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CENTRAL BANK OF SOMALIA

**REPORTS AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 DECEMBER 2023**

CENTRAL BANK OF SOMALIA

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

CONTENTS	PAGES
Corporate information	2
Statement from the Governor	3
Report of the directors	4 – 9
Statement on corporate governance	10 - 12
Financial highlights	13 - 15
Statement of directors' responsibilities	16
Independent auditors' report	17 - 19
Financial statements:	
Statement of profit or loss and other comprehensive income	20
Statement of financial position	21
Statement of changes in reserves	22
Statement of cash flows	23
Notes to the financial statements	24 - 53

CENTRAL BANK OF SOMALIA

CORPORATE INFORMATION

BOARD OF DIRECTORS Abdirahman M. Abdullahi - (Governor)
Dr Ali Yasin Shiekh - (Deputy Governor)
Dr. Aues Abo Sceek
Faysal A. Warsame
Prof. Abdullahi Sh. Ali
Prof. Hussein A. Warsame

REGISTERED OFFICE Central Bank of Somalia
P O Box 11
55 Corso Somalia
Mogadishu, Somalia

LAWYERS State Attorney General
Villa Somalia,
Mogadishu, Somalia

AUDITORS Deloitte & Touche LLP
Certified Public Accountants (Kenya)
Deloitte Place
Waiyaki Way, Muthangari
P O Box 40092 - 00100 GPO
Nairobi, Kenya

CENTRAL BANK OF SOMALIA

STATEMENT FROM THE GOVERNOR

It is a pleasure to introduce the 2023 audited financial statements of the Central Bank of Somalia (CBS). These statements provide a true and fair view of the Bank's financial position, in accordance with International Financial Reporting Standards.

I am proud to announce that we have sustained a clean audit opinion, reflecting our commitment to transparency and good governance.

At the start of my tenure as Governor of CBS, institutional reform was a key priority to enhance the Bank's capabilities to fulfil its mandates transparently and efficiently. Despite various challenges, we have strengthened our internal controls and implemented the IMF's safeguard assessment recommendations. We have developed and implemented several critical policies and procedures, including financial management, procurement, human resources, foreign exchange accounts, information technology, and fraud and anti-corruption measures. We have also established internal control procedures to address operational and compliance risks. I am pleased to report that our transition to a function-based organizational structure is now almost complete.

The significant milestones we have achieved give me confidence that the reform process initiated in 2019 is bearing fruit. In the short to medium term, our priority is to further tighten our overall risk and compliance management functions, focusing on financial stability, strengthening financial inclusion, and building our ICT systems to support the financial sector, including credit bureaus, collateral data systems, and insurance services. To this end, we will enhance our second-line defence mechanisms to ensure our internal controls remain robust by expanding our risk management and legal units. These initiatives will further safeguard the integrity of our institution.

At this critical juncture, it is essential that we continue investing in our dedicated staff. Their hard work has been the main driver behind our remarkable progress, and I want to express my appreciation for their efforts. I also extend my gratitude to our senior management team and board of directors for their unwavering support. I am confident that CBS will continue to thrive with our continued dedication and focus on achieving the organization's strategic goals.



Abdirahman M. Abdullahi
CBS Governor

04/06/2024



CENTRAL BANK OF SOMALIA

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report together with the audited financial statements of Central Bank of Somalia (the “Bank”) for the year ended 31 December 2023, which disclose the Bank’s state of financial affairs.

1. ESTABLISHMENT

The Central Bank of Somalia was established under the Central Bank of Somalia Act, 1962. The Bank currently operates under the Central Bank of Somalia Act, 2012.

Bank's vision

The vision of the Bank is: “To be the region’s leading Central Bank in fostering economic growth through maintaining price and financial stability.”

Bank's mission

The Bank’s mission is: “To conduct monetary policy directed towards maintaining price stability and to promote integrity and stability of the financial system conducive to sustainable growth of the national economy”.

2. STATUTE AND PRINCIPAL ACTIVITIES

Central Bank of Somalia (CBS) is the Central Bank of the Federal Republic of Somalia. The Bank is a body corporate with legal entity, with perpetual succession and common seal, with power to acquire, own, possess and dispose of common seal, and of property, and to contract, to sue and to be sued in its own name. The Bank has the ability to exercise any type of central Banking function unless specifically excluded under The Central Bank Act 2012, and will enjoy all the prerogatives of a central Bank.

The objective of the Bank as stated in the Central Bank of Somalia Act, 2012 are:

- The primary objective of the Bank shall be to achieve and to maintain domestic price stability.
- The other objective of the Bank, which shall be subordinated to the primary objective of the Bank, shall be to foster and maintain a stable and competitive market-based financial system.
- Without prejudice to these two objectives, the Bank shall support the general economic policies of the Government.

A summary of functions and objectives of the Bank Central Bank of Somalia Act, 2012 are to:

- formulate implement and be responsible for monetary policy and implement the foreign exchange policy;
- hold and manage the foreign exchange reserves of Somalia;
- license, regulate and supervise all banks and financial institutions so as to foster the liquidity, solvency and proper functioning of a stable financial system;
- formulate and implement such policies as to best promote the establishment, regulation and supervision of efficient and effective payment, clearing and settlement systems;
- where appropriate, administer payment, clearing and settlement systems;
- act as banker and adviser to, and as fiscal agent for the Government and public entities;
- act as sole issuer of legal tender Somali currency notes and coins; and
- Shall compile, analyze, and publish the monetary, financial balance of payments statistics and other statistics covering various sectors of the national economy.

3. RESOURCES AND STRENGTH

Resources and strengths that facilitate the Bank’s endeavor in achieving its strategic objectives include human, financial and technological resources.

In terms of human capital, the Bank has well-qualified and committed staff dedicated to a long-term career in the Bank. Likewise, the management adheres to good governance and promotes labour relations. From its strategic perspective, the Bank enhances its financial sufficiency by improving management of its resources through prioritization of initiatives, implementing initiatives within the available financial envelope and prudently managing its sources of income.

CENTRAL BANK OF SOMALIA REPORT OF THE DIRECTORS (Continued)

3. RESOURCES AND STRENGTH (Continued)

The Bank has also undertaken various reforms that contribute to the attainment of its objectives. For example, the on-going modernization of the monetary policy framework is expected to improve the efficiency and effectiveness of the monetary policy implementation.

4. REVIEW OF THE BANK'S PERFORMANCE AND BROAD GOALS

During the year, the Bank's Corporate Plan continued to focus on attaining three broad goals that translate its primary mandates. These are:

- Maintaining price stability;
- Promoting integrity and stability of the financial system; and
- Strengthening corporate governance.

Basing on the three broad goals, the Bank's performance revealed the following:

Maintaining price stability:

Foreign reserves were managed consistent with the strategic objective of capital preservation, adequate liquidity, and maximizing return on investments.

Promoting integrity and stability of the financial system

Financial stability is the smooth operation of the system of financial intermediation within Government through a range of financial institutions. Stability in the financial system is evidenced by an effective regulatory infrastructure, effective and well-developed financial markets, and effective and sound financial institutions.

Strengthening corporate governance

To strengthen the Bank's corporate governance, the Bank's Board focused on building the capacity of its human capital, ensuring compliance with legislation and the overall engagement with external stakeholders. The outcome of each of these steps taken are explained below;

Staffing, Capacity Building and Work Environment

The Bank was adequately staffed with the right capabilities to accomplish its strategic and operational objectives. This position was a result of implementation of Human resource plans and strategies that enabled the Bank to fill vacant positions in time. To improve knowledge and skills of employees, the Bank continued to address skills requirements through donor support and funding. The Bank continued to have a safe and healthy working environment. All office facilities and working tools operated smoothly. Employees' benefits and welfare services were delivered as planned and staff well-being and morale was maintained.

Enhance Compliance with Legislation, Regulations, Policies and Standards

During the year, the Bank continued to put emphasis on compliance with the Central Bank of Somalia Act, 2012; and other legislations, regulations and policies in executing its mandate. Further, the Bank continued to adhere to Anti-Money Laundering (AML) and the Combating Financing of Terrorism Units (CFT) by continuing coordination of Anti-Money Laundering (AML)/Combating Financing of Terrorism (CFT) activities as an effort to ensure that the Bank adhered to legislation, regulations and policies. The Bank spearheaded coordination of AML/CFT initiatives within the Bank and among stakeholders in the country.

During the period under review, the Bank continued to maintain its properties and facilities including buildings, machinery, equipment and motor vehicles in order to ensure that they are always in good working condition.

The Central Bank's Engagement with External Stakeholders

The Bank continued to nurture its relationship with external stakeholders, seeking to gain confidence and trust in protecting the Bank's reputation. In order to improve its reputation, the Bank continued to address stakeholders' needs, expectations and providing timely responses to stakeholders' inquiries.

CENTRAL BANK OF SOMALIA

REPORT OF THE DIRECTORS (Continued)

5. CAPITAL STRUCTURES

Article 9 of the Central Bank of Somalia Act, 2012 notes that the authorized capital of the Bank may be increased by such amounts as may be proposed by the Board and approved by the Ministry of Finance. As at the reporting date the share capital was Nil (note 27).

6. RELATIONSHIP WITH STAKEHOLDERS

The Central Bank of Somalia recognizes the importance of its key stakeholders including the Government and Banking institutions in adding value and ensuring that the needs and expectations to fulfill its mission and vision. The Bank continues to hold good working relationships with its stakeholders and maintains a regular update with all those involved.

The Bank ensures it meets all its obligations with stakeholders by:

- (a) **Price Stability:** The Bank formulates and executes monetary policy that leads to stable domestic prices; provide policy advice to the governments; disseminate economic reports and ensures stable exchange rates.
- (b) **Financial Stability:** The Bank promotes the stability of the financial system through effective regulation and supervision of Banking system; provide safe and efficient payment systems; and promote public access to the financial services.
- (c) **Internal requirements:** The Bank attracts and retains high caliber staff with integrity, competency and accountability and provides conducive working environment and career development opportunities to its staff.

7. MANAGEMENT

The Governor is the Chief Executive Officer of the Bank and is required to discharge such functions and direction, in conformity with the policies and other decisions made by the Board.

The law further provides that the Governor to be assisted by the Deputy Governor. The Deputy Governor, in the order determined by the Governor, shall act for the Governor, shall exercise all the powers, and shall perform all the functions conferred on the Governor under this act whenever the Governor is temporarily absent or incapacitated, and shall perform such other functions as the Governor may from time to time assign to him/her.

8. FUTURE DEVELOPMENT PLANS

To ensure integrity and stability of the financial system, the Bank puts emphasis on ensuring that the financial sector remains on a sound footing to serve the broader needs of the Somalia economy. Accordingly, special focus will be placed on surveillance of CBS financial system and putting in place elaborate crisis management and resolution framework.

On strengthening corporate governance, the Bank will take deliberate measures to create broad awareness and capacity building among staff to strengthen internal controls and formulate frameworks in adherence with International standards.

In addition, the Bank will focus on enhancing application of modern technologies; improve its work processes and compliance with laws and regulation in order to improve operational efficiency in all its undertakings. Further, the Bank will focus on service excellence in attending to CBS internal and external stakeholders. Like any other central Bank, the Bank is dedicated to continue advising the governments on economic policy related matters and serving the general public as our ultimate customers.

