# ANNUAL REPORT FY2024

# DEVELOPMENT BANK OF SAMOA

**The Bank for the Prosperity of Samoa**

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## 1. STATEMENT TO PARLIAMENT

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

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

**Government of Samoa**

**OFFICE OF THE MINISTER OF FINANCE**

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

The Honourable Speaker
Legislative Assembly of Samoa
**MULINUU**

**STATEMENT TO PARLIAMENT**

Afioga e,
Pursuant to Section 26 of the Development Bank of Samoa Act 2010, I present to the Legislative Assembly of Samoa the Development Bank of Samoa Annual Report, for the year ended 30 June 2024.

The Annual Report 2024, is submitted in accordance to Section 23 of the Public Bodies (Performance and Accountability) Act 2001.

Ma le fa'aaloalo,

Hon. Lautimuia Afoa Uelese Vaai
**MINISTER OF FINANCE**

## 2. ABOUT THE DEVELOPMENT BANK OF SAMOA

### OUR MANDATE

"To promote the expansion of the economy of Samoa for the economic and social advancement of the people of Samoa" by undertaking the following functions:

(i) Provide financial assistance to business at micro, small, medium (MSMEs) and large businesses

(ii) Form partnerships with the public, private sectors and communities to improve access to finance for sustainable economic and social development.

Our financing assistance to support sustainable economic and social development through:

(i) Agriculture – livestock, crops, fruit and vegetables

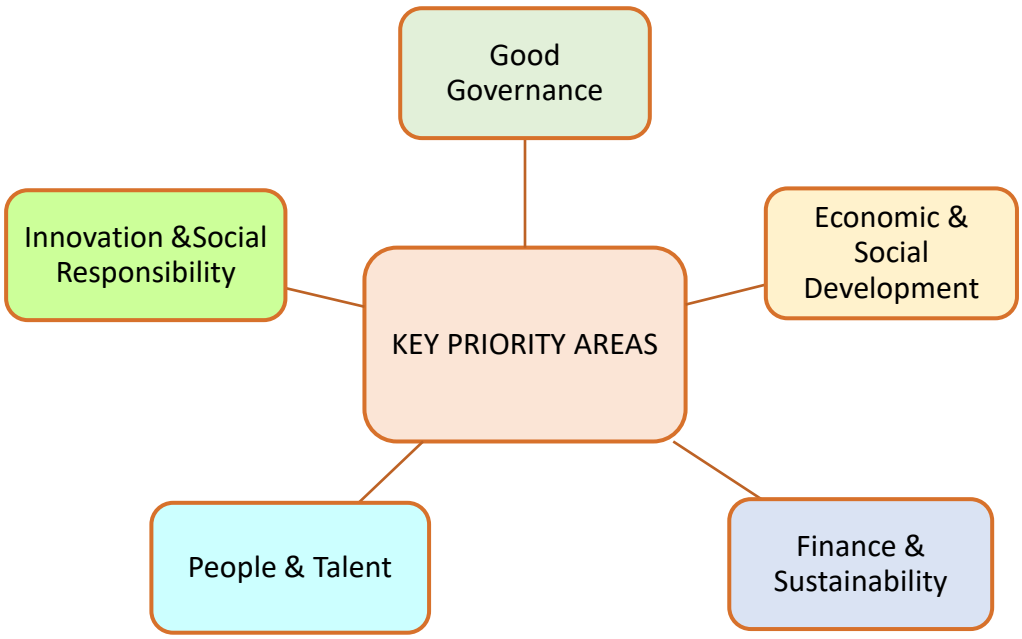
(ii) Fishing – marine, fishing boats, equipment and accessories

(iii) Inclusive – education, health, financial inclusion and communities

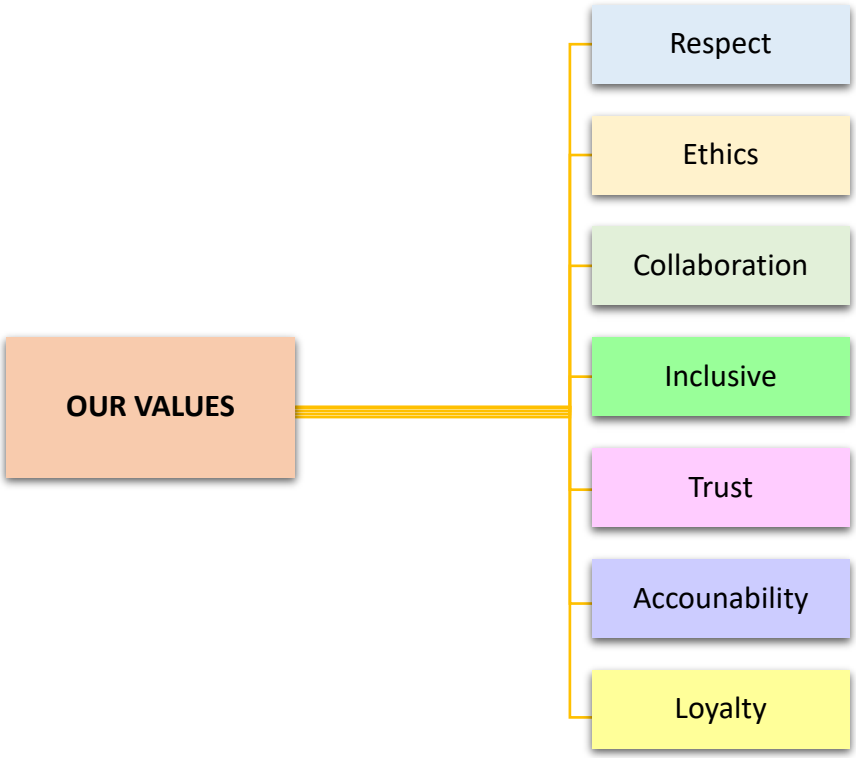
(iv) Industry – small, medium and large businesses in commerce, services such as transportation, food and beverage, retail, printing, crafting, clothing, hospitality and others

(v) Tourism – hotel development and beach fale

## KEY PRIORITY AREAS




## OUR VALUES



## 3. REPORT BY THE CHAIRPERSON

On behalf of the Board of Directors, I am pleased to present the annual report of the Development Bank of Samoa for the year ended 30 June 2024.

The Bank continues to deliver its mandate to enable sustainable economic and social development through implementation of its credit financing to all sectors of the economy. Regardless of the recurring weaknesses of cash flow management and portfolio management, the Bank was able to offer financial assistance to development projects to improve the economy and create employment opportunity for the people of Samoa. The fixed concessional terms offered to major clients negatively impacted the financial performance of the Bank and also affect its liquidity position. The DBS received a grant from the government of a $3 million CHOGM financial facility to fund CHOGM related projects. Despite the financial challenges, the Bank recorded new loans of 315 valued at $8.3 million. All new loans approved relate to micro, small and medium entities (MSMEs). The total loan portfolio recorded is $103 million of which 27% of value relates to MSMEs and 97% by number.

The Bank recorded a loss before tax of $2.6 million compared to budget loss of $3.1 million and FY2023 loss of $2.9 million. The slight decrease reflects the increase in average interest impacted by the concessional terms offered to major accounts. The Bank is currently undertaking projects in collaboration with development partners to strengthen capacity, human resources, financial position and to replace its core lending system to effectively improve and enhance operations and responsiveness to development needs of Samoa.

I commend the Directors for their contribution and support. I also thank the management and staff for their commitment remaining resilient during these challenging times. The Board remains positive and is committed to deliver better outcomes in the future years through dedication and collaboration with the Banks development partners.

Ma le fa'aaloalo tele,

Tamaleta Taimang Jensen
**CHAIRPERSON**

## 4. BOARD OF DIRECTORS

The Board in this financial year held eleven (11) meetings/ The Audit Committee held three (3) meetings while the Risk Management Committee held six (6) meetings. The Board consist of the following members:

Tamaleta Taimang Jensen

Fuimaono Beth Onesemo

Leasi Papalii Tommy Scanlan

Fuimaono Vaitolo Ofoia

## 5. REPORT BY THE CHIEF EXECUTIVE OFFICER

Financial year 2024 has been characterized by a gradual recovery in the economy of Samoa. We have witnessed a resurgence in demand for financial assistance across all sectors, and our commitment to fostering sustainable development and economic resilience has been at the forefront of our efforts despite constraints.

During the year, the Bank received $3M grant from the Government to finance CHOGM related projects with very concessional terms. The primary purpose for this facility was to assist local businesses in preparation for the Common Heads of Government meeting later in the year. The Bank allocated $5.3 million of its collection to finance additional approval for development projects to enhance economic and social development of Samoa. Despite financial challenges, the Bank remains committed to deliver its mandate supporting development and recovery initiatives across all economic sectors.

