
Retired on Medical Grounds	2	-
End of Fixed Term Appointment	1	-
Absorption into Permanent Service of the Bank	-	-
Total	**150**	**90**

Source: Human Resources Department, BSL

Table 35: Recruitment of Permanent staff as at end December 2021

Internal Recruitment	Number of Staff
Section Heads	34
Division Heads	21
Total	**55**
External Recruitment	**Number of Staff**
Legal Officer	1
Secretarial Staff	9
Office Assistant	1
Printing Technicians	2
Handymen	2
Security Guards	8
Waiter/Waitress	4
Barman	1
Cook	2
Total	**30**

Source: Human Resources Department, BSL

10.3 Manpower Planning, and Career Development and Appraisal

In order to facilitate work at the Kenema Branch, the BSL continued to transfer staff with the requisite capacity to the Branch either on two year tours or on relief duties. Inter and intra departmental transfers were embarked upon at various levels and departments during the period under review and twenty members of staff were involved in this process. Forty-two (42) staff members from various categories were promoted in 2021.

10.4 Training

As the COVID-19 pandemic slowed down globally, the BSL continued to build and develop the capacity of its human resources through support from the Board and Management Team. The BSL’s main focus was to improve skills gap of staff in addressing emerging challenges in areas connected with technology and innovation, in order to increase staff organisational performance and efficiency, thereby making it possible to achieve the core aims and objectives.

Almost all training programmes conducted in 2021 were held virtually. The BSL made tremendous effort to partner with accredited training institutions like the West African Institute for Financial and Economic Management (WAIFEM), International Monetary Fund (IMF) and the Bank of England (BoE).Fifty one (51) training programmes were delivered and these include workshops, meetings, seminars and conferences. Staff benefitted from both short and long-term training (overseas and local) in various disciplines that are relevant to the core functions of the BSL – these include Economic Management, Human Resources, Financial Inclusion, Banking Supervision, Financial Sector Surveillance, Money Laundering, Cyber Crime Security Management, among others.

A total of one hundred and twenty seven (127) staff comprising newly promoted Managers participated in capacity building programmes and meetings. One (1) staff in the Banking Officer cadre was granted executive approval to pursue a Master’s Degree in Economic Policy Management (EPM) at the Columbia University, United States of America. Table 33 shows the distribution of staff by various forms of training activities in 2021.

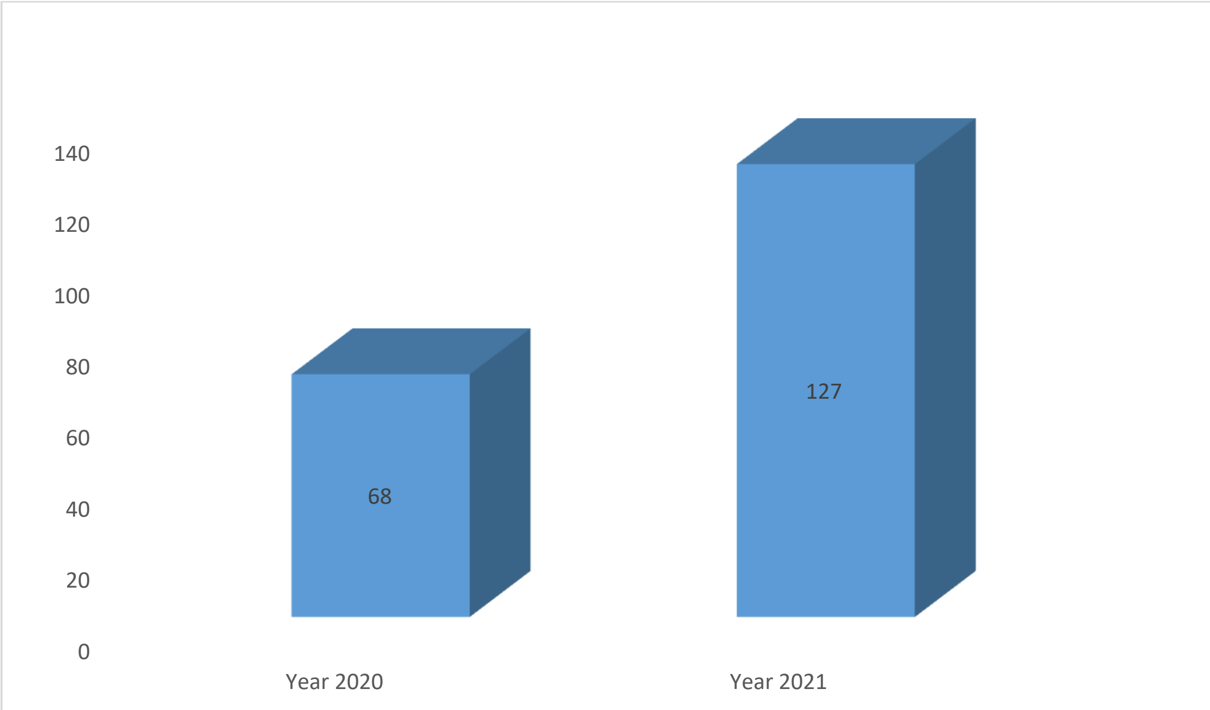
Table 36: Distribution of Staff by Department and Form of Training

Department	Number of staff that benefitted from Virtual Overseas Training	Number of staff that benefitted from face – face In-House Training	Number of staff that benefitted from Face-to-face Meetings/Conferences	Number of staff that benefitted from Study Leave	Total
Banking	3	8	-	-	**11**
Banking Supervision	25	7	-	-	**32**
Finance	1	2	-	-	**3**
Financial Markets	10	2	-	-	**12**
Financial Stability	12	3	-	-	**15**
General Services	1	-	-	-	**1**
Governor's Office	5	2	-	-	**7**
Hunan Resources	7	2	-	-	**9**
Internal Audit	3	1	-	-	**4**
Legal Affairs	-	1	-	-	**1**
Management Information Systems	2	2	-	-	**4**
Other Financial Institutions and Supervision	4	1	1	-	**6**
Research	15	1	-	1	**17**
Secretary's	3	2	-	-	**5**
Total	**91**	**34**	**1**	**1**	**127**

Source: Human Resources Department, BSL

Figure 51 shows that in 2021, more staff benefitted from training than in 2020, which was due to reduced COVID-19 restrictions in 2021 by countries across the world, including downward revision of travel restrictions.

Figure 51: Number of Staff that Benefited from Training



Source: Human Resources Department, BSL

11. THE ECOWAS MACROECONOMIC CONVERGENCE CRITERIA

Sierra Leone's performance on the primary convergence remained the same in 2021 as was in 2020 - satisfying one (gross external reserves) out of the four primary criteria. The country did not meet the annual average inflation, central bank financing, and fiscal deficit criteria. With respect to the secondary convergence criteria, the country met the nominal exchange rate variation but missed the public debt-to-GDP ratio criterion. Tables 34 and 35 show the primary and secondary criteria for Sierra Leone.

11.1. Primary Convergence Criteria

11.1.1. Annual Average Inflation Rate

This criterion on annual average inflation rate was not met. Annual average inflation for 2021 was 11.9 percent compared to 10.5 percent recorded for the same period in 2020. Inflation declined during the first quarter of 2021, reaching single-digit inflation in March which continued to May. However, inflationary pressures re-emerged reaching 10.20 percent in June and continued to rise steadily to 17.94 percent in December 2021, recording an average inflation rate of 11.9 percent during the year.

11.1.2. Fiscal Deficit, including Grants (% of GDP)

The criterion on fiscal deficit including grants (% to GDP) was not met. Fiscal deficit (including grants) widened to 7.3 percent of GDP in 2021, which was above the threshold of 3.0 percent of GDP. The breach of the criterion was mainly attributed to higher government outlays to mitigate the impact of COVID-19 on the economy.

11.1.3. Central Bank Financing of the Budget Deficit

The country did not meet this criterion in the review period. The ratio of central bank financing to the previous year's tax revenue stood at 20.0 percent inr 2021, compared to the threshold of ≤ 10 percent. The breach was due mainly due to the on-lending of IMF resources to the government by the Central Bank.

11.1.4. Gross External Reserves

The country complied with this criterion during the review period. Gross External Reserves increased to US$931.8 (6.1 months of imports) in 2021 which was above the threshold of 3 months of import cover. The increase in foreign exchange reserves was mainly due to increased inflows from development partners, including SDR allocations of US$283 million.

Table 37: Status of Rationalized ECOWAS Primary Convergence Criteria, 2017 – 2021

	Target	2017	2018	2019	2019	2020	2020	2021	2021
		Dec	**Dec**	**June**	**Dec**	**June**	**Dec**	**June**	**Dec**
Inflation (annual-average)	≤5percent	15.3	17.5	14.4	13.9	14.4	10.5	11.1	11.9
Fiscal Deficit including grants/GDP (percent GDP)	≤3percent	8.6	5.2	0.6	2.6	7.8	6.2	9.0	6.2
Central Bank Financing of Fiscal Deficit (percent of previous year's tax revenue)	≤10percent	18.9	18.8	5.8	0.7	22.5	21.9	9.6	20.0
Gross External Reserves (in months of import cover)	≥ 3 months	4.4	3.4	3.8	3.1	4.5	5.3	4.6	6.1
Number of criteria satisfied		**1**	**3**	**3**	**3**	**1**	**1**	**2**	**1**

Source: Ministry of Finance & BSL

Table 38: Status of Rationalized ECOWAS Secondary Convergence, 2017– 2021

	Target	2017	2018	2019	2019	2020	2020	2021	2021
		Dec	**Dec**	**June**	**Dec**	**June**	**Dec**	**June**	**Dec**
Exchange Rate Variation	±10percent	4.5	10.2	12.3	13.6	9.4	4.1	3.0	9.2
Public Debt/GDP (percent)	≤70percent	56.4	59.5	54.4	61.0	76.2	76.2	68.4	74.6
Number of criteria satisfied		**2**	**1**	**1**	**1**	**1**	**1**	**2**	**1**

Source: Ministry of Finance & BSL

11.2. Secondary Criteria

11.2.1. Nominal Exchange Rate Variation

The country met this criterion in the review period. The nominal exchange rate variation stood at 9.2 percent in 2021, which was within the threshold of 10 percent.

11.2.2. Public Debt/GDP

The country did not meet this criterion as the ratio of public debt to GDP was 74.6 percent, which was above the 70.0 percent threshold. This high debt ratio was on account of the disbursement of loans for project implementation and COVID-19 related borrowing from the IMF, under the Extended Credit Facility (ECF) and Rapid Credit Facility (RCF). Table 35 shows the performance on the secondary criteria.

