



## VISION, MISSION, AND VALUE STATEMENTS

### VISION

Solomon Islands to be amongst the top 4 low inflation and financially stable countries in the South Pacific region.

### MISSION

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

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

### VALUE

We are committed to uphold the following values:

- To provide quality economic analysis and assessment of the Solomon Islands economy to enable our stakeholders to make informed business judgements and decisions;
- To discharge our duties with integrity and honesty;
- To show excellence and professionalism in our work;
- To act with impartiality in the application of our decisions within the boundaries of the CBSI Act or any other laws we administer; and
- To exercise frugality in the management of the resources under our stewardship.

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24 April 2017

Hon. Snyder Rini, MP  
Minister of Finance & Treasury  
Ministry of Finance and Treasury  
P O Box 26,  
Honiara

Dear Minister,

**Re: 2016 CBSI Annual Report**

In line with Section 58(2) of the Central Bank of Solomon Islands (CBSI) Act 2012, I submit to you the 2016 CBSI Annual Report, along with the Audited Financial Statements.

Yours sincerely,

**Denton Rarawa**  
Governor



## GOVERNOR'S FOREWORD



The Governor, Denton Rarawa

40-years history of the Bank was the highlight of the presentations.

The second event was an open day that involved school children from six primary schools in Honiara adopted by the three commercial banks in the country. The children participated in various financial education and awareness activities such as speech competitions, quizzes, songs and dances. During the day, the children and members of the public visited the Central Bank and Ministry of Finance buildings as part of the awareness program.

Despite attaining 40 years of existence, the Bank's financial situation deteriorated in 2016. The Bank recorded a loss of \$42 million in 2016, largely wiping out the \$44 million profit recorded in 2015. This emanated from a \$66 million loss in foreign exchange revaluation. Excluding this amount, the Bank made an operational profit of \$24 million. The major exchange rate losses came from pound sterling in the aftermath of BREXIT. This led to a further deterioration in the Bank's balance sheet to a net liability position of \$11 million in 2016 from a net asset of \$13 million in the previous year.

The Central Bank's monetary policy stance in 2016 remained accommodative, aimed largely at maintaining price stability and enhancing financial deepening by addressing excess liquidity in the financial system.

Two former Directors returned to the Board in 2016. Businessmen, David Quan and Leslie Teama replaced outgoing Directors Lilly Lomulo and Loyley Ngira who completed their terms on

The Central Bank of Solomon Islands (CBSI) celebrated its 40th anniversary in June 2016, a major milestone in the history of the Bank.

The occasion was marked by two public events. The first was a public seminar where several prominent speakers including a former governor presented speeches on topics of national interest. A short video clip documenting the

the Board during the year.

Two vacant positions remain on the Board and hopefully both will be filled soon. At the same time three female managers left the Bank threatening the gender equality efforts especially in management positions in the Bank.

In terms of the performance of the Solomon Islands economy, 2016 had been a positive year. Economic output grew by an estimated 3.5% in 2016, the eighth consecutive growth in the economy since the global financial crisis. The increase in output was driven largely by growth in the forestry, agriculture, and services sectors. Favourable commodity prices and investment in infrastructure during the year also contributed to the growth in output.

Other macro indicators were also positive during the year. Inflation was at negative 2.8% at year-end, aided by lower food and energy prices, the foreign reserves were over 10 months of import cover, public debt remained low, while growths in money supply and private sector credit were up 13% and 12% respectively during the year.

The fiscal outturn in 2016 recorded a deficit equivalent to 5% of GDP. This came about as a result of lower performances across all revenue streams. Total revenue declined by 11% while expenditure, on the other hand, increased by 4% year-on-year.

BRED bank applied for a banking license in 2016. The Board considered the application and endorsed an interim license to allow BRED set up its operations in the country. The interim license will expire in May 2017 after which



Members of the CBSI Board Director waiting to board their plane after their meeting at Kirakira, Makira Ulawa Province in 1987. From L to R; Nestor, Late Solomon Ilala, Snyder Rini, Joseph Huta, Joses Tuhauku, Late John Rofeta and Tony Hughes. Missing are Late Mr. Kinika and Late Mr. Kelesi. CBSI celebrated its 40th Anniversary in June 21, 2016 and honoured the past members for their valuable contributions as board directors towards the development of central banking in Solomon Islands.

BRED can apply for a full banking license which can be considered for approval.

### Outlook for 2017

The domestic economy is projected to grow at an average of 3.4% over the short to medium term. This expectation hinges on the assumptions that the fiscal expansion plans of the government continue over the medium term, pipeline infrastructure projects are progressing on schedule, donor support continues, and non-logging sectors expands to cushion any surprise declines from the logging sector. There are however, downside risks such as anticipated increases in energy prices, commodity price volatilities, and significant decline in logging output that could derail the projection.

Public debt is expected to rise in 2017 as the Government borrows to finance key projects like the Tina river hydro scheme and the submarine cable.

The expected RAMSI exit in June 2017, would have minimal impact on the economy because RAMSI's operations

are largely insulated from the domestic economy. At the same time, it is expected that most remaining RAMSI activities would be absorbed into existing bilateral arrangements with Australia and New Zealand.

I would like to thank the CBSI Board of Directors for their support, guidance and advice on policy matters throughout the year. Let me also thank all the many government agencies, state owned enterprises and private sector companies who provided the information used in this report. The analysis and interpretation of the data, of course is entirely the responsibility of the Bank.

Lastly, but certainly not the least, let me thank all my staff for all their contribution to the Bank during 2016. Without their support the Bank would not have come out of a very challenging year. I want to specially thank those staff involved in the compilation and production of this report for 2016.

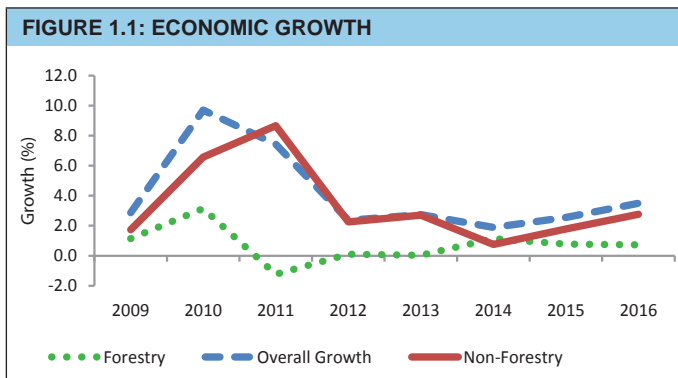
Thank you all.



**Denton Rarawa**  
Governor

## CHAPTER 1: OVERVIEW OF ECONOMIC DEVELOPMENTS IN 2016

The domestic economy is estimated to have grown by 3.5% in 2016, exceeding expectations for the year and was higher than the growth in 2015. This outcome was due to a sharp increase in logging activities, buoyant private sector activities fuelled by credit growth, fiscal stimulus particularly in building infrastructures, and favourable commodity prices. The external sector recorded a slight improvement against the previous year. Monetary aggregates continued to expand during the year, as a result of credit growth and fiscal injections combined with external inflows. The government recorded a fiscal deficit in 2016 on the back of high expenditure outlays as against a weaker than expected revenue performance.



Source: NSO & CBSI

### INTERNATIONAL ECONOMY

According to the IMF World Economic Outlook in Jan 2017, the global economy was estimated to have grown by 3.1% in 2016 following the 3.2% growth in 2015. The overall growth benefited from positive developments both in the advanced economies category and emerging market and developing economies category. During 2016, world trade volumes expanded at the same pace as in the previous year at 2.6%.

The advanced economies grew by 1.6% in 2016 following a 2.1% growth a year ago. During the year, the US economy expanded by 1.6% following a strong rebound in economic activities in the second half of 2016. The euro area grew by 1.7% on the back of stronger than anticipated growth in Germany, France and Spain. United Kingdom performed higher than expected as demand continued to remain strong after the Brexit vote. Japan benefited from its accommodative monetary policy and exceeded expectations with a growth of 0.9%.

Growth in emerging market and developing economies stabilised at 4.1% as in 2015. The stable growth masked diverging growth in this country group. The Chinese economy was boosted by policy stimulus and remained as the major driver in this group with a growth of 6.7%. The other major drivers were India and ASEAN-5 economies, which recorded positive growths of 6.6% and 4.8% respectively.

The Australian and New Zealand economies, two of Solomon Islands closest trading partners, posted growths of 1.8% and 3.5% respectively in 2016. The growth in the former had been revised downward due to weaker than anticipated outcomes in the construction and mineral sectors. In contrast, growth for New Zealand was sustainably high on the back of positive demographic shifts, ongoing construction activities, tourism and an accommodative monetary policy.

The IMF projects the global economy to rise steadily in the medium term by 3.4% in 2017 and 3.6% in 2018. This resembles expectations that growths in the two major country groups (advanced economies, and emerging market and developing economies) would continue to rise in the next two years to respective growths of 2.0% and 4.8% by 2018. Policy stimulus in the US and Chinese economies are key considerations behind the medium term optimism. While the uptick in energy prices may harm oil importing countries, oil exporting countries have benefited so far and expected to contribute positively to overall growth.

Global inflation is expected to rise moderately in the medium term but still within policy targets. Inflation in the advanced economies is forecast to pick up from 0.7% in 2016 to 1.7% in 2017 and 1.9% in 2018. Inflation in emerging market and developing economies is expected to sustain at 4.5% in 2017 as in 2016 before easing marginally in 2018 to 4.4%. Inflation projections for Australia and New Zealand are envisaged to go up as well in 2017 to 2.1% and 1.6% respectively.

### DOMESTIC ECONOMY

CBSI estimates showed that the domestic economy was more buoyant in 2016 than in 2015. Real GDP grew by 3.5% in 2016 as a result of a 3.3% growth in the primary sector combined with a 4.2% growth in the services sector. While mining and fishing activities remained subdued as in the previous year, overall economic activity was under-



SIPA's new \$190 million wharf was officially opened on 10th October, 2016. This Japan funded project will boost Solomon Islands international trade in goods. [Photo supplied by Solomon Star]



Solomon Sapphire is a new addition to NFD fishing fleet. The vessel is expected to commence fishing in 2017 in the international water outside of Solomon Islands EEZ and will increase the raw material supplied to the SolTuna Limited for fish processing and canning factory. Photo supplied by NFD/Cynthia Wickham.

pinned by forestry, agriculture, construction, manufacturing, transport, communication, and most service sectors. Donor support was also a major contributor to growth through the donor funded capital projects that were built across the country.

