

# ANNUAL REPORT

JULY 2022 - JUNE 2023

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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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31 October 2023

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 2023.

The Bank's Annual report 2022/2023 reveals key data and information on Samoa's economic performance and the Bank's financial performance for the twelve (12) months period from July 2022 to June 2023.

(Hon. Lautimuia Afoa Uelese Vaai)  
**MINISTER OF FINANCE**

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31 October 2023

Honourable Lautimuia Afoa Uelese Vaai  
Minister of Finance

APIA

Afioga e,

I hereby submit the 36<sup>th</sup> Annual Report of the Central Bank of Samoa for the financial year ending June 2023. 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 2023 and its related Audit Report/Opinion.

Yours faithfully,

(Maiava Atalina AINU'U-ENARI)

GOVERNOR

## Our Purpose

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

## Our Vision

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

## Our Mission

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

## **Our Mandate**

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

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

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

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

### **Financial Institutions Act 1996**

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

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

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

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

### **Insurance Act 2007**

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

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

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

# Leadership and Organizational Structure

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

## **a) Board of Directors**

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

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

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

## **b) Governance**

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

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

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 is required to meet quarterly. The Internal Auditor reports administratively to the Governor and functionally to the Audit Committee. In addition, the Internal Auditor is the facilitator for the Bank for coordinating the IMF Safeguards Assessment Mission.

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 2023.

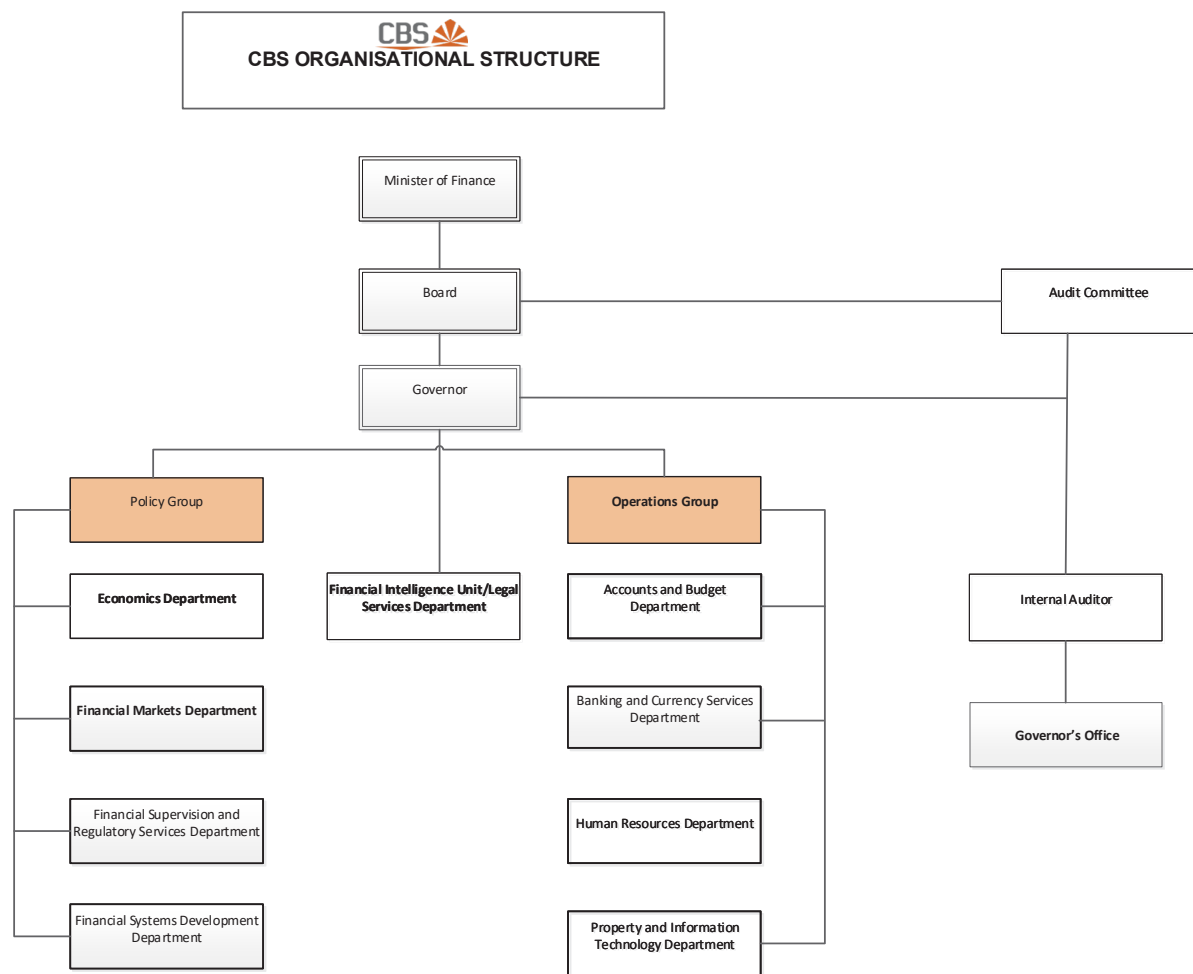
The Bank monitored several staff policies during the year to improve human resource management and support to staff.

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 2022/2023



Source: Central Bank of Samoa, 2023

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# I. Governor's Foreword

## 2022/2023 was a year of transitions

After more than 2 consecutive years of lockdowns since April 2020 due to the COVID-19 pandemic, Samoa like the rest of the world, finally re-opened her international borders on 1<sup>st</sup> August 2022. And, following 3 consecutive fiscal years of economic contractions as a result of the long pandemic-induced lockdowns, our domestic economy started on its slow but sure journey of recovery in FY2022/2023. Despite these positive developments during the year, as a small island developing country, we remained subject to significant uncertainties as we try to adjust to living with COVID-19 and its associated health, social and economic problems.

In the face of these unprecedented economic challenges to both the global and domestic economic environment, the Central Bank of Samoa remained steadfast in its strategic vision to be a dynamic and efficient central bank. This is particularly in relation to our intent to be flexible, innovative and efficient in the conduct of our mandated responsibilities.

Recognizing the need for a healthy and sustainable economic recovery after a prolonged period of contractionary activities, **the Central Bank maintained its accommodative easing monetary policy stance to support fiscal policy measures undertaken to revive Samoa's economy** for this financial year. As a result, after recording its first positive growth in the year ending December 2022 at 0.04 percent, real GDP expanded further considerably by 8.0 percent in June 2023 from -5.3 percent in June 2022. This is amidst rising inflation, which is an economic problem not only in Samoa but around the world, including our

main trading partners such as New Zealand, Australia and the United States of America. Stemming from the pandemic induced global supply-chain disruptions that drove global food and fuel costs high, the Russian invasion of Ukraine in February 2022 exerted further price pressures and exacerbated already elevated inflation levels to historical highs. In Samoa, inflation rate was recorded at 12.0 percent in June 2023 from 8.8 percent in June 2022, reflecting not only the external price pressures but also domestic pricing fundamentals. Similar to other countries, inflation is projected to remain elevated for some time. The Bank remains vigilant in this area and will continue to monitor and take actions within the realm of monetary policy where appropriate. Further, Samoa's official foreign exchange reserves reached a historic milestone exceeding the \$1.01 billion Tala level in May 2023, and \$1.10 billion as at end FY2022/2023, which were more than sufficient, well diversified and securely managed to cater for the country's needs and international obligations.

In view of our financial stability objective, the risk-based regulatory and supervisory framework the Bank conducts over its licensed financial institutions has supported the delivery of a **sound and resilient financial system** during this financial year. This, to some extent, was evident in the fact that the March and April 2023 banking crises in the United States of America and the failure of Credit Suisse Bank in Switzerland had no direct impact on Samoa's banking system to date. Accordingly, the banking sector at end June 2023 continues to be well-capitalised with a capital adequacy ratio of 33.2 percent (relative to the required minimum of 15.0 percent) and is highly liquid with a liquid asset ratio of 36.6 percent (compared to

a benchmark ratio of 10.0 percent). Quality of assets are also strong, with non-performing loans well provisioned by the commercial banks.

Further, in our commitment to a progressive financial system, FY2022/2023 also marked our delivery of a modernized national payments system for Samoa. This included two important infrastructural changes in our financial system. Firstly, the transition from manual settlements to a fit-for-purpose real time automated transfer settlement system between the commercial banks which took place on 16 May 2023. Secondly, the shift from manual Open Market Operation procedures in the implementation of our monetary policy to the electronic Central Securities Depository (CSD) system, which went live on 17 May 2023. These technological changes came to fruition following a prolonged period due to external factors beyond our control, including the pandemic. Despite these, we maintained our focus in our vision for the modernization of Samoa's financial infrastructures. To this end, we acknowledge with gratitude the support of the World Bank, our local banking system and the Government in this journey.

We also continued to take steps forward during FY2022/2023 in other major projects that will help enhance our capacity and capability to achieve our macroeconomic and financial stability objectives. This includes the:

1. **e-KYC Utility database** – a successful trial using the e-KYC system for customer due diligence was conducted by one of the local commercial banks during the year, following the agreement by the Office of the Electoral Commission for the use of their electoral roll database. A

draft legal diagnostic to identify the required legal framework for the e-KYC system was also undertaken by a legal consultant contracted by the ADB and had been reviewed by the CBS legal team. The funding for this project will end in December 2023 and a review by the ADB will be conducted to assess the effectiveness of the e-KYC system. This impact study will also determine the way forward for this important tool, which is an integral element in the prevention of money laundering and countering terrorism financing in Samoa's financial jurisdiction.

**2. National Risk Assessment and the National Strategy on AML/CFT 2023-2026** – This important work under our Money Laundering Prevention Authority will be finalized in the near future and will form the basis to strengthen our AML/CFT framework.

**3. Credit Data Registry** – the draft legal framework was referred for consultations with the commercial banks during the year and included discussions in an in-person Mission in April 2023 by the ADB consultant assisting in this important work.

**4. Sustainable Finance** – the drafting of the Principles and Guidelines for Sustainable Finance in Samoa is in progress. Further, an assessment of the readiness of Samoa's financial sector to climate risks was undertaken with the assistance of an ADB consultant in early February 2023. The outcome of this assessment will contribute towards the Bank's efforts to greening Samoa's financial system.

**5. Forecasting and Policy Analysis System (FPAS)** – this financial programming tool will enhance

the Central Bank's forecasting capabilities and analytical skills which will contribute towards strengthening the quality, effectiveness and communication of the Bank's monetary policy. The International Monetary Fund (IMF) is providing this technical assistance support over a three year period from 2021 to 2024, with virtual missions conducted in previous years and the first in-person Mission conducted in March 2023.

**6. Emergency Liquidity Assistance (ELA) framework** – a policy paper as well as internal procedures and guidelines for this important responsibility of the Central Bank under its lender of last resort function was drafted and referred for initial consultation with the commercial banks as well as for the IMF's review in the first half of FY2022/2023. This work is ongoing, with the aim to complete this in the next financial year, which will include an in-person Mission by an IMF expert to ensure the consistency of our ELA framework with international best practices and in light of recent global banking crises.

Additional to these existing priorities, the Central Bank will, in the years ahead also:

1. Participate as a pilot country from the Pacific in the IMF's Safe Payment Corridor project, which is part of a G20 initiative to identify and assess relevant frameworks to address the issues relating to the loss of correspondent banking relationships.
2. Undertake amendments to the Money Laundering Prevention Act 2007 and related legislations to resolve Samoa's remaining deficiencies with the FATF

standards. This is part of efforts to prepare Samoa ahead of its forthcoming Mutual Evaluation.

3. Continue with the regular onsite inspections of the licensed financial institutions to assess their compliance with AML/CFT standards, Prudential standards as well as Exchange Control Regulations and policies.
4. Continue to strengthen its regulatory frameworks in light of the growing FinTech landscape, including around the increasing interests around digital or virtual assets platforms in Samoa's financial jurisdiction.

In view of our role as the sole issuer of Samoa's legal tender and our strategic focus to continuously provide quality legal tender for the country, the Central Bank launched a unique \$60 Commemorative banknote on 26 May 2023 to culminate the yearlong celebration of Samoa's 60th Independence. This limited-edition commemorative banknote, issued into circulation on 31st May 2023, is the first of its denomination, with significantly enhanced features to maintain the security of our legal tender. Consistent with the Bank's sustainability commitment, this \$60 Tala paper banknote was produced and printed, in collaboration with De La Rue, through carbon neutral processes.

Our delivery of these and future projects and activities for the Bank in the face of economic challenges and a rapidly evolving financial operating landscape underlies our shared commitment for the economic sustainability and prosperity of Samoa. Despite of these developments and the ongoing volatility in the global financial markets which impacts on the Bank's financial position, I am pleased to report that for this financial year,

with the prudent management of our spending, we recorded a net profit of \$3.6 million. Although we have made progress, we will not be complacent to the ongoing and insurmountable challenges that still lies ahead. In view of this, we recognize:

1. the need to ensure our staff remain qualified, competent, knowledgeable and skilled for the sustainability of the Bank;
2. the need for the Bank to step up in its internal service delivery and operations through sustainable practices and incorporation of sustainability targets in all areas of our decision making, particularly in view of our macroeconomic and financial stability objectives;
3. that partnerships and collaborations with all our local and international stakeholders

remains relevant and substantially vital;


4. That more economic challenges are likely and will continue to exert pressure on our financial resources, especially from the significant volatility in the global financial markets.

On this note, I extend my heartfelt appreciation and gratitude for the support and collaborative efforts of the CBS Board of Directors, Management and staff in the last twelve months. Their ongoing commitment, passion and teamwork in our shared journey during FY2022/2023 has ensured the Central Bank continues to be resilient and capable in the changing wave of tides.

E ui lava sa lutia i puava le tatou folauga i tausaga ua mavae ona o luitau

ogaoga ma faigata, ae peitai, o lenei ua mapu i fagalele lelei. Ua livaliva le foe a le tautai ma ua talimanuia le Atua i tatou faamoemoega. Mo le manuia lautele o Samoa ma lona tamaoaiga i le agai atu i le lumanai, ua mafatautaia lo tatou vaa, ma e fa'aaauau pea ona maua'a ma tutumau lau Faletupe Tutotonu e tusa ai ma lana manulauti ma galuega tauave.

Ma le ava tele,



Maiava Atalina AINU'u-Enari  
GOVERNOR

# 2022 – 2023 SNAPSHOT

## Real Economic Growth



**8.0 %**  
June 2023

## Inflation Rate



**12.0%**  
June 2023

## Inward Private Remittances



**\$832.1m**  
(+13.6% from FY 2021–2022)

## Money Supply



**\$1,575.4m**  
9.3% annual growth rate

## Official Foreign Reserves



**10.9**  
(months of imports)  
June 2023

## Government External Debt



**33.4%**  
of nominal GDP as of  
June 2023

## Excess Liquidity



**\$493.1m**  
30 June 2023

## Tourism Earnings



**\$421.0m**

## Official Interest Rate



**0.23%**

Commercial Banks' Interest Rates  
• WAD rate 1.76%  
(–6bp from FY 2021–2022)  
• WAL rate 8.31%  
(+2bp from FY 2021–2022)

## Nominal Effective Exchange Rate



**+0.09%**  
Appreciation

## Financial System Credit Growth Rate



**–0.4%**

## Capital Adequacy Ratio



**33.2%**  
End of June 2023

## II. Monetary policy formulation and the economy

Despite the easing of COVID-19 pandemic concerns during FY2022/2023, other global developments and events weighed heavily on the world economy. Strong and persistently high inflationary pressure dominated, triggering aggressive monetary policy tightening and financial stability concerns in the major economies. On the other hand, Samoa's economy has rebounded strongly since international borders re-opened but continues to face challenges with its high inflation rate.

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

Global economic growth stalled in 2022/2023, and indicators in many economies now point to an extended period of subdued growth. This was despite the re-opening of international borders since the COVID-19 pandemic in early 2020 as well as the World Health Organisation

system. The ongoing Ukraine/Russia war also overshadowed the global recovery, amidst rising geopolitical tensions and renewed US and China trade concerns. As a result, the global economy is estimated by the IMF to have grown by 3.25 percent in 2022/2023, slowing from a 4.90 percent expansion in the previous year 2021/2022.

of living was already rising rapidly around the world from the global supply disruptions from the lingering COVID-19 pandemic. Of Samoa's major trading partners, their inflation rates recorded decreasing inflation trends, with USA, NZ, and Australia inflation still well above their target levels of around 2 to 3 percent. (Refer to Table 1).

TABLE 1: SELECTED GLOBAL ECONOMIC INDICATORS												
Samoa's main trading partners										World Economic Performance		
	New Zealand			Australia			United States of America					
Financial year (end June)	Real GDP Growth	CPI Inflation Rate	Unemployment Rate	Real GDP Growth	CPI Inflation Rate	Unemployment Rate	Real GDP Growth	CPI Inflation Rate	Unemployment Rate	Real GDP growth rate	CPI Inflation rate	Unemployment Rate
Year on Year Change (%)												
2018/2019	2.7	1.7	3.9	1.7	1.6	5.2	2.1	1.6	3.7	3.25	3.30	5.3
2019/2020	-9.9	1.5	4.0	-5.7	-0.3	7.4	-8.4	0.6	11.1	-0.20	3.07	6.0
2020/2021	18.5	3.3	4.0	10.3	3.8	4.9	12.5	5.4	5.9	1.50	3.73	6.4
2021/2022	0.7	7.3	3.3	3.1	6.1	3.6	1.8	9.1	3.6	4.9 (est)	6.70 (est)	6.0 (est)
2022/2023	1.8	6.0	3.6	2.1	6.0	3.5	2.6	3.0	3.6	3.25 (est)	7.75 (est)	5.8 (est)
Source: IMF July 2023 WEO, ILO World Employment and Social Outlook Trends 2023 (for World Unemployment rate), Bloomberg, TradingEconomics, WPC Australia & NZ Weekly Updates and specific country's statistics authorities												

Source: IMF July 2023 WEO, ILO World Employment and Social Outlook Trends 2023 (for World Unemployment rate), Bloomberg, TradingEconomics, WPC Australia & NZ Weekly Updates and specific country's statistics authorities

(WHO)'s declaration that the COVID-19 has ended as a "public health emergency". One of the main driving factors behind the weakening global economy is the aggressive monetary policy tightening adopted by many advanced economies during the year, which also triggered (to some extent) turmoil in the US banking

Global inflation is estimated at around 7.75 percent in FY2022/2023 from an earlier projection of 7.40 percent (April 2023 WEO) and was 6.70 percent in the previous year, FY2021/2022. The Ukraine/Russia war pushed up energy and food prices substantially, aggravating inflationary pressures at a time when the cost

On the other hand, labour market conditions improved in the last twelve months, with most countries recording low unemployment rates across the globe, particularly in the US, Australia and New Zealand.