PART B: FINANCIAL STATEMENT

Bank of Sierra Leone

Financial statements
for the year ended 31 December 2021

This report contains 96 pages
Ref: B60/ans/eap

Contents

Notes

General information

Board of directors	:	Professor Kelfala M. Kallon	- Governor (appointed 15 August 2018)
		Dr. Ibrahim Stevens	- Deputy Governor (re-appointed 24 July 2019)
		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. Kamaraa	- 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	:	Professor Kelfala M. Kallon	- Governor
		Dr. Ibrahim Stevens	- Deputy Governor, Monetary Stability
		Mr Sheikh A. Y. Sesay	- Deputy Governor, Financial Stability
		Mr Ralph Ansumana	- Director, Other Financial Institutions Supervision Department
		Mrs. Hanifa Addai	- Director, Management Information Systems Department
		Ms Jenneh Jabati	- Director, Human Resources Department
		Mrs Mary M. Kargbo	- Director, General Services 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
		Ms Josephine Mansaray	- Assistant Director, Risk Management Unit
		Mrs Feima Jabati	- Officer-in-Charge, Governor's Office (Procurement Unit)
Registered office	:	Siaka Stevens Street Freetown	
Solicitors	:	Lambert and Partners 40 Pademba Road Freetown	
Secretary to the Board	:	Ms Hawa E. Kallon	
Auditors	:	Baker Tilly SL Chartered Accountants Baker Tilly House 37 Siaka Stevens Street 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 2021.

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 2021 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 Le250 billion. 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 **Le92.96 billion** (2020: loss of Le211.87 billion).

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 Committee

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

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.

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

Report of the Directors *(continued)*

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.

Directors and their interest

The following were Directors of the Bank as at 31 December 2021:

Professor Kelfala M. Kallon	- Governor/Chairman	- Governor (appointed 15 August 2018)
Dr. Ibrahim Stevens	- Deputy Governor Monetary Stability	- Deputy Governor (re-appointed 24 July 2019)
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

Report of the Directors *(continued)*

Directors and their interest (continued)

Professor Kelfala M. Kallon was appointed Governor of the Bank on 15 August 2018 and in accordance with section 7(2) of the Bank of Sierra Leone Act 2019, to hold office for a term of five years before being eligible for re-appointment for another term only. Dr. Ibrahim L. Stevens was re-appointed on 24 July 2019 as Deputy Governor (Monetary Stability) and Sheik A. Y. Sesay was appointed on 26 June 2020 as Deputy Governor (Financial Stability).

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 Auditor-General on 20th January 2022 to conduct the audit of the financial statements for the year ended 31 December 2021.

Approval of the financial statements

The financial statements were approved by the Board of Directors on ....9th November 2022

.... **Governor**

.... **Director**

.... **Secretary**

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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 2021, 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 2021 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.

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. The amount of the benefit payable depends on the length of service and the level of earnings when the event occurs. 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. 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. 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. We tested the accuracy and completeness of data provided by management to its pension valuation experts. We tested the validity of the underlying obligations per existing Bank's policy. 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.\ 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. 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: - Determining criteria for assigning Probability of Default rates (PD Rates) - Assessing the relationship between the quantitative factors such as default and qualitative factors such as macro-economic variables - Incorporating forward looking information in the model building process - Factors incorporated in determining the Probability of Default (PD), the Loss Given Default (LGD), the Recovery Rate and the Exposure at Default (EAD). - Factors considered in cash flow estimation including timing and amount and segmentation of portfolios used to develop risk parameters - 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: - Obtained a detailed understanding of the default definition(s) used in the ECL calculations; - For loans and advances, tested the underlying data behind the determination of the probability of default by agreeing same to underlying supporting documentation - 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 - For loans and advances, evaluate whether the model used to calculate the recoverable amount complies with the requirement of IFRS 9 - Examined the criteria used to allocate the financial assets under stages 1, 2 and 3 - Performing sensitivity analysis on the macroeconomic factors used in determining the probability of default - 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 - Verifying the source of the credit ratings used and check the appropriateness of the ratings in accordance with IFRS 9 - Tested the disclosures to ensure that the required disclosures under IFRS 9 have been appropriately disclosed - 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.**

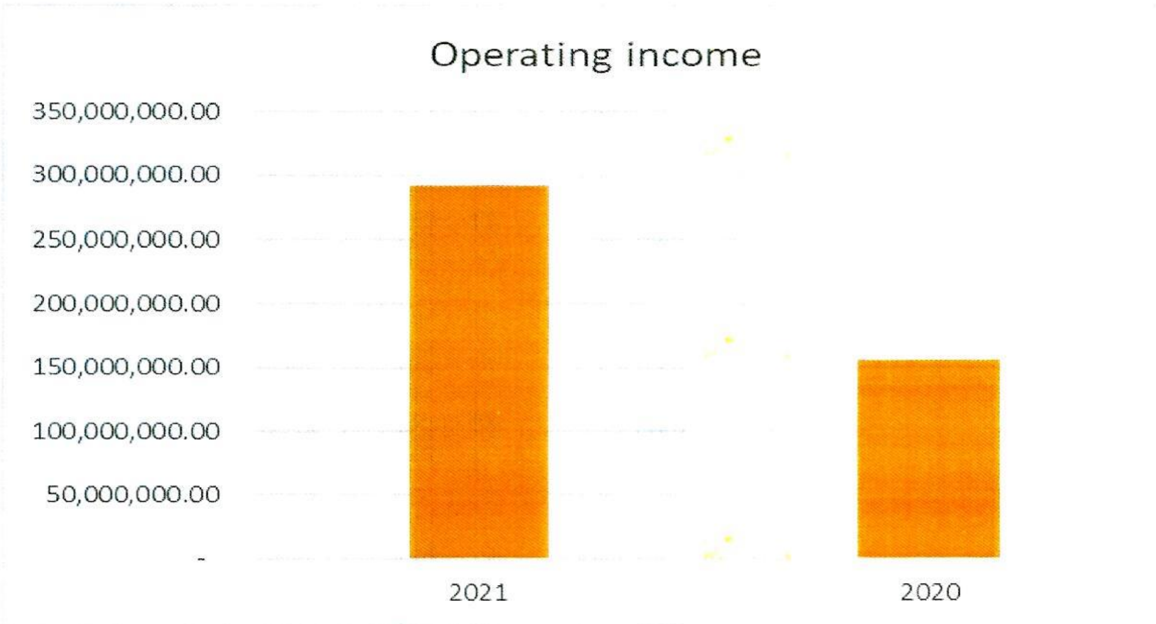
Baker Tilly

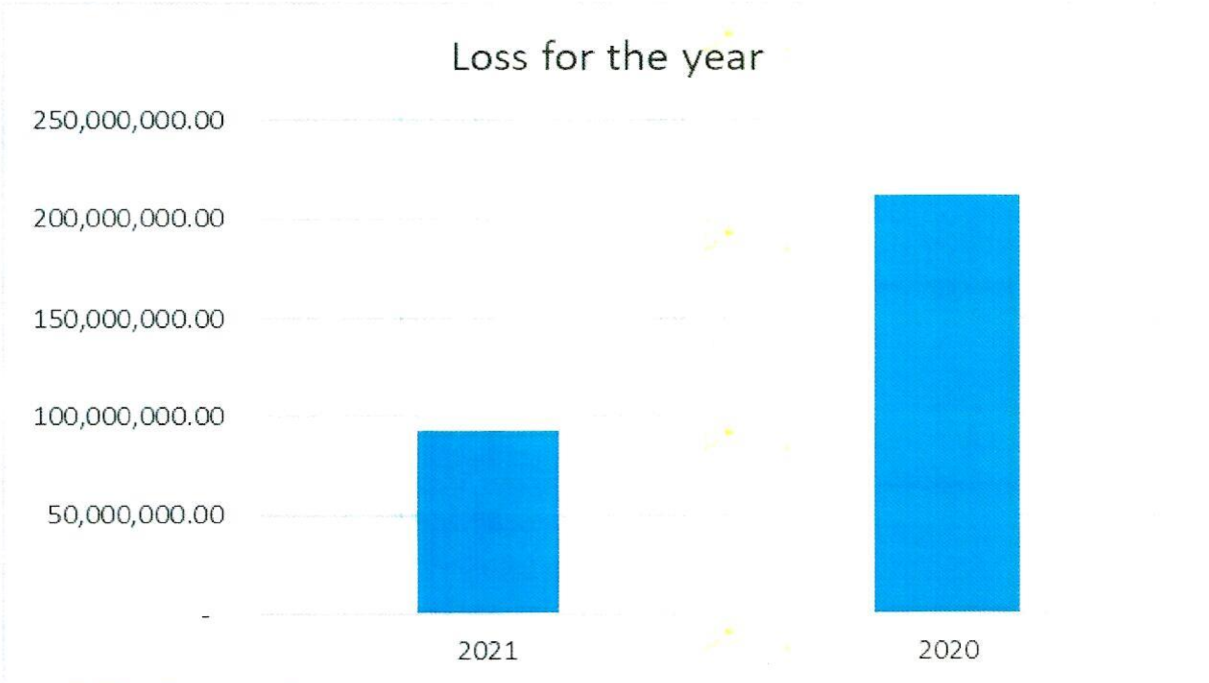
Chartered Accountants

Freetown

Date: 17 November 2022

Financial highlights





Statement of financial position

as at 31 December

In thousands of Leones	Note	2021	2020
Assets			
Cash and cash equivalents	*16*	**5,255,295,827**	5,031,309,220
Funds held with International Monetary (IMF)	*17*	**8,856,908,469**	5,303,979,749
Loans and advances to others	*18a*	**12,197,994**	13,090,185
Due from Government of Sierra Leone	*18b*	**3,637,653,853**	2,807,968,092
COVID-19 special credit facility to banks	*18c*	**588,702,815**	489,227,889
Investment in equity	*19*	**84,243,862**	67,600,814
Investment securities	*20*	**1,088,819,756**	824,523,797
Property, plant and equipment	*21*	**212,851,606**	204,109,082
Other assets	*22*	**333,658,297**	85,579,979
Total assets		**20,070,332,479**	14,827,388,807
Liabilities			
Amounts due to International Monetary Fund (IMF)	*23*	**14,238,167,493**	9,633,349,356
Deposits from Government	*24*	**361,128,030**	224,594,702
Deposits from Banks	*25*	**841,676,022**	1,227,493,377
Deposits from others	*26*	**56,379,145**	95,279,599
Currency in circulation	*27*	**3,822,413,539**	3,009,347,915
Other liabilities	*28*	**411,169,671**	*263,613,334*
End of service benefit	*29*	**101,760,295**	58,900,766
Total liabilities		**19,832,694,195**	14,512,579,049
Equity			
Share capital	*30*	**125,000,000**	125,000,000
General reserve	*31(a)*	**91,018,210**	165,720,755
Revaluation reserves	*31(b)*	**32,792,919**	32,792,919
Other reserves	*31(c)*	**(11,172,845)**	(8,703,916)
Total equity attributable to equity holders of the Bank		**237,638,284**	314,809,758
Total liabilities and equity		**20,070,332,479**	14,827,388,807

