



ANNUAL REPORT 2024

CENTRAL BANK OF
SOLOMON ISLANDS





The Central Bank of Solomon Islands logo is the “BOKOLO” a hand carved fossilized clam shell once used as currency in Western part of Solomon Islands



VISION, MISSION, AND VALUE STATEMENTS

VISION

A modern Central Bank Empowering Development of Solomon Islands.

MISSION

Our mission is defined by Section 8 of the Central Bank of Solomon Islands Act 2012 in the following priorities:

- To achieve and maintain domestic price stability;
- To foster and maintain a stable financial system; and
- To support the general economic policies of the government to grow the economy.

VALUE

We are committed to uphold the following values:

- **Integrity** – To hold ourselves to the highest ethical standards which is crucial in fulfilling our mandate as the nation’s central bank.
- **Accountability** – To foster an environment of transparency and responsibility in all our operations.
- **Professionalism** – To commit to carrying out our responsibilities in a professional and efficient manner
- **Excellence** – To dedicate ourselves in achieving in all aspects of our operations, from monetary policy formulation to financial regulation and supervision.
- **Diversity and Inclusion** – To recognize the strength of our institution which lies in the unique perspectives and skills of our diverse workforce.

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CENTRAL BANK OF SOLOMON ISLANDS

1 May 2025

Hon. Harry Kuma, MP
Minister of Finance and Treasury
P O Box 26,
Honiara

Dear Minister,

Re: 2024 Annual Report and Financial Statements

As required by Section 58(2) of the Central Bank of Solomon Islands (CBSI) Act 2012, I hereby submit to you the Central Bank of Solomon Islands Annual Report and the Bank's Audited Financial Statements for 2024.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Luke Forau'.

LUKE FORAU, Ph.D
Governor



GOVERNOR'S FOREWORD



Governor, Dr. Luke Forau

The Solomon Islands economy grew by 2.8 percent in 2024, moderating from the 4.0 percent expansion in 2023 following the one-off boost from hosting the Pacific Games. Growth was primarily driven by strong fishing activity and supported by the expansion in forestry, mining, construction, and manufacturing. In contrast, the agriculture sector remained subdued due to weak output in copra and palm oil. Labour market conditions remained stable, as evidenced by a 4.0 percent increase in active and slow-active contributors to the Solomon Islands National Provident Fund.

Headline inflation rose to 4.6 percent at the end of 2024, up from 3.5 percent in 2023, reflecting domestic supply-side pressures on volatile items. Meanwhile, core inflation eased to 1.9 percent, consistent with softening domestic demand. In adherence to the Bank's objectives in maintaining price stability and supporting economic growth, the Bank shifted from a tight monetary policy stance in the first six months of the year to an accommodative monetary policy stance in the second half of 2024. As a result, both headline and core inflation remained within CBSI's

desired range of 2 – 5% and 1 – 3%, respectively.

Looking ahead, the Solomon Islands economy is projected to expand moderately at 2.7 percent in 2025, supported by a recovery in agriculture, robust fishing activity, and steady performance in manufacturing, construction, mining, wholesale and retail, and tourism. Nevertheless, risks to the outlook remain tilted to the downside. These include heightened global uncertainties, rising trade tensions, geopolitical instability, and the Solomon Islands' structural vulnerabilities—such as its narrow economic base, exposure to climate shocks, elevated costs of doing business, and infrastructure constraints. On the upside, the economy would stand to benefit from the ongoing donor support for infrastructure development, and the expansion of the Pacific Australia Labour Mobility (PALM) scheme. Advancements in digital technology will also offer new opportunities for inclusive growth and to progress financial inclusion objectives.

In pursuing the Bank's objectives and core functions, CBSI continued its regulatory and supervisory roles diligently to safeguard the country's financial system and to maintain macroeconomic stability. As a result, the country's financial system remains sound and well-capitalized. The country's external position also remained strong, with gross foreign reserves rising by 1% to \$5.8 billion, comfortably covering 11.3 months of imports – well above the CBSI's precautionary import cover threshold of 6 months.

The Bank also made significant strides in progressing the country's digital transformative agenda with the launch-



CBSI Board of Directors training with the Governance Institute in Australia.

ing of the Solomon Islands Automated Transfer System (SOLATS) in April 2024. This marked yet another milestone in our payment infrastructure, laying the foundation towards an inclusive payment infrastructure, as well as embracing digitalization in our economy.

In terms of legislative and regulatory reforms, the Cabinet has endorsed the review of the new Financial Institutions and Insurance Bills, with drafting scheduled for 2025. Work has also advanced on reviewing the Money Laundering and Proceeds of Crime Amendment Act 2010, alongside the development of a new Credit Risk Report Regulation to enhance credit assessment and access to finance, particularly for MSMEs.

With regards to the Banks operations, CBSI recorded a net operating loss of \$93 million, reversing the net profits of \$99 million in 2023. This was primarily due to unrealized currency revaluation losses of \$182 million. Excluding these losses, the Bank recorded an underlying operating

profit of \$83 million. Overall, the Bank's financial position remain strong with total assets rising to \$6.6 billion, while total liabilities also increased to \$6.2 billion. The majority of the Bank's assets are in foreign reserves, which we aim to maintain at a comfortable level to support the country's international trading and transaction requirements. Net equity remained strong at \$445 million, despite being dropped from \$531 million in 2023.

This Annual Report presents commentaries on the Bank's assessment of the Solomon Islands economic performance and a comprehensive view of the financial and organizational operations in 2024. I take this opportunity to extend my sincere appreciation to the Board of Directors for their strategic leadership, to the CBSI staff for their dedication in achieving the Bank's mandate and to our esteemed stakeholders for their ongoing collaboration and support. I now commend the 2024 CBSI Annual Report, for your reading and perusal.



Governor, Dr. Luke Forau

CHAPTER 1: OVERVIEW OF ECONOMIC DEVELOPMENTS IN 2024

OVERVIEW

The global economy demonstrated resilience in 2024, characterized by modest growth, declining energy prices, and easing inflationary pressures. International prices for agricultural commodities, including cocoa, coconut oil, palm oil, and timber, and minerals trended upward, supporting improved terms of trade for the Solomon Islands. These conditions created a neutral external environment, stabilizing imported consumer prices and inflationary pressures, while fostering moderate domestic economic growth driven by higher exports and increased consumption.

Favorable global conditions, improved domestic production and donor capital grants towards infrastructure projects contributed to an overall Balance of Payments (BOP) surplus and stable gross foreign reserves. Despite a persistent fiscal deficit, prudent fiscal management by the government helped contain the deficit at 2% of GDP, while monetary aggregates expanded steadily, reflecting growth in money supply and private-sector lending.

INTERNATIONAL ECONOMY

According to the International Monetary Fund (IMF), global growth reached 3.2% in 2024, slightly lower than the 3.3% in 2023. This slowdown was largely driven by slower growth in Emerging Market and Developing Economies, with growth revising downward by 0.2 percentage point to 4.2%, due to the geopolitical conflicts in Gaza and Ukraine and a downturn in China's property market. Meanwhile, Advanced Economies saw marginal growth of 1.8%, 0.1 percentage points higher than expected, supported by stronger performance in the Euro Area and the United States. In the region, Australia and New Zealand experienced slower growth, reflecting monetary policy trade-offs aimed at controlling inflation. Meanwhile, global inflation continued to ease underpinned by falling energy and stable food prices, and cooling labor market.

DOMESTIC ECONOMY

The Solomon Islands economy is estimated to have grown at 2.8%¹ in 2024, moderating from 4% in 2023, as the one-off boost from the Pacific Games-related investments, donor support, and government spending dissipated. Growth was primarily driven by improved net exports and stable consumption, supported by robust remittances inflow, and a narrowing trade deficit. Increased demand for personal loans and resilience in the labor market supported stable domestic consumption.

While private investments slowed, as reflected in the lower imports of machinery and basic manufactures, and government spending decline, weighing on overall growth, public infrastructure investments - particularly donor-funded and Solomon Islands Government debt-fi-

nanced projects - helped sustained investment levels.

On sectoral performance, the Bank estimated strong growth in fishing, manufacturing, construction, and wholesale and retail trade, while forestry, mining, and electricity grew moderately. Similarly, public administration, health, and education sectors experienced slower growth in line with the lower government spending. In contrast, agriculture sector contracted, reflecting weaker output in palm oil, copra and coconut oil.

Headline inflation (end of period) rose to 4.6% in 2024 from 3.5% in 2023, driven primarily by domestic inflation, which surged to 6.1% in December 2024 from 3.1% a year ago. This increase was largely attributed to a 10.2% rise in the 'Alcoholic Beverages, Tobacco, and Narcotics' category, mainly due to a 20% increase in betel nut prices. In contrast, imported inflation declined to 1.2% from 4.6%, benefiting from a 4% fall in transport costs due to easing global fuel prices.

Labor market conditions improved, as evidenced by a 4% increase in the number of active and slow-active contributors to the Solomon Islands National Provident Fund (SINPF), reaching 59,381 contributors in 2024. This outcome was supported by the increase in Pay-As-You-Earn (PAYE) tax collections.

On the external sector, the overall BOP surplus increased to \$350 million in 2024, up from \$218 million in 2023. This was driven by improvements in the current account and a relatively higher capital and financial account surplus. The current account deficit narrowed driven by higher exports of round logs, minerals, cocoa, and coconut oil, increased remittances, higher fishing license receipts from foreign fishing vessels, higher receipts on transport and travel services and donor grants. As a result, gross foreign reserves grew by 1% to \$5,805 million, sufficient to cover 11.3 months of imports.

The Solomon Islands dollar (SBD) depreciated by 0.9% against the US dollar (USD), averaging at SBD 8.45 per USD, reflecting the strengthening of the USD in global markets. The implementation of the new currency weights in the third quarter of 2024, which helped stabilize exchange rate volatility, helped cushioned against a further weakening of the SBD against the USD. The SBD also weakened against the Australian dollar (AUD) (by 0.2% to SBD 5.58 per AUD), however, it appreciated against the New Zealand dollar (NZD) (by 0.5% to SBD 5.12 per NZD). The SBD strengthened against the Japanese yen (by 6.9% to SBD 10.80 per JPY), while it depreciated against the British pound (by 3.6% to SBD 10.81 per GBP) and the euro (by 1.0% to SBD 9.15 per EUR).

The nominal effective exchange rate (NEER) appreciated by 0.8% to 121.8 points, while the real effective exchange rate (REER) increased by 2.8% to 139.1 points, reflecting higher domestic inflation relative to foreign inflation.

¹ This figure is from CBSI's annual GDP growth estimates



Boat berthing at the wharf.

Fiscal conditions improved significantly in 2024, with the deficit narrowing to a provisional \$282 million (2% of GDP) from \$950 million (7% of GDP) in 2023. This improvement was driven by an 11% increase in revenue collections to \$3,841 million, which more than offset a 6% decline in government expenditure to \$4,123 million. Despite these gains, government debt rose by 14% to \$3,225 million, driven by external borrowing mainly from ADB and IDA to finance infrastructure projects. Debt-to-GDP ratio remained at 22%, well below the 35% sustainability ceiling.

ECONOMIC OUTLOOK

Global Outlook

According to the International Monetary Fund's (IMF) April 2025 World Economic Outlook (WEO), global growth is projected at 2.8% in 2025 – a notable downward revision from the 3.3% forecast in the January 2025 WEO Update. The revision reflects the broad-based impact of newly implemented tariff measures by the United States and corresponding retaliatory measures by major trading partners, combined with rising global uncertainties. Growth among the Solomon Islands' key trading partners remain subdued. In particular, China's growth forecast was revised down to 4.0% in 2025 from 4.6% in the January 2025 Update, reflecting weaker external demand amid escalating trade tensions. Similarly, growth in the Euro area is expected at 0.8%, down from 1.0% projected earlier. In Australia, recovery continues; however, demand conditions remain uneven and persistent uncertainty are likely to weigh on the outlook. Global headline inflation is projected to ease to 4.3% in 2025, although at a slower pace than previously anticipated, with upward revisions in Advanced Economies. Overall, risks to the global outlook remain skewed to the downside, driven by heightened trade policy uncertainty, the potential for renewed financial market volatility; and a prospective decline in development support, which could exacerbate fiscal pressures on low-income countries.

Domestic Economy

The Solomon Islands economy is projected to grow moderately at 2.7% in 2025, supported by a recovery in agriculture, robust fishing activity, and steady performance in

manufacturing, construction, mining, wholesale and retail trade, and hospitality. Growth will be driven by favorable market conditions, rising demand, and ongoing public infrastructure projects.

Over the medium term, economic growth is expected to return to pre-pandemic levels and stabilize at 2.5%, assuming there are no new sources of growth. Sustaining long-term growth will require policy directions on economic diversification, rebuilding fiscal buffers, and strategic resource allocation to achieve the National Development Strategy (NDS) 2035 Goals.

Inflation is projected to average at 3.5% in 2025, with rates expected to be higher than 3.5% in the first half of the year before easing in the second half of the year. The elevated inflation in the first half will be driven by weather-sensitive garden root crops, vegetables, fruits, and betel nut, reflecting the lingering effects of the current La Nina (wet weather conditions) and disruptions to domestic supply. In the second half, inflation is expected to ease, supported by declining international energy and food prices and the dissipation of the impacts of the wet weather conditions. Risks to the inflation outlook remains skewed to the downside due to heightened global uncertainties, particularly the ongoing US-China tariff tension and government revenue policies aimed at raising excise taxes. Against this backdrop, the Bank will remain vigilant, closely monitoring macroeconomic conditions and inflationary trends, and will take appropriate actions as necessary to support price stability.

The external sector outlook remains cautiously optimistic, with the wider current account deficit expected to be offset by higher capital and financial account surpluses. However, medium-term challenges include higher capital project imports, declining logging activity, and a narrow export base pose risks to the external sector and weigh on the country's foreign reserves.

On the fiscal front, the Government for National Unity and Transformation (GNUT) plans to accelerate infrastructure investments under the 2025 National Budget, with an appropriation of \$4,832 million and an annual borrowing plan of \$879 million. This strategy is expected to drive public investment, though it could result in a fiscal deficit of around 10% of GDP, contingent on revenue performance and budget execution.

Under the National Development Strategy (NDS) 2035, the government aims to achieve sustained economic growth above 5%. However, realising this target will depend on strong political commitment to drive structural reforms and effective policy implementation. The economy remains vulnerable to external and domestic risks, including shifts in global trade policies, geopolitical tensions, and climate-related disruptions. Additionally, infrastructure gaps between urban and rural areas continue to limit productive capacity and resource utilization, underscoring the need for targeted investments and adaptive economic strategies.

CHAPTER 2: CORPORATE GOVERNANCE

THE GOVERNOR

The Governor serves as the Chief Executive of the Bank and is responsible for overseeing its day-to-day operations. Dr. Luke Forau was appointed as Governor of the Central Bank of Solomon Islands on 1st October 2019 for a six-year term. Assisting the Governor in managing the daily operations of the Bank is the Deputy Governor Mr. Raynold Moveni. He was appointed to this role on 30th January 2020, also for a six-year term.

In accordance with section 40(c) of the CBSI Act, the Governor tabled six reports to the Board during the year, providing updates on the conduct of the Central Bank’s operations and policies.

THE BOARD

The Board of Directors of the Central Bank of Solomon Islands, as established under the Central Bank of Solomon Islands Act 2012 (the “Act”), consists of a chairperson, who is also the Governor; the Deputy Governor, the Permanent Secretary of the Ministry of Finance and Treasury (MoFT), and six Non-Executive Directors.

In accordance with s41(1) of the Act, the Governor or Chairperson is “appointed by the Governor General on the recommendation of Cabinet which shall be made in consultation with the Minister for Finance and Treasury. The Minister of Finance shall prior to making such recommendation consult the Board”.

The appointment of the Deputy Governor is done by the Minister pursuant to s41(2) of the Act “with the approval of Cabinet from amongst persons nominated by the Governor after consultations with the Board”.

Both the Governor and Deputy Governor serve six-year terms and are eligible for reappointment. All non-Executive Directors are appointed by the Minister for Finance and Treasury, with the exception of the MoFT Permanent Secretary, who serves in an ex-officio capacity. Non-Executive Directors are appointed for a five-year term and are eligible for reappointment.

The Board is charged with the formulation and supervi-



The CBSI Board courtesy call with Malaita Province Premier in Dec 2024

sion of the implementation of the policies and the supervision of the administration and operations of the Central Bank. The Board holds a fiduciary responsibility to safeguard the interests of the Bank in alignment with its statutory mandate. This duty requires Board members to act with objectivity and impartiality and to avoid any conflicts of interest – whether real or perceived.

In January 2024, the Board attended a training on the Effective Director Course, enhancing their governance and oversight capabilities.

Table 2.1 shows the Board of Directors’ term and years served since appointed.

TABLE 2.1			
MEMBER	ROLE	TERM	TERM SERVED SINCE APPOINTED
Dr. Luke Forau	Governor Chairperson	Oct 2019 – Oct 2025	5 years
Mr. Raynold Moveni	Deputy Governor Executive	Jan 2020 – Jan 2026	4 years
Mr. McKinnie Dentana	PSF, Ex-Officio	Ex Officio	Ex- Officio
Mr. David K C Quan	Non-Executive	Aug 2021 – Aug 2026	3 years
Mr. Rodney Rutepitu	Non-Executive	Jan 2023 – Jan 2028	1 year
Mr. Bob Pollard	Non-Executive	May 2020 – May 2025	4 years
Mrs. Kathleen Matautia	Non-Executive	Oct 2021 – Oct 2026	3 years
Mr. Jeremy P. Bartlett	Non-Executive	Oct 2021 – Oct 2026	3 years
Mrs. Helen I. Beck	Non-Executive	Feb 2023 – Feb 2028	1 year

BOARD MEETINGS

Under the CBSI Act, the Board is required to meet as often as necessary for the Bank’s business, but no less than six times per calendar year. Meetings are convened by the Governor or may also be called upon the written request of any two Board members. The time, venue, and agenda of each meeting must be communicated at least seven days in advance, except in cases of emergency or where all members mutually agree to a shorter notice period. The decisions of the Board are made by a simple majority of members present. Each member has one vote, and in the event there is a tie, the Chair will have a casting vote.

In 2024, the Board held a total of nine meetings. All meetings were conducted face-to-face, although some Directors participated virtually. Eight of the meetings took place in Honiara, while the final meeting in December was held in Auki, Malaita Province.

TABLE 2.2		
MEETING DATES IN 2024		
March 12, 2024	May 31, 2024	August 29, 2024
April 11, 2024	June 28, 2024	November 14, 2024
May 11, 2024	August 6, 2024	December 10, 2024

During the year, the Board approved several key resolutions, including the Monetary Policy Stances for March

CENTRAL BANK OF SOLOMON ISLANDS BOARD OF DIRECTORS

**DR LUKE FORAU**

Governor and Chairman of the Board

Previous positions held:

- Deputy Governor, CBSI
- Advisor to the Governor, CBSI
- Chief Manager, Economics & Statistics Dept., CBSI
- Assistant Manager, Economics & Statistics Dept. CBSI

**RAYNOLD MOVENI**

Deputy Governor and Deputy Chairman of the Board

Previous positions held

- Chief Manager, Financial Systems Regulation Dept., CBSI
- Advisor, Office of the Executive Director Asia Pacific, IMF
- Assistant Manager, Financial Systems Regulation Dept., CBSI

**MCKINNIE DENTANA**

Ex- Officio Member) Permanent Secretary - Ministry of Finance & Treasury .

- Chairman, Aviation Board.
- Member, Mines & Mineral Board.

Previous positions held

- Under Secretary, MoFT Advisor Office of the Executive Director, Asia Pacific World Bank
- Chief Policy Analyst, MoF

**DAVID K.C. QUAN, MBE., MAICD., FIML.**

(Non-Executive Member) since 31 August 2016

- Chairman, Solomon Islands Electricity Authority, Board
- Managing Director, Quan Chee Corporation Limited.

Previous Positions held:

- Chairman, Solomon Islands Chamber of Commerce & Industry
- Chairman, Solomon Islands National Provident Fund
- Chairman, Solomon Telekom
- Deputy Chairman, National Bank of Solomon Islands
- Acting Chairman and Vice-chairman , Solomon Airlines Limited

**MR. RODNEY RUTEPITU**

(Non-Executive Member) since 20 February 2018

- Management Accountant, Pacific Islands Forum Fisheries Agency

Previous Positions held:

- Manager, Accounts & Information Technology Department, CBSI
- Assistant Manager, Accounts & Information Technology Department, CBSI
- Project Accountant, IPU, Ministry of Education & Human Re-source Development

**HELEN I. BECK**

(Non-Executive Member) since 20 February 2018

- International Financial Management/Planning

- Appointed 20 February 2023

**JEREMY P. BARTTLET**

(Non- Executive Member)

- Appointed on 1 October 2021
- Managing Director, Hatanga Ltd.

Previous Position:

- SICCI Chair Technical Evaluation Committee, TCSI

**KATHLEEN M. MATAUTIA**

(Non-Executive Member)

- Appointed 1 October 2021
- Managing Director & Pharmacist, Our AIGA CO. Ltd T/A Le Pharmacy

- Current Member of Pharmacy & Poisons Board

**BOB POLLARD**

(Non-Executive Member) since May 2020

- Managing Director, Kokonut Pacific SI Ltd.
- Managing Director, Pasifiki Services Ltd.
- Director, Solomon Airlines, 2019 to present.

Previously held position:

- Senior Lecturer, SICHE, 1988-1992

**SONIA MARAHARE**

- Appointed as Secretary to the Board in May 2017

and September, the Strategy Performance Management Framework, the implementation of the organizational restructure, and key policies relating to communications, gifts and entertainment, staff serving on external boards, and IT security. Additionally, the Board endorsed Prudential Standards for Financial Institutions and the disposal of assets. Members of the senior management are also invited to attend the board meetings as and when required.

Table 2.3 shows Members’ Attendance at Board Meetings in 2024:

TABLE 2.3			
MEMBER	NO. OF MEETINGS ATTENDED		NO. OF MEETINGS ELIGIBLE TO ATTEND
	IN PERSON	VIRTUALLY	
Dr. Luke Forau	9		9
Mr. Raynold Moveni	6	1	9
Mr. McKinnie Dentana	7		9
Mr. David K C Quan	5	2	9
Mr. Rodney Rutepitu		4	9
Mr. Bob Pollard	7	1	9
Mrs. Kathleen M. Matautia	7		9
Mr. Jeremy P. Bartlett	6	1	9
Mrs. Helen I. Beck	9		9

BOARD COMMITTEES

The Central Bank of Solomon Islands (CBSI) Board has three standing committees: the Board Remuneration Committee, the Board Audit and Risk Committee, and the Board HQ Building Project Committee. Each committee is chaired by a non-executive director.

The **Board Remuneration Committee (BRC)** consists of four non-executive directors, with Mr. David K. C. Quan serving as Chairman. The other members are Mr. McKinnie Dentana, Mr. Bob Pollard, and Mrs. Kathleen Matautia. The committee’s role includes reviewing policy matters relating to the Staff Terms and Conditions of Employment. Decisions made by the committee are submitted to the full Board for endorsement. In 2024, the BRC held one meeting.

The **Board HQ Building Project Committee** did not convene any meetings in 2024. The members for the year were Mr. David K. C. Quan (Chairman), Mr. McKinnie Dentana, and Mrs. Kathleen Matautia. The committee is responsible for regularly reporting to the Board on matters related to the HQ project.

The **Board Audit and Risk Committee** is chaired by Mrs. Helen Beck, with Mr. Rodney Rutepitu, Mr. Jay Bartlett as members, and Mr. Raynold Moveni (Deputy Governor) as an observer.

RISK MANAGEMENT OPERATION AT CBSI

In 2024, the Bank launched the Enterprise Risk Management (ERM) Framework, centralizing risk management

and establishing a structured governance framework. At the top, the Risk Management Committee (RMC) provides oversight, while the Risk Management Unit (RMU) coordinates risk management activities across the bank. At the Department level, Assistant Managers were recognized as Risk Champions who provide critical support to Department Heads in coordinating risk activities. While foundational risk management elements continue to be refined, the RMU successfully facilitated critical risk management initiatives across the Bank.

Risk identification and assessments were integrated into daily operations through the weekly risk incident register, with reports consolidated and escalated to the Risk Management Committee and Management Committee on a monthly and bi-monthly basis. Throughout the year, the RMU produced 45 weekly incident reports, 5 bi-monthly consolidated reports, and 1 annual Risk Incident Report. By December 2024, a total of 138 risk incidents were identified across departments, with an 88% resolution rate, reflecting the effectiveness of enhanced training initiatives led by the RMU and external experts. This high-resolution rate also demonstrated the Bank’s growing risk maturity.

Additionally, the RMU conducted a comprehensive risk assessment of recurring process-related risks within the Corporate Services Department, leading to a coordinated effort between Human Resources & Corporate Services, Finance & Accounts, and Information & Communication Technology Departments to enhance operational efficiency. Risk education and awareness remained a top priority, with the RMU organizing two in-house risk workshops in September 2024 for general staff and Risk Champions. Furthermore, from December 2–5, 2024, the RMU engaged external specialists to deliver a specialized risk management training in Honiara, focusing on central banking risks and fostering a risk-aware culture. The training was well-received, with active participation from Risk Champions and Senior Management, significantly improving risk awareness across the Bank.

Moving forward, CBSI remains committed to strengthening risk governance, enhancing risk awareness, and building risk management capabilities. Through the continued coordination of the RMU, the Bank aims to bolster resilience in an evolving financial landscape.

STAFFING

At the end of 2024, the Central Bank of Solomon Islands’ staff complement increased by 13% from 165 in 2023 to 186 at the end of 2024. The increase in staff is due to back filling of existing vacant positions and the implementation of the Bank’s Graduate Trainee Program Policy.

The Graduate Training Program is aimed at recent university graduates who have completed either an undergraduate (first) degree or a post graduate degree. This 18-month program offers graduates rotational placements across various departments and units within the Bank.

In 2024, the Bank recruited a total of twenty-one (21) new staff members. Of these, thirteen (13) were graduate trainees, seven (7) were hired to established positions, and one (1) was engaged as a contracted seconded officer. The Bank remains committed to promoting equal employment opportunities and currently maintains a gender composition of 59.1% male and 40.9% female staff.

In 2024, only two (2) staff left the employment services of the Bank, one was an ODI fellow whose contract of employment expired and the other who was given an early retirement by the Bank.

HEALTH, SAFETY, AND WELLBEING

The Bank continues to maintain its commitment to ensuring a safe and healthy workplace for its employees with the implementation of its 'CBSI Wellness Program' that promotes healthy lifestyle, mental health and wellness activities for all staff. Various lifestyle activities including weekly volley ball games and competition for all staff, netball for female staff, usage of King George VI walking tracks for staff and their spouses and the subscription of Heritage Park Gym for management team.

In addition to the physical activities, few sessions on mental health were also delivered virtually to staff and management by the International SOS. This initiative by the Bank is aimed at increasing awareness of how the workplace contributes to staff's mental and physical wellbeing.

The Bank's annual Staff Recognition and Awards Program continues in 2024 aiming to promote, acknowledge and celebrate staff performance, achievements and dedication in the areas of Risk management, Research, Operational Excellence, Employment Services and Wellbeing awards in 2024.

STAFF TRAINING AND DEVELOPMENT

The Bank continues to embrace the importance of learning and capacity development. This is to enhance staff skills and knowledge to deliver its vision to become a modern Central Bank that contributes to the development of the Solomon Islands. This involves providing staff with training and learning opportunities to enhance their professional growth and a better understanding of the work they do.

Accordingly, the Bank provides induction trainings for new recruits, staff mentoring programs and encourages staff to engage in relevant in-house and on-line trainings, workshops, seminar presentations and on the job rotations. The Bank also provides support for staff to participate in relevant specialized short course trainings, study tours and work attachments. Furthermore, to boost career growth and advancement, the Bank provides support towards improving staff formal qualifications by encouraging staff to engage in part-time and full-time trainings at recognized tertiary institutions.

As at the end of 2024, the number of employees enrolled

for full-time and part-time studies, reduced to 26 from 32 staff enrollments in 2023. This was due mainly to enrollments being on halt (for later resumption) due to pressing work commitments. Six (6) members of staff pursued full-time studies with various Universities abroad while the rest studied in-country part-time trainings offered by USP and SINU. During the year, ten (10) employees successfully completed their study programs with three (3) graduated with Masters qualification in the areas of Audit, Business Finance and Commerce and seven (7) graduated with a graduate Certificate and Professional Diploma qualifications in the areas of Accounting and Public Relations. While most of the trainings were supported by the Bank, we also acknowledged the additional funding support provided by Australia and New Zealand Government through their in-country training Scholarships awarded to staff studying full-time abroad.

Furthermore, a total of 91 specialized and technical short course trainings, workshops, conferences, forums and seminars were facilitated in 2024 with staff participation increased to 94 from 85 in 2023. Most of these short courses were delivered in-person abroad and in-house for selected audience. Two pivotal trainings in the areas of Strategic Planning and Risk Management were also delivered for staff in-country. These trainings were essential to address the specialized technical skills and knowledge gaps essential to improve work performance. We acknowledge the great support from our technical organizations that continued to provide trainings and fundings, including the International Monetary Fund (IMF), Central Bank Institutes, Pacific Financial Inclusion Program (PFIP), United National Capital Development Fund (UNCDF), United National Development Programme (UNDP), Asia Pacific Group (APG), Japan International Cooperation Agency (JICA), Griffith University, and Asia Development Bank (ADB).

FACILITIES & CAPITAL PROJECTS

The Central Bank continue to ensure that it aligns its facilities development plans to meet its mandatory business and social needs. The Bank continues to maintain its current facilities to enhance its expanded operations. It currently owns an office building in Honiara, vacant lands in Noro for its planned alternative office, residential buildings, and recreational facilities for its staff. The Head office project has progressed to the design development phase and the completion of project statutory requirements. The project's progressive geotechnical investigation was completed in early 2024, however due to the structural loads provided by the structural engineer and the geotechnical investigations reviewed assessment, pile lengths were expected to be significant. To provide an assessment of construction feasibility and indicative costs, the Bank engaged McConnell Dowell Constructors Ltd (MCD) to provide constructibility advice on the proposed piled foundations for the New HQ Building in Honiara, this was done under an Early Contractor Involvement (ECI) engagement.

The ECI report was completed in November 2024 and presented to Management and the HQ Project Board Subcommittee, for their deliberation and decision in progressing the new HQ Project forward. It is anticipated that Issue for Financial Tender (IFT) for the HQ Project will be done in the 4th quarter of 2025.

FINANCIAL SYSTEMS DEVELOPMENT AND PAYMENT DEPARTMENT

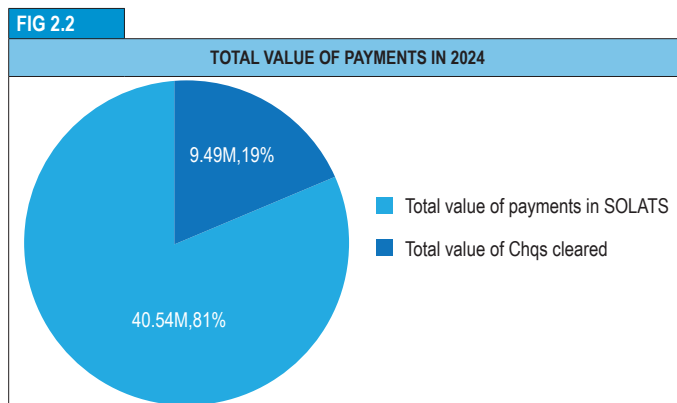
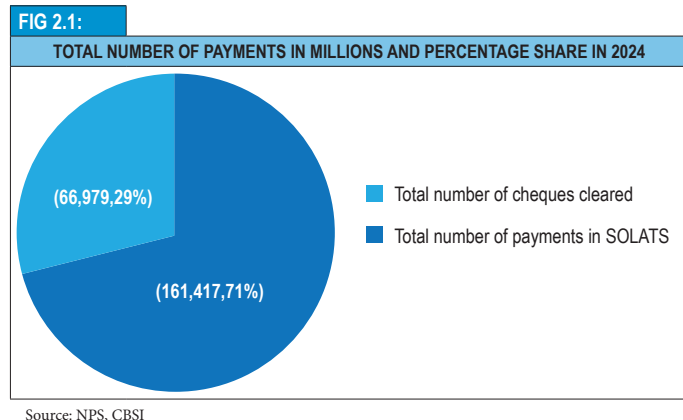
Key Developments

In accordance with the National Payment System Act 2022, the bank is responsible for ensuring the effective and efficient transfer of money from the payer to the payee within the National Payment System. On April 8, 2024, the Bank launched the Solomon Islands Automated Transfer System (SOLATS), followed by the Central Securities Depository (CSD) on April 9, 2024. The system's two main components are the Real Time Gross Settlement (RTGS), which handles critical and high-value payments, and the Automated Clearing House (ACH), which processes low-value payments. The ACH consists of two parts: the Electronic Funds Transfer (EFT), which went live at the launch, and the Instant Funds Transfer (IFT), which is yet to be rolled out.

