BANK OF SIERRA LEONE ANNUAL REPORT AND STATEMENT OF ACCOUNTS 2023

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Vision, Mission and Objectives and Functions of the Bank

Vision Statement

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

Mission Statement

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

Objectives and Functions of the Bank

The objectives of the Bank as specified in Section 5(1) of the Bank of Sierra Leone Act 2019 shall be to:

(a) issue and manage the currency of Sierra Leone;
(b) achieve and maintain price stability;
(c) contribute to fostering and maintaining a stable financial system; and
(d) support the general economic policy of the government

In the exercise of its functions the Bank shall:

a) formulate and implement monetary policy, financial regulation and prudent 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 gold reserves;
f) establish, promote, license and oversee sound and efficient payment and securities settlement systems and clearing systems;
g) license, register, regulate and supervise financial institutions as specified in this Act or any other law;

h) adopt and implement macro-prudential policy measures by regulations or guidelines;
i) resolve financial institutions in accordance with the Banking Act, 2019;
j) act as a depository for funds from international organizations;
k) collect and produce statistics;
l) cooperate with and participate in international fora; and
m) carry out any ancillary activities incidental to the exercise of its functions

Statement by the Governor and Chairman of the Board of Directors, Bank of Sierra Leone

Ibrahim L. Stevens, PhD

Governor and Chairman, Board of Directors

Background

On 16 November 2023, I assumed the dual responsibilities of Governor and Chairman of the Board of Directors of the Bank of Sierra Leone (BSL). Over the years, our institution has demonstrated remarkable resilience and adaptability in the face of global economic uncertainties and domestic challenges. To build on this record, we have crafted a plan that aligns with our vision, the 2024-2028 Strategic Plan. This plan sets out a comprehensive roadmap designed to achieve price stability while fostering a robust, resilient, and inclusive financial system.

Key initiatives within this plan include refining our monetary policy process, strengthening the risk-based supervision framework, and promoting the deployment of advanced payment system infrastructure to support a modern digital financial ecosystem. Furthermore, we aim to enhance financial inclusion through innovative services such as Islamic Banking. We have also prioritised operational efficiency, improving the welfare of our workforce and the utilisation of advanced data analytics to generate sophisticated insights. With these strategies in place, we are optimistic that the Bank will position itself to play a transformative role by collaborating with key stakeholders to achieve macroeconomic stability and drive economic growth for the benefit of the people of Sierra Leone.

At the heart of this vision is our strategic focus on enhancing the effectiveness of our monetary policy transmission mechanism. By doing so, we aim to achieve price stability and reduce inflation to a sustainable single-digit level over the medium to long term - an essential element for achieving consistent economic growth. Additionally, our strategic plan underscores the importance of building a resilient and inclusive financial system that can withstand external shocks while ensuring that the benefits of economic growth are widely shared across all sectors of society. This dual approach - anchoring price stability and promoting financial inclusivity - will not only stabilise the economy but also build public confidence in our financial system, thereby creating a more solid foundation for sustainable economic development in the years to come.

Global and Domestic Economic Challenges

The year 2023 has been marked by significant challenges that have impacted the domestic economy. The global economic slowdown, compounded by supply chain disruptions and geopolitical tensions, particularly the ongoing Russia-Ukraine conflict, created substantial challenges for economies around the world, including Sierra Leone.

In response to these challenges, the BSL has taken decisive and unconventional measures to navigate this new economic landscape. According to data from the World Economic Outlook, the slowdown in global growth has been mirrored in emerging markets and Sub-Saharan Africa, highlighting the widespread nature of these economic difficulties. Despite these global and domestic challenges, our efforts have been focused on maintaining stability and adapting to the evolving economic environment.

Strengthening Monetary Policy and Ensuring Macroeconomic Stability

Our primary focus is on strengthening the monetary policy framework to effectively manage inflation expectations, which have been heavily influenced by external pressures, particularly the ongoing Russia-Ukraine conflict. Financial stability remains central to our approach, with a strong emphasis on enforcing robust regulatory frameworks and proactive supervision of financial institutions. We are particularly committed to implementing Basel II and Basel III standards and enhancing risk-based supervision.

In response to significant global and domestic economic pressures, the Monetary Policy Committee (MPC) took decisive action to address escalating inflationary pressures, driven by the sharp depreciation of the Leone and the resulting pass-through effects on the prices of imported goods. To counter these pressures, the MPC adopted a tighter monetary policy stance, marked by an increase in the Monetary Policy Rate (MPR). This approach has begun to show positive results, as evidenced by the end-year inflation rate for December 2023, which stood at 52.10 percent, down from an earlier peak of 54.59 percent in October 2023. Looking ahead, the medium-term outlook for inflation is encouraging, with expectations that the end-period inflation rate will reach a low 20 percent range by December 2024, signalling a gradual move to attain macroeconomic stability.

Strategic Oversight and Vision

The Board of Directors continually provides crucial strategic oversight, aligning our initiatives with broader goals. Their guidance has been instrumental in advancing significant monetary and regulatory reforms and embracing digital transformation. Our vision is to shape a modern, effective, and dynamic central bank that addresses Sierra Leone's financial growth needs while aligning with regional and global financial systems. This vision is supported by our commitment to macroeconomic stability and our support for the government's economic policies.

Financial Inclusion and National Payments System

Financial inclusion is paramount. We are committed to extending financial services to the unbanked and underserved through innovative solutions such as Fintech and Islamic banking, aligning with our goal to strengthen the private sector's role in achieving widespread financial inclusion. Additionally, we aim to fully implement the National Payments System Act of 2022, ensuring the effective management of the National Payments and Settlement Systems.

Investing in People and Technology

Looking ahead, the Bank is poised to invest significantly in its human resources and technology to reflect the rapidly evolving financial landscape. This includes advancements in analytics and embracing a modern technological architecture to enhance operational efficiency and governance.

Policy Adjustments and Reforms

The BSL has implemented important policy adjustments and reforms. The introduction of a new currency as part of the Leone redenomination process, launched in 2022, and the decision to adopt the redenominated currency as the only legal tender by 31 December 2023, were crucial in restoring public confidence in the Bank's policies. Furthermore, the first phase of the National Switch has substantially improved the efficiency and security of our payment systems. The banking sector remains stable, with all financial soundness indicators within acceptable limits - thanks to strong regulatory measures and oversight.

Financial Performance and Challenges

In 2023, the Bank of Sierra Leone (BSL) reported a loss of NLe597.78 million, an improvement from the previous year's loss of NLe1.36 billion. Despite efforts to optimise investment returns, the Bank's performance was primarily affected by revaluation losses on its foreign asset liabilities, resulting from the depreciation of the Leone. Nevertheless, the statutory process for the Bank's recapitalisation is underway and is expected to be completed by August 2025.

Commitment to Future Challenges

As we look to the future, the BSL stands ready to confront challenges with determination and resilience. We are committed to advancing financial stability, enhancing inclusivity in financial services, and supporting economic growth through thoughtful and effective policymaking. Our focus includes maintaining diversity, equity, and inclusion and enhancing outreach efforts to understand and respond to the needs of all Sierra Leoneans.

Conclusion

Looking to the future, we recognise the challenges that lie ahead, yet we are confident that the Bank is well-positioned to navigate them and continue to deliver on its statutory mandate. Success in this transformative journey depends on the enduring trust of the public and the unwavering support of key stakeholders, for which we are deeply grateful.

Ibrahim L. Stevens, PhD

11 July 2024

MEMBERS OF THE BOARD AS AT 31ST DECEMBER 2023

Dr. Ibrahim L. Stevens
Governor / Chairman

Mr. Sheikh A. Y. Sesay
Deputy Governor
Financial Stability

Dr. Joseph A. Tucker
Deputy Governor
Monetary Stability

Mr. George C. Taylor
Non-Executive Director

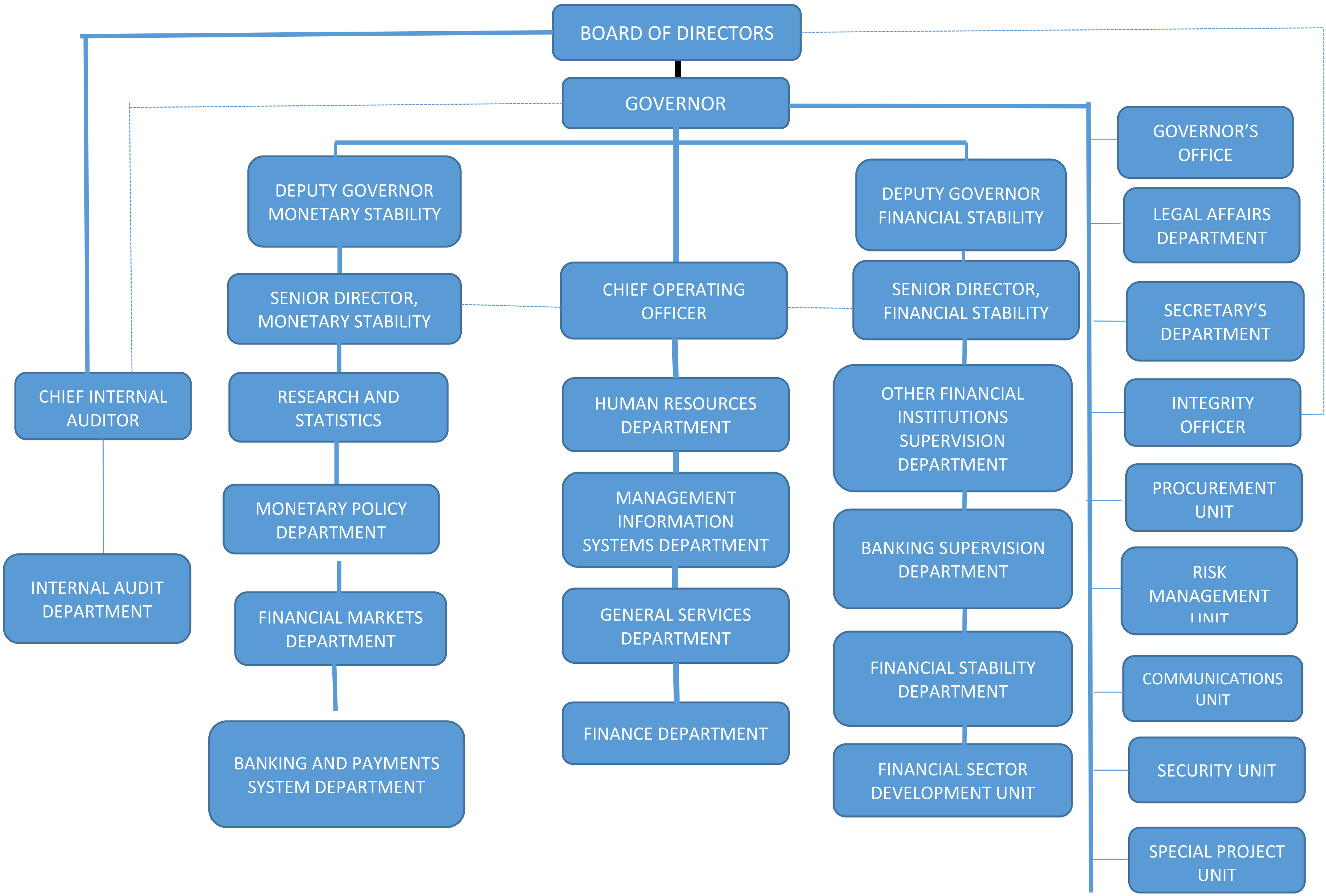
Ms. Cecilia M. Demby
Non-Executive Director

Mr. Sheikh R. Kamara
Non-Executive Director

Mrs. Amy Myers
Non-Executive Director

Pc Dr. Michael Shamsu
Mustapha Ngebeh VI
Non-Executive Director

ORGANISATIONAL STRUCTURE - 2023



PART A: ANNUAL REPORT

1. GOVERNANCE

1.1 The Board of Directors

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

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

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

1.2 Functions of the Board

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

1. Control and supervise the Bank and shall provide policy guidance and advice that will secure the efficient implementation of the objectives of the Bank and enhance the overall performance of the Bank.

2. Without prejudice to the generality of sub-section (1) as stated above the Board shall perform the following functions:
   a. Determine the strategic organization of the Bank, including the establishment and location of branches, representative office and operations facilities;
   b. Determine the general policies and adopt internal rules applicable to the administration and operations of the Bank.
   c. Supervise the implementation of the policies and the exercise of the functions of the Bank;
   d. Approve the annual budget of the Bank;
   e. Approve the accounting policies and procedures of the Bank in line with International Financial Reporting Standards;
   f. Oversee the financial reporting, risk management, compliance, information technology, security and internal control systems of the Bank;

g. Approve the audited accounts, annual reports and other formal reports and financial statements of the Bank;
h. Determine denomination and design of banknotes, coins and their issuance and handling;
i. Appoint committee consisting of members of the Board or members of the Bank's staff and assign their responsibilities;
j. Approve the internal audit report prepared by the Audit and Risk Committees and monitor implementation of the internal auditor's recommendations;
k. Assess risks and formulate contingency plans for the ongoing operations and security of the Bank;
l. Adopt the rules of procedure for meetings of the Board;
m. Exercise all powers that are not specifically reserved for the Governor; and
n. Perform other functions prescribed by this Act.

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

Table 1 shows meetings held by the Board of Directors in 2023 and Table 2 shows the Executive and Non-Executive Board Members of the Bank in 2023 while Table 3 shows the Senior Management team of the Bank in 2023. Table 4 shows Directors of the Bank as at 31st December, 2023.

Table 1: Board of Directors Meetings held in 2023

NO.	Meeting	Date
1.	Emergency Board of Directors Meeting	10-01- 2023
2.	525th Board of Directors Meeting	26-01-2023
3.	526th Board of Directors Meeting	23-02-2023
4.	Continuation of 526th Board of Directors Meeting	24-02- 2023
5.	Board of Directors Meeting with TEDA	02-03- 2023
6.	Emergency Board of Directors Meeting	15-03- 2023
7.	527th Board of Directors Meeting	23-03- 2023
8.	Emergency Board of Directors Meeting	29-03- 2023
9.	Emergency Board of Directors Meeting	05-04- 2023
10.	528th Board of Directors Meeting	04-05- 2023
11.	Continuation of 528th Board of Directors Meeting	05-05-2023
12.	529th Board of Directors Meeting	01-06- 2023
13.	Continuation of 529th Board of Directors Meeting	02-06- 2023
14.	Emergency Board of Directors Meeting	21-06- 2023
15.	530th Board of Directors Meeting	20-07- 2023
16.	Continuation of 530th Board of Directors Meeting	21-07-2023
17.	531st Board of Directors Meeting	21-09- 2023
18.	Continuation of 531st Board of Directors Meeting	22-09- 2023
19.	Continuation of 531st Board of Directors Meeting	25-09- 2023
20.	Board of Directors Meeting	05-10- 2023
21.	532nd Board of Directors Meeting	26-10- 2023
22.	Continuation of 532nd Board of Directors Meeting	28-10- 2023
23.	Board of Directors Meeting	17-11- 2023
24.	533rd Board of Directors Meeting	23-11- 2023
25.	Continuation of 533rd Board of Directors Meeting	01-12-2023
26.	534th Board of Directors Meeting	21-12- 2023

Source: Secretary’s Department

Table 2: Executive and Non-Executive Board Members

Name of Board Member	Date of Parliamentary Approval and assumption of duty	Date of expiration	Term of Service
Prof. Kelfala M. Kallon	3rd October, 2018	2nd October, 2023	1st Appointment
Dr. Ibrahim L. Stevens	24th July, 2019	15th November, 2023	2nd Appointment
Dr. Ibrahim L. Stevens	16th November, 2023	15th November, 2028	1st Appointment
Dr. Joseph A. Tucker	21st December, 2023	20th December, 2028	1st Appointment
Mr. Sheikh A Y Sesay	3rd August, 2020	2nd August 2025	1st Appointment
Ms. Cecilia M Demby	18th October, 2021	17th October, 2024	2nd Appointment
Mr. George C Taylor	25th October, 2021	17th October, 2024	2nd Appointment
Mr. Sheikh R. Kamara	31st October, 2021	30th October, 2024	2nd Appointment
Mrs. Amy M. Myers	19th September, 2022	18th September, 2025	2nd Appointment
PC Dr. Michael Shamsu Mustapha	13th January, 2022	12th January, 2025	2nd Appointment

Source: Secretary's Department

Table 3: Senior Management of the Bank of Sierra Leone in 2023

Prof. Kelfala M. Kallon	**Governor: 1 January - 2 October, 2023**
Dr Ibrahim L. Stevens	Deputy Governor, Monetary Stability: 1 January – 15 November, 2023
Dr Ibrahim L. Stevens	Governor: 16 November, 2023
Dr Joseph A. Tucker	Deputy Governor, Monetary Stability: 21 December, 2023
Mr. Sheikh A. Y. Sesay	Deputy Governor, Financial Stability
Ms. Jenneh Jabati	Chief Operating Officer/ Officer-in-Charge, Human Resources Department
Mr. Alhaji S. Dukuray	Chief Internal Auditor
Mrs. Hanifa I. Addai	Director, Management Information Systems Department
Mr. Morlai Bangura	Director, Monetary Policy Department (On Study Leave)
Ms. Hawa E Kallon	Director, Secretary's Department
Mrs. Veronica M. Finney	Director, General Services Department
Mr. Mohamed S Bah	Director, Finance Department
Mr. Sullay A. Mannah	Director, Legal Affairs Department
Mr. Eugene Caulker	Director, Financial Stability Department
Mr. Alfred W. B Samah	Director, Banking & Payments System Department
Dr. Robert D. Korsu	Director, Research and Statistics Department
Mr. Hilton O. arrett	Deputy Director, Banking Supervision Department
Mr. Crispin R D George	Deputy Director, Governor's Office
Mr. Thomas M. Boima	Deputy Director, Financial Markets Department
Ms. Esther Johnson	Deputy Director/Officer-in-Charge, Other Financial Institutions Supervision Department
Mr. Robin B. Caulker	Officer-In-Charge, Monetary Policy Department
Lt. Col (Rtd.) Shecku Silla	Head, Security Unit
Mr. Momoh L Sesay	Assistant Director, Financial Sector Development Unit
Ms. Josephine F Mansaray	Assistant Director, Risk Management Unit
Mrs. Feima Jabati	Officer-in-Charge, Procurement Unit (Governor's Office)

Source: Secretary's Department

Table 4: Directors of the Bank of Sierra Leone as at 31st December, 2023

Name	Position	Appointment	Expiration of Tenure
Prof. Kelfala M. Kallon	Governor (Chairman of the Board)	3rd October, 2018	2nd October, 2023
Dr. Ibrahim L. Stevens (2nd term appointment)	Deputy Governor, Monetary Stability	24th July, 2019	15th November, 2023
Dr. Ibrahim L. Stevens (1st term appointment)	Governor (Chairman of the Board)	16th November, 2023	15th November, 2028
Dr. Joseph A. Tucker (1st term appointment)	Deputy Governor, Monetary Stability	21st December, 2023	20th December, 2028
Mr. Sheikh A. Y. Sesay (1st term appointment)	Deputy Governor, Financial Stability	3rd August, 2020	2nd August 2025
Ms. Cecilia M. Demby (2nd term appointment)	Non-Executive Board Director	18th October, 2021	17th October, 2024
Mr. George C. Taylor (2nd term appointment)	Non-Executive Board Director	25th October, 2021	17th October, 2024
Mr. Sheikh R. Kamara (2nd term appointment)	Non-Executive Board Director	31st October, 2021	30th October, 2024
Mrs. Amy M. Myers (2nd term appointment)	Non-Executive Board Director	19th September, 2022	18th September, 2025
PC Dr. Michael Shamsu Mustapha (1st term appointment)	Non-Executive Board Director	13th January, 2022	12th January, 2025

Source: Secretary's Department

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

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

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

On 16th November, 2023, Dr. Ibrahim L. Stevens was appointed as Governor of the Bank of Sierra Leone by the President subject to approval by Parliament.

1.3. The Monetary Policy Committee

In the conduct of monetary policy, the Bank of Sierra Leone Act 2019 grants the Bank the autonomy to formulate and implement monetary policy in order to promote price stability. In this regard, the Act provides for the establishment of a Monetary Policy Committee (MPC). The MPC formulates and determines the monetary policy stance by adjusting the monetary policy rate. The decisions of the MPC are informed by an assessment of the balance of risks between inflation and economic growth, based on evolutions in the domestic economy and international environments.

As provided in the Monetary Policy Committee Charter, this Committee comprises the Governor, the Deputy Governors, and four experts (nominated by the Governor) with relevant professional experience in monetary and financial markets operations.

The decisions on the Monetary Policy Committee are communicated in a monetary policy statement, which is published (as authorised by the Governor) on the Bank's website and in local newspapers within two working days after the MPC meetings. The MPC met every quarter and held four meetings in 2023.

At the MPC meeting of the fourth quarter of 2023, which was held on December 14, 2023 the MPC comprised:

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

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

Mr. Alimamy Bangura, Chief Economist, Ministry of Finance

Mr. Samuel Itam, Adviser, Ministry of Finance

Dr. Mamoud Sheikh Kamara, CEO, Strong Investment

Mr. Thomas Boima, Deputy Director, Financial Markets Department

1.4. The Financial Policy Committee

Pursuant to Section 14(2)(c) of the Bank of Sierra Leone Act 2019, the Financial Policy Committee (FPC) shall be established to advise the Governor and the Board of Directors of the Bank of Sierra Leone (BSL) on all policy issues relating to financial stability, micro and macroprudential supervision, crisis management and resolution, financial literacy and inclusion and financial market infrastructure or any successor law.

The Board of Directors of the BSL (the Board) shall delegate financial stability oversight, including the implementation of macro and micro prudential policy to the FPC (Section 10(2)(i) and 14(1) of the BSL Act 2019).

The objective of the FPC is to maintain a stable financial system and support the Sierra Leone Government's economic policy. Its functions include reviewing and monitoring prudent licensing and regulatory standards, implementing the BSL's macro-prudential strategy, promoting crisis management, supporting financial literacy, consumer protection, and education, and developing and monitoring a robust fintech policy framework. These objectives ensure financial stability, resilience, and support for the overall economic policy of Sierra Leone.

The scope of the analysis, discussions, and decision-making process focuses on identifying and monitoring key risks to the stability of the Sierra Leone financial system, recommending appropriate policies and instruments to increase resilience and reduce vulnerabilities. It also identifies and analyses gaps in licensing, regulatory, supervisory, and information that may trigger vulnerability in the financial system. It also covers the review and promotion of the resolution and liquidation framework for financial institutions, as well as assessing developments in the financial system and financial infrastructure. The Board will enhance its communication strategy on financial stability, promote effective interdepartmental cooperation, develop policies, regulations and guidelines to ensure stability, collaborate with other stakeholders, manage a centralized database on financial inclusion, and promote financial inclusion and innovation. Other areas may be determined by the Board.

The members of the FPC shall be the Governor as the Chairperson, the Deputy Governor, Monetary Stability, the Deputy Governor, Financial Stability, the Director, Other Financial Institutions Supervision Department, the Director, Banking and Payment Systems Department, the

Director, Financial Stability Department, the Director, Banking Supervision Department, the Head, Financial Sector Development Unit and such other member(s) as may be nominated by the Governor, subject to the approval of the Board of Directors. In the absence of the Governor, the Acting Governor of the BSL shall chair the meetings of the FPC. The FPC shall meet at least once every quarter of a year, or as deemed necessary to perform its duties and responsibilities. The inaugural meeting of the FPC was held on September 19, 2023.

2. GLOBAL ECONOMIC DEVELOPMENTS IN 2023

2.1. Overview

The global economy remained resilient in 2023, although there were potential drawbacks. Unwinding supply chains, decreasing food and energy prices, and a strong recovery in China boosted global economic activity and sentiments in 2023. However, the global economy continued to be challenged and shrouded in uncertainty emanating from increasing geopolitical tensions. In terms of outlook, geopolitical tensions remain - the war in Ukraine continues to wage on while the Isreal-Gaza conflict has the potential to escalate into a wider regional conflict in the Middle East and the two conflicts may have adverse implications for change in energy prices and food, with consequent macroeconomic impact on economies that are net importers of oil and food.

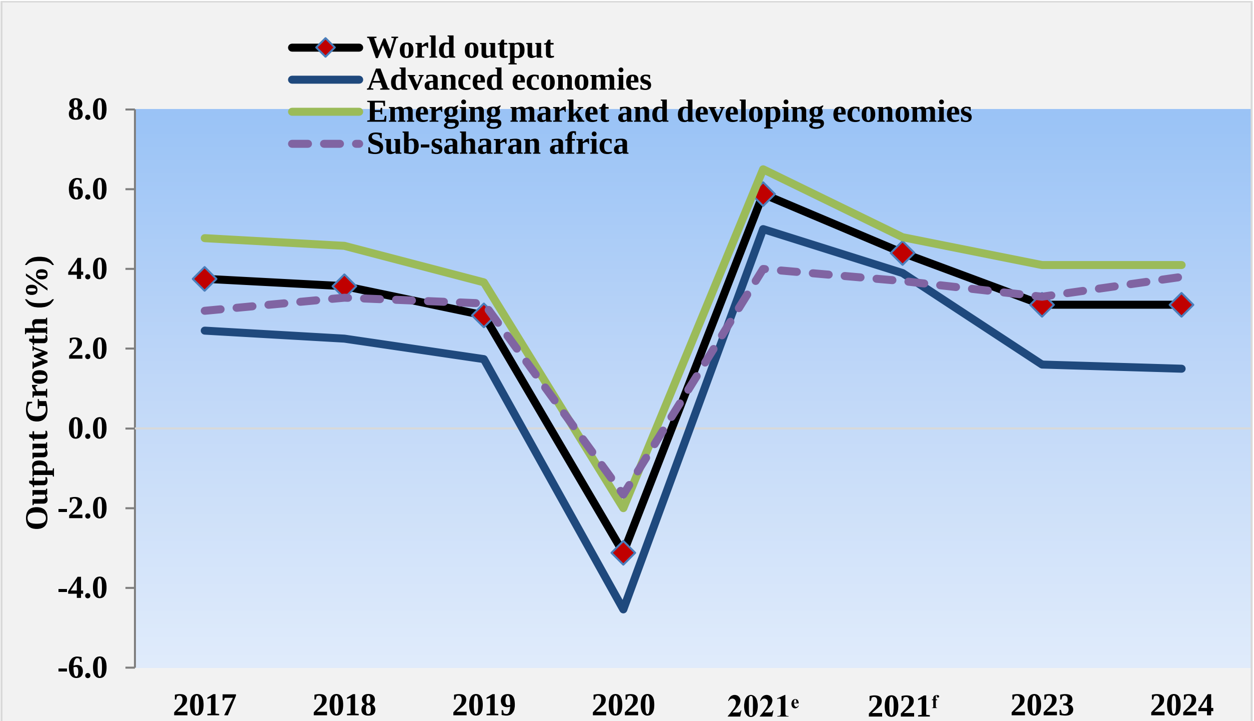
2.2. Global output

The global economy remained resilient in 2023, although there were potential drawbacks. Unwinding supply chains, decreasing food and energy prices, and stronger recovery in China boosted global economic activity and sentiments. However, economic recovery was mixed in the major groupings of global economy. The global economy slowed down at an estimated rate of 3.1 percent in 2023, from 3.5 percent in 2022. This was reflected in advanced economies which grew at an estimated rate of 1.6 percent in 2023, from 2.6 percent in 2022. Emerging markets and developing economies recorded a steady growth rate of 4.1 percent in 2023, and growth in Sub-Saharan Africa dropped to 3.3 percent in 2023, compared to 4.0 percent in 2022.

2.3. Outlook and risks to global output growth

Global economic prospects continued to be challenged, clouded in high uncertainty, and overshadowed by geopolitical tensions in Europe and Asia. That notwithstanding, global growth was projected to be steady at 3.1 percent in 2024, reflecting a projected decrease in growth rate of 1.5 percent in advanced economies, a steady growth of 4.1 percent in emerging markets and developing economies, and a projected 3.8 percent growth in sub-Saharan Africa. Risks to the outlook include, increasing geopolitical tensions, escalation of the wars in Ukraine and the Middle East, continued supply chain disruptions. Figure 1 shows the global output growth and outlook.

Figure 1: Global output growth (%)



Source: IMF World Economic Outlook (January 2024 Update)

2.4. Advanced Economies

Economic activities in advanced economies deteriorated slightly, as the impact of the banking crisis and the tightening of monetary policy dampened consumer and business confidence. Consumption and investment growth slowed down, while inflation remained elevated. As a result, growth in advanced economies was estimated to moderate from 2.6 percent in 2022, to 1.6 percent in 2023.

2.5. Emerging Markets and Developing Economies

Emerging market and developing economies showed resilience, as they benefited from the rebound in China and the growth in services. However, they also faced headwinds from higher interest rates, weaker external demand, and supply disruptions. Therefore, growth in emerging markets and developing economies was projected to remain steady at 4.1 percent in 2023 and 2024.

2.6. Sub-Saharan Africa

Growth momentum in Sub-Saharan Africa moderated in 2023. Weak economic outturns in South Africa and Nigeria offset improvement across most of the region. Thus, growth in the region dropped from 4.0 percent in 2022, to 3.3 percent in 2023. However, the region was projected to remain broadly resilient with stable outlook through 2024. Consequently, growth rate in the region was projected to improve to 3.8 percent in 2024. Table 5 shows the global output growth and outlook for 2024.

Table 5: Global output growth (%)

	2018	2019	2020	2021	2022	2023[e]	2024[f]
World Output	3.6	2.8	-3.1	5.9	3.5	3.1	3.1
Advanced Economies	2.3	1.7	-4.5	5.0	2.6	1.6	1.5
United States	2.9	2.3	-3.4	5.6	1.9	2.5	2.1
Euro Area	1.9	1.5	-6.4	5.2	3.4	0.5	0.9
Japan	0.6	0.0	-4.5	1.6	1.0	1.9	0.9
Emerging Market and Developing Economies	4.6	3.7	-2.0	6.5	4.1	4.1	4.1
Brazil	1.8	1.4	-3.9	4.7	3.0	3.1	1.7
Russia	2.8	2.0	-2.7	4.5	-1.2	3.0	2.6
India	6.5	4.0	-7.3	9.0	7.2	6.7	6.5
China	6.8	6.0	2.3	8.1	3.0	5.2	4.6
Sub-Saharan Africa	3.3	3.1	-1.7	4.0	4.0	3.3	3.8
Nigeria	1.9	2.2	-1.8	3.0	3.3	2.8	3.0
South Africa	1.5	0.1	-6.4	4.6	1.9	0.6	1.0
e =Estimate; f =Forecast;							

Source: IMF World Economic Outlook (January 2024 Update)

2.7. Global consumer price inflation

Global inflation moderated to 6.8 percent in 2023, down from 8.7 percent in 2022. This reflected a gradual normalization of monetary policy across major economies, as well as improvement in supply chain conditions and a decline in commodity prices. However, core inflation remained elevated in many regions, especially in emerging markets and developing economies, where financial vulnerabilities and exchange rate pressures posed significant risks. Inflation in advanced economies was estimated at 4.6 percent in 2023, a drop from 7.3 percent in 2022, while inflation in emerging markets and developing economies remained high at 8.4 percent in 2023 but dropped from 9.8 percent in 2022. Sub-Saharan Africa faced the highest inflation rate of 15.8 percent, rising from 14.5 percent in 2022. This high inflation was driven by persistent food insecurity, currency depreciation and fiscal imbalances. Table 6 shows the global consumer price inflation.

Table 6: Global consumer price inflation (%)

Region	2018	2019	2020	2021	2022	2023[e]	2024[f]
Global Inflation	3.5	3.8	2.7	4.8	8.7	6.8	5.8
Advance Economies	1.6	1.5	0.5	3.5	7.3	4.6	2.6
Emerging Markets and Developing Economies	5.0	5.6	4.4	5.8	9.8	8.4	8.1
Sub-Saharan Africa	7.7	9.2	10.7	10.1	14.5	15.8	13.1
e =Estimate; f =Forecast							

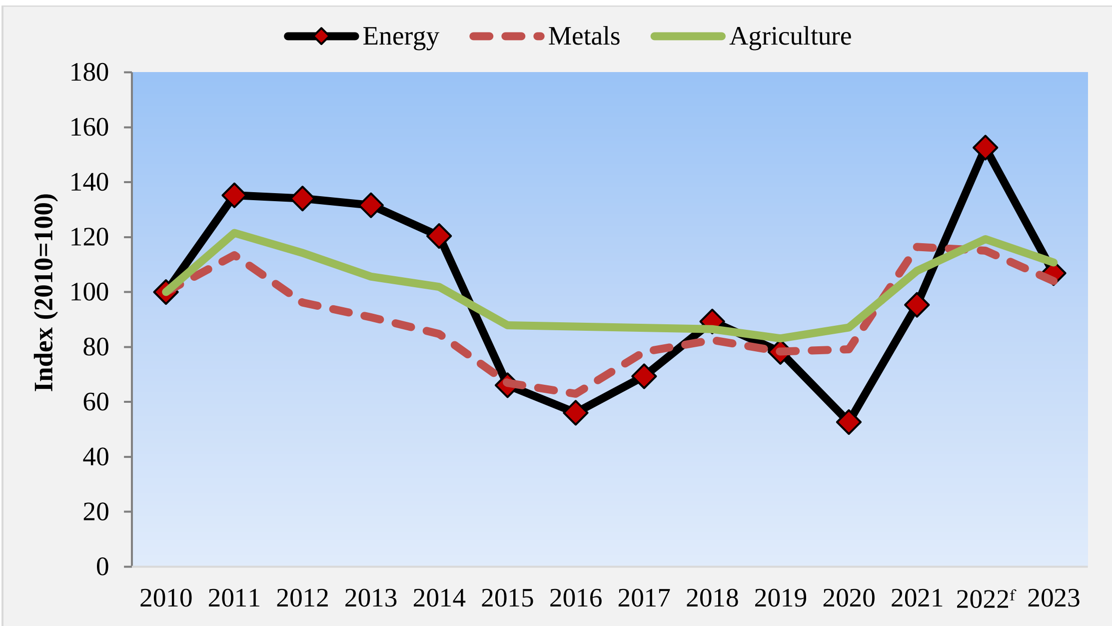
Source: IMF World Economic Outlook (January 2024 update)

2.8. Commodity Prices

Global commodity prices continued to decline in 2023, reaching the lowest levels since the COVID-19 pandemic. This was largely due to slowdown in the Chinese economy, the biggest commodity export market. The unwinding of prices reflected a combination of slowing economic activity, favourable winter weather, and a global reallocation of commodity trade flows.

Energy prices fell by 1.3 percent in 2023, due to high inventories and slow recovery in the global manufacturing sector, with limited crude oil demand growth. The supply of oil was also ample, as the OPEC+ group maintained its production cuts, but was offset by the increased output from non-OPEC member producers. Agricultural prices edged down by 0.3 percent in 2023, as the global supply chain conditions continue to ease amid improving production conditions. Metal prices dropped by 4.8 percent, as the demand for metals from China declined significantly due to the slowdown of its industrial activity and its trade tensions with US. Commodity prices remained broadly soft over the remainder of 2023 amid subdued demand and improving supply prospects. Figure 2 shows the trend of commodity price indices.

Figure 2: Commodity price indices (2010=100)

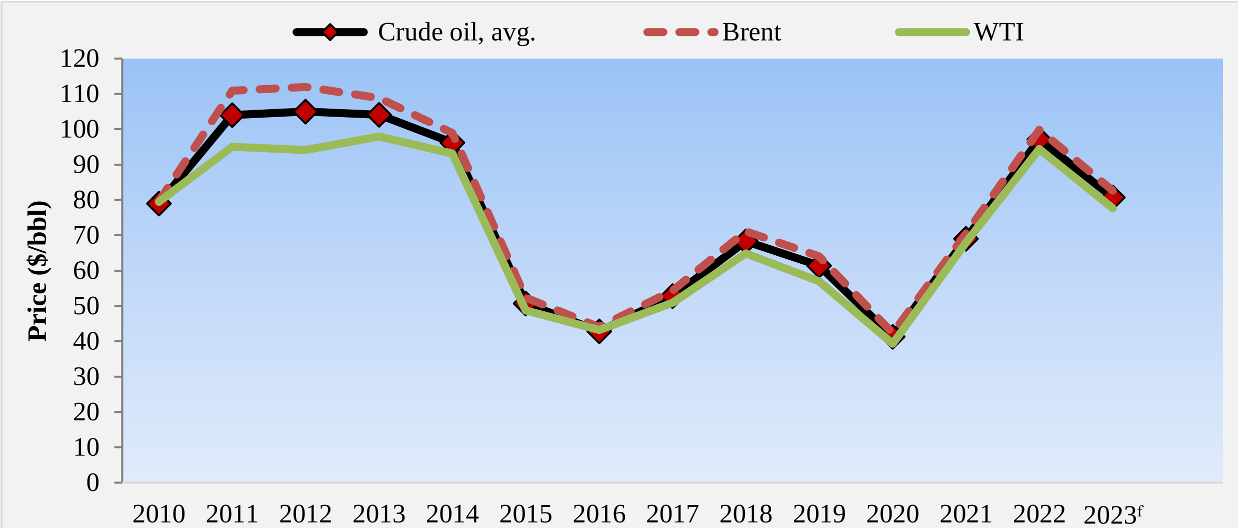


Source: World Bank Commodity Market Outlook (January 2024 database)

2.8.1. Crude Oil

Crude oil prices declined in 2023 averaging at US$80.76/bbl, down by 16.83 percent from US$97.10/bbl in 2022. The main drivers of this downward trend were the persistent weak demand due to the global economic slowdown and the excess supply from Russia and non-OPEC oil producing countries. Both Brent and WTI crude oil prices followed a similar pattern, with Brent dropping to US$82.62/bbl and WTI to US$77.67/bbl in 2023, from US$99.82/bbl and US$94.43/bbl in 2022 respectively. Prices are however expected to rise in 2024 due to supply restraint from OPEC+ as well as supply chain disruptions emanating from the war in the Middle East. Figure 3 shows the trend of Crude oil prices.

Figure 3: Crude oil prices ($/bbl)



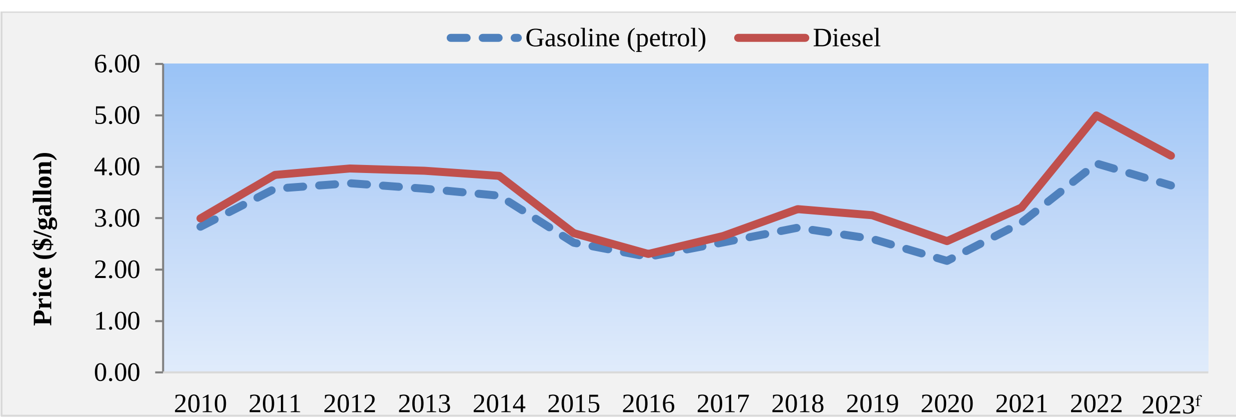
Source: World Bank Commodity Market Outlook (January 2024 database)

2.8.2. Platts Prices

Global petroleum Platts prices decreased in 2023, mainly reflecting the decline in crude oil prices.

In line with the decrease in crude oil prices, both gasoline (petrol) and diesel prices decreased by 10.58 percent and 15.69 percent selling at average prices of US$3.63/gallon and US$4.21/gallon in 2023, relative to the average selling prices of US$4.06/gallon and US$5.00/gallon in 2022 respectively. Figure 4 shows the trend of Platts prices of gasoline and diesel.

Figure 4: Platts prices ($/gallon)

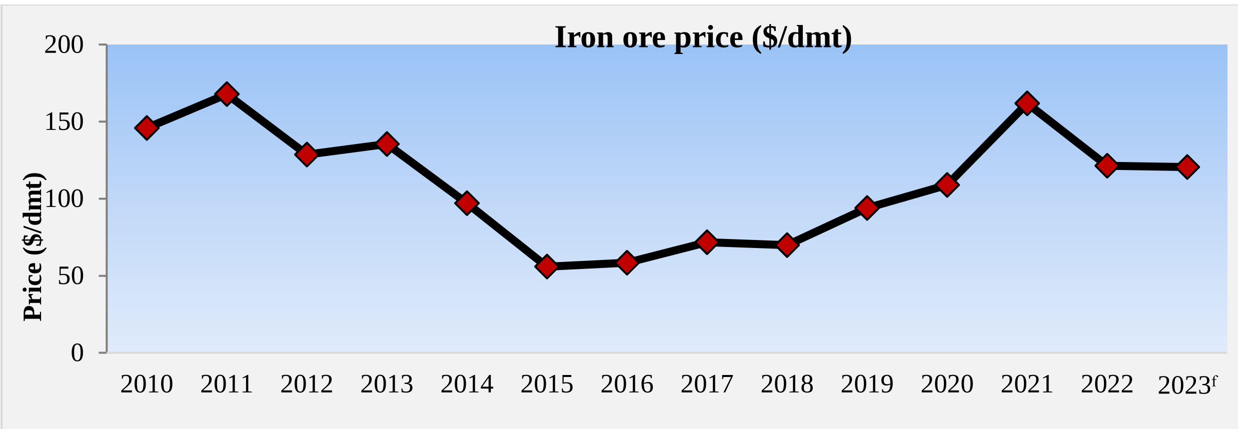


Source: U.S. Energy Information Administration, January 2023

2.8.3. Iron Ore price

Iron ore prices decreased slightly by 0.6 percent to US$120.57 per tonne in 2023, from US$121.30 per tonne in 2022. This decrease was attributed to the slowdown in China's steel production, as China faces environmental pressures and trade tensions that may have limited its steel output. Iron ore prices are projected to further decline in 2024 but expected to remain higher than pre-pandemic levels.

Figure 5: Iron ore price ($/dmt)

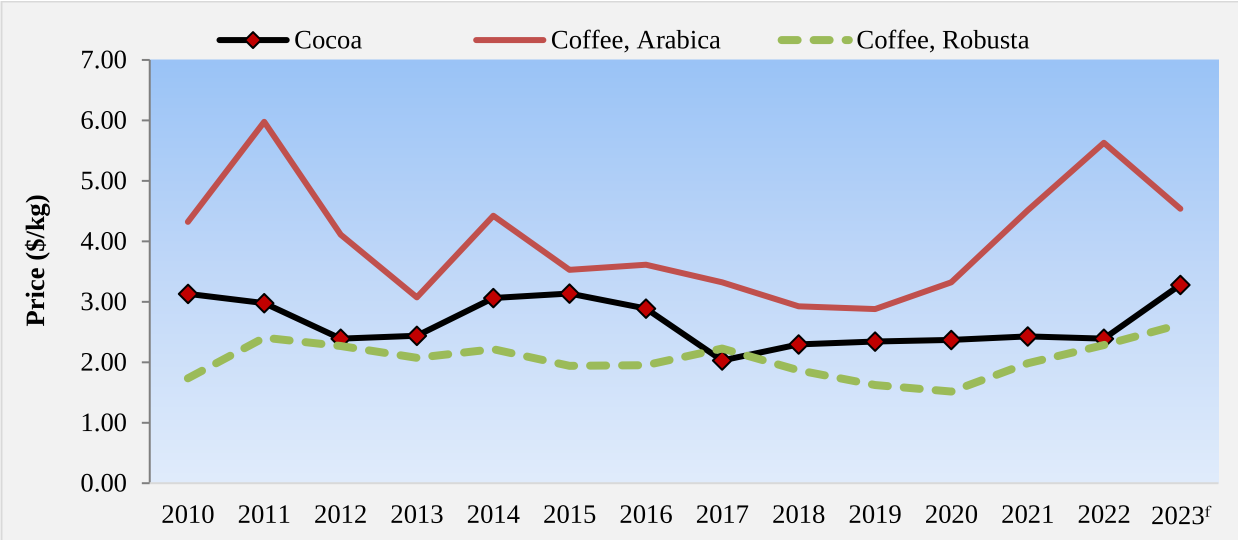


Source: World Bank Commodity Market Outlook (January 2023 database)

2.8.4. Cocoa and Coffee

Cocoa prices rose by 37.24 percent in 2023, selling at US$3.28/kg, driven by strong demand from chocolate manufacturers and lower production in West Africa. Robusta coffee prices also rose by 14.85 percent selling at US$2.63/kg in 2023 due to lower exports from Vietnam and Indonesia, and higher demand from roasters. Arabica coffee prices, however, declined by 19.36 percent selling at US$4.54/kg in 2023, as the Brazilian crop recovered from the previous drought, boosting supply. Cocoa and coffee prices are projected to moderate in 2024, as supply and demand balance out and weather conditions improve.

