Bank of Sierra Leone

Annual Report and Statement of Accounts

for the year ended 31st December 2015

A. ANNUAL REPORT 2015

1.0 Review of the Economy

Sierra Leone's macroeconomic performance during the year 2015 was undermined by the outbreak of the Ebola Virus Diseases (EVD) and the slump in global commodity prices, including iron ore. These developments, in part, culminated in the cessation of operations in the country's two major iron ore mining companies with adverse implications for fiscal revenues and foreign exchange inflows. As the economy painfully went through the throes of these unprecedented shocks, support from the country's development partners and the international community came in handy to complement Government's significant efforts at combating the Ebola outbreak in order to bring the country back on the path to sustainable economic growth, consistent with the Agenda for Prosperity.

As the year ended, outturns in key economic indicators pointed to the fact that challenges still remained in economic management. Growth in Real Gross Domestic Product (GDP) for 2015 is projected to decline by 21.5 percent. Nonetheless, real GDP, excluding iron ore, is projected to grow by a modest 1 percentage point driven mainly by the removal of restrictions on the internal movements of vehicles and persons, resumption in the operations of international airlines to and from Sierra Leone and resumption in other real sector activities in agriculture, manufacturing and trade.

The national headline inflation rate as measured by the year-on-year change in Consumer Price Index (CPI) increased from 7.85 percent in December 2014 to 8.85 percent in December 2015. The steady rise in inflation rate during the review period was mainly attributable to exchange rate pass-through as the domestic currency continued to depreciate against the United States Dollar and other international currencies.

The Government's fiscal operation was expansionary during the year as overall deficit widened from 3.92 percent of GDP in 2014 to 4.92 percent of GDP in 2015. Total revenues, including grants, increased by 5.85 percent compared to expenditure growth of 11.27 percent during the year. Domestic revenue collection declined by 2.02 percent as grants increased by 24.12 percent.

Monetary developments during the reporting period were also expansionary albeit at a slower pace compared to the previous year. Annual growth rate of Broad Money (M2) was recorded at 11.34 percent in 2015 compared to 16.57 percent in 2014. Reserve Money (RM) also expanded by 10.46 percent at end 2015 compared to 30.08 per cent in 2014. The growth in Broad Money was driven largely by expansion in Net Domestic Assets (NDA) of the banking system. The Monetary Policy Rate (MPR) of the central bank was revised downwards from 10.0 percent in December 2014 to 9.5 percent in March 2015, to signal support for Government's agenda to stimulate growth. Credit to the private sector by the commercial banks expanded marginally by 2.15 percent in 2015 compared to 5.06 percent in the previous year.

The financial sector of the economy at end December, 2015 comprised the central bank at its apex, 13 commercial banks (3 local and ten 10 foreign owned) with a total number of 105 branches throughout the country. There are 2 Discount Houses, 17 Community banks, 51 Financial Services Associations (FSAs), 14 licensed Microfinance Institutions (2 Deposit-taking and 12 Credit-only) and 50 registered foreign exchange bureaux. The Bank of Sierra Leone continued to supervise and regulate the financial institutions with a view to ensuring a safe, sound and stable financial system in the economy.

External sector performance of the economy remained subdued during the reporting period, attributable mainly to the combined effects of the EVD outbreak and the closure of the two major iron ore mining companies in Sierra Leone. Annual trade deficit widened from US$312.11mn in 2014 to US$994.11mn in 2015, as exports performance continued to dwindle faster (58.84%) than imports performance (4.7%) in 2015. The Leone continued to depreciate gradually against the US Dollar and other international currencies, reflecting both unfavourable domestic and international economic conditions. Gross external reserves position of the Bank of Sierra Leone improved by 5.15 percentage points from US$553.51mn in December 2014 to US$582.02mn in December 2015, sufficient to cover at least 3 months of imports.

Sierra Leone's performance on the West African Monetary Zone's (WAMZ) Convergence scale in 2015 indicated that the country met three out of the four primary criteria*: single digit inflation; central bank financing of fiscal deficit not exceeding 10 percent of previous year's tax revenue and Gross External Reserves (in months of import cover) of at least 3 months.* The fourth criterion of *fiscal deficit (including grants) not exceeding 3 percent of GDP* was however missed. The country also met one of the two secondary criteria – *Public Debt of at most 70 percent of GDP* but missed the *Nominal exchange rate variation target of ±10 percent.*

The country was eventually declared Ebola free by the World Health Organization (WHO) in November 2015 and the focus was now shifted to the National Ebola Recovery Strategy (NERS) which was launched earlier in the year, with support from development partners, in an effort to keep Ebola at zero while at the same time putting measures in place to bring the economy back on the path to sustainable growth and stability. The strategy focused on three key elements: (i) getting to and staying at zero for new Ebola cases; (ii) implementing immediate recovery priorities; and (iii) transitioning back to the country's national development plan - *the Agenda for Prosperity (A4P), 2013 – 2018*. The implementation of the strategy was, therefore, divided into two phases: *(i) the immediate recovery phase (6 – 8 months) and (ii) the medium term recovery phase (10 – 24 months).*

Support from the international donor community and other multilateral agencies in 2015 were significant. Of the US$98.0mn grant provided by the World Bank in January to support Sierra Leone's Ebola response efforts, the National Ebola Response Centre (NERC) received US$33.5mn, the Ministry of Health and Sanitation (MoHS) US$6.0mn, the World Health Organization (WHO) US$32.0mn, the United Nations International Children Educational Fund (UNICEF) US$9.5mn, the United Nations Fund for Population Activities (UNFPA) US$9.0mn and World Food Programme (WFP) US$8.0mn to enable them to collectively join the fight against Ebola in post Ebola Sierra Leone.

The United Kingdom's Department for International Development (UK/DfID) announced on January 28, 2015 the provision of additional £92.5mn in support of the fight against Ebola in Sierra Leone and other infected countries in the sub-region. This brings to £325mn total UK support to Government, in addition to the £60.5mn made available to support the running of the Ebola treatment centres in Sierra Leone.

The International Monetary Fund (IMF) on its part, first established the Catastrophe Containment and Relief Trust (CCRT) on February 5, 2015, to enhance support for eligible low income countries hardest hit by public health disasters.

The Executive Board of the International Monetary Fund (IMF) on March 2, 2015, approved the disbursement of SDR 60.74 million (about US$85.45 million) under the Extended Credit Facility (ECF) arrangement, and augmentation of access under the ECF arrangement in the amount of SDR 51.85 million (about US$72.94 million) equivalent to 50 percent of Sierra Leone's quota. The Executive Board of the IMF also approved a request for SDR 20.74 million (about US$29.18 million or 20 percent of the country's quota) in immediate debt relief under the Catastrophe Containment window of the Catastrophe Containment and Relief (CCR) Trust.

Furthermore, on November 16, 2015, the Executive Board of the International Monetary Fund (IMF) concluded the joint third and fourth reviews of Sierra Leone's performance under the three-year arrangement under the Extended Credit Facility (ECF) and approved an augmentation of access in the sum of SDR 46.665 million (about US$64.59 million), equivalent to 45 percent of quota, to be distributed in three tranches. The completion of the joint third and fourth reviews triggered the immediate disbursement of SDR 33.335 million (about US$46.14 million). This amount included the first tranche of the augmentation in the amount of SDR 15.555 million (about US$21.53 million). The Executive Board also approved the authorities' request for re-phasing of the fifth and sixth disbursements under the arrangement.

On September17, 2015, the Board of Directors of the Millennium Challenge Corporation (MCC) in a quarterly meeting held in Washington D. C. approved a new program for Sierra Leone with a new threshold that will provide up to US$44.4 million in support of policy reforms and improved governance in the water and electricity sectors.

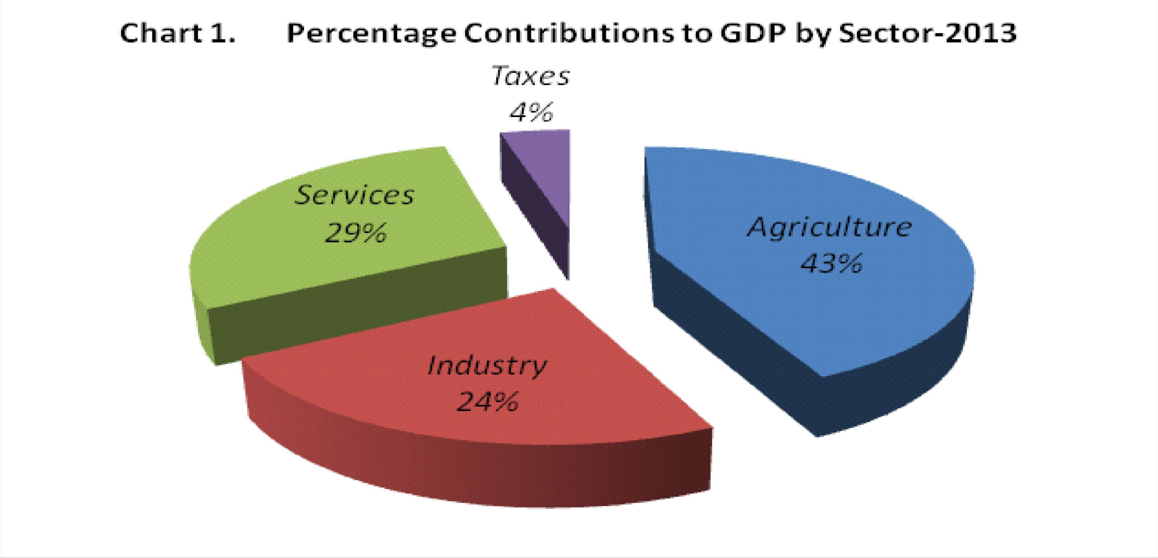
2.0 Real Sector Developments

Developments in the real sector of the economy remained subdued during the reporting period largely on account of the lingering effects of the Ebola virus disease and the undesirable impact of the external shocks culminating in the collapse of iron ore prices and the closure of the two major iron ore mining companies in the country. These dynamics together with the depreciating trends in the exchange rate were key drivers of the inflationary pressures that constituted the main downside risks to output growth in 2015. Real GDP growth contracted by 21.5 percent in 2015 compared to a growth rate of 4.61 percent in 2014. Excluding iron ore, the economy is projected to post a modest growth rate of 1 percent in 2015 compared to a 0.8 percent growth in 2014. The significant decline in real growth in 2015 was driven mainly by the 73.85 percent contraction in industry (including mining) compared to a13.54 percent growth in 2014. The contraction in industrial growth was mainly on account of the 83.7 percent decline in the mining industry attributable to the 96.45 percent slump in iron ore production. Despite the significant contraction of the economy during the review period, the agriculture sector posted a 2.96 percent expansion from 0.80 percent in 2014 while services industry marginally expanded by 0.51 percent compared to 1.96 percent in 2014.

Table 1

Growth Rate of GDP per Sector (%)

Sector	2013	2014	2015
Agriculture	40.72	39.24	40.4
Industry	27.40	29.74	7.84
Services	28.89	28.16	28.31
GDP	20.70	4.60	-21.50



In terms of sectoral contributions to GDP, agriculture accounted for 40.4 percent in 2015 compared to 39.24 percent in 2014; Services contributed 28.31 percent compared to 28.16 percent in 2014; while industry contributed 7.84 percent as against 29.74 percent in the previous year.

2.1 Agriculture

Output in agriculture accounted for 40.40 percent of real GDP in 2015 reflecting a moderate increase when compared to 39.24 percent in 2014. Agriculture remains the backbone and dominant sector of the economy and it is believed that improving agriculture constitutes one of the Government's post Ebola recovery strategies. This will be achieved through re-establishing farm activities and extension services as well as providing assistance to farmers in the form of inputs such as farming tools, seeds and credit facility in the form of Small and Medium Enterprise (SME) finance. In pursuit of this objective government allocated Le45.9bn to support recovery in this sector. An additional Le14.1bn was transferred to Local councils in support of agricultural activities in the rural areas. Le9.6bn was also allocated to the sector from the capital budget, while development partners including the World Bank, IFAD, GEF and European Union were expected to disburse the sum of Le38.6bn in support of ongoing agricultural projects.

2.2 Manufacturing

The manufacturing sector contracted by 1.08 percent in 2015 compared to a 7.14 percent growth recorded in 2014. Consequently, the sector's contribution to real GDP of 1.61 percent was marginally lower than the 1.63 percent recorded in 2014.

Manufacturing sector activity slowed down during the reporting period according to available data. Production of beer & stout declined by 7.28 percent to 677.16 thousand cartoons; soft drinks dropped by 34.83 percent to 1,007.70 thousand crates; Acetylene production decreased by 19.80 percent to 237.99 thousand cubic feet; Oxygen production shrank by 7.67 percent to 267.38 thousand cubic feet; Confectionary fell by 17.48 percent to 2,902.70 thousand pounds; Common soap production dropped by 27.25 percent to 522.31 thousand metric tonnes. However, production of Maltina slightly improved by 2.61 percent to 331.08 thousand cartons.

Table 2

Production					
		Jan-Dec '14	Jan-Jun'15	Jul-Dec'15	Jan-Dec '15
1	2	3	4	5	6
Minerals					
Diamonds	*000' carats*	594.37	290.38	130.00	420.39
Gem	*'000 carats*	*503.94*	*240.15*	*83.03*	*323.18*
Industrial	*'000 carats*	*90.43*	*50.22*	*18.15*	*68.37*
Bauxite	*000' Mtons*	1,178.57	743.07	442.07	1,185.14
Rutile	*000' Mtons*	115.08	53.28	33.96	87.24
Ilmenite	*000' Mtons*	35.84	16.92	10.23	27.15
Gold	*000' Ounces*	1.47	2.46	0.68	3.14
Zircon	*000' Mtons*	2.42	0.65	0.45	1.10
Iron Ore	*000' Mtons*	19,307.99	1,691.27	-	1,691.27
Other Minerals	*'000 M Tons*	-	0.04	-	0.04
Agriculture					
Coffee	*Mtons*	2.75	1.35	-	1.35
Cocoa	*Mtons*	25.68	10.15	-	10.15
Manufactured Goods					
Beer and Stout	*000' Cartons*	730.33	297.66	379.50	677.16
Maltina	*000' Cartons*	322.65	185.28	145.79	331.08
Acetylene	*000' cu.ft*	296.72	124.27	113.72	237.99
Oxygen	*000' cu.ft*	289.59	125.67	141.71	267.38
Confectionery	*000' lbs*	3,517.73	1,620.07	1,282.64	2,902.70
Common Soap	*000' Mtons*	717.94	382.73	139.57	522.31
Soft drinks	*000' crates*	1,546.36	646.06	361.64	1,007.70
Paint	*000' gals*	257.11	160.61	156.43	317.04
Cement	*000' Mtons*	345.83	167.14	124.90	292.04
Services					
Electricity	*GW/hr*				
Total Units Generated	*GW/hr*	194.70	99.66	-	99.66
Industrial Consumption	*GW/hr*	31.62	11.13	-	11.13
Domestic Consumption	*GW/hr*	38.67	6.25	-	6.25
Commercial Consumption	*GW/hr*	25.78	4.17	-	4.17

Sources: Manufacturing Establishments

2.3 Mining

Activity in the mining sector slumped by 83.7 percent during the review year compared to a 16.81 percent improvement in 2014. As a result, mining sector contribution to GDP was recorded at 4.28 percent compared to 26.24 percent in 2014. This was attributable, in part, to the decline in global iron ore prices and the closure of the domestic iron ore mining companies. Nonetheless, government embarked upon providing support for the National Minerals Agency (NMA) to enable it to enforce mining regulations and policies to promote growth.

The volume of diamond produced during the reporting period declined by 29.27 percent to 420.39 thousand carats. Of this, gem diamond accounted for 323.18 thousand carats representing a 35.87 percent contraction while industrial diamonds declined by 24.39 percent to 68.37 thousand carats during the period under review. Similarly, Ilmenite and Rutile production fell from peaks of 35.84 thousand metric tons and 115.08 thousand metric tons in 2014 to 27.15 thousand metric tons and 87.24 thousand metric tons reflecting declines of 24.25 percent and 24.19 percent respectively in 2015.

Production of iron ore and zircon plunged significantly by 91.24 percent and 54.59 percent to 1,691.27 thousand metric tons and 1.10 thousand metric tons respectively in 2015. Meanwhile, the sag in the average international prices of iron ore from US$96.84 per dry metric tons in 2014 to US$56.63 per dry metric tons in 2015 partly contributed towards the breakdown in financial and institutional management system and subsequently the closure of the two key iron ore mining companies during the review period. Nonetheless, with revamping of the remaining mining enclaves across the country the prospects are that activity in the sector will gradually pick up, thereby contributing towards positive economic growth.

However, there was an unexpected increase during the year in production of bauxite, gold and other minerals comprising tin, molybdenum and silver as generated by the Customs ASYCUDA++ system. As a result, other minerals grew by a significant 1,141.65 percent to 0.04 thousand metric tonnes, bauxite production was recorded at 1,185.14 thousand metric tonnes indicating a 0.56 percent increase and Gold peaked by 112.90 percent to attain a volume of 3.14 thousand ounces. Fluctuations in international gold prices accounted for the increase in gold production, as average international price of gold was recorded at US$1,168.38/troy oz in 2014 but later increased to US$1.265.58/troy oz in 2015.

2.4 Electricity Generation

Given the significance of energy in the development process of a country, the government in collaboration with its development partners launched various initiatives and projects to improve on electricity supply across the country. The ECOWAS Commission provided a grant in the sum of US$21.8 million as regional support to the National Power Authority. Similarly, the World Bank, the International Development Bank, the Japanese International Cooperation and the African Development Bank provided support in diverse ways.

On the domestic front, the government entered into various agreements including that with Addax Bio-energy for15MW and Cooperbelt Engineering Cooperation (CEC) for 128MW to be delivered over a period of 18-36 months to augment energy access in the Western Area. Consequently, government allocated the sum of Le68.2 billion to procure and install thermal plants in the provincial headquarter towns.

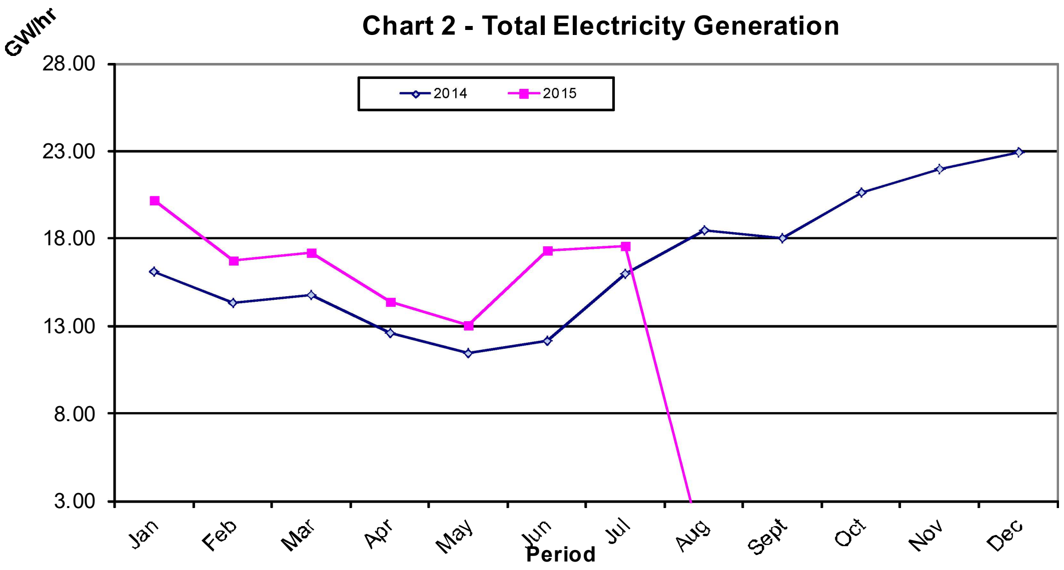
Hence, in 2015 government issue a special "Electricity Medium-Term Bond" in tranches to raise an amount of US$106 million to fund this project.

Accordingly, in 2015 total units of electricity generated amounted to 99.66 Gw/hr reflecting a 48.82 percent decline when compared to the total units of 194.70 Gw/hr generated in 2014. Similarly, electricity consumption across all sectors significantly dropped during the reporting period mainly due to short fall in supply factors across the country. Of this, industrial consumption amounted to 11.13 Gw/hr, domestic consumption amounted to 6.25 Gw/hr and commercial consumption 4.17 Gw/hr.

Table 3

Electricity Generation(Gw/h)

Year	Total Units Generated
2006	84.82
2007	53.21
2008	31.98
2009	30.68
2010	138.78
2011	131.98
2012	170.64
2013	175.64
2014	194.7
2015	99.66



Note: *No data was available for the period: August - December 2015*

2.5 Building and Construction

Cement production which served as a proxy or indicator to guage the level of activities in construction fell by 8.0 percent to 317.04 thousand metric tonnes in 2015 compared to 345.83 thousand metric tonnes in 2014. The contraction in cement production was attributable, in part, to the weak domestic demand for capital investments due to the Ebola outbreak, as investment expenditures were more short-term in outlook. Paint production however, increased by 23.31 percent to 317.04 thousand gallons in 2015 as against 257.11 thousand gallons in 2014. This was on account of the renovation activities that were undertaken on the temporary medical facilities erected throughout the country

2.6 Tourism

As a result of the adverse impact of the lingering effect of Ebola on the hospitality industry and the suspension of airline operations to and from Sierra Leone, International arrivals at the Lungi Airport during the review period declined from 46.18 percent in 2014 to 8.31 percent in 2015. Nonetheless, efforts were made through the implementation of the tourism marketing strategy by international media houses, to improve on the post Ebola image building and rebranding of the country.

In terms of arrivals by region of origin, 23.2 percent were from America, 12.7 percent from Non-ECOWAS countries, 15.7 from ECOWAS countries, 30.3 percent from Europe, 8.9 percent from Asia, 4.1 percent from the Middle East and 4.1 percent from Australia and Oceania.

All categories of tourist arrivals by purpose fell significantly in 2015, of which 38 percent were on business, 22.5 percent on holiday, 21.6 percent on visit to friends and relatives, 8.3 percent on conferences, and 9.6 percent on other purposes.

Table 4

Monthly Visitors Arrival by Air - 2015

(by Purpose of visit)

Period	Holiday	V.F.R.	Business	Conference	Others	TOTAL
January	116	239	657	97	224	**1,333**
February	117	176	534	170	153	**1,150**
March	93	144	693	173	145	**1,248**
April	110	146	397	90	121	**864**
May	233	208	550	114	228	**1,333**
June	283	258	572	190	267	**1,570**
July	608	454	958	100	150	**2,270**
August	600	502	855	51	251	**2,259**
September	583	750	764	70	140	**2,307**
October	802	675	989	370	200	**3,036**
November	854	750	950	300	250	**3,104**
December	964	840	1,120	250	150	**3,324**
Jan - Jun	***952***	***1,171***	***3,403***	***834***	***1,138***	**7,498**
Jul - Dec	***4,411***	***3,971***	***5,636***	***1,141***	***1,141***	**16,300**
Jan - Dec	**5,363**	**5,142**	**9,039**	**1,975**	**2,279**	**23,798**

Table 5

Monthly Visitors Arrival by Air 2015 *(By Place of Residence)*

MONTH	AFRICA		Asia	America	Middle East	Europe	Australia	Total
	ECOWAS	NON-ECOWAS						
January	47	48	163	332	69	620	54	**1,333**
February	68	112	63	378	50	428	51	**1,150**
March	50	34	151	432	32	461	88	**1,248**
April	41	44	115	280	42	264	78	**864**
May	88	118	217	290	33	488	99	**1,333**
June	180	315	141	283	62	458	131	**1,570**
July	460	342	169	451	120	576	152	**2,270**
August	453	361	200	385	160	663	37	**2,259**
September	590	393	150	374	75	685	40	**2,307**
October	600	450	250	684	100	890	62	**3,036**
November	658	500	300	720	85	784	57	**3,104**
December	490	300	200	920	150	1,129	135	**3,324**
Jan-Jun	***474***	***671***	***850***	***1,995***	***288***	***2,719***	***501***	**7,498**
Jul-Dec	***3,251***	***2,346***	***1,269***	***3,534***	***690***	***4,727***	***483***	**16,300**
Jan-Dec	**3,725**	**3,017**	**2,119**	**5,529**	**978**	**7,446**	**984**	**23,798**

2.7 Price Developments

Annual headline inflation rate which was characterised by upward trends since the beginning of the year was recorded at 8.85 percent in December 2015, driven mainly by exchange rate depreciation as reflected in non-food inflation while food inflation continued to decline. Notwithstanding the upward trend in inflation over the reporting period, the single digit objective of inflation was achieved for the third consecutive year under the IMF Extended Credit Facility program.

Non-food inflation increased from 7.66 percent in 2014 to 11.08 percent in 2015, reflecting the pass-through effects of the exchange rate depreciation on domestic prices. Food inflation which started to decline from 7.73 percent at the beginning of the year 2015, sustained its declining trend throughout the review period to record 5.76 percent at end December 2015, compared to 8.11 percent recorded in December 2014. This development reflected the easing of Ebola related restrictions on the movements of people during the early part of the year coupled with improved domestic food production and distribution.

In terms of components of the CPI basket, the rise in inflation during the year was largely reflective of increases in cost of housing, water, energy and utilities, clothing and footwear, furniture and equipment, health, education and hotels. Conversely, food and non-alcoholic beverages were relatively stable over the review period.

Core inflation (excluding food and energy) was recorded at 4.88 percent in 2015 relatively higher than the 3.80 percent recorded in 2014, largely reflective of the pass-through effect of currency depreciation and a gradual pick up in domestic demand.

Table 6

Inflation Rates 2015						
PERIOD	National (2007 Base Yr.)			Freetown (1996 Base Yr.)		
	CPI	Year-on-year % Change	Monthly % Change	CPI	Year-on-year % Change	Monthly % Change
January	239.05	7.60	0.29	2089.67	8.64	0.58
February	240.27	7.55	0.51	2121.51	8.26	1.52
March	241.90	7.61	0.68	2138.87	8.29	0.82
April	243.43	7.66	0.63	2146.83	8.51	0.37
May	245.25	7.75	0.75	2157.00	8.54	0.47
June	247.21	7.91	0.80	2173.97	8.67	0.79
July	249.54	8.11	0.94	2192.56	8.69	0.86
August	252.17	8.21	1.05	2215.63	8.88	1.05
September	254.11	8.35	0.77	2238.39	9.31	1.03
October	256.50	8.58	0.94	2255.63	9.66	0.77
November	258.08	8.71	0.62	2265.12	9.98	0.42
December	259.47	8.85	0.54	2286.67	10.07	0.95

Source: *Statistics Sierra Leone*

2.8 Inflation Outlook

Headline inflation is projected to increase marginally to 9.5 percent in 2016 compared to the rate recorded in 2015. Inflation development in the domestic economy therefore will continue to be influenced by international oil prices, the Leone/US Dollar exchange rate, global food prices, performance of the agriculture sector and the level of aggregate demand in the economy.

3.0 Fiscal Developments

The thrust of Government's fiscal policy during the financial year 2015 was focused on wining the fight against the Ebola Virus Disease (EVD) and restoring livelihood for Post Ebola Economic and Social Recovery. In particular, it aimed at stabilizing the macro economy and stimulating economic recovery promoting private sector participation and supporting the development of agriculture, commerce and trade as well as the services sectors, particularly tourism. Fiscal operations of Government (on cash flow basis) resulted in an overall deficit (including grants) of Le1, 102.50bn (4.92% of GDP) in 2015. This amount exceeded the 2014 deficit of Le877.28bn and was Le96.48bn higher than the budgeted target of Le1, 006.02bn (4.49% of GDP). The increase in the overall budget deficit was attributed to the underperformance in revenue by (5.85%) as against an expanded government expenditure of (11.27%) to support infrastructure investment. This deficit was financed from both domestic and foreign resources.

Fiscal deficit excluding grants in 2015 amounted to Le2, 197.48bn (9.80% of GDP) compared to Le1, 709.20bn (7.34% of GDP) in 2014 representing a 28.57 percent increase. When compared with the 2015 budgeted deficit of Le2, 074.58, this amount was 5.92% in breach of the ceiling requirement.

3.1 Government Revenue

Total revenue (including grants) increased marginally by 5.85 percent to Le3, 372.13bn or 15.04% of GDP in 2015 and was 3.78 percent lower than the budgeted target of Le3, 504.72bn. With respect to domestic revenue, there was a 2.02 percent short fall in revenue mobilization to Le2, 181.26bn which was also 6.79 percent lower than the programme requirement of Le2, 340.17bn. A breakdown of total revenue indicates that it comprises receipts from tax revenue, non-tax collections and external grants. While tax receipts accounted for 56.6 percent of total revenue during the year, non-tax receipts accounted for 13.2 percent and external grants for 35.3 per cent.

Tax revenues during the review period amounted to Le1, 907.16bn or 8.51% of GDP and were 2.39 percent lower than the previous year's amount of Le1, 862.58bn. This decline in tax revenue was attributable to underperformance in income tax receipts, while customs and excise and goods and services tax collections increased as a result of the introduction by the National Revenue Authority of the Short Term Revenue Improvement Project (STRIP) during the fourth quarter of the review period. **Customs and Excise** income collection increased by 1.70 percent to Le516.440bn (2.30% of GDP) and was 5.38 percent lower than the budgeted target during the reporting period. The rise in customs and excise collections was accounted for by the expansion in receipts of the subsector component such as, import tax receipts which grew by 5.54 percent to breach its target by 8.67 percent; returns on excise on petroleum shrank by 3.56 percent but subsequently outstripped the projected target by 3.69 percent. There was also a 4.09 percent increase in other excise duties.

Receipts from **Income Tax** contracted by 7.16 percent to Le831.52bn (3.71% of GDP). The fall was attributable to the 5.03 percent decline in personal income tax, company tax fell by 12.06 percent and other taxes by 7.13 percent. All categories of income tax were in breach of their budgeted targets during the review period except for other tax revenue which exceeded the budgeted target requirement by 8.45 percent.

Collections from **Goods and Services Tax (GST)** grew by 21.81 percent to Le559.202bn (2.49% of GDP) in 2015, which was 5.64 percent lower than the required target of Le592.622bn. This increase in goods and services tax was explained by the growth in imports. Receipts from import GST (import sale tax) improved markedly by 26.10 percent which was 7.16 percent lower than the budgeted target. Revenue from domestic GST increased by 16.16 percent but was 3.38 percent lower than the projected target. The improvement in GST was as a result of the enforcement of the effective debt management and GST compliance by medium and large taxpayers during the fourth quarter of 2015.

Non-tax revenue amounted to Le446.52bn (1.99% of GDP) which reflected 9.31 percent deterioration below the programmed target of Le492.34bn. The lower non-tax revenues collected during the reporting period was attributable to the slowdown in outturns from the mining Department mainly in the form of royalties on iron ore which declined significantly by 93.64 percent due to the closure of the two iron ore mining companies. Licensing income fell by 38.66 percent. On the other hand, revenues from Other Departments increased by 4.74 percent as unexpected growth was envisaged for all other components of non-tax revenue during the reporting period.

External grants were recorded at Le1, 190.86bn (4.91% of GDP) during the review period, reflecting a 24.12 percent improvement over the previous year and were 2.26 percent higher than the anticipated target of Le1, 164.55bn. Of this, a greater percentage was on account of programmed grants totalling Le702.85bn. Meanwhile, grants in respect of development projects in the amount of Le488.011bn represented a 78.58 percent increase but was 4.02 percent lower than the budgeted target of Le508.46bn. Programmed grants for budgetary support increased by 2.43 percent which was 7.13 percent higher than the budgeted target of Le656.09bn. Of that amount, the European Union disbursed Le163.35bn, the World Bank Le149.58bn; Peace Building funds Le138.21; the Africa Development Bank Le110.99bn; and the United Kingdom through the Department for International Development Le78.01bn.

