



CENTRAL BANK OF SAMOA

# ANNUAL REPORT

JULY 2020 - JUNE 2021



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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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29 October 2021

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 2021.

The Bank's Annual report 2020/2021 reveals key data and information on Samoa's economic performance and the Bank's financial performance for the twelve (12) months period from July 2020 to June 2021, administered under the mandate of the former Minister of Finance.

  
(Mulipola Anarosa Ale-Moloo)  
**MINISTER OF FINANCE**

PLEASE ADDRESS CORRESPONDENCE  
TO THE GOVERNOR



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29 October 2021

Honourable Mulipola Anarosa Ale-Molioo  
Minister of Finance  
**APIA**

Afioga e,

I have the honour of submitting the 34<sup>th</sup> Annual Report of the Central Bank of Samoa for the financial year ending June 2021. 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 2021 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 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 2021.

## b) Governance

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

- Monetary Policy Committee, meets every six months to discuss and review the current and future monetary policy direction/stance of the Bank based on the latest forecast of broad macroeconomic indicators and conditions;
- 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 meets quarterly 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 4 times in the financial year 2020/2021. 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**

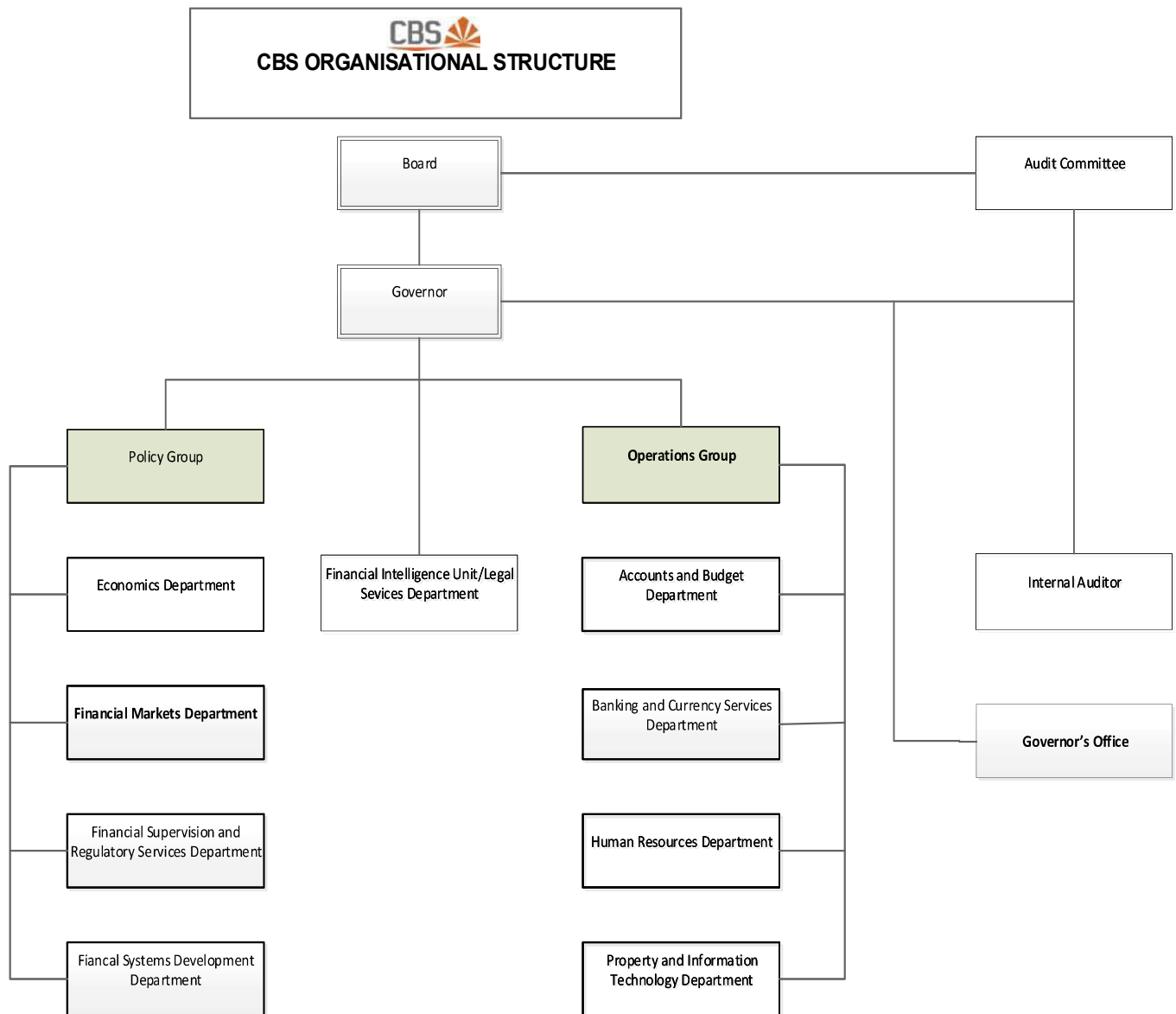
The Central Bank employed a total of one hundred and two (102) staff at the end of June 2021.

The Bank monitored several staff policies during the year to improve human resource management and support to staff especially during a time in which virtual or online engagement shifted and became a prominent part of its operations.

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 2020/2021



Source: Central Bank of Samoa, 2021

# 1

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**2020/2021 reflected the first full-year extent and impact of the Coronavirus (or COVID-19) health pandemic on our economy. Although Samoa remains fortunate to be one of the few COVID-19 free countries in the world (despite new and worsening variants of the virus emerging near our shores), the economic costs of necessary measures to safeguard the country has seen our small island economy drift to uncharted waters.**

At year end June 2021, the Samoan economy contracted by -8.1 percent as domestic real economic activities continue to be adversely impacted by border restrictions. This includes the first twelve months of COVID-19 economic consequences, which has resulted in a SAT\$207.6 million loss to \$1.87 billion in the country's real gross domestic product up to March 2021. The absence of inbound tourism travel and their related real-sector contributions and activities for over a year now has contributed to the lowest annual real GDP level since SAT\$1.77 billion in FY2013/2014. These ensuing weaknesses contributed to subdued inflationary pressures, with the headline inflation rate registering a deflation of -3.0 percent at end June 2021 compared to an inflation of 1.6 percent last year and was well below the 3.0 percent inflation annual target. The effective collaboration between the Government, the Central Bank of Samoa and the wider financial sector industry helped to ease the macroeconomic implications of COVID-19 and reflected our economic resilience. **The Bank continued with its accommodative monetary policy stance** to support economic activities and to safeguard monetary stability. We also offered general support to the Government, financial institutions and the people of Samoa, which for the most part was to ensure the continued flow of cash and maintain confidence in the financial system. Our responses included ensuring the availability of liquidity and related credit facilities for the banking system, flexibility on regulatory requirements on the

banking system, support to the functioning of the non-bank public financial institutions and facilitation of Government's stimulus initiatives. Similarly, the ongoing assistance of the international community, mainly from Samoa's development partners, contributed to the further boost of the country's official foreign reserve levels to SAT\$732.7 million, or equivalent to 10.7 months cover of import of goods only.

These collaborative efforts with our main stakeholders ensured **Samoa's financial system remained stable and sound** in the face of unexpected and unprecedented disruptions caused by this health pandemic. In particular, the banking system remained strong and well-capitalized, with the quality of its assets also well-provisioned, reflecting to some extent the cautious approach of commercial banks given COVID-19 related developments in the domestic economy. The insurance industry also performed well, recording an overall strong solvency position and improved profitability from last year. Nonetheless, we acknowledge that there remain prevailing downside risks and challenges ahead amidst the ongoing and potentially prolonged presence of the COVID-19 pandemic at a global scale. As a result, the continued strengthening of partnerships and collaboration with our financial service providers and other regulatory authorities (domestically and abroad) is critical.

We are also committed to strengthening our enforcement powers in view of the domestic

financial environment as well as to keep abreast with international standards, where appropriate to Samoa's economic size and context. While the Bank had to defer a few medium-term projects to give priority to addressing the COVID-19 disruptions, we were still able to adapt and achieve the following:

- **Commercial Banks Prudential Standards** – The Bank undertook a review of the Prudential Standards applied to commercial banks, with the assistance of the IMF Pacific Finance Technical Assistance Centre (PFTAC) since 2017. This included consultations with the 4 commercial banks over the years. These prudential standards were finalized and came into effect on 1<sup>st</sup> January 2021.
- **Insurance Legislative and Regulatory Framework** – This is an ongoing pilot project involving Samoa and two other Pacific countries, looking into the reform of the insurance mandate and prudential standards in the region. During the year, CBS staff received remote training and participated in discussions with the PFTAC technical advisors in this area. The next phase requires a face-to-face consultation with all the main stakeholders but given current COVID-19 border restrictions, the timing of when this will take place is uncertain.
- **National Payment System** – A gradual progress for this project, with the installation of the Automated Transfer System (ATS+) and the Central Securities

Depository (CSD) System with CBS during the year. A remote or virtual training was subsequently conducted with CBS staff for the ATS during June.

- **Credit Bureau** – this project is also progressing steadily, with CBS receiving assistance from the ADB PSDI team during the year in the drafting of the Credit Bureau Bill.
- **Sustainable Finance Initiative** – the Bank, in its commitment to promote the awareness and availability of sustainable finance in Samoa, joined the Ministry of Natural Resources and Environment (MNRE)'s IMPRESS Project Technical Advisory Group during the year. This membership will contribute towards efforts to identify and design appropriate policies and guidelines for implementation by Samoa's financial institutions in this new but growing important area for central banks around the world.
- **Samoa's National Risk Assessment (NRA)** – Remote support was provided to the Financial Intelligence Unit (FIU) staff by an overseas consultant to revise and update Samoa's National Risk Assessment. This is Samoa's second NRA and is due to be completed by August 2021. We acknowledge the support and financing provided by the Asian Development Bank and the Asia Pacific Group (APG) on Money Laundering for this important work.

In view of these, I sincerely acknowledge with appreciation the support and collaboration provided by Samoa's development partners and community, our regional regulatory authorities as well as the Bank's various international partners. Despite the COVID-19 disruptions, the uptake in online or virtual trainings and meetings during the year enabled the Bank to make some progress in these important work programs.

The COVID-19 pandemic also had a direct impact on the Bank's financial performance, with volatile exchange rate developments and the low global interest rate environment impacting on its main source of income. Nonetheless, the Bank managed to record a total accounting net profit of SAT\$4.0 million in 2020/2021 compared to a net profit of SAT\$3.8 million in the previous year.

The Bank's values, reflective of the acronyms TAUTAI A'E, underscores our continued commitment to steer and direct the financial system in the face of challenges and evolving financial climate. We remain ever focused in playing our role with integrity for the sustainability and prosperity of Samoa's economic development.

With that, I wish to acknowledge the Board, our CBS team and our many stakeholders for their collective roles and solidarity during our journey over the past twelve months. We continue to face new and emerging economic challenges but I am confident that

our resilience and shared vision for Samoa will ensure that we "will endure, as it has endured, will revive and will prosper". (Franklin Roosevelt)

E iloa le tautai matapalapala i le taimi e sou ai le vasa, ma o le taimi lenei tatou te tula'i faatasi mai ai e tatala tuluma e le so'ona tatalaina sa fa'apolopolo fa'amatua moepo, aua se ai mo Samoa.

Soifua ma ia manuia,



Maiava Atalina AINU'U-ENARI  
GOVERNOR

# 2020 - 2021 SNAPSHOT

## Inflation Rate



**-3.0%**  
June 2021

## Real GDP



**-8.1%**  
FY 2020-2021

## Nominal Effective Exchange Rate



**-0.08%**  
(Depreciation)

## Official Foreign Reserves



**10.7**  
(month of imports)  
June 2021

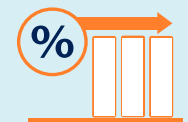
## Financial System Credit Growth Rate



**2.0%**  
(FY 2020/2021)

Slowing down from 7.5% in FY 2019/2020

## Official Interest Rate



**0.15%**  
June 2021

## Commercial Banks' Interest Rates

WAD rate **2.11%**  
-62 basis points from FY2019/2020  
WAL rate **8.57%**  
-6 basis points from FY2019/2020

## Capital Adequacy Ratio



**28.1%**  
June 2021

## Money Supply



**\$1,325.26m**  
5.5% annual growth rate

## Tourism Earnings



**\$0m**

## Inward Private Remittances



**\$606.72m**  
+6.9% from FY 2019/2020

## Total Liquidity



**\$370.74m**  
as of June 2021

## Government External Debt



**49.3%**  
of nominal GDP  
June 2021 Quarter

In FY2020/2021, global economic activities were heavily impacted by COVID-19 and it could have been worse without the support of emergency stimulus packages adopted by several major economies at the outset of the pandemic and the rollout of vaccines in the latter half of the year. Despite no positive cases to date, Samoa continues to maintain the closure of its international borders to protect her people from the global pandemic crisis, with selective repatriation flights only for returning citizens. This has severely hit the local tourism sector with no tourist arrivals or earnings recorded since April 2020, bringing immense pressure and challenges to other related domestic economic sectors. To support the Samoan economy, monetary policy remained accommodative.

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

The International Monetary Fund's July 2021 World Economic Outlook (WEO) Update points to an improved outlook, with a 1.40 percent growth estimated in FY2020/2021 before advancing to a 5.45 percent expansion in FY2021/2022. This was an improvement from the -0.20 percent contraction in FY2019/2020, and earlier projections for a recovery of 1.35 percent and 5.20 percent for FY2020/2021 and FY2021/2022 respectively in the April 2021 WEO. This revised economic outcome, particularly for FY2020/2021 reflected better than expected economic performances during the year, supported by substantial stimulus packages (particularly in the advanced economies) to address the COVID-19 adverse impacts on economic activities. The availability of the supply of vaccines around the world in the latter half of FY2020/2021 have also contributed to the easing of domestic lockdowns and international border restrictions in some of the major economies, providing some boost for business activities. Driving the positive economic performance in the year was a 2.1 percent growth in the emerging market and developing economies (mainly from China) as well as a 0.5 percent expansion in advanced economies (mainly the USA), recovering from their initial COVID-19 impacted trends of 0.8

percent and -1.5 percent in that order in FY2019/2020.

A year and a half since the onset of the COVID-19 pandemic, the global economy is poised to stage its most robust post-recession recovery in 80 years in 2021 and 2022. But the rebound is expected to remain uneven across countries, as major economies look set to register strong growth even as many developing economies lag behind. The vaccines rollout in many of the advanced economies has been driving the improvement, as has the massive fiscal stimulus by most major economies. Countries that have quickly vaccinated their population against COVID-19 and are managing to control infections through effective public health strategies are yielding faster economic recoveries. Global growth is expected to accelerate in 2021 and 2022, largely on the strength in major economies such as the United States of America and China. The strength of these recoveries, however, will vary and may largely be dependent on the extent of government support to vulnerable workers and businesses, a country's dependency on particular sectors such as tourism (which has been severely impacted by the health pandemic and would require rebuilding for the future), as well as by public health and vaccination policies.

**Inflationary pressures accelerate** in FY2020/2021, with an estimated 3.40 percent global inflation rate from 3.07 percent in the previous year. According to the IMF, this mainly reflected the pick up in the advanced economies (averaging 1.55 percent from 1.05 percent in FY2019/2020) compared to a modest rise in the emerging market and developing economies (to 5.25 percent from 5.1 percent in the previous year). This reflected increasing international commodity prices over the year, particularly fuel, as well as increased domestic demand in countries such as the US in view of the gradual reopening from COVID-19 lockdowns.

At the end of FY2020/2021, most of Samoa's major trading partners recorded increasing inflation trends particularly in the last six months of the year, with the inflation rates in the USA, NZ and Australia accelerating well above their targets and at levels not recorded since the 2008 and 2011 international commodity price hikes.

While global labour market conditions were subdued at the start of the financial year, the re-opening measures adopted by several countries from the impact of COVID-19 helped reduce unemployment rates across the globe, particularly in the US. (Refer to Table 1).

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

Samoa's main trading partners										World Economic Performance		
Financial year (end June)	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			
<i>Year on Year Change (%)</i>												
2015/2016	4.3	0.4	5.1	3.3	1.0	5.8	1.3	1.0	4.9	3.3	2.8	5.2
2016/2017	3.4	1.7	4.8	2.1	1.9	5.6	2.1	1.6	4.4	3.5	3.0	5.1
2017/2018	3.7	1.5	4.4	3.2	2.1	5.4	3.3	2.9	4.0	3.7	3.2	5.0
2018/2019	2.2	1.7	3.9	1.6	1.6	5.2	2.0	1.6	3.7	3.3	3.3	5.3
2019/2020	-10.2	1.5	4.0	-6.3	-0.3	7.4	-9.1	0.6	11.1	-0.2	3.1	6.0 (est)
2020/2021	17.4	3.3	4.0	9.6	3.8	4.9	12.2	5.4	5.9	1.40 (est)	3.40 (est)	6.4 (est)

Source: IMF Jul 2021 WEO, ILO (for World Unemployment rate), Bloomberg, TradingEconomics, WPC Australia & NZ Weekly Updates and specific country's statistics authorities

Overall, **monetary policies** in most economies **were largely accommodative in 2020/2021**, in efforts to contain the economic damage from COVID-19. The

the impacts of COVID-19 on their economy and efforts to support economic activities across the country. (Refer to Table 2).

economy was expected to drop further by 10.0 percent in 2020/2021 from -2.7 percent in 2019/2020. The slow-down in economic activities in most sectors was the result of the

Fiscal year to end June	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
<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	0.00 - 0.25
Reserve Bank of Australia	1.75	1.50	1.50	1.25	0.25	0.10
Reserve Bank of New Zealand	2.25	1.75	1.75	1.50	0.25	0.25
Bank of England	0.50	0.25	0.50	0.75	0.10	0.10
European Central Bank	0.00	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	3.85

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

following monetary policy actions were undertaken by the major reserve banks worldwide in light of the global macroeconomic developments during FY 2020/2021:

- The Central Banks in the United States of America, New Zealand, England, Euro-Area and China all kept their policy interest rates unchanged in the reviewed period;
- The Reserve Bank of Australia, on the other hand, cut its official cash rate by another 15 basis points in November 2020 from 0.25 percent at end FY2019/2020, to 0.10 percent on concerns about

## 2. Domestic Economy

### 2.1 Monetary Policy Outlook and Targets

The Central Bank of Samoa (CBS) Board of Directors at its meeting in September 2020 approved the continuation of easing monetary policy stance to support economic growth, given the anticipated severe adverse economic impacts of COVID-19 pandemic on almost all sectors of the economy since the beginning of 2020.

The downturn in the Samoan

adverse impact of the pandemic. With the continuation of State of Emergency (SOE), which includes the closure of international borders as well as stringent restrictions and preventative measures to safeguard and protect its people, both demand (foreign and local) and to a lesser extent the supply side contracted. Local business activity, employment and domestic demand was expected to drop, resulting in significant reductions in the 'commerce', 'accommodation and restaurant', 'transport', 'constructions' and 'electricity and water' sectors to name a few. In addition the headline inflation was projected to drop to



around 1.8 percent at end June 2021. (See Table 3.)

On the external sector, the balance of payments was expected to decline substantially to a deficit of \$107.0 million in the FY2020/2021 from a surplus of \$103.6 million last year. This was mainly in light of the expected decrease in export proceeds and downturn in remittances as well as no visitor arrivals and earnings for the whole year given the closure of international borders. Overall, the country's official foreign reserves level was expected to drop to around 8.3 months of imports in FY2020/2021, just below its 8.4 months of import cover for 2019/2020. (See Table 3.)

This reflects the expected downturn in business activity as well as the elevated bank risk averseness due to the adverse impacts of COVID-19 pandemic. As a result, the annual growth rate of money supply (M2) was expected to decelerate to -0.4 percent in 2020/2021 from 1.8 percent at end June 2020. (See Table 3.)

