Financial Stability Report

... to foster and maintain a stable financial system...

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CENTRAL BANK OF SOLOMON ISLANDS

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FINANCIAL STABILITY REPORT

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This report is based on unaudited and provisional data of banks and non-bank financial institutions available up to December 31, 2016 unless stated otherwise in the relevant chapters/sections.

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GOVERNOR'S FORWARD

Gov. Denton Rarawa

I have the pleasure to present this first edition of the Financial Stability Report (FSR) of the Central Bank of Solomon Islands (CBSI).

The CBSI has been planning for some time to produce a separate report on financial stability issues rather than to publish the report as a chapter in its Annual report. The production of this FRS is the outcome of this planning process and its publication a fulfilment of the legal requirement stipulated under section 31(4) of CBSI Act. This section requires the CBSI to publish a report on financial stability once a year to inform public about issues affecting Solomon Islands financial sector.

One of the objectives of the CBSI under section 8(2) is to foster and maintain a stable financial system. The FSR provides how CBSI assesses the Solomon Islands' financial infrastructure and systems is functioning efficiently and resilient to risks that they face. The CBSI performs its financial stability function by identifying, monitoring, and taking actions to remove or minimize systemic risks. Such actions are crucial to protecting and enhancing the resilience of Solomon Islands financial sector, infrastructure, and system.

This FSR presents CBSI's assessment of the resilience of the Solomon Islands financial system, its view on main risks to financial stability, the actions that it is taking to remove or minimize such risks, and its outlook for Solomon Islands financial stability.

Unless otherwise stated, this edition of FSR uses data as at December 31, 2016.

Denton Rarawa
Governor & Chairman of the Financial Stability Committee

Chapter 1: OVERVIEW OF GLOBAL & DOMESTIC FINANCIAL ENVIRONMENT

Advanced economies have been experiencing long periods of low interest rate and low growth but incoming data now suggests that the overall tail risk to financial stability have improved considerably. Risk-taking appetite has picked up in advanced economies, particularly in United States, in the face of renewed optimism about the pace of growth and strength of corporate earnings. The spread of corporate bonds has also been declining while equity valuation and long-term yields have risen. The outcome has eased pressure on bank profitability, assisted financial institutions buildup capital buffers and propelled rise of share prices of international banks. Nonetheless, risks associated with political, macroprudential issues are still at elevated level, and the global recovery has largely been uneven.

Across Europe, a number of countries will hold their national elections in 2017. The elections, according to some political commentators, could influence rise of Eurosceptic parties and add to uncertain policy environment. For Europe, any prolonged uncertainties can be disastrous for the continent given their capacity to delay recovery, undermine bank profitability and exacerbate pressure on sovereign debt market as most banks in Europe hold sizable amount of sovereign debts.

United Kingdom (UK) has been the main financial epicenter of Europe, managing over one-quarter of global clearing activities for European-denominated derivatives. But UK is now on its way of leaving the European Union (EU) following the triggering of Article 50 of Lisbon Treaty by Prime Minister Teresa May. The departure of UK, along with tensions within the EU region over UK's successor to handle most of clearing activities, if not handled properly, could elevate the industry's operational risk and undermine financial market stability given that London, according to Bank of England, handles more than one-quarter of global clearing activities, totaling over 900 billion Euros. Meanwhile, in East Europe, confidence in the banking system has been declining for some time due to weak economy, high presence of toxic assets in the system, long insolvency procedures and uncertainties about Non Performing Loan (NPL) valuation. The decline in confidence has made it difficult for banks to raise equity from private equity market, prompting banks in Italy to resorting to government bailout. That said, prospects have been reasonably good in other parts of Europe. In particular, in the euro area, economic growth has been reasonably strong. This outcome has lifted bank profitability and supported banks buildup capital buffer.

Moving to Asian region, the rapid pace of credit expansion in China, though have contributed to driving growth in successive years, has been adding risk to the system for one fundamental reason. The main driver to the credit growth in recent years has been credit extended through the shadow banking channel. Credit extended through the shadow banking channel, which now contributes one-quarter to China's debt, will increase China's private sector debt level further and drive 'cliff-edge' risk to the system, if not sufficiently supervised, given the high degree of interconnectedness between Chinese banks and shadow banks, for three reasons. Firstly, credit extended through this channel, because they are lightly regulated, is largely of low quality and borrowers who obtained loan through this channel are more prone to economic shocks. Secondly, credit terms are short, hence, has liquidity and repayment implications for borrowers. Thirdly, most credit has been extended to industries that have excess capacity, hence, may have implications for profitability and repayments capacity of borrowers moving forward. But, on the positive side, China's banking sector remains profitable and adequately capitalized. The action taken by the Chinese authorities in managing capital outflows and in appointing a new chairman to China Banking Regulatory Commission, which led to issuance of several new policy directives aimed at addressing vulnerability in banking and shadow banking businesses, will strengthen financial sector resilience and reduce risk over the medium term. In Japan, the prolonged low global interest rates and weak GDP growth have added pressures on Japanese banks. The situation has undermined bank profitability and banks' ability to raise capital buffer. As a result, small Japanese banks are increasing their exposure to gain from high yields in offshore markets.

Meanwhile, in export-dependent emerging economies, particularly Brazil, Russia, South Africa and Indonesia, growth has picked up but risks to vulnerability have also risen, reflecting rising corporate indebtedness. The level of corporate debt is high by standards of some emerging countries and is a concern given its sensitivity to global interest rates. An increase in global interest rates may increase further corporate indebtedness and in turn elevate debt-burden of export-dependent corporations. Such elevation may undermine repayments capacity of export-dependent corporations unless the rate rise is supported by sustained global growth and higher commodity prices.

Closer to home, there are ongoing concerns within Australia about the pace of growth of household debt and about the exposure of banks to housing market sector. But despite these concerns, the Australian banking system remains strong and asset quality has been reasonably good. The low interest rate environment has taken some pressure off repayments capacity of borrowers and has assisted households' buildup repayments buffer. The action taken by Australian Prudential Regulatory Authority (APRA) to strengthen residential mortgage lending practices and to require banks hold higher capital will bolster resilience of banking sector and reduce risk of vulnerability to the system. With regards to non-banks, risks from shadow banking are low, reflecting limited linkages between banking and shadow banking, while vulnerabilities in superannuation fund and insurance sectors are broadly manageable.

Across the Tasman, the New Zealand banking sector remains strong but there are concerns about its exposure to housing and dairy industry and reliance on off shore wholesale funding. . The housing price, pushed up by migration to cities and other fundamental factors, according to Reserve Bank of New Zealand (RBNZ), is 6½ times the annual average household disposable income. The share of new loans with high debt-to-disposal income, according to RBNZ, has also been rising with new investors now accounting for one-half of such loans. Over the medium-term, this may weaken financial sector resilience and increase risk of vulnerability because high debt-to-disposal income borrowers are more elastic to income and interest rate shocks. But, on the positive side, the macroprudential policy introduced by RBNZ, which targeted high loans-to valuation loans and investor borrower, to bolster resilience and reduce risk, are already bearing results. They will contribute to fortifying stability of New Zealand's banking sector over the medium-term.

Domestic Financial Environment

Domestically, Solomon Islands economy performed reasonably well in 2016. Real Gross Domestic Product grew 3.5%, bolstered by strong real activities in primary sector, particularly agriculture and forestry, and in services-related sectors, particularly construction, manufacturing, and wholesaling and retailing. Fiscal stimulus associated with infrastructure spending and with rural development initiatives also contributed. Given these outcomes, local labor market conditions have improved. Formal sector employment increased by a full percent to an estimated 80 thousand workforce. International trade and finance activities have also been active across 2016. As a result, merchandise exports performed strongly. This strong performance prompted Solomon Islands merchandise trade account to move into a surplus position for the first time in four years. Although the economy registered net factor and nonfactor services outflow in 2016, capital and financial inflows are reasonably strong. This bolstered Solomon Islands gross international reserves to 10.8 months' worth of import cover. In the money market, competition experienced across 2016 has pulled lending rates down, prompting a decline in interest margin. The decline in lending rates has eased pressure on loan-servicing capacity of borrowers and provided them the much-needed space to buildup repayments buffer. Finally, despite the growth in domestic credit, inflation remains low and business and investment confidence have been reasonably strong.