Table 7

Government Fiscal Operations

(In Millions of Leones)

	Jan-Dec 2014	Jan-Dec 2015	Budget 2015
1	2	3	4
TOTAL REVENUE (PLUS GRANTS)	**3,185,676**	**3,372,126**	**3,504,721**
DOMESTIC REVENUE	**2,226,200**	**2,181,262**	**2,340,168**
Of which:			
Customs & Excise	**507,816**	**516,440**	**545,811**
Import Taxes	285,040	300,818	329,366
Excise on Petroleum	207,590	200,200	193,084
Other Excise Dutties	14,186	14,766	23,361
Freight Levy from Marine Administration	1,000	657	0
Income Tax Department	**895,672**	**831,522**	**908,211**
Company Tax	269,785	237,245	245,521
Personal Income Tax	618,466	587,386	656,336
Other Taxes	7,420	6,891	6,354
Goods and Services Tax	459,095	559,202	592,622
Import GST (Import Sales Tax)	260,785	328,852	354,210
Domestic GST	198,310	230,350	238,412
Tax Revenue	**1,862,583**	**1,907,164**	**2,046,644**
Miscellaneous	**552,002**	**344,841**	**397,629**
Mines Dept.	186,673	78,856	88,135
Royalty on Rutile	3,115	11,032	6,552
Royalty on Bauxite	7,015	7,314	4,265
Royalty on Diamond and Gold	41,103	30,260	24,931
Royalty on Iron Ore	96,081	6,106	6,142
Licences	39,359	24,144	46,245
Other Departments	89,328	93,564	110,879
Royalty on Fisheries	31,246	35,479	42,925
Parastatals	0	17,809	17,809
Other Revenues	58,082	40,277	49,946
Road User Charges	**87,616**	**101,677**	**94,710**
Non-Tax Revenue	**639,618**	**446,518**	**492,339**
GRANTS	**959,476**	**1,190,864**	**1,164,553**
Programme	686,197	**702,853**	**656,091**
HIPC Debt Relief Assistance	9,328	5,103	10,873
Japanese Food & Oil Aid	0	0	0
Global Fund Salary Support	20,747	40,722	0
Kuwaiti Fund Refund	0	0	0
UK (DFID)	133,137	78,010	78,951
EU	146,014	163,350	136,009
AfDB	162,805	110,997	110,997
WB	272,712	149,581	147,451
Peace Building Fund	0	0	0
Others (IMF CCR Debt Relief)	0	138,189	138,189
Development Projects	273,279	488,011	508,462

Table 7 continued

Government Fiscal Operations

(in Millions of Leones)

	Jan-Dec 2014	Jan-Dec 2015	Budget 2015
TOTAL EXPENDIUTRE & NET LENDING	**3,935,404**	**4,378,729**	**4,414,743**
Of which:			
Current Expenditure	**2,718,468**	**2,827,906**	**2,798,975**
Of which:			
Wages & Salaries	1,445,695	1,600,699	1,584,400
Domestic Interest	181,228	148,015	133,706
Foreign Interest	40,131	41,917	40,131
Goods & Services	456,995	445,298	482,430
Transfers to Local Councils	64,028	89,853	92,437
Fuel Subsidies	0	0	0
Social Outlays	223,518	247,424	217,477
Grants to Education Institution	145,230	137,089	139,705
Transfer to Road fund	87,616	107,178	100,211
Elections & Democratisation	15,960	10,432	9,500
Development Exp. & Net Lending	1,204,786	1,550,823	1,615,769
Foreign Loans & Grants	634,880	983,811	963,042
Loans	361,601	495,800	454,580
Grants	273,279	488,011	508,462
Domestic	569,905	567,012	652,727
Lending Minus Repayment	12,150	0	0
CURRENT BALANCE+/- (Including grants)	**467,208**	**544,220**	**705,746**
ADD DEVELOPMENT EXPENDITURE	(1,204,786)	(1,550,823)	(1,615,769)
Basic Primary Balance	(837,005)	(1,013,292)	(928,186)
OVERALL DEFICIT/SURPLUS +/-(Incl. grants)	**(749,728)**	**(1,006,603)**	**(910,022)**
FINANCING	**(877,276)**	**(1,102,500)**	**(1,006,021)**
Domestic	**600,877**	**733,253**	**669,610**
Of which:			
Bank Financing	**668,894**	**733,253**	**650,759**
Bank of Sierra Leone	219,485	337,279	288,624
Commercial Banks	449,410	395,974	362,135
Non-Bank Financing	(68,018)	0	18,851
Privatisation Receipts	13,430	0	0
External	**265,748**	**360,634**	**337,564**
Of which:			
Loans	361,601	495,800	454,580
Project	361,601	495,800	454,580
Programme	0	0	0
Amortisation	(95,853)	(135,166)	(117,016)
Debt Relief	0	0	0
Others*	**(5,560)**	**8,613**	**(1,152)**

3.2 Government Expenditures

3.2 Government Expenditures

Total government expenditures and net lending for 2015 as a share of GDP was recorded at 19.53 percent or Le4, 378.73bn. This was 11.27 percent more than the 2014 amount of Le3, 935.40bn and 0.82 percent lower than the budgeted ceiling of Le4, 414.74bn. This growth was engendered by the 28.72 percent jump in development expenditures.

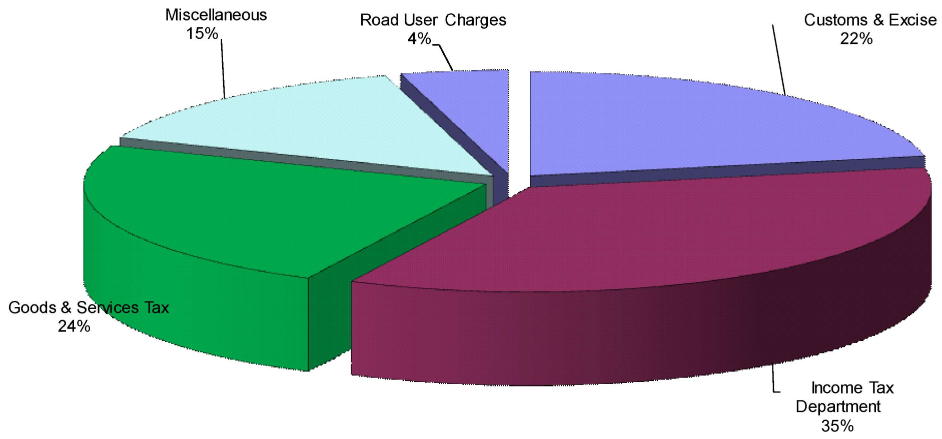
Recurrent expenditures on the other hand increased by 4.03 percent or Le2, 827.91bn which was 12.69 percent of GDP in 2015. When compared with the programmed requirement of Le2, 798.98bn, this amount reflected a 1.03 percent excess over the budgeted target. This growth in recurrent expenditure was attributable, in part, to a 10.72 percent increase in wages and salaries to record Le1, 600.70bn (7.14 percent of GDP) as a result of the 15 percent increase in personal emoluments of public service workers effective July 2015.

Total interest payments in 2015 amounted to Le189.93bn (0.85 percent of GDP) representing a 14.20 percent fall when compared to Le221.36bn in 2014. This represented a 9.26 percent breach of the ceiling requirement of Le173.84bn thereby recording a savings of Le31.43bn. The component of total interest payments that accounted for this savings was domestic interest payment in the sum of Le148.02bn representing 18.33 percent decline owing to the lower interest payments made on government securities. However, foreign interest payments in the sum of Le41.92bn represented an increase of 4.45 percent.

Non-salary-non-interest recurrent expenditures increased by 4.42 percent to Le1, 037.27bn (4.63% of GDP) which was 0.43 percent lower than the budgeted requirement of Le1, 041.76bn. The growth in non-salary-non-interest recurrent expenditures was on account of increases in transfers to local councils and expenditures on social outlay by 40.33 percent and 10.70 percent respectively. All other categories of expenditures under this component fell during the reporting period. For example, payments in respect of goods and services fell by 2.56 percent; grants to educational institutions in the form of subvention fell by 5.61 percent, elections and democratization expenditures declined by 34.64 percent. All the components of expenditure except for those on social outlays were within the programme limits.

Development Expenditures in 2015 recorded a significant amount of Le1,550.82bn (6.92 percent of GDP) which was 28.72 percent higher than the preceding year's amount of Le1, 204.79bn. This amount was duly within the programmed target with a leeway of Le1, 615.77bn**.** The increase in development expenditures was attributable to the increase in overseas development assistance inflows and grants to support government's effort to mitigate the impact of Ebola under the Post Ebola Economic Recovery strategy and resume the roll out of infrastructural development projects especially roads during the review period. Consequently expenditures from foreign loans and grants amounted to Le983.81bn (4.39% of GDP) representing a 54.96 percent increase. In contrast, domestic expenditures declined by 0.51 percent to Le567.01bn (2.53% of GDP).

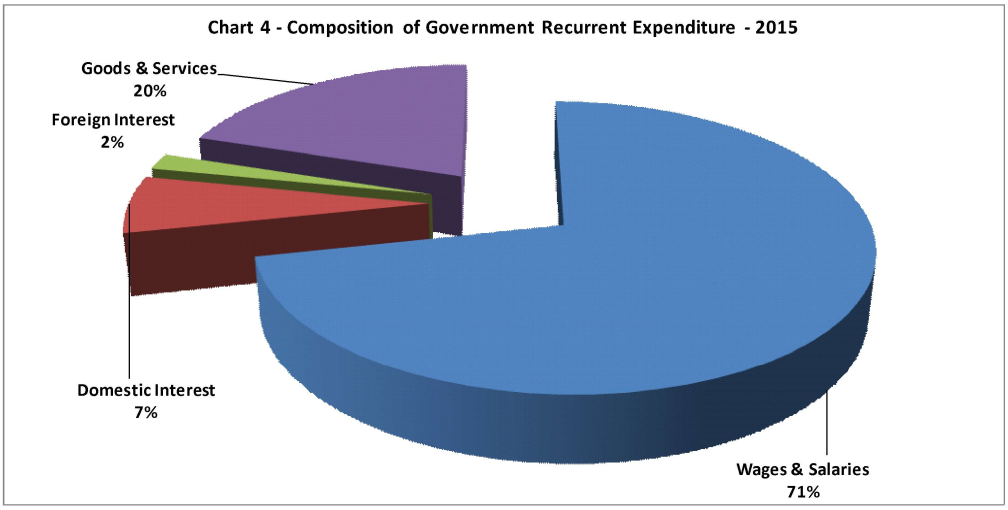
Chart 3 - Composition of Government Revenue - 2015



3.3 Budget Deficit and Financing

Government's budgetary operations during the review period recorded an overall deficit (including grants) of Le1, 102.50bn (4.92 percent of GDP) which was financed mainly from domestic and foreign resourcesDomestic financing of the fiscal deficit during the review period increased by 22.03 percent to Le733.25bn (3.27% of GDP) which was 9.50 percent higher than the target of Le669.61bn. Domestic financing was done exclusively by the banking system in the amount of Le733.25bn. Of this borrowing from the Central Bank amounted to Le337.28bn representing a 53.67 percent increase over the previous year's level of Le219.49bn. Borrowing from the commercial banks was recorded at Le395.97bn representing 11.89 percent decline. Therefore, government borrowing from both the Bank of Sierra Leone and the commercial.

Foreign financing of the budget deficit increased significantly by 35.71 percent to Le360.63bn which was 6.83 percent in excess of the budgeted target of Le337.56bn. This amount comprised project loan inflows of Le495.80bn and amortization of debt in the sum of Le135.17bn. Other financing mechanisms included rescheduling of debt, financing gap and privatization net in the amount of Le8.61bn.



4.0 Monetary Developments

The primary objective of monetary policy is to achieve and maintain a low and stable inflation environment conducive to high and sustainable economic growth. In addition to maintaining price stability, Monetary Policy also pursued financial sector stability objectives through strengthened supervision and enhanced regulation of the financial sector.

The monetary policy framework strategy of the Bank remains monetary targeting with Reserve money as the operating target and reserves requirements, open market operations (OMO) and moral suasion as the key monetary policy instruments. The Bank continued to remain vigilant while awaiting the second round effect of the foreign exchange shock to ensure that inflation is well in check. With the introduction of the wholesale foreign exchange auction mechanism, the BSL limits its intervention strategy in the foreign exchange market only to smoothening short-term exchange rate volatility.

During the reporting period, monetary policy management was challenged by a wide range of factors including heightened inflation expectations, exchange rate depreciation, budget execution and slow recovery in the real sector. Additionally, the uncertainties in the global economy brought about by the slowing down of global economic growth further compounded the management problems. This was evidenced by the significant contraction of the gross domestic product (GDP) by an estimated 21.5 percent in 2015. To this end, the Monetary Policy Committee (MPC) met four (4) times during the year to take appropriate decisions on the direction and level of the monetary policy rate.

At the first meeting of the MPC held in March, the Monetary Policy Rate (MPR) was reduced from 10 percent to 9.5 percent. This was reflective of a cautious accommodating monetary policy stance in support of post Ebola economic recovery. The MPR remained unchanged at 9.5 percent in June, September and December meetings to signal support for economic recovery against the backdrop of the following developments:-

- Continued external vulnerabilities including weak global growth prospects, declining commodity prices and slow growth outlook for China and other emerging economies.
- Weak prospects of economic recovery following continued decline in international commodity prices especially iron ore and their implications for Government revenues and the external balance.
- Upward trends in inflation and high inflation expectations largely owing to exchange rate depreciation and supply factors, in spite of which, forecasts indicate that the end of year target of 12 percent was achievable.

Despite these challenges, the Bank ensured that the statutory limit on central bank financing of no more than 5 percent of previous year’s domestic revenues was strictly enforced.

As part of the efforts to respond to the general macroeconomic challenges, the Executive Board of the International Monetary Fund (IMF) approved, in March 2015, the authorities request for SDR 20.74 million (about US$29.18 million or 20 percent of Sierra Leone’s quota) to be considered for immediate debt relief under the catastrophe containment window of the Catastrophe Containment and Relief (CCR) Trust. Further, following the satisfactory conclusion of the Second Review of the IMF Supported ECF Program, the Executive Board of the IMF approved the disbursement of SDR 60.74 million (about US$85.45 million) under the Extended Credit Facility (ECF) arrangement, as well as augmentation of access under the ECF arrangement of 50 percent of Sierra Leone’s quota, equivalent to SDR 51.85 million (about US$72.94 million).

During the second half of 2015 the Executive Board of the International Monetary Fund (IMF) also approved, in November 2015, following the satisfactory conclusion of the third and fourth reviews of the IMF supported Extended Credit Facility program and reached an agreement for augmentation of access of 45 percent of quota, equivalent to SDR46.66 (about US$64.59) to be distributed in three tranches. The conclusion of the third and fourth reviews triggered the immediate disbursement of SDR 33.335million (about US$46.14 million). This amount includes the first tranche of the augmentation in an amount of SDR 15.555 million (about US$21.53 million).

The implications of the above was a satisfactory implementation of the ECF program, except for the non-observance of the end-December 2014 performance criteria on Net Domestic Bank Credit to Government Ceiling, the Net Domestic Assets of the Central Bank Ceiling, and the floor on Gross Foreign Exchange Reserves of the Central Bank. The authorities' requested for waivers on the non-observance of these criteria, attributable to the Ebola outbreak but given the evidence that corrective measures have been taken, the request was granted by the Board.

The ECF program resources complemented the support for the authorities in the fight against the impact of the Ebola outbreak by covering urgent budgetary and balance of payments gaps and strengthening the international reserves position. The additional IMF financing helped catalyze further financial assistance from the international community in the form of grants.

4.1 Monetary Aggregates

Monetary developments in 2015 as indicated by movements in monetary aggregates were expansionary albeit at a slower pace compared to 2014. Broad Money Supply (M2) posted an annual growth rate of 11.34 percent in 2015 compared to 16.57 percent growth rate in 2014. The key driver of growth in Broad money derived from changes in Net Domestic Assets (NDA) of the banking system. NDA of the banking system grew by 35.42 per cent in 2015 accounting for 12.20 per cent of M2 growth. This was higher than the 19.99 percent annual growth recorded in 2014, which contributed about 6.6 percent to M2 growth. The strong expansion in NDA was on account of the 33.56 percent increase in Net Claims on Government by the banking system, Claims on private sector of 3.22 per cent, and change in Other Items Net of 35.73 per cent. Public sector claims dropped by 8.75 per cent. Direct lending to the Government in the form of Ways and Means advances amounted to Le 24.35bn.

However, changes in the Net Foreign Assets (NFA) position of the banking system contracted by 1.07 percent and had a negative contribution of 0.86 percent with a dampening effect on M2 growth. This contrasts with the 14.88 percent annual growth in NFA, which contributed about 9.97 percent to M2 growth in 2014. The contraction in NFA during the review period mainly reflected the increase in Foreign Liabilities of the Central Bank arising from IMF lending to Government for budget support via the Bank. However, the Growth rate in M2 was within the end of year program target of 13.0 percent reflecting weak domestic demand for Money and Fiscal coordination.

In terms of components of Broad Money, Demand deposits and currency in circulation recorded significant growth rates over the reporting period characterised predominantly by cash based transactions. Demand deposits and currency in circulation expanded by 25.29 percent and 17.92 percent year-on-year respectively in 2015 compared to 35.83 per cent and 13.98 per cent respectively during the

Table 8

Monetary Survey (Million Leones)

	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15
1	2	3	4	5	6
Reserve Money	**1,560,388**	**1,502,179**	**1,666,649**	**1,618,911**	**1,723,637**
Broad Money	**4,929,099**	**4,945,395**	**5,038,376**	**5,296,792**	**5,487,870**
Broad Money*	**3,864,484**	**3,942,393**	**4,069,343**	**4,212,943**	**4,386,519**
Narrow Money	**2,051,630**	**2,150,603**	**2,213,084**	**2,293,050**	**2,496,971**
Currency in Circulation	*997,545*	*1,041,432*	*989,167*	*1,018,116*	*1,176,286*
Demand Deposits	*1,054,085*	*1,109,170*	*1,223,917*	*1,274,934*	*1,320,685*
Quasi Money	**2,877,470**	**2,794,792**	**2,825,292**	**3,003,742**	**2,990,899**
Foreign Currency Deposits	*1,064,615*	*1,003,002*	*969,033*	*1,083,849*	*1,101,351*
Time Deposits	*339,705*	*249,386*	*285,098*	*262,031*	*285,089*
Savings Deposits	*893,787*	*933,838*	*950,455*	*971,417*	*982,349*
Other Deposits	*577,410*	*606,614*	*620,693*	*686,432*	*622,063*
Time Savings and Foreign Currency dep. (BSL)	*1,952*	*1,952*	*13*	*13*	*46*
Net Foreign Assets	**3,253,757**	**3,167,570**	**2,989,359**	**2,964,271**	**3,211,356**
Bank of Sierra Leone	**1,958,411**	**1,855,871**	**1,823,821**	**1,708,358**	**1,862,836**
Assets	*2,773,135*	*2,863,687*	*2,844,668*	*2,818,337*	*3,290,170*
Liabilities	*(814,725)*	*(1,007,816)*	*(1,020,847)*	*(1,109,979)*	*(1,427,334)*
Commercial Banks	**1,295,346**	**1,311,699**	**1,165,537**	**1,255,913**	**1,348,520**
Assets	*1,308,041*	*1,317,037*	*1,175,140*	*1,265,851*	*1,359,379*
Liabilities	*(12,695)*	*(5,338)*	*(9,603)*	*(9,938)*	*(10,859)*
Domestic Credit	**3,746,904**	**3,881,126**	**4,057,790**	**4,458,059**	**4,404,763**
Budget Financing	**1,938,430**	**2,080,989**	**2,255,833**	**2,599,394**	**2,589,189**
Central Bank (NCG)	**273,365**	**340,715**	**430,983**	**580,059**	**561,989**
Gross Claims	273,876	387,004	431,495	580,570	562,500
Ways and Means Advances	39,058	**-**	**66,157**	**66,243**	**63,406**
GOSL/IMF BUDGET FINANCING	*181,712*	***358,871***	***358,871***	***358,871***	***476,774***
BSL-EU BRIDGING LOAN ACCOUNT	**-**	-	**-**	***141,725***	**-**
Treasury Bills	*44,865*	*23,055*	*1,474*	*7,951*	*16,136*
Treasury Bonds	*8,241*	*5,078*	*4,993*	*5,781*	*6,185*
Less Deposits	*(512)*	*(46,288)*	*(512)*	*(512)*	*(512)*
Commercial Banks NCG)	**1,665,065**	**1,740,274**	**1,824,850**	**2,019,335**	**2,027,200**
Gross Claims	**1,665,523**	**1,740,824**	**1,825,445**	**2,020,009**	**2,028,173**
Treasury Bills	*1,575,962*	*1,658,639*	*1,743,461*	*1,941,784*	*1,943,445*
Treasury Bearer Bonds	*6*	*-*	*-*	*-*	*3,000*
Loans and Advances	*89,555*	*82,184*	*81,984*	*78,225*	*81,728*
Less Deposits	**(457)**	**(550)**	**(596)**	**(674)**	**(972)**
Other Claims (Central Government)	*510,568*	*510,568*	*506,818*	*506,876*	*503,068*
Claims on Non Financial Public Sector	*199,242*	*190,280*	*183,150*	*177,149*	*181,612*
Claims on Private Sector	*1,056,845*	*1,056,790*	*1,064,369*	*1,120,230*	*1,090,849*
of which					
Commercial Banks	**1,038,540**	**1,036,527**	**1,027,378**	**1,088,184**	**1,060,823**
Claims on Non-Banking Inst.	41,818	42,498	47,620	54,410	39,845
Other Items (Net)	**(2,071,562)**	**(2,103,301)**	**(2,008,773)**	**(2,125,538)**	**(2,128,248)**

* *Excludes Foreign Currency Deposits at the Commercial Banks*

Source: Bank of Sierra Leone and Deposit Money Banks preceding year. The increase in current account deposits and currency during the review period, albeit slower than that recorded in the preceding period, suggests that weak demand for money still persisted during the review period. However, Time Deposits recorded significant decline in the order of 16.08 percent possibly on account of negative savings due to the general low interest rates environment prevailing across all commercial banks.

Reserve Money (RM) grew by 10.46 percent on a year-on-year basis in December 2015, down from 30.08 percent in December 2014. The growth in Reserve money reflected mainly expansion in the NDA of the Bank of Sierra Leone, which in turn was driven by strong growth in Net Claims on Government (NCG).The expansion in RM was however within the end of year program limit of 7.1 per cent.

The expansion in commercial Banks' credit to the private sector remained subdued; partly reflecting the crowding out effect of public sector borrowing and the cautious approach to loan assessments given the difficult economic climate. Total credit to the private sector by commercial banks grew marginally by 2.15 per cent (Le22.28bn) compared to 5.06 percent (Le49.99bn) recorded in the preceding period of 2014.

4.2 Monetary Operations

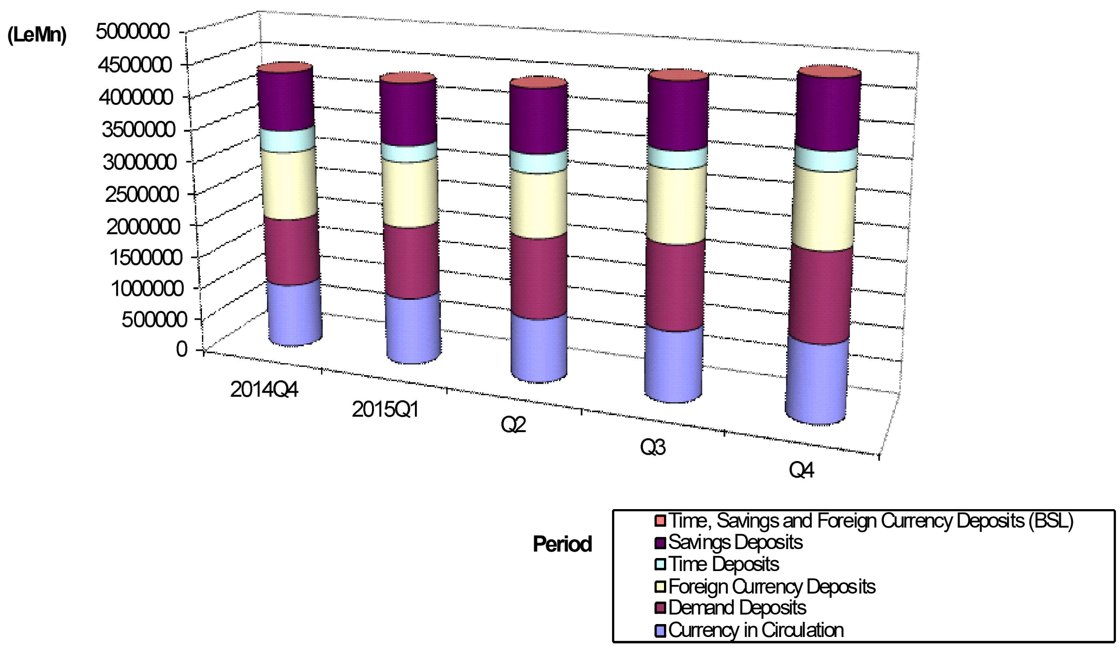
During the period under review, activities in the primary market for Government securities were characterized by oversubscription in the 364 day treasury bills. The market for 91 day and 182 day treasury bills however were undersubscribed. This phenomenon was attributable to the relatively higher yields on new government borrowings in 364 day treasury securities as government sought to restructure its debt by issuing longer maturity treasury bills during the period. The Ministry of Finance and Economic Development (MoFED), in collaboration with the BSL commenced the issuance of a Two-Year Medium Term Marketable Bonds in November, 2015.

As at 31st December, 2015, the stock of outstanding Government securities increased by Le358,541.35bn from Le1,889.87bn in December, 2014. Demand for Government securities was skewed towards the 364 day treasury bills which accounted for 81.71 percent of the total stock of marketable Government securities.

Commercial banks' holdings of Government securities increased by Le370.48bn (23.51%) from Le1,575.97bn as at end December, 2014 to Le1,946.44bn at end December, 2015. On the other hand, BSL holdings of Government securities declined by Le30.79bn (-57.97%) from Le53.11bn at end December, 2014 to Le22.32bn as at end December, 2015. Similarly, Non-bank holdings, excluding the National Social Security and Insurance Trust (NASSIT), dropped by Le8.64bn (-4.31%) from Le200.31bn at end December, 2014 to Le191.67bn at end December, 2015. Holdings of NASSIT increased by Le27.49bn (45.45%) from Le60.49bn at end December, 2014 to Le87.98bn at end December, 2015.

On the secondary market, the volume of interbank market transactions increased by Le386.45bn (77.4%) from Le499.30bn as at end 2014 to Le885.75bn as at end 2015. This development saw the interbank monthly weighted average yield on treasury securities increasing by 67 basis points from 1.81 percent in December 2014 to 2.48 percent at end December 2015. Relative to the Central Bank, the volume of reverse repo transactions increased by Le39.50bn (131.67%) from Le30.00bn as at end December 2014 to Le69.50bn as at end December 2015.

Chart 5. Composition of Money Supply (M2)



4.3 Interest Rates

The Monetary Policy Rate (MPR) which signals the stance of policy and serves as guide to other market interest rates was adjusted downwards from 10 percent in December 2014 to 9.5 percent in March, 2015 and remained unchanged up until end December 2015.

Yields on Government securities relatively increased across the long segment of the securities market during the review period to reflect the preferred term structure of Government securities. Yield on 182-day bills increased by 28 basis points from 2.83 percent in December 2014 to 3.11 percent in December 2015. Similarly, yield on 364-day treasury bills increased by 479 basis points, from 5.12 per cent in December 2014 to 9.91 per cent in December 2015. However, yield on 91-day bills declined by 128 basis points from 2.36 percent in December 2014 to 1.28 percent in December 2015. Meanwhile, interest rate on 1-year bonds remained unchanged at 5 percent. During the review period, the Government issued two year bonds to extend the term structure of its outstanding securities and the market cleared at an interest rate of 13.5 percent. In General, these developments hold the prospects for further deepening of the securities markets.

Table 9

Stock of Government securities outstanding by Holders (in Million Leones)			
	Dec. 2014	**Dec. 2015**	**Change**
91-DAYS TBs	**106,992.30**	**47,868.75**	**-59,123.55**
BSL	9,026.85	5,090.15	-3,936.70
COM. BANKS	69,891.85	21,721.55	-48,170.30
Non-Bank Public	28,073.60	19,711.40	-8,362.20
NASSIT	0	1,345.65	1,345.65
182-DAYS TBs	**316,267.60**	**226,852.75**	**-89,414.85**
BSL	25,964.75	4,505.20	-21,459.55
COM. BANKS	244,150.50	195,751.15	-48,399.35
Non-Bank Public	46,152.35	26,596.40	-19,555.95
NASSIT	0	0	0
364-DAYS	**1,337,800.25**	**1,837,233.25**	**499,433.00**
BSL	9,873.30	6,540.50	-3,332.80
COM. BANKS	1,261,919.85	1,725,972.10	464,052.25
Non-Bank Public	46,007.10	69,574.05	23,566.95
NASSIT	20,000.00	35,146.60	15,146.60
TBOND	**128,810.15**	**136,456.90**	**7,646.75**
BSL	8,241.45	6,184.65	-2,056.80
COM. BANKS	6	3,000.00	2,994.00
Non-Bank Public	80,075.70	75,785.25	-4,290.45
NASSIT	40,487.00	51,487.00	11,000.00
TOTAL	**1,889,870.30**	**2,248,411.65**	**358,541.35**
BSL	53,106.35	22,320.50	-30,785.85
COM. BANKS	1,575,968.20	1,946,444.10	370,475.90
Non-Bank Public	200,308.75	191,667.10	-8,641.65
NASSIT	60,487.00	87,979.25	27,492.25

TABLE 10

AVERAGE INTEREST RATES (PERCENT)

	Dec.-14	Mar.-15	Jun-15	Sept.-15	Dec.-15
1	2	3	4	5	6
Treasury Bills (3-months)	2.36	2.70	2.74	1.55	1.08
Treasury Bills (6-months)	2.83	3.59	5.84	3.00	3.11
Treasury Bills (1-year)	5.12	6.77	7.83	5.77	9.91
Treasury Bonds (1-year)	5.00	5.00	5.00	5.00	5.00
Savings ^	3.23	2.85	2.85	2.54	13.50
1 Month	4.08	3.38	3.38	2.73	2.54
3 Months ^	4.21	3.48	3.48	2.98	2.73
6 Months ^	5.57	4.70	4.70	4.12	4.20
9 Months ^	5.88	3.38	3.38	3.38	3.38
12 Months ^	6.59	5.76	7.64	5.22	5.30
Lending (Prime)	19.23-25.14	19.23-25.14	18.77-25.14	19.21-25.14	18.12-24.80
National Inflation Rate *	7.85	7.60	7.92	8.35	9.84

^ Revised data effective August 02, 2015 due to the incorporation of FIB

** The base year was revised from the 2003 to 2007*

N.A. - Not Available
Source: *Returns from BSL*

On average, interest rates on term deposits generally declined across all commercial banks during the review period. Interest rates on savings, 1-months, 3-months, 6-months, 9-months and 12-months term deposits declined by 69, 135, 123, 137 and 250 basis points to 2.54 percent, 2.73 percent, 4.20 percent, 3.38 percent and 5.30 percents respectively as at end December 2015. The average lending rate of commercial banks remained downward sticky with only marginal decline from 19.23-25.14 percent in December 2014 to the range of 18.12 to 24.80 percent in December 2015.

