



CENTRAL BANK OF SAMOA

# Annual Report

July 2019 - June 2020





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**Government of Samoa**

**OFFICE OF THE MINISTER OF FINANCE**

(Ministry of Finance, Central Bank of Samoa, Development Bank of Samoa, Samoa International Finance Authority, Samoa Life Assurance Corporation,  
Samoa National Provident Fund, Unit Trust of Samoa)

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30 October 2020

The Honourable Speaker  
Legislative Assembly of Samoa  
**MULINUU**

Pursuant to section 67 of the Central Bank of Samoa Act 2015, I have the honour to submit the Annual Report of the Central Bank of Samoa on its operations for the financial year ending June 2020.

A blue ink signature of Sili Epa Tuioti, consisting of a stylized 'S' and 'T'.

(Sili Epa Tuioti)

**MINISTER OF FINANCE**

PLEASE ADDRESS CORRESPONDENCE  
TO THE GOVERNOR



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30 October 2020

Honourable Sili Epa Tuioti  
Minister of Finance  
**APIA**

Afioga e,

I have the honour of submitting the 33<sup>rd</sup> Annual Report of the Central Bank of Samoa for the financial year ending June 2020. This Report provides:

- (a) a review of economic performance, the formulation and implementation of monetary policy
- (b) a review of the financial performance, conditions and developments in the domestic financial system;
- (c) a report on the Bank's operation, and
- (d) the Bank's annual accounts for the 12 months ending June 2020 and its related Audit Report/Opinion.

Yours faithfully,



(Maiava Atalina AINU'U-ENARI)  
**GOVERNOR**

## **Our Purpose**

*The primary purpose of the Bank is the promotion of monetary, credit and exchange conditions most favorable to the development of the economy of Samoa.*

## **Our Vision**

*A dynamic and efficient central bank contributing to the economic sustainability and prosperity of Samoa.*

## **Our Mission**

Fostering a sound and vibrant financial system for Samoa's economic development.

## **Our Mandate**

### **Central Bank of Samoa Act 2015**

The Central Bank of Samoa is a body corporate established under the Central Bank of Samoa Act 1984, which continues to operate pursuant to the Central Bank of Samoa Act 2015.

The mandated objectives of the Bank (CBS Act 2015), in order of priority are:

- i. To formulate and implement monetary policy aimed towards achieving and maintaining domestic price stability.
- ii. To foster and maintain a stable financial system, subject to achieving price stability in the economy.
- iii. To support the general economic policies of the Government whilst ensuring the achievement of price stability and a stable financial system.

### **Financial Institutions Act 1996**

The Central Bank also administers the Financial Institutions Act which provide for the licensing and supervision of financial institutions in Samoa.

The primary objective of the Central Bank is to maintain confidence in, and promote the soundness and stability of the financial system.

### **Money Laundering Prevention Act 2007**

The Act mandates the Central Bank to make provisions for the prevention of money laundering.

### **Insurance Act 2007**

This Act empowers the Central Bank to license insurance entities and supervise the insurance industry.

### **The National Payments System 2014**

This Act provides the Central Bank with powers to regulate and oversee the National Payments System including licensing payment services providers and operators.

## Leadership and Organizational Structure

This section provides an overview of developments in the key elements that make up the Bank's organizational structure and how it is managed and governed. These elements combine to drive the Bank to achieve its various objectives efficiently and effectively.

### a) Board of Directors

The Board of Directors of the Central Bank is responsible for the policy and the general administration of the Central Bank. Moreover, the Board may exercise any of its powers under the Central Bank of Samoa Act 2015; it may make by-laws for the conduct of its business, and can issue directives for the purpose of effecting the provisions of the Act and other related legislations.

The Members of the Board are appointed by the Head of State, acting upon the advice of Cabinet. The Members of the Board comprises the Governor, Mrs. Maiava Atalina Ainuu-Enari who is the Chair and three independent Board members who are citizens of Samoa with industrial, commercial or agricultural experience. The independent Board Members are Mr. Mataia Alofipo Tanielu Meredith, Tuala Falani Chan Tung and Tuala Patrick Isitolo Leota.

The Act stipulates that the Governor shall serve as the Chief Executive of the Bank, and is responsible for the execution of the Bank's policies and the efficient management of the Bank. In doing so, the Chief Executive must follow any general or special directions given to him or her by the Board.

The Board met on six (6) occasions during the twelve months to the end of June 2020.

### b) Governance

There are a number of internal committees within the Bank to provide advice to the Governor in various areas:

- Reserve Money Program Committee, which meets monthly to discuss the latest economic, monetary and financial developments that would impact on liquidity levels within the banking system;
- Investment Committee, which meets every two months to discuss the Bank's management of foreign reserves;
- Budget Committee, which meets twice a year to discuss issues with regards to the preparation and operations of the Bank's Budget.
- National Payments System Committee which meets regularly to discuss issues relating to the establishment and effective operation of the National Payments System in the country;
- Offsite Project Committee which meets regularly to discuss and coordinate procedural responsibilities in the establishment of the Bank's Backup or Offsite Building in the event of natural disasters, times of crisis or emergency;
- OSH Advisory Committee, which quarterly meets or when necessary to discuss occupational policies and procedures in order to satisfactorily address all reported safety issues.

A non-executive Board Audit Committee, provides auditing oversight over the operations of the Bank. The Committee serves as an independent advisory body mandated to review the functioning of the CBS oversight system; internal and external audit matters; and financial management, accounting and reporting practices. The Internal Auditor provides administrative and secretarial support to the Audit Committee. The Internal Audit Department continues to provide independent, objective assurance and audit services designed to add value and improve the Bank's effectiveness of risk management, governance processes and other internal controls. The Audit Committee oversees the internal audit function and have met twice in the last six months of the financial year 2019/2020. The Internal Auditor reports administratively to the Governor and functionally to the Audit Committee.

Management continued to perform periodic reviews and surveys of the most critical areas of the Bank to ensure that risks were controlled and mitigated. Comprehensive reviews were undertaken on internal control systems to ensure that the Bank is efficiently run, operationally sound, technologically well equipped, and risks are mitigated. A close monitoring of the Output budget is undertaken regularly. The focus is mainly on delivering results and implementing preventative actions.

Management also continued to provide a wide assessment of the risks, as well as appropriate compliance review, to provide further process improvement in the system of internal control. These include:

- (i) Reliability and integrity of information;
- (ii) Compliance with policies, plans, procedures, laws, and regulations;
- (iii) Safeguarding of assets; and
- (iv) Accomplishment of established objectives and goals for operations or programs.

As part of its role, management will continue to provide advice to address key governance issues which are fundamental to achieving and maintaining an effective and efficient Central Bank.

### **c) Management and Staff**

The Central Bank employed a total of one hundred and three (103) staff at the end of June 2020.

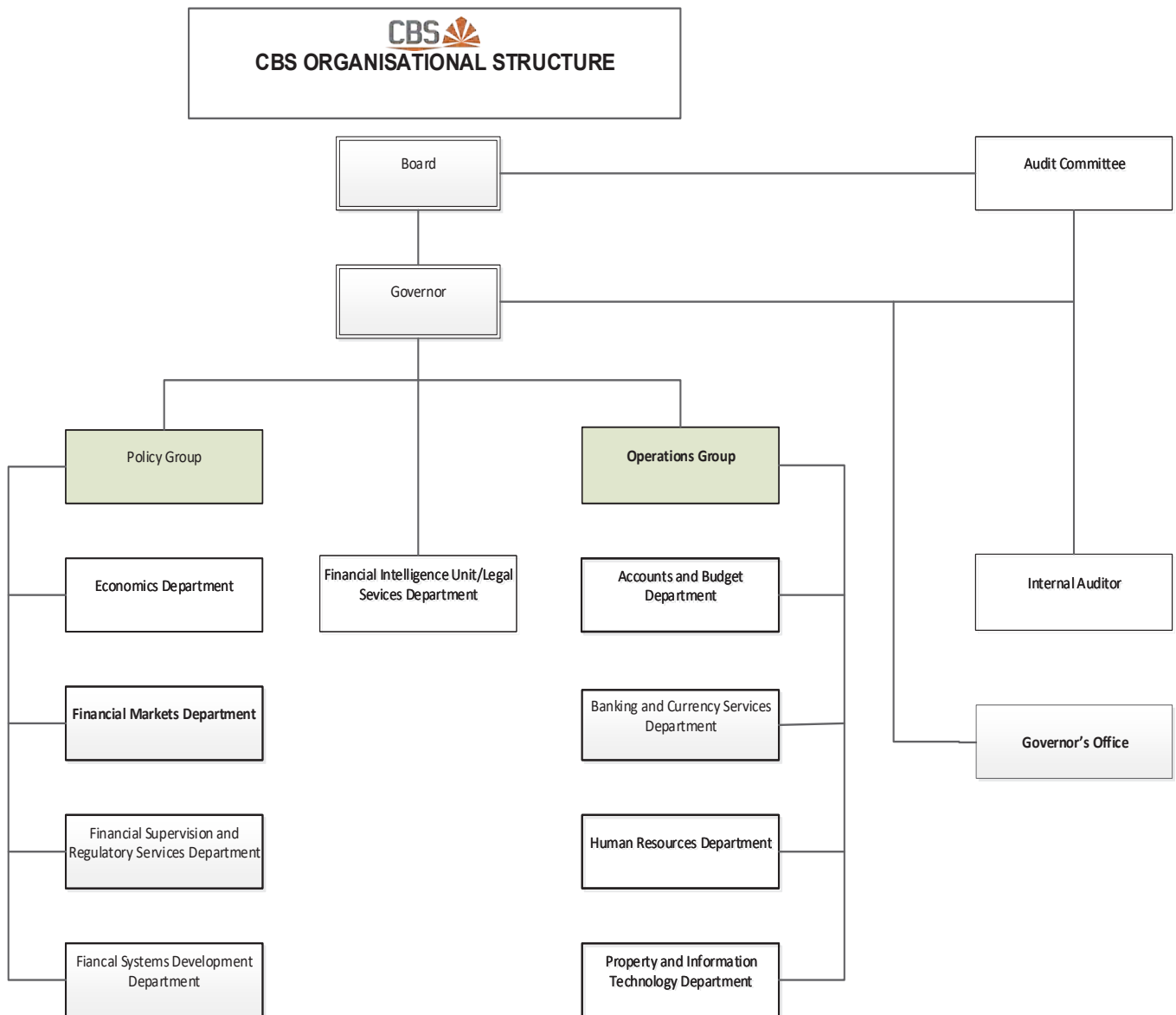
The Bank reviewed and developed several staff policies during the year to improve human resource management and monitoring of staff training.

The Bank's Organizational Structure remained the same as in the previous financial year with twelve (12)<sup>1</sup> Departments allocated under two functional groups (Policy and Operation) under the leadership of two Assistant Governors

<sup>1</sup> *Legal and Financial Intelligence Unit are counted as 1 Department under the Structure, rather than two (2).*



Central Bank of Samoa Organizational Structure FY 2019/2020



Source: Central Bank of Samoa, 2020

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# I. Governor's Foreword

**This year 2019/2020 has been a challenging year for Sāmoa's economy as the cost of safeguarding and protecting our people from unprecedented health crises in the form of the 2019 Measles Epidemic and the ongoing Coronavirus (or Covid-19) Pandemic exerted insurmountable pressures on our small island economy. From a 3.6 percent real growth in 2018/2019, weak domestic economic activities across most domestic economic sectors and industries have resulted in a -3.5 percent contraction in Samoa's economy in the year ending June 2020. The only positive trend has been the high and record level of holdings of official gross foreign reserves.**

In recognition of the extraordinary challenges presented by both these health crises, particularly the ongoing global effects of the Covid-19 pandemic, **the Central Bank of Sāmoa continued its accommodative monetary policy stance** to support economic activities where possible during these times of uncertainty. Similar to other economies around the world, the Samoan economy has tracked into a recession by end FY2019/2020, with a worsening outlook throughout the remainder of 2020 as the required measures and international travel restrictions to safeguard and protect our people through the containment of the spread of Covid-19 will impact greatly on all business activities. On the upside, these ensuing weaknesses so far have reduced inflationary pressures, with the headline inflation rate registering a 1.6 percent at end June 2020 compared to a 2.2 percent last year and well below the 3.0 percent annual target. While the country's official foreign reserves were at comfortably high levels pre-Covid19, Samoa sought the assistance of the International Monetary Fund (IMF) through its rapid credit facilities to cushion the country's balance of payments position in view of potential losses in foreign exchange receipts from exports, remittances and notably tourism. Accordingly, this financial assistance (of USD\$22.02 million) helped galvanize international financial grant assistance from Samoa's development partners towards the country's Covid-19 response and preparatory efforts. As a result, the country's official foreign reserves at end

FY2019/2020 were at more than adequate levels equivalent to 8.7 months of imports of goods, exceeding the minimum of 4.0 months of import cover and 6.7 months of import cover in 2018/2019.

In view of these economic challenges, the Central Bank along with our main stakeholders stepped up our collaboration to ensure **Samoa's financial system remained stable and sound**. Regular bilateral meetings with each of the commercial banks and some of the major non-bank financial institutions in the country were undertaken at the outset of the Government's State of Emergency (SOE) period since the 20th March 2020. I am pleased to inform that at end 2019/2020, the banking system remained strong and well-capitalized, with the quality of its assets also well-provisioned providing a favourable position so far, but downside risks still remain during these challenging times ahead. Furthermore, I am also happy to report the availability of a special Covid-19 standby concessional facility for the commercial banks as endorsed by the CBS Board of Directors in late March 2020, to further ensure the stability and soundness of the banking sector as well as provide the necessary funds for private sector activities. The insurance industry also performed well, recording an overall strong solvency position and improved profitability over the year. We remain committed to further strengthening Samoa's financial regulatory framework, in view of financial system risks, to be consistent with international standards

and prevailing global developments. During the year, the Bank continued to collaborate with the IMF's Pacific Financial Technical Assistance Centre (PFTAC) towards reforming our insurance legislation and broadening the prudential standards for Sāmoa, in line with international principles and best practices while accounting for the size and complexity of our small domestic insurance market. This technical assistance project is ongoing via virtual communications, after a temporary delay due to Covid-19 travel restrictions.

To combat money laundering and counter terrorist financing activities in the country, we continued to strengthen and ensure the effectiveness of our legislative and regulatory frameworks. This included enhancing our staff's capacity to undertake a full National Risk Assessment in preparations for Sāmoa's 5th Enhanced Follow-Up Assessment in FY2021/2022. Similarly, I am pleased to inform that we successfully implemented the FIU ICT Database System, enabling the online submission of required reporting from our main stakeholders to the Central Bank, which would assist with the effective analysis of financial intelligence matters. We acknowledge the grant assistance from the NZ Government through the Asia Pacific Group (APG) on Money Laundering for funding this electronic system.

While strengthening Samoa's financial infrastructure remains a priority for the Central Bank, the stability and soundness of our financial system

took precedence particularly in the latter half of 2019/2020 due to the outset of protecting and safeguarding our people from the Covid-19 and the necessary relief measures and responses by our financial institutions. As a consequence and common sense prevailing, the implementation of the Automated Transfer System (ATS+) and Central Securities Depository (CSD) system as part of the modernization of the country's national payment system have been pushed back to 2020/2021. The Credit Data Bureau project also continues to be a focus area, with financial and technical assistance successfully confirmed from the Asian Development Bank (ADB) during the year, and initial stakeholder consultations to begin in July 2020. We are pleased to report that the financial services landscape continues to be conducive to modern technological developments, with an uptake in the promotion and usage of mobile money and digital platforms for inward remittances and payments purposes. This was particularly noted since the Covid-19 SOE period when social distancing was encouraged as one of the precautionary containment measures.

The Bank also remains committed to assist national efforts towards a sustainable environment, with its Sustainable Finance Initiative that hopes to promote the awareness and availability of sustainable and

green financial products by our local financial institutions. This project is in its early inception stage with initial consultations undertaken with the commercial banks, insurance companies and two of our main non-bank financial institutions as well as relevant Government Ministries during FY2019/2020.

Following the closure of most international borders and travel restrictions in place in the latter half of the financial year, there has been a notable uptake in online or webinar seminars and trainings offered by the Bank's various international partners. These have ensured the continuation of technical assistance and capacity development opportunities for our staff, particularly for the Bank's policy group to achieve our mandates and core functions.

Global economic and financial developments due to Covid-19 also inadvertently impacted the Bank's budget position through the immediate effects of volatile exchange rate movements and historically low-interest rate internationally on the Bank's primary source of revenue, its interest income on foreign reserve holdings. Notwithstanding these setbacks, the Bank recorded a total accounting net profit of SAT\$3.8 million in 2019/2020 compared to a net loss of SAT\$3.5 million in the previous year. Of this profit, and consistent with our

mandate, SAT\$2.1 million will be paid to the Government of Sāmoa.

While we face increasing uncertainties in addressing these difficulties presented by Covid-19 on the economy as a whole, the Central Bank stands ready to steer and direct the financial system through these challenging uncharted waters.

On the whole, I am confident that my staff and management, along with the Board, have a shared commitment in supporting Sāmoa's economic recovery and to ensure the resilience of our financial system. With that, I express my gratitude and appreciation to our CBS team as well as our many stakeholders whom we have collaborated together in our journey over the last twelve months and whom we again call upon as we strive to address the challenges of the year ahead.



Malava Atalina AINU'U-ENARI  
GOVERNOR

# 2019 - 2020 SNAPSHOT

## Inflation Rate



**1.5%**  
June 2020

## Real Economic Growth



**-3.5%**  
FY 2019-2020

## Nominal Effective Exchange Rate



**0.05%**  
Appreciation

## Official Foreign Reserves



**8.7**  
(month of imports)  
June 2020

## Financial System Credit Growth Rate



**7.5%**  
(FY 2019/2020)

Slowing down from 8.1% in FY 2018/2019

## Official Interest Rate



**0.15%**  
June 2020

## Commercial Banks' Interest Rates

|          |       |
|----------|-------|
| WAD rate | 2.73% |
| WAL rate | 8.63% |

## Capital Adequacy Ratio



**28.7%**  
June 2020

## Money Supply



**\$1225.45m**  
1.8% annual growth rate

## Tourism Earnings



**\$375.26m**  
-30.4% from FY 2018/2019

## Inward Private Remittances



**\$567.53m**  
+5.6% from FY 2018/2019

## Excess Liquidity



**\$282.12m**  
as of June 2020

## Government External Debt



**46.5%**  
as percent of nominal GDP  
June 2020

## II. Monetary policy formulation and the economy

In FY2019/2020, global economic activities declined faster and more severe than the 2009 global financial crisis (GFC) with the Coronavirus (Covid-19) pandemic outbreak becoming one of the biggest threats to the global economy and financial markets. Despite no positive cases, the economic cost of protecting and safeguarding the Samoan people from the global pandemic crisis has already taken its toll on the economy, which in addition to the Measles 2019 epidemic, has severely hit the local tourism sector this year, bringing immense pressure and challenges to other related domestic economic sectors. As a result, monetary policy remained accommodative to support the Samoan economy weather through these unprecedented times.

### 1. The World Economy<sup>2</sup>

The International Monetary Fund's October 2020 World Economic Outlook (WEO) Update points to a **global economic recession**, with a -0.8 percent contraction rate in FY 2019/2020 compared to 3.25 percent growth in FY2018/2019. This was a slight improvement from the -1.0 percent contraction in the June 2020 WEO, reflecting better than expected economic performances in most advanced economies in the June quarter as they slowly re-opened or eased their lockdown measures, with a negative growth rate of -2.05 percent (from -3.5 percent in the June WEO) for the advanced economies and a small growth of 0.2 percent in the emerging market and developing economies (compared to 1.95 percent and 4.1 percent respectively in FY2018/2019).

It is feared that with the uncertainty on when a vaccine or cure may be found for this global health crisis, the current containment measures around the world may be prolonged, leading to a more profound and deeper economic recession much worse than the 2009 Global Financial Crisis, the 1987 Stock Market Crash, any other natural or climatic disaster in modern history and, according to the World Bank, since World War II. The Covid-19 pandemic has severely disrupted economic activities around

the globe and contributed to a more negative impact on growth than previously anticipated. The global health crisis has worsened in many countries with an increased number of new cases, especially in emerging market and developing economies, imposing more lockdown measures to contain the virus, resulting in even larger disruptions to economic activities. However, in many advanced economies, the pace of new infections has declined due to long periods of lockdown and social distancing although a second wave of infections have taken place in the last month. The coronavirus crisis is estimated to cost the global tourism sector a loss of billions in revenue (January 2020 to May 2020) and is more than three times the loss during the Global Financial Crisis in 2009. Other reports showed that it would take until 2024 for passenger traffic to return to pre-crisis levels, adding more burden on global airlines. Further to Covid-19 related downside risks, escalating trade tensions between the United States and China pose additional challenges to the global economy. Sāmoa's major trading partners, who are also the main source markets for remittances and tourism receipts (namely Australia, New Zealand and the USA), are expected to go into recession for the first time since 1991 for Australia and the 2009 GFC for the latter two economies.

**Inflationary pressures slowed down** to an estimated 3.1 percent in FY2019/2020 from 3.3 percent in the previous year. According to the IMF, this mainly reflected the low inflation rates in advanced economies (around 1.1 percent in FY2019/2020 compared to 1.7 percent in FY2018/2019) and emerging market and developing economies (averaging at 5.1 percent over the period from 5.0 percent in FY2018/2019) due to subdued pressure on prices from a decline in aggregate demand and the significant drop in international crude oil prices since the pandemic. Of Samoa's major trading partners, their inflation rates continued to decline below their average annual targets of around 3.0 percent, with Australia's inflation rate in negative territory for the first time since 1997.

While global labour market conditions were subdued at the start of the financial year, the impact of Covid-19 containment measures since March 2020 have resulted in huge employment losses and a significant jump in the unemployment rate across the globe, particularly in the US. (Refer to Table 1).

<sup>2</sup> Sources: IMF World Economic Outlook Bloomberg, Westpac Market Outlook

| Financial year (end June) | Samoa's main trading partners |                    |                   |                 |                    |                   |                          |                    |                   | World Economic Performance |                    |                   |
|---------------------------|-------------------------------|--------------------|-------------------|-----------------|--------------------|-------------------|--------------------------|--------------------|-------------------|----------------------------|--------------------|-------------------|
|                           | New Zealand                   |                    |                   | Australia       |                    |                   | United States of America |                    |                   | Real GDP growth rate       | CPI Inflation rate | Unemployment Rate |
|                           | Real GDP Growth               | CPI Inflation Rate | Unemployment Rate | Real GDP Growth | CPI Inflation Rate | Unemployment Rate | Real GDP Growth          | CPI Inflation Rate | Unemployment Rate |                            |                    |                   |
|                           | Year on Year Change (%)       |                    |                   |                 |                    |                   |                          |                    |                   |                            |                    |                   |
| 2015/2016                 | 3.9                           | 0.4                | 5.1               | 3.3             | 1.0                | 5.8               | 3.3                      | 1.0                | 4.9               | 3.3                        | 2.8                | 5.2               |
| 2016/2017                 | 3.1                           | 1.7                | 4.8               | 2.1             | 1.0                | 5.8               | 2.1                      | 1.6                | 4.4               | 3.5                        | 3.0                | 5.1               |
| 2017/2018                 | 3.2                           | 1.5                | 4.4               | 3.2             | 2.1                | 5.4               | 3.3                      | 2.9                | 4.0               | 3.7                        | 3.2                | 5.6               |
| 2018/2019                 | 2.1                           | 1.2                | 3.9               | 1.8             | 1.6                | 5.2               | 2.0                      | 1.0                | 3.7               | 3.1                        | 3.1                | 5.4               |
| 2019/2020                 | -19.8                         | 1.5                | 2.0               | -8.1            | -0.1               | 7.4               | -8.1                     | 0.0                | 13.1              | -0.8 (est)                 | 3.1 (est)          | 5.6               |

Overall, **monetary policies** in most economies **were largely accommodative in 2019/2020**, in efforts to contain the economic damage from Covid-19. The following monetary policy actions were undertaken by the major reserve banks worldwide in light of the global macroeconomic developments during FY 2019/2020:

- The US Federal Reserve Bank, lowered its Fund rate five times by a total of 225 basis points, from a target range of 2.25 percent to 2.50 percent at end FY2018/2019 to 0.00 percent to 0.25 percent at end FY2019/2020. In March 2020, the Federal Reserve delivered two Fed rate cuts by a total of 150 basis points in two unscheduled policy meetings in response to Covid-19 downside risks on the country's weak economic outlook.
- Similarly, the Bank of England reduced their policy rate by 65 basis points from 0.75 percent to 0.10 percent in FY2019/2020 due to Covid-19 and the uncertainty surrounding the country's exit from the European Union.
- The Reserve Bank of Australia (RBA) also cut its official cash rate twice in unscheduled policy meetings to a historically low level of 0.25 percent in March 2020 and maintained at this level by the end of FY2019/2020, as the coronavirus outbreak threatened to derail economic activities across the country.
- The Reserve Bank of New Zealand

(RBNZ) also lowered its official cash rate by 125 basis points to a historical low of 0.25 percent on concerns about the impacts of Covid-19 on their economy.

- Likewise, the People's Bank of China (PBOC) reduced its official policy rate by 50 basis points from 4.35 percent to 3.85 percent, as the economy tries to recover from the shock caused by Covid-19 crisis. (Refer to Table 2).

2018/2019. The main drivers for this growth were mainly based on factors such as the positive impact of the Pacific Games and various regional meetings already hosted and scheduled to be hosted by Samoa. In addition, 'Construction' was expected to expand significantly due to several large projects such as the Apia Waterfront Development, road widening project from Malie to Faleolo, Malilolio bridge construction, airport extension project and the Tanumalala prison complex, coupled with private sector projects such as the Lava hotel and the construction of new super-markets.

On the external sector, the balance of payments was expected to record another surplus of \$17.8 million for

| Fiscal year to end June                      | 2015/2016          | 2016/2017   | 2017/2018   | 2018/2019   | 2019/2020   |
|--|--------------------|-------------|-------------|-------------|-------------|
| <b>Official international interest rates</b> | <b>Percent (%)</b> |             |             |             |             |
| US Federal Reserve                           | 0.25 - 0.50        | 1.00 - 1.25 | 1.75 - 2.00 | 2.25 - 2.50 | 0.00 - 0.25 |
| Reserve Bank of Australia                    | 1.75               | 1.50        | 1.50        | 1.25        | 0.25        |
| Reserve Bank of New Zealand                  | 2.25               | 1.75        | 1.75        | 1.50        | 0.25        |
| Bank of England                              | 0.50               | 0.25        | 0.50        | 0.75        | 0.10        |
| European Central Bank                        | 0.00               | 0.00        | 0.00        | 0.00        | 0.00        |
| People's Bank of China                       | 4.35               | 4.35        | 4.35        | 4.35        | 3.85        |

Source: IMF and reserve banks' publications and information releases.

## 2. Domestic Economy

### 2.1 Monetary Policy Outlook and Targets

In its meeting in June 2019, the Central Bank of Samoa (CBS) Board of Directors approved the continuation of the loosening of the monetary policy stance with the view of supporting further economic growth in 2019/2020, as inflation is projected to pick up slightly to 2.6 percent at end June 2020 due mainly to an increase in imported prices.

The real GDP was initially expected to expand further by 4.9 percent in 2019/2020 from 3.6 percent in

2019/2020, up from a small deficit of \$1.05 million in FY2018/2019. This surplus was based on expected further improvements from export of goods, visitor earnings and remittances. Overall, the country's official foreign reserves level was forecast at around 6.1 months of imports in 2019/2020, similar to that of 2018/2019.

