



CENTRAL BANK OF SAMOA



ANNUAL REPORT

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Government of Samoa

OFFICE OF THE MINISTER OF FINANCE

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

31 October 2022

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 2022.

The Bank's Annual report 2021/2022 reveals key data and information on Samoa's economic performance and the Bank's financial performance for the twelve (12) months period from July 2021 to June 2022.

A handwritten signature in blue ink, consisting of a large loop at the top and a series of smaller loops and strokes below.

(Hon. Mulipola Anarosa Ale-Molio'o)
MINISTER OF FINANCE

PLEASE ADDRESS CORRESPONDENCE
TO THE GOVERNOR



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31 October 2022

Honourable Mulipola Anarosa Ale-Moloo
Minister of Finance

APIA

Afioga e,

I hereby submit the 35th Annual Report of the Central Bank of Samoa for the financial year ending June 2022. 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 2022 and its related Audit Report/Opinion.

Yours faithfully,



(Māiava Atalina AINU'U-ENARI)

GOVERNOR

Our Purpose

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

Our Vision

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

Our Mission

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

Our Mandate

Central Bank of Samoa Act 2015

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

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

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

Financial Institutions Act 1996

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

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

Money Laundering Prevention Act 2007

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

Insurance Act 2007

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

The National Payments System 2014

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

Leadership and Organizational Structure

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

a) Board of Directors

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

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

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

b) Governance

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

- Reserve Money Program Committee, which meets monthly to discuss the latest economic, monetary and financial developments that would impact on liquidity levels within the banking system;
- Investment Committee, which meets every two months to discuss the Bank's management of foreign reserves;
- Budget Committee, which meets twice a year to discuss issues with regards to the preparation and operations of the Bank's Budget.
- National Payments System Committee which meets regularly to discuss issues relating to the establishment and effective operation of the National Payments System in the country;
- Offsite Project Committee which meets regularly to discuss and coordinate procedural responsibilities in the establishment of the Bank's Backup or Offsite Building in the event of natural disasters, times of crisis or emergency;
- OSH Advisory Committee, which meets quarterly 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 however, due to the nationwide shutdown in the second quarter of the year the committee met only 3 times in the financial year 2021/2022. The Internal Auditor reports administratively to the Governor and functionally to the Audit Committee. In addition, the Internal Auditor is the facilitator for the Bank for coordinating the IMF Safeguards Assessment Mission.

Management continued to perform periodic reviews and surveys of the most critical areas of the Bank to ensure that risks were controlled and mitigated. Comprehensive reviews were undertaken on internal control systems to ensure that the Bank is efficiently run, operationally sound, technologically well equipped, and risks are mitigated. A close

monitoring of the Output budget is undertaken regularly. The focus is mainly on delivering results and implementing preventative actions.

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

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

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

c) Management and Staff

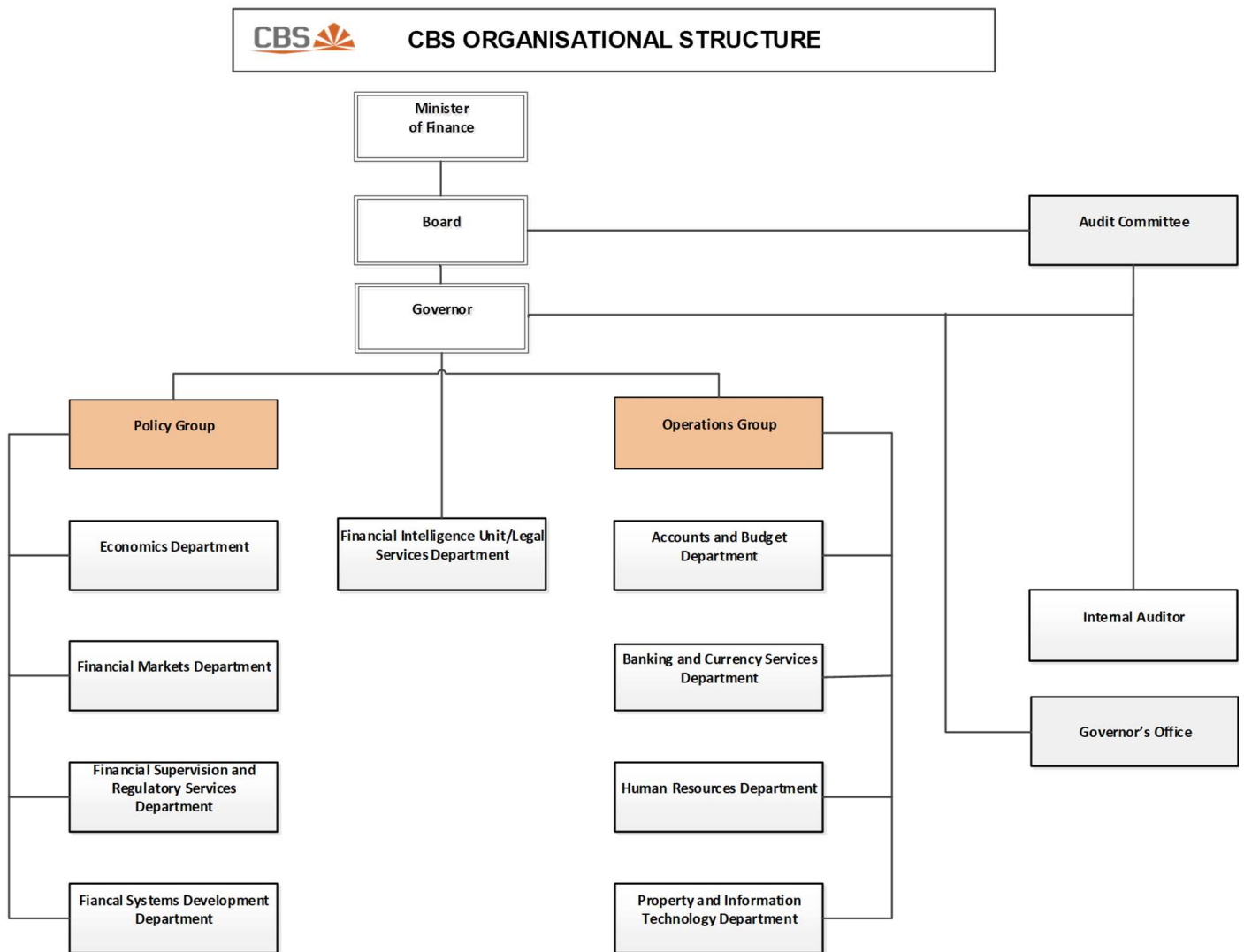
The Central Bank employed a total of one hundred and one (101) staff at the end of June 2022.

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

The Bank's Organizational Structure remained the same as in the previous financial year with twelve (12)¹ Departments allocated under two functional groups (Policy and Operation) under the leadership of two Assistant 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 2021/2022



Source: Central Bank of Samoa, 2022

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I. Governor's Foreword

To say FY2021/2022 was an economically challenging year would be an understatement. While the global economy was already grappling with the COVID-19 pandemic into its second full year marked by the Delta and Omicron variants, the start of the Ukraine war in February 2022 exerted more risks and unprecedented pressures on the global supply chain. These unfortunate developments resulted in a significant rise in international commodity prices and the subsequent acceleration in global inflation rates. Samoa, as a net importer and a small island developing economy, was not immune to this global phenomenon. At the same time, two years since the COVID-19 was internationally declared a pandemic, Samoa recorded its first positive community case in mid-March 2022 which quickly spread and marked the start of a complete national lockdown in the last quarter of the financial year.

With the Samoan economy projected to contract for the third consecutive year, the Central Bank considered it appropriate to maintain its accommodative easing monetary policy stance during FY2021/2022 to support macroeconomic stability and domestic real economic activities. The Central Bank continued to cease its Open Market Operations to ensure sufficient liquidity in the financial system and with moral suasion, encourage low interest rates in the market. So, while the Samoan economy shrank by -6.0 percent in FY2021/2022, it nonetheless reflected some recovery from a larger -7.1 percent reduction in real GDP in the previous year. At the same time, the extraordinary external pressures on international commodity prices during the year resulted in Samoa's inflation rate accelerating to 8.8 percent in June 2022 from -3.0 percent in June 2021. This sharp increase in the inflation rate meant the Central Bank's primary monetary policy objective of low inflation could not be safeguarded – a challenging phenomenon experienced by most monetary authorities in both advanced and developing countries, including Samoa's main trading partners (New Zealand, Australia and the USA). On the other hand, the viability of the country's foreign reserves was well preserved. Reflecting the ongoing assistance of the international community,

mainly from Samoa's development partners to assist the Government's COVID-19 response, as well as strong remittances from individuals and family abroad supported by adequate administration of Exchange Control measures to cushion significant payment outflows, the country's official foreign reserve levels recorded a historical high of SAT\$812.7 million in June 2022. This was sufficient to cover 10.9 months of imports of goods, which was slightly higher than 10.7 months cover in the previous year and was well above the benchmark 4.5 months cover.

Despite the exceptional disruptions from the COVID-19 pandemic and external pressures, ***Samoa's financial system continued to be stable and sound.*** The banking system remained stable with a strong capital position, was highly liquid and the quality of its assets also well-provisioned. Nonetheless, in light of the expiration of some of the commercial banks' COVID-19 relief packages in the second half of this financial year, the Central Bank aims to strengthen its close monitoring and assessment of the financial conditions of the commercial banks in the year ahead. Likewise, the insurance industry recorded a strong overall solvency position and a profitable performance over the year. From a supervisory perspective, onsite inspections of the licensed financial institutions were

undertaken during the year to assess their compliance to the Central Bank's requirements on Prudential Standards, Anti-Money Laundering/Countering Financial Terrorism and Exchange Control matters. While these financial institutions were assessed to be compliant, given the ongoing and currently challenging economic and financial environment, improvements were identified for further strengthening and to ensure Samoa's financial system remains robust and aligned with international standards.

Alongside these, we continued to make progress on the following important projects to support Samoa's evolving financial environment:

- **Samoa's National Risk Assessment (NRA)** – the Draft on Samoa's second NRA has been completed with the support provided by the Asian Development Bank (ADB) and the Asia Pacific Group (APG) on Money Laundering. This important implementation document will be finalized once input from stakeholders are incorporated. We endeavor to submit this implementation plan for Cabinet endorsement within FY2022/2023.

- **National Strategy for Combating Money Laundering and Countering Terrorism Financing** – the Draft Strategy is now completed and will be finalized alongside the NRA.
- **e-KYC Database** - there has been notable progress to date in Samoa's pilot program with the ADB, with the selected vendor undertaking extensive work with the local participants. The system was trialed and found to be compatible with regards to manual onboarding. However, further collaboration with the Office of the Electoral Commission for this project is underway to link the system to their database. This project is targeted to be completed in FY2022/2023.
- **National Payment System** – A gradual progress for this project, with virtual trainings provided to CBS staff and local participants for the Automated Transfer System (ATS+). Likewise, a virtual training on the Central Securities Depository (CSD) System was provided to CBS staff only. Agreements for the installation and delivery of primary and secondary connections for the project were signed with the two telecommunication providers in the country.
- **Credit Data Registry** – this project continues to progress steadily, with CBS working collaboratively with the ADB PSDI team during the year on the Draft Credit Registry Bill and National Credit Registry Regulations. Consultations with our primary stakeholders are anticipated in FY2022/2023.
- **Sustainable Finance Initiative** – enhanced CBS staff capacity and knowledge on green finance requirements for the

progression of the Central Bank's Sustainable Finance Initiative. We acknowledge the support of the Alliance for Financial Inclusion (AFI), the Ministry of Natural Resources and Environment and the Ministry of Finance for their respective roles in the virtual delivery of training.

These developments would not have been possible without the assistance and collaboration provided by Samoa's development partners and community, our regional regulatory authorities as well as the Bank's various partners (locally and internationally).

In the midst of these various challenges and developments, the Central Bank also deepened its connection with our people through:

- support for financial literacy awareness programmes and trainings to the wider community, in partnership with the financial institutions and Government Ministries;
- economic presentations to the private sector and educational institutions; and
- assistance to college and tertiary students as well as other Government agencies with macroeconomic information requests.

With the national COVID-19 lockdowns during the latter half of the year, the Central Bank's business continuity plan, was critically tested. We had to adapt and streamline the delivery of our operations to ensure an efficient continuation of our mandated services to the country. During the Alert Level 3 restrictions, approximately 63 percent of Central Bank staff worked remotely from home with the increased use of

electronic communications to ensure the continued delivery of critical functions. At the same time, rotation of key staff into the Bank's premises to provide essential services during the limited hours as allowed by the Government's lockdown measures was also implemented to minimize the risk of infection and in light of the rapid spread of positive cases in the community since March 2022. The continued delivery of the Bank's services and operations during the prolonged lockdown periods reflected the effectiveness and flexibility of the Bank's business continuity plan to adapt to varying conditions or circumstances from time to time. Nonetheless, we acknowledge that gaps existed, with any shortcomings in our responses taken as all lessons learnt over the past year. These have strengthened and will shape future responses not only to this health pandemic but in any unforeseen or catastrophic event.

During the year, the economic and financial consequences of global developments also weighed significantly on the Bank's financial performance, given the Bank's macroeconomic role. Whereas the Bank has managed its costs and ensured its core operations were not compromised, the heightened volatility in the foreign exchange markets during the year severely impeded on the Bank's financial position (as 84 percent of the Bank's total assets are denominated in foreign currency). From a net profit of SAT\$4.0 million in the previous year, the Central Bank recorded a net loss of SAT\$8.7 million in FY2021/2022.

For the year ahead, high inflation rates will persist (domestically and internationally) with global developments relating to the COVID-19 pandemic and the Ukraine

war also continuing to weigh heavily on the Samoan economy. With the expectation of international borders to re-open on 1st August 2022 providing a glimmer of hope for the resumption of tourism activities, the threat of new global health crises and ongoing climate change issues adds further challenges to existing downside risks to the domestic economy.

In view of this, it is imperative for long run economic sustainability, that the Central Bank continues to provide support to the domestic economy and preserve financial stability in the year ahead. Partnerships and collaboration will remain critical during these unprecedented times.

Overall, I extend my deepest gratitude to the CBS Board, our CBS team and our many stakeholders for their support and guidance during our difficult and challenging journey over the past twelve months. With our shared vision to grow a diversified

Samoan economy that is sustainable and resilient, I am confident that together, we can navigate through these rough and uncharted waters.

A'o tatou folau ai i tai-sou i lenei tausaga, e mapu lava le au-malaga ina ua sisi le la-afa ae pii-ama faatasi le auvaa e folau ai pea ma le faatuatua. E manatu o lea ua te'a i tua Apolima i peau lagavale o le folauga, ina ua togo malama o le alofa tunoa o le Atua a'o saili mafua ai le atunuu aua sona manuia mo le lumana'i.

Soifua ma ia manuia,



Maiava Atalina AINU'U-ENARI
GOVERNOR

2021 - 2022 SNAPSHOT

Real Economic Growth



-6.0%
2021-2022

Inflation Rate



8.8%
June 2022

Inward Private Remittances



\$732.4m
(+20.7% from FY 2020/2021)

Money Supply



\$1,354.7m
3.0% annual growth rate

Official Foreign Reserves



10.9
(month of imports)
June 2022

Government External Debt



43.7%
of nominal GDP as of June 2022

Excess Liquidity



\$313.2m
30 June 2022

Tourism Earnings



\$0

Official Interest Rate



0.15%

Commercial Banks' Interest Rates

WAD rate 1.82%
(-29 bp from FY2020/2021)

WAL rate 8.29%
(-28 bp from FY2020-2021)

Nominal Effective Exchange Rate



-0.14%
Depreciation

Financial System Credit Growth Rate



+2.6%

Capital Adequacy Ratio



28.8%
End of June 2022

II. Monetary policy formulation and the economy

Heightened downside risks in the global scene continued to influence economic activities in FY2021/2022. Adverse COVID-19 developments and the Ukraine war aggravated global supply disruptions during the year, driving multi-decade high inflation rates upward and elevated price pressures across the globe, including Samoa. Further, the outbreak of Samoa's first positive COVID-19 community cases in March and subsequent national lockdowns underpinned a gloomy economic performance for the domestic economy over the last twelve months. In view of this, the Bank's monetary policy remained accommodative in FY2021/2022 to support the economy during these challenging times.

1. The World Economy²

The International Monetary Fund, in its July 2022 World Economic Outlook, projected the global economy to have expanded by 4.65 percent in FY2021/2022 from a 1.50 percent growth in FY2020/2021, the first full COVID-19 impacted year. This recovery, however, was downgraded from earlier projections reflecting a wrought of significant adversities. These included lockdowns in major countries such as China, Australia and New Zealand due to community transmissions of the COVID-19 Delta and Omicron variants, as well as the economic implications from the outbreak of Ukraine and Russian

during FY2021/2022. This resulted in increasing international commodity prices over the year, particularly for fuel, gas and food items. Inflationary pressures as a consequence surged in FY2021/2022 with a reported global inflation rate of 5.85 percent, accelerating from 3.65 percent in FY2020/2021. The inflation rates of Samoa's main trading partners (USA, New Zealand and Australia) were not immune to these upward pressures. Accelerating well above their 2 percent to 3 percent annual target levels, Australia hit a 21-year high inflation of 6.1 percent in the June 2022 quarter while New Zealand surged to a 32-year high of 7.3 percent in the same period with

inflation rates throughout FY2021/2022, most central banks aggressively tightened their monetary policies in the second half of the year, with the RBNZ taking the lead as early as October 2021. As a result, contrary to their monetary policy stances at the start of this financial year, most major central banks worldwide raised their policy interest rates faster than anticipated, from the near zero percent levels in FY2020/2021 to pre-pandemic levels during the year, with the RBNZ hiking their overnight cash rate back up to levels last seen in 2016. (Refer to Table 2).

