ANNUAL REPORT

AND

STATEMENT OF ACCOUNTS

For the year ended 31st of December 2018

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ABBREVIATIONS

AfDB	African Development Bank
BIS	Bank for International Settlement
BOP	Balance of Payments
BSL	Bank of Sierra Leone
CFC	Customers Foreign Currency
CIF	Cost, Insurance and Freight
CPI	Consumer Price Index
ECOWAS	Economic Community of West African States
EMSL	Eclipse Microfinance Sierra Leone
GDP	Gross Domestic Product
GFER	Gross Foreign Exchange Reserves
GoSL	Government of Sierra Leone
GW/hr	Giga-Watts per Hour
HIPC	Heavily Indebted Poor Countries
IDA	International Development Association
IFAD	International Fund for Agriculture Development
IMF	International Monetary Fund
M2	Broad Money
MER	Monthly Economic Review
MFI	Microfinance Institutions
MoFED	Ministry of Finance and Economic Development
MPC	Monetary Policy Committee
MPR	Monetary Policy Rate
NDA	Net Domestic Assets
NFA	Net Foreign Assets
NMA	National Minerals Agency

ODC	Other Depository Corporation
OFID	OPEC Fund for International Development
OIN	Other Items Net
OPEC	Organization of the Petroleum Exporting Countries
PTMO	Precious Minerals Trading Office
RM	Reserve Money
SDF	Standing Deposit Facility
SLF	Standing Lending Facility
SSA	Sub-Saharan Africa
WAIFEM	West African Institute for Financial and Economic Management
WB	World Bank
WTI	West Texas Intermediate

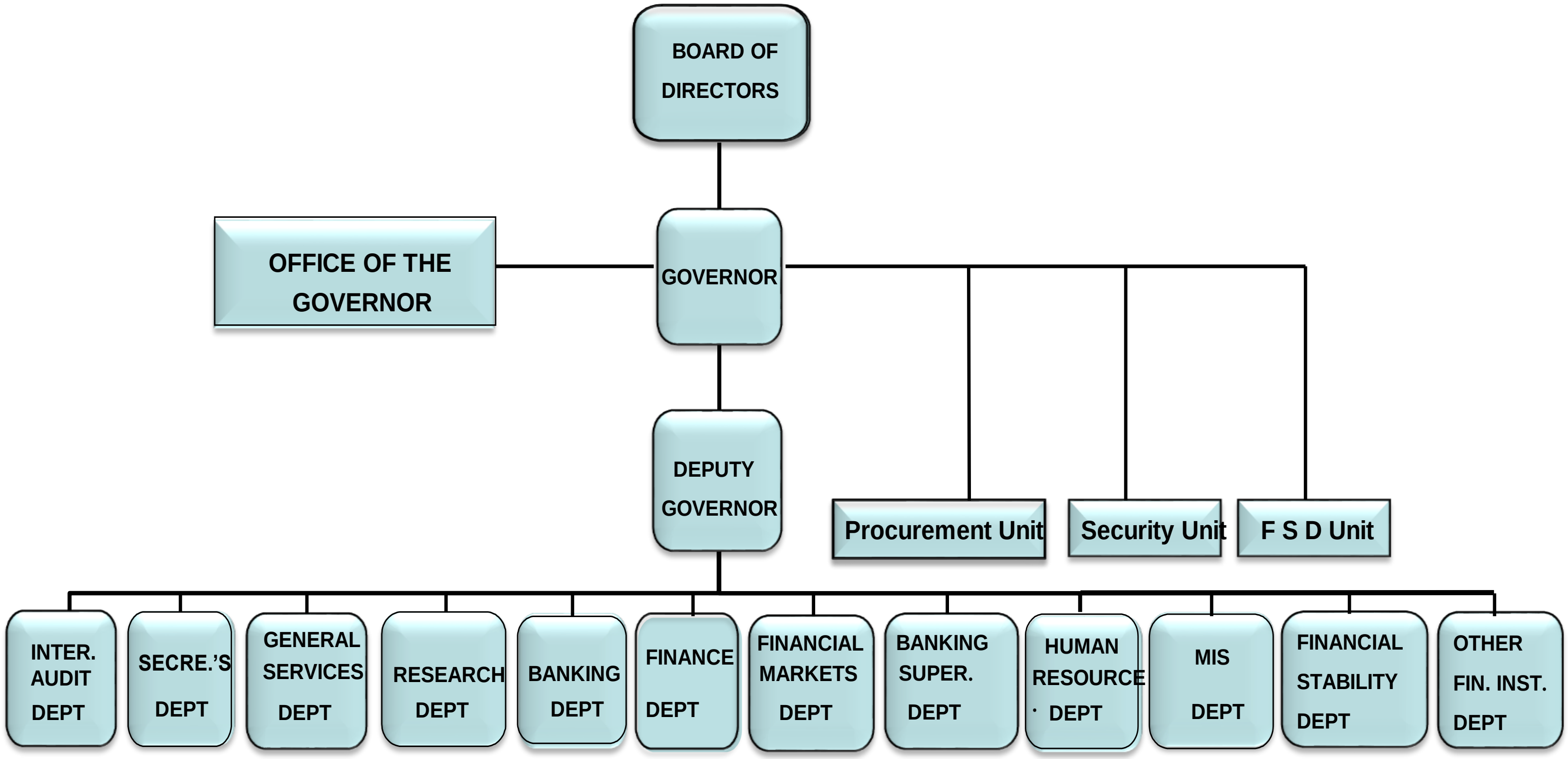
REGISTERED ADDRESS

Registered Office:	30 Siaka Stevens Street, Freetown
Solicitors:	Yada Williams and Associates
Secretary to the Board:	Ms. Hawa Kallon
Auditors:	BDO Regent House 12 Wilberforce Street Freetown

SENIOR MANAGEMENT

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

BANK OF SIERRA LEONE
ORGANIZATIONAL STRUCTURE - 2018



VISION STATEMENT

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

MISSION STATEMENT

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

OBJECTIVES AND FUNCTIONS OF THE BANK

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

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

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

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

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

(d) Conduct foreign-exchange operations;

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

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

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

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

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

1.0 GOVERNANCE

1.1 The Board of Directors

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

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

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

As at end December 2018, the Board comprised the following:

Professor Kelfala M Kallon	-	Governor / Board Chairman 15th August, 2018
Dr. Ibrahim L Stevens	-	Deputy Governor 24th July, 2014
Ms Cecilia M Demby	-	Appointed 18th October, 2018
Mr George C Taylor	-	Appointed 25th October, 2018
Mr Sheikh R Kamara	-	Appointed 31st October, 2018
Mr Sheka A Mansaray	-	Appointed 31st October, 2018
PC Alhaji Alimamy S Kathenkeh II	-	Appointed 31st October, 2018

1.1.1 Functions of the Board of Directors

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

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

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

1.2 The Monetary Policy Committee

The BSL Act 2011, grants the Bank operational independence in the conduct of its monetary policy. In this regard, the Act provides for the establishment of a Monetary Policy Committee (MPC), comprising the Governor, the Deputy Governor, three members appointed by the Governor and two members appointed by the Minister of Finance.

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

The MPC meets on a quarterly basis and its decisions on the monetary policy stance are communicated through a monetary policy statement, which is published on the BSL's website and local newspapers, 48 hours after the MPC meetings. In 2018, the MPC met three times.

As at end December 2018, the MPC comprised:

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

2.0 DEVELOPMENTS IN THE GLOBAL ECONOMY

2.1 Global Output Growth

Global output growth was estimated at 3.7 percent in 2018, down by 0.1 percentage point from 3.8 percent in 2017, led in part by the weakening effect of tariff increases by both United States and China. Growth in advanced economies and emerging markets and developing economies declined by 0.1 percentage point to 2.3 percent and 4.6 percent in 2018 from 2.4 percent and 4.7 percent in 2017, respectively. However, the recovery in economic activity which started in 2017 in Sub-Saharan Africa (SSA) was sustained in 2018, with growth estimated at 2.9 percent, same as in 2017.

Brazil and Russia continued recovering in 2018, growing by 1.3 percent and 1.7 percent in 2018 from 1.1 percent and 1.7 percent in 2017 and projected to further strengthen in 2019. In emerging and developing Asia, growth in China slowed by 0.3 percentage points to 6.6 percent in 2018 from 6.9 percent in 2017 and projected to continue declining in 2019, underpinned by the tightening of financial regulations as well as heightened trade tensions with the United States. Elsewhere, growth in India edged up by 0.6 percentage points to 7.3 percent in 2018 from 6.7 percent in 2017 and projected to increase to 7.5 percent in 2019 on the back of lower oil prices and a slower-than-expected pace of monetary tightening, as inflationary pressures subside.

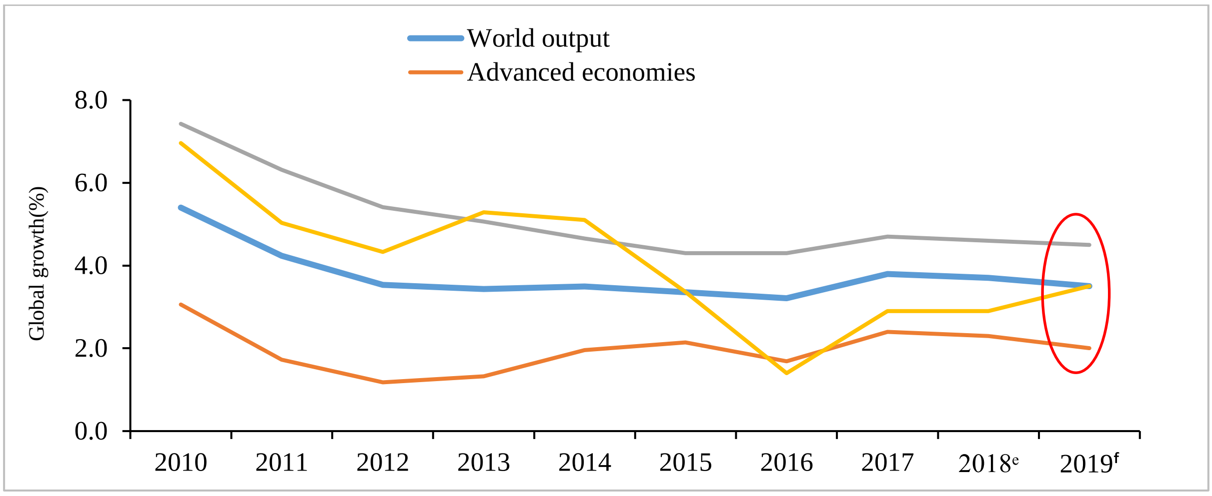
The Nigerian economy continued its firm momentum in 2018, with growth estimated at 1.9 percent, up by 1.1 percentage points from 0.8 percent in 2017 buoyed by improved economic activity. Regarding 2019, the Nigerian economy is projected to modestly grow by 2.0 percent, amid concerns of falling oil prices. The economic growth in South Africa declined to 0.8 percent in 2018 from 1.3 percent in 2017, but projected to increase to 1.4 percent in 2019.

Table 1: Global Growth

	2011	2012	2013	2014	2015	2016	2017	2018e	2019f
World Output	4.2	3.5	3.4	3.5	3.4	3.2	3.8	3.7	3.5
Advanced Economies	1.7	1.2	1.3	2.0	2.1	1.7	2.4	2.3	2.0
United States	1.6	2.2	1.7	2.4	2.6	1.5	2.2	2.9	2.5
Euro Area	1.5	-0.9	-0.3	1.2	2.0	1.8	2.4	1.8	1.6
Japan	-0.1	1.5	2.0	0.3	1.1	1.0	1.9	0.9	1.1
Emerging Market and Developing Economies	6.3	5.4	5.1	4.7	4.3	4.3	4.7	4.6	4.5
Brazil	4.0	1.9	3.0	0.5	-3.8	-3.6	1.1	1.3	2.5
Russia	4.0	3.5	1.3	0.7	-2.8	-0.2	1.5	1.7	1.6
India	6.6	5.5	6.5	7.2	8.0	7.1	6.7	7.3	7.5
China	9.5	7.9	7.8	7.3	6.9	6.7	6.9	6.6	6.2
Sub-Saharan Africa	5.0	4.3	5.3	5.1	3.4	1.4	2.9	2.9	3.5
Nigeria	4.9	4.3	5.4	6.3	2.7	-1.6	0.8	1.9	2.0
South Africa	3.3	2.2	2.5	1.7	1.3	0.3	1.3	0.8	1.4
Sierra Leone	5.3	6.3	15.2	20.7	4.6	-20.5	6.3	5.6	6.1
e =Estimate; f =Forecast									

Source: World Economic Outlook, January 2019

Figure 1: Global Growth



Source: World Economic Outlook, January 2019

2.2 Global Inflation

Global inflationary pressures eased at the end of 2018, after picking up in 2017 and the early parts of 2018, following the decline in oil prices in the second half of 2018. However, consumer price inflation increased to 3.8 percent in 2018 from 3.2 percent in 2017 due to the pass-through effect of currency depreciations to prices, amid falling oil prices.

Despite subdued in the latter part of 2018, inflation in advanced economies (AE) increased by 0.3 percentage points to 2.0 percent in 2018 from 1.7 percent in 2017. Similarly, headline inflation in emerging markets and developing economies (EMDE) increased by 0.6 percentage points to 4.9 percent in 2018 from 4.3 percent in 2017, reflecting the effect of exchange depreciations in some countries in the region. Headline inflation in Sub-Saharan Africa (SSA) declined to 8.6 percent in 2018 from 11.0 percent in 2017, induced in part by the relative stability of the exchange rates of some countries in the region. Global inflation is projected to remain at 3.8 percent in 2019 as oil prices continue to decline but expected to be balanced by the pass-through of currency depreciations to prices.

Table 2: Global Inflation

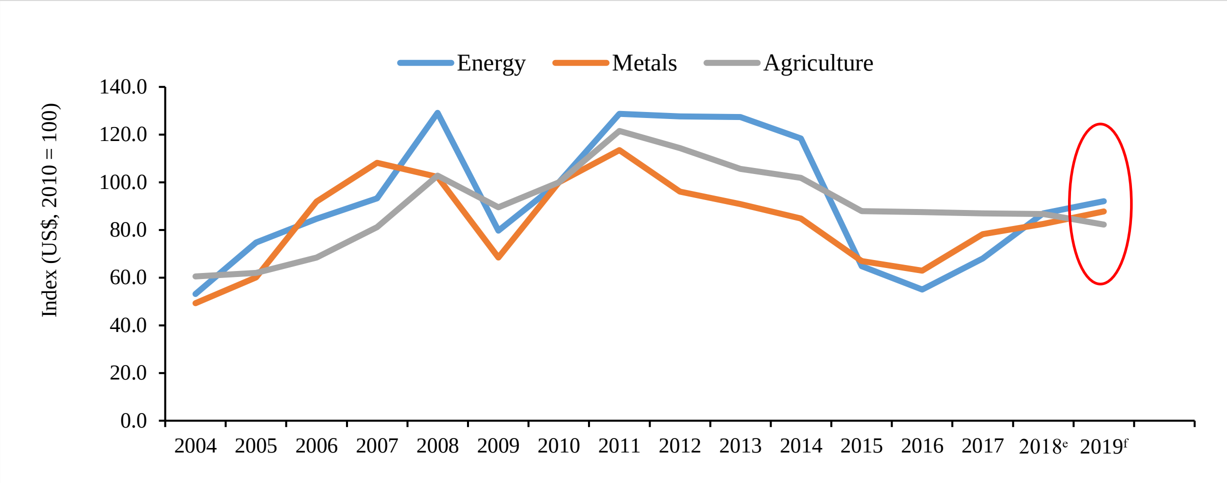
Consumer Price Inflation	2011	2012	2013	2014	2015	2016	2017	2018[e]	2019[f]
Global Inflation	5.0	4.1	3.7	3.2	2.8	2.8	3.2	3.8	3.8
Advance Economies	2.7	2.0	1.4	1.4	0.3	0.8	1.7	2.0	1.7
Emerging Markets and Developing Economies	7.1	5.8	5.5	4.7	4.7	4.3	4.3	4.9	5.1
Sub-Saharan Africa	9.4	9.3	6.6	6.3	7.0	11.3	11.0	8.6	8.5
e =Estimate; f =Forecast									

Source: World Economic Outlook, January 2019

2.3 Global Commodity Prices

Commodity prices softened in the latter part of 2018, but remained high when compared to the preceding period. Energy prices on average strengthened in 2018, with the index increasing by 27.8 percent to 87.0 from 68.1 in 2017, underscored by falling supply and geopolitical concerns. The index is projected to increase in 2019, despite softening in the fourth quarter of 2018. Similarly, the Metals and Minerals Price Index increased by 5.5 percent to 82.5 in 2018 from 78.2 in 2017 and is forecasted to further strengthen in 2019, following the trend in 2018. Nonetheless, there is a risk of heightened volatility on the back of China's environmental policies, trade tensions between the United States and China, and Chinese policy responses to spur the economy and moderate the impact of tariff negotiations. The Agriculture Price Index, however, declined modestly, driven in part by supply and demand factors as well as the trade pressures between the USA and China (Figure 2).

Figure 2: Commodity Price Indexes

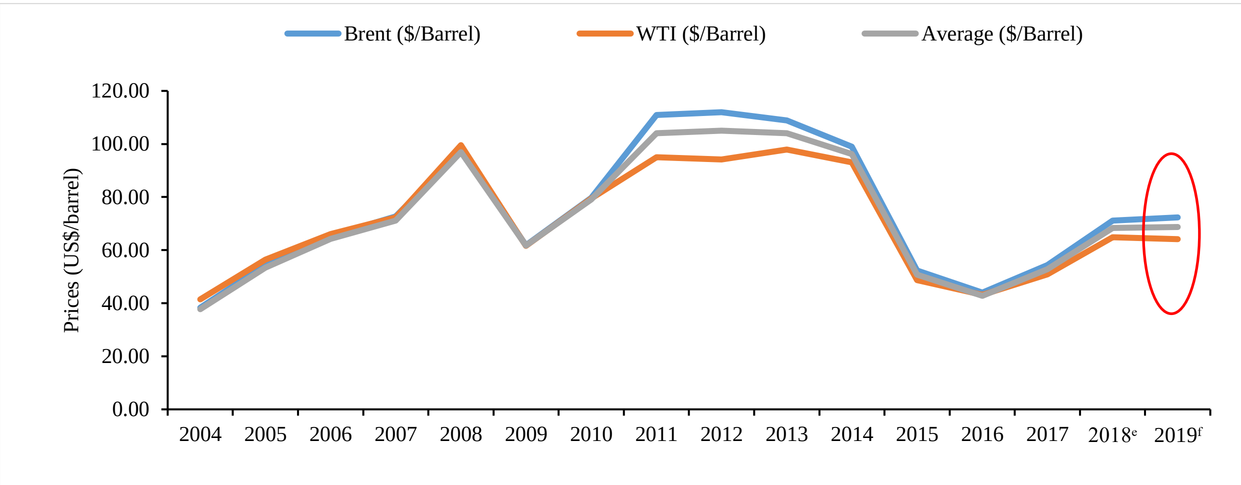


Source: World Bank Commodity Market Outlook, October 2018

Crude Oil

Crude oil prices on average were very volatile in 2018, but remained strong, underpinned by strong global demand, U.S. sanctions on Iranian oil exports, ongoing production losses in Venezuela and fears about the level of spare capacity in OPEC countries. The average crude oil price increased by 29.4 percent to $68.35/barrel in 2018 from $52.81/barrel in 2017. The prices of both Brent and West Texas Intermediate (WTI) increased by 30.7 percent and 27.3 percent to $71.07/barrel and $64.82/barrel in 2018 from $54.39/barrel and $50.91/barrel in 2017, respectively. Going forward, oil prices are forecasted to strengthen on the backdrop of continued strong demand and capacity constraints on U.S shale oil.

Figure 3: Crude Oil Prices

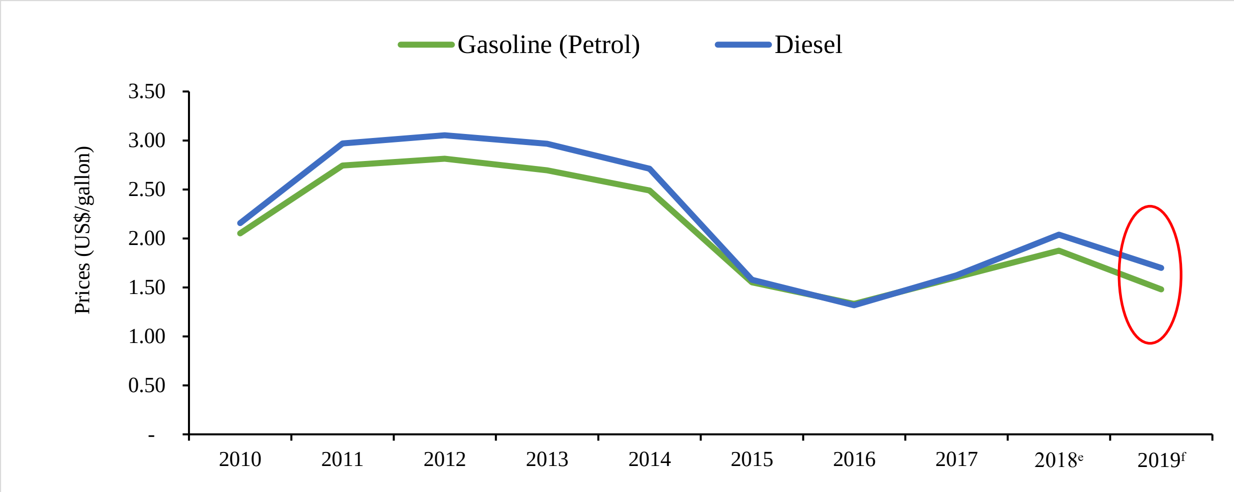


f =Forecast; Source: World Bank Commodity Market Outlook, October 2018

Platt Prices

Platt prices of petroleum products moved in line with crude oil prices, evidenced by increase in gasoline (petrol) and diesel prices by 16.9 percent and 25.6 percent to $1.88/gallon and $2.04/gallon in 2018 from $1.60/gallon and $1.62/gallon in 2017, respectively. Prices are forecasted to decline in 2019, partly due to high inventory in major storage hubs globally.

Figure 4: Platt Prices

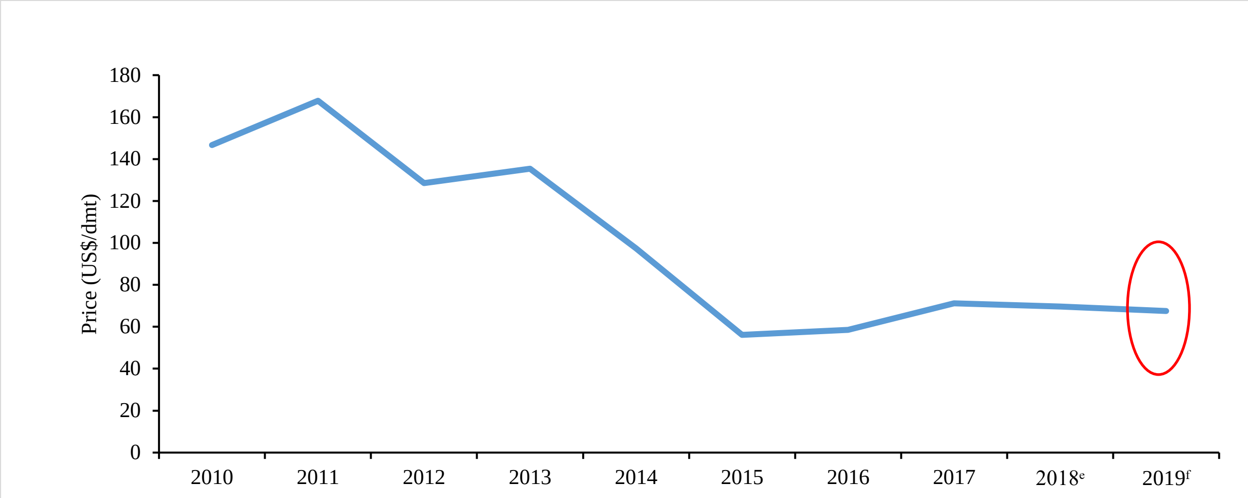


Source: U.S. Energy Information Admin, October 2018

Iron Ore

The average price of iron ore declined by 2.1 percent to USD69.65/dmt in 2018 from USD71.12/dmt in 2017, reflecting in part the impact of a decline in China's import of iron ore as well as the constrain on Chinese steel production as a result of stringent environmental policies. The prospect reflects a decline in price in 2019 on account of additional supply from key projects in Australia and Brazil, and an increasing share of scrap-based production in overall steel production.

Figure 5: Iron Ore Price

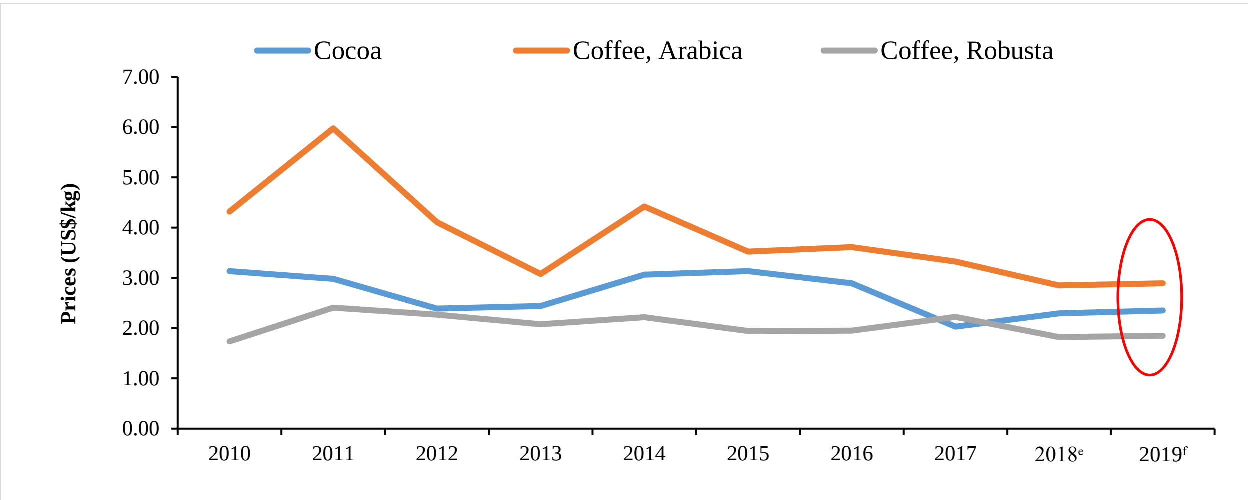


f =Forecast; Source: World Bank Commodity Market Outlook, October 2018

Cocoa and Coffee

The prices of Arabica and Robusta coffee declined by 14.2 percent and 18.2 percent to US$2.85/kg and US$1.82/kg in 2018 from US$3.32/kg and US$2.23/kg in 2017, respectively, driven by upward revisions to production estimates for the world's largest coffee suppliers – Brazil and Vietnam as well as lower consumption estimates. On the other hand, the price of cocoa increased by 13 percent to US$2.29/kg in 2018 from US$2.03/kg in 2017, underpinned by production declines from the world's top suppliers (Cote D'Ivoire and Ghana). Notwithstanding, prices are expected to surge in 2019, on account of market normalization.

Figure 6: Cocoa and Coffee Prices



Source: Commodity Market Outlook, October 2018

2.4 Implications for the Sierra Leone economy

Despite the moderation in global growth and modest softening of commodity prices, the global demand for Sierra Leone's commodities in 2018 was somewhat better compared to the preceding year. This was reflected in the trade deficit, as exports improved significantly, partly translating into increased export-related foreign exchange inflows, exchange rate stabilization as well as declining inflationary pressures. Furthermore, though global oil prices on average were higher in 2018 relative to 2017, they moderated in the latter stages of 2018, thus resulting in a modest reduction in the pump price of fuel domestically, which also helped in curbing down domestic price pressures.

However, the planned expansion in iron ore mining in the near term could be deterred by the decline in iron ore prices, while fears about China's sluggish demand for steel as a result of stringent environmental policies, would further exacerbate the already precarious situation. This has the potential of affecting export receipts, reserves buildup, exchange rate stability and economic growth in the medium to long term.

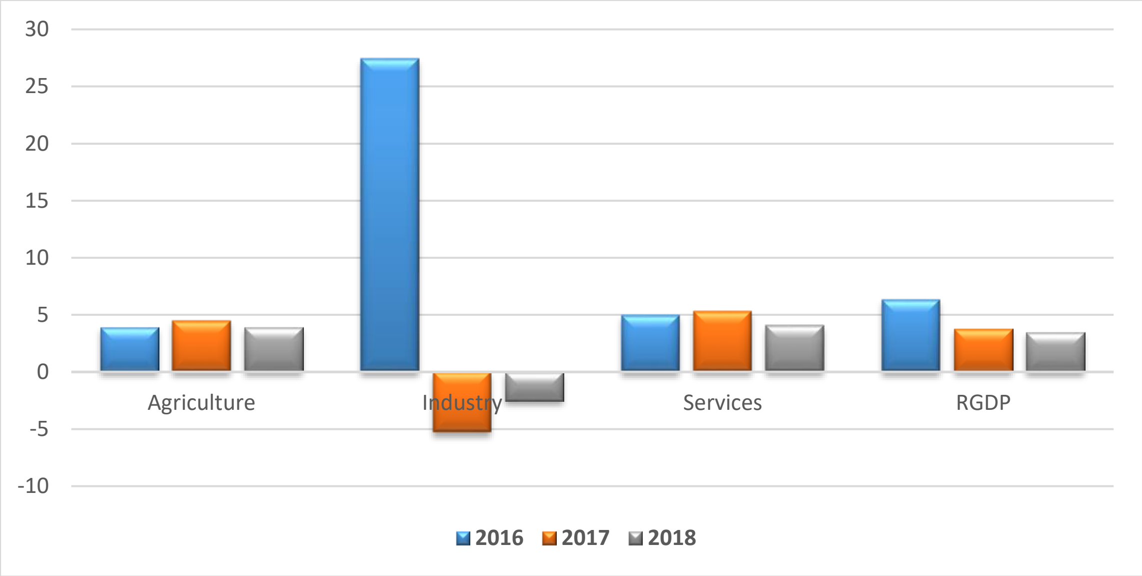
3.0 DOMESTIC ECONOMIC DEVELOPMENTS

3.1 Real sector

3.1.1 Economic Growth

The economy was initially estimated to grow by 3.7 percent in 2018, but was later revised to 3.5 percent, representing a slight decline from the 3.8 percent growth in 2017. The drop in real growth was underpinned by the suspension of iron ore mining, slowdown in construction activities, and lower rutile production.

Figure 7: Real GDP Growth [%]



Source: *Statistics Sierra Leone*

In terms of growth rates by sector, agriculture, forestry & fishing grew by 3.91 percent compared to 4.48 percent in 2017, services sector grew by 4.10 percent compared to 5.29 percent in 2017, while the industrial sector contracted by 2.51 percent compared to a contraction of 5.31 percent in 2017.

The slow growth in the agriculture, forestry & fishing sector was explained by low activities in crops and livestock production. The industrial sector contracted due to the drop in production in mining & quarrying and construction sub-sectors, while the slow growth in the services sector reflected slow performance in trade and tourism, transport, storage & communication, finance, insurance & real estate.

Manufacturing

The manufacturing sector recovered slightly in 2018. All beverages, except Maltina, recorded an increase in production explained by demand and supply fundamentals. Beer and Stout production increased by 45.63 percent to 1,820.90 thousand cartons, soft drinks production expanded by 2.05 percent to 968.91 thousand crates. On the other hand, Maltina production slowed by 3.58 percent to 288.17 thousand cartons.

Acetylene and common soap production grew by 25.01 percent to 300.76 thousand cubic feet and by 27.17 percent to 577.97 thousand metric tons respectively. On the contrary, oxygen production declined by 41.89 percent to 279.13 thousand cubic feet, while confectionary production dropped by 22.52 percent to 2,256.95 thousand pounds.

Construction

The construction sector, proxied by cement and paint production recorded improved performance in 2018. The paint production rose by 17.21 percent to 655.26 thousand gallons, while cement production increased by 31.19 percent to 299.61 thousand metric tons.

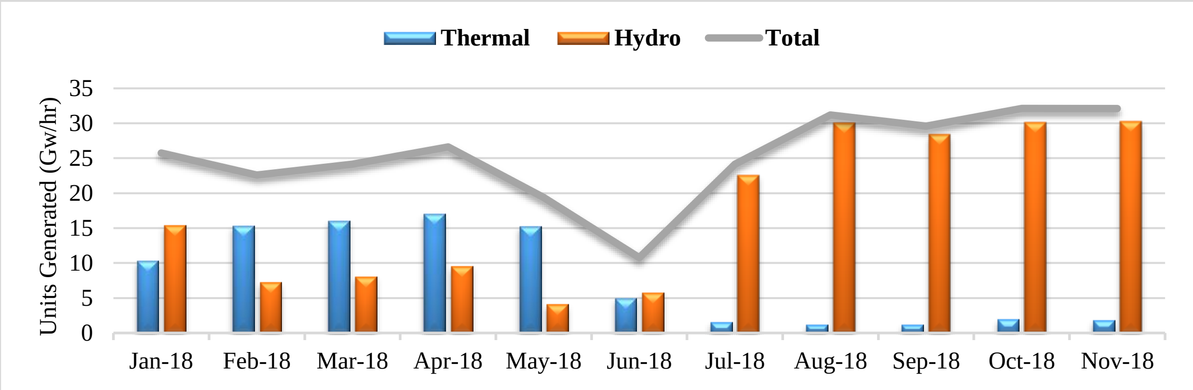
Mining

The mining sector recorded strong performance in 2018 despite the shutting down of iron ore mining. Diamond production expanded by 157.14 percent to 741.18 thousand carats and comprised of industrial diamond, amounting to 346.79 thousand carats and gem diamond, amounting to 395.85 thousand carats. Rutile production expanded by 436.81 percent to 902.37 thousand metric tons, while ilmenite production grew by 49.08 percent to 82.29 thousand metric tons. Similarly, gold production increased significantly by 291.47 percent to 17.89 thousand ounces. In contrast, bauxite production declined by 22.37 percent to 1,363.30 thousand metric tons.

Electricity Generation

Government renegotiated the contract with the Turkish “Karadeniz Powership Kaya Bey Company Limited” (“Karpowership”) to enhance a reliable and affordable supply of electricity across the country. The boost to the energy sector in 2018 is consistent with government’s energy sector policy, supported by the World Bank. 2727.72Gw/hr of electricity was generated in 2018, reflecting a 10.12 percent decrease when compared with the generation levels in 2017. This amount constituted 31.3 percent of thermal plant generation and 68.7 percent of hydro power generation. The decline in the overall generation was mainly the result of a fall in generation from the hydro power by 14.76 percent to 190.87Gw/hr. However, thermal plant generation rose by 2.09 percent to 86.85Gw/hr but was not adequate to reverse the decline in the overall generation for the year.