On monetary and financial conditions, total commercial bank lending to the private sector and public institutions was expected to increase by 3.4 percent by end June 2020, slowing down from its growth of 4.7 percent in 2018/19. This anticipated decline reflects the expected winding

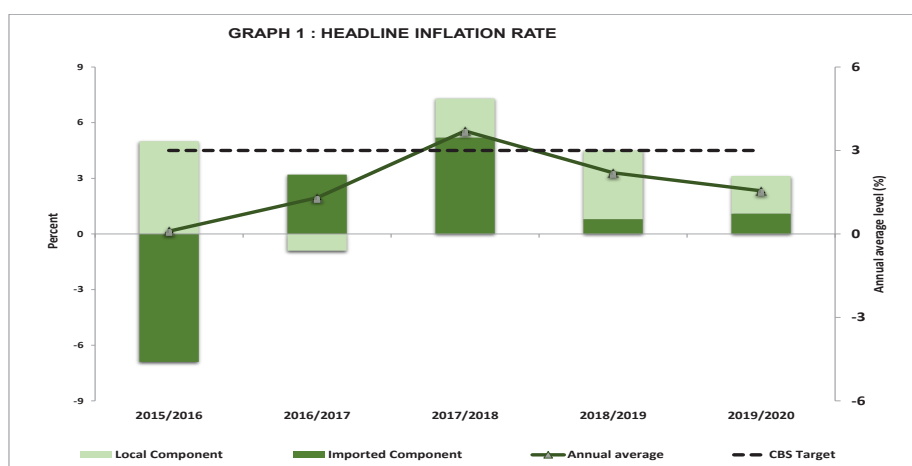


down and a return to normal levels of the business cycle following the Pacific Games and its preparations. Similarly, the annual growth of money supply (M2) was expected to decelerate to 9.5 percent in 2019/2020 from 13.4 percent in June 2019, given the expected reduction in net foreign assets.

## 2.2 Monetary Policy Outcomes

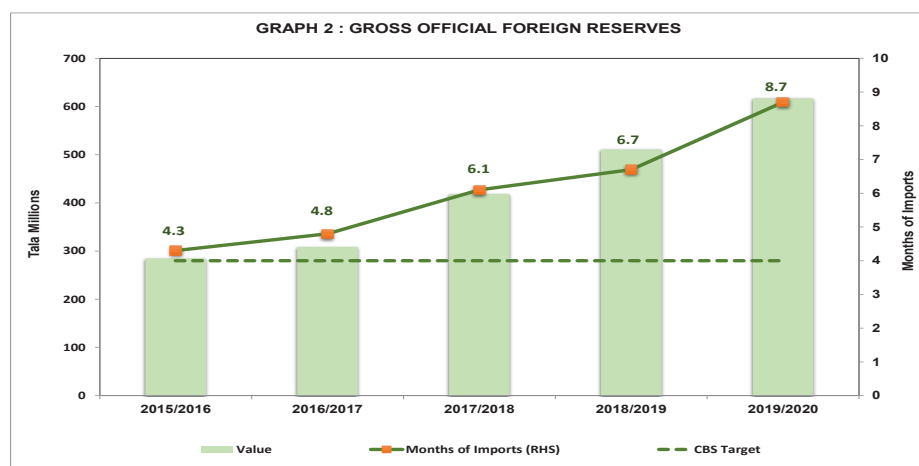
The actual headline annual inflation rate is around 1.5 percent at end June 2020, compared to its original forecast of 2.6 percent and its actual level of 2.2 percent in June 2019. The lower than expected drop in prices was driven mainly by a decrease in imported inflation to 1.1 percent compared to an expected increase of 2.2 percent, stemming from the drop in prices of some imported food commodities and fuel prices. Likewise, the domestic component of inflation fell to 2.0 percent at end June 2020 in contrast to a forecast growth of 3.6 percent reflecting the downward pressure from local agricultural produce and reduced prices for electricity and water as per government stimulus package for COVID19 which was implemented in April 2020. (See Graph 1)

In light of the coronavirus (COVID-19) pandemic, there were large inflows of grants and budget support funds as well as an International Monetary Fund (IMF) loan assistance and funds from international partners such as World Bank (WB), Asian Development (ADB), New Zealand and Australian governments to help the country cope with the pandemic. This has boosted gross official international reserves by \$106.2 million (or a surplus in overall balance of payments) to a record high of \$616.2 million in the FY2019/2020, in contrast to its original forecast surplus of \$17.8



million. In addition, private remittances rose by 5.6 percent to \$567.5 million over last year, slightly higher than its forecast growth of 3.0 percent in the original forecast. On the other hand, proceeds from tourism earnings fell sharply once the lock-

original forecast. All in all, the sharp increase in official foreign reserves in FY2019/2020 was sufficient to cover around a record high of 8.7 months of imports, higher than 6.7 months in FY2018/2019. (See Graph 2)



down was enforced around March 2020. As a result, total visitor arrivals for 2019/20 is down by 30.3 percent compared to a forecast growth of 4.7 percent. Similarly, export proceeds declined by 4.3 percent, compared to an expected improvement of 17.6 percent and a 42.4 percent increase recorded in 2018/19. This decline in export of goods was underpinned by reductions in earnings from nonu juice, beer, coconut oil and scrap metal. On the other hand, the export of fish improved markedly, above its

Total liquidity of the banking system has improved by 3.0 percent to \$282.1 million at end June 2020 over a year ago, in-light of the large inflows of government budget support and grant funds as alluded to earlier. On interest rates, the overall weighted average yield on CBS securities was last recorded at 0.15 percent in April 2020 (down from 0.19 percent in June 2019) due to suspension of open market operations to ensure the banking system is liquidity. Meanwhile, the commercial banks' weight-

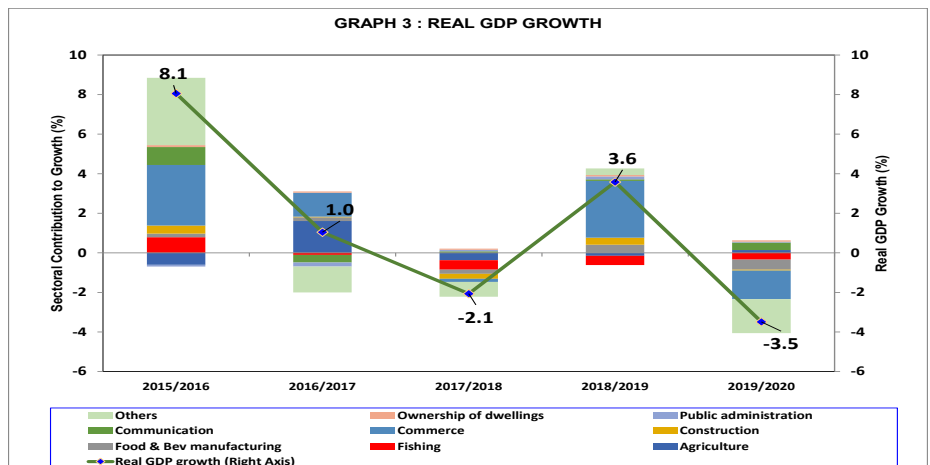


ed average deposit rates also edged down by 2 basis point to 2.73 percent in FY2019/2020. Likewise, the weighted average lending rate shrank by 34 basis points to 8.63 percent from 8.97 percent last year. However, the annual average growth rate of commercial banks' credit slowed to 4.7 percent from 5.2 percent in 2018/2019, which is higher than the 4.1 percent growth in its original forecast. All in all, despite the high external inflows, the sharp expansion in Government accounts with the monetary system saw the annual average growth of money supply drop sharply to 1.8 percent for FY2019/2020 from 13.2 percent growth in FY2018/2019 and lower than its forecast of 9.5 percent. The reason for the higher than expected increase in Government's net position reflects the influx of external grants and budget support funds for the COVID-19 pandemic.

Overall, the Samoan economy took a major hit in 2019/20 with real GDP growth falling by 3.5 percent at end FY2019/20 from a growth of 3.6 percent in FY2018/2019. As mentioned earlier, this reversal in fortune was due to the combined adverse effects of the Measles Outbreak in the last half of 2019 coupled with the ongoing global COVID-19 pandemic. As

a result, the Samoan economy has slipped into a recession with three consecutive quarters of negative growths over the same quarter of the previous year, starting from the December 2019 quarter. Analysis by sectors shows that the main impact was felt through the Commerce sector, which contracted by 4.4 percent or \$29.6 million due to impact of lockdowns on business and retailing activities while Food and Beverage manufacturing industry shrank by 12.7 percent or \$10.4 million in the year under review. In addition, the Electricity and Water sector tumbled by 10.6 percent (\$14.8 million), the

million), both the Fishing and Business services both declined by \$7.0 million and \$10.5 million respectively with the Transport decreasing by \$6.7 million in FY2019/20. On the positive side, the Financial services sector expanded by 4.9 percent or \$9.9 million while Communications rose by 5.9 percent or \$7.7 million respectively, as telecommunications and online services became a vital service as well as the channeling of sending money from families abroad through the financial institutions (banks and money transfer operators (MTOs)) was at its high during the lockdown period. (See Graph 3.)



Accommodations and Restaurant sector contracted by 17.4 percent (\$8.3

## III. Monetary policy implementation and exchange control

Since January 1998, the Central Bank has been implementing monetary policy by issuing its Own Securities using market based techniques – commonly known as open market operations - complemented by its exchange rate and currency issue functions, Statutory Reserve Deposit prudential requirement (Section VI (1.4)), foreign exchange control and moral suasion.

### 1. Open Market Operations (OMO)

The level of excess liquidity in the banking system continued to grow significantly in FY2019/2020, with SAT\$254.79 million recorded at end June 2020 compared to SAT\$227.37 million in the previous year. Alongside the investment demand from the banking sector, active open market operations (i.e. new issues) of CBS Securities continued in the first nine months of the financial year. In its April 2020 Reserve Money Program, the Central Bank decided to temporarily cease the issuance of any new CBS Securities and mature the outstanding papers that month. This was to support and ensure sufficient liquidity in the banking system to meet the needs and stimulate economic activities of the private sector and general public.

As a result, OMO operations concluded on 29 May 2020, with all outstanding Securities settled with the commercial banks as they matured in the last quarter of the financial year. Overall for FY2019/2020:

- SAT\$169.0 million worth of CBS Securities were floated compared to SAT\$231.0 million in the previous year.
- These floated amounts were oversubscribed by 160.6 percent compared to an oversubscription of 67.7 percent in FY2018/2019.
- Prior to the cessation of OMO, CBS allotted \$171.00 million

worth of Securities during the year.

- A total of SAT\$191.00 million CBS Securities matured during the year, with no outstanding CBS Securities at the end of the financial year. (See Table 3.)

assist the commercial banks with providing favourable lending to the private sector and the general public given the expected economic slowdown for the Samoan economy due to the adverse consequences of the Covid-19 pandemic. At the end of

|                           | 2015-2016 | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 |
|---------------------------|-----------|-----------|-----------|-----------|-----------|
| <b>Number of Floats</b>   | 48        | 32        | 41        | 37        | 30        |
| <b>Amount Floated</b>     | \$178.00  | \$64.50   | \$182.00  | \$231.00  | \$169.00  |
| <b>Amount Tendered</b>    | \$156.50  | \$52.00   | \$285.50  | \$387.50  | \$440.50  |
| <b>Amount Allotted</b>    | \$152.50  | \$51.50   | \$199.00  | \$273.10  | \$171.00  |
| <b>Amount Matured</b>     | \$150.50  | \$51.90   | \$175.50  | \$289.65  | \$191.00  |
| <b>Amount Outstanding</b> | \$0.50    | \$0.00    | \$23.50   | \$20.00   | \$0.00    |

Source: Central Bank of Samoa

The overall weighted average interest rate on Central Bank of Samoa Securities were steady at near-zero levels in 2019/2020. Reflecting the lower number of allotments during the year, the interest cost to the Central Bank's open market operations decreased from SAT\$55,200.92 in the previous year to SAT\$31,513.69 in FY2019/2020.

### 2. Credit Facilities to Commercial Banks

As part of the Central Banks' Covid-19 assistance to the banking system, the Board of Directors endorsed on 27 March 2020 the activation and availability of a new short-term credit facility for the commercial banks. While there was sufficient liquidity in the banking system, this facility was introduced to support and further

FY2019/2020, one commercial bank had accessed this short-term special credit facility.

Of its traditional stand-by credit facilities, the Repurchase and Rediscount facilities were not accessed or required in the year. Similarly, the inter-bank loans market was not utilised during the reviewed period, with the inter-bank borrowing rate remaining at 3.50 percent from end FY2017/2018.

### 3. Credit Lines to Selected Financial Institutions<sup>3</sup>

There was no need for any new credit line facility (CLF) in FY2019/2020 as the domestic economy recovered well and no major natural disaster hit the country. The last CLF introduced was in FY2017/2018 following the

<sup>3</sup>The Central Bank of Samoa has extended five separate Credit Line Facilities (CLF) since 2009. These credit lines were extended for specific purposes, mainly with the intent to boost growth in the economy. The first one is known as the Tsunami CLF, which was introduced to assist tsunami affected businesses. The second CLF was a long term CLF that was introduced as part of the Bank's monetary policy transmission mechanism to stimulate growth in selected priority sectors of the economy. The third was the Cyclone Evan CLF mainly extended to assist those households and businesses particularly hotel accommodations that were significantly affected by the cyclone. The fourth CLF was extended to stimulate the economy and assist with the hosting of the SIDS and Commonwealth Youth Games. The fifth CLF was to inject further stimulus to selected priority sector in the economy.

devastation caused by Tropical Cyclone Gita. The remaining funds (of \$5.0 million) from this CLF was disbursed in June 2019.

Overall, the total CBS CLF approved and disbursed to the general public remained at \$135.0 million. As at end FY2019/2020, the total outstanding CLF balance at the Central Bank was recorded at SAT\$86.64 million.

Both Samoa Housing Corporation (SHC) and DBS have continued to make regular and timely repayments to the Central Bank, consistent with the agreed repayment schedules set out in the Memorandum of Understanding (MOU) for the various CLFs.

The Central Bank, as part of its Covid-19 relief measures, approved the CLF repayment grace (holiday) periods for both DBS and SHC on their monthly repayments obligations to CBS in the last quarter of the financial year.

#### 4. Exchange Rate<sup>4</sup>

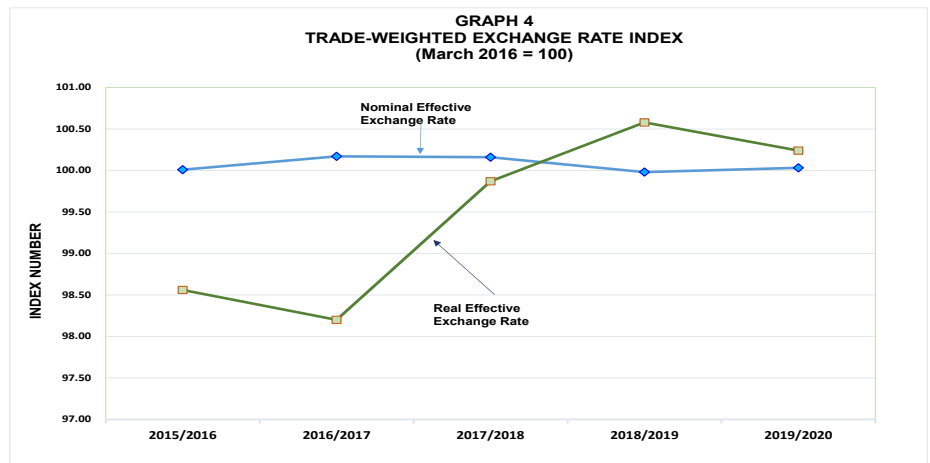
The Samoan Tala currency basket still comprises of the currencies of the United States of America, the European Union, Australia and New Zealand in FY2019/2020. This follows the routine annual review of the currency basket which was endorsed by the Board of Directors in its February 2020 meeting, with the new weights allocated to these currencies effective on 10th February 2020. The review was based on Samoa's distribution of merchandise trade and tourism earnings for the 2019 calendar year. Due to the speed and impact of Covid-19 developments worldwide on the foreign exchange markets particularly in March 2020, a mid-year currency

basket review was implemented for the first time during the June quarter to assess the effects and potential impact on the Samoa Tala in the year ahead. Subsequently, the review outcomes were endorsed by the Board of Directors in its June 2020 meeting, with the new allocated weights taking effect on 1<sup>st</sup> July 2020.

The foreign exchange markets were highly volatile in the year as uncertainties associated with a range of downside risks around the world dominated market fundamentals. The ongoing US-China trade tensions, the UK/EU Brexit negotiations, civil conflicts, geopolitical tensions between the US and Iran in January 2020 as well as the Australian bushfires and droughts, were notable events that effected the markets in the first seven months of FY2019/2020. The global outbreak of the Covid-19 health crisis in January and February, as well as its subsequent pandemic status declared by the World Health Organ-

deepening into a global depression. As expected, the New Zealand dollar (NZD), Australian dollar (AUD) and the European EURO as well as most other major currencies weakened against the US dollar on risk sentiments associated with the gloomy global economic outlook. As a result, the Sāmoa Tala, on a bilateral basis, depreciated 2.9 percent against the US dollar and appreciated against the NZD (by 2.4 percent), AUD (by 3.5 percent) and the Euro (by 0.1 percent). For currencies outside of the Sāmoa Tala basket, the Tala strengthened marginally against the Chinese currency (CNH).

Overall, the nominal value of the Sāmoa Tala appreciated modestly by 0.05 percent against the currencies in the basket at end 2019/2020. On the other hand, reflecting the drop in CPI inflation across Sāmoa's main trading partners, the real effective exchange rate depreciated by 0.34 percent from last year.



isation in March, triggered the major economies to implement unprecedented economic policy responses to invigorate economic activities and to prevent a global recession from

#### 5. Foreign Reserves Management

The CBS Act (2015) provides the Central Bank of Samoa with the custody and authority to manage the coun-

<sup>4</sup>The main objective of the Central Bank's exchange rate policy is to ensure that exports remain competitive in overseas markets while at the same time minimizing imported inflation. The exchange rate of the Tala is determined on the basis of a trade-weighted basket of currencies. The basket is based on Samoa's distribution of merchandise trade and tourism earnings. This currency basket is reviewed annually to reflect changes in trade and payment patterns between Samoa and its major trading partners.

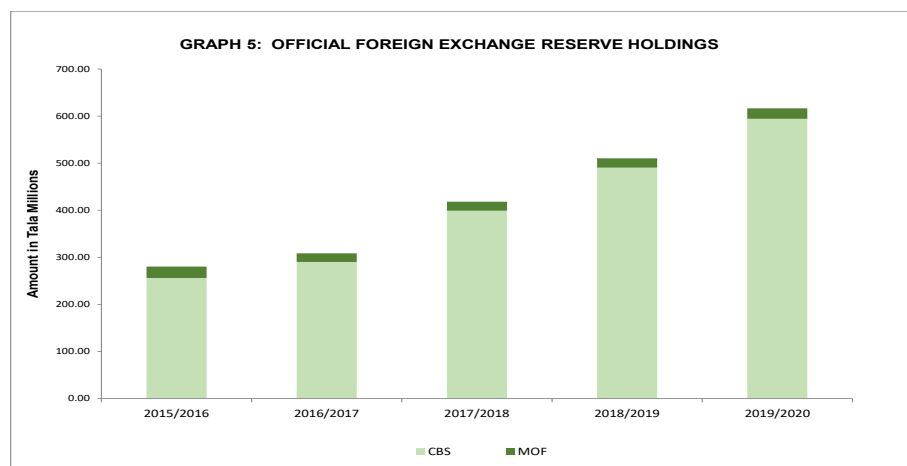
try's foreign reserves.

Gross official international reserves<sup>5</sup> at end June 2020 expanded by 20.8 percent to \$616.68 million from SAT\$510.51 million in the previous financial year. This reflected a 21.1 percent expansion in the Central Bank's foreign exchange holdings<sup>6</sup> to SAT\$594.28 million, from SAT\$490.71 million in FY2018/2019. Similarly, foreign exchange holdings by the Ministry of Finance increased 13.15 percent to SAT\$22.40 million, from SAT\$19.80 million in FY2018/2019. (See Graph 5.)

with a minimum of A-2 credit ratings<sup>7</sup>.

The composition of the Central Bank's foreign exchange holdings (excluding the IMF's SDR holdings) continues to be reviewed annually and adjusted accordingly with prevailing economic and financial conditions. The review of the CBS Foreign Exchange Investment Policy and Guidelines in 2019 were endorsed by the Board of Directors in the June 2019 Board meeting and enforced immediately in July, at the start of FY2019/2020. The composition of the foreign exchange holdings largely reflected the country's

dollar-denominated foreign reserves reflects the international transaction trends between Samoa and China. This is also consistent with global investment trends amongst central banks, particularly since the Chinese Yuan became a major reserve currency following its addition to the IMF's Special Drawing Right (SDR) currency basket in October 2016. The 2020 review of the CBS Foreign Exchange Investment Policy and Guidelines, which also factored in the latest global economic and financial developments and outlook due to Covid-19, was endorsed by the Board of Directors in the June 2020 meeting to be enforced on 1<sup>st</sup> July 2020.



The Central Bank's foreign exchange holdings were continually invested in line with reserve management objectives of liquidity, security and profitability. As such, the Bank's preferred investment instruments were liquid, medium-term to long-term financial instruments consisting of term deposits, bank bills, certificates of deposit, repurchase agreements and interest-bearing call accounts in Reserve Banks and financial institutions

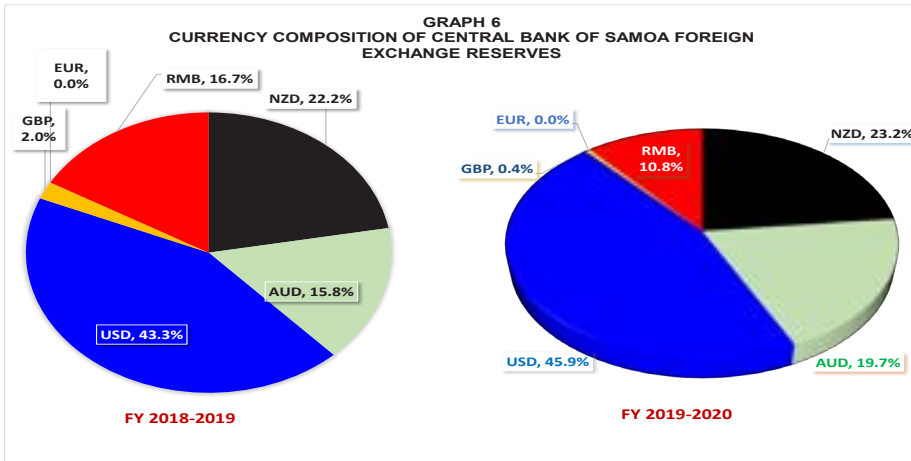
major sources of funds and projected overseas payment obligations at various foreign currencies, subject to the prevailing and expected global yield environment. While the Euro currency remains an eligible and acceptable foreign reserve currency to have as part of Samoa's foreign exchange reserves holding, the Central Bank still has not maintained any holdings given its current negative interest rates. The continued inclusion of Chinese

At end June 2020, there were some changes to the composition of CBS foreign exchange reserves compared to the previous year. Increased inflows of official foreign aid assistance for Covid-19 Response and budget support in the last four months of the year resulted in the higher holdings of USD-denominated investments, NZD and AUD international reserves in FY2019/2020 compared to last year. By comparison, reductions were recorded for RMB investments and GBP foreign exchange reserves. (See Graph 6.) This composition has adequately supported the servicing of international commitments of the country including public external debt repayment obligations as they fall due throughout the year. External debt servicing accounted for 12.58 percent of the country's official international reserves as at end June 2020 compared to its 13.91 percent ratio at end June 2019.

<sup>5</sup>With the adoption of the Fifth Edition of the International Monetary Fund's Balance of Payments Manual, Foreign Reserves have been renamed to Official International Reserves, which includes only the holdings of the Ministry of Finance and the Central Bank of Samoa.

<sup>6</sup>Since 2014/2015, CBS foreign exchange holdings now includes the holdings of the Special Drawing Rights (SDR) and IMF accounts that were previously held by the Ministry of Finance. The movement in CBS foreign exchange holdings reflects the inflows of Government's budget support funds as received through CBS' foreign bank accounts, overseas payment obligations for the Government and the net position of CBS foreign exchange operations with the commercial banks (where the latter reflects the receipt and settlement of private sector foreign exchange commitments).

<sup>7</sup>Short term credit rating using Standard and Poor's Credit Rating Index. The new minimum credit rating was endorsed by the CBS Board of Directors at its April 2017 meeting, the result of a change from the previous minimum credit rating of A-1.



Foreign capital payments and a few selected current account payments continue to be referred to the CBS for prior approval, while all other foreign payments remain delegated to the commercial banks and money transfer operators, subject to the submission of relevant supporting documents.

In addition to the assessment of capital payment applications, the Central Bank also monitors:

The unprecedented lower yield environment across most major economies, the intense downside risks in the global economy and volatile foreign exchange markets in the year under review have added further challenges in the management of foreign reserves. Due to the global economic and financial conditions, as shown in Section II, Part (1), most of the central banks reduced their policy rates to historically low levels near zero percent all within March 2020. This immediately passed through to significantly low market interest rates on foreign reserve investment undertaken since March.

Overall, despite the higher total volume of AUD, NZD and USD holdings when compared to last year, the steep reduction in market interest rates across the globe and for all foreign currencies severely impacted interest returns on our foreign investments. As a result, total interest income from CBS-managed foreign investments in 2019/2020 decreased by 14.6 percent to SAT\$9.40 million from SAT\$10.99 million in the previous financial year.

## 6. Foreign Exchange Control<sup>8</sup>

The annual review of Exchange Control policies in June 2019 resulted in a further relaxation of exchange controls on certain payments given the favorable outlook of the Samoan economy at the time whilst maintaining the robust monitoring of the country's foreign exchange reserves to ensure its preservation and adequacy. This included new and increased delegation of authorities granted to the authorized commercial banks and money transfer operators.

The 2019 review of Exchange Control policies and procedures concluded in June, with the minor changes in policies and procedures taking effect on 1<sup>st</sup> August 2019 as follows:

- **Export procedures** whereby all exporters must register with the Bank and are required to remit their export proceeds into the country within a specified time-frame.
- **Foreign Currency Deposit Accounts<sup>9</sup>** - To encourage the repatriation of foreign exchange earnings to Samoa, resident individuals or firms who are significant earners of foreign exchange have been allowed, since 1994, to open foreign currency deposit accounts. In the financial year under review, twenty three (23) new Foreign Currency Deposit Accounts (FCDAs) were approved compared to thirty (30) in 2018/2019. Two (2) of the approvals were for individuals who worked domestically and are paid

| TABLE 4: FOREIGN EXCHANGE PAYMENT   |   |  |
|---|---|--|
| Type of Foreign Exchange Payment  | Current   | Starting 01 <sup>st</sup> August 2019  |
| A closure and remittance of funds from a Foreign Currency Deposit Accounts (FCDA) in the names of residents | No specific reference in the Exchange Control Manual (ECM)              | Delegation of amounts up to SAT\$50,000<br>Any amount in excess of SAT\$50,000 is referred to CBS for approval       |
| Excess Freight Receipts by Freight Companies  | No specific reference in the ECM  | Delegation of amounts up to SAT\$1,000,000<br>Any amount in excess of SAT\$1,000,000 is referred to CBS for approval |
| Family Maintenance/Support  | Delegation to amounts up to SAT\$50,000 per applicant per calendar year | Delegation for amounts up to SAT\$100,000 per applicant per calendar year  |
| Gift  | No limit  | Delegation for amounts up to SAT\$20,000 per applicant per calendar year   |

<sup>8</sup>Foreign Exchange Control plays a complementary role to monetary policy and financial system supervision, ensuring that the country's foreign exchange reserves are used for legitimate purposes and maintained at a sustainable level.