Figure 6: Cocoa and coffee prices ($/kg)



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

2.9. Implications for the Sierra Leone Economy

The gradual recovery of China and the global economy in 2023 had positive implications for the outlook of the Sierra Leone economy. The increased demand for Sierra Leone's exports, including iron ore and cocoa, supported GDP growth and generated more foreign exchange earnings. The lower global prices of food and energy, as well as the improved global supply chains, reduced the total cost of Sierra Leone's imports, leading to a lower current account deficit and less pressure on the domestic currency. The subdued global inflation lowered the pass-through effect of imported inflation to Sierra Leone. The relative weakening of the U.S. dollar in the global market also eased the depreciation of the domestic currency. However, some downside risks remained. This includes tight global financial conditions, which limited the inflow of foreign direct investment (FDI) into the country. This high global uncertainty negatively affected domestic economic activities in 2023.

3. DEVELOPMENTS IN THE DOMESTIC ECONOMY

3.1. Economic Growth

Real GDP growth slowed to 3.4 percent in 2023, compared to 3.5 percent in 2022, explained by moderation in the industrial sector growth. Nonetheless, activities in the agricultural, forestry, fisheries and services sectors improved, reflecting government diversification policies to promote agricultural productivity in order to achieve food self-sufficiency, as well as the gradual recovery in tourism. The moderation in growth was driven by lower-than-expected mining output, the prolonged Russia-Ukraine war with its attendant high inflationary cost and related uncertainty.

The agricultural sector, which comprises crops, livestock, forestry and fishery, and the largest contributor to economic activities, recorded a growth of 3.2 percent in 2023 compared to 3.0 percent in 2022. The increase in growth emanated from increase in growth from all the components of the sector. The growth in industry declined from 8.2 percent in 2022 to 3.3 percent in 2023, which was mainly due to decline in the growth of the mining sub-sector, with mining and quarrying growing by 1.6 percent in 2023, from 10.9 percent in 2022. The services sector improved, with a growth of 3.8 percent in 2023 from 3.1 percent in 2022, due mainly to increase in banking and insurance activities. Table 7 shows the sectoral distribution growth rates of Sierra Leone.

Table 7: Real GDP growth rates of Sierra Leone by Sector

	2019	2020	2021	2022	2023
Real GDP Growth	5.3	-2.0	4.0	3.5	3.4
1. Agriculture, Forestry and Fishing	**5.4**	**1.6**	**2.5**	**3.0**	**3.2**
1.1 Crops	6.6	2.1	2.9	3.4	3.7
1.2 Livestock	2.0	0.2	1.8	2.0	2.1
1.3 Forestry	3.7	0.8	1.8	1.8	1.9
1.4 Fishery	1.2	0.2	1.2	2.0	2.1
2. Industry	**10.9**	**-7.1**	**17.4**	**8.2**	**3.3**
2.1 Mining and Quarrying	17.1	-12.7	30.5	10.9	1.6
2.2 Manufacturing and Handicrafts	4.5	-6.7	4.0	4.5	4.7
2.3 Electricity and Water Supply	4.7	3.6	4.6	4.9	5.0
2.4 Construction	4.7	4.6	4.9	5.2	6.4
3. Services	3.7	-5.6	2.9	3.1	3.8
3.1 Trade and Tourism	0.1	-29.6	2.4	2.2	1.7
3.2 Transport, Storage and Communication	6.7	2.6	4.0	4.3	4.6
3.3 Finance, Insurance and Real Estate	3.0	2.2	3.6	4.6	5.3
3.4 Administration of Public **Services**	6.0	-0.5	0.8	1.4	4.9
3.5 Other Services	4.7	-4.0	3.7	4.4	4.4
3.6 Education	-1.0	0.7	2.6	2.7	2.7
3.7 Health	5.0	2.4	2.6	1.7	1.6

Source: Statistics Sierra Leone

3.1.1. Agriculture, Forestry and Fishing

The Agriculture, Forestry, and Fishing sectors experienced a growth rate of 3.2 percent in 2023, a slight increase from the 3.0 percent growth recorded in 2022. This growth was evident across all sub-sectors, including crop production, livestock farming, forestry, and fishery. Notably, there was a significant improvement in rice productivity, with a growth rate of 4.2 percent in 2023 compared to 3.8 percent in 2022. This uptick in rice productivity can be attributed to the implementation of the National Agricultural Transformation Program, initiated in 2023 with the primary objective of doubling rice production. Additionally, the livestock and forestry sectors saw marginal increases with livestock growing by 2.1 percent in 2023 from 2.0 percent in 2022 and forestry growing by 1.9 percent in 2023 from 1.8 percent in 2022. Similarly, the fisheries sector experienced growth, increasing from 2.0 percent in 2022 to 2.1 percent in 2023.

3.1.2. Industry

Mining and Quarrying

The growth of the mining sub-sector dropped significantly from of 10.9 percent in 2022 to 1.6 percent in 2023. This was driven by the 24.0 percent drop in diamond mining. The output of other minerals (rutile, ilmenite, zircon, bauxite, and gold) grew by 12 percent in 2023, compared 10.0 percent in 2022.

Manufacturing

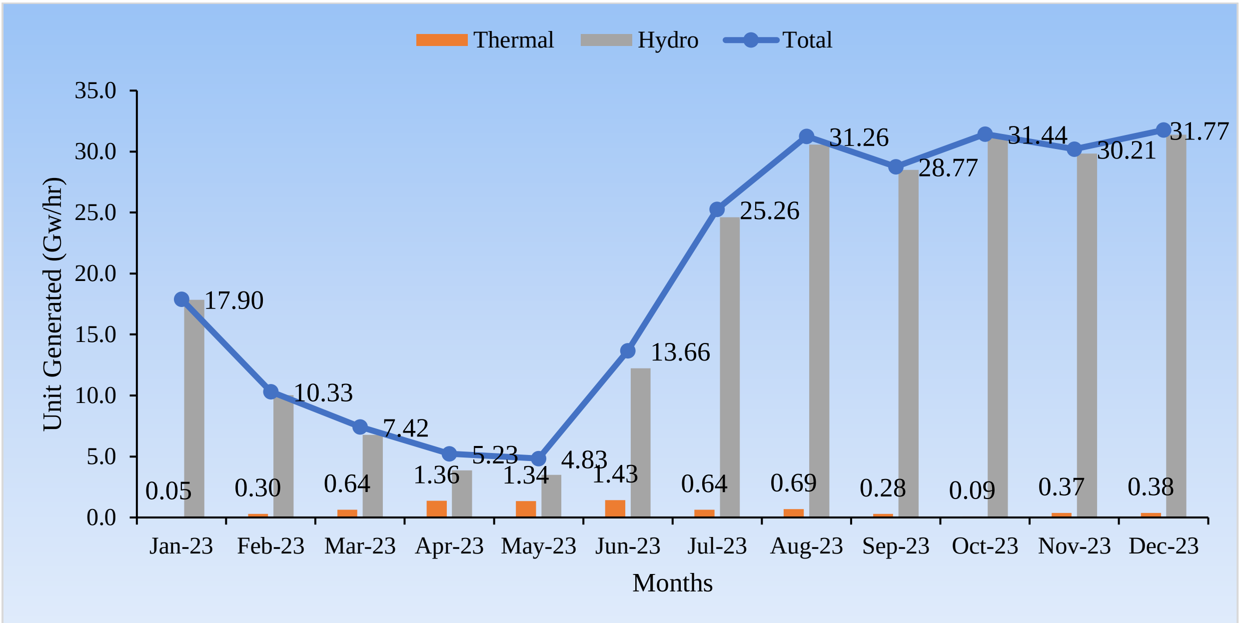
The growth of the manufacturing subsector increased from 4.5 percent in 2022 to 4.7 percent in 2023. Production of beer and stout, oxygen, confectionary and common soap dropped with beer and stout decreasing by 19.65 percent to 1,139.00 thousand cartons, oxygen decreasing by 4.27 percent to 262.30 thousand cubic feet, confectionary decreasing by 24.21 percent to 2,076.62 thousand pounds and common soap decreasing by 35.86 percent to 187.60 thousand metric tons. However, production of maltina increased by 15.58 percent in 2023 to 534.54 thousand cartoons, paint increased by 4.34 percent to 553.83 thousand gallons and cement increased by 9.46 percent to 183.52 percent.

Electricity

Electricity generation increased marginally by 8.52 percent to 238.10 Gw/hr in 2023, up from 219.40 Gw/hr in 2022. The increase in electricity generation was attributed to an increase in the hydropower and thermal plant generation in 2023. Hydropower generation increased by 6.74 percent to 230.52 Gw/hr in 2023 while thermal plant generation increased by 121 percent to 7.57 Gw/hr in 2023. Karpower ship generated 243.80Gw/hr in 2023, compared to 261.17 Gw/hr in 2022. Figure 7 shows the electricity generation of total thermal plants and hydro power.

Within the hydropower component, the Bumbuna hydro accounted for the largest amount of electricity supply, contributing 228.07 Gw/hr in 2023, from 219.36 Gw/hr in 2022. Total provincial thermal plants increased from 3.95 Gw/hr in 2022 to 4.56Gw/hr in 2023.

Figure 7: Electricity Generation of Total Thermal Plants and Hydropower



Source: Electricity Distribution and Supply Authority (EDSA)

Construction

The construction sector grew by 6.4 percent in 2023, up from 5.2 percent in 2022. The growth of 6.4 percent, when compared to the growth of the previous three years since 2020, shows that the growth of the sector has been on an upward trend since its decline in 2020.

3.1.3. Services

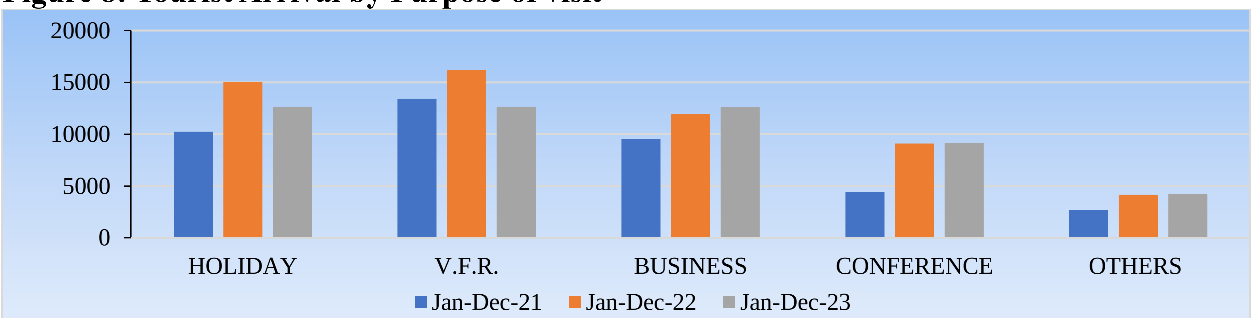
In 2023, the services sector growth was driven mainly by transport, storage and communication, which grew by 4.6 percent, and finance, insurance and real estate sub-sector, which grew by 5.3 percent. Administrative and public services increased from 4.9 percent in 2023 to 1.4 percent in 2022. On the other hand, trade and tourism growth decreased from 2.2 percent in 2022 to 1.7 percent in 2023.

Tourism

Tourist arrivals in 2023 was 106,346 representing an increase of 6.52 percent from a total of 99,839 in 2022, attributable to the return of Sierra Leoneans from the diaspora to take part in the recent 2023 general election. The total number of foreign nationals that arrived in Sierra Leone in 2023 was 51,289, compared to a total number of 56,417 in 2022. A total number of 41,019, Sierra Leoneans living abroad (diaspora) visited Sierra Leone in 2023 compared to 43,422 in 2022.

In terms of tourist arrival by purpose, the breakdown is summarized as follows. Holiday visits arrival was 12,655, visits to friends and relatives (V.F.R) was 16,205, business visit was 12,630, conference visit was 9,118 and visit for other purposes was 4,241. Figure 8 shows tourist arrival by purpose of visits.

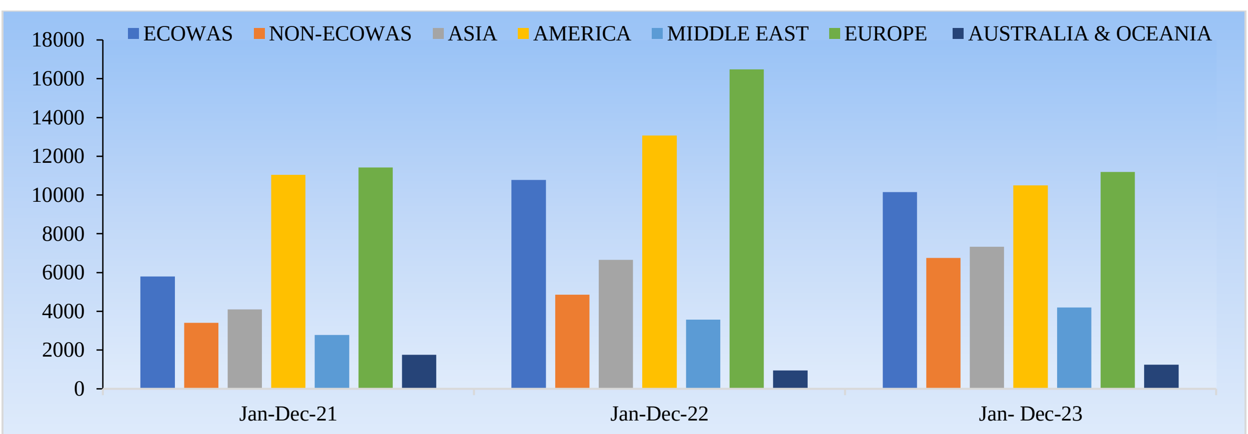
Figure 8: Tourist Arrival by Purpose of visit



Source: National Tourist Board Sierra Leone

In terms of tourist arrival by place of residence, 10,150 were from ECOWAS, 6,754 were from non-ECOWAS; 7,324 were from Asia; 10,495 were from America; 11,189 from Europe; 4,192 from Middle East; and 1,239 were from Australia and Oceania. Figure 9 shows Tourist Arrivals by Place of Residence.

Figure 9: Tourist Arrival by Place of Residence

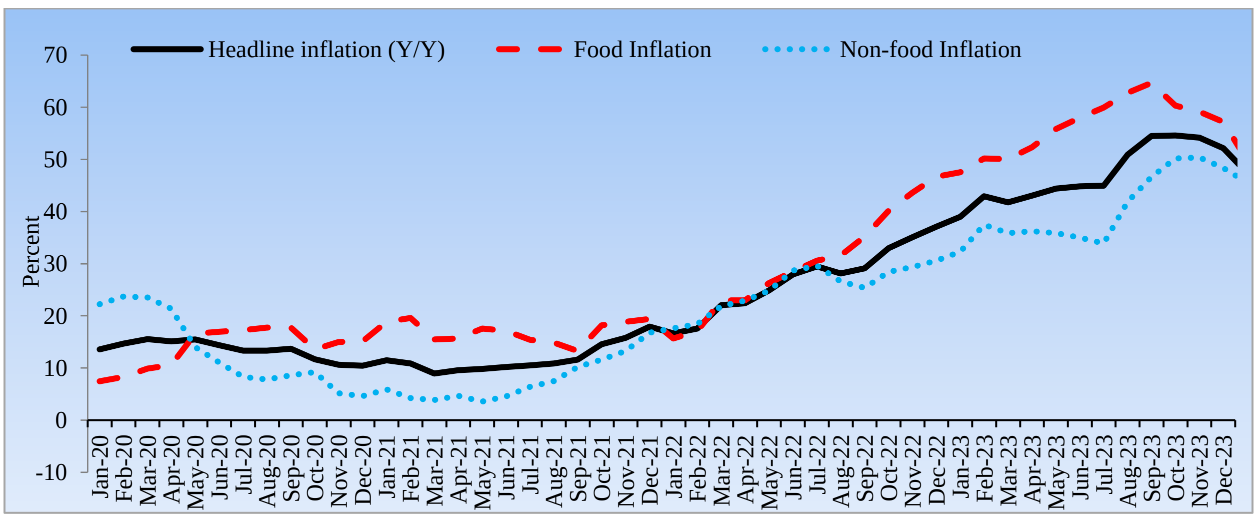


Source: National Tourist Board Sierra Leone

3.2. Price Developments

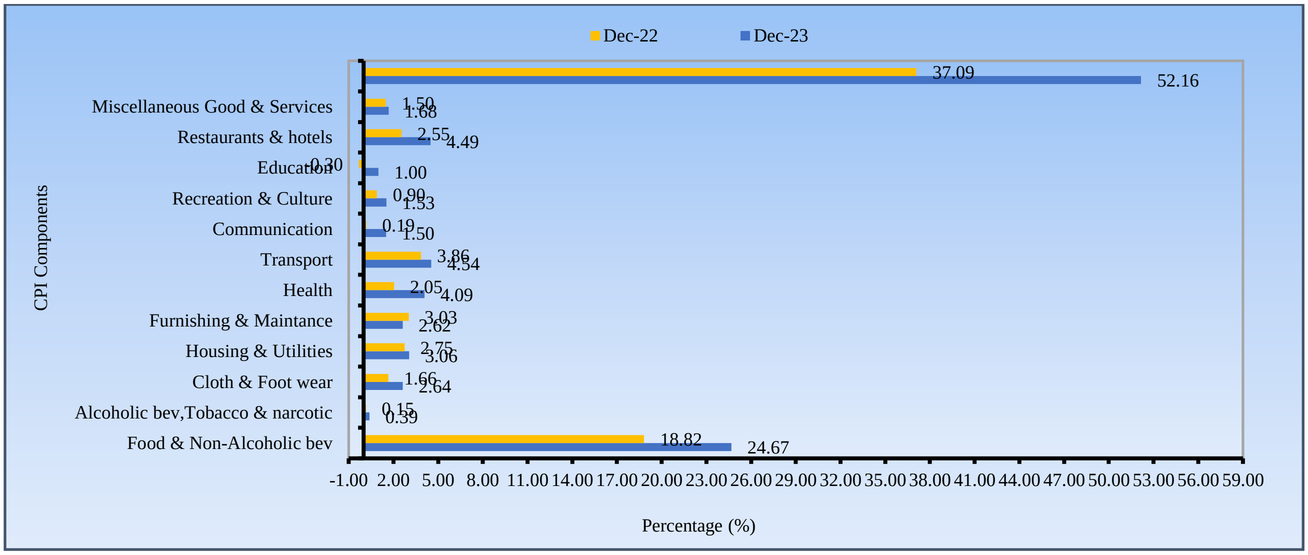
Inflationary pressures persisted throughout 2023, which emanated mainly due to supply chain disruptions, higher energy and food prices, pass-through effect from the depreciation of the Leone to prices of imported goods. Year-on-year headline inflation increased from 37.09 percent in December 2022 to 44.81 percent in June 2023 and further to 54.48 percent in September 2023, though it moderated to 52.16 percent in December 2023. The increase in inflation was driven by both Food and Non-food inflation. Food inflation rose to 57.2 percent in December 2023 compared to 46.7 percent in December 2022, largely induced by the effects of the prolonged Russia–Ukraine war, which translated into higher food and energy prices. Non-food inflation surged from 30.6 percent in December 2022 to 48.3 percent in December 2023. Figure 10 shows the year-on-year headline inflation, food inflation and non-food inflation rates while figure 11 provides the breakdown of the contributors to headline inflation.

Figure 10: Headline, Food & Non-Food Inflation (Year-on-Year (Y/Y))



Source: Statistics Sierra Leone

Figure 11: Contributions to Headline Annual Inflation



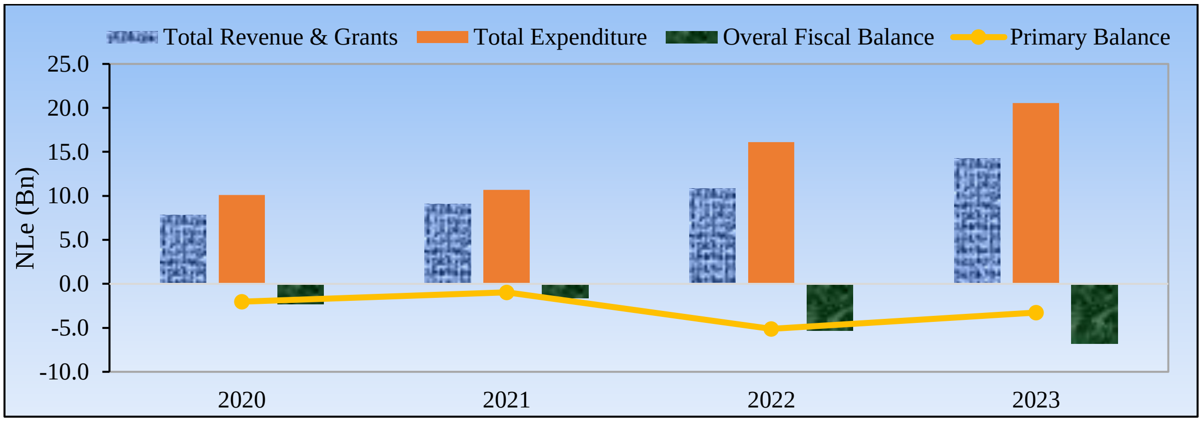
Source: Statistics Sierra Leone

3.3. Fiscal Developments

Fiscal policy thrust in 2023 was aimed at enhancing domestic revenue mobilisation as highlighted in the Finance Act 2023, strengthen and rationalize public expenditure management, and ensure sustainable public debt, thus, creating fiscal space to implement programmes and policies to address the needs of the vulnerable population in the context of multiple crises.

Government fiscal operations recorded a deficit of NLe6.6bn (8.4 percent of GDP) in 2023, up from NLe5.3bn (9.4 percent of GDP) in 2022. The deficit was higher than the target of NLe3.7bn (4.9 percent of GDP). The widening of the deficit was due to increase in expenditures, while revenue increased. Excluding grants, deficit was NLe10.3bn (13.0 percent of GDP), up from NLe9.1bn (16.0 percent of GDP) in 2022, which was also higher than the budgeted deficit (excluding grant) of Nle8.01bn (10.8 percent of GDP). While overall deficit widened, primary deficit narrowed to NLe3.1bn (3.9 percent of GDP) from NLe5.1bn (9.0 percent of GDP) in 2022. Figure 12 shows a summary of government budgetary operations whiles Table 8 shows detailed government budgetary operations.

Figure 12: Government Budgetary Operations



Source: Ministry of Finance

Table 8: Government Fiscal Operation

	2022 (Actual)		2023 (Actual)		2023 (Budget)	
	Bilions of NLe	% of GDP	Bilions of NLe	% of GDP	Bilions of NLe	% of GDP
TOTAL REVENUE (DOMESTIC REVENUE PLUS GRANTS)	10.87	19.2	14.27	17.6	14.00	17.3
DOMESTIC REVENUE	7.05	12.4	10.10	12.4	10.28	12.7
Customs & Excise	1.22	2.2	1.76	2.2	1.83	2.3
Income Tax Department	2.88	5.1	3.99	4.9	3.95	4.9
Goods and Services Tax	1.31	2.3	2.10	2.6	2.14	2.6
Miscellaneous	1.47	2.6	2.04	2.5	2.25	2.8
Road User Charges	0.17	0.3	0.21	0.3	0.11	0.1
GRANTS	3.82	6.8	4.17	5.1	3.73	4.6
TOTAL EXPENDIUTRE & NET LENDING	16.13	28.5	20.56	25.3	18.31	22.6
Current Expenditure	11.06	19.5	13.83	17.0	12.90	15.9
Wages & Salaries	4.35	7.7	5.31	6.5	5.26	6.5
Domestic Interest	1.63	2.9	2.92	3.6	2.93	3.6
Foreign Interest	0.20	0.4	0.27	0.3	0.25	0.3
Non-Salary Non-Interest Expenditure	4.89	8.6	5.32	6.6	4.46	5.5
Contingency Exp	0.05	0.1	-0.10	-0.1	-0.07	-0.1
Development Exp. & Net Lending	5.06	8.9	6.73	8.3	5.40	6.7
Foreign Loans & Grants	2.18	3.9	4.10	5.1	2.99	3.7
Domestic	2.88	5.1	2.63	3.2	2.42	3.0
Lending Minus Repayment	0.00	0.0	0.00	0.0	0.00	0.0
Basic Primary Balance	-4.76	-8.4	-4.76	-5.9	-1.63	-2.0
OVERALL DEFICIT/SURPLUS +/- (Incl. grants)	-5.31	-9.4	-6.82	-8.4	-3.67	-4.5
FINANCING	5.31	9.4	6.82	8.4	3.67	4.5
Domestic	5.71	10.1	5.86	7.2	3.28	4.0
Bank Financing	4.27	7.5	5.93	7.3	2.71	3.3
Non-Bank Financing	0.20	0.4	-0.07	-0.1	0.57	0.7
Privatization Receipts	1.23	2.2	1.87	2.3	1.87	2.3
External	-0.23	-0.4	-0.44	-0.5	-0.59	-0.7
Loans	0.70	1.2	1.44	1.8	1.02	1.3
Project	0.70	1.2	1.44	1.8	1.02	1.3
Program	0.00	0.0	0.00	0.0	0.00	0.0
Amortization	-0.93	-1.6	-1.87	-2.3	-1.60	-2.0
Others	-0.17	-0.3	-0.47	-0.6	-0.88	-1.1
GDP	57.52		81.17			

Source: Ministry of Finance

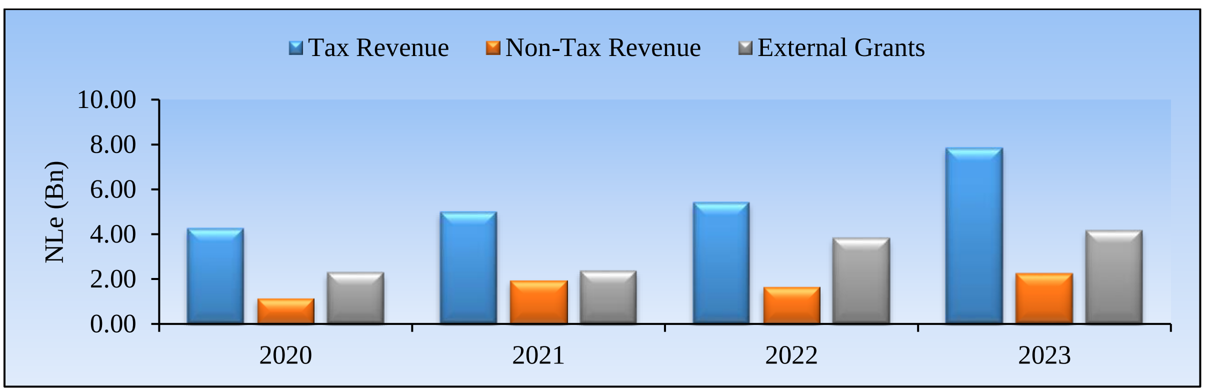
3.3.1. Government Revenue and Grants

Total government revenue stood at NLe14.3bn (17.6 percent of GDP), representing 23.9 percent increase, compared to NLe10.9bn (19.2 percent of GDP) in 2022 and a target of NLe14.0bn, respectively. The increase in total revenue resulted largely from the expansion in domestic revenue, owing to the implementation of fiscal measures in the Finance Act 2023.

Domestic revenue expanded by 30.2 percent to NLe10.1bn (12.4 percent of GDP) from NLe7.0bn (12.4 percent of GDP) in 2022, reflecting the increase in tax and non-tax revenue. However, domestic revenue in 2023 was slightly lower than the year's target of NLe10.3bn by 1.7 percent. Grants increased by 1.9 percent in 2023.

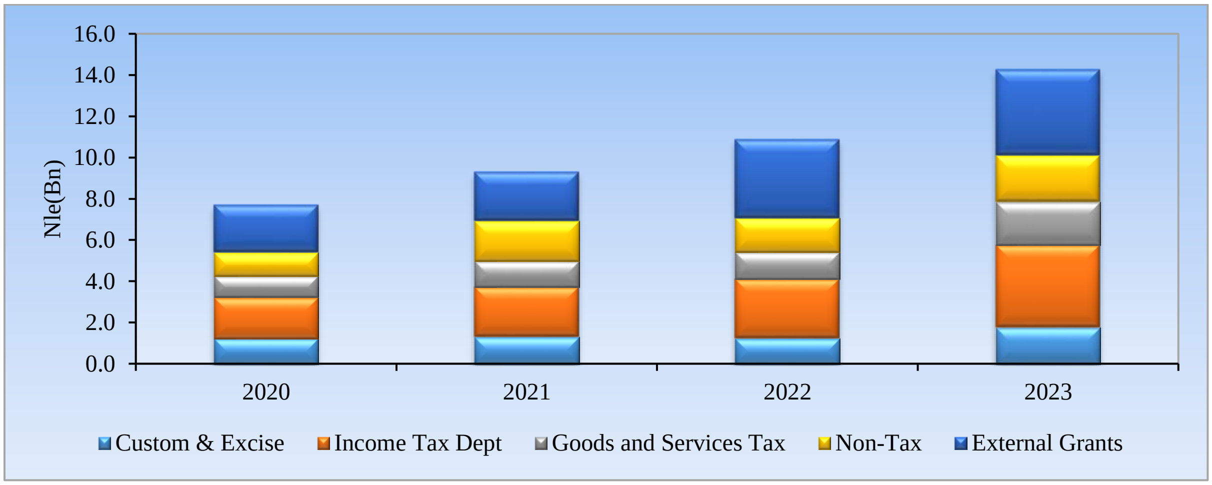
Tax revenue, which was 78 percent of domestic revenue, rose to NLe7.85bn (9.7 percent of GDP) in 2023 compared to NLe5.4bn (9.4 percent of GDP) in 2022, yet lower than the target of NLe7.92bn by 0.9 percent. The increase in tax revenue was attributed to the increases in all its major components. Figure 13 shows movement in government revenue, while Figure 14 shows the disaggregated components of government revenue.

Figure 13: Trends in Government Revenue



Source: Ministry of Finance

Figure 14: Disaggregated Government Revenue



Source: Ministry of Finance

Customs and Excise: Customs and excise receipts increased to NLe1.8bn (2.22 percent of GDP) in 2023, up from NLe1.22bn (2.2 percent of GDP) in 2022, although lower than the target of NLe1.8bn (2.3 percent of GDP) by 3.5 percent. All categories of customs and excise duties increased in 2023. Import taxes and excise duties on petroleum increased to NLe1.2bn and NLe0.47bn, respectively from NLe0.85bn and NLe0.28bn, respectively in 2022. Similarly, other excise duties surged to NLe0.10bn in 2023 from NLe0.09bn in 2022.

Income Tax: Income tax increased to NLe3.99bn (4.9 percent of GDP) in 2023, from NLe2.88bn (5.1 percent of GDP), and exceeded the target of NLe3.95bn (4.9 percent of GDP) by 1.1 percent. The rise in income tax revenue ensued from the increase in both personal income tax and company tax. Company tax rose to NLe1.42bn from NLe1.11bn in 2022; and personal income tax expanded to NLe2.57bn from NLe1.76bn in 2022.

Goods and Services Tax: Goods and services tax expanded to NLe2.10bn (2.6 percent of GDP) in 2023 from NLe1.31bn (2.3 percent of GDP) yet fell below the target of NLe2.14bn (2.6 percent of GDP) by 2.14 percent. Increases in both import sales tax, and domestic Goods and Services Tax (GST) accounted for the expansion in Goods and Services Tax. Import GST increased to NLe1.09bn, from NLe0.83bn in 2022, while domestic GST rose to NLe1.00bn, from NLe0.47bn in 2022.

Non-tax Revenue: Non-tax revenue increased to NLe2.04bn (2.5 percent of GDP) in 2023, from Nle1.47bn (2.6 percent of GDP) in 2022 but was below the target of NLe2.25bn by 9.24 percent. The expansion in non-tax revenue was due to the increase in revenue collected from both mines department and other departments during. Revenues from the Mines department rose by 9.24 percent to NLe0.67bn, from NLe0.41bn in 2022. Revenue from Other Departments rose to NLe1.37bn, from NLe1.05bn. Road user charges increased to NLe0.21bn, from NLe0.17bn in 2022 and exceeded the target of NLe0.11bn by 92.79 percent.

External Grants: Foreign grants increased to NLe4.17bn (5.1 percent of GDP) in 2023, up from NLe3.82bn (6.8 percent of GDP) in 2022 and was higher than the target of NLe3.73bn by 11.88 percent. This amount comprised programme grants, amounting to NLe1.50bn (1.9 percent of GDP), and development grants, amounting to NLe2.67bn (3.4 percent of GDP).

3.3.2. Government Expenditure and Net Lending

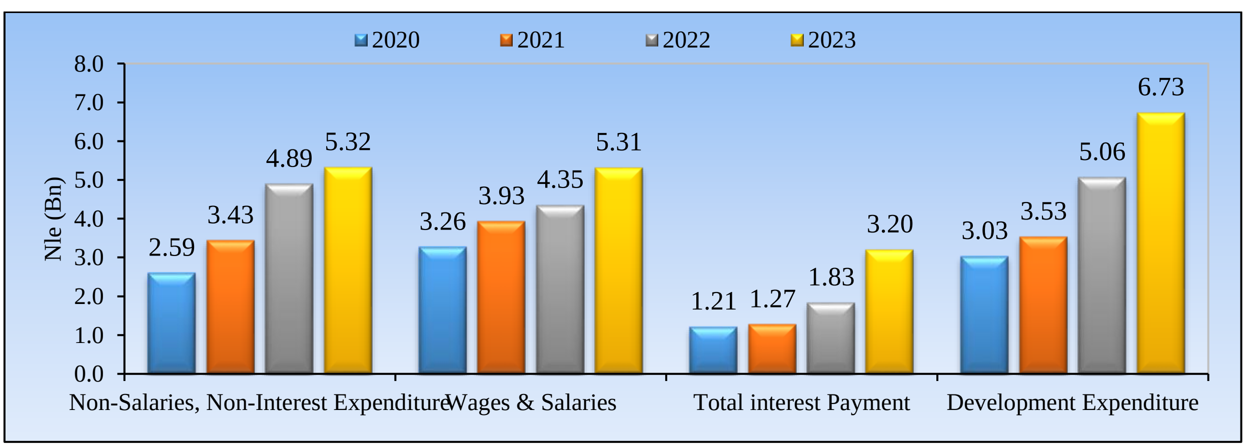
Total government expenditure and net lending amounted to NLe20.6bn (25.3 percent of GDP) in 2023, reflecting a 21.0 percent increase compared to NLe16.1bn (28.5 percent of GDP) in 2022 and overshot the budgeted amount of NLe18.31bn (22.6 percent of GDP) by 12.30 percent. The expansion in total expenditure was due to increase in both recurrent and capital expenditures.

Recurrent Expenditure: Recurrent expenditure increased to NLe13.83bn (17 percent of GDP) in 2023 from NLe11.1bn (19.5 percent of GDP) in 2022, which was higher than the budgeted amount of NLe12.90bn (15.9 percent of GDP) by 7.16 percent. The overrun in recurrent spending was attributed to the increase in the wage bill, debt servicing and non-interest, non-salary expenditure, all of which experienced overruns. The overrun in these major categories of recurrent spending was mostly associated with the increased spending in the security sector, conduct of National elections, establishment of new MDAs’, subsidies allocation to EDSA for onward payment to Karpower and the CLSG (Cote d’Ivoire, Liberia, Sierra Leone, Guinea) interconnection project and the depreciation of the exchange rate.

The wage bill rose to NLe5.31bn (6.5 percent of GDP) in 2023 from NLe4.35bn (7.7 percent of GDP) in 2022 and was higher than the budgeted amount of NLe5.26bn (6.5 percent of GDP) by 0.95 percent. Total interest payments increased to NLe3.20bn (3.9 percent of GDP) in 2023 compared to NLe1.8bn (3.3 percent of GDP) in 2022 and was slightly higher than the budgeted sum of NLe3.18bn (3.9 percent of GDP). Domestic interest payments accounted for 91 percent of total interest payments which expanded by 79.10 percent to NLe2.92bn (3.6 percent of GDP) in 2023 but was within the ceiling of NLe2.93bn (3.6 percent of GDP) by 0.12 percent. Foreign interest payments rose by 38.18 percent, to NLe0.27bn (0.3 percent of GDP), and was higher than the budgeted amount of NLe0.25bn (0.3 percent of GDP) by 9.61 percent. Non-interest, non-salary expenditures increased to NLe5.3bn (6.6 percent of GDP) in 2023 from NLe4.89bn (8.6 percent of GDP) in 2022 and overshot the ceiling of NLe4.46bn (5.5 percent of GDP) by 19.10 percent. The overrun in non-salary non-interest expenditures was attributed to the increased spending on goods and services by 10.33 percent and subsidies and transfers by 7.3 percent.

Development Expenditure: Development expenditure expanded by 29.1 percent to NLe6.7bn (8.3 percent of GDP) in 2023, from NLe5.1bn (8.9 percent of GDP) in 2022 and breached the ceiling of NLe5.40bn (6.7 percent of GDP) by 24.57 percent. The expansion in capital expenditure was mainly due to the increase in foreign financed capital expenditure. On the other hand, domestic capital expenditure reduced during the review year. Capital expenditure financed from foreign loans and grant surged by 88.28 percent to NLe4.10bn (5.1 percent of GDP) and higher than the ceiling of NLe2.99bn (3.7 percent of GDP) by 37.4 percent. However, domestic capital spending contracted by 8.91 percent to NLe2.63bn (3.2 percent of GDP) but was higher than the ceiling of NLe2.42bn (3 percent of GDP) by 8.70 percent. Figure 15 shows movement in key government expenditure components.

Figure 15: Disaggregated of Government Expenditure



Source: Ministry of Finance

3.3.3. Financing

The overall budget deficit (including grants) of NLe6.82bn (8.4 percent of GDP) was financed from domestic, foreign, and other sources. Domestic deficit financing amounted to NLe5.86bn (7.2 percent of GDP), while foreign and other sources of deficit financing (repayment) amounted to NLe0.44bn (0.5 percent of GDP) and NLe0.47bn (0.6 percent of GDP), respectively.

3.4. External Sector Developments

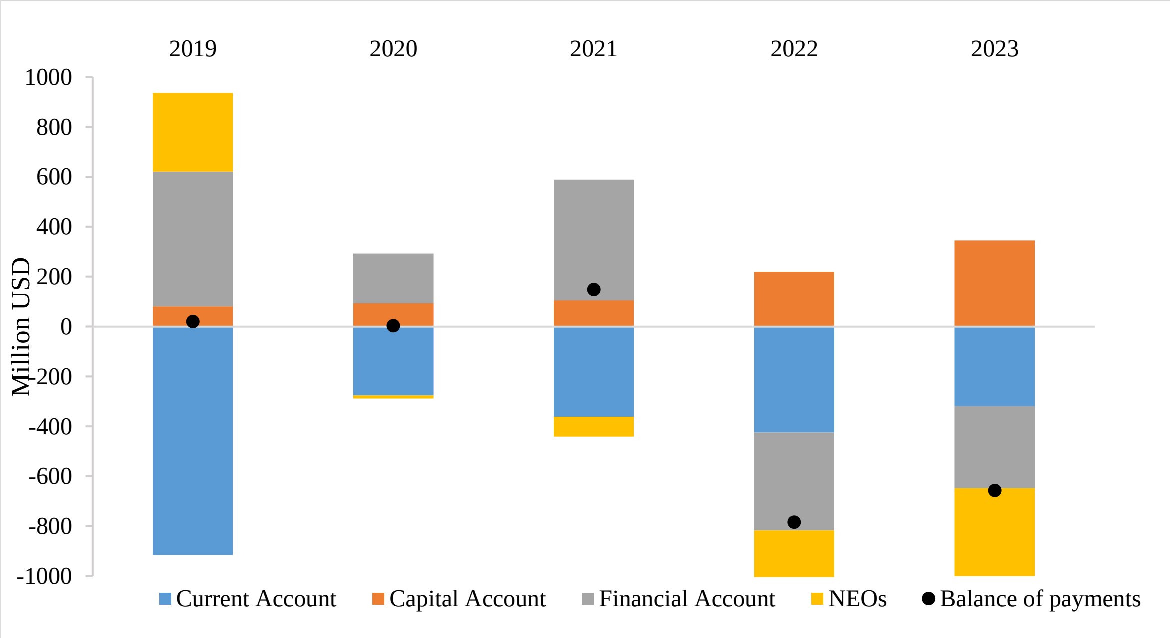
Balance of Payments

Based on the estimated Balance of Payments for 2023, the current account of the BOP registered a narrowed deficit of US$319.4 million (5.00 percent of GDP) in 2023, compared to US$424.3 million (5.96 percent of GDP) in 2022. The reduced current account deficit was mainly attributed to improvement in the trade balance and net transfers which outweigh the decrease in net services and net income. The deficit in the trade account narrowed to US$433.2 million (6.78 percent of GDP) in 2023, from US$594.5 million (8.35 percent of GDP) in 2022, due to the combined effects of an increase in exports and a decrease in imports in 2023. Exports were boosted mainly by iron ore, bauxite, gold, other minerals, cocoa, and other exports. However, the services account (net) recorded a widened deficit of US$305.0 million in 2023, compared to US$265.0 million in 2022. Current transfers decreased to US$472.5 million in 2023, compared with US$502.1 million in 2022.

The capital and financial accounts recorded an estimated surplus of US$17.0 million (0.27 percent of GDP) in 2023, compared to a deficit of US$171.7 million (2.41 percent of GDP) in 2022. This reflected improvements in both the capital account and the financial account. The current account moved from US$220.1 million in 2022 to US$344.8 million in 2023 and the financial account recorded a deficit of US$327.8 million in 2023, from a deficit of US$391.8 million in 2022.

Accordingly, the overall balance of payments position improved from a deficit of US$783.6 million (11.01 percent of GDP) in 2022 to an estimated deficit of US$655.5 million (10.25 percent of GDP) in 2023, mainly reflecting improvements in other investment inflows under the financial account and the current account. Figure 16 shows the trend of key components of the balance of payments of Sierra Leone.

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



Source: Research and Statistics Department

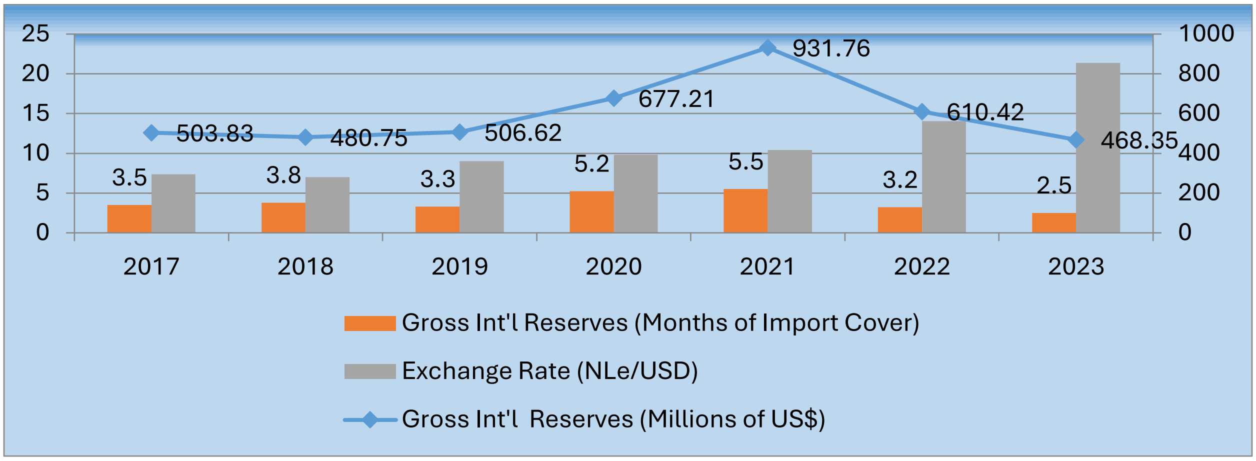
Gross Foreign Exchange Reserves

The gross foreign exchange reserves of the Bank of Sierra Leone was US$468.35 million at the end of December 2023, which was equivalent to 2.5 months of imports, compared to US$610.42 million at the end of December 2022, equivalent to 3.2 months of import. The drawdown on reserves mainly reflected the increase in external debt service payments, Government outlays, and embassy / mission payments.