2. Domestic Economy

Financial year (end June)	Samoa's main trading partners									World Economic Performance		
	New Zealand			Australia			United States of America			Real GDP growth rate	CPI Inflation rate	Unemployment Rate
	Real GDP Growth	CPI Inflation Rate	Unemployment Rate	Real GDP Growth	CPI Inflation	Unemployment Rate	Real GDP Growth	CPI Inflation Rate	Unemployment Rate			
<i>Year on Year Change (%)</i>												
2017/2018	3.2	1.5	4.4	3.2	2.1	5.4	3.3	2.9	4.0	3.70	3.20	5.0
2018/2019	2.1	1.7	3.9	1.7	1.6	5.2	2.0	1.6	3.7	3.25	3.30	5.3
2019/2020	-10.2	1.5	4.0	-6.0	-0.3	7.4	-9.1	0.6	11.1	-0.20	3.07	6.0
2020/2021	17.9	3.3	4.0	9.5	3.8	4.9	12.2	5.4	5.9	1.50 (est)	3.73 (est)	6.4 (est)
2021/2022	0.4	7.3	3.3	3.6	6.1	3.5	1.6	9.1	3.6	4.65 (est)	6.28 (est)	6.0 (est)

Source: IMF Jul 2022 WEO, ILO World Employment and Social Outlook Trends 2022 (for World Unemployment rate), Bloomberg, TradingEconomics, WPC Australia & NZ Weekly Updates and specific country's statistics authorities

war since 24 February 2022 which dominated the global scene in the latter half of this financial year, and set back the global recovery.

Amplified by war-related supply shortages and pre-existing demand-supply imbalances due to COVID-19 developments, the disruptions in the global supply chains deepened

the US recording a near 41-year high at 9.1 percent in June 2022.

Labour market conditions, on the other hand, tightened in 2021/2022 as strong labour demand contributed to decreases in unemployment rates across the globe, particularly in the US and Australia. (Refer to Table 2). Overall, to curb the accelerating

2.1 Monetary Policy Outlook and Targets

At its meeting in September 2021, the Central Bank of Samoa (CBS) Board of Directors approved the continuation of a loosening monetary policy stance to encourage economic investment and recovery, given the expected ongoing adverse economic impacts of

² Sources: IMF World Economic Outlook, Bloomberg, Westpac Market Outlook

TABLE 2: WORLD MONETARY POLICY INTEREST RATES

Fiscal year to end June	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Official international interest rates					
US Federal Reserve	1.75 - 2.00	2.25 - 2.50	0.00 - 0.25	0.00 - 0.25	1.50 - 1.75
Reserve Bank of Australia	1.50	1.25	0.25	0.10	0.85
Reserve Bank of New Zealand	1.75	1.50	0.25	0.25	2.00
Bank of England	0.50	0.75	0.10	0.10	1.25
European Central Bank	0.00	0.00	0.00	0.00	0.00
People's Bank of China	4.35	4.35	3.85	3.85	3.70

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

the COVID-19 pandemic on Samoan economy since the beginning of 2020. Specifically, the Samoan economy was initially expected to rebound by 1.7 percent in 2021/2022 following contractions of -7.1 percent in 2020/2021 and -3.1 percent in 2019/2020. The pickup in economic

activity takes into account the economy moving past a full 12 months of no visitor earnings, so going forward, real GDP is expected to trend upwards after bottoming out in March 2021. In addition, there was an expected recovery in sectors such as 'Commerce', 'Communication',

'Public Administration', 'Personal & other services', 'Construction' and 'Food & Beverage'. (See Table 3.)

On the other hand, the headline inflation rate was projected to rise sharply to around 8.1 percent by end June 2022, underpinned mainly by the expected hike in imported inflation following the sharp rise in imported fuel and food prices. This reflected the ongoing disruptions to the global supply chains, resulting from the adverse impacts of the COVID-19 pandemic and the Russia-Ukraine conflict.

On the external sector, the balance of payments was expected to record a small surplus of \$1.8 million in the FY2021/2022 given the expected increase in remittances and inflow of government grants and normal Budget Support aid from development partners, offset by large import payments and outward investments. As a result, total foreign reserves were expected to rise to \$734.5 million with the import cover falling to 10.1 months from 10.7 months last year. (See Table 3.)

On monetary conditions, total commercial bank lending to the private sector and public institutions was expected to grow by 2.0 percent at end June 2022, up from its growth of 0.3 percent in 2020/2021. This reflects the expected rebound in business activities given the easing

TABLE 3: SUMMARY OF MACROECONOMIC INDICATORS

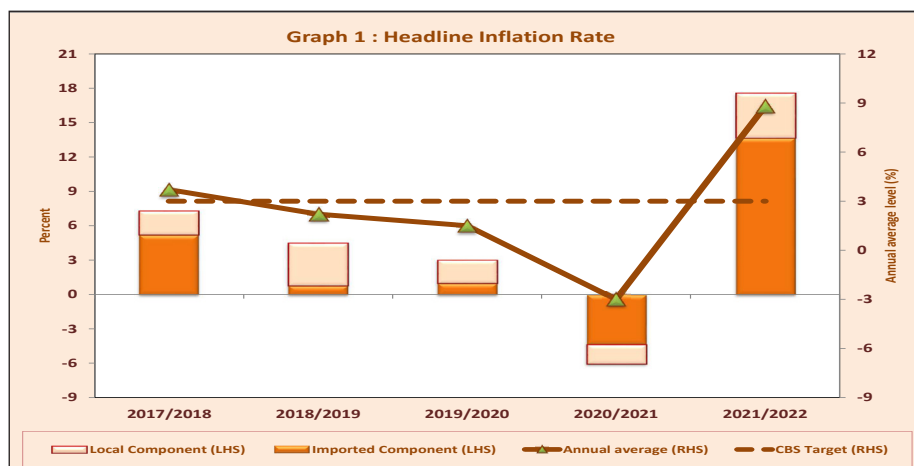
	2019/2020	2020/2021	Revised Forecast as of Feb 2022 2021/2022	Actual 2021/2022
Real Sector				
Real GDP (% change)	-3.1%	-7.1%	1.7%	-6.0%
Nominal GDP (% change)	-2.4%	-6.9%	3.8%	3.5%
Headline Inflation Rate (% change)	1.5%	-3.0%	8.1%	8.8%
Underlying Inflation Rate (% change)	2.1%	-2.1%	7.9%	8.4%
External Sector				
Exports (tala Mn)	122.2	89.5	75.8	82.9
Exports (% change)	-6.7%	-26.7%	-15.3%	-7.4%
Imports (tala Mn)	853.3	820.7	876.4	897.5
Imports (% change)	-6.7%	-3.8%	6.8%	9.4%
Remittances (tala Mn)	567.5	606.7	662.5	732.4
Remittances (% change)	5.6%	6.9%	9.2%	20.7%
Visitor Earnings (tala Mn)	375.3	0.0	0.0	0.0
Visitor Earnings (% change)	-30.4%	-100.0%	0.0%	0.0%
BOP Surplus/(deficit) (tala Mn)	103.6	138.4	1.8	80.0
Foreign Reserves (tala Mn)	594.3	732.7	734.5	812.7
Import Cover (months)	8.4	10.7	10.1	10.9
Monetary & Financial Sector				
Bank Credit to Private sector & NFIs (% change)	6.4	2.1	2.0	0.9
Broad Money Supply (% change)	1.8	5.5	3.4	3.0

of pandemic restrictions as also supporting an expected recovery of the economy. As a result, the annual growth rate of money supply (M2) was expected to grow by 3.4 percent in 2021/2022 from 5.5 percent at end June 2021. (See Table 3.)

2.2 Monetary Policy Outcomes

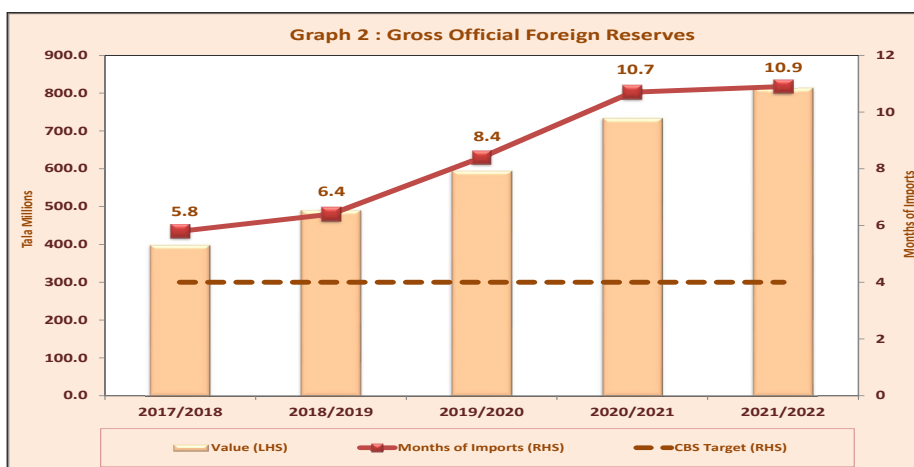
Rising external inflationary pressures from sharp hikes in most international commodity prices starting from the latter half of 2021 (and to a lesser extent expansion in local prices), saw the annual average headline inflation rate jump to 8.8 percent, its highest since the last quarter of 2009. This was a sharp turnaround from -3.0 percent at end June 2021 but within its revised projection of 8.7 percent. This upward trend during the year was consistent with those of our major trading partners of New Zealand, Australia and the USA. (Please refer to Table 1). By subcomponent, the imported component inflation surged to 13.6 percent from -4.3 percent at the end of last year while its local component also jumped to 3.9 percent at end of 2021/2022 from -1.7 percent at end June of 2021. Responsible for the sharp hike in imported inflation was the surge in international commodities prices, mainly fuel and food prices but also increases across the board in terms of construction materials, gas, transportation (airfares) and freight services etc... In addition, local commodity prices for items such as local agricultural produce and final goods and services that uses imported inputs like restaurant meals and 'elei' clothes also went up in FY2021/2022.

To address the adverse impacts of the COVID-19 pandemic, Samoa continued to receive financial assistance (apart from the usual



budget support funds) from its development partners (such as the International Monetary Fund (IMF), World Bank (WB), Asian Development Bank (ADB), New Zealand and Australian governments) since the start of the current financial year. As a result, the balance of payments registered a modest surplus of \$79.97 million in FY2021/2022 on top of a hefty surplus of \$138.4 million in FY2020/2021. Consequently, total official foreign reserves³ expanded to a record high of \$812.7 million, a level that was sufficient to cover 10.9 months of imports of goods only, well above its forecast of 10.1 months. Total private remittances also expanded significantly by 20.7 percent to \$732.43 million in

sharp jump in funds for families and households, mainly from Australia and New Zealand. As expected, there were no visitor arrivals and earnings given the continued border closure since March 2020. Total exports of goods dropped by 7.4 percent to \$82.9 million, given the substantial reduction of fish exports in the first half of FY2021/2022. In contrast, total imports rebounded by 9.4 percent to \$897.5 million when compared to last year, higher than its forecast growth of 6.8 percent due to increases in petroleum and non-petroleum imports. (See Graph 2 and Table 3.) The total banking system liquidity contracted by \$24.6 million (or 6.6 percent) to \$346.2 million at end June 2022, considering a decline



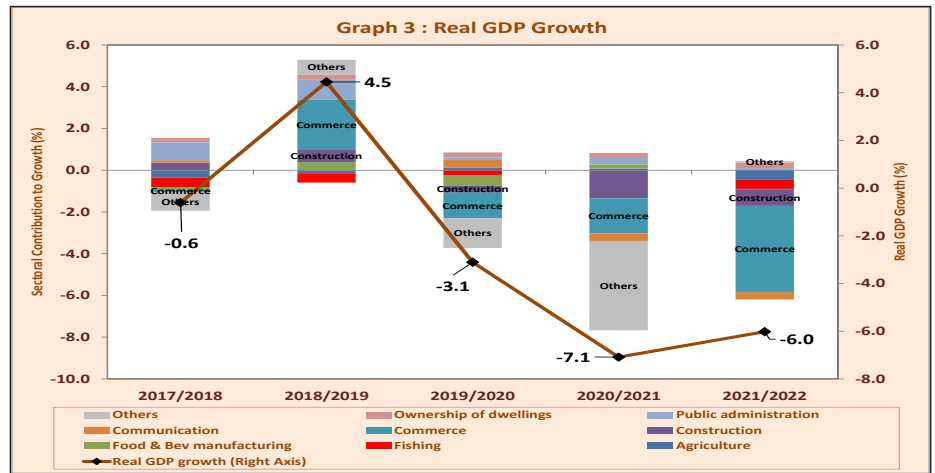
2021/2022, which was much higher in banks' excess reserves, which than its revised forecast given the outweighed a gain in their vault

³ 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.

cash holdings while the issuance of Central Bank securities remained on hold since April 2020. The combined commercial banks total credit to the private sector and public institutions continued to remain weak, falling by 0.3 percent (year on year) to \$1,171.8 million at end June 2022. However, on an annual average basis, commercial banks' credit to the private sector and public institutions combined increased slightly to 0.9 percent in FY2021/2022 from 0.8 percent last year but was below its 1.7 percent forecast. Total money supply grew by 3.0 percent at end June 2022, down from 5.5 percent at end of June 2021 and was lower than its forecast of 7.0 percent for FY2021/2022. (See Table 3.)

Despite the strong external position and gradual improvement in domestic activity as Samoa moves past a full year without tourism, real GDP contracted further by -6.0 percent in FY2021/2022, which was well below its outlook due to the unexpected adverse impact of the SOE lockdowns from February to May 2022. However, it was a slight improvement from -7.1 percent in FY 2020/2021.

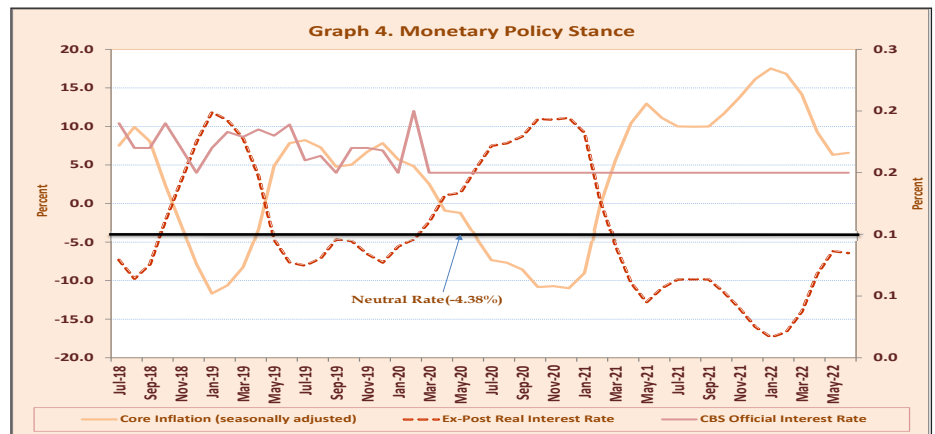
The main drivers of this decline in FY2021/2022 were mainly a substantial reduction in the 'Commerce' sector reflecting to some extent the effects of the COVID-19 lockdowns. Decreased activities were also recorded in the 'Construction', 'Communication', 'Transport', 'Agriculture' and 'Other manufacturing' sectors to name a few. On the upside, expansions were recorded for 'Electricity and water', 'Ownership of dwellings', 'Other manufacturing', 'Financial services' and 'Business service' amongst others in the reviewed period. (See Graph 3 and Table 3.)



2.3 Conduct of Monetary Policy Stance

In trying to ascertain the effectiveness of the conduct of monetary policy, we compile and analyze the real interest rates⁴ as well as a neutral interest rate⁵. Where the real interest rate is above the neutral interest rate, monetary policy may be observed to exert a tightening effect on the Samoan economy and where the real interest rate is below the neutral interest rate, it is applying an expansionary influence on the economy. As indicated in Graph 4, there may also be periods in which the actual monetary conditions may differ from the implemented monetary policy stance over time.

Based on the latest assessment, it is observed that starting from March 2021 up to June 2022, the real interest rate was below the neutral rate of interest indicating a loosening of monetary policy conditions as the sharp rise in core inflation, saw real interest drop well below the neutral rate. Accordingly, monetary conditions were consistent with the Bank's monetary policy stance during the year. (See Graph 4.)



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

⁵ The Neutral interest rate, also called natural rate of interest, is the interest rate where the economy is at maximum output while keeping inflation constant.

III. Monetary policy implementation and exchange control

Since January 1998, the Central Bank has been implementing monetary policy by issuing its Own Securities using market-based techniques – commonly known as open market operations - complemented by its exchange rate and currency issue functions, Statutory Reserve Deposit prudential requirement (Section VI (1.4)), foreign exchange control and moral suasion. Non-traditional mechanisms, through credit line facilities⁶ to non-bank financial institutions, were also introduced since the 2009 Global Financial Crises.

1. Monetary Policy Implementation

Union, Australia and New Zealand in FY2021/2022. This means that

in view of fluctuating global and domestic financial conditions over time, the currency basket is assessed and reviewed on a regular basis. The adverse economic and financial developments since the onset of the COVID-19 pandemic have resulted in more frequent reviews, from annual to a quarterly basis.

Open Market Operations (OMO)

- To ensure ample bank liquidity is available to fund and support economic activity during the pandemic, there continued to be no issuance of any CBS Securities during FY2021/2022.
- This was the second consecutive year of no new issuance of CBS Securities since the last outstanding paper was settled in May 2020.
- This stance on OMO activities was assessed and monitored on a monthly basis by the Bank on the availability of economic and financial indicators as well as their outlooks.

CBS credit facilities to commercial banks

- The COVID-19 standby credit facility introduced in April 2020 remained available to the commercial banks during FY2021/2022. However, it was not accessed by any of the commercial banks.
- Of its traditional stand-by credit facilities, the Repurchase and Rediscount facilities were also not accessed or required in the year.
- Similarly, the inter-bank loans market was not utilised during the reviewed period, with the inter-bank borrowing rate remaining at 3.50 percent from end FY2017/2018.

CBS credit facilities to non-bank financial institutions

- No new credit line facility (CLF) was introduced in the year. Accordingly, the total CBS CLF approved and disbursed to the general public remained at SAT\$135.0 million, with the last CLF disbursement recorded in June 2019.
- The total outstanding CLF balance at the Central Bank at the end of FY2021/2022 was recorded at SAT\$79.66 million, declining from SAT\$85.15 million in the previous year.
- Due to the ongoing adverse implications of the COVID-19 pandemic on domestic economic activities, the Central Bank considered and provided further COVID-19 repayment relief support to one of the non-bank financial institutions.

