Bank of Sierra Leone

Annual Report
and
Statement of Accounts

for the year ended 31 December 2009

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A. Annual Report 2009

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A. ANNUAL REPORT 2009

1. Review of the Economy

The year 2009 was quite an eventful and challenging period. It offered significant lessons particularly on how to cope with the adverse effects of the global financial and economic crisis on the Sierra Leone economy. Although there were indications that the global economy was recovering and financial conditions were improving, the persistent depreciation of the domestic currency (the Leone) against major international currencies and the widening of the government budget deficit posed major challenges to macroeconomic management in Sierra Leone during the period. Nonetheless, the Sierra Leone economy exhibited signs of resilience during the year 2009, with steady progress towards maintaining a stable macroeconomic environment and positive growth. The global economic and financial development during the year under review, challenged policy-makers the world over in a way that was unprecedented since the great depression, and Sierra Leone was no exception.

The Government of Sierra Leone continued to maintain existing good relationship with its development partners, especially the International Monetary Fund (IMF), the World Bank (WB), the African Development Bank (ADB), the European Union (EU) and the United Kingdom Department for International Development (UK/DFID). On the 11th February 2009, the Government of Japan and the United Nations Children's Fund (UNICEF), representing the Government of Sierra Leone, signed a Memorandum of Understanding for a grant of US$2.9million, in support of effective strategies to reduce child and maternal mortality in Sierra Leone. The United Kingdom Parliamentary Under Secretary of State for African Affairs, Rt. Hon. Ivan Lewis, during his three-day visit to Sierra Leone from 31st March – 2nd April 2009 announced a donation of twenty eight million Pounds Sterling (£28.00mn) from the British Government as support to the Government of Sierra Leone. The main purposes were to boost the ministry of Health (£16.00mn), budget support for the PRSP (£10.00mn) and Anticorruption Commission (£2.00mn). On the 4th June 2009, the Board of Directors of the World Bank approved a technical assistance grant in the sum of of US$4.0million, for public financial management to assist the Government of Sierra Leone to sustainably improve the credibility, control and transparency of fiscal and budget management. The Executive Board of the International Monetary Fund (IMF) on 17th June, 2009 completed the Fourth Review of Sierra Leone's economic performance under a four-year Poverty Reduction and Growth Facility (PRGF) Arrangement and the review of the financing assurances. The IMF Board also approved an augmentation of Sierra Leone's access to SDR10.37million (equivalent to US$16.8million) and disbursement of US$18.8million. In another development, the Government of Sierra Leone signed an agreement with the African Development Bank on 11th September 2009, for an amount of US$41.23 million, to upgrade the Lungi-Port Loko road. The ongoing project has a total funding of US$150.93 million and consists of the construction of 62km of the Lungi-Port Loko road to paved standards, the rehabilitation of 6.5km of Lungi township roads, the gravelling of 30km of feeder roads and the provision of simple social infrastructure within the Lungi township. Also, the World Bank approved a grant of US$30million to the Government of Sierra Leone on 18th November, 2009, in recognition of the impressive fiscal management strategy adopted by the government. Parliament, on 19th November, 2009 ratified a grant of US$41.00million from the African Development Bank. On 16th December 2009, the Executive Board of the International Monetary Fund (IMF) completed the Fifth Review of Sierra Leone's economic performance under the Poverty Reduction and Growth Facility (PRGF) Arrangement. Following the review, the IMF approved the disbursement of SDR12.19million (equivalent to US$19.3million) to the Government of Sierra Leone.

Real Gross Domestic Product (GDP) growth was initially estimated at 5.5 percent in 2009, based on anticipated improvement in the agriculture sector which contributed the highest, followed by industry and services sectors. However, this projection was later revised during the year to 4.0 percent, due to the second round effects of the global crisis.

Performance in the agriculture sector improved immensely, driven in part by the priority given to it by the Government of Sierra Leone. The sector also received a big boost in the sum of US$15.00mn from the Indian Government, to provide tractors, implements and erect thirty (30) rice mill buildings with drying floors in various parts of the country. Consequently, 265 tractors and other agricultural equipments including disc harrows and ploughs, transplanters, rice thrashers, cage wheels for tractors and trailers were commissioned on 28th August 2009. On 22nd September 2009, the Government of Sierra Leone signed the Comprehensive African Agriculture Development Programme (CAADP) compact being the fifth country to sign the CAADP compact after Rwanda, Burundi, Togo and Ethiopia. There was also improvement in the shipment of Coffee and cocoa beans during the review period.

Performance in the mining sub sector was mixed during the review period. Total volume of diamonds exported, as recorded by the Government's Gold and Diamond Department (GDD) was 400.48 thousand carats, indicating a 7.86 percent increase when compared to 371.29 thousand carats exported in 2008. This was as a consequence of increased mining activities as well as the signing of the new mining law designed to enforce collection of mining fees and royalties. On the contrary, production levels of bauxite, gold, rutile and ilmenite declined by 22.17 percent, 17.71 percent, 19.07 percent and 11.92 percent respectively in 2009.

Notwithstanding the successful completion of the first phase of the Bumbuna Hydro Electric Power Project which was commissioned on 6th November 2009, the energy sub sector exhibited weak performance. Total units of electricity generated decreased by 6.80GW/hr (4.9%) to 131.98Gw/hr as at end December 2009, from 138.78Gw/hr as at end December 2008. The drop in electricity generation could be partly attributed to the phasing out of the Independent Power Producers (IPP) contract. However, on a half yearly basis, total units of electricity generated during the second half of 2009 indicated an increase when compared to that generated during the first half of 2009.

The government's budgetary operations during the reporting period recorded a deficit of Le201.78bn (including grants), which was 0.71 percent higher than the Le200.37bn recorded in 2008. The government overall deficit (excludes grants), was Le702.04bn, representing 10.35 percent of Gross Domestic Product (GDP) and was outside the West African Monetary Zone (WAMZ) Primary Convergence Criteria one (1) target of 4.0 percent of GDP or less.

The primary objective of the Bank of Sierra Leone's monetary policy is to achieve and maintain price stability conducive to economic growth through a careful management of the Net Domestic Assets of the Bank. In practical terms, this translates into keeping inflation at single digit. To achieve this, the Bank relies on indirect instruments of monetary policy including Open Market-type Operations (OMO), Reserve Requirement and Repo/Reverse Repo transactions. The Bank therefore continues to pursue a tight monetary policy stance and mop up the excess liquidity in the system to levels consistent with positive economic growth. To this end, the Bank utilized Le32.50billion of the approved Le60.00billion of Government Securities for monetary operations to mop up excess liquidity in order to contain inflationary pressures. To complement monetary operations, the Bank increased its sales of foreign exchange through public auctions from US$34.30million in 2008 to US$58.00million in 2009. These measures helped the Bank to mitigate the inflationary impact of the food and fuel crises, while at the same time, reducing volatility in the exchange rate. Monetary Policy management during the review period remained challenged as growth in key monetary aggregates increased further, with Narrow Money (M1), Broad Money (M2) and Reserve Money (RM) expanding by 21.25 percent, 28.45 percent and 20.61 percent, respectively. Nonetheless, the Bank remained focused on maintaining price stability or low and stable rate of inflation. There were spikes in consumer prices caused by demand pull and cost push factors as well as external supply shocks associated with the rising world market prices of petroleum products and food items, particularly rice and other grain crops. This notwithstanding, the national year-on-year inflation rate declined to 12.22 percent in December 2009 which was below the 15.60 percent target under the PRGF Programme. It moved from 13.21 percent in 2008 to reach a low of 5.40 percent in April 2009.

The financial sector continued to deepen, driven largely by the expansion of the banking sector. The financial system of the country as at end December 2009 comprised one (1) Central Bank and fourteen (14) commercial banks in 2009, compared to thirteen (13) commercial banks in 2008. The number of branches of commercial banks however, increased to seventy three (73) in 2009 from fifty seven (57) in 2008; two (2) Discount Houses, six (6) Community Banks, seventy five (75) Foreign Exchange Bureaux and one (1) Credit-only Micro-finance Institution. In another development, the Sierra Leone Stock Exchange Market was officially launched in July 2009. The Financial Sector Development Plan (FSDP) was also prepared by the Government of Sierra Leone in collaboration with its development partners and the private sector. It was approved by Cabinet the same year. The main objective of the plan is to provide a framework for creating a sound, diversified, responsive and well-functioning financial system in the country.

Despite the global financial crisis, the Bank of Sierra Leone continued to play its supervisory role, aimed at achieving a sound and stable financial system during the review year. The licensing requirement of banks was revised to meet the challenges of the growing number of financial institutions in the country. Credit to the private sector by the commercial banks continued to grow, reaching a high of 46.17 percent in 2009, reflecting prospects for real GDP growth.

Developments in the external sector during 2009 indicated a narrowing of the annual trade deficit to US$289.64mn from US$318.47mn in 2008. This was due mainly to an increase in export earnings which outweighed the drop in import payments during the reporting period. The gross external reserves position of the Central Bank stood at US$336.27mn as at end December 2009, on account of significant external inflows during the review period. This translates into 7.8 months of prospective imports of goods and services, compared with an import cover of 3.9 months recorded in December 2008. The level was also above the minimum requirement of three-months of import cover under the convergence criterion of the second Monetary Zone.

The domestic currency (the Leone) generally depreciated against major international currencies, particularly the United States Dollar (US$), throughout the review period and stood at Le3, 385.65/US$1 in December 2009, from Le2, 981.10/US$1 in December 2008. The depreciation in the exchange rate was as a result of excess demand for foreign exchange over its supply, coupled with a considerable decrease in personal inward remittances from abroad, due in part to the effects of the global economic and financial crisis.

Sierra Leone's performance under the WAMZ Convergence Criteria in 2009 reflected that the country satisfied only one primary criterion (months of import cover). The country failed to meet the criterion on single digit inflation, which it had sustained in the previous years.

Real Sector Developments

Developments in the Real Sector in 2009 were mixed. The Government, as outlined in its budget speech, continued to place emphasis on agriculture, energy and basic infrastructure as priority sectors, the development of which are necessary for economic growth.

Since the recognition of Agriculture as a priority sector by Government in October 2008, agricultural production has continued to grow and diversify. Budgetary allocation to the sector was increased significantly from less than 2.0 percent over a decade ago to 7.70 percent in 2009 and was proposed to be further increased to 9.90 percent in the 2010 budget, close to the requirement of 10.0 percent under the 2003 Maputo Declaration. On 22^{nd} September 2009, the Sierra Leone Government signed the Comprehensive African Agriculture Development Programme (CAADP) compact, after Rwanda, Burundi, Togo and Ethiopia. The CAADP is an umbrella programme of the new agriculture strategy, developed under the African Union/Economic Community of West African States (AU/ECOWAS).

Table 1

Production					
		Jan-Dec '08	**Jan-Jun'09**	**Jul-Dec'09**	**Jan-Dec '09**
1	**2**	**3**	**4**	**5**	**6**
Minerals					
Diamonds	*000' carats*	371.29	199.09	201.39	400.48
Bauxite	*000' M tons*	954.37	492.90	255.70	742.82
Rutile	*000' M tons*	78.91	37.00	32.45	63.86
Ilmenite	*000' M tons*	17.26	8.66	6.54	15.20
Gold	*000' Ounces*	6.15	2.49	2.57	5.06
Agriculture					
Coffee	*M tons*	1.96	4.20	3.11	7.32
Cocoa	*M tons*	17.89	7.53	11.91	19.44
Manufactured Goods					
Beer and Stout	*000' Cartons*	726.69	385.96	340.51	726.47
Maltina	*000' Cartons*	173.73	103.79	85.54	189.33
Acetylene	*000' cu.ft*	144.46	74.51	67.26	141.77
Oxygen	*000' cu.ft*	303.71	99.61	104.52	204.13
Confectionery	*000' lbs*	2,633.57	1,743.75	1,302.59	3,046.34
Common Soap	*000' M tons*	552.96	274.56	305.31	579.87
Soft drinks	*000' crates*	1,611.71	691.92	839.37	1,531.29
Paint	*000' gals*	168.79	79.85	73.13	152.98
Cement	*000' M tons*	254.16	138.41	97.81	236.22
Flour	*000' M tons*	13.79	6.49	4.97	11.46
Services					
Electricity	*GW/hr*				
Unit Generated	*GW/hr*	138.78	63.67	68.31	131.98
Industrial Consumption	*GW/hr*	20.62	12.26	10.40	22.66
Domestic Consumption	*GW/hr*	26.08	11.38	9.97	21.35
Commercial Consumption	*GW/hr*	19.84	5.60	4.91	10.52
Government Consumption	*GW/hr*	14.07	6.92	6.95	13.87

Sources: Manufacturing Establishments

Table 2

Production of Major Food Crops (2007 - 2009)

CROP	2007	2008	2009
Maize	54,944	56,592	58,291
Cassava	3,865,030	4,058,288	4,261,205
Sweet Potato	176,564	181,834	190,928
Groundnut	126,723	130,526	137,052

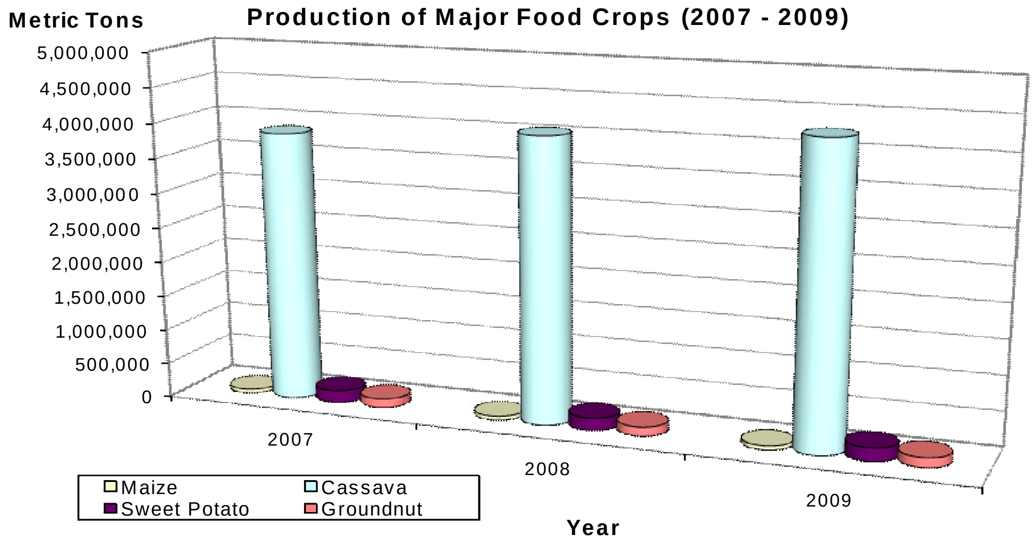
SOURCE: Ministry of Agriculture and Food Security

Expectations about a boost in the real sector were heightened with news about the prospects of potential oil reserves in the deepwater offshore area within the Sierra Leone-Liberia basin. Anadarko Petroleum Corporation, a United States oil firm which made the discovery indicated that the new well - called Venus - is one of more than 30 identified prospects across 10 blocks offshore of Sierra Leone, Liberia, Ivory Coast and Ghana. This was positive news for the country going forward and has significant potentials to increase Sierra Leone's revenues.

The national Year-on-Year inflation rate which had previously been in single digit for the most part of the year attained double digits in September 2009. It persisted throughout the year ending at 12.22 percent in December 2009, following the rapid depreciation of the "Leone" against foreign currencies.

At an International Donors' and Investors' conference organized by the Sierra Leone Government and its development partners in London in November 2009, aid partners confirmed a continuing strong level of support for the country's development agenda as well as maintaining aid levels at US$300.00million per year. This represents a considerable achievement for the country at a time of global economic downturn.

Chart 1
Production of Major Food Crops (2007 - 2009)



The European Union (EU) in partnership with the Ministry of Agriculture, Forestry and Food Security donated Euro 5.40 million through the World Food Programme (WFP) and Euro 9.8 million through Food and Agriculture Organisation (FAO) under the EU Food Facility to support the Government of Sierra Leone assist communities of smallholder farmers to cope better in this time of food insecurity crisis.

The Government received a grant of US$17.50mn from the African Development Fund on 27th March 2009, in favour of the Social Action Support Project. Also, during the review period, the Government of Canada donated US$5.00mn to the Government of Sierra Leone for poor rural women. As a result of a breakthrough, the future of Tourism was once more brightened and firmly put on a platform to regain its lost glory. This achievement was made possible with the relentless effort of the Sierra Leone National Tourist Board, supported by the Integrated Framework Project, a multi-donor program supervised by the United Nations Development Programme (UNDP). In addition, the industry received a boost with the building of a new Taia resort hotel along the Lumley Beach Road.

Gross Domestic Product (GDP)

Real GDP growth rate was projected at 5.50 percent in 2009 based on the expected improvements in agriculture, but later was revised during the year to 4.0 percent, owing to the second round effects of the global crisis. Estimations are that agriculture contributed the highest, followed by industry and the services sector.

Agriculture

Developments in the agriculture sector indicated positive movements during 2009, evidenced by Government's continued support to the sector. Government's interest in the sector is based on the recognition that agricultural development is key to triggering long-term sustainable economic growth and poverty reduction. Consequently, budgetary allocation to agriculture was significantly enhanced from less than 2.0 percent over a decade to 7.70 percent in the review period and was proposed to be increased further to 9.90 percent in the 2010 budget, close to the requirement of the 2003 Maputo Declaration of 10.0 percent. With a 10.0 percent budgetary allocation to agriculture, the Maputo Declaration estimates a 6 percent average annual growth rate in the agricultural sector. Furthermore, in pursuit of the country's desire to boost agriculture in the country, the Comprehensive Africa Agriculture Development Programme (CADDP) compact was signed by the Sierra Leone Government during the review period to become the fifth country to sign the CAADP compact after Rwanda, Burundi, Togo and Ethiopia. The CAADP is aimed at accelerating agricultural growth thereby eliminating poverty, which has been steadily growing throughout the continent over the past two decades. The CAADP process is consistent with the Sierra Leone Government's Agenda for Change, which is reflected in the National Sustainable Agricultural Development Plan (NSADP) and the country's second generation Poverty Reduction Strategy Paper (PRSPII), which recognise agriculture as the engine of economic growth, with focus on production, processing and marketing of domestically consumed and export oriented crops, livestock, forestry and fishing products. The Compact will assist in the design and implementation of agricultural investment programmes, and targets key sub-sectors such as land and water management, rural-urban infrastructure, commercialisation, trade and marketing, resource management and increased agricultural productivity.

With regard to production levels in 2009, total production of coffee beans, proxied by shipment, showed that total shipment increased by 5.36 thousand metric tons (273.55%) to 7.32 thousand metric tons, notwithstanding the drop in the average world market price of the product from US$2,730.40 per metric ton in 2008 to US$2,437.07 per metric ton in the review period. The significant increase in coffee shipment could be attributed to increased productivity due to favourable weather conditions and to some extent the high-quality grade of the crop. Half-yearly comparison showed that shipment in the first half of 2009 was 4.20 thousand metric tons but dropped to 3.11 thousand metric tons in the second half. This was due to poor harvest of the crop. Similarly, cocoa shipment recorded a volume of 19.44 thousand metric tons in the reporting period, 1.55 thousand metric tons (8.65%) higher than the volume of shipment in the previous year. The slight increase in the tonnage of cocoa, was in part, due to the increase in the average world market price of the crop, from US$2,577.34 per metric ton in the previous year to US$2,865.55 per metric ton in the review period. There were also favourable farming conditions consequently resulting in increased productivity during the second harvest season.

Manufacturing

Performance in the manufacturing sector showed mixed movements during the year under review, as most products recorded decreases in output levels. Total production levels of beer & stout dropped by 0.22 thousand cartons (0.03%) to 726.47 thousand cartons while soft drinks dropped by 80.43 thousand crates (4.99%) to 1,531.29 thousand crates. Production of maltina on the other hand, increased by 15.60 thousand cartons (8.98%) to 189.33 thousand cartons.

The declines recorded for beer & stout and soft drinks in the year occurred on account of limited supply of raw materials and the growing competition from imported brands. On the other hand, the volume of maltina went up due to anticipated increase in consumer demand during the festive season.

Production levels of acetylene and oxygen declined by 2.69 thousand cubic feet (1.86%) to 141.77 thousand cubic feet and 99.58 thousand cubic feet (32.79%) to 204.13 thousand cubic feet, respectively. The fall in output levels of both gases was on account of limited availability of raw materials which impacted negatively on welding activities during the year. The volume of acetylene produced during the second half of 2009 was 9.73 percent less than that produced during the first half, while the volume of oxygen was up by 4.93 percent during the second half of 2009.

Confectionery and common soap production recorded positive growth in output levels. Confectionery production increased by 412.77 thousand pounds (15.67%) to 3,046.34 thousand pounds while common soap production increased by 26.91 thousand metric tons (4.87%) to 579.87 thousand metric tons. The increase in production of both products was driven by increased demand, coupled with the availability of raw materials. On half yearly basis, the volume of confectionery dropped by 25.27 percent in the second half of 2009, but that of common soap edged up by 11.2 percent during the same period.

Production levels of paint and cement declined over the review period by 15.81 thousand gallons (9.37%) to 152.98 thousand gallons and 17.94 thousand metric tons (7.06%) to 236.22 thousand metric tons, respectively. The substantial drop in the volumes of both products over the year was mainly due to the usual heavy rains between the months of July and September which slowed down construction and renovation works, despite the increase in the number of building permits issued during the period. The levels of production of both products fell in the second half of the year, with paint falling by 8.42 percent and cement significantly by 99.28 percent.

In the case of flour, the annual production level fell by 2.33 thousand metric tons (16.87%) to 11.46 thousand metric tons, which was attributed to limited availability of raw materials (wheat) used in production as a result of delays in the importation of the commodity. Half yearly performance was also unimpressive as output levels dropped during the second half of 2009.

Mining

The mining sub-sector performance during the period under review was weak as only one out of five minerals, diamond, recorded an increase in output level relative to the previous year.

Total volume of diamond exported, as recorded by the Government's Gold and Diamond Department (GDD), was 400.48 thousand carats, which represented 7.86 percentage increase over the previous year. The volume of diamond exported in the review period included 143.62 thousand carats of industrial diamond and 256.86 thousand carats of gem diamonds. The increase in the volume of the precious stones was on account of an increase in mining activities, in anticipation of a recovery in global demand.

Table 3

Mineral Production (2006-2009)

Period	Gold	Diamond	Bauxite	Rutile	Ilmenite
	(000' ounces)	(000' Carat)	(000' M tons)	(000' M tons)	(000' M tons)
2006	2,283.24	582,323.97	1,071,140.01	73,600.00	13,818.60
2007	6,816.59	603,698.18	1,169,036.08	82,805.00	15,750.00
2008	6,152.69	371,292.31	954,370.01	78,908.00	17,258.00
2009	15,252.52	4,318,206.17	3,194,546.10	235,313.00	46,826.60

SOURCE: Government Diamond Department

The volume of bauxite produced was 742.82 thousand metric tons in the review period dropping by 22.17 percent when compared to the previous year. On half yearly basis, the volume of bauxite produced reduced by 47.42 percent in the second half of the year. The huge decline in the volume of bauxite produced during the year was attributed to a fall in external demand for aluminum which is fabricated out of the mineral. This subsequently resulted in the cessation of operations of Sierra Minerals between June and September 2009. Production resumed in the fourth quarter of the year and 255.70 thousand metric tons were produced. Sierra Minerals is the only bauxite mining company in Sierra Leone and is the second largest mining employer in the country.

Production volumes for rutile and ilmenite declined by 15.04 thousand metric tons (19.07%) to 63.86 thousand metric tons and 2.06 thousand metric tons (11.92%) to 15.20 thousand metric tons, respectively. On a half yearly basis, production of both minerals were lower during the second half compared to the first.

The volume of gold produced during the year dropped by 17.71 percent to 5.06 thousand ounces when compared to the previous year. The total volume of 2.57 thousand ounces produced during the second half was slightly above (3.21%) the volume of 2.49 thousand ounces produced during the first half of 2009. The drop in the level of gold production during the year, was on account of limited mining activities in the second half of the year, which fails to take advantage of the increase during the average world market price of gold from US$872.27 an ounce in 2008 to US$972.98 an ounce in 2009.

Construction

Table 4

Building Permits issued for Freetown and Greater Freetown

	2006	2007	2008	2009
Residential	915	1047	1909	1839
Commercial	75	61	63	131
Wall Fence	82	172	175	176
Schools	8	6	7	2
Churches	5	5	7	15
Mosques	3	3	3	6
Hospitals	2	3	2	2
Hoardings	0	0	0	2
Total	**1090**	**1297**	**2166**	**2173**

SOURCE: Ministry of Lands and Country Planning

The construction sub-sector in 2009, registered a positive growth with a number of road construction projects, including the Masiaka-Bo highway, Bo-Kenema highway and the Makeni-Matotoka highway. Work was underway on the Matotoka-Koidu highway, Lungi-Port Loko road, and the Lumley-Tokeh Peninsular road. Construction of the Freetown-Conakry highway and Kailahun-Koindu roads are expected to commence in early 2010.

In the area of building construction, the number of building permits issued in Freetown during the review period by the Ministry of Lands and Country Planning was slightly higher than that issued during the previous year, despite price hikes in building materials during the review period. In addition, the rapid increase in construction sites within Freetown and its environs indicates an expansion of economic activities which is being translated into growth in the construction sub-sector.

The total number of building permits issued during 2009 was 2,173, which was 0.32 percent more than those issued in the previous year. Of the total permits issued, residential buildings accounted for 1,839 representing a decrease of 3.67 percent compared with the previous year. Commercial building permits accounted for 6.03 percent, exceeding the previous year by 107.94 percent and wall fence permits accounted for 8.10 percent.

Energy Sector

Access to reliable and affordable modern electricity is key to poverty reduction and the development of the nation. It is also an important catalyst for achieving the country's millennium development goals and hence high economic growth. Phase one (1) of the Bumbuna Hydro Electric Project had been completed and was fully commissioned on 6th November 2009. The Bumbuna dam holds back 428.0 million cubic meters of water. Pressure from the dammed Seli river powers two massive turbines that provide a regular supply of electricity for the first time in the country's history. The project, which completion was a result of intensified effort by the authorities and increased donor support, was expected to generate 50 Mega Watts (MW) of power to be distributed to Freetown and some provincial areas.

Table 5

Electricity Generation

Year	Total Units Generated
1999	52,874,886
2000	61,385,728
2001	106,312,033
2002	123,499,068
2003	109,387,209
2004	84,816,249
2005	53,212,105
2006	31,980,820
2007	30,681,499
2008	138,537,950
2009	131,977,192

However, with the phasing out of the Independent Power Producers (IPP) contract, total electricity generated during the reporting period decreased by 6.80Gw/hr (4.9%) to 131.98Gw/hr. Half yearly figures showed an increase of 7.29 percent in the number of units generated

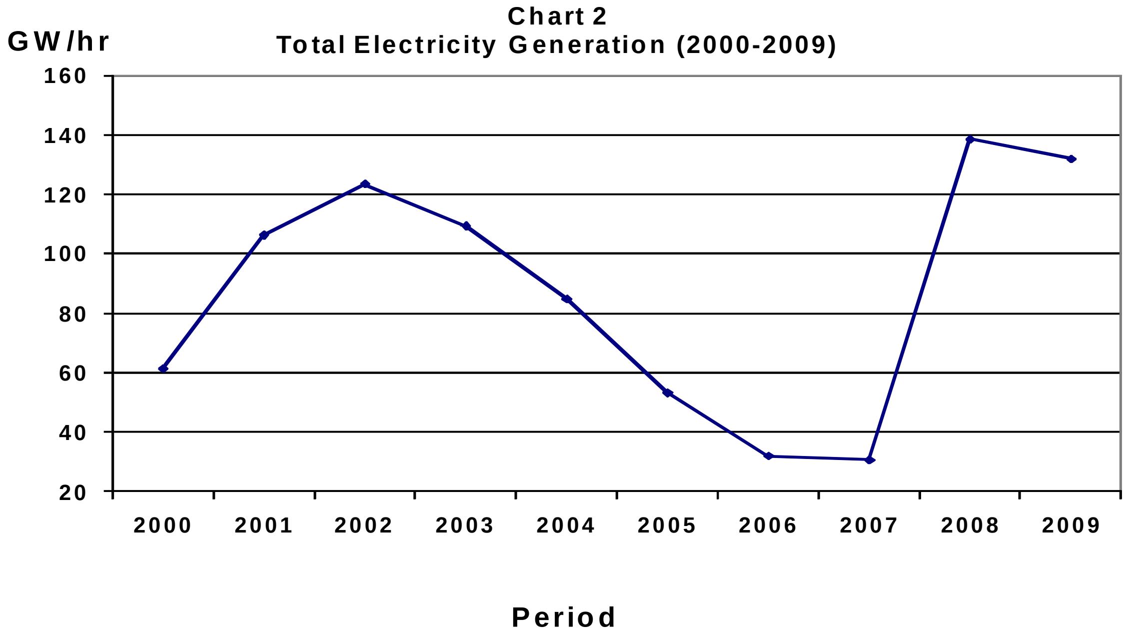
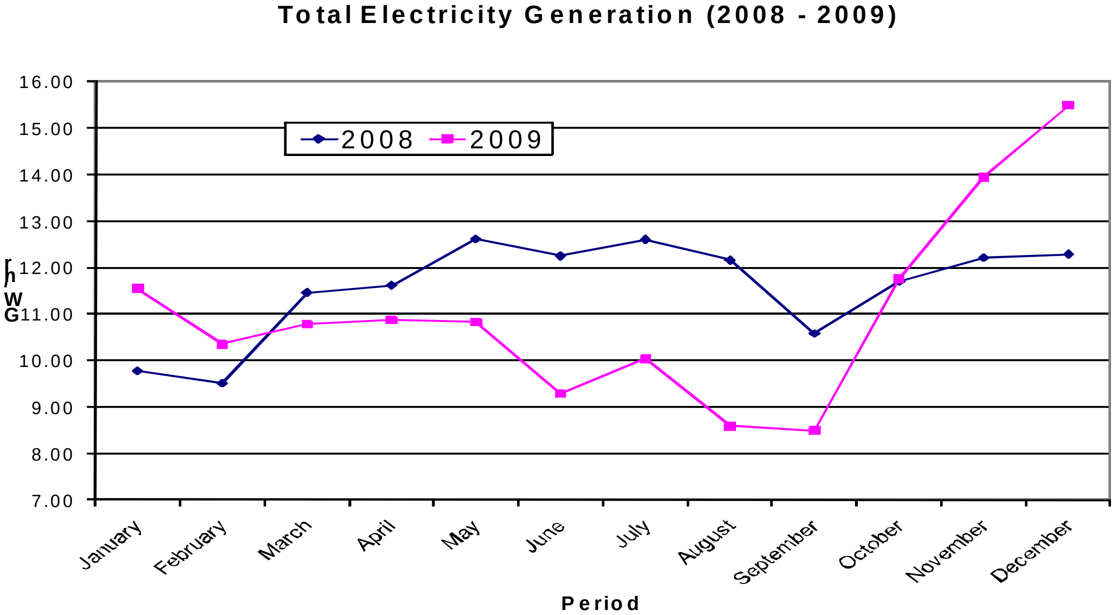


Chart 2
Total Electricity Generation (2000-2009)
GW/hr
160
140
120
100
80
60
40
20
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
Period


Total Electricity Generation (2008 - 2009)
2008
2009
16.00
15.00
14.00
13.00
12.00
11.00
10.00
9.00
8.00
7.00
January
February
March
April
May
June
July
August
September
October
November
December
Period

during the second half of the year, compared to the first half. However, Industrial consumption dropped by 15.17 percent during the same period. On monthly basis, the lowest units of electricity were generated in September 2009. From a low of 8.49Gw/hr units generated, it rose steadily throughout the fourth quarter to hit a record high of 15.5Gw/hr in December 2009. This was the highest units generated in the last twenty four (24) months and thus marked the period when the Bumbuna hydroelectricity started operations. Meanwhile, the two Independent Power Producers (Global Trading Group (GTG) and Income Electric Project (IEP)) continued to complement the National Power Authority generators. However, IEP ceased operation in October 2009 while GTG continued generation, though on a reduced scale, towards the end of the year.