5.0 External Sector Developments

5.1 Global Growth

During the review period, global economic activity remained modest, spurred by the rebound in economic activity in advanced economies, as emerging and developing economies continued to face challenges. In this regard, the global economy is projected to slow down to 3.1 percent in 2015 from a growth of 3.4 percent in 2014. In 2016, the world economy is projected to gain some momentum growing by 3.6 percent driven by the continuing recovery in advanced economies and improving economic activity in emerging and developing economies.

Growth in advanced economies is projected to pick up to 2.0 percent in 2015 from 1.8 percent in 2014. This will be supported by sustained economic recovery in the United States with growth projected at 2.5 percent in 2015 as against 2.4 percent recorded in 2014. In the Euro zone, real GDP growth is projected at 1.5 percent in 2015 and 1.7 percent in 2016 mainly on account of the continued easing of monetary policy, competitive exchange rate, improving business and consumer confidence coupled with low energy prices.

The Japanese economy also posted positive growth rate of 0.6 percent in 2015 from a contraction of 0.1 percent recorded in 2014. It is expected to grow by 1.0 percent in 2016.

In emerging and developing economies, real GDP growth slowed down to 4.0 percent in 2015 as against 4.6 percent in 2014. In 2016, growth is expected to pick up to 4.3 percent. This was largely on account of robust domestic demand in India which helped to counter balance the impact of the slowdown in China.

The Chinese economy slowed down to 6.9 percent in 2015 from 7.3 percent in 2014 and is projected to slow further by 6.3 percent in 2016, reflecting the slowdown in industrial productivity, weak property investment and negative contributions from net exports.

In sub Saharan Africa, the slow pace of growth experienced in 2014 continued in 2015, with real GDP growth declining from 5.0 percent in 2014 to 3.8 percent in 2015, due mainly to declining commodity prices, as these economies depend mainly on commodity exports, waning terms of trade, as well as conflicts and the Ebola epidemic disease which affected some countries in the region. A moderate recovery is projected in 2016, with growth estimated at 4.3 percent, supported by recovery in external demand, moderate increase in oil prices and improved outlook in countries affected by the Ebola virus disease.

5.2 Global Inflation

Global inflationary pressures remained muted over the year 2015, with global inflation estimated at 1.7 percent in 2015, reflecting subdued global demand conditions and low commodity prices.

In most advanced economies, low commodity and energy prices, abundant spare capacity, low aggregate demand and well-anchored inflation expectation have kept inflation very subdued and below most of the Central Banks' medium-term projections. In 2015, inflation in advanced economies was recorded at 3.5 percent.

Inflationary pressures, however, picked up in emerging market and developing economies (EMDEs), largely driven by the pass-through effects of exchange rate depreciation to domestic prices. Inflation remained elevated in many EMDEs owing to a variety of factors, including exchange rate depreciation challenges; financial markets volatility and inflation inertia.

Table 11. Global Economic Growth (%)

	2014	2015	2016 Projection	2017 Projection
World Output	3.4	3.1	3.4	3.6
Advanced Economies	1.8	1.9	2.1	2.1
United States	2.4	2.5	2.6	2.6
Euro Area	0.9	1.5	1.7	1.7
Japan	0.0	0.6	1.0	0.3
Emerging Market and Developing Economies	4.6	4.0	4.3	4.7
China	7.3	6.9	6.3	6.0
India	7.3	7.3	7.5	7.5
Sub-Saharan Africa	5.0	3.5	4.0	4.7

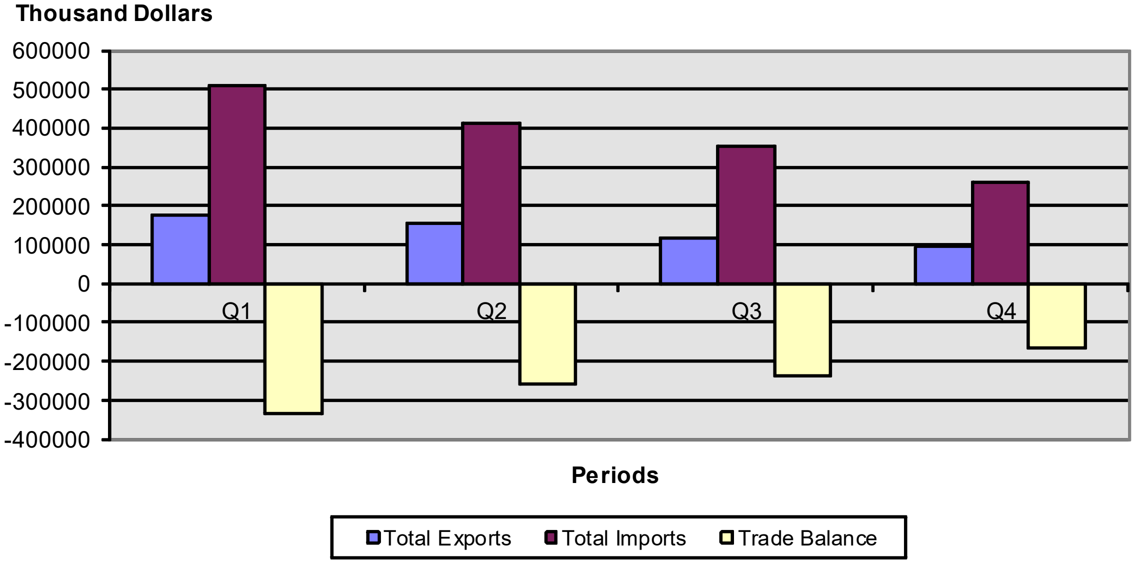
Source: IMF, World Economic Outlook update, January 2016

Table 12. Global Inflation
World Inflation

	2014	2015	2016	2017*
Advanced Economies	1.4	0.3	1.1	1.7
Emerging Market and Developing Economies	5.1	5.5	5.6	5.9
Sub-Saharan Africa	6.4	6.9	7.3	7.3

Source: IMF, World Economic Outlook update, January, 2016

Chart 6. External Trade - 2015



53 International Trade

During the year 2015, Sierra Leone's total merchandise trade (Exports + Imports) declined significantly by 37.9 percent from US$2,824.27mn in 2014 to US$2,066.53mn in 2015. This was underpinned by contractions in both exports and imports. However, imports outstripped exports over the period under review, culminating in a higher trade deficit that continues to undermine the sustainability of the current account. The trade deficit more than doubled, from US$312.11mn in 2014 to US$994.11mn in 2015.

5.3.1 Exports

The value of exports of goods (f.o.b.) during the review period declined by US$719.87mn from US$1,256.08mn in 2014 to US$536.21mn in 2015. This was mainly on account of the fall in the international price of iron ore coupled with the mining sector crisis that culminated in cessation of production activity in April 2015. The value of mineral exports dropped from US$1,094.00mn in 2014 to US$376.28mn in 2015. Of this, iron ore declined from US$742.07 million in 2014 to US$77.39mn during the review period, reflecting mainly the slump in iron ore prices in the international market coupled with cessation of operations in the iron mining industry. Rutile export also dropped by 4.0 percent from US$96.17 million in 2014 to US$92.34 million in 2015 due to the combined effects of lower production volumes and prices. Besides the fall in caratage produced, diamond exports value dropped sharply from US$207.79 million to US$154.32 million owing to poor market conditions; bauxite export figures however increased from US$38.83 million in 2014 to US$43.16 million in 2015 due to higher production volumes.

Agriculture exports, mainly cocoa and coffee beans, decreased significantly from US$29.67mn in 2014 to US$24.67mn during the review period, on account of lower volumes exported. The composition of exports remained relatively unchanged.

Table 13a

International Trade and Reserves (Million Leones)				
	Jan - Dec'14	Jan-Jun'15	Jul-Dec'15	Jan - Dec'15
1	2	3	4	5
Merchandise Imports	**7,046,331.1**	**4,504,348.5**	**3,185,610.9**	**7,689,959.4**
Food *of which*	1,512,151.4	1,860,191.1	775,717.6	2,635,908.6
Rice	539,480.2	458,813.0	248,154.6	706,967.6
Beverages and Tobacco	150,746.2	105,155.5	116,665.9	221,821.4
Crude Materials	170,735.4	134,893.5	73,148.9	208,042.4
Mineral Fuels and Lubricants of Which	2,193,417.4	833,910.8	558,829.2	1,392,740.0
Fuel	2,016,188.2	728,424.6	502,336.2	1,230,760.8
Animal and Vegetable Oils	39,800.7	24,398.9	18,158.6	42,557.4
Chemicals	390,194.5	146,892.5	113,945.0	260,837.5
Manufactured Goods	520,428.7	315,717.8	296,999.6	612,717.3
Machinery and Transport Equipment	1,498,741.2	767,299.1	928,284.8	1,695,583.9
Other Imports	570,115.4	315,889.3	303,861.4	619,750.7
Merchandise Exports	**5,601,901.5**	**1,597,187.3**	**1,097,716.8**	**2,694,904.1**
Mineral Exports	**4,877,863.8**	**141,072.6**	**754,209.8**	**1,895,282.4**
Diamonds	935,780.5	458,986.2	315,501.1	774,487.3
Buaxite	175,369.4	117,642.3	98,642.8	216,285.1
Rutile	433,973.1	178,838.4	295,722.2	474,560.6
Gold	7,556.9	13,027.5	5,320.3	18,347.9
Ilmenite	30,758.7	19,779.6	-	19,779.6
Iron Ore	3,291,515.4	348,875.6	36,233.9	385,109.5
Zircom	2,893.3	3,710.2	2,789.5	6,499.7
Other Minerals/1	16.7	212.8	-	212.8
Agricultural Exports	**135,753.1**	**63,132.8**	**62,870.0**	**126,002.8**
Coffee	11,203.0	6,529.7	-	6,529.7
Cocoa	118,806.9	49,873.3	47,988.4	97,861.7
Piassava	-	-	-	-
Fish and Shrimps	5,743.2	6,729.9	14,881.6	21,611.5
Others	**313,896.1**	**365,311.5**	**186,519.2**	**551,830.7**
Re-exports	**274,388.5**	**27,670.4**	**94,117.8**	**121,788.2**
Trade Balance	**(1,444,429.6)**	**(2,907,161)**	**(2,087,894)**	**(4,995,055.4)**
Foreign Reserves ($mn)	**2,741,743.88**	**2,823,638.91**	**3,264,993.55**	**3,264,993.55**

***/1** Comprises ores and concentratrates of cobalt, maganese etc as generated by ASYCUDA++ at Customs*

***P** = Provisional*

Table 13b

International Trade and Reserves (Thousand US Dollars)				
	Jan - Dec'14	Jan-Jun'15	Jul-Dec'15	Jan - Dec'15
1	2	3	4	5
Merchandise Imports	**1,568,191.7**	**920,939.3**	**609,381.2**	**1,530,320.5**
Food *of which*	336,694.7	379,823.4	148,040.8	527,864.2
Rice	120,719.5	94,073.6	47,416.5	141,490.0
Beverages and Tobacco	33,557.7	21,546.2	22,063.6	43,609.8
Crude Materials	38,072.3	27,603.2	13,769.1	41,372.3
Mineral Fuels and Lubricants of Which	489,755.7	170,828.2	107,129.6	277,957.7
Fuel	451,827.9	149,222.1	96,259.3	245,481.4
Animal and Vegetable Oils	8,723.5	4,997.3	3,542.5	8,539.8
Chemicals	87,230.0	30,037.3	21,810.8	51,848.1
Manufactured Goods	115,941.8	64,641.5	56,953.8	121,595.2
Machinery and Transport Equipment	331,365.9	156,818.5	177,986.9	334,805.4
Other Imports	126,850.2	64,643.8	58,084.1	122,727.9
Merchandise Exports	**1,256,080.8**	**326,918.2**	**209,295.0**	**536,213.8**
Mineral Exports	**1,093,995.6**	**233,334.1**	**142,900.2**	**376,234.4**
Diamonds	207,789.1	94,125.4	60,194.6	154,320.0
Buaxite	38,831.3	24,098.8	19,081.2	43,160.0
Rutile	96,169.7	36,672.8	55,663.8	92,336.5
Gold	1,696.4	2,668.8	999.0	3,667.8
Ilmenite	6,779.1	4,041.7	-	4,041.7
Iron Ore	742,066.2	70,923.4	6,469.2	77,392.6
Zircom	660.4	760.0	512.5	1,272.5
Other Minerals/1	3.5	43.4	-	43.4
Agricultural Exports	**29,668.0**	**12,874.8**	**11,782.9**	**24,657.7**
Coffee	2,752.9	1,346.0	-	1,346.0
Cocoa	29,668.0	10,149.9	8,998.8	19,148.7
Piassava	-	-	-	-
Fish and Shrimps	1,231.0	1,378.9	2,784.1	4,163.0
Others	**70,524.4**	**75,034.5**	**35,767.8**	**110,802.3**
Re-exports	**61,892.8**	**5,674.8**	**18,844.6**	**24,519.4**
Trade Balance	**(312,111.0)**	**(523,643.0)**	**(400,085.7)**	**(994,106.7)**
Foreign Reserves ($mn)	**553.51**	**580.86**	**578.99**	**578.99**

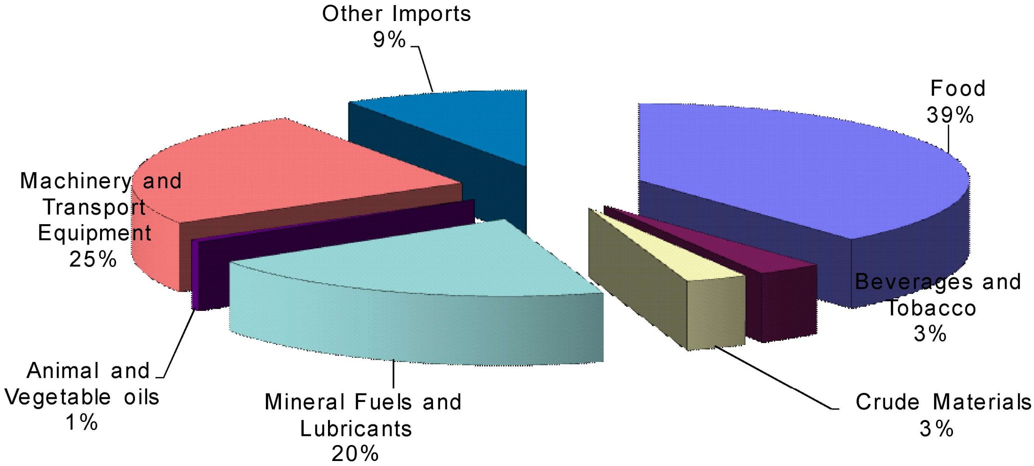
/1 Comprises ores and concentratrates of cobalt, maganese etc as generated by ASYCUDA++ at Customs
P = Provisional

5.3.2 Imports

The value of total imports (c.i.f.) fell by 2.4 percent; fromUS$1.6 billion in 2014 to U$$1.5 billion in 2015, due in part, to the drop in international prices of fuel and food (including rice) as well as the reduction in importation of mining related machineries and transport equipments.

Import of machineries and transport equipments decreased by 1.0 percent; from US331.4 million in 2014 to US334.8 million in 2015, which more than offset the increase in crude materials, beverages, and tobacco. Import of crude materials, increased from US$38.07 million in 2014 to US$41.37 million in 2015, beverages and tobacco increased slightly from US$33.56 million in 2014 to US$ 43.61 million in 2015; mineral fuel and lubricants decreased from US$489.76 million in 2014 to US$277.96 million in 2015. Food imports increased from US$336.69 million in 2014 to US$527.86 million in 2015, reflecting the food security challenges facing the economy during the review period. Of food

Chart 7. Composition of Imports 2015



imports, animal and vegetable oils declined from US$8.7million in 2014 to US$8.5 million in 2015 while rice imports increased from USS120.72 million in 2014 to USS141.49 million in 2015. Imports of chemicals fell by 40.6 percent from US$87.23 million in 2014 to US$51.85 million in 2015, attributable in part, to the lull in manufacturing activity associated with the fall in demand for domestically manufactured products. Imports of manufactured goods increased by 4.9 percent; from US$115.9 million in 2014 to US$121.6 million during the review period. The composition of merchandise imports remained unchanged. During the review period, food imports alone accounted for 34.5 percent of total imports while machinery and transport equipments accounted for 22.0 percent.

5.4 Exchange Rate Developments

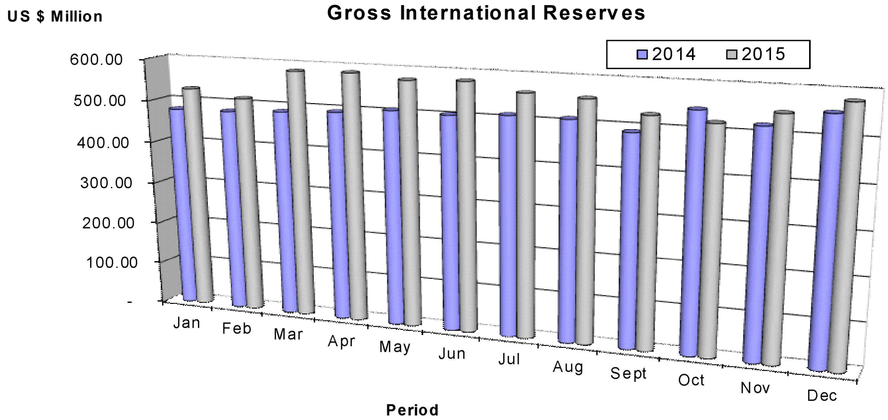
Reflecting the structural imbalance between demand for and supply of foreign exchange, the exchange rate of the Leone to the US dollar continued to depreciate across all the foreign exchange market segments in 2015. The official BSL rate depreciated by 13.35% compared to a depreciation of 13.30% in 2014. The commercial banks' rate depreciated by 13.35% compared to a depreciation of 13.13% in 2014. The auction rate depreciated by 13.69% compared to a depreciation of 14.14% in 2014. The parallel market rate depreciated by 10.44% during the review period compared to a depreciation of 19.52% in 2014.

5.5 Gross International Reserves

The gross international reserves position of the central bank in December 2015 was recorded at US$580.26m, which was 4.83% higher than the closing stock of reserves level of US$553.51mn recorded in December 2014. The accumulation of reserves during the period was driven by inflows from foreign aid disbursements by the IMF, World Bank, DFID, ADB and EU, mainly in support of Government's efforts to contain the spread of the Ebola Virus Disease and the external shocks culminating in the decline in iron ore revenues. Total actual foreign exchange inflows during the review period amounted to US$281.45mn, of which, aid disbursements accounted for US$226.85m (81%); receipts from exports accounted for US$29.83m (11%) and other Government revenues US$24.77mn (8%). The chart below depicts the gross reserves position in 2014 and 2015 respectively.

Movements in foreign exchange reserves during the period under review are analyzed as follows:

Chart 8
Gross International Reserves



Source: *Customs & Excise Department, Oil Importing Companies and Government Gold & Diamond Department*

5.5.1 Inflows

Total actual foreign exchange inflows recorded during the period January to December, 2015 amounted to US$281.45m as against the initial projection of US$279.81mn, reflecting an over performance in the sum of US$1.64m (0.58%). As explained above, this excess is due to receipts of non-program inflows from donors to support the fight against the EVD. Receipts from exports in the sum of US$29.83m (10.59%) were realized mainly from Sierra Rutile Ltd, Koidu Holdings (OCTEA), diamond license fees, diamond exporters' tax and fishing royalties. Privatization receipts amounted to US$5.26m for the period under review. Actual aid disbursements amounted to US$226.85m, of which SDR94.00m (US$130.63m) was on account of the IMF, as both balance of payments and budgetary support, US$15.49m was disbursed by the UK/DFID to Government for budgetary support, EUR25.00m (US$27.13m) was disbursed by the European Union under the Poverty Reduction Budgetary support and US$22.76m by the ADB for Ebola response and US$29.77m by World Bank for budgetary support and assistance towards the EVD outbreak. Other receipts included US$1.07m disbursed by the World Bank under institutional pay reform.

5.5.2 Outflows

Total foreign exchange outflows declined by 10.53% from US$311.47m in 2014 to US$281.45m in 2015. Outflows included mainly payments for goods and services, the FX auction and debt service payments to external creditors. The increase in expenditures in 2015 compared to 2014 was largely due to the increased amounts offered in the foreign exchange auctions to support private sector importation of essential commodities including food items. The amount offered in the auction was increased from US$1.0mn in 2014 to US$3.0mn in 2015. A total of US$111.58m was utilized to fund the FX auction. Foreign exchange component of Government's infrastructure projects expenditures accounted for US$23.22m, payments to Embassy/Missions was US$18.06m, other Government expenditures in the amount of US$27.02million included payments in respect of Ambulances, printing of national ID cards, supplies by the Sierra Leone Police, etc. Debt Service Payments in the sum of US$29.65m was made to external creditors.

5.6 Sectoral Distribution of Foreign Exchange Auction Funds

The Bank of Sierra Leone continued to provide the needed foreign exchange to the private sector through the weekly foreign exchange auctions in order to support private sector importers and ensure the supply of essential commodities. As a result of the depreciation of the Leone against the US dollar, the Bank increased its sale of foreign exchange to the private sector by 34.55 percent from US$82.93 million in 2014 to US$111.58 million during the review period.

Table 14

BSL Foreign Exchange Cash Flow (in US$Mn)		
	Jan - Dec 2015	Jan - Dec 2014
Inflows	**281.45**	**311.47**
Receipt from exports	**29.83**	**53.19**
Rutile	9.9	7.77
Bauxite	0.50	0.27
Diamond license fees	0.55	0.15
Diamond exporters income tax	3.09	4.08
S.L. Ports Authority	0.00	0.00
Fishing Royalty/license	0.60	1.34
Maritime Administration	1.52	1.02
Other Government /1	4.91	25.94
Others	1.35	0.86
Revenue for Infrastructural Project.		
African Minerals Mining co.	2.96	19.53
London mining	2.95	4.43
Koidu Holdings	6.24	7.36
Other Mining Receipts	2.04	8.02
Petroleum Resources	0.00	0.00
Transactions with Commercial Banks	0.00	0.00
Privatization	5.26	17.10
Aid Disbursements/BOP support	**229.58**	**213.36**
IMF	71.94	13.74
IMF Budget Financing	58.69	38.44
AfDB	0.00	18.35
AfDB Ebola Response	22.76	12.28
G7 Timor Leste Ebola Response	0.00	2.00
UK/DfID	15.49	25.85
World Bank Loan	29.77	55.06
World Bank (pay reform)	1.07	0.00
WB Loan (fiber optic refund & social safety net)	0.00	6.00
EU	27.13	28.21
EU (Sierra Rutile)	0.00	11.32
IDA/World Bank (Leones sold)	1.26	1.47
Other Multilaterals	0.00	0.00
IDB	1.47	0.65

Table 14 Continued

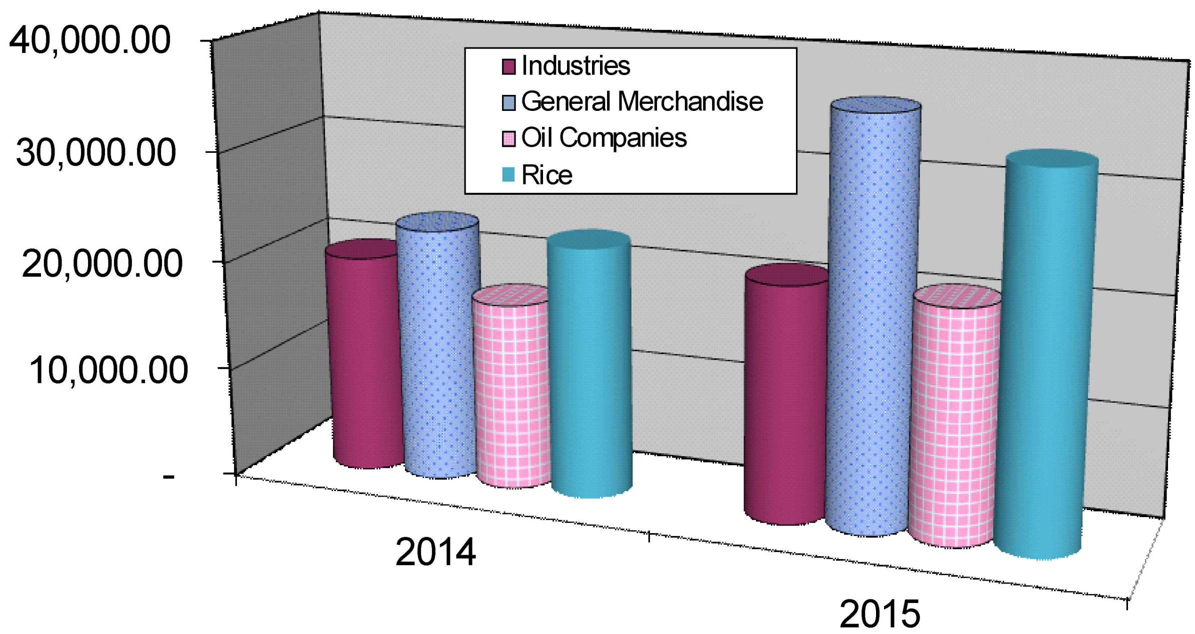
BSL Foreign Exchange Cash Flow (in US$Mn)	Jan - Dec 2015	Jan - Dec 2014
Outflows	**239.45**	**216.64**
Payments for goods and services	**209.81**	**181.93**
Embassy/Missions	18.06	17.53
BSL	7.48	2.54
Stabilization & Cooperation Fund	0.00	0.00
Capital Subscription to WACB	0.00	0.00
Printing Currency	2.63	1.50
Government Travel	5.18	3.34
Other Government	27.02	49.11
New Infrastructure Projects (Roads)	20.13	17.97
New Infrastructure Projects (Energy & Water)	3.09	1.33
World Bank Healthy Emergency Ebola Response	3.11	0.00
AfDB Ebola Response	0.00	2.64
G7 Timor Leste Ebola	0.00	1.00
Subscription to intl. Organizations	5.40	2.03
Electricity Support (Fuel)	0.00	0.00
Private Sector Support	111.58	82.93
HIPC related imports	0.00	0.00
Debt Service after debt relief	**29.65**	**34.71**
IMF	2.36	10.41
World Bank	9.02	3.60
AfDB	1.64	1.47
IFAD	0.71	0.78
EC/EIB	0.00	0.00
Other multilaterals and bilateral	11.62	14.23
Paris Club Creditors	0.00	0.00
OPEC (CIP Arrangement)	4.29	4.23

Table 15

Sectoral Distribution of Auction Funds			
Sector	Jan-Dec 2014	Jan-Dec 2015	% of Total Amount 2015
Industries	19,980.34	21,291.40	19.08
General Merchandise	23,141.00	36,428.60	32.65
Oil Companies	17,000.00	20,820.00	18.66
Rice	22,803.66	33,035.00	29.61
Total	**82,925.00**	**111,575.00**	**100.00**

The sectoral distribution of auction funds in 2015 indicates that 32.64% of the resources were sold to importers of general merchandise. This was followed by the Rice Imports with US$33.04mn or 29.60% and Manufacturing industries US$21.29mn or 19.08%. Oil companies only accounted for US$20.82mn or 18.66% in 2015. There was no purchase of foreign exchange by the BSL from the public during the period under review.

Chart 9
Sectoral Distribution of Auction Funds(US$'000)



5.7 Foreign Currency Management

The Bank of Sierra Leone's policy objective for foreign currency management continued to be the holding of reserves in currencies to match the SDR basket and to meet short term liquidity requirement for payments in respect of goods and services, debt service and private sector support. Table II below depicts holdings of reserve currencies by the Bank of Sierra Leone as at end December, 2014 and 2015. As at end 2015, 25.70% was held in SDRs, 36.83% in United States Dollars, 37.11% in Pound Sterling, 0.27% in Euro and 0.09% in Japanese Yen.

Table 16

Foreign Currency Management

	Dec-15	% of Total Bal.	Dec-14	% of Total Bal.
US DOLLAR (Mn)	213.72	36.83	289.03	52.22
POUND STERLING (Mn)	215.31	37.11	106.47	19.24
EURO (Mn)	1.58	0.27	1.17	0.21
JAPANESE YEN (Mn)	0.54	0.09	0.55	0.10
SDR (Mn)	149.11	25.70	156.29	28.24
TOTAL BALANCES	**580.26**	**100.00**	**553.51**	**100.00**

5.7.1 Investment Activities

The Bank's foreign exchange investments were held in US$, GBP and SDR in compliance with the 2015 investment guidelines. During the period January to December 2015, the Bank invested in short term fixed deposits with duration of one to three months as well as overnight sweep facility with the Fed. Returns on the Bank's currency investment holdings were determined by the amount invested, the rate of interest and the duration of the investment.

The chart below depicts actual income received as against amount budgeted for the period January to December 2015. It indicates positive performance relative to the GBP and US$. The SDR performed below what was budgeted, as a result of the decline in interest rate during the period. The favourable performance of GBP and US$ was as a result of the rise in interest rates relative to what was projected. Interest rate in the Euro zone remained negative during the period under review.

5.8 Foreign Exchange Market

5.8.1 Overview

The pressure experienced in the foreign exchange market during 2014 persisted during the reporting period reflecting the structural imbalance in demand for and supply of foreign exchange. The imbalance largely reflected the uncertainties introduced in the foreign exchange market in 2014, following the outbreak of the Ebola Virus Disease (EVD) and the sharp drop in the international prices of Iron Ore that culminated in the suspension of operations of the two Iron Ore mining companies. During 2015, inflows from key sectors, including mining, agriculture and hospitality remained relatively low, while foreign exchange outflows mainly for payments for rice, oil and other food stuff remained unchanged.

The pressures in the foreign exchange market could also be attributed to the continued low interest rates on government treasury securities. Real interest rates on government securities were negative for the most part in 2015. This resulted in flight to quality as evidenced by the growth in foreign currency deposits.

The structural imbalance between demand and supply of foreign exchange exerted pressures on the exchange rate causing it to depreciate significantly across all the foreign exchange market segments. Going forward, the pressure in the foreign exchange market is expected to persist until real sector activities pick up significantly, including resumption in Iron Ore mining operations.

5.8.2 Volume of Foreign Exchange Transactions

Total turnover in foreign exchange transactions in 2015, as recorded by the commercial banks, was USD1,483.69mn, representing 13.27 percent decline when compared to the USD1,710.63mn turnover recorded in 2014. Monthly average turnover in 2015 was recorded at USD123.64mn, compared to US$142.55mn in 2014.

The decline in foreign exchange turnover could be attributable to the sluggish recovery in real sector activity during 2015, particularly in the mining, agriculture and tourism sub-sectors. This was largely reflective of the impact of EVD outbreak on real sector activity as well as the decline in international Iron Ore prices.

5.8.3 Foreign Exchange Purchases by Commercial Banks

Total foreign exchange purchased by commercial banks during the review period decreased by 14.55 percent to US$579.05mn compared to US$677.66m in 2014. Monthly average purchase by commercial banks amounted to US$48.25m in 2015, representing 15.0 percent decline when compared to US$56.64m in 2014. Following a steady decline during the first Quarter, 2015, commercial banks' purchase picked up, with onset of Ebola, in May to record the highest commercial banks' purchase of about USD74mn in April 2015. The lowest commercial banks' purchase was recorded in August 2015.

Table 17

Amount Offered, Demanded and Supplied in Foreign Exchange Auction (Thousand Dollars)

	2014	2015	% Change
Amount Offered	91,500.00	116,000.00	26.78
Amount Demanded	131,520.00	144,640.00	9.98
Amount Supplied	76,406.00	111,475.00	45.90

5.8.4 Foreign Exchange Purchases by Foreign Exchange Bureaux

Total purchases by foreign exchange bureaux during the review period dropped by 3.03% to USD31.39mn compared to USD32.37mn recorded in 2014. Monthly average purchase by the foreign exchange bureaux in 2015 was US$2.62, representing a 2.9 percent decline when compared to USD2.70mn in 2014. Foreign exchange bureaux purchases were relatively high during the first half of the year, with the highest recorded purchase in April 2015.

