ANNUAL REPORT

AND

STATEMENT OF ACCOUNTS

For the year ended 31st of December 2019

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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
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
MFI	Microfinance Institutions
MoFED	Ministry of Finance and Economic Development
MPC	Monetary Policy Committee
MPR	Monetary Policy Rate
NDA	Net Domestic Assets
NFA	Net Foreign Assets

NMA	National Minerals Agency
ODC	Other Depository Corporation
OPEC	Organization of the Petroleum Exporting Countries
RM	Reserve Money
SDF	Standing Deposit Facility
SLF	Standing Lending Facility
SSA	Sub-Saharan Africa
WAIFEM	West African Institute for Financial and Economic Management
WBG	World Bank Group

REGISTERED ADDRESS

Registered Office:	30 Siaka Stevens Street, Freetown
Solicitors:	Lambert and Partners 40 Pademba Road, Freetown.
Secretary to the Board:	Ms. Hawa Kallon
Auditors:	BDO Regent House 12 Wilberforce Street Freetown

GOVERNOR'S FOREWORD

As the Governor of the Bank of Sierra Leone, it is my honour and pleasure to present the 2019 Annual Report and Statement of Accounts of the Bank of Sierra Leone.

Global growth subdued from 3.6% in 2018 to 2.9% in 2019 on account of incidences like geopolitical tensions between the USA and China, the turbid state of Brexit uncertainty and heightened challenges experienced by both advanced and emerging economies, which witnessed a decline in growth rates from 2.2 percent and 4.6 percent respectively in 2018 to 1.7 percent and 3.7 percent respectively in 2019.

Economic growth in Sierra Leone was projected to be 5.1 percent in 2019 from a growth of 3.5 percent in 2018 while actual growth in 2019 was 5.4 percent. This growth was on account of increased activities in the agriculture, trade and services sector while there was a slowdown in mining activities.

The monetary policy objective in 2019 was to achieve an end-year inflation target of 14.0 percent, while at the same time maintaining a stable exchange rate and safeguarding the financial system's stability to support growth. In this regard, the Bank of Sierra Leone on a regular basis assessed the inflationary outlook and monetary conditions in the banking system and took appropriate actions. Accordingly, headline inflation moderated to 13.9 percent in December 2019 relative to 14.25 percent in December 2018. The Bank took a tight monetary policy stance in 2019, and in December 2019, the monetary policy rate was set at 16.50 percent to curb inflationary pressures, stabilize the exchange rate and anchor inflationary expectations. In addition, the Bank participated in secondary market operations to provide liquidity to the banking system, while at the same time intervening in the foreign exchange market to curb excessive exchange rate volatility.

Notwithstanding the slowdown in global growth, there was a significant improvement in Sierra Leone's balance of payments in 2019. The overall balance of payments recorded a surplus position arising from a significant improvement in the financial account, mainly from inflows from direct investments. However, the current account balance deteriorated mainly due to the worsening trade deficit. Gross foreign exchange reserves increased to US$533.15mn at the end of December 2019, from US$502.78mn at the end of December 2018.

The banking sector remained stable and sound as banks continued to be well-capitalised, liquid and profitable. This is attributed to revisions in regulations, which incorporate the BSL 2019 Act, Banking Act of 2019 and the Borrowers and Lenders Act of 2019 to name a few. The profit growth was largely supported by a significant increase in revenues from interest income. The ratio of non-performing loans deteriorated to 16.62 percent at the end of December 2019, compared to 12.73 percent at the end of December 2018. The deterioration was mainly due to fiscal consolidation efforts. The Bank is also pursuing its financial inclusion initiatives aimed at broadening financial education and access to financial services/products.

Following the launch of the risk-based supervision framework in March 2019, banks remained fully cooperative with operations supported by a detailed manual, developed through the support from IMF/AFRITAC to increase efficiency in the supervisory processes. Also, the Banking Supervision Department undertook a full-scope examination and two risk-based supervision.

On this note, I would like to extend my sincere thanks and appreciation to the Board of Directors, members of the Monetary Policy Committee and the Management and Staff of the Bank for their continued support and commitment throughout 2019.

Professor Kelfala M Kallon
Governor

Members of the BSL's Board of Directors as of 31st December 2018

Professor Kelfala Kallon Governor and Chairman of the Board of Directors

Dr. Ibrahim L. Stevens
Deputy Governor – Member

Mr. George C. Taylor
Member

PC Alhaji Alimamy S. Kathenkeh 11 Member

Mr. Shaka A.Mansaray
Member

Ms. Ceclila M. Demby
Member

Mr. Sheikh R. Kamara
Member

Management of the BSL

Professor Kelfala M Kallon
Governor

Dr. Ibrahim L. Stevens
Deputy Governor

Mr. Ibrahim K. Lamin
Senior Director, Financial Stability System
Governor's Office

Mr. Tapsiru L. Dainkeh Senior Director
Governor's Office

Mr. Abdual Bundu

Mr. M.S Bah
Acting Director
Finance Department

Mr. Alfred W Samah
OIC, Banking Department

Deputy Director
Risk Management Department

Mrs Williana A.R Davies
Deputy Director
Human Resource Department

Mrs Hannifa Addai
Director,
BankingSupervision
Department

Mr. Alex Mason
OIC, General Services
Department

Mr. Ralph Ansumana
Director, Other Financial Institution Supervision Department

Ms. Hawa E Kallon
Deputy Director
Secretary's Department

Mrs Mary M. Kargbo Director
Project Mangement Department

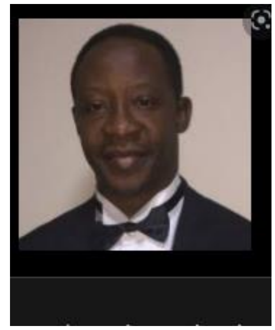
Mr. Morlai Bangura Director
Research Department

Mr . Abdul A Sowe
Director Internal Audit
Department

Ms. Jenneh Jabati
Director Governor's Office
Procurement

Mr. Eugene Caulker Financial Stability Department

Mrs. Veronica Finney
Deputy Director Financial Market Department



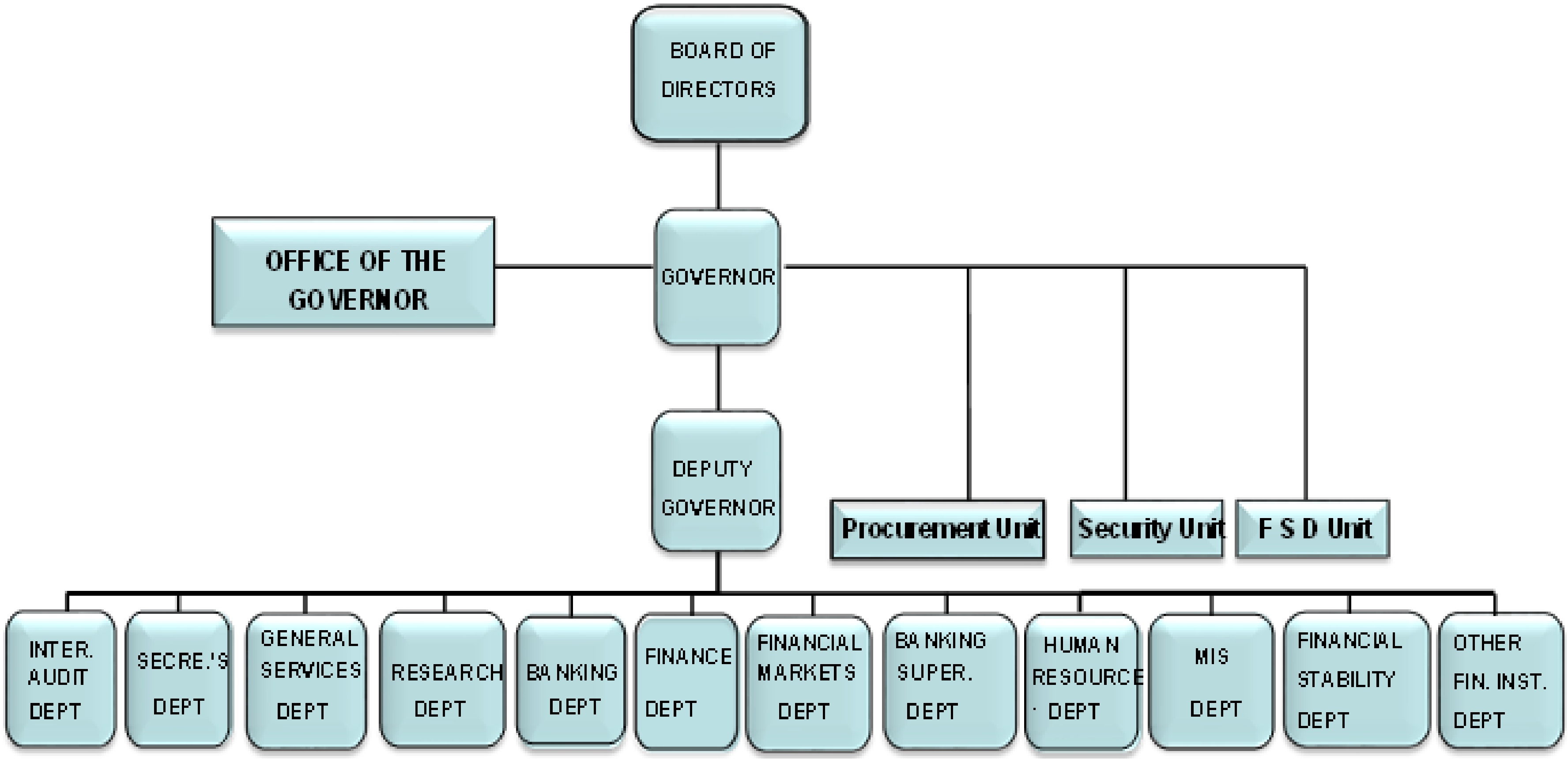
Mr . Crispin D. George
OIC Management Information System

Senior Management:

Professor Kelfala M Kallon	-	Governor
Dr Ibrahim L Stevens	-	Deputy Governor
Mr Ibrahim K Lamin	-	Senior Director, Financial System Stability, Governor's Office
Mr Tapsiru Dainkeh	-	Senior Director, Governor's Office
Mrs. Hanifa Addai	-	Director, Banking Supervision Department
Ms. Jenneh Jabati	-	Director, Governor's Office (Procurement)
Mr. Abdul A. Sowe	-	Director, Internal Audit Department
Mrs. Mary M. Kargbo	-	Director, Project Management Department
Mr. Morlai Bangura	-	Director, Research Department
Ms. Hawa E Kallon	-	Deputy Director, Secretary's Department
Mr. Abdul Bundu	-	Deputy Director, Risk Management Unit
Mrs. Williana A.R. Davies	-	Deputy Director, Human Resources Department
Mrs. Veronica Finney	-	Deputy Director, Financial Markets Department
Mr. M.S. Bah	-	Acting Director, Finance Department
Mr. Alfred W Samah	-	OIC, Banking Department
Mr Crispin D George	-	OIC, Management Information Systems Department
Mr. Alex Mason	-	OIC, General Services Department
Mr. Eugene Caulker	-	OIC, Financial Stability Department

BANK OF SIERRA LEONE

ORGANISATIONAL STRUCTURE 2019



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 organisations.

1.0 GOVERNANCE

1.1 The Board of Directors

The Bank of Sierra Leone (BSL) Act 2011 provides for a Board of Directors which shall consist of the Governor as the Chairman, the Deputy Governor and five Non-Executive Directors, all of whom shall be appointed by the President subject to approval by Parliament.

The Governor and the Deputy Governor 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.

As at end December 2019, the Board comprised the following:

Prof Kelfala Morana Kallon	-Governor (Appointed 3rd October, 2018
Dr Ibrahim Stevens	-Deputy Governor (Reappointed 24th July, 2019)
Ms Cecilia M Demby	-Appointed 18th October, 2018
Mr George C Taylor	-Appointed 25th October, 2018
Mr Sheikh R Kamara	-Appointed 31st October, 2018
Mr Sheka A Mansaray	-Appointed 31st October, 2018
PC Alhaji Alimamy S Kathenkeh 11	-Appointed 31st October, 2018
Mrs Amy Miatta Myers	-Appointed 19th September, 2019

1.1.1. Functions of the Board of Directors

According to Section 17 of the Bank of Sierra Leone Act 2011, the functions of the Board are:

a) determine the organisation of the Bank, including the establishment and location of branches, representative offices and operations facilities;
b) determine the general policies and adopt internal rules applicable to the administration and operations of the Bank;
c) approve the annual budget of the Bank;
d) approve the audited accounts, annual reports and other formal reports and financial statements of the Bank;

e) determine denomination and design of banknotes, coins and their issuance and handling;
f) appoint committees consisting of members of the Board or members of the Bank's staff and determine their responsibilities;
g) assess risks and formulate contingency plans for the on-going operations and security of the Bank;
h) adopt the rules of procedure for meetings of the Board;
i) exercise all powers that are not specifically reserved for the Governor; and
j) Perform other functions prescribed by the Act.

Board Meetings held in 2019

	Meetings	Dates
1.	Continuation of Emergency Meeting	27th November, 2019
2.	Emergency Meeting	21st November, 2019
3.	Discussion on the 2020 Budget Proposal	7th October, 2019
4.	Emergency Meeting	25th September, 2019
5.	Continuation of 506th Board Meeting	18th September, 2019
6.	Continuation of 506th Board Meeting	12th September, 2019
7.	Continuation of 506th Board Meeting	10th September, 2019
8.	506th Board Meeting	29th August, 2019
9.	Emergency Meeting	12th July, 2019
10.	Emergency Meeting	24th May, 2019
11.	Continuation of 505th Board Meeting	3rd May, 2019
12.	505th Board Meeting	25th April, 2019
13.	Emergency Meeting	7th March, 2019
14.	Emergency Meeting	15th February, 2019
15.	Board Meeting (TA Mission)	8th February, 2019
16.	Board Meeting (TA Mission)	5th February, 2019
17.	Emergency Meeting	22nd January, 2019
18.	Emergency Meeting	3rd January, 2019

Audit Committee Meetings held in 2019

4th December, 2019

6th November, 2019 (Meeting with IMF Team)

30th August, 2019

23rd July, 2019

8th May, 2019

7th May, 2019

30th April, 2019

13th February, 2019

8th February, 2019

23rd January, 2019

21st January, 2019

PART A: ANNUAL REPORT

1.2 The Monetary Policy Committee

The BSL Act 2011, 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, the Deputy Governor, three members appointed by the Governor and two members appointed by the Minister of Finance.

The MPC formulates and determines the monetary policy stance through adjustment in the monetary policy rate. The decisions of the MPC are based on an assessment of international and domestic economic developments and their potential impact on the outlook for inflation in Sierra Leone.

The MPC meets on a quarterly basis and its decisions on the monetary policy stance are communicated through a monetary policy statement, which is published on the BSL's website and local newspapers, 48 hours after the MPC meetings. In 2019, the MPC met three times.

As at end December 2019, the MPC comprised:

- Professor Kelfala M Kallon, Governor, Bank of Sierra Leone;
- Dr Ibrahim L Stevens, Deputy Governor, Bank of Sierra Leone;
- Mr Alimamy Bangura, Chief Economist, Ministry of Finance;
- Mr Ibrahim K Lamin, Senior Director, Financial System Stability, Bank of Sierra Leone.

2. GLOBAL ECONOMIC DEVELOPMENTS

2.1 OVERVIEW

In 2019, global economic environment continued to be dominated by US-China trade tensions, unresolved Brexit negotiations, and geopolitical tensions which impacted crude oil and other commodity prices. These developments heightened policy uncertainties, weighed down on business confidence, dampened investment spending and industrial production, and have resulted in a synchronized growth slowdown across major advanced economies. Major Emerging Market and Developing Economies (EMDEs) particularly China and India also slowed, while South Africa, Russia and Brazil, recorded slower-than-expected growth. However, following an assessment by the IMF, the headwinds that characterized the global economy in the greater period of 2019 showed signs of moderation in the last quarter of 2019, giving way to improved prospects for economic recovery in 2020.

2.2 Global Output Growth

The latest forecast released by the IMF (January 2020 update) indicated that global output would moderate from 3.6 percent in 2018 to 2.9 percent in 2019, a 0.1 percentage point lower than the October 2019 World Economic Outlook (WEO) forecast. This development was on the backdrop of heightened uncertainty triggered by a number of geopolitical factors including the Brexit negotiations and trade tensions between the US and China. The continued presence of these factors weighed on business confidence, investment and economic activity, especially in the manufacturing sector and trade growth. Growth in advanced economies and emerging markets and developing economies declined to 1.7 per cent and 3.7 percent in 2019 from 2.2 per cent and 4.57 per cent in 2018, respectively. In Sub-Saharan Africa (SSA) growth is projected to scale up moderately at 3.3 percent in 2019 from 3.2 percent in 2018 amidst challenging external conditions and weaker than expected growth in South Africa.

2.2.1. Outlook and Risks to Global Growth

The headwinds that characterized the global economy in 2019 showed signs of moderation, giving way to improved prospects for economic recovery in 2020. Consequently, from the World Economic Outlook (WEO) January 2020, global output is projected to grow by 3.3 per cent in 2020 from 2.9 per cent in 2019 reflecting improvement in market sentiment boosted by bolstering manufacturing activities, recovery in global trade, though sluggish, broad-based shift toward accommodative monetary and financial conditions, slight ease in trade tension following the Phase 1 trade deal between the United States and China and diminished fears of a no-deal Brexit, allaying the fears of an uncertain environment that had set in at the time of the October WEO. However, the coronavirus health emergence may weigh on activity in China and therefore implications for global output growth.

2.2.2. Advanced Economies

Growth in advanced economies remained fragile evidenced by the synchronized slowdown of output growth across major advanced economies, due to unresolved Brexit negotiations, geopolitical tension which impacted crude oil prices, weak recovery in manufacturing activities and weakness in global trade and investment. Consequently, growth is projected to slow to 1.7 per cent in 2019 from 2.2 percent in 2018. Growth in the US is projected to moderate to 2.3 percent in 2019 from 2.9 percent in 2018 reflecting policy uncertainty and its associated influence on investment and confidence. In the Euro area, economic activity deteriorated to 1.2 percent in 2019, from 1.9 percent in 2018, with some economies on the verge of recession at some point in time in the review period. The German industrial sector weakened as it struggled with falling demand from Asia and disruptions to car production while in the same vein growth rates in France Italy and Spain also deteriorated. In the UK, growth remained unchanged at 1.3 percent in 2019 and forecasted to increase to 1.4 percent in 2020. The growth forecast assumes an orderly exit from the European Union at the end of January followed by a gradual transition to a new economic relationship.

2.2.3. Emerging Markets and Developing Economies

In emerging market economies, growth was revised down to 3.7 percent for 2019 from 4.5 percent in 2018 partly reflecting trade and domestic policy uncertainties weighing on domestic demand coupled with a structural slowdown in China. The synchronized decline in global growth is expected to continue to weigh down on oil prices which may help the fiscal and external positions of commodity importing countries in Emerging economies but, provides headwinds to commodity exporting countries.

Brazil recorded a growth rate of 1.2 percent in 2019 from 1.3 percent in 2018, still struggling to recover from a long recession and currency weakness. Similarly, Russia experienced a decline in growth rate to 1.1 percent in 2019 from 2.3 percent in 2018, underpinned by slowing external demand and the OPEC agreement which weighed on Russia's exports performance.

In emerging and developing Asia, growth in China slowed to 6.1 percent in 2019 from 6.6 per cent in 2018 where the regulatory efforts needed to rein in debt and the macroeconomic consequences of increased trade tensions have taken a toll on aggregate demand In the same vein, growth in India decelerated to 4.8 percent in 2019 from 6.8 percent in 2018 where growth slowed owing to stress in the nonbank financial sector and weak rural income growth.

2.2.4. Sub-Saharan Africa

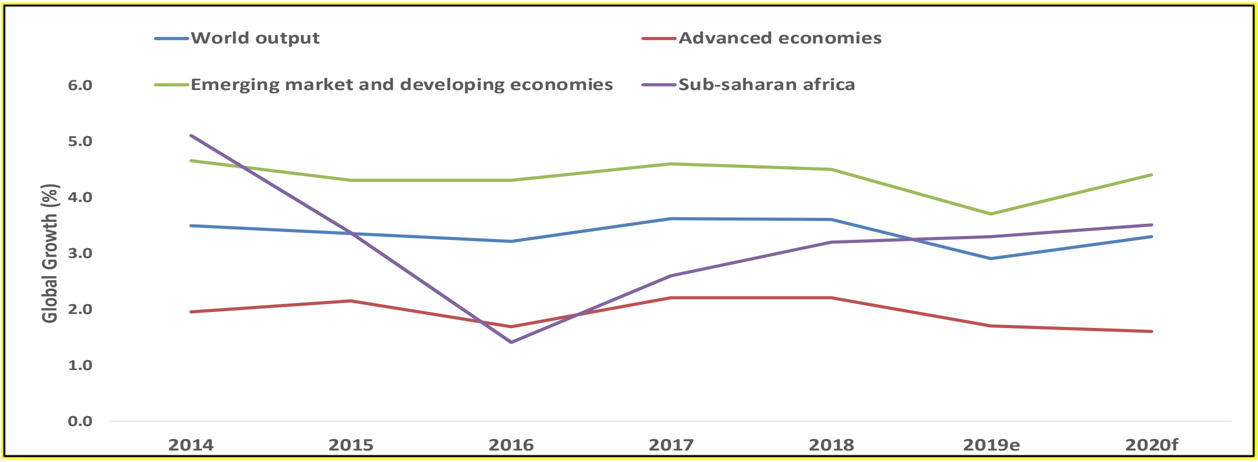
Sub-Saharan African (SSA) growth is estimated to shift modestly upwards to 3.3 percent in 2019 from 3.2 percent in 2018. This development reflects challenging external conditions and weaker than expected growth in South Africa which decelerated to 0.4 percent in 2019 from 0.8 percent in 2018. Nigeria recorded a growth of 2.3 percent in 2019 from 1.9 percent in 2018 mainly reflected in the transport sector, improved oil sector and information and communications technology. In Angola, growth contracted due to a drop in oil production coupled with lower return of older fields and the postponement of investments in new capacity. Excluding Nigeria, South Africa, and Angola, growth in the rest of the subcontinent is expected to remain robust, although slower in some countries. The average growth among non-resource-intensive countries is projected to edge down, reflecting the effects of tropical cyclones in Mozambique and Zimbabwe, political uncertainty in Sudan, weaker agricultural exports in Kenya, and fiscal consolidation in Senegal. Downside risks include a downturn in commodity prices, possibility of no-deal Brexit, and increasing uncertainties associated with the trade talks between the US and China. In addition, a slower-than-expected growth in China and the Euro area, which have strong trade and investment links to SSA, could adversely affect the region's export demand and investment. Domestically, country specific risk factors such as fiscal slippages, political uncertainty, and adverse weather conditions could also dampen growth prospects.

Table 1: Global Growth

	2014	2015	2016	2017	2018	2019 e	2020 f
World Output	3.5	3.4	3.4	3.8	3.6	2.9	3.3
Advanced Economies	2.0	2.3	1.7	2.4	2.2.	1.7	1.6
United States	2.4	2.6	1.5	2.2	2.9	2.3	2.0
Euro Area	1.2	2.1	2.0	2.4	1.9	1.2	1.3
UK	2.9	2.3	1.8	1.8	1.3	1.3	1.4
Japan	0.3	1.1	1.0	1.9	0.3	1.0	0.7
Emerging Market and Developing Economies	4.7	4.3	4.6	4.8	4.5	3.7	4.4
Brazil	0.5	-3.8	-3.5	1.1	1.3	1.2	2.2
Russia	0.7	-2.8	-0.2	1.5	2.3	1.1	1.9
India	7.2	8.0	7.1	6.7	6.8	4.8	5.8
China	7.3	6.9	6.7	6.9	6.6	6.1	5.8
Sub-Saharan Africa	5.1	3.2	1.4	2.9	3.2	3.3	3.5
Nigeria	6.3	2.7	-1.6	0.8	1.9	2.3	2.5
South Africa	1.7	1.3	0.6	1.3	0.8	0.4	0.8

Source: World Economic Outlook, January, 2020

Figure 1: Global Growth



Source: World Economic Outlook, January, 2020 update

2.3 GLOBAL INFLATION

Global inflationary pressures remained subdued at the end of 2019, after picking up in 2018. Even though inflationary pressures moderated to 3.4 percent in 2019 from 3.6 percent in 2018 it is projected to increase slightly to 3.5 percent in 2020. In advanced economies inflation remained subdued at 1.7 percent in 2019 and 2020. However, inflation in most advanced economies remained below their long-run targets, reflecting weak aggregate demand in the Euro Area and Japan, as well as moderating wage growth in the US. Central Banks in the advanced economies are thus, expected to continue with monetary accommodation into the medium term. In the EMDEs, however, inflation prospects remain mixed, with some economies facing stronger upside risks than others. Inflation in sub-Saharan Africa moderated to 8.4 percent in 2019 from 8.5 percent in 2018, partly reflecting lower oil prices as well as earlier monetary policy tightening in some countries.

Table 2: Global Inflation

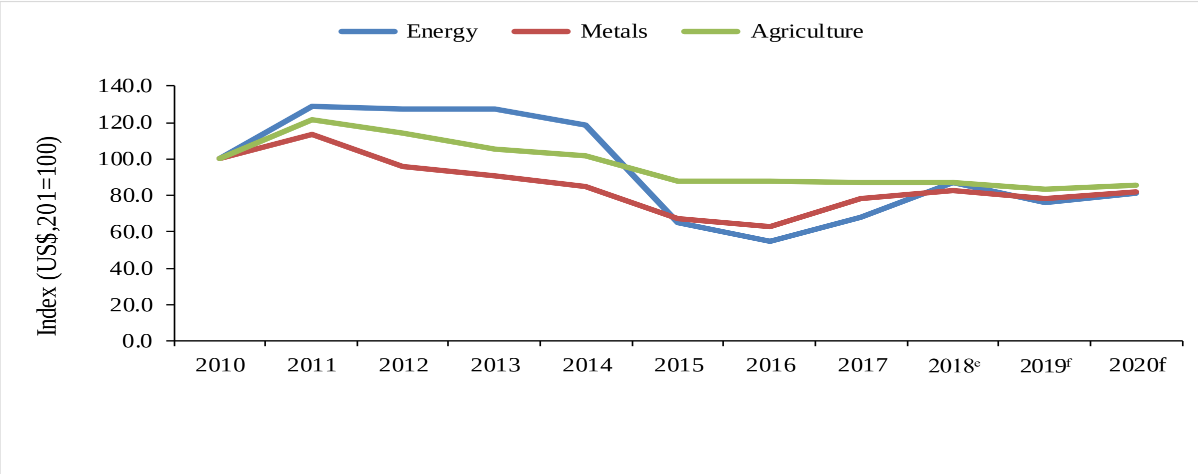
Consumer Price Inflation	2011	2012	2013	2014	2015	2016	2017	2018[e]	2019e	2020[f]
Global Inflation	5.0	4.1	3.7	3.2	2.8	2.8	3.2	3.6	3.4	3.5
Advance Economies	2.7	2.0	1.4	1.4	0.3	0.8	1.7	1.4	1.7	1.7
Emerging Markets and Developing Economies	7.1	5.8	5.5	4.7	4.7	4.3	4.3	4.8	5.1	4.6
Sub-Saharan Africa	9.4	9.3	6.6	6.3	7.0	11.3	11.0	8.45	8.38	8.04
e =Estimate; f =Forecast										

Source: World Economic Outlook, January, 2020

2.4. COMMODITY PRICES

Commodity prices generally softened in 2019 when compared to the preceding year. Energy and metal prices on average moderated in 2019, with the index decreasing by 12.7 percent and 5.0 percent to 76.0 and 78.4 in 2019 from 87.0 and 82.5 in 2018, underscored by slowing demand weighing heavily on the market, presenting a challenge for exporters. Energy and metal commodity prices are expected to continue to fall in 2020 following sharp declines in 2019 on a weaker outlook for global growth and consequent softer demand. Similarly, the agriculture Price Index declined by 3.8 percent to 83.4 in 2019 from 86.69 in 2018, driven in part by reduced crop planting. A resolution of trade tensions presents an upside risk for some commodities, while lower energy prices could reduce fuel costs and fertilizer prices, reducing prices of energy intensive crops such as oilseeds.

Figure 2: Commodity Price Indexes

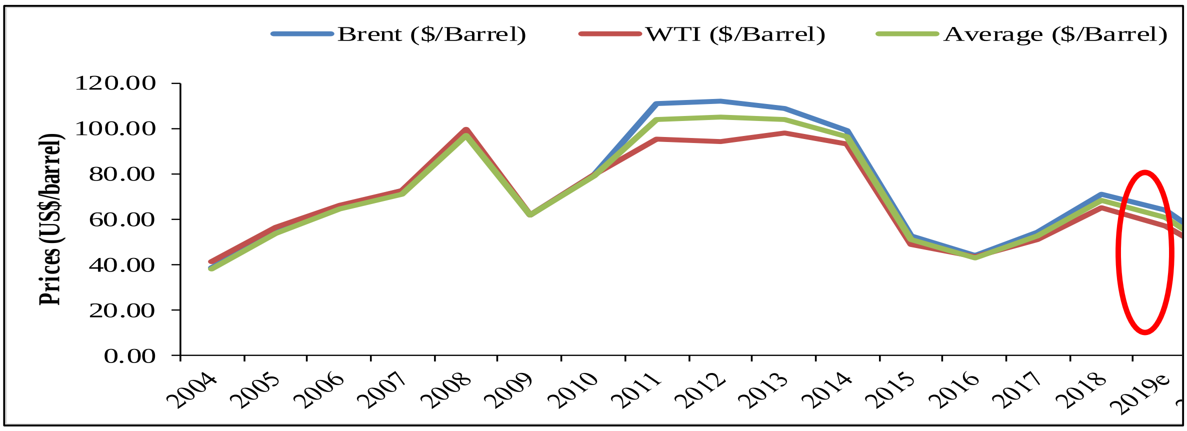


Source: World Bank Commodity Market Outlook, January 2019

2.4.1. Crude Oil

Crude oil prices averaged US$60.5/barrel in 2019, 11.48 percent weaker than in 2018 which recorded an average of US$68.35/barrel largely due to slowing global demand, the impact of which dwarfed the temporary production disruptions in Saudi Arabia. The prices of both Brent and West Texas Intermediate (WTI) decreased by 9.95 percent and 12.06 percent to US$64.00/barrel and $57.00/barrel in 2019 from $71.07/barrel and $64.82/barrel in 2018, respectively. Going forward oil prices are forecast to decline due to the coronavirus outbreak in China which is expected affect oil demand due to travel restrictions and decreased entertainment spending.

Figure 3: Crude Oil Price



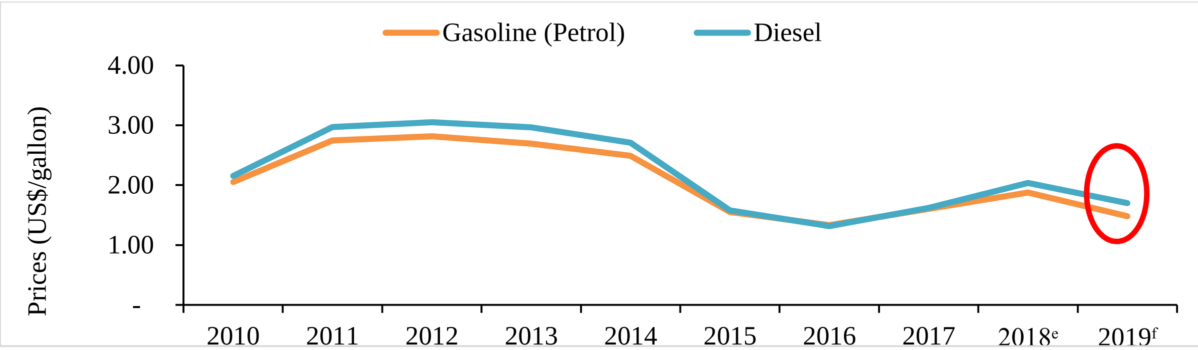
f =Forecast; Source: World Bank Commodity Market Outlook, January 2020

Source: World Bank Commodity Market Outlook, January 2019

2.4.2. Platt Prices

Platt prices of petroleum products moved in line with crude oil prices, as evident in the decline in both gasoline (petrol) and diesel prices. Gasoline and diesel prices decreased by 4.79 percent and 3.87 percent to US$2.59/gallon and US$3.06/gallon in 2019 from US$2.72/gallon and US$3.18/gallon in 2018, respectively. Prices are forecast to decline further in first half of 2020 due to the global economic impact of the coronavirus outbreak, but expected to recover thereafter.

Figure 4: Platt Price

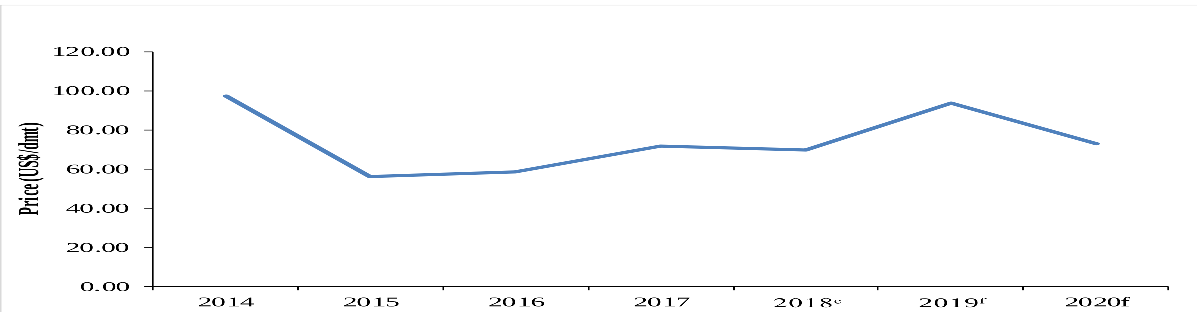


Source: U.S. Energy Information Admin, January 2020

2.4.3. Iron Ore

The average price of iron ore increased by 34.38 percent to US$93.80/dmt in 2019 from USD69.805/dmt in 2018. The price increases reflected supply disruptions due to bad weather and operational issues in Australia and the Vale's dam accident as well as suspensions in Brazil, which amounted to a loss of about 6 percent of the global iron ore seaborne market. Robust steel production in China and the United States, despite weak industrial demand, also supported prices. Iron ore prices are anticipated to fall in 2020 due to expected recovery of supply from Brazil, overcapacity in the steel industry, and soft global steel demand as industrial activity slows.

Figure 5: Iron Ore Price



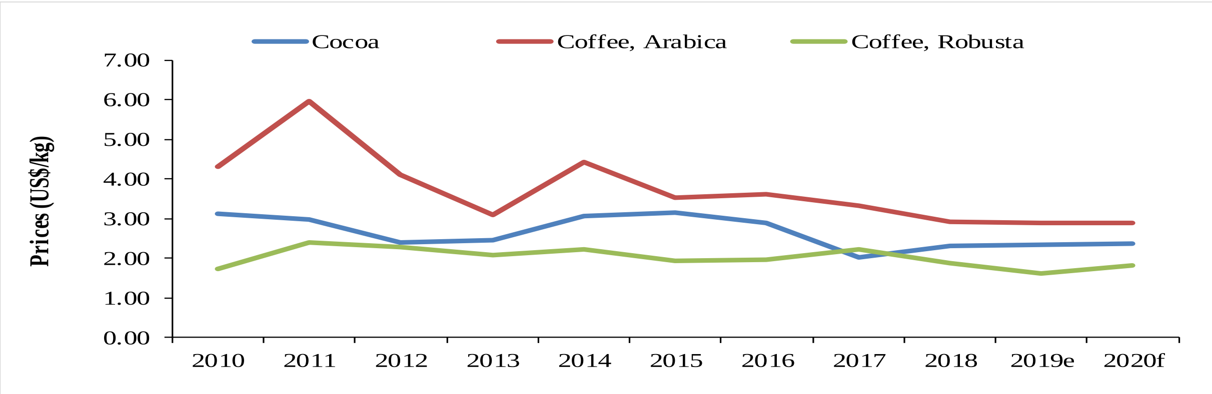
f=Forecast; Source: World Bank Commodity Price forecast

Source: U.S. Energy Information Admin, January 2020

2.4.4. Cocoa and Coffee

The prices of Arabica and Robusta coffee declined by 1.71 percent and 13.37 percent to US$2.88/kg and US$1.62/kg in 2019 from US$2.93/kg and US$1.87/kg in 2018, respectively, driven by decline in exports from the world's two largest coffee-producing region – Brazil and Vietnam. On the other hand, the price of cocoa increased by 2.02 percent to US$2.34/kg in 2019 from US$2.29/kg in 2018, underpinned by interruption of the harmattan wind which reduced beneficial rain in West Africa. Notwithstanding, prices are expected to surge in 2020, on account of market normalization.

Figure 6: Cocoa and Coffee Prices



Source: World Bank Commodity Price forecast

2.5. IMPLICATION FOR THE SIERRA LEONE ECONOMY

Despite signs of global output recovery, the global economy remains uncertain, due to the persistence of several headwinds, which include: decline in manufacturing output and global trade, due to higher tariffs and prolonged trade policy uncertainty; weak global demand, rising levels of both corporate and public debts; continued geopolitical tensions in the Middle-East; predicted weather-related disasters which could pose further threats to global output recovery. Going forward, there is the potential threat of the coronavirus to demand and supply chains.

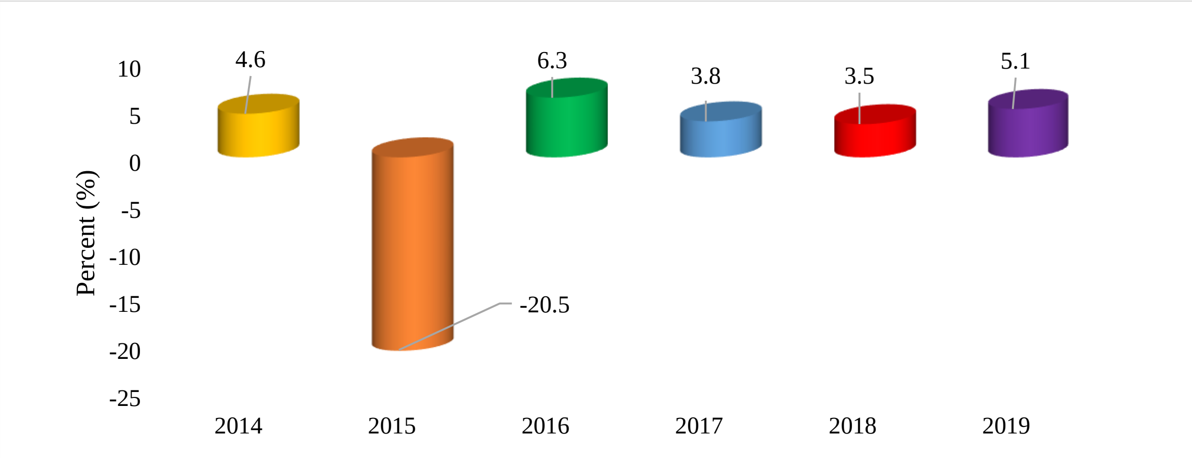
The foregoing was reflected in the Sierra Leone Economy through the external trade channel. This was evident in the widening of the trade deficit as the country recorded less-than-expected increase in exports receipts due to weak global demand for the country's exports, especially from its trading partners. Increased demand for imports remained, especially for essential commodities. This development impact negatively on the country's fiscal and external positions, stifling revenue for exporters and depriving the country of its regular essential imports.

3 DOMESTIC ECONOMIC DEVELOPMENTS

3.1. Economic Growth

Real GDP for 2019 was expected to grow at 5.1 percent from 3.5 percent in 2018. Actual growth of Real Gross Domestic Product was on account of increased activities in agriculture, trade, tourism and services sectors. Furthermore, government policies in 2019 and going forward were geared towards diversifying the economy towards a more broad based growth approach.

Figure 7: Real GDP Growth Rates 2014-2019



Source: Statistics Sierra Leone

3.1.1. Agriculture

Agricultural sector remained a key sector in the medium term economic diversification strategy of the government. Government policies on agriculture in 2019 focused on improving productivity of the sector to ensure food security and promoting the production and export of cash crops and livestock. This would then attract private sector investment, which would support the cultivation of improved varieties of cash crops such as cocoa, coffee as well as livestock. As a result, coffee production in 2019 grew significantly to 4, 744.70 thousand metric tons. This growth in coffee production more than quadruple the previous 2018 output of 4.10 thousand metric tons. Similarly, cocoa production expanded considerably to 26,132.16 thousand metric tons from 43.25 thousand metric tons.

3.1.2. Manufacturing

Production performance of the manufacturing sector remained weak in 2019. The performance was reflected by high cost of inputs and stiff competition from imported commodities among others constrained the sector's production. Production volumes of all the commodities in the manufacturing sector declined, except for maltina and oxygen production which increased in the review period. Beer and stout production fell by 10.75 per cent to 1,625.07 thousand cartons. Acetylene and confectionary production decline by 8.36 per cent to 275.62 thousand cubic feet, and 17.77 per cent to 1,855.91 thousand pounds respectively. Common soap production dropped by 5.89 per cent to 543.91 thousand metric tons. Similarly, soft drinks production decreased significantly by 69.90 per cent to 291.69 thousand crates due to caseation of production in the second half of the review period. However, maltina and oxygen production increased by 4.71 per cent to 301.75 thousand cartons and 4.34 per cent to 291.24 thousand cubic feet.

3.1.3. Construction

The construction sector, proxied by cement and paint production performance observed a slowdown in 2019. Paint production decreased by 19.68 per cent to 526.30 thousand gallons, while cement production decline by 4.22 per cent to 289.97 thousand metric tons.

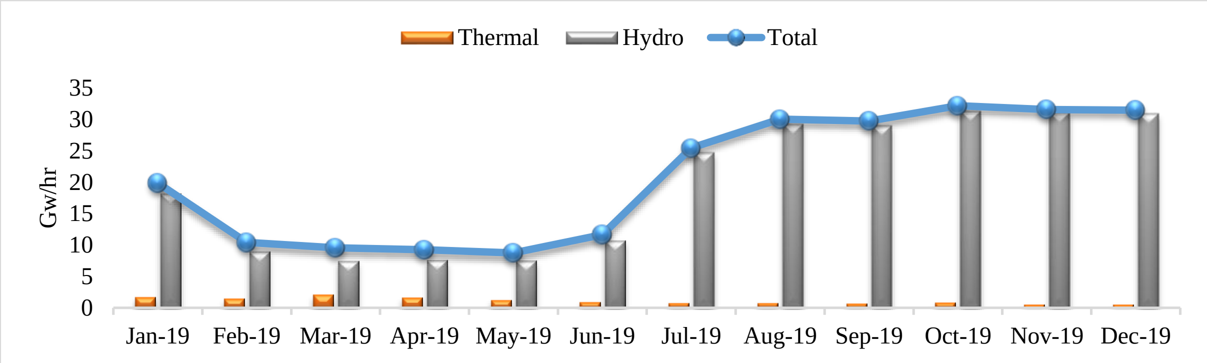
3.1.4. Mining

Performance in the mining sector was slowed in 2019 ensued from low production levels of most of the commodities, particularly rutile, ilmenite and gold. Rutile production decrease by 86.86 per cent to 118.58 metric tons. Ilmenite and gold production decline by 35.02 per cent to 53.48 thousand metric tons, and 86.55 per cent to 2.41 thousand ounces respectively. Diamond production however increased by 9.23 per cent to 809.61 thousand carats. This amount comprised industrial diamond, amounting to 458.63 thousand carats and gem diamond amounted to 356.87 thousand carats.

3.1.5. Electricity Generation

Performance of the energy sector slowed in 2019 as electricity generated declined by 19.69 percent to 249.98 Gw/hr in 2019 from 309.73 Gw/hr in 2018. The slowdown in electricity generation was mainly driven by the drop in thermal plant generation while hydro power generation increased under the review period. Hydro power generation which accounted for 95 percent of the total electricity generated increased by 6.16 percent to 236.77 Gw/hr in 2019 from 223.04 Gw/hr in 2018. However, thermal plant accounted for 5 percent of total electricity generated declined by 84.76 percent to 13.21 Gw/hr in 2019 from 86.86 Gw/hr in 2018.