Overall, to curb the increasing inflation rates throughout 2022/2023,

TABLE 2: WORLD MONETARY POLICY INTEREST RATES						
Fiscal year to end June	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
<b>Official international interest rates</b>						
US Federal Reserve	1.75 - 2.00	2.25 - 2.50	0.00 - 0.25	0.00 - 0.25	1.50 - 1.75	5.00 - 5.25
Reserve Bank of Australia	1.50	1.25	0.25	0.10	0.85	4.10
Reserve Bank of New Zealand	1.75	1.50	0.25	0.25	2.00	5.50
Bank of England	0.50	0.75	0.10	0.10	1.25	5.00
European Central Bank	0.00	0.00	0.00	0.00	0.00	4.00
People's Bank of China	4.35	4.35	3.85	3.85	3.70	3.55

Source: IMF and Reserve Banks' publications and information releases.

<sup>2</sup> Sources: IMF July 2023 World Economic Outlook, Bloomberg, Westpac Market Outlook



most central banks continued their aggressively tightening monetary policies during the financial year. However, concerns over their economic outlook have seen some of the major central banks slow down or pause their policy interest rate hikes in the last three months to June 2023. (Refer to Table 2).

## 2. Domestic Economy

### 2.1 Monetary Policy Outlook and Targets

The Central Bank of Samoa (CBS) Board of Directors approved the continuation of its easing monetary policy stance at its meeting on the 30th June 2022, to ensure that the expected economic recovery and growth forecasts following close to 3 years of negative growth, remains on track.

Specifically, the Samoan economy was originally expected to rebound by 1.8 percent in the fiscal year 2022/2023. This expected recovery follows three consecutive years of contractions; -5.3 percent in 2021/2022, -7.1 percent in 2020/2021 and -3.1 percent in 2019/2020. The forecast recovery in real GDP was mostly based on the expected pickup in economic activity and production once the borders reopened and expected influx of visitors (mainly overseas diaspora visiting their families) as well as normalization of economic production without disruptions from COVID lockdowns. This recovery was expected to come from rebound in sectors such as 'Commerce', 'Food & Beverage Manufacturing', 'Personal & other services', 'Construction' and 'Communication'. (See Table 3.)

**Table 3: Summary of Macroeconomic Indicators**

			Original Forecast as of 30 Jun 22	Revised Forecast as of 3 Mar 23	Actual
	2020/2021	2021/2022	2022/2023	2022/2023	2022/2023
<b>Real Sector</b>					
Real GDP (% change)	-7.1%	-5.3%	1.8%	3.0%	8.0%
Nominal GDP (% change)	-7.5%	0.0%	4.7%	8.0%	17.6%
Headline Inflation Rate (% change)	-3.0%	8.8%	6.7%	10.0%	12.0%
Underlying Inflation Rate (% change)	-2.1%	8.4%	6.6%	9.7%	14.2%
<b>External Sector</b>					
Exports (tala Mn)	89.5	82.9	79.5	117.3	119.0
Exports (% change)	-26.7%	-7.4%	4.8%	41.4%	43.6%
Imports (tala Mn)	820.7	897.5	912.4	1,069.8	1,206.0
Imports (% change)	-3.8%	9.4%	4.1%	19.2%	34.4%
Remittances (tala Mn)	606.7	732.4	707.0	776.2	832.1
Remittances (% change)	6.9%	20.7%	-3.5%	6.4%	13.6%
Visitor Earnings (tala Mn)	0.0	0.0	89.4	258.5	421.0
Visitor Earnings (% change)	-100.0%	-100.0%	100.0%	100.0%	100.0%
BOP Surplus/(deficit) (tala Mn)	138.4	80.0	-35.0	30.5	285.4
Foreign Reserves (tala Mn)	732.7	812.7	777.4	842.9	1,098.1
Import Cover (months)	10.7	10.9	10.2	9.5	10.9
<b>Monetary &amp; Financial Sector</b>					
Bank Credit to Private sector & NFIs (% change)	2.1	0.9	1.1	0.2	-1.6
Broad Money Supply (% change)	5.5	3.0	3.4	5.1	9.3

On the other hand, the headline inflation rate was projected to peak at around 9.4 percent in September 2022 before receding to 6.7 percent by end June 2022. This expected decline in headline inflation was underpinned mainly by the expected drop in imported inflation as global fuel and food prices were expected to start coming down in 2023. Local inflation was also expected to weaken as the external inflationary pressures on local prices subside.

On the external sector, the balance of payments was expected to record a deficit of \$35.0 million in the FY2021/2022 given the expected increase in import payments as well as a decline (return to normal levels) in remittances. However, total export of goods and visitor earnings were expected to increase during the year. As a result, total foreign reserves were expected to drop to \$715.0 million or around 9.4 months of imports from 10.3 months at end June 2022. (See Table 3.)

On monetary conditions, total commercial bank lending to the

private sector and public institutions was expected to remain sluggish, slowing to 1.1 percent by end June 2023, from 1.3 percent at end June 2022. This reflects the cautious approach by commercial banks despite the easing of pandemic restrictions. As a result, the annual growth rate of M2 is expected to rise gradually to around 3.4 percent at end June 2023, from 2.8 percent expected at end June 2022 as net foreign assets are expected to slowdown from its high levels in 2020 and 2021 while net domestic assets are expected to pick up. (See Table 3.)

### 2.2 Monetary Policy Outcomes

As expected, global international commodity prices started to come in the first half of 2023 as prices for fuel and selected food and other consumable goods began to recede. Imported inflation peaked at 16.6 percent in October 2022 and began to gradually drop to 14.5 percent at end June 2023. However, local prices (inflation) have gone up during the year, rising from 3.9 percent in June 2022 to now 9.2 percent in June 2023



compared to an expected decline to 3.6 percent in the original forecast. Strong local demand from the large number of foreign visitors so far as well as increase in business activity while local supply has not increased as much, has led to price hikes in local produce at the markets (agricultural products and fish). Because of this, the headline inflation rate rose to 12.0 percent by end June 2023, higher compared to its original forecast decline to 6.7 percent and revised forecast of 10.0 percent in the same time frame. (Please refer to Table 1).

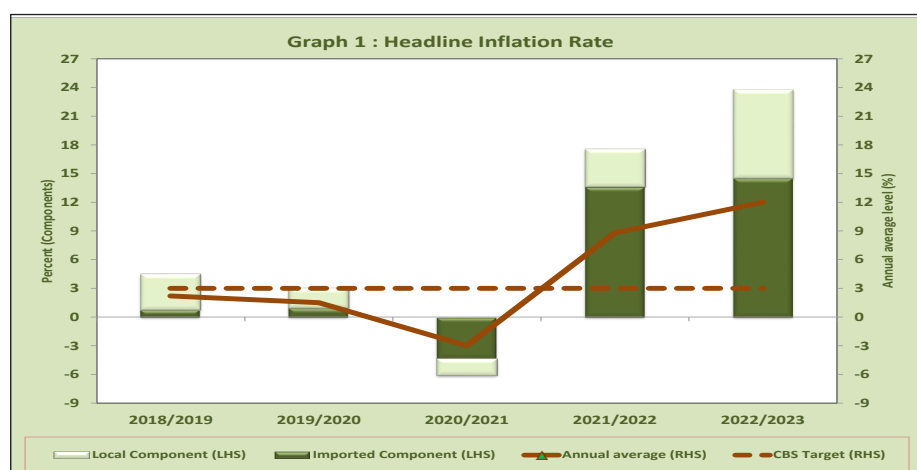
families and households as well as harried carried cash, mainly from Australia and New Zealand. On tourism, total visitor arrivals were around 124,655 visitors or equivalent to total visitor earnings of around \$421.0 million in 2022/2023. This was well above its initial forecast arrivals and earnings given the much stronger than expected influx of visitors, especially those 'Visiting Friends and Relatives (VFRs)', which accounts for around 41.7 percent of total visitor arrivals.

of mainly fuel, (up by \$36.0 million) given the increase in the number of flights (aircraft) coming to Faleolo. In addition, fish exports more than tripled to \$23.8 million in 2022/2023 due to increase in volume of exports mainly to American Samoa as well as a hike in crude coconut oil exports to a total of \$12.9 million.

Similarly, total imports leapt by 34.4 percent to \$1,206.0 million (highest level of import payments so far) when compared to last year, much higher than its initial forecast growth of 4.1 percent due to several (unanticipated) large one off items such as the tug boat, patrol boat and the ferry boat in FY2022/2023.

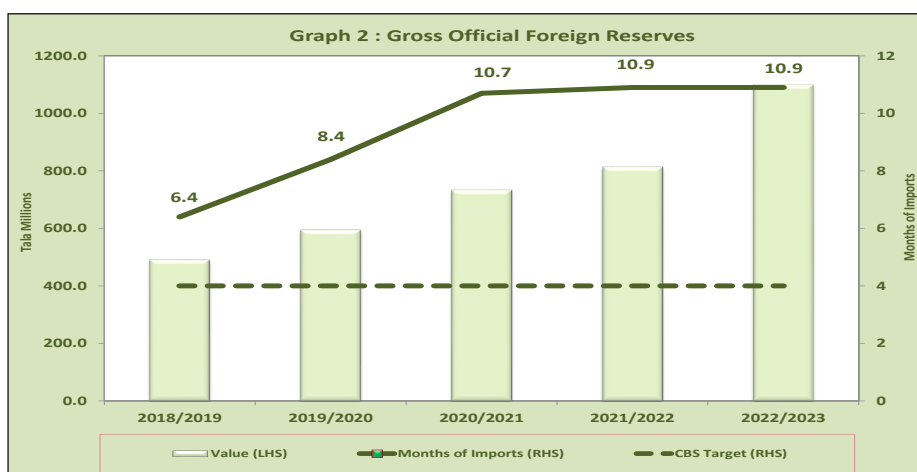
In addition to the increases in foreign exchange inflows from exports, remittances and tourism, Samoa also continued to receive large financial assistance (including the usual budget support funds) from its development partners (such as the International Monetary Fund (IMF), World Bank (WB), Asian Development Bank (ADB), New Zealand and Australian governments) since the start of the current financial year. As a result, the balance of payments registered a record surplus of \$285.4 million in FY2022/2023 and the seventh straight year Samoa has recorded a surplus. Consequently, total official foreign reserves<sup>3</sup> expanded to a record high of \$1,098.1 million, a level that was sufficient to cover 10.9 months of imports of goods only, well above its forecast of 9.4 months. (See Graph 2 and Table 3.)

The total banking system liquidity continued to grow further by \$229.1 million (or 66.1 percent) to \$575.4 million at end June 2023. This was mostly due to a 179.8 million hike in commercial banks' excess reserves, and a \$50.0 million resumption in



Total private remittances in 2022/2023 grew by 13.6 percent to \$832.1 million, which was much higher than its original forecast decline of 2.0 percent given the continued expansion in funds for

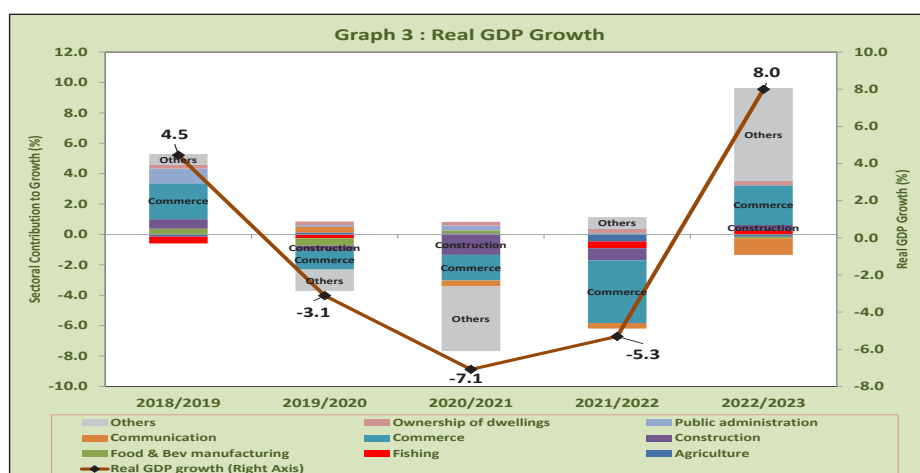
Total exports of goods jumped by 43.6 percent to \$119.0 million compared to its original forecast growth of 4.8 percent. This strong performance was mostly underpinned by a substantial increase in re-exports



<sup>3</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.

CBS Securities outstanding, which outweighed a small drop in their vault cash holdings. However, the combined commercial banks total credit to the private sector and public institutions continued to decline, falling by 2.7 percent (year on year) to \$1,140.0 million at end June 2023. Similarly, on an annual average basis, commercial banks' credit to the private sector and public institutions combined fell to -1.6 percent in FY2022/2023 from 0.9 percent last year and below its 1.1 percent forecast. Total money supply jumped by 16.3 percent or \$220.8 million at end June 2023, well above its forecast growth of 3.4 percent for FY2021/2022. This was mostly due to the higher-than-expected increase in net foreign assets because of significant inflow of government grants and budget support funds during the year as well as large purchases of foreign exchange from the commercial banks. (See Table 3.)

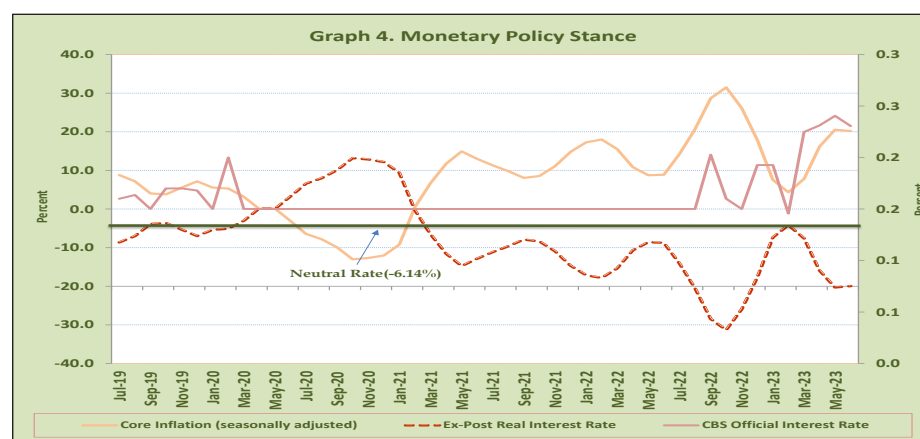
In terms of economic activity, real GDP jumped by 8.0 percent in FY2022/2023, which is well above its original forecast growth of 1.8 percent and its revised forecast of 3.0 percent. This exceptional recovery is largely driven by higher than anticipated tourism arrivals, which is around 79.0 percent of pre-COVID levels (2018/19). In addition, this exceptional growth also reflects Government efforts on its expansionary fiscal policy position, with the accommodative monetary policy, which contributed to increased investment and spending over the last twelve months. This sharp recovery in FY2022/2023 reflects strong activities coming from sectors such as Commerce, Business Services, Accommodations & Restaurants, Transport services and Taxes less subsidies to name a few. (See Graph 3 and Table 3.)



## 2.3 Conduct of Monetary Policy Stance

In trying to ascertain the effectiveness of the conduct of monetary policy, we compile and analyze the real interest rates<sup>4</sup> as well as a neutral interest rate<sup>5</sup>. Where the real interest rate is above the neutral interest rate, monetary policy may be observed to exert a tightening effect on the Samoan economy and where the real interest rate is below the

Based on the latest assessment, it is observed that starting from March 2021 up to June 2023, the real interest rate was below the neutral rate of interest indicating a loosening of monetary policy conditions as the sharp rise in core inflation, saw real interest drop well below the neutral rate. Accordingly, monetary conditions were consistent with the Bank's monetary policy stance during the year. (See Graph 4.)



neutral interest rate, it is applying an expansionary influence on the economy. As indicated in Graph 4, there may also be periods in which the actual monetary conditions may differ from the implemented monetary policy stance over time.

<sup>4</sup> This is the nominal official interest rate of commercial banks deflated by the headline inflation rate.

<sup>5</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.

### III. Monetary Policy Implementation and Exchange Control

Since January 1998, the Central Bank has been implementing monetary policy by issuing its Own Securities using market-based techniques – commonly known as open market operations - complemented by its exchange rate and currency issue functions, Statutory Reserve Deposit prudential requirement (Section VI (1.4)), foreign exchange control and moral suasion. Non-traditional mechanisms, through credit line facilities<sup>6</sup> to non-bank financial institutions, were also introduced since the 2009 Global Financial Crises.

#### 1. Monetary Policy Implementation

The level of excess liquidity in the banking system continued to grow significantly in FY2022/2023, with SAT\$493.13 million recorded at end June 2023 compared to SAT\$313.34 million in the previous year. In view of the ample banking liquidity levels and following the declaration by Government in July 2022 to end Samoa's COVID-19 State of Emergency Orders, Open Market Operations was re-activated during the financial year, with the issuance of Central Bank of Samoa Securities resuming in September 2022.