In FY2021/2022, the Samoa Tala depreciated 1.3 percent against the US dollar and appreciated against the NZD (by 0.8 percent), AUD (by 1.5 percent) and the Euro (by 4.4 percent). This largely reflected the strengthening of the US dollar against these major currencies due to the following factors:

- Increased demand or appeal for the safe-haven greenback as:
 - * Investors' appetite for "risky assets" were weighed down by the swift spread of the two COVID-19 strains, the Delta variant and Omicron, during the year;
 - * The outbreak and subsequent intensity of the Russian-Ukraine crisis triggered more economic turbulence since March 2022;
 - * The soaring energy prices contributed to strong inflationary pressures affecting business

2. Exchange Rate⁷

The Samoa Tala remains pegged to a currency basket that comprises of the currencies of the United States of America, the European

the fluctuations in these currencies will also drive the movement of the Samoa Tala from time to time. To ensure the Samoa Tala currency continues to be competitive and the exchange rate regime is relevant

⁶ The Central Bank of Samoa has extended five separate Credit Line Facilities (CLF) since 2009. These credit lines were extended for specific purposes, mainly with the intent to boost growth in the economy. The first one is known as the Tsunami CLF, which was introduced to assist tsunami affected businesses. The second CLF was a long term CLF that was introduced as part of the Bank's monetary policy transmission mechanism to stimulate growth in selected priority sectors of the economy. The third was the Cyclone Evan CLF mainly extended to assist those households and businesses particularly hotel accommodations that were significantly affected by the cyclone. The fourth CLF was extended to stimulate the economy and assist with the hosting of the SIDS and Commonwealth Youth Games. The fifth CLF was to inject further stimulus to selected priority sector in the economy.

⁷ The main objective of the Central Bank's exchange rate policy is to ensure that exports remain competitive in overseas markets while at the same time minimizing imported inflation. The exchange rate of the Tala is determined on the basis of a trade-weighted basket of currencies. The basket is based on Samoa's distribution of merchandise trade and tourism earnings. This currency basket is reviewed annually to reflect changes in trade and payment patterns between Samoa and its major trading partners.

activities;

* Global recession fears intensified following aggressive monetary policy responses by most major central banks in efforts to curb high and persistent inflation rates.

- Favorable US economic data releases relative to other major economies;
- Public announcements and subsequent actions by the US authorities

* statements from high level Federal Reserve Bank officials, affecting market sentiment;

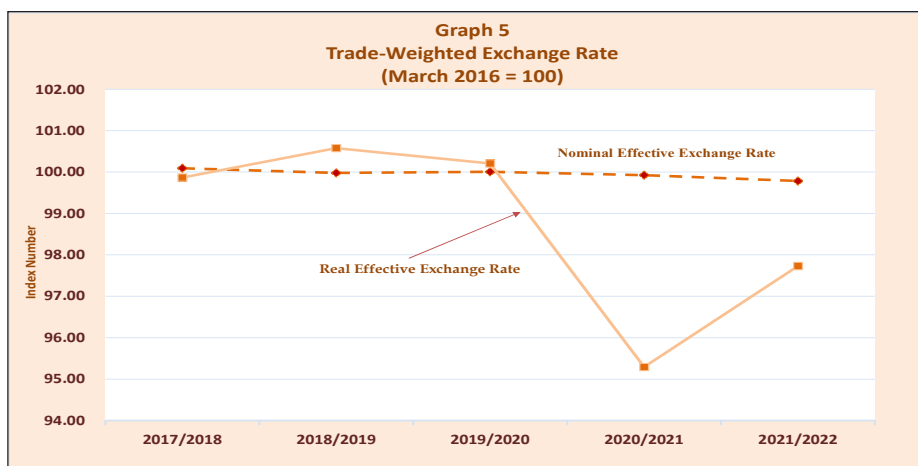
* Earlier and larger than anticipated US interest rate hikes;

Overall, the nominal value of the Samoa Tala weakened modestly by 0.14 percent but appreciated 2.56 percent in real terms against the currencies in the basket in FY2021/2022. The real appreciation during the period under review was attributed to Samoa's higher inflation rate compared to those of its main trading partners. (See Graph 5).

3. Foreign Reserves Management

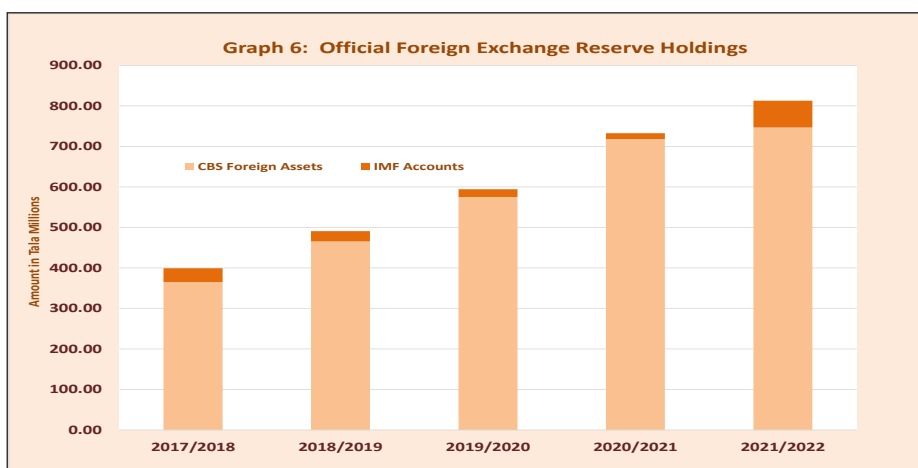
Since 1984, the Central Bank of Samoa has been given the statutory (legal) responsibility of maintaining and managing the country's foreign exchange reserves.

Samoa's official international reserves comprise of the holding of foreign exchange reserves by the Central Bank and the country's IMF Accounts, which include its Special Drawing Rights (SDR) Holdings⁸. At



end June 2022, the country's official international reserves increased by 10.9 percent to SAT\$812.7 million from SAT\$732.7 million in the previous financial year. This reflected a 4 percent expansion in the Central Bank's foreign exchange holdings⁹ to SAT\$746.80 million from SAT\$718.2 million in FY2020/2021 due to the influx of official aid funds for COVID-19 responses in view of Samoa's first community transmissions since March 2022 and usual Budget Support from its development partners during the year. At the same

time, Samoa's SDR holdings and Reserve Position at the International Monetary Fund grew significantly to SAT\$66.0 million, from SAT\$14.5 million. This increase largely reflected the receipt of Samoa's share from the IMF's historic and largest general SDR allocation of USD\$650 billion to all member countries in August 2021 to provide global liquidity support for the COVID-19 pandemic, which was partially offset by the repayments of Rapid Credit Facilities (RCF) to the IMF¹⁰. (See Graph 6.)



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

⁹ 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).

¹⁰ Samoa received an allocation of SDR\$15.5 million, equivalent to approximately SAT\$55.5 million from this general SDR Allocation from the IMF. For the RCF repayments, kindly refer to Note 14 of the CBS Financial Accounts. The Rapid Credit Facilities from the IMF are loan facilities to support Samoa's official foreign reserves and are solely for balance of payments purposes. Accordingly, they are reflected in the CBS Financial Accounts and are not part of the country's external debt position.

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

This document is reviewed on an annual basis, to reflect prevailing economic and financial conditions as well as international best practises for the management of foreign reserves¹¹.

from our main development partners, with grant funds received alongside the usual Budget Support assistance in the latter half of the year. On the other hand, the heightened risks from accelerating global inflationary pressures which was exacerbated by the Ukraine/Russia war in the second half of the financial year, saw a swift change in monetary policy stances in most of the advanced economies, with some policy interest rates increased to pre-COVID19 levels. These global downside risk factors underpinned the volatility in the foreign exchange markets and exerted further challenges to the management of foreign reserves. To minimise the adverse and major effects of exchange rate movements on the value of foreign reserves, the composition of our foreign reserve assets is generally comparable to the Samoa Tala basket. These are primarily held in the currencies of the US, Australia and New Zealand with modest proportions in the Chinese currency and the British Pound. CBS foreign exchange reserves are also allowed to be held in the Euro and Japanese Yen currencies, but there are none to date. The composition, which is reviewed annually as part of the investment parameters, reflect the country's major sources of foreign exchange reserves and projected overseas payment obligations at various foreign currencies, while also noting expected global yield environment and foreign exchange outlook.

i. Highly Liquid Investments	Short term to medium term financial instruments including term deposits, negotiable certificates of deposits, repurchase agreements and interest-bearing call accounts in Reserve Banks and financial institutions. Investment in bonds is limited to 3 years.
ii. Secure and high credit-rated financial institutions	Minimum of A-2 credit ratings for short term and BBB+ for long term, according to Standard and Poors.
iii. Optimal returns	Where possible, having satisfied the first two objectives
iv. Sustainable and responsible investment	This is a new objective endorsed by the CBS Board in 2020, allowing for any excess foreign reserves to be held in a sustainable and responsible investment, reflecting broad environmental, social and governance (ESG) considerations. During FY2021/2022, the Central Bank placed its first investment in a USD mutual fund of green bonds with the Bank of International Settlements (BIS).

TABLE 4. RETURN ON FOREIGN RESERVES

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Foreign Reserves Interest Income (SAT\$m)	7.88	10.99	9.40	5.94	6.12
Year-end Level of Foreign Reserves (SAT\$m)	362.19	465.42	575.30	718.19	746.80
Average Return on Investment (%)	2.71	2.83	2.02	0.85	0.86

Source: Central Bank of Samoa

These foreign reserves management objectives are facilitated through the management of key risks, namely liquidity, credit, interest and foreign exchange risks that are outlined in the Bank's CBS Foreign Exchange Investment Policy and Guidelines.

The continued challenges from the COVID-19 pandemic on the global economy intensified further for Samoa following the country's first cases of community transmission in mid-March 2022. This resulted in the immediate response and assistance

Overall, the level of foreign reserves (available for investment and payment purposes) at end FY2021/2022 is the highest recorded level so far at SAT\$746.8 million. This contributed to an increase in foreign

¹¹ The 2021 review of the CBS Foreign Exchange Investment Policy and Guidelines was endorsed by the CBS Board of Directors in the May 2021 Meeting and took effect on 1st July 2021. The 2022 review was endorsed by the CBS Board in June 2022 and will take effect on 1st July 2022.

exchange income of \$6.1 million for FY2021/2022, which was equivalent to an average return on the foreign reserves investment portfolio of 0.86 percent, slightly higher than the previous year.

4. Foreign Exchange Control¹²

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

Effective 1st August 2021, medical or health payments abroad were fully delegated to the authorized banks and money transfer operators to process, alongside procedural changes for applications of foreign currency accounts by Samoan residents. Throughout the year, continued emphasis was placed on exchange control compliance with ongoing monitoring through regular assessments of the Foreign Exchange Payments Reports submitted electronically to the Central Bank. These were complemented by an onsite visit on the operations and documentary record-keeping of the authorized foreign exchange dealers. These onsite visits were to be on a quarterly basis but were impacted by the COVID-19 lockdowns during the year.

In view of the Government's Alert Level 3 COVID-19 national lockdown from March to April 2022, the electronic submission and processing of exchange control applications (for foreign payments and export permits) were accepted. The review

of export procedures was also undertaken during the year, with ongoing discussions with exporters and relevant government agencies to identify possible alternative and efficient options for the sector.

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. Subject to 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.

¹² Foreign Exchange Control plays a complementary role to monetary policy and financial system supervision, ensuring that the country's foreign exchange reserves are used for legitimate purposes and maintained at a sustainable level.

IV. Financial System Supervision

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

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

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

1. Commercial Banks

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

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

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

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

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

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

1.1. Financial Position of the Banking System for the twelve months ending June 2022

For the last twelve months, the banking system experienced strong growth in the overall level of assets. Capital adequacy ratio remained relatively steady and supported by banks' sound profitability performance over the past twelve months. The quality of the banks' assets unfortunately indicated an increase in non-performing loans. However, provisions for bad and doubtful debts were sustained at an adequate level at the end of June 2022.

In June 2022, the banking system recorded an increase in total assets of 5.0 percent (\$93.0 million) to \$1.9 billion against total liabilities of \$1.6 billion which went up by 5.2 percent (\$80.4 million) respectively.

Much of the growth in assets was attributed mainly to the remarkable increases in currency and deposits by 14.0 percent (\$79.5 million), debt securities by 5.1 percent (\$0.4 million), nonfinancial assets by 2.5 percent (\$3.2 million), other assets by 3.9 percent (\$1.7 million) and net loans and advances by 0.7 percent

(\$8.3 million) in that order. Total loans and advances to deposits ratio went down from 79.8 percent a year earlier to 76.8 percent to date.

1.2 Capital Adequacy Ratio

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

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

Tier one capital combined amounted to \$249.9 million, increased by 5.1 percent (\$12.2 million) from \$237.7 million a year earlier due mainly to the increase in prior year’s audited retained profits. Tier two capital of \$41.4 million declined by 5.4 percent (\$2.3 million) caused mainly by the decreases in the unaudited retained profits, revaluation reserves and general provision for doubtful debts bringing total capital (Tier one plus Tier two) to \$291.4 million at the end of the period.

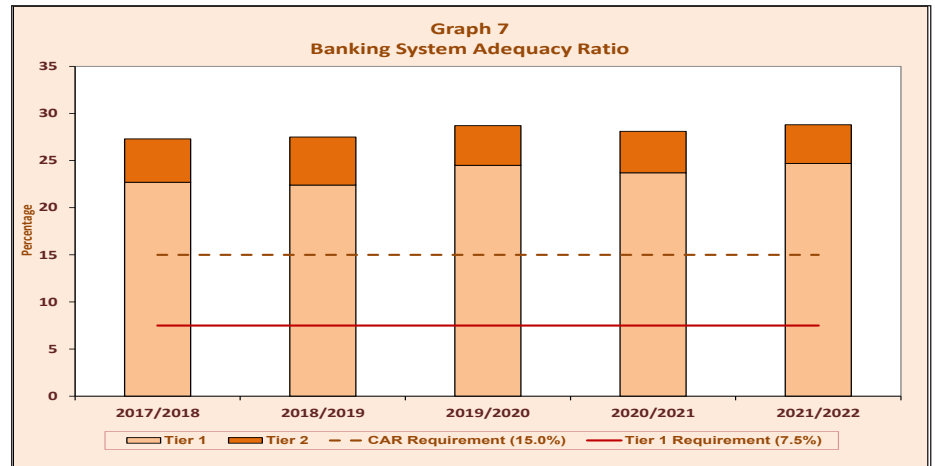
Hence, the banking system remained strongly capitalized with an aggregate ratio of 28.8 percent, 28.1 percent recorded the previous year. Meanwhile, Tier one capital was recorded at 24.7 percent. At such levels, the banking system recorded a surplus capital of \$139.4 million at the end of June 2022.

These ratios are comfortably above

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

for potential or identified losses.

In the twelve months to end June 2022, total loans and advances increased by 1.6 percent (\$18.4 million) to \$1.2 billion. At this level, total non-performing loans revealed an increase by 26.2 percent (\$11.2 million) to \$54.0 million representing

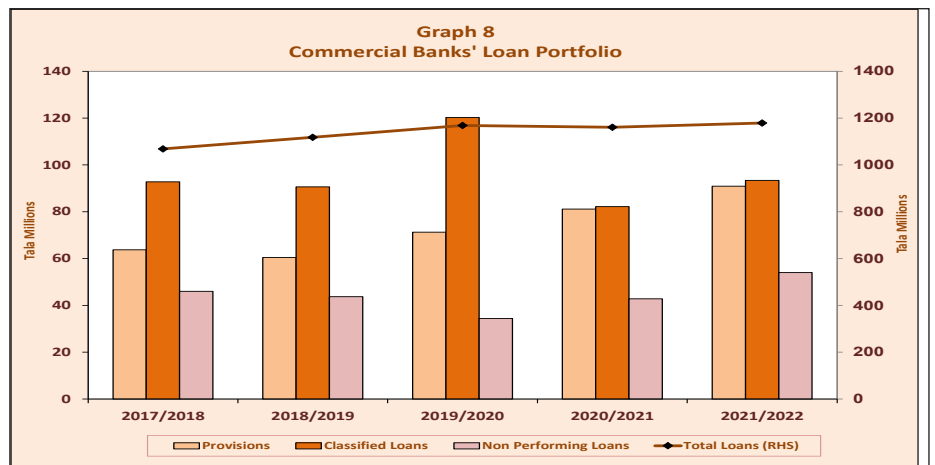


1.3. Asset Quality

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

a 4.6 percent of total loans and advances.

At this level, specific provision of \$52.2 million provides 96.7 percent cover for total non-performing loans. Total provisions for bad and doubtful loans amounted to \$90.9 million (7.7 percent of total loans and advances to date) is sufficient to cover any loss against total non-performing loans. (See Graph 8).



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

Diversification of risks is one of the fundamentals of prudent banking. Excessive concentration of risk exposure to one customer, industry, economic sector or activity jeopardizes the soundness of banks' assets and has been one of the major causes of bank losses.

The composition of loans by industries revealed that over the past twelve months; building, constructions and purchasing of land continued to be the largest industry exposure at 38.6 percent (\$455.0 million), showed a decrease of 3.2 percent (\$14.9 million). Other industries such as professional services accounted for 17.8 percent (\$209.3 million), up by 5.9 percent (\$11.6 million), trade at 14.6 percent (\$171.9 million) down by 0.3 percent (\$0.6 million), transportation at 5.5 percent (\$64.9 million) down by 13.7 percent (\$10.3 million), manufacturing at 2.9 percent (\$34.0 million) decreased by 11.3 percent (\$4.3 million), household consumptions at 6.4 percent (\$75.5 million) increased outstandingly by 364.7 percent (\$59.2 million) and other activities at 11.4 percent (\$168.4 million) decreased by 11.7 percent (\$22.3 million) in that order. (Refer Table 5)

In terms of loans by sectors, the business sector which contributed 51.7 percent substantially decreased by 6.3 percent (\$40.8 million) while household loans which made up 42.6 percent of total loan portfolio registered an increase of 8.8 percent (\$40.6 million) accordingly. Other nongovernment organizations constituted 2.4 percent (\$28.2 million) and revealed an increase of 15.3 percent (\$3.7 million) over the year. Credit exposure to the

	<u>2020/2021</u>	<u>2021/2022</u>
Agriculture	0.7	0.7
Fisheries	0.9	0.9
Manufacturing	3.3	2.9
Building, Construction & Land	40.5	38.6
Electricity, Gas & Water	1.3	1.2
Trade	14.9	14.6
Transportation	6.5	5.5
Professional Services	17.0	17.8
Household consumptions	1.4	6.4
Others	13.5	11.4
TOTAL	<u>100.0</u>	<u>100.0</u>

Government sector, including non-financial public enterprises and non-monetary financial institutions went up by 60.8 percent (\$14.7 million).

