



CENTRAL BANK OF SAMOA



2023
2024

ANNUAL REPORT

Please address all correspondence to:
The Minister of Finance
Private Bag
Apia, Samoa



Telephone: (685) 34385
(685) 33280
Facsimile: (685) 31312

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)

29 November 2024

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 2024.

The Bank's Annual report 2023/2024 reveals key data and information on Samoa's economic performance and the Bank's financial performance for the twelve (12) months period from July 2023 to June 2024.

(Hon. Lautimuia Afoa Uelese Vaai)
MINISTER OF FINANCE

PLEASE ADDRESS CORRESPONDENCE
TO THE GOVERNOR



PO Box Private Bag, Apia, Samoa Ph: 685-34100 | Fax: 685-20293/24058 E-mail: centralbank@cbs.gov.ws Web: www.cbs.gov.ws

29 November 2024

Honourable Lautimuia Afoa Uelese Vaai
Minister of Finance
APIA

Afioga e,

I hereby submit the 37th Annual Report of the Central Bank of Samoa for the financial year ending June 2024. 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 2024 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, who is the Chair and three independent Board members who are citizens of Samoa with industrial, commercial or agricultural experience.

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:

- Monetary Policy Committee, which meets every six months to discuss and review the current and future monetary policy direction/stance of the Bank based on the latest forecast of broad macroeconomic indicators and conditions;
- Reserve Money Program Committee, which meets monthly to discuss the latest economic, monetary and financial developments that would impact on liquidity levels within the banking system;
- Investment Committee, which meets every two months to discuss the Bank's management of foreign reserves;
- Budget Committee, which meets twice a year to discuss issues with regards to the preparation and operations of the Bank's Budget.
- National Payments System Committee which meets regularly to discuss issues relating to the establishment and effective operation of the National Payments System in the country;
- Offsite Project Committee which meets regularly to discuss and coordinate procedural responsibilities in the establishment of the Bank's Backup or Offsite Building in the event of natural disasters, times of crisis or emergency;
- OSH Advisory Committee, which 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.

The consolidated Risk Management Policy for the Central Bank was approved in June 2024 to ensure that the Bank is managing risk to the best of its ability to enable the successful achievement of its objectives. The effectiveness of the Risk Management Framework hinges on the quality of management practices both at the oversight level by the Board,

Audit Committee, Executive Committee and department levels by the Management and Staff.

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

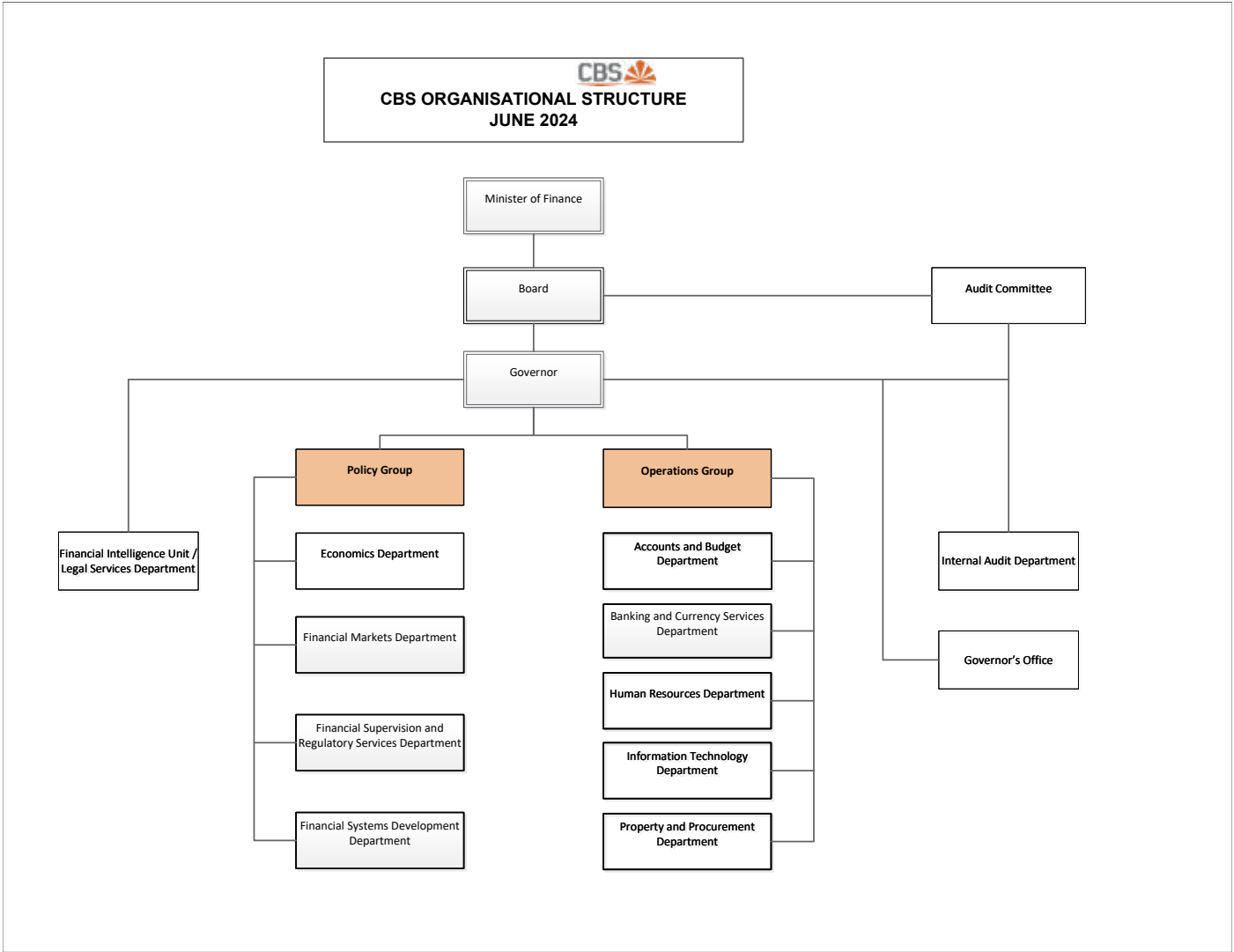
The Central Bank employed a total of one hundred and two (102) staff at the end of June 2024.

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

There is a change in the Bank's Organisational Structure for the reporting period. The Information Technology Unit has been separated from the Property and Information Technology Department (PITD) since July 2023 and is now a new department under the Operations Group. The former PITD has been renamed the Property and Procurement Department. The change brings a total of thirteen (13)¹ departments allocated under the two functional groups (Policy and Operation) under the leadership of two (2) Deputy Governors.

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

Central Bank of Samoa Organizational Structure FY 2023/2024



Source: Central Bank of Samoa, 2024

Table of Contents

I.	Governor's foreword	1
II.	Economic Developments	5
III.	Conduct of Monetary policy	8
IV.	Financial System Supervision	13
V.	Financial System Development	20
VI.	Money Laundering Prevention and Countering of Terrorist Financing Activities	26
VII.	Currency Management	31
VIII	Corporate Services and Administration	34
IX.	Central Bank financial performance	37
X.	Chronology of important monetary, prudential and related events	38

I. Governor's Foreword

Despite ongoing uncertainties and challenges in the global economy, the fiscal year 2023/2024 was a period of continued momentum and strength for Samoa, underscoring our resilience as a small island developing nation. The same can be said of the Central Bank's journey in the twelve months ending June 2024. Our commitment to supporting Samoa's economic sustainability and prosperity as well as the stability of our small financial jurisdiction, contributed to the positive macroeconomic performance and strong financial system conditions over the year. Vital to these achievements, was the Bank's increased engagements with our stakeholder to ensure clear communications of our strategic drive and focus.

Following the strong economic rebound in FY2022/2023 and in view of the favourable near-term outlook for the Samoan economy, the **Central Bank gradually shifted its monetary policy focus** in FY2023/2024 after a long period of easing monetary policy. Specifically, the Bank committed to **reducing the excess liquidity** in the banking system and **normalizing its indicative official interest rate** from near zero percent levels in over fifteen years, to a targeted neutral rate range of 2 percent to 3 percent over the medium term. This transition was clearly communicated to the commercial banks to sensitize and ensure their appropriate application. That said, real GDP grew by 9.4 percent, a stronger performance on average relative to the global economy and continuing the upward trajectory from its 9.2 percent growth in FY2022/2023. On the inflationary front, the headline inflation rate decreased faster than anticipated from 12.0 percent in June 2023 to 3.6 percent in June 2024, trending somewhat similarly to those of our main trading partners. This was driven by disinflation in both imported and local consumer prices. It is anticipated that Samoa's headline inflation will moderate around its 3.0 percent target level in the short term. Nevertheless, as lingering downside risks persists, the Bank will continue to monitor the inflationary pressures in the domestic economy and take appropriate actions where needed. On the external front, Samoa's official foreign exchange reserves remained more than adequate at SAT\$1.35 billion or equivalent to 13.4 months cover for import of goods at end June 2024. These foreign reserves continued to be securely managed, well diversified, and highly liquid to service the country's international obligations.

These favourable economic outturns also contributed to the continued **sound** financial conditions in Samoa's **financial system** over the last twelve months. In particular, the banking sector remained well-capitalized with a capital adequacy ratio of 28.9 percent at end June

2024 (well above the required minimum of 15.0 percent) and continues to be highly liquid as represented by a liquid asset ratio of 37.2 percent (relative to the minimum requirement of 10.0 percent). The quality of assets was also strong, with non-performing loans well provisioned by the commercial banks. Likewise, the insurance industry remained strong, albeit with varying financial outcomes.

In FY2023/2024, I am happy to report that the Bank's commitment to strengthening Samoa's financial regulatory landscape took a step further, with the following achievements:

1. The **National Financial Inclusion Strategy 2022/2023-2025/2026** (or NFIS 2.0) was launched on 14th November 2023.
2. The **National Risk Assessment (NRA) and the National Strategy on AML/CFT 2024-2026** was endorsed by Cabinet in March 2024. These lays the foundational legislative work that will further reinforce our AML/CFT framework and safeguard our financial jurisdiction from financial crimes. The NRA identified areas that will lead to amendments to the Money Laundering Prevention Act 2007 and related legislation to resolve Samoa's remaining deficiencies with the FATF Standards, in preparation for Samoa's next Mutual Evaluation scheduled for 2027.
3. The **Credit Information Registry Policy** was approved by Cabinet on 22nd May 2024. The draft Credit Information Registry Bill is now with the Office of the Attorney General for their legal review.

Similarly, the following ongoing developments took place in the reviewed year reflecting the Bank's steadfast commitment to safeguarding the macroeconomic and financial stability of the Samoan economy:

1. **Automatic Transfer System (ATS)** – since the launch in May 2023, the Bank continued to collaborate with the Ministry of Finance and the Ministry of Customs and Revenue during FY2023/2024, as part of efforts to integrate government financial systems in the country's National Payment System. Further developments in the retail payment space were also undertaken.
2. **e-Know Your Client (e-KYC) system** – this ADB funded pilot project concluded in December 2023. This pilot produced a legal diagnostic identifying areas for improvements in Samoa's legislative framework to ensure the effective application of an e-KYC in the country. It further proved that the deployment and integration of a web-based e-KYC technology to the

digital systems and processes of a domestic financial institution in a small island developing country was possible, and the use of a government database for due diligence purposes can be utilized without any impact on privacy or data integrity.

3. **Sustainable Finance Initiative** – a knowledge-sharing session hosted by the Bank in collaboration with the International Finance Corporation (IFC), the Ministry of Finance and the Ministry of Natural Resources & Environment was undertaken on 14 February 2024 for the banking and insurance industry. This was the first of more information exchanges to promote the financial institutions' awareness of sustainable or green finance as well as to facilitate the extension of green finance by the finance sector. The Banking Principles on Sustainable Finance has been endorsed by Samoa's banking association in August 2023, with feedback on the draft Banking Guidelines received in the latter half of the year.
4. **Emergency Liquidity Assistance (ELA)** – Technical Assistance (TA) from the International Monetary Fund (IMF) was provided to the Bank in August 2023. This TA mission also provided valuable feedback to the Bank's draft policy and internal procedure documents which will form the basis for the effective and efficient application of the Bank's Lender of Last Resort function.
5. **Currency Management** – as part of the Bank's sustainability commitment, I am proud to report of our transition to polymer production in the modernization of the existing \$5, \$10 and \$20 Tala banknotes. These polymer notes, which have a lower environmental impact given their reduced carbon footprint and increased durability, were issued into circulation in December 2023 (for the \$5 tala banknote) and in the first quarter of 2024 (for the \$10 and \$20 banknotes).
6. **Full onsite inspections of financial institutions** – throughout FY2023/2024, the Bank conducted full onsite inspections of our licensed commercial banks on Prudential and AML/CFT standards. Onsite visits and assessments of all the commercial banks and money transfer operators on Exchange Control requirements were also undertaken during the year. These inspections are part of the Bank's supervisory approach to assess the compliance and operations of all its licensed financial institutions in ensuring the stability of Samoa's financial system.

FY2023/2024 also saw the conclusion of the Central Bank's 5 years journey in its fourth Strategic Plan, which started from FY2019/2020. This Strategic Plan period was dominated by unprecedented challenges and

insurmountable uncertainties in both the global and domestic economic environment. Of the 110 strategic activities outlined in the Plan, 85 percent were achieved, with the other 15 percent still work in progress due largely to factors beyond the control of the Bank, such as the impact of the COVID-19 pandemic lockdowns which disrupted some project progress as well as delays due to legislative processes. The Bank's new Strategic Plan for the next five years was approved by the Board in its 28th June 2024 meeting and sets out the strategic initiatives the Bank will undertake, recognizing the need to remain dynamic and innovative in view of the growing digital impact on Samoa's financial environment.

Another major development during the year for the Bank was the groundbreaking and the start of initial construction works for its Offsite property in Ululoloa. This momentous occasion, which took place in the last few months of the fiscal year, signals the start of a longstanding initiative by the Bank to construct another property inland that is climate-resilient and capable in facilitating its continued operations should unforeseen events take place. This project is expected to take 20 months to be completed.

On the Bank's financial position, I am pleased to report that for this financial period, there was an increase in returns from investments of our foreign reserves. This also translated to higher interest (equivalent to \$10.4 million) paid to the Ministry of Finance during FY2023/2024, in remuneration of Government accounts held at the Bank. With the prudent management of our operational spending, the Bank recorded a net profit of \$36.0 million, significantly higher than the preceding financial year's performance. In view of sections 35(2) and 36 of the CBS Act, this net profit has been transferred to the Unrealized Revaluation Reserve Account and the General Reserve Account to strengthen the Bank's capital position and noting the aforementioned major developments currently underway and in the near future.

Overall, we acknowledge that while progress has been made to date, a lot more is required. We remain vigilant in our role to supporting the Samoan economy, particularly through effective and efficient monetary policy processes. Further, we intend to maintain a sound, reputable and resilient financial system, with modernized financial infrastructures recognizing the evolving digital landscape. Efforts to green Samoa's financial system will be gradual and collaboratively undertaken with our financial institutions and appropriate stakeholders.

The delivery and achievement of these strategic activities for the year ahead will require:

1. A positive, dynamic and professional workforce that are qualified, well trained, competent and skilled to progress the Bank's mandates in the future;
2. Enhanced engagement with our stakeholders in every aspect of the Bank's functions for the effective administration and buy-in of any policy initiatives.
3. Increased partnerships and collaboration with all our stakeholders, both local and international,
4. The Bank to continue to be dynamic and steadfast in providing sound economic advice to Government; and
5. The Bank to be proactive and prepared at all times to respond to any challenges, crises or unforeseen developments that may impact its mandate, the financial system or the Samoan economy;

On this note, I acknowledge the hard work by our staff and management team in the last twelve months. The achievements in FY2023/2024 would not have been possible without their commitment and dedication to the Bank's vision. At the same time, I extend my sincere appreciation and gratitude to the CBS Board of Directors for their support throughout the year. Although we encountered challenges during our journey over the twelve months ending June 2024, together we ensured the Bank remained resilient and capable to deliver on its mandated functions and responsibilities.

Tautai A'e! E ui lava na matagitogaina le folauga, peitai o lea ua sili'ofe le tautai sa tofutofu i aau-mamao, ua tali mālie foi le taliuta i lana faatamasoali'iga. E tusa ai ma lana manulauti ma galuega tauave, e tumau pea le mata'ituina lelei e lau Faletupe Tutotonu o le mau luitau e ono agai mai aua le saogalemu o le siosiomaga tautupe ma le manuia lautele o Samoa ma lona tamaoaiga.

Ma le ava tele,



Maiava Atalina AINU'u-Enari
GOVERNOR

2023 - 2024 SNAPSHOT

Real Economic Growth



9.4 %
June 2024

Inflation Rate



3.6%
June 2024

Inward Private Remittances



\$876.8m
+5.4% from FY
2022-2023

Money Supply



\$1,697.4m
11.9% annual growth rate

Official Foreign Reserves



13.4
months of imports
June 2024

Government External Debt



25.9% of
nominal GDP as of
June 2024

Excess Liquidity



\$482.3m
30 June 2024

Tourism Earnings



\$618.3m
+46.9% increase
from FY 2022-2023

Official Interest Rate



0.23%
unchanged from FY2022-2023

Commercial Banks Interest Rates

- WAD rate 1.57%
(-18bp from FY 2022-2023)
- WAL rate 8.43%
(+13bp from FY 2022-2023)

Nominal Effective Exchange Rate



-0.16%
Depreciation

Financial System Credit Growth Rate



2.2%
from -0.4 percent in FY2022-2023

Capital Adequacy Ratio



28.9%
End of June 2024

II. ECONOMIC DEVELOPMENTS

The world economy experienced a slowdown, characterized by persistent inflationary pressures and aggressive monetary tightening. While the labor market showed resilience, the overall economic outlook remained challenging. Most major central banks raised interest rates to combat inflation, however, concerns about economic outlook led to some pauses in rate hikes. On the other hand, Samoa's economy rebounded strongly as most businesses have recovered from the pandemic, with a faster than expected decline in inflation over the year.