## 2.2 Monetary Policy Outcomes

The headline consumer price index (CPI) annual inflation rate decelerated to -3.0 percent at end June 2021 from 1.5 percent at end June 2020. This was also much lower than its forecast of 1.8 percent

The sharp drop in imported inflation reflected the lower prices of food and fuel commodities while lower prices of agricultural products as well as reduced prices of basic goods and government services being part of the COVID-19 stimulus package saw local inflation decline over the year. (See Graph 1 and Table 3.) In comparison to our major trading partners, both New Zealand and Australia recorded much higher annual inflation rates in FY 2020/2021, of 3.3 percent and 3.8 percent in that order due to several factors. For New Zealand, the driving force behind the pickup in inflation were higher fuel prices coupled with strong gains in housing prices, local food prices like restaurant meals and accommodation services. The rise in Australian inflation was mostly reflecting the winding up of its stimulus assistance on childcare and fuel subsidies which saw prices jump back up. For the US, its CPI at end June 2021 jumped to 5.4 percent over the previous year due to price hikes in transportation prices like airfares and used cars coupled with increases in housing, fuel and food prices.

To help Samoa prepare and prevent the COVID-19 pandemic from reaching its shores, many development partners (such as the World Bank (WB), Asian Development Bank (ADB), New Zealand and Australian governments) sent financial (and in kind) assistance coupled with usual budget support funds since the start of the current financial year. Another contributing factor is the deferment of Samoa's external debt repayments of around SAT \$22.7 million in FY2020/2021 through the DSSI<sup>3</sup>. As a result, gross foreign official reserves posted a substantial surplus of \$138.4 million for FY 2020/2021 compared to an expected deficit of \$107.0 million.

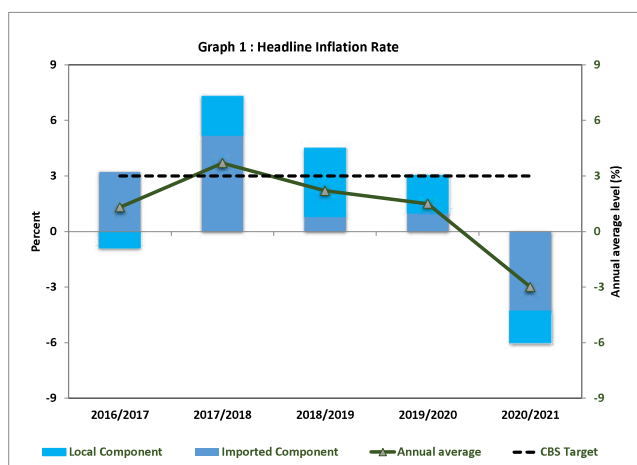
**Table 3: Summary of Macroeconomic Indicators**

	2018/2019	2019/2020	Forecast 2020/2021	Actual 2020/2021
<b>Real Sector</b>				
Real GDP (% change)	3.6%	-2.7%	-10.0%	-8.1%
Nominal GDP (% change)	5.8%	-2.4%	-8.7%	-6.9%
Headline Inflation Rate (% change)	2.2%	1.5%	1.8%	-3.0%
Underlying Inflation Rate (% change)	0.1%	2.1%	0.7%	-2.1%
<b>External Sector</b>				
Exports (tala Mn)	130.9	122.2	99.2	89.5
Exports (% change)	42.4%	-6.7%	-22.2%	-26.7%
Imports (tala Mn)	914.7	853.3	739.8	820.7
Imports (% change)	10.4%	-6.7%	-13.3%	-3.8%
Remittances (tala Mn)	537.4	567.5	365.2	606.7
Remittances (% change)	10.0%	5.6%	-35.2%	6.9%
Visitor Earnings (tala Mn)	539.5	375.3	0	0
Visitor Earnings (% change)	12.3%	-30.4%	-100.0%	-100.0%
BOP Surplus/(deficit) (tala Mn)	91.7	103.6	-107.0	138.4
Foreign Reserves (tala Mn)	490.7	594.3	509.1	732.7
Import Cover (months)	6.7	8.4	8.3	10.7
<b>Monetary &amp; Financial Sector</b>				
Bank Credit to Private sector & NFIs (% change)	3.7	6.4	1.8	2.1
Broad Money Supply (% change)	13.2	1.8	-0.4	5.5

On monetary conditions, total commercial bank lending to the private sector and public institutions was expected to grow by 0.5 percent at end June 2021, down from its growth of 4.0 percent in 2019/2020.

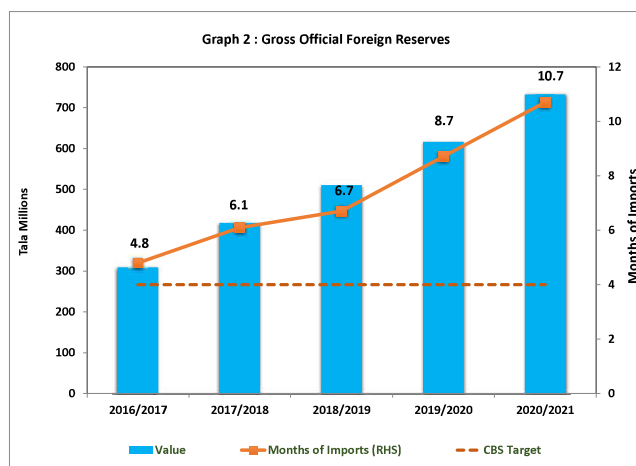
due to a significant drop in both its imported component, down to -4.3 percent from 1.0 percent in June 2020, as well as its local component, down to -1.7 percent in June 2021 (from 2.0 percent in June last year).

<sup>3</sup> Debt Service Suspension Initiative led by the G20, which Samoa is a part of where some of Samoa's bilateral official creditors have suspended Samoa's debt servicing for a short period of time.



Consequently, total official foreign reserves<sup>4</sup> increased considerably to \$732.7 million (a record high), a level that was sufficient to cover 10.7 months of imports of goods, which was much higher than its forecast of 8.3 months of import cover. Similarly, total remittances also expanded significantly by 6.9 percent to \$606.7 million in 2020/2021,

dropped by 26.7 percent to \$89.5 million over last year, slightly lower than the decline that was expected for the year. Likewise, total imports also contracted by 3.8 percent to \$820.7 million when compared to the same period a year ago, a level that was higher than 13.3 percent drop projected for FY2020/2021. (See Graph 2 and Table 3.)



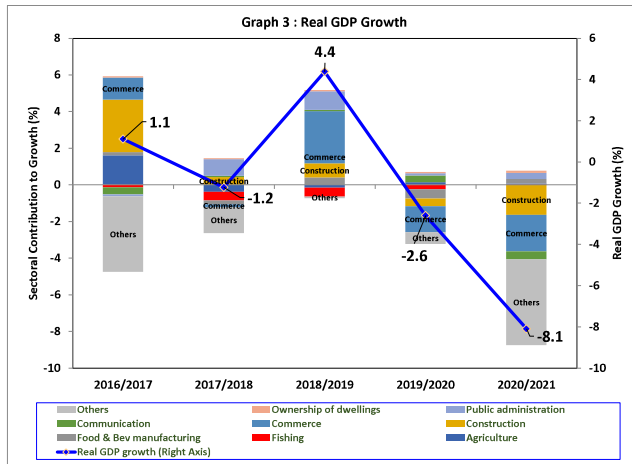
which was much higher than its original projection. As expected, there were no visitor arrivals and earnings since the continued border closure in March 2020. The COVID-19 pandemic also adversely affected foreign trade with reductions in both export earnings and import payments in FY2020/2021. Total exports

Total banking system liquidity expanded significantly by 28.5 percent to \$370.7 million at end June 2021 due mainly to large inflows of government funds that boosted the level of excess reserves and vault cash for the commercial banks while the Central Bank securities remained on hold since April 2020. Despite

the lower cost of borrowings, the commercial banks total credit to the private sector and public institutions only increased marginally by 0.4 percent to \$1,175.3 million in June 2021, down from 3.9 percent at end June 2020. As a result, the annual growth rate of commercial banks' credit to the private sector and public institutions combined fell to 0.8 percent in FY2020/2021 from 4.7 percent last year, but was just above its forecast of 0.5 percent. In line with the strong growth in net foreign assets, total money supply grew to 4.8 percent in the current financial year from a 1.8 percent growth rate at end of June 2020, and much higher than the target growth rate of -0.4 percent for 2020/21. (See Table 3.)

Despite the strong improvement in the external sector position through large inflows of grants and foreign aid assistance, the real sector continued to reel from the adverse impacts of COVID-19 pandemic. As such, real GDP contracted further by -8.1 percent at end June 2021 (slightly lower than -10.0 percent projected for FY2020/2021), on top of -2.6 percent in FY2019/20. Both demand (foreign and local) and to a lesser extent, the local supply contracted during the year. Local business activity, employment and domestic demand tumbled, resulting in significant reductions in the 'Commerce', 'Construction', 'Business services', 'Accommodations and restaurants', 'Transport' and 'Communication' sectors amongst many others. On the upside, only three sectors, namely the 'public and administration', 'personal & other services' and 'food & beverage manufacturing', recorded increases in the year under review. (See Graph 3 and Table 3.)

<sup>4</sup> Effective January 2021, the Central Bank of Samoa has adopted a new methodology in calculating of the country's official reserves which include only the foreign exchange holdings of the Central Bank and International Monetary Fund (IMF) SDRs.



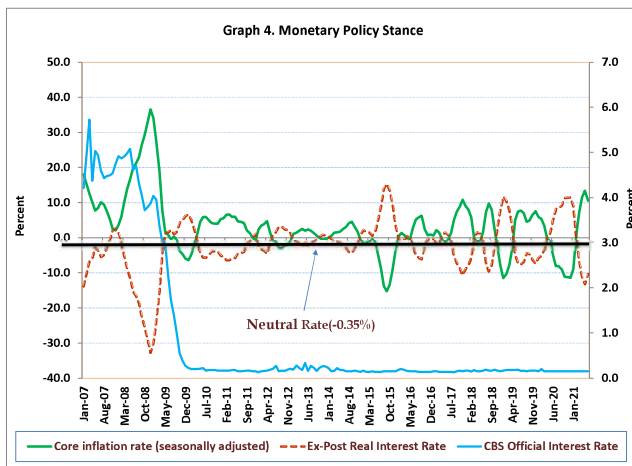
### 2.3 Conduct of Monetary Policy Stance since 2007

In trying to ascertain the effectiveness of the conduct of monetary policy since the onset of the global financial crisis (GFC) in 2008, we compile and analyse real interest rates<sup>5</sup> as well as a neutral interest rate<sup>6</sup>. Estimating a neutral rate of interest can allow the CBS to assess the effectiveness

of its monetary policy stance, where the real interest rate is above the neutral interest rate, the monetary policy is exerting a tightening effect on the Samoan economy and where the real interest rate is below the neutral interest rate, it is applying an expansionary influence on the economy.

Since 2008, the Central Bank of Samoa

has pursued an accommodative or easing monetary policy stance given the many challenges the economy has gone through starting from the GFC, the 2009 tsunami, 2012 Cyclone Evans, 2nd round effects of the GFC (2014), closure of Yazaki and Cyclone Gita in 2018, the Measles Outbreak in 2019 and the ongoing COVID-19 pandemic since the start of 2020. However, as illustrated in the graph below, despite the easing stance adopted by the CBS, there were periods where monetary policy were in fact, tightening or contractionary due to periods where the hikes in the headline inflation rate managed to more than offset the low official interest rates levels, which are currently just above 0.01 percent. This is represented on the graph by the areas where (ex-Post) Real Interest rate line (dotted line) is above the neutral interest rate of -0.35 percent, which mostly occurred in 2009, early 2012 and around 2014 and 2015. More recently, we can see that from November 2018 to April 2019 as well as from April 2020 to January 2021, the Real interest rate were above the neutral rate of interest indicating an actual tightening of monetary policy conditions despite Central Bank efforts to implement a loosening monetary policy stance. (See Graph 4.)



<sup>5</sup> This is the nominal official interest rate of commercial banks deflated by the headline inflation rate.

<sup>6</sup> The Neutral interest rate, also called natural rate of interest, is the interest rate where the economy is at maximum output while keeping inflation constant.

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 FY2020/2021, with SAT\$340.72 million recorded at end June 2021 compared to SAT\$254.79 million in the previous year. Due to the economic uncertainty amid the COVID-19 pandemic, the CBS Reserve Money Program Committee in its monthly meetings decided to hold off any issuance of new CBS Securities as part of its Open Market Operations (OMO) activities during the financial year. This was to ensure the availability of adequate liquidity in the banking system to meet funding needs and stimulate economic activities of the private sector and general public.

As a result, there were no OMO activities recorded in FY2020/2021. (Refer to Table 4).

### 2. Credit Facilities to Commercial Banks

The CBS' COVID-19 short-term credit facility made available to the commercial banks on 27 March 2020 as policy support during the COVID-19 pandemic was utilised by one commercial bank during the year under review. This was first accessed in April 2020 for a period of 91 days, followed by another two extended periods of 91-days for the same commercial bank, up to 13 January 2021. This special credit facility remains available to any of the commercial banks.

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

### 3. Credit Lines to Selected Financial Institutions<sup>7</sup>

No new credit line facility (CLF) was introduced in the year. Accordingly, the total CBS CLF approved and disbursed to the general public remained at SAT\$135.0 million, with the last CLF disbursement recorded in June 2019.

The total outstanding CLF balance at the Central Bank at the end of FY2020/2021 was recorded at SAT\$85.15 million compared to SAT\$86.64 million in the previous year. This decline reflected the continued timely repayments to CBS made by both Samoa Housing Corporation (SHC) and the Development Bank of Samoa (DBS) on their monthly repayment obligations, which also took into account the COVID-19 repayment holiday made available during this period.

### 4. Exchange Rate<sup>8</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 FY2020/2021, following the annual review of the currency basket which was endorsed by the Board of Directors in its meeting on 26 February 2021 and took effect on

Table 4. Central Bank Securities

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Number of Floats	48	32	41	37	30	0
Amount Floated	\$178.00	\$64.50	\$182.00	\$231.00	\$169.00	\$0.00
Amount Tendered	\$156.50	\$52.00	\$285.50	\$387.50	\$440.50	\$0.00
Amount Allotted	\$152.50	\$51.50	\$199.00	\$273.10	\$171.00	\$0.00
Amount Matured	\$150.50	\$51.90	\$175.50	\$289.65	\$191.00	\$0.00
Amount Outstanding	\$0.50	\$0.00	\$23.50	\$20.00	\$0.00	\$0.00

Source: Central Bank of Samoa

rate remaining at 3.50 percent from end FY2017/2018.

<sup>7</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.

<sup>8</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.

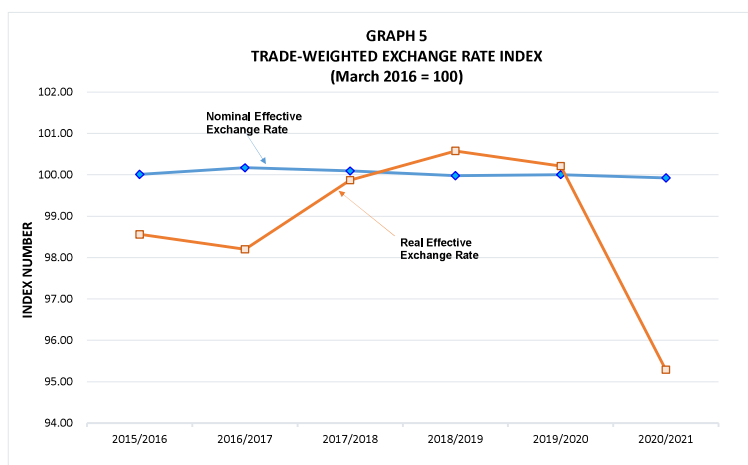
1<sup>st</sup> March 2021. The annual review was based on Samoa's distribution of merchandise trade and tourism earnings in the year to December 2020. A recent review of the currency basket, based on Samoa's trade performance in the year to March 2021, was also undertaken during the June 2021 quarter<sup>9</sup>.

The transition from an annual to a quarterly review was primarily arranged to monitor the movements of the major currencies and their impact on the Tala basket in response to the adverse impacts of COVID-19 developments worldwide on the foreign exchange markets.

The foreign exchange markets in FY2020/2021 saw the strong appreciation of most major currencies against the US dollar through most of the year, before the greenback posted modest gains in June. Driving the strength of the major currencies in Samoa's Tala basket (i.e. AUD, NZD and EURO) were the releases of strong domestic data in their respective countries, optimism resulting from the containment of Covid-19 in some of the major economies, the implementation of historical fiscal stimulus packages, and the successful vaccination developments which contributed to gradually easing restrictions and further boosted sentiments about the global recovery. These, as well as the general USD weakness resulting from varying US economic performances in the first half of this financial year as well as the market reactions during the US general elections in the December 2020 quarter, all contributed to the

broad surge in the major currencies against the USD. However, the revived geopolitical and trade conflicts, unresolved UK/EU Brexit tensions,

its main trading partners, partially reflecting an improvement in Samoa's international competitiveness. (See Graph 5).



natural disasters, preference by policymakers for further loosening monetary policies, the second and third Covid-19 outbreaks in some of the major countries including the recent surge of the Delta variant saw risk sentiments increase at times, and boosting demand for the safe-haven greenback. When compared to FY2019/2020, the Sāmoa Tala, on a bilateral basis, appreciated 4.9 percent against the US dollar and depreciated against the NZD (by 3.9 percent), AUD (by 5.8 percent) and the Euro (by 2.7 percent).

Overall, the nominal value of the Sāmoa Tala weakened modestly by 0.08 percent but depreciated 4.91 percent in real terms against the currencies in the basket in FY2020/2021. The real depreciation during the period under review was attributed to Samoa's lower inflation rate compared to those of

## 5. Foreign Reserves Management

Since 1984, the Central Bank of Samoa has been given the statutory (legal) responsibility of maintaining and managing the country's foreign exchange reserves.

Gross official international reserves<sup>10</sup> at end June 2021 expanded by 23.3 percent to SAT\$732.68 million from SAT\$594.27 million in the previous financial year. This reflected a 24.8 percent expansion in the Central Bank's foreign exchange holdings<sup>11</sup> to SAT\$718.17 million, from SAT\$575.31 million in FY2019/2020 due to the influx of official aid funds relating to the Covid-19 response and Budget Support during the year. On the other hand, Samoa's SDR holdings and Reserve Position at the International Monetary Fund declined by 23.5 percent to SAT\$14.51 million, from SAT\$18.97 million in FY2019/2020,

<sup>9</sup> These changes were endorsed by the CBS Board in its meeting on 25 June 2021 and will take effect on 1<sup>st</sup> July 2021.

<sup>10</sup> With the adoption of the new classifications of the International Monetary Fund's Balance of Payments recent TA mission in January 2021, Official International Reserves now reflects only the holdings of the Central Bank of Sāmoa and IMF Accounts.

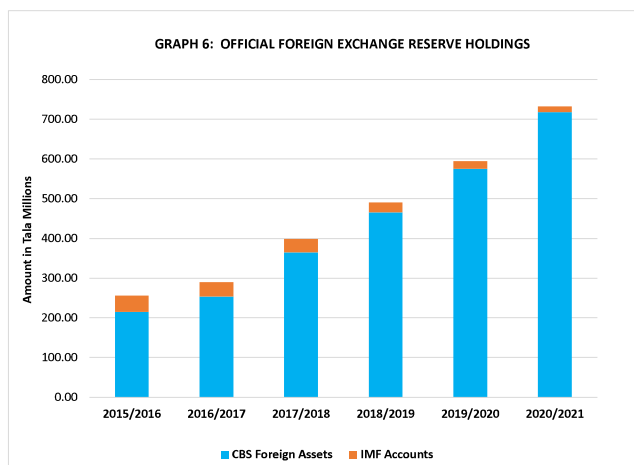
<sup>11</sup> Since 2014/2015, CBS foreign exchange holdings now includes the holdings of the Special Drawing Rights (SDR) and IMF accounts that were previously held by the Ministry of Finance. The movement in CBS foreign exchange holdings reflects the inflows of Government's budget support funds as 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).



reflecting the repayments of the Rapid Credit Facilities (RCFs) at the IMF<sup>12</sup>. (See Graph 6.)

in Reserve Banks and financial institutions with a minimum of A-2 credit ratings<sup>13</sup> for short term and

the Central Bank continues to not hold any Euro investments given its current negative interest rates. The Chinese dollar-denominated (RMB) foreign reserves, which became a major reserve currency following its addition to the IMF's Special Drawing Right (SDR) currency basket in October 2016, reflects the international transaction trends between Samoa and China, and is consistent with the global investment trends amongst central banks. On 7 April 2021, CBS also included another major reserve currency in its foreign exchange holdings, with the official establishment of its Japanese Yen account with the Bank of Japan, to facilitate future external obligations.