The CSD is an electronic registry for security holders issued by the Government of the Solomon Islands (SIG) and the Central Bank of Solomon Islands (CBSI). Its primary purpose is to enhance market efficiency by facilitating the transfer of ownership upon payment, ensuring safekeeping, and managing the transfer of securities. This platform allows investors to engage in real-time tendering, conduct real-time allotments for successful investors (bidders), and automate payments through SOLATS for successful bidders, along with the settlement of securities.

Data and Analysis

From the establishment of SOLATS on April 8, 2024, through December 2024, 66,979 RTGS payments were processed through the system, valued at \$40.54 million. The total number of cheques settled during the same period was 163,417, with a value of \$9.49 million. Cheque payments accounted for 71% of the total combined of RTGS and Cheques processed during the year, while payments processed through SOLATS comprised 29% of the total



volume.

Although the number of payments processed through SOLATS represents a relatively smaller portion of the overall payment volume for the year, in terms of value, RTGS payments through SOLATS are significantly greater, amounting to \$40.54 million - 327% higher than the total value of cheques, which stands at \$9.49 million. Additionally, the demand for digital payment processing via SOLATS is growing, as reflected by the increase in the number of payments each quarter, while cheque payments are declining. Table 2.4 and Figures 2.1 and 2.2 illustrate the figures and trends between cheque and digital payments quarterly.

TABLE 2.4:

TOTAL NUMBER OF CHEQUES AND RTGS PAYMENTS PROCESSED

2024	Total number of cheques cleared	Total number of RTGS payments processed in SOLATS
Q1	44,763	0
Q2	40,044	15,737
Q3	40,374	22,577
Q4	38,236	28,665
Total	163,417	66,979

Source: NPS, CBSI

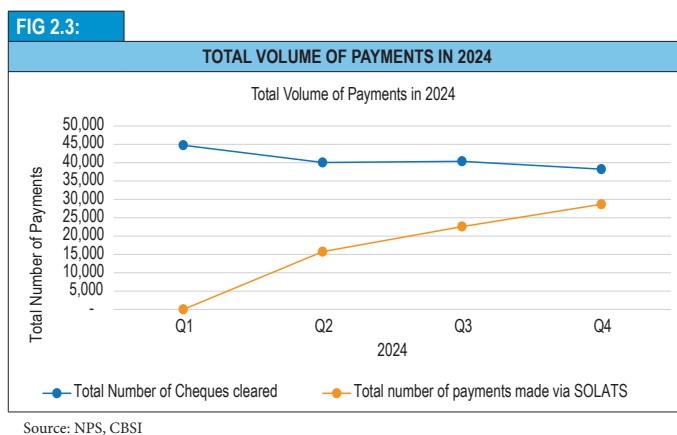
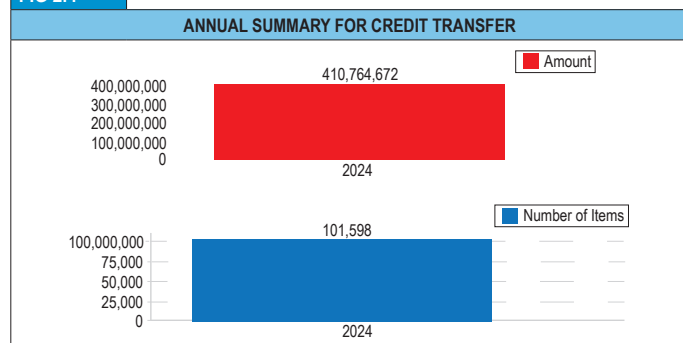


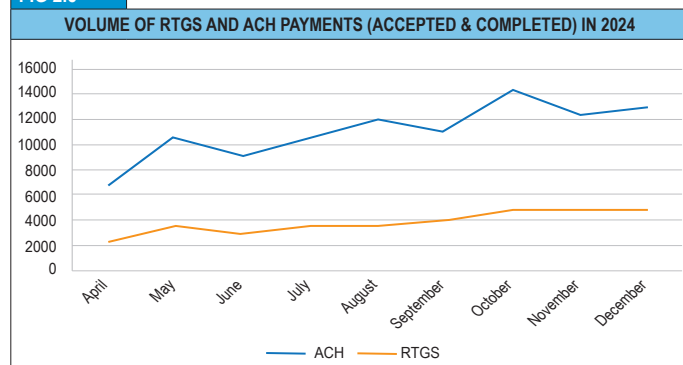
Figure 2.4 shows the volume and value of EFT payments made through ACH in 2024. The total payments processed amounts to 101,598 transactions with a total transfer value

FIG 2.4



Source: NPS, CBSI

FIG 2.5



Source: NPS, CBSI

of \$410.76 million.

SOLATS has become a crucial component of the payment system in the Solomon Islands, gaining popularity for digital payments compared to cheque payments. There is an upward trend in digital payments processed through SOLATS, illustrated in Figure 2.5 showing the total volume of RTGS and ACH payments accepted throughout the year, which signifies increased engagement in digital payment methods. Although cheque payments will continue to be an essential payment method—particularly for large-value transactions required by most government revenue collectors—digital payments enabled by SOLATS have become an integral part of the payment landscape in the Solomon Islands. This advancement facilitates faster and more efficient transactions, reducing the time lag between the transaction date and the receipt of payments.

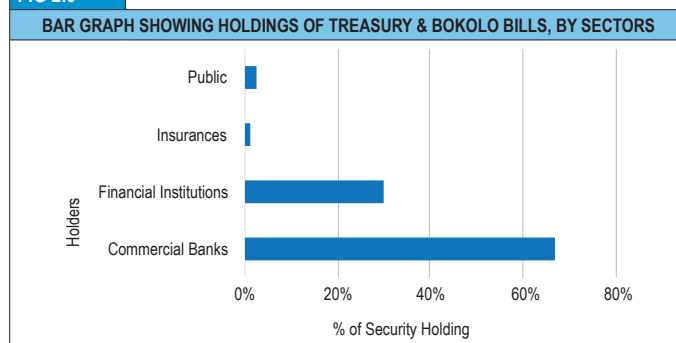
Central Securities Depository (CSD)

The following are the records of securities accounts for commercial banks, financial institutions, insurance companies, and public holders within the CSD. Commercial banks hold the largest share of security holdings, accounting for 68%, followed by financial institutions at 30%, the public at 2%, and insurance companies at 1% (Refer to Figure 2.6).

Challenges

Even though no system downtime has been experienced since the SOLATS Go-live, internet connectivity remains

FIG 2.6



Source: NPS, CBSI

a challenge at times, causing delays in the settlement of payments.

Achievement

SOLATS allows the CBSI and all commercial banks to exchange funds electronically in real-time daily, enabling both banks and their customers to settle payments immediately. This financial infrastructure enhances and supports the economy, making it more reliable and resilient in the future.

This innovative system aligns with the government's commitment to promoting digital payments as part of a broader strategy to modernize the economy. By streamlining payment processes, SOLATS not only contributes to the reliability and resilience of the financial system but also supports the government's vision of fostering a more inclusive and technologically advanced economy. Going forward, SOLATS stands poised to elevate the overall financial experience for businesses and consumers alike, reinforcing trust and stability in the country's financial landscape.

COMMUNICATION AND PUBLIC RELATIONS

The year 2024 was both a challenging yet productive year for CBSI, marking significant public relations and stakeholder engagement efforts which tested CBSI events management capacity to its limits. CBSI eventually came out unscathed in terms of negative feedback, and successfully organized two major international research conferences and workshops and facilitated numerous high-level engagements with both local and regional partners. These activities have elevated CBSI's public profile and reinforced its reputation as a credible host for major international and regional events—a goal that was effectively achieved through team work, collaboration and strong leadership. Simultaneously, CBSI maintained a consistent program of internal initiatives and outreach efforts throughout the year, including targeted engagements across the provinces. The year commenced with the high-profile launch of CBSI's Risk Management Framework, followed by a year-long rollout of capacity-building programs and workshops.

Among the most notable achievements for CBSI in 2024 was the successful launch of the Solomon Islands' first



CBSI staff joining sports parade hosted by Staff Association and Governors Office

real-time payment system (SOLATS), which represented a transformative step in modernizing the nation's digital payments infrastructure. CBSI also partnered with the Solomon Islands National Provident Fund (SINPF) to support the rollout of "MobileFund," a digital loan product designed for YouSave members. On the regulatory front, CBSI issued its first-ever Foreign Exchange (FX) dealer licenses to ACCountplan Ltd and IumiCash Ltd, following their successful participation in the Regulatory Sandbox. These regulatory advances further strengthened the financial sector's innovation landscape.

CBSI also hosted two significant research events. The first was the 4th Annual Pacific Conference and Leaders Forum, co-hosted in partnership with Griffith University, which brought together senior central bankers and researchers from across the region. The second major research event, the 1st CBSI-ADB-APAEA Joint Workshop, was held in November 2024 under the theme "Monetary Policy and Central Banking Issues in Asia and the Pacific." In addition to these major gatherings, CBSI welcomed high-level visits including a delegate from the Federal Reserve Bank of New York (FRBNY), who met with the financial markets team, and the CEO of the Alliance for Financial Inclusion (AFI), who visited to witness CBSI's financial inclusion work and reinforce AFI's ongoing partnership with the Bank.

At the community level, CBSI remained actively engaged in rural awareness and outreach programs. The Bank took part in the Malaita Day celebrations in Auki, Malaita Province and continued its currency exchange program, enabling CBSI personnel to travel across other provinces to conduct educational sessions and facilitate the exchange of old currency. CBSI also participated in the International Children's Day event and conducted financial literacy programs for school children, and also conducted sessions for various groups from Isabel province. The Bank also hosted the International Credit Union Day in Honiara, showcasing its ongoing support for cooperative financial initiatives.

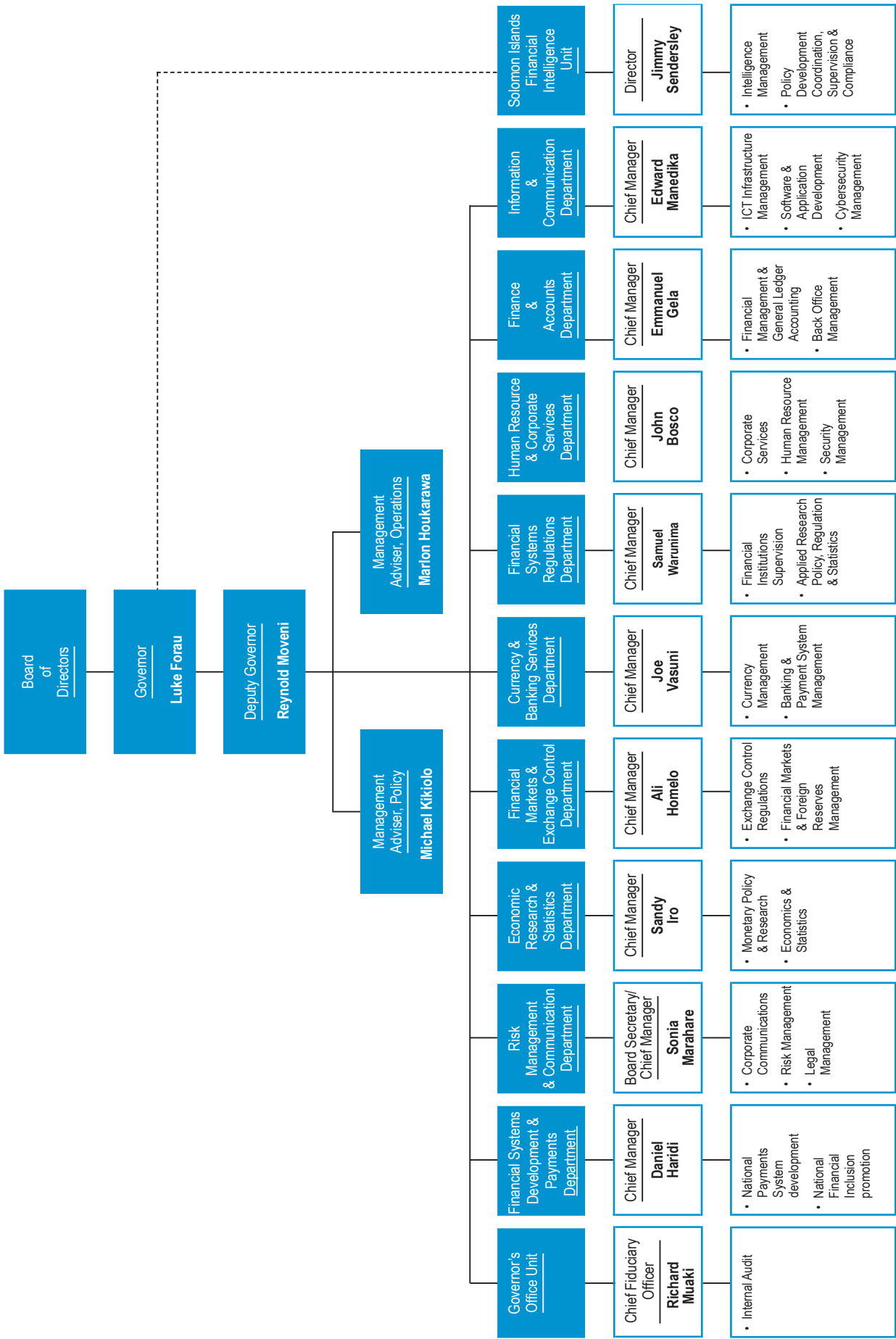
Internally, CBSI continued with a number of employee and institutional development initiatives. This included

the FEMPOWER gender inclusion program, staff sports and recreational activities organized through the CBSI Staff Association, and critical workplace training sessions in areas such as First Aid and security awareness. These programs demonstrated CBSI's commitment to both organizational wellness and workforce readiness.

Throughout the year, CBSI maintained strong and consistent communications with its key stakeholders and the general public. The Bank continued to utilize multiple media channels, including radio through the Solomon Islands Broadcasting Corporation (SIBC), traditional print media, and digital platforms such as the CBSI official Facebook page and LinkedIn. For internal communications, CBSI relied heavily on platforms like WhatsApp and Facebook Messenger to ensure timely dissemination of information across staff and management. These multi-channel efforts helped keep CBSI's audiences informed and engaged throughout 2024.

2024 MAJOR ACTIVITIES			
CHANNEL	TOOLS	QTY	COMMENTS
Print Media	<ul style="list-style-type: none"> Newspaper articles Formal Press Releases Notices/Adverts 	<ul style="list-style-type: none"> # Press Releases # feature articles On-going adverts/notices 	Routine releases, and /including re-searched papers /Public notices and adverts
Broadcast	<ul style="list-style-type: none"> SIBC – Money Matters Online video 	<ul style="list-style-type: none"> 14 productions/ 28 broadcasts 2 video productions 	The TV informercials were produced in conjunction with NFILU and other stakeholders. These were broadcast mostly over the AFI platform, and re-shared by CBSI.
On-Line	<ul style="list-style-type: none"> Website Facebook Page Linked In Twitter X 	<ul style="list-style-type: none"> Timely and consistent updates on all platforms 	CBSI maintained existing presence over these platforms through 2024.
Events/ Campaigns	<ul style="list-style-type: none"> Launch program Donation announcements Information sessions on-line (zoom) 	<ul style="list-style-type: none"> 10+ major events and programs were conducted during the year, which involved external groups and stakeholders. 	Major programs are included below: SOLATS launch, Risk Framework launch (interns!), Annual Report Launch, 2x Research conferences with stakeholders, Credit Union Symposium, International Children's day programs with schools in Honiara, Provincial day programs, New coin effigy announcement with Royal Australian Mint (RAM).

CBSI ORGANISATION STRUCTURE 2024

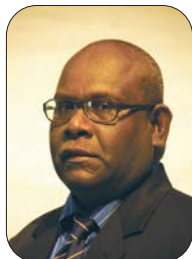


CENTRAL BANK OF SOLOMON ISLANDS MANAGEMENT 2024

GOVERNORS OFFICE



DR LUKE FORAU
Governor



RAYNOLD MOVENI
Deputy Governor



MARLON HOUKARAWA
Management Advisor Operations



MICHAEL KIKIOLO
Management Advisor Policy



RICHARD MUAKI
Chief Fiduciary Officer

ECONOMIC RESEARCH & STATISTICS DEPARTMENT



SANDY IRO
Chief Manager (Ag)



JOHN R. ROHI
Manager Economics-Statistics

FINANCIAL SYSTEMS DEVELOPMENT DEPARTMENT



SAMUEL WARUNIMA
Chief Manager



DENSON DENNI
Manager/Applied Research,
Policy & Regulation

FINANCIAL MARKET & EXCHANGE CONTROL DEPARTMENT



ALI HOMELO
Chief Manager



RONSLEY PANA
Manager/Exchange Control



CHARLIE SIVU
Manager/Financial Markets

HUMAN RESOURCE & CORPORATE SERVICES DEPARTMENT



JOHN BOSCO
Chief Manager



MICHAEL EREKALI
Manager/Corporate Service

CURRENCY & BANKING SERVICE DEPARTMENT



JOE VASUNI
Chief Manager



ENOCH ILISIA
Manager CBSD



JENNY AIAPU
Manager/ Human Resources



ROSE SULU
Manager Training &
Development

CENTRAL BANK OF SOLOMON ISLANDS MANAGEMENT 2024

FINANCE & ACCOUNTS DEPARTMENT



EMMANUEL GELA
Chief Manager



SIMON RAMOIFAI
Manager

INFORMATION & COMMUNICATION
TECHNOLOGY DEPARTMENT

EDWARD MANEDIKA
Chief Manager



BADLEY TEDDY
Manager ICTD

FINANCIAL SYSTEMS DEVELOPMENT AND PAYMENTS DEPARTMENT



DANIEL HARIDI
Chief Manager



JUDY ANII
Manager NPSD



LINDA FOLIA
Manager FSDI

INTERNAL
AUDIT UNIT

OLIVER KAROA
Manager IAU

RISK MANAGEMENT & CORPORATE COMMUNICATIONS



SONIA MARAHARE
Chief Manager



URIEL MATANANI
Manager CCU



ANTHONY MAKABO
Manager LU



CHARLEY KUPER
Manager RMU

SOLOMON ISLANDS FINANCIAL INTELLIGENCE UNIT



JIMMY SENDERSLEY
Director



TOM HA'AUTE
Manager PDCSC



JIMMY VAJA
Manager IMD

CHAPTER 3: MONETARY POLICY DEVELOPMENTS

MONETARY POLICY FORMULATION

The Bank's primary objective is to maintain domestic price stability. Stable prices give people and businesses confidence in the economy, encourage long-term investment and preserve the value of money. Secondary to this, the Bank is also mandated to maintain financial stability, recognizing that a resilient financial system is essential for sustained economic growth and support the government's broader economic policies. This ensures a flexible yet disciplined approach to monetary policy, balancing price and financial stability and economic growth.

The Monetary Policy Committee (MPC)¹, chaired by the Governor, is responsible for formulating and recommending the Bank's monetary policy stance before approval by the Board. The committee also oversees other important monetary policy matters including the exchange rate, the Bank's securities, cash reserve requirement, and the other policy tools to use.



Fresh vegetables at the Honiara Central Market

The monetary policy stance is determined through a bi-annual cycle, typically occurring over a seven-week period in preparation for the March and September Monetary Policy Statements (MPS). The process begins with the Economics, Research, and Statistics Department (ERSD) reviewing recent macroeconomic developments and producing forecasts on key indicators relevant to diagnosing the state of the domestic economy and international developments. These assessments inform MPC deliberations, culminating in recommendations submitted to the CBSI Board for approval. Once endorsed, the Bank then announces the Board's decision through press releases across various media outlets and publishes the Monetary Policy Statement on its website.

In 2024, the MPC convened four meetings—two biannual meetings in March and September to assess evolving

economic conditions and recommend the appropriate policy stance, and two special meetings. In the first special meeting held in June, the committee reviewed the recommendations by IMF's Monetary and Capital Markets Department Technical Assistance on the currency basket framework and FX market operations and endorsed the revised weights for the Exchange Rate basket. The second special meeting, in October, was held with the IMF's Institute for Capacity Development Technical Assistance² team to discuss progress on the Forecasting and Policy Analysis System (FPAS) project, which is set for implementation in 2025. The FPAS is an important development that represents the Bank's commitment to modernize its monetary policy formulation and decision-making process in line with international best practices.

MONETARY POLICY IMPLEMENTATION

The Bank maintained a tight monetary policy stance in March 2024 amid persistent global uncertainties and rising inflationary pressures observed since the second half of 2022. In line with the stance, the Bank maintained the Cash Reserve Requirement (CRR) at 6% and capped the Bokolo Bills at \$430 million. In September 2024, the Bank adopted an accommodative monetary policy stance, lowering the CRR to 5.5% from 6%, which has been in place since March 2023, while maintaining the Bokolo Bills cap at \$430 million. This decision was driven by easing inflationary pressures over the first half of the year and aimed at supporting economic activity.

In addition, the Bank also revised the weights in the Exchange Rate basket to align with recent economic fundamentals. Furthermore, the Bank maintained the 90-day Temporary Advance Facility (TAF) to help smoothen short-term fiscal revenue fluctuations, and purchase of government development bonds in the secondary market to support liquidity needs in the targeted energy sector of the economy.

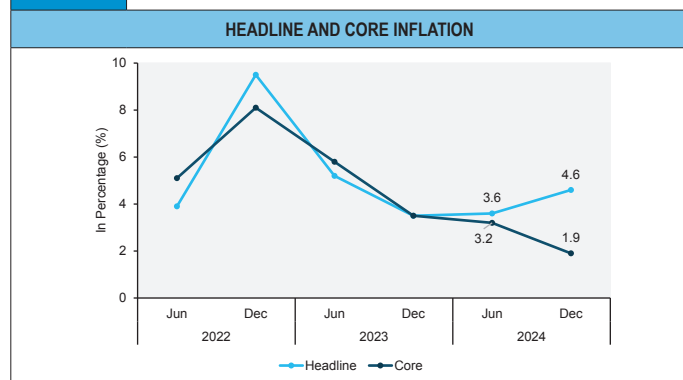
MONETARY POLICY OUTCOMES

Overall, CBSI's monetary policy helped to keep prices contained in 2024. Headline inflation rose to 4.6% in December from 3.5% in December 2023, higher than projected in the September 2024 MPS but still below the Bank's upper limit of 5%. The deviation stemmed from domestic supply-side pressures, particularly from betel nut, a highly volatile item. These supply-side pressures are outside CBSI's control, as it influences prices only through demand. Consequently, domestic inflation surged to 6.1% in December 2024, doubling the 2023 level. In contrast, imported inflation eased to 1.2% in December 2024, down from 4.6% at the end of 2023, due to global disinflation and lower energy and food prices. Meanwhile, the underlying inflation (core) declined to 1.9% in December 2024 from 3.5% in 2023, in line with our policy stance to sup-

¹ The Monetary Policy Committee (MPC) comprises 13 members of the Executives Management of the Central Bank.

² The Bank receives Technical Assistance from the IMF to help develop the FPAS and modernize CBSI's monetary policy modelling and decision-making processes.

FIG 3.1:

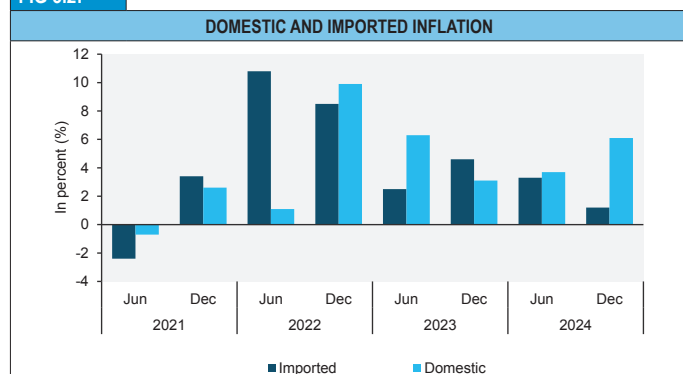


Source: SINSO, CBSI

press inflation.

Measures to support domestic economic growth as outlined in the September 2024 MPS included the reduction in the CRR to 5.5% and maintaining the Bokolo Bills cap at \$430 million. These adjustments enhanced credit availabil-

FIG 3.2:



Source: SINSO, CBSI

ity, particularly for smaller commercial banks, as excess liquidity remained concentrated in larger banks. The Central Bank's Temporary Advance Facility helped smooth monthly revenue fluctuations, ensuring timely government payments and preventing disruptions to essential services. Additionally, the purchase of government bonds in the secondary market provided liquidity support to the energy sector, facilitating urgent investments.

On key monetary aggregate, M1, a key measure of money supply, grew by 3% year-on-year to \$5,313 million, driven by an increase in currency in circulation (CIC) and transferable deposits. Similarly, private sector credit (PSC) rose by 5% to \$2,907 million against the previous year supported by increased lending to personal, construction, transportation and forestry sector. Moreover, liquidity in the banking system surged by 23% to \$3,359 million year-on-year reflecting a combination of factors including the BOP surplus, which led to a higher NFA, some effect of money multiplier from increased private sector lending and monetary policy easing in the second half of 2024. However, the impact of liquidity on inflation seemed minimal as core inflation remained manageable throughout the year. Meanwhile, the weighted average interest rate (WAIR) margin of ODCs narrowed to 7.99% in 2024 from 8.36% in the previous year reflecting a decline in lending rates and a slight increase in deposits rates. On domestic market operations, the face value of the stock of Bokolo bills stood at \$227 million at the end of 2024 with a weighted average rate of 0.35%. Meanwhile, the stock of auctioned treasury bills increased to \$10 million by year-end. Similarly, the weighted average interest rates offered on 91,182 and 365-days' treasury bills all increased during the year; from 0.50% to 1.15%, 2.39% to 2.41% and 2.60% to 2.61%, respectively. The increased uptake mirrored the government's growing reliance on these facilities as part of its fiscal policy tools.

CHAPTER 4: CENTRAL BANKING OPERATIONS

ECONOMICS, RESEARCH AND STATISTICS

The Economics, Research and Statistics Department (ERSD) is responsible for macroeconomic analysis, monetary policy formulation, research, and the collection, compilation and dissemination of economic statistics. The department ensures that economic data on domestic activities, the money and banking sector, the external sector, and the government finance operations are compiled in accordance with the International Monetary Fund's (IMF's) standards. In 2024, ERSD produced twelve Monthly Economic Bulletins, four Quarterly Reviews, and two Monetary Policy Statements. Additionally, the department provided monthly internal reports and updates to the Monetary Policy Committee (MPC), including Inflation Near-Term Forecasting, GDP Nowcasting, and the Monetary Policy Monitor. As part of the country's commitment under the IMF's e-GDDS1 framework, ERSD submits quarterly monetary, external, and government finance statistics to the IMF, quarterly external debt statistics to World Bank; and annual key indicators to the Asian Development Bank (ADB). Most of these statistics are also made available on the CBSI website for ease of public access.

Research activities

ERSD played a key role in organizing and hosting two research conferences in Honiara to enhance policy dialogue and facilitate knowledge exchange via economic research. In June 2024, the CBSI co-hosted the 4th Annual Pacific Conference and Leaders Forum with Griffith University under the theme "The business of finance in PICs: Balancing profitability and access to finance". The event brought together around 25 overseas participants from seven institutions, including the Reserve Bank of Vanuatu (RBV), Bank of Papua New Guinea (BPNG), Banco Central de Timor-Leste (BCTL), and the Ministry of Finance of Palau, alongside around 60 local participants from various government agencies and the private sector. In November 2024, ERSD co-organized a joint workshop with the Asian Development Bank Institute (ADBI) and the Asia Pacific Applied Economics Association (APAEA) under the theme "Monetary Policy Central Banking Issues in Asia and the Pacific". The workshop targeted central bankers from Asia and Pacific, Solomon Islands government officials, and experts from think tanks, academia and international organizations. It focused on emerging central banking issues, effective monetary and financial policies, and best practices for financial stability and governance in developing economies.

Research Projects

In conjunction with these Research Conferences, several research projects were conducted throughout the year, in alignment with the Bank's strategic objective of enhancing capacity in research and analysis. Two new empirical

Joint-Working Papers (JWP), a Research to Policy Paper (R2P) and a blog article were progressed in 2024, as part of ongoing research collaborations with the Griffith University of Australia. The first JWP paper, co-authored by the Research Unit (RU) investigated the "Sources of Free Liquidity Build-up in the Banking Sector and implications for policy and credit" and the other, examined the "Determinants of banking profitability in Solomon Islands", and was co-authored by researchers from the Financial Supervision and Regulation Department. The R2P paper, entitled "CBSI Financial Sector Development Policy Paper", stemmed from an earlier CBSI-GU JWP, and focused on addressing the persistent underfinancing gap problem in the country. All three papers were presented during the 4th Pacific Research Conference and Leaders Forum in Honiara. In addition, several ERSD officers also completed a blog article entitled "A Games Economy: The Economic Impact of hosting the Pacific Games (Sol2023)", which provided a brief economic assessment into the country's hosting of the Pacific Games. This blog article was published on the Griffith Asia Institute website in July 2024.

In the second half of 2024, ERSD management and the RU team collaborated on a new empirical research project, focusing on "Assessing the exchange rate pass-through effect into inflation in Solomon Islands", as part of the newly established research partnership with ADBI and APAEA. The findings of this research were presented at the Joint Workshop held in November 2024.

Research Trainings and Outreach

The Department's Research Unit further conducted a total of nine refresher trainings to ERSD staff in 2024. These Refresher trainings focused on developing and operationalizing the CBSI Quarterly Projection Model (QPM) as part of the ongoing IMF Technical Assistance under the Forecasting and Policy Analysis System (FPAS) Project. The Refresher trainings were structured into two key components: the first provided the theoretical foundations for the QPM and the second offered hands-on training in utilizing the EViews architecture for the implementation for the QPM as well as practical exercises to enhance proficiency in EViews.



4th Annual Pacific Conference and Leaders Forum co-hosted with Griffith University, Mendana Hotel, 26 - 27 June, 2024

¹ e-GDDS stands for Enhanced General Data Dissemination Standards which focuses on data dissemination for surveillance. Solomon Islands is one of the 111 countries.

In addition to these research projects, ERSD and broader CBSI staff were also given the opportunity to actively participate in the newly launched online Pacific Seminar Series hosted by the Griffith University of Australia during the year. This initiative featured presentations from key stakeholders within the region, namely the Reserve Bank of Australia, the Reserve Bank of New Zealand, the Australian Securities and Investment Commission and the Australian Prudential Regulation Authority. These seminars provided staff with a unique opportunity to gain valuable insights into the conduct of monetary policy, financial sector regulation and financial sector development initiatives within the context of Australia and New Zealand.