1.4. Liquidity Management

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

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

At the end of June 2022, total liquid assets amounted to \$346.3 million, equivalent to 25.4 percent of total domestic deposit liabilities. At this level, it showed a reduction of 6.6 percent (\$24.4 million) when compared to the same time a year earlier. In addition, investments in CBS Securities continued to record a zero amount at the end of June 2022 reflecting the action undertaken

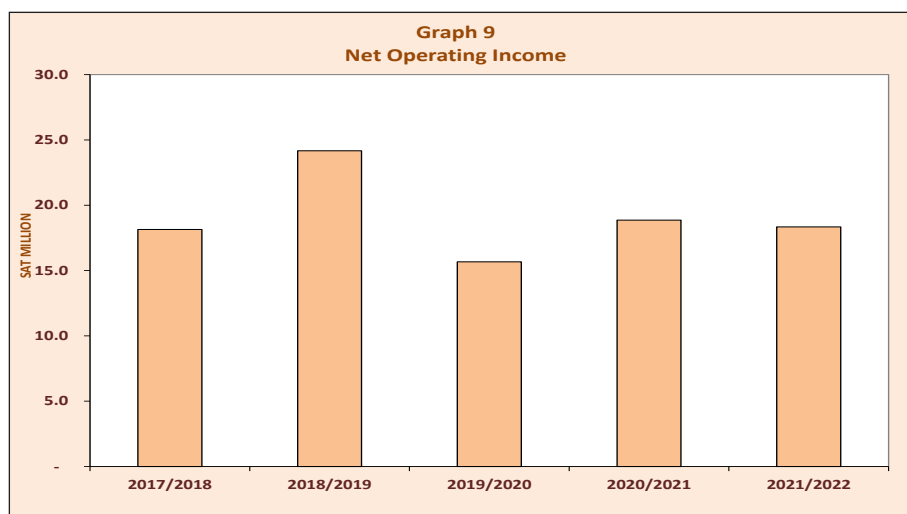
by the Bank to withhold issuing securities during the Covid-19 state of emergency.

In the matching of loans and deposits by residual maturity, total short-term loans (up to 3 months maturity) plus liquid reserve funds amounted to \$845.2 million as compared to short term deposit liabilities of \$958.2 million. In the 3 months and over category, long term loans stood at \$1.0 billion against long term deposits of \$406.9 million, revealing a significant mismatch in the residual maturity of funds for the period under review. This trend is however closely monitored in consultation with the banks given the volatile nature of deposit funds in the market in order to ensure that banks are able to meet their liquidity obligations at all times.

1.5. Profitability

Based on the banks' different accounting periods, the banking system combined profit figure (before extraordinary items and taxation) amounted to \$25.1 million, indicating a decrease of 3.0 percent (\$0.8 million) over a year earlier. Despite the adverse impact of the covid-19, the banking system gained profits at the end of the period under review. Following the deduction of tax, the net profit for the commercial banks in 2021/2022 stood at \$18.3 million

compared to \$18.9 million recorded (\$0.2 million) respectively. in the previous year. (See Graph 9)



Total operating income went up by 2.5 percent (\$1.8 million) while total operating expenses and provisions increased more by 5.6 percent (\$2.6 million) on an annual basis respectively. At this level, the efficiency ratio of the banking system stood at 55.1 percent, strengthened from 59.4 percent registered a year earlier.

On the income side, the major contributing factor highlighted a reduction in the banks' interest income of million on an annual basis.

The overall increase in total operating expense by 5.6 percent (\$2.6 million) caused mainly by the growth in the provisions by 129.1 percent (\$4.7 million), depreciation/amortizations by 17.4 percent (\$0.6 million) and the combine of audit fees, rental/occupation costs, computer processing, communication costs and taxes and licenses by 11.9 percent (\$0.4 million). This was partially offset by decreases in interest expenses by 19.3 percent (\$2.4 million), salaries and other benefits by 3.4 percent (\$0.4 million) and directors and management fees by 4.6 percent

Return on average net worth of 14.2 percent and return on average total assets of 2.5 percent both decreased as compared to the levels recorded at June 2021.

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 2022 stood at \$241.3 million, up by 51.0 percent (\$81.5 million) over June 2021. Total foreign liabilities of \$241.4 million also increased by 40.3 percent (\$69.4 million) over the same time a year earlier. At this level, the banking system reflected a net short open position of \$6.2 million, accounting for 2.1 percent (6.5 percent a year earlier) of total capital which is within the 25.0 percent maximum limit set by CBS.

Non-Bank Financial Institutions

2. Domestic Insurance Industry

2.1. Administration of the Insurance Act 2007

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

2.2. Domestic Insurance Outlook

At the end of FY2021/2022, the insurance industry performed well and remained resilient, achieving good results as follow:

- Total assets of \$130.6 million;
- Solvency surplus of SAT\$33.3 million;

- Unaudited net profit after tax of SAT\$8.4 million;
- Underwriting surplus of SAT\$14.4 million;
- Liquid assets aggregated at SAT\$39.0 million;
- Combined gross premiums income of SAT\$24.4 million; and
- Gross claims paid and policy payments totalled SAT\$4.4 million.

3. Other Major Non-Bank Financial Institutions

3.1. Prudential Supervision of Non-Bank Financial Institutions

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

The major non-banks include the Samoa National Provident Fund (SNPF), the Development Bank of Samoa (DBS), the Samoa Housing Corporation (SHC) and the Unit Trust of Samoa (UTOS). These non-banks were established under their own legislation.

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

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

Regular financial returns from non-banks are furnished on a monthly and quarterly basis for ongoing reviews and analysed in determining the quality of key areas of their operations for financial soundness.

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

3.2.1. Balance Sheet

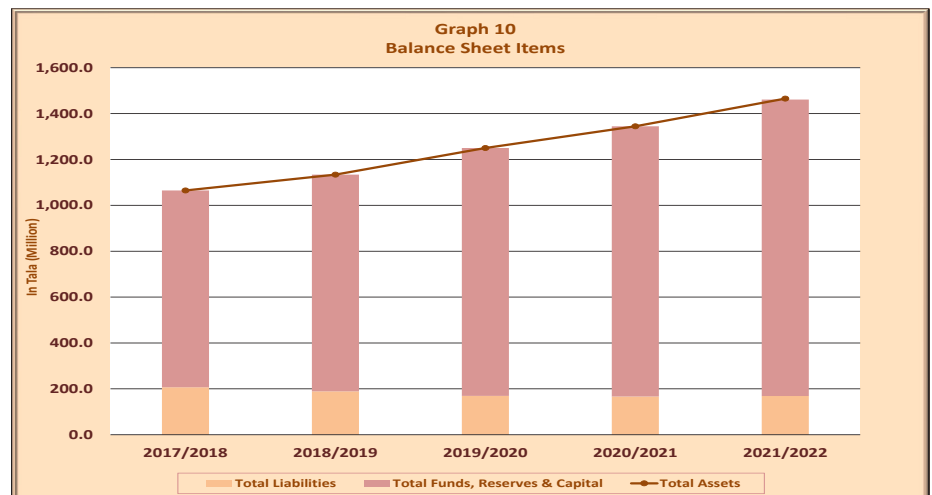
3.2.1.1. Total Assets

Total assets of the four (4) non-banks at the end of June 2022 stood at \$1.5 billion, up by 8.3 percent (\$120.9 million) as compared to June 2021. Such movement was caused by the growths in investments by 30.1 percent (\$77.2 million), fixed assets (net) by 12.6 percent (\$30.9 million), loans and advances (net) by 6.3 percent (\$56.1 million) and other assets by 20.2 percent (\$2.5 million) in that order. (refer Graph 10).

million, representing 68.6 percent of liabilities. The remaining 31.4 percent comprised of convertible notes of \$30.3 million and other liabilities aggregated at \$22.6 million in that order (refer Graph 10).

3.2.1.3. Total Funds, Reserves and Capital

For FY2021/2022, total Funds, Reserves and Capital of the four non-banks stood at \$1.3 billion and recorded an increase by 8.9 percent (\$115.0 million) as compared to the preceding year. The contributions, general reserves and other accounts with a combined total of \$1.2 billion represented 95.5 percent of total funds and reported an increase by 20.0 percent (\$117.7 million). Other components included assets revaluation, cumulative profits and paid-up capital aggregated at \$57.8 million (4.5 percent) respectively (refer Graph 11).



3.2.1.2. Total Liabilities

Similarly, total liabilities of \$169.6 million grew by 1.1 percent (\$1.9 million) over the last twelve months. During the period, borrowings diminished by 7.4 percent (\$8.5 million) to \$115.7

3.2.2. Total Loans and Advances

At the end of June 2022, the total loan portfolio (gross) of the non-banks grew by 4.0 percent (\$36.4 million) to \$905.3 million as compared to June 2021. The distribution of loans by industry groups revealed that

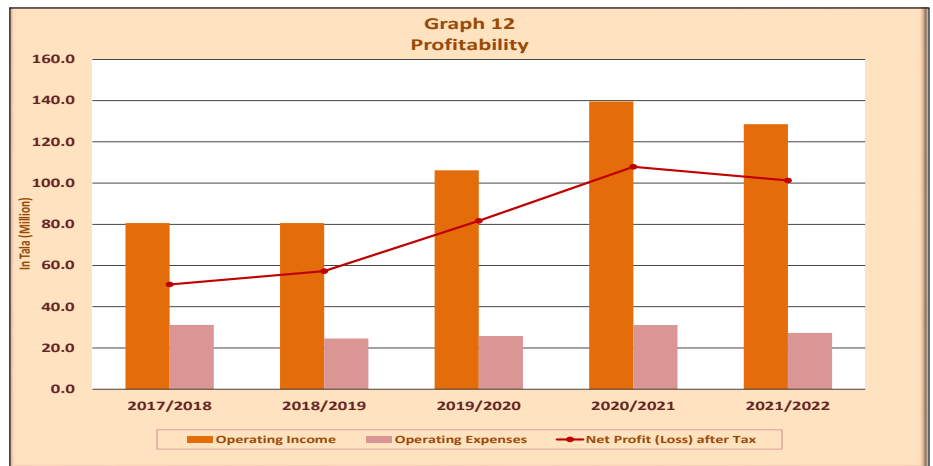
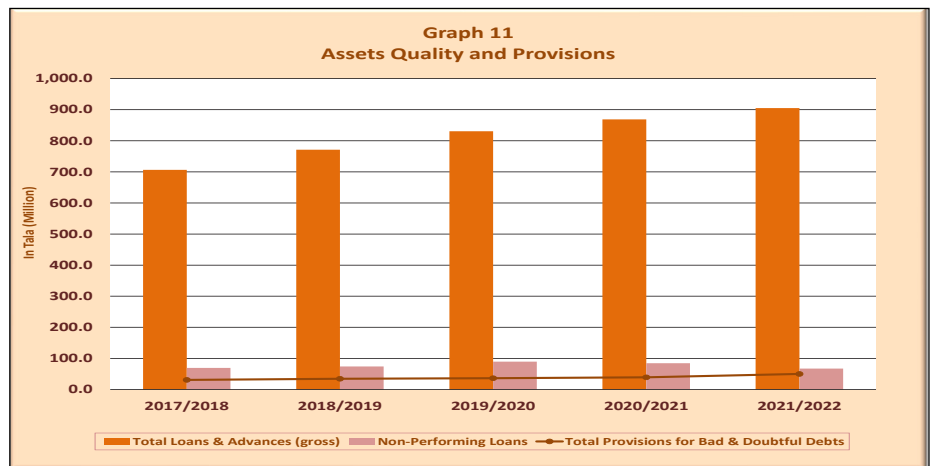
Professional and Business Services represented 21.4 percent (\$193.7 million), Building, Construction and Installation by 20.5 percent (\$185.4 million), Agriculture, Fisheries, Manufacturing, Trade and Transport accounted for 4.5 percent (\$40.5 million) and other activities dominated 53.6 percent (\$485.6 million) correspondingly (refer Graph 11).

3.2.3. Assets Quality and Provisions

For FY2021/2022, the non-banks registered a combined non-performing loans (NPLs) balance of \$67.3 million compared to \$84.6 million reported in FY2020/2021, showing a decrease by 25.6 percent (\$17.2 million). Total NPLs is equivalent to 7.4 percent of total loans and advances. At this level, total provisions for bad and doubtful debts of \$50.1 million (\$39.4 million in June 2021) accounted for 74.3 percent of total NPLs and 5.5 percent of total loan portfolio respectively (refer Graph 11).

3.2.4. Profitability

The non-banks recorded a combined unaudited profit after tax of \$101.3 million at the end of FY 2021/2022, recording a decrease by 6.5 percent (\$6.6 million) over the last twelve months unaudited profit of \$107.9 million. Meanwhile, total operating income stood at \$128.6 million (\$139.6 million last year) whilst total operating expenses recorded at \$27.3 million (\$31.1 million in June 2021) respectively.

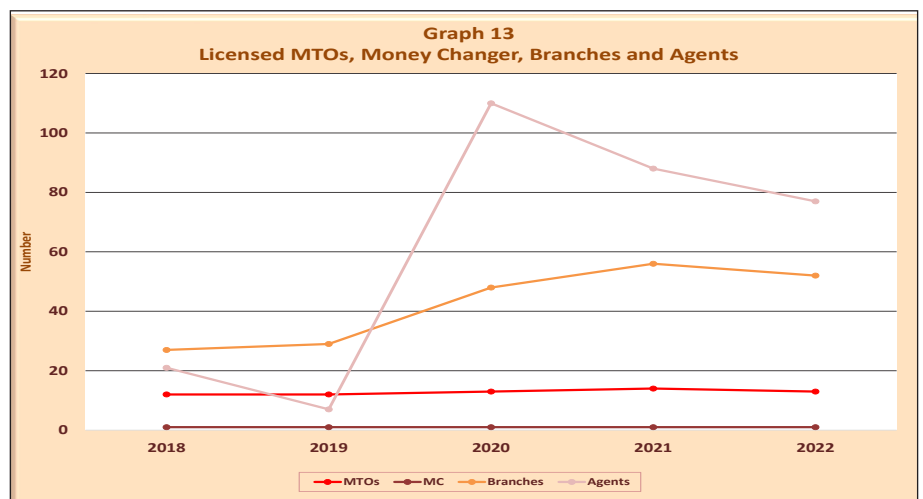


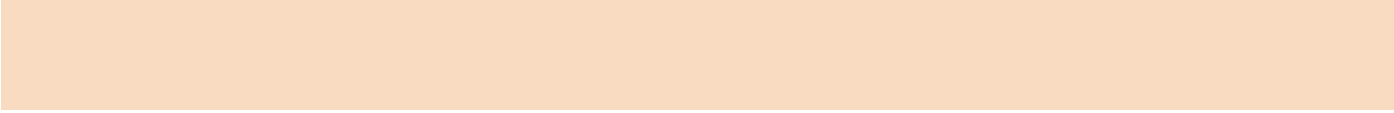
4. Money Transfer Operators (MTOs) and Money Changer (MC)

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

As required, MTOs and MC must renew their licenses at the beginning of every year. In January 2022, the Bank issued renewal licenses to the following institutions:

- i. Thirteen (13) MTO licenses;
- ii. One (1) MC license;
- iii. Fifty-two (52) MTO branches



- 
- licenses; and
- iv. Seventy seven (77) MTO agents' licenses.

5. Expanding the Central Bank's Supervisory Framework

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

At this level, the 3 drafted bills are at place and under review ready to roll out to the stakeholders and the industries for consultations. CBS will go through all the processes until these bills reached the Parliament to pass as laws. Once these become laws, will be administered by the CBS who will be responsible for the licensing, regulation and supervision of these lending institutions.

V. Financial System Development

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

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

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

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

1. Financial Infrastructure Development

1.1 Financial service (banks) landscape

As at 30th June 2022, when compared to the previous period, the commercial bank branches, and ATMs have increased slightly from 23 to 25; and 75 to 76 respectively. However, the number of Electronic Funds Transfer at Point of Sale (EFTPOS) outlets have decreased drastically by 60 and the number of bank agents have also decreased from 45 to 42 during the period under review.

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

1.2 Non-Bank financial service providers

The two mobile network operators in the country continued to offer their mobile financial services also known as mobile money. The products are My Cash operated by Digicel and M-Tala by Vodafone. For the financial year under review, there has been a 5.5% increase in the number of mobile money (MM) customers

enrolled when compared to the previous financial year. For the year under review, the percentage of active users¹³ compared to total number of enrolled customers stands at 9.07%, an improvement from 8.24% from the previous year. The number of mobile money agents have increased slightly from 96 in June 2021 to 98 in June 2022.

Furthermore, there was also a significant boost in the number of transactions done via mobile money by 47.52% from June 2021 to June 2022. The top two transactions being transfer payments (including person to person transfers and bill payments) and cash out (or cash withdrawal) transactions.

1.3 Financial Inclusion Measurement

At end June 2022, overall there were no significant changes to the financial inclusion indicators except for number of EFTPOS terminals which dropped from 46 per 10,000 adults (in June 2021) to 43 per 10,000 adults (June 2022). As also indicated in financial access data above, most indicators suggests that the financial access points are still clustered in the Apia Urban Area.

CBS continues to gather, analyse and compile Quarterly National

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

1.4 National Payment System

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

Under its mandate from the National Payment System (NPS) Act 2014, the CBS continued to reform the national payment system with one significant pillar of this reform being the the installation of a system that aligns all available payments system by various service providers. To this end, with the technical assistance of the World Bank/IFC, the successful vendor was secured (namely Montran) and the work continues for the installation of the Automated Transfer System and Central Securities Depository (ATS and CSD).