Labour market condition indicators showed slight improvements in 2016. Data from the Solomon Islands National Provident Fund (SINPF) pointed to a 1% year-on-year increase in the average number of contributors to 55,820 in 2016. The public sector workforce also trended upward with an annual growth of 3%. The continuation of donor supported initiatives such as the seasonal workers program and rapid employment program provided alternative jobs, though temporary, to locals.

The performance of the major commodities generally improved in 2016. The CBSI average annual production index reversed the downward trend in 2015 and increased 11% to 91 points. This reflected increase in round log volumes coupled with improved output from agricultural commodities. On a downside though, fisheries sector was low with fish catches below expectation. Fiscal revenue earned from international boats access fees fishing within the country's 200 Economic Exclusive Zone declined on a year to year basis.

Extraction of natural logs increased further in 2016 with exported log volumes rising by 17.4% year-on-year to 2,292 million cubic meters. The growth was attributed to re-entry into previously logged areas, clear felling for large projects such as bauxite mining, and increased volumes from plantation logs. The agriculture sector was also buoyant, owing largely to increases in palm oil output and to a lesser extent in copra and coconut oil. However, fisheries activities remained subdued.

The balance of payments (BOP) position although positive

in 2016 at \$77 million contracted from \$406 million a year ago. The lower year-on-year outturn came on the back of a current account deficit that worsened to \$426 million and a reduction in the positive capital and financial account position to \$581 million. On the current account, the sharp turnaround in net merchandise exports to positive position this year was outweighed by large deficits in services and primary income. Gross foreign reserves position of the country at end of year was \$4,402 million (excluding IMF subscription to \$4,210<sup>1</sup> million) and was adequate to cover 10.8 months of imports.

The exchange rate basket index<sup>2</sup> weakened slightly during the year by 30 basis points to 107.9. The bilateral exchange rate developments indicated that the Solomon Islands dollar (SBD) depreciated against the USD by 0.4% to \$7.95, driven by weakening local dollar towards year-end. However, the SBD gained against the Australian dollar (AUD), Great Britain pound, and New Zealand dollar.

Money supply rose steadily during the year by 14% to \$4,742 million, reflecting increased credit to private sector, external inflows and the withdrawal of government deposits. Excess liquidity rose, though at a slower pace than the previous year, by 18% to \$1,330 million. Credit growth slowed down by 5 percentage points to 12% to a stock of \$2,192 million by end year. The major drivers behind credit in 2016 were construction, personal, distribution, tourism, and forestry.

The government recorded fiscal deficit in 2016 at around 5% of GDP than a year ago. The negative outcome was consistent with the fiscal expansionary plans of the government. At the same time, revenue performance was weaker than the preceding year and even against budget.

1 This BOP reserve figure excludes the IMF subscription of \$192m, in accordance with the IMF's BPM6 definitions.  
2 The basket is a trade weighted index to 100 with a base year of 2012.



Expenditure on the other hand exceeded the previous year by 4% to \$4,270 million. Meanwhile, the government debt stock increased to \$692.4 million during the year due to drawdowns of its loans from ADB and IDA.

Headline inflation further fell from 2.9% a year ago to minus 2.8% in December 2016. The fall matched the downward movements in both the imported and domestic components indices to minus 4.6% and 1.8% respectively. The deflation was driven by low food and energy prices. Core inflation also trended downward to minus 2.2% from 3.7% in December 2015. This implies a general decline across all non-food and non-energy items in the consumption basket.

## ECONOMIC OUTLOOK

The CBSI projects the domestic economy to sustain growth at 3.6% in 2017. The positive assumptions were that logging sector would remain flat, non-logging sector continues to thrive on the back of projected increases in output and commodity prices, credit to private sectors to grow at trend rate, and fiscal expansion program is implemented as planned.

The balance of payments position is forecasted to moderate in the medium term. The current account deficit is anticipated to widen further as imports particularly for capital goods rises over the medium term. The deterioration is associated mainly with the assumption that energy prices trends up further together with planned implementation of large infrastructure and FDI projects in the medium term. With capital inflows expected to rise, the gross foreign reserves position of the country is forecast to remain high.

Inflation rate is ticking upward in early 2017 though still remaining below zero. While rising energy prices in late 2016 and in early 2017 are expected to continue and drive short term inflationary pressures, more imminent pres-



Construction work underway at Mataniko bridge, Central Honiara, will relieve the traffic chaos and reduce cost of doing business in the capital.

ures are seen coming from the domestic index. Over the medium term, inflation is expected to remain within the 3% - 5% range.

According to the 2017 Budget Outlook, the government projects another expansionary budget in 2017 with expenditure expected to rise to \$4,087 million against budgeted revenue of \$3,909 million. Of the total expenditure, capital outlay accounted for 29% while recurrent outlay 71%. As in previous years, the government is expecting sector budget support from donor partners. Revenue performance and budget support receipts from donors are critical funding mix for the successful execution of the 2017 budget. Like previous years, the government's priority focus remains on infrastructures and rural development.

However, there are risks to the medium term growth projections. Downside risks include higher than anticipated increase in energy prices which can drive production costs upward, and lead to a further deterioration in the country's trade position. A larger than expected financing gap in the 2017 budget due to revenue shortfalls can also have dampening effects on growth projection.

## CHAPTER 2: GOVERNANCE AND ORGANISATION

### CORPORATE GOVERNANCE

The governance and the organization of the CBSI are vested in the Board of Directors that are appointed under Sections 38 and 41 of the CBSI Act 2012. Board members are:

- (a) The Governor, as the chairperson
- (b) Deputy Governor;
- (c) The Permanent Secretary, Ministry of Finance & Treasury; and
- (d) Six non-executive directors.

The Board of Directors are charged with the formulation and supervision of the implementation of the CBSI policies; and supervision of the administration and operations of the Bank.

Directors for 2016 are Mr. Denton Rarawa, Governor and Chairperson; Mr. Gane Simbe, Deputy Governor and deputy Chairperson; the Permanent Secretary of the Ministry of Finance & Treasury (MoFT) Mr. Harry Kuma (ex-officio director). The six non-executive directors are Ms. Lilly Lomulo and Mr. Loyley Ngira, whose terms expired on 5<sup>th</sup> February 2016; and Mrs. Tele Bartlett and Mr. Primo Afeau who had their terms expired on 15<sup>th</sup> July 2016. Mr. John Usuramo and Sir Thomas Chan are serving current terms whilst Mr. David Quan and Mr. Leslie Teama filled in the two vacant board positions by year-end.

#### Board Meetings

The Board met eight (8) times during the year, two (2) more than the minimum of six (6) meetings required under the CBSI Act. There was no provincial meeting held in 2016.

Directors Name	Number of Meetings attended
Denton Rarawa	8 (out of 8)
Gane Simbe	7 (out of 7)
Harry Kuma	7 (out of 8)
John Usuramo	6 (out of 8)
Primo Afeau	3 (out of 3)
Sir Thomas Chan	2 (out of 8)
Mrs. Tele Bartlett	3 (out of 3)
David Quan	2 (out of 2)
Leslie Teama	1 (out of 2)

#### Board Businesses

In 2016 a total of 40 Board papers were submitted for Board deliberation, six (6) more than in 2015. Of the total, 19 papers were quarterly progress reports for noting; and 21 were policy papers for Board decisions. These policy papers included two bi-annual Monetary Policy Statements, the 2015 Annual Report and the 2015 Audited Financial Accounts, Investment Guideline for SINPF and

Credit Union, Fitness and Propriety Regulation regarding on Application to Establish Financial Institution, Rules of Procedures for Board, New \$20 Note, Compliance Policy, BRED Vanuatu Bank application, Amendment to staff Loan Policy, Empire Solomon’s Bank application and the 2017 Business Plan and Budget.

#### Board Committees

There are three Committees that were set up to assist with the governance and management of the Bank. The Committees are; the Board Audit Committee, the Board Staff Remuneration Committee and the Board Disciplinary Appeal Committee.

#### Board Audit Committee

The Board Audit Committee was established at the end of 2010. The Committee has four members; three non-executive Directors, the Deputy Governor and the Manager of Internal Audit Unit who is Secretary to the Committee. One of the Non-Executive Directors is appointed by the committee members as the Chairperson of the Committee. The Chairman of the Board Audit Committee reports to the Board after each meeting. No meeting was held by the Board Audit Committee in 2016. The reason for this was because delay in the appointments of non-executive directors who are required to serve as chairperson and members to the Committee and therefor putting at risk the independent checks and balance for good governance practice. The Board Audit Committee provided feedback to the IMF on matters required to ensure the Bank meets the IMF Safeguard Assessment standards.

#### Board Staff Remuneration Committee

The Board Remuneration Committee was established in 2012 to consider and determine all aspects of the remuneration of Bank employees. The Committee is chaired by a non-executive Director, with two other non-executive Directors as members. The CBSI Legal & Compliance Officer is the Secretary to the Committee. No meetings were held in 2016.

#### Board Disciplinary Appeal Committee

The Board Disciplinary Appeal Committee (BDAC) is set up to review appeals by staff against any disciplinary actions that the Disciplinary Committee of the Bank may take against a staff. There are five members to the BDAC consisting of the Governor as the Chairman, one non-executive Board Director, two chief managers appointed by the Chair, one of whom must be from the department from which the staff is the subject of disciplinary action, and a member of the Staff Association. The Legal Officer and the Chief Manager of Human Resources & Corporate Services department are in attendance at meetings. There were no meetings held in 2016.