<sup>9</sup>Apart from residents, non-residents such as the diplomatic missions and official international organizations are also able to hold FCDAs.

worked domestically and are paid in foreign currencies, while twenty one (21) were for businesses, including exporters, construction companies, hotels and other business sectors who provide services to overseas clients and/or engage regularly in foreign transactions. The following were recorded as at end FY2019/2020:

- There are now 181 active FCDAs of residents across the domestic banking system, with a total value of SAT\$48.40 million as at end

June 2020 compared with 342 active FCDAs at end June 2019 amounting to SAT\$65.68 million;

- FCDAs were available in 7 foreign currency denominations, namely the Australian dollar, New Zealand dollar, US dollar, Fijian dollar, European Euro, Great Britain Pound and Japanese Yen.

As part of the Central Bank's business continuity approach during the first State of Emergency period declared

in late March 2020, all Exchange Control applications and procedures at the Central Bank were adjusted to comply with the SOE requirements. In view of this, the submission of any foreign currency payment applications or export permit requests were encouraged to be submitted electronically to the Central Bank.



## IV. Financial System Supervision

One of the key objectives and responsibilities of the Central Bank under its mandate is promoting and maintaining financial stability by:

- Licensing banks and supervising their activities with broadly accepted prudential standards and examination techniques;
- Developing prudential supervision of insurance business and other non-bank financial institutions to further strengthen stability of the financial sector and limit financial distress and;
- Providing liquidity to the system as required to minimize short run disturbances;
- Licensing of foreign exchange service provider; money transfer operators and money changers.

The overriding purposes of these activities are to encourage financial system soundness and efficiency, and to reduce the damage that could arise from a bank failure or other financial system stress

### 1. Commercial Banks

The stability of the banking system is recognized as a very important matter of public interest. Therefore, in the interest of promoting financial soundness, banks are subject to the Central Bank's prudential supervision which concentrates primarily on detecting early signs of weaknesses.

Through regular reviews and analysis of financial information and periodic reports provided by the banks, the current financial performances and conditions are compared against the prevailing prudential standards and legal requirements (including past periods performance) to determine the degree of risks and vulnerabilities inherent by the individual banks.

Continuous consultations and discussions were held with the banks on key areas of their operations which include, among others, the maintenance of the required capital adequacy ratio, undue concentration of credit to single borrowers, liquidity management, profitability performance, the maintenance of realistic provisions against unexpected losses and the adequacy of systems to monitor and control risks. Bilateral meetings with the commercial banks

were conducted regularly since the activation of the Government's State of Emergency period in late March. This was to ensure an effective collaboration with the Central Bank to maintain the soundness of the banking system in view of Covid-19 developments.

Notwithstanding the above, the ultimate responsibility for the affairs and performance of supervised financial institutions operating in Samoa rests mainly with the management and the boards of directors.

The Central Bank can neither guarantee the soundness of a financial institution nor can it provide complete protection for its depositors, creditors and other claims on it. However, by ensuring that supervised financial institutions follow prudent management practices, the Central Bank is able to promote public confidence in these institutions and to help maintain a sound financial system.

#### 1.1. Financial Position of the Banking System for the twelve months ending June 2020

For the last twelve months, the banking system experienced strong growth in the overall level of assets.

Capital adequacy ratio remained relatively steady and supported by banks' sound profitability performance over the past twelve months. The quality of the banks' assets fortunately indicated a reduction in non-performing loans despite Covid-19 consequences on affected businesses, whilst provisions for bad and doubtful debts were sustained at an adequate level at the end of June 2020.

In June 2020, the banking system recorded an increase in total assets of 4.6 percent (\$77.6 million) to \$1.763 billion against total liabilities of \$1.466 billion which went up by 3.9 percent (\$55.1 million) respectively.

Much of the growth in assets was attributed mainly to the remarkable increases in lending by 4.5 percent (\$50.8 million), cash and deposits with the CBS and commercial banks by 4.9 percent (\$19.9 million), debt securities and nonfinancial assets by 19.0 percent (\$7.7 million) and 0.8 percent (\$1.1 million) in that order. This was partly offset by the drop in the level of other assets by 3.1 percent (\$0.8 million). Total loans and advances to deposits ratio went up slightly from 85.4 percent a year earlier to 85.6 percent to date.

## 1.2 Capital Adequacy Ratio

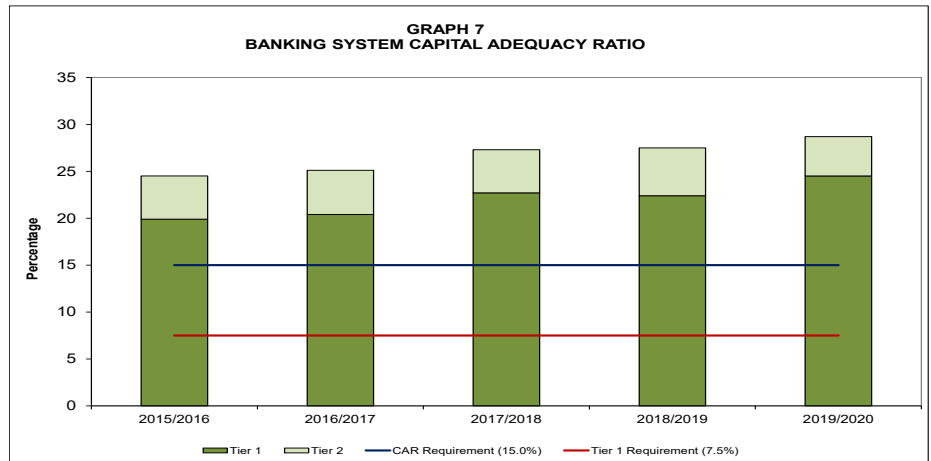
A risk-based capital adequacy ratio is required for all the banks to be maintained at all times in relation to the size and nature of their businesses.

The Central Bank adopts a Two Tier system whereby all the banks are required to maintain at all times a minimum capital adequacy ratio of 15.0 percent in relation to the level of their risk weighted exposure. As such, Tier one capital or “core capital” shall be no less than 7.5 percent of total risk weighted exposure, while Tier two capital or Supplemental capital shall not exceed 100.0 percent of core capital.

Tier one capital combined amounted to \$228.8 million, increased by 10.8 percent (\$22.4 million) from \$206.4 million a year earlier due mainly to the increases in prior year’s audited retained profits. Tier two capital of \$39.2 million went down by 16.9 percent (\$7.9 million) caused mainly by the decrease in the unaudited retained profits, bringing total capital (Tier one plus Tier two) to \$268.0 million at the end of the period.

Hence, the banking system remained strongly capitalized with an aggregate ratio of 28.7 percent, rose by 1.2 percent from the previous year. Meanwhile, Tier one capital was recorded at 24.5 percent. At such levels, the banking system recorded a surplus capital of \$128.0 million at the end of June 2020.

These ratios are comfortably above the Central Bank’s minimum capital requirements of 15.0 percent and 7.5 percent and indicated potential capacity for the banking system to more than adequately meet the public demand on financial services and future business prospects. (See Graph 7)

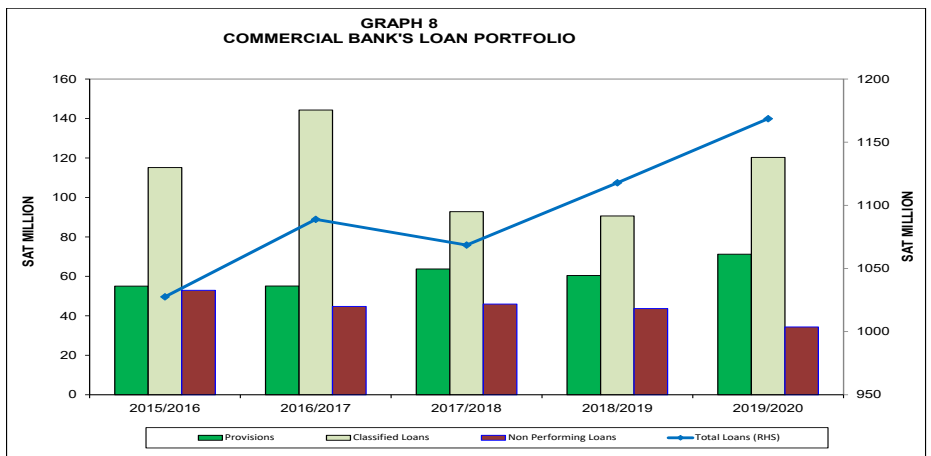


## 1.3. Asset Quality

The Central Bank places greater emphasis on a bank’s internal management system to monitor and provide adequate controls on credit to reduce possible losses. And, in the event of default or identified losses as a result of non-performing loans and other types of impaired assets, the bank must ensure that adequate provisions

cent of total loans and advances.

At this level, specific provision of \$39.0 million provides adequate cover for total non-performing loans. Total provisions for bad and doubtful loans amounted to \$71.2 million (6.2 percent of total loans and advances to date) also sufficient to cover any loss against total non-performing loans. (See Graph 8)



are maintained to cover for potential or identified losses.

In the twelve months to end June 2020, total loans and advances went up by 4.5 percent (\$50.8 million) to \$1.169 billion. At this level, total non-performing loans revealed a drop by 21.3 percent (\$9.3 million) to \$34.4 million, representing a 2.9 per-

### 1.3.1. Credit concentration risk: Sectoral and Industry distribution of credit exposure:

Diversification of risks is one of the fundamentals of prudent banking. Excessive concentration of risk exposure to one customer, industry, economic sector or activity jeopardizes the soundness of banks’ assets and



has been one of the major causes of bank losses.

The composition of loans by industries revealed that over the past twelve months; building, constructions and purchasing of land continued to be the largest industry exposure at 37.6 percent (\$438.9 million), which increased by 11.1 percent (\$43.8 million). Other industries such as professional services accounted for 16.8 percent (\$196.6 million), trade at 12.6 percent (\$147.3 million), transportation at 6.9 percent (\$80.2 million), household consumptions at 4.3 percent (\$50.6 million), manufacturing at 3.6 percent (\$42.3 million), and other activities at 16.0 percent (\$187.6 million) in that order. (Refer Table 5)

In terms of loans by sectors, the business sector which contributed 55.1 percent significantly increased by 7.3 percent (\$43.6 million) while household loans which made up 39.1 percent of total loan portfolio registered a minimal reduction of 0.1 percent (\$0.5 million) accordingly. Credit exposure to the Government sector, including non-financial public enterprises and non-monetary financial institutions dropped by 8.6 percent (\$5.1 million).

commercial banks helped to facilitate the implementation of the Household's Interest Rate Subsidy Payment. This assistance saw the Government absorbing 2 percent interest cost of all outstanding household loans as at end March 2020 for a period of 3 months ending June 2020.

#### 1.4. Liquidity Management

The prime responsibility for the prudent management of a bank's liquidity and for determining the appropriate level of liquid assets rests with the bank itself. Hence, the onus has been imposed on the commercial banks to manage their day to day liquidity, as well as handling any unexpected strain on their cash flows.

In essence, the holding of an adequate stock of highly liquid assets for meeting day to day liquidity needs is fundamental to sound and prudent liquidity management and to engendering public confidence in banks. As such, banks are expected to have in place effective systems for managing their liquidity positions.

At the end of June 2020, total liquid assets amounted to \$288.4 million, equivalent to 22.5 percent of total domestic deposit liabilities. At this level, it showed a favorable improve-

ment of 5.3 percent (\$14.4 million) when compared to the same time a year earlier. In addition, investments in CBS Securities recorded a zero amount at the end of June 2020 reflecting the action undertaken by the Bank to withhold issuing securities during the Covid-19 state of emergency.

In the matching of loans and deposits by residual maturity, total short term loans (up to 3 months maturity) plus liquid reserve funds amounted to \$711.7 million as compared to short term deposit liabilities of \$834.0 million. In the 3 months and over category, long term loans stood at \$1.034 billion against long term deposits of \$447.6 million, revealing a significant mismatch in the residual maturity of funds for the period under review. This trend is however closely monitored in consultation with the banks given the volatile nature of deposit funds in the market in order to ensure that banks are able to meet their liquidity obligations at all times.

#### 1.5. Profitability

Based on the banks' different accounting periods, the banking system combined profit figure (before extraordinary items and taxation) amounted to \$21.5 million, indicating a drop of 35.1 percent (\$11.6 million) over a year earlier. This reduction was due mainly to the covid-19 relief packages offered by the banks to their clients in view of the border shut down and State of Emergency (SOE). Further reduction in this area is anticipated in the periods ahead. Following the deduction of tax, the net profit for the commercial banks in 2019/20 stood at \$15.7 million compared to \$24.2 million in the previous year. (See Graph 9)

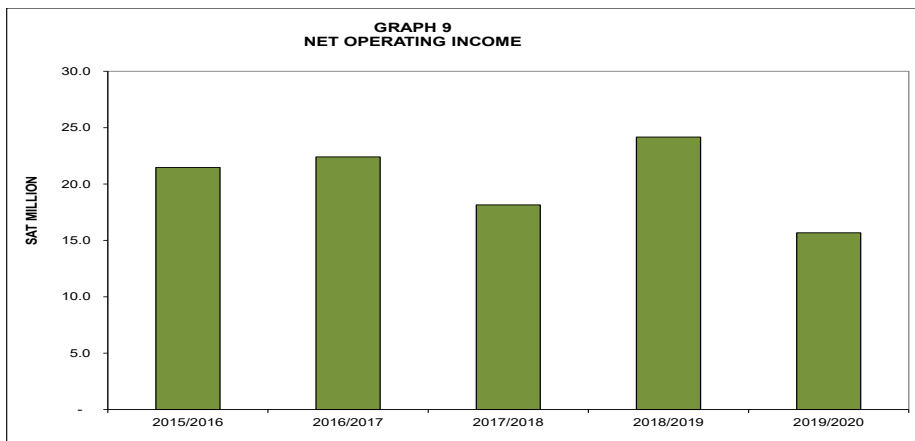
Total operating income went down by 3.6 percent (\$3.0 million) while total operating expenses and provisions increased by 17.0 percent (\$8.6 mil-

TABLE 5  
DISTRIBUTION OF CREDIT EXPOSURES BY INDUSTRY  
(AS A PERCENTAGE OF TOTAL CREDIT EXPOSURE)

|                               | <u>2019</u>         | <u>2020</u>         |
|-------------------------------|---------------------|---------------------|
| Agriculture                   | 0.2                 | 0.4                 |
| Fisheries                     | 0.2                 | 1.0                 |
| Manufacturing                 | 3.0                 | 3.6                 |
| Building, Construction & Land | 35.3                | 37.6                |
| Electricity, Gas & Water      | 0.9                 | 0.8                 |
| Trade                         | 11.0                | 12.6                |
| Transportation                | 6.3                 | 6.9                 |
| Professional Services         | 17.1                | 16.8                |
| Household consumptions        | 5.6                 | 4.3                 |
| Others                        | 20.3                | 16.0                |
| Foreign currency loans        | 0.1                 | 0.0                 |
| <b>TOTAL</b>                  | <b><u>100.0</u></b> | <b><u>100.0</u></b> |

As part of the Government's Covid-19 Stimulus Package Phase I, the com-

ment of 5.3 percent (\$14.4 million) when compared to the same time a



lion) on an annual basis respectively. At this level, the efficiency ratio of the banking system stood at 72.2 percent, weakening from 59.4 percent registered a year earlier.

On the income side, the major contributing factor highlighted in the increase in banks' interest income of 3.1 percent (\$1.7 million) to \$55.1 million on an annual basis.

The overall increase in total operating expenses by 17.0 percent (\$8.6 million) revealed the noticeable increases mainly at some of the non-interest expenses such as taxes and licenses by \$10.4 million, salaries and other benefits by 9.0 percent (\$1.0 million), management fees by 7.6 percent (\$0.4 million) and computer processing by 29.0 percent (\$0.3 million).

Return on average net worth of 14.6 percent and return on average total assets of 2.4 percent both decreased as compared to the levels recorded at June 2019.

### 1.6. Foreign exchange net open position

The Central Bank closely monitors the banks' foreign exchange activities throughout the year to ensure that banks are not exposed to any major foreign exchange risks detrimental

to their viability. Among others, this refers mainly to the banks foreign exchange open overnight position by a single currency, as well as the combination of different currencies.

The emphasis is on the Board of Directors and Management of each bank to have a clear understanding and knowledge of their bank's ability in undertaking foreign activities in relation to its financial capacity which, among others, must have regard to the volume and size of foreign transaction deals of customers on a daily basis, the size of its capital and the ability of customers (both local and abroad) to settle their transactions as they fall due.

Using their own internal management limits as previously assessed and recognized by the Central Bank as acceptable in accordance with minimum international standards, banks have operated more or less within their set of approved limits from time to time.

The combined foreign assets of the commercial banks at the end of June 2020 stood at \$154.8 million, increased by 9.3 percent (\$13.2 million) while total foreign liabilities of \$94.1 million decreased by 8.3 percent (\$8.5 million) over the same time a year earlier. At these levels, it reflect-

ed a net long open position of \$63.8 million, equivalent to 23.8 percent of the banking system's total capital (19.4 percent a year earlier).

## Non-Bank Financial Institutions

### 2. Domestic Insurance Industry

#### 2.1. Regulation and Supervision

##### 2.1.1. Administration of the Insurance Act 2007

The Governor of the Central Bank of Samoa (the "Bank") is the Insurance Commissioner (the "Commissioner") appointed under section 4 of the Insurance Act 2007 (the "Act"), to carry out the functions and powers as stipulated under sections 5 and 6 of the Act.

There is broad acceptance internationally that insurance supervision should be exercised over insurance companies to protect policyholder interests and foster a competitive and innovative market place. More specifically, the aim is to ensure that insurance companies meet contractual commitments made to the insured and are at all times in a sound financial position by maintaining sound solvency standards.

The Bank has responsibilities under the Financial Institutions Act 1996 and the Insurance Act 2007 to supervise insurance companies in conjunction with the Bank's broader responsibilities aimed at promoting the health and stability of the financial system in general.

#### 2.2. Licensing and Insurance Market Structure

Section 9 of the Act requires all insurers and intermediaries conducting insurance business in Samoa to be

licensed by the Commissioner. The Commissioner continued to receive and assess applications for renewal of licenses by insurers, insurance agents and insurance brokers. Licenses are renewed upon the payment of their license renewal fees by the end of December of each year.

### **2.2.1. Licensed Insurance Companies and Intermediaries**

At the end of January 2020, a total of twenty five (25) insurers and intermediaries were licensed under the Act and are listed as follows:

- i. Six (6) insurance companies (2 life and 4 general);
- ii. Three (3) insurance brokers; and
- iii. Sixteen (16) insurance agents.

During the period, one general insurer was granted a provisional license for 3 months as a result of non-compliance with several provisions of the Insurance Act 2007. Also, one insurance broker's license was not renewed due to its decision to exit the market.

### **2.3. Supervision**

The Bank has an integrated, risk-based system of supervision that uses both off-site monitoring and on-site inspections, to examine the business of each insurer, evaluate its condition, quality, effectiveness and compliance with legislation and supervisory requirements.

For the FY 2019/2020, the Bank conducted full scope onsite inspections to three general insurers. Onsite reports were prepared and submitted to the respective insurers within the prescribed timeframe of one month. Bilateral consultations were held with the visited insurers to follow-up on the status of their actions taken

to address weaknesses identified in the reports. In relation thereto, a visit to one life insurer was scheduled in April 2020. Unfortunately, the visit was cancelled because of the coronavirus and the State of Emergency restrictions imposed by the Government.

The Bank continued to monitor insurers' compliance with the Act and prudential standards through offsite monitoring which includes the assessment of periodic prudential returns submitted to the Commissioner. Moreover, regular bilateral discussions were held with the respective insurers to discuss its financial position from time to time plus any other important insurance matters.

Since October 2018, the Bank started reviewing the sample insurance act and revised prudential standards designed by the technical advisors sponsored by the International Monetary Fund (IMF) in collaboration with the Pacific Financial Technical Assistance Centre (PFTAC). These sample documents were created at the request of the Bank plus two other insurance regulators in the Pacific region, to assist in reforming the insurance legislation and standards in these countries. To date, the reviews and discussions are still pending due to the pandemic.

## **2.4. Overview of the Domestic Insurance Industry Performance**

### **2.4.1. Balance Sheet**

#### **2.4.1.1. Assets**

The consolidated total assets of the insurance sector (life and general) as of June 2020 stood at \$109.0 million, up by 6.5 percent (\$6.6 million) as compared to FY2018/2019. The general insurance sector continued to

dominate total assets at 53.9 percent (\$58.8 million).

### **2.4.1.2. Liabilities**

On the liabilities side, it was declined by 0.9 percent (\$0.6 million) to \$62.9 million over June 2019. Of total, life insurance accounted for 65.0 percent (\$40.9 million) whilst general insurers represented 35.0 percent (\$22.1 million) respectively.

### **2.4.1.3. Shareholders' Funds and Reserves**

The combined shareholders' fund for the domestic insurance industry grew by 18.6 percent (\$7.2 million) to \$46.1 million over June 2019. The general insurers dominated this sector at 79.7 percent (\$36.7 million).

## **2.4.2 Solvency Position**

As of June 2020, the insurance industry achieved a combined solvency surplus of \$15.6 million, revealing an increase of 16.7 percent (\$2.2 million) as compared to June 2019 balance of \$13.4 million. Such surplus was derived from adjusted net assets of \$21.8 million less solvency margin of \$6.2 million. The general insurers dominated 54.2 percent (\$8.4 million) of surplus.

## **2.4.3 Liquidity Position**

For FY2019/2020, the combined liquid assets of the domestic insurance industry stood at \$25.3 million, showing a 0.7 percent (\$0.2 million) reduction as compared to the last twelve months. Total liquid assets provided adequate coverage for short term liabilities of \$7.2 million.

#### 2.4.4 Gross Premiums

As of June 2020, the life and general insurance sectors' combined gross premium income stood at \$23.8 million, compared to \$23.0 million reported in June 2019 and has revealed an increase of 3.3 percent (\$0.8 million). Of total, the general insurance sector covered 64.9 percent (\$15.4 million) while the remaining 35.1 percent (\$8.4 million) was represented by the life insurance sector.

#### 2.4.5 Claims

The combined life and general insurance sectors' gross policy and claims payments aggregated at \$8.9 million was reduced by 13.3 percent (\$1.4 million) over the past twelve months. The life insurance sector dominated 73.2 percent (\$6.5 million) of claims paid.

#### 2.4.6 Profitability Performance

The insurance industry registered a growth in combined profit of \$5.6 million at end of June 2020 as compared to a profit of \$3.1 million recorded in June 2019. The general insurance sector represents 63.8 percent (\$3.6 million) of total profit.

### 3. Other Major Non-Bank Financial Institutions

#### 3.1. Prudential Supervision of Non-Bank Financial Institutions

Part 4A of the Financial Institutions Act 1996 allows the Central Bank of Samoa (the 'Bank') to extend its prudential supervision to non-bank financial institutions ('non-banks').

The major non-banks include the Samoa National Provident Fund (SNPF), the Development Bank of Samoa (DBS), the Samoa Housing Corpora-

tion (SHC) and the Unit Trust of Samoa (UTOS). These non-banks were established under their own legislation.

The ultimate responsibility for the affairs of each non-bank rests solely with their respective Boards and senior managements. The Central Bank's focus is towards satisfying itself that non-banks follow sound management practices and internal controls consistent with developmental financial institutions and that prudent standards are continuously reviewed to take into account the changing circumstances and environment.

The Bank continuously assesses the performance of each non-bank through its off-site surveillance activities as well as onsite examinations.

Regular financial returns from non-

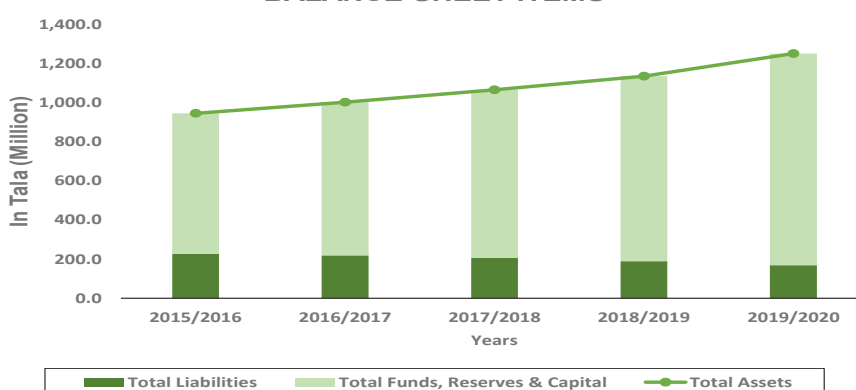
### 3.2. Overview of the Non-Bank Financial Institutions Financial Performance

#### 3.2.1. Balance Sheet

##### 3.2.1.1. Total Assets

At end of June 2020, total assets of the four (4) non-banks stood at \$1.2 billion, up by 9.3 percent (\$115.7 million) as compared to June 2019. Such growth was dominated by the increase in loans and advances (net) by 7.3 percent (\$57.7 million) to \$794.4 million, accounting for 63.6 percent. Other assets components like fixed assets (net) totaled \$168.3 million (13.5 percent), investments of \$181.4 million (14.5 percent) and other assets of \$105.8 million (8.5 percent) all grew by 11.0 percent (\$18.6 million), 12.9 percent (\$23.4 million) and 17.8 percent (\$16.0 million) respectively (See Graph 10).

GRAPH 10  
BALANCE SHEET ITEMS



banks are furnished on a monthly and quarterly basis for ongoing reviews and analysis in determining the quality of key areas of their operations for financial soundness.

##### 3.2.1.2. Total Liabilities

In contrast, total liabilities of \$169.1 million dropped by 11.9 percent (\$20.2 million) over the last twelve months. The reduction was caused by the decrease in major components such as borrowings by 5.4 percent (\$6.9 million) to \$127.6 million (equivalent to 75.4 percent of liabil-

ities), convertible notes by 39.1 percent (\$8.0 million) to \$20.5 million (12.1 percent) and other liabilities by 25.0 percent (\$5.3 million) to \$21.1 million (12.5 percent) in that order (See Graph 10).

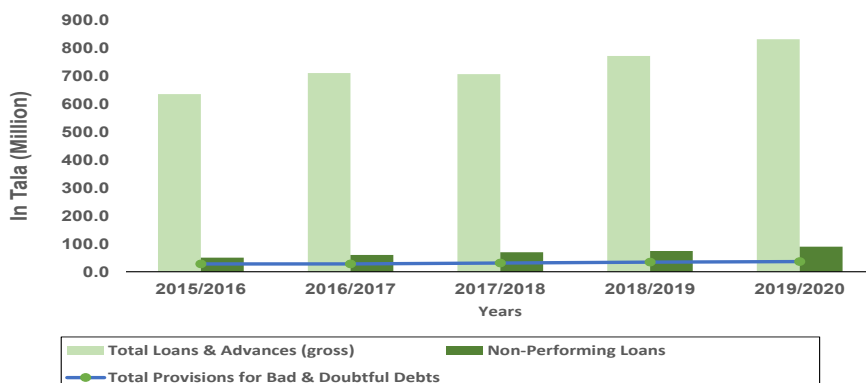
### 3.2.1.3. Total Funds, Reserves and Capital

Total Funds, Reserves and Capital of the four non-banks as of June 2020 stood at \$1.1 billion, up by 12.6 percent (\$135.9 million) as compared to the preceding year. This total is made up of contributions, pension pool and other accounts of \$948.9 million (87.7 percent), general reserves and assets revaluation of \$63.9 million (5.9 percent), and cumulative profits and paid-up capital aggregated at \$68.0 million (6.3 percent) respectively. All these components have increased over the review period, thus consistent with such movement (See Graph 10).