These financial statements were approved by the Board of Directors on 17th November **2022**

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

The notes on pages 19 to 96 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 Leones	Note	2021	2020
Interest and similar income	*8*	**176,483,071**	216,113,009
Interest expenses and similar charges	*8*	**(1,283,022)**	(4,632,581)
Net interest income		**175,200,049**	211,480,428
Fees and commission income	*9*	**4,182,434**	4,069,040
Fees and commission expense	*9*	**(278,883)**	(269,846)
Net fee and commission income		**3,903,551**	3,799,194
Net exchange gain/(loss)	*10*	**109,121,478**	(63,110,875)
Other income	*11*	**3,616,392**	3,959,106
Operating income		**291,841,470**	156,127,853
Personnel expenses	*12*	**(181,901,394)**	(127,635,864)
Currency issue expenses	*13*	**(138,701,820)**	(93,957,044)
Depreciation and amortisation	*21*	**(5,411,900)**	(5,216,887)
Release/(Impairment loss) on loans and advances	*14(a)*	**21,036,824**	(53,445,000)
Other expenses	*14*	**(79,820,428)**	(87,746,726)
Loss for the year		**(92,957,248)**	(211,873,668)
Other comprehensive income			
Defined benefit plan actuarial (loss)/gain		**(2,468,929)**	(3,089,646)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		**(95,426,177)**	(214,963,314)

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

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

In thousands of Leones	Note	2021	2020
Loss attributable to:			
Equity holders of the Bank		**(92,957,248)**	(211,873,668)
Loss for the year		**(92,957,248)**	(211,873,668)
Total comprehensive income attributable to:			
Equity holders of the Bank		**(95,426,177)**	(214,963,314)
Total comprehensive loss for the year		**(95,426,177)**	(214,963,314)

These financial statements were approved by the Board of Directors on....17th November...2022

....) **Governor** pp

....) **Director**

....) **Secretary**

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

Statement of changes in equity
for the year ended 31 December 2021

In thousands of Leones	Share capital	Property revaluation reserve	General reserve	Other reserves	Total
Balance at 1 January 2021	125,000,000	32,792,919	165,720,755	(8,703,916)	314,809,758
Total comprehensive income for the year					
Net loss for the year	-	-	(92,957,248)	-	(92,957,248)
Securities reserves	-	-	-	-	-
Other comprehensive income					
Fair value reserve (non-interest bearing securities)	-	-	-	-	-
Actuarial gain/ (loss)	-	-	-	(2,468,929)	(2,468,929)
Prior year adjustment	-	-	18,254,703	-	18,254,703
Total other comprehensive income for the year	125,000,000	32,792,919	91,018,210	(11,172,845)	237,638,284
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	125,000,000	32,792,919	91,018,210	(11,172,845)	237,638,284

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 2021

In thousands of Leones	Share capital	Property revaluation reserve	General reserve	Other reserves	Total
Balance at 1 January 2020	125,000,000	32,792,919	377,594,423	(5,614,270)	529,773,072
Total comprehensive income for the year					
Net loss for the year	-	-	(211,873,668)	-	(211,873,668)
Securities reserves	-	-	-	-	-
Other comprehensive income					
Fair value reserve (non-interest bearing securities)					
Actuarial gain					
Prior year adjustment	-	-	-	(3,089,646)	(3,089,646)
Total other comprehensive income for the year	125,000,000	32,792,919	165,720,755	(8,703,916)	314,809,758
Total comprehensive income and other transfers					
Subscribed during the year	-	-	-	-	-
Deposit for shares	-	-	-	-	-
Total contribution by and distribution to owners	-	-	-	-	-
Balance at 31 December 2020	125,000,000	32,792,919	165,720,755	(8,703,916)	314,809,758

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

Statement of cash flows

for the year ended 31 December

In thousands of Leones	Note	2021	2020
Cash flows from operating activities			
Profit/ (loss) for the year		(92,957,248)	(211,873,668)
Adjustment for:			
Depreciation and amortisation	*21*	5,411,900	5,216,887
Impairment losses on loans and advances		-	-
Net interest income	*8*	(175,200,049)	(211,480,428)
Fixed asset write-off		-	-
Profit on disposals		-	-
Fixed assets adjustments	21a	-	8
Actuarial (loss)/gain on defined benefit obligation	*29d*	(2,468,929)	(3,089,646)
Prior year adjustment		18,254,703	-
Changes in:		(246,959,623)	(421,226,847)
Loans and advances to others		892,191	(1,889,869)
Due from Government of Sierra Leone		(829,685,761)	(1,182,338,851)
Advances to banks		(99,474,926)	(489,227,889)
Other assets		(248,078,318)	245,956,707
Currency in circulation		813,065,624	701,404,620
Government deposit		136,533,328	7,750,863
Other deposits		(38,900,454)	22,076,741
Deposits from banks		(385,817,355)	787,186,616
Other liabilities		147,556,337	20,615,894
End of service benefit		42,859,529	10,671,106
		(708,009,428)	(299,020,909)
Interest received	*8*	176,483,071	216,113,009
Interest paid	*8*	(1,283,022)	(4,632,581)
Net cash generated from operating activities		(532,809,379)	(87,540,481)
Cash flows from investing activities			
(Purchase)/disposal of Investment Securities		(264,295,959)	333,650,911
Acquisition of medium term bond		(16,643,048)	(2,712,247)
Acquisition of property and equipment		(14,154,424)	(8,650,871)
Proceeds from sale of property, plant and equipment		-	-
Net cash generated from/(used in) investing activities		(295,093,431)	322,287,793
Cash flows from financing activities			
Net change in funds from the IMF		1,051,889,417	853,981,459
Additional capital subscribed		-	-
Net movement in reserves		-	-
Net cash from financing activities		1,051,889,417	853,981,459
Net increase in cash and cash equivalents		223,986,607	1,088,728,771
Cash and cash equivalents at 1 January		5,031,309,220	3,942,580,449
Cash and cash equivalent at 31 December	*16*	5,255,295,827	5,031,309,220

The notes on pages 19 to 96 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 17th November 2022.

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 2021 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	2021	% of FA	2020	% of FA
Cash balances with Central Banks	AAA - Aa2	**817,910,615**	7.47	770,424,974	8.10
Cash and balances with supranational organizations	Aaa - B1/N/R	**3,494,821,690**	31.92	3,781,825,609	39.75
Cash and balances with commercial banks	Aa3 - B2/BB*/N/R	**942,269,052**	8.61	478,792,656	5.03
Cash balances with non-banking financial institutions	N/R	**294,470**	0.00	265,981	0.0
Advances	N/R	**4,238,554,662**	38.71	3,310,286,166	34.79
Investment securities	Baa1/B*	**1,088,819,756**	9.94	824,523,797	8.67
Contingencies and commitments	N/R	**367,265,701**	3.35	348,132,310	3.66
Total		**10,949,935,946**	**100**	9,514,251,493	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 Leones	GBP	Euro	US$	SDR	Leone and Others	Total
At 31 December 2021						
Cash and cash equivalents	16,016,536	891,305	4,642,774,215	-	595,613,771	5,255,295,827
IMF assets	-	-	-	8,856,908,469	-	8,856,908,469
Advances	-	-	-	-	4,238,554,662	4,238,554,662
Investment in equity	-	-	84,243,862	-	-	84,243,862
Investment securities	-	-	-	-	1,088,819,756	1,088,819,756
Total assets	16,016,536	891,305	4,727,018,077	8,856,908,469	5,922,988,189	19,439,578,714

Notes to the financial statements *(continued)*

5. Financial risk review (continued)

(a) Credit risk (continued)

Assets

	GBP	Euro	US$	SDR	Leone and others	Total
At 31 December 2020						
Cash and cash equivalents	227,624,523	652,734	4,688,531,011	-	114,500,952	5,031,309,220
IMF assets	-	-	-	5,303,979,749	-	5,303,979,749
Advances	-	-	-	-	3,310,286,166	3,310,286,166
Investment in equity	-	-	67,600,814	-	-	67,600,814
Investment securities	-	-	-	-	824,523,797	824,523,797
Total assets	227,624,523	652,734	4,756,131,825	5,303,979,749	4,249,310,915	14,537,699,746

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 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 asset by type							
Non-derivative liabilities							
Cash balances with central banks	*16*	817,910,615	817,910,615	-	-	-	-
Cash balances with supranational Organisations	*16*	3,494,821,690	-	3,494,821,690		-	-
Cash and balances with commercial Banks	*16*	942,269,052	-	942,269,052	-	-	-
Cash balances with non-banking Financial institution	*16*	294,470	-	294,470	-	-	-
International Monetary Fund related asset	*17*	8,856,908,469	-	-	8,856,908,469	-	-
Investment in equity	*19*	84,243,862	-	-	-	46,746,198	37,497,664
Loans and advances	*18*	4,238,554,662	-	2,602,178,318	1,625,176,029	9,153,194	2,047,121
Investment securities	*20*	1,088,819,756	-	174,212,369	537,117,400	358,739,987	18,750,000
		19,523,822,576	817,910,615	7,213,775,899	11,019,201,898	414,639,379	58,294,785
Financial liability by type							
Non-derivative assets							
IMF Special drawing rights Allocation	*23*	14,238,167,493	-	-	14,238,167,493	-	-
Deposit from Government	*24*	361,128,030	-	-	361,128,030	-	-
Deposit from banks	*25*	841,676,022	-	-	841,676,022	-	-
Deposit from others	*26*	56,379,145	56,379,145	-	-	-	-
End of service benefit	*29*	101,760,295	-	-	-	101,760,295	-
Unrecognised loan commitment		-	-	-	-	367,265,701	-
		15,599,110,985	56,379,145	-	15,440,971,545	469,025,996	-