5.8.5 Sale of Foreign Exchange by Commercial Banks

Total foreign exchange sold by the commercial banks in 2015 declined by 14.86% to US$754.03mn compared to US$885.64mn recorded in 2014. Monthly average commercial banks' sales in 2015 were US$62.84mn, whilst that in 2014 was US$73.80mn.

Key participants in the foreign exchange during 2015 included the Government, Oil Marketing Companies, Rice Importers, Importers of food stuff and other manufactured goods and Telecommunications companies. Commercial banks' sales of foreign exchange were generally high during the first half of 2015, increasing gradually above USD85mn in June 2015. Thereafter, commercial banks' sales were relatively low in the second half of 2015 with September 2015 recording the lowest sales amount.

5.8.6 Foreign Exchange Sales by Foreign Exchange Bureaux

Total foreign exchange sold by foreign exchange bureaux increased by 2.09% to USD33.73M in 2015 compared to USD33.04mn recorded in 2014. Total sales recorded in 2013 were US$47.64mn.

5.8.7 Foreign Exchange Auction by the Bank of Sierra Leone

The Bank of Sierra Leone remained active in the domestic foreign exchange market in 2015. In addition to providing a mechanism through which counterpart Leones realized from disbursed donor funds are sterilized, the Bank's foreign exchange auction system also provided a source of supply of foreign exchange to the market. In March 2015, the Bank migrated from retail to wholesale foreign exchange auction system whereby bidding for foreign exchange at the auction was now restricted to commercial banks, as authorized dealers. Total amount of foreign exchange offered by the Bank was USD116.00mn in 2015, of which, USD111.58mn was sold. In 2014, total amount offered was USD91.50mn, and USD82.93mn was sold. This reflected a 26.78 percent increase in offer amounts and 34.43 percent in sales amounts during the year under review.

5.9 Customer Foreign Currency (CFC) Accounts Transactions

5.9.1 Receipts into Foreign Currency Accounts

Total receipts into customers foreign currency accounts declined by 41.37 percent to US$1,401.14mn in December, 2015 compared to USS$2,389.82mn in 2014. Total payments from customers foreign currency accounts was $1239.50mn in 2015 compared to USS$1361.36mn in 2014, reflecting a decrease of 8.95 percent.

The decline in customers foreign currency accounts transactions reflected the contraction in real sector activity brought about by the Ebola outbreak as well as the significant drop in the international prices of iron Ore.

During the year under review, receipts into CFC accounts increased gradually from US$115.30mn in Jan 2015 to a peak at US$140.39mn in April 2015, and thereafter declined to US$95.22mn in Aug 2015. The lowest amount of receipts was recorded in August 2015.

During the review period, the key sectors that recorded significant foreign exchange receipts were mining, agriculture, services and international organizations.

Receipts from diamond exports amounted to US$154.09mn in 2015, a decrease of 21.20 percent when compared to a total amounted of US$195.54mn recorded in 2014. Receipts from diamond exports were relatively high between January and June 2015, with the highest receipt recorded in March 2015. Except for September 2015 when receipts increased to about USD19mn, receipts from diamond exports were relatively low during the second half of 2015.

5.9 .2 Diaspora Remitttances

Total Diaspora remittances declined by 1.16 percent from US$54.35mn in 2014 to US$53.72mn in 2015. Diaspora remittances were relatively high about US$15.61mn during the first quarter of 2015, but declined subsequently during the remaining quarters recording the lowest level of US$12.06mn in the fourth quarter of the year.

5.9.3 Payments from Customer Foreign Currency Accounts

Payments from customer foreign currency accounts declined from US$122.03mn in January 2015 to US$99.47mn in June 2015, and thereafter fluctuated with its lowest level of US$70.70mn recorded in November 2015.

6.0 External Debt Management

Sierra Leone's total disbursed and outstanding official long-term debt, including principal arrears as at end December 2015, was recorded at US$1249.77mn compared to US$1127.76mn at end December 2014. Total debt outstanding continued to be dominated by debts owed to multilateral creditors, accounting for 70.39 percent of the total, followed by commercial creditors accounting for 16.31 percent. The residual 13.30 percent was owed to other bilateral creditors. The principal multilateral creditors were the IMF and the World Bank with 28.77 and 25.66 percent respectively.

7.0 Financial Sector Developments

7.1 Bank Supervision

The financial sector of Sierra Leone continued to remain relatively resilient despite the outbreak of the Ebola Virus Disease which affected the operations of the banking industry. During the review period the structure of Sierra Leone's financial sector changed in terms of number of institutions operating in the country. Licenses were granted to eight (8) new foreign exchange bureaux and two (2) credit-only microfinance institutions bringing to fifty (50) and twelve (12) respectively, the total number of bureaux and credit-only Microfinance institutions operating in Sierra Leone, all geared towards increasing access to financial services in the country.

The Bank continued to monitor the expansion of commercial bank branches to ensure that banks did not use depositors' funds for their branch expansion. The Bank approved the opening of additional branches of the following commercial banks during the review period: Guaranty Trust Bank (SL) Limited at Lunsar and Lungi in the Northern Province and Kissy Road in the Western Area and Ecobank in Koidu Town, Eastern Province. Also, during the review period, cash points were opened in Sahn Malen Chiefdom, Pujehun district by Guaranty Trust Bank (SL) Limited and in Mabilafu, Bombali district by Ecobank (SL) Limited.

The Bank continues to scrutinise all appointees to Boards and Senior Management positions of banks and Other Financial Institutions to ensure that only 'fit and proper' persons run the affairs of these

Table 18

SIERRA LEONE EXTERNAL DEBT POSITION *(in millions of U.S. Dollars)*		
	2014	**2015**
Total External Debt Outstanding (Inc. Comm. Arrears)	**1128.2**	**1249.77**
A. SOURCE		
Bilateral	**152.7**	**166.26**
Multilateral	**766.8**	**879.68**
World Bank (IDA)	236.72	225.69
IMF	157.95	253.1
ADB/F	111.97	120.17
Others (IFAD, IDB, EEC/EIB, BADEA, OFID, EBID)	208.7	280.72
International Capital Market (ICM)	-	-
Others, Specify1	208.7	203.85
B. MATURITY (TENOR)		
(i) Short Term**	213.2	203.85
(ii) Medium Term	-	-
(iii) Long Term	865.2	1061.64
C. CREDITOR		
(i) London Club	213.2	203.85
(ii) Paris Club	-	-
(iii) Others, specify	865.2	1061.64
C. MEMORANDUM ITEMS		
Total External Debt Outstanding as % of Nominal GDP	25.30	-
Total Debt Service Payments	16.40	30.48
Amortization (Principal Repayment)	12.10	22.85
Investment Payments	4.30	7.63
Total Debt Service as % of Expor Goodst	1.30	-
Debt Service Payments/GDP	0.40	-
Exports of Goods (In Millions of US$)	1,304.40	-
Nominal GDP (In Millions of US$)	4,465.10	-

***** Represent Commercial Debts***

institutions. In that regard, the BSL approved the appointment of thirty-two persons into Boards and Management of financial institutions.

The banking sector witnessed an increase in the number of money transfer products in Sierra Leone during the last five years. Approvals were granted to Access Bank (SL) Limited to partner with Airtel Money, and FBN Bank (SL) Limited to introduce its Intra-regional and Money Gram money transfer services.

A directive on loan write-offs aimed at reducing the level of Non-Performing Loans (NPLs) in banks and prevent the build-up of toxic assets on the balance sheet of commercial banks was issued effective 1st July 2015. The directive outlined the procedures for writing off loans that have proven difficult to collect by commercial banks.

The Bank of Sierra Leone collaborated with the commercial banks to develop a model for the computation of the Base/Prime lending rates of commercial banks. This is the rate below which banks are not expected to lend. The aim of the base rate model was to ensure transparency and uniformity in the computation of lending rates of banks. It was anticipated that the Base Rate will be operationalised during the first half of 2016.

Following the enactment of the Borrowers and Lenders Act, 2014, an agreement was signed between the International Finance Corporation (IFC) of the World Bank and the Bank of Sierra Leone (BSL) in which the former will provide financial and technical assistance in the development of an electronic collateral registry for security interests in moveable properties and train staff and stakeholders on its operations. Plans are now well advanced in the setting up of the Registry which will enable the use of moveable assets in securing bank loans.

7.2 Commercial Banks

Total assets of the commercial banking sector were recorded at Le5.29trillion at end December 2015. The three (3) local and ten (10) foreign subsidiaries accounted for 35.29% and 64.71% of the industry's total assets respectively.

The assets base of the banking industry grew by Le469.88 billion (9.75%) from Le4.82trillion in December 2014 to Le5.29 trillion as at end December 2015, in spite of the prevailing difficult economic situation. The growth may be attributed to the Le 353.15 billion (22.52%) increase in Investments, from Le1.57 trillion in December 2014 to Le1.92 trillion in December 2015. Investments as the key driver of growth, constituted 36.34 percent of the total assets base of the industry in December 2015 compared to 22.52 percent in December 2014. Other significant assets classes with their respective shares of total assets base included the following: Claims on Financial Institutions (30.63 percent); Net advances (19.61 percent); cash holdings (5.34 percent); other assets (437.0 percent) and fixed assets (3.71 percent). All banks, with the exception of one local bank recorded increases in their assets base.

On the liability side, customers' deposits increased by Le338.63billion (8.58 percent) from Le3.95trillion as of 31st December 2014 to Le4.29 trillion at end December 2015. The growth could be attributed mainly to the increase in deposits mobilization by banks as they expanded and opened new branches to tap in on new customers.

Table 19

Commercial Banks operating in Sierra Leone (31st December 2015)

BANK	No. of Branches 2013	No. of Branches 2014	No. of Branches 2015	F/town	Waterloo	Bo	Moyam-ba	Pujehun	Njala	Kenema	Kono	Kailahun	Makeni	Magbur-aka	Lunsar	Lungi	Pepel	Bumbu-na	Port Loko	Kabala	Kambia	Total
RCB	12	12	12	6	-	1	1	1	-	1	1	-	1	-	-	-	-	-	-	-	-	12
SLCB	13	13	13	5	1	1	1	-	1	1	1	-	1	-	-	-	-	-	1	-	-	13
SCB	4	4	4	3	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4
UTB	11	12	12	3	-	1	-	-	1	1	1	-	-	1	1	-	-	-	-	1	1	12
GTB	11	11	14	6	-	1	-	-	-	1	1	-	1	-	1	1	1	1	-	-	-	14
FIB	17	17	17	8	1	1	-	-	-	1	1	1	1	1	-	1	-	-	1	-	-	17
FBN	2	2	2	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2
ECO	8	9	10	4	1	1	-	-	-	1	-	-	1	-	1	-	-	-	-	-	-	10
ACCESS	4	4	4	3	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	4
UBA	3	4	4	3	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	4
SKYE	2	2	2	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2
ZENITH	4	4	4	2	-	-	-	-	-	1	-	-	-	-	-	1	-	-	-	-	-	4
KEYSTONE	3	3	3	3	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	3
Grand Total	**94**	**97**	**101**	**50**	**3**	**7**	**2**	**1**	**2**	**7**	**5**	**1**	**7**	**2**	**3**	**3**	**1**	**1**	**2**	**1**	**1**	**101**

Total deposits continued to account for a significant proportion of total liabilities, contributing 81.07 percent at end December 2015 and 81.94 percent at end December 2014. Of this, demand deposits accounting for 62.82 percent, constituted a significant proportion of total deposits in December 2015 compared to 61.18% at end December 2014. During the period under review, savings, time and other deposits accounted for 26.93 percent, 9.49 percent and 0.76 percent of total deposit liabilities respectively.

Other components of liabilities as at end December 2015 included Shareholders funds and other liabilities which accounted for 12.32 percent and 5.47 percent respectively

Yields on Government securities relatively increased across the long segment of the securities market during the review period to reflect the preferred term structure of Government securities. Yield on 182-day bills increased by 28 basis points from 2.83 percent in December 2014 to 3.11 percent in December 2015. Similarly, yield on 364-day treasury bills increased by 479 basis points, from 5.12 per cent in December 2014 to 9.91 per cent in December 2015. However, yield on 91-day bills declined by 128 basis points from 2.36 percent in December 2014 to 1.28 percent in December 2015. Meanwhile, interest rate on 1-year bonds remained unchanged at 5 percent. During the review period, the Government issued two year bonds to extend the term structure of its outstanding securities and the market cleared at an interest rate of 13.5 percent. In General, these developments hold the prospects for further deepening of the securities markets.

7.2.1 Capital

Total issued and paid up capital of the banking system grew by Le34.27 billion (8.05%) during the review year from Le425.58 billion in December 2014 to Le459.85 billion in December 2015. With the exception of one, all the commercial banks met the unimpaired minimum paid-up capital requirement of Le30 billion for end December 2015.

Table 20
Consolidated Profit And Loss Account For The Banking Industry
For The Period Ended 31st December 2015 (Unaudited)
(In Thousand Leones)

1	31-Dec-15 2	31-Dec-14 3
Interest Income	266,878,194	**282,666,921**
Interest Expense	(48,676,881)	(63,133,398)
Net Interest Income	**218,201,313**	**219,533,523**
Loan Loss Provision	(25,949,775)	(25,155,299)
Net Intermediate Income	**192,251,538**	**194,378,224**
Other Operating Income	368,090,773	277,213,187
Total Operating Income	**560,342,311**	**471,591,411**
Other Operating Expenses	(411,742,217)	(362,517,187)
Net Operating Income	148,600,094	109,074,224
Other Income	9,792,080	8,079,824
Profit Before Tax	**158,392,174**	**117,154,048**
Taxation	(47,517,652)	(34,552,135)
Profit After Tax	**110,874,522**	**82,601,913**

Table 20 Continued

Financial Performance Indicators Of The Banking System

Indicators	31-Dec-15	31-Dec-14
Capital Adequacy		
Regulatory capital to risk-weighted asset (%)	33.98	30.21
Primary capital to risk-weighted assets (%)	29.01	25.87
Capital (net-worth) to assets (%)	12.32	12.01
Asset Quality and Composition		
Non-Performing Loans as a % of Total Advances	31.73	33.44
Loan Loss Provisions as a % of Non-Performing	54.91	52.12
Profitability and Efficiency		
Return on Assets	3.24	2.66
Return on Equity Funds	18.29	14.90
Net Interest Spread	6.26	5.60
Cost to Income Ratio	75.43	79.37
Operating Expenses to Operating Income	**73.48**	**76.87**
Liquidity		
Cash Ratio	17	19
Overall Liquidity Ratio	83	79
Sensitivity to Markets		
Percentage of aggregate Net Open Position to Capital Base	6.83	15.54
Percentage of Single Currency Open Position to Capital Base	8.04	13.96

The industry's Capital Adequacy Ratio (CAR) was 33.98 percent as at 31st December 2015 and 30.21 percent as of 31st December 2014 which were above the statutory minimum of 15 percent. All the banks met the capital adequacy ratio (CAR) requirement of 15 percent with the exception of two.

7.2.2 Shareholders' Funds

Shareholders' funds grew by Le72.90 bn or (12.60 percent) from Le 578.63 billion in December 2014 to Le651.53 billion at end December 2015. It accounted for 12.32 percent of the industry's total liabilities during the review period. Shareholders' funds to deposits ratio was recorded at 14.66 percent at end December 2014 and 15.20 percent at end December 2015. This indicates that the industry's asset base was significantly funded by deposits liabilities.

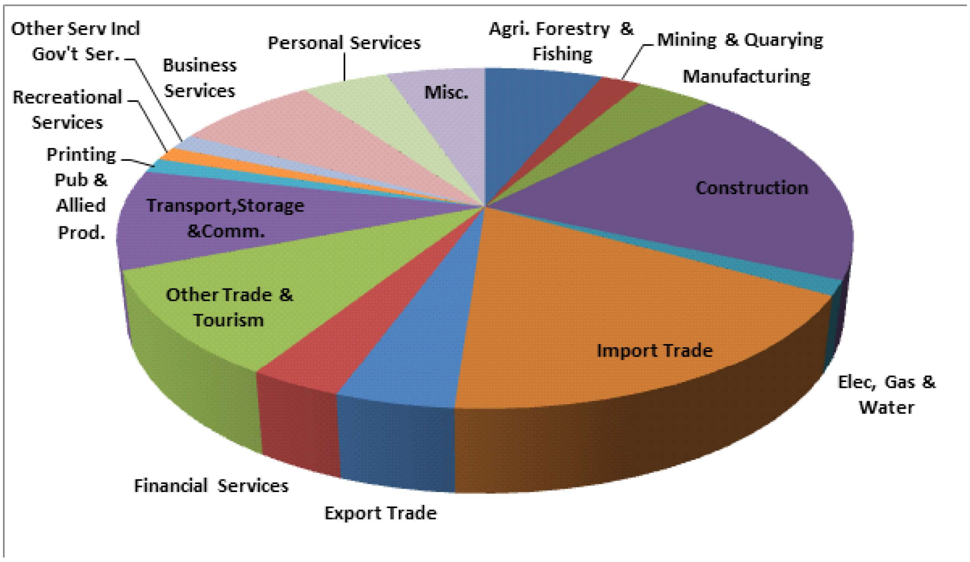
7.2.3 Credit Portfolio

Gross loans and advances contracted by Le5.85 billion (0.43%) from Le1.35trillion in December 2014 to Le1.34trillion in December 2015. The decline in the credit portfolio may be attributable to the lull in economic activities as a result of the Ebola outbreak and the impact of drop in global iron ore prices.

7.2.4 Sectoral Distribution of Loans and Advances

As of 31st December 2015, Construction sector took the lion share of the credit portfolio in the amount of Le260.83 billion (19.44 percent), followed by Import Trade Sector Le240.51 billion (17.92 percent), other trade and Tourism Le136.45billion (10.17 percent), Transport, Storage and Communication Sector Le127.03 billion (9.47 percent) and Business services Le101.17billion (7.54 percent). The balance of Le475.97billion (35.47 percent) was allocated to other sectors in the economy as shown in the Pie Chart.

Chart 10



7.2.5 Non-Performing Loans (NPLs)

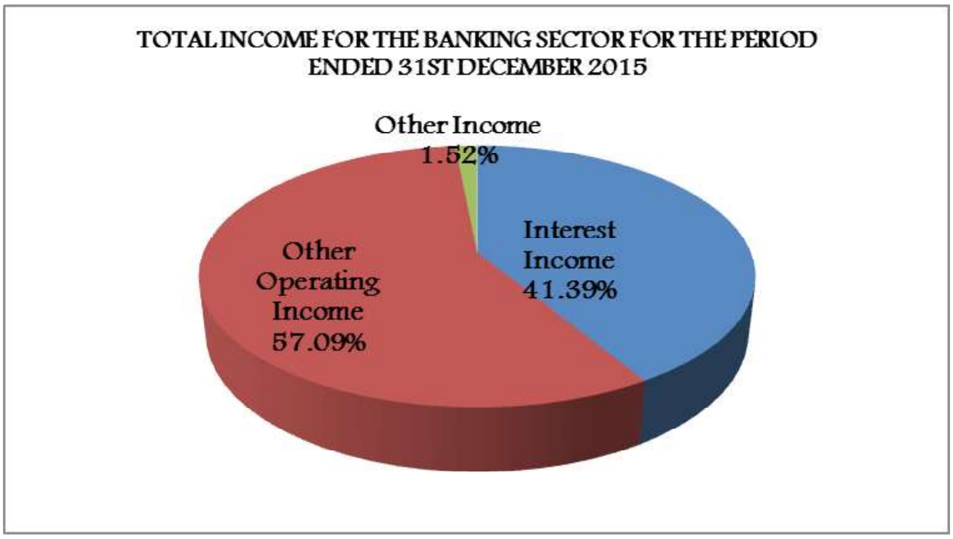
The non-performing loan ratio was recorded at 31.73 percent as at end December 2015 compared to 33.44 percent in December 2014 which were above the tolerable limit of 10%. The high NPL ratio may be attributable to the adverse effects of the Ebola outbreak which affected major economic activities. The contraction in the mining sector activity which culminated in iron ore companies to scale down their operations affected the ability of local suppliers to honour their obligations to their bankers. Additionally, there were reductions in other economic activities such as tourism, agriculture, services and construction, including delays in payments to government contractors.

7.2.6 Profitability

Pre-tax profits for the banking sector increased by Le41.24bn (35.20%), from Le117.15 bn at end December 2014 to Le158.39 bn at end December 2015. The growth was largely driven by significant increases in revenues from other operating incomes which jumped by Le90.88bn (32.70%) from Le277.21 billion in 2014 to Le368.09billion in 2015.

For the period ended 31st December 2015, other operating income accounted for more than half the industry's total income (57.09%), while interest income contributed 41.39% and other income accounted for 1.52% as shown on the pie chart below.

Chart 11



On the expenses side, other operating expenses accounted for a significant proportion (84.66%) of the industry's expenses. Notable contributors were Staff cost (37.53%) and Travel costs (24.65%). Interest expenses accounted for 10.01% and other expenses accounted for 5.33% for the period ended 31st December 2015 as indicated on the diagram below.

Chart 12

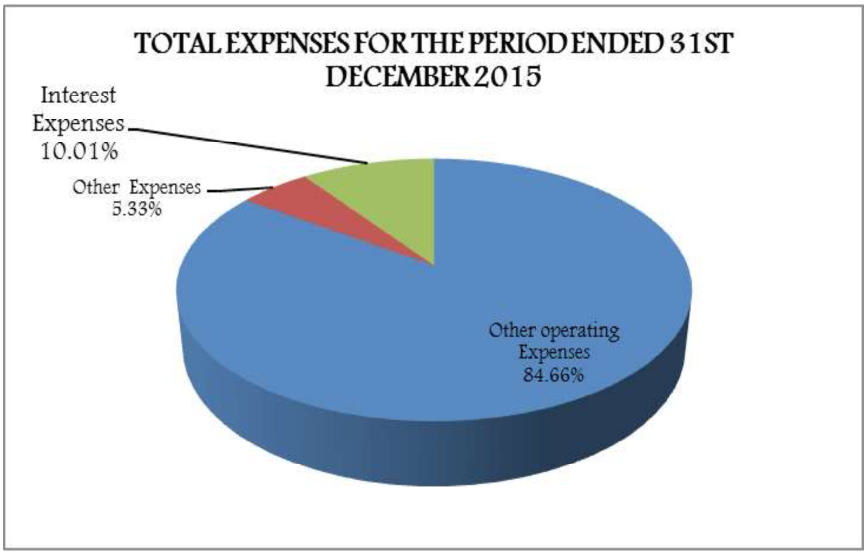


TABLE 21

Consolidated Balance Sheet of Discount Houses Balance Sheet as at 31st December 2015	2014	2015
ASSETS	***(Le'000)***	***(Le'000)***
Cash: *Local*	*1,977*	*2,550*
Foreign	-	-
Claims On:		
BSL	*1,890,724*	*1,692,352*
Other Banks	*1,992,351*	*2,452,104*
Loans/Repo	**75,727**	**19,500**
Investment:	**7,207,560**	**5,463,513**
Short-term:	*6,982,560*	5,238,513
Treasury Bills	*5,669,432*	4,727,500
Treasury Bearer Bonds	*1,313,128*	511,013
Commercial Paper	-	-
Long-term:	*225,000*	225,000
Banker's Acceptances	-	-
Other Assets	*442,349*	11,067,334
Fixed Assets	*607,093*	508,518
Total Assets	**12,217,781**	**21,205,871**
LIABILITIES		
Placements/deposits	**1,830,532**	**581,502**
Borrowings	**-**	**500,000**
Other Liabilities	**3,526,242**	**13,294,746**
Shareholders' Funds:	**6,861,007**	**6,829,623**
Paid up Capital	*3,868,139*	*4,011,408*
Statutory Reserves	*1,940,964*	*1,996,413*
Other Reserves	*838,967*	*838,967*
Share Premium	*427,759*	427,759
Current Profits	*127,813*	(433,380)
Retained Profits	*(3426350)*	*(11,544)*
Total Liabilities	**12,217,781**	**21,205,871**

Table 22

Community Banks operating in Sierra Leone (31/12/13)

Bank	Location
Marampa-Masimera Community Bank	Siaka Stevens Street, Lunsar
Yoni Community Bank	Freetown Road, Mile 91
Segbwema Community Bank	Sefadu Road, Segbwema
Mattru Community Bank	Bo Road, Mattru Jong
Zimmi Community Bank	Sulima Road, Zimmi
Kabala Community Bank	Makeni Road, Kabala
Pendembu Community Bank	Old Railway Line, Pendembu
Nimiyama Community Bank	Masimgbi Road, Njaiama Sewafe, Kono
Sandor Community Bank	Koidu Road, Kayima, Kono
Nimikoro Community Bank	Kundodu Road, Njaima Nimikoro
Tongo Field Community Bank	Kenema/Tongo Highway, Tongo Field
Koindu Community Bank	Liberia Road, Koindu
Simbaru Community Bank	Blama Road, Boajibu
Madina Community Bank	Kamakwie Highway, Madina Town
Kamakwie Community Bank	Fintonia Road, Kamakwie
Sumbuya Community Bank	Koribondo Road, Sumbuya
Taiama Community Bank	New Site Gba Town, Taiama

7.2.7 Liquidity

Cash reserves ratio at the end of the review period was 17.24 percent reflecting a 5.24 percent surplus over the statutory minimum of 12 percent compared to 19.13 percent in December 2014. The marginal decline in cash reserves ratio over the previous year was attributable to the Le0.27billion decrease in cash and current account (cash holdings plus claims on Bank of Sierra Leone) from Le496.92billion in December 2014 to Le496.89billion in December 2015. The industry also met the overall liquidity requirement recorded at 78.86% and 83.32% in December 2014 and December 2015 respectively, all above the prudential requirement ratios of 29.66% and 30.35% respectively.

7.2.8 Foreign Exchange Risks

The banking sector is not susceptible to foreign exchange risk as the aggregate and single net open positions were recorded at -6.83% and -8.04%, both within the statutory requirements of ±25 percent and ±15percent respectively. With the exception of two, all other banks met the statutory limits on the Net open position and the single net open positions for all currencies. The depreciation of the Leone against major foreign currencies is likely to continue in the short to medium term. The share of foreign currency liabilities to total liabilities was 27.52percent.

7.2.9 Supervisory Reviews

On site examination was carried out on ten out of thirteen commercial banks during the review period. The two local state owned banks which were highly exposed to credit and foreign exchange risks were closely monitored with resident supervisors deployed at the premises of each of them. Only one commercial bank failed to benefit from on-site review in 2015.

7.3 Other Financial Institutions (OFIs)

7.3.1 Community Banks

During the review period community banks operations were marred with poor corporate governance issues, internal controls, lack of basic infrastructures, weak information and communication technology. To complement the efforts of the Bank of Sierra Leone, the International Fund for Agricultural Development (IFAD) supported the restructuring of six (6) Bank of Sierra Leone pioneered community banks and also established eleven (11) more community banks and fifty-one (51) Financial Services Association (FSAs).

The BSL continues to conduct on-site examination and off-site surveillance of the community banks.

The total assets and profit before tax of seventeen (17) community banks were recorded at Le41.37 billion and a loss of Le2.98 billion as at end December 2015. The total loan portfolio of the community banks was Le21.68 billion at end December 2015.

7.3.3 Foreign Exchange Bureaux

The number of licensed Foreign Exchange Bureaux operating in the country as at 31st December 2015 was fifty (50). Consolidated purchases and sales of the three major foreign currencies namely; United States Dollars, British Pounds Sterling and Euro are presented in the table below: -

Table 23.

Foreign Exchange Bureaux Transactions

	Dollars (US$)	Pounds (£)	Euro (€)
Purchases	93,220,123	7,602,246	117,875
Sales	92,718,172	7,534,150	57,845

7.4 Microfinance Institutions (MFIs)

7.4.1 Deposit-Taking Microfinance Institutions

There are two licensed Deposit-Taking Microfinance Institutions in Sierra Leone as at 31st December, 2015: Ecobank Microfinance (SL) Limited (EMSL) and Bank for Innovation and Partnership (BIP). Though BIP was licensed to operate as a deposit-taking MFI, it is currently operating as a credit-only MFI. Therefore, EMSL is the only deposit-taking Microfinance Institution with an asset base of Le59.13 billion and a pre-tax profit of Le 1.52 billion at end December 2015.

Table 23

Deposit-Taking Microfinance Institutions as at 31st December, 2013	
Deposit-Taking	**Address**
Ecobank Microfinance (SL) Ltd.	1 Rawdon Street, Freetown
Bank for International and Partnership (BIP)	1 Collegiate Road, Freetown

Table 24

Credit-only Microfinance Institutions as at 31st December 2015	
Credit-only	**Address**
Brac Microfinance(SL) Limited	28 Old Lumley Road, Off Spur Road, Wilberforce,
A Call to Business Trading(SL) Limited	8 Road, off Gooding Drive, Babadorie-Lumley
Finance Salone	c/o Union Trust Bank
Salone Microfinance Trust Limited	13 Azzolini Highway, Makeni
Counterpart in Community Development & MF Ltd.	350 Bai Bureh Road, Calaba
Grassroots Gender Empowerment Movement	57 John Street, Freetown
Capital Finance Company	26A Big Watereloo Street, Freetown
Safe Microfinance	21 Suku Tamba Street, Bo Town
Association of Rural Development (ARD)	21 Liverpool Street, Freetown
Source of Hope Sierra Leone Limited	41C Ascension Town, Grey Bush
LAPO Microfinance	34 John Street, Freetown

7.4.2 Credit- Only Microfinance Institutions
Credit-only MFIs are issued certificates by the BSL. As at 31st December 2015, there were twelve (12) registered credit-only MFIs supervised by the Bank of Sierra Leone.

7.4.3 Mortgage and Savings Institutions
Home Finance Company (HFC) Mortgage and Savings (SL) Plc is the only Mortgage Company in Sierra Leone with a declared total assets and pre-tax profit of Le166.99 billion and Le2.70 billion respectively as at end December 2015.

7.4.4 Leasing Companies
The only licensed leasing company in the country is Consumer Finance and Leasing Company located at 13 Lightfoot Street, Freetown. Their financial report was not submitted for 31st December 2015.

The above information shows Licensed Foreign Exchange Bureaux and their branches in Sierra Leone as at 31st December 2015

7.5 Financial Inclusion
The Bank in its drive to promote financial sector development has embarked on various options in an effort to create a conducive environment that would promote financial inclusion.

Financial inclusion aims at bringing the ‘’unbanked” population into the formal financial system in order to provide them the opportunity to access financial services ranging from savings, payments, insurance, cash withdrawals, balance enquiry, mini statements to transfer of funds.

Bank of Sierra Leone became a principal member of the Alliance for Financial Inclusion (AFI) on August 14, 2009. AFI is a global network of financial inclusion policy making bodies, together with central banks in developing countries. It is based in Kuala Lumpur, Malaysia.

During registration with AFI, the Bank made commitments, including among others, the development of a regulatory framework with specific guidelines on mobile financial services, and to provide an enabling environment for a private sector driven rural financing penetration.