CENTRAL BANK OF SOMALIA

REPORT OF THE DIRECTORS (Continued)

9. RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for risk management and internal control systems of the Bank. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the Bank's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviors towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system, of internal control can provide absolute assurance against misstatement or losses, the Bank's system is designed to provide the Board with reasonable assurance that procedures in place are operating effectively. The Bank ensures that existing and emerging risks are identified and managed within acceptable risk tolerances.

Key risks and uncertainties

The key risks that may significantly affect the Bank's strategies and development are mainly financial, operational and strategic. Below we provide a description of the operational and strategic risks facing the Bank. The risks related to financial instruments have been disclosed under Note 5 of the financial statements:

(a) Operational Risk

This is the risk of CBS financial and non-financial operations resulting from inadequate human resource and systems, management failures, ineffective internal control processes, non-compliance, inadequate security and adverse legal judgements. The main operational risks of the Bank were:

- **Human Resource Risk**

The particular nature of the activities of the Bank necessitates specialized knowledge in many areas. The Bank ensures that there is an adequate knowledge base for all specialized job requirements by investing significantly in human resource development in terms of capacity building and practical exposure. The Bank also organizes workshops, seminars, conferences and job attachments to its staff to improve its human resource requirements. It also revises its staff retention scheme to compete with the prevailing labour market.

- **Business Disruption and Security risks**

Risks related to failure to execute business processes and events that compromise the assets, operations and objectives of the Bank. The risks might be due to lack of business continuity management, lack of good practices or controls on the Bank's activities.

The Bank addresses these risks inter alia through ensuring existence of Business Continuity Management (BCM) and sound internal control system which includes: operational and procedural manuals, ICT security policies, back up facilities, contingency planning, and independent internal audit function. Managing operational risk in the Bank is an integral part of day-to-day operations by the management. Management, Internal Audit Function, Audit Committee and the Board, closely monitors this risk.

- **Legal Risk**

Legal risk arises from any uncertainty of enforceability, whether through legal or judicial processes, of the obligations of the Bank's clients and counter parties. The Bank aims at minimizing such uncertainties through continuous consultations with all relevant parties.

The Bank has in place a clear procedure of the delegation of authorities. Also strict code of conduct and ethics is used to minimize chances of causing legal disputes between the Bank and its counterparts.

CENTRAL BANK OF SOMALIA

REPORT OF THE DIRECTORS (Continued)

9. RISK MANAGEMENT AND INTERNAL CONTROL

Key risks and uncertainties (continued)

(b) Strategic Risk

This risk covers analytical and policy risk which is associated with economic and monetary policy formulation; business risk which refers to the probability of loss inherent in the Bank's operations and environment; performance risk which is associated with formulation and execution of business plans and strategies; and external risks which refer to threats from the external environment such as infrastructure disruption, financial crime and computer viruses, political, social and economic changes. Similar to operational risk, strategic risk may result into damage on the Bank's reputation.

The Bank has an obligation to ensure that it performs its functions and maintains its reputation as a Central Bank in line with requirements of the Central Bank of Somalia Act, 2012.

In view of the above, the Bank's management ensures that it fulfils its fiduciary responsibilities. The Bank adheres to the best practices and applies principle of sound corporate governance. It also ensures that all relevant employees have clear understanding of the appropriate processes in respect of the best practices and principles of good governance.

The Bank therefore, sets out policies and guidelines that govern sound functional operations within the Bank. The performance of these policies and guidelines are periodically reported to different levels of the Bank's management for control and compliance monitoring.

The top management of the Bank has the necessary freedom and discretion to exercise central Banking functions. However, this freedom is exercised within the context of good governance and having regard to a proper balance between accountability and the best interests of the Bank and its various stakeholders.

The function of the Bank of overseeing and ensuring the integrity of the country's Banking system exposes it to severe criticism whenever there is an incident of Bank failure or systemic difficulty. The Bank adheres to international best practice and, to this end, maintains close liaison with international donors. The Bank strives towards full compliance with the principles for effective Banking supervision as well as the core principles for systemically important payment systems.

10. SOLVENCY

The Board of Directors confirms that International Financial Reporting Standards (IFRS) have been followed and that the financial statements have been prepared on a going concern basis. The Board of Directors has reasonable expectation that the Central Bank of Somalia has adequate resources to continue carrying out its statutory activities for the foreseeable future.

11. EMPLOYEES WELFARE

(a) Management and employee relationship

The relationship between the Bank and its employees continued to be good. Employees complaints raised during the year were resolved mainly through the use of consultative meetings/forums involving the management. As a result, healthy relationship continued to exist between management and the trade union.

Complaints are resolved through meetings and discussions. Work morale is good and there were no unresolved complaints from employees. The Bank provides a number of facilities aiming at improving the working environment and living standards of its employees. Such facilities include medical services, house allowance, employee training and development and leave travel assistance as well as any other allowances stipulated within the staff by-laws.

(b) Medical Assistance

Members of staff are provided with medical support by the Bank should they require it. The Bank covers both medical costs and travel costs in adherence with the Board of directors' resolution

CENTRAL BANK OF SOMALIA

REPORT OF THE DIRECTORS (Continued)

11. EMPLOYEES WELFARE (Continued)

(c) Health and safety

Effective health, safety and risk management is a priority for the Bank. The Bank provides staff training on health and safety as well providing the necessary measures to protecting its working environment and team members.

12. CORPORATE SOCIAL RESPONSIBILITY

The Bank is committed to fulfilling part of its Corporate Social Responsibility (CSR) through supporting national activities and other areas of interest to the Bank in the Federal Republic of Somalia.

13. COMPLIANCE WITH LAWS AND REGULATIONS

In performing the activities of the Bank, various laws and regulations having the impact on the Banks operations were observed.

14. STATEMENT OF GRATITUDE TO INTERNATIONAL DONORS

The Central Bank of Somalia continues to engage with its international partners i.e. IMF, World Bank, African Development Bank and other stakeholders in its continued effort to reforming its financial systems and ensuring that it meets its obligations. The Bank has remained a key development partner of the Government in the provision of financial support to ongoing rebuilding of the country after more than two decades of civil war.

15. PRINCIPAL ACTIVITIES

The Bank is primarily responsible for providing payments and Banking services to the government and other stakeholders.

16. RESULTS FOR THE YEAR

	2023	2022
	USD	USD
Profit for the year	<u>3,140,443</u>	<u>2,174,150</u>

17. DIRECTORS

The present members of the board of directors are shown on page 1.

18. AUDITORS

Deloitte & Touche LLP served as the auditors during the year and have expressed their willingness to continue in office.

BY ORDER OF THE BOARD

Director
Mogadishu

04/06/2024



CENTRAL BANK OF SOMALIA

STATEMENT ON CORPORATE GOVERNANCE

The Central Bank of Somalia (the 'Bank' or 'CBS') is wholly owned by the Federal Republic of Somalia. The Bank is established by and derives its authority and accountability from the Central Bank Act, 2012.

Directors and Management uphold and practices and the principles of sound corporate governance.

To this end, the Central Bank of Somalia Act, 2012, has provided a framework for ensuring application of sound corporate governance principles and best practices by the Bank's Board of Directors and its Committees and Management in the course of managing the day-to-day affairs/operations of the Bank as summarized below:

- In terms of the provisions of Article 15 of the Central Bank of Somalia Act, 2012, the Bank's Board of Directors is the supreme policy making body in the Bank, and apart from its specified function of approving the budget of the Bank.
- Four Committees are currently assisting the Bank's Board of Directors in the discharge of its functions. These are the Audit Committee, Licensing and Supervision Committee, Currency Committee and Human Resource Committee.

Board of Directors

The Board shall be charged with the formulation and the supervision of the implementation of the policies, and the supervision of the administration and the operations of the Bank.

The Board shall consist of:

- a) The Governor, who shall be the Chairman;
- b) The Deputy Governor, who shall be the chairman of the Board when the Governor is absent; and
- c) Five other non-executive directors.

Board responsibilities

The Board may, by resolution either generally or in any particular case, delegate to any committee of the Board, or to any member thereof, or to any officer, employee or agent of the Bank the exercise of any powers or the performance of any functions or duties of the Board under this Act or any other written law, except for the following: Formulate and adopt the monetary policy of the Bank including, as appropriate, decisions relating to intermediate monetary objectives, key interest rates and the supply of reserves in Somalia and to adopt internal rules for their implementation.

The Governor, as chairman of the Board of the Bank, shall convene meetings of the board not less than once in every two months, or whenever the business of the Bank so requires or whenever he is so requested in writing by at least three directors.

The Board will formulate and adopt other policies of the Bank regarding the execution of its functions, and to adopt, as appropriate, internal rules for their implementation and decide upon the application of the foreign exchange regime as well as supervise the implementation of the policies and the execution of the functions of the Bank.

Board meetings

The Board held 4 meetings during the year ended 31 December 2023. In addition, there were various meetings of the Board Committees. All members of the Board were able to devote their time required for the Board and Committee meetings either physically or through an online platform. The Board meetings were less than the required minimum of not less than once every two months as per Article `17.

The Board and its committee should meet once every two months with additional meetings convened as and when necessary. During the year, the Board and its committees met to discuss and decide on various business activities. The Board Committees recommend key business decisions to the Board for approval. Major issues raised at the board meetings during the year ended 31 December 2023 included the following:

CENTRAL BANK OF SOMALIA

STATEMENT ON CORPORATE GOVERNANCE (Continued)

Board Meetings (Continued)

- National Payment System;
- Laws and Regulations of the Financial Institutions;
- Bank's Human Resource Plan including key HR reforms;
- Currency Project and Asset Recovery;
- Bank, MTB and Mobile Money Licensing, Budget and Financial Management, Internal and external Audit.

During the year, the Board members attended the Board meetings as follows;

Date of meeting	Feb 27	July 2	Nov 14	Dec 15
Abdirahman M. Abdillahi	✓	✓	✓	✓
Dr Ali Yasin Shiekh	✓	✓	✓	✓
Prof. Hussein Ahmed Warsame	✓	✓	✓	✓
Dr. Aues Abo Scek	✓	✓	✓	✓
Dr. Abdisamad Nur Loyan (Feb) (Faysal A. Warsame-Nov & Dec)	✓	□	✓	✓
Dr. Sakhawadin Mustafa (Feb) (Prof. Abdullahi Sh. Ali-Nov & Dec)	✓	✓	✓	✓
Osman Salad Gabeyre (Feb)	✓	□	□	□

Board Committees

Four Committees are currently assisting the Bank's Board of Directors in the discharge of its functions. This is the Audit Committee, the Licensing and Supervision Committee, Currency Committee and Human Resource Committee.

The Audit Committee

The Audit Committee is largely composed of Non-executive Directors. The Chairman of the Committee is a Non-executive Director. The Terms of Reference for the Audit Committee cover four major areas, namely, Internal Control, Financial Reporting, Internal Audit and External Audit.

The Audit Committee's mandate under Internal Control covers evaluation of control environment and culture; the adequacy of the internal control systems and compliance with IFRS in the preparation of financial statements; the overall effectiveness of the internal control and risk management framework; The Committee also reviews requests for write off/back of items from the books of accounts and reviews the effectiveness of the system for monitoring compliance with laws and regulations.