The Central Bank's foreign exchange holdings were continually invested in line with the foreign reserve management objectives comprising of liquidity, safety and optimal return. Consistent with the CBS Board endorsement of the annual review of the CBS Foreign Exchange Investment Policy and Guidelines in 2020 that took effect on 1<sup>st</sup> July 2020, a fourth objective for foreign reserves management now allows for any excess foreign reserves to be held in a sustainable and responsible investment. This additional objective shall reflect broad environmental, social and governance (ESG) considerations, with the first step towards investment in green or blue bonds.

Accordingly, the Bank's foreign investments were placed in liquid, short-term to medium-term financial instruments consisting of term deposits, negotiable certificates of deposit, repurchase agreements and interest-bearing call accounts

BBB+ for long term. Investments in government bonds are limited to a term of 3 years.

The 2020 CBS Foreign Exchange Investment Policy and Guidelines also reflected the review and adjustment of the composition in the Central Bank's foreign exchange holdings (excluding the IMF's SDR holdings), which accounted for prevailing economic and financial conditions<sup>14</sup>. The composition of the foreign exchange holdings mainly reflects the country's major sources of funds and projected overseas payment obligations at various foreign currencies, while also noting expected global yield environment and foreign exchange outlook. The three main foreign currency holdings are the USD, NZD and AUD, which largely reflects the close trading relationship between Samoa and these countries. While the Euro currency remains an eligible and acceptable foreign reserve currency as part of Samoa's foreign exchange reserves holding,

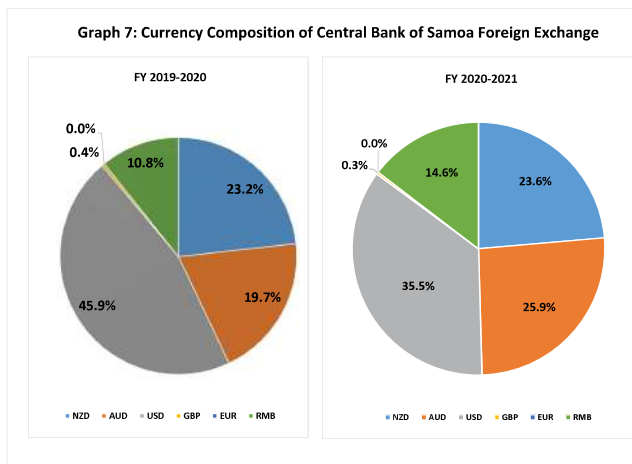
Compared to the previous year, there were some slight changes to the composition of CBS foreign exchange reserves in June 2021. Increased inflows of official foreign aid assistance as part of the COVID-19 Response and Budget support contributed to the higher holdings of NZD and AUD in FY2020/2021 compared to the previous year. The holdings of Chinese Renminbi (RMB) reserves expanded in FY2020/2021 due to the absence of the usual external debt repayment obligations, as part of the G-20 Debt Service Suspension Initiative (DSSI) that Samoa signed up to. By comparison, reductions were recorded for USD investments and GBP foreign exchange reserves, consistent with the near zero percent investment environment and replenishment of other foreign currency holdings. (See Graph 7.)

The intensified global spread of the COVID-19 pandemic has had huge impacts on public health and

<sup>12</sup> Refer to Note 14 of the CBS Financial Accounts. The Rapid Credit Facilities from the IMF are loan facilities to support Samoa's official foreign reserves, and are solely for balance of payments purposes. Accordingly, they are reflected in the CBS Financial Accounts and are not part of the country's external debt position.

<sup>13</sup> 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.

<sup>14</sup> The 2021 review of the CBS Foreign Exchange Investment Policy and Guidelines was endorsed by the CBS Board of Directors in the May 2021 Meeting and will take effect on 1<sup>st</sup> July 2021.



unprecedented shocks to economies and labour markets worldwide. This has also added further challenges in the management of foreign reserves. As shown in Section II, Part (1), most of the central banks have maintained their policy rates to historically low levels near zero percent. As a result, despite the higher total volume of AUD, NZD and RMB holdings when compared to last year, the steep reduction in market interest rates across the globe and for all foreign currencies have severely impacted interest returns on our foreign investments. As a result, total interest income from CBS-managed foreign investments in 2020/2021 decreased by 41.4 percent to SAT\$5.98 million from SAT\$10.20 million in the previous financial year.

## 6. Foreign Exchange Control<sup>15</sup>

Exchange Control continues to play an essential role in the maintenance of adequate foreign exchange reserves and to support monetary policy. There was no annual review of Exchange Control policies and procedures undertaken in 2020, with the changes since August 2019 remaining effect during FY2020/2021. This review exercise resumed in

The 2021 review of Exchange Control policies and procedures concluded in June, with minor changes to take effect on 1<sup>st</sup> August 2021.

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.

<b>Type of Foreign Exchange Payment</b>	<b>Current</b>	<b>Starting 01<sup>st</sup> August 2021</b>
Medical/Health Payments	A delegated limit of SAT\$100,000 per applicant per year	Fully delegated to financial institutions to process, with no more limit or referral to CBS for prior approval. This will be subject to the submission of relevant supporting documents.
Procedural changes in application process for foreign currency deposit accounts (FCDAs) held in the name of Samoan resident.	This is referred to CBS for prior approval before a commercial bank can process.	FCDAs resident applicants may submit their request directly to the commercial banks for their assessment and due diligence checks as part of the banks' account opening processes. Final approval and consideration by CBS will be provided based on the commercial banks' assessments and consistent with current Exchange Control policies on FCDAs.

March 2021, with a further relaxation of exchange controls on certain payments, to mirror the prevailing economic environment and ensure efficient practices. The authorized banks and money transfer operators were largely compliant with exchange control policies and procedures, with minor issues relating to reporting, timeliness and inadequate supporting documents at times, which were identified and addressed during the Bank's monitoring process. The Central Bank acknowledges the continued collaboration provided by our stakeholders and the general public in the administration of our Exchange Control Regulations.

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

- **Export procedures** whereby all exporters must register with the Bank and are required to remit their export proceeds into the country within a specified timeframe.
- **Foreign Currency Deposit Accounts<sup>16</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

<sup>15</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>16</sup> Apart from residents, non-residents such as the diplomatic missions and official international organizations are also able to hold FCDAs.

the financial year under review, twenty-two (22) new Foreign Currency Deposit Accounts (FCDAs) were approved compared to twenty-three (23) in 2019/2020. Two (2) of the approvals were for individuals who worked domestically and are earners of foreign currencies, while twenty (20) were for businesses, including exporters, construction companies and other business sectors who provide services to overseas clients and/or engage regularly in foreign transactions. The following were recorded as at end FY2020/2021:

There are now 177 active FCDAs of residents across the domestic banking system, with a total value of SAT\$24.09 million as at end June 2021 compared with 181 active FCDAs of residents at end June 2020 amounting to SAT\$48.40 million;

The decreased number of active FCDAs of residents in the domestic banking system reflected the withdrawal of USD banking services to one of the financial service industries.

FCDAs were available in 6 foreign currency denominations, namely the Australian dollar, New Zealand dollar, US dollar, Fijian dollar, European Euro and Japanese Yen.

The Central Bank continued to accept the digital submission of any foreign currency payment applications and export permit requests during the year, in view of initial COVID-19 State of Emergency Orders in 2020. This change in submission process also continued to emphasize the importance of relevant supporting documents as part of the monitoring system for Exchange Control procedures.

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.

The operations of the commercial banks has been adversely impacted by the pandemic due mainly to continuous border shut down as well as the State Of Emergency (SOE) enforcement. The tourism industry, in particular the hotels, restaurants and transport services was the hardest hit sector. This has resulted in the overall decline in credit growth and slowed down the bank's profitability over the last twelve months.

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 2021

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 unfortunately indicated an increase in non-performing loans. However, provisions for bad and doubtful debts were sustained at an adequate level at the end of June 2021.

In June 2021, the banking system recorded an increase in total assets of 5.7 percent (\$101.0 million) to \$1.864 billion against total liabilities of \$1.548 billion which went up by 5.6 percent (\$81.9 million) respectively.

Much of the growth in assets was attributed mainly to the remarkable increases in currency and deposits by 32.2 percent (\$138.1 million) and other assets by 70.3 percent (\$17.5 million) in that order. This was partly offset by the drop in the level of debt securities by 84.2 percent (\$40.4 million), loans and

advances by 0.7 percent (\$8.0 million) and nonfinancial assets by 2.3 percent (\$3.1 million). Total loans and advances to deposits ratio went down from 85.6 percent a year earlier to 79.8 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 \$237.7 million, increased by 3.9 percent (\$8.9 million) from \$228.8 million a year earlier due mainly to the increases in prior year’s audited retained profits. Tier two capital of \$43.8 million went up by 11.7 percent (\$4.6 million) caused mainly by the increase in the unaudited retained profits, bringing total capital (Tier one plus Tier two) to \$281.5 million at the end of the period.

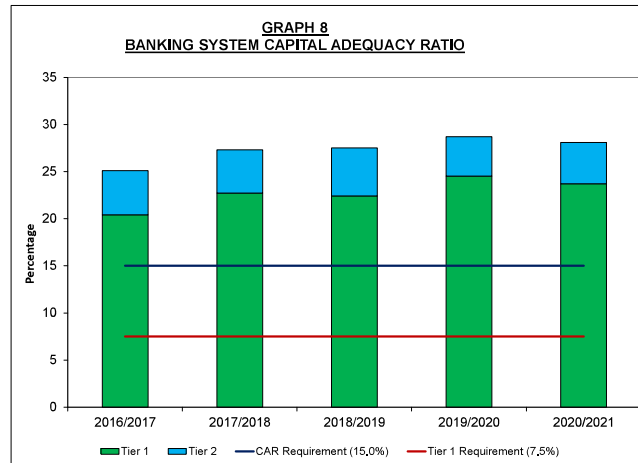
Hence, the banking system remained strongly capitalized with an aggregate ratio of 28.1 percent, 28.7 percent recorded the previous year. Meanwhile, Tier one capital was recorded at 23.7 percent. At such levels, the banking system recorded a surplus capital of \$131.2 million at the end of June 2021.

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 8)

for potential or identified losses.

In the twelve months to end June 2021, total loans and advances dropped by 0.7 percent (\$8.0 million) to \$1.161 billion. At this level, total non-performing loans revealed an increase by 24.5 percent (\$8.4 million)

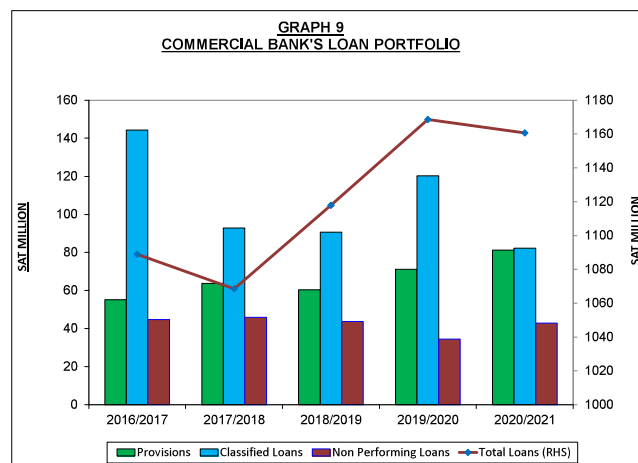


### 1.3. Asset Quality

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 are maintained to cover

to \$42.8 million representing a 3.7 percent of total loans and advances.

At this level, specific provision of \$42.2 million provides 98.5 percent cover for total non-performing loans. Total provisions for bad and doubtful loans amounted to \$81.2 million (7.0 percent of total loans and advances to date) is sufficient to cover loss against total non-performing loans. (See Graph 9)





### 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 40.5 percent (\$469.9 million), also increased by 7.1 percent (\$31.0 million). Other industries such as professional services accounted for 17.0 percent (\$197.7 million), trade at 14.9 percent (\$172.5 million), transportation at 6.5 percent (\$75.3 million), manufacturing at 3.3 percent (\$38.4 million), households consumptions at 1.4 percent (\$16.2 million), and other activities at 12.9 percent (\$149.8 million) in that order. (Refer Table 5)

39.8 percent of total loan portfolio registered an increase of 1.1 percent (\$4.9 million) accordingly. Other nongovernment organizations constituted 2.1 percent (\$24.5 million) and revealed an increase of 82.9 percent (\$11.1 million) over the year. Credit exposure to the Government sector, including non-financial public enterprises and non-monetary financial institutions dropped by 55.1 percent (\$29.7 million).

### 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

liquid assets amounted to \$370.7 million, equivalent to 27.4 percent of total domestic deposit liabilities. At this level, it showed a favorable improvement of 28.5 percent (\$82.3 million) when compared to the same time a year earlier. In addition, investments in CBS Securities continued to record a zero amount at the end of June 2021 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 \$900.7 million as compared to short term deposit liabilities of \$1.061 billion. In the 3 months and over category, long term loans stood at \$1.093 billion against long term deposits of \$417.1 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

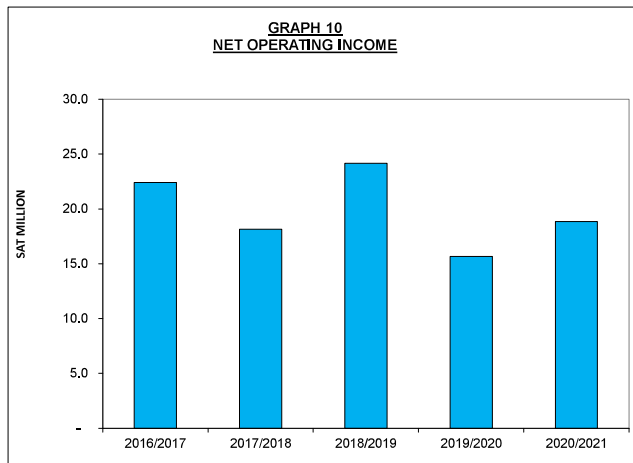
Based on the banks' different accounting periods, the banking system combined profit figure (before extraordinary items and taxation) amounted to \$25.9 million, indicating an increase of 20.7 percent (\$4.4 million) over a year earlier. Despite the adverse impact of the COVID-19, the banking system gained profits at the end of the period under review. Following the deduction of tax, the net profit for the commercial banks in 2020/21 stood at \$18.9 million compared to \$15.7 million recorded in the previous year. (See Graph 10)

	<u>June 2020</u>	<u>June 2021</u>
Agriculture	0.4	0.7
Fisheries	1.0	0.9
Manufacturing	3.6	3.3
Building, Construction & Land	37.6	40.5
Electricity, Gas & Water	0.8	1.3
Trade	12.6	14.9
Transportation	6.9	6.5
Professional Services	16.8	17.0
Household consumptions	4.3	1.4
Others	16.0	13.5
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

In terms of loans by sectors, the business sector which contributed 56.0 percent significantly increased by 0.9 percent (\$5.8 million) while household loans which made up

banks. As such, banks are expected to have in place effective systems for managing their liquidity positions.

At the end of June 2021, total



Total operating income went down by 9.8 percent (\$7.9 million) while total operating expenses and provisions decreased by 20.8 percent (\$12.3 million) on an annual basis respectively. At this level, the efficiency ratio of the banking system stood at 59.4 percent, strengthen from 72.2 percent registered a year earlier.

On the income side, the major contributing factor highlighted a reduction in the banks' interest income of 3.6 percent (\$1.9 million) to \$50.5 million on an annual basis.

The overall decrease in total operating expenses and provisions by 20.8 percent (\$12.3 million) revealed the noticeable reductions mainly at some of the non-interest expenses such as taxes and licenses by \$10.4 million, management fees by 31.3 percent (\$1.6 million) and operating expenses by 9.5 percent (\$0.8 million).

Return on average net worth of 16.5 percent and return on average total assets of 2.8 percent both decreased as compared to the levels recorded at June 2020.

### 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 2021 stood at \$159.8 million, up by 3.3 percent (\$5.1 million) over June

2020. Total foreign liabilities of \$172.0 million also increased by 82.9 percent (\$77.9 million) over the same time a year earlier. At this level, the banking system reflected a net short open position of \$18.2 million, accounting for 6.5 percent of total capital (23.8 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 2021, a total of twenty-six (26) insurers and intermediaries were licensed under the Act and are listed as follows:

- i. Seven (7) insurance companies (2 life and 5 general);
- ii. Two (2) insurance brokers; and
- iii. Seventeen (17) insurance agents.

During the period, the Bank granted a general insurance license to Samoa Surety Insurance Limited, to operate as a general insurance company in Samoa after satisfying the statutory requirements for the establishment of an insurance company. Furthermore, the Bank released a public notice in May 2021 regarding the temporary closure of one of the insurance brokers until further notice.

### 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 2020/2021, the Bank conducted a full scope onsite inspection to one of the life insurers. An onsite report was prepared and submitted to the insurer within the prescribed timeframe of one month.

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 Bank. 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 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

As of June 2021, the consolidated total assets of the insurance sector (life and general) increased by 9.6 percent (\$10.5 million) to \$119.5 million as compared to June 2020 figure of \$109.0 million. Of total, the general insurance sector represented

56.0 percent (\$67.0 million) whilst the life sector accounted for the remaining 44.0 percent (\$52.5 million) in that order.

#### 2.4.1.2. Liabilities

Similarly, the liabilities of \$66.4 million grew by 5.6 percent (\$3.5 million) over the FY2019/2020. Life insurance dominated 62.2 percent (\$41.3 million) whereas general insurers covered 37.8 percent (\$25.1 million) respectively.

#### 2.4.1.3. Shareholders' Funds and Reserves

The combined shareholders' fund for the domestic insurance industry stood at \$53.1 million, up by 15.2 percent (\$7.0 million) as compared to the last financial period. The general insurers dominated the total funds by 78.8 percent (\$41.8 million) while life insurance represented 21.2 percent (\$11.2 million) correspondingly.

### 2.4.2 Solvency Position

For FY2020/2021, the insurance industry achieved a combined solvency surplus of \$22.1 million compared to a \$15.6 million recorded in the same period last year, revealing an increase of 41.9 percent (\$6.5 million). Such surplus was derived from adjusted net assets of \$28.3 million less solvency margin of \$6.2 million respectively. The general insurers dominated 59.3 percent (\$13.1 million) of surplus.

### 2.4.3 Liquidity Position

The combined liquid assets of the domestic insurance industry grew to \$31.7 million from \$25.3 million by 25.5 percent (\$6.4 million) over the last twelve months. The composition of liquid assets includes bank

deposits totalled \$19.9 million and cash balances of \$11.8 million in that order. Total liquid assets provided adequate coverage for short term liabilities of \$7.5 million. The general insurance sector represented 59.4 percent (\$18.9 million) whilst the life sector covered the remaining 40.6 percent (\$12.9 million) respectively.

#### 2.4.4 Gross Premiums

The combined gross premiums of the life and general insurance sectors increased by only 1.6 percent (\$0.4 million) to \$24.1 million over June 2020. Of total, 66.3 percent (\$16.0 million) represented the general insurance sector while 33.7 percent (\$8.1 million) was the life insurance sector.

#### 2.4.5 Claims

In terms of gross claims and policy payments, the domestic insurance sector reported an aggregate total of \$9.5 million, which was 7.4 percent (\$0.6 million) higher than the previous year's balance of \$8.9 million in that order. The life insurance has the highest value of payments made in June 2021 (i.e. \$7.1 million or 74.3 percent of total).

