# Financial Stability Report

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

1H 25

CENTRAL BANK OF SOLOMON ISLANDS

The Financial Stability Report (FSR) is prepared by the Financial Systems Regulation Department (FSRD) of the Central Bank of Solomon Islands (CBSI).

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This report is only available online on CBSI website.

This report uses data up to 30 June 2025.

# TABLE OF CONTENTS

## LIST OF CHARTS



## LIST OF TABLES



## ACRONYMS

CBSI Central Bank of Solomon Islands
1H25 First Half of 2025 beginning in January to June 2025
2H24 Second half of 2024, which ended 31st December 2024
SIG Solomon Islands Government
SINPF Solomon Islands National Provident Fund
GDP Gross Domestic Product

# CHAPTER 1: OVERVIEW OF INTERNATIONAL & DOMESTIC FINANCIAL CONDITIONS

## 1.1: Global Economic and Financial Conditions

The global economy stumbled into fresh headwinds in the opening months of 2025, disrupting the gradual recovery toward pre-pandemic conditions. Renewed bouts of protectionist tariffs policies reignited trade tensions, while the protracted Russia-Ukraine and Israel-Iranian conflicts exacerbating supply chain disruptions, destabilizing energy markets and weakening investor confidence. The already fragile economic growth now faces dual strain of geopolitical turmoil and policy uncertainty. Thus, raising the question of whether global resilience will hold through the second half of 2025, or whether these shocks will destabilize the world economy.

While uncertainty remain elevated on the backdrop of geopolitical tensions and tariff induced trade wars, the global economy remained resilient. Growth is projected at 3.0 percent for 2025 – an improvement of 0.2 percent compared to the April estimates. According to the International Monetary Fund (IMF), this growth reflects front-loading in anticipation of future tax hikes, lower average effective US tariff rates as opposed to that was announced in April, improved financial conditions supported by a weaker US dollar; and fiscal expansion in some jurisdictions[1].

On the financial front, market conditions have eased with equity prices in the US reverting to elevated levels. Costs of borrowing have also decreased significantly, indicating greater market confidence among investors following the pause in effective tariff by the US. Market volatility has declined as well, though uncertainties surrounding future trade policies remain high. A sudden negative shift in tariff could knock off investors' confidence, that in turn may trigger a decline in asset prices.

Monetary policies across major economies are diverging, as central banks lower interest rates cautiously in line with differing disinflationary trends and stages of the economic cycle. Sovereign bonds in advanced economies have increased sharply in the first half, pushing up long-term interest rates. This would widen the sovereign debt of smaller economies who have already struggled to manage their debt. Despite the increase in US treasury bills interest rate, many developing economies witness a decline in borrowing cost mainly due to softer US currency (USD) relative to their local currencies. This has encouraged capital inflows into many emerging markets, creating optimism that Central Banks in these economies may ease interest rates further in the near term.

## 2.2: Domestic Economic and Financial Condition.

The Solomon Islands economy remained broadly stable in the first half of 2025, although growth is projected to slow down during the year. Compared to 2024, the local economy was expanded by around 2.8 percent, driven mainly by strong performances in the agriculture, fisheries, mining and manufacturing sectors. The service sector also showed improvement, underpinned by robust domestic consumption witnessed over the assessment period. In terms of the financial system, all players showed resilience during the period, with the banks and credit institutions, which account for the largest share maintaining robust-performance due to strong capital buffers, adequate liquidity levels, and sound risk management practices. However, non-performing loans (NPLs) remained elevated, reflecting legacy exposures and arrears from the Government-related contracts. If not managed properly, this could amplify the level of impaired assets, put pressure on the banks' and credit institutions' capital positions, thereby weakening their capacity to absorb future shocks.

Similarly, the superannuation sector also showed sturdy performance. Total asset for the sector grew by 8.5 percent, mainly driven by positive cash position reflecting positive net contribution inflows and dividend receipts. Liquidity levels were adequate over the period. Yet concerns surrounding governance and market risk remained elevated coupled with investment risk.

The insurance sector also recorded positive performance despite facing growth challenges. Gross written premium for the general insurance category went up by 4 percent, driven primarily by engineering and construction. Total net claims and operating ratio–an indicator for operational profitability-stood at 53.7 percent. This indicated that the sector incurred relatively low claims and expense compared with its net earned premiums. While growth potential exists for this industry in the Solomon Islands, limited awareness and the inappropriateness of insurance covers continue to constrain its development.

Meanwhile, the credit union sector, albeit small, continued to play a vital role in providing financial services to its members. The sector's total assets grew by 3 percent, rebounding from a negative 7 percent recorded in 2H24 and was mainly supported by growth in share capital. The sector's loan to asset ratio recorded at 60 percent, indicating prudent credit management. Total capital reached $40.07 million, providing sufficient financial buffer to absorb potential shock. However, the sector continues to grapple with governance issues, liquidity, investment and market risks.

Overall, the domestic financial system remained resilient in the first half of 2025, supported by collaborative efforts between CBSI and licensed financial institutions to ensure risks are prudently managed. Nonetheless, vulnerabilities persist across the system, particularly in relation to climate change, cyber threats, money laundering and terrorist financing risks, and elevated credit and market risks. As the

1 IMF, World Economic Update, July 2025

regulator of the financial system, CBSI remains committed to ensuring that the sector is prudently regulated and sufficiently resilient to withstand potential shocks.

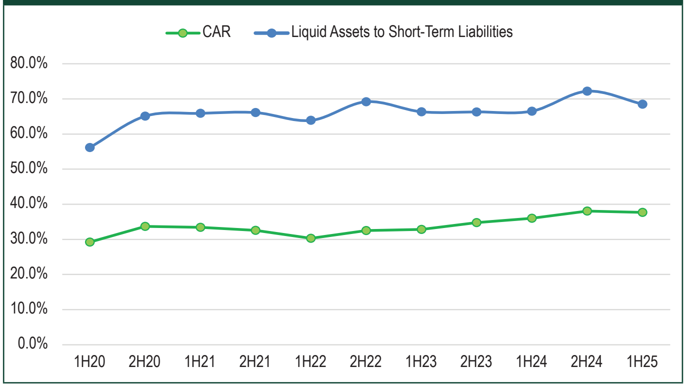
Looking ahead, sustaining financial stability will require continued vigilance in addressing structural vulnerabilities, strengthening governance frameworks across all sectors, and enhancing resilience against emerging risks. These must be strongly supported by the Government in order to reap long-term sustainable economic growth

# CHAPTER 2: BANKING SECTOR

## 2.1: Banking Sector's Performance

The banking sector has demonstrated sustained resilience since the COVID-19 shocks, underpinned by robust capital and liquidity buffers, with post-pandemic trends indicating a stronger position. As shown in Figure 1, capital adequacy ratio (CAR) stood at 37.7 percent in 1H25, comparatively higher than all the preceding periods except 2H24. Likewise, the liquid assets to short-term liabilities ratio was recorded at 68.5 percent in 1H25, an improvement over the previous periods except for 2H24, reflecting stronger liquidity management by banks. The sustained upward growth signifies the banks' ongoing ability to generate prudent earnings and maintain buffers in the post- COVID period. Overall, the sector's capital and liquidity positions remain adequate to absorb potential shocks, allowing the sector to continue lending and supporting the economy.

Fig 1: Banking Sector Half Yearly CAR and LAR 1H20 - 1H25

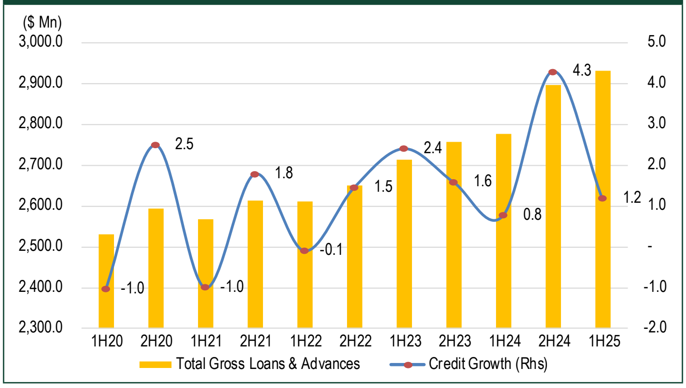



*Source:: CBSI*

Building on this resilience, the banks' balance sheet size also expanded, reflecting adjustments to their portfolios and growth. By the end of June 2025, the banking sector's total assets had grown by 2.6 percent against the second half of 2024 to $7.6 billion. The expansion was primarily driven by a substantial 55.1 percent increase in debt securities holdings, underscoring the banks' portfolio diversification strategies. In terms of composition, cash and balances with depository institutions remained the largest asset category at 51.6 percent, followed by loans and advances at 36.3 percent. Debt securities accounted for 7.5 percent, while non-financial and other assets made up the remaining 4.6 percent.