The mandate relating to Financial Reporting requires the Audit Committee to review significant accounting and reporting issues and their impact on the financial reports and ensure current financial risk areas are being managed appropriately. The Committee also ensures the adequacy of the financial reporting process and reviews the Bank's annual accounts before approval and adoption by the Board.

The Audit Committee reviews and approves the external auditors' proposed audit scope, approach and audit deliverables, draft financial statements before submission to the External Auditors for audit; and also reviews and approves the proposed audit fee.

CENTRAL BANK OF SOMALIA
STATEMENT ON CORPORATE GOVERNANCE (Continued)

Board Committees (Continued)

The Audit Committee (Continued)

The Committee's mandate on Internal Audit covers review of the activities and resources of the internal audit function; effectiveness, standing and independence of internal audit function within the Bank; review of the internal audit plan; and follow up on implementation of internal audit findings and recommendations. The Audit Committee reports to the Board of Directors.

The Licensing and Supervision Committee

The Committee assists in the area of license and supervision and financial sector including formulation of related regulation, policies and guidelines such licensing of financial institutions AML/CFT and payment system. The Licensing and Supervision Committee reports to the Board of Directors

The Human Resource Committee

The committee assists the board in every aspect of the human resource management including formulation of HR policies, work force planning and employee EHS. The Human Resource Committee reports to the Board of Directors

The Currency Committee

The committee assists the board in the area of currency exchange project development and operation including setting monetary policy and exchange rate regimes. The Currency Committee reports to the Board of Directors.

Directors' remuneration

The remuneration received by the Governor and the Deputy Governor shall be in line with that received by persons holding similar executive positions with large financial institutions and be disclosed in the annual report.

Conflicts of interest

Directors have a statutory obligation to avoid situations in which they have or may have interests that conflict with those of the Bank.

Independence

All Non-executive Directors are considered by the Board to be independent in character, judgment and free of relationships or circumstances, which could affect their judgment.

Approved by the Board of Directors on04/06/2024, and signed on its behalf by:


Abdirahman M. Abdullahi
The Governor and Chairman of the Board



CENTRAL BANK OF SOMALIA

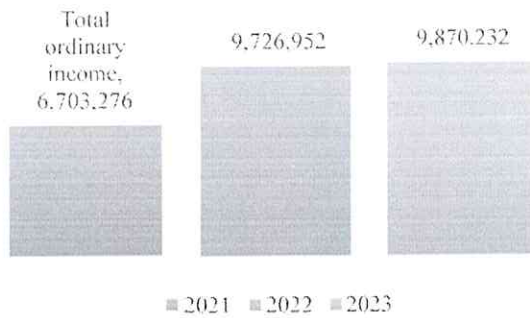
FINANCIAL HIGHLIGHTS

A. Revenue analysis

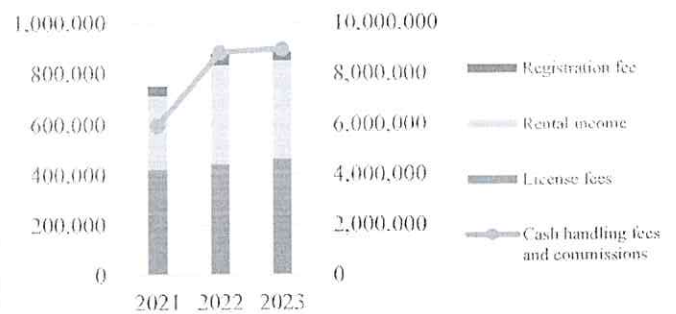
Ordinary income;

The Bank’s ordinary income relates to cash handling and commission fees, licensing fees, rental income and registration fees. The analysis of this has been shown below;

Total ordinary income from 2021 to 2023



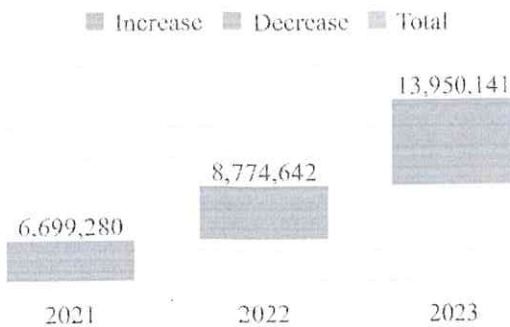
Analysis of the ordinary revenue from 2021 to 2023



Total ordinary income has remained fairly stable income between 2023 and YE 2022 with a modest growth of 1%. Though there has been a small a growth if USD 158,280 (7% increment) in cash handling and license fees in YE 2023 compared to YE 2022, this has been offset by a reduction in rental and registration fees of USD 15,000 (23% reduction) YE 2023 compared to YE 2022.

B. Ordinary Expenditure analysis

Analysis of Ordinary Expenditure from 2021 to 2023



ANALYSIS OF TOTAL EXPENDITURE AGAINST STAFF COST



The Bank’s ordinary expenditure for the year has grown by 57% in YE 2023 compared to 31% in YE 2022. Similar to prior years, the largest expenditure is staff cost which accounted for 51% of the total expenditure in YE 2023 (53% in YE 2022). The staff cost has increased by USD 2.3 Million between YE 2023 and YE 2022 accounting for a 50% increment year on year.

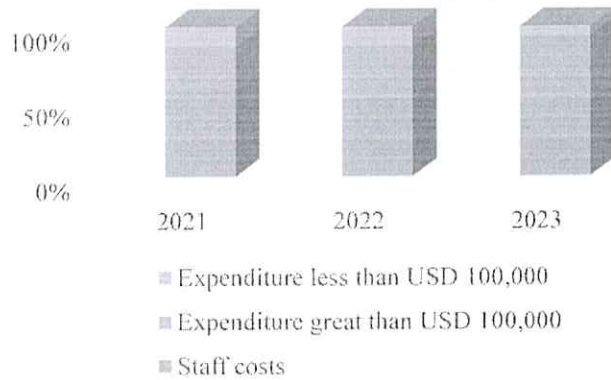
CENTRAL BANK OF SOMALIA

FINANCIAL HIGHLIGHTS (Continued)

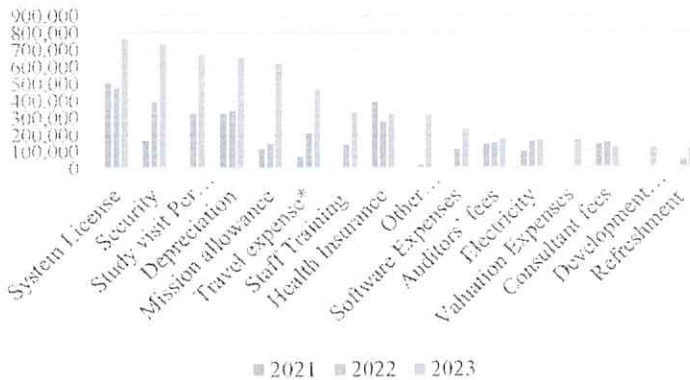
Analysis of ordinary expenditure as classified by value

As noted earlier, CBS largest expenditure is staff cost which accounts for over 50% of the total CBS ordinary expenditure. Management has further analyzed the expenditure based on two categories i.e. expenditure that have a value greater than USD 100,000 and one below USD 100,000.

Classes of expenditure as percentage of total expense



Analysis of ordinary expense > 100,000 from 2021 to 2023



Analysis of ordinary expense > 100,000 from 2021 to 2023

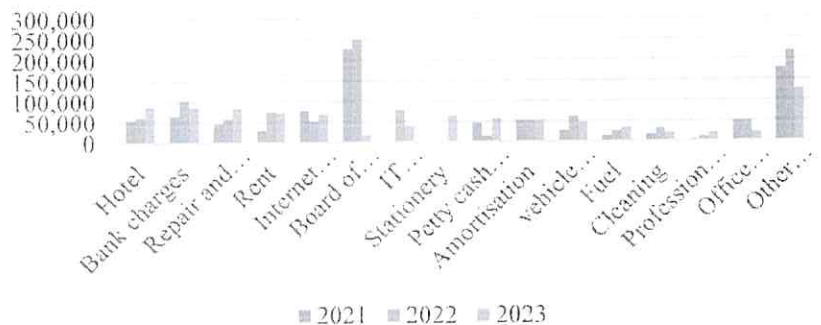
The highest expenditure in this category is system license expense, security expense, study visit per diem, depreciation, mission and travel allowance.

The bank also undertook valuation of its repossessed assets located in the Federal Member States increasing the 2023 expenditures.

Analysis of ordinary expense < 100,000 from 2021 to 2023

These categories of expenditure have been stable year on year. There have been savings on the Board of directors expenditure as board allowances have been reduced from \$ 4000 to \$ 1000.

Analysis of ordinary expense < 100,000 from 2021 to 2023

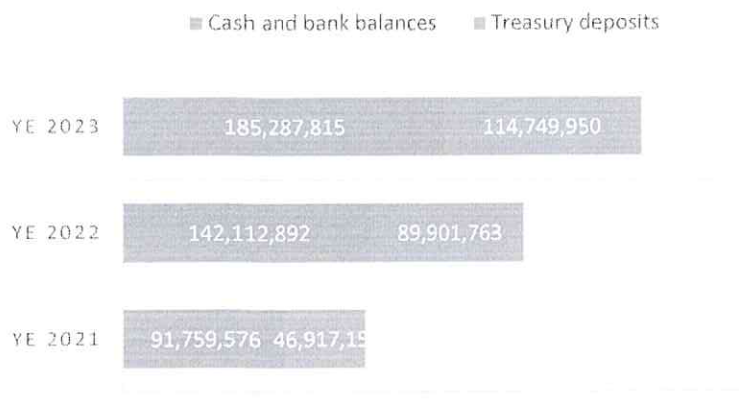


CENTRAL BANK OF SOMALIA

FINANCIAL STATEMENT HIGHLIGHTS (Continued)

C. Cash holding analysis

Cash Holding Analysis YE 2021 To 2023

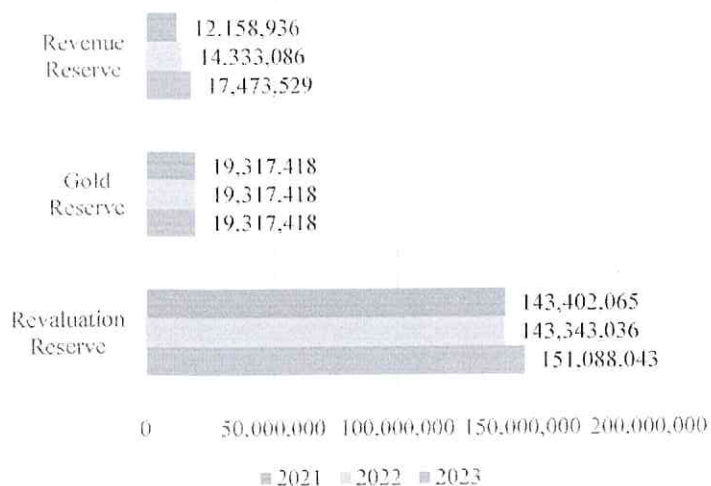


The CBS cash and bank balances has increased by 30% compared to amounts held in YE 2022. This is line with the increase of the treasury deposits in the same year.

