The Central Bank of Gambia

Annual Report and Financial Statement

For the year ended

31 December 2016

Content

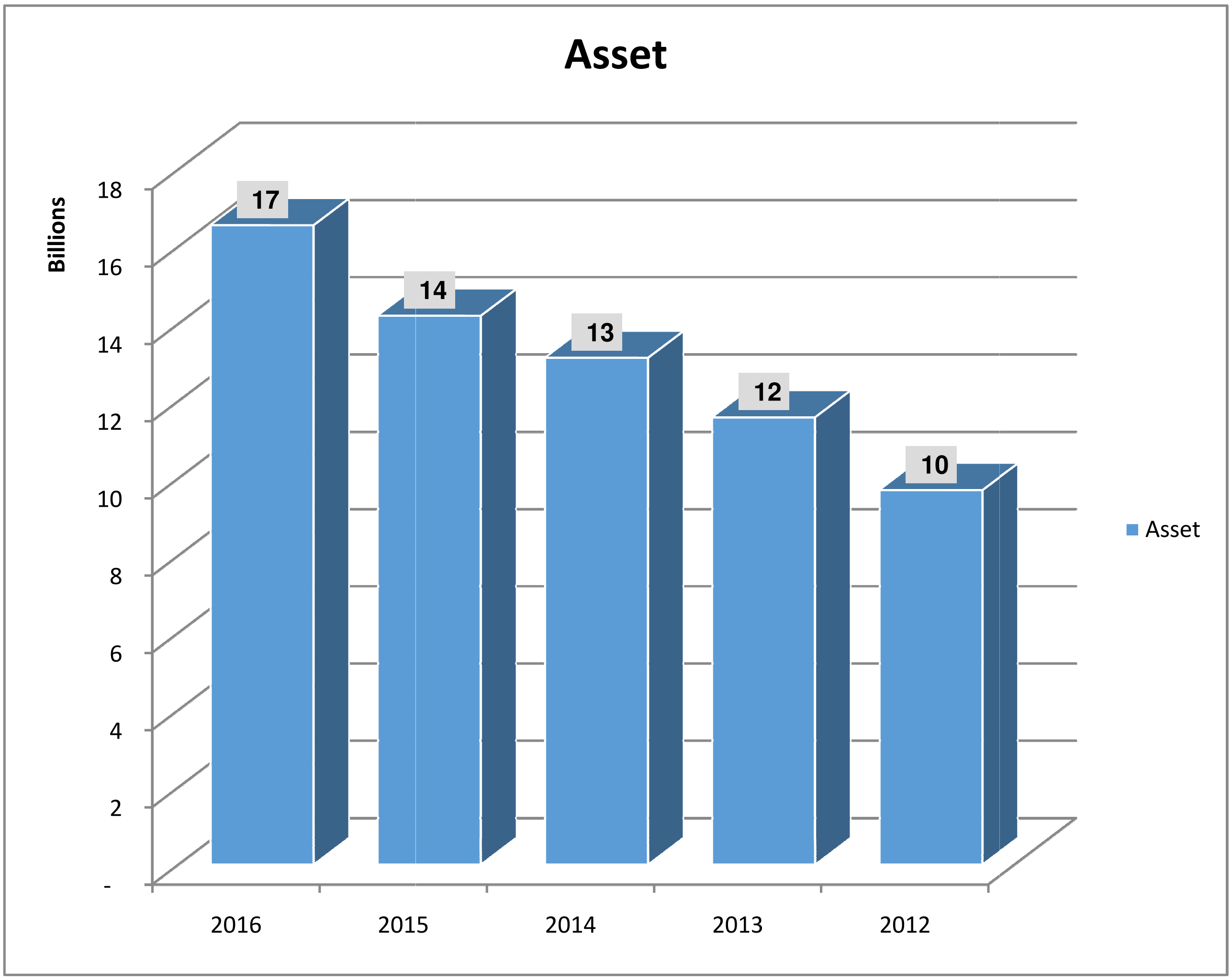
Table of Contents

Content

Financial Highlights

Assets Distribution

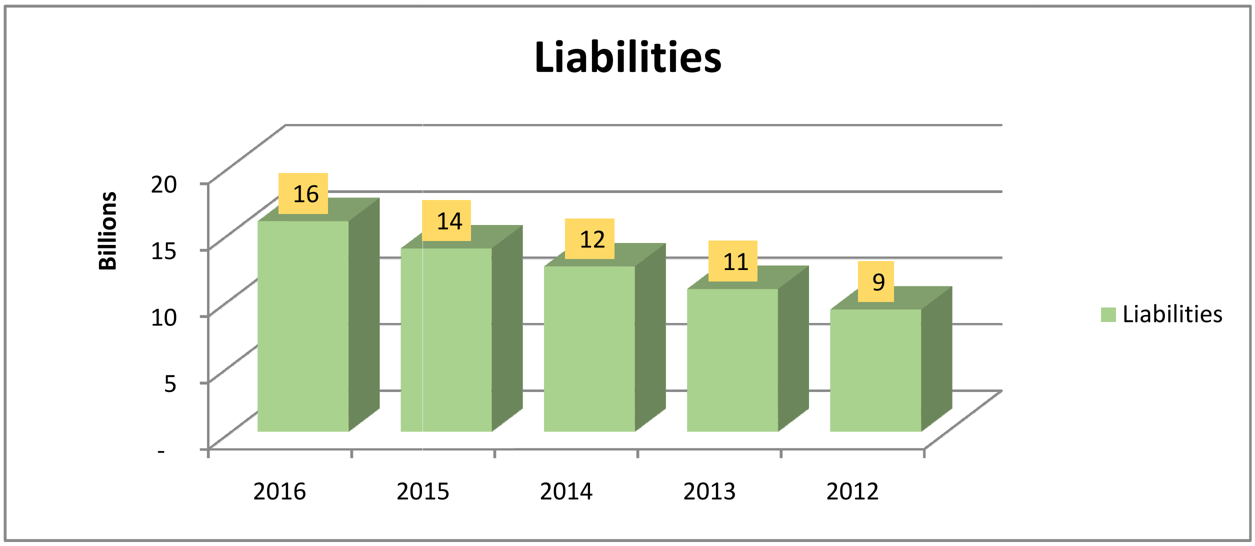
Asset	2016 D' 000	2015 D' 000	2014 D' 000	2013 D' 000	2012 D, 000
FX cash balances & Deposits	1,087,891	2,352,870	2,142,012	3,619,925	3,142,857
Receivable from IMF	559,572	110,491	93,109	81,258	71,349
Investment in securities	13,633,192	6,823,531	8,270,174	7,072,821	5,689,811
Loans & Advances	439,985	3,874,850	1,633,708	61,643	62,348
Other Assets	399,165	577,963	482,441	334,712	307,999
PPE	390,793	408,711	419,791	360,473	330,578
Intangibles	35,308	56,523	71,460	43,451	83,839

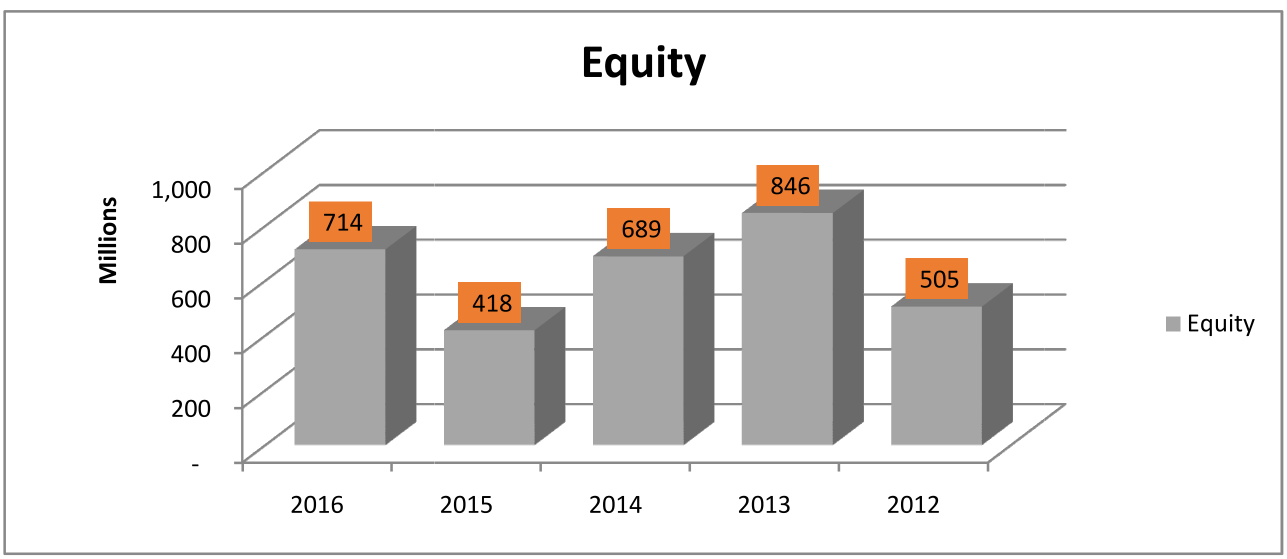


Financial Highlights (Continued)

Equity & Liabilities Distribution

Equity & Liabilities	2016	2015	2014	2013	2012
Capital & other reserves	241,195	105,315	569,957	628,275	331,688
Retained Earnings	472,510	312,917	118,709	218,121	173,174
Currency in circulation	5,089,611	4,035,587	3,908,642	3,635,453	3,183,810
GG & Financial Institutions Deposit	6,987,820	4,929,224	4,700,617	3,738,833	3,041,637
Long term loan from IMF	3,597,079	4,663,344	3,686,923	3,325,008	2,894,712
Other Payables	157,691	158,552	127,847	28,593	63,760





Financial Highlights (Continued)

Profitability

Description	2016	2015	2014	2013	2012
Interest income	358,580	550,920	525,564	292,807	206,048
Net Surplus	159,593	269,975	(99,412)	44,947	(738)
% of interest income	44.51%	49.00%	-18.92%	15.35%	-0.36%

Corporate Information

Executive Director	Mr.Amadou A. Colley	Governor and Chairman (To May 2017)
	Mr. Bakary Jammeh	Governor and Chairman (From May 2017)
Non Executive Directors	Mr. Mustapha A.B. Kah	Director
	Permanent Secretary - Ministry of Finance and Economic Affairs	Director
Audit Committee	Mr. Mustapha A.B. Kah	Chairman
	Mr.Momodou B. Mboge	Secretary
First Deputy Governor	Mr.Basiru A.O. Njai (To May 2017) Dr.SeekuJaabi (From May 2017)	
Second Deputy Governor	Mrs.Oumie Savage Samba(To May 2017) Mr.EssaDrammeh (From May 2017)	
Director of Finance	Mr.OusainouCorr (To May 2017) Mr.Abdourahman Barrow (From May 2017)	
Secretary	Mr.Momodou B. Mboge	
Registered office	1-2 Ecowas Avenue Banjul The Gambia	
Auditors	DT Associates Bertil Harding Highway Kololi	
Bankers	Bank of England International Monetary Fund Federal Reserve Bank of New York Banque De France Bank of International Settlements Standard Chartered Bank Plc Union Des BanqueArabes Et Francaise Deutsche Bundesbank Crown Agents Banco Santander	

Directors Report

The directors present their report and the audited financial statements for the year ended 31 December 2016.