Lending activities by the banks increased further in 1H25 despite losing momentum against the preceding period. The ongoing credit growth reflects the gradual recovery in economic activity, borrower confidence, and banks' appetite to lend. Total credit expanded by 1.2 percent to over $2.9 billion in 1H25, driven mainly by the following key sectors, which include personal, professional & other services, and construction.

Fig 2: Banking Sector Half-Yearly Growth in Loans & Advances 1H20 – 1H25



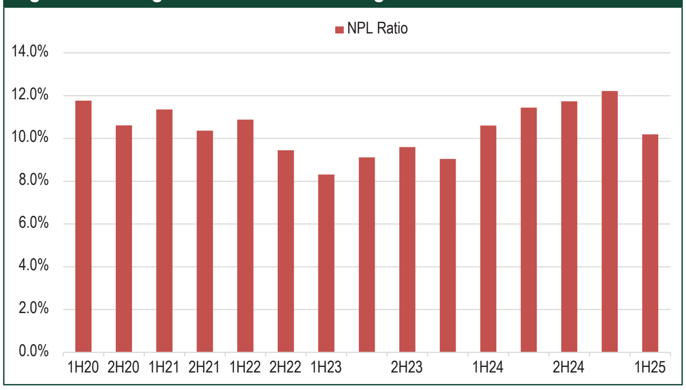

*Source: CBSI*

Lending to the personal sector rose by 5.3 percent equivalent to $57.9m and accounts for the largest share of total credit growth in 1H25, with demand concentrated in residential real estate construction. Credit to the professional and other services sector expanded by 30.8 percent ($35.9m), reflecting increased borrowing by both existing customers and new entrants. The credit to the construction sector grew by 5.9 percent ($26.7m) maintaining its upward trajectory, supported by overdraft facilities for ongoing projects and new loans for additional construction projects and developments.

Non-performing loans improved by 1.5 percent during the period driven up mainly by personal and distribution sectors. These improvements came on the back of restructuring a few legacy loans, voluntary and mandatory sale of collaterals upon court's decisions. These strategies require proactive management by banks, including the need to actively engage with borrowers, track each of these loans and assess the potential risks. In addition to that, rigorous assessment of borrower prior to loan disbursements and ongoing monitoring post disbursement is of paramount. On the other hand, a challenge faced by the financial institutions is that property mobility in the market is very slow.

The recovery in profitability was underpinned by high-

Fig 3: Banking Sector Non-Performing Loans Ratio 1H20 – 1H25

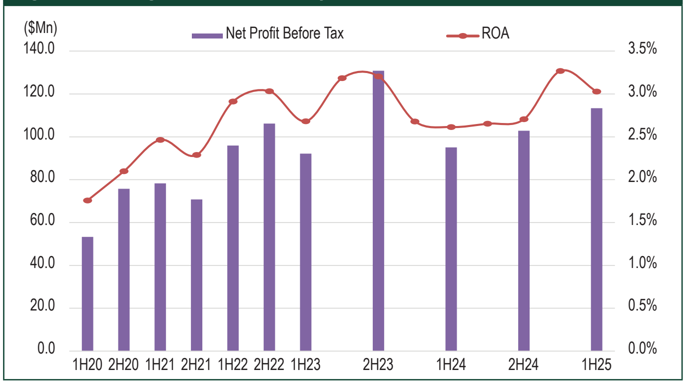



*Source: CBSI*

er interest income on loans and advances, supported by stronger credit demand, alongside growth in non-interest income. Profitability was further reinforced by lower provisioning expenses, as banks benefited from improved loan recoveries and reduced loan loss provisions. In 1H25, NPBT continued the positive upward trend as indicated by the growth in Return on Assets (ROA) from 2.7 percent in 2H24 to 3 percent. This was mainly driven by a 15 percent growth in interest income driven by higher repayments coupled with recoveries on impaired loans.

The changes to the bank's fees and charges also contribute to the higher interest income during the period.

**Fig 4: Banking Sector Half Yearly Growth in NPBT 1H20-1H25**




***Source**: CBSI*

## 2.2: Banking Sector Risk

### 2.2.1 Key Risks in the Banking Sector

Credit risk remains elevated, with the NPL ratio at 10.2 percent in 1H25, well above CBSI's internal supervisory limit of 5 percent. The persistence of high NPLs reflects continued repayment challenges, particularly from delayed government rental and service contract payments, weak financial discipline among borrowers, and rising cost-of-living pressures. While all loans are fully collateralized and mitigate residual risks, the lengthy court process continues to impede timely collateral realization and debt recovery, prolonging asset quality pressures. The residual risk is medium.

Funding risk indicator has elevated, with the ratio of wholesale deposits to total loans increasing from 27.7 percent in 2H24 to 30.9 percent in 1H25. The sector's reliance on wholesale funding exposes banks to potential funding mismatches in the event of large withdrawals or shifts in depositors' confidence. While banks continue to maintain strong liquidity buffers with a liquid asset ratio well above internal monitoring thresholds, the reliance on wholesale funding remains a prudential concern. However, given that banks hold adequate High Quality Liquid Assets (HQLA) to support their short-term liquidity needs, the residual risk is rated low.

On the digital front, cyber incidents reported in 1H25 were minimal compared to 2H24. However, the inherent risk remains significant given the banks' increasing reliance on digital channels and financial technologies. The rollout of partnerships with e-money providers in 1H25 has expanded financial access and the reach of the sector but it has also introduced new vulnerabilities, driven by third-party risks, including potential weaknesses in partners' systems, APIs, and mobile platforms that could affect banks. Additionally, ongoing threats such as phishing emails targeting banks remains a growing concern. These exposures are managed through third-party risk assessments, penetration testing, and ongoing cyber hygiene training. Nonetheless, the evolving nature of cyber threats requires ongoing vigilance. The residual risk is rated low.

The Solomon Islands is exposed to natural hazards, including earthquakes, tsunamis, and volcanic eruptions (UNDRR, 2024)[2], which pose potential operational risks to the banking sector. Additionally, ongoing road infrastructure upgrades in Honiara led to logistical challenges and traffic disruptions that temporarily impacted day-to-day banking operations. While the inherent level of operational risk is assessed to be low, residual risks are effectively mitigated through banks' established business continuity planning (BCP) frameworks. Continued and regular testing of these frameworks are essential to strengthen operational resilience and ensure preparedness under various stress scenarios.

**Table 1: Risk Matrix 1H25**

| Vulnerabilities | Risk Type | Risk Description | Inherent Risk 1H25 Rating | Residual Risk 1H25 Rating |
|---|---|---|---|---|
| Growing household indebtedness | Credit | Deterioration in quality of housing and investment property loans | High | Medium |
| Increasing use of technologies | Cyber security | Deterioration in confidentiality, integrity or availability of information or data | Medium | Low |
| Reliance on wholesale deposits for funding | Liquidity | Inability to meet obligations when fall due and lead to a system wide bank run | Medium | Low |
| Human errors, natural disasters, poor road infrastructure and unreliable network infrastructure | Operational | Inability to provide smooth and efficient banking services | Low | Low |

| | |
|---|---|
| Low | Implies generally stable micro-financial conditions with minimal threat to financial stability |
| Medium | Signals moderate levels of systematic risk build up that suggest the need for closer monitoring but not an immediate policy response |
| High | Indicates potentially disruptive levels of systematic risk to the point where policy intervention should be seriously contemplated |
| Extreme | Denotes that materialization of systematic risk is imminent with a significant threat to the real economy which requires immediate policy intervention |

***Source: CBSI***

## 2.3: Banking Sector Outlook

Banks are planning to further strengthen resilience and service delivery through technology upgrades and partnerships. Over the next year, planned improvements to ATM and EFTPoS systems could enhance payment reliability, while collaboration with e-money providers such as M-Selen may extend services to rural areas. Regionally, the Solomon Islands' participation in the World Bank and

2 2UNDRR. (2024). Report on natural hazards and disaster risk in the Solomon Islands. United Nations Office for Disaster Risk Reduction.

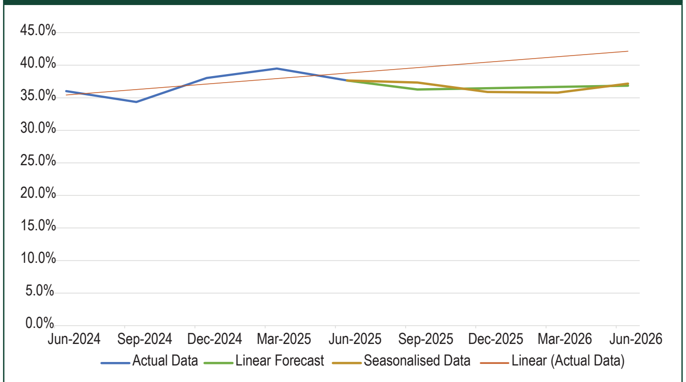
Pacific Islands Forum (PIF) Pacific Strengthening Correspondence Banking Relationship (CBR) Project is expected to provide access to backup correspondent banking, technical support for payment systems, and alignment with AML standards. Collectively, these initiatives suggest a potential shift toward digital transformation, modernization of payments, and stronger regional integration, which supports long-term financial stability and growth.