Exchange Rate

The Leone depreciated against major foreign currencies in 2023, driven by excess demand for foreign currency outweighing supply. The official exchange rate (monthly average exchange rate-NLe per US$) depreciated by 34.25 percent in 2023, compared to a depreciation rate of 25.69 percent in 2022. However, the monthly average exchange rates remained largely stable during the second half of 2023. Figure 17 shows exchange rate movements, gross international reserve level, and months of imports.

Figure 17: Gross Foreign Exchange Reserves and Exchange Rate Movement



Data Source: Financial Market Department

4. MONETARY DEVELOPMENTS

4.1. Monetary Policy

The BSL consistently increased the Monetary Policy Rate (MPR) at the Monetary Policy Committee meetings held in 2023, as inflationary pressures persisted. The persistent inflationary pressure was driven by supply side constraints, fiscal constraints, multiple global shocks, and build-up in exchange rate depreciation.

4.2. Developments in Monetary Aggregates

Broad Money (M2)

Broad Money (M2) growth moderated to 32.83 percent in 2023, relative to the 41.74 percent increase in 2022. The moderation in M2 growth primarily reflected the decrease in the growth of Net Foreign Assets (NFA) of the banking system, coupled with the slight decrease in the growth of Net Domestic Assets (NDA) of the banking system.

The growth in the NFA of the banking system slowed down to 21.53 percent in 2023, from a 51.56 percent in 2022. The slowdown in the NFA of the banking system was mainly driven by the 26.49 percent deterioration in the NFA of the BSL, coupled with the reduction in the growth of the NFA of commercial banks. NFA of commercial banks grew by 23.31 percent in 2023 from 125.62 percent in 2022.

The NDA of the banking system declined marginally by 36.77 percent in 2023, down from 38.61 percent in 2022. The growth in the NDA of the banking system was largely on account of the 40.60 percent increase in credit to government by the banking sector, from 34.27 percent growth in 2022. Net claims on government by the BSL grew by 37.95 percent in 2023, compared to the 62.76 percent growth in 2022. Net claims on government by commercial banks expanded by 43.38 percent in 2023, up from 13.28 percent increase in 2022. Credit to the private sector by commercial banks expanded by 24.99 percent in 2023, relative to the increase of 12.05 percent in 2022. Table 9 shows money supply and its associated components.

Table 9: Money supply and its Components

Millions of Leones	2021M12	2022M12	2023M12	Jan-Dec 22 Change	Jan-Dec 22 % Change	Jan-Dec 23 Change	Jan-Dec 23 % Change
Broad Money (M2)	**14,391.06**	**20,398.49**	**27,095.82**	6,007.43	41.74	6,697.33	32.83
Narrow money (M1)	**7,539.77**	**9,101.63**	**11,978.43**	1,561.85	20.71	2,876.81	31.61
Currency outside banks	3,479.76	4,589.10	6,178.16	1,109.34	31.88	1,589.06	34.63
Demand deposit	4,060.01	4,512.53	5,800.27	452.52	11.15	1,287.75	28.54
Quasi money	**6,851.29**	**11,296.87**	**15,117.39**	4,445.58	64.89	3,820.52	33.82
o.w. Foreign currency deposit	3,703.87	7,590.73	10,647.59	3,886.86	104.94	3,056.85	40.27
Time and saving deposit	3,142.45	3,701.89	4,462.05	559.43	17.80	760.17	20.53
Net Foreign Asset	**3,482.71**	**5,278.47**	**6,415.06**	1,795.76	51.56	1,136.58	21.53
BSL	(169.31)	(2,961.24)	(3,745.74)	(2,791.93)	1648.96	(784.49)	26.49
ODCs	3,652.03	8,239.72	10,160.80	4,587.69	125.62	1,921.08	23.31
Net Domestic Assets	**10,908.35**	**15,120.02**	**20,679.39**	4,211.67	38.61	5,559.37	36.77
Net Domestic Credit	**13,260.34**	**17,319.31**	**23,851.95**	4,058.97	30.61	6,532.64	37.72
Government (Net)	10,387.50	13,947.49	19,610.06	3,559.99	34.27	5,662.57	40.60
o.w. BSL	4,407.14	7,172.94	9,895.22	2,765.81	62.76	2,722.27	37.95
ODCs	5,980.36	6,774.54	9,713.24	794.18	13.28	2,938.69	43.38
Private Sector	3,161.95	3,539.11	4,423.83	377.17	11.93	884.72	25.00
o.w. BSL	16.78	14.93	19.08	(1.85)	(11.03)	4.15	27.79
ODCs	3,145.16	3,524.18	4,404.75	379.02	12.05	880.57	24.99
Other Sectors (Net)*	(289.11)	(167.29)	(180.33)	121.82	(42.14)	(13.04)	7.80
Other Items (Net)	**(2,351.99)**	**(2,199.29)**	**(3,081.29)**	152.70	(6.49)	(882.00)	40.10
Money Multiplier	3.13	3.37	3.11				

Source: Research and Statistics Department

From the liability side, the moderation in M2 growth reflected the decrease in Quasi Money growth. Quasi Money growth slowed down to 33.82 percent in 2023, from an increase of 64.89 percent in 2022. Foreign currency deposits increased by 40.27 percent in 2023, from 104.94 percent in 2022 and time and savings deposits recorded 20.53 percent increase, from 17.30 percent growth in 2022. Narrow Money (M1) grew by 31.61 percent in 2023, following an increase of 20.71 percent in 2022. The growth in M1 was mainly due to the 34.63 percent increase in currency outside banks and 28.54 percent expansion in demand deposits.

Reserve Money (RM)

Reserve Money (RM) expanded by 43.95 percent in 2023, compared to the growth of 31.53 percent in 2022. The growth in RM was attributed to the increase in NDA of the BSL, which was more than the deterioration in the NFA of BSL. NDA of the BSL grew by 39.23 percent in 2023 from 88.92 percent increase in 2022. The expansion in the NDA of the BSL was due to the 37.95 percent increase in credit to government by the BSL. NFA of the BSL deteriorated by 26.49 percent in 2023 and was largely driven by drawdown in the foreign reserves to finance foreign transaction.

From the liability side, the expansion in Reserve Money was due to increases in both banks' reserves by 50.81 percent from 34.3 percent in 2022, and currency issued by 42.51 percent in 2023 from 31.07 percent in 2022. Table 10 shows reserve money and its components.

Table 10: Reserve Money and its Components

				Jan-Dec 22		Jan-Dec 23	
Millions of Leones	2021M12	2022M12	2023M12	Change	% Change	Change	% Change
1. Net Foreign Assets	**(169.31)**	**(2,961.24)**	**(3,745.74)**	**(2,791.93)**	**1,648.96**	(784.49)	26.49
2. Net Domestic Assets	**4,771.50**	**9,014.36**	**12,459.53**	**4,242.86**	**88.92**	3,444.98	38.22
2.1 Government Borrowing (net)	4,407.14	7,172.94	9,895.22	**2,765.81**	**62.76**	2,722.27	37.95
o.w. 2.11 Securities	1,110.22	3,696.70	5,324.74	**2,586.48**	**232.97**	1,628.04	44.04
2.12 Ways and Means	196.19	117.99	186.02	**(78.20)**	**(39.86)**	68.03	57.66
2.13 GoSL/IMF Budget financing	3,365.50	3,530.75	4,224.70	**165.25**	**4.91**	693.96	19.65
3. Reserve money	**4,602.18**	**6,053.11**	**8,713.66**	**1,450.93**	**31.53**	2,660.55	43.95
o.w. 3.1 Currency issued	3,827.19	5,016.27	7,148.62	**1,189.08**	**31.07**	2,132.35	42.51
3.2 Bank reserves	770.04	1,032.59	1,557.30	**262.56**	**34.10**	524.70	50.81

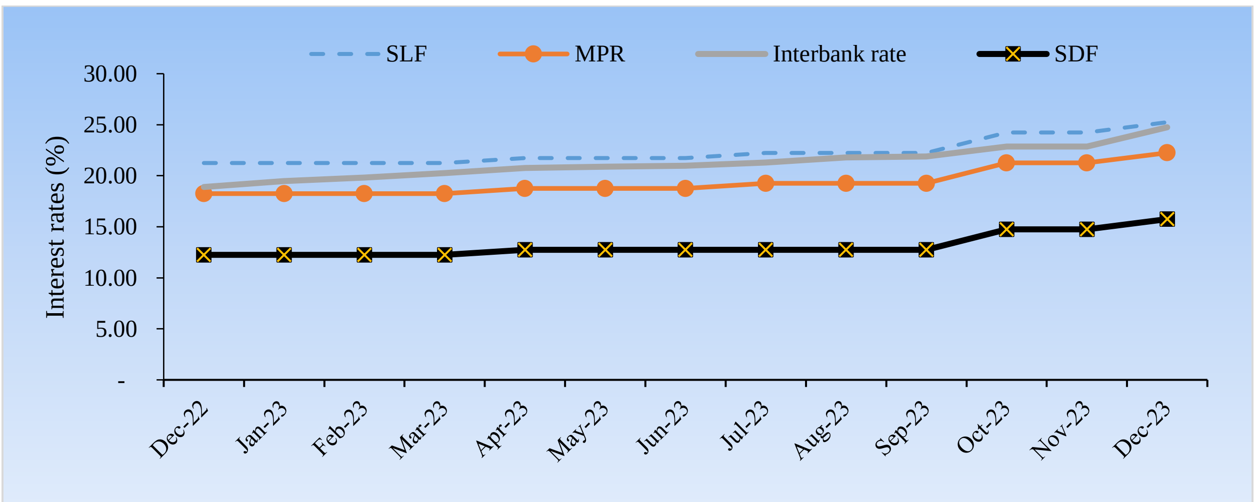
Source: Research and Statistics Department

4.3. Interest Rates Developments

4.3.1. Monetary Policy Rate and Interbank Rate

Monetary policy during the year 2023 was aimed at anchoring inflation expectation by addressing inflationary pressures arising from both domestic supply constraints and global developments. To address the inflationary pressures, the Monetary Policy Committee (MPC) in its quarterly meetings, proactively tightened the monetary policy stance throughout 2023. The MPC therefore cumulatively raised the MPR by 400 basis points from 18.25 in December 2022 to 22.25 in December 2023. Accordingly, the Standing Lending facility (SLF) and Standing Deposit Facility (SDF) rates were adjusted upwards from 21.25 percent and 12.25 percent in December 2022 to 25.25 percent and 15.75 percent in December 2023, respectively. The interbank rate increased from 18.90 percent in December 2022 to 24.75 percent in December 2023 and remained within the policy corridor rate set by the Bank. Figure 18 shows the Monetary Policy Rate and other key interest rates.

Figure 18: Monetary Policy Rate and other key Rates

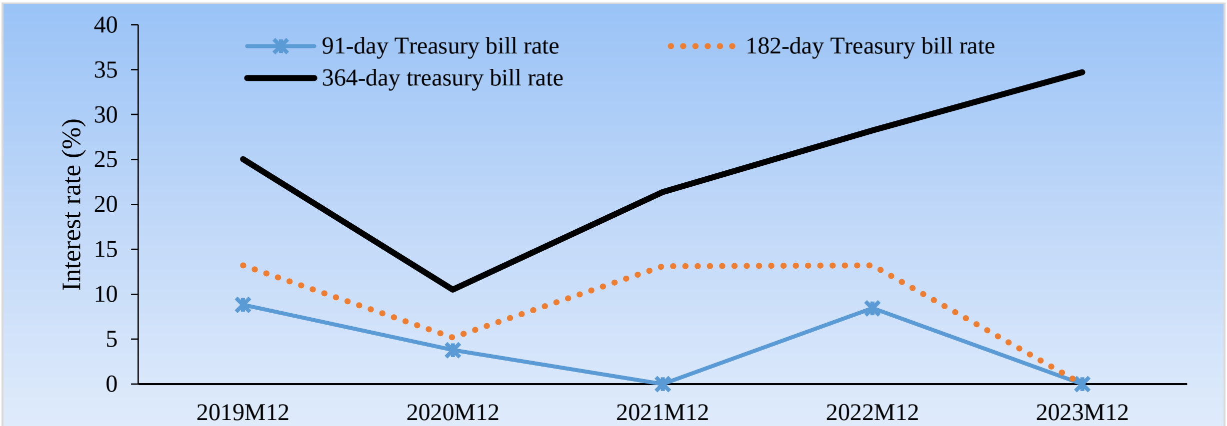


Source: Research and Statistics Department

4.3.2. Yields on Government Securities

The interest rate on the 364-day Treasury bills increased from 28.23 percent in December 2022, to 34.71 percent in December 2023. Meanwhile, the 182-day and 91-day Treasury bill markets remain inactive in 2023. Figure 19 shows the yield movements for Government bills.

Figure 19: Yields on Government Treasury Bills



Source: Research and Statistics Department

4.3.3. Commercial Banks' Lending and Deposit Rates

The average lending rate by commercial banks increased from 20.10 percent in December 2022 to 20.19 percent in December 2023. Also, the average interest rate on savings deposit increased from 2.17 percent in December 2022 to 2.34 percent in December 2023. Table 11 shows the lending and deposit rates.

Table 11: Lending and Deposit Interest Rates

	Dec. 2019	Dec. 2020	Dec.2021	Dec.2022	Dec.2023
Average Lending Rate	20.17	21.42	19.77	20.10	20.19
Average Savings Deposits Rate	2.90	2.61	2.15	2.17	2.34

Source: Research and Statistics Department

5. DEVELOPMENTS IN THE FOREIGN EXCHANGE MARKETS

5.1. Foreign Exchange Cashflow

5.1.1. Gross International Reserves

The stock of foreign exchange reserves of the Bank of Sierra Leone decreased by 23.27 percent to USD468.35million at end December 2023 from USD610.42million at end December 2022.

5.1.2. Foreign Exchange Inflows

Total foreign exchange inflows decreased by 9.81 percent to USD249.27million in 2023 from USD276.37million in 2022. This was due to a decrease in aid disbursement of USD20.30million from USD143.60million at end 2022 to USD123.30million at end 2023.

Other segments of foreign exchange inflows were receipts from export of USD49.64mn in 2023 compared to USD 44.64million in 2022, and other receipts of USD76.61 million in 2023, which decreased from USD88.13 million in 2022.

5.1.3. Foreign Exchange Outflows

Foreign exchange outflows decreased by 29.58 percent from USD562.36 million in 2022 to USD395.99 million in 2023. The decrease was driven by a significant reduction in payment of goods and services from USD451.24 million in 2022 to USD254.92million in 2023. A key reason for this was decrease in interbank market operations in 2023, at USD30.52 million from USD111.32 million in 2022.

Outflows relating to debt service payments however increased from USD111.12 million in 2022 2022 to USD141.08 million in 2023. Notably, payments to the International Monetary Fund (IMF) at USD74.91 million, the World Bank at USD8.98 million and other multilateral/bilateral institutions at USD39.82 million accounted for this increase.

5.2. Foreign Exchange Management

At the beginning of 2023, the exchange rate of the Leone was greatly challenged by demand and supply conditions, which subsisted since quarter 4 of 2022. This was due to non-disbursement of budget support, the combination of low exports and higher demand for imports and speculative behaviour that often led to the aggressive bidding for forex by importers through their respective commercial banks, resulting to depreciation pressure on the Leone.

The challenges in the foreign exchange market continued during the start of the second half of 2023, as a result of the increased demand for food and other imported items, reduction in mining activities associated with the rainy season. However, the demand for forex decreased during the election period in June 2023, particularly from importers of trade related items, rice importation, and oil marketing companies thereby leading to appreciation of the exchange rates.

5.2.1. Foreign Exchange Market Flows

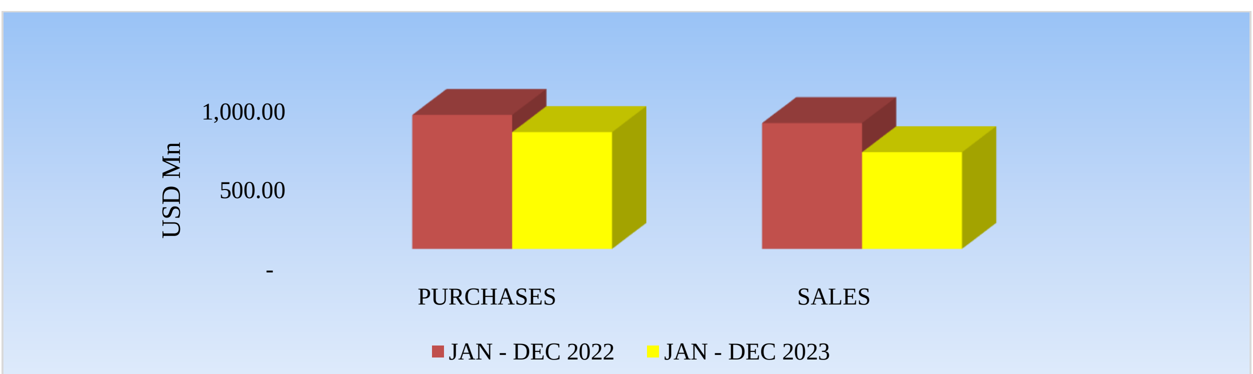
Total amount traded (purchases and pales) in the foreign exchange market during the period January – December 2023 was USD1,353.84 million, which was 17.85 percent less than the total amount of USD1,647.62 million traded in the preceding period of 2022.

5.2.2. Purchases and sales of forex by commercial banks

Total purchases for the period January- December 2023 was USD740.62 million as against USD849.71 million in 2022, indicating a decrease of 12.84 percent. The decrease was largely due to purchases from the mining sector, bureaus, migrant remittances, International Organization/NGO's, and the service sector.

Conversely, the total sale of foreign exchange by commercial banks decreased by 23.15 percent to USD613.22 million in 2023 from USD797.91 million in 2022. The major sectors that accounted for decrease in forex sales by the commercial banks in 2023 were trade related payments, payments for rice imports, service industry, and oil marketing companies. Figure 20 shows the purchases and sales in the banking sector.

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



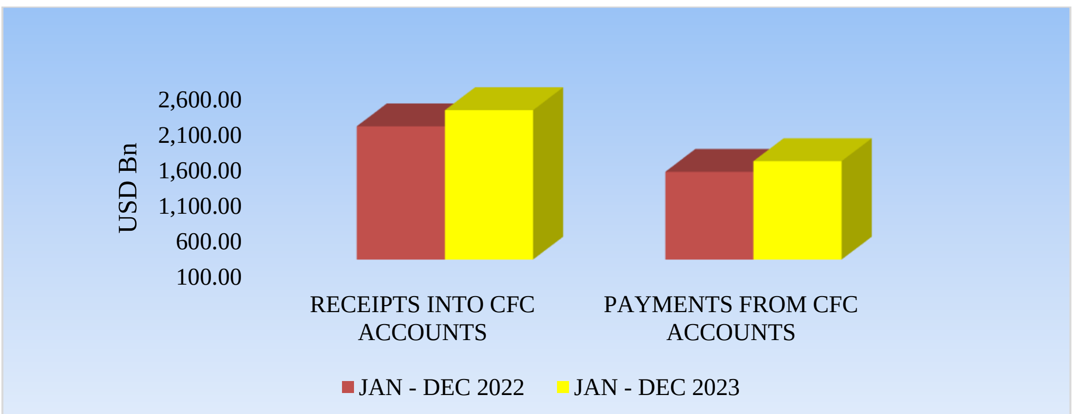
Source: Financial Markets Department

5.2.3. Receipts into and Payments from Foreign Currency Accounts of Customers

Receipts into customer foreign currency (CFC) accounts for the period January – December 2023 increased by 11.49 percent to USD2,198.97 million from USD1,972.41 when compared for the same period in 2022. The major sectors that accounted for increase of receipts into customer's foreign currency account were the mining sector, Int'l Organization/NGO's, service industry, and bureau.

Payments from foreign currency accounts of customers increased by 11.22 percent in 2023. The payments were significant for trade related imports, the mining industry and petroleum products by oil marketing companies. Figure 21 shows flows of customers CFC accounts during the period 2022 and 2023.

Figure 21: Receipts and Payments from Customers Foreign Currency Accounts



Source: Financial Markets Department

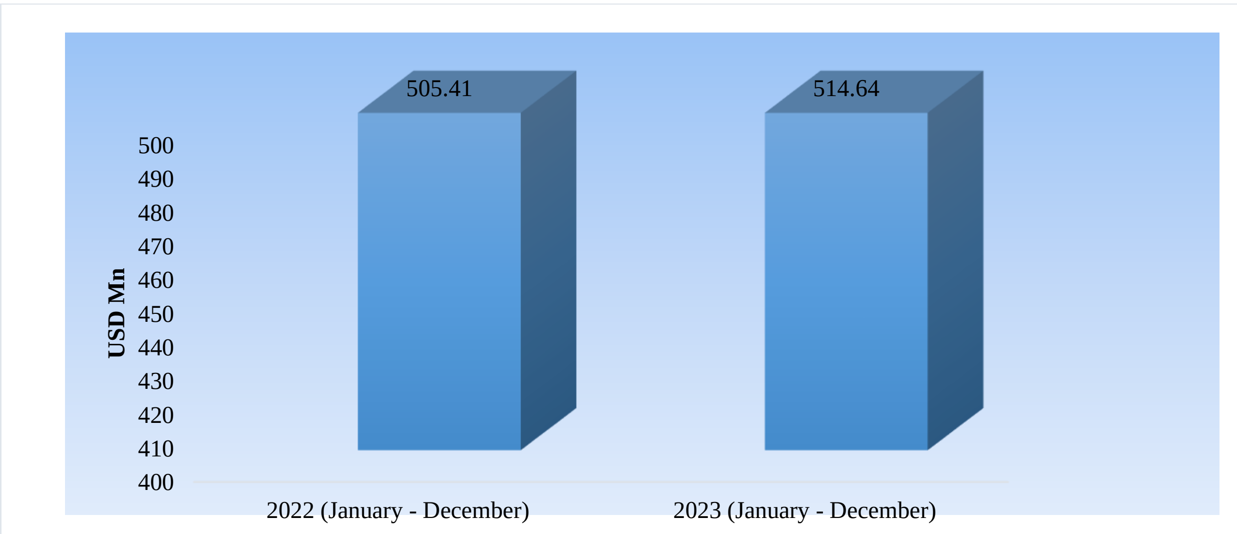
5.2.4. Foreign Exchange Intervention

In response to the supply and liquidity challenges in the foreign exchange market, the Bank of Sierra Leone intervened in the market in 2023 through the direct sales of foreign exchange to commercial banks for onward sale to oil marketing companies. The expectation was that this would complement the supply of foreign exchange in the market and restore calmness. To this end, 22.50 million was sold to the commercial banks for oil marketing companies.

5.2.5. Diaspora Remittances

Total Diaspora remittances from January to December 2023 increased by 1.83 percent to USD514.64 million in 2023 from USD505.41 million in 2022. Figure 22 shows diaspora remittances in 2022 and 2023.

Figure 22: Diaspora Remittances



Source: Financial Markets Department

5.2.6. Foreign Exchange Rate Movement

The stability of the exchange rates was challenged in quarter 1 of 2023, given the liquidity constraints that subsisted since quarter 4 of 2022. The continuous depreciation of the Leone against major currencies since the start of the year reflected increased demand relative to supply of foreign exchange, which stems from non-disbursement of budget support, low exports combined with higher demand for imports and speculative behaviour that often led to the aggressive bidding for forex by importers through their respective commercial banks.

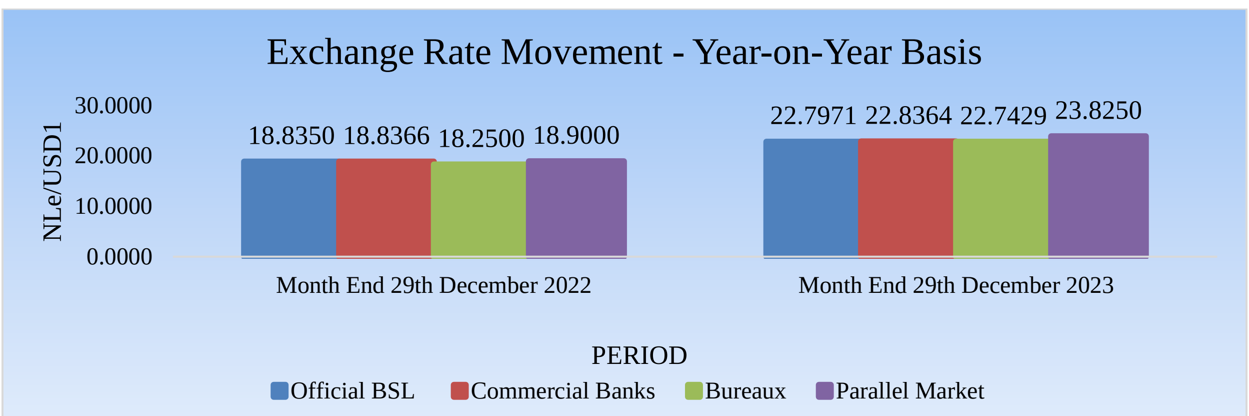
Given the effects of increased demand for food and other imported items associated with the rainy season, the challenges in the foreign exchange market continued in quarter 2 of 2023. The reduction in mining activities as a result of the rainy season and the sluggish growth of the real sector had negative effects on the exchange rates during the review period. However, during the electioneering period in June 2023, the demand for forex decreases particularly from importers of trade related items, rice importation, and oil marketing companies thereby leading to appreciation of the exchange rates.

In quarter 3 of 2023, the foreign exchange market was challenged, as the demand for food and school related items increased, as a result of the reopening of schools for the new academic year, which continued to exert more pressure on the already challenged exchange rates.

In quarter four of 2023, the increased demand for forex for the importation of food and other trade related commodities associated with the festive season exerted more pressure on the exchange rate, leading to the depreciation of the Leone against the USD and other major international currencies.

On a Year-on-Year basis, the mid rates of BSL, Commercial banks, Bureau and the parallel market depreciated by 21.04 percent, 21.23 percent, 24.62 percent and 26.06 percent to NLe22.7971/USD1, NLe22.8364/USD1, NLe22.7429/USD1 and NLe23.8250/USD1 on December 29, 2023 from NLe18.8350/USD1, NLe18.8366/USD1, NLe18.2500/USD1 and NLe18.9000/USD1 on December 30, 2022, respectively

Figure 23: Exchange Rate Movement Year-on- Year Basis.



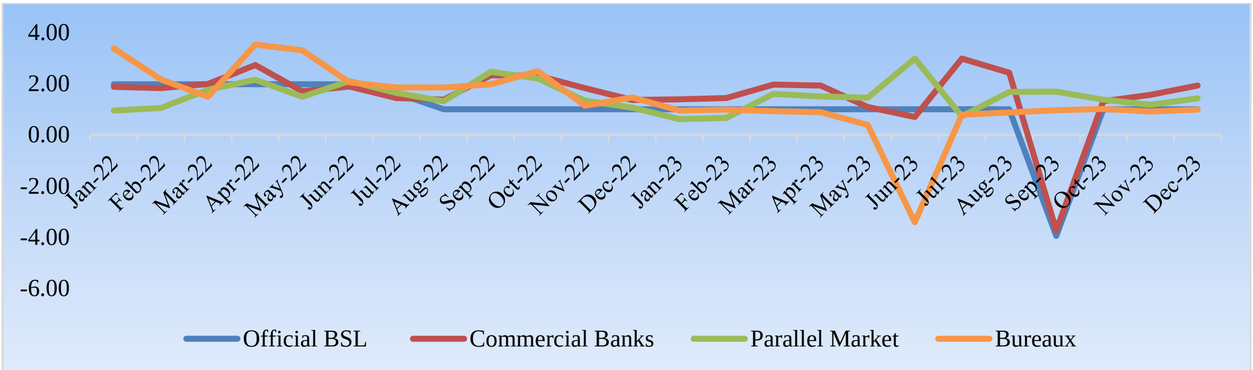
Source: Financial Markets Department

5.2.7. Spread in the various markets

The percentage spread between the average official BSL buying and selling rates was at 1.00 percent at end December 2023. The percentage spread in the commercial banks, bureau, and parallel market rate was at 1.93 percent, 0.99 percent, and 1.43 percent, respectively at end

December 2023. Figure 24 depicts exchange rate spread in various segments of the foreign exchange market.

Figure 24: Monthly Percentage Spread in the different Exchange Rate Markets



Source: Financial Markets Department

5.3. Monetary Operations

5.3.1. Primary Market Auction Outcomes

The primary market auctions for Government Securities exhibited mixed outcomes in 2023. The demand for government Treasury bills continued to be skewed to the 364 days tenure, with deposit money banks being the leading participants. However, the non-bank public remained the dominant participant in the 91 and 182-days tenors of the Treasury bills auctions. The 91-days and 182-days tenors were largely undersubscribed, whilst the 364-days tenor was in most cases oversubscribed.

5.3.2. Stock of Government Securities

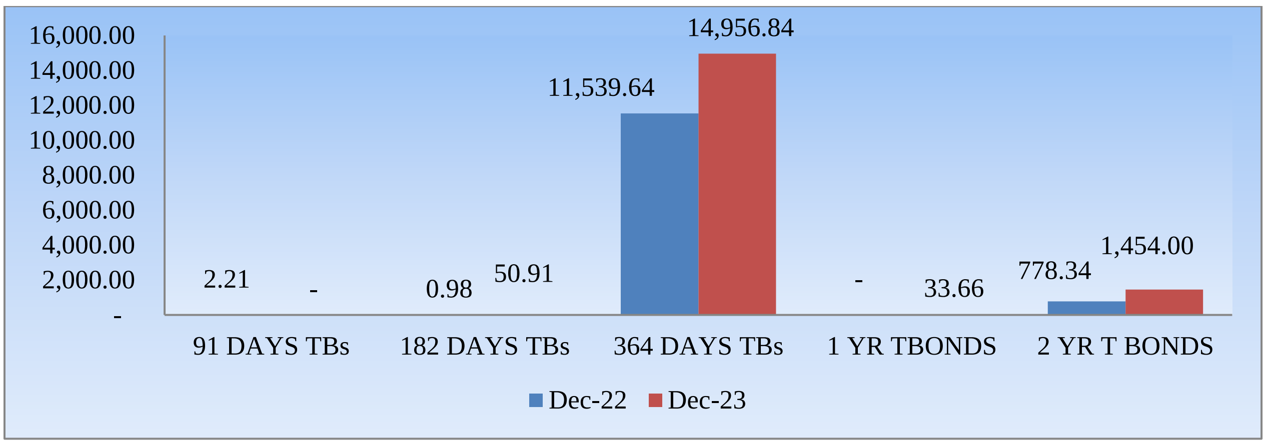
The total stock of Government securities increased by NLe4,700.16mn (34.14 percent) from NLe13,768.97mn in December 2022 to NLe18,469.13mn in December 2023. Marketable securities accounted for 89.31 percent of the total stock of government securities whilst non-marketable securities accounted for 10.69 percent.

The stock of marketable securities increased by NLe4,174.24mn (33.88 percent) from NLe12,321.17mn at end-December 2022 to NLe16,495.41mn at end-December 2023, reflecting new issuance of 364-days T-bills and 2-year Treasury bonds. The issuance of new marketable securities in 2023 was mainly to finance Government budget. Non-marketable securities increased by NLe525.92mn (36.33 percent) from NLe1,447.80mn at end-December 2022 to NLe1,973.72mn at end-

December 2023, which was due to the new issuance of 3-year Treasury bonds for financing of specific infrastructural projects.

As end-December 2023 the proportion of 91-days, 182-days and 364-days treasury bills to the total marketable securities was 0.00 percent, 0.31 percent and 90.67 percent respectively, whilst that of the 1-year and 2-year Treasury bonds were 0.21 percent and 8.81 percent, respectively. With regards non-marketable securities, the 3-year, 5- year and 10-year treasury bonds accounted for 81.17 percent, 18.64 percent and 0.19 percent, respectively.

Figure 25: Stock of Marketable Government Securities by Tenure in Millions of New Leones



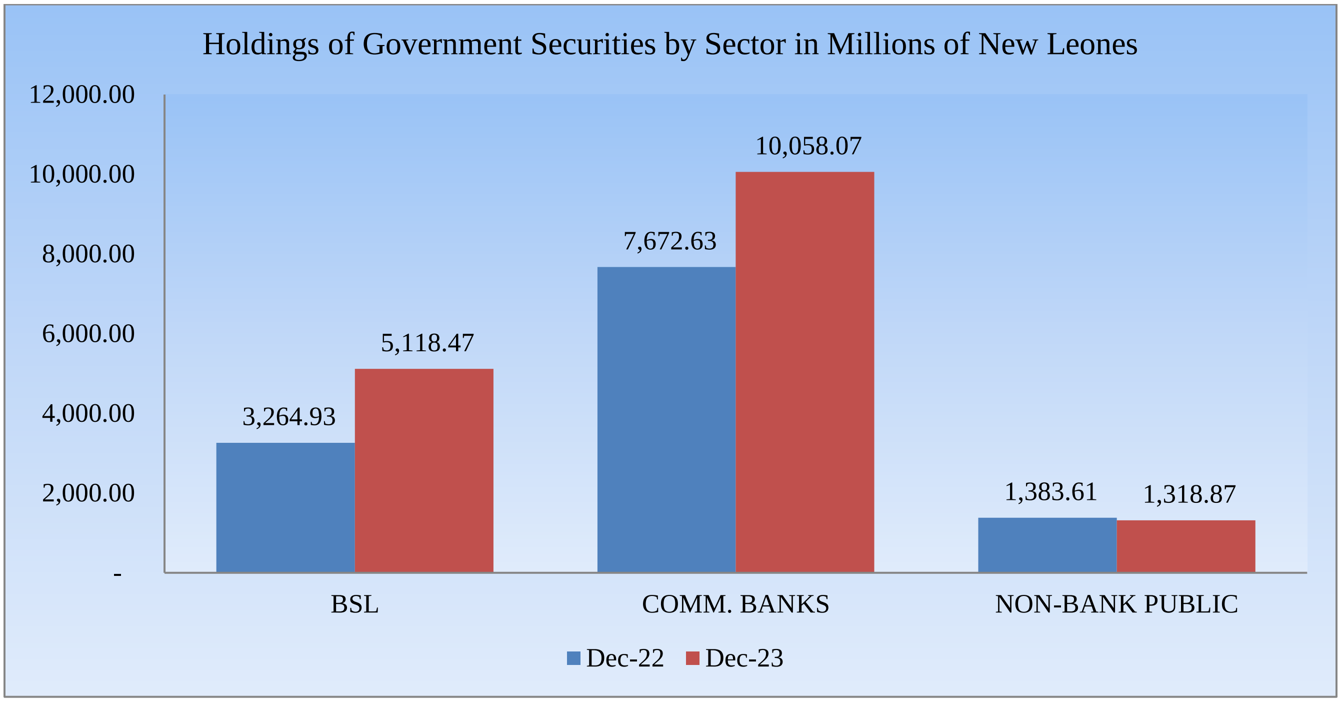
Source: Financial Markets Department

5.3.3. Distribution of the Stock of Marketable Government Securities by Sector

An upward trend in the holdings of government securities was visible in the BSL and commercial banks' sector, whilst the non-bank public depicted a downward trend in 2023. The holdings of marketable government securities by commercial banks increased by NLe2,385.44mn (31.09 percent) from NLe7,672.63mn as at end December 2022 to NLe10,058.07mn as at end December 2023. In the same vein, BSL holdings of marketable government securities increased by NLe1,853.54mn (56.77 percent) from NLe3,264.93mn as at end December 2022 to NLe5,118.47mn as at end December 2023. The increased holdings of securities could be explained by the BSL's outright purchases of Treasury bills from the commercial banks. The holdings of marketable government securities by the non-bank public decreased by NLe64.74mn (4.68 percent) from NLe1,383.61mn end December 2022 to NLe1,318.87mn end December 2023, largely resulting from the 47.67 percent decline in holdings of NASSIT. The holdings of NASSIT decreased from NLe178.44mn as at end December 2022 to

NLe93.38mn as at end December 2023. Figure 26 illustrates the holdings of marketable government securities by sector.

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



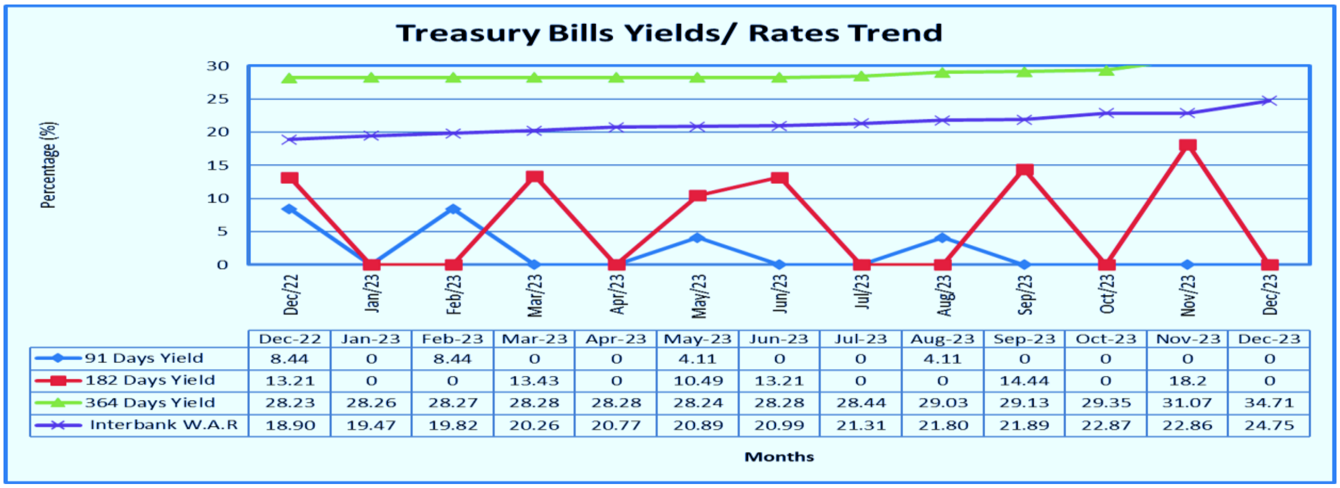
Source: Financial Markets Department

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

During the review period, it was observed that the yields in the tenors of Treasury bills increased. The average annual yield of 91-days tenure declined by 4.33 percentage points to 4.11 percent at end-August 2023, from 8.44 percent in December 2022. However, there was no demand for 91-days Treasury bills for the most part of 2023 (except for the months of February, May, and August). The yield of the 182 days T-bills increased by 1.23 percentage points to 14.44 percent in September 2023, from 13.21 percent in December 2022. Also, there was no demand for the 182-days Treasury bills for the most part of 2023 (except for the months of March, May, June, September, and November). Similarly, the average annual yield on the 364-days Treasury bills increased by 9.44 percentage points to 37.67 percent at end-December 2023, from 28.23 percent at end-December 2022. The interbank weighted average yield increased by 4.16 percentage points to 23.06 percent in December 2023, from 18.90 percent in December 2022.

The increase in the rates in the money market largely reflects observed tight fiscal position, tight liquidity in the banking system, as well as increases in the Monetary Policy Rate during the review period. Figure 27 shows the trends in yields of government securities in both the primary and interbank markets.

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



	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
91 Days Yield	8.44	0	8.44	0	0	4.11	0	0	4.11	0	0	0	0
182 Days Yield	13.21	0	0	13.43	0	10.49	13.21	0	0	14.44	0	18.2	0
364 Days Yield	28.23	28.26	28.27	28.28	28.28	28.24	28.28	28.44	29.03	29.13	29.35	31.07	34.71
Interbank W.A.R	18.90	19.47	19.82	20.26	20.77	20.89	20.99	21.31	21.80	21.89	22.87	22.86	24.75

Source: Financial Markets Department

5.3.5. BSL Standing Facilities

Access to the BSL Standing Lending Facility (SLF) window significantly increased by NLe64,832.53mn (140.22 percent) from NLe46,234.67mn as at end-December 2022 to NLe111,067.20mn as at end December 2023. This was mainly owing to the observed liquidity tightness in the banking system.

In 2023, there was no access to the Standing Deposit Facility (SDF) window, emphasizing the tight liquidity condition in the banking system.

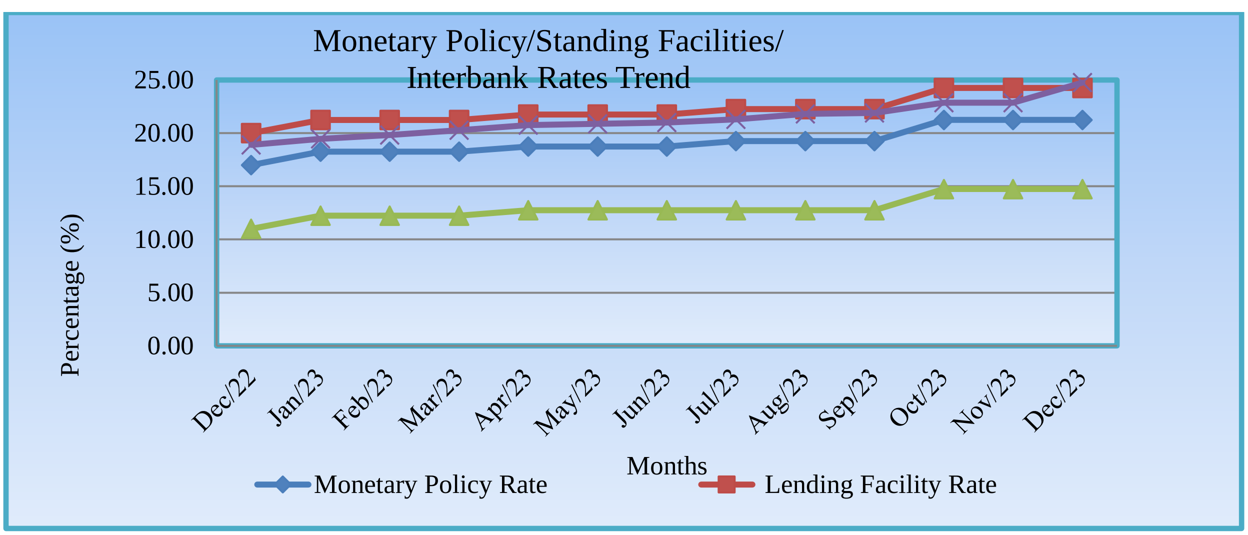
5.3.6. Secondary Market Outcomes

The level of intermediation in the interbank money market decreased during the review period, as the volume of interbank transactions decreased by NLe1,394.28mn (12.70 percent) from NLe10,977.22mn as at end December 2022 to NLe9,582.94mn as at end December 2023. Similarly, the Bank's intervention in the secondary market through outright purchase of Treasury Bills increased by NLe2,309.24mn (64.76 percent) from NLe3,565.73mn as at end December 2022 to NLe5,875.00mn as at end December 2023.

5.3.7. Policy Rates and the Status of the corridor

The Monetary Policy Rate (MPR), which signals the Bank's monetary policy stance, was increased from 17.00 percent in December 2022 to 22.25 percent at end-December 2023. Similarly, the Standing Lending Facility and Standing Deposit Facility rates, which serve as corridors within which the interbank market could trade, were increased from 20.00 percent and 11.00 percent to 25.25 percent and 15.75 percent, respectively. The interbank weighted average yield stood at 24.75 percent at end-December 2023, which is 2.50 percentage points above the MPR, suggesting tight liquidity in the banking system. However, the interbank rate continued to lie within the policy corridor, implying improved monetary policy transmission. Figure 28 depicts the trends in BSL Policy Rates and Interbank Average Rate.