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 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 2020							
Financial liability by type							
Non-derivative liabilities							
Cash balances with central banks	*16*	770,424,974	770,424,974	-	-	-	-
Cash balances with supranational Organisations	*16*	3,781,825,609	-	3,781,825,609	-	-	-
Cash and balances with commercial Banks	*16*	478,792,656	-	478,792,656	-	-	-
Cash balances with non-banking Financial institution	*16*	265,981	-	265,981	-	-	-
International Monetary Fund related asset	*17*	5,303,979,749	-	-	5,303,979,749	-	-
Investment in equity	*19*	67,600,814	-	-	-	30,103,150	37,497,664
Loans and advances	*18*	3,310,286,166	-	1,673,988,663	1,625,176,026	9,074,353	2,047,121
Investment securities	*20*	824,523,797	-	8,740,992	457,546,569	331,986,236	26,250,000
		14,537,699,746	770,424,974	5,943,613,901	7,386,702,347	371,163,739	65,794,785
Financial asset by type							
Non-derivative assets							
IMF Special drawing rights Allocation	*23*	9,633,349,356	-	-	9,633,349,356	-	-
Deposit from Government	*24*	224,594,702	-	-	224,594,702	-	-
Deposit from banks	*25*	1,227,493,377	-	-	1,227,493,377	-	-
Deposit from others	*26*	95,279,599	95,279,599	-	-	-	-
End of service benefit	*29*	58,900,766	-	-	-	58,900,766	-
Unrecognised loan commitment		-	-	-	-	348,132,310	-
		11,239,617,800	95,279,599	-	11,085,437,435	407,033,076	-

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 Leones	**2021 Carrying amount**	**2021 Fair value**	2020 Carrying amount	2020 Fair value
Cash in hand	**223,898**	**223,898**	202,319	202,319
Balances with other Central Banks	**817,910,615**	**817,910,615**	770,424,974	770,424,974
Balances with Supranational Organizations	**3,494,821,690**	**3,494,821,690**	3,781,825,609	3,781,825,609
Balances with Commercial Banks	**942,269,052**	**942,269,052**	478,792,656	478,792,656
Cash balances with non-banking financial institutions	**70,572**	**70,572**	63,662	63,662
International Monetary Fund Related Assets	**8,856,908,469**	**8,856,908,469**	5,303,979,749	5,303,979,749
Investment in equity	**84,243,862**	**84,243,862**	67,600,814	67,600,814
Advances	**4,238,554,662**	**4,238,554,662**	3,310,286,166	3,310,286,166
Investment securities	**1,088,819,756**	**1,088,819,756**	824,523,797	824,523,797
Total liquidity reserve	**19,523,822,576**	**19,523,822,576**	14,537,699,746	14,537,699,746

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 Leones	**200 bp (2%) Increase 2021**	**200bp (2%) Decrease 2021**
Interest income impact	**3,529,661**	**(3,529,661)**
Interest expense impact	**(25,660)**	**25,660**
Net impact	**3,504,001**	**(3,504,001)**

In thousands of Leones	200 bp (2%) Increase 2020	200bp (2%) Decrease 2020
Interest income impact	4,322,260	(4,322,260)
Interest expense impact	(92,652)	92,652
Net impact	4,229,609	(4,229,609)

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 Leones	GBP	Euro	US$	SDR	Other	Total
At 31 December 2021						
Cash and balance with the banks	16,016,536	891,305	4,642,774,215	-	595,613,771	5,255,295,827
IMF Assets	-	-	-	8,856,908,469	-	8,856,908,469
Loans and advances	-	-	-	-	4,238,554,662	4,238,554,662
Investment in equity	-	-	84,243,862	-	-	84,243,862
Investment in securities	-	-	-	-	1,088,819,756	1,088,819,756
Total assets	16,016,536	891,305	4,727,018,077	8,856,908,469	5,922,988,189	19,523,822,576
Net on-balance sheet position	16,016,536	891,305	4,727,018,077	8,856,908,469	5,922,988,189	19,523,822,576
Liabilities						
IMF drawing rights allocation	-	-	-	14,238,167,493	-	14,238,167,493
Deposit from Government	-	-	-	-	361,128,030	361,128,030
Deposit from Banks	-	-	-	-	841,676,022	841,676,022
Deposit from Others	-	-	-	-	56,379,145	56,379,145
End of service benefit	-	-	-	-	101,760,295	101,760,295
Total liabilities	-	-	-	14,238,167,493	1,360,943,492	15,599,110,985
Net on-balance sheet position	-		-	14,238,167,493	1,360,943,492	15,599,110,985

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 Leones	GBP	Euro	US$	SDR	Other	Total
At 31 December 2020						
Cash and balance with the banks	227,624,523	652,734	4,688,531,011	-	114,500,952	5,031,309,220
IMF Assets	-	-	-	5,303,979,749	-	5,303,979,749
Loans and advances	-	-	-	-	3,310,286,166	3,310,286,166
Investment in equity	-	-	67,600,814	-	-	67,600,814
Investment in securities	-	-	-	-	824,523,797	824,523,797
Total assets	227,624,523	652,734	4,756,131,825	5,303,979,749	4,249,310,915	14,537,699,746
Liabilities						
IMF drawing rights allocation	-	-	-	9,633,349,356	-	9,633,349,356
Deposit from Government		-	-	-	224,594,702	224,594,702
Deposit from Banks	-	-	-	-	1,227,493,377	1,227,493,377
Deposit from Others	-	-	-	-	95,279,599	95,279,599
End of service benefit	-	-	-	-	58,900,766	58,900,766
Total liabilities	-	-	-	9,633,349,356	1,606,268,444	11,239,617,800
Net on-balance sheet position	227,624,523	652,734	4,756,131,825	(4,329,369,607)	2,643,042,471	3,298,081,946
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

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 Leones	GBP	Euro	US$	SDR	Other	Total
At 31 December 2021						
Cash and balance with the banks	1,601,654	89,131	464,277,422	-	59,561,377	525,529,583
IMF Assets	-	-	-	885,690,847	-	885,690,847
Loans and advances	-	-	-	-	423,855,466	423,855,466
Investment in equity	-	-	8,424,386	-	-	8,424,386
Investment in securities	-	-	-	-	108,881,976	108,881,976
Total assets	1,601,654	89,131	472,701,808	885,690,847	592,298,819	1,952,382,258
Liabilities						
IMF drawing rights allocation	-	-	-	1,423,816,749	-	1,423,816,749
Deposit from Government	-	-	-	-	36,112,803	36,112,803
Deposit from Banks	-	-	-	-	84,167,602	84,167,602
Deposit from Others	-	-	-	-	5,637,915	5,637,915
End of service benefit	-	-	-	-	10,176,029	10,176,029
Total liabilities	-	-	-	1,423,816,749	136,094,349	1,559,911,098
Net on-balance sheet position	1,601,654	89,131	472,701,808	(538,125,902)	456,204,470	392,471,161
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 Leones	GBP	Euro	US$	SDR	Other	Total
At 31 December 2020						
Cash and balance with the banks	22,762,452	65,273	468,853,101	-	11,450,095	503,130,921
IMF Assets	-	-	-	530,397,975	-	530,397,975
Loans and advances	-	-	-	-	331,028,617	331,028,617
Investment in equity	-	-	6,760,081	-	-	6,760,081
Investment in securities	-	-	-	-	82,452,380	82,452,380
Total assets	22,762,452	65,273	475,613,182	530,397,975	424,931,092	1,453,769,974
Liabilities						
IMF drawing rights allocation	-	-	-	963,334,936	-	963,334,936
Deposit from Government	-	-	-	-	22,459,470	22,459,470
Deposit from Banks	-	-	-	-	122,749,338	122,749,338
Deposit from others	-	-	-	-	9,527,960	9,527,960
End of service benefit	-	-	-	-	5,890,077	5,890,077
Total liabilities	-	-	-	963,334,936	160,626,845	1,123,961,781
Net on-balance sheet position	22,762,452	65,273	475,613,182	(432,936,961)	264,304,247	329,808,193
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 Leones	GBP	Euro	US$	SDR	Other	Total
At 31 December 2021						
Cash and balance with the banks	(1,601,654)	(89,131)	(464,277,422)	-	(59,561,377)	(525,529,583)
IMF Assets	-	-	-	(885,690,847)	-	(885,690,847)
Loans and advances	-	-	-	-	(423,855,466)	(423,855,466)
Investment in equity	-	-	(8,424,386)	-		-
Investment in securities	-	-	-	-	(108,881,976)	(108,881,976)
Total assets	(1,601,869)	(89,142)	(472,701,808)	(885,690,847)	(592,298,819)	(1,952,382,258)
Liabilities						
IMF drawing rights allocation	-	-	-	(1,423,816,749)	-	(1,423,816,749)
Deposit from Government	-	-	-	-	(36,112,803)	(36,112,803)
Deposit from Banks	-	-	-	-	(84,167,602)	(84,167,602)
Deposit from Others	-	-	-	-	(5,637,915)	(5,637,915)
End of service benefit	-	-	-	-	(10,176,029)	(10,176,029)
Total liabilities	-	-	-	(1,423,816,749)	(136,094,349)	(1,559,911,098)
Net on-balance sheet position	(1,601,869)	(89,142)	(472,701,808)	(538,125,902)	(456,204,470)	(392,471,161)
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 Leones	GBP	Euro	US$	SDR	Other	Total
At 31 December 2020						
Cash and balance with the banks	(22,762,452)	(65,273)	(468,853,101)	-	(11,450,095)	(503,130,922)
IMF Assets	-	-	-	(530,397,975)	-	(530,397,975)
Loans and advances	-	-	-	-	(331,028,617)	(331,028,617)
Investment in equity	-	-	(6,760,081)	-	-	(6,760,081)
Investment in securities	-	-	-	-	(82,452,380)	(82,452,380)
Total assets	(22,762,452)	(65,273)	(475,613,182)	(530,397,975)	(424,931,092)	(1,453,769,974)
Liabilities						
IMF drawing rights allocation	-	-	-	(963,334,936)	-	(963,334,936)
Deposit from Government	-	-	-	-	(22,459,470)	(22,459,470)
Deposit from Banks	-	-	-	-	(122,749,338)	(122,749,338)
Deposit from Others	-	-	-	-	(9,527,960)	(9,527,960)
End of service benefit	-	-	-	-	(5,890,077)	(5,890,077)
Total liabilities	-	-	-	(963,334,936)	(160,626,845)	(1,123,961,781)
Net on-balance sheet position	(22,762,452)	(65,273)	(575,613,182)	(432,936,961)	(264,304,247)	(329,808,193)
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**	
	2021	2020	**2021**	2020	**2021**	2020
	Le'000	Le'000	**Le'000**	Le'000	**Le'000**	Le'000
Cash and cash equivalents	-	-	**5,255,295,827**	5,031,309,220	-	-
Funds held with International Monetary Fund IMF	-	-	**5,589,678,197**	2,276,962,231	**3,267,230,272**	3,027,017,518
Loan and advances to others	-	-	**12,197,994**	13,090,185	-	-
Due from Government of Sierra Leone	-	-	**3,637,653,853**	2,807,968,092	-	-
Loans and advances to banks	-	-	**588,702,815**	489,227,889	-	-
Investment securities			**1,088,819,756**	824,523,797	-	-
Equity investments	**84,243,862**	67,600,814	-	-	-	-
Other financial assets	-	-	**18,491,056**	18,701,664	-	-
Total financial assets	**84,243,862**	67,600,814	**16,190,839,498**	11,461,783,078	**3,267,230,272**	3,027,017,518