Figure 8: Electricity Generation (2018)

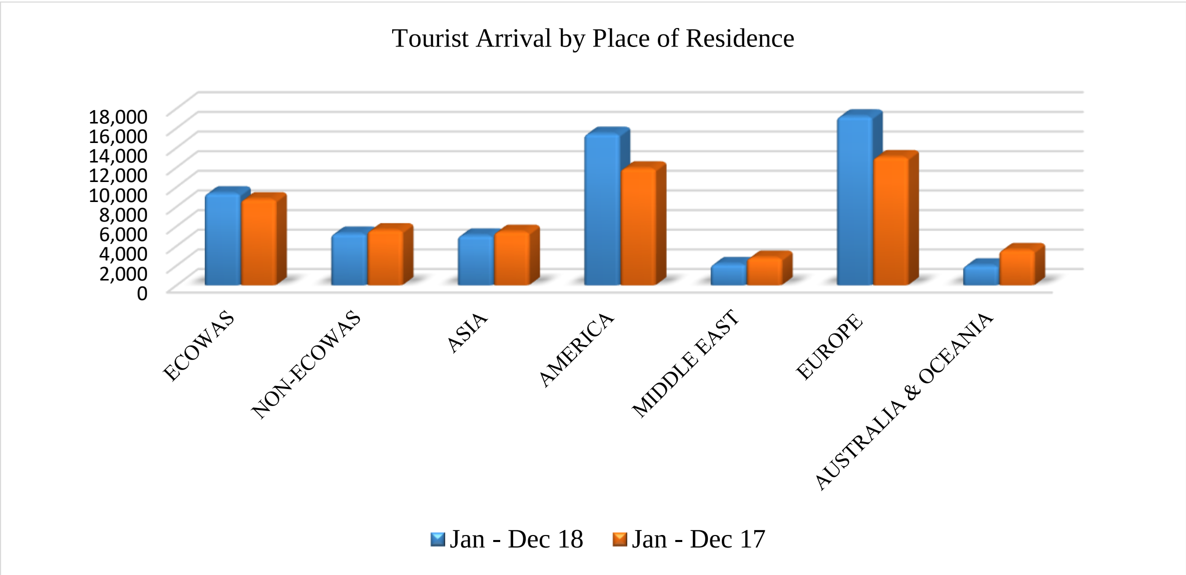


Source: Statistics Sierra Leone

Tourism

In the tourism sector, visitors' arrival, registered a 10 percent increase to 56,500 visitors in 2018, compared to 51,139 visitors in 2017. Of the total arrivals, 16.46 percent were from ECOWAS, 9.30 percent were from Non-ECOWAS, 8.97 percent from Asia, 27.31 percent from America, 3.82 percent from Middle East, 30.44 percent from Europe and 3.58 percent from Australia and Oceania as indicated in the figure below.

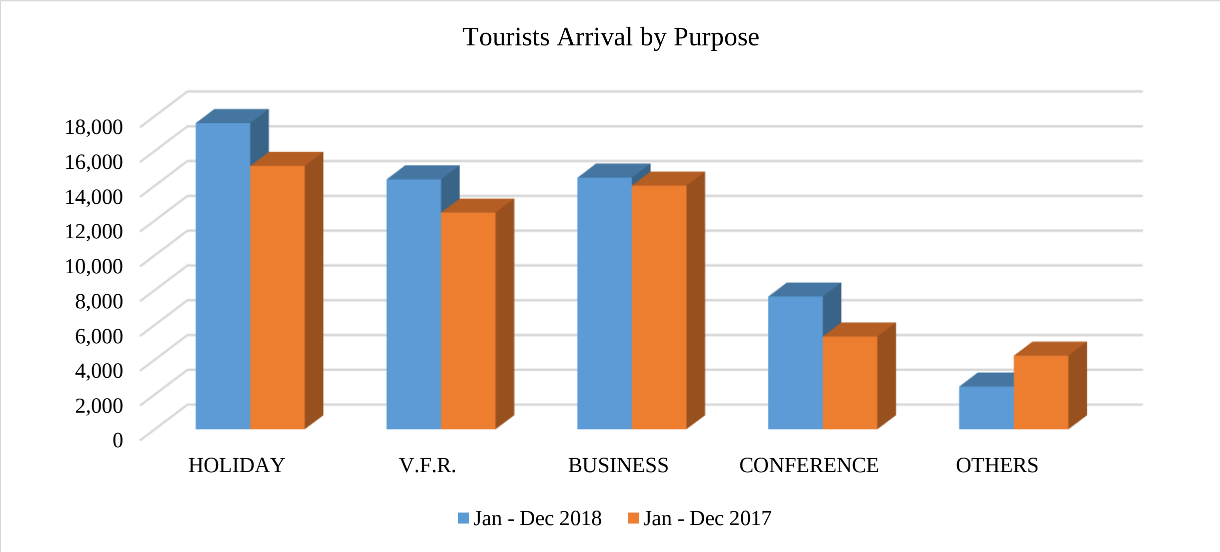
Figure 9: Tourist Arrival by Place of Residence



Source: National Tourist Board of Sierra Leone

In terms of purpose of visit, 31.14 percent of visits were for holiday purposes, 25.42 percent for business, 25.59 percent for other purposes, 13.50 percent for visiting friends, and 4.34 percent for conferences.

Figure 10: Tourists Arrival by Purpose



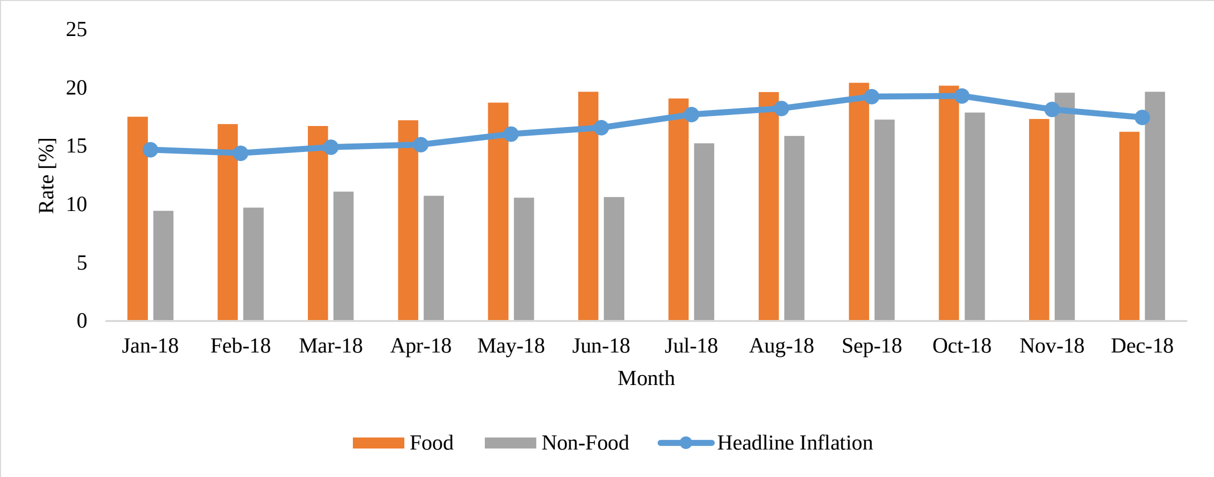
Source: National Tourist Board of Sierra Leone

3.1.2 Price Developments

Annual headline inflation decelerated to 17.46 percent in December 2018, and was within the end year target of 18 percent. The moderation in annual headline inflation was largely due to the reduction in supply side pressures and prudent monetary and fiscal policies implemented by authorities. Headline inflation increased for most part of the year, from 14.69 percent in January 2018, gradually reaching a peak of 19.29 percent in October 2018 before slowing down to 18.14 percent in November 2018, and ending the year at the level of 17.46 percent. Yet, the 2018 consumer price inflation was 2.13 percentage points higher compare to its level in December 2017 (15.33 percent), mainly due to the continued currency depreciation and the lagged effects of increases in domestic petroleum prices.

Similarly, annual food and non-alcoholic beverages inflation persisted during the year, hitting 20.41 percent in September 2018 before slowing to 16.22 percent in December 2018, while on the other hand, non-food inflation rose from 9.5 percent in February 2018, and gradually reached 19.65 percent in December 2018.

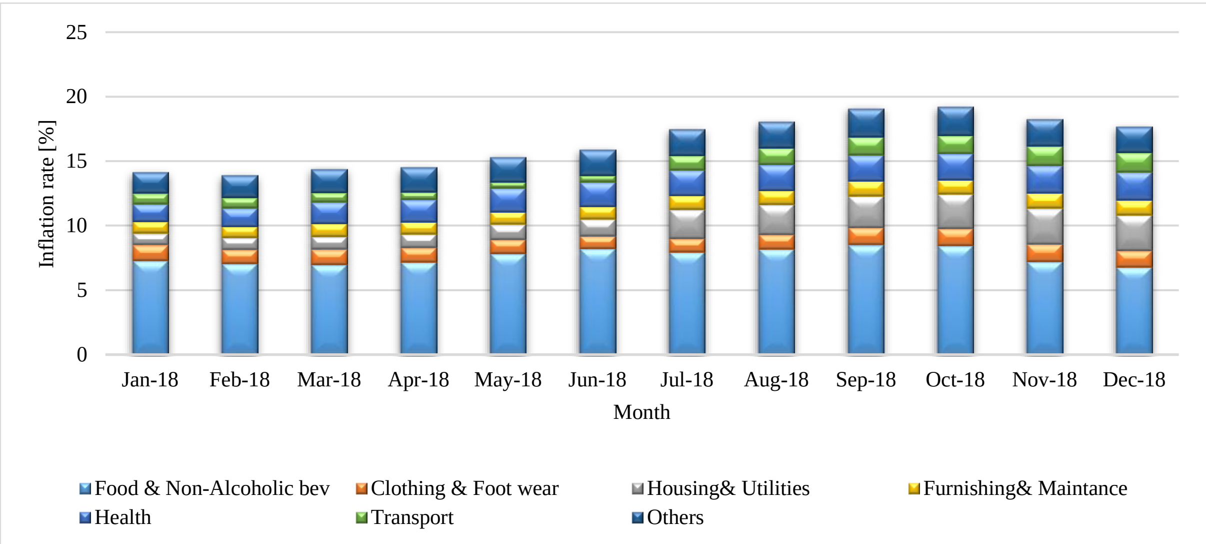
Figure 11: Headline, Food & Non-Food Inflation, (Year-on-Year, in Percent)



Source: Statistics Sierra Leone

In terms of contributions, almost all the sub-indices contributed somewhat to the headline inflation during the reporting period. However, food & non-alcoholic beverages, housing & utilities, health, and transportation were the main components that exerted immense pressures on inflation.

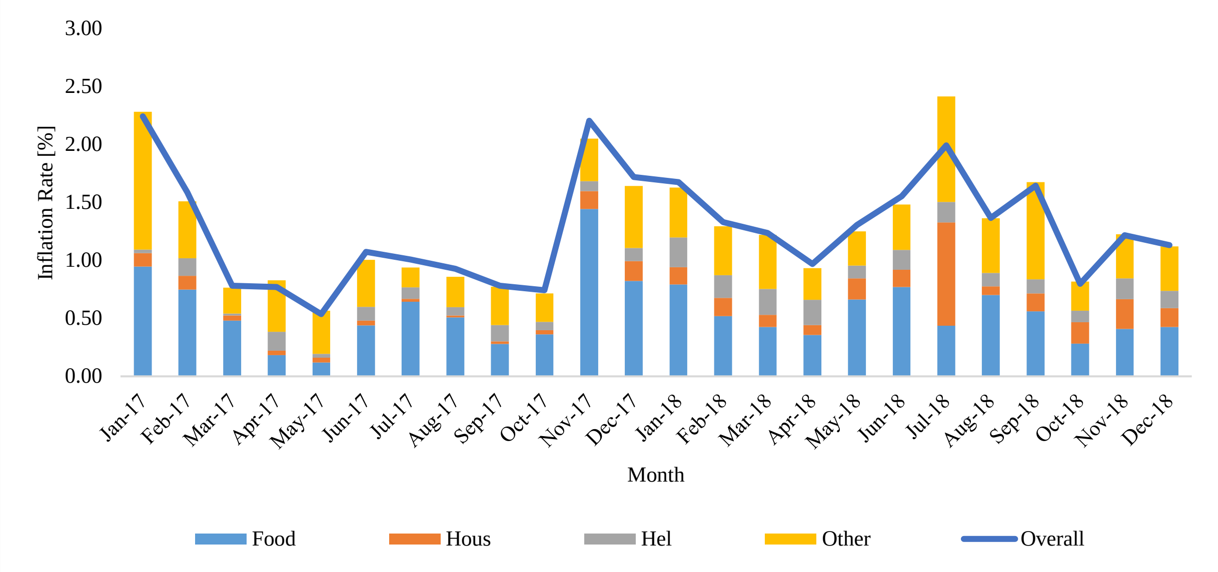
Figure 12: Major contributors to annual Headline Inflation



Source: Statistics Sierra Leone

In terms of month-to-month changes in consumer prices, inflation in December 2018 was 1.13 percent compared to 1.72 percent in December 2017, implying a moderation in prices at the end of the year.

Figure 13: Major contributors to monthly inflation



Source: Statistics Sierra Leone & BSL

The main components accounting for the monthly inflation in December 2018 were food & non-alcoholic beverages, housing & utilities, and health.

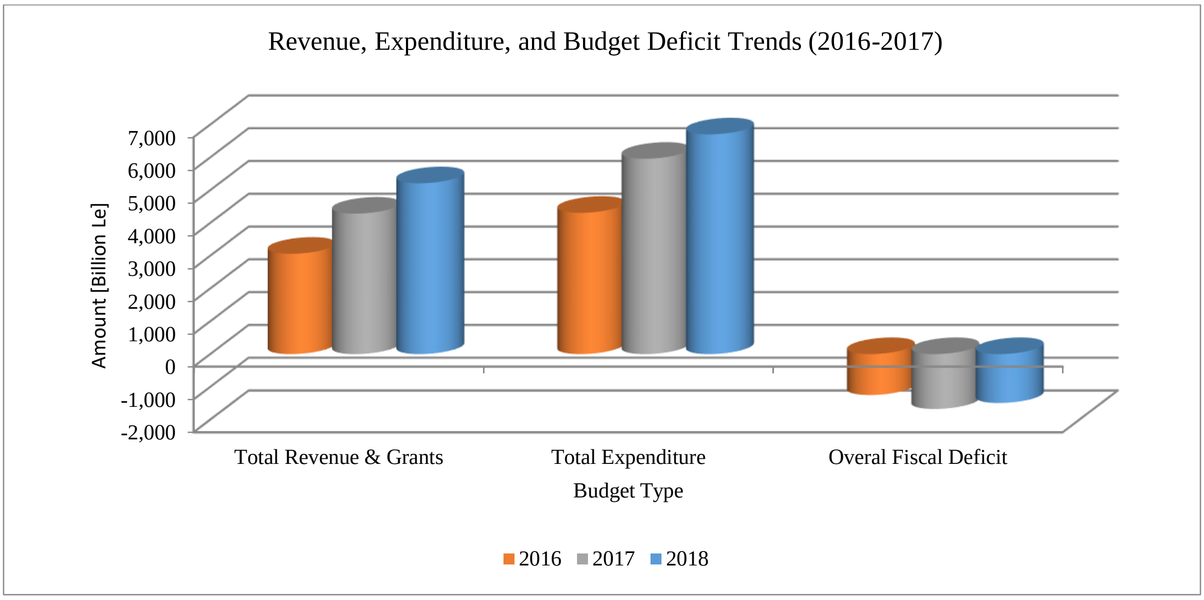
3.2 Public finance

The thrust of fiscal policy in 2018 was to pursue fiscal consolidation focusing on enhancing domestic revenue mobilisation and expenditure rationalisation. This was crucial for the provision of the '**free quality, basic and secondary education**' priority of the government. To achieve this objective, the government embarked on correcting the fiscal spillages that may underpinned the slow execution of the Education project.

3.2.1 Government Budgetary Operations

Budgetary outturn for 2018 recorded an overall deficit including grants of Le1, 491.51bn (4.70 percent of GDP) compared to Le1, 855.11bn (6.77 percent of GDP) in 2017.Excluding grants, overall deficit amounted to Le2, 338.73bn (7.37 percent of GDP) and was within the projected deficit of Le2, 789.57bn (8.79 percent of GDP).

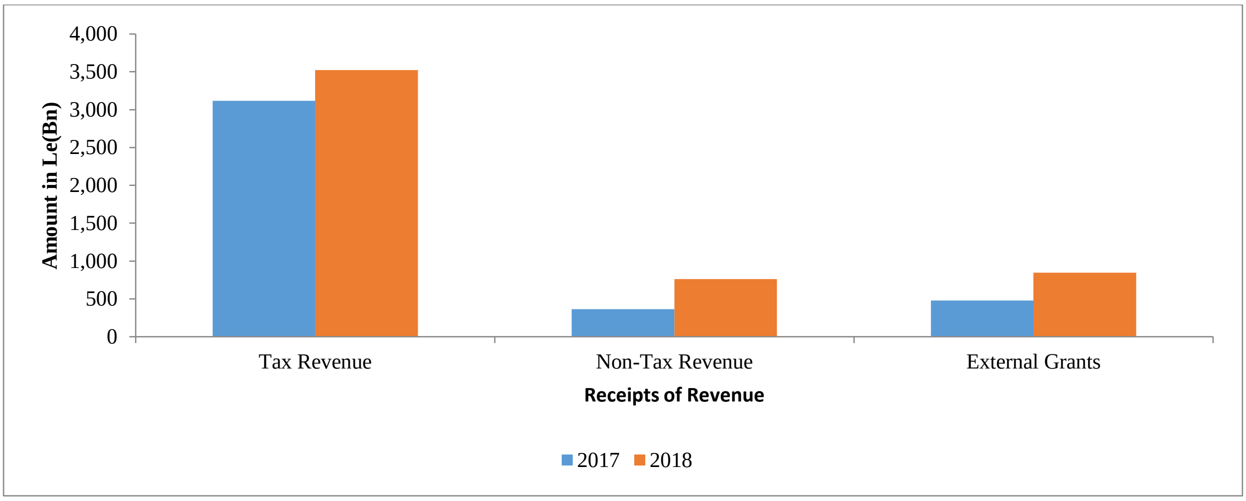
Figure 14: Government Budgetary Operations for 2016-2018



Source: Ministry of Finance

Total government receipts including grants amounted to Le5, 210.03bn (16.42 percent of GDP) reflecting a 26.81 percent increase compare to 2017. Yet, this was 4.70 percent below the target (Le5,466.76bn) as set under the ECF program with the IMF. The growth in total revenues was largely explained by improved domestic revenue mobilisation and increased grants disbursement during the year. The major components of total revenues were tax revenue of Le3, 521.17bn (67.58 percent of total receipts), non-tax revenue of Le841.64bn (16.15 percent of total receipts) and grants of Le847.22bn (16.26 percent of total receipts).

Figure 15: Trends in Government Revenue 2017-2018



Source: Ministry of Finance

3.2.2 Government Revenues

Tax revenues

The tax revenues increased by 12.89 percent to Le3, 521.17bn (11.10 percent of GDP) exceeding the projected target of Le3, 478.75bn by 1.22 percent. Tax revenues comprised of receipts from Income tax, Customs and Excise and Goods and Services Tax (GST).

Customs and Excise

Customs and Excise receipts rose by 3.79 percent to Le946.35bn (2.98 percent of GDP) and was 0.56 percent below the target of Le951.71bn. The increase was due to the 33.15 percent expansion in import taxes of Le602.19bn, and other excise duties by 8.85 percent to Le26.67bn. The excise duties on petroleum fell by 18.81 percent to Le317.49bn.

Income Tax

Income Tax collection amounted to Le1, 673.45bn (5.28 percent of GDP), representing 17.39 percent increase and exceeded the target of Le1, 626.81bn by 2.87 percent. The growth in income tax was explained by the increase in company and personal income taxes. While company tax surged by 30.80 percent to Le377.90bn, personal income tax grew by 12.37 percent to Le1, 271.28bn.

Goods and Services Tax

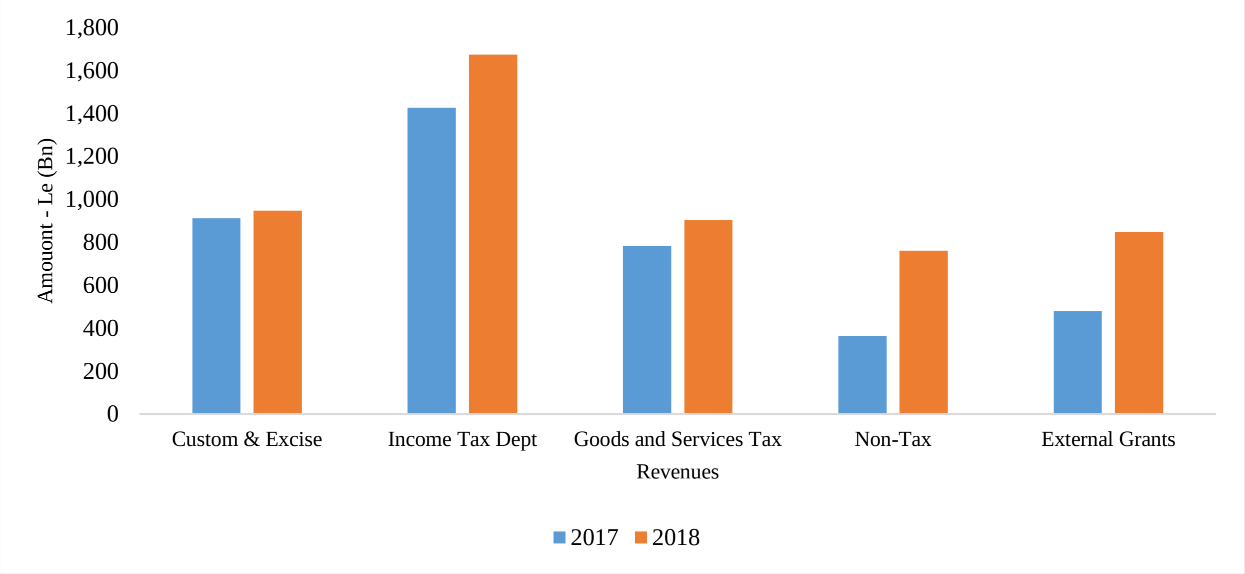
Goods and Services Tax (GST) edged up by 15.28 percent to Le901.38bn (2.84 percent of GDP), and was marginally higher than the target of Le900.23bn. The overall increase in GST was linked to the rise in import related GST by 29.52 percent to Le519.90bn and domestic GST by 0.26 percent to Le381.48bn.

Generally, the overall performance of tax revenues in 2018 was the result of several factors, including the enforcement of tax compliance, suspension of duty waivers and tax exemptions coupled with the implementation of the Treasury Single Account (TSA).

Non-tax revenues

Non-tax revenues expanded by 64.9 percent to Le841.64bn (2.65 percent of GDP), but was 13.84 percent lower than the target of Le976.89bn. The growth in non-tax revenues was on account of the increase in receipts from Mines by 7.31 percent to Le220.36bn as well as the increased receipts from other departments by 241.89 percent to Le540.21bn. However, road user charges contracted by 44.87 percent to Le81.07bn and was 37.11 percent below the target of Le128.90bn.

Figure 16: Disaggregation of Government Revenue 2017-2018



Source: ministry of Finance

External Grants

External grants disbursed in 2018 increased by 76.91 percent to Le847.22bn (2.67 percent of GDP), and consequently lower than the anticipated amount of Le1, 011.13bn by 16.21 percent. This amount comprised of programmed grants to the tune of Le461.22bn, and development projects amounting to Le386.00bn.

Table 3: Government Fiscal Operation

Government Fiscal Operations 2018, in Millions of Leones			
	Jan - Dec 2017	Jan- Dec 2018	Budget 2018
TOTAL REVENUE (PLUS GRANTS)	**4,108,532**	**5, 210, 034**	**5,466,764**
DOMESTIC REVENUE	**3,629,640**	**4, 362, 815**	**4,455,632**
Of which:			
Customs & Excise	911,754	946,384	951,706
Income Tax Department	1,425,550	1,673,449	1,626,805
Goods and Services Tax	781,926	901,377	900,233
Miscellaneous	356,192	760,572	847,987
Road User Charges	147,050	81,069	128,900
GRANTS	**478,891**	**847,219**	**1,011,132**
TOTAL EXPENDIUTRE & NET LENDING	**5,963,644**	**6,701,540**	**7,245,197**
Of which:			
Current Expenditure	**4,274,236**	**4,594,300**	**5,035,521**
Of which:			
Wages & Salaries	1,820,061	2,067,914	2,067,800
Domestic Interest	562,965	854,000	854,000
Foreign Interest	97,356	97,082	97,082
Non-Salary Non-Interest Expenditure	1,793,854	1,575,304	2,016,638
Contingency Exp	**6,122**	**78,251**	**116,118**
Development Exp. & Net Lending	**1,689,408**	**2,107,240**	**2,209,677**
Foreign Loans & Grants	831,055	1,409,000	1,409,000
Domestic	858,353	0	800,677
Lending Minus Repayment	0	698,240	0
CURRENT BALANCE+/- (Including grants)	**(165,705)**	**615,734**	**431,243**
ADD DEVELOPMENT EXPENDITURE	**(1,689,408)**	**(2,107,240)**	**(2,209,677)**
Basic Primary Balance	**(668,759)**	**68,876**	**(359,978)**
OVERALL DEFICIT/SURPLUS +/-(Incl. grants)	**(1,855,113)**	**(1,491,506)**	**(1,778,434)**
FINANCING	**1,855,113**	**1,491,506**	**1,778,434**
Domestic	**1,142,950**	**1,192,776**	**1,412,508**
Of which:			
Bank Financing	**1,115,094**	**1,124,920**	**1,362,508**
Non-Bank Financing	**27,856**	**67,855**	**50,000**
Extenal	**735,278**	**667,528**	**685,886**
Of which:			
Loans	**937,937**	**1,023,000**	**1,023,000**
Project	**693,627**	**1,023,000**	**1,023,000**
Programme	**244,310**	**0**	**0**
Amortisation	**(202,659)**	**(355,472)**	**(337,114)**

Source: Budget Bureau, Ministry of Finance

3.2.3 Government expenditures

Total government expenditure increased by 12.37 percent to Le6, 701.54bn (21.13 percent of GDP), which was 7.50 percent less than the budgeted ceiling of Le7, 245,20bn (22.84 percent of GDP).

Recurrent expenditures

Recurrent expenditures amounted at Le4, 594.30bn (14.48 percent of GDP) have increased by 7.49 percent, but they are still for 8.76 percent less than the projected target of Le5, 035.52bn (15.87 percent of GDP). Recurrent expenditures accounted for 68.65 percent of total payments in 2018 compared to 71.67 percent in 2017, ensued mainly from the expansion in the wage bill and total interest payments. The wage bill rose by 13.62 percent to Le2, 067.91bn (6.52 percent of GDP), but slightly above the budgeted ceiling of Le2, 067.80bn by 0.01 percent.

Total interest payments

Total interest payments expanded by 44.03 percent to Le951.08bn (3.00 percent of GDP), but were within the ceiling of Le951.08bn. Of the recurrent spending the wage bill represented 45.01 percent, total interest payment was 14.19 percent.

Non-salary-non-interest recurrent expenditure

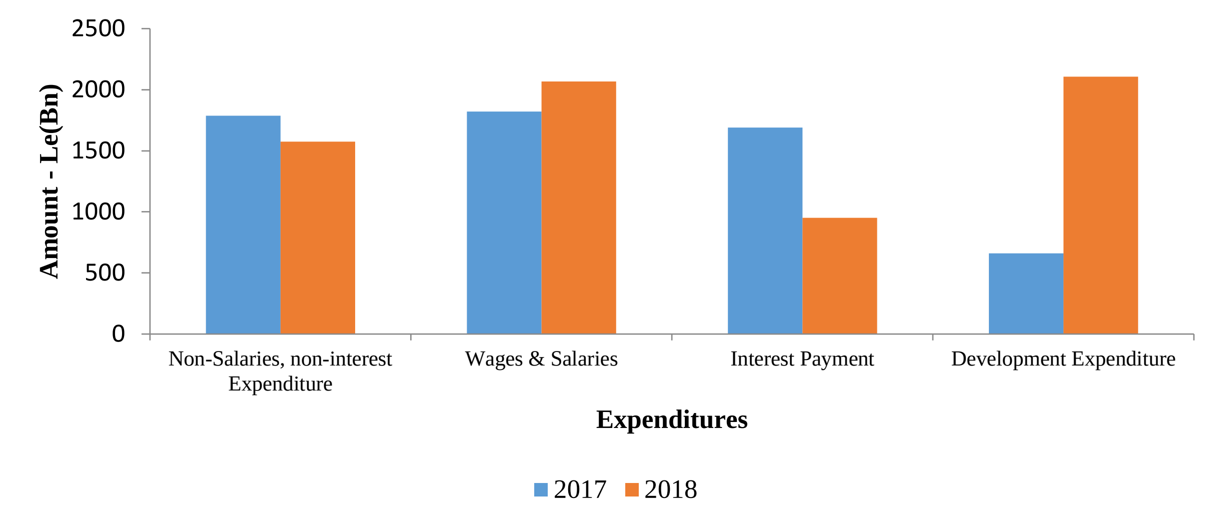
Non-salary-non-interest expenditures decreased by 12.18 percent to Le1, 575.30bn (4.97 percent of GDP) and were 21.88 percent less than the budgeted ceiling of Le2, 016.64bn. Non-salary-non-interest expenditure was 34.29 percent of the total recurrent expenditure.

Development Expenditures

Development expenditures amounted to Le2, 107.24bn (6.64 percent of GDP), reflecting 24.73 percent increase and were 4.64 percent within the ceiling of Le2, 209.68bn (6.97 percent of GDP). The increase in capital spending was attributable to the rise in foreign loans and grants to the tune of Le1, 409.00bn from Le831.06bn in 2017.

Capital expenditure constituted 31.44 percent of total spending in 2018 compared to 28.33 percent in 2017.

Figure 17: Disaggregation of Government Expenditure



Source: Ministry of Finance

3.2.4 Financing

The overall deficit (including grants) of Le1, 491.51bn (4.70 percent of GDP) was financed from both domestic and external sources. Total domestic financing amounted to Le 1, 192.78bn (3.76 percent of GDP) and constituted bank financing to the tune of Le1,124.92bn and non-bank financing of Le67.86bn.

On the external side, financing of the deficit stood at Le667.53bn, which comprised of project loans amounting to Le1,023bn from which an amortisation payment of Le355.47bn was made.

3.3 Public debt

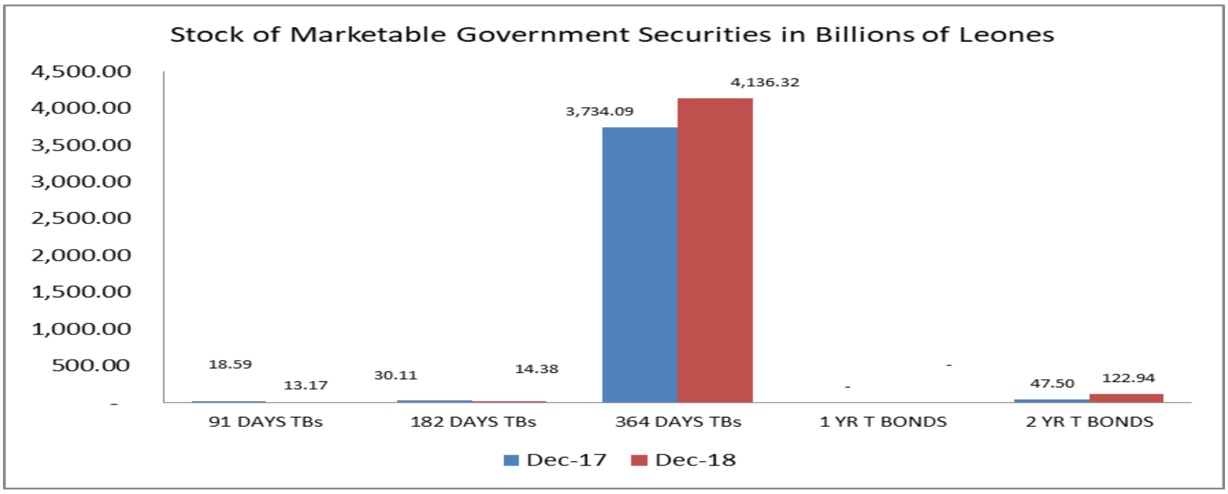
3.3.1 Stock of Government Securities

The total stock of Government securities increased by Le564.71bn from Le4,390.85bn in December 2017 to Le4,955.56bn as at end December 2018. Marketable securities which accounted for 80.84 percent of the increase, stood at Le4,286.81bn in December 2018, increasing by Le456.51bn from Le3,830.30bn in December 2017. Non-marketable securities accounted for 19.16 percent of the additional stock and amounted to Le668.76 in December 2018, increasing by Le108.20bn from Le560.55bn in December 2017. The issuance of new treasury securities during the review period, was exclusively to finance the budget owing to poor revenue performance and increased expenditure for the national elections.

As at end-December 2018, the proportion of 91-days, 182-days and 364-days treasury bills to the total marketable securities were 0.31 percent, 0.33 percent and 96.49 percent respectively, while that of the 2-year Treasury bond was 2.87 percent. Regarding non-marketable securities, the 3-year, 5- year and 10-year treasury bonds accounted for 38.81 percent, 55.02 percent and 6.17 percent respectively.

The stock of 91-days treasury bills decreased by Le5.43bn (29.19 percent) from Le18.60bn at end December 2017 to Le13.17bn at end December 2018. Similarly, the stock of 182-days treasury bills declined by Le15.72bn (52.21 percent) to Le14.38bn as at end December 2018. On the other hand, 364-days treasury bills increased by Le402.22bn (10.77 percent) to Le4,136.32bn at end December 2018 and the 2-year treasury bond significantly increased by Le75.43bn (158.82 percent) to Le122.94bn 2018 for the same period. The stock of 3-year Treasury bond also accelerated by Le115.70bn (80.46 percent) to Le259.52bn in December 2018 from Le143.81bn in December 2017. The stock of 5-year Treasury bond, however, remained at Le367.99bn, same as the previous year, while the 10-year Treasury bond declined by Le7.50bn to Le41.25 in the review period, as government continued to implement its redemption plan (see Figure 18).

Figure 18: Stock of Government Securities by Maturity



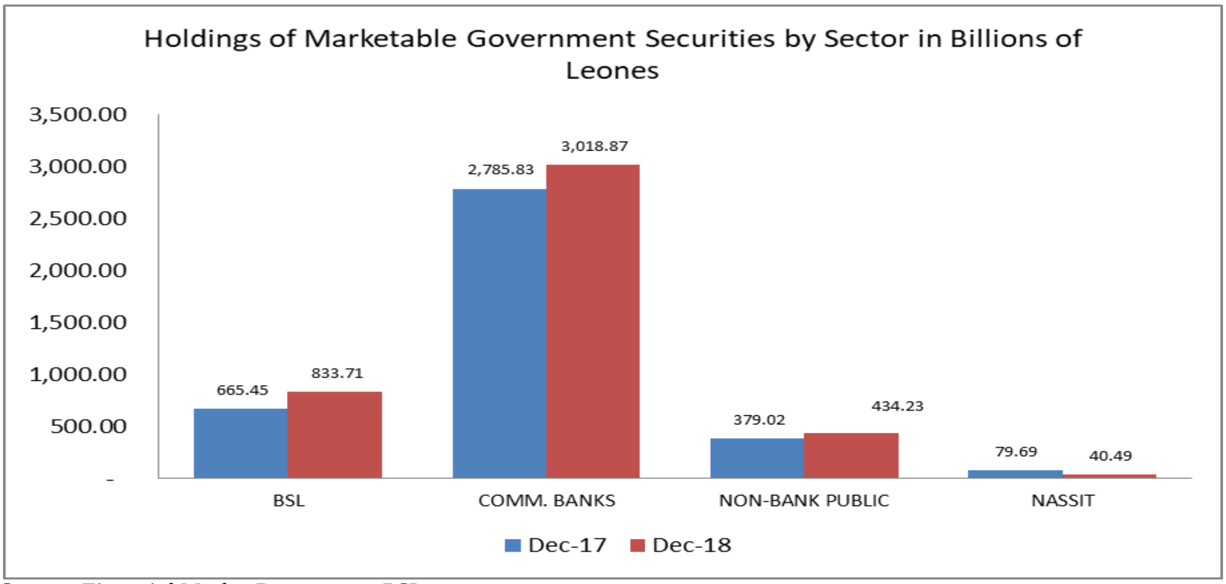
Source: Financial Market Department, BSL

3.3.2 Securities Holdings by Sector

The holdings of marketable government securities increased in all sectors in 2018. BSL holdings of government securities increased by Le168.26bn (25.29 percent) from Le665.45bn in December 2017 to Le833.71bn in December 2018, largely due to BSL's outright purchases of treasury bills from the banks to boost liquidity in the banking system.

Commercial banks' holdings increased by Le233.04bn (8.37 percent) to Le3,018.87bn as at end December 2018. Non-bank public sector holdings (including NASSIT) increased by Le55.21bn (14.57 percent) to Le434.23bn in 2018. The holdings of NASSIT, however, declined to Le40.49bn at the end of 2018 from Le79.69bn at the end of 2017, attributable to a redemption of Le39.20bn by government (see Figure 19).