Services Sector:

Transport

The transport sector registered improved performance during 2009 with all categories of vehicles, except motor cycles and tractors & trailer units, recording increases relative to the previous year. The number of vehicles registered during the period should help to facilitate the movement of both goods and people in the economy.

During 2009, the total number of vehicles registered by the Sierra Leone Road Transport Authority (SLRTA) was 15,220, representing a 7.43 percent increase, over the previous year's figure. Category wise, increases were recorded by private cars 25.12 percent to 2,147, Taxis 25.95 percent to 1,393, Utility vans & station wagons 39.39 percent to 3,627, vans/buses up to 25 passengers, 38.99 percent to 2,114, buses with more than 25 passengers 1,171, trucks with six tyres 13.96 percent to 498, and trucks with more than six tyres 33.33 percent to 164. Decreases were recorded in motor cycles 37.53 percent to 4,018 and tractors & trailer unit 48.24 percent to 88.

The number of vehicles licensed during the year was 41,870, which was 3.44 percent below the number in 2008. The number of vehicles licensed included private cars (11,376), taxis (4,902), motor cycles (6,193), utility vans and non- commercial station wagons (10,352), vans/buses carrying up to 25 passengers (6,415), buses carrying above 25 passengers (384), Trucks with six tyres (1654), trucks with more than six tyres (343), and tractors and trailer units (251). The drop in vehicles licensed was due to the deterioration of existing vehicles which did not pass examination and as such could not be licensed.

Communications

The communication sub-sector continued to expand during the review period, bolstered by growth in telecommunications and the print media. The period saw the end of more than fifty years of state-run broadcasting with the passage of a bill transforming the Sierra Leone

Broadcasting Service (SLBS) into a public service broadcaster (to be known as the Sierra Leone Broadcasting Corporation (SLBC)). In another development, Sierratel, fixed line operator for Sierra Leone has rolled-out its 3G (Code Division Multi-plex Access) CDMA network in the country with assistance from Chinese equipment vendor, Huawei. The project was financed through a loan from the China Import-Export Bank and complements the operator's existing infrastructure with extra 100,000 lines in Freetown and 14 other cities.

Tourism

Tourism had been identified as a priority sector for Government's development agenda and had become the largest contributor to the economy after mining and agriculture. Though activities are very limited at the moment, the tourist industry is growing and continues to show good potentials. Nonetheless, the industry registered a marked decline in tourist arrivals during the year under review. The total number of tourist arrivals was 26,122, indicating a 26.79 percent decline on total arrivals in 2008. During periods of difficult economic conditions and uncertainties, the propensity for people to conserve their cash to cater only for the essentials of life is high. As incomes deplete due to global recession, traveling becomes a non-priority and tourism becomes limited. Of the number of visitors during the review period, 6,262 were holidays makers, 8,965 were on business, 2,799 on conferences, 2,534 on visit to friends and relatives and 5,562 for other purposes.

Categorized by place of residence, the number of arrivals from African countries was 7,916, Asia 2,238, America 4,599, Middle East 1,136, Europe 7,410 and Australia & Oceanean 2,853.

Inflation Rate

Annual Average Inflation

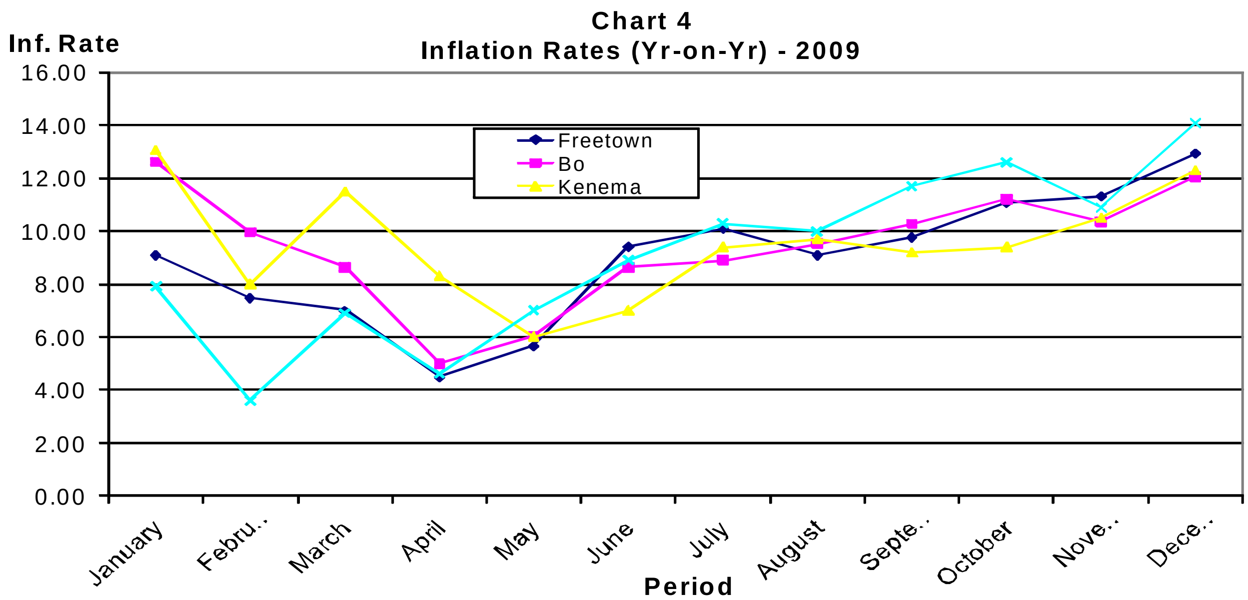


Table 6

Inflation Rates (Freetown) - 2009			
Period	Consumer Price Index	Monthly (%)	Year-on-Year (%)
1	2	3	4
January	186.20	2.14	9.10
February	186.54	0.18	7.48
March	186.06	-0.26	7.02
April	187.45	0.75	4.50
May	193.03	2.98	5.67
June	193.21	0.10	9.41
July	195.63	1.25	10.10
August	196.14	0.26	9.10
September	202.86	3.43	9.78
October	205.16	1.13	11.08
November	202.98	-1.07	11.33
December	205.92	1.45	12.94

SOURCE: Statistics Sierra Leone

The average annual national inflation rate dropped to 8.95 percent in the reporting period from 13.58 percent in 2008, which was reflected in the average annual inflation rates of all the Urban Townships. Freetown recorded a decrease of 4.16 percentage points to 9.02 percent, Bo by 5.34 percentage points to 9.45 percent, Kenema by 5.88 percentage points to 9.07 percent and Makeni by 4.57 percentage points to 9.43 percent.

All the national main group indices recorded price increases during the review period. The highest increase was recorded in the “Health” services (58.56%) and the lowest increase was recorded for “Recreation and Culture” (6.71%).

Year-on-Year Inflation Rate

The national year-on-year Inflation rate, measured by the national Consumer Price Index (CPI), was 12.22 percent in December 2009, dropping by 0.99 percentage points when compared with 13.21 percent in December 2008. Bo and Kenema towns recorded decreases in year-on-year inflation rates, whereas Freetown and Makeni recorded increases. Bo recorded a decrease of 1.74 percentage points to 12.07 percent, and Kenema recorded a decrease of 1.1 percentage points to 12.30 percent. The Freetown index increased by 2.84 percentage points to 12.94 percent, while the Makeni index increased by 2.7 percentage points to 14.10 percent in December 2009.

Table 7

CONSUMER PRICE INDICES BASED ON CLASSIFICATION OF INDIVIDUAL CONSUMPTION BY PURPOSE (COICOP) SYSTEM

	NATIONAL			FREETOWN			BO			KENEMA			MAKENI		
PERIOD	CPI	Year-onyear % Change	Monthly % Change	CPI	Year-onyear % Change	Monthly % Change	CPI	Year-onyear % Change	Monthly % Change	CPI	Year-onyear % Change	Monthly % Change	CPI	Year-onyear % Change	Monthly % Change
2008															
January	169.60	10.92	1.65	170.68	10.18	3.11	155.85	12.05	1.19	163.18	13.10	1.73	158.40	11.00	3.73
February	173.20	9.73	2.12	173.57	10.70	1.69	159.20	10.91	2.15	168.00	12.70	2.95	166.90	11.10	5.37
March	172.94	10.52	-0.15	173.86	11.65	0.17	159.70	11.17	0.31	161.40	14.50	-3.93	163.80	11.30	-1.86
April	178.39	13.15	2.71	179.37	13.97	3.17	168.59	13.38	5.57	165.00	15.60	2.23	173.60	14.90	5.98
May	183.21	15.28	2.70	182.67	16.16	1.84	173.32	17.20	2.81	171.70	16.40	4.06	178.90	15.80	3.05
June	183.33	15.04	0.06	175.82	15.23	-3.75	173.51	16.47	0.11	175.10	16.10	2.00	179.60	15.60	0.40
July	186.02	16.05	1.47	177.60	16.03	0.93	178.63	18.07	2.77	177.50	15.90	1.44	177.30	16.70	-1.33
August	188.23	14.81	1.17	179.75	13.71	1.47	181.87	17.03	1.36	178.50	15.00	1.25	179.60	15.10	1.09
September	190.42	15.75	1.16	184.80	15.60	2.70	186.20	18.19	1.35	183.60	15.90	1.63	179.90	17.20	-0.13
October	189.32	14.97	-0.58	184.70	14.40	2.80	179.50	15.28	2.40	184.70	14.70	2.40	177.30	14.20	0.20
November	187.97	13.15	-0.71	182.30	10.60	-1.16	176.10	13.48	-2.30	181.60	11.80	-1.80	173.80	13.70	-2.00
December	188.88	13.21	0.48	182.30	10.10	0.00	175.30	13.81	-0.45	181.80	13.40	0.10	169.40	11.40	-2.50
2009															
January	186.15	9.64	-1.45	186.20	9.10	2.14	175.50	12.62	0.11	163.17	13.07	-10.25	173.70	7.90	2.54
February	185.44	7.04	-0.38	186.54	7.48	0.18	175.10	9.96	-0.23	181.40	8.00	11.17	173.80	3.60	0.06
March	186.66	7.45	0.66	186.06	7.02	-0.26	173.50	8.64	-0.92	177.60	11.50	-2.10	178.90	6.90	2.93
April	188.09	5.40	0.77	187.45	4.50	0.75	177.01	5.00	2.02	178.60	8.30	0.60	181.50	4.60	1.40
May	194.11	5.95	3.20	193.03	5.67	2.98	183.81	6.05	3.84	182.00	6.00	1.90	191.30	7.00	5.50
June	197.73	7.83	1.86	193.21	9.41	0.10	188.50	8.64	2.55	187.30	7.00	2.90	195.50	3.90	0.80
July	203.05	9.13	2.69	195.63	10.10	1.25	194.52	8.90	3.20	194.20	9.40	3.70	195.50	10.30	0.00
August	206.42	9.66	1.66	196.14	9.10	0.26	199.21	9.53	2.41	195.80	9.70	0.80	197.50	10.00	0.90
September	210.38	10.48	1.92	202.86	9.78	3.43	205.38	10.28	3.10	200.50	9.20	3.20	201.00	11.70	1.80
October	210.13	10.99	-0.12	205.16	11.08	1.13	199.61	11.21	-2.81	202.00	9.40	0.80	199.60	12.60	-0.60
November	207.56	10.42	-1.22	202.98	11.33	-1.07	194.30	10.36	-2.64	200.70	10.50	-0.70	192.80	10.90	-3.40
December	211.96	12.22	2.12	205.92	12.94	1.45	196.40	12.07	1.09	204.20	12.30	1.70	193.30	14.10	0.30

Source: Statistics Sierra Leone

The main contributors to the fall in price at the national level include food and beverages which accounted for 28.07 percent, health accounted for 12.50 percent, transport contributed 11.68 percent, Housing, water, electricity, gas and other fuels contributed 10.75 percent, and Restaurants & Hotels contributed 10.44 percent.

The national year-on-year inflation rate was in single digit for the first eight months of the year. From 9.64 percent in January 2009, the inflation rate fell to a low of 5.40 percent in April 2009, before picking up slowly to attain 9.66 percent in August 2009. The rate recorded double digits during the last four months of the year with the highest of 12.22 percent recorded in December 2009.

This was fueled in part by the depreciation of the Leone against international currencies, in particular the United States Dollar. The continuous depreciation of the Leone resulted in rising commodity prices. Importers were having a field day increasing prices at will while citing the behaviour of the Dollar as their reasons for doing so.

In Freetown, the year-on-year inflation rate was in single digit for the most part of 2009, recording the lowest rate at 4.50 percent in April 2009. Inflation rate entered double digits in the fourth quarter recording a high of 12.94 percent in December 2009. All the main group indices in Freetown recorded increases, with the exception of “Education” index, which remained unchanged since 2007. Restaurants and hotels index recorded the highest increase (64.81%) and the lowest increase was recorded in the index on “Alcoholic, beverages, tobacco & narcotics (3.03%).

The year-on-year inflation rate in Bo township followed an almost identical trend as that in Freetown, recording the lowest level of 5.00 percent in April 2009, before attaining double digits in September and peaking up at 12.07 percent in December 2009. Increases were recorded for all the main CPI groups with the exception of indices for “Education” and “Communication” which remained unchanged during the period. The highest increase was recorded for “Restaurants & Hotels” (80.14%), while the lowest increase was recorded for “Clothing & Footwear” (0.77%).

For Kenema town, the year-on-year inflation rate was in single digit for the most part of 2009, registering its lowest rate (6.00%) in June. The rate rose gradually before entering double digits in the last two months of the year, with December 2009 recording 12.30 percent. All the main CPI groups recorded increases, the highest being “Housing, Water, Electricity, Gas & Other Fuels” (52.30%) and the lowest was “Miscellaneous goods & services” (10.3%). However, the index for “Education” remains unchanged throughout the period.

In Makeni town, the year-on-year inflation rate was in single digit for the first half of the year, recording the lowest rate of 4.6 percent in April 2009. Inflation remained in double digits throughout the second half, with December recording the highest of 14.10 percent. With the exception of the “Communication” index which remained unchanged, all the CPI main groups registered increases during the reporting period. The “Housing, Water, Electricity Gas & other Fuels” Index recorded the highest increase (46.20%), while “Alcoholic beverages, tobacco and Narcotics” registered a decline of 17.20 percent.

The surge in world market prices of crude oil coupled with the exchange rate depreciation, heightened inflationary pressures in the domestic economy. This resulted in an increase in the pump prices of petroleum products by 18.4 percent from Le12,500.00 to Le14,800.00 per gallon, leading to increases in inter-city and long distance transport costs with the pass through affecting domestic food prices. World market average monthly prices of crude oil slowly rose during the review period. For Brent, the price rose from US$43.44 per barrel in January 2009 to US$74.46 per barrel in December 2009 without hitting the one hundred Dollar band. Similarly West Texas Industries (WTI) - Cushing increased from US$39.09 per barrel in February 2009 to US$74.47 per barrel in December 2009.

Fiscal Operations

Government’s fiscal challenges as outlined in the 2009 Budget centred around maintaining a stable macroeconomic environment, to promote and sustain broad- based economic growth. In pursuant of this objective, the government’s fiscal policy focused on domestic revenue mobilization and improving expenditure management to reduce domestic primary balance. Outlays were structured towards making investment in agriculture and infrastructure conducive to supporting economic growth and poverty reduction. While external budgetary support continued to augment the budget, the government, on the domestic front, enforced the provisions of all existing tax legislation with the aim of eliminating tax evasion and avoidance. Accordingly, the National Revenue Authority (NRA) adopted measures to apply the provisions of the Finance Act of 2009, especially in the area of transferring all off-budget revenues to the Consolidated Revenue Fund. The Finance Act was passed in Parliament in August 2009.

Table 8

Government Fiscal Operations

(In Millions of Leones)

	2008	2009	Budget 2009
1	2	3	4
TOTAL REVENUE (PLUS GRANTS)	**923,433**	**1,248,934**	**1,198,344**
DOMESTIC REVENUE	**660,054**	**748,673**	**725,474**
Of which:			
Customs & Excise	**360,767**	**421,294**	**404,998**
Import Taxes	276,777	317,204	296,016
Excise on Petroleum	55,244	82,243	83,421
Other Excise Dutties	14,273	8,465	7,569
Domestic Sales Tax	14,473	11,164	14,945
Income Tax Department	**196,084**	**211,193**	**209,483**
Company Tax	61,879	61,748	59,869
Personal Income Tax	110,049	120,643	112,379
Other Taxes	24,156	28,802	37,235
Miscellaneous	**57,003**	**67,330**	**56,908**
Mines Dept.	**18,542**	**20,163**	**18,818**
Royalty on Rutile	1,160	745	**1,854**
Royalty on Bauxite	1,089	1,200	**5,051**
Licences	16,293	18,218	11,913
Other Departments	**38,461**	**47,167**	**38,090**
Royalty on Fisheries	4,845	8,744	5,742
Parastatals	2,056	2,356	5,725
Other Revenues	31,560	36,068	26,623
Road User Charges	**46,200**	**48,855**	**54,085**
GRANTS	**263,379**	**500,261**	**472,870**
Programme	**142,546**	**314,445**	**243,977**
HIPC Debt Relief Assistance	12,122	15,708	13,480
UK (DFID)	54,045	58,354	69,477
EU	22,579	203,354	125,102
AFDB	0	28,179	27,067
WB	38,771	0	0
Others	15,029	14,728	8,851
Emergency Power Programme	0	8,851	25,586
Development Projects	120,833	171,088	203,307
TOTAL EXPENDIUTRE & NET LENDING	**1,123,800**	**1,457,413**	**1,484,094**
Of which:			
Current Expenditure	**868,939**	**1,007,642**	**988,336**
Of which:			
Wages & Salaries	334,357	404,880	400,202
Domestic Interest	108,734	87,478	86,581
Foreign Interest	11,721	14,438	14,782
Goods & Services	29,000	355,180	332,344
Transfers to Local Councils	42,403	58,715	60,069
DDR	0	0	0
Social Outlays	30	348	258
Grants to Education Institution	29,187	35,664	38,914
Transfer to Road fund	46,200	48,855	54,085
Elections & Democratisation	6,307	2,084	1,101
Development Exp. & Net Lending	**254,861**	**449,771**	**495,758**
Foreign Loans & Grants	179,894	345,323	410,013
Loans	59,061	159,507	181,120
Grants	120,833	185,816	228,893
Domestic	74,967	104,448	85,745
Subsidies	0	0	0
Lending Minus Repayment	0	0	0
CURRENT BALANCE+/- (Including grants)	**54,494**	**241,293**	**210,008**
ADD DEVELOPMENT EXPENDITURE	**(254,861)**	**(449,771)**	**(495,758)**
OVERALL DEFICIT/SURPLUS +/-(Incl. grants)	**(200,367)**	**(208,478)**	**(285,750)**

Table 8 contd…

Government Fiscal Operations (in Millions of Leones)

	2008	2009	Budget 2009
FINANCING	**200,367**	**208,478**	**285,750**
Domestic	**183,487**	**83,838**	**159,422**
Of which:			
Bank Financing	**217,446**	**108,994**	**152,094**
Bank of Sierra Leone	119,689	**162,825**	129,000
Commercial Banks	97,757	**(53,831)**	23,094
Non-Bank Financing	**(33,959)**	**(25,156)**	**7,328**
External	**40,592**	**154,923**	**170,144**
Of which:			
Loans	**59,062**	**198,335**	**213,218**
Project	59,062	**159,507**	181,120
Programme	0	**38,828**	32,098
Amortisation	(18,470)	**(43,412)**	(43,074)
Debt Relief	0	**0**	0
Others*	**(23,712)**	**1,059**	**(43,816)**

*** Others include resheduling/write off, financing gap, privatisation net & unaccounted amounts**

Source: Budget Bureau, MOF

Expenditures on the other hand were curtailed to meet essential spendings in current expenditures and priority areas in development expenditures, as identified in the government Poverty Reduction Strategy Paper II. These areas include, among others, agriculture, energy and water supply, infrastructure and transportation, youth employment, and social services. Alongside these efforts, prudent cash budget controls were also firmly put in place.

Nonetheless, the target under the PRGF arrangement on domestic primary balance was not met while that on overall fiscal balance was met.

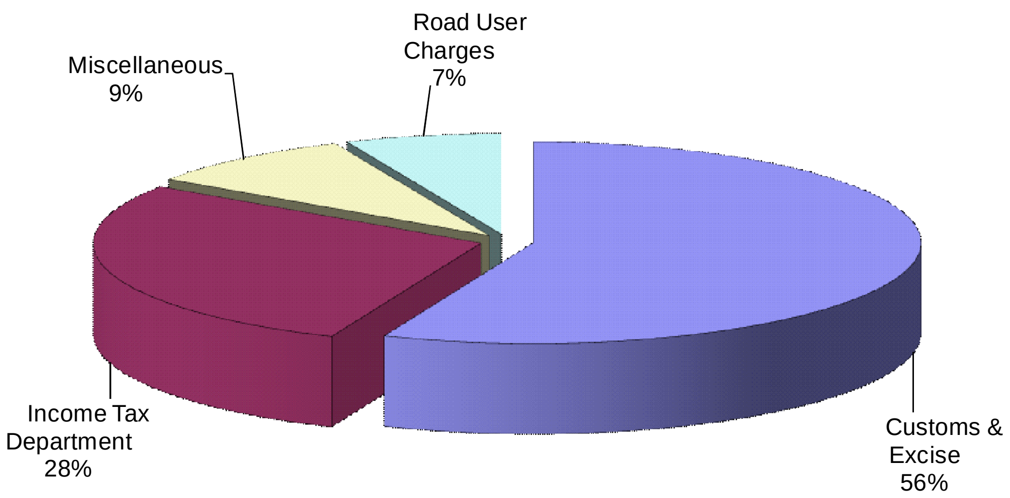
Total revenue (plus grants) of Le1,250.47bn (18.44% of GDP) exceeded it's program target of Le1,198.34bn by 4.35 percent and was (35.42%) above the 2008 value of Le923.43bn. The significant improvement in revenue collection was attributed to the high import volumes in the second half of the year and also the inclusion of all off- budget revenue into the Consolidated Revenue Fund. Domestic revenue during the year was Le750.21bn (11.06% of GDP) and was 3.41 percent above the programme target of Le725.47bn and 13.66 percent above the previous year's collection of Le660.05bn. Domestic revenue contributed 59.99 percent to total revenue plus grant in 2009 as compared to 71.48 percent in 2008.

Collections from Customs and Excise of Le420.50bn (6.20% of GDP) were 3.83 percent above the program target of Le405.00bn and 16.56 percent above the 2008 receipt of Le360.77bn. This performance was as a result of high import volumes in the second half of 2009. Customs and Excise contributed 56.05 percent to domestic revenue, making it the highest contributor to domestic revenue in 2009. The major contributor to customs and excise receipts was import tax which accounted for 75.25 percent and exceeded its programme target by 6.89 percent.

Collections from Income Tax Department of Le211.90bn (4.67% of GDP) in 2009 were 1.15 percent above programme target of Le209.48bn and 8.07 percent above 2008 receipts of Le196.08bn. This was in part attributed to the revision of the income tax policy, which excludes some low income earners and reduces the tax burden on others. Personal income tax and company tax were slightly above their programme target and contributed 57.55 percent and 28.86 percent respectively, to income tax collection. Relative to the WAMZ criterion, which requires that tax revenue to GDP should be greater than or equal to 20.0 percent, the outturn in 2009 was 9.30 percent indicating that this criterion was not met.

Miscellaneous receipts which consist of royalties, fishing licence fees and dividend from parastatals contributed 8.99 percent to domestic revenue. It amounted to Le69.18bn and exceeded the programme target of Le56.91bn by 21.57 percent and was 21.37 percent more than the 2008 receipt of Le57.00bn.

Chart 5 - Composition of Government Revenue - 2009



Road user charges contributed the lowest to domestic revenue, contributing 6.48 percent and were 10.10 percent below the programme target of Le54.09bn. However, road user charges of Le48.62bn in 2009 were 5.24 percent above the 2008 charges of Le46.20bn.

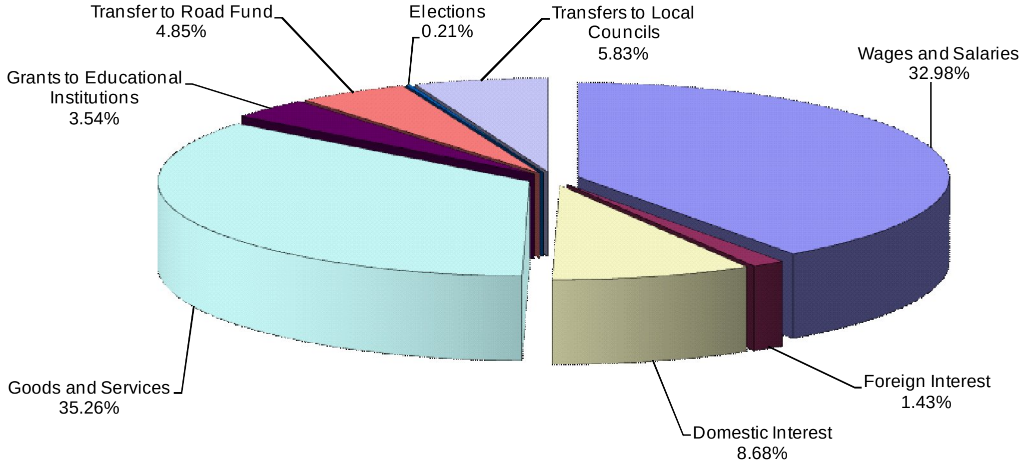
The Government was able to access grants under the European Commission Vulnerability FLEX mechanism which aims to help countries affected by the global economic and financial crises to reduce their fiscal deficit to sustainable levels. Under this scheme, the government received $56.61mn as programmed grants from European Union to augment the budget. In addition, there were receipts from UK/DFID ($18.03mn) and AfDB ($8.52mn). As a consequence, total grants received in 2009 amounted to Le500.26bn (7.38% of GDP) and was 5.79 percent above the programme target of Le472.87bn. Total grants contributed 40 percent to total revenue plus grants received during the review period.

A breakdown of total grants indicates that programmed grants accounted for Le314.44bn and grants for development projects Le171.09bn. Most of the disbursements were realised in the second half of 2009.

With regard to grants for development projects, a total of Le171.09bn was received, which was 15.85 percent below programmed target of Le203.31bn but was 41.59 percent higher than the 2008 receipt of Le120.83bn. Owing to delays in disbursement of funds, about 62.0 percent of grants were received in the second half of 2009.

Government's desire to be prudent in fiscal management resulted in expenditures being kept within program target. Total expenditures and net lending of Le1,452.25bn (21.42% of GDP) was 2.15 percent below programmed target of Le1,484.09bn. However, pressures on current expenditures to meet spending requirements on essentials led to the breach of target, but the savings from development expenditures and net lending resulted in overall expenditure position meeting target requirements.

Chart 6 - Composition of Government Recurrent Expenditure - 2009



Current expenditure of Le999.97bn (14.75% of GDP) was 1.18% above programme target of Le988.34bn and 15.08 percent above the 2008 value of Le 868.94bn. It accounted for 68.86 percent of total expenditure and net lending. The high expenditures were related to payments for gratuities and pensions, support for good governance with associated travelling and subscription to international organisations and were reflected in the categories of wages and salaries and also in goods and services.