While the above initiatives highlight the sector's strategic direction and priorities, the financial sector is forecasted to remain comfortably above regulatory thresholds over the coming 12 months.

The banking sector's CAR is projected to remain stable in the medium term. While seasonal factors, such as dividend payments and credit growth, may cause short-term fluctuations, CAR is expected to remain well above regulatory requirements, indicating a strong capacity to absorb shocks. Nonetheless, close monitoring is warranted given potential domestic and global risks.

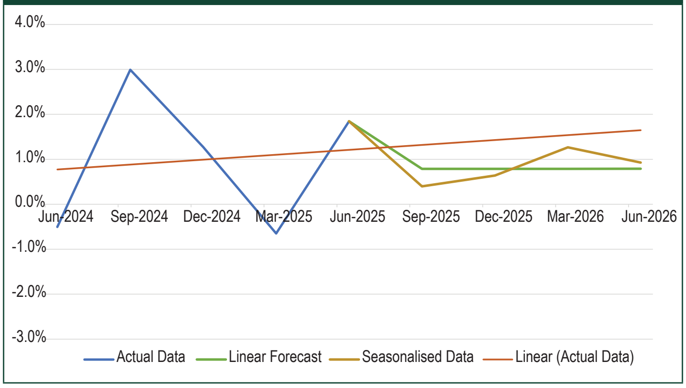
Credit growth has been volatile, but the long-term historical trend indicates modest growth of approximately 0.8 percent. Seasonally adjusted projections, which account for year-end borrowing, real estate lending, and early-year slowdowns, suggest that short-term fluctuations will continue. Overall, the outlook points to a subdued but positive credit expansion, which will support economic activity.

**Fig 5: Capital Adequacy Ratio 12-month Forecast**




***Source***: *CBSI*

**Fig 6: Credit Growth 12-month Forecast**




***Source***: *CBSI*

# CHAPTER 3: NON-BANK & OTHER FINANCIAL INSTITUTIONS PERFORMANCE

This chapter provides an overview of the non-bank financial institutions licensed and supervised by the CBSI, including the superannuation, insurance, and credit union sectors. Subsequent chapters and sub-sections present a bi-annual assessment of these sectors' performance up to June 30, 2025. The chapter also highlights key risks and vulnerabilities affecting each sector and provide forecasted outlooks.

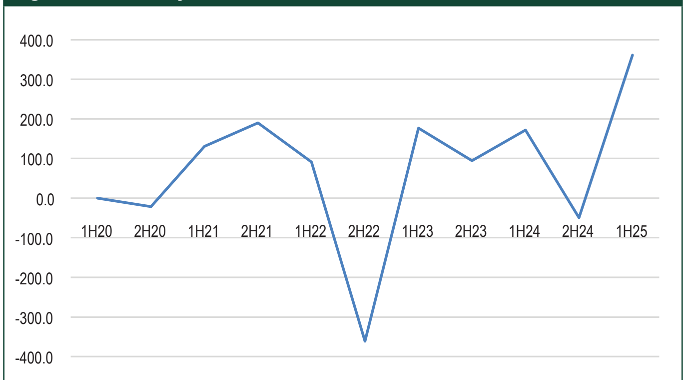
## 3.1: SUPERANNUATION SECTOR

### 3.1.1: Performance of the Solomon Islands National Provident Fund

The Solomon Islands National Provident Fund (the Fund) serves as the sole mandatory savings scheme for all formal sector employees, representing a key pillar of household savings, national capital formation, and financial system liquidity. The Fund continues to play a pivotal role in the Solomon Islands' financial system, acting as a major source of liquidity for the banking sector, supporting the growth of personal credit through collateral backed personal loans, and aligning with government policy through participation in the bond market. As of first half of 2025, the Fund's total asset stood at 4,730.2 million, accounting for 34 percent of the total financial system assets. This positions the Fund as a systemically important financial institution within Solomon Islands' financial ecosystem.

The Fund recorded strong results in the first half of 2025, bouncing back from the negative outcome in the preceding period. This was driven primarily by higher dividend income from domestic equities and positive unrealized gains from offshore investments. Favourable valuations in the domestic equity market further supported the Fund's improved performance. Nonetheless, valuation gains and losses remain key determinants of the Fund's overall performance.

**Fig 7: Profitability ratio – 1H20 to 1H25**

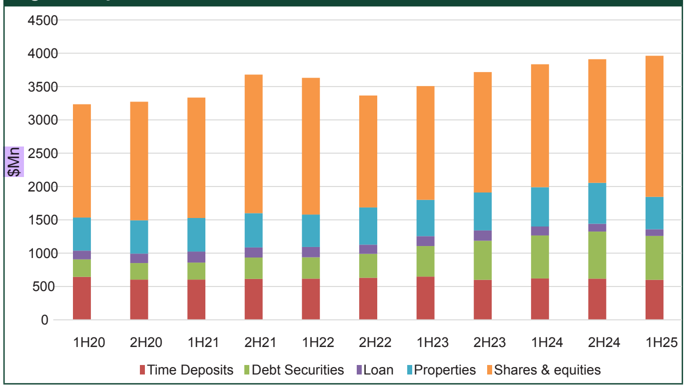



***Source***: *CBSI*

As of 1H2025, total assets grew by 8.5 percent to $4,765.6 million, compared to $4,391.6 in the second half of 2024. This growth was driven by an increase in cash and demand deposit, resulting from continuous inflow of members' contributions; investment income in the form of dividends; and positive revaluation of other assets, particularly plant, property and equipment. The Fund's total assets comprised of non-investment assets with a share of 17 percent and investment assets at 83 percent.

The Fund's investment portfolios remained largely aligned with its five strategic asset allocations. Domestic unlisted equities continued to dominate the investment portfolio accounting for 43 percent of total investments. The Fund's total investments grew modestly by 1 percent compared to 2H2024 and recorded a year-on-year growth of 3 percent. Since the COVID-19 period, the Fund has not implemented major changes to its investment strategy; however, a few new investments were noted during the 1H2025, notably the acquisition of the King Solomon Hotel and Resort, which was a key driver of the increase in total investments. Additionally, domestic equities performed positively, supported by favourable valuations of certain unlisted equities, further contributing to overall investment growth.

**Fig 8: Superannuation Sector -Investment Allocation,1H20 – 1H25**




***Source***: *CBSI*

Liquidity conditions remained buoyant, supported by sustained member contributions and investment cash flows, with the liquid asset ratio rising to 18.6 percent, up from the 2H2024. Positive net contribution inflows underpin these improvements; however, benefit payments increased due to aging membership and higher early withdrawals under lending banks' pledge claims and the Minister's discretion. These outflows pose liquidity management challenges under the current SINPF Act and represent a potential risk to the Fund's ability to maintain stable liquidity if the trend persists.

### 3.1.2: Risks and Vulnerabilities of the Superannuation Sector

While the Fund demonstrated resilience in 1H2025, it remains exposed to a range of financial and non-financial risks. Key risks include investment, governance arising from outdated legislation that does not fully align with best practices, emerging risks such as cyber risk due to evolving technology and liquidity risk.

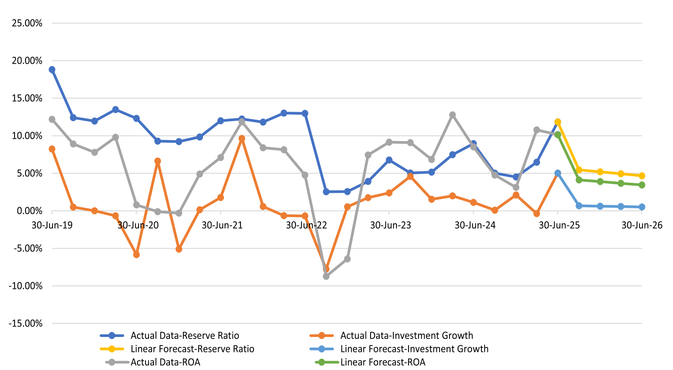
Adverse macroeconomic conditions could affect the performance of both domestic and offshore investments. Despite observed growth in the investment portfolio, downside risks persist. Certain investments have underperformed relative to the Fund's expectations, potentially eroding earnings. Structural investment risks, including concentration risk in domestic unlisted equities, foreign exchange (FX) risk due to market volatility, and governance risk, continue to pose challenges to investment portfolio stability. These risks require ongoing monitoring and proactive mitigation to preserve investment performance and safeguard long-term returns for members.