1. Global Economic Developments

The global economy faced significant headwinds in 2023/2024. Having weathered the unprecedented storm of the COVID-19 pandemic, the world is now grappling with a new set of challenges. Aggressive monetary tightening by central banks to combat high inflation stifled economic growth, while persistent supply chain disruptions and elevated energy prices continued to underpin high commodity prices and inflationary pressures. Geopolitical tensions, particularly the Russia-Ukraine conflict, further exacerbated economic uncertainty. These factors, combined with lingering pandemic effects and mounting debt burdens, created a challenging environment for businesses and consumers worldwide. As a result, the global economy is estimated by the IMF to have grown by 3.25 percent in 2023/2024, slowing from a 3.40 percent expansion in the previous year 2022/2023.

With the tightening of monetary policies in most major economies, global disinflationary trends continued in the year ending June 2024. Despite the decreasing global inflation rates, including those of Samoa's main trading partners (New Zealand, Australia and the USA), these remain above most central banks' target levels of around

2 to 3 percent. (Refer to Table 1). This trend is similar with Samoa's inflationary path in FY2023/2024.

In contrast, the global labor market has shown resilience. Over the past year, unemployment rates have declined significantly in many countries, with notable improvements in the United States, Australia, and New Zealand. This positive trend suggests a robust job market in our main trading partners, which points to a favourable outlook for our external sector, particularly as source markets for our tourism industry and remittance inflows.

Overall, central banks around the world responded by implementing more aggressive monetary tightening policies, with further increases in their policy interest rates earlier in the financial year, to cool down economic activity and reduce inflationary pressures. While these measures have started to show some effect, bringing inflation back to target levels has been a complex process, given its persistency. Nonetheless, 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 ending June 2024. (Refer to Table 2).

TABLE 1: SELECTED GLOBAL ECONOMIC INDICATORS												
Financial year (end June)	Samoa's main trading partners									World Economic Performance		
	New Zealand			Australia			United States of America					
	Real GDP Growth	CPI inflation	Unemployment Rate	Real GDP Growth	CPI inflation	Unemployment Rate	Real GDP Growth	CPI Inflation Rate	Unemployment Rate	Real GDP growth rate	CPI inflation rate	Unemployment Rate
Annual YearChange (%)												
2019/2020	-9.9	1.5	4.3	-6.0	-0.3	7.4	-8.4	0.6	11.0	-0.30	0.07	6.0
2020/2021	17.7	0.0	4.0	50.6	1.8	5.0	12.0	5.4	5.9	1.50	0.78	6.4
2021/2022	6.4	7.0	3.8	8.6	6.3	3.6	1.9	8.3	3.6	4.75	6.70	5.7
2022/2023	1.5	6.0	3.6	1.9	6.0	3.5	2.4	8.0	3.6	0.40	7.70	5.2
2023/2024	1.1 (year)	4.7	4.0	1.6	4.3	3.9	2.5	2.7	3.7	0.25 (year)	6.80 (year)	5.35 (year)
Source: IMF, ILO 2024 PPPs, BLS (World/Economy and Sector Outlook), Trends 2024 (ILO/World/Economy and sector Outlook), Bloomberg, The Conference Board, WFP, 4 reports, 8.47 World Inflation and growth prospects in 2024 and outlook												

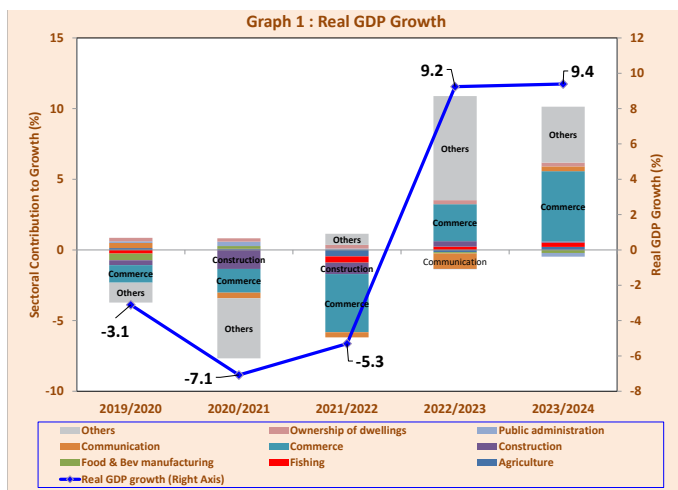
Source: IMF and 2024 GDP, CPI, Unemployment and Labor Outlook, June 2024 (for World Economic Indicators), Reserve Bank of New Zealand, 2023/2024 GDP, CPI, Unemployment and Labor Outlook, June 2024

Fiscal year to end June	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
Official international interest rates					
	Percent (%)				
US Federal Reserve	0.00 - 0.25	0.00 - 0.25	1.50 - 1.75	5.00 - 5.25	5.25 - 5.50
Reserve Bank of Australia	0.25	0.10	0.85	4.10	4.35
Reserve Bank of New Zealand	0.25	0.25	2.00	5.50	5.50
Bank of England	0.10	0.10	1.25	5.00	5.25
European Central Bank	0.00	0.00	0.00	4.00	4.25
People's Bank of China	3.85	3.85	3.7	3.55	3.45

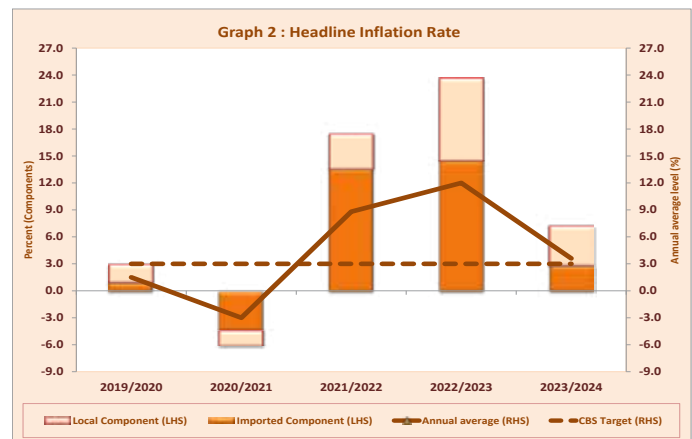
Source: IMF and Reserve Banks' publications and information releases.

2. Domestic Economic Developments

Samoa's economy continued its strong recovery from the COVID-19 pandemic, with another real growth of 9.4 percent in FY2023/2024, exceeding a 6.3 percent projection and the 9.2 percent real GDP expansion in FY2022/2023. This continued strong rebound from FY2022/2023, well above pre-pandemic growth rates, was largely driven by higher than anticipated tourism arrivals, remittance inflows and robust domestic business activities, which resulted in a significant expansion in Government tax collection in FY2023/2024. By industry, this was reflected by a significant jump in the 'Commerce' sector (by \$101.5 million), 'Transport' sector (up by \$13.7 million), 'Business Services' (up by \$11.1 million) and 'Financial services' (up by \$10.5 million) to amongst many others. (See Graph 1 and Table 3.)



The headline inflation fell sharply in FY2023/2024, from a high of 12.0 percent in June 2023 to 3.6 percent in June 2024. This faster than anticipated drop in headline inflation was due to a sharp slowdown in imported inflation, from 14.5 percent in June 2023 to 2.9 percent at end June 2024. This was in line with the drop in global commodity prices, which saw reductions in imported prices of items in the 'Food and Non-Alcoholic Beverages' and 'Housing, Water, Electricity and Gas' sub-groups. Further, domestic inflation also declined from 9.2 percent in June 2023 to 4.4 percent at end June 2024. The underlying inflate rate also decelerated sharply during the year, dropping to 4.9 percent at end June 2024 from 14.2 percent in June last year. (See Table 3 and Graph 2).



On the external sector, total private remittances in FY2023/2024 rose by 5.4 percent to \$876.8 million, contrary to projections of a 2.8 percent decline. This increase over last year reflects mostly further expansion in funds for families and households as well as strong inflows of seasonal workers remittances from Australia and New Zealand. On tourism, total visitor arrivals jumped by 40.9 percent to a total of 175,656 visitors, which was just below the 2018/2019 (pre-COVID) levels. This contributed to total visitor earnings of around \$618.33 million in FY2023/2024, which was well above forecast levels and 46.9 percent higher than the previous year. (See Table 3.)

Total exports of goods fell by 12.3 percent to \$104.4 million in FY2023/2024. This lower-than-expected outcome was mostly underpinned by a 25.6 percent drop in domestically produced exports given an \$8.7 million decline in fish exports due to the adverse impact of El Nino weather phenomena on fish catch. In addition, taro exports were \$4.8 million lower than last year.

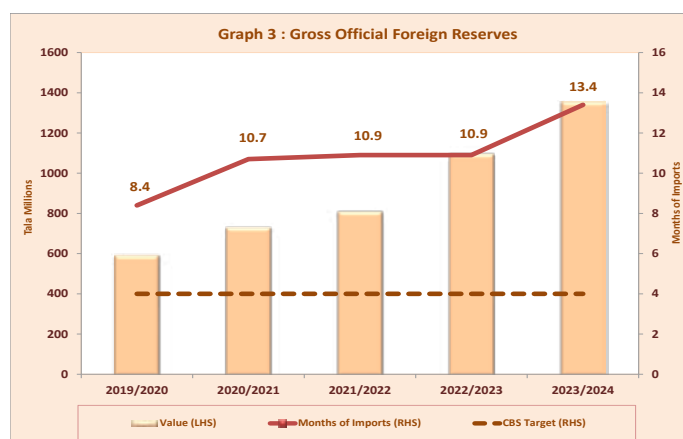
On the other hand, total imports in FY2023/2024 was 0.8 percent higher at \$1,215.8 million, the highest level

Table 3: Summary of Macroeconomic Indicators

	2022/2023	Original Forecast as of 3 Aug 23 2023/2024	Revised Forecast as of 22 Mar 24 2023/2024	Actual 2023/2024
Real Sector				
Real GDP (% change)	9.2%	3.5%	6.3%	9.4%
Nominal GDP (% change)	18.0%	7.7%	11.6%	14.9%
Headline Inflation Rate (% change)	12.0%	9.6%	5.0%	3.6%
Underlying Inflation Rate (% change)	14.2%	10.8%	6.1%	4.9%
External Sector				
Exports (tala Mn)	119.0	119.6	122.1	104.4
Exports (% change)	-9.1%	3.1%	2.6%	-12.3%
Imports (tala Mn)	1206.03	1,195.4	1,219.3	1,215.8
Imports (% change)	31.8%	1.1%	1.1%	0.8%
Remittances (tala Mn)	832.1	756.6	756.6	876.8
Remittances (% change)	54.8%	-2.8%	-2.8%	5.4%
Visitor Earnings (tala Mn)	421.0	439.8	544.7	618.3
Visitor Earnings (% change)	100.0%	3.5%	29.4%	46.9%
BOP Surplus/(deficit) (tala Mn)	285.4	108.0	108.0	255.9
Foreign Reserves (tala Mn)	1098.1	1206.0	1206.0	1,354.0
Import Cover (months)	10.9	11.9	11.9	13.4
Monetary & Financial Sector				
Bank Credit to Private sector & NFIs (% change)	-1.6	2.2	-3.8	-1.9
Broad Money Supply (% change)	9.3	8.8	9.9	11.9

of import payments so far. This increase reflected a 10.7 percent or \$88.7 million jump in private sector imports, which outweighed a 60.3 percent decline in Government imports as well as a 5.3 percent decrease in petroleum imports. (See Table 3.)

In addition to the increases in foreign exchange inflows from remittances and tourism, Samoa also continued to receive large financial assistance (including the usual budget support funds) from its development partners (such as the World Bank (WB), Asian Development Bank (ADB), and the governments of New Zealand and Australia). As a result, the balance of payments (BOP) registered a substantial surplus of \$255.9 million in FY2023/2024, marking the eighth consecutive year of BOP surpluses. As a result, total official foreign reserves² jumped to a record high of \$1,354.0 million, a level that was sufficient to cover 13.4 months of imports of goods only, well above its forecast of 11.9 months and the benchmark 4.0 months of import cover. (See Graph 3 and Table 3.)



The total banking system liquidity expanded further by \$81.9 million (or 14.2 percent) to \$657.3 million at end June 2024. This was mostly due to a \$89.5 million hike in the outstanding balance of CBS Securities held by commercial banks, together with a \$3.2 million increase in their vault cash holdings. On the other hand, commercial banks' excess reserves fell by 2.2 percent (\$10.8 million) to \$482.3 million at end June 2024, consistent with monetary policy efforts in FY2023/2024 to withdraw the excess liquidity in the banking system. Further monetary policy action is necessary in the near term to reduce this excess liquidity.

On interest rates, the CBS official interest rate on a year on year basis, was unchanged at 0.23 percent at end June 2024. The commercial banks' weighted average

lending rate rose by 13 basis points to 8.43 percent from 8.31 percent last year. On the other hand, the weighted average deposit rate of the 4 commercial banks' fell by 18 basis points to 1.57 percent from 1.76 percent in June 2023. As a result, the commercial banks' interest rate margin widened by 31 basis points to 6.86 percent from 6.55 percent last year.

The combined commercial banks total credit to the private sector and public institutions continued its upward trend, rising by 2.9 percent (year on year) to \$1,173.5 million at end June 2024. On an annual average basis, however, commercial banks' credit to the private sector and public institutions contracted by -1.9 percent in FY2023/2024, more than the -1.6 percent slowdown last year but below its -3.8 percent forecast. Total money supply continued to expand, rising by an annual average of 11.9 percent at end June 2024, higher than its forecast growth of 9.9 percent for FY2023/2024. This was mostly due to the higher-than-expected increase in net foreign assets from significant inflows of official grant funds, as well as higher private remittances and tourism earnings received through the banking system. (See Table 3.)

² 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.

III. CONDUCT OF MONETARY POLICY

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 facilities³ to non-bank financial institutions, were also introduced since the 2009 Global Financial Crises.

1. Monetary Policy Formulation

The Central Bank's monetary policy stance in FY2023/2024 saw a transition from the accommodative easing stance that was in place for more than a decade to a normalized monetary position. This shift in policy by the Central Bank highlighted its focus in bringing down the very high liquidity in the financial system while at the same time, normalizing the indicative official interest rate to a target range of 2-3 percent (from near zero percent) to build a buffer for future monetary policy actions.

This change in policy direction starting in FY2023/2024 reflected the following near-term outlook:

- I. The robust rebound in Samoa's real economy and the strong growth trajectory envisaged for FY2024/2025 (in view of domestic business activities associated with the hosting of the Commonwealth Heads of Government Meeting in October 2024);
- II. Subdued inflationary outlook, with the headline inflation rate anticipated to trend downwards albeit moderating just above the annual 3.0 percent medium term target;
- III. Continued strong performance of the external sector, with further BOP surplus projected that would underpin a continued healthy and adequate level of official foreign reserves, equivalent to more than the minimum 4.0 months of goods only coverage.

As part of efforts to enhance the Central Bank's monetary policy formulation, technical assistance from the International Monetary Fund (IMF) through a Forecasting and Policy Analysis System (FPAS) program was received during FY2023/2024. This has contributed to the development of a GDP nowcasting model to estimate real GDP growth one quarter ahead using high frequency indicators while awaiting the actual GDP estimates from the

Samoa Bureau of Statistics. The program also developed a core inflation model using various econometric techniques such as the trimmed mean and volatility weight techniques. This CBS core inflation model is another tool to measure and forecast the underlying market forces in the economy, in addition to the underlying inflation data published by the SBS. The FPAS is also assisting the CBS develop an exchange rate passthrough model using the New Keynesian Phillip's Curve approach. These new techniques improved CBS' ability to track and forecast, to a large extent, the macroeconomy (especially economic growth and inflationary outcomes in FY2024/2025).

Ongoing modelling and enhancements to CBS forecasting methodologies for monetary policy purposes will continue in the next financial year.

2. Monetary Policy Implementation

In view of Central Bank's monetary policy stance for FY2023/2024, the issuance of longer-term CBS Securities (i.e. 182-days and 364-days) resumed in March 2024. The last time these CBS Security papers were issued were in 2003 (for the 364-days) and 2005 (for the 182-days). Further, given the ample excess liquidity levels in the banking system during the year, the volume of CBS Securities issued were increased gradually throughout the year, with investments in the longer-term tenors largely achieving the set targets as determined in the monthly Reserve Money Program (RMP).

Overall, for FY2023/2024:

- SAT\$878.30 million worth of CBS Securities were floated, which were largely oversubscribed during the year, indicating the high demand for these papers.
- While all the four commercial banks took part in the trading of CBS Securities during the year, three were

³The 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.

largely active participants.

- A total of SAT\$629.25 million CBS Securities matured during the year, with SAT\$140.0 million in outstanding CBS Securities at the end of the financial year. (See Table 4.)
- Subsequent to the increased volume and tenors of new CBS Securities issued during the year, the interest cost of the Central Bank's open market operations surged to SAT\$748,085.00 compared to SAT\$57,511.95 in the previous year.

During the year, the issuance of CBS Securities through the Central Securities Depository (CSD) System 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. Two reports submitted by CBS was due in December 2023 and June 2024.

CBS Credit facilities to Commercial Banks

- Due to the ample liquidity in the banking system, the traditional stand-by credit facilities, including the Repurchase and Rediscount facilities, were neither accessed nor required during the period.
- 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.
- Total outstanding CLF balance at the Central Bank at the end of FY2023/2024 was recorded at SAT\$69.84

million, declining from SAT\$73.53 million in FY2022/2023. This reflected the regular repayments by both the Development Bank of Samoa (DBS) and Samoa Housing Corporation (SHC) over the year.

* Of the outstanding amount at end June 2024, DBS accounted for 98 percent (or \$68.16 million) while SHC accounted for the remaining 2 percent (or \$1.68 million);

3. Exchange Rate⁴

The Samoa Tala remained pegged to a currency basket of four major currencies, comprising the United States of American dollar, the European Euro, Australian dollar, and New Zealand dollar in FY2023/2024. This implies that any fluctuations in these four currencies directly impact the Samoa Tala's exchange rate. The currency basket is reviewed on an annual basis, with a continued monitoring on a quarterly basis to ensure the Samoa Tala currency remains competitive and that the exchange rate regime continues to support the main objectives of the Central Bank's exchange rate policy. The currency basket was reviewed during FY2023/2024, with no changes to the weights that took effect from in March 2023.