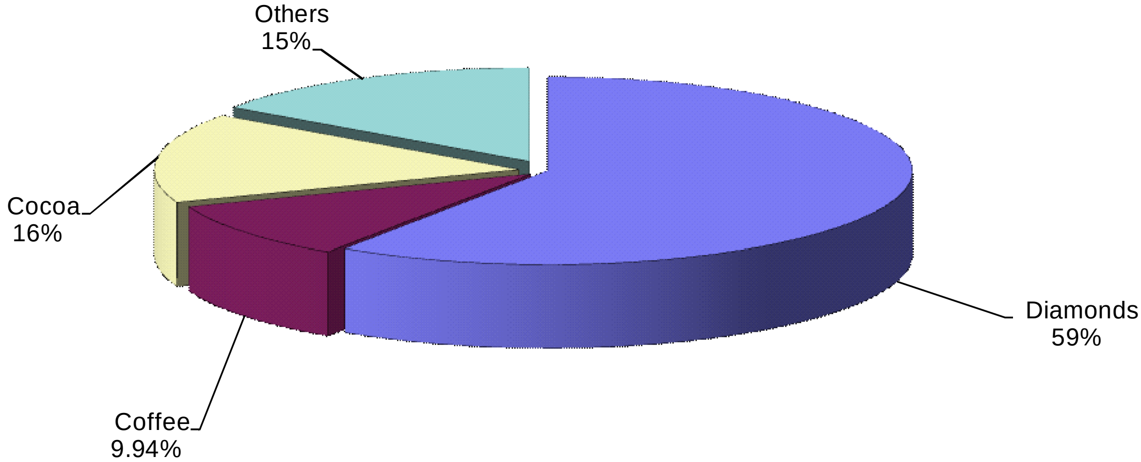
Wages and salaries of Le401.54bn (5.92% of GDP) accounted for 40.15 percent of current expenditure. It was 0.33 percent above the programme target of Le400.20bn and 20.09 percent above the 2008 value of Le334.36bn. Goods and services on the other hand accounted for 34.98 percent of current expenditure which amounted to Le349.76bn and was 5.24 percent above programme target of Le332.34bn and 20.61 percent above the 2008 value of Le290.00bn.

Transfers to local council of Le58.72bn were 2.25 percent below programme target of Le60.07bn but was 38.47 percent above the 2008 value of Le42.40bn.

Over 85.0 percent of interest payments in 2009 amounting to Le103.25bn were in respect of domestic interest. Domestic interest payment amounted to Le88.80bn and was 2.57 percent above programme target of Le86.58bn but 18.33 percent below the 2008 value of Le108.73bn. The accumulated utilisation of ways and means advances during the third and fourth quarters and the increase in returns on investments in government securities were largely responsible for the huge domestic interest payments although it was within programme target.

Foreign interest payments of Le14.45bn was 2.27 percent below the programme target of Le14.78bn and was Le23.25 percent above the 2008 value of Le11.72bn. The increase in foreign interest payments was mainly due to the depreciation of the Leone. About 62.00 percent of foreign interest payments were made in the second half of 2009.

Chart 7. Composition of Exports 2009



Development expenditures and net lending of Le452.28bn (6.67% of GDP) was 8.77 percent below programme target of Le495.76bn but was 77.46 percent above the 2008 value of Le254.86bn and accounted for 31.14% of total expenditure and net lending. The greater share of reserves under this category were from foreign loans and grants which contributed 76.35 percent while 23.65 percent was from domestic sources.

Domestic spending on development projects of Le106.96bn was 24.74 percent above the budgeted value of Le85.75bn. This was due to the receipt of lower than budgeted fund from foreign loans and grants. Consequently, overruns were made on the allocations from domestic sources to meet priority expenditures, such as road constructions, disbursements to local council for projects like the construction of funeral homes, energy and water supply.

The huge outlays on current expenditure during the review period, arising in part, from surplus external budgetary support resulted in the non observance of target requirement on domestic primary balance. Domestic primary balance was a deficit of Le251.49bn compared to a targeted deficit of Le246.14bn in 2009.

The overall fiscal balance (including grants) on commitment basis in 2009 was a deficit of Le201.78bn (2.98% of GDP), which was 29.39 percent lower than the programme target deficit of Le285.75bn but was 0.71 percent higher than the 2008 value of Le200.37bn.

Financing of the deficit during the year was from domestic and external sources, with external sources contributing 74.31 percent. Domestic financing of Le83.84bn was 47.41 percent below programme target of Le159.42bn and 54.31 percent below the 2008 value of Le183.49bn. External financing of Le154.92bn on the other hand, was 8.95 percent below programme target of Le170.14bn and about four times more than the 2008 value of Le40.59bn (281.66%).

Financing of the deficit from domestic sources was entirely from the banking sector. The non bank sector was unwilling to hold Le25.16bn of government securities which was then taken up by the banking sector.
Amortisation in respect of debt repayments including commercial credit was Le43.41bn in 2009 which was 0.78 percent more than the programmed target of Le43.07bn and 135.04 percent above the 2008 value of Le18.47bn. About 66.84 percent of the principal repayments on loans and commercial credit contracted by the government were made in the second half of 2009.

Monetary Developments
Monetary Policy objectives during the year 2009, focused on containing inflationary pressures to levels consistent with overall macroeconomic growth and financial stability. The realization of this objective during the period posed some challenges as the exchange rate of the Leone relative to other international currencies, especially the United States Dollar, kept depreciating

Table 9

Monetary Survey (Million Leones)					
	Dec-08	**Mar-09**	**Jun-09**	**Sep-09**	**Dec-09**
1	**2**	**3**	**4**	**5**	**6**
Reserve Money	**466,801**	**455,262**	**457,827**	**468,204**	**563,032**
Broad Money	**1,321,232**	**1,360,703**	**1,359,844**	**1,498,483**	**1,697,088**
Broad Money*	**1,013,788**	**1,069,057**	**1,037,413**	**1,137,304**	**1,259,655**
Narrow Money	**666,668**	**682,087**	**649,167**	**722,150**	**808,358**
Currency in Circulation	340,355	335,046	323,084	334,158	420,921
Demand Deposits	326,313	347,041	339,001	387,992	387,437
Quasi Money	**654,573**	**678,615**	**691,536**	**776,334**	**888,730**
Foreign Currency Deposits	307,444	291,646	322,431	361,179	437,433
Time Deposits	89,499	125,319	91,083	100,955	95,461
Savings Deposits	248,485	251,376	265,702	296,729	329,181
Other Deposits	3,896	7,256	9,533	15,229	24,416
Time Savings and Foreign Currency deposits(BSL)	5,248	3,018	2,786	2,242	2,239
Net Foreign Assets	**832,240**	**802,345**	**806,587**	**1,295,748**	**1,541,759**
Bank of Sierra Leone	479,201	475,126	439,316	894,095	1,005,284
Assets	643,289	634,762	682,868	1,183,141	1,309,593
Liabilities	164,088	159,636	243,552	289,046	304,309
Commercial Banks	353,038	327,219	367,271	401,653	536,474
Assets	356,038	327,219	367,271	407,085	542,263
Liabilities	3000	0	0	5,432	5,789
Domestic Credit	**701,946**	**728,560**	**736,118**	**839,313**	**888,394**
Claims on Central Govt. Net *of which*	**246,555**	**208,994**	**197,463**	**238,118**	**225,374**
BSL	39,440	- 425	73,073	91,081	144,030
Total Claims**	53,916	61,607	94,264	109,772	166,378
Deposits***	14,476	62,032	21,190	18,691	22,348
Commercial Banks	207,115	209,419	124,389	147,037	81,344
Total Claims	317,212	328,963	308,182	319,243	263,411
Deposits	110,098	119,544	183,793	172,206	182,067
Claims on Non Financial Public Sector	17,290	22,183	23,807	26,726	31,308
Claims on Private Sector *of which*	413,439	480,909	496,652	556,231	600,982
Claims on Private Sector Commercial Banks	406,427	472,722	486,708	546,949	594,073
Claims on Non-Banking Inst.	24,662	16,474	18,197	18,238	30,730
Other Items (Net)	212,954	170,202	182,862	636,578	733,065

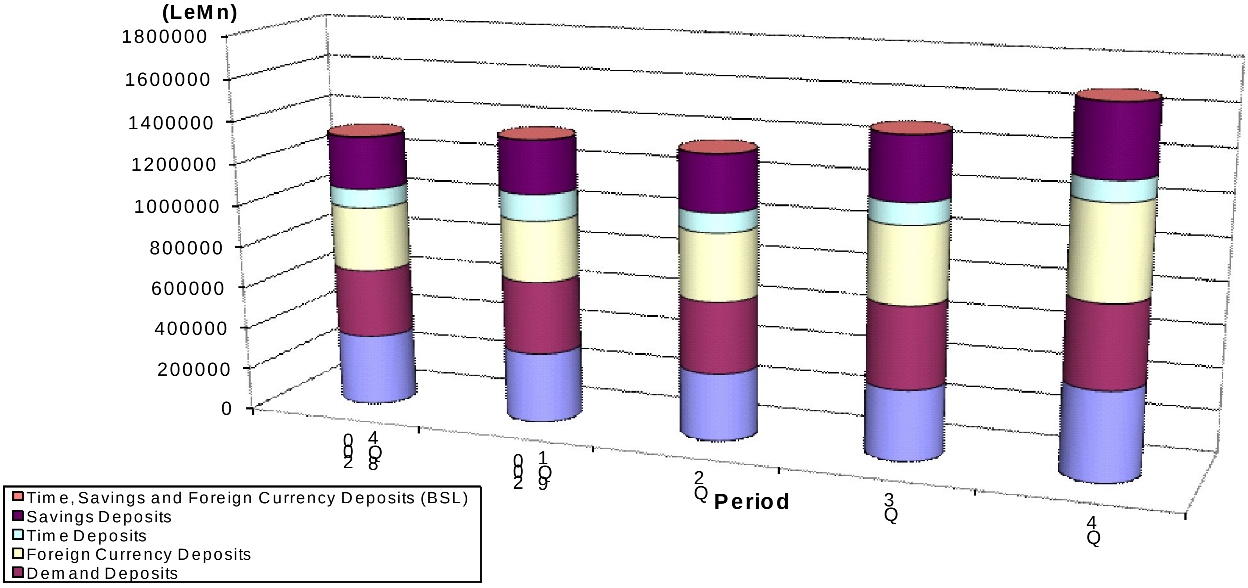
** Excludes Foreign Currency Deposits at the Commercial Banks*

*** Excludes Treasury Bills issued for monetary operation purposes only during the periods November and December 2006*

****Excludes the cost of holding Treasury Bills for monetary operations during the periods November and Dcember 2006*

Source: Bank of Sierra Leone and Deposit Money Banks

Chart 8. Composition of Money Supply (M2)



with a pass through effect on prices in the country. In a bid to facilitate a more robust response to policy, the Monetary Policy Technical Committee (MPTC) over the year discussed monetary policy issues and submitted proposals to the Monetary Policy Committee (MPC) for consideration. The MPC, in line with the deliberations, reached policy conclusions. The Bank of Sierra Leone continued to control the supply of money through the conduct of open market operations and sale of foreign exchange, to mop up excess liquidity in pursuit of the desired low inflation objective. In this regard, the Bank conducts weekly liquidity forecasting which guides the process of determining the auction sizes of Treasury Bills used for open market operations.

The financial sector continued to deepen, driven largely by the expansion in the banking sector. There are currently 14 commercial banks with 73 branches operating in the country as compared to 13 commercial banks and 57 branches respectively, in 2008. There are 6 community banks operating in the country. In a bid to prepare for the challenges and strengthen the banking and financial system, the minimum capital requirement of banks was increased from Le12.00 billion at end December 2008 to Le15.00 billion at end December 2009. In June 2009, the Bank replaced the rediscount window with a repo and reverse repo mechanism, to stimulate activities in the inter-bank market and better manage the overall liquidity in the banking system.

To enhance monetary operations of the Central Bank, Government authorised the conversion of Le60.00bn worth of Non-Negotiable Non-Interest Bearing (NNIB) Securities into marketable securities for the entire 2009 but as at end December 2009, only Le32.50bn had been utilized to mop up excess liquidity to contain inflationary pressures. To complement monetary operations, the bank increased its sale of foreign exchange through public auction from US$34.30 million in 2008 to US$58.00 million in 2009. To ensure the supply of foreign exchange to support the importation of critical food commodities and petroleum products, the Bank increased the weekly sales of foreign exchange from US$0.75 million in 2008 to US$2.00 million in 2009. This action by the Bank has helped to stabilize the inflationary impact of the food and fuel crisis, while reducing volatility in the exchange rate. The Bank has continued to maintain a tight monetary policy stance with an additional US$30.00 million made available for auction in quarter four (Q4) of 2009 to mop up excess liquidity. Under the recapitalization of the Bank, there was an agreement between the Ministry of Finance and the Bank of Sierra Leone to convert Le130.00bn worth of NNIB securities for this purpose.

The difficulty that characterized monetary management during the review period was further exacerbated by delays in budgetary support, coupled with the impact of the second round effect of the global economic and financial crisis, and its pass through effect on domestic prices which led to injection of liquidity in the Banking System through utilization of Ways Means and Advances. Multilateral Debt Relief Initiative (MDRI) resources were also used to augment government fiscal operations.
During the review period, inflation recorded single digit for the first eight months of 2009 before recording double digits thereafter with the highest of 12.22 in December 2009. The achievement of the single digit inflation in the first eight months of 2009 was partly influenced by a reduction in the international prices of oil and fuel, arising from the continued global economic slowdown.

Monetary policy management became more challenged as developments in key Monetary Aggregates such as Broad Money (M2) and Reserve Money (RM), were expansionary during the review period. Broad Money (M2) expanded by Le375.86bn (28.45%) to Le1697.09bn, reflecting a higher growth rate relative to its position of Le242.53bn (22.48%) in 2008. The growth in M2 was attributed to an increase in Net Foreign Assets of Le709.52bn (85.25%), which was more than the decrease in Net Domestic Assets Le333.66bn (68.23%). The improvement in Net Foreign Assets was as a result of disbursements for balance of payments

Table 10

Average Interest Rates (percent)

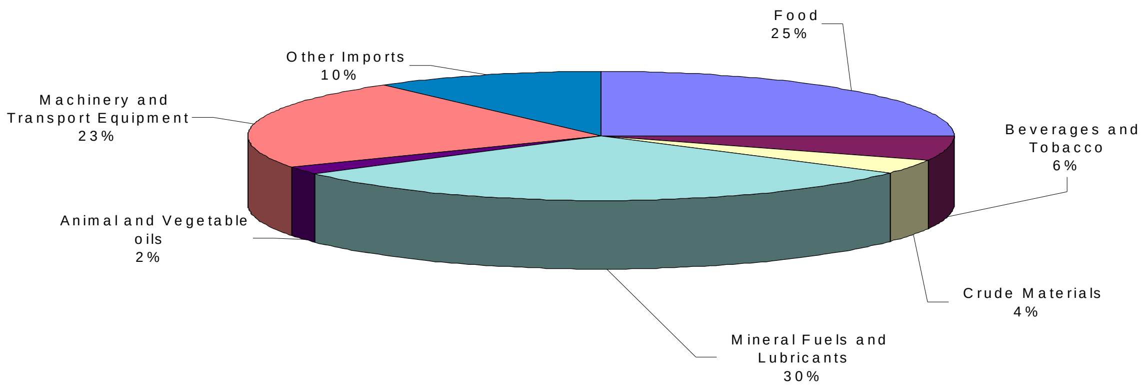
	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09
1	2	3	4	5	6
Treasury Bills (3-months)	9.06	9.29	9.72	10.75	13.99
Treasury Bearer Bonds (1-year)	10.00	10.00	12.00	13.00	12.00
Savings Deposits	6.65	6.35	6.35	6.32	6.32
Time Deposits					
Up to 1 Month	9.11	8.67	8.50	8.30	8.30
1 - 3 Months	9.63	9.31	9.17	8.87	8.87
3 - 6 Months	10.58	9.88	9.73	9.45	9.45
6 - 9 Months	10.42	9.25	9.25	9.25	9.25
9 - 12 Months	12.00	11.46	11.21	10.82	10.84

by the International Monetary Fund (IMF) as well as budgetary support. Reserve Money (RM) also increased by Le96.23bn (20.61%) to Le563.03bn, which was greater than the 10.16 percent increase in the preceding period amounting to Le43.04bn. The growth was due to a rise in Currency Issued of Le103.14bn (26.91%) and Private Sector Deposits of Le2.30bn (9.36%), which more than offset the decline in Bankers' Deposits Le9.21bn (15.62%).

Net claims on Government by the Banking Sector contracted by Le21.18bn (8.59%), compared to an increase of Le45.91bn (22.88%) in the preceding year. The drop could be attributed to a reduction in Net claims on Government by the Commercial Banks (Le125.77bn), which more than offset the increase in Net Claims on Government by the Central Bank (Le104.59bn), coupled with the disbursement of budgetary support which was higher than that in 2008. The reduction in Net Claims on Government by the commercial banks was due to a decline in their holdings of securities as they switch into relatively more attractive private sector creditor operations, coupled with the increase in Government Deposits. Credit to the Private Sector by the commercial banks in 2009 increased by Le187.65bn (46.17%) as against the growth of Le140.62bn (55.84%) recorded in the preceding period. The sectorial distribution was, among others, as follows: Agriculture, Gas and Water, Transport, Forestry and Fishing, Communication, Construction, and Electricity,

Movements in the structure of interest rates in all markets during the reporting year were mixed. The Savings, 1 month, 3 months, 6 months, 9 months, and 12 months Time Deposits rates decreased by 33, 81, 76, 113, 117 and 116 basis points to 6.32, 8.30, 8.87, 9.45, 9.25, and 10.84 percent, respectively. The average annual yield on the 3 months, 6 months and 12 months Treasury Bills increased by 493, 65 and 131 basis points to 13.99, 12.21 and 14.33 percent, respectively. The annual yield on the 12 months Treasury Bonds increased from 8.00 percent in January 2009 to 12.00 percent in December 2009, registering the highest rate of 15.00 percent in October 2009. Commercial banks' interest rates on "Overdraft" contracted from a range of 24-30 percent in December 2008 to a range of 22-29 percent in December 2009.

Chart 9. Composition of Imports 2009



External Developments

With a strong commitment to maintaining sound macroeconomic environment in 2009, the country continued to pursue prudent macroeconomic policies aimed at safeguarding economic stability and achieving higher and broad-based economic growth in the medium term. Considerable efforts were made by the government during the year to sustain strong external donor participation (both at bilateral and multilateral levels) in the country's socio-economic developmental programmes. Notably, the continued support from the European Union (EU), the International Monetary Fund (IMF), the African Development Bank (ADB), the World Bank (WB) and the United Kingdom/Department for International Development (UK/DfID) remained robust during the period under review. By and large however, external sector performance during the year was driven largely by the global economic slowdown which continued in 2009. Economic activity remained weak especially in the first half of 2009, underpinned by falling global demand and commodity prices, and declining foreign exchange inflows and export volumes. In spite of the deteriorating global economic environment and its adverse effects on the external sector and growth, the country managed to stay on course with economic and structural reforms, thus ensuring sustained macro-economic stability, while at the same time, embarking on measures to alleviate the effects of the food and fuel crisis of 2008. Consequently, there were signs of a turnaround in export performance and economic activity thereby holding the real Gross Domestic Product growth rate at 4.00 percent, down from 5.50 percent in 2008.

The external trade deficit narrowed during the year due to robust growth in export proceeds as against a drop in import payments. The level of gross international reserves increased significantly to US$336.27mn as at end-December 2009, equivalent to 7.8 months of import coverage. The improvement follows the allocation in late August and early September 2009, of Sierra Leone's share of the Special Drawing Rights (SDR) allocations equivalent to

Chart 10. External Trade - 2009

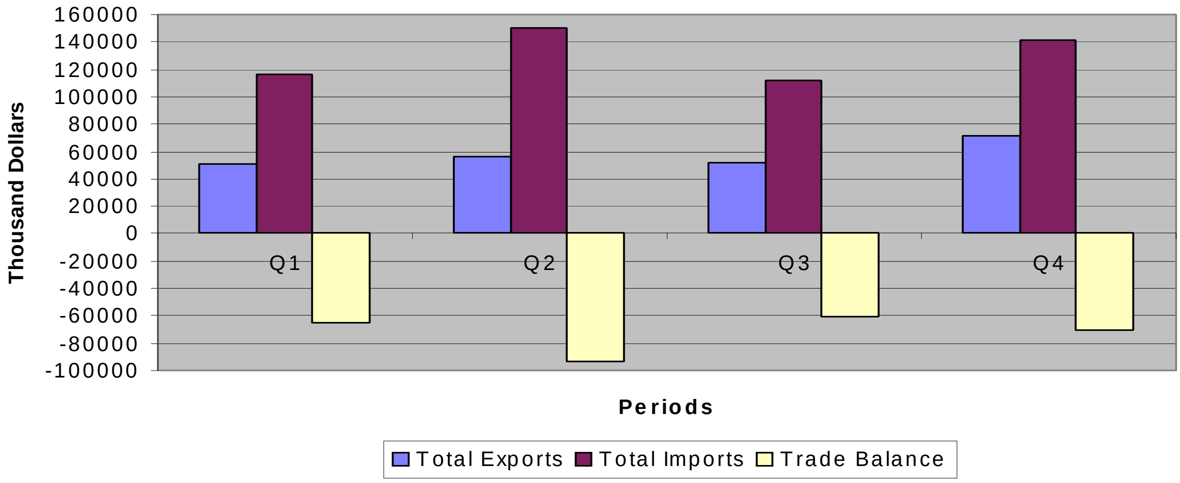


Table 11

International Trade and Reserves (US$'000)				
	Jan - Dec'08	**Jan-Jun'09**	**Jul-Dec'09**	**Jan - Dec'09**
1	2	3	4	5
Merchandise Imports	**534,139.1**	**266,354.9**	**253,948.9**	**520,303.8**
Food *of which*	116,083.4	52,477.8	52,031.7	104,509.5
Rice	59,294.8	31,730.3	23,736.8	55,467.1
Beverages and Tobacco	22,139.4	14,117.0	11,138.6	25,255.6
Crude Materials	14,345.3	8,514.4	7,628.0	16,142.4
Mineral Fuels and Lubricants of Which	200,641.7	66,474.7	59,984.7	126,459.4
Fuel	172,496.3	53,158.1	52,134.5	105,292.6
Animal and Vegetable Oils	4,719.8	4,739.5	3,024.4	7,763.9
Chemicals	24,515.8	18,566.6	15,116.0	33,682.6
Manufactured Goods	56,876.1	39,733.6	28,012.3	67,745.9
Machinery and Transport Equipment	75,586.5	46,348.0	48,737.5	95,085.5
Other Imports	19,231.1	15,383.3	28,275.7	43,659.0
Merchandise Exports	**215,667.1**	**107,599.9**	**123,061.5**	**230,661.4**
Mineral Exports	**170,211.2**	**66,222.1**	**72,430.8**	**138,652.9**
Diamonds	98,803.6	35,885.3	42,488.6	78,373.9
Buaxite	28,063.2	8,082.0	10,595.8	18,677.8
Rutile	36,658.7	19,888.5	16,031.8	35,920.3
Ilmenite	2,569.3	-	916.9	916.9
Gold	4,116.4	2,366.3	2,397.7	4,764.0
Agricultural Exports	**18,514.9**	**29,185.4**	**19,288.2**	**48,473.6**
Coffee	1,487.6	8,135.6	4,987.9	13,123.5
Cocoa	14,981.9	14,971.5	5,573.1	20,544.6
Piassava	**-**	-	4.6	**4.6**
Fish and Shrimps	2,045.4	6,078.3	8,722.6	14,800.9
Others	**12,185.3**	**8,715.3**	**11,257.8**	**19,973.1**
Re-exports	**14,755.7**	**3,477.1**	**20,084.7**	**23,561.8**
Trade Balance	**(318,472.0)**	**(158,755)**	**(130,887)**	**(289,642.4)**
Foreign Reserves ($mn)	**209.47**	**205.24**	**336.27**	**336.27**

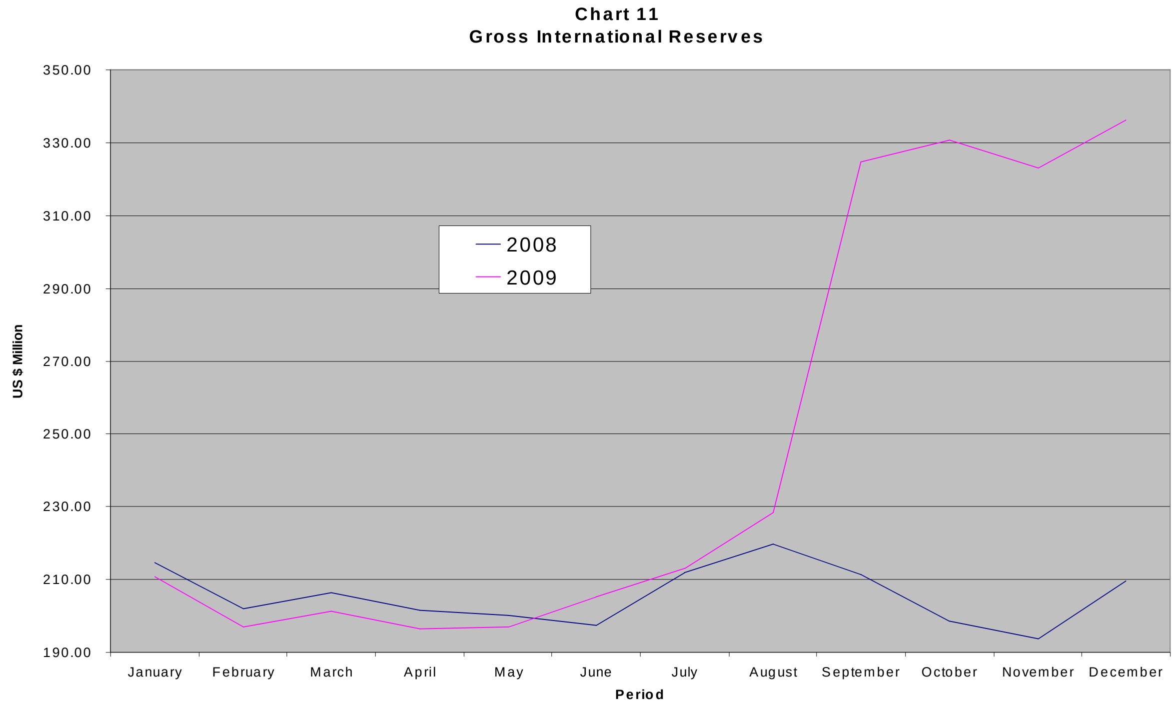
Sources: Customs and Excise Department, and Gold & Diamond Department

US$130.30mn after the successful conclusion of the Fourth Review of Sierra Leone's economic performance under a four-year Poverty Reduction and Growth Facility (PRGF) Arrangement and the review of financing assurances. In the same vein, the Executive Board of the International Monetary Fund (IMF) in collaboration with the authorities in December 2009, completed the Fifth Review under the PRGF Arrangement. Request for Waiver of Non-observance of Performance Criterion, Request for Modification of Performance Criteria, and Financing Assurances Review.

The value of the Leone to major international currencies including the United States Dollar and the British Pound Sterling depreciated significantly, after maintaining stability for the past three years, reflecting a decline in foreign exchange inflows. The depreciation was more pronounced during the second half of the review period with the rate remaining outside the +15 percent band of the central parity rate of Le2,562.18/US$1 under the Exchange Rate Mechanism (ERM) of the Second West African Monetary Zone (WAMZ).
The stock of external debt remained highly unsustainable as at end-December 2009 due to increases in both multilateral and bilateral debt stocks.

International Trade
During the period 2009, the external trade deficit narrowed by 9.05 percent to US$289.64mn from a deficit of US$318.47mn reported in 2008, arising mainly from the combined effects of a drop in import payments and a rise in export receipts.

Exports
Total export receipts of US$230.66mn for the reporting period was 6.95 percent higher than US$215.67mn recorded in 2008. The increase in export receipts was influenced largely by strong growth in earnings from the agricultural commodities especially coffee, cocoa, fish and shrimps, and other exports. Earnings from the mineral sector which accounts for over 60 percent of total export receipts however, contracted during the year under review from US$170.21mn in 2008 to US$138.65mn in 2009. Within the mineral sub-sector, a total of 400.46 thousand carats of diamonds worth US$78.37mn were exported, indicating an increase of 7.87 percent in volume-terms but a decrease of 20.68 percent in value-terms on the previous year's record. Export volumes of rutile, bauxite and ilmenite during the year decreased from 69.16, 815.37 and 22.60 thousand metric tons in 2008 to 66.67, 680.22 and 10.23 thousand metric tons respectively, in 2009. Corresponding values also decreased by 2.01 percent to US$35.92mn, 33.44 percent to US$18.68mn, and 64.31 percent to US$0.92mn, respectively. Exports of 5,361.46 ounces of gold during the year were slightly lower than the 5,623.39 ounces exported in 2008. The unit price of gold during the review period however, continued to remain competitive at US$888.56 per ounce (21.39% increase), thus increasing earnings by 15.73 percent to US$4.76mn from US$4.12mn recorded in the previous year. Receipts from agricultural exports more than doubled to US$48.47mn and reflected significant increases



in proceeds from exports of cocoa, coffee, fish and shrimps and other commodities. Earnings from export of cocoa and coffee during the year amounted to US$20.54mn and US$13.12mn compared to US$14.98mn and US$1.49mn recorded respectively, in 2008. Export volume of coffee also increased by more than four-fold from 2.00 thousand metric tons in 2008 to 8.14 thousand metric tons in 2009. The volume of cocoa exported however decreased by 5.34 percent to 16.94 thousand metric tons. Export of "Fish and Shrimps" also increased significantly from US$2.05mn in 2008 to US$14.80mn in 2009. Earnings from other exports (comprising plastic wares, audio cassettes, sawn timber, etc) was US$19.97mn, (63.91%) higher when compared to US$12.19mn reported in 2008. The value of re-exports increased significantly to US$23.56mn.