Notes to the financial statements *(continued)*

6. Fair Value of Financial Instruments *(continued)*

Financial instruments by category *(continued)*

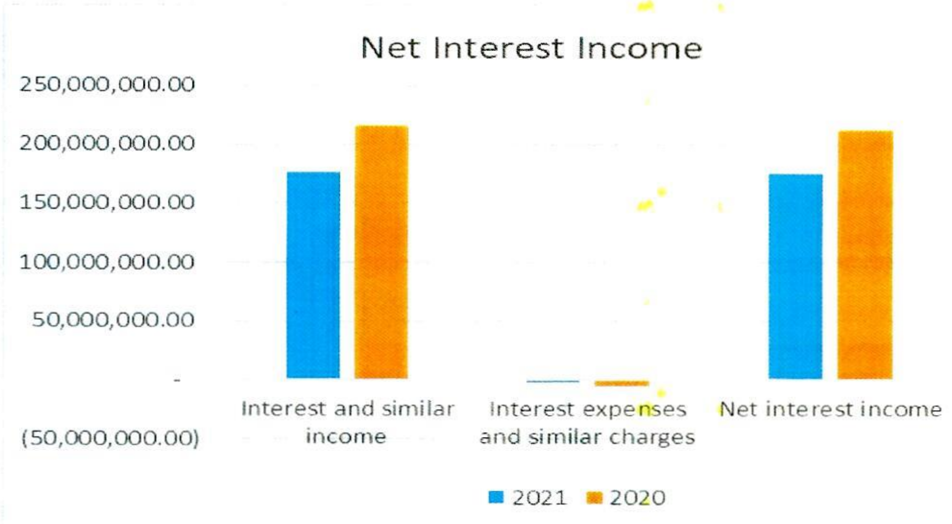
	Fair value through profit or loss		Amortised cost	
	2021	2020	**2021**	2020
	Le'000	Le'000	**Le'000**	Le'000
Due to International Monetary Fund	-	-	**14,238,167,493**	9,633,349,356
Deposits from Government	-	-	**361,128,030**	224,594,702
Deposit from banks	-	-	**841,676,022**	1,227,493,377
Deposits from others	-	-	**56,379,145**	95,279,599
Currency in circulation	-	-	**3,822,413,539**	3,009,347,915
Other financial liabilities	-	-	**411,169,671**	90,971,838
Total financial liabilities	-	-	**19,730,933,900**	14,281,036,787

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 Leones	**2021**	2020
Interest and similar income		
Foreign investment **(Note 8a)**	**30,478,373**	27,314,374
Loans and advances **(Note 8b)**	**21,763,410**	13,053,893
Cash and short term funds **(Note 8c)**	**1,004,022**	1,577,105
Investment securities **(Note 8d)**	**123,237,266**	174,167,637
Balance at 31 December (Note 8e)	**176,483,071**	216,113,009

Interest expenses and similar charges

In thousands of Leones	**2021**	2020
IMF interest and charges	**(1,218,159)**	4,228,055
Others	**(64,863)**	404,526
Interest expenses	**(1,283,022)**	4,632,581
Net interest income	**175,200,049**	211,480,428

Notes to the financial statements *(continued)*

8a. Foreign investment

In thousands of Leones	**2021**	2020
Interest income on Sterling investments	**10,113**	992,712
Interest income on US Dollar investments	**15,573,254**	20,675,947
Interest income on SDR investments	**1,598,845**	4,637,127
Interest income on other external investments	**13,296,161**	1,008,588
	30,478,373	27,314,374

8b. Loans and advances

In thousands of Leones	**2021**	2020
Interest on loans and advances	**6,336,636**	11,828,351
Interest on reverse repos	**3,033,685**	913,042
Interest on COVID 19 special credit facility	**12,393,089**	312,500
	21,763,410	13,053,893

8c. Cash and short term funds

In thousands of Leones	**2021**	2020
Income from investment of Bank Funds	**1,004,022**	1,577,105

8d. Investment securities

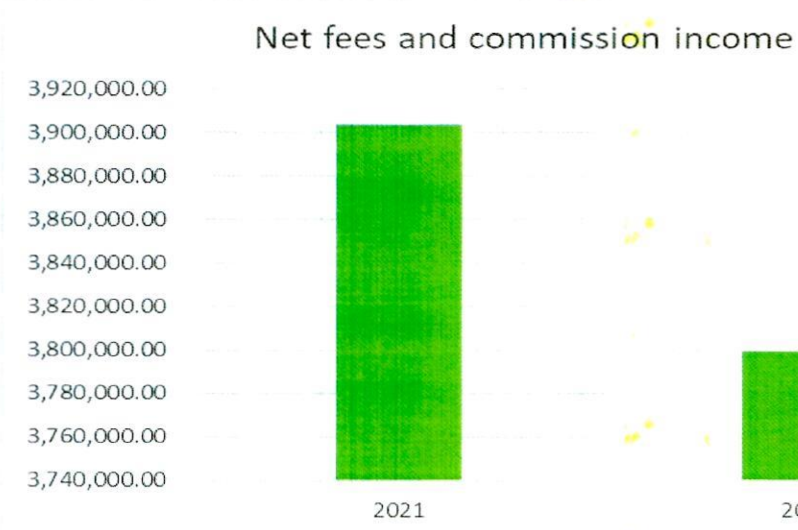
In thousands of Leones	**2021**	2020
Interest on 91-day treasury bills	**3,399**	2,131,133
Interest on 182-day treasury bills	-	6,147
Interest on 1-year treasury bills	**67,744,982**	130,701,834
Interest on 2-year treasury bearer bonds	-	14,712
Interest on 3-year medium-term bonds	**18,560,820**	5,581,152
Interest on 3-year bond	**4,232,437**	2,421,563
Interest on 5-year medium-term bonds	**30,845,628**	30,861,096
Interest on 10-year bond	**1,850,000**	2,450,000
	123,237,266	174,167,637

8e. Additional disclosure on income by source:

In thousands of Leones	**2021**	2020
Foreign investments	**30,478,373**	27,314,374
Local investments	**146,004,698**	188,798,635
Other interest earnings	-	-
	176,483,071	216,113,009

Notes to the financial statements *(continued)*

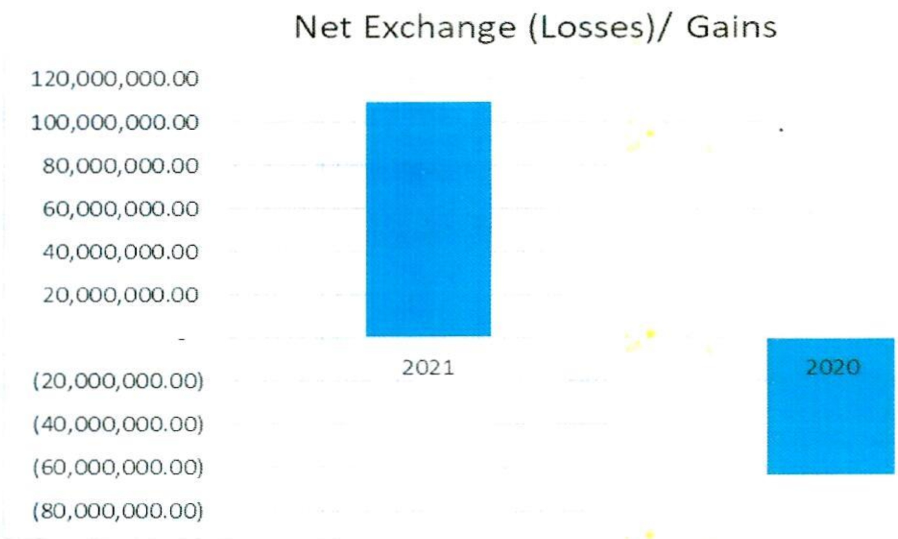
9. Net fee and commission income



In thousands of Leones	**2021**	2020
Fee and commission income		
Commissions	**1,028**	2,156
Income on automated clearing system/ real-time gross settlement fees	**4,177,876**	4,054,944
Income on collateral registry	**2,730**	11,840
Credit related fees and commission	**-**	-
Sandbox fees and charges	**800**	100
	4,182,434	4,069,040
Fees and commission expense		
Fees and commission expense	**(278,883)**	(269,846)
	(278,883)	(269,846)
Net fees and commission income	**3,903,551**	3,799,194

Notes to the financial statements *(continued)*

10. Net exchange gains/(loss)



In thousands of Leones	**2021**	2020
Realised gains/(losses) (10a)	**8,170,833**	14,884,141
Unrealised (losses)/gains (10b)	**100,950,645**	(77,995,016)
	109,121,478	(63,110,875)

10a. Realised gains/(losses)

In thousands of Leones	**2021**	2020
Exchange gain	**10,415,515**	20,605,647
Exchange loss	**(2,244,682)**	(5,721,506)
	8,170,833	14,884,141

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 (losses)/gains

In thousands of Leones	**2021**	2020
Revaluation losses	**(1,205,201,917)**	(1,331,107,424)
Revaluation gain	**1,306,152,562**	1,253,112,408
	100,950,645	(77,995,016)

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/(losses) (continued)

In thousands of Leones		2021		2020
Loss for the year		**(92,957,248)**		(211,873,668)
Less: Revaluation losses	**(1,205,201,917)**		(1,331,107,424)	
Revaluation gains	**1,306,152,562**		1,253,112,408	
Net revaluation gains		**100,950,645**		(77,995,016)
Operational loss for the year excluding unrealised exchange gains/(loss)		**7,993,397**		(133,878,652)

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 Leones	2021	2020
Rent received	**244,138**	78,878
Grant income	**148,877**	165,531
Regulatory fees and charges	**1,570,017**	2,780,700
Sundry receipts	**1,305,076**	891,024
Interest on GOSL SDR Bridging Finance.	**348,284**	42,973
	3,616,392	3,959,106

12. Personnel expenses

In thousands of Leones	2021	2020
Salaries and wages	**105,249,582**	88,881,324
Rent allowance	**20,672,815**	17,107,566
Social Security	**6,959,944**	5,881,727
Overtime	**82,411**	102,752
Training scheme	**72,884**	1,584,157
Staff welfare	**980,421**	1,078,553
End of service benefit	**43,525,589**	10,557,617
Medical expenses	**4,357,748**	2,442,168
	181,901,394	127,635,864