Furthermore, as part of Department's continued outreach and public awareness efforts, the Research Unit delivered a presentation on the Role of Monetary Policy at the Central Bank during a Woodford School Excursion to the Bank in September 2024. This engagement helped deepen the understanding of Year 12 Economics Students into the role of Central Bank in conducting monetary policy in the economy.



Inaugural CBSI-ADB-APAE Joint Workshop, Heritage Park Hotel, 6, November, 2024

Technical trainings

ERSD continued to benefit from the ongoing capacity-building trainings provided by the IMF Singapore Training Institute (IMF STI) and the Pacific Financial Technical Assistance Centre (PFTAC). Key training areas include macroeconomic statistics and analysis, economic modelling, forecasting, and policy analysis. These trainings were aligned with the department's short-term development and training needs and the CBSI's strategic objective of enhancing monetary policy formulation and effectiveness. Additionally, ERSD received two IMF Technical Assistance (TA) missions as part of the ongoing Forecasting and Policy Analysis System (FPAS) project. The May 2024 mission focused on building staff capacity in calibrating the Quarterly Projection Model (QPM) to better align with the Solomon Island's economic structure and using the QPM-based analysis and forecasts in the monetary policy decision making. The October 2024 mission aimed to review and streamline monetary policy decision-making structure and processes. The department staff also participated in in-country training programs facilitated by the Bank, including the Key Performance

Indicator (KPI) training by the Balanced Scorecard Institute and a Risk Management Workshop facilitated by Ken Knowledge International.

Engagement and Strategic Planning

In November 2024, ERSD conducted provincial consultations in Auki, Noro, Munda, and Gizo, engaging with local stakeholders on economic developments. The stakeholder consultations aimed at gauging the performance of businesses in the provinces in 2024 and their prospects to assist the department in assessing the economy and to support monetary policy formulation. The department also held its annual strategic workshop on 26–27 November 2024 at Aruligo, focusing on developing the department's strategic objectives in alignment with CBSI's goals and objectives. The workshop also provides an opportunity for the department to identify its key initiatives and activities to support the department's work plan for 2025.

INTERNATIONAL OPERATIONS

The Central Bank of Solomon Islands (CBSI) is mandated under the CBSI Act 2012, to manage the country's official external reserves, including establishing investment policy; manage the exchange rate regime and foreign accounts; and facilitate official international payments for banks and CBSI clients via the SWIFT payment platform. The Central Bank of Solomon Islands is also mandated to administer the Exchange Control Act and the regulations under the Exchange Control Act cap 50 - 1976.

With increasing economic and financial innovation and interconnectedness and the rise of digital payments, fintech and expansion international payments, risk management and elevated reserves management practices, the Bank continues to adhere to international requirements by establishing international standards and best practices in its operations. A notable upgrade of international payments system is the SWIFT payment system worldwide upgrade to ISO20022 standards. The Bank is continuing its upgrade and transitioning of SWIFT ISO20022 implementation. The target to go live for all financial institutions SWIFT ISO20022 is November 2025. CBSI is in progress with its ISO20022 Upgrade to meet the international dateline of November 2025.

Foreign Reserve Management

Foreign Reserves are assets held by the central bank in foreign currencies, gold, Special Drawing Rights (SDRs), and other reserve assets. Effective management of these reserves is critical for maintaining economic stability, ensuring liquidity, and safeguarding the nation's financial health.

The reserves management governance framework comprises the following:

1. **The Board:** Sets policy and endorses policy change.
2. **The Investment Committee (IC):** Deliberates and endorses strategies and tactical decisions.

- 3. **The Investment and reserves management office (Front Office):** Executes and implements investment and reserves management policy.
- 4. **The Middle Office:** Monitors reserves management, compliances and risks and reports reserves management performances.

The Financial Market (FM) Team: Serves as the technical team and implements the policy framework.

Managing foreign reserves requires a careful balance between three key objectives: safety, liquidity, and return. Safety, the paramount concern, involves protecting the principal through low-risk investments and effective credit risk management. Liquidity ensures the capacity to meet external obligations and maintain market confidence. Return on investment is pursued through strategic investments, all governed by the CBSI Reserves Management Policy (RMP) and approved investment rules. The long-term strategic goals of foreign reserve management are primarily defined by the Strategic Asset Allocation (SAA).

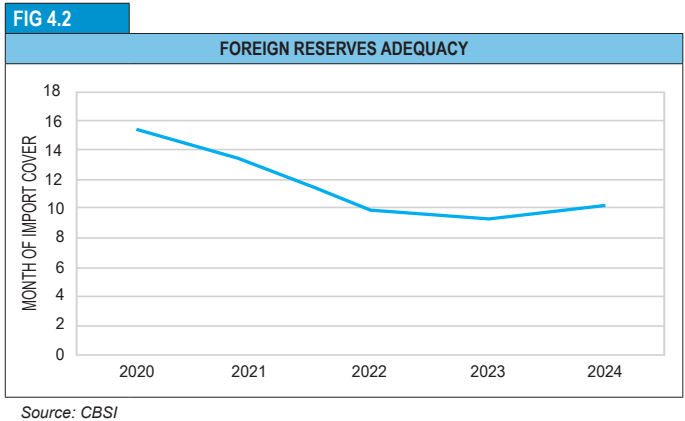
The Central Bank of Solomon Islands (CBSI) incorporates IMF Special Drawing Rights into its official reserve holdings. An IMF Standby Credit Facility is also established to mitigate short-term balance of payments vulnerabilities. Furthermore, a nominal allocation of Euros, Singapore Dollars, and Chinese Renminbi is maintained for investment objectives and to support the government’s external financial commitments.

Foreign Reserves Position

At the end of 2024, Foreign Reserves Assets (FRA) stood at \$6.01 billion (USD 703.02), a 1.3% increase from \$5.935 billion (USD 702.11) in 2023. This surge in inflows was primarily driven by substantial inflows from external donors through grants and loans, followed by Solomon Islands Government (SIG) receipts from fishing licenses, foreign exchange (FX) transactions with commercial banks and CBSI investment income (See Figure 4.1 on GFR growth trends).

During the year, outflows also increased due to high commercial bank demand for FX payments, Solomon Islands Government (SIG) payment obligations, and external debt

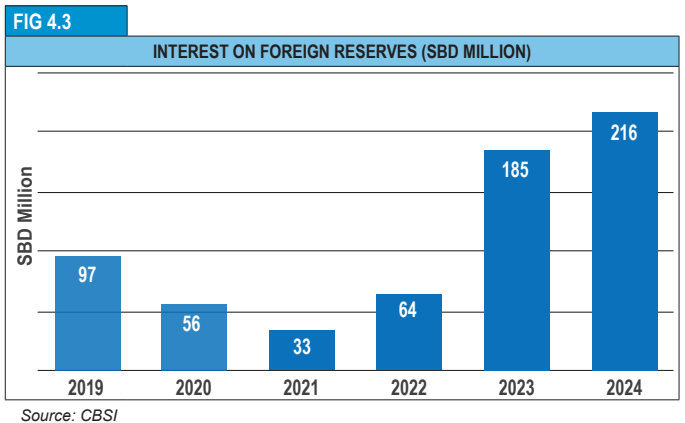
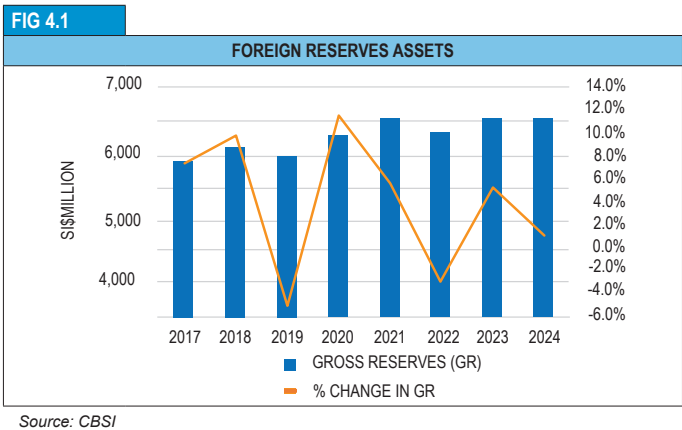
settlements. The increase in commercial FX transactions with CBSI reflects growing private sector spending and positive economic activity in 2024. While current reserves remain adequate, covering 10 months of imports compared to 9.3 months in 2023, exceeding the IMF’s 3-month adequacy threshold, sustained outflows require proactive measures, including monitoring and policy adjustments, to avoid liquidity crises. (See figure 4.2)



Return on Investments of foreign reserves

Foreign reserve investment returns saw a significant increase in 2024, with total income rising by 16.4% to \$215.6 million. This growth, exceeding targeted income, was driven by strategic investment decisions and favourable external income streams. Key contributors included interest earned on both short-term and long-term investments, gold holdings, fees and commissions, and the performance of investments managed by Crown Agents Investment Management (CAIM). Benefiting from a positive market environment and rising interest rates, the annualized rate of return on investable reserve assets reached 3.1%, a substantial improvement from the 2.6% recorded in 2023. Notably, CAIM contributed \$12.69 million to the total investment income of \$202.9 million since contracted in May 2024.

Figure 4.3 provides the interest earning trend over the period 2019-2024.



Gold Investment Policy

In line with best practices and its Gold Investment Policy, CBSI incorporates gold as a strategic reserve asset to enhance stability, diversification, and monetary autonomy. Adhering to the policy's 10% holding limit, CBSI leverages gold's negative correlation with the US dollar as a hedging strategy.

During 2024, amidst economic uncertainties, CBSI actively traded in unallocated gold (paper gold) to optimize income. Total purchases of 39,450 ounces were made at prices ranging from USD \$1,780 to \$2,800 per ounce. CBSI sold 37,450 ounces throughout the year, capitalizing on price fluctuations to achieve reasonable and comfortable per ounce above purchase prices. As gold prices declined towards the end of 2024, 2,000 ounces were held and subsequently sold in Q1 2025 when prices recovered above purchase price.

Despite the price volatility, CBSI achieved a gold trading income of \$11.2 million, slightly below the 2024 target of \$12.0 million (however above the 2023 target of SBD 10.0 million). This result underscores the effectiveness of active Gold trading activity.

Bloomberg forecasts indicate a strong gold market, predicting prices to remain above \$2,900 per ounce and potentially surpass \$3000 per ounces in 2025. This upward trajectory is attributed to persistent macroeconomic factors, including geopolitical instability, inflationary pressures, and currency volatility, all of which enhance gold's value as a safe-haven asset.

Exchange rate regime

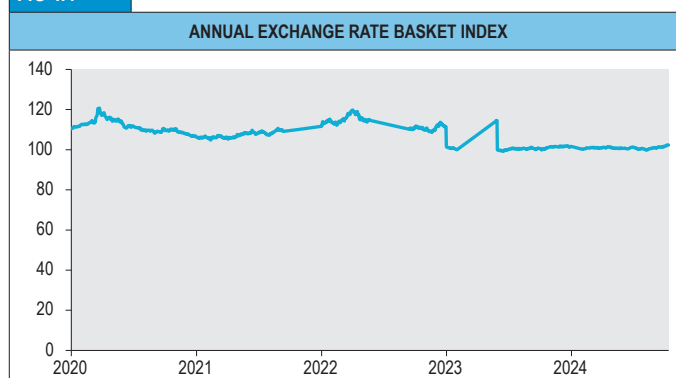
CBSI maintains a fixed exchange rate regime, pegging the Solomon Islands Dollar (SBD) to a weighted basket of currencies. In 2024, CBSI implemented revised currency basket weights, comprising the US dollar (78%), Australian dollar (16%), and the New Zealand dollar (6%). The SBD's daily value is determined by the movements of these currencies within the basket.

This adjustment successfully aligned with the announced and calculated exchange rates, reducing the need for strategic interventions by the FMECD team to manage SBD volatility. Ongoing monitoring of these developments will be crucial to assess their full impact on the SBD Index and broader financial markets.

Throughout 2024, the SBD Index fluctuated between 112.6 and 115.4 points. The appreciation of the US dollar was the primary driver of the SBD basket's decline, influenced by global investors adjusting their portfolios in response to anticipated economic policy changes from US elections and other market forces.

The revised currency weights have resulted in a flatter curve for the SBD, indicating reduced volatility in the mid-rate (see Figure 4.4). This suggests that the new weighting structure has effectively minimized fluctuations in the SBD's value.

FIG 4.4



Source: CBSI

EXCHANGE CONTROL ADMINISTRATION

CBSI is mandated and empowered by the Exchange Control Act and Regulations to ensure that the country benefits from its resources and that all proceeds of exported goods and services are remitted back into the country.

Moreover, under the Exchange Control Act and Regulations, commercial banks are appointed as authorised dealers to process and facilitate foreign exchange trade and services transactions as per the specific requirements of the exchange control policy. All the four commercial banks² in the country are appointed authorised dealers under exchange control regulatory requirement.

Applications for Temporary Resident (TR) Status

In 2024, CBSI approved 218 TR status permits, of which, 163 were new applicants and 55 were renewals (See Table 4.1). TR status is granted to non-residents, who intend to reside in Solomon Islands for a period of four years or less; or Solomon Islanders who are intending to reside overseas permanently. Non-residents working in the country on contractual basis can also apply and be granted TR status for exchange control purposes. Non-residents who are granted temporary residence status are permitted to repatriate income earned in Solomon Islands or brought in from abroad without limitation. Specific exchange control exemption for approved TR holders is specified under Regulation 22 of the Exchange Control Act 1976 and Exchange Control Regulations 1977.

TABLE 4.1:

NUMBER OF TEMPORARY RESIDENT ACCOUNTS APPLICATION APPROVED 2015-2024										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Newly Approved Temporary Resident applications	125	149	248	302	289	156	133	275	239	163
TR Applications Renewals	85	53	16	144	112	48	60	81	114	55
Total TR Approved	210	202	264	446	401	204	193	356	353	218

Source: CBSI

Non-resident (NR) Accounts

In 2024, CBSI did not received any non-resident individu-

² The four commercial banks are ANZ Banking Group Limited, Bank South Pacific Limited, Bred Bank Solomon Limited and Pan Oceanic Bank Limited.

al and entity application requesting approval for non-resident account. Individuals and corporate entities residing outside Solomon Islands who wish to open and hold bank accounts with a resident authorised dealer (commercial banks) in Solomon Islands require CBSI Exchange Control approval. Sources of funds for the NR account are usually from local business operations or local bona-fide activities. External receipts to the account are permissible however sources of funds must be properly declared and approved by relevant authorities (CBSI and Authorized Dealers).

Foreign Currency Account (FCA) Facility

In 2024, CBSI approved twenty-two (22) new FCA applications and renewed terms of twenty-six (26) FCA accounts. The majority of these FCA accounts were denominated in USD, AUD and NZD. There was an increase in the reported foreign exchange total allowable holdings from \$1,121 million in 2023 to \$1,309 million at the end of 2024 (See Table 4.2). The increase in the value of FCA was driven mainly by active renewal of the terms of FCA upon expiry date by account holders and more so the facilitation and approval of new FCA applications. During 2024 most account holders complied by providing monthly Reports and data on time. To date there are 82 active foreign currency account holders approved by CBSI of which 77 FCA are held with local banks while 5 FCA are held with banks outside the country.

The foreign currency account facility is designed to support exporters meeting their external operational obligations and to minimize their foreign currency costs. Over the years, the Central Bank recognised the importance of expanding the foreign exchange market and thus relaxed and extended the facility to all other eligible corporations and individuals including exporters. The operation of FCAs is a privilege and is strictly granted on merit upon satisfactory assessment by responsible authority in CBSI.

TABLE 4.2

NUMBER OF APPROVED FCA HELD BY EXPORTERS AND NON-EXPORTERS 2015-2024:

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Account holders/ Entities	44	50	27	30	36	45	53	24	39	51
Qualified Exporters	12	13	5	5	6	2	5	7	11	16
Non-Exporters	32	37	22	25	30	43	48	17	28	35
Total number of accounts held	72	78	35	38	56	65	74	34	49	82
On-shore	65	71	32	35	51	57	64	28	43	77
Off-shore	6	7	3	3	5	8	10	6	6	5
Total value: (SBD million)	1,132	434	468	750	1,291	1,465	1,536	706	1,121	1,309

Note: Some account holders hold more than one FC account

Source: CBSI

Foreign exchange (FX) Restricted Classified Dealers

There are 17 restricted classified FX license holders appointed by CBSI to date. In 2024, four (4) new restricted classified foreign exchange dealer's license was issued and thirteen (13) existing license holders were renewed during the year (See Table 4.3). Of the seventeen (17) approved FX Dealers licensed holders 9 were issued to eligible lo-

cal companies to operate as authorised foreign exchange (FX) money changer services dealers and 8 FX Dealers licenses as authorised money transfer services providers in the country. The money transfers services licenses were issued to companies operating under approved global and regional FX money transfer services platforms namely Western Union money transfers services, MoneyGram money transfers services and RIA Money Transfer Services. New money transfer service licenses were issued to ACCountplan, Telekom Digital Ltd and MH Money Express (SI) Ltd, in 2024 as a super-agent of Freedom Pacific system platform, KlickEx Pacific Ltd and Money Gram International. This brings the total number of money transfer service providers in the country to eight.. The current appointed FX dealers MTS providers are Western Union- FEXCO Ltd & BSP; Money Gram-BSP; Money Gram - SI Postal Corp; RIA- POB, ACCountplan Ltd, Telekom Digital Ltd (M-SELEN and MH Money Express (SI) Ltd. Another MTS service provider applicant was tested under the Regulatory Sandbox framework during 2024 and voluntarily terminated with no objection by CBSI based on internal assessment as well as adherence to the testing agreement condition. These foreign exchange dealers' licences are renewable annually with standard annual license fees. CBSI closely monitors all restricted classified money changers and money transfers transactions and license holders are obligated to submit weekly transaction report to CBSI.

The Bank continues to support and promote development of the financial services sector in the country through the licensing and monitoring of foreign exchange market dealers in the country.

TABLE 4.3

NUMBER OF APPROVED FOREIGN EXCHANGE MONEY TRANSFER AND MONEY CHANGER LICENSES

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Money Transfer services	4	4	3	3	3	3	3	3	5	8
Money Changer Services	11	9	10	10	10	11	10	6	9	9
Total FX Classified Dealers	15	13	13	13	13	14	13	9	14	17

Source: CBSI

Private Sector Debt (Private Sector Offshore Borrowing)

Resident entities or persons wishing to borrow funds from abroad or creating debt in favour of non-residents must obtain CBSI approval pursuant to Exchange control policy and regulations. This is necessary to ensure private sector debt are properly registered and monitored. This approval is a prerequisite for any private debt principal and interest repayments in the future.

During the year, CBSI approved nine (9) external loan applications from private companies and corporations (See Table 4.4) for the purpose of financing business expansions and other investment projects in the country. The total foreign currency exposure of these authorized external loans is equivalent to USD9.035 million (SBD78.091

million).

TABLE 4.4

NUMBER OF PRIVATE SECTOR OVERSEAS BORROWING APPROVED							
	2018	2019	2020	2021	2022	2023	2024
Applications received & approved	7	16	13	9	11	14	9
Value in SBD million	291	106	456	35	154	415	78

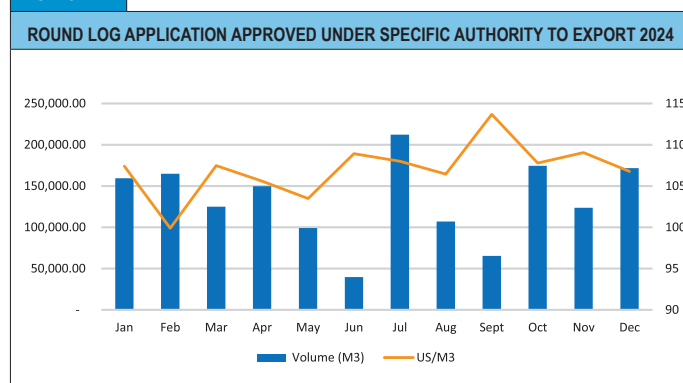
Source: CBSI

Exports Administration

The primary objective of export administration is to ensure that the country fully benefits from the proceeds or foreign exchange earnings of the exported goods and services. The Exchange Control (EC) Regulation requires that exported goods and services should receive a fair and reasonable world market price for its commodities. It also requires that foreign export receipts must be remitted back fully within 3 months from the date of export. The EC regulation requires that foreign exchange exports proceeds must be sold to a commercial bank in the Solomon Islands. These FX funds forms part of the country's foreign reserves earnings level in the country. CBSI administers controls on commodity exports using two authority frameworks namely:

- (i) the General Authority (GA) to Export and
- (ii) the Specific Authority (SA) to Export. Specific Authority covers Round Logs, Bechedemer and Minerals exports and General Authority to Exports covers all other commodities not listed under SA. The exporting of minerals came under the Specific Authority administration in Q4-2022.

FIG 4.5



Source: CBSI

In 2024, CBSI issued and approved 515 Specific Authority applications to export round logs to exporters. This was an increase of 3.0% from the previous year. The estimated volume was decreased by 4.0% to 1.592 million cubic metres with an approximated value of \$1,375 million or \$1.4 billion (See Table 4.5). There was a consistent trend for log price in 2024, might be from the movement in the global market prices.

TABLE 4.5

NUMBER AND VALUE OF LOG APPLICATIONS FOR SPECIFIC AUTHORITY TO EXPORT, 2024										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Applications approved (numbers)	819	829	997	924	922	842	618	445	496	515
Total Value of Exports-SA Approved SBD\$ million	2,536	2,368	2,995	2,997	2,526	1,999.6	1,742	1,306	1,504	1,375
Volume of Exports- SA Approved (million m3)	2.679	2.612	3.156	2.822	2.717	2.379	2.068	1.583	1.673	1.592

Source: CBSI

In 2024, there was no approval for Specific Authority to export Bechedemer. This follows the continuous ban on harvesting and exporting of this valuable sea resources enforced by the Ministry of Fisheries and Marine Resources (MFMR), SIG; effective as of 1st September 2022 (see Table 4.6). The ban had been a conservation measure to protect the resources from depletion and over harvesting.

TABLE 4.6

NUMBER AND VALUE OF BECHE-DE-MER APPLICATIONS FOR SPECIFIC AUTHORITY TO EXPORT 2017 - 2024								
	2017	2018	2019	2020	2021	2022	2023	2024
Total applications approved	16	13	40	NIL	15	36	0	0
Total value of exports (SBD Million)	13.127	5.363	16.238	NIL	13.059	19,839	0	0
Total Volume (Kg)	219,343	92,522	223,559	NIL	173,805	252,074	0	0

Source: CBSI

In 2024, a total of 97 Specific Authority to Export Mineral application was received, assessed and approved, of which 13.4% are Nickel Lateritic Ore, 26.8% are Gold Concentrate, 55.7% are Gold Bars/Dore and 4.1% are gold dusts/ashes with the total average exports value (prior to final refinery assay report) of SBD \$1,729 billion. The amount includes Nickel Ores \$231 million, Gold Concentrate \$570 million, Gold Bars/Dore \$920 million and Gold Dust/Ashes \$7.5 million respectively (See table 4.7). A total of 2,659,867.74 Gross Weight of Gold and Nickel Ore was exported during the year, of which 27.9% are Nickel Ores, 1.8% are Gold Concentrate, 1.0% are Gold Dust/Ashes and 69.3% are Gold Bars/Dore.

Imports Payment Administration: Applications above required CBSI limits.

As part of its Exchange Control Policy requirements and in relation to our foreign reserve management, CBSI monitors most major overseas payment transactions or capital flows. All applications for travel, personal transfers and sustenance above \$100,000 requires approval by the Bank. Furthermore, trade and services payments exceeding \$250,000 must be referred to CBSI for approval before the commercial banks can settle payments. For settlements of goods on credit payments with good already cleared at SIG Customs- amounts above 1 million must be referred to CBSI for approval. The authorised dealers (commercial

banks) are permitted to approve foreign exchange payments for amounts less than a delegated threshold. There is no change to the current authorised dealer's threshold allowed by CBSI under this policy requirement in 2023.

Authorization of capital and financial account transactions such as capital transfers (dividends), loan repayment, equity investment proceeds, and property proceeds; insurance premium payments etc are not delegated to authorized dealers and must be referred to CBSI for usual assessment, verification and endorsement.

TABLE 4.7

NUMBER AND VALUE OF MINERAL APPLICATIONS FOR SPECIFIC AUTHORITY TO EXPORT IN 2024								
TYPE OF MINERAL	NO. OF APPLICATIONS	DESCRIPTION	NO OF ITEMS	GROSS WEIGHT		GROSS VALUE F/C		GROSS VALUE
				GRAMS	MT/WMT	CODE	VALUE (USD)	(SBD)
Nickel Ore	13	Nickel Lateritic Ores Comprise of Nickel, Iron, Silica with Moisture	261 Containers		742,310.00	USD	27,422,920.00	230,995,828.27
Gold Concentrate	26	Gold & Other Minerals	1735 Containers		47,450.00	USD	67,517,920.20	570,323,442.43
Alluvial Gold Ashle	4	Gold Associated with Silver	17 Bottles	26,670.38		USD	948,654.64	7,544,700.00
Gold Bar/Dore	54	Gold Associated with Silver	974 Pieces	1,844,437.36		USD	108,586,655.97	919,906,544.63
Total	97						204,478,150.81	1,728,770,515.33

Source: CBSI

During 2024, the number of applications referred to CBSI for approval totalled 3,372 applications and valued at \$5,581 million (\$5.6 billion). This amount includes all merchandise trade payments 73.93%, service payments 16.97%, capital transfers 7.81% and personal transfers comprising 1.29% of the total payments (See Table 4.8). The average value per application decreased from \$1,798,077 in 2023 to \$1,654,982 in 2024, indicating a slight drop in high value payments overseas or favourable pricing.

TABLE 4.8

NUMBER AND VALUE OF FOREIGN EXCHANGE APPLICATIONS APPROVED BY CBSI: 2015-2024										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Applications approved	8,135	8,992	8,766	8,700	7,435	7,291	4,905	2547	3224	3,372
Value of applications Approved SBD (Millions)	5,284	5,258	5,977	6,167	5,372	4,125	4,298	4,717	5,797	5,581

Source: CBSI

Share Transfers

The purchase and sale of shares in companies registered in Solomon Islands by emigrating residents or residents with non-residents or residents require exchange control assessment and approval from the Central Bank pursuant to EC policy and regulations. This is to ensure proper legal transfer of valuable considerations to the new owners

who may wish to remit capital funds, profits or dividends at a later date.

In 2024, the CBSI granted authority to Ten (10) resident companies to register ordinary shares ownership in a resident corporate entity and non-resident corporate entity overseas. Approvals were also granted for application by resident company registering shares to non-resident individuals. Additionally, we have one (1) resident corporate company registering or purchasing shares ownership to a non-resident corporate entity.

CBSI encourages applicants wishing to apply for share transfers to familiarise themselves with the exchange control requirements or to consult the Bank for further information on the requirements for this regulation prior to submitting their application to CBSI for assessment.

MIDDLE OFFICE OPERATIONS

The middle office performs an essential function in foreign reserve management in terms of managing risks, compliance monitoring and performance measurement of operations and markets.

In 2024, the global financial landscape remained volatile, characterized by geopolitical tensions, heightened financial market uncertainties, and persistent inflationary pressures. These factors compounded risks to foreign reserves management, which required proactive risk mitigation strategies. In response, the Middle Office maintained its advisory role by actively supporting the Investment Advisory Committee in steering reserves management activities through the evolving market conditions. By conducting regular risk assessments and scenario analyses, the Middle Office ensures that investment decisions were well-informed and resilient against external shocks.

A key focus area for the Middle Office during the year was strengthening due diligence and counterparty risk management, supporting the importance of maintaining secure and diversified banking relationships, the Middle Office conducted onsite due diligence assessments to validate counterparty credibility and reinforce the Know Your Customer (KYC) onboarding process. These assessments were instrumental in expanding the Bank's network of counterparties, ultimately leading to the successful establishment of a new banking relationship with BRED Banque in Paris, France, and an external asset management contract with Crown Agents Investment Management in London, England. These engagements mark a significant milestone in the Bank's efforts to enhance diversification and risk distribution across financial institutions.

Additionally, to bolster operational resilience and risk management capacity, the Middle Office benefited from an enterprise-wide organizational restructure, resulting in the creation of an additional position within the Risk Management Unit, which oversees Middle Office operations. This structural enhancement is anticipated to strengthen the Middle Office's ability to navigate complex risk envi-

ronments, conduct enhanced oversight, and further optimize foreign reserves management strategies.

Looking ahead, the Middle Office remains committed to deepening its risk oversight capabilities, enhancing counterparty due diligence, and strengthening strategic advisory functions. As the financial landscape continues to evolve, the Middle Office will play a critical role in ensuring that the Bank's foreign reserves are managed prudently, safeguarded against emerging risks, and positioned to achieve optimal returns within the approved risk parameters.

FINANCIAL SYSTEM REGULATION

Overview

The Financial System Regulation Department (FSRD) plays a crucial role in maintaining domestic financial stability, ensuring compliance with prudential and consumer protection regulatory frameworks, and fostering a resilient financial sector. This role is reflected in the work plan, which aims to achieve six objectives supported by various initiatives and projects throughout 2024 (see Table 4.9).

TABLE 4.9

STRATEGIC OBJECTIVES AND INITIATIVES		
Objective	Initiatives	Key Projects
Maintain financial stability of the domestic financial system	Risk-based supervision program	Risk report
		Financial stability reports
		Onsite examination reports
Improve customer engagement	Customer engagement program	Assessment reports
		Bilateral reports
		Bankers meeting reports
Strengthen financial supervision and regulatory frameworks	Supervision and regulatory framework program	Policies
		Standards
		Directives
		Prudential returns
Enhance financial supervision and regulatory processes	Supervision and regulatory processes program	Manual and operational procedures
Promote financial inclusion	Financial inclusion program	Regulatory Sandbox
Improve supervision and research skills and knowledge	Supervision and research training program	Short term trainings
		Workshops

Source: FSRD

Maintain Financial Stability of the Solomon Islands Financial System

In 2024, the stability of the domestic financial system remained strong. The financial system has been resilient, secure, and well-regulated, supporting the country's economic growth and maintaining public confidence in licensed financial institutions.

To achieve this objective, FSRD completed 96% of the planned quarterly risk reports during the year. These reports not only assessed the risk levels of licensed financial institutions but also recommended supervisory actions.

TABLE 4.10

QUARTERLY RISK REPORTS			
Risk reports by sector	No. of planned reports	No. of actual reports	Percent Complete
Banking	48	48	100%
Superannuation	4	4	100%
Insurance	12	9	75%
Credit Unions	4	4	100%
Total	68	65	96%

Source: FSRD

Additionally, FSRD conducted over 60% of the planned onsite examinations of licensed financial institutions and produced onsite examination reports, which were submitted to senior management and the boards of directors of the concerned institutions (see Table 4.11). These examinations covered governance, credit, operational, underwriting, and liquidity risks. The reports helped financial institutions strengthen their internal controls and manage inherent risks. However, due to human resource constraints, two onsite examinations in the banking and insurance sectors were not completed.

TABLE 4.11

ONSITE EXAMINATIONS			
By sector	No. of planned reports	No. of actual reports	Percent complete
Banking	2	1	50%
Superannuation	1	1	100%
Insurance	2	1	50%
Credit Unions	1	1	100%
Total	6	4	67%

Source: FSRD

Beyond risk reports, two financial stability reports were published on the CBSI website, providing valuable insights to individuals, businesses, government agencies, and the public regarding the domestic financial system's stability.

As part of CBSI's oversight role in maintaining financial stability, FSRD convened eight Financial Stability Committee meetings and three RSB Working Group meetings during the year. The increase in FSC meetings reflected the growing need to deliberate on prudential policies, regulatory frameworks, and supervisory oversight of CB-SI-licensed financial institutions. Similarly, the rise in RSB meetings indicated the growing demand for discussions on digital financial services.