In the reviewed year, the Samoa Tala depreciated slightly (by 0.9 percent) against the US dollar, and the Euro (by 4.2 percent) but appreciated against the NZD (by 0.6 percent) and the AUD (by 1.7 percent). This resulted from the US dollar's dominance over these major currencies primarily reflecting the surge in its safe haven demand due to geopolitical tensions (from the ongoing Ukraine and Russia conflict, flared up tension in the Middle East between Israel and Hamas since October 2023). Moreover, concerns over China's fragile economic recovery, escalating trade wars, and heightened political tensions combined with broader global economic instability drove a sharp increase in demand for safe haven assets. On the

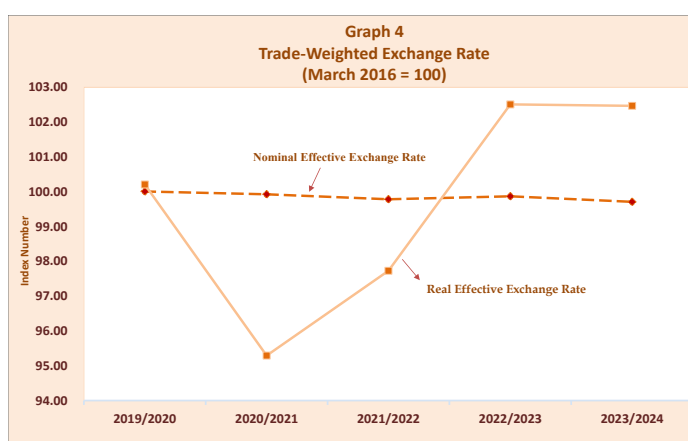
Table 4. Central Bank of Samoa Securities

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Number of Floats	30	0	0	34	45
Amount Floated	\$ 169.00	\$ -	\$ -	\$ 182.00	\$ 878.30
Amount Tendered	\$ 440.50	\$ -	\$ -	\$ 418.00	\$ 1,167.45
Amount Allotted	\$ 171.00	\$ -	\$ -	\$ 178.00	\$ 720.25
Amount Matured	\$ 191.00	\$ -	\$ -	\$ 128.00	\$ 629.25
Amount Outstanding	\$ -	\$ -	\$ -	\$ 50.00	\$ 140.00

Source: Central Bank of Samoa

⁴ 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 quarterly to reflect changes in trade and payment patterns between Samoa and its major trading partners.

contrary, the US dollar rivals (including the Euro, AUD, and NZD) weakened as their central banks attempted to manage steep losses caused by the widening interest rate gaps between the US and these economies. Furthermore, investor sentiment also dented after top credit agencies downgraded several US banks during the year, triggering market fears. (See Graph 4).



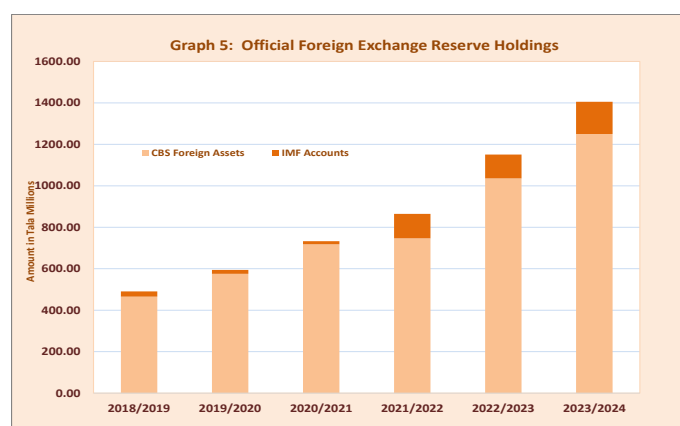
Overall, the nominal value of the Samoa Tala depreciated by 0.16 percent and was 0.04 percent weaker in real terms against the currencies in the basket in FY2023/2024. The real depreciation during the period under review was attributed to Samoa's moderated inflation rate compared to those of its main trading partners.

4. Foreign Reserves Management

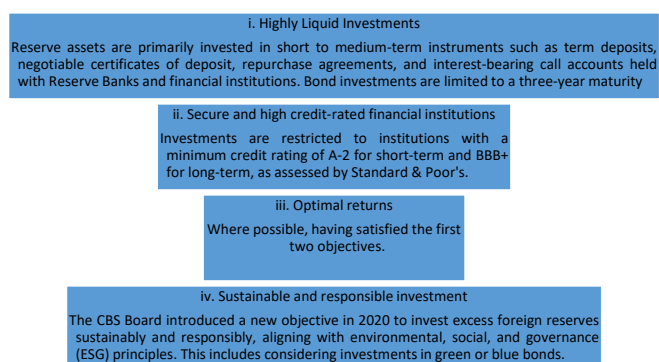
The Central Bank of Samoa is responsible for managing the nation's foreign exchange reserves. Samoa's official reserves comprise of foreign currency exchange holdings by the Central Bank and the country's IMF account, including Special Drawing Rights (SDRs)⁵.

As of June 2024, Samoa recorded a substantial increase in official international reserves to SAT\$1.35 billion, representing a 23.3 percent growth year-on-year from SAT\$1.10 billion in the previous year. This surge is primarily attributed to a significant expansion of the Central Bank's foreign exchange holdings⁶, resulting from increased aid inflows for Government from its development partners during the year. Additionally, SDR holdings grew by SAT\$41.52 million (or by 75.1 percent)

following a replenishment in February 2024 for foreign reserves management purposes. (See Graph 5).



The Central Bank prioritizes four key objectives when managing the country's foreign exchange reserves:



Foreign reserve assets held in commercial banks abroad are subject to market, liquidity, interest rate, foreign exchange, and credit risks. To mitigate these risks, the Central Bank maintains a diversified portfolio and invests solely in high-quality, liquid assets. The Bank's Foreign Exchange Investment Policy and Guidelines outline risk management strategies, which are reviewed annually to align with global economic and financial conditions and best practices⁷.

Global economic uncertainties persisted throughout FY2023/2024, contributing to foreign exchange market volatility. These conditions posed challenges for reserve management, particularly in mitigating foreign exchange risks. To address these challenges, the foreign reserve

⁵ This definition follows the adoption of new classifications by the International Monetary Fund in a Balance of Payments TA mission in January 2021.

⁶ 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).

⁷ The 2023 review was endorsed by the CBS Board in June 2023 and took effect on 1st July 2023. Similarly, the 2024 review of the CBS Foreign Exchange Investment Policies and Guidelines was approved by the CBS Board on 31st May 2024 and took effect on 4th June 2024.

asset composition is aligned as much as possible with 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 allowed to be held in the Japanese Yen but has not been undertaken to date. The Bank's investment portfolio is carefully managed against approved benchmarks, which is reviewed annually. The benchmark considers factors such as the country's main sources of foreign exchange, projected foreign currency payment obligations, global yield trends, and foreign exchange rate forecasts.

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\$59.07 million in FY2023/2024. This was equivalent to an average return on the foreign reserves' investment portfolio of 5.06 percent, which was significantly higher than the previous year. (Refer table 5.)

5. 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 payment outflow from Samoa. In view of this, the review of exchange controls is undertaken annually, taking into account the recent economic and financial developments as well as ensuring international payment procedures are conducive for an efficient and sound payment system.

The outcome of the 2023 annual review of Exchange Control policies took effect in August 2023, resulting in further easing, including increased delegations of

authority to Authorized Foreign Exchange Dealers i.e. Commercial Banks and Money Transfer Operators (MTOs). The easing of exchange control policies reflected the prevailing economic environment in 2023 whilst ensuring the country's foreign exchange reserves remain at sustainable levels.

The increased or new delegation of authority to the authorized commercial banks and money transfer operators are subject to the availability of relevant supporting documents. As such, the general public were advised through a Public Notice published on media outlets to cooperate and ensure that proper and appropriate supporting documentations for these types of foreign payments are submitted to the authorized commercial banks and money transfer operators when processing payments overseas.

Throughout the year, continued emphasize was placed on exchange control compliance with ongoing monitoring through regular assessments of the monthly Foreign Exchange Payments Reports submitted electronically to the Central Bank. Exchange Control procedures and requirements are also strengthened in some areas to ensure all foreign exchange transactions out of Samoa are consistent with a safe and sound financial system. The exchange control requirements were implemented to support the prevention of anti-money laundering practices and to counter terrorists financing activities to safeguard Samoa's financial system. These were complemented by onsite visits by CBS on the operations of the authorized foreign exchange dealers, including their records and files management systems. The onsite visits conducted covered the assessment of FX Payment Reports and transactions of the twelve months period of FY2023/2024, with some jointly conducted with the Economics Department. Awareness trainings on Exchange Control policies and procedures were also provided to financial institutions upon request during the year.

TABLE 5. RETURN ON FOREIGN RESERVES

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Foreign Reserves Interest Income (SAT\$m)	9.40	5.94	6.12	30.89	59.07
Year-end Level of Foreign Reserves (SAT\$m)	575.30	718.19	746.80	1036.23	1354.00
Average Return on Investment (%)	2.02	0.85	0.86	4.79	5.06
<i>Source: Central Bank of Samoa</i>					

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.

Exchange Control Legislative and Policy Framework

As part of efforts to ensure consistency and update of its legislations and the prevailing financial environment, the Central Bank had undertaken a review of its Exchange

Control Regulation 1999 for some time now. The outcomes of this internal review were approved by the CBS Board in its May 2024 meeting. The next phase of this review will be consultations with the main stakeholders, which are primarily the commercial banks and the money transfer operators (i.e. the foreign exchange dealers). This will be conducted in the next financial year, with anticipations for an updated Exchange Control Regulation to be referred to the Office of the Attorney General and subsequent Cabinet Approval.

Further, an internal Exchange Control Policy Statement utilizing capital flow management measures as part of a CBS Crisis Management Framework was also approved by the CBS Board in May 2024.

Type of Foreign Exchange Payment	Exchange Control Policy 2022	Exchange Control Policy 2023 (Effective 1 August 2023)
Transfer Overseas of local investments funds (e.g with the Unit Trust of Samoa and Samoa National Provident Fund Contributions)	Delegation to Commercial Banks and MTOs to process amounts up to SAT\$30,000.00 per applicant	Delegated amount to authorized banks and MTOS is to increase to SAT\$50,000.00. Any amount in excess of SAT\$50,000 is referred to CBS
Emigration from Samoa (i.e emigration allowance)	No delegation limit	Delegation to authorized banks and MTOs for amounts up to SAT\$50,000.00. Any amount in excess of SAT\$50,000.00 is referred to CBS.

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.

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.

In FY2023/2024, the Central Bank conducted three (3) onsite examinations for 3 commercial banks in addition to regular offsite examination and assessments on a monthly and quarterly basis. The inspections were full scope, focusing on reviewing the operations of the banks in accordance with the CBS supervisory prudential requirements and obligations under the Financial Institutions Act 1996. Reviews of the banks existing policies and procedures as well as discussions with key management staff directly responsible in various areas of operations were also undertaken. Each onsite examination included a report with recommendations by the Central Bank for the bank to implement over a specified period of time. Overall, while the assessment of each bank differed, when compared to their previous assessments, notable improvements were observed, particularly in their compliance with the prudential requirements and importantly in efforts to boost their internal control systems.

Furthermore, bilateral prudential consultations or meetings with the commercial banks were also undertaken during the year to discuss important matters pertaining to the institution, the banking sector, and the financial system as a whole. These meetings are important to keep the players abreast of new developments and changes yet to come or in the pipeline.

1.1. Financial Position of the Banking System for the twelve months ending June 2024

Samoa's banking system remained financially sound in FY2023/2024, with strong capital positions supported by profitable performances, high liquidity and improved asset quality that were also well covered.

In summary, commercial banks' total assets increased 7.4 percent (\$164.4 million) to \$2.4 billion against total liabilities of \$2.1 billion which went up by 9.6 percent (\$179.2 million) in FY2023/2024. The growth in total assets was attributed mainly to the remarkable increases in currency and deposits by 10.0 percent (\$98.6 million) to \$1.1 billion, net loans and advances by 2.6 percent (\$27.8 million) to \$1.1 billion, nonfinancial assets 6.7 percent (\$8.9 million) to \$141.4 million, and other assets by 91.0 percent (\$29.1 million) to \$61.1 million in that order. At this stage, total loans and advances to deposits ratio declined from 71.5 percent a year earlier to 65.9 percent, reflecting a strong growth in domestic deposit liabilities (by 11.5 percent) compared to total loan portfolio (of 2.9 percent). In addition, most of the commercial banks actively participated in the Central Bank's Open Market Operations, holding a combined balance in CBS Securities of \$139.5 million at end June 2024, reflecting the abundant liquidity in the financial system.

1.2 Capital Adequacy Ratio

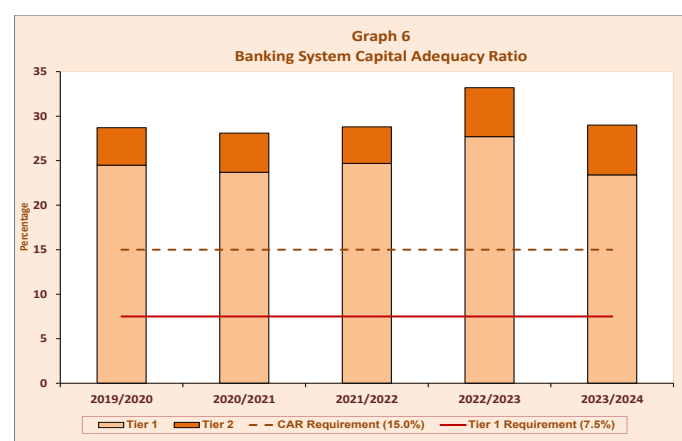
A risk-based capital adequacy ratio is required for all the banks to be maintained at all times in relation to the size and nature of their businesses.

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.

In FY2023/2024, tier one capital amounted to \$245.9 million, decreasing 7.2 percent (\$19.2 million) from the previous year, driven entirely by the reduction in prior years audited retained profits of 7.2 percent (\$17.1 million) to \$218.9 million. On the other hand, tier two capital of \$58.3 million grew by 12.2 percent (\$6.3 million) over June 2023, due mainly to the increases in unaudited retained profits by 7.2 percent (\$2.1 million) to \$31.7

million, revaluation reserves by 28.8 percent (\$3.0 million) to \$13.4 million, and general provision for doubtful debts by 9.8 percent (\$1.2 million) to \$13.1 million.

At this level, total capital (Tier one plus Tier two) was recorded at \$304.1 million (from \$317.0 million in June 2023), accounting for 29.0 percent of the total risk weighted exposures and comfortably well above the minimum capital requirement of 15.0 percent. In relation thereto, tier one capital ratio was recorded at 23.4 percent and complies with the minimum threshold of 7.5 percent. These ratios indicated potential capacity for the banking system to adequately meet the public demand on financial services and future business prospects. (See Graph 6). At the same time, the banking system recorded a surplus capital of \$146.7 million at the end of June 2024.



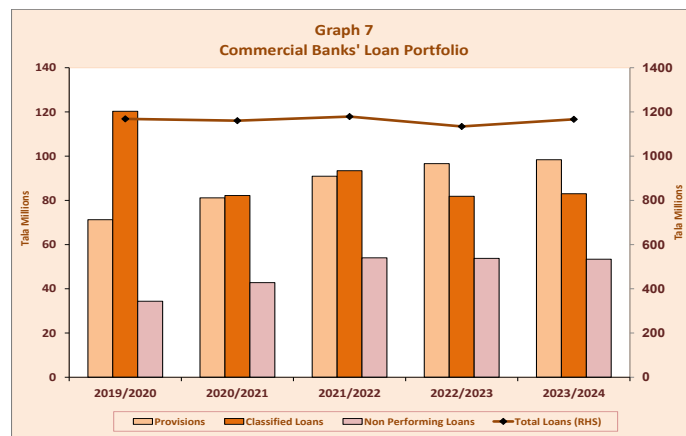
1.3. Asset Quality

The Central Bank places greater emphasis on a commercial 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 commercial bank must ensure that adequate provisions are maintained to cover for potential or identified losses.

In the twelve months to end June 2024, total loans and advances increased by 2.9 percent (\$32.5 million) to \$1.2 billion. At this level, total non-performing loans declined slightly by 0.7 percent (\$0.4 million) to \$53.4 million, representing 4.6 percent of total loans and advances.

Specific provisions of \$64.1 million provided adequate coverage (i.e. 120.0 percent) for total non-performing loans. Total provisions for bad and doubtful loans (i.e. specific plus general) amounted to \$98.4 million

(equivalent to 8.4 percent of total loans and advances), which is also sufficient (i.e. 184.2 percent) to cover any loss against total non-performing loans. (See Graph 7).



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 can be one of the major causes of bank losses.

The composition of loans and advances by industries in FY2023/204 revealed that the "building, constructions and purchasing of land" dominated at 39.5 percent (\$461.1 million) as shown in Table 5. This was followed by "professional services" at 15.4 percent (\$179.5 million), "trade" at 15.0 percent (\$174.5 million), "household consumptions" at 7.6 percent (\$88.3 million), "transportation" at 6.4 percent (\$74.5 million), and "other

industries⁸" at 15.6 percent (\$182.3 million).

In terms of loans by sectors, "businesses" and "households" comprised 49.9 percent (\$582.0 million) and 46.5 percent (\$542.7 million) of the total portfolio, respectively. The remaining 3.6 percent (\$42.2 million) included other non-government organizations, non-financial public enterprises, and non-monetary financial institutions correspondingly.

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 2024, total liquid assets stood at \$657.4 million, up by 14.2 percent (\$81.9 million) over the preceding year. Such growth was driven entirely by the substantial increase in holdings of CBS Securities by \$89.6 million to \$140.0 million which was offset by the reduction in the banks' Exchange Settlement Accounts (ESA) held at CBS by 2.2 percent (\$10.8 million) to \$482.3 million.

Overall, the banking system's total liquid assets accounted for 37.2 percent (36.3 percent last year) of total domestic deposit liabilities and is well above the minimum requirement of 10.0 percent.