Figure 19: Holdings of Marketable Government Securities by Sector

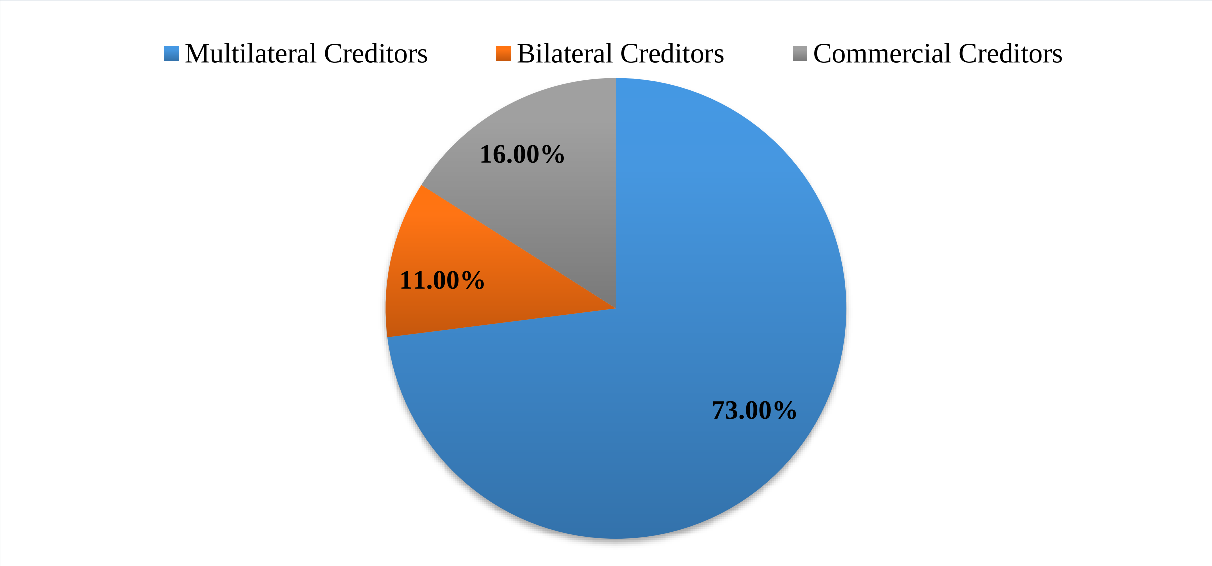


Source: Financial Market Department, BSL

3.3.3 External Debt

Sierra Leone's total stock of external debt as at end 2018 stood at US$1,638.37mn, increasing by 8.7 percent from US$1,507.78mn at end 2017. Debts owed to multilateral creditors continued to dominate the debt portfolio, comprising 73.2 percent of the total, followed by commercial creditors (16.8 percent) and bilateral creditors (11.1 percent). Outstanding debts to the IMF and the World Bank were the main drivers of the high multilateral debt, constituting 22.1 percent (US$362.70mn) and 17.4 percent (US$284.32mn) respectively.

Figure 20: Composition of External Debt



Source: Ministry of Finance

3.4 Developments in the monetary sector

3.4.1 Monetary Policy Stance

During the year 2018, the conduct of monetary policy was focused on pursuing end year inflation target of 18 percent, preserving the value of the Leone through robust market-based instruments and preserve the external reserves of the country consistent with external balance to consolidate the economy from external shocks and ultimately anchor inflationary expectations in the economy.

Monetary Policy Committee Meetings held in 2018

The monetary policy committee (MPC) held three meetings instead of four during 2018 to discuss developments in domestic and international environments and their implications for the outlook of inflation in Sierra Leone. Based on the assessment of the risks to inflation outlook, the MPC maintained a tight policy stance during 2018, in an effort to address the inflationary pressures that started to show up in March 2018. The MPC increased monetary policy rate cumulatively by 200 basis points from 14.5 percent in December 2017 to 16.5 percent in June 2018.

Despite the tight monetary policy stance in the first half of 2018, inflationary pressures remained elevated in the second half of the year, with headline inflation increasing from 16.59 percent in June 2018 to 19.29 percent in October 2018. This development was in part explained by the hikes in food prices, prolonged exchange rate depreciation and upward adjustment in the domestic pump price of fuel.

In its fourth quarter 2018 meeting, the MPC noted that although inflation rate remains high, there are signs of inflationary pressures easing in the next few months ahead. Consequently, the MPC decided to keep the monetary policy rate as well as the interest rate corridor unchanged.

Challenges to Monetary Policy

During the year, monetary policy implementation was challenged by tight liquidity conditions in the interbank market, reflecting low revenue outturn, delayed disbursement of donor inflows, and accumulation of arrears.

To enhance liquidity conditions in the banking system, the BSL entered into foreign currency swap arrangement with banks amounting to USD50mn. Whilst the foreign currency swap arrangement provided greater liquidity assurance to the market and enabled commercial banks to participate fully in the domestic debt market, it resulted in monetary expansion which was not consistent with the BSL's monetary policy stance. The mixed signals sent to the market dampened the efficacy of monetary policy.

Table 4: Monetary Policy Committee (MPC) Meetings in 2018

MPC Meeting	Policy Decisions	MPR (Percent)
Monday 14th May 2018	Increase the Monetary Policy Rate (MPR) by 50 basis points	15.00
Thursday 28th June 2018	Increase the MPR by 150 basis points	16.50
Friday 28th December 2018	Maintain the MPR unchanged	16.50

Box 1: SUMMARY OF MPC DELIBERATIONS

May 2018 Meeting: At its first quarter meeting held on 14th May 2018, the MPC noted that growth will continue to strengthen as global GDP is projected to increase from 3.8 percent in 2017 to 3.9 percent in 2018 and 2019, supported by an increase in global trade and commodity prices coupled with improved economic sentiment. The Sierra economy is likely to benefit from the global outlook. However, the projected increase in specific commodity prices (fuel and rice) and ongoing technical difficulties in the operations of domestic iron ore is projected to decline in 2018 and 2019.

On the domestic front, the rate of economic recovery observed in 2016 was not sustained in 2017, as evidenced by the decrease in GDP growth from 6.3 percent in 2016 to 3.5 percent in 2017, which was manly attributed to the lower than expected production of iron ore and the slow pace of economic diversification .Similarly, non-iron ore GDP growth was 3.4 percent in 2017, compared to 4.3 percent in 2016.

On inflation, there was evidenced that domestic inflationary pressures continued to decline. Inflation declined from 17.83 percent in Q3,2017 to 15.33 percent in Q4, 2017.In January 2018, inflation declined to 14.69 percent and further to 14.40 per c cent in February 2018, reflecting decrease in both food and non-food inflation, underpinned by a decrease in the volatility of the exchange rate. However, there was a slight increase in inflation (14.91 percent) in March 2018.

On the outlook for inflation, the key threat to inflation is the expected increase in the prices of the country's imports (especially fuel and rice), which is likely to negatively impact the trade balance, with potential adverse implications for the exchange rate. Over the next few months, additional inflationary pressures may come from the expected pick up in domestic aggregate demand and the seasonal effects of the raining season, especially the reduction in domestic food production. Based on these assessments, the MPC therefore resolved to increase the monetary policy rate by 50 basis points from 14.5 percent in December 2017 to 15 percent in March 2017.

June 2018 Meeting: The MPC noted that growth will continue to strengthen as global GDP is expected to edge up from 3.8 percent in 2017 to 3.9 percent in 2018 and 2019, due to supportive financial conditions, improved global trade and rising commodity prices. Sierra Leone is likely to benefit from the global growth prospect, owing to the potential increase in demand for exports from Sierra Leone.

In the domestic economy, real GDP growth is projected to remain at 3.7 percent, same as in 2017. This is mainly attributed to the suspension of iron ore mining due to weak market conditions and operational challenges. After a steady decline from 15.33 percent in December 2017 to 14.91 percent in March 2018, the rate of inflation increased to 15.14 percent in April 2018 and further to 16.02 percent in May 2018.The pickup in inflation reflected several factors including the depreciation of the Leone and an increase in food and non-food prices, reversing the disinflation trend observed since the beginning of 2018.

Despite the subdued domestic growth outlook, some risks remain to the inflation outlook. These risks are largely due to the rising domestic food prices arising from seasonal food supply shocks, the depreciating Leone and rising international prices of fuel and rice given the uncertainty of the inflation outlook. The MPC resolved to sustain the tight monetary policy stance. Consequently, the MPC decided to increase the monetary policy rate by 150 basis points to 16.50 percent.

December 2018 Meeting: Global growth is expected to be firm, driven by strong growth in the United States and developing economies, and is projected to grow by 3.7 percent in 2018 and 2019. However, the escalating trade friction among major economies and the uncertainties surrounding Brexit undermine the growth momentum.

On the domestic front, real GDP is expected to drop to 3.7 percent in 2018-from the 3.8 percent recorded in 2017.This reflects the continued suspension of iron ore mining, which continues to weigh down on economic activity, coupled with subdued aggregate demand.

Since the last MPC inflationary pressures continued to be elevated, with headline inflation increasing from 16.59 percent in June 2018 to 19.29 percent in October 2018, primarily due to an increase in food prices, which was compounded by a depreciation of the Leone and an upward adjustment in the domestic pump price of fuel. However, the MPC noted that although the inflation rate remains high, there are signs that inflationary pressures area easing as evidenced by a decrease in the inflation rate to 18.14 percent in November 2018, the stability in the exchange rate of the Leone against major currencies, and improved domestic food supply as we were in the harvest season.

With real GDP expected to pick up to 5.1 percent in 2019 coupled with recent disinflationary trend, thus the policy priority of the BSL in the coming months is to maintain that disinflationary momentum while allowing scope for recovery of aggregate demand to push real GDP back towards its potential growth rate.

Based on the near-term outlook, the balance of risks as well as the need to wait the impact of recent macroeconomic policies and structural reforms measures in the economy, the MPC resolved to keep the monetary policy stance unchanged.

3.4.2 Developments in Monetary Aggregates

Broad Money (M2) supply expanded by 14.25 percent in December 2018, compared to the 6.99 percent growth recorded in December 2017, mainly on account of the 26.67 percent increase in Net Domestic Assets (NDA) of the banking system, as Net Foreign Assets (NFA) of the banking system contracted by 10.51 percent in the review period.

The growth in NDA was due to a 21.12 percent increase in net claims on central government by the banking system and the 31.49 percent growth in private sector credit relative to the 4.29 percent growth recorded in December 2017.

The NFA of the banking system decreased by 10.51 percent in December 2018, relative to a contraction of 10.72 percent in December 2017. This was mainly due to a 67.42 percent decrease in NFA of the BSL, due to the increased payments made in respect of official foreign commitment including infrastructure projects, SWAP transactions, Foreign Exchange Auctions, Foreign embassy bills and foreign debt services.

Table 5: Money Supply and its Components

	2017M12, Le	2018M12, Le	Jan-Dec 2017 Change, Le	Jan-Dec 2017 Percentage Change	Jan-Dec 2018 Change	Jan-Dec 2018 Percentage Change
Reserve money	**2,284.26**	**2,433.26**	**188.66**	**9.00**	**149.00**	**6.52**
Money supply (M2)	**6,522.32**	**7,451.88**	**426.19**	**6.99**	**929.56**	**14.25**
Narrow money (M1)	**3,044.04**	**3,409.47**	**297.39**	**10.83**	**365.43**	**12.00**
Currency outside banks	1,530.46	1,732.14	268.98	21.32	201.68	13.18
Demand deposit	1,513.58	1,677.33	28.41	1.91	163.75	10.82
Quasi money	**3,477.71**	**4,039.45**	**128.63**	**3.84**	**561.74**	**16.15**
o.w. Foreign currency deposit	1,751.01	2,057.20	(99.80)	(5.39)	306.19	17.49
Time and saving deposit	1,726.70	1,982.25	228.43	15.25	255.55	14.80
Net Foreign Asset	**2,178.04**	**1,949.10**	**(261.48)**	**(10.72)**	**(228.94)**	**(10.51)**
BSL	438.46	142.83	(347.18)	(44.19)	(295.63)	(67.42)
ODCs	1,739.58	1,806.27	85.70	5.18	66.69	3.83
Net Domestic Assets	**4,344.28**	**5,502.78**	**687.67**	**18.81**	**1,158.50**	**26.67**
Net Domestic Credit	**5,871.02**	**7,146.86**	**849.80**	**16.92**	**1,275.84**	**21.73**
Government (Net)	4,374.20	5,297.97	944.53	27.54	923.77	21.12
Private Sector	1,412.99	1,845.40	66.63	4.95	432.41	30.60
o.w. BSL	35.00	33.48	9.92	39.55	(1.52)	(4.34)
ODCs	1,377.99	1,811.92	56.71	4.29	433.93	31.49
Other Sectors (Net)*	83.83	3.49	(161.36)	(65.81)	(80.34)	(95.84)
Other Items (Net)	**(1,526.74)**	**(1,644.08)**	**(162.13)**	**11.88**	**(117.34)**	**7.69**
Money Multiplier	2.86	2.86				

Source: Research Department, Bank of Sierra Leone

The growth in M2 was also reflected in the increase of both the Narrow Money (M1) and the Quasi Money. The M1 expanded by 12.00 percent as at December 2018, relative to 10.83 percent as at December 2017, reflecting an increase in both the currency outside banks (13.18 percent) and the demand deposits (10.82 percent). The Quasi Money expanded by 16.15 percent in December 2018, relative to a growth of 3.84 percent in December 2017, due to the increase in both the foreign currency deposits (17.49 percent) and the time and saving deposits (14.80 percent).

Reserve Money (RM)

The Reserve Money (RM) expanded by 6.52 percent as at December 2018. But, the increase was lower than the 9.00 percent growth in 2017, thus reflecting moderate growth of currency in circulation compared to previous year.

Table 6: Reserve Money and its components

	2017M1	2018M1	Jan-Dec 2017 Change	Jan-Dec 2017 Percentage Change	Jan-Dec 2018 Change	Jan-Dec 2018 Percentage Change
1. Net Foreign Assets	**438.46**	**142.83**	**(347.18)**	**(44.19)**	**(295.63)**	**(67.42)**
2. Net Domestic Assets	**1,845.80**	**2,290.43**	**539.25**	**41.27**	**444.63**	**24.09**
2.1 Government Borrowing (net)	2,082.11	2,611.55	473.68	29.45	529.44	25.43
o.w. 2.11 Securities	1,186.70	1,347.42	444.87	59.97	160.72	13.54
2.12 Ways and Means	120.02	75.23	8.43	7.55	(44.79)	(37.32)
2.13 GoSL/IMF Budget financing	988.95	1,418.56	108.13	12.28	429.61	43.44
3. Reserve money	**2,284.26**	**2,433.26**	**188.66**	**9.00**	**149.00**	**6.52**
o.w. 3.1 Currency issued	1,764.46	1,983.64	297.37	20.27	219.18	12.42
3.2 Banks' reserves	519.24	446.67	(108.88)	(17.33)	(72.57)	(13.98)

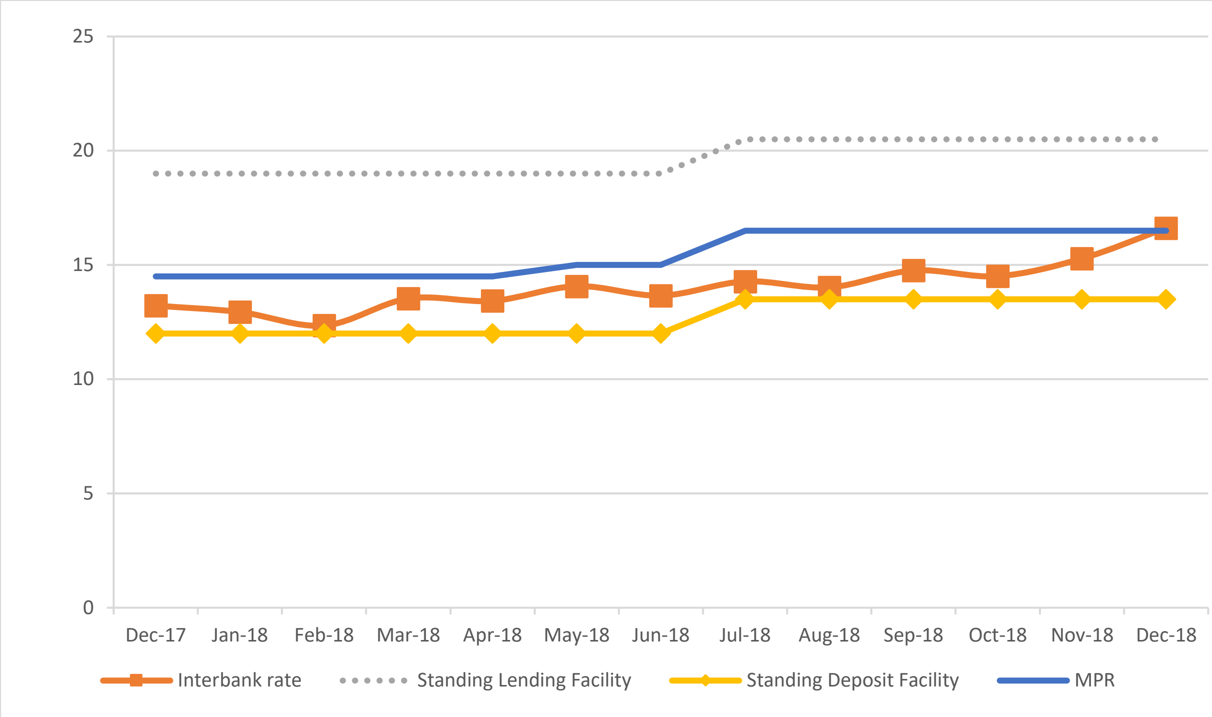
Source: Research Department, Bank of Sierra Leone

The growth in RM was mainly due to a 12.42 percent growth in Currency issued, as banks' reserves contracted by 13.98 percent during the review period. Currency issued in December 2018, was however lower when compared to the 20.27 percent growth recorded in December 2017. Also, the 13.98 percent contraction of Banks' reserves in 2018 was lower than the 17.33 percent contraction recorded in December 2017.

3.4.3 Interest Rates Developments

The Monetary Policy Rate (MPR) was raised successively from 14.50 percent as at December 2017, to 15 percent in May 2018, and further to 16.50 percent in June 2018, and remained unchanged at end December 2018. Accordingly, the Standing Lending Facility (SLF) and the Standing Deposit Facility (SDF) rates were raised from 19.00 percent and 12.00 percent to 20.50 percent and 13.50 percent respectively. Consequently, the interbank rate moved from 13.22 percent in December 2017, to 16.62 percent in December 2018, but remained within the interest rate policy corridor, indicating improvement in monetary transmission on the wholesale market front.

Figure 21: Trends in interest rates

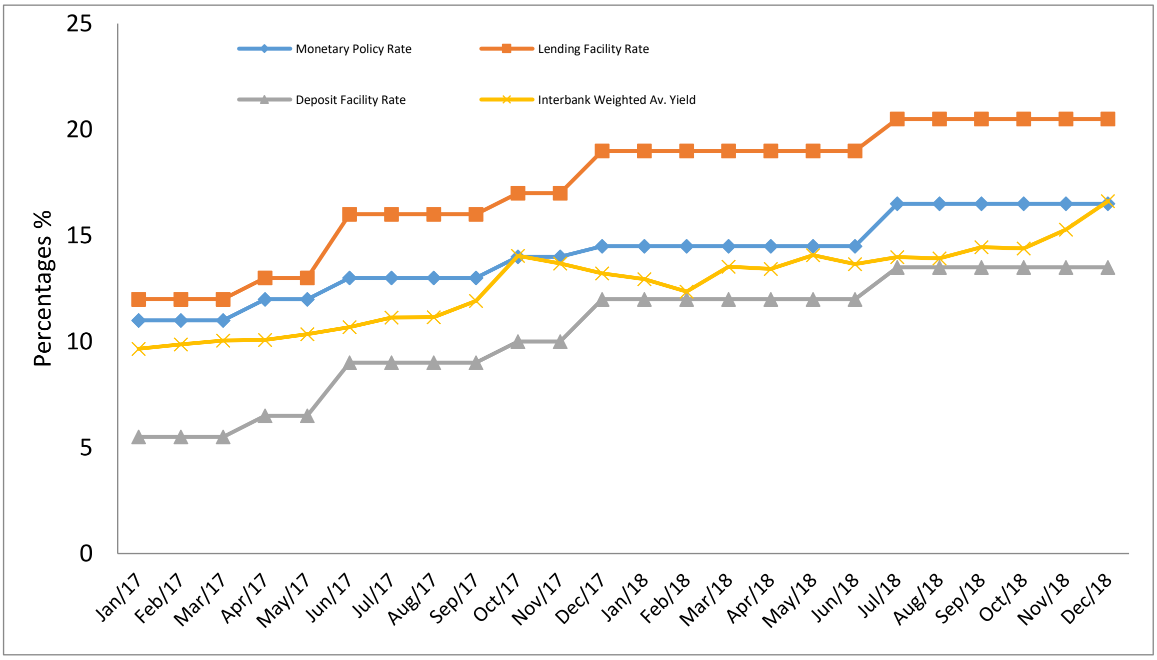


Source: Research Department, Bank of Sierra Leone

Interbank Rates

The interbank interest rate increased from 13.22 percent December, in 2017 to 16.62 in December 2018, reflecting tight monetary stance. However, the interbank rate remains within the policy corridor, an indication of effective monetary transmission in the money market. Figure 22 shows the trends in BSL Policy Rates and Interbank Average Rate for the period January 2017 to December, 2018.

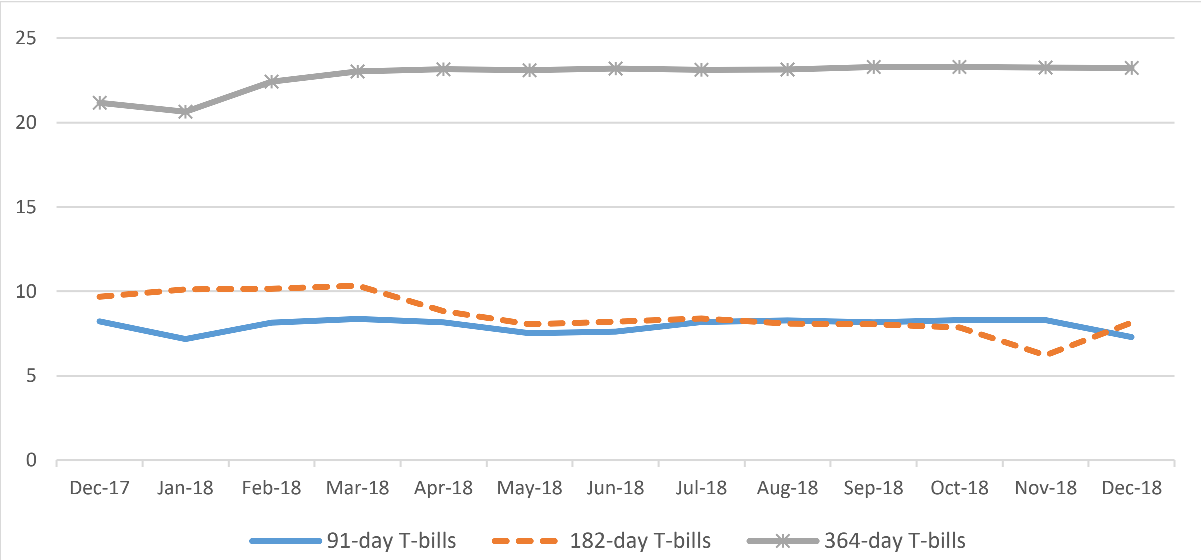
Figure 22: Trends in BSL Policy Rates and the Interbank Weighted Average Rate



Yields on Treasury Bills

The yields on treasury bills (T-bills) recorded mixed trend during the review period. The yields on 91-days and 182-days T-bills decreased from 8.22 percent and 9.68 percent in December 2017 to 7.30 percent and 8.14 percent in December 2018 respectively. However, the yield on the 364-days T-bills increased from 21.17 percent in December 2017, to 23.23 percent in December 2018. The demand for government securities continued to be skewed towards the 364-days tenure during the period under review.

Figure 23: Trends in the yields of Government securities



Source: Research Department, Bank of Sierra Leone

Commercial Banks Lending and Deposit Rates

The average lending and deposit rates remain unchanged at 21.35 percent and 2.38 percent respectively during the review period.

Table 7: Interest Rates

	2016M12	2017M12	2018M12
91-day Treasury bills rate	9.38	8.22	7.3
182-day Treasury bills rate	16.17	9.68	8.14
364-day treasury bills rate	30.22	21.17	23.23
Interbank rate	9.82	13.22	16.62
Standing Lending Facility	12.00	19.00	20.50
Standing Deposit Facility	5.50	12.00	13.50
Monetary Policy Rate	11.00	14.50	16.50
Average Lending rate	21.35	21.35	21.35
Savings deposits	2.38	2.38	2.38

Source: Research Department, BSL

Box 2: Update on the ECF Program with IMF

On November 30, 2018, the Executive Board of the International Monetary Fund (IMF) approved a new 43 months arrangement for Sierra Leone under the Extended Credit Facility (ECF) amounted at SDR124.44 million (about US$172.1 million), equivalent of 60 percent of Sierra Leone's quota in the IMF, to support the country's economic and financial reforms. The Executive Board's decision enables an immediate disbursement of SDR15.555 million (about US$21.5 million). The remaining amount will be phased over the duration of the program, subject to semi-annual reviews.

As at end December 2018, provisional results indicate that both the criteria on Gross Foreign Exchange Reserves (GFERs) of the BSL and Net Credit to the Central Government by the banking sector were met. However, the criterion on Net Domestic Assets (NDA) of the BSL was missed out.

The NDA was breached due to both the growth in Reserve Money (RM) and contraction in Net Foreign Assets (NFA) of the BSL. The RM grew more than its indicative target reflecting a combination of factors including BSL-World Bank Bridge Loan, BSL-IMF on lending and increased demand for money during festive seasons. The contraction in NFA could be partly attributed to computational issues under the program. As designed by the program, while foreign currency SWAP was included in NFA as of June 2018, it was excluded from NFA as of December 2018, which partly explains the decrease in NFA and resulting in a breach in the NDA. It is likely that the Criteria on NDA could have been met if foreign currency SWAP was included in NFA as at end of December 2018.

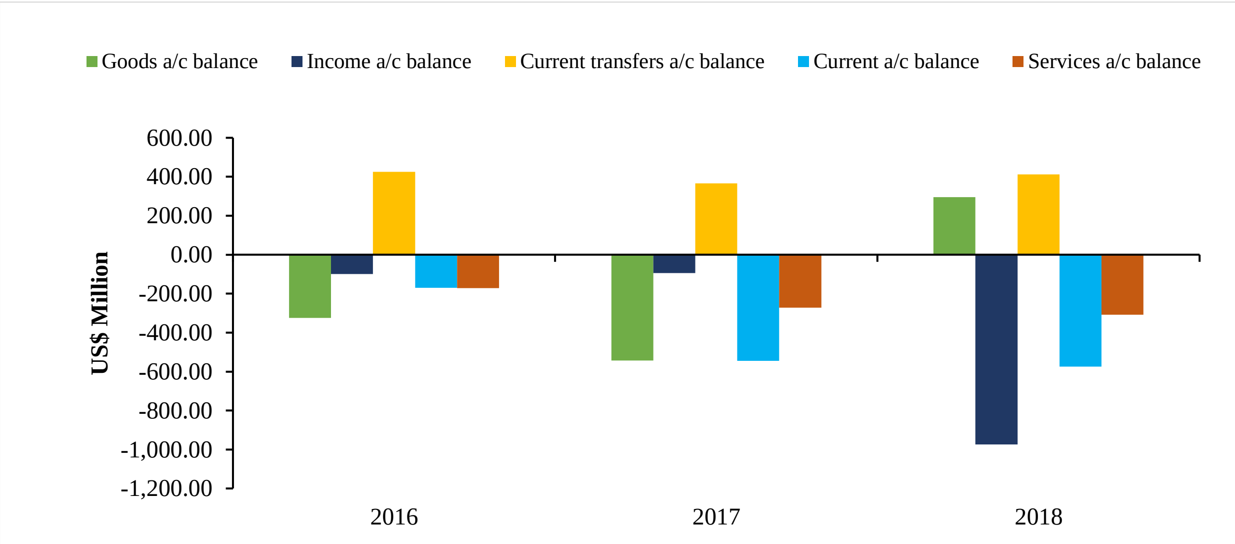
3.5 Developments in the external sector
3.5.1 Balance of Payments

The overall balance of payment position continued to improve in 2018 as evidenced in the contraction of the estimated overall deficit to US$25.04mn or 0.63 percent of GDP in 2018 from US$330.79mn or 8.85 percent of GDP in 2017. This development was supported by net financial assets in the capital and financial account.

The Current Account

The current account continued to deteriorate in 2018, recording a deficit of US$574.21mn (14.4 percent of GDP) from a deficit of US$544.32mn (14.6 percent of GDP) in 2017. This development was on account of a deterioration in the services and income account.

Figure 24: The Current Account



Source: Research Department, BSL

Trade Balance

The trade deficit narrowed significantly to US$12.87mn in 2018 from US$815.39mn in 2017, underpinned by the combined effect of a decline in imports and a significant improvement in all categories of exports.

Developments in the Goods Account:

Merchandise Exports

The estimated value of merchandise exports significantly increased to US$1,492.24mn in 2018 from US$647.12mn in 2017. The increase in agricultural exports was substantial and amounted at US$196.30mn in 2018 from US$25.15mn in 2017, led by the greater-than-expected increase in exports of fish and shrimps, palm oil and timber. On the other hand, mineral exports declined to US$359.03mn in 2018 from US$433.06mn in 2017, underpinned by declines in the exports of iron ore, rutile and bauxite, despite increases in diamond and gold exports.

Merchandise Imports

The value of imports is estimated to have modestly increased to US$1,197.63mn in 2018 from US$1,109.21mn in 2017, driven largely by higher import bills for mineral fuel & lubricants, which increased significantly to US$335.86mn in 2018 from US$194.94mn in 2017, mainly driven by an increase in petroleum imports. However, import bills for consumer goods, manufactured goods and machinery & transport equipment declined during the period, thus moderating the impact of the increase in import bills for petroleum during the review period.

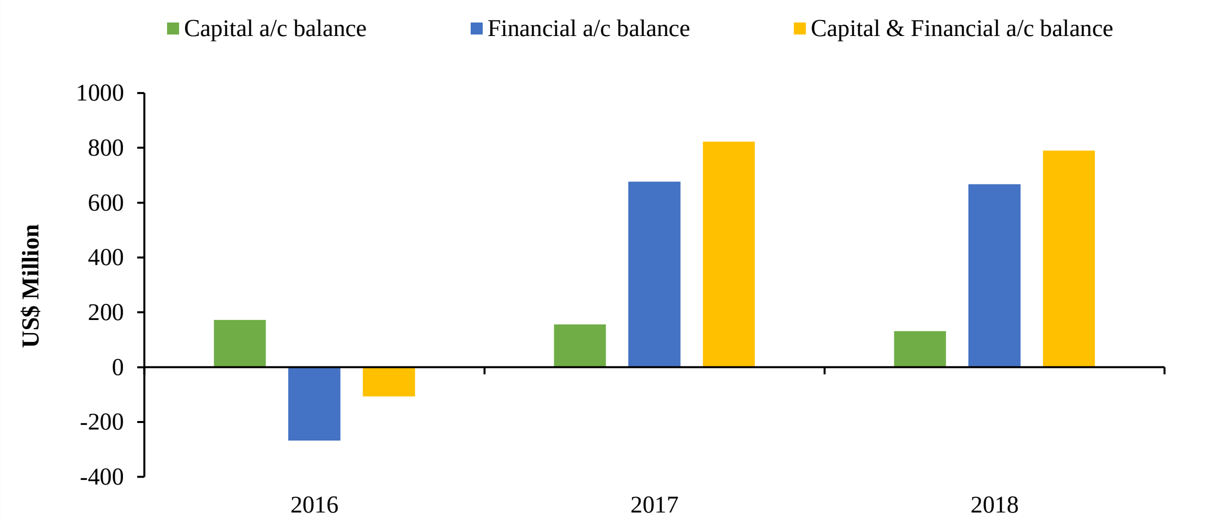
The Services Account Income and Current Transfers Account

The services account recorded an increase in net outflows to US$307.44mn in 2018 from US$272.28mn in 2017, following increases in payments for transportation, insurance and other business services to non-residents. In terms of share of aggregate net payments in the services account, other business services accounted for 44.2 percent, transportation (43.0 percent) and insurance (10.25 percent). Similarly, the deficit in the income account widened significantly to US$973.61mn in 2018 from US$94.98mn in 2017, driven by higher payments of investment income, particularly other investment incomes. However, the net inflow in the current transfers account increased to US$412.27mn in 2018 from US$366.06mn in 2017 on account of increases in both official and private inflows during the year.

Capital and Financial Account

The net inflow in the capital & financial account in 2018 marginally declined to US$789.85mn from US$822.15mn in 2017, reflecting the decrease in net inflows in both the capital and the financial accounts.

Figure 25: The Capital and Financial Account



Source: Research Department, BSL

Capital Account

The net inflow in the capital account decreased by 15.6 percent to US$131.63mn in 2018 from US$155.95mn in 2017, underpinned by a decline in official capital inflows of 21.6 percent to US$89.68mn in 2018 from US$114.35mn in 2017.

Financial Account

The net inflow in the financial account declined by 1.27 percent to US$667.84mn in 2018 from US$676.46mn recorded in 2017. This marginal deterioration was mainly on account of a decline in foreign direct investments (FDI). Net inflows from FDIs declined by 6.44 percent to US$703.38mn in 2018 from US$751.83mn in 2017, supported by declines in equity capital and reinvested earnings in the domestic economy. Similarly, portfolio investment assets declined marginally to US$2.46mn in 2018 from US$2.65mn in 2017, underscored by a modest decline in debt securities. However, net liabilities on other investments contracted to US$38.01 in 2018 from US$78.01mn in 2018, on the back of a decline in other liabilities.

3.5.2 Gross Foreign Exchange Reserves

The stock of gross foreign exchange reserves of the Bank of Sierra Leone declined by 5.81 percent to US$502.78mn in 2018 from US$533.80mn in 2017, reflecting a net outflow of US$22.28mn. However, the level of reserves was sufficient to cover 4.3 months of imports.

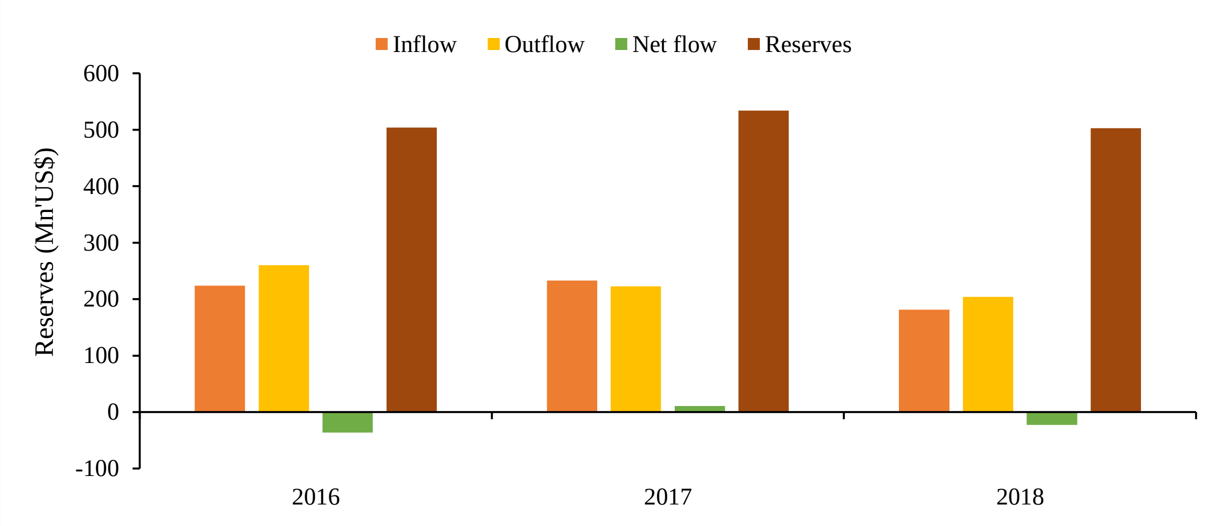
Foreign Exchange Inflows

The total foreign exchange inflows decreased by 22.29 percent to US$181.21mn in 2018 from US$233.19 in 2017, led mainly by the significant decline in aid disbursement, i.e. the BOP support. Significant foreign exchange inflows during the period comprised aid disbursements (BOP support), amounting at US$55.19mn, of which US$26.62mn was EU poverty reduction budget support, US$21.52mn was IMF disbursement under the ECF program for budget financing, and the IDB disbursement of US$4.22mn for various ongoing projects. Export receipts for the period totaled US$40.99mn, comprising mainly royalty payments from Sierra Rutile (US$21.40mn), fishing royalty (US$9.40mn), Vimetco (US$7.43mn), other mining receipts (US$5.98mn), Koidu Holdings (US$5.64mn), and diamond exporters' income tax (US$5.84mn). Other inflows included, US$20.90 being other government receipts, transactions with commercial banks of US$18.38mn, receipts from Timber mining of US$9.25mn and privatization receipts of US$5.10mn.