In addition, prolonged delays in reviewing and updating the existing legislation may further exacerbate governance and operational risks. In particular, liquidity risk may arise from the increasing frequency of early withdrawals under lending banks' pledge claims and the Minister's discretion, as currently permitted by the SINPF Act. While such withdrawals are perceived by members as legitimate benefits, if not carefully managed, they can create liquidity mismatches and broader financial stability risks. Withdrawals under the Minister's discretion are especially unpredictable, seasonal, and difficult to manage. Although the current liquidity position remains adequate, these trends could pose significant long-term challenges for the Fund's ability to meet its obligations.

### 3.1.3: Outlook for the superannuation sector

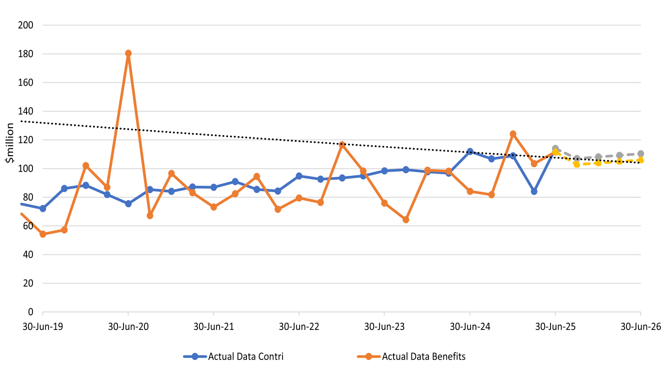
Between 2019 and 2024, the Fund experienced significant variation in annual investment growth, primarily driven by valuation gains in both domestic and offshore equities, as well as new investment undertakings. Over the next 12 months, investment growth is projected to be around 1 percent, assuming normal economic conditions and no changes to the Fund's strategic asset allocation. This moderate growth is expected to support a corresponding increase in capital, as investment returns are anticipated to expand at a steady rate.

**Fig 9: Investment Growth, Reserve Ratio and ROA**




***Source**: CBSI*

**Fig 10: Net Contribution Inflow**




***Source**: CBSI*

Meanwhile, historical trends suggest that members benefit payment are likely to increase. Factors contributing to this include early withdrawals permitted at the Minister's discretion under current legislation, retirement withdrawals from an aging membership base, and withdrawals under lenders claims. Notably, 29 percent of members' contributions have been pledged as collateral for loans at financial institutions, which could further contribute to higher withdrawal activity. These trends highlight potential pressures on liquidity that will require careful monitoring over the medium term.

## 3.2: INSURANCE SECTOR

The insurance sector remained stable in 1H25 Underwriting results remain steady, supported by the absence of catastrophic events during the period. Although the local insurance market remains modest, it continued to show positive performance. A notable development was the launch of parametric insurance product - an index-based insurance designed to provide insurance protection against climate risk for local farmers. This initiative is expected to bolster premium growth once it is rolled out nationwide. Overall, the insurance industry remained resilient, with risks managed effectively.

The insurance market has been largely dominated by the general insurance though the life category also contributed but insignificantly. Key product lines include industrial special risk, commercial fire package, domestic householders and content, personal and professional indemnity, liability classes and medical cover. However, the growth of industry has been stagnated, partly due to low literacy and limited awareness of insurance as a safety net against financial losses from natural hazards. The absence of tailored insurance products such as micro general and life insurance further restricted access leaving large segments of the population without adequate insurance protection.

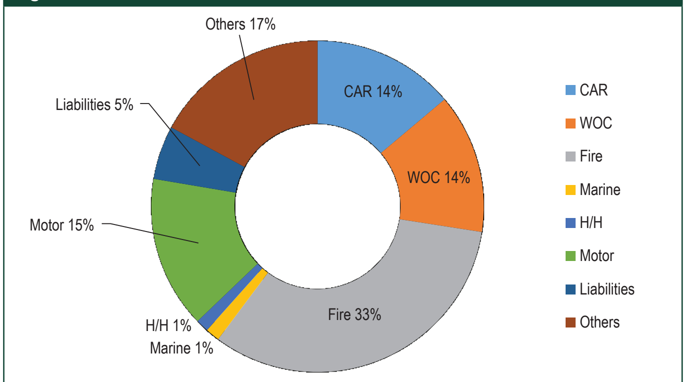
### 3.2.1: General Insurance Performance

**Premium Growth and Asset Size.**

The insurance sector underwriting business (Gross Written Premium) remained moderate, reflecting slow growth in premium income. In comparison to 2H24, the sector's gross written premium grew moderately by 4 percent. The sluggish growth mirrors low insurance penetration experienced over the period. However, the sector benefited from the ongoing business retentions which assisted in maintaining its premium pool. This, along with the robust risk management, in addition to the conservative risk approach undertaken, has helped the sector to fend off risks. Meanwhile, Contract All Risk showed an upward trend, mainly attributed to engineering policies relating to ongoing national development projects. Yet, this increase was insufficient to drive significant growth in the industry since most of the risks are ceded offshore as the current market does not have the capacity to cover 100 percent of the risks.

In terms of the sector's premium composition, the Fire (ISR) class remained the highest contributor to the general insurance premium pool with its total premium comprised of 33 percent. Other[3] classes of insurance contributed 17 percent; Motor vehicles contributed 15 percent to the overall portfolio while Workers' Compensation (WOC) and Contractors All Risk (CAR) contributed 14 percent each. Liabilities underwrite 5 percent, while Householders (H/H) and Marine policies assisted with 1 percent each.

**Fig 11: Class of Insurance Business – 1H25**



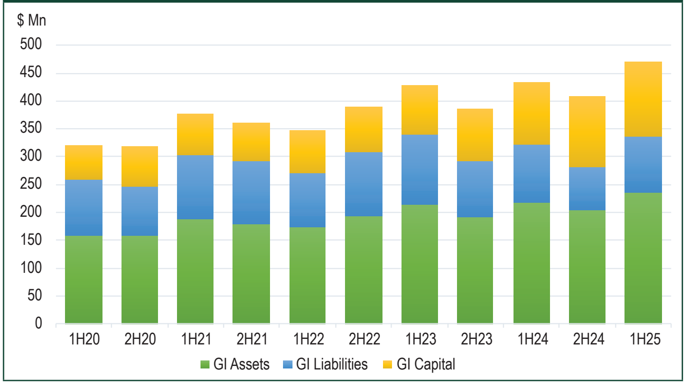

***Source**: CBSI*

On the asset size, the general portfolio's consolidated assets expanded by 15 percent to $235.2mn in 1H25. The increase mainly stemmed from retained earnings and statutory deposits. However, the expansion of the sector's assets was partly offset by a decline in time deposits which is attributable to head office charges relating to back-office support and profits remittances.

### 3.2.2: Key indicators for the General Insurance Category

The general portfolio remained sound despite witnessing slow business growth. Total capital remained sufficient to absorb losses, with capital adequacy ratio recorded at 47.3 percent. Asset quality also remained strong with debtors accounting for just 12.5 percent of total assets, reflecting prudent credit control. Overall, the sector has maintained conservative approach to underwriting, taking on businesses that are within its risk appetite. From prudential standpoint, the sector's robust capital buffer suggests ample capacity to take on additional risk without compromising financial stability.

**Fig 12: General Insurance Balance Sheet – 1H25**




***Source**: CBSI*

Similarly, the earnings & profitability of the sector showed a positive performance, with ROA and ROE recorded satisfactory results of 21.3 percent and 12.1 percent respectively. The result mirrored stable performance, underpinned by the absence of major risk events that would jeopardize the sector's performance during the period. Yet, attritional losses remain but were insufficient to undermine the sector's performance. Operating efficiency, however, came under some pressure, as expenses ratio rose to 46.7 percent from 36 percent in 2H24. The increase was mainly driven by head office charges. This ultimately resulted in a higher combined ratio of 53.7 percent. Nevertheless, the ratio remained below the prudential benchmark of 60 percent. Accordingly, despite higher expenses, the sector's overall profitability remained strong, underscoring its capacity to absorb shocks.

With regards to reinsurance, the sector continued to rely on the global reinsurance markets. The retention ratio was within satisfactory levels in this period, indicating prudent reinsurance management. With the total insurance business underwritten this period, 35.3 percent was ceded to insurers offshore while 64.7 percent remained. This reflects prudent risk management by undertaking risks that are within its risk bearing capacity.