### 3.2.2. Total Loans and Advances

The total loan portfolio (gross) of the non-banks at the end of June 2020 grew to \$830.7 million by 7.2 percent (\$59.6 million) over the same time a year earlier. Distribution of loans by industry groups revealed that Professional and Business Services represents 23.2 percent (\$193.0 million), Building, Construction and Installation by 21.7 percent (\$180.1 million), Agriculture, Fisheries, Manufacturing, Trade and Transport accounted for 6.3 percent (\$52.5 million) and other activities represented 48.7 percent (\$404.8 million) correspondingly (See Graph 11).

**GRAPH 11  
ASSETS QUALITY AND PROVISIONS**



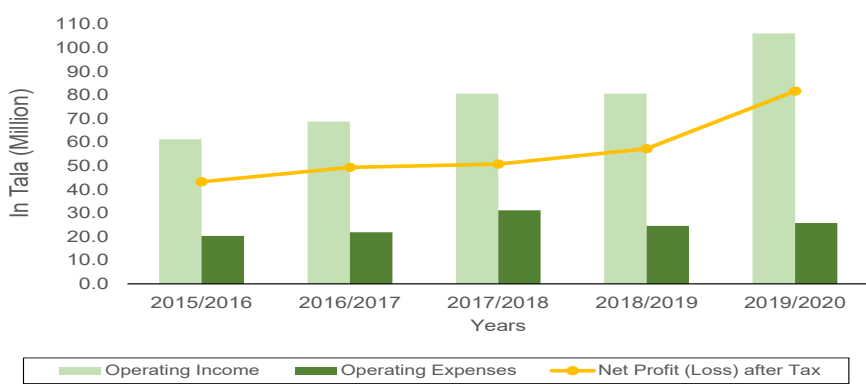
### 3.2.3. Assets Quality and Provisions

At the end of June 2020, the non-banks registered a combined non-performing loans (NPLs) balance of \$89.6 million compared to \$74.3 million reported in June 2019, showing an increase of 17.1 percent (\$15.3 million). Total NPLs is equivalent to 10.8 percent of total loans and advances. At this level, total provisions

### 3.2.4. Profitability

As of June 2020, the non-banks recorded a combined unaudited profit after tax of \$81.7 million compared to a \$50.8 million profit reported in June 2019. This result was derived from total operating income of \$106.2 million against total operating expenses of \$25.8 million respectively (See Graph 12).

**GRAPH 12  
PROFITABILITY**

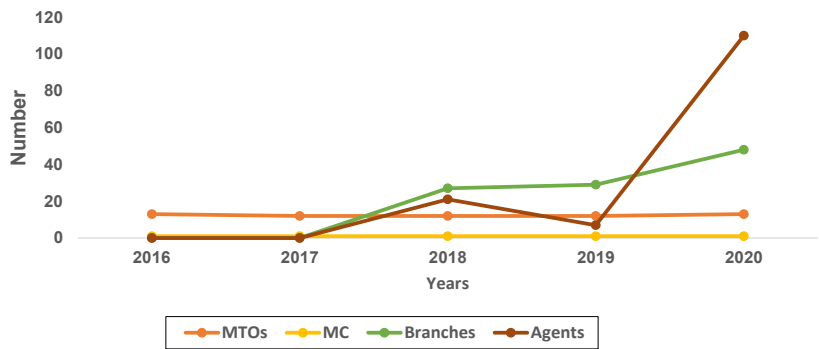


stood at \$36.3 million (\$34.5 million last year), accounting for 40.6 percent of total NPLs and 4.4 percent of total loan portfolio respectively (See Graph 11).

### 4. Money Transfer Operators (MTOs) and Money Changer (MC)

Also governed under the regulatory framework of the Bank are the Money Transfer Operators (MTO) and Money Changer (MC) (See Graph 13).

**GRAPH 13**  
**LICENSED MTOs, MONEY CHANGER, BRANCHES AND AGENTS**



- i. Thirteen (13) MTO licenses;
- ii. One (1) MC license;
- iii. Forty eight (48) MTO branches licenses; and
- iv. Hundred and ten (110) MTO agents' licenses.

As required, MTOs and MC must re-new their licenses at the beginning of every year. In January 2020, the Bank issued renewal licenses to the following institutions:



# V. Financial System Development

The department is responsible for the development of the financial system through various initiatives with the objectives of:

- achieving greater shared economic prosperity through financial inclusion
- assisting to develop deep and dynamic financial markets
- assisting to safeguard the integrity, stability and soundness of the financial system

In the pursuit of these objectives, the work of the department is in the three areas of:

- Financial Infrastructure Development
- Financial Consumer Affairs and Market Conduct
- Stakeholder coordination and liaison with international partners

## 1. Financial Infrastructure Development

### 1.1 Financial service (banks) landscape

As of 30<sup>th</sup> June 2020, the number of commercial bank branches remained at 25, the number of Automatic Teller Machines (ATMs) have increased to 73 from 69, the number of Electronic Funds Transfer at Point of Sale (EFTPOS) outlets have decreased to 590 from 645 and number of cash-in & cash-out bank agents (merchant stores) have also decreased to 33 from 82. Most of these financial access points are located in the Apia Urban Area.

The four commercial banks continued to offer financial services through various instruments such as mobile phone applications, card based instruments and internet banking platforms.

### 1.2 Non-Bank financial service providers

The two mobile network operators in the country continue to offer their mobile financial services also known as mobile money. For the financial year under review, there has been a

significant increase in the number of active mobile money users<sup>10</sup> by 88% while the number of mobile money agents have also increased from 37 in June 2019 to 116 in June 2020. Furthermore, there was also a significant boost in the number of transaction done via mobile money by 223% from June 2019 to June 2020. The top two transactions being transfer payments (including person to person transfers and bill payments) and cash out (or cash withdrawal) transactions. Overall, a significant increase in demand and usage of mobile money was noted for the period under review.

### 1.3 Financial Inclusion Measurement

At end June 2020, there was a noticeable change in the financial inclusion measurement stemmed from the removal of over 59% of 'cash in and cash in bank agents' due to inactive usage. Apart from this, there were no significant changes with regard to access points by location or region, with the Apia Urban Area dominating all other regions in number of access points per 10,000 adults.

### 1.4 National Payment System (NPS)

After the Automated Transfer System (ATS+) and Central Securities Depos-

itory (CSD) project kick off in March 2019, the project timeline was set and planned for system go-live in the first half of 2020. The work continued throughout the second half of 2019 with finalising system documentation, conducting regular consultation with relevant stakeholders and sourcing network requirements for the system. By November 2019, the Ministry of Finance (MOF) and Ministry of Customs and Revenue (MCR) agreed to be on board with the project.

However, due to COVID-19 pandemic the major project milestones such as system training, user acceptance testing, system pilot and go live date were pushed back and are tentatively scheduled for first half of 2021. Part of the system hardware was received within the period under review and installation is earmarked to be completed before end of 2020.

In efforts to boost capacity building in the payments area, the Central Bank of Samoa in collaboration with the World Bank Group and the Toronto Centre in Canada, co-hosted in September 2019 a regional workshop for central bankers on "Enhancing the Safety and Efficiency of the National Payments System: The Role of the Overseer".

<sup>10</sup> Defined as a customer/user that performed at least one transaction in the past 90 days

On the regulatory side, work continues in finalising the NPS Oversight Regulations, NPS Guidelines for Agents, NPS Guidelines for Retail Payment instruments, and Directives for Electronic Funds Transfer.

### **1.5 Credit Data Bureau**

The credit information bureau remains a priority for the CBS and with the assistance confirmed from PSDI/ADB on Technical Assistance and Policy work, the Credit Bureau Policy/Discussion Paper was completed in June 2020 to outline the vision and framework of the proposed Credit Bureau. The next step is to issue the Discussion Paper to relevant stakeholders for comments and feedback.

### **1.6 Micro, Small and Medium Enterprises**

With the assistance from PFIP and UNESCAP, the consultant, Mr John Hardin, was secured to undertake a study on the MSME Access to Finance in Samoa. The MSME mission and consultation with stakeholders began in the second half of 2019, and the MSME Access to Finance Report was completed in June 2020. An opportunity also presented itself whilst finalising the MSME Access to Finance Report to prepare an additional supplementary report to provide guidance and support for MSMEs affected by COVID-19 pandemic lockdowns. The two reports are earmarked to be launched in a workshop consultation in August 2020

## **2. Financial Consumer Affairs and Market Conduct**

### **2.1 Global Money Week Events**

Global Money Week is an annual financial awareness built to inspire

children and youth to learn about Money Management in its simplest form. Global Money Week previously organized by Child & Youth Finance International (CYFI) has been handed over to the Organization for Economic Cooperation and Development (OECD) International Network on Financial Education. Therefore, the 9th edition is now under the flagship of OECD.

Unfortunately due to the dramatic worsening of the COVID-19 pandemic, with numbers of countries affected worldwide, the usual global celebration in March was postponed until further notice and the CBS Financial Literacy Awareness was cancelled.

### **2.2 Financial Literacy Assistance for the DBS Agriculture Value Chain Finance Project**

In July 2019, the CBS facilitated a request from the Development Bank of Samoa to provide financial literacy awareness training on basic money management skills for the selected farmers of the piloted Agriculture Value Chain Finance Project. This was the only financial literacy assistance during this financial year and CBS awaits future requests for assistance from DBS with regards to this project.

## **3. Stakeholder coordination and liaison with international partners.**

### **3.1 National Financial Inclusion Taskforce (NFIT)**

The National Financial Inclusion Taskforce (NFIT), the driver of the National Financial Inclusion Strategy (NFIS) 2017-2020 continued its quarterly meeting throughout the year sharing initiatives and progress in promoting financial inclusion and financial literacy in the country. A key activity

conducted in the period under review was the midterm review of the NFIS. The report was finalised and submitted for Cabinet's information by end of 2019. As the current strategy is nearing its end of term, the consultant, Ms Bhavana, was secured with the assistance of PFIP on June 2020 to review the NFIS 2017-2020 and also to conduct consultations for new NFIS II by December 2020.

### **3.2 Community Economic Empowerment Development Sub-Sector Committee**

The CBS is also a member of the Community Economic Development Sub-Sector Committee which was established to pursue the Outcome 3 of the Community Sector Plan 2016 – 2021, targeting the economic empowerment of vulnerable individuals, families and villages. The committee meets quarterly and also provides a platform for CBS to update the committee on financial inclusion and financial literacy initiatives.

### **3.3 Alliance for Financial Inclusion (AFI)**

The CBS continued to be an active member of the AFI network, with its participation in the four thematic working groups on financial inclusion data, small medium enterprises finance, consumer empowerment and market conduct, inclusive green finance, digital financial services and on financial inclusion strategies.

At the regional level it continued to work closely with other central banks in the Pacific in the Pacific Island Regional Initiative (PIRI). Under this initiative, the CBS in November 2019 facilitated the Regional Sandbox roadshow by AFI to gather views from the stakeholders in Samoa on challenges



and opportunities of having a national sandbox in Samoa and potentially being part of a regional sandbox in the Pacific.

Due to COVID-19 pandemic, the usual working group and regional initiative face-to-face meetings were cancelled and replaced with virtual/online meetings.

### **3.4 Pacific Financial Inclusion Program (PFIP)**

The Pacific Financial Inclusion Programme (PFIP) is a joint program of the United Nations Capital Development Fund (UNCDF) and United Nations Development Programme (UNDP). Its aim is to increase access to sustainable, appropriate and affordable financial services by low-income and rural people in the Pacific Island Countries.

With the assistance of PFIP's Financial Inclusion Coordinator in Samoa, the CBS continued its strong collaboration with PFIP to progress financial inclusion and financial literacy in Samoa.

## **4. Sustainable Finance**

In recent years, central banks and regulatory authorities worldwide have increasingly recognized the need for global action from financial practitioners to address the challenges presented by climate change risks and other environmental dilemmas on the economies. In particular, the focus has been to drive the availability of sustainable finance, or 'green finance', to facilitate the development of business activities that supports environmental sustainability.

In line with the Government's priorities to address climate change matters, the Central Bank is also committed to assist with national efforts, through its Sustainable Finance Initiative. With this in the mind, the Central Bank, on 3rd July 2019, joined the Sustainable Banking Network (SBN)<sup>11</sup>. Our main focus in this area is to promote and raise market awareness about sustainable and green financial products and services. This will also include a collaboration with our local financial institutions to design and implement the appropriate

frameworks to boost the provision of sustainable finance for green-growth economic activities in the country.

In the first half of FY2019/2020, initial consultations were undertaken with the commercial banks, insurance companies and two of our main non-bank financial institutions as well as relevant Government Ministries. An online survey was later made available through the Bank's website for nearly two months from the 21<sup>st</sup> February 2020. With the Central Bank's focus to ensuring a sound financial system at the outbreak of the Covid-19 and the implementation of Government's SOE restrictions since March 2020, priority was directed at ensuring the soundness of the banking system. Accordingly, some of the work relating to this Sustainable Finance Initiative have been slightly pushed back, although internal preparations are ongoing and noting as well as the related financing exposure and prevailing risks on the economy from Covid-19.

<sup>11</sup> This is a group of emerging markets' financial regulators and banking associations established in 2012 and committed to advancing the sustainable finance agenda under the umbrella of the World Bank Group's International Finance Corporation (IFC).

# VI. Money Laundering Prevention and Countering of Terrorist Financing Activities

## 1. Summary of activities of the MLP Authority

The Money Laundering Prevention Authority (“the Authority”) works to comply with the internationally recognized standards as promoted by the Financial Action Task Force (“FATF”) and the Asia Pacific Group (“APG”) on Money Laundering, of which Samoa is a member. The Authority also sets the strategic tone for anti-money laundering measures in Samoa, and this is implemented by its Financial Intelligence Unit (“FIU”). The FATF is an international organization that sets the global standards for anti-money laundering (“AML”). They divide their groups into regions, and Samoa is a member of the APG.

### 1.1 APG Plenary Meeting (August 2019)

The 22<sup>nd</sup> annual meeting of the Asia Pacific Group (APG) on Money Laundering was held in Canberra, Australia from 18 – 23 August 2019. As usual, the annual meeting is about discussions and adoption of reports and activities (completed, ongoing and new). Samoa did not seek for any technical compliance re-ratings in last year annual plenary meeting 2019. Samoa will continue to focus more on amending its laws in place to address its shortcomings identified in its Mutual Evaluation Report (MER) 2015 and to work more on the effectiveness of the law as previously amended.

Samoa’s next round of MER will take place in 2021 – 2022; the onsite inspection for Samoa is expected to take place between October and De-

ember 2021 and its MER/Follow-Up Assessment to be discussed at the 2022 Annual meeting.

### 1.2 Samoa’s Enhanced Follow-up Report (“FUR”) to the APG

Samoa submitted its Enhanced Follow up Report to the APG on 3<sup>rd</sup> June 2020 as required under the APG Third Round Mutual Evaluation Procedures 2018. In light of the progress made since the last follow-up report, Samoa did not seek for any technical compliance re-ratings for this year 2020. Samoa will continue to work on reforms to rectify deficiencies as identified in its MER 2015. Samoa’s Follow-up Assessment (“FUA”) is scheduled to 2021-22.

### 1.3 Samoa’s National Risk Assessment (“NRA”)

One of Samoa’s key priority needs submitted to the APG in 2019. Samoa needed a Technical Assistance to provide trainings and guidance for FIU to conduct a detailed NRA for Samoa. As such the Asia Development Bank (ADB) through APG offered to provide assistance for Samoa and funding for a consultant to assist Samoa to revise and update Samoa’s NRA. The project is currently in progress and is expected to be completed by December 2020.

### 1.4 Quarterly Meetings

The FIU continues to host Quarterly

meetings with the AML Task Force members and FIs compliance officers to discuss AML/CFT matters (issues, challenges and way forward).

As part of its supervisory roles, the FIU will conduct trainings for financial institutions and Task Force members regarding their AML/CFT statutory functions and responsibilities in order to strengthen awareness and remain vigilant in detecting, deterring, disrupting and preventing ML/TF activities.

## 2. Summary of Activities of the Samoa FIU

The FIU serves as the national center for the receipt and analysis of suspicious transaction reports (STRs), cash transaction report (CTR) border cash reports (BCRs) and other information relevant to money laundering and financing of terrorism. One of the core functions of FIU is to disseminate intelligence assessment report to law enforcement agencies, government authorities for further investigation and appropriate action. FIU also assist with requests from government agencies for due diligence and mutual assistance matters as well as to financial institutions and regulatory agencies for information on any enquiries received.

Below is a highlight of FIU performance outputs and activities for the period (2011-2020).

|                       | 2015/2016 | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020         |
|-----------------------|-----------|-----------|-----------|-----------|-------------------|
| <b>STRs Received</b>  | 46        | 43        | 87        | 76        | 105 <sup>12</sup> |
| <b>Disseminations</b> | 10        | 10        | 3         | 27        | 61                |
| <b>Requests</b>       | 18        | 14        | 22        | 10        | 8                 |
| <b>BCRs</b>           | 0         | 9         | 24        | 67        | 59                |
| <b>Notices</b>        | 0         | 0         | 12        | 4         | 2                 |

<sup>12</sup> Refer to FIU Side Annual Report 2019-2020 for more information.

### 2.1. Suspicious Transaction Report:

The reporting of STRs is an obligation of financial institutions and supervisory authorities and auditors under section 23 and 24 of the MLP Act 2007. The FIU received, analyzed and disseminate the reports to relevant AML/CFT counterparts for information and investigations where appropriate.

The following table summarizes reports received and disseminated during this period.

|                     |     |
|---------------------|-----|
| STRs Received       | 105 |
| STRs Disseminations | 61  |

### 2.2. Cash Transaction Report (CTR):

Cash Transaction Report are required under Section 23(a) of the MLP Amendment Act 2018. The Financial Institutions are required to report all cash transactions equivalent to SAT\$20,000 or more to the FIU on a weekly basis. *(Refer 2.10 for more information regarding the CTR development).*

The following table summarizes cash transactions reported by financial institutions from July 2019 to June 2020.

| FINANCIAL INSTITUTIONS   | TOTAL AMOUNT         | TOTAL NUMBER OF TRANSACTIONS |
|--------------------------|----------------------|------------------------------|
| Commercial Banks         | 3,520,142,844        | 27,064                       |
| Money Transfer Operators | 116,082,032          | 1,524                        |
| <b>TOTAL</b>             | <b>3,636,224,876</b> | <b>28,588</b>                |

### 2.3. Border Cash Report:

It is a requirement in the MLP Act 2007 under section 13 for any person who leaves or enters Samoa to declare if they are carrying physical cash

or negotiable bearer instruments equivalent to SAT\$20,000 or more and complete the border cash report. These reports must file to the FIU by any authorized officer who is on duty at the border.

| FINANCIAL INSTITUTIONS AND INDIVIDUALS                            | NUMBER OF BCRS |
|---|----------------|
| Reports for individual passengers                                 | 27             |
| Reports relates to Cash Repatriation from FEXCO in American Samoa | 32             |
| <b>TOTAL Reports</b>  | <b>59</b>      |

During this period, the FIU received 59 reports from the Customs in relation to cash declaration at the border, which summarizes in the following table. A decrease in the number of BCR from the last financial year (2018-2019) was due to the outbreak of Corona Virus in 2019.

### 2.4. Approval of Currency Repatriation

The FIU is accountable for issuing approvals of currencies repatriation for financial institutions and individuals who are hand-carrying cash equivalent to SAT\$20,000 or more outside of Samoa. A decrease in the number of currency repatriation approvals from the last financial year (2018-2019) was due to the outbreak of Corona Virus in 2019.

### 2.5. EGMONT

Egmont group is a network group of FIUs (containing 159 members) that was created to provide a forum for the exchange of information confi-

dentially to combat money laundering and Counter terrorism financing. This is an important tool for gathering information and disseminating intelligence between FIUs.

Below is a brief summary of request the FIU received and made via Egmont during the period under review.

|                   |   |
|-------------------|---|
| Requests Received | 6 |
| Requests Made     | 2 |

### 2.6. Due Diligence and Background Checks

Another function of the FIU is to conduct due diligence and background checks for requests from financial institutions, competent authorities and internal departments of the CBS. The purpose of the due diligence/background checks is to screen the legitimacy of a company/individual and also to see if there's a match/hits that a particular company/individual has in relation to serious offences, mon-

| FINANCIAL INSTITUTIONS AND INDIVIDUALS | NUMBER OF APPROVAL IN SAMOAN TALA | NUMBER OF APPROVAL IN OTHER CURRENCIES |
|--|-----------------------------------|--|
| Commercial Banks                       | 2                                 | 11                                     |
| Money Transfer Operators               | 9                                 | 17                                     |
| Individuals                            | 1                                 | 2                                      |
| <b>TOTAL</b>                           | <b>12</b>                         | <b>30</b>                              |

ey laundering offences, an offence of financing terrorism or any other offences under the MLP Act.

FIU received 115 requests within this financial year (FY2019/2020) and conducted regular financial assessment and investigations.

## **2.7. On-going Awareness and Trainings**

The FIU continues to offer AML/CFT training to financial institutions, competent authorities and other government agencies. The main purpose is to raise awareness and to re-emphasize the importance of their roles in detecting, deterring, disrupting and preventing ML/TF activities.

The FIU and the Ministry of Customs and Revenue (MCR) in August 2019 carried out training for members of the Money Laundering Prevention Task Force. The purpose of the training was to introduce the Operational Planning of the Combined Operation at the Border to target Cash Smuggling. In September 2019, the FIU and other key agencies (MCR, Airport Authority, Police & Samoa Immigration) conducted a training at the border (Faleolo Airport) to brief the officers engaged at the border regarding the combined cash courier operation to target the illegal transportation of cash across the border. The FIU conducted a training in October 2019 for Financial Institutions (Commercial Banks and MTOs) Compliance Officers for the reporting of CTR via the FIU online reporting system. The FIU also conducted awareness training on AML/CFT matters for Fexco/Western Union new recruits for the period under review.

## **2.8. Onsite Inspections**

An Onsite inspection was scheduled

for FIs (i.e. Commercial Banks and Money Transfer Operators (MTOs) in March to April 2020. Unfortunately due to the pandemic of the Coronavirus (COVID-19) and the Samoa State of Emergency declarations, so far eight (8) of eleven (11) MTOs have been inspected. Overall, a very good improvement since the last visit in 2018. A few MTOs did an excellent job in enhancing their AML/CFT program while some are recommended to address some minor issues related to their AML/CFT program. The inspection for other MTOs and Commercial Banks has been postponed until further notice.

## **2.9. Regional KYC Utility Project**

The FIU is also taking part in a regional KYC initiative that is spearheaded by the Reserve Banks of Australia and New Zealand and involves all Central Banks of the Pacific region. The project aims at providing a KYC framework and solution that will look to address the correspondent banking issues faced by the region. The FIU is part of the working group and steering committee as nominated by the Governor. The FIU will look at consulting Commercial Banks and Money Transfer Operators regarding this initiative to gauge their interest. The framework and solution will be completed by October and tabled at the next Pacific Governor's meeting by the working group and steering committee.

## **2.10. FIU ICT Database System**

The FIU ICT System for the reporting of CTR via online has successfully implemented on the 12th of November 2019. All CTRs for cash transactions equivalent to SAT\$20,000 and over are submitted online for most of the Financial Institutions (i.e. Commercial

Banks and Money Transfer Operators). This involves sending, receiving, exchanging money or any other type of cash transaction. The system is then accessed by the FIU in order to analyze the volume of traffic of this CTR. This web-based system is a solution to the increasing number of cash transactions that are being reported to the FIU (as opposed to reporting it manually). The design and the installation of the two reports (STR and BCR) were completed in February. The two reports will be implemented once the training for all FIs on how to use the report via online is completed. This project is funded by the Asia Pacific Group ("APG") grant from the New Zealand Government (through the Ministry of Foreign Affairs and Trade).

## **2.11. Certified Anti-Money laundering Specialists (CAMS) Examination**

Two (2) FIU staff was scheduled to sit the CAMs examination this year but due to the outbreak of coronavirus disease worldwide and to comply with the state of emergency (SOE) issued by the Government, they will have to wait until further notice or as soon as the SOE is lifted. The Certified Anti-Money Laundering Specialist (CAMS) credential is the gold standard in AML certification and recognized worldwide. The knowledge and experience from CAMS would be an asset to the development of the FIU in promoting AML compliance in terms of regulating the financial institutions, embedded effective AML program to combat ML/TF activities, and the provision of on-going training on detection and prevention of ML/TF.

# VII. Corporate Services and Administration

## 1. Currency Operations

### 1.1 Currency handling arrangements

The Central Bank is the sole issuer of local currency banknotes and coins as stipulated under the Central Bank of Samoa Act 2015.

The quality of banknotes was maintained in an acceptable level during 2019/20. To keep currency in circulation at a high standard, the Central Bank would withdraw and destroy soiled and damaged banknotes, replacing them with new banknotes.

The commercial banks continued to follow the established cash operational procedures specified in the Central Bank's Internal Control of the Cash and Vault Operations during the year.

### 1.2 Currency Issue

The demand for currency (banknotes and coins) in 2019/20 grew by 11.6 percent to \$138.7 million from \$124.3 million the year before. This growth was mainly due to an increase in value of notes in circulation from \$117.4 million in 2018/19 to \$130.7 million in the year under review and partially due to an increase in coins in circulation from \$6.85 million in 2018/19 to \$8 million in 2019/20. New notes issued decreased from \$59 million in 2018/19 to \$56 million in 2019/20. As a result, the total cost of currency issued also decreased from \$2.3 million in 2018/19 to \$2.1 million in the financial year ending 30 June 2020.

Leaving aside small denomination coins, the \$1 coin remained the most widely circulated currency unit

This note is the second polymer banknote issued by the Bank into circulation, the first was the 1990 2Tala Polymer Banknote. In an effort to test the polymer banknote in circulation, CBS issued only polymer notes during the financial year 2019-2020. Current data shows 74 percent of total 10Tala banknotes in circulation are Polymer.

### 1.3 Replacement of Damaged Banknotes

The Central Bank provides services to replace banknotes which have been accidentally damaged or are unfit for circulation. In 2019/20 replaced notes increased to \$128,920 from \$118,365 in 2018/19. The most common types of damage to banknotes are limpness, tearing or accidental burning.

### 1.4 Counterfeit Currency Notes

Counterfeit money is not reimbursed nor compensated by the Central Bank. Therefore, the onus is on the banks and members of the public to be vigilant and alert in detecting counterfeit money.

The Central Bank remained cautious and actively promoted public awareness to combat the risk of counterfeit banknotes in 2019/20, launching another year long media campaign, including media releases in the TV, radio and print media. As a result no counterfeit notes were presented to the Bank in 2019/2020. (Refer Table 7).