Foreign Exchange Outflows

Total foreign exchange outflows declined by 8.21 percent to US$204.20mn in 2018 from US$222.47mn in 2017 driven mainly by the decline in payments for goods and services. Significant foreign exchange outflows comprised US$143.54mn being payments for goods and services of which, the weekly sale of foreign exchange through the BSL's auctions amounted to US$75.45mn, government travel and other government expenditures totaled US$29.97mn, payments to embassies/diplomatic missions was US$9.47mn, US$9.43mn being BSL's utilization for banking related issues, and US$3.65mn was in respect of government subscription to international organizations. Debt service payments amounted to US$60.66mn during the period under review.

Figure 26: Foreign Exchange Flows and Reserves Position



Source: Bank of Sierra Leone

3.5.3 The ECOWAS Macroeconomic Convergence Criteria

Regarding ECOWAS primary convergence criteria, Sierra Leone underperformed in 2018 as only one (gross external reserves in months of import) out of the four primary criteria was met. However, performance under the secondary criteria remained strong as the country met both criteria on nominal exchange rate stability and ratio of public debt to GDP, which is same as in 2017.

Table 8: Status of Rationalized ECOWAS Primary Convergence Criteria, 2014-2018

Economic Indicators	**Target**	**2014**	**2015**	**2016**	**2017**	**2018**
Inflation (End Period)	Single digit	7.9	8.9	17.4	15.3	17.5
Inflation (annual Average)	Single digit	7.2	8.1	11.0	18.3	16.7
Fiscal Deficit including grants/GDP (percent)	≤ 3%	3.9	4.9	5.0	9.0	5.4
BSL Financing of Fiscal Deficit as percent of previous year's tax revenue	≤ 10%	8.6	16.7	54.6	81	44
Gross External Reserves (in months of import)	≥ 3 months	3.0	5.0	3.8	3.5	4.3
Number of criteria satisfied		4	3	3	1	1

Table 9: Status of Rationalized ECOWAS Secondary Convergence Criteria 2014 -2018

Economic Indicators	Target	2014	2015	2016	2017	2018
Exchange Rate Variation	± 10	-13.5	-13.4	-29.1	4.2	-8.0
Public Debt/GDP (percent)	≤ 70 percent	35.9	69.3	55.1	59.1	51.0
Number of criteria satisfied		2	1	1	1	2

Source: BSL

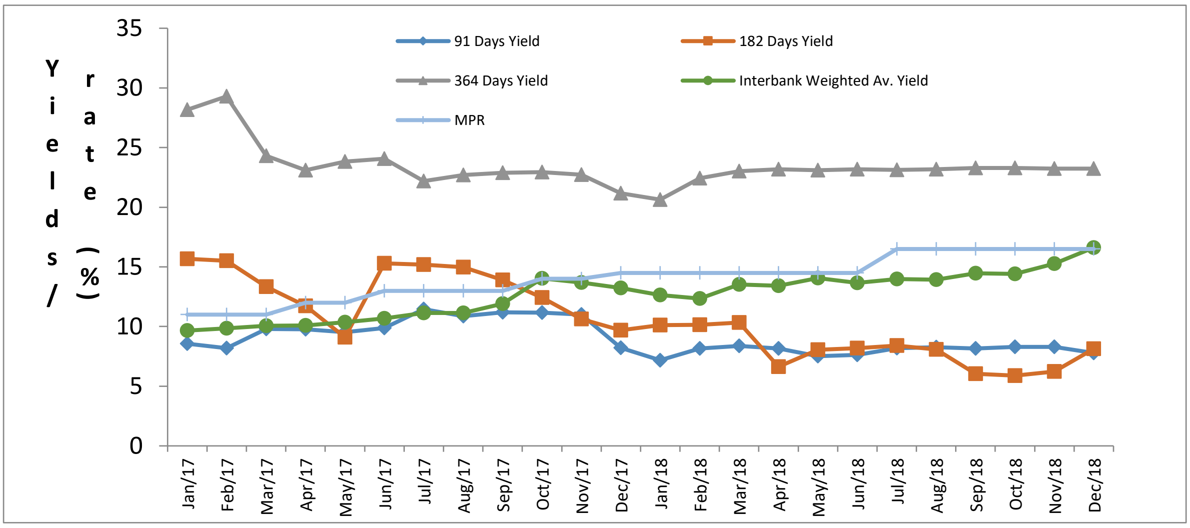
4.0 DEVELOPMENTS IN THE FINANCIAL MARKETS

4.1 Developments in the Money Markets

Trends in Yields of Government Securities

During the review year, trends in the yields in all tenures of treasury bills were mixed. The annual yield on 91-days Treasury bills closed at 8.22 percent in December 2017, gradually declined to 7.52 percent in May 2018, commenced an upward trend from 7.62 percent in June 2018 to 8.30 percent in November 2018 and dropped to 7.80 percent in December 2018. The annual yield on 182-days Treasury bills closed at 9.68 percent in December, 2017, steadily increased to 10.34 percent in March 2018, significantly declined to 6.63 percent in April 2018, after which it rose intermittently to 8.14 percent in December 2018. The annual yield on the 364-days Treasury bills of 21.17 percent as at December 2017, decreased to 20.64 percent in January 2018, but increasingly reached 23.23 percent in December 2018. Figure 3 shows the trends in yields of government securities in both the Primary and Interbank markets and the Monetary Policy Rate (MPR).

Figure 27: Trends in interest rates



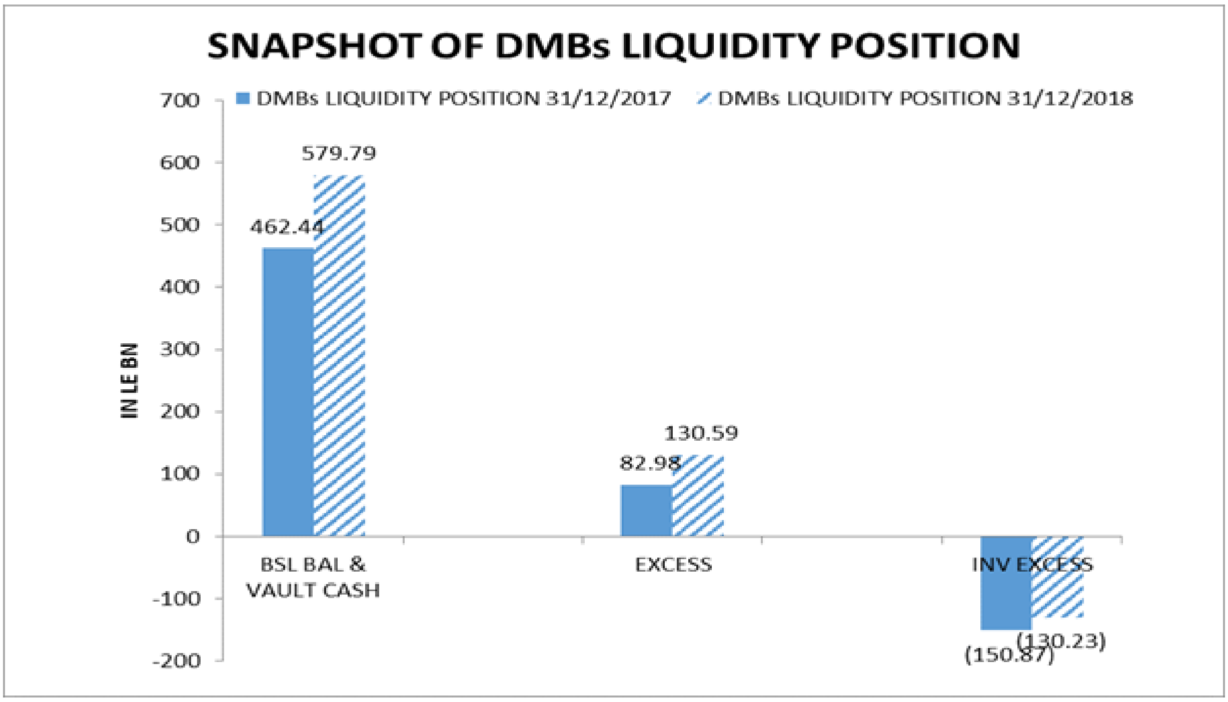
Interbank Market

The value of interbank transactions increased by Le747.30bn (43.20 percent) from Le1,730.00bn in 2017 to Le2,477.30bn in 2018, implying improved intermediation among counterparties during the year. The value of transactions through the SDF increased by Le325.00bn (88.92 percent) from Le365.50bn in 2017 to Le690.50bn in 2018. The increase in the SDF compared to the SLF was as a result of the huge liquidity injection for the payment of arrears to contractors in the latter part of Q4, 2018. This somewhat helped to ease liquidity situation in the banks by the end of December 2018. However, when compared with the SLF, transactions increased slightly by Le45.60bn (0.93 percent), from Le 4,912.50bn in 2017 to Le 4,958.10bn in 2018.

Liquidity in the Banking System

Total liquidity in the banking system increased by Le117.35bn from Le462.44bn as at December 31, 2017 to Le579.79bn as at December 31, 2018. The aggregate volume of excess liquidity increased by Le50.61bn from Le82.98bn in 2017 to Le133.59bn in 2018 whilst the short involuntary excess liquidity decreased by Le20.63bn to Le130.34bn as at end 2018 from Le150.87bn in 2017. The uncertainty in the market regarding the political business cycle, which explained the tightness in 2017 spilled over to the first quarter of 2018. However, the market observed liquidity ease by the fourth quarter in 2018 owing to government's huge injection of liquidity into the banking system from the robust revenue mobilization drive (courtesy the implementation of the TSA) and donor disbursements.

Figure 28: Snapshot of DMBs Liquidity Position



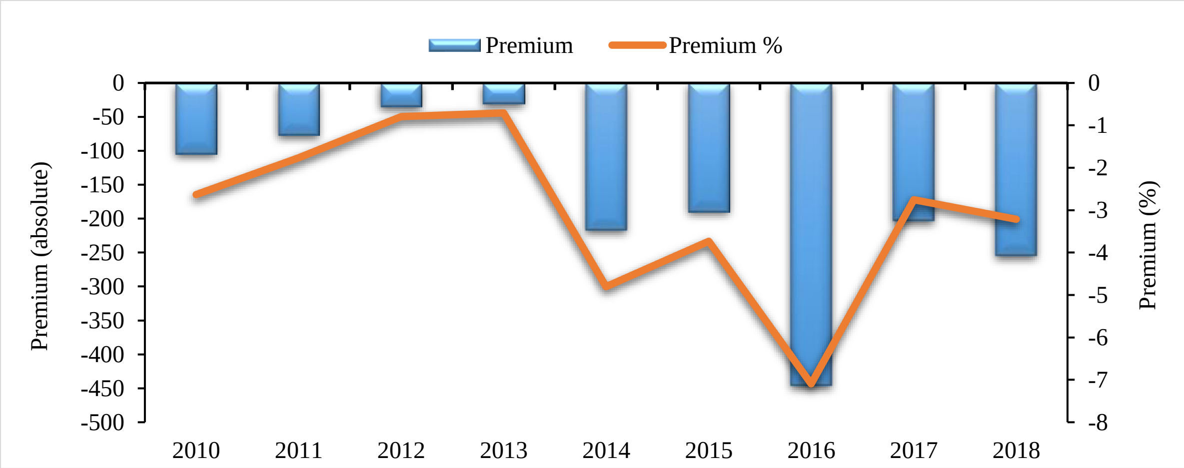
Source: BSL

4.2 Exchange Rate Developments

The exchange rate of the Leone relative to the US dollar continued to depreciate in all segments of the foreign exchange market in 2018. However, when compared to the preceding period, it was relatively stable, supported by the BSL's weekly foreign exchange auctions aimed to contain heightened speculative behavior by market participants and smoothen volatility in the exchange rate. Consequently, the parallel market rate averaged Le8,186.67/US$1, depreciating by 7.65 percent in 2018 compared to 12.65 percent in 2017. The commercial banks rate averaged Le8,039.91/US$1, depreciating by 7.35 percent in 2018 against 16.49 percent in 2017. The exchange bureaux market rate averaged Le7,901.67/US$1, depreciating by 7.21 percent compared to 18.51 percent in 2017. The official market rate averaged Le7,931.87/US$1, depreciating by 7.16 percent compared to 17.37 in 2017. Finally, the auction rate averaged Le8,177.15/US$1, depreciating by 10.78 percent in 2018.

The premium between the official and parallel exchange rates widened by 3.21 percent to Le254.80/US$1 in 2018 from Le203.55/US$1 in 2017.

Figure 29: Premium between the official and parallel exchange rates



Source: Bank of Sierra Leone

5.0 FINANCIAL SECTOR DEVELOPMENTS

5.1 Banking Sector

The BSL continued with its effort to advance regulatory and supervisory framework for the banking system. In this context, amendments to the BSL Act 2011 and Banking Act 2011 have been tabled in Parliament for discussion and subsequent adoption.

In addition, a new Borrowers and Lenders Bill has been drafted, with the assistance from International Financial Corporations (IFC) legal consultant. The Bill has since been re-drafted by the Law Officers Department and signed by the Minister of Finance for onward transmission to Parliament for enactment.

The new Borrowers and Lenders Bill will broaden the scope of the current Collateral Registry to include the registration of immovable assets, which will transform it into a one stop shop. The new Borrowers and Lenders Bill will also enable individual and non-incorporated entities, who are not licensed and supervised by the BSL to be able to register their security interests.

Regarding the implementation of the Risk Based Supervision (RBS) in 2018, the Banking Supervision Department conducted full scope RBS examinations of eight commercial banks as well as targeted AML/CFT examination of two commercial banks.

Furthermore, the BSL with the technical assistance provided by the US Treasury Department, is in the process of setting up a deposit protection fund. A Deposit Protection Bill has been drafted and is currently being reviewed by the project implementation team.

The project implementation team is working closely with the US Treasury consultant and the BSL's Research Department to develop a model for the optimal size of the deposit protection fund.

The Government of Sierra Leone (GoSL) in cooperation with Kiva, United Nation Capital Development Fund (UNCDF), and United Nation Development Program (UNDP), has commenced a project to implement a modernised national identity database, which will ultimately provide credit and financial histories for borrowers and accelerate nation-wide financial inclusion. Kiva has submitted a timeline for the implementation of the project, which will run from December 2018 – December 2019. The capacity building support will also commence immediately after the implementation of the project in January 2020 and will last till December 2020.

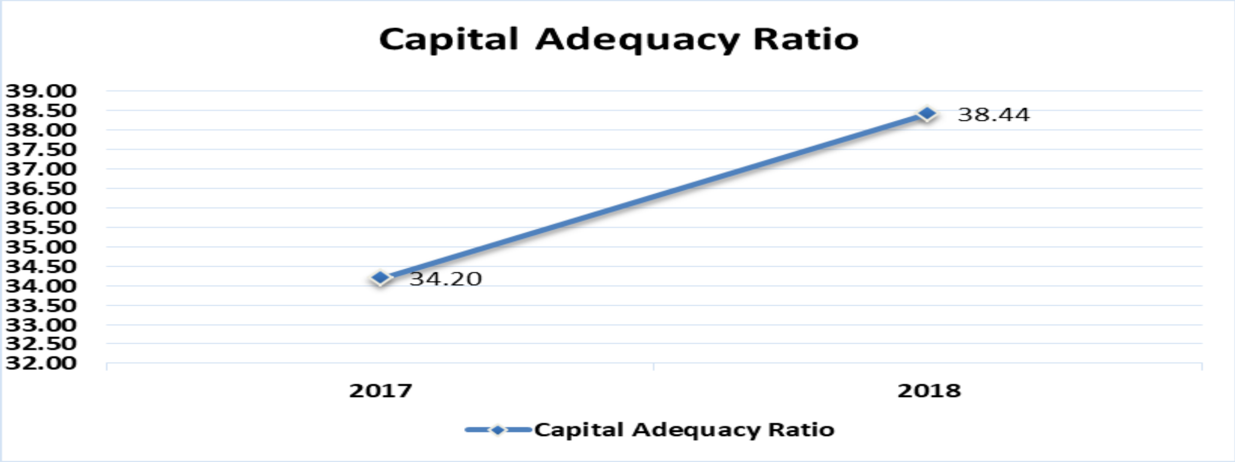
With the technical assistance provided by the US Treasury Department, the BSL is also working on the International Financial Reporting Standard 9 (IFRS 9). The IFRS 9 is a new accounting standard on financial instruments, which came into effect on 1st of January 2018, replacing the International Accounting Standard (IAS) 39. One of the main difference is a change in provisioning methodology, which stemmed from the lessons learned from the global financial crisis of 2007-2009. The IFRS team has been working with all commercial banks, external auditors, and the BSL to ensure there is sufficient capacity to implement IFRS 9 reporting standards.

Capital

The issued and paid-up capital of the banking system grew by Le23.71 billion (4.52 percent) over the year, from Le525.02 billion in December 2017 to Le548.73 billion in December 2018. All the banks met the minimum paid-up capital of Le30 billion for end December 2018.

The Capital Adequacy Ratio (CAR) of the entire commercial banking system recorded 38.44 percent as at end December 2018, compared to 34.20 percent as of 31st December 2017 and was above the statutory minimum requirement of 15 percent. All banks met the CAR of 15 percent.

Figure 30: Capital Adequacy



Source: Banking Supervision Department, BSL

Shareholders' Funds

Shareholders' funds grew by Le251.17bn (23.97percent) from Le 1.05tn as at 31st December 2017 to Le1.30tn as at end December 2018. It accounted for 15.19 percent of the industry's liabilities for the review period. The shareholders' funds to deposits ratio, stood at 19.86 percent and 21.26 percent for end December 2017 and end December 2018, respectively.

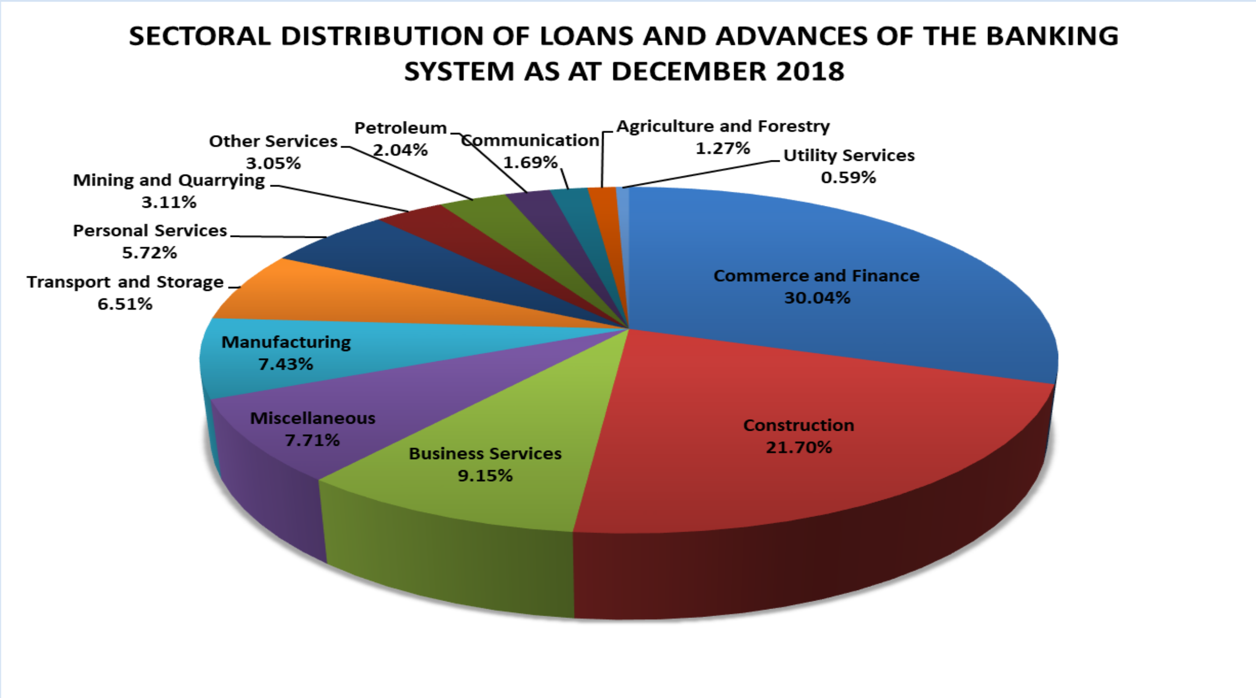
Credit Portfolio

Gross Loans and Advances increased by Le278.87bn (18.17 percent) from Le1.53tn in December 2017 to Le1.81tn in December 2018.

Sectoral Distribution of Loans and Advances

As at 31st December 2018, Commerce & Finance had the largest share of the credit portfolio with Le544.81bn (30.04 percent), followed by Construction at Le393.43bn (21.70 percent), Business Services with Le165.90tn (9.15percent), Miscellaneous with Le139.82bn (7.71 percent), Manufacturing Le134.73billion (7.43 percent), Transport & Storage Le118.08bn (6.51 percent), Personal Services Le103.66bn (5.72percent). The remaining amount of Le212.89bn (11.74 percent) was allocated to other sectors in the economy as shown on the pie chart below.

Figure 31: Sectoral Distribution of Loans and Advances



Source: Research Department, BSL

Non-Performing Loans (NPLs)

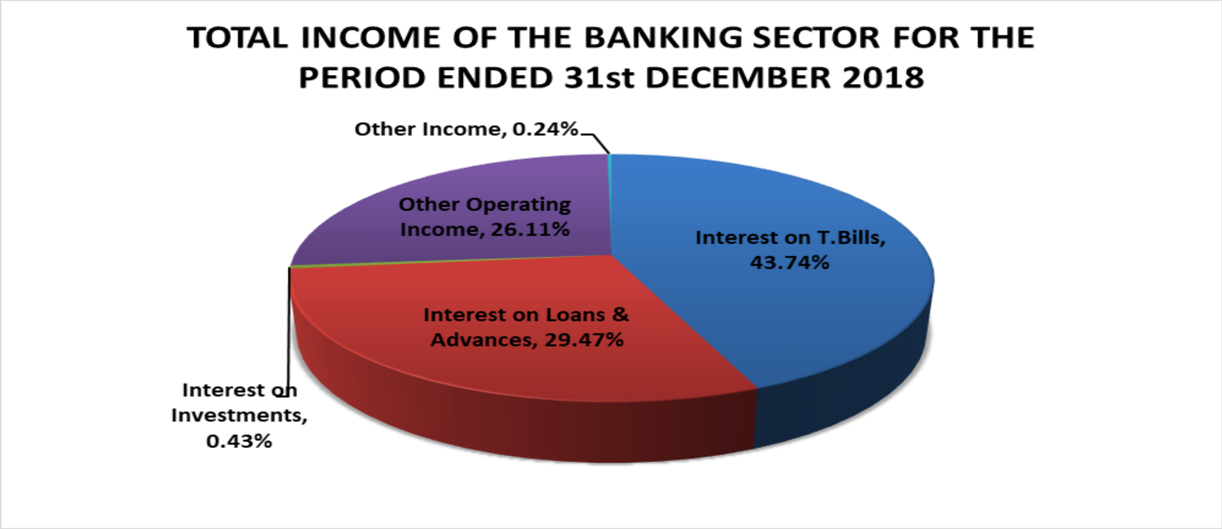
The NPL ratio was 12.73 percent as at December 2018, compared to 14.64 percent in December 2017. In spite of the improvement, the NPL ratio remained above the prudential limit of 10 percent. The downward trend of the NPL ratio was mainly due to Loan Write off Directive issued by the BSL including recovery efforts made by some commercial banks.

Profitability

Pre-tax profits for the banking sector increased by Le99.52bn (25.86 percent) from Le384.87 billion as at end December 2017 to Le484.39 bn in December 2018. The growth was largely supported by significant increase in revenues from interest income by Le386.81bn (52.43 percent), which moved from Le737.74bn to Le1.12trillion.

For the period ending 31st December 2018, interest income accounted for more than half of the banking industry's total income (73.64 percent) consisting of interest income from investments in T-bills (43.74 percent), interest from loans & advances (29.47 percent), and interest on investment (0.43 percent), while other operating income contributed with 26.11percent and other income with 0.24 percent as shown on the chart below.

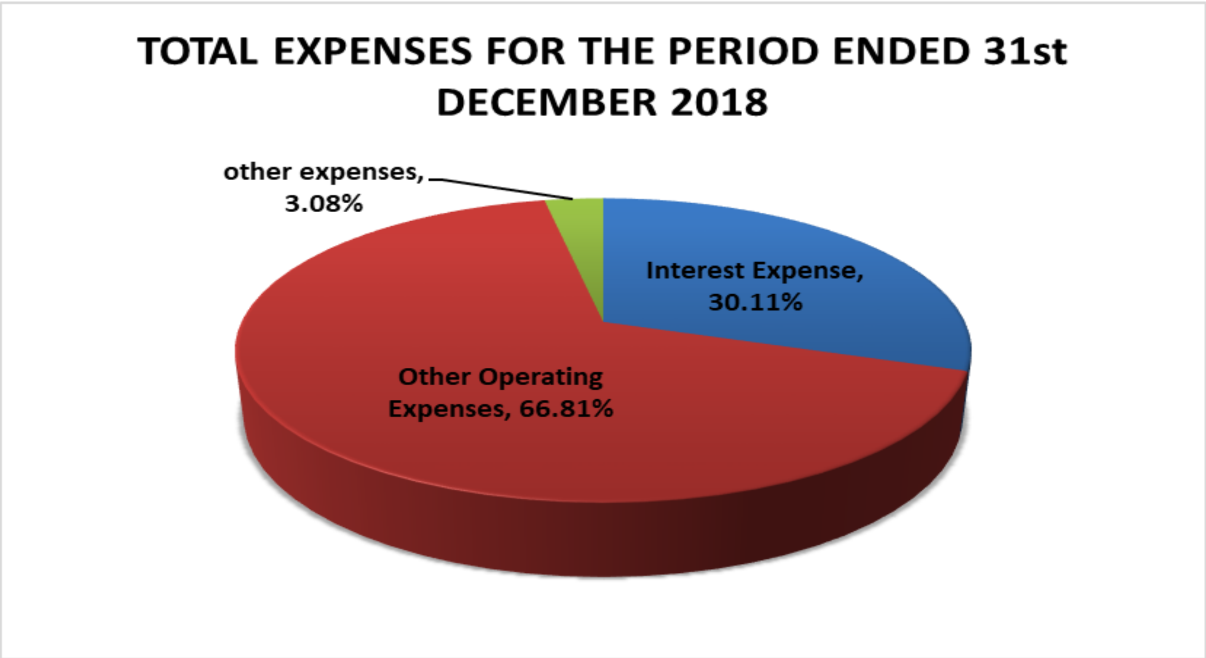
Figure 32: Total Income of the Banking Sector



Source: Banking Supervision Department, BSL

On the expenditure side, other operating expenses accounted for 66.81 percent of the commercial banks' expenses, within which administrative & other costs accounted for 51.40 percent and staff costs for38.92 percent. Interest expenses formed 30.11percent, while other expenses accounted for 3.08percent for the period ended 31st December 2018.

Figure 33: Total Operating Expenses of the Banking Sector



Source: Banking Supervision Department, BSL

Liquidity

The cash reserve ratio for end December 2018 stood at 17.59 percent, compared to 17.54 percent registered for end December 2017, which is above the statutory minimum limit of 12 percent, recording a surplus of 5.59 percent. The commercial banks also met the overall liquidity requirements, recording 67.91 percent and 66.90 percent, in excess of the prudential average ratios of 33.08 percent and 33 percent in December 2018 and December 2017 respectively.

Foreign Exchange Risks

The banking sector as a whole was not susceptible to foreign exchange risk as the aggregate and single net open positions for the various single currencies were recorded at -12.80 percent for aggregate and USD (-14.20 percent), GBP (2.82 percent), EURO (-1.41percent), all of which were within the statutory requirements of +/-25percent and +/-15 respectively. All banks, with the exception of three banks, did not meet the statutory limits of the aggregate net open position. Four banks could not meet the single net open position for USD, one bank could not meet for GBP and EUR currencies. The share of foreign currency liabilities to total liabilities was 32.14 percent.

Supervisory Reviews

On-site examinations were carried for eight commercial banks using the RBS as well as targeted examinations. An enhanced supervisory regime was put in place for two banks due to governance and other operational challenges.

The banking sector is expected to maintain on an upward trend for 2019, as a result of the positive trend in the financial soundness indicators and BSL's efforts to continue to strengthen the legal framework, which will have a positive impact on asset quality and overall stability of the banking sector.

Table 10: Consolidated Profit and Loss Account for the Banking Industry (Unaudited) for the Period Ended 31st December 2018

Income and Expenses	2018, *in Le 000*	2017, *in Le 000*
Interest income	1,124,551,449	737,737,281
Interest expenses	-313,956,725	-105,027,925
Net interest income	810,594,724	632,709,356
Loan loss provision	-32,137,017	-36,119,609
Net intermediation income	778,457,707	596,589,747
Other operating income	398,781,172	324,371,812
Total operating income	1,177,238,879	920,961,559
Other operating expenses	-696,568,583	-580,279,881
Net operating income	480,670,296	339,517,684
Other income	3,718,528	44,184,988
Profit before tax	484,388,824	384,866,666
Taxation	-145,747,468	-115,460,000
Profit after tax	338,641,356	269,406,666

Source: Banking Supervision Department, BSL

Table 11: Financial Soundness Indicators of the commercial banking system

INDICATORS	Dec-18	Dec-17
CAPITAL ADEQUACY	**Percent [%]**	**Percent [%]**
Regulatory capital to risk-weighted assets (%)	38.44	34.20
Primary capital to risk-weighted assets (%)	29.60	26.54
Capital (net-worth) to assets (%)	15.19	14.10
ASSET QUALITY & COMPOSITION		
Non- Performing Loans as a % of Total Advances	12.73	14.64
Loan Loss Provisions as a % of Non - Performing	48.67	49.46
PROFITABILITY AND EFFICIENCY		
Return on Assets	6.11	5.30
Return on Equity Funds	27.25	25.63
Net Interest Spread	12.56	18.24
Expense to income ratio	68.28%	63.01
LIQUIDITY		
Cash Ratio	17.59	17.74
Overall Liquidity Ratio	67.91	66.90
SENSITIVITY TO MARKET RISKS		
Percentage of aggregate Net Open position to capital Base	-12.80%	14.46%
Percentage of single currency open position to capital base (%)USD	-14.20%	-14.10%
Percentage of single currency open position to capital base (%) GBP	2.82%	1.07%
Percentage of single currency open position to capital base (%)	-1.41%	-1.46%

Source: Banking Supervision Department, BSL

Table 12: Consolidated Balance Sheet of Banking System as at 31st December 2018		
ASSETS	**Dec-18**	**Dec-17**
Cash:	482,144,716	408,441,662
Claims On Financial Institution	2,363,920,057	2,260,894,987
Investment:	3,191,399,023	2,681,980,130
Net Advances:	1,660,260,939	1,385,787,621
Other Assets	466,523,601	361,841,667
Fixed Asset :	384,010,941	334,035,713
Intangible Assets	857,674	0
Total Assets	**8,549,116,951**	**7,432,981,781**
LIABILITIES		
Issued & paid –up capital	548,726,680	525,018,309
Statutory	319,090,541	244,537,448
Revaluation	41,299,858	29,896,306
General Reserves	65,980	65,980
Other (Purchase of shares & proposed Dividend)	97,301,711	146,162,910
Retained earnings	-46,110,076	-167,245,652
Current	338,641,357	269,406,667
Perpetual Subordinated Term debt	2	0
Short Term Borrowings	209,278,728	139,797,071
Long Term Borrowings	99,985,564	114,901,839
Takings and other financial Instruments	32,999,803	0
Balances due to Financial Institutions	49,143,863	0
Other Deposits	0	2,861,289
Deposit:- Financial Institution:	0	4,152,699
Local Deposits	3,771,385,153	3,317,492,824

Foreign	2,339,621,268	1,957,476,005
Special Deposit	128,351,380	120,401,605
Margins Against Contingent Liabilities	364,900,604	277,563,416
Other Liabilities:	254,434,535	450,493,066
Total Liabilities	**8,549,116,951**	**7,432,981,781**

Source: Banking Supervision Department, BSL

Table 13: Number of account holders in the Banking system as at 31st Dec. 2018

Type of Account	SCB	RCB	SLCB	UTB	GTB	FIB	FBN	ECO	AB	UBA	SKYE	ZEN	KSB	CMB	Banking System
Current - Domestic	1,239	16,783	84,292	12,005	22,579	20,942	1,708	25,992	3,771	17,218	1,821	7,034	4,192	2,325	221,991
Foreign	1,721	6,196	2,299	517	10,012	1,199	824	4,937	1,341	5,962	0	0	2,915	944	43,867
Savings: Domestic	9,8277	132,983	223,560	87,461	141,346	66,220	4,610	27,001	14,303	49,503	3,770	18,682	15,101	3,644	798,011
Foreign	0	0	7	0	108	1,319	101	0	0	0	2,150	4,630	0	0	8,315
Time – Domestic	41	328	204	872	700	22	26	8	42	45	8	102	15	25	2,418
Foreign	0	0	0	0	0	0	0	0	?	2	0	0	0	0	2
Total	12,918	156,270	315,362	100,855	174,745	89,702	7,269	57,938	19,457	72,730	7,749	30,448	22,223	6,938	1,074,604

Table 14: Number of Commercial Banks Branches as at 31st Dec. 2018

Location / Branch	RCB	SLCB	SCB	UTB	GTB	FIB	FBN	ECO	ACCESS	UTB	SKYE	Zenith	Keystone	CMB	Total No. of Prov Banks	Grand Total
Branches in 2016	12	13	4	12	15	17	2	10	4	6	3	4	3			97
Branches in 2017	12	13	4	12	15	17	2	10	4	8	3	4	3	1		101
Branches in 2018	12	13	4	12	15	17	2	10	4	8	3	5	3	1		109
F/T	6	5	3	3	7	8	2	4	3	6	3	2	3	1		50
W/Loo		1				1		1								3
Bo	1	1	1		1	1		1		1						7
Moyamba	1	1														2
Puj	1															1
Njala				1												2
Kenema	1	1		1		1		1				1				7
Kono	1	1		1	1	1		1								5
Kailahun		1				1										1
Makeni	1	1		1		1		1	1	1		1				8

Magburaka				1		1										2
Lunsar					1			1								1
Lungi				1	1	1						1				2
Mile 91																1
Pepel																1
Bumbuna																1
Portloko		1				1										2
Kabala				1												1
Kambia				1												1
Total	12	13	4	12	15	17	2	10	4	8	3	5	3	1		109

Source: *Banking Supervision Department, BSL*

5.2 Other Financial Institutions

Introduction

The Other Financial Institutions (OFIs) sector in Sierra Leone comprises following institutions: Four Deposit-taking MFIs (DTMFIs), five Credit-Only MFIs, seventeen Community Banks (CBs), two Discount Houses, seventeen Foreign Exchange Bureaux and two Mobile Money network Operators.

Overall, the performance of the OFIs sector was satisfactory. However, the Portfolio at Risk (PaR) of some MFIs and CBs, including ~~and~~ the minimum paid-up capital requirement for CBs and Apex Bank continue to be a major challenge in the OFIs sector. The Portfolio at Risk (PaR) for both the CBs and MFIs increased above the tolerable limit of 4.8 percent set by the Microfinance and Information Exchange (MIX) standard. However, with the exception of one Community Bank, all CBs made profit for the period ended December 2018.