Imports

Aggregate payments for imports during the year decreased by 2.59 percent to US$520.30mn, reflecting significant decreases in payments for petroleum products and consumer goods including rice, which together constitutes the bulk (more than 50%) of the total import bills. The bills for "intermediary goods", "manufactured goods" and "machinery & transport equipment" however, trended upwards. The total bill for consumer goods decreased by 3.79 percent to US$137.53mn, reflecting a fall in payments for food sub category which accounts for over 75.0 percent of consumer items. Payments for 143.81 thousand metric tons of rice imported during the period amounted to US$55.47mn, indicating a 8.95 percent decrease on the 157.94 thousand metric tons valued at US$59.29mn imported in 2008. The value of petroleum products imported dropped by 36.97 percent to US$126.46mn over the year. The bills for fuel (contributing about 83.0 percent of total bills for petroleum products) decreased significantly by 38.96 percent to US$105.29mn when compared to US$172.50mn in the preceding year. The volume however, decreased marginally by 0.44 percent to 173.63 thousand metric tons. Payments for 'Intermediary goods', 'manufactured goods' and 'machinery & transport equipments' increased by 28.21 percent to US$49.83mn, 46.38 percent to US$111.40mn, and 25.80 percent to US$95.09mn, respectively.

Financial Sector Developments

Considering the pivotal role the financial sector plays in the growth and development of the economy, the Bank, following extensive consultations with the financial sector stakeholders, coupled with special studies and various thematic reports on financial sector issues in Sierra Leone, played the lead role in preparation of the Financial Sector Development Plan (FSDP) which was approved by cabinet in 2009.

The FSDP was prepared with financial support from the Multi-Donor funded Financial Sector Reform Strengthening Initiative (FIRST) and the Bank of Sierra Leone. Technical assistance was jointly provided by the Bank of England in collaboration with the United Kingdom Department for International Development (UK/DFID) and the German Development Cooperation while the World Bank office in Freetown coordinated the work of the international consultants.

Preparation of a Project Appraisal Document (PAD) by the Bank with the assistance of a consultant fielded by the German Development Cooperation, and the FSDP Technical Committee of the Bank of Sierra Leone is well advanced.

Various donor partners including the German Government, the World Bank and the African Development Bank (AfDB) have registered their support under the Bilateral and Multi lateral financing framework for the FSDP.

Supervision of Banks and Other Financial Institutions

The resource base of the banking industry increased to Le1.96 trillion as at 31st December 2009, from Le 1.49 trillion as at 31st December 2008, an increase of Le471.73 billion or 31.65 percent. The increase was sourced mainly from deposits which rose by Le356.82 million (33.13%) as at 31st December 2009, from Le1.08 trillion as at 31st December 2008. Demand, Savings and Time deposits increased to Le923.82 billion (up Le240.75 billion), Le336.97 billion (up Le80.85 billion) and Le173.11 billion (up Le59.62 billion), respectively.

Shareholders' funds rose by Le89.56 billion (35.09%) to Le344.81 billion as at 31st December 2009, from Le255.25 billion as at 31st December 2008. The rise was due mainly to an increase in issued and paid-up capital (up Le89.16billion or 49.91%).

Table 12
Commercial Banks Operating in Sierra Leone
Prudential Indicators (Unaudited)
(In Thousand Leones)

	31-Dec-07	31-Dec-08	31-Dec-09
1	2	3	4
Total Assets	**1,059,825,552**	**1,490,666,688**	**1,962,400,033**
Average Total Assets	940,433,459	1,312,872,392	1,739,364,375
Loans and Advances(Gross)	279,092,556	439,820,084	658,966,802
Bad Debt Provision	(24,049,857)	(32,936,570)	(27,659,920)
Interest in suspense	(34,222,154)	(42,336,871)	(36,022,691)
Loans and advances(Net)	220,820,545	364,546,643	595,284,191
Investment-TB, TBB, OFI*	226,602,987	385,914,841	348,997,473
Fixed Assets	104,301,145	138,206,600	185,020,316
Local Deposits:-	**506,298,105**	**705,465,261**	**909,706,776**
Demand	257,412,365	341,072,374	410,921,409
Savings	220,346,677	252,845,962	329,335,123
Time	28,539,064	11,546,925	169,450,244
Foreign Deposits	**291,155,195**	**347,212,684**	**495,002,644**
Deposits with Financial Institutions	**12,785,088**	**24,400,134**	**29,191,147**
Capital:-	**14,603,566**	**212,642,949**	**294,302,315**
Paid-up	104,249,125	178,645,124	267,807,117
Statutory & Other Reserves	24,008,894	31,419,775	40,200,650
Retained Earnings	17,781,547	2,578,050	(13,705,452)
Current profit	16,564,339	17,479,320	7,559,663
Primary Capital	146,039,566	212,642,949	294,302,315
Revaluation Reserves	24,872,443	25,125,752	42,950,613
Capital Base	188,105,452	275,814,422	368,284,969
Total Risk Weighted Assets	485,613,976	634,850,303	1,084,200,091
Capital Adequacy Ratio	38.74	43.45	33.97
Surplus/(Shortfall)%	23.74	28.45	18.97
Surplus/(Shortfall):Le	115,284,758	180,702,216	205,654,955
Average Shareholders' Fund	176,099,857	240,721,859	277,658,614

** TB - Treasury Bills   TBB - Treasury Bearer Bonds   OFI - Other Financial Institution*

Table 12 Contd

Commercial Banks Operating in Sierra Leone
Prudential Indicators (Unaudited)
(In Thousand Leones)

	31-Dec-07	31-Dec-08	31-Dec-09
1	**2**	**3**	**4**
Asset Quality			
Performing Loans	190,650,159	336,927,070	550,003,352
Non-Performing Loans	88,442,397	102,864,309	108,963,450
Loan Loss Provisions	24,049,857	32,936,570	27,659,920
Non- Performing as a % of Total Advances	31.69	23.39	16.54
Loan Loss Provisions as a % of Non-Performing	27.19	32.01	25.38
Profitability : Pre-Tax Profits	**28,687,608**	**28,812,193**	**26,978,746**
Post Tax Profits	16,564,339	17,479,320	10,610,815
Return on Assets	0.03	0.02	1.55
Return on Equity Funds	10.28	0.07	3.82
Liquidity:Liquid Assets	**283,700,845**	**488,423,055**	**485,474,029**
Cash	40,328,705	42,943,235	65,516,954
Current Account with BSL	25,125,387	50,216,661	59,261,134
Treasury Bills	213,864,603	374,285,977	346,153,105
Placement with Discount Houses	3,494,350	13,335,182	14,542,836
Treasury Bearer Bonds	887,800	7,642,000	0
Cash Ratio	13.26	13.21	13.72
Overall Liquidity Ratio	57.49	68.15	53.37
Surplus/(Shortfall) (%)	27.58	38.88	24.33
Surplus/(Shortfall) (Le)	136,110,890	274,280,785	221,348,392
Foreign Assets:	**359,865,907**	**368,672,244**	**555,726,776**
Foreign Currency(cash)	32,485,303	33,037,788	75,948,511
Balance with Other Banks abroad	311,770,583	322,094,419	470,950,665
Foreign Other Assets	15,610,021	13,540,037	8,827,600
Foreign Liabilities:	**296,466,942**	**356,338,907**	**516,752,291**
Foreign Deposits	291,155,195	345,078,116	495,002,644
Foreign Other liabilities	5,311,747	11,260,791	16,838,452
Foreign Cash Marginal			4,911,195
NET FOREIGN POSITION:			
Assets- Liabilities	63,398,965	12,333,337	38,974,485

Table 13

Commercial Banks operating in Sierra Leone (31st December 2009)

BANK	No. of Branches 2007	No. of Branches 2008	No. of Branches 2009	F/town	Waterloo	Bo	Moyamba	Pujehun	Njala	Kenema	Kono	Kailahun	Makeni	Lungi	Port Loko	Kambia	Total
Rokel Commercial Bank	10	11	11	5	-	1	1	1	-	1	1	-	1	-	-	-	11
Sierra Leone Commercial Bank	9	9	11	4	1	1	1	-	-	1	1	-	1	-	1	-	11
Standard Chartered Bank Ltd	3	3	3	2	-	1	-	-	-	-		-	-	-	-	-	3
Union Trust Bank Ltd	7	7	7	3	-	1	-	-	-	1	1	-	-	-	-	1	7
Guaranty Trust Bank Ltd	3	4	7	3	-	1	-	-	-	1	1	-	1	-	-	-	7
First International Bank Ltd	5	7	14	8	1	1	-	-	-	1	-	1	-	1	1	-	14
International Commercial Bank	1	2	2	2	-	-	-	-	-	-	-	-	-	-	-	-	2
EcoBank	3	6	7	4	1	-	-	-	-	1	-	-	1	-	-	-	7
Procredit Bank	2	3	4	4	-	-	-	-	-	-	-	-	-	-	-	-	4
Access Bank	1	2	3	3	-	-	-	-	-	-	-	-	-	-	-	-	3
United Bank for Africa	-	1	3	3	-	-	-	-	-	-	-	-	-	-	-	-	3
Skye Bank	-	1	1	1	-	-	-	-	-	-	-	-	-	-	-	-	1
Zenith Bank	-	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-	1
Bank PHB	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	1
Total Number of Prov. Branches					3	6	2	1	-	6	4	1	4	1	2	1	
Grand Total	44	57	75	42	3	6	2	1	-	6	4	1	4	1	2	1	75

Table 14

Number of Accounts at Commercial Banks (31st December 2009) ['000]

Banks	Current Account (Local)	Current Account (Foreign)	Savings Account (Local)	Savings Account (Foreign)	Time (Local)	Time (Foreign)
SCB	1,545	1,220	6,205	-	150	-
RCB	15,229	2,611	70,932	-	332	-
SLCB	23,658	1,742	66,497	-	82	-
UTB	5,161	526	28,794	-	156	4
GTB	4,427	1,378	21,005	22	42	-
FIB	10,692	1,496	13,480	75	57	-
ICB	597	141	4,695	144	77	-
ECO	16,096	2,420	21,383	-	151	-
PCB	16,430	644	11,392	351	130	24
AB	1,039	320	3,125	-	16	-
UBA	1,704	228	5,141	-	98	-
SKYE	611	-	1,185	74	-	-
ZEN	584	186	667	170	-	-
BANK PHB	664	72	3,050	-	-	-
Total	**98,437**	**12,984**	**257,551**	**836**	**1,291**	**28**

The capital adequacy ratio was adhered to and recorded 34.16 percent as at 31st December 2009, from 34.45 percent as at 31st December 2008. The adherence to statutory requirement was mainly due to the increase in the industry's capital base, resulting from the increase in the minimum paid-up capital of commercial banks to Le15.00 billion by end December, 2009.

The industry's gross advances were at Le658.97 billion (up Le219.15 billion or 49.83%) as at 31st December 2009, compared to Le 439.82 billion as at 31st December 2008.

Other services, import trade, construction and transport, storage & communication sectors accounted for 28.97 percent, 18.30 percent, 15.68 percent and 12.16 percent of gross advances, respectively. Manufacturing, export trade, agriculture, forestry & fishing; and miscellaneous sectors accounted for 6.75 percent, 6.21 percent, 4.74 percent and 2.35 percent of gross advances, respectively. Financial services, mining & quarrying, electricity, gas & water and other trade & tourism, received only 1.86 percent, 1.69 percent, 0.68 percent and 0.60 percent of gross advances respectively, as at 31st as at December 2009.

The industry's performing loans accounted for 83.51 percent of gross advances as at 31st December 2009. However, the ratio of non-performing loans to gross advances declined to 16.48 percent as at 31st December 2009, from 23.39 percent as at 31st December 2008.

As a result of the huge losses incurred by banks over the last one-year, pre-tax profit decreased to Le10.61 billion (down Le18.20 billion or 63.17%) for the period ended 31st December 2009, from Le 28.81 billion for the period ended 31st December 2008.

Seven of the fourteen banks recoded loses amounting to Le27.08 billion during the review period. This resulted in a decline in return on assets which was 1.55 percent in 2009 as against 2.19 percent in 2008. Similarly, the decline in post-tax profit also affected the returns on equity as it was 3.82 percent in 2009, compared to 7.26 percent in 2008.

The statutory requirement for cash ratio was adhered to as it recorded a surplus of 1.72 percent (2009) as against a surplus of 1.26 percent (2008).

The overall liquidity ratio was also achieved, as the industry recorded actual liquidity ratio of 53.37 percent in 2009, with a surplus of 24.33 percent.

Licensing of Financial Institutions

Despite the global financial crisis, the Bank of Sierra Leone continued to play its supervisory role, aimed at achieving a sound and stable financial system over the past twelve months. The licensing requirement of banks was reviewed to meet the challenges of the increasing number of financial institutions in the system. Among other things, the licensing period of existing financial institutions was reviewed to 5 (five years) from its previous one year.

Thus, the licences of the First International Bank (SL) Limited, International Commercial Bank (SL) Limited, Ecobank (SL) Limited, Standard Chartered Bank (SL) Limited, Skye Bank (SL) Limited, Access Bank (SL) Limited, ProCredit Bank (SL) Limited, United Bank for Africa (SL) Limited and Zenith Bank (SL) Limited were all renewed for a period of five (5) years each.

Also in 2009, Bank PHB (SL) Limited was issued a licence, bringing the total number of commercial banks operating in Sierra Leone to fourteen (14).

In a bid to facilitate economic activity in the country and bring financial services to the doorsteps of the Sierra Leonean public, the Bank of Sierra Leone granted approvals for the opening of additional branches to the following commercial banks during the year: the Sierra Leone Commercial Bank Limited at Waterloo, in the Western Area Rural District and Port Loko in the Northern Province; the Guaranty Trust Bank at No.6 Magburaka Road in Makeni, in the Northern Province of Sierra Leone, No. 46 Kainkordo Road in Kono and No.71 Hangha Road in Kenema, in the Eastern Province; the First International Bank at No.109 Campbell Street, No.53 Bai Bureh Road-Texaco, No. 7 Main Motor Road and off Johnson Lane- Aberdeen, all located in the East end and West end of Freetown; also at No.11 Bojon Street in Bo, in the Southern Province, Falaba Road in Port Loko, in the Northern Province and at Mofindor Road in Kailahun, in the Eastern Province; the Ecobank at No.43 Siaka Stevens Street in the Central District Business of Freetown; ProCredit Bank at No.49 Kissy Road in the East end of Freetown; Access Bank at No.2 Ross Road, Cline Town in the East end of Freetown; the United Bank for Africa at No. 79 Adelaide Street and No.9 College Road-Cline Town, in the West end and east end of Freetown, respectively. This brought the total number of branches in Sierra Leone to seventy-five (75).

The period also witnessed the introduction of mobile money transfer products in the Sierra Leone Market. Guaranty Trust Bank (SL) Limited was granted approval to partner with Splash Mobile Money Limited to introduce “Splash” and Zenith Bank (SL) Limited was also granted approval to partner with Zain (SL) Limited to introduce “ZAP”.

Also in 2009, a public notice was issued advising microfinance institutions to regularize their position with the Bank of Sierra Leone. This resulted in the issuing of Certificate of Registration to BRAC Micro Finance (SL) Limited.

The licenses of Marampa-Masimera and Segbwema Community Banks were renewed for a period of five (5) years each in 2009.

The license of Capital Discount House (SL) Limited was renewed for a period of five (5) years, while the current license of First Discount House (SL) Limited is valid until 14th February 2011.

Licenses were granted to six (6) new foreign exchange bureaux in the reporting period, namely: Fadugu, Rumez, Abu-Taraff, Galtech, Malador and Vanbhari foreign exchange bureaux.

The licenses of some existing foreign exchange bureaux were renewed for a period of five (5) years each. The total number of bureaux operating as at 31st December 2009 was seventy-five (75).

Legislation and Guidelines

Guidelines for deposit-taking and credit-only microfinance institutions were issued during the review period. Fees relating to licensing and change of names were reviewed.

Minimum Capital Requirements

The Bank of Sierra Leone during the year reviewed the minimum paid-up capital requirement of commercial banks in order to enhance their operations and to ensure a stable and sound financial system.

Other Financial Institutions

The licensed Other Financial Institutions include two (2) discount houses, seventy five (75) Foreign Exchange Bureaux, six (6) community banks and one (1) Credit-Only Microfinance Institution.

Discount Houses

Consolidated Assets and Liabilities

The resource base of the discount houses decreased to Le18.03 billion (down Le15.45 billion: 46.25%) as at 31st December 2009, from Le33.49 billion as at 31st December 2008.

The decrease was largely due to the reduction in Other liabilities, Placements/deposits and Shareholders' funds by Le5.99billion, Le9.10 billion and Le0.36 billion, respectively.

On the asset side, the decrease in the resource base was on Other assets, which fell by Le 5.75 billion (41.55%) and also on Investment which fell by Le 9.95 billion (53.26%) while cash and bank balances rose by Le0.14billion (73.17%)

Table 15

Discount Houses operating in Sierra Leone (31/12/09)

Discount Houses	No. of Branches	F/town
First Discount House Ltd	1	1
Capital Discount House Ltd	1	1

Table 16

Consolidated Balance Sheet of Discount Houses

BALANCE SHEET AS AT:

ASSETS	31-Dec-08 (Le'000)	31-Dec-09 (Le'000)
Cash:	***1,605***	***3,568***
Local	-	*3,568*
Foreign	*1,605*	-
Claims On:	***183,880***	***317,632***
BSL	100,471	210,776
Other Banks	*83,409*	*106,856*
Cash and Bank Balances	**185,485**	**321,200**
Loans/Repo	**317,188**	**340,331**
Short-term Investment:	**18,337,978**	**8,361,402**
Treasury Bills	*18,107,740*	*7,091,441*
Treasury Bearer Bonds	*170,238*	*1,209,961*
Commercial Paper	*60,000*	*60,000*
Long-term Investment:	***336,177***	***366,669***
Banker's Acceptances		
Securities	-	-
Other Assets	13,835,503	8,086,943
Fixed Assets	474,645	556,335
Total Assets	**33,486,976**	**18,032,880**
LIABILITIES		
Placements/deposits	**13,877,643**	**4,776,579**
Borrowings	-	-
Other Liabilities	**13,768,910**	**7,777,850**
Shareholders' Funds:	**5,840,423**	**5,478,451**
Total Liabilities	**33,486,976**	**18,032,880**

Table 17

Consolidated Liquidity Ratios of Discount Houses

Liquidity Ratio as at:-

Item	Code	Definition	31-Dec-08	MOV,T	31-Dec-09
			Le'000	Le'000	Le'000
Cash on hand	1		1,605	1,963	3,568
Balances with BSL	2		100,471	110,305	210,776
Balances with other Banks	3		83,409	23,447	106,856
Treasury Bills	4		18,107,740	-11,016,299	7,091,441
Treasury Bearer Bond	5		170,238	1,039,723	1,209,961
Total Liquid Assets	**6**	**1+2+3+4+5**	**18,463,463**	-9,840,861	**8,622,602**
Placements/Deposits	7		13,877,641	-9,101,062	4,776,579
Overall Liquidity (%)	**8**	**6/7**	**133.04**	47.48	**180.52**
Minimum Requirement (%)	**9**		**100.00**	-	**100.00**
Excess/(Deficiency)	**10**	**8 - 9**	**33.04**	47.48	**80.52**
Actual liquidity (%)	**11**	**4/7**	**130.48**	17.98	**148.46**
Minimum Requirement (%)	**12**		**60.00**	-	**60.00**
Excess/(Deficiency)	**13**	**11 - 12**	**70.48**	17.98	**88.46**

Table 18

Community Banks operating in Sierra Leone (31/12/09)

Bank	No. of Branches	Location
Marampa-Masimera Community	1	Lunsar
Yoni Community Bank	1	Mile 91
Segbwema Community Bank	1	Segbwema
Mattru Community Bank	1	Mattru
Zimmi Community Bank	1	Zimmi
Kabala Community Bank	1	Kabala

Liquidity

The Discount Houses met the liquidity ratio requirement with actual liquidity of 148.46 percent and a surplus of 88.46 percent as at 31st December 2009.

Profitability

A loss of Le 0.19 billion was recorded for the period ended 31st December 2009, compared to a pre-tax profit of Le 0.04 billion for the period ended 31st December 2008. The decrease in profit was as a result of a decline in operating income by Le0.12 billion alongside an increase in operating expenses by Le0.11billion.

Discount Income accounted for 80.00 percent of operating income in December 2009, compared to 158.00 percent in December 2008, where interest expense was netted off operating income.

Operating expenses were Le1.53billion for the period ended 31st December 2009, as against Le1.42 billion in 2008. Staff costs accounted for 65.08 percent of operating expenses in December 2009, compared to 62.46 percent in December 2008.

Return on assets was -1.02 percent in December 2009, compared to 0.13 percent recorded in December 2008. The fall was as a result of a decrease in pre-tax profit which was much higher than the decrease in average total assets.

The ratio of Operating Expenses to Operating Income was 54.27 percent as at end December 2009, compared to 40.18 percent in 2008. The increase was the result of the rise in Total Operating Expenses, as against the decrease in Total Operating Income.

Table 19

Licensed Foreign Exchange and their Branches in Sierra Leone (31/12/09)

No.	Bureaux	F/town	Bo	Kenema	Makeni	Lungi	Kono	Kabala
1	Afro International Foreign Exchange Bureau Ltd	1	1	1	1	1	1	-
2	Aiemahs Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
3	Ama Express Foreign Exchange Bureau Ltd	1	1	-	-	-	-	-
4	Ayoub Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
5	Apex Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
6	Abu-Taraff Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
7	Bamba Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
8	BAS Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
9	Best Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
10	Blue Foreign Exchange Bureau Ltd	1	1	-	-	-	-	-
11	B&S Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
12	Chartered Trust Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
13	City Centre Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
14	Continental Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
15	Cozy International Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
16	Dem Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
17	Denarious Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
18	Dynamic Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
19	Devkay Foreign Exchange Bureau Ltd	1		-	-	-	-	-
20	Fad Foreign Exchange Bureau Ltd	-	1	-	-	-	-	-
21	Fadugu Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
22	Fasiedon Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
23	Fatimised Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
24	First Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
25	Fofan Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
26	Frandia Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
27	Fulladu Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
28	Freetown Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
29	Fran Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
30	Galtech Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
31	Global Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
32	Guru Nanak Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
33	Harry's Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
34	Hepom Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
35	Horizon Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
36	I.B.C Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
37	Jalloh & Barrie Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
38	Joelyn Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
39	Jones Sons& Associates Foreign Exchange	1	-	-	-	-	-	-
40	Jem Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-

Table 19 contd

Licensed Foreign Exchange and their Branches in Sierra Leone (31/12/09)

No.	Bureaux	F/town	Bo	Kenema	Makeni	Lungi	Kono	Kabala
41	Kakua Foreign Exchange Bureau Ltd	1	1	-	-	-	-	-
42	Kallah Foreign Exchange Bureau Ltd	1	-	1	-	-	-	-
43	Leone UK Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
44	Malador Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
45	Manans Foreign Exchange Bureau Ltd	1	1	1	1	-	-	1
46	Mandate Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
47	Maranda Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
48	Massie Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
49	MIK Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
50	Monorma Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
51	Mystic Foreign Exchange Bureau Ltd	1	1	1	-	-	-	-
52	Navos Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
53	Newham Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
54	Nimo Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
55	Olalus Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
56	Paramount Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
57	Pottal Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
58	Premier Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
59	Raju's Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
60	Rumez Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
61	Samkal Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
62	Sanda Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
63	Sara Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
64	Sierra Foreign Exchange Bureau Ltd *	1	-	-	-	-	-	-
65	S.V Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
66	TAP Foreign Exchange Bureau Ltd	-	-	-	1	1	-	-
67	Tonisco Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
68	Universal Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
69	UTB Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
70	Vanbhari Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
71	West African Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
72	Western Club Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
73	Wickburn Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
74	Wally Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
75	Yours Foreign Exchange Bureau Ltd	1	-	-	-	-	-	-
Total Number of Bureau and Branches		73	7	4	3	2	1	1

Table 20

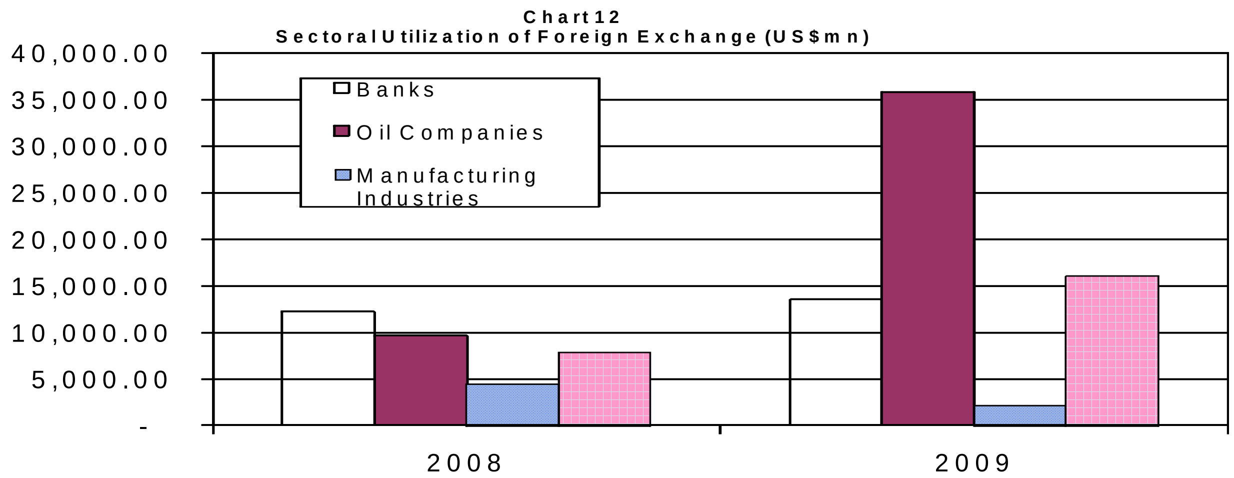
Foreign Currency Purchased

Currency	2009 (Le 'mn)	Mov't (Le 'mn)	% change	2008 (Le 'mn)
Dollar	3.51	0.18	5.41	3.33
U K Pound	0.82	0.05	6.5	0.77
Euro	0.01	-	-	0.01

Table 21

Foreign Currency Sales

Currency	2009 (Le 'mn)	Mov't (Le 'mn)	% Share	2008 (Le 'mn)
Dollar	3.78	0.25	7.08	3.53
U K Pound	0.82	0.05	6.49	0.77
Euro	0.01	-	-	0.01



Net interest spread was 0.95 percent in December 2009, as against 1.66 percent in December 2008.

Foreign Exchange Bureaux

Foreign Exchange Bureaux recorded total purchases in US Dollars, UK Pound Sterling and Euros equivalent to $3.51 million, £0.82 million and €0.01 million in 2009, compared to $3.33 million, £0.77 million and €0.01 million respectively, in 2008.

Foreign exchange sales in US Dollars, UK Pound Sterling and Euros were $3.78 million, £0.82million and €0.01 million respectively, in 2009 compared to $3.53 million, £0.77 million and €0.01 million respectively, in 2008.

Capital Market

Licensing Requirements for participants in the Stock Market

During the review period, the Bank of Sierra Leone drafted guidelines for the Stock Exchange and Other Securities Dealers. It also approved licensing requirements for participants in the Stock Market so as to enable individuals or institutions applying, to act as participants in the Stock Market, as well as to know what is expected of them.

Licensing of Stock Market Players

Licenses were granted to the First Discount House Limited and the Capital Discount House Limited to act as dealers in the Sierra Leone Stock Exchange. First International Capital Limited (FI Capital) was also granted licence to operate as Issuing House in the Sierra Leone Stock Market.

Financial Intelligence Update

The following activities were undertaken by the Financial Intelligence Unit during the review period;

- The National Anti-Money Laundering/Combating Financial Terrorism (AML/CFT) Strategy, which outlines priorities and responsibilities for the effective implementation of Anti-Money Laundering and Combating the Financing of Terrorism measures in Sierra Leone for the period 2009-2014, was approved by cabinet.

- Guidelines on the prevention of money laundering and terrorism financing were finalised and issued to all commercial banks on March 11, 2009.

- A national seminar was organized on the draft AML/CFT Bill on 21st May, 2009. The seminar was meant to ensure that the provisions of the draft Bill are in line with international standards, particularly the 40+9 recommendations of the Financial Action Task Force (FATF) and to sensitize stakeholders on the provisions of the draft Bill.

- The draft AML/CFT Bill was forwarded to the Ministry of Finance and Economic Development for onward submission to parliament for enactment.

- In July 2009, a delegation of Italian “Guardia Di Finanza” experts led by the Regional Officer of the United Nations Office on Drugs and Crime (UNODC) met with the Director of Banking Supervision Department and the Head of Financial Intelligence Unit (FIU) in the Banking Supervision Department. The team was in the country to assess the needs for capacity building of law enforcement agencies and the Financial Intelligence Unit.