#### Overall, for FY2022/2023:

- SAT\$182.0 million worth of CBS Securities were floated, which were largely oversubscribed during the year, indicating the high demand for these papers.
- Three commercial banks actively took part in the trading of CBS Securities.
- A total of SAT\$128.0 million CBS Securities matured during the year, with SAT\$50.0 million in outstanding CBS Securities at the end of the financial year. (See Table 4.)
- The overall weighted average interest rate on Central Bank of Samoa Securities were steady at near-zero levels in 2022/2023. As a result, the interest cost to the Central Bank's open market

operations was recorded at SAT\$54,766.00.

ceased on 1<sup>st</sup> August 2022.

Table 4. Central Bank Securities					
	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Number of Floats	37	30	0	0	34
Amount Floated	\$228.50	\$169.00	\$0.00	\$0.00	\$182.00
Amount Tendered	\$416.50	\$424.50	\$0.00	\$0.00	\$418.00
Amount Allotted	\$266.00	\$169.00	\$0.00	\$0.00	\$178.00
Amount Matured	\$275.50	\$178.50	\$0.00	\$0.00	\$128.00
Amount Outstanding	\$20.00	\$0.00	\$0.00	\$0.00	\$50.00

Source: Central Bank of Samoa

During the year, the issuance of CBS Securities transitioned from its manual process to a digital or electronic platform with the launching of the Central Securities Depository (CSD) System on 17th May 2023. This has enabled an efficient trading and settlement of CBS Securities. With the CSD System funded by the World Bank Group's International Finance Corporation, a Performance and Results Report on the System is required to be reported on a semi-annual basis. The first report by CBS was submitted in June 2023.

#### CBS Credit facilities to Commercial Banks

- With the cessation of the SOE Orders in July 2022, the standby 2020 Covid-19 Statutory Reserve Deposit (SRD) Credit Facility introduced in April 2020 also

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

#### CBS Credit facilities to non-banks financial institutions

- No new credit line facility (CLF) was considered or 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.

<sup>6</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.

- Total outstanding CLF balance at the Central Bank at the end of FY2022/2023 was recorded at SAT\$73.53 million, declining from SAT\$79.66 million in FY2021/2022. This reflected the regular repayments by both the Development Bank of Samoa (DBS) and Samoa Housing Corporation (SHC) over the year. Further, this reduction also included the full settlement of CLFs 2 & 3 by SHC.

\*Of the outstanding amount at end June 2023, DBS accounted for 97 percent (or \$71.50 million) while SHC accounted for the remaining 3 percent (or \$2.03 million);

## 2. Exchange Rate<sup>7</sup>

The Samoa Tala continued to be pegged to a currency basket that comprises of four currencies, the United States of America, the European Union, Australia and New Zealand in FY2022/2023. This implies that any movement in these four currencies will also influence the Samoa Tala from time to time. To ensure the Samoa Tala currency continues to be competitive and the exchange rate regime is relevant in view of changing global and domestic financial conditions over time, a regular review of the currency basket is undertaken. These reviews were conducted on an annual basis, however due to the adverse economic and financial developments associated with the COVID-19 pandemic as well as other emerging global developments, the currency basket has been assessed and reviewed on a quarterly basis. During the year, the weights of the four currencies in the Tala basket were adjusted and took effect on

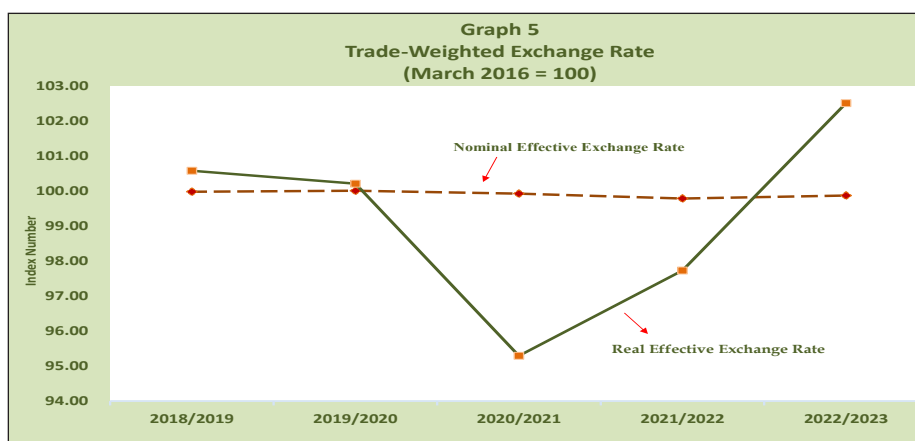
March 2023 as part of this review. These have since been maintained in the June 2023 review.

In FY2022/2023, the Samoa Tala depreciated 4.6 percent against the US dollar and appreciated against the NZD (by 5.4 percent), AUD (by 2.9 percent) and the Euro (by 2.8 percent). This reflected the US dollar's strength over the other major currencies in the Tala basket, due to the following major developments:

- Accelerated safe-haven appeal on risk sentiments as global recession fears rose alongside persistently high inflation rates.
- Widespread market unease following the collapse of major US regional banks (Silicon Valley Bank and the Signature Bank) as well as the failure of the Credit Suisse Bank in March 2023.
- Favourable US economic data releases relative to other major economies, with early signs of resilience in the US economy since September 2022.
- Monetary policy statements and subsequent announcements from major central banks were also the most market movement events throughout the last financial year, particularly on:

- \* The US Fed's tightening policy
- \* Notable interest rate hikes and future paths from most central banks to curb inflation.
- \* Uncertainties on monetary policy directions for some of the major central banks

- Global developments including:
  - \* Market anticipations of renewed US/China trade tensions
  - \* The ominous developments of the Russian Ukraine war, squeezing up gas supplies
  - \* Other countries facing headwinds triggered from the escalating energy crisis resulting from the Russian Ukraine war.
  - \* Disrupted trading faced by countries that are highly dependent on China, as the Chinese economy showed signs of slow recovery, particularly being one of the last countries to re-open its international borders given its zero-COVID policy;
- Impacts of supply chain bottlenecks due to the suppressed demands from Europe and China.



<sup>7</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.

- The extensive damage of Cyclone Gabrielle on the NZ economy as it hit during the harvest seasons and at the agricultural regions.

Overall, the nominal value of the Samoa Tala slightly appreciated by 0.09 percent and was 4.89 percent stronger in real terms against the currencies in the basket in FY2022/2023. The real appreciation during the period under review reflected Samoa's higher inflation rate compared to those of its main trading partners over the period. (See Graph 5).

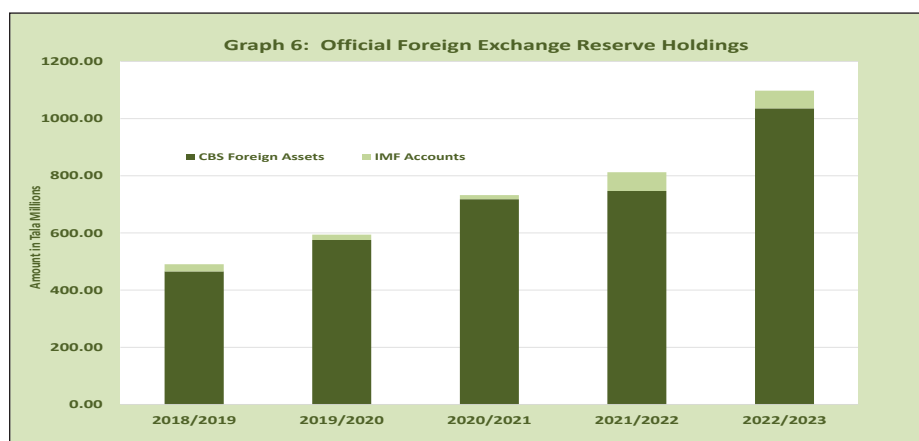
### 3. Foreign Reserves Management

The Central Bank of Samoa is given the statutory (legal) responsibility under CBS Act (2015) of maintaining and managing the country's foreign exchange reserves.

Samoa's official international reserves comprise of the holding of foreign exchange reserves by the Central Bank of Samoa and the country's IMF Accounts, which include its Special Drawing Rights (SDR) Holdings<sup>8</sup>. At end June 2023, the nation recorded a sizable level of official international reserves of SAT\$1,098.09 million (or SAT\$1.10 billion), a significant increase of 35.2 percent from SAT\$812.67 million in the previous year. This reflected a 38.7 percent expansion in the Central Bank's foreign exchange holdings<sup>9</sup> to SAT\$1.04 billion from SAT\$746.81 million in FY2021/2022 due to the increased influx of official aid funds for Government from its development partners during the year. On the contrary, Samoa's SDR holdings and Reserve Position at the

International Monetary Fund dropped to SAT\$62.04 million from SAT\$65.99 million, reflecting repayments made over the year to the IMF on the Rapid Credit Facilities (RCF)<sup>10</sup>. (See Graph 6.)

held with the commercial banks abroad are exposed to market, liquidity, interest, foreign exchange, and credit risks, which the Central Bank seeks to mitigate by holding



In managing the country's foreign exchange reserves, the Central Bank continues to place and invest these according to the following primary objectives, with the first two of greater priority:

a diversified portfolio and investing only in assets of high credit quality and appropriate liquidity. As such, the foreign reserves management objectives are facilitated through the management of these key risks,

i. Highly Liquid Investments	Short term to medium term financial instruments including term deposits, negotiable certificates of deposits, repurchase agreements and interest-bearing call accounts in Reserve Banks and financial institutions. Investment in bonds is limited to 3 years.
ii. Secure and high credit-rated financial institutions	Minimum of A-2 credit ratings for short term and BBB+ for long term, according to Standard and Poors.
iii. Optimal returns	Where possible, having satisfied the first two objectives.
iv. Sustainable and responsible investment	This is a new objective endorsed by the CBS Board in 2020, allowing for any excess foreign reserves to be held in a sustainable and responsible investment, reflecting broad environmental, social and governance (ESG) considerations - considered to invest in green or blue bonds.

Generally, the foreign reserve assets which are outlined in the Bank's CBS

<sup>8</sup> This definition follows the adoption of new classifications by the International Monetary Fund in a Balance of Payments TA mission in January 2021.

<sup>9</sup> Since 2014/2015, the holdings of the Special Drawing Rights (SDR) and IMF accounts shifted to the Central Bank of Samoa from the Ministry of Finance. The movement in CBS foreign exchange holdings reflects the inflows of Government's budget support funds as received through CBS' foreign bank accounts, overseas payment obligations for the Government and the net position of CBS foreign exchange operations with the commercial banks (where the latter reflects the receipt and settlement of private sector foreign exchange commitments).

<sup>10</sup> 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.



Foreign Exchange Investment Policy and Guidelines. This document is reviewed on an annual basis, to reflect prevailing global economic and financial conditions and in response to significant changes in market conditions and global yield environment as well as international best practises for the management of foreign reserves<sup>11</sup>.

As noted in section II (1), global downside risk factors continued to dominate during FY2022/2023 and underpinned the volatility in the foreign exchange markets. Consequently, this added further challenges to the management of foreign reserves, particularly in efforts to minimise the foreign exchange risks. In view of this, the composition of our foreign reserve assets is generally comparable to the Samoa Tala basket. The country's international reserve assets are primarily held in the currencies of the US, Australia, and New Zealand with modest proportions in the Chinese currency, the Euro and the British Pound. CBS foreign exchange reserves are also allotted to be held in the Japanese Yen, but there is none to date given its current negative interest rate. The weighting of foreign currency holdings in the Bank's investment portfolio are prudently managed against a benchmark, which is reviewed annually as part of the investment parameters. These reflect the country's major sources of foreign exchange reserves, projected overseas payment obligations at various foreign currencies, while also noting expected global yield environment and foreign exchange rate outlook.

In view of the exceptionally high level of official international reserves as well as the higher global interest

rates following the aggressive interest rate hikes by the major central banks abroad during the year, the return on CBS foreign investments of these reserves increased to SAT\$30.89 million in FY2022/2023. This was equivalent to an average return on the foreign reserves' investment portfolio of 3.58 percent, which was significantly higher than the previous year. (Refer table 5.)

Exchange Payments Reports submitted electronically to the Central Bank. These were complemented by onsite visits on the operations and documentary record-keeping of the authorized foreign exchange dealers. The onsite visits conducted covered the assessment of FX Payment Reports and transactions of the first nine months of FY2022/2023, with some jointly conducted with

TABLE 5: RETURN ON FOREIGN RESERVES					
	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Foreign Reserves Interest Income (SAT\$m)	10.99	9.40	5.94	6.12	30.89
Year-end Level of Foreign Reserves (SAT\$m)	465.42	575.30	718.19	746.80	1,036.05
Average Return on Investment (%)	2.83	2.02	0.85	0.86	3.58

Source: Central Bank of Samoa

#### 4. Foreign Exchange Control

Exchange Control continues to play an essential role in supporting the Bank's monetary policy objectives by ensuring adequate foreign exchange reserves are maintained through the effective monitoring of the outflow of exchange reserves from Samoa.

The 2022 annual review of Exchange Control policies resulted in procedural changes only which took effect on 1<sup>st</sup> August 2022. This was largely to provide clarification on Exchange Control operational procedures and documentary requirements for the appropriate administration of Exchange Control Regulation 1999 by the authorized commercial banks and money transfer operators (MTOs).

Throughout the year, continued emphasize was placed on exchange control compliance with ongoing monitoring through regular assessments of the monthly Foreign

Economics Department and AML/FIU Department.

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. Depending on the submission of adequate supporting documents and all relevant information to any exchange control payment applications to the Central Bank, staff will ensure to process within a timely manner.

The Central Bank acknowledges the continued collaboration provided by our stakeholders and the general public in the administration of our Exchange Control Regulations.

<sup>11</sup> The 2022 review was endorsed by the CBS Board in June 2022 and took effect on 1<sup>st</sup> July 2022. Similarly, the 2023 review of the CBS Foreign Exchange Investment Policies and Guidelines was approved by the CBS Board on 9<sup>th</sup> June 2023 and took effect on 12<sup>th</sup> June 2023.

## IV. Financial System Supervision

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

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

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

### 1. Commercial Banks

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

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

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

The operations of the commercial banks have been favorably improved since the Covid-19 State of Emergency (SOE) had been lifted, borders reopened and business operations gradually normalized. This has resulted in the overall growth in 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 2023

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 indicated a slight improvement in the level of non-performing loans. Total provisions for bad and doubtful debts were sustained at an adequate level at the end of June 2023.

In June 2023, the banking system recorded an increase in total assets of 13.8 percent (\$271.0 million) to \$2.2 billion against total liabilities of \$1.9 billion which went up by 15.0 percent (\$244.4 million) respectively.

Much of the growth in assets was attributed mainly to the remarkable increases in currency and deposits by 44.1 percent (\$285.2 million) and debt securities by 608.7 percent (\$48.6 million) in that order. In addition, commercial banks actively participated in Central Bank securities recording \$50.0 million at end June, highlighting the abundant liquidity

in the financial system as business activities gradually normalize again since covid-19 SOE. Total loans and advances to deposits ratio went down from 76.8 percent a year earlier to 63.6 percent to date.

## 1.2 Capital Adequacy Ratio

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

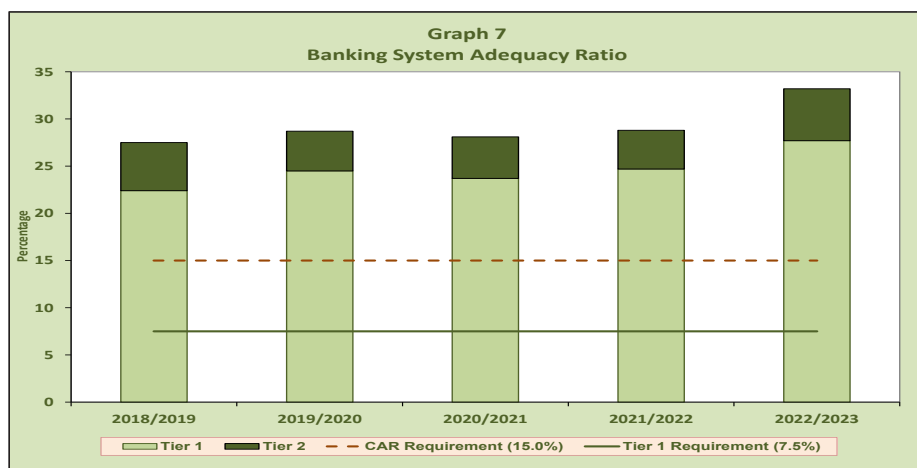
The Central Bank adopts a Two-Tier system whereby all the banks are required to maintain at all times a minimum capital adequacy ratio of 15.0 percent in relation to the level of their risk weighted exposure. As such, Tier one capital or “core capital” shall be no less than 7.5 percent of total risk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

Tier one capital amounted to \$265.1 million, increased by 6.1 percent (\$15.1 million) from \$249.9 million a year earlier due mainly to the increase in prior year’s audited retained profits. Tier two capital of \$51.9 million went up by 25.3 percent (\$10.5 million) caused mainly by the increase in the unaudited retained profits despite the reduction in general provision for doubtful debts bringing total capital (Tier one plus Tier two) to \$317.0 million at the end of the period.

Hence, the banking system remained strongly capitalized with an aggregate ratio of 33.2 percent, 28.8 percent recorded the previous year. Meanwhile, Tier one capital was recorded at 27.7 percent. At such levels, the banking system recorded a surplus capital of \$173.6 million at the end of June 2023.