To manage liquidity and ensure that the Bank meet the cash flow needs of the FGS, the cash held is 161% of the treasury deposits. This means that the Government has adequate liquidity to pay its expenses as and when they fall due

D. Reserve analysis

Analysis of revenue reserves from YE 2021 to YE 2023



Revenue reserve has increased by USD 3.1M in the YE 2023 due to the next surpluses reported by the Bank during the year.

The Revaluation reserve has increased by USD 8.4M in the YE 2023 due to revaluation of land and building that have been recovered by CBS. The land and buildings are located in the Federal Member States .

CENTRAL BANK OF SOMALIA

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In accordance with Article 10 of Central Bank of Somalia Act, 2012, the Directors are responsible for the preparation of financial statements for each financial year that give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of the Bank's financial performance. The Directors also ensure that the Bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The Directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error. They also accept responsibility for:

- (i) Designing, implementing and maintaining internal control necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- (ii) Selecting and applying appropriate accounting policies; and
- (iii) Making accounting estimates and judgments that are reasonable in the circumstances.

The Directors have delegated their responsibility in respect of the preparation of the financial statements, keeping proper accounting records and safeguarding the assets of the Bank to the Management of the Bank.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial position of the Bank as at 31 December 2023 and of the Bank's financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the *Central Bank of Somalia Act, 2012*.

These financial statements are prepared on a going concern basis, taking into account the legal mandate and responsibilities of the Bank, in particular is monetary policy, financial stability and payment system leadership.

Approved by the Board of Directors and signed on its behalf by:



Governor



Director

Hussein Warsame
Date: June 4, 2024

Date:

04/06/2024



INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF CENTRAL BANK OF SOMALIA

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Central Bank of Somalia (the "Bank"), set out on pages 20 to 53, which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Central Bank of Somalia Act, 2012.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in the Federal Republic of Somalia and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA.

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

Other Information

Directors are responsible for the other information, which comprise the information included in the Statement from the Governor, Report of directors, the Statement of corporate governance and Statement of directors' responsibilities. The other information does not include the financial statements and our auditor's report thereon.

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

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



INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF CENTRAL BANK OF SOMALIA (Continued)

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Directors for the financial statements

Directors have responsibility for the preparation and fair presentation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Central Bank of Somalia Act, 2012 and for such internal controls as directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT
TO THE BOARD OF DIRECTORS OF CENTRAL BANK OF SOMALIA (Continued)

Report on the Audit of the Financial Statements (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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

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

The engagement partner responsible for the auditing resulting in this independent auditor's report is **CPA Eshak Adam Harunani, Practising certificate No. A/0018.**

Eshak Harunani

**For and on behalf of Deloitte & Touche LLP
Certified Public Accountants (Kenya)
Nairobi**

5 June 2024

CENTRAL BANK OF SOMALIA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 USD	2022 USD
FINANCE INCOME	6 (a)	2,851,955	1,997,955
FINANCE COSTS	7	(82,872)	(800,488)
NET FINANCE INCOME		2,769,083	1,197,467
FEES AND COMMISSIONS	6(b)	8,981,455	8,845,892
OTHER INCOME	6(c)	185,653,117	1,927,171
OPERATING EXPENDITURE	8	(194,273,180)	(9,737,103)
FOREIGN CURRENCY EXCHANGE GAINS / (LOSSES)		9,968	(59,277)
PROFIT FOR THE YEAR		3,140,443	2,174,150
OTHER COMPREHENSIVE INCOME			
Revaluation gain / (loss) on gold bullion	13	3,887,143	(59,029)
Revaluation surplus	19	3,857,864	-
TOTAL OTHER COMPREHENSIVE INCOME / (LOSS)		7,745,007	(59,029)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		10,885,450	2,115,121

CENTRAL BANK OF SOMALIA
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	2023 USD	2022 USD
ASSETS			
Cash and cash equivalents	11	185,287,815	142,112,892
Gold bullion	13	33,545,797	29,658,654
Receivables	14	253,375	224,019
Loans and advances -on lent	15	2,910,000	2,910,000
Due from the Government of Somalia	16	41,527,708	382,146,722
IMF PRG-HIPC Trust	17	319,813	1,121,177
Due from International Monetary Fund (IMF)	18(a)	473,197,101	413,022,573
Property and equipment	19	143,152,422	138,278,130
Intangible assets	20	38,383	90,558
TOTAL ASSETS		880,232,414	1,109,564,725
LIABILITIES			
Treasury deposits	21	114,863,859	89,796,432
Deposits from banks	22	30,751,260	21,804,842
Security deposits	23	23,400,000	20,280,000
Microfinance grant	24	3,000,000	3,000,000
Other payables	25	5,984,610	2,781,628
Due to International Monetary Fund (IMF)	18 (b)	492,005,783	780,256,426
Balance on Government SDR allocation	26	22,347,912	14,651,857
TOTAL LIABILITIES		692,353,424	932,571,185
RESERVES			
Share capital	27	-	-
Revenue reserve	27	17,473,529	14,333,086
Revaluation reserve	27	151,088,043	143,343,036
Gold reserve	27	19,317,418	19,317,418
TOTAL RESERVES		187,878,990	176,993,540
TOTAL LIABILITIES AND RESERVES		880,232,414	1,109,564,725

The financial statements in pages 20 to 53 were approved and authorized for issue by the Board of Directors on 04/06/2024 and were signed on its behalf by:

Governor



Director

Hussein Warsame
Date: June 4, 2024

CENTRAL BANK OF SOMALIA

STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2023

	Share Capital USD	Revenue Reserve USD	Revaluation Reserve* USD	Gold Reserve* USD	Total USD
At 1 January 2022	-	12,158,936	143,402,065	19,317,418	174,878,419
Total comprehensive income for the year	-	2,174,150	(59,029)	-	2,115,121
At 31 December 2022	-	14,333,086	143,343,036	19,317,418	176,993,540
At 1 January 2023	-	14,333,086	143,343,036	19,317,418	176,993,540
Total comprehensive income for the year	-	3,140,443	7,745,007	-	10,885,450
At 31 December 2023	-	17,473,529	151,088,043	19,317,418	187,878,990

*See note 27 for details of these reserves.

CENTRAL BANK OF SOMALIA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

CASH FLOWS FROM OPERATING ACTIVITIES	Notes	2023 USD	2022 USD
Profit for the year		3,140,443	2,174,150
<i>Adjustments for:</i>			
Finance income (note 6 (a))		(2,851,955)	(1,997,955)
Finance cost (note 7)		82,872	800,488
Depreciation (note 19)		637,223	343,855
Amortisation (note 20)		52,175	52,175
<i>Working capital changes:</i>			
Increase in receivables		(29,356)	(111,942)
Decrease / (increase) in due from the Government of Somalia		340,619,014	(800,488)
Decrease / (increase) in IMF PRG-HIPC Trust		801,364	(160,133)
(Increase) / decrease in due from International Monetary Fund (IMF)		(60,174,528)	15,250,525
(Decrease) / increase in due to International Monetary Fund (IMF)		(288,250,643)	30,945,462
Increase/(decrease) in balance on Government SDR allocation		7,696,055	(45,286,464)
Increase in treasury deposits		25,067,427	42,879,277
Increase in deposits from Banks		8,946,418	9,365,341
Increase in security deposits		3,120,000	60,000
Increase / (decrease) in other payables		3,202,982	(3,428,232)
		<hr/>	<hr/>
Net cash generated from operations		42,059,491	50,086,059
Finance income received		2,769,083	1,197,467
		<hr/>	<hr/>
Net cash generated from operating activities		44,828,574	51,283,526
		<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	19	(1,653,651)	(930,210)
		<hr/>	<hr/>
Net cash used in investing activities		(1,653,651)	(930,210)
		<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS		43,174,923	50,353,316
CASH AND CASH EQUIVALENTS AT 1 JANUARY		142,112,892	91,759,576
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	11 (a)	185,287,815	142,112,892
		<hr/> <hr/>	<hr/> <hr/>

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1 GENERAL INFORMATION

Central Bank of Somalia (CBS) is the Central Bank of the Federal Republic of Somalia. The Bank is a body corporate legal entity established under the Central Bank of Somalia Act 1962 and currently operating under the Central Bank of Somalia Act 2012. With perpetual succession and common seal, with power to acquire, own, possess and dispose of common seal, and of property, and to contract, to sue and to be sued in its own name. The Bank's principal activities are outlined under the report of directors.

The address of the registered office of the Bank which is domiciled in Federal Republic of Somalia is:

Central Bank Headquarters
Shanganil
P.O. Box 11
55 Corso Somalia
Mogadishu, Somalia

The financial statements are presented in United States Dollar (USD) which is the Bank's functional and presentation currency.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS.

i) *Relevant new and amended standards that became effective during the year.*

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2021, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The adoption of the Standard did not result in a material impact on the numbers reported in the financial statements of the Bank.

Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

i) Relevant new and amended standards that became effective during the year (continued)

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The Bank has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.

The adoption of the amendments has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 8: Definition of accounting estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- a) The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.
- b) Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- c) The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- d) A change in an accounting estimate may affect only the current period’s profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The amendments are effective for annual periods beginning on or after 1 January 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

The adoption of the amendments has not had any material impact on the disclosures or on the amounts reported in these financial statements.

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

i) Relevant new and amended standards that became effective during the year (continued)

Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Bank has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The adoption of the amendments has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 12 Income Taxes— International Tax Reform — Pillar Two Model Rules

The Bank has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Following the amendments, the Bank is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

The adoption of the amendments has not had any material impact on the disclosures or on the amounts reported in these financial statements.

ii) New and amended standards in issue but not yet effective

At the date of authorization of these financial statements, the Bank has not applied the following new and revised IFRS Standards that have been issued but are not yet effective

<i>New and Amendments to standards</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to IAS 10 and IAS 28 Sale or Contribution of Assets between an investor and its Associate or Joint Venture	Yet to be set, however earlier application permitted
Amendments to IAS 1- Non-current liabilities with covenants	Annual periods beginning on or after 1 January 2024
Amendments to IAS 1 - Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2024
Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements	Annual periods beginning on or after 1 January 2024
Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	Annual periods beginning on or after 1 January 2024

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Bank in future periods.

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

ii) New and amended standards in issue but not yet effective (continued)

Amendments to IAS 1 - Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

The directors of the Bank do not anticipate that the application of these amendments will have an impact on the Bank's financial statements in future periods.

Amendments to IAS 1 - Classification of Liabilities as Current or Non-current

The amendments aim at providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

The amendments in Classification of Liabilities as Current or Non-current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position- not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items.

They clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability; clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. In July 2021, the Board tentatively decided to defer the effective date of the 2020 amendments to no earlier than 1 January 2024.

The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Bank.

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

ii) New and amended standards in issue but not yet effective (continued)

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The directors of the Bank anticipate that the application of these amendments may not have an impact on the Bank's financial statements in future periods should such transactions arise.

Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Bank.

Lease Liability in a Sale and Leaseback - Amendments to IFRS 16

The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

ii) New and amended standards in issue but not yet effective (continued)

Lease Liability in a Sale and Leaseback - Amendments to IFRS 16 (continued)

After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16.

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8.

A seller-lessee applies the amendment to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted and that fact must be disclosed.

The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Bank.

iii) Early adoption of standards

The Bank did not early-adopt any new or amended standards in 2023.