Table 22

Stock of Government securities outstanding by Holders (in Million Leones)			
	2008	**2009**	**Change**
91-DAYS TBs	**382,010.10**	**278,101.00**	**-103,909.10**
BSL	25,963.60	55,846.25	29,882.65
COM. BANKS	259,495.85	147,314.70	-112,181.15
Non-Bank Public	96,550.65	74,940.05	-21,610.60
NASSIT	28,739.90	19,000.00	-9,739.90
182-DAYS TBs	**105,291.10**	**124,304.30**	**19,013.20**
BSL	15,700.00	45,139.70	29,439.70
COM. BANKS	63,524.90	56,610.30	-6,914.60
Non-Bank Public	26,066.20	22,554.30	-3,511.90
NASSIT	23,981.60	21,355.90	-2,625.70
364-DAYS	**98,588.20**	**249,563.20**	**150,975.00**
BSL	63.25	63,476.75	63,413.50
COM. BANKS	69,751.35	155,064.35	85,313.00
Non-Bank Public	28,773.60	31,022.10	2,248.50
NASSIT	21,305.35	18,757.70	-2,547.65
TBOND	**110,283.70**	**103,976.40**	**-6,307.30**
BSL	24466.25	24665.75	199.5
COM. BANKS			
Non-Bank Public	85817.45	79310.65	-6506.8
NASSIT			
TOTAL	**696173.1**	**755944.9**	**59771.8**
BSL	66193.1	189128.45	122935.35
COM. BANKS	392772.1	358989.35	-33782.75
Non-Bank Public	237207.9	207827.1	-29380.8
NASSIT	74026.85	59113.6	-14913.25

Source: Policy and Domestic Debt Division, Banking

- A Dialogue workshop was organised jointly by the World Bank, UNODC and the Bank of Sierra Leone on the 30th September 2009, to sensitize Members of Parliament on Anti-Money Laundering and Combating Terrorism Financing issues.

- Sierra Leone hosted the 12th Technical Commission Meeting (Plenary and Working Groups) of the Inter-Governmental Action Group against Money Laundering and Terrorism Financing in West Africa (GIABA), with the active participation of the Director and Staff of the Financial Intelligence Unit. At the plenary, the West Africa Financial Intelligence Unit (WAFIU) was created to facilitate information sharing and capacity building among FIUs in the Sub-Region. Sierra Leone was unanimously elected interim chair of the newly created body.

Payments System Development in Sierra Leone

Sierra Leone has made significant progress in its payments system development programme. It is expected that an efficient and robust payments system modernization will facilitate the timely conclusion of financial transactions, availability of credible data and hence enhances the implementation of monetary policy, sub–regional integration and the establishment of a common currency. In this regard, Sierra Leone has made tremendous efforts to improve on its Payments System as outlined below:

i. The Payments System Act has been passed into law by Parliament and received Presidential assent on May 7, 2009.

ii. From the grant received from AfDB, WAMI has moved aggressively in the development of payments system infrastructure and its various components in the three countries of Guinea, The Gambia, and Sierra Leone, particularly the establishment of the Real Time Gross Settlement (RTGS) system to levels comparable to Ghana and Nigeria. The project will include the implementation of Automated Cheque Processing (ACP), Automated Clearing House (ACH), Core Banking Application (CBA), Script less Securities Settlement (SSS) System and Infrastructure Upgrade. Bids in respect of these components: RTGS, ACP/ACH, CBA, SSS and Infrastructure Upgrade have already been evaluated and are awaiting the award of contract. It is expected that implementation will start in March 2010, under the supervision of a consulting firm, Logica Management Consulting.

iii. The Bank, in collaboration with commercial banks, is also facilitating the implementation of a National Switch that will provide a common platform, through which all banks will interconnect their Automated Teller Machines (ATMs) and other products. This will enhance the speed, efficiency and security of financial transactions, including utility bills and revenue collection all over the country. It is expected that by end December 2010, the National Switch would have been fully operational whereas the West African Monetary Zone's Payments System Development Project would go live by end December, 2011.

iv. The BSL has established a National Payments System Committee and Sub Project Teams, and created a Division in the Banking Department to assist in the implementation of the project and to oversee the effective functioning of the payments system in Sierra Leone.

v. The Bank of Sierra Leone has requested all commercial banks to migrate to the recently adopted WAMZ Cheque Standards by end-September, 2010, in readiness for the commencement of the project.

Challenges to the Sierra Leone Payments System

The core challenges facing the payments systems presently are:

1. The implementation of the National switch project. This will connect all banks for ATM and Point of Sales (POS) interoperability, unique POS acquirer and access to international gateways: VISA, MasterCard, etc.

2. Facilitate the development of the following payments systems components in Sierra Leone:
   i. Real Time Gross Settlement (RTGS) system
   ii. Automated Clearing House (ACH)
   iii. Automated Cheque Processing (ACP)
   iv. Script less Securities Settlement (SSS) system

3. Exercising the oversight function through two channels; (1) the application of the oversight policy to promote safety and efficiency in payments and settlement systems; and (2) monitoring of the compliance of payments and settlement systems with the oversight standard.

4. Facilitate the achievement of the objectives of the Sierra Leone National Payments System as laid out in the Framework and Strategy document.

5. Provide SWIFT services to other departments and the RTGS.

Financial Market

The impact of the external shocks occasioned by the global financial crisis, which adversely affected most of Sierra Leone's foreign exchange generating activities, was hard felt in 2009. This period was characterized by the continued depreciation of the Leone against the United States Dollar and other major international currencies. There was an observed increase in the demand for foreign exchange as against a reduction in the supply of foreign exchange, creating disequilibrium in the foreign exchange market.

Table 23

Foreign Currency Management

	Dec. 2009	% of Total Bal.	Dec. 2008	% of Total Bal.
U.S. Dollars	46.1	13.7	111.9	53.4
Pound Sterling	6.0	1.8	19.0	9.1
Euro	94.7	28.2	47.2	22.5
Japanese Yen	0.8	0.2	0.8	0.4
SDRs	188.8	56.1	30.6	14.6
Total Balance	**336.4**	**100**	**209.5**	**100**
Donor funds				
U.S. Dollars		100		100

The depreciation of the Leone in 2009 was in part attributable to the drop in world market prices simultaneously with demand for Sierra Leone's export, particularly, diamonds, which is the main foreign exchange earner of the economy, thus resulting in a decrease in the supply of foreign exchange. The global financial downturn also affected remittances from abroad, which is also a major source of foreign exchange. Remittances from abroad fell by more than 30.00 percent in 2009. The scaling down of NGO activities in the country, which was also a source of foreign exchange coupled with speculative activities of dealers and key players in the foreign exchange, exerted increased pressure on the market. Furthermore, increases in world market prices for most imported essential goods, increased the import bill of the country and significantly increased the demand for foreign exchange. The expansion in monetary aggregates also partly contributed to this development.

The Bank, however, continued to adopt exchange rate policies that allow flexibility in order to facilitate rapid adjustment to these external shocks and maintain a competitive environment. The Bank's policy is not directly targeting exchange rate but monetary aggregates to influence price, exchange rate and output.

Exchange Rate Developments

The year 2009 witnessed the continued depreciation of the nominal monthly average mid-rate of the Leone against the US Dollar in all segments of the foreign exchange market. The monthly average mid-rates of the Bank of Sierra Leone, Commercial Banks, Bureaux and Parallel market depreciated by 27.47 percent, 27.43 percent, 30.81 percent and 31.46 percent from Le3047.65/US$1, Le3044.89/US$1, Le3033.48/US$1 and Le3061.80/US$1 in January 2009 to Le3884.82/US$1, Le3880.03/US$1, Le3968.24/US$1 and Le4025.13/US$1 respectively, in December 2009. The foreign exchange auction rate depreciated by 23.27 percent from Le3077.11/US$1 in January 2009 to Le3793.24/US$1 in December 2009.

Table 24

Bank of Sierra Leone Foreign Exchange Cash Flow (in US$ Mn)

	JAN - DEC 2009	JAN - DEC 2008
INFLOWS:-Of which	**276.34**	**103.41**
Receipts from exports	**7.99**	**8.86**
Rutile	-	0.27
Bauxite	-	0.43
Diamond License fees	5.11	4.79
Diamond Exporters Income Tax	1.83	2.93
Fishing Royalty/License	1.05	0.44
Other Govt	**5.14**	**4.50**
Others	**2.03**	**7.99**
Inspection Fees	**-**	**-**
BSL Purchases of Notes/T.	**-**	**0.04**
Transactions with Commercial	**5.00**	14.63
Privatization	**0.01**	-
Aid Disbursement	**256.18**	**67.39**
IMF	18.76	18.59
AFDB	8.52	-
UK	17.90	18.39
EU (EDF Replenishment)	-	0.98
WB Loan (ERRC/G)	10.04	14.03
EU - PCBS	56.91	7.69
Other Multilaterals/Bilaterals	1.00	-
IDA/World Bank	3.39	0.82
IDB	3.96	5.65
OPEC Fund	5.40	-
HIPC Flow Relief	**-**	**1.24**
New SDR Allocation	**130.30**	**-**
OUTFLOWS:-Of which	**150.45**	**93.26**
Payments for Goods and Services	**137.93**	**83.27**
Embassy/Missions	10.88	8.85
BSL	7.90	1.42
Stabilization & Cooperation Fund	-	0.20
Printing of Currency	12.35	-
Government Travel	1.85	2.15
Other Government	11.44	12.01
Subscription to Intl. Organisations	2.58	1.10
Electricity Support	22.24	22.87
Private Sector Support	67.69	34.28
HIPC Related Imports	1.00	0.39
Debt Service after debt relief	**12.52**	**9.99**
IMF	0.45	1.03
World Bank	0.73	0.86
AFDB	0.53	0.63
IFAD	0.27	0.6
EC/EIB	-	0.5
Other multilaterals and bilaterals	4	3.46
Paris Club Creditors	-	-
Other Commercial Debt	5.5	2
OPEC (CIP Arrangement)	0.98	0.92
Clearing of Arrears (EEC/EIB etc)	0.06	-

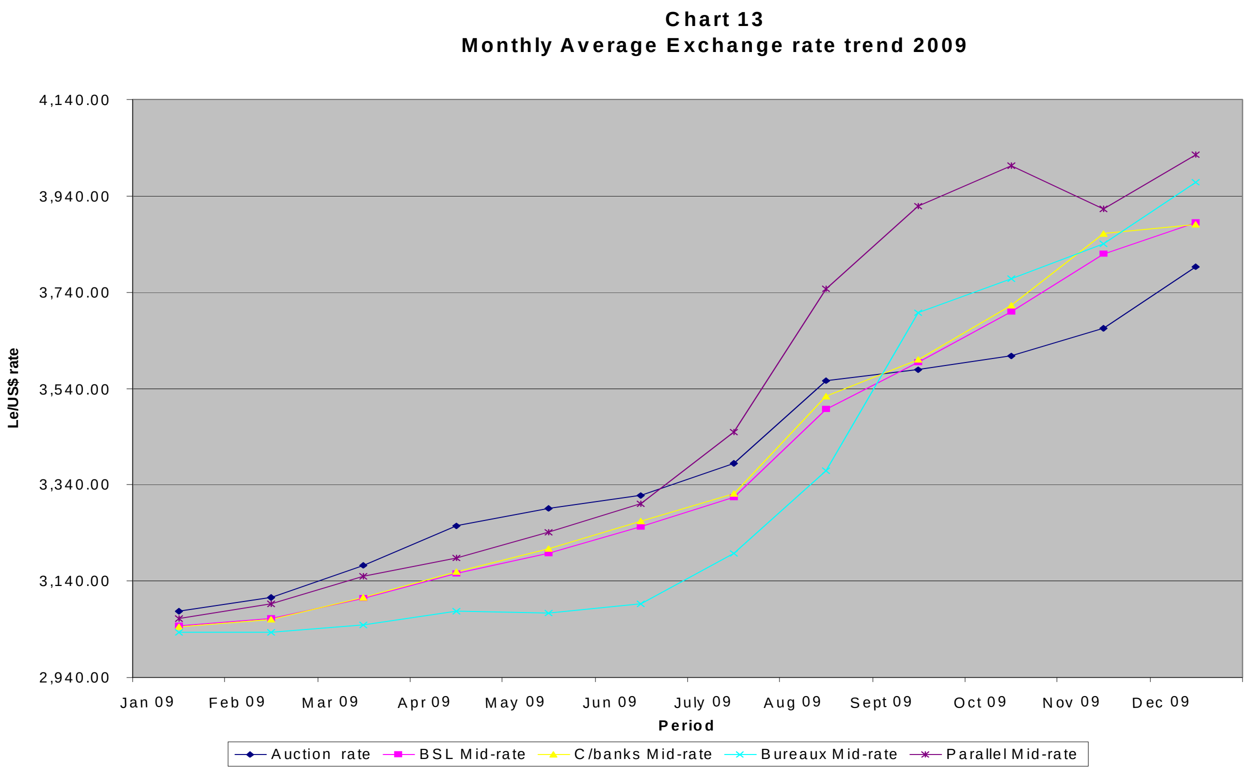


Table 25			
Amount Offered, Demanded and Supplied in Foreign Exchange Auction (Thousand Dollars)			
	2008	2009	% Change in 2009
Amount Offered	35,650.00	72,600.00	103.65
Amount Demanded	49,579.55	93,997.17	89.59
Amount Supplied	34,276.60	67,983.53	98.34

The official weekly weighted average mid-rate depreciated by 27.19 percent from Le3031.55/ US$1 in the first week of January 2009 to Le3855.68/US$1 as at end December 2009 while commercial banks' weekly weighted average mid-rate depreciated by 26.83 percent from Le3, 037.06/US$1 in the first week of January 2009 to Le3851.83/US$1 as at end December 2009. Whereas the weekly parallel mid-rate depreciated by 32.72 percent from Le3041.00/ US$1 in the first week of January 2009 to Le4036.00/US$1 as at end December 2009, the bureaux mid-rate depreciated by 31.85 percent from Le3017.38/US$1 in the first week of January 2009 to Le3978.36/US$1 as at end December 2009. The weekly auction rate depreciated to Le3840.18/US$1 (24.94 %) as at end December 2009, from Le3073.67/US$1 in January 2009.

Volume of Transaction

(i) Commercial Banks

Commercial banks continued to be the dominant players in the foreign exchange market. Commercial banks' yearly purchases of foreign exchange decrlined by 32.27 percent from US$532.28mn in 2008 to US$360.52mn in 2009 while yearly sales of foreign exchange by commercial banks decreased by 23.27 percent from US$512.88mnin 2008 to US$393.51mn in 2009.

(ii) Foreign Exchange Bureaux

Foreign exchange bureaux have continued to facilitate trade in the West African Sub-region particularly by enabling small businesses and travelers' access to foreign exchange, and mopping up of foreign exchange, which otherwise could have found its way into the parallel market. The foreign exchange bureaux market also experienced a decline in spot transactions. Yearly purchases of foreign exchange by bureaux decreased by 41.19 percent from US$35.76mn in 2008, to US$21.03mn in 2009 and yearly sales dropped by 47.22 percent from US$37.82mn in 2008, to US$19.96mn in 2009.

Exchange Control Regulations

The Bank still maintains exchange control restrictions on capital account transactions. Under the Doing Business Reform Programme, the need to obtain exchange control approval from the Bank of Sierra Leone for the registration of companies no longer exists. The remaining restrictions on the capital account are being kept constantly under review, in a bid to support the doing business reform programme

Reserve Management And Investment

Foreign Exchange Assets

The Gross External Reserves position of the Bank of Sierra Leone increased from US$209.47 million as at end December 2008 to US$336.27 million as at end December 2009. This represented an increase of 61.00 percent above the corresponding period in 2008. The increase was mainly due to the general and special allocation of SDR 82.10million (US$127.00million) disbursed in August 2009 and September 2009.

Inflows to the foreign reserves during the review period mainly constituted receipts from programme disbursements for both budgetary and balance of payments support. During the review period, donor support was realized from the IMF under the PRGF arrangement and a special and general SDR allocation to cushion the country against the effect of the global financial crisis, UK/DFID - Poverty Reduction Budgetary Support (PRBS), World Bank Economic Rehabilitation and Recovery Grant (WB/ERRG), EU-Post Conflict Budgetary Support, Islamic Development Bank (IDB) and a grant from Kuwait to the Government of Sierra Leone.

Outflows from foreign reserves were predominantly in respect of goods and services (private sector support, Embassies, Other Government, electricity Support etc), external debt service to key creditors (i.e. the IMF, ADB and the World Bank), other Multilateral and Bilateral and Commercial creditors.

Inflows

During the period under review, total inflows increased by 167.23 percent from US$103.41million in 2008 to US$276.34million in 2009. The increase in inflows was mainly due to the disbursements of programmed funds of US$18.76million from the IMF, US$10.04million from World Bank (ERRG V), UK/DFID Sierra Leone Programme Grant for budgetary support of US$17.90million (GBP12.15million) and EU post conflict budgetary support of US$56.91million. Other non-programme disbursements realized were additional SDR allocation (US$130million) from IMF and US$8.52million from AfDB. Other non-programmed receipts realized from other donors were mainly from IDA/World Bank of US$3.39mn (to finance IDA related projects in the country). Other major inflows realized from the Bank of Sierra Leone amounted to US$2.03million (being customer transfers, commissions and interests on external investments), Other Government receipts of US$5.14million (mainly from Consolidated Revenue Fund, Tourism & Culture, National Revenue Authority (NRA) and Accountant General).

Total receipts from exports dropped by 10.89 percent from US$8.86million in 2008 to US$7.99million as at end December 2009. Major performance within the sector was generated mainly from various sources such as; Diamond License fees, Fishing Royalty and Other Government receipts which recorded improved performance during the review period, compared to the preceding year. Inflows realized from Diamond License fees of US$5.11million exceeded the preceding year's performance of US$4.79million by 6.68 percentage. The impressive performance could be attributed to the positive effects of the mining policy and effective surveillance system in combating smuggling activities. For fishing royalty, the actual receipts realized in 2009 was US$1.05 million relative to US$0.44million in 2008. Improvement in 2009 was due to strategic measures put in place by government to increase revenue. Such strategies among others include the issuing of fishing licenses on quarterly basis instead of monthly basis, the placement of a levy on fish discharge/export and improved surveillance of the sector.

Outflows

Total foreign exchange outflows increased by 61.32 percent from US$93.26million as at end December 2008, to US$150.45million as at end December 2009. Of that total, 91.68 percent or US$137.93million was in respect of goods and services and 8.32 percent or 12.52million for debt service payments. The increase in outflows in 2009 compared to 2008 was mainly due to the increase in payments for goods and services. Total debt service payment increased by 8.32 percent from US$9.99million in 2008 to US$12.52million in 2009. Out of the total payment of US$150.45million made for goods and services, 66.52 per cent was in respect of foreign exchange provided to the Private Sector through the weekly Foreign Exchange Auction. The Foreign Exchange Auction was targeted to meet essential imports such as rice, raw materials & other manufacturing inputs and petroleum products, in order to complement the existing sources of foreign exchange in the banking system.

Investment Activities

Actual revenue realized from external investment for the period January to December 2009, was Le3.61 billion, which is 11.00 percent below the budgeted amount of Le4.02billion and 83.00 percent below performance of Le21.59 billion recorded for the corresponding period in 2008. This performance was significantly influenced by the quantitative easing policies implemented in countries where funds were placed, which saw money market rate within the range of 0 - 1 percent.

On monthly basis, actual earnings ranged between 7.30 percent and 93.44 percent of the budgeted estimate in most of the months, except for the month of April, May, June, July, October, November and December 2009. The highest earnings were generated in April 2009 and the least recorded in February 2009. The trend in monthly performance can be explained in terms of lower than projected interest rates on the bank's investment currencies. The overall unfavorable performance in the review period can be attributed to a combination of factors including the lower interest rates in all the banks' investment currencies, driven by quantitative easing policies.

Foreign Currency Management

The Bank of Sierra Leone's policy objective for currency management continues to be the holding of reserves in currencies to match the SDR. Holdings of currencies by the Bank of Sierra Leone as at end December 2009 (excluding donor import support funds), was as follows: 56.14 percent was held in SDRs, 1.78 percent in Pound Sterling, 13.70 percent in United States Dollars, 28.16 percent in Euros and 0.22 percent in Japanese Yen.

Monetary Operations

The first half of 2009 was characterised by over-subscription in the primary market for government securities and liquidity surge, primarily from the banking system. Against this backdrop, the Bank took a tight monetary policy stance and strengthened its monetary operations through the issuance of additional Le20.00bn special treasury bills converted from the approved stock of NNIB securities. Activities in the rediscount window increased during the review period, as commercial banks and discount houses continued to access this window, instead of the inter-bank market, to meet their liquidity needs. The volume of transactions in the inter-bank window was approximately Le15.00bn, which was low compared to the rediscount window, which totaled Le46.00bn. In the first half of 2009, trade in the interbank market was dominated by uncollateralised activities. In order to help develop the inter-bank market, the Bank closed its rediscount window and introduced Repo/Reverse REPO transactions mechanism with government treasury bills as the acceptable collateral. Implementation of the new monetary framework commenced on Monday 22nd June 2009 with the opening of the interbank market, through which banks and discount houses could undertake Repo or Reverse Repo transactions to meet their daily liquidity needs. As a lender of last resort, participants can also access the BSL Reverse Repo standing facility as an alternative source of liquidity at a penal rate, approved by the Monetary Policy Committee. BSL may also choose to conduct a Repo auction or Reverse Repo operation with counterparties, based on an overall assessment of liquidity in the market.

During the second half of the year under review, the Bank's stance on monetary operations was neutral. This policy was driven by observed liquidity tightness in the financial system, indicated by under-subscriptions in the primary market and increased use of the BSL Reverse Repo standing facility by the commercial banks. As commercial banks were unable to roll over their existing maturities, under-subscribed portions were taken up by BSL and this was a concern, because of its potential threats to monetary aggregates.

The Bank continues to monitor the developments in this market and data suggests a gain in prominence of collateralized domestic interbank market activities between market participants. On average, the monthly volume of inter-bank market transactions between counterparties was about Le34,042.39 million.

The period also saw an increase in the utilization of Ways and Means Advances and an accelerated depreciation of the Leone, since a large proportion of these resources were directed towards external payments. Against this backdrop, the weekly foreign exchange auction continued to complement monetary operations.

At the end of the period, commercial banks' holdings of the total outstanding, Government Securities amounting to Le358, 989.35million was 47.50 percent while that of the non-banks was 27.49 percent and Bank of Sierra Leone 25.01 percent.

Foreign Exchange Auction

The Bank of Sierra Leone continues to supplement the supply of foreign exchange to the private sector through the weekly foreign exchange auction. The foreign exchange auction system was to put in place a framework designed as a market based method of foreign exchange allocation to the market in an efficient, competitive and transparent manner. The auction system also, complements monetary operations as a way to mop up excess liquidity.

Table 26

Sectoral Distribution of Auction Funds (US$'000)				
Sector	**2008**	**2009**	**% of Total amount in 2009**	**% Change in 2009**
Banks	12,228.00	13,590.91	19.99	11.15
Industries	4,431.65	2,214.07	3.26	-50.04
General Merchandise	7,916.95	7,169.07	10.55	-9.45
Oil Companies	9,700.00	36,113.00	53.12	272.30
Rice	-	8,896.48	13.09	
Total	**34,276.60**	**67,983.53**	**100**	

Analysis of Auction Performance January - December 2009

From January to December 2009, a total of US$68.60million was put on offer and US$67.68million was sold at weekly foreign exchange auctions held at the Bank of Sierra Leone. The demand pressure in the auction market was exacerbated during the period under review to the tune of US$94.00million compared to US$51.63million in the corresponding period of 2008. This increase in demand led to a gradual increase in the weekly offer amount from US$1.00million in August 2009 to US$1.70million and US$2.00million in September 2009. During this period, acute shortage of foreign exchange led to the creation of three windows viz: Oil, Other Eligible and Rice, which also necessitated the increase in the offer amount to US$2.00million. However, aggressive bidding continued partly due to the impact of the second round effect of the global crisis; low migrant remittances, low prices for main export commodities, and an ebb in donor flows, etc. This led to the persistent depreciation of the Leone and consequently the increase in the weekly offer amount. However, by end September 2009, all three auction windows were harmonized into a single window to create a level and efficient system.

Sectoral Distribution of Auction Funds

In terms of sectoral distribution of auction funds for 2009, Oil sector superseded the other sectors, followed by the Banking Sector. The Oil sector accounted for US$35.81million (52.91%), Banking Sector US$13.59million (20.08%), Rice Sector US$$8.90million (13.14%), General merchandise US$7.17million (10.59%) and Industry sector US$2.21million (3.27%). Compared to 2008, the Banking sector superseded all sectors, which accounted for US$12.23million (35.68%), while the Oil sector accounted for US$9.70million (28.30%).

There was no sale of foreign exchange to the auction during the review period, as the market remained tight and commercial Banks and the public relied on the Foreign Exchange Auction to supplement the supply of foreign exchange in the market, especially when the second round effect was having a heavy toll on sub-Saharan Africa and Sierra Leone in particular.

The auction has helped to moderate the fluctuations in the Leone exchange rate since its inception in 2000. However, its effectiveness is constrained by the amount of foreign exchange reserves, which are usually donor driven. Against this backdrop, effort must be directed at revamping existing production facilities and broadening the export base of the economy as the global economy recovers from recession, in order to generate enough foreign exchange to ensure stability in the foreign exchange market.

External Debt Management

Sierra Leone's total disbursed and outstanding official long-term debt, including principal arrears as at end December 2009, stood at US$679.93 million as compared to US$ 620.20million as at end December 2008. Total outstanding debt continued to be dominated by debts from multilateral creditors, accounting for 57.00 percent of the total, followed by commercial creditors at 31.40 percent. The residual 11.50 percent was owed to bilateral and other creditors. The principal multilateral creditor was the World Bank.

Table 27

Disbursed Outstanding Debt, including Principal Arrears as at End December 2007 classified by currency of liability ('000)

	Dec. 2008			Dec. 2009		
Currency	**debt in Foreign Currency**	**total debt in Le**	**% of total**	**debt in Foreign Currency**	**total debt in Le**	**% of total**
Chinese Yuan	114,323	50,534,915	4.66	114,343	64,168,148	4.21
EURO	25,549	109,937,281	10.14	11,507	63,448,908	4.16
British Pounds		-	0.00		-	0.00
Japanese Yen	449,845	15,173,274	1.40	1,565	65,104	0.00
Kuwaiti Dinar	6,245	68,851,194	6.35	6,052	81,233,999	5.33
Saudi Riyal	2,614	2,118,674	0.20	2,306	2,370,499	0.16
United States Dollar	58,555	178,136,586	16.43	99,519	383,713,418	25.18
Special Drawing Rights	112,380	530,384,820	48.91	125,025	752,625,495	49.39
Islamic Dinar	27,385	129,243,488	11.92	29,290	176,319,942	11.57
Total		**1,084,380,232**	**100**		**1,523,945,512**	**100**

Source: External Debt Policy Section

A total of US$242.60million of the stock of disbursed outstanding debts was in relation to principal arrears, mainly in respect of the commercial and other creditors. Interest arrears for the reviewing year amounted to US$3.5million owed to commercial creditors as in the previous year.

During the period under review, the Government of Sierra Leone continued to make timely debt service payments to key multilateral creditors; the IDA, IMF, and other external creditors

Table 28

Debt Service payment made in US $Mn	2008	2009
Bilateral:	***1.84***	***1.1***
Paris Club Creditors	0	0
Other Bilateral	1.84	1.1
Multilateral (Net amount)	***5.32***	***5.2***
African Development Bank/Fund	0.62	0.58
World Bank (IBRD/IDA)	0.85	0.92
International Monetary Fund	0.20	0.32
Other Multilateral	6.27	7.07
*Of which: HIPC for. exch. savings on debt service**	*2.62*	*3.69*
Net Amount paid	*3.65*	*3.38*
Other Commercial/Military Debts	***2.00***	***5.65***
Grand Total	**11.78**	**15.65**
Of which: HIPC Debt relief	*2.62*	*3.69*
Net Amount	*9.16*	*11.96*

Source: External Debt Policy Section, BSL

In May 2009, the Executive Board of the International Monetary Fund approved a one-year extension of the Poverty Reduction Growth Facility (PRGF) Arrangement to May 2010. This led to the disbursement of SDR 12.19 million (US$19.30mn), bringing the total disbursements under the Arrangement to SDR 44.88million (US$71.00mn).

Table 29

Principal & Interest Arrears as at end Dec-2009 (US$Mn)	DEC. 2008		DEC. 2009	
	Principal Arrears	Interest Arrears	Principal Arrears	Interest Arrears
Total External Debt	**254.3**	**3.5**	**242.6**	**3.5**
Total Commercial Obligations & Short-Term Debt 1/	225.0		213.8	
Total Long-Term Debt, of which :	***29.3***	***3.5***	***28.8***	***3.5***
Multilateral				
World Bank Group				
IMF				
Others				
Official Bilateral	**8.4**		**8.4**	
Paris Club				
Others 2/	8.4		8.4	
Other Creditors	**20.9**	**3.5**	**20.4**	**3.5**
Executive Outcome	20.5	3.5	20.3	3.5
Chatelet Investment Ltd	0.4		0.1	

1/ China, Morocco, Kuwait & Saudi Fund

During the period under review, the total of both programme and project disbursements received from external creditors amounted to approximately US$69.15 million. Of this amount, US$1.18million was from the World Bank/International Development Association (IDA); US$18.76million from the International Monetary Fund; US$17.95 million from the African Development Bank and the residual of US$31.25 million was from the Islamic Development Bank, Organization of Petroleum Exporting Countries (OPEC), IFAD, EXIM Bank of India and BADEA, under various projects.

External Debt and Arrears by Creditor Category

The total outstanding debts stood at US$ 679.93 million as at end December 2009 showing an increase of US$59.73 million when compared to US$ 620.26 million as at end December 2008. The increase in stock in the review year resulted from disbursements, which outweighed principal repayments made during the same period as well as the revaluation of the stock of commercial debts to reflect the current exchange rate.