Figure 8: Electricity Generation



Source: EDSA

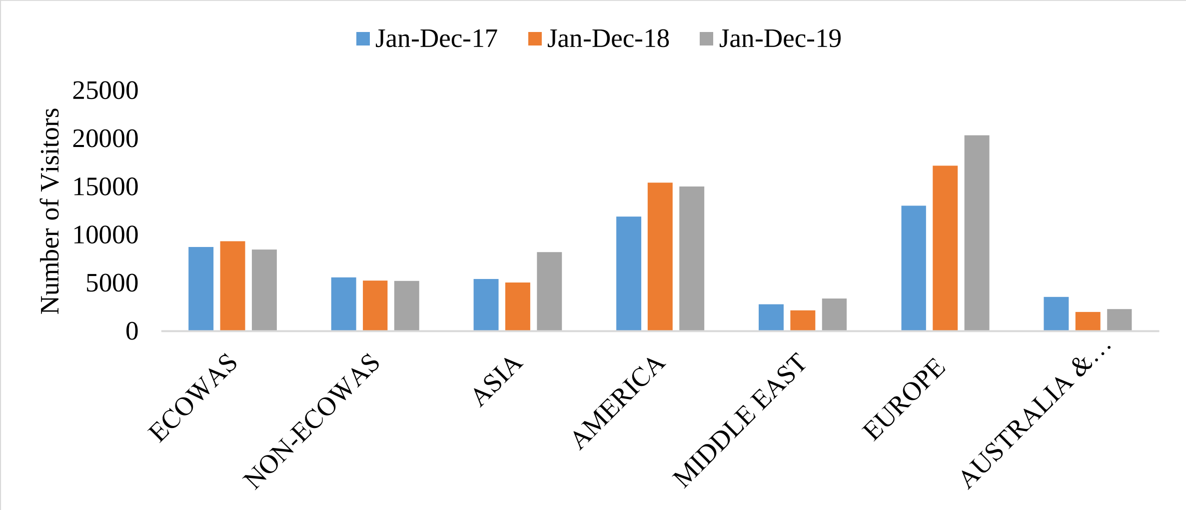
In disaggregating, Bumbuna hydro plant contributed 93.82 percent and Goma hydro plant contributed 4.78 percent to total hydro power plant. Likewise, provincial thermal plants accounted for 99.29 percent and Freetown thermal plant contributed 0.71 percent to total thermal plant generation in the review period.

3.1.6. Tourism

Tourism sector remained a key pillar in government economic diversification program. As a result tourist arrivals in 2019 amounted to 107,630 visitors reflecting a 12.90 percent increase compared to 95, 335 visitors in 2018. The total tourist arrivals comprised of 63,090 visitors were foreign nationals and 44,540 visitors were Sierra Leoneans from the diaspora.

In terms of place of residence, 51.07 percent from Asia, 56.12 percent from Middle East, 26.39 percent from America, and 21.55 percent from Europe. However, tourist arrival from ECOWAS, Non-ECOWAS and Australia & Oceanian declined by 2.89 percent, 6.71 percent and 35.35 percent respectively.

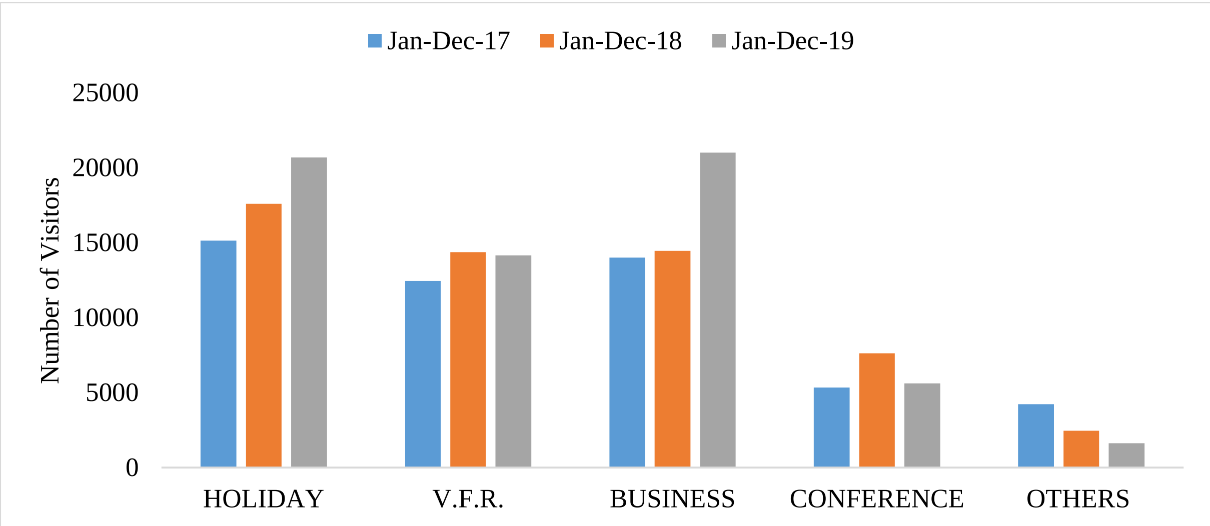
Figure 9: Tourist Arrivals by Place of Residence



Source: National Tourist Board

In terms of purpose of visit, tourist arrivals rose by 11. 66 percent. This comprise of 17.62 percent were on holiday, 45.29 percent on business. On the other hand, tourist arrivals decline for the following purpose of visit. Other purposes of visit fell to 33.99 percent, visit to friends dropped to 1.50 percent and visit relating to conference decrease to 26.35 percent.

Figure 10: Tourist Arrival by Purpose of Visit



Source: National Tourist Board

3.1.2. Price Developments

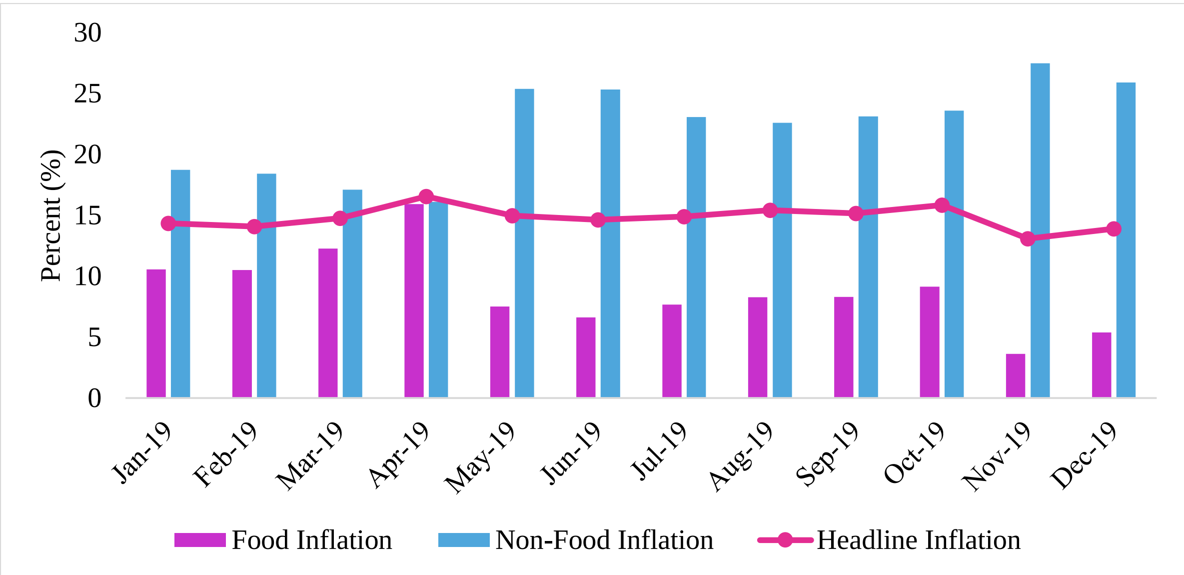
Following key reforms in the computation of consumer price index, headline inflation remained contained within the IMF threshold of 14.00 per cent as at end 2019. As headline inflation reached a moderate increase to 13.89 per cent end December 2019 from 13.09 per cent in

November 2019 and a peak of 16.56 per cent in April 2019. The annual headline inflation was 0.36 percentage points below the previous inflation of 14.25 per cent end December 2018. The decline in headline inflation was largely explained by the dropped in food inflation, while there was an uptick in non-food inflation.

Food inflation decelerated significantly reaching a single digit of 5.38 per cent end December 2019 from 12.77 per cent end December 2018. The downward trend of food prices was partly explained by favorable weather conditions, and government policies to stabilize food prices such as the promotion of the local content policy.

Non-food inflation however, increase significantly to 25.89 per cent end December 2019 from 16.46 per cent end December 2018. The uptick in non-food inflation was on account of the recent government reforms on the liberalization of fuel price and energy price, enforcement of tax compliance, fiscal imbalances and exchange rate pass-through on prices.

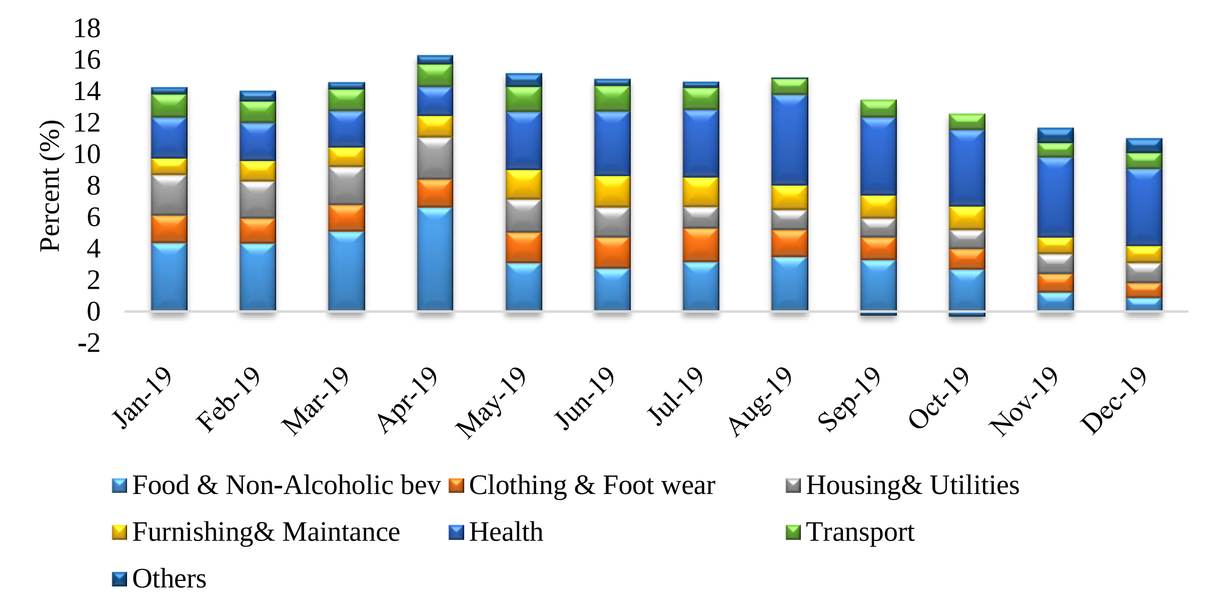
Figure 11: Headline, Food & Non-Food Inflation (Year-on-Year, %)



Source: Statistics Sierra Leone

In disaggregating the CPI basket, key contributors to the headline inflation were food & non-alcoholic beverages, housing & utilities, health and transportation. This development mirrored the above policy reforms by government. As a result, contributed to the dynamics of the downward trend of inflation in the review period.

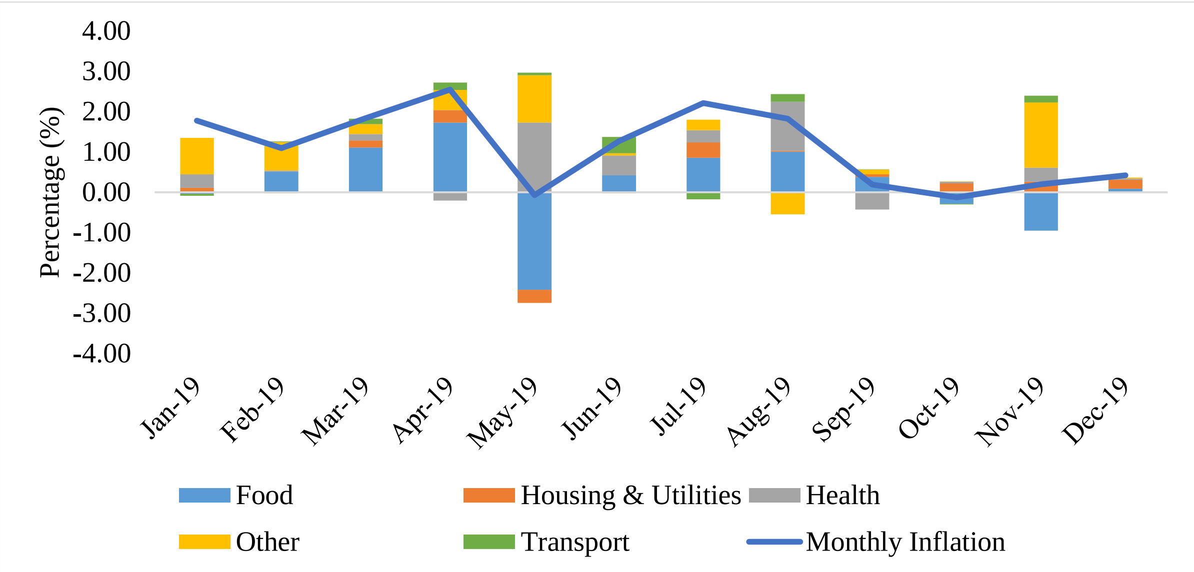
Figure 12: Major contributors to Annual Headline Inflation



Source: Statistics Sierra Leone

On a month-to-month basis, consumer prices inflation was 0.41 per cent in December 2019 from a deflation of 0.29 per cent in December 2018. Although there was a moderate increase in the monthly trend yet inflationary eased and was within the IMF framework.

Figure 13: Major Contributors to Monthly inflation



Source: Statistics Sierra Leone & BSL

Major components of the CPI basket contributed to the trend in monthly inflation were food & non-alcoholic beverages, housing & utilities, health and transport.

3.2. FISCAL SECTOR DEVELOPMENTS

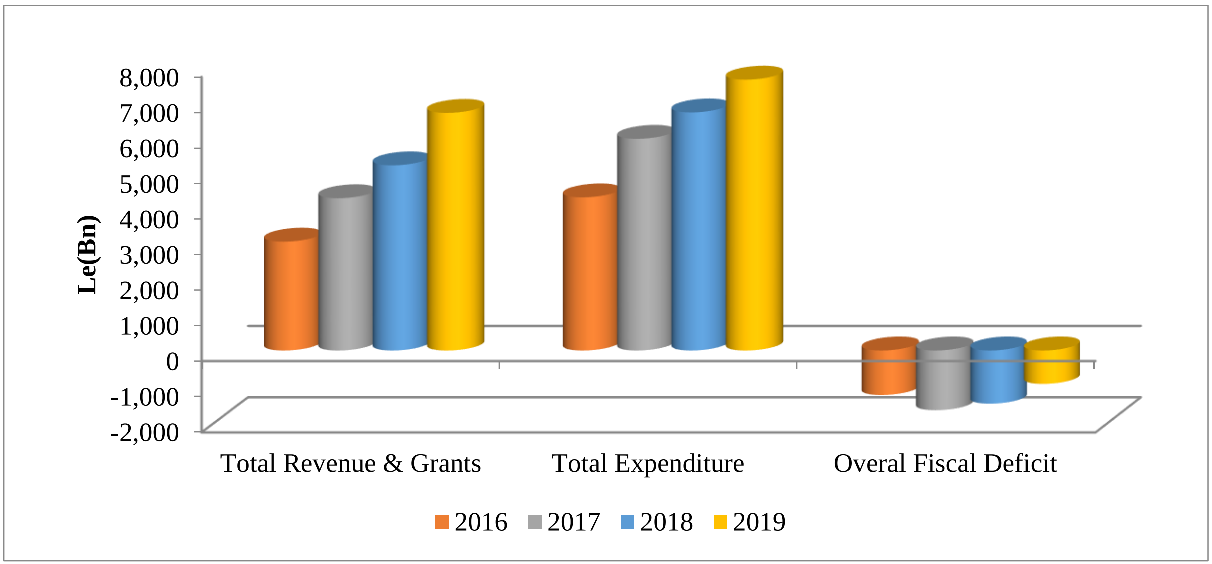
3.2.1. Government Budgetary Operations

Fiscal operations in 2019 were geared towards fiscal consolidation. Similarly, implementing measures towards government expenditure rationalization and enhancing revenue collection to finance key projects such as: human capital development and other social programs.

Government budgetary operations based on preliminary data registered an improvement of the overall deficit (inclusive of grants) of Le936.65bn (2.47% of GDP), which was 19.96 per cent lower than the budgeted target of Le1, 170.21bn (3.09% of GDP) and 37.20 per cent below the previous 2018 deficit of Le1, 491.51bn (4.60% of GDP).

Excluding grants, overall deficit was Le2, 193.56bn (5.79% of GDP) and was lower than the budgeted deficit of Le2, 338.73bn (7.22% of GDP) and the previous deficit of Le2, 450.18bn (6.46% of GDP).

Figure 14: Government Budgetary Operations for 2016-2019



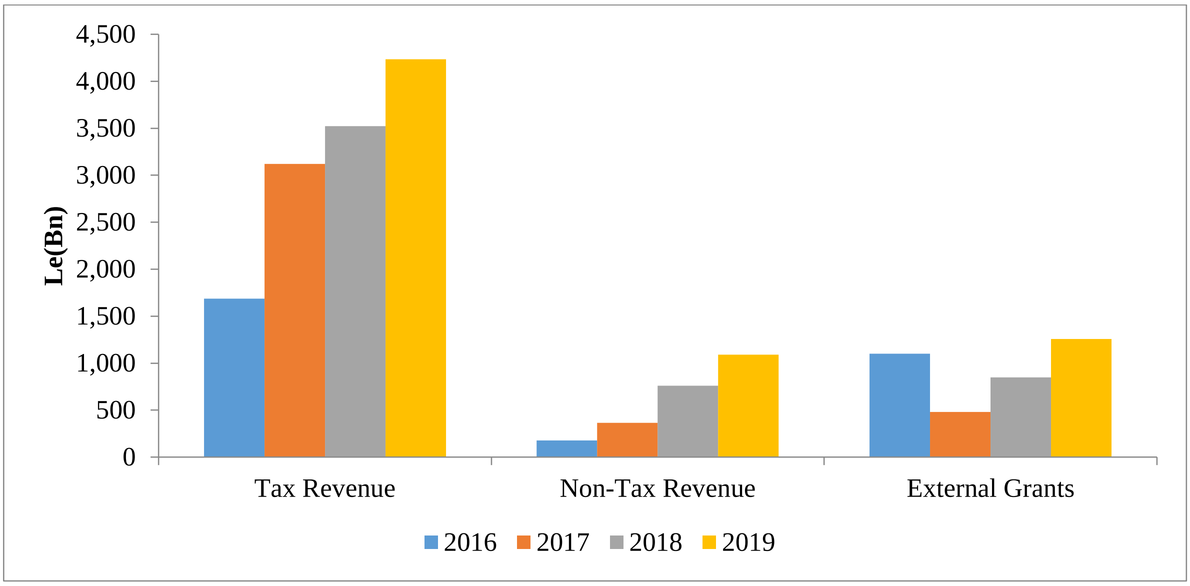
Source: Ministry of Finance

3.2.2 Government Revenue

Government revenue and grants amounted to Le6, 688.16bn (17.645 of GDP) representing a 28.37 per cent increase compared to 2018 revenue collected of Le5,210.03bn and in excess of the programmed target of Le6,658.97bn by 0.44 per cent. The expansion in government revenue was on account of the expansion in domestic revenue mobilization coupled with an increase in the disbursement of foreign grants in the review period.

Tax revenue, which accounted for nearly 63 per cent of total revenue expanded by 20.28 per cent to Le4, 235.42bn (11.17% of GDP) compared with Le3, 521.17bn (10.87% of GDP) in 2018 and a budgeted amount of Le4, 157.99bn (10.97% of GDP). Tax revenue comprised of receipts from Income tax, Customs and Excise and Goods and Services Tax (GST).

Figure 15: Trends in Government Revenue 2016-2019



Source: Ministry of Finance

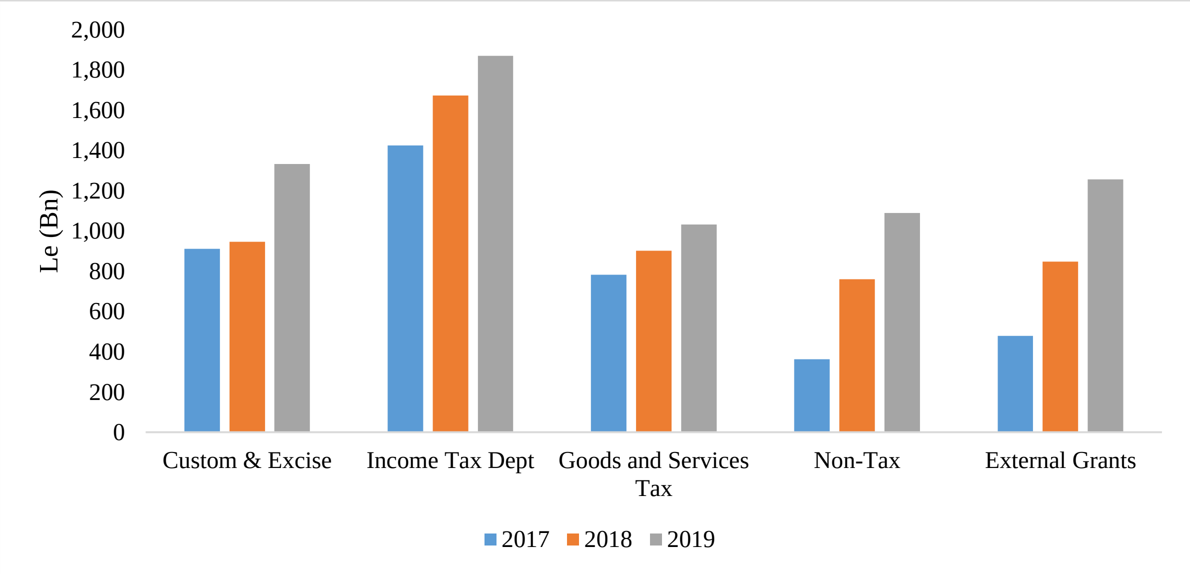
Customs and Excise receipts expanded by 40.84 per cent to Le1, 332.80bn (3.52% of GDP) and was 4.04 per cent in excess of the target of Le1, 281.00bn. The increase was attributable to 78.74 per cent growth in other excise duties on petroleum of Le567.47bn; import taxes rose by 21.22 per cent of 729.98bn and freight levy from marine administration increased by 32.54 per cent of 35.35bn.

Income Tax collection increased by 11.72 per cent to Le1, 869.61bn (4.93% of GDP), and slightly below the target of Le1, 892.99bn by 1.24 per cent. The increase in income tax ensued from the growth in personal income tax. Personal income tax expanded by 20.77 per cent to Le1, 535.32bn. However, company tax contracted by 14.77 per cent to Le324.35bn and other taxes dropped by 59.07 per cent to Le9.93bn.

Goods and Services Tax expanded by 14.60 per cent to Le1, 033.01bn (2.72% of GDP), and was in excess of the target of Le984.00bn. The growth in GST was driven by both the increase in import GST and domestic GST. Import GST rose 13.41 per cent to Le589.61bn and domestic GST increase by 16.23 per cent to Le443.40bn.

Non-tax revenue expanded by 43.25 per cent to Le1, 089.55bn (2.87% of GDP) and was 1.93 per cent lower than the target of Le1, 111.00bn. The expansion in non-tax revenue attributed to the growth in mines department and other departments. Mines department revenue collected increased by 5.62 per cent to Le232.76bn, while receipts from other departments increased by 58.60 per cent to Le856.79bn. Road user charges expanded by 31.11 per cent to Le106.29bn but was below the target of Le110.00bn by 3.38 per cent.

Figure 16: Disaggregation of Government Revenue 2017-2019



Sources: Ministry of Finance

Grants

External grants disbursed in 2019 increased by 48.36 per cent to Le1, 256.91bn (3.32% of GDP), but slightly below the anticipated target of Le1, 279.98bn by 1.80 per cent. This comprise of programme grants amounting to Le751.43bn and development grants amounted to Le334.59bn.

Table 3: Government Fiscal Operation in 2019 (In Millions of Leones)

	2018	2019	2019
	Jan. - Dec.	Jan. - Dec.	Budget
1	2	3	4
TOTAL REVENUE (PLUS GRANTS)	**5, 210, 034**	**6,688,164**	**6,658,969**
DOMESTIC REVENUE	**4, 362, 815**	**5,431,252**	**5,378,989**
Of which:			
Customs & Excise	**946,384**	**1,332,802**	**1,281,000**
Income Tax Department	**1,673,449**	**1,869,606**	**1,892,989**
Goods and Services Tax	**901,377**	**1,033,009**	**984,000**
Miscellaneous	**760,572**	**1,089,547**	**1,111,000**
Road User Charges	**81,069**	**106,287**	**110,000**
GRANTS	**847,219**	**1,256,912**	**1,279,980**
TOTAL EXPENDIUTRE & NET LENDING	**6,701,540**	**7,624,816**	**7,829,183**
Of which:			
Current Expenditure	**4,594,300**	**5,740,560**	**5,794,255**
Of which:			
Wages & Salaries	**2,067,914**	**2,578,496**	**2,588,445**
Domestic Interest	**854,000**	**1,022,856**	**1,017,133**
Foreign Interest	**97,082**	**96,110**	**109,719**
Non-Salary Non-Interest Expenditure	**1,575,304**	**2,043,098**	**2,078,958**
Contingency Exp	**78,251**	**350,428**	**336,337**
Development Exp. & Net Lending	**2,107,240**	**1,884,256**	**2,034,928**
Foreign Loans & Grants	**1,409,000**	**1,135,922**	**1,135,922**
Domestic	**698,240**	**748,333**	**899,006**
Lending Minus Repayment	**0**	**0**	**0**
CURRENT BALANCE+/- (Including grants)	**615,734**	**947,604**	**864,714**
ADD DEVELOPMENT EXPENDITURE	**(2,107,240)**	**(1,884,256)**	**(2,034,928)**
Basic Primary Balance	**68,876**	**69,544**	**(170,380)**
OVERALL DEFICIT/SURPLUS +/- (Incl. grants)	**(1,491,506)**	**(936,652)**	**(1,170,214)**
FINANCING	**1,491,506**	**936,652**	**1,170,214**
Domestic	**1,192,776**	**922,140**	**1,500,851**
Of which:			
Bank Financing	**1,124,920**	**758,941**	**1,442,179**
Non-Bank Financing	**67,855**	**163,199**	**58,672**
Extenal	**667,528**	**295,069**	**221,570**
Of which:			
Loans	**1,023,000**	**630,442**	**630,442**

Project	**1,023,000**	**630,442**	**630,442**
Programme	**0**	**0**	**0**
Amortisation **Others**	**(355,472)** **(368,798)**	**(335,374)** **(280,556)**	**(408,872)** **(552,207)**

Source: Budget Bureau, Ministry of Finance

3.2.3. Government Expenditure

Total government payments increased by 13.78 per cent to Le7, 624.82bn (20.11% of GDP) and was lower than the ceiling of Le7, 829.18bn (20.65% of GDP).

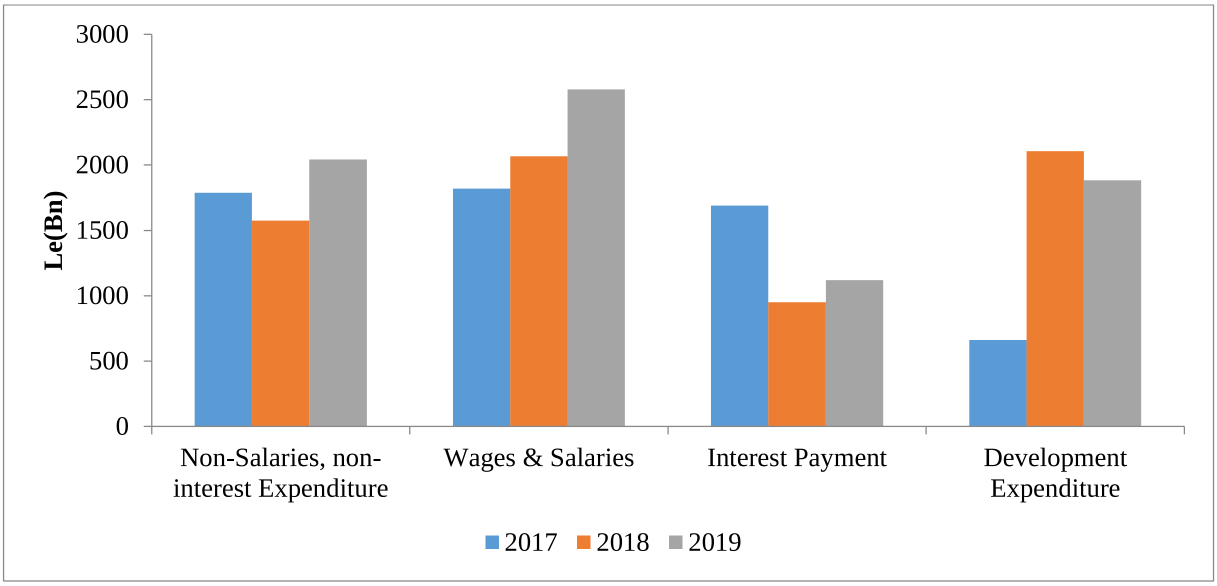
Recurrent expenditure, which accounted around 75 per cent of total government expenditure, increase by 24. 95 per cent to Le5, 740.56bn (15.14% of GDP) but was lower than the ceiling of Le5, 794.26bn (15.28% of GDP) by 0.93 per cent. The increase in recurrent spending ensued mainly from the expansion in goods and services expenditure and contingency expenditure relating other TSA agencies as well as the wage bill. Wages and salaries expenditure increase by 24.69 per cent to Le2, 578.50bn (6.80% of GDP) and was marginally below the ceiling of Le2, 588.45bn by 0.38 per cent. The wage bill accounted for 45% of recurrent spending.

Total interest payment rose by 17.65 per cent to Le1, 118.97bn (2.95% of GDP) and was 0.70 per cent lesser than the ceiling of Le1, 126.85bn. The increase in total interest payments was driven mainly by the expansion in domestic interest payments. Domestic interest payments which accounted for 91 per cent of total interest payment, increase by 19.77 per cent to Le1, 022.86bn (2.705 of GDP) and in breach of the ceiling of Le1, 017.13bn by 0.56 per cent. Foreign interest payments however contracted by 1.00 per cent to Le96.11bn and was below the ceiling of Le109.72bn.

Non-salary-non-interest expenditure expanded by 63.71 per cent to Le2, 043.10bn (5.39% of GDP) and was below the ceiling of Le2, 078.96bn. Non-salary-non-interest expenditure was 36 per cent of the total recurrent expenditure.

Development Expenditure contracted by 10.58 per cent to Le1, 884.26bn (4.97% of GDP) and was 7.40 per cent lower than the ceiling of Le2, 034.93bn (5.37% of GDP). The contraction in capital spending was largely explained by the reduction in foreign loans and grants to the tune of Le1, 135.92bn from Le1, 409.00bn in 2018. Whereas, domestic capital spending expanded to Le748.33bn from 698.24bn in 2018. Hence, development expenditure accounted for 25% of total government expenditure.

Figure 17: Disaggregation of Government Expenditure



Source: MOF

3.2.4 Financing

The overall deficit (including grants) of Le936.65bn (2.47% of GDP) was financed from both domestic, foreign and others sources. Domestic deficit financing amounted to Le922.14bn, of which bank borrowing amounted to Le758.94bn, and non-bank borrowing amounting to Le163.20bn. External deficit financing amounted to Le295.07bn, this consist of projects loans of Le630.44bn and amortization payment of Le335.37bn. Other sources of deficit financing amounted to Le280.56bn.

3.3 PUBLIC DEBT

3.3.1 Debt Market Developments

Auction Outcomes

The outcomes in the primary market auctions for Government Securities exhibited under-subscription in the 91-days and 182-days tenures throughout the reporting period, whilst the 364 days tenure was largely oversubscribed. Thus, the demand for government treasury bills was skewed to the 364 days tenure, with commercial banks being the leading participants. For the 91-days and 182-days tenures, however, the non-bank public were the dominant participants.

3.3.2 Stock of Government Securities

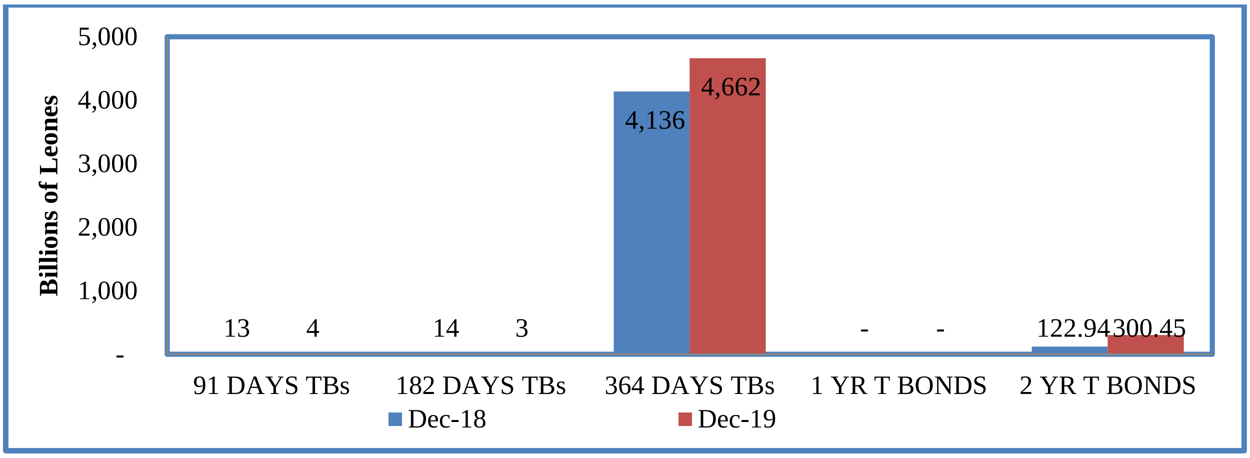
The total stock of Government securities increased by Le699.80bn (14.12%) from Le4,955.56bn in December 2018 to Le5,655.37bn in December, 2019. Marketable securities accounted for 87.87

percent of the total stock of government securities whilst non-marketable securities accounted for 12.13 percent.

The stock of marketable securities increased by Le682.30bn (15.92%) from Le4,286.81bn as at end December, 2018 to Le4,969.11bn as at end December 2019, largely on account of increase in the 364-days T-bills and 2-year bond by 12.70% and 144.40% respectively. The issuance of new treasury securities during the review period was mainly to finance the budget. Non-marketable securities increased by Le17.50bn (0.003%) from Le668.76bn end December 2018 to Le686.26bn. The increase was driven by the issuance of Le25.00bn 3-Year bond to NASSIT which more than outweighed the redemption of Le7.50bn 10-years medium term bond that was amortized.

As at end December, 2019, the proportion of 91-days, 182-days and 364-days treasury bills to the total marketable securities was 0.07 percent, 0.07 percent and 93.81 percent respectively, while that of the 2-year treasury bond was 6.05 percent. With regards non-marketable securities, the 3-year, 5- year and 10-year treasury bonds accounted for 41.46 percent, 53.62 percent and 4.92 percent respectively.

Figure 18: Stock of Marketable Government Securities by Tenure



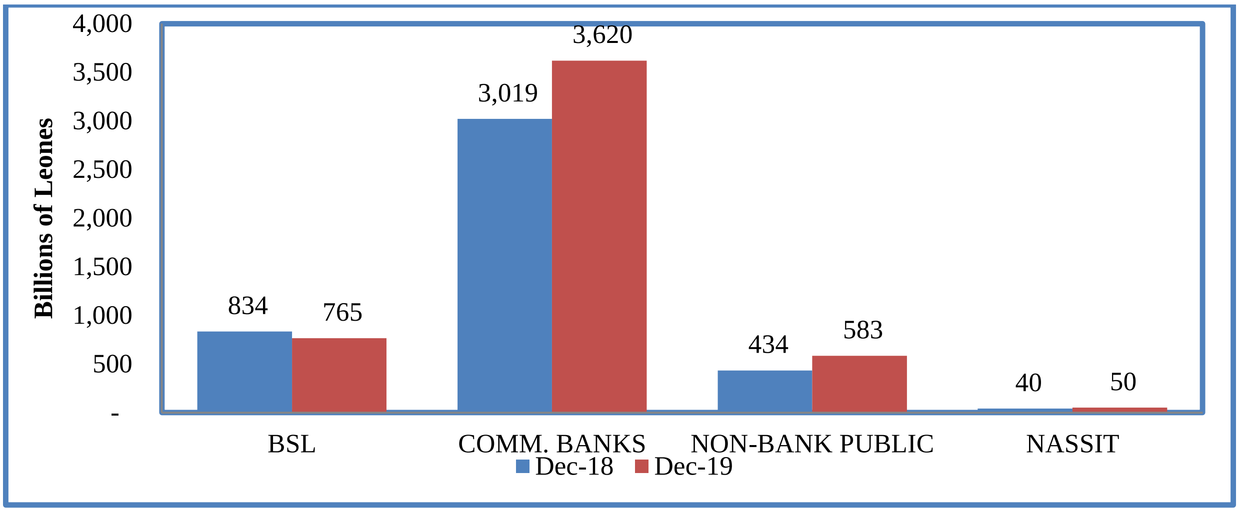
Source: BSL

3.3.2.1. Distribution of the Stock of Government Securities by Sector

The holdings of government securities continued to be dominated by commercial banks during the review year, and it has been trending upwards since 2018. Similar upward trend was visible in the non-bank sector whilst BSL sector depicted a downward trend in 2019.

The holdings of marketable government securities by commercial banks increased by Le576.52bn (19.10%) from Le3,018.86bn end December, 2018 to Le3,595.39bn as at end December, 2019. Non-bank holdings of marketable government securities increased by Le149.21bn (34.36%) from Le 434.24bn end December, 2018 to Le583.45bn as at end December, 2019. On the other hand, BSL holdings of marketable government securities decreased by Le43.43bn (5.21%) from Le833.71bn end December, 2019 to Le790.27bn as at end December, 2019. This was largely because the redemption was higher than the outright purchases of treasury bills from the commercial banks in 2019. The holdings of NASSIT increased by Le10bn (24.70%) to Le50.49bn as at end December, 2019. Figure 3 present the holdings of marketable government securities by sectors.

Figure 19: Holdings of Marketable Government Securities by Sector (in Billions of Leones)



Source: BSL

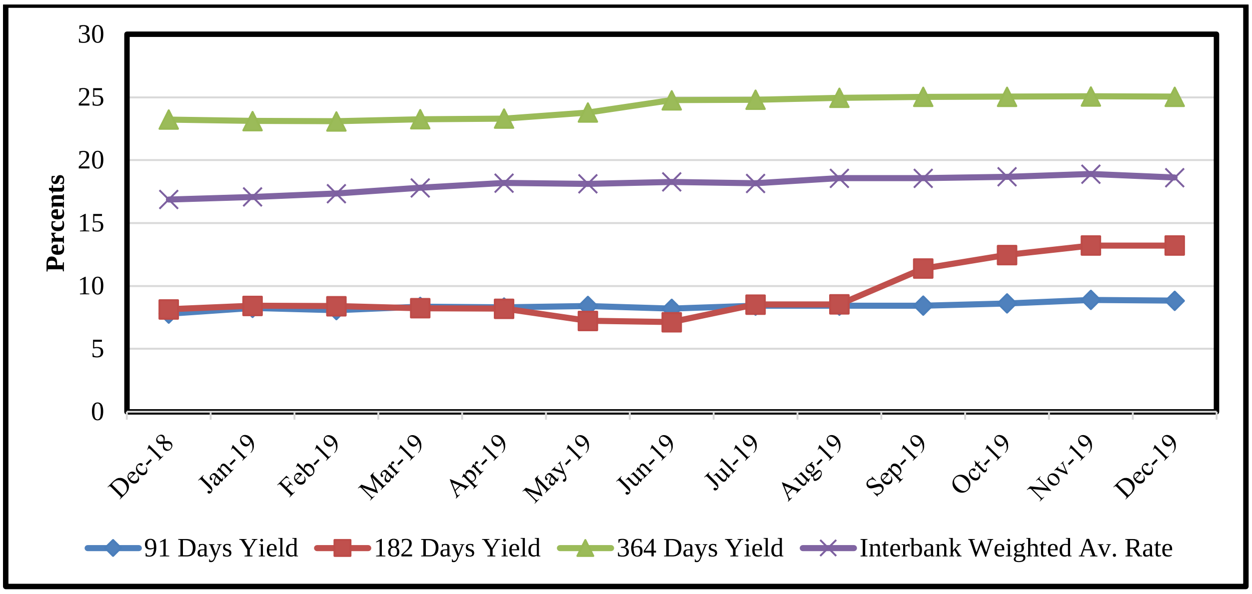
3.3.2.2. Yields of Government Securities (Primary market and Interbank Market)

During the review period, it was observed that the movement in the yields of the 91 days tenure was fairly stable, whilst the yield of the 182 days and 364 days tenures increased gradually. The monthly average annual yield on the 91-days treasury bills increased by 103 basis points from 7.80 percent in December, 2018 to 8.83 percent in December, 2019. The yield on the 182 days T-bills increased by 507 basis points from 8.14 percent in December, 2018 to 13.21 percent in December, 2019. Similarly, the annual yield on 364-days treasury bills increased by 182 basis points from 23.23 percent in December, 2019 to 25.05 percent in December, 2019.

The interbank weighted average yield increased by 173 basis points from 16.88 percent in December, 2019 to 18.61 percent in December, 2019.

The increase in the rates in both the primary market and the interbank market reflects the tight liquidity condition in the banking system. Figure 4 shows the trends in yields of government securities in both the Primary and Interbank markets.

Figure 20: Yields of Government Securities in the Primary Market and the Interbank Market



Source: BSL

3.3.3 BSL Standing Facilities

Access to the BSL Standing Lending Facility (SLF) window increased significantly by Le3,623.07bn (73.41%) from Le4,935.10bn as at end December, 2018 to Le8,558.17bn as at end December, 2019. This was mainly owing to liquidity tightness in the banking system resulting partly from the huge government unpaid arrears.

In the Standing Deposit Facility (SDF) window, the volume of transactions decreased by Le144.50bn from Le690.50bn end December, 2018 to Le546.00bn as at end December, 2019 depicting the tight liquidity condition in the banking system.

3.3.4 Secondary Market Operations

The level of intermediation in the interbank money market increased during the review period. The volume of interbank transactions increased by Le2,209.70bn (89.38%) from Le2,472.30bn end December 2018 to Le4,682.00bn as at end December, 2019.