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 adequately meet the public demand on financial services and future business prospects. (See Graph 7)

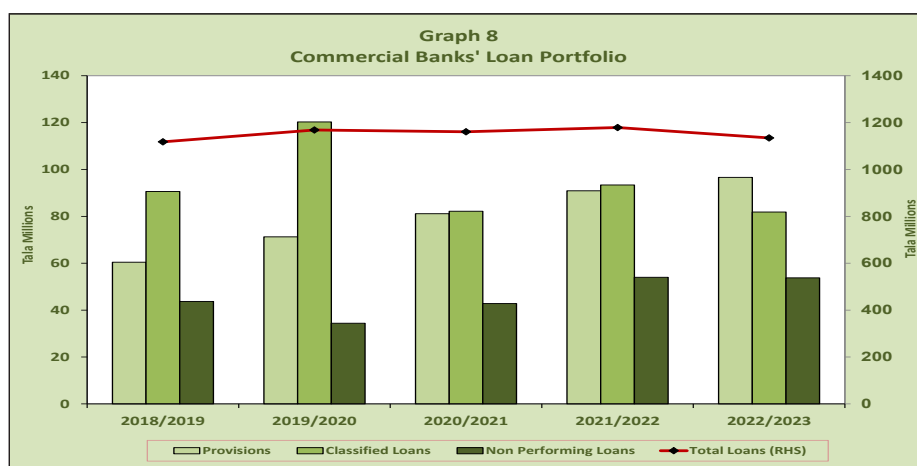
In the twelve months to end June 2023, total loans and advances decreased by 3.8 percent (\$44.6 million) to \$1.1 billion. At this level, total non-performing loans indicated a slight decrease by 0.5 percent (\$0.2 million) to \$53.8 million representing a 4.7 percent of total loans and advances.



## 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 for potential or identified losses.

At this level, specific provision of \$59.4 million provides 110.4 percent cover for total non-performing loans. Total provisions for bad and doubtful loans amounted to \$96.6 million (8.5 percent of total loans and advances to date) is sufficient to cover any loss against total non-performing loans. (See Graph 8).





### 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 41.0 percent (\$464.6 million), increase by 2.1 percent (\$9.6 million). Other industries such as professional services accounted for 17.2 percent (\$195.4 million), went down by 6.6 percent (\$13.8 million), trade at 14.8 percent (\$167.4 million) down by 2.6 percent (\$4.5 million), transportation at 5.4 percent (\$61.4 million) down by 5.4 percent (\$3.5 million), manufacturing at 2.6 percent (\$29.3 million) decreased by 13.7 percent (\$4.7 million), household consumptions at 7.2 percent (\$81.4 million) increased by 7.9 percent (\$5.9 million) and other activities at 8.9 percent (\$102.0 million) decreased by 24.7 percent (\$33.5 million) in that order. (Refer Table 6)

In terms of loans by sectors, the business sector which contributed 50.4 percent substantially decreased by 6.1 percent (\$37.2 million) while household loans which made up 45.3 percent (\$514.4 million) of total loan portfolio registered an increase of 2.4 percent (\$12.1 million) accordingly. Other nongovernment organizations constituted 2.8 percent (\$31.7 million) and reflected an increase of 12.2 percent (\$3.4 million) over the year. Credit exposure to the Government sector, including non-financial public enterprises and non-monetary financial institutions dropped by 59.9 percent (\$23.3 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 banks. As such, banks are expected to have in place effective systems for

managing their liquidity positions.

At the end of June 2023, total liquid assets amounted to \$580.0 million, equivalent to 36.6 percent of total domestic deposit liabilities. At this level, it highlighted an outstanding growth by 67.5 percent (\$233.6 million) when compared to the same time a year earlier. In addition, investments in CBS Securities reflected \$50.0 million at the end of June 2023.

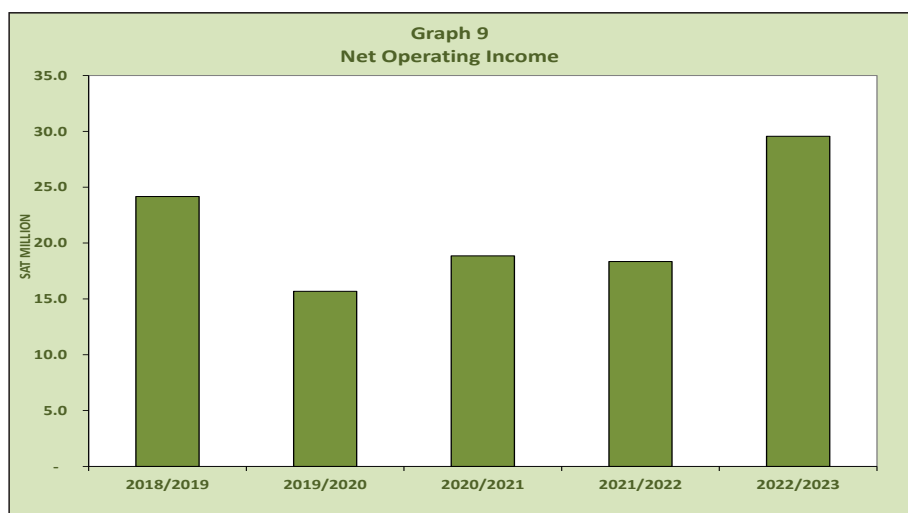
In the matching of loans and deposits by residual maturity, total short-term loans (up to 3 months maturity) plus liquid reserve funds amounted to \$1.3 billion as compared to short term deposit liabilities of \$1.2 billion. In the 3 months and over category, long term loans stood at \$1.0 billion against long term deposits of \$360.7 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 \$40.6 million, indicating a substantial increase of 61.4 percent (\$15.4 million) over a year earlier. Such movement resulted when the covid-19 SOE lockdowns were lifted, borders reopened and banking businesses and business activities run as usual. Following the deduction of tax, the net profit for the commercial banks in 2022/2023 stood at \$29.6 million compared to \$18.3 million recorded in the previous year. (See Graph 9)

**TABLE 6 : DISTRIBUTION OF CREDIT EXPOSURE BY INDUSTRY (Percentage to Total Credit)**

	<u>2021/2022</u>	<u>2022/2023</u>
Agriculture	0.7	0.6
Fisheries	0.9	1.0
Manufacturing	2.9	2.6
Building, Construction & Land	38.6	41.0
Electricity, Gas & Water	1.2	1.3
Trade	14.6	14.8
Transportation	5.5	5.4
Professional Services	17.8	17.2
Household consumptions	6.4	7.2
Others	11.4	8.9
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>



Total operating income went up by 20.2 percent (\$15.1 million) while total operating expenses and provisions for bad debts reduced minimally by 0.8 percent (\$0.4 million) on an annual basis respectively. At this level, the efficiency ratio of the banking system stood at 54.8 percent, strengthen from 55.1 percent registered a year earlier.

On the income side, the major contributing factors highlighted increases in the banks' interest income by 7.3 percent (\$3.8 million) to \$55.6 million, foreign exchange profits by 35.2 percent (\$5.8 million) to \$22.2 million and commissions, charges and fees by 77.5 percent (\$4.8 million) to \$10.9 million in that order.

The overall decrease in total operating expenses and provisions for bad debts by 0.8 percent (\$0.4 million) caused mainly by the reduction in the provisions for bad debts by 105.2 percent (\$8.8 million), communication costs by 42.0 percent (\$0.7 million) and the combine of audit fees, rental/occupation costs and depreciation/amortizations by 6.9 percent (\$0.3 million). This was partially offset by the increases in interest expenses by 18.8 percent (\$1.9 million), salaries and other benefits by 18.4 percent (\$2.3

million), directors and management fees by 17.7 percent (\$0.6 million), computer processing by 28.2 percent (\$0.4 million) and the combine of taxes and licenses and other operating expenses by 57.8 percent (\$4.2 million) respectively.

Return on average net worth of 17.1 percent registered an increase by 2.0 percent whilst return on average total assets of 2.6 percent remained at the same level as compared to the levels recorded at June 2022.

#### **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 2023 stood at \$317.8 million, up by 31.7 percent (\$76.4 million) over June 2022. Total foreign liabilities of \$308.5 million also increased by 27.8 percent (\$67.1 million) over the same time a year earlier. At this level, the banking system reflected a net long open position of \$12.7 million, accounting for 4.0 percent (2.1 percent a year earlier) of total capital which is within the 25.0 percent maximum limit set by CBS.

### **Non-Bank Financial Institutions**

#### **2. Domestic Insurance Industry**

##### **2.1. 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.

##### **2.2. Domestic Insurance Outlook**

At the end of FY2022/2023, the insurance industry performed well and remained resilient, achieving good results as follow:

- Total assets of \$141.4 million
- Solvency surplus of \$33.6 million
- Unaudited net profit after tax of \$5.6 million
- Underwriting surplus of \$8.6 million
- Liquid assets aggregated at \$38.0 million
- Combined gross premiums income of \$26.2 million and
- Gross claims paid and policy payments totalled \$11.1 million.

### 2.3. Insurance Annual Report

The Commissioner of Insurance and the Bank has implemented an Annual Report for the Insurance Industry which is a wide scope to reveal in detail the outcomes of the services of the insurances during the year. Therefore, the above results are clearly explained in the Insurance Annual Report for the FY2022/2023.

## 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.

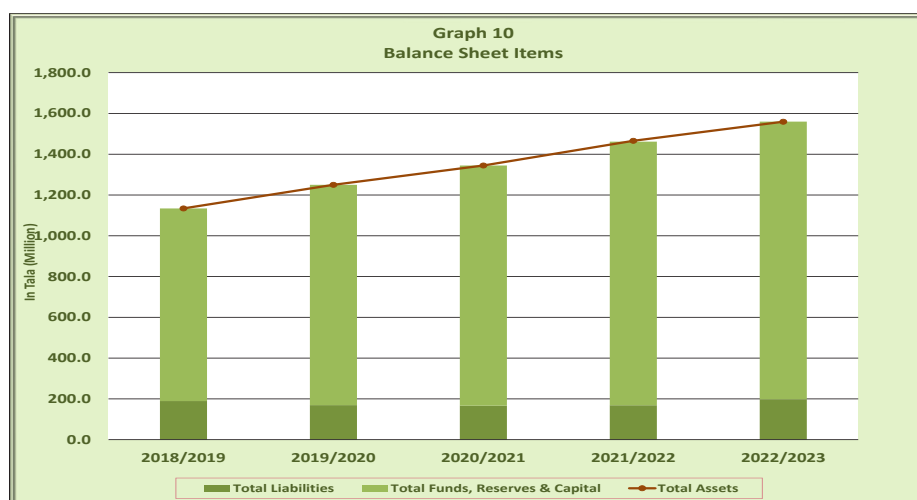
The ultimate responsibility for the affairs of each non-bank rests solely with their respective Boards and senior managements. The Central Bank's focus is towards satisfying itself that non-banks follow

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

percent (\$57.7 million), investments by 6.5 percent (\$16.6 million), fixed assets (net) by 2.1 percent (\$5.1 million), loans and advances (net) by 1.5 percent (\$13.7 million) and other assets by 6.9 percent (\$0.8 million) in that order. (refer Graph 10).

#### 3.2.1.2. Total Liabilities



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 analysis 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 2023 stood at \$1.6 billion, up by 6.4 percent (\$93.9 million) as compared to June 2022. Such movement was caused by the growth in bank deposits by 87.8

Similarly, total liabilities of \$197.9 million grew by 17.4 percent (\$29.3 million) over the last twelve months. During the period, borrowings diminished by 1.8 percent (\$2.0 million) to \$113.6 million, representing 57.4 percent of liabilities. The remaining 42.6 percent comprised of convertible notes of \$61.8 million and other liabilities aggregated at \$22.5 million in that order (refer Graph 10).

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

For FY2022/2023, total Funds, Reserves and Capital of the four non-banks stood at \$1.4 billion and recorded an increase by 5.3 percent (\$69.0 million) as compared to the preceding year. The contributions, general reserves and other accounts with a combined total of \$1.3 billion represented 96.0 percent of total

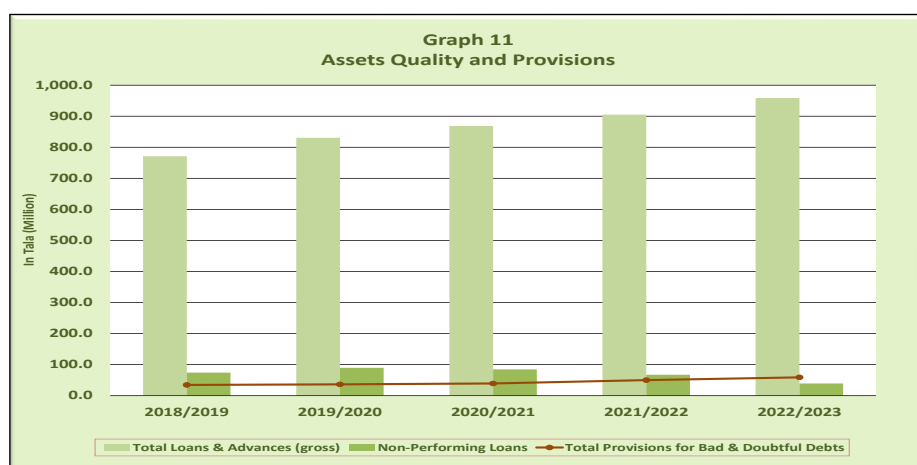
funds and reported an increase by 8.3 percent (\$71.7 million). Other components included assets revaluation, cumulative profits and paid-up capital aggregated at \$55.1 million (4.0 percent) respectively (refer Graph 10).

### 3.2.2. Total Loans and Advances

At the end of June 2023, the total loan portfolio (gross) of the non-banks grew by 2.5 percent (\$23.0 million) to \$958.7 million as compared to June 2022. The distribution of loans by industry groups revealed that Building, Construction and Installation represented 20.3 percent (\$194.9 million), Professional and Business Services by 17.6 percent (\$168.4 million), Agriculture, Fisheries, Manufacturing, Trade and Transport accounted for 4.7 percent (\$45.0 million) and other activities dominated 57.4 percent (\$550.2 million) correspondingly (refer Graph 11).

### 3.2.3. Assets Quality and Provisions

For FY2022/2023, the non-banks registered a combined non-performing loans (NPLs) balance of \$39.4 million compared to \$67.3 million reported in FY2021/2022, showing a reduction by 41.4 percent (\$27.9 million). Total NPLs is equivalent to 4.1 percent of total loans and advances. At this level, total provisions for bad and doubtful debts of \$58.9 million (\$50.1 million in June 2022) accounted for 149.4 percent of total NPLs and 6.1 percent of total loan portfolio respectively (refer Graph 11).



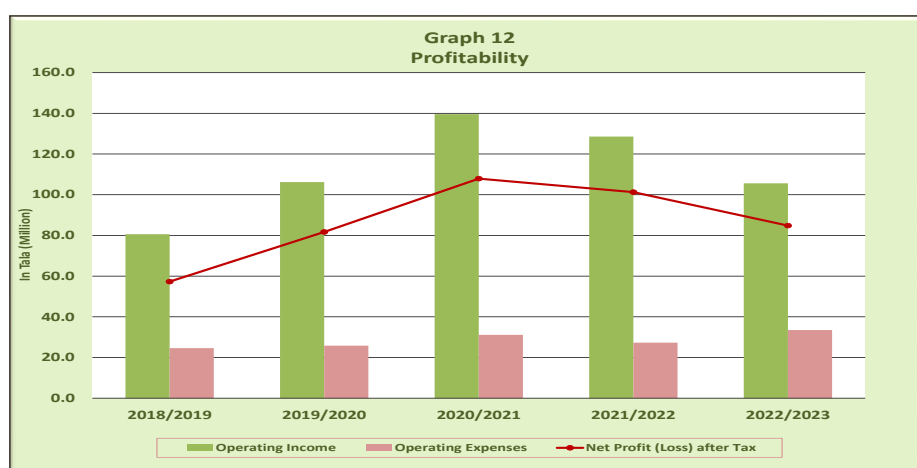
### 3.2.4. Profitability

The non-banks recorded a combined unaudited profit after tax of \$84.8 million at the end of FY 2022/2023, recording a decrease by 16.2 percent (\$16.4 million) over the last twelve months unaudited profit of \$101.3 million. Meanwhile, total operating income stood at \$105.6 million (\$128.6 million last year) whilst total operating expenses recorded at \$33.5 million (\$27.3 million in June 2022) respectively.

## 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).

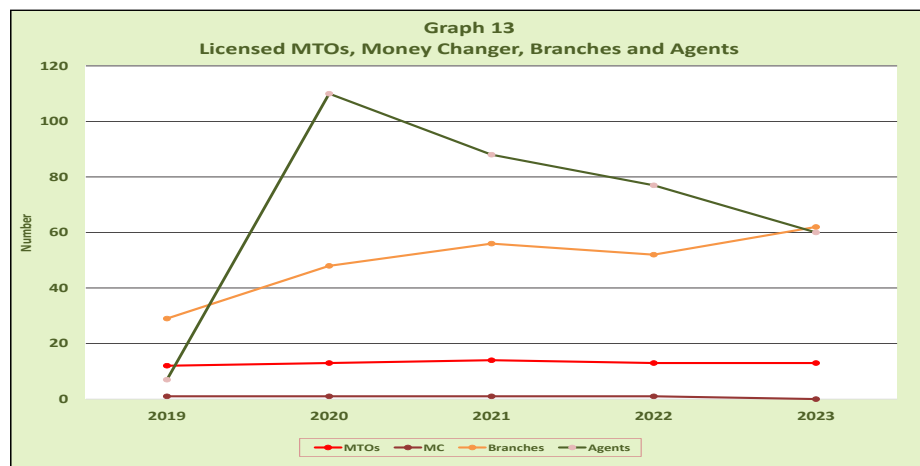
As required, MTOs and MC must renew their licenses at the beginning of every year. In January 2023, the Bank issued renewal licenses to the following institutions:



- i. Thirteen (13) MTO licenses; have been satisfied.
- ii. No MC license;
- iii. Sixty-two (62) MTO branches licenses; and Kontiki Finance is a Fijian credit institution which has operated successfully in Fiji over the past ten years.
- iv. Sixty (60) MTO agents' licenses.

financial institutions operating in Samoa, including the credit unions, microfinance companies and moneylender businesses.

CBS has with assistance from Donor partners drafted 3 bills of legislation that will look to expand its supervisory framework for these lending frameworks. Consultations with Stakeholders and the relevant Industries are to be taken further before these Bills progress to the next stage. Once these Bills become Law, they will be administered by CBS who will be responsible for the licensing, regulation and supervision of these lending institutions.