The Central Bank continues to work closely with the Police Department to assist police in counterfeit detection techniques and support with counterfeit analysis.

|                         | 2015/2016 |        | 2016/2017 |        | 2017/2018 |        | 2018/2019 |        | 2019/2020 |        |
|-------------------------|-----------|--------|-----------|--------|-----------|--------|-----------|--------|-----------|--------|
|                         | Value     | Pieces | Value     | Pieces | Value     | Pieces | Value     | Pieces | Value     | Pieces |
| Notes saved for reissue | \$211.8   | 6.0    | \$175.8   | 5.2    | \$252     | 7.16   | \$242     | 5.9    | \$278.5   | 5.5    |
| Notes Destroyed         | \$39      | 1.8    | \$44      | 1.4    | \$60.3    | 2.6    | \$38      | 1.6    | \$34      | 1.4    |
| *Total Processed        | \$250.8   | 7.8    | \$219.8   | 6.6    | \$312.3   | 9.76   | \$280     | 7.5    | \$312.5   | 6.9    |

*\*It is important to note that there are times when the volume of banknotes will be more in comparison to the associated value, this is due to the variety of denomination which is represented, for example a value of \$100tala in 5tala notes is 20 pieces, where it will only be 1 piece if it is a 100tala note and 2 pieces if the value is in 50tala banknotes.*

During 2019/20 a total of 6.9 million pieces of banknotes were processed, with 5.5 million pieces of banknotes reissued and 1.4 million unfit banknotes worth \$34 million withdrawn from circulation and destroyed.

in the country with the number of pieces circulating by the end of June 2020 increasing by 16.1 percent to 2,330,827. The \$2 coin also increased by 19 percent to 1,623,854 pieces in 2019/20. Overall, the number of pieces for all the denominations rose by 1,886,400 in the year under review.

#### 1.2.1 \$10 Tala Polymer banknote

The \$10Tala Polymer banknote released into circulation in June 2019 was positively received by the General Public.



| Denomination | 2016/2017       |             | 2017/2018         |             | 2018/2019       |             | 2019/2020     |             |
|--------------|-----------------|-------------|-------------------|-------------|-----------------|-------------|---------------|-------------|
|              | Value (\$)      | Pieces (\$) | Value (\$)        | Pieces (\$) | Value (\$)      | Pieces (\$) | Value (\$)    | Pieces (\$) |
| 5            | \$0.00          | 0           | \$15.00           | 3           | \$0.00          | 0           | \$0.00        | 0           |
| 10           | \$30.00         | 3           | \$60.00           | 6           | \$40.00         | 4           | \$0.00        | 0           |
| 20           | \$40.00         | 2           | \$280.00          | 14          | \$20.00         | 1           | \$0.00        | 0           |
| 50           | \$0.00          | 0           | \$1,050.00        | 21          | \$50.00         | 1           | \$0.00        | 0           |
| 100          | \$200.00        | 2           | \$300.00          | 3           | \$100.00        | 1           | \$0.00        | 0           |
| <b>Total</b> | <b>\$270.00</b> | <b>7</b>    | <b>\$1,705.00</b> | <b>47</b>   | <b>\$210.00</b> | <b>7</b>    | <b>\$0.00</b> | <b>0</b>    |

## 1.5 Numismatics

Apart from being used to make payments, currency banknotes and coins are themselves valuable works of art and are well sought after by currency collectors all over the world. As with paintings and other works of art, the more unique and older a banknote or coin becomes, the more valuable it tends to be.

Income from Numismatic or collector sales for the financial year ending 2019/20 was \$2.88 million.

The Bank signed a number of agreements with partner mints for a variety of new coin programs during this financial year ending 30 June 2020.

## 2. Banking Operations

### 2.1 Interbank Settlement

As the overseer of the financial system, one of the Central Bank's key function in so far as the inter-bank settlement system is concerned, is to facilitate the efficient and effective exchange of payments amongst the commercial banks. It does this by providing office facilities where the commercial banks meet to settle the exchanges through their Exchange Settlement Accounts (ESAs) at the Central Bank. In addition to settling domestic inter-bank payments, the

ESAs are also used to settle foreign exchange deals, currency operations with the Central Bank and transactions in CBS securities. The commercial banks are required to keep their ESAs in credit at all times.

### 2.2 National Payment and Settlement System

In its duty to promote and oversee the safety and efficiency of the National Payment System, the Central Bank is at its last stage of establishing an Automated Transfer System with the assistance of the World Bank. This system will provide an irrevocable clearing and settlement of financial transactions between Central Banks and commercial banks (participants) in an efficient and reliable manner. The new system will replace the current inter-bank settlement.

To promote cooperation and assist local banks using the SWIFT system for payments, the Central Bank chairs the Samoa SWIFT user group. This group provides a forum for local banks to discuss and review matters related to SWIFT and payments. The user group also provides a single point of contact between Samoa and SWIFT ensuring timely dissemination of information to and from SWIFT.

## 2.3 Banking Services to Government

The Central Bank of Samoa acts as a banker, agent and depository to Government. In this capacity CBS acts as banker and fiscal agent of Government and any international financial institutions Samoa is a member.

## 2.4 Banking & Currency Services during COVID19

In March 2020 the Covid19 pandemic resulted in Samoa declaring a State of Emergency (SOE) locking down the nation. CBS continued to support Samoa's banking system and economy through its currency and banking services which were deemed essential services.

## 3. Human Resources

### 3.1 Policy developments, review, monitoring and awareness

The Bank implemented its revised CBS Strategic Plan for 2019/2024, which was reviewed in the previous financial year. A few staff policies and projects were developed and underway specifically the:

- CBS Workforce Plan – providing staff statistics, capacity gaps and training needs;
- An employee engagement survey to gauge staff job satisfaction; and the
- Records Digitization project – transferring manual records into digitized format.

HRD continued to monitor policies under its jurisdiction such as the:

- Human Resource Development (HRD) Training Framework;
- Payroll Policy;
- Recruitment and Selection Policy and Procedure;

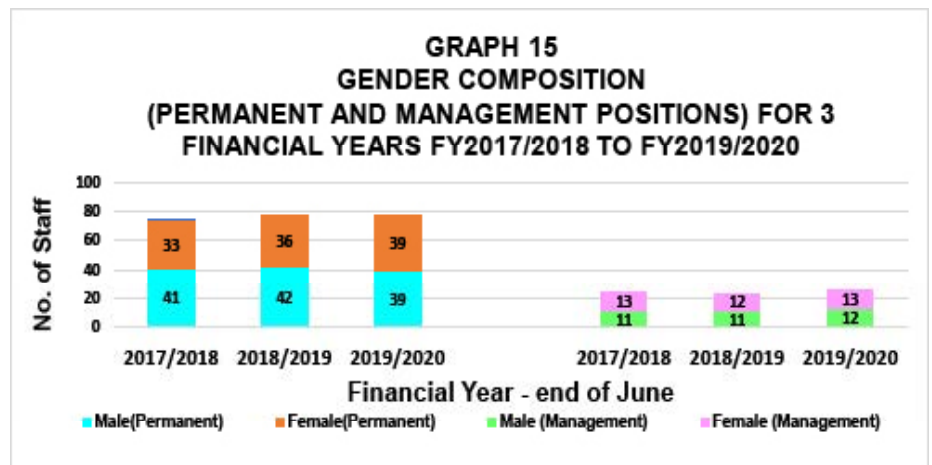
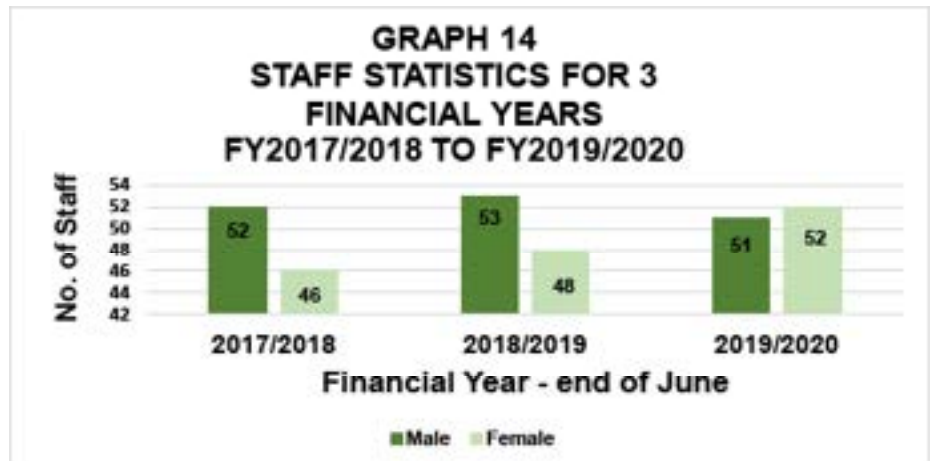
- Travel Policy (Local and Overseas); and the
- Information Management Policy.

Mid-way through the report period, Samoa was exposed to the measles epidemic in December 2019 followed by the Covid-19 pandemic in early to mid-2020. This impacted greatly on the Bank's business continuity approach with the Bank operating mostly at 60% staff capacity. Gradually the Government eased its state of emergency conditions allowing the Bank to progressively operate at normal capacity towards the end of the financial year. Virtual meetings and trainings became alternatives to face-to-face meetings and trainings as the world continued to adapt to the 'new normal' brought forth by the pandemic.

### 3.2 Composition of staff

The Central Bank experienced a slight increase in staff numbers in the FY 2019/2020 (refer to Graph 14). Several new positions<sup>13</sup> were established to support technical functions of the Bank. At the end of June 2020, the Central Bank employed a total of one hundred and three (103) staff, compared to the one hundred and one (101) in June 2019. The number of staff continue to grow as the Bank implements other imminent projects in the financial years ahead.

In terms of gender composition (refer to Graph 15), male and female numbers for permanent staff (non-contract) are equal in FY 2019/2020. This differs from the previous financial years with male dominating the numbers. In management positions (contract) female continue to slightly lead in FY 2019/2020 similar to previous



financial years. This reflects a sound gender equity in CBS staff policies.

#### 3.2.1 Staff Recruitment – promotion and new appointments

In terms of recruitment, there is a

<sup>13</sup> Assistant Manager IT, AML/FIU Officer, Analyst FSDD and Assistant Records & Digitization. Two appointments were internal and two were from outside the Bank.

marked decrease in appointments between the recent financial years (refer to Graph 16). A total of twenty three (23) appointments were recorded for FY 2019/2020 compared to thirty six (36) in FY 2018/2019.

The variance is because of a high number of employment contracts due in FY2018/2019 (16) compared to only four (4) employment contracts due in FY 2019/2020.

### 3.2.2 Staff Cessation of service

Staff turnover (refer to Graph 17) slightly decreased in FY 2019/2020 compared to FY 2018/2019. A total of eleven (11) staff turnover is recorded. Of the eleven (11):

- Three (3) staff resigned – two taking up promotions in other local Offices and one taking up a church mission; and
- Four (4) staff retired – two ceasing employment and two extended for the next 12 months under specific employment conditions;
- Four (4) staff terminated – two on misconduct and two on forfeiture of office.

cial year. There is a marked increase in terminations compared to the two previous financial years.

### 3.2.3 Service Recognition

Some permanent staff were recognized for long service during the FY 2019/2020.

- Four (4) staff achieved 15 years of service.
- Three (3) staff achieved 20 years of service.

In terms of retirement,

- Two (2) retirees effected retirement and ceased employment.
- Two (2) retirees were extended service for the next 12 months.

For contract staff, majority of the senior management are long serving members of the Bank as listed below:

- One (1) achieved above 30 years of service.
- Seven (7) achieved above 25 years of service.
- Three (3) achieved above 20 years of service.
- Four (4) achieved above 15 years of service.
- Three (3) achieved above 10

The Bank acknowledges with gratitude the dedication and commendable service of its long serving members to the Central Bank of Samoa.

### 3.2.4 Staff Social activities

A few activities involved staff outside the professional realm of work. These activities associate with staff health and welfare and building morale. Several prominent activities took place in FY 2019/2020:

- Fitness transformation programme involving gym physical exercises and hiking programmes as part of the Bank’s Occupational, Safety and Health (OSH) initiatives.
- Competition ‘Battle of Departments’ to test knowledge on functions / roles of the Bank.
- Thematic mufti on a monthly basis as a team building initiative.
- Sporting business tournaments where the Bank is represented in netball, touch rugby and soccer.

Under the guidance of the Social Committee, CBS staff participated in Government clean up for the South Pacific Games.

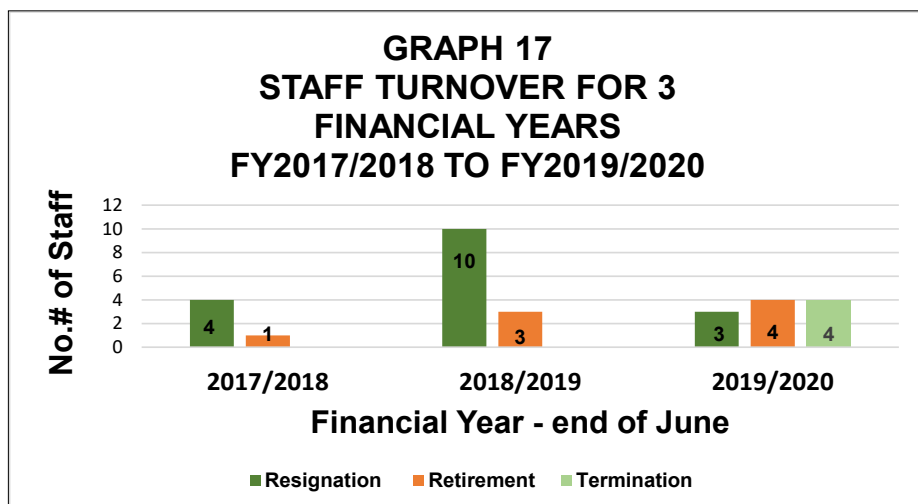
Some activities were cancelled by the onset of the measles epidemic in December 2019 followed by the Covid-19 pandemic in early 2020.

### 3.3 Staff Trainings and Developments

The Bank places value on staff development and training and enables to strengthen and build professional staff capacity through its staff education program especially in core areas of the Bank.

#### 3.3.1 Local Training and Meetings

The Bank continues to support local and internal (within CBS) trainings.



There is a marked decrease in resignations compared to the last finan-

years of service.



(a) Face-to-face trainings and meetings

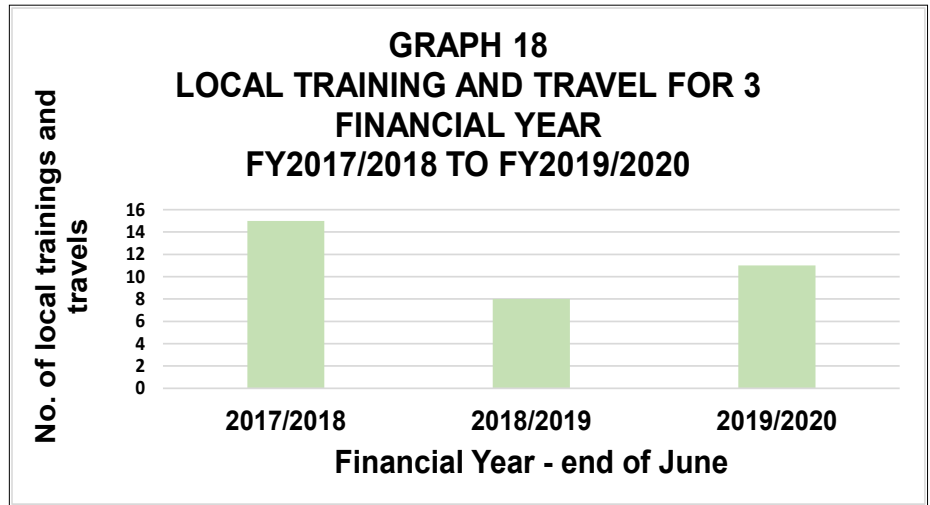
Several face to face local trainings took place in this period in areas of:

- Preparatory Training for Samoa’s Implementation Review of the United Nations Convention Against Corruption;
- National Workshop on Trade in Goods and Trade in Services;
- Project Preparation Training;
- Procurement Training Workshop;
- Awareness Program for Public Servants on Healthy Relationships to promote safe environment for families and well-being of all employees;
- Record keeping under the National Archives;
- Wi-Fi Access Installation and Administration Certification Training;
- Cyber Security training; and
- Smooth Pay Gold (payroll system) Training.

The Bank continues bi-annual induction programs for new recruits and regular awareness of revised policies under the Human Resource Department.

Training providers that assisted in CBS local training in this financial year are Greenology Limited in partnership with GO Wireless NZ and with Smooth Pay NZ, International Monetary Fund (IMF), Ministry of Education, Sports and Culture, Ministry of Finance, Office of the Ombudsman, Samoa Public Service Commission, Samoa Airport Authority and United Nations Office (on Drugs and Crime).

In the past three (3) financial years, the number of local trainings (face-to-face) fluctuated depending on Department needs and availability of training (refer to Graph 18). The num-



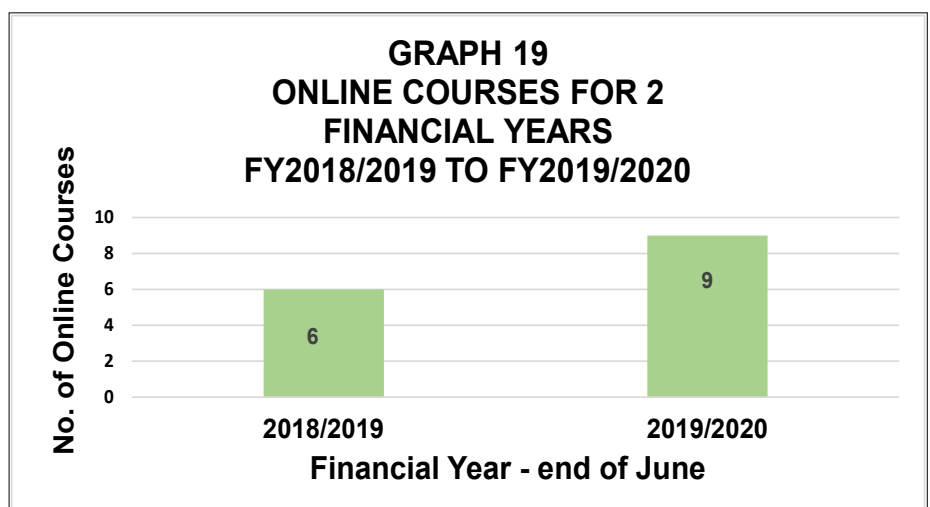
ber of local trainings increased slightly in FY 2019/2020 compared to the FY 2018/2019.

(b) On-line trainings and meetings

The Bank also participated in on-line courses in Macroeconomic Management, Basics for Macroeconomic Statistics and Digital Money, Consumer Protection, Digital Money Markets, Financial Development and Financial Inclusion course, Regulation in Digital Finance, Statistics on International Trade in Services, Mobile Money Operations, Fintech and Regulatory Innovation and Fintech Program.

were Commonwealth Secretariat, International Monetary Fund and its Singapore Training Institute, Pacific Financial Inclusion Program, UK’s Department for International Development and Commonwealth Secretariat, United Nations Statistics Division and WTO in cooperation with United Nations Conference on Trade and Development.

On-line courses is recently recorded and in FY 2018/2019, six (6) staff enrolled in on-line trainings. In FY 2019/2020, there was a slight increase (refer to Graph 19) to nine (9) staff due to the limitations to face-to-



Training providers that assisted in CBS face trainings and meetings because of Covid-19.

### 3.3.2 Overseas Trainings and Travel

The Bank's representation to international meetings and conferences continued in the report period. There is a marked decrease in overseas training and travel in the FY 2019/2020 (refer to Graph 20) compared to FY 2018/2019 mainly due to border restrictions brought upon by the Covid-19 pandemic. Prior to the impact of Covid-19, donors continued to fund capacity building opportunities (either fully or partially) to facilitate CBS face-to-face participation. This assistance has now shifted to facilitate virtual (on-line) meetings and trainings.

The Bank further hosted the Pacific Islands Regional initiative (PIRI) Regional Sandbox Implementation Roadshow on 11<sup>th</sup> and 12<sup>th</sup> November 2019.

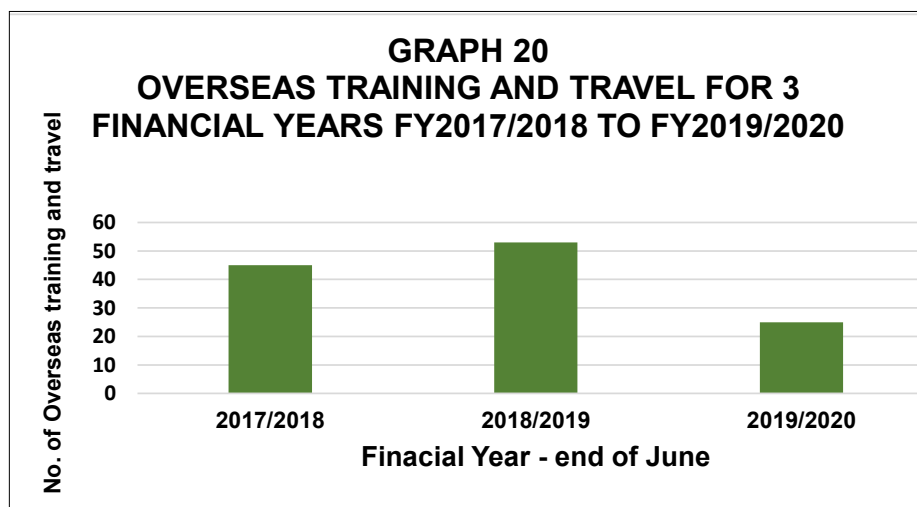
#### 3.3.3 Donor Support

Donor support has facilitated attendance to most international meetings and trainings namely the Asian Development Bank, Alliance for Financial Inclusion, Asia Pacific Group, Australian Transaction Reports and Analysis Center, Central Bank of Egypt, Debt Management Facility, Government of the People's Republic of China, International Monetary Fund – Regional Office for Asia, International Monetary Fund - Singapore Training Institution, Pacific Financial Technical Assistance Center, Pacific Northwest National Laboratory, US Department of State's Office of Cooperative Threat Reduction and the World Bank.

#### 3.4 Formal Education and Professional affiliations

In FY 2019/2020, three (3) staff graduated with tertiary qualifications in:

1. Bachelor of Commerce from the



- National University of Samoa (2 staff);
2. Professional Diploma in Legal Drafting from the University of the South Pacific (1 contract staff).

Eight (8) staff continue part time tertiary and professional studies in areas of:

1. Bachelor of Law at the University of the South Pacific (1);
2. Bachelor of Commerce at the National University of Samoa (4);
3. Chartered Accountant Programme under the Samoa Institute of Accountants (2);
4. Professional Diploma in Business Management at the University of the South Pacific (1).

In FY 2019/2020, one (1) senior staff undertook full time studies and com-

pleted a Masters in Economics at the University of the South Pacific. The official degree is conferred in the next report period.

#### 3.5 Work Experience programme, volunteers and study visits

The Bank did not offer part time work experience opportunities in the report period. It did continue to assist students with research activities particularly in the area of Economics.

#### 3.6 CBS presentations to stakeholders

The Central Bank presents to the Cabinet Development Committee (CDC) on the state of Samoa's economy every 2 months or as when advised. Other presentations are listed in the table below:

| Title of Presentations  | Receiving agency   | Period         |
|---|--|----------------|
| 1. Sāmoa's Financial Regulatory Framework   | Pacific Islands Investment Forum (Regional event hosted by SNPF)   | September 2019 |
| 2. Implementation of Monetary Policy  | National University of Samoa   | September 2019 |
| 3. Role of Central Banks in Increasing Access to Finance: Building Alliances for Agribusiness Innovation and Growth | Ministry of Agriculture and Finance Invitation on "Pacific Week of Agriculture – CTA and DBS-Side Event" | October 2019   |
| 4. Crypto-currency: Challenges, Opportunities and Solutions   | Sāmoa Law Society Symposium  | November 2019  |
| 5. Strengthening Digital Security in Sāmoa – the case of the Automatic Transfer System                              | Samoa Information Technology Association (SITA)  | February 2020  |

#### 4. Property and Information Technology

##### Building Security

The safety of the Bank is extremely important. Security is around the clock to keep the two properties secured – the main Office in Apia and the Offsite at Ululoloa. In addition, both locations are monitored by a CCTV security camera surveillance system with back up standby generators and uninterrupted power supply (UPS).

##### Occupancy

Ministry of Finance (MOF) continues to occupy levels two, three and four of the CBS Building with Executive offices of the CEO and Finance Minister in level six. The Office of the Ombudsman remains in level five while, the World Bank and ADB shares level seven with the Ministry of Public Enterprises who moved out of the CBS Building in the final half of the year due to limited space and growing number of staff. The Central Bank of Samoa fills up other remaining levels of the building.

##### Maintenance

Some major developments happened during the year:

1. Redesigning and constructing additional car parks around the building
2. Completion of the fence around the CBS compound
3. Completion of the canteen and café on the western side of the compound

Other services such as these below are closely monitored to ensure safety, efficiency and smooth running as required:

- Uninterrupted Power Supply (UPS)
- Back-up generator

- Water supply
- Air conditioning system and
- Alarm and Emergency lighting systems

##### Occupational Safety and Health (OSH)

OSH is tasked with addressing safety and health within the work place. Health and fitness programs have been ongoing throughout the year keeping staff physically active to ensure productivity and efficiency.

CBS works collaboratively with four (4) government authorities namely the Ministry of Commerce Industry and Labour, Fire and Emergency Services Authority, Ministry of Works, Transport and Infrastructure and Ministry of Health to ensure occupational safety standards and building standards are adhered and complied with.

During the measles outbreak towards the end of 2019, the Department put in place measures to safeguard health of staff, tenants and the public accessing the CBS premises. Substantial supplies of hand sanitizers, masks and hand gloves were procured for hygiene purposes as advised by the Ministry of Health. As the Covid-19 pandemic set in early 2020, the Bank formed a Committee and put in place a CBS Crisis Management Plan outlining health controls and accessibility to the CBS premises. This continued until the end of the financial year, guided by controls issued regularly under the Government's State of Emergency Orders.

##### Offsite Ululoloa

The Ululoloa offsite project completed some structure and developments during this financial year:

- The rock wall fence surrounding the six acres property.
- The IT back-up server room was

further equipped with back-up air condition.

- The compound is utilized by the Government to garage buses used during the Pacific Games in 2019.
- Work for the main building continues and in progress.


##### Information Technology

The Information Technology unit continues to provide technical support and advice on all IT matters related to the Bank. These include constant monitoring of the thirteen (13) core systems that run the daily operations of the Bank as well as monitoring of licenses renewal and updates of computer systems, firewall, web and email filter and endpoint security.

Key IT developments implemented throughout the year are as follows:

- Replaced network switches with Gigabit PoE switches.
- Replaced firewall with the latest next generation technology.
- Installed a new heavy-duty UPS inside the server room.
- Setup a monitoring system to monitor the IT infrastructure.
- Replaced SWIFT VPN boxes with new VPNs.
- Upgrade SWIFT Application packages to new version (7.4)
- Setup an automatic redundant internet connectivity.

There were two (2) new systems installed and implemented within the financial year, the Financial Intelligent Unit (FIU) system and the digitization of records project. The National Payment System has been postponed due to COVID-19 however, initial phases and preparation work such as procuring of the Datablock to house backup systems and data of the bank, obtaining hardware and software for the same project with installation and commissioning are in the pipeline.



In terms of staff development, one of the IT Officer had the opportunity to attend the Cyber Security workshop held by the Sāmoa Airport Authority.

The other IT Officer had the opportunity to travel to China and attend the seminar on Information Technology and Communication. The Assistant

Manager attended the Wi-Fi Access Installation and Administration Certification training held locally.

## VIII. Central Bank financial performance

### **Financial Performance and Audited Accounts**

The final section of this Annual Report consists of the audited accounts of the Bank for (FY2019/20) ending 30 June 2020.

At year end 30 June 2020, the Bank had total assets of \$823.7 million made up of \$647.1 million in foreign assets, and \$176.6 million in local assets.

On the other hand, the Bank recorded total liabilities of \$800.4 million consisted of foreign liabilities totalling at \$276.4 million and \$524.0 million in local currency.