### 1. LENDING OPERATION OVERVIEW

(i) Loan Approvals by Sector and by Number

| Sector | FY2024 $000 | FY2023 $000 | Number FY2024 | Number FY2023 |
|---|---|---|---|---|
| ▪ **Agriculture** | 2,190 | 6,731 | 125 | 375 |
| ▪ **Fishing** | 59 | 231 | 4 | 4 |
| ▪ **Inclusive** | 502 | 656 | 44 | 66 |
| ▪ **Industry** | 2,856 | 7,424 | 115 | 113 |
| ▪ **CHOGM** | 2,700 | - | 27 | |
| **Total loan approval** | 8,307 | 15,042 | 315 | 558 |

(ii) Loan Approvals by Location

| Sector | Savaii $000 FY2024 | Upolu $000 FY2024 | Savaii Number FY2024 | Upolu Number FY2024 |
|---|---|---|---|---|
| ▪ **Agriculture** | 1,288 | 903 | 77 | 48 |
| ▪ **Fishing** | 20 | 39 | 1 | 3 |
| ▪ **Inclusive** | 643 | 1,228 | 58 | 60 |
| ▪ **Industry** | 60 | 1,426 | 3 | 38 |
| ▪ **CHOGM** | - | 2,700 | - | 27 |
| **Total loan approval** | 2,011 | 6,296 | 139 | 176 |

The Bank approved 315 loans with a total value of $8.3M during the year, compared to 558 loans with total value of $15M in the previous year. This was a 44% drop compared to prior year despite approval targets being achieved. The Industry sector accounted for the highest demand for micro and small loan funding by value, constituting 34% of total approvals, followed by the Agriculture sector and CHOGM facility approvals of 33% and 26% respectively. The liquidity constraints faced by the Bank due to limited financing options available will continue to impact the lending operation of the Bank.

*Faapito Lesatele (Siapo – Inclusive)*

*Salani Resort (Tourism)*

*Taualagi Ulimasao (Copra – Pu'apu'a)*

*Vailolo Mauai Tanielu (Copra – Paia)*

*Vitolia Fanene (Inclusive – Lalomalava)*

*Filisita Tominiko (Fishing – Manono Uta)*

*Moloka Obley (Livestock – Vaiola)*

*Netta Hartin (Bakery – Asaga)*

*St Therese Resort – Leauva'a*

*Sinalei Tropic Resort - Siumu*

(iii) Loan Collections

| Sector | FY2024 $000 | FY2023 $000 |
|---|---|---|
| ▪ **Agriculture** | 5,113 | 4,350 |
| ▪ **Fishing** | 270 | 228 |
| ▪ **Inclusive** | 1,264 | 1,487 |
| ▪ **Industry** | 3,925 | 4,114 |
| ▪ **Tourism** | 3,543 | 5,803 |
| ▪ **Non-development** | 21 | 95 |
| ▪ **CHOGM** | 19 | - |
| **Total loan collection** | 14,155 | 16,078 |
| **MSMEs loans** | 6,588 | 8,831 |
| **Large loans** | 7,567 | 7,247 |
| | 14,155 | 16,078 |

Tourism sector constitutes 57% of portfolio and contributed only 25% of loan collection in FY2024 compared to 36% in FY2023. This indicates a pressing need for targeted strategies to address the

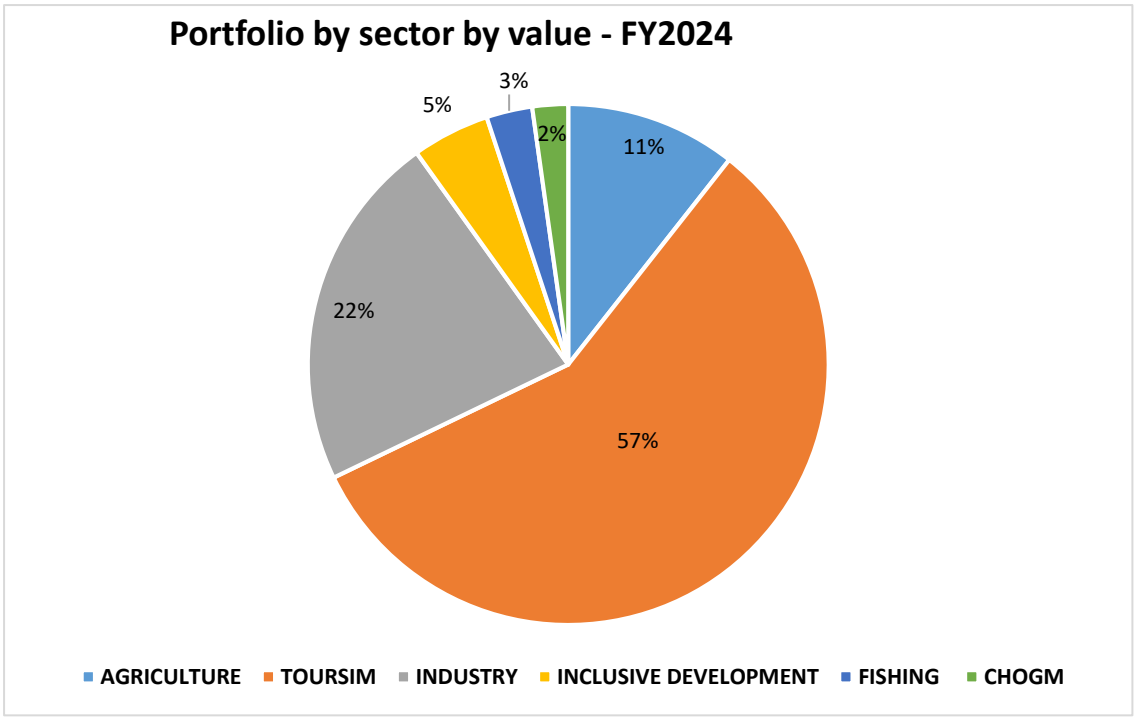
continued challenges faced by this sector despite the full recovery of the economies from the covid19 impact. The Agriculture sector which holds 11% of total portfolio accounts for 36% of total collection, an increase of 9% in comparison to prior year. The industry sector accounts for 28% of total collection in FY2024, a 2% increase compared to FY2023. The MSMEs which holds 27% of portfolio contributes to 47% and 55% of loan collections for FY2024 and FY2023.

(iv) Portfolio Summary

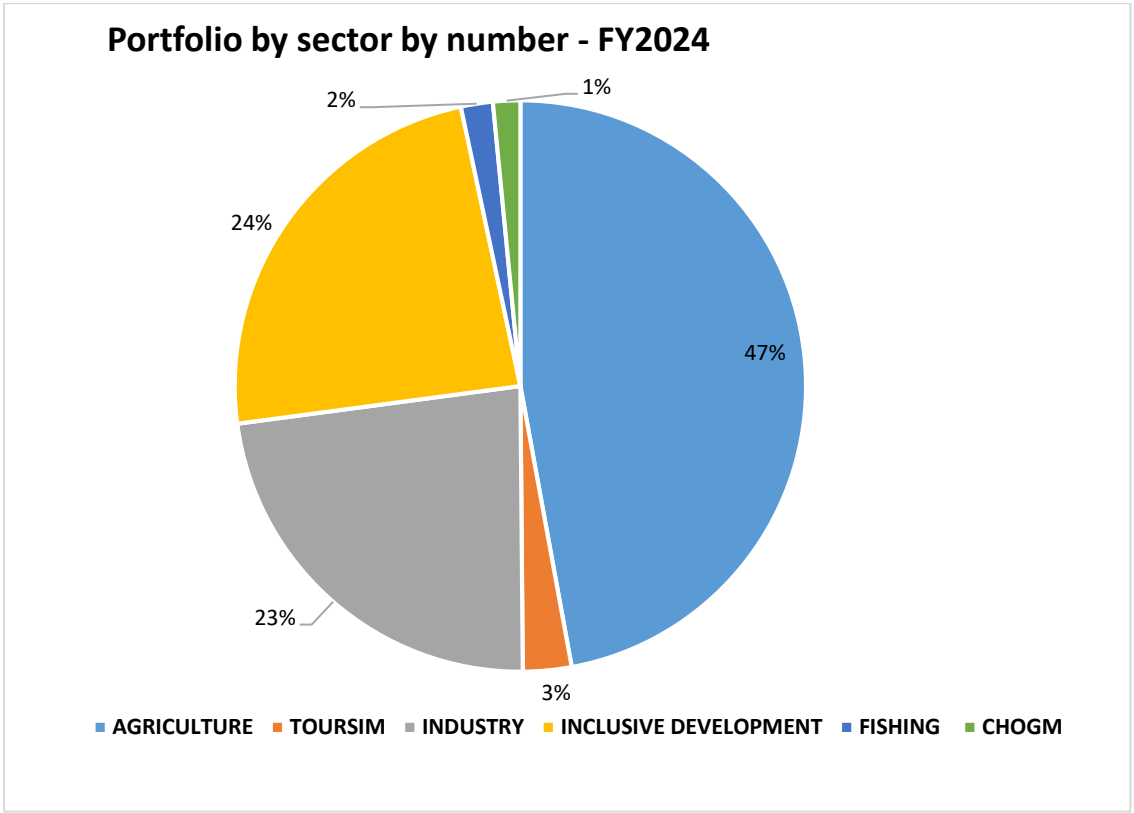
| Details | FY2024 $000 | FY2023 $000 | Number of accounts FY2024 | Number of accounts FY2023 |
|---|---|---|---|---|
| **Development loans:** | | | | |
| ▪ **Agriculture** | 10,943 | 13,249 | 704 | 828 |
| ▪ **Fishing** | 2,940 | 3,067 | 27 | 29 |
| ▪ **Inclusive** | 4,975 | 4,046 | 355 | 374 |
| ▪ **Industry** | 22,954 | 24,401 | 344 | 390 |
| ▪ **Tourism** | 59,026 | 61,657 | 41 | 41 |
| ▪ **CHOGM** | 2,288 | - | 23 | - |
| **Non-development loans** | 54 | 71 | 1 | 1 |
| **Total portfolio** | 103,180 | 106,491 | 1,495 | 1,663 |
| **Loans by size:** | | | | |
| **MSMEs** | 27,596 | 27,123 | 1,456 | 1,619 |
| **Large** | 75,584 | 79,368 | 39 | 44 |
| **Total portfolio** | 103,180 | 106,491 | 1,495 | 1,663 |
| **MSMEs** | 27% | 25% | 97% | 97% |
| **Large** | 73% | 75% | 3% | 3% |
| | 100% | 100% | 100% | 100% |
| **Portfolio by location:** | | | | |
| **Savaii** | 9,356 | 12,038 | 712 | 876 |
| **Upolu** | 93,824 | 94,453 | 783 | 787 |
| **Total portfolio** | 103,180 | 106,491 | 1,495 | 1,663 |
| **Non-performing loans level** | 1.4% | 5% | 8% | 15% |
| **Arrears level** | 0.5% | 2% | 22% | 29% |