In line with this relatively favorable business environment, the Solomon Islands financial sector performed strongly in 2016. Profitability of banking sector leaped 25.1% while asset quality improved to 3.3%. Banks have also maintained sufficient liquidity buffer to meet their financial obligations and have built up sufficient capital buffer, further strengthening their resilience to shocks. The insurance sector also performed strongly, helped partly by net gains from operational efficiency and low occurrence of catastrophic events. As a result, the loss ratio of the sector sits comfortably at 20.8%. This outcome reduced pressure on liquidity, profitability, and capital of licensed insurers and insurance intermediaries. The superannuation sector also performed reasonably well in 2016. Returns on investment have grown by about a full percentage points to 5.8% on the back of revaluation gains from equity investments and from income earned from financial market investments. This growth, along with net gains from currency movement, has lifted profitability and boosted liquidity of the only licensed superannuation fund.

Despite these reasonably strong performances, vulnerabilities persist and risk of them undermining financial sector stability in 2017 and beyond remains high. In the short-term, the rapid pace of credit expansion to personal sector, which comprises largely of household borrowings, and to highly leveraged industries, particularly to seaborne transportation sector, is a concern and needs closer supervision. Such supervision is critical to navigating household and private sector debts away from taking unsustainable growth path. The slow pace of economic growth and of the capacity of the Solomon Islands economy to create new corporate clientele base for the banking sector is also a concern and needs policy attention. This slow pace of new corporate customer-base creation has resulted in financial institutions recycling existing corporate customers and this is dragging the long run profitability trend of banking sector down. A sustained decline in profitability is a risk to financial sector stability given its potential to undermine the ability of financial institutions to buildup capital buffers from retained earnings, slows down product innovation and expansion plans, and heighten risks of insolvency over the medium-term. To minimize the impact of such risks to the system, the policymakers must design and implement appropriate pro-growth policies now. This is crucial to re-energizing the economy, particularly the ability of the economy to create new or expand existing corporate clientele base, which is crucial for halting further profitability slippages, and to supporting financial institutions buildup buffers to mitigate impacts of climate-related financial risks in the future.

Another source that may add to financial sector vulnerability relates to fiscal risks. The practice of Central Government routinely delaying domestic trade creditor settlement is a risk to the system. Such practice has triggered off debt-servicing slippages of both personal and corporate borrowers who depend on income from government to service their loans and this has increased volume of toxic assets in the system. The practice has also increased debt-burdens of borrowers, particularly of private households and Small Medium Enterprises (SMEs) borrowers, due to imposition of penalty interest rates by banks. Finally, the practice has also been undermining future creditworthiness of domestic households and SMEs by tarnishing their reputation. Over the medium-term, the risk of Central Government not adhering to the terms of the proposed development bonds for priority projects need close supervision given the nonconcessional nature of the bonds and the previous track record of government. Such non-adherence may undermine public confidence and add to financial sector vulnerability. A strong fiscal discipline is required to minimize such risks from occurring and from pulling Solomon Islands back to the unpleasant experiences of the 1990s when the securities market collapse. These concerns, along with lack of political will to bring to conclusion outstanding financial sector regulatory reforms, particularly of bringing Credit Union and National Provident Fund bills to Parliament, if not given sufficient prioritization, may drive ‘cliff-edge’ risk to the system over the medium-term.

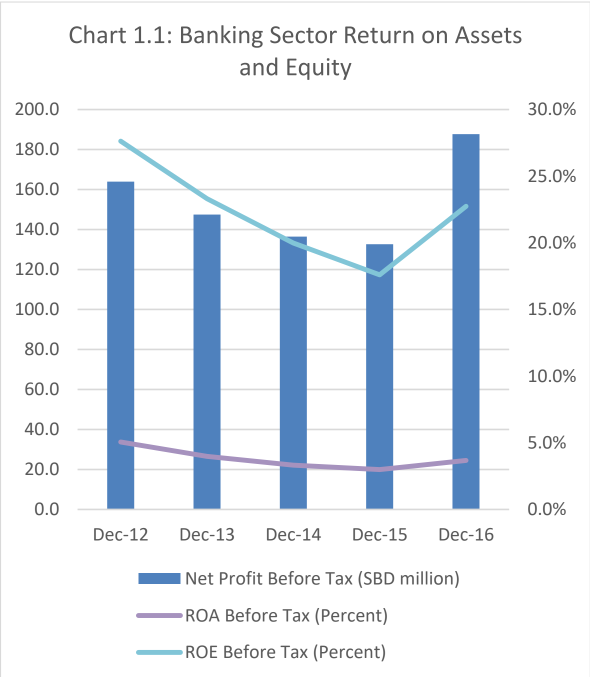
Chapter 2: FINANCIAL INSTITUTIONS PERFORMANCE & STABILITY SITUATION

1. Banking Sector

The banking sector, which comprises three commercial banks and one credit institution, accounted for 62.3% of total financial sector assets in 2016. Of the three commercial banks, two are branches of foreign banks and one is a locally incorporated bank with foreign ownership. The credit institution is a subsidiary of a foreign incorporated credit institution.

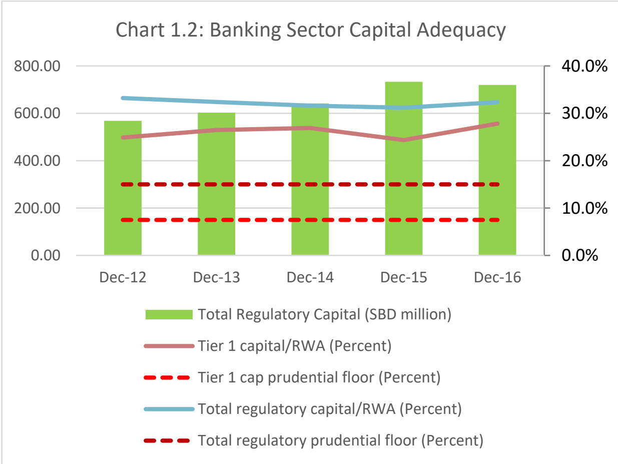
Financial Performance

The banking sector profitability improved by 41.5% to record a net-profit-before-tax of $187.7 million (Chart 1.1). This improvement came on the back of increased income from core businesses, particularly loans and advances, and by net gains on foreign currency revaluations.

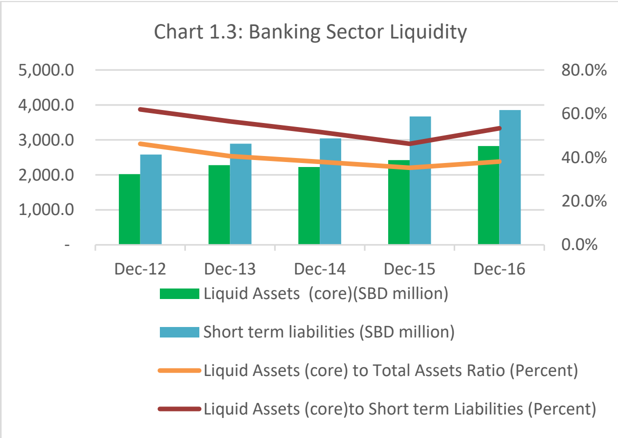


This outcome has increased total regulatory capital of banking sector, on risk-weighted basis, to 32.3%, 17.6 percentage points higher than the minimum 15% prudential capital requirement, providing additional capital buffer to absorb unexpected shocks in 2017 (Chart 1.2).

The banking sector also held sufficient liquidity across 2016. This has helped financial institutions maintained orderly flows of financial services across the economy and, at the same time, provided them with ample breathing space to maneuver operationally and to meet their demand deposits withdrawal and other financial obligations when they fall due (Chart 1.3).



Financial institutions have also managed their foreign exchange exposures reasonably well across 2016, operating well within the 15% prudential ceiling for the single open foreign currency position and 25% for the overall open foreign currency position (chart 1.4). To an extent, the outcome mirrors appetite of banks towards foreign currency risks, the small size of Solomon Islands market, and the minimal interaction onshore banks have with offshore wholesale funding markets.



In line with the pace of domestic business activities, consolidated assets of the banking sector expanded by 12.2% to $5.4 billion, with much of this growth impulses emanating from growths associated with growths in lending to private sector, bank deposits held with CBSI, and short-term bank investments held with central government treasury bills.

Loans and advances expanded by 11.8% to $2.2 billion in the face of strong demand for credit from construction, distribution, tourism, transportation, and personal sectors (Chart 1.5).