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



Source: Financial Markets Department

Table 12: Stock of Government Securities Outstanding by Tenure and Holder (In Millions of New Leones)

STOCK OF GOVERNMENT SECURITIES OUTSTANDING BY TENOR AND BY HOLDER (IN MILLIONS OF NEW LEONES)			
	Dec-22	Dec-23	Change (Dec 22-Dec 23)
91 DAYS TBs	**2.21**	**-**	**(2.21)**
BSL	-	-	**-**
COMM. BANKS	-	-	**-**
NON-BANK PUBLIC	2.21	-	**(2.21)**
o/w NASSIT	-	-	**-**
			-
182 DAYS TBs	**0.98**	**50.91**	**49.93**
BSL	-	-	**-**
COMM. BANKS	-	50.00	**50.00**
NON-BANK PUBLIC	0.98	0.91	**(0.07)**
o/w NASSIT			**-**
			-
364 DAYS TBs	**11,539.64**	**14,956.84**	**3,417.20**
BSL	3,264.93	5,118.47	**1,853.54**
COMM. BANKS	6,989.78	8,575.41	**1,585.63**
NON-BANK PUBLIC	1,284.93	1,262.96	**(21.97)**
o/w NASSIT	*82.95*	*38.38*	**(44.57)**
			-
1 YR T BONDS	**-**	**33.66**	**33.66**
BSL	-	-	**-**
COMM. BANKS	-	33.66	**33.66**
NON-BANK PUBLIC	-	-	**-**
o/w NASSIT	-	-	**-**
			-
2 YR T BONDS	**778.34**	**1,454.00**	**675.66**
BSL	-	-	**-**
COMM. BANKS	682.85	1,399.00	**716.15**
NON-BANK PUBLIC	95.49	55.00	**(40.49)**
o/w NASSIT	*95.49*	*55.00*	**(40.49)**
			-
TOTAL MARKETABLE	**12,321.17**	**16,495.41**	**4,174.24**
BSL	3,264.93	5,118.47	**1,853.54**
COMM. BANKS	7,672.63	10,058.07	**2,385.44**
NON-BANK PUBLIC	1,383.61	1,318.87	**(64.74)**
o/w NASSIT	*178.44*	*93.38*	**(85.06)**
			-
3 YR T BONDS	**1,068.56**	**1,601.98**	**533.42**
BSL	425.56	425.56	**-**
COMM. BANKS	608.00	1,100.93	**492.93**
NON-BANK PUBLIC	35.00	75.49	**40.49**
o/w NASSIT	*35.00*	*75.49*	**40.49**
			-
5 YR T BONDS	**367.99**	**367.99**	**-**
BSL	326.92	326.92	**-**
COMM. BANKS	-	-	**-**
NON-BANK PUBLIC	41.07	41.07	**-**
o/w NASSIT	*41.07*	*41.07*	**-**
			-
10 YR T BONDS	**11.25**	**3.75**	**(7.50)**
BSL	11.25	3.75	**(7.50)**
COMM. BANKS	-	-	**-**
NON-BANK PUBLIC	-	-	**-**
o/w NASSIT	-	-	**-**
			-
TOTAL NON-MARKETABLE	**1,447.80**	**1,973.72**	**525.92**
BSL	763.73	756.23	**(7.50)**
COMM. BANKS	608.00	1,100.93	**492.93**
NON-BANK PUBLIC	76.07	116.56	**40.49**
o/w NASSIT	*76.07*	*116.56*	**40.49**
			-
TOTAL GOV. SECURITIES	**13,768.97**	**18,469.13**	**4,700.16**
BSL	4,028.66	5,874.70	**1,846.04**
COMM. BANKS	8,280.63	11,159.00	**2,878.37**
NON-BANK PUBLIC	1,459.68	1,435.43	**(24.25)**
o/w NASSIT	254.51	209.94	**(44.57)**
			-

Source: Financial Markets Department (FMD)

6. FINANCIAL STABILITY

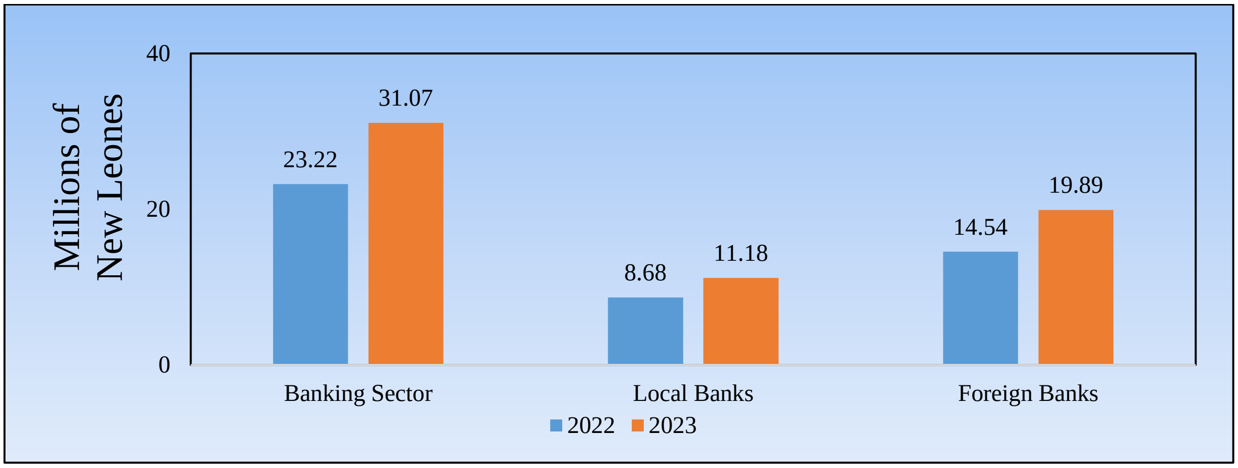
The Bank of Siera Leone remains committed to providing robust regulatory and supervisory oversight of the banking system, primarily through a risk-based approach, with plans to gradually adopt the Basel II and Basel III Frameworks over time. This strategic direction is aimed at ensuring the stability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

The BSL has maintained a strong focus on the supervision of the state-owned banks through an Enhanced Supervision framework. This approach was designed to bolster their capacity to withstand any potential shocks, underpinned by the maintenance of adequate and resilient capital levels. The state-owned banks are subject to regular examinations and continuous monitoring by resident supervisors, ensuring strict adherence to regulatory directives. This strategy has fostered confidence in the state-owned banks, allowing them to fulfil their intermediation role prudently within a culture of risk management. Furthermore, these banks continue to operate with dynamic and diverse Boards, responsible for upholding principles of corporate governance and shaping overall policy formulation. The Board members were drawn from diverse disciplines related to the banking sector. The BSL is actively engaged in evaluating the performance and effectiveness of these Boards, with ongoing efforts to identify opportunities for enhancing Board efficiency and overall corporate governance. These efforts are aligned with the recently published Guidelines on Corporate Governance for Commercial Banks and Financial Holding Companies, 2023.

6.1. Asset

The total assets of the banking sector amounted to NLe33.07 million as of December 2023. Among these assets, the four (4) local banks constituted 36.0 percent of total assets, while the ten (10) foreign-owned commercial banks accounted for the remaining 64.0 percent of the industry's total assets. Figure 29 shows the composition of banking sector assets in 2023 according to local and foreign ownership.

Figure 29: Composition of Banking Sector Assets in 2023



Source: Financial Stability Department

The asset base of the banking sector increased by NLe7.8 million (33.8 percent) from NLe23.2 million in December 2022 to NLe31.07 million in December 2023. This significant expansion was mainly attributed to remarkable increases in customers' deposits, shareholders' funds and takings and short-term borrowings, which resulted in increases in investments in government securities from NLe8.1 million in December 2022 to NLe11.2 million in December 2023. Investments in government securities accounted for 36 percent of the sector's asset base as of December 2023. Other significant asset classes included claims on foreign banks, interbank placement, loans and advances, fixed assets and other assets, which constituted 21.5 percent, 8.7 percent, 11.6 percent, 6.3 percent and 5.6 percent respectively. All banks within the sector recorded growth in their asset base.

6.2. Capital

The issued and paid-up capital of the banking sector marginally grew by NLe0.4 million (0.03 percent) over the year to NLel.3 million as of December 2023. With the exception of one bank, all banks met the minimum paid-up capital of NLe85 million by the end of December 2023.

The industry's Capital Adequacy Ratio (CAR) was recorded at 41.7 percent as of December 2023, compared to 35.2 percent as at end-December 2022, and remained above the statutory minimum requirement of 15 percent. The CAR reflects the banks' ability to maintain a healthy capital buffer to cover potential risks. All banks, except one, met the minimum CAR threshold of 15 percent.

6.3. Shareholders' Funds

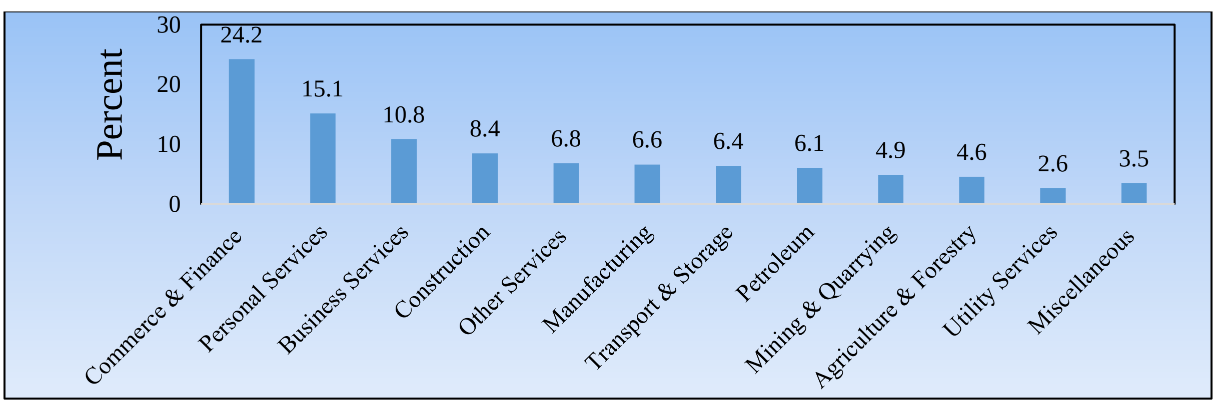
Shareholders' funds increased by NLel.6 million (30 percent) from NLe3.6 million as of December 2022 to NLe5.2 million as of December 2023. The growth in shareholders' funds was attributed to the increase in minimum paid-up capital by most banks, as they met the NLe85 million requirement by the end of December 2023, as well as an expansion in overall profits. This accounted for 16.6 percent of the sector's total liabilities as of December 2023. The shareholders' funds to deposits ratio stood at 21.3 percent and 23.1 percent as of December 2022 and December 2023 respectively.

6.4. Credit Portfolio and Sectoral Distribution of Loans and Advances

The gross loans and advances increased by NLe0.90 million (22.4 percent) from NLe3.1 million in December 2022 to NLe4.0 million in December 2023.

During the review period, Commerce & Finance had the largest share of the credit portfolio, amounting to NLe0.98 million (24.2 percent), followed by Personal Services at NLe0.61 million (15.1 percent); Business Services, with NLe0.44 million (10.8 percent); Construction with NLe0.34 million (8.4 percent); other services with NLe0.27 million (6.8 percent); Manufacturing with NLe0.27 million (6.6 percent); Transport and Storage with NLe0.26 million (6.4 percent) and Petroleum with NLe0.25 million (6.1 percent). The remaining sectors collectively accounted for 15.6 percent of the loan portfolio. Figure 30 shows the sectoral distribution of loans and advances.

Figure 30: Sectoral Distribution of Loans and Advances of the Banking System as of December 2023



Source: Financial Stability Department

6.5. Non-Performing Loans (NPLs)

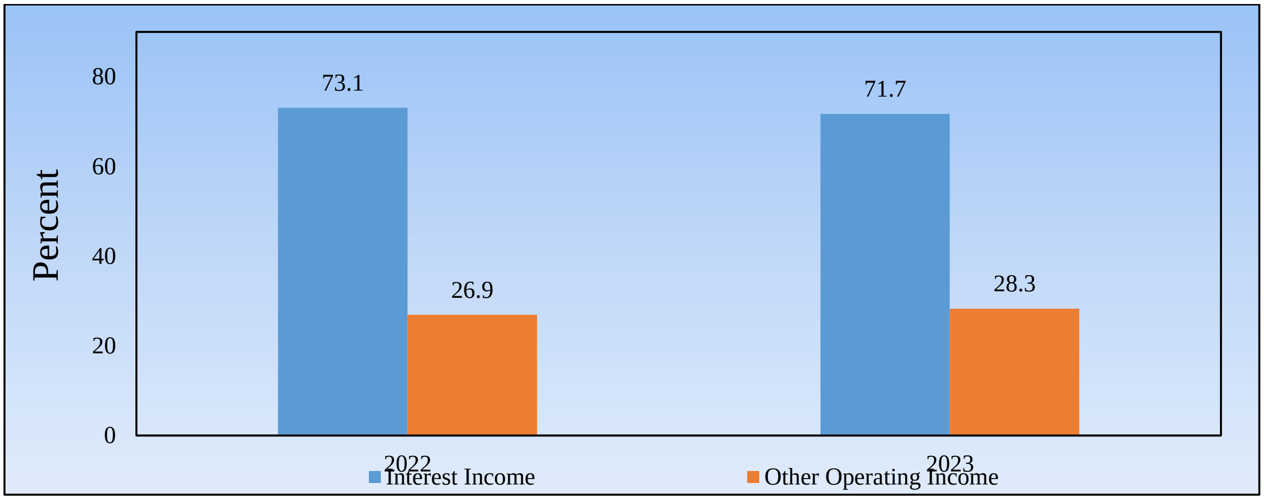
The non-performing loans ratio (NPL) stood at 8.8 percent as of December 2023, compared to 11.6 percent recorded in December 2022. Even though the sector's NPLs fell below the 10 percent maximum prudential limit, a few banks recorded NPLs above the said tolerable limit. The reduction in the NPL ratio was mainly on account of a more than proportionate increase in credit growth, increased write-offs across the banking sector and increased loans recovery. Additionally, banks have adopted stringent credit administration and monitoring practices to minimize the impact on their loan portfolios.

6.6. Profitability

The pre-tax profits for the banking sector increased by NLe0.36 million (22.1 percent) from NLe1.27 million as of December 2022 to NLe1.63 million as of December 2023. Interest income emerged as the primary source of growth of revenue, which increased by NLe0.36 million (11.1 percent) from NLe2.87 million as of December 2022 to NLe3.23 million as of December 2023. This substantial expansion in interest income underscores its pivotal role in bolstering the sector's financial health. Other operating income also significantly increased by NLe0.51 million (39.8 percent) from NLe0.77 million in 2022 to NLe1.28 million in December 2023 mainly on account of a huge increase in profit/loss on foreign exchange dealings (97.2 percent) and commission and fees (50.1 percent).

Interest income, which stood at NLe3.23 million accounted for 71.7 percent of the industry's total income of NLe4.5 million as of December 2023. This consisted of interest income from investments in government securities (55.3 percent) and interest from loans and advances (16.4 percent). Other operating incomes contributed 28.3 percent to total income. Interest income on the other hand marginally declined from 73.1 percent as of December 2022 to 71.7 percent as of December 2023. Figure 31 shows the banking sector income by source.

Figure 31: Total Income of the Banking Sector by Source

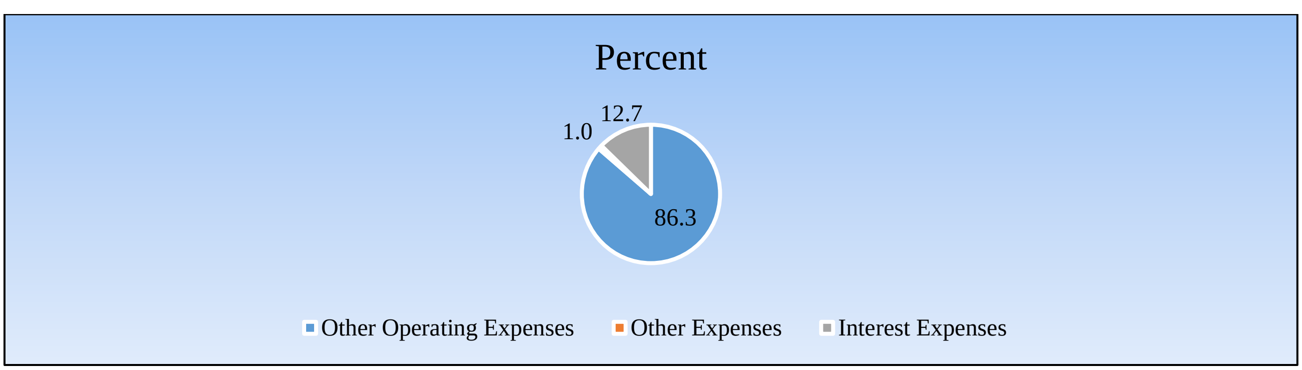


Source: Financial Stability Department

On the expenditure side, other operating expenses accounted for 87.3 percent of the sector's total expenses as of December 2023, of which administrative and other costs represented 47.1percent, followed by staff costs, which accounted for 32.7 percent. Depreciation contributed 6.5 percent to total expenses, while interest expenses and other expenses accounted for 12.7 percent and 1.0 percent of total expenses, respectively.

Figure 32 shows the composition of total operating expenses of the banking sector, while Table 13 shows the consolidated profit and loss accounts of the banking sector as of December 2023. Table 14 shows various consolidated balance sheet of the banking sector while Tables 15 and 16 show key financial soundness indicators and account holdings in the banking sector respectively as of December 2023.

Figure 32: Total Operating Expenses of the Banking Sector



Source: Financial Stability Department

Table 13: Consolidated Profit and Loss Account for the Banking Sector (Unaudited) for the period as of December 2023 (in thousands of New Leones)

	2022	2023
Interest Income	2,102,628	3,232,027
Interest Expenses	-226,579	-293,776
Net Interest income	1,876,049	2,938,251
Loan Loss Provision	-48,113	-28,794
Net Intermediation Income	1,827,936	2,909,457
Other Operating Income	771,693	1,278,192
Total Operating Income	2,599,629	4,187,649
Other Operating Expenses	-1,332,630	-2,019,761
Net Operating Income	1,266,999	2,167,889
Other Income	0	0
Profit before Tax	1,266,999	2,167,889
Taxation	-327,037	-541,972
Profit after tax	939,962	1,625,917

Source: Financial Stability Department

Table 14: Consolidated Balance Sheet of the Banking System as at December 2023 (Millions of NLe)

Balance Sheet	2022	2023
Cash:	1,317,289	1,752,134
Claims on Financial Institution	8,728,603	10,994,689
Investment:	8,255,997	11,577,089
Net Advances:	2,731,375	3,601,730
Other Assets	1,210,280	1,733,233
Fixed Assets	959,312	1,341,570
Intangible Assets	19,114.80	68,976
Total Assets	23,221,970	31,069,421
LIABILITIES		
Issued & Paid -up	1,303,471	1,303,899
Statutory Reserve	680,246	890,881
Revaluation Reserve	284,123	515,132
General Reserve	66	66
Other Reserve	192,812	360,469
Purchase of Shares	16,608	16,608
Special Capital Fund	-	-
Retained Earnings	193,936	444,416
Current	939,962	1,625,917
Short term Borrowings	160,369	308,848
Long term Borrowings	3,500	0
Takings and Other Financial Instruments	596,638	584,599
Balance due to Financial Institutions	5,446	11,416
Local Deposit	8,317,212	10,415,713
Foreign Deposit	8,618,138	11,955,114
Special Deposit	182,215	165,405
Margin Against Contingent Liabilities	264,785	314,627
Other Liabilities:	1,462,446	2,156,308
Total Liabilities:	23,221,971	31,069,419

Source: Financial Stability Department

Table 15: Key Financial Soundness Indicators as of December 2023

INDICATORS	2022	2023
CAPITAL ADEQUACY		
Regulatory capital to risk -weighted asset (%)	35.17	41.65
Primary capital to risk- weighted asset (%)	28.55	31.37
Capital (net-worth) to asset (%)	15.55	16.6
ASSET QUALITY & COMPOSITION		
Non- Performing Loan as a % of Total Advances	11.59	15.64
Loan Loss Provisions as a % of non-performing	71.88	46.07
PROFITABILITY AND EFFICIENCY		
Return on Assets	5.46	6.98
Return on equity Funds	26.03	31.53
Net Interest Spread	15.63	22.56
Expense to income ratio	55.92	51.93
LIQUIDITY		
Cash Ratio	19.36	24.42
Overall Liquidity Ratio	117.16	131.83
SENSITIVITY TO MARKET RISKS		
Percentage to aggregate Net Open Position to Capital Base	-0.19	-14.10
Percentage of Single Currency (USD) open position to capital base	-3.01	-0.38
Percentage of Single Currency (GBP) open position to capital base	0.36	-7.31
Percentage of Single Currency (EURO) open position to capital base	2.43	-6.41

Source: Financial Stability Department

Table 16: Account Holdings in the Banking Sector as of December 2023

No of Deposit Accounts	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Banking System
Current: Domestic	339,088	716,740	1,208,969	268,231	530,885	508,813	216,949	644,817	211,366	615,975	302,599	439,745	47,352	92,538	6,144,067
Foreign	1,570,296	1,217,736	2,228,886	555,842	941,281	454,520	191,068	1,622,598	368,630	1,608,416	370,207	0	29,887	65,402	11,224,769
Savings : Domestic	239,595	1,015,825	792,718	334,725	381,133	207,861	22,283	144,903	54,118	348,997	16,392	118,964	17,818	47,722	3,743,054
Foreign	-	0	0	0	8,873	0	5	1,002	-	-	4,098	436,998	-	-	450,976
Time : Domestic	34,493	821	36,793	15,817	63,805	10,444	29,898	26,835	44,626	22,376	48,981	77,790	33,595	82,320	528,594
Foreign	0	0	0	0	0	0	0	11,441	-	267,930	0	-	-	-	279,371
Total	**2,183,472**	**2,951,122**	**4,267,366**	**1,174,615**	**1,925,977**	**1,181,638**	**460,203**	**2,451,596**	**678,740**	**2,863,694**	**742,277**	**1,073,497**	**128,652**	**287,982**	**22,370,831**

Source: Financial Stability Department

7. FINANCIAL SECTOR DEVELOPMENTS

7.1. Supervisory Reviews and Recent Developments

Sierra Leone's financial landscape remains predominantly influenced by the banking industry, comprising fourteen banks in 2023, and within this there were ten foreign banks and four domestic banks. The sector exhibited resilience, profitability, and strong capitalization, albeit with one under-capitalized bank. The Bank of Sierra Leone (BSL) implemented Revised Prudential Guidelines and introduced policies addressing consumer protection and cybersecurity risks to enhance regulatory standards. Efforts were made to align regulatory frameworks with BASEL II and III standards, with a focus on improving transparency and risk management through emphasis on corporate governance. Notably, Access Bank SL Ltd. is undergoing the process of acquiring and merging with Standard Chartered Bank (SL) Ltd, suggesting potential shifts in the banking landscape. Overall, these developments highlight the sector's ongoing evolution and dedication to stability and integrity.

Additionally, through the enforcement of revised prudential guidelines and risk-based frameworks, the central bank ensures that banks maintain adequate capital reserves and adhere to prudent risk management practices. This is essential for mitigating the risk of financial instability, which could lead to disruptive price fluctuations. Furthermore, initiatives such as the development of policies and guidelines, including strategies to reduce non-performing loans and enhance credit risk management, alongside the implementation of robust corporate governance standards through a revised charter, aim to bolster the resilience of the banking sector. These measures instil confidence in financial markets and contribute to maintaining stability in asset prices.

7.2. Credit Reference Bureau

Credit reporting plays an important role in addressing the risks associated with information asymmetry. It is an important element in addressing access to finance and develop responsible borrowing. Bank of Sierra Leone (BSL) presently operates a manual credit reporting system which is prone to error and sometimes takes more than 48hrs to produce a credit reports. Bank of Sierra Leone has decided to automate the credit reporting system in order to produce real-time credit report, which will be difficult without a unique identifier. The Bank of Sierra Leone has received funding from the Africa Development Bank (AfDB) through the West Africa Monetary Institute (WAMI) for a Unique Bank Identification (UBI) and digital interoperability project which has been slated for four West African states. Whilst we await the implementation of the WAMI project, BSL in collaboration with the National Civil Registration Authority (NCRA) have made the National Identification Number (NIN) Mandatory for customers of financial institutions. The NCRA will commence the pilot phase of the electronic Know-Your-Customer (eKYC) verification process for the NIN. The goal is to attach NIN to every account holder in a bid to meet international standards for Know-Your-Customer (KYC).

The Bank of Sierra Leone received support from the World Bank to automate the credit reporting system, to commence in May 2024. The goal of this project is to provide real-time credit report to banks and non-bank financial institutions. Thus, it would complement the harmonized instant identification framework for the financial sector in the West African Monetary Zone (WAMZ). As a first step in the process, a delegation from the International Finance Corporation held a workshop at the Bank Complex in September 2023 with key stakeholders in the financial industry to discuss the Sierra Leone Credit Reference System Assessment Report, which highlighted pertinent issues affecting credit in the sector and mapped the proposed modernisation of the credit reference bureau would help to ameliorate these challenges.

Sierra Leone is one of the beneficiaries of the approved WAMI/AfDB fund for developing a unique bank identification (UBI) and digital interoperability project for member states of WAMZ. The other beneficiaries are Gambia, Guinea, and Liberia. Furthermore, BSL in collaboration with the National Civil Registration Authority (NCRA) has made the National Identification Number (NIN) mandatory for customers of financial institutions. The NCRA will commence the pilot phase of the electronic Know-Your-Customer (eKYC) verification process for the NIN. The goal is to attach NIN to every account holder in a bid to meet international standards for Know Your Customer (KYC)

7.3. Sierra Leone Collateral Registry

In December 2021, the Bank of Sierra Leone in collaboration with the Government of Sierra Leone and the World Bank Group under the Sierra Leone Economic Diversification Project (SLEDP) launched the upgraded Collateral Registry System to ensure that the functionality of the Collateral

Registry System is in synchronization with the provisions in the revised Borrowers and Lenders Act which was passed in 2019.

The upgraded Collateral Registry System enables the registration of immovable and moveable assets. It also allows individuals and non-incorporated entities not licensed and supervised by the Bank of Sierra Leone to register their security interests as indicated in the Borrowers and Lenders Act, 2019.

Furthermore, the Bank of Sierra Leone in July 2022 with support from the SLEDP launched a one-year nationwide public sensitization campaign to inform key stakeholders of changes made in the upgraded Collateral Registry System and the operations of the Sierra Leone Collateral Registry.

7.4. Consumer Protection

The Bank of Sierra Leone continues in its stride to protect customers from unethical practices and to best manage their finances as a milestone to address Financial Inclusion and build trust in the Financial System.

In a bid to make customers aware of their right and responsibilities, the Bank with support from the African Development Bank (AfDB) conducted a six-month nationwide awareness campaign from March to August 2023. Activities undertaken during the campaign included town hall meetings, TV adverts, radio discussions in the provinces, as well as printing and distribution of flyers with key information on customers' right and responsibilities.

Despite all these efforts, the bank noted the need for more sensitizations. The AfDB provided funds to extend the campaign for another four months, which was slated to commence in April 2024. Commercial Banks were examined to determine their compliance with the provisions of the Financial Consumer Protection Guidelines. We noted that banks were largely in compliance and have implemented most of the recommendations in our examination report.

A training and similar assessment will be conducted for all licensed non-banks financial institutions to ensure compliance with the provisions in the Financial Consumer Protection Guidelines.

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

Approval has been granted for the publication of the National Risk Assessment Report by the Minister of Finance, Chairman Inter-Ministerial Committee, and the report has been issued. The vulnerabilities identified in the National Risk Assessment Report have been incorporated in the proposed new AML/CFT/PF Bill, which has been tabled for enactment. The Bank also issued a Risk Assessment Framework for Commercial Banks 2021 and Guidelines on Corporate Governance for Commercial Banks and Financial Holding Companies 2023.

7.6. Cyber Security and Information Technology

The Bank of Sierra Leone successfully rolled out the cyber security and IT Risk Management guidelines for all commercial banks to ensure the benefits derived from technological inventions can be fully enhanced without conceding financial stability, consumer protection and cyber resilience.

The specific objectives of the guidelines are to:

(i) Establish a robust and effective mechanism that can identify, measure, monitor and control the risks associated with commercial banks information systems to ensure data integrity, availability, confidentiality and consistency.

(ii) provide the relevant early warnings, thereby enabling commercial banks to improve their competency in utilizing information technology to provide financial system stability.

(iii) build a safe surrounding within the data superhighway (cyber space) for the financial services industry and create adequate trust and confidence in information systems as well as transactions in the cyber space.

7.7. Developments in the International Financial Reporting Standards Implementation (IFRS)

BSL statutorily adopted IFRS in 2011.The extant regulation requires the banking industry to comply with Section 107 (1a) of the Banking Act, 2019 which makes it mandatory for all banks to keep proper accounting records with respect to all transactions in such form and detail and in accordance with internationally accepted accounting standards, and any other standards as may be prescribed by the Central Bank.

Most topical for the industry has been the introduction of IFRS 9, Financial Instrument; IAS 16 – Leases IFRS 19; IAS 19 employee benefits and the IAS 29 for countries designated as hyperinflationary economies for financial reporting purposes.

7.7.1. Implementation Status

(i) IFRS 9

The Standard was first implemented in 2019 in line with the provisions of the Standard and recommendations of the International Accounting Standard Board (IASB).

All licensed banks in Sierra Leone have since complied with the requirements of the Standard. The effect of the implementation has led to increased Expected Credit Losses (ECL) for the Sector over the past five years. However, the effect has not been associated with any financial stability concerns and the implementation has not yielded the need for any concessionary transition arrangements.

(ii) IFRS 16

In January 2016, the International Accounting Standards Board (IASB) issued IFRS “16 Leases” which 16 replaced IAS 17, IFRIC 4, SIC 15 and SIC 27.

The BSL held detailed internal meetings to discuss strategy, implementation and expected impact of the transition from IAS 17 to IFRS 16 on commercial banks, with a greater consideration on the sole mortgage commercial bank.

Licensed commercial banks have complied with the financial reporting requirements of IFRS 16 with specific exceptions for banks with leases of 12 months or under (IFRS 16:5, 6 & 8).

Most banks applied IFRS 16 retrospectively from January 1, 2019, using the simplified retrospective approach electing to not restate comparatives for the 2018 financial year, as permitted under specific transition provisions (IFRS 16 C5:C7) however the BSL ensured that the cumulative effect was treated as an adjustment in Equity within the Statement of Changes in Equity (SOCIE) at the application date.

On adoption, the BSL noted that the impact of increases in right-of use assets, movements in prepayments and increases in lease liabilities proved to be quite significant for some banks that were lessees in non-cancellable lease arrangements; the recognition of Right-of-use assets in some instances were even higher than the valuation of Property, Plant and Equipment held.

(iii) International Accounting Standards (IAS) 19 & 29

The BSL has conducted a PIR on IAS 19 to improve compliance with the application of the Standard and to accommodate the most recent revisions of the Employment Act, 2023.

The BSL conducted implementation assessment and state of readiness on IAS 29, in the event the standard is effective, and Sierra Leone remains designated as a hyperinflationary economy.

7.7.2. Implementation of Basel II and III (All)

The BSL has constituted a Basel Implementation Team with technical oversight from the Basel Steering Committee, mandated to work on three key deliverables, to re-develop:

(i) A Concept Note and Framework for the Implementation of Basel II/III;

(ii) Conduct a Quantitative Impact Survey (QIS); and

(iii) Draft Pillar Guidelines and Reporting Templates for Pillar 1 Minimum Capital Requirements.

7.7.3. Self-Assessment of Compliance with Basel Core Principles (All)

The assessment was done in 2019, and the outcome indicated that the BSL was “Fully Compliant” with 19, and “Largely Compliant” with 10 of the 29 Basel Core Principles. The BSL has no “Material Non-Compliant” or “Non-Compliant” rating for any of the principles.

7.8. Financial Inclusion

The Bank is currently implementing the National Strategy for Financial Inclusion (NSFI), 2022-2026. This 5-year blueprint was designed to address the diverse needs of the underserved and low-income segments of the economy, including women, youth, rural communities, and Micro, Small, and Medium Enterprises (MSMEs) through the following intervention areas: (a) enhancing digital finance, (b) increasing client- centric product and service offerings, and (c) bolstering financial education and literacy initiatives.

7.8.1. Key Achievements under Financial Inclusion

i. Strategy Development and Implementation

Implementation of the NSFI is ongoing and the formation of working groups for all the intervention areas in the Strategy was completed in 2023.

ii. Information Dissemination

In a bid to disseminate valuable insights and updates on financial inclusion, the Bank recently published its 4th edition of the semi-annual Financial Inclusion Newsletter (July -December 2023). A Financial Inclusion Webpage was also created during the review period on the BSL website with the aim to disseminate progress made by the Bank in promoting financial inclusion.

iii. Enhanced Data Accessibility

Work on operationalizing the financial inclusion data template and dashboard is ongoing. The aim is to promote the availability and use of disaggregated financial inclusion data, thereby empowering policymakers, and stakeholders to make informed decisions and craft tailored policies that drive financial inclusion.

In enhancing data accessibility, the Bank engaged in the following activities: (a) embarked on a product mapping exercise to promote the development of client-centric product and services that carters for the low-income households and (b) conducted a financial inclusion baseline survey to better measure and monitor financial inclusion within the country and (c) developed a project tracker to better monitor progress made on the NSFI. Implementation of all the following activities was still in progress.

iv. Geospatial Mapping Initiative

The Bank in 2023 commenced the implementation of a geospatial project with an objective of updating the current database on financial access points from all regulated financial institutions; develop an interactive dashboard of access points visualized at both district and chiefdom levels and design, develop and operationalize a mobile app to continuously update the financial access points.

The project was completed in 2023, and the final report presented to the management of the Bank of Sierra Leone (BSL) and key stakeholders. Training on the project was also conducted for the staff of the Bank and the Financial Service Providers (FSPs) during the review period. The operationalization of the interactive dashboard and mobile app to continuously update the financial access points was scheduled to commence in 2024.

v. National Payment Switch

In 2023, the Bank deployed the National Payment Switch (phase 1) which went live on April 29, 2023, to strengthen financial infrastructure and connectivity and enhance digital payments through interoperability (ATM + POS transactions). Phase 2, which includes instant payments was to commence in 2024. Phase 3 will connect to the international gateway.

vi. Digitalization of Government Payments (DIGIGOV) Project:

Implementation of this project was ongoing. The Bank was working closely with the National Commission for Social Action (NaCSA) in implementing this pilot program. The Project is funded by the African Development Bank (AfDB) and aims to promote financial inclusion, particularly among vulnerable population segments, by promoting Government-to-Person (G2P) and Person-to-Government (P2G) payments. Additionally, the project places a strong emphasis on providing meaningful financial education.

vii. The Second Financial Inclusion Project

The Bank in 2023 commenced the implementation of the second financial inclusion project. This project will promote access to finance for individuals and MSMEs, by increasing usage and access to transaction accounts for individuals and MSMEs credit.

viii. Development of a Youth Entrepreneurship Fund

In 2023, the Bank of Sierra Leone developed a concept note for the development of a Youth Entrepreneurship Fund (YEF) as part promoting its financial inclusion initiatives. The concept note was developed in collaboration with the relevant Departments/Units in the Bank as well as key stakeholders in the financial sector. Key objectives of the YEF are to:

- **a)** increase youth employment and empowerment through funding of promising youth owned/managed/focused enterprises and entrepreneurs;
- **b)** increase access to finance for youth-led MSMEs and start-ups through affordable financial products and services that are targeted and client-centric; and
- **c)** foster an enabling environment conducive to innovation and MSME development by embracing and investing in new ideas, and start-ups and capitalizing the ecosystem.

The YEF would contribute to broader national priorities to improve lives through education, inclusive growth and building a resilient economy. It would also contribute to the global sustainable development goals to reduce poverty and inequalities and promote economic growth and jobs. The operating rules for the Fund have been developed and implementation will soon commence.

7.8.2. Financial Technology (Fin Tech) Developments

The Bank continues to promote the use of digital technology with the aim of lowering transaction costs, increase trade and commerce, and encourage financial institutions to reach remote areas where traditional banking infrastructure is limited. Developments under this included:

- **a)** Restructuring of the default Sierra Leone Fintech Association- The Bank was working on restructuring the defunct Sierra Leone Fintech Association to ensure there is more impactful work done to improve the digital finance ecosystem.
- **b)** Organization of Pitch Nights and fintech challenges – plans to organize pitch nights and fintech challenges with the aim to improve the digital finance ecosystem were also in progress.
- **c)** Plans to strengthen the capacity of the staff of the sandbox to enhance their operations were also ongoing. The Sandbox Program was designed to pilot tech-based solutions thereby

addressing the challenges of financial exclusion, involving both emerging financial technology firms and established entities such as commercial banks.

7.9. Regulatory Frameworks and Measures

To foster financial inclusion and cultivate a robust financial sector, the BSL during the reviewed period was engaged in the following:

a) **Development of MSMEs Credit Guidelines:** The Bank was in the process of developing an MSMEs credit guidelines to improve access to finance to the underserved, MSMEs and the low-income population.

b) **Development of a Sustainable Financing Roadmap:** The Bank in 2023 signed an MoU with Invest Salone, an International NGO in a bid to develop a sustainable financing road map or guidelines. Work on this initiative has commenced.

c) **Development of Guidelines on the Manual for Market Conduct Supervision**: A Manual for Market Conduct Supervision was developed by the Bank with technical support from the Alliance for Financial Inclusion (AFI) and key stakeholders in the financial sector. The objective of the Manual is to promote fair competition, transparency, financial stability and support consumer protection. The Manual complements the Financial Consumer Protection Guidelines which was launched in 2022 by the Bank and will be used by the Other Financial Institutions Supervision Department (OFISD) and Banking Supervision Department (BSD) in supervising the Financial Service Providers (FSPs). The manual has been finalized and the Bank is currently developing an instrument that will ensure that the Financial Service Providers comply with the provisions in the manual.

d) **Review of the Tiered Know your Customers (KYC) Guidelines developed by the Bank:** The review process of the Tiered KYC Guidelines developed by the Bank was ongoing. The objective is to enhance access to finance for the low-income population.

e) Plans to provide capacity building for key departments like the Banking Supervision Department, Other Financial Institution Supervision Department and Financial Stability Department to enhance their operations were also ongoing.

7.10. Financial Literacy, Education and Consumer Protection

In promoting financial literacy, financial education and consumer protection programs, the Bank in 2023 was engaged in activities such as:

a) Development of financial literacy core messages, to educate the public, especially low-income individuals about savings and responsible financial management. This empowers them to make informed decisions and effectively utilize credit for income generating activities.

b) Formation of a BSL Gender Financial Inclusion Team (GFIT) - In a bid to formulate gender specific financial inclusion policies and promote financial inclusion among women through financial literacy and education, the BSL in 2023 set up a Gender Financial Inclusion Team.

c) Due to this major development and many efforts made by the Bank over the years in promoting gender financial inclusion, the Bank in 2023 was awarded Gender Financial Inclusion Ambassador by the Alliance for Financial Inclusion (AFI) in Manila, Philippines.

8. OTHER FINANCIAL INSTITUTIONS DEVELOPMENTS

The Other Financial Institutions (OFI) sector in Sierra Leone encompasses a diverse array of entities vital to the financial ecosystem, including Apex Bank (SL) Ltd, Community Banks (CBs), Deposit-Taking Microfinance Institutions (DTMFIs), Credit-Only Microfinance Institutions (COMFIs), Discount Houses (DHs), Mobile Money Operators (MMOs), Foreign Exchange Bureaux (FXBs), Financial Services Associations (FSAs), and Credit Unions (CUs). This sector is integral to meeting the varied financial needs and services across the country.

This section details the performance and regulatory compliance of OFIs licensed under the Bank of Sierra Leone and governed by the Other Financial Services (OFS) Act, 2001. The entities that submitted their returns for 2023 include the Apex Bank (SL) Ltd, five (5) DTMFIs, thirty-nine (39) COMFIs, seventeen (17) CBs, two (2) DHs, thirty-nine (39) Foreign Exchange Bureaux, two (2) MMOs, fifty-nine (59) FSAs and twenty-five (25) CUs.

The sector's overall performance was satisfactory, with significant expansion in the resource base of OFIs and improvements in financial performance across most sub-sectors. However, the COMFI subsector experienced challenges, thereby underperforming operationally.

Additionally, it is crucial to address areas of concern, such as the consolidated Portfolio at Risk (PaR) of CBs and MFIs, which exceeded the MiX Standard's tolerable limit of 4.8 percent. Also notable is the difficulty faced by most CBs in meeting the minimum paid-up capital requirements, signalling a pressing need for regulatory and financial adjustments to enhance sector stability and compliance.

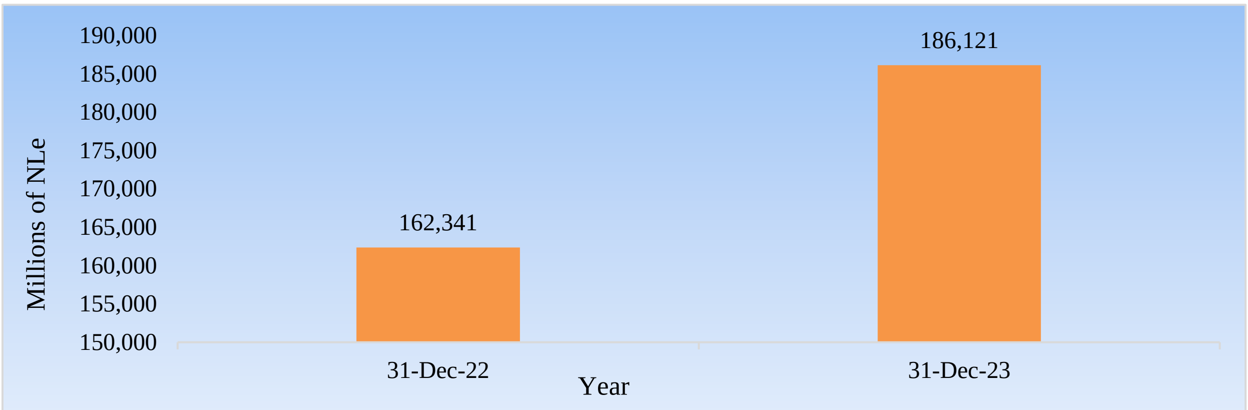
8.1. Community Banks

8.1.1. Financial Condition

The financial performance of CBs was satisfactory in 2023. The sub-sector recorded a pre-tax profit of NLe14.21 million as at December 2023 compared to NLe13.01 million as at December 2022. However, one of the CBs recorded a loss of NLe0.16 million during the period under review.

As of December 2023, there was an overall expansion of the resource base increasing by NLe23.78 million (14.65 percent) to NLe186.12 million from NLe162.34 million recorded in the previous year. The sub-sector demonstrated a high degree of concentration with the five largest CBs accounting for 53.68 percent of the sector's total resource base in 2023. The movement in the resource base is displayed in Figure 33.

Figure 33: Movement in Resource Base of CBs



Source: Other Financial Institutions Supervision Department

There was a slight increase in the value of non-performing loans (past due and restructured) recording NLe14.55 million as at December 2023 from NLe14.45 million as at December 2022. The past-due loans decreased by 2.16 percent whilst restructured loans increased by 693.09 percent, on a yearly basis. The portfolio at risk showed an improvement over the year as it recorded 14.04 percent (down by 2.03 percent) as of December 2023 from 16.08 percent as at December 2022.

Other short-term investments also increased by 73.53 percent over the year recording NLe2.49 million as at December 2023. Four (4) CBs invested in treasury bills amounting to NLe0.77 million, and one (1) CB invested in government bonds of NLe0.44 million.