For the financial year under review, the project work was progressed as best we could in a continued State of Emergency environment, which meant the vendor support was all remote, and the country lockdown in the early months of 2023 delayed the

¹³ Active users define as users doing at least one transaction in 90 days.

implementation of the ATS network for both primary and secondary connections. The primary connection installation commenced in May 2022 while the secondary connection installation was planned to start in July of the next financial year.

The planned in person ATS training by Montran for the Participants, and CSD training for CBS was substituted by virtual training due to travel restrictions brought about by the COVID-19 pandemic. The virtual training for CSD for CBS was conducted in September 2021 and ATS for Participants was conducted in June 2022.

The other milestones for the ATS-CSD project such as the Participant User Acceptance Testing, Participant Certification and System are scheduled to be completed in the second half of 2022 with ATS Go-Live planned for October 2022 and CSD Go-Live a few months after.

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

1.5 Credit Data Registry

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

Following the Policy Paper and Issues Paper for the legal framework governing the credit registry, CBS has been collaborating with PSDI/ADB in finalizing the Credit Registry Bill. However, due to several lockdowns the nation experienced at the start of

2022, there were some setbacks with the work. The next activities include consultation on the bill and passage in the next financial year.

1.6 Micro, Small and Medium Enterprises

The collection of MSME access to finance data remains critical to inform financial inclusion in the MSME space. That said, CBS continues to put together the MSME data template that aligns with the standardized MSME definition as given in the MSME Development Policy and Strategy 2020, for financial institutions' reporting.

CBS is also a member of the Project Advisory Group (PAG) for the UNESCAP Catalyzing Women Entrepreneurship (CWE) project. The program aims to advance women's entrepreneurship in the Asia-Pacific region. The first PAG meeting convened in July 2021.

2. Financial Consumer Affairs and Market Conduct

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

The Central Bank of Samoa launched its financial literacy campaign called Tala and Sene's Financial Adventures in January 2021. Tala and Sene's Financial Adventures vision is to promote basic financial knowledge in helping Samoan citizens make informed financial decisions towards their money. The campaign was mainly streamed on Facebook, YouTube and local radio.

At the end of June 2022 topics that were published and publicly available included: Financial Goals, Spending, Budgeting, Savings, Borrowing, Digital Finance, Scams and Frauds, Credit and Investment. The four financial topics

that were popular with the public were: Spending, Budgeting, Borrowing and Scams and Frauds, taken from the number of shares and comments by the public.

Despite the first Covid Lockdown for Samoa, promotion of financial literacy continued but on specific financial topics based on Samoa's covid situation. The two financial topics that were prioritized were: budgeting and digital financial services. It emphasized the importance of reviewing what needs to be prioritized for the weekly budget and considering switching from cash to digital financial services that are now available in the country such as mobile money.

2.2 CBS Financial Literacy Brochures

To continue empowering our people in making good financial decisions, the Central Bank of Samoa continues to provide financial literacy brochures that are publicly available. These financial literacy brochures are available at the Floor 1 and CBS website. A total of 145 brochures sets were printed and distributed throughout July 2021 – June 2022.

2.3 Financial Literacy Assistance

Promoting financial wellbeing for Samoan citizens is also prioritized through a different platform of engagement by offering basic financial literacy awareness training for the public. This is organized based on requests from organizations. For the year under review, CBS received the request for and delivered a financial literacy presentation to the LDS Apia Youth Camp.

LDS Apia Youth Camp

In July 2021, CBS was invited to conduct a financial literacy training to youth from ages of

10-18. Empowering children and emphasizing the importance of having basic money skills such as knowing how to save, creating a budgeting and spending their money wisely. CBS financial literacy brochures were also distributed during the session.

3. Stakeholder coordination and liaison with international partners.

3.1 National Financial Inclusion Taskforce (NFIT)

Despite the conclusion of the National Financial Inclusion Strategy (NFIS) 2017-2020 and the new NFIS which is yet to be endorsed and implemented; the National Financial Inclusion Taskforce (NFIT), which is the driver of the NFIS, continued its quarterly meetings throughout the financial year sharing initiatives and progress in promoting financial inclusion and financial literacy in the country. For this financial year, only two quarterly NFIT meetings were conducted due to COVID-19 restrictions and delay in data gathering from members which warrants the discussions during meetings.

The work continues to endorse and implement the new NFIS which was disrupted due to COVID-19 pandemic.

3.2 National Digital Identification Steering Committee

As a member of the steering committee CBS was involved in rolling out public consultations across Upolu and Savaii. A total of six consultations were successfully organized and the Samoa Bureau of Statistics which leads this project will be filling all necessary information for the National Digital ID Bill and findings for parliament.

3.3 Alliance for Financial Inclusion (AFI)

The CBS continued to be an active primary member of the AFI network, which is the world's leading organisation on financial inclusion policy and regulation. The CBS Governor, Maiava Atalina Ainuu-Enari, having become a Board member of AFI since 2017, concluded her tenure in September 2021. The AFI Board is the governing body of AFI.

The CBS actively contributes to the work of the Alliance with its participation in the thematic working groups on financial inclusion data, small medium enterprises finance, consumer empowerment and market conduct, inclusive green finance, digital financial services and on financial inclusion strategies. Furthermore, CBS has also participated in virtual member trainings on inclusive green finance, financial inclusion data, agent networks, MSME Access to Finance and NFIS implementation and monitoring.

Pacific Islands Regional Initiative

At the regional level the CBS continued to work closely with other central banks in the Pacific in the Pacific Island Regional Initiative (PIRI). CBS participated in 15th PIRI EGFIP virtual meeting in November 2021.

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

complement the regional regulatory sandbox¹⁴.

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

The Pacific Financial Inclusion Programme (PFIP) reached the end of its term in June 2021. However, the CBS continued its strong collaboration with UNCDF and UNDP through its new programs replacing PFIP. These are the Pacific Digital Economy Program (PDEP) and Pacific Insurance Climate Adaptation Program (PICAP). PDEP aims to work with private and public sector partners to build inclusive digital economies targeting low-income households with cross-cutting focus on women, youth, migrant and MSME segments. The objective of PICAP is to improve the financial preparedness of Pacific households, communities, small businesses, organisations and governments towards climate change and natural hazards through a combination of stakeholder engagement, co-creation of solutions, awareness and capacity building, innovative financing options and digital linkages – with a robust interface to the 2030 Sustainable Development Goals.

4. Sustainable Finance

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

¹⁴ 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.

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 drafting of a Sustainable Lending Guideline and Principles for the financial institutions is ongoing.

* As a guide, sustainable finance from Samoa’s perspective is defined as “Financial services and initiatives provided to

the community at large that contributes to the conservation and protection of our natural resources, manage the environmental risks and build resilience to climate change while maximizing sustainable benefits for Samoa’s economic development”.

2. A capacity building program was conducted virtually for CBS staff in August 2021 with the assistance of AFI, the Ministry of Finance (MOF) and Ministry of Natural Resources and Environment (MNRE). The training aimed at building awareness and capacity of the CBS on inclusive green finance and to support charting out a plan of action to move forward a green agenda.
3. The CBS continued to participate in meetings with the MNRE’s Improving the Performance and Reliability of Renewable Energy Power Systems in Samoa (IMPRESS) Project as a member of the Technical Working Group 2020. This is in relation to Components 3 and 4 which focuses on access to financing and business models for electricity saving, productive and social uses of renewable energy.

Through the IMPRESS project, the CBS were invited to participate in National Renewable Energy Day Quadrathlon Race which was conducted in November 2021. The CBS showed support to commemorate the National Renewable Energy Day by fielding 10 staff members to participate in the race

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 available statistics show less than 1 percent of current total lending by commercial banks to the private sector and public institutions are allocated to green finance projects.

VI. Money Laundering Prevention and Countering of Terrorist Financing Activities

1. Summary of activities of the MLP Authority

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

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

Samoa submitted its Seventh Enhanced Follow Up Report to the APG on 15th June 2022 as required under the APG Third Round Mutual Evaluation Procedures 2018. In light of the progress made since the last follow-up report, Samoa is still not seeking for any technical compliance re-ratings this year 2022. Samoa will continue to work on reforms to rectify deficiencies as identified in its MER 2015. Samoa will however seek re-ratings in its 8th follow-up report by 1st of June 2023.

1.2 Confiscated Assets Fund (“CAF”)

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

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

The CAF term deposit account with the Samoa Commercial Bank (“SCB”) was opened with \$40,000 (19 May 2016). The amount is rolled over for every twelve months at 3% interest rate. The balance stood at \$50,980.55 as of June 2022. The next maturity date is on September 2022.

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

Through APG, the Asia Development Bank (ADB) provided Samoa support and funds for a consultant who was assisted by the SFIU to update our National Risk Assessment which is to be assessed in every 5 years. Samoa’s National Risk Assessment is expected to be finalized and then submitted to the Governor for approval before it is provided to Cabinet for endorsement.

In addition, a new National Strategy for Combatting Money Laundering and Countering Terrorism Financing will also be finalized in addition to the National Risk Assessment.

	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
STRs Received	87	76	105	134	83
Disseminations	3	27	61	7	13
Requests	22	10	8	106	71
BCRs	24	67	59	13	15
Notices	12	4	2	5	0

1.4 Quarterly Meetings

The FIU continues to host Quarterly meetings with the AML Task Force members and FIs compliance officers to discuss AML/CFT matters (issues, challenges and way forward). As part of its supervisory roles, the FIU will conduct trainings for financial

institutions and Task Force members regarding their AML/CFT statutory functions and responsibilities in order to strengthen awareness and remain vigilant in detecting, deterring, disrupting and preventing ML/TF activities.

2. Summary of Activities of the Samoa FIU

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

Below is a highlight of FIU performance outputs and activities for the period (FY2021-2022)

2.1. Suspicious Transaction Report:

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

information and investigations where appropriate.

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

STRs Received	83
STRs Disseminations	13

2.2. Cash Transaction Report (CTR):

Cash Transaction Reports are required under Section 23(a) of the MLP Amendment Act 2018. The Financial Institutions are required to report all cash transactions equivalent to SAT\$20,000 or more to the FIU on a weekly basis.

The following table summarizes cash transactions reported by financial institutions from FY2021-2022.

FINANCIAL INSTITUTIONS	TOTAL NUMBER OF TRANSACTIONS
Commercial Banks	36,869
Money Transfer Operators	1,298
TOTAL	38,167

2.3. Border Cash Report:

It is a requirement in the MLP Act 2007 under section 13 for any person who leaves or enters Samoa to declare if they are carrying physical cash or negotiable bearer instruments equivalent to SAT20,000 or more and complete the border cash report. These reports must be filed to the FIU by any authorized officer who is on duty at the border.

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

2.4. Approval of Currency Repatriation

The FIU is accountable for issuing approvals of currencies repatriation for financial institutions and individuals who are hand-carrying cash equivalent to SAT\$20,000 or more outside of Samoa. A slight increase in the number of currency repatriation approvals from the last financial year (2020-2021) was due to the partially opened of borders by the Government.

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

Requests Received	6
Requests Made	2

2.6. Due Diligence and Background Checks

Another function of the FIU is to conduct due diligence and background checks for requests from financial institutions, competent authorities and internal departments of the CBS. The purpose of the due diligence/background checks is to screen the legitimacy of a company/ individual and also to see if there's a

FINANCIAL INSTITUTIONS AND INDIVIDUALS	NUMBER OF APPROVAL IN SAMOAN TALA	NUMBER OF APPROVAL IN OTHER CURRENCIES
Commercial Banks	0	4
Money Transfer Operators	0	9
Individuals	0	2
TOTAL	0	15

2.5. EGMONT

Egmont group is a network group of FIUs (containing 159 members) that was created to provide a forum for the exchange of information confidentially to combat money laundering and Counter terrorism financing. This is an important tool for gathering information and disseminating intelligence between FIUs.

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

match/hits that a particular company/ individual has in relation to serious offences, money laundering offences, an offence of financing terrorism or any other offences under the MLP Act.

The FIU conducted a total of 71 checks, many of the requests were from Government Ministries, Committees, State-Owned Enterprises, Internal Departments of the Central Bank of Samoa, Financial Institutions (FIs) and other competent bodies for Due Diligence and Background Checks for applicants and potential investors

	REQUESTS RECEIVED THROUGH EGMONT	FINANCIAL INTELLIGENCE UNIT (FIU)	REQUESTS MADE THROUGH EGMONT	FINANCIAL INTELLIGENCE UNIT (FIU)
	3	India	1	Macau
	3	Hong Kong	1	Chinese Taipei
TOTAL	6		2	

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

Due Diligence Checks	26
Background Checks	45
TOTAL	71

2.7. On-going Awareness and Trainings

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

2.8. Onsite Inspections

An Onsite inspection was scheduled for FIs (i.e., Commercial Banks) in September to October 2021. It was completed and all of them did an excellent job in enhancing their AML/CFT program while some are recommended to address some minor issues related to their AML/CFT program. This inspection for MTOs was scheduled to be done in February to June 2022. Unfortunately, due to the pandemic of the Coronavirus (COVID-19) and the Samoa State of Emergency declaration, so far two (2) of eleven (11) MTOs have been inspected. The inspection for other MTOs is scheduled to be done in October 2022.

2.9. FIU ICT Database System

The FIU will be carrying out trainings on the STR database which is scheduling to be done in October

DATE	TRAINING	HOST	VENUE
25 Nov 2021 – 3 Dec 2021	Introductory Course on AML/CFT Supervision	Asia Pacific Group (APG)	Virtual Training (CBS Level 6, Board Room)
22 Feb 2022 – 4 Mar 2022	AML/CFT Training on Supervision of Banks	Asia Pacific Group (APG)	Virtual Training (CBS Level 6, Board Room)
9 March 2022	Refresher Training (Introduction of AML Obligations as Financial Institutions)	FIU	Vodafone Main Office (Maluafo)
16 May 2022	Refresher Training (Introduction of AML Obligations as Financial Institutions)	FIU	CBS Building (Level 5)
24 May 2022	Law Enforcement Agencies (LEAs) Training	Asia Pacific Group (APG)	Le Lava Hotel

FINANCIAL INSTITUTIONS	STATUS	DATE
4 Commercial Banks	Onsite inspection completed	September – October 2021
2 Money Transfer Operators	Onsite inspection completed	February - March 2022

2022 (as it was already completed on its design and implementation) for the Financial Institutions in regard to the uploading of STRs using this system.

2.10. Regional KYC Utility Project

The FIU participated in a regional KYC project led by the Reserve Banks of Australia and New Zealand, which encompasses the Pacific Central Banks. The project aimed at providing a KYC framework and solution that will look to address the correspondent banking issues faced by the region.

In June however the eKYC Steering Committee recommended to the Governors not to proceed any further with a regional eKYC Facility at this time. The two main drivers behind this recommendation are:

1. Implementing South Pacific countries prefer to develop and implement their own eKYC capability (as opposed to pursuing a one regional approach); and

2. Notwithstanding country preferences, the assessment of establishing a regional eKYC Facility was not strong enough to be considered viable and cost-effective.

The countries are taking active steps to progress their own respective domestic eKYC capability rather than a regional eKYC Facility. Countries' rationale for developing their own national eKYC Capabilities include concerns about data privacy, operational challenges with a regional eKYC Facility, and being able to progress their identity databases and eKYC capability at their own pace. Samoa is already progressing with its KYC pilot in partnership with ADB. Our vendor has done extensive work on the pilot.

VII. Corporate Services and Administration

1. Currency Operations

1.1 Currency handling arrangements

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

The quality of banknotes was maintained in an acceptable level during 2021/2022. To keep currency in circulation at a high standard, the Central Bank would withdraw and destroy soiled and damaged banknotes, replacing them with new banknotes.

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

During 2021/2022 a total of 6.8 million pieces of banknotes were processed, with 6.1 million pieces reissued and 0.7 million pieces of unfit banknotes worth \$16.8 million withdrawn from circulation and destroyed. The high quality of notes in circulation saw a decreased of 61.3 percent in notes withdrawn from circulation and destroyed in 2021/2022 in comparison to the previous year. During 2021/2022 a total of 69,946 pieces of 10Tala unfit notes withdrawn from circulation and destroyed. Only 58,344 pieces of this was unfit polymer banknotes.

1.2 Currency Issue

The demand for currency (banknotes and coins) in 2021/2022 grew by 10 percent to \$156.8 million from \$142.6 million the year before. This growth was mainly due to an increase in value of notes in circulation from \$134.1 million in

	2017/2018		2018/2019		2019/2020		2020/2021		2021/2022	
	Value	Pieces	Value	Pieces	Value	Pieces	Value	Pieces	Value	Pieces
Notes saved for reissue	\$252.0	7.1	\$242.0	5.9	\$278.5	5.5	\$281.4	5.9	\$300.7	6.1
Notes Destroyed	\$60.3	2.6	\$38.0	1.6	\$34.0	1.4	\$43.4	1.3	\$16.8	0.7
Total Processed	\$312.3	9.7	\$280.0	7.5	\$312.5	6.9	\$324.8	7.2	\$317.5	6.8

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

2020/2021 to \$147.6 million in the year under review and partially due to an increase in coins in circulation from \$8.4 million in 2020/2021 to \$9.1 million in 2021/2022. New notes issued increased from \$48 million in 2020/2021 to \$49 million in 2021/2022. As a result, the total cost of currency issued also increased from \$1.6 million in 2020/2021 to \$1.7 million in the financial year ending 30 June 2022.

1.3 Replacement of Damaged Banknotes

The Central Bank provides services to replace banknotes which have been accidentally damaged or are unfit for circulation. In 2021/2022 replaced notes decreased from \$170,045 in 2020/2021 to \$150,820. The most common types of damage to banknotes are limpness, tearing or accidental burning. (Refer Table 7).