The banking sector's overall condition is strong but risks

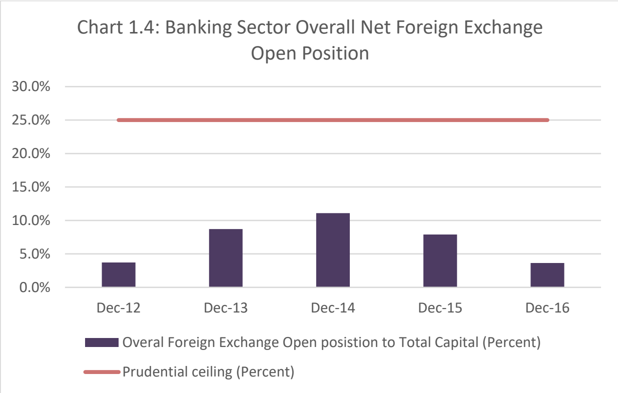


Chart 1.4: Banking Sector Overall Net Foreign Exchange Open Position

to the sector remains elevated. In particular, the rapid pace of credit expansion to personal sector, which comprised largely of credit to domestic households for consumption and residential mortgages, and to highly leveraged firms in industry that may already have excess capacity, particularly to seaborne transportation sector, is a prudential concern for some time. It is a concern because such a pace of expansion has strong likelihood of increasing rapidly private debt levels and add to vulnerability in the future.

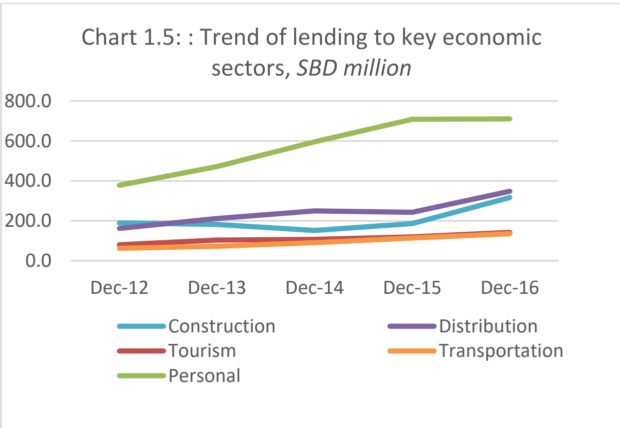


Chart 1.5: : Trend of lending to key economic sectors, *SBD million*

In terms of personal sector, the pace of expansion has enabled domestic households to smooth their current consumption and to buy or build residential houses to live in or rent out in open market and generate income (Chart 1.6).

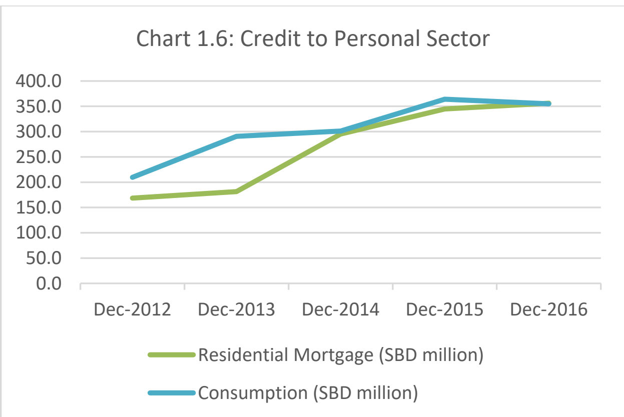


Chart 1.6: Credit to Personal Sector

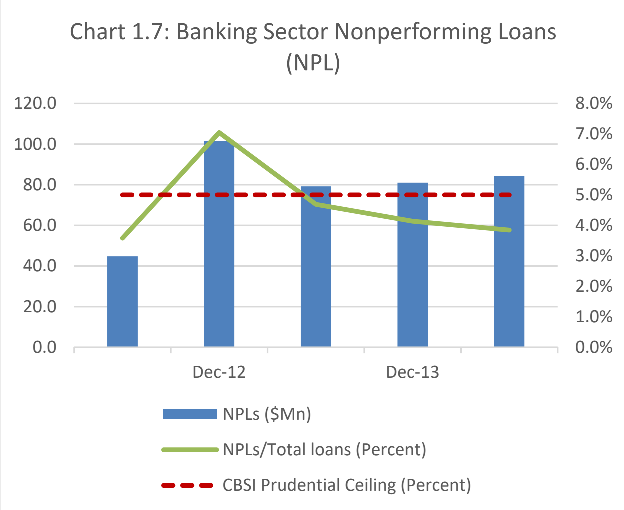
But the pace of expansion is a concern for one fundamental reason: it may lead to rapid increase in levels of private debts, exert pressures on disposable income of household borrowers, and create debt bubbles. The bubble over time may burst and translate into repayment slippages. There are three reasons for such to occur: **(i)** strong prevalence of *wantokism*[1] culture in Solomon Islands. Such cultural norm has implications for household budgets and loan repayments' regularity; **(ii)** the recent decline in rental prices for mortgaged residential properties in Honiara. The decline may have implications for borrowers who borrowed heavily in prior periods in anticipation of higher rental prices in current period; and **(iii)** the high cost of living in urban centers. Such high cost of living may induce some borrowers go into willful defaults.

Concerning transportation sector, the pace of lending to highly leveraged firms in an industry that may already have excess capacity, particularly to inter-island seaborne transportation, has been a supervision concern as well. It has been a concern because the influx of government-funded ships for Parliamentarians may have saturated shipping market. Private ship operators have encountered stiff competition from government-funded ships and this has added to liquidity and profitability pressures. Government-funded boats have competitive advantage over private operators because the owners of the former do not repay loans and so have financial space to maneuver than private operators.

The government has been subsidizing some noneconomic shipping routes. Although the subsidy, along with decline in fuel prices, may have eased operational pressures, the question of whether the arrangement will be a continuum remains unclear. The entry of new shipping operators into the market may saturate the market and contribute to diseconomies of scale. Such an outcome may weaken the ability of borrowers to honor their loan contracts. Sea transportation borrowers are more vulnerable to economic shocks. When income is low or when interest rates rise, the borrowers are likely to experience repayments pressures and default on their loans.

Already, there are emerging signs of pressures. At the end of 2016, the impairment rate of banking sector assets reached 3.8% of total assets, with close to 60% of impaired assets alone emanating from personal and transportation sectors (Chart 1.7). Persistent repayment slippages is a risk to asset quality, bank profitability, capital buffer creation and institutional reputation. Financial institutions therefore are encouraged to improve the quality of their loan assessments, credit-monitoring framework, and to adhere to prudential guidelines on asset classification and provisioning.

1 Wantokism refers to a cultural practice of relying on a relative, particularly a wage-working relative, for any needs or wants. It is a traditional system which creates welfare buffer and underpin social security for Solomon Islanders



Broadly, four factors that influenced rise of nonperforming loans under the personal sector are:

(i) timing of SIG payments: the persistent delay by the Central Government to release rental payments to residential property owners has affected the ability of personal sector borrowers to make timely loan repayments on mortgaged properties. Such repayment slippages have undermined quality of assets in the system and profitability of banks. It has also imposed unnecessary costs on borrowers. The latter are being charged penalty rates on late repayments. This has increased debt burdens, psychological stress, reputational risks, and harmed future creditworthiness of borrowers.

(ii) aggressive lending: some banks, in their endeavor to grow balance sheet, may have compromised their internal loan appraisal standards. Such practice is a risk to stability because credits extended under less stringent appraisal standards are usually of low quality. They are likely to turn doubtful quickly because borrowers who obtain loans in such manner are more elastic to income and interest rate shocks.

(iii) behavioral factors: some borrowers have resorted to willful defaults due to pressures associated with 'culture of wantokism' and high costs of living in Honiara and provincial towns. Because of budgetary pressures, such borrowers have opted to forgo their collateralized portion of retirement savings held with Solomon Islands National Provident Fund. Over time, such practice may have liquidity and capital implications for the superannuation fund.

(iv) weather-related challenges: the unfavorable weather conditions across 2016 have affected yields and production output of small farmers and medium-sized agribusinesses. They have also disrupted shipment frequency of production output from production site to distribution centers and the loading capacity of transport operators per trip. This situation has caused disruption to inflows of revenues and in turn undermined loan-repayments capacity of farmers and transportation services borrowers.

As a strategy to minimizing risks of building up toxic assets in the system, CBSI has engaged in moral suasion by requesting financial institutions to apply some brakes on lending to consumption and seaborne transportation-related proposals. In addition, CBSI has also encouraged financial institutions to strengthen their credit appraisal system, improve their quality of loan proposal assessment, review their risk-taking appetite and tolerance policies, and strengthen their credit-monitoring framework. At the macro level, policy makers have been encouraged to pursue growth-supporting policies and provide supporting infrastructures to stimulate aggregate demand and create new investment opportunities countrywide. CBSI has so far maintained an accommodative monetary policy stance but to jumpstart the economy, coordinated efforts from all policymakers are required.