## CENTRAL BANK OF SOLOMON ISLANDS BOARD OF DIRECTORS



### DENTON RARAWA

Governor and Chairman of the Board

- Governor since August 2008;
- Chairman, Solomon Airlines Ltd;
- Chairman, National Financial Inclusion Taskforce (NFIT);
- Deputy Chairman, Solomon Islands Anti-Money Laundering Commission (AMLC);
- Vice Chairman, Solomon Islands National Trade & Development Council (NTDC);
- Vice Chairman, Alliance for Financial Inclusion (AFI) Committee on AFI Independence;
- Vice Chairman, Solomon Islands Football Federation (SIFF) Telekom S-League Board;
- Director, Investment Corporation of Solomon Islands (ICSI);

Previous positions held:

- Deputy Governor, CBSI;
- Chairman, Economic Association of Solomon Islands (EASI);
- Director, Solomon Islands Plantations Ltd (SIPL);
- Director, Solomon Printers Ltd (SPL)
- Director, Foreign Investment Board (FIB)



### GANE SIMBE

Deputy Governor

- Appointed Deputy Governor, 18th September, 2008
- Member, CBSI Board Audit Committee
- Current Chairman, Pacific Islands Working Group on Financial Inclusion
- Director, SolTuna Limited

Previously held position:

- Manager Financial Institutions Department; CBSI;
- Manager Exchange Control (International Department), CBSI
- Assistant Manager, Currency & Banking Operations; CBSI
- Manager Administration, Solrice Limited



### LESLIE TEAMA

Private Businessman

- Accountant - Ministry of Home Affairs and Provincial Government (Old Structure just after SI attained Independence)
- Treasurer and Head of Finance - Central Islands Provincial Government
- General Manager & CEO SINPF, 1989 to end of 1999 {10 years}
- Permanent Secretary, Ministry, of Finance, up until my retirement from public duties and formal employment in 2003
- Director - Mendana Hotel Limited, under the old Government shareholding Agency (GSA) ownership structure
- Director - National Bank of Solomon Islands (NBSI)
- Director - Bank of Hawaii (SI) Limited
- Director - Board Member SINPF'
- Director - Board Member CBSI
- Director - Board member SOLTAL
- Director and Chairman of Board - Home Finance Corporation Limited



### HARRY KUMA

Permanent Secretary - Ministry of Finance and Treasury

Previous positions held:

- Under Secretary - Ministry of Finance and Treasury
- Board Chairman - Solomon Telekom Company LTD



### DAVID K.C. QUAN, MBE., MAICD., AFAM.

Chairman Solomon Islands Electricity Authority Board member

- Solomon Islands Chamber of Commerce & Industry
- Chairman -Solomon Islands Chinese Association
- Member - Rotary Club of Honiara
- Managing Director - Quan Chee Corporation Limited

PAST INVOLVEMENTS

- Managing Director -AVIS Solomon Islands
- Member -University of the South Pacific
- Solomon Islands Centre Advisory Committee
- Acting Chairman and Vice-chairman -Solomon Airlines Limited
- Chairman -Solomon Islands Chamber of Commerce & Industry



### PRIMO AFEAU

Private Legal Practitioner

- Director, Solomon Airlines
- Trustee, Honiara Golf Club
- Chair, Committee of Prerogative of Mercy

Previously positions held:

- Attorney General of Solomon Islands
- Chairman, Anti-Money Laundering Commission
- Director, Transparency Solomon Islands



### TELE BARTLETT

Managing Director, Liberty Holdings

- Board Member, Women in Business Association

Previous positions held:

- Teacher, Honiara Technical Institute



### JOHN USURAMO

Campus Director,  
USP Solomon Islands Campus

Previous positions held:

- Group Manager Student Administration Services
- Assistant Registrar, USP
- Personal Officer, SICHE



### SIR THOMAS KO CHAN

Private businessman



### BELLA SIMIHA

Chief Manager, Human Resource  
& Corporate Services  
Secretary to the Board since 2009



Governor Rarawa hands over CBSI staff donations to two representatives of the Fijian community in Honiara. This went towards the fundraising efforts to assist the victims of cyclone Winston which damaged parts of Fiji in March 2016

### Community Relations

In 2016, the CBSI spent most of its donations budget assisting various community groups including schools, church organizations and sporting bodies as part of its corporate and community relationships.

### Organization Structure

The functions of the Bank are organized under seven (7) main departments and three (3) smaller units as shown in the diagram below:

All the departments and units report directly to the Governors' office with support and collaborative efforts to achieving the Banks corporate mission. The exceptions

are the Internal Audit Unit which reports directly to the Board Audit Committee, and the Solomon Islands Financial Intelligent Unit (SIFIU) reporting directly to the Anti-Money Laundering Commission (AMLC) on the operational matters, but indirectly supervised daily under the Governor's office.

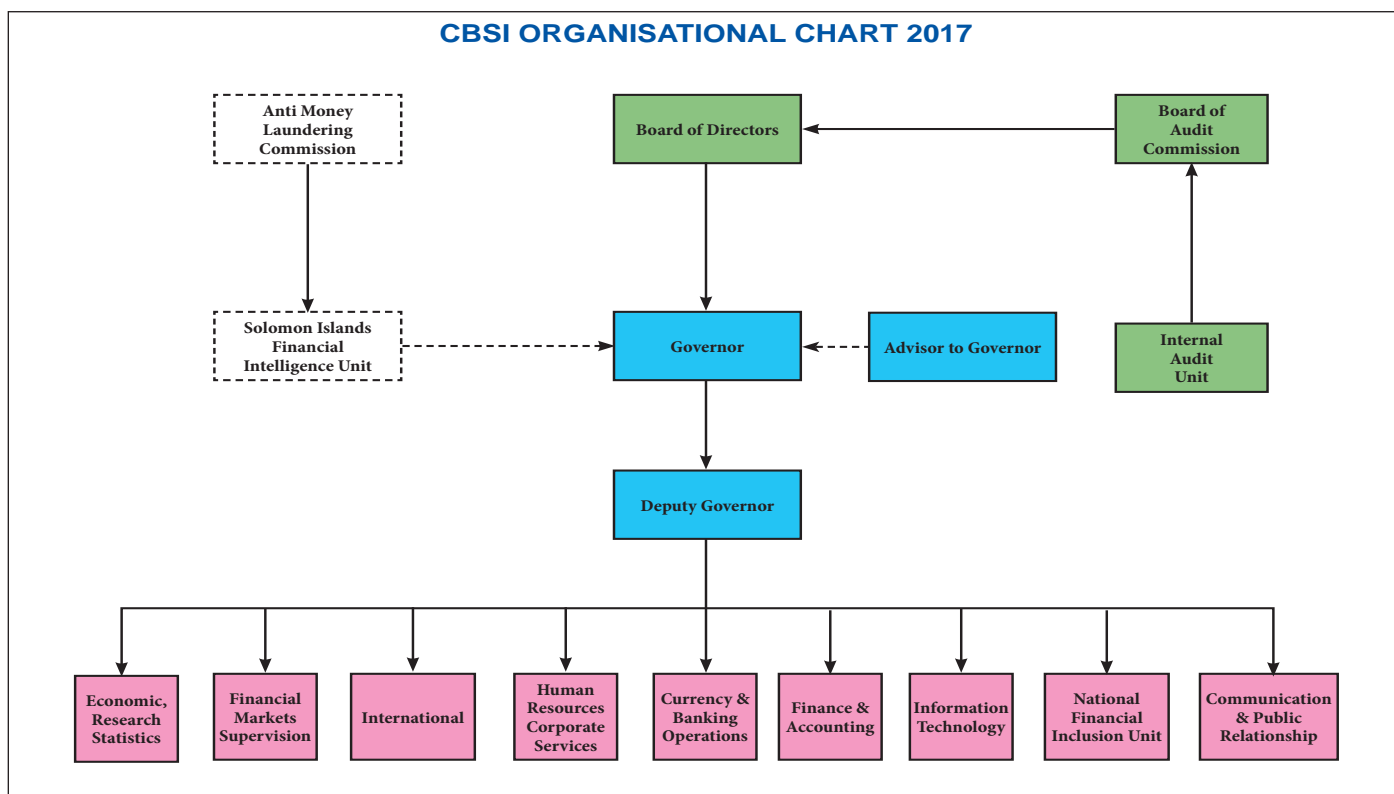
### Staff Complement

At the end of 2016, the Bank staff complement totaled to 137 (inclusive of service staff). Around 89% of these positions were filled in 2016 while 11% remain vacant and pending recruitment this year, 2017. During the year, the Bank recruited nine (9) new officers for various positions within the Bank. Three (3) officers were promoted to Managers positions, while 1 officer was transferred to another department and seven officers were placed on job rotation within respective departments.

The management team comprised 16% of the total staff complement. In terms of gender composition, the Bank maintains the balance of 60% male and 40% female. Five (5) out of twenty-two (22) management positions are filled by females. The Bank promotes equal employment opportunity and encourages qualified females to apply when vacant positions are advertised.

### Retirement and Resignations

The Bank farewell three (3) of its managers in 2016. Two (2) managers' voluntary took early retirement while one voluntary retired at the end of contract period. One officer got terminated for disciplinary reasons while another passed away after a short illness.





CBSI Staff group photo at their head office, Mud Alley St. At the end of 2016 the bank number of staff total to 137, including service staff.

### Staff Training and Development

The Bank continued to encourage the training and development of its staff with continued support towards the learning culture in the bank. Its investment in the quality and caliber of its human capital is valued as a critical input to enhance productivity and boost morale towards achieving the Bank's mandate. As such the Board sets aside an annual training budget towards human capacity development.



CBSI staff prepare their group presentation on the topic "Understanding the CBSI Act 2012" during a workshop held at the Bank's Aruligo Recreational and Conference site in 2016. Understanding the provisions of various legislations that CBSI administers is required to help staff carry their work professionally.

Apart from its own budget, CBSI also received funding support from other bilateral partners particularly the International Monetary Fund (IMF), the Australian Prudential Regulation Authority (APRA), AusAid/DFAT, Alliance for Financial Inclusion (AFI), PFIP/UNDP; Commonwealth Secretariat, Pacific Financial Technical Assistance Centre (PFTAC) and the Asian Development Bank (ADB). These bilateral partners funded technical training for CBSI officers in monetary policy analysis, economic forecasting, banking and financial services supervision, financial inclusion and economic statistics.

Attending, participating and contributing to international conferences and seminar is part of CBSI human resource capital development. During the year the Bank sent 46 staff members overseas to take part in a number of im-

portant central-bank training programs. This excludes the official meetings that are attended by the Governor and the Deputy Governor and other senior staff. A handful of staff also attended important training programs that are offered locally and aimed at broadening knowledge and skills.

The Bank continued to assist staff pursue higher academic qualifications by providing full-time and part-time training sponsorship. Four officers were granted overseas study leave in 2016. Two (2) officers were on full Bank scholarships while two others were on partial sponsorship. Ten (10) other officers were supported to pursue part-time studies at the USP Honiara Campus.



Governor Denton Rarawa, of CBSI joins his fellow South Pacific governors in a panel discussion during the AFI Global Policy Forum held in Denarau Island, Fiji in 2016.

As at the year-end, one (1) officer graduated with a Bachelor of Commerce Degree, majoring in Management and Public Administration and International Business Marketing.

The Bank also supports the on-going learning culture within the Bank through on-the-job training by supervisors and managers, job rotation, online and distance correspondences, and the in-house trainings. Of the eight (8) scheduled in-house trainings conducted in 2016, an average of 27 participants attended each training.