#### 2.4.6 Profitability Performance

For FY2020/2021, the insurance industry registered an unaudited combined profit of \$5.7 million as compared to a profit of \$5.4 million achieved in June 2020, recording an increase by 5.7 percent (\$0.3 million) respectively. The general insurance sector accounted for 76.8 percent (\$4.4 million) of total profit.

#### 2.4.7 Underwriting Performance

The combined underwriting performance of the life and general

insurance sectors stood at \$7.7 million, up by 7.6 percent (\$0.5 million) as compared to the past twelve months balance of \$7.2 million correspondingly. Bulk of this amount (i.e. 98.2 percent of \$7.6 million) was dominated by the general insurers.

### 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 Corporation (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-banks are furnished on a monthly

and quarterly basis for ongoing reviews and analysed in determining the quality of key areas of their operations for financial soundness.

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

#### 3.2.1. Balance Sheet

##### 3.2.1.1. Total Assets

Total assets of the four (4) non-banks at the end of June 2021 stood at \$1.3 billion, up by 7.0 percent (\$94.6 million) as compared to June 2020. Such movement was caused by the growths in both fixed assets (net) and loans and advances (net) by 21.6 percent (\$46.3 million) to \$214.5 million (accounted for 16.0 percent of assets) and by 4.2 percent (\$35.1 million) to \$829.5 million (dominated 61.7 percent) respectively. Other assets components included investments of \$179.0 million (13.3 percent), bank deposits totalled \$111.6 million (8.3 percent) and other assets of \$9.8 million (0.7 percent) respectively (refer Graph 11).

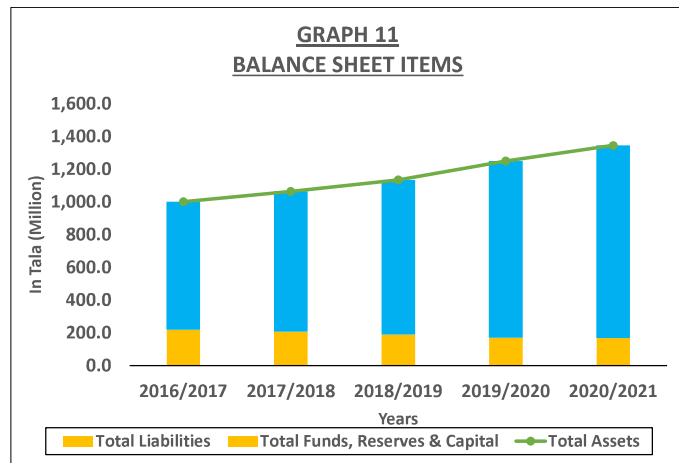
##### 3.2.1.2. Total Liabilities

In contrast, total liabilities of \$166.7 million dropped by 1.4 percent (\$2.4 million) over the last twelve months. During the period, borrowings were reduced by 2.7 percent (\$3.4 million) to \$124.2 million, representing 74.5 percent of liabilities. The remaining 25.5 percent comprised of convertible notes of \$19.5 million and other liabilities aggregated at \$23.0 million in that order (refer Graph 11).

##### 3.2.1.3. Total Funds, Reserves and Capital

For FY2020/2021, total Funds, Reserves and Capital of the four

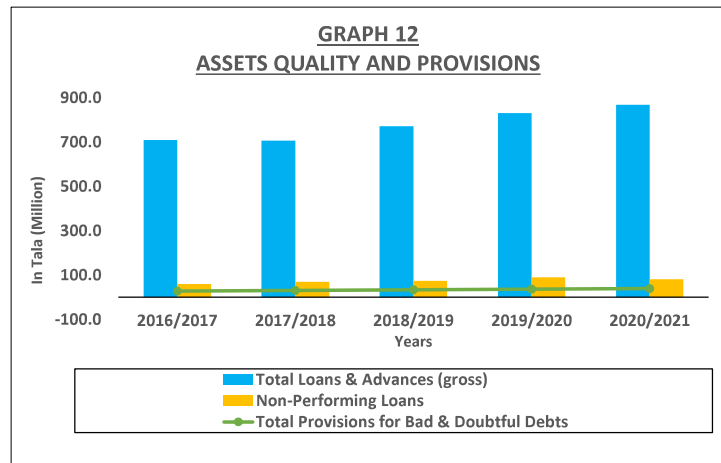
non-banks stood at \$1.2 billion and recorded an increase by 8.2 percent (\$97.0 million) as compared to the preceding year. The contributions and other accounts with a combined total of \$1.0 billion represented 86.9 percent of total funds and reported an increase by 7.8 percent (\$74.4 million). Other components included general reserves and assets revaluation of \$97.0 million (8.2 percent), and cumulative profits and paid-up capital aggregated at \$84.2 million (7.1 percent) respectively (refer Graph 11).



of total loan portfolio respectively (\$26.2 million) over the last twelve months unaudited profit of \$81.7 (refer Graph 12).

### 3.2.2. Total Loans and Advances

At the end of June 2021, the total loan portfolio (gross) of the non-banks grew by 4.4 percent (\$38.2 million) to \$868.9 million as compared to June 2020 (refer Graph 12). The distribution of loans by industry groups revealed that Professional and Business Services represented 23.9 percent (\$207.9 million), Building, Construction and Installation by 21.3 percent (\$184.8 million), Agriculture, Fisheries, Manufacturing, Trade and Transport accounted for 4.8 percent (\$41.8 million) and other activities dominated 50.0 percent (\$434.3 million) correspondingly.



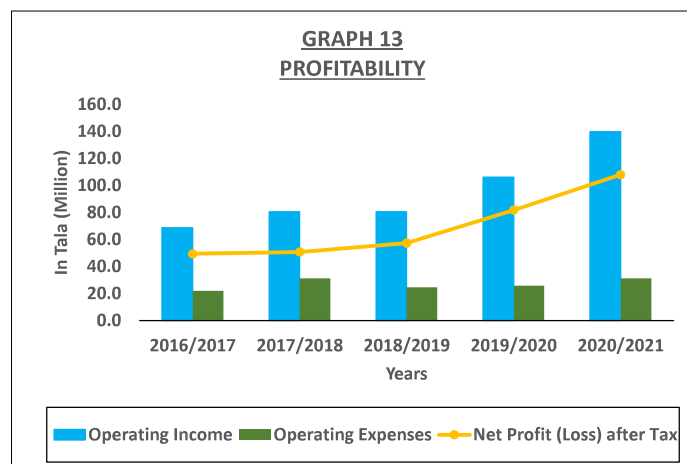
### 3.2.3. Assets Quality and Provisions

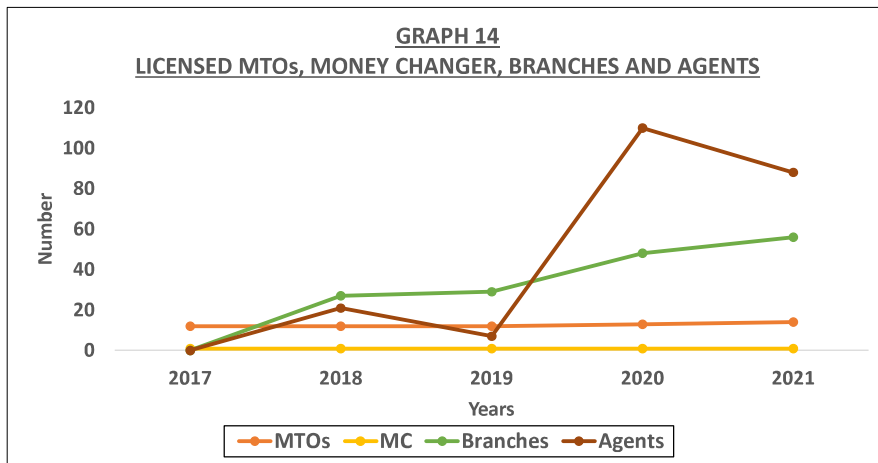
For FY2020/2021, the non-banks registered a combined non-performing loans (NPLs) balance of \$81.5 million compared to \$89.5 million reported in FY2019/2020, showing a decrease by 9.9 percent (\$8.0 million). Total NPLs is equivalent to 9.4 percent of total loans and advances. At this level, total provisions for bad and doubtful debts of \$39.4 million (\$36.3 million in June 2020) accounted for 48.4 percent of total NPLs and 4.5 percent

### 3.2.4. Profitability

The non-banks recorded a combined unaudited profit after tax of \$107.9 million at the end of FY 2020/2021, recording an increase by 24.3 percent

million. Meanwhile, total operating income stood at \$139.6 million (\$106.1 million last year) whilst total operating expenses recorded at \$31.1 million (\$25.8 million in June 2020) respectively (refer Graph 13).





#### 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).

As required, MTOs and MC must renew their licenses at the beginning of every year. In January 2021, the Bank issued renewal licenses to the following institutions:

- i. Fourteen (14) MTO licenses;
- ii. One (1) MC license;
- iii. Fifty-six (56) MTO branches licenses; and
- iv. Seventy (70) MTO agents' licenses.

#### 5. Expanding the Central Bank's Supervisory Framework

With a view to achieving compliance with government policy across the whole of the financial sector, the Central Bank of Samoa (CBS) plans to expand its coverage of the oversight to all financial institutions operating in Samoa, including the credit unions, microfinance companies and moneylender businesses.

To accommodate this policy change and to provide for consistency, the CBS, in collaboration with a consultant funded by the Samoa Governance Support Programme (financed by the Government of

Australia) and implemented by Adam Smith International, initiates the drafting of three (3) new bills: the Samoa Moneylenders Bill, the Samoa Microfinance Bill and the Samoa Credit Unions Bill. These 3 new bills, once become laws, will be administered by the CBS for the licensing, regulation and supervision of these lending institutions.

The first virtual consultation with the consultant for the 3 bills was held on 28<sup>th</sup> October 2020. More work is expected to be done on this project before it becomes final.



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 at 30<sup>th</sup> June 2021, when compared to the previous period, commercial bank branches and the number of Electronic Funds Transfer at Point of Sale (EFTPOS) outlets decreased slightly to 23 from 25, and 590 to 587, respectively. On the other hand, increases were noted in the number of Automatic Teller Machines (ATMs) to 75 from 73, and the number of cash-in & cash-out bank agents<sup>17</sup> (merchant stores) to 46 from 33 agents.

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 continued to offer their mobile financial services also known as mobile money. Digicel launched its My Cash App in December 2020 replacing its Digicel Mobile Money brand. For the financial year under

review, there has been a decrease in the number of mobile money (MM) customers enrolled by 7.78% compared to the previous financial year. However, the number of active mobile money users has increased by 13.44% (from 5,173 at end June 2020 to 5,976 at end June 2021) while the number of mobile money agents decreased from 116 in June 2020 to 106 at end June 2021.

Furthermore, there was also a significant boost in the number of transactions done via mobile money by 31% from end June 2020 to end June 2021. The top two transactions being transfer payments (including person to person transfers and bill payments) and cash out (or cash withdrawal) transactions.

### 1.3 Financial Inclusion Measurement

At end June 2021 the overall number of cash-in and cash-out access points per 10,000 adults in the country decreased by 29% compared to the previous financial year. This is due to a decrease in the number of Mobile Money Agents from 116 in June 2020 to 106 in June 2021. Most indicators continue to reflect the concentration of financial access points in the Apia Urban Area, when compared to the other areas.

CBS continues to gather, analyse and compile Quarterly National Financial Inclusion Data Reports from Commercial Banks, Mobile Money Providers, Micro Finance Institutions and Insurance Companies. These are presented to the National Financial Inclusion Taskforce at its quarterly meetings.

### 1.4 National Payment System

#### Automated Transfer System (ATS) & Central Securities Depository (CSD) Implementation

Part of the responsibilities for the oversight of the country's National Payment System provided in the National Payment System (NPS) Act 2014 is the installation of a system that aligns all available payments system by various service providers. To this end, with the technical assistance of the World Bank/IFC, the successful vendor was secured (namely Montran) and the work continues for the installation of the Automated Transfer System/Central Securities Depository (ATS/CSD).

The system hardware and software installation at the CBS main office was completed in August-October 2020. Furthermore, system documentation for the participation of the Ministry of Finance and Ministry of Customs and

<sup>17</sup> Cash-In and Cash-out Bank Agents – Cash In or Cash Deposit is the exchange of cash for electronic value and Cash-out or Cash Withdrawal is the exchange of electronic value for cash

Revenue was finalised in December 2020.

However, the planned face to face system training by Montran was substituted by virtual trainings due to travel restrictions brought about by the COVID-19 pandemic. The virtual training for CBS on ATS was conducted in June 2021.

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 with its objectives of reducing lender risk and improving access to finance by allowing lenders to access more reliable information about all current and potential borrowers and their credit obligations; while at the same time making available more choices and better borrowing terms for consumers.

With the assistance of PSDI/ADB during the period under review, both the Policy Paper and Issues Paper were finalised. These key documents are necessary to support the drafting of the credit bureau bill, which is the priority activity for the credit bureau work. Completion and finalisation of the bill is earmarked for December 2021.

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

In August 2020, the CBS co-hosted with PFIP and UNESCAP a consultation workshop to launch the MSME Access to Finance Report, as well as the

additional supplementary COVID-19 report which were completed in June 2020. The reports were prepared by the consultant, Mr John Hardin.

Following the recent MSME Development Policy and Strategy that was launched in April 2021, CBS commenced putting together a data template that aligns with the standardized MSME definition/policy for financial institutions' reporting. This work is continuing.

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

### **2.1 CBS Financial Literacy Campaign 2021**

The Central Bank launched its financial literacy campaign called Tala and Sene's Financial Adventures in January 2021. The 12 month campaign brings to focus various financial topics for one month. The campaign is social media based and is mainly focused on using the Facebook platform through the Financial Literacy by Central Bank of Samoa page whilst also utilising other platforms such as YouTube and local radio.

### **2.2 CBS Financial Literacy Brochures**

The Central Bank continues to provide financial literacy brochures which are publicly available. These brochures are available at the Central Bank of Samoa building floor 1 and website. The brochures are in a set of four which are: Managing Money, Spending Money, Saving Money and Borrowing Money.

Brochures are also provided based on requests from various organizations. In July 2020, CBS provided 700 brochures to the Nofotane Project of the Samoa Victim Support Group

in their efforts to empower women through entrepreneurial activities.

## **2.3 Financial Literacy Assistance**

We continued to assist with providing financial literacy awareness presentations when requested by various Government Ministries as part of their programs on offer to selected participants. Such programs that the CBS have assisted during this financial year are as follows;

### **DBS Agriculture Value Chain Finance Project**

CBS continues to facilitate financial literacy trainings as requested from the Development Bank of Samoa in managing basic income for farmers that are involved in the Agriculture Value Chain Finance Project. In September 2020, a financial literacy training was conducted to assist the latest intake of 4 participant farmers.

### **MWCSD Small Business Incubator for People with Disability**

In April 2021, the MWCSD conducted in Savaii its Samoa Disability Development Program (SDDP) which is part of their Small Business Incubator (SBI) without walls initiative and is funded by Australian AID. The program aims to provide people with disabilities and their carers/families with essential business and financial literacy training. The CBS assisted the program with its Financial Literacy presentation and how it relates to the overall goal of the initiative. The program was participated by 29 Caregivers and 27 people with disabilities.



### 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 meetings throughout the financial year sharing initiatives and progress in promoting financial inclusion and financial literacy in the country. With the strategy nearing the end of its term, the consultant, Ms Bhavana Srivastava, was contracted to review the NFIS 2017-2020 and also to conduct consultations for the new NFIS 2021/2022 – 2026/2027. The review of the NFIS 2017 – 2020 and consultation for NFIS 2021/2022 – 2026/2027 were conducted in August - September 2020. These consultations were done through bilateral meetings with financial inclusion stakeholders which includes financial services providers, government ministries and agencies, development partners and end-user focus groups.

#### 3.2 National Digital Identification Steering Committee

The CBS is a member of the Steering Committee for the National Digital ID that provides strategic direction and oversight in implementing the National ID project. The National ID project is led by the Samoa Bureau of Statistics.

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

The CBS continued to be an active primary member of the AFI network,

which is the world's leading organisation on financial inclusion policy and regulation. The CBS Governor, Maiava Atalina Ainuu-Enari, is a Board member of AFI since 2017 and her tenure will conclude in September 2021. The AFI Board is the governing body of AFI.

The CBS actively contributes to the work of the Alliance with its participation in the 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. Furthermore, CBS has also participated in virtual member trainings on inclusive green finance, financial inclusion data, agent networks, MSME Access to Finance and NFIS implementation and monitoring.

#### ***Pacific Islands Regional Initiative***

At the regional level the CBS continued to work closely with other central banks in the Pacific in the Pacific Island Regional Initiative (PIRI). CBS participated in PIRI leader's roundtable and EGFIP virtual meetings in May 2021.

Under PIRI, the CBS continues to work with AFI and PIRI members to implement the Regional Regulatory Sandbox in the Pacific. To date, the online portal for the regional sandbox is soon to be implemented while each member country works on their respective national sandboxes to complement the regional regulatory sandbox<sup>18</sup>.

#### 3.4 Pacific Digital Economy Program (PDEP) and Pacific Insurance Climate Adaptation Program

The Pacific Financial Inclusion Programme (PFIP) joint program of the United Nations Capital Development Fund (UNCDF) and United Nations Development Programme (UNDP) reached the end of its term at end June 2021. The CBS had received good support from PFIP for its financial inclusion agenda and enjoyed a strong working relationship with PFIP through its Financial Inclusion Coordinator in Samoa.

The CBS will continue its strong collaboration with UNCDF and UNDP through its new programs replacing PFIP. These are the Pacific Digital Economy Program (PDEP) and Pacific Insurance Climate Adaptation Program (PICAP). PDEP aims to work with private and public sector partners to build inclusive digital economies targeting low-income households with cross-cutting focus on women, youth, migrant and MSME segments. The objective of PICAP is to improve the financial preparedness of Pacific households, communities, small businesses, organisations and governments towards climate change and natural hazards through a combination of stakeholder engagement, co-creation of solutions, awareness and capacity building, innovative financing options and digital linkages – with a robust interface to the 2030 Sustainable Development Goals.

#### 4. Sustainable Finance

In recent years, central banks and regulatory authorities worldwide have increasingly recognized

<sup>18</sup> A term given to a test and learn approach, whereby a new innovation is given admission by the Regulator to pilot in a controlled environment to test commercial viability under regulatory compliance. It is also an opportunity for the Regulator to review its regulatory space for any gaps and improvements.

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.

Sustainable finance generally refers to "any form of financial service integrating environmental, social and governance (ESG) criteria into the business or investment decisions for the lasting benefit of both clients and society at large" (Swiss Sustainable Finance). The integration of these sustainability considerations is consistent and would contribute towards achieving the United Nation's Sustainable Development Goals (SDGs) and the Paris Climate agreement in relation to the environmental challenges.

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.

During the year, the initial drafting of a Sustainable lending Guidelines and Principles document for the financial institutions began. This will contribute to the policy framework to assist with the promotion of sustainable and green finance in Samoa in the near future. Further, current lending in this area has been gradually collected since April 2020 to form the baseline data for future measurement of the progress in this initiative.

***Improving the Performance and Reliability of Renewable Energy Power Systems in Samoa (IMPRESS) Project***

The IMPRESS project is coordinated by the Ministry of Natural Resources

and Environment and aims to improve sustainable and cost-effective utilization of indigenous Renewable Energy resources for energy production in Samoa. The CBS was invited to be part of this project on a Technical Working Group meeting in September 2020 in relation to Components 3 and 4 which focuses on access to financing and business models for electricity saving, productive and social uses of renewable energy.

The CBS continues to contribute to the project by providing responses to questionnaires and encouraging commercial banks in providing necessary information to the project coordinator in developing business model and financing scheme for renewable energy.