Table 25

Licensed Foreign Exchange and their Branches in Sierra Leone (31/12/15)

No	Bureaux	F/town	Bo	Kenema	Makeni	Lungi	Kono	Kabala	Total
1	Afro Foreign Exchange Bureau Limited	5	1	1	1	-	1	-	9
2	Ayoub Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
3	Alphajor Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
4	Abu–Taraff Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
5	Albasco Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
6	Best Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
7	Blue Circle Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
8	City Centre Foreign Exchange Bureau Limited	1	1	-	-	-	-	-	2
9	Dem Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
10	DevKay Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
11	Dycar Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
12	Fadugu Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
13	Fatismed Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
14	First Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
15	Fofan Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
16	Frandia Foreign Exchange Bureau Ltd	2	-	-	-	-	-	-	2
17	Freetown Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
18	Galtech Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
19	Guru Nanak Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
20	Harry's Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
21	I B C Foreign Exchange Bureau	1	-	-	-	-	-	-	1
22	Kakua Foreign Exchange Bureau Ltd	1	1	-	-	-	-	-	2
23	Kallah Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
24	LeoneUK Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
25	Leigh Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
26	Lion Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
27	Malador Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
28	Manans Foreign Exchange Bureau Limited	1	1	1	1	-	-	1	5
29	Monorma Foreign Exchange Bureau	1	-	-	-	-	-	-	1
30	Navo's International Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
31	Nimo Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
32	Paramount Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
33	Pottal Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
34	Raju's Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
35	Rikban Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
36	Rumez Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
37	Tap Foreign Exchange Bureau limited	1	-	-	-	1	-	-	2
38	Tonisco Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
39	Vanbhari Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
40	Wickburn Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
41	Jaffa Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
42	USISK Foreign Exchange Bureau Limited	-	-	-	-	1	-	-	1
43	City Hotel Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
44	S. A. Beckley Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
45	Cutting Edge Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
46	Cashminutes Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
47	Beas Investment Foreign Exchange Bureau Ltd.	1	-	-	-	-	-	-	1
48	Tanue Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
49	Dallaco Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
50	Hepom Foreign Exchange Bureau Limited	1	-	-	-	-	-	-	1
	Total	**54**	**4**	**2**	**2**	**2**	**1**	**1**	**66**

The Financial Inclusion Working Group (FIWG) was then established in the Bank comprising twenty (20) staff from Banking Supervision, Banking, Research, Financial Market and Secretary's Departments, and the Financial Sector Development Plan (FSDP) unit. It is charged with the responsibility of coordinating financial inclusion issues with all the stakeholders in Sierra Leone and international partners.

Over ten staff have benefitted from trainings, workshops and seminars on financial inclusion and related issues in Malaysia, Ivory Coast, Kenya, Tanzania, Seychelles, Mozambique and Botswana.

The objectives of financial inclusion include: -

·Helping the society and the economy. It can lead to increase in savings, investment and thereby, spursthe processes of economic growth.

- Providing a platform for inculcating the habit of saving money, especially amongst the lower income category that has been living under the constant shadow of financial duress.

- Creating avenues of formal credit to the unbanked population who are otherwise dependent on informal channels of credit like family, friends and money-lenders.
- Opening the doors of formal remittance facilities to the low income and unbanked populace who, presently,are forced to use all kinds of informal and costly/risky ways of sending money from one place to another.

- To plug gaps and leaks in distribution of government benefits and subsidies through direct benefit transfers to beneficiaries' bank accounts.

On the whole, Financial Inclusion has the potential to bring in the unbanked masses into the formal banking system, channelize their savings, influence their entrepreneurial ambitions by making available credit and thus give a boost to the economy.

The work of the FIWG

As a fulfillment of one of the commitments made by the Bank, The Mobile Money Financial Services Guidelines were developed and launched on 17th November, 2015. The objective of the guidelines is tocreate an enabling regulatory environment to promote mobile financial services and help the stakeholders in the mobile financial services ecosystem to understand their roles and responsibilities.

- The FIWG is currently working on developing the National Financial Inclusion Strategy (NFIS), with support from AFI and UNDP. The NFIS is a road map to financial inclusion.

- The FIWG is also working on the development of the National Financial Literacy Strategy (NFLS). This document will empower Sierra Leoneans to acquire knowledge of various types of financial products and services available; how they work, their benefits, and risks to access them in order to make informed decision.

- The FIWG is working in collaboration with International Growth Centre (IGC) on emerging mobile money policy issues.

8.0 Payments System

8.1 Introduction

The year 2015 witnessed significant improvements in the nation's payments system and hence the financial system with the launch of the mobile money guidelines and the kick start of the National Switch implementation project.

The guidelines provide a framework for the licensing and operations of the mobile money operators while the National Switch will actually move the society from one that is predominantly cash based to one that is a less cash (electronic) society.

In addition to the above, 2015 also witnessed the introduction of rules and procedures for the operation of the RTGS, ACH and the CSD with a robust pricing mechanism for the use of the systems. As a public good what this implies is that the Bank of Sierra Leone can now conduct some oversight of these systems participants' platforms to ensure the efficiency and soundness of the payments systems.

It is worthy of note that the efficiency and soundness of a nation's payments system is reflected as a key driver of economic development.

Given the importance of Payments and settlement systems in ensuring the smooth functioning of an economy, it is the sole responsibility of central banks to promote sound and efficient payment and settlement systems.

This report presents Sierra Leone's Payments System landscape and its overall performance.

8.2 National Payments System Landscape

Sierra Leone's payment's systems landscape comprises the following:

1. Large Value Payments System
   These consist of but not limited to RTGS, ACH transactions

2. Retail Value Payments System
   These consist of but not limited to:
   a. Card transactions
   b. Mobile money operations
   c. Cash
   d. Cheque transactions
   e. E-commerce

Despite the above forms of payments systems in Sierra Leone, it is worth noting that the economy still remains predominantly cash based with thirteen commercial banks, seventeen community banks, two discount houses and a host of microfinance institutions. Modalities are still being worked out for the community banks to be represented by an Apex bank (already established) in the payments system

To date, only six (6) commercial banks issue smartcards and operate ATMs while only four have operational POS machines with Interswitch Nigeria providing switching services for six of the thirteen commercial banks in the country. All the ATMs and POSs are stand alone. The central bank in collaboration with the Sierra Leone Association of Commercial Banks (SLACB) is making efforts to have an operational national switch by December, 2016. This will interconnect all commercial banks retail payment system platforms and make them interoperable. The national switch will also allow all switching transactions in the country to pass through its central hub.

8.3 Performance of the Country's Payments System

8.3.1 Slips

Participants

The present system has thirteen commercial banks and the central bank (BSL) as direct participants. Other Financial Institutions (OFIs) are generally either indirect or sub participants to the system. They utilise the infrastructure and settlement accounts of direct participants for their transactions.

Transactions

The table below shows the volumes and values of transactions settled through the RTGS including ACH net settlements in 2015.

Period	**Volume**	**Value**
January	11,674.00	1,941,957,462,359.37
February	9,483.00	2,380,721,319,895.32
March	11,269.00	2,010,557,979,636.82
April	10,955.00	2,102,913,459,651.17
May	11,141.00	2,091,716,014,731.78
June	10,036.00	1,957,366,873,480.24
July	10,803.00	2,045,775,794,585.14
August	9,373.00	1,702,299,122,140.45
September	8,962.00	1,695,453,840,846.29
October	11,384.00	1,803,043,195,129.61
November	9,422.00	2,148,772,197,541.71
December	10,286.00	2,363,156,189,819.69
Total	**124,788.00**	**24,243,713,449,817.60**

Total value of transactions during the review period amounted to 24.2 trillion. This represents a 17.8 percent increase over the 20.8 trillion recorded in 2014. Total volume of transactions was recorded at 124,788 which represented a 1.4 percent decline compared to 126,590 in 2014. The decrease in volume side by side an increase in value indicates that participants are now processing more of high value transactions in the Real Time Gross Settlement System (RTGS). On average, a total of 460 transactions were settled per day in 2015 compared to 350 in 2014.

ACH Transactions

The table below represents the flow of transactions processed through the clearing system in volume and value terms for the period January to December 2015.

Period	Volume	Value
JANUARY	22,185	116,220,178,711.61
FEBRUARY	24,216	112,798,768,957.87
MARCH	30,015	92,914,381,335.39
APRIL	30,174	116,315,990,398.39
MAY	31,422	109,369,017,926.28
JUNE	32,886	90,613,692,324.14
JULY	33,356	84,002,115,414.43
AUGUST	29,513	96,535,171,927.14
SEPTEMBER	28,324	68,991,302,982.74
OCTOBER	32,418	61,301,892,248.54
NOVEMBER	30,775	81,826,916,070.80
DECEMBER	36,631	81,341,008,468.16
TOTAL	**361,915**	**1,112,230,436,765.49**

The above table includes Cheques, Direct Credits and Re-presented Cheques. An analysis of the table indicates that the number of transactions processed through the system for the year 2015 was 361,915, valued at Le1, 112,230,436,765.49.

The volume of transactions increased throughout the year with a corresponding fall in value. The high values recorded early in the year could be a result of payments in respect of some Ebola Response workers channeled through the system during the peak of the Ebola crisis.

8.3.2 Development of Other Electronic Payments System

Mobile money operations in Sierra Leone started in 2009 by Airtel in collaboration with Zenith bank. The mobile money product was dubbed Zap.

This was then followed by two other mobile money products namely: -

1. Splash, a product of non mobile network provider but rides on the networks of Airtel and Africell. It is operated in collaboration with Guaranty Trust Bank
2. Afrimoney, a product of Africell, rides on the platform of Africell and operated in collaboration with Guaranty Trust Bank

Airtel later rebranded its Zap product to Airtel money
There has been an increase in the provision of funds transfer services via Mobile Network Operators especially so with the utilisation of the system for payment of hazards allowances to Ebola Response workers. These services are however stand-alone and no transaction is happening across mobile networks.

The development of a National Switch on the other hand has re-commenced and is estimated to go live by December, 2016.

9.0 Human Resources Developments

9.1 Staff Strength

Total staff strength in the Bank as at end December, 2015 was recorded at 456 (four hundred and fifty-six) personnel, representing a 3.17 percent increase over the 442 (four hundred and forty-two) staff strength recorded at end December, 2014.

Variance in staff strength was recorded in the following staff categories:
Staff strength in the Sub-professional and other cadres recorded decreases between end December, 2014 and end December, 2015. Staff strength in the Sub-professional cadre declined by 18.2 percent or 16 (sixteen) personnel from 88 (eighty-eight) personnel in 2014 to 72 (seventy-two) in 2015.

Staff strength in other cadres decreased by 1.02 percent or 1 (one) personnel from 98 (ninety-eight) personnel at end December, 2014 to 97 (ninety-seven) at end December, 2015. The decrease was a result of severance of a staff member from this category.

Staff strength in the Professional cadre increased by 4.4 percent or 10 (ten) personnel, from 228 (two hundred and twenty-eight) personnel at end December, 2014 to 238 at end December 2015. This was a result of re-designations of staff with additional qualifications and recruitment of IT staff.
Management personnel on the other hand recorded a total of 10 (ten) staff as at end December, 2015, which was the same as that recorded at end December, 2014.

Total strength of permanent male staff was recorded at 322 (three hundred and twenty-two) personnel at end December, 2015 of which, 21 (twenty-one) were Fixed Term employees. The proportion of male staff, including Fixed Term employees, to total strength was recorded at 70.61 percent as at end December, 2015.

Total strength of female staff as at end December, 2015 was 134 (one hundred and thirty-four) personnel, of which, 18 (eighteen) were Fixed Term employees. The proportion of female staff to total staff strength, including Fixed Term employees, was 29.39 percent.

Total strength of Fixed Term employees was recorded at 39 (thirty-nine) personnel representing 8.55 percent of total staff strength as at end December, 2015. It also reflects a 53.8 percent increase or 21 (twenty-one) personnel over the 18 (eighteen) staff recorded at end December, 2014.

TABLE 26 - STAFF STRENGTH AS AT DECEMBER, 2014

CATEGORY	MALE	FEMALE	TOTAL
Management	7	3	10
Professional	148	80	228
Sub-professional	58	30	88
Others	95	3	98
Total Permanent Staff	308	116	424
Fixed Term Employees	5	13	18
Grand Total	**621**	**245**	**866**

TABLE 27 - STAFF STRENGTH AS AT DECEMBER, 2015

CATEGORY	MALE	FEMALE	TOTAL
Management	7	3	10
Professional	152	86	238
Sub-professional	48	24	72
Others	94	3	97
Total Permanent Staff	301	116	417
Fixed Term Employees	21	18	39
Grand Total	**623**	**250**	**873**

9.2 Severance

A total of 21 (ftwenty one) members of staff severed from the service of the Bank as indicated below:

Resignation	-	6
Retirement	-	7
Deceased	-	3
Retirement on Medical Grounds	-	0
Voluntary Retirement	-	0
End of Fixed Term Appointment	-	3
Termination	-	1
Dismissal	-	1
Position declared vacant	-	0
Total	**-**	**21**

Note:

General Services (GS) Category refers to Driver, Cook/Steward, Barman Waiter, Office, Gardener, Watchman, Cleaner, Handyman, Lift Operator, Technician, Carpenter and Generator Operator.

TABLE 28 - STAFF MOVEMENT AS AT DECEMBER, 2014 AND 2015

CATEGORY	2014	2015
Recruitment	8	-
Contract Appointment	-	21
Resignation	6	6
Vacated	-	-
Dismissal	1	1
Deceased	1	3
Termination	2	1
Retirement	14	7
Voluntary Retirement	-	-
Retirement on Medical Grounds	1	-
End of Contract Appointment	1	3
Absorption from Contract to Permanent Staff	-	-
Total	**34**	**42**

9.3 Training Report - 2015

The Bank continues to maintain the Bank's capacity in implementing its core mandate as well as to ensure efficiency and effectiveness in its operations.

Apart from resources provided by the Bank for training during the year, the African Development Bank (AfDB), the World Bank and the United Nations Capacity Development Fund (UNCDF) provided significant support under the Financial Sector Development Plan (FSDP) programme of the Bank. The objective of the programme is to enhance capacity in the Bank of Sierra Leone as the apex financial institution, to formulate, coordinate and provide proactive leadership role in advancing financial sector reforms as well as implementing the Bank of Sierra Leone's Institutional Development Plan. To achieve this objective, several training programmes were executed ranging from courses, study tours and technical training courses that were of relevance to the operations of the Bank. The Bank participated in several overseas proactive in meeting current/future challenges by capacitating staff in the operations and support departments to strengthen short courses organized by various training institutions within the sub-region, Europe, Asia and the United States of America.

It is worthy of note however that participation in training programmes by staff of the Bank effectively commenced in May 2015 due to the hiatus associated with the Ebola outbreak and travel restrictions imposed on citizens of Ebola-affected countries by some countries as well as the suspension of airline operations in such jurisdictions.

A total of fifty (50) overseas training programmes were executed and eighty-three (83) staff benefitted Bank wide. Additionally, three (3) local training programmes were executed and six (6) staff benefitted Bank wide.
The tables below indicate the number of training programmes as well as the number of beneficiaries in the various departments during the review period:

Table 29. **<u>Training programmes executed under the Bank's Training Vote</u>**

Department	**No. of overseas courses**	**No. of staff that benefitted**	**No. of local courses**	**No. of staff that benefitted**
Accounts & Budget	2	2	1	1
Banking	2	2	1	1
Banking Supervision	7	9	1	1
Financial Markets	7	7	-	-
General Services	-	-	2	2
Governor's Office	-	-	-	-
Human Resources	3	5	-	-
Internal Audit	4	5	1	1
Management Information Systems	-	-	-	-
Research	6	6	-	-
Secretary's	1	1	-	-
Total	**32**	**`37**	**6**	**6**

Table 30 **Training Programmes executed under the FSDP Project**

(a) African Development Bank (AfDB)

Department	Number of courses benefitted	Number of staff that benefitted
Accounts & Budget	1	1
Banking	3	4
Banking Supervision	-	-
Financial Markets	2	2
General Services	2	2
Governor's Office	3	3
Human Resources	2	2
Internal Audit	1	1
Management Information Systems	-	-
Research	2	2
Secretary's	**18**	**19**

(b) World Bank

Department	Number of courses benefitted	Number of staff that benefitted
Accounts & Budget	-	-
Banking	2	6
Banking Supervision	2	3
Financial Markets	-	-
General Services	-	-
Governor's Office	1	1
Human Resources	-	-
Internal Audit	1	1
Management Information Systems	6	6
Research	-	-
Secretary's	-	-
Total	**12**	**17**

(c) United Nations Capacity Development Fund (UNCDF)

Department	Number of courses benefitted	Number of staff that benefitted
Accounts & Budget	-	-
Banking	1	1
Banking Supervision	1	1
Financial Markets	-	-
General Services	1	1
Governor's Office	2	2
Human Resources	-	-
Internal Audit	2	3
Management Information Systems	1	1
Research	-	-
Secretary's	1	1
Total	**9**	**10**
Grand Total	**71**	**83**

It should be noted that for some training programmes participants were drawn from more than one department.

Financial Statements
for the year ended 31st December 2015

BACKGROUND

The Bank continues to prepare its annual accounts in line with the International Financial Reporting Standards (IFRS) as required by Section 57 of the BSL Act 2011 and current best practice.

Section 12(1) of the BSL Act 2011 requires the profits of the Bank to be calculated in conformity with International Financial Reporting Standards (IFRS), the effect of which is that both realized and unrealized exchange gains and losses are included in Net Profit. However, for a Central Bank, any distributions of profit in the form of dividends will be to Government which is its sole Shareholder.

In essence the distribution of unrealized 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 unrealized exchange gains are deducted from Net Profit for the purposes of calculating Distributable Earnings.

Please see below a reconciliation of the Financial Reporting Profit (inclusive of unrealized gains and losses) to the Operating Profit (exclusive of unrealized gains and losses).

Impact on profit of revaluation gains/(losses)

In thousand of Leones		**2015**		2014
Profit as per audited accounts		129,110,462		143,572,073
Less: Revaluation losses	(724,164,021)		(194,203,821)	
Revaluation gains	899,735,731		378,992,004	
Net revaluation gains		175,571,710		184,788,183
Operational loss loss for the year excluding unrealised exchange gains		**(46,461,248)**		(41,216,110)

1. STATEMENT OF FINANCIAL POSITION

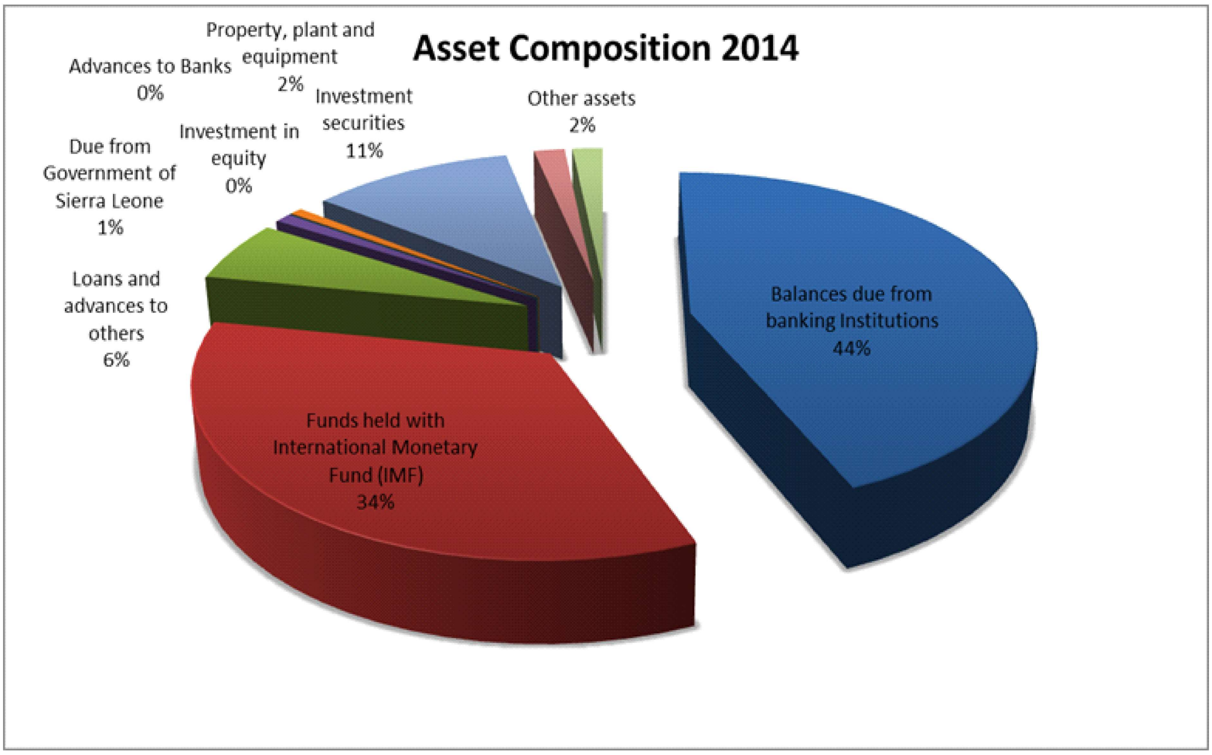
The Bank's overall financial performance improved with total assets increasing by 20% from Le4.48 trillion in 2014 to Le5.38 trillion as at 31st December, 2015 i.e. an increase of approximately Le900 billion.

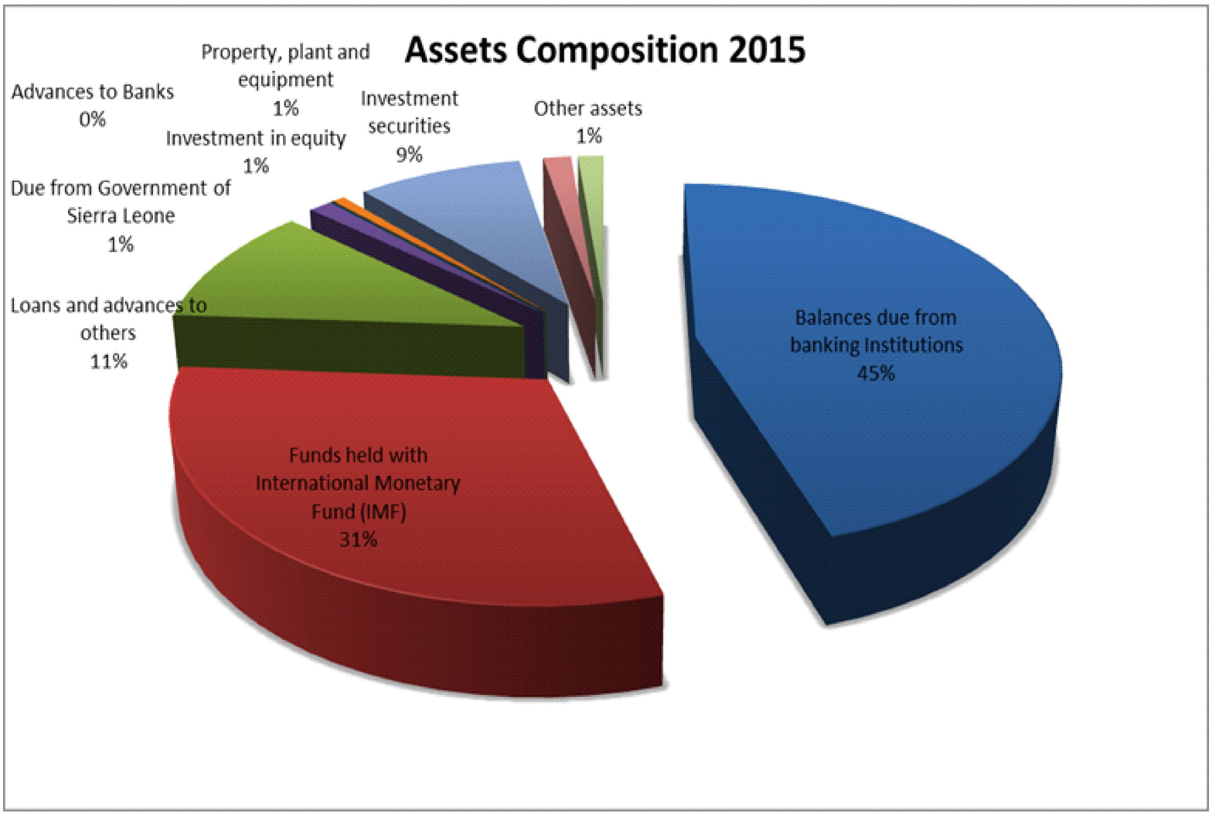
The composition of total assets is depicted in the table below and the two pie charts that follow:

In thousands of leones	**2015**	2014	Changes	Changes %
Assets				
Balances due from banking Institutions	2,438,564,143	1,963,735,207	474,828,936	24%
Funds held with International Monetary Funds (IMF	1,651,897,216	1,527,330,378	124,566,838	8%
Loans and advances to others	569,050,119	264,138,742	304,911,377	115%
Due from Government of Sierra Leone	63,405,581	39,057,652	24,347,929	62%
Advances to Banks	-	-	-	-
Investment in equity	34,659,425	30,128,570	4,530,855	15%
Investment Securities	466,351,111	500,361,787	(34,010,676)	-7%
Property, Plant and equipment	79,696,590	76,595,558	3,101,032	4%
Other assets	71,580,604	75,167,308	3,586,704	-5%
Total assets	**5,375,204,789**	**4,476,515,202**	**898,689,587**	**20%**

The positive change of 20% year on year was mainly due to the increase of 115% and 62% in Balances due from Loans and Advances to Others and Government of Sierra Leone respectively.

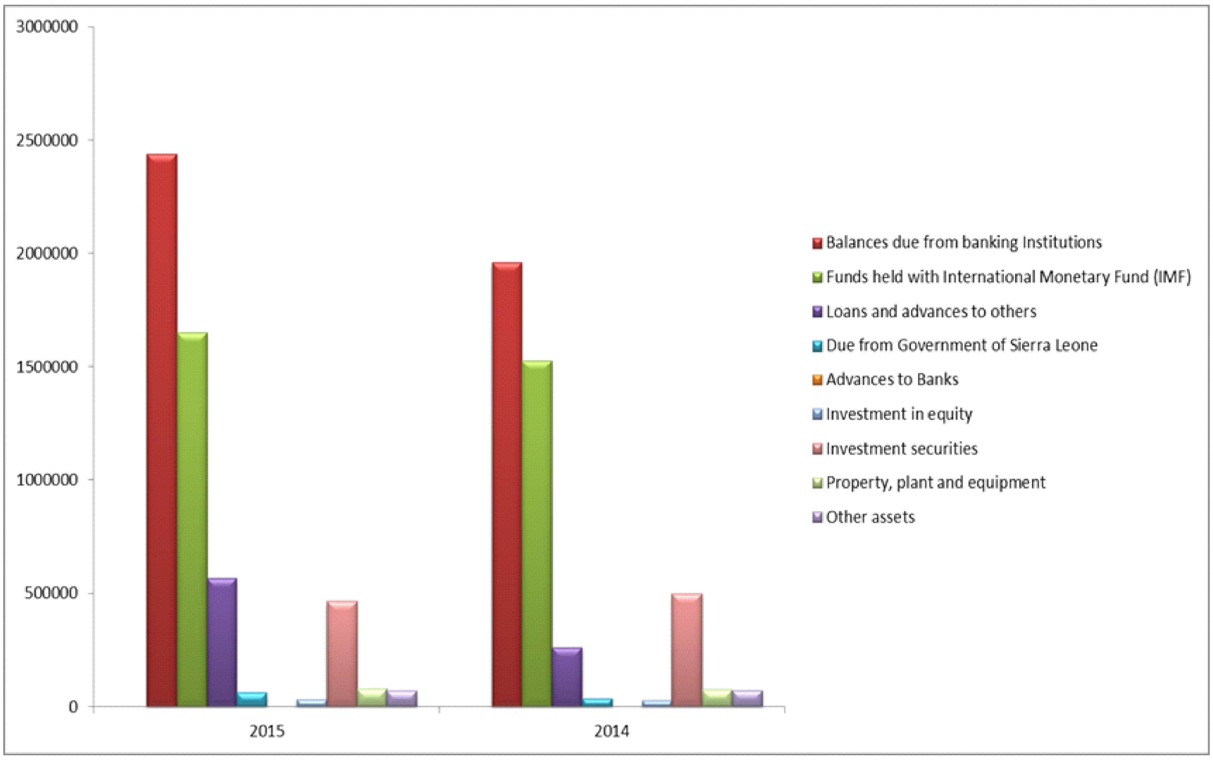
The changes are explained in much more depth in the section relating to Assets on Page 61.


Asset Composition 2014
Property, plant and equipment 2%
Advances to Banks 0%
Investment securities 11%
Other assets 2%
Investment in equity 0%
Due from Government of Sierra Leone 1%
Loans and advances to others 6%
Balances due from banking Institutions 44%
Funds held with International Monetary Fund (IMF) 34%


Assets Composition 2015
Property, plant and equipment 1%
Advances to Banks 0%
Investment securities 9%
Other assets 1%
Investment in equity 1%
Due from Government of Sierra Leone 1%
Loans and advances to others 11%
Balances due from banking Institutions 45%
Funds held with International Monetary Fund (IMF) 31%

Assets

The graph below shows the comparative analysis of the different categories of assets over the two year period.



Balances due from foreign Banks (cash and cash equivalents) increased by 24% from Le1,963.74 billion in 2014 to Le2,438.56 billion in 2015. This increase can be attributed to receipt of GBP 55.5 Million in respect of Extended Credit Facility (ECF) loan disbursement under the IMF budget financing arrangement.Facility (ECF[1]).

International Monetary Fund (IMF) Related Assets reported an increase of 8% from Le1,527.33 billion in 2014 to Le1,651.90 billion in 2015. (IMF Quota Subscription and Holdings on SDR Increased by 7% and 8% respectively over the previous year).

Loans and Advances to Others increased by 115% or Le305 billion because the bank had to give a bridging facility to the Government in respect of delayed Quarter 2 budget support of Euro25million from the European Union in order to ensure continuity of budget execution within the agreed program targets.

The balance due from Government of Sierra Leone increased by 62% or Le 24.3 billion due to the increased use of the facility by Government as a result of pressures to fund Ebola related activities in the latter stages of the Ebola Outbreak.

[1]The ECF is an IMF lending arrangement that provides sustained program engagement over the medium to long term in case of protracted balance of payments problems.

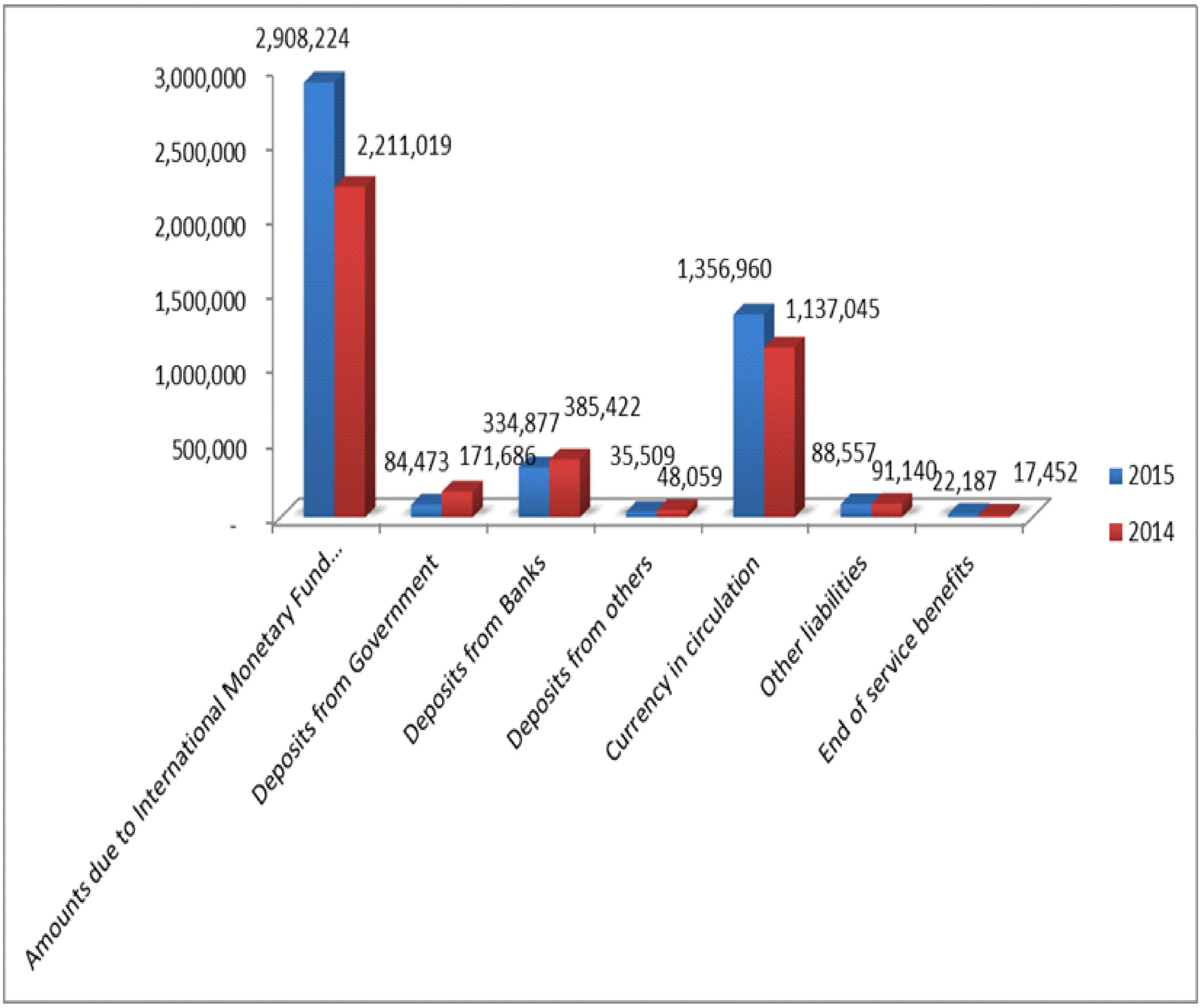
Investments in Equity increased by 15% from Le 30.13 billion in 2014 to Le 34.66 billion in 2015 as a result of the plough back of dividends received from the African Import Export Bank (Afreximbank) and interest received on the Stabilization and Cooperation Fund Contributions to the West African Monetary Institute (WAMI).