3 MATERIAL ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Central Bank of Somalia Act, 2012.

The Bank prepares its financial statements under the historical cost convention, modified to include the revaluation of certain assets which are measured at revalued amounts at the end of each reporting period.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been applied consistently.

Revenue recognition

Fees and commissions are generally recognised in profit or loss on an accrual basis when the service has been provided.

Other fees relate mainly to transaction and service fees, which are recognized as the services are rendered.

Rental income is recognised in the income statement as it accrues using the effective lease agreements.

Grant income is recognized only when the conditions set out in the agreements are complied with.

Finance income- is the income earned on the Bank's deposits and on IMF SDR allocations, and is recognised in the income statement as it accrues using the effective interest method.

Property and equipment

Land and buildings are stated at cost or as professionally revalued less accumulated depreciation and accumulated impairment losses where applicable. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period. Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income.

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 MATERIAL ACCOUNTING POLICIES (Continued)

Property and equipment (continued)

Other categories of property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight line basis at annual rates estimated to write off the cost of the property and equipment over their expected useful lives. The rates generally in use are:

Freehold land	0%
Buildings	2.5%
Furniture and fixtures	12.5%
Motor vehicles	20%
Computers and equipment	20%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets - computer software costs

Costs incurred on computer software are initially accounted for at cost as intangible assets and subsequently at cost less any accumulated amortization and impairment losses. Amortization is calculated on a straight line basis over the estimated useful lives not exceeding 5 years.

Impairment of tangible and intangible assets

At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 MATERIAL ACCOUNTING POLICIES (Continued)

Finance costs

Finance costs comprise finance costs on borrowings.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the profit or loss using the effective interest method.

Gold

Gold is held by the Bank as part of its foreign reserves. Gold is initially recorded at cost at initial recognition, including transaction costs. Subsequent to initial measurement, it is accounted for under the revaluation model.

Gold reserves are held to support the national currency (Gold Bullion) and as such are classified as non-current assets, and accounted for using either cost model or the revaluation model. The Bank accounts for Gold Bullions using the revaluation model. Such reserves are not traded and the levels frequently do not change from one year to the next.

Funds held at / due to International Monetary Fund (IMF)

Somalia is a member of the International Monetary Funds (IMF). Central Bank of Somalia is the designated depository for the IMF holdings of the Federal Government of Somalia's currency. IMF currency are held in the No. 1 and No. 2 Accounts, which are deposit account of the IMF with the Bank.

Borrowings from and repayment to the IMF are denominated in Special Drawings Rights (SDRs). The SDR balances in IMF accounts are translated into United States Dollars at the prevailing exchange rates and any unrealized gains or losses are accounted for in accordance with accounting policy or foreign currencies.

On custodial basis, the Bank holds a non-interest bearing and cashable on demand security issued by the Treasury in favour of IMF in its capacity as the IMF's depository. The security issued is in part payment of Somali's quota of IMF shares.

Currency in circulation

Notes and coins in circulation are measured at fair value. Currency in circulation represents the nominal value of all Bank notes and coins held by the public and commercial Banks. The Bank does not carry the currency risk and it therefore not required to measure the value of the currency in circulation after its reconstruction in 2013 following its collapse in 1992. Consequently, the values have not been included in these financial statements.

Foreign currencies

Transactions in foreign currencies during the year are translated at the rates ruling at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into United States Dollars at the rates of exchange ruling at the end of each reporting date. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated. Gains and losses on exchange of monetary items are dealt with in the profit or loss in the period in which it arises.

Taxation

Article 8 of the Central Bank of Somalia Act, 2012 exempts the Bank from all:

- a) taxes on its income and all duties, excise and other taxes and levies on the import and domestic supply of gold, Banknotes and coins.
- b) other taxes duties and levies from which Government ministries and other public agencies are exempted by law.

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 MATERIAL ACCOUNTING POLICIES (Continued)

Financial instruments

The Bank applies IFRS 9 Financial Instruments to the recognition, classification and measurement, and derecognition of financial assets and financial liabilities and the impairment of financial assets.

Recognition

The Bank recognises financial assets and liabilities when it becomes a party to the terms of the contract. Trade date or settlement date accounting is applied depending on the classification of the financial asset.

Financial Assets

Classification

The Bank classifies its financial assets as subsequently measured at either amortized cost or fair value on the basis of both the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

A financial asset is measured at amortized cost if both of the following conditions are met (and is not designated as at FVTPL):

- (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if both of the following conditions are met (and is not designated as at FVTPL):

- i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Bank's receivables, cash balance deposits and balances due from financial institutions, loans and advances and balances due from the Government and International Monetary Fund IMF are held are classified at amortized cost.

Recognition and de-recognition of financial instruments

Financial assets are recognized when the Bank becomes a party to the contractual provisions of the asset. Initial recognition of financial asset is at fair value plus, for all financial assets except those carried at fair value through profit or loss, transaction costs. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

Impairment of financial assets

The Bank measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following, which are measured as 12-month ECLs:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Financial assets where credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Bank considers financial assets to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'. 12-month ECL is the portion of ECL that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'. Life-time ECL are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments that are considered credit – impaired are referred to as 'Stage 3 financial instruments'. The Bank records an allowance for the lifetime ECL and follows the simplified approach methodology.

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 MATERIAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial Assets (Continued)

Write-off policy

The Bank writes off a financial asset when there is information indicating that there is no reasonable expectation of recovery of the financial instrument, e.g. when the debtor has been placed under liquidation or has entered into Bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Bank's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss as other income.

Financial liabilities

After initial recognition, the Bank measures all financial liabilities including due to IMF, balance on government SDR allocation, Treasury deposits, deposits from Banks, security deposits, microfinance grant at amortised cost other than liabilities held for trading. Liabilities held for trading (financial liabilities acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin) are subsequently measured at their fair values.

Derecognition of financial liabilities

Financial liabilities are derecognised when and only when the Bank obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting financial instruments

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

Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

The Bank as a lessor

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

Cash and cash equivalents

Cash and cash equivalents for purposes of statement of cashflows include notes on hand and deposits held at call with Banks. Such assets are generally subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

Comparatives

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

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 MATERIAL ACCOUNTING POLICIES (Continued)

Grants

Grants are recognized as revenue only when the conditions have been met.

Microfinance Grant - For the Bank, this grant is to provide micro-finance funding to small business in Somalia in order to support the growth of the Somali private sector. This is effected via disbursements to local Banks at zero finance costs and banks are allowed to charge a maximum of 3% management fees. The Banks are expected to pay back the grant to CBS in periods indicated in their respective grant agreements for each Bank. The grant operates as a revolving fund and hence maintained under liabilities in the statement of financial position at the reporting date.

HIPC Grant - Somalia is eligible and qualifies for the Grant Assistance under the PRG (Poverty Reduction and Growth Facility) – HIPC (Heavily Indebted Poor Countries) initiative. Through this initiative, the IMF aims to provide deeper, broader, and faster debt relief and to support poverty reduction and lasting economic growth by the IMF's poorest members. The HIPC grant is used to settle General Resources Account (GRA charges are payable by a member on its GRA outstanding credit. Charges accrue daily on the outstanding balance and are payable on a quarterly basis) and IMF loan repayment.

Grant income from World Bank Performance Based Conditions (PBCs) - The grant income relates to income received from the World Bank Group after the CBS has achieved the Performance Based Conditions targets that had been agreed between Central Bank of Somalia and the World Bank Group under the Scaled-Up project. Somalia: Grant Number D843-SO.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

In the process of applying the Bank's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are dealt with below:

(i) Critical accounting judgements in applying the Bank's policies

Impairment allowance on financial assets

The measurement of impairment allowance under IFRS 9 across all categories of financial assets in scope requires judgement, particularly, the estimation of the amount and timing of future cash flows and collateral values when determining impairment allowance and the assessment of a significant increase in credit risk.

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Property and equipment

Land and buildings are carried at revaluation less accumulated depreciation. These items are only revalued when control has been obtained by the Bank over the property and this is subsequently revalued using external professional valuers, on an open market value basis.

(ii) Key sources of estimation uncertainty

Property and equipment and intangible assets

Critical estimates are made by directors in determining the useful lives and residual values for property and equipment and intangible assets based on the intended use of the assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 RISK MANAGEMENT POLICIES AND OBJECTIVES

A. OVERVIEW OF RISK MANAGEMENT

The Central Bank of Somalia activities expose it to a variety of financial risks, including credit risks, liquidity related risks, foreign currency exchange rates and interest rates. The Bank's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

The Bank has exposure to the following main types in its operations:

- Credit risk
- Liquidity risk
- Market risk

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework.

(a) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arise principally in lending to customers and other Banks and investment activities. The Central Bank of Somalia does not provide loans to third parties but has provided refundable grants to selected commercial banks for onward lending to small and microfinance business in Somalia are zero interest rate and therefore the Bank is not significantly exposed to any credit risk.

Credit risk on financial assets other than loans

The Bank is exposed to credit risk arising on other financial assets as included in the statement of financial position. As part of the credit risk management, the Bank's management reviews information on significant amounts. The Bank's management assess the credit quality of each counterparty, taking into accounts its financial position, past experience and other factors.

The credit risk on amounts due from Banking institutions is limited because the counterparties are Banks with high credit ratings. The Bank follows the principles of the simplified ECL approach in determining its ECL.

Maximum exposure to credit risk before collateral held

Assets 2023	External credit rating	12-month or lifetime ECL	Gross carrying amount USD	Loss allowance USD	Net carrying amount USD
Balances from Banking institutions	B- to A+	12	63,832,445	(32,033)	63,800,412
Loans and advances	None	12	2,910,000	-	2,910,000
Receivables	None	12	253,375	-	253,375
Due from the Government of Somalia	None	12	41,527,708	-	41,527,708
Due from International Monetary Fund (IMF)	None	12	473,197,101	-	473,197,101
IMF PRG-HIPC Trust	None	12	319,813	-	319,813
Total			582,040,442	(32,033)	582,008,409

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 RISK MANAGEMENT POLICIES AND OBJECTIVES (Continued)

A OVERVIEW OF RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Assets 2022	External credit rating	12-month or lifetime ECL	Gross carrying amount USD	Loss allowance USD	Net carrying amount USD
Balances from Banking institutions	B- to A+	12	73,637,153	(3,693,963)	69,943,190
Loans and advances	None	12	2,910,000	-	2,910,000
Receivables	None	12	224,019	-	224,019
Due from the Government of Somalia	None	12	382,146,722	-	382,146,722
Due from International Monetary Fund (IMF)	None	12	413,022,573	-	413,022,573
IMF PRG-HIPC Trust	None	12	1,121,177	-	1,121,177
Total			873,061,644	(3,693,963)	869,367,681

Concentrations of credit risk

The Bank monitors concentrations of credit risk by geographic location and by counterparty type. An analysis of concentrations of credit risk is shown below.

Concentration by geographical location is based on the country of domicile of the issuer of the security. Concentration by counterparty type is based on the nature of the institution such as foreign governments, central banks and supranational institutions.