Denomination	2017/2018		2018/2019		2019/2020		2020/2021		2021/2022	
	Value	Pieces	Value	Pieces	Value	Pieces	Value	Pieces	Value	Pieces
5	\$3,470	694	\$4,815	963	\$6,800	1,360	\$13,775	2,755	\$10,370	2,074
10	\$6,840	684	\$7,100	710	\$8,110	811	\$11,080	1,108	\$17,600	1,760
20	\$6,760	338	\$7,400	370	\$9,760	488	\$20,790	1,039.5	\$11,900	595
50	\$25,500	510	\$29,250	585	\$40,350	807	\$46,900	938	\$40,550	811
100	\$59,300	593	\$69,800	698	\$63,900	639	\$77,500	775	\$70,400	704
Total	\$101,870	2,819	\$118,365	3,326	\$128,920	4,105	\$170,045	6,615.5	\$150,820	5,944

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 2022 increasing by 7.5 percent to 2,710,712. The \$2 coin also increased by 6.2 percent to 1,796,340 pieces in 2021/2022. Overall, the number of pieces for all the denominations rose by 1,849,904 in the year under review.

1.4 Counterfeit Currency Notes

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

The Central Bank remained cautious and actively promoted public awareness to combat the risk of counterfeit banknotes in 2021/2022, launching another year long media

campaign, including media releases in the TV, radio and print media. The year under review recorded an increase in counterfeits lodged with the Central Bank. These counterfeit notes were handed in by members of the public and reported by the Commercial Banks. As a result, we received 21 pieces of counterfeit notes in 2021/2022. (Refer Table 8).

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

Denomination	2017/2018		2018/2019		2019/2020		2020/2021		2021/2022	
	Value	Pieces	Value	Pieces	Value	Pieces	Value	Pieces	Value	Pieces
5	\$15	3	\$0	0	\$0	0	\$0	0	\$5	1
10	\$60	6	\$40	4	\$0	0	\$0	0	\$0	0
20	\$280	14	\$20	1	\$0	0	\$20	1	\$20	1
50	\$1,050	21	\$50	1	\$0	0	\$0	0	\$200	4
100	\$300	3	\$100	1	\$0	0	\$300	3	\$1,500	15
Total	\$1,705	47	\$210	7	\$0	0	\$320	4	\$1,725	21

1.5 Numismatics

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

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

The Bank signed a number of agreements with partner mints for a variety of new coin programs during this financial year ending 30 June 2022.

2. Banking Operations

2.1 Interbank Settlement

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

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

2.2 National Payment and Settlement System

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

in an efficient and reliable manner. The new system will replace the current inter-bank settlement.

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

2.3 Banking Services to Government

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

2.4 Banking & Currency Services during COVID-19

Samoa continued to remain in a State of Emergency (SOE) during 2021/2022 as a result of COVID-19. As such, CBS continued to support Samoa's banking system and economy through its currency and banking services which were deemed essential services.

3. Human Resources

During the report period, Samoa remained under state of emergency period. A full nationwide lockdown was declared on 19 March 2022. However, in the interim there was a slow easing of essential services. The Bank at this time operated on limited days and hours and was functioned by its skeleton staff. The 'work remotely from home' context was essential

and practical throughout the state of emergency period. The Bank returned to normal working days on 2nd June 2022.

3.1 Staffing

As at 31 June 2022, the Central Bank employed a total of one hundred and one (101) staff. Contract staff made up 25% of positions while 75% were occupied by permanent staff. In terms of gender, female dominated 53% of positions with male at 47%.

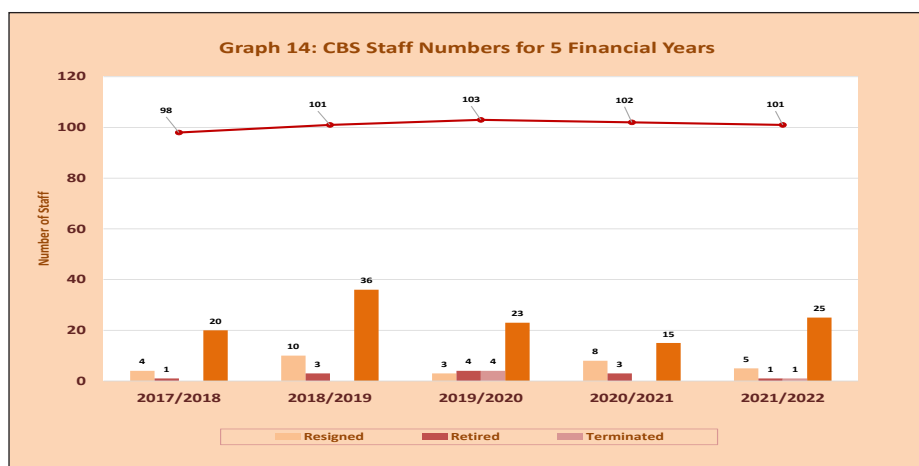
In the financial year, only one new position was approved for the Internal Audit Department. The Bank employed six (6) new recruits and promoted eight (8) staff to replace resigned staff (two of which were contract positions).

Furthermore, there were eleven (11) contractual reappointments within the reviewed period. Five (5) staff resigned to take up employment outside of the Bank, one (1) staff decided to take up early retirement, four (4) retired but continued employment and one (1) was terminated.

In the reporting period there was a slight decrease in number of staff turnover compared to the previous FY.

3.2 Part time employment and work experience

The Bank employed two part time students in the reporting period. One of them applied to an internal permanent vacancy and was successful in obtaining the position. The Bank also extended assistance to one student on work experience from the National University of Samoa for a course of 4 weeks.



3.3 Service Recognition

Some permanent staff are recognized for their long and dedicated service to the Bank. During the FY 2021/2022, ten (10) achieved 10 years of service, ten (10) achieved 15 years of service, nine (9) achieved 20 years of service, six (6) achieved 25 years of service and six (6) achieved 30 years of service. For contract staff, majority of the senior management are long serving members of the Bank.

Program examinations (one completed while the other continued) and one continued study in Cisco. Participation in virtual trainings and meetings continued throughout the financial year, mostly were trainings, courses and meetings facilitated by overseas training providers and donors. There was also participation in local trainings and meetings. The Bank further continued on its bi-annual induction programs for new recruits. Some departments

FY	10 years	15 years	20 years	25 years	30 years
2017/2018	11	9	7	9	-
2018/2019	13	10	8	8	1
2019/2020	12	7	10	9	2
2020/2021	9	8	9	9	4
2021/2022	10	10	9	6	6

3.4 Staff development

The Bank continued to highlight on the importance of staff development and training to strengthen and build professional staff capacity through its staff education program. Six (6) staff pursued bachelor degrees in areas of commerce, law and information technology, two staff pursued postgraduate certificate in economics, two in postgraduate certificate in development studies, two sat the Chartered Accountant

conducted their own internal trainings and refreshers to sustain institutional knowledge.

3.5 Training and meetings providers /donors

Overseas training and meetings providers included the Alliance for Financial Inclusion, Asia Pacific Group, Asian Development Bank, Bank for International Settlements (BIS), Federal Reserve Bank of New York, Government of New Zealand,

International Communication Union, International Monetary Fund - Institute for Capacity Development Office & Singapore Training Institute, Montran Automated Transfer System, South East Asian Central Banks Research and Training Centre (SEACEN), United Nation Conference on Trade and Development and the World Bank.

Local training providers included Australia Pacific Technical Coalition, Ministry of Education, Sports and Culture, Ministry of Natural Resources and Environment, National University of Samoa, Public Service Commission, Samoa Human Resource Institute and Samoa Qualifications Authority

3.6 Staff social activities

A few activities involved staff outside the professional realm of work. These activities associated with staff health, wellbeing and building morale. Several prominent activities took place in FY 2021/2022 included department creative poem competition, office pageant, tik tok competition and the End of Year function. The Bank's Social Club held a golf tournament as part of its fundraiser program where a portion of the money raised was donated to the Samoa Victims Support Group. Fitness transformation programme involving gym physical exercises, hiking and tabata classes formed part of the Bank's Occupational, Safety and Health (OSH) initiatives. The Bank was also invited by some local sports associations to participate in tournaments such as netball and soccer.

4. Property and Information Technology

Building

Security

Safety and Security is a paramount concern of the Bank. The two properties; the main Office in Apia and the Offsite at Ululoloa are manned at all times with Security guards and by the CCTV security surveillance system.

Occupancy

Ministry of Finance (MOF) continues to occupy levels two, three, four and part of level seven of the CBS Building with the Executive office of the CEO in level six. The Offices of the World Bank and ADB occupies the rest of level seven. The Central Bank of Samoa fills up other remaining spaces of the building. The canteen on the western side of the building is rented out to three vendors.

Maintenance

Some major developments happened during the year:

1. Replacement of the air condition duct-unit for the whole of level one. This is an ongoing project of replacing aged duct-units for all floors. And it is anticipated that the six remaining units will be eventually replaced within the next few years.
2. Other regular services such as these below are closely monitored to ensure safety, efficiency and smooth running as required:
 - Elevators
 - Back-up generator
 - Water supply and plumbing
 - Air conditioning system
 - Elevator and

- Electricals
- Alarm and Emergency, Lighting systems

Occupational Safety and Health (OSH)

Health and fitness programs have been ongoing throughout the year keeping staff physically active to ensure productivity and efficiency.

In collaboration with Fire and Emergency Services Authority (FESA), the Bank managed to carry out a fire and rescue, evacuation drill for the whole of the CBS building. This event happens every two years to keep staff and tenants informed of the latest information on what to take during an evacuation.

Covid-19 has been a major subject of awareness over the last two years. The spread of Kovid-19 in the community caused many lockdowns during the year affected everything and everyone. Strict controls and safety measures were put in place to contain the spread of the virus and keep the numbers at manageable levels.

Business Continuity Plan (BCP)

Following the uncertainty brought about by the pandemic, the government requested that all government office put in place a Business Continuity Plan (BCP) as a strategic method to ease the effects of the pandemic or any similar disaster in the future.

Offsite Ululoloa Project

The Ululoloa offsite project completed its tender for design and supervision of the project. Plans on the Tender for construction is currently in progress.

Information Technology

The Information Technology unit ensures the provision of technical assistance and guidance on all IT-related matters for the Central Bank of Samoa as its core functions. These technical supports include constant monitoring of the sixteen (16) core systems that run the daily operations of the Bank. The monitoring activities of license renewal and updates of computer systems, email, firewalls, web, and endpoint security continue to be an ongoing task of the IT unit throughout every Financial Year.

During Financial Year 2021/22, the IT unit was heavily involved with the implementation and development of the following key milestones and

deliverables.

- Upgrade of local email to Microsoft 365.
- Register and enroll SWIFT in Payment Control Services.
- Conduct Pen Tests of local and cloud systems.
- Conduct Phishing scenarios for cyber security awareness
- Setup and install the National Payment System physical private network.
- Engaged an external assessor for the assessment of SWIFT systems.
- Upgrade SWIFT Application packages to the new version.
- Complete the SWIFT Security Attestation for the year 2021

In June 2022, a special training for the National Payment System was conducted for the participants/users from Commercial Banks and other institutions on how to operate and manage the system from their end. Relevant NPS training for the CBS IT staff was later carried out.

There were few training and capacity development opportunities attended by the staff of the IT unit. The Assistant Manager had the opportunity to partake in the Assessing Cyber Security risk training organized by the NUS and Cyber 365 NZ. Furthermore, IT officers had the chance to participate in online training on Cyber Security Awareness coordinated by MCIT and Trustwave.

VIII. Central Bank financial performance

Financial Performance and Audited Accounts

The final section of this Annual Report consists of the audited accounts of the Bank for financial year ending 30 June 2022 (FY 2021/2022)

At year end 30 June 2022, the Bank had total assets of \$1,025.394 million made up of \$864.5 million in foreign assets, and \$160.8 million in local assets.

On the other hand, the Bank recorded total liabilities of \$1,013.154 million consisting of foreign liabilities totalling at \$398.6 million and \$614.5 million in local currency.

The Bank's net assets amounted to \$12.2 million when compared to \$20.9 million in previous year.

The Bank incurred a net loss of \$8.7 million at year end when compared to a net profit of \$4.0 million achieved in

the previous year.

In accordance with the Central Bank of Samoa's Act 2015, the Directors recommended that the loss of \$8.7 million to be transferred to Reserve Accounts.

IX. Chronology of Important Monetary, Prudential and Related Events FY 2021/2022

July 2021

- i. On the 1st, the 2021 CBS FX Investment Policies and Guidelines as well as the new currency weights for the Samoa Tala Currency Basket approved by the Board took effect.
- ii. From 12th to 16th, a 3 year technical assessment program assistance by the International Monetary Fund (IMF) on Forecasting and Policy Analysis System was conducted virtually.
- iii. From July 12th to 23rd, a full scope onsite inspection on Prudential Compliance was conducted on the National Bank of Samoa.

August 2021

- i. On the 23rd, the IMF issued a historic USD\$650 billion general SDR Allocation to all member countries as part of a global liquidity support and response to the COVID-19 pandemic. Samoa received a share equivalent to SDR\$15.5 million, equivalent to around SAT\$55.5 million.
- ii. From 25th to 26th, a joint CBS and AFI Inclusive Green Finance training was conducted virtually.

September 2021

- i. On the 3rd, the CBS Board of Directors approved the continuation of easing monetary policy stance for the FY2021/22.
- ii. From 20th – 24th September, onsite inspection for AML/CFT Compliance was carried out on National Bank of Samoa.
- iii. From 20th September – 1st October, a virtual Central Securities Depository (CSD) training for CBS was conducted.

October 2021

- i. Onsite inspections for AML/CFT Compliance were conducted on Bank South Pacific (Samoa) Limited, ANZ Bank (Samoa) Limited and Samoa Commercial Bank, on the following dates:
 - From 4th – 8th October: Bank South Pacific (Samoa) Limited
 - From 11th – 15th October: ANZ Bank (Samoa) Limited
 - From 25th – 29th October: Samoa Commercial Bank Limited
- ii. From Oct 18th – 29th, a full scope onsite inspection on Prudential Supervision was conducted on the Samoa National Provident Fund.

November 2021

- i. On the 8th, Exchange Control onsite inspections of the commercial banks and money transfer operator businesses were conducted.
- ii. From the 8th – 9th, the Pacific Central Bank Governor's Meeting was conducted virtually
- iii. From 17th – 29th, the IMF conducted its Virtual Staff Visit annual assessment of the Samoan economy.

January 2022

- i. On the 24th, 26th and 28th Government declared a complete national lockdown on COVID-19 concerns, with Alert Level 2 restrictions in place on the 25th and 27th June, and subsequently from 31st January to 11th February.

February 2022

- i. From the 7th – 18th, the IMF CDOT conducted a virtual External

Sector Statistics Technical Assistance for the balance of payments, international investment position and external debt;

- ii. From 17th to 23rd, CBS delivered refresher trainings on balance of payments (BOP) codes and exchange control matters to banks and money transfers.
- iii. On the 24th, Russia invaded Ukraine, which triggered volatility in the global foreign exchange and commodity markets, particularly for oil prices

March 2022

- i. On the 18th, Samoa's first positive COVID-19 community case was identified.
- ii. From the 19th to 23rd, Government declared an Alert Level 3 national full lockdown. The containment period was further extended every two weeks upon review by NEOC, with a subsequent downgrade to Alert Level 2 later and the gradual return back to office for all public servants by early May 2022.
- iii. AML Compliance onsite inspections were conducted on the Unit Trust of Samoa (UTOS) and Vodafone Samoa M-Tala (Money Transfer Operator) on the following dates:
 - 7th – 9th March: Vodafone Samoa
 - 15th – 17th March: UTOS
- iv. On the 14th, CBS signed a Technical Service Agreement with the Alliance for Financial Inclusion to provide assistance with the setup of our Fintech Regulatory Sandbox.

April 2022

- i. On the 19th, CBS signed a 2 year agreement with Vodafone for the installation and delivery of the primary (fibre) connection for the National Payment System project.
- iv. On the 25th, CBS signed a 2 year agreement with Digicel for the installation and delivery of the secondary (wireless) connection for the National Payment System project.

May 2022

- i. On the 5th, the Bank's COVID-19 Business Continuity Plan took effect, to guide all its employees on health and safety measures as well as to ensure CBS services are not compromised.

June 2022

- i. On the 1st, Samoa celebrated its 60th Independence.
- ii. From 15th–21st June, CBS together with Montran conducted a virtual training of the Automatic Transfer System for Participants (i.e. commercial banks and Ministry of Finance).
- iii. On the 30th, the CBS Board approved the review of the 2022 CBS FX Investment Policies and Guidelines and the second quarterly review of the 2022 Samoa Tala Currency Basket.

Financial Statements

Central Bank of Samoa

For the year ended 30 June 2022

**Central Bank of Samoa
Financial Statements
For the year ended 30 June 2022**

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**Central Bank of Samoa
Management's Statement
For the year ended 30 June 2022**


MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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


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

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

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



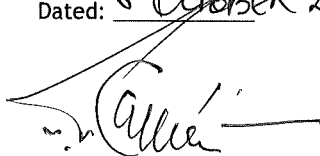
Maiava Atalina Ainuu-Enari
Governor



Gilbert Wongsin
Assistant Governor - Corporate Services Group

Dated: 6 October 2022

Dated: 6 October 2022



Peniamina Tauati
Manager Accounts & Budget

Dated: 6 October 2022

**Central Bank of Samoa
Directors' Statement
For the year ended 30 June 2022**

The directors present their report together with the financial statements of the Central Bank of Samoa ("the bank") for the year ended 30 June 2022 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 2022.
- (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 2022.

Operating

The result for the year is a net loss of \$8.7 million tala (2021 net profit of \$4.0 million tala).

Reserves

The Directors recommend that a net loss of \$8.7 million tala be transferred to reserves.

Dividends

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

Dated at Apia: 6 October, 2022

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



DIRECTOR



DIRECTOR

Telephone: 27751
Fax: 24167
Email: Info@audit.gov.ws
Website: www.audit.gov.ws

P.O Box 13
APIA, SAMOA



AUDIT OFFICE

Please address all correspondences
to the Controller and Auditor General

REPORT OF THE AUDIT OFFICE

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

Audit Opinion

We have audited the accompanying Financial Statements of the Central Bank of Samoa which comprise of the Statement of Financial Position as at 30 June 2022, the statements of financial performance, cash flows and changes in capital and reserves for the year then ended, a Summary of Significant Accounting Policies and Other Explanatory Notes. The Accounting Firm of Sua ma Pauga and Associates Chartered Accountants, assisted in the audit. The Engagement Partner on the audit resulting in this Independent Auditor's Report is Tagaloa Faafouina Sua.