CENTRAL BANK OF SOLOMON ISLANDS MANAGEMENT 2016

GOVERNORS OFFICE



**DENTON RARAWA**  
Governor



**GANE SIMBE**  
Deputy Governor



**DR LUKE FORAU**  
Advisor to the Governor

CURRENCY & BANKING OPERATIONS DEPARTMENT



**DANIEL HARIDI**  
Chief Manager



**JOE VASUNI**  
Manager

INTERNATIONAL DEPARTMENT



**ALI HOMELE**  
Chief Manager



**DENSON DENNI**  
Manager



**MICHAEL KIKIOLU**  
Chief Manager

ECONOMIC RESEARCH & STATISTICS DEPT.



**ELIZABETH RAGIMANA**  
Manager (Till Sept, 2016)



**DONALD KIRIAU**  
Manager (From Sept, 2016)

NATIONAL FINANCIAL INCLUSION UNIT



**CAROLINE KANOKO**  
Manager

HUMAN RESOURCE & CORPORATE SERVICES DEPARTMENT



**BELLA SIMIHA**  
Chief Manager



**ROSE SULU**  
Manager/ Human Resources



**JOHN BOSCO**  
Manager/ Corporate Services

INFORMATION & TECHNOLOGY DEPARTMENT



**EDWARD MANEDIKA**  
Chief Manager



**MARLON HOUKARAWA**  
Manager

SOLOMON ISLANDS FINANCIAL INTELLIGENCE UNIT



**JIMMY SENDERSLY**  
Director

FINANCIAL MARKET SUPERVISION DEPT.



**RAYNOLD MOVENI**  
Chief Manager



**TREVOR MANEMAHAGA**  
Manager (Research)



**LINDA FOLIA**  
Manager (Supervision)

FINANCE & ACCOUNTS DEPT.



**EMMANUEL GELA**  
Chief Manager



**SIMON RAMOIFAI**  
Manager

INTERNAL AUDIT UNIT



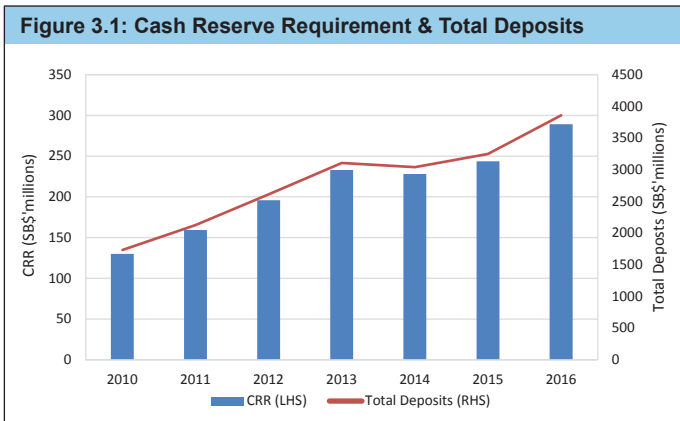
**OLIVER KAROA**  
Manager

## CHAPTER 3: MONETARY POLICY DEVELOPMENTS

To achieve its primary objective of price stability, the Central Bank of Solomon Islands monitored monetary policy developments during the course of the year. Its policy direction as set out in the bi-annual Monetary Policy Stance in March and September 2016 was to maintain an accommodative monetary policy stance for the year. This was primarily due to the persistently low inflation over the period and to support the government’s fiscal policy expansion.

In spite of limitations to effective monetary policy implementation due in part to the shallow nature of the country’s financial system, the Bank continued to develop and utilize its monetary policy tools. These have included direct policy instruments such as the cash reserve requirement (CRR), and indirect tools such as the Bokolo and Treasury Bills. In addition, exchange rate management was also an important policy instrument in view of the country’s exposure to external prices and shocks.

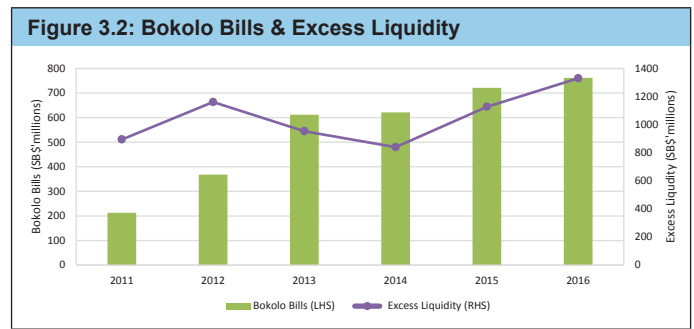
The Bank’s statutory CRR remained at 7.5% of total bank deposits in 2016. At the end of December, this represented \$289 million of deposits being withdrawn from the banking system; a 19% increase compared to the same period in 2015 and in line with the growth in total deposits. Moreover, to encourage lending in the private sector and in a bid to address excess liquidity, the CRR and call account deposits held with CBSI do not earn interest.



Source: CBSI

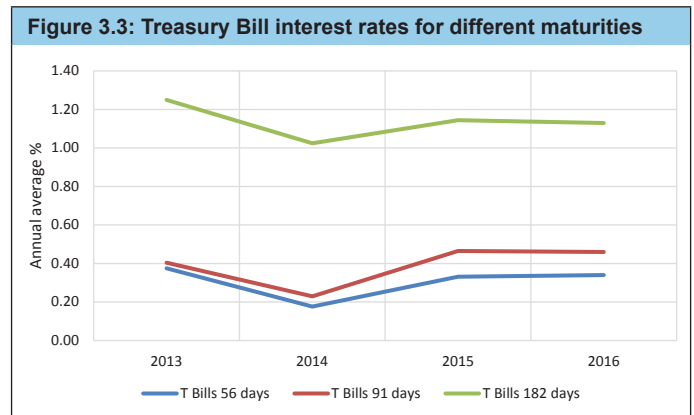
CBSI’s use of its Bokolo Bills to mop up excess liquidity continued to gain traction in the market. During the year, heightened excess liquidity and increased appetite saw the total volume of Bokolo Bills being auctioned rise from \$710 million in the period leading to July 2016 to \$750 million starting August 2016.

Moreover, there was over subscription in the Bokolo Bills auctions with an average \$966 million being bid in 2016 compared to \$707 million in 2015. However, the annual weighted average yield of the Bokolo Bills remained at 0.62% during the year.



Source: CBSI

Meanwhile, the Solomon Islands Government issued Treasury Bills was maintained at a stock of \$40 million in 2016. CBSI administers the Treasury Bill auctions on behalf of the Government, which has utilized it to finance their short-term liquidity requirements. Over-subscription was also evident during the year and was due to the relatively small volume of stock being auctioned. Compared to the previous year, the annual weighted interest rate of the 91-days Treasury Bills remained flat at 0.46%, while the 56-days Treasury bills rose by 10 basis points to 0.34%. The 182-days Treasury bills however declined by 10 basis points to 1.12%.



Source: CBSI

In spite of the various monetary policy instruments used, excess liquidity is still persistently high in the financial system. At end 2016, excess liquidity increased by 18% to \$1,330 million from \$1,127 million at end 2015. This came on the heels of a rise in foreign exchange inflows and fiscal injections by the Government. Nonetheless, CBSI will continue to monitor and review the level of excess liquidity to ensure that this does not trigger excessive inflationary pressures.

The exchange rate plays an important role in the country by facilitating external trade and is also a monetary policy transmission channel for imported prices. Notwithstanding minor operational changes, the Bank maintained its exchange rate policy of pegging the Solomon Islands dollar to an invoice-weighted basket of currencies in 2016.

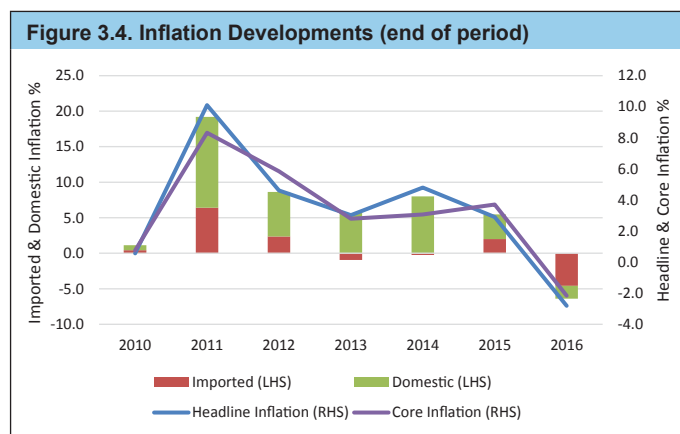
This has proved beneficial in minimizing volatility and fostered confidence in the market. During the year, the SBD depreciated against the Trade Weighted Index (TWI) by 30 basis points to 107.9 and reflected the mixed movements of the SBD against the key currencies. On an annual average basis, the SBD weakened against the United States Dollar but strengthened against the Australian and New Zealand Dollars.



Members of the CBSI Bokolo Bills Working Committee (BBWC) meets each week to decide on winning bids for Bokolo Bills (BB). CBSI issued \$750 million worth of BB to absorb access liquidity as part of its monetary policy

The Solomon Islands witnessed weak consumer prices in 2016. Driven by cheaper fuel and food prices, along with relative appreciation of the SBD against some of the key trading partners, headline inflation reached a deflation

level of minus 2.8% in December 2016, compared to 3.2% in December 2015. The downward pressure reflected the fall in both imported and domestic inflation. Core inflation also contracted implying that the downward move-



Source: CBSI

ment in prices also came from non-food and non-energy items during the year. Looking forward, oil and commodity prices have started to turn around in late 2016 and into early 2017. This would have some upward pressure on prices although within moderate levels for 2017. CBSI will closely monitor inflation price developments and may take necessary measures if required.



## CHAPTER 4: CENTRAL BANKING OPERATIONS

### ECONOMIC RESEARCH AND STATISTICS

The Economics, Research and Statistics Department (ERSD) comprises of six units namely the balance of payments, monetary, government finance, real sector, research and library. The key functions of the department include but not limited to compilation of macroeconomic statistics, publication of economic reports, formulation of the monetary policy stance and doing research work.

As in previous years, the ERSD conducted industry consultation meetings with most of the key stakeholders in Honiara, Gizo, Noro and Auki over a span of four weeks in January to February 2016. The invaluable responses from the industry consultations were used by CBSI to assess how the economy performed in 2015 and to project the medium term outlook of the country.

The Bank continued to receive Technical Assistance missions in 2016. In August 2016, an IMF/PFTAC sponsored Technical Assistance mission came to review the government finance statistics project. Mission recommendations were implemented but on a gradual basis throughout the year.