In the matching of loans and deposits by residual maturity, it revealed that total short-term loans (up to 3 months maturity) plus liquid reserve funds stood at \$1.4 billion while short term deposit liabilities were at \$1.2 billion. In the long-term category (i.e. 3 months and over), however, loans were at \$1.0 billion against long term deposits of \$559.9 million, indicating a substantial mismatch of funds for the period under review. This trend is closely monitored in consultations with the banks given the volatile nature

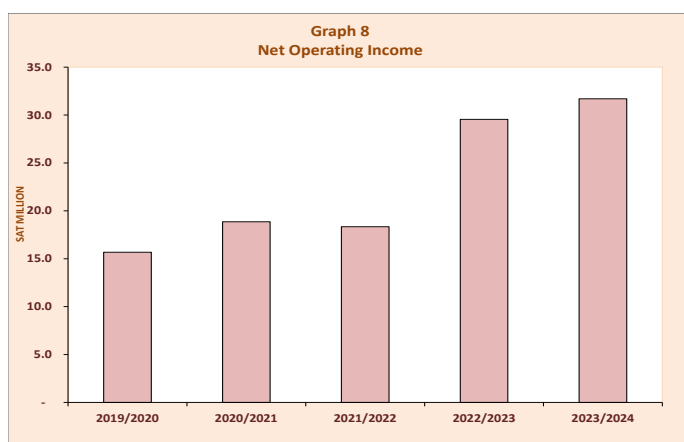
	2022/2023	2023/2024
Agriculture	0.6	0.6
Fisheries	1.0	0.9
Manufacturing	2.6	2.7
Building, Construction & Land	41.0	39.5
Electricity, Gas & Water	1.3	0.8
Trade	14.8	15.0
Transportation	5.4	6.4
Professional Services	17.2	15.4
Household consumptions	7.2	7.6
Green Financing	0.4	0.6
Others	8.5	10.5
TOTAL	100.0	100.0

⁸ 'Other Industries' included the Agriculture, Fisheries, Manufacturing, Electricity, Gas & Water, Green Financing, Leases, Personal Loans (secured and unsecured) and Overdrafts (by businesses and individuals).

of deposit funds in the market to ensure that banks can always meet their liquidity obligations.

1.5. Profitability

For the year ending June 2024, the banking system reported a combined profit of \$43.4 million before extraordinary items and taxation, reflecting a 7.0 percent (\$2.9 million) increase from the previous year. After accounting for taxes, the net profit for the commercial banks' for FY2023/2024 was recorded at \$31.7 million, up from \$29.6 million in the prior year (See Graph 8).



Total operating income of \$94.1 million was 4.9 percent (\$4.4 million) higher than the previous year, while total operating expenses and provisions were at \$50.7 million, edging up by 3.1 percent (\$1.5 million). At this level, the efficiency ratio of the banking system improved to 53.3 percent from 55.3 percent registered a year earlier, indicating that only 0.533 sene were spent for every Tala earned in revenue.

The growth in operating income was largely driven by the increases in foreign exchange profits by 15.5 percent (\$3.4 million) to \$25.7 million (equivalent to 27.3 percent of income), and commissions, charges, and fees by 29.5 percent (\$3.2 million) to \$14.2 million (or 15.0 percent share of income). Interest income, on the other hand, declined by 2.7 percent (\$1.5 million) to \$54.1 million, which continues to account for the bulk (at 57.5 percent) of total income.

The upward movement in total operating expenses and provisions was mainly caused by the increases in interest expense by 8.4 percent (\$1.0 million) to \$13.1 million and provisions by \$0.9 million to \$0.5 million (from -\$0.4 million in FY2022/2023).

Return on average net worth of 36.5 percent registered

an increase by 2.3 percent over the same period last year. Return on average total assets also grew by 0.6 percent to 6.2 percent over June 2023.

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 2024 stood at \$323.7 million, up by 1.9 percent (\$6.0 million) over June 2023. Total foreign liabilities of \$316.5 million also increased by 2.6 percent (\$8.0 million) over the same time a year earlier. At this level, the banking system reflected a net long open position of \$13.1 million, accounting for 4.3 percent (4.0 percent a year earlier) of total capital which is within the 25.0 percent maximum limit set by CBS.

2. Domestic Insurance Industry

Consistent with the Insurance Act 2007, the CBS Governor is the Insurance Commissioner, with the CBS responsible with undertaking the functions and powers to regulate and supervise Samoa's insurance industry.

In FY2023/2024, the insurance industry comprised of 4 general insurance companies and 1 life assurance institution. The industry remained resilient and recorded the following financial conditions:

- Total assets stood at \$148.2 million, up by 4.8 percent (\$6.7 million) over the preceding year;
- Solvency surplus of \$33.9 million grew by 1.4 percent (\$0.5 million) over June 2023 and is well above the required solvency margin of \$6.5 million (\$6.8 million last year);
- Unaudited net profit after tax of \$4.5 million declined by 18.8 percent (\$1.0 million) as compared to June 2023 profit of \$5.5 million;
- Underwriting surplus of \$4.2 million decreased by 52.5 percent (\$4.6 million) as compared to the same period last year;
- Liquid assets aggregated at \$38.0 million slightly improved by 0.1 percent (\$0.03 million) over the same time a year earlier;
- Combined gross premiums income of \$22.5 million was less by 18.7 percent (\$5.2 million) as compared to the preceding year; and
- Gross claims paid and policy payments totaled \$9.9 million dropped by 11.6 percent (\$1.3 million) over.

During the FY2023/24, the Central Bank held bilateral meetings with insurers to discuss supervisory matters ranging from their financial performances and positions against the industry on a quarterly basis, to compliance issues as well as recent developments that may have potential impact on the industry.

3. Non-Bank Financial Institutions

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

The major NBFIs are 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. As such, the CBS does not regulate these institutions. However, it only conducts a prudential supervisory oversight on their operations and performance.

The ultimate responsibility for the affairs of each NBFI rests solely with their respective Boards and senior managements. The Central Bank's focus is towards satisfying itself that these NBFIs 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 financial institution 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 CBS reviews and analysis in determining the quality of key areas of their operations, for financial soundness.

During the year under review, CBS conducted offsite assessments and full scope onsite examinations of two (2) NBFIs. The outcomes of these assessments indicated improvements especially in formulating and updating policies and procedures to align with the current practices and strengthen the internal controls in managing and monitoring their operations compared to previous examinations. Furthermore, the review of NBFIs prudential statements and guidelines for DBS and UTOS were undertaken in FY2023/2024. The draft statements will be distributed to the respective institutions for their feedback in the next financial year. In relation thereto, the revised Prudential Standards for SNPF were disseminated to the Fund in FY2023/2024, with the finalization and implementation to be undertaken in the new financial year.

3.1. Non-Bank Financial Institutions Financial Position

Total Assets

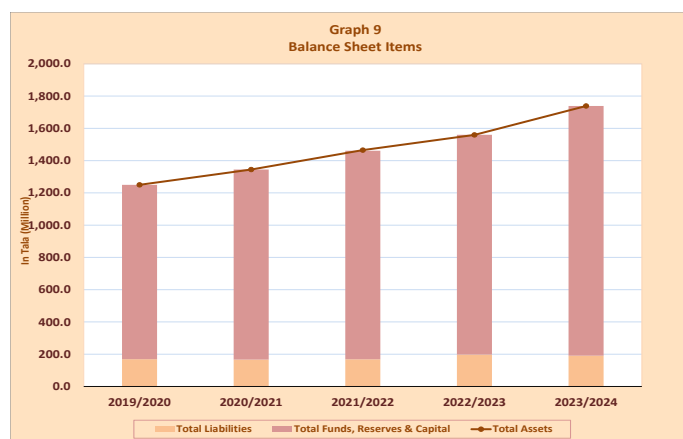
Total assets of the four (4) NBFIs at the end of June 2024 stood at \$1.7 billion, up by 11.5 percent (\$179.2 million) when compared to June 2023. At this level, NBFIs accounted for 29.5 percent (same as last year) of the financial system's total assets aggregated at \$5.9 billion. The NBFI's higher total assets reflected increases in bank deposits by 46.0 percent (\$56.7 million) to \$180.1 million, investments by 25.2 percent (\$68.8 million) to \$341.6 million, loans and advances (net) by 5.0 percent (\$45.0 million) to \$944.3 million and fixed assets (net) by 3.9 percent (\$9.8 million) to \$260.4 million in that order.

Total Liabilities

Total liabilities of the NBFIs were recorded at \$190.4 million, a decrease of 3.8 percent (\$7.4 million) over the last twelve months. This reflected a reduction in borrowings by 4.1 percent (\$4.6 million) to \$109.0 million, which represented 57.2 percent of liabilities. The remaining 42.4 percent of NBFI's liabilities comprised of convertible notes (of \$61.3 million) and other liabilities (aggregated at \$2.2 million).

Total Funds, Reserves and Capital

Total Funds, Reserves and Capital of the four non-banks registered at \$1.5 billion in FY2023/2024, an increase of 13.7 percent (\$186.2 million) from the preceding year. 'Contributions and general reserves' with a combined total of \$1.3 billion (and representing 83.3 percent of total funds) increased by 14.0 percent (\$158.6 million) from June 2023. The remaining 16.7 percent (\$258.1 million) comprised of assets revaluation, cumulative profits and paid-up capital for the NBFIs. (Refer Graph 9).



Total Loans and Advances

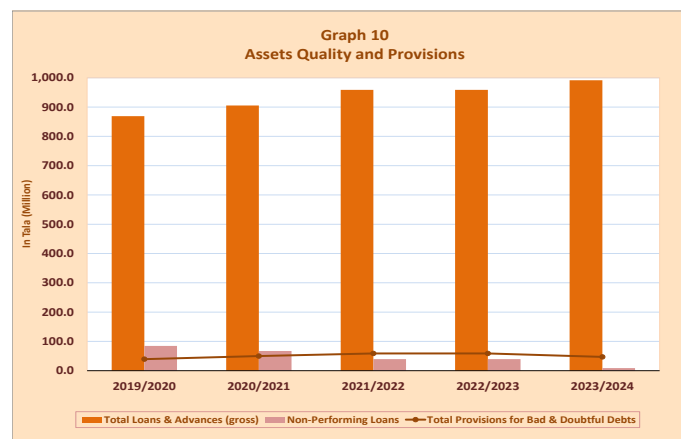
The total (gross) loan portfolio of the NBFIs grew by 3.4 percent (\$32.7 million) from June 2023 to \$991.4 million. This level accounted for 43.5 percent share of the financial system's total credit of \$2.3 billion in FY2023/2024.

Loans extended by NBFIs were largely to "other activities"⁹ which accounted for 59.7 percent (\$591.7 million) of total loan in FY2023/2024. The loans distributed to the "Building, Construction and Installation" and "Professional and Business Services" industries represented 18.8 percent (\$186.7 million) and 17.3 percent (\$171.8 million) respectively. The "Agriculture, Fisheries, Manufacturing, Trade and Transport" accounted for the remaining 4.1 percent (\$41.0 million).

Assets Quality and Provisions

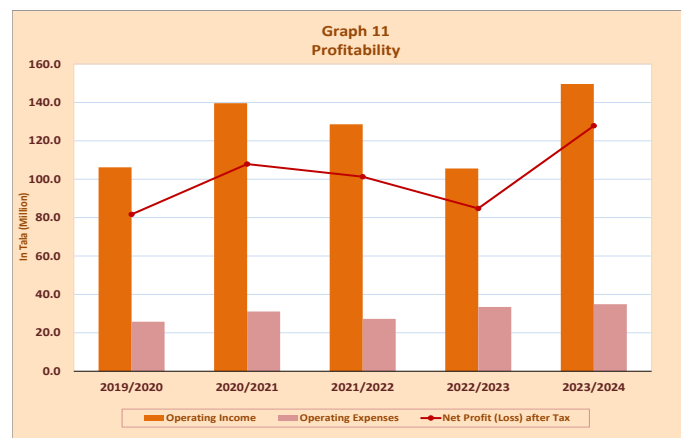
For FY2023/2024, the non-banks registered a combined non-performing loans (NPLs) balance of \$9.1 million compared to a \$39.4 million reported in FY2022/2023, a significant reduction by 77.0 percent (\$30.4 million). Total NPLs is equivalent to 0.9 percent of total loans

and advances. At this level, total provisions for bad and doubtful debts of \$47.0 million (\$58.9 million in June 2023) provided adequate coverage (518.4 percent) for total NPLs and represented 4.7 percent of the total loan portfolio respectively (refer Graph 10).



Profitability

The non-banks recorded a combined unaudited profit after tax of \$127.4 million at the end of FY2023/2024, recording an increase by 50.2 percent (\$42.6 million) over the last twelve months unaudited profit of \$84.8 million. Total operating income was recorded at \$149.6 million (\$105.6 million last year) whilst total operating expenses registered at \$35.3 million (\$33.5 million in June 2023).



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

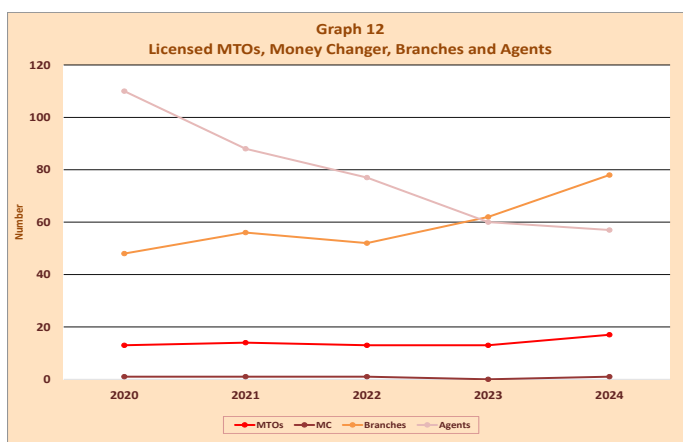
Also governed under the CBS regulatory framework are the Money Transfer Operators (MTO) and Money Changer (MC).

⁹ 'Other Activities' included those by the 'Electricity, Gas & Water' industry, consumable and investment loans to households, businesses as well as State-Owned Enterprises (SOEs).

As required, MTOs and MC must renew their licenses at the beginning of every calendar year. In January 2024, the Bank issued renewal licenses to the following institutions:

- i. Seventeen (17) MTOs;
- ii. One (1) MC;
- iii. Seventy-eight (78) MTO branches; and
- iv. Fifty-seven (57) MTO agents.

The regulation and supervision of these foreign exchange service providers are undertaken pursuant to the CBS' Exchange Control Regulations 1999. (Refer to section III, part 5 of the Annual Report).



V. Financial System Development

The development of Samoa's financial system is also one of the Central Bank's responsibilities to ensure it is aligned with evolving financial innovations and modern payment systems. This is achieved through the conduct of financial inclusion initiatives, development of Samoa's financial infrastructures as well as financial consumer affairs and market conduct, all of which assist to safeguarding the integrity, stability and soundness of the financial system.

1. Financial Infrastructures and Landscape

The Central Bank continues to develop Samoa's financial landscape to ensure its available infrastructures are safe, secure, efficient and reliable for use by all of the country's payment system participants.

1.1 National Payment System

Consistent with the National Payment System (NPS) Act 2014, the Central Bank is undertaking reforms of the country's national payment system with the assistance of the World Bank/International Finance Corporation as well as collaboration with commercial banks and other payment service providers in the country. The first phase of this initiative is the installation of the Samoa Automated Transfer System (SATS) that was launched on 16th May 2023. This is a real-time gross settlement system currently owned and operated by CBS and designed to effect the final and irrevocable settlement of payment instructions initiated by the SATS participants continuously, on a transaction-by-transaction basis.

SATS settles individual large value payments in real time (RTGS payments) as well as clear and settle batch payments in the Automated Clearing House mode (ACH payments).

Refer Table 7 for total value and volume of each payment type settled via SATS for the financial year under review.

Table 7: Total Value and Volume of Payment settled in SATS		
Payment Type	Volume	Value in SAT
RTGS payments ¹	27,491	\$5,103,702,461.67
ACH payments ²	258,038	\$234,535,437.02

This project also provides support to the Central Bank's role as a registrar and operator of monetary and debt securities as part of Samoa's financial and capital markets. The Central Bank's role in this area has been notably enhanced with the launch of the Central Securities Depository (CSD) System on 17th May 2023. This has seen the electronic processing of the CBS' Open Market

Operations (OMO) with the system storing securities in digital form. The CSD enables CBS Securities to be traded and settled in an efficient manner, allowing for the timely delivery of collateral for payments.

Refer Table 8 for total value and volume of securities transactions processed through the CSD for the financial year under review.

Table 8: Total Value and Volume of Securities processed in CSD	
Volume of transactions through CSD	Value of transactions conducted through CSD
352	\$1,349,775,083.15

Development work continues for the SATS during FY2023/2024. This is particularly with efforts to onboard the Ministry of Finance and Ministry of Customs and Revenue that will result in including Government in the national payment system through these two ministries that handle the majority of government payments flows. Furthermore, the activation of the Instant Funds Transfer component of the system is also in progress, which will allow participants to effect payments of small value to be transacted 24/7.

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. These will ensure the regulatory framework for the modernisation of the national payment system is sound and effective.

1.2 Credit Data Registry

The development of a credit registry is also a paramount priority for the Central Bank because of its importance in enhancing financing accessibility and providing lenders' access to more accurate information on all potential borrowers and credit obligations.

This initiative has been in the pipeline for Samoa's financial system for some time now, with careful considerations to ensure all aspects of a modernised credit registry that

¹ RTGS payments are Real Time Gross Settlement Transactions that are settled individually and are usually high in value and low in volume.

² ACH payments are Automated Clearing House bulk payments that are high in volumes and low in value. These payments are cleared and settled in deferred net settlement sessions during the day.

is suit for purpose to Samoa's context, consistent with international best practices and standards as well as effective to facilitating access to finance for all Samoans.

The foundational work to developing the appropriate legislative framework were progressed in FY2023/2024 by the Central Bank. This included public consultations in the first half of the year, the approval by Cabinet in May 2024 of the Credit Registry Policy Paper and subsequent referral in June 2024 of the draft National Credit Registry Bill to the Office of the Attorney General for consideration.

1.3 Financial Services landscape

Formal banking services

As at 30th June 2024, when compared to the previous period, the commercial bank branches, and number of Electronic Funds Transfer at Point of Sale (EFTPOS) outlets have increased from 26 to 28 and 553 to 598 respectively. However, the number of bank agents have slightly decreased from 40 to 39 while the number of Automated Transfer Machines (ATMs) remain the same at 79 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.

Mobile money services

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 4% increase in the number of mobile money (MM) customers enrolled when compared to the previous financial year. However, the percentage of active users¹⁰ compared to total number of enrolled customers remains steady at 6.5%, which is a slight decrease from 6.8% from the previous year. The number of mobile money agents have slightly increased from 62 in June 2023 to 63 in June 2024.