In our opinion, the financial statements give a true and fair view of the financial position of the Central Bank of Samoa as at 30 June 2022, and of its financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs) except for key audit matter.

Basis for Opinion

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

Responsibilities of Those Charged with Governance for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards (IFRSs). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In preparing the financial statements, Board is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Emphasis of Matters - Subsequent event COVID-19- Economic Downturn

As discussed in Note 2, although the Coronavirus (Covid-19) has ease off with its ongoing adverse effect, the Russia-Ukraine war has added and slows the recovery of global economy than expected.

On the other hand, inflation has risen sharply in the past eight months given the combined impacts of the COVID-19 pandemic, supply chain disruptions on global transportation and the Russia-Ukraine war. It is currently at 8.8 percent at end June 2022 compared to -3.0 percent at end June 2021. The Board noted ongoing inflationary pressures thus, they are monitoring the inflation on a timely basis. The Board felt that the monetary policy should remain easing in order to support the economic recovery momentum with the aim to maintain interest rates at low and affordable levels to encourage lending to private businesses in order to foster domestic investment and economic activity. Board and Management still prepares the financial reports on the going concern assumption.

Our opinion is not modified with respect to this.

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Key Audit Matters (KAM)

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

KEY AUDIT MATTER	Auditors' response
<p>Expected Credit Losses on Credit Line Facilities (Risk of overstatement of assets)</p> <p>The Bank is yet to recognize any future forward expected credit losses on their credit line facilities to Development Bank of Samoa (DBS). The CBS's judgement is that the debts are secured and guaranteed by government. The latest restructure by CBS for DBS portfolio reveals the following</p> <p>i. Changes in contractual cash flow patterns from DBS, ii. Change in Grace period and maturity, iii. Change in interest rates.</p> <p>These measures are to ensure the stability and soundness of the Samoan Financial System and to avoid any detrimental effect on DBS from this particular account.</p> <p>The said specific facilities for one borrower represent bulk i.e. 79% of total advances from CBS to DBS which is material in nature. Accordingly, the future expected adverse outcome of this account added onto COVID impact will significantly impact CBS's profit/loss and state of affairs presented on the Balance Sheet.</p> <p>Considering the uncertainty relating the outcome of this matter which requires the application of judgements, it has been determined as a key audit matter.</p>	<p>IFRS 9 requires</p> <p>At each reporting date, an entity shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, an entity shall use the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses.</p> <p>To make that assessment, an entity shall compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.</p> <p>This specific account has a significant increase in Credit Risks and there is objective evidence of Impairment which led to CBS restructuring the account and clearly fall under Stage 3 category from Assessments of IFRS 9. Thus, lifetime expected credit losses must be recognized and Interest Revenue (i.e. 1% agreed) must be calculated on the Net Carrying Amount when it is due (i.e. that is, net of Credit allowance). CBS now assess the expected credit losses which recognized as fair value through other comprehensive income (fvoci) in the future.</p>

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a

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AUDIT OFFICE

material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Central Bank of Samoa's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors and management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Central Bank of Samoa's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Central Bank of Samoa to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

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

We also confirm that:

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

Our audit was completed on the 6th October 2022 and our opinion is expressed as at that date.

Apia, Samoa
18th October 2022

Mua'ausā Marshall Maua
ASSISTANT CONTROLLER AND AUDITOR GENERAL

Central Bank of Samoa
Statement of Financial Performance
For the year ended 30 June 2022

	Note	2022 \$('000)	2021 \$('000)
Income			
Interest income on cash and investments	21	6,134	5,980
Interest income on lending		748	1,533
Rental income		1,011	1,010
Other income	22	979	871
Total Income		8,872	9,394
Expenses			
Administrative expenses		984	968
Board expenses	23 (ii)	12	8
Communication costs		485	460
Currency issue costs		1,710	1,634
Depreciation	12	1,095	1,094
Directors fees	23 (ii)	64	62
External audit costs		44	44
Finance costs		898	530
Occupancy costs		483	538
Staff costs		6,092	5,595
Withholding tax on interest income		42	41
Total Expenses		11,909	10,974
(Loss) before foreign currency translation		(3,038)	(1,580)
Foreign exchange (losses)/gains		(5,721)	5,666
Net (loss)/profit for the year	20	(8,758)	4,086

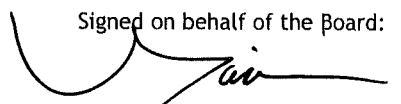
The accompanying notes form part of these financial statement.

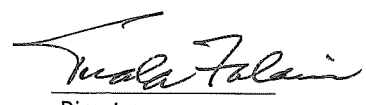
Central Bank of Samoa
Statement of Financial Position
For the year ended 30 June 2022

	Note	2022 \$('000)	2021 \$('000)
ASSETS			
Foreign currency assets			
Cash and fixed deposit balances	5	744,477	715,941
International monetary fund	7	117,708	67,014
Accrued interest	8	2,318	2,228
Total foreign currency assets		864,503	785,183
Local currency assets			
Cash and fixed deposit balances	6	48,501	44,939
Accrued interest		10	13
Currency inventory	9	7,881	11,840
Receivables and prepayments	10	6,882	7,286
Credit line facilities	11	79,658	85,147
Property, plant and equipment	12	17,959	18,496
Total local currency assets		160,891	167,721
Total assets		1,025,394	952,904
LIABILITIES			
Foreign currency liabilities			
Deposits	13	188,557	143,805
IMF facilities	14	62,501	67,687
International monetary fund	7	147,563	93,049
Other liabilities		15	12
Total foreign currency liabilities		398,636	304,553
Local currency liabilities			
Deposits	13	416,300	447,224
Currency in circulation	15	156,784	142,568
Payables and accruals		41,034	37,150
Provision for employee entitlements	16	399	410
Total local currency liabilities		614,518	627,353
Total liabilities		1,013,154	931,906
Net assets		12,240	20,998
EQUITY			
Capital	18	20,000	20,000
General reserve	19	7,927	10,964
Unrealised foreign exchange revaluation reserve	20	(15,687)	(9,966)
Total equity		12,240	20,998

The accompanying notes form part of these Financial Statements

Signed on behalf of the Board:


Governor
Date 6 October 2022


Director
Date 6 October 2022

**Central Bank of Samoa
Statement of Changes in Equity
For the year ended 30 June 2022**

	Note	Paid up capital	Unrealised (loss)/profit reserve	General reserve	Total
		\$('000)	\$('000)	\$('000)	\$('000)
Balance at 30 June 2020		20,000	(15,632)	18,987	23,355
Net profit(loss) for the year			5,666	(1,580)	4,086
Reversal of excess of face value of coins issued into circulation over its cost not to return for redemption by CBS				(5,794)	(5,794)
Reversal of Seigniorage Income due to change of policy in issuance of coins				(649)	(649)
Balance at 30 June 2021		20,000	(9,966)	10,964	20,998
Net (loss) for the year	20		(5,721)	(3,038)	(8,758)
Balance at 30 June 2022		20,000	(15,687)	7,927	12,240

The accompanying notes form part of these Financial Statements

Central Bank of Samoa
Statement of cash flows
For the year ended 30 June 2022

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

	Note	2022 \$('000)	2021 \$('000)
Cash flows from operating activities			
Cash received from investments		6,134	5,980
Cash received from rent		1,011	1,010
Other income		979	222
Cash paid for services and goods		(4,484)	(4,000)
Cash paid to employees		(4,566)	(4,142)
Interest paid on deposits		(898)	(530)
Net cash applied (to) operating activities		(1,824)	(1,460)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		59	34
Credit line facility repayments received during the year		5,488	1,492
Interest received on credit line facility		748	1,533
Purchase of property, plant and equipment	12	563	(893)
Net movement in term deposits more than 90 days		683	(2,436)
Net cash from/(to) investing activities		7,541	(270)
Cash flows from financing activities			
Net movement in notes and coins in circulation		14,215	10,824
Net movement in demand deposits		(21,358)	90,312
Currency issue costs		(3,897)	(1,634)
Net movement in external liabilities		93,835	28,205
Net cash applied from financing activities		82,795	127,707
Net increase in cash and cash equivalents		88,512	125,977
Cash and cash equivalents at the beginning of the year		827,894	696,251
Net unrealised (Losses)/gains on translation of foreign currency monetary assets and liabilities		(5,721)	5,666
Cash and cash equivalents at end of year		910,685	827,894

The accompanying notes form part of these Financial Statements

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2022

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 6 October, 2022.

2. COVID-19 Impact

- (a) At its Meeting on the 30th of June 2022, the Central Bank Board of Directors approved the continuation of its accommodative monetary policy stance for the financial year 2022/2023.

In making its decision, the Board considered the expected slowdown in the world economy given the adverse impact of the Russia-Ukraine war, as well as the fragile and delayed recovery that is expected for the Samoan economy in FY2022/2023.

According to the July 2022 World Economic Outlook by the International Monetary Fund (IMF), the global economy is estimated to have grown by 6.1 percent in 2021, with a much lower growth of 3.2 percent in 2022. This is equivalent to an expansion of 4.65 percent in FY2021/2022, slowing further than earlier projections as the Russia-Ukraine war has hindered the global recovery amidst ongoing adverse COVID-19 pandemic developments. For FY2022/2023, further weakening in global economic activities is expected, with economic growth to slow down to 3.05 percent as overwhelming downside risks, including historically high inflation rates, are anticipated to take its toll across the globe.

On the domestic front, the latest National Accounts figures from the Samoa Bureau of Statistics showed that the Samoan economy recorded a -2.9 percent contraction in the twelve months to end March 2022, which has improved from -7.1 percent in the twelve months to June 2021 (FY2020/2021) and -3.1 percent in FY2019/2020. For the financial year ending June 2022, we are estimating the economy to improve slightly to -2.0 percent. The external sector remains in a strong position despite the decrease in export receipts and increased import payments during the year. This mainly reflected the significant growth in remittances inflows during the year, cushioning the widening trade deficit and helping to boost the country’s foreign reserves level to around \$777.8 million at end May 2022 or 10.6 months of import cover. On the other hand, inflation has risen sharply in the past eight months given the combined impacts of the COVID-19 pandemic, supply chain disruptions on global transportation and the Russia-Ukraine war. It is currently at 8.8 percent at end June 2022 compared to -3.0 percent at end June 2021.

The banking system at end March 2022 remained well-capitalized with the capital adequacy ratio at 30.8 percent, well above the 15.0 percent minimum prudential requirement. Its liquidity was more than adequate at 25.7 percent, also well above its minimum prudential requirement of 10.0 percent. Non-performing loans (NPLs) as at end March 2022 stood at 4.4 percent and its provisioning for doubtful loans to total NPLs stood at 159.8 percent in the same month.

The expansionary fiscal policy approved by Parliament for FY2022/2023, with an overall Government Budget deficit of around 3.9 percent of GDP, will combine with the easing monetary policy stance to revive both general commerce and business activity as well as Government project implementation that has been severely affected by the COVID-19 lockdowns in the past two years. In addition, the re-opening of Samoa’s international borders in August 2022 will assist in driving the expected recovery in economic output. As a result, the Samoan economy is expected to recover by around 1.8 percent in FY2022/2023, although significant downside risks remain. The outlook for FY2022/23 points to an expected rebound in exports of goods as well as the resumption in visitor earnings while imports are forecast to increase further. Remittances are expected to return to normal levels in the coming year after 2 years of sharp gains. As a result, total foreign reserves are expected to contract to \$715.0 million or around 9.4 months of imports in FY 2022/2023. On the other hand, inflation is expected to ease to around 6.7 percent by end June 2023 contingent on the Russia-Ukraine war being resolved by then and the global supply chain disruptions starting to ease and return to normal flows.

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2022

2. COVID-19 Impact (continued)

Despite the expected level of inflation rising beyond the 3.0 percent target, the Board felt that monetary policy should remain eased to support the economic recovery as the main driver of the hike in domestic prices is due to external factors, beyond our control. Nevertheless, the Board noted the anticipated strong inflationary pressures in the year ahead and the need for continued monitoring. In support of the eased monetary policy stance, is the comfortable level of international reserves we currently hold. Credit growth has been slow, so monetary policy in FY2022/2023 will therefore aim at either holding market interest rates at their current low levels or reduced further to stimulate private sector demand and investments. The aim is to continue to provide an enabling environment for the private sector, to allow it to capitalize on the positive spillover effects of Government's capital investment in infrastructure and construction.

3. Statement of significant accounting policies

New standards adopted as at 1st January 2019

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

The bank has elected to account exemption for short term leases using practical expedients as the Bank has no formal lease agreement with the Government of Samoa for its office premises (lessee) and also no lease agreement (lessor) as of yet for tenants .

However, the standard has amended in relation to the broad application of practical expedients and its risks to concessions rent subject to below.

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

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

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

a. Basis of preparation

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

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

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

b. Foreign currency transactions

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

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

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2022

3. Statement of significant accounting policies (continued)

(b) Foreign currency transactions(continued)

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

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

c. Cash and cash equivalents

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

d. Property, plant and equipment

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

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

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

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

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

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

e. Inventory of currency

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

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

f. Financial instruments

Recognition and derecognition

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

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2022

3. Statement of significant accounting policies (continued)

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

Classification and measurement of financial assets

Classification and initial measurement

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

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

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

The classification is determined by both:

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

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

Subsequent measurement of financial assets

Financial assets at amortised cost

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

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

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

Specific classification and measurement of financial assets

Local and foreign currency deposits

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

Australian dollar bank bills

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

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.

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2022

3. Statement of significant accounting policies(continued)

f. Financial instruments

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). Such necessary provisions will be included in future accounting reports.

Staff loan receivables

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

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

Classification and measurement of financial liabilities

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

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

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

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2022

3. Statement of significant accounting policies (continued)

Classification and measurement of financial liabilities(continued)

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

Specific classification and measurement of financial liabilities

Sell repurchase agreements (Central Bank Securities)

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

Demand deposits

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

f. 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.

g. 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.

h. 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.

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2022

3. Statement of significant accounting policies (continued)

i. 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.

j. 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.

k. 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.

l. 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.

m. 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.

3. Statement of significant accounting policies (continued)

n. 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.

o. 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.

p. Comparatives

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

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

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

4. Critical accounting estimates and judgements

Impairment of property, plant and equipment

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

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

Impairment of financial assets

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

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

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2022

5. Foreign currency cash balances and term deposit balances

	2022 \$'000	2021 \$'000
Cash balances	150,310	158,457
Fixed deposit balances	594,167	557,484
Total foreign currency cash and term deposit balances	744,477	715,941

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:

	2022 \$'000		2021 \$'000	
	Cash balances	Term deposits	Cash balances	Term deposits
\$US dollar denominated deposits	142,136	133,425	148,136	106,844
\$NZ dollar denominated deposits	5,044	197,045	3,868	165,452
\$AU dollar denominated deposits	2,387	180,805	4,333	181,370
\$CNH dollar denominated deposits	6	82,892	6	103,818
\$GBP dollar denominated deposits	814	-	2,114	-
Total	150,310	594,167	158,457	557,484

6. Local currency cash balances and term deposit balances

	2022 \$'000	2021 \$'000
Petty cash	5	5
Cash at bank	7,628	9,232
Fixed deposit balances	40,868	35,702
Total local currency cash balances and term deposit balances	48,501	44,939

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.

7. International Monetary Fund - Reserve Tranche and SDR Allocations

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

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

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

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2022

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

IMF related assets and liabilities at 30th June 2022:

	2022 \$'000 SAT	2021 \$'000 SAT
Reserve Tranche		
Foreign currency assets		
Currency subscription - quota	58,325	59,208
Special drawing right holdings	59,383	7,806
Total foreign currency assets	117,708	67,014
SDR Allocations		
Foreign currency liabilities		
Special drawing right allocations	95,833	40,536
Currency holding	51,730	52,513
Total foreign currency assets	147,563	93,049

8. Foreign currency accrued interest balances

	2022 \$'000	2021 \$'000
Balances with other Central Banks	157	176
Deposits with commercial banks	2,161	2,052
Total foreign currency accrued interest	2,318	2,228

9. Currency inventory

	2022 \$'000	2021 \$'000
Currency notes	3,932	8,592
Coins	3,949	3,248
Total currency inventory	7,881	11,840

10. Receivables and prepayments

	2022 \$'000	2021 \$'000
Prepayments	3,205	3,369
Other debtors	365	367
Interest receivable on staff loans	513	487
Staff loans principal balance	2,913	3,135
Less allowance for impairment on staff loans	(114)	(72)
Net staff loans	2,799	3,063
Total receivables and prepayments	6,882	7,286

	2022 \$'000	2021 \$'000
<i>Movement in allowance for impairment on staff loans</i>		
Opening balance at 1 July	72	79
Additional/(Reduction) allowance for impairment charged to income and expense	42	(7)
Closing balance at 30 June 2022	114	72

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2022

11. Credit line facilities

	2022	2021
	\$'000	\$'000
a) Tsunami (Credit line facility)	444	3,177
b) Cyclone Evan (Credit line facility)	29,335	30,239
c) Economic Stimulus (Credit line facility)	21,387	21,766
d) Additional Economic Stimulus (Credit line facility)	6,862	7,537
e) Second Additional Economic Stimulus (CLF)	12,576	12,744
f) First Small Medium Enterprises Finance (CLF)	9,054	9,684
Total credit line facilities	79,658	85,147

(a). Tsunami (CLF)

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

	2022	2021
	\$'000	\$'000
Development Bank of Samoa	0	1,610
Samoa Housing Corporation	444	1,567
Balance at year end	444	3,177

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

Repayment terms:

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

(b). Cyclone Evan (CLF)

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

	2022	2021
	\$'000	\$'000
Development Bank of Samoa	26,965	27,535
Samoa Housing Corporation	2,370	2,704
Balance at year end	29,335	30,239

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

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2022

11. Credit line facilities (continued)

(c). Economic Stimulus (CLF)

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

	2022	2021
	\$'000	\$'000
Development Bank of Samoa	21,387	21,766
Balance at year end	21,387	21,766

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

(d). Additional Economic Stimulus (CLF)

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

	2022	2021
	\$'000	\$'000
Development Bank of Samoa	6,862	7,537
Total additional credit line facility	6,862	7,537