Building research capacity among local staff is an ongoing initiative which the Bank is committed to invest some bank resources. The ERSD staff had undertaken research and information papers for presentation at internally organised seminars and monetary policy committee discussions. A total of seven research and information papers were produced in 2016.

In June 2016, the CBSI joined a regional central banks sym-

posium that was organised by the Griffith University to forge collaborative research between the different institutions. The CBSI is committed to this arrangement and will work closely with Griffith University and other regional central banks in 2017.

The ODI fellowship scheme whereby ODI fellows joined CBSI on two years contract mutually came to an end in September 2016. This was after ten years of excellent collaboration between the two agencies. The CBSI is grateful to the ODI scheme for helping to build research capacity of local Bank staff. Nakubyana Mungomba, whose two-years contract lapsed in September 2016, was the latest ODI fellow to serve the CBSI under the scheme. The other ODI fellows before Nakubyana were William Baron, Thomas Coward, Patricia Salmon, and Kenneth Especkermann. The Bank might not be able to ODI again due to changes to the policy of the ODI fellowship body.

A major achievement in the library section was the scanning and archiving of old CBSI reports since 1976. Electronic copies of these old reports can now be accessed from the CBSI website ([www.cbsi.com.sb](http://www.cbsi.com.sb)).

### COMMUNICATION AND PUBLIC RELATIONSHIPS

A new officer was recruited to support the growing responsibilities of Communication Unit, under the Governors' Office. This was carried out to meet the increasing demand of keeping the general public updated and informed with information about developments in the Solomon Islands economy and the policies of the Bank. As part of its endeavour to ensure timely information is available



Students from Burns Creek and Florence Young primary schools march during the 40th Anniversary and Solomon Money Smart Day, 27 June 2016. Financial education of students as future economic citizens of Solomon Islands, one of the goals of NFIS2.

and accessible to all, the Bank launched its new-look website in June 2016. Among other responsibilities, the new officer is also a full-time web administrator to the bank. In 2016, over 25,000 visits were conducted at the website, and Solomon Islands visitors were the majority from 200 countries that visited the site for information.

The Bank celebrated its 40<sup>th</sup> Anniversary which fell on 21 June. A conference was organized to mark the occasion with Minister of Finance Honourable Snyder Rini and first governor Mr. Tony Hughes among the main speakers. As part of the 40<sup>th</sup> Anniversary program, CBSI also hosted its public financial education program, the Money Smart Day. The focus of the second program was on financial education for school children and youth. Adopting the Global Money Week theme, "TAKE PART SAVE SMART" the three commercial banks, namely ANZ, BSP and POB adopted two primary schools each within Honiara, and assisted primary school students and teachers learn about banking services and financial education.

The Bank also participated in two provincial organized festivals in 2016. CBSI uses the opportunity to educate the public about work of Central Bank, proper handling of the currency notes and how to detect counterfeit notes. The festivals attended were the Yam Festival in South Malaita and the Kodili Festival in Isabel.



Group of visitors ask two staff of the Economic, Research & Statistic Department about the work of the department. This was during the CBSI open day which marked the 40th Anniversary celebration on 27th June 2016.

CBSI continued to maintain an on-going presence within mainstream media for coverage and informational purposes. This is part of the Banks' community and public relations agenda which includes the weekly radio program *Money Matters*; broadcast over the Solomon Islands Broadcasting Corporation and the Banks mandatory objective of covering the Solomon Islands economy through the Monthly Economic Bulletins, the Quarterly and Annual Reports and the biannual Monetary Policy Statements, including other operational and financial reports, amongst others. All this information had to be clear and accessible (on-line) to the general public for consumption.

In terms of community publications, CBSI's major general projects included the annual Money Smart Day magazine,

and the departmental pamphlets and brochures that are provided to the public in hard copies and soft copies.

2016 saw an increase in request for CBSI information which also included the publication of economic reports over the stakeholder-based Bloomberg website, mainly for overseas audience.

## INTERNATIONAL AND EXCHANGE CONTROL

As part of its mandate the Bank is charged with administration of the Exchange Control Act, facilitating the banks official international payments and receipts on behalf of the government, management and investments of the country's official reserves and undertaking relevant market risk and compliance management researches in the international market for our purpose.

### Exchange rate policy and Administration

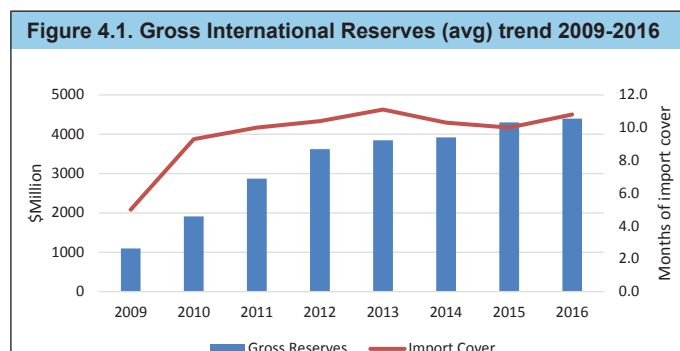
There was little change in the administration and determination of the Exchange rate policy during the year. The Solomon Island dollar is pegged to an invoice-weighted basket of major tradable currencies with minimal interventions. The policy intention is to ensure that our exchange rate policy contributes to domestic price stability and avoids volatility in the Solomon Island dollar and cross rates against major trading currencies.

During the year, the Trade Weighted Basket index appreciated from 107.6 at the start of the year to 107.2 at the end of the year.

In 2016, a slight turnaround in the global exchange rate behaviour resulted in mixed movements of SBD against USD. At the start of the year, the SBD weakened against the USD at an average of SBD8.14 per USD, later in the year it strengthened to around SBD7.90 to SBD8.00 per USD before settling at SBD 8.09 per USD at the end of December 2016. Overall, the local currency depreciated against the US dollar during the year.

### Gross Foreign Reserves

The gross external reserves increased from \$4,295.7 million at start of year to \$4,401.8 million at end of year, an increase of 2.5%. The increase comprising mainly of foreign exchange deals in the domestic market between commer-



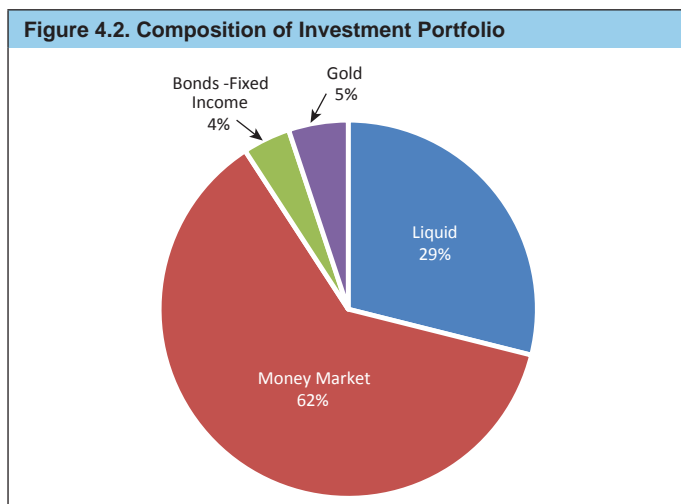
Source: CBSI

cial banks and CBSI more specifically log exports receipts, donor funding, SIG receipts and CBSI receipts. The level of gross reserve is equivalent to 10.6 months of import cover as at end Dec 2016.

### Reserve management and Investments

Management of the international reserves is one of the functions of the Bank specified under CBSI act 2012. Section 17 of the CBSI Act 2012 provides that “the Central Bank shall conduct transactions in international reserves and shall manage such reserves consistent with international best practices in order to achieve its primary objectives of maintaining domestic price stability, with respect to its safety, liquidity and yield in that order of priority”.

Management and investment of gross foreign reserves throughout 2016 remained strong and in compliance with CBSI’s investment and reserve management policy guideline. The bank investment policy remained conservative



Source: CBSI

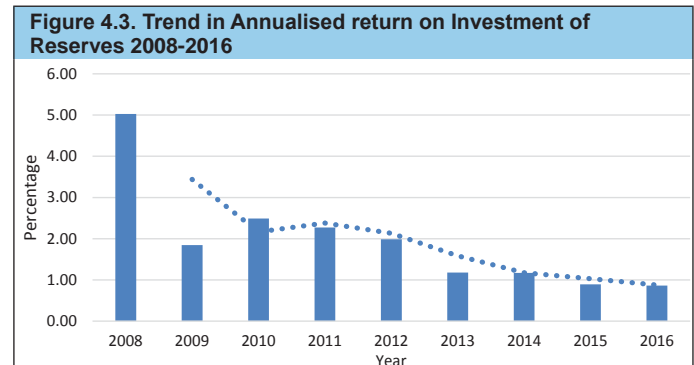
with its investment approaches prioritising safety, liquidity, and yield as paramount determinants of the investment portfolio mix. Figure 4.2. shows the composition of reserves investment portfolio in 2016.

### Income from Foreign Reserves Investments

In 2016, uncertainties to global finance remain persistence, which impacted investments outcome. Accommodative monetary policies taken by major advanced economies continued to influence the interest rate market. As a result, deposit rates in the short term money markets and fixed long term instruments remain subdued all throughout 2016, resulting in lower income.

Deposit rates in EURO and JPY have remained negative, forcing the CBSI to recall all maturing deposits and real-locating to other prominent currencies. This exercise was necessary to reduce cost and negative income from both currencies, as a reserve safety objective became the immediate priority.

However, total interest earned on investments was \$41.1 million in 2016, an increase of 3.2% from the previous year. This was mainly driven by earnings from USD short term money market investments and AUD investment in fixed income securities and NCDS during the year.



Source: CBSI

The annualized rate of return measured in terms of interest earnings however, declined in December 2016 to 0.86% from 0.89% of December 2015.

### Foreign Exchange Revaluation Gains and Losses

The volatility in the market in terms of exchange rate and interest rate continued to impact the CBSI’s unrealized currency revaluation in terms of Solomon Islands dollar. The Bank is required to hold long position in foreign currency to ensure the availability of the foreign exchange for trade.

In 2016, the Bank mitigated this risk through diversifying of the composition and share of each currency in its portfolio. However, the impact of Brexit and US election resulted in net unrealized loss of \$66.3 million due to losses on AUD and GBP revaluation (\$70 million in total) which the gains in other currencies were not sufficient to offset.