Furthermore, there was a slight decrease in the number of transactions done via mobile money by 3% from June 2023 to June 2024. 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.

2. Financial Inclusion Efforts

2.1 Financial Inclusion Measurement Framework

In terms of access, there was a slight decrease in number of cash-in and cash out access points per 10,000 adults from 9.94 in June 2023 to 9.92 in June 2024. Though there was a notable increase in number of bank branches, the decrease was mainly driven by a drop in the number of 'Cash in and Cash out' bank agents due to inactive usage.

In terms of usage, there was also a decrease in the number of regulated deposit accounts per 10,000 adults from 12,758 in June 2023 to 12,436 in June 2024. This is mainly caused by removal of dormant/inactive accounts. Furthermore, the number of regulated credit accounts per 10,000 adults have also increased from 2,028 in June 2023 to 2,094 in June 2024.

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.

2.2 National Financial Inclusion Strategy 2 (2022/2023 – 2025/2026)

The second National Financial Inclusion Strategy (NFIS) 2022/2023 – 2025/2026 was officially launched in November 2023. The NFIS 2 outlines a comprehensive roadmap to achieving financial inclusion in the country and aligns with Samoa's economic aspirations outlined in the Pathway for the Development of Samoa 2021/2022 – 2025/2026.

It has 5 strategic pillars, namely:

1. Client-centric products and services
2. Accessible Delivery Channels
3. Vibrant Digital Financial Services Ecosystem
4. Improved access to finance for MSME, informal and agriculture sector; and
5. Financial Capability and Consumer Protection

¹⁰ Active users define as users doing at least one transaction in 90 days.

In contrast from the first NFIS, the new NFIS (or NFIS 2) has a 3-tier governance model, namely:

- i. *National Financial Inclusion Council* - the supreme body to discuss, guide and provide direction for high level policies, as needed from time to time
- ii. *National Financial Inclusion Taskforce* - responsible for the overall implementation of the NFIS 2. The taskforce as was established by previous NFIS, continued its quarterly meetings throughout the financial year and derived support from newly established technical working groups that implements specific activities for each NFIS strategic pillar.
- iii. *Technical Working Groups (TWG)* - focus on implementing the activities for each strategic pillar. For this financial year, four TWGs were established as follows:

- (1) Products and Channels Working Group;
- (2) Digital Financial Services Ecosystem Working Group;
- (3) MSME, Agriculture and Informal Sector Working Group; and
- (4) Financial Capability and Consumer Protection Working Group.

Table 9: Financial Inclusion Indicators (Baseline data v June 2024)

Indicator	NFIS 2.0 Baseline (June 2022)	June 2024
Number of Cash-in & Cash-out access points per 10,000 adults	12.94	9.92
Number of regulated deposit accounts per 10,000 adults	13,628	12,436
Number of insurance policy holders per 10,000 adults	164	160
Number of registered DFS customers ¹¹ per 10,000 adults	5,999	6,459

In comparison to baseline data, there is notable decrease in most of the financial inclusion indicators for this financial year. The decrease in number of cash-in & cash out access points is mainly due to closure of several inactive mobile money agents. Despite this, it has not deterred the increase in registered DFS customers noted by June 2024. The drop in regulated deposit accounts is due to removal of dormant accounts.

2.3 Micro, Small and Medium Enterprises (MSME) Developments

CBS continues to develop an MSME access to finance data template, in line with the definition provided in the MSME Development Policy and Strategy 2020. However, the recent review by MCIL of the MSME definition and classifications caused some delay in the development of this data template as the revised definition is yet to be

endorsed.

CBS continues to engage with MCIL on the MSME Development Policy and Strategy 2020 implementation, by providing updates to inform the M&E Framework on aspects relating to access to financing. In addition, MCIL as the lead agency in the MSME Policy, formed working groups for the purpose of readily gathering statistics and reporting on each Goal's progress and status. CBS is a member of the Working Group #3 of the MSME Policy which focuses on the availability of finance, financial services and investment that support MSME growth and sustainability. This working group convened its first meeting in August 2023.

Additionally, in our engagement with MCIL to support MSME with a special focus on women entrepreneurs, CBS continued to be part of the Project Advisory Group (PAG) for the UNESCAP Catalyzing Women Entrepreneurship (CWE) Project which aims to advance women's entrepreneurship in the Asia-Pacific region. The PAG held its 4th and final meeting in December 2023.

The ADB Asia SME Monitor (ASM) for the first time included a country monitor report for Samoa in 2023. The CBS contributed to this publication and was a key speaker in the launching of the ASM 2023 edition, in October 2023, held in Sydney, Australia. The purpose of this Monitor is to be an important resource for evidence-based policy planning on MSME development in Asia and the Pacific. In May 2024, CBS received another request from ADB to provide Samoa's data and update for the ASM 2024 edition.

2.4 CBS Financial Literacy Campaigns

Tala and Sene's Financial Adventures

The Central Bank of Samoa remains committed to advocating the importance of empowering and educating the people of Samoa on managing personal finances. Financial Topics Addressed were "Paying your bills on time", "Needs vs Wants" and "Know your spending habits".

The campaign leverages powerful platforms like social media to spread its message. The campaign continues to share all its financial literacy materials, including previous contents, through its social media accounts, namely Facebook, Youtube and Tiktok. From the top 3 social media accounts that were used for the Tala and Sene's Financial

¹¹ Customers who has registered for mobile money wallet.

Adventures the most popular one is Facebook, with an insight on the contents based on audience, location and most shared content.

Tala and Sene's Financial Adventures Contents also featured at the 2023 Finance Sector Annual Review.

Financial Literacy Brochures

To help our people make informed financial choices, the Central Bank of Samoa is committed to providing financial literacy brochures that are readily available to the public. These brochures can be found on Floor 1 and the CBS website. A total of 400 brochure sets were printed and distributed from July 2023 to June 2024, increasing from the previous year. Further, the brochures were distributed at public events, including the Samoa College Open Day and the Finance Sector Annual Review in 2023.

Financial Literacy presentations

CBS also provides basic financial literacy awareness training to the public, as part of efforts to enhancing the importance of financial stability for Samoan citizens. These training sessions are arranged in response to requests from organizations. Although there were no requests throughout this financial year, several in-house trainings were conducted for the CBS induction programs for new recruits, around Financial Goals, Spending Behaviour, Savings and Borrowings.

2.5 Collaboration with International Stakeholders on Financial Inclusion Efforts

Alliance for Financial Inclusion (AFI)

AFI is the world's leading organisation on financial inclusion policy and regulation. The CBS continues to be an active primary member of the AFI network, contributing 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.

At the regional level, the CBS continues to work closely with other central banks in the Pacific as part of the Pacific Island Regional Initiative (PIRI) under AFI pursuing initiatives that are of priority to the region.

Under PIRI, the CBS continued to work with the AFI Management Unit and other PIRI members to implement the Regional Regulatory Sandbox in the Pacific. The online portal for the regional regulatory sandbox is soon to be implemented with each member country working on their respective national sandboxes to complement the regional regulatory sandbox¹².

Another initiative undertaken under PIRI in collaboration with the small medium enterprise finance working group, was a comparative study of secured transactions in the Pacific that explored the legal frameworks and impact of secured transactions on financial inclusion in Fiji, Vanuatu, Samoa, and Solomon Islands Case Studies. This work is soon to be completed.

Pacific Digital Economy Program (PDEP) and Pacific Insurance Climate Adaptation Program (PICAP)

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.

In FY2023/2024, PICAP assistance facilitated the availability of parametric¹³ insurance in Samoa, through two licensed insurers (Samoa Surety Insurance and National Pacific Insurance). This added a microinsurance product available to households and businesses, for climate and disaster risk resilience.

3. Sustainable Finance Initiatives

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

¹² 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.

¹³ A type of insurance that pays out based on predefined, quantifiable parameters rather than traditional loss assessment methods.

environmental dilemmas on the economies. In particular, the focus has been to drive the availability of sustainable finance, or ‘green finance’, to facilitate the development of business activities that supports environmental sustainability.

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

In line with the Government’s priorities to address climate change matters, the Central Bank is also committed to assist with national efforts, through its Sustainable Finance Initiative. As part of this project, the following were undertaken during the year:

1. The draft Sustainable Lending Principles for the Financial Institutions was distributed to financial institutions for comments early in the financial year. The financial institutions supported the proposed principles giving emphasis on capacity building and a collaborative effort in achieving these principles. Furthermore, the development of Sustainable Bank Lending Guideline is ongoing.
2. In collaboration with UNDP and MOF, a study was conducted on Samoa’s insurance and risk finance, and its critical role in building financial resilience and reducing vulnerabilities to socio-economic, health and disaster risks and shocks. The objective of the study is to provide findings and recommendations to develop and implement a long-term plan to increase financial resilience in Samoa, in order to face climate-related

challenges. Throughout this financial year, an initial workshop was conducted in October 2023, and a diagnostic survey was completed in December 2023. The next step is to conduct a validation workshop and finalise the report in the first half of the next financial year.

3. The CBS was part of 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. The Project was officially closed with its final workshop in February 2024.
4. In collaboration with the World Bank/International Finance Corporation, the first knowledge sharing forum was conducted on 14 February 2024 for the financial institutions, with presentations by the Ministry of Finance and Ministry for Natural Resources and Environment.

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 are allocated to green finance projects. The bulk of these green finance lending are by medium-sized enterprises and some individuals (as reflected in Table 10). Similarly, the bulk are towards the production of renewable energy and organic agriculture farming. (Refer to Table 11).

The Bank’s commitment in this area is also reflected in its sustainability operations in-house, with the following efforts to date:

- The Bank’s active participation in the collection of all

Fiscal Year	Micro Enterprises	Small Enterprises	Medium Enterprises	Individuals	NGOs	Others	Total Green Finance	Total Commercial Banks Loan to the Private Sector
2019/2020	1.26	0.12	7.64	0.00	0.00	0.00	9.02	1,170.48
2020/2021	0.12	0.10	7.61	1.50	0.00	0.00	9.33	1,175.34
2021/2022	0.06	0.07	6.10	1.54	0.00	0.00	7.77	1,171.85
2022/2023	0.03	0.06	3.25	1.13	0.00	0.00	4.47	1,140.06
2023/2024	0.00	0.04	5.86	0.88	0.00	0.00	6.79	1,173.47

Source: Cental Bank of Samoa

its electronic wastes (e-Waste), in collaboration with the E-Waste Strategy spearheaded by the Samoa Stationary and books (SSAB). This is in efforts to minimize and ensure the safe disposal, processing and recycling of electronic wastes in Samoa.

- The Bank's ongoing drive towards automating its processes and subsequently a paperless approach to not only improve internal service efficiency and effectiveness but also reduce the Bank's carbon footprint.

- The installation of external solar light panels and posts at its premises in Apia and Ululoloa, to reduce the Bank's reliance and usage of non-renewable generated electricity light at its properties.

Table 11: Commercial Banks Green Financing									
By industry (in Samoa Tala Million, SAT\$m)									
Fiscal Year	Production of Renewable energy	Manufacturing of bio-degradable products	Supply of low carbon technologies/products	Waste treatment projects	Organic Agriculture Farming	Fisheries and Marine reserves	Other Activities	Total Green Finance	Total Commercial Banks Loans to the Private Sector
2019/2020	5.68	0.00	0.00	0.18	3.17	0.00	0.00	9.02	1170.48
2020/2021	3.56	0.87	0.00	0.12	4.78	0.00	0.00	9.33	1175.34
2021/2022	2.52	0.56	0.00	0.06	4.64	0.00	0.00	7.77	1171.85
2022/2023	1.40	0.53	0.00	0.03	2.51	0.00	0.00	4.47	1140.06
2023/2024	4.22	0.50	0.00	0.00	2.06	0.00	0.00	6.79	1173.47

Source: Central Bank of Samoa

VI. Money Laundering Prevention and Countering of Terrorist Financing Activities

Safeguarding Samoa's financial system from money laundering and terrorist financing activities is paramount and is an important component to ensuring the stability of our small financial jurisdiction.

In Samoa, the Money Laundering Prevention Authority (MLPA) is the sole authority supervising financial institutions to ensure they are compliant with internationally recognized standards promoted by the Financial Action Task Force ("FATF") and the Asia Pacific Group ("APG") on Money Laundering, of which Samoa is a member.

Consistent with the Money Laundering Prevention Act 2007, the MLPA functions are the responsibilities of the Governor of the Central Bank of Samoa. The strategic tone for anti-money laundering and countering of terrorist financing measures in Samoa is implemented by the Financial Intelligence Unit (FIU), which is housed in the Central Bank of Samoa.

1. Summary of activities of the MLP Authority & FIU

1.1 Samoa's Eighth and Ninth Follow-Up Reports to the APG

Samoa submitted its Eighth (8th) Enhanced Follow Up Report (FUR) to the APG on 1st June 2023 as required under the APG Third Round Mutual Evaluation Procedures 2018. This Eighth FUR highlights developments implemented by Samoa to address various deficiencies in our Mutual Evaluation Report 2015. Samoa requested re-ratings to three (3) recommendations, these were as follows:

- (a) Recommendation 19 – High Risk Countries
- (b) Recommendation 24 – Transparency and Beneficial Ownership of Legal Persons
- (c) Recommendation 36 – International Instruments

Out of the abovementioned three recommendations, Recommendations 19 and 36 were upgraded, while Recommendation 24 remained the same as more legislative changes were required for an upgrade.

Furthermore, it was also compulsory that Samoa was reviewed for the following five (5) recommendations, which have undergone revisions since the last Mutual Evaluation in 2015:

- (a) Recommendation 2 – National Co-operation and Co-ordination
- (b) Recommendation 7 – Targeted Financial Sanctions Related to Proliferation

- (c) Recommendation 15 – New Technologies
- (d) Recommendation 18 – Internal Controls and Foreign Branches and Subsidiaries
- (e) Recommendation 21 – Tipping – Off and Confidentiality

Following the APG's assessment of these 5 revised recommendations, Samoa maintained, on average, an equal rating to that which was conducted in the 2015 Mutual Evaluation.

As such, the Eighth FUR was adopted by the APG membership via an out of session meeting on 12 August 2024.

Samoa also submitted its Ninth (9th) Enhanced Follow Up report without re-ratings to the APG on 1 June 2024. This Ninth FUR detailed significant developments on money laundering and terrorism financing in Samoa. This report was discussed and endorsed by the Mutual Evaluation Committee in August 2024, and subsequently recommended for adoption by the APGM members via its out of session process.

1.2 Samoa's National Risk Assessment 2024-2026 & Samoa National Anti-Money Laundering and Combatting Financing of Terrorism Strategy 2024-2026

The National Risk Assessment ("NRA") is a comprehensive evaluation that identifies and assesses the money laundering and terrorist financing threats faced by Samoa, which will then provide the basis for a Strategy to combat money laundering and terrorist financing (ML/TF).

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. After finalizing the draft, the FIU undertook consultations with relevant stakeholders for their views. The NRA 2024-2026 was subsequently approved by Cabinet on 27 May 2024.

In addition, the NRA became the foundation in which the new National Strategy for Anti-money Laundering and Combatting Financing of Terrorism Strategy 2024-2026 (“Strategy”) was established. The Strategy, which describes the priorities and objectives in addressing ML/TF sets out an approach which Samoa will adopt to tackle ML/TF over the next three years. This was also approved by Cabinet in March 2024 and is now on the Bank’s website.

Both the NRA and the Strategy will complement the upcoming amendments to the Money Laundering Prevention Act 2007, which will together assist Samoa in adhering to the forty (40) international standards on ML/TF.

1.3 Confiscated Assets Fund (“CAF”)

The Governor is the Administrator of property forfeited or restrained under the Proceeds of Crime Act 2007 (“POCA”). Her appointment was made by the Attorney General under section 82 of POCA. As the Administrator of the Confiscated Assets Fund (“CAF”), the Authority continues to liaise closely and work together with the Police, Customs and the Attorney General’s Office in transferring, storage, and safe keeping of these assets.

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 addressing money laundering and financing of terrorism activities. After reviewing such reports, one of the core functions of the FIU is to disseminate intelligence assessment reports (IAR) to law enforcement agencies and government authorities for further investigation and appropriate action.

The 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.

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
STRs Received	105	134	83	89	92
Disseminations	61	7	13	5	1
Requests	8	106	71	52	45
BCRs	59	13	15	35	34

2.1 Suspicious Transaction Report

The reporting of STRs is an obligation of financial institutions, supervisory authorities, and auditors under section 23 and 24 of the MLP Act 2007. The FIU receives, analyzes, and disseminates reports regarding serious offences related to money laundering to relevant AML/CFT counterparts for information and investigations where appropriate.

STRs Received	92
STRs Disseminations	3
STRs filed away for monitoring due to actions already taken by Financial Institutions	89

In this financial period, the SFIU has disseminated 1 STR report to its partnering agencies (Ministry of Customs and Revenue, as well as the Ministry of Police) requesting for their assistance.

2.2 Cash Transaction Report (CTR)

The Cash Transaction Report (CTR) is an important tool providing regulatory authorities with a comprehensive record of transactions to analyze and assess their integrity, in the prevention of illicit activities such as money laundering. It captures details of transactions involving significant sums of cash. Financial institutions, particularly banks, are mandated to file CTRs with regulatory authorities, for these monitoring and detection purposes. The Financial Institutions are required under Section 23A of the MLP Act 2007 to report all cash transactions equivalent to SAT\$20,000 or more to the FIU on a weekly basis.

Financial Institutions	Total Number of Transactions
Commercial Banks	59,390
Money Transfer Operators	2,179
TOTAL	61,569

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 with the FIU by any authorized officer who is on duty at the border. The FIU received a total of thirty-four (34) Border Cash reports from the Ministry of Customs and Revenue submitted by inward travelers in FY2023/2024.

2.4. Approval of Currency Repatriation

The FIU is obligated to issue approvals of currency repatriations for financial institutions and individuals who hand-carry cash equivalent of SAT\$20,000 or more outside of Samoa. A total of 194 approvals were issued in FY2023/2024, compared to 150 approvals in the previous year.