The Bank's net assets amounted to \$23.3 million, a marked increase from \$15.9 million recorded a year earlier. Total reserves increased mainly due to change of policy/accounting treatment of the coin. The difference of face value of coins already issued into circulation over cost of minting

(including transportation and freight cost) have been placed in the General Reserve Account.

Total net profit achieved by the Bank at year end was \$3.8 million, as compared to a net loss of (\$3.5 million) recorded a year earlier.

In accordance with the Central Bank of Samoa's Act 2015, the Directors recommend a dividend of \$2.1 million to be paid to the Government of Samoa.

# IX. Chronology of Important Monetary, Prudential and Related events

## July 2019

- On the 3<sup>rd</sup>, the Central Bank of Sāmoa became a member of the Sustainable Banking Network (SBN), a group of emerging markets' financial regulators and banking associations under the guidance of the World Bank Group's International Finance Corporation
- From the 7<sup>th</sup> – 20<sup>th</sup>, Sāmoa successfully hosted the 16<sup>th</sup> Pacific Games.
- From the 1<sup>st</sup> to 12<sup>th</sup>, the Central Bank of Samoa conducted a full scope onsite inspection to the National Pacific Insurance Limited.
- From 29<sup>th</sup> to 9<sup>th</sup> August, a risk-based onsite inspection was conducted for Samoa Commercial Bank.

## August 2019

- On the 1<sup>st</sup>, the new Exchange Control policies and procedures for 2019 took effect. These reflected new and increased delegation of authorities to the commercial banks and money transfer operators.
- From 12<sup>th</sup> - 23<sup>rd</sup>, received Technical Assistance on External Sector Statistics from the International Monetary Fund – CDOT in Thailand.

## September 2019

- From the 11<sup>th</sup> to 17<sup>th</sup>, the Central Bank of Sāmoa co-hosted with the Ministry of Finance the Staff Visit Mission by Sāmoa's new Mission Chief at the International Monetary Fund (IMF).
- From 24<sup>th</sup> – 27<sup>th</sup> September, Central Bank of Samoa co-hosted with the World Bank Group and Toronto Centre in Canada the workshop on "Enhancing the Safety and Efficiency of the National Payments System: The Role of the Overseer"

## October 2019

- Sometime in late October, the first case of the measles outbreak in Sāmoa was detected.

## November 2019

- Sāmoa's measles outbreak start to have infant casualties.
- On the 4<sup>th</sup> to 15<sup>th</sup>, a full scope onsite examination of Federal Pacific Insurance Limited was undertaken.
- On the 11<sup>th</sup>, the FIU ICT Database System was successfully implemented, enabling the real time electronic submission of the required Cash Transaction Report from the stakeholders to the Central Bank.
- On the 11<sup>th</sup> and 12<sup>th</sup>, CBS hosted a stakeholder's consultation for the Pacific Island Regional Initiative (PIRI) Regulatory Sandbox Roadshow on FinTech matters.

## December 2019

- From the 5-6<sup>th</sup>, the Sāmoa Government issued a 2 days country-wide shutdown to allow for the mass immunization program to address the Measles epidemic. As a result, the Central Bank of Sāmoa shut its operations for these two days.

## January 2020

- On the 13<sup>th</sup>, the first case of the Coronavirus (now commonly referred to as Covid-19) outside of Wuhan, China was detected, at Thailand, followed by Japan on the 16<sup>th</sup>. Following the recent Measles epidemic, Sāmoa became one of the first countries in the world to tighten its international travel restrictions (such as health checks as part of travel requirements into the country) as a result of this new infectious disease.

## February 2020

- On the 7<sup>th</sup> February, the update of Central Bank macro-economic forecasts and monetary policy stance for 2019/2020 based on the first six months' review was presented to the Board. As a result, the continuation of the accommodative monetary policy to stimulate economic growth for the remaining six month of the year was approved.
- On the 10<sup>th</sup>, the Sāmoa Tala exchange rate basket, which was reviewed and approved by the Board of Directors on the 7<sup>th</sup> February, became effective. The Tala basket still comprise of the currencies of New Zealand, United States of America, Australia and European Euro.
- On the 12-25<sup>th</sup>, the IMF conducted its Article IV Mission annual assessment of the Samoan economy.
- From the 24<sup>th</sup>, an official Health Directive was issued to restrict the number of incoming airplane flights to Sāmoa from New Zealand, Australia and Fiji.
- From the 24<sup>th</sup> February to 6<sup>th</sup> March 2020, the Central Bank of Samoa conducted a full scope onsite visit to the Apia Insurance Limited.

## March 2020

- On the 11<sup>th</sup>, the World Health Organisation (WHO) declares the Coronavirus (Covid-19) as a pandemic. Earlier in the month, following the rising number of Covid-19 casualties worldwide, the global stock markets had already reacted, with major central banks worldwide slashing their policy interest rates to record-lows of near zero percent in unscheduled policy meetings to immediately address the weak economic outlooks as a result of the pandemic.

- On the 20<sup>th</sup>, the Government of Sāmoa declares a State of Emergency in relation to Covid-19 and a two weeks partial lockdown as a precautionary measure to prevent the spread of Covid-19 to the country. Only essential services were allowed, with reduced operating hours for public service (including CBS), supermarkets while schools were closed with other business activities.
- The declaration of the State of Emergency (COVID-19) for Samoa disrupted project progress for the ATS-CSD installation and Credit Bureau reform, effectively halting these projects. The finalization of the MSME Access to Finance study was also affected.
- On the 26<sup>th</sup>, Sāmoa officially closed its international border as a further precautionary containment measure given the regional outbreak of the Covid-19 pandemic, with posi-

tive cases in Australia, New Zealand, Fiji, Guam, Tahiti and Papua New Guinea at the time.

- On the 27<sup>th</sup>, the CBS Board approved the availability of a special Covid-19 Credit Facility for the 4 commercial banks, to assist with any liquidity needs during the pandemic period.

#### **April 2020**

- In its monthly Reserve Money Program, CBS decided to temporarily cease the issuance of any new CBS Securities as part of its Covid-19 response measures.

#### **May 2020**

- On the 29<sup>th</sup>, CBS Open Market Operations concluded, with the remaining CBS Securities matured and settled.

#### **June 2020**

- On the 3<sup>rd</sup>, Sāmoa submitted its Enhanced Follow-up Report to the APG.
- On the 26<sup>th</sup>, the Board approved the outcome of the annual CBS Foreign Investment Policy and Guidelines 2020 review, with the new changes taking effect on 1<sup>st</sup> July.



# Financial Statements

Central Bank of Samoa

For the year ended 30 June 2020

**Central Bank of Samoa  
Financial Statements  
For the year ended 30 June 2020**

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**Central Bank of Samoa  
Management's Statement  
For the year ended 30 June 2020**

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**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying financial statements are the responsibility of management. The financial statements have been prepared according to International Financial Reporting Standards and include amounts based on management's best estimates and judgments.

Management has established and maintains accounting and internal control systems that include written policies and procedures. These systems are designed to provide reasonable assurance that our financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements, and that our assets are properly safeguarded.

The board of directors oversee management's responsibilities for financial reporting. The financial statements have been reviewed and approved by the board of directors on recommendation from management.

Our independent auditors, BDO, have been appointed by the Controller and Auditor General, have audited our financial statements. The Samoa Audit Office has also reviewed the work of the appointed auditors. The accompanying independent auditors' report of the Samoa Audit Office outlines the scope of their examination and their opinion.



**Malava Atalina Alnuu-Enari**  
Governor



**Gilbert Wongsin**  
Assistant Governor - Corporate Services Group

Dated: 27/10/2020

Dated: 27/10/2020



**Peniamina Tauati**  
Manager Accounts & Budget

Dated: 27/10/2020

**Central Bank of Samoa  
Directors' Statement  
For the year ended 30 June 2020**

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The directors present their report together with the financial statements of the Central Bank of Samoa ("the bank") for the year ended 30 June 2020 as set out on the accompanying pages and the auditors' report thereon in accordance with the requirements of the Central Bank of Samoa act 2015.

**Directors**

The directors of the bank at the date of this report are:

|                        |                                 |
|------------------------|---------------------------------|
| Chairperson & Governor | Maiava Atalina AINU'U-ENARI     |
| Director               | Matal'a Alofipo Daniel Meredith |
| Director               | Tuala Falani Chan Tung          |
| Director               | Tuala Pat Leota                 |

**Principal activity**

The principal activity of the bank is the implementation of monetary and financial policies of the government and for the promotion of conditions conducive to an orderly and balanced economy development in Samoa.

**State of affairs**

In the opinion of the directors:

- (i) The accompanying statement of financial performance, statement of changes in equity and statement of cash flows are drawn up so as to give a true and fair view of the operations and results of the bank for the year ended 30 June 2020.
- (ii) The accompanying statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the bank as at 30 June 2020.

**Operating**

The result for the year is a net profit of \$3.8 million tala (2019 net loss of \$3.5 million tala).

**Reserves**

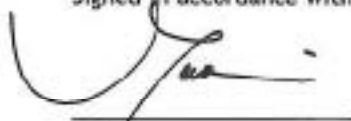
The Directors recommend that a net profit of \$3.8 million tala be transferred to reserves.

**Dividends**

In accordance with the requirements of the Central Bank of Samoa Act 2015, the Directors recommend a dividend of \$2.1 million be paid to the Government of Samoa.

Dated at Apia: 27<sup>th</sup> October, 2020

Signed in accordance with a resolution of the Board of Directors.

  
\_\_\_\_\_  
DIRECTOR

  
\_\_\_\_\_  
DIRECTOR

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Fax: 24167  
Email: [info@audit.gov.ws](mailto:info@audit.gov.ws)  
Website: [www.audit.gov.ws](http://www.audit.gov.ws)

P.O Box 13  
APIA, SAMOA



## AUDIT OFFICE

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### REPORT OF THE AUDIT OFFICE

#### TO THE GOVERNING BODY IN CHARGE OF GOVERNANCE – CENTRAL BANK OF SAMOA

##### **Audit Opinion**

We have audited the accompanying Financial Statements of the Central Bank of Samoa which comprise of the Statement of Financial Position as at 30 June 2020, the Statements of Comprehensive Income, Changes in Equity and Cash Flows and for the year then ended, a Summary of Significant Accounting Policies and Other Explanatory Notes. The Accounting Firm of BDO, Chartered Accountants, assisted in the audit. The Engagement Partner on the audit resulting in this Independent Auditor's Report is Taimalie Ernest Betham.

In our opinion, the financial statements give a true and fair view of the financial position of the Central Bank of Samoa as at 30 June 2020, and of its financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs).

##### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report. We are independent of the Central Bank of Samoa in accordance with the ethical requirements that are relevant to our audit of financial statements in Samoa, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

##### **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the director's report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

##### **Responsibilities of Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Central Bank of Samoa's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Central Bank of Samoa or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Central Bank of Samoa's financial reporting process.

##### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion.



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APIA, SAMOA



## AUDIT OFFICE

Please address all correspondences  
to the Controller and Auditor General

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with these International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

We communicate with the Directors and Management regarding, among other matters, the significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Report on Other Legal and Regulatory Requirements

In our opinion the financial statements of the Bank have been prepared in accordance with and complies with the requirements of:

- i. Public Bodies (Performances and Accountability) Act 2001, and the
- ii. Public Finance Management Act 2001.

We also confirm that:

- a. we have been given all information, explanations and assistance necessary for the conduct of the audit; and
- b. the Bank has kept financial records sufficient to enable the financial statements to be prepared and audited.

Our audit was completed on the 27<sup>th</sup> October 2020 and our opinion is expressed as at that date.

Apia, Samoa  
29 October 2020

  
Jaslyn T. Mariner-Leota  
**ASSISTANT CONTROLLER AND AUDITOR GENERAL**



**Central Bank of Samoa  
Statement of Financial Performance  
For the year ended 30 June 2020**

|   | Note    | 2020<br>\$('000) | 2019<br>\$('000) |
|---|---------|------------------|------------------|
| <b>Income</b>                                     |         |                  |                  |
| Interest income on cash and investments           | 22      | 10,197           | 11,024           |
| Interest income on lending                        |         | 1,699            | 1,083            |
| Rental income                                     |         | 1,199            | 1,274            |
| Other income                                      | 23      | 3,823            | 776              |
| <b>Total Income</b>                               |         | <b>16,918</b>    | <b>14,157</b>    |
| <b>Expenses</b>                                   |         |                  |                  |
| Administrative expenses                           |         | 1,590            | 1,910            |
| Board expenses                                    | 24 (ii) | 23               | 13               |
| Communication costs                               |         | 393              | 360              |
| Currency issue costs                              |         | 2,115            | 2,312            |
| Depreciation                                      | 12      | 1,054            | 1,138            |
| Directors fees                                    | 24 (ii) | 63               | 82               |
| External audit costs                              |         | 44               | 44               |
| Finance costs                                     |         | 1,052            | 1,531            |
| Occupancy costs                                   |         | 649              | 688              |
| Staff costs                                       |         | 5,621            | 5,215            |
| Withholding tax on interest income                |         | 56               | 51               |
| <b>Total Expenses</b>                             |         | <b>12,660</b>    | <b>13,344</b>    |
| <b>Profit before foreign currency translation</b> |         | <b>4,258</b>     | <b>813</b>       |
| Foreign exchange losses                           | 21      | (447)            | (4,401)          |
| <b>Net profit/(loss) for the year</b>             |         | <b>3,811</b>     | <b>(3,588)</b>   |

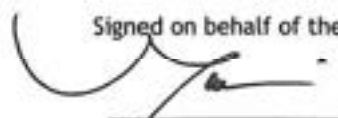
The accompanying notes form part of these financial statement.

**Central Bank of Samoa**  
**Statement of Financial Position**  
**As at 30 June 2020**

|   | Note | 2020<br>\$('000) | 2019<br>\$('000) |
|---|------|------------------|------------------|
| <b>ASSETS</b>                                   |      |                  |                  |
| <b>Foreign currency assets</b>                  |      |                  |                  |
| Cash and fixed deposit balances                 | 5    | 573,521          | 463,350          |
| International monetary fund                     | 7    | 71,873           | 77,819           |
| Accrued interest                                | 8    | 1,786            | 2,055            |
| <b>Total foreign currency assets</b>            |      | <b>647,180</b>   | <b>543,224</b>   |
| <b>Local currency assets</b>                    |      |                  |                  |
| Cash and fixed deposit balances                 | 6    | 50,857           | 38,394           |
| Accrued interest                                |      | 14               | 12               |
| Currency inventory                              | 9    | 12,948           | 14,880           |
| Receivables and prepayments                     | 10   | 7,442            | 8,638            |
| Credit line facilities                          | 11   | 86,639           | 95,733           |
| Property, plant and equipment                   | 12   | 18,696           | 18,138           |
| <b>Total local currency assets</b>              |      | <b>176,596</b>   | <b>175,795</b>   |
| <b>Total assets</b>                             |      | <b>823,776</b>   | <b>719,019</b>   |
| <b>LIABILITIES</b>                              |      |                  |                  |
| <b>Foreign currency liabilities</b>             |      |                  |                  |
| Deposits  | 13   | 109,966          | 86,284           |
| IMF facilities                                  | 14   | 72,533           | 19,091           |
| International monetary fund                     | 7    | 93,832           | 93,110           |
| Other liabilities                               |      | 17               | 15               |
| <b>Total foreign currency liabilities</b>       |      | <b>276,348</b>   | <b>198,500</b>   |
| <b>Local currency liabilities</b>               |      |                  |                  |
| Deposits  | 13   | 356,912          | 317,120          |
| Currency in circulation                         | 15   | 131,745          | 124,254          |
| Central bank securities                         | 16   | -                | 19,993           |
| Payables and accruals                           |      | 34,920           | 42,826           |
| Provision for employee entitlements             | 17   | 496              | 447              |
| <b>Total local currency liabilities</b>         |      | <b>524,073</b>   | <b>504,640</b>   |
| <b>Total liabilities</b>                        |      | <b>800,421</b>   | <b>703,140</b>   |
| <b>Net assets</b>                               |      | <b>23,355</b>    | <b>15,879</b>    |
| <b>EQUITY</b>                                   |      |                  |                  |
| Capital   | 19   | 20,000           | 20,000           |
| General reserve                                 | 20   | 18,987           | 11,064           |
| Unrealised foreign exchange revaluation reserve | 21   | (15,632)         | (15,185)         |
| <b>Total equity</b>                             |      | <b>23,355</b>    | <b>15,879</b>    |

The accompanying notes form part of these Financial Statements

Signed on behalf of the Board:

  
 Governor  
 Date 27/10/2020

  
 Director  
 Date 27/10/2020

**Central Bank of Samoa**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2020**

|  | Note | Paid up<br>capital<br>\$('000) | Unrealised<br>(loss)/profit<br>reserve<br>\$('000) | General<br>reserve<br>\$('000) | Total<br>\$('000) |
|--|------|--------------------------------|--|--------------------------------|-------------------|
| Balance at 30 June 2018  |      | 20,000                         | (10,784)   | 10,251                         | 19,466            |
| Net profit/(loss) for the year   |      | -                              | (4,401)  | 813                            | (3,588)           |
| Balance at 30 June 2019  |      | 20,000                         | (15,185)   | 11,064                         | 15,879            |
| Excess of face value of coins<br>already issued into circulation<br>over its cost not be returned<br>for redemption by the CBS |      | -                              | -  | 5,794                          | 5,794             |
| Net profit/(loss) for the year   | 21   | -                              | (447)  | 4,258                          | 3,811             |
| Profit transferred to Govt in terms<br>of Sect 3b(l) (b) of CBS Act 2015   |      | -                              | -  | (2,129)                        | (2129)            |
| <b>Balance at 30 June 2020</b>   |      | <b>20,000</b>                  | <b>(15,632)</b>                                    | <b>18,987</b>                  | <b>23,355</b>     |

The accompanying notes form part of these Financial Statements

**Central Bank of Samoa**  
**Statement of cash flows**  
**For the year ended 30 June 2020**

This statement meets the requirements of *IAS7 - Statement of Cash Flow*. In the Central Bank's view, due to the nature of central banking activities, this statement does not shed additional light on the Central Bank's financial results. For the purpose of this statement, cash includes the notes and coins held at the Reserve Bank and overnight settlements balances due from other banks.

|  | Note | 2020<br>\$('000) | 2019<br>\$('000) |
|--|------|------------------|------------------|
| <b>Cash flows from operating activities</b>  |      |                  |                  |
| Cash received from investments   |      | 10,192           | 11,024           |
| Cash received from rent  |      | 1,199            | 1,274            |
| Other Income   |      | 3,823            | 776              |
| Cash paid for services and goods   |      | (4,763)          | (5,815)          |
| Cash paid to employees   |      | (4,259)          | 5,183            |
| Interest paid on deposits  |      | (1,052)          | (1,531)          |
| <b>Net cash from operating activities</b>  |      | <b>5,140</b>     | <b>10,911</b>    |
| <b>Cash flows from investing activities</b>  |      |                  |                  |
| Proceeds from sale of property, plant and equipment                                      |      | 2                | 2                |
| Credit line facility repayments received during the year                                 |      | 9,094            | 5,919            |
| Interest received on credit line facility  |      | 1,699            | 1,083            |
| Purchase of property, plant and equipment  | 12   | (1,613)          | (932)            |
| Credit line facilities granted during the year   |      | -                | (5,000)          |
| Net movement in term deposits more than 90 days  |      | (203)            | (25,387)         |
| <b>Net cash from investing activities</b>  |      | <b>8,979</b>     | <b>(24,315)</b>  |
| <b>Cash flows from financing activities</b>  |      |                  |                  |
| Net movement in notes and coins in circulation   |      | 7,491            | 22,630           |
| Net movement in demand deposits  |      | 39,792           | 88,649           |
| Currency issue costs   |      | (2,115)          | (1,366)          |
| Net movement in securities   |      | (20,000)         | (3,502)          |
| Net movement in external liabilities   |      | 77,848           | (557)            |
| <b>Net cash from financing activities</b>  |      | <b>103,016</b>   | <b>105,854</b>   |
| <b>Net increase in cash and cash equivalents</b>   |      | <b>117,135</b>   | <b>92,450</b>    |
| Cash and cash equivalents at the beginning of the year                                   |      | 579,563          | 491,514          |
| Net unrealised losses on translation of foreign currency monetary assets and liabilities |      | (447)            | (4,401)          |
| <b>Cash and cash equivalents at end of year</b>  |      | <b>696,251</b>   | <b>579,563</b>   |

The accompanying notes form part of these Financial Statements

**Central Bank of Samoa**  
**Notes forming part of the financial statements**  
**For the year ended 30 June 2020**

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**1. General**

The Central Bank of Samoa ("Bank") is a body corporate created under the Central Bank of Samoa Act 2015. The Central Bank of Samoa is responsible for the implementation of monetary and financial policies of the Government of Samoa and for the promotion of conditions conducive to orderly and balanced economic development in Samoa.

These financial statements are prepared in accordance with part 8 of the Central Bank of Samoa Act 2015 and comply with International Financial Reporting Standards.

The Bank's office is located on the 5th, 6th and ground floor of the Central Bank of Samoa Building, Apia. The postal address is CBS Private Bag, Samoa.

These financial statements were authorised for issue by the Governor and the Board of Directors on 27<sup>th</sup> October, 2020.

**2. Adoption of new and revised Standards**

**New standards adopted as at 1<sup>st</sup> January 2019**

*IFRS 16 'Leases'*

**The Bank as a Lessee**

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 Determining whether an Agreement contains a Lease, SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard will result in the Bank recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

For contracts in place at the date of initial application, the Bank has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Bank has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

The bank has elected to account exemption for short term leases using practical expedients as the Bank has no formal lease agreement with the Government of Samoa for its office premises.

**The Bank as a Lessor**

The Bank's accounting policy under IFRS 16 has not changes from the comparative period.

As a lessor the Bank classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfer substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

**3. Statement of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**a. Basis of preparation**

The financial statements of the Central Bank of Samoa ("Bank") have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities. The financial statements are prepared in Samoan Tala and all values are rounded to the nearest thousand (\$'000) except where otherwise indicated.

**3. Statement of significant accounting policies (Continued)**

**a. Basis of preparation (Continued)**

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Certain interpretations and amendments to existing standards have been published that became effective during the current financial period. The Bank has assessed the relevance of all such new interpretations and amendments, and has adopted the following, which are relevant to its operations.

**b. Foreign currency transactions**

Transactions in foreign currencies are translated to functional currency at exchange rates ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency (i.e.: Samoan Tala) at the exchange rate ruling at that date.

Foreign exchange gains and losses resulting from settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities in foreign currency are recognized in the profit and loss account.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the exchange rates ruling at the dates the fair value was determined.

**c. Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents includes cash held at bank, short-term bank deposits, bank bills with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value and are used by the Bank in the management of its short-term commitments.

**d. Property, plant and equipment**

Land is carried at market value, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the assets.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimates of useful lives of property, plant and equipment over which depreciation is charged are as follows:

|  |                             |
|--|-----------------------------|
| • Land                                     | Not Depreciated             |
| • Buildings                                | 10 years and 40 to 50 years |
| • Office equipment, furniture and fittings | 5 to 10 years               |
| • Motor vehicles                           | 5 years                     |
| • Leasehold Improvement                    | 25 to 30 years              |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Expenditure on the repairs and maintenance of property, plant and equipment which does not add to the future economic benefits expected from the assets is recognized as an expense when incurred. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining profit.



3. Statement of significant accounting policies (continued)

d. Property, plant and equipment (continued)

The cost of major renovations is included in the carrying amount of the asset when it is probable that the future economic benefits will exceed the originally assessed standard of performance of the existing asset and will flow to the Bank. Major renovations are depreciated over the remaining useful life of the related asset.

e. Inventory of currency

Inventories of currency on hand are recognized in the Statement of Financial Position at cost. Cost includes the costs of bringing inventories to their present location and condition.

When currency is issued, the value of inventory is reduced, and an expense is recorded for currency issue costs. Currency issue costs are determined on a first-in, first-out (FIFO) basis.

f. Financial instruments

**Recognition and derecognition**

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

**Classification and measurement of financial assets**

Classification and initial measurement

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets of the Bank, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'interest income' using the effective interest rate method. This category includes cash balances and staff loan receivables.

Financial assets at fair value through profit and loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. This category includes the UTOS convertible notes. Assets in this category are measured at fair value with gains or losses recognised in profit or loss.

Central Bank of Samoa  
Notes forming part of the financial statements  
For the year ended 30 June 2020

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3. Statement of significant accounting policies (continued)

f. Financial instruments (continued)

Specific classification and measurement of financial assets

Local and foreign currency deposits

The Central Bank of Samoa holds call and term (or fixed) deposits with highly rated commercial banks locally and overseas and also maintains working accounts in foreign currencies. Deposits are classified as 'amortised cost' and recorded at their face value which is equivalent to their amortized cost using the effective interest method. Interest is accrued over the term of deposits and is received periodically or at maturity. Interest accrued but not received is included in Accrued Interest.

Australian dollar bank bills

In the course of its financial market operations the Central Bank of Samoa engages in repurchase agreements involving Australian dollar discount securities. These discount securities purchased and contracted for sale under buy repurchase agreements are classified as 'amortised' and valued at amortised cost. Interest earned on the discount securities is the difference between the purchase cost and the face value of the security at maturity and is amortised over the term of the security.

Secured lending and credit line facilities

The Central Bank of Samoa provides advances to commercial banks and other financial or lending institutions through secured lending and credit line facilities. Secured lending and credit line facilities are classified as 'amortised cost' and recorded at their face value which is equivalent to their amortized cost using the effective interest method. Interest income is recorded over the term of advance or credit facility as it accrues.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included investments and securities measured at amortised cost.

Recognition of credit losses is no longer dependent on the Bank first identifying a credit loss event. Instead the Bank considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach under the general model, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

The Bank utilizes an expected credit loss model following the Probability of Default approach and measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Staff loan receivables

The Bank has elected to use of a simplified approach in accounting for staff loan receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Bank uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Bank assesses impairment of staff loan receivables on a collective basis as they possess shared credit risk characteristics, they have been grouped based on the days past due.

3. Statement of significant accounting policies (continued)

f. Financial instruments (continued)

**Classification and measurement of financial liabilities**

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Bank's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Bank's financial liabilities include deposits held, balances due to third parties, borrowings, trade and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Bank designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

**Specific classification and measurement of financial liabilities**

**Sell repurchase agreements (Central Bank Securities)**

Central Bank securities sold and contracted for repurchase are held for purposes of conducting monetary policy and may be repurchased, typically for short terms, under repurchase agreements. The counterpart obligation to repurchase the securities is reported in liabilities at amortised cost. The difference between the sale and purchase price is accrued over the term of the agreement and recognised as interest expense.

**Demand deposits**

Demand deposits representing funds placed with the Bank by financial institutions and other organizations are brought to account on an amortised cost basis, which is equivalent to their face value. These deposits are at call. Interest is paid on demand deposits of Government of Samoa held with the Bank.

g. Foreign currency gains available for distribution

Assets and liabilities denominated in foreign currency are converted to Samoan tala equivalents at the relevant exchange rate ruling on balance date. Realized and unrealized gains or losses on foreign currency are taken to profit, but only realized gains and losses are available for distribution in accordance with the *Central Bank of Samoa Act 2015*. Interest revenue and expenses on foreign currency assets and liabilities are converted to Samoan tala using the relevant market exchange rate on the date they are accrued or recognised.

h. Currency

**Currency in circulation**

Currency issued by the Bank represents a claim on the Bank in favor of the holder. The liability for currency in circulation is recorded at face value in the statement of financial position.