2. Superannuation Sector

The superannuation sector comprises the Solomon Islands National Provident Fund (the Fund), being the only compulsory superannuation fund in the country. It contributed 35.3% of the total financial sector assets in 2016. Apart from the head office in Honiara, SINPF also has branch operations in Auki in Malaita Province and in Gizo in Western Province.

Financial Performance

The Fund remained profitable in 2016. Its net profit grew by 19.8% from 2015 to $170.7 million in 2016. This growth came from faster growth in income, reflecting vigorous revenue inflows from shares, rental properties, debt securities, loans and advances and gains from foreign currency revaluations.

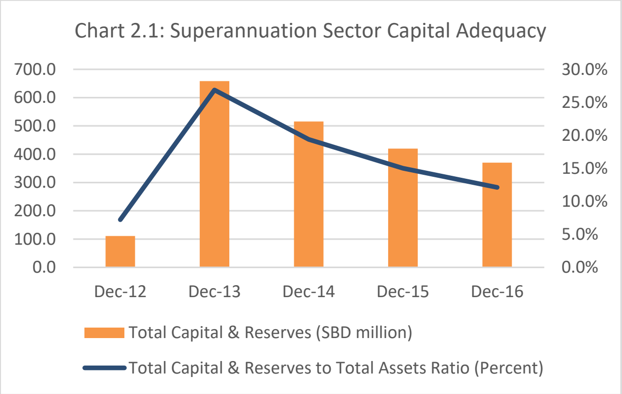
Despite the profitability, the Fund's capital adequacy ratio (total capital & reserves to total assets) declined due to the transfers made from Capital and Reserves to sustain the operations of special death scheme and to meet the shortfalls in interests paid to members' accounts to comply with regulatory threshold of 2.5% as result of low profitability recorded in 2016. However, the Fund continues to remain solvent and has met its financial obligations during the year despite the fall in the Fund's capital adequacy ratio from 15% in 2015 to 12% in 2016 (Chart 2.1).

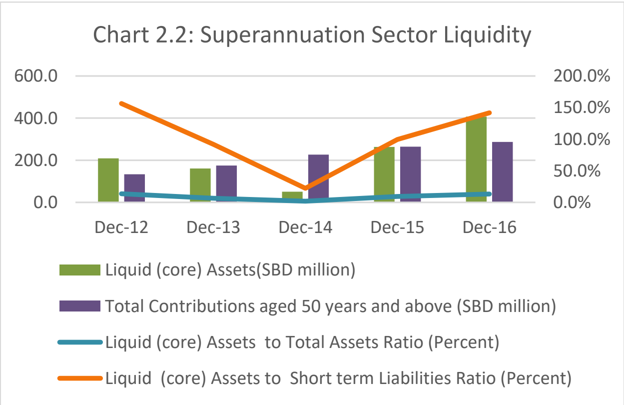
The Fund's liquidity position remained adequate throughout 2016, supporting its investments and financial commitments. Liquid assets of the Fund increased from $952.2 million in 2015 to about $1.1 billion in 2016. This amount of liquidity is sufficient to meet the Fund's financial commitments and investment plans. Fund's ratio of core liquid assets[2] to short-term liabilities[3] was 141.8% and core

2 Core liquid assets include cash and demand deposits held with the banking sector

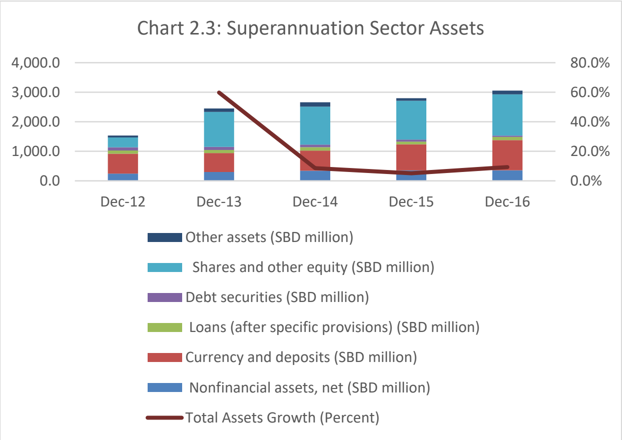
3 Short term liabilities include total value of contributions owed to members aged 50 and above

liquid assets to total assets was 13.3% in 2016 (Chart 2.2).





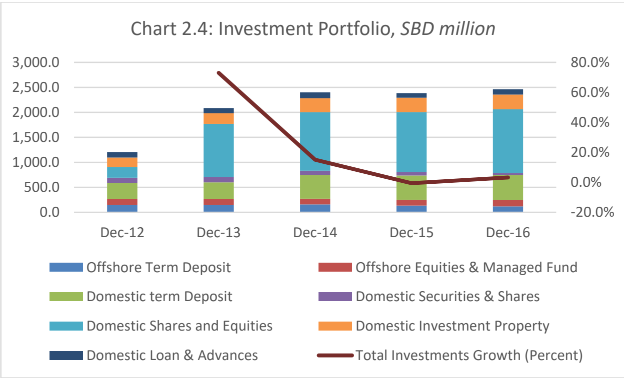
The Fund's total assets increased by 9.2% from 2015 to $3.1 billion in 2016 (Chart 2.3). The growth in asset was driven by the increases in cash holdings and demand deposits held with the banking sector because of a moderate growth in membership that boosted inflows of mandatory contributions from both employees and employers during the year. Total membership including active and inactive, rose from 171,590 in 2015 to 175,685 in 2016.



Meanwhile, with regards to asset composition, investment assets continue to dominate the Fund's total assets contributing 80% to the total assets in 2016. Trailing investment assets are cash and non-interest bearing deposits contributing 13%, and non-financial assets and other miscellaneous assets contributing 7% each (Chart 2.3). The asset composition clearly portrays the corporate philosophy of the Fund that ensures members get maximum returns on their lifetime savings and live a reasonable life during and after retirement.

Concerning the investment portfolio, domestic investments contributed 90.1% to total investment portfolio of the Fund while foreign investments contributed 9.9% in 2016. The total Investment portfolio grew by 3% to $2.5 million in 2016. The growth was due largely to the 3.9% growth of domestic investments.

Domestic investment came mainly from equity and time deposit investments. Equity and shares represented 57% of the total investments, term deposits 25%, properties 12%, and loans and debt securities 7%. Of the 57% in equity and shares, domestic unlisted equity shares constituted 91% while the listed equity and managed funds offshore represented 9% (Chart 2.4).



The liability of the Fund increased moderately to $2.7 billion in 2016. The liability was dominated by members' contribution representing 97.6% (or $2.6 billion in value terms) while the remaining 2.4% represented 'other' liabilities (or $64.1 million in value terms).

The total membership withdrawals however declined by 3% from 2015 to $201 million in 2016, largely due to reduction in claims on members' contributions by the banking sector. Withdrawal under the retirement category remained the highest portions of total withdrawals, which accounted for 63% of all membership withdrawals, followed by lenders claim of 12%, redundancy of 6%, and other unspecified category of 6%, while the remaining 12% represented withdrawals under death, migration and disability category.

The Fund's overall condition is satisfactory, although there exist inherent risks. The existence of substandard investment assets (assets that do not perform according to their original terms and conditions), constituting 3.8% of total investment assets in 2016, remains. The substandard investment assets stemmed from both loans issued to and shares & equities bought from private corporations operating in the country.

Furthermore, with the current legal framework, the Fund Board does not have autonomous power to make investment decisions because the current framework requires ministerial approval on all investment proposals. This arrangement, although may have some merits in the early years of the Fund, it has undermined the Fund Board's ability to make timely investment, which has led to higher opportunity cost of capital over the years. A new bill aimed at giving autonomous power to the Fund Board and strengthening the operations and supervision of the Fund has been drawn up but its progress has stalled due to lack of prioritization and political will to drive it forward. The delay to progress the bill to Parliament is a risk to the system because of its potential to weaken governance and operations structure of the Fund.

The Fund is also exposed to concentration risk due to the small size of the local market, and lack of investment opportunities to diversify the Fund's investment portfolio. There is urgent need for the Fund to have a robust investment framework. Such a framework should detail risk appetite for each investment risk classes and strategies for reducing them. In this connection, the decision taken by the Fund board to engage experts to review and formulate an investment policy and framework for the Fund is a critical step to reducing concentration risks over the medium term.