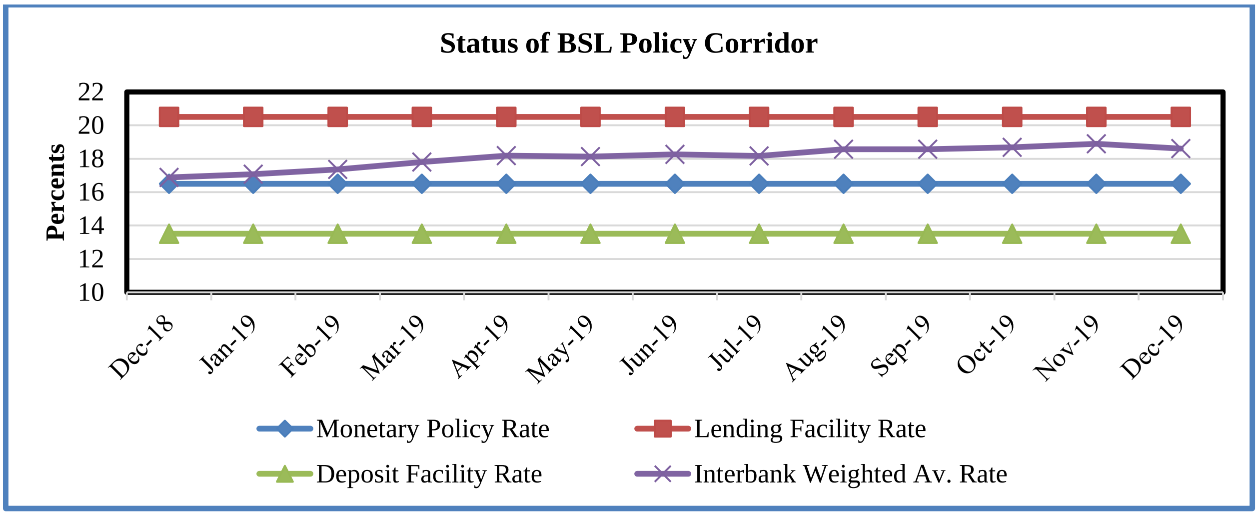
The Bank's intervention in the secondary market through outright purchase of Treasury Bills decreased during the review period. The volume of outright purchases of Treasury bills in the secondary market declined by Le365.27bn (25.44%) from Le1,435.65bn in December, 2018 to 1,070.38bn in December, 2019.

3.3.5. Policy Rates and the Status of the corridor

The Monetary Policy Rate (MPR) which signals the Bank's monetary policy stance remained unchanged at 16.5 percent throughout the review period. Similarly, the Standing Lending Facility and Standing Deposit Facility rates which also serve as corridors within which the interbank market is expected to trade was also unchanged.

The interbank weighted average yield stood at 18.61 percent as at end December, 2019, surpassing the MPR by 211 basis points, suggesting tightness of liquidity in the banking system. Nonetheless, the interbank rate continued to lie within the policy corridor implying improved monetary policy transmission. Figure 4 depicts the trends in BSL Policy Rates and Interbank Average Rate for the period December, 2018 to December, 2019.

Figure 21: Trends in BSL Policy Rates and the Interbank Weighted Average Rate



Source: BSL

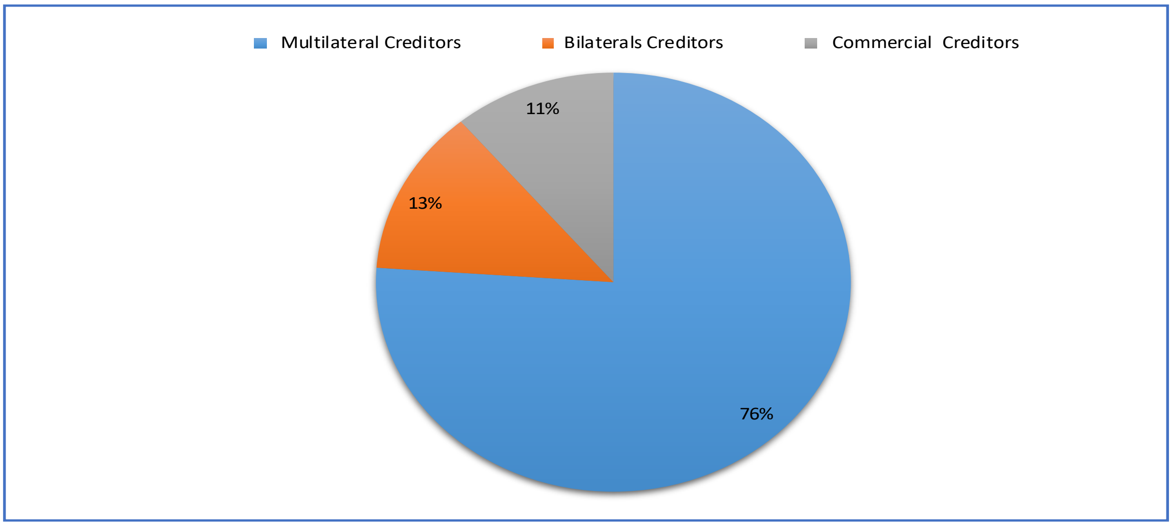
Table 4: Stock of Government Securities Outstanding by Tenor and By Holding (in Millions of Leones)

STOCK OF GOVERNMENT SECURITIES OUTSTANDING BY TENOR AND BY HOLDER (IN MILLIONS OF LEONES)			
	Dec-18	**Dec-19**	**Change**
91 DAYS TBs	**13,165.75**	**3,608.65**	**(9,557.10)**
BSL	52.00	25.50	(26.50)
COMM. BANKS	7,123.50	-	(7,123.50)
NON-BANK PUBLIC	5,990.25	3,583.15	(2,407.10)
o/w NASSIT	-	-	-
182 DAYS TBs	**14,384.35**	**3,334.30**	**(11,050.05)**
BSL	5,573.50	25.00	(5,548.50)
COMM. BANKS	1,500.00	500.00	(1,000.00)
NON-BANK PUBLIC	7,310.85	2,809.30	(4,501.55)
o/w NASSIT			-
364 DAYS TBs	**4,136,319.95**	**4,661,717.00**	**525,397.05**
BSL	828,080.65	786,722.75	- 41,357.90
COMM. BANKS	2,927,788.85	3,338,424.60	410,635.75
NON-BANK PUBLIC	380,450.45	536,569.65	156,119.20
o/w NASSIT	-	*10,000.00*	*10,000.00*
2 YR T BONDS	**122,936.80**	**300,449.30**	**177,512.50**
BSL	-	3,500.00	3,500.00
COMM. BANKS	82,449.80	256,462.30	174,012.50
NON-BANK PUBLIC	40,487.00	40,487.00	-
o/w NASSIT	*40,487.00*	*40,487.00*	-
TOTAL MARKETABLE	**4,286,806.85**	**4,969,109.25**	**682,302.40**
BSL	833,706.15	790,273.25	(43,432.90)
COMM. BANKS	3,018,862.15	3,595,386.90	576,524.75
NON-BANK PUBLIC	434,238.55	583,449.10	149,210.55
o/w NASSIT	*40,487.00*	*50,487.00*	*10,000.00*
3 YR T BONDS	**259,518.20**	**284,518.20**	**25,000.00**
BSL	143,814.20	143,814.20	-
COMM. BANKS	115,704.00	115,704.00	-
NON-BANK PUBLIC	-	25,000.00	25,000.00
o/w NASSIT	-	*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/w NASSIT	*41,071.80*	*41,071.80*	-
10 YR T BONDS	**41,250.00**	**33,750.00**	**(7,500.00)**
BSL	41,250.00	33,750.00	(7,500.00)
COMM. BANKS	-	-	-
NON-BANK PUBLIC	-	-	-
o/w NASSIT	-	-	-
TOTAL NON-MARKETABLE	**668,758.00**	**686,258.00**	**17,500.00**
BSL	511,982.20	504,482.20	(7,500.00)
COMM. BANKS	115,704.00	115,704.00	-
NON-BANK PUBLIC	41,071.80	66,071.80	25,000.00
o/w NASSIT	*41,071.80*	*66,071.80*	*25,000.00*
TOTAL GOV. SECURITIES	**4,955,564.85**	**5,655,367.25**	**699,802.40**
BSL	1,345,688.35	1,294,755.45	(50,932.90)
COMM. BANKS	3,134,566.15	3,711,090.90	576,524.75
NON-BANK PUBLIC	475,310.35	649,520.90	174,210.55
o/w NASSIT	81,558.80	116,558.80	35,000.00

3.3.4. External Debt

Sierra Leone's total stock of external debt as at end 2019 stood at US$1665.62mn, increasing by 5.8 per cent from US$1,574.31mn at end 2018. Debts owed to multilateral creditors continued to dominate the debt portfolio, comprising 76.1 per cent of the total, followed by and bilateral creditors (12.8 per cent) and commercial creditors (11.1 per cent). Outstanding debts to Other Multilateral Creditors, IMF and the World Bank were the main drivers of the high multilateral debt, constituting 24.9 per cent (US$414.3mn), 21.8 percent (US$363.7mn) and 20.9 percent (US$347.96mn) respectively.

Figure 22: Composition of External Debt



Source: Ministry of Finance

3.4. MONETARY SECTOR

3.4.1. Monetary Policy Management

Monetary policy management in 2019 was focused on achieving end-year inflation target of 14.0 per cent, maintaining a stable exchange rate and safeguarding the financial system stability to support growth and economic development. In this regard, the BSL regularly assessed inflationary outlook and monetary conditions in the banking system, and took appropriate actions which culminated in the dampening of inflationary pressures. Accordingly, headline inflation moderated to 13.9 per cent relative to the target of 14.0 per cent for the year 2019.

Monetary policy management was however challenged during the year. This was in part due to the continuous depreciation of the exchange rate, reflecting the structural imbalance between demand for and supply of foreign exchange. Liquidity conditions in the money market were tight, evidenced by the persistent under-subscription in the primary market for government securities and increased commercial banks' access to the BSL Lending Facility window. Furthermore, monetary transmission was limited, with transmission only active in the interbank market. Transmission in the retail market remained weak, due in part to structural issues, including high operating costs of commercial banks.

Accordingly, the Bank maintained a tight monetary stance throughout the year, with Monetary Policy Rate (MPR) maintained at 16.5 per cent to curb inflationary pressures, stabilize the exchange rate and anchor inflation expectations. The Bank participated actively in the secondary market to provide liquidity to the banking sector. The Bank also intervened in the foreign exchange market to smoothen excessive exchange rate volatility.

3.4.2 Developments in Monetary Aggregates

Broad Money (M2) supply grew by 14.31 per cent in 2019, about 0.14 percentage point lower when compared with 14.45 per cent growth recorded in 2018. The growth in Broad Money was reflected in both the Net Domestic Assets (NDA) and Net Foreign Assets (NFA) of the banking system.

NDA of the banking system increased by 15.64 per cent in 2019, which was lower than the 26.91 per cent growth in 2018. The expansion in NDA was due partly to the increase in net claims on the central government by the banking sector, which grew by 19.86 per cent, largely on account of increased borrowing from the commercial banks. Also, credit to the private sector by commercial banks expanded by 23.52 per cent in 2019 compared to the 31.49 per cent growth in 2018.

NFA of the banking system increased by 10.52 per cent in 2019, compared to a contraction of 10.55 per cent recorded in 2018. NFA of the banking system increased due a 193.19 per cent growth in NFA of the BSL, reflecting increased foreign exchange inflows in respect of government budgetary support, timber export, marine resources, mineral license fees royalties and lease, and increased holdings of Special Drawing Right (SDR).

Table 5: Money Supply and its Components

				Jan-Dec 18		Jan-Dec 19	
	2017	**2018**	**2019**	**Change**	**% Change**	**Change**	**% Change**
Reserve money	**2,284.26**	**2,433.26**	**2,735.19**	149.00	6.52	301.93	12.41
Money supply (M2)	**6,522.31**	**7,464.86**	**8,533.02**	942.55	14.45	1,068.17	14.31
Narrow money (M1)	**3,044.03**	**3,409.47**	**4,005.91**	365.43	12.00	596.44	17.49
Currency outside banks	1,530.46	1,732.14	2,039.90	201.68	13.18	307.76	17.77
Demand deposit	1,513.58	1,677.33	1,966.00	163.75	10.82	288.68	17.21
Quasi money	**3,478.27**	**4,055.39**	**4,527.11**	577.11	16.59	471.73	11.63
o.w. Foreign currency deposit	1,751.01	2,070.18	2,231.01	319.17	18.23	160.83	7.77
Time and saving deposit	1,726.70	1,982.25	2,290.91	255.55	14.80	308.65	15.57
Net Foreign Asset	**2,169.22**	**1,940.35**	**2,144.43**	- (228.87)	(10.55)	- 204.08	10.52
BSL	429.65	134.08	393.12	(295.56)	(68.79)	259.04	193.19
ODCs	1,739.58	1,806.27	1,751.32	66.69	3.83	(54.96)	(3.04)
Net Domestic Assets	**4,353.09**	**5,524.50**	**6,388.58**	1,171.41	26.91	864.08	15.64
Net Domestic Credit	**5,868.95**	**7,144.73**	**8,501.45**	1,275.78	21.74	1,356.72	18.99
Government (Net)	**4,372.21**	**5,295.92**	**6,347.43**	923.71	21.13	1,051.51	19.86
o.w.BSL	2,080.12	2,609.51	2,633.69	529.39	25.45	24.18	0.93
ODCs	2,292.09	2,686.41	3,713.74	394.32	17.20	1,027.33	38.24
Private Sector	1,412.91	1,845.32	2,268.66	432.41	30.60	423.34	22.94
o.w. ODCs	1,377.99	1,811.92	2,238.15	433.93	31.49	426.23	23.52
Other Sectors (Net)*	83.83	3.49	(114.64)	(80.34)	(95.84)	(118.13)	(3385.87)
Other Items (Net)	**(1,515.86)**	**(1,620.23)**	(2,112.87)	(104.37)	6.89	(492.64)	30.41
Money Multiplier	2.86	3.07	3.12				

Source: Research Department, Bank of Sierra Leone

From the liability side, M2 growth reflected an expansion in both the Narrow Money (M1) and Quasi Money (QM). Narrow Money increased by 17.4perennt in 2019, compared to 12.00 per cent in 2018, due to an increases in currency outside banks by 17.77 per cent and demand deposits by 17. 21 per cent. Quasi Money grew by 11.63 per cent in 2019, compared to an increase of 16.59 per cent in 2018, due to the increase in both foreign currency deposits by 7.77 per cent and time and saving deposits by 15.57 per cent.

3.4.2a. Reserve Money (RM)

The Reserve Money (RM) expanded by 12.41 per cent in 2019, relative to the growth rate of 6.52 per cent in 2018. The growth in Reserve Money reflected a significant growth in Net Foreign Assets (NFA), while Net Domestic Asset (NDA) recorded marginal growth during the year. NFA of the BSL expanded by more than two-fold in 2019, compared to the decline of 68.79 per cent recorded in 2018. The growth in NDA of the BSL moderated to 1.87 per cent in 2019, compared with the 23.97 per cent increase in 2018, due to the decrease in BSL holdings of government securities and government repayment of the IMF/WB/ADB Bridge Loan financing.

Table 6: Reserve Money and Components

				Jan-Dec 18		Jan-Dec 19	
	2017	2018	2019	Change	% Change	Change	% Change
1. Net Foreign Assets	**429.65**	**134.08**	**393.12**	**(295.56)**	**(68.79)**	**259.04**	**193.19**
2. Net Domestic Assets	**1,854.62**	**2,299.18**	**2,342.08**	**444.56**	**23.97**	**42.90**	**1.87**
2.1 Government Borrowing (net)	2,080.12	2,609.51	2,633.70	**529.38**	**25.45**	24.19	0.93
o.w. 2.11 Securities	1,184.99	1,345.71	1,294.86	**160.72**	**13.56**	(50.85)	(3.78)
2.12 Ways and Means	120.02	75.23	192.40	**(44.79)**	**(37.32)**	117.17	155.74
2.13 GoSL/IMF/WB/ADB Budget financing	988.95	1,418.56	1,294.80	**429.61**	**43.44**	(123.76)	(8.72)
3. Reserve money	**2,284.26**	**2,433.26**	**2,735.19**	**149.00**	**6.52**	**301.93**	**12.41**
o.w. 3.1 Currency issued	1,764.46	1,983.64	2,307.75	**219.18**	**12.42**	324.11	16.34
3.2 Bank reserves	519.24	446.67	422.26	**(72.57)**	**(13.98)**	(24.42)	(5.47)

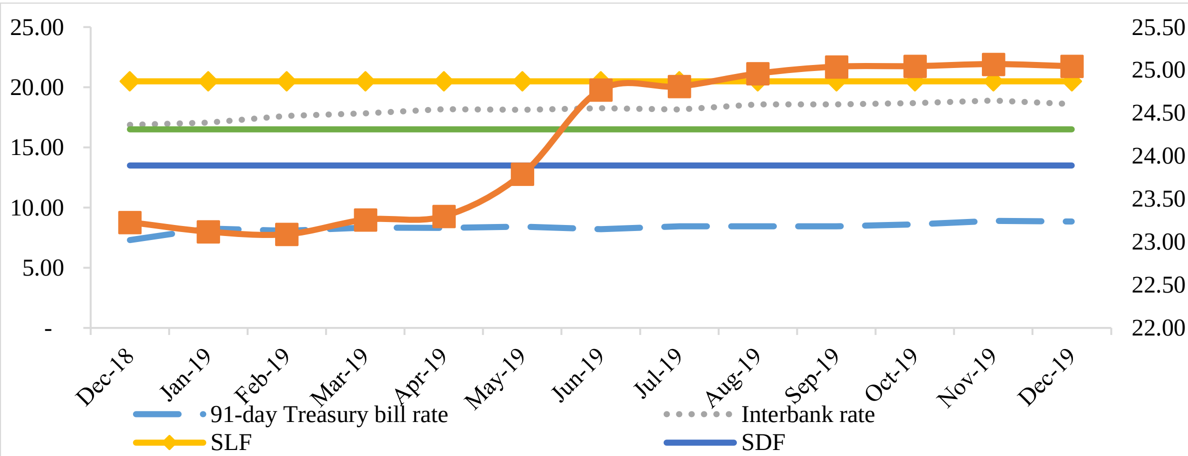
Source: Research Department, Bank of Sierra Leone

From the liabilities side, the growth in Reserve Money reflected a 16.34 per cent increase in currency issued, whilst banks' reserves contracted by 5.47 per cent, relative to the 13.98 per cent contraction recorded in 2018.

3.4.3 Interest Rates Developments

The monetary policy rate (MPR) of the BSL was maintained at 16.50 per cent throughout 2019. Furthermore, the policy corridor rates-the Standing Lending Facility (SLF) and Standing Deposit Facility (SDF) remained unchanged at 20.50 per cent and 13.50 per cent respectively. The interbank rate increased from 16.88 per cent in December 2018 to 18.61 per cent in December 2019, but remained within the policy corridor.

Figure 23: Trends in Interest Rates



Source: Financial Markets Department, BSL

Yields on Treasury Bills

The yields on government treasury bills trended upward during the year 2019. The yields on 91-days, 182-days and 364-days treasury bills increased from 7.30 per cent, 8.14 per cent and 23.23per cent in December 2018 to 8.83 per cent, 13.21 per cent and 25.05 per cent in December 2019 respectively. The demand for government securities continued to be skewed towards the 364-days tenure during the period under review.

Commercial Banks Lending and Deposit Rates

The average lending and deposit rates of commercial banks remained unchanged at 21.35 per cent and 2.38 per cent respectively during the review period. The margin between bank lending rate and deposit rate remained large and reflects low level of bank intermediation.

Table 7: Interest Rates

	2017	2018	2019
91-day Treasury bill rate	8.22	7.3	8.83
182-day Treasury bill rate	7.26	8.14	13.21
364-day treasury bill rate	21.17	23.23	25.05
Interbank rate	13.22	16.88	18.61
Standing Lending Facility	19.00	20.50	20.50
Standing Deposit Facility	12.00	13.50	13.50
MPR	14.50	16.50	16.50
Average Lending rate	21.35	21.35	21.35
Savings deposits	2.38	2.38	2.38

Source: Research Department, BSL

3.5. EXTERNAL SECTOR DEVELOPMENTS

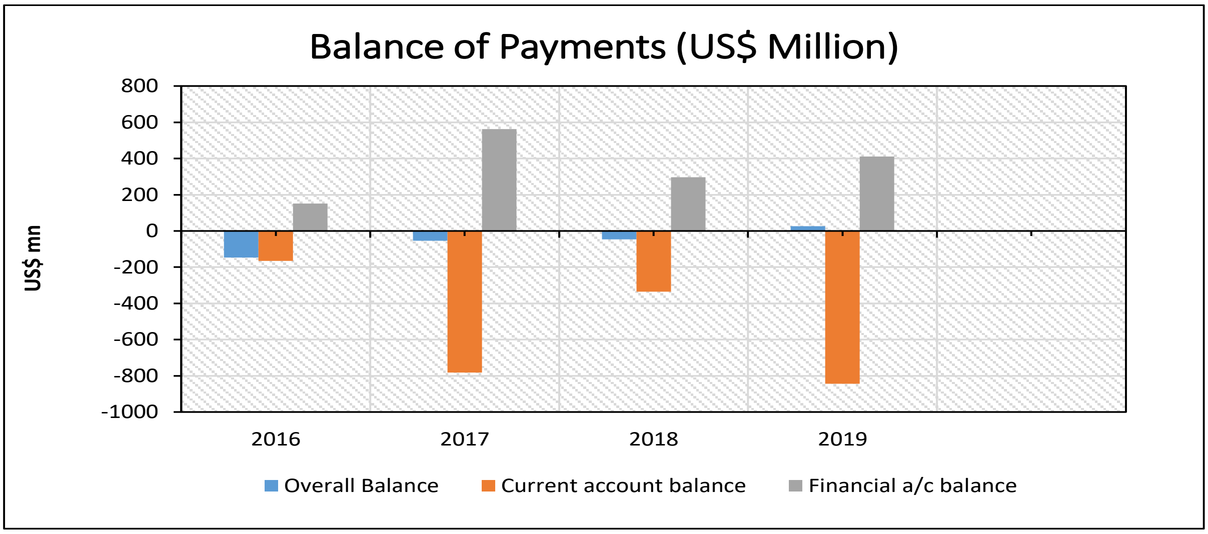
Notwithstanding a subdued global growth in 2019, Sierra Leone's external sector remained relatively buoyant underpinned by improvement in the financial account (excluding reserve assets), services account and the primary income account. Meanwhile the current account balance deteriorated largely due to an expansion in the trade deficit as imports increased more the increase in exports. This was further reinforced by the contraction in secondary income (especially official transfers). The exchange rate for the first nine months of 2019 experienced some volatility which was smoothen out by intermittent interventions through the BSL's foreign exchange auction. However, the Leone was relatively stable during the last quarter of 2019, underpinned by BSL's policy on the prohibition of quoting prices and making payments in foreign currency. There was a modest accumulation in gross foreign exchange reserves during the year under review equivalent to 3 months of import cover.

The economic outlook was estimated to be moderately strong. The return to a normal place of agricultural activity, alongside a gradual and targeted scaling up of public construction and improvement in the business environment are expected to support growth prospects. However, given the outbreak of the coronavirus disease with its attendant disruption to economic activity, growth prospects may be reversed considerably.

3.5.1. BALANCE OF PAYMENTS

In 2019, estimates showed that the overall balance of payment moved from a deficit position of US$46.72mn (1.14 percent of GDP) in 2018 to a surplus position of US$25.61mn (0.62 percent of GDP) in 2019. The improvement in the financial account (excluding reserve assets) mainly, inflows from direct investment accounted for the improvement in the overall balance of payment.

Figure 24: Balance of Payments (Million US$)

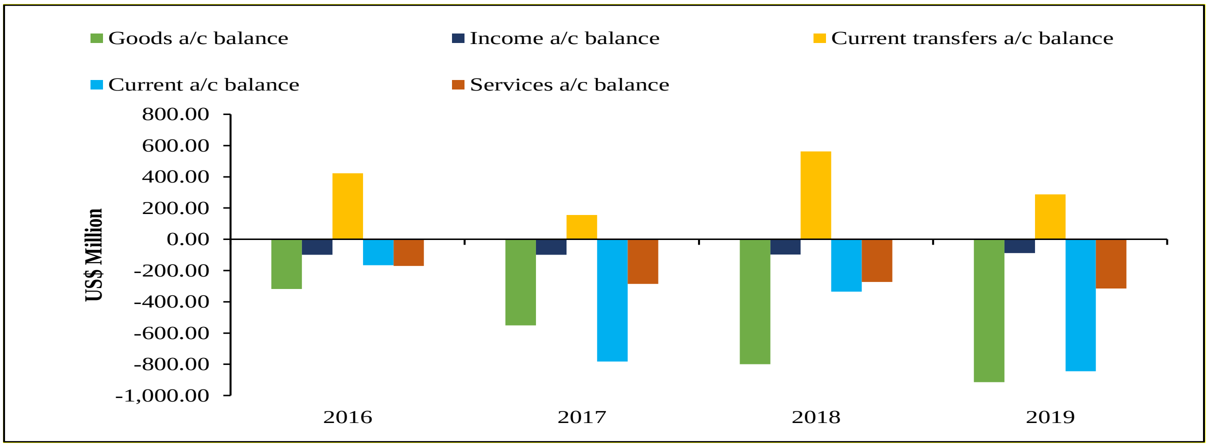


Source: Research Department, Bank of Sierra Leone

3.5.1.1. The Current Account

The current account recorded a deficit of US$843.92mn (20.4 percent of GDP) in 2019, compared to US$335.2mn (8.21 percent of GDP) in 2018, largely due to the deterioration in the trade balance as well as deceleration in the Secondary income due to significant drop in current transfers.

Figure 25: The Current Account



Source: Research Department, BSL

3.5.1.2. Trade Balance

The trade deficit expanded to US$914.89mn (22.09 percent of GDP) in 2019, compared to US$800.09mn (19.6 percent of GDP) in 2018, due to increase in imports which more than outweigh the increase in exports.

3.5.1.3. Developments in the Goods Account:

Merchandise Exports

The value of merchandise exports increased by 19.41 percent to US$661.47mn in 2019, from US$553.95mn in 2018. This development was largely due to the scale up of receipts from mineral, agriculture and other exports. Mineral exports receipts rose to US$399.81mn in 2019 from US$359.03mn in 2018, underpinned by improvement in export proceeds from diamond, bauxite and rutile. Earnings from Gold, ilmenite, iron ore and zircom, however declined during the review period. Receipts from agriculture exports increased to US$83.38mn in 2019 from US$20.93mn in 2018 driven by improved earnings from cocoa, coffee, palm oil, timber and other exports. Meanwhile, proceeds from re-exports and Fish and shrimps deteriorated during the review period.

Merchandise Imports

The value of imports increased by 16.42 percent to US$1,576.4mn in 2019 from US$1,354.05mn in 2018, owing largely to higher import bills for chemicals and manufactured goods. The import bill for chemicals and manufactured goods were US$119.76mn and US$229.55mn in 2019 from US$58.58mn and US$125.28mn in 2018 respectively. Other contributory factors to the increase in the import bill were crude materials, machinery and transport equipment and other import, from US$31.17mn, US$255.55mn and US$104.8mn in

2018 to US$54.12mn, US$355.89mn and US$195.15mn respectively in 2019. Food, beverages and tobacco and Mineral Fuel and lubricants however declined during the review year.

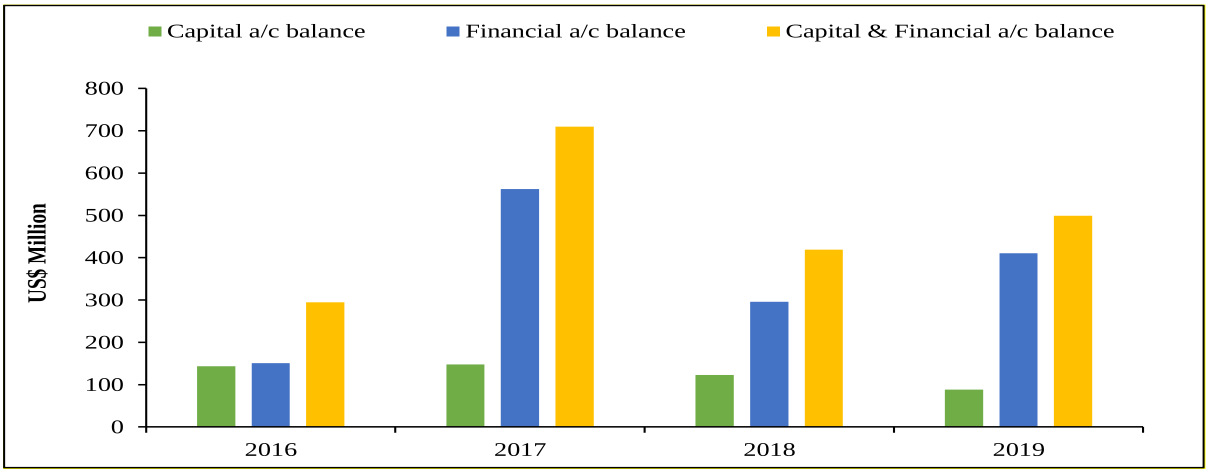
3.5.1.4. The Services Account Income and Current Transfers Account

The services account recorded an increase in net outflows of US$315.5mn in 2019, relative to US$273.5mn in 2018, following increases in payments for transportation, insurance and other business services. Income account deficit narrowed marginally to US$88.3mn in 2019 from US$97.2mn in 2018, largely on account of decline in payments of investment income, particularly other investment incomes. The current transfers balance deteriorated to US$287.8mn in 2019 from US$563.1mn in 2018, mainly on account of a drop in official transfers during the year.

3.5.1.5. Capital and Financial Account

Net inflow in the capital account declined to US$88.54mn in 2019 from US$123.04mn in 2018, largely attributed to drop in project grants. On the other hand, the financial account improved to US$410.53mn in 2019 from US$296.11mn in 2018 due mainly to increased direct investment inflows.

Figure 26: The Capital and Financial Accounts



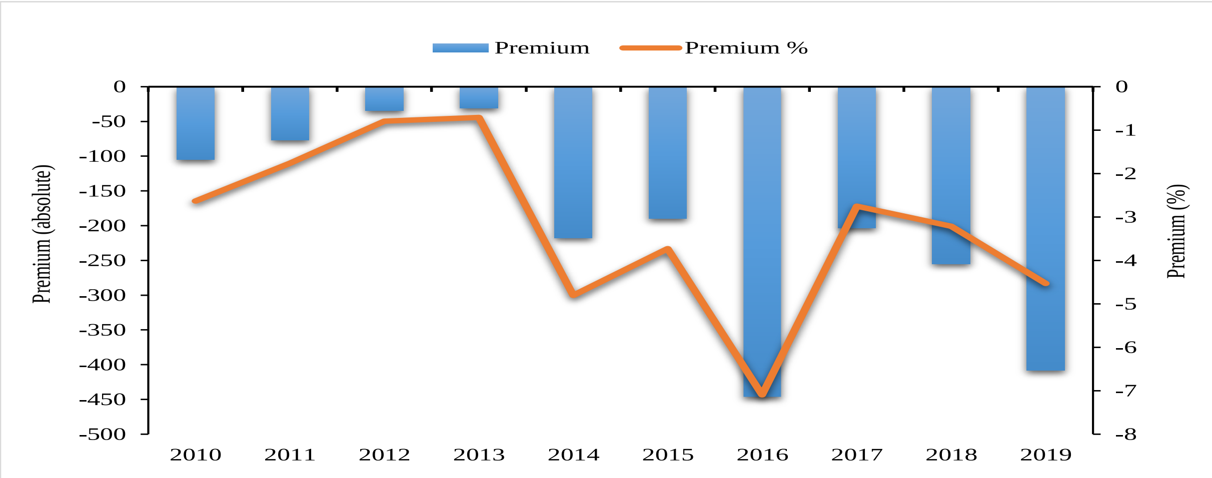
Source: Research Department, BSL

3.5.2 Exchange Rate Developments

The exchange rate of the Leone relative to the US dollar depreciated in all foreign exchange markets in 2019. Despite the BSL's intervention in the market through wholesale foreign exchange auction to smooth out volatility and complement the supply of foreign exchange to support essential imports, the Leone depreciated when compared to 2018. This development was driven by weak performance of exports and increased demand for imports of essential commodities Consequently, the parallel market rate averaged Le9,418.83/US$1, depreciating by 15.05 percent in 2019 from an average of Le8,186.67/US$1 in 2018. The commercial banks rate averaged Le9,136.55/US$1, depreciating by 13.64 percent in 2019 from Le8,039.91/US$1 in 2018. The official market rate averaged Le9,010.35/US$1, depreciating by 13.60 percent from Le7,931.87/US$1 in 2018. The bureaux market rate averaged Le8956.06/US$1, depreciating by 13.34 percent from Le7901.67/US$1 in 2018. Finally, the auction rate averaged Le8,910.89/US$1, depreciating by 10.44 per cent in 2019.

The premium between the Official and Parallel exchange rates widened by 4.53 per cent to Le408.48US$1 in 2019 from Le254.80/US$1 in 2018.

Figure 27: Premium between the Official and Parallel Exchange Rates



Source: Bank of Sierra Leone

3.5.3 Gross Foreign Exchange Reserves

The stock of gross foreign exchange reserves of the Bank of Sierra Leone declined by 6.04 per cent to US$533.15mn in 2019 from US$502.78mn in 2018. The increase in reserves was due to the accumulation of excess inflows of US$241.41mn which outweighed total outflows of US$212.31mn, with a net inflow of US$29.10mn. Consequently, the stock of reserves was enough to cover 3.3 months of imports.

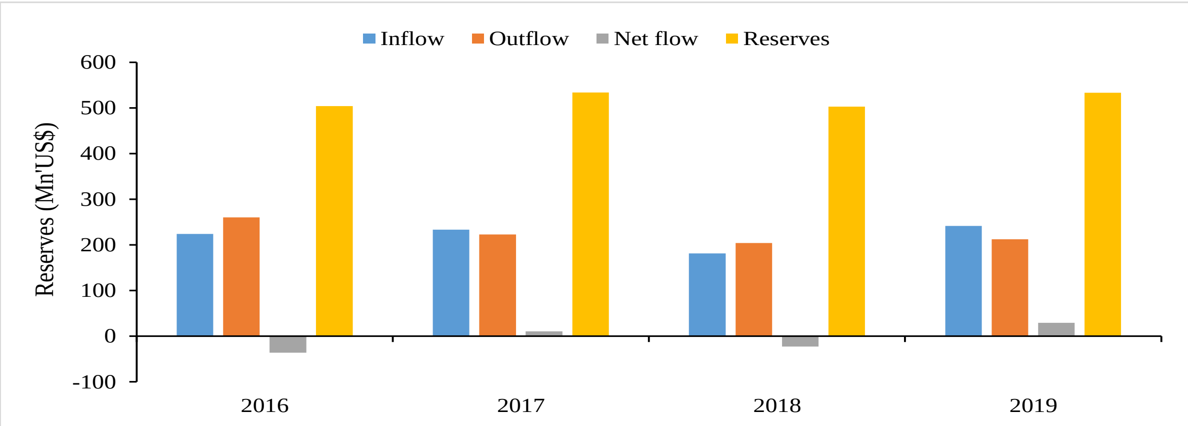
3.5.3.1. Inflows

Major inflows comprised receipts from exports (US$88.48mn), of which royalty payments from Sierra Rutile (US$29.85mn), timber mining (US$25.51mn), fishing royalty (US$8.47mn), bauxite (US$6.08mn), Koidu Holdings (US$6.71mn), other mining receipts (US$6.64mn). Other inflows included, other government receipts (US$15.03mn), transactions with commercial banks of (US$18.38mn), receipts from Timber export of US$9.25mn, government terminal charges on containers (US$5.10mn), disbursements from international financing institutions including; IMF (US$21.59mn), AfDB (US$20.97mn), World Bank (US$39.6mn), European Union (US$23.22mn) and IDB (US$4.16mn).

3.5.3.2. Outflow

Total foreign exchange outflows increased by 3.97 percent to US$212.310mn in 2019 from US$204.2mn in 2018. Significant outflows comprised embassy and mission payments (US$26.1mn), government travel and other government expenditures totaled US$40.01mn, various infrastructure projects (US$11.87mn), interbank market operations (US$59.02mn) and subscription to international organizations (US$3.22mn). Other outflows consisted of debt service payments (US$65.61mn) of which; IMF (US$16.84mn), OPEC/OFID (US$5.72mn), World Bank (US$4.47mn), EC/EIB (US$2.90mn) and AfDB (US$2.22mn)

Figure 28: Foreign Exchange Flows and Reserves Position



Source: Bank of Sierra Leone

3.5.4 Performance on the Rationalized ECOWAS Convergence Criteria

The country's performance on the primary convergence criteria improved significantly in 2019, meeting three out of the four primary criteria, which were fiscal deficit incl. grants/GDP, central bank financing of fiscal deficit and gross external reserves in months of import. The single digit inflation criterion was breached. Under the secondary criteria, the country met only the ratio of public debt to GDP criterion but violated the nominal exchange rate stability criterion.

Table 8: Status of Rationalized ECOWAS Primary Convergence Criteria, 2014-2019

Economic Indicators	Target	2014	2015	2016	2017	2018	2019
Inflation(End Period)	Single digit	7.9	8.9	17.4	15.3	14.3	13.9
Inflation(annual Average)	Single digit	7.2	8.1	11.0	18.3	16.2	14.8
Fiscal Deficit incl. grants/GDP(%)	≤ 3%	3.9	4.9	5.0	9.0	5.3	2.68
Central Bank Financing of Fiscal Deficit as % of previous year's tax revenue	≤ 10%	17.9	10.3	30.9	18.9	18.8	0.77
Gross External Reserves(in months of import cover)	≥ 3 months	3.0	5.0	3.8	3.5	3.8	3.3
Number of criteria satisfied		3	3	1	1	1	3

Source: WAIFEM

Table 9: Status of Rationalized ECOWAS Secondary Convergence Criteria, 2014-2019

Economic Indicators	Target	2014	2015	2016	2017	2018	2019
Exchange Rate Variation	± 10	-13.5	-13.4	-29.1	4.2	4.2	13.6
Public Debt/GDP(%)	≤ 70%	35.9	69.3	55.1	59.1	59.1	58.0
Number of criteria satisfied		1	1	1	2	2	1
Source: BSL							

Source: WAIFEM

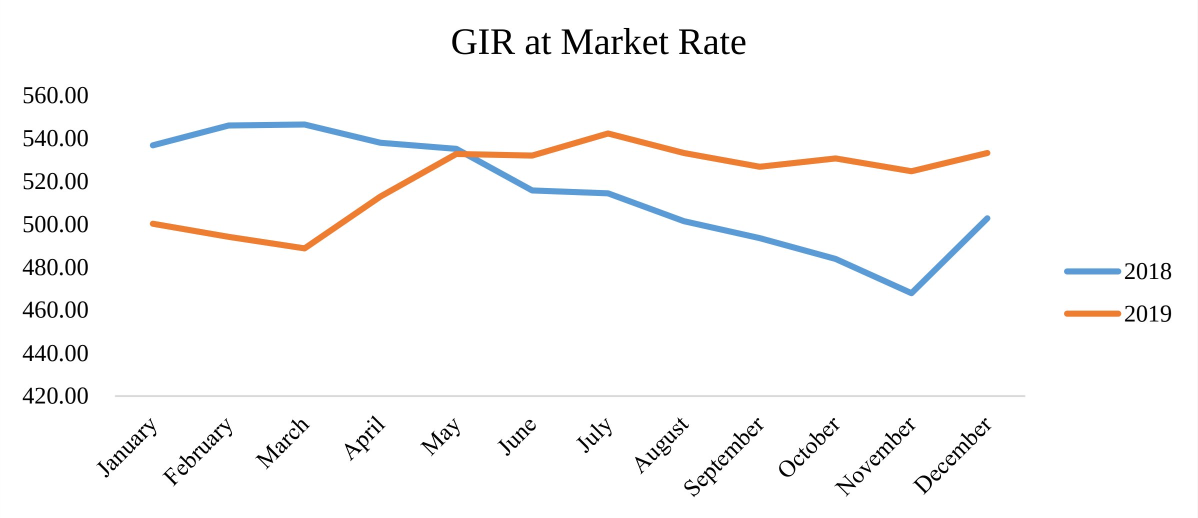
4. DEVELOPMENT IN THE FINANCIAL MARKETS

4.1. RESERVE MANAGEMENT AND INVESTMENT

4.1.1. Foreign Exchange Assets

The actual gross external reserves position of the Bank as at end December 2019 was programmed to increase by USD19.0million from USD502.78million in 2018. However, the stock of reserves as at end December 2019 stood at USD533.15m, showing an increase of USD30.37million or 6%, equivalent to 3.5months of import (see chart 1). This favorable position was due largely to the increased receipts from exports; mining, fishing, timber etc. and expected aid disbursements from IMF, World Bank, AfDB and European Union.

Figure 29: Gross International Reserves at market rate



Source: BSL

During the review period, the stock of gross reserves was supported mainly by inflows from IMF of USD21.59million (comprising of budget financing and BOP support), AfDB USD20.97million, World Bank US$39.67million and European Union of EUR20million (USD23million). Receipts from exports of USD88.48million increased by 30.62 percent when compared to 2018 with a total export receipt of USD67.74million.

The movement in the reserves for the period under review is analyzed as follows:-

4.2. INFLOWS

Total actual inflows recorded for the period January to December 2019 amounted USD241.41mn compared to USD181.22mn in 2018, reflecting an increase of USD60.19mn (75.00%). The performance recorded under inflows is as follows:

- **Receipt from Exports**:

Receipts from exports contributed USD88.48mn (36.66%) of the total inflows of USD241.41million. The bulk of the receipts was mainly realized from royalties and income tax from Sierra Rutile of USD29.85million and Timber mining of USD25.51million.

- **Aid Disbursement:**

Projected donor aid disbursements for the year 2019 was about USD103.44mn (62.49%) of the total projected inflows of USD165.54mn. Actual receipts realized amounted USD111.01mn, of which USD21.59mn was from the IMF (budget financing and BOP support), AfDB USD20.97mn, World Bank USD39.67mn and EU Budgetary Support of EUR20mn (US$23.22m).

4.3. OUTFLOWS

Total payment for goods and services and debt payments amounted to USD212.31million in 2019, as against an original projection of USD167.30million. This represents an increase in expenditures by USD45.01million or 26.9%. The increase was as a result of the BSL's intervention in the FX market, which was not programmed. The bulk of expenditures during the review period was mainly on interbank market operations which accounts for 27.8% of total expenditures. Other expenditures included Embassy/Missions salaries, Other Government expenditures and Debt Service Payments. When compared with 2018, there was only a 4% increase in expenditures from USD204.20million to USD212.31million, accounted mainly by the increase in interbank market operations.