Notes to the financial statements *(continued)*

13. Currency issue expense

In thousands of Leones	**2021**	2020
Currency management	**225,522**	167,654
Currency Issue expenses	**138,476,298**	93,789,390
	138,701,820	93,957,044

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 Leones	**2021**	2020
Release/(Impairment losses)	**21,036,824**	(53,445,000)

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

14b. Other expenses

In thousands of Leones	**2021**	2020
Occupancy cost	**289,132**	269,152
Audit fees	**490,000**	437,000
Legal and professional fees	**32,729,110**	46,631,549
Directors' remuneration	**10,137,406**	6,551,616
Advertisement	**499,550**	870,480
Electricity	**2,785,038**	2,565,830
Insurance	**502,996**	592,791
Passage and overseas allowances	**1,457,535**	1,483,937
Repairs and maintenance	**955,382**	984,161
Hospitality	**1,946,017**	2,967,058
Contributions to International organisations	**8,225,873**	12,490,595
General office expenses	**1,410,182**	1,256,223
Vehicle running expenses	**732,038**	586,503
Printing and stationeries	**552,968**	391,583
Telephone and postages	**333,754**	299,859
Travelling and local subsistence	**411,119**	334,943
Uniforms	**1,000,248**	829,140
Computer consumables	**1,001,000**	350,077
Capital markets development	**199,768**	16,800
Maintenance contracts	**2,967,992**	3,310,795
Cost of BSL Repo operations	-	2,646,838
Others	**9,078,515**	1,800,955
Provision for unliquidated advances to contractors	-	-
Provision for advances to others	-	78,841
Other assets expense (write-off)	**1,434,619**	-
Various stores expense (write-off)	**680,186**	-
	79,820,428	87,746,726

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 Leones	2021	2020
Depreciation and amortisation	**5,411,900**	5,216,887
Directors remuneration	**10,137,406**	6,551,616
Audit fees	**490,000**	437,000

16. Cash and cash equivalent

In thousands of Leones	2021	2020
Cash in hand	**223,898**	202,319
Balance with other Central Banks	**818,021,048**	770,424,974
Balances with Supranational Organizations	**3,495,293,563**	3,781,825,609
Balances with Commercial Banks	**942,356,798**	478,792,656
Cash balances with non-banking financial Institutions	**70,713**	63,662
	5,255,966,020	**5,031,309,220**
Provision for expected credit losses	**(670,193)**	-
	5,255,295,827	5,031,309,220

16a. Expended credit loss

In thousands of Leones	2021	2020
At 1 January	-	-
Charge for the year	**670,193**	-
Write off during the year	-	-
	670,193	-

17. Funds held with International Monetary Fund (IMF)

In thousands of Leones	2021	2020
IMF Quota subscription	**3,267,230,272**	3,027,017,518
SDR Holdings	**5,589,678,197**	2,276,962,231
	8,856,908,469	5,303,979,749

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.

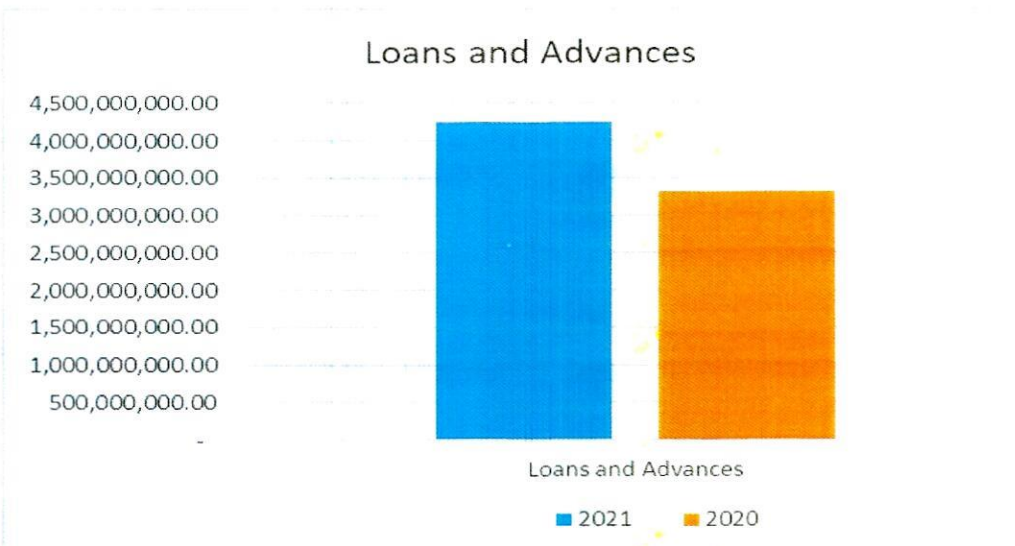
Notes to the financial statements *(continued)*

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 2021 the amount of assets held in the fund was SDR 207.4 million (2020: SDR 207.8 million) The SDR holdings held at 31 December 2021 was SDR 156 million (2020: SDR 105 million).

18. Loans and advances



In thousands of Leones	**2021**	2020
Loans and advances to others (Note 18a)	**12,197,994**	13,090,185
Due from Government of Sierra Leone (Note 18b)	**3,637,653,853**	2,807,968,092
Special credit facilities to Banks (Note 18c)	**588,702,815**	489,227,889
	4,238,554,662	3,310,286,166

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	2021	2020
Staff (18(iii)	**12,314,524**	10,104,872
Others (18(iv)	**2,388,285**	3,101,802
Gross loans and advances	**14,702,809**	13,206,674
Less: allowances for losses on loans and advances to others (18(ii))	**(2,504,815)**	(116,489)
	12,197,994	13,090,185

(ii) Expected credit loss

In thousands of Leone	2021	2020
At 1 January	**116,489**	-
Charge for the year	**2,388,326**	116,489
Write off	-	-
	2,504,815	116,489

(iii) Staff

In thousands of Leone	2021	2020
Personal loan	**4,881,873**	4,681,829
Housing Loan	**304,390**	346,866
Vehicle loan	**3,859,555**	3,486,298
Staff advance	**48,904**	52,851
Personal loan II	**3,219,802**	1,537,028
Balance at 31 December	**12,314,524**	10,104,872

(iv) Others

In thousands of Leones	2021	2020
Advances to contractors		
Loan to Sierra Leone Stock Exchange Company Limited	**1,000,000**	1,000,000
Other advances	**1,388,285**	2,101,802
Balance at 31 December	**2,388,285**	3,101,802

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 Leones	2021	2020
Specific allowances for impairment		
Balance at 1 January	**116,489**	37,648
Impairment loss for the year	**2,388,326**	78,841
Write-off during the year	-	-
Balance at 31 December	**2,504,815**	116,489
Collective allowance for impairment		
Balance at 1 January	-	-
Impairment loss for the year	-	-
Balance at 31 December	-	-
Total allowances for impairment	**2,504,815**	116,489

18b. Due from Government of Sierra Leone

Advances to Government:

In thousands of Leones	2021	2020
GoSL /IMF Budget Financing	**3,365,500,426**	2,525,224,435
Treasury main	**350,104,120**	277,209,228
SLL COVID-19 SLL	-	5,393,242
Min. of Foreign Affairs imprest A/C	-	141,187
Min. of Energy Elec. Power A/c	**5,780,470**	-
	3,721,385,016	2,807,968,092
Provision for expected credit loss	**(83,731,163)**	-
	3,637,653,853	2,807,968,092

(i) Expected credit loss

In thousands of Leones	2021	2020
At 1 January	-	-
Charge for the year	**83,731,163**	-
Write off	-	-
	83,731,163	-

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 **Le196 billion** is part of Treasury Main in note 18b due to Government.

(ii) Ways and Means advances

In thousands of Leones	**2021**	2020
Ways and means advances brought forward	**213,568,636**	192,403,904
Advances during the year	**5,137,317,472**	5,236,463,668
Receipts during the year	**(5,154,692,592)**	(5,215,298,936)
Ways and means advances carried forward	**196,193,516**	213,568,636

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 Leones	**2021**	2020
GoSL/IMF budget financing	**3,365,500,426**	2,525,224,435
	3,365,500,426	2,525,224,435

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 Leones	**2021**	2020
Ways and Means Advances	**196,193,516**	213,568,636
Government actual revenue in previous year	**5,020,389,864**	4,994,892,629
5% thereof	**251,019,493**	249,744,631
Buffer in Government lending	**(54,825,977)**	(36,175,995)

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 2021 amounting to **Le196,193,516** (2020: Le213,568,636). 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 Leones	**2021**	2020
BSL COVID-19 special credit facility	**79,055,514**	489,227,889
BSL COVID-19 special credit facility 11	**494,000,000**	-
BSL COVID-19 special credit facility for MFI's	**47,359,147**	-
AGRIC CREDIT FACILITY (ACF) AC	**15,000,000**	-
Salone MF Trust Ltd Covid-19	**94,591**	-
	635,509,252	489,227,889
Provision for expected credit loss	**(46,806,437)**	-
	588,702,815	489,227,889

(i) Expected credit loss

In thousands of Leones	**2021**	2020
At 1 January	-	-
Charge for the year	**46,806,437**	-
Write off	-	-
	46,806,437	-

19. Investment in equity

In thousands of Leones	**2021**	2020
Afrexim Bank Capital Investment	**50,860,437**	37,497,664
Afrexim Bank Dividend Investment	**148,563**	1,404,281
Stabilization and Cooperation Fund	**33,234,862**	28,698,869
	84,243,862	67,600,814

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

The amount of **Le33.2 billion** (2020: Le28.7 billion) 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 Leones	2021	2020
91-day treasury bills held for monetary policy	**8,556,918**	8,740,992
182-day treasury bills	-	-
One-year treasury bills	**537,117,400**	514,330,900
BSL holding three-year medium-term bond	**227,382,800**	139,384,604
Five-year medium-term bond	**326,918,000**	320,325,606
Holdings of ten-year bond	**18,750,000**	26,250,000
Others	**2,695**	32,695
	1,118,727,813	1,009,064,797
Less:		
Provision for expected credit losses	**(29,908,057)**	(184,541,000)
Net cost of investment securities	**1,088,819,756**	824,523,797

20a. Expected credit loss

In thousands of Leones	2021	2020
At 1 January	**184,541,000**	131,096,000
(Release)/charge for the year	**(154,632,943)**	53,445,000
Write off	-	-
	29,908,057	181,541,000

BSL Holding 3-year medium-term bond

The Bank held two individual three-year medium-term bonds. This includes Le81.8 billion 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 Le 18.7 billion 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 Leones