Mechanisms were put in place to ensure the effective management, control and safety of the reserves. This is reflected in the division of responsibilities within the international department. Three units - the front office, the middle office and the back office - handle the day-to-day management and investment of foreign reserves.

### Middle Office Operations

The Middle Office main roles and responsibilities include identifying, analyzing and monitoring financial market risks, investment risks and operational risks and advise the management to take appropriate course of actions to mitigate these risks. The Middle Office reports directly to the Investment Advisory Committee (IAC) on any breach or non-compliance by the front and back office on rules and requirements stipulated in the approved Investment policy guidelines.

The Middle Office produces its quarterly compliance report on investment policy standards to the reserves management team (front office) and the Investment Advisory

Committee. Daily compliance checks on liquidity and internal controls and processes has also been incorporated lately as key fundamental functions to guide operational processes

### The Back Office

The Back Office is responsible for settlements of Payments related to Investments and allocations of the reserves. It also maintains the records of all foreign currency accounts and the standard settlements instructions held by the Bank. It is also responsible to ensure that the accounts are reconciled each month. In addition to the settlement of payments for the Bank, the Back Office also facilitates both receipts and payments using the SWIFT payment transfer system (see Table 4.1) for both clients such as the Solomon Islands Government, commercial Banks and donors.

	2011	2012	2013	2014	2015	2016
Outgoing messages (Received)	1035	940	953	1039	1314	1301
Incoming Messages (sent)			1589	2279	3562	3804

Source: CBSI

In terms of the SWIFT operations, 1,301 outgoing messages were sent through the CBSI SWIFT system in 2016. A slight decrease of messaging. At the same time 3,804 messages were received, up by 9% increased from 2015.

Table 4.2 shows all receipts and payments transactions facilitated through the SWIFT during 2016 with the exception of foreign exchange deal data's between CBSI and the commercial banks. The total value of all receipts and payments transactions facilitated through SWIFT during 2016 recorded a decrease in receipts amounting to \$1,229 million. In terms of payments, a total of \$120 million was transacted during the year.

	2011	2012	2013	2014	2015	2016
CBSI Receipts/fx deals (\$M)	583.6	601.4	548.5	581.15	2329.6	1229.9
CBSI Payments/fx deals (\$M)	242.6	223.0	248.3	204.16	296.8	120.00

Source: CBSI

### Exchange Control Administration

CBSI administers the Exchange Control Act and Regulations on behalf of the Government. The Exchange Control Act empowers the Bank to make regulations to confer powers, and impose duties and restrictions, in relation to foreign exchange, foreign exchange resources, and the protection of currency or public credit or revenue. The

primary goal for exchange control is to ensure that the country benefits from its resources and that all proceeds of goods and services exported are remitted back to the country.

Commercial banks are appointed authorised dealers under the Exchange Control Act and can process and facilitate trade transaction as per the specific requirements of the exchange control policy and regulation. All the three commercial banks in the country are appointed authorised dealers, they are ANZ Bank, Bank South Pacific and Pan Oceanic Bank.

### Applications for Temporary Resident (TR) Status

Temporary Residential (TR) status is normally granted to non-residents, who intend to reside in Solomon Islands for a period of four years or less; or Solomon Islanders who are intending to reside overseas permanently. Non-residents working in the country on contractual basis can also be granted Temporary Residents status for Exchange control purposes. Non-residents who are granted temporary residence status are permitted to repatriate income earned in SI or brought in from abroad without limitation. In 2016, CBSI approved 202 temporary resident status permits, of which, 149 were new applicants and 53 were renewals.

	2013	2014	2015	2016
Newly Approved Temporary Resident applications	101	105	125	149
TR Applications Renewals	85	127	85	53
Total TR Approved	186	232	210	202

Source: CBSI

### Non-resident Accounts

Individuals and Corporate Entities residing outside Solomon Islands who wish to open and hold bank accounts with a resident authorised dealer (commercial banks) in Solomon Islands requires CBSI approval. In 2016, CBSI approved 3 non-residents accounts, all of which were for corporate entities. There was no approval for individuals and CBSI declined 14 applications on the basis of non-compliance with requirements to open such account.

### Foreign Currency Account (FCA) facility

The foreign currency account facility is basically designed to support exporters. However, over the years the Bank recognised the importance to expand the foreign exchange market and thus extended this facility on case by case basis to non-exporters. The operation of FCAs is a privilege and is strictly granted on merit. Individuals do not qualify to this facility for personal use. In 2016, CBSI approved 6 (six) new applications and renewed 13 expired accounts, all domiciled in USD. There was a significant drop in the

reported foreign exchange exposure from SBD1.1132 billion in 2015 to SBD434 million at the end of 2016. This drop was just a statistical bias for non-compliance by account holders to provide data on time and it is not an empirical result. To date there are 78 active foreign currency account holders approved by CBSI of which 75 FCA are held with local banks and 7 FCA held with banks outside the country.

**Table 4.4: Number of approved foreign currency accounts held by exporters and non-exporters 2013-2016:**

	2013	2014	2015	2016
Account holders/Entities	23	38	44	50
Qualified Exporters	10	10	12	13
Non –Exporters	13	28	32	37
Total number of accounts held	55	63	72	78
On-shore	46	57	65	71
Off-shore	9	6	7	7
Total value: (SBD\$ million)	896	934	1,132	434

Note: Some account holder hold more than one FC Account

Source: CBSI

### Foreign exchange (FX) Restricted Classified Dealers

In 2016, the Bank promoted financial deepening by supporting foreign exchange market services expansion in the country. The bank issued 13 classified foreign exchange dealer's license during the year (See Table 4.5). Of the total licenses issued, nine were issued to eligible local companies seeking to operate as providers of Money Changer Services whilst four licenses were Money Transfer Services in the country. This foreign exchange licence is valid for 12 months and renewable thereafter.

**Table 4.5: Number of approved Foreign Exchange Money Changer License 2013-2016**

	2013	2014	2015	2016
Money Transfer services*	5	4	4	4
Money Changer Services	9	11	11	9
Total FX Classified Dealers	14	15	15	13

\*As Western Union and Money Gram Agency and Sub-agents

Source: CBSI

In 2016, no new application was received and all license remained valid except for two money changers licenses that were revoked due to non-performance. Inward remittance receipts through Classified Money transfer agents slightly increased by 6.5% from previous year to SBD53.84 million and outbound remittance increased by 71.7% to SBD272.25 million. In terms of transactions by money changers, a total of SBD19.2 million equivalents of foreign currency notes were purchased and SBD28.08 million sold to the travelling public and commercial banks.

### Private Sector Debt (Private Sector Offshore Borrowing)

Resident entities wishing to borrow funds abroad or creating debt in favour of non-residents require the authorization of the CBSI. Authorization by the CBSI is necessary for proper registration and monitoring of private sector debts and also as a prerequisite for any loan repayments in the future.

Of the twelve external loan applications received by CBSI during the year; eleven were authorized while one application was declined for falling short of the prudential requirements. The approved external loans were purposely to finance business expansion. The total foreign currency exposure of the authorized off-shore loans is equivalent to USD17.06 million or equivalent SBD133.3 million.

**Table 4.6: number of private sector Overseas Borrowing Approved under Exchange control Requirement: 2012-2015**

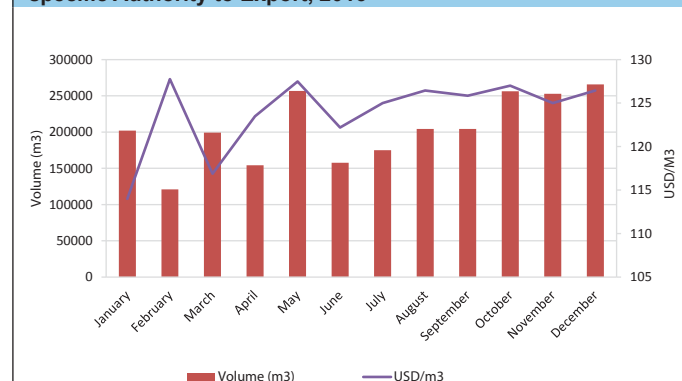
	2013	2014	2015	2016
Applications received & approved	12	14	10	11
Value in SBD(million)	106.8	327.0	216.9	133.3

Source: CBSI

### Exports Administrations

The primary objective of export administration is to ensure that the country fully benefits from its resources through export of goods and services. The exchange control regulation requires that exported goods and services receive fair and reasonable market price and that export proceeds are fully remitted back and immediately sold to a commercial bank in the Solomon Islands within 3 months from the export date. There are two frameworks under which CBSI administers controls on exports (i) General authority and (ii) Specific Authority.

**Figure 4.4. Volume and Average price of logs approved under specific Authority to Export, 2016**



Source: CBSI

The export of all goods and services other than round log is administered by government agencies that issue export permits and do not require foreign exchange control authorization from the CBSI. However, exporters and government agencies are required to report to CBSI all the details pertaining to each export consignment of which

the CBSI's exchange control unit monitors to reconcile proceeds.

The export of round logs not covered under the general authority is directly administered by CBSI in collaboration with respective government agencies. This means that round logs must be granted 'Specific Authority' after receiving market price certification and forestry clearance from the Commissioner of Forestry.

### Exports: - Administration of Specific Authority.

In 2016, CBSI issued 829 Specific Authorities to Export to round log exporters. This increased by 1.2% from the previous year (See Table 11), however the volume decreased by 2.6% to 2.612 cubic metres valued at approximately \$2,368 million.

	2013	2014	2015	2016
Total Applications approved (numbers)	846	848	819	829
Total Value of Exports-SA Approved SBD (Millions)	1,876	2,205	2,536	2,368
Volume of Exports- SA Approved ( Million m3)	2.269	2.449	2.679	2.612

Source: CBSI

### Imports payment administration: Applications above required CBSI limits.

CBSI continues to monitor transactions between residents and non-residents in terms of trade and service payments, capital and personal transfers. All applications for travel, personal transfers and sustenance above SBD 30,000 requires approval by the Bank. Furthermore, Trade and Services payments exceeding SBD 100,000 must be referred to CBSI for approval before the commercial banks can settle payments. Foreign exchange payment for amounts less than \$100,000 and \$30,000 respectively can be assessed and facilitated by the Authorised dealers (commercial banks) without CBSI approval.

Authorization of capital and financial account transactions such as capital transfers (dividends), loan repayment, equity proceeds, and property proceeds are not delegated to authorize dealers and must be referred to CBSI at all times.