Statement of Directors' responsibilities

The Central Bank of The Gambia Act 2005 requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the bank and of its net profit or loss for that year. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the bank and to enable them to ensure that the financial statements comply with the Central Bank of The Gambia Act 2005. They are also responsible for safeguarding the assets of the bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities

Central Bank of The Gambia was established to carry on business in accordance with the constitution and the provisions of the Central Bank of The Gambia Act 2005 with the following objectives:

- Achieve and maintain price stability;
- Promote and maintain the stability of the currency of The Gambia;
- Direct and regulate the financial, insurance, banking and currency system in the interest of the economic development of The Gambia; and
- Encourage and promote sustainable economic development and the efficient utilization of the resources of The Gambia through the effective and efficient operation of a financial system.

In achieving the above objectives, the bank is allowed to perform the following functions:

- Formulate and implement monetary policy aimed at achieving the objectives of the bank;
- Promote, by monetary measures, the stabilization of the value of the currency within and outside The Gambia;
- Institute measures which are likely to have a favourable effect on the balance of payments, the state of public finances and the general development of the national economy;
- License, regulate, supervise and direct the financial system and ensure the smooth operation of the financial system;
- Promote, regulate and supervise payment and settlement system;
- Issue and redeem the currency notes and coins of The Gambia;
- Licence, regulate andsupervise non-banking financial institutions;
- Act as banker and financial advisor to the Government and guarantee Government loans;
- Promote and maintain relations with international banking and financial institutions and subject to the Constitution or any other relevant enactment, implement international monetary agreements to which The Gambia is a party;

Directors Report (continued)

Principal activities (continued)

- Own, hold and manage its official international reserves;
- Promote the safe and sound development of the financial system including safeguarding the interest of depositors;
- Collect, analyse and publish statistical data; and
- Do all other things that are incidental and conducive to the efficient performance of its functions under the Act.

Results for the year

Results for the year are as presented in the accompanying financial statements.

Employees

The number of employees and the cost associated with these employees is as detailed in note 19.1

Donations

The bank made charitable donations amounting to D414, 750 during the year. (2015: D666, 000).

Directors and directors' interest

The directors who held office during the year are shown on page 4.

The Central Bank Act requires Non-Executive Directors to serve a maximum term of 2 years so far as possible and that not more than one director's term of office shall expire in any one year. A director shall be eligible for reappointment.

The term of two of the Non Executives Directors expired during the year and the process of replacement is yet to be concluded.

Going concern

The directors have assessed the ability of the Bank to continue as a going concern. The directors therefore have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. Thus, we continue to adopt the going concern basis in preparing the annual financial statements of the Bank.

Auditors

The National Audit Office is mandated to appoint the Bank's auditors. DT Associates has been appointed for a three year period beginning on the 31st December 2016 financial year.

By order of the board of directors

Secretary

Dated 25th October 2017

Independent Auditor's Report

To the Members of Central Bank of The Gambia

We have audited the accompanying financial statements of The Central Bank of The Gambia, which comprise the statement of financial position as at 31st December 2016, the statement of comprehensive income, statement of changes in equity and the statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the financial statements

The Directors are responsible for the preparation and the fair presentation of these financial statements in accordance with the Central Bank of the Gambia's Act 2005, International Financial Reporting Standards issued by the International Accounting Standard Board and for such internal controls as the Directors determine necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion:

Conflict between International Financial Reporting Standards and the Central Bank of The Gambia Act 2005:

In preparing the financial statements in accordance with International Financial Reporting Standards, the following conflict with the requirements of Central Bank of The Gambia Act 2005 was noted:

Independent Auditor's Report (Continued)

As disclosed in the Statement of changes in equity, a total amount of D135, 880,000 relating to net revaluation gains on monetary items were recognised directly to equity in accordance with the requirement of section 9(1) of the Central Bank of The Gambia Act, 2005 instead of profit or loss as required under IAS 21 The Effects of Changes in Foreign Exchange Rates.

Consolidation of subsidiary financial information:

Gamswitch's financial statements, a subsidiary of the Bank has not also been consolidated with the financial statements of the Bank in accordance with IFRS 10 and the related disclosures have also not been made in accordance with IFRS 12.

Qualified Opinion: Non compliance with International Financial Reporting Standards

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of the bank as of 31st December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of the Central Bank of The Gambia's Act 2005.

DT Associates
Chartered Accountants
Registered Auditors

Date: 25th October 2017

Statement of Financial position

Assets	Notes	31-Dec-16 D'000	31-Dec-15 D'000
Foreign currency cash balances and deposits	4	1,087,891	2,352,870
Receivable from IMF	5	559,572	110,491
Investment in securities	6	13,591,797	6,823,531
Loans and advances	7	439,985	3,874,850
Other assets	8	399,165	577,963
Property, plant and equipment	9	390,793	408,711
Intangible assets	10	35,308	56,523
Total assets		**16,504,511**	14,204,939
Liabilities			
Currency in circulation	12	5,089,611	4,035,587
Deposits of Government and financial institutions	13	6,946,425	4,929,224
Long term loan from IMF	14	3,597,079	4,663,344
Other payables	15	157,691	158,552
Total liabilities		**15,790,806**	13,786,707
Equity and reserves			
Share capital		100,000	100,000
General reserve		5,315	5,315
Retained earnings		472,510	312,917
Revaluation reserve		135,880	-
Total equity and reserves		**713,705**	418,232
Total equity and liabilities		**16,504,511**	14,204,939

These financial statements were approved by the Board of Directors on ……………………….. , 2017 and signed on its behalf by:

……………………………… Governor

……………………………… Deputy Governor

……………………………… Director

The notes form an integral part of these financial statements.

Statement of Comprehensive income

	Notes	31-Dec-16 D'000	31-Dec-15 D'000
Interest income	16	**358,580**	550,920
Interest expense and other similar expense	17	**(1,135)**	(1,036)
Net interest income		**357,445**	549,884
Other income	18	**20,493**	20,019
Total operating revenue less interest expense		**377,938**	569,903
Operating expenses			
Personnel cost	19	**(87,755)**	(92,325)
General and administration expenses	20	**(221,537)**	(304,713)
Depreciation	9	**(36,194)**	(34,315)
Amortisation	10	**(22,859)**	(18,575)
Impairment of investment in Mega Bank	6	**150,000**	150,000
Total operating expenses		**(218,345)**	(299,928)
Net surplus /(deficit) for the year		**159,593**	269,975
Other Comprehensive Income/loss:			
Items that will not be reclassified subsequently to profit or loss		**-**	**-**
Re-measurement of defined benefit pension plans		**-**	-
Gain on revaluation of property		**-**	-
Items that may be reclassified subsequently to profit or loss			
Net fair value gain on available for sale financial assets		**-**	-
Other comprehensive income for the year		**-**	-
Total Comprehensive Income/(Loss) for the year		**159,593**	269,975

The notes form an integral part of these financial statements.

Statement of Changes in Equity

	Share Capital D' 000	General Reserve D' 000	Revaluation Reserve D' 000	Retained Earnings D' 000	Total D' 000
Balance @ 1st January 2015	100,000	5,315	464,642	118,709	688,666
Net income for the year	-	-	-	269,975	269,975
Revaluation reserves S 9 (2)	-	-	(1,009,214)		(1,009,214)
Revaluation reserves S 9 (3)	-	-	75,767	(75,767)	-
Interest bearing securities	-	-	468,805	-	468,805
Balance @ end December 2015	**100,000**	**5,315**	**-**	**312,917**	**418,232**
Balance @ 1st January 2016	100,000	5,315	-	312,917	418,232
Surplus for the Year	-	-	-	159,593	159,593
Exchange Loss	-	-	-	-	-
Revaluation reserve	-	-	135,880	-	135,880
Balance @ end December 2016	**100,000**	**5,315**	**135,880**	**472,510**	**713,705**

The notes form an integral part of these financial statements

Statement of Cash flow

	Notes	31-Dec-16 D'000	31-Dec-15 D'000
Operating activities			
Net Income (deficit)/ from operations		**159,593**	269,975
Depreciation and amortization		**59,053**	52,890
Interest income		**(358,580)**	(550,920)
Interest expense		**1,135**	1,036
Revaluation losses		**135,880**	(1,009,214)
		(2,919)	(1,236,233)
Increase in receivable from IMF		**(449,081)**	(17,382)
Decrease in loans and advances		**3,434,865**	(2,241,142)
Decrease in other assets		**178,798**	(44,727)
Decrease in provisions and other liabilities		**(861)**	30,705
Increase in deposit of Government and Financial Institutions		**2,017,201**	228,607
Increase in Currency in Circulation		**1,054,024**	126,945
Cash absorbed by operations		**6,232,027**	(3,153,227)
Interest paid		**(1,135)**	(1,036)
Interest received		**358,579**	500,125
Net cash outflows from operating activities		**6,589,471**	(2,654,138)
Cash flows from investing activities			
Purchase of securities		**(6,768,266)**	1,915,448
Acquisition of property, plant and equipment		**(19,919)**	(26,873)
Net cash used in investing activities		**(6,788,185)**	1,888,575
Cash flows from financing activities			
Long term loan from IMF		**(1,066,265)**	976,421
Net cash from financing activities		**(1,066,265)**	976,421
Net increase/(decrease) in cash and cash equivalents		**(1,264,979)**	210,858
Cash and cash equivalents at 1 January		**2,352,870**	2,142,012
Cash and cash equivalents at 31 December		**1,087,891**	2,352,870

The notes form an integral part of these financial statements.