Investment in unlisted equity accounted for 61% of the Fund's total investment. Fund's exposure to valuation risk therefore remains elevated. Different valuation methodology is being applied across different periods and this has resulted in large variation in equity valuation and in the overstatement of profitability and liquidity of the Fund. To minimize the fallout of valuation risk, the Fund should employ and apply a consistent valuation methodology based on best international practices and only a fit and proper person should perform such valuation.

The Fund continues to depend on General Reserves to pay claims made under Special Benefit Scheme (SBS) since the annual premium of $5 contribution per member to the scheme could not meet the volume of claims made under the SBS. This current practice is unsustainable and exposes the Fund to liquidity risk. Reduction in general reserves because of the mismatch between the premium and benefit payment could be avoided if a review is conducted to determine appropriate premium a member should pay each year.

3. Insurance Sector

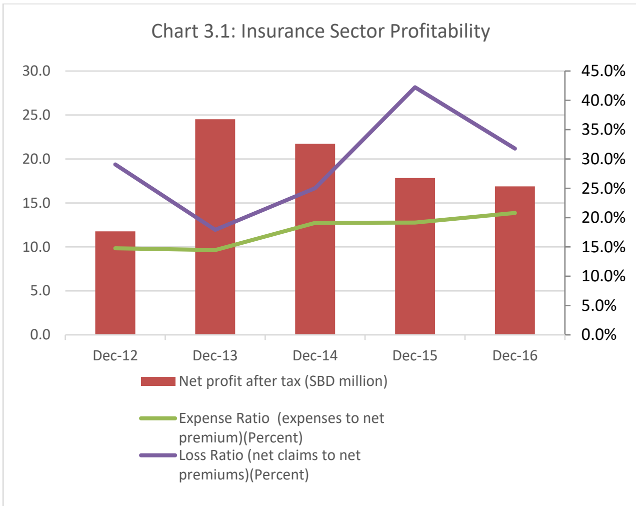
In spite of its size, the insurance sector plays an important stabilization function in terms of smoothing out financial losses incurred by economic agents and small domestic policyholders brought about by natural disasters and other catastrophic events. The insurance sector assets constituted 1.7% of total financial sector assets in 2016. During the year, the sector maintained three general insurers, one life insurer, four insurance brokers and two corporate insurance agents.

Financial Performance

The insurance sector remains profitable however net-profit-after-tax fell by 5.3% from 2015 to $16.9 million in 2016 (See Chart 3.1). The profitability of the insurance was driven largely by inflows from premium receipts throughout the year. The sector continues to be efficient in its operation given net claims outstanding remains below the net premiums.

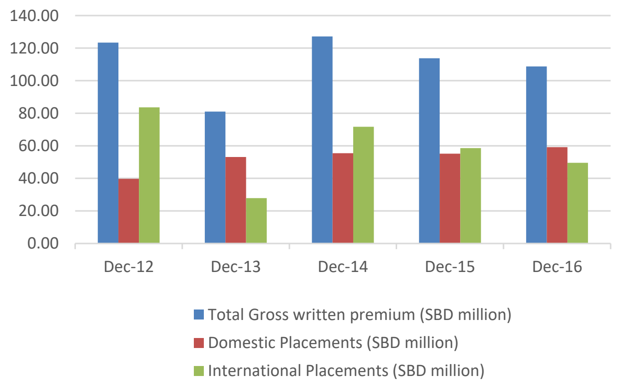
The loss ratio, representing outstanding net claims to net premiums, has been stable, since the insurance sector has not experienced catastrophic events over the years. At end December 2016, the loss ratio (net claims to net premiums) stood at 20.8% indicating the strength of solvency of the insurance sector to absorb claims when due.

The strength of solvency and efficiency further witnessed by the decline in operating expenses.. The operating expenses declined from $22.6 million in 2015 to $18.3 million in 2016. This has resulted in the fall in expenses ratio (expenses to net premium income) from 42.2% in 2015 to 31.8% in 2016. The insurance sector continues to register net surplus and has recorded a net-profit-before-tax of $22.1 million in 2016.



Despite the profitability in the domestic market, the overall total gross written premiums, which is the main source of revenue for both local and overseas insurers, maintained its declining trend witnessed since 2014. The decline was from non-renewals of policies because of unstable cash flows experienced by policyholders and closure of business operations experienced across 2016. This outcome has led to the decline in international placements, which included premiums paid through local insurance brokers and insurance companies, for insurance policies provided by overseas insurance companies. Total gross written premium declined from $113.8 million in 2015 to $108.8 million in 2016 (See Chart 3.2).

Chart 3.2: Insurance Sector Gross Written Premiums



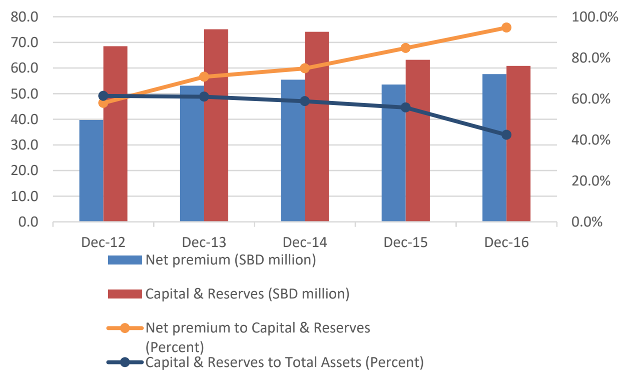
In contrast to international placements, domestic placements, which represented premiums paid for insurance cover with local insurance companies or insurers, has been increasing since 2013. Insurance against fires, motor vehicle, employers and worker's compensation, engineering and homeowners' policies made up the bulk of premiums paid (Chart 3.2).

With the continuous profitability, the sector's capital remains adequate (Chart 3.3). The sector's capital adequacy ratio (total capital & reserves to total assets) was 42.4% in 2016. This compares to 55.7% in 2015. The drop in capital ratio reflects the increase in total assets, which rose from $113.4 million in 2015 to $143.5 million in 2016. The growth of total assets reflects rise in currency and deposits (demand and savings deposits) held with the banking sector and from premium receivables because of renewal of policies during the year.

In terms of net premium to capital & reserves ratio, it grew from 84.7% in 2015 to 94.7% in 2016 (Chart 3.3). The growth was due to increase in number and values of policies issued by the domestic licensed insurers during the year. While growth in net premiums might indicate proportionate level of claims by policyholders, this has not been the case in 2016. The total outstanding claims have been relatively flat, registering total outstanding claims of $12 million in 2016.

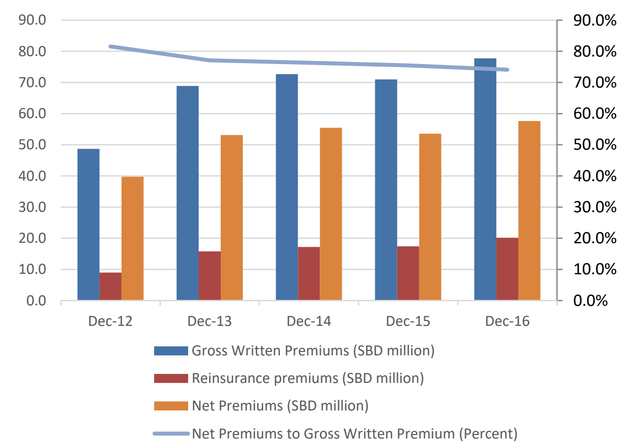
The reinsurance arrangement remains satisfactory. Given the nature of insurance classes and associated risks, the domestic insurance sector continues to cover majority of the insurance risks.

Chart 3.3: Insurance Sector Capital Adequacy



The records show that of the total premiums receipts of $77.8 million from policyholders, the local insurers or companies covered 74.1% of the total insurance risk while around 25.9% of the risks were reinsured by local insurers with insurers overseas in 2016 (Chart 3.4). This is a true reflection of strength of the domestic insurance market to absorb losses incurred by policyholders.