During 2016, a total of 8,992 applications valued at \$5,258 million were referred to CBSI for authorization. This total figure includes all trade of merchandise comprising around 76%, service payments at 12%, capital transfers at 6% and personal transfer comprising 6% of the total payments. (See Table 12). Average value per application however has fallen from \$649,539 in 2015 to \$584,742 in 2016, indicating the strengthening of the Solomon Islands dollar compared to previous year.

**Table 4.8: Number and value of foreign exchange applications approved by CBSI: 2013-2016**

	2013	2014	2015	2016
Total Applications approved	6,439	7,503	8,135	8,992
Value of applications Approved SBD (Millions)	5,043	6,228	5,284	5,258

Source: CBSI

### Share Transfer:

The purchase and sale of shares in companies registered in Solomon Islands by emigrating residents with non-residents or residents, require Exchange Control assessment and approval from the Central Bank.

This is to ensure proper legal transfer of valuable considerations to the new owners who may wish to remit capital funds, profits or dividends at a later date.

In 2016, the CBSI granted authority for 4 resident companies to register ownership in favour of non-resident entities. The Foreign Exchange Control approval was granted for the transfer of shares to one non-resident corporate entities and the issuance of additional shares to a non-resident individual entities. However, there are share transfers transactions that are non-compliant with this Exchange Control requirement and CBSI encourages all companies and individuals to comply with the legal requirement to avoid further complication regarding their share transfers.

## FINANCIAL MARKET SUPERVISION

Financial Market Supervision Department (FMS) shoulders two core responsibilities. The first responsibility is assessment of new applications for license to establish bank and non-bank financial institutions in Solomon Islands while the second responsibility is prudential supervision of Financial Institutions (FIs) licensed under Central Bank of Solomon Islands Act, Financial Institutions Act, Insurance Act, National Provident Fund Act and Credit Union Act.

FMS executes its second responsibility using four-pronged approaches to supervision and these are: (i) offsite prudential supervision; (ii) onsite risk-based examination; (iii) relationship management; and (iv) financial market intelligence. This approach is aimed at ensuring Solomon Islands financial sector has sound and stable FIs and stable and healthy financial system. Having a stable financial system, intermediaries, markets and market infrastructures, is pertinent to maintaining orderly flow of financial services to Solomon Islands economy. Uninterrupted supply of financial services is important to supporting real sector activities and distribution of risks across the economy. An economy with strong financial system and diversified risk structure can better withstand economic shocks and maintain continuous supply of financial services than an economy with weak financial systems and less diversified risk structure.

## Prudential Supervision

FMS conducted three risk-based onsite examinations and fifteen follow-up prudential reviews on the following FIs in 2016:

- Pan Oceanic Bank (POB);
- ANZ Bank (ANZ);
- Bank South Pacific (BSP);
- Tower Insurance Limited;
- Solomon Islands National Provident Fund (SINPF);
- Royal Solomon Islands Credit Union Limited (RSICUL)
- Credit Corporation (SI) Limited (CCSIL); and
- Solomon Islands Nurses Credit Union Limited (SINCUL).

Detailed findings and recommendations to mitigating risks identified during respective onsite examinations have all been communicated to concerned FIs for rectification during 2016. Most FIs examined, except credit unions, have instituted remedial steps to address risk areas identified and the matters have now been closed.

## Relationship Management

FMS, in addition to prudential supervision, held 58 bilateral consultations with FIs. The consultations are aimed at enhancing operational and institutional understanding of FIs and to providing FIs direct channels for raising institution-specific issues to CBSI.

The department has also coordinated three bankers meeting for heads of FIs in 2016. The bankers meeting is a high level interactive forum where central bank officials and heads of FIs converge each quarter to discuss trends of macroeconomic aggregates and consolidated performances of banking sector and other generic issues currently affecting or likely to be affecting banking sector going forward.

## Financial Stability Committee

FMS acts as secretariat to the Financial Stability Committee (FSC), one of the core committees within CBSI. FSC was set up to discuss financial sector issues and micro and macro-prudential policies and issues pertinent to financial sector stability and development. Three meetings were called in 2016 enabling the committee to endorse prudential guidelines, onsite examination reports and research papers. Prudential guidelines reviewed and approved in 2016 are Prudential Guideline 1 on Capital Adequacy, Prudential Guideline 2 on Asset Classification and Minimum Provisioning and Prudential Guideline 5 on Large Exposures while new prudential guidelines crafted and approved in 2016 are: (i) Standards for Insurance Brokers; (ii) Standards for Valuation of Unlisted Assets of SINPF; (iii) Standards for Agent Banking; (iv) Standards for Issuance of Commercial Paper; and (v) Standards for Con-

sumer Protection. These new guidelines are expected to improve and strengthen the risk management practices of FIs. Meanwhile, in terms of research, FMS has carried out an Insurance Market study to deepen supervisors' understanding of local insurance market, particularly from the supply and demand-side perspective. A nationwide insurance market survey was completed and findings to this research will be presented to FSC in 2017.

## Legislations, Prudential Guidelines and Research Papers

FMS continues to push for review and upgrade of current legislations. As part of this process constant dialogue was held with the Ministry of Finance and Treasury (MoFT) across 2016 to fast-track review of Credit Union Act and SINPF Act. Close contact was also held with external consultants assisting FMS review the Financial Institutions Act and Insurance Act. Work on these two legislations is nearing completion and FMS is hopeful of submitting final policy papers to the Economic Reform Unit (ERU) to action in 2017. Finally, in terms of regulation, significant progress was made in 2016. The regulation on credit bureau was gazetted during the year and is now operational while the regulation on fitness of applicants of banking license was cleared by legal draftsman and is now with ERU to progress.

## Licensing and Registration

Two new applications for license to operate banking business were received. One was from Bred Bank and the other was from Empire Solomon Bank. The former submitted its application for assessment in March and was granted an interim banking license in May after satisfying the assessment requirements. The latter submitted its application for assessment in October but unfortunately its application was unsuccessful.

## Capacity Building, Workshops and Conferences

Training and capacity building are vital for financial sector supervisors for two reasons. Firstly, financial landscape is changing dramatically owing to changing market conditions and increasing globalization and, secondly, risks have become increasingly sophisticated and difficult to identify. Financial sector supervisors therefore need upskilling to enable them implement best international practices in financial sector regulation and supervision.

In 2016, FMS staff participated in various overseas seminars and workshops covering array of areas ranging from FI supervision and risk management and natural disasters to policy development and stress testing. One staff was sent on a 1-month attachment with Australian Prudential Regulatory Authority (APRA) in Sydney on research and policy development. His attachment was co-funded by APRA and CBSI.

In addition, FMS has also hosted one regional onsite examination and one internal workshop. The regional onsite examination was conducted on BSP with assistance from

APRA. APRA provided an advisor to support the onsite examination team comprising financial sector supervisors from Cook Islands, Papua New Guinea, Samoa, Timor Leste, Vanuatu and Solomon Islands. The internal workshop was conducted by the Pacific Financial Technical Assistance Center (PFTAC) on problematic credit unions for FMS staff.

Finally, as part of its contribution to capacity building, FMS management also conducted two internal workshops for FMS staff. The first workshop was on standardized ratings for FIs under CAMEL while the second workshop was on estimating credit loss function. Both trainings will continue in 2017. As part of its outreach program FMS had also conducted three refresher workshops for staff of commercial banks, credit unions and insurance companies in 2016.

## FINANCE ACCOUNTS

### Budget

In line with the requirement of the CBSI Act 2012 the Bank prepared its 2016 budget and was approved by the Board in November 2015. The budget totalled to an amount of \$96.8 million. This includes expense allocation of \$73.5 million for administration and operations, currency and monetary policy cost and \$23.3 million for Capital costs. Mid way through the year 2016 revision was made to the budget with a reduction to the total of \$93.5 million, which \$67.8 million for operation, currency and monetary policy cost and \$25.7 million for capital costs. The revision of the annual budget resulted from the changes experienced in the first half of the year and the remaining planned activities the Bank intended to deliver for the year 2016.

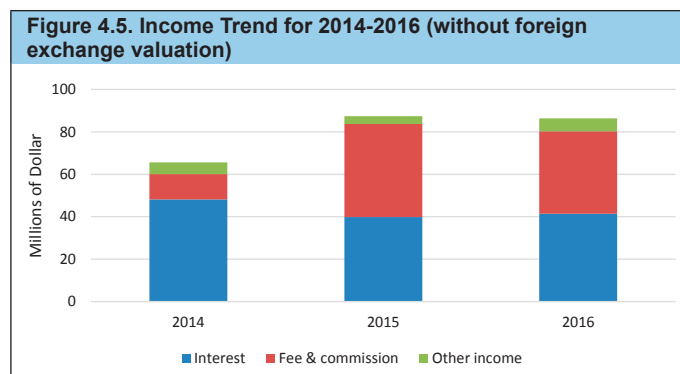
### Accounting and Financial Reporting

Figure 4.5. compares the actual and budget for the financial year 2016. A more detailed analysis of the financial accounts is presented in the audited accounts for the year. In 2016 the Bank made an operating profit of \$24 million however with the inclusion of unrealized foreign currency loss movement of \$66.3 million, and the fair value movement in gold of \$17.9 million the Bank had a comprehensive net loss of \$24.6 million.

The statement of financial position had mixed movements in 2016. Total Assets increased by 3% from \$4.51 billion to \$4.67 billion, the increase largely came from the foreign currency assets. Similarly, liabilities of the Banks also increased by 4%, moving from \$4.49 billion to \$4.68 billion, this increase is also largely influenced by foreign currency liabilities. The equity position of Bank declined from \$13.2 million to a negative \$11.4 million, owing to the significant net unrealized foreign currency revaluation loss of \$66.3 million for the year.

The Bank continues to maintain its Accounts and Financial Reporting according to the International Financial Report Standard as required by the Central Bank of Solomon Islands Act 2012 and as a member of the international

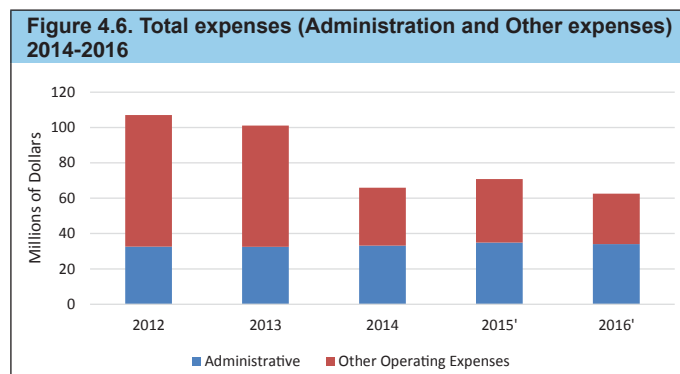
community.