### 3.2.3: Performance of the Life Insurance category

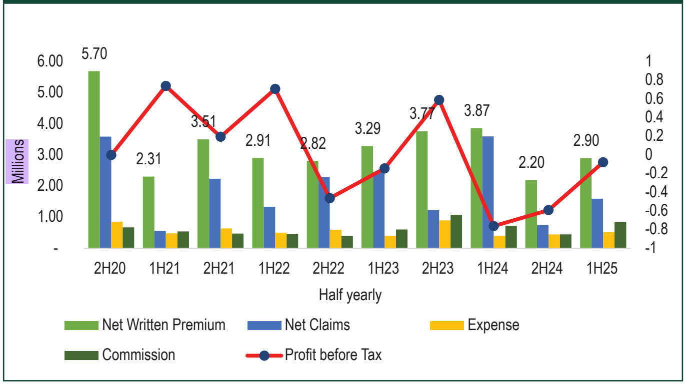
Although small, the life insurance segment played a critical role in risk mitigation. Life insurance business remained broadly stable in 1H25 despite experiencing a downturn in performance during the reporting period. Net Profit After Taxes (NPAT) of life insurance plummeted, owing to slowdown in sales, and elevated underwriting expenses. However, despite the elevating underwriting expense, the segment remained sturdy, underpinned by continued policies renewals observed over the assessment period.

Furthermore, the segment experienced consecutive losses in 2024 primarily due to anemic growth in business life.

3 All Risks & Miscellaneous

This outcome was further accelerated by an increase in claims, commissions and management expenses which altogether underpin higher net combined ratio of 163 percent in 1H25.

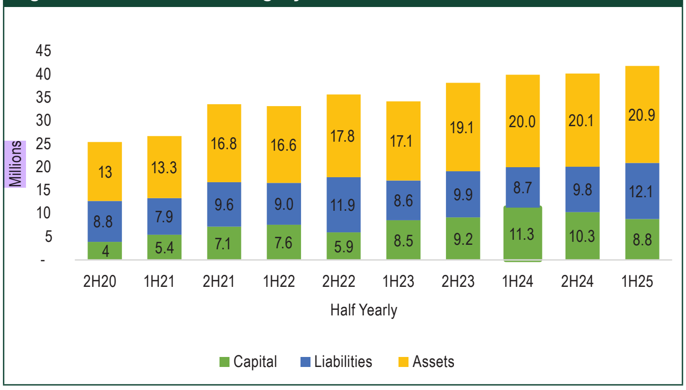
Fig 13: Financial Performance of life category – 1H25




***Source**: CBSI*

Notwithstanding the sluggish performance, the life insurance segment maintained an adequate capital ratio of 59 percent compared to the industry benchmark of 500 percent. Asset quality in terms of receivables to capital implied low risks, delineating availability of enough capital buffer to absorb shocks during the period. Liquid assets remained sufficient to meet any short-term shocks.

Fig 14: Life Insurance Category Balance Sheet – 1H25




***Source**: CBSI*

## 3.2.4: Risk and Vulnerabilities Assessment of the Insurance Sector

### Operational Risk

The sector remains vulnerable to operational dependency risk. This is attributed to its heavy reliance on centralized head office support for underwriting and backoffice functions. The elevating management and head office charges, depicted by the high expense ratio, illuminated this dependency. While the sector witnessed robust performance, the overreliance on head office support on key technical areas creates potential operational risk as any disruption in the head office services could directly affect the local operation and implicate financial stability.

### Underwriting Risk

The insurance sector is increasingly vulnerable to underwriting risk arising from the shrinking market size. This challenge is compounded by low public awareness of insurance and the limited availability of products that meet customer needs. Faced with these constraints, insurers may resort to actions aimed at preserving market share, such as unnecessarily reducing premium prices or taking on risks beyond their capacity. Such practices can result in mispricing of risks, poor risk selection, and heightened claims volatility, all of which increase the sector's exposure to financial instability. Over the longer term, these vulnerabilities may discourage innovation, further constrain market growth, and erode confidence in the sector's ability to provide sustainable risk coverage.

### Credit Risk

Credit risk remains a major challenge for the insurance sector, driven largely by difficulties in premium collections and weaknesses in the intermediary market. Premium renewals are often delayed or unpaid, exposing underwriters to potential losses from client defaults. At the same time, the intermediary market faces challenges in retaining customers and finding new insurance clients. This has led to rising policy cancellations and lapses. If large or high-value policyholders withdraw, insurers risk losing significant portions of their business portfolios, which could weaken the sector's overall stability.

Table 2: Insurance Sector Risk and Vulnerability Rating 1H25

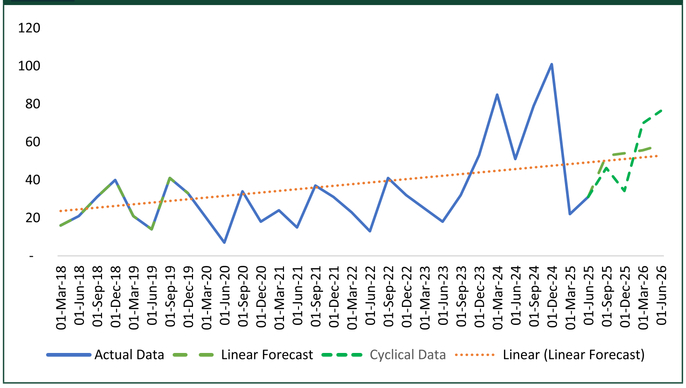
| Risks & Vulnerabilities | Risk Type | Risk Description | Inherent Risk | Residual Risk |
|---|---|---|---|---|
| Operational Dependency | Operational Risk | Dependence on the head office function may lead to operational losses at the local level if the head office experiences business disruptions | Medium | Low |
| Risk of undertaking unsound underwriting practice | Underwriting Risk | Shrinking market size, low awareness, and limited products, leading to misprice, poor risk selection, increasing underwriting risk and financial instability in the insurance sector. | Low | Low |
| Premium defaults | Credits Risk | Client defaults heightened risk of policy cancellations and lapses eroding business portfolio | Low | Low |
| Low | | | | |
| Medium | | | | |
| High | | | | |
| Extreme | | | | |

***Source: CBSI***

## 3.2.5: Insurance Sector Outlook

Looking ahead, the sector projects positive growth in underwriting over the next 6– 12 months. Assuming no major disruptions in the business environment, GWP are forecast to reach around $70 million by the end of June 2026. Growth will be driven by the ongoing development of microinsurance, particularly the rollout of parametric insurance products—and by new business opportunities accompanying forthcoming national development projects. As a result, the sector is expected to maintain satisfactory performance in the short to medium term. Nevertheless, this outlook remains contingent on stable market

**Fig 15: Insurance Sector 12 months forecast - 2H25 to 1H26**




***Source***: *CBSI*

conditions; potential disruptions such as weaker premium collections, increased claims volatility, or broader macroeconomic pressures could constrain growth prospects and undermine sector stability.

## 3.3: CREDIT UNION SECTOR

### 3.3.1: Key Balance Sheet Movements

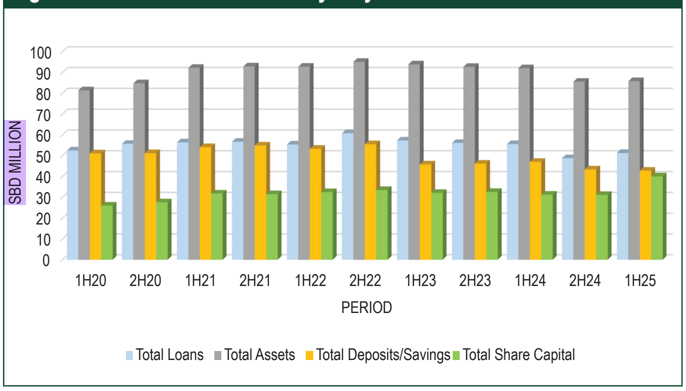
In the first half of 2025, the credit union sector experienced modest asset growth of 0.4 percent, with total assets rising to $86.0 million from $85.6 million in the previous period.

While loan portfolios expanded significantly by 5 percent to $51.4 million, this was offsetted by a decline in deposits held with banks, contributing to the overall sluggish asset growth.

Lending remains central to credit union operations, with loans comprising the largest share of total assets. Loan portfolios expanded during the early COVID-19 period, but have contracted since peaking in 2H22, reflecting slower lending activity.

On the liabilities side, total savings deposits declined by

**Fig 16: Credit Union Sector Half yearly Balance Sheet 1H20 – 1H25**




***Source***: *CBSI*

1.9 percent to $42.7 million, reflecting continued member withdrawals. In contrast, share capital increased markedly by 28 percent reaching $40.1 million, driven by increased paid-in capital and rising member shareholdings in several credit unions.