TABLE 4.12

OVERSIGHT COMMITTEE MEETINGS			
Committee Type	No. of planned meetings	No. of actual meetings	Percent complete
Financial Stability Committee	4	8	200%
Regulatory Sandbox Working Group	3	3	100%
Total	7	11	157%

Source: FSRD

Improve Customer Engagement

The year saw satisfactory customer engagement, leading to increased customer satisfaction, stronger relationships, trust, and loyalty. This improvement enhanced communication between CBSI and licensed financial institutions, contributing to domestic financial stability.

To achieve this objective, FSRD responded to 96% of all requests received from licensed financial institutions. While addressing these requests, FSRD ensured that financial institutions understood CBSI's supervisory requirements and complied with prudential guidelines and directives. Additionally, FSRD provided timely decisions on matters such as profit repatriation, fit-and-proper assessments of senior managers, offshore insurance placements, waivers of prudential guidelines, and the administration of SINTA Credit Union Limited (see Table 4.13).

TABLE 4.13

ASSESSMENTS CONDUCTED				
By sector	Request Type	No. of requests	No. of requests closed	Percent closed
Banking	Profit Repatriation	3	3	100%
	PG 15 Fit and Proper	15	13	87%
	Waiver	2	2	100%
Superannuation	Annual Report Submission Waiver	3	3	100%
Insurance	Offshore Application	35	35	100%
	License	10	10	100%
	Fit & Proper	2	1	50%
Credit Unions	SINTACUL Interim Arrangement	1	1	100%
Total		71	68	96%

Source: FSRD

Furthermore, FSRD conducted 99% of its planned bilateral meetings during the year. These meetings served as a platform for discussing the business models and risk profiles of licensed financial institutions. They also provided bank management with insights into recent developments in the local economy and the financial performance of the banking sector.

TABLE 4.14

QUARTERLY BILATERAL MEETINGS			
By sector	No. of planned meetings	No. of actual meetings	Percent complete
Bilateral meetings			
Banking	48	48	100%
Superannuation	4	3	75%
Insurance	12	12	100%
Credit Unions	11	11	100%
Bankers Meeting	4	4	100%
Total	79	78	99%

Source: FSRD

Improve Supervisory and Regulatory Frameworks

The year saw significant progress in developing supervi-

sory and regulatory frameworks, enhancing their adaptability and supporting the country's financial stability.

FSRD undertook a regulatory framework development program, achieving 53% completion in developing policies, standards, directives, and practice guidance notes (see Table 4.13). FSRD remains optimistic that most of these frameworks will be implemented within the four-year strategic plan of the Central Bank of Solomon Islands (CBSI), which concludes in 2027.

Reforms to the Financial Institutions Act and the Insurance Act, aimed at modernizing and strengthening the regulatory framework for financial institutions and insurance services, were approved by the Solomon Islands Government Cabinet in the second half of the year. This approval paved the way for drafting new financial institutions and insurance bills in 2025, supported by the World Bank through its Private Sector Development Initiative Program (PSDI).

FSRD also developed prudential standards for banks, focusing on governance, risk management, operational risk, business continuity management, capital adequacy, credit risk management, and liquidity risk management. By year-end, prudential standards on governance, risk management, operational risk, and business continuity management were approved by the CBSI Board, issued, and implemented. These standards aim to enhance prudential and regulatory oversight of commercial banks, ensuring they adhere to sound governance practices. The remaining prudential standards will be finalized, and are expected to be approved by the CBSI Board, and implemented in 2025.

Additionally, prudential returns for superannuation were developed to improve data collection on membership profiles, enabling more detailed data analysis and assessment of liquidity risks for the Solomon Islands National Provident Fund.

FSRD also introduced directives on insurance agent businesses and offshore insurance placements to help insurers manage underwriting risks. However, the offshore insurance directive was not completed and will be finalized, issued, and implemented in 2025.

Moreover, FSRD began enhancing prudential returns to align with IFRS 17 on insurance contracts in the second half of the year. This included virtual training organized by PFTAC (Pacific Financial Technical Assistance Centre) in collaboration with the IMF (International Monetary Fund) to develop and adopt suitable prudential return templates.

Another major achievement was the development, approval, and implementation of a practice guidance note on allowances for the Boards of Credit Unions, ensuring clarity and consistency in credit union and insurance governance.

Despite these advancements, progress in regulatory framework reviews for the banking and insurance sector was hindered by delays from the Attorney General's Chambers Office. This is in spite of ongoing support coming from the Solomon Islands Government Cabinet.

TABLE 4.15

SUPERVISION AND REGULATORY FRAMEWORKS					
By sector	Type	No. of proposed framework	No. of actual framework developed and issued	No. of framework implemented	Percent issued
Banking	Prudential standards	5	4	4	80%
	Policies for new financial institutions bill	1	1		100%
	Drafting instructions for new financial institutions bill	1	0		0%
	Credit reporting regulations	1	0		0%
Superannuation	Prudential returns	1	1	1	100%
Insurance	Directive	2	1	0	50%
	IFRS 17 Prudential returns	1	0		0%
	Policies for new insurance bill	1	1		100%
	Drafting instructions for new insurance bill	1	0		0%
Credit Unions	Practice Guidance Note	1	1	1	100%
	Credit union bill	1	0		0%
Digital financial services	E-money regulations	1	0		0%
Total		17	9	6	53%

Source: FSRD

Enhance Supervisory and Regulatory Processes

The year saw moderate progress in improving supervisory and regulatory processes for licensed financial institutions, enhancing their adaptability and supporting the country's financial stability.

FSRD developed an Offsite and Onsite Supervision Manual for Banks with technical assistance from PFTAC in Suva, Fiji (see Table 4.18). However, due to resource constraints and inadequate planning, the development of other manuals and procedures was postponed to 2025.

Documented manuals are expected to strengthen FSRD's offsite oversight of licensed financial institutions, improve regulatory compliance through updated policies and prudential standards, enhance risk management frameworks for operational, credit, and liquidity risks, and increase transparency and accountability in the financial sector.

Table 4.16: Supervision and regulatory Manuals and procedures

TABLE 4.16

SUPERVISION AND REGULATORY PROCESSES				
By sector	No. of proposed manual	No. of actual manual developed	No. of manual implemented	Percent developed
Banking	1	1	0	100%
Superannuation	1	0	0	0%
Insurance	1	0	0	0%
Credit Unions	1	0	0	0%
Total	4	1	0	25%

Source: FSRD

Promote Financial Inclusion in the Solomon Islands

The year saw significant progress in financial inclusion, expanding access to financial services and fostering economic participation and growth.

In addition to the Financial Inclusion Unit's efforts, FSRD actively assessed potential financial service providers. This resulted in notable progress, with 89% of applicants approved and 44% exiting the CBSI Regulatory Sandbox (CBSIRSB). The RSB remains a key initiative in fostering financial sector innovation, ensuring that new entrants comply with consumer protection guidelines.

TABLE 4.17

REGULATORY SANDBOX APPLICANTS					
Applicant by product	No. of applicant	No. of approved applicant	No. of applicant exited	Percent approved	Percent exited
Mobile money service	1	1	1	100%	100%
Money Transfer Services (FX)	4	3	2	75%	50%
Other Products/Services*	3	3	1	100%	33%
Solinsure Micro Car Product	1	1	0	100%	0%
Total	9	8	4	89%	44%

Source: FSRD

* other products or services includes applications for Card Acquiring services

QR Codes, Yousave Nano Loans and micro-insurance or climate risks

Improve Supervisory and Research Knowledge and Skills

In 2024, the knowledge and skills gap in financial supervision narrowed significantly. Short-term training programs and workshops enhanced the capacity of analysts and management, improving supervision, data-driven decision-making, and policy development.

Training sessions focused on regulatory knowledge, risk management, financial risk assessment, anti-money laundering, and compliance frameworks (see Table 4.18). While the full implementation of this knowledge is still in progress, these training programs have substantially contributed to FSRD analysts' professional development. Moving forward, FSRD aims to align its regulatory policies with international best practices and strengthen financial oversight.

TABLE 4.18

WORKSHOPS AND SHORT TERM TRAININGS			
Name of Workshop or Training	Topic	No. of participant	Host Country
AML and CFT Conference	Supecious Transcations Reporting	2	Australia
AML and CFT Workshop	Supecious Transcations Reporting	1	Thailand
Annual AFSP Meeting	Pillar 2 Capital Add-on	2	Fiji
Anticipatory Actions Workshop	Anticipatory Action Strategies	1	Fiji
Balanced Scorecard	Key Performance Indicators	1	Australia
Balanced Scorecard	Key Performance Indicators	4	Solomon Islands
Balanced Scorecard	Strategic Planning Processes	2	Australia
BSP Supervisory College	Supervisory developments	3	Samoa
Corresponding Banking Relationship Conference	Correspondent Banking Relationship Project	3	Australia
Credit Reporting Conference	Developments in Credit Reporting ecosyem	1	Thailand
Cyber Resilience Workshop	Cyber Security Supervisory Approaches	2	Fiji
Financial Regulation and Supervision	Risk Based supervision	1	Japan
Financial Soundness Indicator	Financial Soundness Indicators	2	Fiji
Governance & Risk Management	Governance and Risk Management	1	Australia
Leveraging Actuarial Skills	Enterprise risk management and actuary	1	Malaysia
National Payment Conference	Payment sustem and providers	1	Malaysia
Parametric Training	Index insurance	3	Fiji
PFTAC Inhouse Training	Banking Supervision Manual	10	Solomon Islands
PFTAC Secretariat Meeting	PFTAC work program	1	Tonga

Source: FSRD

The Financial System Regulation Department (FSRD) remains committed to ensuring a stable, resilient, and inclusive financial system. Through continuous improvement of regulatory frameworks and proactive supervision, the department is committed to contributing to a safer and more efficient financial sector.

CURRENCY AND BANKING SERVICES ADMINISTRATIONS

The Central Bank of Solomon Islands is responsible for the issuance of legal tender currency—both notes and coins—in the Solomon Islands. The Bank ensures that the currency in circulation is of high quality and that the risk of counterfeiting remains low. This mandate is established under Part 5, Sections 18 to 25 of the CBSI Act 2012, which provides the legal framework for the Bank to effectively carry out this critical function.

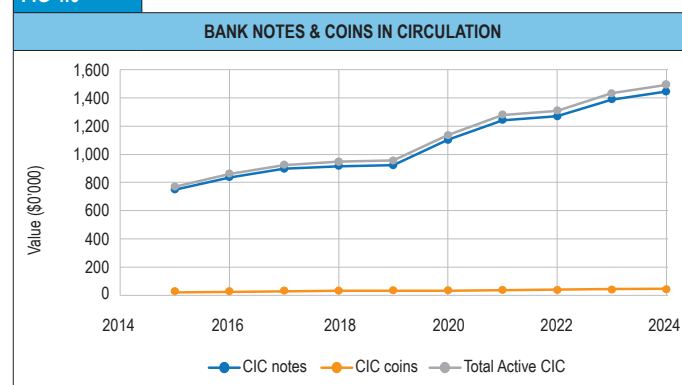
As at 31st December 2024, bank notes and coins in circulation increased by \$60.11 million to \$1.5 billion. Correspondingly, the total value of currency notes and coins in circulation increased by 4% to \$1,491.81 million from \$1,431.70 million in 2023. Of this amount, bank notes accounted for \$1,445.03 million while coins comprised around \$46.78 million.

As the steward of the money supply and banking payment services, CBSI continues to advance efforts to enhance the

efficiency, resilience, and inclusiveness of the money and cash system.

Currency in circulation is influenced by several factors, including strong public demand for cash, evolving consumer payment and shopping preferences, and expanded access to banking services through digital platforms.

FIG 4.6



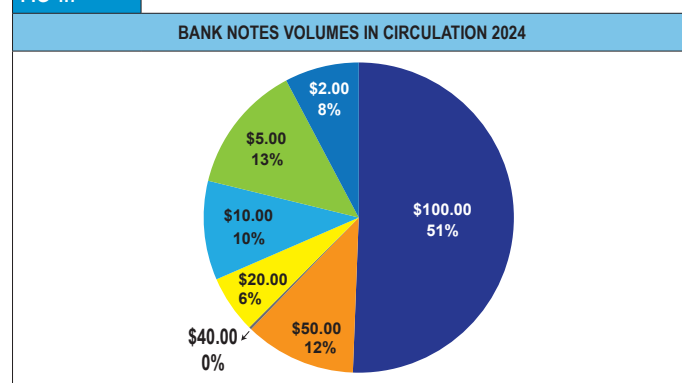
Source: CBSI

Additionally, continued demand for cash services by individuals and retail customers.

Bank notes in Circulation

Figure 4.7 below shows the volume of banknotes in circulation by denomination as at 31 December 2024.

FIG 4.7

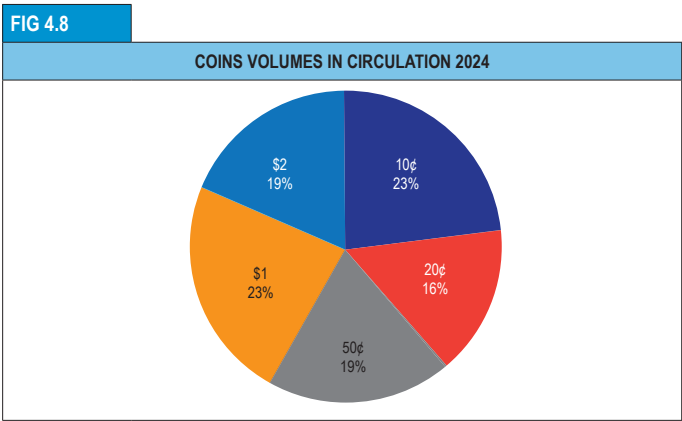


Source: CBSI

The 100 dollar and 50 dollar banknotes accounted for 51% and 12%, respectively, of the total volume of notes held by the public—reflecting their continued use as key denominations for both payment transactions and as a store of value. The 5 dollar note comprised 13% of total circulation, while the remaining denominations made up the balance. Notably, the share of 100 dollar notes decreased by 9% in 2024, following a 12% increase in 2023. In contrast, the circulation of 50 dollar notes rose by 26% compared to the previous year.

Bank coins in Circulation

Figure 4.8 presents the distribution of coins in circulation by denomination, measured in terms of volume (number



of coins), as at 31 December 2024.

The 1-dollar coin and the 10 cent coin both represent 23 percent of the total coins in the hands of the public; which also reflects the most used coins for market and small change payments of goods and services.

The relatively high share of the 10-cent coin may not necessarily indicate active transactional use. Rather, it may reflect behavioral patterns among the public, who often disregard the coin’s monetary value due to its small size and ease of loss. As a result, lower-denomination coins are frequently excluded from recirculation once received. In addition, pricing strategies applied by wholesalers and retailers may influence the circulation dynamics of these coins

Numismatic Business 2024

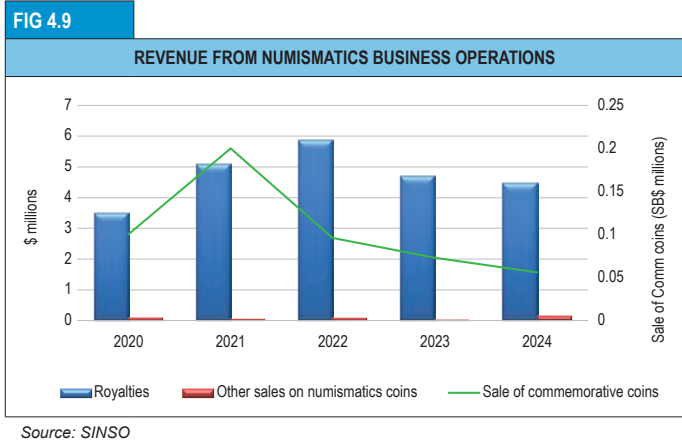
Total revenue from numismatic business operations during the year dropped by 2% to \$4.5 million compared to \$4.7 million the previous year as a result of the decline in numismatic update from Royal Australian Mint (RAM) as compared to past years. Sales from commemorative coins and un-circulation notes and coins were both locally and externally, however, increased to \$0.20 million in 2024 compared to \$0.10 million in 2023. Of the total revenue, 96% was from royalty receipts whilst 4% was raised from the sale of commemorative coins and, numismatic notes and coins both locally and internationally.

The Bank continues to ensure that only high demanding commemorative and attractive royalty returns are renewed in conjunction with concurrent popular coins program running contracts initiated by the Bank. In 2024, a total of 156 coin programs were approved—116 from MDM/WCA in Germany and 40 from the Royal Australian Mint (RAM). A significant portion of these coin programs featured designs that portrayed national heritage, including historical figures, natural landmarks, and culturally significant sites. Other designs focused on notable technological advancements and innovations in the transport and communications industries, reflecting broader contributions to human development.. A notable addition in 2024 was the launch of a new coin program featuring iconic Disney characters, which are well-regarded in the

international numismatic market.

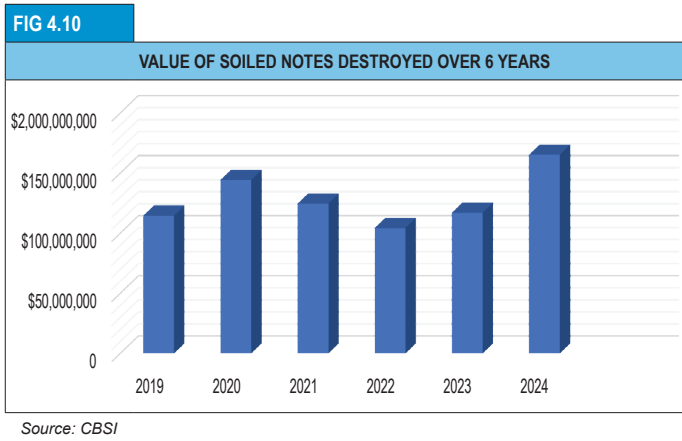
The Bank continues to maintain a strong emphasis on the integrity and authenticity of all coin programs as a key criterion for participation.

CBSI is expected to participate in several new commemorative coin programs, with prospect for better revenue in 2025 and 2026.



Cash Processing and Destructions.

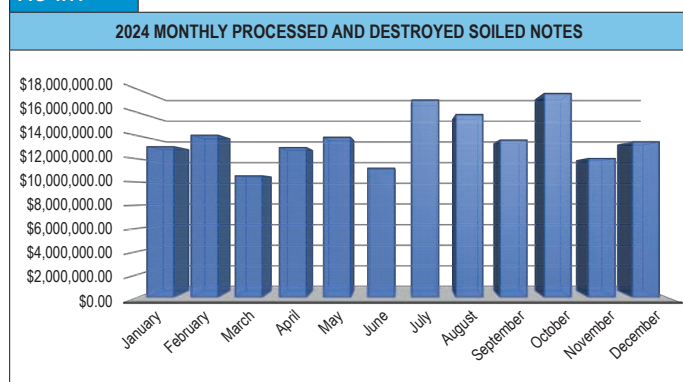
Figure 4.10, Shows the Value of Soiled Notes Processed and Destroyed over a period of 6 years from 2019 to 2024.



As shown in the graph, 2024 has the highest value of soiled notes destroyed of \$165.5m followed by \$144.5m for 2020. The upward trend of more notes destroyed for 2024 is partly result of CBSI direct participation of traveling out to the provincial location to retrieve soiled and dirty banknotes and have them exchanged for new notes and coins. That aside, with the continued public awareness done on cash handling via various media mode of communications, the public is still slow to positively respond or ignorant on public information shared by CBSI on cash handling.

Figure 4.11 below, shows the value of soiled notes pro-

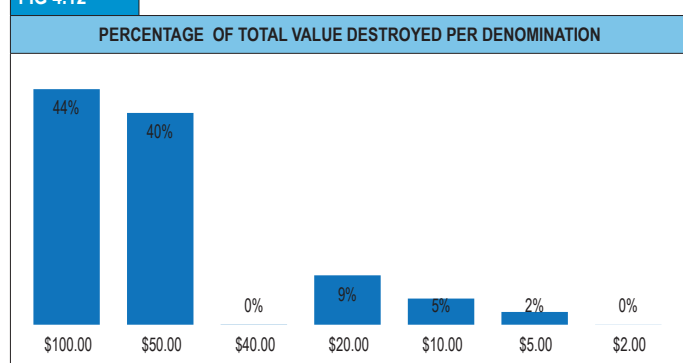
FIG 4.11



Source: CBSI

processed and destroyed for each month in 2024. A total of \$165.5 million was destroyed in the month of July & October showing most of the soiled notes being destroyed at a value of over \$17 million respectively for each month. Of the 12 months, the least soiled notes being destroyed and burned are for March & July of 2024.

FIG 4.12



Source: CBSI

Figure 4.12 above, shows the percentage of each denomination processed and destroyed for 2024 over total value of soiled notes destroyed. \$100 denomination accounts for 44% followed by \$50 denomination with 40%. The least denomination destroyed is \$40 & \$2 note. These two denominations are low in circulation because \$40 is a one-off production to commemorate Solomon Islands 40th Independence while the \$2 note is low in supply as it has been replaced by the \$2 coin.

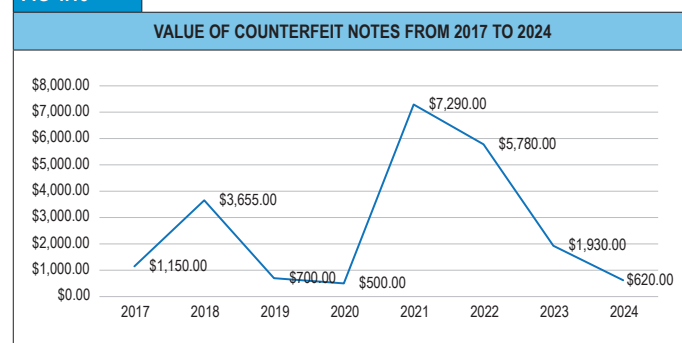
Figure 4.13, shows the value of counterfeit notes removed from circulation between 2017 and 2024. Over this eight-year period, the highest value was recorded in 2021, totaling \$7,290, followed by 2022 with \$5,780. Since then, the value has declined through to 2024. The majority of counterfeit notes were detected and confiscated over the CBSI counter, either from members of the public or via commercial banks.

Projects Support Small Medium Enterprises Credit Guarantee Scheme 2024 Scope

The Central Bank of Solomon Islands is required under the Memorandum of Understanding (MOU), signed be-

tween the Government of Solomon Islands (SIG), through the Ministry of Commerce Industry Labor & Immigration (MCILI), and the Ministry of Finance & Treasury to submit progressive reports on the operations of the Small Medium Enterprise Business loan scheme (SMEBLS). The report shall include books of accounts, ledgers and other reports relating to the scheme.

FIG 4.13



Source: CBSI

This report, aim to present an overview on the progress of the Small Medium Enterprise Credit Guarantee Scheme for 2024 as compared to previous years with, statistical analysis on the total number of nominations received, operating activities, reviewed processes and issues identified within the year.

It is anticipated that the provision of these reports will be used to inform and guide SIG in their decision makings on matters relating to Policies and the best way forward to accessing financial support for SMEs on viable projects.

Overview of Performance

TABLE 4.19

SUMMARY OF APPROVED NOMINATIONS FROM 2016 TO 2024						
Year	Total Gross Amount (\$m)	Total Risk to Borrower (\$m)	Total Unsecured Amt (\$m)	Total Risk to Scheme 90%/95% (\$m)	Total Risk to PFI 10%/5% (\$m)	Approved Nominations
2016	0.718	0.245	0.473	0.426	0.047	2
2017	0.957	0.317	0.640	0.576	0.064	3
2018	0.720	0.330	0.390	0.351	0.039	2
2019	1.702	0.395	1.308	1.177	0.131	9
2020	3.347	0.999	2.347	2.113	0.235	12
2021	4.742	1.320	3.421	3.081	0.339	23
2022	11.354	4.221	7.132	6.285	0.645	42
2023	8.448	3.879	4.568	4.131	0.413	34
2024	8.544	2.667	5.877	5.326	0.551	35
YTD Total	40.531	14.373	26.157	23.465	2.465	162

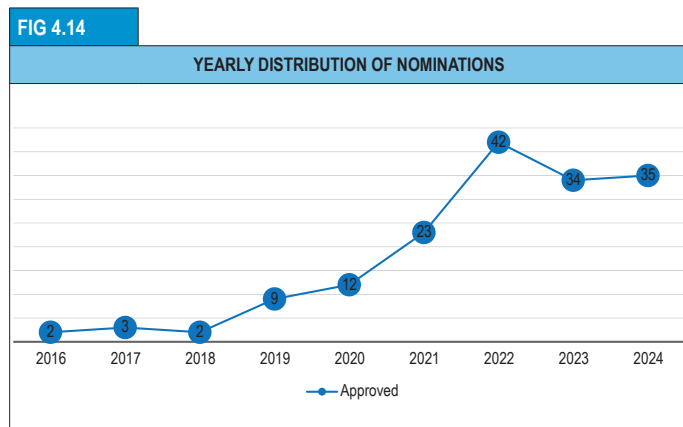
Table 4.19 above provides a summary of approved nominations under the Small and Medium Enterprise Credit Guarantee Scheme (SMECGS) from 2016 to 2024. The table highlights the scheme's performance in 2024 relative to previous years, focusing on the number of approved nominations, gross loan amounts, risk to the borrower, the scheme, and the participating financial institutions (PFIs).

In 2024, a total of thirty-five (35) nominations were approved through the Development Bank of Solomon Islands (DBSI) as compared to with thirty-four (34) approvals in 2023 and forty-two (42) in 2022. At the end of 2024, the total gross loan value under the scheme stood at \$40.53 million for 162 approvals, with \$23.465 million in risk value to the scheme.

NOMINATIONS

Annual Approved Nominations

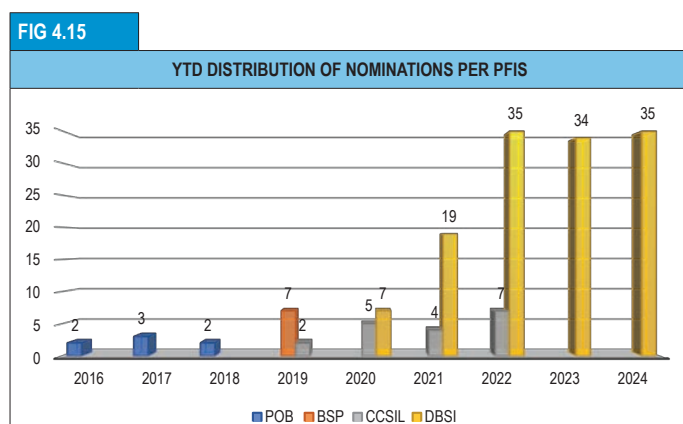
Figure 4.14, shows the annual distribution of approved nominations on a yearly basis. The most nominated year with forty-two (42) is 2022, followed by 2024 with thirty-five (35) and 2023 with thirty-four (34). The least years with nominations were 2016, 2017 and 2018 with two (2), three (3) and two (2) respectively.



Source: CBSI

YTD Nominations per Participating Financial Institutions (PFIs)

Figure 4.15 shows YTD Distribution of Nominations per PFIs at end of 2024



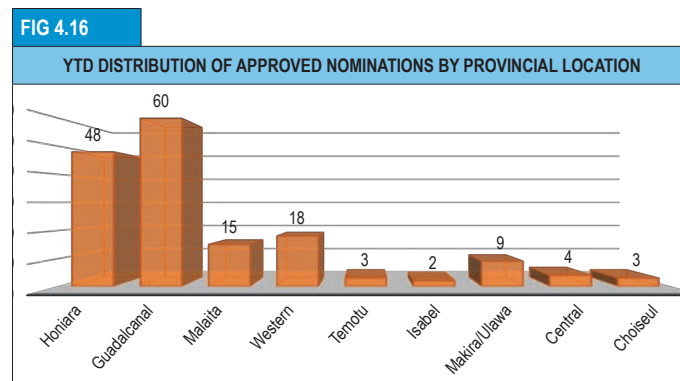
Source: CBSI

The graph illustrates the distribution of approved nominations by PFIs from 2016 to 2024. Pan Oceanic Bank initially dominated the scheme with a total of seven (7) approved loans from 2016, 2017, and 2018. Following a review of the scheme in 2018, BSP joined and also recorded seven (7) approved loans. Credit Corporation (SI) Ltd, which became a participating institution in 2019, had two (2) approved

nominations. From 2020 onward, the Development Bank of Solomon Islands (DBSI) emerged as the dominant PFI under the scheme. The number of approved nominations through DBSI increased steadily – from seven (7) in 2020 to nineteen (19) in 2021, thirty-five (35) in 2022, thirty-four (34) in 2023, and thirty-five (35) again in 2024. Notably, DBSI has been the sole active PFI in the scheme from 2023 to 2024.

YTD Nominations by Provincial Location

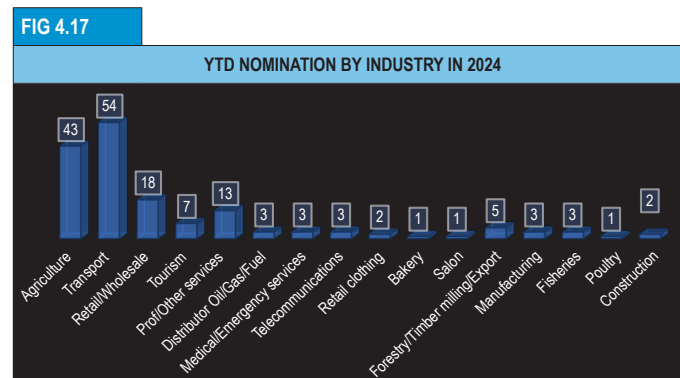
Figure 4.16 below illustrates the YTD distribution of approved nominations by provincial location. At the end of 2024, the majority of approvals were concentrated in Guadalcanal and Honiara, with sixty (60) and forty-eight (48) nominations, respectively. Guadalcanal and Honiara continue to dominate participation in the scheme, largely due to their greater access to financial service providers. In contrast, provinces such as Isabel, Temotu, Central, and Choiseul find it difficult to access finance with PFIs.



Source: CBSI

YTD Nominations by Industry

Figure 4.17, shows the YTD Nomination by Industry at end of 2024. It also shows the distribution of approved nominations according to industries at end of 2024. The most nominated industry is transport with fifty-four (54) followed by agriculture with forty-three (43) and retail/wholesaling with eighteen (18) approvals



Source: CBSI

Observations

An assessment of the performance of PFIs based on the number of loan nominations indicates that all nominations from Pan Oceanic Bank (POB), Bank South Pacific

(BSP), and the majority from Credit Corporation Solomon Islands Limited (CCSIL) have either been fully repaid, have expired following the end of their approval period, or have resulted in claims paid to PFIs due to loan defaults. The Development Bank of Solomon Islands (DBSI) continues to dominate participation in the scheme, having submitted the highest number of loan applications. All thirty-five (35) loans approved in 2024, as well as thirty-four (34) loans approved in 2023, originated from DBSI.

It remains challenging to expect full utilization of the scheme by all PFIs, as each institution operates under distinct internal policies that guide their lending priorities and influence their engagement with the scheme”.

Summation

In summary, the total gross amount for the scheme in 2024 increased by 1%, in contrast to a 26% decline recorded in 2023. This modest growth is attributed to a slight increase in the value of approved nominations, thirty-five in 2024 compared to thirty-four in 2023. The YTD commitment rate of the scheme stood at 29% at the end of 2024, a significant recovery compared to negative 34% reported in the previous year.

In terms of business location, the majority of the nominations are located within Honiara and Guadalcanal, with comparatively fewer nominations from other provinces. The agriculture and transport sectors accounted for the highest number of nominations YTD, with forty-three (43) and fifty-four (54) nominations respectively.

Records also indicated that agriculture is the most nominated industry with a YTD total of five (5) out of the sixteen (16) approved nominations.