5.2.1 Community Banks (CBs)

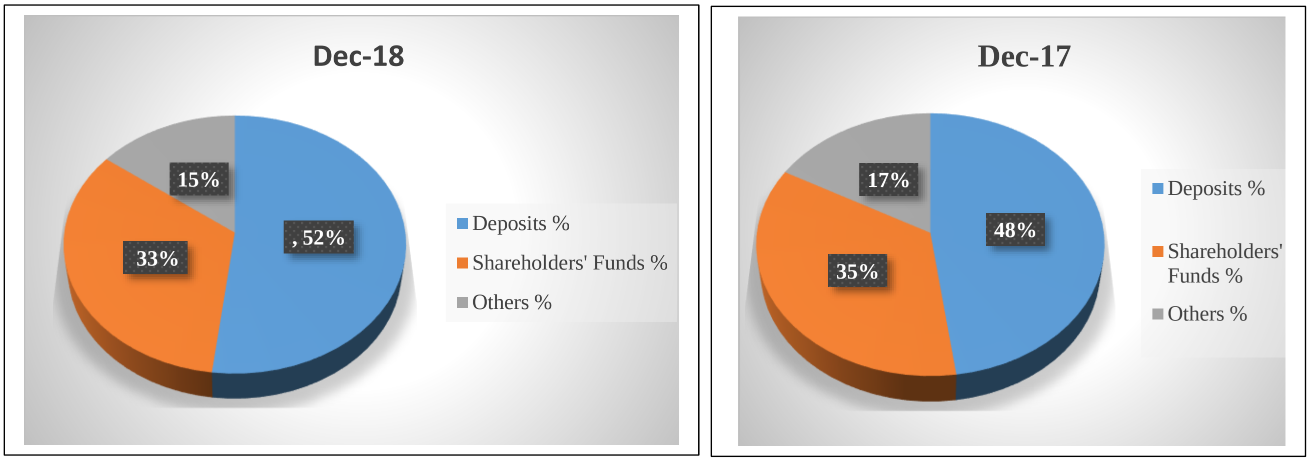
There are seventeen (17) community banks in the financial system, with cumulative resource base of Le82.37bn and a loan portfolio of Le57.14bn as at 31st December 2018. The community banking system remains profitable with end of year profit before tax of Le5.58bn. However, the PAR value of 22.44 percent as at end December 2018 is above the tolerable limit of 4.8 percent.

Financial Conditions

The community banking system recorded a resource base of Le82.37bn in December, 2018 from Le61.25bn recorded in December, 2017. On the asset side, the increase in the resource base over the year can be reflected in the increase in gross advances to Le57.14bn (Up Le13.36bn; 30.51 percent) and the increase in Cash and Bank balances to Le21.47bn (up by Le8.51bn) in December, 2018. On the liability side, the increase in the resource base can be attributed to the improvement in deposit mobilisation by 45.66 percent (Le13.41bn) to Le42.79bn on a year-on-year basis from Le29.37bn recorded in December, 2017. On the other hand, paid up capital also improved by 42.79 percent to Le5.89 bn in December, 2018 from Le4.12bn recorded in December, 2017.

In the review period, deposits accounted for most of the Community Banks liabilities accounting for 51.64 percent, while shareholders fund and other liabilities accounted for 33.41 percent and 14.64 percent respectively as indicated in the chart below.

Figure 34: Liabilities of community banks as at end December 2018 and 2017



Source: Other Financial Institutions Department, BSL

Asset Quality

The credit portfolio of community banks stood at Le57.14bn as at end December 2018, indicating an increase by 30.51 percent (Le13.56bn) from Le43.78bn recorded in December, 2017. All community banks recorded PaR≥30 value above the tolerable minimum limit of 4.8percent. This is an indication of poor asset quality in the community banking system. This developments could be attributed to poor underwriting, poor recovery strategies and reluctance from customers to honour their obligations. This implies that the loan portfolios of these community banks are considered to be high risk and there is potential for future losses. The table below indicates the asset quality of Community Banks.

Profitability

All the community banks made profit in the review period with the exception of one. The consolidated pre-tax profit for December, 2018 was Le5.58bn, which is lower compared with Le7.44bn recorded in December, 2017. The decline in profitability was in part attributed to the high NPLs in the industry.

Operational Self Sufficiency (OSS)

As at end December 2018, only seven out of the seventeen community banks met the mix standard OSS recording above the minimum requirements of 112 percent. Although the number of community banks meeting the OSS improved in the reporting period, the number of community banks not meeting the OSS remains high.

Return on Assets (ROA)

The ROA for community banks was 5.96 percent in December 2018, which is lower compared with 12.37 percent recorded in December, 2017. The low level of ROA of community banks suggests the need for the community banks system to maximise revenue generated from its assets. However, all the community banks met the ROA mix standard.

Return on Equity (ROE)

During the review period, most of the community banks recorded lower ROE, an indication that community banks will be challenged to pay dividends to shareholders. Also all the community banks met the required Liquidity Ratio with the exception of one community bank.

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Capital Adequacy Ratio (CAR)

Most of the community banks met the minimum CAR of 8 percent as at end December 2018. This performance is an improvement over the previous year.

5.2.2 Discount Houses

Two discount houses continue to operate during 2018. They are Discount House Limited (FDHL) and Capital Discount House (CDH). The two discount houses met the minimum paid-up capital as at end December 2018.

Resource Base of Discount Houses

The resource base of discount houses increased by 1.47 percent from Le17.66bn in December 2017 to 17.92 percent in December 2018. This was mainly due to the increase in the scale of their operations in the money market.

Liquidity of Discount Houses

Both the DHs met the liquidity requirement with a high margin as at end December 2018. Discount Houses are required by law to maintain liquid assets equal to its call money and borrowings of which 60 percent shall be in Treasury bills with maturity not exceeding 91 days.

Foreign Exchange Bureaux

The number of licensed Foreign Exchange Bureaux as at 31st December was 63. However, the analysis covers 17 (seventeen) forex bureaux that submitted returns at end December, 2018.

The main international currencies traded by the foreign exchange bureaux were US dollar, British Pounds Sterling and the Euro. Of the three main currencies, the US dollar remains vehicle currency for transactions both local and international. As shown in the Table 13, the purchases and sales of the Pounds sterling increased, while the purchases and sales for both US dollar and Euro decreased during the review period.

Table 15: Foreign Exchange Bureaux

Currency	Purchases – Le'000				Sales – Le'000			
	Dec '18	Mov't	Percent Change	Dec '17	Dec '18	Mov't	Percent Change	Dec '17
USD	16,079,279	(626,033)	(3.75)	16,705,312	16,233,773	(815,687)	(4.78)	17,049,460
GBP	2,659,450	832,131	45.54	1,827,319	2,716,450	881,360	48.03	1,835,090
EUR	22,775	(1,345)	(5.58)	24,120	25,395	1,275	5.29	24,120

Source: Other Financial Institutions Department, BSL

5.2.3 Microfinance
Deposit taking Microfinance Institutions
Financial Conditions

The resource base of the microfinance institutions increased to Le221.10bn (up Le56.24bn; 34.11percent) in 2018 from Le164.86bn in December 2017. The main contributor to the resource base of the institutions is Equity, which rose by 94.09 percent to Le 43.25bn from Le22.28bn in December, 2017. This increase was as a result of increases recorded on the overall paid-up capital and current year profit by 13.97 percent and 75.15percent respectively to Le 42.63 billion and Le7.56 billion respectively, from Le 37.40bn and Le4.32 billion in December, 2017. Other liabilities rose by 55.11 percent to Le 22.04bn from Le14.21bn as at 31st December, 2017.

Total deposits also rose by 12.03 percent to Le99.24bn from Le88.58bn in December, 2017. The assets of microfinance institutions also increased, with Treasury bills holdings increasing by 53.85 percent, Loans by 36.32 percent, fixed assets by 10.17 percent and other assets by 86.16 percent. However, decreases were recorded for allowance for loan losses by 5.51 percent to Le-7.69bn from Le -8.14bn, balances with foreign Institutions by 12.87 percent to Le 21.79bn from Le 25.01 percent in December, 2017.

Table 16: Consolidated Balance sheet of Microfinance Institutions

Main Balance Sheet Items	**Dec-18 (Le'bn)**	**Mov't (Le'bn)**	**percent Change**	**Dec-17 (Le'bn)**
Resource base	221.10	56.24	34.11	164.86
Total equity	43.25	20.97	94.09	22.28
Current year profit	7.56	3.24	75.15	4.32
Other liabilities	22.04	7.83	55.11	14.21
Total deposits	99.24	12.03	10.66	88.58
Balance with financial institutions in Sierra Leone	21.79	3.22	12.87	25.01
Investment in securities	21.48	7.52	53.85	13.96
Gross loans	126.71	33.76	36.32	92.95
Loan allowances	-7.69	0.345	-5.51	-8.14
Other assets	38.74	17.93	86.16	20.81

Source: Other Financial Institutions Department, BSL

Table 17: Contribution by Institutions as at December, 2018

Main Balance Sheet Items	ACTB (Le'bn)	EMSL (Le'bn)	LAPO (Le'bn)	BIP (Le'bn)
Total assets	71.60	97.13	49.04	3.34
Total equity	18.71	13.75	8.93	1.87
Unaudited profit	0.71	4.93	2.53	0.01
Other liabilities	4.08	6.88	11.04	0.04
Total deposits	8.99	76.50	13.53	0.23
Balance with financial institutions in Sierra Leone	9.43	6.66	4.85	0.85
Investment in Government securities	Nil	21.48	Nil	Nil
Gross loans	41.14	55.99	28.20	1.38
Other assets	16.20	7.08	15.38	0.08

Source: Other Financial Institutions Department, BSL

Operating Performance

The MFIs operational performance was very good, recording a huge consolidated pre-tax profit of Le7.86 billion which grew by 2,651.88 percent (up Le 8.17bn) in December 2018 from a loss position of Le 0.31bn in December, 2017. Gross Financial Income was Le44.68bn (up Le41.27bn: 1,210.34 percent) from Le 3.41bn in December, 2017. Gross financial income mainly emanated from financial revenue that rose to Le34.30bn (up Le 31.46bn) from Le2.84bn in December, 2017. The rise in the consolidated financial revenue came largely from increases interest income on loans that rose significantly to Le27.35bn from Le 2.56bn in December, 2017.

Consolidated financial expenses during the year recorded Le36.82bn (up Le 33.10bn) from Le 3.72bn in December, 2017. However, operating expenses largely influenced financial expenses recording a growth of 846.89 percent from an operating expenses of Le3.19bn in December, 2017.

Paid-up Capital

The microfinance institutions continues to meet the MIX requirement of Le1bn throughout the review period as shown in Table 15.

Capital Adequacy

The institutions met the capital adequacy ratio by recording ratios above the minimum requirement of 8 percent during the review period.

Liquidity

The institutions met the statutory minimum cash ratio of 10 percent by recording 26.05 percent in December 2018, 25.64 percent in September 2018, 25.17 percent in June 2018 and 31.94 percent in December, 2017.

Furthermore, actual liquidity ratio recorded 47.70 percent in December 2018, 42.21 percent in September 2018, 48.56 percent in June 2018 and 47.70 percent in December, 2017, all above the statutory minimum of 20 percent.

Table 18: Yearly Prudential requirements

Prudential Ratios	Mix	Dec-18	Mov't	Dec-17
Paid up Capital (Le'bn)	1	42.63	5.22	37.40
Capital Adequacy (percent)	8	22.92	6.00	16.91
Actual Cash Ratio (percent)	10	26.05	-5.89	31.94
Actual Liquidity Ratio (percent)	20	47.70	00.01	47.70

Source: Other Financial Institutions Department, BSL

Performance Ratios

Performance ratios are used to evaluate the operation of financial institutions at a point in time. The table below shows the main performance indicators used to analyze the operation of the Deposit Taking Microfinance Institutions in Sierra Leone:

Table 19: Performance Ratios

	MIX	ACTB	EMSL	LAPO	BIP
Operating self-sufficiency (OSS) (percent)	112	116.20	125.48	119.33	100.64
Return on assets (ROA) (percent)	2.1	0.99	4.45	5.77	0.36
Return on equity (ROE) (percent)	13.7	3.77	31.41	31.70	0.64
Debt to equity (percent)		282.70	606.51	449.37	79.03
Portfolio to assets (percent)		57.46	57.64	57.52	41.32

Source: Other Financial Institutions Department, BSL

Operational Self Sufficiency (OSS)

This ratio shows how well a financial institution can cover its costs through operating revenue. As at end December 2018, all the microfinance institutions met the MIX requirement of 112 percent, except one.

Return on Assets (ROA)

The ROA for the microfinance institutions increased to 3.73 percent in December 2018 from -0.17 percent recorded in December, 2017. Of the four microfinance institutions, only two met the ROA ratio..

Return on Equity (ROE)

The industry recorded ROE of 18.94 percent in December 2018, which was above MIX standard. Two microfinance institutions met the ROE, while two did not.

Debt to Equity

This ratio measures the overall leverage of a financial institution and how much cushion it has to absorb losses after all liabilities are paid. Debt to equity ratio remains high across the microfinance institutions and shows that more debt financing is used rather than investing in shareholders' funds.

Portfolio to Assets

This ratio measures the MFI's allocation of assets to its core function (micro loan). The institutions recorded a total ratio of 57.31 percent during the reviewed period, a decrease of 0.34 percent during the year.

Table 20: Activity Ratios

Ratios	MIX	ACTB	EMSL	LAPO	BIP	DEC-18
Average Outstanding Loan Size		2,244	17,285	1,134	308	2,489
Yield on Gross Loan Portfolio (percent)	35.3	11.74	25.49	51.36	51.79	27.07
Portfolio at Risk (PAR) (percent)	4.8	16.70	6.87	6.27	58.00	10.47

Source: Other Financial Institutions Department, BSL

Average Outstanding Loan Size

This ratio shows the average amount of loan per borrower. The total average loan size stood at 2,489 during the reviewed period, an increase of 471.86 from December, 2017.

Yield on Gross Loan Portfolio

This shows the institutions' ability to generate cash from interest, fees and commissions on the gross loan portfolio. During the review period, two microfinance institutions met the MIX standard of 35.3 percent, while two did not.

Portfolio at Risk (PaR) ≥ 15 days

The portfolio at risk (PaR) explains the portion of credit that is unpaid or distorts the repayment schedule/plan. A ratio above the MIX standard is not good for the financial institutions. During the period under the review, all the institutions failed to meet the MIX standard of 4.8 percent, recording 16.70 percent, 6.87 percent, 6.27 percent, 58.00 percent and a consolidated ratio of 10.47 percent respectively, which shows that a substantial percentage of the institutions' portfolio were non-performing during 2018. The institutions need to improve on credit monitoring strategy and recovery of loans in order to meet the MIX standard

5.2.4 Credit Only Micro-Finance Institutions
Financial Conditions

The resource base of the Credit-Only Microfinance institutions in 2018 increased to Le98.26 billion (up Le31.98 billion; 48.26 percent) from Le66.28bn in December 2017. The institutions' equity was the main factor that led to the rise of the institutions resource base, which rose by 50.99 percent to Le 52.03bn from Le34.46bn in December, 2017. This increase was as a result of huge increases recorded on current year profit by 451.09 percent to Le 14.96bn from Le2.71bn in December, 2017.

On the asset side, the gross loans increased by 54.94 percent from Le 54.08bn in December, 2017, account receivables and other assets rose by 120.99 percent from Le 2.20bn in December 2017, while cash holdings decreased by 4.93 percent to Le 9.66bn from Le10.16bn in December, 2017.

Table 21: The Balance sheet of Credit-Only MFIs

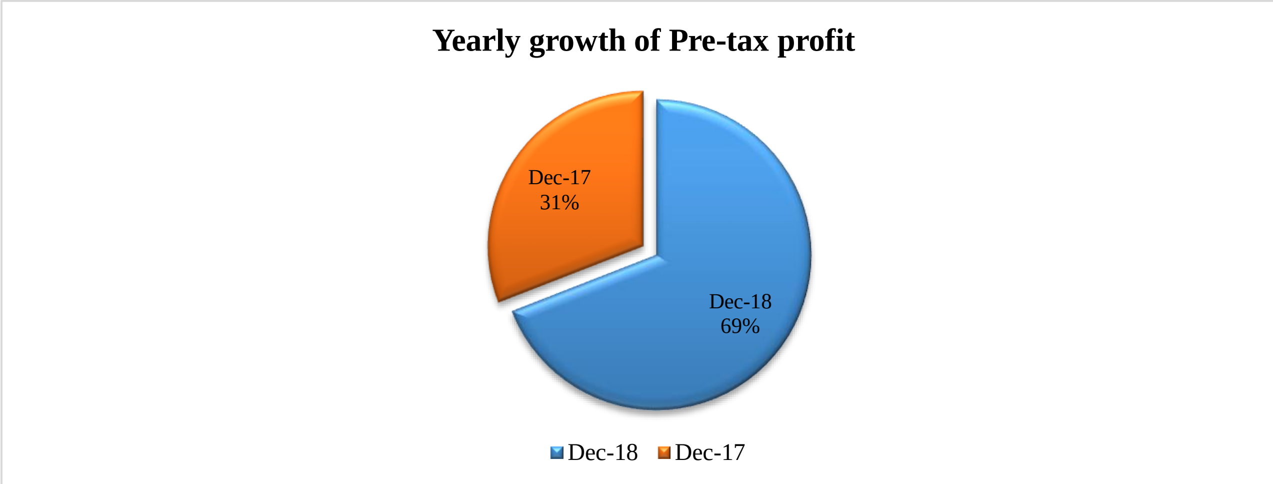
Main Balance Sheet Items	Dec-18 (Le'bn)	Mov't (Le'bn)	Percent Change	Dec-17 (Le'bn)
Resource Base	98.26	31.98	48.26	66.27
Total Equity	52.03	17.57	50.99	34.46
Current Year profit	14.96	12.25	451.09	2.71
Gross Loans	83.79	29.71	54.94	54.08
Impairment Loss allowances	-2.82	0.39	16.24	-2.43
Account receivable and Other Assets	4.86	2.66	120.99	2.20

Source: Other Financial Institutions Department, BSL

Operating Performance

The consolidated yearly pre-tax profit recorded Le8.62bn, a growth of 123.59 percent from Le3.58bn in December 2017. The Consolidated financial revenue increased to Le29.35bn (up Le8.95bn) from Le 20.40bn in December 2017. Operating expenses were Le17.91bn in December 2018 (up Le3.05bn) compared to Le 14.86bn in December 2017.

Figure 35: Yearly Un-Audited Pre-tax Profit



Source: Other Financial Institutions Department, BSL

Portfolio Activity

The number of loans outstanding in December 2018 increased to 75,847 loans compare to its level in December 2017 (55,821 loans). Also, the value of loans outstanding in December 2018 increased to Le83.79 billion, compared to the value of Le53.96 billion recorded in December 2017.

Table 22: Activity of the Credit-Only MFIs

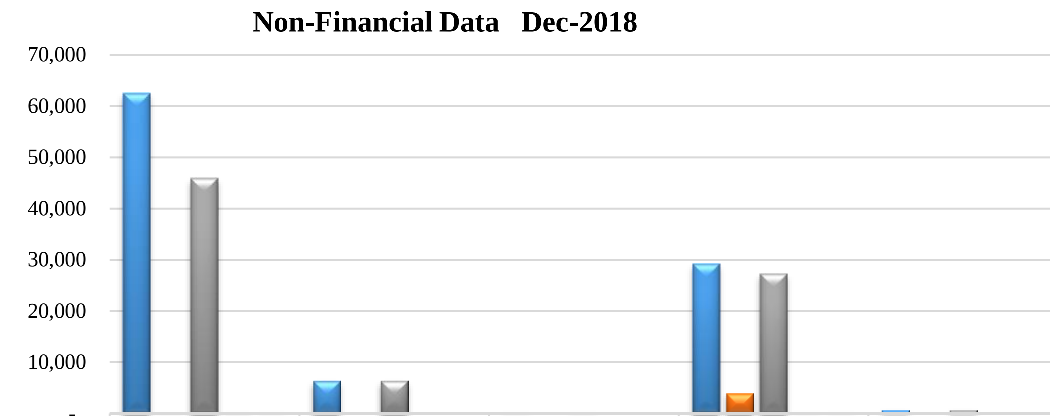
Details	Dec-18	Dec-17
Number of loans outstanding	75,847	55,821
Value of loans disbursed (Le 'bn)	85.41	30.87
Value of loans outstanding (Le 'bn)	83.79	53.96

Source: Other Financial Institutions Department, BSL

Non-Financial Data

The total number of active clients increased by 42,562 to 98,928 in 2018 from 56,366 recorded in December 2017. The highest number of active clients was registered by BRAC, followed by ASA, GGEM, Education and Empire.

Figure 36: Non-Financial Data as at December, 2018



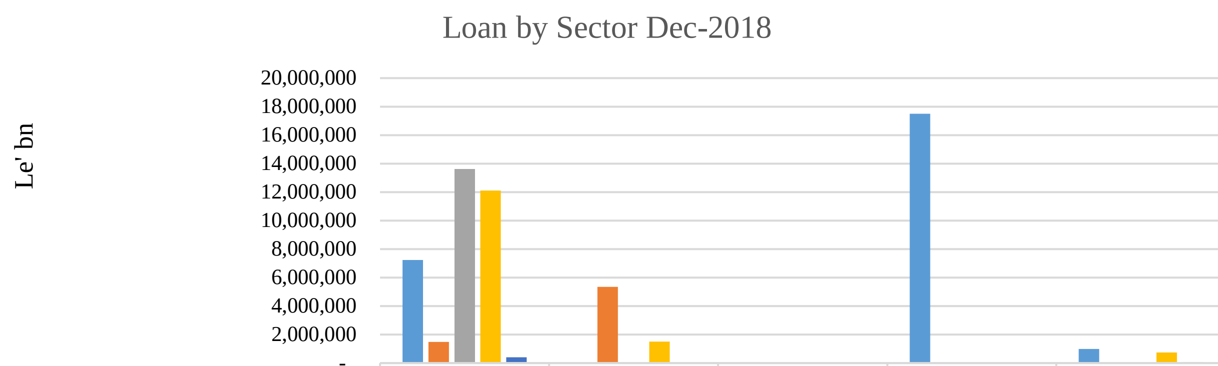
	BRAC	GGEM	EDU	ASA	EMPIRE
Number of active clients	62,519	6,429	131	29,184	665
Number of new clients	133	62	25	3,957	5
Number of active borrower	45,870	6,429	131	27,268	665
Number of personnel	254	41	3	202	10
Number of Loan officers	152	25	1	128	-

Source: Other Financial Institutions Department, BSL

Sectoral Allocation of Loans

During the review period, the highest amount of loans was allocated to agricultural sector and that was registered by ASA whose sector was its sole concentration. The next beneficiary sector was the service sector and the least was the other sector.

Figure 37: Loans by Sectors, as at December 2018



	BRAC	GGEM	EDU	ASA	EMPIRE
Agriculture /Fishing	7,226,200	-	58000	17,503,667	982,320
Commercial (Le 000)	1,477,400	5,357,823	-	-	-
Manufacturing	13,614,500	-	-	-	-
Services e.g Teachers, forces, other civil servants etc.	12,103,900	1,497,851	23500	-	744,948
Others	402,000	-	-	-	66,343

Source: Other Financial Institutions Department, BSL

Operational Self Sufficiency (OSS)

As at end December 2018, only two credit-only MFIs met the minimum MIX requirement of not less than 112 percent.

Return on Assets (ROA)

All the institutions failed to meet the minimum MIX requirement of 2.1 percent in the review period of 2018, except save one. However, yearly review showed consolidated ROA increasing by 1.48 percent, recording 5.07 percent in December 2018 from 3.59 percent in December 2017. An effective use of the institutions' assets would generate more earnings.

Portfolio at Risk > 30 Days

Only two institutions met the MIX requirement of not more than 4.8 percent as at end December 2018.

5.2.5 Mobile Money Financial Institutions

During 2018, two licensed mobile money financial services providers (Orange Money, and Africell money) continue to operate in the country. The number of active registered mobile money users as at December 2018 was 405,664 with 10,378 registered agents throughout the country as against 232,814 recorded at end December 2017.

On average, the service providers conducted 464,571 transactions, with value of transactions amounting at Le71, 858,883,415 as at end December 2018.

6.0 PAYMENTS SYSTEM

6.1 Overview

Given the importance of financial market infrastructure, the BSL continues to monitor and assess payments systems' performance to ensure its safety and efficiency.

6.2 National Payments System Landscape

The country's payments system is still dual with the coexistence of cash and non-cash based transactions. The non-cash based transactions are categorised into retail and large value transactions based on the value and the interbank systems that support the transactions which forms the basis of this report.

6.3 Developments in the National Payments System Landscape

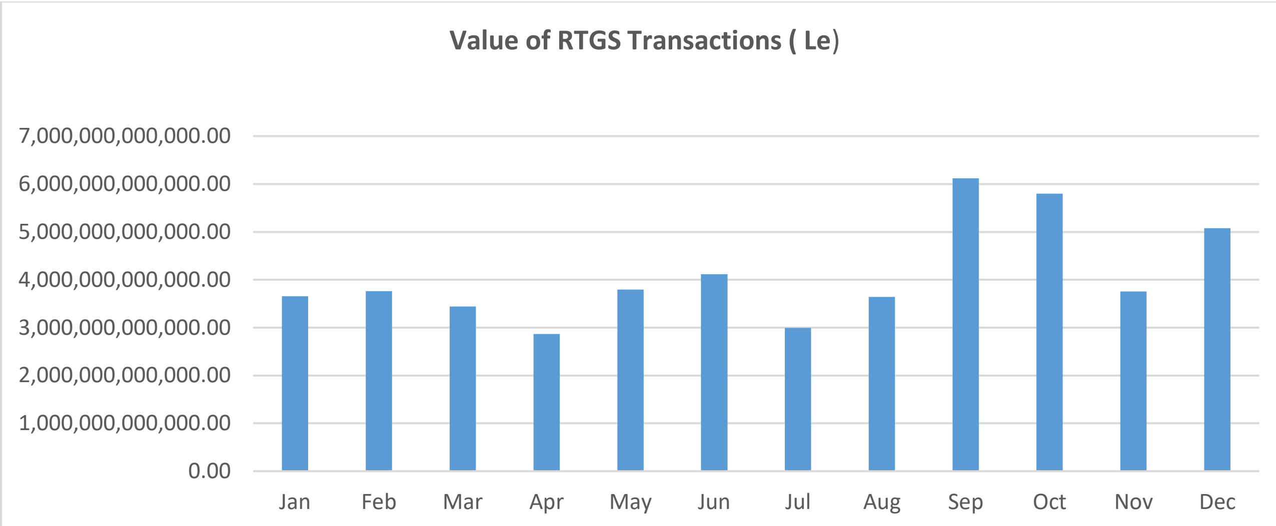
As shown in the Table 25, despite slight fluctuations, the trend indicates general acceptability of the RTGS system for the interbank transactions (see also Figure 39).

Table 23: Real Time Gross Settlement (RTGS) System

RTGS Transactions		
Month	**Volume**	**Value**
Jan	8,354	3,655,800,090,363
Feb	8,573	3,763,618,465
Mar	8,054	3,439,610,836,186
Apr	7,183	2,864,661,267,104
May	9,691	3,792,900,255,284
Jun	8,000	4,116,788,854,948
July	8,923	2,994,276,263,614.08
Aug	9,038	3,642,927,464,846.14
Sept	8,032	6,118,298,129,901.56
Oct	9,825	5,798,681,339,660.06
Nov	8,662	3,753,086,054,404.31
Dec	9,371	5,073,479,548,913.00

Source: Banking Department, BSL

Figure 38: Value of RTG Transactions



Source: Banking Department, BSL

ACH Transactions (Jan – Dec. 2018)

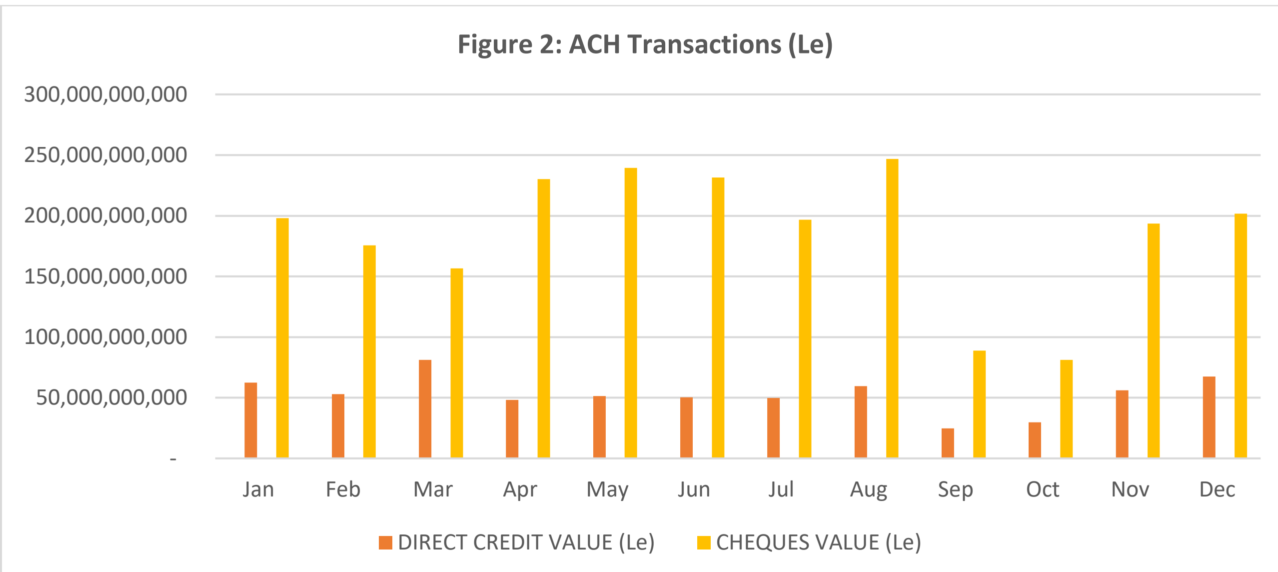
Table 24: ACH Transaction

Transactions through ACH				
2018, Months	**Direct Credit, Volume**	**Direct Credit, Value(Le)**	**Cheques, Volume**	**Cheques, Value(Le)**
Jan	12,605	62,442,871,635.92	16,901	198,057,720,323.17
Feb	11,797	52,932,376,305.44	15,804	175,706,782,066.03
Mar	36,108	81,183,090,228.36	29,964	156,577,358,886.42
Apr	22,398	48,310,339,167.37	39,332	230,327,317,661.88
May	26,038	51,473,850,362.77	40,702	239,554,084,033.77
Jun	22,772	50,427,189,431.38	40,284	231,462,951,437.20
Jul	24,910	49,767,599,077.35	34,644	196,774,319,076.63
Aug	29,400	59,522,638,397.81	39,172	246,771,826,135.29
Sep	11,348	24,786,529,877.85	17,392	88,950,838,907.49

Oct	16,000	29,821,154,354.00	14,762	81,217,026,682.55
Nov	13,196	56,080,977,404.49	18,257	193,511,090,540.15
Dec	17,457	67,480,412,970.16	18,348	201,713,706,696.15

Source: Banking Department, BSL

Figure 39: ACH Transactions



Source: Banking Department, BSL

As shown in the Figure 40, the use of Cheques still remains predominant of direct credit as a means of transactions processing. However, the level of acceptability of electronic means of interbank transactions is sustained and has a potential to create efficiency in the delivery of financial services.

6.4 Other Retail Payment Systems

The improvement in the value of direct credit transactions reflected a growth in the other forms of electronic retail payment systems such as Automated Teller Machines (ATM) and Point of Sale (POS) transactions. The number of ATMs increased from 43 in 2017 to 174 in 2018, while the number of POSs increased from 32 in 2017 to 414 in 2018. The value of ATM transactions increased from Le102.11bn in 2017 to Le276.24bn in 2018, while the volume of ATM transaction increased from 530.34 thousand to 1.20 million in 2018. The value of POS transactions increased from Le5.67bn in

2017 to Le44.10bn in 2018, while the volume of POS transactions increased from 26.8 thousand in 2017 to 30.54 thousand in 2018.

Table 25: ATMs and POSs

	2014	2015	2016	2017	2018
Number of ATMs	48	51	71	94	72
Number of POSs	65	110	150	243	205
Volume of ATM Transactions	303,840.00	730,803.00	370,726.00	530,342.00	1,204,162
Volume of POS transactions	5,143.00	11,509.00	23,981.00	6,773.00	30,537
Value of ATM Transactions (Le'000)	63,011,401.00	154,380,059.00	69,532,802.00	102,109,510.00	267,237,998.00
Value of POS Transactions (Le’000)	13,100,662.00	25,855,913.00	34,351,419.00	5,670,955.00	44,096,804.00

Source: Banking Department, BSL

Notwithstanding the efforts made by the BSL in ensuring public acceptability of electronic means of transactions processing, the spread of the ATMs and POSs across the regions indicates that most of these facilities are deployed in the western area accounting for 86.01% of POSs and 68.06% for ATMs in 2018. This indicates that there is an uneven distribution of these payment services thereby a good number of the population remains financially excluded.

ATM spread declined in the western area and the Northern Province from 69 and 14 in 2017 to 49 and 8 in 2018 respectively. However, ATMs spread increased in the eastern province from 5 in 2017 to 9 in the 2018, while ATM’s spread in the southern province remained unchanged.

Table 26: Regional Spread of ATMs and POSs

	Number of ATMs					Number of POSs				
Regions	**2014**	**2015**	**2016**	**2017**	**2018**	**2014**	**2015**	**2016**	**2017**	**2018**
Northern Province	8	8	16	14	8	5	10	9	14	6
Southern Province	4	4	4	6	6	1	1	1	16	12
Eastern Province	2	2	5	5	9	1	1	2	4	4
Western area	34	37	46	69	49	58	98	138	209	183
Total	**48**	**51**	**71**	**94**	**72**	**65**	**110**	**150**	**243**	**205**

Source: Banking Department, BSL

The number of POSs increased in all the regions, save the northern province, which recorded a decline from 14 in 2017 to 6 in 2018. The number of POSs increased in the western area from 209 in 2017 to 370 in 2018, while for the number of POS in the southern and eastern provinces increased respectively from 16 and 4 in 2017 to 23 and 15 in 2018.

Regulatory Framework

There is a Payment Systems Act promulgated in 2009. Other legislations supporting the Payment Systems Act 2009 include, the Banking Act, the Bank of Sierra Leone Act, and the Other Financial Services Act. The BSL also has in place Rules and Regulations for each of the Payment Systems infrastructure and Mobile Money Guidelines.

The regulatory framework is geared towards ensuring compliance with best practice and hence achieve efficiency. Plans to review the financial markets infrastructure legal framework generally to reflect current trends is far advanced.

Planned System

There are plans for the establishment of a card national switch aimed at interconnecting and making interoperable all retail payment infrastructure for efficient financial transaction and access to finance. To facilitate this, a twelve (12) million US Dollar agreement has been sign between the government of Sierra Leone and the World Bank for a Financial Inclusion Project which encompasses the National Switch. The implementation of this project is currently at hiring of Project Coordinator stage.

Furthermore, with increases in public acceptability of electronic payment systems especially in the western area, and in the midst of a series of issues surrounding security of financial transactions, the need to develop an oversight system with robust security systems is becoming increasingly important.

7.0 HUMAN RESOURCES DEVELOPMENT

7.1 Staff Strength

Total number of staff as at 31st December 2018 was **458 compare to 473 staff** as at 31st December 2017, a decrease of 3 percent mainly due to severance of staff during 2018. The number of staff in the Professional cadre and Sub-Professional cadre decreased by **11** and **5** from **265** and **105** in 2017 to

254 and **100** in 2018 respectively. The number of staff in the Other cadres also decreased from **69** to **68** as at 31st December 2018. In the Management Cadre the number of staff remained unchanged at **9** as at end December 2018.

In terms of gender structure, the total number of male staff amounted to **328** as at 31st December 2018, of which **13 male staff** were Fixed Term Employees. The proportion of male staff including Fixed Term Employees to total number of staff was **72 percent** as at 31st December 2018.

Total number of female staff as at 31st December 2018 was **130,** of which **14** were Fixed Term Employees. The proportion of female staff including Fixed Term Employees to total number of was **28 percent** in December 2018.

The share of Total Fixed Term employees was **6 percent (27)** of total staff as at end December 2018, an increase of **2 compared to 25** as at end December 2017. This was due to recruitment of staff during the period.