Table 10: BANK OF SIERRA LEONE FOREIGN EXCHANGE CASHFLOW (Jan – Dec. 2018 & 2019 [US$ Mil)

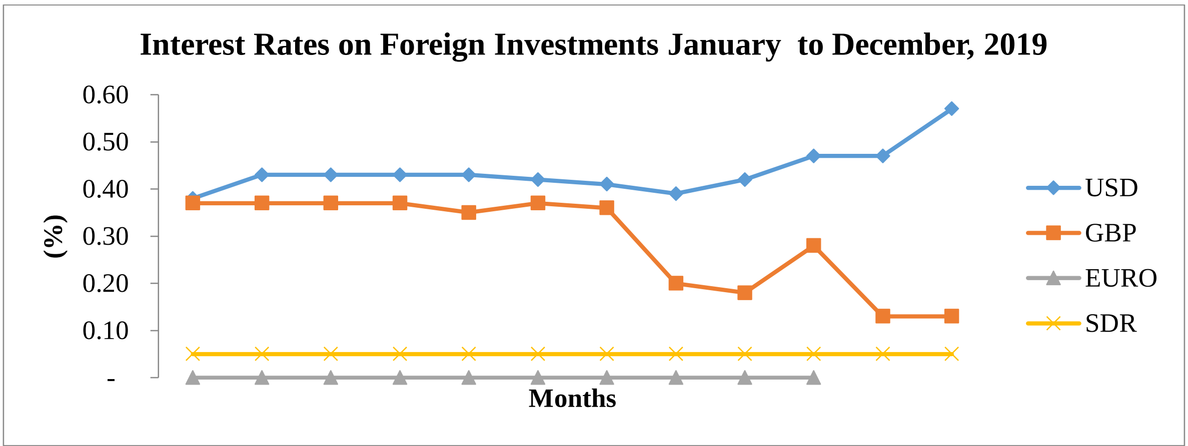
	JAN - DEC 2018	**JAN - DEC 2019**
Inflows	**181.22**	**241.41**
Receipt from exports	**67.74**	**88.48**
Rutile	*21.40*	*29.85*
Bauxite	*7.43*	*6.08*
AML bonus and payee	*0.00*	*0.00*
African Mineral Mining Co./Shan.	*1.16*	*1.13*
London Mining Co./Timis	*0.00*	*0.00*
Cluff Gold Mining Co.	*0.02*	*0.00*
Koidu Holdings	*5.64*	*6.71*
Other Mining Receipts	*5.98*	*6.64*
Diamond License fees	*1.62*	*1.21*
Diamond exporters income tax	*5.84*	*2.88*
Fishing Royalty/License	*9.40*	*8.47*
Timber Mining	*9.25*	*25.51*
Maritime Administration	3.17	3.08
Other Government receipts	20.90	15.03
Petroleum Resources	3.04	0.02
Others (BSL Income)	7.70	9.00
Transactions with Commercial Banks	18.38	9.50
Privatization	5.10	5.28
Aid Disbursements/BOP support	**55.19**	**111.01**
IMF (BOP)	0.00	7.73
IMF (Budget Financing)	21.52	13.86
AfDB	1.03	20.97
UK/DfID	0.00	0.00
WB(budgetary support)	0.00	39.67
WB Loan (pay reform)	1.00	0.00
EU (poverty reduction)	26.62	23.22
Other Multilaterals	0.80	0.05

IDA/World Bank(Forex purchase)	0.00	1.37	
IDB projects	4.22	4.16	
<u>Outflows</u>	**204.20**	**212.31**	
Payments for goods and services	**143.55**	**146.70**	
Embassy/Missions	19.47	26.10	
BSL	9.43	6.45	
Printing Currency	1.98	0.00	
Government Travel	6.46	9.07	
Other Government	23.51	30.98	
New Infrastructure Proj (Roads)	1.51	5.85	
New Infrastructure Proj (Energy)	1.76	6.02	
WB Emergency Ebola Response	0.33	0.00	
Subscription to intl. Org.	3.65	3.22	
Electricity Support (Fuel)	0.00	0.00	
Interbank Market Operations	75.45	59.02	
HIPC related imports	0.00	0.00	
Debt Service	**60.65**	**65.61**	
IMF	18.60	16.84	
World Bank	4.15	4.47	
AfDB	2.07	2.22	
IFAD	0.51	0.52	
EC/EIB	0.90	2.90	
Other multilaterals and bilaterals	27.07	32.94	
OPEC (CIP Arrangement)	7.35	5.72	
Other Commercial Debt	0.30	0.00	
END DEC STOCK OF RESERVES	**502.78**	**533.15**	

4.4. Investment Activities

- The Bank's investment philosophy in 2019 focused on asset preservation and income maximisation with investment duration of 0-12 months.
- Interest and exchange rates movements on permissible investment currencies for January – December 2019 are shown below:-

Figure 30: Interest Rates on Foreign Investments



Source: BSL

- The Bank's approved parameters for investment of foreign reserves included the following:-
    - Eligible banking counterparties shall have a minimum 'A' credit rating.
    - The permissible investment products are overnight or repurchase facilities, US treasury bills and fixed deposits with counterparties with credit ratings of 'AAA'.
    - The total currency holdings for commercial banks in 2018 should not exceed 15%.
    - Not more than 50% of the Bank's foreign reserves will be invested in any one permitted countries with the exception of the USA.
    - Cash holdings to be set at a limit of 1%.
    - Duration of investment is proposed to be short, between 1-3 months, in order to ensure asset preservation and flight to quality.
    - No restrictions in the amount of freely available reserves held in US$ but the exposure to the US Dollar will not be more than 80%.

4.5. Foreign Currency Management

The Bank of Sierra Leone's policy objective for currency management continues to be the holding of reserves in currencies to match the SDR and to meet short term liquidity for payments of goods and services.

Table 11 below shows holdings of currencies by the Bank of Sierra Leone as at end December, 2019 and 2018. As at end 2019, 27.23% was held in SDRs, 61.56% in United States Dollars, 11.03% in Pound Sterling, 0.07% in Euro and 0.11% in Japanese Yen.

Table 11: Holdings of Currencies by the BSL

	Dec-19	**%**	**Dec-18**	**%**
	mn		Mn	
US DOLLAR	328.19	61.56	285.61	56.81
POUND STERLING	58.83	11.03	73.83	14.69
EURO	0.36	0.07	0.75	0.15
JAPANESE YEN	0.57	0.11	0.57	0.11
SDR	145.19	27.23	142.02	28.25
SUB-TOTAL	**533.15**		**502.78**	
DONOR FUNDS				
US DOLLAR	0.00	0.00	0.00	0.00
BALANCES	0.00	0.00	0.00	0.00
TOTAL BALANCES	**533.15**	**100.00**	**502.78**	**100.00**

Source: BSL

4.6. Foreign Exchange Management

The report highlights developments in foreign exchange market from January - December, 2019 in comparison with the levels recorded in the preceding year of 2018 and the likely policy challenges and actions. In 2019, the foreign exchange market witnessed relative stability, despite increased demand pressures experienced in the third quarter. The increased demand pressures coupled with the low supply of foreign exchange resulted to a continuous volatility in the exchange rate during the third quarter. However, BSL's intervention in the FX market to complement the supply of foreign exchange and policy measures to de-dollarize the economy being part of the implementation of the BSL 2019 Act, created relative stability in the FX market to the end of 2019.

4.6.1. Foreign Exchange Flows

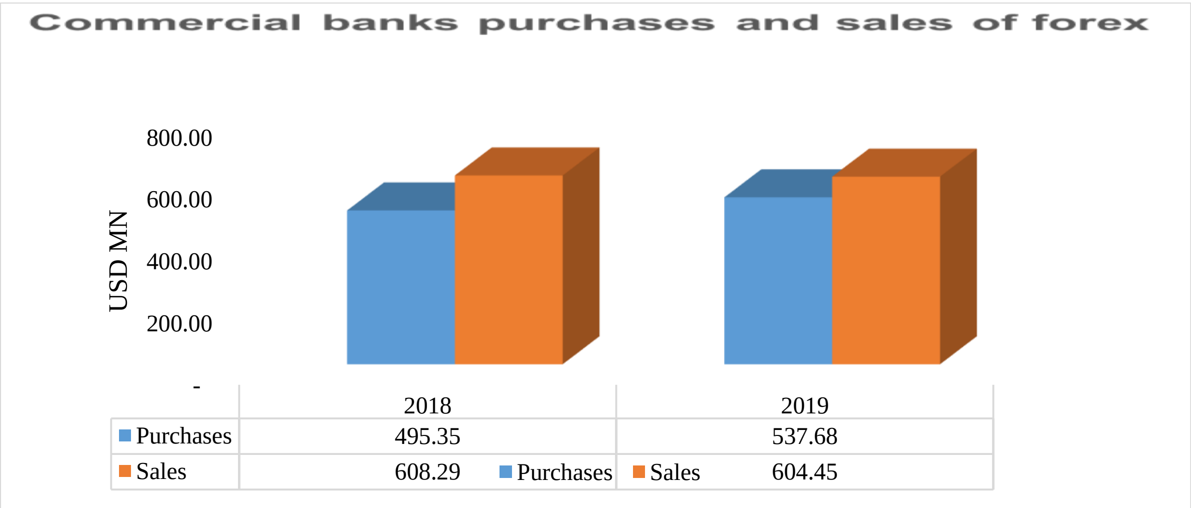
Total amount traded in the foreign exchange market during the period January – December 2019 was USD3.57 billion, which is 18.70 percent higher than the total amount of USD3.01 billion traded in 2018. The monthly average amount traded in January-December 2019 was USD0.30 billion, which was USD0.05billion higher than the amount of USD0.25billion traded in 2018. The marginal increase in foreign exchange flows could be attributed to increased real sector activities particularly in the mining and agricultural sectors.

4.6.2. Purchases and sales of forex by commercial banks

Total purchases for the period January- December 2019 stood at USD0.54 billion as against USD0.49 billion in 2018, indicating an increase of 8.54 percent. The increase was largely due to purchases from Diamond exporters (particularly Koidu Holdings/Octea mining), agricultural sector, International NGOs, authorized dealers, remittances and the service sector.

Conversely, the total sale of foreign exchange by commercial banks marginally decreased by 0.63 percent from USD0.61 billion in 2018 to USD0.60 billion in 2019. The major sectors that accounted for the decrease in FX sales by the commercial banks in 2019 were mobile and Oil marketing companies.

Figure 31: Commercial banks purchases and sales of forex



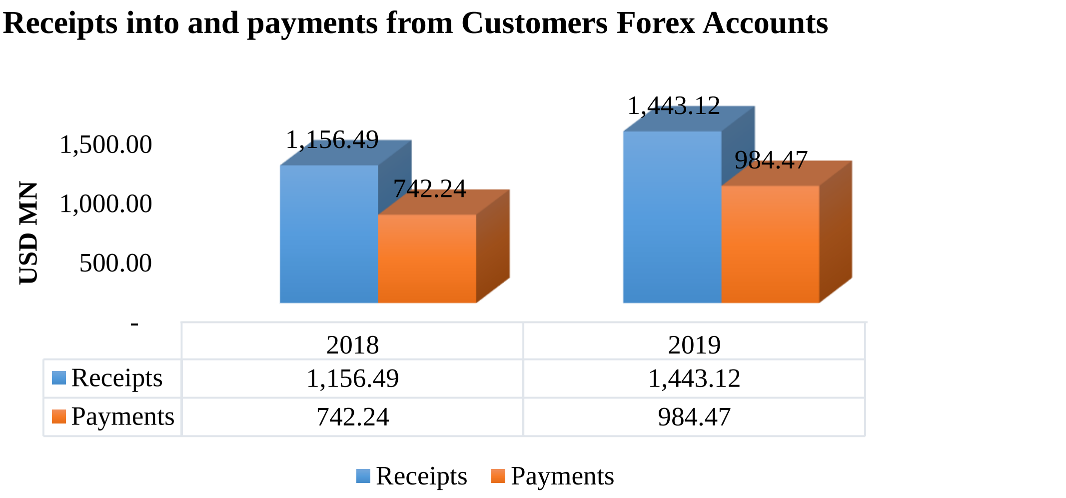
Source: BSL

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

Receipts into customer foreign currency account for the period January – December 2019 increased by 24.78% to USD1.44 billion compared to USD1.16 billion recorded in the same period in 2018. The categories of customers which recorded significant increase in foreign exchange receipts were the mining sector, International Organizations, Agricultural activities, Authorized Dealers and Service Industries.

Payments from customer foreign currency account for the period Jan – Dec 2019 also increased by 32.64% to USD0.98 billion compared to USD0.74 billion recorded in the preceding period of 2018. The increased in payment from CFC accounts was largely due to the increases in the demand for forex from food stuff and manufactured goods importers, Oil Importing Companies, Telecommunication companies, diamond exporters, and Travel and Personal payments.

Figure 32: Receipts into and payments from customers' foreign forex accounts



	2018	2019
Receipts	1,156.49	1,443.12
Payments	742.24	984.47

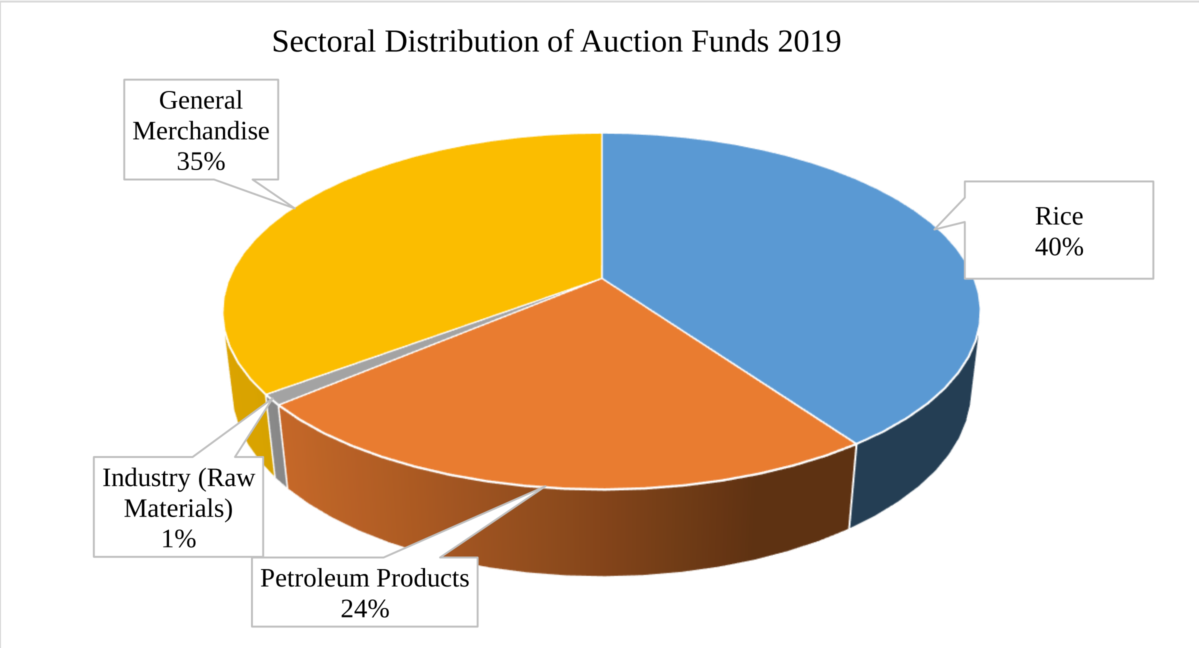
Source: BSL

4.6.4. Foreign Exchange Auction

Although the size of the foreign exchange auction in terms of total foreign exchange market demand has been relatively small over the years, ranging between 5% and 10%, yet the auction complements foreign exchange supply in the market and also serves as a signaling mechanism to anchor market expectations and general macroeconomic perception. The foreign exchange auction also complements monetary operations and provides a means whereby the counterpart Leones realized from the disbursement of donor funds is sterilized.

- The Bank conducted ten (10) auctions in 2019 in order to smooth volatility in the market caused by a mismatch between demand and supply. Total amount offered was USD30.00million, whilst total amount supplied was USD27.80million with total demand of USD31.00million.
- As depicted in the graph below, out of the USD27.80mn supplied, Rice imports accounted for USD10.88mn (40.18%), Petroleum products accounted for USD6.40mn (23.62%), sugar, wheat flour, cooking oil and onions accounted for USD3.86mn (14.24%), other food and provision items USD1.72mn (6.36%) and other general merchandise imports accounted for USD1.13mn (4.16%).

Figure 33: Sectorial Distribution of auction Funds in 2019

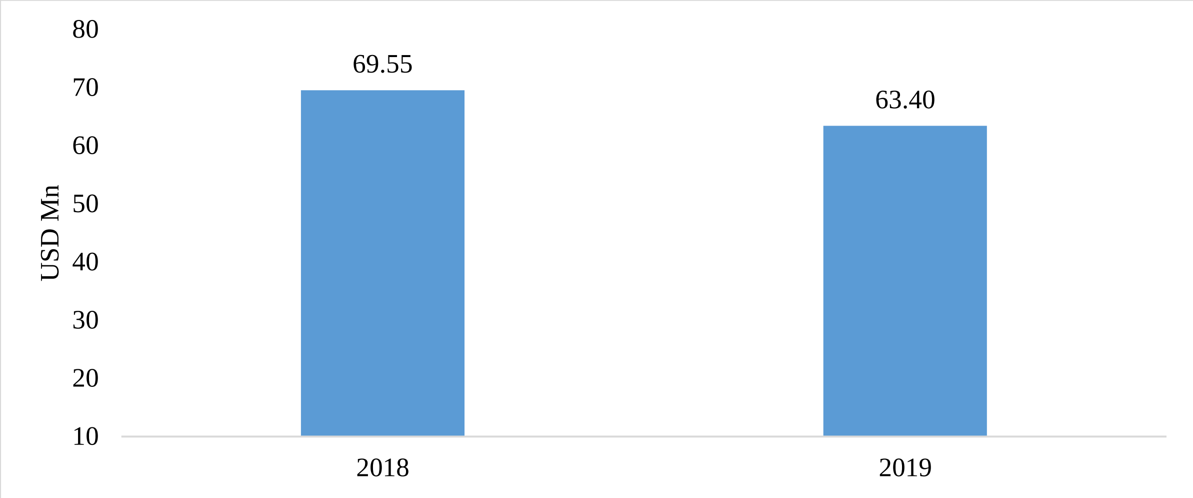


Source: BSL

4.7. Diaspora Remittances

- Total Diaspora remittances for January to December 2019 decreased by 8.84% to USD63.40 million from USD69.55 million in the same period in 2018.

Figure 34: Sectorial Distribution of Diaspora Auction Funds in 2019



Source: BSL

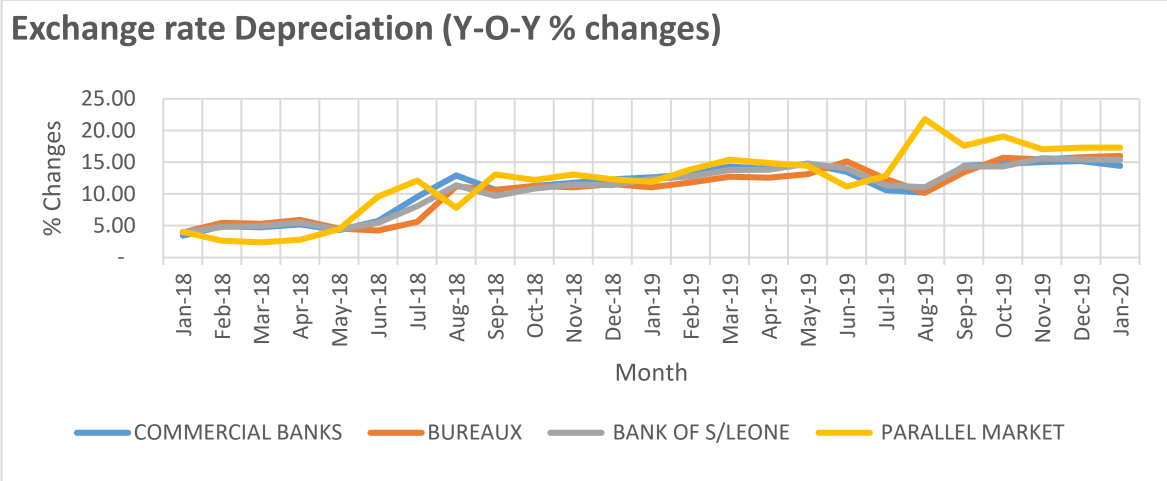
4.8. Interbank market transactions

During the period, interbank market transactions amounted to USD4.46million. The mode of transaction was through cash swap (cash for transfer) between commercial banks.

4.9. Exchange Rate Movements

Reflecting the developments in the volume of the transaction during the review period, the Leone/ US Dollar exchange rate was relatively stable. On year-on year basis, the Official BSL and commercial banks' rates depreciated by 15.45 percent and 15.19 percent respectively from USD/LE8,396.05 and USD/LE8,528.88 in 2018 to USD/LE9,692.90 and LE9,824.68 in 2019, whilst the bureaux and parallel market rates depreciated respectively by 15.81 percent and 17.34 percent from USD/LE8,417.59 and USD/LE8,650.00 in 2018 to USD/LE9,748.17 and USD/LE10,150.00 in 2019.

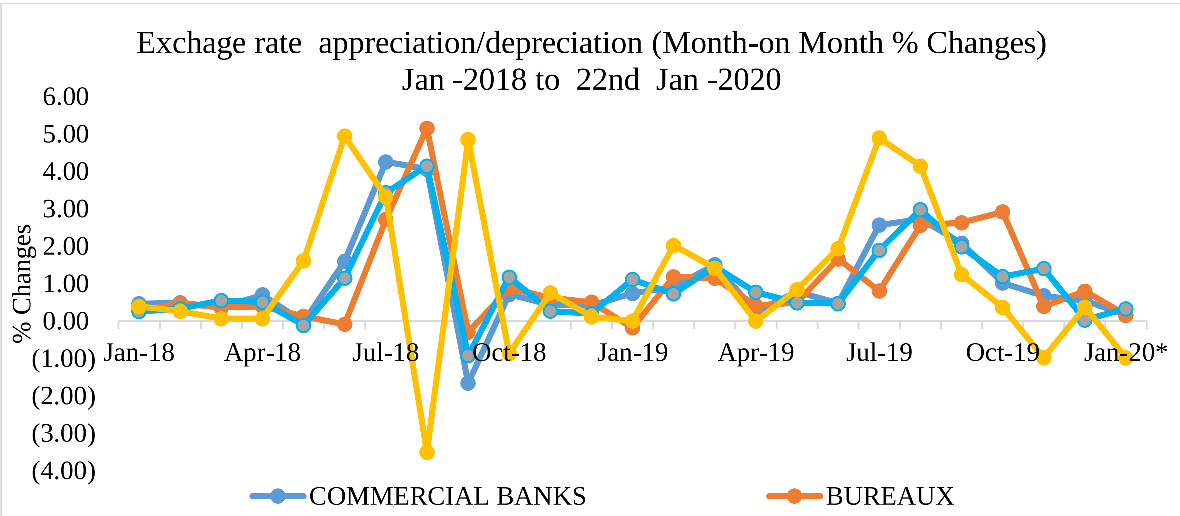
Figure 35: Exchange rate movement (Year-on Year Changes)



Source: BSL

On a month-on month basis, the USD/LE exchange depreciated from quarter one 2019 to quarter two 2019, at a moderate level relative to quarter three 2019 which showed volatility. Quarter four 2019 indicated appreciation and convergence among the various exchange market segments.

Figure 36: Exchange Rate movement (Month-on Month Changes)

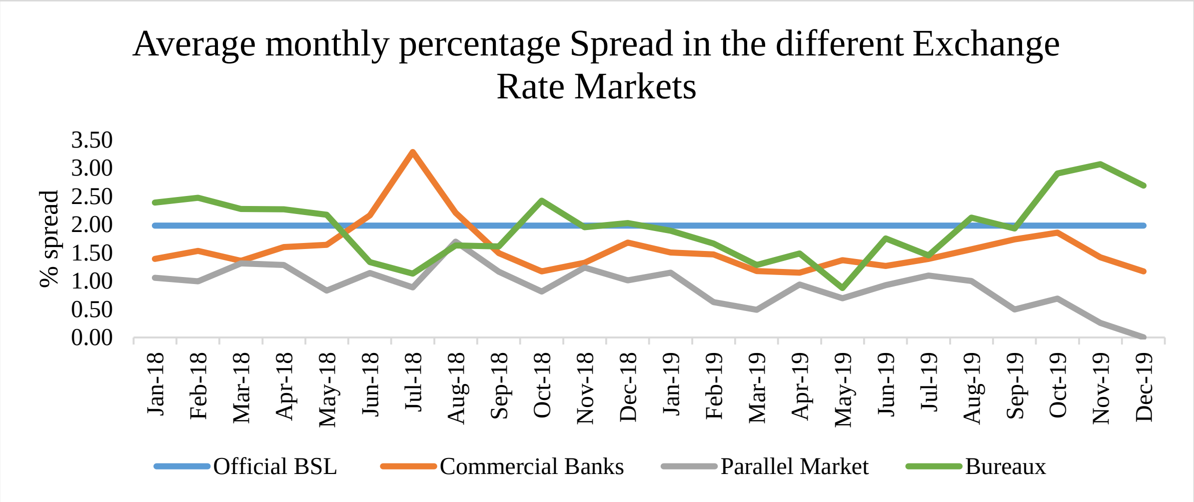


Source: BSL

4.10. Exchange rate spread in the various markets

The percentage spread between the average official BSL buying and selling rates was constant at 1.98 percent. We observed that the percentage spreads for all other market segments were continuously below the BSL 1.98 percent for most part of the review period. The decline in spread for the major market segments in quarter four 2019 signaled the easing of the tightness in the foreign exchange market with its attendant stability in the market exchange rate.

Figure 37: Exchange Rate Spread



Source: BSLO

4.11. Outlook

Looking ahead, the Leone is expected to remain relatively stable against major international currencies on the back of the reform measures implemented during quarter three 2019, coupled with expected donor support in 2020. The stability is expected to be sustained in the near to medium term, in line with expected increase of public and private investments in agriculture, fisheries and tourism as part of Government's effort to diversify the economy. Furthermore, the resumption of iron ore mining and expansion of diamond and rutile production may increase FX flows in the market.

5. FINANCIAL SECTOR DEVELOPMENTS

5.1. BANKING SUPERVISION

5.1.1. Regulatory Enhancement

The Bank of Sierra Leone in its effort to maintain financial stability improved the regulatory environment by enacting the Banking Act 2019, Borrowers and Lenders Act 2019. The Deposit Protection Fund is being setup and a draft bill has been developed. Trainings were also done on IFRS9 to enable examiners do a proper reclassification of the loan portfolio of banks. Several other policy documents were drafted including stress test guidelines and Cyber

Security framework. AML/CFT tools were also given to the banks for updating and banks in turn will resubmit to BSL, which will be used to assess their AML/CFT risks.

5.1.1.1. Banking Act 2019

The Bank of Sierra Leone continued to make strides in its effort at enhancing the regulatory and supervisory framework of the banking system. In this regard, the Banking Act 2011 was revised and enacted in May 2019.

Some of the salient features of the Banking Act 2019 are:

- Updated the existing Corporate Governance provision in line with the Revised Basel Core Principle for the guidance and regulation for commercial banks.
- A detailed framework on Resolution, Receivership and Liquidation.
- Increased the Central Bank's Supervisory and Enforcement Powers in relation to Commercial Banks.
- This Act is applicable to Banks, Financial Holding Companies, subsidiaries, branches and the overseas operations of banks and Financial Holding companies.
- BSL is now empowered by law to examine banks using the risk-based approach.\

5.1.1.2. Borrowers and Lenders Act 2019

An amendment was made to the Borrowers and Lenders Act 2016 with the aid of the IFC Legal Consultant and the new version was enacted in May 2019. The new Act has broadened the scope of the current Registry to include the registration of immovable assets which will transform it into a one stop shop for all securities. It has also allowed individuals and non-incorporated entities which are not licensed and supervised by the Bank of Sierra Leone, to be able to register their security interests.

5.1.1.3. Deposit Protection Bill

Furthermore, the bank with assistance from a consultant provided by the US Treasury Department is in the process of setting up a deposit protection fund. A Deposit Protection Bill has been drafted and is currently being reviewed by the Project Implementation Team of the BSL and external stakeholders. Work is ongoing to develop a model for the size of the protection fund. The bill will be presented to Parliament by the Ministry of Finance for enactment in the coming year.

5.1.2. IFRS 9 Empowerment

The Bank of Sierra Leone has also been working with a consultant provided by the US Treasury Department on the International Financial Reporting Standard (IFRS9). The IFRS 9 is a new accounting standard on financial instruments, which came into effect on 1st January, 2018, replacing the International Accounting Standard (IAS) 39. One of the main differences is a change in provisioning methodology, which stemmed from the lessons learned from the Global Financial Crisis of 2007-09. The Consultant has been working with all the commercial banks, the external auditors and Bank of Sierra Leone to ensure that there is sufficient capacity to implement IFRS 9 reporting standards.

Following a series of engagements with all stakeholders, all commercial banks were able to publish their 2018 financial statements in the IFRS9 format.

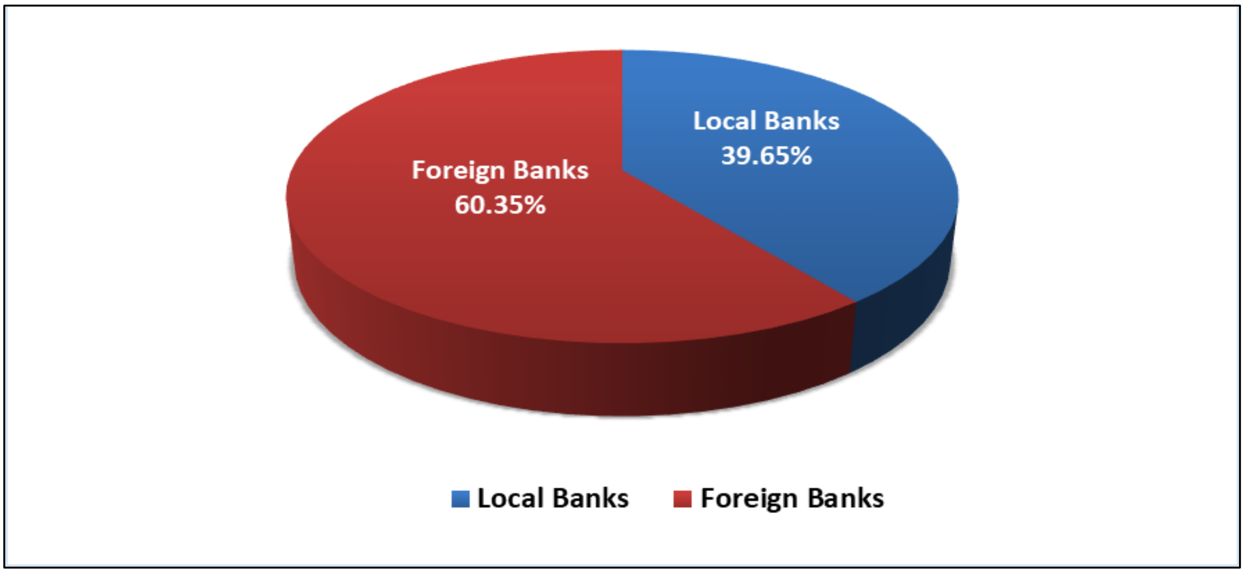
5.2. The Banking System

The total number of Commercial Banks currently operating in Sierra Leone is fourteen (14); comprising ten (10) foreign and four locally owned banks, of which two are state-owned and the other two are privately owned.

5.2.1. Asset Base

The total assets in the banking sector stood at Le9.50trillion as at end December 2019. The four (4) local and ten (10) foreign owned commercial banks accounted for 39.65% and 60.35% of the industry's total assets respectively as illustrated in the figure below.

Figure 38: Asset Base of Commercial Banks as at 31st December 2019



Source: BSL

The asset base of the banking industry increased by Le948.78 billion (11.10%) from Le8.55trillion in December 2018 to Le9.50trillion as at end December 2019.The growth in the asset base was funded by Deposits, recording Le6.8 trillion, Equity Le 1.52 trillion and Other liabilities Le312.95 billion.

Investments in government securities constituted 43.37% of the industry's asset base as at 31st December 2019. Treasury Bills investment constituted 32.45% of total assets, increasing by 9.91% for the year-on-year period from Le2.8 trillion in December 2018 to Le3.08 trillion in December 2019. Other significant asset classes included Net advances and other assets, which constituted 19.01% and 5.74% respectively. All the banks, with the exception of three banks recorded increases in their asset base for the reporting period.

5.2.2. Deposit Mobilization

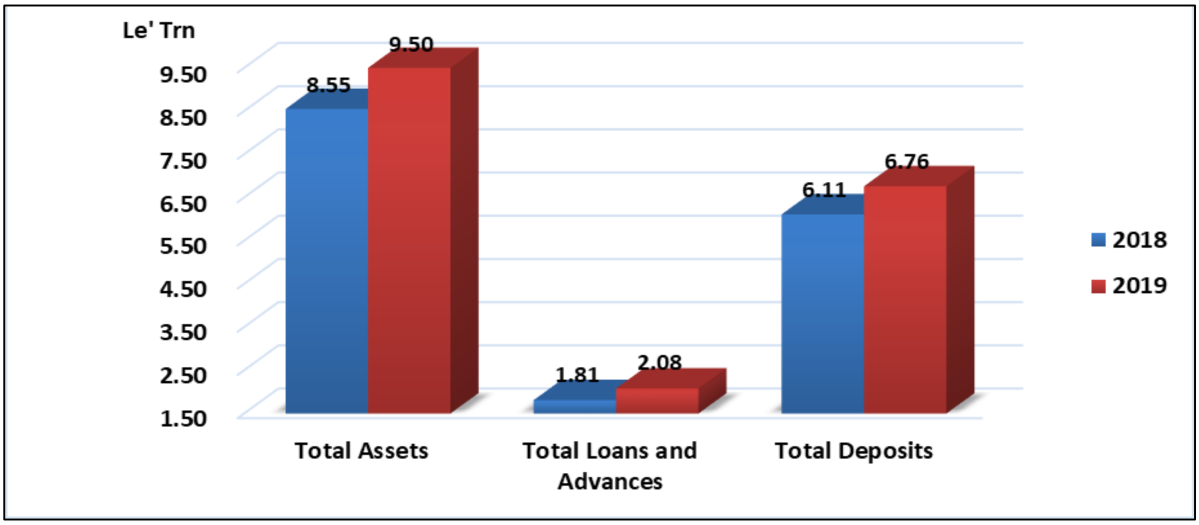
Deposits continued to account for a significant portion of total liabilities, accounting for 71.16% and 71.48%, as at end December 2019 and December 2018 respectively. Demand deposits formed a significant proportion of total deposits as it accounted for 64.53% and 65.44% as at end December 2019 and December 2018 respectively, indicating the highly volatile nature of deposits. During the period under review, savings and time deposits accounted for 25.61% and 9.86% of the total deposits liability, respectively. Deposit increased by Le647.62 billion (10.60%) from Le6.11 trillion as at December 2018 to Le6.76 trillion at end December 2019.

This growth could be mainly attributed to an increase in deposits mobilization by banks through more financial awareness campaigns and the introduction of new products.

Other components of liabilities as at end December 2019, included Shareholders funds, other liabilities and margin against contingent liabilities, accounting for 15.98%, 9.88% and 2.98%, respectively.

5.2.3. Growth of Key Financial Indicators

Figure 39: Total Assets, Loans & Advances and Deposits



Source: BSL

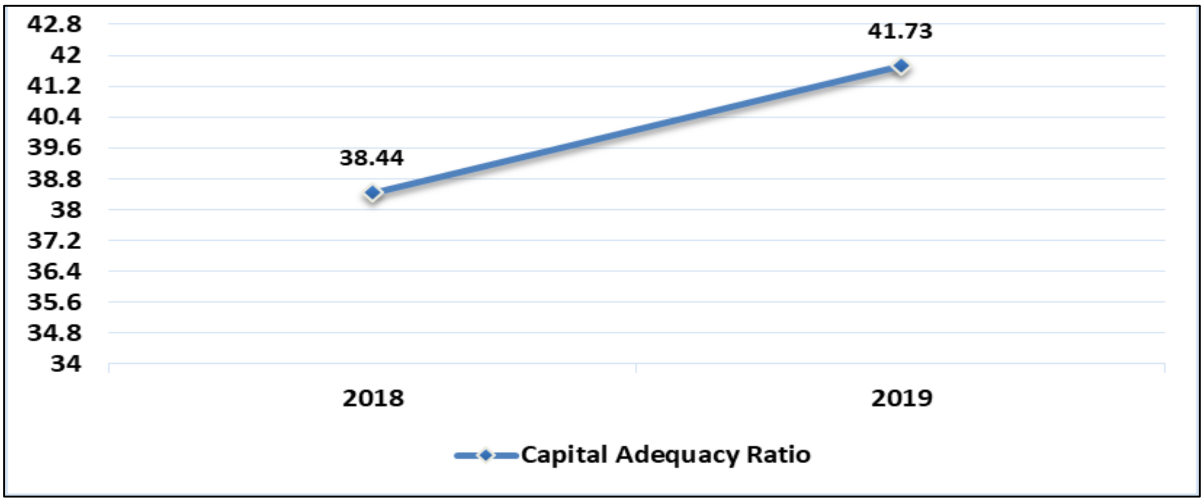
5.2.3.1. Capital

The issued and paid up capital of the banking system grew by Le127.62billion (23.26%) over the year, from Le548.73billion in December 2018 to Le676.35 billion in December 2019.

Some banks did not meet the minimum paid-up capital of Le45 billion required as at end December 2019. However, approval was granted to transfer from statutory reserves and retained earnings for three banks. Whilst others will transfer immediately the external auditors complete their yearly audit.

The industry’s Capital Adequacy Ratio (CAR) recorded 41.73% as at end December 2019, compared to 38.44% for 31st December 2018 and was above the statutory minimum of 15%. All banks, with the exception of one met the CAR of 15% as at end December 2019.

Figure 40: Capital Adequacy Ratio



Source: BSL

5.2.3.2. Shareholders' Funds

Shareholders' funds grew by Le219.01billion (16.86%) from Le1.30trillion as at 31st December 2018 to Le1.52 trillion as at end December 2019. It accounted for 15.98% of the industry's liabilities, for the review period. The shareholders' funds to deposits ratio, stood at 22.46% and 21.26% for end December 2019 and end December 2018, respectively.

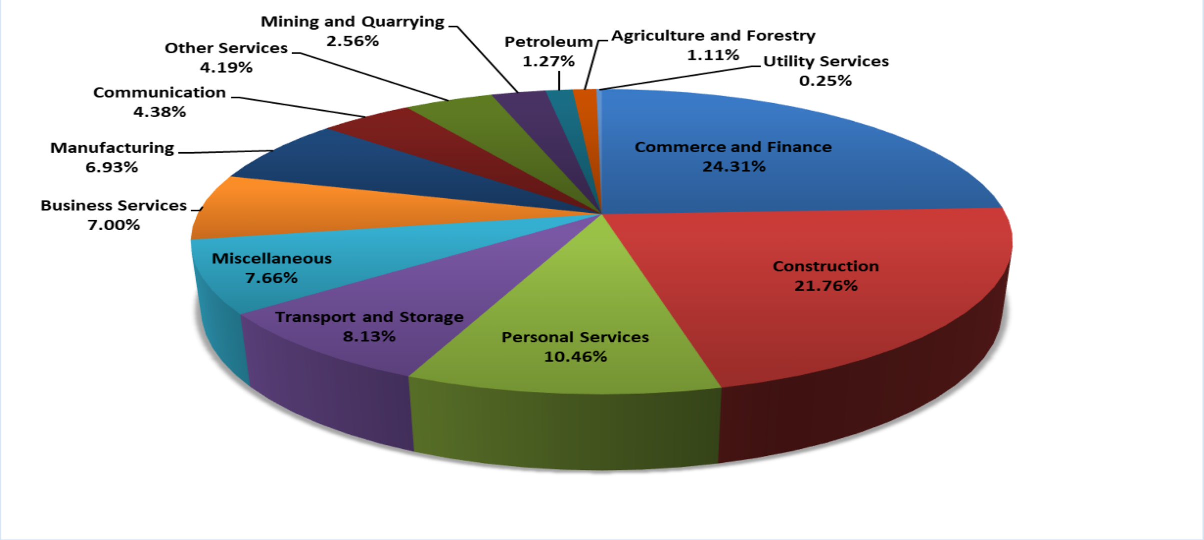
5.3. Credit Portfolio

With the increase in deposits, Gross Loans and Advances increased by Le266.15 billion (14.68%) from Le1.81trillion in December 2018 to Le2.08trillion in December 2019 indicating an increase in intermediation.

5.4. Sectoral Distribution of Loans and Advances

As at 31st December 2019, Commerce & Finance had the greatest share of the credit portfolio with Le504.47billion (24.26%), followed by Construction at Le451.51billion (21.71%) and Personal Services with Le217.15 billion (10.44%). These and all other Sectionsare illustrated in the pie chart below:

Figure 41: Sectoral Distribution of Loans and Advances of the Banking system as at December 2019



Source: BSL

5.5. Non-Performing Loans (NPLs)

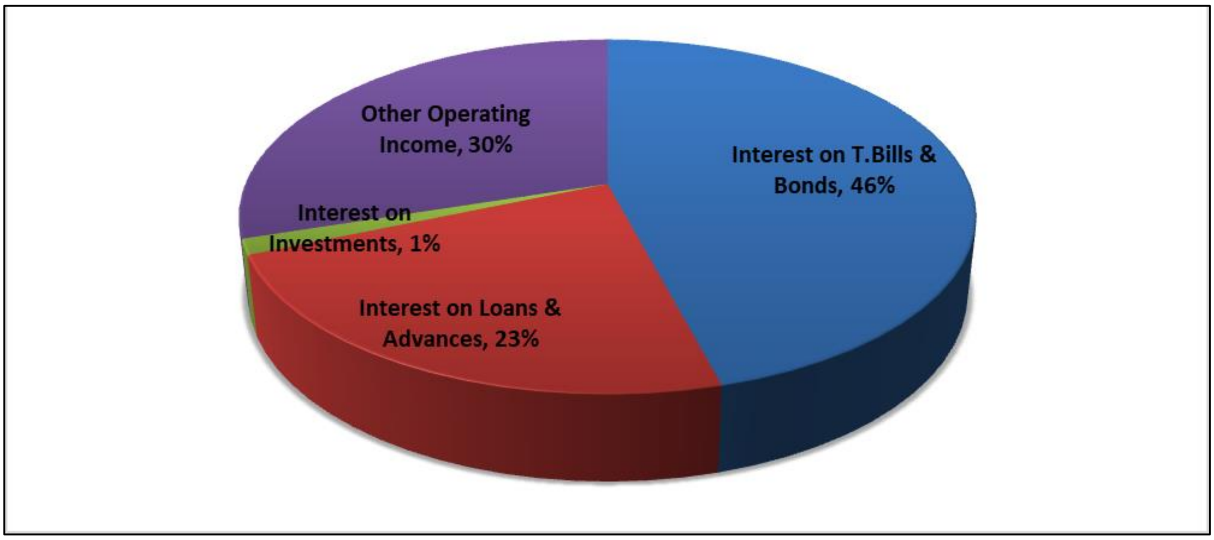
The non- performing loans ratio deteriorated to 16.62% as at December 2019, compared to 12.73% in December 2018. The deterioration was mainly due to fiscal consolidation, which limited payments to contractors, some of whom had taken loans in the banks.

5.6. Profitability

The pre-tax profit for the sector increased by Le69.15billion (14.27%) from Le484.39 billion as at end December 2018 to Le553.53 billion in December 2019. Although interest income continues to be the significant factor accounting for the growth in revenue, it declined by Le46.61billion (4.14%) from Le1.12trillion to Le1.08trillion. This was due to decreases in interest income from loans and advances due to suspension of interest payment as the loan portfolios deteriorated, evidenced in the deterioration in the NPL position of 12.73% in December 2018 to 16.62% in December 2019. However, other operating income increased by Le 60.86billion (15.26%) from Le 398.78 billion as at December 2018 to Le459.64billion in December 2019.

For the period ended 31st December 2019, interest income accounted for more than half of the industry's total income (70.11%), and includes interest on T.bills and bonds (45.83%), interest on loans & advances (22.87%) and interest on other investment (1.41%), while other operating income contributed 29.89% as shown on the pie chart below.

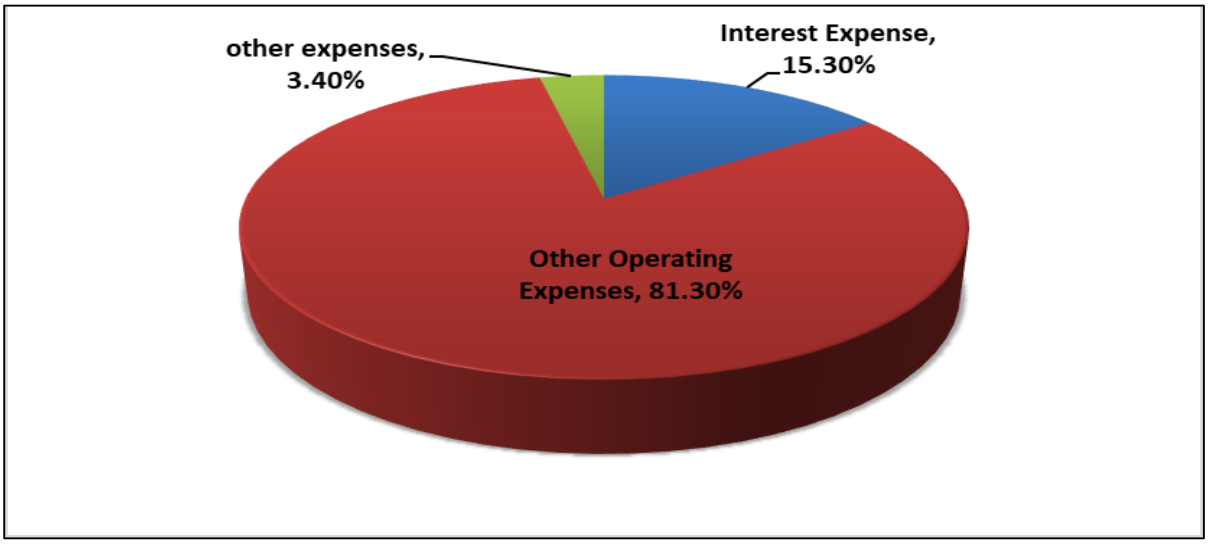
Figure 42: Total Income of the Banking Sector for the Period Ended 31st December, 2019



Source: BSL

On the expenditure side, other operating expenses accounted for a significant proportion of the industry's expenses as it accounted for 81.30%. These included administrative & other costs (40.64%), Staff costs (31.06%) and others (9.59%) of total expenses. Interest expenses was 15.30%, while other expenses accounted for 3.40% for the period ended 31st December 2019 as indicated on the diagram below.