Investment Securities decreased by 7% from Le500.36 billion in 2014 to Le466.35 billion in 2015 due to a decreased activity by the Bank in the secondary market to ease liquidity constraints in the financial system.

The Bank's Property, Plant and Equipment increased by 4% from Le76.70 billion in 2014 to Le79.70 billion in 2015 as a result of the Bank's aim of modernizing its Currency Management processes.

Liabilities

The graph below shows the comparative analysis of the different categories of liabilities over the two year period.



Total Liabilities increased by 19% from Le4,061.82 million in 2014 to Le 4,830.79 million in 2015. Amounts due to the International Monetary Fund (IMF) increased by 32% from Le2,211.02 billion in 2014 to Le 2,908.22 billion in 2015 mainly due to the receipt of GBP 55.5 Million in respect of Extended Credit Facility (ECF) loan disbursement under the IMF budget financing arrangement.

Deposits from Commercial and Community banks decreased by 13% from Le385.42 billion in 2014 to Le334.88 billion in 2015 .

Deposits from Others also decreased by 26% from Le48.06 billion in year 2014 to Le 35.51 billion in year 2015.

Notes and coins in circulation increased by 19% from Le1,137.05 billion in 2014 to Le1,356.96 billion in 2015 due to the replenishment of currency notes to satisfy the increased demand for notes in the economy and the implementataion of the Bank's clean note policy.

Other Liabilities decreased by 3% from Le91.14 billion in year 2014 to Le88.56 billion in year 2015.

Reserves

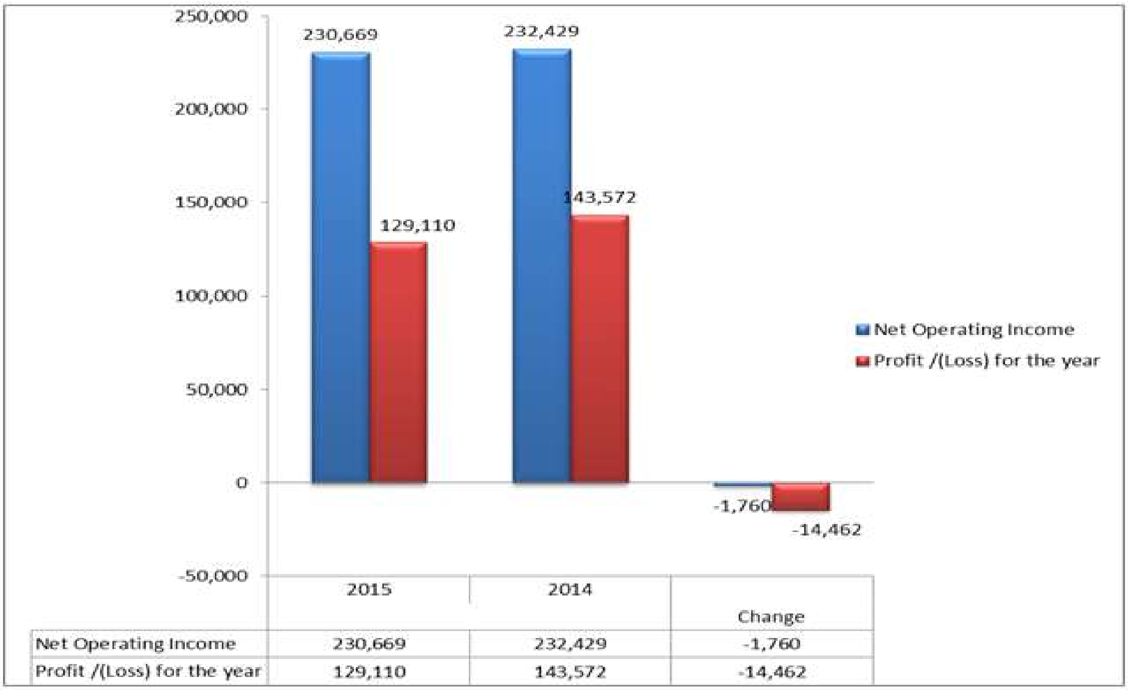
Total Reserves increased by 31% during the period from net total positive reserves of Le 414.69 billion in 2014 to net total positive reserves of Le 544.42 billion in 2015 driven mainly by the Net Revaluation gains of Le175.57 billion.

2. STATEMENT OF COMPREHENSIVE INCOME

Operating Income

The net operating income amounting to Le 230.67 billion represented a decrease from the amount of Le 232.43 billion generated in 2014. It is worth noting that Le 179.64 billion of Net operating income relates to unrealized revaluation gains. The Net profit of Le 129.11 billion is substantially lower than the Net Profit of Le143.57 billion in 2014.
This is depicted in the table and graph below:

Description	2015	2014	Change	Percentage Change
Net Operating Income	230,669	232,429	(1,760)	(0.76%)
Profit /(Loss) for the year	129,110	143,572	(14,462)	(10.07%)

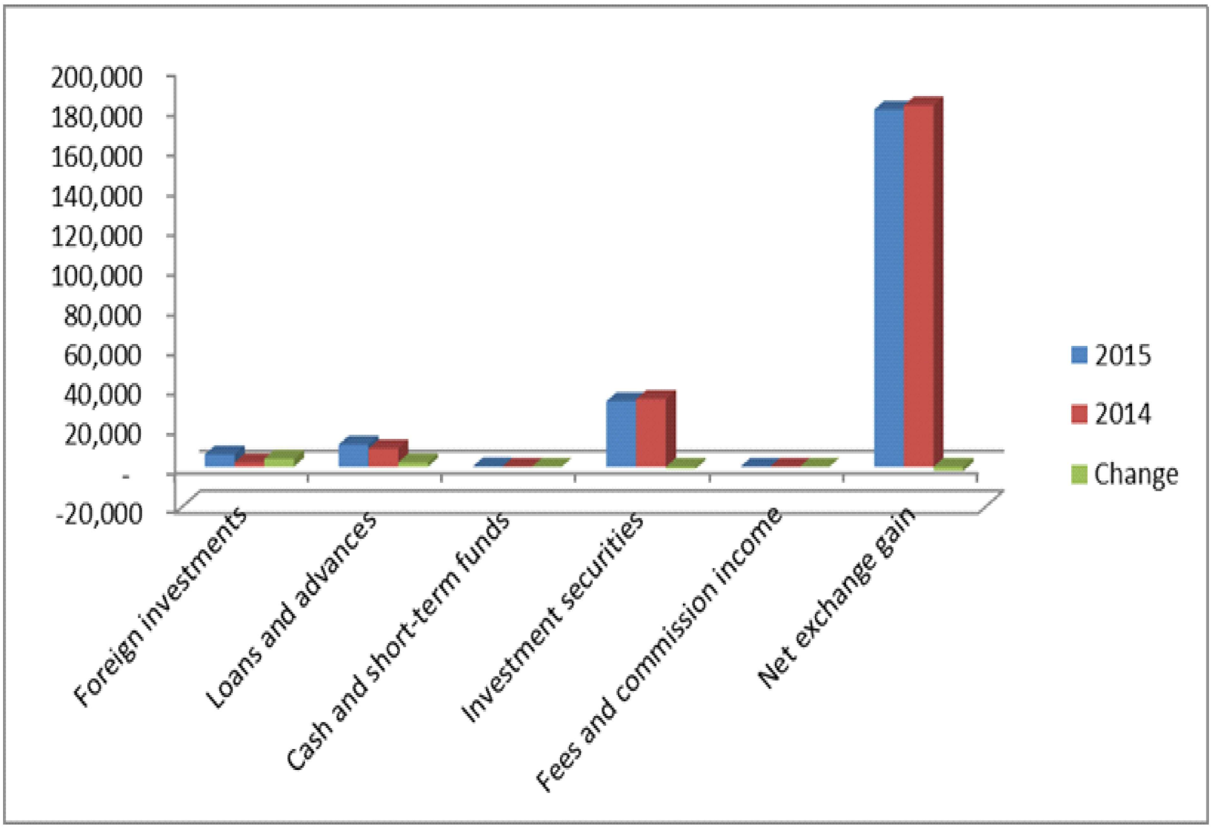


Net Interest Income increased marginally by 5% from Le44.5 billion to Le46.9 billion. The favorable performance of this income line was due to the interest charged on the bridging facility to the Government in respect of the delayed Quarter 2 budget support of Euro25million from the European Union.

Although Interest income from Investment Securities amounting to SLL33.01 billion reduced by 3% it was the second highest contributor to total income.

The table and graph below show the comparative analysis of the different categories of revenue over the two year period.

All figures in SLL M				
Description	**2015**	**2014**	**Change**	**Percentage Change**
Foreign investment	6,244	2,204	4,040	183%
Loans and advances	11,227	9,082	2,145	24%
Cash and short term funds	110	57	53	92%
Investment securities	33,008	34,038	-1,030	-3%
Fee and commission income	-3	5	-8	-156%
Net exchange gains/(loss)	179,637	181,735	-2,099	-1%



Operating Expenses

Total operating expenses increased by 14% from **Le88.86 billion** in 2014 to **Le101.56 billion** in 2015.

Personnel costs amounting to **Le52.24 billion** was the major item of expenditure during the period, accounting for **51% (2014: 52%)** of total operating expenses.

Other Expenses (which includes professional fees, passages and overseas allowances and repairs and maintenance) increased by 5% over the amount incurred in 2014 as a result of the depreciation of the Leone against the US dollar. Depreciation increased by 17% as a result of additional costs incurred for the currency management equipment.

Currency costs increased by 26% from **Le13.39 billion** in 2014 to **Le16.84 billion** in 2015 due to more currency notes being issued to replace worn out ones in pursuit of the Bank's clean note policy.

3. Financial Reporting Profit

The **Net Financial Reporting Profit of Le129.11 billion** being all unrealized has been added to the General Reserves in accordance with the requirements of **Sections 12(2)** of the **Bank of Sierra Leone Act 2011**. Please refer to the Statement of Changes in Equity on **pages 79 and 80** of the Financial Statements.

4. Equity

Total equity increased from **414.69** in 2014 to **Le544.41 billion** in 2015 due to the effect of net changes in Revaluation Gains of **Le175.57 billion.**

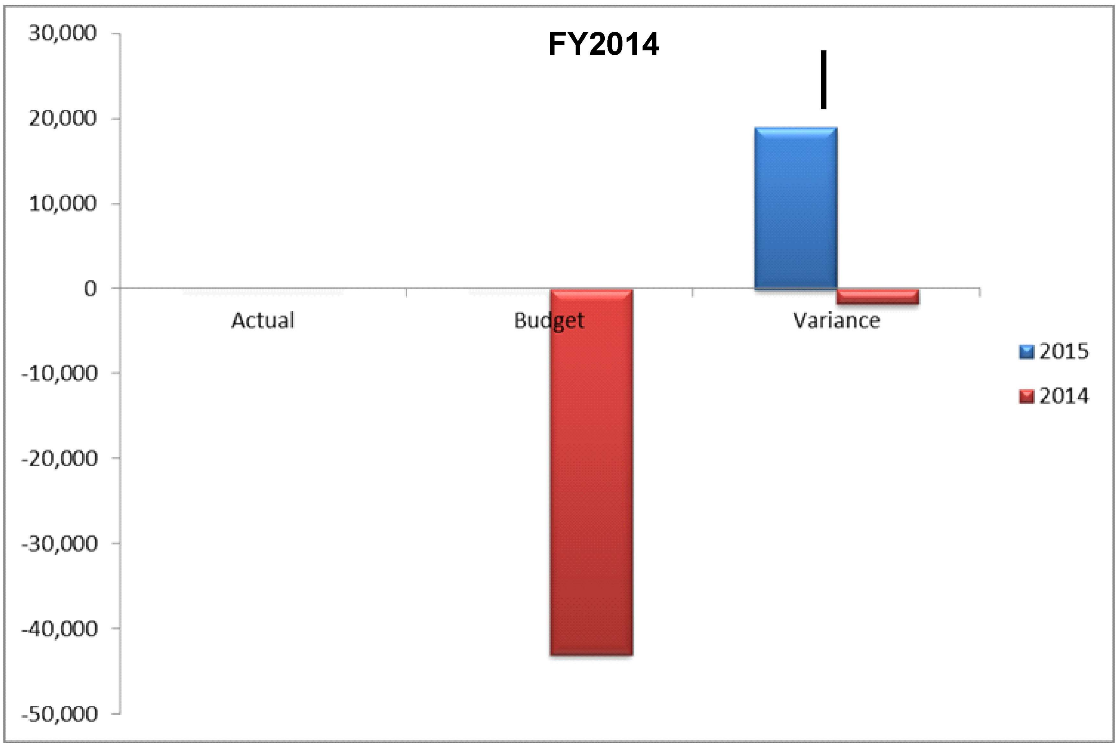
5. Budget Performance for the year 2015

For the period under review, projected total income was Le46.27 billion and expenditure was Le111.69 billion, with a resultant projected deficit of Le65.42 billion.

In actual terms however, a net operating loss of Le46.46 billion (financial Reporting Profit: 129.11 billion) was incurred which was 39.68 % lower than the projected operating loss of Le65.42 billion. This favorable position for the year under review was due to a combination of higher levels of income and lower levels of expenditure than projected.

Please see Table and Chart below for further analysis.

OPERATIONAL PROFIT ANALYSIS - Jan - Dec, 2015						
FY 2015 Actual Le'M	FY 2015 Budget Le'M	FY 2014 Actual	Variance on Budget	Year on Year Actual Variance	% variance on Budget	% Year on Year Actual Variance
(46,461)	(65,416)	(41,216)	18,955	(5,245)	29%	(13%)



GENERAL INFORMATION

BOARD OF DIRECTORS	Mr Momodu Kargbo	- Governor (appointed 17 July 2014)
	Dr Ibrahim Stevens	- Deputy Governor (appointed 24 July 2014)
	Professor Richard T. M'bayo	- Appointed 13 June 2014
	Mr Shadrack E. Williams	- Appointed 6 June 2014
	P. C. Mohamed D. Benya V	- Appointed 6 June 2014
	Mrs Rosaline Y. Fadika	- Appointed 6 June 2014
	Mr Sorie N. Dumbuya	- Re-appointed 6 June 2014
SENIOR MANAGEMENT	Mr Momodu Kargbo	- Governor
	Dr Ibrahim Stevens	- Deputy Governor
	Mr Ibrahim K. Lamin	- Director, Financial Markets Department
	Mr Tapsiru Dainkeh	- Director, Banking Supervision Department
	Mr Mohamed Mansaray	- Director, Research Department
	Mr Abubakarr Jalloh	- Director, Banking Department
	Mr Ralph Ansumana	- Director, Internal Audit Department
	Mrs Hanifa Addai	- Director, Management Information Systems Department
	Ms Jenneh Jabati	- Director, Human Resource Department
	Mr Abdul Aziz Sowe	- Director, Accounts and Budget Department
	Mr Sullay Mannah	- Director, Secretary's Department
	Mrs Mary M. Kargbo	- Director, General Services Department

REGISTERED OFFICE
30 Siaka Stevens Street
Freetown

SOLICITORS
Lambert and Partners
Adele Chambers
15 Lamina Sankoh Street
Freetown

SECRETARY TO THE BOARD
Mr Sullay Mannah

AUDITORS
BDO
Regent House
12 Wilberforce Street
Freetown

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report to the Government of Sierra Leone together with the audited financial statements for the year ended 31 December 2015.

Principal Activity

The principal activity of the Bank is to:

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

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

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

(d) conduct foreign exchange operations;

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

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

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

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

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

Directors' Responsibility Statement

The Bank's Directors are responsible for the preparation and fair presentation of the financial statements,comprising the statement of financial position as at 31 December 2015 and the statements of comprehensive income, changes in equity and cashflows 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 2011 and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The operability of the Bank on an on-going basis is guaranteed by the Government. Hence there are no going concern issues.

Share Capital

Details of the Bank's share capital are given in note 30 to the financial statements.

Results for the period

Profit for the period was Le129 billion (2014: profit of Le143 billion).

REPORT OF THE DIRECTORS (Contd)

Audit Committee

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

Monetary Policy Committee

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

Banking Supervision Technical Committee

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

Foreign Assets Committee

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

Project Monitoring Committee

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

Property, plant and equipment

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

Employment of disabled people

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

REPORT OF THE DIRECTORS (Contd)

Health, safety and welfare at work

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

Employee involvement and training

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

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

Directors and their interest

The following were Directors of the Bank as at 31 December 2015:

Mr Momodu Kargbo	-	Governor/Chairman	(appointed 17 July 2014)
Dr Ibrahim Stevens	-	Deputy Governor	(appointed 24 July 2014)
Professor Richard T. M'Bayo	-	Director	(appointed 13 June 2014)
Mr Shadrack E. Williams	-	Director	(appointed 6 June 2014)
P. C. Mohamed D. Benya V	-	Director	(appointed 6 June 2014)
Mrs Rosaline Y. Fadika	-	Director	(appointed 6 June 2014)
Mr. Sorie N. Dumbuya	-	Director	(re-appointed 6 June 2014)

The Governor and Deputy Governor were appointed on 17 July 2014 and 24 July 2014 respectively, and in accordance with section 15(2) of the Bank of Sierra Leone Act 2011, they shall hold office for a term of five years each and shall be eligiblefor re-appointment for another term only.

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

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

REPORT OF THE DIRECTORS (Contd)

Auditors

The auditors, BDO, were appointed by the Auditor-General on 9 December 2015 to conduct the audit of the financial statements for the period ended 31 December 2015.

Approval of the financial statements

The financial statements were approved by the Board of Directors on 22nd July 2016.

.... **Governor**

.... **Director**

.... **Secretary**

INDEPENDENT AUDITORS' REPORT
TO THE GOVERNMENT OF SIERRA LEONE

We have audited the financial statements of the Bank of Sierra Leone which comprise the statement of financial position at 31 December 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cashflows for the reporting period and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 82 to 145.

Directors' responsibility for the financial statements

The Bank's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirementsof the Bank of Sierra Leone Act 2011 and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement including the assessment of risks of material misstatement in the financial statements whether due to fraud or error. In making those risk assessments we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall financial statements presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT
TO THE GOVERNMENT OF SIERRA LEONE

Opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2015 and of its financial performance and cashflows for the year then ended in accordance with International Financial Reporting Standards and the requirement of the Bank of Sierra Leone Act 2011.

Freetown

BDO

22nd July 2016 **Chartered Accountants**

STATEMENT OF COMPREHENSIVE INCOME

In thousands of Leones	*Note*	**2015**	2014
Interest and similar income	*8*	**50,588,849**	45,381,828
Interest expenses and similar charges	*8*	**(3,666,250)**	(875,478)
Net interest income		**46,922,599**	44,506,350
Fees and commission income	*9*	**2,982**	5,296
Fees and commission expense	*9*	**-**	-
Net fees and commission income		**2,982**	5,296
Net exchange gain	*10*	**179,636,698**	181,735,379
Other income	*11*	**4,106,967**	6,182,434
Operating income		**230,669,246**	232,429,459
Impairment loss on loans and advances	*18(a)*	-	-
Personnel expense	*12*	**(52,240,280)**	(46,186,813)
Currency	*13*	**(16,838,253)**	(13,385,404)
Depreciation and amortisation	*21*	**(4,675,347)**	(4,000,219)
Other expenses	*14*	**(27,804,904)**	(25,284,950)
Profit for the year		**129,110,462**	143,572,073
Other comprehensive income			
Defined benefit plan actuarial loss		(1,093,872)	(557,675)
Total comprehensive income for the year		**128,016,590**	143,014,398

The notes on pages 82 to 145 are an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME

In thousands of Leones	*Note*	**2015**	2014
Profit attributable to:			
Equity holders of the Bank		**129,110,462**	143,572,073
Profit for the year		**129,110,462**	143,572,073
Total comprehensive income attributable to:			
Equity holders of the Bank		**128,016,590**	143,014,398
Total comprehensive income for the year		**128,016,590**	143,014,398

These financial statements were approved by the Board of Directors on 22nd July 2016.

……………………………………………………..) Governor

……………………………………………………..) Director

……………………………………………………..) Secretary

The notes on pages 82 to145 are an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

In thousands of Leones

	Note	2015	2014
Assets			
Balances due from banking Institutions	*16*	**2,438,564,143**	1,963,735,207
Funds held with International Monetary Fund (IMF)	*17*	**1,651,897,216**	1,527,330,378
Loans and advances to others	*18b*	**569,050,119**	264,138,742
Due from Government of Sierra Leone	*18c*	**63,405,581**	39,057,652
Advances to Banks		-	-
Investment in equity	*19*	**34,659,425**	30,128,570
Investment securities	*20*	**466,351,111**	500,361,787
Property, plant and equipment	*21*	**79,696,590**	76,595,558
Other assets	22	**71,580,604**	75,167,308
Total assets		**5,375,204,789**	4,476,515,202
Liabilities			
Amounts due to International Monetary Fund (IMF)	*23*	**2,908,223,986**	2,211,018,697
Deposits from Government	*24*	**84,472,704**	171,685,982
Deposits from Banks	*25*	**334,877,420**	385,422,213
Deposits from others	*26*	**35,508,985**	48,058,613
Currency in circulation	*27*	**1,356,959,932**	1,137,044,588
Other liabilities	*28*	**88,556,716**	91,139,926
End of service benefits	*29*	**22,187,217**	17,451,521
Total liabilities		**4,830,786,960**	4,061,821,540
Equity			
Share capital	*30*	**125,000,000**	125,000,000
General reserve	*31(a)*	**387,502,559**	256,684,420
Revaluation reserve	*31(b)*	**32,792,919**	32,792,919
Other reserves	*31(b)*	**(877,649)**	216,323
Total equity attributable to equity holders of the Bank		**544,417,829**	414,693,662
Total liabilities and equity		**5,375,204,789**	4,476,515,202

These financial statements were approved by the Board of Directors on 22nd July 2016.

) Governor

) Director

) Secretary

The notes on pages 82 to 145 are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

In thousands of Leones

	Share Capital	Property Revaluation Reserve	General Reserve	Other Reserves	Total
Balance at 1 January 2014	50,000,000	32,792,919	113,112,317	773,998	196,679,234
Total comprehensive income for the year					
Net profit for the year	-	-	143,572,073	-	143,572,073
Securities reserves	-	-	30	-	30
Other comprehensive income					
Fair value reserve (non interest bearing securities)					
Actuarial gain	-	-	-	(557,675)	(557,675)
Total other comprehensive income for the year	-	-	143,572,103	(557,675)	143,014,428
Total comprehensive income and other transfers					
Subscribed during the year	75,000,000	-	-	-	75,000,000
Deposit for shares	-	-	-	-	-
Balance at 31 December 2014	**125,000,000**	**32,792,919**	**256,684,420**	**216,323**	**414,693,662**

The notes on pages 82 to 145 are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

In thousands of Leones

	Share Capital	Property Revaluation Reserve	General Reserve	Other Reserves	Total
Balance at 1 January 2015	125,000,000	32,792,919	256,684,420	216,323	414,693,662
Total comprehensive income for the year					
Net profit for the year	-	-	129,110,462	-	129,110,462
Securities reserves	-	-	-	-	-
Prior Period Adjustments			1,707,677		1,707,677
Other comprehensive income					
Fair value reserve (non interest bearing securities					
Acturaial gain	-	-	-	(1,093,972)	(1,093,972)
Total other comprehensive income for the year	-	-	130,818,139	(1,093,972)	129,724,167
Total comprehensive income and other transfers					
Paid up capital	-	-	-	-	-
Deposit for shares					
	-	-	-	-	-
Balance at 31 December 2015	**125,000,000**	**32,792,919**	**387,502,559**	**(877,649)**	**544,417,829**

The notes on pages 82 to 145 are an integral part of these financial statements

STATEMENT OF CASHFLOWS

In thousands of Leones	*Notes*	**2015**	2014
Cashflows from operating activities			
Profit for the year		**129,110,462**	143,572,073
Adjustment for:			
Depreciation and amortisation	*21*	**4,675,347**	4,000,219
Net interest income	*8*	**(46,922,599)**	(44,506,350)
Fixed asset write-off		**240,670**	54,018
Profit on disposals		**(46,821)**	(52,014)
Fixed assets adjustments		-	8
Actuarial gain/(loss) on defined benefit obligation		**(1,093,972)**	(557,675)
Prior year adjustment		**1,707,677**	-
		87,670,764	102,510,279
Changes in:			
Loans and advances to others		**(304,911,377)**	(251,863,378)
Advances to Government		**(24,347,929)**	(37,772,849)
Advances to banks		-	2,943,825
Other assets		**3,586,704**	10,267,080
Currency in circulation		**219,915,344**	216,000,900
Government deposit		**(87,213,278)**	139,365,966
Other deposits		**(12,549,628)**	(5,132,247)
Deposits from banks		**(50,544,793)**	144,740,860
Other liabilities		**(2,583,210)**	20,695,580
End of service benefits		**4,735,696**	3,382,921
		(166,241,707)	345,138,937
Interest received	8	**50,588,849**	45,381,828
Interest paid	8	**(3,666,250)**	(875,478)
Net cash generated from operating activities		**(119,319,108)**	389,645,287
Cashflows from investing activities			
Disposal/(purchase) of investment securities		**34,010,676**	(37,417,300)
Acquisition of medium term bond		**(4,530,855)**	(3,609,960)
Acquisition of property, plant and equipment		**(8,018,403)**	(10,587,943)
Proceeds from sale of property, plant and equipment		**48,175**	86,000
Net cash generated from/(used in) investing activities		**21,509,593**	(51,529,203)
Cashflows from financing activities			
Net change in funds from the IMF		**572,638,451**	198,284,976
Additional capital subscribed		-	75,000,000
Net movement in reserves		-	30
Net cash from financing activities		**572,638,451**	273,285,006
Net increase in cash and cash equivalents		**474,828,936**	611,401,090
Cash and cash equivalents at 1 January		**1,963,735,207**	1,352,334,117
Cash and cash equivalents at 31 December		**2,438,564,143**	1,963,735,207

The notes on pages 82 to 145 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 30 Siaka Stevens Street, Freetown. The Bank is primarily established to foster the liquidity, solvency and proper functioning of a stable market-based financial system and to license and supervise institutions that engage in the business of receiving money deposits or other repayable funds from the public and extending credits totheir customers, including bureaux of exchange and foreign exchange dealers.

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). They were authorised for issue by the Bank's Board of Directors on 22nd July 2016.

Details of the bank's accounting policies, including changes during the year, are included in notes 37 and 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.

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

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2015 is set out below in relation to the impairment of financial instruments and in the following notes:

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

NOTES TO THE FINANCIAL STATEMENTS (Contd)

4 USE OF JUDGEMENTS AND ESTIMATES (Contd)

Assumptions and estimation uncertainties (contd)

Impairment of financial instruments

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

The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment and is based on management's best estimate of the present value of the cashflows that are expected to be received. In estimating these cashflows, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the walkout strategy and estimate of cashflows considered recoverable are independently approved by the Credit Risk function.

A collective component of the total allowance is established for:

- groups of homogeneous loans that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired (loss 'incurred but not reported' or IBNR).

The collective allowance for groups of homogeneous loans is established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience. The roll rate methodology uses statistical analysis of historical data on delinquency to estimate the amount of loss. Management applies judgement to ensure that the estimate of loss arrived at on the basis of historical information is appropriately adjusted to reflect the economic conditions and product mix at the reporting date. Roll rates and loss rates are regularly benchmarked against actual loss experience.

The IBNR allowance covers credit losses inherent in portfolios of loans and advances, and held-to-maturity investment securities with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired items but the individual impaired items cannot yet be identified.

In assessing the need for collective loss allowance, management considers factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the model assumptions and parameters used in determining the collective allowance.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

5 FINANCIAL RISK REVIEW

This note presents information about the bank's exposure to financial risks and the bank's management of capital.

For information on the bank's financial risk management framework, see note 35

(a) Credit risk

For the definition of credit risk and information on how credit risk is managed by the bank, see note 35(b).

(i) Analysis of credit quality

The tables below set out information about the credit quality of financial assets and the allowance for impairment/loss held by the Bank against those assets.

(ii) Management of credit risk

The Bank minimizes exposure to credit risk 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. The bulk of the funds is placed with triple "A" rated Banks (i.e. Central Banks and other international financial institutions such as BIS and IMF) as approved by the Foreign Assets Committee (FAC), Management and the Board. For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

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.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

5 FINANCIAL RISK REVIEW (Contd)

Credit risk (contd)

(iii) Concentration of credit risk (contd)

In thousands of Leones	*Note*	Loans and advances		Investment securities		Leading commitments and financial guarantees	
		2015	2014	**2015**	2014	**2015**	2014
Maximum exposure to credit risk							
Carrying amount	*18*	**632,455,700**	303,196,394	**466,351,111**	500,361,787	**-**	-
Amount committed/guaranteed		**-**	-	**-**	-	**-**	-
At amortised cost							
Grade 1 - 3: Low-fair risk	*18*	**632,659,693**	303,362,739	**466,351,111**	560,361,787	**-**	-
Grade 6: Substandard		**-**	-	**-**	-	**-**	-
Grade 7: Doubtful		**-**	-	**-**	-	**-**	-
Grade 8: Loss		**-**	-	**-**	-	**-**	-
Total gross amount		**632,659,693**	303,362,739	**466,351,111**	560,361,787	**-**	-
Allowance for impairment		**(203,993)**	(166,345)	**-**	-	**-**	-
Other fair value adjustment		**-**	-	**-**	-	**-**	-
Total net carrying amount		**632,455,700**	303,196,394	**466,351,111**	560,361,787	**-**	-

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FINANCIAL RISK REVIEW (Contd)

Credit risk (contd)

Concentration of credit risk (contd)

In thousands of Leones

	Note	Loans and advances		Investment securities		Leading commitments and financial guarantees	
		2015	2014	**2015**	2014	**2015**	2014
Maximum exposure to credit risk							
Off balance sheet							
Maximum exposure							
Lending commitments							
Grade 1-3: Low-fair risk		**-**	-	**-**		**179,292,620**	462,933,487
Financial guarantees							
Grade 1-3: Low-fair risk		**-**	-	**-**	-	**-**	-
Total exposure		**-**	-	**-**	-	**179,292,620**	462,933,487
Allowance impairment							
Individual		**166,345**	128,448	**-**	-	**-**	-
Collective		**37,648**	37,897	**-**	-	**-**	-
		203,993	166,345	**-**	-	**-**	-

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NOTES TO THE FINANCIAL STATEMENTS (Contd)

5 FINANCIAL RISK REVIEW (Contd)

Credit risk (contd)

(iv) Impaired loans

See accounting policy in note 38(g)(vi)

The bank regards a loan and advance as impaired when there is objective evidence that a loss event has occurred since initial recognition and the loss event has an impact on future estimated cashflows from the asset.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be impaired unless there is evidence that the risk of not receiving contractual cashflows has reduced significantly and there are no other indicators of impairment.