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

Samoa submitted its Enhanced Follow up Report to the APG on 11<sup>th</sup> June 2021 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 2021. Samoa will continue to work on reforms to rectify deficiencies as identified in its MER 2015. Samoa’s Follow-up Assessment (“FUA”) is scheduled in 2021/2022.

### 1.2 Confiscated Assets Fund (“CAF”)

The Governor is the Administrator of property forfeited or restrained under the Proceeds of Crime Act 2007 (“POCA”). Her appointment was made by the Attorney General under section 82 of POCA. As the Administrator of the Confiscated Assets Fund (“CAF”), the Authority continues to liaise closely and work

together with the Police, Customs and the Attorney General’s Office in transferring, storage and safe keeping of these assets.

The CAF term deposit account with the Samoa Commercial Bank (“SCB”) was opened with \$40,000 (19 May 2016). The amount is rolled over for every twelve months at 3% interest rate. The balance stood at \$49,495.68 as of May 2021. The next maturity date is on 19 May 2022.

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

Through APG, the Asia Development Bank (ADB) provided Samoa support and funds for a consultant who is presently collaborating with SFIU to update the National Risk Assessment (NRA). Samoa’s second NRA is due to be finished in August, that will contribute to the design of a new National Strategy for Combating Money Laundering and Countering Terrorism Financing, which is due in December.

### 1.4 Quarterly Meetings

The FIU continues to host Quarterly

	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
<b>STRs Received</b>	43	87	76	105	134
<b>Disseminations</b>	10	3	27	61	7
<b>Requests</b>	14	22	10	8	106
<b>BCRs</b>	9	24	67	59	13
<b>Notices</b>	0	12	4	2	5

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 up to FY2020/2021.

### 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, analysed

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	134
STRs Disseminations	7

## 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.

The following table summarizes cash transactions reported by financial institutions from FY2020/2021:

FINANCIAL INSTITUTIONS	TOTAL NUMBER OF TRANSACTIONS
Commercial Banks	46,463
Money Transfer Operators	1,700
<b>TOTAL</b>	<b>48,163</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 SAT20,000 or more and complete the border cash report. These reports must filed to the FIU by any authorized officer who is on duty at the border.

During this period, no report was received by the FIU from the Customs regarding cash declaration at the border since the borders remain

closed, due to the pandemic.

## 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 (2019-2020) was due to the outbreak of COVID-19.

The table below summarizes approval issued by the FIU during this period.

FINANCIAL INSTITUTIONS AND INDIVIDUALS	NUMBER OF APPROVAL IN SAMOAN TALA	NUMBER OF APPROVAL IN OTHER CURRENCIES
Commercial Banks	1	5
Money Transfer Operators	3	3
Individuals	0	1
<b>TOTAL</b>	<b>4</b>	<b>9</b>

## 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 confidentially 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.

YEAR	REQUESTS RECEIVED THROUGH EGMONT	COUNTRY	REQUESTS MADE THROUGH EGMONT	COUNTRY
2020	1	India	1	Australia
2021	1	Taiwan	1	New Zealand
<b>TOTAL</b>	<b>2</b>		<b>2</b>	

Requests Received	2
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, money laundering offences, an offence of financing terrorism or any other offences under the MLP Act.

Due Diligence Checks	34
Background Checks	68
<b>TOTAL</b>	<b>102</b>

## 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.

In July 2020, the FIU and an AML consultant from the United Kingdom trained members of the Money Laundering Prevention Task Force, Financial Institutions, and Designated Non-Financial Businesses and Professions. (DNFBPs). The training's goal was to introduce the National Risk Assessment Methodology for collecting data and information in order to update the Samoa National Risk Assessment 2021. In March 2021, the FIU also held Cash Transaction Report awareness training for the BSP and an Introduction to Money Laundering Obligation as a Financial Institution training for Vodafone.

## 2.8. Onsite Inspections

The Financial Intelligence Unit (FIU) performed an onsite examination to ensure that all financial institutions comply with the Money Laundering Prevention framework. To determine whether financial institutions are complying with their obligations

under the Money Laundering Prevention Act and Regulation on a technical level.

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 now been moved to the second half of 2021.

in response to the growing volume of cash transactions reported to the FIU (as opposed to reporting it manually). In February 2021, the design and implementation of the electronic reporting of the STR and BCR were completed. The two reports will go live once all FIs have received training on how to utilize the report through online, which will take place in the first week of October. The Asia Pacific Group ("APG") grant from the New Zealand Ministry of Foreign Affairs and Trade is funding this initiative.

FINANCIAL INSTITUTIONS	STATUS	DATE
4 Commercial Banks	Onsite inspection in-progress	September - October 2021
3 Money Transfer Operators	Onsite inspection in-progress	October 2021
Casino	Onsite inspection in-progress	November 2021

## 2.9. FIU ICT Database System

On the 12 November 2019, the FIU ICT System for CTR reporting through internet was effectively deployed. Most Financial Institutions (i.e. Commercial Banks and Money Transfer Operators) are required to electronically report cash transactions totaling SAT\$20,000 or more. Sending, receiving, trading money, or any other sort of monetary transaction falls under this category. The FIU then gains access to the system in order to analyze the CTR's traffic volume. This web-based system was created

## 2.10. Regional KYC Utility Project

The FIU is also participating in a regional KYC project led by the Reserve Banks of Australia and New Zealand, which encompasses the Pacific Central Banks. The project aims at providing a KYC framework and solution that will look to address the correspondent banking issues faced by the region. The project on KYC utility is in progress, where as a new vendor has been selected and he is working with CBS and MTOs to implement the project to be completed by the next financial year.

**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 2020/2021. 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.

During 2020/2021 a total of 7.2 million pieces of banknotes were processed, with 5.9 million pieces of banknotes reissued and 1.3 million pieces of unfit banknotes worth \$43.4 million withdrawn from circulation and destroyed. (Refer Table 6). During 2020/2021 a total of 85,598 pieces of 10Tala unfit notes withdrawn from circulation and destroyed. Only 16,546 pieces of this was unfit polymer banknotes.

**1.2 Currency Issue**

The demand for currency (banknotes and coins) in 2020/2021 grew by 2 percent to \$142.6 million from \$138.7 million the year before. This growth was mainly due to an increase in value of notes in circulation from \$130.7 million in 2019/2020 to \$134.1 million in the year under review and partially due to an increase in coins in circulation from \$8 million in 2019/2020 to \$8.4 million in 2020/2021. New notes issued decreased from \$56 million in 2019/2020 to \$48 million in 2020/2021. As a result, the total cost of currency issued also decreased from \$2.1 million in 2019/20 to \$1.6 million in the financial year ending 30 June 2021. Since the release of the 10Tala Polymer in 2019, 92 percent of total 10Tala banknotes in circulation are Polymer compare to 74 percent in 2019/2020.

Leaving aside small denomination coins, the \$1 coin remained the most widely circulated currency unit in the country with the number of pieces circulating by the end of June 2021 increasing by 8 percent to 2,520,792. The \$2 coin also increased by 4 percent to 1,691,353 pieces in 2020/2021. Overall, the number of pieces for all the denominations rose by 748,310 in the year under review.

**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 2020/2021 replaced notes increased to \$170,045 from \$128,920 in 2019/2020. 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 2020/21, launching another year long media campaign, including media releases in the TV, radio and print media. As a result, we only received 4 pieces of counterfeit notes were presented to the Bank in 2020/2021. (Refer Table 7).

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

**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

	2016/2017		2017/2018		2018/2019		2019/2020		2020/2021	
	Value	Pieces	Value	Pieces	Value	Pieces	Value	Pieces	Value	Pieces
Notes saved for reissue	\$175.8	5.2	\$252.0	7.1	\$242.0	5.9	\$278.5	5.5	\$281.4	5.9
Notes Destroyed	\$44.0	1.4	\$60.3	2.6	\$38.0	1.6	\$34.0	1.4	\$43.4	1.3
<b>Total Processed</b>	<b>\$219.8</b>	<b>6.6</b>	<b>\$312.3</b>	<b>9.7</b>	<b>\$280.0</b>	<b>7.5</b>	<b>\$312.5</b>	<b>6.9</b>	<b>\$324.8</b>	<b>7.2</b>

*\*It is good 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.*



valuable it tends to be.

Income from Numismatic or collector sales for the financial year ending 2020/2021 was \$0.6 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 2021.

## 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

financial institutions in which Samoa is a member.

## 2.4 Banking & Currency Services during COVID-19

Samoa remained in a State of Emergency (SOE) during 2020/2021 as a result of COVID-19. As such, CBS continued to support Samoa's banking system and economy through its currency and banking services which were deemed essential services.

Denomination	2017/2018		2018/2019		2019/2020		2020/2021	
	Value	Pieces	Value	Pieces	Value	Pieces	Value	Pieces
5	\$15.00	3	\$0.00	0	\$0.00	0	\$0.00	0
10	\$60.00	6	\$40.00	4	\$0.00	0	\$0.00	0
20	\$280.00	14	\$20.00	1	\$0.00	0	\$20.00	1
50	\$1,050.00	21	\$50.00	1	\$0.00	0	\$0.00	0
100	\$300.00	3	\$100.00	1	\$0.00	0	\$300.00	3
<b>Total</b>	<b>\$1,705.00</b>	<b>47</b>	<b>\$210.00</b>	<b>7</b>	<b>\$0.00</b>	<b>0</b>	<b>\$320.00</b>	<b>4</b>

## 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.

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

## 3. Human Resources

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

The Bank continued to be guided by its Strategic Plan for 2019/2024. A few staff policies and projects continued amidst COVID-19 restrictions such as:

- CBS Workforce Plan – updated the workforce plan to reflect the latest workforce statistics;
- Records Digitization project – transferring manual records into digitized format continues;
- Payroll platforms digitized – gradually using online payroll modalities; and
- Initial discussions for a holistic risk management policy for the Bank.

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

- Recruitment and Selection Policy and Procedure
- Performance Management Guideline
- Employment Guideline for staff employment terms and conditions and the
- Payroll Policy

During this report period, Samoa remained under eased state of emergency restrictions because of

the COVID-19 pandemic. The Bank continued its normal work during the financial year with frequent virtual meetings and trainings becoming a commonality in its operations, replacing face-to-face meetings and trainings.

### 3.2 Composition of staff

The Central Bank experienced a steady trend in staff numbers in the past three financial years (refer to graph 15). This steady trend was heavily influenced by the Bank's sinking lid policy to encourage internal recruitment as a means of capacity building and adapting cost saving measures.

In this financial year, only two new positions<sup>19</sup> were approved in the Bank's technical roles while other recruits replaced staff ceasing employment from the Bank. At the end of June 2021, the Central Bank employed a total of one hundred and two (102) staff, compared to the one hundred and three (103) in June 2020.

The Bank is serviced under two (2) working groups<sup>20</sup> – the Policy Group and the Corporate Operations Group. There are also Departments<sup>20</sup> reporting directly to the Governor and other governance bodies of the Bank and staff herein are labelled as the GO group in graph 16.

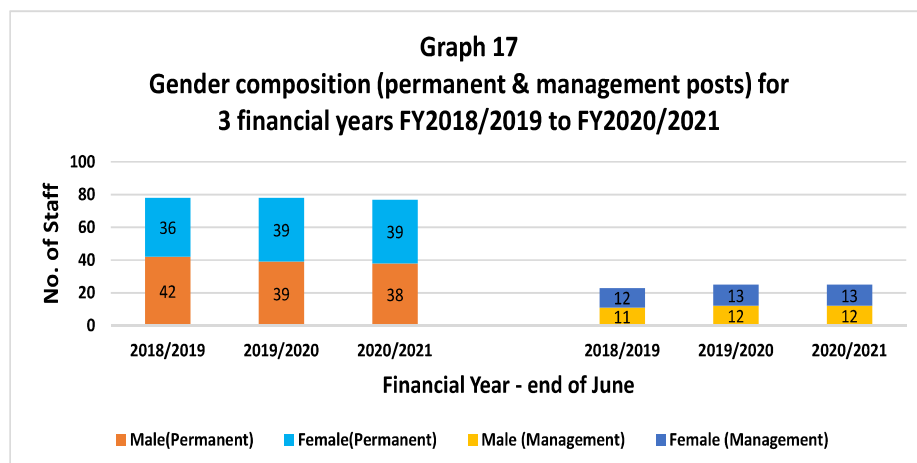
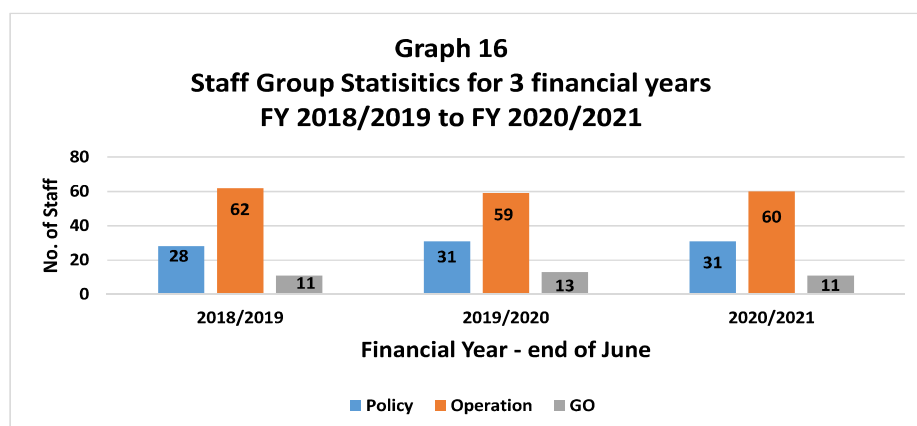
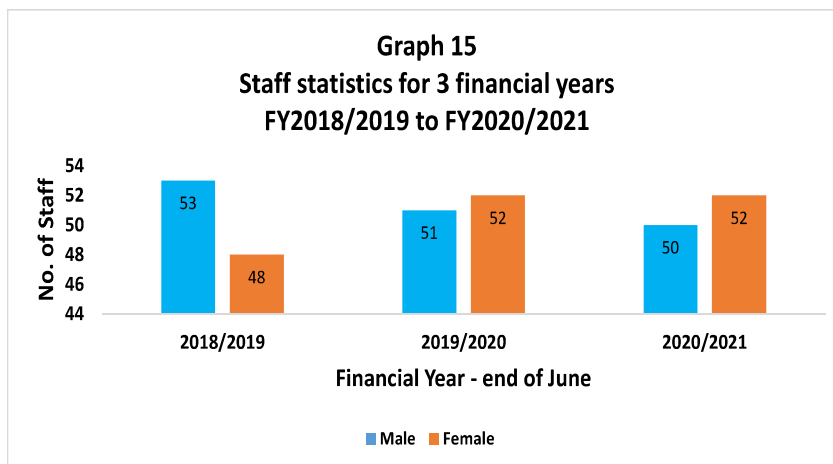
This statistic highlights that majority of staff are currently within the Corporate Operations Group followed by the Policy Group, with the least under the Governor's Group.

The skill set to operate the core functions of the Bank are mainly under the Policy Group. Staff

composition in this area is about 30% (or near) of staff capacity in the past three consecutive financial years.

In terms of gender composition

(refer to graph 17), male and female numbers for permanent staff (non-contract) are steady in the recent two financial years, with female slightly edging over male staff. This differs



<sup>19</sup> Economist and Analyst (FMD).

<sup>20</sup> Namely the Legal and Financial Intelligence Unit and the Internal Audit. There is also staff servicing the Governor's Office.

slightly from FY 2018/2019 where male lead numbers in non-contract posts.

In management positions (contract) female continue to slightly lead in numbers in the past three financial years. This reflects sound gender equity in CBS staff policies.

### 3.2.1 Staff Recruitment – promotion and new appointments

In terms of recruitment, there is a marked decrease in appointments in the recent financial years. A total of fifteen (15) recruitments were recorded for FY 2020/2021 compared to twenty-three (23) in FY 2019/2020. (Refer graph 18).

The following details the fifteen (15) recruitments:

- Seven (7) positions filled by staff from outside the Bank;
- Four (4) positions filled by internal promotions within the Bank, including one (1) staff promoted to a contract position;
- Four (4) positions are contractual reappointments within the Bank subject to performance assessment.

### 3.2.2 Staff Cessation (turnover) of service

Staff turnover is stagnant in FY 2020/2021 compared to FY 2019/2020 (refer to graph 19). A total of eleven (11) staff turnover is recorded. Of the eleven (11):

- Eight (8) staff resigned – six (6) to take up local promotions outside the Bank, one (1) due to prolonged illness and one (1) to migrate overseas for employment in seasonal work.
- Three (3) staff retired and continue employment on a

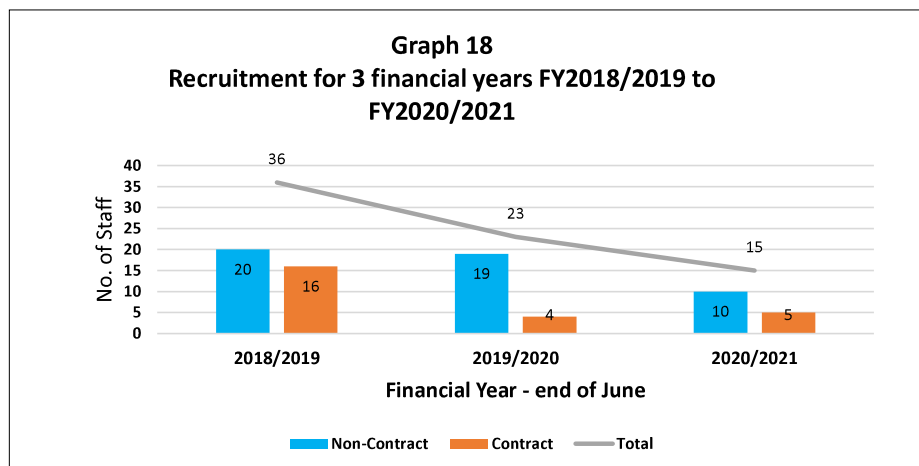
temporary basis under specific conditions.

There is a marked increase in resignations compared to the last financial year due to promotions outside the Bank.

In terms of retirement,

- Three (3) retirees are extended service for the next 12 months under specific employment conditions.

For contract staff, majority of the



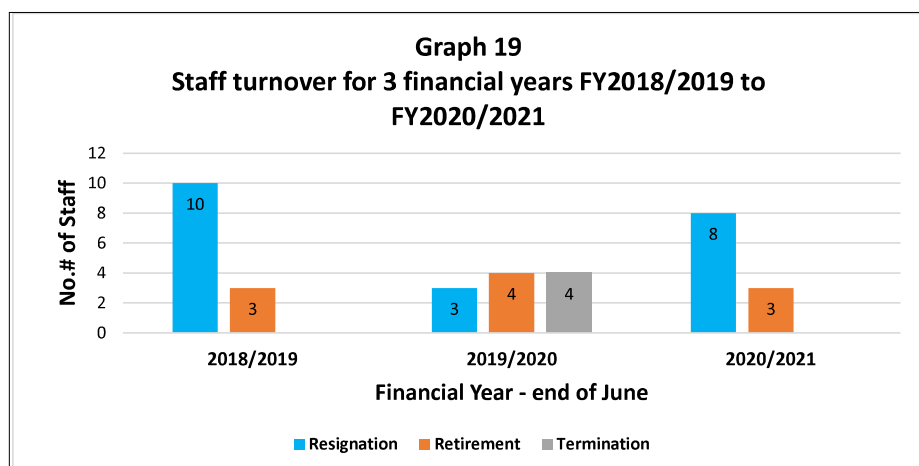
### 3.2.3 Service Recognition

Some permanent staff are recognized for long service during the FY 2020/2021.

- One (1) staff achieved 30 years of service
- Four (4) staff achieved 25 years of service
- One (1) staff achieved 20 years of service
- Three (3) staff achieved 10 years of service

senior management are long serving members of the Bank as listed below:

- Three (3) achieved above 30 years of service.
- Six (6) achieved above 25 years of service.
- Two (2) achieved above 20 years of service.
- Four (4) achieved above 15 years of service.
- Five (5) achieved above 10 years of service.