Figure 43: Total Expenses for the Period Ended December 2019



Source: BSL

5.7. Liquidity

The cash reserve ratio for end December 2019 stood at 17.72%, compared to 17.59% registered for end December 2018. Both ratios were above the statutory minimum limit of 12%, with surpluses of 5.72% and 5.59%, respectively. The industry also met the overall liquidity requirements, recording 107.97% and 67.91%, in excess of the prudential average ratios of 29.74% and 33.08% in December 2019 and December 2018, respectively. This was due to the high investment by banks in treasury bills as the government appetite for domestic borrowing increased.

5.8. Foreign Exchange Risks

The banking sector as a whole was not susceptible to foreign exchange risks as the aggregate and single net open positions for the various single currencies were recorded at -1.75% for aggregate and the individual currencies ratios of USD-4.66%, GBP 2.30%, EURO 0.60% were all within the statutory requirements of +/-25% and +/-15, respectively. All banks met the statutory limits of the aggregate Net open position with the exception of one. Four banks did not meet the single net open position for USD and one bank failed to meet the single net open position for the Euro. The share of foreign currency liabilities to total liabilities stood at 28.29%.

Table 12: SOLIDATED PROFIT AND LOSS ACCOUNT FOR THE BANKING INDUSTRY (UNAUDITED) FOR THE PERIOD ENDED 31ST DECEMBER 2019

	2019	2018
	Le 000	**Le 000**
Interest Income	1,077,941,207	1,124,551,449
Interest Expenses	-150,546,607	-313,956,725
Net Interest Income	927,394,600	810,594,724
Loan Loss Provision	-33,504,704	-32,137,017
Net Intermediation Income	893,889,896	778,457,707
Other Operating Income	459,637,785	398,781,172
Total Operating Income	1,353,527,681	1,177,238,879
Other Operating Expenses	-799,993,453	-696,568,583
Net Operating Income	553,534,228	480,670,296
Other Income	0	3,718,528
Profit before Tax	553,534,228	484,388,824
Taxation	-171,777,325	-145,747,468
Profit after Tax	381,756,903	338,641,356

Table 13: Consolidated Balance Sheet of the Banking System as at 31st December 2019

ASSETS	Dec-19	Dec-18
Cash:	432,611,089	482,144,716
Claims On Financial Institution	2,220,816,186	2,363,920,057
Investment:	4,118,883,549	3,191,399,023
Net Advances:	1,806,015,255	1,660,260,939
Other Assets	544,818,238	466,523,601
Fixed Asset :	373,837,732	384,010,941
Intangible Assets	916,861	857674
Total Assets	**9,497,898,910**	**8,549,116,951**
LIABILITIES		
Issued & paid -up	676,347,546	548,726,680
Statutory Reserve	360,089,743	319,090,541
Revaluation Reserve	41,299,859	41,299,858
General Reserve	65,980	65,980
Other(Purchase of shares & propose	96,136,033	97,301,711
Retained earnings	(37,669,170)	(46,110,076)
Current profit	381,756,903	338,641,357
Perpetual Surbordinated Term debt	0	2
Short Term Borrowings	269,066,199	209,278,728
Long Term Borrowings	122,555,880	99,985,564
Takings and other financial Instrume	57,795,372	32,999,803
Balances due to Financial Institution	4,379,491	49,143,863
Other Deposits	0	0
Deposit:- Financial Institution:	0	0
Local Deposits	4,255,553,696	3,771,385,153
Foreign	2,503,076,239	2,339,621,268
Special Deposit	171,826,391	128,351,380
Margins Against Contingent Liabs.-	282,673,000	364,900,604
Other Liabilities:	312,945,748	254,434,535
Total Liabilities	**9,497,898,910**	**8,549,116,951**

Source: BSL

5.9. Financial Soundness Indicators

Table 14: Financial Soundness Indicator Table

INDICATORS	Dec-19	Dec-18
CAPITAL ADEQUACY	**%**	**%**
Regulatory capital to risk-weighted assets (%)	41.73	38.44
Primary capital to risk-weighted assets (%)	33.91	29.60
Capital (net-worth) to assets (%)	15.98	15.19
ASSET QUALITY & COMPOSITION		
Non- Performing Loans as a % of Total Advances	16.62	12.73
Loan Loss Provisions as a % of Non -Performing	71.89	48.67
PROFITABILITY AND EFFICIENCY		
Return on Assets	7.60	6.11
Return on Equity Funds	28.21	27.25
Net Interest Spread	13.57	12.56
Expense to income ratio	64%	68.28%
LIQUIDITY		
Cash Ratio	17.72	17.59
Overall Liquidity Ratio	107.97	67.91
SENSITIVITY TO MARKET RISKS		
Percentage of aggregate Net Open position to capital Base	-1.75%	-12.80%
Percentage of single currency open position to capital base (%)USD	-4.66%	-14.20%
Percentage of single currency open position to capital base (%) GBP	2.30%	2.82%
Percentage of single currency open position to capital base (%) EURO	0.60%	-1.41%

Source: BSL

Table 15: Account holders in the Banking system as at 31st December 2019

TYPE OF ACCOUNT	SCB	RCB	SLCB	UTB	GTB	FIB	FBN	ECO	AB	UBA	SKYE	ZEN	KSB	CMB	BANKING SYSTEM
Current - Domestic	1,365	17,603	92,534	12,915	25,497	22,541	2,366	34,216	4,296	19,279	1,821	8,421	3,864	2,563	249,281
Foreign	1,634	6,103	0	710	11,292	1,339	918	5,197	1,553	7,215	0	0	1,407	975	38,343
Savings: Domestic	10,750	141,814	222,682	96,504	157,801	68,216	4,868	19,380	16,721	63,595	3,770	22,892	20,494	3,638	853,125
Foreign	0	0	0	0	286	1,261	163	48	0	0	2,150	5,461	0	0	9,369
Time - Domestic		345	815	862	708	29	36	8	8	45	12	124	10	21	3,023
Foreign	53	0	0		0	0	0	1	0	3	0	0	0	0	57
Total	**13,802**	**165,865**	**316,031**	**110,991**	**195,584**	**93,386**	**8,351**	**58,850**	**22,578**	**90,137**	**7,753**	**36,898**	**25,775**	**7,197**	**1,153,198**

Source: BSL

Table 16: Number of Commercial Bank Branches as at 31st December 2019

BANK	**No. of Branches 2016**	**No. of Branches 2017**	**No. of Branches 2018**	**F/T**	**W/loo**	**Bo**	**Moyamba**	**Pujehun**	**Njala**	**Kenema**	**Kono**	**Kailahun**	**Makeni**	**Magburaka**	**Lunsar**	**Lungi**	**Mile 91**	**Pepel**	**Bumbuna**	**Port Loko**	**Kabala**	**Kambia**	**Total**
RCB	12	12	12	8	-	1	1	1	-	1	1	-	1	-	-	-	-	-	-	-	1	-	15
SLCB	13	13	13	5	1	1	1	-	1	1	1	-	1	-	-	-	-	-	-	1	-	-	13
SCB	4	4	4	3	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2
UTB	12	12	12	3	-	1	-	-	1	1	1	-	-	1	1	-	1	-	-	-	1	1	12
GTB	15	15	15	8	-	1	-	-	-	1	1	-	1	-	1	1	-	1	1	-	-	-	16
FIB	17	17	17	8	1	1	-	-	-	1	1	1	1	1	-	1	-	-	-	1	1		18
FBN	2	2	2	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2
ECO	10	10	10	4	1	1	-	-	-	1	1	-	1	-	1	-	-	-	-	-	-	-	10
ACCESS	4	4	4	3	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	4
UBA	6	8	8	6	-	1	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	8
SKYE	3	3	3	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3
ZENITH	4	4	5	4	-	1	-	-	-	1	-	-		-	1	1	-	-	-	-	-	-	8
KEYSTONE	3	3	3	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3
CMB		1	1	1																			1
Total Number of Prov. Branches																							
Grand Total	97	101	**109**	**61**	**3**	**8**	**2**	**1**	**2**	**7**	**6**	**1**	**7**	**2**	**4**	**2**	**1**	**1**	**1**	**2**	**3**	**1**	**115**

Source: BSL

5.10. RECENT DEVELOPMENT

Enhanced Supervisory Framework-: A World Bank team completed the review of the two state owned banks in September 2019. During the mission, they met with various stakeholders including Ministry of Finance, Bank of Sierra Leone, auditors of the banks and customers. Examinations of these two banks will be used to determine the status of the banks, which will inform policy decisions going forward.

Collateral Registry: The Bank is in the process of implementing the next phase of the Collateral Registry project following the passage of the Borrowers and Lenders Act, 2019. This would include the upgrading of the Collateral Registry System and the drafting of a new regulation among others. Furthermore, the Bank has requested assistance from the World Bank for a study to be conducted on moveable assets, financing Sierra Leone and its challenges.

Risk Based Supervision: The implementation of Risk Based Supervision is fully on course following its launch on 1st March 2019. Banks have been co-operative with very few surmountable hitches. The Risk Based Supervision Framework has been published and full implementation is in progress. A manual has been developed with assistance from IMF/AFRITAC to ensure greater efficiency in the supervisory process. The Banking Supervision Department undertook nine (9) full scope examination and two (2) targeted RBS examinations in 2019.

Deposit Insurance Scheme: The draft bill has been circulated to all stakeholders for comments. The final draft will be sent to the Ministry of Finance for review and onward transmission to the Law Officers Department before presenting to Parliament for enactment.

AML/CFT: The Country was subjected to a Mutual Evaluation exercise by GIABA. The 1st draft of the Mutual Evaluation Report has been issued by GIABA. The final report will be presented by mid-2020 at the GIABA plenary session. The BSL, FIU and other stakeholders are collaborating on a National AML Strategy.

Credit Reference Bureau: The BSD continues to work with KIVA to modernize the Credit Reference Bureau. Work on customers accessing their national identity digitally is far advanced and the pilot stage has commenced with the expectation of completion of the project by mid-2020.

Consumer Protection: The Bank has been receiving numerous complaints from the public relating to problems with the banks, which they felt was not satisfactorily handled. BSL has set up a Consumer Protection Section to handle these complaints. The Bank has been able to resolve a number of issues to the satisfaction of the various parties. The Bank has also drafted Consumer Protection guidelines which will also detail the role of the banks in handling complaints. This is being reviewed by internal and external stakeholders.

5.11. CHALLENGES

In the near term, some banks may face challenges in meeting the increase in the statutory minimum capital requirement as well as any additional capital requirement which may be requested for the implementation of IFRS 9.
Payment delays in government arrears may deteriorate the quality of the assets portfolio of selected banks.

5.12. OUTLOOK

In the near to medium term, the banking sector will continue to be stable, especially taking into account the performance of the prudential ratios.

Increase in the minimum paid up capital requirement will strengthen bank's capacity to absorb losses and will increase their ability to give out more loans and advances.

5.13. Conclusion

The banking sector is projected to maintain an upward trend for 2020, as a result of the positive trend in the financial soundness indicators and BSL's efforts to continue to strengthen the legal and regulatory framework, which might impact positively on assets quality and the continued stability of the Banking Sector.

6. OTHER FINANCIAL INSTITUTIONS

6.1. INTRODUCTION/BACKGROUND

The Other Financial Institutions (OFIs) sector in Sierra Leone comprises of Community Banks (CBs), Financial Services Associations (FSAs), Microfinance Institutions (MFIs), Discount Houses (DHs), Leasing Companies, Savings and Loans Institutions, Foreign Exchange Bureaux, Mobile Money Network Operators, Mortgage and Savings Institutions, Cooperative Societies, etc. This report covers financial institutions licensed by the Bank of Sierra Leone under the Other Financial Services Act, 2001 that submitted returns for the period under review which include, four (4) Deposit-taking MFIs (DTMFIs), thirteen (13) Credit-Only MFIs, Seventeen (17) Community Banks (CBs), two (2) Discount Houses, twenty-one (21) Foreign Exchange Bureaux and Two (2) Mobile Money network Operators.

The performance of the sector is satisfactory. The Portfolio at Risk (PaR) of some MFIs and CBs and the minimum paid-up capital requirement for CBs continue to be a major challenge in the financial system. The Portfolio at Risk (PaR) for both the CBs and DTMFIs is above the tolerable limit of 4.8% set by the Microfinance and Information Exchange (MIX) standard. With the exception of one Community Bank, all the CBs made profits for the period ended December, 2019.

This report assesses selected indicators of licensed OFIs that operated in Sierra Leone at end December, 2019. The indicators considered in this report are; Capital and Total Asset base for CBs, DTMFIs and DHs; Asset Quality Indicators for CBs, DTMFIs, COMFIs; Efficiency and Productivity for CBs, DTMFIs and COMFIs; Cash and Liquidity Ratios for CBs, DTMFIs and DHs; Profitability and Sustainability for CBs, DTMFIs, COMFIs and DHs; Purchases and Sales of major foreign currencies by Foreign Exchange Bureaux and transactions and other variables of Mobile Money Network Operators.

6.2. COMMUNITY BANKS

There are seventeen (17) community banks in the financial system, with a cumulative resource base of Le90.24 billion and a loan portfolio of Le65.99 billion as at 31st December, 2019. The community banking system is profitable with end of year profit before tax of Le7.00 billion. However, the system recorded a PAR of 21.58% above the tolerable limit of 4.8%.

6.2.1. Summary Indicators

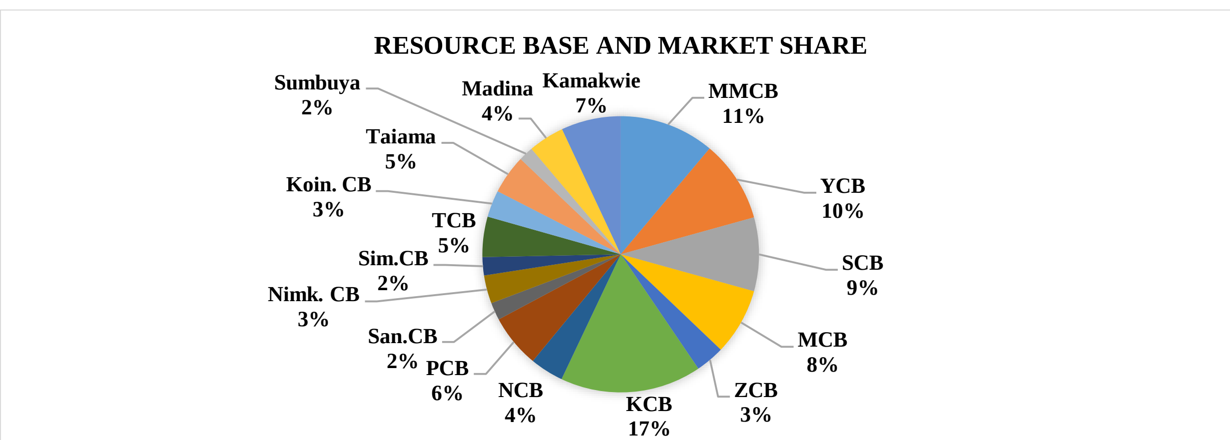
- With the exception of six (6) CBs, Operational Self-Sufficiency (OSS) of the other CBs were below the minimum mix standard of 112%.

- All CBs except one exceeded the Portfolio at Risk (PAR) maximum limit of 4.8% which indicate poor portfolio quality in the community banking system.
- Five (5) CBs met the minimum mix requirement of 13.6% for the Return on Equity (ROE).
- Paid-up Capital of all the Community Banks except one (1) was below the minimum requirement of Le1 billion. However, all the CBs met the capital adequacy ratio minimum requirement of 8% during the period under review.
- All the CBs recorded a profit with the exception of one community bank that recorded a loss of Le0.07 billion.
- Two (2) Community Banks failed to meet the MIX standard of 2.1% for Return on Assets (ROA) recording -2.29% and 0.60%.
- Comparatively, one (1) community bank has high Debt to Equity ratio of 365.87% which indicated that the institution is highly geared.
- All the Community Banks exceeded the minimum liquidity ratio requirement of 20% except two (2) recording a negative liquidity of -41.45% and -130.96% respectively.

6.2.2. Financial Condition

The resource base of Community Banks over the year, increased by 9.56% (Le7.87 billion) from Le82.37 billion as at December, 2018 to Le90.24 billion in the review period. However, it decreased from the previous quarter by 0.54% (Le0.49 billion).

Figure 44: Number of Commercial Bank Branches as at 31st December 2019



Source: BSL

The increase in the resource base over the year can be attributed to the increase in Deposits by Le0.15 billion (0.35%) and Equity by Le8.80 billion (31.97%) as deposits increased from Le42.79 billion recorded in December 2018 to Le42.94 billion in December 2019 whilst paid up capital increased by

Le1.93 billion (32.84%) from Le5.89 billion in December 2018 to Le7.82 billion in December, 2019. Long-term borrowings (RFF and Market Rate) increased over the year by Le1.46 billion (100.41%) and Le0.42 billion (34.46%) respectively. This was reflected on the asset side as gross loans increased over the year by Le8.85 billion (15.48%).

However, the following decreased over the year: cash and bank balances by Le2.46 billion (10.88%) and other assets by Le0.09 billion (6.36%).

6.2.3 Asset Quality

The credit portfolio stood at Le65.99 billion as at end December, 2019, revealing an increase by 15.48% (Le8.85bn) from Le57.14 billion recorded in December, 2018.

The Community Bank industry recorded a Portfolio at Risk of 21.58% in the review period from 19.67% recorded in December, 2018. With the exception of one Community Bank that recorded a PAR of 2.11%, no CB met the minimum mix standard of 4.8%.

The PaR of 21.58% indicate poor asset quality in the Community Banking system which might be as a result of poor underwriting, poor recovery strategies and reluctance from customers to honour their obligations. The table below indicates the asset quality of Community Banks.

Table 17: Asset Quality of Community Banks

Community Banks	**Gross loans**	**Allowances for loans losses**	**Past Due**	**PAR>30 Days (Actual %)**

MMCB	4.08	0.15	0.08	2.11
YCB	6.48	0.74	1.1	16.93
SCB	3.91	0.16	0.59	15.16
MCB	5.59	0.1	1.12	19.97
ZCB	2.31	0.07	0.59	25.39
KCB	13.08	0.47	2.64	20.19
NCB	2.73	0.19	0.45	16.50
PCB	4.43	0.06	0.87	19.66
San.CB	1.73	0.23	0.63	36.59
Nimk. CB	2.12	0.51	0.61	28.53
Sim.CB	2.48	0.77	0.98	39.29
TCB	3.23	0.35	0.83	25.57
Koin. CB	2.38	0.04	1.27	53.18
Taiama	3.1	0.002	0.31	11.91
Sumbuya	1.44	0.05	0.78	54.27
Madina	2.24	0.18	0.59	26.23
Kamakwie	4.66	0.34	0.75	16.20

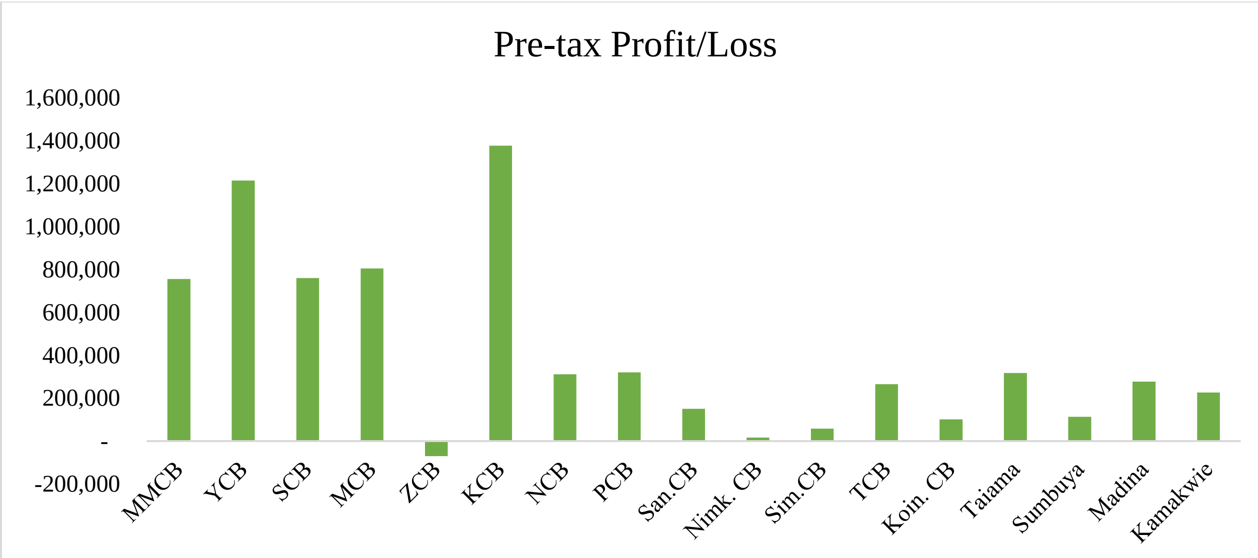
Source: BSL

6. 2.4 EARNINGS

6.2.4.1. Profitability and Sustainability

The pre-tax profit of the community banking system was Le7.00 billion in the review period, which shows a 25.46% improvement in performance from that recorded in December 2018 (Le5.58bn). The chart below shows pre-tax profit/losses recorded by these CBs over the period.

Figure 45: Profit Analysis



Source: BSL

As shown in the figure above, all the Community Banks except one made profit for the period ended December, 2019. The highest pre-tax profit was Le1.38 billion. Operating performance in the period under review has been impressive compared to December, 2018 wherein profit recorded was Le5.58 billion.

6.2.4.2. Operational Self Sufficiency (OSS)

The industry average OSS in the review period stood at 111.20% (up 15.87%) from 95.33% recorded in December, 2018 and below the MIX standard of 112%. Six (6) out of seventeen (17) banks met the MIX standard during the period showing that out of seventeen Community Banks, only six generate revenue that can cover their expenses.

6.2.4.3. Return on Assets (ROA)

The industry average ROA was 7.76% above the MIX Standard of 2.1% for Community Banks. This signifies that the industry is utilizing its assets well in revenue generation.

However, with the exception of one (1), all the CBs met the ROA mix standard above the minimum requirement and the highest ROA was 14.03%.

6.2.4.4. Return on Equity (ROE)

The industry average ROE was 13.50% below the minimum MIX standard of 13.6%. Five Community Banks recorded a ROE above the industry average during the period.

6.2.4.5. PaR>30 days

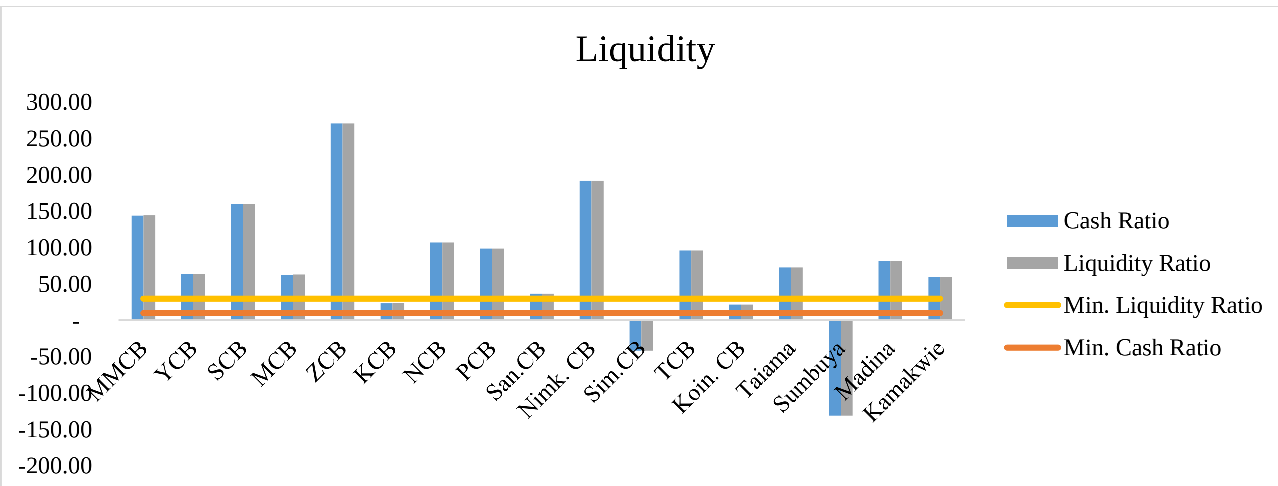
The Community Bank industry recorded a Portfolio at Risk of 21.58% in the review period from 19.67% recorded in December, 2018. With the exception of one (1) Community Bank that recorded a PAR of 2.11%, no CB met the minimum mix standard of 4.8%.

6.2.5. Liquidity Ratio

The Industry actual liquidity ratio in December, 2019 was 82.05% above the minimum required ratio of 20%, with eight (8) CBs recording excess liquidity above the industry average. With the exception of two (2) CBs, all the banks met the minimum required liquidity ratio.

More details are shown in the figure below for both cash and liquidity ratios.

Figure 46: Liquidity for Community Banks



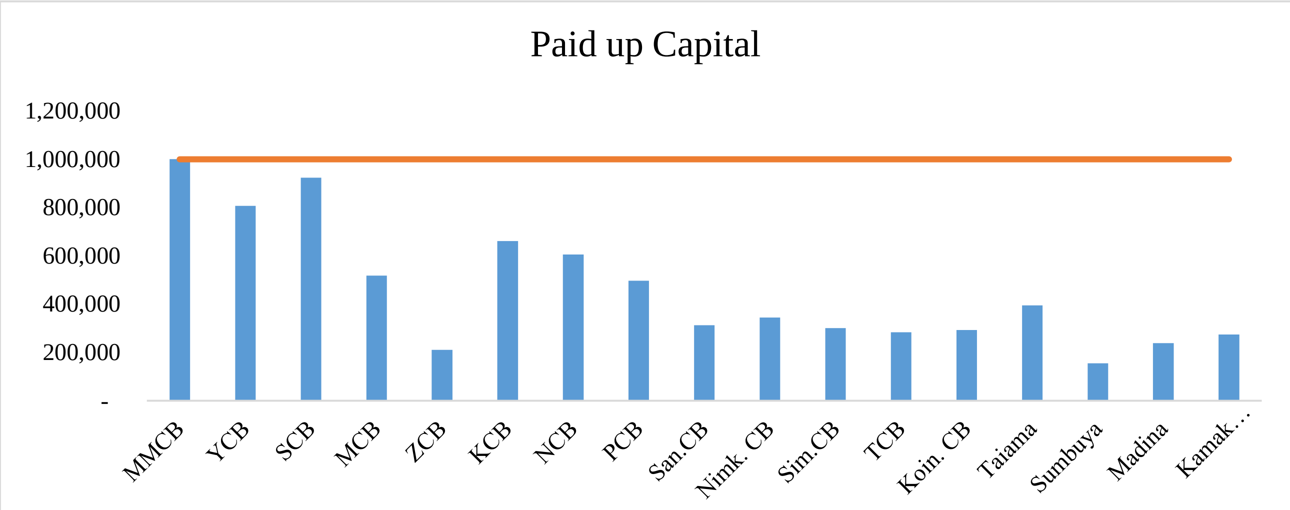
Source: BSL

6.2.6 Capital

6.2.6.1. Minimum paid up capital

One CB met the minimum paid-up capital of Le1.00 billion recording Le1.00 billion. The lowest of Le0.15 billion. However, in the Community Banking system, CBs are improving their mobilization of share capital which has seen the Paid-up Capital increase by Le1.93 billion from Le5.88 billion recorded in December, 2018 to Le7.82 billion in December, 2019.

Figure 47: Paid up Capital

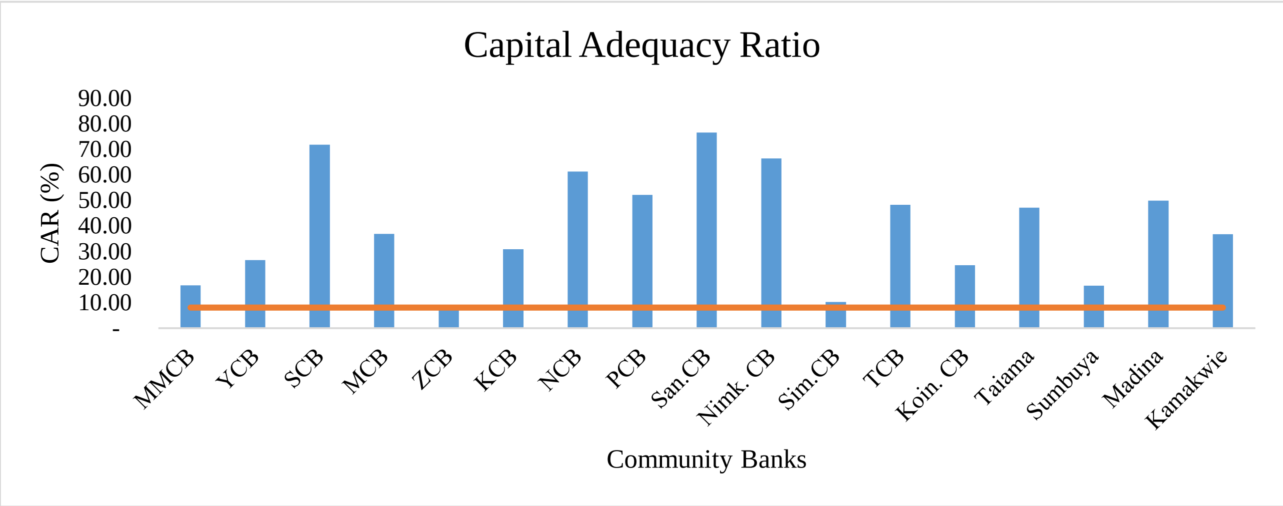


Source: BSL

6.2.6.2. Capital Adequacy Ratio (CAR)

All the Community Banks met the minimum CAR of 8% in the review period. The highest CAR was 76.49% whilst the least CAR was 8.39%.

Figure 5: CAR (%) of Community Banks



Source: BSL

6.3. MICROFINANCE

6.3.1. Financial Condition: Deposit Taking Microfinance Institutions

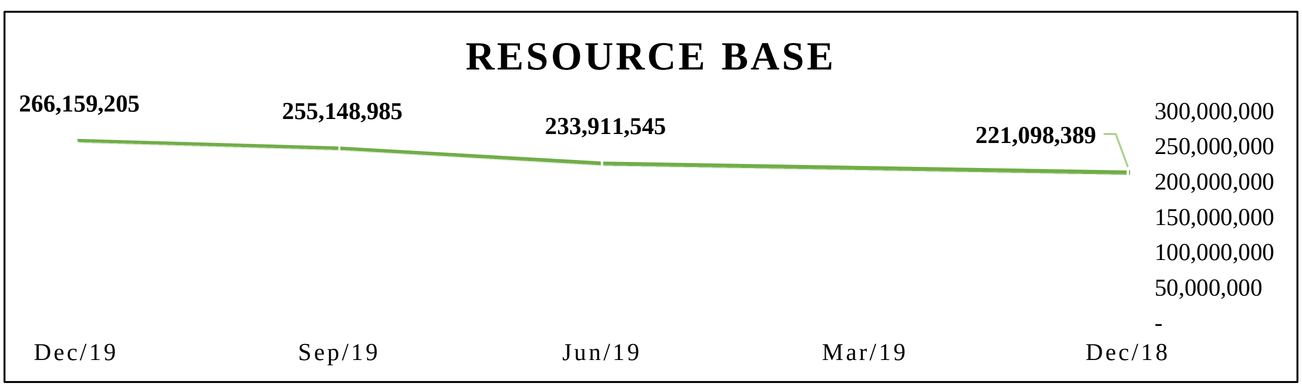
The consolidated resource base of the institutions showed an increasing trend throughout the quarters, with December, 2019 recording Le266.16 billion [up Le11.01 billion; (4.32%)], an increase from Le255.15 billion in September, 2019; June, 2019 recording Le233.91 billion. Similarly, the yearly review showed an increase of Le45.06 billion (20.38%) from Le221.10 billion in December, 2018.

Total deposits increased to Le116.42 billion in December, 2019 [up Le2.75 billion; (2.42%)] from Le113.67 billion in September, 2019. Yearly review also showed an increase of 17.31% (Le17.18 billion) in total deposits. However, time deposits decreased by 30% over the year.

Total liabilities increased by 2.18% during the reviewed quarter to Le205.02 billion and this was primarily as a result of a 5.46% increase in long-term borrowings which recorded Le58.98 billion in December, 2019.

On the asset side, the increase in the resource base during the quarters was reflected on increases in some items as gross loans increased by Le6.67 billion (4.52%) from Le147.79 billion in September, 2019. However, cash at hand decreased during the reviewed quarter recording Le3.86 billion in December, 2019 [down Le2.11 billion (35.29%)] from Le5.97 billion in September, 2019 whilst yearly review also showed a decrease of Le0.20 billion (4.99%) from Le4.06 billion in December, 2018. Balances with financial institutions also decreased to Le18.21 billion from Le21.79 billion in December, 2018. The chart below shows quarterly upward movement in the consolidated resource base.

Figure 48: Resource Base Movement



Source: BSL

The table below shows quarterly main consolidated balance sheet items and their movement during the quarters.

Table 18: Quarterly movement of main balance sheet items

Main Balance Sheet Items	Dec-19	*Mov't (Le 'bn)*	Sep-19	*Mov't (Le 'bn)*	Jun-19	*Yr.Mov't (Le 'bn)*	Dec-18
Balances with financial institutions in S/L	**18.21**	***0.03***	**18.25**	***0.12***	**18.37**	***3.57***	**21.79**
Investment in securities	**33.55**	***6.22***	**27.34**	***1.35***	**28.68**	***12.07***	**21.48**
Gross Loans	**154.46**	***6.67***	**147.79**	***7.45***	**140.33**	***27.75***	**126.71**
Loan loss allowances	**9.48**	***0.68***	**10.15**	***0.77***	**9.38**	***1.78***	**7.69**
Other Assets	**47.69**	***0.95***	**46.73**	***12.75***	**33.98**	***8.95***	**38.74**
Total deposits	**116.42**	***2.75***	**113.67**	***3.39***	**110.28**	***17.18***	**99.24**
Other liabilities	**23.36**	***0.06***	**23.30**	***3.43***	**19.87**	***1.32***	**22.04**
Shareholders' fund	**61.14**	***6.63***	**54.51**	***3.09***	**51.42**	***17.89***	**43.25**

6.3.2 OPERATING PERFORMANCE

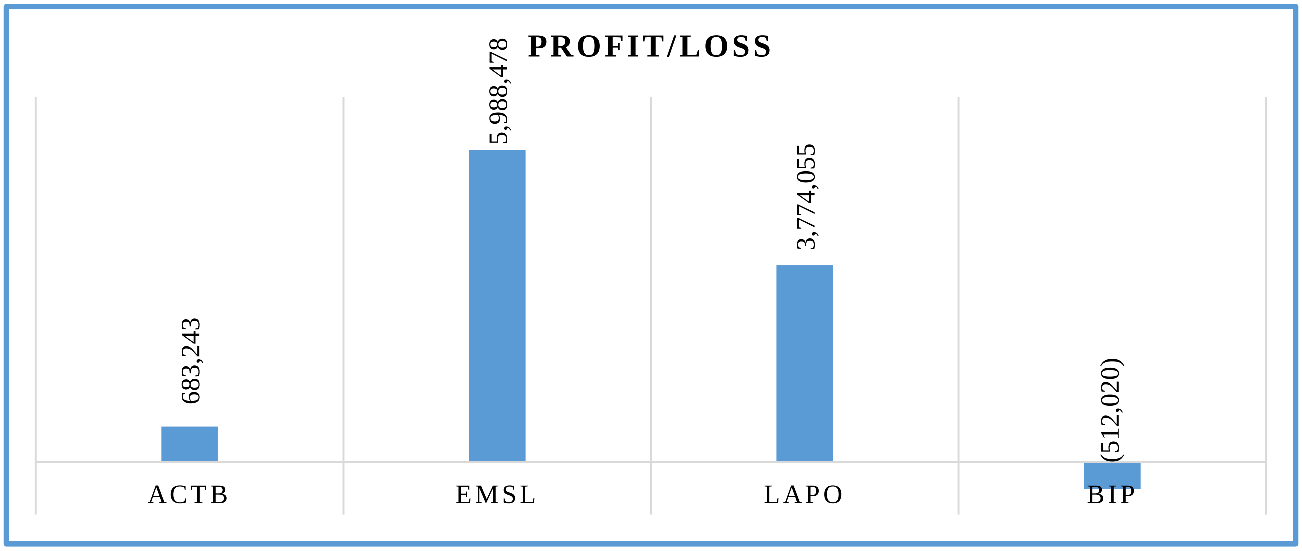
A consolidated pre-tax profit of Le9.93 billion was recorded in December, 2019. Yearly review showed a Le2.08 billion (26.42%) increase as December, 2018 recorded Le7.86 billion.

Performance in December, 2019 was relatively better compared to December, 2018 and this can be attributed to increase in Interest Income from Loans, Loan Fees and Income from Investments. Net financial income recorded Le47.65 billion in December, 2019 [up Le9.63 billion (25.32%)] from Le38.02 billion in December, 2018.

However, Operating expenses over the year increased by Le7.55 billion (25.04%) recording Le37.72 billion in December, 2019 and was largely contributed by salaries and benefits accounting for 51% of total operating expenses.

The chart below shows contribution to the consolidated pre-tax profit of the various institutions as at December, 2019.

Figure 49: Profit/Loss



Source: BSL

6.3.3. PRUDENTIAL REQUIREMENTS

Table 19: Prudential Ratios

Prudential Ratios as at December, 2019	MIX	ACTB	EMSL	LAPO	BIP
Paid up capital (Le 'bn)	*1*	14.13	27.89	4.69	1.32
Capital Adequacy (%)	*8*	40.79	20.90	16.32	162.82
Actual Cash Ratio (%)	*10*	83.06	11.42	37.39	374.64
Actual Liquidity Ratio (%)	*20*	83.06	46.77	37.39	374.64

Source: BSL

6.3.4. Paid-up Capital

All the institutions continue to meet the minimum paid up capital requirement of Le1 billion as shown in the above table.

Capital Adequacy

All the institutions met the minimum capital adequacy ratio of 8% as shown in the above table.

Liquidity

All the institutions met the minimum liquidity and cash requirements as at December, 2019.

6.3.5. Performance Ratios

Table 20: Performance indicators analysis

Performance Ratios	MIX	ACTB	EMSL	LAPO	BIP
Operating self-sufficiency (OSS) (%)	112	113.19	130.48	118.01	65.13
Return on assets (ROA) (%)	2.1	0.94	4.84	5.56	(59.49)
Return on equity (ROE) (%)	13.7	2.42	30.59	31.94	(66.40)
Debt to equity (%)		158.21	532.12	474.37	11.63
Portfolio to assets (%)		64.50	54.61	56.94	73.54

Source: BSL

6.3.6. Operational Self Sufficiency (OSS)

This ratio shows how well a bank can cover its costs through operating revenue. From the analysis above, except one institution, all three met the MIX requirement of 112% recording 113.19%, 130.48% and 118.01%.

6.3.7. Return on Assets (ROA)

This ratio measures how well an institution uses all its assets to generate revenue. Two institutions met the minimum MIX requirement of 2.1%. An efficient use of the institutions' assets will generate more revenue.

6.3.8. 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 ROE of two institutions fell below the MIX benchmark of 13.7%.

6.3.9. Debt to Equity

The analysis shows the institutions' debt to equity ratio remains to be high for all the institutions except one and shows more debt financing is used rather than investing in shareholders' funds.

6.3.10. Portfolio to Assets

All the institutions recorded a ratio of above 50% during the reviewed period, indicating that majority of their assets are assigned to their core function i.e. loan disbursement.

6.4. Activity Ratios

Table 21: Activity Ratios

Ratios	*MIX*	**ACTB**	**EMSL**	**LAPO**	**BIP**
Yield on Gross Loan Portfolio (%)	35.3	12.02	24.80	60.34	74.84
Portfolio at Risk (PAR) (%)	4.8	9.24	4.50	7.80	-

Source: BSL

6.5. Yields on Gross Loan Portfolio

The above analysis shows the institutions' yield on gross loan portfolio for two institutions continues to fall below the MIX standard of 35.3% indicating low returns from loans disbursed during the period.

6.6. Portfolio at Risk (PaR) ≥ 15 days

All the institutions except EMSL failed to meet the MIX standard of 4.8% during the review period as shown in the chart below. This means that a substantial percentage of the institutions' portfolio is non-performing during the review period and also the previous quarter. These institutions therefore need to improve on credit monitoring strategy in order to meet the MIX standard.

Figure 50: PAR

Source: BSL

6.7. Average Outstanding Loan Size

This ratio shows the average amount of loan per borrower. The total average loan size stood at 3,411 during the reviewed period, an increase of 283 from the previous quarter.

6.8. FINANCIAL CONDITION (Credit- only Microfinance Institutions)

The resource base of Credit-Only Microfinance institutions increased over the year to Le148.77 billion by 51.40% from Le98.26 billion in December, 2018. Long-term borrowings and other long-term liabilities increased to Le33.65 billion [up Le15.00 billion; (80.43%)] from Le18.65 billion in December, 2018 and to Le21.48 billion [up Le8.38 billion; (63.99%)] from Le13.10 billion in December, 2018, respectively. Paid up capital and current year profit also increased to Le26.86 billion [up Le4.50 billion; (20.12%)] from Le22.36 billion in December, 2018, and to Le16.53 billion [up Le9.28 billion (127.88%)] from Le7.26 billion in December, 2018, respectively.

On the assets side, gross loans increased by 53.06% to Le128.26 billion from Le83.79 billion in December, 2018. Cash holdings and due from banks increased by 42.51% to Le13.76 billion in December, 2019 from Le9.66 billion in December, 2018. However, it decreased by 31.31% from the previous quarter which recorded Le20.04 billion.

On a yearly basis, profit increased by 113.23% from Le8.13 billion in December, 2018.

The table below shows movements in the yearly scenario on some key items in the consolidated balance sheet as at 31st December, 2019.