Table 15: Approvals Issued by the FIU in FY2023/2024

Financial Institutions and Individuals	Number of Approvals for Samoan Tala Banknotes ¹⁴	Number of Approvals for Other Currencies
Commercial Banks	9	28
Money Transfer Operators	52	81
Individuals (members of the public)	2	20
Government Agency	0	2
TOTAL	63	131

2.5. Due Diligence and Background Checks

Another function of the FIU is to conduct due diligence checks and background of a company or individual based on requests from financial institutions, competent authorities, and internal departments of the CBS. These due diligence and background checks assesses the legitimacy and status of any parties in relation to serious offences, money laundering offences, an offence of financing terrorism or any other offences under the MLP Act. These are particularly in relation to prospective investors or applicants, to ensure any companies or individuals transacting or undertaking economic and financial activities in Samoa were not involved in any money laundering offences or other violations of the MLP Act.

The FIU conducted a total of 45 checks, many of which were requests were from Government Ministries, Government Committees, Financial Institutions, and other competent

bodies as well as internal departments of the Central Bank of Samoa. (Refer Table 16).

Table 16	
Due Diligence Checks	35
Background Checks	10
TOTAL	45

2.6. 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 attended trainings to upskill its personnel in matters relevant to its mandate.

2.7. AML/CFT Onsite Inspections

To ensure all financial institutions adhere to the framework for money laundering prevention, particularly the requirements of the Money Laundering Prevention Act 2007 and the Money Laundering Prevention Regulation 2009, the FIU conducts onsite inspections.

In FY2023/2024, the FIU conducted onsite inspections of Samoa's four commercial banks from January 2024 to March 2024. The onsite inspection outcomes indicated a major improvement since the last onsite inspections for commercial banks in 2021. A few financial institutions did an excellent job in enhancing their AML/CFT program while some are recommended to address various issues related to their AML/CFT program.

The onsite inspection for money transfer operators will be conducted in the next financial year.

3.0 International engagements

3.1 Egmont Group

The Samoa FIU is part of the Egmont Group, which connects 177 FIUs worldwide, providing a forum for the exchange of information confidentially to combat money laundering and counter terrorism financing. This is an important avenue for gathering information and

¹⁴ The repatriation of Samoan Tala banknotes by financial institutions is to service their agents abroad for tourism/travel-related purposes while those by individuals were for note-collection purposes.

disseminating intelligence between FIUs.

The Egmont Group adds value to member FIUs' work by improving stakeholders' understanding of ML/TF risks and draws upon operational experience to inform policy considerations, including AML/CFT implementation and AML/CFT reforms. It is the operational arm of the international AML/CFT apparatus.

Table 17 is a summary of requests the FIU has received and made via Egmont during the period under review.

Table 17						
	FY2022/23			FY2023/2024		
	Country		Number	Country	Number	
Requests received through Egmont	India		2	Nil	0	
	China	Taiwan	1	Nil	0	
TOTAL	3			0		
Requests received through Egmont	Australia		1	China	Macao	1
					Taiwan	2
					Hong Kong	14
	China	Hong Kong	5	Japan	1	
	Vietnam		1	Republic of Korea	1	
TOTAL	7			19		

3.2 Asian Development Bank - Electronic Know Your Client (eKYC) Utility Pilot Project

This ADB funded project is intended to develop an electronic Know Your Customer (eKYC) and customer due diligence application for financial institutions in Samoa. This partnership with ADB seeks to provide another avenue to resolve correspondent banking and de-risking issues.

The Project report has been issued, together with a legal diagnostic tool that identifies areas in the law for improvement should this eKYC application be introduced into Samoa.

During practical implementation, there was an issue of smaller money transfer operators not being able to integrate the eKYC system with their own systems due to operation costs.

However, the project has proven that it is possible to deploy web-based eKYC technology and integrate it with the digital systems and processes of a domestic financial institution in a small Pacific country. Further, it demonstrated how such a system could utilize a government database in a way that does not endanger privacy or data integrity.

Nevertheless, what this project has demonstrated is that eKYC will not be an immediate solution for corresponding and de-risking issues. It will be part and parcel of various measures that Samoa can have in place to demonstrate that it has effective AML/CFT standards.

3.3 International Monetary Fund (IMF) - Technical Assistance for Samoa's AML/CFT Framework

Consequent to the approval and implementation of the Samoa National AML/CFT Strategy 2024-2026 in March 2024, the FIU sought the assistance of IMF's Legal Department in April 2024 for the amendment of the Money Laundering Prevention Act 2007 and subsequent regulations. The goal is to have Samoa's AML/CFT legislations compliant with the FATF standards and have such legislations in place before Samoa's next round of Mutual Evaluations in 2027.

3.4 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 & banking correspondent issue that the Pacific is currently facing.

4. Systems

4.1 FIU ICT Database System

With support from the APG, the FIU ICT System for the reporting of Cash Transaction Reports (CTR) via online was successfully implemented in November 2019. Since then, all CTRs for cash transactions equivalent to SAT\$20,000 and over have been submitted online on a weekly basis by most of the Financial Institutions (i.e., Commercial Banks and Money Transfer Operators), shifting away from the manual reporting procedures in the past. This web-based system is a solution to the increasing number of cash transactions that are being reported to the FIU, ensuring

efficiency in monitoring and analysis.

The submitted CTRs include the sending, receiving, exchanging money or any other type of cash transaction. In FY2023/2024, the ICT database system continues to be accessible for MTOs and FIs to upload their CTRs. Subsequently, it is accessed by the FIU to monitor the weekly submissions of these reports and analyze the volume of traffic of these cash transaction reports.

4.2 Taipan System

To increase practical cooperation and strengthen regional resilience across the Indo-Pacific region, the Samoa FIU also works collaboratively with the Australian Transaction Reports and Analysis Centre (AUSTRAC). As part of their tailored programs on building and sharing financial intelligence and analytic expertise across the region, our FIU were fortunate to receive the AUSTRAC's Taipan System which will support in strengthening the staff's capability in the analysis aspect of our financial intelligence responsibilities. In particular, it will enable data such as CTRs, STRs and BCRs to all be combined in one system, whereby visuals and trends can be produced for analysis purposes.

The TAIPAN is a Software Platform designed by AUSTRAC's IT experts and financial intelligence analysts to help detect and analyse suspicious financial patterns associated with a range of criminal activities including money laundering as well as funds linked to serious and organized crime. It is a secure and efficient database platform that collects, analyses and exchange financial intelligence and can be tailored to complement most financial intelligent units existing IT environment.

The TAIPAN system was installed in June 2024 by AUSTRAC with associated initial training undertaken at the same time. FIU is currently finalising the installation of data into TAIPAN, with continued familiarization by our analysts of the relevant tools and capabilities to strengthen their analytical capacity.

VII. CURRENCY MANAGEMENT

One of the Bank's core functions is to issue and manage the currency of Samoa. The Central Bank of Samoa acts as a wholesale distributor to the commercial banks and is responsible for maintaining an adequate supply and quality of notes and coins in circulation. The Bank determines the design and manufacturing of Samoa's currency as well as destroying damaged or mutilated notes and coins no longer fit for circulation.

1. Currency Operations

The commercial banks are required to comply with the established cash operational procedures specified in the Central Bank's Internal Control of the Cash and Vault Operations. The Internal Control is regularly reviewed to ensure smooth and secured cash handling arrangements with commercial banks. During the past twelve (12) months, Internal Controls underwent a thorough review by the Committee and a revised version was issued and effective from 11 November 2023.

1.1 Note Processing

Note processing operation remains a key part of currency operations, to ensure quality notes remain in circulation. All notes redeemed from the general public through commercial banks are processed and sorted for fitness by note processing machine.

As at 30 June 2024, a total of 11.8 million redeemed notes were processed, of which 82% or 9.7 million pieces were fit for reissue while the remaining 2.1 million pieces were considered unfit for circulation and ultimately destroyed.

1.2 Currency in circulation

The demand for currency (banknotes and coins) in 2023/2024 grew by 2.9 percent to \$197.9 million from \$192.4 million the year before. This growth was mainly due to an increase in value of notes in circulation from \$182.0 million in 2022/2023 to \$186.8 million in the year under review and partially due to an increase in coins

in circulation from \$10.3 million in 2022/2023 to \$11.1 million in 2023/2024. New notes issued decreased from \$68.9 million in 2022/2023 to \$64.5 million in 2023/2024. As a result, the total cost of currency issued also decreased from \$2.4 million in 2022/2023 to \$1.6 million in the financial year ending 30 June 2024. The demand for banknotes was met through an increase in re-issuance of fit notes and a decrease in the issuance of 'new' banknotes.

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 2024 increasing by 6.8 percent to 3,270,558. The \$2 coin also increased by 6.9 percent to 2,178,738 pieces in 2023/2024. Overall, the number of pieces for all the denominations rose by 1,592,057 in the year under review.

1.3 Currency in Use

The following denominations remain as legal tender currency in Samoa. (Refer table 18).

Table 18	
Notes	Coins
\$5	10 sene
\$10	20 sene
\$20	50 sene
\$50	\$1 Tala
\$60	\$2 Tala
\$100	

TABLE 19 : NOTES PROCESSED IN MILLIONS										
	2019/2020		2020/2021		2021/2022		2022/2023		2023/2024	
	Value	Pieces	Value	Pieces	Value	Pieces	Value	Pieces	Value	Pieces
Notes saved for reissue	\$278.5	5.5	\$281.4	5.9	\$300.7	6.1	\$404.6	7.3	\$419.2	9.7
Notes Destroyed	\$34.0	1.4	\$43.4	1.3	\$16.8	0.7	\$35.0	1.4	\$55.9	2.1
Total Processed	\$312.5	6.9	\$324.8	7.2	\$317.5	6.8	\$439.6	8.7	\$475.1	11.8
It is important to note that there are times when the volume of banknotes will be more in comparison to the associated value this is due to the variety of 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.										

1.4 Issuance of New Polymer Reprint Banknotes

The Central Bank of Samoa officially announced in December 2023 the modernization of the existing \$5, \$10, and \$20 Tala banknotes by converting the banknotes from cotton-based paper to a polymer substrate marking a significant development in the nation's currency system. The new polymer 5-10-20 Tala banknotes retained the same designs while transitioning onto polymer.

The decision to convert the 5-10-20 Tala from Paper to Polymer has a lower environmental impact. Polymer is a more environmentally sustainable choice than paper for Samoa's banknotes due to the lower carbon footprint of polymer production compared to paper. Polymer banknotes are capable of being 100% recycled, while paper banknotes can only be incinerated or added to landfill. This selection of polymer enhances the banknotes' durability and their security, setting a new standard in currency performance.

The upgraded polymer notes were issued into circulation in stages. CBS commenced with the issuance of the \$5 Tala denomination in December 2023 to accommodate the high demand during the festive season while the \$10 and \$20 Tala denominations were released in the first quarter of 2024.

1.5 Replacement of Damaged Banknotes

The Central Bank provides services to replace banknotes

which have been accidentally damaged or are unfit for circulation. In 2023/2024 replaced notes increased from \$263,605.00 in 2022/2023 to \$269,298.00. The most common types of damage to banknotes recorded are limpness (dirt/soiling), tearing or accidental burning. (Refer Table 20).

1.6 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 year under review recorded a decrease in counterfeits lodged with the Central Bank. These counterfeit notes were handed in by members of the public or reported by the Commercial Banks. As at June 2024, only four (4) pieces of counterfeit notes were received and recorded by CBS. (Refer Table 21).

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

1.7 Public Education


Retaining public confidence in our currency is crucial for the Central Bank. Ensuring not only the supply of secure banknotes that are fit for purpose but working with the Commercial Banks to remove unfit notes from circulation

TABLE 20 : MULTILATED NOTES SUMMARY

Denomination	2019/2020		2020/2021		2021/2022		2022/2023		2023/2024	
	Value	Pieces	Value	Pieces	Value	Pieces	Value	Pieces	Value	Pieces
5	\$6,800	1,360	\$13,775	2,755	\$10,370	2,074	\$7,235	1,447	\$9,258	1,852
10	\$8,110	811	\$11,080	1,108	\$17,600	1,760	\$31,410	3,141	\$27,360	2,736
20	\$9,760	488	\$20,790	1,039.5	\$11,900	595	\$18,160	908	\$16,020	801
50	\$40,350	807	\$46,900	938	\$40,550	811	\$67,500	1,350	\$73,850	1,477
60									\$660	11
100	\$63,900	639	\$77,500	775	\$70,400	704	\$139,300	1,393	\$142,150	1,422
Total	\$128,920	4,105	\$170,045	6,615.5	\$150,820	5,944	\$263,605	8,239	\$269,298	8,298

TABLE 21 : COUNTERFEIT NOTES SUMMARY

Denomination	2019/2020		2020/2021		2021/2022		2022/2023		2023/2024	
	Value	Pieces	Value	Pieces	Value	Pieces	Value	Pieces	Value	Pieces
5	\$0	0	\$0	0	\$5	1	\$0	0	\$0	0
10	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0
20	\$0	0	\$20	1	\$20	1	\$220	11	\$20	1
50	\$0	0	\$0	0	\$200	4	\$50	1	\$0	0
100	\$0	0	\$300	3	\$1,500	15	\$300	3	\$300	3
Total	\$0	0	\$320	4	\$1,725	21	\$570	15	\$320	4



to maintain a high level of overall fitness and quality in our circulating currency.

The Bank continues to educate the public on how to check the security features on banknotes through educational materials such as posters, short video clips on social media and press releases issued via government media channels, building awareness and confidence in handling our currency.

1.8 Numismatics

In addition to issuing money for use in commerce, CBS also provides collectors worldwide with our national currency and other numismatic products as collectibles. The field of numismatics appeals to and is enjoyable for both seasoned collectors and individuals who want to collect coins, banknotes, and commemorative items for personal or professional reasons. Additionally, CBS has partnered with foreign mint companies on several occasions to create and market legal tender coin programs in exchange for royalties.

Numismatic income for the financial year under review is SAT1.4 million, a 21% increase from \$1.1 million in 2022/2023.

VIII. Corporate Services and Administration

1. Banking Operations

1.1 Payments and Settlement

The interbank settlement has been made efficient since the launching of the national payment system i.e. Samoa Automated Transfer System (SATS), replacing the old manual system which required the use of cheques for settlement. The Bank as the operator of ATS is also a participant of the system utilizing the digital platform for the settlement of its retail domestic payments.

1.2 SWIFT System

To facilitate international payments and securities, SWIFT plays a vital role ensuring secured financial messages are transmitted to our worldwide counterparties enabling reliable transacting.

Swift is migrating towards the full adoption of ISO 20022 messaging standards for more rich and structured data in financial messages. CBS plans to fully adopt ISO 20022 messaging standard by November 2024.

Additionally, CBS continues to chair the Samoa SWIFT user group, 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. Considering the above migration to ISO 20022 messaging standard, CBS and SWIFT are working closely to host a community training in country not only for the benefit of Samoa but for the Pacific Community as a whole.

1.3 Banking Services to Government

The Central Bank of Samoa as a banker, to Government, manages accounts on behalf of the government via the Ministry of Finance. For the financial year under review, CBS continues to service and maintain several call accounts on behalf of government.

2. Human Resources

The Bank continued to be guided by its Strategic Plan 2019/2024 which concluded its validity and execution in the reporting period. This was the lone prominent policy / plan the Bank reviewed in this FY which undertook its full 5-year review in June. The Executive and Management subsequently formulated the Bank's new Strategic Plan

2024/2029 mirroring the government's Pathway for the Development of Samoa FY2021/2022 – FY2025/2026. The Board approved the new Strategic Plan 2024/2029 at its meeting in June 2024.

2.1 Staffing

As of 30 June 2024, the Central Bank employed a total of one hundred and two (102) staff. The Bank's application of its sinking lid policy endured a steady trend of staffing over the previous five financial years. Contract staff absorbed 24% of positions while 76% were occupied by permanent staff. In terms of gender, female continued to dominate the gender board at 52% while male staff occupied 48%.

The Bank's recruitment and selection process undertook twenty-four (24) appointments; two (2) contractual reappointments, five (5) contractual appointments, eight (8) internal appointments and nine (9) new recruits to replace resigned and promoted staff. In terms of cessation of service, the Bank farewelled one of its long serving contract staff; the former Manager of the Accounts and Budget Department, afioga Ti'a Peniamina Tauati at his sudden passing away in May 2024. Seven (7) other staff resigned to migrate overseas, others at their personal preference with one (1) staff who was terminated due to staff irregularities.

2.2 Part time employment, work experience and study visits

The Bank employed three (3) part-time students in this reporting period. The Bank over the years continued to assist students with the opportunity to undertake in-house attachment to equip them for their future career paths. To that extend, the Bank granted a work attachment opportunity of four (4) weeks duration to a student of the National University of Samoa. The Bank further expanded assistance to six (6) school visits, particularly to students requiring research in Economics. Further, the Bank delivered a presentation on the country's economic position at the National University of Samoa.

2.3 Service Recognition

Some permanent staff are recognized for their long and dedicated service to the Bank. During the FY 2023/2024, eight (8) achieved 10 years of service, one (1) achieved 15 years of service, one (1) achieved 20 years of service and one (1) achieved 25 years of service. For contract staff, the majority of the senior management are long-serving members of the Bank.

2.4 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 graduated with a master's degree in professional accounting, five (5) staff graduated with postgraduate certificate in economics and science (information technology), three (3) staff studied and completed professional diploma in business management, four (4) staff pursued bachelor degrees in areas of commerce and law, and three (3) engaged in the pursuit of postgraduate certificates in areas of economics, accounting and development studies.

Overseas travel for training and meetings normalized at post-COVID-19 with a total number of forty-seven (47) recorded in this FY. Virtual courses, training and meetings continued gradually. Most overseas travel and virtual participation were either fully or partially funded by CBS counterparts (overseas donors and organizations). Attendance at 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. Further, face-to-face presentations by staff attending overseas training and meetings were conducted as knowledge-sharing and staff development mechanism.

2.5 Training and meetings providers / donors

The Bank acknowledges the generous contribution of donors and sponsors through financial sponsorships and training opportunities for the Bank's staff. These continuous sponsorships facilitated professional development and equipped staff with refreshed and emerging skills and knowledge to excel in their performances.

Overseas training and meetings providers comprised of the Alliance for Financial Inclusion (AFI), Asian Development Bank (ADB), Asia Pacific Group (APG), Australian Federal Police, Australian High Commission – Australian Volunteers Program (AHC – AVP), Australian Transaction Reports and Analysis Centre (AUSTRAC), De La Rue, Egmont Centre of FIU Excellence and Leadership, 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), Bank of International Settlements, Pacific Island Forum Secretary (PIFS), Reserve Bank of Fiji, South Asia Regional

Training & Technical Assistance Centre (SARTTAC), Society for Worldwide Interbank Financial Telecommunications (SWIFT), United Nations Development Program (UNDP), United Nations Conference on Trade and Development (UNODC), and the World Bank (WB).