8.1.2. Capital

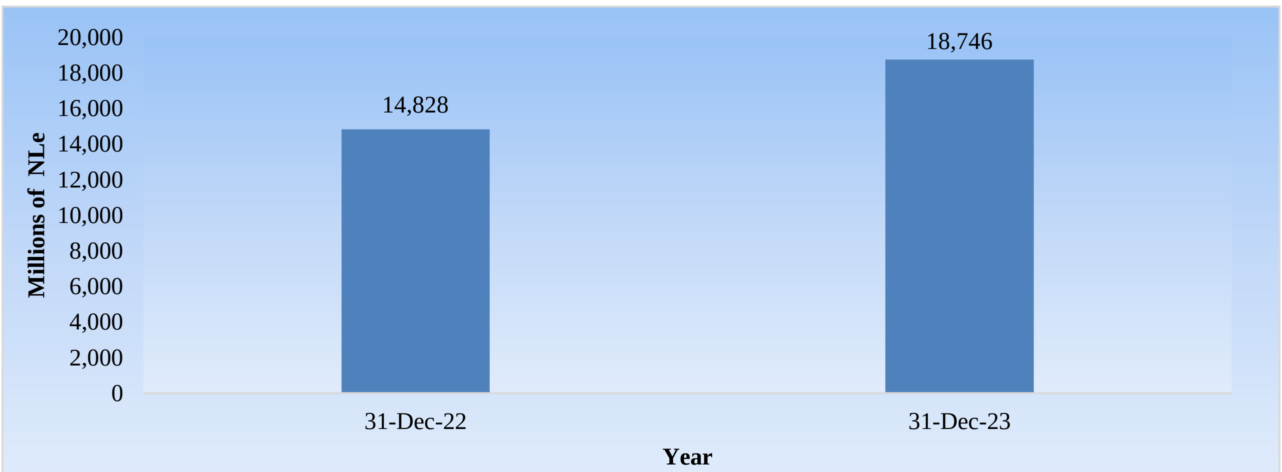
Paid-up Capital

Notably, there has been an increase in the number of CBs (10) that met the minimum paid-up capital requirement of NLe1 million for the year ended December 2023 compared to only six (6)

CBs in 2022. Seven (7) CBs were yet to meet the paid-up capital requirement during the review period.

The consolidated paid-up capital grew by 26.43 percent to NLe18.75 million as at December 2023 from NLe14.83 million as at December 2022. The consolidated total equity was NLe78.13 million compared to NLe63.90 million recorded in December 2022. However, two CBs recorded negative equity given that both institutions recorded huge losses during the previous year and these have absorbed their paid-up capital. Figure 34 shows the trend in paid-up capital of the CB sub-sector.

Figure 34: Paid-up Capital of CBs



Source: Other Financial Institutions Supervision Department

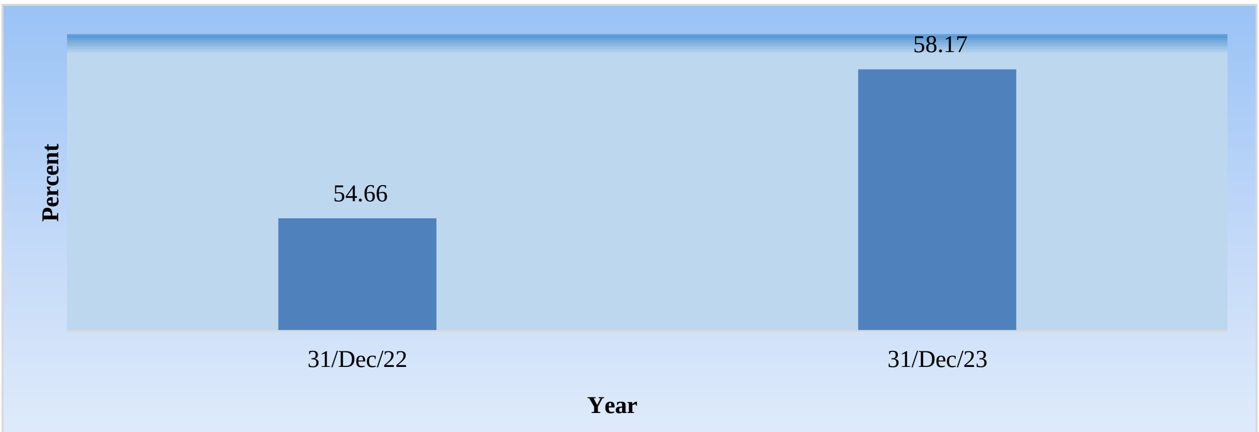
Capital Adequacy Ratio

The capital adequacy ratio for the sub-sector stood at 58.17 percent as of December 2023 from 54.66 percent as of December 2022, above the minimum requirement of 8 percent. Furthermore, paid-up capital and retained earnings increased by 26.43 percent and 57.74 percent, respectively over the year, which was reflected in the capital base of the sector. However, one CB recorded a capital adequacy ratio of 5.84 percent which is below the minimum requirement of 8 percent due to a huge retained loss of NLe1.69 million recorded in December 2023.

In addition, another CB recorded a huge retained loss of NLe1.08 million which resulted in a negative core capital of NLe0.57 million and core capital to risk-weighted assets of (12.26 percent). However, it exceeded the minimum CaR requirement of 8 percent recording 23.20 percent as a result of subordinated debt of NLe1.65 million.

Also, total risk-weighted assets increased over the year to NLe112.03 million as at December 2023 from NLe103.56 million as at December 2022 with increases shown in fixed assets by 31.34 percent (NLe2.69 million) and other assets by 62.06 percent (NLe1.67 million). However, there was an increase in the capital base of 24.38 percent which was more than the increase in total risk-weighted assets (16.87 percent) which resulted in a higher capital adequacy ratio. Figure 35 shows the trend in the capital adequacy ratio of the CB sector.

Figure 35: Capital Adequacy Ratio (CAR) of CBs



Source: Other Financial Institutions Supervision Department

8.1.3. Asset Quality

Asset quality showed slight improvement over the year as past-due loans decreased in both value and percentage of total loans. However, the total non-performing loans (past due + restructured) recorded was NLe14.55 million, which increased slightly by 0.69 percent from NLe14.45 million over the year but decreased as a percentage of total gross loans.

The total gross loan reported by CBs during the year was NLe103.63 million as at December 2023, and NLe89.90 million as at December 2022. It is worth noting that, the growth in the gross loan (15.28 percent) and the reduction in the loan loss provision (30.94 percent), reflected on the net loan portfolio which increased by NLe14.72 million (16.98 percent) to NLe101.43million as at December 2023 from NLe86.71 million in 2022.

Allowances for loan losses formed 15.14 percent of total non-performing loans as at December 2023 compared with 22.08 percent at December 2022. Table 17 shows the breakdown of classified loans.

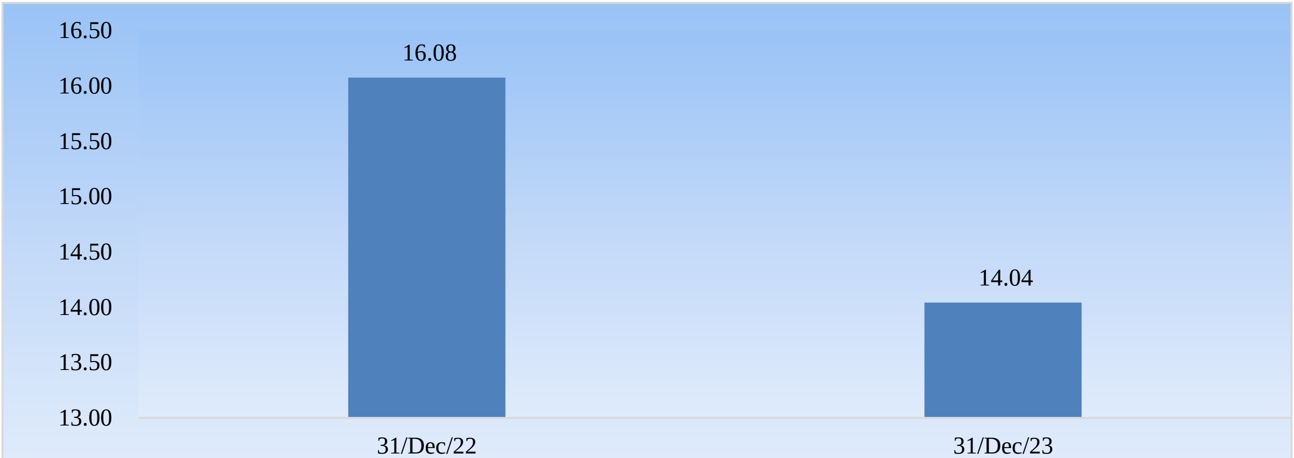
Table 17: Loan Classifications of CBs

Details	30-Dec-22 (‘000)	Percentage to total loans	30-Dec-23 (‘000)	Percentage to total loans	Yearly percentage change
Current	65,952	73.36	83,607	80.68	26.77
Past Due	14,392	16.01	14,081	13.59	(2.16)
Restructured	59	0.07	470	0.45	696.61
Overdraft	9,492	10.56	5,475	5.28	(42.32)
Gross Loans	89,896		103,633		15.28
Total PaR (Past due + Restructured)	14,451	16.08	14,551	14.04	0.69
Allowances for Loan Losses	3,190	3.55	2,203	2.13	(30.94)

Source: Other Financial Institutions Supervision Department

The portfolio at risk (PaR) was 14.04 percent above the MIX Standard of 4.8 percent and showed a slight (2.03 percent) improvement over the one year from 16.08 percent recorded in December 2022. It is worth noting that on an individual basis, only one CB met the MIX standard, and six (6) CBs recorded PAR above the industry average of 14.04 percent. Figure 36 shows the portfolio at risk of CBs.

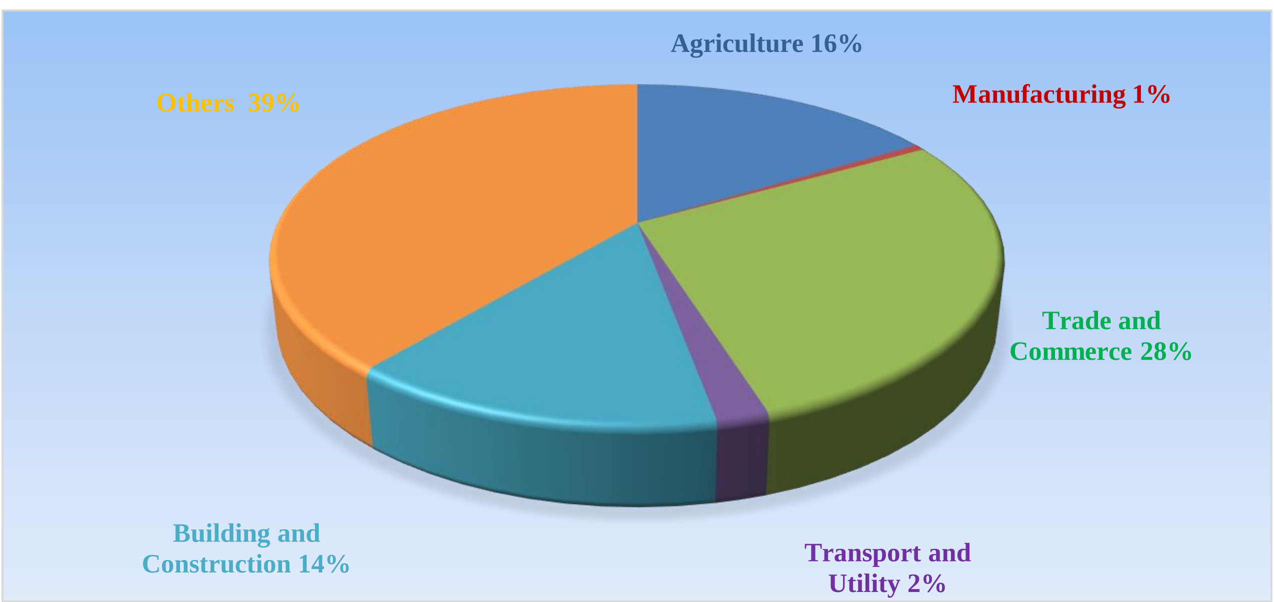
Figure 36: Portfolio at Risk (PaR) of CBs



Source: Other Financial Institutions Supervision Department

Sectoral distribution of loans remained diversified. However, the unclassified sector (Others) remained the sector with the highest amount of loans. Figure 37 shows the outstanding loans of CBs by sector.

Figure 37: Loans by Sector of CBs



Source: Other Financial Institutions Supervision Department

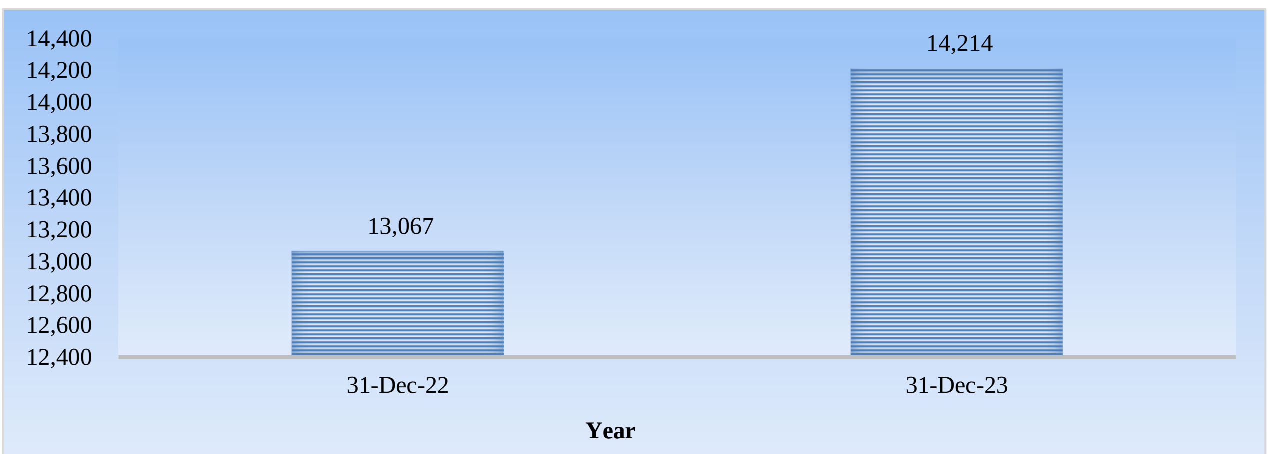
8.1.4. Earnings

The CB sector effectively boosted its profitability in 2023. The sector recorded a pre-tax profit of NLe14.21 million as at December 2023, which showed a slightly better performance than that recorded as at December 2022 (NLe13.07 million). Return on Assets (ROA) and Return on Equity (ROE) recorded were 7.64 percent and 13.64 percent above the MIX standards of 2.1 percent and 13.6 percent, respectively.

As at December 2023, the sector's profit margin was 2.48 percent above the MIX Standard of ≥ 1.6 percent which, indicated that the CB sector can adequately cover its costs. However, operating expenses to gross loan portfolio decreased slightly to 20.42 percent as at December 2023 compared to 20.52 percent recorded in December 2022. The operating expense ratio increased to 66.44 percent as at December 2023 from 63.08 percent as at December 2022, which indicated that expenses were not minimized relative to revenue in comparison to the previous year 2022.

The CBs generated enough revenue to cover its expenses as the Operational Self-Sufficiency (OSS) ratio was 134.25 percent above the MIX Standard of 112 percent as at December 2023. However, on an individual basis, six (6) CBs failed to meet the OSS MIX Standard as at December 2023. Figure 38 shows pre-tax profit of the CB sector.

Figure 38: Pre-tax Profit of the CBs (Millions of NLe)



Source: Other Financial Institutions Supervision Department

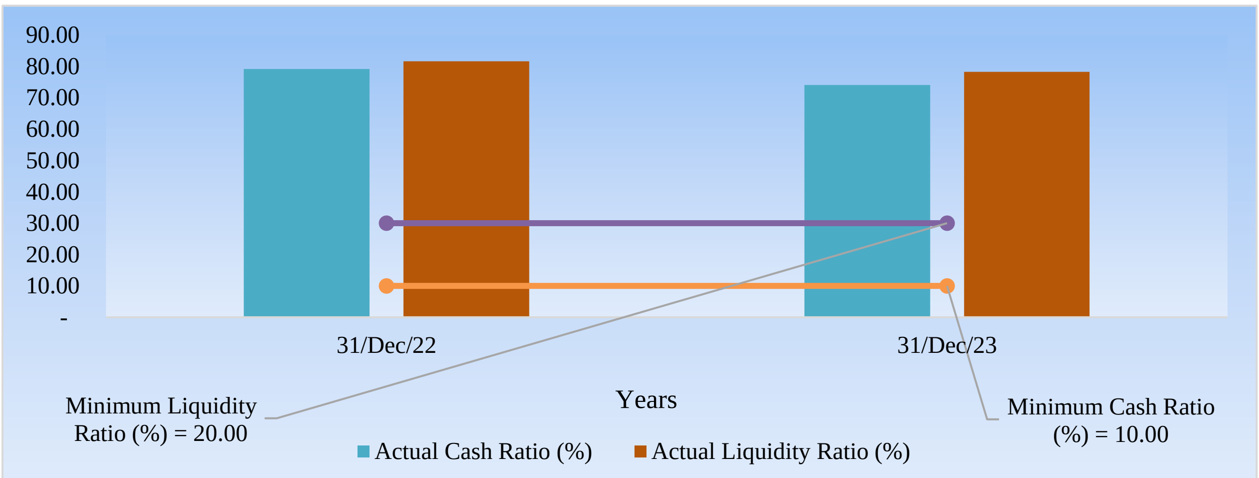
8.1.5. Liquidity

Cash and liquidity ratios were 74.06 percent and 78.27 percent above the minimum requirement of 10 percent and 20 percent, respectively. All CBs, except one, met the liquidity requirements as at December 2023, which recorded a liquidity ratio of 16 percent below the minimum requirement (20 percent) indicating that this CB might be constrained to meet its obligations as and when due.

Total deposits increased by 10.80 percent over the year recording NLe84.20 million as at December 2023. The sector's deposits constituted 62 percent demand deposits, 32 percent savings deposits and 6 percent time deposits, 62 percent demand deposits as at December 2023.

Cash and Bank balances increased by NLe2.18 million (3.63 percent) to NLe62.36 million from NLe60.17 million in December 2022. Investments also increased by NLe1.86 million (66.76 percent) to NLe4.65 million as at December 2023 from NLe2.79 million in December 2022. Figure 39 shows the liquidity and cash ratios of the CB sector.

Figure 39: Liquidity and Cash Ratios of CBs (%)



Source: Other Financial Institutions Supervision Department

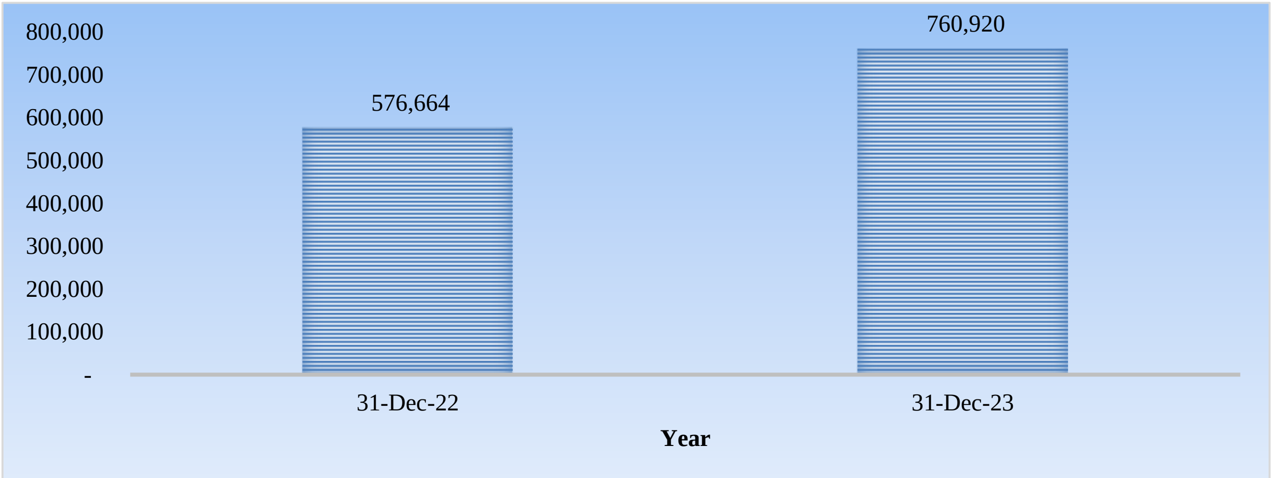
8.2. Deposit-Taking Microfinance Institutions (DTMFIS)

8.2.1. Financial Condition

The financial performance of DTMFIs for the year ended December 2023 was satisfactory in comparison to December 2022, showed a better performance. The sub-sector recorded a pre-tax profit of NLe18.11 million as at December 2023 compared to NLe15.78 million as at December 2022.

The resource base also increased by 31.95 percent over the year to NLe760.92 million as at December 2023 from NLe576.66 million as at December 2022. The sub-sector demonstrated a high degree of concentration with the largest DTMFI accounting for 36.64 percent of its total resource base in 2023. Figure 40 shows the movement in the resource base of DTMFIs.

Figure 40: Industry Resource Base of DTMFIs (Millions of NLe)



Source: Other Financial Institutions Supervision Department

The value of non-performing loans increased by 23.78 percent (NLe9.33 million) to NLe48.56 million as at December 2023 from NLe39.23 million as at the end of December 2022. This was also shown in loans classified as substandard and loss which, increased by 24.98 percent and 45.56 percent, respectively, whilst doubtful loans were reduced by 22.86 percent. Non-performing loans represented 30.97 percent of total equity, and this ratio has increased by 1.56 percent over the year. Portfolio at risk showed an upward trend above the MIX standard of 4.8 percent over the review period recording 13.13 percent as at December 2023 when compared with 12.67 percent in December 2022. Also, allowances for loan losses increased by 24.59 percent to NLe24.91 million as at December 2023 due to the increase in non-performing loans.

Bank balances with other financial institutions decreased by 21.38 percent over the year as it recorded NLe50.68 million as at December 2023 from NLe64.47 million as at December 2022. However, investment on treasury bills increased by 54.56 percent to NLe130.33 million from NLe84.32 million as at December 2022.

8.2.2. Capital

Minimum Paid-up Capital

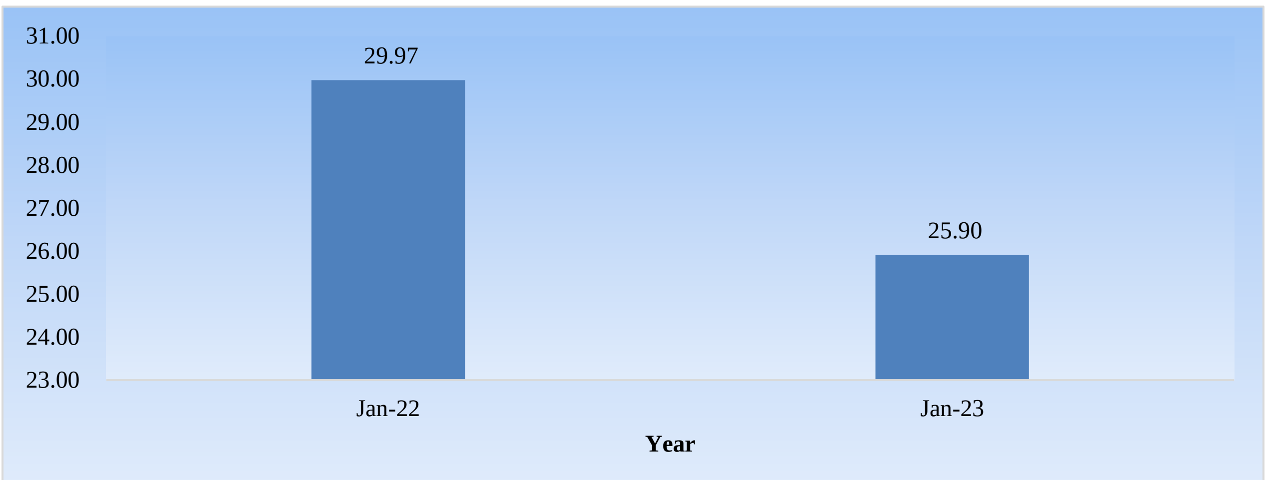
All DTMFIs, met the paid-up capital requirement of NLe1.00 million recording a consolidated amount of NLe86.77 million as at December 2023 and remained the same compared to the previous year.

Capital Adequacy Ratio (CAR)

The institutions met the regulatory capital adequacy ratio requirement on a consolidated and individual basis. However, the capital adequacy ratio maintained a downward trend over the review period recording 25.90 percent as at December 2023 from 29.97 percent as at December 2022, though above the minimum CAR of 8 percent.

Total risk-weighted assets also increased over the year to NLe568.28 million as at December 2023 from NLe420.33 million as at December 2022 due to the increases in loans and other assets of these institutions. Figure 41 shows movement in CAR.

Figure 41: Capital Adequacy Ratio of DTMFIs (%)



Source: Other Financial Institutions Supervision Department

8.2.3. Asset Quality

Asset quality deteriorated and showed no signs of improvement over the reporting period. Past-due loan classifications have steadily increased in value and as a percentage of assets over the year. DTMFIs reported total gross loans of NLe369.85 million as at December 2023, and NLe309.75 million as at December 2022. Past due loans were NLe48.56 million as at December 2023 and NLe39.23 million as at December 2022 with allowances for loan losses forming 51.30 percent of past-due loans. Table 18 shows a breakdown of classified loans.

Table 18: Loan Classifications of DTMFIs (Millions of NLe)

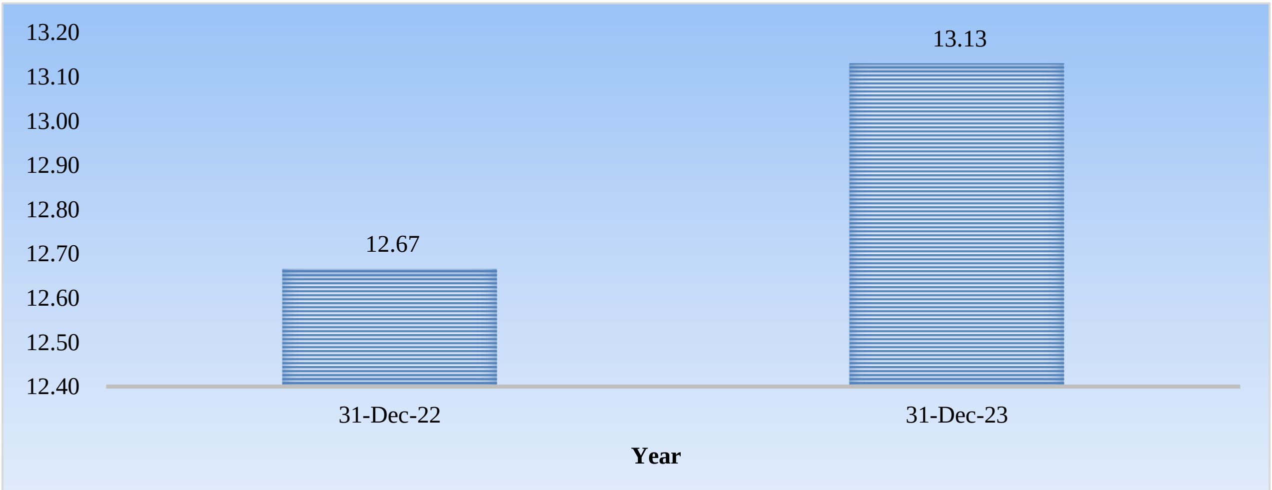
Details	*31-Dec-22 NLe '000*	*Percentage to total loans*	*31-Dec-23 NLe '000*	*Percentage to total loans*	*Yearly percentage change*
Current	*270,514*	*87.33*	*321,291*	*86.87*	*18.77*
Substandard (15 Days To Below 60 Days)	*19,806*	*6.39*	*24,754*	*6.69*	*24.98*
Doubtful (60 Days To Below 90 Days)	*6,531*	*2.11*	*5,038*	*1.36*	*(22.86)*
Loss (90 Days And Above)	*12,896*	*4.16*	*18,771*	*5.08*	*45.56*
Gross Loan Portfolio	*309,747*		*369,854*		*19.41*
Total Past Due Loans	*39,233*	*12.67*	*48,563*	*13.13*	*23.78*
Allowances For Loan Losses	*19,997*	*6.46*	*24,914*	*6.74*	*24.59*

Source: Other Financial Institutions Supervision Department, BSL

Past-due loan classifications are more concentrated in the substandard and loss categories. In total, substandard and loss classifications represent 89.63 percent of total past-due loans as at December 2023. It is also worth noting that the loss category increased by 45.56 percent over the year under review.

The consolidated Portfolio at Risk (PaR) was 13.13 percent above the MIX Standard of 4.8 percent and showed no improvement when compared with the previous period. Moreover, on an individual basis, no DTMFI met the MiX standard, with three DTMFIs recording above the industry average of 13.13 percent. Figure 42 shows the portfolio at risk of DTMFIs.

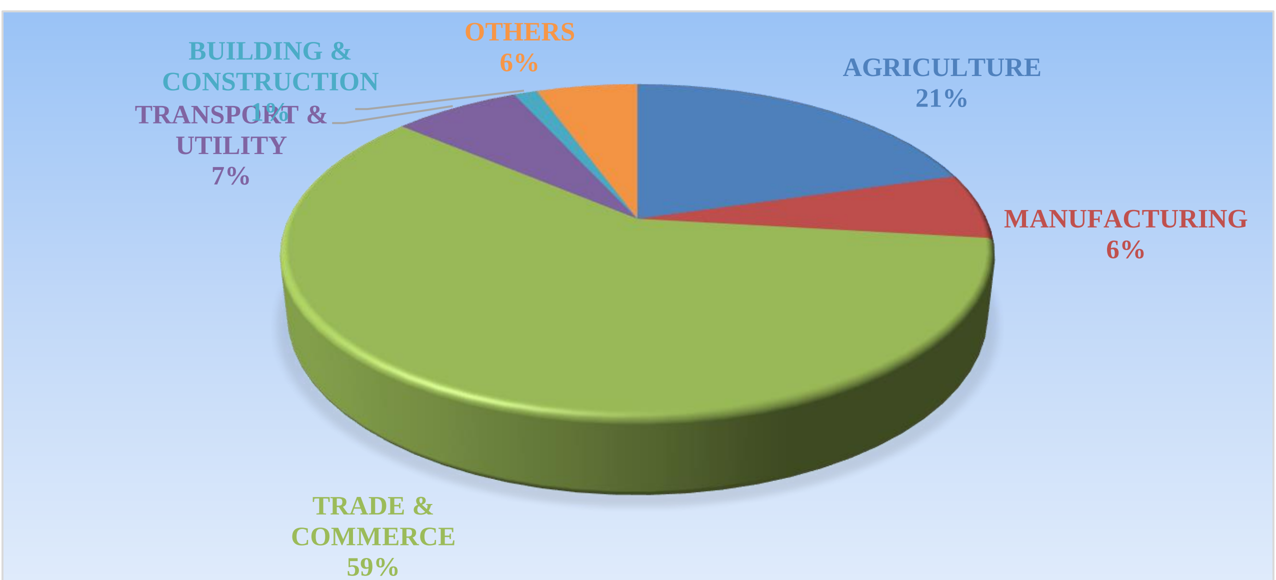
Figure 42: Portfolio at Risk of DTMFIs (%)



Source: Other Financial Institutions Supervision Department

Sectoral distribution of loans remained diversified, and the Trade and Commerce sector continued to record the highest amount of loans accounting for 59.37 percent of loans though decreased by 7.65 percent from the previous year. This was followed by the Agricultural sector which, accounted for 20.49 percent of the loans and increased by 2,113.61 percent from the previous year. Figure 43 provides details on loans by sector.

Figure 43: Loans by Sector of DTMFIs



Source: Other Financial Institutions Supervision Department

8.2.4. Earnings

As of December 2023, the consolidated earnings for the Deposit-Taking Microfinance Institutions (DTMFIs) sector reached NLe18.11 million, marking an improvement from the NLe15.78 million recorded in 2022. The Return on Assets (ROA) was 2.41 percent, surpassing the MIX standard of 2.1 percent, although the Return on Equity (ROE) was 11.59 percent, falling below the MIX standard of 13.6 percent and underperforming relative to the previous year's figures of 2.95 percent for ROA and 13.26 percent for ROE.

In 2023, the sector's net interest margin stood at 12.54 percent. The cost-to-income ratio saw a slight decrease to 61.35 percent from 62.85 percent in 2022, indicating a more efficient generation of income relative to expenses. The Operational Self-Sufficiency (OSS) ratio was 112.24 percent, just above the MIX benchmark of 112 percent, demonstrating the sector's capacity to cover its expenses. However, two individual DTMFIs did not achieve the OSS MIX Standard as of December 2023. Table 19 presents the consolidated performance ratios for the DTMFIs sector.

Table 19: Performance Indicators of DTMFIs

Performance Ratios	***MIX***	**31-Dec-22**	**31-Dec-23**
Operational Self-Sufficiency (percent)	*112*	114.79	112.24
Return on Assets (percent)	*2.1*	2.95	2.41
Return on Equity (percent)	*13.6*	13.26	11.59

Source: Other Financial Institutions Supervision Department

8.2.5. Liquidity

All the institutions met the liquidity requirements as of December 2023, with both cash and actual liquidity ratios recording 24.41 percent and 75.45 percent above a minimum requirement of 10 percent and 20 percent, respectively. Actual liquidity remained adequate but decreased compared to the previous year whilst the cash ratio increased compared to the previous year. This is an indication that the institutions would be able to meet their obligations as and when due.

Total deposits increased by 11.59 percent over the year recording NLe255.33 million as at December 2023 from NLe225.25 million as at December 2022. The sector's deposits constituted 98.17 percent savings deposits and 1.28 percent time deposits as at December 2023. Table 20 shows the Actual Cash and Liquidity ratios of DTMFIs.

Table 20: Actual Cash and Liquidity Ratios of DTMFIs

Details	Minimum Requirement	Dec-22	Dec-23
Actual Cash Ratio (percent)	10	31.77	24.41
Actual Liquidity Ratio (percent)	20	66.12	75.45

Source: Other Financial Institutions Supervision Department

8.3. Credit-Only Microfinance Institutions (COMFIS)

8.3.1. Financial Condition

The financial performance of COMFIs as at December 2023 was challenging. The sector recorded a pre-tax loss of NLe11.61 million in December 2023, compared to a pre-tax profit of NLe56.08 million in December 2022. Similarly, twelve (12) out of thirty-nine (39) institutions that submitted returns recorded losses as at December 2023. However, the resource base increased by 30.25 percent over the year to NLe633.81 million from NLe486.59 million as at December 2022.

The non-performing loans decreased to NLe32.49 million in December 2023 from NLe40.77 million in December 2022. The portfolio at risk decreased over the year to 7.17 percent as at December 2023 from 11.67 percent as at December 2022 while allowances for loan losses decreased by 7.48 percent to Le11.09 million in December 2023, due to decreases in non-performing loans.

Cash due from banks decreased by 18.53 percent over the year as it recorded NLe72.52 million as at December 2023 compared to NLe81.02 million in December 2022.

8.3.2. Capital

COMFIs are currently exempted from capital requirements. However, eleven (11) institutions recorded paid-up capital above/equal to the minimum paid-up capital requirement (NLe1,000) set for deposit-taking MFIs (DTMFIs)

8.3.3. Asset Quality

Asset quality showed signs of improvement over the reporting period. Past-due loan classifications have steadily declined in both value and percentage of assets over the year. COMFIs reported total gross loans of Le453.43 million as at December 2023, from NLe349.45 million as at December 2022.

Past due loans were NLe32.49 million as at December 2023, from NLe40.77 million as at December 2022, with allowances for loan losses covering 34.13 percent of past due loans as at December 2023. Table 21 shows a breakdown of classified loans.

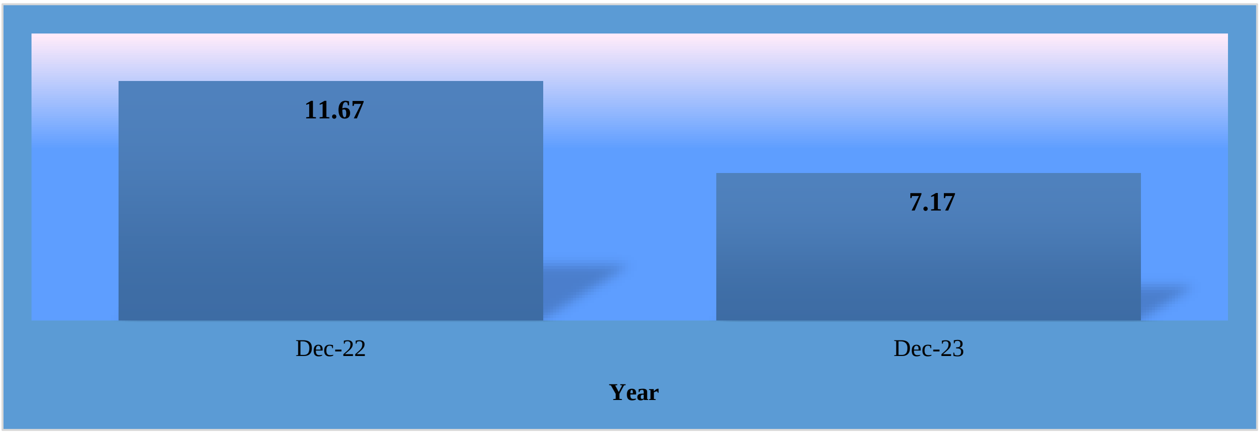
Table 21: Loan Classifications of COMFIs (In Millions of NLe)

Details	31-Dec-22 NLe '000	Percentage of total loans	31-Dec-23 NLe '000	Percentage of total loans	Yearly percentage change
Current portfolio	285,912	81.82	399,187	88.04	39.62
Portfolio at risk 1 to 30 days	22,308	6.38	21,624	4.77	(3.07)
Portfolio at risk 31 to 60 days	13,232	3.79	8,987	1.98	(32.08)
Portfolio at risk 61 to 90 days	10,162	2.91	5,682	1.25	(44.09)
Portfolio at risk 91 to 180 days	12,943	3.70	13,050	2.88	0.83
Portfolio at risk over 180 days	4,431	1.27	4,770	1.05	7.65
Renegotiated Portfolio 1 to 30 days	370	0.11	129	0.03	(65.14)
Renegotiated Portfolio ≥ 30 days	87	0.02	0	-	(100.00)
Gross Loan Portfolio	349,447		453,430		29.76
Past Due Loans (PaR>30)	11.67		7.17		(4.50)

Source: Other Financial Institutions Supervision Department

The consolidated portfolio at risk (PaR) was 7.17 percent above the MIX Standard of 4.8 percent but showed an improvement over the review period. On an individual basis, seventeen COMFIs met the Mix Standard. Figure 44 shows movement in PaR over the year.

Figure 44: Portfolio at Risk of COMFIs (%)



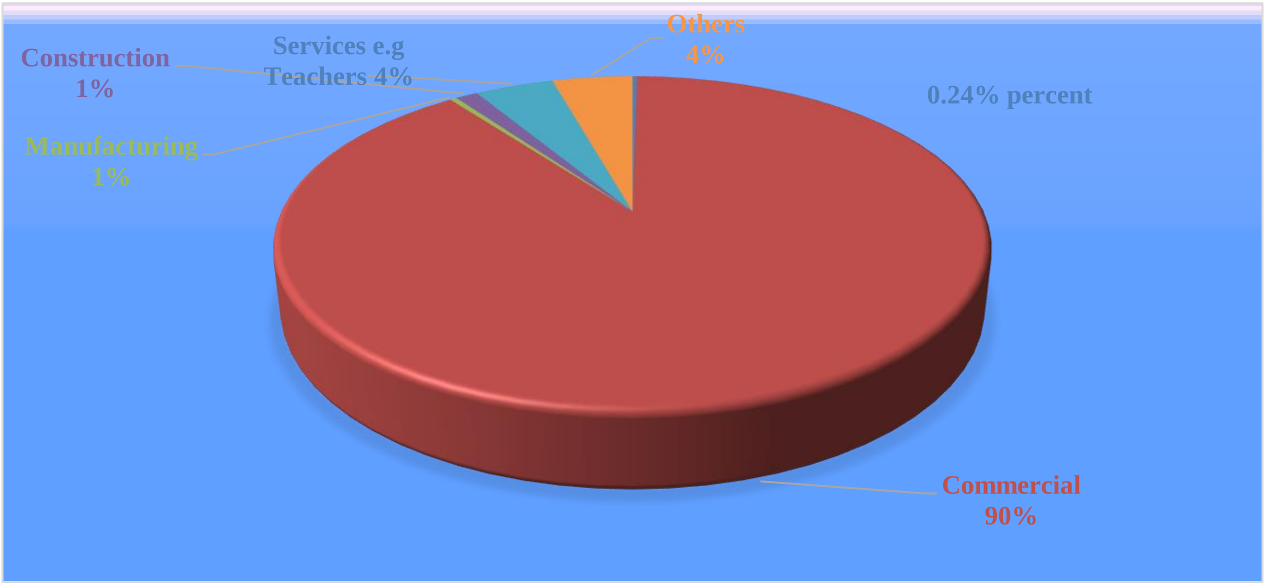
Source: Other Financial Institutions Supervision Department

Portfolio to Assets was 71.54 percent as at December 2023 which showed that the majority of the assets are deployed in loan disbursement. The average outstanding loan size was NLe0.03 million.

The total number of active clients in the sector increased by 60.62 percent in 2023 from 358,068 at end-December 2022, to 575,118 at end-December 2023. However, one COMFI accounted for 62.60 percent of the total number of clients in the sector.

Sectoral distribution of loans remained diversified. However, Trade and Commerce remained the sector with the highest amount of loans as shown in Figure 45.

Figure 45: Loans by Sector of COMFIs



Source: Other Financial Institutions Supervision Department

8.3.4. Earnings

The earnings of the COMFI sector were challenging. As at December 2023, the sector recorded a pre-tax loss of NLe11.61 million, a performance contrary to that recorded in December 2022 of NLe56.08 million pre-tax profit. The ROA and ROE as at December 2023 were negative recording 2.36 percent and 9.73 percent below the MIX standards of 2.1 percent and 13.6 percent, respectively.

As at December 2023, the sector's net interest margin was 30.64 percent indicating that the subsector generated more interest on loans than interest expenses. However, it decreased by 1.77 percent from 32.41 percent recorded as at December, 2022. Interest income to total income was 85.88 percent down by (4.99 percent) as at December 2023 from 90.87 percent as at December, 2022. This indicated that a major percentage of the revenue generated was from interest income.

The sector failed to generate enough revenue to cover its expenses as the Operational Self-Sufficiency (OSS) ratio was 101.83 percent below the MIX Standard of 112 percent as at December, 2023. Also, on an individual basis, thirteen (13) COMFIs failed to meet the OSS MIX Standard as at December 2023. Table 22 shows the consolidated performance ratios of the sector.

Table 22: Performance Indicators of COMFIs

Performance Ratios	*MIX*	31-Dec-22	31-Dec-23
Operational Self-Sufficiency (percent)	*112*	169.48	101.83
Return on Assets (percent)	*2.1*	11.02	(2.36)
Return on Equity (percent)	*13.6*	29.91	(9.73)

Source: Other Financial Institutions Supervision Department

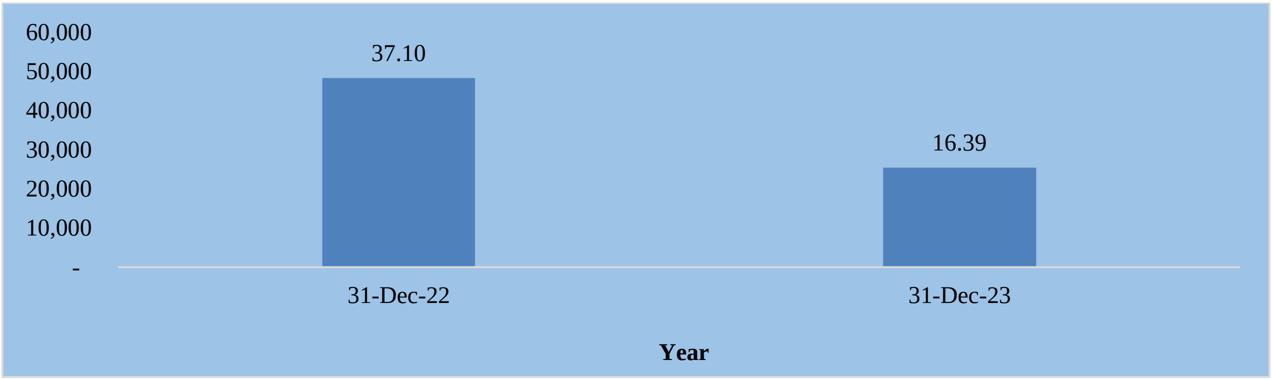
8.4. Discount Houses

8.4.1. Financial Condition

The financial performance of the discount houses (DH) sub-sector in 2023 was deemed satisfactory, recording a slight increase in pre-tax profits to NLe0.60 million, up from NLe0.59 million in December 2022. This modest gain was largely driven by a 9.95 percent increase in income from Treasury bill investments, which rose to NLe6.54 million by the end of December 2023.