The principal and interest arrears were mainly in respect of commercial creditors. The Principal arrears of US$8.4million owed to China has been proposed to be cancelled by the Government of China. An Agreement is yet to be reached.

Major components of Sierra Leone's debts by currencies are dominated by the Special Drawing Rights (SDR) and the United States Dollar. They accounted for 49.39 percent and 25.18 percent respectively, as at end December 2009. Loans to the IDA and IMF are mainly denominated in SDRs, which accounted for the high percentage of the total debt. The third major currency component of the country's debt is the Islamic Dinar, which accounts for 11.57 percent.

Debt Indicators and Debt Service

Debt service payments made increased from US$9.20 million in 2008 to US$12.00 million in 2009. This increase was accounted for mainly by the amounts paid to commercial creditors. Savings from debt relief under the HIPC Initiative increased by 41.01 percent from US$2.62 million in 2008 to US$3.69 million in 2009. This reflects debt-flow relief due on debt service payments only to EEC/EIB and IFAD. The ratio of debt service to export continues to increase in 2009, as a result of the marked increase in debt-service-payment made by 55.94 percent from US$6.3 million in 2008 to US$ 9.8 million in 2009. The ratio of the stock of debt/GDP also increased by 7.30 percent as a result of a decrease in the Gross Domestic Product.

As Sierra Leone's debt situation stands at a moderate risk of debt distress, the Government seeks to maintain prudent borrowing policies and to rely mainly on grants and highly concessional loans.

Sierra Leone's State of Convergence under the West African Monetary Zone (WAMZ) Performance Cfriteria 2009

The year 2009 had been a difficult year, marking the effects of the global financial and economic crisis which started in 2008. In a meeting of the Convergence Council of Ministers and Governors of Central Banks in Abuja, Nigeria in May 2009, it was noted that the state of preparedness of the five member countries in the West African Monetary Zone (WAMZ) was not adequate to achieve the single currency objective on the scheduled date of 1st December 2009. However, there were early signs of recovery, signalling the beginning of the probable end of the global recession, largely aided by sound domestic policies. Prospects are strong, though recovery is expected to be sluggish. In another meeting of the Convergence Council of Ministers and Governors of Central Banks held in Accra, Ghana on 17th December 2009, it was agreed that member states maintain the progress made so far in terms of preparedness to achieve monetary union, notwithstanding the impact of the global financial crisis.

Sierra Leone's Macroeconomic Performance

In the year 2009, Sierra Leone did not sustain its performance on the convergence scale as it has done in the previous years (satisfying two primary convergence criteria namely; single digit inflation and months of imports cover). The country only sustained the criterion on months of imports cover. The criterion on single-digit inflation was violated as it reached double digits in September 2009 right through to December 2009, registering an inflation rate of 12.22 percent. The criteria on central bank financing of fiscal deficit and Budget deficit excluding grants were not met, reflecting the low tax effort and the over-dependence on external budgetary support. The continued depreciation of the Leone against major currencies and the widening of government budget deficit were among the major challenges faced by the government. No secondary criteria were met for the whole period under review.

Table 30

Status of Convergence

(Primary Criteria)					
Criteria	Target	2006	2007	2008	2009
Inflation (end period)	Single digit	8.30%	12.10%	13.21%	12.22
Fiscal Deficit/GDP% (excl. grants)	Less than or equal to 4%	9.70%	6.00%	15.00%	10.5
Central Bank Financing/ Previous years tax revenue	Less than or equal to 10%	13.3	0.8	0	0.187
Gross External Reserves (Months of imports)	Greater than or equal to 3 months	4.2	4.8	4.0	6
(Secondary Criteria)					
Criteria	Target	2006	2007	2008	2009
Domestic Arrears	0	n.a	n.a	n.a	n.a
Tax revenue/GDP ratio	Greater than or equal to 20%	10.50%	10.80%	13.00%	9.30%
Salary Mass/Total Tax revenue	Less than or equal to 35%	65.30%	65.20%	59.30%	64.5
Public Investment from Domestic receipts	Greater than or equal to 20%	8.90%	7.70%	13.20%	16.51
Real Interest Rate	Greater than 0	-0.60%	-4.40%	-6.70%	-5.97%
Exchange rate	Stable +/-15%	16.10%	14.90%	15.77%	33.55%

Primary Criteria

Inflation

Single digit inflation was observed during most part of 2009 and this was mainly due to prudent monetary policies. However, Sierra Leone was not able to sustain the single digit inflation rate over the whole period under review as it deteriorated to double digits in September 2009. The inflation rate was 12.22 percent in December 2009, a little bit lower than 13.2 percent recorded at the end of December 2008. This was as a result of the continued depreciation of the exchange rate, the strong demand for goods and services during the month of the Ramadan as well as Christmas at the end of the year.

Fiscal Deficit/GDP Ratio

As usual, Sierra Leone did not meet the fiscal deficit criterion excluding grants on commitment basis. In 2009, fiscal deficit excluding grants was 10.50 percent of GDP, a 4.50 percentage point drop in the review period, when compared to 15.00 percent of GDP observed in the previous year. The budget deficit criterion was not met due to the unexpected increase in poverty related development expenditures, especially in the latter part of the fiscal year 2009. The deficit was financed mostly by foreign borrowing. In a bid to improve on the domestic revenue, the National Revenue Authority (NRA) has embarked on improving tax administration and revenue collection. The Goods and Services Tax Act was passed in parliament to be implemented in January 2010, to broaden the tax base. Government has also incorporated other formal and informal revenue sources which hitherto had not been included in the tax bracket. The Automated System for Customs Data (ASYCUDA) was introduced for capturing and paying customs import and export declarations.

Central Bank Financing of Fiscal Deficit

During the review period, the country fell short of meeting the criterion by recording 18.70 percent for Central Bank financing of the deficit against a target of 10.00 percent. The Central Bank had to adopt an accommodating policy by providing substantial Ways and Means Advances to Government, to smoothen shortfalls in the budget due to delays in donor disbursement.

Gross External Reserves/Months of Imports Cover

Gross external reserves reached a high of US$336.27 million at end December 2009, equivalent to 6 (six) months of import which was above the 4.0 months of import cover maintained during the previous period. This is due partly to additional SDR allocation in the sum of US$128.1 million provided by IMF during the course of the year as part response to the global economic crisis.

Secondary Criteria

Tax Revenue /GDP Ratio

The country failed to meet this criterion in the first half of 2009. Against the WAMZ benchmark of 20.00 percent, the country recorded 9.30 percent of revenue as a percentage of GDP. This performance was below the 13.00 percent attained in 2008. This is attributed to the delay by the authorities to take necessary steps to broaden the tax base and prevent leakages. However, there is optimism about improvements in 2010 as there has now been an upward revision of duties and introduction of the Goods and Services Tax (GST), aggressive tax collection efforts, intensive patrol and anti-smuggling activities, and the restoration of the import duty on petroleum products from 2.00 percent to 5.0 percent.

Wage Bill/Total Revenue

The criterion on Wage Bill was not met in 2009. The 59.30 percent attained in the previous year increased to 64.50 percent during the reporting period, far exceeding the criterion of not more than 35.00 percent of salary to total revenue. More efforts are needed in the area of right-sizing the workforce and enhancing tax revenue collections to ensure compliance with this criterion in the medium term.

Public Investment from Domestic Receipts

Public investment from domestic receipts increased from 13.20 percent in 2008 to 16.51 percent in 2009. Nevertheless, it fell short of the target of at least 20.00 percent. Performance with respect to this criterion has been largely influenced by the country's low domestic revenue mobilization efforts, high recurrent expenditures and over-dependence on donor funds for undertaking public investment. Further improvements would be required to raise more domestic revenue and ensure that these are deliberately directed towards public investments.

Real Interest rate

Real interest rate was negative 5.97 percent in the review period, far below the positive interest rate requirement under the WAMZ criteria. However, it reflects a drop when compared to negative 6.70 percent recorded in 2008. The slight improvement was as a result of a slight drop in inflation rate from 13.21 percent in 2008 to 12.22 percent in 2009, coupled with the virtually stagnant savings rates during the review period. This criterion can only be met through the implementation of a combination of policies directed at reducing inflation further and enhancing competition in the banking industry, which will be translated into more attractive interest rates.

Nominal exchange Rate Stability

The Leone depreciated against major international currencies during the review period, deviating from the central parity rate by 33.55 percent and exceeding the WAMZ benchmark of ± 15 percent from the central parity rate. The depreciation of the Leone, though moderate in comparison with the recent experiences of some other WAMZ countries, represents a marked reversal of the relative stability of the currency in recent years. The relative sharp depreciation reflected the drop in the availability of foreign exchange, as exports receipts and remittances continued to decline. To address the depreciation of the Leone, the Bank of Sierra Leone had taken decisive steps to ensure that the exchange rate stabilizes come 2010.

Institutional Preparedness

Sierra Leone completed the payment of its full contribution of U$2.50 million to the WAMZ Stabilization and Cooperation Fund (SCF) in December 2008, but remains in arrears in excess of U$5.00 million relative to the West African Central Bank (WACB) capital contribution. Quoting and trading in the WAMZ national currencies is yet to be implemented by the commercial banks. During the WAMZ meeting in December 2009, the Convergence Council of Ministers and Governors adopted a Memorandum of Understanding (MOU) between national Central Banks in areas of Cross-Border Licensing, Supervision and Regulation of Financial Institutions and Anti-money laundering and countering the financing of terrorism. The council also approved and adopted the Draft Fiscal Responsibility Act for its incorporation into national laws by member states.

Human Resources

In the year 2008, the Bank embarked on a Restructuring Exercise with the main objective of refocusing on its main functions as prescribed in the Bank of Sierra Leone Act 2000.

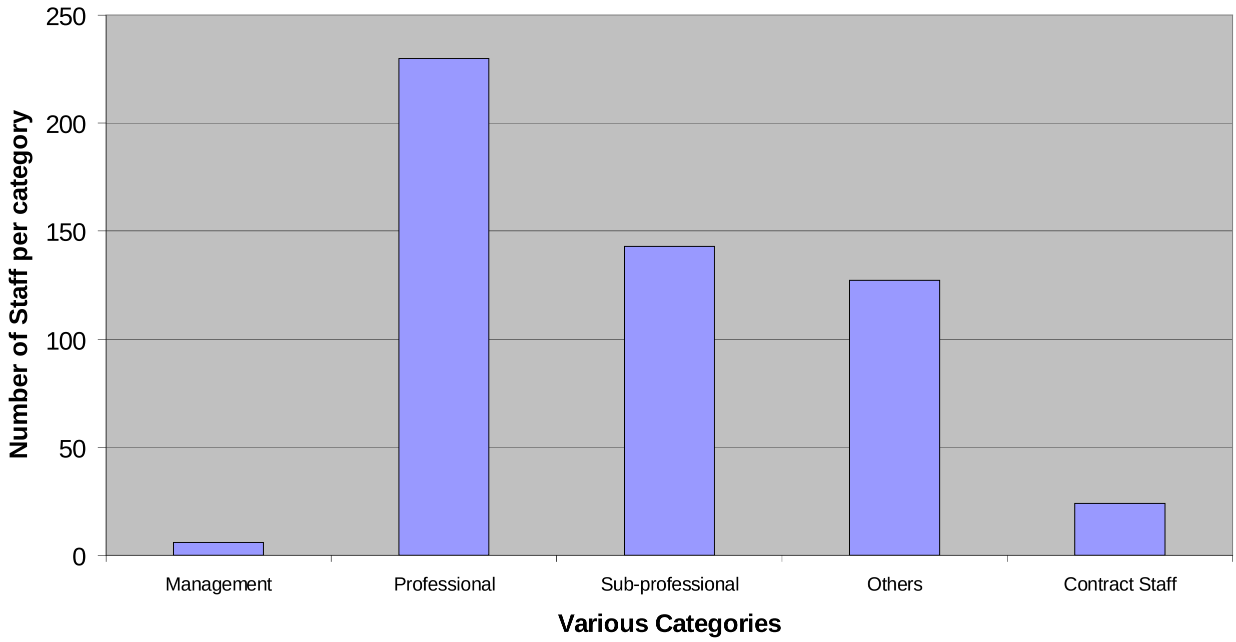
To this end, the Bank had to address vital issues such as recreating new structures which saw some departments collapsed; others emerged with new names to fit in with its Medium Term Strategy. Obtaining optimal staff levels and enhancing staff performance was core to the Restructuring Exercise. The Bank also embarked on recapitalization to ensure that an enhanced wage and a conducive work environment were provided for staff.

Consequently, in April 2009, the Restructuring Exercise which progressed to the Change Management through which the findings of the committee dealing with the Bank's Medium Term Strategy were implemented.

The functions of the Development Co-ordination Department which were restructured were transferred to the Financial Markets and Banking Supervision Departments, respectively. Also, some sections were transferred from the Banking and Research Departments to the Financial Markets Departments. Management also decided that the Bank would achieve the optimal number of staff by natural attrition and towards this end, the Bank witnessed a decrease in its staff strength from 569 in January 2009 to 530 as at end December 2009, representing a decrease of 6.85 percent. The decrease was mainly as a result of retirements, resignations and the non-renewal of fixed-term contracts on expiration of such contracts.

The permanent male staff as a percentage of staff strength was recorded at 73.91 percent as at end December 2009. The proportion of total male staff including fixed-term employees to total staff strength was recorded at 73.02 percent. The total number of female staff as at end

Chart 14
Breakdown of Staff per Category as at end 2009



December 2009, amounted to one hundred and forty-eight (148). Of this number, 14 (fourteen) were on fixed term employment. The proportion of total female staff to total staff strength was recorded at 27.92 percent.

The variance in staff strength mainly affected staff in the Management, Sub-professional and Other cadres. Management staff declined by two (2) or 25 percent, from eight (8) as at end December 2008 to six (6) as at end December 2009. The decrease in the Management cadre was due to the retirement of two (2) Heads of Department. There was one (1) promotion from Deputy Director to Head of Department.

Staff in the Professional cadre remained constant at two hundred and thirty (230) while staff in the Sub-professional cadre declined by twenty-four (24). The decrease was mainly due to severance and the promotion of some staff to the Professional cadre in 2009. Staff in the other cadres dropped by eight (8), from one hundred and thirty-five (135) as at end December 2008 to one hundred and twenty-seven (127) as at end December 2009.

Severance

A total of thirty-nine (39) members of staff severed from the services of the Bank during the review period.

Training Programmes Attended By Staff From January – December 2009

In the year 2009, the Bank continued to give priority to capacity building programmes for its staff both locally and internationally, in order to adequately prepare them to meet the challenges in the country's financial sector and banking industry generally. The global meltdown affected the Banking industry adversely and as such, the need arose for all Financial Institutions to embark on requisite training and development of their staff for sustainable growth. The Bank of Sierra Leone being the apex Financial Institution therefore gave priority to training and development of its staff accordingly.

Relevant courses like the Anti-Money Laundering/Combating Terrorism, Risk Based Supervision, Domestic Debt Management and Money Market Operations, Balance of Payments Statistics and Financial Programming and Policies, were among courses executed for the benefit of Bank staff.

The Bank also organised training programmes in collaboration with other reputable institutions such as the West African Institute for Financial and Economic Management (WAIFEM), International Monetary Fund (IMF), Financial Stability Institute (FSI), Joint Africa Institute (JAI), African Institute of Management Science (AIMS), Royal Institute of Public Administration (RIPA) and Inter-Governmental Action Group against Money Laundering in West Africa (GIABA).

Directors of the Board

The Board comprises two (2) Executive Directors (The Governor and Deputy Governor) and five (5) Non-Executive Directors appointed by His Excellency, The President of the Republic of Sierra Leone, in compliance with the provisions of the Bank of Sierra Leone Act 2000.

The Governor and the Deputy Governor are appointed for a term not exceeding five (5) years and shall be eligible for re-appointment. The Governor and the Deputy Governor were appointed on 1st January 2008 and 6th October 2008, respectively.

The Non-Executive Directors are appointed for a term of three years and shall be eligible for re-appointment.

The Director, Secretaries' Department is also the Secretary to the Board.

Pension Fund

The Bank has dissolved its Pension Fund and made alternative arrangements for the migration of all staff to the National Pension Trust fund managed by the National Social Security and Insurance Trust (NASSIT) Company.

	Act	Purpose
1	The Appropriation Act, 2007	To authorise expenditure from the Consolidated Fund for the services of Sierra Leone in 2007
2	The Financial Services (Amendment) Act, 2007	To provide for the establishment and operation of stock exchanges
3	The Finance Act, 2007	To provide for the imposition and attention of taxes and for other related matters.

Legislative Changes Relevant to the Bank

There were no legislations relevant to the Bank enacted by Parliament during the review year. However, a review of the Bank of Sierra Leone Act 2000 is currently in progress in collaboration with technical assistance from the World Bank. The Companies' Act, the Bankruptcy Act, the Payments Systems Act are currently undergoing the legislative process and will likely be enacted soon into Law. The Anti-Money Laundering Act of 2005 is also under review.

Bank of Sierra Leone Charity Trust Fund

A Charity Trust Fund was established by the Bank of Sierra Leone on 4th August 2005. It is intended to serve deserving students who achieve academic excellence in the pursuit of their academic/scholastic endeavours at Secondary School level. The Charity Fund is managed by an independent Board of Distinguished Members in their chosen profession, who act as Trustees of the Fund.

The Board of Trustees currently comprises the following members:

Professor J A S Redwood Sawyerr	Chairman
Mr. A Jalloh	Member
Ms. Christiana Thorpe	Member
Mr. Bob Katta	Member
Mr. Tom Lee	Member

Note:

The Board which was established on 4th August 2005 was inaugurated on 6th August 2005 with the following main responsibilities, among others:

- To promote the advancement of education in Sierra Leone
- To support and subscribe to any charitable or public object and any institution or society for the promotion of education in Sierra Leone.

During the Governor's Annual Dinner held at the Bank of Sierra Leone Staff Recreational Complex, Kingtom, Freetown on the 30th January 2009, two new beneficiaries of the Charity were recognized and presented with cheques to cover tuition, lodging, books and maintenance.

The proud beneficiaries were Joseph V. Sengeh and Hannah Sam, the former scored the highest mark in the WASSCE exam in 2009 and the latter the second highest. They were from the Government Secondary School in Bo and Annie Walsh Memorial School in Freetown, respectively.

The Bank is however yet to appoint an additional statutory member in compliance with the provisions of the Charity Trust Deed. The said member should be a former Governor/Deputy Governor of the Bank of Sierra Leone, as provided by the Provisions of the Trust Deed.

Bank of Sierra Leone Financial Statements
for the year ended 31 December 2009

Financial Position and Operating Results of the Bank for the year ended 31st December 2009

1. Balance Sheet

The Bank's overall financial performance improved with total assets and liabilities increasing significantly by 92.40% from Le855.10 billion in 2008 to Le1.65 trillion as at 31st December, 2009.

Assets

This favourable change mainly resulted from corresponding material increases in Foreign Currency Financial Assets (77.34%), Local Currency Financial Assets (184.17%) and Non-Financial Assets (54.30%).

The increase in Foreign Currency Financial Assets was mainly due to a significant increase of 502.26% in IMF Related Assets, reported on a net basis (IMF Quota less Securities and IMF No.1 Account balances plus SDR Holdings), from Le95.25 billion in 2008 to Le573.65 billion in 2009. Cash and Cash Equivalents with Foreign Banks and the Bank's Foreign Investments also increased by 4.68% and 31.79% respectively although Accrued Interests on foreign transactions decreased by 79.32%.

The significant increase in Local Currency Financial Assets was mainly due to a 260% increase in the 5–year Medium Term Bonds reflecting the Government's conversion of Le130 billion worth of non-negotiable, non-interest bearing securities under the recapitalisation programme.

The Bank's holdings of Government Securities (Treasury Bills and Bonds) increased by 156.04% while Loans and Advances to banks and staff increased by 48.82%. Accrued Interests on local transactions however decreased by 36.87%.

The 54.30% increase in Non-Financial Assets was the net effect of a 204.0% increase in Other Non-Financial Assets (value of gold stock and inventory items) and a marginal (3.01%) decrease in the values of the Bank's Property, Plant and Equipment. The marginal decrease in the latter resulted from the disposal of one of the Bank's vehicles (motorbike).

Liabilities

Total Foreign Currency Financial Liabilities increased by 169.06% from Le277.37 billion in 2008 to Le746.29 billion in 2009 while total Non-Financial Liabilities increased by 29.81% from Le599.07 billion in 2008 to Le777.63 billion as at 31st December, 2009. Total Local Currency Financial Liabilities however decreased by 10.32% from Le472.05 billion as at December 31, 2008 to Le423.35 billion in 2009.

The increase in Total Foreign Currency Financial Liabilities was mainly due to the 460.61% increase in the IMF Special Drawing Rights (SDRs) Allocation from Le84.17 billion in 2008 to Le471.89 billion in 2009. Disbursements under the IMF Poverty Reduction and Growth Facility (PRGF) also increased by 33.06% from Le166.43 billion in 2008 to Le221.46 billion in 2009.

The increase in Total Non-Financial Liabilities was occasioned by a 34.96% increase in the Provision for the Revaluation of Pipeline Liabilities and a 26.91% increase in Currency in Circulation.

Total Local Currency Financial Liabilities decreased largely due to a 14.63% decrease (from Le58.04 billion in 2008 to Le49.54 billion in December, 2009) in deposits from Commercial banks. Government Deposits also decreased by 11.24% from Le381.66 billion as at 31st December, 2008 to Le338.75 billion in December, 2009 while Other Deposits and Accrued Charges and Other Liabilities increased by 4.71% and 44.88% respectively.

Reserves

Total Reserves improved by 35.22% during the period from net total negative reserves of Le543.38 billion as at December 31 2008 to net total negative reserves of Le352.03 billion as at December 31 2009. This favourable position reflected corresponding improvements in the Foreign Exchange Revaluation Reserve and General Reserve Accounts.

The net debit of Le147.24 billion in the Foreign Exchange Revaluation Reserve Account will be treated in accordance with Section 54(3) and (4) of the Bank of Sierra Leone Act 2000. The 26.62% improvement in the account was mainly due to the transfer of net revaluation gains realised during the period under review.

The negative balance in the General Reserve Account improved by 36.73% mainly as a result of the adjustments made to reflect the reduction in the provision for impairment of the non-negotiable, non-interest bearing securities which were converted to marketable securities as part of the Bank's assets (Le130 billion 5-year medium term bonds) and for monetary operations (Le32.5 billion treasury bills).

2. Income Statement

Operating Income

Total interest income from Financial Assets amounting to Le28.77 billion represented a decrease of 24.87% from the amount of Le38.29 billion generated in 2008. 87.44% of this income accrued from Local Currency Investments and represented a 50.62% increase when compared with the amount realised in 2008. This favourable performance was largely attributed to the income of Le13.28 billion realised from the 5-Year Medium

Term Bonds converted from the non-negotiable, non-interest bearing securities as at end December, 2009. Interest income on Ways and Means Advances to Government increased by 387.25% from Le0.62 billion in 2008 to Le3.04 billion in 2009 due to an increase in the utilisation of the Ways and Means Advances Facility by Government as a result of the mismatch between revenue and actual expenditure arising from delays in donor disbursements.

Income from Government Securities (Treasury Bills and Bonds) was 21.98% of total Interest Income from Financial Assets, representing a 40.28% decrease when compared with what accrued in 2008. This unfavourable performance was largely due to a fall in the interest rates.

The total income of Le3.61 billion accruing from Foreign Currency Investments was 12.56% of total interest income from Financial Assets. This income represented a significant drop by 83.27% when compared with the amount of Le21.59 billion generated in 2008. This unfavourable position resulted from a sharp fall in income occasioned by correspondingly low interest rates on the Bank's Foreign Investment portfolios, reflecting the continued negative effect of the Global Financial Crisis.

Net interest income of Le27.62 billion was 22.33% lower than last year's net position of Le35.56 billion. IMF Interest and Charges decreased by 61.59% from Le2.68 billion in 2008 to Le1.03 billion in 2009. Charges on Foreign Transactions increased by 144.35% over the amount incurred in 2008. The total amortised cost of Government Securities continued to be very low and fell from Le0.003 million in 2008 to Le0.002 million in 2009. Total Other Income increased by 70.78% from Le1.86 billion to Le3.18 billion in 2009.

Total operating income decreased by 18.23% from Le36.93 billion in 2008 to Le30.19 billion in 2009.

Operating Expenses

Total operating expenses increased by 7.50% from Le49.40 billion in 2008 to Le53.10 billion. 52.62% of this amount, representing a 34.94% increase over the amount spent in 2008 was in respect of personnel costs. The increase is attributed to the enhanced perquisites paid to staff following the implementation of the revised salary package.

Administrative costs amounting to Le15.08 billion was the next major item of expenditure during the period, accounting for 28.40% of total operating expenses and representing a 7.24% increase over the amount spent in 2008.

Currency Issue Expenses and Depreciation decreased by 38.35% and 10.63% respectively while Other Expenses increased by 140.43% over the amount incurred in 2008.

Net Operating Loss

The Net Operating Loss of Le22.91 billion, which represented an 83.68% increase over the net loss of Le12.47 billion incurred in 2008, will be treated in accordance with the requirements of Sections 11 (6) and (9) of the Bank of Sierra Leone Act 2000.

3. Equity

Total equity improved by 38.78% from a negative balance of Le493.38 billion in 2008 to a negative balance of Le302.03 billion in 2009 largely due to the positive effect of the total profit (net of revaluation gains and operating loss) realised for the year, and the adjustment to reflect the reduction in the provision for the impairment of the non-negotiable, non-interest bearing securities.

Board of Directors, Officials and Registered Office

Directors	:	Mr S S Sesay - (Governor) Ms A R Coker - (Deputy Governor) Dr M. K. Manyeh Mrs Marian Kamara Dr Sandy A Bockarie Mr D F Shears Mr Harold Hanciles
Secretary of the Board	:	Mr H E P Musah
Acting Director, Accounts and Budget Department	:	Mr E V Williams
Solicitors	:	Renner-Thomas & Co Adele Chambers 15 Lamina Sankoh Street Freetown
Auditors	:	PKF Chartered Accountants and Business Advisers Regent House 12 Wilberforce Street Freetown
Registered Office	:	Siaka Stevens Street Freetown

Report of the Directors

The Directors have pleasure in submitting their report to the Government of Sierra Leone together with the audited financial statements for the year ended 31 December 2009.

Statement of Directors' Responsibilities

The Bank of Sierra Leone Act 2000 requires the Directors of the Bank to prepare and forward to the Minister of Finance financial statements for each financial year which give a true and fair view of the state of affairs of the Bank and of the profit or loss for the year then ended.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue its operations.

The Directors are responsible for keeping proper records which disclose with reasonable accuracy at any time the financial position of the Bank and to enable them to ensure that the financial statements which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards and the Bank of Sierra Leone Act 2000. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Share Capital

Details of the Bank's share capital are given in note 13 to the financial statements.

Financial Statements

The annexed statements adequately disclose the results of the Bank's operations during the year.

Directors and their interests

The following were Directors of the Bank as at 31 December 2009:

Mr S S Sesay	Governor	(appointed July 1, 2009)
Ms A R Coker	Deputy Governor	(appointed October 6, 2008)
Dr Morie K Manyeh	Director	(appointed April 22, 2008)
Dr Sandy A Bockarie	Director	(appointed April 22, 2008)
Mr D F Shears	Director	(appointed April 22, 2008)
Mr Harold Hanciles	Director	(appointed April 22, 2008)
Mrs Marian Kamara	Director	(appointed April 29, 2008)

The Governor and the Deputy Governor who were appointed on July 1, 2009 and October 6, 2008 respectively shall each be appointed for a term not exceeding five years and shall be eligible for re-appointment.

The other Directors hold offices for three years and shall be eligible for re-appointment.

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, Messrs PKF were appointed on 2nd March, 2010 to conduct the audit of the financial statements for the year ended 31 December 2009.

By order of the Board

Secretary

Report of the Independent Auditors to the Government of Sierra Leone

We have audited the accompanying Balance Sheet of Bank of Sierra Leone as at 31 December 2009 and the related Statements of Income, Changes in Equity and Cash Flows for the year then ended. These financial statements are the responsibility of the Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing as issued by the International Auditing and Assurance Standards Board. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements present fairly, in all material respects, the position of the Bank at 31December 2009 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Bank of Sierra Leone Act 2000 to the extent set out in note 1(a).

Date 31 May **2010**

PKF
Chartered Accountants

Freetown

Balance Sheet

	Note	2009 Le'000	2008 Le'000
Foreign Currency Financial Assets			
Cash and Cash Equivalents		570,683,317	545,169,488
IMF Related Assets	2	573,654,590	95,250,835
Investments	3	15,544,711	11,795,458
Accrued Interest		428,870	2,073,504
Total Foreign Currency Financial Assets		**1,160,311,488**	**654,289,285**
Local Currency Financial Assets			
Treasury Bills and Bonds	4	184,805,512	72,179,175
Accrued Interest		380,482	602,680
5-year Medium Term Bonds		180,000,000	50,000,000
Special Issue of Securities by Government of Sierra Leone	5	-	-
Loans and Advances	6	17,881,089	12,015,488
Total Local Currency Financial Assets		**383,067,083**	**134,797,343**
Total Financial Assets		**1,543,378,571**	**789,086,628**
Non-Financial Assets			
Other Non-Financial Assets	7	55,550,601	18,267,871
Property, Plant and Equipment	8	46,311,444	47,749,245
Total Non-Financial Assets		**101,862,045**	**66,017,116**
Total Assets		**1,645,240,616**	**855,103,744**
Liabilities			
Foreign Currency Financial Liabilities			
IMF Related Liabilities	9	693,348,450	250,607,885
Other Foreign Currency Liabilities	10	52,945,690	26,761,745
Total Foreign Currency Financial Liabilities		**746,294,140**	**277,369,630**
Local Currency Financial Liabilities			
Government Deposits		338,746,493	381,657,580
Commercial Bank Deposits		49,544,719	58,036,182
Other Deposits		30,822,417	29,435,852
Accrued Charges and Other Liabilities	11	4,232,893	2,921,685
Total Local Currency Financial Liabilities		**423,346,522**	**472,051,299**
Total Financial Liabilities		**1,169,640,662**	**749,420,929**
Non-Financial Liabilities			
Currency In Circulation		486,437,843	383,298,724
Provision for Revaluation of Pipeline Liabilities	12	291,192,731	215,769,090
Total Non-Financial Liabilities		**777,630,574**	**599,067,814**
Total Liabilities		**1,947,271,236**	**1,348,488,743**
Capital	13	50,000,000	50,000,000
Reserves	13	(352,030,620)	(543,384,999)
Total Equity		**(302,030,620)**	**(493,384,999)**
Total Liabilities and Equity		**1,645,240,616**	**855,103,744**

These financial statements were approved by the Board of Directors on 31 May

Governor ...