Overall, the sector's resilience is underpinned by stable lending activity and stronger capital buffers, notwithstanding the pressures of weaker deposit inflows.

### 3.3.2: Credit Union Sector Financial Performance

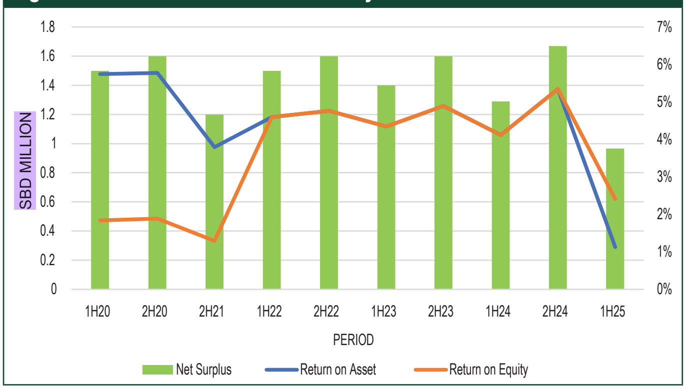
The sector's net profit fell significantly by 42 percent, declining to $0.97 million in the first half of 2025. This reduction was largely attributable to lower interest and non-interest income, reflecting lower returns from lending and the investments.

On the expenditure side, operational costs declined, reflecting lower board and committee allowances, wages, salaries, and other operational expenses across several credit unions. However, the reduction in income outpaced the cost savings, exerting pressure on overall profitability, with net margins falling to their lowest level since the post COVID-19 recovery in 2H22.

Despite weaker earnings, the sector demonstrated operational resilience, as reflected in its strong self-sufficiency ratio of 140 percent, indicating the sector's continued ability to sustain operations to serve its members without reliance on external support.

Capital position also strengthened, with the sector's capital to asset ratio rising significantly to 47 percent, while the reserves-to-savings ratio remained at 21 percent. The improved capital base enhanced the sector's capacity to absorb potential economic shocks and supports long-term

**Fig 17: Credit Union Sector Half Yearly Performance 1H20 - 1H25**




***Source***: *CBSI*

financial stability.

Amid ongoing economic and operational challenges, credit unions remain committed to meeting member needs and navigating the evolving financial environment with prudence and resilience.

### 3.3.3: Overview of Key Risk and Vulnerabilities of the Credit union Sector

Despite ongoing efforts to enhance operations and service delivery, the sector remains exposed to governance, credit, and liquidity risks. Governance challenges largely arise from the voluntary nature of credit unions, including limitations on appointing independent members to board committees, which can complicate the balance between workplace obligations and credit union responsibilities. These governance constraints have contributed to delays in implementing prudential recommendations, thereby increasing credit risk, cash flow pressures, and liquidity constraints. In some cases, credit unions have resorted to installment-based payouts to meet savings withdrawal requests. Nonetheless, most credit unions have strengthened governance frameworks by adopting appropriate procedures and maintaining compliance with internal and regulatory requirements, Mitigating operational and prudential risks.

The Registrar's Office and credit union boards are engaging through bilateral dialogues and sector-wide training initiatives to address these risks. Nonetheless, ultimate responsibility for implementing robust internal controls and mitigating the long-term impact of these vulnerabilities' rests with each credit union's board and management.

### 3.3.4: Credit Union Sector Outlook – 2H25 and Beyond

The CBSI through the Registrar's Office (RO) became a member of the Association of Asian Confederation of Credit Union Limited (ACCU), establishing a strategic partnership to support the domestic credit union sector's capacity. This collaboration provides access to the best international practices, technical resources, and networking opportunities for peer learning and knowledge exchange, leadership development, and targeted support to address institutional gaps within the sector. As part of this initiative, the RO and ACCU jointly conducted a three-day PEARLS[4] training program to strengthen the sector's financial management, reporting and monitoring frameworks, increasing board level awareness of operational weaknesses and the need for adequate resource allocation to drive improvements.

Looking ahead, the sector anticipates higher savings withdrawal activity compared to new loan demand, alongside a potential rebound in interest income, supporting a positive outlook. While risks persist, ongoing measures to strengthen resilience and governance are expected to underpin more sustainable growth and improved member service delivery.

4 PEARLS is a World Council of Credit Union developed monitoring tool for credit unions, measuring Protection, Effective financial structure, Asset quality, Rates of Return & costs, Liquidity and Signs of growth to assess performance and sustainability.

# APPENDICES

## APPENDIX 1: BANKING SECTOR

| Appendix A1.1: Banking Sector Key Risk Indicators 1H20 – 1H25 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Key Risk Indicators (%)** | **1H20** | **2H20** | **1H21** | **2H21** | **1H22** | **2H22** | **1H23** | **2H23** | **1H24** | **2H24** | **1H25** |
| **Capital Adequacy** | | | | | | | | | | | |
| Total regulatory capital ratio | 29.2 | 33.7 | 33.4 | 32.6 | 30.3 | 32.5 | 32.8 | 34.8 | 36.0 | 38.0 | 37.7 |
| **Profitability** | | | | | | | | | | | |
| Return on Assets (ROA) | 1.8 | 2.1 | 2.5 | 2.3 | 2.9 | 3.0 | 2.7 | 3.2 | 2.6 | 2.7 | 3.0 |
| Net Interest Margin (NIM) | 7.1 | 7.4 | 7.5 | 7.7 | 7.3 | 7.2 | 7.2 | 7.3 | 7.2 | 7.2 | 8.4 |
| **Operational Risk** | | | | | | | | | | | |
| Cost to income ratio (CIR) | 56.4 | 57.1 | 58.3 | 56.7 | 57.1 | 56.0 | 56.1 | 52.3 | 59.0 | 57.5 | 56.2 |
| **Credit Risk** | | | | | | | | | | | |
| Credit Growth | -0.8 | 1.1 | -0.6 | 1.5 | 1.0 | -0.1 | 1.5 | 1.3 | -0.5 | 1.3 | 1.8 |
| **Credit Concentration Risk** | | | | | | | | | | | |
| All Large Exposures /Tier I Capital | 68.7 | 58.7 | 50.5 | 45.4 | 25.1 | 46.9 | 25.3 | 35.6 | 15.0 | 31.0 | 23.5 |
| Sectoral HHI of credit sector portfolio | 1807.3 | 1757.2 | 1722.2 | 2068.3 | 2073.7 | 2132.1 | 2211.8 | 2294. | 2345.9 | 2309.6 | 2377.5 |
| **Credit Quality** | | | | | | | | | | | |
| Gross Stressed Exposures (GSE) to Total Exposures | 12.7 | 11.6 | 11.9 | 11.2 | 10.9 | 9.3 | 8.9 | 9.3 | 11.0 | 12.0 | 10.3 |
| Gross NPLs to Total gross Loans | 11.8 | 10.6 | 11.4 | 10.4 | 10.9 | 9.4 | 8.3 | 9.6 | 10.6 | 11.7 | 10.2 |
| Special Mention Exposures to Total Exposures | 0.9 | 0.9 | 0.7 | 0.8 | 0.7 | 0.5 | 0.7 | 0.4 | 0.6 | 0.6 | 0.5 |
| **Provisioning** | | | | | | | | | | | |
| Provisioning Coverage Ratio: Specific Loan Loss to NPLs | 27.9 | 29.9 | 28.7 | 36.4 | 36.2 | 39.8 | 44.8 | 41.4 | 43.3 | 44.2 | 46.5 |
| **Liquidity Risk** | | | | | | | | | | | |
| Wholesale Deposits (OFCs) to Total Loans (2) | 31.1 | 30.2 | 31.7 | 29.5 | 33.0 | 32.8 | 31.9 | 28.1 | 31.3 | 27.7 | 30.9 |
| Liquid Assets to Short Term Liabilities | 55.6 | 53.9 | 59.7 | 64.1 | 67.4 | 66.1 | 66.8 | 67.5 | 67.2 | 70.2 | 68.1 |
| **Forex Risk** | | | | | | | | | | | |
| Net overall Open Position: Net overall open position to total capital & reserves | 7.4 | 2.4 | 2.4 | 2.9. | 2.6 | 2.8 | 5.1 | 2.6 | 5.9 | 3.2 | 5.7 |

| | |
|---|---|
| **Low** | **Within the internal thresholds** |
| **Medium** | **Slightly above or outside internal thresholds** |
| **High** | **Above or outside the internal thresholds** |
| **Extreme** | **Significantly above and or outside internal thresholds** |