Notes to the Financial Statements.
For the year ended 31 December 2016

1. General information

Central Bank of The Gambia ("the Bank") was established in 1971 by Government of The Gambia under the Central Bank of The Gambia Act 1971(superseded by the Central Bank of The Gambia Act 1992 and the Central Bank of The Gambia Act 2005 "the Act"). The registered office is: 1-2 Ecowas Avenue, Banjul, The Gambia.

The principal objectives of the bank are to regulate the issue, supply, availability and international exchange of money, promote monetary stability, and promote sound financial structure and credit exchange conditions conducive to the orderly and balanced economic development of the country. The responsibilities of the Bank also include acting as the banker for the commercial banks, government departments and for government projects and the issuing of currency notes and coins.

In accordance with the Act, the Board of directors determines the monetary policy, the instruments for its implementation and decides on the Bank's monetary policy operations. The Bank ensures the implementation of the monetary policy mainly by using the following instruments- base interest rate, issues of treasury bills and other Gambian government bonds, direct purchase or direct sale of government securities and foreign exchange operations, overnight refinancing and overnight money withdrawing operations, minimum reserves requirements and the exchange rate regime for the country. The Bank ensures the administration of foreign exchange reserves especially by means of financial operations related to securities denominated in foreign currencies, acceptance of loans from foreign entities, purchase of foreign currency from banks and branches of foreign banks, and financial transactions with foreign currencies.

All the costs necessary for the Bank's activities are covered from its revenues or from transfers of Redeemable Interest- Bearing Notes issued by The Gambia Government. Profits generated is allocated to the reserve fund and to other profit reserves, or used to settle losses from previous years. The remaining profit is transferred to the Consolidated Revenue fund (CRF) as stipulated in Section 8 (5) of the Act. The Bank may settle the loss for the current period from the reserve fund or from other reserves; alternatively, the Board may decide to transfer the outstanding loss to the next accounting period. The bank is expected to submit an annual report on its financial results to the National Assembly of The Gambia, within six months of the end of the calendar year.

As a member, The Bank is also obliged to certain reporting requirements of the International Monetary Fund (IMF) under the terms of various agreements with the IMF under the current Poverty Reduction Growth Facility (PRGF) and Extended Credit Facility (ECF) program through a Technical Memorandum of understanding (TMU).

2. Basis of preparation

2.3. Statement of Compliance

These financial statements of The Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB) and the Central Bank of The Gambia Act 2005.
A material departure from the provisions of IFRS in the financial statements as a result of compliance with the provisions of the Central Bank of The Gambia Act 2005 is disclosed in the supplementary information section of the Financial Statements.

2.4. Going Concern

The bank has reviewed its business activities, together with the factors likely to affect its future development, performance and position. Based on the above, the directors have a reasonable expectation that the bank has adequate resources to continue in operational existence for the reasonable future. Thus that bank continues to adopt the going concern basis of accounting in preparing the annual financial statements.

2.5. Basis of measurement

The financial statements are presented in Gambian Dalasi which represents the functional currency of the Bank, being the currency of the economic environment in which the Bank operates.
The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain financial instruments to fair value and the option chosen by the Bank to revalue certain items of property to fair value.

2.6. Changes in accounting policies and disclosures

2.6.1. New and amended standards and interpretations

The Bank considered for application, certain standards and amendments which are effective for annual periods beginning on or after 1 January 2016. However, these standards and amendments as detailed below, do not significantly impact these annual financial statements.
The nature and the impact of each new standards and amendments are described below:

Amendments to IAS 27, 'Equity method in separate financial statements'

Entities are to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

2.6. Changes in accounting policies and disclosures (Continued)
2.6.1. New and amended standards and interpretations (Continued)

Amendments to IFRS 10, and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Amendments to IAS 16,'Property, plant and equipment' and IAS 38 'Intangible assets'

This amendment has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome if either:

- The intangible asset is expressed as a measure of revenue (i.e. where a measure of revenue is the limiting factor on the value that can be derived from the asset), or

- It can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.

Amendments to IAS 1, Presentation of Financial Statements

The amendments to IAS 1 Presentation of Financial Statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including materiality, disaggregation and subtotals, notes and other comprehensive income arising from investments accounted for under the equity method. According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

2.6.2. Standards issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2016, and have not been applied in preparing this financial statements. None of these is expected to have a significant effect on the financial statements, except the following set out below:

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2015. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Bank is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers'

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.
Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Bank is yet to assess IFRS 15's full impact.

2.6. Changes in accounting policies and disclosures (Continued)
2.6.2. Standards Issued but not yet effective (Continued)

IFRS 16, 'Leases'

IFRS 16, 'Leases' sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, that is the customer (lessee) and the supplier (lessor). IFRS 16 is effective from 1st January, 2019 and the Bank can choose to apply IFRS 16 before that date but only if it also applies IFRS 15 "Revenue from Contracts with Customers". IFRS 16 replaces the previous leases standard, IAS 17 "Leases" and related interpretations. The Bank is yet to assess IFRS 16's full impact.

2.7. Use of estimates and judgments

In the application of the Bank's accounting policies, which are described in note 3, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, the significant areas of estimation of uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in notes 3.12 and the supplementary information.

Notes to the Financial Statements.
For the year ended 31 December 2016

3. Significant Accounting Policies

The following accounting policies have been approved by the Board and have been applied consistently to all periods presented in the financial statements in dealing with items that are considered material in relation to the Bank's financial statement.

3.3. Revenue Recognition

3.3.1. Fair value gains and losses

Gains and losses arising from changes in the fair value of financial assets and liabilities held at fair value through profit or loss, as well as any interest receivable or payable, is included in the statement of comprehensive income in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets, other than foreign exchange gains and losses from monetary items, are recognised directly in equity, until the financial assets is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement.

3.3.2. Dividend received

Dividends are recognised in the income statement when the Bank's right to receive payment is established.

3.3.3. Interest income and expense

Interest income and expense on available-for-sale assets and financial assets or liabilities held at amortised cost are recognised in the statement of comprehensive income using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future receipts or payments through the expected life of the financial instruments or, when appropriate, a shorter period, to the carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

The calculation includes all fees received or paid between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of financial asset or liability. Interest income and expense on financial assets and liabilities held at fair value through profit or loss is recognised in the income statement in the period they arise.

Notes to the Financial Statements.

For the year ended 31 December 2016

3. Significant Accounting Policies (continued)

3.1. Revenue Recognition (continue)

3.3.4. Fees and commission

Fees and commission income and expenses that are an integral part to the effective interest rate on financial instruments are included in the measurement of the effective interest rate. Other fees and commission income, including account servicing fees, investment management fees, sales Commission, placement and arrangement fees and syndication fees are recognised as the related services are performed. Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

3.4. Foreign currency

Transactions in currencies other than Dalasi are recorded at the rates prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated to Dalasi at the rates prevailing on the date. Non- monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are recognised directly in the revaluation reserve account.

3.5. Taxation

Under section 70 of the Central Bank of The Gambia Act 2005, the Bank is exempt from payment of income taxes. However the Income and Value Added Tax Act 2012 which became effective in January 2013 supersedes section 70 of the Central Bank of The Gambia Act as a result of which the Bank is now liable to Value Added Tax (VAT). Pending the outcome of negotiations with Ministry of Finance & Economic Affairs on exemptions to be granted to the Bank, a total amount of D5.3 million (2015:D3.5 million) of VAT paid is classified under miscellaneous assets. A 100% provision has been made in respect of this receivable amount in respect of the 2015 amount.

3.6. Special drawing rights and International Monetary Fund Related Activities

Receivables from and liabilities to the International Monetary Fund (‘IMF’), excluding any long-term interest- bearing borrowings, are stated at their nominal amounts using the net method, i.e. receivables and liabilities are offset. Interest- bearing borrowings from the IMF are recorded as a financial liability under the amortised costs method.

3.7. Financial assets

i. Classification of financial assets and liabilities

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (FVTPL), ‘held-to-maturity’ investments, ‘available- for- sale’ (AFS) financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Notes to the Financial Statements.

For the year ended 31 December 2016

3. Significant Accounting Policies (continued)

3.5. Financial assets (continued)

i. Classification of financial assets (continued)

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified at fair value through profit and loss, which are initially measured at fair value.

a. Financial assets at fair value through profit and loss

The Bank has no financial assets classified as fair value through profit and loss.

b. Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method. Loans and receivables include loans to government which are recorded at amortised costs.

c. Held to maturity investment

Instruments with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Foreign treasury bills, Gambia Government Bonds and foreign deposits placements are recognised as Held-to-maturity investments and are recorded at amortised cost using the effective interest method, less any impairment, with revenue recognised on an effective yield basis.

d. Available for Sale financial assets (AFS)

Subscriptions to associate regional institutions such as the ECOWAS second Monetary zone (WAMZ) through its implementing Agency WAMI (equity contributions) are classifies as Available for sale financial assets. This is recorded at cost as there is no active market or reliable basis to determine their fair value. However during the year, the Bank reviewed their carrying value based on the currency (US Dollar) in which they are held in accordance with Section 9 (1) of the CBG Act 2005.

Equity investments made to Africa Export Import Bank and Africa Re-insurance are classified as AFS and recorded at cost as these equity investments are not publicly traded and the Bank has assessed that there is no reasonable basis for estimating their fair value. However, these investments are held in foreign currencies and the Directors have applied Section 9(1) of the CBG Act 2005 to their carrying value atthe current rate of exchange.
Dividends on these equity instruments are recognised in the income statement when the Bank's right to receive the dividends are established.

3. Significant Accounting Policies (continued)
3.5. Financial assets (continued)

ii. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been impacted.

For unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.
For all other financial assets, including redeemable notes classified as AFS, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- Becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.
The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.
With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

iii. De-recognition of financial assets

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

iv. Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on amounts paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets, or, where appropriate, a shorter period.

Notes to the Financial Statements.

For the year ended 31 December 2016

3. Significant Accounting Policies (continued)

3.8. Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

De-recognition of financial liabilities

The Bank de-recognises financial liabilities when, and only when, the Bank's obligations are discharged, Cancelled or they expire.

3.9. Loans and advances

Loans and advances originated by the Bank are classified as loans and receivables. Loans and advances are stated in the statement of financial position at the estimated recoverable amounts in accordance with note 3.5 (b) above.

The recoverable amounts of loans and advances are the present value of expected future cash flows, discounted at the instruments' original effective interest rate.

3.10. Securities

(i) Domestic securities

Domestic securities consist of Government of The Gambia redeemable and negotiable interest bearing securities. These securities are classified as held to maturity and are stated in the statement of financial position at cost.

(ii) Foreign securities

This represents interest bearing short-term instruments with fixed maturities held with correspondent banks. These securities are stated at amortised cost.

(iii) Long Term Government securities

This represents interest bearing securities issued by the Government of The Gambia to cover the Bank in respect of net exchange losses arising on holdings of Foreign Securities recognised in the Revaluation Account in accordance with Section 9 (1) of the Central Bank of The Gambia Act, 2005. The interest bearing securities are stated at cost to fairly present the substance of these securities.

3. Significant Accounting Policies (continued)

3.11. Equity Shares and participation Interest

Equity investments are classified as available-for-sale financial assets and measured at fair value after initial recognition. Where the fair value of these investments cannot be reliably measured, they are stated at cost less provision for impairments

3.12. Property, plant and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment ("PPE") have different useful lives, they are accounted for as separate items (major components) of PPE).

Properties in the course of construction for rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss.
Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Bank' accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Leasehold land (right to use of land) is now recognised as PPE and transferred from intangible assets carried at cost less accumulated depreciation. Leasehold land is depreciated over 99 years.
The regional initiative through the establishment of a modern payment system infrastructure for the West African Monetary Zone through a grant from the AfDB, the Bank is recognising the whole of the grant over the depreciable useful life and the depreciation expenses is recognised corresponding to the useful lives of the assets.

At each reporting date, the Bank reviews the carrying amounts of its property, plant and equipment 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). 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in income statement. Where an impairment loss subsequently reverses, the carrying amount of the asset 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 recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in income statement.

3. Significant Accounting Policies (continued)

3.10. Property, plant and equipment

Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in the income statement as incurred.

Depreciation

The estimated useful lives of property, plant and equipment and intangible fixed assets are as follows:

Category	*Number of Years*
Buildings	100
Furniture and equipment	10
Office machines	5
Computer equipment	5
Vehicles	5
Computer software	7
Right to use land	99

Residual values and estimated useful lives are assessed on an annual basis. Surpluses or deficits on the disposal of property and equipment are recognised in the income statement. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

3.13.Intangible assets

Software acquired by the Bank is stated at cost less accumulated amortization and accumulated impairment losses.
Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortization is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is four years. During the year the Bank review its software amortization and now adopt seven years that is 14.3% as useful Economic Life for Software. The objective being to harness the impact of technological changes and the payment of significant licensee's fees and maintenance cost of these software's indicate that the period of economic benefits could be elongated.

In recognition of the grant from AfDB on the modernization of the payment system infrastructure, the development cost related to the project is correspondingly linked to the useful lives of the depreciable assets provided by the grant.

3. Significant Accounting Policies (continued)

3.14. Deposits

This is mainly made up of government, commercial banks and other financial institutions' deposit accounts. They are categorised as other financial liabilities carried in the statement of financial position at cost.

3.15. Employee benefits

The Bank operates a defined benefit scheme which provides benefits based on final pensionable pay. The Bank's obligation for contribution to the scheme is recognised as an expense in the income statement. The Bank's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs. The calculation is performed by a qualified actuary using the projected unit credit method. Changes in the present value of the plan liabilities are recognised in the income statement. When the calculation results in a benefit to the Bank, the recognised asset is limited to the net total of any unrecognised actuarial losses, unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Short-Term Benefits

Short-Term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under Short-Term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee is entitled to receive on retirement, dependent on one or more factors such as age, years of service and salary. A full actuarial valuation by a qualified independent actuary is carried out every two years. An estimate is made to adjust the benefit obligation on a yearly basis. The plan liability is measured on an actuarial basis using the projected unit credit method, adjusted for unrealised actuarial gains and losses. The defined benefit plan liability is discounted using rates equivalent to the long-term government bond rates.

3. Significant Accounting Policies (continued)

3.16. Currency in circulation

The Bank administers the issue of bank notes and coins and their withdrawal from circulation. Currency in circulation represents the Bank's liability arising from issued bank notes and coins. The liability is decreased by the Bank notes and coins in the Bank's cash desk. The liability due to currency in circulation is stated at face value.

The stock of currency notes and coins are amortised when issued into circulation and the proportionate cost is recognised as an expense through the statement of comprehensive income. The stock is issued on a first in first out basis and cost is determined based on the value of the order including cost of insurance and freight. The receipt of new notes and coins are recorded in the vault register as an off balance sheet item to account for the movement of stock through receipts and issues of notes and coins. The Bank creates an asset when payment is made to the printing and minting firms, which forms part of the stock of currency notes and coins.

3.17. Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flow at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.18. Cash and cash equivalent

Cash and cash equivalents include foreign currency notes and foreign currency deposits, unrestricted balances held with foreign banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used in the management of short-term commitments.

3.19. Derivative financial instruments

Derivative instruments are contracts whose value is derived from one or more underlying financials instruments or indices defined in the contract. They include swaps, forward rate agreements, futures, options and combinations of these instruments and primarily affect the Bank's net interest income, net trading income, net fee and commission income and derivative assets and liabilities. Notional amounts of the contracts are not recorded on the balance sheet. The Bank applies IAS 39. All derivative instruments are held at fair value through profit or loss. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. This includes terms included in a contract or other financial asset or liability (the host), which, had it been a stand-alone contract, would have had met the definition of a derivative. These are separated from the host and accounted for in the same way as a derivative.

3. Significant Accounting Policies (continued)

3.20. Share capital

Share capital represents contributions by the sole shareholder (The Government of The Gambia) and may not be distributed under current legislation.

3.21. General Reserve Fund

The General Reserve Fund, the use of funds which is subject to the Central Bank Act rules. Under this Act, any net loss incurred by the Bank under the accounting standards of the Act shall be charged to the General Reserve Fund. In cases where the General Reserve Fund is inadequate to cover the entire amount of the loss, the balance of the loss shall be carried forward under retained earnings or accumulated losses.

3.22. Revaluation Reserve

The Revaluation Reserve includes profits or losses arising from the revaluation of the Bank's assets and liabilities in gold, special drawing rights or foreign securities as a result of a change in the par value of the Dalasis or any change in the par value of the currency unit of any country. The use of the account is in line with Section 9 of the CBG Act 2005. During the year, the reserve brought forward has been utilized in accordance with S9 (5)

3.23. Retained Earnings

Retained earnings include amounts resulting from the revaluation of certain items of property, plant and equipment and intangible assets under the adoption of IFRS for the first time. These amounts do not represent statutory reserves and are therefore not subject to the requirements of the Act and are therefore not distributable.

Notes to the Financial Statements.

For the year ended 31 December 2016

4. Foreign currency cash balances & Deposits

	31-Dec-16 **D'000**	31-Dec-15 D'000
USD deposits	**100,471**	537,861
EUR deposits	**158,695**	110,784
GBP deposits	**472,526**	395,077
SDR deposits	**321,363**	1,272,647
Other deposits	**9,755**	9,151
Foreign currency cash held	**25,081**	27,350
	1,087,891	2,352,870

5. Receivable from IMF

	31-Dec-16 **D'000**	31-Dec-15 D'000
Receivables:		
IMF quotas (deposits of Dalasi currency at IMF)	**3,746,928**	2,275,276
Payables:		
IMF account 1	**(3,183,609)**	(2,157,823)
IMF account 2	**(3,747)**	(6,962)
	559,572	110,491

The Bank is a member of the International Monetary Fund (IMF) and a designated fiscal agent and the depository for the IMF's holdings of local currency. The IMF quota receivable holdings of SDR 62,200,000 (2015: SDR 31,100,000). IMF local holdings equivalent to SDR 52,848,755 (2015: SDR 29,493,770) and SDR 62,201 (2015: SDR 95,154) are held in the IMF's No.1 and No. 2 liability accounts respectively. These are deposit accounts of the IMF with Central Bank of The Gambia.

Notes to the Financial Statements.