Deputy Governor ... ...

Income Statement

Operating Income:	**Note**	**2009 Le’000**	**2008 Le’000**
Interest Income from financial assets			
Foreign Currency Investments	14	3,611,885	21,588,023
Government Bills and Bonds	14	6,323,850	10,588,359
Advances to Government	14	3,035,730	623,035
Investment in Bank’s Funds	14	642,009	944,871
Income on 1-Year Treasury Bills	14	17,892	43,718
Income on 5-Year Medium Term Bond	14	13,275,000	4,500,000
Interest on 182-Day Treasury Bills	14	1,859,703	-
Total Interest Income from financial assets		**28,766,069**	**38,288,006**
Expenses on financial liabilities			
IMF Interest and Charges	15	(1,028,941)	(2,679,153)
Charges On Foreign Transactions		(118,387)	(48,450)
Amortisation of Government Securities		(2)	(3)
Net Exchange Loss		(600,560)	(495,147)
Other Income	16	3,176,479	1,859,936
Total operating income		**30,194,658**	**36,925,189**
Operating Expenses:			
Personnel		(27,940,712)	(20,706,101)
Depreciation		(2,482,639)	(2,777,899)
Currency	17	(7,205,639)	(11,688,256)
Administration	18	(15,078,683)	(14,060,075)
Others	19	(392,117)	(163,089)
Total Operating Expenses		**(53,099,790)**	**(49,395,420)**
Net Operating Loss		**(22,905,132)**	**(12,470,231)**
Revaluation Gains		53,424,504	18,410,230
Profit after Revaluation gains		**30,519,372**	**5,939,999**
Transfer to Revaluation Reserve		(53,424,504)	(18,410,230)
Loss available for treatment under the BSL Act 2000		(22,905,132)	(12,470,231)

Statement of Changes in Equity 2009

	Share Capital	**Foreign Exchange Revaluation Reserve**	**Property Revaluation Reserve**	**General Reserve**	**Operating Surplus/ (deficit)**	**Total**
	Le'000	Le'000	Le'000	Le'000	Le'000	Le'000
Balance at 1 January 2009	50,000,000	(200,660,911)	32,792,919	(375,517,007)	-	(493,384,999)
Profit/Loss for the year	-	-	--	-	30,519,372	30,519,372
Transfer to Foreign Exchange Reserve	-	53,424,504	-	-	(53,424,504)	-
Transfer to General Reserve	-	-	-	(22,905,132)	22,905,132	-
Profit (loss) on sale of Marketable Securities	-	-	-	(1,664,993)	-	(1,664,993)
Reduction in provision for impairment - Non-negotiable Non-interest bearing securities	-	-	-	162,500.00	-	162,500.00
Balance at 31 December 2009	**50,000,000**	**(147,236,407)**	**32,792,919**	**(237,587,132)**	**-**	**(302,030,620)**

Statement of Changes in Equity 2008

	Share Capital	Foreign Exchange Revaluation Reserve	Property Revaluation Reserve	General Reserve	General Asset Reserve	Operating Surplus/ (deficit)	Total
	Le'000	Le'000	Le'000	Le'000	Le'000	Le'000	Le'000
Balance at 1 January 2008	50,000,000	(202,698,528)	32,792,919	(447,407,527)	37,177,132	-	(530,136,004)
Foreign exchange revaluation adjustment	-	(16,372,613)	-	-	-	-	(16,372,613)
Loss on sale of Marketable Securities	-	-	-	(2,454,694)	-	-	(2,454,694)
Transfer from General Reserve	-	-	-	37,177,132	(37,177,132)	-	-
Revised Balance at 1January, 2008	**50,000,000**	(219,071,141)	32,792,919	(412,685,089)	**-**	**-**	**(548,963,311)**
Profit for the year	-	-	-	-	-	5,939,999	5,939,999
Transfer to Foreign Exchange Reserve	-	18,410,230	-	-	-	(18,410,230)	-
Transfer to General Reserve	-	-	-	(12,470,231)	-	(12,470,231)	-
Net Movement in General Asset Reserve				2,043,419	-	-	2,043,419
Additional Capital							-
Profit on sale of Marketable Securities	-	-	-	94,894	-	-	94,894
Reduction in provision for impairment Non-negotiable Non-interest bearing Securities	-	-	-	47,500,000	-	-	47,500,000
Balance at 31 December 2008	**50,000,000**	**(200,660,911)**	**32,792,919**	**(375,517,007)**	**-**	**-**	**(493,384,999)**

Cash Flow Statement

	Note	2009 Le'000	2008 Le'000
Cash Flows from Operating Activities			
Interest Received		30,632,901	34,251,121
Other Income		3,176,479	6,359,936
Interest Paid		(1,028,941)	(2,679,153)
Commissions and discounts paid		(718,949)	(543,600)
Payments to employees and suppliers		(50,617,151)	(46,617,520)
	22	**(18,555,661)**	**(9,229,216)**
Decrease in Operating Assets:			
Loans and Advances		(5,865,600)	(3,982,843)
Other Assets		(37,282,730)	10,228,111
Increase/(decrease) in Operating Liabilities			
Deposits from Government		(42,911,087)	(167,303,949)
Deposits from Banks		(8,491,464)	4,366,470
Other Deposits		1,386,565	2,254,714
Foreign Currency Deposits		26,183,945	(52,186)
Other Liabilities		1,311,209	(98,426)
Net cash outflow from Operating Activities		**(84,224,823)**	**(163,817,325)**
Net (investments)/disinvestments in marketable securities		(112,626,337)	56,427,862
Foreign currency investments		(3,749,253)	(1,635,842)
Purchase of tangible fixed assets		(1,044,838)	(1,269,348)
Medium term bond		(130,000,000)	-
Cash (outflow)/inflow from Investing Activities		**(247,420,428)**	**53,522,672**
Financing Activities			
Funds from the IMF		17,761,314	74,338,670
Pipeline funds from Banks		75,423,641	(52,722,012)
Currency in circulation		103,139,119	33,133,517
Net adjustment in Reserves		160,835,006	49,638,313
Cash inflow from Financing Activities		**357,159,080**	**104,388,488**
Increase/(decrease) in cash and cash equivalents		**25,513,829**	**(5,906,165)**
Opening cash and cash equivalents		**545,169,488**	**551,075,653**
Closing cash and cash equivalents		**570,683,317**	**545,169,488**

Notes to the Financial Statements

1. Principal Accounting Policies

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are as set out below:

(a) Framework of accounting policies

In preparing its statutory financial statements the Bank complies with the requirements of the Bank of Sierra Leone Act 2000 to the extent that the provisions do not conflict with International Financial Reporting Standards. Revisions to the Bank of Sierra Leone Act 2000 that are now in progress are expected to eliminate any conflicts with International Financial Reporting Standards. The objective of adopting IFRSs is to ensure the financial statements give a true and fair view.

(b) Statement of compliance

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), being the standards and interpretations adopted by the International Accounting Standards Board.

The financial statements are prepared under the historical cost convention as modified for the measurement at fair value of trading securities and property.

The Bank presents its financial assets and liabilities, and the associated income and expense streams by distinguishing between foreign currency and local currency activities. Foreign currency activities arise mainly from the Bank's management of the country's external reserves. Local currency activities reflect transactions arising from monetary policy implementations, managing currency in circulation and banking activities.

(c) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates ('the functional currency'). The financial statements are presented in Leone, which is the Bank's functional and presentation currency, rounded to the nearest thousand.

Notes to the Financial Statements

Transactions and balances

Assets and liabilities denominated in foreign currency are translated into Leone at exchange rates ruling at the balance sheet date. Transactions denominated in foreign currency are translated into Leone at the exchange rates valid at the date of the transactions. All exchange rate differentials are recognised in the income statement.

Exchange rate against the Leone:	**31/12/09**	**31/12/08**
USD	3,855.68	3,042.23
GBP	6,173.15	4,389.50
WAUA	6,068.70	4,724.92
EURO	5,513.94	4,302.99
SDR	6,019.80	4,719.56

(a) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when, and only when, there is a legally enforceable right to set off the recognised amounts and when there is intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(b) Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral; the counterparty liability is included in the amount of deposits from banks. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

(c) Cash and cash equivalents

For cash flow statement purposes cash and cash equivalents comprise balances with less than 90 days to maturity from the date of acquisition including: foreign currency deposits, foreign currency holdings and SDR holdings.

Notes to the Financial Statements

(d) Financial assets and liabilities

The Bank classifies its financial assets with the exception of the Special issue of Securities of the Government of Sierra Leone in the following categories: financial assets at fair value through profit and loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The Bank determines the classifications of its investments on initial recognition.

At initial recognition all financial assets, except those classified as financial assets at fair value through profit and loss, are recognised at their fair value, representing the fair value of the proceeds given, plus the transaction costs. The financial assets at fair value through profit and loss are recognised at their fair value, representing the fair value of the proceeds given, while the transaction costs are recorded in profit and loss at their inception.

Financial assets at fair value through profit and loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit and loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. There are no financial assets at fair value through profit and loss that are not held for trading.

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing it in the near term and for which there is evidence of a recent actual pattern of short-term profit taking.

Financial assets at fair value through profit and loss are carried at fair value and the fair value changes are recognised in the profit and loss.

Loans and advances

Loans and advances are non-derivative financial assets with fixed determinable payments that are not quoted in an active market. They arise when the Bank provides money to a debtor with no intention of trading the receivable.

Loans are recognised when the cash is advanced to the borrowers and are carried at amortised cost using the effective interest rate method.

Notes to the Financial Statements

Held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity.

Held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity.

Available-for-sale financial assets are consequently carried at fair value. The fair values of quoted investments in active markets are based on current bid prices. Unquoted equity instruments whose fair value cannot be reliably determined are carried at cost less impairment.

Unrealised gains or losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported in equity is included in the statement of income for the period.

(h) Fair value

The fair value of instruments traded on recognised financial markets is determined according to current bid prices.

The fair value of unquoted investments is determined by reference to the market prices of similar investments or is based on the expected discounted cash flows.

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(i) Impairment of financial assets.

Assets carried at amortised cost

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses incurred if, and only if, there is objective evidence of impairment as the result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Notes to the Financial Statements

Principal Accounting Policies (Contd)

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the assets original effective interest rate. Losses are recognised in profit and loss and reflected in an allowance account against the respective assets.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit and loss.

Assets classified as available-for-sale

The Bank assesses at each balance sheet date whether assets classified as available-for-sale are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impaired loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement.

(j) Derecognition

A financial asset shall be derecognised when the Bank loses control over the contractual rights that comprise the asset. This will occur when the rights are realised, expired or surrendered. A financial liability shall be derecognised when it is extinguished.

Available-for-sale assets and assets held for trading shall be derecognised when sold and the corresponding receivable from the buyer for the payment is recognised.

Held-to-maturity instruments and originated loans and receivables shall be derecognised on the day they are repaid in full by the debtor.

(k) Trade date

All financial assets and liabilities are recognised in the balance sheet on a trade date basis. This means that purchases and sales are recognised from the date at which the purchase or sale is agreed.

Notes to the Financial Statements

(l) Hedging

The Bank did not designate any transactions as hedges during the year.

(m) Assets and liabilities held with the International Monetary Fund

The bank acts as the depository and fiscal agent of Sierra Leone in the relationship of Sierra Leone with the International Monetary Fund (IMF). The net position with respect to Sierra Leone's membership of the IMF is reported on the Bank's balance sheet. All other claims of Sierra Leone on, and liabilities to, the IMF are recorded in the financial statements of the Bank. The composition of that position is explained in note 2.

Assets and liabilities denominated in SDRs are translated into Leone at the official exchange rate of Leone to SDR at the balance sheet date.

(n) Property, plant and equipment

(i) Cost or valuation

Property, plant and equipment is recorded at cost or valuation and reported less accumulated depreciation. Revaluations are made with sufficient regularity to ensure that the carrying amount of an asset does not differ materially from that which would be determined using the fair value at the balance sheet date. Any gains arising on revaluation are credited directly to the Property Revaluation Reserve account and not taken through the income statement.

Subsequent expenditure shall only be capitalised where it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure shall be recognised in the income statement as an expense as incurred.

(ii) Depreciation

Depreciation is charged to the income statement on a straight line basis with the corresponding credit to the respective accumulated depreciation account.

Depreciation rates are reviewed on an annual basis to ensure they reflect the future economic benefits embodied in the assets.

Current depreciation rates

	Number of Years
Buildings	50
Computer Equipment	5
Vehicles	5
Plant and machinery	10
Furniture and equipment	4

Notes to the Financial Statements

(o) Inventories

Inventories are valued at the lower of cost and net realisable value. Unissued currency stocks are recorded as inventory at the cost of acquisition and expensed when issued.

(p) Currency in circulation

Bank notes and coins in circulation issued by the bank are presented in the balance sheet as a liability in favour of the holder, at face value. When coins and notes are withdrawn from circulation the relevant demand deposits are increased, while the liability in favour of the holders is reduced.

(q) Deposits

Deposits are recognised initially at fair value. Subsequently deposits are recognised at amortised cost.

(r) Provisions

Provisions are recognised in the balance sheet where the Bank has a legal or constructive obligation as the result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(s) Other payables

Other payables are recognised at cost.

(t) Income and expense recognition

Interest income and expense is recognised in the statement of income for all interest bearing instruments using the effective interest method.

Fees, commissions and other expenditure are recognised in the income statement on an accrual basis.

(u) Employment benefits

All Bank employees are members of the National Social Security and Insurance Trust. The Bank's contributions to this scheme on behalf of its employees are recognised as a cost in the income statement.

Notes to the Financial Statements

(v) Appropriations of annual net profit

Under Section 11 of the Bank of Sierra Leone Act 2000 (the Act), net profit shall be allocated as follows:

One third of net profit shall be transferred to General Reserve if the General Reserve does not exceed the minimum paid up capital of the Bank. One sixth of net profit is allocated to General Reserve if the General Reserve exceeds the minimum paid up capital of the Bank (up to the point where the General Reserve equals four times the minimum paid up capital). Further allocation to General Reserve may be made with the approval of the Minister.

One quarter of the remaining profit for the financial year is then used to redeem any Government Securities held by the Bank that have been previously issued to preserve the minimum paid-up capital of the Bank from impairment.

An amount determined through consultation with the Minister is then allocated to the Development Credit Fund established under the Act. Any residue of net profit is paid into a Consolidated Fund.

The above appropriations will not be made should the Board judge the assets of the Bank to be (prior to or as a result of the appropriations) less than the sum of the liabilities and minimum paid up capital.

If the Bank incurs a net loss during a financial year, this loss is charged to the General Reserve until the Reserve is depleted, when losses will be carried forward, to be replenished by Government transfers of funds, negotiable securities bearing market related terms and conditions or foreign exchange. In the absence of such replenishment, all future profits will be allocated to cancel accumulated losses in priority to the above appropriations.

Also in accordance with Section 54 (3) where there is a carried over loss or a net debit balance in the revaluation reserve account, amounts shall be transferred from the available balance in the General Reserve to cancel such carried over losses.

Notes to the Financial Statements

(k) Taxation

In accordance with Section 9 (a) (iii) of the Income Tax Act 2000 and Section 56 (3) of the Bank of Sierra Leone Act 2000, the profits of the Bank are not liable to Income Tax.

2. IMF Related Assets

	2009 Le'000	2008 Le'000
IMF Quota	491,781,508	500,077,695
Less: Securities Account	(67,390,261)	(67,390,261)
IMF No 1 Account	(424,276,746)	(432,570,459)
Valuation Adjustment	-	-
Reserve Tranche	114,501	116,975
SDR Holdings	573,540,089	95,133,860
	573,654,590	**95,250,835**

Sierra Leone's interest in the International Monetary Fund is presented on a net basis as there is a legal right of set off between its membership accounts.

3. Investments

AfreximBank Capital Investment	4,407,382	2,433,784
AfreximBank Dividend Investment	149,525	706,113
BSL CON-WAMA Credit Guarantee Fund	1,348,604	1,049,986
WAMA	9,639,200	7,605,575
	15,544,711	**11,795,458**

4. Treasury Bills and Bearer Bonds

Treasury Bills held for monetary policy	54,408,484	40,386,113
Treasury Bonds held for monetary policy	24,665,750	24,466,250
Other Treasury Bills and Bonds	8,145,800	7,268,254
One Year Treasury Bills	54,918,454	58,559
182 Days Treasury Bills	42,667,024	-
	184,805,512	**72,179,175**

5. Special Issue of Securities of the Government of Sierra Leone

Non-Negotiable Non-Interest Bearing		
Securities in issue at the beginning of the year	243,731,429	406,231,429
Provision for impairment	(243,731,429)	(406,231,429)
	-	-

Under Section 44(2) and 7(2) of the repealed Bank of Sierra Leone (Amendment) Act 1970, the Minister of Finance and the Financial Secretary, on behalf of the Government issued on 24 June 1994 and 25 May 2000 non-negotiable, non-interest-bearing securities with no fixed redemption date. As these securities have no interest rate and no fixed redemption date in accordance with International Accounting Standards they have been discounted to net present value based on projected cash flows. This valuation results in a zero value.

Notes to the Financial Statements

6. Loans and Advances

	2009	2008
	Le'000	Le'000
Loans to Banks	5,234,983	5,133,783
Less Provision for Bad Debts	(225,000)	-
	5,009,983	5,133,783
Staff personal loan	1,597,793	1,154,915
Staff housing loan	281,480	411,032
Staff vehicle loan	1,639,672	827,511
Advances to contractors	1,865,555	288,697
Advances to staff	11,382	14,028
Advances to others	65,475	14,970
Rent and other prepayments	443,967	3,170,552
Loan to Sierra Leone Stock Exchange	1,000,000	1,000,000
Reverse REPO Account	5,965,782	-
	17,881,089	**12,015,488**

Loans to Banks

Bank	**Date of Loan**	**Loan Amount to Date**	**Outstanding Balance**
		Le'000	Le'000
Yoni Community Bank	2002	799,300	799,300
Marampa-Masimera Community Bank	2002	670,600	670,600
Mattru Community Bank	2003	776,800	776,800
Segbwema Community Bank	2003	805,400	805,400
Zimmi Community Bank	2004	938,129	938,129
Kabala Community Bank	2004	1,019,754	1,019,754
National Co-operative Development Bank	2003	300,000	225,000
Total		**5,309,983**	**5,234,983**

Notes to the Financial Statements

The loan to the National Co-operative Development Bank was granted in December 2003 on an interest-free basis repayable over a period of two years. Full provision for the outstanding balance has been made in the 2009 Accounts upon receipt of the Board's approval during its 467th meeting held on Friday 19 March 2010. The loan was provided for the purpose of meeting some of its operational costs during the period of insolvency.

Loans granted to six Community Banks amounted to Le 5.01 billion as at 31 December 2009. These loans are for a period of 40 years and made on preferential terms being interest-free for the first five years with a moratorium on principal repayment for a period of ten years and bearing an interest rate of 0.7%. Interest payments from two (Yoni and Marampa-Masimera) of these Banks have been due since 2007. Two of the rest (Mattru and Segbwema Community Banks) were supposed to commence interest payments in 2008 while the remaining two (Zimmi and Kabala) should have started their interest payments in 2009. No payment has however been made to date.

Work is in progress to ensure that provision for these interests which are due and unreceived is made in the Bank's accounts.

7. Other Non-Financial assets

	2009	**2008**
	Le'000	Le'000
Gold Stock	375,808	238,256
Inventory Items		
Medical	13,658	52,016
Fuel	99,232	98,629
Maintenance	59,034	133,290
Stationery	136,595	150,507
Others	82,670	94,844
Items in transit	52,762,507	8,330,375
Deferred currency issue expenses	1,879,378	9,028,232
Deferred Government Security certificates expenses	141,719	141,722
	55,550,601	**18,267,871**

Notes to the Financial Statements

8. Property, Plant and Equipment

Cost:	Premises Le'000	Equipment Le'000	Total Le'000
Balance at 1 January 2009	50,344,950	19,272,170	69,617,120
Revaluation of Bank's properties			
Acquisitions	-	1,045,006	1,045,006
Disposals	-	(5,000)	(5,000)
Balance at 31 December 2009	**50,344,950**	**20,312,176**	**70,657,126**
Depreciation:			
Balance at 1 January 2009	7,199,221	14,668,654	21,867,875
Depreciation charge for the year	996,357	1,486,282	2,482,639
Disposals during the year	-	(4,832)	(4,832)
Balance at 31 December 2009	**8,195,578**	**16,150,104**	**24,345,682**
Net book value:			
At 1 January 2009	43,145,729	4,603,516	47,749,245
At 31 December 2009	**42,149,372**	**4,162,071**	**46,311,444**

Freehold properties in Freetown and Kenema were revalued in June 2006 on a replacement cost basis, taking into consideration the Bank's specialised facilities, by Realini Bader Associates Limited, Architects, Engineers and Planners. The revaluation has been reflected in these financial statements. The surplus arising thereon has been credited to the Property Revaluation Reserve account.

9. IMF Related Liabilities

	2009 Le'000	2008 Le'000
IMF Special Drawing Rights	471,890,274	84,174,119
IMF Poverty Reduction and Growth Facility (PRGF)	221,458,176	166,433,766
	693,348,450	**250,607,885**

10. Other Foreign Currency Financial Liabilities

Foreign payment	88,571	96,624
Sierra Rutile/GoSL Loan	2,795,521	2,205,738
Bank of China US$ Clearing	32,446,205	25,600,884
WAMA ECOWAS Travellers' Cheques	11,798	10,684
WAMA ECOWAS Travellers' Cheques clearing	(1,169)	(1,169)
Commission of European Committee	-	9,904
WAMA settlement	(1,491,088)	(1,160,920)
OFID Debt Relief Imprest account	19,095,852	-
	52,945,690	**26,761,745**

Notes to the Financial Statements

11. Accrued Charges and Other Liabilities

	2009	2008
	Le'000	Le'000
Accrued charges - Auditors' fee	90,000	70,000
Other Accrued charges	2,948,722	2,699,617
P.S. Bond in circulation	449	449
Retention monies	194,487	150,157
Unapproved invoices	(765)	(825)
Trade and sundry creditors	1,000,000	2,287
	4,232,893	**2,921,685**

12. Provision for Revaluation of Pipeline Liabilities

Beginning of year	215,769,090	268,491,102
Revaluation	75,423,641	(52,710,756)
Disbursements	-	(11,256)
End of year	**291,192,731**	**215,769,090**

The provision for revaluation of pipeline is a contingency provision in respect of pipeline deposits in the Bank's books. It relates to the purported obligation of the Bank to settle liabilities to Commercial Banks in relation to money they deposited in Leones on behalf of importers in exchange for the Bank settling their foreign currency obligation.

To comply with IAS 37, the provision should be discounted to the present value of the expenditure required to settle this obligation. However, despite our best efforts, the Bank still cannot reasonably determine the date when the obligation will be discharged and therefore could not discount the liability to its present value.

The Bank is currently negotiating to resolve final settlement and until a date is determined, the Bank will continue to revalue the foreign currency equivalent at the prevailing exchange rate at the end of each financial year. As the provision reflects actual amounts deposited with no liability to pay interest thereon, this is considered the best estimate of the expenditure required to settle the obligation when it falls due. A portion of the provision has been utilised to settle the liability in respect of one of the importers after the matter was resolved by the courts.

13. Capital and Reserves

(a) Capital

Authorised	**100,000,000**	**100,000,000**
Issued	50,000,000	50,000,000
Foreign Exchange (Retained Revaluation Losses)	(147,236,407)	(200,660,911)
Property Revaluation Reserve	32,792,919	32,792,919
General Asset Reserve/(Retained Losses)	(237,587,132)	(375,517,007)
Total Reserves	**(352,030,620)**	**(543,384,999)**

Notes to the Financial Statements

Sections 10(1) and 71 of the Bank of Sierra Leone Act 2000 require that the minimum paid up capital of the Bank must be Le50bn, to be subscribed within five years from the commencement of the Act that is by 15 February 2005. The capital has been fully subscribed.

The Bank has determined that as a minimum capital requirement it needs capital and assets with enough income earning capacity to cover its operating expenses. Currently it does not have enough income earning assets to achieve this. The Bank is currently in negotiation with the Ministry of Finance and Economic Development to convert a sufficient amount of the current non-negotiable, non-interest bearing securities (NNNIBS) of the Government on its Balance Sheet to interest bearing securities to generate the necessary level of income. In 2009, a total of Le130 billion worth of NNNIBS was converted in two tranches of Le65 billion each into 5 year medium term bonds at a concessionary rate of 9% p.a. This generated additional income of Le13.28 billion during the period to meet the net operating deficit of the Bank.

(b) General Reserve Fund

Under the provision of Section 11(2) of the Bank of Sierra Leone Act 2000, a General Reserve is established by allocation from the net profit of each year. One third of net profit is allocated if the General Reserve does not exceed the minimum paid up capital of the Bank. One sixth of net profit is allocated should General Reserve exceed the minimum paid up capital of the Bank (up to the point where the Reserve equals four times the minimum paid up capital). Further allocations to the General Reserve may be made from time to time with the approval of the Minister to increase the reserve beyond four times the minimum paid up capital of the Bank.

In accordance with Section 11(7) of the Act, if the Bank incurs any net loss during any financial year such loss shall be charged to the General Reserve. Also in accordance with Section 54 (3) where there is a carried over loss or net debit balance in the Revaluation Reserve Account, amounts shall be transferred from the available balance in the General Reserve to cancel such carried over losses.

(c) Foreign Exchange Revaluation Reserve

Under Section 54(1) of the Bank of Sierra Leone Act 2000, gains and losses arising from any changes in the valuation of the Bank's foreign currency denominated assets and liabilities resulting from changes in the rate of exchange of the Leone, or any change in the value parities or exchange rate of assets with respect to the Leone are taken to the Foreign Exchange Revaluation Reserve.

Under Section 54(3) of the Act, any net debit in this Reserve Account will be cancelled by future revaluation gains or by transfers from the General Reserve. Additionally no profit shall be transferred to the Consolidated Fund and all available profit shall be credited to the Revaluation Reserve Account until the amount sufficient to cover the losses reflected by the debit has been transferred.

(d) Property Revaluation Reserve

The Bank maintains a Property Revaluation Reserve to which is transferred revaluation gains on revaluing its properties.

Notes to the Financial Statements

14. Income from Financial Assets	2009 Le'000	2008 Le'000
Income from Foreign Currency Assets		
STG Investments	119,309	8,570,910
US$ Investments	1,262,328	5,263,867
SDR Investments	932,999	2,547,512
Other External Investments	1,297,249	5,205,732
Total Income from Foreign Currency Assets	**3,611,885**	**21,588,023**
Income from Local Currency Assets		
Income on Sierra Leone Government Treasury Bonds	3,500,325	4,729,045
Income on Sierra Leone Government Treasury Bills	2,823,525	5,859,314
Income on Loans and Advances	3,035,730	623,035
Income from Investment of Bank's Funds	642,009	944,871
Income on 1-Year Treasury Bills	17,892	43,718
Income on 5-Year Medium Term Bonds	13,275,000	4,500,000
Income on 182-Day Treasury Bills	1,859,703	-
Total Income from Local Currency Assets	**25,154,184**	**16,699,983**
Total Income from Financial Assets	**28,766,069**	**38,288,006**

15. Expenses on Financial Liabilities		
Expenses on Foreign Currency Liabilities		
Interest expenses: IMF Interest and Charges	(1,028,941)	(2,679,153)
Charges on Foreign Transactions	(118,387)	(48,450)
Total Expenses on Foreign Currency Liabilities	**(1,147,328)**	**(2,727,603)**
Expenses on Local Currency Liabilities		
Amortisation of Government Securities	(2)	(3)
Total Expenses on Local Currency Liabilities	**(2)**	**(3)**
Total Expenses on Financial Liabilities	**(1,147,330)**	**(2,727,606)**

Notes to the Financial Statements

		2009	2008
		Le'000	Le'000
16.	**Other Income**		
	Commission Received	22,718	20,616
	Commission on Foreign Transactions	2,859	5,229
	Net Overs in Till	-	505
	Profit on Sale of Assets	1,092	-
	Rents Received	25,063	24,019
	Sundry Receipts	2,119,146	1,789,946
	Gains on Monetary Operations	-	-
	Interest Received	-	19,621
	Income on Revaluation Repo operation	1,005,601	-
	Total Other Income	**3,176,479**	**1,859,936**
17.	**Currency**		
	Currency Management	(56,785)	(49,189)
	Currency Issue Expenses	(7,148,854)	(11,639,067)
	Total Currency Expenses	**(7,205,639)**	**(11,688,256)**
18.	**Administration**		
	Electricity	(1,466,163)	(1,634,319)
	Passages and Overseas Allowances	(1,103,516)	(1,229,397)
	Contribution to International Organisations	(2,189,310)	(1,620,089)
	Miscellaneous	(10,319,694)	(9,576,270)
		(15,078,683)	**(14,060,075)**
19.	**Others**		
	Books and Periodicals	(73,131)	(58,780)
	Bank Publications	(77,368)	(74,356)
	Newspaper and Local Publication	(16,616)	(14,466)
	Stores Adjustment	(2)	(15,487)
	Bad debt	(225,000)	-
		(392,117)	**(163,089)**
20.	**Contingent Liabilities**		
	Guarantees and Endorsements	280,881,096	229,593,628
	Promissory Notes	2,822,576	7,962,887
21.	**Capital Commitments**		
	Capital expenditure/building renovation/payment in transit accounts	1,661,049	8,143,708
	African Export Import Bank (Outstanding Shares - $0.8 million)	3,084,544	3,650,676
		4,745,593	**11,794,384**

Notes to the Financial Statements

22. Reconciliation of Operating Cash Flows with Operating Profit

	2009	2008
	Le'000	Le'000
Operating profit	**30,519,372**	**5,939,999**
Effect of Exchange Rate Movements	(53,424,504)	(18,410,230)
Depreciation	2,482,639	2,777,899
Decrease in Interest Receivable	1,866,832	463,116
Net Cash Outflow from Operating Activities	**(18,555,661)**	**(9,229,216)**

23. Risk Management

Financial Risk Management

International Financial Reporting Standard 7 – Financial Instruments: Disclosures – requires disclosure of information relating to: both recognised and unrecognised financial instruments, their significance and performance, accounting policies, terms and conditions, net fair values and risk information - the Bank's policies for controlling risks and exposures.