Chart 3.4: Insurance Sector Risk Retention Ratio

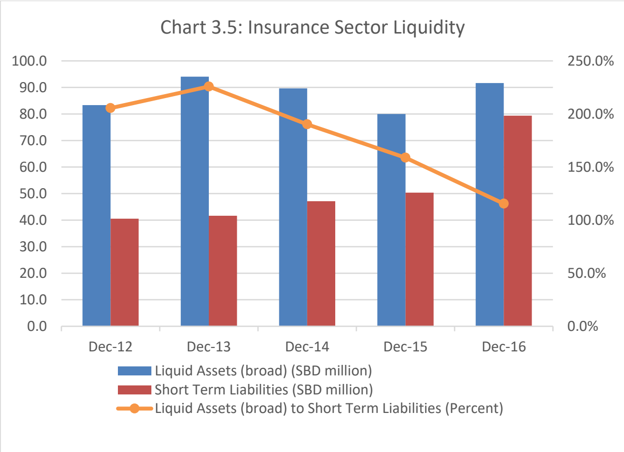


Despite the increase in stock of short term liabilities against the liquid assets in the same period as shown by the fall in liquidity (liquid assets to short term liabilities) ratio from 158.8% in 2015 to 115.8% in 2016 (Chart 3.5), the insurance sector's stock of liquid assets remained adequate.

The fall in the liquidity ratio in 2016 reflects increase in short term liabilities because of commission payables to insurance brokers and corporate agents, and unearned premiums and outstanding claims owed to policyholders.

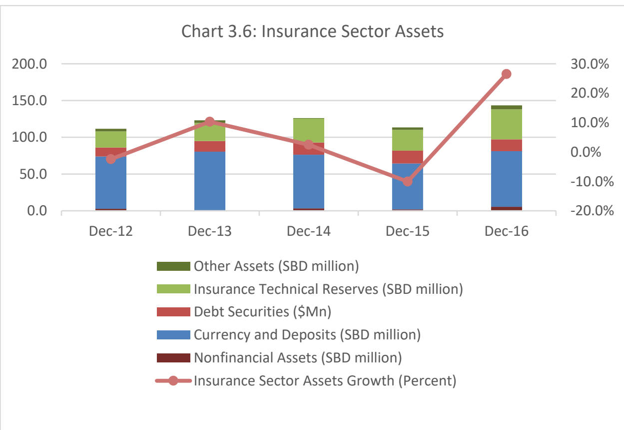
Total assets of the sector grew by 26.5% to $143 million in 2016, contrasting the 10% fall registered at the end of 2015 (Chart 3.6). The growth of total assets was driven by the rise in currency and deposits (demand and savings deposits) held with banking sector because of inflows from premiums receipt paid by policyholders especially for insurance covers that are provided by the domestic insurance market.

Currency and deposits contributed 52.7% to the industry's total assets. Tracking behind currency and deposits are insurance technical reserves (most of which were premium receivables due from insurance brokers) at 28.7%, debt securities held with Central Bank of Solomon Islands at 11.2% and nonfinancial assets and other assets both contributing 3.8% each to total assets in 2016.



Total liabilities grew by 64.6% to $82.6 million in 2016 compared to the decline of 3.4% recorded in 2015. The insurance sector liabilities picked up in the face of growths in unearned premiums due to new policies issued to policyholders, and outstanding claims owed to policyholders as result of losses incurred by policyholders under motor vehicle, workmen compensation (WOC), homeowners, and commercial fire.

The sector's overall condition is satisfactory. However, it is worth mentioning that there are risks that the sector needs to closely monitor and manage. The continuous increase in debtors is one of such risks. It might reduce the asset quality of the insurance sector if not controlled. The asset quality ratio (debtors to total assets) for 2016 was 28.5% as against 24.9% for 2015. The deterioration in the asset quality ratio was set off by increased debtors be-



cause of late payments of premiums by insurance brokers, insurance agents, and policyholders to remit premiums to the licensed insurance companies after renewable of the insurance policies, coupled with prepaid premiums for reinsurance cover by the licensed insurers or insurance companies in 2016.

Another is liquidity risk. The sector remains exposed to liquidity risk over the medium term. The sector may not have enough liquid funds to meet its short-term liabilities as they fall if three or four major catastrophic events were to hit Solomon Islands, particularly the commercial and industrial zones of Solomon Islands. Although the probability of such catastrophic events occurring simultaneously or concurrently is low, the sector needs to prepare itself for such an unexpected scenario. To prevent liquidity crunch in the sector, the industry needs to develop an appropriate liquidity framework to monitor commission payables, unearned insurance premiums, and outstanding claims from time to time.

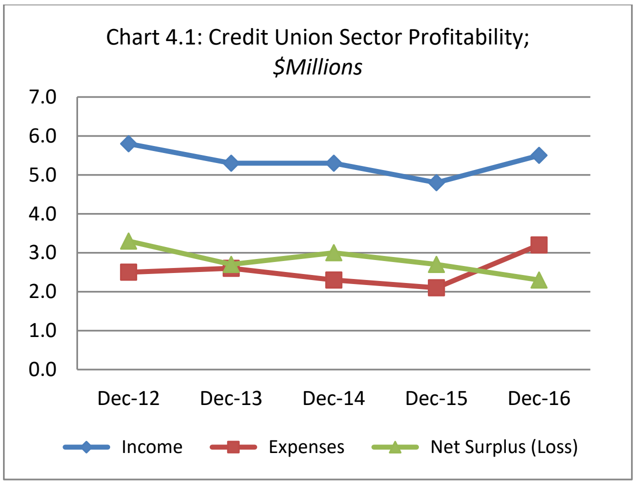
4. Credit Union Sectors

The credit union sector constituted 1% of Solomon Islands financial Sector. Although small, the sector has potential to grow and become self-sustainable, if nurtured properly, given that Solomon Islands has a large population and a high population growth rate. The focus of credit union has been on helping its members save money, borrow funds to smooth consumption or increase future wealth, and to receive prompt and affordable financial services. Likewise, the sector has potential to providing financial access points in rural areas and to promoting financial inclusion activities in Solomon Islands. By the end of 2016, Solomon Islands has 11 active credit unions and about 91% of which are Honiara-based employer credit unions.

Financial Performance

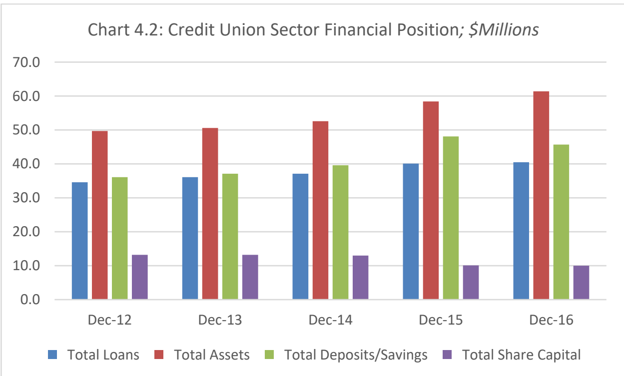
Despite being plagued by a number of governance-related issues, the credit union sector was resilient in 2016. Its income from operations increased by 15% to $5.5 million from 2015 to 2016 (Chart 4.1). Although operational expenses for the same period increased by 52%, the sector posted a net surplus of $2.3 million (Chart 4.1) as well as plowed back a return on assets of 4% and a return on equity of 66% in 2016. The sector also registered a self-sufficiency ratio of 172%.

Credit union membership declined by 2% to 6,089 members from 2015 to 2016. This decline reflects membership retirement, migration, and voluntary withdrawal. In line with this decline, total members' savings shrank by 5% to $45.7 million. Profitability for the credit union sector also declined slightly from the profitability outcome recorded in 2015 (Chart 4.1). The decline in 2016 profitability reflects rise in expenses, reduction in lending to members, and rise in foregone interest income due to rising volume of non-performing assets (loan default by members).



The reduction in lending to members is associated with two factors: (i) Tight Liquidity. Some credit unions have experienced very tight liquidity in 2016 and this has weakened their ability to issue loans to members during the year; and (ii) Eligibility Disqualification. Members have used up their loan entitlements and were refused additional borrowings based on lending policies and eligibility requirements of credit unions. .

The consolidated assets of the credit union sector amounted to $61.4 million in 2016, up 5% on 2015 (Chart 4.2). This growth reflects a full percent increase in new lending and additional borrowings by members for personal and commercial use during the year. In value terms, total outstanding loans of credit unions totaled $40.5 million, up slightly from $40.1million registered a year ago.



Rising loan defaults is a prudential concern. It is not good for sustainability of credit unions. Not only are they affecting asset quality of credit unions but are also undermining profitability of credit unions through lost income. The rise in loan defaults reflect financial burdens associated with the culture of 'wantokism' and the general rise in household debts. These two factors have disrupted liquidity planning and repayments capacity of borrowers.