For the year ended 31 December 2016

6. Investments in securities

		31-Dec-16 D'000	31-Dec-15 D'000
Held- to- maturity investments at amortised cost	6.1	**12,987,400**	5,651,773
Available- for- sale investments cost or fair value	6.2	**604,397**	1,171,758
		13,591,797	6,823,531

6.1. Held- to- maturity investments carried at amortised cost:

		31-Dec-16 D'000	31-Dec-15 D'000
Current:			
Fixed term investment Euro		**328,632**	301,950
Fixed term investment USD		**663,989**	598,114
Gambia Government Sukuk		**12,864**	-
Gambia Government treasury bills	a	**227,991**	1,180,737
		1,233,476	2,080,801
Non-current:			
5% Gambia Government Bond 2015 - 2035	b	**-**	1,951,102
6.5% Gambia Government Bond 2010 - 2040	c	**-**	1,515,702
6% 10 Year Gambia Government Bond 2010 - 2040	d	**-**	104,168
5% 30 year Gambia Government bond	e	**11,753,924**	-
		11,753,924	- 3,570,972
		12,987,400	5,651,773

a. Gambia Government Treasury Bills

The Bank held Gambia Government treasury bills and Sukuk Al Salam as held to maturity investments as at 31st December 2016 of D 241 million (2015: D1,180 million).

b. 5% Government Bond 2015 - 2035

The amount of D1,951 million disbursed relates to a USD25.0 million loan agreement signed in November 2014 with Government of The Gambia for a period of 20 years to finance external obligations of State Owned Enterprises namely; National Water and Electricity Corporation (NAWEC), Gambia Groundnut Corporation (GGC), Gambia Telecommunications Company (GAMTEL) and Gambia Cellular Company (GAMCEL) obligations to the Islamic Development Bank Group (IsDB) in the form of accumulated loan repayments. Interest is paid in June and December each year.

c. 6.5% Government Bond 2010 – 2040

An agreement was signed with the Government of The Gambia in September 2010 for a period of 30 years. The Initial amount of the bond was D1.825 billion with a tenor of 30 years. Interest is paid half yearly in March and September.

d. 6% 10 Year Government Bond 2010 - 2020

There is a signed agreement with Government of The Gambia for a period of 10 years. Initial financing of D 208 million was provided as Bridge loan in anticipation of European Union (EU) FY2010 budget support and was subsequently converted to a loan when the budget support was not realised. Interest is applied half yearly in June and December.

e. 5% 30 year Gambia Government bond

The Gambia Government through the Ministry of Finance & Economic Affairs signed an agreement with the Central bank of The Gambia to convert the balances on the under listed accounts at 31st December 2016 into a single 5% 30 year bond payable in thirty years at a frequency of two payment per annum (i.e. 1st March and 1st September each year)

Description	**31-Dec-16 D'000**	31-Dec-15 D'000
6.5% - 30 Year Government Bond	**1,459,960**	-
6% - 10 Year Government Bond	**83,383**	-
5% - Government perpetual Bond	**250,000**	-
5% - 20 Year Government Bond	**2,188,761**	-
Advance to Government (NAWEC Loan $18.14 million)	**910,497**	-
Advance to Government (Special Deposit T/Bills end Dec. 2015)	**2,459,142**	-
Overdrawn position Special Deposit T/Bills end Dec. 2016	**721,023**	-
Old Treasury Main Account overdrawn position	**49,731**	-
Overdrawn Net Government Treasury position	**2,205,000**	-
IFTC - GNPC Loan ($ 10.93 million)	**598,691**	-
CBG holdings of Treasury Bills maturing in 2017	**827,736**	-
	11,753,924	-

6.2. Available- for- sale investments Carried at amortised cost

		31-Dec-16	31-Dec-15
		D'000	D'000
Redeemable Interest-Bearing Notes	**f**	**-**	468,805
5% Gambia Government Bond	**g**	**-**	250,000
Equity investments	**h**	**304,397**	302,953
MegaBank Gambia Limited	**i**	**300,000**	300,000
Provision for impairment on Mega Bank investment		**-**	(150,000)
		604,397	**1,171,758**

f. Redeemable Interest-Bearing Notes

Under section 9(4) of the Act, the Government of The Gambia is required to issue and grant Redeemable Interest Bearing Notes to the Bank in the amount of the net loss incurred for the year for exchange rate revaluations of monetary assets and liabilities. These grants are recognised as income in the year the loss is incurred in order to match them with the related costs. If the Bank makes a gain on revaluation, in accordance with section 9(5) of the Act the Notes are redeemed in the amount of the gain and are recorded as an expense in the period that the gain is recognised at the year end. The RIBN of D Nil is after redemption of the D 468.804 million that was granted in 2015 to cover the excess revaluation loss in that year in accordance with the CBG Act 2005.

g. 5% Gambia Government bond

Financing of D250 million was provided for an economic recovery programme with IMF in the mid-eighties. Interest is applied half yearly every June and December. The Bond is held in perpetuity and may be redeemed in whole or in part at any time.

Notes to the Financial Statements.
For the year ended 31 December 2016

h. Equity Investments

	Notes	**31-Dec-16 D'000**	31-Dec-15 D'000
Africa Export - Import Bank	H1	**15,996**	14,552
Gamswitch Ltd	H2	**44,457**	44,457
Shares Africa Re-Insurance	H3	**57,726**	57,726
West African Central Bank	H4	**186,218**	186,218
		304,397	302,953

H1. Shareholding in Africa Export - Import Bank for an amount of D15.996 million (2015: D 14.552 million), representing 0.13% holding.

H2. Shareholding in Gamswitch Limited or an amount of D 44.457 million (2015: D 44.457 million) representing 60% holding.

H3. Shareholding in Africa Re-insurance Company Limited for an amount of D57.726 million(2015:D 57.726 million) representing 0.62% holding.

H4. Shares in West African Central Bank for an amount of D 186.218 million (2015: D 186.218 million) representing 6.6% holding. Interest accrued on this investment has been applied against the final instalment payment towards the capital of the proposed West African Central Bank.

These equity investments which were initially recorded at cost have been reviewed with a view to measure them at fair value. However, due to limitations in the availability of fair value the bank continues to measure them at amortised cost.

The directors have assessed the status of these investments based on their latest financial statements and concluded that there was no objective evidence of impairment and therefore did not make any impairment provision.

i. MegaBank Gambia Limited (Formerly Keystone bank)

In May 5, 2014, Central Bank of the Gambia (CBG) took over Keystone Bank (Gambia) Limited (KSB) and subsequently recapitalized in the amount of D 300 million, partly to enhance its risk bearing capacity and ensure continuity of operations as a going concern. CBG then re-organized it, with the objective of creating a stronger, more efficient and competitive bank, which will contribute to economic growth and financial stability. The re-organization plan was approved by the Board of Directors and consequently KSB was divided into a good and bad bank.

KSB, the good bank was renamed Megabank Gambia Limited (MBGL) and is continuing banking business as usual. Megabank transferred its non-performing loans amounting D 694.3 million to the newly created entity named Keystone Asset Management Company (KAMCO) Gambia Limited (the bad bank) on interest free credit on 31st December 2014.

An impairment review on the investment was carried out at the year-end 2014 using the unaudited financial statements of Megabank and the results of the review indicated that there was objective evidence of a change in value of assets. Therefore 100% provisioning was made on the Investment.

In 2015 an impairment review was done using the unaudited financial statements of Megabank and the results of the review indicated that there was no objective evidence of a significant reduction in value of net assets of the company. Therefore, the directors decided to conservatively reverse 50% (D 150 million) of the provision made in FY2014.

In light of the continued improvements in the health status of bank and the intense interest from diverse potential buyers and the quoted fee currently being negotiated on it is deemed fit to reverse the final 50% of the impairment.

Notes to the Financial Statements.

For the year ended 31 December 2016

7. Loans and advances

	Notes	31-Dec-16 D'000	31-Dec-15 D'000
Current			
Loans to Gambia Government		-	910,497
Advance - Special Deposit Treasury bills		-	2,459,142
Loans to Financial Institutions	7.1	4,910	4,610
		4,910	3,374,249
Staff loans		93,514	85,784
IMF Rapid Credit Facility on-lending to Gambia Government	7.2	341,561	414,817
		435,075	500,601
		439,985	3,874,850

7.1. Loans to Financial Institutions

	31-Dec-16 D'000	31-Dec-15 D'000
Gamstar Financial Services Limited	9,145	9,145
Gambia Women Finance Association (GAWFA)	4,910	4,610
	13,755	13,755
Impairment	(9,145)	(9,145)
	4,910	4,610

The above were liquidity support provided to these institutions to help meet their obligations to their depositors.

The impairment of D 9.145 million was made in respect of Gamstar, which has refused to pay up its loan and the matter is currently with the courts. The GAWFA loan is performing and therefore no impairment adjustment was considered necessary by the board.

7.2. IMF Rapid Credit Facility on-Lending to Gambia Government

The amount of GMD 341,561,000 SDR 5.67 million (2015: 414,817,200 (SDR5.67 million) is an on-lent from the Bank in response to the impact of the Ebola outbreak in the sub region on tourism. Although, The Gambia is Ebola free, the proceeds from the tourism industry were expected to be less than half during the 2014//2015 season which is among the main sources of foreign exchange earnings. Consequently, The Gambia Government requested from the IMF, an amount of SDR7.775 million for Balance of Payment support representing 25% of Gambia's quota with the fund to mitigate the impact. Since the revenue of Government was directly affected, an amount of SDR 5.67 million was on lend with the first principal repayment is due 13th October 2020 and full repayment by 2025. In accordance with the current policy to waive interest charges on concessional loans by the Fund due to the global financial meltdown, the Bank has also extended same to Gambia Government.

Notes to the Financial Statements.

For the year ended 31 December 2016

8. Other assets

	31-Dec-16 D'000	31-Dec-15 D'000
Current		
Stock of notes not yet issued	**251,289**	285,144
Commemorative coins	**1,230**	1,230
Accrued interest receivables	**43,288**	195,589
Prepayments	**4,808**	2,773
Value Added Tax (VAT) receivable	**5,323**	3,480
	305,938	488,216
Provision for VAT irrecoverable	**-**	(3,480)
	305,938	484,736
Non-current		
WAMI stabilisation fund	**93,227**	93,227
	399,165	577,963

The WAMI Stabilization & Cooperation Fund relates to contribution made by the Banktowards the eventual realisation of the proposed West African Central Bank (WACB) under the Second Monetary Zone (WAMZ) under the ECOWAS Single currency program.

9. Property, Plant & Equipment

	Leasehold Land D' 000	Building D' 000	Furniture & Fittings D' 000	Motor Vehicles D' 000	Computer Equipment D' 000	WIP D' 000	Total D' 000
Cost							
Cost b/d @ 1st January 2016	**25,000**	329,444	80,569	57,351	78,818	7,093	578,275
Additions in the year	**-**	7,591	6,235	7,078	2,104	(4,732)	18,276
Disposal	**-**	-	(242)	(804)	-	-	(1,046)
Cost @ 31st December 2016	**25,000**	**337,035**	**86,562**	**63,625**	**80,922**	**2,361**	**595,505**
Depreciation							
Acc. Dep'n b/d @ 1st January 2016	**(2,000)**	(33,673)	(48,465)	(40,424)	(45,002)	-	(169,564)
Charge for the period	**(250)**	(6,590)	(8,397)	(10,150)	(10,807)	-	(36,194)
Disposals	**-**	-	242	804	-	-	1,046
Acc. Dep'n b/d @ 1st January 2016	**(2,250)**	**(40,263)**	**(56,620)**	**(49,770)**	**(55,809)**	**-**	**(204,712)**
NBV							
At 31st December 2016	**22,750**	**296,772**	**29,942**	**13,855**	**25,113**	**2,361**	**390,793**
At 31st December 2015	**23,000**	**295,771**	**32,104**	**16,927**	**33,816**	**7,093**	**408,711**

MAJ CONSULTS, an independent appraiser, re-valued the administrative building as of September 2008. Their revaluation was based on the observed asset conditions and asset replacement cost by reference to market evidence of recent transactions for similar properties and replacement cost estimation methodologies. Replacement cost estimates are based on estimated cost of Equivalent Assets (EA) and estimating the residual asset value from the EA cost, useful life and age of existing assets (Depreciated Replacement Cost Methodology). On the basis of the September valuation, management of the Bank estimated that the fair value of the building as at 31 December 2012 will not be significantly different.