A slight decline of 3% in total portfolio was recorded at 30 June 2024 at $103M compared to $106M in FY2023. The decrease reflects the mismatch between the collection and new loans where new loans could not match the reduction of portfolio due to loan repayment. The decrease by value represents at highest 18% from the Agriculture sector, and 8% and 3% from Industry and Tourism sectors. The total number of clients has also reduced by 10% or 168 in total. There have been low lending activities during the year apart from Government concessional facilities offered. The level of non-performing loans reduced from 5% in FY2023 to 1.4% in FY2024 reflecting a major improvement. Arrears level of 0.5% remains within the benchmark of 3%. NPL is decreased to 0.5% and reflects the commitment by the Bank to improve its portfolio quality.

**Graph 1:**




**Graph 2:**



## 2. OVERVIEW FINANCIAL PERFORMANCE

Despite ongoing cashflow challenges, the Bank has successfully reduced its net operating loss compared to prior year from $2.9M to $2.6M in FY2024. This mild achievement reflects our continuous efforts to manage operational costs effectively alongside creating avenues to increase overall financial performance in the foreseeable years.

| Extract of Income and Expenditure | 2024 Actual $000 | 2024 Budget $000 | 2023 Actual $000 |
|---|---|---|---|
| **Interest income** | 3,164 | 3,159 | 3,201 |
| **Other income** | 1,913 | 2,312 | 1,996 |
| ***Total income*** | ***5,077*** | ***5,471*** | ***5,197*** |
| **Interest expense** | 922 | 1,073 | 1,076 |
| **Personnel expenses** | 3,057 | 3,253 | 3,000 |
| **Other expenses** | 1,759 | 2,424 | 1,592 |
| ***Total expenses*** | ***5,738*** | ***6,750*** | ***5,668*** |
| **(Loss)/surplus before provision and foreign translation** | (661) | (1,279) | (471) |
| **Provision for doubtful loans** | (600) | (600) | (1,120) |
| **Depreciation** | (1,296) | (1,315) | (1,269) |
| **Gain/(loss) on foreign translation** | - | - | (23) |
| ***Net loss before tax*** | ***(2,557)*** | ***(3,194)*** | ***(2,883)*** |

- Interest income has slightly reduced compared to budget due to interest reduction for restructured accounts.
- Other income decreased by 17% compared to budget due to drop in loan processing fees and other income.
- Interest expense decreased by 14% compared to budget and FY2023 due to a 12 months grace period on interest repayment for 3 credit line facilities (CLFs) approved by the Central Bank of Samoa and reduction in loan balances.
- Other expenses decreased by 27% compared to budget.
- Loss from operations of $661K is increased by 40% compared to budget loss of $471K in FY2023.
- Net loss before tax of $2.6M is decreased by 16% compared to budget loss of $3.1M and loss of $2.9M in FY2023.

## 3. HUMAN RESOURCES

### i. Training and Development Programs

The bank remains committed to prioritizing staff development and training, providing employees with opportunities to enhance their knowledge and skills to meet the high standards expected of DBS officers.

Throughout the year, employees at all levels engaged in a variety of training programs and workshops. These included 11 in-house refresher training sessions organized by DBS, as well as 18 external training opportunities facilitated by the bank's partners and local government agencies. Some of these are listed below:

- Security Matters & Recovery Matters
- Repossession of Assets Policy
- Discount Settlement Policy
- Customer Relations

*Staff Inhouse refresher trainings*

*Customer Relations Training by EMD*

**ii. Staff Wellness Program**

In addition to its professional development activities, the bank maintained its commitment to employee well-being through its comprehensive wellness program. This program is designed to support the mental, spiritual and physical health of our staff. To promote physical wellness, employees are given one hour every two weeks to participate in planned physical activities away from their workstations. Furthermore, monthly church services, led by various divisions, continued throughout the year to support spiritual well-being.

*Monthly Faigalotu*

*Staff wellness physical activities.*

*Staff wellness physical activities.*

Throughout the financial year, the bank actively participated in government-organized sector prayer services. Staff also engaged in various community initiatives, including the PSC Public Service Day 2023, which highlights the contributions of government agencies to national development. Additionally, employees supported the Samoa Cancer Foundation by wearing pink on Fridays in the month of October and advocated against violence towards women and children by wearing black on Thursdays. The bank further demonstrated its commitment to community well-being by participating in breastfeeding awareness campaigns and business house netball competitions, which promote physical activity and community engagements.

*In support of Pinktober campaign*

*Public Service Day Parade - 2023*

*Advocating against violence towards women & children  Promoting MOH's Breast feeding campaing.*

Furthermore, in support of local work experience initiatives, the bank approved a six-week internship for two students from the National University of Samoa (NUS) and Laumua o Punaoa Technical school.

### iii. Staff Data

The table below highlights the gender composition across the DBS organization. Overall, the bank employs 51 females and 36 males, resulting in a total headcount of 87 employees. Staff turnover recorded at the end of FY2024 – 2.3%.

| | Female | Male | Total |
|---|---|---|---|
| **Main Office** | 37 | 28 | 65 |
| **SB Office** | 13 | 9 | 22 |
| **Headcount** | 51 | 36 | 87 |

### i. Staff Recruitment

During the year, the bank recruited a total of seventeen (17) new staff members. Additionally, three (3) in-house officers were promoted to senior-level positions. The new CEO, Mr. Muaautau Raie Silipa, was also officially sworn in during this period. All other recruits filled existing vacancies

### ii. Staff Resignation

During FY24, a total of ten (10) officers concluded their service with the bank for various reasons. Two (2) officers resigned to pursue other job opportunities locally, and two (2) left due to the New Zealand Quota Opportunities. One officer departed for personal reasons, while three (3) retired. Additionally, the previous manager of the MIS division completed his three-year contract during this period.

## 4. DEVELOPMENT AND ORGANISATION PROJECTS

The following projects were implemented in the financial year 2024

(i) Government CHOGM facility valued at $3 million

(ii) Review report of the Independent Corporate Review of the Bank through technical support of the Asian Development Bank.

(iii) Implementation of a new Research & Development, Policy and Business Advisory division as well as completion and submission of the Green Climate Change Accreditation Application to GCF for potential climate funding facilities.

## 5. CHALLENGES

The results of this financial year ended 2024 reflects the Bank's continued support for its clients, to ensure they sustain their businesses and provide employment opportunities for the people of Samoa. Despite cash flow constraints and financial performance being persistent challenges, the Bank continues to deliver its mandate through the provision of financial assistance to all sectors of the economy. The grant by the government to implement the CHOGM financing facility with very concessional terms has enabled the Bank to extend its financial assistance to other sectors. The contribution of the Bank to the economy is immeasurable and the financial results portrayed the ongoing financial struggle by its major clients especially those in the tourism industry. The strategic intervention on a major client due to its economic benefit to the country as stated will continue to negatively impact the liquidity position and financial performance of the Bank in future years as the Bank is obligated for pay the debt.

## 6. WAY FORWARD

The Bank with the support of its development partners will undertake major projects to improve service delivery and strengthen capacity of its staff which will contribute to improved financial performance. The Board approved new structure for the Lending Division and the formulation of the Research, Development, Policy and Business Advisory division. The new division will be responsible for review and formulation of new Lending related policies, enhance customer relationship, conduct trainings for existing and potential clients and conduct public awareness of the Banks products and policies. The Bank will continue to strengthen its recovery effort toward major clients who are not honouring their financial obligations. The Bank will develop a strategic integrated plan in collaboration with partners and stakeholder to improve liquidity and performance is of main priority moving forward.

## 7. ACKNOWLEDGEMENT

I would like to acknowledge the steadfast support and encouragement of the Chairman and the Directors during the financial year. The contribution and the unwavering commitment by the management and staff is also acknowledged. I would also like to commend our development partners and stakeholders for their contribution to the Bank while DBS endeavour to deliver its mandate to support the economy and social development of Samoa.

Faafetai

Mua'autau Raie Silipa
**CHIEF EXECUTIVE OFFICER**

## 6. MANAGEMENT TEAM

**L-R Standing:** Afoa Aiufi Kelekolio (Manager Loans Upolu), Tuu'u Martha Papalii (Manager Legal), Migao Tiotio Fanene (Manager Savaii), Catherine L Grevel (Manager Finance)

**L-R Seating:** Goretti Godinet Fau (Manager Research & Development), Luai'a Esera Mauli (Manager Internal Audit) Mua'autau Raie Silipa (Chief Executive Officer), Amituana'i Charlie Reed (Manager Management Information Systems), Seraphine Mataia (Manager Corporate Service)

## 7. FINANCIAL STATEMENTS

# DEVELOPMENT BANK OF SAMOA

# FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 30 JUNE 2024

DEVELOPMENT BANK OF SAMOA
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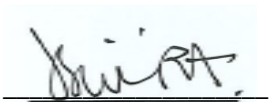
**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

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

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

The financial statements have been reviewed and approved by the board of directors on the recommendation from management.