Table 27: Staff Strength as at end December 2017 and as at end December 2018

	As at 31 December 2017			As ate 31 December 2018		
Categories	**Male**	**Female**	**TOTAL**	**Male**	**Female**	**TOTAL**
Management	6	3	9	6	3	9
Professional	173	92	265	166	88	254
Sub-Professional	83	22	105	79	21	100
Others	65	4	69	64	4	68
Total Regular Staff	**327**	**121**	**448**	**315**	**116**	**431**
Fixed Term Employees	13	12	25	**13**	**14**	**27**
Grand Total	**340**	**133**	**473**	**328**	**130**	**458**

Source: Human Resources Department, BSL

7.2 Severance

During the review period, a total of **22** members of staff severed from the services of the BSL in 2018 as shown in Table 32; of this total, 5 was in respect of Termination of Contract appointment, 1 resignation, 4 dismissal, 5 deceased and 7 retirement.

Table 28: Staff Severance in 2018

Termination of Contract Appointment	5
Resignation	1
Dismissal	4
Deceased	5
Retirement	7
Voluntary Retirement	-
Retirement on Medical Grounds	-
Position Declared Vacant	-
Total	**22**

Source: Human Resources Department, BSL

Recruitment and Appraisal

A total number of 5 staff were recruited on contract basis, while the appraisal for 2018 is yet to be concluded.

Manpower Planning and Career Development

In order to facilitate work at the Kenema Branch, the BSL continued to transfer staff with the requisite capacity to the branch either on a two-year tour or relief duties.

Inter and intra departmental transfers were embarked upon at various levels and departments during the period under review. A total of 59 staff were transferred internally during 2018.

Staff Training and Development

The BSL continued with its efforts on capacitating its human resources through relevant training programmes. The processing of overseas/local meetings, workshops, seminars and conferences that were handled by the Secretary's Department were transferred to the Training Section of the Human Resources Department, effective January 2018.

To ensure that capacity of staff is enhanced and skills-gaps addressed, the BSL partnered with the under-listed international training organizations during 2018:

- West African Institute for Financial and Economic Management (WAIFEM);
- The Joint Africa Institute (JAI); Joint Partnership for Africa (JPA);
- The International Monetary Fund (IMF) Institute
- Crown Agents
- The Inter-Governmental Action Group for Anti-Money Laundering and Fighting Terrorist Financing in West Africa (GIABA);
- London Corporate Training (LCT);
- African Institute of Management Science (AIMS);
- International Management Training Consortium (IMTC);
- Pan-African Training;

The Bank of England (BoE) provided technical assistance to the BSL through in-house training programmes and BSL staff has also benefitted from study tours at central banks within the sub-region (Bank of Ghana, Central Bank of Nigeria).

The BSL also continued its full sponsorship of one Managerial staff in the Finance Department in pursuant of the Certified Financial Analyst Programme. Three staff were released on the unstated terms to pursue their respective courses:

Table 29: Staff on Leave of Further Studies

Name	Course & University	Duration	Status
Mr. Saidu Swaray	PhD in Economics: University of Ibadan, Nigeria	November 2018 - December 2022	Study Leave with Pay
Mr. Tapia M Kanu	Master of Arts in Economic Policy Management: Columbia University, USA	May 2018 – May 2019	Study Leave with Pay
Mr. Eugene K Miller	Master of Arts in Business Administration: South China University of Technology, China	September 2018 - September 2019	Study Leave without Pay

Source: Human Resources Department, BSL

Some staff were also accorded the opportunity to benefit from short courses organised locally by the National Public Procurement Authority (NPPA) and Institute of Chartered Accountants of Sierra Leone (ICASL).

Several staff benefitted from Courses that were processed under the Training Vote as well as Conferences, Meetings, Workshops and Seminars, which were processed under the Overseas Passages and Allowances Vote as explained on the Tables below:

Table 30: Number of staff that benefitted from courses that were processed under the Training Vote from January to December 2018

Departments/Units	**2018,** *number of staff*
Banking	10
Banking Supervision	15
Finance	4
Financial Markets	10
Financial Stability	3
Governor's Office	12
Human Resources	6
Internal Audit	5
Management Information Systems	2
Other Financial Institutions Supervision	8
Project Management	1
Research	14
Secretary's	4
Grand Total	**94**

Source: Human Resources Department, BSL

Table 31: Number of staff that attended Conferences, Meetings, Workshops or Seminars from January to December 2018

Departments/Units	No. of Staff
Banking Supervision	12
Finance	2
Financial Markets	11
Financial Stability	3
Governor’s Office	10
Human Resources	3
Internal Audit	5
Mgt. Info. Systems	1
Other Financial Institutions Supervision	4
Project Management	-
Research	11
Secretary’s	4
Grand Total	**71**

Source: Human Resources Department, BSL

8.0 EXTERNAL RELATIONS

The BSL continued cooperating with regional and international organisations as well as other development partners in 2018 in order to support macroeconomic stability and maintain bilateral relationships. During the review period, the BSL met with the IMF on the Extended Credit Facility (ECF) programme, as well as other regional institutions, such as ECOWAS, WAMA, WAMI and AACB, in relation to the economic and monetary cooperation programme at both Africa and ECOWAS levels. Furthermore, the BSL benefitted from several technical assistance (TA) missions and overseas training from the IMF, IMF Afritac West 2, WAIFEM and other institutions.

Spring and Annual Meetings of the IMF and World Bank Group

The 37th and 38th spring and annual meetings of the World Bank Group and the IMF were held in Washington DC, USA and Bali, Indonesia from April 18 – 22, 2018 and October 8 – 14, 2018 respectively. The meetings were composites of seminars, regional briefings, press conferences and discussions around issues relating to the global economy, international development and the global financial system.

International Monetary and Financial Committee (IMFC)

At the 37th meeting in Washington DC, chaired by the Governor of the South African Reserve Bank, Mr. Lesetja Kganyago, the IMFC expressed their satisfaction about the strengthening of global growth, which was increasingly broad-based, underpinned by a rebound in investment and trade. The committee further indicated that they will continue to employ all policies in their tool kit to attain strong, sustainable, even, inclusive and job-rich growth. They suggested that central banks in the pursuit of their mandates, should be mindful of financial stability risks, while at the same time alter their policy stance in response to the direction of inflationary pressures. Moreover, fiscal policy should be flexible and growth friendly, while structural reforms should focus on inducing productivity, potential growth and employment as well as effectively assisting those bearing the cost of adjustment. They emphasized the need for timely, full and consistent implementation and finalization of financial sector reforms in order to strengthen the resilience of the financial sector.

At the 38th meeting, the IMFC stated that global expansion remained robust and projected to be steady in the near term but to moderate afterwards. Nonetheless, the recovery has become broadly unbalanced and risks are mostly on the downside. Emerging markets and developing countries are more affected by heightened trade tensions, geopolitical concerns and tighter financial conditions. Moreover, policy uncertainty, historically high debt levels, rising financial vulnerabilities, and limited policy space could further weaken confidence and growth prospects. The committee expressed that they will respond in a timely and robust manner through employing policies and reforms that would strengthen and maintain global growth, moderate risks, rebuild policy space, improve resilience, and increase medium-term growth prospects.

The Development Committee

As indicated in the communique of the Development committee at the 37th meeting, the fundamental reforms that were negotiated as part of the proposed capital package, which will give World Bank Group (WBG) the financial capacity to more effectively deliver development results in a financially sustainable manner, was a laudable initiative. The committee expressed that it is imperative that the WBG enhance its financial capacity to meet the objectives of its shareholders, mobilize capital at scale, and respond to global development challenges. In view of this, the WBG is pleased with the successful conclusion of the negotiations on the financial and policy package contained in the Sustainable Financing for Sustainable Development report, with the package constituting US$13 billion paid-in capital increase, comprising US$7.5 billion for IBRD and US$5.5 billion for IFC, through general and selective capital increases. Moreover, there will be a callable capital increase for IBRD. This is a transformative package, comprising fundamental institutional and financial reforms. These include internal efficiency and revenue measures, and an increase in capital that will support a financially sustainable and efficient WBG.

At the 38th meeting, the development committee reiterated that global economic growth remains strong, but unbalanced, while manufacturing and trade growth have eased. Risks to global growth remain concentrated on the downside with the most noticeable being policy uncertainty, geopolitical concerns, tightened financial conditions, as well as historically high debt levels and currency volatility. They emphasised the essential role international trade plays for economic growth, job creation and sustainable development. They therefore called on all member countries, with support from the World Bank Group (WBG) and the International Monetary Fund (IMF), to implement policies that ensure robust and inclusive economic growth, reduce risks, and foster competitiveness, while strengthening fiscal sustainability and financial resilience.

IMF Extended Credit Facility (ECF) in 2018

The Executive Board of the International Monetary Fund (IMF) on November 30, 2018 approved a new 43 months arrangement for Sierra Leone under the Extended Credit Facility (ECF) for SDR124.44 million (approximately US$172.1 million), equivalent to 60 percent of Sierra Leone’s quota in the IMF, to support the country’s economic and financial reforms.

In view of this, an immediate disbursement of SDR15.555 million (about US$21.5 million) was made to the country with the remaining amount phased over the duration of the program, subject to semi-annual reviews.

The authorities' ECF-supported program aims at tackling new challenges that started since June 2017 while at the same time, improving the prospects for long term growth. In particular, addressing the fiscal slippages, adjusting the medium-term framework to correct for these slippages and account for recent external shocks, and supplementing the structural reform agenda to better tailor it to current circumstances, including in the areas of central bank safeguards and governance. Forceful implementation of the program, especially on revenue mobilization and expenditure control, will be essential to achieve fiscal sustainability

ECOWAS/WAMA/WAMI Missions to Sierra Leone

The ECOWAS Commission, West African Monetary Agency (WAMA) and the West African Monetary Institute (WAMI) conducted two joint multilateral surveillance missions to Sierra Leone from May 2 – May 9, 2018 and September 19 – 26, 2018 to assess the country's macroeconomic developments and status of convergence in 2017 as well as the first half of 2018 within the framework of the ECOWAS monetary cooperation programme (EMCP) and Article XV of the WAMZ agreement. The mission held discussions with officials of key Ministries, Agencies and Departments, and the Private sector in the country.

From the first mission in March 2017, it was noted that the Sierra Leonean economy continued to be on the path of recovery after the twin shocks of the Ebola and sharp fall in iron ore prices in 2015. However, the pace of recovery slowed down in 2017 largely occasioned by the lower than expected output of iron ore as a result of fall in the price of the commodity as well as technical and operational difficulties faced by iron ore mining companies. Inflationary pressures continued to decline during the second half of 2017, although inflation level still remained high and in double digits. The exchange rate remained stable as a result of tight monetary policy stance of the Bank of Sierra Leone. The shortfall in revenues and expenditure overruns increased the fiscal deficit during the year, which was financed mainly by borrowing from the banking system and the accumulation of arrears.

The financial system was relatively stable, though non-performing loans remained high. While, external sector performance was weak during 2017, there are prospects, however, for improvement in the medium term premised on the resumption in the production of Iron Ore and diversification of export products in favour of agriculture and manufacturing.

On the second mission in September 2018, the team assessed the half year macroeconomic position of the country. They expressed that the Sierra Leone economy is expected to remain moderate at 3.7 percent in 2018, as in 2017. This development is expected to be largely underpinned by the cessation of iron ore mining due to operational challenges and low quality of the iron ore. The non-iron ore sector, however, is expected to improve with growth estimated at 5.8 percent, from 3.4 percent in 2017, to be driven by increased activities in agriculture, recovery in kimberlite diamond and other mining activities as well as services. The country's performance on the macroeconomic convergence scale improved as the country met two of the primary criteria (months of import cover and central bank financing of fiscal deficit) and both secondary criteria (debt-to-GDP and exchange rate stability). In spite of the improvement there is need to implement the aforementioned recommendations to boost macroeconomic performance and strengthen compliance with the convergence criteria.

African Development Bank (AfDB) Annual Meetings

The 53rd annual meeting of the African Development Bank was held on May 21 – 25, 2018 in Busan, South Korea. The discussions were centered on industrialization as the impetus to raise Africa out of poverty. The President of the African Development Bank (AfDB) emphasized the need for value additions, so that Africa's wealth would stop going out in the form of exported raw materials to the rest of the world. According to him, that can only be achieved by embracing and deepening industrialization in the continent.

He stressed that "Africa must stop being a museum of poverty. Its people are determined to reverse this trend. The future of young Africans is not in Europe, their destiny is not to end their lives in the Mediterranean Sea". He expressed that "Volatile prices for raw materials in recent years have hit many African countries badly. This has convinced us of the urgent need to diversify our economies, especially by processing our raw materials here in Africa," President Adesina emphasised.

He announced that the African Development Bank would invest US$35 billion over the next 10 years to support industrialization in Africa. "We are convinced that any creation of added value for African economies involves industrialization.

In agriculture, for example, we can successfully set up processing zones for agricultural raw materials. For Africa, industrialization is not an option, but an absolute necessity," said Adesina.

He explained that three conditions must come together to enable Africa to embark decisively on the path to industrialization. "There can be no industrialization without clear, forthright political leadership. There can be no industrialization without strengthening human resources, especially by investing in sciences, new technologies and innovations," said Adesina. "All parts of the world have been inspired by models of industrial success elsewhere. From this point of view, Africa can also be inspired by Korean industrial excellence without resorting to lazy attempts to reproduce it". "In Africa, we must not forget to consider the role of local communities in our industrialization policies. This is because the question of skills is important in order to achieve inclusive industrialization. We also need to adopt a healthy, incentive-based business environment."

Annual General Meeting of the African Export-Import Bank (AFREXIMBANK)

The theme for the 25th anniversary and Annual General Meetings of African Export Import Bank (AFREXIMBANK), held on the 11 – 14 July, 2018, in Abuja, Nigeria, was "Celebrating the Past and Shaping the Future". The meeting brought together banking industry professionals, trade and trade finance practitioners and other stakeholders involved in economic development from across Africa and beyond. Discussions were mainly around regional integration, trade and trade development finance. It was emphasized that free trade areas have the potential to create better market access, build economies of scale, encourage economic growth and increase international trade.

Deliberations were held by several panelists on how a free trade agreement will work for Africa. It was asserted that owing to the divergence in the regulatory and financial requirements of all countries in the African Union, it will be a herculean task, however, measures should be put in place to harmonise those requirements in order for all to benefit from the free trade arrangement.

Having a successful continental free trade area brings with enormous benefits, including the advantage of access to larger markets, which encourages growth in a number of industries in Africa including manufacturing and agriculture.

However, concerns and serious deliberations were raised on intensifying trade tensions between the US, and other countries, particularly China, which has refueled the debate around trade protectionism and the case for the development of free trade areas, especially in Africa were economic growth and development among countries are not synchronized.

Emphasis was also made on deepening trade development finance in Africa, on the backdrop that there are several risks associated with international trade, thus specialised instruments to fund cross-border business and trading are essential. African capital markets, the banking sector and development banks should provide the requisite financial support to deepen trade development finance across the continent. It was also recognized that export credit is an essential source of financial support for cross-border trade, especially where some investors and financial institutions may be risk averse. Export Credit Agencies (ECAs) provide finance where the broader commercial market is unable or unwilling to.

Association of African Central Banks (AACB) Meetings

The 41st ordinary meeting of the Assembly of Governors of the AACB was held on August 9, 2018 in Sharm El Sheikh, Egypt, at the International Congress Center. In attendance were 35 Member Central Banks and African Union Commission (AUC). The Banque de la Republique d'Haiti participated in the meeting as an observer.

The meeting of the Assembly of Governors was preceded by the Technical Committee and Bureau meetings held on 5 -6 and 7 August 2018 respectively. In addition, the Central Bank symposium was held on 8 August 2018 on the theme: ***"Declining Correspondent Banking Relationships and Illicit Capital Flows: Risks & Policy Challenges for Africa".***

During the Symposium, discussions were centered around the impact of the deterioration of correspondent banking relationships on financial sector development and economic growth in Africa. They proposed initiatives and actions to be carried out in African countries to deal with this unfavorable situation. They emphasized also the challenges and strategic implications of illicit capital flows in African countries.

The discussions also focused on possible solutions to deal with this negative situation. For African countries, it's necessary to strengthen or adapt the regulatory framework, to continue the communication with foreign correspondents and to set up regional bank branches able to provide interbank clearing operations on a sub-regional scale. Regarding the increase of illicit capital flows in some African countries, the exchanges of views during the symposium have led to note the weakness of the supervisory and regulatory institutions and the socio-political instability as factors conducting to the rise of this phenomenon. To fight the phenomenon in Africa, it's necessary to strengthen the regulatory framework, undertake training of actors and show strong political will.

The 41st Ordinary Meeting of the Assembly of Governors was chaired by Mr. Lesetja Kganyago, Governor of the South African Reserve Bank (SARB). At the end of their work, the Governors adopted:

- the report on the AACB Symposium held on August 15th, 2017 in Pretoria, South Africa;
- the report of the 40th Ordinary Meeting of the Assembly of Governors of the AACB, held on August 16th, 2017 in Pretoria, South Africa;
- the report of the AACB Continental Seminar for the year 2018, and
- the Report on the implementation of the African Monetary Cooperation Programme (AMCP)

A performance analysis reflected that 18 out of 52 countries (35percent) met all the first rank criteria in 2017 compared to none in 2016, before the refinement of convergence criteria, in relation to the improvement of the international environment and structural reforms implemented by several countries.

The Assembly of Governors also approved a report on the refinement of convergence criteria and a report on the monitoring framework and a peer review mechanism for macroeconomic convergence. Both documents will be presented at the next meeting of the African Union Specialized Technical Committee (STC) on Finance, Monetary Affairs, Economic Planning and Integration.

In addition, the Assembly of Governors approved an Initiative for the Integration of Payment Systems in Africa. This report was submitted by the Chair of the Subcommittee on Payment Systems of the Assembly of Governors of Central Banks.

The Southern African Development Community (SADC), notes that some sub-regions in Africa have made progress towards the promotion and the integration of their payment systems. It considers, at this stage, that attention needed to be paid to initiatives to integrate payment systems on the continent at this stage. Workshops will be organized in 2019 to identify the modalities for the integration of payment systems on the African continent. Finally, the Assembly of Governors took note of the AACB membership of Bank Al-Maghrib, which joined the Sub Regional Committee for North Africa. The Assembly of Governors also took note of the admission of the Central Bank of Haiti as an observer pending further engagement with the AUC on this issue by the Chair of the AACB.

Technical Assistance (TA) Missions to the Bank of Sierra Leone in 2018

The Bank of Sierra Leone benefitted from several TA missions and trainings in 2018 from the Monetary and Capital Markets Department of the IMF, IMF Afritac West 2 (AFW2), Bank of England, and WAIFEM. The focus of all those missions and trainings was on building capacity and strengthening central bank operations. In line with this, the TA covered pertinent areas, including banking supervision and regulation, effective communication for central bankers, inflation forecasting, financial markets and market operations, improving monetary operations and monetary policy analysis, and financial programming and policies.

FINANCIAL STATEMENTS

YEAR ENDED 31ST OF DECEMBER 2018

GENERAL INFORMATION

BOARD OF DIRECTORS:	Professor Kelfala M. Kallon	- Governor (appointed 15 August 2018)
	Dr Ibrahim L. Stevens	- Deputy Governor (appointed 24 July 2014)
	Ms Cecilia M. Demby	- Appointed 18 October 2018
	Mr George Taylor	- Appointed 25 October 2018
	Mr Sheikh R. Kamara	- Appointed 31 October 2018
	Mr Sheka A. Mansaray	- Appointed 31 October 2018
	P. C. Alhaji A. Kathenkeh II	- Appointed 31 October 2018
SENIOR MANAGEMENT:	Professor Kelfala M. Kallon	- Governor
	Dr Ibrahim L. Stevens	- Deputy Governor
	Mr Ibrahim K. Lamin	- Senior Director, Financial System Stability
	Mr Tapsiru Dainkeh	- Senior Director, Governor's Office (Banking)
	Mr Ralph Ansumana	- Director, Other Financial Institutions Supervision Department
	Mrs Hanifa Addai	- Director, Banking Supervision Department
	Mr Abdul Aziz Sowe	- Director, Internal Audit Department
	Ms Jenneh Jabati	- Director, Governor's Office (Procurement)
	Mrs Mary M. Kargbo	- Director, Project Management Department
	Mr Morlai Bangura	- Director, Research Department
	Ms Hawa E. Kallon	- Deputy Director, Secretary's Department
	Mrs Williana A. R. Davies	- Deputy Director, Human Resource Department
	Mrs Veronica Finney	- Deputy Director, Financial Markets Department
	Mr Chrispin Dennison-George	- OIC, Management Information Systems Department
	Mr Abdul Bundu	- Deputy Director, Risk Management Unit
	Mr Mohamed S. Bah	- Acting Director, Finance Department
	Mr Eugene Caulker	- OIC, Financial Stability Department
	Mr Alex Mason	- OIC, General Services Department
	Mr Alfred Samah	-OIC, Banking Department
REGISTERED OFFICE:	Siaka Stevens Street	
	Freetown	
SOLICITORS:	Lambert and Partners	
	40 Pademba Road	
	Freetown	
SECRETARY TO THE BOARD:	Ms Hawa E. Kallon	
AUDITORS:	BDO	
	Regent House	
	12 Wilberforce Street	
	Freetown	

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report to the Government of Sierra Leone together with the audited financial statements for the year ended 31 December 2018.

Principal Activity

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

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

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

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

(d) conduct foreign exchange operations;

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

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

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

(h) license, register, regulate and supervise financial institutions as specified in the Bank of Sierra Leone Act 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 2018 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Bank of Sierra Leone Act 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 directors have assessed the ability of the Bank to continue as a going concern. The directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. Thus, the going concern basis has been adopted in preparing the annual financial statements of the Bank.

Capital

The bank's authorised capital is Le250 billion

Additional details of the Bank's capital are given in note 30 to the financial statements.

Results for the period

Profit for the period was Le90.10 billion (2017: loss of Le22.2 billion).

Audit Committee

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

Monetary Policy Committee

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

Banking Supervision Technical Committee

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

Foreign Investment Committee

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

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

Foreign Assets Committee

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

Project Monitoring Committee

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

Property, plant and equipment

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

Employment of disabled people

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

Health, safety and welfare at work

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

REPORT OF THE DIRECTORS (Contd)

Employee involvement and training

There are various forums where the staff meet and discuss issues that relate to them and their progress at the workplace, 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 2018:

Professor Kelfala M. Kallon	-	Governor/Chairman	- Governor (appointed 15 August 2018)
Dr Ibrahim L. Stevens	-	Deputy Governor	- Deputy Governor (appointed 24 July 2014)
Ms Cecilia M. Demby	-	Director	- Appointed 18 October 2018
Mr George Taylor	-	Director	- Appointed 25 October 2018
Mr Sheikh R. Kamara	-	Director	- Appointed 31 October 2018
Mr Sheka A. Mansaray	-	Director	- Appointed 31 October 2018
P. C. Alhaji A. Kathenkeh II	-	Director	- Appointed 31 October 2018

Professor Kelfala M. Kallon was appointed Governor of the Bank on 15 August 2018 in accordance with section 15(2) of the Bank of Sierra Leone Act 2011, to hold office for a term of five years before being eligible for re-appointment for another term only.

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

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

Auditors

The auditors, BDO, were appointed by the Auditor-General to conduct the audit of the financial statements for the period ended 31 December 2018.

Approval of the financial statements

The financial statements were approved by the Board of Directors on December 22 2020.

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Governor Director

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Secretary

INDEPENDENT AUDITORS' REPORT

TO THE GOVERNMENT OF SIERRA LEONE

Opinion

We have audited the financial statements of Bank of Sierra Leone set out on pages 11 to 81 which comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Bank of Sierra Leone Act 2011.

Basis for Opinion

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

Key Audit Matters

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

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

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

<u>Foreign exchange transactions including the respective net exchange gain/loss</u>

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

In the course of our audit we have performed a systems audit of the Bank's system used for the accounting of foreign exchange transactions. The Bank's system for accounting for foreign exchange transactions including the respective recognition of realized and unrealized gains and losses is not configured to show and work with the exchange rates at which the transactions were initiated. Manual recomputations of the realized exchange gains and losses had to be performed and the amounts adjusted on the 2018 financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE GOVERNMENT OF SIERRA LEONE (Contd)

Accuracy of assets and liabilities with respect to disclosure and valuation

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

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

Completeness of notes

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

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

IT and other controls

Our IT review revealed that evidence of compliance with controls was in some instances not available and hence we could not establish the extent to which some controls were complied with. Effective controls around record keeping and processing of transactions increase assurance on the accuracy of the financial statements. In the circumstance, to mitigate the risk, we adopted sample sizes larger than the normal and extensive verification work in our audit strategy.

We have looked more specifically into aggregation of balances, the classification of line items and the completion of disclosures. Additionally work has also been done on revenue recognition.

Impairment assessment of financial assets

The determination of expected credit loss allowances is subjective and judgemental. With the introduction of IFRS 9 in 2018, a number of additional judgements and assumptions are introduced and reflected in the financial statements, including the identification of significant increases in credit risk and the application of forward looking economic scenarios reflecting management's view of potential future economic environment. These judgements were key in the development of new models which have been built and implemented to measure the expected credit losses on relevant credit exposures. There is limited experience available to back-test the charge for expected credit losses ('ECL') with actual results. There is also a significant increase in the number of data inputs required for the impairment calculation. This increases the risk of completeness and accuracy of the data that has been used to create assumptions and operate the model. In some cases, data is unavailable and reasonable alternatives have been applied to allow calculations to be performed.

At 31 December 2018, the Bank's credit exposures and respective impairment comprised mainly short and long-term investment securities issued by the Government of Sierra Leone.

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

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

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

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

- Completeness and valuation of post model adjustments; and
- Accuracy and adequacy of the financial statement disclosures.

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

As IFRS 9 was adopted at the start of the year, we performed audit procedures on the opening balances to gain comfort on the transition from IAS 39. This included evaluating the accounting interpretations for compliance with IFRS 9 and testing the adjustments and disclosures made on transition.

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

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

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

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

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

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

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

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

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

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

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

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

In preparing the financial statements, the management is responsible for assessing the bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting. Those charged with governance are responsible for overseeing the financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

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

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

INDEPENDENT AUDITORS' REPORT

TO THE GOVERNMENT OF SIERRA LEONE (Contd)

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Section 63 of the Bank of Sierra Leone Act 2011, we report that:

- we were able to examine the books and accounts of the Bank and were provided with all the information and explanations about its transactions required by us for the efficient performance of our duties, and
- key matters arising from the audit and in particular on material weaknesses in internal controls in relation to the financial reporting process have been disclosed.

The engagement partner on the audit resulting in this independent auditors' report is Samuel Noldred.

BDO

Freetown, Sierra Leone

8th January 2021

STATEMENT OF FINANCIAL POSITION

In thousands of Leones

	Notes	2018	2017
Assets			
Cash and cash equivalents	*16*	**3,186,017,452**	3,179,781,514
Funds held with International Monetary Fund (IMF)	*17*	**3,614,280,914**	3,345,764,036
Loans and advances to others	*18a*	**10,088,912**	9,858,069
Due from Government of Sierra Leone	*18b*	**1,493,792,809**	1,108,975,178
Investment in equity	*19*	**56,291,426**	49,121,413
Investment securities	*20*	**1,270,053,509**	1,181,725,249
Property, plant and equipment	*21a*	**162,296,328**	157,592,440
Other assets	*22*	**155,634,839**	115,118,930
Total assets		**9,948,456,189**	9,147,936,829
Liabilities			
Amounts due to International Monetary Fund (IMF)	*23*	**6,629,001,046**	6,047,228,495
Deposits from Government	*24*	**157,437,148**	177,487,051
Deposits from banks	*25*	**461,839,591**	528,389,643
Deposits from others	*26*	**30,871,967**	26,362,892
Currency in circulation	*27*	**1,983,864,681**	1,764,744,883
Other liabilities	*28*	**217,938,255**	176,802,620
End-of-service benefits	*29*	**40,770,306**	32,213,712
Total liabilities		**9,521,722,994**	8,753,229,296
Equity			
Capital	*30*	**125,000,000**	125,000,000
General reserve	*31(a)*	**274,318,023**	239,955,287
Revaluation reserve	*31(b)*	**32,792,919**	32,792,919
Other reserves	*31(c)*	**(5,377,747)**	(3,040,673)
Total equity		**426,733,195**	394,707,533
Total liabilities and equity		**9,948,456,189**	9,147,936,829

These financial statements were approved by the Board of Directors on December 22 **2020.**

_______________ **Governor**

_______________ **Director**

_______________ **Secretary**

The notes on pages 106 to 170 are an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME

In thousands of Leones

	Notes	2018	2017
Interest and similar income	*8*	**230,762,478**	180,156,784
Interest expenses and similar charges	*8*	**(9,965,331)**	(5,095,351)
Net interest income		**220,797,147**	175,061,433
Fees and commission income	*9*	**3,181,812**	2,982,002
Fees and commission expense	*9*	**-**	-
Net fees and commission income		**3,181,812**	2,982,002
Net exchange gain/(loss)	*10*	**56,168,516**	(42,775,871)
Other income	*11*	**1,915,883**	2,445,279
Operating income		**282,063,358**	137,712,843
Personnel expense	*12*	**(99,186,663)**	(80,505,737)
Currency issue expense	*13*	**(26,080,664)**	(28,508,945)
Depreciation and amortisation	*21*	**(5,864,492)**	(5,533,198)
Impairment loss on financial instruments	*14a*	**(8,760,314)**	-
Other expenses	*14b*	**(52,068,412)**	(45,397,700)
Profit/(loss) for the year		**90,102,813**	(22,232,737)
Other comprehensive income			
Defined benefit plan actuarial loss		**(2,337,074)**	(6,568,910)
Total comprehensive income/(expense) for the year		**87,765,739**	(28,801,647)
		===========	==========

The notes on pages 106 to 170 are an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME

In thousands of Leones	*Note*	**2018**	2017
Profit/(loss) attributable to:			
Equity holders of the Bank		**90,102,813**	(22,232,737)
Profit/(loss) for the year		**90,102,813**	(22,232,737)
Total comprehensive income/(expense) attributable to:			
Equity holders of the Bank		**87,765,739**	(28,801,647)
Total comprehensive income/(expense) for the year		**87,765,739**	(28,801,647)

These financial statements were approved by the Board of Directors on December 22 **2020.**

_______________ **Governor**

_______________ **Director**

_______________ **Secretary**

The notes on pages 106 to 170 are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

In thousands of Leones

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

The notes on pages 106 to 170 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 2017	125,000,000	32,792,919	264,003,990	3,528,237	425,325,146
Total comprehensive income for the year					
Net profit/(loss) for the year	-	-	(22,232,737)	-	(22,232,737)
Securities reserves	-	-	-	-	-
Prior year adjustment	-	-	(1,815,966)	-	(1,815,966)
Other comprehensive income					
Fair value reserve (non-interest-bearing securities)	-	-	-	-	-
Actuarial loss	-	-	-	(6,568,910)	(6,568,910)
Total other comprehensive income for the year	-	-	(24,048,703)	(6,568,910)	(30,617,613)
Total comprehensive income and other transfers					
Paid up capital	-	-	-	-	-
Deposit for shares	-	-	-	-	-
Balance at 31 December 2017	125,000,000	32,792,919	239,955,287	(3,040,673)	394,707,533

The notes on pages 106 to 170are an integral part of these financial statements

STATEMENT OF CASH FLOWS

In thousands of Leones

	Notes	**2018**	2017
Cash flows from operating activities			
Profit/(loss) for the year		**90,102,813**	(22,232,737)
Adjustment for:			
Depreciation and amortisation	*21*	**5,864,492**	5,533,198
Net interest income	*8*	**(220,797,147)**	(175,061,433)
Fixed asset adjustments	*21a*	**113,693**	5,520
Profit on disposals	*21a*	**-**	(80,760)
Actuarial loss on defined benefit obligation	*29d*	**(2,337,074)**	(6,568,910)
Prior year adjustment		**6,471,948**	(1,815,966)
Changes on initial adoption of IFRS 9	*39g*	**(62,212,025)**	-
		(182,793,300)	(200,221,088)
Changes in:			
Loans and advances to others	*18a*	**(230,843)**	(643,875)
Due from Government of Sierra Leone	*18b*	**(384,817,631)**	(116,567,699)
Other assets	*22*	**(40,515,909)**	8,161,241
Currency in circulation	*27*	**219,119,798**	297,380,851
Government deposit	*24*	**(20,049,903)**	56,356,365
Other deposits	*26*	**4,509,075**	(21,007,040)
Deposits from banks	*25*	**(66,550,052)**	(105,163,028)
Other liabilities	*28*	**41,135,635**	53,577,914
End-of-service benefits	*29*	**8,556,594**	10,890,067
		(421,636,536)	(17,236,292)
Interest received	*8*	**230,762,478**	180,156,784
Interest paid	*8*	**(9,965,331)**	(5,095,351)
Net cash generated from operating activities		**(200,839,389)**	157,825,141
Cash flows from investing activities			
Purchase of investment securities	*20*	**(88,328,260)**	(456,661,777)
Acquisition of investment in equity	*19*	**(7,170,013)**	(2,123,873)
Acquisition of property, plant and equipment	*21a*	**(10,682,073)**	(67,052,718)
Proceeds from sale of property, plant and equipment	*21a*	**-**	81,015
Net cash generated from investing activities		**(106,180,346)**	(525,757,353)
Cash flows from financing activities			
Net change in funds from the IMF	*17*	**313,255,673**	549,418,867
Net movement in reserves	*31*	**-**	-
Net cash from financing activities		**313,255,673**	**549,418,867**
Net increase in cash and cash equivalents		**6,235,938**	181,486,655
Cash and cash equivalents at 1 January		**3,179,781,514**	2,998,294,859
Cash and cash equivalents at 31 December	*16*	**3,186,017,452**	3,179,781,514
		============	============

The notes on pages 106 to 170 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

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

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

i. formulate and implement monetary policy, financial regulation and prudential standards;

ii. act as banker, adviser and fiscal agent of the Government;

iii. formulate and implement the foreign exchange policy of Sierra Leone;

iv. conduct foreign-exchange operations;

v. own, hold and maintain the official international reserves including the reserves of gold;

vi. issue and manage the currency of Sierra Leone;

vii. establish, promote, license and oversee sound and efficient payment and securities settlement systems;

viii. license, register, regulate and supervise financial institutions as specified in the Bank of Sierra Leone Act;

ix. act as depository for funds from international organizations.

2. BASIS OF ACCOUNTING

The financial statements of Bank of Sierra Leone have been prepared in accordance with International Financial Reporting Standards (IFRSs) and it's interpretation as issued by the International Accounting Standards Board (IASB) and in the manner required by the Bank of Sierra Leone Act 2011. They were authorised for issue by the Bank's Board of Directors.

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

Details of the Bank's accounting policies, including changes during the year, as well as the adoption of new and revised International Financial Reporting Standards (IFRS's) and Interpretations are included in notes 38 to 39.

3. USE OF JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

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

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

USE OF JUDGEMENTS, ASSUMPTIONS AND ESTIMATES (Contd)

3. 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 is set out below in relation to the impairment of financial instruments and in the following notes:

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

Impairment of financial instruments

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

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

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

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

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

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

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

- Completeness and valuation of post model adjustments; and

- Accuracy and adequacy of the financial statements disclosures.

4 SIGNIFICANT EVENTS FOR THE FISCAL YEAR 2018

Medium-Term Fiscal Forecasts, 2018- 2020

The overall objective of fiscal policy in the medium-term is to consolidate public finances by aggressively enhancing domestic revenue collection and rationalizing public expenditure through controlling the Government wage bill; rationalizing public expenditure on goods and services while scaling up expenditures on capital projects and the growth and social sectors. The overall budget deficit, including grants, declined to 6.5 percent of GDP in 2018 and is expected to remain almost constant for the next two years.

Domestic Revenue projections

Domestic revenue is projected to increase to Le4.56 trillion (13.3 percent of GDP) in 2018 from Le3.5 trillion (12.1 percent of GDP) in 2017. It is projected to increase to Le 5.6 trillion (14.8 percent of GDP) in 2019 and further to Le 6.7 trillion (15.4 percent of GDP) in 2020. The projected increase in revenues is based not only on the projected expansion in economic activities, but also on further implementation of key administrative measures, public financial management and tax policy reforms as articulated in the medium-term Revenue Mobilization Strategy.