## 5. Credit Institution

During the year, we issued for the first time a Credit Institution licence under the Financial Institution Act 1996 to the Kontiki Finance company to establish its subsidiary in Samoa after all the relevant requirements

## 6. 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) expand its coverage of the oversight to all

# V. Financial System Development

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

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

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

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

## 1. Financial Infrastructure Development

### 1.1 Financial service (banks) landscape

As at 30<sup>th</sup> June 2023, when compared to the previous period, the commercial bank branches, the ATMs and number of Electronic Funds Transfer at Point of Sale (EFTPOS) outlets have increased slightly from 25 to 26, 76 to 79, and 527 to 553 respectively. However, the number of bank agents have slightly decreased from 42 to 40 during the period under review.

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. The products are My Cash operated by Digicel and M-Tala by Vodafone. For the financial year under review, there has been a 5.5% increase in the number of mobile money (MM) customers enrolled when compared to the previous financial year. However, the

percentage of active users<sup>12</sup> compared to total number of enrolled customers stands at 6.84%, which is a drop from 9.07% recorded for the previous year. The number of mobile money agents have drastically decreased from 98 in June 2022 to 62 in June 2023.

Furthermore, there was also a decrease in the number of transactions done via mobile money by 21.24% from June 2022 to June 2023. This is the first drop in number of mobile money transactions in the past five financial years. The top two transactions in terms of volume and value remains as being transfer payments (including person to person transfers and bill payments) and cash out (or cash withdrawal) transactions.

### 1.3 Financial Inclusion Measurement

In terms of access, there was a decrease in number of cash-in and cash out access points per 10,000 adults from 12.94 in June 2022 to 9.94 in June 2023. This decrease was mostly driven by huge decrease in mobile money agents as mentioned above. Most indicators continue to indicate financial access points remain clustered in the Apia Urban Area.

In terms of usage, there was also a decrease in number of regulated deposit accounts per 10,000 adults

from 13,628 in June 2022 to 12,758, and number of regulated credit accounts per 10,000 adults from 2,035 in June 2022 to 2,028 in June 2023.

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

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

Under its mandate from the National Payment System (NPS) Act 2014, the CBS continued to reform the national payment system with one significant pillar of this reform being 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 and Central Securities Depository (ATS and CSD).

<sup>12</sup> Active users define as users doing at least one transaction in 90 days.



For the financial year under review, the SATS and CSD systems were officially launched in May 2023. The system launches were the result of an extensive integration, connectivity and user acceptance testing and certification by Participants from August 2022 leading up to the system go-lives. Furthermore, the SATS System Rules and Service Level Agreements were also co-signed by CBS and Participants.

However, the Ministry of Finance and Ministry of Customs and Revenue integration and testing is planned for first half of the next financial year 2023-2024.

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 with the assistance from World Bank/IFC.

## **1.5 Credit Data Registry**

The establishment of the credit information registry remains high on CBS agenda due to its relevancy in improving access to finance, as well as providing lenders the access to more accurate information on all potential borrowers and credit obligations.

CBS continues to work on finalizing the Credit Registry Bill with the assistance from PSDI/ADB. For the financial year under review, the draft Credit Registry Bill was shared to commercial banks in October 2022 and later conducted face to face consultations to solicit comments in April 2023.

The next steps is to incorporate comments raised from commercial banks during the face to face consultation and share the latest draft of the draft Credit Registry Bill

for wider stakeholder consultations in the next financial year.

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

CBS continues to develop an MSME data template that is in line with the standardized MSME definition provided in the MSME Development Policy and Strategy 2020, in order to collect information on MSME access to financing as well as to inform financial inclusion in the MSME space. In relation to the MSME Policy, CBS also provides its updates for the Policy M&E Framework on aspects relating to access to financing.

In December 2022, CBS attended the 2<sup>nd</sup> Project Advisory Group (PAG) for the UNECSAP Catalysing Women Entrepreneurship (CWE) Project. The program aims to advance women's entrepreneurship in the Asia-Pacific region.

CBS also took part in the ADB Asia SME Monitor (ASM) 2023, whose goal is to be an important resource for evidence-based policy planning on MSME development. CBS were consulted in March 2023 and later received standardized data request forms which were completed and submitted in May 2023.

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

### **2.1 CBS Financial Literacy Campaign: Tala and Sene's Financial Adventures**

The Central Bank of Samoa continues to advocate on the importance of empowering and educating citizens of Samoa on managing personal finances. Tala and Sene's Financial Adventures Campaign is now on its second year of advocating by utilizing power engine platforms known to

today's world as social media. The campaign continues to stream all its financial literacy materials through Facebook and YouTube. Added on to this platform the campaign financial literacy materials are now publicly available on Tik Tok.

For the second venture of the campaign, financial topics chosen were different as to what was used in the last financial year. Financial topics that were used to advocate on money matters are: Hacks to get your wallet ready for the Holidays, Let's talk about money, How to manage money for 2023, Habits to help save money to combat inflation, Budget Life Matters, Paying your bills on time, Needs vs Wants and Know your spending habits.

## **2.2 CBS Financial Literacy Brochures**

As part of the financial literacy advocacy work its also through distributing financial literacy brochures which are publicly available. These brochures are available throughout the year at the Floor 1 and CBS website. A total of 200 brochures sets were printed and distributed throughout July 2022 – June 2023.

## **2.3 Financial Literacy Assistance**

The Central Bank of Samoa tries to promote its financial literacy work through different platforms by offering financial literacy presentations upon request from any organization. For the financial year under review, the CBS received a request from the LDS Apia West Youth Camp.

### ***LDS Apia West Stake Youth Camp***

In September 2022, CBS managed to conduct a financial literacy training to youth from ages of 10-18. The training was mainly focused on financial goals, budgeting, spending

and savings. A total of 120 sets of financial literacy brochures were also distributed and various Tala and Sene's Financial Adventures videos were played during the session.

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

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

Despite the conclusion of the National Financial Inclusion Strategy (NFIS) 2017-2020 and the new NFIS which is yet to be endorsed and implemented; the National Financial Inclusion Taskforce (NFIT), which is the driver of the NFIS, continued its quarterly meetings throughout the financial year sharing initiatives and progress in promoting financial inclusion and financial literacy in the country. However, for this financial year, the COVID 19 restrictions impacted the number of meetings and thus only two quarterly NFIT meetings were conducted.

Furthermore, for the financial year under review, the CBS with assistance from UNCDF conducted revision of the new NFIS document to update with current situations and post COVID-19 period before it is proposed to cabinet for endorsement.

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

The CBS continued to be an active primary member of the AFI network for the year under review. AFI is the world's leading organisation on financial inclusion policy and regulation. 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.

#### ***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 the joint 12<sup>th</sup> African Policy Initiative (AfPI) and 8<sup>th</sup> PIRI face to face meeting hosted by the Central Bank of Seychelles in June 2023.

Under PIRI, the CBS continues to work with AFI and PIRI members to implement the Regional Regulatory Sandbox in the Pacific. To that end for the financial year under review, there were a series of stakeholder consultations which included: Ministry of Commerce, Industry and Labour and Ministry of Communication and Information Technology in July 2022, peer learning and knowledge exchange with Reserve Bank of Fiji and Bank Negara Malaysia in August 2022, and Regional Regulatory Sandbox framework stakeholder engagement and dissemination workshop help in September 2022.

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>13</sup>.

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

CBS continues its strong collaboration

with UNCDF and UNDP through its programs: 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.

With the assistance from PDEP, CBS was able to secure consultancy services of TALANTA10 to conduct a diagnostic assessment of its data architecture. From the study, the diagnostic report was received for CBS to consider taking forward.

### **4. Sustainable Finance**

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

<sup>13</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.



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. As part of this project, the following were undertaken during the year:

1. The draft Sustainable Lending Principles for the financial institutions has been developed and is planned to be distributed

to financial institutions for comments early in the next financial year. However, the development of Sustainable Lending Guideline is ongoing.

2. With the assistance of ADB, a study on Climate Risk Assessment and Readiness of Samoa’s Financial Sector was conducted with main stakeholders in February 2023. The results of the study was received in June 2023 and will contribute towards the development of Samoa’s Sustainable Finance workplan.
3. The CBS continued to participate in meetings with the MNRE’s Improving the Performance and Reliability of Renewable Energy Power Systems in Samoa (IMPRESS) Project as a member of the Technical Working Group 3 & 4. This is 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. Through the IMPRESS project TWG 3&4, the CBS was invited to join a capacity building study tour to Fiji to learn from their existing financial schemes/ business models and how it can be implemented in Samoa.

Similar to global developments in this area, one important aspect in moving the issue of Sustainable Finance forward is the availability and consistency of data. Collaboration between CBS and the commercial banks commenced in 2020 with a steady and regular flow of data. The latest available statistics show less than 1 percent of current total lending by commercial banks to the private sector and public institutions are allocated to green finance projects.

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

## 1. Summary of activities of the MLP Authority

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

The Authority also sets the strategic tone for anti-money laundering and countering of terrorist financing measures in Samoa, and this is implemented by its Financial Intelligence Unit (“FIU”).

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

Samoa submitted its eighth (8<sup>th</sup>) Enhanced Follow Up report to the APG on 1<sup>st</sup> June 2023 as required under the APG Third Round Mutual Evaluation Procedures 2018. Samoa will have a re-rating review in month of September and October 2023. This FUR should highlight developments implemented by Samoa to address various deficiencies in our MER 2015. Considering the progress made since the last follow-up report, Samoa is seeking for technical compliance re-ratings for the year 2023.

### 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 Ministry of Police, Ministry of Customs and Revenue 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 every twelve months at 2.75% interest rate. The balance stood at \$52,382.52 as of May 2023. The next maturity date is on 18 May 2024.

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

Through the APG, the Asia Development Bank (ADB) provided Samoa support and funds for a consultant who was assisted by the FIU to update our NRA which is to be assessed in every 5 years. Samoa’s NRA is expected to be finalized and

OUTPUTS AND ACTIVITIES FOR THE PERIOD (FY 2022-2023)					
	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
STRs Received	76	105	134	83	89
Disseminations	27	61	7	13	5
Requests	10	8	106	71	52
BCRS	67	59	13	15	35
Notices	4	2	5	0	2

then submitted to the Governor for approval before it is provided to Cabinet for endorsement.

In addition, a new National Strategy for Combatting Money Laundering and Countering Terrorism Financing will also be finalized in addition to the NRA. To date, a draft National Strategy has been developed and will be finalized together with the NRA.

## 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 reports (CTRs), 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 reports to law enforcement agencies, government authorities for further investigation and appropriate action.

FIU also assists 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 (FY 2022-2023)

### 2.1. Suspicious Transaction Report

The reporting of STRs is an obligation of financial institutions and supervisory authorities and auditors under section 23 and 24 of the MLP Act 2007. The FIU received, analyzed, and disseminated reports with regards to serious offenses related to Money Laundering such as tax evasion, fraud, obtaining by deception, smuggling, terrorism, extortion, counterfeiting currency and other offenses to relevant AML/CFT counterparts for information and

investigations where appropriate.

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

STRs Received	89
STRs Disseminations	05

## 2.2. Cash Transaction Report (CTR)

Cash Transaction Reports are required under Section 23A of the MLP Act 2007. 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 FY 2022-2023.

FINANCIAL INSTITUTIONS	TOTAL NUMBER OF TRANSACTIONS
Commercial Banks	53,886
Money Transfer Operators	130
TOTAL	54,016

## 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 be filed to the FIU by any authorized officer who is on duty at the border.

The following table summarizes Boarder Cash transactions reported by Ministry Revenue & Customs from FY 2022-2023.

BCRs Received	35
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## 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 slight increase in the number of currency repatriation approvals from the last financial year (2022-2023) due to the opening of borders by the Government.

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	5	29
Money Transfer Operators	56	48
Individuals	0	11
Government Agency	0	1
TOTAL	61	89

## 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 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
2022	2	India	1	Australia
2023	1	Taiwan	5	China
			1	Vietnam
TOTAL	3		7	

Requests Received	3
Requests Made	7

## 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.

The FIU conducted a total of 52 checks, many of the requests were from Government Ministries, Committees, State-Owned Enterprises, Internal Departments of the Central Bank of Samoa, Financial Institutions (FIs) and other competent bodies for Due Diligence and Background Checks for applicants and potential investors

using the FIU Refinitive and Accuity Compliance System. Its purpose is to ensure that any prospective investors or applicants weren't involved in any ML offenses or other violations of the MLP Act.

Due Diligence Checks	31
Background Checks	21
<b>TOTAL</b>	<b>52</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.

The FIU also continues to attend trainings to upskill its personnel in matters relevant to its mandate.

## 2.8. Onsite Inspections

The FIU performs onsite examination to ensure that all financial institutions comply with their obligations under the Money Laundering and Countering of Terrorism Financing Prevention framework.

The FIU conducted onsite inspections for 12 Money Transfer Operators (MTOs) in November 2022 to February 2023. Overall, the onsite inspection resulted in improvements since the last onsite visits that were carried out in 2021. 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 Commercial Banks is scheduled in

November 2023.

## 2.9. FIU ICT Database System

When onsite inspections for MTOs were carried out in November 2022 to February 2023, the FIU also conducted trainings on the STR database. Commercial banks are slated to receive STR trainings in November 2023, when the FIU conducts its onsite inspection.

## 2.10. Electronic Know Your Client (eKYC) Utility Project

Samoa is taking active steps to progress its domestic eKYC project. Samoa is working in partnership with ADB in this regard. A vendor was hired to develop the eKYC system and have utilized the electoral database as a reliable source to verify KYC information of customers. The project continues and is seen as one of many possible solutions to our correspondent banking issues. Samoa is the first country in the Pacific Islands that is piloting this eKYC, and if successful will be seen as a template for interested countries in the region.

## 2.11. International Monetary Fund (IMF) Safe Payment Corridor Project

Another platform being piloted by the IMF across its country membership is its Safe Payments Corridor Project. This is part of a G20 endorsed Roadmap for Enhancing Cross-Border Payments at its October 2020 Finance Ministers and Central Bank Governors meeting.

The IMF and the World Bank were tasked to develop a framework for the assessment of Money Laundering/Terrorist Financing risks in remittance corridors, and to identify potential "lower risk corridors" and to pilot

the proposed framework. Samoa has agreed to take part in this pilot as part of its effort to address de-risking & corresponding issue that the Pacific is facing right now.

## 2.12. Taipan Project

TAIPAN is a powerful tool designed by AUSTRAC's IT experts and financial intelligence analysts to help detect and analyze suspicious financial patterns associated with a range of criminal activities including money laundering as well as funds linked to serious and organized crime.

TAIPAN is a cost effective, secure database platform that makes it easy for financial intelligence units to collect, analyze and exchange financial intelligence. It can collect and securely hold a wide range of data beyond just financial transaction data and then sort it into simple search formats. It can be tailored to complement most financial intelligent units existing IT environments.

The FIU has conveyed its interest to AUSTRAC in utilizing this system and is looking at October 2023 to have the AUSTRAC team on island for installation. This installation will be free of charge including the provision of servers for the system. Once installed, FIU takes over with full ownership and sovereignty of the new system.

## VII. Corporate Services and Administration

### 1. Currency Operations

#### 1.1 Currency handling arrangements

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

The quality of banknotes was maintained in an acceptable level during 2022/2023. 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 2022/2023 a total of 8.7 million pieces of banknotes were processed, with 7.3 million pieces reissued and 1.4 million pieces of unfit banknotes worth \$35 million withdrawn from circulation and destroyed. To keep currency in circulation at a high standard is a result of an increased of destroyed unfit notes and injected more new notes in 2022/2023 in comparison to the previous year.

#### 1.2 Currency Issue

The demand for currency (banknotes and coins) in 2022/2023 grew by 22.7 percent to \$192.4 million from \$156.8 million the year before. This growth was mainly due to an increase in value of notes in circulation from \$147.6 million in 2021/2022 to \$182.0 million in the year under review and partially due to an increase in coins in circulation from \$9.1 million in 2021/2022 to \$10.3 million in 2022/2023. New

	2018/2019		2019/2020		2020/2021		2021/2022		2022/2023	
	Value	Pieces	Value	Pieces	Value	Pieces	Value	Pieces	Value	Pieces
Notes saved for reissue	\$242.0	5.9	\$278.5	5.5	\$281.4	5.9	\$300.7	6.1	\$404.6	7.3
Notes Destroyed	\$38.0	1.6	\$34.0	1.4	\$43.4	1.3	\$16.8	0.7	\$35.0	1.4
Total Processed	\$280.0	7.5	\$312.5	6.9	\$324.8	7.2	\$317.5	6.8	\$439.6	8.7
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 denominations 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.										

notes issued increased from \$49 million in 2021/2022 to \$68.9 million in 2022/2023. As a result, the total cost of currency issued also increased from \$1.7 million in 2021/2022 to \$2.4 million in the financial year ending 30 June 2023.

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 2023 increasing by 12.9 percent to 3,060,698. The \$2 coin also increased by 13.3 percent to 2,036,334 pieces in 2022/2023. Overall, the number of pieces for all the denominations rose by 2,487,816 in the year under review.

#### 1.3 Issuance of 60 Tala Commemorative Note

The Central Bank of Samoa officially launched the limited edition 60 Tala

The new 60 Tala commemorative banknote design represents a celebration of a new era for Samoa, as it honors our first Prime Minister and Independence Day in 1962 while embracing our first female Prime Minister 60 years later.

The 60 Tala commemorative banknote is legal tender and was issued into circulation through Commercial Banks from 31<sup>st</sup> May 2023.

#### 1.4 Replacement of Damaged Banknotes

The Central Bank provides services to replace banknotes which have been accidentally damaged or are unfit for circulation. In 2022/2023 replaced notes increased from \$150,820 in 2021/2022 to \$263,605. The most common types of damage to banknotes are limpness, tearing or accidental burning. (Refer Table 8).