Throughout the year, total liabilities experienced a significant reduction, dropping 55.82 percent to NLe16.39 million from NLe37.10 million in December 2022. This reduction was primarily due to a sharp decrease in matured treasury bills, which fell by 73.95 percent to NLe8.53 million from NLe32.76 million. Correspondingly, the value of customer Treasury bill holdings declined by 61.96 percent, from NLe24.65 million to NLe9.38 million, reflecting a contraction in the asset base. Figure 46 illustrates the year-over-year movement in total assets.

Figure 46: Total Assets of Discount Houses (Millions of NLe)



Source: Other Financial Institutions Supervision Department

8.4.2. Capital

The DHs were in compliance with the minimum paid-up capital and capital adequacy ratio requirements, which were set at NLe2 million and 8 percent, respectively.

8.4.3. Asset Quality

The discount houses were granted a "no objection" to carry out microfinance activities. The consolidated gross loan portfolio was NLe1.73 million as at December 2023 though it decreased by NLe0.58 million (25.24 percent)] from NLe2.31 million as at December 2022.

8.4.4. Earnings

In 2023 the sector recorded a pre-tax profit of NLe0.60 million a better performance compared with NLe0.59 million recorded in 2022. The ROA and ROE as at December 2023 were 1.53 percent and 4.44 percent, respectively. Figure 47 shows the consolidated pre-tax profit of DHs.

Figure 47: Pre-tax Profit of DHs

Source: Other Financial Institutions Supervision Department

The cost-to-income ratio increased to 79.83 percent as at December 2023 from 71.26 percent as at December, 2022. The outcome showed that expenses were not minimized compared to income generated during the reporting period. Similarly, operational self-sufficiency ratio decreased to 125.27 percent as at December 2023 from 140.33 percent as at December 2022. Table 23 shows profitability ratios for the DH sector.

Table 23: Profitability Ratios for DHs

Performance Ratios	31-Dec-22	31-Dec-23
Operational Self-Sufficiency (percent)	140.33	125.27
Return on Assets (percent)	1.71	1.53
Return on Equity (percent)	3.96	4.44

Source: Other Financial Institutions Supervision Department

8.4.5. Liquidity

The sector met the liquidity requirements as at December, 2023, with both overall and actual liquidity ratios being above the minimum requirement of 100 percent and 60 percent, respectively. Actual liquidity remains adequate and showed an increasing trend throughout 2023. This indicates that the institutions would be able to meet their obligations as and when due.

Investment in Treasury bills increased by 9.95 percent over the one-year period, recording NLe6.54 million at end-December 2023. Total placements decreased by NLe0.57 million (42.01 percent) over the one-year period recording NLe0.78 million as at December 2023. The sector's liquid assets constitute NLe84.7 million treasury bills and NLe15.29 million cash and bank balances as at December 2023.

8.5. Mobile Money Operators

8.5.1. Activity of the Mobile Money Operators

In 2023, there were three licensed mobile money operators in Sierra Leone. These MMOs experienced significant increases in their activities, with notable increases in the number of agents, accounts, number and value of transactions.

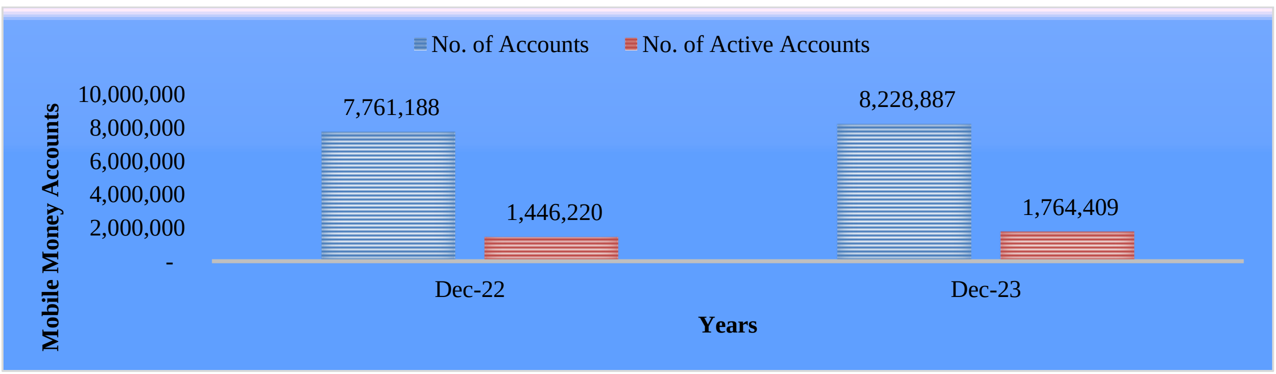
8.5.2. Escrow Account and Virtual Money in Circulation

As at December 2023, the balance on the Escrow Account was NLe698.41 million compared to NLe402.24 million at the end of December 2022. E-Money in circulation at end-December 2023 was NLe576.06 million, which was NLe122.35 million less than the total escrow account balances.

8.5.3. Account Holders

Over the year, the number of registered mobile money customers in the country saw a 6 percent increase, reaching 8.2 million by December 2023. Concurrently, the number of active mobile money customers rose by 22 percent, totalling 1.76 million by the end of December 2023. Figure 48 illustrates the annual growth in account registrations.

Figure 48: Accounts of MMOs



Source: Other Financial Institutions Supervision Department

It is worth noting that only 21 percent of the total registered customers are using mobile money financial services actively in the country as at December 2023. This accounts for approximately 21 percent of the total population of the country (8.42 million).

8.5.4. Transactions

A total of 128.60 million transactions were conducted in December 2023. The value of transactions conducted by customers amounted to NLe39.30 billion as at December 2023 which showed a 97.68 percent increment from NLe19.88 billion as at December 2022.

8.5.5. Agents

As at December 2023, there were 72,454 registered Mobile Money agents with a total outstanding balance of NLe53.11 million. Agent mobilization increased by 24,367 (51 percent) over the year.

8.5.6. Customer Complaints

Complaints from customers mainly relate to lost PIN codes, cash reversals, recharge, and message receipts. There was a 65 percent increase in customer complaints in 2023, with total number of complaints of 30,800 compared to 18,681 complaints in 2022. However, 100 percent of those complaints were resolved.

8.6. Foreign Exchange Bureaux (FXB)

8.6.1. Purchases and Sales of Foreign Currencies

The foreign currency market as at December 2023 witnessed a dominance of US dollars ($), followed by British pounds (£) and Euros (€) in terms of purchases and sales. The data revealed that the US dollar remains the dominant currency in the foreign exchange market. Table 24 shows the breakdown of total purchases and sales for the three major currencies.

Table 24: Purchases and Sales of Major Foreign Currencies for FXBs

Details	Dec-22		Dec-23	
	Purchases	*Sales*	*Purchases*	*Sales*
USD ($)	3,092,362	1,735,065	1,380,898	1,361,346
GBP (£)	129,080	19,190	61,710	80,950
EURO (€)	24,955	21,955	1,860	-

Source: Other Financial Institutions Supervision Department

In December 2023, the value of purchases and sales, except for GBP sales, declined in comparison to that of the previous year. This decline can be attributed, at least in part, to the political instability that occurred in November 2023. This event negatively impacted the tourism industry in the country and as such, all three major currencies experienced a decline.

8.6.2. Inward Remittances

Currently, twenty-three Foreign Exchange Bureaux have been granted a “No Objection” to do inward remittances out of which twelve (12) are Super Agents dealing directly with International Money Transfer Organizations (IMTOs).,

Total inward remittances of USD for December 2023 slightly declined to $39,700,381 in December 2023 from $41,144,358 in December 2022. Similarly, this decline could be attributed to a slowdown in economic activity due to the political instability that took place in November 2023 which had a spillover effect in December 2023.

9. PAYMENT SYSTEMS DEVELOPMENT

9.1. National Payments System Landscape

Payment System in Sierra Leone continues to be dual with the coexistence of cash and non-cash transactions. The Bank of Sierra Leone continued to stay focused on promoting financial inclusion, protecting the payment systems landscape, and collaborating with relevant stakeholders. The volume of cash transaction is still high while non-cash transactions continue to increase. The non-cash is categorised into retail and large value transactions based on the value and the interbank systems that support the transactions.

9.2. Real Time Gross Settlement (RTGS) system

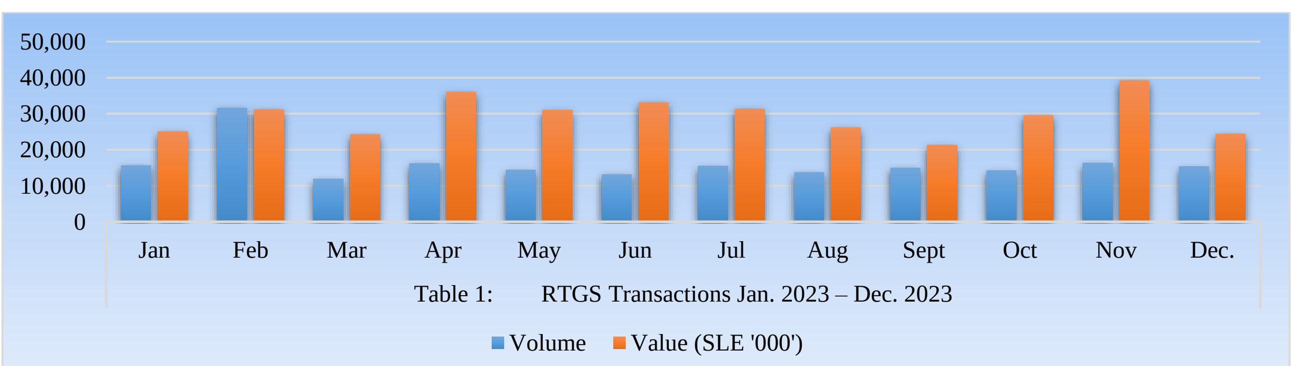
The Real Time Gross Settlement (RTGS) is an electronic funds transfer system for the settlement of payments across the country. Through the RTGS, transactions are settled, and funds can be transferred between participating financial institutions virtually promptly. Table 25 shows the volume and value of RTGS transactions in 2023 while Figure 49 displays a pictorial view of the volume and value of RTGS transactions. The trend indicates that, though, there are fluctuations in the value and volume of transactions, the system for interbank transactions is on the increase and acceptable.

Table 25: RTGS Transactions (NLe'000')

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec.
Volume	**15,677**	**31,616**	**11,832**	**16,241**	**14,334**	**13,176**	**15,528**	**13,636**	**14,942**	**14,304**	**16,264**	**15,301**
Value	**25,066**	**31,178**	**24,256**	**36,038**	**31,026**	**33,143**	**31,350**	**26,175**	**21,286**	**29,551**	**39,134**	**24,343**

Source: Banking and Payments System Department

Figure 49: RTGS Volume and value (thousands of NLe'000)



Source: Banking and Payment Systems Department

9.3. Automated Clearing House (ACH) Transactions

The Automated Clearing House (ACH) is the retail payment system through which a vast number of payment items (both paper-based and electronic) are cleared. Transactions in the ACH were mainly low-value (Not more than fifty million Leones) high-volume retail payment cheques. Before the launch of the redenomination of the Leone on July 1, 2022, the limit on cheque was removed to discourage over the counter cash transactions.

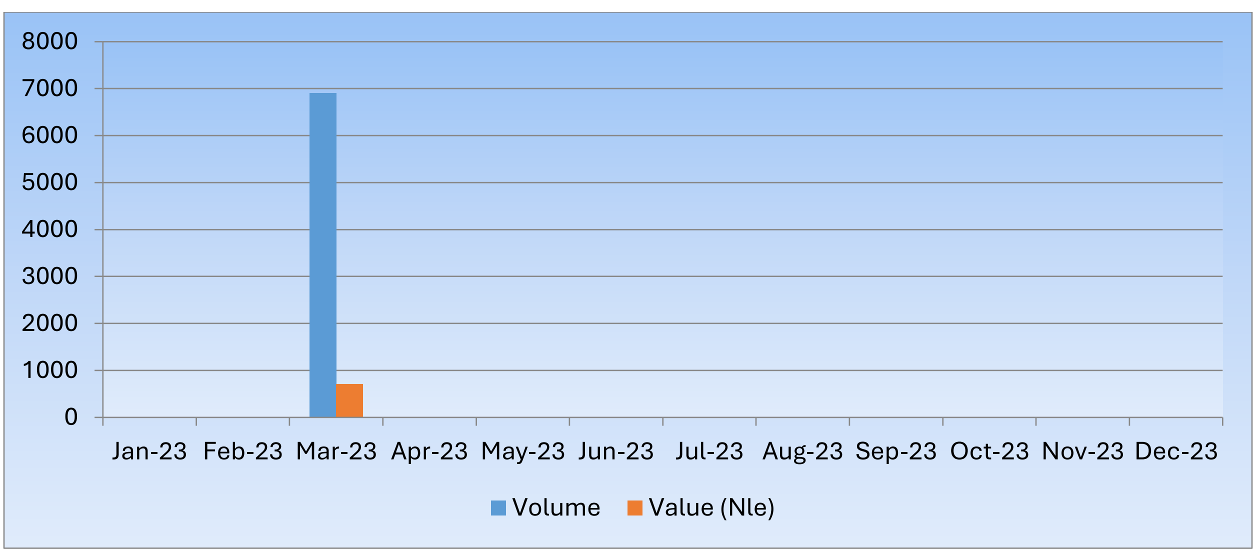
Table 26 and Figure 50 show the ACH transactions for the period January to December 2023, which shows that the use of cheques remains higher than direct credit as a means of transactions. However, the use of direct credit as a means of interbank transactions is sustained and has prospect to improve.

Table 26: Direct Credit Transactions

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec.
Volume	-	-	6,900	-	-	-	-	-	-	-	-	-
Value (SLL)	-	-	704,828	-	-	-	-	-	-	-	-	-

Source: Banking and Payments System Department

Figure 50: Direct Credit (ACH) Transactions



Source: Banking and Payments System Department

Table 27: Direct Credit Transactions

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC
VOLUME	32,116	27,348	33,205	24,282	34,267	29,055	27,677	30,793	28,010	29,991	29,543	37,339
VALUE (NLe '000)	311,242	292,545	309,034	256,158	382,432	382,432	350,571	326,999	326,999	411,238	416,207	552,061

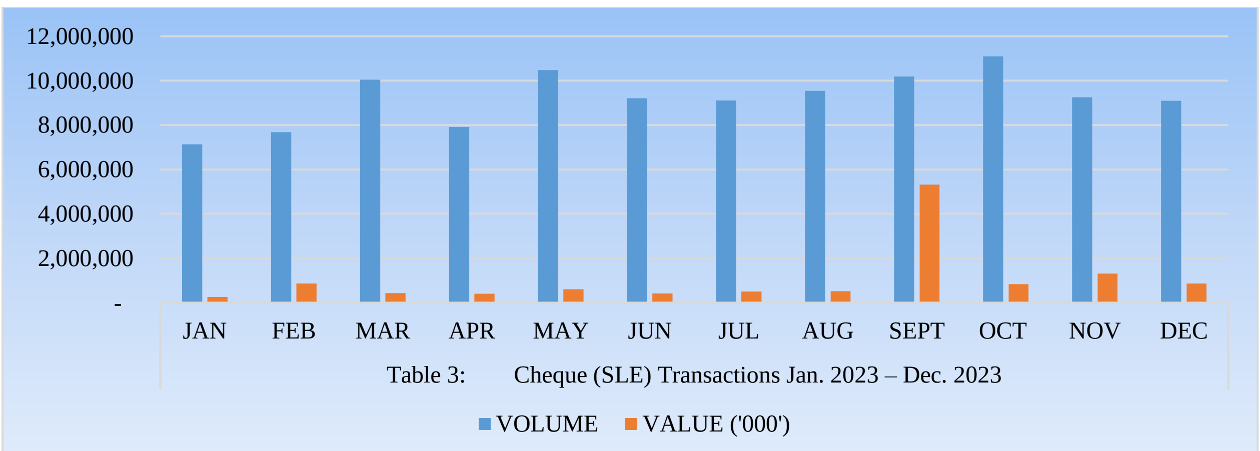
Source: Banking and Payments System Department

Table 28: Cheque (NLe) Transactions

	Jan. 2023 – Dec. 2023 (NLe'000')											
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC
VOL.	7,128,000	7,683,000	10,046,000	7,912,000	10,474,000	9,211,000	9,102,000	9,538,000	10,184,000	11,100,000	9,258,000	9,100,000
VAL	261,757.91	867,325.18	433,739.76	397,157.96	597,025.05	409,251.68	506,261.54	521,723.51	5,312,635.48	833,147.50	1,314,349.20	858,846.06

Source: Banking and Payments System Department

Figure 51: Cheque (NLe) Transactions Jan - Dec 2023



Source: Banking and Payments System Department

Table 29: Cheque Transactions Jan. 2023 – Dec. 2023 (thousands of NLe)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC
VOLUME	1903	2113	2102	1486	1767	1023	1762	1021	1039	1038	801	1214
VALUE (NLe '000)	94.298	122.168	127.053	190.033	132.814	112.781	335.537	124.285	147.319	164.254	97.864	122.215

Source: Banking and Payments System Department

9.4. Other Retail Payment Systems 2019 - 2023

In line with financial inclusion, Tables 30 and 31 display regional spread of ATMs and POS's. 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 (capital city) accounting for 71.20 percent of ATMs and 93.06 percent for POSs as at December 2023.

Table 30: Regional Spread of ATM

NUMBER OF ATM					
	2019	2020	2021	2022	2023
NORTHERN PROVINCE	16	10	10	16	24
SOUTHERN PROVINCE	9	11	10	10	20
EASTERN PROVINCE	6	5	6	7	9
WESTERN AREA	76	84	106	114	131
TOTAL	**107**	**110**	**132**	**147**	**184**

Source: Financial Stability Department

Table 31: Regional Spread of POS

NUMBER OF POS					
	2019	2020	2021	2022	2023
NORTHERN PROVINCE	17	12	12	9	14
SOUTHERN PROVINCE	14	8	9	8	3
EASTERN PROVINCE	2	3	4	3	4
WESTERN AREA	268	205	207	188	268
TOTAL	**301**	**228**	**232**	**208**	**288**

Source: Financial Stability Department

9.5. Established Systems and Developments

9.5.1. Implementation of the Treasury Single Account (TSA)

In August 2023, the full implementation of the TSA with expansion of coverage went live.

9.5.2. Electronic Fund Transfer (EFT)

This is a project funded by the Ministry of Finance to facilitate the interoperability between the Bank of Sierra Leone’s Core Banking Application T24 and the Accountant General’s Integrated Financial Management Information System (IFMIS), to eradicate the manual processing of payment to banks through cheques and letters to electronic transfers. The Bank has gone live with all local payments but yet to go-live with foreign payments, which are done manually.

9.6. Financial Inclusion Project

9.6.1. National Payment Switch (NPS)

The national payment switch (NPS) is a World Bank funded project which targets the establishment of interconnectivity and interoperability of all retail payment infrastructures for efficiency in the financial system and help improve rural connectivity. These includes market growth, such as participant connectivity, increased number of value transactions across the switch, increased government payment, increased number of POS terminal, and increased account ownership.

Technically, phase one (1) went live on April 29, 2023, with 6(six) banks. The number of banks increased to 10(ten). Phase one is the Card Switch, where the NPS interconnects participating banks to allow inter-bank ATM transactions and inter-bank debit and prepaid card payment in store (POS). This service becomes more useful when multiple banks deploy automated teller machines (ATMs) and issue debit cards to account holders so that customers can make balance enquiries, withdraw cash, and undertake other banking business at ATMs without visiting a branch.

The next phase provides an Instant Payment Platform, where the NPS connect banks and mobile operators together to allow instant payment between customers of different Payment Service Providers (PSP)

The national instant payments platform services take instant payment to the next level, allowing full integration of mobile money with mainstream banking. This platform enables instant payment from any wallet or bank account, regardless of mobile network. It also enables instant payment from any current bank account to any account or wallet. This will encourage micro-merchant to accept payment of goods and services via instant payment and help improve financial inclusion.

Some challenges in the process are:

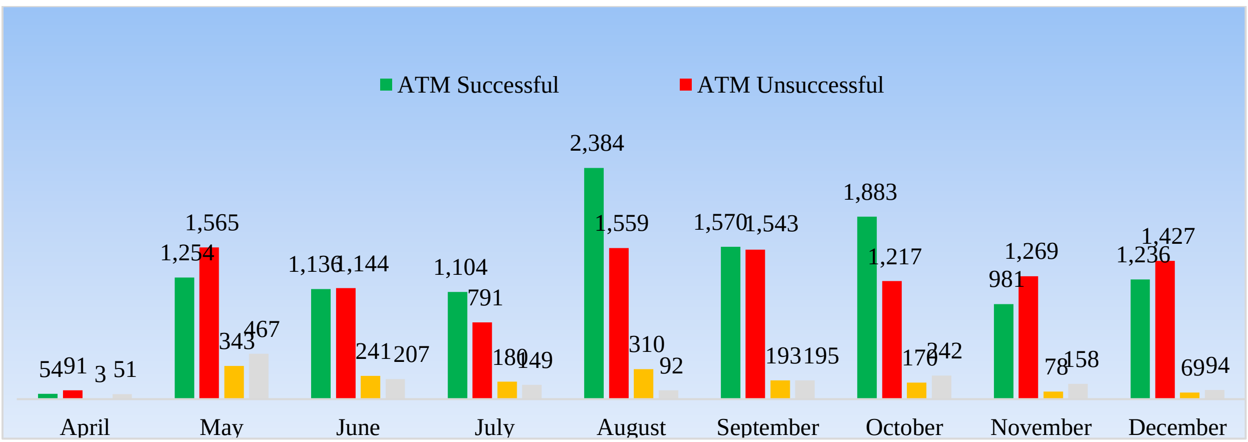
- Network Connectivity- In most cases this resulted to a lot of failed transactions due to banks network downtime.
- Service providers are unable to meet the expected timeline to deliver the project.
- Slow adaptation by the Commercial Banks to participate in the process.

Table 32: Summarized SaPS Performance Report 29/04/2023 - 29/12/2023

Transaction Summary	ATM	POS	Total
Successful Transactions	11,602	1,587	13,189
Unsuccessful Transactions	10,606	1,655	12,261
SUCCESSFUL VALUE (SLE)	4,049,086.55	1,941,904.54	5,990,991.09

Source: Financial Stability Department

Figure 52: Monthly SaPS Transaction Count Performance



Source: Financial Stability Department

9.7. AFREXIMBANK – Pan African Payments and Settlement System (PAPSS)

Afreximbank in collaboration with Central Banks in the WAMZ region are working on a payment and settlement platform to resolve the challenges of cross border payments in the sub-region. PAPSS has introduced an instant payment solution that will interconnect the national payment systems within in the region to promote regional trade.

The Bank of Sierra Leone is working with PAPSS on this project and are now at the stage of doing controlled transactions in the live environment. Also, some commercial banks have been granted no-objection to participate in the PAPSS initiative.

Given the increase in the acceptability of electronic payment systems in the country, there is the need to improve on existing market infrastructures and establish or deepen the payment systems landscape.

10. STAFFING AND HUMAN RESOURCES DEVELOPMENT

10.1. Staff Strength

As of 31 December 2023, the staff strength stood at 701, signifying a 14.2 percent increase from the staff strength of 624 at the end of December 2022. The increase in staff strength was from the Professional category. The staff strength in the Management, Sub-Professional and Other cadres experienced a decrease due to retirement, termination etc.

There was an increase of sixty-five (65) employees in the Professional cadre. There were 332 staff members in the Professional category at the end of December 2023, which was an increase of 65 from the 267 in 2022. Within the Management cadre, there was a decrease of one **(1)** in 2023**,** from eleven **(11)** at the end of 2022 to ten (10). In the Sub-Professional cadre, there was an increase of eight **(8),** from one hundred and eighty-five (185) to one hundred and seventy-seven (177). Also, Other cadres saw a significant decrease of thirty (30) staff members in 2023 from one hundred and thirty-three (133), to one hundred and three (103) staff members.

At the end of December 2023, the total male staff was 435 including twenty-four **(24)** Fixed Term Employees, representing 62.0 percent of the overall staff strength. The female staff headcount reached two hundred and sixty-six **(266)** with fifty-five **(55)** Fixed Term Employees, marking up 38.0 percent of the total staff strength.

Fixed Term Employees constituted 11.3 percent of the workforce, numbering 79 employees as of December 2023. This marked an increase of 15 individuals from the 64 reported in 2022. The increase was attributed to the recruitment of Note Counters and Domestic staff members to the Deputy Governor, Monetary Stability. Table 33 shows the staff strength in 2023 and 2022.

Table 33: Staff Strength of the Bank by Category and Gender as at end December 2023

	2022			**2023**		
Category	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Management	6	5	11	6	4	10
Professional	177	90	267	203	129	332
Sub-Professional	92	53	145	106	71	177
Others	123	14	137	96	7	103
Total Regular Staff	**398**	**162**	**560**	**411**	**211**	**622**
Fixed Term Employees	16	48	64	24	55	79
Total	**414**	**210**	**624**	**435**	**266**	**701**

Source: Human Resources Department

10.2. Severance and Recruitment

Table 34 provides a summary of staff severance, whilst Tables 35 and 36 shows the staff audit returns. The Bank recruited 89 individuals on a permanent basis and 26 staff members severed from the service of the Bank.

Table 34: Severance as at end December 2023

Details	**2022**	**2023**
Termination of Contract Appointment	0	4
Resignation	0	7
Dismissal	0	0
Deceased	3	0
Retirement	14	9
Termination	0	1
Voluntary Retirement	0	1
Retirement on Medical Grounds	0	0
Position Declared Vacant	0	4
TOTAL	**17**	**26**

Source: Human Resources Department

Table 35: Staff Audit returns as at end December 2023

Details	**2022**	**2023**
Recruitment	30	89
Fixed Term Employees	18	28
Vacated	0	4
Dismissal	0	0
Deceased	3	0
Termination	0	1
Retirement	14	9
Voluntary Retirement	0	1
Retired on Medical Grounds	0	0
End of Fixed Term	0	1
Absorption into Permanent Service	4	0
TOTAL	**69**	**133**

Source: Human Resources Department

Table 36: Staff Audit returns as at end December 2023

Designation	**Total No. of Staff**
Assistant Manager	1
Senior Banking Officer	16
Banking Officer	39
Senior Clerk	2
Clerk	2
Administrative Assistant	3
Nurse	1
Security Guard	25
Total	**89**

Source: Human Resources Department

10.3. Manpower Planning, Career Development and Appraisal

To enhance the operations at the Kenema Branch, the BSL consistently deployed staff with the required skills and expertise for two-year assignments and other related responsibilities. In 2023, a total of six (6) Security Guards/Officer were deployed to the Kenema Branch for two- year assignments and four (4) Security Guards were transferred to the Kenema Branch permanently. Also, the BSL embarked on inter and intra-departmental transfers at various levels, involving a total of twenty-six (26) staff members. Furthermore, the BSL recognized the dedication and commitment of its staff by promoting a total of 42 employees from various categories through competitive interviews. These promotions included fifteen (15) female and twenty-seven (27) male staff members, illustrating the Bank's commitment to career growth and acknowledging their hard work and dedication. It is of note however that, promotion of staff through appraisal exercise for year 2023 is in progress.

10.4. Training

There was stability in the execution of Capacity Development Programmes in 2023. The Institution continued to invest in and enhance the capabilities of its human resources with unwavering support from the Board and Management Team.

The Bank remained committed to collaborating with accredited training institutions including the West African Institute for Financial and Economic Management (WAIFEM), IMF/AFRITAC West 2, World Bank, International Monetary Fund (IMF), Africa Training Institute (ATI), the Bank of England, African Institute of Management Science (AIMS), International Management Training Consortium (IMTC) etc. to capacitate its staff.

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

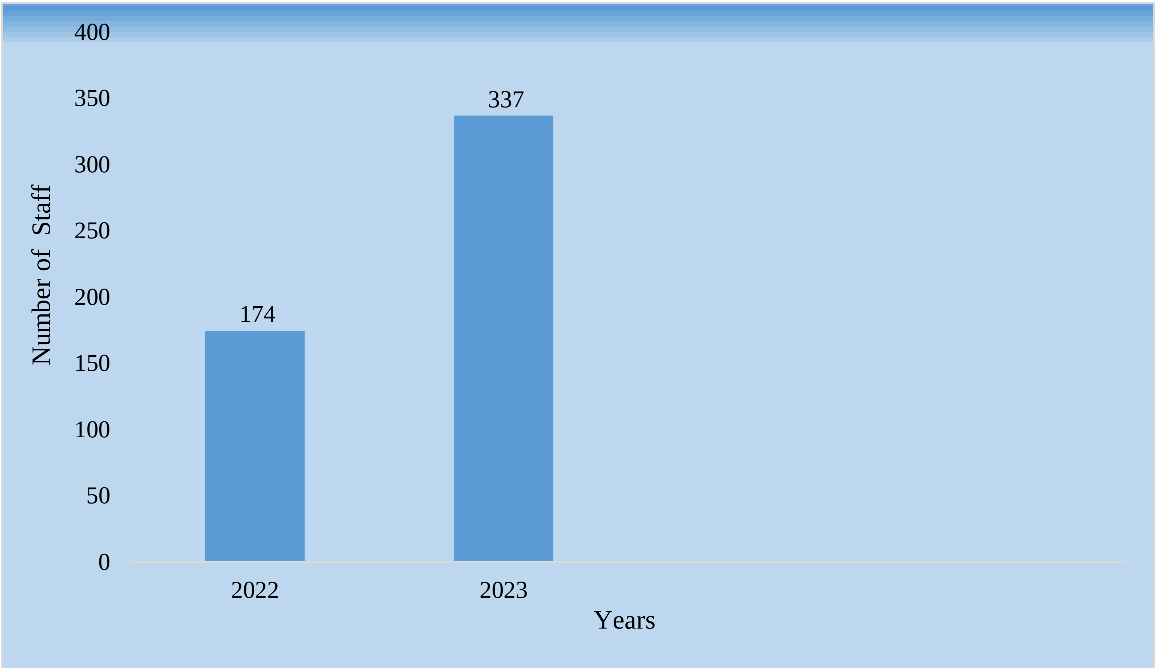
A total of three hundred and thirty-seven (337) staff members participated in capacity building programs and meetings throughout in 2023. Noteworthy is that out of the 337 staff, one (1) staff benefitted from Study Leave with pay. Table 37 shows the distribution of staff across Departments/Units who participated in various forms of training.

Table 37: Staff Training by Department/Unit

Department	No. of staff that benefited from Virtual Overseas Training	No. of Staff that benefited from Overseas short-term Training	No. of staf that benefited from Overseas long-term Training	No. of staff that benefited from Local Training	No. of staff that benefited from Face-to-face Meetings, Conference, Workshops	No. of staff that benefited from Study Leave
Banking	3	17	-	4	1	-
Banking (Kenema)	-	2	-	11	-	-
Banking Supervision	1	7	-	3	23	-
Finance	-	7	-	5	1	1
Financial Markets	3	11	-	3	7	-
Financial Sector Development Unit	1	2	-	3	2	-
Financial Stability	1	5	-	3	5	-
General Services	-	4	-	10	-	-
Governor's Office (Main Offices)	-	3	-	4	-	-
Governor's Office (Procurement)	-	2	-	1	-	-
Governor's Office (Security Unit)	-	1	-	55	-	-
Human Resources	-	11	-	5	2	-
Internal Audit	1	6	-	4	1	-
Legal Affairs	-	2	-	4	1	-
MIS	-	3	-	5	12	-
Monetary Policy	3	5	-	3	4	-
OFIS	-	6	-	5	4	-
Research & Statistics	2	10	-	2	9	-
Risk Mgt.	1	5	-	4	-	-
Secretary's	-	4	-	1	-	-
Sub-Total	**16**	**113**	-	**135**	**72**	**1**
Grand Total	**337**					

Source: Human Resources Department

Figure 53: Number of staff that benefited from Training Programmes



Source: Human Resources Department

11. THE ECOWAS MACROECONOMIC CONVERGENCE CRITERIA

Sierra Leone's performance on the primary convergence criteria in 2023 shows that it did not meet any of the four primary criteria, which are the criteria on inflation, fiscal deficit, central bank financing and gross external reserves. On the two secondary convergence criteria, which are the criterion on Public Debt / GDP and exchange rate variability, Sierra Leone did not meet any of the criteria at end-December 2023. Tables 38 and 39 show the performance of Sierra Leone on the primary and secondary criteria.

11.1. Primary Convergence Criteria

(i) Inflation Rate

The inflation criterion was not met at the end of December 2023. The annual average inflation was 47.6 percent, up from 27.2 percent in 2022, which was higher than the ECOWAS target of 5 percent.

(ii) Fiscal Deficit, including Grants (% of GDP)

The criterion on fiscal deficit was also not met at the end of December 2023. Fiscal deficit (including grants) was to 4.6 percent of GDP at the end of December 2023, from 6.2 percent in 2022, which is more than the 3.0 percent threshold.

(iii) Central Bank Financing of Fiscal Deficit

The criterion on central bank financing of fiscal deficit at the end of December 2023 was not met. The ratio of central bank financing to the previous year's tax revenue stood at 37.5 percent at the end of December 2023, which was higher than the ECOWAS threshold of 10 percent, down from 52.2 percent at the end of December 2022.

(iv) Gross External Reserves

Sierra Leone missed out on the criterion on gross external reserves at the end of December 2023, with gross international reserves being US$468.4 million, representing 2.7 months of import cover, which was below the 3 months of imports cover threshold.

Table 38: Status of Sierra Leone on the ECOWAS Primary Convergence Criteria

Criterion	Target	2021	2022	2023
Inflation (Annual Average)	≤ 5%	11.9	27.2	47.6
Fiscal Deficit (incl. grants)/GDP (%)	≤ 3%	3.9	6.2	4.6
Central Bank Financing of Fiscal Deficit as % of previous year's tax revenue	≤ 10%	20.0	52.2	37.5
Gross External Reserves (in months of import cover)	≥ 3	5.5	3.2	2.5
Number of criteria satisfied		1	1	0

Source: Research and Statistics Department

11.2. Secondary Criteria

(i) Public Debt

Sierra Leone did not meet the criterion on public debt (as a percentage of GDP). Public debt to GDP ratio was 80.0 percent at end-December 2023, from 94.1 percent at end-December 2022, which was above the 70 percent threshold.

(ii) Nominal Exchange Rate Variations

Sierra Leone did not meet the secondary criterion on nominal exchange rate variation in 2023, which was 4.6 percent, up from 20.1 percent in 2022, and was above the ECOWAS threshold of 10 percent.

Table 39: Status of Sierra Leone on the ECOWAS Secondary Convergence Criteria

Criterion	**Target**	**2021**	**2022**	**2023**
Public Debt/GDP (%)	≤ 70%	79.4	94.1	80.0
Exchange Rate Variation (-) dep (+) appr.	± 10	7.9	20.1	34.6
Number of criteria satisfied		1	0	0

Source: Ministry of Finance

PART B: STATEMENT OF ACCOUNTS

Bank of Sierra Leone

Financial statements
for the year ended 31 December 2023

This report contains 95 pages
Ref: B60/ans/eap

Contents

Notes

General information

Board of directors	: Dr. Ibrahim L. Stevens	-	Governor (Appointed 16 November 2023) Prior to his appointment as Governor, he was Appointed as Acting Governor in March 2023
	Dr. Joseph Ansu Tucker	-	Deputy Governor (appointed 21 December 2023)
	Mr Sheikh A. Y. Sesay	-	Deputy Governor (appointed 26 June 2020)
	Ms Cecilia M. Demby	-	Re-appointed 18 October 2021
	Mr George Taylor	-	Re-appointed 25 October 2021
	Mr Sheikh R. Kamara	-	Re-appointed 31 October 2021
	Mrs Amy Myers	-	Re-appointed 19 September 2022
	PC Dr. Michael Shamsu Mustapha Ngebeh VI	-	Appointed 13 January 2022
Senior management	: Dr. Ibrahim L. Stevens	-	Governor
	Dr. Joseph Ansu Tucker	-	Deputy Governor, Monetary Stability
	Mr Sheikh A. Y. Sesay	-	Deputy Governor, Financial Stability
	Ms Jenneh Jabati	-	COO/ OIC, Human Resources Department
	Mr Alhaji Salihu Dukuray	-	Chief Internal Auditor
	Mrs. Hanifa Addai	-	Director, Management Information Systems Department
	Mrs Veronica Finney	-	Director, General Services Department
	Mr Morlai Bangura	-	Director, Governor’s Office
	Ms Hawa E. Kallon	-	Director, Secretary’s Department
	Mr Sullay Alhaji Mannah	-	Director, Governor’s Office
	Mr Alfred W. B. Samah	-	Director, Banking and Payment Systems Department
	Mr Eugene Caulker	-	Director, Monetary Policy Department
	Mr Mohamed S. Bah	-	Director, Banking Supervision Department
	Mr Chrispin Dennison-George	-	Director, Governor's Office
	Mr Thomas M Boima	-	Director, Financial Markets Department
	Mr Hilton Jarrett	-	Director, Financial Stability Department
	Dr. Robert Dauda Korsu	-	Director, Research and Statistics Department
	Ms Mona K S Kabba	-	Deputy Director, Legal Affairs Department
	Ms Esther Johnson	-	Deputy Director,, Other Financial Institutions Supervision Department
	Mrs Sylvia Kawaley	-	Officer -in -Charge, Finance Department
	Mrs Feima Jabati	-	Officer-in-Charge, Governor's Office (Procurement Unit)
	Mr Amara Sumaila	-	Officer -in-Charge, Risk Management Unit
Registered office	: Siaka Stevens Street Freetown		
Solicitors	: Lambert and Partners 40 Pademba Road Freetown		
Secretary to the Board	: Ms Hawa E. Kallon		
Auditors	: Baker Tilly SL Chartered Accountants Baker Tilly House 37 Siaka Stevens Street Freetown		

Report of the Directors

The Directors have pleasure in submitting their report to the Government of Sierra Leone together with the audited financial statements for the year ended 31 December 2023.

Principal activity

The principal activity of the Bank is to:

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

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

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

(d) conduct foreign exchange operations;

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

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

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

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

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

Directors' responsibility statement

The Bank's Directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at 31 December 2023 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Bank of Sierra Leone Act 2019 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Report of the Directors *(continued)*

Share capital

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

Results for the year

Loss for the period was **SLE 597.78 million** (2022: loss of SLE 1.36 billion).

Audit and Risk Committee

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

Monetary Policy Committee

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

Board Finance and Information Technology Strategy Committee

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

Board Human Resource Committee

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

Banking Supervision Technical Committee

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

Financial Policy Committee

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

Report of the Directors *(continued)*

Foreign Investment Committee

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

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

Foreign Assets Committee

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

Project Monitoring Committee

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

Property and equipment

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

Employment of disabled people

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

Health, safety and welfare at work

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

Employee involvement and training

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

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

Report of the Directors *(continued)*

Directors and their interest

The following were Directors of the Bank as at 31 December 2023:

Dr. Ibrahim L. Stevens	- Governor	- (appointed November 2023)
Dr Joseph Ansu Tucker	- Deputy Governor	- (appointed 21 December 2023)
Mr Sheikh A. Y. Sesay	- Deputy Governor financial Stability	- Deputy Governor (appointed 26 June 2020)
Ms Cecilia M. Demby	- Director	- Re-appointed 18 October 2021
Mr George Taylor	- Director	- Re-appointed 25 October 2021
Mr Sheikh R. Kamara	- Director	- Re-appointed 31 October 2021
Mrs Amy Myers	- Director	- Re- Appointed 19 September 2022
PC Dr. Michael Shamsu Mustapha Ngebeh VI	- Director	- Appointed 13 January 2022

Dr. Ibrahim L. Stevens was appointed on November 16, 2023 as Governor whilst Dr Joseph Ansu Tucker was appointed on 21 December 2023 as deputy Governor (Monetary Stability) and Sheik A. Y. Sesay was appointed on 26 June 2020 as Deputy Governor (Financial Stability).

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

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

Auditors

The auditors, Baker Tilly were appointed by the Acting Auditor-General on 15th January 2024 to conduct the audit of the financial statements for the year ended 31 December 2023.

Approval of the financial statements

The financial statements were approved by the Board of Directors on ....July.....11.....2024

....
Governor

....
Director

....
Secretary

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

Independent Auditor's Report
To the Government of Sierra Leone

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank of Sierra Leone, which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2023 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Bank of Sierra Leone Act 2019.