*Sources: CBSI*

| Appendix A1.2: Banking Sector Half Yearly Income Statement ($Million) 1H20 – 1H25 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **1H20** | **2H20** | **1H21** | **2H21** | **1H22** | **2H22** | **1H23** | **2H23** | **1H24** | **2H24** | **1H25** |
| Net interest income | 118.6 | 120.6 | 113.0 | 120.1 | 113.7 | 118 | 122.3 | 124.5 | 125.4 | 127.4 | 148.6 |
| Noninterest income | 85.3 | 80.4 | 76.6 | 92.9 | 86.5 | 109.7 | 97.2 | 104 .0 | 129.5 | 124.6 | 123.0 |
| Noninterest expenses | 115.0 | 116.1 | 110.6 | 117.6 | 114.3 | 125.4 | 123.1 | 111.3 | 150.4 | 141.1 | 152.7 |
| Provisions | 35.6 | 9.1 | 0.7 | 24.7 | -10.1 | -3.9 | 4.3 | -13.7 | 9.5 | 8.1 | 5.6 |
| Net profit before tax | 53.3 | 75.3 | 78.3 | 70.8 | 95.9 | 106.2 | 92.2 | 130.9 | 95.1 | 102.8 | 113.4 |

*Sources: CBSI*

| Appendix A1.3: Banking Sector Half-Year Balance Sheet ($ Million), 1H21 – 1H24 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **1H20** | **2H20** | **1H21** | **2H21** | **1H22** | **2H22** | **1H23** | **2H23** | **1H24** | **2H24** | **1H25** |
| Cash and Deposits | 2,610.2 | 3,065.7 | 3,143.1 | 3,293.7 | 3,145.3 | 3,479.2 | 3387.6 | 3570.4 | 3,777.5 | 3,958.2 | 3,96.0 |
| Loans net of specific provision for loan losses | 2,447.9 | 2,511.7 | 2,484.8 | 2,515.7 | 2,509.2 | 2,550.5 | 2,612.9 | 2,647.7 | 2,651.0 | 2,747.8 | 2,793.3 |
| Debt securities | 703.1 | 474.1 | 471.5 | 476.7 | 441.0 | 484.0 | 495.5 | 500.0 | 507.2 | 373.8 | 579.9 |
| Nonfinancial assets | 110.1 | 100.3 | 91.9 | 286.5 | 278.9 | 273.9 | 271.9 | 298.4 | 285.5 | 244.9 | 102.5 |
| **Total assets** | **6,083.3** | **6,367.9** | **6,397.5** | **6,685.4** | **6,464.6** | **6,907.6** | **6,898.7** | **7,215.1** | **7,366.0** | **7,493.7** | **7,686.2** |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Currency and deposits | 4,772.5 | 4,939.0 | 5,012.6 | 5,133.5 | 4,941.6 | ,5273.9 | 5,233.8 | 5,521.0 | 5,615.8 | 5,709.6 | 5,919.1 |
| Other Liabilities | 245.8 | 265.1 | 234.5 | 316.1 | 293.4 | 333.7 | 369.2 | 359.9 | 435.0 | 414.9 | 370.1 |
| Capital and reserves | 1,065.0 | 1,163.9 | 1,150.4 | 1,235.9 | 1,229.6 | 1,300.1 | 1,295.7 | 1,334.2 | 1,315.3 | 1,369.1 | 1,397.0 |
| **Total Liabilities & Capital** | **6,083.3** | **6,367.9** | **6,397.5** | **6,685.4** | **6,464.6** | **6,907.6** | **6898.7** | **7215.1** | **7,366.0** | **7,493.7** | **7686.2** |

*Sources: CBSI*

## APPENDIX 2: SUPERANNUATION SECTOR

**Appendix A2.1: Half year Profit and Loss Statement ($Million)**

| | 2H21 | 1H22 | 2H22 | 1H23 | 2H23 | 1H24 | 2H24 | 1H25 |
|---|---|---|---|---|---|---|---|---|
| **Investment Income** | **275.24** | **102.77** | **-281.73** | **179.06** | **170.04** | **188.88** | **36.42** | **366.21** |
| Less: Direct Investment Expenses | 14.95 | 15.96 | 12.59 | 14.59 | 12.38 | 19.27 | 12.87 | 14.16 |
| **Net Investment Income** | **260.29** | **86.81** | **-294.32** | **164.46** | **157.66** | **169.62** | **23.55** | **352.04** |
| Non-Investment Income | -30.85 | 40.60 | -30.55 | 46.80 | -35.35 | 48.55 | -33.28 | 47.47 |
| **Gross Income** | **229.44** | **127.41** | **-324.87** | **211.26** | **122.30** | **218.17** | **-9.73** | **399.51** |
| Less: Operational Expenses | 32.98 | 30.66 | 27.98 | 31.63 | 28.08 | 39.76 | 33.69 | 34.24 |
| **Net Profit before interest payable** | **196.45** | **96.75** | **-352.84** | **179.64** | **94.22** | **178.41** | **-43.42** | **365.28** |
| Less: Interest payable to members | 6.47 | 5.86 | 8.74 | 2.88 | -0.40 | 6.56 | 5.85 | 4.25 |
| **Net Profit After Interest to Members** | **189.98** | **90.89** | **-361.58** | **176.75** | **94.62** | **171.85** | **-49.27** | **361.03** |

*Sources: CBSI*

**Appendix A2.2: Half year Balance Sheet Statement ($Million)**

| **Investments Assets** | 2H21 | 1H22 | 2H22 | 1H23 | 2H23 | 1H24 | 2H24 | 1H25 |
|---|---|---|---|---|---|---|---|---|
| Fixed Term Deposit | 612.45 | 616.88 | 630.80 | 647.67 | 598.31 | 620.15 | 616.37 | 599.41 |
| Loans and Advances | 150.62 | 154.56 | 137.08 | 148.30 | 157.27 | 137.12 | 118.40 | 100.40 |
| Government Securities | 315.96 | 314.35 | 352.37 | 440.36 | 568.06 | 595.31 | 654.49 | 606.29 |
| Debt securities | 6.50 | 6.50 | 6.50 | 18.07 | 18.26 | 48.25 | 52.00 | 50.84 |
| Investment Properties | 515.49 | 486.61 | 557.72 | 544.98 | 566.26 | 587.76 | 614.30 | 488.56 |
| Shares and equities | 2,077.60 | 2,061.10 | 1,688.25 | 1,714.77 | 1,816.72 | 1,853.48 | 1,870.73 | 2,116.49 |
| **Other Assets** | | | | | | | | |
| Cash and Demand Deposit | 180.35 | 240.86 | 221.56 | 205.74 | 183.90 | 213.74 | 152.68 | 279.35 |
| Property Plant and Equipment | 195.99 | 196.54 | 197.45 | 213.15 | 231.51 | 235.00 | 237.17 | 384.63 |
| Other assets | 49.04 | 91.15 | 58.94 | 82.20 | 61.70 | 98.22 | 75.41 | 139.63 |
| **Total assets** | **4,104.00** | **4,168.54** | **3,850.65** | **4,015.24** | **4,201.98** | **4,389.03** | **4,391.55** | **4,765.59** |
| Members' contributions | 3,493.60 | 3,492.23 | 3,609.40 | 3,589.81 | 3,853.97 | 3,848.51 | 4,038.68 | 4,038.98 |
| Other Liabilities | 128.65 | 139.57 | 143.65 | 155.57 | 132.71 | 150.87 | 156.60 | 166.22 |
| Capital & reserves | 481.75 | 536.74 | 97.60 | 269.86 | 215.30 | 389.66 | 196.27 | 560.39 |
| **Total liabilities& capital** | **4,104.00** | **4,168.54** | **3,850.65** | **4,015.24** | **4,201.98** | **4,389.03** | **4,391.55** | **4,765.59** |