Credit Line Loan Amount	\$10 million
Approved:	
Loan Duration:	15 Years
Grace Period:	12 months
Interest Rate:	3% per annum
Loan Repayment:	Monthly repayments due after grace period
Securities:	Government Guarantee

(e). Second Additional Economic Stimulus (CLF)

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

	2022	2021
	\$'000	\$'000
Development Bank of Samoa	12,576	12,744
Total additional credit line facility	12,576	12,744

Credit Line Loan Amount	\$15.0 million
Approved:	
Loan Duration:	15 Years
Grace Period:	12 months
Interest Rate:	3% per annum
Loan Repayment:	Monthly repayments due after grace period
Securities:	Government Guarantee

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2022

11. Credit line facilities (continued)

(f). First Small Medium Enterprises (CLF)

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

	2022	2021
	\$'000	\$'000
Development Bank of Samoa	9,054	9,684
Balance at year end	9,054	9,684

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

12. Property, plant and equipment

	Land & buildings	Motor vehicles	Plant & equipment	Equipment & furniture	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Cost					
Balance as at 30/06/20	36,531	492	5,655	1,964	44,642
Additions	643	131	94	25	893
Disposals	-	(96)	(24)	(12)	(132)
Balance as at 30/06/21	37,174	527	5,725	1,977	45,403
Additions	141	125	270	27	563
Disposals	-	(115)	(125)	(19)	(259)
Balance as at 30/06/22	37,315	537	5,870	1,985	45,707
Accumulated Depreciation					
Balance as at 30/06/20	(18,723)	(460)	(4,989)	(1,774)	(25,946)
Charge for the year	(750)	(49)	(249)	(46)	(1,094)
Disposals	-	96	25	12	133
Balance as at 30/06/21	(19,473)	(413)	(5,213)	(1,808)	(26,907)
Charge for the year	(749)	(41)	(256)	(49)	(1,095)
Disposals	-	114	122	18	254
Balance as at 30/06/22	(20,222)	(340)	(5,347)	(1,839)	(27,748)
Written down value:					
As at 30/06/21	17,701	114	512	169	18,496
As at 30/06/22	17,093	197	523	146	17,959

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2022

13. Deposits	2022 \$'000	2021 \$'000
Foreign currency deposits		
Government of Samoa foreign currency deposits	188,557	143,805
Total foreign currency deposits	188,557	143,805
Local currency deposits		
Demand deposits due to banks	313,339	340,717
Government of Samoa local currency deposits	41,844	47,582
The World Bank deposits	39	39
	355,222	388,338
Statutory reserve deposits		
Domestic banks	60,138	57,946
Insurance companies	940	940
	61,078	58,886
Total local currency deposits	416,300	447,224

The Central Bank acts as banker, agent and depository of the Government of Samoa. Governments funds are deposited at the Central Bank are remunerated at a prevailing market rate. Interest expense for the year was \$0.8m tala (2021: \$0.5m tala)

14. International Monetary Fund - Facilities	2022 \$'000	2021 \$'000
(a). Exogenous Shock Facility	-	-
(b). Rapid Credit Facility No.1	4,176	8,479
(c). Rapid Credit Facility No.2	58,325	59,208
Balance at year end	62,501	67,687

(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.

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2022

15. Currency in circulation

	2022	2021
	\$'000	\$'000
Currency in circulation	156,784	142,569
Balance at year end	156,784	142,569

16. Provision for employee entitlements

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

	2022	2021
	\$'000	\$'000
Opening balance at 1 July	410	496
Additional provisions charged to income during the year	177	211
Entitlements utilised during the year	(188)	(297)
Closing balance at 30 June 2022	399	410

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

	2022	2021
	\$'000	\$'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)

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2022

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:

	2022 \$'000	2021 \$'000
<i>Profit/(Loss) distribution</i>		
Unrealised (losses)/gain transferred to unrealised losses/ profits reserve	(5,721)	5,666
Net (loss) transferred to general reserves	(3,038)	(1,580)
Net (loss/profit)	(8,758)	4,086
<i>Movement in Unrealised profit/(losses) reserve</i>		
Opening balance at 1 July	(9,966)	(15,632)
Unrealised gains/(losses) for the year	(5,721)	5,666
Closing balance at 30 June 2022	(15,687)	(9,966)

21. Interest income

	2022 \$'000	2021 \$'000
Interest on cash accounts	18	9
Interest on term deposits	6,116	5,971
Total interest income	6,134	5,980

22. Other income

	2022 \$'000	2021 \$'000
Interest on staff loans	92	137
Income from collectors and other income	887	734
Total other income	979	871

23. Related party disclosures

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

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

(i) Key management personnel

The following information is presented only in respect of those employees of the Bank who would be considered as key management personnel, as defined under IAS 24 (Related Party Disclosures). This comprises the governor, assistant governors, members of the management team and executive directors. At 30 June 2022, the number of key management personnel was 25 (2021: 25).

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

	2022 \$'000	2021 \$'000
Salaries and short-term employment benefits	1,540	1,540
Other long-term benefits	145	113
Total key management personnel remuneration	1,685	1,653

Central Bank of Samoa
Notes forming part of the financial statements
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23. Related party disclosure (continued)

(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.

	2022	2021
	\$'000	\$'000
Directors fees	64	62
Board expenses	12	8
Total directors and board expenses	76	70

(iii) Due from and due to related parties

As at 30 June 2022, the following balances were receivable from or payable to related parties.

	2022	2021
	\$'000	\$'000
Balances due to related parties	230,402	191,387
Balances due from related parties	897	1,116

(iii) 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.

24. Lease receivable

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

	2022	2021
	\$'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\$1,011,302 (2021: SAT\$1,009,833).

Direct operating expenses in relation to building floors leased out amounted to SAT\$812,033 (2021: SAT\$849,160). 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.

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2022

25. Financial risk management

Introduction and overview

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

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

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

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

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

(a) Liquidity risk

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

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

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25. Financial risk management (continued)

(a) Liquidity risk

Maturity analysis as at 30 June 2022

	0 - 3 months \$000	3 - 12 months \$000	1 - 5 years \$000	Over 5 years \$000	No specific maturity \$000	Total \$000
Foreign Currency Assets						
Cash balances	150,310	-	-	-	-	150,310
Fixed deposits	276,945	288,373	28,850	-	-	594,168
International Monetary Fund	-	-	-	-	117,708	117,708
Accrued interest	1,102	1,200	15	-	-	2,317
	428,357	289,573	28,865	-	117,708	864,503
Local Currency Assets						
Cash balances	7,633	-	-	-	-	7,633
Fixed deposits	-	40,868	-	-	-	40,868
Accrued interest	-	10	-	-	-	10
Currency stock on hand	-	-	-	-	7,881	7,881
Receivables and prepayments	-	878	3,205	2,799	-	6,882
Credit line facility	-	-	-	79,658	-	79,658
Property, plant and equipment	-	-	118	17,841	-	17,959
	7,633	41,756	3,323	100,298	7,881	160,891
Total Assets	435,990	331,329	32,188	100,298	125,589	1,025,394
Foreign Currency Liabilities						
Demand deposits	188,557	-	-	-	-	188,557
IMF Facilities	-	-	-	62,501	-	62,501
International Monetary Fund	-	-	-	-	147,563	147,563
Other liabilities	15	-	-	-	-	15
	188,572	-	-	62,501	147,563	398,636
Local Currency Liabilities						
Demand deposits	416,300	-	-	-	-	416,300
Currency in circulation	-	-	-	-	156,784	156,784
Central Bank Securities	-	-	-	-	-	-
Creditors and accruals	1,105	39,833	97	-	-	41,035
Provisions	-	-	-	399	-	399
	417,405	39,833	97	399	156,784	614,518
Total Liabilities	605,977	39,833	97	62,900	304,347	1,013,154
Net Assets	(169,987)	291,496	32,091	37,398	(178,758)	12,240

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

(a) Liquidity risk (continued)

Maturity analysis as at 30 June 2021

	0 - 3 months \$000	3 - 12 months \$000	1 - 5 years \$000	Over 5 years \$000	No specific maturity \$000	Total \$000
Foreign Currency Assets						
Cash balances	158,456	-	-	-	-	158,456
Fixed deposits	5,372	552,112	-	-	-	557,484
International Monetary Fund	-	-	-	-	67,014	67,014
Accrued interest	283	1,945	-	-	-	2,228
	164,111	554,057	-	-	67,014	785,183
Local Currency Assets						
Cash balances	9,237	-	-	-	-	9,237
Fixed deposits	-	35,702	-	-	-	35,702
Accrued interest	-	13	-	-	-	13
Currency stock on hand	-	-	-	-	11,840	11,840
Receivables and prepayments	-	854	3,369	3,063	-	7,286
Credit line facility	-	-	-	85,147	-	85,147
Property, plant and equipment	-	-	135	18,361	-	18,496
	9,237	36,569	3,504	106,571	11,840	167,721
Total Assets	173,348	590,626	3,504	106,571	78,854	952,904
Foreign Currency Liabilities						
Demand deposits	143,805	-	-	-	-	143,805
IMF Facilities	-	-	-	67,687	-	67,687
International Monetary Fund	-	-	-	-	93,049	93,049
Other liabilities	12	-	-	-	-	12
	143,817	-	-	67,687	93,049	304,553
Local Currency Liabilities						
Demand deposits	447,224	-	-	-	-	447,224
Currency in circulation	-	-	-	-	142,569	142,569
Central Bank Securities	-	-	-	-	-	-
Creditors and accruals	2,386	34,670	94	-	-	37,150
Provisions	-	-	-	410	-	410
	449,610	34,670	94	410	142,569	627,353
Total Liabilities	593,427	34,670	94	68,097	235,618	931,906
Net Assets	(420,079)	555,956	3,410	38,474	(156,764)	20,998

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2022

25. Financial risk management (continued)

(b) Market risk

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

(i) Foreign exchange risk

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

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

<i>Foreign Assets SAT (\$M)</i>	USD	NZD	AUD	GBP	CNY	TOTAL
Cash balances with Central Banks	0.79	2.97	2.39	0.81	0.003	6.96
Cash balances with banks	-	1.79	0.28	-	0.003	2.08
Fixed deposits	108.9	197.77	65.9	-	84.07	456.63
Negotiable Certificate Deposit	-	-	110.99	-	-	110.99
Bond	24.68	-	4.17	-	-	28.86
Repurchase agreements	141.27	-	-	-	-	141.27
Total	275.64	202.53	183.73	0.81	84.07	746.8

Concentration of foreign currency balances

	USD	NZD	AUD	GBP	CNY	TOTAL
Cash balances with Central Banks	0.10%	0.40%	0.30%	0.10%	0.00%	0.90%
Cash balances with Banks	0.00%	0.20%	0.00%	0.00%	0.00%	0.30%
Fixed deposits	14.60%	26.50%	8.80%	0.00%	11.30%	61.10%
Negotiable Certificate Deposit	0.00%	0.00%	14.90%	0.00%	0.00%	14.90%
Bond	3.30%	0.00%	0.60%	0.00%	0.00%	3.90%
Repurchase agreements	18.90%	0.00%	0.00%	0.00%	0.00%	18.90%
Total	36.90%	27.10%	25.90%	0.10%	11.30%	100.00%

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

	30 June 2022	30 June 2021
USD	0.36880	0.39029
NZD	0.59331	0.55847
AUD	0.53644	0.51972
GBP	0.30429	0.28191
SDR	0.27780	0.27360
CNY	2.47098	2.52271
CNH	2.47240	2.52355

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2022

25. 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 2022 would have increased net income by the amounts shown below:

	Income effect		General reserves effect	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
USD	26,925	24,659	13,343	10,684
NZD	21,317	17,501	19,704	16,545
AUD	18,886	19,072	18,080	18,137
GBP	92	227	-	-
EURO	(1)	(1)	-	-
CNH	11,634	6,778	8,289	10,382
SDR	8,167	10,847	-	-
TOTAL	87,020	79,085	59,416	55,748

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

(i) Interest rate risk

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

Interest rate risk as at 30 June 2022:

Foreign Exchange	Balance	Repricing period			
	Sheet Total \$M	0-3 months	3-6 months	6-12 months	12+ months
Cash balances with Central Banks	6.96	6.96	-	-	-
Cash balances with Banks	2.08	2.08	-	-	-
Fixed deposits	456.63	248.37	41.92	166.34	-
Negotiable Certificate of Deposits	110.99	31.68	27.40	51.92	-
Bonds	28.86	-	-	-	28.86
Repurchase agreements	141.27	141.27	-	-	-
TOTAL	746.80	430.36	69.32	218.26	28.86

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2022

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

	PD	Gross carrying amount	Loss allowance	Credit impaired
30 June 2022				
Current (not overdue)	2.5%	2,820	92	-
Staff loans assessed individually		93	21	-
		2,913	113	-

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

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

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2022

25. Financial Risk Management (continued)

(c) Credit risk(continued)

Foreign Investments	Risk rating of security issuer	Risk rating of counterparties	% of total assets as at 30-Jun-22
Securities held under repurchase agreements with Central Banks			
	AA+		18.92
T/Deposits with BIS	AAA		8.73
BIS G1 Bond	AAA		3.31
Cash with other Central Banks			0.93
Subtotal balances with Central Banks			31.89
Negotiable Certificate of Deposit			
			14.86
ME BANK		BBB+	1.05
BANK OF QUEENSLAND		BBB+	6.95
RABO		BBB+	6.86
BONDS			0.56
EUROPEAN INVESTMENT BANK		AAA	0.56
Deposits with Commercial Banks			52.41
ANZ		AA-	0.39
BNZ		AA-	4.16
BOC		A	13.05
DBS		AAA	7.3
ICBC		A	12.27
RABO		A+	13.07
WBC		AA-	2.18
Others (CASH)			0.28
ANZ		AA-	0.03
BNZ		AA-	0.08
BOC		A	0.09
WBC		AA-	0.04
ICBC		A	0.03
Subtotal balances with commercial Banks			68.11
TOTAL			100

(d) Operational risk

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

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

Central Bank of Samoa
Notes forming part of the financial statements
For the year ended 30 June 2022

26. Fair values of financial assets and liabilities

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

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

Cash balance and Fixed Deposits

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

Statutory reserve deposits

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

Demand deposits

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

Currency in circulation

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

Other financial assets and liabilities

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

27. Commitments for expenditures

The Directors are aware of the Bank's commitment at 30th June 2022 as follows:

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

The project was estimated to cost \$28.5 million tala. The cost already incurred on this as at 30 June 2022 is \$2.9m (2021: \$2.8m) is classified as Work in Progress.

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

28. Contingent liabilities

(i) Lease on property not finalised


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

(ii) Collectors' currency

The Bank has a contingent liability for the face value of collectors' currency issued. However, it is more unlikely that the amounts of collectors' currency will be returned for redemption at face value. The face value of all collectors' currency issued by the Bank for the period under review is SAT\$692,518. (2021: SAT\$555,002).

29. Approval of financial statement

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

 <p>SU'A MA PAUC & ASSOCIATES</p>	<p>- chartered accountants</p>	<p>PO Box 6028 Unit 6, Sejuli Taulafo Complex Lotopa, Samoa Tel: +685 29890/ 7774845/ 7785053 or 24588, 28875/ 7528875/ 8429890 www.sua-pauga.com</p>
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Independent Auditor's Report

To the Controller and Chief Auditor

Auditor's Opinion

We have audited the accompanying financial report of Central Bank of Samoa (the Bank), which comprises the statement of financial position as at 30 June 2022, the statements of financial performance, cash flows and changes in capital and reserves for the year then ended, a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial report gives a true and fair view of the financial position of Central Bank of Samoa as of 30 June 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) except for key audit matter.

Basis for Opinion

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

The Responsibility of the Board of Directors for the Financial Report

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

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

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

Emphasis of Matters - Subsequent event COVID-19- Economic Downturn

As discussed in Note 2, although the Coronavirus (Covid-19) has ease off with its ongoing adverse effect, the Russia-Ukraine war has added and slows the recovery of global economy than expected.

On the domestic front, inflation has risen sharply in the past eight months given the combined impacts of the COVID-19 pandemic, supply chain disruptions on global transportation and the Russia-Ukraine war. It is currently at 8.8 percent at end June 2022 compared to -3.0 percent at end June 2021.

The Board noted ongoing inflationary pressures thus, they are monitoring the inflation on a timely basis.

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

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

Key Audit Matters (KAM)

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

Key Audit Matters

	KEY AUDIT MATTER	Auditors' response
1	<p>Expected Credit Losses on Credit Line Facilities (Risk of overstatement of assets)</p> <p>The Bank is yet to recognise any future forward expected credit losses on their credit line facilities to Development Bank of Samoa (DBS). The CBS's judgement is that the debts are secured and guaranteed by government. The latest restructure by CBS for DBS portfolio reveals the following</p> <p>(i) changes in contractual cashflow patterns from DBS,</p> <p>(ii) Change in Grace period and maturity,</p> <p>(iii) change in interest rates. These measures are to ensure the stability and soundness of the Samoan Financial System and to avoid any detrimental effect on DBS from this particular account.</p> <p>The said specific facilities for one borrower represent bulk ie 79% of total advances from CBS to DBS which is material in nature. Accordingly, the future expected adverse outcome of this account added onto COVID impact will significantly impact CBS's profit/loss and state of affairs presented on the Balance Sheet.</p> <p>Considering the uncertainty relating the outcome of this matter which requires the application of judgements, it has been determined as a key audit matter.</p>	<p>IFRS 9 requires</p> <p>At each reporting date, an entity shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, an entity shall use the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of <u>expected credit losses</u>. To make that assessment, an entity shall compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.</p> <p>This specific account has a significant increase in Credit Risks and there are objective evidence of Impairment which led to CBS restructuring the account and clearly fall under Stage 3 category from Assessments of IFRS 9 . Thus, lifetime expected credit losses must be recognised and Interest Revenue (ie 1% agreed) must be calculated on the Net Carrying Amount when it is due (ie that is, net of Credit allowance). CBS now assess the expected credit losses which recognised as fair value through other comprehensive income (fvocl) in the future.</p>

APPENDIX - Auditor's Responsibility for the Audit of Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's Internal Control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

Report on other Legal and Regulatory Requirements

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

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

We also confirm that:

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

SU'A ma PAUGA
Chartered Accountants



Tagaloa Faafouina Su'a
Engagement Partner
29 September 2022