Table 22: Balance sheet movement (Yearly)

Main Balance Sheet Items	Dec-19 (Le'bn)	Mov't (Le'bn)	% Change	Dec-18 (Le'bn)
Resource Base	148.77	51.51	51.40	98.26
Total Equity	71.50	19.47	37.43	52.03
*Current Year profit**	16.53	9.28	127.88	7.26
Gross Loans	128.26	44.46	53.06	83.79
Impairment Loss allowances	4.13	1.31	46.44	2.82
Account receivable and Other Assets	4.45	(0.41)	(8.48)	4.86

Source: BSL

Table 23: Institutions' percentage share to main Balance Sheet items as at December, 2019

INSTITUTIONS (%)	RESOURCE BASE	TOTAL EQUITY	CURRENT YEAR PROFIT	GROSS LOANS	CASH AND DUE FROM BANKS
BRAC	*62.35*	*84.91*	*95.64*	*65.05*	*46.40*
EDUNATIONS	*0.35*	*0.61*	*0.09*	*0.35*	*0.60*
PAYEE DAY	*0.43*	*0.61*	*0.37*	*0.22*	*1.96*
GRACEMON	*0.58*	*0.73*	*1.15*	*0.31*	*2.66*
GGEM	*4.81*	*4.76*	*2.50*	*5.07*	*3.49*
PRIM	*0.05*	*0.11*	*(0.08)*	*0.06*	*0.04*
SOCIAL AID	*0.37*	*0.71*	*0.95*	*0.20*	*1.67*
SMT	*6.80*	*4.86*	*0.20*	*5.77*	*5.32*
WINTAYS	*0.06*	*0.13*	*(0.38)*	*0.05*	*0.15*

ASA	*22.94*	*3.08*	*(0.97)*	*22.10*	*34.33*
WIN TRUST	*0.11*	*0.24*	*0.42*	*0.13*	*0.07*
MUNAFA	*0.99*	*(1.06)*	-	*0.47*	*3.31*
GRASSROOT	*0.15*	*0.31*	*0.11*	*0.22*	*0.02*

Source: BSL

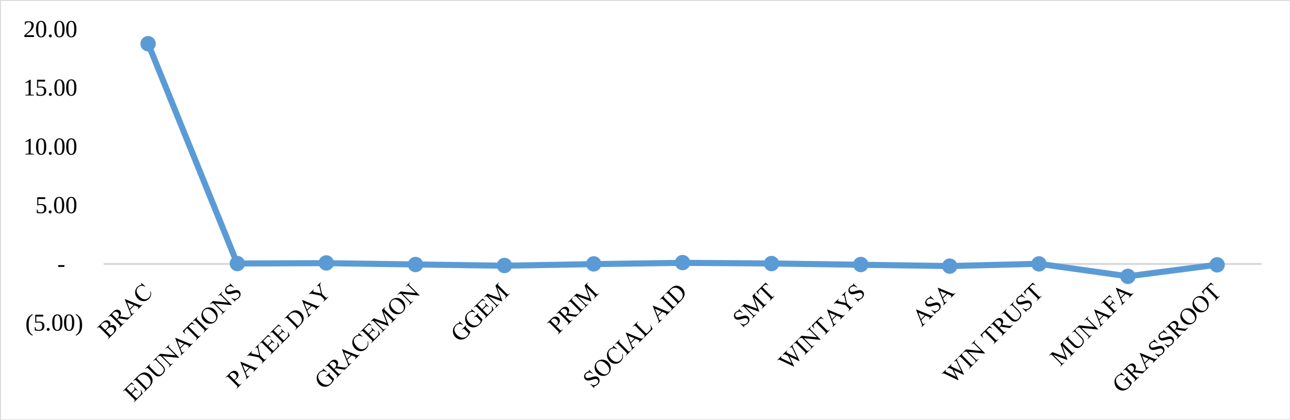
6.9. OPERATING PERFORMANCE

The consolidated yearly pre-tax profit of the thirteen (13) institutions recorded Le17.34 billion as at December, 2019, a growth of 113.23% from Le8.13 billion in December, 2018. The highest pre-tax profit was Le18.75 billion, above the industry pre-tax profit.

Over the year, consolidated financial revenue increased to Le49.24 billion [up Le19.89 billion; (67.76%)] from Le29.35 billion in December, 2018. However, operating expenses also increased to Le26.91 billion [up Le9.00 billion; (50.24%)] from Le17.91 billion in December, 2018. Personnel expenses greatly contributed to the increase in operating expenses amounting to 62.02%.

The figure below highlights the low level of profit recorded by various institutions as opposed to BRAC which recorded a higher profit margin.

Figure 51: Unaudited Pre-tax Profit/Loss Position



Source: BSL

6.10. PORTFOLIO ACTIVITY

Number of loans outstanding in December, 2019 was 135,869 increasing by 54,782 loans from 81,087 in December, 2018.

Table 24: Industry Portfolio Activity

Details	Dec-19	Dec-18
No. of loans outstanding	135,869	81,087
Value of loans disbursed (Le 'bn)	171.05	85.41
Value of loans outstanding (Le 'bn)	127.90	83.79

Source: BSL

Table 25: Individual institutional Portfolio Activity as at December, 2019

INSTITUTIONS	No. of Loans Outstanding	Value of Loans Disbursed (Le '000)	Value of Loans Outstanding (Le '000)	PaR (%)
BRAC	56,874	16.50	83.44	2.14
EDUNATIONS	280	0.11	0.45	-
PAYEE DAY	115	0.28	0.28	-
GRACEMON	40	0.07	0.40	30.95
GGEM	1,827	1.08	6.50	7.69
PRIM	-	0.07	0.07	-
SOCIAL AID	356	-	0.26	46.58
SMT	10,456	1.41	7.40	9.23
WINTAYS	44	0.06	0.06	26.27
ASA	64,086	0.15	28.35	5.21
WIN TRUST	92	0.06	0.17	31.93
MUNAFA	1,398	1.28	0.60	0.91
GRASSROOT	301	0.03	0.28	4.98

*(Industry PaR>30days/Industry Gross Loans*100)

Source: BSL

6.11. NON-FINANCIAL DATA

Active clients over the year increased by 39% to 137,384 in December, 2019.

Furthermore, 98% of the total number of active borrowers are female indicating that a vast majority of clients in the industry are women. More details is shown in the table below:

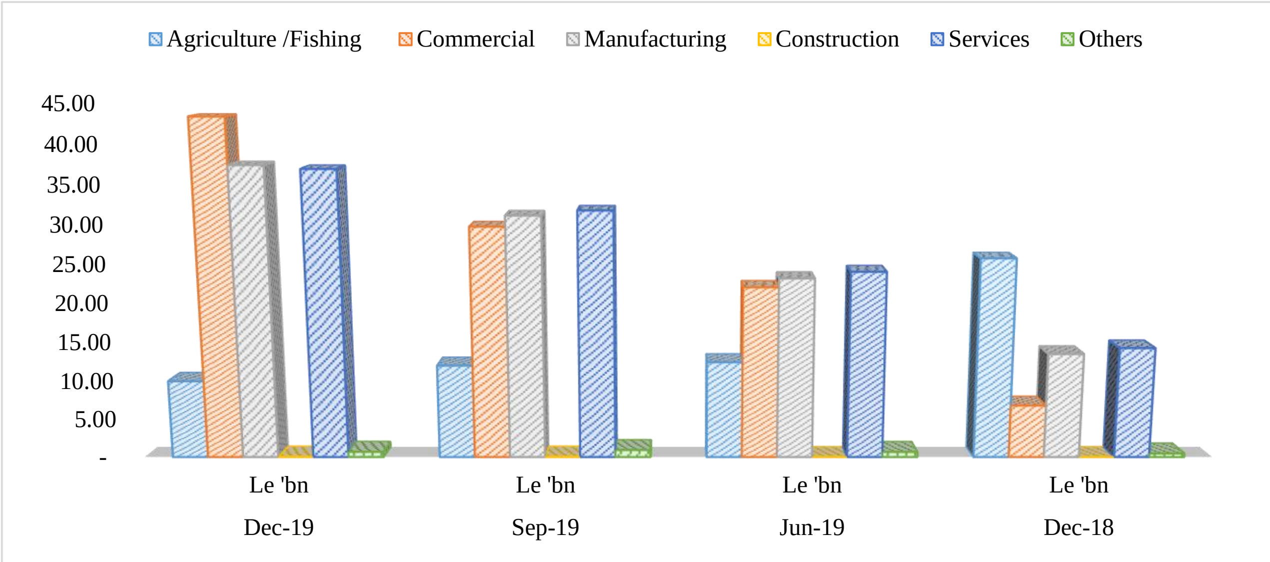
Table 26: Non-Financial Data as at December, 2019

INSTITUTIONS	No. of Active Clients	No. of New Clients during period	Number of Active Borrowers	No. of Loan Officers	Number of Personnel
BRAC	75,845	790	56,874	-	-
EDUNATIONS	792	61	792	2	4
PAYEE DAY	115	41	70	5	6
GRACEMON	386	25	361	3	7
GGEM	5,857	131	5,857	27	45
PRIM	1,312	69	1,243	5	9
SOCIAL AID	356	-	-	4	6
SMT	10,678	246	10,678	24	64
WINTAYS	74	70	74	3	7
ASA	39,707	2,567	34,261	158	248
WIN TRUST	126	18	126	1	5
MUNAFA	1,835	172	1,398	8	18
GRASSROOT	301	8	301	4	14

Source: BSL

6.12. LOANS BY SECTOR

Figure 52: Loans by Sector as at December, 2019



Source: BSL

From the figure above, the highest amount of loans in the industry as at December, 2019 went to the commercial sector recording Le43.27 billion. The next beneficiary sector from the industry analysis was manufacturing sector recording Le37.34 billion the least was the construction sector recording Le0.04 billion.

The yearly industry analysis showed a drastic change as the agriculture/fishing industry was the highest contributing sector as at end December, 2018 as opposed to end December, 2019 which it was fourth highest (Le10.05 billion).

6.13. PERFORMANCE INDICATORS

6.13.1. Operational Self Sufficiency

Five institutions met the minimum MIX requirement of not less than 112%. However, all the other institutions failed to meet the OSS MIX requirement in the period under review.

6.13.2. Return on Assets

Industry ROA as at December, 2019 was 6.54%, increasing by 1.82%, from 4.72% in December, 2018. Five institutions met the minimum MIX requirement of 2.1%.

6.13.3. Portfolio at Risk > 30 Days
Two institutions met the MIX requirement of not more than 4.8% during the period.

6.14. MOBILE MONEY FINANCIAL INSTITUTIONS

Activity of the mobile money providers.

There are two licensed mobile money financial service providers in the country – Orange Money and Africell Money. Significant increases were recorded in the activity of the Mobile Money Providers as nmber of agents, accounts, transactions, and value of transactions all increased over the years (See Table 27 below).

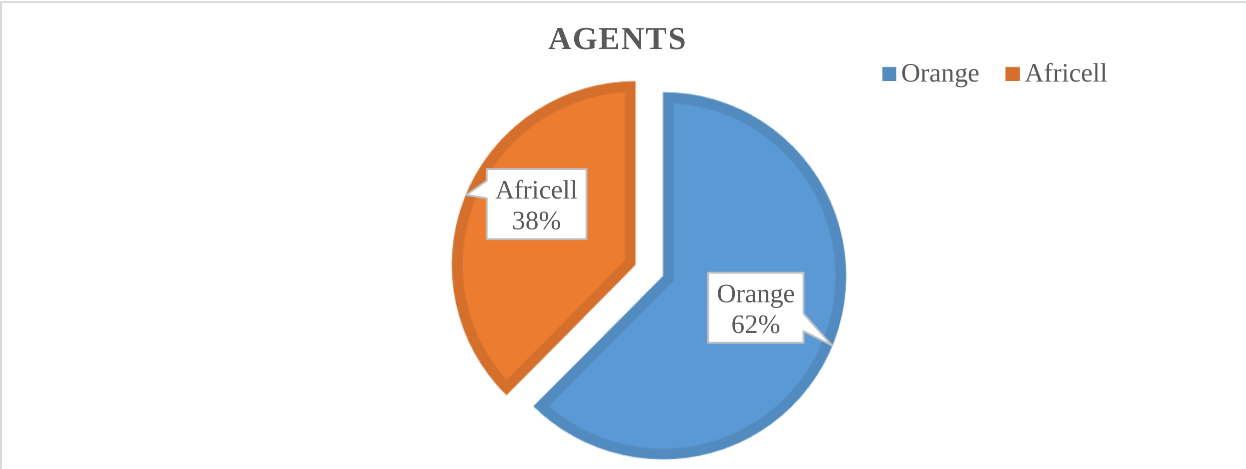
Table 27: Activity of the Mobile Money Providers

Activity	**2018**	**2019**
Number of Agents	10,378	18,266
Number of Accounts	5,305,336	5,944,912
Number of Active Accounts	597,505	1,256,118
Number of transactions	29,765,563	42,704,985
Value of transactions (Le)	4,740,454,233,180	5,497,331,903,852

Source: BSL

Below is a chart summarizing agent network in the mobile money sector as at 31st December, 2019

Figure 53: Agents



Source: BSL

6.15. DISCOUNT HOUSES

6.15.1. Asset Base

Asset Base of the two institutions -First Discount House Limited (FDHL) and Capital Discount House limited (CDHL)decreased slightly by 1.06% from Le 17.92 billion in December 2018 to Le 17.73 billion in December 2019.

Total assets of FDHL decreased from Le 12.52 billion to Le12.04 billion (3.83%) in 2019 due mainly to decrease in cash and bank balances plus investment in treasury bills in loan/repo, while total assets of CDHL increased from Le 5.40 billion to Le5.68 billion (5.18%) resulting from decrease in cash and bank balances and increase in loan/repo, investment in treasury bills and other assets.

6.15.2. Liabilities and Shareholders Fund

Total Placement/Deposits from customers decreased by 18% from Le 1.06 billion in 2018 to Le 0.894 billion in 2019 (18% decrease in FDHL and 2% increase in that of CDHL).

Shareholders Fund increased slightly from Le 9.20 billion to Le 9.24 billion (0.43%) in 2019. FDHL shareholder fund decreased from Le 5.30 billion to Le 4.99 billion due to retained loss and very small reported operating profit while CDHL increased from Le 3.90 billion to Le 4.25 billion(8.9%)

6.15.3. Profitability

Total operating profit reduced from Le0.443 billion to Le 0.270 billion (39%). CDHL operating profit decreased by 16% from Le 0.323 to 0.269 billion due to 6.54% increase in operating expenses and 2.1% decrease in other operating income.

Retained profit increased from Le0.385 billion to Le0.455 billion (18%). This was mainly due to increase in CDHL's retained profit from Le0.396 billion to Le 0.698 billion (76%) while FDHL had a retained loss of Le 0.243 billion

6.15.4. Paid Up Capital

Both institutions met the statutory minimum requirement of Le2.0 billion as FDHL and CDHL had Le 2.04 billion and Le2.0 Billion respectively.

6.15.4. Liquidity

The liquidity ratio of FDHL increased from211% to 231% in 2019 while CDHL increased from 1982% to 2022% which are above the 100 % minimum requirement of liquid assets to total deposit / placement plus borrowing.

6.16. FOREIGN EXCHANGE BUREAUX

There were seventy-one (71) registered Foreign Exchange Bureaux (FEB) in the country as at 31st December, 2019. Out of seventy-one registered FEBs, seventeen (17) submitted returns while few were non-operational. The US dollars was the most traded currency among others as at December, 2019.

6.16.1. Purchases and Sales of Foreign Currencies (Trend Analysis)

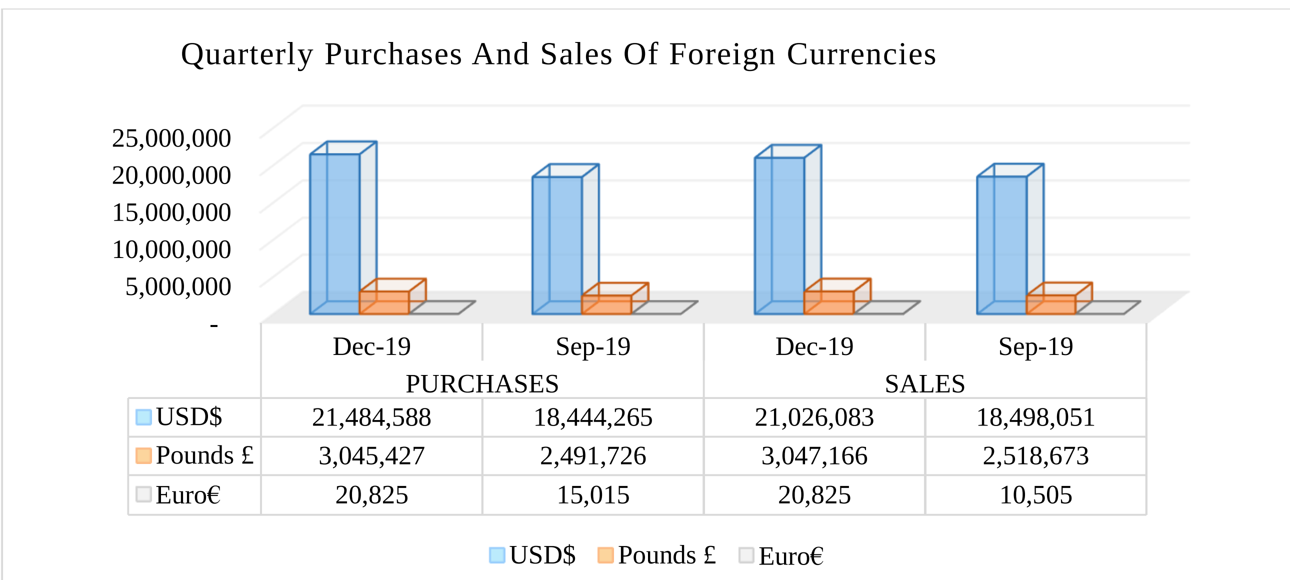
Quarterly purchases and sales of foreign currencies as at December, 2019 and September, 2019 are shown in Table 12 and figure 11 respectively while table 2 and figure 2 shows the yearly trend (December 2019 and December, 2018).

Table 28: Purchase and Sales of Foreign Currencies (Sept'19-Dec'19)

	PURCHASES – Le'000				SALES – Le'000			
CURRENCY	**Dec-19**	**Mov't**	**% Change**	**Sep-19**	**Dec-19**	**Mov't**	**% Change**	**Sep-19**
US Dollar ($)	21,484,588	3,040,323	16.48	18,444,265	21,026,083	2,528,032	13.67	18,498,051
UK Pound (£)	3,045,427	553,701	22.22	2,491,726	3,047,166	528,493	20.98	2,518,673
Euro (€)	20,825	5,810	38.69	15,015	20,825	10,320	98.24	10,505

Source: BSL

Figure 54: Quarterly Purchase and Sales of Foreign Currencies (Dec'19-Sep'19)



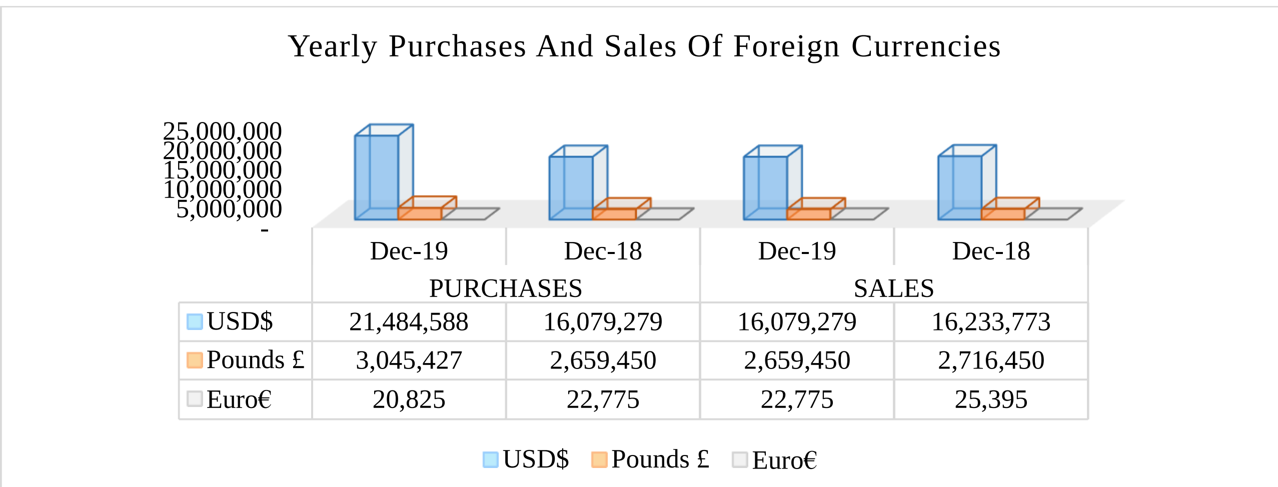
Source: BSL

Table 29: Purchase and Sales of foreign Currencies (Dec'18-Dec'19)

Currency	PURCHASES – Le'000				SALES – Le'000			
	Dec-19	**Mov't**	**% Change**	**Dec-18**	**Dec-19**	**Mov't**	**% Change**	**Dec-18**
US Dollar ($)	21,484,588	5,405,309	33.62	16,079,279	21,026,083	4,792,310	29.52	16,233,773
UK Pound (£)	3,045,427	*633,130*	*14.51*	2,659,450	3,047,166	330,716	12.17	2,716,450
Euro (€)	20,825	*5,810*	*8.56*	22,775	20,825	*4,570*	*18.00*	25,395

Source: BSL

Figure 55: Yearly Purchase and Sales of forex Foreign Currencies (Dec'17 – Dec'18)



Source: BSL

6.17. ANALYSIS – PURCHASES & SALES

6.17.1. Purchase and Sales of the US Dollars

The US dollar purchased during the quarter increased to USD21,484,588 in December, 2019, it increased by USD3,040,323 (16.48%) from USD18,444,265 in September, 2019.

During the year, it rose by USD 5,405,309 (33.62%) from USD16,079,279 in December, 2018.

Sales on the other hand rose to USD21,026,083 up by USD 2,528,032 (13.67%) from US$18,498,051 in September, 2019 and increased during the year by USD4,792,310 (29.52%) from USD16,233,773 in December, 2018.

6.17.2. Purchase and Sales of the US Dollar by Bureaux

Afro FEB recorded the highest purchases of USD20,292,159 (19.02%) as at December, 2019 from USD17,049,661 in September, 2019. It also recorded the largest purchase of USD15,601,629 (97.03%) as at December, 2018.

Abu Tarraf FEB recorded the least purchase of USD800 as at December, 2019.

On the sales side, Afro International Bureau during the quarter recorded the highest sales of $19,350,617 (up USD2,152,101; 12.51%) from USD17,198,516 in September, 2019. It also recorded the largest sales of USD15,754,780 (97.05%) as at December, 2018.

Abu Tarraf FEB also recorded the least sales of USD900 as at December, 2019.

6.17.3. Purchase and Sales of the UK Pounds

Quarterly purchased of Pound Sterling rose to £3,045,427 up (£553,701; 22.22%) from £2,491,726 in September, 2019. It rose by USD385,977 (14.51%) from US$2,659,450 in December, 2018.

UK Pounds Sterling sales during the quarter rose to £3,047,166 by £528,493 (20.98%) from £2,518,673 in September, 2019. In the yearly scenario, it also rose by £330,716 (12.17%) from £2,716,450 in December, 2018.

6.17.4. Purchase and Sales of the UK Pounds by Bureaux

Afro International FEB in the quarter (Dec. 2019 – Sept. 2019) recorded the highest purchases of £2 ,955,251 accounting for 97.04% of total Pound Sterling purchased in the industry as at December, 2019.

In the yearly scenario, Afro International FEB purchases also recorded the highest increased by £361,531; 13.94% from £2,593,720 in December, 2018.

Blue Circle FEB recorded the lowest purchase of £40 in December, 2019. However, in December, 2018 Prominent FEB recorded the lowest purchase of £2,405.

On sales, Afro International recorded the highest sales of £2,956,791 (up £579,454; 24.37%) from £2,377,337 in September, 2019 accounting for 97.03% of the sales in December, 2019.

Blue Circle FEB also recorded the least sales of £45 in December, 2019.

During the year, Afro FEB sales was the highest and grew by £306,071; 11.55% from £2,650,720 in December, 2018.

The least sales in December, 2018 was recorded by Prominent FEB, recording £2,405.

6.17.5. European Euro (Euro €)

6.17.5.1. Purchases and Sales of the European Euro

Euro purchased as at December, 2019 increased to €20,825 up (€5,810; 38.69%) from €15,015 in September, 2019. In the year, it declined by €1,950 (8.56%) from €22,775 in December, 2018.

Sales of the European Euro as at December, 2019 was € 20,825 and rose by €10,320 (98.24%) from €10,505 in September, 2019. It declined during the year by €4,570 (18.00%) from €25,395 in December, 2018.

6.17.5.2. Purchase and Sales of the European Euro by Bureau

Tap FEB registered the highest purchase of €10,450 (up €5,940; 131.71%) as at December, 2019 from €4,510 in September, 2019. During the year, Tap FEB also recorded the highest purchase although it declined by €2,415; 18.77% from €12,865 in December, 2018.

Prominent FEB registered the least purchases of €1,960 in December, 2019.

Tap FEB also registered the highest sales of €10,450 in December, 2019. During the year, its sales was the highest although it declined by €2,415; 18.77% from €12,865 in December, 2018.

The least sales of €320 was recorded by Nimo FEB in December, 2018.

6.18. Total stock and net position

Table 30: Net Position of Foreign Currencies

Net position of Foreign Currencies as at 31st December, 2019							
	Sales						
	31-Dec-19	***Qrt Movt***	***% Change***	***30-Sep-19***	***Year Movt***	***% Change***	***31-Dec-18***
USD	21,026,083	2,528,032	13.67	18,498,051	4,792,310	29.52	16,233,773
UK Pound	3,047,166	528,493	20.98	2,518,673	330,716	12.17	2,716,450
Euro	20,825	10,320	98.24	10,505	(4,570)	(18.00)	25,395
	Total Stock Available						
	31-Dec-19	**Qrt Movt**	**% Change**	**30-Sep-19**	**Year Movt**	**% Change**	**31-Dec-18**
USD	22,874,159	4,429,894	24.02	18,444,265	5,672,034	32.97	17,202,125
UK Pound	3,198,593	526,778	19.72	2,671,815	457,298	16.68	2,741,295
Euro	21,575	5,640	35.39	15,935	(4,070)	(15.87)	25,645
	Net Position						
	31-Dec-19	**Qrt Movt**	**% Change**	**30-Sep-19**	**Year Movt**	**% Change**	**31-Dec-18**
USD	1,848,076	1,901,862	(3,535.98)	(53,786)	879,724	90.85	968,352
UK Pound	151,427	(1,715)	(1.12)	153,142	126,582	509.49	24,845
Euro	750	(4,680)	(86.19)	5,430.00	500	0.00	250.00

Source: BSL

Total stock available as at end December, 2019 for the three main currencies was US$22,874,159; £3,198,593 and €21,575 respectively.

Net positions were US$1,848,076, £151,427 and €750 respectively for the United States Dollars, United Kingdom Pounds and the European Euro respectively.

6.19. PAYMENTS SYSTEM

Given the importance of Financial Market Infrastructure, The Bank of Sierra Leone continues to monitor and assess its performance for the achievement of safety and efficiency.

6.19.1. NATIONAL PAYMENTS SYSTEM LANDSCAPE

The country's payments system continues to be dual with the coexistence of cash and non-cash based transactions. The latter are further categorised into retail and Large Value transactions based on the value and the interbank systems that support the transactions which form the basis of this report.

6.19.2. Developments in the National Payment System Landscape

6.19.2.1. Real Time Gross Settlement (RTGS) system

The Real Time Gross Settlement (RTGS) is an electronic funds transfer system that settles large value payments across the country. Through the RTGS, funds can be transferred between participating financial institutions virtually promptly.

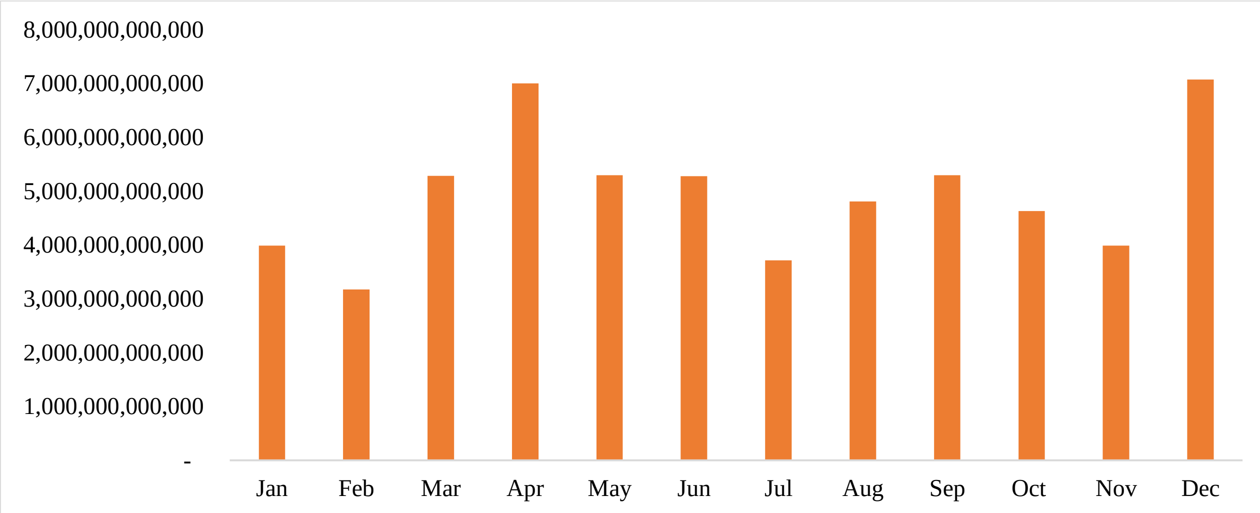
Table 31: RTGS Transactions 2019

	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**
Volume	8,734	7,831	8,677	9,267	10,633	9,025
Value (Le)	3,992,938,323,101.33	3,176,041,186,830.21	5,288,109,096,510.28	7,004,603,116,223.74	5,297,704,603,185.54	5,281,147,955,996.33
	Jul	Aug	Sep	Oct	Nov	Dec
Volume	9,895	9,601	10,562	12,222	10,262	11,538
Value (Le)	3,716,984,445,477	4,810,272,313,765	5,301,254,791,690	4,632,272,157,945	3,992,287,441,037	7,078,167,446,578

Source: BSL

The table above shows RTGS transactions for the period January to December 2019. Despite slight fluctuations, the trend indicates general acceptability of the system for the interbank transactions. This is also shown in Figure 56 below.

Figure 56: Value of RTGS Transaction (Le)



Source: BSL

6.19.2.2. ACH Transactions (Jan – June 2019)

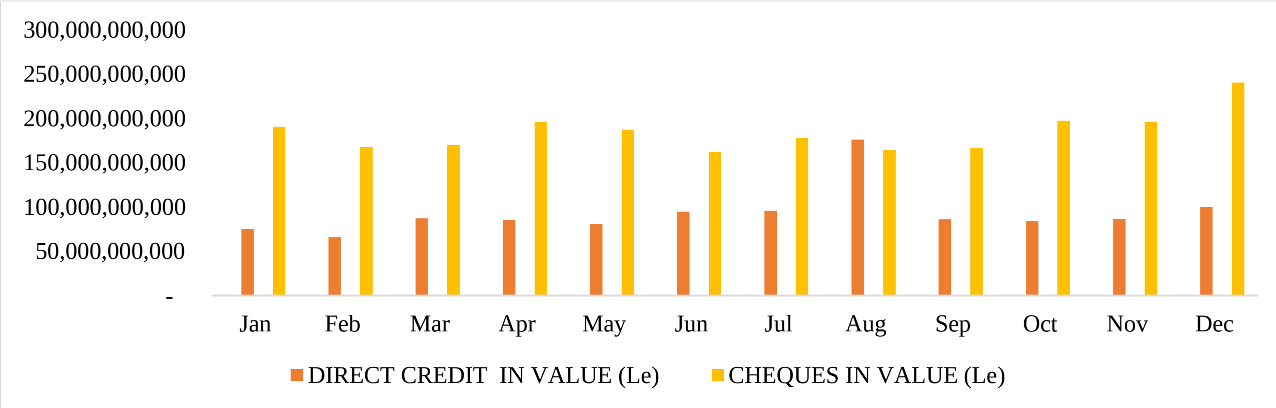
The Automated Clearing House (ACH) is the retail payment system through which a vast number of payment items (both paper-based and electronic) are cleared. These are mainly low-value (Not more than fifty million Leones), high-volume retail payment Cheques.

Table 32: ACH Transactions (Jan - Dec. 2019)

MONTHS	DIRECT CREDIT VOL	DIRECT CREDIT VALUE (Le)	CHEQUES VOL	CHEQUES VALUE (Le)
Jan	14,085	75,236,574,100.79	15,575.00	190,848,234,215.30
Feb	15,029	65,927,620,353.59	14,564.00	167,537,217,701.11
Mar	20,048	87,375,984,912.88	15,069.00	170,311,186,624.91
Apr	17,730	85,534,963,092.79	15,958.00	196,105,893,231.18
May	18,136	80,686,629,420.21	15,925.00	187,274,888,004.58
Jun	20,257	94,837,408,415.76	13,464.00	162,438,206,107.62
Jul	18,567	95,837,823,366.77	15,918.00	178,068,854,526.97
Aug	16,742	176,232,246,456.71	16,324.00	164,427,126,365.67
Sep	19,147	86,359,900,031.38	14,452.00	166,451,227,383.64
Oct	20,792	84,489,101,291.44	16,823.00	197,737,062,884.46
Nov	19,352	86,610,977,400.97	15,538.00	196,643,360,328.01
Dec	21,972	100,169,721,169.53	17,708.00	240,680,642,080.34

Source: BSL

Figure 57: Value of ACH Transactions (Le)



Source: BSL

Table 2 shows ACH transactions for the period January to December 2019. The table shows that the use of cheque still remains higher than direct credit as a means of transactions. However, the level of acceptability of electronic means of interbank transactions is sustained and has a potential to create efficiency in the delivery of financial services.

6.20. Other Retail Payment Systems 2015-2019

The performance in the value of direct credit transactions as in table 2 above is reflected in the growth of other forms of electronic retail payment systems such as ATM and POS transactions. In table 3 it is revealed that ATM transactions increased by 154% (from Le154.38bn to Le392.02bn) over the period 2015 to 2019 while POS transactions grew by some 179% (from Le25.86bn to Le71.97bn) from 201 to 2019. This further points to the gradual acceptability of electronic means of processing transactions.

Table 33: ATMs and POS's

Table 3: ATMs and POSs	**2015**	**2016**	**2017**	**2018**	**2019**
Number of ATMs	51	71	94	72	107
Number of POSs	110	150	243	231	301
Volume of ATM Transactions	730,803.00	370,726.00	530,342.00	1,204,162	2,199,500.00
Volume of POS transactions	11,509.00	23,981.00	6,773.00	30,537	40,815.00
Value of ATM Transactions (Le'000)	154,380,059.00	69,532,802.00	102,109,510.00	267,237,998.00	392,016,130.00
Value of POS Transactions (Le'000)	25,855,913.00	34,351,419.00	5,670,955.00	44,096,804.00	71,970,869.00

Source: BSL

In line with financial inclusion Tables 4 and 5 below display regional spread of ATMs and POSs Notwithstanding the gains made by the Bank in ensuring public acceptability of electronic means of transactions processing, the spread of these financial services indicate that most of these facilities are deployed in the Western Area accounting for 89.00% of POSs and 71.00% for ATMs in 2019.

Table 34: REGIONAL SPREAD OF ATM

	2015	2016	2017	2018	2019
NORTHERN PROVINCE	8	16	14	8	16
SOUTHERN PROVINCE	4	4	6	6	9
EASTERN PROVINCE	2	5	5	9	6
WESTERN AREA	37	46	69	49	76
TOTAL	51	71	94	72	107

Source: BSL

TABLE 5: REGIONAL SPREAD OF POS

	2015	2016	2017	2018	2019
NORTHERN PROVINCE	10	9	14	6	17
SOUTHERN PROVINCE	1	1	16	11	14
EASTERN PROVINCE	1	2	4	3	2
WESTERN AREA	98	138	209	211	268
TOTAL	110	150	243	231	301

Source: BSL

This 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 of note in the midst of plans to implement a digital financial services that would ensure smooth flow of funds especially from Government to people (G2P).

6.21. PLANNED SYSTEMS

6.21.1. NATIONAL SWITCH

This targets the establishment of interconnectivity and interoperability of all retail payment infrastructure for efficiency in the financial system. Sierra Leone has signed a loan agreement with the World Bank to fund a National Financial Inclusion Project, which includes a payment switch. The implementation of this project is currently at the procurement stage.

6.21.2. AFREXIMBANK – PAN AFRICAN PAYMENTS AND SETTLEMENT PLATFORM (PAPSP)

Following the automation of the National Payment Systems in Gambia, Guinea, Liberia and Sierra Leone to the levels of Ghana and Nigeria, WAMI as well as ECOWAS have been faced with the challenge of interconnecting and interoperating the national payment systems within WAMZ and subsequently ECOWAS so as to promote regional trade.

Primary of these challenges was the cost of establishing a centralized clearing and settlement platform. Following a feasibility study, this cost was estimated at around USD33 million. The second challenge was that of the country with the requisite infrastructure to host the centralized clearing and settlement platform.

In search of a more efficient solution, Afreximbank was approached by WAMI and they offered to provide the settlement solution. Following series of workshops to showcase their solution, Afreximbank in 2018 embarked on a country-by-country presentation of their solution. This solution was found to be a better, cheaper and more reliable one than that prescribed after the initial feasibility study. Furthermore, the solution comes with no cost to central banks of member states.

The solution is now at the stage of signing of agreement between member central banks and Afreximbank. Sierra Leone has already signed the agreement and now await deployment.

6.22. CONCLUSION

With increases in public acceptability of electronic payment systems especially in the Western Area, and in the midst of a series of issues surrounding security of financial transactions, the need to develop an oversight system with robust security system on financial markets infrastructures is becoming increasingly important.

7. HUMAN RESOURCES DEVELOPMENT

7.1 STAFF STRENGTH

Total staff strength as at 31st December 2019 was 463 (four hundred and sixty-three), reflecting a decrease of 2.15**%** from 473 (four hundred and seventy-three) at end of December 2018. The decline in staff strength reflected the decline in both the regular staff and the fixed-term employee categories. Within the regular staff category, there was a decline in staff strength in all categories with the exception of Others, where the staff strength increased.

Management Staff recorded a decrease of 2 (two) from 9 (nine) as of December 2018 to 7 (seven) as at the end of December 2019. This decrease was due to dismissal and retirement.

Staff Strength in the Professional and Sub-professional cadre decreased in 2019 from 265 and 105 respectively to 242 and 92 respectively 2019. The decline in the professional and sub-professional cadre was due to dismissal and death. However, in the Others category, the staff strength increased from 69 in 2018 to 103 in 2019. The increase was due to the recruitment of staff in this category.

Total Fixed-term employees as of the end of December 2019 was 21, which accounted for 4.5**%** of total staff strength. Total fixed-term employees recorded a decline (16.0%) in 2019 from 25(twenty-five) as at End December 2018, which was due to the end of the contract.

The total male staff strength was 329(three hundred and twenty-nine) as of 31st December 2019, which accounted for 71.06% of the total staff strength. Out of the total male staff strength, 318 were in the regular staff category while **11** (eleven) were Fixed Term Employees.

Total female staff strength was 134 (one hundred and thirty-four) as of 31st December 2019, which accounted for 28.9% of the total staff strength. Out of the total female staff strength, 124 were in the regular staff category while **10** (ten) were Fixed Term Employees.

Table 35: STAFF STRENGTH AS AT END OF DECEMBER 2018 & 2019

	AS AT DECEMBER 2018			**AS AT DECEMBER 2019**		
CATEGORY	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
Management	6	3	9	4	3	7
Professional	173	92	265	152	89	242
Sub-Professional	83	22	105	68	24	92
Others	65	4	69	94	9	103
Total Regular Staff	**327**	**121**	**448**	319	124	443
Fixed Term Employees	13	12	25	11	10	21
Grand Total	**340**	**133**	**473**	329	134	463

Source: BSL

7.2. SEVERANCE

A total of **35** (thirty-five) members of staff severed from the service of the Bank as shown below in Table 36:

Table 36: Number of Staff Severance by Category in 2019

Termination of Contract Appointment	5

Resignation	-
Dismissal	17
Deceased	2
Retirement	11
Voluntary Retirement	-
Retirement on Medical Grounds	-
Position Declared Vacant	
Total	

Source: BSL

7.3. RECRUITMENT AND APPRAISAL

A total number of 45 staff were recruited into the permanent services of the Bank.

7.4. MANPOWER PLANNING AND CAREER DEVELOPMENT

7.4.1. TRANSFERS

In order to facilitate work at the Kenema Branch, the Bank continued to transfer staff with the requisite capacity to the branch either on two years tours or on relief duties.

Inter and intra departmental transfers were embarked upon at various levels and departments during the period under review.

A total of 4 staff were transferred internally in .2019.

7.4.2. ABSORPTION

Seven (7) members of staff were absorbed into the permanent services of the Bank in 2019.

7.5. STAFF TRAINING

For the year 2019, the budget allocations for Training Vote as well as Overseas Passages and Allowances Vote were distributed to Departments/Units, taking into account the number of professional staff. Execution of both votes commenced in January 2019 until the Government of Sierra Leone temporarily placed a ban on all Overseas travel countrywide effective July 2019, except for Statutory Engagements. Consequently, the Bank adhered to the Government Press Release and the Human Resources Department circulated a Staff Notice, with regards to the Release to all Heads of Departments for the attention of their respective staff.

The Bank partnered with accredited training institutions such as the West African Institute for Financial and Economic Management (WAIFEM), International Monetary Fund (IMF), the Bank of England, African Institute of Management Science (AIMS), Koenig Solution, etc. Staff benefitted from both short term and long term training (overseas and local) in various disciplines that are relevant to the Bank including Management, Economics, Human Resources, Financial Inclusion, Banking Supervision, Financial Sector Surveillance, Money Laundering, Cyber Crime Security Management, etc., as well as meetings, workshop, seminars, and conferences.

Between the period November and December 2019, the temporary ban was lifted and the processing of training programs recommenced.

In 2019, a total of 97 (ninety-seven) staff attended capacity building programs under the Training Vote while 59 attended workshops, meetings, conferences, and seminars under the Overseas Passages and Allowances Vote.

Tables 37 and 38 below indicate the distribution of training and meetings in 2019:

Table 37: Distributions of Overseas Trainings by Department

Department	***Number of staff that benefitted from Overseas Training***	***Number of staff that benefitted from Local Training***
Banking	12	
Banking Supervision	12	1

Finance	7	
Financial Markets	5	
Financial Stability	8	
Governor's Office	7	
Hunan Resources	3	
Internal Audit	5	1
Management Information Systems	13	2
Other Financial Institutions and Supervision	2	2
Project Management	1	
Research	7	8
Secretary's	1	
Sub-Total	**83**	**14**
Grand Total	**97**	

Source: BSL

Table 38: Distribution of Meetings Workshop Seminars and Conferences

Department	***Number of staff that benefitted from Overseas Meetings, Workshop, Seminars, Conferences***	***Number of staff that benefitted from Local Meetings, Workshop, Seminars, Conferences***
Banking	6	

Banking Supervision	13	
Finance	1	2
Financial Markets	5	1
Financial Stability	2	
General Services	1	
Governor's Office	6	
Hunan Resources	2	
Internal Audit	-	2
Management Information Systems		
Other Financial Institutions and Supervision	4	
Project Management		
Research	12	1
Secretary's	1	
Sub-Total	**53**	**6**
Grand-Total	**59**	

8. EXTERNAL RELATIONS

The Bank of Sierra Leone continued cooperating with regional and international organisations as well as other development partners in 2019 in order to support macroeconomic stability and maintain bilateral relationships. During the review period, the Bank met with the IMF on the Extended Credit Facility (ECF) programme, as well as other regional institutions, such as ECOWAS, WAMA, WAMI and AACB, in relation to the economic and monetary cooperation programme at both Africa and ECOWAS levels. Furthermore, the BSL benefitted from several TA missions and overseas training from the IMF,

8.1. IMF Extended Credit Facility (ECF) in 2019

On June 28, 2019 the Executive Board of the International Monetary Fund (IMF) completes its First Review Under the Extended Credit Facility which enables the fund to disburse of SDR 15.555 million (about US$21.62 million), bringing total disbursements under the arrangement to SDR 31.11 million (about US$43.25 million). This was to facilitate the Sierra Leone government's reform agenda directed at securing fiscal sustainability, create space for priority spending by strengthening revenue mobilization, containing current spending and improving the efficiency of public investment. The Board also approved the authorities' request for a waiver of non-observance of a performance criterion.

Performance under the ECF-supported program has been satisfactory in the face of a challenging economic environment. Although progress on structural measures has been slower than anticipated, the government remains firmly committed to their reform agenda.

8.2. ECOWAS/WAMA/WAMI Missions to Sierra Leone

The ECOWAS Commission, West African Monetary Agency (WAMA) and the West African Monetary Institute (WAMI) conducted two joint multilateral surveillance missions to Sierra Leone from March 18 - 25, 2019 and September 2 – 9, 2019 to assess the country's macroeconomic developments and status of convergence in 2018 as well as the first half of 2019 within the framework of the ECOWAS monetary cooperation programme (EMCP) and Article XV of the WAMZ agreement. The mission held discussions with officials of key Ministries, Agencies and Departments, and the Private sector in the country.

During the mission in March 2019, it was observed that the economy of Sierra Leone remained subdued with the iron ore mining underperforming. However, non-iron ore GDP remained strong reflecting modest growth in other mining activities (diamond, bauxite and zircon), and improvements in agriculture and services. Inflationary pressure persisted, reflecting increased food prices, the pass-through effects of exchange rate depreciation and liberalisation of petroleum prices. Fiscal operations improved, but remained a challenge. There was also continued pressure on the exchange rate for the most part of 2018. The financial sector remained relatively stable with the BSL sustained its efforts at reforming the financial system in line with global best practices with its supervisory policy mainly directed on the achievement of financial stability.