Denomination	2018/2019		2019/2020		2020/2021		2021/2022		2022/2023	
	Value	Pieces	Value	Pieces	Value	Pieces	Value	Pieces	Value	Pieces
5	\$4,815.00	963	\$6,800.00	1360	\$13,775.00	2755	\$10,370.00	2074	\$7,235.00	1447
10	\$7,300.00	710	\$8,110.00	811	\$11,080.00	1108	\$17,600.00	1760	\$31,410.00	3141
20	\$7,400.00	370	\$9,760.00	488	\$20,790.00	1039.5	\$11,900.00	595	\$18,160.00	908
50	\$29,250.00	585	\$40,350.00	807	\$46,900.00	938	\$40,550.00	811	\$67,500.00	1350
100	\$69,800.00	698	\$63,900.00	639	\$77,500.00	775	\$70,400.00	704	\$139,300.00	1393
Total	\$118,565.00	3,326	\$128,920.00	4,105	\$170,045.00	6,615.5	\$150,820.00	5,944	\$263,605.00	8,239

banknote commemorating Samoa's 60<sup>th</sup> Anniversary of Independence on the 26<sup>th</sup> of May 2023.

#### 1.5 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 2022/2023, launching another year long media campaign, including media releases in the TV, radio and print media. The year under review recorded a decrease in counterfeits lodged with the Central Bank. These counterfeit notes were handed in by members of the public and reported by the Commercial Banks. As a result, we received 15 pieces of counterfeit notes in 2022/2023. (Refer Table 9).

TABLE 9 : COUNTERFEIT NOTES SUMMARY										
Denomination	2018/2019		2019/2020		2020/2021		2021/2022		2022/2023	
	Value	Pieces	Value	Pieces	Value	Pieces	Value	Pieces	Value	Pieces
5	\$0	0	\$0	0	\$0	0	\$5	1	\$0	0
10	\$40	4	\$0	0	\$0	0	\$0	0	\$0	0
20	\$20	1	\$0	0	\$20	1	\$20	1	\$220	11
50	\$50	1	\$0	0	\$0	0	\$200	4	\$50	1
100	\$100	1	\$0	0	\$300	3	\$1,500	15	\$300	3
Total	\$210	7	\$0	0	\$320	4	\$1,725	21	\$570	15

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.

## 1.6 Numismatics

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

Income from Numismatic or collector sales was increased from \$0.7 million in 2021/2022 to \$1.1 million for the financial year ending 2022/2023.

The Bank signed a number of agreements with partner mints for a variety of new coin programs during this financial year ending 30 June 2023.

## 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

## 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 on 16 May 2023 launched the Samoa Automated Transfer System (SATS) providing an irrevocable clearing and settlement of financial transactions between Central Bank and commercial banks (participants) in an efficient and reliable manner. The new system has replaced the above inter-bank settlement manual system.

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

## 2.3 Banking Services to Government

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

## 3. Human Resources

The Bank continued to be guided by its Strategic Plan 2019/2024. Some prominent policies that were reviewed and formulated in this FY included:

- CBS Employment Guidelines – reviewed to ensure we provide the best advice pertaining to human resource matters.
- CBS Grievance and Disciplinary

Policy – formulated to guide decisions relating to staff behavior

- CBS Workforce Plan – reviewed to record the latest workforce statistics

On 26<sup>th</sup> July 2022, Samoa's state of emergency ceased. The Bank returned to normal operations and working hours. 'Work remotely from home' basis continued in several cases, varying on different reasons. Official travel commenced in August 2022 when Samoa re-opened its international borders.

### 3.1 Staffing

As at 30 June 2023, the Central Bank employed a total of one hundred and two (102) staff. The Bank's sinking lid policy is a major key factor impacting on the steady trend of staffing over the previous five financial years. Contract staff consumed 25% of positions while 75% were occupied by permanent staff. In terms of gender, female continued on the previous trend dominating at 51% of positions with male staff at 49%.

The Bank in total had fifteen (15) new appointments; eleven (11) new recruits to replace resigned and promoted staff, and four (4) reappointments of contract staff. In terms of cessation of service, eight (8) staff resigned and one (1) retired but continued employment.

With the launching of Samoa Automated Transfer System (ATS) and Central Securities Depository (CSD) in May 2023, additional duties and responsibilities were added to the Banking and Currency Services Department (BCSD). This resulted in an organizational change in structure and formulating of a new Assistant Manager position within

the same department to oversee the automation of the National Payment System.

### 3.2 Part time employment, work experience and study visits

The Bank employed two part time students in this reporting period. One of them subsequently applied to an internal permanent vacancy and was successful in obtaining the position. This position is inclusive of the 15 appointments for this FY. The Bank also extended work attachment opportunities at a duration of four (4) weeks to two students from the National University of Samoa and Laumua o Punaoa Technical & Creative Centre. The Bank further extended assistance to two (2) school visits particularly to students requiring research in Economics.

### 3.3 Service Recognition

Some permanent staff are recognized for their long and dedicated service to the Bank. During the FY 2022/2023, three (3) achieved 10 years of service, one (1) achieved 15 years of service, one (1) achieved 25 years of service and one (1) achieved 30 years of service. For contract staff, majority of the senior management are long serving members of the Bank.

### 3.4 Staff development

The Bank's emphasis on staff professional capacity building remained one of its priorities under the human resource development function. One (1) staff studied towards a master's degree in professional accounting, four (4) staff pursued bachelor degrees in areas of commerce and law, two (2) staff graduated with bachelor degrees in commerce, five (5) staff pursued postgraduate certificate in

economics, accounting and science (information technology), (3) staff studied professional diploma in business management and two (2) staff sat the Chartered Accountant Program examination where one has completed.

Overseas travel for training and meetings resumed in August 2022 upon re-opening of Samoa's international borders. In figures, from zero overseas travel in the previous two consecutive financial years, this FY recorded thirty-seven (37) overseas training and meeting. Virtual courses, training and meetings continued at a reduced volume compared to its popularity during COVID-19. Most of these overseas and virtual training and meetings where either fully or partially funded by overseas donors and organizations. Participation in local training and meetings also continued. Internally, HRD conducted bi-annual induction programs for the new recruits while other departments delivered their own departmental training and refresher sessions.

Although the platform of delivering presentations is included in our Policy, it was not implemented collectively within the Bank but in departments. In April 2023, we pursued face to face presentations after duty travel to:

- Build staff capacity in terms of self-confidence in public speaking;
- Transfer knowledge and capacity building in order to assist with the issue of staff turnover;
- Highlight lessons learnt to improve delivery of work and performance;
- To assess and realize the participation to overseas training and workshops are effective and that staff take advantage of the opportunities.

### 3.5 Training and meetings providers /donors

Overseas training and meetings providers included the Academy for International Business Officials (AIBO) & Ministry of Commerce – China, Alliance for Financial Inclusion, Asia Pacific Group, Asian Development Bank, Bank for International Settlements (BIS), Cash Processing Solutions Limited (CPS), International Monetary Fund and its capacity development partners namely Institute for Capacity Development Office in Thailand (CDOT), Pacific Financial Technical Assistance Centre (PFTAC), Regional Office for Asia and Pacific (OAP) & Singapore Training Institute (STI), IMPRESS Project, South East Asian Central Banks Research and Training Centre (SEACEN), United Nation Conference on Trade and Development (UNODC), United Nations Development Program and the World Bank.

Local training providers included Asia Development Bank, Asia Pacific Group (APG), Australia Pacific Security College, Ministry of Education, Sports and Culture (MESC) and the Public Service Commission.

### 3.6 Staff social activities

The Bank through its Social Club and OSH team spearheaded staff engagement activities associated with enhancing physical health, wellbeing and morale. Staff activities for FY 2022/2023 included continuation of tabata classes, walkathon, sports day and end of year function in December 2022. The Bank also participated in local tournaments such as Banks Netball tournament and soccer.

## 4. Property and Information Technology

### Security

Safety and Security of the Bank and its assets remain one of the highest priorities in its daily operations. CCTV security surveillance system assists Security Officers on a 24-hour basis to ensure safety and security of its occupants and assets in its two properties: the main building in Apia and the Offsite at Ululoloa.

The two sites have automatic back-up generators and back-up UPS devices to ensure proper supply of electricity is readily available and security of its data are well protected.

### Occupancy

Ministry of Finance (MOF) continues to occupy levels two, three and four with Executive offices of the CEO in level six. The World Bank and ADB shares level seven with one division of the Ministry of Finance. The Central Bank of Samoa occupies the remaining levels of the building.

### Maintenance

Some major developments happened during the year:

1. Replacement of one duct air-conditioning unit for level six with a brand-new system
2. Major maintenance and repair work on the main back-up generator
3. Re-designing of gardens in-front of building and around the car park areas
4. Major re-paint work carried out for most of the outside walls and the back of the vault
5. Fixing significant leaks on the roofs of the vault and atop level seven

Other building services such as: Water supply, Elevator services, Uninterrupted Power Supply (UPS), Back-up generator, Air Conditioning system, Alarm/Emergency and Lighting systems are closely monitored to ensure safety, efficiency and smooth running of all services required.

### Occupational Safety and Health (OSH)

The re-opening of borders in August 2022 saw an acceleration of OSH activities especially in carrying out tests for Covid19 and providing appropriate items and PPEs to combat the spread of the virus.

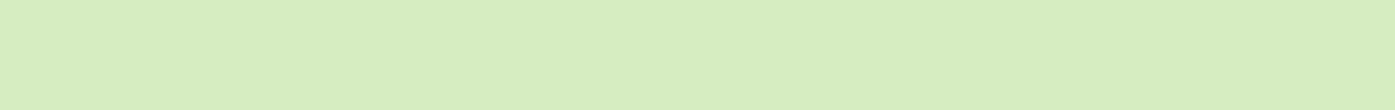
Health and fitness programs are continuing throughout the year keeping staff physically active.

### Information Technology

Throughout Financial Year 2022/23, the IT unit was mostly involved with the implementation and improvement of the following key activities/deliverables.

- Upgrade of SWIFT Application packages to the new version (7.6).
- Upgrade of Alliance interface in preparation for ISO20022 standards.
- Transfer of National Payment System (NPS) hardware to the DR site.
- Conduct Pen Tests of local and cloud systems.
- Continuation of the National Payment System network installation.
- Complete the SWIFT Security Attestation for the year 2022.
- Reviewed and approved ICT policy.





The National Payment System known as the Samoa Automated Transfer System was launched and went live in May 2023 with all four commercial banks connected to the system for sending and receiving ACH (Automated Clearing House) and RGTS (Real Gross Settlement System) value payments. The IT unit is heavily involved with system monitoring and ensures support is provided on time to all the SATS participants.

The Information Technology unit on the other hand continues to provide technical support and advice 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 license renewal and updates of computer systems, firewalls, web and email filters, and endpoint security.

## VIII. Central Bank Financial Performance

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

The final section of this Annual Report consists of the audited accounts of the Bank for financial year ending 30 June 2023 (FY2022/2023).

At year end 30 June 2023, the Bank had total assets of \$1,355.187 million made up of \$1,150.628 million in foreign assets, and \$204.559 million in local assets.

On the other hand, the Bank recorded total liabilities of \$1,323.584 million consisted of foreign liabilities totalling at \$368.509 million and \$955.075 million in local currency.

The Bank's net assets amounted to \$31.6 million when compared to \$12.2 million in previous year.

The Bank recorded an operational profit (i.e. before currency translation) of \$11.5 million in the year ending 30 June 2023. However, after accounting for an unrealised revaluation loss of \$7.8 million due to the significant volatility of exchange rates during the year, a net profit of \$3.6 million was achieved for the year ending 30 June 2023, when compared to a net loss of \$8.7 million incurred in the previous year.

In accordance with the Central Bank of Samoa's Act 2015, Section 36(1)

(a)&(b), the Directors recommended a dividend of \$5.7 million (based on its operational profit) to be paid to the Government of Samoa.

# IX. Chronology of Important Monetary Prudential and Related Event FY 2022/2023

## July 2022

- i. From the 1<sup>st</sup>, the Central Bank's Monetary Policy Stance for FY2022/2023 (approved on 30 June 2022) took effect. This was for the continuation of an easing stance to support the country's economic recovery.
- ii. From the 18<sup>th</sup> to 29<sup>th</sup>, Exchange Control bilateral discussions and onsite inspection of the commercial banks and money transfer operators were conducted.
- iii. On the 26<sup>th</sup>, Government of Samoa ceased all State of Emergency Orders relating to the COVID-19 pandemic

## August 2022

- i. On the 1<sup>st</sup>, Samoa's borders re-opened for international travel
- ii. On the 1<sup>st</sup>, Central Bank of Samoa also ceased its COVID-19 SRD Credit Facility that was made available to the commercial banks since April 2020 following the lifting of the COVID-19 SOE by Government.

## September 2022

- i. From the 19<sup>th</sup> to 23<sup>rd</sup>, the IMF conducted its first in-person Staff Visit annual assessment of the Samoan economy since the COVID-19 pandemic.
- ii. On the 15<sup>th</sup>, the Central Bank resumed its Open Market Operations with the first issuance of CBS Securities since its temporary discontinuation in March 2020 as part of its COVID-19 pandemic response.

## October 2022

- i. On the 4<sup>th</sup> October, CBS hosted a field trip from Uesiliana College

(Savaii) for their Economics Class's Internal Assessment projects.

## November 2022

- i. From the 3<sup>rd</sup> and 4<sup>th</sup>, the 37<sup>th</sup> South Pacific Central Bank Governors' Meeting was hosted by the Reserve Bank of Vanuatu in Port Vila, Vanuatu.
- ii. From the 7<sup>th</sup> to 22 February 2023, a joint onsite visit and inspection of the commercial banks and money transfer operator businesses were conducted for Exchange Control Policies, with AML/CFT inspections only for money transfer operators' AML/CFT Compliance Systems.
- iii. On the 30<sup>th</sup>, the CBS Monetary Policy Statement for FY2022/2023 was published.

## December 2022

- i. From the 8<sup>th</sup> to 16<sup>th</sup>, the IMF conducted a virtual Mission on Developing a Forecasting and Policy Analysis System (FPAS) for the Central Bank of Samoa.

## January 2023

- i. On the 16<sup>th</sup> to 27<sup>th</sup>, the IMF conducted its first in-person annual Article IV Mission assessment of Samoa's economy since January 2020.

## February 2023

- i. From 6<sup>th</sup> to the 10<sup>th</sup>, a Climate-risk Assessment of Samoa's Financial Sector was conducted with the assistance of a Consultant from the Asian Development Bank
- ii. From the 20<sup>th</sup> February – 3<sup>rd</sup> March, the IMF Capacity Development Office in Thailand (CDOT) conducted an in-person

TA Mission on External Sector Statistics Technical Assistance for the balance of payments, international investment position and external debt.

## March 2023

- i. On the 6<sup>th</sup>, the new currency weights for the Samoa Tala Currency Basket took effect after it was approved by the CBS Board on 3<sup>rd</sup> March.
- ii. On the 6<sup>th</sup>-10<sup>th</sup>, an onsite inspection on Cyber Security on the National Bank of Samoa was conducted.
- iii. From the 6<sup>th</sup> – 17<sup>th</sup>, an IMF ICD Macroframework Technical Assistance Mission to Samoa (as part of the Forecasting and Policy Analysis System, FPAS) was conducted in-person with CBS Policy staff.
- iv. On the 24<sup>th</sup>, a Credit Institution License was issued for the first time under the Financial Institution Act 1996 to the Kontiki Finance Company Ltd (Fijian Company) to establish a subsidiary in Samoa.
- v. On the 31<sup>st</sup>, the Central Bank issued a press release to reassure the general public of the continued soundness of Samoa's banking system in the wake of the collapse of 3 major regional US banks and the Swiss bank (Credit Suisse bank) during the month. These banking crises abroad had no impact on Samoa's banking sector as there were no direct links to any of the failed banks.

## April 2023

- i. From 11<sup>th</sup> - 21<sup>st</sup>, an onsite inspection of the Development Bank of Samoa was conducted.
- ii. From the 17<sup>th</sup> – 28<sup>th</sup>, the IMF

conducted a virtual TA Mission on the review and update of Monetary & Financial Statistics.

### **May 2023**

- i. On the 5<sup>th</sup>, the World Health Organization (WHO) declared the end of the COVID-19 as a global public health emergency.
- ii. On the 16<sup>th</sup>, the Central Bank's Automated Transfer System (ATS) was launched.
- iii. On the 17<sup>th</sup>, the Central Bank's Central Securities Depository (CSD) System was launched.
- iv. On the 26<sup>th</sup>, the Central Bank launched its \$60 Tala Banknote as part of Samoa's 60<sup>th</sup> Independence Celebrations.
- iii. On the 14<sup>th</sup>, the CBS Board approved the Audit Committee Charter.
- iv. On the 16<sup>th</sup> June, CBS hosted a field trip from Don Bosco College (Savaii) for their Economics Class's Internal Assessment projects.
- v. On the 23<sup>rd</sup>, the CBS Board approved the External Audit Policy.

### **June 2023**

- i. On the 1<sup>st</sup>, Samoa submitted its 8<sup>th</sup> Enhanced Follow-up report to the Asia Pacific Group (APG) on Money Laundering as part of our ongoing commitments to the AML/CFT Standards.
- ii. On the 9<sup>th</sup>, the CBS Board approved the review of the 2023 CBS FX Investment Policies and Guidelines and the second quarterly review of the 2022 Samoa Tala Currency Basket.

# Financial Statements

Central Bank of Samoa

For the year ended 30 June 2023

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Central Bank of Samoa  
Financial Statements  
For the year ended 30 June 2023

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Central Bank of Samoa  
Management's Statement  
For the year ended 30 June 2023

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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.

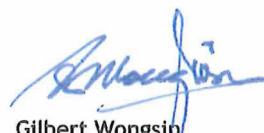
The board of directors oversee management's responsibilities for financial reporting. The financial statements have been reviewed and approved by the board of directors on recommendation from management.

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: 31 October 2023



Gilbert Wongsin  
Assistant Governor - Corporate Services Group

Dated: 31 October 2023



Peniamina Tauati  
Manager Accounts & Budget

Dated: 31 October 2023

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**Central Bank of Samoa  
Directors' Statement  
For the year ended 30 June 2023**

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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 2023 as set out on the accompanying pages and the auditors' report thereon in accordance with the requirements of the Central Bank of Samoa act 2015.