Our independent auditors (PENN & CO, CHARTERED ACCOUNTANTS), having been appointed by the Government Controller and Auditor General, have audited our financial statements. The accompanying independent auditors' report outlines the scope of their examination and their opinion.



Muaautau Raie Silipa
**CHIEF EXECUTIVE OFFICER**

Catherine Grevel
**MANAGER FINANCE**

Dated at Apia this: 31 October 2024

The Directors present their report together with the financial statements of the Development Bank of Samoa ("the Bank") for the year ended 30 June 2024 as set out on the accompanying pages and the auditors' report thereon in accordance with the Public Finance Management Act 2001 and the Public Bodies and Accountability Act 2001.

**Directors**

The Directors of the Bank at the date of this report are:

| | |
|---|---|
| Tamaleta Taimang Jensen | - Chairperson |
| Fuimaono Beth Onesemo | - Director |
| Fuimaono Vaitolo Ofoia | - Director |
| Leasi Papalii Tommy Scanlan | - Director |

**Principal Activity**

The principal activity of the Development Bank of Samoa is to provide credit financing to enable sustainable economic and social inclusive development. The development financing assists in projects relating to agriculture, fishing, tourism, services such as retailing, transport, food and others. The financing also supports small, medium and micro businesses, education and health. There is no change in the principal activity of the Bank during the year or any of the classes of business that it operates in.

**State of Affairs**

In the opinion of the Directors:

(i) the accompanying Comprehensive Statement of Financial Performance, Statement of Changes in Capital and Reserves and Statement of Cash Flows are drawn up so as to give a true and fair view of the operations and results of the Bank for the year ended 30 June 2024.

(ii) the accompanying Statement of Financial Position is drawn up so as to give a true and fair view of the state of affairs of the Bank as at 30 June 2024.

**Operating Results**

The net loss for the year, before income tax is $2,557,363 (2023: loss of $2,883,196).

**Contentious Issues**

The Directors are aware of the following challenges that may cast doubt to the Bank's ability to operate as a going concern entity. The Directors have taken the appropriate and relevant action to ensure the Bank will continue its operation in the next twelve months.

The Bank undertakes to implement appropriate and relevant actions to mitigate the impacts that may undermine the operation and continuity over the next twelve months. Government, the shareholder is aware of these issues and requests have been made for capital injection to support the Bank's operation.

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

Dated at Apia this: 31 October 2024

CHAIRPERSON

DIRECTOR

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

*Please address all correspondences to the Controller and Auditor General*

P.O Box 13
APIA, SAMOA

AUDIT OFFICE

# REPORT OF THE AUDIT OFFICE

## TO THE GOVERNING BODY IN CHARGE OF GOVERNANCE – DEVELOPMENT BANK OF SAMOA

**Audit Opinion**

We have audited the accompanying Financial Statements of the Development Bank of Samoa which comprise of the Statement of Financial Position as at 30 June 2024, the statements of financial performance, cash flows and changes in capital and reserves for the year ended 30 June 2024, a Summary of Significant Accounting Policies and Other Explanatory Notes. The Accounting Firm of Penn & Co, Chartered Accountants assisted in the audit. The Engagement Partner on the audit resulting in this Independent Auditor's Report is Magele Arthur Penn.

**Qualified Opinion**

In our opinion, except for the possible effects of the matter prescribed in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Development Bank of Samoa as at 30 June 2024, and of its financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Qualified Opinion**

As noted in Note 10 of the financial statements, the Government of Samoa had purchased preference shares in Aggie Greys Hotel Limited (AGHL) of $30,000,000 tala. This transaction is by way of the Development Bank of Samoa converting $30 million of AGHL's total loan outstanding of approximately $52 million to shares. This transaction is incomplete at year end due to legal and other issues. The par value and number of shares purchased are unknown. International Financial Reporting Standards require these equity shares to be valued at fair value (ideally by an independent valuer) which was also not done at year end. We are therefore unable to verify the fair value of this investment of $30 million shown in these financial statements.

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

**Responsibilities of Those Charged with Governance for the Financial Statements**

Directors and Management are responsible for the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards (IFRSs) and the Development Bank Act 2010. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error. In preparing the financial statements, Directors are 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**

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

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

*Please address all correspondences to the Controller and Auditor General*

P.O Box 13
APIA, SAMOA

AUDIT OFFICE

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

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a 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 the directors and management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**Report on Other Legal and Regulatory Requirements**

In our opinion:

a. Proper books of account have been kept by the Bank, so far it appears from our examination of those books and
b. The financial statements are in agreement with the books of account; and
c. To the best of our knowledge and according to explanations given to us the financial statements give the information required by the International Financial Reporting Standards and with requirements of the Development Bank Act 2010 in the manner so required.

Our audit was completed on the 24th October 2024 and our opinion is expressed as of that date.

**Apia, Samoa**
**31 October 2024**

Roseanne Faaui
**AUDIT DIRECTOR PUBLIC BODIES AUDIT**

DEVELOPMENT BANK OF SAMOA
Comprehensive Statement of Financial Performance
As at 30 June 2024

| | Notes | 30 JUNE 2024 | 30 JUNE 2023 |
|---|---|---|---|
| **INCOME** | | | |
| Income from loans; | | | |
| Interest | | 3,163,866 | 3,201,066 |
| Loan processing fees | | 393,510 | 554,763 |
| Other income | 5 | 1,520,209 | 1,440,779 |
| **Total income** | | **5,077,584** | **5,196,608** |
| **EXPENSES** | | | |
| Administration expenses | 6 | 1,579,010 | 1,423,630 |
| Audit fees | | 70,538 | 71,945 |
| Directors fees and costs | 8(iv) | 109,270 | 96,612 |
| Personnel cost | 7 | 3,057,309 | 2,999,680 |
| Interest on borrowings | | 922,524 | 1,075,648 |
| **Total expenses** | | **5,738,652** | **5,667,515** |
| **Earnings before allowance** | | **(661,068)** | **(470,907)** |
| Provision for doubtful loans | 14 | (600,000) | (1,120,000) |
| Depreciation | 11 | (1,296,295) | (1,269,041) |
| **Earnings before Comprehensive Income** | | **(2,557,363)** | **(2,859,948)** |
| **Add/Less Comprehensive Income** | | | |
| Gain/(loss) on foreign translation | | - | (23,248) |
| | | **(2,557,363)** | **(2,883,196)** |
| **Net (loss)/Profit after income tax** | | **(2,557,363)** | **(2,883,196)** |

The accompanying notes form an integral part of the above Comprehensive Statement of Financial Performance.

# DEVELOPMENT BANK OF SAMOA
## Statement of Financial Position
As at 30 June 2024

| | Notes | 30 JUNE 2024 | 30 JUNE 2023 |
|---|---|---|---|
| **CAPITAL AND RESERVES** | | | |
| Authorised Capital | 20 | 50,000,000 | 50,000,000 |
| Government of Samoa reserve | 21 | 50,430,653 | 47,430,653 |
| Retained earnings/(losses) | 22 | (27,461,384) | (24,904,021) |
| **Total capital and reserves** | | 72,969,269 | 72,526,632 |
| | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 15 | 3,124,946 | 2,100,545 |
| Short term deposits | 15 | 1,011,559 | 3,016,068 |
| Loans to customers | 14,23 | 9,467,267 | 12,123,149 |
| Other receivable and prepayments | 16 | 483,358 | 511,034 |
| Withholding tax | 9(v) | 147,236 | 142,789 |
| ROU Assets | 11(b) | 19,410 | 19,428 |
| Total Current Assets | | 14,253,776 | 17,913,013 |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Other creditors and accruals | 19 | 789,807 | 945,405 |
| Lease liability | 12 | 20,192 | 20,971 |
| Current portion term borrowings | 18,23 | 6,646,367 | 9,643,238 |
| Total Current Liabilities | | 7,456,366 | 10,609,614 |
| | | | |
| **WORKING CAPITAL** | | 6,797,410 | 7,303,399 |
| | | | |
| **NON CURRENT ASSETS** | | | |
| Equity investment | 10 | 30,329,007 | 30,329,007 |
| Loans to customers | 14,23 | 69,426,622 | 70,207,717 |
| Property, plant and equipment | 11(a) | 35,121,585 | 36,052,473 |
| Land held for resale | 13 | 133,240 | 337,240 |
| Right of Use Asset | 11(b) | - | 19,423 |
| Deferred tax assets | 9(iii) | 4,267,077 | 4,267,077 |
| Total Non Current Assets | | 139,277,532 | 141,212,938 |
| | | | |
| **NON CURRENT LIABILITIES** | | | |
| Lease Liability | 12 | - | 20,193 |
| Term borrowings | 18,23 | 73,105,673 | 75,969,512 |
| Total Non Current Liabilities | | 73,105,673 | 75,989,705 |
| | | | |
| **NET ASSETS** | | 72,969,269 | 72,526,632 |

Signed on behalf of the Board:

CHAIRPERSON
Dated: 31 October 2024

DIRECTOR
Dated: 31 October 2024

The accompanying notes form an integral part of the above Statement of Financial Position.