Consequently, performance on the macroeconomic convergence scale showed that the country met one primary (gross external reserves) and one secondary (debt-to-GDP) criteria. This underscores the need to increase effort to boost macroeconomic performance and strengthen compliance with the convergence criteria.

On the second mission in September, 2019, the team assessed the first half of 2019 macroeconomic position of the country. It was noted that the economy of Sierra Leone showed strong performance on the back of the resumption in iron-ore mining activities, increased investment in agriculture, expansion of non-traditional exports and efficiency gains from policy reforms. The tight monetary policy stance of the

BSL and strong fiscal consolidation measures pursued contributed to significant reductions in the budget deficit and central bank financing, and inflationary pressures moderated during the period. External sector performance improved, with increases in export earnings and disbursements of budgetary support, but the pressure on the exchange rate persisted. The financial sector remained relatively stable supported by the BSL's continued effort at implementing legal and institutional reforms to safeguard monetary and financial stability and improve operational efficiency and effectiveness. Consequently, the mission observed that performance on the macroeconomic convergence scale improved with the country satisfying three primary convergence criteria (budget deficit, central bank financing of the budget deficit as a percentage of the previous year's tax revenue, gross external reserves in months of import) and one secondary criterion (debt-to-GDP ratio).

8.3. Association of African Central Banks (AACB) Meetings

The Bureau of the Association of African Central Banks (AACB) held its first ordinary meeting of the year, on 13th March 2019, in Dakar, Senegal, at the Headquarters of the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO).

The meeting, attended by eleven (11) central banks members of the Bureau and the African Union Commission (AUC), was chaired by Mr. Tarek Amer, Governor of the Central Bank of Egypt (CBE), Chairperson of the AACB. The Bureau meeting reviewed, inter alia, the implementation of the decisions made by the Assembly of Governors at its 41st ordinary meeting, held on 9th August 2018 in Sharm El Sheikh, Egypt. In this respect, the Bureau:

Approved the report of the AACB Symposium, held on 8th August 2018 in Sharm El Sheikh, Egypt and requested that the report be presented for adoption at the Assembly of Governors meeting in August 2019 in Kigali, Rwanda;

The Bureau of the Association of African Central Banks (AACB) selected for the 2019 Continental Seminar on the theme: '*Renewed Protectionist Tendencies: Some Implications for Macroeconomic Policy in Africa*', the following sub-themes:

a) Mitigating the Impact of Rising Protectionist Tendencies: Role of Central Banks and the Continental Free Trade Area (CFTA);
b) Trade war and protectionist tendencies: implications on external sector performance in Africa;
c) Protectionist trends around the world: prospects for monetary integration in Africa.

The Bureau also selected for the 2019 Symposium on the theme: '*Rising African Sovereign Debt: Implications for Monetary Policy and Financial Stability"*, the following sub-themes:

a) African sovereign debt management strategies: lessons from regional and international experiences;
b) Rising external borrowing in Africa: challenges of debt sustainability and implications for monetary policy;
c) Increasing African sovereign debt: implications for the growth and stability of the financial system.

8.4. Technical Assistance (TA) Missions to the Bank of Sierra Leone in 2019

The Bank of Sierra Leone benefited from a technical assistance (TA) mission on external sector statistics (ESS) was conducted for the Bank of Sierra Leone (BSL) from October 14–25, 2019. The mission was financed by the United Kingdom's Department for International Development and managed by the IMF's Statistics Department (STA). The main purpose of the mission was to assist the BSL in strengthening the compilation framework and dissemination of the ESS further.

Also the Technical Committee (TC) of the Association of African Central Banks (AACB) met on 28 - 29 July, 2019 in Kigali, Rwanda, to prepare for the meeting of the AACB Bureau on 30 July, 2019 in Kigali, Rwanda. The meeting was chaired by Mr. Osama Abdelrahman, Assistant Manager, Economics Bloc Department, Central Bank of Egypt.

The symposium was held on 8th August, 2018 in Sharm El Sheikh, Egypt, on the
Theme "Declining Correspondent Banking Relationships and Illicit Capital Flows: Risks and Policy Challenges for Africa". The main conclusions of the symposium were:

- Central banks should focus on the enhancing role of African central banks in the fight against Illicit Financial Flows (IFFs), through the strengthening of the requirements for the control and auditing of client operations, notably through the KYC, the strengthening of the AML/CFT system to detect suspicious transactions and the declaration of suspicion to the Financial Intelligence Units, the development of electronic currency infrastructures to reduce fraud and IFFs, as well as the intensification and systematization of awareness-raising actions for bank staff assigned to anti-money laundering structures;

- Central banks should coordinate efforts which should be supported by international organizations such as the International Monetary Fund (IMF) through capacity building. They also noted the need to strengthen the legal and institutional framework of IFFs, with a regional focus, to reduce the negative impact of IFFs on African economies;

- Given the importance of the KYC with respect to the de-risking issue, the Governors encourage the sharing of information, and wished that the information be available on a platform to reduce costs. They finally emphasized the need for adequate regulations.

PART B: STATEMENT OF ACCOUNTS

BANK OF SIERRA LEONE

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

CONTENTS **PAGE**

GENERAL INFORMATION

BOARD OF DIRECTORS:	Professor Kelfala M. Kallon	- Governor (Appointed 15 August 2018)
	Dr Ibrahim L. Stevens	- Deputy Governor (re-appointed 24 July 2019)
	Mr Sheik A. Y. Sesay	- Deputy Governor, (appointed 26 June 2020)
	Ms Cecilia M. Demby	- Appointed 18 October 2018
	Mr George Taylor	- Appointed 25 October 2018
	Mr Sheikh R. Kamara	- Appointed 31 October 2018
	Mr Sheka A. Mansaray	- Appointed 31 October 2018
	P. C. Alhaji A. Kathenkeh II	- Appointed 31 October 2018
	Mrs Amy Myers	- Appointed 19 September 2019
SENIOR MANAGEMENT:	Professor Kelfala M. Kallon	- Governor
	Dr Ibrahim L. Stevens	- Deputy Governor, Monetary Stability
	Mr Sheik 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 Morlai Bangura	- Director, Research Department
	Mrs Veronica Finney	- Director, Financial Markets Department
	Ms Hawa E. Kallon	- Director, Secretary's Department
	Mr Sullay Alhaji Mannah	- Director, Legal Affairs Department
	Mr Mohamed S. Bah	- Director, Finance Department
	Mr Eugene Caulker	- Director, Financial Stability Department
	Mr Alfred W. B. Samah	- Director, Banking Department
	Mr Hilton Jarrett	- Deputy Director, Banking Supervision Department
	Mr Chrispin Dennison-George	- Deputy Director, Governor's Office
	Mr Alhaji Salihu Dukuray	- Deputy Director, Internal Audit Department
	Mr Momoh L. Sesay	- Assistant Director, Financial Sector Development Unit
	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:	BDO Regent House 12 Wilberforce 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 2019.

Principal Activity

The Bank undertakes the following activities in pursuit of its objective:

(a) formulate and implement monetary policies, 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 2019 or any other enactment; and

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

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 2019 and the statements of 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 controls 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.

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 period

Profit for the period was Le101.88 billion (2018: profit of Le90.10 billion).

REPORT OF THE DIRECTORS (Contd)

Audit Committee

The Audit Committee comprising Non-Executive Directors and one Technical Expert is responsible for the oversight function over the audit mechanism, internal controls system and the financial 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 letters and other oversight reports including 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 the implications for monetary policy 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.

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

Foreign Assets Committee

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

Project Monitoring Committee

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

Property, plant and equipment

Details of the Bank's property, plant and equipment are shown in note 21 to the 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.

REPORT OF THE DIRECTORS (Contd)

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.

GLOBAL ECONOMIC DEVELOPMENTS

Global Output

Global output growth in 2019 was estimated at 2.9 percent, 0.7 percentage point down when compared to the growth of 3.6 percent in 2018. The decrease in global output growth in 2019 was associated to a number of factors including the escalating trade tensions between the United States and China, protracted Brexit negotiations, as well as receding global trade, underscored by weak investor and consumer confidence. Although global growth is expected to improve in 2020, continued variances in trade policies emanating from the Sino-America trade tensions coupled with accumulating financial vulnerabilities and elevated disinflationary pressures, will continue to pose risks to the global growth outlook.

Advanced Economies

Growth in advanced economies was estimated to slow down to 1.7 percent in 2019 from 2.2 percent in 2018, underscored by unresolved Brexit negotiations, geopolitical tensions which impacted crude oil prices, weak recovery in manufacturing activities, as well as slow global trade and investment. Looking ahead, growth prospects in advanced economies remain gloomy and mainly uncertain.

Emerging Markets and Developing Economies

Economic growth in EMDEs was estimated at 3.7 percent for 2019, compared to the growth of 4.5 percent in 2018, mainly reflecting decreased economic performance in China and other emerging Asia economies, largely aligned to the impact of intensifying trade tensions and associated disruptions in the business environment.

EXTERNAL TRADE AND DEVELOPMENTS

Developments in the external sector of Sierra Leone were mixed in 2019, with the trade deficit widening, while the stock of gross foreign exchange reserves improved relative to 2018.

Trade Balance

The trade deficit expanded to US$914.89mn (22.09 percent of GDP) in 2019, compared to US$800.09mn (19.6 percent of GDP) in 2018, due to increase in imports which significantly outweigh the increase in exports.

Components of Imports

Payments for imports increased by 16.42 percent to US$1,576.4mn in 2019 mainly reflecting higher import bills for chemicals and manufactured. Other contributory factors to the increase in the total import bill were crude materials, machinery and transport equipment as well as other import comprising mainly un-cleared goods that were auctioned in May 2019.

REPORT OF THE DIRECTORS (Contd)

Components of Exports

Total merchandise exports increased by 19.41 percent to US$661.47mn in 2019, largely due to the scale up of receipts from mineral, agriculture and other exports (scrap metals, personal effects of repatriating diplomats, etc.).

Gross Foreign Exchange Reserves

The stock of gross foreign exchange reserves of the Bank of Sierra Leone increased to US$533.15mn in 2019 from US$502.78mn in 2018, mainly enhanced by aide disbursements from the IMF, World Bank, AfDB, EU and IDB. The current stock of reserves was enough to cover 3.3 months of imports.

Foreign Exchange Rate Movements

The annual exchange rate movement in 2019 indicated a depreciation in the parallel market, commercial banks, official market and bureau by 15.05 percent, 13.64 percent, 13.60 percent and 13.34 percent respectively, relative to 2018.

FISCAL DEVELOPMENTS

Fiscal Deficit Improved

Government fiscal operations resulted in an improvement of the overall deficit (inclusive of grants) to Le936.65bn (2.47% of GDP), 19.96 percent lower than the budgeted target of Le1,170.21bn (3.09% of GDP) and 37.20 percent below the deficit of Le1,491.51bn (4.60% of GDP) in 2018. This outcome reflected an improvement in government revenues which outweigh the increase in government expenditures.

Revenue collection exceeded target

Government revenue and grants amounted to Le6,688.16bn (17.645 of GDP) representing a 28.37 percent increase compared Le5,210.03bn in 2018 and in excess of the programmed target of Le6,658.97bn by 0.44 percent. The expansion in government revenue was on account of the expansion in domestic revenue mobilization coupled with an increase in the disbursement of foreign grants in the review period.

MONETARY AND FINANCIAL MARKET DEVELOPMENTS

Reserve Money

The Reserve Money (RM) expanded by 12.41 per cent in 2019, relative to the growth rate of 6.52 per cent in 2018. The growth in Reserve Money reflected a significant growth in Net Foreign Assets (NFA), while Net Domestic Asset (NDA) recorded marginal growth during the year. From the liabilities side, the growth in Reserve Money reflected a 16.34 per cent increase in currency issued, whilst banks' reserves contracted by 5.47 per cent, relative to the 13.98 per cent contraction recorded in 2018.

Broad Money

Broad Money (M2) supply grew by 14.31 per cent in 2019, about 0.14 percentage point lower when compared with 14.45 per cent growth recorded in 2018. The growth in Broad Money was reflected in both the Net Domestic Assets (NDA) and Net Foreign Assets (NFA) of the banking system. From the liability side, M2 growth reflected expansion in both the Narrow Money (M1) and Quasi Money (QM).

REPORT OF THE DIRECTORS (Contd)

EXCHANGE RATE DEVELOPMENTS

Foreign Exchange Rate Movements

The year on year (y-o-y) movement of the exchange rates in 2019Q2, indicated that, the official, commercial banks, exchange bureau, and parallel market rates depreciated by 14.53 per cent, 14.26 per cent, 14.76 per cent and 13.14 per cent, respectively, when compared to 5.13 per cent, 5.22 per cent, 4.44 per cent and 6.74 per cent, respectively in 2018Q2.

Purchases and Sales of Foreign Exchange

Total amount traded in the foreign exchange market during 2019Q2 was US$398.55mn, which is 9.12 per cent higher than the total amount of US$365.25mn recorded in 2018Q2, and 9.85 per cent higher than the total amount of US$362.80mn recorded in 2019Q1. The monthly average amount traded in 2019Q2 was US$132.85mn, compared to US$121.75mn and US$120.93mn in 2018Q2 and 2019Q1, respectively.

Total Purchases of foreign exchange by commercial banks for 2019Q2 decreased by 5.32 per cent of US$126.85mn compared to the total of US$133.98mn recorded in the corresponding period of 2018Q2, but conversely increased by 8.68 percent of 116.72mn in the preceding period of 2019Q1. The major drivers for foreign exchange purchases were the operations of mining companies, service industry, non-governmental organization (NGOs) and authorized dealers.

Directors and their interest

The following were Directors of the Bank as at 31 December 2019:

Professor Kelfala M. Kallon	-	Governor/Chairman	- Governor (appointed 15 August 2018)
Dr Ibrahim L. Stevens	-	Deputy Governor	- Deputy Governor (re-appointed 24 July 2019)
Ms Cecilia M. Demby	-	Director	- Appointed 18 October 2018
Mr George Taylor	-	Director	- Appointed 25 October 2018
Mr Sheikh R. Kamara	-	Director	- Appointed 31 October 2018
Mr Sheka A. Mansaray	-	Director	- Appointed 31 October 2018
P. C. Alhaji A. Kathenkeh II	-	Director	- Appointed 31 October 2018
Mrs Amy Myers	-	Director	- Appointed 19 September 2019

Professor Kelfala M. Kallon was appointed Governor of the Bank on 15 August 2018 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.

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, BDO, were appointed by the Auditor-General to conduct the audit of the financial statements for the period ended 31 December 2019.

Approval of the financial statements

The financial statements were approved by the Board of Directors on January 18 2022

....
Governor

....
Director

....
Secretary

INDEPENDENT AUDITORS' REPORT
TO THE GOVERNMENT OF SIERRA LEONE

Opinion

We have audited the financial statements of Bank of Sierra Leone set out on pages 13 to 81 which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2019, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of 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 Auditors' 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), and we have fulfilled our other ethical responsibilities in accordance with 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, we do not provide a separate opinion on these matters.

The key audit matters which apply to the audit of the financial statements of the Bank are:

- Foreign exchange transactions including the respective net exchange gain/loss
- Accuracy of assets and liabilities with respect to disclosure and valuation
- Completeness of notes
- Impairment assessment of financial assets

<u>Foreign exchange transactions including the respective net exchange gain/loss</u>
The Bank holds international reserves in foreign currencies as well as assets and liabilities arising from its membership in the International Monetary Fund (IMF). According to the Bank's accounting policies, all foreign currency positions should be revalued daily. With respect to the IMF assets and liabilities, the policies refer to IMFs Aide Memoire "Accounting for Fund Transactions" dated August 1, 2017.

In the course of our audit we have performed a systems audit of the Bank's system used for the accounting of foreign exchange transactions. The Bank's system for accounting for foreign exchange transactions including the respective recognition of realized and unrealized gains and losses is not configured to show and work with the exchange rates at which the transactions were initiated. Manual computations of the realized exchange gains and losses had to be performed and the amounts adjusted on the 2019 financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE GOVERNMENT OF SIERRA LEONE (Contd)

Accuracy of assets and liabilities with respect to disclosure and valuation

The Bank holds various Balances with other Central Banks, Placement with Banks, Cash Balances with Banks, Balances due from the Government as well as Deposits from Government, Banks and Others.

In the course of the audit we undertook balance sheet confirmations in compliance with International Standards on Auditing. The counterparties had to complete a blank confirmation with account information and balances. The confirmations were posted and returned to us. All differences have either been cleared with alternative audit procedures or have been adjusted accordingly.

Completeness of notes

Due to the dynamic nature of financial reporting standards and frameworks, the completeness and correctness of the notes had been identified as a key audit matter.

In the course of our audit we emphasized on the completeness and correctness of the notes. In order to test the completeness of the notes, we met with the Bank, scrutinized all information in detail, took the respective evidence on file and used international disclosure checklist, industry sector checklist, and the applicable accounting standards. Based on the discussions, the information received and our findings, the Bank has changed the notes accordingly.

Impairment assessment of financial assets

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 were 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.

At 31 December 2019, the Bank's credit exposures and respective impairment comprised mainly short and long-term investment securities issued by the Government of Sierra Leone and deposits from banks and others.

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;

INDEPENDENT AUDITORS' REPORT
TO THE GOVERNMENT OF SIERRA LEONE (Contd)

- 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) and the Loss Given Default (LGD);

- Accuracy and adequacy of the financial statement disclosures.

The accounting policies, critical estimates and judgements and impairment charge are set out in notes 7, 36, 39g, 39j and 39m. Impairment of financial assets is considered a key audit matter in the financial statements.

The audit procedures that we performed included evaluating the accounting interpretations for compliance with IFRS 9 and testing the proposed adjustments and disclosures in the financial statements.

We reviewed and evaluated controls supporting management's estimates, judgements and assumptions and tested selected key controls on the completeness and accuracy of data used as input to the models.

We determined if there are any indicators of impairment (significant increase in credit risk) by considering the following possible loss events which were external and/or internal:

a) An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations;

b) significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;

c) significant changes in the expected performance and behaviour of the borrower, including changes in the payment status.

We evaluated the bond's effective interest rate used in discounting expected future cash flows by validating that the discount rates used in discounting the estimated future cash flows meet the effective interest rates requirement of IFRS 9.

We determined whether the cash flows from principal and interest repayments are supportable and consistent with current financial information.

We assessed the measurement decisions which include challenging management's determination of:
- definition and identification of default
- probability of default
- exposure at default
- loss given default

We challenged the criteria used to allocate an asset to stages 1, 2 or 3 in accordance with IFRS 9 and tested - as far as applicable - assets in stages 1, 2 and 3 to verify that they were allocated to the appropriate stage.

We tested the assumptions, inputs and formulas by assessing the appropriateness of model design and formulas used and recalculating the PD for exposures.

We performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable considering the Bank's portfolio, risk profile, credit risk management practices and the macroeconomic environment. We understood and evaluated controls supporting management's estimates, judgements and assumptions and tested selected key controls on the completeness and accuracy of data used as input to the models.

INDEPENDENT AUDITORS' REPORT
TO THE GOVERNMENT OF SIERRA LEONE (Contd)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express 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, 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 Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is 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. Those charged with governance are responsible for overseeing the financial reporting process.

Auditors' 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT
TO THE GOVERNMENT OF SIERRA LEONE (Contd)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism 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 controls 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 management.

Conclude on the appropriateness of management's 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, we are required to draw attention in our auditors' report to the related disclosures in the financial 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 auditors' 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 entities or 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 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.

INDEPENDENT AUDITORS' REPORT
TO THE GOVERNMENT OF SIERRA LEONE (Contd)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 accounts 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 auditors' report is Samuel Noldred.

BDO

Freetown, Sierra Leone

2nd March **2022**

STATEMENT OF FINANCIAL POSITION

In thousands of Leones

	Notes	2019	2018
Assets			
Cash and cash equivalents	16	3,942,580,449	3,186,017,452
Funds held with International Monetary Fund (IMF)	17	4,197,352,853	3,614,280,914
Loans and advances to others	18a	11,200,316	10,088,912
Due from Government of Sierra Leone	18b	1,625,629,241	1,493,792,809
Investment in equity	19	64,888,567	56,291,426
Investment securities	20	1,158,174,708	1,270,053,509
Property, plant and equipment	21	200,675,104	162,296,328
Other assets	22	331,536,686	155,634,839
Total assets		11,532,037,924	9,948,456,189
Liabilities			
Amounts due to International Monetary Fund (IMF)	23	7,672,741,001	6,629,001,046
Deposits from Government	24	216,843,839	157,437,148
Deposits from banks	25	440,306,761	461,839,591
Deposits from others	26	73,202,858	30,871,967
Currency in circulation	27	2,307,943,295	1,983,864,681
Other liabilities	28	242,997,438	217,938,255
End-of-service benefits	29	48,229,660	40,770,306
Total liabilities		11,002,264,852	9,521,722,994
Equity			
Capital	30	125,000,000	125,000,000
General reserve	31(a)	377,594,423	274,318,023
Revaluation reserve	31(b)	32,792,919	32,792,919
Other reserves	31(c)	(5,614,270)	(5,377,747)
Total equity		529,773,072	426,733,195
Total liabilities and equity		11,532,037,924	9,948,456,189

These financial statements were approved by the Board of Directors on January 18 **2022**

______________________ **Governor**

______________________ **Director**

______________________ **Secretary**

The notes on pages 19 to 81 are an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME

In thousands of Leones

	Notes	2019	2018
Interest and similar income	*8*	**269,674,842**	230,762,478
Interest expenses and similar charges	*8*	**(13,276,156)**	(9,965,331)
Net interest income		**256,398,686**	220,797,147
Fees and commission income	*9*	**3,653,521**	3,181,812
Fees and commission expense	*9*	**(275,187)**	(242,921)
Net fees and commission income		**3,378,334**	2,938,891
Net exchange gain	*10*	**113,788,748**	56,168,516
Other income	*11*	**4,319,996**	1,915,883
Operating income		**377,885,764**	281,820,437
Personnel expense	*12*	**(112,436,795)**	(99,186,663)
Currency issue expense	*13*	**(44,372,818)**	(26,080,664)
Depreciation and amortisation	*21*	**(5,629,956)**	(5,864,492)
Impairment loss on financial instruments	*14a*	**(60,123,661)**	(8,760,314)
Other expenses	*14b*	**(53,440,871)**	(51,825,491)
Profit for the year		**101,881,663**	90,102,813
Other comprehensive income			
Defined benefit plan actuarial loss		**(236,523)**	(2,337,074)
Total comprehensive income for the year		**101,645,140**	87,765,739

The notes on pages 19 to 81 are an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME

In thousands of Leones	*Notes*	2019	2018
Profit attributable to:			
Equity holders of the Bank		**101,881,663**	90,102,813
Profit for the year		**101,881,663**	90,102,813
Total comprehensive income attributable to:			
Equity holders of the Bank		**101,645,140**	87,765,739
Total comprehensive income for the year		**101,645,140**	87,765,739

These financial statements were approved by the Board of Directors on January 18 **2022**

……………………………………) Governor

……………………………………) Director

……………………………………) Secretary

The notes on pages 19 to 81 are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

In thousands of Leones

	Share Capital	Property Revaluation Reserve	General Reserve	Other Reserves	Total
Balance at 1 January 2019	**125,000,000**	**32,792,919**	**274,318,023**	**(5,377,747)**	**426,733,195**
Total comprehensive income for the year					
Net profit for the year	-	-	**101,881,663**	-	**101,881,663**
Securities reserves	-	-	-	-	-
Prior year adjustment	-	-	**1,394,737**	-	**1,394,737**
Other comprehensive income					
Fair value reserve (non-interest-bearing securities)	-	-	-	-	-
Actuarial loss	-	-	-	**(236,523)**	**(236,523)**
Total other comprehensive income for the year	-	-	**103,276,400**	**(236,523)**	**103,039,877**
Total comprehensive income and other transfers					
Paid up capital	-	-	-	-	-
Deposit for shares	-	-	-	-	-
Balance at 31 December 2019	**125,000,000**	**32,792,919**	**377,594,423**	**(5,614,270)**	**529,773,072**

The notes on pages 19 to 81 are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

In thousands of Leones

	Share Capital	**Property Revaluation Reserve**	**General Reserve**	**Other Reserves**	**Total**
Balance at 1 January 2018	125,000,000	32,792,919	239,955,287	(3,040,673)	394,707,533
Total comprehensive income for the year					
Net profit for the year	-	-	90,102,813	-	90,102,813
Securities reserves	-	-	-	-	-
Prior year adjustment	-	-	6,471,948	-	6,471,948
Changes on initial adoption of IFRS 9	-	-	(62,212,025)	-	(62,212,025)
Other comprehensive income					
Fair value reserve (non-interest-bearing securities)	-	-	-	-	-
Actuarial loss	-	-	-	(2,337,074)	(2,337,074)
Total other comprehensive income for the year	-	-	34,362,736	(2,337,074)	32,025,662
Total comprehensive income and other transfers					
Paid up capital	-	-	-	-	-
Deposit for shares	-	-	-	-	-
Balance at 31 December 2018	125,000,000	32,792,919	274,318,023	(5,377,747)	426,733,195

The notes on pages 19 to 81 are an integral part of these financial statements

STATEMENT OF CASH FLOWS

In thousands of Leones

	Notes	**2019**	2018
Cash flows from operating activities			
Profit for the year		**101,881,663**	90,102,813
Adjustment for:			
Depreciation and amortisation	*21*	**5,629,956**	5,864,492
Net interest income	*8*	**(256,398,686)**	(220,797,147)
Fixed asset adjustments	*21a*	**121,849**	113,693
Actuarial loss on defined benefit obligation	*29d*	**(236,523)**	(2,337,074)
Prior year adjustment		**1,394,737**	6,471,948
Changes on initial adoption of IFRS 9	*39g*	**-**	(62,212,025)
		(147,607,004)	(182,793,300)
Changes in:			
Loans and advances to others	*18a*	**(1,111,404)**	(230,843)
Due from Government of Sierra Leone	*18b*	**(131,836,432)**	(384,817,631)
Other assets	*22*	**(175,901,847)**	(40,515,909)
Currency in circulation	*27*	**324,078,614**	219,119,798
Government deposit	*24*	**59,406,691**	(20,049,903)
Other deposits	*26*	**42,330,891**	4,509,075
Deposits from banks	*25*	**(21,532,830)**	(66,550,052)
Other liabilities	*28*	**25,059,183**	41,135,635
End-of-service benefits	*29*	**7,459,354**	8,556,594
		(19,654,784)	(421,636,536)
Interest received	*8*	**269,674,842**	230,762,478
Interest paid	*8*	**(13,276,156)**	(9,965,331)
Net cash generated from operating activities		**236,743,902**	(200,839,389)
Cash flows from investing activities			
Purchase of investment securities	*20*	**111,878,801**	(88,328,260)
Acquisition of investment in equity	*19*	**(8,597,141)**	(7,170,013)
Acquisition of property, plant and equipment	*21a*	**(44,130,581)**	(10,682,073)
Proceeds from sale of property, plant and equipment	*21a*	**-**	-
Net cash generated from investing activities		**59,151,079**	(106,180,346)
Cash flows from financing activities			
Net change in funds from the IMF	*17*	**460,668,016**	313,255,673
Net movement in reserves	*31*	**-**	-
Net cash from financing activities		**460,668,016**	313,255,673
Net increase in cash and cash equivalents		**756,562,997**	6,235,938
Cash and cash equivalents at 1 January		**3,186,017,452**	3,179,781,514
Cash and cash equivalents at 31 December	*16*	**3,942,580,449**	3,186,017,452
		=============	=============

The notes on pages 19 to 81 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 its capital was subscribed wholly 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 stability. The Bank's function is to:

i. formulate and implement monetary policy, financial regulation and prudential standards;
ii. act as banker, adviser and fiscal agent of the Government;
iii. formulate and implement the foreign exchange policy of Sierra Leone;
iv. conduct foreign-exchange operations;
v. own, hold and maintain the official international reserves including the reserves of gold;
vi. issue and manage the currency of Sierra Leone;
vii. establish, promote, license and oversee sound and efficient payment and securities settlement systems;
viii. license, register, regulate and supervise financial institutions as specified in the Bank of Sierra Leone Act;
ix. 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) and it's interpretation 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.

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.

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 38 to 39.

3 USE OF JUDGEMENTS, ASSUMPTIONS 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 resulted reported amounts of assets, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

3 USE OF JUDGEMENTS, ASSUMPTIONS AND ESTIMATES (Contd)

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2019 is set out below in relation to the impairment of financial instruments and in the following notes:

- Note 39 (g) - determination of fair value of financial instruments with significant unobservable inputs;
- Note 39 (q) - measurement of defined benefit obligations: Key actuarial assumptions;
- Note 39 (o) - recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

Impairment of financial instruments

Non-financial assets are evaluated for impairment on the basis described in note 39(m).

As described in the Key Audit Matters Section, 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);

- Accuracy and adequacy of the financial statements disclosures.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

4 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Leones, which is the bank's functional currency. Except as indicated, financial information presented in Leones has been rounded to the nearest thousand.

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

For the definition of credit risk and information on how credit risk is managed by the Bank, see note 36(a).

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.

	Credit rating	2019	% of FA	2018	% of FA
Cash balances with Central Banks	AAA - Aa2	**1,076,147,320**	**9.57**	1,676,794,443	17.06
Cash and balances with supranational organisations	Aaa - B1/N/R	**2,788,381,837**	**24.79**	1,460,399,434	14.86
Cash and balances with commercial banks	Aa3 - B2/BB*/N/R	**77,792,066**	**0.69**	48,543,191	0.49
Cash balances with non-banking financial institutions	N/R	**259,226**	**0.0**	280,384	0.00
International Monetary Fund assets	N/R	**4,197,352,853**	**37.32**	3,614,280,914	36.77
Advances	N/R	**1,636,829,557**	**14.55**	1,503,881,721	15.30
Investment securities	N/R	**1,158,174,708**	**10.30**	1,270,053,509	12.92
Contingencies and commitments	N/R	**313,493,885**	**2.79**	254,046,320	2.58
Total		**11,248,431,452**	**100**	9,828,279,916	100

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 and off balance sheet items.

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.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FINANCIAL RISK REVIEW (Contd)

Credit risk (contd)

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:

Assets

In thousands of Leones	**GBP**	**Euro**	**US$**	**SDR**	**Leone and Others**	**Total**
At 31 December 2019						
Cash and cash equivalents	**569,537,287**	**507,858**	**3,366,120,194**	**-**	**6,415,110**	**3,942,580,449**
IMF assets	**-**	**-**	**-**	**4,197,352,853**	**-**	**4,197,352,853**
Advances	**-**	**-**	**-**	**-**	**1,636,829,557**	**1,636,829,557**
Investment in equity	**-**	**-**	**64,888,567**	**-**	**-**	**64,888,567**
Investment securities	**-**	**-**	**-**	**-**	**1,158,174,708**	**1,158,174,708**
Total assets	**569,537,287**	**507,858**	**3,431,008,761**	**4,197,352,853**	**2,801,419,375**	**10,999,826,134**
At 31 December 2018						
Cash and cash equivalents	617,922,502	3,975,748	2,558,457,768	-	5,661,434	3,186,017,452
IMF assets	-	-	-	3,614,280,914	-	3,614,280,914
Advances	-	-	-	-	1,503,881,721	1,503,881,721
Investment in equity	-	-	56,291,426	-	-	56,291,426
Investment securities	-	-	-	-	1,270,053,509	1,270,053,509
Total assets	617,922,502	3,975,748	2,614,749,194	3,614,280,914	2,779,596,664	9,630,525,022

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FINANCIAL RISK REVIEW (Contd)

(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 (Contd)

FINANCIAL RISK REVIEW (Contd)

Liquidity risk (contd)

In thousands of Leones	*Notes*	Carrying amount	Less than 1 month	1 - 3 Months	3 months to 1 year	1 - 5 Years	More than 5 years
31 December 2019							
Financial asset by type							
Non-derivative liabilities							
Cash balances with central banks	*16*	1,076,147,320	1,076,147,320	-	-	-	-
Cash balances with supranational organisations	*16*	2,788,381,837	-	2,788,381,837	-	-	-
Cash and balances with commercial banks	*16*	77,792,066	-	77,792,066	-	-	-
Cash balances with non-banking financial institutions	*16*	259,226	-	259,226	-	-	-
International Monetary Fund Related Assets	*17*	4,197,352,853	-	-	4,197,352,853	-	-
Investment in equity	*19*	64,888,567	-	-	-	28,932,665	35,955,902
Advances	*18*	1,636,829,557	-	-	1,625,176,029	9,606,407	2,047,121
Investment securities	*20*	1,158,174,708	-	5,534,553	726,624,089	392,266,066	33,750,000
		10,999,826,134	1,076,147,320	2,871,967,682	6,549,152,971	430,805,138	71,753,023
Financial liability by type							
Non-derivative liabilities							
Amounts due to International Monetary Fund (IMF)	*23*	7,672,741,001	-	-	7,672,741,001	-	-
Deposits from Government	*24*	216,843,839	-	-	216,843,839	-	-
Deposits from Banks	*25*	440,306,761	-	-	440,306,761	-	-
Deposits from others	*26*	73,202,858	73,202,858	-	-	-	-
Unrecognised loan commitment		-	-	-	-	-	-
		8,403,094,459	73,202,858	-	8,329,891,601	-	-

NOTES TO THE FINANCIAL STATEMENTS (Contd)

5 FINANCIAL RISK REVIEW (Contd)

Liquidity risk (contd)

(ii) Maturity analysis for financial assets and financial liabilities (contd)

The table below sets out the remaining contractual maturities of the Bank's financial liabilities and financial assets:

In thousands of Leones	*Notes*	Carrying amount	Gross nominal inflow/(outflow)	Less than 1 month	1 - 3 Months	3 months to 1 year	1 - 5 Years	More than 5 years
31 December 2018								
Financial asset by type								
Non-derivative liabilities								
Cash balances with central banks	16	1,676,794,443	1,676,794,443	1,676,794,443	-	-	-	-
Cash balances with supranational organisations		1,460,399,434	1,460,399,434	-	1,460,399,434			
Cash and balances with commercial banks		48,543,191	48,543,191	-	48,543,191	-	-	-
Cash balances with non-banking financial institutions		280,384	280,384	-	280,384	-	-	-
International Monetary Fund Related Assets	17	3,614,280,914	3,614,280,914	-	-	3,614,280,914	-	-
Investment in equity	20	56,291,426	56,291,426	-	-	-	25,222,520	31,068,906
Advances	19	1,503,881,721	1,503,881,721	-	75,234,768	-	255,908,847	1,172,738,106
Investment securities	18	1,270,053,509	1,270,053,510	-	6,356,793	825,681,812	438,014,905	-
		9,630,525,022	9,630,525,023	1,676,794,443	1,590,814,570	4,439,962,726	719,146,272	1,203,807,012
Financial liability by type								
Non-derivative liabilities								
Amounts due to International Monetary Fund (IMF)	23	6,629,001,046	6,629,001,046	-	-	2,429,289,134	1,165,651,176	3,034,060,736
Deposits from Government	24	157,437,148	157,437,148	157,437,148	-	-	-	-
Deposits from Banks	25	461,839,591	461,839,591	-	-	461,839,591	-	-
Deposits from others	26	30,871,967	30,871,967	30,871,967	-	-	-	-
Unrecognised loan commitment		-	-	-	-	-	-	-
		7,279,149,752	7,279,149,752	188,309,115	-	2,891,128,725	1,165,651,176	3,034,060,736

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FINANCIAL RISK REVIEW (Contd)

Liquidity risk (contd)

Liquidity reserve

The table below sets out the components of the Bank's liquid reserves at book and fair values:

In thousands of Leones	**2019 Carrying amount**	**2019 Fair value**	2018 Carrying amount	2018 Fair value
Cash in hand	**198,182**	**198,182**	227,637	227,637
Balances with other Central Banks	**1,076,147,320**	**1,076,147,320**	1,676,794,443	1,676,794,443
Balances with Supranational Organizations	**2,788,381,837**	**2,788,381,837**	1,449,093,890	1,449,093,890
Balances with Commercial Banks	**77,792,066**	**77,792,066**	59,848,735	59,848,735
Cash balances with non-banking financial institutions	**61,044**	**61,044**	52,747	52,747
International Monetary Fund Related Assets	**4,197,352,853**	**4,197,352,853**	3,614,280,914	3,614,280,914
Investment in equity	**64,888,567**	**64,888,567**	56,291,426	56,291,426
Advances	**1,636,829,557**	**1,636,829,557**	1,503,881,721	1,503,881,721
Investment securities	**1,158,174,708**	**1,158,174,708**	1,270,053,509	1,270,053,510
Total liquidity reserve	**10,999,826,134**	**10,999,826,134**	9,630,525,022	9,630,525,023

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 and foreign exchange rates 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 risk exposures and keep them 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FINANCIAL RISK REVIEW (Contd)

Market risk (contd)

Interest rate risk (contd)

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)

	200 bp (2%)	200 bp (2%)
2019	**Increase**	**Decrease**
Interest income impact	**5,393,497**	**(5,393,497)**
Interest expense impact	**(265,523)**	**265,523**
Net impact	**5,127,974**	**(5,127,974)**
	=========	=========
	200 bp (2%)	200 bp (2%)
2018	Increase	Decrease
Interest income impact	4,615,250	(4,615,250)
Interest expense impact	(199,307)	199,307
Net impact	4,415,943	(4,415,943)
	=========	=========

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 advances.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FINANCIAL RISK REVIEW (Contd)

Market risk (contd)

Concentrations of assets, liabilities and off-balance sheet items

In thousands of Leones	GBP	Euro	US$	SDR	Others	Total
At 31 December 2019						
Cash and cash equivalents	**569,537,287**	**507,858**	**3,366,120,194**	**-**	**6,415,110**	**3,942,580,449**
IMF Assets	**-**	**-**	**-**	**4,197,352,853**	**-**	**4,197,352,853**
Advances	**-**	**-**	**-**	**-**	**1,636,829,557**	**1,636,829,557**
Investment in equity	**-**	**-**	**64,888,567**	**-**	**-**	**64,888,567**
Investment in securities	**-**	**-**	**-**	**-**	**1,158,174,708**	**1,158,174,708**
Total assets	**569,537,287**	**507,858**	**3,431,008,761**	**4,197,352,853**	**2,801,419,375**	**10,999,826,134**
Liabilities						
IMF drawing rights allocation	**-**	**-**	**-**	**7,672,741,001**	**-**	**7,672,741,001**
Deposits from Government	**-**	**-**	**-**	**-**	**216,843,839**	**216,843,839**
Deposits from banks	**-**	**-**	**-**	**-**	**440,306,761**	**440,306,761**
Deposit from others	**-**	**-**	**-**	**-**	**73,202,858**	**73,202,858**
End-of-service benefits	**-**	**-**	**-**	**-**	**48,229,660**	**48,229,660**
Contingencies and commitments						
Total liabilities	**-**	**-**	**-**	**7,672,741,001**	**778,583,118**	**8,451,324,119**
Net on-balance sheet position	**569,537,287**	**507,858**	**3,431,008,761**	**(3,475,388,148)**	**2,022,836,257**	**2,548,502,015**
At 31 December 2018						
Cash and cash equivalents	617,922,502	3,975,748	2,558,457,768	-	5,661,434	3,186,017,452
IMF assets	-	-	-	3,614,280,914	-	3,614,280,914
Advances	-	-	-	-	1,503,881,721	1,503,881,721
Investment in equity	-	-	56,291,426	-	-	56,291,426
Investment securities	-	-	-	-	1,270,053,509	1,270,053,509
Total assets	617,922,502	3,975,748	2,614,749,194	3,614,280,914	2,779,596,664	9,630,525,022
Liabilities						
IMF drawing rights allocation	-	-	-	6,629,001,046	-	6,629,001,046
Deposits from Government	-	-	-	-	157,437,148	157,437,148
Deposits from banks	-	-	-	-	461,839,591	461,839,591
Deposit from others	-	-	-	-	30,871,967	30,871,967
End-of-service benefits	-	-	-	-	40,770,306	40,770,306
Contingencies and commitments						
Total liabilities	-	-	-	6,629,001,046	690,919,012	7,319,920,058
Net on-balance sheet position	617,922,502	3,975,748	2,614,749,194	(3,014,720,132)	2,088,677,652	2,310,604,964

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FINANCIAL RISK REVIEW (Contd)

Market risk (contd)

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/downward shift in the exchange rates of various currencies against the Leone. The net impact of a shift in the exchange rate is positive and amounts up to Le254,850,201 (2018: Le231,060,496)

2019

In thousands of Leones

	GBP	EUR	US$	SDR	Others	Total
Assets						
Cash and cash equivalents	56,953,729	50,786	336,612,019	-	641,511	394,258,045
IMF assets	-	-	-	419,735,285	-	419,735,285
Advances	-	-	-	-	163,682,956	163,682,956
Investment in equity	-	-	6,488,857	-	-	6,488,857
Investment securities	-	-	-	-	115,817,471	115,817,471
Total assets	56,953,729	50,786	343,100,876	419,735,285	280,141,938	1,099,982,613
Liabilities						
IMF drawing rights allocation	-	-	-	767,274,100	-	767,274,100
Deposits from Government	-	-	-	-	21,684,384	21,684,384
Deposits from banks	-	-	-	-	44,030,676	44,030,676
Deposit from others	-	-	-	-	7,320,286	7,320,286
End-of-service benefits	-	-	-	-	4,822,967	4,822,967
Total liabilities	-	-	-	767,274,100	77,858,313	845,132,413
	56,953,729	50,786	343,100,876	(347,538,815)	202,283,625	254,850,201

2018

	GBP	EUR	US$	SDR	Others	Total
Assets						
Cash and cash equivalents	61,792,250	397,575	255,845,777	-	566,143	318,601,745
IMF assets	-	-	-	361,428,091	-	361,428,091
Advances	-	-	-	-	150,388,172	150,388,172
Investment in equity	-	-	5,629,143	-	-	5,629,143
Investment securities	-	-	-	-	127,005,351	127,005,351
Total assets	61,792,250	397,575	261,474,919	361,428,091	277,959,666	963,052,502
Liabilities						
IMF drawing rights allocation	-	-	-	662,900,105	-	662,900,105
Deposits from Government	-	-	-	-	15,743,715	15,743,715
Deposits from banks	-	-	-	-	46,183,959	46,183,959
Deposit from others	-	-	-	-	3,087,197	3,087,197
End-of-service benefits	-	-	-	-	4,077,031	4,077,031
Total liabilities	-	-	-	662,900,105	69,091,902	731,992,007
	61,792,250	397,575	261,474,919	(301,472,013)	208,867,764	231,060,496

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FINANCIAL RISK REVIEW (Contd)

Market risk (contd)

The continued depreciation of the foreign exchange rate reflects the structural imbalance between demand 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 risk

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 of the Bank. This responsibility is supported by the development of policies 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's policies is monitored by the Internal Audit Department.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

6 SEGMENT REPORTING

The bank uses a comprehensive steering approach. Therefore, segmental reporting is not applied.

7(i) FAIR VALUE OF FINANCIAL INSTRUMENTS

See accounting policy in note 39(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 (Contd)

(b) Valuation framework (Contd)

This hierarchy requires the use of observable market data when available. The bank considers relevant and observable market prices in its valuations were possible.