*Sources: CBSI*

## APPENDIX 3: INSURANCE SECTOR

**Appendix A3.1: General Insurance Half-Yearly Income Statement ($ Million), 1H21 – 1H24**

| | 2H20 | 1H21 | 2H21 | 1H22 | 2H22 | 1H23 | 2H23 | 1H24 | 2H24 | 1H25 |
|---|---|---|---|---|---|---|---|---|---|---|
| Gross Written Premium | 25.8 | 39.9 | 29.4 | 36.8 | 37.6 | 43.6 | 42 | 51.4 | 49.6 | 51.7 |
| Outward reinsurance | 4.6 | 12.9 | 10.3 | 9.7 | 12.8 | 15.4 | 13.4 | 16 | 14.6 | 20.3 |
| Premium net of reinsurance | 21.2 | 27 | 19.1 | 27.1 | 24.7 | 28.2 | 28.6 | 35.4 | 35 | 31 |
| Unearned premium reserves | -0.8 | 1.8 | -0.3 | 1.7 | 1.1 | 4.1 | 0.4 | 7.4 | -3.5 | 1 |
| Net earned premium | 22 | 25.1 | 19.5 | 25.4 | 23.6 | 24.1 | 28.3 | 28.1 | 38.5 | 30 |
| Gross claims expense | 2.5 | 6.5 | 19.5 | 11.2 | 14.3 | 1.3 | 3.7 | -3 | 1.9 | 2 |
| Total recoveries | -0.2 | 1.7 | 7.5 | 9.5 | 5.2 | 4 | -4.1 | -0.8 | -2.6 | 1.5 |
| Net claims expenses | 2.7 | 4.7 | 12.1 | 1.6 | 9.1 | -2.6 | 7.8 | -2.2 | 4.5 | 6.5 |
| Acquisition Costs | 0.2 | 0 | 0 | 0 | 0 | -0.1 | -0.5 | -0.8 | 0 | 0 |
| Total underwriting expenses | 9.6 | 11.8 | 18.6 | 8.7 | 15.4 | 4.9 | 14.6 | 6.1 | 14.2 | 11.2 |
| Underwriting Results | 12.3 | 13.3 | 0.8 | 16.8 | 8.2 | 19.2 | 13.7 | 22 | 24.3 | 18.7 |
| Investment income on assets backing insurance liabilities | 0.1 | 0.1 | 0.3 | 0.2 | 0.1 | 0.2 | 0.1 | 0.1 | 0 | 0 |
| Insurance Results | 12.7 | 13.4 | 1.1 | 17 | 8.3 | 19.4 | 13.8 | 22.1 | 24.5 | 18.9 |
| Other operating expenses or management expenses | 2.4 | 7.3 | 2.5 | 6 | 6.5 | 6.1 | 4.9 | 3.6 | 3.9 | 8 |
| Net Profit (Loss) Before Tax | 10.3 | 6.1 | -1.4 | 11.3 | 2.5 | 13.3 | 8.9 | 18.7 | 20.9 | 14.2 |
| Income tax or provisions | 3 | 1.6 | 1 | 3.2 | 0.9 | 1.8 | 4.8 | 5.6 | 6.8 | 4.6 |
| Net Income (Loss) End of Current Period | 7.3 | 4.5 | -2.3 | 8 | 1.6 | 11.5 | 4.2 | 13.1 | 14.1 | 9.5 |

*Sources: CBSI*

**Appendix A3.2: General Insurance Half-Year Balance Sheet Statement ($M),2H20-1H25**

| | 2H20 | 1H21 | 2H21 | 1H22 | 2H22 | 1H23 | 2H23 | 1H24 | 2H24 | 1H25 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Assets | 157.6 | 184.3 | 175.3 | 168.4 | 190.2 | 217.7 | 187.9 | 213.8 | 203.9 | 236.2 |
| Non-financial assets | 4.4 | 6 | 7.9 | 7.5 | 8.4 | 7.9 | 5.4 | 20 | 21.2 | 23.5 |
| Currency and deposits | 95.5 | 114.1 | 104.1 | 98.1 | 122.1 | 131.4 | 114.2 | 112.2 | 125.5 | 151 |
| Shares and other equity | 0.7 | 0.7 | 0.6 | 0.6 | 0.6 | 0.6 | 0.7 | 0.8 | 0.7 | 1 |
| Debt securities | 16 | 16 | 16 | 15.7 | 16 | 15.7 | 15.7 | 15 | 15 | 15 |
| Insurance technical reserves (Assets) | 38 | 44.7 | 44.2 | 44 | 42.1 | 61.1 | 47 | 63.9 | 39.6 | 42.3 |
| Other assets | 3 | 2.8 | 2.6 | 2.5 | 0.9 | 1.1 | 5.1 | 1.9 | 2 | 2.2 |
| Liabilities | 84.2 | 108.3 | 104.3 | 88.4 | 107.5 | 134.4 | 92.3 | 100.5 | 74.5 | 102.1 |
| Insurance technical reserves (Liabilities) | 75.1 | 83.5 | 84.4 | 70.5 | 86.5 | 115.7 | 78.1 | 87.2 | 64.6 | 83.2 |
| Other liabilities | 9.1 | 24.8 | 19.9 | 17.9 | 20.9 | 18.8 | 14.3 | 13.3 | 13.3 | 18.9 |
| Capital and reserves | 73.4 | 76 | 71 | 80 | 82.7 | 83.3 | 95.6 | 113.3 | 126 | 132.9 |
| Balance Sheet Total | 157.6 | 184.3 | 175.3 | 168.4 | 190.2 | 217.7 | 187.9 | 213.8 | 203.9 | 235.2 |

*Sources: CBSI*

## APPENDIX 4: CREDIT UNION SECTOR

**Appendix A4.1: Credit Union Sector Financial Performance and Soundness Indicator, 1H20-1H25**

| | 1H20 | 2H20 | 1H21 | 2H21 | 1H22 | 2H22 | 1H23 | 2H23 | 1H24 | 2H24 | 1H25 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance Sheet (SBD Million)** | | | | | | | | | | | |
| Total Loans | 52.6 | 55.8 | 56.5 | 56.8 | 55.5 | 60.9 | 57.4 | 56.2 | 55.68 | 48.91 | 51.40 |
| Total Assets | 81.5 | 84.9 | 92.3 | 93 | 92.9 | 95.2 | 94 | 92.8 | 92.14 | 85.68 | 85.98 |
| Total Deposits/Savings | 51.2 | 51.3 | 54.2 | 55 | 53.4 | 55.6 | 45.9 | 46.3 | 47.14 | 43.48 | 42.89 |
| Total Share Capital | 26.1 | 27.7 | 31.9 | 31.6 | 32.6 | 33.6 | 32.2 | 32.7 | 31.32 | 31.23 | 40.07 |
| **Income Statement (SBD Million)** | | | | | | | | | | | |
| Income | 2.9 | 4.2 | 3.8 | 4.3 | 3.8 | 5 | 3.8 | 5.2 | 4.30 | 4.73 | 3.37 |
| Expenses | 1.6 | 2.6 | 2.3 | 3.1 | 2.3 | 3.4 | 2.4 | 3.6 | 3.01 | 3.06 | 2.41 |
| Net Surplus | 1.5 | 1.6 | 1.5 | 1.2 | 1.5 | 1.6 | 1.4 | 1.6 | 1.29 | 1.67 | 0.97 |
| **Statistics** | | | | | | | | | | | |
| Membership | 6795 | 6800 | 6850 | 6850 | 6850 | 6850 | 6850 | 6850 | 6850 | 6900 | 6900 |
| No. of Reporting Credit Unions | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| **Protection** | | | | | | | | | | | |
| Self Sufficiency Ratio (> 111%) | 181% | 162% | 165% | 139% | 165% | 147% | 158% | 144% | 143% | 155% | 140% |
| **Effective rate of Efficiency** | | | | | | | | | | | |
| Loans to Assets (70-80%) | 65% | 66% | 61% | 61% | 60% | 64% | 61% | 61% | 60% | 57% | 60% |
| Savings Deposits to Assets (70-80%) | 63% | 60% | 59% | 59% | 57% | 58% | 49% | 50% | 51% | 51% | 50% |
| **Asset Quality** | | | | | | | | | | | |
| Non-earning Assets to Total Assets (<=5%) | 35% | 34% | 38% | 39% | 41% | 36% | 39% | 39% | 39% | 42% | 40% |
| **Rate of Return** | | | | | | | | | | | |
| Net Income to Loan | 3% | 3% | 3% | 2% | 3% | 3% | 2% | 3% | 2% | 3% | 2% |
| **Liquidity** | | | | | | | | | | | |
| Reserves to Savings (15%) | 21% | 19% | 18% | 18% | 18% | 17% | 26% | 25% | 25% | 26% | 21% |
| **Signs of Growth** | | | | | | | | | | | |
| Growth in Loans | 0% | 0% | 1% | 1% | -2% | 10% | -6% | -2% | -1% | -12% | 5.1% |
| Growth in Savings | 2% | 0% | 6% | 1% | -3% | 4% | -17% | 1% | 2% | -8% | -1.4% |
| Growth in Share Capital | 0% | 0% | 15% | -1% | 3% | 3% | -4% | 2% | -4% | -0% | 28.3% |
| Growth in Asset | 2% | 4% | 9% | 1% | -0% | 2% | -1% | -1% | -1% | -7% | 0.3% |
| **Asset Quality** | | | | | | | | | | | |
| Capital to Total Asset ratio | 32% | 33% | 35% | 34% | 35% | 35% | 34% | 35% | 34% | 36% | 47% |
| Return on Equity | 6% | 6% | 5% | 4% | 5% | 5% | 4% | 5% | 4% | 5% | 2% |
| Return on Asset | 2% | 1.9% | 1.6% | 1.3% | 1.6% | 1.7% | 1.5% | 1.7% | 1.4% | 2% | 1% |

*Sources: CBSI*