Loans that are subject to a collective IBNR provision are not considered impaired.

Impaired loans and advances are graded 6 to 8 in the bank's internal credit risk grading system (see notes 5(a) (ii)).

Loans that are past due but not impaired

Loans that are 'past due but not impaired' are those for which contractual interest or principal payments are past due but the bank believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the bank. The amounts disclosed exclude assets measured at fair value through profit or loss.

Loans with renegotiated terms and the bank's forbearance policy

See accounting policy in note 38(g)(vi)

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in note 38(g)(vi).

The bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

5 FINANCIAL RISK REVIEW (Contd)

Credit risk (contd)

(iv) Impaired loans and advances (contd)

Loans with re-negotiated terms and the bank's forbearance policy (contd)

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Bank's Audit Committee regularly reviews reports on forbearance activities.

For the purposes of disclosures in these financial statements, 'loans with renegotiated terms' are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the bank has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Bank had provided initially and which it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, earlier repayment or until it is written off.

Irrespective of whether loans with renegotiated terms have been derecognised or not, they remain disclosed as impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cashflows and there are no other indicators of impairment.

Concentration analysis

Assets

	2015	2014
United States Dollars	**1,214,334,852**	1,461,378,287
Euro	**7,764,318**	5,738,599
Pound Sterling	**1,204,894,627**	526,746,890
SDR	**1,649,746,949**	1,527,330,378
Leones and others	**1,298,464,043**	955,321,048
Total	**5,375,204,789**	4,476,515,202

Liabilities

United States Dollars	-	-
Euro	-	-
Pound Sterling	-	-
SDR	**2,908,223,986**	2,211,018,697
Leones and others	**1,922,562,974**	1,850,802,843
Total	**4,830,786,960**	4,061,821,540

NOTES TO THE FINANCIAL STATEMENTS (Contd)

5 FINANCIAL RISK REVIEW (Contd)

Credit risk (contd)

Impaired loans and advances (contd)

Credit exposure by Credit Rating

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's.

	Credit rating	**2015**	**% of FA**	2014	% of FA
Cash balances with Central banks	AAA	**1,359,653,434**	26.03	1,073,710,881	24.83
Other cash balance	A	**1,078,910,709**	20.65	890,024,326	20.58
International Monetary Fund assets	N/R	**1,651,897,216**	31.62	1,527,330,378	35.32
Loans and advances	N/R	**632,455,700**	12.11	303,196,394	7.01
Investment in equity	N/R	**34,659,425**	0.66	30,128,570	0.69
Investment securities	N/R	**466,351,111**	8.93	500,361,787	11.57
Total		**5,223,927,595**	**100**	4,324,752,336	100

Write-off policy

The Bank writes off a loan balance (and any related allowances for impairment losses) when the Board Credit Committee determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, charge off decisions generally are based on a product specific past due status.

Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Bank mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Prescribing settlement limits forms part of the credit approval/limit monitoring process described earlier.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

5 FINANCIAL RISK REVIEW (Contd)

Credit risk (contd)
Impaired loans and advances (contd)

Credit exposure by Credit Rating (contd)

Cash and cash equivalents

The Bank held cash and cash equivalents of Le2.44 trillion at 31 December 2015 (2014: Le1.97 trillion).

31 December 2015	Investment Securities	Balance with Other Central Banks	Balance with Other Banks	Total
Banks				
In thousands of Leones				
Cash balances	-	1,357,111,331	1,081,452,812	2,438,564,143
Investment in securities (1-3 months)	5,090,150	-	-	5,090,150
Total cash and cash equivalents	5,090,150	1,357,111,331	1,081,452,812	2,443,654,293
Investment securities not included in cash and cash equivalents (3-12 months)	461,260,961	-	-	461,260,961
Total cash and cash equivalents and investment securities	466,351,111	1,357,111,331	1,081,452,812	2,904,915,254

NOTES TO THE FINANCIAL STATEMENTS (Contd)

Management of credit risk (Contd)

Credit exposure by Credit Rating (Contd)

Cash and cash equivalents (Contd)

31 December 2014

In thousands of Leones	Investment Securities	Balance with other Central Banks	Balance with other Banks	Total
Cash balances	-	1,071,056,542	892,678,665	1,963,735,207
Investment in securities (1-3 months)	9,026,850	-	-	9,026,850
Total cash and cash equivalents	9,026,850	1,071,056,542	892,678,665	1,972,762,057
Investment securities not included in cash and cash equivalents (3-12 months)	491,334,937	-	-	491,334,937
Total cash and cash equivalents and investment securities	**500,361,787**	**1,071,056,542**	**892,678,665**	**2,464,096,994**

Exposures to higher risk Eurozone

Significant concerns about the credit worthiness of certain Eurozone countries persisted during 2012 leading to speculation as to the long-term sustainability of the Eurozone. The Bank's exposure was mainly nostro balances amounting to Le2.438 trillion (2014: Le1.964 trillion) with the Bank of England, HSBC, Crown Agents, Lloyds Bank, Bank of International Settlement, Commerz Bank and the Bank of France which are considered less risky within the Eurozone.

(b) Liquidity risk

Liquidity risk is the risk that the Bank may not be able to accommodate decreases in liabilities or fund decreases in assets in full at the time that a commitment or transaction is due for settlement. In the case of the Bank, this risk is not relevant to domestic assets and liabilities because of the ability of the Bank to create Leones when required. However, the Bank does face liquidity risk in respect of foreign assets and liabilities.

(i.) Management of Liqidity Risk

The Bank manages its foreign liquidity risks through the appropriate structuring of its foreign investment portfolios, to ensure that the maturity profile of foreign assets sufficiently match those of foreign 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 overleaf analyses the financial liabilities into relevant maturity groupings based on the remaining period at statement of financial position date to contractual maturity date.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

5 FINANCIAL RISK REVIEW (Contd)

Liquidity risk (contd)

(ii) Maturity analysis for financial assets and financial liabilities

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

In thousands of Leones	*Note*	Carrying amount	Gross nominal Inflow/(outflow)	Less than 1 month	1 - 3 Months	3 months to 1 year	1 - 5 Years	More than 5 years
31 December 2015								
Financial liability by type								
Non-derivative liabilities								
Amounts due to International Monetary Fund (IMF)	23	2,908,223,986	2,908,223,986	-	-	705,365,563	778,126,981	1,424,731,442
Deposits from Government	24	84,472,704	84,472,704	84,472,704	-	-	-	-
Deposits from Banks	25	334,877,420	334,877,420	334,877,420	-	-	-	-
Deposits from others	26	35,508,985	35,508,985	35,508,985	-	-	-	-
Currency in circulation	27	1,356,959,932	1,356,959,932	1,356,959,932	-	-	-	-
End of service benefit	29	22,187,217	22,187,217	-	-	-	22,187,217	-
Unrecognised loan commitment		-	-	-	-	-	-	-
		4,742,230,244	4,742,230,244	1,811,819,041	-	705,365,563	800,314,198	1,424,731,442
Financial asset by type								
Non-derivative Assets								
Cash and cash equivalents	16	2,438,564,143	2,438,564,143	1,357,111,331	1,081,452,812	-	-	-
International Monetary Fund Related Assets	17	1,651,897,216	1,651,897,216	-	-	1,651,897,216	-	-
Investment securities	20	466,351,111	466,351,111	466,351,111	-	-	-	-
Investment in equity	19	34,659,425	34,659,425	-	-	-	16,605,767	18,053,658
Loans and advances	18	632,455,700	632,455,700	-	63,078,688	-	6,864,344	562,512,668
		5,223,927,595	5,223,927,595	1,823,462,442	1,144,531,500	1,651,897,216	23,470,111	580,566,326

NOTES TO THE FINANCIAL STATEMENTS (Contd)

5 FINANCIAL RISK REVIEW (Contd)

Liquidity risk (contd)

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

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

In thousands of Leones 31 December 2014	***Note***	**Carrying amount**	**Gross nominai inflow/(outflow)**	**Less than 1 month**	**1 - 3 Months**	**3 months to 1 year**	**1 - 5 Years**	**More than 5 years**
Financial liability by type								
Non-derivative liabilities								
Amounts due to International Monetary Fund (IMF)	*23*	2,211,018,697	2,211,018,697	-	-	700,954,651	713,911,990	796,152,056
Deposits from Government	*24*	171,685,982	171,685,982	171,685,982	-	-	-	-
Deposits from Banks	*25*	385,422,213	385,422,213	385,422,213	-	-	-	-
Deposits from others	*26*	48,058,613	48,058,613	48,058,613	-	-	-	-
Currency in circulation	*27*	1,137,044,588	1,137,044,588	1,137,044,588	-	-	-	-
End of service benefit	*29*	17,451,521	17,451,521	-	-	-	17,451,521	-
Unrecognised loan commitment		-	-	-	-	-	-	-
		3,970,681,614	3,970,681,614	1,742,211,396	-	700,954,651	731,363,511	796,152,056
Financial asset by type								
Non-derivative Assets								
Cash and cash equivalents	*16*	1,963,735,207	1,963,735,207	1,080,720,085	883,015,122	-	-	-
International Monetary Fund Related Assets	*17*	1,527,330,378	1,527,330,378	-	-	1,527,330,378	-	-
Investment securities	*20*	500,361,787	500,361,787	500,361,787	-	-	-	-
Investment in equity	*19*	30,128,570	30,128,570	-	-	-	14,270,383	15,858,187
Loans and advances	*18*	303,196,394	303,196,394	-	39,057,652	-	4,590,313	259,548,429
		4,324,752,336	4,324,752,336	1,581,081,872	922,072,774	1,527,330,378	18,860,696	275,406,616

5 FINANCIAL RISK REVIEW (Contd)

(b) Liquidity risk (contd)

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

Liquidity reserve

In thousands of Leones	**2015 Carrying amount**	**2015 Fair value**	2014 Carrying amount	2014 Fair value
Balance with other Central Banks	**1,357,111,331**	**1,357,111,331**	1,071,056,542	1,071,056,542
Cash and balances with other banks	**1,081,452,812**	**1,081,452,812**	892,678,665	892,678,665
Other cash and cash equivalents	**5,090,150**	**5,090,150**	9,026,850	9,026,850
Total liquidity reserve	**2,443,654,293**	**2,443,654,293**	1,972,762,057	1,972,762,057

The table below sets out the availability of the Bank's financial assets to support future funding.

2015

	Encumbered		**Unencumbered**		
	Pledge as Collateral	**Other**	**Available collateral**	**Other**	**Total**
Cash and cash equivalents	-	-	**2,438,564,143**	-	**2,438,564,143**
Loans and advances	-	-	**632,455,700**	-	**632,455,700**
Investment in equity	-	-	**34,659,425**	-	**34,659,425**
Investment securities	-	-	**466,351,111**	-	**466,351,111**
Other financial assets	-	-	-	-	-
Non-financial assets	-	-	-	-	-
Total assets	-	-	**3,572,030,379**	-	**3,572,030,379**

2014

	Encumbered		Unencumbered		
	Pledge as Collateral	Other	Available collateral	Other	Total
Cash and cash equivalents	-	-	1,963,735,207	-	1,963,735,207
Loans and advances	-	-	303,196,394	-	303,196,394
Investment in equity	-	-	30,128,570	-	30,128,570
Investment securities	-	-	500,361,787	-	500,361,787
Other financial assets	-	-	-	-	-
Non-financial assets	-	-	-	-	-
	-	-	2,797,421,958		2,797,421,958

NOTES TO THE FINANCIAL STATEMENTS (Contd)

5 FINANCIAL RISK REVIEW (contd)

(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 risk exposures and keep them within acceptable parameters, while optimizing the return on risk.

(i) Management of market risks

The Bank separate its exposure to market risk between trading and non-trading portfolios. Trading portfolios mainly are held by the Financial Markets Department, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

Overall authority for market risk is vested in the Board. 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).

(ii) Market price risk

Market price risk is the risk of loss resulting from changes in market conditions and prices. In its monetary policy operations, the Bank is obliged to accept certain market-related risks that would not be fully compatible with pure commercial practice. The Bank, nevertheless, manages its market risk responsibly, utilising modern technology, and appropriate organisation structures and procedures. Exposures and limits are measured continuously, and strategies are routinely reviewed by management on a daily basis and when circumstances require, throughout the day.

(iii) Exposure to interest rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cashflows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. A summary of the Bank's interest rate gap position on non-trading portfolio is as follows:

NOTES TO THE FINANCIAL STATEMENTS (Contd)

5 FINANCIAL RISK REVIEW (Contd)

(c) Market risks

In thousands of Leones	*Note*	**Market risk measures** Carrying amount	Trading Portfolios	Non-trading Portfolios
31 December 2015				
Assets subject to market risk				
Cash and cash equivalents	*16*	**2,438,564,143**	**-**	**2,438,564,143**
Loans and advances	*18*	**632,455,700**	**-**	**632,455,700**
Investment in equity	*19*	**34,659,425**	**-**	**34,659,425**
Investment securities	*20*	**466,351,111**	**-**	**466,351,111**
Liabilities subject to market risk				
Deposits	*24,25,26*	**454,859,109**	**-**	**454,859,109**

	Note	Market risk measures Carrying amount	Trading Portfolios	Non-trading Portfolios
31 December 2014				
Assets subject to market risk				
Cash and cash equivalents	*16*	1,963,735,207	-	1,963,735,207
Loans and advances	*18*	303,196,394	-	303,196,394
Investment in equity	*19*	30,128,570	-	30,128,570
Investment securities	*20*	500,361,787	-	500,361,787
Liabilities subject to market risk				
Deposits	*24,25,26*	605,166,808	-	605,166,808

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FINANCIAL RISK REVIEW (Contd)

Market risks (contd)

In thousands of Leones

	Note	Carrying amount	0 - 3 months	3 - 12 months	1 - 5 years	More than 5 years
31 December 2015						
Cash and cash equivalents	*16*	2,438,564,143	2,438,564,143	-	-	-
IMF fund related asset	*17*	1,651,897,216	-	1,651,897,216	-	-
Loans and advances	*18*	632,455,700	-	-	632,455,700	-
Investment in equity	*19*	34,659,425	-	-	16,605,766	18,053,659
Investment securities	*20*	466,351,111	466,351,111	-	-	-
		5,223,927,595	2,904,915,254	1,651,897,216	649,061,466	18,053,659
IMF related liabilities	*23*	2,908,223,986	-	705,365,563	778,190,628	1,424,667,795
Deposit from Government	*24*	84,472,704	84,472,704	-	-	-
Deposits from Banks	25	334,877,420	334,877,420	-	-	-
Deposit from others	*26*	35,508,985	35,508,985	-	-	-
		3,363,083,095	454,859,109	705,365,563	778,190,628	1,424,667,795
		1,860,844,500	2,450,056,145	946,531,653	(129,129,162)	(1,406,614,136)

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 standard and non-standard interest rate scenarios.

Standard scenerios that are considered on a monthly basis include a 2% basis point (bp) parallel fall or rise in market interest rates.

Overall non-trading interest rate risk positions are managed by the Financial Markets Department, which uses investment securities, advances to customers, deposits and derivative instruments to manage the overall position arising from the Bank's non-trading activities.

(iv) Exposure to other market risk – non-trading portfolios

Credit spread risk not relating to changes in the obligor/issuer's Credit Standing on debt securities held by treasury and equity price risk is subject to regular monitoring by credit risk, but is not currently significant in relation to the overall results and financial position of the Bank.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

5 FINANCIAL RISK REVIEW (Contd)

(c) Market risks (contd)

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

In thousands of Leones	200 bp (2%) Increase	200 bp (2%) Decrease
2015		
Interest income impact	**1,011,777**	**(1,011,777)**
Interest expense impact	**(73,325)**	**73,325**
Net impact	**938,452**	**(938,452)**
2014		
Interest income impact	907,636	(907,636)
Interest expense impact	(17,510)	17,510
Net impact	890,126	(890,126)

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; and interest expense all of which are deemed susceptible to interest rate change.

Sensitivity of reported equity to interest rate movement

	200 bp (2%) Increase	200 bp (2%) Decrease
2015		
Net Interest impact on retained earning	**938,452**	**(938,452)**
2014		
Net Interest impact on retained earning	890,126	(890,126)

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FINANCIAL RISK REVIEW (Contd)

Currency risk (contd)

Concentrations of assets, liabilities and off-balance sheet items

In thousands of Leones	GBP	Euro	US$	SDR	Other	Total
At 31 December 2015						
Cash and balances with Banks	1,215,619,253	7,792,253	1,215,152,637	-	-	2,438,564,143
IMF Assets	-	-	-	1,651,897,216	-	1,651,897,216
Loans and advances	-	-	-	-	632,455,700	632,455,700
Investment in equity	-	-	34,659,425	-	-	34,659,425
Investment in securities	-	-	-	-	466,351,111	466,351,111
Property, plant and equipment	-	-	-	-	79,696,590	79,696,590
Other assets	-	-	-	-	71,580,604	71,580,604
Total assets	1,215,619,253	7,792,253	1,249,812,062	1,651,897,216	1,250,084,005	5,375,204,789
Liabilities						
IMF drawing rights allocation	-	-	-	2,908,223,986	-	2,908,223,986
Deposits from Government	-	-	-	-	84,472,704	84,472,704
Deposits from Banks	-	-	-	-	334,877,420	334,877,420
Currency in circulation	-	-	-	-	1,356,959,932	1,356,959,932
Deposit from others	-	-	-	-	35,508,985	35,508,985
Other liabilities	-	-	-	-	88,556,716	88,556,716
End of service benefits	-	-	-	-	22,187,217	22,187,217
Total liabilities	**-**	**-**	**-**	**2,908,223,986**	**1,922,562,974**	**4,830,786,960**
Net on-balance sheet position	**1,215,619,253**	**7,792,253**	**1,249,812,062**	**(1,256,326,770)**	**(672,478,969)**	**544,417,829**
Credit commitments						
At 31 December 2014						
Total assets	526,746,890	5,738,599	1,461,378,288	1,527,330,378	955,321,047	4,476,515,202
Total liabilities	-	-	-	2,211,018,697	1,850,802,843	4,061,821,540
	526,746,890	5,738,599	1,461,378,288	(683,688,319)	(895,481,796)	414,693,662

NOTES TO THE FINANCIAL STATEMENTS (Contd)

5 FINANCIAL RISK REVIEW (Contd)

Currency risk (contd)

Foreign currency sensitivity analysis

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

2015

In thousands of Leones	**US$**	**GBP**	**EUR**	**SDR**	**Total**
Assets					
Cash and balances with the Banks	**121,515,264**	**121,561,925**	**779,225**	**-**	**243,856,414**
IMF assets	**-**	**-**	**-**	**165,189,722**	**165,189,722**
Investment in equity	**3,465,943**	**-**	**-**	**-**	**3,465,943**
Total assets	**124,981,207**	**121,561,925**	**779,225**	**165,189,722**	**412,512,079**
Liabilities					
IMF drawing	-	-	-	**290,822,399**	**290,822,399**
Other liabilities	-	-	-	-	-
Total liabilities	-	-		**290,822,399**	**290,822,399**
Net-on-balance sheet position	**124,981,207**	**121,561,925**	**779,225**	**(125,632,677)**	**121,689,680**

2014

	US$	GBP	EUR	SDR	Total
Assets					
Cash and balances with Banks	143,124,971	52,674,689	573,859	-	196,373,519
IMF assets	-	-	-	152,733,037	152,733,037
Investment in equity	3,012,857	-	-	-	3,012,857
Total assets	146,137,828	52,674,689	573,859	152,733,037	352,119,413
Liabilities					
IMF drawing	-	-	-	221,101,869	221,101,869
Other liabilities	-	-	-	-	-
Total liabilities	-	-	-	221,101,869	221,101,869
Net-on-balance sheet position	146,137,828	52,674,689	573,859	(68,368,832)	131,017,544

The above sensitivity analysis has been based on the change in the US Dollar exchange rate against the Leone. The Leone has been relatively stable for the past couple of years, but may well depreciate or strengthen against the dollar by a margin of 10 percent.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

5 FINANCIAL RISK REVIEW (Contd)

(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's standards is maintained by the Internal Audit Department.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

6 FAIR VALUE OF FINANCIAL INSTRUMENTS

See accounting policy in note 39(g)(v).

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determinesfair 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, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices 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 paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd)

6 FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd)

(a) Valuation models (contd)

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.

(b) Valuation framework

The Bank has an established control framework with respect to the measurement of fair values. The Financial Market department monitors this function, which is independent of front office management and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for new models and changes to models involving both Product Control and Bank Market Risk;
- quarterly calibration and back-testing of models against observed market transactions;
- analysis and investigation of significant daily valuation movements; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month, by a Committee of Senior Product Control and Bank Market Risk personnel.

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

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

31 December 2015

In thousands of Leones

	Note	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	*16*	-	2,438,564,143	-	2,438,564,143
Loans and advances to customers	*18*	-	632,455,700	-	632,455,700
Investment securities	*20*	466,351,111	-	-	466,351,111
Investment in equity	*19*	34,659,425	-	-	34,659,425
Total		501,010,536	3,071,019,843	-	3,572,030,379

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd)

6 FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd)

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

31 December 2014

In thousands of Leones

	Note	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	*16*	-	1,963,735,207	-	1,963,735,207
Loans and advances to customers	*18*	-	303,196,394	-	303,196,394
Investment securities	*20*	500,361,787	-	-	500,361,787
Investment in equity	*19*	30,128,570	-	-	30,128,570
Total		530,490,357	2,266,931,601	-	2,797,421,958

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cashflow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral.

To improve the accuracy of the valuation estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics such as vintage, loan to value (LTV) ratios, the quality of collateral, product and borrower type, prepayment and delinquency rates, and default probability.

The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

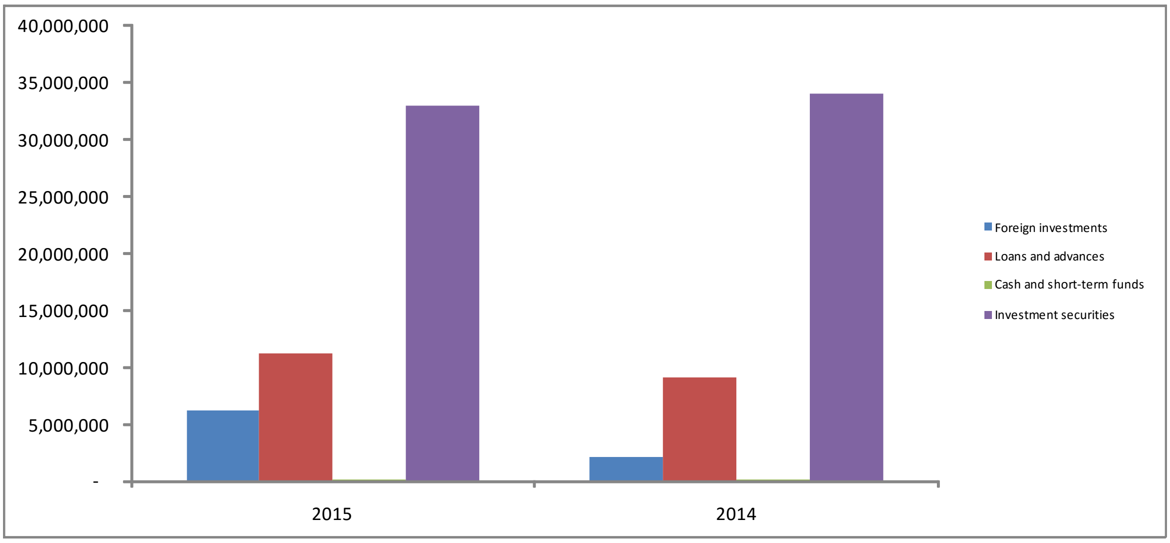
7 SEGMENT REPORTING

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

NOTES TO THE FINANCIAL STATEMENTS (Contd)

8 NET INTEREST INCOME

In thousands of Leones



In thousands of Leones	**2015**	2014
Interest and similar income		
Foreign investments (Note 8a)	**6,244,076**	2,204,375
Loans and advances (Note 8b)	**11,226,641**	9,082,138
Cash and short-term funds (Note 8c)	**110,089**	57,435
Investment securities (Noted 8d)	**33,008,043**	34,037,880
Total (Note 8e)	**50,588,849**	45,381,828
Interest expenses and similar charges		
IMF interest and charges	**363,104**	641,308
Others	**3,303,146**	234,170
	3,666,250	875,478
Net interest income	**46,922,599**	44,506,350

8a Foreign investments

Interest income on Sterling investments	**3,855,914**	882,498
Interest income on US Dollar investments	**2,035,406**	691,556
Interest income on SDR investments	**352,752**	627,878
Interest income on other external investments	**4**	2,443
	6,244,076	2,204,375

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

		2015	2014
8b	**Loans and advances**		
	Interest on loans and advances	**835,281**	1,407,559
	Interest on reverse repos	**56,776**	43,516
	Gains/(loss) on three-year bond	**4,884,584**	3,681,063
	Income on ten-year bond	**5,450,000**	3,950,000
		11,226,641	9,082,138
8c	**Cash and short-term funds**		
	Income from investment of Bank Funds	**110,089**	57,435
8d	Investment securities		
	Interest on SL Treasury bills	**52,720**	797,542
	Interest on Treasury Bearer Bonds	**327,295**	699,404
	Income on 1-year Treasury Bills	**28,589**	171,251
	Interest on 5-year medium Term bonds	**25,200,000**	25,200,000
	Interest on 3-year medium-term bonds	**7,347,987**	6,963,663
	Interest on 182 days treasury bills	**51,452**	206,020
		33,008,043	34,037,880
8e	**Additional disclosure on income by source**		
	Foreign investments	**6,244,076**	2,204,375
	Local investments	**44,344,773**	43,177,453
	Other interest earnings	-	-
		50,588,849	45,381,828

9 NET FEES AND COMMISSION INCOME

Fees and commission income		
Credit related fees and commission	**2,114**	4,841
Trade finance and other fees	**868**	455
	2,982	5,296
Fees and commission expense		
IMF interest and charges	-	-
	-	-
Net fees and commission income	**2,982**	5,296

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

10 NET EXCHANGE GAINS/(LOSS)

	2015	2014
Foreign exchange loss (10a)	**4,064,988**	(3,052,804)
Revaluation gains (10b)	**175,571,710**	184,788,183
	179,636,698	181,735,379

10a Foreign exchange loss

	2015	2014
Exchange gain	**9,586,602**	750,389
Exchange loss	**(5,521,614)**	(3,803,193)
	4,064,988	(3,052,804)

10b Revaluation gains

	2015	2014
Revaluation losses	**(724,164,021)**	(194,203,821)
Revaluation gains	**899,735,731**	378,992,004
	175,571,710	184,788,183

Revaluation gains and losses relate to exchange differences arising from the revaluation of the Bank's monetary assets and liabilities in foreign currencies, as a result of changes in the exchange rate for theLeone whilst exchange difference comprises the sum of gains and losses made by the Bank on foreign exchange denominated transactions.

10c Impact on profit of revaluation gains/(losses)

In thousands of Leones		2015		2014
Profit as per audited accounts		**129,110,462**		143,572,073
Less: Revaluation losses	**(724,164,021)**		(194,203,821)	
Revaluation gains	**899,735,731**		378,992,004	
Net revaluation gains		**175,571,710**		184,788,183
Operational loss for the year excluding unrealised exchange gains		**(46,461,248)**		(41,216,110)

In essence the distribution of unrealised exchange gains will be counterproductive to monetary policy as it will leads 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 Financial Reporting Profit (inclusive of unrealised gains and losses) to the operating profit (exclusive of unrealised gains and losses).

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

11 OTHER INCOME

	2015	2014
Rent received	**40,431**	48,810
Sundry receipts	**1,065,780**	5,453,671
Profit on sale of fixed assets	**46,821**	52,014
Grant income	**290,821**	261,689
Interest income on GoSL SDR bridging financial facility	**26,375**	-
Regulatory fees and charges	**594,167**	366,250
Income on ACH/CSD/RTGS	**2,042,572**	-
	4,106,967	6,182,434

12 PERSONNEL EXPENSES

Salaries and wages	**36,018,115**	31,560,955
Rent allowance	**6,538,458**	5,677,166
Social security	**2,661,607**	2,276,896
Overtime	**138,430**	132,809
Staff welfare	**280,777**	431,723
End of service benefits	**4,121,549**	3,643,771
Directors' remuneration	**1,726,730**	1,463,483
Others	**754,614**	1,000,010
	52,240,280	46,186,813

13 CURRENCY

Currency management	**143,233**	236,800
Currency issue expenses	**16,695,020**	13,148,604
	16,838,253	13,385,404

14 OTHER EXPENSES

Occupancy cost	**271,074**	349,091
Audit fees	**260,000**	250,000
Legal and professional fees	**7,106,631**	3,750,630
Advertisement	**57,540**	449,467
Electricity	**2,119,579**	2,287,498
Insurance	**1,107,323**	1,182,448
Passage and overseas allowances	**3,922,509**	2,457,443
Repairs and maintenance	**822,284**	482,122
Write-off of property, plant and equipment	-	54,018
Others	**12,137,964**	14,022,233
	27,804,904	25,284,950

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

15 PROFIT FOR THE YEAR

The profit for the year has been stated after charging:

	2015	2014
Depreciation and amortisation	**4,675,347**	4,000,219
Directors remuneration	**1,726,730**	1,463,483
Audit fees	**260,000**	250,000

16 BALANCES DUE FROM BANKING INSTITUTIONS

Cash and balances with Banks	**203,069,257**	442,541,703
Balances with other Central Banks	**1,357,111,331**	1,071,056,542
Placement with Banks	**878,383,555**	450,136,962
	2,438,564,143	1,963,735,207

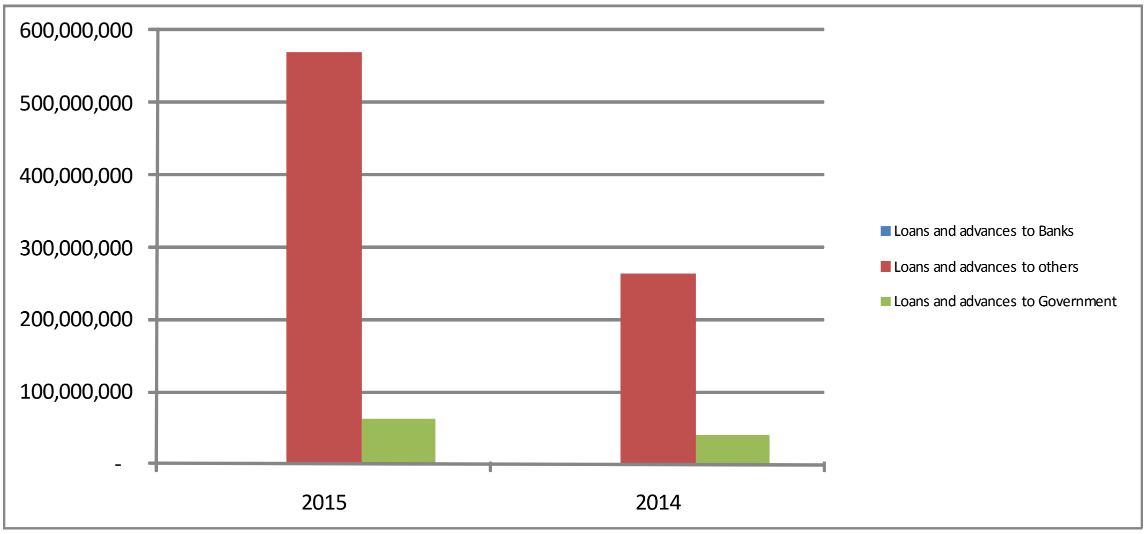
17 FUNDS HELD WITH INTERNATIONAL MONETARY FUND (IMF)

IMF Quota subscription	**810,993,109**	744,004,983
SDR Holdings	**840,904,107**	783,325,395
	1,651,897,216	1,527,330,378

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

NOTES TO THE FINANCIAL STATEMENTS (Contd)

18 LOANS AND ADVANCES



In thousands of Leones

	2015	2014
	-	-
	569,050,119	264,138,742
	63,405,581	39,057,652
	632,455,700	303,196,394

18a Loans and advances to Banks

Loans and advances to Banks	**-**	-
Less impairment allowances	-	-
	-	-

Impairment allowances		
Balance at 1 January	**-**	2,243,258
Impairment loss for the year	**-**	-
Impairment written back	**-**	(2,243,258)
Balance at 31 December	**-**	**-**
	==========	==========

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

18b Loans and advances to others

(i) Analysis by type

	2015	2014
Staff (18 ii)	**6,537,451**	4,590,312
Reverse REPO Account (18 iii)	-	-
Other (18 iv)	**562,716,661**	259,714,775
	569,254,112	264,305,087
Gross loans and advances		
Less: allowances for losses on loans and advances to others (18v)	**(203,993)**	(166,345)
	569,050,119	264,138,742

(ii) Staff

	2015	2014
Personal loan	**3,628,594**	2,627,035
Housing loan	**227,109**	150,711
Vehicle loan	**2,652,358**	1,591,881
Staff advance	**29,390**	220,685
	6,537,451	4,590,312

(iii) Reverse REPO

	2015	2014
Reverse REPO account	-	-

(iv) Others

	2015	2014
Advances to contractors	**20,877,719**	5,690,568
Loan to Sierra Leone Stock Exchange Company Limited	**1,000,000**	1,000,000
Sundry	**540,838,942**	253,024,207
	562,716,661	259,714,775

Included in sundry is an amount of Le 63.75 billion representing outstanding amount due to the Bank from the Government of Sierra Leone following the issue of a 10-year marketable bond at an interest rate of 8% for the purpose of fully subscribing to the minimum paid-up capital of the Bank. The bond was issued on 1 May 2014 with interest repayable semi-annually.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

18b Loans and advances to Banks (contd)

(iv) Others (contd)

As at 31 December 2015, Le 11.25 billion has been repaid by the Government to the Bank leaving an outstanding amount of Le 63.75 billion out of the principal amount of Le 75.00 billion.