Rights of use of land were acquired as leasehold land for a period of 99 years and have been re-valued as at date of transition to IFRS. The fair value of these rights now represent the deemed costs for the rights of use of land. The valuation was performed by an independent appraiser together with the valuation of the administrative building.

Notes to the Financial Statements.

For the year ended 31 December 2016

10. Intangibles

	Software	WAMZ Payment Systems	Total
	D' 000	D' 000	D' 000
Cost			
Cost b/d @ 1st January 2016	72,470	50,626	123,096
Additions in the year	1,644	-	1,644
Cost @ 31st December 2016	**74,114**	**50,626**	**124,740**
Amortization			
Acc. Amort. b/d @ 1st January 2016	(46,321)	(20,252)	(66,573)
Charge for the period	(12,733)	(10,126)	(22,859)
Acc. Amort. b/d @ 1st January 2016	**(59,054)**	**(30,378)**	**(89,432)**
Net Book Value			
At 31st December 2016	**15,060**	**20,248**	**35,308**
At 31st December 2015	**26,149**	**30,374**	**56,523**

The West African Monetary Zone (WAMZ) payment system represents the bank's counterpart funding under the modernisation of the payment system in the WAMZ implemented by WAMI at a cost of USD 23 million which is funded from the African Development Bank (AfDB) through a grant. This amount has now been transferred to development cost under intangibles to correspond with the depreciable assets provided under the grant.

11. Reserves

	General Reserve	Revaluation Reserve	Retained Earnings	Total
	D' 000	D' 000	D' 000	D' 000
Balance @ 1st January 2015	5,315	464,642	118,709	588,666
Net income for the year	-	-	269,975	269,975
Revaluation reserves S 9 (2)	-	(1,009,214)	-	(1,009,214)
Revaluation reserves S 9 (3)	-	75,767	(75,767)	-
Interest bearing securities	-	468,805	-	468,805
Balance @ end December 2015	**5,315**	**-**	**312,917**	**318,232**
Balance @ 1st January 2016	5,315	-	312,917	318,232
Surplus for the Year	-	-	159,593	159,593
Revaluation reserve	-	135,880	-	135,880
Balance @ end December 2016	**5,315**	**135,880**	**472,510**	**613,705**

Notes to the Financial Statements.

For the year ended 31 December 2016

12. Currency in circulation

Breakdown as follows:

	31-Dec-16 D'000	31-Dec-15 D'000
Notes in Circulation	**5,032,767**	3,982,557
Coins in Circulation	**56,705**	53,030
Gold & Silver coins	**139**	-
	5,089,611	4,035,587

The liability for currency in circulation represents that part of the Bank's activity which relates to the issuing of notes and coins to the general public amounting to D5,089,611 (2015: D4,035,587). Changes in the level of the liability are mainly influenced both by the Government's fiscal policies and monetary policies of the Bank.

13. Deposits of Government and financial institutions

	31-Dec-16 D'000	31-Dec-15 D'000
Deposits of Government and financial institutions comprise:		
Deposits of commercial banks	**3,164,168**	2,590,132
The Gambia Government deposits	**3,376,149**	2,046,001
Other deposits	**406,108**	293,091
	6,946,425	4,929,224
Deposit analysis by currency		
Deposits in Dalasi		4,351,561
Deposits in foreign currency		577,663
	6,946,425	4,929,224

As stipulated under the provisions of the Central Bank of The Gambia Act 2005, one of the principal objectives of the Bank is acting as banker and adviser to the Government. Relying on this provision, the Bank receives deposits which represent all receipts accruing to the Government through the consolidated revenue fund (CRF) account. The Bank also facilitates the operation of the Government's cash management system through the Treasury main account (TMA) as the expenditure account with maintenance holding accounts which fund the TMA.Commercial banks' deposit also includes their minimum required reserves. Currently, commercial banks are required to maintain 15% (2015: 14%) of their total demand deposits as a minimum reserve requirement.

Deposits accounts (The Gambia Government and Commercial Banks) do not bear interest and are repayable on demand, except for the minimum reserve requirement of the commercial banks.

14. Long term loan from IMF

Interest- bearing borrowings from the IMF include amounts for the Gambia's Poverty Reduction for a period of 20 years Growth Facility (PRGF),the Extended Credit Facility (ECF) and the Rapid Credit Facility (RCF) in the amount of SDR 29.8 million (2015:SDR 34.1 million). The Bank repaid SDR3.9 million under the Growth facility and the Extended Credit Facility during the year. An amount of SDR 7.775 million was disbursed under the Rapid Credit Facility to mitigate the impact of Ebola epidemic in the sub region.

The PRGF, ECF and the RCF are repayable in 18 instalments of SDR 0.2 million, 15 instalments of SDR 0.511 million, 9 instalments of SDR 1.995, 10 instalments of SDR 0.233, 10 instalments of SDR0.933, 10 instalment of SDR 0.1555 and 10 instalments of SDR 0.7775. (2015: 18 instalments: SDR 0.2 million 15 instalments: SDR 0.511 million, 9 instalments: DR 0.1995 10 instalment of SDR 0.233, 10 instalment of SDR 0.933 and 10 instalment of SDR 0.1555) respectively. Final instalment repayment is scheduled in 2025. The IMF Board extended through to December 2016 the waiver granted since January 2010, on the interest charges on all concessional loans as a result of the global meltdown.

On the other hand, as a response to the Global crises, the IMF also increased members' SDR allocation in August 2009 in order to finance the impact of the crises. The Gambia's original SDR 5.12 million allocations have been increased by SDR 24.65 million resulting in total allocations of SDR 29.77 million. Quarterly charges are levied and payable to the IMF on an average annual interest rate of 0.43 % (2015:0.43%). The SDR allocations have no specific maturity dates.

The PRGF, ECF & RCP amounts have the following repayment schedule:-

	31-Dec-16 D'000	31-Dec-15 D'000
Within 1 year	**313,714**	313,340
After 2 years	**332,110**	384,031
After 3 years	**275,559**	405,138
After 4 years	**218,868**	336,851
5 years and after	**663,601**	1,046,153
	1,803,852	2,485,513
SDR allocations	**1,793,227**	2,177,831
	3,597,079	4,663,344

Notes to the Financial Statements.

For the year ended 31 December 2016

15. Other payables

		31-Dec-16 D'000	31-Dec-15 D'000
Current			
Accrued interest & accounts payable		**26,286**	28,191
Provisions and other liabilities		**98,107**	82,652
AfDB Grant (deferred income)	**a**	**24,039**	36,058
		148,432	146,901
Non-current			
Provisions and other liabilities		**9,259**	11,651
		157,691	158,552

a. This represents income received from African Development Bank (AfDB) in respect of projects virtually completed as at year-end 2013. These amounts which are deferred to the following period, relate to the modernization of the payment system implement by West African Monetary Institute (WAMI) for The Gambia, Sierra Leone, Guinea and Liberia.

16. Interest income

	31-Dec-16 D'000	31-Dec-15 D'000
Interest on Government Bonds	**347,627**	537,085
Interest on USD deposits	**9,255**	10,215
Interest on EUR deposits	**1,148**	1,413
Interest on GBP deposits	**-**	1,548
Interest on other foreign currency deposits	**550**	659
	358,580	550,920

17. Interest expense

	31-Dec-16 D'000	31-Dec-15 D'000
Interest on IMF Loan	**1,135**	1,036

Notes to the Financial Statements.

For the year ended 31 December 2016

18. Other income

	31-Dec-16 D'000	31-Dec-15 D'000
Gain on sale of investment	**274**	2,792
Miscellaneous income	**8,164**	5,074
Sale of commemorative coins	**-**	104
Rental income	**36**	30
AfDB Grant amortised	**12,019**	12,019
	20,493	20,019

19. Personnel cost

	31-Dec-16 D'000	31-Dec-15 D'000
Salaries	**50804**	52,282
Transport allowances	**14,382**	14212
Contribution to provident fund	**3,459**	3508
Professional allowances	**2,751**	2631
Other pension costs	**8,517**	8636
Other	**7842**	11056
	87,755	92,325

19.1. Staff numbers

Number of employees	**31-Dec-16**	31-Dec-15
Directors and Management Staff	**18**	18
General Staff	**251**	251
	269	269

Notes to the Financial Statements.

For the year ended 31 December 2016

20. General and administrative expenses

	31-Dec-16 D'000	31-Dec-15 D'000
Contributions to regional organisations	**49,160**	54,659
Currency printing cost amortisation	**78,459**	117,186
Training expenses	**13,718**	14,975
Travel and transport operating expenses	**12,713**	14,284
Software license fees	**29,202**	40,126
Telecommunication expenses	**4,603**	3,461
Other costs and expenses	**33,682**	60,022
	221,537	304,713

21. Exchange rate gains and losses

Exchange rate gains and losses can be summarised as follows:

	31-Dec-16 D'000	31-Dec-15 D'000
Net exchange rate differences on foreign currency deposits	**603,841**	(171,511)
Net exchange rate differences on foreign currency on IMF	**24,233**	(743,050)
Net exchange differences on SDR accounts with IMF	**(23,391)**	(94,653)
	604,683	(1,009,214)

As stated in note 3 (d) the net foreign exchange gain of D604.586 million (D2015: D1,009. 214 million) was set-off against the Redeemable Interest bearing securities of D468.804 million.

Notes to the Financial Statements.