A financial instrument is defined as any contract that gives rise to both a financial asset of one enterprise and financial liability or equity instrument of another enterprise. The identifiable financial instruments for the Bank of Sierra Leone are its domestic government securities, its foreign currency liabilities, loans and advances, bank deposits, currency in circulation and deposit liabilities.

Net fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Bank of Sierra Leone's recognised instruments are carried at cost or current market value, which approximates net fair value.

The Bank is involved in policy-oriented activities. Therefore, the Bank's risk management framework differs from the risk management frameworks for most other financial institutions. The main financial risks to which the Bank is exposed include credit risk, foreign exchange risk and interest rate risk. In the management of foreign reserves, minimising liquidity risk is the prime consideration in order to ensure the availability of currency as required. Like most central banks the nature of the Bank's operations creates exposure to a range of operational and reputational risks.

Notes to the Financial Statements

Bank management seeks to ensure that strong and effective risk management and control systems are in place for assessing, monitoring and managing risk exposure. Specialist staff conducts the Bank's local currency, foreign currency reserves management, and foreign exchange dealing operations in accordance with a clearly defined risk management framework, delegated functions and limits set by the Governor.

The Bank is subject to an annual external audit for which the Auditor-General takes responsibility either by conducting the audit or appointing an auditor as prescribed in Section 52(1) of the Bank of Sierra Leone Act 2000. Auditing arrangements are overseen by an Audit Committee of the Board which meets regularly to monitor the financial reporting and audit functions within the Bank. The Committee reviews the internal audit function and when necessary, should have direct access to the External Auditor. The Committee reports to the Board of Directors on its activities.

The overall risk management framework is designed to strongly encourage the sound and prudent management of the Bank's risks. The Bank seeks to ensure the risk management framework is consistent with financial market best practice.

The risk tables in this note are all based on Bank of Sierra Leone's portfolio as reported in its balance sheet.

Operational Risk

Operational risk is the risk of loss in both financial and non-financial terms resulting from human error and the failure of internal processes and systems.

Managing operational risk is seen as an integral part of the day-to-day operations and management, which includes explicit consideration of both the opportunities and the risks of all business activities. Operational risk management includes Bank-wide corporate policies that describe the standard required of staff and specific internal control systems designed around the particular characteristics of various Bank activities.

Compliance with corporate policies and departmental internal control systems are managed by departmental management and an active internal audit function.

Credit risk

Credit risk is the risk of loss arising from counterparty to a financial contract failing to discharge its obligations.

Notes to the Financial Statements

Credit Risk Management

Credit risk is monitored and managed daily. Exposures are controlled through individual counterparty and issuer credit limits. Individual credit limits are set on the basis of the rating of the counterparty or issuer.

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

Concentration of Credit Exposure

The Bank's significant end-of-year concentrations of credit expo sure, classified by industry of the issuer were as follows**:**

	2009 Le'000	**2008** Le'000
Sierra Leone Government	365,185,994	122,781,855
Other Sovereign Issuers	358,547,941	142,735,162
Supranational Financial Institutions	589,199,301	107,046,293
Overseas Financial Institutions	205,725,704	399,678,123
Sierra Leone Financial Institutions	5,029,983	5,133,783
Other	19,709,648	11,711,412
Total Financial Assets	**1,543,398,571**	**789,086,628**

The Bank's significant end-of-year concentrations of credit exposure, based on the country/ region in which the issuers' parent was located, were as follows:

	2009 Le'000	**2008** Le'000
Sierra Leone	383,087,083	134,797,343
United States of America	179,046,631	341,155,069
Europe	388,703,029	201,575,764
Supranational Financial Institutions	589,199,301	107,046,293
Other	3,362,527	4,512,159
Total Financial Assets	**1,543,398,571**	**789,086,628**

Notes to the Financial Statements

Credit Exposure by Credit Rating

The following table represents the Bank's financial assets based on Standard and Poor's credit rating of the issuer. AAA is the highest quality rating possible and indicates that the entity has an extremely strong capacity to pay interest and principal. AA is a high grade rating, indicating a very 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 indicates the entity has not been rated by Standard and Poor's.

`	Credit Rating	2009	% of 2009 Financial Assets	2009	% of 2008 Financial Assets 2008
Foreign Currency Financial assets					
Cash balances with central banks	AAA	477,999,672	30.97%	428,212,315	54.27%
Other Cash balances	AA	92,683,645	6.00%	116,957,173	14.82%
IMF Related Assets	NR	573,654,590	37.17%	95,250,835	12.07%
Investments	NR	15,544,711	1.01%	11,795,458	1.50%
Accrued Interest	NR	428,870	0.03%	2,073,504	0.26%
Total Foreign Currency Financial Assets		**1,160,311,488**	**75.18%**	**654,289,285**	**82.92%**
Local Currency Financial Assets					
Treasury bills and bonds	NR	184,805,512	11.97%	72,179,175	9.14%
Accrued interest	NR	380,482	0.03%	602,680	0.08%
5 year medium term bonds	NR	180,000,000	11.66%	50,000,000	6.34%
Loans and advances	NR	17,901,089	1.16%	12,015,488	1.52%
Special issue of securities by the GoSL	NR	0	0%	0	0%
Total Local Currency Financial assets		**383,087,083**	**24.82%**	**134,797,343**	**17.08%**
Total Financial assets		**1,543,398,571**	**100.00%**	**789,086,628**	**100.00%**

Interest Rate Risk

Interest rate risk is the risk of loss arising from changes in interest rates

Notes to the Financial Statements

Year ended 31 December 2009
Assets and liabilities will mature or re-price within the following periods:

	Non–interest bearing	Up to 1 month	1 to 3 months	3 months to I year	1 to 5 years	Over 5 years	Total
Foreign Currency							
Financial Assets							
Cash and Cash equivalents	15,395,365	431,607,293	98,729,273	24,918,585	32,801	-	570,683,317
IMF Related Assets	-	-	-	573,654,590	-	-	573,654,590
Investments	-	-	-	-	689,125	14,855,586	15,544,711
Accrued interest	-	173	33,964	8,786	341	385,606	428,870
Total Foreign Currency Financial Assets	**15,395,365**	**431,607,466**	**98,763,237**	**598,581,961**	**722,267**	**15,241,192**	**1,160,311,488**
Local Currency Financial Assets							
Treasury bills and bonds	-	12,379,020	57,735,292	114,688,505	-	2,695	184,805,512
Accrued interest	-	40,659	339,823	-	-	-	380,482
Loans and advances	-	-	-	-	11,589,626	6,311,463	17,901,089
5 year medium term bonds	-	-	-	-	180,000,000	-	180,000,000
Special issue of securities of the GoSL	-	-	-	-	-	-	-
Total local Currency Financial Assets	**-**	**12,419,679**	**58,075,115**	**114,688,505**	**191,589,626**	**6,314,158**	**383,087,083**
Other non-financial assets	55,550,601	-	-	-	-	-	55,550,601
Property	46,311,444	-	-	-	-	-	46,311,443
Total assets	**117,257,410**	**444,027,145**	**156,838,352**	**713,270,466**	**192,311,893**	**21,555,350**	**1,645,260,616**
Foreign Currency Financial liabilities							
IMF related liabilities	-	-	-	-	221,458,176	471,890,274	693,348,450
Other foreign currency liabilities	-	-	-	-	-	52,945,690	52,945,690
Total foreign currency financial liabilities	**-**	**-**	**-**	**-**	**221,458,176**	**524,835,964**	**746,294,140**
Local currency financial liabilities							
Government deposits	338,746,493	-	-	-	-	-	338,746,493
Commercial bank deposits	49,564,719	-	-	-	-	-	49,564,719
Other deposits	30,822,417	-	-	-	-	-	30,822,417
Accrued charges	4,232,893	-	-	-	-	-	4,232,893
Total local currency financial liabilities	**423,366,522**	**-**	**-**	**-**	**-**	**-**	**423,366,522**
Currency in circulation	486,437,843	-	-	-	-	-	486,437,843
Provision for pipeline	-	-	-	-	291,192,731	-	291,192,731
Total Liabilities	**909,804,365**	**-**	**-**	**-**	**512,650,907**	**524,835,964**	**1,947,291,236**
Capital and reserves	**(302,030,620)**	**-**	**-**	**-**	**-**	**-**	**(302,030,620)**
Total liabilities and equity	**607,773,745**	**-**	**-**	**-**	**512,650,907**	**524,835,964**	**1,645,260,616**

Notes to the Financial Statements

Average interest rate based on the next interest rate fixing date as at 31 December 2009

	Up to 1 month	1 to 3 months	3 months to 1 years	1 to 5 years	Over 5 years	Average Weighted Rate
Foreign Currency Financial Assets						
Cash and Cash equivalents	8,330,021	3,070,480	774,968	-	-	2.19
IMF Related Assets	-	2,653,522	-	-	-	2.85
Investments	-	-	-	-	-	NA
Accrued interest	-	-	-	-	-	NA
Total Foreign Currency Financial assets	**8,330,021**	**5,724,002**	**774,968**	**-**	**-**	**2.29**
Local Currency Financial Assets						
Treasury bills and bonds	1,346,824	8,992,709	18,478,938	-	-	0.16
Accrued interest	-	-	-	-	-	NA
Loans and advances	-	-	-	-	-	NA
Total local Currency Financial Assets	**1,346,824**	**8,992,709**	**18,478,938**	**-**	**-**	**-**
Other non-financial assets	-	-	-	-	-	NA
Property	-	-	-	-	-	NA
Total assets	**9,676,845**	**14,716,711**	**19,253,906**	**-**	**-**	**-**
						-
Foreign Currency Financial liabilities						
IMF Related Liabilities	-	-	-	-	-	-
IMF Special Drawing Rights	-	-	-	-	10,334,397	2.19
IMF Poverty Reduction and Growth Facility	-	-	-	1,107,291	-	0.50
Other foreign currency liabilities	-	-	-	-	-	NA
Total foreign currency financial liabilities	**-**	**-**	**-**	**1,107,291**	**10,334,397**	
Local currency financial liabilities						
Government deposits	-	-	-	-	-	NA
Commercial bank deposits	-	-	-	-	-	NA
Other deposits	-	-	-	-	-	NA
Accrued charges	-	-	-	-	-	NA
Total local currency financial liabilities	**-**	**-**	**-**	**-**	**-**	
Currency in circulation	-	-	-	-	-	NA
Provision for pipeline	-	-	-	-	-	NA
Total Liabilities	**-**	**-**	**-**	**1,107,291**	**10,334,397**	**-**
Capital and reserves	**-**	**-**	**-**	**-**	**-**	**-**
Total liabilities and equity	**-**	**-**	**-**	**-**	**-**	**-**

Notes to the Financial Statements

Year ended 31 December 2008
Assets and liabilities will mature or re-price within the following periods:

	Non–interest bearing	Up to 1 month	1 to 3 months	3 months to I year	1 to 5 years	Over 5 years	Total
Foreign Currency Financial Assets							
Cash and Cash equivalents	8,260,079	53,538,883	438,241,883	45,128,643	-	-	545,169,488
IMF Related Assets	-	-	-	95,250,835	-	-	95,250,835
Investments	-	-	-	-	706,113	11,089,345	11,795,458
Accrued interest	-	162,713	1,655,489	93,386	10,357	151,559	2,073,504
Total Foreign Currency Financial Assets	**8,260,079**	**53,701,596**	**439,897,372**	**140,472,863**	**716,471**	**11,240,904**	**654,289,285**
Local Currency Financial Assets							
Treasury bills and bonds	-	7,558,224	31,684,247	32,934,009	-	2,695	72,179,175
Accrued interest	-	160,704	441,976	-	-	-	602,680
Loans and advances	-	-	-	-	5,470,673	6,544,815	12,015,488
5 year medium term bonds	-	-	-	-	50,000,000	-	50,000,000
Special issue of securities of the GoSL	-	-	-	-	-	-	-
Total local Currency Financial Assets	**-**	**7,718,928**	**32,126,223**	**32,934,009**	**55,470,673**	**6,547,510**	**134,797,343**
Other non-financial assets	18,267,871	-	-	-	-	-	18,267,871
Property	47,749,245	-	-	-	-	-	47,749,245
Total assets	**74,277,195**	**61,420,524**	**472,023,595**	**173,406,872**	**56,187,144**	**17,788,414**	**855,103,744**
Foreign Currency Financial liabilities							
IMF related liabilities	-	-	-	-	166,433,766	84,174,119	250,607,885
Other foreign currency liabilities	-	-	-	-	-	26,761,745	26,761,745
Total foreign currency financial liabilities	**-**	**-**	**-**	**-**	**166,433,766**	**110,935,864**	**277,369,630**
Local currency financial liabilities							
Government deposits	381,657,580	-	-	-	-	-	381,657,580
Commercial bank deposits	58,036,182	-	-	-	-	-	58,036,182
Other deposits	29,435,852	-	-	-	-	-	29,435,852
Accrued charges	2,921,685	-	-	-	-	-	2,921,685
Total local currency financial liabilities	**472,051,299**	**-**	**-**	**-**	**-**	**-**	**472,051,299**
Currency in circulation	383,298,724	-	-	-	-	-	383,298,724
Provision for Pipeline	-	-	-	-	215,769,090	-	215,769,090
Total Liabilities	**855,350,023**	**-**	**-**	**-**	**382,202,856**	**110,935,864**	**1,348,488,743**
Capital and reserves	**(493,384,999)**	**-**	**-**	**-**	**-**	**-**	**(493,384,999)**
Total liabilities and equity	**361,965,024**	**-**	**-**	**-**	**382,202,856**	**110,935,864**	**855,103,744**

Notes to the Financial Statements

Average interest rate based on the next interest rate fixing date as at 31 December 2008

	Up to 1 month	1 to 3 months	3 months to1 year	1 to 5 years	Over 5 years	Average Weighted Rate
Foreign Currency Financial Assets						
Cash and Cash equivalents	1,033,300	13,629,323	1,403,501	-	-	2.99
IMF Related Assets	-	-	2,711,315	-	-	2.85
Investments	-	-	-	-	-	NA
Accrued interest	-	-	-	-	-	NA
Total Foreign Currency Financial assets	**1,033,300**	**13,629,323**	**4,114,816**	**-**	**-**	**-**
Local Currency Financial Assets						
Treasury bills and bonds	1,053,977	2,524,001	4,876,647	-	-	0.13
Accrued interest	-	-	-	-	-	NA
Loans and advances	-	-	-	-	-	NA
Total local Currency Financial Assets	**1,053,977**	**2,524,001**	**4,876,647**	**-**	**-**	
Other non-financial assets	-	-	-	-	-	NA
Property	-	-	-	-	-	NA
Total assets	**2,087,277**	**16,153,324**	**8,991,463**	**-**	**-**	**-**
Foreign Currency Financial liabilities						
IMF Related Liabilities	-	-	-	-	-	
IMF Special Drawing Rights	-	-	-	-	2,398,962	2.85
IMF Poverty Reduction and Growth Facility	-	-	-	832,169	-	0.50
Other foreign currency liabilities	-	-	-	-	-	NA
Total foreign currency financial liabilities	**-**	**-**	**-**	**832,169**	**2,398,962**	**-**
Local currency financial liabilities						
Government deposits	-	-	-	-	-	NA
Commercial bank deposits	-	-	-	-	-	NA
Other deposits	-	-	-	-	-	NA
Accrued charges	-	-	-	-	-	NA
Total local currency financial liabilities	-	-	-	-	-	-
Currency in circulation	-	-	-	-	-	NA
Provision for pipeline	-	-	-	-	-	NA
Total Liabilities	**-**	**-**	**-**	**832,169**	**2,398,962**	**-**
Capital and reserves	-	-	-	-	-	-
Total liabilities and equity	-	-	-	-	-	-

Notes to the Financial Statements

Liquidity Risk

Liquidity risk is the risk that insufficient liquid funds will be available to the Bank in order to perform its normal operations.

The Bank limits this risk by managing foreign assets with liquidity in mind.

The table below summarises the maturity profile of the Bank's assets and liabilities based on the contractual repayment date determined on the basis of the remaining period at the balance sheet date to the contractual maturity date.

Year ended 31 December 2009
Assets and liabilities will mature within the following periods:

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Foreign Currency Financial Assets						
Cash and Cash equivalents	447,002,658	98,729,273	24,918,585	32,801	-	570,683,317
IMF Related Assets	-	-	573,654,590	-	-	573,654,590
Investments	-	-	-	689,125	14,855,586	15,544,711
Accrued interest	173	33,964	8,786	341	385,606	482,870
Total Foreign Currency Financial assets	**447,002,831**	**98,763,237**	**598,581,961**	**722,267**	**15,241,192**	**1,160,311,488**
Local Currency Financial Assets						
Treasury bills and bonds	12,379,020	57,735,292	114,688,505	-	2,695	184,805,512
Accrued interest	40,659	339,823	-	-	-	380,482
Loans and advances	-	-	-	11,589,626	6,311,463	17,901,089
5 year medium term bonds	-	-	-	180,000,000	-	180,000,000
Special issue of Govt securities						
Total local Currency Financial Assets	**12,419,679**	**58,075,115**	**114,688,505**	**191,589,626**	**6,314,158**	**383,087,083**
Other non-financial assets	-	-	-	53,529,504	2,021,097	55,550,601
Property	-	-	-	-	46,311,444	46,311,444
Total assets	**459,422,510**	**156,838,352**	**713,270,466**	**245,841,397**	**69,887,891**	**1,645,260,616**
Foreign Currency Financial liabilities						
IMF related liabilities	-	-	-	221,458,176	471,890,274	693,348,450
Other foreign currency liabilities	-	-	-	-	52,945,690	52,945,690
Total foreign currency financial liabilities	-	-	-	**221,458,176**	**524,835,964**	**746,294,140**
Local currency inancial liabilities						
Government deposits	338,746,493	-	-	-	-	338,746,493
Commercial bank deposits	49,564,719	-	-	-	-	49,564,719
Other deposits	30,822,417	-	-	-	-	30,822,417
Accrued charges	4,232,893	-	-	-	-	4,232,893
Total local currency financial liabilities	**423,366,522**	-	-	-	-	**423,366,522**
Currency in circulation	486,437,843	-	-	-	-	486,437,843
Provision for pipeline	-	-	-	291,192,731	-	291,192,731
Total Liabilities	**909,804,365**	-	-	**512,650,907**	**524,835,964**	**1,947,291,236**
Capital and reserves	-	-	-	-	**(302,030,620)**	**(302,030,620)**
Total liabilities and equity	**909,804,365**	-	-	**512,650,907**	**222,805,344**	**1,645,260,616**
GAP ANALYSIS						
Gap per individual band	**(450,381,855)**	**156,838,352**	**713,270,466**	**(266,809,510)**	**(152,917,453)**	-

Notes to the Financial Statements

Year ended 31 December 2008
Assets and liabilities will mature within the following periods:

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Foreign Currency Financial Assets						
Cash and Cash equivalents	61,774,524	438,241,883	45,128,643	24,438	-	-
IMF Related Assets	-	-	95,250,835	-		95,250,835
Investments	-	-	-	706,113	11,089,345	11,795,458
Accrued interest	162,713	1,655,489	93,385	10,358	151,559	2,073,504
Total Foreign Currency Financial assets	**61,937,237**	**439,897,372**	**140,472,863**	**740,909**	**11,240,904**	**654,289,285**
Local Currency Financial Assets						
Treasury bills and bonds	7,558,224	31,684,247	32,934,009	-	2,695	72,179,175
Accrued interest	160,704	441,976	-	-	-	-
Loans and advances	-	-	-	-	-	-
5 year medium term bonds	-	-	-	50,000,000	-	-
Special issue of Govt securities	-	-	-	-	-	-
Total local Currency Financial Assets	**7,718,928**	**32,126,223**	**32,934,009**	**55,470,673**	**6,547,510**	**134,797,343**
Other non-financial assets	-	-	-	9,097,917	9,169,954	18,267,871
Property	-	-	-	-	47,749,245	47,749,245
Total assets	**69,656,165**	**472,023,595**	**173,406,872**	**65,309,499**	**74,707,613**	**855,103,744**
Foreign Currency Financial liabilities						
IMF related liabilities	-	-	-	166,433,766	84,174,119	250,607,885
Other foreign currency liabilities	-	-	-	-	26,761,745	26,761,745
Total foreign currency financial liabilities	-	-	-	**166,433,766**	**110,935,864**	**277,369,630**
Local currency financial liabilities						
Government deposits	381,657,580	-	-	-	-	381,657,580
Commercial bank deposits	58,036,182	-	-	-	-	58,036,182
Other deposits	29,435,852	-	-	-	-	29,435,852
Accrued charges	2,921,685	-	-	-	-	2,921,685
Total local currency financial liabilities	**472,051,299**	-	-	-	-	**472,051,299**
Currency in circulation	383,298,724	-	-	-	-	383,298,724
Provision for pipeline		-	-	215,769,090	-	215,769,090
Total Liabilities	**855,350,023**	-	-	**382,202,856**	**110,935,864**	**1,348,488,743**
Capital and reserves		-	-	-	**(493,384,999)**	**(493,384,999)**
Total liabilities and equity	**855,350,023**	-	-	**382,202,856**	**(382,449,135)**	**855,103,744**
GAP ANALYSIS						
Gap per individual band	**(785,693,858)**	**472,023,595**	**173,406,872**	**(316,893,357)**	**457,156,748**	-

Notes to the Financial Statements

Currency Risk

Currency risk is the risk that the value of the Bank's foreign reserves will be reduced as a result of fluctuation in foreign exchange rates.

Basic guidelines for the management of the Bank's international reserves are set by the Board of the Bank and reviewed on a quarterly basis; the guidelines prescribe the currency structure, average term of deposits and a selection of foreign banks.

The table below summarises the Bank's exposure to currency risk. Included in the table are the Bank's foreign currency denominated assets and liabilities at carrying amounts categorized by currency.

Foreign Currency Financial Assets and Liabilities at 31 December 2009

	GBPequivalent	EuroEquivalent	USDequivalent	SDRequivalent	OthersEquivalent	Total
Assets						
Cash and cash Equivalents	32,869,028	339,428,019	195,485,514	-	2,900,756	570,683,317
IMF related assets	-	-	-	573,654,590	-	573,654,590
Investments	-	-	14,196,106	-	1,348,605	15,544,711
Accrued Interest	94	34,042	9,128	385,606	-	428,870
Total Foreign Currency Assets	**32,869,122**	**339,462,061**	**209,690,748**	**574,040,196**	**4,249,361**	**1,160,311,488**
Liabilities						
IMF related liabilities	-	-	-	693,348,450	-	693,348,450
Other Liabilities	-	-	35,330,298	-	17,615,392	52,945,690
Total Foreign Currency Liabilities	**-**	**-**	**35,330,298**	**693,348,450**	**17,615,392**	**746,294,140**
Net	**32,869,122**	**339,462,061**	**174,360,450**	**(119,308,254)**	**(13,366,031)**	**414,017,348**

Foreign Currency Financial Assets and Liabilities at 31 December 2008

	GBPequivalent	Euroequivalent	USDequivalent	SDREquivalent	OthersEquivalent	Total
Assets						
Cash and cash Equivalents	58,016,764	143,559,000	341,155,068	-	2,438,656	545,169,488
IMF related assets	-	-	-	95,250,835	-	95,250,835
Investments	-	-	10,745,472	-	1,049,986	11,795,458
Accrued Interest	144,536	1,533,651	19,219	376,098	-	2,073,504
Total Foreign Currency Assets	**58,161,300**	**145,092,651**	**351,919,759**	**95,626,933**	**3,488,642**	**654,289,285**
Liabilities						
IMF related liabilities	-	-	-	250,607,885	-	250,607,885
Other Liabilities	-	9,904	27,903,246	-	(1,151,405)	26,761,745
Total Foreign Currency Liabilities	**-**	**9,904**	**27,903,246**	**250,607,885**	**(1,151,405)**	**277,369,630**
Net	**58,161,300**	**145,082,747**	**324,016,513**	**(154,980,952)**	**4,640,047**	**376,919,655**

Notes to the Financial Statements

Fair Value

Fair value represents the amount at which an asset could be replaced or a liability settled on an arms length basis. Fair values have been based on management's assumptions according to the profile of the asset and liability base.

IFRS requires that the fair value of financial assets and liabilities be disclosed according to their classification under IAS 39

Assets	2009 Le'000	2008 Le'000
At fair value through profit and loss	-	-
Held to maturity investments	184,805,512	31,734,503
Loans and receivables	-	-
Available-for-sale	-	40,444,672
Total financial assets	-	-
Non-financial assets	-	-
Total Assets Liabilities	**184,805,512**	**72,179,175**
At fair value through profit and loss	50,263	-
Not at fair value through profit and loss	-	-
Non-financial liabilities	-	-
Total liabilities	**50,263**	**-**

Exchange rate sensitivity analysis

We measured the sensitivity of profit to exchange rates volatility. As at 31 December 2009, if the Leone had depreciated by 10% against the principal foreign currencies in its foreign reserves portfolio, with all other variables held constant, profit for the year would have been Le116.03 billion higher. Conversely, if the Leone had strengthened by 10 per cent against the same currencies with all other variables held constant, the Bank would have experienced a reduction in profit for the year of Le116.03 billion. Profit is therefore very sensitive to changes in exchange rates as the Bank by necessity manages Sierra Leone's foreign reserves, and holds a very substantial foreign currency position.

Interest rate sensitivity analysis

We have performed a sensitivity analysis that estimated the impact that a change in interest rates would have on the fair value of financial instruments held as at December 31 2009.

Notes to the Financial Statements

As at December 2009, if interest rate had been 100 basis points lower with all other variables constant, profit for the year would have been Le12.92 billion lower, arising mainly as a result of lower interest income on foreign currency financial assets. Conversely, if interest rate had been 100 basis point higher with all other variables held constant, profit for the year would have been Le12.92 billion higher, arising mainly as a result of higher interest income on foreign currency financial assets. Profit is very sensitive to changes in interest rate on foreign assets as interest is the principal source of income for the Bank.

Pension Fund

The Pension Fund Scheme has been dissolved effective 31 December 2005 and gratuity payments have been made and Promissory Notes issued to eligible staff. The Bank was responsible for pension payments to existing pensioners during the period and will continue same until the demise of the last pensioner. However, the Staff Pension Trust Company continues to be a going concern.

As at 31 December 2009, the Bank expended a total of Le1.64 billion (2008 – Le1.41 billion) on payments to existing pensioners. However, based on their age and health status and assuming such pensioners live for an average of 10 – 15 years, it is expected that the Bank's liability would not be in excess of Le20 billion.

The Bank also guaranteed Promissory Notes issued by the Staff Pension Trust Company to retirees totalling Le2.82 billion (2008 – Le7.96 billion) which commitment has already been stated as a contingent liability in the Bank's Accounts. As at 31December 2009 the assets of the Company were adequate to settle these Promissory Notes as and when they fall due and it is not likely that the Bank will be required to settle this liability.

	Le'000
Value of Financial Assets	2,154,600
Value of Real Estate	3,719,157
Total	5,873,757
Promissory Notes	(2,882,576)
Surplus	**2,991,181**

Notes to the Financial Statements

Related Party Disclosures

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

As at 31December 2009 total advances to the Government was nil (2008 - Nil).

The Board of Directors (including the Governor and Deputy Governor) received remuneration amounting to Le1.44 billion (2008 - Le 1.24 billion). The Governors benefited from rent allowance and vehicles for official and domestic purposes. Board members did not benefit from any loan during the period under review. A total of Le41.27 million (2008 - Le64.38 million) was contributed to the National Social Security and Insurance Trust Scheme (NASSIT) on behalf of the Governors.

Senior management received remuneration of Le1.63 billion (2008 - Le1.66 billion) and benefited from official vehicles. Outstanding loans to senior management totalled Le107.79 million (2008 - Le200.91 million). A total of Le106.12 million (2008 - Le79.56 million) was contributed on their behalf to NASSIT.

Events after the Balance Sheet Date

Events subsequent to the balance sheet date are reflected only to the extent that they relate directly to the financial statements and their effect is material. There were no such events as at the date the financial statements were approved.