DEVELOPMENT BANK OF SAMOA
Statement of Changes in Capital and Reserves
For the year ended 30 June 2024

| | Notes | Issued and Paid Up Capital | Government of Samoa Reserve | Retained Earnings/(Losses) | Total |
|---|---|---|---|---|---|
| Balance as at 30 June 2022 | | 50,000,000 | 36,959,738 | (22,020,825) | 64,938,913 |
| Net Loss After Tax | | - | - | (2,883,196) | (2,883,196) |
| Capital Injection | 21 | - | 5,600,000 | - | 5,600,000 |
| Covid19 Fund | 21 | - | 5,000,000 | - | 5,000,000 |
| Reverse to Due from Shareholders | 21 | - | (129,085) | - | (129,085) |
| Balance as at 30 June 2023 | | 50,000,000 | 47,430,653 | (24,904,021) | 72,526,632 |
| Net Loss After Tax | | - | - | (2,557,363) | (2,557,363) |
| Capital Injection | | - | - | - | - |
| CHOGM | 21 | - | 3,000,000 | - | 3,000,000 |
| Reverse to Due from Shareholders | | - | - | - | - |
| Balance as at 30 June 2024 | | 50,000,000 | 50,430,653 | (27,461,384) | 72,969,269 |

The accompanying notes form an integral part of the above Statement of Changes in Capital and Reserves.

DEVELOPMENT BANK OF SAMOA
Statement of Cash Flows
For the year ended 30 June 2024

| | Notes | 30 JUNE 2024 $ | 30 JUNE 2023 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Interest received on loans | | 2,910,919 | 2,926,727 |
| Loan fees/Other income | | 3,122,941 | 3,153,421 |
| | | 6,033,860 | 6,080,148 |
| **CASH OUTFLOW FOR OPERATING ACTIVITIES** | | | |
| Cash paid to suppliers and employees | | 7,133,303 | 6,222,324 |
| Interest on borrowings | | 919,989 | 1,098,876 |
| Withholding tax | | 4,447 | 11,804 |
| Guarantee fees paid to Government | | 117,948 | 161,875 |
| | | 8,175,687 | 7,494,879 |
| **Net cash flows from operating activities** | | (2,141,827) | (1,414,731) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Loan principal collections | | 11,986,476 | 13,151,101 |
| Sale of Asset | | 101,000 | 264,640 |
| | | 12,087,476 | 13,415,741 |
| **CASH OUTFLOWS FOR INVESTING ACTIVITIES** | | | |
| Loan principal disbursements | | 7,723,364 | 14,722,371 |
| Purchase of fixed assets | 11 (a) | 345,964 | 42,016 |
| | | 8,069,328 | 14,764,387 |
| **Net cash flows from investing activities** | | 4,018,148 | (1,348,646) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Capital injection by Government | | - | 5,600,000 |
| Capital injection - CHOGM Facility | | 3,000,000 | 5,000,000 |
| | | 3,000,000 | 10,600,000 |
| **CASH OUTFLOWS FOR FINANCING ACTIVITIES** | | | |
| Loan term borrowings repayments | | 5,858,442 | 7,924,803 |
| | | 5,858,442 | 7,924,803 |
| **Net cash flows from financing activities** | | (2,858,442) | 2,675,197 |
| NET (DECREASE)/INCREASE IN CASH | | (982,121) | (88,180) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 5,118,626 | 5,206,806 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | | 4,136,505 | 5,118,626 |
| **Represented by:** | | | |
| Cash at bank and on hand | 15 | 3,124,946 | 2,102,558 |
| Short term deposits | | 1,011,559 | 3,016,068 |
| | | 4,136,505 | 5,118,626 |

The accompanying notes form an integral part of the above Statement of Cash Flows.

## 1. General information

The principal activity of the Development Bank of Samoa is to provide credit financing to enable sustainable economic and social inclusive development. The development financing and impact have been directed to agriculture and fishing, commercial including tourism, services, small businesses and inclusive development.

The Bank was established by the Development Bank Act 1974 repealed and replaced by the Development Bank Act 2010. It is governed by a four-member board of directors (the Board) chaired by the Chief Executive Officer of the Ministry of Finance. The reduction in the number of directors came into effect in March 2020 as approved by Cabinet. The Board comprised of representatives from the Private Sector appointed by Cabinet.

The Bank's main office is located on the 2nd and 6th Floors of the Development Bank Building, Savalalo and its postal address is P. O. Box 1232. The Savaii office is located at the Level 2, SLC Market Complex at Salelologa, Savaii.

The Bank is designated as a public trading body regulated under the Public Bodies and Accountability Act 2001 and complies with the Public Finance Management Act 2001.

These financial statements were authorised for issue by the Board of Directors on 27 September, 2024.

## 2. Statement of significant accounting policies

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

### a. Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Public Finance Management Act 2001 which requires the adoption of *International Financial Reporting Standards* issued by the International Accounting Standards Board (IASB).

### b. Basis of preparation

The financial statements of the Development Bank of Samoa ("the Bank") have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities. The financial statements are prepared in Samoan Tala (SAT).

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Certain interpretations and amendments to existing standards have been published that became effective during the current financial period. The Bank has assessed the relevance of all such new

interpretations and amendments, and has adopted the following, which are relevant to its operations.

**b. Basis of preparation (continued)**

The additional disclosure requirements under the Development Bank Act 2010 have been included in the account 2021.

***(a) New and amended standards adopted by the group***

*(i)* The Bank adopted IFRS16, Leases which set out a single model for lease eliminating the distinction between finance and operating. The Right of use asset and liability are reflected in the statement of financial position.

*(ii)* The Bank has complied with the *IFRS 9, "Financial Instruments'*, IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Bank.

**c. Functional and presentation currency**

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency is the Samoan Tala (SAT).

**d. Foreign currency transactions**

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

The following significant exchange rates applied at the reporting date:

| | Reporting date rate | |
|---|---|---|
| | **2024** | **2023** |
| USD | 2.8121 | 2.8469 |

**Financial assets**

**e.** The Bank classifies its financial assets in the following categories; loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

*Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets, except for

maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Bank's loans and receivables comprise 'Loans to customers', 'Cash on hand and at banks' and 'Term deposits.

**f. Revenue recognition**

*Interest income*
Interest income on investments, loans and advances is recognised as it accrues. Interest on impaired loans is recognised as income only when received.

*Fees and charges*
Fees and charges are brought to account when they are earned. Fees on impaired loans are recognised as income only when received.

**g. Dividend income**

Dividend revenue from equity investments is recognised when the shareholders' rights to receive payment have been established.

**h. Loans**

Loans are disclosed net of lending provisions. Term loans are carried at principal balances outstanding plus interest accrued.

*Policies adopted in classifying loans*
Each customer account is graded individually using established guidelines. Critical factors include collectability of all principal and interest based on the contractual agreement and the security offered by the borrower.

*Impaired assets*
The Bank has disclosed components of its loan portfolio that have been classified as impaired assets. The following broad categories have been used in classifying impaired assets:

- Non-accrual loans
  A loan is classified as non-accrual if there is reasonable doubt over the ultimate recoverability of the principal or interest based on the contractual agreement. Non-accrual loans are those where interest and fees receivable, are not realised in the income statement but are recognised only when received.

- Past due loans
  Facilities that are classified under past due are loans that are more than 30 days in arrears but which are not non-accrual.

**i. Impairment of loans**

Loan accounts are reviewed throughout the year to assess the provision for bad and doubtful loan requirements. The collectability of loans and advances is assessed and specific provision is made for any doubtful accounts.

The determination of the amount of specific provision is based on many factors including credit evaluation of the borrowers, value of security and collateral held, current economic conditions and past experience.

When a loan is uncollectible, it is written off against the related provision for bad and doubtful loans. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

*Specific provisions*
Specific provision is maintained to cover identified doubtful debts. All known bad debts are written off in the year in which they are identified. The specific provision requirement (representing new and increased specific provisions less specific releases) is transferred from the general provision to the specific provision.

Recoveries, representing excess transfers to the specific provision, are credited to the general provision.

*General Provision*
The annual charge against profits for bad and doubtful debts reflects new general provisions. General Provision is maintained on all loans based on the general assessment of the loan portfolio and is calculated annually. The general provision is based on a percentage and is reviewed on a yearly basis.

If, in a subsequent period, the amount of the provision decreases and the decrease can be related objectively to an event occurring after the provision was recognised (such as an improvement in the debtor's credit rating), the previously recognised provision is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

**j. Impairment of equity investment**

Equity investment in companies that are not subsidiaries or associates are carries at fair value in accordance with IFRS13. The investment at Sinalei Tropic Resort was revalued in March 2023 and is restated at fair value of $329,007 comprising of 400 cumulative preference shares at $822.82 each. In April 2023, the government approved transfer of $30 million of Aggie Greys Hotel mortgage with the Development Bank of Samoa as government of Samoa preference shares with the Hotel. The government will sell back to management of Aggie Greys within 5 years at a set price plus accrued interest.

**k. Property and equipment**

*Multi-use property*
The Development Bank Building is comprised of six floors of which one and a half floors are occupied by the Bank for the delivery of their financial services and administrative purposes. The other floors are rented out as operating leases to tenants. For the purposes of accounting policy and treatment this building is referred to as a multi-use property as an insignificant portion of the property is held for use by the Bank in the delivery of its financial services and for administrative purposes.

The building is initially measured at cost, including transaction costs and continues to be measured at cost and revaluation less any subsequent accumulated depreciation and accumulated impairment losses until disposal.

All property (land and buildings) valuations when undertaken shall be by independent registered valuers. Fair value is based on appropriate market evidence using earnings capitalisation, discounted
cash flow analysis, comparable sales transactions or a combination of these methods. The valuations are adjusted if necessary, for any difference in the nature, location or condition of the asset.