Local training providers included Ministry of Communication, Information and Technology (MCIT), Ministry of Education, Sports and Culture (MESC), Ministry of Foreign Affairs and Trade (MFAT), and the National University of Samoa.

2.6 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 2023/2024 comprised of tabata classes, walkathon, sports day and end of year function in December 2023. The Bank also participated in local tournaments such as touch rugby, soccer, netball and golf.

3. Management and Security of Property

The safety and security of CBS properties are paramount priorities to the Bank. During the year, the Central Bank ensured the main CBS Building at the Apia Boulevard was well maintained to enhance its operational efficiency. This included the installation and monitoring of important infrastructural systems as part of its routine repairs and maintenance work to ensure compliance and safety of the building.

Further, in May 2024, the Central Bank commenced construction works on its offsite property at Ululoloa, following a groundbreaking ceremony on 26 April 2024. The Offsite Building, which is expected to be constructed over 20 months, will provide a back-up facility for the Bank as part of its Business Continuity Operations, especially given the impact of climate change.

The new Offsite Building design incorporates traditional concepts and maximizes the use of natural systems. It reduces the overdependence on electricity but emphasizes a more sustainable energy source such as solar.

Both properties remain well secured throughout FY2023/2024, without any security breaches.

3.1 Occupational Safety and Health (OSH)

The safety and health of CBS staff are important to the Bank. As part of efforts to ensure productivity and efficiency in the workplace, health and fitness programs for the staff were ongoing throughout the year, which also contributed to maintain staff morale and a conducive working environment. The Bank also ensured ample protection and safety measures were in place, with the procurement of supplies of personal protection equipment for relevant staff, based on the nature of their work.

4. Information Technology

The Central Bank recognizes the important and critical role of information technology in the Bank's operations.

With the ongoing developments and enhancements in the digital space, and consistent with various technological systems and platforms that the Bank utilizes for its internal daily operations and services, ongoing monitoring and evaluation of the Bank's core systems are essential. This included conducting a SWIFT External Assessor evaluation and the SWIFT Security Attestation, ensuring compliance with industry standards. Penetration tests on local and cloud systems to identify and address vulnerabilities were also undertaken throughout the year. Regular license renewals and updates of computer systems, including firewalls, web and email filters, and endpoint security were ensured.

The Bank was also committed to ensuring the security and required updates of computer systems and that all IT infrastructure it utilizes was well maintained throughout the year. Part of this included the upgrade of the SWIFT Application package to version 7.7, enhancing security and efficiency for the Bank's use of this critical financial infrastructural system.

Technological support, particularly for the National Payment System's ATS and CSD, as well as the SWIFT systems, were ongoing by the Bank to ensure the efficiency and smooth operations of these critical systems. During the year, the Bank ensured data protection for the NPS with the procurement of network backup hardware to provide redundancy. Further, continuing support was offered by the Bank for all participants accessing the NPS, through certificate renewal whenever required to ensure uninterrupted service and security.

The Bank's commitment to safeguarding Samoa's financial system from AML/CFT concerns was also reflected in the enhancement of its technological infrastructures to support its daily operations. This included setting up a new server and installation of the TAIPAN software for the FIU as well as acquiring the SWIFT Transaction Screening component which was onboarded and tested in the latter part of the year, with its full use to be completed in the coming year.

Further, as part of the Bank's dedication to enhancing its communication and engagement with its stakeholders, work is in progress to upgrade the Bank's website to improve user access and experience.

Given the rising complexity of cyber threats and artificial intelligence, investing in staff capacity building is paramount. In particular, recent training opportunities in the regulatory space on technology and data requirements for the banking industry also provided an important opportunity for the Bank to identify emerging cybersecurity trends and potential security vulnerabilities to safeguard and ensure a secure cybersecurity environment for the Central Bank.

IX. 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 2024 (FY2023/2024).

At year end 30 June 2024, the Bank had total assets of \$1,614,778 million made up of \$1,405,608 million in foreign assets, and \$209,170 million in local assets.

On the other hand, the Bank recorded total liabilities of \$1,546,230 million consisted of foreign liabilities totalling at \$458,722 million and \$1,087,508 million in local currency.

The Bank's net assets amounted to \$68.5 million when compared to \$31.6 million in previous year.

The Bank recorded an operational profit (i.e. before currency translation) of \$35.9 million in the year ending 30 June 2024. However, after accounting for an unrealised revaluation gain of \$1.1 million during the year, a net profit of \$37.0 million was achieved for the year ending 30 June 2024, when compared to a net profit of \$3.6 million achieved in the previous year.

In accordance with the Central Bank of Samoa's Act 2015, Section 36(1) (a)&(b), the Directors recommend that net profit of \$37.0 million tala be transferred to equity to offset unrealized foreign exchange revaluation reserve losses.

IX. Chronology of Important Monetary Prudential and Related Event FY 2023/2024

July 2023

- i. From the 17th to the 28th, Exchange Control bilateral discussions and onsite inspections of the commercial banks and money transfer operators were conducted.

August 2023

- i. On the 2nd, the CBS hosted a visit from Chanel College's Year 12 Economics students.
- ii. From the 7th to the 18th, CBS conducted a full-scope onsite examination of the Unit Trust of Samoa (UTOS).
- iii. On the 10th, the CBS Board approved the Monetary Policy Stance for FY 2023/2024.
- iv. From 21st to 1st September, an IMF TA Mission from the Monetary and Capital Markets (MCM) Department to assist the Bank in designing and operationalizing its Emergency Liquidity Assistance (ELA) framework was conducted.

September 2023

- i. During the month, the prudential statements and guidelines for the Development Bank of Samoa (DBS) and the Unit Trust of Samoa (UTOS) were reviewed and amended.
- ii. From the 18th to the 29th, an IMF ICD Technical Assistance Mission undertook a follow-up on Forecasting and Policy Analysis System (FPAS) for the Bank, working with the ED and FMD (Policy Group) staff.
- iii. On the 29th, the Bank hosted the inaugural launch of the ADB's September Asian Development Outlook in Samoa.

October 2023

- i. From the 10th to the 20th, a full-scope onsite visit was carried out by CBS at the Bank South Pacific (Samoa) Limited.
- ii. On the 25th, Cabinet approved the National Financial Inclusion Strategy 2022/2023-2025/2026 [FK (23)42].

November 2023

- i. On the 14th, the Second National Financial Inclusion Strategy 2022/2023-2025/2026 (NFIS 2.0) was launched.
- ii. On the 29th and 30th, the Central Bank participated in the 38th South Pacific Central Bank Governors' Meeting hosted by the Central Bank of Solomon

Islands in Honiara, Solomon Islands.

December 2023

- i. On the 12th, CBS issued our new \$5 Polymer Reprint to Commercial Banks for circulation.

January 2024

- i. On the 15th, onsite inspections for AML/CFT Compliance began for all four commercial banks in Samoa, ending in the month of March 2024.
- ii. On the 22nd, CBS issued our new \$10 and \$20 Polymer Reprint to Commercial Banks for circulation.
- iii. On the 25th, the CBS Monetary Policy Statement for FY 2023/2024 was published.

February 2024

- i. During the month, FSRD held bilateral meetings with insurers.
- ii. On the 14th, CBS hosted a knowledge-sharing session on Sustainable Finance for the commercial banks and insurance industry, together with the Ministry of Finance and the Ministry of Natural Resources and Environment.
- iii. From 13th to the 16th, discussions for the CBS Data Architecture System under the World Bank's Samoa Finance Sector Resilience Project was conducted.
- iv. On the 19th, CBS issued a press release on the permanent closure of an insurance broker company, the South Seas Financial Services Limited.
- v. On the 19th to 23rd, an IMF Staff Visit was in-country.

March 2024

- i. During the month, the prudential statements for the Samoa National Provident Fund (SNPF) were reviewed.
- ii. From the 11th to 22nd, another IMF ICD Technical Assistance Mission for the Forecasting and Policy Analysis System (FPAS) for the Bank was undertaken with the ED and FMD (Policy Group) staff.
- iii. On the 22nd, the CBS Board approved the updated and revised monetary policy forecasts for FY 2023/24 and continued the current monetary policy stance for the year. The Samoa Tala currency basket were also approved by the Board.
- iv. On the 27th, Cabinet approved Samoa's National Risk Assessment on Anti-money Laundering and

Countering Financing of Terrorism 2024-2026 and the new National Strategy for Anti-money Laundering and Combatting Financing of Terrorism Strategy 2024-2026.

April 2024

- i. From the 8th to the 19th, CBS conducted a full-scope onsite examination of the ANZ Bank (Samoa) Limited.
- ii. On the 9th, CBS disseminated to the Samoa National Provident Fund (SNPF) its revised prudential statements for feedback.
- iii. From the 8th to the 19th, the IMF CDOT conducted a face-to-face TA Mission on External Sector Statistics Technical Assistance for the balance of payments, international investment position, and external debt.
- iv. On the 26th, a Groundbreaking Ceremony was held to officially launch construction of the new Central Bank of Samoa Offsite Building.

May 2024

- i. From the 14th to the 20th, the IMF Statistics Department conducted a virtual Financial Soundness Indicator (FSI) TA mission for CBS staff on the compilation of FSI indicators.
- ii. On the 22nd, Cabinet approved the Samoa Credit Information Registry Policy and for referral of the draft Credit Information Registry Bill to the Office of the Attorney General [FK (24)20].
- iii. On the 24th, the CBS Board approved the (i) 2024 Foreign Reserves Investment Policies; (ii) Policy Paper for the Amendment of the Exchange Control Regulations and (iii) Capital Flow Management: Exchange Control Policy Measures in Crisis Management
- iv. On the 29th, the CBS hosted a class visit from Uesiliana College in Savaii Year 12 Economics students.

June 2024

- i. On the 5th, the CBS hosted a class visit from Falealili College Year 12 Economics students.
- ii. On the 16th, the Monetary Policy Committee Meeting was held to discuss the draft forecasts and proposed monetary policy stance for FY 2024/2025.
- iii. From 17th to the 28th, a full-scope onsite visit was carried out by CBS at the National Bank of Samoa (NBS).

- iv. On the 20th, the CBS hosted a class visit from Don Bosco College in Savaii Year 12 Economics students.
- v. On 21st, the Australian Transaction Reports and Analysis Centre (AUSTRAC) installed the Taipan System for the Central Bank's Financial Intelligence Unit.
- vi. On the 28th, the CBS Board met and approved the Monetary Policy Stance for FY2024/2025, CBS Strategic Plan 2024-2029, and CBS Risk Policy Framework.

Financial Statements

Central Bank of Samoa

For the year ended 30 June 2024

Central Bank of Samoa
Financial Statements
For the year ended 30 June 2024

Contents

Management's Statement	3
Directors' Statement	4
Independent Audit Report	5-6
Statement of Financial Performance	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement Of Cash Flows	10
Notes To Accounts	11-36

Central Bank of Samoa
Management's Statement
For the year ended 30 June 2024

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

Our independent auditors, BDO, have been appointed by the Central Bank of Samoa, have audited our financial statements. The BDO has also reviewed and outlines the scope of their examination and their opinion.



Maiava Atalina Ainuu-Enari
Governor

Dated: 31st October 2024



Gilbert Wongsin
Assistant Governor - Corporate Services Group

Dated: 31st October 2024



Tapuosina Asalele
Manager Accounts & Budget

Dated: 31st October 2024

**Central Bank of Samoa
Directors' Statement
For the year ended 30 June 2024**

The directors present their report together with the financial statements of the Central Bank of Samoa ("the bank") for the year ended 30 June 2024 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 2024.
- (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 2024.

Operating

The result for the year is a net profit of \$37.0 million tala (2023 net profit of \$3.6 million tala).

Reserves

The Directors recommend that a net profit of \$37.0 million tala be transferred to reserves.

Dividends

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

Dated at Apia: 31st October, 2024

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



DIRECTOR



DIRECTOR

INDEPENDENT AUDITOR'S REPORT

To the Controller and Auditor General

Report on the Audit of the Financial Statements

Opinion

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

- the statement of financial position as at June 30, 2024;
- the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year ended 30 June 2024; and
- notes to the financial statements, including material accounting policy information.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of Central Bank of Samoa as at 30 June 2024, and of its financial performance and its cash flows for the year ended 30 June 2024 in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

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

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

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

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

BDO

BDO

CHARTERED ACCOUNTANTS



Taimalieutu Ernest Betham
Engagement Partner

Apia,
Samoa
31st October 2024

Central Bank of Samoa
Statement of Financial Performance
For the year ended 30 June 2024

	Note	2024 \$('000)	2023 \$('000)
Income			
Interest income on cash and investments	22	59,095	30,911
Interest income on lending		441	487
Rental income		1,221	1,005
Other income	23	1,933	1,463
Total Income		62,690	33,866
Expenses			
Administrative expenses		3,769	5,226
Board expenses	24 (ii)	8	8
Communication costs		727	513
Currency issue costs		1,622	2,491
Depreciation	11	1,195	1,026
Directors' fees	24 (ii)	63	63
External audit costs		52	44
Finance costs		11,094	5,915
Occupancy costs		838	545
Staff costs		7,099	6,362
Withholding tax on interest income		315	165
Total Expenses		26,782	22,358
Profit/(Loss) before foreign currency translation		35,908	11,508
Foreign exchange gain (losses)	20	1,162	(7,889)
Net profit/(loss)/for the year		37,070	3,619

The accompanying notes form part of these financial statement.

Central Bank of Samoa
Statement of Financial Position
As at year ended 30 June 2024

	Note	2024 \$('000)	2023 \$('000)
ASSETS			
Foreign currency assets			
Cash and fixed deposit balances	4	1,228,633	1,023,585
International monetary fund	6	155,350	114,578
Accrued interest	7	21,625	12,465
Total foreign currency assets		1,405,608	1,150,628
Local currency assets			
Cash and fixed deposit balances	5	79,344	77,689
Accrued interest		11	8
Currency inventory	8	10,643	8,612
Receivables and prepayments	9	11,565	8,763
Credit line facilities	10	65,257	70,533
Property, plant and equipment	11	42,350	38,954
Total local currency assets		209,170	204,559
Total assets		1,614,778	1,355,187
LIABILITIES			
Foreign currency liabilities			
Deposits	12	251,991	159,176
IMF facilities	13	58,517	59,274
International monetary fund	6	148,050	149,965
Other liabilities		164	94
Total foreign currency liabilities		458,722	368,509
Local currency liabilities			
Deposits	12	687,085	654,024
Currency in circulation	15	197,911	194,963
Central Bank Securities	14	139,515	49,972
Payables and accruals		61,785	55,400
Provision for employee entitlements	16	1,212	716
Total local currency liabilities		1,087,508	955,075
Total liabilities		1,546,230	1,323,584
Net assets		68,548	31,603
EQUITY			
Capital	18	20,000	20,000
General reserve	19	27,050	13,681
Unrealised foreign exchange revaluation reserve	20	-	(23,576)
Revaluation surplus	21	21,498	21,498
Total equity		68,548	31,603

The accompanying notes form part of these Financial Statements

Signed on behalf of the Board:

Governor

Date 31st October 2024

Director

Date 31st October 2024

Central Bank of Samoa
Statement of Changes in Equity
For the year ended 30 June 2024

	Note	Paid up capital	Unrealised profit/loss reserve	General Reserve	Revaluation surplus	Total
		\$(‘000)	\$(‘000)	\$(‘000)	\$(‘000)	\$(‘000)
Balance at 30 June 2022		20,000	(15,687)	7,927	-	12,240
Net (loss) for the year			(7,889)	5,754	-	(2,135)
Revaluation Surplus	21				21,498	21,498
Balance at 30 June 2023		20,000	(23,576)	13,681	21,498	31,603
Net profit/(loss) for the year	20		1,162	13,369	-	14,531
Net profit transfer to unrealised loss/gain	20		22,414			22,414
Balance at 30 June 2024		20,000	-	27,050	21,498	68,548

The accompanying notes form part of these Financial Statements

Central Bank of Samoa
Statement of cash flows
For the year ended 30 June 2024

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.

	2024 \$('000)	2023 \$('000)
Cash flows from operating activities		
Cash received from investments	59,920	30,911
Cash received from rent	1,221	1,055
Other income	1,941	1,469
Cash paid for services and goods	(19,153)	(11,562)
Cash paid to employees	(4,724)	(4,290)
Interest paid on deposits	(11,093)	(5,915)
Net cash applied from/(to) operating activities	28,112	11,668
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	32	40
Credit line facility repayments received during the year	3,516	6,126
Interest received on credit line facility	441	487
Purchase of property, plant and equipment	4,523	596
Net movement in term deposits more than 90 days	(30,306)	(30,124)
Net cash (to)/from investing activities	(21,794)	(22,875)
Cash flows from financing activities		
Net movement in notes and coins in circulation	2,948	38,179
Net movement in demand deposits	59,320	266,966
Net movement in securities	89,544	49,972
Currency issue costs	(2,030)	(731)
Net movement in external liabilities	90,214	(30,124)
Net cash applied from financing activities	239,996	324,262
Net increase in cash and cash equivalents	246,314	313,055
Cash and cash equivalents at the beginning of the year	1,215,851	910,685
Net unrealised (Losses)/gains on translation of foreign currency monetary assets and liabilities	1,161	(7,889)
Cash and cash equivalents at end of year	1,463,326	1,215,851

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 31st October, 2024.

2. Statement of significant accounting policies

Adoption of new and revised Accounting Standard

(a) New standards, interpretations and amendments adopted from 1 January 2024:

The following new standards and amendments are effective for the period beginning 1 January 2024:

- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures (Amendment - Supplier Finance Arrangements).
- Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)
- IAS 1 Presentation of Financial Statements (Amendment - Classification of Liabilities as Current or Non-Current)
- IAS 1 Presentation of Financial Statements (Amendment - Non-current Liabilities with Covenants)

The Bank carried out an assessment of the new standards, interpretations and amendments and concluded that the adoption of the above new standards, interpretations and amendments has had no effect on the financial statements.