	Level 1	Level 2	Level 3
2019			
Financial assets			
Cash in hand and cash balances with banks	**78,051,292**	-	-
Balances with other central banks	**1,076,147,320**	-	
Placements with banks	-	**2,788,381,837**	
Funds held with International Monetary Fund (IMF)	-	**4,197,352,853**	-
Loans and advances to others	-	**11,200,316**	-
Due from Government of Sierra Leone	-	-	**1,625,629,241**
Investment in equity	-	-	**64,888,567**
Investment securities	-	-	**1,158,174,708**
Other assets	**331,536,686**	-	-
	1,485,735,298	**6,996,935,006**	**2,848,692,516**
Financial liabilities			
Amounts due to International Monetary Fund (IMF)	-	**7,672,741,001**	-
Due from Government	-	**216,843,839**	-
Deposits from banks	-	**440,307,758**	-
Deposits from others	-	**73,202,858**	-
Currency in circulation	**2,307,943,295**	-	-
Other liabilities	**242,997,438**	-	-
	2,550,940,733	**8,403,095,456**	**-**

	Level 1	Level 2	Level 3
2018			
Financial assets			
Cash in hand and cash balances with banks	60,129,119	-	-
Balances with other central banks	1,676,794,443	-	
Placements with banks	-	1,449,093,890	
Funds held with International Monetary Fund (IMF)	-	3,614,280,914	-
Loans and advances to others	-	10,088,912	-
Due from Government of Sierra Leone	-	1,493,792,809	-
Investment in equity	-	-	56,291,426
Investment securities	-	1,270,053,509	-
Other assets	155,634,839	-	-
	1,892,558,401	7,837,310,034	56,291,426
Financial liabilities			
Amounts due to International Monetary Fund (IMF)	-	6,629,001,046	-
Deposits from Government	-	157,437,148	-
Deposits from banks	-	461,839,591	-
Deposits from others	-	30,871,967	-
Currency in circulation	1,983,864,681	-	-
Other liabilities	217,938,255	-	-
	2,201,802,936	7,279,149,752	-

NOTES TO THE FINANCIAL STATEMENTS (Contd)

(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.

7(ii) 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
- Funds held with IMF
- Investments Securities
- Equity Investment
- Deposits from Government, banks and others
- Dues to IMF
- Currency in circulation
- Other financial liabilities
- Contingencies and commitments

Financial instruments by category

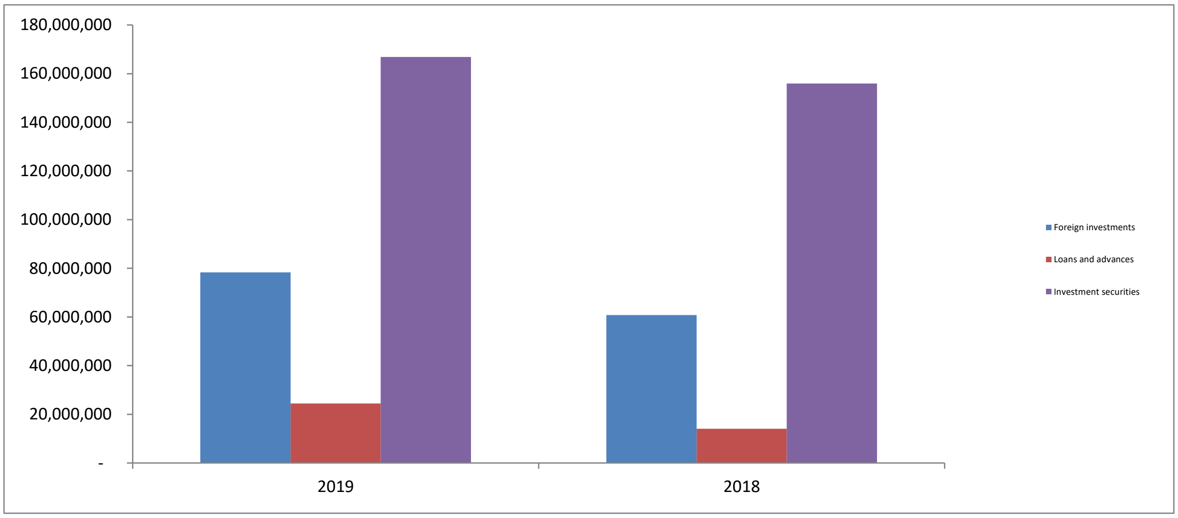
	Fair value through profit or loss		Amortised cost (Loans and receivables)		Fair value through Other comprehensive income	
	2019	2018	**2019**	2018	**2019**	2018
	Le'000	Le'000	**Le'000**	Le'000	**Le'000**	Le'000
Cash and cash equivalents	**-**	-	**3,942,580,449**	3,186,017,452	**-**	-
Funds held with International Monetary Fund IMF	**-**	-	**4,197,352,853**	3,614,280,914	**-**	-
Loan and advances to others	**-**	-	**11,200,316**	10,088,912	**-**	-
Due from Government of Sierra Leone	**-**	-	**1,625,629,241**	1,493,792,809	**-**	-
Investment securities	**-**	-	**1,158,174,708**	1,270,053,509	**-**	-
Equity investments	**64,888,567**	56,291,426	**-**	-	**-**	-
Other financial assets	**-**	-	**20,275,617**	24,271,556	**-**	-
Total financial assets	**64,888,567**	56,291,426	**10,955,213,184**	9,598,505,152	**-**	-

Financial liabilities

	Fair value through profit or loss		Amortised cost	
	2019	2018	**2019**	2018
	Le'000	Le'000	**Le'000**	Le'000
Due to International Monetary Fund	**-**	-	**7,672,741,001**	6,629,001,046
Deposits from Government	**-**	-	**216,843,839**	157,437,148
Deposits from banks	**-**	-	**440,306,761**	461,839,591
Deposits from others	**-**	-	**73,202,858**	30,871,967
Currency in circulation	**-**	-	**2,307,943,295**	1,983,864,681
Other financial liabilities	**-**	-	**87,463,081**	76,341,205
Total financial liabilities	**-**	-	**10,798,500,835**	7,248,277,785

NOTES TO THE FINANCIAL STATEMENTS (Contd)

8 NET INTEREST INCOME



In thousands of Leones	**2019**	2018
Interest and similar income		
Foreign investments (Note 8a)	**78,362,974**	60,755,083
Advances (Note 8b)	**24,445,910**	14,090,202
Investment securities (Note 8c)	**166,865,958**	155,917,193
Total (Note 8d)	**269,674,842**	230,762,478
Interest expenses and similar charges		
IMF interest and charges	**12,850,993**	9,779,516
Others	**425,163**	185,815
	13,276,156	9,965,331
Net interest income	**256,398,686**	220,797,147

8a Foreign investments

Interest income on Sterling investments	**3,681,366**	2,648,701
Interest income on US Dollar investments	**63,710,406**	49,425,972
Interest income on SDR investments	**10,965,103**	8,680,410
Income on other external investment	**6,099**	-
	78,362,974	60,755,083

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

8b Advances

	2019	2018
Interest on advances	**16,923,991**	9,879,131
Interest on reverse repos	**7,521,919**	4,211,071
	24,445,910	14,090,202

8c Investment securities

	2019	2018
Interest on 91-day treasury bills	**1,470,275**	1,441,131
Interest on 182-day treasury bills	**149,302**	82,571
Interest on 1-year treasury bills	**120,756,522**	109,716,797
Interest on 2-year treasury bearer bonds	**408,654**	69,135
Interest on 3-year medium-term bonds	**5,581,152**	5,569,684
Interest on 3-year bond	**4,604,426**	4,542,248
Interest on 5-year medium-term bonds	**30,845,627**	30,845,627
Interest on 10-year bond	**3,050,000**	3,650,000
	166,865,958	155,917,193

8d Additional disclosure on income by source

	2019	2018
Foreign investments	**78,362,974**	60,755,083
Local investments	**191,311,868**	170,007,395
	269,674,842	230,762,478

9 FEES AND COMMISSION INCOME

Fees and commission income

	2019	2018
Commissions	**1,822**	3,922
Income on Automated clearing system/Real-time gross settlement fees	**3,649,826**	3,171,890
Income on collateral registry	**-**	6,000
Credit related fees and commission	**973**	-
Sandbox fees and charges	**900**	-
	3,653,521	3,181,812
Fees and commission expense		
Automated clearing system/Real-time gross settlement fees	**(275,187)**	(242,921)
Net fees and commission income	**3,378,334**	2,938,891

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

10 NET EXCHANGE (LOSSES)/GAINS

	2019	2018
Realised (losses)/gains (10a)	**(6,305,948)**	(11,623,778)
Unrealised (losses)/gains (10b)	**120,094,696**	67,792,294
	113,788,748	56,168,516

10a Realised (losses)/gains

	2019	2018
Exchange gain	**11,054,982**	2,031,751
Exchange loss	**(17,360,930)**	(13,655,529)
	(6,305,948)	(11,623,778)

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

	2019	2018
Revaluation losses	**(914,710,600)**	(7,594,775,458)
Revaluation gains	**1,034,805,296**	7,662,567,752
	120,094,696	67,792,294

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.

10c Impact on revaluation (losses)/gains

	2019		2018	
Profit as per audited accounts		**101,881,663**		90,102,813
Less: Revaluation losses	**(914,710,600)**		(7,594,775,458)	
Revaluation gains	**1,034,805,296**		7,662,567,752	
Net revaluation gains		**120,094,696**		67,792,294
Operational profit/(loss) for the year excluding unrealised exchange gains		**(18,213,033)**		22,310,519

NOTES TO THE FINANCIAL STATEMENTS (Contd)

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 40 of the Bank of Sierra Leone Act 2019 requires that all unrealised exchange gains are deducted from net profit for the purposes of calculating Distributable Earnings. The above is a reconciliation of 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

	2019	2018
Rent received	**79,313**	70,990
Profit on sale of fixed assets	**-**	-
Grant income	**179,425**	243,636
Regulatory fees and charges	**3,473,566**	1,543,960
Sundry receipts	**587,692**	57,297
	4,319,996	1,915,883

12 PERSONNEL EXPENSES

	2019	2018
Salaries and wages	**73,686,957**	64,898,594
Rent allowance	**14,788,301**	13,238,415
Social security	**4,792,346**	4,375,195
Overtime	**330,051**	308,605
Training scheme	**6,531,015**	3,587,291
Staff welfare	**727,134**	1,252,108
End-of-service benefits	**7,451,282**	8,331,006
Medical expenses	**4,129,709**	3,195,449
	112,436,795	99,186,663

13 CURRENCY

	2019	2018
Currency management	**142,590**	156,590
Currency issue expenses	**44,230,228**	25,924,074
	44,372,818	26,080,664

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.

14a IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

	2019	2018
Impairment losses on investment securities	**60,123,661**	8,760,314

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

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

14b OTHER EXPENSES

	2019	2018
Occupancy cost	**263,147**	376,719
Audit fees	**437,000**	437,000
Legal and professional fees	**14,815,905**	15,882,706
Directors' remuneration	**5,290,667**	4,328,385
Advertisement	**564,150**	140,600
Electricity	**3,409,506**	4,006,222
Insurance	**572,739**	1,365,001
Passage and overseas allowances	**5,988,331**	6,318,586
Repairs and maintenance	**1,111,314**	1,840,742
Hospitality	**1,445,063**	2,920,034
Contributions to International organisations	**11,049,059**	8,991,641
General office expenses	**1,212,932**	1,359,134
Vehicle running expenses	**572,323**	809,025
Printing and stationeries	**436,619**	912,229
Telephone and postages	**258,576**	301,582
Travelling and local subsistence	**463,215**	364,111
Uniforms	**709,213**	9,650
Computer consumables	**799,946**	456,630
Local currencies & seminars	**177,871**	161,298
Capital markets development	**518,620**	500,831
Maintenance contracts	**324,256**	343,151
Others	**528,821**	214
Provision for unliquidated advances to contractors	**2,491,598**	-
	53,440,871	51,825,491
	=========	==========

15 OTHER COSTS

The profit for the year has been stated after charging other cost relating to:

Depreciation and amortisation	**5,629,956**	5,864,492
Directors' remuneration	**5,290,667**	4,328,385
Audit fees	**437,000**	437,000
	========	========

16 CASH AND CASH EQUIVALENTS

Cash in hand	**198,182**	227,637
Balances with other Central Banks	**1,076,147,320**	1,676,794,443
Balances with Supranational Organizations	**2,788,381,837**	1,449,093,890
Balances with Commercial Banks	**77,792,066**	59,848,735
Cash balances with non-banking financial institutions	**61,044**	52,747
	3,942,580,449	3,186,017,452
	============	============

17 FUNDS HELD WITH THE INTERNATIONAL MONETARY FUND (IMF)

IMF Quota subscription	**2,786,568,328**	2,421,892,760
SDR Holdings	**1,410,784,525**	1,192,388,154
	4,197,352,853	3,614,280,914
	============	============

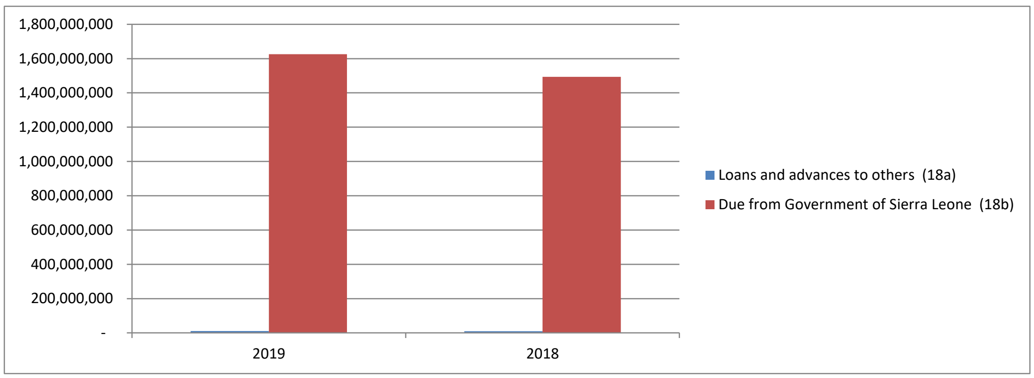
These are International Monetary Fund related assets and they represent Sierra Leone’s interest in the International Monetary Fund. Sierra Leone has been a member of the International Monetary Fund (IMF) since 1962.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

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 2019 the amount of assets held in the fund was SDR 207.4 million (2018: SDR 207.4 million) The SDR holdings held at 31 December 2019 was SDR 105 million (2018: SDR 102.1 million).

18 ADVANCES



In thousands of Leones	**2019**	2018
Loans and advances to others (18a)	**11,200,316**	10,088,912
Due from Government of Sierra Leone (18b)	**1,625,629,241**	1,493,792,809
	1,636,829,557	1,503,881,721

18a LOANS AND ADVANCES TO OTHERS

(i) Analysis by type

Staff (18 ii)	**9,938,275**	8,927,695
Others (18 iii)	**1,299,689**	1,198,865
	11,237,964	10,126,560
Gross loans and advances		
Less: allowances for losses on loans and advances to others (18iv)	**(37,648)**	(37,648)
	11,200,316	10,088,912
	===========	===========

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

(ii) Staff

	2019	2018
Personal loan	**4,930,210**	4,704,818
Housing loan	**1,047,121**	1,102,344
Vehicle loan	**3,892,919**	3,070,733
Staff advance	**68,025**	49,800
	9,938,275	8,927,695

(iii) Others

	2019	2018
Loan to Sierra Leone Stock Exchange Company Limited	**1,000,000**	1,000,000
Other advances	**299,689**	198,865
	1,299,689	1,198,865

(iv) Allowances for impairment

	2019	2018
Specific allowances for impairment		
Balance at 1 January	**37,648**	37,648
Write-off during the year	**-**	-
Balance at 31 December	**37,648**	37,648
Collective allowance for impairment		
Balance at 1 January	**-**	-
Impairment loss for the year	**-**	-
Balance at 31 December	**-**	-
Total allowances for impairment	**37,648**	37,648

18b DUE FROM GOVERNMENT OF SIERRA LEONE

	2019	2018
Advances to Government:		
Ways and means advances (i)	**-**	75,234,768
Others (ii)	**1,294,798,141**	1,171,539,241
BSL-World Bank bridging loan	-	247,018,800
Treasury main	**330,831,100**	-
	1,625,629,241	1,493,792,809

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 years 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 Le192 billion is part of Treasury Main in note 18 - Due to Government.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

(i) Ways and means advances	**2019**	2018
Ways and means advances brought forward	**75,234,768**	120,023,171
Advances during the year	**2,562,958,949**	2,081,121,302
Receipts during the year	**(2,445,789,813)**	(2,125,909,705)
Ways and means advances carried forward	**192,403,904**	75,234,768

Under the provisions of Section 64(5) of the Bank of Sierra Leone Act, 2019, the limit on 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.

(ii) Others		
World Bank Bridging Loan	-	247,018,800
GoSL/IMF budget financing	**1,294,798,141**	1,171,539,241
	1,294,798,141	1,418,558,041

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.

	2019	2018
Ways and means advances	**192,403,905**	75,234,768
Government's actual revenue in previous year	**4,428,000,000**	2,885,600,000
5% thereof	**221,400,000**	144,280,000
Buffer in Government lending	**(28,996,095)**	(69,045,232)

The Directors report the balance of advances due from the Government of Sierra Leone as at 31 December 2019 amounting to Le192,403,905 - (2018: Le75,234,768). The balance outstanding was within the limit specified in the Bank of Sierra Leone Act 2019.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

19 INVESTMENT IN EQUITY

	2019	2018
Afrexim Bank Capital Investment	**35,955,902**	31,068,906
Afrexim Bank Dividend Investment	**1,401,364**	1,392,119
Stabilization and Cooperation Fund	**27,531,301**	23,830,401
	64,888,567	56,291,426

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

The amount of 27.5 billion (2018: Le23.8 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.

20 INVESTMENT SECURITIES

The Bank's holdings of treasury investment securities comprised the following:

	2019	2018
91-day treasury bills held for monetary policy	**5,534,552**	6,356,793
182-day treasury bills	**25,500**	5,573,500
One-year treasury bills	**786,722,750**	828,080,650
Holdings of two-year bond	**-**	-
BSL holding three-year medium-term bond	**139,384,604**	139,384,604
Five-year medium-term bond	**320,325,606**	320,325,606
Holdings of ten-year bond	**33,750,000**	41,250,000
Others	**3,527,696**	54,695
	1,289,270,708	1,341,025,848
Less:		
Provision for expected credit losses	**(131,096,000)**	(70,972,339)
Net cost of investment securities	**1,158,174,708**	1,270,053,509

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.

Holdings of ten-year bond

The amount of Le 48.75 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 (Contd)

In thousands of Leones

21 PROPERTY, PLANT AND EQUIPMENT

	Premises	Motor vehicle	Office furniture and equipment	Plant and machinery	Work-in Progress	Total
COST						
Balance at 1 January 2018	68,861,120	6,587,702	32,541,645	11,272,308	91,469,593	210,732,368
Additions during the year	-	-	-	-	10,682,073	10,682,073
Reclassification	3,323,570	-	1,426,510	147,120	(4,897,200)	-
Write-off	-	-	-	-	-	-
Disposal	-	-	-	-	-	-
Adjustments	-	-	(100,048)	-	(13,645)	(113,693)
Balance at 31 December 2018	72,184,690	6,587,702	33,868,107	11,419,428	97,240,821	221,300,748
Balance at 1 January 2019	**72,184,690**	**6,587,702**	**33,868,107**	**11,419,428**	**97,240,821**	**221,300,748**
Additions during the year	-	-	-	-	**44,130,581**	**44,130,581**
Reclassification	**58,610.00**	-	**1,513,946**	**304,206**	**(1,876,762)**	-
Write-off	-	-	-	-	-	-
Disposal	-	-	-	-	-	-
Adjustments	-	-	-	-	**(121,849)**	**(121,849)**
Balance at 31 December 2019	**72,243,300**	**6,587,702**	**35,382,053**	**11,723,634**	**139,372,791**	**265,309,480**
DEPRECIATION						
Balance at 1 January 2018	17,894,103	5,211,312	24,357,971	5,676,542	-	53,139,928
Depreciation for the year	1,559,405	344,064	3,190,048	932,466	-	6,025,983
Disposal	-	-	-	-	-	-
Adjustment	(159,476)	-	(2,015)	-	-	(161,491)
Balance at 31 December 2018	19,294,032	5,555,376	27,546,004	6,609,008	-	59,004,420
Balance at 1 January 2019	**19,294,032**	**5,555,376**	**27,546,004**	**6,609,008**	-	**59,004,420**
Depreciation for the year	**1,429,445**	**342,934**	**2,979,205**	**905,881**	-	**5,657,465**
Disposal	-	-	-	-	-	-
Adjustment	**(27,509)**	-	-	-	-	**(27,509)**
Balance at 31 December 2019	**20,695,968**	**5,898,310**	**30,525,209**	**7,514,889**	-	**64,634,376**
CARRYING AMOUNT						
At 31 December 2018	52,890,658	1,032,326	6,322,103	4,810,420	97,240,821	162,296,328
At 31 December 2019	**51,547,332**	**689,392**	**4,856,844**	**4,208,745**	**139,372,791**	**200,675,104**

Work in progress represents amount spent on supply and installation of lift, payments for Oracle software and hardware, Valtech project, WAMZ systems project, rehabilitation of the Main Bank and Kenema Branch buildings, payment for the supply of Hardware for the Collateral Registry Programme, re-construction of broad walk at the Bank Complex and the architecture design and other pre-costs for the Makeni Branch Project. There was no indication of impairment of property, machinery and equipment held by the Bank at 31 December

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

22 OTHER ASSETS

	2019	2018
Gold stock	**1,318,405**	960,044
Items in transit	**139,268**	139,268
Consumables	**1,174,591**	49,273,765
Prepayment	**1,071,240**	4,138,882
Advances to contractors	**6,030,443**	24,271,556
Interest receivable	**25,934,787**	25,778,472
Deferred currency issue expense	**58,465,736**	39,629,612
Other receivables	**18,133,146**	11,451,973
Reverse repo account	**221,769,400**	-
Less:		
Allowances for impairment	**(2,500,330)**	(8,732)
	331,536,686	155,634,839

Allowances for impairment:		
At 1 January	**8,732**	8,732
Impairment charge for the year	**2,491,598**	-
Balance at 31 December	**2,500,330**	8,732

Allowances for impairment relates to provisions made with respect to long outstanding advances made to contractors which are yet to be liquidated.

23 AMOUNTS DUE TO THE INTERNATIONAL MONETARY FUND (IMF)

IMF Special Drawing Rights	**1,336,929,582**	1,161,966,869
IMF Poverty Reduction and Growth Facility	**3,549,441,792**	3,045,314,114
IMF securities	**82,176,612**	71,422,236
IMF No. 1	**2,704,067,310**	2,350,188,573
IMF No. 2	**125,705**	109,254
	7,672,741,001	6,629,001,046

The IMF Special Drawing Rights and Poverty Reduction and Growth Facility accounts relate to amounts due to the International Monetary Fund (IMF) for SDRs 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 holding in member's designated depository account 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.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

The IMF No. 2 Account represents part of the IMF currency holdings held in member's designated depository account 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 account which contains member's non-negotiable, non-interest bearing notes, encashable on demand.

24 DEPOSITS FROM GOVERNMENT

	2019	2018
Deposits from government	**216,843,839**	157,437,148
	===========	===========

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 represents 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.

25 DEPOSITS FROM BANKS

	2019	2018
Commercial banks' reserve accounts	**408,470,718**	432,052,216
Rural and community banks' reserve accounts	**26,562,719**	24,991,077
Others	**5,273,324**	4,796,298
	440,306,761	461,839,591
	===========	===========

26 DEPOSITS FROM OTHERS

Deposits from insurance brokers	**8,836,866**	4,830,390
Multilateral organisations	**20,858,746**	16,273,958
Financial institutions	**368,777**	510,032
Others	**43,138,469**	9,257,587
	73,202,858	30,871,967
	==========	==========

27 CURRENCY IN CIRCULATION

Notes	**2,291,087,546**	1,968,192,132
Coins	**16,855,749**	15,672,549
Balance at 31 December	**2,307,943,295**	1,983,864,681
	============	============

Currency in circulation represents the face value of bank notes and coins in circulation.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

28 OTHER LIABILITIES

	2019	2018
Financial liabilities		
Other foreign currency financial liabilities (28a)	**154,983,335**	149,830,359
Accrued charges and other liabilities (28b)	**23,936,153**	12,231,620
	178,919,488	162,061,979
Non-financial liabilities		
Provision for revaluation of pipeline liabilities (28c)	**60,438,920**	52,237,246
Provision for unrealised exchange difference on SWAP revaluation	**3,639,030**	3,639,030
	64,077,950	55,876,276
	242,997,438	217,938,255
	==========	==========

28a Other foreign currency financial liabilities

	2019	2018
Foreign payments	**5,634,265**	5,634,265
Bank of China US$ clearing	**81,767,772**	70,654,193
OFID Debt Relief imprests account	**61,044**	52,747
Interest on one year treasury bills	**66,096,145**	71,749,716
Sundry liabilities	**1,424,109**	1,739,438
	154,983,335	149,830,359
	==========	==========

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 8.42 million 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 agreement provided for the first instalment payment to be made on 15th August 1994 and thereafter every six months on 15th February and 15th August respectively. There has been no repayment during the year, the movement in the 2019 amount is as a result of exchange rate fluctuations.

28b Accrued charges and other liabilities

	2019	2018
Accrued expenses	**10,882,223**	4,851,857
P.S. Bond in circulation	**449**	449
Retention monies	**489,248**	2,541,844
Provision for litigation	**5,849,891**	3,024,000
Trade and sundry creditors	**1,813,470**	1,813,470
Provision for currency issue expense	**4,900,872**	-
	23,936,153	12,231,620
	==========	============

Included in trade and sundry creditors are balances owed to Wealth Builders in 2019.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

28c Provision for revaluation of pipeline liabilities

	2019	2018
Balance at 1 January	**52,237,246**	48,099,331
Revaluation loss	**8,201,674**	4,137,915
Balance at 31 December	**60,438,920**	52,237,246

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 obligations. 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 BENEFITS

Every member of staff will be entitled to a severance package of one month basic salary for each year completed upon leaving the service of the Bank. In computing benefits, a fraction of one year in excess of 6 months over and above the computed full year's service shall be rounded up to a full year; and a fraction that is below 6 months shall be discounted from the computation.

Staff are sometimes due salary and other allowance which will be calculated depending on the number of days worked and may also have to refund loans contracted, salary or other emoluments which are also taken into consideration in calculating End-of-Service Benefits (e.g. transport allowances, rent allowances, leave subsidies, insurance contribution).

The Bank operates a funded defined benefit plan for its employees. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee is entitled to receive on retirement, dependent on one or more factors such as age, years of service and salary. It is Management Policy that a full external actuarial valuation by a qualified independent actuary is carried out every two years to determine the benefit obligation.

There are no explicit/physical assets held to fund gratuities as benefit payments are met by the bank on a pay-as-you-go basis.

Financial assumptions

The projected exit benefits were discounted to the valuation date to obtain the Defined Benefit Obligations. IFRS requires the discount rate to be determined by reference to market yields on high quality corporate bonds (except where there is no deep market in such bonds in which case the discount rate should be based on market yields on Government bonds). The discount rate should reflect the duration of the liabilities of the benefits payable.

Since Sierra Leone does not have a deep market in either Government or Corporate bonds, however, there are 91-day, 182-day, 365-day Treasury Bills yielding 7.30% p.a., 8.14% p.a. and 23.23% p.a. respectively as at December 2019. The monetary policy rate is at 16.50% p.a. and inflation stands at 17.46% p.a. as at December 2019. The Treasury Bills have short term duration and much lower than our estimated liability duration of 9.93 years. The longer the duration of financial instruments the higher the risk exposure (because of the unknown) and the required compensation by investors. That is, if long term bonds were in existence we would expect their yields to be higher than the Treasury Bill rates and the monetary policy rate. However, the bank has adopted a discount rate of 16% for the calculations believing that this will represent the average experience over the duration of liability payments.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

Assumption was made that the average long term real salary increases by a rate of 1% p.a.

Average Long Term Future	**12.31.2019**	12.31.2018
Discount rate (per annum)	**16%**	16%
Salary increase (per annum)	**15%**	15%
Rate of inflation (per annum)	**14%**	14%

Valuation method

As required by IAS 19, we have adopted the Projected Unit Credit (PUC) method to establish the value of the accrued liabilities. In calculating the liabilities, the Bank;

- recognizes the service rendered by each member of staff at the review date;
- anticipates that salaries will increase between the review date and the eventual exit date of the employee via withdrawal, death or retirement; and then
- discounts the expected benefit payments to the review date

The emerging total value (for each individual) is described by IAS 19 as the Defined Benefit Obligation (DB0).

Sensitivity Analysis on Defined Benefit Obligations

Parameter	Changes	Defined Benefit Obligation
Base	See table below	48,229,660
Discount rate	+1%	44,488,350
	-1%	52,483,284
Salary increase rate	+1%	52,710,979
	-1%	44,233,233
Mortality experience	Age rated up by 1 year	48,299,895
	Age rated down by 1 year	48,165,539

(a) Change in liability

	2019	2018
Balance at 1 January	**40,770,306**	32,213,712
Service cost	**4,059,049**	3,482,614
Interest cost	**6,332,041**	5,042,424
Actuarial loss - experience adjustments	**236,523**	2,337,074
Benefits paid	**(3,168,259)**	(2,305,518)
Balance at 31 December	**48,229,660**	40,770,306
	==========	==========

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

(b) Change in plan assets

	2019	2018
Balance at 1 January	-	-
Actual return on plan assets	-	-
Expected returns at 31 December	**-**	-
Contribution by employer	**3,168,259**	2,305,518
Total contribution	**3,168,259**	2,305,518
Benefits paid by the employer	**(3,168,259)**	(2,305,518)
Foreign exchange rate effect	-	-
Total benefits	**(3,168,259)**	(2,305,518)
Balance at 31 December	**-**	-

(c) Balance Sheet

Projected benefit obligation	**48,229,660**	40,770,306
Plan assets	-	-
Net obligation/(assets)	**48,229,660**	40,770,306
Unrecognised actuarial gains/(losses)	-	-
Unrecognised past service cost	-	-
Unrecognised transitional obligation	-	-
Unrecognised (asset ceiling)	-	-
Net obligation/(asset) to be in balance sheet	**48,229,660**	40,770,306

(d) Income Statement

Service cost	**4,059,049**	3,482,614
Net interest cost	**6,332,041**	5,042,424
- 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	**10,391,090**	8,525,038

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

Other comprehensive income (OCI)

		2019	2018
Actuarial loss:	experience adjustments	**236,523**	2,337,074
	change in assumption	**-**	-
Return on plan asset not in other comprehensive income		**-**	-
Effect of asset ceiling not in other comprehensive income		**-**	-
Amount recognised in OCI		**236,523**	2,337,074
Initial adjustment to capital amount recognised		**-**	-
Cumulative amount recognised in OCI		**236,523**	2,337,074

(e) Reconciliation of financial position

	2019	2018
Opening value	**40,770,306**	32,213,712
Employee contribution	**(3,168,259)**	(2,305,518)
Amount recognised in income statement	**10,391,090**	8,525,038
Amount recognised in OCI	**236,523**	2,337,074
Closing value	**48,229,660**	40,770,306

(f) Key valuation assumptions

	2019	2018
Discount rate	**16.00%**	16.00%
Salary inflation	**15.00%**	15.00%
Gap	**1.00%**	1.00%

30 CAPITAL

	2019	2018
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 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.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

31 RESERVES

	2019	2018
General reserve (a)	**377,594,423**	274,318,023
Revaluation reserve (b)	**32,792,919**	32,792,919
Other reserves (c)	**(5,614,270)**	(5,377,747)
Total reserves as at 31 December	**404,773,072**	301,733,195

(a) General reserve

	2019	2018
Balance at start of the year	**274,318,023**	239,955,287
Net profit for the year	**101,881,663**	90,102,813
Prior year adjustment*	**1,394,737**	6,471,948
First time adoption of IFRS 9	-	(62,212,025)
	377,594,423	274,318,023
Securities reserves	-	-
Balance at 31 December	**377,594,423**	274,318,023

*Prior year adjustment relates to reconciliation of 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 2019, no funds were allocated by the Government (2018: nil).

As at 31 December 2019, the total value of the assets of the Bank exceeds the sum of its liabilities, unimpaired issued capital and general reserves.

(b) Revaluation reserve

	2019	2018
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 it transferred revaluation gains on revaluation of its properties. The revaluation was last done in 2001.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

(c) Other reserves

This comprised actuarial gains/losses and is analysed below:

	2019	2018
Balance at start of the year	**(5,377,747)**	(3,040,673)
Actuarial loss on end-of-service benefits	**(236,523)**	(2,337,074)
	(5,614,270)	(5,377,747)

The movement in other reserves account represents actuarial loss of Le236 million on the provision of end-of-service benefits (2018: loss of Le2.337 billion).

32 CONTINGENCIES AND COMMITMENTS

32a Contingent liabilities

Guarantees and endorsement	**313,493,885**	254,046,320
	313,493,885	254,046,320

The loans in the guarantees and endorsements ledger 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.

The Bank also issued a Letter of Credit (LC) for USD $1,000,000 in February 2017 on behalf of the Government of Sierra Leone. Full cash deposit collateral was taken by the Bank and as such the Bank is not considered to be exposed.

32b Capital commitments

Capital expenditure	**44,130,581**	10,682,073
African Export Import Bank	**35,955,902**	31,068,906
	80,086,483	41,750,979

32c Pending law suits, legal proceedings and claims

The Bank has pending litigations against it in relation to former employees who are claiming damages for wrongful dismissal, upward revision of pension and payment of terminal benefits and other allowances. In the event that the Courts ruling is against the Bank, the Bank would be liable to pay an amount not less than Le5.85 billion.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

33 RELATED PARTIES

Although the Bank is an autonomous entity, the Government of Sierra Leone being the sole subscriber to the 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 2019, total net advances to the Government was Le192 billion (2018: Le75 billion).

The Board of Directors (including the Governor and Deputy Governors) received remuneration amounting to Le5.29 billion (2018: Le4.33 billion).

34 SIGNIFICANT SUBSEQUENT EVENTS

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

Impact of COVID 19

COVID 19 negatively impacted the Bank's revenue position in 2020. As foreign interest rate fell, the Bank lost substantial amount of foreign interest income. This situation is expected to continue in 2021. Government received funding to mitigate the effect of COVID 19 on the economy. With the receipt of such funds, Government is expected to redeem matured securities in 2021 and as such the Bank will realise lower local interest income in 2021.

Memorandum of understanding between the Ministry of Finance and the Bank of Sierra Leone for a bridge loan of Le250 Billion in June 2020.

Background

The Memorandum of Understanding was entered into between the Ministry of Finance and the Bank of Sierra Leone on the basis of a budgetary support of SDR103.7 million committed by the International Monetary Fund (IMF) to the Government of Sierra Leone to be disbursed on 3rd June 2020.

Of the total budgetary support of SDR103.7 million (US$145 million) approved by the IMF, Le250 billion (about US$25 million) is being requested from the Bank of Sierra Leone as a second bridge finance to address immediate challenges posed by the Covid-19.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

Memorandum of understanding between the Ministry of Finance and the Bank of Sierra Leone for a bridge loan of Le250 Billion (Contd)

In lieu of the above, the Bank of Sierra Leone was required to on-lend Le250 billion and credit the CRF on 27th May 2020 for use by the Ministry of Finance to address immediate challenges posed by the Covid-19 on the fiscal operations of Government. The sum of Le250 billion will be reimbursed upon disbursement of the Budgetary Support from the IMF of SDR103.7 million or US$145 million not later than 24 hours upon receipt of the said budgetary support.

The annual interest rate of the loan will be equal to the variable SDR interest rate, currently set at 0.80 percent. The interest costs of the loan will be charged to the Treasury Main Account of the Government of Sierra Leone maintained by the Bank of Sierra Leone and any exchange loss or gain would be borne by the Ministry of Finance.

Memorandum of understanding between the Ministry of Finance and the Bank of Sierra Leone for a bridge loan of Le250 Billion in October 2020.

Background

The Memorandum of Understanding is entered into between the Ministry of Finance and the Bank of Sierra Leone on the basis of a budgetary support of SDR18.3 million committed by the World Bank to the Government of Sierra Leone to be disbursed in November 2020.

Of the total budgetary support of SDR18.3 million (US$25 million) approved by the World Bank, Le250 billion (about US$25 million) is being requested from the Bank of Sierra Leone as bridging loan to finance critical projects under the Infrastructure Development fund in Q4, 2020.

In lieu of the above, the Bank of Sierra Leone was required to on-lend Le250 billion and credit the CRF on 30th October 2020 for use by the Ministry of Finance to fund critical projects under the Infrastructure Development Fund in Q4, 2020. The sum of Le250 billion will be reimbursed upon disbursement of the Budgetary Support from the World Bank of SDR18.3 million or US$25 million not later than 24 hours upon receipt of the said budgetary support.

The annual interest rate of the loan will be equal to the variable SDR interest rate, currently set at 0.80%. The interest costs of the loan will be charged to the Treasury Main Account of the Government of Sierra Leone maintained by the Bank of Sierra Leone and any exchange gain or loss would be borne by the Ministry of Finance.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

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

On July 27 2021, the Executive Board of the International Monetary Fund (IMF) approved the 3rd and 4th review under the Extended Credit Facility (ECF) for a total sum of SDR31.11 million (about US$44.2 million or 15 percent of Sierra Leone's quota). 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 2021 financial year, which arose as a result of Covid-19. 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 SDR31.11 million, equivalent to 15 percent of Sierra Leone's quota 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, on behalf of the GoSL.

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.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

Memorandum of understanding: Treatment of Fund Resources for budget financing under the IMF Rapid Credit Facility (RCF) Budgetary support to the Government of Sierra Leone

On March 15 2021, the Executive Board of the International Monetary Fund (IMF) approved the Rapid Credit Facility (RCF) for SDR 35.26 million or 17 percent of Sierra Leone's quota). Whilst the amount is to support the Government budget to address the fiscal needs for the 2021 financial year, which arose as a result of Covid-19. For 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 funds of SDR35.26, equivalent to 17 percent of Sierra Leone's quota, 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 GoSL, and MoF will be responsible for its debt servicing (including principal, interest, changes, fees, etc.) at the prevailing exchange rate. The funds received for balance of payment support will be the foreign exchange liability of the Bank of Sierra Leone and the Bank will be responsible for the servicing (including principal, interest, charges, fees, etc). The transactions relating to these budgetary funds with the IMF will be conducted through the BSL as the GoSL's fiscal agent, on behalf of the GoSL.

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 cash flow. When MoF reimburses/repays the IMF budget financing (which would normally be earlier than the due date payment as per original repayment schedule of the RCF with the IMF), MoF hereby authorises the BSL to debit the GoSL Consolidated Revenue Fund with the Leone equivalent of the amount by MoF at 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 debts outstanding to the IMF.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

Press Release on Currency Redenomination

On 11th August 2021, the Bank Governor issued a press statement on currency redenomination as follows:

1 A new family of currency notes and coins, which shall be called the New Leone, will become legal tender in Sierra Leone in the near future and that the current currency in circulation (the Old Leone) will cease to be legal tender after a period when both currencies shall run concurrently as legal tender.

2 The new Leone shall be in the following denominations:

Notes	New Leone	Equivalence in Old Leones
	1	1,000
	2	2,000
	5	5,000
	10	10,000
	20	20,000
Coins	1 Cent	10
	5 Cents	50
	10 Cents	100
	25 Cents	250
	50 Cents	500

3 At the end of the parallel-run period, which the Bank of Sierra Leone shall announce by public notice, the Old Leone shall cease to be legal tender.

Currently, work is on going directed at ensuring that this project is implemented efficiently.

35 COMPARATIVES

Where necessary, comparative figures are adjusted to conform to changes in presentation in the current year.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

36 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, keeping under review the appropriateness of the accounting policies and internal controls systems, considering external auditors' 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 Internal Audit. The Head of Internal Audit undertakes both regular and ad-hoc reviews or 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 the 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 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

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 its 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 various Departments of the Bank regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows. 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 and foreign exchange rates 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

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 interpret 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 the Bank's standards is supported by a programme of independent periodic reviews undertaken by the Head, Internal Audit Department. The results of the internal audit reviews are discussed and clarified with the departmental heads and the clarified reports are submitted to senior management.

37 BASIS OF MEASUREMENT

The financial statements have been prepared on historical cost basis except where specific balances have been stated at fair value.

38 CHANGES IN ACCOUNTING POLICIES

(a) ***New standards, interpretations and amendments effective from 1 January 2019***

The Bank of Sierra Leone has not adopted any new accounting standards and interpretations that are effective for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

(b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Bank has decided not to adopt early. The most significant of these are as follows, which are all effective for the period beginning 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment - Definition of Material)
- IFRS 3 Business Combinations (Amendment - Definition of Business)
- Revised Conceptual Framework for Financial Reporting

The Bank does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Bank.

39 SIGNIFICANT ACCOUNTING POLICIES

The Bank has consistently applied the following accounting policies to all periods presented in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

Set out below is an index of the significant accounting policies, the details of which are available on the pages noted:

(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 re-translated to the functional currency at the exchange rates at that date.

Foreign currency differences arising on retranslation are recognised in the profit and loss account as required by the Bank of Sierra Leone Act 2019.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

(b) Interest

Interest income and expenses are recognized in the profit or loss account for all interest-bearing instruments on accruals basis, using the effective interest rate method.

The recognition of interest ceases when the payment of interest or principal is in doubt; interest being 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 relate mainly to transaction and service fees, which are expensed as the services are received.

(d) Net exchange gains/losses

Net exchange gains/losses comprise gains less losses related to the translation 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
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:

NOTES TO THE FINANCIAL STATEMENTS (Contd)

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

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.

(g) Financial instruments

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.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

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.

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 conditions are met:

- 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.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

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 on the principal amount outstanding (SPPI).

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. 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 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 (Contd)

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 are recorded in other comprehensive Income (OCI). 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.

Equity Instruments

c) 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.

Financial Liabilities at amortised cost

d) 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.

Reclassifications

iii 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.

There were no reclassifications during the year.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

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.

The bank did not have any reclassification during the year.

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:

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.

The bank has not done any modification for the period under review.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In addition to the above, the Bank shall also consider qualitative factors as detailed below.

Qualitative criteria

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

De-recognition of financial instruments

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 repledge 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 amortized cost;
- Off-balance sheet loan commitments; and
- Financial guarantee contracts.

Equity instruments and financial assets measured at FVTPL are not subjected to impairment under the standard.

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;

NOTES TO THE FINANCIAL STATEMENTS (Contd)

- 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.

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 (Contd)

ACCOUNTING POLICIES (Contd)

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 2019 year end. These securities are held by the Central Bank of Sierra Leone. Total exposure decreased from Le1.270 trillion to Le1.158 trillion from 2018 year end to 2019 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 2018 and 2019 as well as the change in 2018 and 2019 which were taken to profit and loss.

Expected Credit Losses (ECL)	31.12.2019	31.12.2018
Expected credit loss allowance (LE)	131,096,000,000	70,972,338,769
Relative to exposure outstanding (%)	14%	9.75%
Increase/(decrease) in expected credit loss allowance (LE)	60,123,661,231	8,760,314,000

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 (Contd)

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.

ACCOUNTING POLICIES (Contd)

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.

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.

ACCOUNTING POLICIES (Contd)

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 amortised cost: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value.

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 2019 there was no offsetting of financial instruments.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

(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.

(i) 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 ir-revocable. Gains and losses on such equity instruments are never reclassified to profit or loss and no im-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 (Contd)

(K) Property, plant and equipment

(i) Recognition and measurement

All property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent costs

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Bank and the cost of the items can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Major improvements are capitalised.

(iii) Depreciation

Freehold premises are depreciated over a maximum of fifty years.

Motor vehicles, equipment and fixtures and fittings are depreciated on a straight line basis over its estimated useful life, principally between 3 and 8 years.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(l) Leased assets - 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 (Contd)

(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 recognized if the carrying amount of an asset or its cash generating unit (CGU) 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 including 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 crystallised or becomes probable that it will crystallise.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

(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 or 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) Scheme. 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 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 reporting 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 for end-of-service benefits immediately in Other Comprehensive Income (OCI).

NOTES TO THE FINANCIAL STATEMENTS (Contd)

(iv) 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 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 reporting date are discounted to present value.

(r) Capital and reserves

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 require that the minimum paid up capital of the Bank must be Le 125bn. 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 the form of Treasury Bills or Bonds. The bank earns interest on this lending. The injected liquidity stays with the borrowing bank until maturity.

(i) 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 the Bank.

(ii) REPOs continue to be recognised in the statement of financial position and are measured in accordance with the terms of the agreement.

(iii) The difference between sale and repurchase price is treated as interest expenditure and is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

(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 with 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 Related transactions

The Bank, on behalf of the Government of Sierra Leone, manages assets and liabilities denominated in Special Drawing Rights (SDRs) held with the International Monetary Fund (IMF). Exchange 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.