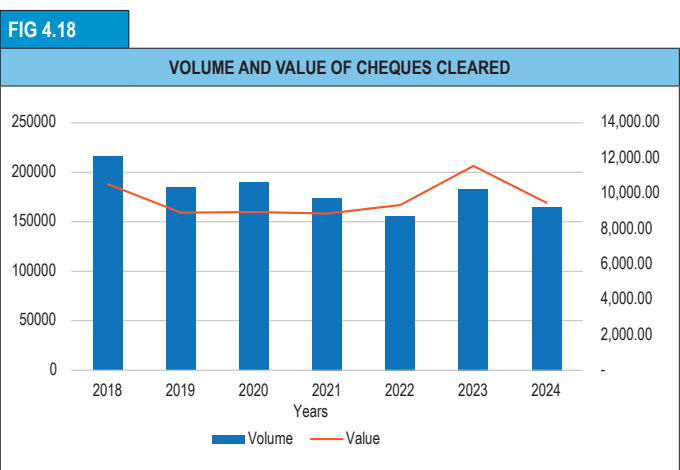
CBSI, as required under the new Memorandum of Understanding (MOU) with the Ministry of Commerce, Industries, Labour and Immigration (MCILI), will continue to monitor and supervise the implementation of the Scheme and will report progress to the Solomon Islands Government on quarterly and annual basis.

Banking Services

The Bank continued to provide banking services to licensed financial institutions, the Solomon Islands Government (SIG), and other non-financial institutions in accordance with its mandate under the CBSI Act 2012. These services include, but are not limited to, the administration of local and foreign currency-denominated impressed accounts established with the Bank by the SIG and its donor partners, the facilitation of payment transactions, reconciliation of account balances, daily monitoring of free liquidity of the commercial banks call accounts and the maintenance of comprehensive records to support audit and compliance requirements.

Clearing House Activities

The Central Bank of Solomon Islands (CBSI) facilitates the clearing of cheques drawn on the four licensed com-



mercial banks operating in Honiara. In 2024, the Clearing House processed a monthly average of 13,739 cheques, with a total average value of \$789 million. The volume of cheques cleared in 2024 showed a slight decrease of 10%, representing a reduction of 18,074 cheques compared to 2023. Similarly, the total value of cheques cleared in 2024 decreased by \$2,088 million, marking an 18% decline from the previous year.

The decrease in both volume and value of cheques is largely attributed to the introduction of the National Payment System, which went live in April 2024. In addition, the increasing use of digital platforms and financial instruments by commercial banks, which began in 2018, has facilitated the automation of financial transactions. These developments have enabled financial institutions and businesses to adopt automated systems as such reducing the reliance on traditional cheque payments.

CBSI role in the administration of Small Business Finance Guarantee Scheme.

As required under the new signed MOU with the Government in 2016, CBSI continue to administers the Small Business Finance Guarantee Scheme which reports directly to Solomon Islands Government on a quarterly and annual basis on the state of the Scheme.

Bank continues to assist Government in the administration of the Government Debt Statistical Database.

The CBSI Debt Unit (CDU) continues to act as the secondary site for government’s external public debt database. Public debt data is kept on the CS-DRMS system while a portfolio analysis tool is maintained by the Government Debt Management Unit (DMU) for other analysis. A new system, the Commonwealth Meridian was installed in year 2023 which replaces the CS-DRMS is currently being used by the Bank.

As part of its key objectives, CDU performs the monthly loan validations on the CS-DRMS, dispatches quarterly external debt statistics (QEDs) to the World Bank and issues domestic securities on behalf of the Solomon Islands

Government namely the Treasury Bills and the Development Bonds. CDU also maintains the External Private Debt database in the CS-DRMS. The Private loans are borrowed off shore by the private companies. CDU also holds regular meetings with the DMU on administrative and technical issues including capacity development issues.

Solomon Islands Government (SIG) domestic debt outstanding at end of year was \$1,183.7 million, a decrease of \$8.42 million compared to \$1,192.1 million in December 2023. The decrease in the outstanding balance is due to maturity on SIG bonds. The domestic debt outstanding balance comprised of \$176.4 million in Treasury Bills and \$1,007.3 million in Government Bonds. Total domestic debt repaid during the year was \$256.3 million of which \$205.5 million was for Principal and \$50.8 million for Interest. The repayment increased by \$160.1 million from the previous year. The increase in the domestic debt repayment is due to principal repayment on matured SIG bonds, SIG advances and other domestic securities during the year.

The float on SIG treasury bill was slightly reduced from \$6.6 million weekly in the first quarter of 2024 to \$5.0 million towards the end of the year. Despite this decrease, the demand for Treasury bill increased throughout. The Banks and non-financial institutions continue to dominate the weekly auctions with higher volumes of stock in the 182 days and 365 days maturities compared to the 91 days maturity. There was a steady decline in the interest rate towards 4th quarter for 182 days with average of 2.53% and 365 days with average of 2.63%. Compared to 91 days, the average rate increased from 0.50% to 1.0% in the first quarter and then fairly consistent to 1.15% towards the end of fourth quarter.

Yield curve for SIG treasury bills and SIG Bonds

The major holders of domestic securities were the Solomon Islands National Provident fund with 55.8%, Central Bank of Solomon Islands (CBSI) with 21.1%, State Owned Enterprises (SOE) with 15.7%, Commercial Banks with 6.2%, General Public with 0.8% and other Creditors with 0.4%. The securities issued were mainly in the form of treasury bills, SIG bonds and other advances (refer to pie chart below).

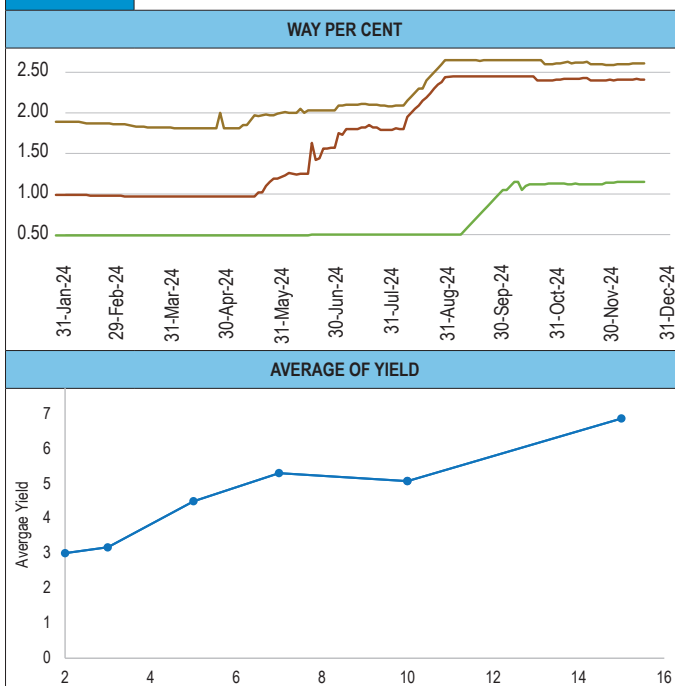
The increase in the total outstanding domestic debt was due to the issuance of SIG domestic development bonds in Q4. This is part of the Governments strategy to mobilise resources to support Solomon Islands Government's spending and obligations during the year 2024.

INFORMATION TECHNOLOGY

The Bank continued to maintain and enhance its technologies to ensure efficiency, relevance, security, and resilience.

The U.S Trade and Development Agency (USTDA) project provided the road map for a modernising Bank's IT Systems and Infrastructure, aligning with the Bank's stra-

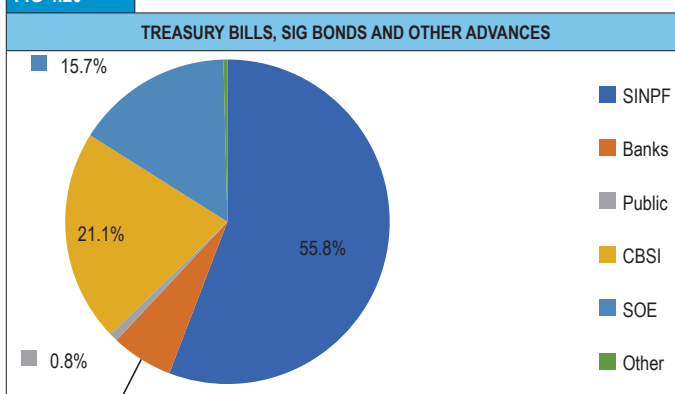
FIG 4.19



Source: SINSO

tegic objective to enhance IT utilization, Infrastructure and Systems. The USTDA consultants collaborated with the systems users and systems providers to gather and analyse the existing systems and other potential systems information, which they ultimately delivered their recommendations to the Bank management. However, due to the changes on the United States of America's (USA) policy at the later part of the year, the project was halted. The Bank will progressively implement some of the recommended systems as of 2025.

FIG 4.20



Source: SINSO

A Cyber Security Incident on the Bank's internal IT services in May had minimal impact on the Bank's operations and also delayed implementations of some of the IT projects. This incident tested the Bank's resilience as some systems and network services were disrupted. The incident also prompted the Bank to allocate resources towards strengthening cybersecurity posture and improve response mechanisms to prepare for future cyber-attacks.

Continuous Enhancement of ICT Systems, Infrastructure & Services

During the year, the Bank implemented some ICT initiatives and projects to enhance its systems and infrastructure. These included:

- The ongoing upgrading of the Bank's SWIFT System, which is also the prerequisite for the SWIFT Migration to the ISO 20022. This project will continue in 2025.
- The ongoing work with the National Payment System (SOLATS) enhancement project. The Bank worked with systems supplier, network providers, participants to onboard the Ministry of Finance and Treasury (SIG) as an additional active participant. Integration between the SOLATS and the Bank's Accounts System improved efficiency in payment processes.
- The migration work from CI (Connected Intelligence) to CIA (Connected Intelligence Anywhere) platform within Technologyone Cloud (SAS) began, aiming to provide users with greater accessibility from any device, location, or time of day. This project will continue into 2025.
- The preparatory work for establishing a new IT production datacentre in alignment with the construction of the Bank's new headquarter requirement.
- The rebuilding of the Production and Disaster Recovery servers to strengthen security controls and improved operational efficiency and secure access to the CBSI Network Attached Storage (NAS).
- The replacements of outdated computers to ensure staff had reliable working tools for their work.
- The continued provision of IT support services on network access, printing, internet connectivity, email, file sharing, and video/audio conferencing to improve the Bank's operations.
- The Bank provided technological tools and resources to enhance staff knowledge and troubleshooting capabilities.

ICT Security and Disaster Recovery

The strong partnership between Solomon Islands Government and Australian Government through the Department of Foreign Affairs and Trade (DFAT) supported the Bank with technical consultants (CyberCX) to strengthen the ICT security and disaster recovery post cyber incident in May.

The Cyber incident has also provided the Bank to further strengthen its security controls in preventing malicious actors using malware on CBSI systems. It also allowed the Bank to improving access controls across its systems and applications. These included:

- The deployment of Security Information and Event Management System (SIEM) that allow CBSI greater visibility of cyber threats at its environment.
- The deployment and configuration of vulnerability scanning tool that enable network wide scanning.
- The implementation of security tool into CBSI's network environment to monitor and prevent unwanted malicious software from being executed within their environments.
- Hardening the Bank's network and key defence mechanism thru implementation of firewall configurations and policies.
- Increased the coverage of End point Protection agents that allow increase visibility and protection across assets used by end-users in CBSI's environment.
- The ongoing management and monitoring of the email protection system.
- Reconfigured the DR environment that hardened its access and allowed CBSI to operate from in the event that its primary environment is compromised.
- Enhanced Backup Strategy to ensure regular backups of critical and non-critical assets.

Enhancing ICT Policies

The Bank continued developing critical policies, procedures and standards to align with the industry best practice requirements and reinforce IT security controls. During the year, the Cloud Security Policy and the Vulnerability and Patch Management Policy were developed and approved by the CBSI Board.

Additionally, the Bank engaged consultants to develop its Cyber Security Strategy, with a review and implementation schedule for 2025.

Website Visits

The CBSI website serves as a key resource for the public to access information about the Central Bank of Solomon Islands and the national economy.

In 2024, website visits increased significantly by 68% reaching a 35,731 compared to 21,310 in 2023. The increase occurred across the visited countries, particularly among dominant visitors. Among visitors from 188 countries, the top 10 dominant visitors in 2024 included Solomon Islands (49%), United States (13%), Australia (10%), India (5%), United Kingdom (4%), Fiji (2%), New Zealand (1%), Singapore (1%), and Papua New Guinea (1%).

INTERNAL AUDIT UNIT (IAU)

The International Internal Auditing Standard defines internal auditing as an independent, objective assurance and consulting activity designed to add value and

improve an organization's operations. It helps an organization achieve its objectives by applying a systematic, disciplined approach to evaluating and enhancing the effectiveness of risk management, control, and governance.

The Internal Audit function within the Central Bank of Solomon Islands (CBSI) is established by the Board under the CBSI Act as part of its governance framework. The primary role of the Internal Audit Unit (IAU or the Unit) is to provide independent assurance to CBSI that its risk management, governance, and internal controls are functioning effectively and efficiently. This mandate requires the Unit to assess CBSI's risk exposures, identify control mechanisms to mitigate these risks, and evaluate their adequacy and effectiveness. Developing the necessary competencies to conduct these assessments systematically and efficiently will take time and effort to establish firmly.

The roles and responsibilities of the Internal Audit Function within CBSI are guided by the CBSI Internal Audit (IA) Charter (2022). The Unit successfully completed its Audit Manual/Policy, which was approved by the Board Audit and Risk Committee (BARC) in April 2024. This is a significant milestone for the Unit, marking the first time an official Manual or guideline has been established for the IAU's operations. The Audit Manual serves as a comprehensive framework for planning and executing audits across CBSI. It outlines policies and procedures to ensure consistency and quality in audit activities while emphasizing a value-added approach to risk management. Additionally, the Manual is structured in alignment with the International Professional Practices Framework (IPPF) to ensure adherence to global internal auditing standards.

The 2024 Annual Internal Audit Plan (AIAP), approved by the BARC was developed through a coordinated effort between the Internal Audit team and first line of defense (process owners), including the Risk Management function. Audit entities were prioritized based on a preliminary assessment of their inherent risk exposure. Due to limited human resources within the IAU and time constraints, audit prioritization was necessary.

Conducting quality audits and providing relevant, effective recommendations requires internal auditors to have a thorough understanding of CBSI's key business functions and core objectives. Preparing for an audit and finalizing audit findings in the audit report involves close collaboration and discussions with process owners—the auditees. This collaborative approach is crucial, as it is the value-adding aspect of internal auditing.

On a quarterly basis, the IAU will continue providing assurance to BARC regarding the effectiveness of CBSI's control environment and any observed residual risks. Reports will emphasize high-risk areas while summarizing medium- and low-risk areas. When combined with reports from the Risk Management function, External Auditors, Accounting, and Compliance, this information will enable BARC to effectively fulfill and enhance its governance and oversight responsibilities.

The Board Audit and Risk Committee (BARC) oversees the overall functionality and effectiveness of the Internal Audit function. The IAU reports functionally to BARC and administratively to the Governor's Office through the Management Advisor for Operations.

The International Professional Practices Framework (IPPF, 2017) and the newly introduced Global Internal Audit Standards apply to both individual internal auditors and the internal audit activity as a whole. Internal auditors are accountable for adhering to standards related to objectivity, proficiency, and professional care in performing their job responsibilities. The Chief Audit Executive (CAE) or Head of Internal Audit is responsible for ensuring that the IAU's assurance and other value-adding activities comply with these standards.

In 2024, internal auditors signed the Annual Declaration, affirming their commitment to the profession's core values and adherence to the professional code of ethics and conduct, which include:

- **Assurance** – Providing assurance on organizational governance, risk management, and control processes to support CBSI in achieving its strategic, operational, financial, and compliance objectives.
- **Insight** – Acting as a catalyst for improving organizational effectiveness and efficiency by offering insights and recommendations based on professional analysis and assessment.
- **Integrity** – Establishing trust that ensures reliance on the judgment of internal auditors.
- **Objectivity** – Maintaining the highest level of professional objectivity in gathering, evaluating, and communicating information. Internal auditors ensure balanced and consistent assessments, free from personal bias or external influence.
- **Confidentiality** – Respecting the value and ownership of the information received and used in auditing activities.
- **Competency** – Applying the knowledge, skills, and experience necessary to perform internal auditing effectively.

2024 Achievements

In 2024, the IAU successfully carried out its assurance mandate in accordance with the BARC-approved Risk-Based Internal Audit Plan, covering the following areas:

- Governance
- Special Project Management
- Procurement and Accounts Payable
- Business Continuity
- Reconciliations
- Reserve Investment and Management



CBSI Governor and Solomon Islands delegates at Royal Australia Mint.



CBSI Finance and Accounts department officers.

- Follow-up reviews on 2023 audit recommendations

These activities reinforce the IAU's commitment to providing assurances on the effectiveness of CBSI's gover-

nance, risk management framework including the control processes, ensuring alignment with established policies, procedures, and international best practices.

CHAPTER 5: FINANCIAL INCLUSION

2024 marks the fourth year of implementation of the Solomon Islands National Financial Inclusion Strategy 3 2021-2025 (NFIS3) with ongoing priority focus on four thematic areas of development:

1. Digital Financial Services – a key catalyst to overcome barriers to access and use of formal financial services and, enhance inclusion by expanding the number of eligible account users.
2. Micro Small Medium Enterprises (MSMEs) – strengthening the productive capacity of MSMEs through providing access to a broad range of financing options and building entrepreneurial capability through business mentoring and skills development.
3. Consumer empowerment & protection – building the financial capability of target groups, providing them the opportunity to be financially competent and to achieve a greater financial security.
4. Data Measurement - the importance of evidenced-based policies that identifies appropriate policy interventions for an inclusive financial sector, one that provides for the diverse needs of Solomon Islands population including the underserved and marginalized groups.

The NFIS3 mission statement stipulates;

By 2025:

1. Increase active users of financial accounts to 400,000 (of which 50% are women); and
2. Increase the number of access points to 1155

Indicators	2021	2022	2023	2024	Choiseul	Western	Isabel	Malaita	Guadalcanal	Central	Makira	Renbel	Temotu	Honiara
Number of Branches	14	15	14	23	1	5	1	1	0	1	1	1	1	11
Number of ATMs	56	59	58	60	0	9	0	2	1	0	0	0	0	48
Number of EFTPOS Terminals	361	423	589	637	10	63	5	25	29	3	3	0	3	496
Number of EFTPOS Merchants	264	313	441	469	0	61	1	15	27	0	1	0	0	364
Number of Agencies	7	7	7	5	1	0	1	1	0	0	1	0	1	0
Number of Mobile Banking Access points or agents	50	53	50	50	10	11	4	8	2	3	2	0	3	7
Number of Mobile Money/E-money issuers agents			266	2408	96	311	103	256	186	44	118	12	51	1231
Total no. of access points	752	870	1425	3652	118	460	115	308	245	51	126	13	59	2157

By end of 2024, the total active users with formal and semi-formal financial accounts reached 321,111, an increase from 264,321 in 2023 of which women active users were 152,099. The notable increase was due to new active account users' data for digital wallet providers. In terms of the figures, a caveat to these aggregate figures is the issue of double-counting from supply-side data, which remains an issue due to lack of national identification to identify a customer as a unique user.

The second national goal was achieved in 2023 surpassing the target of 1155 financial access points. In 2024, total access points significantly increased to 3652 driven by an increase in the number of agents for e-money issuers, with representation in all provinces. Whilst a notable 59% of access points are located in the capital, Honiara, this is an improvement from 70% reported in 2023.

The six Strategic Objectives under NFIS3

These strategic objectives under four broad thematic areas, are mainly implemented by the National Financial Inclusion Taskforce (NFIT) stakeholders and the Working Groups. These working groups are, Digital Finance Working Group (DFWG), Micro Small Medium Enterprises Working Group (MSMEWG), the Consumer Empowerment Working Group (CEWG) and Data & Measurement Working Group (DMWG). The Working Groups comprised of stakeholders from relevant Government Ministries, Financial Sector, the Private Sector, Non-governmental organisations, Savings groups and Development Partners with a collective interest to advance Solomon Islands national financial inclusion goals. Detailed below are some key financial inclusion activities undertaken during the year;

Strategic Objective 1: Amplify the reach and quality of digital financial services, products & channels

A key aspect of NFIS3, which also underlies other strategic objectives, is the role of Digital Financial Services (DFS) in extending financial services to the last mile and enhancing the quality of financial service channels. This initiative requires the collaboration of the regulator to establish an enabling legal and regulatory environment that empowers genuine financial providers to offer responsible financial technology solutions to enhance the delivery of financial services. Other financial service providers that offer digital financial services include, telecommunication companies and third-party providers. The basic financial services offered through e-wallet include cash in (deposit), cash out (withdraw), transfers & remittances, bill payments and mobile top-ups.

Digital Financial Services:

Inclusive National Payment System

One of the key priorities under the NFIS3, following the implementation of the core payment infrastructure (Solomon Automated Transfer System or SOLATS), is to enable

interoperability with other financial service providers. In this regard, consideration has been given for the National Payment System’s functionality for Instant Funds Transfer (IFT). Further, the insights from the Retail Payments Ecosystem Report 2023 can assist to identify other approaches to enabling retail payments.

With these technological enhancements, development of supportive policies for DFS is necessary to create the enabling environment for seamless interoperability and the adoption of DFS. Other policy reforms include consumer protection, data privacy and fraud management.

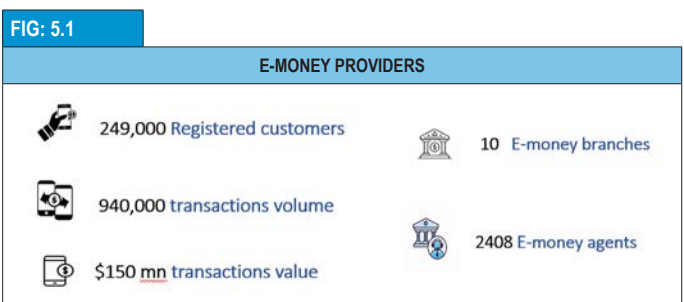
Regulatory Sandbox

The regulatory sandbox provides an environment for innovators to test their solutions before offering the product or service in the market. Such innovative solutions can enhance the delivery of financial services in the country. During the year, there are 7 applicants through the Sandbox and the type of product or services include, money remittances through e-wallets, bill payments through air-time and digital instant nano-loan.

In recognition of other market needs, FinTech’s and innovators should also focus on the development of financial technology solutions for key areas such as, Micro Small and Medium Enterprise (MSME) financing, agriculture and climate finance, tourism, sustainable and renewable power generation, digital and financial literacy and other critical sectors.

Electronic money

E-money issuers provide alternative digital payment channels for customers to access financial services. During the year, these providers expanded their payment use cases to facilitate additional payment needs including remittances, nano loan and proposed micro insurance payments. This is also a key initiative towards addressing the issue of limited access points especially, for rural, informal sector customers.



Source CBSI

The e-money providers were issued new reporting templates in Quarter 4 of 2024 to ensure standardized and improved reporting on their financial performance.

Throughout the year, CBSI continued to support various collaborative initiatives with its key stakeholders, including the development of the Solomon Islands National Di-

saster Risk Financing Strategy and support for the implementation of the National E-commerce Strategy.

In terms of digital literacy, apart from the awareness from the financial service providers, there are limited digital literacy outreach undertaken during the year. However, this is an ongoing focus seeking support from partners to develop tailored digital literacy contents that will provide the basic knowledge and skills to navigate digital platforms as well as responsible use of digital technologies.

Strategic Objective 2: Improve and promote Micro Small Medium Enterprises (MSME) finance.

The key focus of the MSMEWG is on areas critical to develop a vibrant, sustainable and resilient MSME sector in the Solomon Islands. These key areas encompasses improving access to MSME finance and trainings by ensuring there are initiatives for MSMEs in urban and rural, including women and youths to access finance and trainings; legal frameworks to enhance coordination of nationally driven initiatives implemented by various stakeholders; policies to broaden financing options for MSMEs, incentives to support informal MSMEs transition to the formal sector; and green financing for MSMEs climate risk mitigation and adaptation.

Regulatory and policy initiatives

MSME Bill

The Bill aims to create an enabling environment for MSMEs to thrive by establishing a legal framework, governance arrangement to support the national MSME driven efforts which include financial and non-financial incentives for MSMEs, and establishing an SME entity to supervise MSME initiatives undertaken to develop the MSME sector. The Bill is currently in its 2nd draft and three validation workshops was conducted by the Ministry of Commerce, Industry, Labour and Immigration (MCILI) in 2024, covering Malaita, Western and Honiara, with five more provinces to be covered. The Bill is anticipated to be finalized by June 2025 and put to parliament by August 2025.

MSME Financing Policy

The goal of the MSME financing policy is to broaden MSMEs access to affordable and adequate financial services by strengthening institutional capacity of financial institutions, develop innovative finance, enhance enabling environment and promote private sector partnership. The intention of the MSME financing policy would be to expand SME financing, with part of recommendations to review the secured transaction Act to expand collateral support for MSMEs by exploring other means that can be utilized as collateral. The policy is currently in conceptual stages with a draft concept to be finalized by MCILI and submitted to cabinet before a draft policy is developed.

Credit Risk Reporting Regulation

The CBSI is currently developing a credit risk reporting regulation which would assist financial institutions iden-

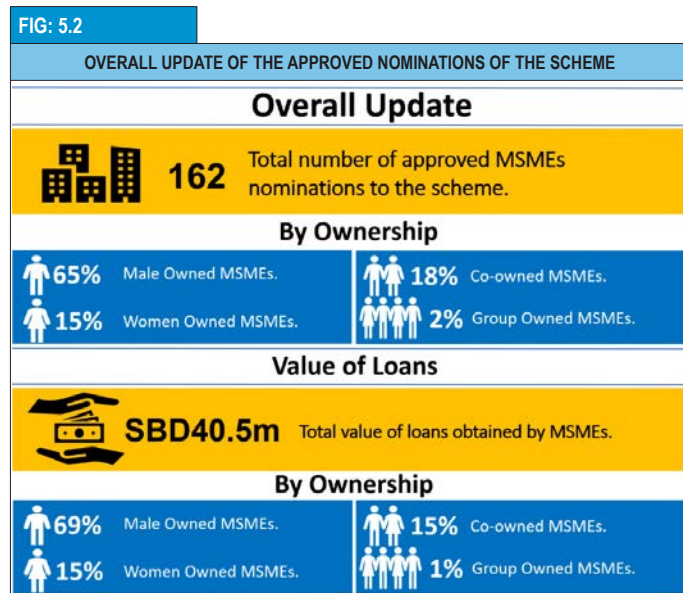
tify, manage, report credit risk, and share credit risk information for purposes of credit assessments. A key area considered in the regulation is positive credit risk reporting to enhance assessments of creditor's willingness to repay. This will help to improve access to finance for MSMEs and expand their financing options.

Ongoing initiatives

The MSME Working Group ongoing initiatives include the SME Credit Guarantee Scheme (CGS), MCILI SME Export Finance Facility, MSME Credit line Facility, and MSME business and financial literacy trainings.

SME Credit Guarantee Scheme (See Chapter 4 section on CBSI role in the administration of Small Business Finance Guarantee Scheme, for further analysis)

A scheme administered by the CBSI through collaboration with MCILI and partnership with Partner Financial Institutions (PFIs) which include DBSI, BSP, ANZ Bank, POBL, and Credit Corporation. With most MSMEs facing



the challenge of collateral support, the aim of the scheme is to support MSMEs by funding 90% to 95% of MSMEs unsecured portion of their security or collateral shortfall.

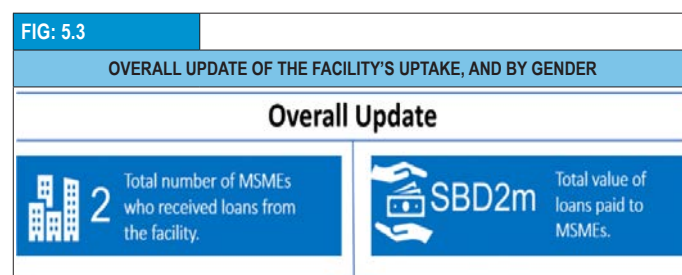
The overall updates of the scheme reflected the period 2016-2024. As of 2024, a cumulative total of 162 nominations were approved for collateral support (guarantees), where majority were MSME owned by men as shown by figure 5.2. Similar trend is also reflected in the value of SBD40.5m loans disbursed, where men owned MSMEs comprised the majority.

Regarding the measure of lending that the scheme has facilitated with government funding, Solomon Islands government through MCILI has injected a total of SBD15.5m which induced loan disbursement value of SBD40.5m.

This implied that for every SBD1 injection by the government, the scheme has facilitated SBD2.61 in lending to MSMEs.

SME Export finance facility

The purpose of the facility is to encourage locally owned MSMEs to engage in more exporting activities in various



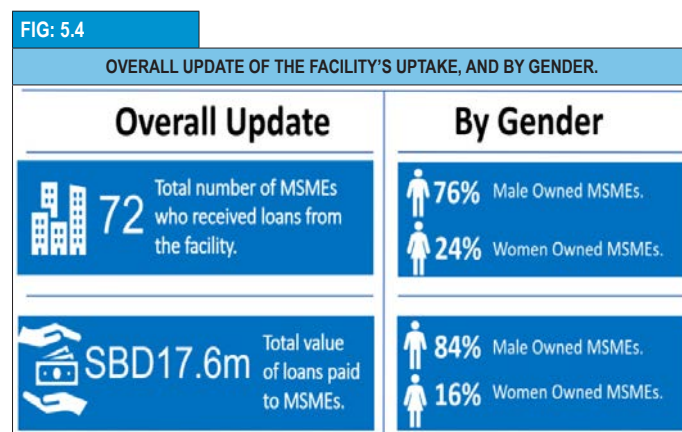
Source CBSI

sectors, increase exports tractions (in terms of volume, value and commodities), stimulate growth in credit to the MSME segment, and to provide an opportunity for farmers and rural communities to benefit from external trade.

To date, the facility's uptake has not changed since the previous year due to limited awareness about the facility and low participation of financial institutions.

MSME Credit line facility

A facility established by the MCILI through the Development Bank of Solomon Islands (DBSI) to support en-



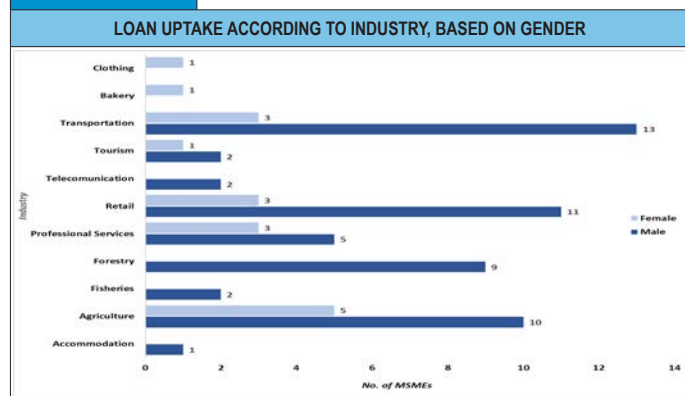
Source CBSI

trepreneurs access sectoral credit funding to expand on products, interest payment support and loan guarantees under the scope and lending policies of DBSI. Targeted sectors include agricultural production and related industries, fisheries sector, tourism and Agro-forestry.

On aggregate, 72 MSMEs have accessed loans valued at SBD17.6m from the MSME Credit line facility. Of this, 76% were male owned MSMEs and as per figure 5.4, most were from industries that include transportation (13), retail (11), agriculture (10), and forestry (9). In terms of loan

value uptake by men-owned MSMEs, transportation, retail, forestry, agriculture, professional services, and telecommunications industries were among the highest with a combined value of \$12.7m, reflecting higher financing needs in these respective industries. There was no uptake for clothing and bakery industries among men owned MSMEs.