Basis for opinion

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

Key audit matters

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

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

Key audit matters (continued)

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

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

Key audit matters (continued)

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

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

Key audit matters (continued)

Key audit matter (continued	How the matter was addressed in the audit
Impairment of financial assets (continued)	**Impairment of financial assets**
	- Validating that the discount rate used in discounting the estimated future cash flows meet the effective interest - Verifying the source of the credit ratings used and check the appropriateness of the ratings in accordance with IFRS 9 - Tested the disclosures to ensure that the required disclosures under IFRS 9 and 7 have been appropriately disclosed - Verifying the source of the credit ratings used and check the appropriateness of the ratings in accordance with IFRS 9

Other information

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

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

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

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

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

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

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

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

Auditor's responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

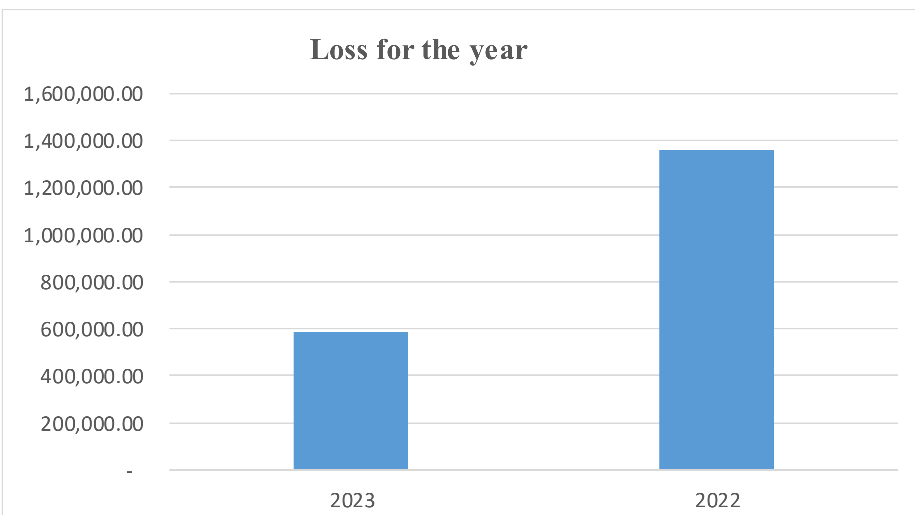
Baker Tilly

Chartered Accountants

Freetown

Date: 11 July 2024

Financial highlights



Statement of financial position
as at 31 December

In thousands of New Leones	Note	2023	2022
Assets			
Cash and cash equivalents	*16*	**3,834,892**	4,535,312
Funds held with International Monetary (IMF)	*17*	**14,744,125**	12,833,027
Loans and advances to others	*18a*	**17,515**	13,158
Due from Government of Sierra Leone	*18b*	**6,421,700**	4,685,478
COVID-19 special credit facility to banks	*18c*	**31,362**	315,174
Investment in equity	*19*	**223,721**	196,437
Investment securities	*20*	**5,189,566**	3,603,452
Property, plant and equipment	*21*	**235,551**	226,288
Other assets	*22*	**1,300,565**	774,605
Total assets		**31,998,997**	27,182,931
Liabilities			
Amounts due to International Monetary Fund (IMF)	*23*	**22,318,718**	20,338,509
Deposits from Government	*24*	**1,491,036**	936,045
Deposits from Banks	*25*	**1,562,342**	989,444
Deposits from others	*26*	**86,444**	66,036
Currency in circulation	*27*	**7,306,522**	5,181,265
Other liabilities	*28*	**766,541**	654,247
End of service benefit	*29*	**144,527**	122,212
Total liabilities		**33,676,130**	28,287,758
Equity			
Share capital	*30*	**125,000**	125,000
General reserve	*31(a)*	**(1,826,843)**	(1,253,509)
Revaluation reserves	*31(b)*	**32,793**	32,793
Other reserves	*31(c)*	**(8,083)**	(9,111)
Total equity attributable to equity holders of the Bank		**(1,677,133)**	(1,104,827)
Total liabilities and equity		**31,998,997**	27,182,931

These financial statements were approved by the Board of Directors on ......July 11...... **2024**

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

The notes on pages 19 to 95 are an integral part of these financial statements

Statement of profit or loss and other comprehensive income

for the year ended 31 December

In thousands of New Leones	**Note**	**2023**	2022
Interest and similar income	*8*	**1,378,125**	502,236
Interest expenses and similar charges	*8*	**(306,668)**	(47,913)
Net interest income		**1,071,457**	454,323
Fees and commission income	*9*	**7,703**	4,734
Fees and commission expense	*9*	**(514)**	(315)
Net fee and commission income		**7,189**	4,419
Net exchange (loss)/gain	*10*	**(884,384)**	(804,698)
Other income	*11*	**6,820**	9,822
Operating (loss)/income		**201,082**	(336,134)
Personnel expenses	*12*	**(287,524)**	(202,646)
Currency issue expenses	*13*	**(304,814)**	(654,020)
Depreciation and amortisation	*21*	**(5,473)**	(5,621)
(Impairment loss)/release on loans and advances	*14(a)*	**(63,073)**	(71,374)
Other expenses	*14(b)*	**(137,977)**	(89,710)
Loss for the year		**(597,779)**	(1,359,505)
Loss income			
Defined benefit plan actuarial gain/(loss)		**1,028**	2,062
Other comprehensive income for the year		**-**	-
Total comprehensive loss for the year		**(596,751)**	(1,357,443)

The notes on pages 19 to 95 are an integral part of these financial statements

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

In thousands of New Leones	Note	2023	2022
Loss attributable to:			
Equity holders of the Bank		**(597,779)**	(1,359,505)
Loss for the year		**(597,779)**	(1,359,505)
Total comprehensive loss attributable to:			
Equity holders of the Bank		**(596,751)**	(1,357,443)
Total comprehensive loss for the year		**(596,751)**	(1,357,443)

These financial statements were approved by the Board of Directors on July 11 **2024**

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

The notes on pages 19 to 95 are an integral part of these financial statements

Statement of changes in equity
for the year ended 31 December 2023

In thousands of New Leones	**Share capital**	**Property revaluation reserve**	**General reserve**	**Other reserve**	**Total**
Balance at 1 January 2023	**125,000**	**32,793**	**(1,253,509)**	**(9,111)**	**(1,104,827)**
Total comprehensive income for the year					
Net loss for the year	-	-	**(597,779)**	-	**(597,779)**
Securities reserves	-	-	-	-	-
Other comprehensive income					
Fair value reserve (non-interest-bearing securities)	-	-	-	-	-
Actuarial gain/ (loss)	-	-	-	**1,028**	**1,028**
Prior year adjustment	-	-	**24,445**	-	**24,445**
Total other comprehensive income for the year	**125,000**	**32,793**	**(1,826,843)**	**(8,083)**	**(1,677,133)**
Total comprehensive income and other transfers					
Subscribed during the year	-	-	-	-	-
Deposit for shares	-	-	-	-	-
Total contribution by and distribution to owners	-	-	-	-	-
Balance at 31 December 2023	**125,000**	**32,793**	**(1,826,843)**	**(8,083)**	**(1,677,133)**

The notes on pages 19 to 95 are in integral part of these financial statements

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

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

The notes on pages 19 to 95 are an integral part of these financial statements

Statement of cash flows
for the year ended 31 December

In thousands of New Leones	*Note*	**2023**	2022
Cash flows from operating activities			
Profit/ (loss) for the year		**(597,779)**	(1,359,505)
Adjustment for:			
Depreciation and amortisation	*21*	**5,473**	5,621
Impairment losses on loans and advances		**-**	-
Net interest income	*8*	**(1,071,457)**	(454,323)
Fixed asset write-off			-
Loss on disposals		**(6)**	-
Fixed assets adjustments	21	**10**	65
Actuarial gain/(loss)/ on defined benefit obligation	*29d*	**1,028**	2,062
Prior year adjustment		**24,445**	14,978
Changes in:		**(1,638,286)**	(1,791,102)
Loans and advances to others		**(4,357)**	(960)
Due from Government of Sierra Leone		**(1,736,222)**	(1,047,824)
Advances to banks		**283,812**	273,528
Other assets		**(525,960)**	(440,946)
Currency in circulation		**2,125,257**	1,358,851
Government deposit		**554,991**	574,917
Other deposits		**20,408**	9,657
Deposits from banks		**572,898**	147,767
Other liabilities		**112,294**	243,078
End of service benefit		**22,315**	20,452
		(212,850)	(652,582)
Interest received	*8*	**1,378,125**	502,236
Interest paid	*8*	**(306,668)**	(47,913)
Net cash generated from operating activities		**858,607**	(198,259)
Cash flows from investing activities			
(Purchase)/disposal of Investment Securities		**(1,586,114)**	(2,514,632)
Acquisition of investment in equity		**(27,284)**	(112,193)
Acquisition of property and equipment		**(14,746)**	(19,123)
Proceeds from sale of property, plant and equipment		**6**	-
Net cash generated from/(used in) investing activities		**(1,628,138)**	(2,645,948)
Cash flows from financing activities			
Net change in funds from the IMF		**69,111**	2,124,223
Additional capital subscribed		-	-
Net movement in reserves		-	-
Net cash from financing activities		**69,111**	2,124,223
Net increase in cash and cash equivalents		**(700,420)**	(719,984)
Cash and cash equivalents at 1 January		**4,535,312**	5,255,296
Cash and cash equivalent at 31 December	*16*	**3,834,892**	4,535,312

The notes on pages 19 to 95 are an integral part of these financial statements

Notes to the financial statements

1. Reporting entity

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

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

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

2. Basis of accounting

The financial statements of Bank of Sierra Leone have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Bank of Sierra Leone Act 2019. They were authorised for issue by the Bank's Board of Directors on .....July...11...... 2024.

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

3. Functional and presentation currency

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

4. Use of judgements and estimates

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

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2023 is set out below in relation to the impairment of financial instruments and in the following notes:

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

Notes to the financial statements *(continued)*

4. Use of judgements and estimates (continued)

Assumptions and estimation uncertainties (continued)

Impairment of financial instruments

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

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

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

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

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

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

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

- Completeness and valuation of post model adjustments; and

- Accuracy and adequacy of the financial statements disclosures.

Notes to the financial statements *(continued)*

5. Financial risk review

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

(a) Credit risk

Credit quality

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

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

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

Notes to the financial statements *(continued)*

5. Financial risk review (continued)

(a) Credit risk (continued)

	Credit rating	2023	% of FA	2022	% of FA
Cash balances with Central Banks	AAA - Aa2	**1,033,786**	**6.67**	2,512,208	19.06
Cash and balances with supranational organizations	Aaa - B1/N/R	**2,548,272**	**16.43**	1,592,066	12.08
Cash and balances with commercial banks	Aa3 - B2/BB*/N/R	**252,273**	**1.63**	425,389	3.23
Cash balances with non-banking financial institutions	N/R	**561**	**0.0004**	5,649	0.04
Advances	N/R	**6,470,577**	**41.73**	5,013,810	38.04
Investment securities	Baa1/B*	**5,189,566**	**33.47**	3,603,452	27.34
Contingencies and commitments	N/R	**10,172**	**0.07**	27,639	0.21
Total		**15,505,207**	**100**	13,180,213	100

Notes to the financial statements *(continued)*

5. Financial risk review (continued)

(a) Credit risk (continued)

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

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

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

Concentration analysis

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

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

Notes to the financial statements *(continued)*

5. Financial risk review (continued)

(a) Credit risk (continued)

Assets

In thousands of New Leones	**GBP**	**Euro**	**US$**	**SDR**	**Leone and Others**	**Total**
At 31 December 2023						
Cash and cash equivalents	**21,041**	**2,443**	**3,805,357**	**-**	**6,052**	**3,834,892**
IMF assets	**-**	**-**	**-**	**14,744,125**	**-**	**14,744,125**
Advances	**-**	**-**	**-**	**-**	**6,470,577**	**6,470,577**
Investment in equity	**-**	**-**	**223,721**	**-**	**-**	**223,721**
Investment securities	**-**	**-**	**-**	**-**	**5,189,566**	**5,189,566**
Total assets	**21,041**	**2,443**	**4,029,078**	**14,744,125**	**11,666,195**	**30,462,881**

Notes to the financial statements *(continued)*

5. Financial risk review (continued)

(a) Credit risk (continued)

Assets

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

Notes to the financial statements *(continued)*

5. Financial risk review (continued)

(b) Liquidity risk

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

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

(i) Maturity analysis for financial assets and financial liabilities

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

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

Notes to the financial statements *(continued)*

5. Financial risk management (continued)

(b) Liquidity risk (continued)

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

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

31 December 2023

In thousands of New Leones	Note	Carrying amount	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Financial asset by type							
Non-derivative liabilities							
Cash balances with central banks	*16*	**1,033,786**	**1,033,786**	-	-	-	-
Cash balances with supranational organisations	*16*	**2,548,272**	**-**	**2,548,272**	**-**	**-**	**-**
Cash and balances with commercial Banks	*16*	**252,273**	**-**	**252,273**	**-**	**-**	**-**
Cash balances with non-banking financial institution	*16*	**561**	-	**561**	-	-	-
International Monetary Fund related assets	*17*	**14,744,125**	-	-	**14,744,125**	-	-
Investment in equity	*19*	**223,721**	**-**	**-**	**223,721**	**-**	**-**
Loans and advances	*18*	**6,470,577**	**-**	**6,421,700**	**31,362**	**15,727**	**1,788**
Investment securities	*20*	**5,189,566**	-	**8,632**	**4,445,126**	**732,159**	**3,649**
		30,462,881	**1,033,786**	**9,231,438**	**19,444,334**	**747,886**	**5,437**
Financial liability by type							
Non-derivative assets							
IMF Special drawing rights allocation	*23*	**22,318,718**	**-**	**-**	**22,318,718**	**-**	**-**
Deposit from Government	*24*	**1,491,036**	**-**	**-**	**1,491,036**	**-**	**-**
Deposit from banks	*25*	**1,562.342**	**-**	**-**	**1,562,342**	**-**	**-**
Deposit from others	*26*	**8,444**	**86,444**	**-**	**-**	**-**	**-**
End of service benefit	*29*	**144,527**	**-**	**-**	**-**	**144,527**	**-**
Unrecognised loan commitment		**10,172**	-	-	-	**10,172**	-
		25,613,239	**86,444**	**-**	**25,372,096**	**154,699**	**-**

Notes to the financial statements _(continued)_

5. Financial risk management (continued)

(b) Liquidity risk (continued)

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

31 December 2022

In thousands of New Leones	**Note**	Carrying amount	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Financial asset by type							
Non-derivative liabilities							
Cash balances with central banks	_16_	2,512,208	2,512,208				
Cash balances with supranational organisations	_16_	1,592,066	-	1,592,066	-	-	-
Cash and balances with commercial Banks	_16_	425,389	-	425,389	-	-	-
Cash balances with non-banking financial institution	_16_	5,649	-	5,649	-	-	-
International Monetary Fund related assets	_17_	12,833,027	-	-	12,833,027	-	-
Investment in equity	_19_	196,437	-	-	196,437	-	-
Loans and advances	_18_	5,013,810	-	4,685,478	315,174	11,164	1,994
Investment securities	_20_	3,603,452	-	6,603	2,853,744	732,159	10,946
		26,182,038	2,512,208	6,715,185	16,198,382	743,323	12,940
Financial liability by type							
Non-derivative assets							
IMF Special drawing rights allocation	_23_	20,338,509	-	-	20,338,509	-	-
Deposit from Government	_24_	936,045	-	-	936,045	-	-
Deposit from banks	_25_	989,444	-	-	989,444	-	-
Deposit from others	_26_	66,036	66,036	-	-	-	-
End of service benefit	_29_	122,212	-	-	-	122,212	-
Unrecognised loan commitment		27,639	-	-	-	27,639	-
		22,479,885	66,036	-	22,263,998	149,851	-

Notes to the financial statements *(continued)*

5. Financial risk management (continued)

(b) Liquidity risk (continued)

Liquidity reserve

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

In thousands of new Leones	**2023 Carrying amount**	**2023 Fair value**	2022 Carrying amount	2022 Fair value
Cash in hand	**561**	**561**	5,649	5,649
Balances with other Central Banks	**1,033,786**	**1,033,786**	2,512,208	2,512,208
Balances with Supranational Organisations	**2,548,272**	**2,548,272**	1,592,066	1,592,066
Balances with Commercial Banks	**252,273**	**252,273**	425,389	425,389
Cash balances with non-Banking financial institutions	**-**	**-**	-	-
International Monetary Fund related assets	**14,744,125**	**14,744,125**	12,833,027	12,833,027
Investment in equity	**223,721**	**223,721**	196,437	196,437
Advances	**6,470,577**	**6,470,577**	5,013,810	5,013,810
Investment securities	**5,189,566**	**5,189,566**	3,603,452	3,603,452
	30,462,881	**30,462,881**	**26,182,038**	**26,182,038**

Pledged assets

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

(c) Market risks

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

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

(i) Management of interest rate risk

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

Notes to the financial statements *(continued)*

5. Financial risk management (continued)

(c) Market risks (continued)

(i) Management of interest rate risk (continued)

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

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

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

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

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

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

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

In thousands of New Leones	**200 bp (2%) Increase 2023**	**200bp (2%) Decrease 2023**
Interest income impact	**27,563**	**(27,563)**
Interest expense impact	**(6,133)**	**6,133**
Net impact	**21,430**	**(21,430)**

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

Notes to the financial statements *(continued)*

5. Financial risk management (continued)

(c) Market risks (continued)

(i) Management of interest rate risk (continued)

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

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

Management of exchange rate risk

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

Notes to the financial statements *(continued)*

5. Financial risk management (continued)

(c) Market risks (continued)

(i) Management of interest rate risk (continued)

Management of exchange rate risk (continued)

Currency risk

Concentrations of assets, liabilities and off balance sheet items

At 31 December 2023

In thousands of New Leones	GBP	Euro	US$	SDR	Other	Total
Cash and balance with the banks	21,041	2,443	3,805,357	-	6,051	3,834,892
IMF assets	-	-	-	14,744,125	-	14,744,125
Loans and advances	-	-	-	-	6,470,577	6,470,577
Investment in equity	-	-	223,721	-	-	223,721
Investment in securities	-	-	-	-	5,189,566	5,189,566
Total assets	21,041	2,443	4,029,078	14,744,125	11,666,194	30,462,881
Liabilities						
IMF drawing rights allocation	-	-	-	22,318,718	-	22,318,718
Deposit from Government	-	-	-	-	1,491,036	1,491,036
Deposit from Banks	-	-	-	-	1,562,342	1,562,342
Deposit from others	-	-	-	-	86,444	86,444
End of service benefit	-	-	-	-	144,527	144,527
Total liabilities	-	-	-	22,318,718	3,284,349	25,603,067
Net on-balance sheet position	21,041	2,443	4,029,078	(7,574,593)	8,381,845	4,859,814

Notes to the financial statements *(continued)*

5. Financial risk management (continued)

(c) Market risks (continued)

(i) Management of interest rate risk (continued)

Management of exchange rate risk (continued)

Currency risk (continued)

Concentrations of assets, liabilities and off-balance sheet items

At 31 December 2022

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

Notes to the financial statements *(continued)*

5. Financial risk management (continued)

(c) Market risks (continued)

(i) Management of interest rate risk (continued)

Management of exchange rate risk (continued)

Foreign currency sensitivity analysis

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

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

At 31 December 2023

In thousands of New Leones	GBP	Euro	US$	SDR	Other	Total
Cash and balance with the banks	2,104	244	380,536	-	605	383,489
IMF assets	-	-	-	1,474,413	-	1,474,413
Loans and advances	-	-	-	-	647,058	647,058
Investment in equity	-	-	22,372	-	-	22,372
Investment in securities	-	-	-	-	518,957	518,957
Total assets	**2,104**	**244**	**402,908**	**1,474,413**	**1,166,620**	**3,046,289**
Liabilities						
IMF drawing rights allocation	-	-	-	2,231,872	-	2,231,872
Deposit from Government	-	-	-	-	149,104	149,104
Deposit from Banks	-	-	-	-	156,234	156,234
Deposit from others	-	-	-	-	8,644	8,644
End of service benefit	-	-	-	-	14,453	14,453
Total liabilities	**-**	**-**	**-**	**2,231,872**	**328,435**	**2,560,307**
Net on-balance sheet position	**2,104**	**244**	**402,908**	**(757,459)**	**838,185**	**485,982**

Notes to the financial statements *(continued)*

5. Financial risk management (continued)

(c) Market risks (continued)

(i) Management of interest rate risk (continued)

Management of exchange rate risk (continued)

Foreign currency sensitivity analysis (continued)

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

At 31 December 2022

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

Notes to the financial statements *(continued)*

5. Financial risk management (continued)

(c) Market risks (continued)

(i) Management of interest rate risk (continued)

Management of exchange rate risk (continued)

Foreign currency sensitivity analysis (continued)

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

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

At 31 December 2023

In thousands of New Leones	GBP	Euro	US$	SDR	Other	Total
Cash and balance with the banks	(2,104)	(244)	(380,536)	-	(605)	(383,489)
IMF assets	-	-	-	(1,474,413)	-	(1,474,413)
Loans and advances	-	-	-	-	(647,058)	(647,058)
Investment in equity	-	-	(22,372)	-	-	(22,372)
Investment in securities	-	-	-	-	(518,957)	(518,957)
Total assets	(2,104)	(244)	(402,908)	(1,474,413)	(1,166,620)	(3,046,289)
Liabilities						
IMF drawing rights allocation	-	-	-	(2,231,872)	-	(2,231,872)
Deposit from Government	-	-	-	-	(149,104)	(149,104)
Deposit from Banks	-	-	-	-	(156,234)	(156,234)
Deposit from others	-	-	-	-	(8,644)	(8,644)
End of service benefit	-	-	-	-	(14,453)	(14,453)
Total liabilities	-	-	-	(2,231,872)	(328,435)	(2,560,307)
Net on-balance sheet position	(2,104)	(244)	(402,908)	757,459	(838,185)	(485,982)
Credit commitments						

Notes to the financial statements *(continued)*

5. Financial risk management (continued)

(c) Market risks (continued)

(i) Management of interest rate risk (continued)

Management of exchange rate risk (continued)

Foreign currency sensitivity analysis (continued)

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

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

At 31 December 2022

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

Notes to the financial statements *(continued)*

5. Financial risk management (continued)

(c) Market risk (continued)

(i) Management of interest rate risk (continued)

Management of exchange rate risk (continued)

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

(d) Operational risks

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

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

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

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

Notes to the financial statements *(continued)*

6. Fair value of financial instruments

See accounting policy in note 38(g).

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

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

(a) Valuation models

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

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

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

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

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

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

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

Notes to the financial statements *(continued)*

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

(b) Valuation framework

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

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

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

Principal Financial Instruments – Classification

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

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

Notes to the financial statements *(continued)*

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

Financial instruments by category

Financial assets

	Fair value through profit or loss		Amortised cost (Loans and receivables)		Fair value through Other comprehensive income	
	2023	2022	**2023**	2022	**2023**	2022
	SLE'000	SLE'000	**SLE'000**	SLE'000	**SLE'000**	SLE'000
Cash and cash equivalents	-	-	**3,834,892**	4,535,312		-
Funds held with International Monetary Fund IMF	-	-	**8,400,215**	7,634,235	**6,343,910**	5,198,792
Loan and advances to others	-	-	**17,515**	13,158	-	-
Due from Government of Sierra Leone	-	-	**6,421,700**	4,685,478	-	-
Loans and advances to banks	-	-	**31,362**	315,174	-	-
Investment securities	-	-	**5,189,566**	3,603,452	-	-
Equity investments	**223,721**	196,437	-	-	-	-
Other financial assets	-	-	**13,778**	13,265	-	-
Total financial assets	**223,721**	196,437	**23,909,028**	20,800,074	**6,343,910**	5,198,792

Notes to the financial statements *(continued)*

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

Financial instruments by category *(continued)*

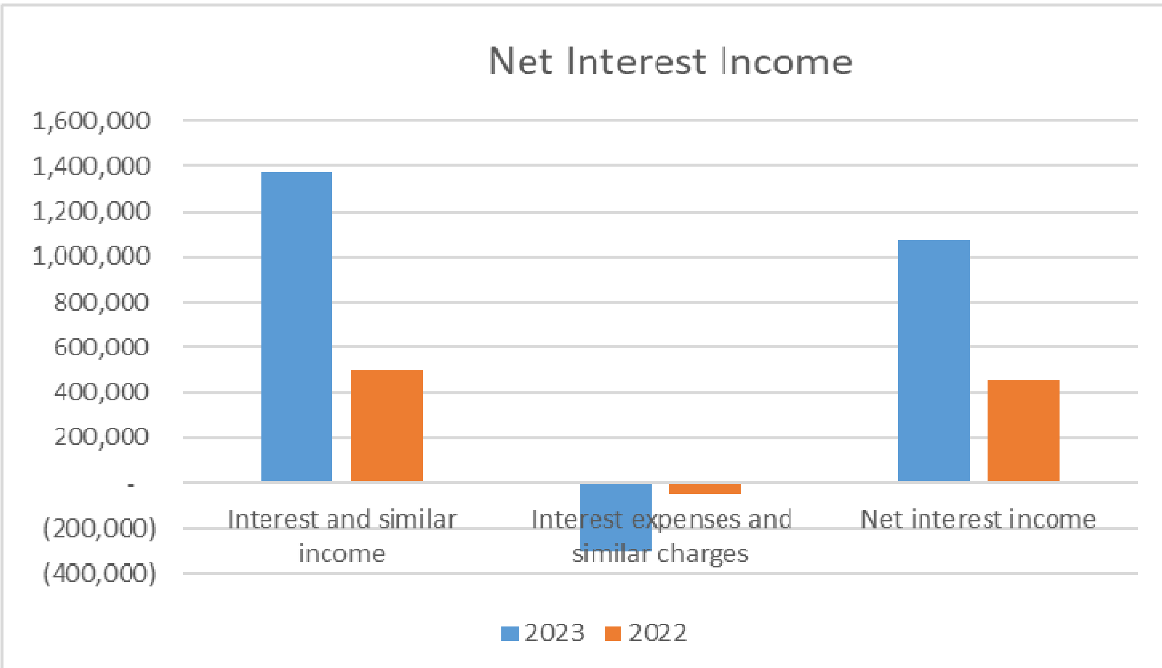
	Fair value through profit or loss		Amortised cost	
	2023	2022	**2023**	2022
	SLE'000	SLE'000	**SLE'000**	SLE'000
Due to International Monetary Fund	**-**	**-**	**22,318,718**	20,338,509
Deposits from Government	-	**-**	**1,491,036**	936,045
Deposit from banks	-	**-**	**1,562,342**	989,444
Deposits from others	-	**-**	**86,444**	66,036
Currency in circulation	-	**-**	**7,306,522**	5,181,265
Other financial liabilities	-	**-**	**766,541**	654,247
Total financial liabilities	**-**	**-**	**33,531,603**	28,165,546
	======	========	========	========

Notes to the financial statements *(continued*

7. Segment reporting

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

8. Net interest income



In thousands of New Leones	**2023**	2022
Interest and similar income		
Foreign investment **(Note 8a)**	**470,453**	164,930
Loans and advances **(Note 8b)**	**112,747**	46,796
Cash and short term funds **(Note 8c)**	**1,795**	1,484
Investment securities **(Note 8d)**	**793,130**	289,026
Balance at 31 December (Note 8e)	**1,378,125**	502,236

Interest expenses and similar charges

In thousands of New Leones	**2023**	2022
IMF interest and charges	**(306,055)**	(47,778)
Others	**(613)**	(135)
Interest expenses	**(306,668)**	(47,913)
Net interest income	**1,071,457**	454,323

Notes to the financial statements *(continued)*

8. Net interest income (continued)

8a. Foreign investment

In thousands of New Leones	**2023**	2022
Interest income on Sterling investments	**16,591**	1,980
Interest income on US Dollar investments	**138,407**	69,167
Interest income on SDR investments	**313,739**	78,142
Interest income on other external investments	**1,716**	15,641
	470,453	164,930

8b. Loans and advances

In thousands of New Leones	**2023**	2022
Interest on loans and advances	**7,506**	10,018
Interest on reverse repos	**105,241**	35,757
Interest on COVID 19 special credit facility	-	1,021
	112,747	46,796

8c. Cash and short-term funds

In thousands of New Leones	**2023**	2022
Income from investment of Bank Funds	**1,795**	1,484

8d. Investment securities

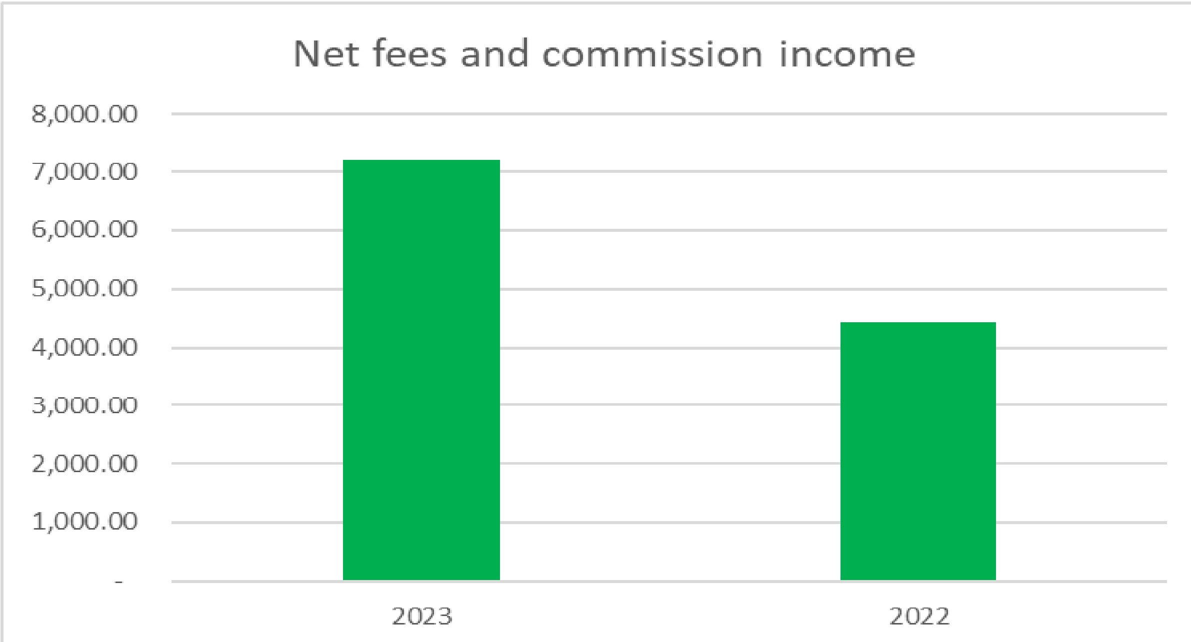
In thousands of New Leones	**2023**	2022
Interest on 91-day treasury bills	**-**	1,982
Interest on 182-day treasury bills	**2**	28
Interest on 1-year treasury bills	**703,619**	208,048
Interest on 2-year treasury bearer bonds	**-**	**-**
Interest on 3-year medium-term bonds	**51,280**	42,031
Interest on 3-year bond	**6,749**	4,816
Interest on 5-year medium-term bonds	**30,830**	30,871
Interest on 10-year bond	**650**	1,250
	793,130	289,026

8e. Additional disclosure on income by source:

In thousands of New Leones	**2023**	2022
Foreign investments	**470,453**	164,930
Local investments	**907,672**	337,306
Other interest earnings	-	-
	1,378,125	502,236

Notes to the financial statements *(continued)*

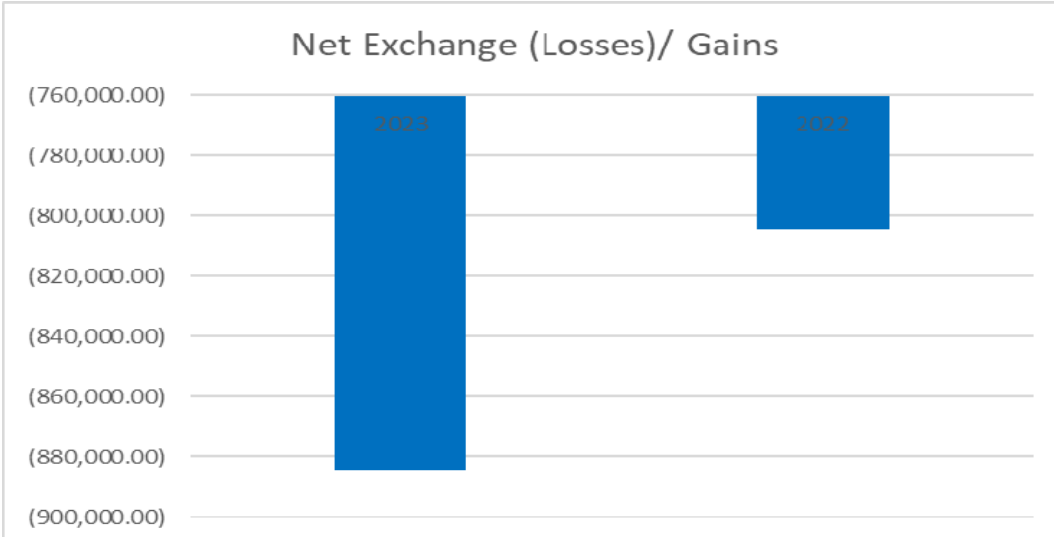
9. Net fee and commission income



In thousands of New Leones	**2023**	2022
Fee and commission income		
Commissions	-	2
Income on automated clearing system/	**7,701**	-
real-time gross settlement fees	-	4,731
Income on collateral registry	-	-
Credit related fees and commission		-
Sandbox fees and charges	**2**	1
	7,703	4,734
Fees and commission expense		
Fees and commission expense	**(514)**	(315)
	(514)	(315)
Net fees and commission income	**7,189**	4,419

Notes to the financial statements *(continued)*

10. Net exchange gains/(loss)



In thousands of New Leones	**2023**	2022
Realised gains/(loss) (10a)	**10,905**	300,572
Unrealised (loss)/gains (10b)	**(895,289)**	(1,105,270)
	(884,384)	(804,698)

10a. Realised gains/(loss)

In thousands of New Leones	**2023**	2022
Exchange gain	**14,965**	308,513
Exchange loss	**(4,060)**	(7,941)
	10,905	300,572

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

10b. Unrealised (loss)/gains

In thousands of New Leones	**2023**	2022
Revaluation loss	**(19,329,761)**	(7,205,027)
Revaluation gain	**18,434,472**	6,099,757
	(895,289)	(1,105,270)

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

Notes to the financial statements *(continued)*

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

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

In thousands of New Leones	**2023**	2022
Loss for the year	**596,751**)	(1,359,505)
Less: Revaluation loss	**(19,329,761**)	(7,205,028)
Revaluation gains	**18,434,472**	6,099,758
Net revaluation (loss)/gains	**(895,289)**	(1,105,270)
Operational loss for the year excluding unrealised exchange gains/(loss)	**(309,748)**	(254,235)

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

11. Other income

In thousands of New Leones	**2023**	2022
Rent received	**336**	291
Grant income	**-**	19
Regulatory fees and charges	**3,191**	2,207
Sundry receipts	**3,271**	7,238
Revenue from sale of bidding documents	**8**	-
(Loss)/Profit on disposal of fixed assets	**(6)**	-
Interest received	**20**	67
	6,820	9,822

12. Personnel expenses

In thousands of New Leones	**2023**	2022
Salaries and wages	**191,834**	125,087
Rent allowance	**34,496**	25,805
Social Security	**12,371**	9,484
Overtime	**516**	429
Training scheme	**7,261**	1,996
Staff welfare	**4,032**	6,243
End of service benefit	**27,005**	25,491
Medical expenses	**10,009**	8,111
	287,524	202,646

Notes to the financial statements *(continued)*

13. Currency issue expense

In thousands of New Leones	**2023**	2022
Currency management	**4,010**	6,019
Currency Issue expenses	**300,804**	648,001
	304,814	654,020

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

14. Other expenses

14a. Impairment losses on financial instruments

In thousands of New Leones	**2023**	2022
(Impairment losses)/release	**63,073**	(71,374)

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

14b. Other expenses

In thousands of New Leones	**2023**	2022
Occupancy cost	**627**	1,052
Audit fees	**750**	619
Legal and professional fees	**32,140**	24,384
Directors' remuneration	**21,547**	10,236
Advertisement	**2,729**	698
Electricity	**8,185**	5,477
Insurance	**767**	1,036
Passage and overseas allowances	**13,408**	9,444
Repairs and maintenance	**3,278**	4,301
Hospitality	**3,759**	2,296
Contributions to International organisations	**25,231**	14,414
General office expenses	**2,443**	1,783
Vehicle running expenses	**1,907**	1,162
Printing and stationeries	**1,131**	825
Telephone and postages	**463**	459
Travelling and local subsistence	**1,411**	893
Uniforms	**1,777**	1,187
Computer consumables	**1,184**	1,343
Capital markets development	**2,317**	664
Maintenance contracts	**9,590**	4,353
Others	**1,921**	3,077
Other assets expense (write-off)	**184**	-
Various stores expense (write-off)	**1,228**	7
	137,977	89,710

Notes to the financial statements *(continued)*

15. Profit/(Loss) for the year

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

In thousands of New Leones	**2023**	2022
Depreciation and amortisation	**5,473**	5,621
Directors remuneration	**21,547**	10,236
Audit fees	**750**	619

16. Cash and cash equivalent

In thousands of New Leones	**2023**	2022
Cash in hand	**561**	5,649
Balance with other Central Banks	**1,033,926**	2,512,547
Balances with Supranational Organizations	**2,548,616**	1,592,281
Balances with Commercial Banks	**252,335**	425,419
Cash balances with non-banking financial Institutions	-	-
	3,835,438	4,535,896
Provision for expected credit losses (16a)	**(546)**	(584)
	3,834,892	4,535,312

16a. Expended credit loss

In thousands of New Leones	**2023**	2022
At 1 January	**584**	670
(Release)/Charge for the year	**(38)**	(86)
Write off during the year	-	-
	546	584

17. Funds held with International Monetary Fund (IMF)

In thousands of New Leones	**2023**	2022
IMF Quota subscription	**6,343,910**	5,198,792
SDR Holdings	**8,400,215**	7,634,235
	14,744,125	12,833,027

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

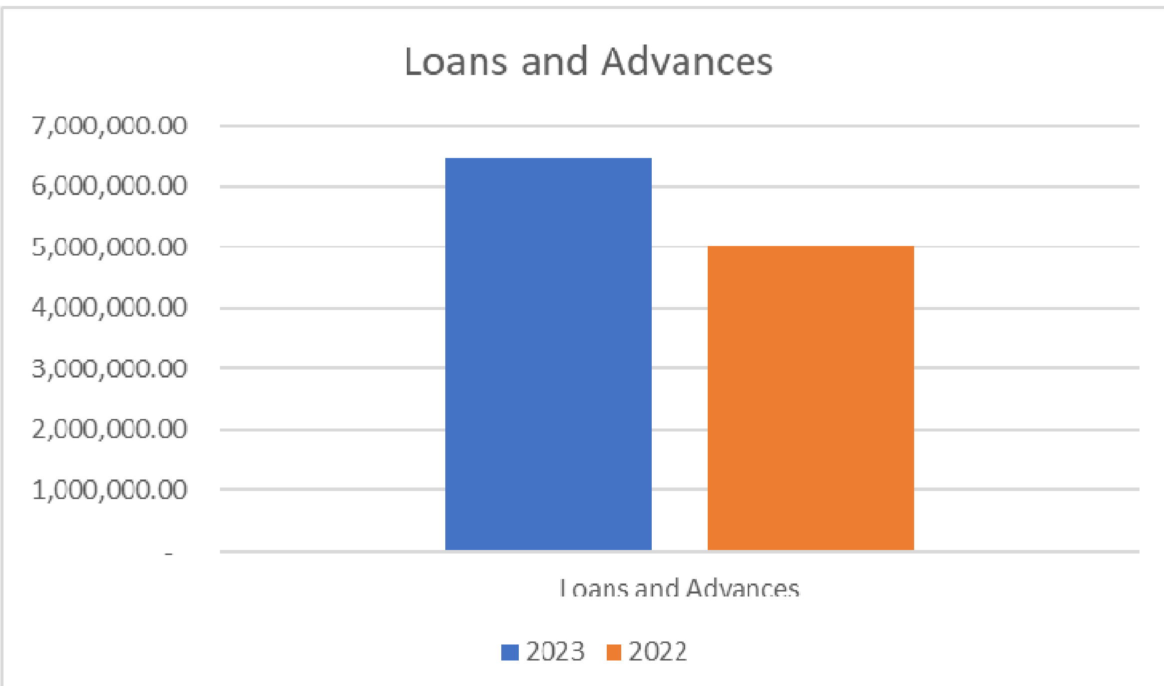
Notes to the financial statements *(continued)*

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

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

As at 31 December 2023 the amount of assets held in the fund was SDR **207.4** million (2022: SDR 207.4 million) The SDR holdings held at 31 December 2023 was SDR **274.6** million (2022: SDR 304.5 million).

18. Loans and advances



In thousands of New Leones	**2023**	2022
Loans and advances to others (Note 18a(i))	**17,515**	13,158
Due from Government of Sierra Leone (Note 18b)	**6,421,700**	4,685,478
Special credit facilities to Banks (Note 18c)	**31,362**	315,174
	6,470,577	5,013,810

Notes to the financial statements *(continued)*

18. Loans and advances (continued)

18a. Loans and advances to others

(i) Analysis by type

In thousands of Leone	**2023**	2022
Staff (18(iii)	**17,631**	13,274
Others (18(iv)	**1,788**	1,994
Gross loans and advances	**19,419**	15,268
Less: allowances for losses on loans and advances to others (18(ii))	**(1,904)**	(2,110)
	17,515	13,158

(ii) Expected credit loss

In thousands of Leone	**2023**	2022
At 1 January	**2,110**	2,505
(Release)/Charge for the year	**(206)**	(394)
Write off		(1)
	1,904	2,110

(iii) Staff

In thousands of Leone	**2023**	2022
Personal loan	**7,090**	3,682
Housing Loan	**749**	262
Vehicle loan	**8,936**	4,287
Staff advance	**482**	9
Personal loan II	**374**	5,034
Balance at 31 December	**17,631**	13,274

(iv) Others

In thousands of New Leones	**2023**	2022
Advances to contractors		
Loan to Sierra Leone Stock Exchange Company Limited	**1,000**	1,000
Other advances	**788**	994
Balance at 31 December	**1,788**	1,994

Notes to the financial statements *(continued)*

18. Loans and advances (continued)

18a. Loans and advances to others (continued)

(v) Allowances for impairment

In thousands of New Leones	**2023**	2022
Specific allowances for impairment		
Balance at 1 January	**2,110**	2,505
Impairment loss for the year	**(206)**	(394)
Write-off during the year	-	(1)
Balance at 31 December	**1,904**	2,110
Collective allowance for impairment		
Balance at 1 January	-	-
Impairment loss for the year	-	-
Balance at 31 December	**-**	-
Total allowances for impairment	**1,904**	2,110

18b. Due from Government of Sierra Leone

Advances to Government:

In thousands of New Leones	**2023**	2022
GoSL /IMF Budget Financing	**4,224,702**	3,530,746
Treasury main	**2,339,201**	1,256,913
SLL COVID-19 SLL	-	-
Min. of Foreign Affairs imprest A/C	-	-
Min. of Energy Elec. Power A/c	**5,611**	5,669
	6,569,514	4,793,328
Provision for expected credit loss (18b (i))	**(147,814)**	(107,850)
	6,421,700	4,685,478

(i) Expected credit loss

In thousands of New Leones	**2023**	2022
At 1 January	**107,850**	83,731
Charge for the year	**39,964**	24,119
Write off	-	-
	147,814	107,850

Notes to the financial statements *(continued)*

18. Loans and advances (continued)

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

The Ways and Means is an overdraft facility granted to the Government of Sierra Leone. The maximum it can withdraw should not exceed 5% of previous year's domestic revenue. At the end of the year the outstanding ways and means balance is repaid in the coming year within three months period as stipulated in the 2019 BSL Act. The Ways and Means of **Le186 million** is part of Treasury Main in note 18b due to Government.

(ii) Ways and Means advances

In thousands of New Leones	**2023**	2022
Ways and means advances brought forward	**117,989**	196,193
Advances during the year	**8,593,460**	6,044,997
Receipts during the year	**(8,525,429)**	(6,123,201)
Ways and means advances carried forward	**186,020**	117,989

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

(iii) Others

In thousands of New Leones	**2023**	2022
GoSL/IMF budget financing	**4,224,702**	3,530,746
	4,224,702	3,530,746

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

In thousands of New Leones	**2023**	2022
Ways and Means Advances	**186,020**	117,989
Government actual revenue in previous year	**9,401,518**	6,957,680
5% thereof	**(470,076)**	347,884
Buffer in Government lending	**(284,056)**	(229,895)

Notes to the financial statements *(continued)*

18. Loans and advances (continued)

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

(iii) Others (continued)

The Directors report the balance of advances due from the Government of Sierra Leone as at 31 December 2023 amounting to **SLE 186,020,784** (2022: SLE 117,989,405). The balance outstanding was within the limit specified in the Bank of Sierra Leone Act 2019.

18c. Special Credit Facility to Banks

In thousands of New Leones	**2023**	2022
BSL COVID-19 special credit facility	**19,592**	19,592
BSL COVID-19 special credit facility 11	**4,758**	306,313
BSL COVID-19 special credit facility for MFI's	**4,808**	7,840
AGRIC CREDIT FACILITY (ACF) AC	**6,000**	6,000
Salone MF Trust Ltd Covid-19	**-**	(115)
	35,158	339,630
Provision for expected credit loss (18c (i))	**(3,796)**	(24,456)
	31,362	315,174

(i) Expected credit loss

In thousands of New Leones	**2023**	2022
At 1 January	**24,456**	46,806
(Release)/Charge for the year	**(20,660)**	(22,350)
Write off	**-**	-
	3,796	24,456

19. Investment in equity

In thousands of New Leones	**2023**	2022
Afrexim Bank Capital Investment	**125,640**	96,352
Afrexim Bank Dividend Investment	**-**	15,751
Stabilization and Cooperation Fund	**63,885**	56,082
AFC Capital Subscription Account	**34,196**	28,252
	223,721	196,437

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

The amount of **SLE 63.88million** (2022: SLE **56.08** million) relates to the Bank's contribution to the Stabilization and Cooperation Fund managed by the West African Monetary Institute and held at the Bank of Ghana.

Notes to the financial statements *(continued)*

19. Investment in equity (continued)

The amount of **SLE 34.20million** (2022: SLE **28.25** million) relates to a request made by the Ministry of Finance to Bank of Sierra Leone to subscribe to an outstanding share amounting to US$1.5 million to AFC on behalf of the Government of Sierra Leone. Following this payment by the Bank of Sierra Leone, the Ministry of Finance requested to AFC that Bank of Sierra Leone be named as the representative institution in order to avoid ambiguity in the ownership of shares.