Cost	Premises	Motor vehicle	Office furniture equipment	Plant and machinery	Work-in progress	Total
Balance at 1 January 2020	72,243,300	6,587,702	35,382,053	11,723,634	139,372,791	265,309,480
Additions during the year	-	-	-	-	(11,420,303)	(11,420,303)
Reclassification	8,959,556	37,600	438,880	423,942	10,245,874	20,105,852
Write-off	-	-	-	-	-	-
Disposal	-	-	(46,778)	-	-	(46,778)
Adjustment	(49,260)	(18,800)	(65,830)	(18,800)	118,014	(34,676)
Balance at 31 December 2020	81,153,596	6,606,502	35,708,325	12,128,776	138,316,376	273,913,575
Balance at 1 January 2021	**81,153,596**	**6,606,502**	**35,708,325**	**12,128,776**	**138,316,376**	**273,913,575**
Additions during the year	**196,605**	**33,465**	**1,122,686**	**3,600**	**12,798,068**	**14,154,424**
Reclassification	**2,924,220**	-	**5,222,333**	**1,773,038**	**(9,919,591)**	-
Write-off	-	-	-	-	-	-
Disposal	-	-	-	-	-	-
Balance at 31 December 2021	**84,274,421**	**6,639,967**	**42,053,344**	**13,905,414**	**141,194,853**	**288,067,999**
Depreciation						
Bal^nce at 1 January 2020	20,695,968	5,898,310	30,525,209	7,514,889	-	64,634,376
Depreciation for the year	1,445,827	332,348	2,587,203	879,192	-	5,244,570
Adjustments	-	-	(46,770)	-	-	(46,470)
Disposal	(27,509)	-	(57)	(117)	-	(27,683)
Balance at 31December 2020	22,114,286	6,230,658	33,065,585	8,393,964	-	69,804,493
Balance at 1 January 2021	**22,114,286**	**6,230,658**	**33,065,585**	**8,393,964**	-	**69,804,493**
Depreciation for the year	**1,625,231**	**322,098**	**2,409,869**	**1,054,702**	-	**5,411,900**
Disposal	-	-	-	-	-	-
Balance at 31December 2021	**23,739,517**	**6,552,756**	**35,475,454**	**9,448,666**	-	**75,216,393**
Carrying amount:						
At 31 December 2020	59,039,310	375,844	2,642,740	3,734,812	138,316,376	204,109,082
At 31 December 2021	**60,534,904**	**87,211**	**6,577,890**	**4,456,748**	**141,194,853**	**212,851,606**

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 Leones	2021	2020
Gold stock	**1,829,967**	1,718,401
Items in transit (Kenema Branch)	-	139,267
Consumables	**1,326,505**	1,449,889
Supplies and materials in transit	**203,807,318**	5,408,082
Prepayment	**6,439,551**	22,188,453
Advances to contractors	**3,155,490**	4,456,489
Interest receivable	**18,436,490**	20,819,967
Deferred currency issue expense	**44,769,159**	8,473,946
Other receivables	**24,394,147**	23,425,815
Reverse repo account	**32,000,000**	-
	336,158,627	88,080,309
Less:		
Allowances for impairment	**(2,500,330)**	(2,500,330)
	333,658,297	85,579,979

22a. Allowances for impairment:

	2021	2020
At 1 January	**2,500,330**	2,500,330
Impairment charge for the year	-	-
Write off during the year	-	-
	2,500,330	2,500,330

22b. Expected credit loss

In thousands of Leones	2021	2020
Cash and cash equivalent (16a)	**670,193**	-
Loans and advances to others (18a ii)	**2,504,815**	116,489
Due from Government of Sierra Leone (18b i)	**83,731,163**	-
Special credit facility to Banks (18c i)	**46,806,437**	-
Investment securities (20a)	**29,908,057**	184,541,000
Other assets (22a)	**2,500,330**	2,500,330
	166,120,995	187,157,819

22c. Expected credit losses to profit and loss

In thousands of Leones	2021	2020
Cash and cash equivalent (16a)	**670,193**	-
Loans and advances to others (18a)	**2,388,326**	-
Due from Government of Sierra Leone (18b)	**83,731,163**	-
Special credit facility to Banks (18c)	**46,806,437**	-
Investment securities (20a)	**(154,632,943)**	53,445,000
Other assets (22a)	-	-
	21,036,824	53,445,000

Notes to the financial statements *(continued)*

23. Amounts due to International Monetary Fund (IMF)

In thousands of Leones	2021	2020
IMF Special Drawing Rights	**4,699,033,084**	1,452,291,416
IMF Poverty Reduction and Growth Facility	**6,276,280,038**	5,154,256,268
IMF securities	**80,062,365**	74,270,210
IMF No. 1	**3,182,644,801**	2,952,394,910
IMF No. 2	**147,205**	136,552
	14,238,167,493	9,633,349,356

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 Leones	2021	2020
Government special deposits/accounts	**361,128,030**	224,594,702
	361,128,030	224,594,702

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 Leones	2021	2020
Commercial Bank's reserve account	**813,122,586**	1,171,251,199
Rural and community bank's reserve accounts	**23,553,587**	51,042,941
Others	**4,999,849**	5,199,237
	841,676,022	1,227,493,377

26. Deposits from Others

In thousands of Leones	2021	2020
Deposits from insurance brokers	**13,432,569**	7,814,874
Multilateral organisations	**10,432,747**	49,463,408
Financial institutions	**428,169**	420,554
Others	**32,085,660**	37,580,763
	56,379,145	95,279,599

27. Currency in circulation

In thousands of Leones	2021	2020
Notes	**3,804,834,791**	2,991,631,166
Coins	**17,578,748**	17,716,749
Balance at 31 December	**3,822,413,539**	3,009,347,915

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: Le 10,000, Le 5,000,Le 2,000, Le 1,000 and Le 500
Coins: Le 500, Le 100 and Le 50

Notes to the financial statements *(continued)*

28. Other liabilities

In thousands of Leones	2021	2020
Financial liabilities		
Other foreign currency financial liabilities (28a)	**161,157,619**	126,352,234
Accrued charges and other liabilities (28b)	**175,923,623**	61,383,068
	337,081,242	187,735,302
Non-Financial liabilities		
Provision for revaluation of pipeline liabilities (28c)	**70,416,315**	64,886,639
Provision for unrealised exchange difference on SWAP revaluation	**3,639,030**	3,639,030
Keystone deposit facility a/c	-	7,000,000
Electronic funds transfer suspense	**15**	-
Rent received in advance	-	237,523
Kenema branch a/c	**33,069**	114,840
	74,088,429	75,878,032
	411,169,671	263,613,334

28a. Other foreign currency financial liabilities

In thousands of Leones	2021	2020
Foreign payment	**5,636,308**	5,634,264
Bank of China US$ clearing	**94,718,846**	85,273,910
OFID Debt Relief imprests account	**70,713**	63,662
Interest on one year treasury bills	**55,410,094**	34,121,301
Sundry liabilities	**5,321,658**	1,259,097
	161,157,619	126,352,234

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 2021 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 Leones	2021	2020
Accrued expenses	**126,922,385**	22,772,875
P.S. Bond in circulation	**449**	449
Retention monies	**1,297,520**	969,901
Provision for litigation	**40,925,501**	30,925,501
Trade and sundry creditors	**1,813,470**	1,813,470
Provision for currency issue expense	**4,900,872**	4,900,872
Deferred revenue	**63,426**	-
	175,923,623	61,383,068

Included in trade and sundry creditors are balances owed to Wealth Builders in 2020.

28c. Provision for revaluation of pipeline liabilities

In thousands of Leones	2021	2020
Balance at January	**64,886,639**	60,438,920
Revaluation loss	**5,529,676**	4,447,719
Balance at 31 December	**70,416,315**	64,886,639

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 Leones	2021	2020
(a) Change in liability		
Balance at 1 January	**58,900,766**	48,229,660
Service cost	**5,733,922**	4,549,595
Interest cost	**9,103,566**	7,378,457
Plan amendment	**31,580,782**	-
Actuarial loss/(gain) other	**2,468,929**	3,089,646
Benefits paid	**(6,027,670)**	(4,346,592)
Balance at 31 December	**101,760,295**	58,900,766

Notes to the financial statements *(continued)*

29. End of service benefit (continued)

(b) Change in plan assets

In thousands of Leones	**2021**	2020
Balance at 1 January	-	-
Actual return	-	-
Expected returns at 31 December	-	-
Contribution by participants	**6,027,670**	4,346,592
Employer	-	-
Other	-	-
Benefits paid	**(6,027,670)**	(4,346,592)
Foreign exchange rate effect	-	-
Balance at 31 December	**(6,027,670)**	(4,346,592)

In thousands of Leones	**2021**	2020

(c) Funding level

Projected benefit obligation	**101,760,295**	58,900,766
Plan assets	-	-
Net obligation reported in the statement of financial position	**101,760,295**	58,900,766
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 Leones	**2021**	2020
Projected benefit obligation	**101,760,295**	58,900,766
Plan assets	-	-
Net obligation/(assets)	**101,760,295**	58,900,766
Unrecognised actuarial gains/(losses)	-	-
Unrecognised past service cost	-	-
Unrecognised transitional obligation	-	-
Unrecognised (asset ceiling)	-	-
Net obligation/(asset) to be in balance sheet	**101,760,295**	58,900,766

(e) Income statement

In thousands of Leones	**2021**	2020
Service cost	**5,733,922**	4,549,595
Net Interest cost	**9,103,566**	7,378,457
- 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	**14,837,488**	11,928,052
Other comprehensive income (OCI)		
Actuarial (gains)/loss	**2,468,929**	3,089,646
Return on plan asset not in P & L	-	-
Effect of asset celling not in P & L	-	-
Amount recognised in OCI	**2,468,929**	3,089,646
Initial adjustment to capital amount recognised	-	-
Cumulative amount recognised in OCI	**2,468,929**	3,089,646

Notes to the financial statements *(continued)*

29. End of service benefit (continued)

(f) Reconciliation of financial position

In thousands of Leones	**2021**	2020
Opening value	**58,900,766**	48,229,660
Employee contribution	**(6,027,670)**	(4,346,592)
Plan amendment	**31,580,782**	-
Amount recognised in income statement	**14,837,488**	11,928,052
Amount recognised in OCI	**2,468,929**	3,089,646
Closing value	**101,760,295**	58,900,766

(g) Key valuation assumptions

	2021	2020
Discount rate (p.a)	**16%**	16%
Salary increase rate (p.a)	**15%**	15%
Inflation rate (p.a)	**14%**	14%

(h) Sensitivity information

1% Increase in medical inflation	Increase in defined benefit obligation (amount)
	Increase in defined benefit obligation (percentage)
	Increase in service cost and interest cost (amount)
	Increase in service cost and interest cost (percentage)
1% decrease in medical inflation	Decrease in defined benefit obligation (amount)
	Decrease in defined benefit obligation (percentage)
	Decrease in service cost and interest cost (amount)
	Decrease in service cost and interest cost (percentage)

30. Share capital

In thousands of Leones	**2021**	2020
Authorised:	**250,000,000**	250,000,000
Issued and fully paid		
Balance at 1 January	**125,000,000**	125,000,000
Subscribed during the year	-	-
	125,000,000	125,000,000

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 billion. 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 Leones	**2021**	2020
General reserves (31a)	**91,018,210**	165,720,755
Revaluation reserve (31b)	**32,792,919**	32,792,919
Other reserves (31c)	**(11,172,845)**	(8,703,916)
Total reserves as at 31 December	**112,638,284**	189,809,758

(a) General reserve

In thousands of Leones	**2021**	2020
Balance at start of the year	**165,720,755**	377,594,423
Net profit for the year	**(92,957,248)**	(211,873,668)
Prior year adjustment*	**18,254,703**	-
	91,018,210	165,720,755
Securities reserves	-	-
Balance at 31 December	**91,018,210**	165,720,755

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

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 2021, no funds were allocated by the Government (2020: nil).