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, wellbeing and building morale. Several prominent activities took place in FY 2020/2021:

- Fitness transformation programme involving gym physical exercises, hiking programmes, Zumba and Tabata classes formed part of the Bank's Occupational, Safety and Health (OSH) initiatives.
- Monthly spiritual fast to pray for Samoa's protection from COVID-19 and other similar health pandemics and natural disasters.
- Team building initiatives for staff included:
  - \*Thematic mufti on a monthly basis including Sei Pua to support cancer in August 2020 and Pink-tober in October 2020.
  - \*Department acapella competition in March 2021.
  - \*Department hip-hop dance competition in April 2021.
  - \*Department creative poem competition in May 2021.
  - \*Bank golf tournament in June 2021.
- Thanksgiving luncheon for the Bank staff to end calendar year work activities in December 2020.
- Sporting business tournaments throughout the financial year where the Bank is represented in netball, touch rugby and soccer. The Bank also participated in an Inter-Bank Netball Tournament in September 2020.

Other activities such as a proposed Culture Day was cancelled by the onset and continuation of the

COVID-19 pandemic. One staff assisted in the Samoa Bureau of Statistics Household Listing and Mapping in 2020. Several Bank staff also participated in Samoa's General Election in April 2021, attending trainings and partaking various roles to facilitate the country's general election.

### 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.

##### (a) Face-to-face trainings and meetings

Several face-to-face local trainings took place in this period such as:

- 2<sup>nd</sup> Digital Pacific Conference 2020
- Cabinet Liaison Officers Forum
- Cabinet Development Committee (CDC) Site Visits
- Consultation for the Occupational, Safety and Health (OSH) Guides on Managing Electrical Risks in the Workplace
- Customer Service Training
- Ministry of Women / Samoa Disability Development and Partnerships Program Small Business Development Initiative
- National Workshop on Trade Agreements
- Record Keeping Awareness
- Records Task Force Meeting
- Strategy of the Development of Samoa (SDS) Public Consultations
- Situational Analysis on Women's

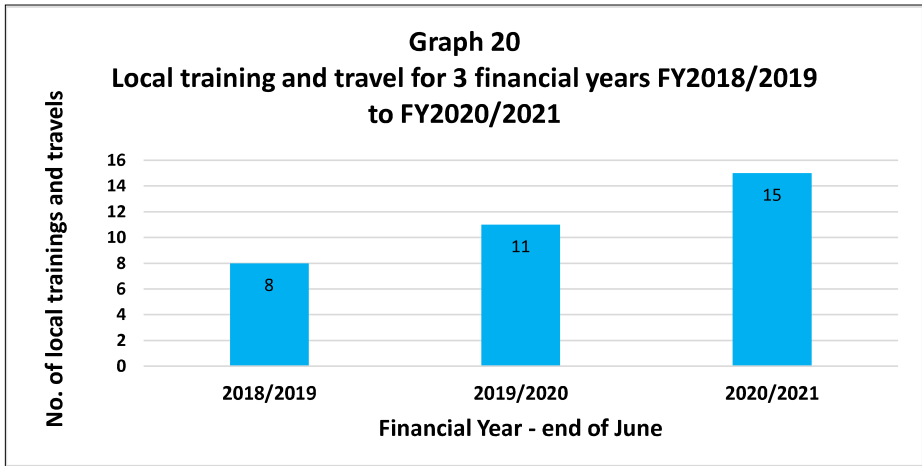
Contribution to Local Economic Development of Samoa Validation workshop

- Stakeholder Consultation and Report Launch on Micro, Small and Medium sized Enterprises Access to Finance in Samoa
- Stakeholder Validation Workshop on the National Financial Inclusion Strategy II
- Stakeholders Consultation Workshop on the Terms of Reference for the Development of a National Industrial Development Policy for Samoa
- Transformational Leadership Training for CBS Management

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 the United Nation Economic and Social Commission for Asia and the Pacific (UNESCAP) through financial support of the Government of Canada and United Nation's Capital Development Fund (UNCDF) upon Central Bank of Samoa's request, Ministry of Commerce Industry and Labor, Ministry of Communications and Information Technology in partnership with UNDP and Australia DFAT, Ministry of Education Sports and Culture, Ministry of Foreign Affairs, Ministry of Prime Minister and Cabinet, Ministry of Women Community and Social Development and the Public Service Commission.

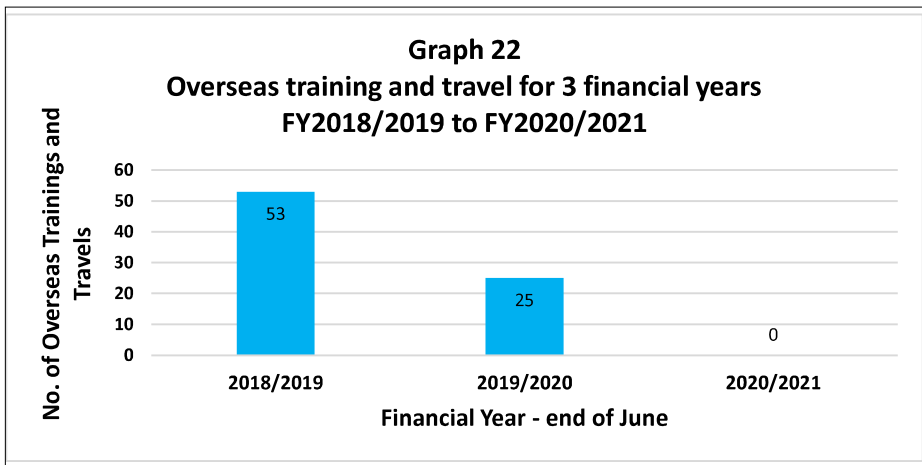
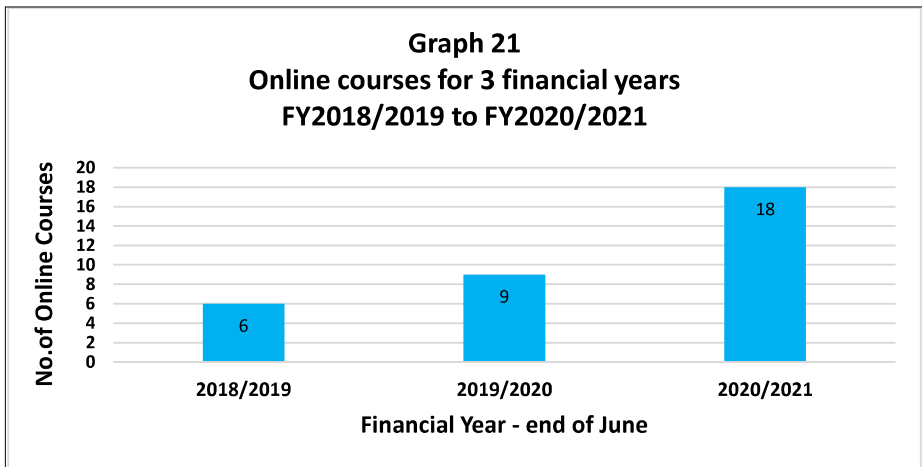
In the past three (3) financial years, the number of local trainings (face-to-face) gradually increased as per Department needs and availability of training providers (refer to graph 20).



**(b) On-line trainings and meetings**

The Bank also participated in on-line courses in areas of - Balance of Payments and International Investment Position; Compilation of Basics for Macroeconomic

Statistics; Digital Identical; Financial Development and Financial Inclusion; Financial Market Analysis; Foundations of Central Bank Law; Senior Executive Development and Training Program; Investigate Techniques for Effective use of Banking



Information; Macro econometric Forecasting; Macroeconomic Forecasting; Managing Capital Flows - Macroeconomic Analysis; Monetary and Financial Statistics; Oxford Fintech Program; Prudential Asset Classification and Provisioning and International Financial Reporting Standards and Supervisory and Regulatory Course for Banking Supervisors.

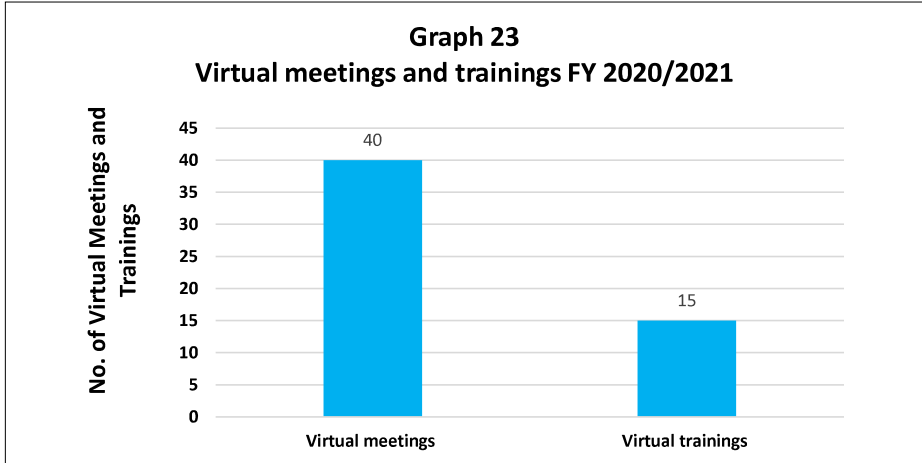
Training providers that assisted in CBS on-line courses in this financial year were Digital Frontier Institute; International Monetary Fund - Institute for Capacity Development; International Monetary Fund & Bank of International Settlements; International Monetary Fund-Singapore Training Institute; Organization for Economic Co-operation and Development (OECD) International Academy for Tax Crime Investigation; Oxford University; Government of the Isle of Man; University of New South Wales – Public Service Research Group.

Virtual on-line courses are a recent mode of course delivery in the last three (3) financial years. It gradually increased due to travel restrictions and the trend is outlined in graph 21.

**3.3.2 Overseas Trainings and Travel**

The Bank’s representation to international meetings and conferences continued in the report period through virtual mode. There was zero face-to-face travel recorded for FY 2020/2021 due to travel restrictions brought upon by COVID-19 (refer to graph 22).

The Bank still participated in annual meetings and trainings offered by donors via virtual (online) mode and such participation is reflected in graph 23.



### 3.3.3 Donor Support

Donor support facilitated attendance to most virtual international meetings and trainings namely the Alliance for Financial Inclusion, Asian Development Bank, Asia Pacific Group on Money Laundering, Crane Currency, Crown Agents Investments Management and Macroeconomic and Financial Management Institute of Eastern and Southern Africa, International Monetary Fund, International Monetary Fund – Institute for Capacity Development, International Monetary Fund – Singapore Training Institute, International Telecommunication Union, International Trade Centre, Organization of African, Caribbean and Pacific States, Pacific Islands Forum Secretariat, Pacific Islands Regional Initiative, Small Countries Financial Management Program, South East Asian Central Banks Research and Training Centre, World Bank and World Bank Payment Systems Development Group.

### 3.4 Formal Education and Professional affiliations

In FY 2020/2021, four (4) staff graduated with tertiary qualifications in:

1. Bachelor of Commerce at the National University of Samoa (2

- staff);
2. Professional Diploma in Business Management at the University of the South Pacific (1 staff).
3. Masters in Economics at the University of the South Pacific (1 contract staff).

There is an increasing number of staff (12) continuing part time tertiary and professional studies locally in the following areas:

1. Postgraduate Diploma in Economics at the University of the South Pacific (2);
2. Bachelor of Law at the University of the South Pacific (1);
3. Bachelor of Commerce at the National University of Samoa (3);

4. Bachelor of Science in Information Technology at the National University of Samoa (1);
5. Chartered Accountant Programme under the Samoa Institute of Accountants (3);
6. Certificate IV in Procurement and Supply at the University of the South Pacific (1);
7. Apprenticeship Programme in Electrical Course at the Australian Pacific Training Coalition in collaboration with the Ministry of Commerce, Industry and Labour (1).

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

The Bank offered part time work experience opportunities in the report period to three (3) students from the National University of Samoa. The Bank recruited one of these students to the Information Technology team.

The Bank also extended assistance to four (4) school visits particularly to students requiring research in the area of Economics.

### 3.6 CBS presentations to stakeholders

Title of Presentations	Receiving agency	Period
1. Economics Department Presentation on economics issues for students' internal assessment	Don Bosco College and Vocational Technical Centre	23 July 2020
2. CBS presentation for final year Bachelor of Commerce students	National University of Samoa	11 August 2020
3. CBS presentation for Year 13 Economics students	Wesley College	21 August 2020
4. Cash Transactions Report and Suspicious Transaction Report Training for Tellers	Bank South Pacific (Samoa) Limited	4 March 2021
5. Anti-Money Laundering Training	Vodafone Samoa	30 March 2021
6. CBS presentation for Years 12 & 13 Economics students	Don Bosco College, Savaii	21 May 2021
7. CBS presentation on economics issues for students' internal assessment	Chanel College	27 May 2021
8. Presentation on the overview of FIU work	Samoa Transnational Crime Unit	28 June 2021



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:

#### **4. Property and Information Technology**

##### **Building Security**

The Bank places high priority on the safety and security of its building and occupants. Security is around the clock to keep the two properties (the main Office in Apia and the Offsite at Ululoloa) secured.

In addition, both locations are monitored by a CCTV security camera surveillance system with back up standby generators and uninterrupted power supply (UPS).

##### **Occupancy**

The Building is occupied by the country's monetary authorities (the CBS and the Ministry of Finance) and the Samoa-based liaison country offices for the World Bank Group and the Asian Development Bank (ADB). In particular, the MOF occupies levels two, three and four, with the Executive Offices of the Ministry's Chief Executive Officer and the Minister of Finance on part of level six. Level seven, which was previously occupied by the Ministry of Public Enterprise was renovated and is now the location for the Aid Coordination and Debt Management Division of the Ministry of Finance. The offices for the World Bank Group and ADB completes the rest of level seven. The various departments of the Central Bank of Samoa are situated in the remaining levels of the building.

##### **Maintenance**

Maintenance and repairs to the building 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
- Elevator and Electricals
- Alarm and Emergency lighting systems

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

Health and Fitness programs are run throughout the year to keep staff physically active. This is to ensure productivity, efficiency and staff morale are positively maintained.

The COVID-19 pandemic response could not be separated from the OSH's duties this year. To be in line with the Ministry of Health's safety requirements, the supplies of hand sanitizers, masks and hand gloves were procured to ensure the staff's safety in combatting the growing risks of the virus.

##### **Offsite Ululoloa**

Official Designs and Drawings for the Bank's Offsite Building were completed this year. Tenders for construction are expected to be advertised and assessed accordingly in the next financial year.

##### **Information Technology**

The IT unit were mostly involved with the implementation and developments of the following key activities/deliverables.

- Migrate Payroll to cloud service
- Setup and installed Software-Defined Network device for network management.
- Installed a new firewall to manage and isolate networks.
- Setup and installed hardware and software for the Payment System.
- Replaced the web monitor with the latest generation technology.
- Setup and installed Wireless Access Point in office.
- Procured Video Conference Screens for online meetings.
- Upgrade SWIFT Application packages to new version (7.5)
- Replaced the monitoring system to monitor the IT infrastructure.
- Replaced the Patch Management system.

The National Payment System commissioning is now in progress with the hardware and software installation completed. The trainings for CBS users on how to manage the system is under way.

Staff capacity development included trainings on Cyber Security webinars held by SWIFT. Additionally, the Assistant Manager had the opportunity to participate in the Asia Pacific Network Information Centre (APNIC) Security Training for Samoa, facilitated online by MCIT.

The Information Technology unit continues to provide technical support and recommendation on all IT related matters for the Central Bank of Samoa. 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, firewalls, web and email filters and endpoint security.

**Financial Performance and Audited Accounts**

The final section of this Annual Report consists of the audited accounts of the Bank for FY2020/21 ending 30 June 2021.

At year end 30 June 2021, the Bank had total assets of \$952.9 million, made up of \$785.2 million in foreign assets and \$167.7 million in local

assets.

On the other hand, the Bank recorded total liabilities of \$931.9 million, which consisted of foreign liabilities totalling at \$304.6 million and \$627.3 million in local currency.

The Bank's net assets amounted to \$20.9 million, a decrease of 10.3 percent (\$2.4 million) when compared to previous year.

Total net profit achieved by the Bank at year end was \$4.0 million, as compared to a profit of \$3.8 million recorded a year earlier.

In accordance with the Central Bank of Samoa's Act 2015, the Directors recommended that net profit be transferred to Reserve.

**July 2020**

- i. On the 8<sup>th</sup>, a plenary meeting for the National Risk Assessment was undertaken for Samoa's Money Laundering Prevention Task Force, Financial Institutions and Designated Non-Financial Businesses and Professions (DNFBPs).
- ii. From 20<sup>th</sup> July – 7<sup>th</sup> August, CBS received IMF remote training on Financial Programming and Policies (FPP) – Part 1.
- iii. On 23<sup>rd</sup>, Commerce students from Don Bosco College and Vocational Technical Centre visited the Bank to learn and understand economic issues, as part of their Internal Assessment.
- iv. On the 27<sup>th</sup> to 28<sup>th</sup>, a virtual training on National Risk Assessment Methodology was co-hosted by CBS and an Anti-Money Laundering (AML) consultant for Samoa's Money Laundering Prevention Task Force, Financial Institutions and DNFBPs.
- v. On the 28<sup>th</sup>, CBS collaborated with the Samoa Victim Support Group's Nofotane Project through the supply of financial literacy brochures as part of SVSG's efforts to empower women through entrepreneurial activities.

**August 2020**

- i. On the 11<sup>th</sup>, CBS's presentation to final year BCOM students of National University of Samoa. From 12<sup>th</sup> - 23<sup>rd</sup>, received Technical Assistance on External Sector Statistics from the International Monetary Fund – CDOT in Thailand.
- ii. On the 21<sup>st</sup>, CBS presentation to Year 13 Economic students from Wesley College in Savaii.
- iii. On the 11<sup>th</sup> August, CBS conducted

a review of its National Financial Inclusion Strategy (NFIS) 2017-2020 and consultations for the NFIS 2021/2022 – 2026/2027 was completed 26<sup>th</sup> November.

- iv. On the 20<sup>th</sup>, the installation of the Automatic Transfer System (ATS) hardware and software with CBS began. This work concluded on 15<sup>th</sup> October 2020.

**September 2020**

- i. From 7<sup>th</sup> to 25<sup>th</sup>, CBS received remote training from IMF on FPP (Program and Design), Part 2.
- ii. On the 15<sup>th</sup>, the Bank participated for the first time in the MNRE's IMPRESS Project Technical Working Group in view of the CBS' Sustainable Finance Initiative to explore and promote the awareness of sustainable (or green) finance in Samoa's financial system.
- iii. On the 18<sup>th</sup>, the Board of Directors approved the continuation of easing monetary policy stance for the FY2020/21.
- iv. On the 24<sup>th</sup>, CBS provided financial literacy training to 4 participating farmers in the Development Bank of Samoa (DBS) Agriculture Value Chain Finance project.

**October 2020**

- i. From the 13<sup>th</sup> – 16<sup>th</sup>, the IMF/ World Bank (WB) conducted its first ever Virtual Annual Meeting with CBS participating as part of Samoa's delegation.
- ii. On the 28<sup>th</sup>, a virtual consultation was held with an overseas consultant for the drafting of three (3) new bills, namely, the Credit Unions Bill 2020, the Microfinance Bill 2020 and the Moneylenders Bill 2020.
- iii. On 29<sup>th</sup>, the Office of the

Insurance Commissioner/Central Bank of Samoa granted a general insurance license to a new general insurance company to operate as a general insurer after satisfying the licensing requirements as stipulated under the Insurance Act 2007.

**November 2020**

- i. From the 17<sup>th</sup> to 18<sup>th</sup>, the first Virtual Pacific Central Bank Governors Meeting was undertaken, hosted by the Reserve Bank of Vanuatu.
- ii. On the 20<sup>th</sup>, a Small Working Committee (consisting of the Ministry of Agriculture and Fisheries, Samoa Bureau of Statistics, Ministry of Customs and Revenue and Central Bank) was established and met for the first time to discuss measures to improve the reporting of export data.