For the year ended 31 December 2016

Provisions and other liabilities

Amounts recognized in the statement of financial position:

	31-Dec-16	31-Dec-15
	D'000	D'000
Carrying Value		
Present value of the defined benefit obligation	**165,709**	139,651
Fair value of plan assets end of the year	**(156,470)**	(128,000)
Recognised plan liability/ (asset)	**9,239**	11,651

Provisions and other liabilities include Pension fund reserves of D80.456 million in line with the actuarial valuation carried as at 31 December 2016. The cost of the plan assets invested in Treasury bills amounts to D105.42 million (Face value D128 Million); 2015: D91.07 million (face value D108 million). The IAS 19 disclosure requirements are as detailed below.

Changes in benefit obligations

	31-Dec-16	31-Dec-15
	D'000	D '000
Benefit obligation @ 1st January	**139,651**	115,594
Interest cost	**22,298**	24,269
Current service cost	**7,412**	6,941
Members contributions	**32**	-
Benefit payments	**(8,018)**	(6,872)
Actuarial (gain)/ loss on obligation	**4,334**	(281)
Benefit obligation @ 31st December	**165,709**	139,651

The Bank contracted Muhanna and Co Limited based in Nicosia, Cyprus a qualified actuary to calculate the obligation for the purposes of the 31st December 2016 financial statements and as a follow up to the actuarial valuation done as at 31st December 2016.

The report of the actuarial valuation revealed an unfunded liability of D40,840 million. However, based on the actuarial valuation the directors increased the actuarial value of past service cost to D158.44 million (2014: D144.03 million) after recognizing interest cost at 10% and current service cost at 5% resulting in a estimated unfunded liability of D18.51 million.

Therefore the Directors decided to recognize the unfunded liability by maintaining the banks contribution as 19.3% of basic salaries plus additional level allocation of D4,115,000 over fifteen years. The directors estimate that with the current investment of the funds at average Treasury bill rate, the Bank should be able to fully fund the pension fund under the existing arrangement. Consequently the directors recommend another actuarial valuation during 2016.
The plan asset investment is in treasury bills valued at D128 million was made during the year maturing in 2016.

Notes to the Financial Statements.

For the year ended 31 December 2016

Key assumptions

Mortality and pre-retirement is determined based on:

Distribution of active members by age

Age band	**Number**	Number
20 – 25	**4**	3
25 – 30	**34**	26
30 – 35	**47**	40
35 – 40	**48**	49
40 – 45	**55**	44
45 – 50	**37**	38
50 – 55	**38**	35
55 – 60	**26**	26
60 – 65	**-**	4
65+	**-**	-

Distribution of pensioner members by age

Age band	**Number**	Number
35 – 40	**3**	3
40 – 45	**7**	7
45 – 50	**6**	11
50 – 55	**11**	12
55 – 60	**13**	21
60 – 65	**16**	15
65 – 70	**11**	8
70 – 75	**7**	4
75 – 80	-	-

Discount rate	5%
Inflation rate	5%
Salary scales used	
Expected rate of return on plan assets	9%
Salary scales used	
Expenses	Nil
Expected rate of return on plan assets	9%

	Men	Women
Life expectancy of Pensioners at age 60	19.5	20.9
Life expectancy of current employees at age 60	20.9	22.2

Sensitivity Analysis

A sensitivity test was carried out to check the behaviour of the main results of the valuation with relation to a series of future foreseeable changes on the parameters that most elastically affects the solvency of the Fund. The scenarios tested were as follows:

- Scenario 1: Increase of the discount rate by 1 percentage unit;
- Scenario 2: Decrease of the discount rate by 1 percentage unit;
- Scenario 3: Increase the percentage of the table of mortality by 10 percentage units;
- Scenario 4: Decrease the percentage of table of mortality by 10 percentage units;
- Scenario 5: Zero discount rate.

Further tests were carried out with respect to changes in inflation assumption and salary increase assumptions of the Fund. The tests carried out did not result to any significant deviations in the values of the Actuarial Liability and the NCR from the basic result.

22. Financial Instruments

i. Capital risk management

The bank manages its capital to ensure that it fulfils its role as the Central Bank of The Gambia by applying appropriate structures, systems and procedures. These structures, systems and procedures evolve continuously in response to changes in the financial and economic environment in which the bank operates. An integral part of the Bank's strategy is to maintain its equity under the requirements of the Act which ensures that the Government makes grants of Redeemable Interest Bearing Notes to cover losses from revaluation of monetary assets and liabilities denominated in foreign currencies.

The capital structure of the Bank consist of deposits of the Government and minimum reserves of the commercial banks and the long- term loan obtained from the IMF, deposits of the Bank in foreign banks, foreign cash held at the bank and equity, comprising share capital, reserves and retained earnings as disclosed in the statement of changes in equity.

ii. Gearing ratio

The Bank's board of directors reviews the capital structure on an annual basis, as ensured by the requirement of the government to grant Interest- Bearing notes to cover losses relating to foreign currency denominated monetary assets and liabilities.

The gearing ratio at the yearend was as follows:

	Notes	31-Dec-16	31-Dec-15
		D'000	D'000
Debt	A	10,742,590	9,751,120
Equity	B	723,831	418,232
Debt to equity ratio (times)		14.84	23.32

a) Debt comprises all liabilities excluding currency in circulation.
b) Equity comprises all capital, retained earnings and reserves of the Bank.

The improvement of the debt to equity ratio is due to an increase in Government and Financial institution deposits, profit from the current year and the revaluation reserves.

iii. Categories of financial instruments

Financial assets

	31-Dec-16	31-Dec-15
	D'000	D'000
Held-to-maturity investments	13,028,795	5,651,773
Loans and receivables (including cash and cash equivalents)	1,927,041	4,346,543
Available-for-sale financial assets	604,397	1,171,758
	15,560,233	11,170,074

Financial liabilities

	31-Dec-16	31-Dec-15
	D'000	D'000
Liabilities at amortised value	1,803,852	2,485,513
Other liabilities	14,028,349	11,301,194
	15,832,201	13,786,707

Notes to the Financial Statements.

For the year ended 31 December 2016

iv. Financial risk management objectives

The Bank's board monitors and manages the financial risks relating to the operations of the Bank through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include operational risk, market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Bank does not engage in any derivative financial instruments to hedge these risk exposures. The use of financial derivatives is govern by the Bank's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non- derivative financial instruments. Compliance with policies and exposure limits is reviewed by the internal auditors on continuous basis. The bank does not enter into or trade financial instruments, including derivatives financial instruments, for any purpose.

v. Operational risk

This is the risk of loss due to factors such as inadequate systems, management failure, ineffective controls, misappropriation, human errors or other external events. The bank is strengthening its risk management capabilities through the formation of an enterprise Risk Management framework currently being developed and deployed during the current year.

vi. Market risk

The Bank's activities expose it primarily to the financial risk of changes in foreign currency exchange rate and interest rates. The Bank does not manage its exposure to interest rate and foreign currency risk except for the government grants of Interest-bearing redeemable notes to cover foreign currency exchange rate losses on monetary assets and liabilities.

vii. Foreign currency risk management

Exchange rate exposures are covered through the government grant or redemption of redeemable Interest- bearing notes to cover losses or to offset gains relating to exchange rate differences on monetary assets and liabilities.

The carrying amounts of the Bank's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

Foreign currency sensitivity analysis

The Bank is mainly exposed to the USD, EUR, GBP and IMF SDR currencies.

The following table details the Bank's sensitivity to a 5% increase and decrease in the Dalasi against the USD, EUR and GBP currencies respectively. +-5% is tolerable sensitivity rate used when reporting foreign currency risk internally to the Board and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

A negative number below indicates an increase in exchange loss where the Dalasi weakens 5% against the relevant currency for assets and an increase in exchange gains for liabilities. For a 5% strengthening of the Dalasi against the relevant currency, there would be an equal and opposite impact on the exchange gains and the balances below would be negative for asset and positive for liabilities.

Currency	Exchange Rate @ year end
European Union	46.87
United States	43.89
Great Britain	55.60
Switzerland	43.98
SDR	60.24

viii. Interest rate risk management

The bank is exposed to interest rate risk as it borrows funds primarily from the IMF at fixed interest rates. The Bank does not enter into any derivatives transactions to manage its exposure to interest rate risk.
The Bank's exposure to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

ix. Interest rate sensitivity analysis

The sensitivity analysis below have been determined based on the exposure of the Bank primarily to interest rates on assets and liabilities at the date (comprising primarily foreign currency deposits with foreign commercial and central banks, Redeemable interest-bearing Notes, the 5% Gambia Government bond and the IMF long interest bearing borrowing. for floating rate assets, the analysis is prepared assuming the amount of asset outstanding at the end of the reporting was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to the Board of Directors and represents the Bank's assessment of the reasonably possible change in the interest rates. However, the current Global financial crisis has made it much more difficult to predict interest rate movements. There is a general decline in interest rate in developed economies which encourages more borrowing with a view to stimulate their economies. Considering that interest rates are at their lowest-virtually zero and negative in the Euro Zone, the near term outlook is that it will remain the same at least for now.

x. Other price risks

The bank is not exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes in regional bodies for the purpose of facilitating the harmonisation and integration of Central Banks in the Africa sub-region and promotion of intra-regional trade. The Bank does not actively trade in these investments.

Notes to the Financial Statements.

For the year ended 31 December 2016

xi. Credit risk management

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Bank. Given the nature of the Bank's role and responsibility, transactions are made with the Gambia Government, other Central Banks and with reputable foreign commercial banks. Therefore, the Bank's credit risk exposure is mitigated within acceptable levels of the Bank's risk management policy. The carrying amount of financial assets recorded in the financial statements as at 31 December 2016 represents the Bank's maximum exposure to credit risk. The bank risk appetite is risk averse and its priority is liquidity and safety.