When a revaluation increases the carrying value of a property, the increase is recognised directly in the property valuation reserve.

*All other property, plant and equipment*

All other items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The costs of the day to day servicing of the property, plant and equipment are recognised in profit and loss as incurred.

*Depreciation*
Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The rates at which depreciation is charged are as follows:

| | |
|---|---|
| • Building on freehold land | 50 years |
| • Building – offsite centre | 20 years |
| • In built building equipment | 20 years |
| • Office furniture and equipment | |
| Office furniture and equipment | 20 % |
| Office machines and safe | 20 % |
| Computer development | 20 % |
| Computers | 20 % |
| Radio telephone equipment | 20 % |
| • Motor vehicles | 20 % |
| • Right of Use Asset | 3 years |

The residual value is reassessed annually.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/gains in the income statement.

**l. Land held for resale**

Real estate properties acquired through or in lieu of loan foreclosure is initially recorded at the lower of the Bank's carrying amount of fair value less estimated selling cost at the date of foreclosure. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, these assets are carried at the lower of their new cost basis or fair value less cost to sell. Costs of significant property improvements are capitalised, whereas costs relating to holding property are expensed. The portion of interest costs relating to the development of real estate is capitalised. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell. They are classified as non-current assets until the Board has approved a sale of selected properties at which time they are classified into current assets.

**m. Equity investments**

Equity investments in companies that are not subsidiaries or associates are carried at fair value in accordance with IFRS13. (refer note j)

**n. Leases**

*Bank as lessor*
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

*Bank as lessee*
Operating lease is accounted for under IFRS16 requirement where lease liability and Right of Use Asset is accounted for in the commencement of the lease term. Lease liability is discounted to present value using the DBS incremental rate of borrowing. Lease liability is reduced by lease payment and Right of Use Assets is depreciated at term of lease on a straight-line basis.

**o. Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise balances of cash on hand and at bank including short term deposits which are subject to an insignificant risk of conversion to cash.

**p. Value added goods and services tax (VAGST)**
As a financial institution, the Bank is exempt from VAGST. The Bank however, is allowed to collect VAGST on rental income and claim VAGST on maintenance and other related costs of the building.

**q. Income tax**

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which unused tax losses and credits can be utilised. There is no tax benefit recognised in 2024.

**r. Provisions**

A provision is recognised in the balance sheet when the Bank has a present legal or constructive obligation as a result of a past event, and it is more likely than not that an outflow of economic benefits will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

**s. Accounts payable**

Accounts payables are recognised when the Bank becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables are recognised at cost which is the fair value of the consideration to be paid in the future for goods and services received. Given the short-term nature of most payables, the carrying amounts approximate fair value.

**t. Employee benefits**

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

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

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

A provision is recognised for the amount expected to be paid under short-term cash bonus if the Bank has a present obligation or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be measured reliably.

**u. Borrowings**

Loans payable are recognised initially at fair value, net of transaction costs incurred. Loans payable are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

**v. Comparatives**

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

**3. Capital management**

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, are:

- To comply with the capital requirements set by the regulators of the Central Bank of Samoa;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored regularly by the Bank's management, based on the guidelines implemented by the Central Bank of Samoa (the Regulator), for supervisory purposes. The required information is filed with the Authority on a quarterly basis.

The Authority requires the bank to: (a) hold the minimum level of the regulatory capital of 12.5%, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel ratio') at or above the minimum of 25%.

The Bank's regulatory capital is divided into two tiers:

- Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings; and
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available for sale.

Investments in associates are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 30 June 2024 and 30 June 2023. During those years, the Bank has complied with all of the externally imposed capital requirements.

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| Tier 1 Capital | 70,977 | 72,446 |
| Tier 2 Capital | 1,944 | 2,085 |
| Risk Weighted Assets | 155,525 | 166,814 |
| Calculated Ratios; | | |
| Tier 1 Capital | 46% | 44% |
| Tier 2 Capital | 1% | 1% |
| **Total Regulated Capital** | **47%** | **45%** |

## 4. Critical accounting estimates and judgments

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*(a) Impairment losses on loans and advances*

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

*(b) Impairment of available for-sale equity investments*

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

*(c) Income taxes*

Deferred tax assets and liabilities have been offset in accordance with IAS 12 Income Taxes. Deferred tax has been calculated on the assumption that there will be no change in tax law or circumstances of the Bank that will result in tax losses not being available to the Bank in the future.

## 5. Other income

Details of other income are specified as follows:

| | 2024 $ | 2023 $ |
|---|---|---|
| Bad debts recover | 20,567 | 33,277 |
| Interest on equity investment | 32,000 | 32,000 |
| Interest on fixed deposits | 22,451 | - |
| Rent income | 1,261,214 | 1,190,954 |
| Gain on foreign exchange | 19,416 | 22,759 |
| Other income | 63,561 | 161,788 |
| Gain on sale | 101,000 | - |
| | **1,520,209** | **1,440,779** |

Rent income earned from tenants on the DBS building for the year was $1,261,214 (2023: $1,190,954). Not included is rental and electricity income of $444,973 (2023: $444,973) and $126,579 (2023: $182,001) from the Development Bank of Samoa offices that also occupy the DBS building. Therefore, total rental income from a budgetary and internal management perspective equates to $1,832,766 (2023: $1,817,927)

## 6. Administration expenses

Details of administration expenses are specified as follows:

| | 2024 $ | 2023 $ |
|---|---|---|
| Advertising and promotion | 30,092 | 40,523 |
| Computer and internet cost | 106,468 | 102,999 |
| Guarantee fees to Government | 105,903 | 117,946 |
| Insurance | 242,852 | 220,496 |
| Interest on savings | 129 | 122 |
| Staff development | 20,279 | 28,095 |
| Printing and stationaries | 29,116 | 46,390 |
| Repairs and maintenance | 14,601 | 59,649 |
| Travel expenses | 152,741 | 231,859 |
| Vehicle expenses | 48,261 | 105,344 |
| Loss on disposal | 38,366 | 1,126 |
| Lease &rental of machinery | 90,012 | - |
| Other administration expenses | 700,190 | 469,081 |
| | **1,579,010** | **1,423,630** |

Rent paid for the year was $444,973 (2023: $444,973) and electricity expense of $126,579 (2023: $182,001) for the Development Bank of Samoa offices that occupy the DBS building. Therefore, total rental expense from a budgetary and internal management perspective equates to $571,551 (2023: $687,609).

## 7. Personnel costs

Details of personnel costs are specified as follows:

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| Gross salaries and wages | 2,722,173 | 2,669,724 |
| Long service leave entitlements | 14,868 | 42,750 |
| Accident Compensation Levy | 28,208 | 26,111 |
| National Provident Fund | 292,060 | 261,096 |
| | **3,057,309** | **2,999,680** |

The number of persons employed during the year is 87 (2023: 80). Long service leave entitlements and End of Contract entitlements is administered in accordance with the provisions of the Staff Instructions and Employee Contract.

## 8. Directors, Audit and Risk Committee and executive management compensation

**i.** *Directors*

The Directors of the Bank during the financial period comprise of:

| | | |
|---|---|---|
| Tamaleta Taimang Jensen | - | Chairperson |
| Fuimaono Beth Onesemo | - | Director |
| Fuimaono Vaitolo Ofoia | - | Director |
| Leasi Papalii Tommy Scanlan | - | Director |
| Tilafono David Hunter | - | Director (resigned 19May24) |
| Muaautau Raie Silipa | - | Ex - officio |

The director's fees approved per FK (15)31 is $22,500 for the Chairperson and $18,000 for directors. The Board held eleven meetings during the year.

**ii.** *Audit Committee*

The Audit Committee during the financial period comprise of:

| | | |
|---|---|---|
| Fuimaono Vaitolo Ofoia | - | Chairperson |
| Fuimaono Beth Onesemo | - | Director |
| Leasi Papalii Tommy Scanlan | - | Director |

The Committee held three meetings during the year.

**iii.** *Risk Committee*

The Risk Committee during the financial period comprise of:

| | | |
|---|---|---|
| Fuimaono Beth Onesemo | - | Chairperson |
| Leasi Papalii Tommy Scanan | - | Director |
| Fuimaono Vaitolo Ofoia | - | Director |

The Committee held six meetings during the year.