A segregation of the financial assets by geography is set out below:

Year ended 31 December 2023	United states of America USD	Turkey USD	Djibouti USD	Federal republic of Somalia USD	Total USD
Balances from Banking institutions	55,425,660	7,994,740	380,012	-	63,800,412
Loans and advances	-	-	-	2,910,000	2,910,000
Receivables	-	-	-	253,375	253,375
Due from the Government of Somalia	41,527,708	-	-	-	41,527,708
Due from International Monetary Fund (IMF)	473,197,101	-	-	-	473,197,101
IMF PRG-HIPC Trust	319,813	-	-	-	319,813
Total	570,470,282	7,994,740	380,012	3,163,375	582,008,409

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 RISK MANAGEMENT POLICIES AND OBJECTIVES (Continued)

A OVERVIEW OF RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Year ended 31 December 2022	United states of America USD	Turkey USD	Djibouti USD	Federal republic of Somalia USD	Total USD
Balances from Banking institutions	67,469,216	1,043,895	1,430,079	-	69,943,190
Loans and advances	-	-	-	2,910,000	2,910,000
Receivables	-	-	-	224,019	224,019
Due from the Government of Somalia	382,146,722	-	-	-	382,146,722
Due from International Monetary Fund (IMF)	413,022,573	-	-	-	413,022,573
IMF PRG-HIPC Trust	1,121,177	-	-	-	1,121,177
Total	863,759,688	1,043,895	1,430,079	3,134,019	869,367,681

(b) Liquidity risk

The Bank is exposed to the risk that it will encounter difficulty in raising funds to meet commitments associated with customer requirements. Liquidity risk is addressed through the following measure:

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under CBS normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The Board of Directors, is tasked with the responsibility of ensuring that all foreseeable funding commitments and deposits withdrawals can be met when due and that no difficulties meeting financial liabilities as they fall due is encountered.

Source of funding

The Bank's source of funding is mostly from charging an agreed upon fees to all income received the Federal and Regional governments which are deposited into their respective Central Bank of Somalia operational accounts.

The table below analyses the Bank's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 RISK MANAGEMENT POLICIES AND OBJECTIVES (Continued)

A OVERVIEW OF RISK MANAGEMENT (Continued)

(b) Liquidity risk (continued)

	On demand USD	1 – 12 months USD	1 - 5 years USD	Over 5 years USD	Total USD
At 31 December 2023					
Due to International Monetary Fund (IMF)	-	-	-	492,005,783	492,005,783
Balance on government SDR allocation	22,347,912	-	-	-	22,347,912
Treasury deposits	114,863,859	-	-	-	114,863,859
Deposits from Banks	30,751,260	-	-	-	30,751,260
Security deposits	23,400,000	-	-	-	23,400,000
Micro finance grant	3,000,000	-	-	-	3,000,000
Other payables	5,984,610	-	-	-	5,984,610
Total financial liabilities	200,347,641	-	-	492,005,783	692,353,424

	On demand USD	1 – 12 months USD	1 - 5 years USD	Over 5 years USD	Total USD
At 31 December 2022					
Due to International Monetary Fund (IMF)	-	-	-	780,256,426	780,256,426
Balance on government SDR allocation	14,651,857	-	-	-	14,651,857
Treasury deposits	89,796,432	-	-	-	89,796,432
Deposits from Banks	21,804,842	-	-	-	21,804,842
Security Deposits	20,280,000	-	-	-	20,280,000
Micro finance grant	3,000,000	-	-	-	3,000,000
Other payables	2,781,628	-	-	-	2,781,628
Total financial liabilities	152,314,759	-	-	780,256,426	932,571,185

(c) Market risk

The Bank takes on exposure to market risk, which is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk arises from open positions in interest rate and currency, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As at 31 December 2023, the Bank had no interest charging borrowings with any of its Bankers other than obligations from IMF which are held on behalf of the Government.

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 RISK MANAGEMENT POLICIES AND OBJECTIVES (Continued)

A. OVERVIEW OF RISK MANAGEMENT (Continued)

(c) Market risk

Foreign exchange risk

The risk that the fair value or future statement of cash flows of a financial instrument will fluctuate due to the changes in the foreign exchange rates.

Apart from the SLS (Somalia shillings) and USD, the Bank also deals with other well-known foreign currencies such as GBP and EURO. The percentage of deals with foreign currencies is very small.

At the end of the year, the Bank had the following net foreign currency exposures on the specific balances listed below:

At 31 December 2023	EURO USD	SLS USD	Others USD	Dollars USD
Financial assets				
Cash in hand	-	350,087	-	350,087
Balances due from Banking institutions	236,672	-	-	236,672
Total financial assets	<u>236,672</u>	<u>350,087</u>	<u>-</u>	<u>586,759</u>
Total financial liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position	<u>236,672</u>	<u>350,087</u>	<u>-</u>	<u>586,759</u>
	=====	=====	=====	=====
At 31 December 2022	EURO USD	SLS USD	Others USD	Dollars USD
Financial assets				
Cash in hand	-	315,357	-	315,357
Balances due from Banking institutions	198,432	-	-	198,432
Total financial assets	<u>198,432</u>	<u>315,357</u>	<u>-</u>	<u>513,789</u>
Total financial liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position	<u>198,432</u>	<u>315,357</u>	<u>-</u>	<u>513,789</u>
	=====	=====	=====	=====

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 RISK MANAGEMENT POLICIES AND OBJECTIVES (Continued)

B. CAPITAL MANAGEMENT

The Central Bank of Somalia sets and monitors capital requirements for the Bank as a whole.

The Bank's reserve position at 31 December was as follows:

	2023 USD	2022 USD
Retained earnings	17,473,529	14,333,086
Revaluation reserve	151,088,043	143,343,036
Gold reserve	19,317,418	19,317,418
Share capital	-	-
	<u>187,878,990</u>	<u>176,993,540</u>

C. FAIR VALUE HIERARCHY

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Details of the fair value hierarchy for the Bank's Gold Bullion carried at fair value as at 31 December are as follows:

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
2023				
Gold Bullion	33,545,797	-	-	33,545,797
	<u>33,545,797</u>	<u>-</u>	<u>-</u>	<u>33,545,797</u>
2022				
Gold Bullion	29,658,654	-	-	29,658,654
	<u>29,658,654</u>	<u>-</u>	<u>-</u>	<u>29,658,654</u>

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2023 USD	2022 USD
6 a) FINANCE INCOME		
Interest on Government of Somalia Promissory Note (note 16) **	82,872	800,488
Interest income from deposits held in Federal Reserve Bank of New York	2,769,083	1,197,467
	<u>2,851,955</u>	<u>1,997,955</u>
	=====	=====
b) FEES AND COMMISSIONS*	8,981,455	8,845,892
	=====	=====
c) OTHER INCOME		
Utilization of the grant assistance - IMF PRG-HIPC Trust (note 17) **	180,254,765	951,721
Investment income from grant assistance - IMF PRG-HIPC Trust (note 17) **	68,274	10,740
License fees***	465,217	442,500
Rental income -short term	386,560	391,560
Registration fee	37,000	47,000
Sundry revenue	1,080	600
Income from asset recovery****	3,352,584	-
Grant income*****	975,000	-
Other income	112,637	83,050
	<u>185,653,117</u>	<u>1,927,171</u>
	=====	=====

* CBS charges an approved cash handling fees of 1.5% for all foreign denominated deposits. CBS charges 3% cash handling fees for all Somali Shilling deposits.

** The interest income from promissory note, HIPC grant assistance income and investment income from the HIPC grant assistance, relate to income from the IMF assets held in custody by Central Bank of Somalia as disclosed in Note 17 and Note 18. These amounts have been offset by CBS as an expense as disclosed in Note 7.

*** License relates to annual license fees charged to commercial Banks, money transfer agencies and mobile money providers as provided for in section 15 of The Central Bank of Somalia Act Law no. 130 of 22 April 2012 and in Section 8 of the Financial Institution Law No. 130 of 22 April, 2012.

****The income from asset recovery relates to the 48% share of USD 6,984,451 recovered from Intensa Sanpaolo Bank which were funds that were held in that Bank before the collapse of the Somalia Government in 1991. Through the World Bank Stolen Asset Recovery (STAR) Initiative, the funds were recovered and deposited in the CBS Federal Reserve Account of New York. The CBS Board approved the sharing of the recovered funds between CBS and the Ministry of Finance on a 48% and 52% ratio respectively. The amounts due to the Ministry of Finance of USD 3,631,915 has been disclosed in Note 25.

*****The grant income relates to income received from the World Bank Group after the CBS has achieved the Performance Based Conditions targets that had been agreed between Central Bank of Somalia and the World Bank Group under the Scaled-Up project. Somalia: Grant Number D843-SO. The bank only recognizes amounts that have been reviewed and approved by the Independent Verification Agent (IVA) and approved by the World Bank Group.

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2023 USD	2022 USD
7 FINANCE COSTS		
Interest expense and other charges on IMF loans (note 16)	82,872	800,488
8 OPERATING EXPENDITURE		
Staff costs (note 9)	6,981,647	4,658,759
Travel expense*	471,568	208,375
Mission allowance*	623,698	151,362
Study visit Per diem *	667,960	325,130
Staff Training *	329,796	144,450
Development upgrades *	120,000	8,807
Security**	735,417	392,613
Asset follow up expense	14,700	3,500
Repair and maintenance	83,926	58,030
Auditors' fees	174,225	147,650
Depreciation (note 16)	637,223	343,855
Amortisation (note 20)	52,175	52,175
Fuel	35,098	26,005
CBS retreat	8,230	45,324
Hotel	88,175	60,569
Internet expenses	69,450	52,900
Rent	73,200	74,200
Board of directors expenses	17,400	248,400
Printing, Publications & Subscriptions	11,829	37,818
Miscellaneous vehicle expenses	47,370	61,537
Electricity	166,039	158,234
Tel, fax, and telegraph	3,888	4,662
Office supplies stationaries	86,546	50,191
Water	5,696	4,391
Cleaning	21,942	31,802
Bank charges	86,925	102,161
Consultant fees	124,810	149,353
Professional subscriptions	21,811	8,318
Health Insurance	339,785	280,465
System License***	931,409	480,214
Petty cash expenses	57,025	16,167
Software expenses	233,702	113,691
IT Equipment expenses	39,322	79,268
Communication expenses ****	312,996	128,538
Refreshments*****	111,551	45,599
Other miscellaneous costs	200	5,617
Consultancy fees - Property revaluation services	159,600	-
Legal expense	-	3,870
Miscellaneous office expenses	-	6,937
IMF country assessment / valuation cost (note 18)	3,807	3,705
Amortization of the grant assistance - IMF PRG-HIPC Trust (note 17)	180,254,765	951,721
Investment income from Grant assistance - IMF PRG-HIPC Trust Trust(note 17)	68,274	10,740
	<u>194,273,180</u>	<u>9,737,103</u>

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 OPERATING EXPENDITURE (Continued)

*The increase in expenditure for the travel expense, mission allowance, study visit per diem, staff training and the development upgrades relates to costs incurred by CBS to achieve the Performance Based Conditions targets for year 2023 that had been agreed between Central Bank of Somalia and the World Bank Group under the Scaled-Up project, Somalia: Grant Number D843-SO. The World Bank Group has appointed an independent verification agent who shall review the withdrawal conditions set out in Section (III).B(1)f, Section(III).B(2) and Schedule 3 of the Financing Agreement confirming the achievement of the Performance - Based Conditions (PBCs). Subject to the successful review of the PBC eligible expenditure, the World Bank shall then release the targeted Grant Income of USD 2,525,000 to Central Bank of Somalia.