**Directors**

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

Chairperson & Governor	Maiava Atalina AINU'u-Enari
Director	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 2023.
- (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 2023.

**Operating**

The result for the year is a net profit of \$3.6 million tala (2022 net loss of \$8.7 million tala).

**Reserves**

The Directors recommend that a net profit of \$3.6 million tala be transferred to reserves.

**Dividends**

In accordance with the requirements of the Central Bank of Samoa Act 2015, the Directors recommend a dividend of \$5.7 million be paid to the Government of Samoa.

Dated at Apia: 31 October, 2023

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

  
\_\_\_\_\_  
DIRECTOR

  
\_\_\_\_\_  
DIRECTOR

Please address all correspondences  
to the Controller and Auditor General



## AUDIT OFFICE

### 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 (the Bank) which comprise of the Statement of Financial Position as at 30 June 2023, the statements of financial performance, cash flows and changes in capital and reserves for the year ended 30 June 2023, a Summary of Significant Accounting Policies and Other Explanatory Notes. The Accounting Firm of Su'a 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 Fa'afouina 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 2023, and of its financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs) except for key audit matter.

##### 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.

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

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

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

##### 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.

##### 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 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.



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



## AUDIT OFFICE

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 (and amendments).

We also confirm that:

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

Our audit was completed on the 27<sup>th</sup> October 2023 and our opinion is expressed as at that date.

Apia, Samoa  
31 October 2023

  
Vaofusi Terence Su'a  
**ASSISTANT CONTROLLER AND AUDITOR GENERAL**

**Central Bank of Samoa**  
**Statement of Financial Performance**  
**For the year ended 30 June 2023**

	Note	2023 \$('000)	2022 \$('000)
<b>Income</b>			
Interest income on cash and investments	22	30,911	6,134
Interest income on lending		487	748
Rental income		1,005	1,011
Other income	23	1,463	979
<b>Total Income</b>		<b>33,866</b>	<b>8,872</b>
<b>Expenses</b>			
Administrative expenses		5,226	984
Board expenses	24 (ii)	8	12
Communication costs		513	485
Currency issue costs		2,491	1,710
Depreciation	11	1,026	1,095
Directors' fees	24 (ii)	63	64
External audit costs		44	44
Finance costs		5,915	898
Occupancy costs		545	483
Staff costs		6,362	6,092
Withholding tax on interest income		165	42
<b>Total Expenses</b>		<b>22,358</b>	<b>11,909</b>
<b>Profit/(Loss) before foreign currency translation</b>		<b>11,508</b>	<b>(3,038)</b>
Foreign exchange (losses)	20	(7,889)	(5,721)
<b>Net profit/(loss)/for the year</b>		<b>3,619</b>	<b>(8,758)</b>

The accompanying notes form part of these financial statement.

Central Bank of Samoa  
Statement of Financial Position  
For the year ended 30 June 2023

	Note	2023 \$('000)	2022 \$('000)
<b>ASSETS</b>			
<b>Foreign currency assets</b>			
Cash and fixed deposit balances	4	1,023,585	744,477
International monetary fund	6	114,578	117,708
Accrued interest	7	12,465	2,318
<b>Total foreign currency assets</b>		<b>1,150,628</b>	<b>864,503</b>
<b>Local currency assets</b>			
Cash and fixed deposit balances	5	77,689	48,501
Accrued interest		8	10
Currency inventory	8	8,612	7,881
Receivables and prepayments	9	8,763	6,882
Credit line facilities	10	70,533	79,658
Property, plant and equipment	11	38,954	17,959
<b>Total local currency assets</b>		<b>204,559</b>	<b>160,891</b>
<b>Total assets</b>		<b>1,355,187</b>	<b>1,025,394</b>
<b>LIABILITIES</b>			
<b>Foreign currency liabilities</b>			
Deposits	12	159,176	188,557
IMF facilities	13	59,274	62,501
International monetary fund	6	149,965	147,563
Other liabilities		94	15
<b>Total foreign currency liabilities</b>		<b>368,509</b>	<b>398,636</b>
<b>Local currency liabilities</b>			
Deposits	12	654,024	416,300
Currency in circulation	15	194,963	156,784
Central Bank Securities	14	49,972	-
Payables and accruals		55,400	41,034
Provision for employee entitlements	16	716	399
<b>Total local currency liabilities</b>		<b>955,075</b>	<b>614,518</b>
<b>Total liabilities</b>		<b>1,323,584</b>	<b>1,013,154</b>
<b>Net assets</b>		<b>31,603</b>	<b>12,240</b>
<b>EQUITY</b>			
Capital	18	20,000	20,000
General reserve	19	13,681	7,927
Unrealised foreign exchange revaluation reserve	20	(23,576)	(15,687)
Revaluation surplus	21	21,498	-
<b>Total equity</b>		<b>31,603</b>	<b>12,240</b>

The accompanying notes form part of these Financial Statements

Signed on behalf of the Board:

Governor

Date 31 October 2023

Director

Date 31 October 2023



Central Bank of Samoa  
Statement of Changes in Equity  
For the year ended 30 June 2023

	Note	Paid up capital	Unrealised (loss)/profit reserve	General Reserve	Revaluation surplus	Total
		\$(‘000)	\$(‘000)	\$(‘000)	\$(‘000)	\$(‘000)
Balance at 30 June 2021		20,000	(9,966)	10,964	0	20,998
Net (loss) for the year			(5,721)	(3,038)	0	(8,758)
Balance at 30 June 2022		20,000	(15,687)	7,927	0	12,240
Net (loss)/profit for the year	20		(7,889)	5,754	0	(2,135)
Revaluation surplus	21				21,498	21,498
Balance at 30 June 2023		20,000	(23,576)	13,681	21,498	31,603

The accompanying notes form part of these Financial Statements

**Central Bank of Samoa**  
**Statement of cash flows**  
**For the year ended 30 June 2023**

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.

	2023 \$('000)	2022 \$('000)
<b>Cash flows from operating activities</b>		
Cash received from investments	30,911	6,134
Cash received from rent	1,055	1,011
Other income	1,469	979
Cash paid for services and goods	(11,562)	(4,484)
Cash paid to employees	(4,290)	(4,566)
Interest paid on deposits	(5,915)	(898)
<b>Net cash applied from/(to) operating activities</b>	<b>11,668</b>	<b>(1,824)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	40	59
Credit line facility repayments received during the year	6,126	5,488
Interest received on credit line facility	487	748
Purchase of property, plant and equipment	596	563
Net movement in term deposits more than 90 days	(30,124)	683
<b>Net cash (to)/fromt investing activities</b>	<b>(22,875)</b>	<b>7,541</b>
<b>Cash flows from financing activities</b>		
Net movement in notes and coins in circulation	38,179	14,215
Net movement in demand deposits	266,966	(21,358)
Net movement in securities	49,972	
Currency issue costs	(731)	(3,897)
Net movement in external liabilities	(30,124)	93,835
<b>Net cash applied from financing activities</b>	<b>324,262</b>	<b>82,795</b>
<b>Net increase in cash and cash equivalents</b>	<b>313,055</b>	<b>88,512</b>
Cash and cash equivalents at the beginning of the year	910,685	827,894
Net unrealised (Losses)/gains on translation of foreign currency monetary assets and liabilities	(7,889)	(5,721)
<b>Cash and cash equivalents at end of year</b>	<b>1,215,851</b>	<b>910,685</b>

The accompanying notes form part of these Financial Statements

## 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 31 October, 2023.

## 2. Statement of significant accounting policies

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)

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.

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

### (a) Foreign currency transactions(continued)

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 15 years
• Motor vehicles	5 years
• Leasehold Improvement	25 to 30 years
•	

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

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

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.

Land and buildings are initially recorded at cost. Freehold land is subsequently stated at fair value. Buildings are subsequently stated at fair value less accumulated depreciation and accumulated impairment losses. Their fair values are determined by an independent professional valuer whenever their carrying amounts are likely to differ materially from their fair values. When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the assets, the net amount is then restated to the revalued amount of the asset. Revaluation surpluses are taken to the asset revaluation reserve, unless they offset previous revaluation losses of the same asset that were taken to the income statement. Revaluation losses are taken to the asset revaluation reserve, to the extent that they offset previous revaluation surpluses of the same asset that were taken to the asset revaluation reserve. Other revaluation surpluses or losses are taken to the income statement.

### e. Inventory of currency

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

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

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

### f. Financial instruments

#### Recognition and derecognition

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

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

#### Classification and measurement of financial assets

##### Classification and initial measurement

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

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

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

The classification is determined by both:

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

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

##### Subsequent measurement of financial assets

###### Financial assets at amortised cost

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

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

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

##### 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.

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

### f. Financial instruments

#### Secured lending and credit line facilities

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

#### Impairment of financial assets

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

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

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

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

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

#### Credit Line Facilities

The Central Bank of Samoa is cautiously and diligently assessing the appropriate treatment and fair value of a provision to cater for the potential losses from its credit line facilities to the Public Financial Institutions (PFIs).

#### 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).



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

### Classification and measurement of financial liabilities(continued)

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

#### Specific classification and measurement of financial liabilities

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

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

##### Demand deposits

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

#### g. Foreign currency gains available for distribution

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

#### h. Currency

##### *Currency in circulation*

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

##### *Demonetised currency*

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

##### *Collectors' currency*

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

#### 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.

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

### j. Capital and reserves

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

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

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

### k. Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised in the statement of profit or loss at amortised cost using the effective interest method.

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

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

### 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.

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

### 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.

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.

## 3. Critical accounting estimates and judgements

### *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.

#### 4. Foreign currency cash balances and term deposit balances

	2023 \$'000	2022 \$'000
Cash balances	319,333	150,310
Fixed deposit balances	704,252	594,167
<b>Total foreign currency cash and term deposit balances</b>	<b>1,023,585</b>	<b>744,477</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:

	2023 \$'000		2022 \$'000	
	Cash balances	Term deposits	Cash balances	Term deposits
\$US dollar denominated deposits	306,745	198,385	142,136	133,425
\$NZ dollar denominated deposits	6,114	217,544	5,044	197,045
\$AU dollar denominated deposits	5,248	240,121	2,387	180,805
\$CNH dollar denominated deposits	7	34,324	6	82,892
\$EURO dollar denominated deposits	254	-	-	-
\$GBP dollar denominated deposits	965	13,878	814	-
<b>Total</b>	<b>319,333</b>	<b>704,252</b>	<b>150,310</b>	<b>594,167</b>

#### 5. Local currency cash balances and term deposit balances

	2023 \$'000	2022 \$'000
Petty cash	5	5
Cash at bank	23,065	7,628
Fixed deposit balances	54,619	40,868
<b>Total local currency cash balances and term deposit balances</b>	<b>77,689</b>	<b>48,501</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.

#### 6. 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.

6. International Monetary Fund - Reserve Tranche and SDR Allocations (continued)

IMF related assets and liabilities at 30<sup>th</sup> June 2023:

	2023 \$'000 SAT	2022 \$'000 SAT
<b>Reserve Tranche</b>		
Foreign currency assets		
Currency subscription - quota	59,274	58,325
Special drawing right holdings	55,304	59,383
<b>Total foreign currency assets</b>	<b>114,578</b>	<b>117,708</b>
<b>SDR Allocations</b>		
Foreign currency liabilities		
Special drawing right allocations	97,393	95,833
Currency holding	52,572	51,730
<b>Total foreign currency assets</b>	<b>149,965</b>	<b>147,563</b>

7. Foreign currency accrued interest balances

	2023 \$'000	2022 \$'000
Balances with other Central Banks	3,264	157
Deposits with commercial banks	9,201	2,161
<b>Total foreign currency accrued interest</b>	<b>12,465</b>	<b>2,318</b>

8. Currency inventory

	2023 \$'000	2022 \$'000
Currency notes	5,403	3,932
Coins	3,209	3,949
<b>Total currency inventory</b>	<b>8,612</b>	<b>7,881</b>

9. Receivables and prepayments

	2023 \$'000	2022 \$'000
Prepayments	2,104	3,205
Other debtors	422	365
Interest receivable on staff loans	613	513
Staff loans principal balance	5,718	2,913
Less allowance for impairment on staff loans	(94)	(114)
Net staff loans	5,624	2,799
<b>Total receivables and prepayments</b>	<b>8,763</b>	<b>6,882</b>

	2023 \$'000	2022 \$'000
<b><i>Movement in allowance for impairment on staff loans</i></b>		
Opening balance at 1 July	114	72
Additional/(Reduction) allowance for impairment charged to income and expense	(20)	42
<b>Closing balance at 30 June 2023</b>	<b>94</b>	<b>114</b>

#### 10. Credit line facilities

	2023	2022
	\$'000	\$'000
a) Tsunami (Credit line facility)	-	444
b) Cyclone Evan (Credit line facility)	27,228	29,335
c) Economic Stimulus (Credit line facility)	19,983	21,387
d) Additional Economic Stimulus (Credit line facility)	6,166	6,862
e) Second Additional Economic Stimulus (CLF)	11,751	12,576
f) First Small Medium Enterprises Finance (CLF)	8,405	9,054
<b>Total credit line facilities</b>	<b>73,533</b>	<b>79,658</b>
<b>Less Expected Credit loss doubtful debt</b>	<b>(3,000)</b>	<b>-</b>
	<b>70,533</b>	<b>79,658</b>

	2023	2022
	\$'000	\$'000
<b><i>Movement in allowance for impairment on CLF Loans</i></b>		
Opening balance at 1 July	-	-
Additional/(Reduction) allowance for impairment charged to income and expense	3,000	-
<b>Closing balance at 30 June 2023</b>	<b>3,000</b>	<b>-</b>

#### Expected Credit Losses-ECL

The expected credit losses is a forward looking approach in determining the losses in an entity's financial assets.

For a financial asset, the expected credit loss (ECL) is the difference between the contractual cash flows that are due to an entity and the cash flows that an entity expects to receive.

The calculation of ECLs applies to financial assets that are measured under amortised cost or at fair value through other comprehensive income. These assets may be in the form of loans, debt securities or trade receivables.

Financial assets vary from entity to entity depending on the nature of the business and the products they provide. Some entities offer loan products that are long-term in nature, and some may be secured on collateral. This is common for banks and consumer lending companies. The ECL was reported as a Key Audit Matter in the Audit Opinion of Central Bank of Samoa in 2022 given the complexity and professional judgement required. Upon getting supportable data that there are clearly risks and impairment for some financial assets, we are now in a position to determine ECL based on current data and issues with financial assets concerned.



## 10. Credit line facilities (continued)

### (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:

	2023 \$'000	2022 \$'000
Development Bank of Samoa	-	0
Samoa Housing Corporation	-	444
<b>Balance at year end</b>	<b>-</b>	<b>444</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:

	2023 \$'000	2022 \$'000
Development Bank of Samoa	25,195	26,965
Samoa Housing Corporation	2,033	2,370
<b>Balance at year end</b>	<b>27,228</b>	<b>29,335</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

### (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:

	2023 \$'000	2022 \$'000
Development Bank of Samoa	19,983	21,387
<b>Balance at year end</b>	<b>19,983</b>	<b>21,387</b>

Credit Line Loan Amount	\$30 million
Approved:	
Loan Duration:	15 Years
Grace Period:	12 months
Interest Rate:	2% per annum
Loan Repayment:	Monthly repayments due after grace period
Securities:	Government Guarantee

## 10. Credit line facilities (continued)

### (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:

	2023 \$'000	2022 \$'000
Development Bank of Samoa	6,166	6,862
<b>Total additional credit line facility</b>	<b>6,166</b>	<b>6,862</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:

	2023 \$'000	2022 \$'000
Development Bank of Samoa	11,751	12,576
<b>Total additional credit line facility</b>	<b>11,751</b>	<b>12,576</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

### (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.

	2023 \$'000	2022 \$'000
Development Bank of Samoa	8,405	9,054
<b>Balance at year end</b>	<b>8,405</b>	<b>9,054</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

## 11. Property, plant and equipment

	Land & buildings \$'000	Motor vehicles \$'000	Plant & equipment \$'000	Equipment & furniture \$'000	Total \$'000
<b>Cost</b>					
Balance as at 30/06/21	37,174	527	5,725	1,977	45,403
Additions	141	125	270	27	563
Disposals	-	(115)	(125)	(19)	(259)
Balance as at 30/06/22	37,315	537	5,870	1,985	45,707
Additions	21,834	118	103	1,153	23,208
Disposals	(21,533)	(81)	(1,306)	(528)	(23,448)
<b>Balance as at 30/06/23</b>	<b>37,616</b>	<b>574</b>	<b>4,667</b>	<b>2,610</b>	<b>45,467</b>
<b>Accumulated Depreciation</b>					
Balance as at 30/06/21	(19,473)	(413)	(5,213)	(1,808)	(27,748)
Charge for the year	(749)	(41)	(256)	(49)	(1,095)
Disposals	-	114	122	15	254
Balance as at 30/06/22	(20,222)	(340)	(5,347)	(1,839)	(27,748)
Charge for the year	(749)	(57)	(164)	(56)	(1,026)
Disposals	20,417	83	1,233	528	22,261
<b>Balance as at 30/06/23</b>	<b>(554)</b>	<b>(314)</b>	<b>(4,278)</b>	<b>(1,367)</b>	<b>(6,513)</b>
<b>Written down value:</b>					
As at 30/06/22	17,093	197	523	146	17,959
<b>As at 30/06/23</b>	<b>37,062</b>	<b>260</b>	<b>389</b>	<b>1,243</b>	<b>38,954</b>

## 12. Deposits

	2023 \$'000	2022 \$'000
<b>Foreign currency deposits</b>		
Government of Samoa foreign currency deposits	159,176	188,557
<b>Total foreign currency deposits</b>	<b>159,176</b>	<b>188,557</b>
<b>Local currency deposits</b>		
Demand deposits due to banks	493,128	313,339
Government of Samoa local currency deposits	92,485	41,844
The World Bank deposits	39	39
	<b>585,652</b>	<b>355,222</b>
<b>Statutory reserve deposits</b>		
Domestic banks	67,431	60,138
Insurance companies	940	940
	<b>68,371</b>	<b>61,078</b>
<b>Total local currency deposits</b>	<b>654,024</b>	<b>416,300</b>

The Central Bank acts as banker, agent and depository of the Government of Samoa. Governments funds are deposited at the Central Bank are remunerated at a prevailing market rate. Interest expense for the year was \$5.8m tala (2022: \$0.8m tala)

### 13. International Monetary Fund - Facilities

	2023 \$'000	2022 \$'000
(a). Rapid Credit Facility No.1	-	4,176
(b). Rapid Credit Facility No.2	59,274	58,325
<b>Balance at year end</b>	<b>59,274</b>	<b>62,501</b>

#### (a). 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.

#### (b). 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.

### 14. Central Bank Securities

	2023 \$'000	2022 \$'000
Central Bank Securities	49,972	-
<b>Balance at year end</b>	<b>49,972</b>	<b>-</b>

Central Bank securities issued to the public are primarily purchased by the local commercial banks. The securities are short term ranging in maturities from 14 days to 91 days. The weighted interest rate of the securities is 0.22% per annum.