**January 2021**

- i. On the 1<sup>st</sup>, the revised prudential statements for the commercial banks were issued for effective implementation.
- ii. From 11<sup>th</sup> – 21<sup>st</sup>, the IMF conducted its Virtual Article IV Mission annual assessment of the Samoan economy.
- iii. From 11<sup>th</sup> – 15<sup>th</sup>, CBS received its virtual technical assistance on External Sector Statistics (ESS) from IMF Capacity Development Office in Thailand (CDOT).
- iv. On the 19<sup>th</sup>, CBS launched its 12 months financial literacy campaign, "Tala and Sene's Financial Adventures", through its Facebook social media platform as well as YouTube and local radio programs.

## February 2021

- i. From the 9<sup>th</sup> to 26<sup>th</sup>, CBS received a virtual technical assistance from the IMF on Crisis Management and Financial Safety Net.
- ii. On 23<sup>rd</sup>, CBS participated in the Virtual PFTAC Steering Committee Meeting
- iii. From 22<sup>nd</sup> – 25<sup>th</sup>, CBS received Virtual IMF Training on Monetary and Financial Statistics

## March 2021

- i. On the 1<sup>st</sup>, the Samoa Tala exchange rate basket, which was reviewed and approved by the Board of Directors on the 26<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.
- ii. From 1<sup>st</sup> to 15<sup>th</sup>, CBS undertook a remote (virtual) Safeguards Assessment Mission from the IMF in the context of the financial assistance for Samoa under the Rapid Credit Facility. Mission was completed in May.
- iii. From 15<sup>th</sup> to 26<sup>th</sup>, a full scope onsite visit to the Samoa Commercial Bank was carried out.

## April 2021

- i. From 8<sup>th</sup> and 9<sup>th</sup>, public holidays for Samoa's General Election, with CBS operations subsequently closed.
- ii. From 19<sup>th</sup> - 23<sup>rd</sup>, CBS received an External Sector Statistics (ESS) – Virtual Workshop on Balance of Payments Methodology and Compilation Challenges.

- iii. On the 21<sup>st</sup> and 22<sup>nd</sup>, CBS provided financial literacy awareness assistance to the Ministry of Women, Community and Social Development (MWCSD)'s Samoa Disability Development Program in Savaii.

## May 2021

- i. On the 5<sup>th</sup>, CBS participated as part of Samoa's delegation to the Virtual Annual Meeting for the Asian Development Bank (ADB).
- ii. From 19<sup>th</sup> to 28<sup>th</sup>, the CBS conducted a full scope onsite inspection to Samoa Life Assurance Corporation.
- iii. On the 21<sup>st</sup>, the Office of the Insurance Commissioner/CBS released a public notice on the temporarily closure of one of the insurance broker businesses until further notice.
- iv. Also, on the 21<sup>st</sup>, CBS presented to Year 13 and Year 12 Economic students from Don Bosco College in Savaii.
- v. On the 28<sup>th</sup>, the Board approved the outcome of the annual CBS Foreign Investment Policy and Guidelines 2021 Review, with the new changes to take effect on 1st July 2021.
- vi. On the 18<sup>th</sup>, CBS participated in the Pacific Island's Regional Initiative (PIRI) Leaders Roundtable and Expert Group for Financial Inclusion Policy virtual meetings.

## June 2021

- i. On the 11<sup>th</sup>, Samoa submitted its Enhanced Follow-Up Report to the Asia Pacific Group (APG) on Money Laundering

- ii. From 7<sup>th</sup> June to 2<sup>nd</sup> July, CBS received a remote (virtual) training on the Automated Transfer System (ATS) from Montran.
- iii. On the 23<sup>rd</sup>, an updated review of the CBS Tala Exchange Rate Basket was presented and endorsed by the Board, with the new changes taking effect on 1<sup>st</sup> July 2021.

# Financial Statements

Central Bank of Samoa  
For the year ended 30 June 2021

**Central Bank of Samoa  
Financial Statements  
For the year ended 30 June 2021**

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Central Bank of Samoa  
Management's Statement  
For the year ended 30 June 2021

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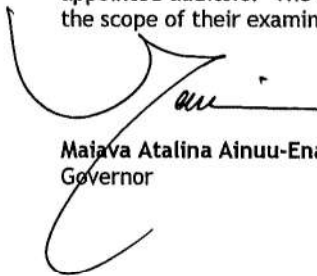
**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

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.

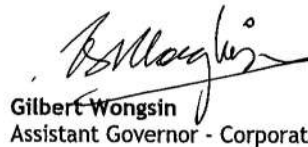
The board of directors oversee management's responsibilities for financial reporting. The financial statements have been reviewed and approved by the board of directors on recommendation from management.

Our independent auditors, Sua ma Pauga, 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.



**Maiava Atalina Ainuu-Enari**  
Governor

Dated: 8 OCTOBER 2021



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

Dated: 8 OCTOBER 2021



**Peniamina Tauati**  
Manager Accounts & Budget

Dated: 8 OCTOBER 2021

**Central Bank of Samoa  
Directors' Statement  
For the year ended 30 June 2021**

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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 2021 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	Ma'ava Atalina A'inu'u-Enari
Director	Matai'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 2021.
- (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 2021.

**Operating**

The result for the year is a net profit of \$4.0 million tala (2020 net profit of \$3.8 million tala).

**Reserves**

The Directors recommend that a net profit of \$4.0 million tala be transferred to reserves.

**Dividends**

In accordance with the requirements of the Central Bank of Samoa Act 2015, the Directors recommend no dividend to the Government of Samoa.

Dated at Apia: 8 October, 2021

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

  
\_\_\_\_\_  
DIRECTOR

  
\_\_\_\_\_  
DIRECTOR



## AUDIT OFFICE

Please address all correspondences  
to the Controller and Auditor General

### 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 2021, the statements of financial performance, cash flows and changes in capital and reserves for the year then ended, a Summary of Significant Accounting Policies and Other Explanatory Notes. The Accounting Firm of Sua ma Pauga and Associates Chartered Accountants, assisted in the audit. The Engagement Partner on the audit resulting in this Independent Auditor's Report is Tagaloa Faafouina Sua.

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 2021, 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.

##### Emphasis of Matters

###### (a) COVID-19

As discussed in Note 2, the ongoing uncertainty of the Coronavirus (Covid-19) continues in doubt around the world. The current volatility in financial markets introduces additional challenges to discount rates for the Banks financial derivatives as the parameters used to estimate discount rates become more unpredictable. The Board also noted imminent inflationary pressures thus, they are monitoring the inflation on a timely basis.

The Board felt that the monetary policy should remain easing in order to support the economic recovery momentum with the aim to maintain interest rates at low and affordable levels to encourage lending to private businesses in order to foster domestic investment and economic activity. Board and Management still prepares the financial reports on the going concern assumption. Our opinion is not modified with respect to this.

##### 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with





## AUDIT OFFICE

*Please address all correspondences  
to the Controller and Auditor General*

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 8<sup>th</sup> October 2021 and our opinion is expressed as at that date.

Apia, Samoa  
14 October 2021

  
Mua'ausā Marshall Maua  
ASSISTANT CONTROLLER AND AUDITOR GENERAL

**Central Bank of Samoa**  
**Statement of Financial Performance**  
**For the year ended 30 June 2021**

	Note	2021 \$('000)	2020 \$('000)
<b>Income</b>			
Interest income on cash and investments	21	5,980	10,197
Interest income on lending		1,533	1,699
Rental income		1,010	1,199
Other income	22	871	3,823
<b>Total Income</b>		<b>9,394</b>	<b>16,918</b>
<b>Expenses</b>			
Administrative expenses		968	1,590
Board expenses	23 (ii)	8	23
Communication costs		460	393
Currency issue costs		1,634	2,115
Depreciation	12	1,094	1,054
Directors fees	23 (ii)	62	63
External audit costs		44	44
Finance costs		530	1,052
Occupancy costs		538	649
Staff costs		5,595	5,621
Withholding tax on interest income		41	56
<b>Total Expenses</b>		<b>10,974</b>	<b>12,660</b>
<b>(Loss)/Profit before foreign currency translation</b>		<b>(1,580)</b>	<b>4,258</b>
Foreign exchange gains/(losses)		5,666	(447)
<b>Net profit for the year</b>	20	<b>4,086</b>	<b>3,811</b>

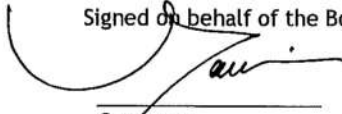
The accompanying notes form part of these financial statement.

**Central Bank of Samoa  
Statement of Financial Position  
For the year ended 30 June 2021**

	Note	2021 \$('000)	2020 \$('000)
<b>ASSETS</b>			
<b>Foreign currency assets</b>			
Cash and fixed deposit balances	5	715,941	573,521
International monetary fund	7	67,014	71,873
Accrued interest	8	2,228	1,786
<b>Total foreign currency assets</b>		<b>785,183</b>	<b>647,180</b>
<b>Local currency assets</b>			
Cash and fixed deposit balances	6	44,939	50,857
Accrued interest		13	14
Currency inventory	9	11,840	12,948
Receivables and prepayments	10	7,286	7,442
Credit line facilities	11	85,147	86,639
Property, plant and equipment	12	18,496	18,696
<b>Total local currency assets</b>		<b>167,721</b>	<b>176,596</b>
<b>Total assets</b>		<b>952,904</b>	<b>823,776</b>
<b>LIABILITIES</b>			
<b>Foreign currency liabilities</b>			
Deposits	13	143,805	109,966
IMF facilities	14	67,687	72,533
International monetary fund	7	93,049	93,832
Other liabilities		12	17
<b>Total foreign currency liabilities</b>		<b>304,553</b>	<b>276,348</b>
<b>Local currency liabilities</b>			
Deposits	13	447,224	356,912
Currency in circulation	15	142,569	131,745
Payables and accruals		37,150	34,920
Provision for employee entitlements	16	410	496
<b>Total local currency liabilities</b>		<b>627,353</b>	<b>524,073</b>
<b>Total liabilities</b>		<b>931,906</b>	<b>800,421</b>
<b>Net assets</b>		<b>20,998</b>	<b>23,355</b>
<b>EQUITY</b>			
Capital	18	20,000	20,000
General reserve	19	10,964	18,987
Unrealised foreign exchange revaluation reserve	20	(9,966)	(15,632)
<b>Total equity</b>		<b>20,998</b>	<b>23,355</b>

The accompanying notes form part of these Financial Statements

Signed on behalf of the Board:

  
 \_\_\_\_\_  
 Governor  
 Date 8 OCTOBER 2021

  
 \_\_\_\_\_  
 Director  
 Date 8 OCTOBER 2021

**Central Bank of Samoa  
Statement of Changes in Equity  
For the year ended 30 June 2021**

	Note	Paid up capital	Unrealised (loss)/profit reserve	General reserve	Total
		\$('000)	\$('000)	\$('000)	\$('000)
<b>Balance at 30 June 2019</b>		20,000	(15,185)	11,064	15,879
Excess face value of coins already issue into circulation over its cost not to return for redemption by CBS				5,794	5,794
Net profit/(loss) for the year			(447)	4,258	3,811
Profit transfer to Govt in terms of Sect3(1) (b) of CBS Act 2015				(2,129)	(2,129)
<b>Balance at 30 June 2020</b>		<b>20,000</b>	<b>(15,632)</b>	<b>18,987</b>	<b>23,355</b>
Net profit(loss) for the year	20		5,666	(1,580)	4,086
Reversal of excess of face value of coins issued into circulation over its cost not to return for redemption by CBS				(5,794)	(5,794)
Reversal of Seignorage Income due to change of policy in issurance of coins				(649)	(649)
<b>Balance at 30 June 2021</b>		<b>20,000</b>	<b>(9,966)</b>	<b>10,964</b>	<b>20,998</b>

The accompanying notes form part of these Financial Statements



**Central Bank of Samoa  
Statement of cash flows  
For the year ended 30 June 2021**

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	2021 \$( '000)	2020 \$( '000)
<b>Cash flows from operating activities</b>			
Cash received from investments		5,980	10,192
Cash received from rent		1,010	1,199
Other income		222	3,823
Cash paid for services and goods		(4,000)	(4,763)
Cash paid to employees		(4,142)	(4,259)
Interest paid on deposits		(530)	(1,052)
<b>Net cash applied (to)/from operating activities</b>		<b>(1,460)</b>	<b>5,140</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		34	2
Credit line facility repayments received during the year		1,492	9,094
Interest received on credit line facility		1,533	1,699
Purchase of property, plant and equipment	12	(893)	(1,613)
Net movement in term deposits more than 90 days		(2,436)	(203)
<b>Net cash applied (to)/from investing activities</b>		<b>(270)</b>	<b>8,979</b>
<b>Cash flows from financing activities</b>			
Net movement in notes and coins in circulation		10,824	7,491
Net movement in demand deposits		90,312	39,792
Currency issue costs		(1,634)	(2,115)
Net movement in securities		-	(20,000)
Net movement in external liabilities		28,205	77,848
<b>Net cash applied to financing activities</b>		<b>127,707</b>	<b>103,016</b>
<b>Net increase in cash and cash equivalents</b>		<b>125,977</b>	<b>117,135</b>
Cash and cash equivalents at the beginning of the year		696,251	579,563
Net unrealised gains on translation of foreign currency monetary assets and liabilities		5,666	(447)
<b>Cash and cash equivalents at end of year</b>		<b>827,894</b>	<b>696,251</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 2021**

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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 8<sup>th</sup> October, 2021.

**2. COVID-19 Impact**

- a. The Central Bank Board of Directors approved the continuation of its easing monetary policy stance for another year (FY2020/21) at its meeting on the 3rd September 2021.

According to the IMF's July 2021 World Economic Outlook (WEO), the global economy is expected to grow by 6.0 percent in 2021 with a smaller growth of 4.9 percent in 2022. This positive outlook is based on strong growth expected for major economies like the US, China and Euro zone as easing of national lockdowns and international border restrictions are expected to spur economic activity. For the year 2021/22, the IMF is forecasting a 5.45 percent global growth.

On the domestic front, the Samoan economy continued to suffer from the adverse effects of the COVID-19 pandemic, with real GDP falling further by -8.7 percent in 2020/21 from -2.7 percent in the previous year. This is equivalent to a total loss of around SAT\$172 million in the country's real GDP up to June 2021. The absence of inbound tourism travel and their related real-sector contributions and activities for over a year now, has contributed to the lowest real GDP level since SAT\$1.77 billion in FY2013/2014. The overall decline was underpinned by reductions in sectors such as Commerce, Construction, Business services, Accommodation & Restaurants and Transport amongst others. On the other hand, the headline inflation decelerated further during the year, falling to -3.0 percent at end June 2021. There were no visitor arrivals and earnings in FY 2020/21 due to ongoing border restrictions however, official foreign reserves improved dramatically (by \$138.4 million) to \$732.68 million due to the influx of foreign grants and budget support funds for Government as well as a 6.9 percent improvement in remittances. As a result, the overall import cover stood at around 10.7 months as at end June 2021.

The banking system at end June 2021 remained well-capitalized with the capital adequacy ratio at 28.1 percent, well above the 15.0 percent minimum prudential requirement. Its liquidity was more than adequate at 27.4 percent, also well above its minimum prudential requirement of 10.0 percent. Non-performing loans (NPLs) as at end June 2021 stood at 3.7 percent and its provisioning for doubtful loans to total NPLs stood at 189.6 percent in June 2021.

The outlook for the Samoan economy in FY2021/22 is for real GDP to rebound by 1.7 percent. This recovery is in line with the economy moving past a full 12 months of no visitor earnings as well as expected increases for most sectors of the economy. On the other hand, the headline inflation is expected to rise to around 3.7 percent by end June 2022, underpinned mainly by the expected hike in imported inflation. The prices for fuel, food and imported construction materials have all increased recently and are expected to go up further during the year. On the other hand, export of goods are expected to drop, primarily due to lower fish exports. Remittances are expected to increase slightly by 0.5 percent in the coming year. As a result, total foreign reserves are expected to expand to \$765.68 million, sufficient to buy around 11.0 months of goods only in FY 2021/22.

As such, the Board felt that the monetary policy should remain easing in order to support the economic recovery momentum. The aim is to maintain interest rates at low and affordable levels to encourage lending to private businesses in order to foster domestic investment and economic activity. However, the Board also noted the pickup of inflationary pressures and the need to monitor closely the developments in the headline inflation going forward.

**Central Bank of Samoa**  
**Notes forming part of the financial statements**  
**For the year ended 30 June 2021**

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**2. COVID-19 Impact (continued)**

- b. The ongoing uncertainty of the Coronavirus (Covid-19) continues in doubt around the world. Board and Management still prepares the financial reports on the going concern assumption. Further to risk management and assessment details in note 25, following are some of the specific issues and uncertainties in the wake of the pandemic which is constant at balance date:

(i) Discount rates used for Impairment Assessment

It is likely to be far more challenging to estimate the discount rate for value in use calculations. The current volatility in financial markets introduces additional challenges to this process as the parameters used to estimate discount rates become more unpredictable. Values for assumptions for which were somewhat settled in the past, such as the use of long-term government bond yields as a proxy for the risk free rate, may no longer be appropriate. This means that, more than ever, discount rates need to be assessed after a thorough review of:

- Current market conditions
  - Guidance provided by market evidence of value for comparable amongst banks and or assets
  - Risk of the asset or cash generating unit (CGU) for which recoverable amount is being estimated
- (ii) Profitability - income has dropped significantly by 50% as a result of the pandemic (ie lower income from sale of numismatic product plus lower interest earned from investments)
- (iii) Inherent Risks - Expected Credit losses assessment on financial assets (credit line facilities)

Economic pressures on borrowers mainly tourism sector associated with the downturn and the recessionary periods due to the effects of the pandemic. Although there are grace period, the forward looking assessment on expected credit losses is an ongoing assessment. This impacts on forecast contractual cash flows.

The Board continues its expansionary monetary policy stance to keep the cost of capital low and/or encourage Commercial Bank to continue lending to the private sector at low interest rates

c. Adoption of new and revised Standards

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

***IFRS 16 'Leases' - The Standard was amended in March 2021 with Provisions relating COVID-19 Related Rent Concessions beyond June 2021.***

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 (lessee) and also no lease agreement (lessor) as of yet for tenants . However, the standard has amended in relation to the broad application of practical expedients and its risks to concessions rent subject to below.

**Modification in March 2021** - the practical expedients applies only to rent concession occurring as a direct consequence of covid-19 pandemic and only if all of the following conditions met:

- (i) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than the consideration for the lease immediately preceding the change
- (ii) Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (for example, a rent concession would meet this condition if it results in reduced lease payments that extend beyond 30 June 2022)

**Central Bank of Samoa**  
**Notes forming part of the financial statements**  
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**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

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

**Central Bank of Samoa**  
**Notes forming part of the financial statements**  
**For the year ended 30 June 2021**

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**3. Statement of significant accounting policies**

**d. Property, plant and equipment(continued)**

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.

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.

**d. 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.

**e. 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.

### 3. Statement of significant accounting policies

#### f. Financial instruments (continued)

##### 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 amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised 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.

##### 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').



**Central Bank of Samoa**  
**Notes forming part of the financial statements**  
**For the year ended 30 June 2021**

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

**f. Financial instruments (continued)**

'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.

**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.

**Central Bank of Samoa**  
**Notes forming part of the financial statements**  
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**3. Statement of significant accounting policies (continued)**

**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.

**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.

**Central Bank of Samoa**  
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**3. Statement of significant accounting policies (continued)**

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.

**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.

Central Bank of Samoa  
Notes forming part of the financial statements  
For the year ended 30 June 2021

4. Critical accounting estimates and judgements (continued)

*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.

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

	2021 \$'000	2020 \$'000
Cash balances	158,457	183,026
Fixed deposit balances	557,484	390,495
<b>Total foreign currency cash and term deposit balances</b>	<b>715,941</b>	<b>573,521</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 0.9% per annum.