20. Investment securities

In thousands of New Leones	**2023**	2022
91-day treasury bills held for monetary policy	**8,869**	6,783
182-day treasury bills	-	-
One-year treasury bills	**4,568,473**	2,932,933
BSL holding three-year medium-term bond	**425,559**	425,558
Five-year medium-term bond	**326,918**	326,918
Holdings of ten-year bond	**3,750**	11,250
Others	**3**	3
	5,333,572	3,703,445
Less:		
Provision for expected credit losses (20a)	**(144,006)**	(99,993)
Net cost of investment securities	**5,189,566**	3,603,452

20a. Expected credit loss

In thousands of New Leones	**2023**	2022
At 1 January	**99,993**	29,908
Charge/(release) for the year	**44,013**	70,085
Write off	-	-
	144,006	99,993

BSL Holding 3-year medium-term bond

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

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

Five-year medium-term bonds

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

Notes to the financial statements *(continued)*

20a. Expected credit loss (continued)

Holdings of ten-year bond

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

21. Property plant and equipment

In thousands of New Leones	**Premises**	**Motor vehicle**	**Office furniture and equipment**	**Plant and machinery**	**Work-in-progress**	**Total**
Cost						
Balance at 1 January 2022	84,275	6,640	42,054	13,905	141,194	288,068
Additions during the year	-	-	-	-	19,123	19123
Reclassification	425	-	2,278	2	(2,705)	-
Write-off	-	-	-	-	-	-
Adjustment	-	-	(1)	(2)	(59)	(62)
Balance at 31 December 2022	84,700	6,640	44,331	13,905	157,553	307,129
Balance at 1 January 2023	**84,700**	**6,640**	**44,331**	**13,905**	**157,553**	**307,129**
Additions during the year	-	-	-	-	**14,746**	**14,746**
Reclassification	-	-	-	-	-	-
Write-off	-	**-**	**-**	**-**		
Transfer	-	**9**	**-**	**4,378**	**(4,387)**	**-**
Disposal	-	**-**	**(857)**	**-**	**-**	**(857)**
Adjustment	-	**(3)**	**-**	**-**	**-**	**(3)**
Balance at 31 December 2023	**84,700**	**6,646**	**43,474**	**18,283**	**167,912**	**321,015**
Depreciation						
Balance at 1 January 2022	23,739	6,553	35,476	9,449	-	75,217
Depreciation for the year	1,671	10	2,887	1,053	-	5,621
Disposal	-	-	-	-	-	-
Adjustment	(2)	48	(42)	(1)	-	3
Balance at 31 December 2022	25,408	6,611	38,321	10,601	-	80,841
Balance at 1 January 2023	**25,408**	**6,611**	**38,321**	**10,501**	**-**	**80,841**
Depreciation for the year	**1,692**	**11**	**2,260**	**1,510**	**-**	**5,473**
Disposal	**-**	**-**	**(857)**	**-**	**-**	**(857)**
Adjustment	1	1	4	1	-	7
Balance at 31 December 2023	**27,101**	**6,623**	**39,728**	**12,012**	**-**	**85,464**
Carrying amount						
At 31 December 2022	59,292	29	6,010	3,404	157,553	226,288
At 31 December 2023	**57,599**	**23**	**3,746**	**6,271**	**167,912**	**235,551**

Notes to the financial statements *(continued)*

22. Other assets

In thousands of New Leones	**2023**	2022
Gold stock	**4,193**	3,060
Items in transit (Kenema Branch)	**-**	-
Consumables	**1,146**	1,031
Supplies and materials in transit	**188,764**	283,379
Prepayment	**3,067**	3,130
Advances to contractors	**664**	664
Interest receivable	**74,426**	63,526
Deferred currency issue expense	**463,890**	65,487
Other receivables	**17,510**	24,748
Reverse repo account	**550,000**	332,000
Others	**(595)**	80
	1,303,065	777,105
Less:		
Allowances for impairment	**(2,500)**	(2,500)
	1,300,565	774,605

22a. Allowances for impairment:

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

22b. Expected credit loss to balance sheet

In thousands of New Leones	**2023**	2022
Cash and cash equivalent (16a)	**546**	584
Loans and advances to others (18a (ii)	**1,904**	2,110
Due from Government of Sierra Leone (18b (i)	**147,814**	107,850
Special credit facility to Banks (18c (i))	**3,796**	24,456
Investment securities (20a)	**144,006**	99,993
Other assets (22a)	**2,500**	2,500
	300,566	237,493

22c. Expected credit losses to profit and loss

In thousands of New Leones	**2023**	2022
Cash and cash equivalent (16a)	**(38)**	(86)
Loans and advances to others (18a (i))	**(206)**	(394)
Due from Government of Sierra Leone (18b (i))	**39,964**	24,119
Special credit facility to Banks (18c (i))	**(20,660)**	(22,350)
Investment securities (20a)	**44,013**	70,085
Other assets (22a)	**-**	-
	63,073	71,374

Notes to the financial statements *(continued)*

23. Amounts due to International Monetary Fund (IMF)

In thousands of New Leones	**2023**	2022
IMF Special Drawing Rights	**5,032,313**	5,819,625
IMF Poverty Reduction and Growth Facility	**10,942,948**	9,320,462
IMF securities	**138,970**	113,885
IMF No. 1	**6,204,201**	5,084,302
IMF No. 2	**286**	235
	22,318,718	20,338,509

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

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

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

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

24. Deposit from Government

In thousands of New Leones	**2023**	2022
Government special deposits/accounts	**1,491,036**	936,045
	1,491,036	936,045

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

Notes to the financial statements *(continued)*

25. Deposit from Banks

In thousands of New Leones	**2023**	2022
Commercial Bank's reserve account	**1,542,681**	916,629
Rural and community bank's reserve accounts	**19,629**	72,783
Others	**32**	32
	1,562,342	989,444

26. Deposits from others

In thousands of New Leones	**2023**	2022
Deposits from insurance brokers	**13,570**	8,631
Multilateral organisations	**28,125**	16,391
Financial institutions	**1,069**	841
Others	**43,680**	40,173
	86,444	66,036

27. Currency in circulation

In thousands of New Leones	**2023**	2022
Notes	**7,286,778**	5,164,242
Coins	**19,744**	17,023
Balance at 31 December	**7,306,522**	5,181,265

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

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

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

Notes to the financial statements *(continued)*

28. Other liabilities

In thousands of New Leones	**2023**	2022
Financial liabilities		
Other foreign currency financial liabilities (28a)	**537,308**	463,647
Accrued charges and other liabilities (28b)	**84,903**	67,301
	622,211	530,948
Non-Financial liabilities		
Provision for revaluation of pipeline liabilities (28c)	**140,645**	114,153
Provision for unrealised exchange difference on SWAP revaluation	**3,639**	3,639
Keystone deposit facility a/c	**-**	-
Electronic funds transfer suspense	**(187)**	5,624
Rent received in advance	**132**	102
Kenema branch a/c	**101**	(219)
	144,330	123,299
	766,541	654,247

28a. Other foreign currency financial liabilities

In thousands of New Leones	**2023**	2022
Foreign payment	**8,176**	5,635
Bank of China US$ clearing	**191,842**	158,500
OFID Debt Relief imprests account	**143**	118
Interest on one year treasury bills	**490,134**	268,368
Sundry liabilities	**(152,987)**	31,026
	537,308	463,647

An agreement on the settlement of the balance on the clearing account between Bank of China and Bank of Sierra Leone was signed on 13th August 1993 to work for the settlement of the balance in favour of Bank of China on the clearing account maintained between Bank of China and Bank of Sierra Leone. Both sides confirm that the balance on the clearing account amounts to U.S Dollars 11,220,227.40 standing in favour of Bank of China. Bank of Sierra Leone shall settle the balance in twenty equal instalments, with each instalment amounting to U.S. Dollars 561,011.37. The first instalment payment shall be made on 15th August 1994 and thereafter shall be effective every six months on 15th February and 15th August respectively. There has been no repayment during the year, the movement in the 2023 amount is as a result of exchange rate fluctuations.

Notes to the financial statements *(continued)*

28. Other liabilities (continued)

28b. Accrued charges and other liabilities

In thousands of New Leones	**2023**	2022
Accrued expenses	**53,104**	17,139
P.S. Bond in circulation	-	-
Retention monies	**849**	849
Provision for litigation	**30,950**	47,500
Trade and sundry creditors	-	1,813
Provision for currency issue expense	-	-
Deferred revenue	-	-
	84,903	67,301

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

28c. Provision for revaluation of pipeline liabilities

In thousands of New Leones	**2023**	2022
Balance at January	**114,153**	70,417
Revaluation loss	**26,492**	43,736
Balance at 31 December	**140,645**	114,153

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

29. End of service benefit

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

In thousands of New Leones	**2023**	2022
Balance at 1 January	**122,212**	101,761
Service cost	**36,046**	25,313
Interest cost	-	-
Plan amendment	-	-
Actuarial (gain)/loss other	**(1,028)**	(2,062)
Benefits paid	**(12,703)**	(2,800)
Balance at 31 December	**144,527**	122,212

Notes to the financial statements *(continued)*

29. End of service benefit (continued)

(b) Change in plan assets

In thousands of New Leones	**2023**	2022
Balance at 1 January	-	-
Actual return	-	-
Expected returns at 31 December		-
Contribution by participants	**(12,703)**	(2,800)
Employer	-	-
Other	-	-
Benefits paid	**(12,703)**	(2,800)
Foreign exchange rate effect	-	-
Balance at 31 December	**(12,703)**	(2,800)

(c) Funding level

In thousands of New Leones	**2023**	2022
Projected benefit obligation	**144,527**	122,212
Plan assets	-	-
Net obligation reported in the statement of financial position	**144,527**	122,212
Unrecognised actuarial gains/(losses)		
Balance at 1 January	-	-
Amortisation of opening balance		
Corridor max	-	-
Balance to be amortised	-	-
Amortisation period	-	-
New gains/(losses)	-	-
Balance at 31 December	-	-

Notes to the financial statements *(continued)*

29. End of service benefit (continued)

(d) Balance sheet

In thousands of New Leones	**2023**	2022
Projected benefit obligation	**144,527**	122,212
Plan assets	-	-
Net obligation/(assets)	**144,527**	122,212
Unrecognised actuarial gains/(losses)	-	-
Unrecognised past service cost	-	-
Unrecognised transitional obligation	-	-
Unrecognised (asset ceiling)	-	-
Net obligation/(asset) to be in balance sheet	**144,527**	122,212

(e) Income statement

In thousands of New Leones	**2023**	2022
Service cost	**36,046**	25,313
Net Interest cost		
- 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	**36,046**	25,313
Other comprehensive income (OCI)		
Actuarial (gains)/loss	**(1,028)**	(2,062)
Return on plan asset not in P & L	-	-
Effect of asset celling not in P & L	-	-
Amount recognised in OCI	**(1,028)**	(2,062)
Initial adjustment to capital amount recognised	-	-
Cumulative amount recognised in OCI	**(1,028)**	(2,062)

Notes to the financial statements *(continued)*

29. End of service benefit (continued)

(f) Reconciliation of financial position

In thousands of New Leones	**2023**	2022
Opening value	**122,212**	101,761
Employee contribution	**(12,703)**	(2,800)
Plan amendment	**-**	-
Amount recognised in income statement	**36,046**	25,313
Amount recognised in OCI	**(1,028)**	(2,062)
Closing value	**144,527**	122,212

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

	2023	2022
Discount rate (p.a)	**22%**	18%
Salary increase rate (p.a)	**18%**	15%
Inflation rate (p.a)	**18%**	37%

(h) Sensitivity information

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

30. Share capital

In thousands of New Leones	**2023**	2022
Authorised:	**250,000**	250,000
Issued and fully paid		
Balance at 1 January	**125,000**	125,000
Subscribed during the year	**-**	-
	125,000	125,000

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

Notes to the financial statements *(continued)*

31. Reserves and retained earnings

In thousands of New Leones	**2023**	2022
General reserves (31a)**	**(1,814,605)**	(1,253,509)
Revaluation reserve (31b)	**32,793**	32,793
Other reserves (31c)	**(8,083)**	(9,111)
Total reserves as at 31 December	**(1,789,895)**	(1,229,827)

(a) General reserve

In thousands of New Leones	**2023**	2022
Balance at start of the year	**(1,253,509)**	91,018
Net profit for the year	**(597,779)**	(1,359,505)
Prior year adjustment*	**24,445**	14,978
	1,826,843	(1,253,509)
Securities reserves		**-**
Balance at 31 December	**1,826,843**	(1,253,509)

*Prior year adjustment relates to prior year unutilised accrued charges and reduction in provision for litigation.

Impaired General Reserves

Under Section 42(1) and subject to section 42(b) of the Bank of Sierra Leone Act 2019, where in the audited annual financial statements of the Bank, the value of its assets falls below the sum of its liabilities, its unimpaired issued capital and general reserves, the Board, on the advice of the external auditors of the Bank, shall assess the situation and prepare a report on the causes and extent of the shortfall within a period of not more than thirty days. In the event that the Board approves the report, the Bank shall request the Minister for a capital contribution by the Government to remedy the deficit and upon receipt of this request the Government shall, within a period of not more than thirty calendar days, transfer to the Bank the necessary amount in currency or in negotiable debt instruments with a specified maturity issued at market-related interest rates, as determined by the Board. During the financial year ended 31 December 2023, no funds were allocated by the Government (2022: nil).

As at 31 December 2023, the total value of the liabilities of the Bank exceeds the sum of its assets by **SLe1,677,133 (2022:SLe **1,**1,04,827).

Notes to the financial statements *(continued)*

31. Reserves and retained earnings (continued)

(b) Revaluation reserves

In thousands of New Leones	**2023**	2022
Balance at start of the year and end of the year	**3,793**	32,793
Balance at 31 December	**32,793**	32,793

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

(c) Actuarial gains/(loss)

In thousands of New Leones	**2023**	2022
Balance at start of the year	**(9,111)**	(11,173)
Actuarial loss on end of service benefit	**-**	-
Actuarial gain on end of service benefit	**1,028**	2,062
	(8,083)	(9,111)

The movement in other reserves account represents actuarial gain/(loss) on the provision of end-of-service benefits of SLE 1.03 million gain (2022: gain of SLE2.06 million).

32 Contingencies and commitments

32a. Contingent Liabilities

In thousands of New Leones	**2023**	2022
Guarantees and Endorsement	**10,172**	27,639
	10,172	27,639

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

32b. Capital commitments

In thousands of New Leones	**2023**	2022
Capital expenditure	**14,746**	19,123
African Export Import Bank	**84,359**	96,352
	99,105	115,475

Notes to the financial statements *(continued)*

32 Contingencies and commitments (continued)

32c. Pending law suits, legal proceedings and claims

The Bank has pending litigations against it in relation to its former employees who are claiming damages for wrongful dismissal, upward revision of pension and payment of terminal benefits and other allowances. However, the Bank has appealed against the judgements and the matters are presently at the Court of Appeal. In the event that the appeals are not successful, the Bank would be liable to pay an amount not less than SLE28.40 million excluding interest and solicitor's costs which is a reduction compared to prior year of SLE47.5 million due to settlement of some these litigation in 2023. As judgement was given against the Bank at the lower court, provision has been made in these accounts for the amounts that might become payable. The provisions have been maintained as the decision is still pending.

33. Related parties

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

As at 31 December 2023, total net advances to the Government was **SLE 186.02million** (2022: SLE 117.99 million).

The Board of Directors (including the Governor and Deputy Governors) received remuneration amounting to **SLE 21.55 million** (2022: SLE 10.24 million).

34. Significant subsequent events

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

Utilization of SDRs Allocation by the Government

In the wake of the Covid-19 pandemic in 2020 and the socio-economic challenges that befell countries globally, the IMF in August 2021, granted all the member countries (190) a general allocation of special drawing Rights (SDR) amounting to USD 650 billion for the purpose of boosting reserves, building confidence, and fostering resilience and stability of the global economy. Based on the member countries' allocation, Sierra Leone received SDR 198mn (USD 282mn).

The Government of Sierra Leone, through Memoranda of Understanding (MOUs) between the Ministry of Finance and the Bank of Sierra Leone, utilized SDR66mn (USD116mn) by end December 2022. The utilization increased to SDR134mn (USD204mn) by the end of December 2023. In terms of proportion, the Bank of Sierra Leone held 55 percent whilst the Government in its books held 45 percent of the total allocation granted in 2021 by end 2023. By this, it implies that, the Ministry of Finance assumes the liability of the SDRs utilized.

Notes to the financial statements *(continued)*

34. Significant subsequent events (continued)

Creation of the BSL agricultural credit facility

Pursuant to section 10(1) of the Bank of Sierra Leone Act 2019, the Borad of Directors of the Bank of Sierra Leon approved the creation of an Agricultural Credit Facility of NLe230 million to support the production of agricultural commodities across three prioritized value chains, the BSL hereby issue the following rules and procedures for administering the said Facility:The ACF in the amount of NLe230 million is hereby created as part of a set of measures designed to increase domestic food production, improve the processing of agricultural products, reduce post-harvest losses through improved storage infrastructure and marketing of key agricultural commodities, thereby, reducing food imports and tempering food-price inflation and conserving BSL's scarce international reserves, and facilitate the access to finance to women and youth.

i) The Facility shall provide low-interest loans to the private sector willing to participate in the three prioritized value chains (rice, onion, and poultry)

ii) The loans will cover production, farm inputs, aggregation, processing, packaging and branding.

iii) The BSL shall administer the ACF in cooperation with participating Commercial Banks (PCBs), subject to BSL's regulatory and prudential guidelines

The BSL Board Approval for BSL's Investment in Gold

The Director, Financial Markets Department, presented a revised Concept paper on BSL's investment in Gold. Section 49 (C) of the Bank of Sierra Leone Act, 2019 clearly gives the right for the Bank to buy and sell Gold.

Based on the Board extract from the Minutes of the 530th meeting held on Thursday 20 and Friday 21, July 2023, the Board approved the proposal and recommended the following:

i) The Bank should meet with the Chief Minister as soon as possible to secure his buy-in

ii) The term of reference for the Committee should be prepared for the Board's approval as soon as possible.

iii) The Bank should meet with the National Minerals Agency and other relevant Government authorities as soon as possible, to secure relevant information about the concentration of gold deposit in the country noting that an aerial survey of the country's mineral deposit was carried out recently.

iv) To review mines and minerals legislations to understand the requirements for the Bank's gold investment operations (e.g. whether the Bank requires an export license for its gold

v) The Bank should also find out whether mining companies will be required to sell their gold to the Bank,

Notes to the financial statements *(continued)*

34. Significant subsequent events (continued)

Technical Memorandum of Understanding for the Implementation of a New ECF Program with the IMF.

At the recent concluded IMF/ World Bank Spring meeting held in Washington in April 2024, the Sierra Leone delegation and the IMF team agreed on Structural Benchmarks and Quantitative Benchmarks for end-June 2024 which will be assessed in September 2024 for Sierra Leone to start the implement a New Extended Credit Facility (ECF) program with the IMF Fund have proposed to submit the Extended Credit Facility (ECF) to the Borad of Directors of IMF for consideration at their next annual meeting in July 2024.

The implementation of a New ECF program by Sierra Leone will provide resources to support Budgetary financing as well as enhance the external reserve of the Bank of Sierra Leone as fiscal agent on the Government.

35. Financial risk management

Introduction and overview

The Bank has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risks.

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's framework and has authorised the establishment of a Risk Management Function to ensure effective discharge of its risk oversight responsibility.

The Risk Management Function would be responsible for monitoring compliance with the risk management policies and procedures, reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank, the appropriateness and effectiveness of the Bank's risk management systems and controls and also consider the implications of changes proposed to regulations and legislation that are relevant to the Bank's risk management activity.

The Board Audit Committee is responsible for monitoring the Bank's compliance with financial accounting policies and pronouncements, keep under review the appropriateness of the accounting policies and internal controls systems, consider external auditor's report and also reviewing the resources, scope, authority and operations of the Internal Audit function. The Board Audit Committee is assisted in these functions by the Head of Audit. The Head of Audit undertakes both regular and ad-hoc reviews and audits of management controls and procedures, the results of which are reported to the Audit Committee.

Notes to the financial statements *(continued)*

35. Financial risk management (continued)

(a) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's advances and other receivables. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure including default risk.

The Bank grants advances mainly to the Government of Sierra Leone in its capacity as the Government's bankers. The Bank of Sierra Leone Act 2019 specifies the credit limit and the credit limit is strictly monitored to provide a safeguard against breach. The Government provides a guaranty against the risk of failure to finance the facility; therefore credit risk in this regard is considered to be minimal.

The Bank also pays keen attention to the quality of its investment portfolio making sure the bulk of its holdings/deposits are with triple "A" financial institutions.

(b) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities that are settled by delivering cash or another financial assets.

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The key elements of the Bank's liquidity strategy are as follows:

- Maintaining a diversified deposits base consisting of Government and multilateral agencies
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity.
- Monitoring liquidity ratios, maturity mismatches, behavioural characteristics of the Bank's financial assets and financial liabilities, and the extent to which the Bank's assets are encumbered and so not available as potential collateral for obtaining funding.
- Carrying out stress testing of the Bank's liquidity position.

Management receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Management then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to customers, to ensure that sufficient liquidity is maintained within the Bank as a whole. The liquidity requirements of the Bank are met through short-term investment to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

Notes to the financial statements *(continued)*

35. Financial risk management (continued)

(c) Market risks

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on the investment.

Management of market risks

The Bank is exposed to exchange rate risk on its financial assets and liabilities denominated in foreign currencies. The safeguard against this risk is the holding of assets in various currencies which mitigates the risk.

The Bank is also exposed to interest rate risk on its foreign reserve deposits in instances where the contract provides for the application of floating interest rates.

(e) Operational risks

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

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

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the risk management unit within the Bank. This responsibility includes:

- Develop, implement and continuously improve a framework to interpreted the process for managing risk into the Bank's overall governance and strategy;
- The adoption of consistent processes with a comprehensive framework ensuring that the risk is managed effectively and coherently across the Bank;
- Evaluate the effectiveness in managing risks;
- Prepare appropriate risk policies for the approval of the Board;
- Set risk parameters which will be used to monitor and ensure that the risk management activities are in compliance with the policy set by the Board;
- Responsible for managing the policies, framework and processes of the risk management function as stipulated in the ISO 31000;
- Identify and treat risk throughout the Bank;
- Compliance with relevant Legal and Regulatory requirements and International norms;
- Improve the identification of opportunities and threats;
- Documentation of controls and procedures;
- Development of contingency plans;
- Ensure segregation of duties including authorisation limits;
- Risk awareness and sensitization;
- Develop and update Risk Register.
- Manage policies, framework and processes of the risk management function of the Bank.

Notes to the financial statements *(continued)*

35. Financial risk management (continued)

(e) Operational risks (continued)

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

36. Basis of measurement

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

37. Changes in accounting policies

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS, IAS 39, IFRS 7, IFRS 7, IFRS 4 and IFRS 16) the Phase 2 amendments) became effective on 1 January 2021.

The Interest Rate Benchmark Reform – Phase 2 (Amendment to IFRS 9, IAS 39, IFRS 4 and IFRS 16) relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting. These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements.

The interest rate benchmarks refer to interest reference rate (interbank offered rate (IBORs) such as LIBOR, EURIBOR and TIBOR, and represent the cost of obtaining unsecured funding, in a particular combination of currency and maturity and in a particular interbak term lending market.

The Bank has no transactions that are affected by the newly effective requirements.

Notes to the financial statements *(continued)*

38. Significant accounting policies

Except for the changes explained in Note 38 the Bank has consistently applied the following accounting policies to all periods presented in these financial statements.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

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

Notes to the financial statements *(continued)*

38. Significant accounting policies (continued)

(b) Interest income and expense

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

The recognition of interest ceases when the payment of interest or principal is in doubt, interest is included in income thereafter, only when it is received.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability

The calculation of the effective interest rate includes all fees and interest paid or received, transaction costs, (which are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability) and discounts or premiums that are an integral part of the effective interest rate.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

(c) Fees and commission

Fees and commissions that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

(d) Net exchange gains/losses

Net exchange gains/losses comprises gains less losses related to conversion of foreign monetary assets and liabilities.

For all foreign payment instructions executed by the Bank of Sierra Leone, the following exchange rates on the value date of transaction are applicable:

i. For foreign payments on behalf of Government and Government Departments, the selling exchange rate of the transactions is applied;
ii. For foreign payments on behalf of Commercial Banks the rate agreed between Bank of Sierra Leone and the Commercial Banks is applied;
iii. For Bank of Sierra Leone transactions, the mid exchange rate of the transaction currency is applied and,
iv. For inward customer transfer, the buying exchange rate of the transactions date is applied

Notes to the financial statements *(continued)*

38. Significant accounting policies (continued)

(c) Net exchange gains/losses (continued)

Foreign exchange assets and liabilities are revalued on a daily basis. For the purposes of IMF assets and liabilities the Bank applies the following rules:

At least once every year, all Fund currency holdings are revalued based on the prevailing SDR exchange rate. The difference between the Fund's currency holdings translated at the previous rate and the currency holdings valued at the new rate gives rise to currency valuation adjustments (CVA) and is placed in a CVA account.

This account records the amount which is payable to or receivable from the Fund depending on whether the Leone has depreciated or appreciated vis-à-vis the SDR since the last revaluation. The CVA receivable or payable is also part of the Fund's holdings of currency and is also subject to maintenance of value obligations. The differences arising from the revaluation give rise to a change in the currency terms, as reflected in the CVA account balance. The Bank records a CVA as either a payable or receivable from the Fund. Foreign exchange gains and losses arising from translation or from annual revaluation are recognised in the profit or loss account.

(e) Lease payments made

There are no contractual agreements in which the Bank is a lessee. However, the Bank leased a part of its buildings to the National Minerals Agency. Payments received under this lease contract are treated as operating lease and are recognized as an income during the term of the lease.

(f) Income tax expense

In accordance with section 66 of the Bank of Sierra Leone Act 2019, the profits of the Bank are not liable to Income Tax, or any other tax.

(g) Financial assets and financial liabilities

(i) *Recognition*

The Bank on the date of origination or purchase recognizes loans, debt and equity securities, deposits and subordinated debentures at the fair value of the consideration paid. For non-revolving facilities, origination date is the date the facility is disbursed while origination date for revolving facilities is the date the line is availed. Regular purchases and sales of financial assets are recognized on the settlement date. All other financial assets and liabilities are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

Notes to the financial statements *(continued)*

38. Significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(ii) Classification and Measurement

Initial measurement of a financial asset or liability is at fair value plus transaction costs that are directly attributable to its purchase or issuance. For instruments measured at fair value through profit or loss, transaction costs are recognized immediately in profit or loss. Financial assets include both debt and equity instruments.

- Amortised cost
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value through Profit or Loss (FVTPL)

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual cash flow characteristics.

Business Model Assessment

Business model assessment involves determining whether financial assets are managed in order to generate cash flows from collection of contractual cash flows, selling financial assets or both. The Bank assesses business model at a portfolio level reflective of how groups of assets are managed together to achieve a particular business objective.

For the assessment of business model the Bank takes into consideration the following factors:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual from interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of assets in a portfolio is evaluated and reported to key decision makers within the Bank's business lines;
- the risks that affect the performance of assets held within a business model and how those risks are managed;
- how compensation is determined for the Bank's business lines' management that manages the assets; and
- the frequency and volume of sales in prior periods and expectations about future sales activity.

Notes to the financial statements *(continued)*

38. Significant accounting policies (continued)

(g) Financial assets and liabilities (continued)

(ii) Classification and Measurement (continued)

Business Model Assessment (continued)

Management determines the classification of the financial instruments at initial recognition. The business model assessment falls under three categories:

1. Financial assets held with the sole objective to collect contractual cash flows;
2. Financial assets held with the objective of both to collecting contractual cash flows and selling; and

The Bank may decide to sell financial instruments held under the first category with the objective to collect contractual cash flows without necessarily changing its business model if one or more of the following;

- When the Bank sells financial assets to reduce credit risk or losses because of an increase in the assets' credit risk.
- Where these sales are infrequent even if significant in value. A Sale of financial assets is considered infrequent if the sale is one-off during the Financial Year.
- Where these sales are insignificant in value both individually and in aggregate, even if frequent.
- When these sales are made close to the maturity of the financial assets and the proceeds from the sales approximates the collection of the remaining contractual cash flows.

Cash flow characteristics assessment

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest ((SPPI) on the principal amount outstanding.

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instruments due to repayments. Interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Notes to the financial statements _(continued)_

38. Significant accounting policies (continued)

(g) Financial assets and liabilities (continued)

(ii) Classification and Measurement (continued)

Cash flow characteristics assessment (continued)

In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and features that modified consideration of the time value of money (e.g. periodical reset of interest rates).

The considerations concern, in particular, contingent liabilities and the housing and vehicle loan schemes provided to eligible staff members. The Bank holds a portfolio of long-term fixed rate loans for which it has the option to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The right to reset the rates of the loans based on the revision in market rates are part of the contractually agreed terms on inception of the loan agreement, therefore the borrowers are obligated to comply with the reset rates without any option of repayment of the loans at par at any reset date. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies with the interest rate in a way that is considered a consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

a) Financial assets measured at amortised cost

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost using the effective interest rate method. Amortized cost is calculated taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate. Amortization is included in Interest income in the Statement of Comprehensive Income. Impairment on financial assets measured at amortized cost is calculated using the expected credit loss approach.

Loans and debt securities measured at amortized cost are presented net of the allowance for credit losses (ACL) in the statement of financial position.

Notes to the financial statements *(continued)*

38. Significant accounting policies (continued)

(g) Financial assets and liabilities (continued)

(ii) Classification and Measurement (continued)

Cash flow characteristics assessment (continued)

b) Financial assets measured at FVOCI

Financial assets are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI cost are recorded in other comprehensive Income (OCI), unless the instrument is designated in a fair value hedge relationship. When designated in a fair value hedge relationship, any changes in fair value due to changes in the hedged risk is recognized in Non-interest income in the Statement of Comprehensive Income. Upon derecognition, realized gains and losses are reclassified from OCI and recorded in Non-interest income in the Statement of Comprehensive Income. Foreign exchange gains and losses that relate to the amortized cost of the debt instrument are recognized in the Statement of Comprehensive Income. Premiums, discounts and related transaction costs are amortized over the expected life of the instrument to interest income in the Statement of Comprehensive Income using the effective interest rate method.

c) Equity Instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. All equity instruments are measured at FVTOCI according to IFRS 9.

d) Financial Liabilities at amortised cost

Financial liabilities that are not classified at fair value through profit or loss fall into this category and are measured at amortised cost using the effective interest rate method. Financial liabilities measured at amortised cost are deposits from banks or customers, other borrowed funds, debt securities in issue for which the fair value option is not applied, convertible bonds and subordinated debts.

Notes to the financial statements *(continued)*

38. Significant accounting policies (continued)

(g) Financial assets and liabilities (continued)

iii) Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets. A change in the Bank's business model will occur only when the Bank either begin or cease to perform an activity that is significant to its operations such as:

- Significant internal restructuring or business combinations; for example an acquisition of a private asset management company that might necessitate transfer and sale of loans to willing buyers; this action will constitute changes in the business model and subsequent reclassification of the loan held from category 1 to Category 2;
- Disposal of a business line i.e. disposal of a business segment;
- Any other reason that might warrant a change in the Bank’s business model as determined by management based on facts and circumstances.

The following are not considered to be changes in the business model:

- A change in intention related to particular financial assets (even in circumstances of significant changes in market conditions);
- A temporary disappearance of a particular market for financial assets;
- A transfer of financial assets between parts of the Bank with different business models.

iv) *Modification of financial assets and liabilities*

a) Financial assets

When the contractual terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognised at fair value. Any difference between the amortized cost and the present value of the estimated future cash flows of the modified asset or consideration received on derecognition is recorded as a separate line item in profit or loss as ‘gains and losses arising from the derecognition of financial assets measured at amortized cost’.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss as part of impairment charge for the year.

In determining when a modification to terms of a financial asset is substantial or not to the existing terms, the Bank will consider the following non-exhaustive criteria:

Notes to the financial statements *(continued)*

38. Significant accounting policies (continued)

(g) Financial assets and liabilities (continued)

iv) *Modification of financial assets and liabilities (continued)*

a) Financial assets (continued)

Quantitative criteria

A modification would lead to derecognition of existing financial asset and recognition of a new financial asset, i.e. substantial modification, if:

- The discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

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

Scenarios where modifications will lead to derecognition of existing loan and recognition of a new loan, i.e. substantial modification, are:

- The exchange of a loan for another financial asset with substantially different contractual terms and conditions such as the restructuring of a loan to a bond; conversion of a loan to an equity instrument of the borrower;
- Roll up of interest into a single bullet payment of interest and principal at the end of the loan term;
- Conversion of a loan from one currency to another currency;

Another factor to be considered:

- Extension of maturity dates

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized in profit or loss (see above) and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset;

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition.

b) Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

Notes to the financial statements *(continued)*

38. Significant accounting policies (continued)

(g) Financial assets and liabilities (continued)

iv) *Modification of financial assets and liabilities (continued)*

b) Financial Liabilities (continued)

De-recognition of financial instruments

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or re-pledge them.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

v) Impairment of Financial Assets

In line with IFRS 9, the Bank assesses the under listed financial instruments for impairment using the Expected Credit Loss (ECL) approach:

- Amortized cost financial assets;
- Debt securities classified as at Amortised cost;
- Off-balance sheet loan commitments; and
- Financial guarantee contracts.

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

Notes to the financial statements *(continued)*

38. Significant accounting policies (continued)

(g) Financial assets and liabilities (continued)

v) Impairment of Financial Assets

Expected Credit Loss Impairment Model

The Bank's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either over the following twelve months or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The Bank adopts a three-stage approach for impairment assessment based on changes in credit quality since initial recognition.

- Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used;

- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument;

- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The guiding principle for ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments since initial recognition. The ECL allowance is based on credit losses expected to arise over the life of the asset (life time expected credit loss), unless there has been no significant increase in credit risk since origination.

Measurement of expected credit losses

The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio.

Notes to the financial statements *(continued)*

38. Significant accounting policies (continued)

(g) Financial assets and liabilities (continued)

v) Impairment of Financial Assets (continued)

Measurement of expected credit losses (continued)

Details of these statistical parameters/inputs are as follows:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.

- 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs.

- Lifetime PDs – This is the estimated probability of default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for ‘stage 2’ and ‘stage 3’ exposures. PDs are limited to the maximum period of exposure required by IFRS 9.

- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

To estimate expected credit loss for off-balance sheet exposures, the credit conversion factor (CCF) is usually computed. CCF is a modelled assumption which represents the proportion of any undrawn exposure that is expected to be drawn prior to a default event occurring. It is a factor that converts an off-balance sheet exposure to its credit exposure equivalent. In modelling CCF, the Bank considers its account monitoring and payment processing policies including its ability to prevent further drawings during periods of increased credit risk. CCF is applied on the off-balance sheet exposures to determine the EAD and the ECL impairment model for financial assets.

Notes to the financial statements *(continued)*

38. Significant accounting policies (continued)

(g) Financial assets and liabilities (continued)

v) Impairment of Financial Assets (continued)

Measurement of expected credit losses (continued)

The major financial assets for which the ECL is calculated are short-term Treasury Bills and medium and long-term Bonds issued by the State of Sierra Leone with maturities ranging up to 6 years as per 2020 year end. These securities are held by the Central Bank of Sierra Leone. Total exposure increased from Le184.5 billion to Le billion from 2020 year end to 2021 year end respectively.

At the time of the ECL calculation, Sierra Leone was not rated (NR) and hence did not have traded credit instruments in the international market with an observable rating. Consequently, ratings from similar countries were used and adjusted to reflect specific features of Sierra Leone.

The following table shows the Loan loss allowance as of year-end 2022 and 2023 as well as the change in 2022 and 2023 which were taken to profit and loss.

Expected Credit Losses (ECL)	**31.12.2023**	31.12.2022
Expected credit loss allowance (SLE)	**297,950**	234,877
Relative to exposure outstanding (%)	**0.003%**	0.88%
Increase/(decrease) in expected credit loss allowance (SLE)	**(63,073)**	(71,373)

Forward-looking information

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward - looking information requires significant judgement.

Macroeconomic factors

The Bank relies on a broad range of forward-looking information as economic inputs, such as: GDP growth, unemployment rates, central bank base rates, inflation rates and foreign exchange rates. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgement.

Notes to the financial statements *(continued)*

38. Significant accounting policies (continued)

(g) Financial assets and liabilities (continued)

v) Impairment of Financial Assets (continued)

Assessment of significant increase in credit risk (SICR)

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors. The common assessments for SICR on retail and non-retail portfolios include macroeconomic outlook, management judgement, and delinquency and monitoring.

Definition of Default and Credit Impaired Financial Assets

The Bank defines a financial instrument as being in default which is fully aligned with the definition of credit-impaired financial assets, when it meets one or more of the following criteria:

Quantitative criteria (default)

The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for a security because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;
- Others include death, insolvency, breach of covenants, etc.

Notes to the financial statements *(continued)*

38. Significant accounting policies (continued)

(g) Financial assets and liabilities (continued)

v) Impairment of Financial Assets (continued)

Qualitative criteria (continued)

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six month.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, loans that are more than 90 days past due are considered impaired except for certain specialized loans (Project Finance, Object Finance and Real Estate Loans as specified by the Central Bank of Sierra Leone) in which the Bank has rebutted the 90 Days Past Due presumptions in line with the BSL Prudential Guidelines.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields;
- The rating agencies' assessments of creditworthiness;
- The country's ability to access the capital markets for new debt issuance;
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness;
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to the country, as well as the intention reflected in public statements of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Loan allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Notes to the financial statements *(continued)*

38. Significant accounting policies (continued)

(g) Financial assets and liabilities (continued)

vi) *Write-off*

The Bank writes off an impaired financial asset (and the related impairment allowance), either partially or in full. There are no reasonable expectation of recovery set out in IFRS 9, paragraph 5.4.4. After a full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure shall be recommended for write-off (either partially or in full):

- continued contact with the customer is impossible;
- recovery cost is expected to be higher than the outstanding debt;
- The Bank's recovery method is foreclosing collateral and the value of the collateral is such that there is reasonable expectation of recovering the balance in full.

All credit facility write-offs shall require endorsement at the appropriate level, as defined by the Bank. Credit write-off approval shall be documented in writing and properly initialled by the approving authority.

A write-off constitute a derecognition event. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of the amount due. Whenever amounts are recovered on previously written-off credit exposures, such amount recovered is recognised as income on a cash basis only.

vii) Offsetting financial instruments

Netting, where financial assets and liabilities are offset and the net amount reported in the statement of financial position, occurs if, and only if, there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize an asset and settle the liability simultaneously. In many cases, even though master netting agreements are in place, the lack of an intention to settle on a net basis results in the related assets and liabilities being presented gross in the statement of financial position. During the financial year 2020 there was no offsetting of financial instruments.

(g) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand and balances with other foreign Central Banks, commercial banks, supranational organizations and non-banking financial institutions.

These are subject to insignificant risk of changes in their value and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Notes to the financial statements *(continued)*

38. Significant accounting policies (continued)

(i) Loans and advances

Advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

Advances are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

(j) Investment securities

Investment securities are initially measured at cost plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-collect or fair value through profit or loss.

(h) Amortized cost

Financial assets at amortized cost comprises cash and cash equivalents, advances to Banks, loans and advances to others. They are subsequently measured at amortized cost using the effective interest method less any impairment losses. Interest income from these financial assets is determined using the effective interest method and reported in profit or loss as interest income.

(ii) Fair value through other comprehensive income (FVOCI)

The Bank elects to classify its investments in equity at FVOCI. The election is to present in other comprehensive income changes in fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument—by—instrument basis on initial recognition and is irrevocable. Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognized in profit or loss. Dividends are recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in OCI. Cumulative gains and losses recognized in OCI are transferred to retained earnings on disposal of an investment.

Financial liabilities

The Bank classifies its financial liabilities as measured at amortised cost.

Notes to the financial statements *(continued)*

38. Significant accounting policies (continued)

(k) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Freehold premises are depreciated over a maximum of fifty years

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

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

(l) Leased assets – Lease

The Bank was not a party to any finance leasing contract during or at the end of the year. Leases are operating leases and the underlying assets are not recognised in the Bank's balance sheet.

Notes to the financial statements *(continued)*

38. Significant accounting policies (continued)

(m) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rates that reflect current market assessments of the time value of money and the risk specific to the asset.

A previously recognized impairment loss is reversed where there has been a change in circumstances or in the basis of estimation used to determine the recoverable value, but only to the extent that the asset's net carrying amount does not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Deposits

Deposits are initially measured at fair value, with fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(o) Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

(p) Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

All financial guarantee liabilities are disclosed by way of notes in the financial statements and are only included in other liabilities if the liability has crystalised or becomes probable that it will crystalise.

Notes to the financial statements *(continued)*

38. Significant accounting policies (continued)

(q) Employee benefits

(i) Short term benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided.

A provision is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Bank has a present legal and constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be reliably estimated.

(ii) Defined contribution plan

The Bank contributes towards a defined contribution plan. The plan is funded through payments to the National Social Security and Insurance Trust (NASSIT). This defined contribution plan is a Pension Scheme under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the Scheme does not hold sufficient assets to pay all employees the benefit relating to employee service in the current and prior periods and has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefits expense when due.

(iii) Defined benefit plan

The bank provides end of service benefits to its retirees. The entitlement to these benefits is conditional on the completion of a minimum service period. End of service benefit is a post-employment benefit plan. The liability recognised in the statement of financial position is the present value of the end of service benefits obligation at the financial position date, together with adjustments for actuarial gains or losses and past service costs. The present value of the obligation is determined by discounting the estimated future cash outflows taking into account average service period and salary increases and using interest rates of Government treasury bonds that are denominated in Leones, the currency in which the obligation will be paid and that matures in one year’s time. The calculation is performed by an actuary using the projected unit credit method. For a description of the financial assumptions see note 29.

The bank recognises all actuarial gains and losses from end of service benefits immediately in Other Comprehensive Income (OCI).

Notes to the financial statements *(continued)*

38. Significant accounting policies (continued)

(q) Employee benefits (continued)

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

(r) Share capital and reserves

(i) Share capital

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Sections 38(1) of the Bank of Sierra Leone Act 2019 requires the Bank of Sierra Leone to maintain a minimum paid up capital of Le125 billion. The paid-up capital shall be subscribed and held exclusively by the Government of Sierra Leone.

(s) Amounts repayable under Repurchase Agreement (REPOs)/Reverse REPOs

REPO is an arrangement involving the sale for cash, of investment security at a specified price with a commitment to repurchase the same or similar securities at a fixed price either at a specific future date or at maturity.

For monetary purposes (liquidity management), the Bank from time to time withdraws liquidity from the financial market (REPO) or injects liquidity into the market (Reverse REPO). The Bank engages in the above with commercial banks only.

When the Bank withdraws money from commercial banks, it creates a liability in its financial statements and secures this borrowing (liability) by assigning part of the securitised debt holding to the commercial banks it has withdrawn from. The commercial banks usually hold the investments to maturity.

Similarly the Bank also lends money to commercial banks (reverse repo). In this process the Bank creates an asset in the financial statements and takes a security from the borrowing bank usually in form of Treasury Bills or Bonds. The bank earns interest on this lending. The injected liquidity stays with the borrowing bank until maturity.

(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 Bank.

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

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

Notes to the financial statements *(continued)*

38. Significant accounting policies (continued)

(s) Amounts repayable under Repurchase Agreement (REPOs)/Reverse REPOs (continued)

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

(t) Currency in circulation

Currency issued by the Bank represents a claim on the Bank in favour of the holder. Currency in circulation is recognised at face value in these financial statements. Bank notes and coins held by the Bank as cash in main vault and cashiers at the end of the financial year are excluded from the liability of notes and coins in circulation because they do not represent currency in circulation.

Bank notes printing expenses for each denomination which include ordering, printing, freight, insurance and handling costs are initially deferred. Based on the currency issued into circulation, the respective proportional actual costs incurred are released to the profit or loss from the deferred cost account. The stock is issued on a first in first out basis. The receipt of new notes and coins are recorded in the vault register as stock and the movement accounted for as the notes and coins are issued.

(u) Special drawing rights and International Monetary Fund (IMF) Related transactions

The Bank, on behalf of the Government of Sierra Leone, manages assets and liabilities in denominated in respect of Special Drawing Rights (SDRs) held with the International Monetary Fund (IMF). Ex-change gains and losses arising from translation of SDRs at period ends are recognised in the statement of comprehensive income.

(v) Gold

Gold holdings are included in the statement of financial position at the prevailing closing spot market price on the London Bullion Market on that date. Foreign exchange gains and losses on gold holdings are transferred to the revaluation account.

(w) Comparative

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

Notes to the financial statements *(continued)*

39. Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Bank has not early adopted the new and amended standards in preparing these financial statements.

A. Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. The Bank accounts for deferred tax on leases applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position.

B. Other standards

The following new and amended standards are not expected to have a significant impact on the Bank's financial statements.

- Onerous Contracts – Cost of fulfilling a contract (Amendments to IAS 37).
- COVID-19-Related rent concessions beyond 30 June 2021 (Amendment to IFRS 16).
- Annual Improvements to IFRS Standards 2018–2020.
- Property, plant and equipment: Proceeds before intended use (Amendments to IAS 16).
- Reference to conceptual framework (Amendments to IFRS 3).
- Classification of liabilities as current or non-current (Amendments to IAS 1).
- IFRS 17 Insurance contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2).