FIG: 5.5

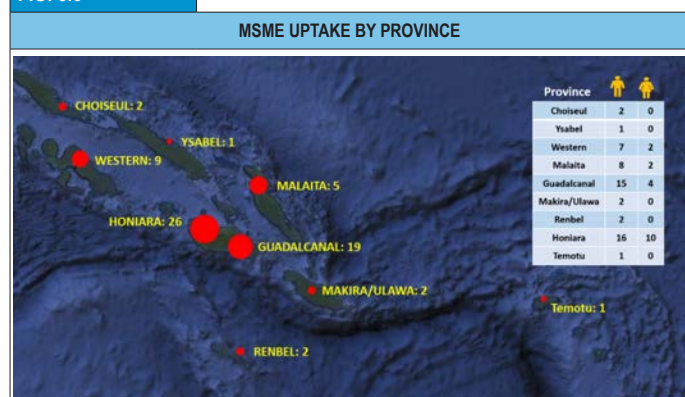


Source CBSI

Comparatively, the remainder 24% were women owned MSMEs, with most from industries such as agriculture (5), professional services (3), retail (3) and transportation (3). Total value of loans given to women owned MSMEs was comparatively low compared to male owned MSMEs, accounting for 16% of the \$17.6m.

The increase in uptake was driven by MSMEs demand for

FIG: 5.6



Source CBSI

working capital, business expansion and improvement, equipment and materials purchase, insurance and commodity export. Regarding frequency of borrowing, six MSMEs have twice obtained credit from the facility, while one MSME has for the fourth time accessed credit from the facility, reflecting MSMEs growing business needs and the flexible financing provided by the scheme.

Regarding disaggregation of MSMEs by province, figure

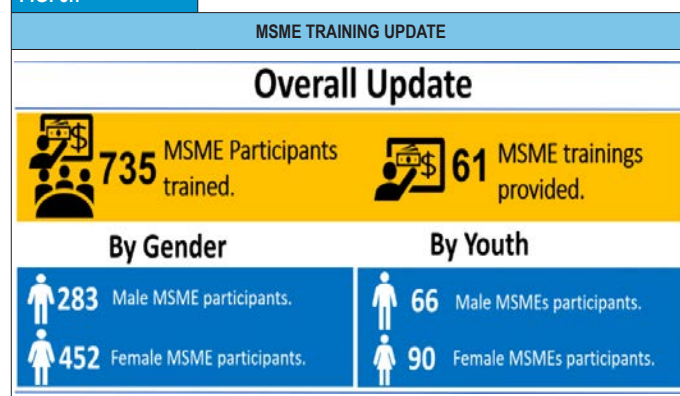
5.6 shows MSMEs uptake by all provinces except Central Province, based on number of MSMEs, value of loans disbursed and by gender. More MSMEs in Honiara and Guadalcanal had more access to the scheme compared to other provinces.

The MSME Credit Line Facility has been effective in expanding access to finance for MSMEs, enabling them to sustain their operations and expand their businesses.

MSME trainings

MSME stakeholders continue to conduct trainings for MSMEs. This include Solomon Islands Small Business Entreprises centre (SISBEC), Young Entrepreneurship Council

FIG: 5.7



Source CBSI

of Solomon Islands (YECISI), MCILI, among others. However, data reporting regarding the number of stakeholders who conducted MSME trainings and number of MSMEs who participated remains a challenge. The overall update in figure 5.7 comprised of data reported by SISBEC and YECISI based on the number of trainings conducted throughout the year.

Training topics focusses on areas critical to enhance MSME operations, upskilling them to be able to obtain funding, and ways that MSMEs can leverage digital financial services. Topical areas include customer service, sales/marketing, book keeping, financial management, MYOB accounting, basic operation management, payroll training, MS Excel, bank reconciliation, cash flow management, project management, proposal writing, financial literacy, improve your business, generate your business, leadership training and digital financial literacy.

Emerging areas for MSMEs development

Green financing for MSMEs

An emerging area of development for MSMEs captured in the NFIS 3 is green financing for MSMEs, aiming to provide financing for MSMEs whose business model promote environmental sustainability, and to support MSMEs climate risk adaptation and mitigation. There were discussions within the MSME Working group to increase

awareness of green financing, enhance stakeholder coordination, and develop green financing products which is currently lacking in the market.

Financial pathways to formalize informal MSMEs

Exploring pathways to formalize informal MSMEs is an emerging area, which is part of the National Action Plan on 'Informal enterprises transition towards sustainable growth and formalization in SI', launched by MCILI and supported by the United Nations Development Programme (UNDP), European Union and other partners. The recommendation for MSMEWG was to examine a range of SME financing schemes in the public and private sectors, and to identify ways to improve access to finance while encouraging formalization. The MSMEWG noted that such pathways should work in parallel with support comprising training, financial and non-financial incentives for informal MSMEs transition to the formal sector.

Strategic Objective 3: Include women, youth and rural adults to participate in the financial sector

Consumer empowerment involves providing individuals the knowledge, skills and tools to be financially competent, ensuring they are aware of their financial rights and can make informed financial decisions with confidence.

Financial Literacy and Digital Financial Literacy:

CBSI and its stakeholders continue to provide financial literacy and digital financial literacy programs in 2024. Most of the financial literacy programs and trainings were conducted through face-to-face mode of delivery and only few through e-learning. The e-money issuers also deliv-

Consumer Awareness and Financial Empowerment (CAFE) Financial Coaching Programme

The CAFE program is a financial literacy program that focuses on behavioural change. CBSI with the support of

FIG: 5.9

FINANCIAL COMPETENCY IMPLEMENTATION PROGRAM						
NFIS 3 objective 3.3 Continue to deliver TOT Programme to reach all Constituencies by 2025: Financial Competency Implementation (Training of trainers – TOT) CBSI & Good Return						
Province	Constituency	Partners	No. of Coaches	Total Participants	Female	Male
Honiara	E-Honiara C-Honiara W-Honiara	ACOM MWYCEFA	17	158	144	14
Guadalcanal	C-Guadalcanal W-Guadalcanal N-Guadalcanal NW-Guadalcanal S-Guadalcanal E-Guadalcanal	MWYCEFA	19	384	355	29
Central	Tigaki Tavakani	MWYCEFA	13	125	125	
Malaita	Auki/Langabunga Central Koveru North Koveru North Malaita Lae/Makuluva	MWYCEFA	17			
Yasael	Maringe/Kakara Gau/Bugena BKSZ	ACOM MWYCEFA	15			
Total	21	2	81	667	624	43

Source CBSI

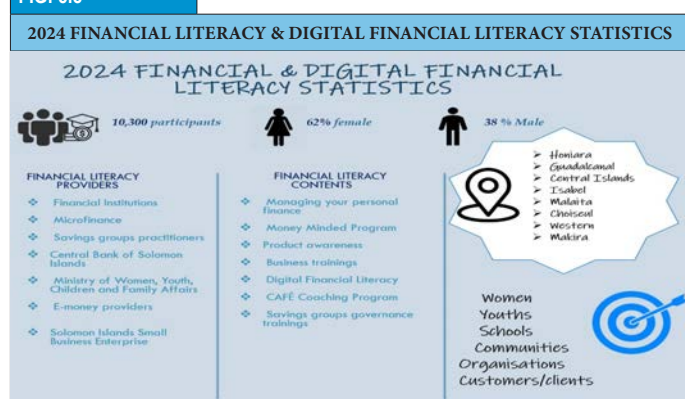
Good Return Australia continue to train individuals and leaders to become certified trainers to deliver financial literacy sessions in their respective communities. The trainings were delivered successfully through partnership with Ministry of Women, Youth, Children and Family Affairs (MWYCEFA) and Anglican Church of Melanesia (ACoM) who worked closely with their savings groups within Honiara and in the provinces.

Savings groups

Limited access to formal financial services is one of the key challenges affecting women especially in the rural areas. Hence, NFIS3 and NWFIP emphasised more in strengthening and expanding Saving Groups because of the significant role played in providing access to finance for communities in the informal sector. Savings groups was seen as an avenue where women can save and access micro-loans to support their family's financial and economic well-being.

In terms of the Savings Groups consumer protection, there

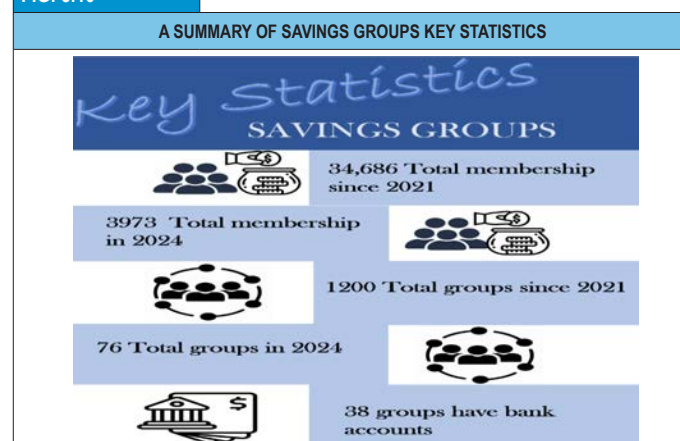
FIG: 5.8



Source CBSI

ered digital financial literacy through television, social media and radio. The financial literacy programs are vital to equip Solomon Islanders with financial knowledge and skills to make informed financial decisions and to become financially competent. Whilst the digital financial literacy provides the required knowledge and skills to build customers' confidence and competencies to use digital financial products such as Ezi pei, M-Selen, Iumicash and Mobile Cash.

FIG: 5.10



Source CBSI

is the Solomon Islands Savings Groups Members Rights, which is promoted to the Savings Groups by CBSI & Savings Groups Practitioners.

One of the limitations is the reporting from Savings Groups given their rural, remote locations and the challenge of data collation by Savings Groups practitioners. Therefore, the summary only reflects those Savings Groups that are reporting. Savings Groups reports are critical to inform policymakers of the financial activities that are prevalent within the semi-formal sector.

One of the policy areas to consider is the parent body for Saving Groups following the administration challenges of Solomon Islands Credit Union League (SICUL). SICUL had previously been responsible to support Savings Groups with formal registration, trainings and other needed services.

Strategic Objective 4: Build financial resilience in households and communities

youSave Scheme

youSave is a voluntary saving scheme designed purposely for the informal sector to save for retirement. In partnership with Solomon Islands National Provident Fund (SINPF), the product was developed to support the self-employed such as women, youths, market vendors, farmers or even domestic workers to save for retirement. As of the fourth quarter of 2024, total membership reached 47,620 members of which 54% are women. During the year, SINPF launched M-Fund, the instant digital nano loan, for eligible youSave members to access small and short-term loans to finance their immediate financing needs or small investments.

Micro-Insurance

In collaboration with UNCDF/PICAP programme, the microinsurance product on parametric (climate) insurance was in discussions with CBSI and the Insurer including relevant stakeholders such as Meteorology, Ministry of Environment, Climate Change, Disaster Management and Meteorology (MECDM) on the required weather data and design of the product and target groups such as savings groups on the proposed pilot plans. The climate insurance product aims to build and improve the financial preparedness and resilience at the micro level (individual) against climate change and natural hazards. This initiative is also aligned to the Solomon Islands National Financial Inclusion Strategy (NFIS3) and the Solomon Islands National Disaster Risk Financing Roadmap (NDRF).

Strategic Objective 5: Build financial empowerment in ways that are motivating, actionable and relevant to daily life

As part of its consumer protection efforts, the CBSI has issued the Prudential Guideline No. 21 on Financial Consumer Protection and is considering strengthening institutional arrangements to ensure its effective implementation and safeguard financial consumers.

One of the key policy requirements stipulated under NFIS3 on the rights of mobile money customers and the responsibilities of mobile money providers are being addressed in the current draft E-money Regulations. However, the regulations have yet to undergo legal vetting and review before finalization.

Strategic Objective 6: Develop & Implement Data & Measurement Framework

Data and Measurement Working group Ongoing Initiatives

Financial Inclusion Disaggregated Data Policy and Review of Financial Inclusion reporting templates

In June 2024, CBSI issued two reporting templates, the revised reporting template for the financial institutions and the new reporting template for the e-money providers. These reporting templates were issued together with the Policy on Collation of Disaggregated Data, Manual Instructions for completing the reports and a Glossary document.

CBSI conducted two separate trainings for the financial institutions and the e-money providers in September in preparation for the implementation of the reporting templates in Q4 2024. The trainings aim to provide guidance on how to complete the reports in accordance with the manual instructions to ensure accuracy and consistency in data reporting.

The new and revised reporting templates should standardize and enhance financial inclusion reporting, which is crucial for evidenced-based policy decisions. In this regard, the indicators are aligned to these financial inclusion dimensions; access, usage, quality and, consumer empowerment and protection based on the NFIS3 data measurement framework. These indicators are also vital to enhance the monitoring of the progress of the strategy implementation.

Geo-Spatial Mapping Project

In collaboration with the United Nations Capital Development Fund (UNCDF), the Geo-Spatial Mapping project commenced its second phase this year with a focus on geo-tagging access points in the provinces. These access points include but not limited to ATMs, Branches, EFT-POS terminals and merchants, e-money branches and agents.

The geotagging exercise began in August in Honiara, Gizo, Munda and Noro. To date, over 955 access points were geotagged for the financial institutions and e-money issuers. These access points were geotagged using the Qfield App from mobile phones remotely and later integrating the access points coordinates into an interactive web map with the QGIS App software. In addition, CBSI staff was supported with hands-on training on the QField App and QGIS software to assist in geotagging the access points.

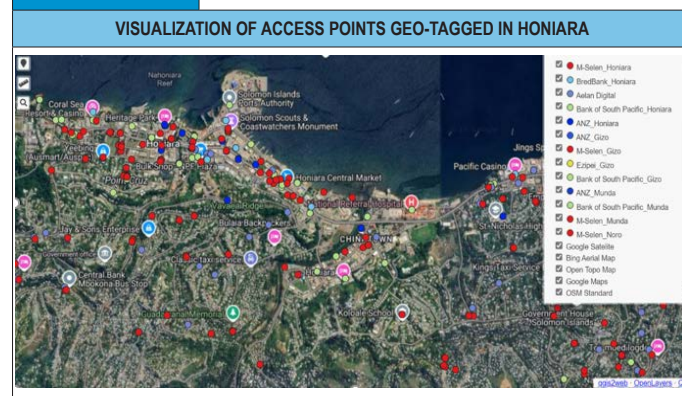
This project is important as it will enhance the visualization of the access points and the efficiency of locating the exact locations of the access points digitally. The information from the interactive web map will assist Policymakers and financial service providers to develop practical policies and products to improve access to financial services.

OUR PARTNERS

During the year, development partners continue to support CBSI on the implementation of NFIS3. The key development partners are; the United Nations Capital Development Fund (UNCDF) with its funding partners, the Australian Government, European Union (EU), New Zealand Government, and United Nations Development Programme (UNDP). In addition, the Alliance for Financial Inclusion (AFI) continued to support its members including CBSI on the financial inclusion initiatives. These development partners provide assistance on capacity development trainings for technical staff and technical

assistance on policy development. In addition, the Good Return Australia continued to provide assistance with the implementation of the Financial Competency Training of Trainers Program.

FIG: 5.11



Source CBSI

CHAPTER 6: COMBATING MONEY LAUNDERING AND FINANCIAL CRIMES

The Solomon Islands Financial Intelligence Unit (SIFIU) is established under the Money Laundering and Proceeds of Crime Amendment Act 2010 (MLPCAA 2010). The vision of the SIFIU is to ensure “Solomon Islands is protected from money laundering, terrorism financing and proliferation financing activities”. The roles and functions of the Unit are specified in the MLPCAA 2010. SIFIU is one of the leading agencies that is responsible for the coordination of key stakeholders to ensure adequate measures are in place to detect and deter money laundering, terrorist financing and other serious financial crimes.

The Unit continued to maintain its staffing with twelve (12) officers, including two (2) on secondment arrangement; one (1) from the Ministry of Police, National Security and Correctional Services and one (1) from the Customs Division within the Ministry of Finance and Treasury.

In terms of reporting, the Unit reports to the Governor on operational and administrative matters, while policy issues were directed to the Anti-Money Laundering Commission (AMLC). The AMLC's establishment and mandate are stipulated under section 11 (1) of the MLPCAA 2010. The Attorney General of Solomon Islands is the Chair of the Commission. Since the inception of the Solomon Islands AML Regime in 2006, the Unit continues to perform its mandate to fight against money laundering, terrorism financing and other financial crimes head on.

Money Laundering, Terrorism Financing and Proliferation Financing are global issues facing countries today. Solomon Islands therefore is not immune to these problems. In combating these unwanted activities, the country has put in place mechanisms and controls we are confident of, capable to making sure our financial system is safe from the misuse by criminals.

Also, to ensure adequate measures to effectively mitigate vulnerabilities and gaps identified in the Solomon Islands (AML) National Risk Assessment Report (NRA) 2017 and the Solomon Islands Mutual Evaluation Report 2019. The Unit remains vigilant with its mandate to ensure the integrity of the financial system is protected from financial abuse.

Membership to International Anti Money Laundering Groups provides support to work of SIFIU

SIFIU is a member of the Asia Pacific Group (APG) on Money Laundering and a member of the EGMONT Group. As a member of these international and regional organizations, the SIFIU and the AMLC are committed to performing their responsibilities to honour International AML/CFT Standards and requirements. In addition to being members of these International bodies ensures that Solomon Islands remain relevant with the best practices to counter threats and vulnerabilities associated with money laundering, terrorism financing and proliferation financing are mitigated.

Financing of SIFIU operations comes from the SI Government and the Central Bank of Solomon Islands

Funding for the operation of the SIFIU in 2024 came from the SI Government and the Central Bank of Solomon Islands, totaled up to \$6,182,320.32; \$1,250,685 from the Government and \$4,916,797.86 from the CBSI. The Unit also had a brought forward amount of \$14,837.46 from 2023. Apart from funding contribution that goes toward meeting the salaries and other benefits of twelve (12) officers, the CBSI also supported the Unit through subsidising most of its vital expenditure heads, such as office equipment, IT services and uniforms.

Solomon Islands Post Mutual Evaluation

The Solomon Islands has commenced to address the technical deficiencies identified in the 2019 Mutual Evaluation Report. As part of the post mutual evaluation work, SIFIU had the privilege in hosting technical advisors from two organisations in 2024. The IMF technical advisors visited Solomon Islands twice in 2024 and continued to provide technical support on some of the priority areas particularly in relation to the review of the Money Laundering and Proceeds of Crime (Amendment) Act 2010 and the AML supervision manual. A team from the Australian Attorney General's Department (AGD) visited Honiara in early 2024 and conducted a workshop on Targeted Financial Sanctions (TFS) and held meetings with authorities on a proposed TFS Framework.

To address the deficiencies, the Solomon Islands National (AML) Strategic Plan was formulated with time frames on key priorities or goals to focus on for the next four (4) years.

It is very important that the country prioritise the strategies to ensure issues and gaps identified are rectified as required.

SIFIU maintained its relationships with key Agencies through AML Consultations and Supervision

The SIFIU continues to embrace its professional partnership with key agencies during the year, despite the global pandemic. With the easing of restrictions on movement now, the Unit is now embarking on face-to-face consultations and supervision.

Apart from the core functions of the Unit to provide financial intelligence to relevant agencies, the Unit also carried out nine (9) bilateral consultations both with the reporting entities and other law enforcement agencies (LEAs).

In terms of AML supervision, three (3) Onsite inspections were conducted during the year. Two inspections were follow-up inspections on two casinos and there was one joint onsite inspection of a financial institution conducted by SIFIU and FASU officers.

While the inherent level of risks associated with the entities was generally high, it was observed, there were reasonable controls and measures put in place to mitigate them.

Advocating Against Money Laundering and Other Serious Financial Crimes

The Unit remains committed with the advocacy to fight against “financial scams or pyramid schemes”. The Unit attended to numerous queries from the public during the year on false financial schemes and purported lottery wins. Some of the schemes CBSI/SIFIU warned members of the public against during the year include email scams, social media scams and other fast money schemes that emerged during the covid-19 pandemic.

Review of the legal framework

In 2024, SIFIU has progressed in the process of reviewing its legal framework the MLPCA, to combat the ever-changing landscape of increasing trends of money laundering and other financial crimes as well as to adhere to current international best practices. The MLPCA had been reviewed by SIFIU and the Ministry of Justice and Legal Affairs (MJLA) and was endorsed by the Cabinet in August 2023. The endorsement by the cabinet allows SIFIU and MJLA to carry on with the review which will include the drafting instructions, draft bill and the stakeholders’ consultations.

Trainings/Workshops/Meetings Attended By SIFIU

Table 6.2 below show the number of trainings, courses and workshops attended by SIFIU in 2024.

TABLE 6.2:			
DATE	PARTICULAR OF EVENT	FACILITATOR	DELIVERY MODE
12-15/02/2024	RMI FIU Attachment with SIFIU	UNDP Consultant	In Person – SIFIU Office
19/02/2024	IMF Capacity Development Mission on AML/CFT for SI.	IMF Consultants	In Person – CBSI Board Room
19/02/2024	IMF Capacity Development Mission on AML/CFT for SI.	IMF Consultants	In Person- SIFIU Office
19/02/2024	IMF Capacity Development Mission on AML/CFT for SI.	IMF Consultants	In Person - SIFIU Office
20/02/2024	IMF Capacity Development Mission on AML/CFT for SI.	IMF Consultants	In Person - AURA Office
21/02/2024	IMF Capacity Development Mission on AML/CFT for SI.	IMF Consultants	In Person - SIFIU Office
21/02/2024	IMF Capacity Development Mission on AML/CFT for SI.	IMF Consultants	In Person - AURA Office
7-8/03/2024	Improving STR/SAR Quality Workshop	Egmont (ECOFEL)	In Person - Bangkok, Thailand
21-22/03/2024	2024 Registry Information Sharing Compact Conference	Sandia National Laboratories	In Person - Mellieha, Malta
22-26/04/2024	Regional LEAP Mentoring Programme (Step 3)	Interpol & UNODC	In Person - Bangkok, Thailand
6-10/05/2024	APG Assessor Training Workshop (4th Round)	APG	In Person - Auckland New Zealand
3/07/2024	SIFIU/RMI AML/CFT Compliance SOP	UNDP	Virtual
8-9/07/2024	Pacific Banking Forum	Government of US and Australia	In Person - Brisbane, Australia
10-11/07/2024	Pacific AML/CFT Supervisor's Forum	NZ MFAT, NZ IAT, APG and PIFS	In Person - Brisbane, Australia
13-16/08/2024	Crypto Currency Tracing Training Course	UNODC	In Person - Port Vila, Vanuatu
18-24/08/2024	Integrity Professional Foundation Course - Workshop	Pacific Integrity School - Griffith University	In Person - Brisbane, Griffith, Nathan Campus
19-28/08/2024	Financial Intelligence Analyst Course (FIAC)	AUSTRAC	In Person – Brisbane, Australia
17-18/09/2024	Cybercrime investigative and awareness training on Business Email Compromise (BEC), Ransomware, and Online Scams	UNODC	In Person - Suva, Fiji
4-8/11/2024	Key Performance Indicator Professional (KPI-P) Certification	Informa Connect Academy	In Person - Honiara, SI
11-13/11/2024	Typologies Workshop 2024	AGD	In Person - Kuala Lumpur, Malaysia
25-29/11/2024	AGD-SI Targeted Financial Sanctions Technical Assistance	APG	In Person - Canberra, Australia
26-27/11/2024	Pacific Proliferation Financing Workshop	APG	In Person - Nadi, Fiji
2-6/12/2024	STC 35 2024 (Standard Course)	FATF Training Institute Staff	In Person - Busan, South Korea

Source: SIFIU

Numbers of reports received from the reporting agencies

In 2024, total STRs received by SIFIU was 96 compared to 109 STRs received in 2023, a decrease of 12 percent. Total CTRs and EFTRs received in 2024 were not available at the time this report was compiled. The New Database system could not provide the information required as it was going through the data ingestion stage. In terms of the BCRs, a total of 69 reports were received for 2024, 9 were for Incoming Passengers and 60 were for Out bound passengers. For Case Dissemination Reports, a total of 10 cases were disseminated to relevant competent authorities in 2024 for further investigations.

Table 6.1 below show the type and number of reports received by SIFIU in 2024 compared to the previous year 2023.

TABLE 6.1:		
TYPE OF REPORTS	RECEIVED	
	2024	2023
Suspicious Transaction Reports (STRs)	96	109
Cash Transaction Reports (CTRs)	N/A	N/A
Electronic Funds Transfer Reports (EFTRs)	N/A	N/A
Border Currency Reports (BCRs)	69	19
Case Dissemination Reports (CDRs)	10	3

Source: SIFIU

Local Trainings and Workshop Conducted By SIFIU

The unit along with its partners also conducted trainings/workshops for local stakeholders in the country as well.

Table 6.3 Show Local Trainings and Workshops Conducted by SIFIU in 2024.

TABLE 6.3				
DATE	PARTICULARS OF EVENT	PARTICIPANTS	FACILITATOR	NUMBER OF PARTICIPANTS
12 – 15/02/2024	Peer-to-peer AML/CFT Risk-Based Supervision for RMI FIU: Learning from SIFIU experience.	RMI FIU Officers	UNDP and SIFIU	2
03/04/2024	AML/CFT Training for Solomon Telekom (M-Selen Group).	Solomon Telekom (M-Selen) Officers	SIFIU	10
09/04/2024	Graduate Trainee Induction Program.	Graduate Trainees	SIFIU	2

Source: SIFIU

Awareness Outreach Program SIFIU Participated in 2024

The unit along with CBSI conducted the following awareness outreach program for local stakeholders, schools and the general public in 2024.

Table 6.4 shows the Awareness and Outreach Programs SIFIU and CBSI conducted in 2024:

TABLE 6.4				
DATE	PARTICULARS OF EVENT	PARTICIPANTS	FACILITATOR	NUMBER OF PARTICIPANTS
04/04/2024	Scam Awareness for CBSI Staff.	CBSI Staff	SIFIU	100+
23 – 26/07/2024	Awareness Program to the Western Province.	Secondary Schools in the Western Province	SIFIU	200+
06 – 09/08/2024	Awareness Program to Malaita Province.	Secondary Schools in the Malaita Province	SIFIU	100+
12 – 16/08/2024	Malaita 2nd Appointed Day Celebration Awareness Program	General Public in Auki	SIFIU	200+
01 – 09/09/2024	Awareness Program to West and South-West Guadalcanal.	Secondary Schools in West and South-West Guadalcanal	SIFIU	200+
13/11/2024	Universal Children's Day Awareness Program.	Financial Institutions	SIFIU	10+
12/12/2024	AML/CFT Training and Awareness for POB Senior Executive and Management.	POB Staff	SIFIU	10

Source: SIFIU

AML/CFT Onsite Inspections Conducted by SIFIU in 2024

SIFIU has conducted three onsite inspections in 2024, two for Casinos and the other for a Financial Institution.

Table 6.5 shows the number and details of onsite inspections SIFIU has conducted in 2024:

TABLE 6.5		
DATE	PARTICULAR OF EVENT	ENTITY INSPECTED
25-28/03/2024	BSP AML/CFT (SIFIU and FASU) Joint-Onsite Inspection.	BSP
11/06/2024	Coral Sea Casino Follow-Up AML/CFT Onsite Inspection.	Coral Sea Casino
13/06/2024	Pacific Crown Casino Follow-Up AML/CFT Onsite Inspection.	Pacific Crown Casino

Source: SIFIU

CHAPTER 7: CALENDAR OF EVENTS

MONTHS	EVENTS
JANUARY	<ul style="list-style-type: none"> CBSI Board training in Brisbane on Governance and Risk Management
FEBRUARY	<ul style="list-style-type: none"> MPC meeting to deliberate on the Monetary Policy Stance for March 2024
MARCH	<ul style="list-style-type: none"> CBSI Board Meeting in Honiara approves the Monetary Policy Stance for March 2024
APRIL	<ul style="list-style-type: none"> CBSI Board Meeting in Honiara approved the Financial Report 2023
MAY	<ul style="list-style-type: none"> CBSI Board Meetings in Honiara
JUNE	<ul style="list-style-type: none"> CBSI Board Meeting in Honiara Special MPC meeting to deliberate on the revised Currency Weights in the Exchange Rate Basket, endorsement of the TOR for MPC Exchange Rate Technical Sub-committee, and Research Papers for June Research Conference CBSI co-hosted the 4th Annual Pacific Conference and Leaders Forum with Griffith University
JULY	<ul style="list-style-type: none"> Signing of the Memorandum of Agreement (MOA) with the Asia Pacific Applied Economics Association (APAEA) on research collaboration
AUGUST	<ul style="list-style-type: none"> MPC meeting to deliberate on the Monetary Policy Stance for September 2024 CBSI Board Meeting approves the Monetary Policy Stance for September 2024 CBSI Appeared before the Parliamentary Accounts Committee (PAC) on the 2024 Supplementary Appropriation Budget
OCTOBER	<ul style="list-style-type: none"> Update MPC on the progress on CBSI's Forecasting and Policy Analysis System (FPAS) TA Project, seek MPC's feedback on the modernization of CBSI's monetary policy formulation and decision-making process as part of FPAS implementation
NOVEMBER	<ul style="list-style-type: none"> ERSD co-organized the first joint workshop with the Asian Development Bank Institute (ADBI) and APAEA CBSI appeared before the PAC on the 2025 Appropriation Bill 2024 CBSI Board Meeting in Honiara ERSD conducted annual stakeholder consultation meetings in Auki, Munda, Noro, and Gizo
DECEMBER	<ul style="list-style-type: none"> CBSI Board Meeting in Auki, Malaita Province approves the Workplan and Budget for 2025



CENTRAL BANK OF SOLOMON ISLANDS

DIRECTORS' REPORT

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DIRECTORS' REPORT

In accordance with a resolution of the Board of Directors, the Directors herewith submit the statement of financial position of the Central Bank of Solomon Islands ("the Bank") as at 31 December 2024 and the related statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year, and the report as follows:

DIRECTORS

The Directors in office during the financial year and at the date of this report were:

- Luke Forau (Chairman and Governor)
- Raynold Moveni (Deputy Governor)
- Mckinnie Dentana (Permanent Secretary of Finance)
- Sonia Marahare (Board Secretary and Chief Manager Risk Management and Corporate Communication)
- David K C Quan
- Rodney Rutepitu
- Bob Pollard
- Kathleen Matautia
- Jeremy Bartlett
- Hellen Beck

STATE OF AFFAIRS

In the opinion of the Directors:

- There was no significant change in the state of affairs of the Bank during the financial year under review not otherwise disclosed in this report of the financial statements.
- The accompanying statement of financial position gives a true and fair view of the state of affairs of the Bank as at 31 December 2024 and the accompanying statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows give a true and fair view of the results of the Bank for the year ended.

PRINCIPAL ACTIVITIES

For the benefit of the people of Solomon Islands, the roles of Central Bank of Solomon Islands, as defined in the Central Bank of Solomon Islands Act., 2012 are:

- (a) to achieve and to maintain domestic price stability;
- (b) to foster and to maintain a stable financial system;
- (c) to support the general economic policies of the government to grow the economy.

OPERATION RESULTS

The Bank incurred a net operating loss of \$92.91 million for the year ended 31 December 2024 (2023: net profit of \$206.96 million). In considering unrealised foreign currency loss of \$183.95 million and gain on fair of gold of \$9.19 million, the Bank had an operating profit of \$81.85 million.

RESERVES

The Board approved the following transfers to reserves from the statement of profit or loss and other comprehensive income: \$81.85 million of the realised profit to the Capital Asset Reserve and \$183.95 million of currency revaluation loss to the Foreign Exchange Revaluation Reserve, and \$9.19 million to the Gold Revaluation Reserve. The Board planned to transfer all distributable profit to the Capital Asset Reserve to support the head office building project that is currently in the preparation stage.

PROVISIONS

There were no other material movements in provisions during the year apart from the normal amounts set aside for such items as depreciation and employee entitlements.

GOING CONCERN

The Board believed that the Bank will be able to continue to operate for the next 12 months from the date of this report. Considering the financial buffers in General Reserve and the Paid-up Capital.