The credit union sector is plagued by a number of governance-related issues but chief among those issues are: (i) inadequate policy framework; (ii) untimely reporting, (iii) planning and management risks, and (iv) lack of prudential practice.

Credit unions in Solomon Islands are employer-based. They are run and managed by members on voluntary basis. This is a challenge for two reasons. Firstly, a good number of credit union members who are appointed to serve in credit union board and sub-committees lack time to run the affairs of credit unions. Because of work commitments, they usually neglect their credit union responsibilities. Secondly, a good number of individuals who hold responsible credit union positions lack appropriate knowledge and skills to govern credit unions prudently. Such deficiencies have led to a breakdown of governance and have been a hindrance to growth and development of credit union.

These two challenges are addressable. Unfortunately, the dysfunctionality of Solomon Islands Credit Union League (SICUL) has made this task difficult. SICUL is an umbrella body for all credit unions in Solomon Islands. Its function is to provide oversight support and trainings to member credit unions. Unfortunately, SICUL is unable to perform these responsibilities. Lack of credit union oversight by SICUL has been the main contributing factor to poor governance of credit unions. Such lack of oversight has effectively affected the ability of member credit unions to develop good policy framework, produce financial accounts on time, improve planning and decision-making, and create compliance culture to credit union laws, bylaws and prudential guidelines.

The second major risk faced by credit union sector is liquidity risk which was triggered and experienced by fast pace growth in credit to personal lending to members. With the demand for alternative finance, as normal salary is stretched with commitment, members have borrowed heavily with some beyond their savings eligibility. Such practice gave rise to debt-burdens of members and effectively undermined their repayments capacity. The latter has led to a rise in repayments default and has affected income and liquidity position of some credit unions. To prevent this from happening in the future, credit unions need to strengthen their loan appraisal and monitoring system as well as their record keeping and cash-flow management framework.

APPENDICES

Appendix 1: Banking Sector

Table 1.1: Banking Sector Financial Soundness Indicators					
	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16
Capital Adequacy					
Total Regulatory Capital to RWAs (CAR)	33.2%	32.4%	31.6%	31.2%	32.3%
Net NPL to Capital & Reserves	4.3%	12.0%	8.1%	7.3%	6.6%
Asset Quality					
NPL to Total Gross Loans	3.6%	7.0%	4.7%	4.1%	3.8%
Specific LLP to NPLs (Coverage Ratio)	42.4%	22.8%	26.0%	29.5%	31.2%
Earnings & Profitability					
Return on Assets (ROA)	5.1%	4.0%	3.3%	3.0%	3.7%
Return on Equity (ROE)	27.6%	23.3%	20.0%	17.6%	22.7%
Net-interest Income to Gross Income	48.2%	54.3%	56.7%	55.0%	56.3%
Cost to Income Ratio	48.9%	52.8%	51.6%	50.2%	47.1%
Non-interest Income to Gross Income	51.8%	45.7%	43.3%	45.0%	43.7%
Intrest spread	12.5%	11.9%	11.3%	10.8%	10.5%
Liquidity					
Deposits to Loans Ratio	161.1%	172.9%	153.6%	148.6%	145.6%
Liquid Assets to Total Assets Ratio	46.2%	40.6%	38.0%	35.3%	38.1%
Liquid Assets to Short term Liabilities	62.0%	56.5%	51.7%	46.2%	53.3%
Sensitivity to Market Risks					
Net open position in foreign exchange to capital	3.7%	8.7%	11.1%	7.9%	3.6%

Source: CBSI

Table 1.2: Banking Sector Income Statement (SBD million)					
	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16
1. Interest income	167.8	182.6	200.5	194.5	243.6
2. Interest expense	13.0	7.9	8.8	10.1	12.4
3. Net interest income (= 1 - 2)	154.8	174.7	191.7	184.4	231.2
4. Noninterest income	166.5	146.9	146.3	151.1	179.7
(i) Fees and commissions receivable	33.3	33.5	28.0	20.9	24.1
(ii) Gains or losses on financial instruments	111.9	98.1	96.0	103.0	124.4
(iv) Other income	21.4	15.3	22.3	27.2	31.2
5. Gross income (= 3 + 4)	321.3	321.6	338.0	335.5	410.9
6. Noninterest expenses	157.1	169.8	174.3	168.3	193.6
(i) Personnel costs	44.8	52.8	53.0	52.4	60.2
(ii) Other expenses	112.4	117.0	121.3	115.9	133.4
7. Provisions (net)	0.3	4.3	27.3	34.5	29.6
(i) Loan loss provisions	-0.1	4.1	26.8	34.5	28.6
(ii) Other financial asset provisions	0.4	0.1	0.5	0.0	1.0
8. Net income (before extraordinary items and taxes) (= 5 - (6 + 7))	163.9	147.5	136.4	132.6	187.7
9. Extraordinary items	0.0	0.0	0.0	0.0	0.0
10. Income tax	51.9	53.3	49.7	43.3	60.0
11. Net income after extraordinary items and taxes (= 8 - (9 +10))	112.0	94.2	86.7	89.3	127.7

Source: CBSI

Table 1.3: Banking Sector Balace Sheet (SBD million)						
		Dec-12	**Dec-13**	**Dec-14**	**Dec-15**	**Dec-16**
12.	Total assets (= 13 + 14 = 25)	3,461.7	4,022.7	4,141.2	4,812.6	5,397.5
13.	Nonfinancial assets	94.1	97.5	113.0	141.2	135.8
14.	Financial assets (= 15 to 18)	3,367.7	3,925.2	4,028.2	4,671.5	5,261.8
15.	Cash and deposits	1,636.4	1,710.6	1,622.3	1,796.5	2,193.4
16.	Loans (after specific provisions)	1,230.7	1,416.5	1,668.4	1,935.7	2,165.4
	(i) Gross loans	1,249.7	1,439.6	1,688.9	1,959.6	2,191.7
	(ii) Specific provisions	19.0	23.1	20.6	23.9	26.3
17.	Debt securities	420.1	647.3	653.7	724.5	768.1
18.	Other assets	80.4	150.8	83.8	214.8	134.9
19.	Liabilities (= 23 + 24)	2,862.4	3,369.3	3,420.5	4,028.1	4,519.9
20.	Cash and deposits	2,724.6	3,178.7	3,297.1	3,836.7	4,288.7
21.	Borrowings	18.2	5.1	4.0	3.1	4.9
22.	Other liabilities	119.7	185.5	119.4	188.3	226.3
23.	Debt (= 20+ 21 + 22)	2,862.4	3,369.3	3,420.5	4,028.1	4,519.9
24.	Capital and reserves	599.3	653.4	720.7	784.5	877.7
25.	Balance sheet total (= 23 + 30 = 14)	3,461.7	4,022.7	4,141.2	4,812.6	5,397.5

Source: CBSI

APPENDICES

Appendix 2: Superannuation Sector

Table 2.1 Superannuation Sector Financial Soundness Indicators

	Dec-12	Dec-13	Dec-14	Dec-16	Dec-16
Total Superannuation Sector Assets					
Total Assets to Total Finanical system Assets Ratio	29.7%	36.9%	38.1%	35.9%	35.3%
Total Assets to Gross Domestic Product Ratio	22.7%	33.1%	34.5%	34.4%	35.9%
Capital Adequacy					
Total Capital & Reserves to Total Assets Ratio	7.2%	26.9%	19.4%	15.0%	12.1%
Asset Quality					
Substandard Investments to Total Investments Ratio	6.1%	5.0%	3.0%	3.9%	3.8%
Investment Assets to Total Assets Ratio	78.6%	85.1%	90.2%	85.3%	80.5%
Earnings & Profitability					
Return on Assets (ROA)	6.1%	38.8%	3.9%	5.2%	5.8%
Cost to Income Ratio	35.1%	7.9%	41.1%	34.0%	34.0%
Liquidity					
Liquid (core) Assets to Total Assets Ratio< 50%	13.6%	6.6%	1.9%	9.4%	13.3%
Liquid Assets to Short term Liabilities Ratio	156.4%	91.8%	22.3%	99.5%	141.8%

Source: CBSI; Restated

Notes

1/ Core liquid assets include cash and demand deposits held with the banking sector

2/ Short term liabilities include total value of contributions owed to members aged 50 and above

Table 2.2: Superannuation Sector Income Statement (SBD million)