As at 31 December 2021, the total value of the assets of the Bank exceeds the sum of its liabilities, unimpaired issued capital and general reserves.

Notes to the financial statements *(continued)*

31. Reserves and retained earnings (continued)

(b) Revaluation reserves

In thousands of Leones	2021	2020
Balance at start of the year and end of the year	**32,792,919**	32,792,919
Balance at 31 December	**32,792,919**	32,792,919

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

(c) Actuarial gains/(loss)

In thousands of Leones	2021	2020
Balance at start of the year	**(8,703,916)**	(5,614,270)
Actuarial loss on end of service benefit	**(2,468,929)**	(3,089,646)
Actuarial gain on end of service benefit	-	-
	(11,172,845)	(8,703,916)

The movement in other reserves account represents actuarial loss on the provision of end-of-service benefits of Le 2.46 billion (2020: loss of Le3.09 billion).

32 Contingencies and commitments

32a. Contingent Liabilities

In thousands of Leones	2021	2020
Guarantees and Endorsement	**367,265,701**	348,132,310
	367,265,701	348,132,310

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 Leones	2021	2020
Capital expenditure	**14,154,424**	11,420,303
African Export Import Bank	**50,860,437**	37,497,664
	65,014,861	48,917,967

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 Le40.9 billion 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 2021, total net advances to the Government was Le196 billion (2020: Le213 billion).

The Board of Directors (including the Governor and Deputy Governor) received remuneration amounting to **Le10.14 billion** (2020: Le6.55 billion).

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:

Catastrophe Containment Relief Trust (CCRT)

Sierra Leone benefited from the Catastrophe Containment Relief Trust (CCRT), which was established to provide immediate debt service relief for poor and most vulnerable members affected by the current COVID-19 pandemic and any future pandemics. The Trust provides grant to repay debt service owed to the IMF for eligible low-income member countries that arte hit by the most catastrophic of natural disasters or battling public health disasters. The 4th trenche of SDR11.554m was disbursed in December 2021.We reflected the debt relief in the Bank books in 2022 as the disbursement confirmation was only recovered in January 2022.

SDR Retrocession Allocation

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 US$ 650 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 SDR198million (US$ 282 million). In March 2022, out of the allocation received, SDR27.18m (Le 452.7 billion) was allocated to various budget lines in the 2022 budget. In June 2022, an additional amount of SDR 22.999 million (Le 404.3 billion) was allocated to various budget lines in the 2022 supplementary budget. These amounts were transferred to the Ministry of Finance as per the memorandum of agreement signed.

Notes to the financial statements *(continued)*

34. Significant subsequent events (continued)

Special Facilities for Food and Fuel created in April 2022

The Bank, in 2020 provided two Special Credit Facilities to meet foreign exchange requirements for essential items. However, the supply of foreign exchange remains limited in the face of external shocks including the Russian-Ukraine crisis. Given the increased demand pressures, the Monetary Policy Committee in its 66th meeting held on 30th March 2022 agreed to create two Special Funds- Special Fund for Food and Special Fund for Fuel. The creation of these special funds was to augment the supply of foreign exchange to support the importation of essential items. Pursuant to the Monetary Policy Statement issued on 5 April 2022, the Bank of Sierra Leone (BSL) announced the establishment of the Facilities as follows: i) US$ 50 million Special Facility for Food (SFF) and ii) US$ 50 million Reserve Fuel Facility (RFF), for the importation of food (rice, flour, and sugar) and fuel respectively.

Memorandum of Agreement (MOA): Transfer of Special Drawing Rights (SDRs) Allocation of Le452.7 Billion as Budgetary Financing to the Government of Sierra Leone

This memorandum of agreement is made on the 29th March 2022 between the Ministry of Finance and the Bank of Sierra Leone. Whereas on the 23rd August 2021, the Executive Board of the International Monetary Fund (IMF) approved a global general allocation of Special Drawings Rights amounting to US$ 650 billion to its 190 member countries.

The IMF SDR allocation will help member countries to address the long-term global need for reserve, 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 this allocation amounted to SDR198.8 million (or about US$ 283 million) of which Le 452.7 billion is allocated to various budget lines in the 2022 budget.

Le452.7 billion will support the Government budget to address the fiscal needs associated with the challenges posed by the COVID-19 pandemic in the 2022 financial year.

Memorandum of understanding: Treatment of fund resources for SDR15.555 million budget financing under the IMF Extended Credit Facility (ECF) Budgetary support to the Government of Sierra Leone

On June 27th 2022, the Executive Board of the International Monetary Fund (IMF) approved the 5th review under the Extended Credit Facility (ECF) for a total sum of SDR 15.555 million (about US$ 20.7 million). Whilst the amount will be disbursed as a balance of payment support to the Bank of Sierra Leone, the total amount is to support the Government budget to address the fiscal needs for the 2022 financial year, which arose as a result of Covid-19 and the war in Ukraine. For the disbursement, proper accounting treatment and debt service implications of this loan, the Ministry of Finance and the Bank of Sierra Leone agreed as follows:

1. The Leone equivalent of the budgetary support fund of SDR 15.555 million, will be credited directly to the Ministry of Finance (MoF) through the Government of Sierra Leone's (GoSL's) dedicated account, namely "IMF Budget Financing Account on GoSL", at the Bank of Sierra Leone (BSL).
2. The Funds received for budgetary financing will be the foreign exchange liability of the BSL, and MoF will be responsible for its debt servicing (including principal, interest, changes, fees, etc.) at the prevailing exchange rate. The transactions relating to these budgetary funds with the IMF will be conducted through the BSL as the GoSL's fiscal agent for, on behalf of the GoSL.

Notes to the financial statements *(continued)*

34. Significant subsequent events (continued)

Memorandum of Agreement (MOA): Transfer of Special Drawing Rights (SDRs) Allocation of Le452.7 Billion as Budgetary Financing to the Government of Sierra Leone (continued)

3. Any charges and fees covered by the IMF will be deducted by the BSL from the disbursed amount, or will be recovered from the GoSL's account, as deemed appropriate.

4. For debt servicing associated with the budgetary support funds and recovery of charges and the fees at the prevailing exchange rates, as well as monthly revaluation losses due to exchange rate changes, if any, MoF hereby authorizes the BSL to debit the Consolidated Revenue Fund (CRF) to meet these obligations.

5. The Ministry of Finance will make budgetary provision for the debt servicing associated with these funds and recovery of charges and fees while the Bank of Sierra Leone will reflect all foreign exchange required for this purpose in its foreign exchange cashflow (which would normally be earlier than the due date payment as per original repayment schedule of the ECF with the IMF), MoF hereby authorizes the BSL to debit the GoSL Consolidated Revenue Fund with the Leone equivalent of the amount repaid by MoF at the prevailing exchange rate.

6. The BSL will take over the liability of the IMF for the amount that is repaid and record it as such in its books of account.

7. This MOU does not impact previous MOUs or other debt outstanding to the IMF.

Memorandum of Agreement (MoA): Transfer of Special Drawings Right (SDRs) Allocation of Le404.3 Billion as Budgetary Financing to the Government of Sierra Leone

This memorandum of agreement is made on the 27th June 2022 between the Ministry of Finance and the Bank of Sierra Leone. Whereas on the 23rd August 2021, the Executive Board of the International Monetary Fund (IMF) approved a global general allocation of Special Drawings Rights amounting to US$ 650 billion to its 190 member countries.

The IMF SDR allocation will help member countries to address the long-term global need for reserve, 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 this allocation amounted to SDR 198.8 million (or about US$ 283 million) of which Le 404.3 billion is allocated to various budget lines in the 2022 budget.

Le 404.3 billion will support the Government budget to address the fiscal needs associated with the challenges posed by the COVID-19 pandemic in the 2022 financial year.

Notes to the financial statements *(continued)*

34. Significant subsequent events (continued)

Press Release on Redenomination of the Leone

On 24th June 2022, the Bank Governor issued a press statement on redenomination of the Leone as follows:

Whereas paragraph 1 of Public Notice No. 223 published in the Gazette on the 16th day of June, 2022 states that "pursuant to section 1 (3) of the Redenomination of the Leone (Characteristics) Regulations 2021, the redenominated currency shall become legal tender effective 1st July, 2022", the Bank of Sierra Leone hereby states as follows:-

1. The Bank of Sierra Leone has issued the following Directives to all commercial banks and other deposit-taking institutions:

    a) Pursuant to section 122(2) of the Banking Act, 2019, Thursday, the 30th day of June 2022 shall be declared a bank holiday with regards to systems and transactions, and accordingly all commercial banks and deposit-taking institutions shall be closed to the public.

    b) Pursuant to section 122(1) of the Banking Act, 2019, on Friday, the 1st day of July 2022 which is the appointed date for the redenominated currency to become legal tender, banking hours shall be from 11 am to 6 pm.

    c) Pursuant to section 65 of the Bank of Sierra Leone Act, 2019, effective the 1st day of July, 2022 for the purposes of exchange of existing to redenominated currency, over the counter limit per transaction shall be as follows:

        i) Le 30,000,000.00 (thirty million Leones) for individuals
        ii) Le 100,000,000.00 (one hundred million Leones) for corporate entities.

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

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 commissions

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 2020 and 2021 as well as the change in 2020 and 2021 which were taken to profit and loss.

Expected Credit Losses (ECL)	**31.12.2021**	**31.12.2020**
Expected credit loss allowance (LE)	163,504,175,752	184,541,000,000
Relative to exposure outstanding (%)	0.82%	12.67%
Increase/(decrease) in expected credit loss allowance (LE)	(21,036,824,247)	53,445,000,000

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 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 – Lessee

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 Le125 billion. 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 2021 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).