### 15. Currency in circulation

	2023 \$'000	2022 \$'000
Currency in circulation	194,963	156,784
<b>Balance at year end</b>	<b>194,963</b>	<b>156,784</b>

### 16. Provision for employee entitlements

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

	2023 \$'000	2022 \$'000
Opening balance at 1 July	399	410
Additional provisions charged to income during the year	766	177
Entitlements utilised during the year	(449)	(188)
<b>Closing balance at 30 June 2023</b>	<b>716</b>	<b>399</b>

## 17. Distributable profits

Section 36 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

	2023 \$'000	2022 \$'000
Authorised, issued and paid up capital	20,000	20,000

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

### *Management of the Bank's Capital*

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

## 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:

	2023 \$'000	2022 \$'000
<b><i>Profit/(Loss) distribution</i></b>		
Unrealised gain/(losses) transferred to unrealised losses/ profits reserve	(7,889)	(5,721)
Net profit transferred to general reserves	5,754	(3,038)
Net profit to be paid to Government of Samoa	5,754	
<b>Net profit/(loss)</b>	<b>11,508</b>	<b>(8,758)</b>
<b><i>Movement in Unrealised profit/(losses) reserve</i></b>		
Opening balance at 1 July	(15,687)	(9,966)
Unrealised gains/(losses) for the year	(7,889)	(5,721)
<b>Closing balance at 30 June 2023</b>	<b>(23,576)</b>	<b>(15,687)</b>

<b>21. Revaluation surplus</b>	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Property, Plant &amp; Equipment</b>		
Office Building (Total valuation)	26,916	-
Less Accumulated depreciation	(297)	-
	<hr/>	<hr/>
<b>Total Office Building at 30 June 2023</b>	<b>26,619</b>	<b>-</b>
<b>Movement:</b>		
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Office Building</b>		
Opening net book value at 1/7/2022	9,529	-
Addition/Revaluation surplus	17,803	-
Less Accumulated depreciation	(713)	-
	<hr/>	<hr/>
<b>Closing net book value at 30/6/23</b>	<b>26,619</b>	<b>-</b>
	<hr/>	<hr/>
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(b) Land</b>		
Opening net book value at 1/7/2022	3,865	-
Addition/Revaluation surplus	3,695	-
	<hr/>	<hr/>
<b>Closing net book value at 30/6/23 (Total Valuation)</b>	<b>7,560</b>	<b>-</b>
	<hr/>	<hr/>
<b>Total Revaluation surplus at 30/6/2023:</b>		
Office Building	17,803	
Land	3,695	
	<hr/>	
	<b>21,498</b>	
	<hr/>	

The revaluation of the Office building and Land was conducted by Elon Betham & Company Limited on February 2, 2023.

In determining value for the high rise building the valuer adopted:

- (i) The replacement cost approach less depreciation and including obsolescence where the latter is an added estimate on a percentage basis
- (ii) The capitalization method or the rental approach having regard to the producing nature of the property.

In determining the value for the six (6) acres property at Ululoloa, the valuer adopted a direct sales comparison approach plus the hypothetical sub divisional approach.

A valuation is carried out when the Board considers necessary in order to reflect the fair market value of its fixed assets

## 22. Interest income

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest on cash accounts	24	18
Interest on term deposits	30,887	6,116
	<hr/>	<hr/>
<b>Total interest income</b>	<b>30,911</b>	<b>6,134</b>

## 23. Other Income

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest on staff loans	129	92
Income from collectors and other income	1,334	887
	<hr/>	<hr/>
<b>Total other income</b>	<b>1,463</b>	<b>979</b>



## 24. Related party disclosures

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

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

### (i) Key management personnel

The following information is presented only in respect of those employees of the Bank who would be considered as key management personnel, as defined under IAS 24 (Related Party Disclosures). This comprises the governor, assistant governors, members of the management team and executive directors. At 30 June 2022, the number of key management personnel was 25 (2022: 25).

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

	2023 \$'000	2022 \$'000
Salaries and short-term employment benefits	1,428	1,540
Other long-term benefits	110	145
<b>Total key management personnel remuneration</b>	<b>1,538</b>	<b>1,685</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.

	2023 \$'000	2022 \$'000
Directors' fees	63	64
Board expenses	8	12
<b>Total directors and board expenses</b>	<b>71</b>	<b>76</b>

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

As at 30 June 2023, the following balances were receivable from or payable to related parties.

	2023 \$'000	2022 \$'000
Balances due to related parties	253,161	230,402
Balances due from related parties	854	812

### (iv) Directors' fees and board expenses

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

## 25. Lease receivable

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

	2023 \$'000	2022 \$'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>

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\$1,005,316 (2022: SAT\$1,011,302).

Direct operating expenses in relation to building floors leased out amounted to SAT\$854,215 (2022: SAT\$812,033). These amounts do not include the Bank's own internal payments for the floor space that the Bank occupies for its own operations and activities.

## 26. Financial risk management

### *Introduction and overview*

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

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

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

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

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

### *(a) Liquidity risk*

Liquidity risk relates to the potential 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.

## 27. Financial risk management

### (a) Liquidity risk

Maturity analysis as at 30 June 2023

	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	319,333	-	-	-	-	319,333
Fixed deposits	7,569	671,877	24,806	-	-	704,252
International Monetary Fund	-	-	-	-	114,578	114,578
Accrued interest	3	12,461	1	-	-	12,465
	326,905	684,338	24,807	-	114,578	1,150,628
<b>Local Currency Assets</b>						
Cash balances	23,070	-	-	-	-	23,070
Fixed deposits	-	54,619	-	-	-	54,619
Accrued interest	-	8	-	-	-	8
Currency stock on hand	-	-	-	-	8,612	8,612
Receivables and prepayments	-	1,036	1,078	6,649	-	8,763
Credit line facility	-	-	-	70,533	-	70,533
Property, plant and equipment	-	-	-	38,954	-	38,954
	23,070	55,663	1,078	116,136	8,612	204,559
<b>Total Assets</b>	<b>349,975</b>	<b>740,001</b>	<b>25,885</b>	<b>116,136</b>	<b>123,190</b>	<b>1,355,187</b>
<b>Foreign Currency Liabilities</b>						
Demand deposits	159,176	-	-	-	-	159,176
IMF Facilities	-	-	-	59,274	-	59,274
International Monetary Fund	-	-	-	-	149,965	149,965
Other liabilities	94	-	-	-	-	94
	159,270	-	-	59,274	149,965	368,509
<b>Local Currency Liabilities</b>						
Demand deposits	654,024	-	-	-	-	654,024
Currency in circulation	-	-	-	-	194,963	194,963
Central Bank Securities	-	49,972	-	-	-	49,972
Creditors and accruals	2,562	52,739	99	-	-	55,400
Provisions	-	-	-	716	-	716
	656,585	102,711	99	716	194,963	955,075
<b>Total Liabilities</b>	<b>815,855</b>	<b>102,711</b>	<b>99</b>	<b>59,990</b>	<b>344,928</b>	<b>1,323,584</b>
<b>Net Assets</b>	<b>(465,881)</b>	<b>637,290</b>	<b>25,786</b>	<b>56,146</b>	<b>(221,738)</b>	<b>31,603</b>

## 27. Financial risk management (continued)

### (a) Liquidity risk (continued)

Maturity analysis as at 30 June 2022

	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	150,310	-	-	-	-	150,310
Fixed deposits	276,945	288,373	28,850	-	-	594,168
International Monetary Fund	-	-	-	-	117,708	117,708
Accrued interest	1,102	1,200	15	-	-	2,317
	428,357	289,573	28,865	-	117,708	864,503
<b>Local Currency Assets</b>						
Cash balances	7,633	-	-	-	-	7,633
Fixed deposits	-	40,868	-	-	-	40,868
Accrued interest	-	10	-	-	-	10
Currency stock on hand	-	-	-	-	7,881	7,881
Receivables and prepayments	-	878	3,205	2,799	-	6,882
Credit line facility	-	-	-	79,658	-	79,658
Property, plant and equipment	-	-	118	17,841	-	17,959
	7,633	41,756	3,323	100,298	7,881	160,891
<b>Total Assets</b>	<b>435,990</b>	<b>331,329</b>	<b>32,188</b>	<b>100,298</b>	<b>125,589</b>	<b>1,025,394</b>
<b>Foreign Currency Liabilities</b>						
Demand deposits	188,557	-	-	-	-	188,557
IMF Facilities	-	-	-	62,501	-	62,501
International Monetary Fund	-	-	-	-	147,563	147,563
Other liabilities	15	-	-	-	-	15
	188,572	-	-	62,501	147,563	398,636
<b>Local Currency Liabilities</b>						
Demand deposits	416,300	-	-	-	-	416,300
Currency in circulation	-	-	-	-	156,784	156,784
Central Bank Securities	-	-	-	-	-	-
Creditors and accruals	1,105	39,833	97	-	-	41,035
Provisions	-	-	-	399	-	399
	417,405	39,833	97	399	156,784	614,518
<b>Total Liabilities</b>	<b>605,977</b>	<b>39,833</b>	<b>97</b>	<b>62,900</b>	<b>304,347</b>	<b>1,013,154</b>
<b>Net Assets</b>	<b>(169,987)</b>	<b>291,496</b>	<b>32,091</b>	<b>37,398</b>	<b>(178,758)</b>	<b>12,240</b>

## 27. Financial risk management (continued)

### (b) Market risk

Market risk is the risk of potential losses on financial investments from 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 investment.

#### (i) Foreign exchange risk

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	EUR	TOTAL
Cash balances with Central Banks	0.85	4.38	4.97	0.97	0.002	0.254	11.42
Cash balances with banks	-	1.73	0.28	-	0.006		2.02
Fixed deposits	176.8	222.25	203.35	14.44	34.61		651.21
Negotiable Certificate Deposit	-	-	40.71	-	-		40.71
Bond	24.8	-	0				24.8
Repurchase agreements	305.9	-	-				305.9
<b>Total</b>	<b>508</b>	<b>228.37</b>	<b>249.31</b>	<b>15.11</b>	<b>34.62</b>	<b>0.25</b>	<b>1036.05</b>

#### *Concentration of foreign currency balances*

	USD	NZD	AUD	GBP	CNY	EUR	TOTAL
Cash balances with Central Banks	0.10%	0.40%	0.50%	0.10%	0.00%	0.00%	0.90%
Cash balances with Banks	0.00%	0.20%	0.00%	0.00%	0.00%	0.00%	0.30%
Fixed deposits	17.10%	21.50%	19.60%	1.40%	3.30%	-	61.10%
Negotiable Certificate Deposit	0.00%	0.00%	3.90%	0.00%	0.00%	0.00%	14.90%
Bond	2.40%	0.00%	0.60%	0.00%	0.00%	0.00%	3.90%
Repurchase agreements	29.50%	0.00%	0.00%	0.00%	0.00%	0.00%	18.90%
<b>Total</b>	<b>49.10%</b>	<b>22.00%</b>	<b>24.10%</b>	<b>1.50%</b>	<b>3.30%</b>	<b>0.00%</b>	<b>100.00%</b>

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

	30 June 2023	30 June 2022
USD	0.36352	0.39029
NZD	0.59942	0.55847
AUD	0.54916	0.51972
GBP	0.28822	0.28191
EUR	0.33450	0.27360
CNY	2.63459	2.52271
CNH	2.64242	2.52355

## 27. Financial risk management(continued)

### (b) Market risk (continued)

#### Sensitivity to foreign exchange risk

Sensitivity to foreign exchange risk is the sensitivity of the face value in Samoan Tala of the Central Bank of Samoa's financial assets to fluctuations in the exchange rate.

The Tala is weighted against a basket of currencies and thus the sensitivity to foreign exchange risk is generally expected to be minimal as the movements of these currencies in the basket tend to offset each other. However, the extreme volatile nature of the global foreign exchange market may also raise the sensitivity to the risk.

The weight allocated to each currency in the basket is determined based on 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 2023 would have increased net income by the amounts shown below:

	Income effect 2023 \$'000	Income effect 2022 \$'000	General reserves effect 2023 \$'000	General reserves effect 2022 \$'000
USD	50,145	26,925	19,839	13,343
NZD	23,198	21,317	21,754	19,704
AUD	24,579	18,886	1,388	18,080
GBP	1,596	92	-	-
EURO	(27)	(1)	-	-
CNH	11,121	11,634	3,432	8,289
SDR	2,850	8,167	-	-
<b>TOTAL</b>	<b>113,516</b>	<b>87,020</b>	<b>46,413</b>	<b>59,416</b>

A 10% strengthening of the Samoan tala against the above currencies at 30 June 2023 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 2023:

	Balance Sheet	Repricing period \$M			
	Total \$M	0-3 months	3-6 months	6-12 months	12+ months
Foreign Exchange					
Cash balances with Central Banks	11.42	11.42	-	-	
Cash balances with Banks	2.02	2.02	-	-	
Fixed deposits	651.21	162.80	175.83	312.58	
Negotiable Certificate of Deposits	40.71	12.83	8.96	18.91	
Bonds	24.80				24.80
Repurchase agreements	305.90	305.90	-	-	
<b>TOTAL</b>	<b>1036.05</b>	<b>494.97</b>	<b>184.79</b>	<b>331.49</b>	<b>24.80</b>



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**27. Financial risk management (continued)****(c) Credit risk(continued)**

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 now implemented since April 2023. The decision to proceed with implementation of loans benefit is the result of P.P 2020/2021 Number 106 and P.P 2020/2022 Number 24 (CBS Annual Reports for FY2019/2020 and 2020/2021 by the Parliament's Finance & Expenditure Committee, which were discussed and passed by Parliament of Samoa during its meeting on 7 March 2023.

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 2023</b>				
Current (not overdue)	2.5%	5,624	77	-
Staff loans assessed individually		94	17	-
		<b>5,718</b>	<b>94</b>	<b>-</b>

Balances which are not current are assessed individually for impairment. The movement in the loss allowance for staff loan receivables is disclosed in Note 10.

## 27. Financial Risk Management (continued)

### (c) Credit risk(continued)

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-23
Securities held under repurchase			
agreements with Central Banks	AA+		29.53
T/Deposits with BIS	AAA		10.34
BIS G1 Bond	AAA		2.39
Cash with other Central Banks			1.1
<b>Subtotal balances with Central Banks</b>			<b>43.36%</b>
<b>Negotiable Certificate of Deposit</b>			<b>3.93%</b>
RABOBANK		BBB+	0.56
HERITAGE BANK		BBB+	0.34
BANK OF QUEENSLAND		BBB+	1.79
P & N Bank		BBB+	1.24
<b>BONDS</b>			<b>0</b>
EUROPEAN INVESTMENT BANK		AAA	0
<b>Deposits with Commercial Banks</b>			<b>52.52%</b>
ANZ		AA-	3.18
BNZ		AA-	0.33
BOC		A	16.32
DBS		AAA	4.35
ICBC		A	11.34
RABO		A+	7.91
WBC		AA-	9.09
<b>Others (CASH)</b>			<b>0.19%</b>
ANZ		AA-	0.01
BNZ		AA-	0.06
BOC		A	0.07
WBC		AA-	0.03
ICBC		A	0.02
<b>Subtotal balances with commercial Banks</b>			<b>56.64%</b>
<b>TOTAL</b>			<b>100.00%</b>

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## 27. 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 behavior. 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 internal and existing external audit functions also ensure that operational risk is and will be effectively minimised and managed.

## 27. Fair values of financial assets and liabilities

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

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

### *Cash balance and Fixed Deposits*

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

### *Statutory reserve deposits*

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

### *Demand deposits*

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

### *Currency in circulation*

The carrying value of currency in circulation is 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 its fair value. The Bank does not have any financial assets or financial liabilities where their values are determined by quoted market prices or other observable inputs either directly or indirectly.

## 28. Commitments for expenditures

The Directors are aware of the Bank's commitment at 30<sup>th</sup> June 2023 as follows:

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

The project was estimated to cost \$40.0 million tala. The cost already incurred on this as at 30 June 2023 is \$2.1m (2022: \$2.9m) 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 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 to finalize the figures and processes for the way forward.

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**29. Contingent liabilities**

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


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

***(ii) Collectors' currency***

The Bank has a contingent liability for the face value of collectors' currency issued. However, it is more unlikely that the amounts of collectors' currency will be returned for redemption at face value. The face value of all collectors' currency issued by the Bank for the period under review is SAT\$1,122,480. (2022: SAT\$692,518).

**30. Approval of financial statement**

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

	- chartered accountants	PO Box 6028 Unit 6, Seiuli Taulafo Complex Lotopa, Samoa Tel: +685 29890/ 7774845/ 7785053 or 24588, 28875/ 7528875/ 8429890  www.sua-pauga.com
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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 2023, 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 2023, 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.

#### 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.

#### 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. .

#### 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 Bank's Internal Control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

#### 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 Faa'ouina Su'a  
Engagement Partner  
Apia, Samoa      18 October 2023