	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16
1. Interest income	123.5	164.2	131.2	141.3	174.4
2. Interest expense					
3. Net interest income (= 1 - 2)	123.5	164.2	131.2	141.3	174.4
4. Noninterest income	20.6	673.8	50.4	74.5	84.0
(i) Fees and commissions receivable	4.1	4.7	4.6	2.1	3.5
(ii) Gains or losses on financial instruments	15.2	667.7	29.9	70.5	79.8
(iii) Prorated earnings					
(iv) Other income	1.3	1.4	15.8	1.9	0.8
5. Gross income (= 3 + 4)	144.1	838.0	181.6	215.7	258.4
6. Noninterest expenses	50.5	66.0	74.6	73.3	87.7
(i) Personnel costs	8.4	9.4	10.2	11.0	11.9
(ii) Other expenses	42.1	56.6	64.4	62.4	75.8
7. Provisions (net)	0.0	0.0	8.0	0.0	0.0
(i) Loan loss provisions	0.0	0.0	8.0	0.0	0.0
(ii) Other financial asset provisions		0.0	0.0	0.0	0.0
8. Net income (before extraordinary items and taxes) (= 5 - (6 + 7))	93.5	772.0	99.0	142.4	170.7
10. Income tax					
11. Net income after extraordinary items and taxes (= 8 - (9 +10))	93.5	772.0	99.0	142.4	170.7
12. Dividends paid	69.6	248.7	243.2	189.5	220.9
13. Retained earnings (= 11 - 12)	23.9	523.2	-144.2	-47.1	-50.3

Source: CBSI

Table 2.3: Superannuation Sector Balance Sheet (SBD million)

		Dec-12	Dec-13	Dec-14	Dec-15	Dec-16
14.	Total assets (= 15 + 16 = 29)	1,533.6	2,450.4	2,660.1	2,796.2	3,056.1
15.	Nonfinancial assets, Net of Acc Depn	243.6	297.9	342.2	352.6	355.5
16.	Financial assets (= 17 to 21)	1,290.0	2,152.6	2,317.9	2,443.6	2,700.6
17.	Currency and deposits	675.9	641.7	682.2	884.1	1,023.9
18.	Loans (after specific provisions)	109.1	104.4	116.7	92.5	106.8
	(i) Gross loans	109.1	104.4	116.7	92.5	106.8
	(ii) Specific provisions	0.0	0.0	0.0	0.0	0.0
19.	Debt securities	106.4	106.6	86.0	68.1	42.9
20.	Shares and other equity	333.7	1,182.9	1,285.3	1,315.5	1,400.0
21.	Other assets	65.0	116.9	147.7	83.4	126.9
23.	Liabilities (= 27 + 28)	1,422.9	1,791.9	2,144.6	2,376.5	2,686.0
24.	Loans	0.4	0.0	4.1	0.1	1.1
25	Members contributions	1,402.4	1,763.1	2,099.4	2,334.3	2,620.9
26.	Other liabilities	20.0	28.8	41.1	42.0	64.1
27.	Debt (= 24 + 25 + 26)	1,422.9	1,791.9	2,144.6	2,376.5	2,686.0
28.	Capital and reserves	110.7	658.6	515.5	419.7	370.1
29.	Balance sheet total (= 23 + 28 = 14)	1,533.6	2,450.4	2,660.1	2,796.2	3,056.1

Source: CBSI

APPENDICES

Appendix 3: Insurance Sector

Table 3.1 Insurance Sector Financial Soundness Indicators	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16
Capital adequacy					
Net premium to capital	58.0%	70.7%	74.8%	84.7%	94.7%
Capital & reserves to total assets	61.4%	61.0%	58.8%	55.7%	42.4%
Asset quality					
Debtors to total assets	19.6%	20.0%	25.7%	24.9%	28.5%
Debtors to (gross premiums + reinsurance recoveries)	44.9%	35.5%	44.7%	39.5%	52.2%
Reinsurance and actuaries issues					
Risk retention ratio (net premium to gross premium)	81.6%	77.1%	76.3%	75.5%	74.1%
Earnings & profitability					
Loss ratio (net claims to net premiums)	14.8%	14.5%	19.1%	19.2%	20.8%
Expense ratio (expenses to net premiums)	29.1%	17.9%	25.0%	42.2%	31.8%
Combine ratio (net claims and expenses to net premiums)	43.8%	32.4%	44.1%	61.4%	52.6%
Return on equity (ROE)	28.8%	47.7%	42.1%	35.7%	32.4%
Liquidity					
Liquid assets to short term liabilities	205.5%	225.9%	190.3%	158.8%	115.5%

Source: CBSI; Restated

Table 3.2 : Insurance Sector Income Statement (SBD million)

	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16
1. Total premium	48.7	68.9	72.7	71.0	77.8
2. Outward reinsurance	9.0	15.8	17.2	17.4	20.1
3. Premium net of reinsurance (= 1 - 2)	39.7	53.1	55.5	53.6	57.6
4. Unearned premium reserves	3.8	2.0	0.7	-4.2	5.5
5. Net earned premium (= 3 - 4)	35.9	51.1	54.8	57.7	52.1
6. Gross claims expense	5.9	8.1	10.5	10.6	12.5
7. Total recoveries	0.0	0.4	-0.1	0.4	0.5
8. Net claims expenses (= 6 - 7)	5.9	7.7	10.6	10.3	12.0
9. Commission Expense	5.4	1.2	2.4	3.5	3.5
10. Total underwriting expenses (= 8 + 9)	11.3	8.9	13.0	13.8	15.5
11. Underwriting Results (= 5 - 10)	24.6	42.2	41.8	43.9	36.7
12. Other operating income	-0.1	0.4	0.3	0.2	0.2
13. Other operating expenses or management expenses	6.2	8.3	11.5	19.1	14.8
14. Net Profit (Loss) Before Tax (= 11 + 12 - 13	18.4	34.3	30.6	25.1	22.1
15. Income tax or provisions	6.7	9.7	8.9	7.2	5.2
16. Net Income (Loss) End of Current Period (=14 - 15)	11.8	24.5	21.7	17.8	16.9

Source: CBSI, Restated

Table 3.3: Insurance Sector Balance Sheet (SBD million)

		Dec-12	Dec-13	Dec-14	Dec2-015	Dec-16
17.	Total Assets (= 18 + 19)	111.6	123.1	126.1	113.4	143.5
18.	Nonfinancial assets	2.8	0.9	3.3	1.9	5.5
19.	Financial assets (= 20 to 26)	108.8	122.2	122.8	111.5	138.0
20.	Currency and deposits	71.1	79.6	73.0	62.5	75.7
21.	Loans	0.0	0.0	0.0	0.0	0.0
22.	Debt securities	12.3	14.5	16.7	17.5	16.0
23.	Insurance technical reserves	21.9	24.6	32.5	28.2	40.9
24.	Other assets	3.6	3.5	0.7	3.3	5.4
25.	Liabilities(= 10+ 11)	43.0	48.0	52.0	50.2	82.6
26.	Insurance technical reserves	40.6	41.6	47.1	50.4	79.4
27.	Other liabilities	2.5	6.3	4.8	-0.2	3.3
28.	Capital and reserves	68.5	75.1	74.1	63.2	60.8
29.	Balance Sheet Total (= 25+ 28 = 17)	111.6	123.1	126.1	113.4	143.5

Source: CBSI, Restated

Notes:

1/ Insurance technical reserves on the asset side include premium receivables, defferred reinsurance expnses, and other recoverables.

2/ Insurance technical reserves on the liabilities side include commissionpayables, unearned premiums, and outstanding claims.

APPENDICES

Appendix 4: Credit Union Sector

Table 4.1: Summary of Credit Union Sector Financial Perfromance and Soundness Indicators

	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16
Balance Sheet (SBD million)					
Total Loans	34.6	36.1	37.1	40.1	40.5
Total Assets	49.7	50.6	52.6	58.4	61.4
Total Deposits/Savings	36.1	37.1	39.6	48.1	45.7
Total Share Capital	13.2	13.2	13.0	10.1	10.0
Income Statement (SBD million)					
Income	5.8	5.3	5.3	4.8	5.5
Expenses	2.5	2.6	2.3	2.1	3.2
Net Surplus (Loss)	3.3	2.7	3	2.7	2.3
Statistics					
Membership	5,630	5,700	6,124	6,232	6,089
No. of reporting Cus	9	10	10	11	11
Indicators					
ROA	6.6%	5.3%	5.7%	4.6%	3.7%
Loans to assets	69.6%	71.3%	70.5%	68.7%	66.0%
ROE	25.0%	20.5%	23.1%	26.7%	23.0%
Self Efficiency Ratio	232.0%	203.8%	230.4%	228.6%	171.9%

Source: CBSI