(b) New standards, interpretations, and amendments effective from 1 January 2025 and 1 January 2026

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Bank has decided not to adopt early as some of them may not be applicable. The Bank is still reviewing the effect of these new standards for applicability and impact on its financial statements for the next financial year.

The following amendments are effective for the period beginning 1 January 2025:

Lack of exchangeability (Amendment to IAS21)

The following amendments are effective for the period beginning 1 January 2025:

- Amendments to the classification and measurement of financial instruments (Amendments to IFRS 9 and IFRS 7)

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.

2. Statement of significant accounting policies (continued)

b. Foreign currency transactions

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

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

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

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

c. Cash and cash equivalents

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

d. Property, plant and equipment

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

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

• Land	Not Depreciated
• Buildings	10 years and 40 to 50 years
• Office equipment, furniture and fittings	5 to 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.

2. Statement of significant accounting policies (continued)

e. Inventory of currency

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

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

f. Financial instruments

Recognition and derecognition

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

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

Classification and measurement of financial assets

Classification and initial measurement

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

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

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

The classification is determined by both:

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

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

Subsequent measurement of financial assets

Financial assets at amortised cost

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

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

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

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.

2. Statement of significant accounting policies(continued)

f. Financial instruments (continued)

Australian dollar bank bills

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

Secured lending and credit line facilities

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

Impairment of financial assets

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

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

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

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

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

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.

2. Statement of significant accounting policies (continued)

Classification and measurement of financial liabilities

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

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

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

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

Specific classification and measurement of financial liabilities

Sell repurchase agreements (Central Bank Securities)

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

Demand deposits

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

g. Foreign currency gains available for distribution

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

h. Currency

Currency in circulation

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

Demonetised currency

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

Collectors' currency

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

2. Statement of significant accounting policies (continued)

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

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

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

j. Capital and reserves

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

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

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

k. Interest income and expense

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

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

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

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.

2. Statement of significant accounting policies (continued)

n. Employee benefits

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

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

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

o. Value Added Goods and Services Tax

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

p. Income tax

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

q. Comparatives

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

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 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 dated 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

	2024 \$'000	2023 \$'000
Cash balances	262,737	319,333
Fixed deposit balances	965,895	704,252
Total foreign currency cash and term deposit balances	1,228,632	1,023,585

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:

	2024 \$'000		2023 \$'000	
	Cash balances	Term deposits	Cash balances	Term deposits
\$US dollar denominated deposits	249,966	240,183	306,745	198,385
\$NZ dollar denominated deposits	7,466	333,740	6,114	217,544
\$AU dollar denominated deposits	3,180	300,687	5,248	240,121
\$CNH dollar denominated deposits	194	33,846	7	34,324
\$EURO dollar denominated deposits	433	8,820	254	-
\$GBP dollar denominated deposits	1,499	48,618	965	13,878
Total	262,738	965,894	319,333	704,252

5. Local currency cash balances and term deposit balances

	2024 \$'000	2023 \$'000
Petty cash	5	5
Cash at bank	19,895	23,065
Fixed deposit balances	59,444	54,619
Total local currency cash balances and term deposit balances	79,344	77,689

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 30th June 2024:

	2024 \$'000 SAT	2023 \$'000 SAT
Reserve Tranche		
Foreign currency assets		
Currency subscription - quota	58,518	59,274
Special drawing right holdings	96,832	55,304
Total foreign currency assets	155,350	114,578
SDR Allocations		
Foreign currency liabilities		
Special drawing right allocations	96,150	97,393
Currency holding	51,900	52,572
Total foreign currency assets	148,050	149,965

7. Foreign currency accrued interest balances

	2024 \$'000	2023 \$'000
Balances with other Central Banks	4,699	3,264
Deposits with commercial banks	16,925	9,201
Total foreign currency accrued interest	21,624	12,465

8. Currency inventory

	2024 \$'000	2023 \$'000
Currency notes	6,637	5,403
Coins	4,006	3,209
Total currency inventory	10,643	8,612

9. Receivables and prepayments

	2024 \$'000	2023 \$'000
Prepayments	2,256	2,104
Other debtors	184	422
Interest receivable on staff loans	763	613
Staff loans principal balance	8,424	5,718
Less allowance for impairment on staff loans	(62)	(94)
Net staff loans	8,362	5,624
Total receivables and prepayments	11,565	8,763

	2024 \$'000	2023 \$'000
<i>Movement in allowance for impairment on staff loans</i>		
Opening balance at 1 July	94	114
Additional/(Reduction) allowance for impairment charged to income and expense	(32)	(20)
Closing balance at 30 June 2024	62	94

10. Credit line facilities

	2024	2023
	\$'000	\$'000
a) Cyclone Evan (Credit line facility)	26,117	27,228
b) Economic Stimulus (Credit line facility)	19,133	19,983
c) Additional Economic Stimulus (Credit line facility)	5,448	6,166
d) Second Additional Economic Stimulus (CLF)	11,422	11,751
e) First Small Medium Enterprises Finance (CLF)	7,736	8,405
Total credit line facilities	69,857	73,533
Less Expected Credit loss doubtful debt	(4,600)	(3,000)
	65,257	70,533

	2024	2023
	\$'000	\$'000
Movement in allowance for impairment on CLF Loans		
Opening balance at 1 July	3,000	-
Additional/(Reduction) allowance for impairment charged to income and expense	1,600	3,000
Closing balance at 30 June 2024	4,600	3,000

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). 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:

	2024 \$'000	2023 \$'000
Development Bank of Samoa	24,424	25,195
Samoa Housing Corporation	1,693	2,033
Balance at year end	26,117	27,228

	<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

(b). 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:

	2024 \$'000	2023 \$'000
Development Bank of Samoa	19,132	19,983
Balance at year end	19,132	19,983

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

(c). 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:

	2024 \$'000	2023 \$'000
Development Bank of Samoa	5,448	6,166
Total additional credit line facility	5,448	6,166

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

10. Credit line facilities (continued)

(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:

	2024 \$'000	2023 \$'000
Development Bank of Samoa	11,422	11,751
Total additional credit line facility	11,422	11,751

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.

	2024 \$'000	2023 \$'000
Development Bank of Samoa	7,736	8,405
Balance at year end	7,736	8,405

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
Cost					
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)
Balance as at 30/06/23	37,616	574	4,667	2,610	45,467
Additions	3,733	250	573	36	4,592
Disposals	(588)	(70)	(93)	(14)	(765)
Balance as at 30/06/24	40,761	754	5,147	2,632	49,295
Accumulated Depreciation					
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
Balance as at 30/06/23	(554)	(314)	(4,278)	(1,367)	(6,513)
Charge for the year	(751)	(97)	(236)	(111)	(1,195)
Disposals	588	70	93	13	764
Balance as at 30/06/24	(717)	(342)	(4,421)	(1,465)	(6,945)
Written down value:					
As at 30/06/23	37,062	259	389	1,243	38,954
As at 30/06/24	40,044	412	726	1,168	42,350

12. Deposits

	2024 \$'000	2023 \$'000
Foreign currency deposits		
Government of Samoa foreign currency deposits	251,991	159,176
Total foreign currency deposits	251,991	159,176
Local currency deposits		
Demand deposits due to banks	482,281	493,128
Government of Samoa local currency deposits	127,018	92,485
The World Bank deposits	103	39
	609,402	585,652
Statutory reserve deposits		
Domestic banks	76,693	67,431
Insurance companies	990	940
	77,683	68,371
Total local currency deposits	687,085	654,024

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 \$10.3m tala (2023: \$5.8m tala)

13. International Monetary Fund - Facilities

	2024 \$'000	2023 \$'000
(a) Rapid Credit Facility No.2	58,517	59,274
Balance at year end	58,517	59,274

(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

	2024 \$'000	2023 \$'000
Central Bank Securities	139,515	49,972
Balance at year end	139,515	49,972

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

15. Currency in circulation

	2024 \$'000	2023 \$'000
Currency in circulation	197,911	194,963
Balance at year end	197,911	194,963

16. Provision for employee entitlements

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

	2024 \$'000	2023 \$'000
Opening balance at 1 July	716	399
Additional provisions charged to income during the year	809	766
Entitlements utilised during the year	(313)	(449)
Closing balance at 30 June 2024	1,212	716

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

	2024 \$'000	2023 \$'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:

	2024 \$'000	2023 \$'000
<i>Profit/(Loss) distribution</i>		
Unrealised gain/(losses) transferred to unrealised losses/ profits reserve	1,162	(7,889)
Net profit transferred to general reserves	35,908	5,754
Net profit to be paid to Government of Samoa	-	5,754
Net profit/(loss)	37,070	11,508
<i>Movement in Unrealised profit/(losses) reserve</i>		
Opening balance at 1 July	(23,576)	(15,687)
Unrealised gains/(losses) for the year	1,162	(7,889)
Net profit transfer to unrealised losses	22,414	-
Closing balance at 30 June 2024	-	(23,576)

21. Revaluation surplus	2024	2023
	\$'000	\$'000
<u>Property, Plant & Equipment</u>		
Office Building (Total valuation)	26,916	26,916
Less Accumulated depreciation	(297)	(297)
Total Office Building at 30 June 2024	26,619	26,619

	2024	2023
	\$'000	\$'000
(b) Land		
Opening net book value at 1/7/2023	3,865	3,865
Addition/Revaluation surplus	3,695	3,695
Closing net book value at 30/6/24 (Total Valuation)	7,560	7,560

Total Revaluation surplus at 30/6/2024:	
Office Building	17,803
Land	3,695
	21,498

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

	2024	2023
	\$'000	\$'000
Interest on cash accounts	24	24
Interest on term deposits	59,071	30,887
Total interest income	59,095	30,911

23. Other Income

	2024	2023
	\$'000	\$'000
Interest on staff loans	210	129
Income from collectors and other income	1,723	1,334
Total other income	1,933	1,463

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 2024, the number of key management personnel was 24 (2023: 25).

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

	2024 \$'000	2023 \$'000
Salaries and short-term employment benefits	1,484	1,428
Other long-term benefits	130	110
Total key management personnel remuneration	1,614	1,538

(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.

	2024 \$'000	2023 \$'000
Directors' fees	63	63
Board expenses	8	8
Total directors and board expenses	71	71

(iii) Due from and due to related parties

As at 30 June 2024, the following balances were receivable from or payable to related parties.

	2024 \$'000	2023 \$'000
Balances due to related parties	379,009	253,161
Balances due from related parties	1,051	854

(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:

	2024	2023
	\$'000	\$'000
Not later than one year	1,200	1,200
Later than one year but not later than five years	2,600	2,600
Total interest income	3,800	3,800

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\$1,221,035 (2023: SAT\$1,005,316).

Direct operating expenses in relation to building floors leased out amounted to SAT\$1,051,513 (2023: SAT\$854,215). 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 is the potential inability to meet financial obligations promptly due to insufficient cash or readily convertible assets.

To mitigate this risk the bank maintains ample reserves and closely monitors foreign exchange transaction demands to ensure sufficient current account balances. Additionally, the bank invests in highly liquid assets such as commercial paper, to facilitate quick conversion to cash.

26. Financial risk management

(a) Liquidity risk

Maturity analysis as at 30 June 2024

	0 - 3 months \$000	3 - 12 months \$000	1 - 5 years \$000	Over 5 years \$000	No specific maturity \$000	Total \$000
Foreign Currency Assets						
Cash balances	262,738	-	-	-	-	262,738
Fixed deposits	208,474	731,715	25,706	-	-	965,895
International Monetary Fund	-	-	-	-	155,350	155,350
Accrued interest	221	21,374	30	-	-	21,625
	471,433	753,089	25,736	-	155,350	1,405,608
Local Currency Assets						
Cash balances	19,899	-	-	-	-	19,899
Fixed deposits	-	59,445	-	-	-	59,445
Accrued interest	-	11	-	-	-	11
Currency stock on hand	-	-	-	-	10,643	10,643
Receivables and prepayments	-	1,271	2,255	8,038	-	11,564
Credit line facility	-	-	-	65,257	-	65,257
Property, plant and equipment	-	-	-	42,350	-	42,350
	19,899	60,727	2,255	115,645	10,643	209,170
Total Assets	491,332	813,816	27,991	115,645	165,993	1,614,778
Foreign Currency Liabilities						
Demand deposits	251,991	-	-	-	-	251,991
IMF Facilities	-	-	-	58,517	-	58,517
International Monetary Fund	-	-	-	-	148,050	148,050
Other liabilities	164	-	-	-	-	164
	252,155	-	-	58,517	148,050	458,722
Local Currency Liabilities						
Demand deposits	687,085	-	-	-	-	687,085
Currency in circulation	-	-	-	-	197,911	197,911
Central Bank Securities	-	139,515	-	-	-	139,515
Creditors and accruals	938	60,847	-	-	-	61,785
Provisions	-	-	-	1,212	-	1,212
	688,023	200,362	-	1,212	197,911	1,087,508
Total Liabilities	940,178	200,362	-	59,729	345,961	1,546,230
Net Assets	(448,846)	613,454	27,991	55,916	(179,968)	68,548

26. Financial risk management (continued)

(a) Liquidity risk (continued)

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
Foreign Currency Assets						
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
Local Currency Assets						
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
Total Assets	349,975	740,001	25,885	116,136	123,190	1,355,187
Foreign Currency Liabilities						
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
Local Currency Liabilities						
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
Total Liabilities	815,855	102,711	99	59,990	344,928	1,323,584
Net Assets	(465,88)	637,290	25,786	56,146	(221,738)	31,603

26. Financial risk management (continued)

(b) Market risk

Market risk represents the potential loss from fluctuations in interest rates, foreign exchange rates. And other market prices. The bank effectively manages and controls these exposures within acceptable limits while maximizing investments returns.

(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	0.89	5.15	2.89	1.50	0.002	0.4332	10.86
Cash balances with banks	-	2.31	0.29	-	0.194		2.79
Fixed deposits	219.18	342.58	265.36	50.19	34.24	8.85	920.39
Negotiable Certificate Deposit	-	-	44.42	-	-		41.42
Bond	25.71	-	0				25.71
Repurchase agreements	249.08	-	-				249.08
Total	494.85	350.04	309.97	51.68	34.43	9.28	1250.26

Concentration of foreign currency balances

	USD	NZD	AUD	GBP	CNY	EUR	TOTAL
Cash balances with Central Banks	0.10%	0.40%	0.2%	0.10%	0.00%	0.00%	0.8%
Cash balances with Banks	0.00%	0.20%	0.00%	0.00%	0.00%	0.00%	0.2%
Fixed deposits	17.50%	27.4%	21.2%	4.0%	2.7%	0.7%	73.6%
Negotiable Certificate Deposit	0.00%	0.00%	3.3%	0.00%	0.00%	0.00%	3.3%
Bond	2.1%	0.00%	0.60%	0.00%	0.00%	0.00%	2.1%
Repurchase agreements	19.9%	0.00%	0.00%	0.00%	0.00%	0.00%	19.9%
Total	39.6%	28.0%	24.8%	4.1%	2.7%	0.07%	100.0%

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

	30 June 2024	30 June 2023
USD	0.36414	0.36352
NZD	0.59837	0.59942
AUD	0.54770	0.54916
GBP	0.28796	0.28882
EUR	0.34011	0.33450
CNY	2.64689	2.63459
CNH	2.65918	2.64242

26. 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 2024 would have increased net income by the amounts shown below:

	Income effect 2024 \$'000	Income effect 2024 \$'000	General reserves effect 2023 \$'000	General reserves effect 2023 \$'000
USD	24,018	24,996	50,145	26,925
NZD	33,374	746	23,198	21,317
AUD	30,068	318	24,579	18,886
GBP	4,862	150	1,596	92
EURO	882	43	(27)	(1)
CNH	3,384	19	11,121	11,634
SDR	15,535	-	2,850	8,167
TOTAL	112,123	26,272	113,516	87,020

A 10% strengthening of the Samoan tala against the above currencies at 30 June 2024 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 2024:

	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	10.86	10.86	-	-	
Cash balances with Banks	2.79	2.79	-	-	
Fixed deposits	920.39	230.10	248.50	441.79	
Negotiable Certificate of Deposits	41.42	-		41.42	
Bonds	25.71				25.71
Repurchase agreements	249.08	249.08	-	-	
TOTAL	1250.26	492.83	248.50	483.21	25.71

26. 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:

	Gross carrying amount	Loss allowance	Credit impaired
30 June 2024			
Current (not overdue)	8,424	50	-
Staff loans assessed individually	61	11	-
	8,485	61	

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.

26. 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-24
Securities held under repurchase agreements with Central Banks	AA+		19.92
T/Deposits with BIS	AAA		10.32
T/Deposits with BOE	AA		1.4
BIS G1 Bond	AAA		2.06
Cash with other Central Banks			0.87
Subtotal balances with Central Banks			34.57%
Negotiable Certificate of Deposit			3.31%
RABOBANK		BBB+	1.64
BANK OF QUEENSLAND		BBB+	0.14
P & N Bank		BBB+	1.53
Deposits with Commercial Banks			61.89%
ANZ		AA-	3.12
BNZ		AA-	0.75
BOC		A	16.5
DBS		AAA	6.94
ICBC		A	16.08
RABO		A+	12.45
WBC		AA-	6.05
Others (CASH)			0.22%
ANZ		AA-	0.04
BNZ		AA-	0.05
BOC		A	0.08
WBC		AA-	0.03
ICBC		A	0.03
Subtotal balances with commercial Banks			65.43%
TOTAL			100.00%

26. 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

- (a) The Directors are aware of the Bank's commitment at 30th June 2024 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 of 30 June 2024 is \$5.5m (2023: \$2.1m) classified as Work in Progress.

CBS Building at Ululoloa is now under construction and expected to be completed in the next 24 months by APEX construction under SUCON supervision. The remaining unspent amount at year end of \$34.5m tala is expected to be utilized over the next 2 financial years. The amount is expected to be incurred for each year of the next two years is uncertain at this stage.

- (b) CHOGM

The Directors are aware of the Bank's commitment to Commonwealth Head of Government Meeting in October 2024.

The approved costs to fund this event is \$2m. The cost already incurred on this financial year 30th June 2024 is \$342,805 and is classified as Work in Progress. This is a one-off event happening in Samoa.

The remaining funds after the year end will be part of the Level 6 conference room renovation and CHOGM functions.

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 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\$1,442,947. (2023: SAT\$1,122,480).

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.