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

	2021 \$'000		2020 \$'000	
	Cash balances	Term deposits	Cash balances	Term deposits
\$US dollar denominated deposits	148,136	106,844	162,682	101,002
\$NZ dollar denominated deposits	3,868	165,452	3,424	129,748
\$AU dollar denominated deposits	4,333	181,370	14,652	98,216
\$CNH dollar denominated deposits	6	103,818	6	61,529
\$GBP dollar denominated deposits	2,114	-	2,262	-
<b>Total</b>	<b>158,457</b>	<b>557,484</b>	<b>183,026</b>	<b>390,495</b>

6. Local currency cash balances and term deposit balances

	2021 \$'000	2020 \$'000
Petty cash	5	5
Cash at bank	9,232	16,748
Fixed deposit balances	35,702	34,104
<b>Total local currency cash balances and term deposit balances</b>	<b>44,939</b>	<b>50,857</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**  
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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 2021:

	2021 \$'000 SAT	2020 \$'000 SAT
<b>Reserve Tranche</b>		
<b>Foreign currency assets</b>		
Currency subscription - quota	59,208	59,707
Special drawing right holdings	7,806	12,166
<b>Total foreign currency assets</b>	<b>67,014</b>	<b>71,873</b>
<b>SDR Allocations</b>		
<b>Foreign currency liabilities</b>		
Special drawing right allocations	40,536	40,877
Currency holding	52,513	52,955
<b>Total foreign currency assets</b>	<b>93,049</b>	<b>93,832</b>
<b>8. Foreign currency accrued interest balances</b>		
	2021 \$'000	2020 \$'000
Balances with other Central Banks	176	266
Deposits with commercial banks	2,052	1,520
<b>Total foreign currency accrued interest</b>	<b>2,228</b>	<b>1,786</b>
<b>9. Currency inventory</b>		
	2021 \$'000	2020 \$'000
Currency notes	8,592	9,458
Coins	3,248	3,490
<b>Total currency inventory</b>	<b>11,840</b>	<b>12,948</b>
<b>10. Receivables and prepayments</b>		
	2021 \$'000	2020 \$'000
Prepayments	3,369	3,433
Other debtors	367	70
Interest receivable on staff loans	487	601
Staff loans principal balance	3,135	3,417
Less allowance for impairment on staff loans	(72)	(79)
Net staff loans	3,063	3,338
<b>Total receivables and prepayments</b>	<b>7,286</b>	<b>7,442</b>

Central Bank of Samoa  
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10. Receivables and prepayments (continued)

	2021 \$'000	2020 \$'000
<i>Movement in allowance for impairment on staff loans</i>		
Opening balance at 1 July	79	112
Additional/(Reduction) allowance for impairment charged to income and expense	(7)	(33)
<b>Closing balance at 30 June</b>	<b>72</b>	<b>79</b>

11. Credit line facilities

	2021 \$'000	2020 \$'000
a) Tsunami (Credit line facility)	3,177	4,338
b) Cyclone Evan (Credit line facility)	30,239	30,570
c) Economic Stimulus (Credit line facility)	21,766	21,766
d) Additional Economic Stimulus (Credit line facility)	7,537	7,537
e) Second Additional Economic Stimulus (CLF)	12,744	12,744
f) First Small Medium Enterprises Finance (CLF)	9,684	9,684
<b>Total credit line facilities</b>	<b>85,147</b>	<b>86,639</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:

	2021 \$'000	2020 \$'000
Development Bank of Samoa	1,610	1,673
Samoa Housing Corporation	1,567	2,665
<b>Balance at year end</b>	<b>3,177</b>	<b>4,338</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:

	2021 \$'000	2020 \$'000
Development Bank of Samoa	27,535	27,535
Samoa Housing Corporation	2,704	3,035
<b>Balance at year end</b>	<b>30,239</b>	<b>30,570</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**  
**Notes forming part of the financial statements**  
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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:

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Development Bank of Samoa	21,766	21,766
	<b>21,766</b>	<b>21,766</b>
<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:

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Development Bank of Samoa	7,537	7,537
	<b>7,537</b>	<b>7,537</b>
<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:

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Development Bank of Samoa	12,744	12,744
	<b>12,744</b>	<b>12,744</b>
<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**  
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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.

	2021 \$'000	2020 \$'000
Development Bank of Samoa	9,684	9,684
<b>Balance at year end</b>	<b>9,684</b>	<b>9,684</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 \$'000	Motor vehicles \$'000	Plant & equipment \$'000	Equipment & furniture \$'000	Total \$'000
<b>Cost</b>					
Balance as at 30/06/19	35,222	492	5,422	1,933	43,069
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>
Additions	643	131	94	25	893
Disposals	-	(96)	(24)	(12)	(132)
<b>Balance as at 30/06/21</b>	<b>37,174</b>	<b>527</b>	<b>5,725</b>	<b>1,977</b>	<b>45,403</b>
<b>Accumulated Depreciation</b>					
Balance as at 30/06/19	(17,990)	(418)	(4,808)	(1,715)	(24,931)
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>
Charge for the year	(750)	(49)	(249)	(46)	(1,094)
Disposals	-	-	25	12	133
<b>Balance as at 30/06/21</b>	<b>(19,473)</b>	<b>(413)</b>	<b>(5,213)</b>	<b>(1,808)</b>	<b>(26,907)</b>
<b>Written down value:</b>					
As at 30/06/20	17,808	32	666	190	18,696
As at 30/06/21	17,701	114	512	169	18,496

**13. Deposits**

	2021 \$'000	2020 \$'000
<b>Foreign currency deposits</b>		
Government of Samoa foreign currency deposits	143,805	109,966
<b>Total foreign currency deposits</b>	<b>143,805</b>	<b>109,966</b>

**Central Bank of Samoa**  
**Notes forming part of the financial statements**  
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**13. Deposits (continued)**

<b>Local currency deposits</b>		
Demand deposits due to banks	340,717	254,789
Government of Samoa local currency deposits	47,582	50,469
The World Bank deposits	39	49
	<u>388,338</u>	<u>305,307</u>
 <b>Statutory reserve deposits</b>		
Domestic banks	57,946	50,765
Insurance companies	940	840
	<u>58,886</u>	<u>51,605</u>
<b>Total local currency deposits</b>	<u>447,224</u>	<u>356,912</u>

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 \$0.5m tala (2020: \$0.9m 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**

	2021	2020
	\$'000	\$'000
(a). Exogenous Shock Facility	-	-
(b). Rapid Credit Facility No.1	8,479	12,826
(c). Rapid Credit Facility No.2	59,208	59,707
	<u>67,687</u>	<u>72,533</u>
<b>Balance at year end</b>	<u>67,687</u>	<u>72,533</u>

**(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.

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.

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

**(c). Rapid Credit Facility No.2**

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**

	2021 \$'000	2020 \$'000
Currency in circulation	142,569	131,745
<b>Balance at year end</b>	<b>142,569</b>	<b>131,745</b>

**16. Provision for employee entitlements**

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

	2021 \$'000	2020 \$'000
Opening balance at 1 July	496	447
Additional provisions charged to income during the year	211	307
Entitlements utilised during the year	(297)	(258)
<b>Closing balance at 30 June</b>	<b>410</b>	<b>496</b>

**17. 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.

**18. Capital**

	2021 \$'000	2020 \$'000
<b>Authorised, issued and paid up capital</b>	<b>20,000</b>	<b>20,000</b>

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.

**Central Bank of Samoa**  
**Notes forming part of the financial statements**  
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**19. 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)

**20. 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:

	2021 \$'000	2020 \$'000
<b><i>Profit/(Loss) distribution</i></b>		
Unrealised gains/losses transferred to unrealised profits reserve	5,666	(447)
Net (loss)/profit transferred to general reserves	(2,229)	4,258
<b>Net profit/(loss)</b>	<b>3,437</b>	<b>3,811</b>
<b><i>Movement in Unrealised profit/(losses) reserve</i></b>		
Opening balance at 1 July	(15,632)	(15,185)
Unrealised gains/(losses) for the year	5,666	(447)
<b>Closing balance at 30 June</b>	<b>(9,966)</b>	<b>(15,632)</b>

**21. Interest income**

	2021 \$'000	2020 \$'000
Interest on cash accounts	9	1,807
Interest on term deposits	5,971	8,390
<b>Total interest income</b>	<b>5,980</b>	<b>10,197</b>

**22. Other income**

	2021 \$'000	2020 \$'000
Interest on staff loans	137	154
Income from collectors and other income	734	3,669
<b>Total other income</b>	<b>871</b>	<b>3,823</b>

**Central Bank of Samoa**  
**Notes forming part of the financial statements**  
**For the year ended 30 June 2021**

**23. 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 (2020: 25).

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

	2021 \$'000	2020 \$'000
Salaries and short-term employment benefits	1,540	1,554
Other long-term benefits	113	163
<b>Total key management personnel remuneration</b>	<b>1,653</b>	<b>1,717</b>

**(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.

	2021 \$'000	2020 \$'000
Directors fees	62	63
Board expenses	8	23
<b>Total directors and board expenses</b>	<b>70</b>	<b>86</b>

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

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

	2021 \$'000	2020 \$'000
Balances due to related parties	191,387	160,435
Balances due from related parties	1,116	1,284

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.

**24. Lease receivable**

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

	2021 \$'000	2020 \$'000
Not later than one year	1,200	1,200
Later than one year but not later than five years	2,600	2,600
<b>Total interest income</b>	<b>3,800</b>	<b>3,800</b>



**Central Bank of Samoa**  
**Notes forming part of the financial statements**  
**For the year ended 30 June 2021**

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**24 .Lease receivable (continued)**

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\$1,009,833 (2020: SAT\$1,198,585).

Direct operating expenses in relation to building floors leased out amounted to SAT\$849,160 (2020: SAT\$920,867). 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.

**25. 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  
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25. Financial risk management (continued)

(a) Liquidity risk (continued)

Maturity analysis as at 30 June 2021

	0 - 3 months \$000	3 - 12 months \$000	1 - 5 years \$000	Over 5 years \$000	No specific maturity \$000	Total \$000
<b>Foreign Currency Assets</b>						
Cash balances	158,456	-	-	-	-	158,456
Fixed deposits	5,372	552,112	-	-	-	557,484
International Monetary Fund	-	-	-	-	67,014	67,014
Accrued interest	283	1,945	-	-	-	2,228
	164,111	554,057	-	-	67,014	785,182
<b>Local Currency Assets</b>						
Cash balances	9,237	-	-	-	-	9,237
Fixed deposits	-	35,702	-	-	-	35,702
Accrued interest	-	13	-	-	-	13
Currency stock on hand	-	-	-	-	11,840	11,840
Receivables and prepayments	-	854	3,369	3,063	-	7286
Credit line facility	-	-	-	85,147	-	85,147
Property, plant and equipment	-	-	135	18,361	-	18,496
	9,237	36,569	3,504	106,571	11,840	167,721
<b>Total Assets</b>	<b>173,348</b>	<b>590,626</b>	<b>3,504</b>	<b>106,571</b>	<b>78,854</b>	<b>952,904</b>
<b>Foreign Currency Liabilities</b>						
Demand deposits	143,805	-	-	-	-	143,805
IMF Facilities	-	-	-	67,687	-	67,687
International Monetary Fund	-	-	-	-	93,049	93,049
Other liabilities	12	-	-	-	-	12
	143,817	-	-	67,687	93,049	304,553
<b>Local Currency Liabilities</b>						
Demand deposits	447,224	-	-	-	-	447,224
Currency in circulation	-	-	-	-	142,569	142,569
Central Bank Securities	-	-	-	-	-	-
Creditors and accruals	2,386	34,670	94	-	-	37,150
Provisions	-	-	-	410	-	410
	449,610	34,670	94	410	142,569	627,353
<b>Total Liabilities</b>	<b>593,427</b>	<b>34,670</b>	<b>94</b>	<b>68,097</b>	<b>235,618</b>	<b>931,906</b>
<b>Net Assets</b>	<b>(420,079)</b>	<b>555,956</b>	<b>3,410</b>	<b>38,474</b>	<b>(156,764)</b>	<b>20,998</b>

Central Bank of Samoa  
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25. Financial risk management (continued)

(a) Liquidity risk (continued)

Maturity analysis as at 30 June 2020

	0 - 3 months \$000	3 - 12 months \$000	1 - 5 years \$000	Over 5 years \$000	No specific maturity \$000	Total \$000
<b>Foreign Currency Assets</b>						
Cash balances	183,026	-	-	-	-	183,026
Fixed deposits	17,682	372,813	-	-	-	390,495
International Monetary 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 prepayments	-	650	3,433	3,359	-	7,442
Credit line facility	-	-	-	86,639	-	86,639
Property, plant and 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 Fund	-	-	-	-	93,832	93,832
Other liabilities	17	-	-	-	-	17
	109,983	-	-	72,533	93,832	276,348
<b>Local Currency 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**  
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**25. 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	0.81	2.01	4.33	2.11	0.003	9.27
Cash balances with banks	-	1.58	0.27	-	0.004	1.86
Fixed deposits	107.02	165.98	73.06	-	104.98	451.05
Repurchase agreements	147.33	-	-	-	-	147.33
<b>Total</b>	<b>255.16</b>	<b>169.58</b>	<b>186.33</b>	<b>2.11</b>	<b>104.99</b>	<b>718.17</b>

**Concentration of foreign currency balances**

	USD	NZD	AUD	GBP	CNY	TOTAL
Cash balances with Central Banks	0.1%	0.3%	0.6%	0.3%	-	1.3%
Cash balances with Banks	-	0.3%	-	-	-	0.3%
Fixed deposits	14.9%	23.1%	25.3%	-	14.6%	77.9%
Repurchase agreements	20.5%	-	-	-	-	20.5%
<b>Total</b>	<b>35.5%</b>	<b>23.6%</b>	<b>25.9%</b>	<b>0.3%</b>	<b>14.6%</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 2021	30 June 2020
USD	0.39029	0.37326
NZD	0.55847	0.58190
AUD	0.51972	0.54438
GBP	0.28191	0.30387
EURO	0.32807	0.33326
SDR	0.27360	0.27130
CNY	2.52271	2.64307
CNH	2.52355	2.64250

**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.

**Sensitivity analysis**

A 10% weakening of the Samoan tala against the above currencies at 30 June 2021 would have increased net income by the amounts shown below:

Central Bank of Samoa  
Notes forming part of the financial statements  
For the year ended 30 June 2021

25. Financial risk management (continued)

(b) Market risk (continued)

	Income effect	Income effect	General	General
	2021	2020	reserves effect	reserves effect
	\$'000	\$'000	2021	2020
			\$'000	\$'000
USD	24,659	26,263	10,684	10,100
NZD	17,501	13,585	16,545	12,974
AUD	19,072	11,321	18,137	9,822
GBP	227	254	-	-
EURO	(1)	(1)	-	-
CNH	6,778	7,090	10,382	6,153
SDR	10,847	6,252	-	7,187
<b>TOTAL</b>	<b>79,085</b>	<b>64,764</b>	<b>55,748</b>	<b>46,236</b>

A 10% strengthening of the Samoan tala against the above currencies at 30 June 2021 would have an equal but opposite effect i.e.: decreased net income.

(i) 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 2021:

	Balance	Repricing period			
	Sheet	\$M			
	Total \$M	0-3 months	3-6 months	6-12 months	12+ months
Foreign Exchange					
Cash balances with Central Banks	9.27	9.27	-	-	-
Cash balances with Banks	1.86	1.86	-	-	-
Fixed deposits	451.05	5.37	23.08	422.61	-
Negotiable Certificate of Deposits	104.35	-	9.61	94.74	-
Bonds	4.31	-	-	-	4.31
Repurchase agreements	147.33	147.33	-	-	-
<b>TOTAL</b>	<b>718.17</b>	<b>200.7</b>	<b>111.4</b>	<b>517.35</b>	<b>4.31</b>

(c) 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 carrying amount	Loss allowance	Credit impaired
<b>30 June 2021</b>				
Current (not overdue)	2.5%	2,823	58	-
Staff loans assessed individually		311	14	-
		<b>3,134</b>	<b>72</b>	<b>-</b>

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

(c) 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)

Foreign Investments	Risk rating of security issuer	Risk rating of counterparties	% of total assets as at 30-Jun-21
Securities held under repurchase agreements with Central Banks	AA+		20.51
Deposits with Central Banks	AAA		7.57
Cash with other Central Banks			1.29
<b>Subtotal balances with Central Banks</b>			<b>29.38</b>
<b>Negotiable Certificate of Deposit</b>			<b>14.53</b>
ME BANK		BBB+	4.44
BANK OF QUEENSLAND		BBB+	6.74
RABO		A	2.81
QUDOS BANK			0.54
<b>BONDS</b>			<b>0.6</b>
EUROPEAN INVESTMENT BANK		AAA	0.6
<b>Deposits with Commercial Banks</b>			<b>55.23</b>
ANZ		AA-	1.00
BNZ		AA-	1.99
BOC		A	17.58
DBS		AAA	9.64
ICBC		A	15.89
RABO		A	5.98
WBC		AA-	3.15
<b>Others (CASH)</b>			<b>0.26</b>
ANZ		AA-	0.03
BNZ		AA-	0.08
BOC		A	0.10
WBC		AA-	0.04
ICBC		A	0.02
<b>Subtotal balances with commercial Banks</b>			<b>70.62</b>
<b>TOTAL</b>			<b>100</b>



## **25. Financial Risk Management (continued)**

### **(d) Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure and from external factors other than 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.

## **26. 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.

## **27. Commitments for expenditures**

The Directors are aware of the Bank's commitment at 30<sup>th</sup> June 2021 as follows:

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

The project was estimated to cost \$28.5 million tala. The cost already incurred on this as at 30 June 2021 is \$2.8m (2020: \$2.1m) 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.

**Central Bank of Samoa**  
**Notes forming part of the financial statements**  
**For the year ended 30 June 2021**

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**28. 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\$555,002. (2020: SAT\$2,877,681).

**29. Approval of financial statement**

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

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## Independent Auditor's Report

### To the Controller and Chief Auditor

#### Auditor's Opinion

We have audited the accompanying financial report of Central Bank of Samoa (the Bank), which comprises the statement of financial position as at 30 June 2021, the statements of financial performance, cash flows and changes in capital and reserves for the year then ended, a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial report gives a true and fair view of the financial position of Central Bank of Samoa as of 30 June 2021, and of its financial performance and its 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 the 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 Bank in accordance with the ethical requirements that are relevant to our audit of financial statements in Samoa, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters (KAM)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters and for the purpose of this report, KAM's are adequately disclosed on the notes to financial statements in relation to uncertainty faced by the Banks together with compensating actions. Thus, not required to report separately.

#### The Responsibility of the Board of Directors for the Financial Report

The Board of Directors is responsible for the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards (IFRSs). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, Board 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.

The Board and those charged with governance are responsible for overseeing the Bank's financial reporting process.

#### Emphasis of Matters

##### (a) COVID-19

As discussed in Note 2, the ongoing uncertainty of the Coronavirus (Covid-19) continues in doubt around the world. The current volatility in financial markets introduces additional challenges to discount rates for the Banks financial derivatives as the parameters used to estimate discount rates becomes more unpredictable. The Board also noted imminent inflationary pressures thus, they are monitoring the inflation on a timely basis.

The Board felt that the monetary policy should remain easing in order to support the economic recovery momentum with the aim to maintain interest rates at low and affordable levels to encourage lending to private businesses in order to foster domestic investment and economic activity

Board and Management still prepares the financial reports on the going concern assumption. Our opinion is not modified with respect to this.

#### **APPENDIX - Auditor's Responsibility for the Audit of 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when 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 scepticism 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 Company'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 Company'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 Company 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.

#### **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
- (ii) Public Finance Management Act 2001

We also confirm that:

- (a) We have been given all the 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.

**SU'A ma PAUGA**  
Chartered Accountants



Tagaloa Faafouina Su'a  
Engagement Partner  
29 September 2021