**Demonetised currency**

In accordance with the provisions of the *Central Bank of Samoa Act 2015*, the Bank no longer has any liability for currency that has been demonetised and remains in circulation. Therefore, currency in circulation that has been demonetised and ceases to be legal tender from the date as specified by the Bank is recognized in Income.

**Collectors' currency**

Collectors' currency issued by the Bank represents a claim on the Bank in favor of the holder. The liability for collectors' currency is recorded at face value in the statement of financial position. Prior to 1 July 2011 the value of collectors' currency is reflected as a contingent liability.

**3. Statement of significant accounting policies (continued)**

**h. Currency (continued)**

**Coins**

The policy for issuance of new coins has been changed, all new coins issued into circulation are treated as seignorage income effective July 2019. These new coins are no longer returned or accepted by CBS.

**Coins Seignorage Revenue**

The seignorage revenue from coins currently claimed by the Central Bank of Samoa (CBS) is the actual difference between the face value of the coins it had already issued and their associated production costs already expended. Since the coins issued are no longer returned or accepted by the CBS in line with policy change in July 2019, this multiple year seignorage revenue is now booked into its general reserves and not the profit and loss account.

**i. Reserve Tranche and balances with the International Monetary Fund (IMF)**

Reserve Tranche and balances with the International Monetary Fund (IMF) - The Reserve Tranche represents the difference between the assigned quota and the IMF currency holdings. The Reserve Tranche can be accessed at any time without fees or economic reform conditions. The remainder of the quota is held in Special Drawing Rights (SDR) which is a supplementary international reserve asset.

The SDR interest rate provides the basis for calculating the interest charged and the interest paid to members of the IMF for the use of their resources for regular (non-concessional) IMF loans. It is also the interest paid to members on their SDR holdings and charged on their SDR allocation. The SDR interest rate is determined weekly and is based on a weighted average of representative interest rates on short-term debt instruments in the money markets of the SDR basket currencies.

**j. Capital and reserves**

The capital of the Central Bank is established by the Central Bank of Samoa Act 2015 ("Act"). Any increase to capital proposed by the Board of Directors is approved by the Finance Minister in accordance with Section 32 of the Act.

The General Reserve also forms part of equity and this records all net profits and net losses incurred by the Bank.

Unrealised gains and losses on foreign exchange, foreign securities and Samoan tala securities are recognised in profit. However, until such gains or losses are realized, they are not available for distribution to the Samoan Government. Such unrealized gains are reflected in the Unrealised Profits Reserve. Unrealised losses that exceed the balance held in the Unrealised Profits Reserve are initially charged against distributable profits (or income) and then covered from the general reserve. This is in accordance with the requirement of the Act.

**k. Interest income and expense**

Interest income and expense for all interest-bearing financial instruments are recognised in the statement of profit or loss at amortised cost 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 cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest to discount the future cash flows for the purpose of measuring the impairment loss.

### 3. Statement of significant accounting policies (continued)

#### l. Lease income

The Bank earns rental income from operating leases of its building property. Rental income is recognized on a straight-line basis over the term of the lease.

#### m. Statutory reserve deposit

Under section 53 of the Central Bank of Samoa Act 2015, the Bank may specify the reserves required by each financial institution to be maintained against deposits and other similar liabilities.

Under Part IV of the Insurance Act 1987, insurance companies, brokers and agents are required to deposit with the Bank, specified deposit amounts in accordance with the requirements of the Insurance Act 1987.

#### n. Employee benefits

The Bank contributes towards the Samoa National Provident Fund, a defined contribution plan in accordance with local legislation and to which it has no commitment beyond the payment of contribution. Obligations for contributions to the defined contribution plan are recognised immediately in profit or loss.

Liabilities for annual leave are accrued and recognised in the balance sheet. Annual leave are recorded at the undiscounted amount expected to be paid for the entitlement earned.

Short term benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

#### o. Value Added Goods and Services Tax

VAGST collected on its building rental income and VAGST paid on expenses directly related to the management of its building property are included in the bi-monthly VAGST returns. No VAGST is incurred on its financial transactions.

#### p. Income tax

Section 73 of the Central Bank of Samoa Act 2015 exempts the Bank from income tax. Accordingly, no provisions are raised for current or deferred income tax.

#### q. Comparatives

Where necessary previous periods comparatives have been changed to conform with the presentation of financial information for the current year.

### 4. Critical accounting estimates and judgements

Preparing financial statements to conform with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. These estimates and assumptions have formed the basis for making judgments about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognised in the year if the change affects only that year, or into future years if it also affects future years. In the process of applying the Bank's accounting policies, management has made the following judgments, estimates and assumptions that have had the most significant impact on the amounts recognised in these financial statements.

#### *Impairment of property, plant and equipment*

The carrying amounts of the Bank's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised immediately in the profit or loss.



Central Bank of Samoa  
Notes forming part of the financial statements  
For the year ended 30 June 2020

4. Critical accounting estimates and judgements (continued)

*Impairment of property, plant and equipment (continued)*

Recoverable amount is the higher of fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e.: cash generating units).

*Impairment of financial assets*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Bank on terms that the Bank would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Bank, economic conditions that correlate with defaults or the disappearance of an active market for a security.

5. Foreign currency cash balances and term deposit balances

|  | 2020<br>\$'000 | 2019<br>\$'000 |
|--|----------------|----------------|
| Cash balances  | 183,026        | 172,752        |
| Fixed deposit balances                                       | 390,495        | 290,598        |
| <b>Total foreign currency cash and term deposit balances</b> | <b>573,521</b> | <b>463,350</b> |

Foreign currency cash balances comprise of balances held with the Reserve Bank of Australia, Reserve Bank of New Zealand, Bank of England, Bank of China and the Federal Reserve Bank of New York which is in the form of overnight repurchases.

The foreign currency term deposits range in maturing from 91 days to 365 days. The weighted average interest rate on the term deposits is 2.8% per annum.

The composition of foreign currency cash balances and term deposit balances are as follows:

|                                   | 2020<br>\$'000 |                | 2019<br>\$'000 |                |
|-----------------------------------|----------------|----------------|----------------|----------------|
|                                   | Cash balances  | Term deposits  | Cash balances  | Term deposits  |
| \$US dollar denominated deposits  | 162,682        | 101,002        | 144,424        | 56,959         |
| \$NZ dollar denominated deposits  | 3,424          | 129,748        | 5,228          | 97,623         |
| \$AU dollar denominated deposits  | 14,652         | 98,216         | 13,731         | 59,140         |
| \$CNH dollar denominated deposits | 6              | 61,529         | 5              | 76,876         |
| \$GBP dollar denominated deposits | 2,262          | -              | 9,364          | -              |
| <b>Total</b>                      | <b>183,026</b> | <b>390,495</b> | <b>172,752</b> | <b>290,598</b> |

6. Local currency cash balances and term deposit balances

|   | 2020<br>\$'000 | 2019<br>\$'000 |
|---|----------------|----------------|
| Petty cash  | 5              | 5              |
| Cash at bank  | 16,748         | 5,725          |
| Fixed deposit balances  | 34,104         | 32,664         |
| <b>Total local currency cash balances and term deposit balances</b> | <b>50,857</b>  | <b>38,394</b>  |

The local currency term deposits range in maturing from 91 days to 365 days. The weighted average interest rate on the term deposits is 2.5% per annum.

**Central Bank of Samoa**  
**Notes forming part of the financial statements**  
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**7. International Monetary Fund - Reserve Tranche and SDR Allocations**

The Government of Samoa membership to the International Monetary Fund (IMF) was obtained prior to the establishment of the Central Bank of Samoa, as a result the Ministry of Finance (MOF) acted as the fiscal and depository for the IMF accounts. After the establishment of an MOU between CBS and MOF on the transfer of Government accounts in 2014, the Bank was designated the official depository of IMF accounts on the 1 July 2014.

Samoa's claims on the IMF include Special Drawing Rights (SDR) Holdings and Quota with the IMF. The SDR holding is an interest-bearing international reserve asset created by the IMF to supplement existing reserve assets and used in transactions between the IMF and its members. The quota represents the subscriptions paid in full by Samoa to the IMF when it became a member. Samoa's quota is secured by the Samoan government promissory note issued to the IMF and is recorded as an asset denominated in SDR.

Samoa's liabilities to the IMF consist of SDR allocations and Currency holdings. The SDR allocation was initially made available by the IMF to all its members who are participants of the IMF SDR department and these allocations are subject to charges. Currency holdings represent IMF holdings of the member's currency and CBS is now the designated depository.

IMF related assets and liabilities at 30<sup>th</sup> June 2020:

|  | 2020<br>\$'000 | 2019<br>\$'000 |
|--|----------------|----------------|
|  | SAT            | SAT            |
| <b>Reserve Tranche</b>                               |                |                |
| Foreign currency assets                              |                |                |
| Currency subscription - quota                        | 59,707         | 59,247         |
| Special drawing right holdings                       | 12,166         | 18,572         |
| <b>Total foreign currency assets</b>                 | <b>71,873</b>  | <b>77,819</b>  |
| <b>SDR Allocations</b>                               |                |                |
| Foreign currency liabilities                         |                |                |
| Special drawing right allocations                    | 40,877         | 40,562         |
| Currency holding                                     | 52,955         | 52,548         |
| <b>Total foreign currency assets</b>                 | <b>93,832</b>  | <b>93,110</b>  |
| <b>8. Foreign currency accrued interest balances</b> |                |                |
|  | 2020<br>\$'000 | 2019<br>\$'000 |
| Balances with other Central Banks                    | 266            | 260            |
| Deposits with commercial banks                       | 1,520          | 1,795          |
| <b>Total foreign currency accrued interest</b>       | <b>1,786</b>   | <b>2,055</b>   |
| <b>9. Currency inventory</b>                         |                |                |
|  | 2020<br>\$'000 | 2019<br>\$'000 |
| Currency notes                                       | 9,458          | 10,860         |
| Coins  | 3,490          | 4,020          |
| <b>Total currency inventory</b>                      | <b>12,948</b>  | <b>14,880</b>  |
| <b>10. Receivables and prepayments</b>               |                |                |
|  | 2020<br>\$'000 | 2019<br>\$'000 |
| Prepayments  | 3,433          | 3,875          |
| Other debtors  | 70             | 187            |
| Interest receivable on staff loans                   | 601            | 605            |
| Staff loans principal balance                        | 3,417          | 4,083          |
| Less allowance for impairment on staff loans         | (79)           | (112)          |
| Net staff loans                                      | 3,338          | 3,971          |
| <b>Total receivables and prepayments</b>             | <b>7,442</b>   | <b>8,638</b>   |



Central Bank of Samoa  
Notes forming part of the financial statements  
For the year ended 30 June 2020

10. Receivables and prepayments (continued)

|   | 2020<br>\$'000 | 2019<br>\$'000 |
|---|----------------|----------------|
| <i>Movement in allowance for impairment on staff loans</i>                    |                |                |
| Opening balance at 1 July   | 112            | 120            |
| Additional/(Reduction) allowance for impairment charged to income and expense | (33)           | (8)            |
| <b>Closing balance at 30 June</b>   | <b>79</b>      | <b>112</b>     |

11. Credit line facilities

|  | 2020<br>\$'000 | 2019<br>\$'000 |
|--|----------------|----------------|
| a) Tsunami (Credit line facility)                      | 4,338          | 6,362          |
| b) Cyclone Evan (Credit line facility)                 | 30,570         | 33,865         |
| c) Economic Stimulus (Credit line facility)            | 21,766         | 23,769         |
| d) Additional Economic Stimulus (Credit line facility) | 7,537          | 8,146          |
| e) Second Additional Economic Stimulus (CLF)           | 12,744         | 13,635         |
| f) First Small Medium Enterprises Finance (CLF)        | 9,684          | 9,956          |
| <b>Total credit line facilities</b>                    | <b>86,639</b>  | <b>95,733</b>  |

(a). Tsunami (CLF)

An Emergency Credit Line Facility was extended to the Development Bank of Samoa and the Samoa Housing Corporation to restore confidence of the tourism operators and businesses that were adversely affected by the tsunami to rebuild and redevelop their devastated properties. The outstanding balances as at year end are specified as follows:

|                            | 2020<br>\$'000 | 2019<br>\$'000 |
|----------------------------|----------------|----------------|
| Development Bank of Samoa  | 1,673          | 2,725          |
| Samoa Housing Corporation  | 2,665          | 3,637          |
| <b>Balance at year end</b> | <b>4,338</b>   | <b>6,362</b>   |

The term of the credit line facilities are for 5 and 10 years and interest is charged at the rate of 3% per annum.

Repayment terms:

|                           |                     |                       |
|---------------------------|---------------------|-----------------------|
| Development Bank of Samoa | -Monthly Repayments | -\$193,000            |
|                           | -Securities         | -Government Guarantee |
| Samoa Housing Corporation | -Monthly Repayment  | -\$96,000             |
|                           | -Securities         | -Government Guarantee |

(b). Cyclone Evan (CLF)

Another Credit Line Facility was extended to the Development Bank of Samoa and the Samoa Housing Corporation to rebuild and redevelop the damaged properties of the tourist accommodation operators and other businesses that were adversely affected by the cyclone in order to restore lost confidence and the livelihood of households. The funds were drawn down in February 2013 and the balances at year end are specified as follows:

|                            | 2020<br>\$'000 | 2019<br>\$'000 |
|----------------------------|----------------|----------------|
| Development Bank of Samoa  | 27,535         | 30,533         |
| Samoa Housing Corporation  | 3,035          | 3,332          |
| <b>Balance at year end</b> | <b>30,570</b>  | <b>33,865</b>  |

|                                   | <u>DBS</u>                                | <u>SHC</u>                                |
|-----------------------------------|---|---|
| Credit Line Loan Amount Approved: | \$39 million                              | \$5 million                               |
| Loan Duration:                    | 15 Years                                  | 15 Years                                  |
| Grace Period:                     | 12 months                                 | 12 months                                 |
| Interest Rate:                    | 1% per annum                              | 1% per annum                              |
| Loan Repayment:                   | Monthly Repayments due after grace period | Monthly repayments due after grace period |

**Central Bank of Samoa**  
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**11. Credit line facilities (continued)**

**(c). Economic Stimulus (CLF)**

An additional Credit Line Facility was extended to the Development Bank of Samoa to meet the increased demand for borrowings for hosting the Small Island Development States Forum and Commonwealth Youth Games. The funds were disbursed in January 2014 and the balance at year end is specified as follows:

|                            | 2020                                      | 2019   |
|----------------------------|---|--------|
|                            | \$'000                                    | \$'000 |
| Development Bank of Samoa  | 21,766                                    | 23,769 |
|                            | 21,766                                    | 23,769 |
| <b>Balance at year end</b> |   |        |
| Credit Line Loan Amount    |   |        |
| Approved:                  | \$30 million                              |        |
| Loan Duration:             | 15 Years                                  |        |
| Grace Period:              | 12 months                                 |        |
| Interest Rate:             | 2% per annum                              |        |
| Loan Repayment:            | Monthly repayments due after grace period |        |
| Securities:                | Government Guarantee                      |        |

**(d). Additional Economic Stimulus (CLF)**

An additional Credit Line Facility was extended to the Development Bank of Samoa to meet the increased demand for borrowings for hosting the Small Island Development States Forum and Commonwealth Youth Games. The funds were disbursed in March 2015 and the balance at year end is specified as follows:

|  | 2020                                      | 2019   |
|--|---|--------|
|  | \$'000                                    | \$'000 |
| Development Bank of Samoa                    | 7,537                                     | 8,146  |
|  | 7,537                                     | 8,146  |
| <b>Total additional credit line facility</b> |   |        |
| Credit Line Loan Amount                      | \$10 million                              |        |
| Approved:                                    |   |        |
| Loan Duration:                               | 15 Years                                  |        |
| Grace Period:                                | 12 months                                 |        |
| Interest Rate:                               | 3% per annum                              |        |
| Loan Repayment:                              | Monthly repayments due after grace period |        |
| Securities:                                  | Government Guarantee                      |        |

**(e). Second Additional Economic Stimulus (CLF)**

A second additional Credit Line Facility was extended to the Development Bank of Samoa to meet the increased demand for borrowings for agricultural and tourism sectors. The funds were disbursed in November 2015 and the balance at year end is specified as follows:

|  | 2020                                      | 2019   |
|--|---|--------|
|  | \$'000                                    | \$'000 |
| Development Bank of Samoa                    | 12,744                                    | 13,635 |
|  | 12,744                                    | 13,635 |
| <b>Total additional credit line facility</b> |   |        |
| Credit Line Loan Amount                      | \$15.0 million                            |        |
| Approved:                                    |   |        |
| Loan Duration:                               | 15 Years                                  |        |
| Grace Period:                                | 12 months                                 |        |
| Interest Rate:                               | 3% per annum                              |        |
| Loan Repayment:                              | Monthly repayments due after grace period |        |
| Securities:                                  | Government Guarantee                      |        |

Central Bank of Samoa  
Notes forming part of the financial statements  
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11. Credit line facilities (continued)

(f). First Small Medium Enterprises (CLF)

Additional Credit Line Facility issued to the Development Bank of Samoa for the Small Medium Enterprises within the agriculture manufacturing and other business sectors that will provide productive contribution towards Samoa's economic development.

|                            | 2020<br>\$'000 | 2019<br>\$'000 |
|----------------------------|----------------|----------------|
| Development Bank of Samoa  | 9,684          | 9,956          |
| <b>Balance at year end</b> | <b>9,684</b>   | <b>9,956</b>   |

|                         |   |
|-------------------------|---|
| Credit Line Loan Amount | \$10.0 million                            |
| Approved:               |   |
| Loan Duration:          | 15 Years                                  |
| Grace Period:           | 12 months                                 |
| Interest Rate:          | 3% per annum                              |
| Loan Repayment:         | Monthly repayments due after grace period |
| Securities              | Government Guarantee                      |

12. Property, plant and equipment

|                                     | Land & buildings<br>\$'000 | Motor<br>vehicles<br>\$'000 | Plant &<br>equipment<br>\$'000 | Equipment &<br>furniture<br>\$'000 | Total<br>\$'000 |
|-------------------------------------|----------------------------|-----------------------------|--------------------------------|------------------------------------|-----------------|
| <b>Cost</b>                         |                            |                             |                                |                                    |                 |
| Balance as at 30/06/18              | 34,756                     | 492                         | 5,280                          | 1,874                              | 42,402          |
| Additions                           | 694                        | -                           | 179                            | 59                                 | 932             |
| Disposals                           | (228)                      | -                           | (37)                           | -                                  | (265)           |
| <b>Balance as at 30/06/19</b>       | <b>35,222</b>              | <b>492</b>                  | <b>5,422</b>                   | <b>1,933</b>                       | <b>43,069</b>   |
| Additions                           | 1,309                      | -                           | 272                            | 31                                 | 1,612           |
| Disposals                           | -                          | -                           | (39)                           | -                                  | (39)            |
| <b>Balance as at 30/06/20</b>       | <b>36,531</b>              | <b>492</b>                  | <b>5,655</b>                   | <b>1,964</b>                       | <b>44,642</b>   |
| <b>Accumulated<br/>Depreciation</b> |                            |                             |                                |                                    |                 |
| Balance as at 30/06/18              | (17,266)                   | (321)                       | (4,626)                        | (1,615)                            | (23,828)        |
| Charge for the year                 | (724)                      | (97)                        | (217)                          | (100)                              | (1,138)         |
| Disposals                           | -                          | -                           | 35                             | -                                  | 35              |
| <b>Balance as at 30/06/19</b>       | <b>(17,990)</b>            | <b>(418)</b>                | <b>(4,808)</b>                 | <b>(1,715)</b>                     | <b>(24,931)</b> |
| Charge for the year                 | (733)                      | (42)                        | (220)                          | (59)                               | (1,054)         |
| Disposals                           | -                          | -                           | 39                             | -                                  | 39              |
| <b>Balance as at 30/06/20</b>       | <b>(18,723)</b>            | <b>(460)</b>                | <b>(4,989)</b>                 | <b>(1,774)</b>                     | <b>(25,946)</b> |
| <b>Written down value:</b>          |                            |                             |                                |                                    |                 |
| As at 30/06/19                      | 17,232                     | 74                          | 614                            | 218                                | 18,138          |
| <b>As at 30/06/20</b>               | <b>17,808</b>              | <b>32</b>                   | <b>666</b>                     | <b>190</b>                         | <b>18,696</b>   |

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| 13. Deposits                                  | 2020<br>\$'000 | 2019<br>\$'000 |
|---|----------------|----------------|
| <b>Foreign currency deposits</b>              |                |                |
| Government of Samoa foreign currency deposits | 109,966        | 86,284         |
| <b>Total foreign currency deposits</b>        | <b>109,966</b> | <b>86,284</b>  |
| <b>Local currency deposits</b>                |                |                |
| Demand deposits due to banks                  | 254,789        | 227,718        |
| Government of Samoa local currency deposits   | 50,469         | 32,786         |
| The World Bank deposits                       | 49             | 95             |
|   | <b>305,307</b> | <b>260,599</b> |
| <b>Statutory reserve deposits</b>             |                |                |
| Domestic banks                                | 50,765         | 55,581         |
| Insurance companies                           | 840            | 940            |
|   | <b>51,605</b>  | <b>56,521</b>  |
| <b>Total local currency deposits</b>          | <b>356,912</b> | <b>317,120</b> |

The Central Bank acts as banker, agent and depository of the Government of Samoa. Governments funds are deposited at the Central Bank are remunerated at a prevailing market rate. Interest expense for the year was \$0.9m tala (2019: \$1.4m tala)

The Central Bank acts also as banker, agent and depository to The World Bank funds deposited at the Central Bank are not remunerated.

| 14. International Monetary Fund - Facilities | 2020<br>\$'000 | 2019<br>\$'000 |
|--|----------------|----------------|
| (a). Exogenous Shock Facility                | -              | 2,121          |
| (b). Rapid Credit Facility No.1              | 12,826         | 16,970         |
| (c). Rapid Credit Facility No.2              | 59,707         | -              |
| <b>Balance at year end</b>                   | <b>72,533</b>  | <b>19,091</b>  |

**(a). Exogenous Shock Facility**

An agreement was signed with the International Monetary Fund (IMF) on December 2009 for funds to be lent to the Government of Samoa for the purpose of supporting Samoa's reserves and balance of payments. In September 2011, it was agreed between the Government and the Central Bank that the loan will be transferred to the Central Bank and therefore it is now classified separately in the Central Bank's statement of financial position.

As at 30 June 2020 the loan was fully repaid and last repayment made on 11<sup>th</sup> December 2019.

The loan principal is payable in 10 equal instalments on an annual basis beginning 5 ½ years after the loan is drawn. The first repayment commenced on June 2015. Interest on the loan is 0.25% payable semi-annually after 30 June and 31 December each year. Interest payments for these concessional loans introduced on January 7, 2010 were waived for review.

**(b). Rapid Credit Facility No.1**

The International Monetary Fund (IMF) approved a disbursement of another facility for the amount equivalent to SDR \$5.8 million (about US\$8.6 millions). This Facility is called the Rapid Credit Facility (RCF) for the purpose of helping Samoa to manage the economic impact of Cyclone Evan.

The RCF provides rapid financial assistance with limited conditionality to low income countries with an urgent balance of payments need.

Central Bank of Samoa  
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14. International Monetary Fund - Facilities (continued)

(b). Rapid Credit Facility No.1

The RCF carries zero interest (until the end of 2014), has a grace period of 5 ½ years and a final maturity of 10 years. Funds were received in May 2013 and repayments have begun since 23 November 2018 until May 2023.

(c). Rapid Credit Facility No.2

International Monetary Fund (IMF) offered this facility to its membership countries which includes Samoa. The RCF provides a rapid low access and concessable assistance to its members.

Samoa's request in 2020 are to provide support to our balance of payment position to cushion the potential and unknown duration of the adverse effects of the Coronavirus (Covid 19) Pandemic on Samoa's foreign exchange flows (namely export receipts, tourism earnings and remittances).

The IMF Board in its meeting on the 24 April 2020 considered Samoa request and approved the disbursement of USD\$22.0 million. CBS received the funds on 28 April 2020.

Terms & Conditions: Interest rate - Zero percent  
Grace period - 5 ½ years  
Maturity/Term - 10 years

The first 2020 RCF repayment by Samoa (by SDRs) will be on 28 October 2025 with the last 2020 repayment to be 26 April 2030.

15. Currency in circulation

|                            | 2020<br>\$'000 | 2019<br>\$'000 |
|----------------------------|----------------|----------------|
| Currency in circulation    | 131,745        | 124,254        |
| <b>Balance at year end</b> | <b>131,745</b> | <b>124,254</b> |

16. Central Bank securities

|                            | 2020<br>\$'000 | 2019<br>\$'000 |
|----------------------------|----------------|----------------|
| Central Bank Securities    | -              | 19,993         |
| <b>Balance at year end</b> | <b>-</b>       | <b>19,993</b>  |

Central Bank securities issued to the public are primarily purchased by the local commercial banks. The securities are short term ranging in maturity from 14 days to 91 days. The weighted average interest rate of the securities is 0.22 % per annum. During the year under reviews there is a policy decision by the CBS Management to discontinue the issuance of CBS Securities to ensure there is enough liquidity in the Banking System.

17. Provision for employee entitlements

Provision for employee entitlements comprise retirement, annual leave, sick leave and long service leave.

|   | 2020<br>\$'000 | 2019<br>\$'000 |
|---|----------------|----------------|
| Opening balance at 1 July                               | 447            | 565            |
| Additional provisions charged to income during the year | 307            | 482            |
| Entitlements utilised during the year                   | (258)          | (600)          |
| <b>Closing balance at 30 June</b>                       | <b>496</b>     | <b>447</b>     |

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**18. Distributable profits**

Section 35 of the Central Bank of Samoa Act 2015 ("Act") specifies that profits available for distribution by the Bank must be computed from net profit by:

- a) Deducting the amount of all unrealized gains included in the net profit and allocating an equivalent amount to the Unrealized Revaluation Reserve Account.
- b) Deducting from the Unrealized Revaluation Reserve Account the amount of all unrealized revaluation losses included in the net profit until such time as the balance of that account is equal to zero and adding an equivalent amount to the distributable profit; and
- c) Such other purpose proposed by the Board and approved by the Minister.

**19. Capital**

|  | 2020<br>\$'000 | 2019<br>\$'000 |
|--|----------------|----------------|
| Authorised, issued and paid up capital | 20,000         | 20,000         |

The level of capital is monitored on a regular basis to ensure that it complies with the requirements of the Central Bank of Samoa Act 2015. Any increases to capital proposed by the Board of Directors is approved by the Finance Minister in accordance with Section 32 of the Act.

**Management of the Bank's Capital**

The Bank's capital management framework focuses on the Bank's total equity in its financial statements. The main drivers of reported equity are reported financial results and the dividend to the Government. The Bank's primary capital management objective is to have sufficient capital to carry out effectively its statutory responsibilities. In determining whether the Bank has sufficient capital for those purposes, it assesses the extent of financial risk and the resulting potential for losses arising from its operations.

**20. General reserves**

Section 33 of the Central Bank of Samoa Act 2015 specifies that the general reserve is established for the purpose of:

- (a) (i) covering losses sustained by the Bank; or  
(ii) increase the paid-up capital of the Bank; and
- (b) an Unrealized Revaluation Reserve Account which accounts for unrealized gains and losses owing to its positions with foreign currencies, gold, financial instruments and other assets.