ASSETS

The Directors took reasonable steps before the Bank's financial statements were issued to ascertain that the assets of the Bank were reported in the accounting records at a value equal to or below the value that would be expected to be realised in the ordinary course of business.

At the date of this report, the Directors were not aware of any circumstances which would make the values of the assets in the financial statements misleading.

SIGNIFICANT EVENTS DURING THE YEAR

The Solomon Islands held its National General Elections on April 17, electing Members of Parliament (MPs) for the 12th Parliament. With no party securing a majority, a coalition government formed the Government of National Unity and Transformation (GNUT). On May 2, Parliament elected the Prime Minister, followed by the appointment of cabinet ministers. In June, the government launched its 100-Day Program and Policy Statement, which focuses on Economic Transformation, Good Governance, National Unity, and Human Capital Development.

Meanwhile, the country's economic indicators, including consumption imports, inward remittances, exports, private-sector lending, and SINPF members contribution, showed positive outcomes. However, as a small and open economy, the country remains vulnerable to external and domestic shocks.

Globally, oil prices stabilized, while inflation in major economies eased toward target levels. In the United States, as inflation declined, market expectations shifted toward US Fed rate cuts, leading to a weaker US dollar in the second and third quarters of the year. The US Fed started reducing rates slightly in September, with further cuts in November and December to support economic growth and stabilize the labor market, though interest rates remained above 2022 levels. By the fourth quarter, a cautious approach to rate cuts and expectations of a pro-growth policy under the Trump administration led to a significant appreciation of the US dollar, reversing earlier decline. Meanwhile, in Australia, the cash rate remained elevated, with gradual reduction expected in 2025 as inflation moves towards the 2-3% target range.

These global monetary policies shifts and market trends, particularly changes in US interest rates and the US dollar, affected the Bank's Balance Sheet and Profit and Loss Statements. This included continued higher interest income and exchange rates fluctuations. In the third quarter, following IMF technical assistance, the Bank revised the weighting of the SBD currency basket to better reflect current economic conditions. The movements in the US dollar and currency basket adjustments directly impacted the Bank's Net Foreign Exchange Revaluation Gains and Losses. With inflation in the Solomon Islands expected to decline by the end of 2024, the Bank shifted to an accommodative stance in September 2024, following nine months of policy tightening. This adjustment aimed to support economic growth. By year-end, headline inflation fell to 4.6%, down from its 2022 peak, though still above the 2023 level of 3.5%, largely due to hike in betel nut prices as a result of supply shortages. Core inflation, which excludes volatile items, eased to 1.9% in 2024 from 3.5% in 2023, indicating weaker underlying inflationary pressures.

DIRECTORS' BENEFIT

Other than directors' remuneration and benefits disclosed in the financial statements, no director has received or benefited from anything over and above, either directly or indirectly through any entity that he/she is a member of or with substantial financial interest.

UNUSUAL TRANSACTIONS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Bank, the results or cash flows of those operations, or the state of affairs of the Bank in future financial years.

EVENTS SUBSEQUENT TO BALANCE DATE

There are no events or transaction of a material unusual nature, in the opinion of the directors of the Bank, likely to affect significantly the operations of the Bank, and the results of the operations, or the state of affairs of the Bank in the future financial years.

OTHER CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which render amounts stated in the financial statements misleading.

Dated at Honiara on 29th April 2025.

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



Luke Forau
Chairman of the Board and Governor



David KC Quan
Director

STATEMENT BY DIRECTORS

In the opinion of the Directors:

- (a) the accompanying statement of profit or loss and other comprehensive income is drawn up to give a true and fair view of the results of the Bank for the year ended 31 December 2024
- (b) the accompanying statement of financial position is drawn up to give a true and fair view of the state of affairs of the Bank as at 31 December 2024
- (c) the accompanying statement of changes in equity is drawn up to give a true and fair view of the changes in equity of the Bank for the year ended 31 December 2024
- (d) the accompanying statement of cash flows is drawn up to give a true and fair view of the cash flows of the Bank for the year ended 31 December 2024
- (e) at the date of this statement there are reasonable grounds to believe the Bank will be able to pay its debts when they fall due
- (f) all related party transactions have been adequately recorded in the books of the Bank
- (g) the financial statements have been properly prepared in accordance with International Financial Reporting Accounting Standards ("IFRS") and the CBSI Act 2012 as amended.

For and on behalf of the Board of Directors by authority of a resolution of the Directors dated on 29th April 2025.



Luke Forau
Chairman of the Board and Governor



David KC Quan
Director

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF CENTRAL BANK OF SOLOMON ISLANDS

**SOLOMON ISLANDS OFFICE
OF THE AUDITOR-GENERAL**



Independent Auditor's Report to the Members of Central Bank of Solomon Islands

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Central Bank of Solomon Islands (the Bank) which comprise the Statement of Financial position as at 31st December 2024, and the Statements of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes, comprising material accounting policies and other explanatory information as set out in notes 1 to 29.

In my opinion the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31st December 2024, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report.

I am independent of the Bank in accordance with International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics, and the ethical requirements that are relevant to my audit of the financial statements and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the Directors' report, but does not include the 'financial statements and my auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard,

Responsibilities of management and those charged with governance for the Financial Statements

Directors and management are responsible for the preparation and fair presentation of the financial

statements in accordance with International Financial Reporting Standards and with the requirements of the Central Bank of Solomon Islands Act 2012 as amended and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is 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 auditors' report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAI, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

I have obtained all the information and explanations which, to the best of my knowledge and belief, are

necessary for the purposes of my audit.

In my opinion the financial statements have been prepared in accordance with the requirements of Central Bank of Solomon Islands Act, 2012 as amended in all material respects, and;

- i. I have been given all information, explanations and assistance necessary for the

conduct of the audit; and

- ii. The Bank has kept financial records sufficient to enable the financial statements to be prepared and audited.
- iii. the audited financial statements submitted to the Minister within four months of the financial year to which the financial statements relate.



David Dennis
Auditor-General

Office of Auditor-General
Honiara, Solomon Island
30 April 2025

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024**

	Note	2024 \$000	2023 \$000
Income			
Interest income	3(a)	201,974	167,173
Fees and commission income	3(b)	21,914	22,727
Other income	3(c)	12,192	11,227
Net change in fair value in gold		9,190	7,536
Net foreign exchange revaluation gain		-	129,156
Total income		245,270	337,819
Expenses			
Interest expense	3(d)	19,245	21,293
Fees and commission expense		575	542
Administrative expenses	3(e)	108,607	75,870
Other expenses	3(f)	25,745	32,273
Impairment allowance on financial instruments		58	873
Net unrealised foreign exchange revaluation LOSS		183,951	-
Total expenses		338,181	199,432
Net operating profit/(loss)		(92,911)	206,968
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of land and building		17,099	-
Total other comprehensive income		17,099	-
Total comprehensive (loss)/income		(75,812)	206,968

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024**

	Note	2024 \$000	2023 \$000
Foreign currency assets			
Cash and cash equivalents	20	1,532,051	574,079
Accrued interest		35,145	40,594
Fixed income securities	4	4,186,285	4,892,684
Gold	5	44,364	-
International Monetary Fund	6	231,258	457,406
Total foreign currency assets		<u>6,029,104</u>	<u>5,964,763</u>
Local currency assets			
Cash on hand	20	789	487
Accrued interest		154	156
Loans and advances	7	273,918	280,984
Currency inventory	8	26,002	21,878
Property, plant and equipment	12	249,950	230,732
Intangible assets	9	8	25
Other assets	10	26,010	94,242
Right-of-use asset	11(a)	1,075	2,806
Total local currency assets		<u>577,906</u>	<u>631,310</u>
Total assets		<u>6,607,010</u>	<u>6,596,073</u>
Foreign currency liabilities			
International Monetary Fund	6	647,600	738,399
Demand deposits	13(a)	27,334	47,641
Total foreign currency liabilities		<u>674,934</u>	<u>786,040</u>
Local currency liabilities			
Demand deposits	13(b)	3,695,819	3,297,819
Currency in circulation	14	1,491,809	1,431,696
Fixed deposits	15	226,708	425,690
SIG monetary operations account	16	12,921	4,973
Employee entitlements	17	50,666	37,592
Other liabilities	18	7,195	77,765
Lease liabilities	11(b)	1,197	2,924
Total local currency liabilities		<u>5,486,315</u>	<u>5,278,459</u>
Total liabilities		<u>6,161,249</u>	<u>6,064,499</u>
Net assets		<u>445,761</u>	<u>531,572</u>
Capital and reserves			
Paid up capital	21	50,000	50,000
General reserve	22(a)	169,769	169,769
Foreign exchange revaluation reserve	22(b)	(234,599)	(50,649)
Asset revaluation reserve	22(c)	177,282	160,183
Gold revaluation reserve	22(d)	(362)	(9,552)
Capital asset reserve	22(e)	290,671	218,821
Total capital and reserves		<u>445,761</u>	<u>531,572</u>



Luke Forau
Chairman of the Board and Governor



David KC Quan
Director

The above statement of financial position should be read in conjunction with the accompanying notes

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024**

	Issued & paid up capital	Gold revaluation reserve	General reserve	Foreign exchange assets revaluation reserve	Asset revaluation reserve	Capital assets reserve	Total
	Note 21 \$'000	Note 22(d) \$'000	Note 22(a) \$'000	Note 22(b) \$'000	Note 22(c) \$'000	Note 22(e) \$'000	\$'000
Balance at 1 January 2023	50,000	(17,088)	162,769	(179,805)	160,183	148,545	324,604
Total comprehensive income for the year	-	-	-	-	-	-	-
Net foreign exchange gain (section 53(2))	-	-	-	129,156	-	-	129,156
Fair value gain of gold (Section 53(2))	-	7,536	-	-	-	-	7,536
Net profit for the year excluding foreign exchange revaluation gain and gold revaluation gain:	-	-	-	-	-	70,276	70,276
Transfer to capital asset as required under: Section 55(1) (c) of the Central Bank of Solomon Islands Act., 2012	-	-	-	-	-	-	-
Balance as at 31st December 2023	50,000	(9552)	169,769	(50,649)	160,183	218,821	531,572
Total comprehensive income for the year	-	-	-	-	-	-	-
Net foreign exchange gain Section 53(2))	-	-	-	(183,950)	-	-	(183,950)
Fair value gain gold(Section 53(2))	-	9,190	-	-	-	-	9,190
Net profit for the year excluding foreign exchange revaluation gain and gold revaluation gain	-	-	-	-	-	81,850	81,850
Transfer to capital asset as required under: Section 55(1) (c) of the Central Bank of Solomon Islands Act., 2012	-	-	-	-	-	-	-
Dividend paid to the SIG	-	-	-	-	-	(10,000)	(10,000)
Revaluation gain of land and building	-	-	-	-	17,099	-	17,099
Total other comprehensive income	-	-	-	-	17,099	-	17,099
Balance as at 31st December 2024	50,000	(362)	169,769	(234,599)	177,282	290,671	445,761

The above statement of changes in equity should be read in conjunction with the accompanying notes.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024**

	Note	2024 \$'000	2023 \$'000
Operating activities			
Interest received		196,525	146,532
Cash received from other income		34,106	33,954
Interest paid		(19,459)	(11,508)
Cash paid to suppliers and employees		(201,291)	(30,157)
Net movement in fixed income investments		718,763	(1,006,515)
Net movement in International Monetary Fund accounts		139,636	(18,970)
Net movement in change in fair value of Gold		9,190	-
Net movement in other receivables		59,984	(64,207)
Net movement in loan to government		23,614	(77,740)
Net movement in loans and advances to staff		(5,232)	(4,019)
Interest payment on lease liabilities		(214)	(295)
Cash flows (used in) operating activities		955,622	(1,032,925)
Investing activities			
Acquisition of property, plant and equipment		(7,670)	(4,479)
Proceeds from sale of premises, plant and equipment		44	(27)
Net movement in gold		44,364	118,614
Cash flows from investing activities		36,738	114,108
Financing activities			
Net movement in currency in circulation		60,113	122,653
Net movement in demand deposits		377,693	78,781
Net movement in fixed deposits received		(289,661)	27,001
Solomon Islands government monetary operations		7,948	(36,015)
Net movement in International Monetary Fund credit facilities		(4,287)	1,516
Repayment of principal portion of lease liabilities		(1,941)	(1,968)
Cash flows from financing activities		149,865	191,673
Net effect of exchange rates		(183,951)	129,156
Net (decrease) in cash		956,274	(597,693)
Cash at bank and on hand at the beginning of the financial year		574,566	1,172,259
Cash at bank and on hand at the end of the financial year	20	1,532,840	574,566

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

1. Principal activities and principal place of operations

The Central Bank of Solomon Islands ("the Bank") operates under the CBSI Act 2012 as amended. The Bank is an independent legal entity wholly owned by, and reporting to, the Government of the Solomon Islands. The Bank's primary objectives as defined in the Central Bank of Solomon Islands Act 2012 as amended, Section 8 are:

- (a) to achieve and to maintain domestic price stability;
- (b) to foster and to maintain a stable financial system;
- (c) to support the general economic policies of the government to grow the economy.

The Bank's principal place of operation is located at Mud Alley Street, Honiara, Solomon Islands.

The financial statements were authorised for issue by the Board of Directors on 29nd April 2025.

2. Summary of material accounting policies and statutory requirements

(a) Statement of compliance

The financial statements of the Bank have been prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB) and the relevant provisions of the CBSI Act, 2012 as amended.

(b) Basis of Preparation

The financial statements have been prepared on the historical cost basis and do not take into account changes in money values except for the following material items in the statement of financial position.

- Cash and cash equivalents, fixed income securities and loans and advances are measured at amortized cost.
- These accounting policies adopted in the preparation and presentation of these financial statements are consistent with the use of the prior year.
- The Bank presents its statement of financial position in order of liquidity based on the Banks intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 23.

(c) Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. These amendments are not expected to have a material impact on the Bank.

New pronouncement	Effective date*
Lack of exchangeability – Amendments to IAS 21	1 January 2025
Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7	1 January 2026
Power Purchase Agreements - Amendments to IFRS 9 and IFRS 7	1 January 2026
IFRS 18 - Presentation and Disclosure in Financial Statements	1 January 2027

Changes in accounting policies

The Bank applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024 (unless otherwise stated). The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New pronouncement	Effective date*
Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1	No impact
Lease liability in a sale and leaseback - Amendments to IFRS 16	No impact
Definition of Accounting Estimates - Amendments to IAS 18	No impact
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	No impact

*Effective for annual periods beginning on or after this date.

(d) Going concern basis of accounting

The financial statements have been prepared on a going concern basis. At 31 December 2024 the Bank had a net asset of \$445 million (2023: \$531 million).

(e) Functional and presentation currency

The financial statements are presented in Solomon Islands dollars, which is the Bank's functional currency. All financial information presented in Solomon Islands dollars has been rounded to the nearest thousand except when otherwise indicated.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

(f) Use of estimates and judgment

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed in the following paragraphs.

The more significant areas of estimation include the estimation of factors that go into the determination of any impairment allowances for financial assets, and in the determination of certain employee entitlements.

(g) Finance income and finance costs

The Bank's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities; and
- impairment losses (and reversals) on investments in debt securities carried at amortized cost.

Interest income or expense is recognized using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Interest income and expense presented in the statement of profit or loss and other comprehensive income include interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis.

(h) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer. The Bank recognizes revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers.

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms	Revenue recognition under IFRS 15
Sale of numismatic coins/Royalties on numismatic	Sales include the selling of numismatic to the customer. Performance obligation is satisfied when the customer receives the numismatic coins. At this point, the revenue is recognized.	Revenue and associated costs are recognized when the goods are provided - i.e. when the numismatic is issued to the customer.
Dealing profit – fees and commissions	The income involves the spreads earned by the Bank in buy and sell arrangements (sold deals) and sell and buy back arrangements (bought deals) of foreign currencies. Performance obligation is satisfied when the customer is issued with a deal voucher of the deals. At this point, the revenue is recognized.	Revenue and associated costs are recognized when the deals are provided - i.e. when the deal is issued to the customer.

(i) Income tax

The Bank is exempted from income tax under the Income Tax (Central Bank of Solomon Islands Exemption) Order of 21st June 1976 as provided for under Section 16 (2) of the Income Tax Act (CAP 123).

(j) Financial assets and financial liabilities

The Bank measures and classifies its financial assets into three categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss.

Valuation of financial instruments

All financial instruments are initially recognised at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the market at measurement date. The fair value of a financial instrument on initial recognition is the transaction price or the fair value of the consideration given or received. The fair value of financial instruments is measured on an individual basis.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt instruments; FVOCI - equity instruments; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Bank changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

change in the business model.

i. Financial assets measured at amortised costs

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- The financial assets that are measured at amortised costs includes cash and cash equivalents, fixed income securities, loans and advances.

ii. Financial assets measured at fair value through other comprehensive income

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These comprise marketable securities, cash and cash equivalents and IMF holdings. Financial assets measured at FVOCI are included in the impairment calculations and impairment is recognised in profit or loss.

iii. Financial assets measured at fair value through profit and loss

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Bank may irrevocably designate a financial asset that otherwise meet the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Derecognition

Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Bank enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Bank also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment

Financial assets

The Bank recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The Bank measures loss allowances at an amount equal to the lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, bases on the Bank's historical experience and information credit assessment and including forward-looking information.

The Bank assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Bank considers a financial asset to be in default when:

the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or the financial asset is more than 90 days past due.

The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank considers this to be Baa3 or higher per rating agency Moody's or BBB- or higher per rating agency Standards & Poor's (S&P).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive); and*
- *financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.*

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a receivable by the Bank on terms that the Bank would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL for financial assets measured at amortised cost are presented in the statement of financial position as a deduction from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Bank determines that the counter-party does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and present actual and regularly occurring market transactions on an arm's length basis.

(k) Cash and cash equivalents

Cash and cash equivalents include notes and coins held by the Bank, tellers' cash, current accounts with a maturity of three months or less from the acquisition date and other short term highly liquid term deposits.

Cash and cash equivalents are carried at amortised costs in the statement of financial position.

(l) Fixed income securities

Fixed income securities are non-derivative assets with fixed or determinable payment and fixed maturity. The Bank intends to hold these to maturity. Fixed income securities include fixed term deposits, short term commercial papers and bonds.

Fixed income securities are carried at amortised costs using the effective interest method less any impairment losses.

(m) Gold revaluation reserve

Gold holdings are measured in Solomon Islands Dollars (SBD) using exchange rates prevailing at the end of the reporting period. In alignment with the requirements of IFRS 9 - Financial Instruments, the Bank has now classified its gold holdings as financial assets measured at fair value through profit or loss (FVPL). This reclassification reflects the Bank's business model of active trading in unallocated gold in last three years after selling its gold bullion.

Under this reclassification all gains and losses-whether realised or unrealized-arising from changes in the fair value of gold holdings are recognised directly in the statement of profit and loss and available for distribution. This approach enhances full compliance and aligns the Bank's accounting and reporting practices with international financial reporting standards applicable to financial instru-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

ments.

As a result of this reclassification, the Bank recognised a net gain of \$9.1 million for the current financial year 2024 (2023: net loss of \$7.56 million), which has been included in the net profit reported for the year. This treatment represents a change from the historical approach under Section 53(2) of the CBSI Act, 2012 as amended, where revaluation gains and losses were previously recognised through other comprehensive Income and transferred to Gold Revaluation Reserve and excluded from profit or loss.

(n) **Loans and advances**

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term. Loans and advances comprise of loans and advances and similar balances to the Solomon Islands Government and staff loans.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised costs using the effective interest method, less any impairment losses.

(o) **Currency inventory**

Currency inventory is recognised in the statement of financial position at cost.

Currency inventory relates to notes and coins purchased for circulation. The amount expensed in profit or loss is based on the cost of acquiring from the currency printers and mint the notes and coins that are subsequently issued into circulation.

(p) **Currency in circulation**

Currency issued by the Bank represents a claim on the Bank in favour of the holder. Currency in circulation comprises notes and coins issued by the Bank and the liability for currency in circulation is recorded at face value in the statement of financial position.

(q) **Property, plant and equipment**

Recognition and measurement

Certain items of property, plant and equipment are initially measured at cost less accumulated depreciation and any accumulated impairment losses. Land and buildings are initially recognised at cost less accumulated depreciation and subsequently accounted for at fair value.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Any gain or loss on disposal of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the asset at the time of disposal) is recognised within other income in profit or loss..

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.

Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. The rates of depreciation used are based on the following estimated useful lives:

Buildings	4 - 55 years
Computers	3 years
Furniture, plant and equipment	3 - 5 years
Motor vehicles	4 years

Periodic revaluation

The Board has determined that apart from land and buildings, the remaining fixed assets of the Bank are recorded on an historical cost basis. With Board approval, land and buildings are recognized at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. The revaluation surplus net of applicable deferred income taxes is credited to asset revaluation reserve in shareholders equity. At the end of each reporting period, the board updates their assessment of the fair value of each property, taking into account the most recent independent valuations.

(r) **Leases, right-of-use asset and lease liability**

Bank as Lessee

Right-of-use assets and lease liabilities arising from lease contracts are initially measured on a present value basis. Lease liabilities include the present value of all fixed payments (less any lease incentives receivable), variable lease payments that are based on an index or rate, any amounts expected to be paid under residual value guarantees, the exercise price of any purchase options that are reasonably certain to be exercised and any payments for terminating a lease if the lease term reflects the exercise of that termination option. The lease payments are discounted using the discount rate implicit in the lease, if that rate can be determined, or the Bank's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to interest expense so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Payments associated with short term leases of 12 months or less and leases of low value assets are recognised as an expense on a straight line basis. Variable lease payments that are not based on an index or rate are recognised as an expense as incurred.

Right-of-use assets are initially measured at cost, comprising the amount on initial recognition of the lease liability plus any lease payments made before commencement of the lease, any initial direct costs and the estimated costs of any restoration required upon

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

completion of the lease contract.

Right-of-use assets are subsequently measured at cost less depreciation and any impairment. Right-of-use assets are depreciated on a straight-line basis over the shorter of the term of the lease and the asset's useful life, unless there is a purchase option which is reasonably certain of being exercised, in which case the asset will be depreciated over its useful life.

Lease liabilities include the net present value of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payment that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments to penalties for terminating the lease, if the lease term reflects the lessee exercising that option. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not execute a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or terminated).

The assessment is reviewed if a significant event or significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

The Bank presents right-of-use asset and lease liability as separate line items in the statement of financial position.

(s) Demand deposits

Demand deposits represent funds placed with the Bank by financial institutions and other organisations. Demand deposits are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. These deposits are at call.

(t) Employee entitlements

Short-term employee benefits

Short-term employee benefits comprising of accrued wages and salaries, annual leave and entitlement to Solomon Islands National Provident Fund are measured on an undiscounted basis and are expensed as the related service is provided.

Liabilities recognised in respect of short-term employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Long-term employee benefits

Long-term employee benefits comprise of long service leave, gratuity and early retirement benefits.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made resulting from employee's service provided to balance date, based on staff turnover history and is discounted using the rates attaching to the external bonds portfolio.

(u) Impairment

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

(v) Comparative figures

Where necessary, comparative figures have been changed to conform to changes in presentation in the current year.

3. Income and expenses

(a) Interest income

	2024 \$'000	2023 \$'000
Overseas investments	188,700	161,002
Local investments	13,274	6,171
	<u>201,974</u>	<u>167,173</u>

(b) Fees and commission income

Foreign dealings	19,997	21,100
Local dealings	1,917	1,627
	<u>21,914</u>	<u>22,727</u>

(c) Other income

Gain on disposal of fixed assets	160	68
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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	2024 \$'000	2023 \$'000
Rent received	77	87
Sale of numismatic coins	149	42
Royalties on numismatics	57	74
Sale of gold	11,202	10,421
Others	547	535
	<u>12,192</u>	<u>11,227</u>
(d) Interest expense		
Foreign liabilities	16,967	19,899
Local liabilities	2,064	1,099
Interest on lease liability - IFRS 16	214	295
	<u>19,245</u>	<u>21,293</u>
(e) Administrative expenses		
Staff costs	88,652	58,330
Telecommunication	5,329	3,642
Utilities	2,821	2,661
Repairs and maintenance	1,680	2,444
Insurance	733	535
Consumables	154	438
Stationery, printing and postage	1,316	669
Other expenses	7,922	7,151
	<u>108,607</u>	<u>75,870</u>
(f) Other expenses		
Board of directors' remunerations and expenses	1,501	1,258
Currency expenses	11,099	14,339
Depreciation and amortisation	5,507	4,991
Depreciation - right-of-use asset	1,730	1,727
Auditors' remuneration	600	472
Other expense	5,307	9,486
	<u>25,745</u>	<u>32,273</u>
4. (a) Fixed income securities		
Fixed term deposits	1,307,723	1,659,047
Short term commercial paper	100,866	197,416
Bonds – Refer note 4 (b)	2,778,957	3,039,070
Total amortised cost	4,187,546	4,895,533
Allowance for impairment losses	(1,261)	(2,849)
	<u>4,186,285</u>	<u>4,892,684</u>
(b) Amortized Bond <i>(Bonds at amortized cost includes the following debt instruments)</i>		
Investment in AUD bond	846,181	1,048,372
Investment in US Treasury bills	1,932,776	1,990,698
	<u>2,778,957</u>	<u>3,039,070</u>
5. Gold		
	2024 \$'000	2023 \$'000
Unallocated gold - at fair value	44,364	-

The balance represents the Banks holding of gold investment at year end.

Gold is valued at the market price ruling at period end. Revaluation gains and losses on gold due to change in fair value are taken

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

into profit and loss and transferred to gold revaluation reserve. Currency translation gains and losses on gold are taken to profit and loss and transferred to Foreign Currency Revaluation reserve – Foreign Currency and gain through trading activities are transferred to the General Reserve. The Bank has classified this a financial asset under IFRS 9.

The following are the amounts recognised in profit or loss:

	2024 \$'000	2023 \$'000
Gain from gold trading	11,202	10,421
Gain on revaluation of gold	9,190	7,536

6. International Monetary Fund

IMF related assets and liabilities

Foreign currency assets

- Reserve tranche position	34,905	35,728
- Special drawing rights	762	219,735
- Currency subscription	195,591	201,943
	<u>231,258</u>	<u>457,406</u>

Foreign currency liabilities

- Special drawing rights allocation	330,683	340,836
- Extended credit facility	77,939	82,226
- Securities / extended financial instrument	234,028	310,420
- Capital subscription	4,950	4,917
	<u>647,600</u>	<u>738,399</u>

The Solomon Islands is a member of the International Monetary Fund (IMF) and the Central Bank of Solomon Islands has been designated as the Government of Solomon Islands' fiscal agency (through which the Government deals with the IMF) and as the depository for the IMF's holding in Solomon Islands dollars.

The Solomon Islands subscription to the IMF has been met by:

- (i) payment to the IMF out of the Central Bank's external assets which have been reimbursed by the Government of Solomon Islands by issue of non-interest bearing securities;
- (ii) the funding of accounts in favour of the IMF in the books of the Central Bank by the Government of Solomon Islands.
- (iii) The liabilities to the IMF include subscriptions which are maintained in the IMF No.1 and IMF No. 2 accounts, are disclosed together as capital subscription. The IMF maintains such balances in their accounts in both Special Drawing Rights (SDR) and Solomon Islands dollar equivalents; the Bank balances are maintained only in Solomon Islands dollars.

The standby credit facility with IMF commenced in 2010 with first disbursement received on 23 June 2010. The final disbursement was transacted on 1 December 2011.

The extended credit facility with IMF was approved and drawn down on 11 December 2012.

The extended financial instrument was approved and received on 3 June 2020.

7. Loans and advances

	2024 \$'000	2023 \$'000
<i>Solomon Islands Government</i>		
Loans and advances	46	20,046
Development bonds	27	27
Treasury bills	30	95
COVID bonds	250,000	237,714
Other securities	-	4,936
Total amortised cost	<u>250,103</u>	<u>262,818</u>
Allowance for impairment losses	<u>(1,365)</u>	<u>(1,979)</u>
	<u>248,738</u>	<u>260,839</u>

The Bank purchased the Solomon Islands Government COVID-19 bond from the Solomon Islands National Provident Fund and Solomon Power Limited between December 2020 and October 2021. These Solomon Islands Government COVID-19 bonds have a term of 10 years term with interest rates ranging between four percent (4%) to five percent (5%).

In 2024, the Bank acquired an additional \$60 million of the government bond from the Solomon Islands Ports Authority. Bringing the cumulative value of the Bank's holdings in government bonds to a value of \$240 million. Solomon Islands Government made a repayment of \$4.3 million in December 2023, reducing the balance to \$237 million.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

	2024 \$'000	2023 \$'000
<i>Staff loans</i>		
Staff housing loans	22,726	17,729
Management car loans	1,811	1,724
Personal loans	1,422	1,264
Special loans	8	19
	<u>25,967</u>	<u>20,736</u>
Allowance for impairment losses	(787)	(591)
	<u>25,180</u>	<u>20,145</u>
Total loans and advances	<u>273,918</u>	<u>280,984</u>
 8. Currency inventory		
Notes	19,098	12,440
Coins	6,904	9,438
	<u>26,002</u>	<u>21,878</u>
 9. Intangible assets		
<i>Cost/valuation</i>		
Balance at 1 January 2023	<u>120</u>	<u>120</u>
Acquisitions	-	-
Disposals	(95)	(95)
Balance at 31 December 2023	<u>25</u>	<u>25</u>
Acquisitions	-	-
Balance at 31 December 2024	<u>25</u>	<u>25</u>
<i>Accumulated depreciation</i>		
Balance at 1 January 2023	95	95
Amortisation charge for the year	-	-
Disposals	(95)	(95)
Balance at 31 December 2023	-	-
Amortisation charge for the year	16	16
Disposals	-	-
Balance at 31 December 2024	<u>16</u>	<u>16</u>
<i>Carrying amount</i>		
At 31 December 2023	25	25
At 31 December 2024	<u>8</u>	<u>8</u>
 10. Other assets		
Commercial Bank clearing	20,332	84,836
Others	5,678	9,406
	<u>26,010</u>	<u>94,242</u>
 11. Right-of-use asset and lease liability		
(a) Right-of-use asset		
Balance as at 1 January	2,806	169
Additions	-	4,364
Depreciation	(1,731)	(1,727)
Balance as at 31 December	<u>1,075</u>	<u>2,806</u>
 (b) Lease liability		
Balance as at 1 January	2,924	105
Additions	-	4,321

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

Less: Lease payments	(1,941)	(1,968)
Add: Interest expense	214	294
Adjustment during the year	-	172
Balance as at 31 December	1,197	2,924
Disclosed		
Current liability	1,197	20
Non-current liability	-	2,904
Balance as at 31 December	1,197	2,924

(i) *Amounts recognised in the statement of profit or loss and other comprehensive income*

Depreciation charge on right-of-use assets	1,731	1,727
Interest expense (included in finance cost)	214	294

(iii) *Amounts recognised in statement of cash flow- financing*

Principal elements of lease payment	1,941	1,968
Interest elements of lease payment	214	294
Total cash outflow of leases	2,155	2,262

12. Property, plant and equipment

	Land and Buildings	Plant, equipment and furniture	Motor vehicles	Computer	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Cost/valuation</i>						
Balance at 1 January 2023	205,747	26,808	2,301	8,842	35,300	266,518
Acquisitions	-	1,471	571	2,008	429	4,479
Disposal	-	(20,879)	(144)	(4,238)	-	(25,261)
Balance at 31 December 2023	205,747	7,400	2,728	6,612	35,729	245,736
Acquisitions	-	1,210	1,433	1,960	3,067	7,670
Transfer*	-7752	(76)	-	-	-	(7,828)
Disposals	-	(686)	(1,354)	(3,372)	-	(5,412)
Revaluation	17,099	-	-	-	-	17,099
Balance at 31 December 2024	215,094	7,848	2,807	5,200	26,316	257,265
<i>Accumulated depreciation</i>						
Balance at 1 January 2023	2,654	24,149	1,518	6,980		35,301
Depreciation charge for the year	2,661	589	389	1,325	-	4,964
Disposals	-	(20,879)	(144)	(4,238)	-	(25,261)
Balance at 31 December 2023	5,315	3,859	1,763	4,067	-	15,004
Depreciation charge for the year	2,444	896	573	1,575	-	5,488
Transfer*	(7,752)	(18)	-	-	-	(7,770)
Disposals	-	(684)	(1,354)	(3,372)	-	(5,410)
Balance at 31 December 2024	-	4,063	982	2,270	-	7,315
<i>Carrying amount</i>						
At 31 December 2023	200,432	3,541	965	2,545	35,729	230,732
At 31 December 2024	215,094	3,785	1,825	2,930	26,316	249,950

* This transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset.