Medium- Term Revenue Mobilization Assumptions

The mobilization Revenue Strategy, prepared jointly by the Government and the IMF, will inform the mobilization of domestic revenues in the short to medium term and will focus on enhancing tax administration process and minimizing leakages; introducing Public Financial Management (PFM) reforms to consolidate off-budget revenues into the Consolidated Revenue Fund, implying a significant reduction in the amount of revenues being retained by MDA's; and formulating tax policy primarily geared towards revenue mobilization, without having negative impact on economic activity. Consistent with the above, revenue generation will specifically focus on:

(i) Administrative measures: directed towards the introduction of automated and administration systems and improvement of the core revenue administration process relating to revenue administration cycle: registration, filing, payment, recording and accounting, compliance audit and risk management, appeal and reporting. These steps will be supported by automation and introduction of IT-systems.

(ii) Public Financial Management reforms including (a) the establishment and operationalization of the Treasury Single Account (TSA);and (b) the enactment of the Fiscal Management and Control Bill

(iii) Policy Reforms: including (a) Rationalizing of Duty Exemptions and Investment Incentives; (b) Review of Mining Agreements, (c) alignment and or harmonization of ECOWAS Common External Tariff (CET).

Personal income tax is projected to increase to Le1.1 trillion (3.3 percent of GDP) during 2018, from Le889 billion (3.1 percent of GDP) in 2017. It will also increase further to Le1.3 trillion (3.5 percent of GDP) and Le1.6 trillion (3.8 percent of GDP) in 2019 and 2020, respectively.

Corporate income tax is projected to increase from Le 375 billion (1.1 percent of GDP) in 2018 to Le 683 billion (1.6 percent of GDP) in 2020, mainly on account of increased economic activities across all sectors of the economy.

Mining royalties and licenses are projected to increase from Le241 billion (0.7 percent of GDP) in 2018 to Le 540 billion (1.2 percent of GDP) in 2020. This increase will be on account of expansion of production by the major mining companies, coupled with further review of all mining agreements and licenses that fall due. Revenues from Road User Charges and Vehicle licenses are projected to increase from Le 129 billion or 0.4 percent of GDP in 2018 to Le 153 billion in 2020.

Fiscal sector

(i) The tax Administration Bill was ratified by Parliament in November 2018.

(ii) The Bank had stopped foreign exchange auctions since May 2017. However, due to speculation and exchange rate pressure, BSL intervened in the Sierra Leone Interbank Foreign Exchange Market (IFEM) in 2018 by conducting multiple foreign exchange auctions throughout the year.

(iii) The Financial Management and Control Bill, which mandated MDAs to domicile all their funds in the Consolidated Revenue Fund was passed in Parliament in 2018.

Goods and Services Tax is projected to increase from Le 1.09 trillion (3.2 percent of GDP) in 2018 to Le1.75 trillion (4.0 percent of GDP) in 2020. The increase in GST revenues will come from the effective implementation of administrative measures instead of increase in the tax rates.

Excise duty is projected at Le 321 billion (0.8 percent of GDP) in 2020. A key reason for the projected increase in excise revenue is the planned liberalization of fuel prices in the second quarter in 2018, which eliminated fuel subsidies. The introduction of a 20 percent duty on all luxury vehicles with CIF values in excess of US$ 25,000, and duty on jewellery, cosmetics and perfumes are expected to boost excise revenues.

Monetary policy, exchange rate, and financial sectors

i As of 1 February 2018, the Bank has implemented a liquidity management policy requiring a two-week reserve maintenance period.

ii The Bank's measures to address weaknesses in the state-owned banks' balance sheets have reduced these risks significantly since the program began. However, to prevent a reoccurrence of politically motivated, loss-making lending practices, the bank should be put on a firmer commercial footing to prevent from the risk of undue influence by the Government in management decisions. The Government aims to finalize a strategic plan for these banks including a timetable for putting in place an independent governance framework. Since January 2018 the Bank has continuously implemented a risk-based supervision.

IMF budget financing

On November 30, 2018, the Executive Board of the International Monetary Fund (IMF) approved a forty-three month arrangement under the Extended Credit Facility (ECF) program for Sierra Leone for SDR 124.44 million (about US$171.6 million, or 60 percent of Sierra Leone's quota). Of this amount, SDR 25.55 million was to support the government budget with additional fiscal needs projected for 2018 and 2019 (SDR 15.55 million on program approval and another SDR 10.00 million on completion of the program's first review expected in June 2019). For the disbursement, proper accounting treatment, and debt service implications of this loan, the Ministry of Finance and the Bank of Sierra Leone agreed to the following key terms:

i The Leone equivalent of the budgetary support funds of SDR 15.55 million on program approval and SDR 10 million upon completion of the first review will be credited directly to the Ministry of Finance (MOF) through the Government of Sierra Leone's (GoSL's) dedicated account, namely "IMF Budget Financing Account of GoSL", at the Bank of Sierra Leone (BSL). The remaining SDR 98.89 million will be credited directly to the Bank of Sierra Leone as additional balance of payment support.

ii The funds received for budgetary financing and balance of payment support will be the foreign exchange liability of the GoSL, and the MOF will be responsible for its debt servicing (including principal, interest, charges, fees, etc.) at the prevailing exchange rate.

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

Monetary policy statements

i Domestic economic growth momentum slowed down to 3.7 percent in 2018, relative to 3.8 percent in 2017, mainly due to the cessation of iron ore mining operations;

ii The global economy grew by 3.7 per cent in 2018, but is expected to slow down to 3.5 per cent in 2019, before picking up moderately to 3.6 per cent in 2020;

ii Fiscal policy remained expansionary, which resulted in increased fiscal deficit in the 4th quarter of 2018, mainly due to the increase in government expenditure;

iv The Leone depreciated against major international currencies in the 4th quarter of 2018, driven mainly by increased dollarization and speculative behaviour of market participants; and

v Money market conditions were tight in the 4th quarter of 2018, evidenced by commercial banks' access to the Bank's lending facility, as well as the increase of the inter-bank market rate above the MPR.

5 FINANCIAL RISK REVIEW

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

NOTES TO THE FINANCIAL STATEMENTS (Contd)

(a) Credit risk

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

Credit quality

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

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

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

	Credit rating	**2018**	**% of FA**	2017	% of FA
Cash balances with Central Banks	AAA - Aa2	**1,676,794,443**	**17.41**	1,857,775,965	20.90
Cash and balances with supranational organisations	Aaa - B1/N/R	**1,460,399,434**	**15.16**	1,286,248,702	14.50
Cash and balances with commercial banks	Aa3 - B2/BB*/N/R	**48,543,191**	**0.50**	35,421,668	0.40
Cash balances with non-banking financial institutions	N/R	**280,384**	**0.0**	335,179	0.0
International Monetary Fund assets	N/R	**3,614,280,914**	**37.53**	3,345,764,036	37.70
Advances	N/R	**1,503,881,721**	**15.62**	1,118,833,247	12.61
Investment in equity	Baa1/B*	**56,291,426**	**0.58**	49,121,413	0.55
Investment securities	N/R	**1,270,053,509**	**13.19**	1,181,725,249	13.32
Total		**9,630,525,022**	**100**	8,874,937,630	100

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FINANCIAL RISK REVIEW (Contd)

Credit risk (contd)

Concentration analysis

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

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

Assets

In thousands of Leones	**GBP**	**Euro**	**US$**	**SDR**	**Leone and Others**	**Total**
At 31 December 2018						
Cash and cash equivalents	**617,922,502**	**3,975,748**	**2,558,457,768**	**-**	**5,661,434**	**3,186,017,452**
IMF assets	**-**	**-**	**-**	**3,614,280,914**	**-**	**3,614,280,914**
Advances	**-**	**-**	**-**	**-**	**1,503,881,721**	**1,503,881,721**
Investment in equity	**-**	**-**	**56,291,426**	**-**	**-**	**56,291,426**
Investment securities	**-**	**-**	**-**	**-**	**1,270,053,509**	**1,270,053,509**
Total assets	**617,922,502**	**3,975,748**	**2,614,749,194**	**3,614,280,914**	**2,779,596,664**	**9,630,525,022**
At 31 December 2017						
Cash and cash equivalents	738,480,187	3,080,748	2,433,533,299	-	4,687,280	3,179,781,514
IMF assets	-	-	-	3,345,764,036	-	3,345,764,036
Advances	-	-	-	-	1,118,833,247	1,118,833,247
Investment in equity	-	-	49,121,413	-	-	49,121,413
Investment securities	-	-	-	-	1,181,725,249	1,181,725,249
Total assets	738,480,187	3,080,748	2,482,654,712	3,345,764,036	2,305,245,776	8,875,225,459

The analysis below gives an indication of the concentration by currency of the bank's financial assets and liabilities.

FINANCIAL RISK REVIEW (Contd)

(b) Liquidity risk

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

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

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

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

The table below analyses the financial assets and liabilities into relevant maturity groupings based on the remaining period at statement of financial position date to contractual maturity date and shows the mismatch. The value of cash and cash equivalents held by the Bank at 31 December 2018 is analysed below:

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FINANCIAL RISK REVIEW (Contd)

Liquidity risk (contd)

In thousands of Leones	Notes	Carrying amount	Gross nominal inflow/(outflow)	Less than 1 month	1 - 3 Months	3 months to 1 year	1 - 5 Years	More than 5 years
31 December 2018								
Financial asset by type								
Non-derivative liabilities								
Cash balances with central banks	*16*	1,676,794,443	1,676,794,443	1,676,794,443	-	-	-	-
Cash balances with supranational organisations		1,460,399,434	1,460,399,434	-	1,460,399,434			
Cash and balances with commercial banks		48,543,191	48,543,191	-	48,543,191	-	-	-
Cash balances with non-banking financial institutions		280,384	280,384	-	280,384	-	-	-
International Monetary Fund Related Assets	*17*	3,614,280,914	3,614,280,914	-	-	3,614,280,914	-	-
Investment in equity	*19*	56,291,426	56,291,426	-	-	-	25,222,520	31,068,906
Advances	*18*	1,503,881,721	1,503,881,721	-	75,234,768	-	255,908,847	1,172,738,106
Investment securities	*20*	1,270,053,509	1,270,053,510	-	6,356,793	825,681,812	438,014,905	-
		9,630,525,022	9,630,525,023	1,676,794,443	1,590,814,570	4,439,962,726	719,146,272	1,203,807,012
Financial liability by type								
Non-derivative liabilities								
Amounts due to International Monetary Fund (IMF)	*23*	6,629,001,046	6,629,001,046	-	-	2,429,289,134	1,165,651,176	3,034,060,736
Deposits from Government	*24*	157,437,148	157,437,148	157,437,148	-	-	-	-
Deposits from Banks	*25*	461,839,591	461,839,591	-	-	461,839,591	-	-
Deposits from others	*26*	30,871,967	30,871,967	30,871,967	-	-	-	-
End-of-service benefits	*29*	40,770,306	40,770,306	-	-	-	40,770,306	-
Unrecognised loan commitment		-	-	-	-	-	-	-
		7,319,920,058	7,319,920,058	188,309,115	-	2,891,128,725	1,206,421,482	3,034,060,736
Net on-balance sheet position		2,310,604,964	2,310,604,965	1,488,485,328	1,590,814,570	1,548,834,001	(487,275,210)	(1,830,253,724)

NOTES TO THE FINANCIAL STATEMENTS (Contd)

5 FINANCIAL RISK REVIEW (Contd)

Liquidity risk (contd)

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

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

In thousands of Leones	*Notes*	Carrying amount	Gross nominal inflow/(outflow)	Less than 1 month	1 - 3 Months	3 months to 1 year	1 - 5 Years	More than 5 years
31 December 2017								
Financial asset by type								
Non-derivative liabilities								
Cash balances with central banks	16	1,857,775,965	1,857,775,965	1,857,775,965	-	-	-	-
Cash balances with supranational organisations		1,286,248,702	1,286,248,702	-	1,286,248,702	-	-	-
Cash and balances with commercial banks		35,421,668	35,421,668	-	35,421,668	-	-	-
Cash balances with non-banking financial institutions		335,179	335,179	-	335,179	-	-	-
International Monetary Fund Related Assets	17	3,345,764,036	3,345,764,036	-	-	3,345,764,036	-	-
Investment securities	20	1,181,725,249	1,181,725,249	-	7,757,981	7,214,150	1,118,003,118	48,750,000
Investment in equity	19	49,121,413	49,121,413	-	-	-	23,917,612	25,203,801
Advances	18	1,118,833,247	1,118,833,247	-	120,023,171	-	8,747,348	990,062,728
		8,875,225,459	8,875,225,459	1,857,775,965	1,449,786,701	3,352,978,186	1,150,668,078	1,064,016,529
Financial liability by type								
Non-derivative liabilities								
Amounts due to International Monetary Fund (IMF)	23	6,047,228,495	6,047,228,495	-	-	2,220,462,451	1,065,449,407	2,761,316,637
Deposits from Government	24	177,487,051	177,487,051	177,487,051	-	-	-	-
Deposits from Banks	25	528,389,643	528,389,643	-	-	528,389,643	-	-
Deposits from others	26	26,362,892	26,362,892	26,362,892	-	-	-	-
End-of-service benefits	29	32,213,712	32,213,712	-	-	-	32,213,712	-
Unrecognised loan commitment		-	-	-	-	-	-	-
		6,811,681,793	6,811,681,793	203,849,943	-	2,748,852,094	1,097,663,119	2,761,316,637
Net on-balance sheet position		2,063,543,666	2,063,543,666	1,653,926,022	1,449,786,701	604,126,092	53,004,959	(1,697,300,108)

FINANCIAL RISK REVIEW (Contd)

Liquidity risk (contd)

Liquidity reserve

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

In thousands of Leones	**2018 Carrying amount**	**2018 Fair value**	2017 Carrying amount	2017 Fair value
Cash in hand	**227,637**	**227,637**	287,829	287,829
Balances with other Central Banks	**1,676,794,443**	**1,676,794,443**	1,857,775,965	1,681,576,253
Balances with Supranational Organizations	**1,449,093,890**	**1,449,093,890**	1,286,248,702	1,497,917,432
Balances with Commercial Banks	**59,848,735**	**59,848,735**	35,421,668	35,421,668
Cash balances with non-banking financial institutions	**52,747**	**52,747**	47,350	47,350
Total liquidity reserve	**3,186,017,452**	**3,186,017,452**	3,179,781,514	3,179,781,514

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

Market risks

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

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

Management of interest rate risk

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FINANCIAL RISK REVIEW (Contd)

Market risk (contd)

Interest rate risk (contd)

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

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

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

2018	**200 bp (2%) Increase**	**200 bp (2%) Decrease**
Interest income impact	**4,615,250**	**(4,615,250)**
Interest expense impact	**(199,307)**	**199,307**
Net impact	**4,415,943**	**(4,415,943)**

2017	200 bp (2%) Increase	200 bp (2%) Decrease
Interest income impact	3,603,136	(3,603,136)
Interest expense impact	(101,907)	101,907
Net impact	3,501,229	(3,501,229)

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

Management of exchange rate risk

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

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FINANCIAL RISK REVIEW (Contd)

Market risk (contd)

Concentrations of assets, liabilities and off-balance sheet items

In thousands of Leones	**GBP**	**Euro**	**US$**	**SDR**	**Others**	**Total**
At 31 December 2018						
Cash and cash equivalents	**617,922,502**	**3,975,748**	**2,558,457,768**	**-**	**5,661,434**	**3,186,017,452**
IMF Assets	**-**	**-**	**-**	**3,614,280,914**	**-**	**3,614,280,914**
Advances	**-**	**-**	**-**	**-**	**1,503,881,721**	**1,503,881,721**
Investment in equity	**-**	**-**	**56,291,426**	**-**	**-**	**56,291,426**
Investment in securities	**-**	**-**	**-**	**-**	**1,270,053,509**	**1,270,053,509**
Total assets	**617,922,502**	**3,975,748**	**2,614,749,194**	**3,614,280,914**	**2,779,596,664**	**9,630,525,022**
Liabilities						
IMF drawing rights allocation	**-**	**-**	**-**	**6,629,001,046**	**-**	**6,629,001,046**
Deposits from Government	**-**	**-**	**-**	**-**	**157,437,148**	**157,437,148**
Deposits from banks	**-**	**-**	**-**	**-**	**461,839,591**	**461,839,591**
Deposit from others	**-**	**-**	**-**	**-**	**30,871,967**	**30,871,967**
End-of-service benefits	**-**	**-**	**-**	**-**	**40,770,306**	**40,770,306**
Total liabilities	**-**	**-**	**-**	**6,629,001,046**	**690,919,012**	**7,319,920,058**
Net on-balance sheet position	**617,922,502**	**3,975,748**	**2,614,749,194**	**(3,014,720,132)**	**2,088,677,652**	**2,310,604,964**
At 31 December 2017						
Cash and cash equivalents	738,480,187	3,080,748	2,433,533,299	-	4,687,280	3,179,781,514
IMF assets	-	-	-	3,345,764,036	-	3,345,764,036
Advances	-	-	-	-	1,118,833,247	1,118,833,247
Investment in equity	-	-	49,121,413	-	-	49,121,413
Investment securities	-	-	-	-	1,181,725,249	1,181,725,249
Total assets	738,480,187	3,080,748	2,482,654,712	3,345,764,036	2,305,245,776	8,875,225,459
Liabilities						
IMF drawing rights allocation	-	-	-	6,047,228,495	-	6,047,228,495
Deposits from Government	-	-	-	-	177,487,051	177,487,051
Deposits from banks	-	-	-	-	528,389,643	528,389,643
Deposit from others	-	-	-	-	26,362,892	26,362,892
End-of-service benefits	-	-	-	-	32,213,712	32,213,712
Total liabilities	-	-	-	6,047,228,495	764,453,298	6,811,681,793
Net on-balance sheet position	738,480,187	3,080,748	2,482,654,712	(2,701,464,459)	1,540,792,478	2,063,543,666

NOTES TO THE FINANCIAL STATEMENTS (Contd)

FINANCIAL RISK REVIEW (Contd)

Market risk (contd)

Foreign currency sensitivity analysis

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

The following sensitivity analysis has been based on a 10% downward shift in the exchange rates of various currencies against the Leone. The net impact of a shift in the exchange rate is positive and amounts up to Le231,060,496 (2017: Le206,354,366)

2018

In thousands of Leones

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

2017

	GBP	EUR	US$	SDR	Others	Total
Assets						
Cash and cash equivalents	73,848,019	308,075	243,353,329	-	468,728	317,978,151
IMF assets	-	-	-	334,576,404	-	334,576,404
Advances	-	-	-	-	111,883,325	111,883,325
Investment in equity	-	-	4,912,141	-	-	4,912,141
Investment securities	-	-	-	-	118,172,525	118,172,525
Total assets	73,848,019	308,075	248,265,470	334,576,404	230,524,578	887,522,546
Liabilities						
IMF drawing rights allocation	-	-	-	604,722,850	-	604,722,850
Deposits from Government	-	-	-	-	17,748,705	17,748,705
Deposits from banks	-	-	-	-	52,838,964	52,838,964
Deposit from others	-	-	-	-	2,636,289	2,636,289
End-of-service benefits	-	-	-	-	3,221,371	3,221,371
Total liabilities	-	-	-	604,722,850	76,445,330	681,168,179
Net-on-balance sheet position	73,848,019	248,265,470	308,075	(270,146,446)	154,079,248	206,354,366

FINANCIAL RISK REVIEW (Contd)

Market risk (contd)

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

(d) Operational risk

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

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

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

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

Compliance with the Bank's policies is monitored by the Internal Audit Department.

6 SEGMENT REPORTING

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

7i FAIR VALUE OF FINANCIAL INSTRUMENTS

See accounting policy in note 39(g).

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

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

(a) Valuation models

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

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

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

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

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

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

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

(b) Valuation framework

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

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

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

7ii PRINCIPAL FINANCIAL INSTRUMENTS-CLASSIFICATION

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

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

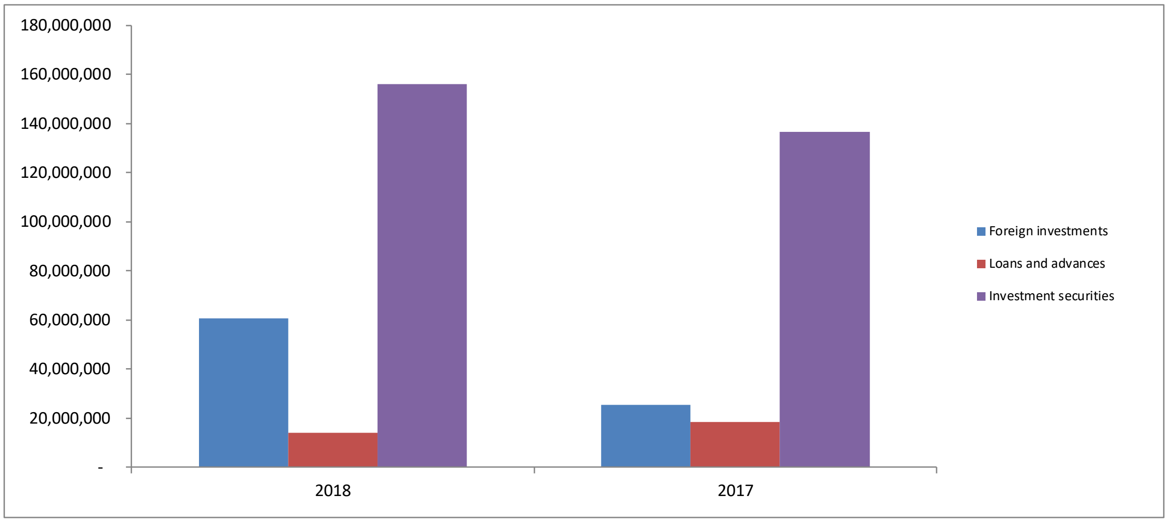
Financial instruments by category

	Fair value through profit or loss		Amortised cost (Loans and receivables)		Fair value through Other comprehensive income	
	2018 Le'000	2017 Le'000	**2018 Le'000**	2017 Le'000	**2018 Le'000**	2017 Le'000
Cash and cash equivalents	-	-	**3,186,017,452**	3,179,781,514	-	-
Funds held with International Monetary Fund IMF	-	-	**3,614,280,914**	3,345,764,036	-	-
Loan and advances to others	-	-	**10,088,912**	9,858,069	-	-
Due from Government of Sierra Leone	-	-	**1,493,792,809**	1,108,975,178	-	-
Investment securities	**1,270,053,509**	1,181,725,249	-	-	-	-
Equity investments	**56,291,426**	49,121,413	-	-	-	-
Other financial assets	-	-	**24,271,556**	26,023,701	-	-
Total financial assets	**1,326,344,935**	1,230,846,662	**8,328,451,643**	7,644,378,797	-	-

Financial liabilities

	Fair value through profit or loss		Amortised cost	
	2018 Le'000	2017 Le'000	**2018 Le'000**	2017 Le'000
Due to International Monetary Fund	-	-	**6,629,001,046**	6,047,228,495
Deposits from Government	-	-	**157,437,148**	177,487,051
Deposit from banks	-	-	**461,839,591**	528,389,643
Deposits from others	-	-	**30,871,967**	26,362,892
Currency in circulation	-	-	**1,983,864,681**	1,764,744,883
Other financial liabilities	-	-	**76,341,205**	69,216,542
Total financial liabilities	-	-	**7,248,277,785**	6,224,715,546

8 NET INTEREST INCOME



In thousands of Leones	**2018**	2017
Interest and similar income		
Foreign investments (Note 8a)	**60,755,083**	25,490,497
Advances (Note 8b)	**14,090,202**	18,246,657
Investment securities (Note 8c)	**155,917,193**	136,419,630
Total (Note 8d)	**230,762,478**	180,156,784
Interest expenses and similar charges		
IMF interest and charges	**9,779,516**	4,569,267
Others	**185,815**	526,084
	9,965,331	5,095,351
Net interest income	**220,797,147**	175,061,433
	==========	==========

8a Foreign investments

Interest income on Sterling investments	**2,648,701**	1,759,868
Interest income on US Dollar investments	**49,425,972**	19,443,375
Interest income on SDR investments	**8,680,410**	4,287,254
	60,755,083	25,490,497
	=========	=========

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

8b Advances

	2018	2017
Interest on advances	**9,879,131**	14,651,361
Interest on reverse repos	**4,211,071**	3,595,296
	14,090,202	18,246,657

8c Investment securities

Interest on 91-day treasury bills	**1,441,131**	555,951
Interest on 182-day treasury bills	**82,571**	64,624
Interest on 1-year treasury bills	**109,716,797**	89,734,456
Interest on 1-year treasury bearer bonds	**-**	167,242
Interest on 2-year treasury bearer bonds	**69,135**	1,248,546
Interest on 3-year medium-term bonds	**5,569,684**	6,826,063
Interest on 3-year bond	**4,542,248**	4,737,892
Interest on 5-year medium-term bonds	**30,845,627**	28,834,856
Interest on 10-year bond	**3,650,000**	4,250,000
	155,917,193	136,419,630

8d Additional disclosure on income by source

Foreign investments	**60,755,083**	25,490,497
Local investments	**170,007,395**	154,666,287
	230,762,478	180,156,784

9 FEES AND COMMISSION INCOME

Fees and commission income

Commissions	**3,922**	11,571
Income on ACH/CSD/RTGS	**3,171,890**	2,970,431
Income on collateral registry	**6,000**	-
	3,181,812	2,982,002
Fees and commission expense	**-**	-
Net fees and commission income	**3,181,812**	2,982,002

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

10 NET EXCHANGE (LOSSES)/GAINS

	2018	2017
Realised (losses)/gains (10a)	**(11,623,778)**	(12,097,126)
Unrealised (losses)/gains (10b)	**67,792,294**	(30,678,745)
	56,168,516	(42,775,871)

10a Realised (losses)/gains

Exchange gain	**2,031,751**	5,337,355
Exchange loss	**(13,655,529)**	(17,434,481)
	(11,623,778)	(12,097,126)

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

10b Unrealised (losses)/gains

Revaluation losses	**(7,594,775,458)**	(1,126,712,527)
Revaluation gains	**7,662,567,752**	1,096,033,782
	67,792,294	(30,678,745)

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

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

	2018		2017	
Profit/(loss) as per audited accounts		**90,102,813**		(22,232,737)
Less: Revaluation losses	**(7,594,775,458)**		(1,126,712,527)	
Revaluation gains	**7,662,567,752**		1,096,033,782	
Net revaluation gains		**67,792,294**		(30,678,745)
Operational profit/(loss) for the year excluding unrealised exchange gains		**22,310,519**		(52,911,482)

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In essence the distribution of unrealised exchange gains will be counterproductive to monetary policy as it will lead to inflation in the economy. It is by virtue of this fact that Section 12(2) of the Bank of Sierra Leone Act 2011 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).

OTHER INCOME

In thousands of Leones

	2018	2017
Rent received	**70,990**	43,531
Profit on sale of fixed assets	**-**	80,756
Grant income	**243,636**	423,420
Regulatory fees and charges	**1,543,960**	1,684,150
Sundry receipts	**57,297**	213,422
	1,915,883	2,445,279

PERSONNEL EXPENSES

Salaries and wages	**64,898,594**	54,163,514
Rent allowance	**13,238,415**	11,056,636
Social security	**4,375,195**	3,711,430
Overtime	**308,605**	197,807
Training scheme	**3,587,291**	2,318,216
Staff welfare	**1,252,108**	422,669
End-of-service benefits	**8,331,006**	6,083,890
Medical expenses	**3,195,449**	2,551,575
	99,186,663	80,505,737

CURRENCY

Currency management	**156,590**	8,192
Currency issue expenses	**25,924,074**	28,500,753
	26,080,664	28,508,945

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

IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

Impairment losses on investment securities	**8,760,314**	-

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

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

14b OTHER EXPENSES

	2018	2017
Occupancy cost	**376,719**	529,916
Audit fees*	**437,000**	1,679,944
Legal and professional fees	**15,882,706**	7,680,199
Directors' remuneration	**4,328,385**	2,384,638
Advertisement	**140,600**	126,100
Electricity	**4,006,222**	4,964,760
Insurance	**1,365,001**	1,191,193
Passage and overseas allowances	**6,318,586**	4,177,791
Repairs and maintenance	**1,840,742**	1,137,506
Hospitality	**2,920,034**	2,318,238
Contributions to International organisations	**8,991,641**	8,291,728
General office expenses	**1,359,134**	979,144
Vehicle running expenses	**809,025**	490,016
Reconciliation adjustment on currency in circulation**	-	4,900,926
Printing and stationeries	**912,229**	816,052
Telephone and postages	**301,582**	258,639
Travelling and local subsistence	**364,111**	396,468
Others	**1,714,695**	1,515,895
WAMZ Meetings	**-**	1,558,547
	52,068,412	45,397,700
	=========	=========

* In 2017, audit fees included the cost of other specific services provided by another firm.

** Adjustment on currency in circulation represents the value of the correcting entries after reconciliation of the notes destruction ledger and the balances on the system.

15 PROFIT/(LOSS) FOR THE YEAR

The profit for the year has been stated after charging:

Depreciation and amortisation	**5,864,492**	5,533,198
Directors' remuneration	**4,328,385**	2,384,638
Audit fees	**437,000**	1,679,944
	========	========

16 CASH AND CASH EQUIVALENTS

Cash in hand	**227,637**	287,829
Balances with other Central Banks	**1,676,794,443**	1,857,775,965
Balances with Supranational Organizations	**1,449,093,890**	1,286,248,702
Balances with Commercial Banks	**59,848,735**	35,421,668
Cash balances with non-banking financial institutions	**52,747**	47,350
	3,186,017,452	3,179,781,514
	============	============

17 FUNDS HELD WITH THE INTERNATIONAL MONETARY FUND (IMF)

IMF Quota subscription	**2,421,892,760**	2,220,720,982
SDR Holdings	**1,192,388,154**	1,125,043,054
	3,614,280,914	3,345,764,036
	============	============

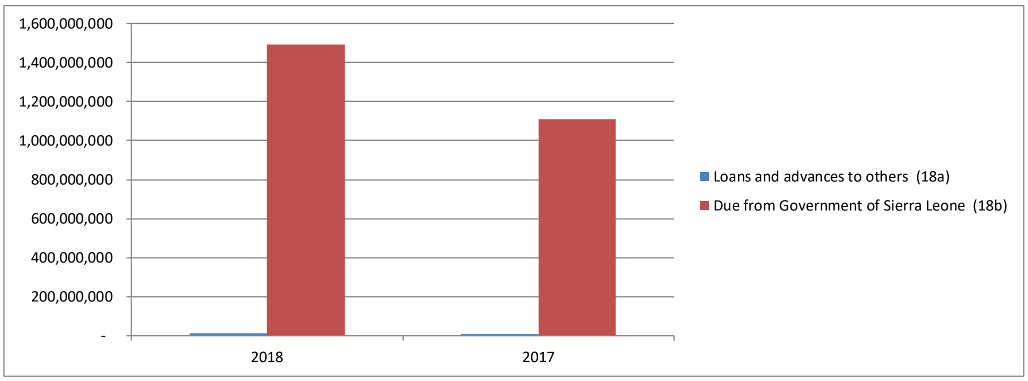
These are International Monetary Fund related assets and they represent Sierra Leone's interest in the International Monetary Fund. Sierra Leone has been a member of the International Monetary Fund (IMF) since 1962.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

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

As at 31 December 2018 the amount of assets held in the fund was SDR 207.4 million (2017: SDR 207.4 million) The SDR holdings held at 31 December 2018 was SDR 102.1 million (2017: SDR 105.1 million). The difference being the result of repayments to the IMF in 2018.

18 ADVANCES



In thousands of Leones	**2018**	2017
Loans and advances to others (18a)	**10,088,912**	9,858,069
Due from Government of Sierra Leone (18b)	**1,493,792,809**	1,108,975,178
	1,503,881,721	1,118,833,247

18a LOANS AND ADVANCES TO OTHERS

(i) Analysis by type

Staff (18 ii)	**8,927,695**	8,784,996
Other (18 iii)	**1,198,865**	1,110,721
	10,126,560	9,895,717
Gross loans and advances		
Less: allowances for losses on loans and advances to others (18iv)	**(37,648)**	(37,648)
	10,088,912	9,858,069
	===========	===========

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

	2018	2017
(ii) Staff		
Personal loan	**4,704,818**	4,484,498
Housing loan	**1,102,344**	1,164,864
Vehicle loan	**3,070,733**	3,114,086
Staff advance	**49,800**	21,548
	8,927,695	8,784,996
(iii) Others		
Loan to Sierra Leone Stock Exchange Company Limited	**1,000,000**	1,000,000
Other advances	**198,865**	110,721
	1,198,865	1,110,721
(iv) Allowances for impairment		
Specific allowances for impairment		
Balance at 1 January	**37,648**	37,648
Write-off during the year	-	-
Balance at 31 December	**37,648**	37,648
Collective allowance for impairment		
Balance at 1 January	-	-
Impairment loss for the year	-	-
Balance at 31 December	-	-
Total allowances for impairment	**37,648**	37,648

18b DUE FROM GOVERNMENT OF SIERRA LEONE

	2018	2017
Advances to Government:		
Ways and means advances (i)	**75,234,768**	120,023,171
Others (ii)	**1,171,539,241**	988,952,007
BSL-World Bank bridging loan	**247,018,800**	-
	1,493,792,809	1,108,975,178

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

	2018	2017
(i) Ways and means advances		
Ways and means advances brought forward	**120,023,171**	111,587,023
Advances during the year	**2,081,121,302**	1,902,713,789
Receipts during the year	**(2,125,909,705)**	(1,894,277,641)
Ways and means advances carried forward	**75,234,768**	120,023,171

Under the provisions of Section 56(5) of the Bank of Sierra Leone Act, 2011, the limit on the Ways and Means Advances that the Bank can grant to the Government shall not exceed five percent of the Government's actual domestic revenue excluding privatisation receipts in the previous year's budget.

(ii) Others		
World Bank Bridging Loan	**247,018,800**	-
GoSL/IMF budget financing	**1,171,539,241**	988,952,007
	1,418,558,041	988,952,007

The bridging loan of Le247 billion represents amount on-lent from the Bank's SDR allocation with the IMF to support the Government in liquidating non-discretionary statutory commitments. The loan accrues an annual interest equal to the variable SDR interest rate set at 0.05%.

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

18b Due from Government of Sierra Leone (contd)

	2018	2017
Ways and means advances	**75,234,768**	120,023,171
Government's actual revenue in previous year	**2,885,600,000**	2,639,071,438
5% thereof	**144,280,000**	131,953,572
Buffer in Government lending	**(69,045,232)**	(11,930,401)

The Directors' report the balance of advances due from the Government of Sierra Leone as at 31 December 2018 amounting to Le75,234,768 - (2017: Le120,023,171). The balance outstanding was within the limit specified in the Bank of Sierra Leone Act 2011.

In thousands of Leones

19 INVESTMENT IN EQUITY

	2018	2017
Afrexim Bank Capital Investment	**31,068,906**	25,203,801
Afrexim Bank Dividend Investment	**1,392,119**	2,494,647
Stabilization and Cooperation Fund	**23,830,401**	21,422,965
	56,291,426	49,121,413

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

The amount of 23.8 billion (2017: Le21.4 billion) relates to the Bank's contribution to the Stabilization and Cooperation Fund managed by the West African Monetary Institute and held at the Bank of Ghana.

20 INVESTMENT SECURITIES

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

91-day treasury bills held for monetary policy	**6,356,793**	7,757,981
182-day treasury bills	**5,573,500**	214,150
One-year treasury bills	**828,080,650**	658,235,950
Holdings of two-year bond	**-**	7,000,000
BSL holding three-year medium-term bond	**139,384,604**	139,384,604
Five-year medium-term bond	**320,325,606**	320,325,606
Holdings of ten-year bond	**41,250,000**	48,750,000
Others	**54,695**	56,958
	1,341,025,848	1,181,725,249
Less:		
Provision for expected credit losses	**(70,972,339)**	-
Net cost of investment securities	**1,270,053,509**	1,181,725,249

BSL Holding 3-year medium-term bond

The Bank holds two three-year medium-term bonds issued by the Government. This includes a bond issued in March 2017 with a face value of Le81.8 billion at an interest rate of 6% payable semi-annually and a bond issued in January 2017 with a face value of Le78 billion at an interest rate of 9% payable semi-annually.