In July 2014, the Bank signed a MOU with the Ministry of Finance (MOF) for the transfer of all Government accounts, domestic and foreign under the custodian of the Bank. In particular, the Government held more assets than its liabilities with the IMF. As at 30 June 2015, the Bank accounted and transferred the surplus to its General reserves. (Refer movement in the Statement of Change in Equity)

**21. Unrealised profits/(losses) reserve**

Consistent with the Central Bank of Samoa Act 2015, the unrealized profits reserve account records the unrealized profits from foreign exchange gains from the Bank's holdings of foreign currency monetary assets and liabilities. Unrealized losses are initially offset against unrealized gains with any excess charged to income. The movement in the balance of the unrealized profits reserve account is as follows:

|   | 2020<br>\$'000 | 2019<br>\$'000 |
|---|----------------|----------------|
| <b>Profit/(Loss) distribution</b>                           |                |                |
| Unrealised losses transferred to unrealised profits reserve | (447)          | (4,401)        |
| Net profit/(loss) transferred to general reserves           | 4,258          | 813            |
| <b>Net profit/(loss)</b>                                    | <b>3,811</b>   | <b>(3,588)</b> |



Central Bank of Samoa  
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For the year ended 30 June 2020

|   |          |          |
|---|----------|----------|
| 21. Unrealised profits/(losses) reserve (continued)   | 2020     | 2019     |
|   | \$'000   | \$'000   |
| <i>Movement in Unrealised profit/(losses) reserve</i> |          |          |
| Opening balance at 1 July                             | (15,185) | (10,784) |
| Unrealised losses for the year                        | (447)    | (4,401)  |
|   | <hr/>    | <hr/>    |
| Closing balance at 30 June                            | (15,632) | (15,185) |

|                           |        |        |
|---------------------------|--------|--------|
| 22. Interest income       | 2020   | 2019   |
|                           | \$'000 | \$'000 |
| Interest on cash accounts | 1,807  | 3,147  |
| Interest on term deposits | 8,390  | 7,877  |
|                           | <hr/>  | <hr/>  |
| Total interest income     | 10,197 | 11,024 |

|   |        |        |
|---|--------|--------|
| 23. Other income                        | 2020   | 2019   |
|   | \$'000 | \$'000 |
| Interest on staff loans                 | 154    | 150    |
| Income from collectors and other income | 3,669  | 626    |
|   | <hr/>  | <hr/>  |
| Total other income                      | 3,823  | 776    |

24. Related party disclosures

The Government of Samoa is the sole shareholder of the Bank.

All transactions with related parties are conducted on commercial terms and conditions except for Government deposits which are on concessional terms and conditions and Bank employee lending schemes which are charged below market rates of interest.

(i) *Key management personnel*

The following information is presented only in respect of those employees of the Bank who would be considered as key management personnel, as defined under IAS 24 (Related Party Disclosures). This comprises the governor, assistant governors, members of the management team and executive directors. At 30 June 2020, the number of key management personnel was 25 (2019: 23).

The remuneration of key management personnel during the year was as follows:

|   |        |        |
|---|--------|--------|
|   | 2020   | 2019   |
|   | \$'000 | \$'000 |
| Salaries and short-term employment benefits | 1,554  | 1,346  |
| Other long-term benefits                    | 163    | 120    |
|   | <hr/>  | <hr/>  |
| Total key management personnel remuneration | 1,717  | 1,466  |

(ii) *Directors fees and board expenses*

Directors appointed from Government Corporations and Ministries do not receive a director's fees or sitting allowances. Government regulations specify that director's fees are \$18,000 gross per annum and sitting allowance ceased since 1st July 2015.

|                                    |        |        |
|------------------------------------|--------|--------|
|                                    | 2020   | 2019   |
|                                    | \$'000 | \$'000 |
| Directors fees                     | 63     | 82     |
| Board expenses                     | 23     | 13     |
|                                    | <hr/>  | <hr/>  |
| Total directors and board expenses | 86     | 95     |

**Central Bank of Samoa**  
**Notes forming part of the financial statements**  
**For the year ended 30 June 2020**

**24. Related party disclosures (continued)**

*(iii) Due from and due to related parties*

As at 30 June 2020, the following balances were receivable from or payable to related parties.

|                                   | 2020    | 2019    |
|-----------------------------------|---------|---------|
|                                   | \$'000  | \$'000  |
| Balances due to related parties   | 160,435 | 119,070 |
| Balances due from related parties | 1,284   | 1,611   |

Balances due to related parties comprise of government demand deposits which are currently placed at CBS. Balances due from related parties comprise of principle loan balances given to executives of CBS including the Governor, assistant governors and the managers.

**25. Lease receivable**

The total future minimum lease receivables under operating leases are as follows:

|   | 2020         | 2019         |
|---|--------------|--------------|
|   | \$'000       | \$'000       |
| Not later than one year                           | 1,200        | 1,300        |
| Later than one year but not later than five years | 2,600        | 2,600        |
| <b>Total interest income</b>                      | <b>3,800</b> | <b>3,900</b> |

Operating leases relate to the CBS building leased out for a term of 3 years, with an option to extend for a further 3 years. The building rental income earned during the year amounts to SAT\$1,198,585 (2019: SAT\$1,273,861).

Direct operating expenses in relation to building floors leased out amounted to SAT\$920,867 (2019: SAT\$946,701). These amounts do not include the Bank's own internal payments for the floor space that the Bank occupies for its own operations and activities.

**26. Financial risk management**

*Introduction and overview*

The Bank identifies risks and implements controls in its operation and management of foreign reserves holdings. The main financial risks that the Bank faces are as follows:

- a) Liquidity risk
- b) Market risk
- c) Credit risk
- d) Operational risk

As is common with the majority of central banks, the nature of the Bank's operations creates exposures to a range of operational and reputational risks. Overall responsibility for the establishment and oversight of the Bank's risk management framework rests with the Board of Directors. The Bank's management seeks to ensure that strong and effective risk management and controls systems are in place for assessing, monitoring and managing risk exposures.

The majority of the Bank's financial risks arise from the management of foreign and domestic reserves. The foreign markets and financial institutions department is responsible for monitoring and reporting compliance with various risk limits and policies.

The Bank is subject to an annual external audit and is in the process of establishing an internal audit department. The Board of Directors and the Governors oversee the external audit arrangements.

*(a) Liquidity risk*

Liquidity risk relates to the difficulty in raising funds at short notice to meet commitments associated with its financial liabilities that are settled by delivering cash or another financial asset.

To limit the liquidity risk, the Bank maintains an adequate level of reserves and taking into consideration the transaction demand on foreign exchange, ensures that an acceptable amount is maintained in current accounts at all times. The Bank invests in high quality instruments, including commercial paper, all of which are easily converted to cash (refer to maturity analysis on liquidity)

Central Bank of Samoa  
Notes forming part of the financial statements  
For the year ended 30 June 2020

26. Financial risk management (continued)

(a) Liquidity risk (continued)

Maturity analysis as at 30 June 2020

|                                       | 0 - 3<br>months<br>\$000 | 3 - 12<br>months<br>\$000 | 1 - 5<br>years<br>\$000 | Over 5<br>years<br>\$000 | No specific<br>maturity<br>\$000 | Total<br>\$000 |
|---------------------------------------|--------------------------|---------------------------|-------------------------|--------------------------|----------------------------------|----------------|
| <b>Foreign Currency Assets</b>        |                          |                           |                         |                          |                                  |                |
| Cash balances                         | 183,026                  | -                         | -                       | -                        | -                                | 183,026        |
| Fixed deposits                        | 17,682                   | 372,813                   | -                       | -                        | -                                | 390,495        |
| International Monetary<br>Fund        | -                        | -                         | -                       | -                        | 71,873                           | 71,873         |
| Accrued interest                      | 52                       | 1,734                     | -                       | -                        | -                                | 1,786          |
|                                       | 200,760                  | 374,547                   | -                       | -                        | 71,873                           | 647,180        |
| <b>Local Currency Assets</b>          |                          |                           |                         |                          |                                  |                |
| Cash balances                         | 16,753                   | -                         | -                       | -                        | -                                | 16,753         |
| Fixed deposits                        | -                        | 34,104                    | -                       | -                        | -                                | 34,104         |
| Accrued interest                      | -                        | 14                        | -                       | -                        | -                                | 14             |
| Currency stock on hand                | -                        | -                         | -                       | -                        | 12,948                           | 12,948         |
| Receivables and<br>prepayments        | -                        | 650                       | 3,433                   | 3,359                    | -                                | 7,442          |
| Credit line facility                  | -                        | -                         | -                       | 86,639                   | -                                | 86,639         |
| Property, plant and<br>equipment      | -                        | -                         | 153                     | 18,543                   | -                                | 18,696         |
|                                       | 16,753                   | 34,768                    | 3,586                   | 108,541                  | 12,948                           | 176,596        |
| <b>Total Assets</b>                   | <b>217,513</b>           | <b>409,315</b>            | <b>3,586</b>            | <b>108,541</b>           | <b>84,821</b>                    | <b>823,776</b> |
| <b>Foreign Currency Liabilities</b>   |                          |                           |                         |                          |                                  |                |
| Demand deposits                       | 109,966                  | -                         | -                       | -                        | -                                | 109,966        |
| IMF Facilities                        | -                        | -                         | -                       | 72,533                   | -                                | 72,533         |
| International Monetary<br>Fund        | -                        | -                         | -                       | -                        | 93,832                           | 93,832         |
| Other liabilities                     | 17                       | -                         | -                       | -                        | -                                | 17             |
|                                       | 109,983                  | -                         | -                       | 72,533                   | 93,832                           | 276,348        |
| <b>Local Currency<br/>Liabilities</b> |                          |                           |                         |                          |                                  |                |
| Demand deposits                       | 356,912                  | -                         | -                       | -                        | -                                | 356,912        |
| Currency in circulation               | -                        | -                         | -                       | -                        | 131,745                          | 131,745        |
| Central Bank Securities               | -                        | -                         | -                       | -                        | -                                | -              |
| Creditors and accruals                | 1,654                    | 33,176                    | 90                      | -                        | -                                | 34,920         |
| Provisions                            | -                        | -                         | -                       | 496                      | -                                | 496            |
|                                       | 358,566                  | 33,176                    | 90                      | 496                      | 131,746                          | 524,073        |
| <b>Total Liabilities</b>              | <b>468,549</b>           | <b>33,176</b>             | <b>90</b>               | <b>73,029</b>            | <b>225,577</b>                   | <b>800,421</b> |
| <b>Net Assets</b>                     | <b>(251,036)</b>         | <b>376,139</b>            | <b>3,496</b>            | <b>35,512</b>            | <b>(140,756)</b>                 | <b>23,355</b>  |

Central Bank of Samoa  
Notes forming part of the financial statements  
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26. Financial risk management (continued)

(a) Liquidity risk (continued)

Maturity analysis as at 30 June 2019

|                                       | 0 - 3<br>months<br>\$000 | 3 - 12<br>months<br>\$000 | 1 - 5<br>years<br>\$000 | Over 5<br>years<br>\$000 | No specific<br>maturity<br>\$000 | Total<br>\$000 |
|---------------------------------------|--------------------------|---------------------------|-------------------------|--------------------------|----------------------------------|----------------|
| <b>Foreign Currency Assets</b>        |                          |                           |                         |                          |                                  |                |
| Cash balances                         | 172,752                  | -                         | -                       | -                        | -                                | 172,752        |
| Fixed deposits                        | 14,566                   | 178,418                   | 97,614                  | -                        | -                                | 290,598        |
| International Monetary<br>Fund        | -                        | -                         | -                       | -                        | 77,819                           | 77,819         |
| Accrued interest                      | 696                      | 884                       | 475                     | -                        | -                                | 2,055          |
|                                       | 188,014                  | 179,302                   | 98,089                  | -                        | 77,819                           | 543,224        |
| <b>Local Currency Assets</b>          |                          |                           |                         |                          |                                  |                |
| Cash balances                         | 5,725                    | -                         | -                       | -                        | -                                | 5,725          |
| Fixed deposits                        | -                        | 32,669                    | -                       | -                        | -                                | 32,669         |
| Accrued interest                      | -                        | 13                        | -                       | -                        | -                                | 13             |
| Currency stock on hand                | -                        | -                         | -                       | -                        | 14,880                           | 14,880         |
| Receivables and<br>prepayments        | -                        | 767                       | 3,875                   | 3,996                    | -                                | 8,638          |
| Credit line facility                  | -                        | -                         | -                       | 95,733                   | -                                | 95,733         |
| Property, plant and<br>equipment      | -                        | -                         | 150                     | 17,987                   | -                                | 18,137         |
|                                       | 5,725                    | 33,449                    | 4,025                   | 117,716                  | 14,880                           | 175,795        |
| <b>Total Assets</b>                   | <b>193,739</b>           | <b>212,751</b>            | <b>102,114</b>          | <b>117,716</b>           | <b>92,699</b>                    | <b>719,019</b> |
| <b>Foreign Currency Liabilities</b>   |                          |                           |                         |                          |                                  |                |
| Demand deposits                       | 86,284                   | -                         | -                       | -                        | -                                | 86,284         |
| IMF Facilities                        | -                        | -                         | -                       | 19,091                   | -                                | 19,091         |
| International Monetary<br>Fund        | -                        | -                         | -                       | -                        | 93,110                           | 93,110         |
| Other liabilities                     | 15                       | -                         | -                       | -                        | -                                | 15             |
|                                       | 86,299                   | -                         | -                       | 19,091                   | 93,110                           | 198,500        |
| <b>Local Currency<br/>Liabilities</b> |                          |                           |                         |                          |                                  |                |
| Demand deposits                       | 317,120                  | -                         | -                       | -                        | -                                | 317,120        |
| Currency in circulation               | -                        | -                         | -                       | -                        | 124,254                          | 124,254        |
| Central Bank Securities               | 19,993                   | -                         | -                       | -                        | -                                | 19,993         |
| Creditors and accruals                | 11,102                   | 31,658                    | 66                      | -                        | 1                                | 42,826         |
| Provisions                            | -                        | -                         | -                       | 447                      | -                                | 447            |
|                                       | 348,215                  | 31,658                    | 66                      | 447                      | 124,254                          | 504,640        |
| <b>Total Liabilities</b>              | <b>434,514</b>           | <b>31,658</b>             | <b>66</b>               | <b>19,538</b>            | <b>217,364</b>                   | <b>703,140</b> |
| <b>Net Assets</b>                     | <b>(240,775)</b>         | <b>181,093</b>            | <b>102,048</b>          | <b>98,178</b>            | <b>(124,665)</b>                 | <b>15,879</b>  |

Central Bank of Samoa  
Notes forming part of the financial statements  
For the year ended 30 June 2020

26. Financial risk management (continued)

(b) *Market risk*

Market risk is the risk that the changes in market prices such as interest rates and foreign exchange rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return on risk.

(i) Foreign exchange risk

Exchange rate risk relates to the risk of loss of foreign reserves arising from changes in the exchange rates against the Samoan Tala. The Bank has adopted a currency risk management policy, which maintains the Samoan Tala value of the foreign reserves and manages the fluctuations in the revaluation reserve account. Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in exchange rates.

The Bank's exposure to foreign exchange risk based on notional amounts was as follows:

| <i>Foreign Assets SAT (\$M)</i>  | USD           | NZD           | AUD           | GBP         | CNY          | TOTAL         |
|----------------------------------|---------------|---------------|---------------|-------------|--------------|---------------|
| Cash balances with Central Banks | 0.88          | 1.15          | 14.65         | 2.26        | 0.002        | 18.94         |
| Cash balances with banks         | -             | 2.02          | 0.26          | -           | 0.004        | 2.28          |
| Fixed deposits                   | 101.27        | 130.59        | 98.52         | -           | 61.91        | 392.29        |
| Repurchase agreements            | 161.82        | -             | -             | -           | -            | 161.82        |
| <b>Total</b>                     | <b>263.97</b> | <b>133.76</b> | <b>113.43</b> | <b>2.26</b> | <b>61.91</b> | <b>575.33</b> |

*Concentration of foreign currency balances*

|                                  | USD          | NZD          | AUD          | GBP         | CNY          | TOTAL         |
|----------------------------------|--------------|--------------|--------------|-------------|--------------|---------------|
| Cash balances with Central Banks | 0.2%         | 0.2%         | 2.5%         | 0.4%        | -            | 3.3%          |
| Cash balances with Banks         | -            | 0.4%         | -            | -           | -            | 0.4%          |
| Fixed deposits                   | 17.6%        | 22.7%        | 17.1%        | -           | 10.8%        | 68.2%         |
| Repurchase agreements            | 28.1%        | -            | -            | -           | -            | 28.1%         |
| <b>Total</b>                     | <b>45.9%</b> | <b>23.3%</b> | <b>19.6%</b> | <b>0.4%</b> | <b>10.8%</b> | <b>100.0%</b> |

The following significant exchange rates were used at year end to convert foreign currency transactions to the Samoan tala equivalent:

|      | 30 June 2020 | 30 June 2019 |
|------|--------------|--------------|
| USD  | 0.37326      | 0.38013      |
| NZD  | 0.58190      | 0.56749      |
| AUD  | 0.54438      | 0.54289      |
| GBP  | 0.30387      | 0.30008      |
| EURO | 0.33326      | 0.33439      |
| SDR  | 0.27130      | 0.27340      |
| CNY  | 2.64307      | 2.61421      |
| CNH  | 2.64250      | 2.61246      |

*Sensitivity to foreign exchange risk*

Sensitivity to foreign exchange risk is the sensitivity of the face value of the Central Bank of Samoa's financial assets to fluctuations exchange rate. The Tala is weighted against a basket of currencies and thus the sensitivity to foreign exchange risk is expected to be minimal as the movements of these currencies in the basket tend to offset each other. The weighted allocated to each currency in the basket is determined on the basis of Samoa's distribution of trade and travel transactions with our major trading partners: New Zealand, United States, Australia and the Euro-area.

Central Bank of Samoa  
Notes forming part of the financial statements  
For the year ended 30 June 2020

26. Financial risk management (continued)

(b) Market risk (continued)

(i) Foreign exchange risk (continued)

Sensitivity analysis

A 10% weakening of the Samoan tala against the above currencies at 30 June 2020 would have increased net income by the amounts shown below:

|              | Income effect<br>2020<br>\$'000 | Income effect<br>2019<br>\$'000 | General<br>reserves effect<br>2020<br>\$'000 | General<br>reserves effect<br>2019<br>\$'000 |
|--------------|---------------------------------|---------------------------------|--|--|
| USD          | 26,263                          | 20,210                          | 10,100                                       | 14,442                                       |
| NZD          | 13,585                          | 10,209                          | 12,974                                       | 10,250                                       |
| AUD          | 11,321                          | 6,114                           | 9,822  | 7,322  |
| GBP          | 254                             | 208                             | -  | 938  |
| EURO         | (1)                             | 5                               | -  | -  |
| CNH          | 7,090                           | 7,764                           | 6,153  | 7,688  |
| SDR          | 6,252                           | 7,372                           | 7,187  | 7,782  |
| <b>TOTAL</b> | <b>64,764</b>                   | <b>51,882</b>                   | <b>46,236</b>                                | <b>48,422</b>                                |

A 10% strengthening of the Samoan tala against the above currencies at 30 June 2020 would have an equal but opposite effect i.e.: decreased net income.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. Due to the short maturities, interest rate risk is low.

Interest rate risk as at 30 June 2020:

| Foreign Exchange                 | Balance<br>Sheet | Repricing period<br>\$M |              |              |
|----------------------------------|------------------|-------------------------|--------------|--------------|
|                                  | Total \$M        | 0-3 months              | 3-6 months   | 6-12 months  |
| Cash balances with Central Banks | 18.9             | 18.9                    | -            | -            |
| Cash balances with Banks         | 2.3              | 2.3                     | -            | -            |
| Fixed deposits                   | 392.3            | 17.7                    | 111.4        | 263.2        |
| Repurchase agreements            | 161.8            | 161.8                   | -            | -            |
| <b>TOTAL</b>                     | <b>575.3</b>     | <b>200.7</b>            | <b>111.4</b> | <b>263.2</b> |

(b) Credit risk

Credit risk in relation to a financial instrument is the risk that a customer, bank or other counterparty will not meet its obligations (or not be permitted to meet them) in accordance with agreed terms.

The Bank's exposure to credit risk includes staff loans. Staff loans are no longer allowed under Government Cabinet directive for all state-owned enterprises. The current staff loan balances will continue to be reduced from direct repayments from salaries of existing staff. On leaving employment with the Bank ex-staff who have loans are required to pay the full amount of the outstanding balance at the time of leaving. The inability to repay the amount in full at the time of termination results in a loss that is fully provided for. Because all loan repayments are deducted from employee wages the ageing analysis for staff loans are always current. The Bank has used the simplified model for calculating lifetime expected credit losses and has applied the probability of default (PD) to those balances that are current as follows:

|                                   | PD   | Gross<br>carrying<br>amount | Loss<br>allowance | Credit<br>impaired |
|-----------------------------------|------|-----------------------------|-------------------|--------------------|
| 30 June 2020                      |      |                             |                   |                    |
| Current (not overdue)             | 2.5% | 2,984                       | 57                | -                  |
| Staff loans assessed individually |      | 433                         | 22                | -                  |
|                                   |      | <b>3,417</b>                | <b>79</b>         | <b>-</b>           |



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26. Financial risk management (continued)

(b) Credit risk (continued)

Balances which are not current are assessed individually for impairment. The movement in the loss allowance for staff loan receivables is disclosed in Note 6.

The Central Bank of Samoa invests only with banks with a minimum Standard & Poor's credit rating of A-1 (Short term) and A (long term); and with other central banks. The Bank has a concentration of investments with a few highly rated banks in New Zealand and Australia.

| Credit Ratings (Standard and Poor)                             | Risk rating<br>of security<br>issuer | Risk rating<br>of<br>counterparties | % of total<br>assets as at<br>30 June 2020 |
|--|--------------------------------------|-------------------------------------|--|
| <b>Foreign Investments</b>                                     |                                      |                                     |  |
| Securities held under repurchase agreements with Central Banks | AA+                                  |                                     | 28.13                                      |
| Deposits with Central Banks                                    | AAA                                  |                                     | 2.54                                       |
| Cash with other Central Banks                                  |                                      |                                     | 3.29                                       |
| <b>Subtotal balances with Central Banks</b>                    |                                      |                                     | <b>33.96</b>                               |
| <b>Negotiable Certificate of Deposit</b>                       |                                      |                                     | <b>8.74</b>                                |
| ME   |                                      | A-                                  | 0.96                                       |
| P & N  |                                      | A-                                  | 4.93                                       |
| QUDOS  |                                      | A-                                  | 2.85                                       |
| <b>Deposits with commercial bank</b>                           |                                      |                                     | <b>56.93</b>                               |
| ANZ  |                                      | AA-                                 | 1.74                                       |
| BNZ  |                                      | AA-                                 | 0.00                                       |
| BOC  |                                      | A                                   | 23.56                                      |
| DBS  |                                      | AA-                                 | 9.81                                       |
| ICBC   |                                      | A                                   | 18.74                                      |
| RABO   |                                      | A                                   | 1.6  |
| WBC  |                                      | AA-                                 | 1.48                                       |
| <b>Other (CASH)</b>  |                                      |                                     | <b>0.38</b>                                |
| ANZ  |                                      | AA-                                 | 0.07                                       |
| BNZ  |                                      | AA-                                 | 0.08                                       |
| BOC  |                                      | A                                   | 0.12                                       |
| WBC  |                                      | AA-                                 | 0.08                                       |
| ICBC   |                                      | A                                   | 0.03                                       |
| <b>Subtotal balances with commercial Banks</b>                 |                                      |                                     | <b>66.04</b>                               |
| <b>TOTAL</b>   |                                      |                                     | <b>100.0</b>                               |

(c) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure and from external factors other than liquidity, credit and market risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk arises from all of the Bank's operations. Managing operational risk in the Bank is an integral part of day-to-day operations and oversight. This includes adherence to Bank wide corporate policies.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Bank. This responsibility is supported by the development of overall and specific policies and procedures. The proposed internal and existing external audit functions also ensure that operational risk is and will be effectively minimised and managed.

## 27. Fair values of financial assets and liabilities

The fair value of an instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The valuation of the Bank's financial assets and liabilities are discussed below:

### *Cash balance and Fixed Deposits*

The carrying value of short-term deposits is considered to approximate their fair value as they are denominated in cash and payable on demand.

### *Statutory reserve deposits*

The carrying value of statutory reserve deposits are considered to approximate their fair value as they are denominated in cash.

### *Demand deposits*

The carrying value of deposits are considered to approximate their fair value as they are payable on demand.

### *Currency in circulation*

The carrying value of currency in circulation is considered to be its fair value as reported in the financial statements.

### *Other financial assets and liabilities*

The reported values or carrying value of other financial assets and liabilities are considered to be its fair value. The Bank does not have any financial assets or financial liabilities where their values are determined by quoted market prices or other observable inputs either directly or indirectly.

## 28. Commitments for expenditures

The Directors are aware of the Bank's commitment at 30<sup>th</sup> June 2020 as follows:

### *Alternative site for disaster recovery purposes at the CBS Ululoloa compound.*

The project was estimated to cost \$28 million tala. The cost already incurred on this as at 30 June 2020 is \$2.1m (2019: \$1.4m) is classified as Work in Progress.

However, due to climate change and the shifting of the different levels with the current CBS Building and its critical structural weaknesses, which is based on an engineer's assessment the Board decided to re-adjust the entire design at Ululoloa Property in order to address these issues. This is to ensure that the current staff at Apia Main CBS building can be relocated to Ululoloa for its operations. Given these unforeseen circumstances, the entire project and the procurement processes will be re-adjusted. In the meantime, discussions and potential negotiations are taking place in order to finalize the figures and processes for the way forward.

## 29. Contingent liabilities

### *(i) Lease on property not finalised*

The Central Bank building is built on leasehold land. The land belongs to the Government of Samoa. Terms and conditions of the lease are yet to be finalised.

### *(ii) Collectors' currency*

The Bank has a contingent liability for the face value of collectors' currency issued. However, it is more unlikely that the amounts of collectors' currency will be returned for redemption at face value. The face value of all collectors' currency issued by the Bank for the period under review is SAT\$2,877,681. (2019: SAT\$472,626).

**Central Bank of Samoa**  
**Notes forming part of the financial statements**  
**For the year ended 30 June 2020**

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**30. Events subsequent to balance date**

There has not arisen in the interval between the end of the period and transaction or event of material and unusual nature likely, in the opinion to affect significantly the operation of the Bank.

In March 2020, the Head of State declared a State of Emergency in response to Covid 19 that is wide spreading and is financially impacting significantly many countries around the world. Although the Central Bank will experience the effect of Covid 19 pandemic in the next financial year, therefore the Central Bank Board of Directors at its meeting on 18<sup>th</sup> September 2020, approved the continuation of its expansionary monetary policy stance which means to keep the cost of capital low and/or encourage Commercial Bank to continue lending to the private sector at low interest rate.

**31. Approval of financial statement**

The Financial Statements were approved by the Board on the date that they were signed by the Board of Directors.

## INDEPENDENT AUDITOR'S REPORT

### To the Controller and Auditor General

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the Central Bank of Samoa (the Bank), which comprise:

- the statement of financial position as at June 30, 2020;
- the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year ended 30 June 2020; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Central Bank of Samoa (the Bank), as at June 30, 2020, and (of) its financial performance and its cash flows for the year ended 30 June 2020 in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Central Bank of Samoa (the Bank) in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Samoa, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

#### Other Information

The directors are responsible for the other information. The other information comprises the information included in the director's report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

## Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been prepared in accordance with and complies with the requirements of:

- i. Public Bodies (Performance and Accountability) Act 2001, and the
- ii. Public Finance Management Act 2001.

We also confirm that:

- a. we have been given all information, explanations and assistance necessary for the conduct of the audit; and
- b. the Bank has kept financial records sufficient to enable the financial statements to be prepared and audited.



**BDO**  
**CHARTERED ACCOUNTANTS**



**Ernest Betham**  
**Engagement Partner**

Samoa  
27 October 2020