The depreciation policy adopted in respect of the above is set out in note 2 (q). Work in progress relates to the ongoing capital works for the new Central Bank of Solomon Islands building project.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

The fair value of the properties was determined using market comparable method. The valuation have been performed by the valuer and are based on proprietary databases of prices of transactions for properties of similar nature, location, and condition as at dates of valuation on 1 January and 31 December 2024.

The properties fair values are based on valuations performed by Real Appraisers Ltd, an accredited independent valuer who has valuation experiences for similar office properties in Solomon Islands since 2014. A net gain from the revaluation of the land and buildings of \$17,099 million in 2024 was recognised in OCI.

13. Demand deposits

(a) Foreign currency demand deposits

	2024 \$'000	2023 \$'000
Demand deposits	27,334	47,641

Demand deposits include deposits from international organisations such as the Asian Development Bank-ADB, European Development Bank, International Fund for Agricultural development (IFAD).

(b) Local currency demand deposits

Commercial banks	2,954,034	2,602,203
Solomon Islands Government (SIG)	356,119	322,448
Other financial corporations	7,824	6,403
Reserve accounts - Commercial banks	377,842	366,765
	<u>3,695,819</u>	<u>3,297,819</u>

14. Currency in circulation

Notes	1,445,027	1,388,106
Coins	46,782	43,590
	<u>1,491,809</u>	<u>1,431,696</u>

The accounting policy adopted in respect of the currency in circulation is set out in note 2(p).

15. Fixed deposits

Bokolo bills	226,708	425,690
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Bokolo bills are short term discount securities issued and backed by the Central Bank of Solomon Islands. The instrument is used by the Bank for its monetary operations. The accounting policy adopted in respect of the fixed deposit is set out in note 2(j).

16. SIG monetary operations account

SIG monetary operations account	12,921	4,973
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17. Employee entitlements

Gratuity	4,932	4,467
Long service leave	1,507	1,194
Early retirement benefit	44,227	31,933
	<u>50,666</u>	<u>37,594</u>

The accounting policy adopted in respect of the employee entitlement is set out in Note 2(t).

18. Other liabilities

Unpresented bank cheques	1,073	63,694
Other liabilities including operating expenditure payable	6,122	14,071
	<u>7,195</u>	<u>77,765</u>

19. Determination of distributable profit

Profits of the Bank are determined and dealt with in accordance with Section 54 and 55 of the Central Bank of Solomon Islands Act., 2012 as follows:

- (a) Section 54(2)(a) states that unrealised revaluation gains shall be deducted from the net profits and shall not be available to be dis-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

	2024 \$'000	2023 \$'000
tributed but allocated to the respective unrealised revaluation reserve account.		
(b) The realised gains from previous years shall be deducted from the appropriate revaluation reserve account and added to the distributable earnings as determined in section 54(2)(a).		

Accordingly, the profit for the year has been distributed as follows:

Net profit distribution according to CBSI Act 2012

Net operating profit/ (loss)	(92,911)	206,968
Less - net unrealised foreign exchange gain	(9,190)	-7536
Less - net unrealised foreign currency revaluation loss	183,951	(129,156)
Net profit recorded in general reserve	81,850	70,276

Section 55(1) requires distributable profits in excess of 200% of authorised capital to be placed into a special reserve and retained at the Board's discretion. The general reserve has now reached the 200% level of the authorised capital.

Board resolved on the 29th of April 2025 to distribute profit as follows:

Capital asset reserve	81,850	70,276
Foreign Exchange revaluation Reserve	(183,951)	129,156
Gold Revaluation Reserve	9,190	7,536

Dividend distributed to Solomon Islands Government of \$10 million in 2023 was paid in 2024 and transferred from the Capital Asset reserve to the SIG Consolidated fund.

20. Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise of the following:

Cash on hand – foreign currency	798,973	547,372
Short term deposits with maturities up to 3 months	733,196	26,713
Total	1,532,169	574,572
Allowance for impairment losses	(118)	(6)
	1,532,051	574,079
Cash on hand – local currency	789	487
	1,532,840	574,566

21. Share capital

Section 6 (1) of the Central Bank of Solomon Islands Act.,2012 states that the authorised and paid up capital of the Bank shall be an amount equivalent to \$50 million dollars. The capital is fully subscribed by the Government of Solomon Islands.

Balance at the beginning of the year		
Transfer from General Reserve according to Section 6(1) of CBSI Act., 2012	50,000	50,000
Balance at the end of the year	50,000	50,000

22. Reserves

Under Section 53(2) of the Central Bank of Solomon Islands Act., 2012, the Bank shall maintain the following reserves. Their purpose and methods of operation are as follows:

(a) General reserve

The general reserve was established under Section 53(1) as a reserve for the purposes of covering losses sustained by the Bank.

(b) Foreign exchange asset revaluation reserve

Unrealised gains and losses on revaluation of foreign exchange balances are recognised in the profit or loss and are transferred to the foreign exchange asset revaluation reserve at the end of the accounting period in accordance with section 54(2)(a).

(c) Asset revaluation reserve

The asset revaluation reserve reflects the impact of changes in the market value of property.

(d) Gold revaluation reserve

The unallocated and allocated gold is valued at current quoted market prices. Gold is accounted for as at fair value through profit and loss. Unrealised gains and losses arising from revaluation are recognised in the profit and loss statement and are transferred to the

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

gold revaluation reserve at end of the accounting period.

(e) Capital asset reserve

The capital asset reserve is used to strengthen the Bank's equity position in relation to future major capital investment in buildings and equipment.

23. Financial risk and management policies

(a) Introduction

The structure of the Bank's statement of financial position is primarily determined by the nature of its statutory functions. IFRS 7 Financial Instrument Disclosures requires disclosure of information relating to financial instruments, their significance, performance, accounting policy, terms and conditions, fair values and the Bank's policies for controlling risks and exposures relating to the financial instruments.

The Bank's risk management framework differs from the risk management framework for most other financial institutions. The main financial risks that the Bank faces include;

- - Liquidity risk
- - Credit risk
- - Market risk
- - Operational risk

Information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and procedures for measuring and managing risk are presented below

Risk management framework

Like most central banks, the nature of the Bank's operations creates exposures to a range of operational and reputational risks. The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework.

The Bank's management seeks to ensure that strong and effective risk management and control systems are in place for assessing, monitoring and managing risk exposure. The Board of Directors and management are responsible for managing and monitoring the business strategy, risks and performance of the Bank.

Internal audit forms part of the Bank's risk management framework. This function reports to the Governor and the Board Audit Committee on internal audit and related issues. All areas in the Bank are subject to periodic internal audit review.

The Bank is subject to an annual audit by an external auditor. Auditing arrangements are overseen by an Audit Committee of the Board to monitor the financial reporting and audit functions within the Bank and the committee reviews the internal audit functions as well. The committee reports to the Board of Directors on its activities.

The overall risk management framework is designed to strongly encourage the sound and prudent management of the Bank's risk. The Bank seeks to ensure the risk management framework is consistent with financial market best practice.

The risk tables in this note are based on the Bank's portfolio as reported in its statement of financial position..

(b) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

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 and debt issued by Governments and Super nationals, all of which are easily converted to cash (refer to maturity analysis on liquidity).

The maturity analysis' noted below includes all financial and non-financial assets and liabilities as at the respective reporting dates.

	On Demand \$'000	0-3 Months \$'000	3-6 Months \$'000	6-12 Months \$'000	Over year \$'000	Undefined \$'000	Total \$'000
Maturity analysis as at 31 December 2024							
Cash at bank	-	299,304	293,610	939,137	-	-	1,532,051
Accrued interest	-	-	35,146	-	-	-	35,146
Fixed term deposit / income securities	-	-	1,306,462	-	-	-	1,306,462
IMF- Holding on special drawing rights	-	-	-	-	-	762	762
- Reserve tranche	-	-	-	-	-	34,905	34,905
- Subscription	-	-	-	-	-	195,591	195,591
Gold	-	-	-	44,364	-	-	44,364
Bonds	-	-	-	2,778,957	-	-	2,778,957
Short term commercial papers	-	26,136	50,755	23,974	-	-	100,866
	-	325,440	1,685,973	3,786,432	-	231,258	6,029,104

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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	On Demand \$'000	0-3 Months \$'000	3-6 Months \$'000	6-12 Months \$'000	Over year \$'000	Undefined \$'000	Total \$'000
Local currency financial assets							
Cash on hand	789	-	-	-	-	-	789
Accrued interest local	-	-	-	-	154	-	154
Loans and advances	-	-	-	-	273,918	-	273,918
Currency inventory	-	-	-	-	26,002	-	26,002
Property, plant and equipment	-	-	-	-	249,950	-	249,950
Intangible assets	-	-	-	-	8	-	8
Right-of-use asset	-	-	-	-	1,075	-	1,075
Other assets	-	26,010	-	-	-	-	26,010
	789	26,010	-	-	551,107	-	577,906
Total financial assets	789	324,440	1,685,973	3,786,432	551,107	231,258	6,607,010
Foreign currency financial Liabilities							
Demand deposits	27,334	-	-	-	-	-	27,334
IMF Special drawing rights allocation	-	-	-	-	-	330,683	330,683
IMF Extended credit facility	-	-	-	-	-	77,939	77,939
Securities	-	-	-	-	-	234,028	234,028
Subscription	-	-	-	-	-	4,950	4,950
	27,334	-	-	-	-	647,600	674,934
Local currency financial liabilities							
Demand deposits	3,695,819	-	-	-	-	-	3,695,819
Currency in circulation	-	-	-	-	-	1,491,809	1,491,809
SIG monetary operations account	-	12,921	-	-	-	-	12,921
Fixed deposits	-	226,708	-	-	-	-	226,708
Employee entitlements	-	-	-	-	50,666	-	50,666
Lease liabilities	-	-	-	-	1,197	-	1,197
Other liabilities	-	-	-	7,195	-	-	7,195
	3,695,819	239,629	-	7,195	51,863	1,491,809	5,486,315
Total financial and non-financial liabilities	3,723,153	239,629	-	7,195	51,863	2,138,921	6,161,249
Net liquidity gap	(3,722,364)	11,821	1,729,890	3,736,582	499,244	(1,908,151)	445,761
Maturity analysis as at 31 December 2023							
Cash at bank	574,079	-	-	-	-	-	574,079
Accrued interest	-	-	40,594	-	-	-	40,594
Fixed term deposit / income securities	-	26,713	414,965	1,214,520	-	-	1,656,198
IMF- Holding on special drawing rights	-	-	-	-	-	219,735	219,735
-Reserve tranche	-	-	-	-	-	35,728	35,728
-Subscription	-	-	-	-	-	201,943	201,943
Bonds	-	-	-	-	3,039,070	-	3,039,070
Short term commercial papers	-	-	197,416	-	-	-	197,416
	574,079	26,713	652,975	1,214,520	3,039,070	457,406	5,964,763
Local currency financial assets							
Cash on hand	487	-	-	-	-	-	487
Accrued interest local	-	-	-	-	156	-	156
Loans and advances	-	-	-	-	280,984	-	280,984
Currency inventory	-	-	-	-	21,878	-	21,878
Property, plant and equipment	-	-	-	-	230,732	-	230,732
Intangible assets	-	-	-	-	25	-	25
Right-of-use asset	-	-	-	-	2,806	-	2,806
Other assets	-	94,242	-	-	-	-	94,242
	487	94,242	-	-	536,581	-	631,310

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

Total financial assets	574,566	120,955	652,975	1,214,520	3,575,651	457,406	6,596,073
Maturity analysis as at 31 December 2023							
Foreign currency financial liabilities							
Demand deposits	47,641	-	-	-	-	-	47,641
IMF special drawing rights allocation	-	-	-	-	-	340,836	340,836
IMF extended credit facility	-	-	-	-	-	82,226	82,226
Securities	-	-	-	-	-	310,420	310,420
	-	-	-	-	-	4,917	4,917
	47,641	-	-	-	-	738,399	786,040
Local currency financial liabilities							
Demand deposits	3,297,819	-	-	-	-	-	3,297,819
Currency in circulation	-	-	-	-	-	1,431,696	1,431,696
SIG monetary operations account	-	4,973	-	-	-	-	4,973
Fixed deposits	-	413,925	11,765	-	-	-	425,690
Employee entitlements	-	-	-	-	37,592	-	37,592
Lease liabilities	-	-	-	-	2,924	-	2,924
Other liabilities	-	77,765	-	-	-	-	77,765
Total financial and non-financial liabilities	3,297,819	496,662	11,765	-	40,516	1,431,696	5,278,459
	3,345,460	496,662	11,765	-	40,516	2,170,095	6,064,499
Net liquidity gap	(2,770,894)	(375,707)	641,210	1,214,520	3,545,910	(1,712,689)	531,572

(c) Credit risk

Credit risk is the risk of loss arising from a counterparty to a financial contract failing to discharge its obligations.

Selection of a counterparty is made based on their respective credit rating. Investment decisions are based on the credit rating of the particular issuer, country limits and counterparty limits in place to control exposure risks.

The Bank uses Standard and Poor's (S&P) for assessing the credit risk of foreign counterparties. The credit ratings of counterparties are closely monitored and are updated as new market information is available. Foreign exchange limits per bank are imposed for all currency dealings.

Concentration of credit exposure

The Bank's significant end-of-year concentrations of credit exposure by portfolio type were as follows:

	2024	2023
	\$'000	\$'000
Foreign currency assets		
Cash at bank	1,532,051	574,079
Fixed income securities	4,186,285	4,892,684
International Monetary Fund	231,258	457,406
Gold	44,364	-
	5,993,958	5,924,169
Local currency assets		
Loans and advances	273,916	280,984
	6,273,738	6,205,043

The following table presents the Bank's financial assets and gold held with financial institutions based on S&P credit rating's of the foreign counterparties. AAA is the highest quality rating possible and indicates the counterparty has a strong capacity to pay interest and principal. N/R indicates that the counterparty has not been rated by S&P.

Concentration of financial assets by credit rating	2024	2023
	%	%
AAA	17	15
AA+ - AA-	26	29
A+ - A-	17	17
BBB+ - BBB-	4	11
BB+ - BB-	7	2
B+ - B-	29	26
	100	100

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

Cash and cash equivalents

The Bank held cash at banks in foreign currencies of \$2,207 million at 31 December 2024 (2023: \$574 million). The cash is held with banks, which are rated B+ to AAA, based on S&P ratings.

Impairment on cash has been measured on the 12 month expected loss basis and reflects the short maturities of the exposures. The Bank considers that its cash has low credit risk based on the external credit ratings of the counterparties.

The Bank uses a similar approach for assessment of ECLs for cash to those used for debt securities.

Debt investment securities

The Bank held debt investment securities of \$3,749 million at 31 December 2024 (2023: \$5,164 million). The debt investment securities are held with banks (note 4a) and the Solomon Island Government (note 7) and are rated B- to AAA, based on S&P ratings.

Impairment on debt investment securities held with banks has been measured on the 12 month expected loss basis and reflects the short maturities of the exposures. The Bank considers that its debt investment securities held with banks have low credit risk based on the external credit ratings of the counterparties (in relation to banks) and available press and regulatory information (in relation to credit institutions).

Impairment on debt investment securities held with the Solomon Islands Government has also been measured on the 12 month expected loss basis.

Loans and advances

The Bank adopts a similar approach to that adopted for debt securities to its consideration of ECLs for its loans and advances. Those loans not individually assessed for expected credit losses have PD rates assigned using S&P rates appropriate to the rating of the organization, or a proxy for that rating if that organization is not specifically rated.

IMF balances

The Bank did not recognize an impairment allowance against IMF balances during the year as the balances held with IMF are at a net liability position.

The Bank also monitors credit risk by currency and sector. An analysis of concentrations of credit risk is shown below:

Concentration by currency	2024 \$'000	%	2023 \$'000	%
USD	.	50	3,243,546	52
AUD	3,604,079	38	1,688,990	27
EUR	1,765,910	-	28,425	-
SDR	8,014	4	457,406	8
NZD	231,258	1	238,892	4
SGD	168,476	1	56,790	1
GBP	36,572	1	104,157	2
SBD	272,538	4	278,128	4
JPY	43,884	1	48,665	1
FJD	3,514	-	3,418	-
CNY	48,683	1	56,734	1
	6,182,928	100	6,205,151	100

Credit quality	Gross \$'000	Impairment \$'000	Net \$'000
31 December 2023			
<i>Foreign currency assets</i>			
Central banks	1,532,169	(118)	1,532,051
Commercial banks	4,187,546	(1,261)	4,186,285
International Monetary Fund	231,258	-	231,258
Gold	44,364	-	44,364
	5,995,337	(1,379)	5,993,958
<i>Local currency assets</i>			
Solomon Islands Government loan and advances	250,103	(1,366)	248,737
Staff loan and advances	25,967	(787)	25,180
	276,070	(2,153)	273,917
Gross assets subject to impairment consideration	6,271,404	(3,532)	6,267,871

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

Concentration by sector	2024 \$'000	%	2023 \$'000	%
<i>Foreign currency assets</i>				
Central banks	1,532,051	37	574,079	10
Commercial banks	4,186,285	59	4,892,684	83
International Monetary Fund	231,258	4	457,406	8
Gold investment	44,364	1	-	-
	5,999,958	100	5,924,169	100
<i>Local currency assets</i>				
Solomon Islands Government loan and advances	248,738	91	260,839	93
Staff loan and advances	25,177	9	20,145	7
	273,915	100	280,984	100
	6,267,873		6,205,153	

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Bank's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

Interest rate risk management

The principal risk to which trading portfolios are exposed is the risk of loss from fluctuations in future cash flows or fair value of financial instruments because of a change in market interest rates. The Bank limits interest rate risk by modified duration targets. The duration of the portfolio is re-balanced regularly to maintain the targeted duration. Operations are largely money market focused.

At the reporting date the interest rate profile of the Bank's interest-bearing financial instruments were as follows -

Carrying amount	2024 \$'000	2023 \$'000
Fixed rate instruments		
Cash and cash equivalents (Financial assets)	1,532,840	574,566
Fixed income securities (Financial assets)	4,186,285	4,892,684
Loans and advances (Financial assets)	273,918	280,984
Demand deposits (Financial liabilities)	(3,695,819)	(3,297,819)
Fixed deposits (Financial liabilities)	(226,708)	(425,690)
Lease liabilities	(1,197)	(2,924)
	2,069,319	2,021,801
Variable rate instruments		
International Monetary Fund (Financial assets)	231,258	457,406
International Monetary Fund (Financial liabilities)	(647,600)	(738,399)
	(416,342)	(280,993)

Fair value sensitivity analysis for fixed instruments

The Bank does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect the profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bps) in interest rates at the reporting date would have increased (decreased) equity and the profit or loss by amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Profit or loss	100bp increase \$'000	100bp decrease \$'000
31 December 2024		
Variable rate instruments	445	(445)
31 December 2023		
Variable rate instruments	5,523	(5,523)

Foreign exchange risk management

Exchange rate risk relates to the risk of loss of foreign reserves arising from changes in the exchange rates against the Solomon Islands dollar. The Bank has adopted a currency risk management policy, which maintains the Solomon Islands dollar value of the foreign reserves and manages the fluctuations in the revaluation reserve account. While the effect of fluctuations in foreign exchange are re-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

recorded in profit or loss, foreign exchange fluctuations are not included as part of profit distribution but transferred to the revaluation reserve for monitoring purposes.

In accordance with the Central Bank of Solomon Islands Act., 2012, the task of maintaining the safety and liquidity of foreign reserve assets, as well as the returns from reserves asset management, are achieved through diversification of investment by entering into transactions in international capital and money markets. Analysis of risks is the process of managing the currency reserves by comparing factual risk levels with set limits.

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

Foreign currency risk as at 31 December 2024

Foreign Currency Financial Assets	AUD (SBD) (000's)	NZD (SBD) (000's)	USD (SBD) (000's)	EUR (SBD) (000's)	GBP (SBD) (000's)	SGD (SBD) (000's)	CNY (SBD) (000's)	JPY (SBD) (000's)	OTHERS (SBD) (000's)	Total (SBD) (000's)
Money at call	393,829	178,853	752,255	17,539	93,787	58,111	37,677	-	-	1,532,051
Accrued interest	9,311	2,524	21,472	71	1,227	277	264	-	-	35,146
Fixed term deposits	1,256,922	144,943	2,639,853	-	76,138	36,573	31,856	-	-	4,186,285
Holding of special drawing rights	-	-	-	-	-	-	-	-	762	762
Reserve Tranche	-	-	-	-	-	-	-	-	34,905	34,905
Subscription	-	-	-	-	-	-	-	-	195,591	195,591
Gold	-	-	44,364	-	-	-	-	-	-	44,364
Total	1,660,062	326,320	3,457,944	17,610	171,152	94,961	69,797	-	231,258	6,029,104
Foreign Currency Financial Liabilities										
Demand deposits	27,334	-	-	-	-	-	-	-	-	27,334
IMF special drawings rights allocation	-	-	-	-	-	-	-	-	330,683	330,683
IMF extended credit facility	-	-	-	-	-	-	-	-	77,939	77,939
IMF securities	-	-	-	-	-	-	-	-	234,028	234,028
Capital subscription	-	-	-	-	-	-	-	-	4,950	4,950
Total	27,334	-	-	-	-	-	-	-	647,600	674,934
Net foreign currency asset	1,687,396	326,320	3,457,944	17,610	171,152	94,961	69,797	-	416,342	5,354,170
Money at call	141,887	10,813	333,263	28,425	-	-	4,423	48,665	6,603	574,079
Accrued interest	11,054	2,879	24,197	-	1,603	495	366	-	-	40,594
Fixed term deposits	303,968	228,079	916,636	-	98,414	56,790	52,311	-	-	1,656,198
Holding of special drawing rights	-	-	-	-	-	-	-	-	219,735	219,735
Reserve Tranche	-	-	-	-	-	-	-	-	35,728	35,728
Subscription	-	-	-	-	-	-	-	-	201,943	201,943
Bonds	1,048,372	-	1,990,698	-	-	-	-	-	-	3,039,070
Short term commercial papers	197,416	-	-	-	-	-	-	-	-	197,416
Gold	-	-	-	-	-	-	-	-	-	-
Total	1,702,697	241,771	3,264,794	28,425	100,017	57,285	57,100	48,665	464,009	464,009
Foreign Currency Financial Liabilities										
Demand deposits	47,641	-	-	-	-	-	-	-	-	47,641
IMF special drawings rights allocation	-	-	-	-	-	-	-	-	340,836	340,836
IMF extended credit facility	-	-	-	-	-	-	-	-	82,226	82,226
IMF securities	-	-	-	-	-	-	-	-	310,420	310,420
Capital subscription	-	-	-	-	-	-	-	-	4,917	4,917
Total	47,641	-	-	-	-	-	-	-	738,399	786,040
Net foreign currency asset/(liability)	464,009	241,771	3,264,794	28,425	100,017	57,285	57,100	48,665	(274,390)	5,178,723

Concentration of foreign exchange

The Bank's net holdings of foreign exchange (excluding its holding of Special Drawing Rights) were distributed as follows as at year end:

Concentration by currency	2024 \$'000	%	2023 \$'000	%
USD	3,604,079	63	3,243,546	59

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

AUD	1,765,910	30	1,688,689	31
EUR	8,014	-	28,425	1
NZD	168,476	3	238,892	4
SGD	36,572	1	56,790	1
GBP	84,950	1	104,157	2
JPY	43,884	1	48,665	1
CNY	48,683	1	56,734	1
FJD	3,514	-	3,418	-
	5,764,082	100	5,469,316	100

The following significant exchange rates were used at year end to convert foreign currency balances to the Solomon Island dollar equivalent.

Reporting date spot rate	2024	2023
AUD	0.1891	0.1728
USD	0.1177	0.1183
NZD	0.2086	0.1864
GBP	0.0938	0.0926
EUR	0.1131	0.1066
JPY	18.4898	16.6700
SGD	0.1600	0.1560
SDR	0.0903	0.0882
CNY	0.8600	0.8420

Sensitivity to foreign exchange rate risk Impact of a:	2024 SM	2023 SM
Change in profit/equity due to a 2 per cent appreciation in the reserves - weighted value of the Solomon Islands dollar	(73)	(119)
Change in profit/equity due to a 2 per cent depreciation in the reserves - weighted value of the Solomon Islands dollar	73	119

Other pricing risk

The Bank holds gold which is subject to market pricing risk. During the year the gold reserves were disposed.

(e) Operational risk management

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. There is also an active internal audit function carried out on a quarterly basis. Operating loss is the risk of loss from breakdown of internal controls at the Bank. Operational risk relating to the activities of foreign currency reserves management is controlled by a number of internal instructions, and there is clear segregation of front office and back-office activity. The latter is one of the mechanisms for managing operational risk.

24. Related parties

The Bank has related party relationships with the Board of Directors, the Executive Management and the Solomon Islands Government.

The Board of Directors during the year were:

- Luke Forau (Chairman and Governor)
- Raynold Moveni (Deputy Governor)
- Mckinnie Dentana (Permanent Secretary of Finance)
- Sonia Marahare (Board Secretary)
- David K C Quan
- Rodney Rutepitu (Reappointed 1st February 2023)
- Bob Pollard
- Kathleen Matautia
- Jeremy Bartlett
- Helen Beck (Appointed 20th February 2023)

Directors' fees and emoluments

Amounts paid to directors during the year are disclosed in Note 3 (f).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

Related party disclosures require the disclosure of information relating to aggregate compensation of key management personnel. The key management personnel of the Bank are members of the Board and senior staff who have responsibility for planning, directing, and controlling the activities of the Bank. Fees of the non-executive members of the Board are determined by the Minister of Finance. The contracts of the Governor and Deputy Governor are subject to mid-term review by the Minister of Finance and annually in accordance with Bank policy. The Board of Directors determines the remuneration of the Chief Managers.

During the year the following persons were the executives identified as key management personnel, with the greatest authority and responsibility for planning and controlling the activities of the Bank:

• Luke Forau	Governor
• Raynold Moveni	Deputy Governor
• Jimmy Sendersley	Director SIFIU
• Michael Kikiolo	Management Advisor Policy
• Marlon Houkarawa	Management Advisor Operations
• Sonia Marahare	Board Secretary/ Legal Advisor
• Ali Homelo	Chief Manager Financial Markets and Exchange control
• Joe Vasuni	Chief Manager Currency Banking, and Payment
• Louisa Baragamu	Chief Manager Economics Research and Statistics
• John Bosco	Chief Manager Human Resource and Corporate Services
• Emmanuel Gela	Chief Manager Finance and Accounts
• Daniel Haridi	Chief Manager National Payment System
• Edward Manedika	Chief Manager Information Technology
• Samuel Warunima	Chief Manager Financial Market Supervision
• Richard Muaki	Chief Fiduciary Officer

The remuneration of the Bank's key management personnel, included in 'personnel expenses' were as follows:

	2024 \$'000	2023 \$'000
Short-term employee benefits	5,198	3,581
Long-term benefits	725	844
	5,923	4,425

Short-term benefits include leave, motor vehicle benefits, health benefits and the fringe benefits tax paid or payable on these benefits.

Long-term benefits include gratuity, long service leave and early retirement benefits.

As at 31 December 2024 loans by the Bank to key management personnel were as follows:

	2024 \$'000	2023 \$'000
Housing loan	2,233	2,398
Personal loan	141	122
Management car loan	590	621
Staff special loan	8	19
	2,972	3,160

There were no other related party transactions with Board members; transactions with director-related entities which occurred in the normal course of the Bank's operations and were conducted on the terms no more favourable than similar transactions with other employees or customers.

25. Transactions with the Solomon Islands Government

During the financial year, the Bank conducted a range of transactions with the Solomon Islands Government, which included providing banking services, facilitating foreign exchange transactions, handling registry operations, and purchasing Government securities. The interest received from government securities was \$12.1 million this period.

26. Commitments and contingent liabilities

In 2007 the Solomon Islands Government introduced and provided \$10 million for the establishment of the Small Business Finance Guarantee Scheme to be administered by CBSI. As at 31 December 2024, a total of 35 (2023: 32) loans with a net guarantee of \$8.5 million (2023: \$8.4 million) have been administered under the scheme.

The Bank's new headquarters office building had commenced in 2019. The accumulated cost at the end of 2024 is \$26.9 million. (2023: \$22.6 million).

27. Significant events during the year

The Solomon Islands held its National General Elections on April 17, electing Members of Parliament (MPs) for the 12th Parliament. With no party securing a majority, a coalition government formed the Government of National Unity and Transformation (GNUT). On May 2, Parlia-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

ment elected the Prime Minister, followed by the appointment of cabinet ministers. In June, the government launched its 100-Day Program and Policy Statement, which focuses on Economic Transformation, Good Governance, National Unity, and Human Capital Development.

Meanwhile, the country's economic indicators, including consumption imports, inward remittances, exports, private-sector lending, and SIN-PF members contribution, showed positive outcomes. However, as a small and open economy, the country remains vulnerable to external and domestic shocks.

Globally, oil prices stabilized, while inflation in major economies eased toward target levels. In the United States, as inflation declined, market expectations shifted toward US Fed rate cuts, leading to a weaker US dollar in the second and third quarters of the year. The US Fed started reducing rates slightly in September, with further cuts in November and December to support economic growth and stabilize the labor market, though interest rates remained above 2022 levels. By the fourth quarter, a cautious approach to rate cuts and expectations of a pro-growth policy under the Trump administration led to a significant appreciation of the US dollar, reversing earlier decline. Meanwhile, in Australia, the cash rate remained elevated, with gradual reduction expected in 2025 as inflation moves towards the 2-3% target range.

These global monetary policies shifts and market trends, particularly changes in US interest rates and the US dollar, affected the Bank's Balance Sheet and Profit and Loss Statements. This included continued higher interest income and exchange rates fluctuations. In the third quarter, following IMF technical assistance, the Bank revised the weighting of the SBD currency basket to better reflect current economic conditions. The movements in the US dollar and currency basket adjustments directly impacted the Bank's Net Foreign Exchange Revaluation Gains and Losses.

With inflation in the Solomon Islands expected to decline by the end of 2024, the Bank shifted to an accommodative stance in September 2024, following nine months of policy tightening. This adjustment aimed to support economic growth. By year-end, headline inflation fell to 4.6%, down from its 2022 peak, though still above the 2023 level of 3.5%, largely due to hike in betel nut prices as a result of supply shortages. Core inflation, which excludes volatile items, eased to 1.9% in 2024 from 3.5% in 2023, indicating weaker underlying inflationary pressures.

28. Events subsequent to balance date

There are no events or transaction of a material unusual nature, in the opinion of the directors of the Bank, likely to affect significantly the operations of the Bank, and the results of the operations, or the state of affairs of the Bank in the future financial years.

29. Capital Management

The capital management policy of the Bank is governed by Section 6 of the Central Bank of Solomon Islands Act 2012 (as amended). The authorised capital is fixed at \$50,000,000, is non-transferable, and cannot be reduced under any circumstances. In accordance with Section 56 of the Act, should the Bank's assets fall below the total of its monetary liabilities, resulting in a capital shortfall, the Bank is required to seek a capital contribution from the Government through a formal request to the Minister of Finance.