**The increase in security expenditure was caused by heightened security risk in Somalia and hence CBS hired more security personnel which include security special forces. Furthermore, CBS opened branches in three Federal Member States i.e. Hirshabelle, Galmudug and in South West State. CBS invested in highly improving the security of these offices to ensure the safety of its personnel.

***The increase in system license expense was caused largely due to CBS incurring an expenditure of USD 231,950 that was initially paid by the World Bank Group as a support the CBS. This support has since ended and CBS now incurs the software license cost.

****The increase communication and refreshment costs arose due to increased outreach, media and event costs incurred by CBS as it launched various key achievements such as the successful implementation of IBAN and QR Code systems in Somalia, and the launch of CBS Federal Member States branches.

	2023 USD	2022 USD
9 STAFF COSTS		
Salaries and wages	3,099,860	2,814,622
Staff allowances	3,372,030	1,676,410
Contract experts	242,439	95,476
Gratuity	145,318	72,251
Bonus	122,000	-
	<u>6,981,647</u>	<u>4,658,759</u>

10 TAXATION

Article 8 of the Central Bank of Somalia Act Law no. 130 of 22 April 2012 exempts the Central Bank of Somalia from taxes on its income and all duties, excise and other taxes and levies on the import and domestic supply of gold, Banknotes and coins, and other taxes duties and levies from which Government ministries and other public agencies are exempted by Law.

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2023 USD	2022 USD
11 (a) CASH AND CASH EQUIVALENTS		
Cash balances (Note 11 (b))	121,487,403	72,169,702
Deposits and balances due from banking institutions (Note 12)	63,800,412	69,943,190
	<u>185,287,815</u>	<u>142,112,892</u>
	=====	=====
(b) CASH BALANCES		
Somali Shillings	350,087	315,357
United States Dollars	121,137,316	71,854,345
	<u>121,487,403</u>	<u>72,169,702</u>
	=====	=====
12 BALANCES DUE FROM BANKING INSTITUTIONS		
Balances due from banking institutions -maturing within 3 months	63,832,445	73,637,153
Provision for impairment of unconfirmed bank balances	(32,033)	(3,693,963)
	<u>63,800,412</u>	<u>69,943,190</u>
	=====	=====
Movement in impairment is as follows.		
At 1 January	(3,693,963)	(3,693,963)
Impairment writeback during the year	3,661,930	-
	<u>(32,033)</u>	<u>(3,693,963)</u>
	=====	=====
The weighted average effective interest rate on balances due from Banking institutions at 31 December 2023 was Nil (2022 - Nil).		
	2023 USD	2022 USD
13 GOLD BULLION		
At 1 January	29,658,654	29,717,683
Valuation gain/(loss) through other comprehensive income	3,887,143	(59,029)
	<u>33,545,797</u>	<u>29,658,654</u>
	=====	=====

Gold bullion consists of 16,261 fine troy ounces of gold at the market price of United States Dollar (USD) 2062.90 per ounce (2022: 16,261 fine troy ounces at USD 1,823.86 per ounce).

This gold bullion is held at the Federal Reserve Bank of New York. The asset is carried at fair value through other comprehensive income.

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2023 USD	2022 USD
14 RECEIVABLES		
Prepayments	158,053	104,611
Sundry debtors	44,622	96,508
Rent receivable -short term	50,700	22,900
	<u>253,375</u>	<u>224,019</u>
	=====	=====
15 LOANS AND ADVANCES - ONLENT		
As at 1 January	2,910,000	2,910,000
Loans advanced	-	-
	<u>2,910,000</u>	<u>2,910,000</u>
	=====	=====

The micro finance loans are loans which the Bank issued to 9 commercial Banks (2022: 9 Banks) from the funds received from Kuwait Fund for Arab Development (Note 24). The commercial Banks are supposed to utilize the loans for provision of micro finance loans to small business traders. These loans are interest free and have been subsequently been repaid fully in March 2024.

16 DUE FROM THE GOVERNMENT OF SOMALIA

	2023 SDR	2023 USD	2022 SDR	2022 USD
Ministry of Finance Promissory Note to settle debt owed to International Monetary Fund	29,671,339	41,527,708	273,041,907	382,146,722
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

Movement in the government promissory note is as follows:

	2023 USD	2022 USD
At 1 January	382,146,722	381,346,234
IMF Debt relief - Loan repayment using HIPC Grant (note 18)	(177,715,223)	-
IMF Debt relief received - Beyond HIPC - Loan repayment (note 18)	(172,783,793)	-
SDR windfall from December 2020 HIPC debt relief (note 26)	9,797,130	-
Interest charged on short term lending to Ministry of Finance (Note 6 (a))	82,872	800,488
	<u>41,527,708</u>	<u>382,146,722</u>
	=====	=====

This Promissory Note was issued by the Ministry of Finance (MOF) pursuant to the Somali Public Finance and Management Act, in consideration to the Central Bank of Somalia (CBS) assuming the debt owed to the IMF as disclosed in note 18 of these financial statements. The promissory note was effective from 31 December 2018 and the maturity date is on 18 March 2024.

The promissory note accrues interest on the unpaid principal balance of the Promissory Note at the applicable rate as determined by the International Monetary Fund (IMF). The accrued interest and the principal are payable only on the Maturity Date. This Promissory Note, is governed by the Federal Government Somalia Constitution and construed and enforced in accordance and with the Somali Public Finance and Management Act.

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 DUE FROM THE GOVERNMENT OF SOMALIA (Continued)

In the December 2023, through the HIPC initiative, Somalia Government received a total debt relief of SDR 250,429,780 (Note 18). These comprised of PRG-HIPC grant of SDR 126,976,631 (Note 17) and a further SDR 123,453,149 of beyond HIPC - Loan repayment. The amounts due from the Government of Somalia has since reduced to SDR 29,671,339 (2022: 273,041,907).

At HIPC Decision Point in March 2020, the Central Bank of Somalia received SDR 243.43 million and utilized this for arrears clearance to the IMF. Subsequently, IMF approved PRTG and GRA loan of SDR 250.43 million to repay a bridge loan used for arrears clearance to the IMF (SDR 243.4 million), and the remainder (SDR 7 million windfall) was kept as higher gross reserves at the CBS. The authorities need to decide the distribution of the SDR 7 million that will no longer need to be repaid to the IMF. During the year, the CBS opted to transfers to the MoF all of the SDR 7 million windfall from the HIPC debt relief received in March 2020 (Note 26).

17 IMF GRANT ASSISTANCE PRG-HIPC TRUST

	2023 SDR	2023 USD	2022 SDR	2022 USD
At 1 January	801,075	1,121,177	686,661	961,044
Additional grant (Note 25)	128,169,769	179,385,127	680,000	951,721
investment income from HIPC holdings (Note 6 (c),8)	48,782	68,274	7,673	10,740
Payment of GRA charges (Note 6 (c),8)	(1,814,490)	(2,539,542)	(573,259)	(802,328)
PRG loan repayment (Note 25,18,6 (c),8)	(126,976,631)	(177,715,223)	-	-
	<u>228,505</u>	<u>319,813</u>	<u>801,075</u>	<u>1,121,177</u>
At 31 December	=====	=====	=====	=====

In March 2020, the IMF Executive Board determined that Somalia is eligible and qualifies for the Grant Assistance under the PRG (Poverty Reduction and Growth Facility) – HIPC (Heavily Indebted Poor Countries) initiative. Through this initiative, the IMF aims to provide deeper, broader, and faster debt relief and to support poverty reduction and lasting economic growth by the IMF's poorest members

During the year Somalia received an additional Grant assistance of SDR 128,791,121 (2022: SDR 680,000). In the year 2023 Somalia utilized grant assistance of SDR 126,976,631 (Note 18) for loan repayment on its existing debt to the IMF and amortized SDR 1,814,490 (2022:SDR 573,259) and applied it to the General Resources Account (GRA) charges on its existing debt to the IMF.

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 FUNDS HELD AT/ DUE TO INTERNATIONAL MONETARY FUND (IMF)

	2023 SDR	2023 USD	2022 SDR	2022 USD
(a) Assets				
IMF balances (SDR asset account)	173,696,516	243,103,907	131,119,056	183,512,920
Accrued Interest on SDR Holdings	1,000,427	1,400,188	583,490	816,647
Quota	163,400,000	228,693,006	163,400,000	228,693,006
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total SDR holdings	338,096,943	473,197,101	295,102,546	413,022,573
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
(b) Liabilities				
International Monetary Fund Holding	163,406,345	228,701,886	202,974,125	284,080,556
International Monetary Fund – Borrowings	72,000,000	100,770,480	238,862,000	334,308,867
Accrued interest and charges	1,675,231	2,344,637	1,199,082	1,678,223
SDR Allocations	114,454,076	160,188,780	114,454,076	160,188,780
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities due to IMF	351,535,652	492,005,783	557,489,283	780,256,426
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

MOVEMENT IN FUNDS HELD AT/ DUE TO INTERNATIONAL MONETARY FUND (IMF)

	2023 SDR	2023 USD	2022 SDR	2022 USD
Assets				
At 1 January	295,102,546	413,022,573	305,998,970	428,273,098
Additional PRT loan allocation	44,000,000	61,581,960	21,000,000	29,391,390
Government acquisition/(utilised) SDR (Note 26)	1,218,890	1,705,946	(29,410,000)	(41,161,942)
Refund of SDR burden sharing refund (Note 26)	-	-	(2,300,000)	(3,219,057)
Payment of interest and GRA charges on SDR (Note 18)	(2,638,710)	(3,693,112)	(754,225)	(1,055,604)
SDR assessment (Note 8)	(2,720)	(3,807)	(2,647)	(3,705)
Increase in accrued Interest on SDR Holdings (Note 8)	416,937	583,541	570,448	798,393
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December	338,096,943	473,197,101	295,102,546	413,022,573
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities				
At 1 January	557,489,283	780,256,426	535,378,906	749,310,964
Additional PRT loan allocation	44,000,000	61,581,960	21,000,000	29,391,390
Interest in Accrued interest and charges (Note 8)	476,149	666,413	1,110,377	1,554,072
Loan repayment using HIPC Grant (Note 16)	(126,976,631)	(177,715,223)	-	-
Beyond HIPC - Loan repayment (Note 16)	(123,453,149)	(172,783,793)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December	351,535,652	492,005,783	557,489,283	780,256,426
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 FUNDS HELD AT/ DUE TO INTERNATIONAL MONETARY FUND (IMF) (Continued)

In 2018 the Bank assumed and recognized Somalia government's IMF (International Monetary Fund) position on its statement of financial position. This is because the Central Bank of Somalia acts as Somalia's "Fiscal Agent" and "Depository" with the IMF. Therefore, the Bank agreed with the Ministry of Finance to recognize and reflect the amounts due by the Government of Somalia to IMF on the Bank's statement of financial position. These debts related to historical sovereign loans owed by the Government, and which were obtained from IMF before the collapse of the Somalia government in 1992. In compensation, the Central Bank of Somalia obtained a promissory note (see note 16) in consideration of the Bank assuming the debt owed to IMF.