**iv.** *Board costs*

Board of Directors expenses are as follows:

| | 2024 $ | 2023 $ |
|---|---|---|
| Directors fees | 78,340 | 70,702 |
| Membership fees | 6,000 | 4,800 |
| Meeting expenses | 18,344 | 11,745 |
| Other costs | 6,587 | 9,365 |
| | **109,270** | **96,612** |

**v.** *Key management personnel costs*

Details of the remuneration of key members of management during the year were as follows:

| | 2024 $ | 2023 $ |
|---|---|---|
| Salaries and short-term employment benefits | 912,884 | 866,725 |
| Employers contribution to: | | |
| National Provident Fund | 91,288 | 86,672 |
| Accident Compensation Commission | 9,129 | 8,667 |
| | **1,013,301** | **962,064** |

**9. Income tax**

*(i) Major components of income tax (expense)/benefit*

| | 2024 $ | 2023 $ |
|---|---|---|
| Current income tax (expenses)/benefit | 690,488 | 778,463 |
| Current income tax benefit not recognised | (690,488) | (778,463) |
| Deferred tax expense/(income) on origination and reversal of temporary differences | - | - |
| Recognition of deferred tax balances | - | - |
| Income tax (expense)/benefit recognised | - | - |
| | - | - |

*(ii) Reconciliation between accounting profit/ (loss) and income tax (expense)/ benefit*

| | 2024 $ | 2023 $ |
|---|---|---|
| Net (Loss)/Profit | 2,557,363 | 2,883,196 |
| Prima facie income tax benefit at 27% | 690,488 | 778,463 |
| Income tax benefit not recognised | 690,488 | 778,463 |
| Income tax (expense)/benefit | - | - |

*(iii) Movement in net deferred tax assets is as follows*

| | Balance $ | Income/Additions $ | Balance $ |
|---|---|---|---|
| Property, plant and equipment | (157,110) | - | (157,110) |
| Provision for doubtful debts | 4,421,507 | - | 4,421,507 |
| Provision for annual leave | 43,311 | - | 43,311 |
| Unrealised Gain on currency translation | 512,878 | - | 512,878 |
| Current year deferred tax asset on loss | (527,131) | - | (527,131) |
| Income tax on Profit | (26,378) | - | (26,378) |
| **Net deferred tax assets** | **4,267,077** | **-** | **4,267,077** |

*(iv) Deferred tax assets on net losses not recognised*

The movement in unrecognised deferred tax assets is as follows:

| | 2024 $ | 2023 $ |
|---|---|---|
| Opening balance of unrecognised tax losses | 12,487,867 | 9,832,966 |
| Unrecognised tax loss | 3,371,724 | 2,654,901 |
| Closing balance of unrecognised tax losses | **15,859,591** | **12,487,867** |

*(v) Income tax credit (from withholding tax on interest income)*

| | 2024 $ | 2023 $ |
|---|---|---|
| Balance brought forward | 142,789 | 130,985 |
| Withholding tax for the year | 4,447 | 11,804 |
| Balance carried forward | **147,236** | **142,789** |

**10. Equity investments**

Details of equity investments are specified as follows:

| | 2024 $ | 2023 $ |
|---|---|---|
| Tropic Resort Ltd (15% preference shares) | 329,007 | 400,000 |
| Less Impairment | - | (70,993) |
| | 329,007 | 329,007 |
| Aggie Greys Hotel preference shares FK(23) Special 03 | 30,000,000 | 30,000,000 |
| Total | **30,329,007** | **30,329,007** |

Equity investment is carried at fair value of $822.52 per share for 400 cumulative preference shares. An independent valuation was conducted in March 2023.

On 5 April 2023, the government approved transfer of $30 million of major company's mortgage with the Development Bank of Samoa (DBS), as Government of Samoa preference shares with the Company. The government is allowed to sell its shares back to the company within 5 years at a set price plus accrued dividends due at the time. The preference shares equate to 30% of the Company's shareholdings and par value of cumulative redeemable preference share is $1.

## 11. Fixed Assets

### (a) Property and equipment

Details of property and equipment are specified as follows:

| | Land and Building | Office Fixtures & Fittings | Office Furniture & Equipment | Motor Vehicles | Total |
|---|---|---|---|---|---|
| Gross carrying amount | | | | | |
| Balance as at 1 July 2022 | 51,073,970 | 820,229 | 5,494,588 | 1,269,826 | 58,658,613 |
| Additions | - | 9,950 | 32,066 | - | 42,016 |
| Disposals | - | - | - | (165,000) | (165,000) |
| Balance as at 30 June 2023 | 51,073,970 | 830,179 | 5,526,654 | 1,104,826 | 58,535,629 |
| Additions | - | 22,246 | 48,718 | 275,000 | 345,964 |
| Disposals | - | | | (110,000) | (110,000) |
| Balance as at 30 June 2024 | 51,073,970 | 852,425 | 5,575,372 | 1,269,826 | 58,771,593 |
| | | | | | |
| Accummulated depreciation | | | | | |
| Opening balance as at 1 July 2022 | 15,145,272 | 85,625 | 5,303,893 | 863,749 | 21,398,539 |
| Disposals | - | - | - | (165,000) | (165,000) |
| Depreciation charge for the year | 996,906 | 55,194 | 58,700 | 138,816 | 1,249,616 |
| Balance as at 30 June 2023 | 16,142,178 | 140,819 | 5,362,593 | 837,565 | 22,483,155 |
| Disposals | | | | (110,000) | (110,000) |
| Depreciation charge for the year | 995,757 | 57,324 | 63,574 | 160,198 | 1,276,853 |
| Balance as at 30 June 2024 | 17,137,935 | 198,143 | 5,426,167 | 887,763 | 23,650,008 |
| | | | | | |
| Net carrying amount 30 June 2023 | 34,931,792 | 689,360 | 164,061 | 267,261 | 36,052,473 |
| | | | | | |
| **Net carrying amount 30 June 2024** | **33,936,035** | **654,282** | **149,205** | **382,063** | **35,121,585** |

### (b) Right of Use Asset

| | 2024 $ | 2023 $ |
|---|---|---|
| Carrying amount | 38,851 | 58,277 |
| Depreciation charged | (19,441) | (19,426) |
| Net carrying amount | 19,410 | 38,851 |
| | | |
| Less than 1 year | 19,410 | 19,428 |
| Greater than 1 year | - | 19,423 |
| | 19,410 | 38,851 |

## 12. Lease liability

The Bank's office space in Savaii is on operating lease arrangement and accounted for under IFRS 16. Annual lease for $21,000 VAGST exclusive. Lease liability and Right to Use Asset for the lease term of 3 years is discounted at 4% is accounted for in the financials statement in according with IFRS16. Lease liability is reduced by annual lease payment and Right of Use Asset is depreciated on a straight line basis as reported in note 11(b).

Lease liability is allocated as follows:

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| Lease Liability is alocated as follows | | |
| Less than 1 year | 20,192 | 20,971 |
| Greater than 1 year | - | 20,193 |
| | 20,192 | 41,164 |
| Initial recognition | 41,164 | 58,277 |
| Adjustments | - | - |
| Lease payments | (19,388) | (17,113) |
| Interest | (1,584) | - |
| Balance | 20,192 | 41,164 |

The lease was renewed on 1 July 2022 and will expire on 30 June 2025.

## 13. Land held for resale

The list below summarises the land owned by the Bank in lieu of foreclosed loans. These are not included as part of the Bank's property, plant and equipment but disclosed separately.

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| Balance at beginning of the year | 337,240 | 526,463 |
| Land sale | (204,000) | (189,223) |
| Balance at year end | 133,240 | 337,240 |

## 14. Loans to customers

### Gross loans analysis

| | 2024 $ | 2023 $ |
|---|---|---|
| Gross loans | 103,180,474 | 106,491,242 |
| Less: | | |
| Specific provision | (14,672,916) | (14,672,916) |
| General provision | (6,624,861) | (6,256,219) |
| Interest and fees suspended | (2,988,808) | (3,231,241) |
| Total loans | 78,893,889 | 82,330,866 |
| Non current portion of loans | 69,426,622 | 70,207,717 |
| Current portion of loans | 9,467,267 | 12,123,149 |
| | 78,893,889 | 82,330,866 |

***Provision for doubtful loans analysis***

| | 2024 $ | 2023 $ |
|---|---|---|
| **Specific provision** | | |
| Balance at the beginning of the year | 14,672,916 | 8,097,841 |
| Transfer from general | - | 6,575,075 |
| | 14,672,916 | 14,672,916 |
| **General provision** | | |
| Balance at the beginning of the year | 6,256,219 | 11,834,563 |
| Charge to income statement | 600,000 | 1,120,000 |
| Write off as bad debts against provision | (231,358) | (123,269) |
| Transfer to specific provision | - | (6,575,075) |
| | 6,624,861 | 6,256,219 |
| **Interest and fees suspended** | | |
| Opening balance | 3,231,241 | 3,491,389 |
| Additional interest suspended | | 639,406 |
| Recovered | (242,433) | (899,554) |
| | 2,988,808 | 3,231,241 |
| **Total provision for doubtful debts** | 24,286,585 | 24,160,376 |

***Impaired and past due assets analysis***

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| **Non accrual loans with specific provision for impairment** | | |
| Gross | 44,591,815 | 51,903,211 |
| Less suspended interest | (2,988,808) | (3,231,241) |
| | 41,603,007 | 48,671,970 |
| Less specific provision | (14,672,916) | (8,118,567) |
| | 26,930,092 | 40,553,403 |

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| **Past due loans** | | |
| Gross | 5,538,014 | 12,370,080 |
| Less suspended interest | (2,988,808) | (3,231,241) |
| | 2,549,206 | 9,138,839 |

## 15. Cash and cash equivalents

Details of cash and cash at bank are as follows:

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| **CASH ON HAND** | | |
| Cash at bank | 3,124,246 | 2,099,845 |
| Petty cash | 700 | 700 |
| | **3,124,946** | **2,100,545** |

| **SHORT TERM DEPOSITS** | | | 2024<br>$ | 2023<br>$ |
|---|---|---|---|---|
| Bank | Maturity | Rate | | |
| BSP | 26/02/2023 | 3% | - | 1,005,356 |
| BSP | 30/09/2023 | 1.75% | - | 1,005,356 |
| BSP | 30/09/2023 | 1.75% | - | 1,005,356 |
| NBS | 02/07/2024 | 2.75% | 1,011,559 | - |
| | | | **1,011,559** | **3,016,068** |

## 16. Other receivables and prepayments

Details of other receivables and prepayments are specified as follows:

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| Dividend Tropic Resort | 224,000 | 192,000 |
| Prepayments | 174,432 | 209,189 |
| Tenants rent and power | 109,686 | 134,019 |
| Other debtors | 7,240 | 7,826 |
| Provision for bad debts | (32,000) | (32,000) |
| | **483,358** | **511,034** |

## 17. Due from shareholder

Details of due from shareholder are specified as follows:

| | 2024 $ | 2023 $ |
|---|---|---|
| Opening balance | - | 129,085 |
| Received from MOF | - | (129,085) |
| Total due from government at year end | - | - |

## 18. Long term borrowings

All Borrowings are guaranteed by the by the Government of Samoa and are payable in accordance with repayment schedules. Interest on borrowings for the year amounted to $908,289. (2023: $1,075,647).

| | Current $ | Term $ | 2024 Total $ | 2023 Total $ | Rate |
|---|---|---|---|---|---|
| IDA 15820 | 169,440 | - | 169,440 | 747,948 | 6% |
| EIB GL VII | 828,282 | - | 828,282 | 1,571,476 | 3.9% |
| NPF | 1,656,000 | 8,937,599 | 10,593,599 | 11,794,616 | 4% |
| CBS 4 EVAN | 845,023 | 23,578,669 | 24,423,692 | 25,195,319 | 1% |
| CBS 5 SIDS | 930,832 | 18,201,919 | 19,132,751 | 19,982,734 | 1% |
| CBS 6 | 897,396 | 4,550,662 | 5,448,058 | 6,165,507 | 3% |
| CBS 7 | 407,346 | 11,013,191 | 11,420,538 | 11,750,415 | 1% |
| CBS 8 | 912,048 | 6,823,632 | 7,735,680 | 8,404,735 | 3% |
| **TOTAL** | **6,646,367** | **73,105,673** | **79,752,040** | **85,612,750** | |

**Terms and conditions and principal repayment terms**

**IDA 15820:** Repayment of $50k per month.

**EIB GL VII:** Repayment amount approximated at $900k per annum with maturity in 2026.

**NPF:** Repayment of $138,000 per month. Term is 22 years.

**CBS 4 T/C EVAN:** Repayment of $64,302 per month. Term of 12 years

**CBS 5 SIDS/CYG:** Repayment of $70,832 per month. Term of 12 years

**CBS 6:** Repayment of $74,783 per month. Term of 15 years

**CBS 7:** Repayment of $82,233 per month. Term of 12 years

**CBS 8:** Repayment of $76,004 per month. Term of 15 years

***Covenants with the European Investment Bank loans (EIB)***

The covenants with the EIB loan are as follows:

- Total capital to total assets ratio shall be above 25% (note that total assets in the calculation includes the provision for doubtful debts).
- Non-performing loans to total loans portfolio shall not exceed 10%
- Provision for loan losses to non-performing loan portfolio shall not be less than 90%
- Liquidity ratio shall not be less than 1.2:1

As of 30 June 2024, the Bank has complied with all of the four covenants as prescribed in the terms and conditions of the loans as follows;

- Total capital to assets is 48% (2023: 45%) - complied
- Non-Performing Loans to total loans is 1% (2023:5%) - complied
- Provision for loan losses to non-performing loans is 1647% (2023: 432%) - complied
- Liquidity ratio is 1.4:1 (2023: 1.7 :1) - complied

## 19. Other creditors and accruals

Details of other creditors and accruals are specified as follows:

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| Provision for staff benefits | 119,295 | 181,052 |
| Portfolio credits | 21,452 | 20,557 |
| Accrued interest on borrowings | 11,899 | 28,718 |
| Saving on micro credit scheme | 7,597 | 7,117 |
| Guarantee fee | 105,903 | 117,947 |
| Other creditors and accruals | 407,984 | 499,885 |
| Provision audit fee | 87,014 | 76,966 |
| VAGST | 28,662 | 13,163 |
| | **789,807** | **945,405** |

Savings represent interest of 1.75% credited to savings accounts under the inclusive development facility for women and youth.

## 20. Authorised and paid-up capital

Details of authorised and paid-up capital are specified as follows:

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| Authorised capital 30,000,000 ordinary shares at $1 par value each | 30,000,000 | 30,000,000 |
| Issued and Paid up capital | 30,000,000 | 30,000,000 |
| Transfer from Reserves | 20,000,000 | 20,000,000 |
| Issued and Paid up Capital end of financial year | **50,000,000** | **50,000,000** |

All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

Cabinet approved increase of Government authorised capital to a maximum of $80million to ensure lending assistance for development projects are in line with the Development Bank of Samoa Act 2010.

## 21. Government of Samoa Reserve

Details of Government of Samoa reserve fund are specified as follows:

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| Opening balance | 47,430,653 | 36,959,738 |
| Capital injection | - | 5,600,000 |
| Covid19 Business revival facility | - | 5,000,000 |
| CHOGM facility | 3,000,000 | |
| Due from Shareholdings | - | (129,085) |
| Closing balance | **50,430,653** | **47,430,653** |

## 22. Retain Earnings

Movement of Retain earnings is as follows;

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| Opening balance | (24,904,021) | (22,020,825) |
| Loss after tax | (2,557,363) | (2,883,196) |
| | **(27,461,384)** | **(24,904,021)** |

## 23. Maturity analysis

The following analysis of monetary assets and liabilities is based on contractual terms.

| | At Call | 1day to 3months | Over 3months to a year | Over 1year to 5years | Over 5years | Total |
|---|---|---|---|---|---|---|
| **2024** | | | | | | |
| Cash | 4,136,505 | - | - | - | - | 4,136,505 |
| Loans | 550,439 | 2,157,030 | 6,451,359 | 33,272,230 | 60,749,416 | 103,180,474 |
| Borrowings | - | (3,320,216) | (6,634,719) | (44,231,460) | (25,565,646) | (79,752,040) |
| Total | 4,686,944 | (1,163,186) | (183,360) | (10,959,230) | 35,183,770 | 27,564,939 |
| **2023** | | | | | | |
| Cash | 5,102,558 | - | - | - | - | 5,102,558 |
| Loans | 1,320,680 | 1,921,769 | 10,561,064 | 25,979,240 | 66,708,489 | 106,491,242 |
| Borrowings | - | (1,664,135) | (3,541,208) | (59,873,865) | (20,543,513) | (85,622,721) |
| Total | 6,423,238 | 257,634 | 7,019,856 | (33,894,625) | 46,164,976 | 25,971,079 |

## 24. Risk management policies

This section outlines the Bank's exposure to financial risks describes the methods used by management to control and monitor these risks. The primary risks are credit risk, liquidity risk and market risk of interest rate and foreign exchange risk.

**Credit risk**

Credit risk refers to the risk that a customer will default on its contractual obligations resulting in financial loss to the Bank. The Bank's primary exposure to credit risk arises from its lending activities.

The Bank has strict policy guidelines in dealing with credit worthy customers and obtaining sufficient collateral security to mitigate the risk of financial loss. Credit risk is closely monitored by the Lending Division and Internal Audit through regular independent reviews designed to test quality of credit exposures and to ensure compliance with Bank policies. These reviews are administered by the Audit Committee. The enactment of the Development Bank of Samoa Act 2010 enables formation of the Risk Management Committee which plays an active role of reviewing credit risk.

**Credit risk concentrations**

The Bank lends to various development sectors. The concentration of credit risk in relation to these development sectors is set out below:

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| Agriculture | 10,947,930 | 13,290,196 |
| Fishing | 2,940,077 | 3,025,391 |
| Inclusive development | 4,973,463 | 4,046,324 |
| Industry, other business and services | 22,951,753 | 24,500,042 |
| Industry tourism | 61,313,691 | 61,558,239 |
| Staff | 53,560 | 71,050 |
| | **103,180,474** | **106,491,242** |

**Foreign exchange risk**

Foreign exchange risk is the risk to earnings and value caused by a change in foreign exchange rates. Foreign exchange risk is mainly on sale of foreign currency relating to borrowings with the European International Bank (EIB). The level of exposure is monitored at maturities and market conditions.

*Sensitivity analysis*

The movement of USD by 5%, 10% or 15% against WST at 30 June 2024 would have affected the foreign exchange gain/ loss by the amounts as shown below. The analysis assumes that all other variables, in particular interest rates remain constant.

| | Carrying amounts in Tala ($) | |
|---|---|---|
| | **2024** | **2023** |
| **USD** | 294,436 | 557,874 |

| | Effect on Income | | |
|---|---|---|---|
| | 5% | 10% | 15% |
| USD Strengthening | 41,400 | 82,800 | 124,200 |
| USD Weakening | (41,400) | (82,800) | (124,200) |

**25. Capital commitments and contingent liabilities**

The board has approved a capital budget of $470k for the year ended 30 June 2024(2023: $480k).

As of 30 June 2024, the Bank had no contingent liability or asset (2023: NIL)

**26. Support of the Government of Samoa**

The Bank plays a critical role in enabling sustainable economic and social development for Samoa. The risk appetite of the Bank is indicative of the priority sectors of development, Government directs the Bank to undertake. The concessional terms generate none to minimal margins. Therefore, realising a surplus against enabling developments has become a challenge. The funding for these developments is sourced direct through external borrowings. The Government, as the shareholder has committed to inject new capital to support operation of the Bank since FY2020. The Government has also pledged to underwrite its debt obligation should the Bank face financial difficulties. Further the Government is working closely with the Bank through the technical assistance of development partners to strengthen the financial position of the Bank to undertake the risks and sustain operation.