Foreign currency cash balances and deposits:

Year ended 31st December 2016

USD Deposits

Bank	**Carrying Amount D'000**	**Maximum exposure D'000**	Denomination	Collateral Type	Credit Rating
Union Des BanqueArabes Franc.	**4,281**	**4,281**	USD	None	BBB+
Stanchart London	**27,056**	**27,056**	USD	None	A+
FRB NY	**69,137**	**69,137**	USD	None	AA+u
	100,474	**100,474**			

Euro Deposits

Bank	**Carrying Amount D'000**	**Maximum exposure D'000**	Denomination	Collateral Type	Credit Rating
BIS	**5,120**	**5,120**	Euro	None	N/A
Deutsche Bundesbank	**10,941**	**10,941**	Euro	None	A-
Union Des BAnqueArabes Franc.	**14,493**	**14,493**	Euro	None	BBB+
Banque de France	**128,141**	**128,141**	Euro	None	NR
	158,695	**158,695**			

Notes to the Financial Statements.

For the year ended 31 December 2016

GBP Deposits

Bank	**Carrying Amount D'000**	**Maximum exposure D'000**	Denomination	Collateral Type	Credit Rating
Bank of England	**65,941**	**65,941**	GBP	None	AA
Standard chartered Bank London	**406,585**	**406,585**	GBP	None	A+
	472,526	**472,526**			

SDR Deposits

Bank	**Carrying Amount D'000**	**Maximum exposure D'000**	Denomination	Collateral Type	Credit Rating
International Monetary Fund	**321,363**	**321,363**	SDR	None	N/A

Other Deposits

Bank	**Carrying Amount D'000**	**Maximum exposure D'000**	Denomination	Collateral Type	Credit Rating
Stanchart London	**316**	**316**	CHF	None	A+
BIS	**9,439**	**9,439**	CHF	None	N/A
	9,755	**9,755**			

FX cash balance held

Currency	**Carrying Amount D'000**	**Maximum exposure D'000**	Denomination	Collateral Type	Credit Rating
GBP	**2,614**	**2,614**	GBP	None	N/A
USD	**3,958**	**3,958**	USD	None	N/A
EUR	**18,508**	**18,508**	EUR	None	N/A
	25,081	**25,081**			

Year ended 31st December 2015

USD Deposits

Bank	Carrying Amount D'000	Maximum exposure D'000	Denomination	Collateral Type	Credit Rating
Union Des BAnqueArabes Franc.	1,761	1,761	USD	None	A+
Standard chartered Bank London	62,621	62,621	USD	None	AA+
FRB NY	473,479	473,479	USD	None	N/A
	537,861	537,861			

EURO Deposits

Bank	Carrying Amount D'000	Maximum exposure D'000	Denomination	Collateral Type	Credit Rating
BIS	4,730	4,730	EURO	None	N/A
Deutsche Bundesbank	24,233	24,233	EURO	None	N/A
Union Des BAnqueArabes Franc.	11,940	11,940	EURO	None	A+
Banque de France	69,881	69,881	EURO	None	N/A
	110,784	110,784			

GBP Deposits

Bank	Carrying Amount D'000	Maximum exposure D'000	Denomination	Collateral Type	Credit Rating
Bank of England	36,683	36,683	GBP	None	N/A
Standard chartered Bank London	358,394	358,394	GBP	None	AA+
	395,077	395,077			

SDR Deposits

Bank	Carrying Amount D'000	Maximum exposure D'000	Denomination	Collateral Type	Credit Rating
International Monetary Fund	1,272,647	1,272,647	SDR	None	N/A

Other Deposits

Bank	Carrying Amount D'000	Maximum exposure D'000	Denomination	Collateral Type	Credit Rating
Standard Chartered Bankt London	327	327	CHF	None	AA+
BIS	8,824	8,824	CHF	None	N/A
	9,151	9,151			

FX cash balance held

Currency	Carrying Amount D'000	Maximum exposure D'000	Denomination	Collateral Type	Credit Rating
GBP	3,982	3,982	GBP	None	N/A
USD	19,986	19,986	USD	None	N/A
EURO	3,382	3,382	EURO	None	N/A
	27,350	27,350			

xii. Liquidity risk management

Liquidity risk refers to the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities. The ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Bank's short, medium and long-term funding and liquidity management requirements. The Bank manages liquidity risk by maintaining adequate amounts on very short term deposit with foreign commercial and central banks, by having ability to draw down on the IMF facilities up to the approved limits, by continuously monitoring forecast and actual cash flows related primarily to Government projects and matching the maturity profiles of financial assets and liabilities. Included in note 5 is a summary of undrawn amounts from the IMF under approved facilities that the Bank has as its disposal.

In managing its liquidity risk, the Central Bank of The Gambia entered into foreign currency swaps valued at USD39.70 million with commercial banks in The Gambia in a bid to boost up its Gross International Reserves (GIR) due mainly from the inability to purchase foreign currency from the Interbank market. Although The Gambia was Ebola free, the main source of foreign exchange earnings on tourism was severely impacted. Consequently the foreign currency reserves of the country needed to be augmented in the short term to mitigate the impact of not meeting external obligations of The Gambia Government to complement the IMF disbursement under the Rapid Credit facility for Balance of Payment Support during the year under review.

The receipts of the foreign currency swaps are booked in the foreign bank accounts of the Bank and the commercial banks credited with the Dalasi equivalent. The funds received by the commercial banks are invested in Treasury bills mainly to minimise liquidity injection in the banking system which has implication for monetary policy stance and the core mandate of reigning in inflation of the Bank.

The foreign currency swaps are repayable upon maturity and the equivalent GMD debited with value at the agreed rate to commercial banks accounts with the option to roll over where agreeable by both parties at a new agreed rate.

The Bank is a party to the contractual provision of these instruments, initial measurement at fair value equals the transaction price. Therefore it is management judgement that there are no significant observable inputs impeding this fair value judgement.

xiii. Forwards and futures

Forward and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over–the–counter market. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements. The main differences in the risks associated with forward and futures contracts are credit risk and liquidity risk. The Bank has credit exposure to the counterparties of forward contracts. The credit risk related to future contracts is considered minimal because the cash margin requirements of the exchange help ensure that these contracts are always honoured. Forward contracts are settled gross and are, therefore, considered to bear a higher liquidity risk than the futures contracts that are settled on a net basis. Both types of contracts result in market risk exposure.

Notes to the Financial Statements.

For the year ended 31 December 2016

xiv. Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index. Interest rate swaps relate to contracts taken out by the Bank with other financial institutions in which the Bank either receives or pays a floating rate of interest, respectively, in return for paying or receiving a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other. In a currency swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross–settled.

				2016				2015
	Assets	**Fair Value Liabilities**	**Net Amount**	**Nominal Amount**	Assets	Fair Value Liabilities	Net Amount	Nominal Amount
	D'000	**D'000**	**D'000**	**USD'000**	D'000	D'000	D'000	USD'000
Currency swaps - Guaranty Trust Bank	**-**	**-**	**-**	**20,000**	-	-	-	21,500
Currency swaps - Ecobank	**-**	**-**	**-**	**19,700**	-	-	-	18,200
Forwards	**-**	**-**	**-**	**-**	-	-	-	-
Futures	**-**	**-**	**-**	**-**	-	-	-	-
	-	**-**	**-**	**39,700**	-	-	-	39,700

Notes to the Financial Statements.

For the year ended 31 December 2016

23. Related party transactions

The Bank's related parties includes The Gambia Government as the sole shareholder of the Bank, the Board of Directors and directors of functions (senior management) of the Bank

Transactions with related parties in 2016 can be summarised as follows:

Name	Receivables	Payables	Revenue	Expenses
	D'000	D'000	D'000	D'000
Ministry of Finance	11,753,924	-	-	468,804
GG Treasury bills	240,855	-	-	-
Senior Management of the Bank	12,961	-	-	-
	12,007,740	-	-	468,804

Transactions with related parties in 2015 can be summarised as follows:

Name	Receivables	Payables	Revenue	Expenses
	D'000	D'000	D'000	D'000
Ministry of Finance	5,565,381	-	468,804	-
GG Treasury bills	1,180,737	-	-	-
Senior Management of the Bank	10,710	-	-	-
	6,756,828	-	468,804	-

Related party transactions represent primarily the deposits of The Gambia Government and other financial instruments, including the grants of Redeemable Interest- Bearing Securities and advances granted to government and treasury bills holdings. Transactions with Directors of the Bank represent primarily loans provided for financing housing, car and other personal effects.

Remuneration of board of Directors

Remuneration paid to directors and senior management of the Bank for the period are as follows:

	31-Dec-16	31-Dec-15
	D'000	D'000
Board of Directors		
Directors fees and sitting allowances	330	672
Senior Management		
Salary	5,847	5,639
Other Benefits	6,018	5,927
	12,195	12,238

24. Commitments and contingent liabilities

The directors of the bank have assessed the existence of contingent assets and contingent liabilities and have concluded on the basis of their valuation that the bank has no significant contingent assets or contingent liabilities (2015: D Nil).

25. Events after reporting date

The directors have concluded that no events have occurred since the year end that requires adjustments. However, the following events required disclosures in the financial statements:

- There has been a change in the political leadership in The Gambia in early January 2017. The New leadership has set up a commission of enquiry regarding the Assets of the former president and his close associates. Consequently, The Central bank has appeared before the commission to clarify transaction on about twenty (20) accounts that were controlled by the then Office of the President.

- In May 2017 The Governor, First Deputy Governor, Second Deputy Governor and The Director of Finance were relieved of their duties. Replacements have since been appointed to continue steering the affairs of the Bank.

- The new leadership of the Bank in consultation with the Ministry of Finance and Economic Affairs have committed themselves that henceforth the Bank would not extend any credit to the Gambia Government at below market rates.

- In June 2017 the International Monetary Fund (IMF) extended a Rapid Credit Facility (RCF) to the tune of SDR 11.66 million (equivalent to GMD 733.51 million) to the Central Bank of The Gambia. Subsequently and in line with the RCF agreement, the Bank signed an MOU with the Ministry of Finance (on behalf of The Gambia Government) for onward lending of the GMD equivalent of 733.51 million to The Gambia Government.

Notes to the Financial Statements.

For the year ended 31 December 2016

26. Comparative information

The comparative information have been reclassified, where applicable, to conform to the current year's presentation.

27. Our Commitments (Moving forward)

During the course of the account preparation and the audit exercise it became clear that our Gamswitch investment that required consolidation could not be carried out due to time and resource constraints.

The bank is committed to regularize the situation in the 2017 financial year.