IMF currency are held in the No. 1 and No. 2 Accounts, which are deposit account of the IMF with the Bank. Borrowings from and repayment to the IMF are denominated in Special Drawings Rights (SDRs). The SDR balances in IMF accounts are translated into United States Dollars at the prevailing exchange rates and any unrealized gains or losses are accounted for in accordance with accounting policy.

On custodial basis, the Bank holds a non-interest bearing and cashable on demand security issued by the Treasury of IMF in its capacity as the IMF's depository. The security issued is in part payment of Somali's quota of IMF shares.

In the December 2023, through the HIPC initiative, Somalia Government received a total debt relief of SDR 250,429,780. These comprised of PRG-HIPC grant of SDR 126,976,631 (Note 17) and a further SDR 123,453,149 of beyond HIPC. Beyond HIPC" refers to additional debt relief provided by the Inter-American Development Bank to countries that have completed the Heavily Indebted Poor Countries (HIPC) Initiative. The HIPC Initiative is a debt reduction program run by the IMF and World Bank that aims to reduce the external debt of eligible low-income countries to sustainable levels. Countries that complete the HIPC Initiative can receive 100% relief on eligible debts from the IMF, World Bank, and African Development Fund.

The IMF loan holdings liability has since reduced by SDR 39,567,780 and the IMF borrowings reduced by SDR 166,862,000. Furthermore, in the year 2023 Somalia received a new arrangement of extended credit facility of SDR 44,000,000.

The difference between SDR allocation as reported in the IMF confirmation and the in the Central Bank financial statement is SDR 92,776,683 (SDR 207,230,759 - SDR 114,454,076). This relates to the SDR loan due to the Ministry of Finance arising from the new SDR allocation of SDR 156,611,551 provided by the IMF in 23 August 2022.

The new allocation is shared between the Ministry of Finance of Somalia and the Central Bank of Somalia where Ministry of Finance received SDR 92,776,683 and the Central Bank of Somalia received SDR 63,834,868. The Ministry of Finance is responsible for paying the charges relating to the SDR loan.

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 PROPERTY AND EQUIPMENT

COST	Freehold land USD	Buildings USD	Furniture and fixtures USD	Motor Vehicles USD	Equipment USD	Other equipment USD	Total USD
At 1 January 2022	131,495,650	5,639,466	279,480	638,050	764,160	62,294	138,879,100
Additions	-	332,695	25,066	230,000	342,449	-	930,210
Disposal	-	-	-	-	(870)	-	(870)
At 31 December 2022	131,495,650	5,972,161	304,546	868,050	1,105,739	62,294	139,808,440
At 1 January 2023	131,495,650	5,972,161	304,546	868,050	1,105,739	62,294	139,808,440
Additions	-	856,608	84,807	42,500	669,736	-	1,653,651
Revaluation*	2,852,334	1,005,530	-	-	-	-	3,857,864
At 31 December 2023	134,347,984	7,834,299	389,353	910,550	1,775,475	62,294	145,319,955
DEPRECIATION							
At 1 January 2022	-	-	169,058	395,156	584,964	38,147	1,187,325
Charge for the year	-	149,304	23,421	78,511	85,936	6,683	343,855
Disposal	-	-	-	-	(870)	-	(870)
At 31 December 2022	-	149,304	192,479	473,667	670,030	44,830	1,530,310
At 1 January 2023	-	149,304	192,479	473,667	670,030	44,830	1,530,310
Charge for the year	-	153,105	77,870	134,560	261,155	10,533	637,223
At 31 December 2023	-	302,409	270,349	608,227	931,185	55,363	2,167,533
NET BOOK VALUE							
At 31 December 2023	134,347,984	7,531,890	119,004	302,323	844,290	6,931	143,152,422
At 31 December 2022	131,495,650	5,822,857	112,067	394,383	435,709	17,464	138,278,130

*Through its ongoing reforms, in June 2023, the Central Bank of Somalia repossessed its land and buildings located in 3 member states in Hirshabelle, Southwest and Galmudug States. The Bank commissioned an independent valuation firm GIMCO Limited, registered valuers to undertake revaluation of these land and buildings as of October 2023 to bring the values into books.

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 INTANGIBLE ASSETS - COMPUTER SOFTWARE

	2023 USD	2022 USD
COST		
At 1 January and 31 December	260,873	260,873
	=====	=====
AMORTISATION		
At 1 January	170,315	118,140
Charge for the year	52,175	52,175
	-----	-----
At 31 December	222,490	170,315
	-----	-----
NET BOOK VALUE		
At 31 December	38,383	90,558
	=====	=====

21 TREASURY DEPOSITS

Denominated in Somali Shillings	66,209	90,608
Denominated in United States Dollars	114,797,650	89,555,685
Government SDR balance held in United States Dollars (Note 18)	113,850	150,139
	-----	-----
	114,863,859	89,796,432
	=====	=====

The Bank holds accounts for and on behalf of the Government in accordance with the Central Bank of Somalia Act, 2012. Government includes the Federal Government of Somalia, selected regional authorities and salary payment accounts for current and former employees and parliamentarians. These are not interest earning deposits.

22 DEPOSITS FROM BANKS

	2023 USD	2022 USD
Demand deposits	30,751,260	21,804,842
	=====	=====

Commercial Banks hold non-interest-bearing demand deposit accounts with the Central Bank of Somalia to facilitate settlement of inter-Bank transactions

23 SECURITY DEPOSITS

	2023 USD	2022 USD
Performance security to undertake Banking and forex business in Somalia	23,400,000	20,280,000
	=====	=====

All money transfers bureaus that are licensed to carry on money remittance business are required to maintain with the Central Bank, a security deposit in the sum of USD 60,000 or its equivalent in Somali currency. Security deposit in the sum of USD 1,500,000 is required by the Central Bank for Banks owned by Somali Nationals and a USD 3,000,000 for Banks owned by foreign nationals. In 2023, there were a total of 13 (2022:13) licensed local commercial Banks, one international commercial Bank (2022:0) and Money Transfers Bureaus 15 (2022:13) who maintained security deposits with the Bank. These deposits are non-interest bearing and repayable on demand.

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 MICROFINANCE GRANT

	2023 USD	2022 USD
Microfinance Grant – Kuwait Fund for the Arab Economics Development	3,000,000	3,000,000
	<u>=====</u>	<u>=====</u>

In September 2014, the Federal government of Somalia received a USD 3,000,000 interest free grant from the Kuwait Fund for the Arab Economic Development. The purpose of the fund is to provide micro-finance funding to small business in Mogadishu in order to support the growth of the Somali private sector. Part of the grant was disbursed to Commercial Banks as a revolving grant (Note 15). Central Bank of Somalia has written off an amount of USD 90,000 in the year 2021 after default by one of the local banks the Trust African Bank.

25 OTHER PAYABLES

	2023 USD	2022 USD
Sundry creditors	1,373,057	1,211,709
Audit fees	135,000	135,000
Deferred rent income	355,083	144,000
SDR deferred income	319,813	1,121,177
Government Interest SDR	169,742	169,742
Asset recovery funds due to MOF	3,631,915	-
	<u>=====</u>	<u>=====</u>
	5,984,610	2,781,628

MOVEMENT OF SDR DEFERRED INCOME

	2023 USD	2022 USD
At 1 January	1,121,177	961,044
Additional grant (Note 17)	179,385,127	951,721
investment income from HIPC holdings (, 6 (c))	68,274	10,740
Payment of GRA charges (Note 7)	(2,539,542)	(802,328)
PRG loan repayment (Note 7)	(177,715,223)	-
	<u>=====</u>	<u>=====</u>
At 31 December	319,813	1,121,177

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 BALANCE OF GOVERNMENT SDR ALLOCATION

	2023 SDR	2023 USD	2022 SDR	2022 USD
At 1 January	10,468,636	14,651,857	42,825,628	59,938,321
SDR (utilized)/received from burden sharing refund (Note 18)	-	-	(2,300,000)	(3,219,057)
SDR windfall from December 2020 HIPC debt relief (Note 16)	7,000,000	9,797,130	-	-
Total SDR acquisition/(utilized) (Note 18)	1,218,890	1,705,946	(29,410,000)	(41,161,942)
Payment of interest and GRA charges on SDR (Note 18)	(2,720,056)	(3,806,962)	(646,992)	(905,465)
	<u>15,967,470</u>	<u>22,347,912</u>	<u>10,468,636</u>	<u>14,651,857</u>
At 31 December	15,967,470	22,347,912	10,468,636	14,651,857

During the year, Government did not withdraw any SDR but rather acquired SDR 1,218,890 through the via VTA (voluntary trading arrangements) market. The Government also used USD 2,720,056 (2022: SDR 646,992) to settle GRA charges on its SDR allocation. During the year, the CBS opted to transfers to the MoF all of the SDR 7 million windfall from the HIPC debt relief received in March 2020 (Note 16).

27 CAPITAL REQUIREMENTS AND RESERVES

The authorized capital of the Bank is determined in accordance with Law no. 130 of the Central Bank of Somalia Act of 22 April 2012 that prescribes that the ownership of the entire paid-up capital of the Bank shall be vested in the Ministry of Finance. The paid-up capital of the Bank shall not be reduced at any time. The authorized capital of the Bank may be increased by such amounts as may be proposed by the Board and approved by the Ministry of Finance.

As at the reporting date, this section of the Act had not been implemented hence the prescribed capital for the Bank had not been set.

Reserves

As at the reporting date, the Bank had the following reserves which represent its net assets.

(a) Revenue reserve

Revenue reserve represents net cumulative profits/ (losses) from the Banks' operations. This is subject to distribution in accordance with the provisions of the CBS Act.

(b) Revaluation reserve

Revaluation reserve relates to revaluation surplus on land and buildings owned by the Bank and gains/losses on the revaluation of the Gold bullion.

(c) Gold reserve

Gold reserve represents the value of bullion that the Bank recovered through its asset recovery exercise. The reserve balance has been maintained at the value of initial recognition as at 31 December 2014 with all subsequent gains/losses going through the revaluation reserve

CENTRAL BANK OF SOMALIA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 CONTINGENCIES AND COMMITMENTS

Given the development and security situation in Somalia, as well as difficulties in obtaining all relevant historical transaction data and relevant entity accounting documentation and agreements, contingent assets and liabilities may exist. The Bank still has some land and buildings which it owns but has not been able to regain control after the collapse of the Somalia government in 1991. Additionally, the Bank has not been able to reliably measure the value of these land and buildings. However, the directors have ensured that all assets which the bank controls and all known liabilities have been included in these financial statements.

29 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank acts as fiscal agent to the Government in accordance with the Central Bank of Somalia Act. Government includes the Federal Government of Somalia, selected regional authorities and salary payment accounts for Parliamentarians. Other than transactions and balances in the normal course of business with the Government, there have been no significant transactions with related parties during 2023, nor are there known significant assets or liabilities with related parties as at 31 December 2023 (2022 – Nil).

30 EVENTS SUBSEQUENT TO THE REPORTING PERIOD

There are no significant adjusting or non-adjusting disclosure events after reporting period which have been reported in these financial statements.

31 INCORPORATION

The Bank is incorporated under the Central Bank of Somalia Act, 2012 (the Act).

32 CURRENCY

The financial statements have been prepared in the United States Dollars (USD), which has been determined to be the functional currency.