(v) Allowances for impairment

	2015	2014
Specific allowances for impairment		
Balance at 1 January	**166,345**	166,345
Impairment loss for the year	**37,648**	-
Balance at 31 December	**203,993**	166,345
Collective allowance for impairment		
Balance at 1 January	-	-
Impairment loss for the year	-	-
Balance at 31 December	**-**	**-**
Total allowances for impairment	**203,993**	166,345

18c Advances to Government of Sierra Leone

	2015	2014
Ways and means advances brought forward	39,057,652	1,284,803
Advances during the year	1,704,577,191	1,544,438,335
Receipts during the year	(1,680,229,262)	(1,506,665,486)
Ways and means advances carried forward	**63,405,581**	**39,057,652**

Under the provisions of Section 56(5) of the Bank of Sierra Leone Act, 2011, 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.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

18c Advances to Government of Sierra Leone (contd)

	2015	2014
Ways and means advances	**63,405,581**	39,057,652
Government actual revenue in previous year	**2,226,025,966**	2,261,992,000
5% thereof	**111,301,299**	113,099,600
Buffer in Government lending	**(47,895,718)**	(74,041,948)

The Directors report the balance of advances due from the Government of Sierra Leone as a 31 December 2015 amounting to Le63,405,581 - (2014: Le39,057,652). The balance outstanding was within the limit specified in the Bank of Sierra Leone Act 2011.

19 INVESTMENT IN EQUITY

Afrexim Bank Capital Investment	**18,053,658**	15,858,187
Afrexim Bank Dividend Investment	**803,258**	119
WAMA	**15,802,509**	14,270,264
	34,659,425	30,128,570

20 INVESTMENT SECURITIES

Investment securities at fair value through profit or loss	-	-
Held-to-maturity investment securities	**466,351,111**	500,361,787
Available-for-sale investment securities	-	-
	466,351,111	500,361,787

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

20 INVESTMENT SECURITIES (Contd)

Held-to-maturity investment securities

	2015	2014
Five-year medium-term bonds	**273,407,606**	273,407,606
Treasury bills held for monetary policy	**5,090,150**	9,026,850
Treasury bond held for monetary policy	**6,184,650**	8,241,450
One-year treasury bills	**3,540,500**	9,850,994
182-day treasury bills	**4,505,200**	25,921,861
Others	**18,735,201**	19,025,222
BSL holding three-year medium-term bond	**154,887,804**	154,887,804
	466,351,111	**500,361,787**

Fair value reserve:

At 1 January	-	-
Reduction of fair value adjustment	-	-
Converted to 91-day treasury bills	-	-
	-	-

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.

BSL Holding 3-year medium-term bond

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 above account was then created.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

21 PROPERTY, PLANT AND EQUIPMENT

COST	Premises	Motor vehicle	Office furniture equipment	Plant and machinery	Work-in Progress	Total
Balance at 1 January 2014	63,607,501	6,076,943	19,046,061	4,432,927	13,156,312	106,319,744
Additions during the year	-	-	-	-	10,587,943	10,587,943
Reclassification	81,459	8,400	3,885,767	2,529,951	(6,505,577)	-
Write-off	-	-	(1,256)	-	(52,762)	(54,018)
Disposal	-	-	(80,730)	-	-	(80,730)
Adjustment	(8,209)	-	(182,015)	-	190,224	-
Balance at 31 December 2014	63,680,751	6,085,343	22,667,827	6,962,878	17,376,140	116,772,939
Balance at 1 January 2015	63,680,751	6,085,343	22,667,827	6,962,878	17,376,140	116,772,939
Additions during the year	-	132,046			7,886,357	8,018,403
Reclassification	282,344	9,200	1,068,769	3,689,713	(5,050,026)	-
Write-off	-	-	-	-	(240,670)	(240,670)
Disposal	-	(847,616)	(2,375)	-	-	(849,991)
Adjustment						
Balance at 31 December 2015	**63,963,095**	**5,378,973**	**23,734,221**	**10,652,591**	**19,971,801**	**123,700,681**
DEPRECIATION						
Balance at 1 January 2014	12,750,363	4,874,196	14,847,140	3,752,199	-	36,223,898
Depreciation for the year	1,248,467	324,470	2,164,383	262,899	-	4,000,219
Adjustments	-	-	8	-	-	8
Disposal	-	-	(46,744)	-	-	(46,744)
Balance at 31 December 2014	13,998,830	5,198,666	16,964,787	4,015,098	-	40,177,381
Balance at 1 January 2015	13,998,830	5,198,666	16,964,787	4,015,098	-	40,177,381
Depreciation for the year	1,251,140	338,821	2,553,499	555,242	-	4,698,702
Adjustments	-	(2,283)	(19,761)	(1,311)	-	(23,355)
Disposal	-	(845,305)	(3,332)	-	-	(848,637)
Balance at 31 December 2015	**15,249,970**	**4,689,899**	**19,495,193**	**4,569,029**	**-**	**44,004,091**
CARRYING AMOUNT						
At 31 December 2014	49,681,921	886,677	5,703,040	2,947,780	17,376,140	76,595,558
At 31 December 2015	**48,713,125**	**689,074**	**4,239,028**	**6,083,562**	**19,971,801**	**79,696,590**

Work in progress represents amount spent on supply and installation of lift, payments for Oracle software and hardware for the Valtech project, WAMZ systems project, reconstruction of the Bank Governor's residence and construction of broad walk at the Bank Complex.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

22 OTHER ASSETS

	2015	2014
Gold stock	**532,287**	520,804
Items in transit	**15,200,822**	(108,404)
Other consumables	**749,237**	747,782
Prepayment	**1,431,200**	6,898,055
Interest receivable	**84,274**	84,274
Deferred currency issue expense	**46,842,769**	63,534,121
Other receivables	**3,748,747**	3,499,408
Reverse repo account	**3,000,000**	-
Less:		
Allowances for impairment	**(8,732)**	(8,732)
	71,580,604	75,167,308
Allowances for impairment:		
At 1 January	**(8,732)**	(8,732)
Impairment charge for the year	-	-
Written off during the year	-	-
	(8,732)	(8,732)

23 AMOUNTS DUE TO INTERNATIONAL MONETARY FUND (IMF)

	2015	2014
IMF Special Drawing Rights	**778,190,628**	713,911,990
IMF Poverty Reduction and Growth Facility	**1,424,667,795**	796,152,056
IMF securities	**67,390,261**	67,390,261
IMF No. 1	**637,911,655**	633,501,137
IMF No. 2	**63,647**	63,253
	2,908,223,986	2,211,018,697

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

24 DEPOSITS FROM GOVERNMENT

	2015	2014
Government special deposits/account	**84,472,704**	171,685,982
	84,472,704	171,685,982

25 DEPOSITS FROM BANKS

Commercial Banks' reserve accounts	**323,605,481**	372,073,971
Rural and Community Banks' reserve accounts	**13,871,976**	16,511,334
Others	**(2,600,037)**	(3,163,092)
	334,877,420	385,422,213

26 DEPOSITS FROM OTHERS

Other deposits	**35,508,985**	48,058,613
	35,508,985	48,058,613

27 CURRENCY IN CIRCULATION

Notes	**1,346,317,059**	1,126,618,116
Coins	**10,642,873**	10,426,472
Balance at 31 December	**1,356,959,932**	1,137,044,588

Currency in circulation represents the face value of bank notes and coins in circulation. Notes and coins held by the Bank as cash in main vault and with cashier/teller at the end of financial year have been excluded from the liability of bank notes and coins in circulation because they do not represent currency in circulation. Currency bank notes and coins are issued in the following denominations:

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

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

28 OTHER LIABILITIES

	2015	2014
Financial liabilities		
Other foreign currency financial liabilities (28a)	**51,010,504**	55,796,903
Accrued charges and other liabilities (28b)	**1,913,747**	2,917,631
	52,924,251	58,714,534
Non-Financial liabilities		
Provision for revaluation of pipeline liabilities (28c)	**35,632,465**	32,425,392
	35,632,465	32,425,392
	88,556,716	91,139,926

28a Other foreign currency financial liabilities

	2015	2014
Foreign payments	-	8,658,700
Bank of China US$ clearing	**47,453,988**	41,683,201
WAMA ECOWAS travellers' cheques clearing	**(1,169)**	(1,169)
OFID Debt Relief imprest account	**35,427**	31,118
Sundry liabilities	**3,522,258**	5,425,053
	51,010,504	55,796,903

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.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

28b Accrued charges and other liabilities

	2015	2014
Accrued expenses	**1,452,189**	2,547,192
P.S. Bond in circulation	**450**	449
Retention monies	**387,709**	340,704
Trade and sundry creditors	**73,399**	29,286
	1,913,747	2,917,631

28c Provision for revaluation of pipeline liabilities

Balance at 1 January	**32,425,392**	29,831,161
Revaluation loss	**3,207,073**	2,594,231
Balance at 31 December	**35,632,465**	32,425,392

The provision for revaluation of pipelines is a contingency provision in respect of pipeline deposits. This relates to the obligation of the Bank to settle liabilities to commercial Banks in relation to money they deposited in Leones on behalf of importers in exchange for the Bank settling their foreign currency obligations. The liability as stated reflects the Leone value of identifiable currency 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

Balance at 1 January	**17,451,521**	14,068,600
Service cost	**2,233,687**	2,017,838
Interest cost	**1,887,862**	1,625,933
Actuarial gain - change in financial assumptions	-	(78,434)
Actuarial loss - other	**1,093,972**	636,109
Benefit paid	**(479,825)**	(818,525)
Balance at 31 December	**22,187,217**	17,451,521

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

(b) Change in plan assets

	2015	2014
Balance at 1 January	-	-
Actual return on plan assets	-	-
Expected returns at 31 December	-	-
Contribution by employer	**479,825**	818,525
Total contribution	**479,825**	818,525
Benefits paid by the employer	**(479,825)**	(818,525)
Foreign exchange rate effect	-	-
Total benefits	**(479,825)**	(818,525)
Balance at 31 December	-	-

(c) Balance Sheet

	2015	2014
Projected benefit obligation	**22,187,217**	17,451,521
Plan assets	-	-
Net obligation/(assets)	**22,187,217**	17,451,521
Unrecognised actuarial gains/(losses)	-	-
Unrecognised past service cost	-	-
Unrecognised transitional obligation	-	-
Unrecognised (asset ceiling)	-	-
Net obligation/(asset) to be in balance sheet	**22,187,217**	17,451,521

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

(d) Income Statement

	2015	2014
Service cost	**2,233,687**	2,017,838
Net interest cost	**1,887,862**	1,625,933
- 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	**4,121,549**	3,643,771

Other comprehensive income (OCI)

Actuarial (gains)/loss	**(1,093,972)**	(557,675)
Return on plan asset not in other comprehensive income	-	-
Effect of asset ceiling not in other comprehensive income	-	-
Amount recognised in OCI	**(1,093,972)**	(557,675)
Initial adjustment to capital amount recognised	-	-
Cumulative amount recognised in OCI	**(1,093,972)**	(557,675)

(e) Reconciliation of financial position

Opening value	**17,451,521**	14,068,600
Employee contribution	**(479,825)**	(818,525)
Amount recognised in income statement	**4,121,549**	3,643,771
Amount recognised in OCI	**1,093,972**	557,675
Closing value	**22,187,217**	17,451,521

(f) Key valuation assumptions

	2015	2014
Discount rate	**11.00%**	11.00%
Salary inflation	**11.00%**	11.00%
Gap	**0.00%**	0.00%

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

(g) 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

Authorised:	**250,000,000**	250,000,000
Issued and fully paid		
Balance at 1 January	**125,000,000**	50,000,000
Subscribed during the year	**-**	75,000,000
	125,000,000	125,000,000

Sections 10(1) and 81 of the Bank of Sierra Leone Act 2011 require the Bank of Sierra Leone to maintain a minimum paid up capital of Le125 billion, which is to be subscribed within five years from the commencement of the Bank of Sierra Leone Act (that is 24 November 2011). As at 31 December 2014 the Government as the sole shareholder of the Bank provided the additional capital of Le75 billion to comply with Section 10(1) of the Bank of Sierra Leone Act 2011. This was done with the issuance of a Le75 billion marketable bond to be amortised over a period of 10 years at an interest rate of 8% for the purpose of fully subscribing to the minimum paid up capital of the Bank. This bond was issued on 1 May 2014 with interest payable semi-annually.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

31 RESERVES AND RETAINED EARNINGS

	2015	2014
General reserve (a)	**387,502,559**	256,684,420
Other reserves (b)	**32,792,919**	32,792,919
Total reserves as at 31 December	**420,295,478**	289,477,339

(a) General reserve

Balance at start of the year	**256,684,420**	113,112,317
Net profit for the year	**129,110,462**	143,572,073
Prior year adjustment *	**1,707,677**	-
	387,502,559	256,684,390
Securities reserves	**-**	30
Balance at 31 December	**387,502,559**	256,684,420

Under Section 14(1) and subject to section 81 of the Bank of Sierra Leone Act 2011, 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.

As at 31 December 2015, the total value of the assets of the Bank exceeds the sum of its liabilities, unimpaired issued capital and general reserves.

* Prior year adjustment relates to unutilised accrued charges in 2013 and 2014.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

(b) Other reserves

(i) Property revaluation reserves

	2015	2014
Balance at start of the year and end of the year	**32,792,919**	32,792,919
Balance at 31 December	**32,792,919**	32,792,919

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

(ii) Actuarial gains/(loss)

Balance at start of the year	**216,323**	773,998
Actuarial loss on end of service benefits	**(1,093,872)**	(557,675)
	(877,549)	216,323

32 CONTINGENCIES AND COMMITMENTS

32a Contingent liabilities

Guarantees and endorsement	**179,292,620**	462,933,487
Promissory notes	-	-
	179,292,620	462,933,487

32b Capital commitments

Capital expenditure	**18,734,524**	1,536,676
African Export Import Bank	**13,872,186**	12,185,216
	32,606,710	13,721,892

NOTES TO THE FINANCIAL STATEMENTS (Contd)

32c Pending law suits, legal proceedings and claims

The Bank has pending litigations against it in relation to three 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 Le2.24 billion excluding interest at the rate of 35% per annum and solicitor's costs. As judgement was given against the Bank at the lower court, provision has been made in these accounts for the amounts that might become payable.

33 RELATED PARTIES

Parent and ultimate controlling party

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 2015, total net advances to the Government was Le63.4 trillion (2014: Le39.1 billion). The Board of Directors (including the Governor and Deputy Governor) received remuneration amounting to Le1.73 billion (2014: Le 1.46 billion). The Governors benefited from rent allowance and vehicles for official and domestic purposes. Board members did not benefit from any loan during the period under review. An amount of Le31.74 million (2014: Le13.91 million) was contributed to the National Social Security and Insurance Trust Scheme (NASSIT) on behalf of the Deputy Governor as he is within the required age.

Senior management received remuneration of Le3.3 billion (2014: Le2.4 billion) and benefited from official vehicles. Outstanding loans to senior management totalled Le223 million (2014: Le274 million). A total of Le350 million (2014: Le306 million) was contributed on their behalf to NASSIT.

Deposits from Government totalled Le 84 billion (2014: Le171 billion).

34 EVENTS SUBSEQUENT TO THE REPORTING DATE

Events subsequent to the reporting date are reflected only to the extent that they relate directly to the financial statements and their effect is material.

There were no such events as at the date the financial statements were signed.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

35 FINANCIAL RISK MANAGEMENT

(a) Introduction and overiew

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 material to the Bank's risk appetite and management of risk. The Board Risk Committee is assisted in these functions by the Head of Audit. The Head of Audit undertakes both regular and ad-hoc review of risk management controls and procedures, the results of which are reported to the Risk Committee.

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

NOTES TO THE FINANCIAL STATEMENTS (Contd)

(b) 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 loans and advances to customers. For risk management reporting purposes, the Bank considers and consolidates all elements of the credit risk exposure (such as individual obligor default risk and sector risk).

Settlement risk

The bank's activities may give rise to risk at the time of settlement of transactions and trade. Settlement risk is the risk of loss due to the failure of a company to honour its obligation to deliver cash securities or other assets as contractually agreed.

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Board Credit Committee. A separate risk management group, reporting to the Board Credit Committee, is responsible for oversight of the Bank's credit risk, including:

- *Formulating credit policies* covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- *Establishing the authorisation structure* for the approval and renewal of credit facilities. All facilities require the prior approval of the Bank's Credit Committee. Larger facilities require approval by the Board of Directors as appropriate.
- *Reviewing and assessing credit risk* by the Bank's Credit Committee, which assesses all credit exposures, prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process.
- *Limiting concentrations of exposure* to counterparties and industries (for loans and advances).
- *Developing and maintaining the Bank's risk gradings* in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of five grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive/committee as appropriate. Risk grades are subject to regular reviews by the Credit Policy Committee/Early Alert Committee.
- *Reviewing compliance* with agreed exposure limits, including those for selected industries, and product types. Regular reports are provided to the Critised Assets Committee on the credit quality of loan/advances portfolios and appropriate corrective action is taken.
- *Providing advice, guidance and specialist skills* to promote best practice throughout the Bank in the management of credit risk.

The Bank is required to implement credit policies and procedures, with credit approved authorities delegated from the Board Credit Committee

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NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

(c) 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 funding base consisting of customer deposits (both retail and corporate) and wholesale market deposits and maintaining contingency facilities.
- 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.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Bank. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

(d) 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 risk.

Management of market risks

The Bank classifies its exposure to market risk into trading and non-trading portfolios. Trading portfolios mainly are held by the treasury unit, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

Overall authority for market risk is vested in the Board. ALCO is responsible for the development of detailed risk management polices (subject to review and approval by the Board and for the day-to-day review of their implementation).

Exposure to market risks – trading portfolios

The principal tool used to measure and control market risk exposure within the Bank's trading portfolios is the limits placed on open positions. Specified limits have been set for open positions which are the expected maximum exposure the Bank is to be exposed to.

The Bank uses open position limits for specific foreign exchange risks. The overall structure of the limits is subject to review and approval by the Board. Open position is measured at least daily and more regularly for days of active trade. Regular reports on utilisation of open limits are submitted to the Board/Management Committee.

Exposure to interest rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cashflows or fair values of financial instrument because of a change in market interest rate. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by Market Risk in its day-to-day monitoring activities.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

(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 senior management within the Bank. This responsibility is supported through the Bank's Operational Risk and Assurance Methodology Framework (ORMAF) in the followng areas:

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

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

36 BASIS OF MEASUREMENT

The financial statements have been prepared on a historical cost basis except as stated elsewhere at fair value.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

37 CHANGES IN ACCOUNTING POLICIES

Except for the changes below, the Bank has consistently applied the accounting policies as set out in Note 38 to all periods presented in these financial statements.

The Bank has adopted the amendment to IAS 32 on disclosures – Offsetting Financial Assets and Financial Liabilities, including any consequential amendments to other standards, with date of initial application of 1 January 2015. The nature and the effect of the amendment is explained below.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

The amendments to IAS 32 clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The change did not have a material impact on the Bank's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

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 rates at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising as retranslation are recognised in the profit and loss account as required by the Bank of Sierra Leone Act 2011, except for differences arising on the retranslation of available-for-sale equity instruments.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

(b) Interest

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

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

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and interest paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Interest income and expenses presented in the statement of profit or loss and OCI include interest on financial assets and financial liabilities at amortised cost calculated on an effective interest rate basis.

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

(c) Fees and commissions

Fees and commissions income and expenses 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 income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. If a loan commitment is not expected to result in the drawdown of a loan, then the related loan commitment fees are recognised on a straight line basis over the commitment period.

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 and includes all realised and unrealised fair value changes, interest, and foreign exchange differences.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

(e) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(f) Income tax expense

In accordance with section 70 (3) of the Bank of Sierra Leone Act 2011, 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 initially recognises loans and advances and deposits on the date that they are originated. All other financial assets and liabilities including assets and liabilities designated at fair value through profit or loss are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

(ii) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cashflows from the asset expire, or it transfers the right to receive the contractual cashflow on the financial asset in a transaction in which substantially all the risks and rewards of ownership othe financial assets are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Bank enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all risk and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. Transfers of assets with retentions of all or substantially all risks and rewards include, for example securities lending and repurchase transaction.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

(g) Financial assets and liabilities (Contd)

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions. In transactions where the Bank neither retains nor transfers substantially all the risks, and rewards of ownership of a financial asset it derecognises the assets if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in thevalue of the transferred asset.

In certain circumstances the Bank retains rights to service a transferred financial asset for a fee. The transferred asset is derecognised in its entirety if it meets the derecognition criteria. An asset or liability is recognised for the servicing rights, depending on whether the servicing fee is more than adequate to cover servicing expenses (asset) or is less than adequate for performing the servicing (liability).

(iii) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when the Bank has a legal right to set off the amounts and intends either to settle them on a net basis or to realise the assetand settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(iv) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any differences between the initial amount recognised and the maturity amount minus any reduction for impairment.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

(v) *Fair value measurement*

The determination of fair value of financial assets and financial liabilities is based on quoted market prices or dealer price quotation for financial instruments traded in active markets. For all other financial instruments, fair value is determined by using valuation techniques. Valuation techniques include the net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Bank uses widely recognised valuation models for determining the fair value of common and simpler financial instruments like interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

For more complex instruments, the Bank uses probability models which are usually eveloped from recognised valuation models. Some or all of the inputs to these models may not be market observable, and are derived from market prices or rates or are estimated based on assumptions. When entering into a transaction, the financial instrument is recognised initially at the transaction price which is the best indication of fair value, although the value obtained from the valuation model may differ from the transaction price. This initial difference, usually an increase, in the fair value indicated by valuation techniques is recognised in income depending upon the individual facts and circumstances of each transaction and not later than when the market data becomes observable.

The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction.

Valuation adjustments are recorded to allow for model risks, bid risk spreads, liquidity prices, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the statement of financial position.

(vi) *Identification and measurement of impairment*

At each financial position date the Bank assesses whether there is objective evidence that financial asets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cashflows on the asset that can be estimated reliably.

The Bank considers evidence of impairment at both a specific asset and collective level All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Impairment losses on assets carried at amortised cost are recognised in the statement of comprehensive income and reflected in an allowance account against loans and advances.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the statement of comprehensive income.

However, any significant recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity. Changes in impairment provision attributable to time value are reflected as a component of interest income.

(h) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand and balances with other foreign Central Banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their value and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(i) Loans and advances

Loans and 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.

When the Bank is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is presented within loans and advances.

Loans and 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 fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit or loss, or available-for-sale.

(i) Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Bank from classifying investment securities as held-to-maturity for the current and the following two financial years.

(ii) Available-for-sale

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes are recognised directly in equity until the investment is sold or impaired and the balance in equity is recognised in profit or loss.

(j) 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.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

(iii) Depreciation

Freehold premises are depreciated over a maximum of fifty years. For leasehold properties, where the unexpired lease term is more than fifty years, depreciation is charged over fifty years. Where the unexpired lease term is less than fifty years, the value of the leasehold property is amortised over the periods appropriate to the relevant lease terms on a straight line basis.

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

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

(l) Leased assets - Lessee

Leases in terms of which the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and they are not recognised on the Bank's balance sheet.

(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. A cash-generating unit is the smallest identifiable asset group that generates cashflows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS (Contd)(n)

(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 cashflows 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 restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

(q) Employee benefits

(ii) Defined contribution plan

The Bank contributes towards a defined contribution plan. The plan is funded through payments to the National Social Securit y and Insurance Trust (NASSIT) Scheme. This defined contribution plan is a Pension Scheme under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the Scheme does not hold sufficient assets to pay all employees the benefit relating to employee service in the current and prior periods and has no further payment obligations once the contributions have been paid. The contributions are recognised as 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 reporting date, together with adjustments for actuarial gains or losses and past service costs. The present value of the obligation is determined by discounting the estimated future cash outflows taking into account average service period and salary increases and using interest rates of Government treasury bonds that are denominated in Leones, the currency in which the obligation will be paid and that matures in one year's time. The calculation is performed by an actuary using the projected unit credit method.

The bank recognises all actuarial gains and losses from end of service benefits immediately in Other Comprehensive Income (OCI).

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

(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. Sections10(1) and 81 of the Bank of Sierra Leone Act 2011 require that the minimum paid up capital of the Bank must be Le 125bn, to be subscribed within five years from commencement of the Act (that is commencing 24 November 2011). The capital has been fully subscribed for as at year end.

(ii) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(s) Amounts repayable under Repurchase Agreement (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 mops up money from the financial market (REPO) or injects money into the market (Reverse REPO). The Bank engages in the above with commercial banks only.

When the Bank mops money from commercial banks, it creates a liability in its financial statements and secures this borrowing (liability) by assigning part of the securitised debt owing from Government to the Bank to the commercial banks it has mopped from. The Bank freezes the money mopped and pays interest at market rates on the money. The money mopped stays until maturity.

Similarly the Bank also lends money to commercial banks (reverse repo). In this process. The Bank creates an asset in the financial statements and takes a security from the borrowing bank usually in the form of Treasury Bills or Bonds. The bank earns interest on this lending. The injected money stays with the borrowing bank until maturity.

(i) The bank treats reverse REPO as collateralised loans for accounting purposes. In this case, a reverse REPO is recognised as a secured advance and is shown separately as Advance to Banks while repurchase agreements are shown as a liability in the books of the Bank.

(ii) REPOs continue to be recognised in the statement of financial position and are measured in accordance with policies for non-trading investment.

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

NOTES TO THE FINANCIAL STATEMENTS (Contd)

(t) Currency in circulation

Currency issued by the Bank represents a claim on the Bank in favour of the holder. The for currency in circulation is recognised at face value in these financial statements. Currency in circulation represents the face value of notes and coins in circulation. Bank notes and coins held by the Bank as cash in main vault and with cashiers at the end of the financial year are excluded from the liability of notes and coins in circulation because they do not represent currency in circulation.

Bank notes printing expenses for each denomination which include ordering, printing, freight, insurance and handling costs are initially deferred. Based on the currency issued into circulation, the respective proportional actual costs incurred are released to the profit or loss from the deferred cost account. The stock is issued on a first in first out basis. The receipt of new notes and coins are recorded in the vault register as an off balance sheet item to account for the movement of stock through receipt and issue of notes and coins.

(u) Special drawing rights and International Monetary Fund Related transactions

The Bank, on behalf of the Government of Sierra Leone, manages assets and liabilities in respect of Special Drawing Rights (SDRs) with the International Monetary Fund (IMF). Exchange gains and losses arising from translation of SDRs at period ends are recognised in the statement of comprehensive income.

(v) Gold

Gold is held by the Bank as part of its foreign reserves and is classified as available-for-sale for the purpose of measurement. 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) Commitments on behalf of Treasury

The Bank issues Treasury bills and bonds and capital commitments on behalf of Treasury. Treasury Bills and Treasury bonds are not included in these financial statements as the Bank is involved in such transactions only as an agent.

(x) Comparative

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

NOTES TO THE FINANCIAL STATEMENTS (Contd)

39 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. Those that may be relevant to the Bank are set out below. The Bank does not plan to adopt these standards early.

(i) IFRS 9, Financial Instruments

IFRS 9, published in July 2014 and effective for reporting periods beginning on or after 1 January 2018, introduces new requirements for the classification and measurement model of financial assets and details, dependent on both the entity's business model objective for managing financial assets and the contractual cashflow characteristics of financial assets.

IFRS 9 removes the requirements to separate embedded derivatives from financial assets host contract (it instead requires a hybrid contract to be classified in its entirety at either amortised cost or fair value). Separation of embedded derivatives has been retained for financial liabilities (subject to criteria being met).

(ii) IFRS 14, Regulatory Deferral Accounts

On 30 January 2014, the IASB issued IFRS 14 Regulatory Deferral Accounts to ease the adoption of International Financial Reporting Standards (IFRS) for rate-regulated entities and this will become effective on or after 1 January 2016. The standard allows entities to continue applying most of its existing accounting policies for regulatory deferral account balances upon adoption of IFRS.

IFRS 14 is intended to encourage rate-regulated entities to adopt IFRS while bridging the gap with entities that already apply IFRS, but do not recognise regulatory deferral accounts. This would be achieved by requiring separate presentation of the regulatory deferral account balances (and movements in these balances) in the statement of financial position and statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

(iii) IFRS 15, Revenue from Contracts with Customers

Customers applies to all contracts with customers except for: IAS 17 Leases; financial instruments and other contractual rights or obligation within the scope of IFRS 9 Financial Instruments; IFRS 10 Consolidated Financial statements; IFRS 11 Joint Arrangements; IAS 27 Separate Financial Statements and IAS 28

Investment in Associates and joint ventures; insurance contracts within t he scope of IFRS 4 Insurance Contracts; and non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers. It is effective for annual reporting periods beginning on or after 1 January 2016, with early adoption permitted.

The Bank will consider the impact of these standards on its reporting framework and will determinem whether early adoption is appropriate.

Other standards which have been promulgated but not expected to have any significant impact on the Bank's financials include IAS 19, Defined Benefits Plans (Amended).

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