According to the agreement between the Bank and the Ministry of Finance of 13th September 2018 regarding the bond issued in January 2017, the outstanding bond of Le62 billion was issued on terms similar to the previous issue with an extended maturity date of September 2021.

Five year medium term bonds

The bank holds six five-year medium-term bonds with face values ranging from Le47 – Le65 billion issued by the Government of which one (Le65 billion) was the object to a Memorandum of Understanding (MOU) of 19th December 2018 between the Bank and the Ministry of Finance. The bond in question was subject to a rollover under the same terms and conditions maturing in December 2023 payable semi-annually with an interest rate of 9%.

Holdings of ten-year bond

The amount of Le 41.25 billion represents the outstanding balance due to the Bank from the Government of Sierra Leone following the issue of a 10-year marketable bond at an interest rate of 8% for the purpose of fully subscribing to the minimum paid-up capital of the Bank. The bond was issued on 1 May 2014 with interest repayable semi-annually. As at 31 December 2018, Le33.75 billion had been repaid by the Government to the Bank out of the principal amount of Le75.00 billion.

In thousands of Leones

21a PROPERTY, PLANT AND EQUIPMENT

	Premises	Motor vehicle	Office furniture and equipment	Plant and machinery	Work-in Progress	Total
COST						
Balance at 1 January 2017	67,777,590	5,110,173	29,332,707	11,952,129	30,602,256	144,774,855
Additions during the year	-	-	-	-	67,052,718	67,052,718
Reclassification	1,083,530	1,569,387	3,522,944	9,520	(6,185,381)	-
Write-off	-	-	-	-	-	-
Disposal	-	(91,858)	(308,486)	(689,341)	-	(1,089,685)
Adjustments	-	-	(5,520)	-	-	(5,520)
Balance at 31 December 2017	68,861,120	6,587,702	32,541,645	11,272,308	91,469,593	210,732,368
Balance at 1 January 2018	**68,861,120**	**6,587,702**	**32,541,645**	**11,272,308**	**91,469,593**	**210,732,368**
Additions during the year	**-**	**-**	**-**	**-**	**10,682,073**	**10,682,073**
Reclassification	**3,323,570.00**	**-**	**1,426,510**	**147,120**	**(4,897,200)**	**-**
Write-off	**-**	**-**	**-**	**-**	**-**	**-**
Disposal	**-**	**-**	**-**	**-**	**-**	**-**
Adjustments	**-**	**-**	**(100,048)**	**-**	**(13,645)**	**(113,693)**
Balance at 31 December 2018	**72,184,690**	**6,587,702**	**33,868,107**	**11,419,428**	**97,240,821**	**221,300,748**
DEPRECIATION						
Balance at 1 January 2017	16,569,657	4,724,764	21,965,253	5,436,486	-	48,696,160
Depreciation for the year	1,387,185	578,406	2,700,949	1,113,733	-	5,780,273
Disposal	-	(91,858)	(308,231)	(689,341)	-	(1,089,430)
Adjustment	(62,739)	-	-	(184,336)	-	(247,075)
Balance at 31 December 2017	17,894,103	5,211,312	24,357,971	5,676,542	-	53,139,928
Balance at 1 January 2018	**17,894,103**	**5,211,312**	**24,357,971**	**5,676,542**	**-**	**53,139,928**
Depreciation for the year	**1,559,405**	**344,064**	**3,190,048**	**932,466**	**-**	**6,025,983**
Disposal	**-**	**-**	**-**	**-**	**-**	**-**
Adjustment	**(159,476)**	**-**	**(2,015)**	**-**	**-**	**(161,491)**
Balance at 31 December 2018	**19,294,032**	**5,555,376**	**27,546,004**	**6,609,008**	**-**	**59,004,420**
CARRYING AMOUNT						
At 31 December 2017	50,967,017	1,376,390	8,183,674	5,595,766	91,469,593	157,592,440
At 31 December 2018	**52,890,658**	**1,032,326**	**6,322,103**	**4,810,420**	**97,240,821**	**162,296,328**

Work in progress represents amount spent on supply and installation of lift, payments for Oracle software and hardware for the ERP project, WAMZ systems project, rehabilitation of the Main Bank and Kenema Branch buildings, payment for the supply of Hardware for the Collateral Registry Programme, re-construction of broad walk at the Bank Complex and the architectured design and other pre-costs for the Makeni Branch Project.

In thousands of Leones

22 OTHER ASSETS

	2018	2017
Gold stock	**960,044**	873,271
Items in transit	**139,268**	2,279,069
Consumables	**49,273,765**	844,265
Prepayment	**4,138,882**	3,393,228
Advances to contractors	**24,271,556**	26,023,701
Interest receivable	**25,778,472**	19,222,411
Deferred currency issue expense	**39,629,612**	62,323,764
Other receivables	**11,451,973**	167,951
Reverse repo account	**-**	-
Less:		
Allowances for impairment	**(8,732)**	(8,732)
	155,634,839	115,118,928

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 THE INTERNATIONAL MONETARY FUND (IMF)

	2018	2017
IMF Special Drawing Rights	**1,161,966,869**	1,065,449,407
IMF Poverty Reduction and Growth Facility	**3,045,314,114**	2,761,216,458
IMF securities	**71,422,236**	72,485,971
IMF No. 1	**2,350,188,573**	2,147,976,480
IMF No. 2	**109,254**	100,179
	6,629,001,046	6,047,228,495

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

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

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

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

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

24 DEPOSITS FROM GOVERNMENT

	2018	2017
Deposit from government	**157,437,148**	177,487,051

Deposits from government reflect the fact that the bank is acting as a banker to the government. Relying on this provision, the Bank receive deposits which represents all receipts accruing to the Government and it's institutions. The bank facilitates the operation of the government cash management through the Treasury Main Account as the expenditure account.

25 DEPOSITS FROM BANKS

	2018	2017
Commercial banks' reserve accounts	**432,052,216**	518,181,771
Rural and community banks' reserve accounts	**24,991,077**	8,346,627
Others	**4,796,298**	1,861,245
	461,839,591	528,389,643

26 DEPOSITS FROM OTHERS

Deposits from insurance brokers	**4,830,390**	4,185,473
Multilateral organisations	**16,273,958**	14,737,460
Financial institutions	**510,032**	749,353
Others	**9,257,587**	6,690,606
	30,871,967	26,362,892

27 CURRENCY IN CIRCULATION

Notes	**1,968,192,132**	1,749,610,834
Coins	**15,672,549**	15,134,049
Balance at 31 December	**1,983,864,681**	1,764,744,883

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

In thousands of Leones

28 OTHER LIABILITIES

	2018	2017
Financial liabilities		
Other foreign currency financial liabilities (28a)	**149,830,359**	108,131,903
Accrued charges and other liabilities (28b)	**12,231,620**	16,932,356
	162,061,979	125,064,259
Non-financial liabilities		
Provision for revaluation of pipeline liabilities (28c)	**52,237,246**	48,099,331
Provision for unrealised exchange difference on SWAP revaluation	**3,639,030**	3,639,030
	55,876,276	51,738,361
	217,938,255	176,802,620

28a Other foreign currency financial liabilities

	2018	2017
Foreign payments	**5,634,265**	5,744,388
Bank of China US$ clearing	**70,654,193**	63,424,804
OFID Debt Relief imprests account	**52,747**	47,350
Interest on one year treasury bills	**71,749,716**	37,673,630
Sundry liabilities	**1,739,438**	1,241,731
	149,830,359	108,131,903

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 8.42 million standing in favour of Bank of China. Bank of Sierra Leone shall settle the balance in twenty equal instalments, with each instalment amounting to U.S. Dollars 561,011.37. The agreement provided for the first instalment payment to be made on 15th August 1994 and thereafter every six months on 15th February and 15th August respectively. There has been no repayment during the year, the movement in the 2018 amount is as a result of exchange rate fluctuations.

28b Accrued charges and other liabilities

	2018	2017
Accrued expenses	**4,851,857**	8,716,892
P.S. Bond in circulation	**449**	449
Retention monies	**2,541,844**	2,537,544
Provision for litigation	**3,024,000**	3,024,000
Trade and sundry creditors	**1,813,470**	2,653,471
	12,231,620	16,932,356

Included in trade and sundry creditors are balances owed to Wealth Builders in 2018.

In thousands of Leones

28c Provision for revaluation of pipeline liabilities

Balance at 1 January	**48,099,331**	43,619,507
Revaluation loss	**4,137,915**	4,479,824
Balance at 31 December	**52,237,246**	48,099,331

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

29 END-OF-SERVICE BENEFITS

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

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

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

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

Financial assumptions

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

Since Sierra Leone does not have a deep market in either Government or Corporate bonds, however, there are 91-days, 182-days, 365-days Treasury Bills yielding 7.30% p.a., 8.14% p.a. and 23.23% p.a. respectively as at December 2018. The monetary policy rate is at 16.50% p.a. and inflation stands at 17.46% p.a. as at December 2018. The Treasury Bills have short term duration and much lower than our estimated liability duration of 9.93 years. The longer the duration of financial instruments the higher the risk exposure (because of the unknown) and the required compensation by investors. That is, if long term bonds were in existence we would expect their yields to be higher than the Treasury Bill rates and the monetary policy rate. However, we are prudently adopting a discount rate of 16% for our calculations believing that this will represent the average experience over the duration of liability payments.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

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

Average Long Term Future	12.31.2018	12.31.2017
Discount rate (per annum)	**16%**	16%
Salary increase (per annum)	**15%**	15%
Rate of inflation (per annum)	**14%**	12%

Valuation method

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

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

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

Sensitivity Analysis on Defined Benefit Obligations

Parameter	Changes	Defined Benefit Obligation
Base	See table below	40,770,306
Discount rate	+1%	37,494,869
	-1%	44,501,760
Salary increase rate	+1%	44,694,827
	-1%	32,277,905
Mortality experience	Age rated up by 1 year	40,836,206
	Age rated down by 1 year	40,710,170

(a) Change in liability

	2018	2017
Balance at 1 January	**32,213,712**	21,323,645
Service cost	**3,482,614**	2,413,868
Interest cost	**5,042,424**	3,115,356
Actuarial loss/(gain) - change in assumptions	**-**	5,526,535
Actuarial loss - experience adjustments	**2,337,074**	1,042,375
Benefits paid	**(2,305,518)**	(1,208,067)
Balance at 31 December	**40,770,306**	32,213,712

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

(b) Change in plan assets

	2018	2017
Balance at 1 January	-	-
Actual return on plan assets	-	-
Expected returns at 31 December	-	-
Contribution by employer	**2,305,518**	1,208,067
Total contribution	**2,305,518**	1,208,067
Benefits paid by the employer	**(2,305,518)**	(1,208,067)
Foreign exchange rate effect	-	-
Total benefits	**(2,305,518)**	(1,208,067)
Balance at 31 December	-	-

(c) Balance Sheet

Projected benefit obligation	**40,770,306**	32,213,712
Plan assets	-	-
Net obligation/(assets)	**40,770,306**	32,213,712
Unrecognised actuarial gains/(losses)	-	-
Unrecognised past service cost	-	-
Unrecognised transitional obligation	-	-
Unrecognised (asset ceiling)	-	-
Net obligation/(asset) to be in balance sheet	**40,770,306**	32,213,712

(d) Income Statement

Service cost	**3,482,614**	2,413,868
Net interest cost	**5,042,424**	3,115,356
- 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	**8,525,038**	5,529,224

In thousands of Leones

Other comprehensive income (OCI)

		2018	2017
Actuarial loss:	experience adjustments	**2,337,074**	1,042,375
	change in assumption	**-**	5,526,535
Return on plan asset not in other comprehensive income		**-**	-
Effect of asset ceiling not in other comprehensive income		**-**	-
Amount recognised in OCI		**2,337,074**	6,568,910
Initial adjustment to capital amount recognised		**-**	-
Cumulative amount recognised in OCI		**2,337,074**	6,568,910

(e) Reconciliation of financial position

	2018	2017
Opening value	**32,213,712**	21,323,645
Employee contribution	**(2,305,518)**	(1,208,067)
Amount recognised in income statement	**8,525,038**	5,529,224
Amount recognised in OCI	**2,337,074**	6,568,910
Closing value	**40,770,306**	32,213,712

(f) Key valuation assumptions

	2018	2017
Discount rate	**16.00%**	16.00%
Salary inflation	**15.00%**	15.00%
Gap	**1.00%**	3.00%

30 CAPITAL

	2018	2017
Authorised:	**250,000,000**	250,000,000
Issued and fully paid		
Balance at 1 January	**125,000,000**	125,000,000
Subscribed during the year	**-**	-
	125,000,000	125,000,000

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 2011 (that is from 24 November 2011).

NOTES TO THE FINANCIAL STATEMENTS (Contd)

In thousands of Leones

31 RESERVES

	2018	2017
General reserve (a)	**274,318,023**	239,955,287
Revaluation reserves (b)	**32,792,919**	32,792,919
Other reserves (c)	**(5,377,747)**	(3,040,673)
Total reserves as at 31 December	**301,733,195**	269,707,533

(a) General reserve

	2018	2017
Balance at start of the year	**239,955,287**	264,003,990
Net profit/(loss) for the year	**90,102,813**	(22,232,737)
Prior year adjustment*	**6,471,948**	(1,815,966)
First time adoption of IFRS 9	**(62,212,025)**	-
	274,318,023	239,955,287
Securities reserves	**-**	-
Balance at 31 December	**274,318,023**	239,955,287

*Prior year adjustment relates to reconciliation of accrued charges.

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. During the financial year ended 31 December 2018, no funds were allocated by the Government (2017: nil).

(b) Revaluation reserve

	2018	2017
Balance at start of the year and end of the year	**32,792,919**	32,792,919
Balance at 31 December	**32,792,919**	32,792,919

The Bank maintains a property revaluation reserve to which it transferred revaluation gains on revaluation of its properties. The revaluation was last done in 2001.

In thousands of Leones

(c) Other reserves

This comprised actuarial gains/losses and is analysed below:

	2018	2017
Balance at start of the year	**(3,040,673)**	3,528,237
Actuarial loss on end-of-service benefits	**(2,337,074)**	(6,568,910)
	(5,377,747)	(3,040,673)

The movement in other reserves account represents actuarial loss of Le2.3 billion on the provision of end-of-service benefits (2017: loss of Le6.5 billion).

32 CONTINGENCIES AND COMMITMENTS

32a Contingent liabilities

Guarantees and endorsement	**254,046,320**	254,046,320
	254,046,320	254,046,320

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

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

32b Capital commitments

Capital expenditure	**10,682,073**	21,345,349
African Export Import Bank	**31,068,906**	25,230,801
	41,750,979	46,576,150

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. The provisions have been maintained as the decision is still pending.

33 RELATED PARTIES

Although the Bank is an autonomous entity, the Government of Sierra Leone being the sole subscriber to the 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 2018, total net advances to the Government was Le75 billion (2017: Le120 billion).

The Board of Directors (including the Governor and Deputy Governor) received remuneration amounting to Le4.33 billion (2017: Le2.38 billion).

34 SIGNIFICANT SUBSEQUENT EVENTS

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

With the Presidential elections in March 2018 and following the inauguration of a new government, Sierra Leone faced a change of power in about eleven years. The following are events subsequent to the balance sheet date:

Impact of COVID 19

COVID 19 negatively impacted the Bank's revenue position in 2020. As foreign interest rate fell, the Bank lost substantial amount of foreign interest income. This situation is expected to continue in 2021. Local investment income was not affected in 2020 as actual interest income was more than what was budgeted. Government received funding to mitigate the effect of COVID 19 on the economy. With the receipt of such funds, Government is expected to redeem matured securities in 2021 and as such the Bank will realise lower local interest income in 2021.

Performance Under the Extended Credit Facility Arrangement

The authorities have in recent months taken a number of corrective actions to shore up public finances, in particular to raise revenue and control spending commitments, which could help limit the budget's borrowing needs and support deficit reduction.

The Finance Ministry has put in place measures aimed at controlling domestically-financed capital spending commitments, containing goods and services spending, and identifying excess and double payment in wage bill.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

ACTIONS UNDERTAKEN UNDER THE FISCAL ADJUSTMENT STRATEGY		
No:	**Fiscal Measure**	**Status**
1	Fuel subsidy reform. Floating the retail fuel price at the same fixed ad-valorem excise level as the current commercial fuel formula.	Implemented beginning July 13.
2	Suspension of import GST waivers. Undertake review of selected import duty waivers.	In April import duties and GST waivers were largely suspended and the review undertaken.
3	More comprehensive review of all tax concessions.	Review by a high-level committee has submitted its preliminary findings to the government.
4	Treasury Single Account (TSA) Flows. Consolidating all revenue inflows of quasi-independent public institutions (MDAs) into the TSA and centralizing and rationalizing expenditure allocations. Net excess revenue is now retained by the budget.	TSA is now fully operational.
5	Collecting fees from contractors and dividends from SOEs. Focuses on profitable SOEs, including profits from the two state-owned banks from interest gained through government securities.	Significant dividends have been transferred. Transfers from state-owned banks under consideration once capital adequacy has been achieved. MOF has increased monitoring of SOEs to improve financial management.
6	Review of tax collection from property rents. Applies greater scrutiny to under-collected rental income tax liabilities.	Measures have been taken to improve monitoring and ensure compliance.
7	Concrete steps by National Revenue Authority (NRA) to improve customs and domestic tax administration, implementing FAD TA and Revenue Mobilization Strategy (RMS) recommendations.	NRA systems relating to customs revenue are underway. Implementation of various recommendations of IMF TA missions on tax-payer registration and extractive revenue administration have commenced.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

SIGNIFICANT EVENTS FOR THE FISCAL YEAR 2018		
No:	**Fiscal Measure**	**Status**
8	Audit of domestically financed capital spending arrears and scrutiny of future payments. Overall aim is to contain fraudulent and/or excessive claims on government contracts by the audit of existing arrears, and by implementing greater scrutiny (through a centralized committee in MOF) on future payments.	The July 2018 supplemental budget reduced capex spending by ¾ percent of GDP by cutting lower priority projects. In addition, a previously-committed large-scale project (requiring funds amounting to two-thirds percent of GDP) was dropped.
9	Cuts to recurrent spending. Includes identifying excesses and double payments in the wage bill, and containment of goods and services spending.	Significant savings have been identified. Implementation of the Wage Reform Strategy paper produced during the previous program is estimated to deliver substantial savings.

Extended Credit Facility (ECF) 2019 bridge loan

On 10th October 2019, a Memorandum of Understanding (MOU) was entered into between the Ministry of Finance and the Bank of Sierra Leone for a bridge loan of the Leone equivalent of Euro 20 million in lieu of budgetary support to be disbursed by the European Commission in Quarter Four 2019 under the third State Building Contract to the Government of Sierra Leone. The bridge loan is to be utilized by Government to finance its operations and ensure continuity in budget execution within agreed Extended Credit Facility (ECF) program monitoring targets.

(i) The Bank of Sierra Leone is to on-lend from its SDR allocations the Leone equivalent of Euro 20 million and credit the CRF on the same date for use by the Ministry of Finance to fund the Government budget.

(ii) The annual interest rate of the loan will be equal to the variable SDR interest rate, currently set at 0.80 percent.

(iii) Given that the facility is expected to be cost neutral for the Bank of Sierra Leone, any resultant exchange loss or gain would be borne by the Ministry of Finance.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

African Development Bank Supplementary Budgetary Support

A Memorandum of Understanding is entered into between the Ministry of Finance and the Bank of Sierra Leone on the basis of a supplementary budgetary support of USD21 million committed by the African Development Bank to the Government of Sierra Leone to be disbursed in May, 2019. This is the delayed programmed budgetary support for 2018 from the African Development Bank for which a bridge finance is being sought from the Bank of Sierra Leone to be executed under a similar MOU entered into between the Ministry of Finance and the Bank of Sierra Leone in October 2018 with respect to the World Bank Budget Support.

Of the total budgetary support of USD21 million approved by the African Development Bank, the Leone equivalent of USD17 million is being requested from the Bank of Sierra Leone as bridge finance to be utilized by Government to finance its operations and ensure continuity in budget execution within agreed program monitoring targets.

i The Bank of Sierra Leone to on-lend from its SDR allocations from the IMF a USD17 million equivalent and credit the CRF on the same date for use by the Ministry of Finance to fund the Government budget.

ii The annual interest rate of the loan will be equal to the variable SDR interest rate, currently set at 1.137 percent

iii Given that the facility is expected to be cost neutral for the Bank of Sierra Leone, any resultant exchange loss or gain would be borne by the Ministry of Finance.

35 COMPARATIVES

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

36 FINANCIAL RISK MANAGEMENT

Introduction and overview

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

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

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

Risk management framework

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

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

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

(a) Credit risk

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

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

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

(b) Liquidity risk

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

In thousands of Leones

Management of liquidity risk

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

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

Management receives information from various Departments of the Bank regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows. The liquidity requirements of the Bank are met through short-term investment to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

(c) Market risks

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

Management of market risks

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

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

(e) Operational risks

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

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

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

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

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

37 BASIS OF MEASUREMENT

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

38 CHANGES IN ACCOUNTING POLICIES

(a) *New standards, interpretations and amendments effective from 1 January 2018*

In the current year, Bank of Sierra Leone has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

Details of the impact of IFRS 9 is given in *note 38c*. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Bank as they are either not relevant to the Bank's activities or require accounting which is consistent with the Bank's current accounting policies.

IFRS 15 establishes a comprehensive framework for determining how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

practical expedients. The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognized by the Bank Accordingly, the impact on the comparative information is limited to new disclosure requirements.

However, no adjustments were passed on adoption on IFRS 15. There were no material effects on revenue recognized by the Bank on the adoption of IFRS 15.

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

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Bank has decided not to adopt early. The most significant one affecting the bank is:

- IFRS 16 Leases (mandatorily effective for periods beginning on or after 1 January 2019).

The Bank has progressed its projects in dealing with the implementation of this new accounting standard and is able to provide the following information regarding its likely impact:

IFRS 16 Leases

The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However it requires lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. The Bank is currently evaluating the impact of this new Standard on its Financial Statements.

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

(c) Effects of changes in accounting policies

The Bank adopted IFRS 9 with a transition date of 1 January 2018. The Bank has chosen not to restate comparatives on adoption of IFRS 9; the impact is therefore not reflected in the prior year financial statements but the bank have decided to account for the cumulative effects of the impact in equity.

The Bank has decided to disclose the effects on its financial instruments holdings at 31 December 2017 assuming provisioning was done using IFRS 9 rather than IAS 39.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

The following table shows the carrying amounts of financial assets and liabilities at 31 December 2017 under IAS 39 and the same under IFRS 9 on the transition to the new standard.

	IAS 39		IFRS 9	
Financial instruments	**Measurement category**	**Carrying amount**	**Measurement category**	**Carrying amount**
Cash and cash equivalent with correspondent banks	Amortised cost (Loans and receivables)	3,179,781,514	Amortised cost (Held to collect)	3,179,781,514
Balances with IMF	Amortised cost (Loans and receivables)	3,345,764,036	Amortised cost (Held to collect)	3,345,764,036
Securities	Amortised cost (Held to maturity and loans and receivables)	1,181,725,249	Amortised cost (Held to collect)	1,119,513,224
Loans and advances	Amortised cost (Loans and receivables)	1,118,833,247	Amortised cost (Held to collect)	1,118,833,247
Investments	Available for sale	49,121,413	FVOCI	49,121,413
Other assets	Amortised cost (Loans and receivables)	111,975,320	Amortised cost (Held to collect)	111,975,320

Effects of changes in accounting policies (Contd)

		IAS 39
Financial instruments		**Carrying amount 31.12.2017**
Securities (Held to collect)		
closing balance under IAS 39		1,181,725,249
Remeasurement: ECL allowance		(62,212,025)
Opening balance under IFRS 9		1,119,513,224

39 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 noted:

(a) Foreign currency

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

Foreign currency differences arising on retranslation are recognised in the profit and loss account as required by the Bank of Sierra Leone Act 2011.

(b) Interest

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

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

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

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

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

(c) Fees and commissions

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

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

(d) Net exchange gains/losses

Net exchange gains/losses comprise gains less losses related to the translation of foreign monetary assets and liabilities.

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

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

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

At least once every year, all Fund currency holdings are revalued based on the prevailing SDR exchange rate. The difference between the Fund's currency holdings translated at the previous rate and the currency holdings valued at the new rate gives rise to currency valuation adjustments (CVA) and is placed in a CVA account. This account records the amount which is payable to or receivable from the Fund depending on whether the Leone has depreciated or appreciated vis-à-vis the SDR since the last revaluation. The CVA receivable or payable is also part of the Fund's holdings of currency and is also subject to maintenance of value obligations. The differences arising from the revaluation give rise to a change in the currency terms, as reflected in the CVA account balance. The Bank records a CVA as either a payable or receivable from the Fund. Foreign exchange gains and losses arising from translation or from annual revaluation are recognised in the profit or loss account.

(e) Lease payments

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

(f) Income tax expense

In accordance with section 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 instruments

i Recognition

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

ii Classification and Measurement

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

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

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

Business Model Assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual from interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

- how the performance of assets in a portfolio is evaluated and reported to key decision makers within the Bank's business lines;

- the risks that affect the performance of assets held within a business model and how those risks are managed;

- how compensation is determined for the Bank's business lines' management that manages the assets; and

- the frequency and volume of sales in prior periods and expectations about future sales activity.

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

1 Financial assets held with the sole objective to collect contractual cash flows;

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

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

- When the Bank sells financial assets to reduce credit risk or losses because of an increase in the assets' credit risk.

- Where these sales are infrequent even if significant in value. A Sale of financial assets is considered infrequent if the sale is one-off during the Financial Year.

- Where these sales are insignificant in value both individually and in aggregate, even if frequent.

- When these sales are made close to the maturity of the financial assets and the proceeds from the sales approximates the collection of the remaining contractual cash flows.

Cash flow characteristics assessment

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

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

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

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

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

a) Financial assets measured at amortised cost

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

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

b) Financial assets measured at FVOCI

Financial assets are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive Income (OCI), unless the instrument is designated in a fair value hedge relationship. When designated in a fair value hedge relationship, any changes in fair value due to changes in the hedged risk is recognized in Non-interest income in the Statement of Comprehensive Income. Upon derecognition, realized gains and losses are reclassified from OCI and recorded in Non-interest income in the Statement of Comprehensive Income. Foreign exchange gains and losses that relate to the amortized cost of the debt instrument are recognized in the Statement of Comprehensive Income. Premiums, discounts and related transaction costs are amortized over the expected life of the instrument to interest income in the Statement of Comprehensive Income using the effective interest rate method. The Bank did not choose to exercise this option.

c) Equity Instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. All equity instruments are measured at FVTPL according to IFRS 9. The Bank does not exercise the option to designate them at fair value through OCI upon purchase.

f) Financial Liabilities at amortised cost

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

iii Reclassifications

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

- Significant internal restructuring or business combinations; for example an acquisition of a private asset management company that might necessitate transfer and sale of loans to willing buyers; this action will constitute changes in the business model and subsequent reclassification of the loan held from category 1 to Category 2;

- Disposal of a business line i.e. disposal of a business segment;

- Any other reason that might warrant a change in the Bank's business model as determined by management based on facts and circumstances.

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

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

IV. Modification of financial assets and liabilities

(a) Financial assets

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

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

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

Quantitative criteria

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

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

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

Qualitative criteria

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

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

Another factor to be considered:

- Extension of maturity dates

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized in profit or loss (see above) and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset;
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition.

(b) Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

De-recognition of financial instruments

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

De-recognition of financial instruments

Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or repledge them.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

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

V. Impairment of Financial Assets

In line with IFRS 9, the Bank assesses the under listed financial instruments for impairment using the Expected Credit Loss (ECL) approach:

- Amortized cost financial assets;
- Debt securities classified as at FVOCI;
- Off-balance sheet loan commitments; and
- Financial guarantee contracts.

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

Expected Credit Loss Impairment Model

The Bank's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either over the following twelve months or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The Bank adopts a three-stage approach for impairment assessment based on changes in credit quality since initial recognition.

- Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used;

- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument;

- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The guiding principle for ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments since initial recognition. The ECL allowance is based on credit losses expected to arise over the life of the asset (life time expected credit loss), unless there has been no significant increase in credit risk since origination.

Measurement of expected credit losses

The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio.

Details of these statistical parameters/inputs are as follows:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.

- 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs.

- Lifetime PDs – This is the estimated probability of default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for 'stage 2' and 'stage 3' exposures. PDs are limited to the maximum period of exposure required by IFRS 9.

- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

To estimate expected credit loss for off-balance sheet exposures, the credit conversion factor (CCF) is usually computed. CCF is a modelled assumption which represents the proportion of any undrawn exposure that is expected to be drawn prior to a default event occurring. It is a factor that converts an off-balance sheet exposure to its credit exposure equivalent. In modelling CCF, the Bank considers its account monitoring and payment processing policies including its ability to prevent further drawings during periods of increased credit risk. CCF is applied on the off-balance sheet exposures to determine the EAD and the ECL impairment model for financial assets.

NOTES TO THE FINANCIAL STATEMENTS (Contd)

ACCOUNTING POLICIES (Contd)

The major financial assets for which the ECL is calculated are short-term Treasury Bills and medium and long-term Bonds issued by the State of Sierra Leone with maturities ranging up to 6 years as per 2018 year end. These securities are held by the Central Bank of Sierra Leone. Total exposure increased from Le1.182 billion to Le1.270 billion from 2017 year end to 2018 year end respectively.

At the time of the ECL calculation, Sierra Leone was not rated (NR) and hence did not have traded credit instruments in the international market with an observable rating. Consequently, ratings from similar countries were used and adjusted to reflect specific features of Sierra Leone.

taken to loss.

Expected Credit Losses (ECL)	31.12.2018	1.1.2018
	Le	Le
Expected credit loss allowance	128,273,538,000	119,513,224,000
Relative to exposure outstanding	9.57%	8.91%
Increase(decrease) in expected credit loss allowance		8,760,314,000

Forward-looking information

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

Macroeconomic factors

The Bank relies on a broad range of forward looking information as economic inputs, such as: GDP growth, unemployment rates, central bank base rates, inflation rates and foreign exchange rates. The inputs and

statements.

To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgement.

Assessment of significant increase in credit risk (SICR)

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors. The common assessments for SICR on retail and non-retail portfolios include macroeconomic outlook, management judgement, and delinquency and monitoring.

Definition of Default and Credit Impaired Financial Assets

The Bank defines a financial instrument as being in default which is fully aligned with the definition of credit-impaired financial assets, when it meets one or more of the following criteria:

Quantitative criteria (default)

The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is ‘credit impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for a security because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;
- Others include death, insolvency, breach of covenants, etc.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six month.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, loans that are more than 90 days past due are considered impaired except for certain specialized loans (Project Finance, Object Finance and Real Estate Loans as specified by the Central Bank of Sierra Leone) in which the Bank has rebutted the 90 Days Past Due presumptions in line with the BSL Prudential Guidelines.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields;
- The rating agencies' assessments of creditworthiness;
- The country's ability to access the capital markets for new debt issuance;
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness;
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to the country, as well as the intention reflected in public statements of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Loan allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

- Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

VI. Write-off

The Bank writes off an impaired financial asset (and the related impairment allowance), either partially or in full. There are no reasonable expectation of recovery set out in IFRS 9, paragraph 5.4.4. After a full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure shall be recommended for write-off (either partially or in full):

- continued contact with the customer is impossible;

- recovery cost is expected to be higher than the outstanding debt;

- The Bank's recovery method is foreclosing collateral and the value of the collateral is such that there is reasonable expectation of recovering the balance in full.

All credit facility write-offs shall require endorsement at the appropriate level, as defined by the Bank. Credit write-off approval shall be documented in writing and properly initialled by the approving authority.

A write-off constitute a derecognition event. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of the amount due. Whenever amounts are recovered on previously written-off credit exposures, such amount recovered is recognised as income on a cash basis only.

vii. Offsetting financial instruments

Netting, where financial assets and liabilities are offset and the net amount reported in the statement of financial position, occurs if, and only if, there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize an asset and settle the liability simultaneously. In many cases, even though master netting agreements are in place, the lack of an intention to settle on a net basis results in the related assets and liabilities being presented gross in the statement of financial position. During the financial year 2018 there was no offsetting of financial instruments.

(h) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand and balances with other foreign Central Banks, commercial banks, supranational organizations and non-banking financial institutions.

These are subject to insignificant risk of changes in their value and are used by the Bank in the management of its short-term commitments.

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

(i) Advances

Advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

Advances are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

(j) Investment securities

Investment securities are initially measured at cost plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-collect or fair value through profit or loss.

(i) Amortized cost
Financial assets at amortized cost comprises cash and cash equivalents, advances to Banks, loans and advances to others. They are subsequently measured at amortized cost using the effective interest method less any impairment losses. Interest income from these financial assets is determined using the effective interest method and reported in profit or loss as interest income.

(ii) Fair value through other comprehensive income (FVOCI)
The Bank elects to classify its investments in equity securities at FVOCI. The election is to present in other comprehensive income changes in fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument—by—instrument basis on initial recognition and is ir-revocable. Gains and losses on such equity instruments are never reclassified to profit or loss and no im-impairment is recognized in profit or loss. Dividends are recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in OCI. Cumulative gains and losses recognized in OCI are transferred to retained earnings on disposal of an investment.

Financial liabilities
The Bank classifies its financial liabilities as measured at amortised cost.

(K) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Freehold premises are depreciated over a maximum of fifty years.

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

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

(l) Leased assets - Lessee

The Bank was not a party to any finance leasing contract during or at the end of the year. Leases are operating leases and the underlying assets are not recognised in the Bank's balance sheet.

(m) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its cash generating unit (CGU) exceeds its recoverable amount. The recoverable amount is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rates that reflect current market assessments of the time value of money and the risk specific to the asset.

A previously recognized impairment loss is reversed where there has been a change in circumstances or in the basis of estimation used to determine the recoverable value, but only to the extent that the asset's net carrying amount does not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Deposits

Deposits are initially measured at fair value including transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(o) Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

(p) Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

All financial guarantee liabilities are disclosed by way of notes in the financial statements and are only included in other liabilities if the liability has crystallised or becomes probable that it will crystallise.

(q) Employee benefits

(i) Short term benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided.

A provision is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be reliably estimated.

(ii) Defined contribution plan

The Bank contributes towards a defined contribution plan. The plan is funded through payments to the National Social Security and Insurance Trust (NASSIT) Scheme. This defined contribution plan is a Pension Scheme under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the Scheme does not hold sufficient assets to pay all employees the benefit relating to employee service in the current and prior periods and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefits expense when due.

(iii) Defined benefit plan

The bank provides end-of-service benefits to its retirees. The entitlement to these benefits is conditional on the completion of a minimum service period. End of service benefit is a post-employment benefit plan. The liability recognised in the statement of financial position is the present value of the end-of-service benefits obligation at the reporting date, together with adjustments for actuarial gains or losses and past service costs. The present value of the obligation is determined by discounting the estimated future cash outflows taking into account average service period and salary increases and using interest rates of Government treasury bonds that are denominated in Leones, the currency in which the obligation will be paid and that matures in one year's time. The calculation is performed by an actuary using the projected unit credit method. For a description of the financial assumptions see note 29.

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

(iv) Termination benefits

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

(r) Capital and reserves

Share capital

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Sections 10(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.

(s) Amounts repayable under Repurchase Agreement (REPOs)/Reverse REPOs

REPO is an arrangement involving the sale for cash, of investment security at a specified price with a commitment to repurchase the same or similar securities at a fixed price either at a specific future date or at maturity.

For monetary purposes (liquidity management), the Bank from time to time withdraws liquidity from the financial market (REPO) or injects liquidity into the market (Reverse REPO). The Bank engages in the above with commercial banks only.

When the Bank withdraws money from commercial banks, it creates a liability in its financial statements and secures this borrowing (liability) by assigning part of the securitised debt holding to the commercial banks it has withdrawn from. The commercial banks usually hold the investments to maturity.

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

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

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

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

(t) Currency in circulation

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

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

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

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

(v) Gold

Gold holdings are included in the statement of financial position at the prevailing closing spot market price on the London Bullion Market on that date. Foreign exchange gains and losses on gold holdings are transferred to the revaluation account.

(w) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. All adjustments of comparative figures are referred to as “restatements”.