Source: CBSI

### External Audit

The external audit of the Bank for 2016 was provided by KPMG Fiji through the Office of the Auditor General. 2016 is the fourth year of a five-year contract for this engagement by KPMG. The audit engagement for 2016 began with a planning trip in November 2016, followed by a brief visit at 31<sup>st</sup> December to witness the currency stock take, and finally with the substantive on site field work conducted in 2017, for three weeks beginning 27<sup>th</sup> of February to the 17<sup>th</sup> of March 2017. The external auditor’s opinion on the financial statement of the Bank for the year 2016 is featured with the financial statements attached to this report.



Source: CBSI

### Financial system

The Bank’s financial system project continued with implementation in 2016, with the old and new financial system operating parallel for the first six months. In June 2016, the old sun system was phased out and only used as an archive, and Technology One- One banking solution continued as the new financial system for the Bank. The new financial system enabled the Bank to streamline various financial processes through automation; Areas such as, procurement, settlement, receipting, payroll integration, fixed asset management as well as a flexible reporting tool in ExcelOne, which the Bank utilizes to report to its stakeholders.



## Capital Projects

In 2016, the Bank improved and completed its conference and recreational facilities for staff welfare, at Aruligo. The facility was face-lifted with new security fencing, a leaf hut, and a permanent conference house. This new conference house is used for bank social events, meetings, conferencing and if not used, the bank can hire out to other organizations for their training or conference. However, priority is for the CBSI use.

In addition to the Aruligo project, the Bank also constructed a retainer wall to protect its property at Rifle Range, replaced aging generator for Skyline property, ordered new workstations for the Currency and Bank Operations Department, and reconfigured the third floor of the Head Quarter Building to accommodate additional staff. Also in 2016 the Bank completed its investment in the new financial system that now hosts the Bank's general ledger, payroll, budget and financial reports.

Bank's plan to start work on its Noro office was delayed pending completion of land titles for the site. At this time plan to extend the Head Quarter Building to its former office in Mud Alley Street is work in progress.

## CURRENCY AND BANKING OPERATIONS

During the period under review, the Currency and Banking Operations department continued to discharge its function as mandated under section 9 (f) in conjunction with sections 18 to 25 and Part 6 of the Central Bank Act 2012, which provides the Bank the authority:

- To issue, regulate and manage the currency of the Solomon Islands;
- To promote a safe, sound and efficient payment system; and
- To act as banker, financial adviser and fiscal agent to the Government and to any other public bodies and organisations of Solomon Islands.

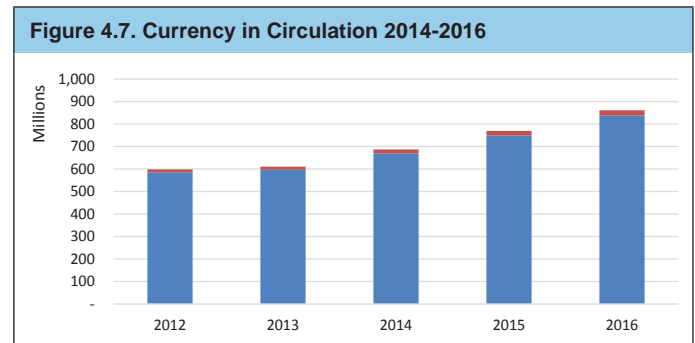
These specific authorities translated into key responsibilities that included currency stock control and management; issuing of notes to commercial banks for circulation; receiving of currency deposits from commercial banks and Solomon Islands government; sorting and destruction of unfit and soiled banknotes; and designing and ordering of new banknotes or coins. The department also engaged in social responsibilities such as advising and educating the public to care for notes and coins, and warning public about counterfeit notes. Outlined below are the activities performed by the Bank to implement this function.

### Currency in Circulation stock

As at the end of 2016, the total value of currency notes and coins in circulation increased by 12.0% to \$861 million from \$769 million in the previous year. Currency notes accounted for 97% or \$837 million of the total circulation whilst coins made up 3% or \$24 million. Figure 4.7 below

shows the trend in the currency in circulation from 2012 to 2016.

The 100-dollar note represented 83 per cent of the notes in the hands of the public, reflecting its demand and popularity as the note for making payments and savings. Coins in circulation increased by 15% in 2016, but 2% less compared to the increase in 2015. Of the total coins in circulation \$2 makes half of the coins in circulation. This is followed by the \$1 at 29% and 50 cents at 13% and the balance shared between the two lower coin denominations, 20 cents and 10 cents respectively.



Source: CBSI

### Volume of Counterfeit Notes impounded from circulation dropped

Only nine pieces of counterfeit notes were confiscated from circulation in 2016 which is almost 90% less than the 2015 record of 75 pieces. Of the total counterfeit notes impounded, six pieces were counterfeits of the old \$100 notes series, two pieces of the \$50 notes of which one piece was of the new series introduced in 2013, and a \$10 piece. The higher denominations are the most targeted notes by counterfeiters. The above graph shows a rising trend in counterfeit notes since 2010 to 2015. The introduction of the new series of \$100 notes in 2015 and the new \$50 notes in 2013 may be the cause of this positive reduction. However, the need to aggressively educate the public about the risks of circulating counterfeit notes is still a priority. The Bank uses the radio and print media throughout the year, as well as awareness programs to various schools and institutions around the country under the slogan 'Check, Look, Feel'. This is basically to encourage the general public to check for the security features, look for the watermark image and feel the raised print on their notes.

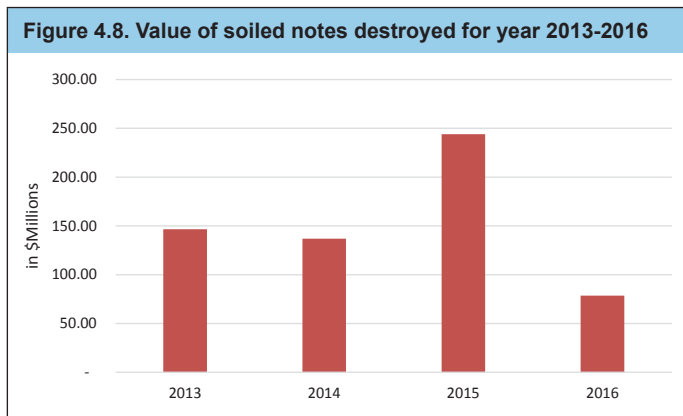
### Note Processing

In 2016, \$78.68 million value of soiled notes was processed and destroyed compared to \$236.5 million in 2015. The reduction in the volumes of destroyed notes may not be the result of improved cash handling by the public but was due to the withdrawal and cancellation of volumes of the old \$100s and \$50s series of notes when the new \$50 and \$100 series were introduced in 2013 and 2015 respectively.

The high rate at which notes are returned from circulation is a concern for CBSI. It generally shows the poor handling of currency notes, despite the mass public aware-

ness on how to care for the currency notes.

De La Rue Cash Systems Engineers continued to provide maintenance and servicing support of our Cobra sorting and destruction machine as the Bank sees this as an important investment for the Bank that helps to improve efficiency and build local capacity in the Bank’s back-office cash operations.

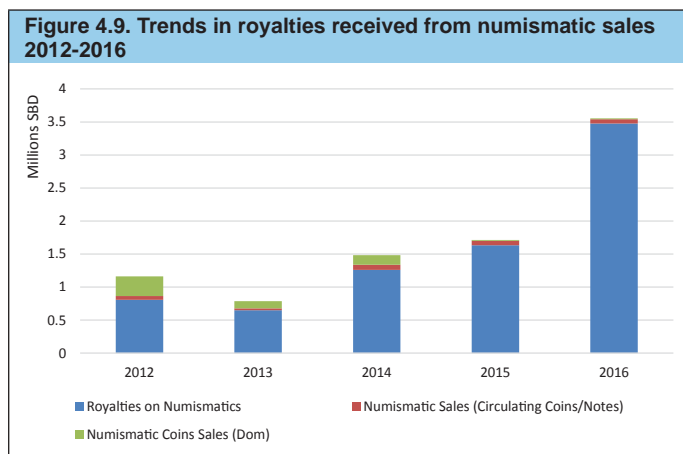


Source: CBSI

**Numismatic items sales underpinned.**

Total revenue earnings from both local and international sales of numismatic materials or collectibles more than doubled the total earnings in 2015 – an increase of 107% to \$3.6m in 2016 compared to \$1.7million in 2015. The increased revenue also exceeded the 2016 budget of \$2.25 million by \$1.3 million. This was attributed to various factors including increases in subscriptions to popular commemorative coin programs, successful marketing and sales of new products, increased number of new contracts signed in 2016, and the integrity of our coins that gave rise to increased demand for our coins amongst many collectors.

Sales in the domestic market, on the other hand, continued to dwindle basically because of the relatively small market for local collectibles. In terms of coin programs, almost 100 coin programs were approved during the year.



Source: CBSI

A large portion of the approved coin programs portrayed historical icons, landmarks and cultural heritage sites of significant value. Other designs portrayed important technological advancements and innovations in the transport and communications industries that also impacted on humanity generally. Some of the coins produced in 2016 were products of innovations involving state of the art technology which rendered them very unique in the market. The integrity of the coins continued to be the major determinant in approving the Bank’s participation in the coin programs.

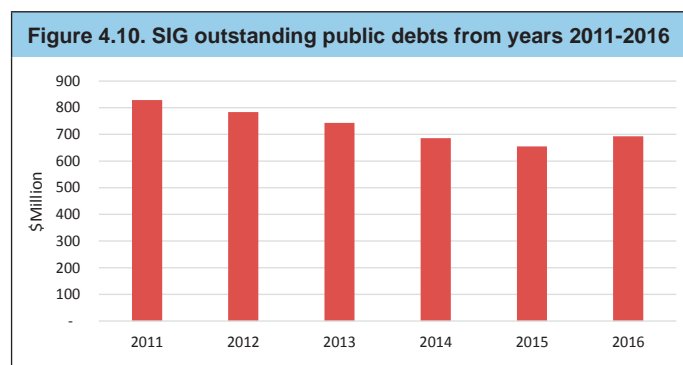
**Bank continues to assist Government in the administration of the Government Debt Statistical Database**

The CBSI Debt Unit (CDU) continues to act as the secondary site for Government’s external public debt database. Public debt data is kept on the CS-DRMS system while a portfolio analysis tool is maintained by the Government Debt Management Unit (DMU) for analysis of multicurrency loans.

As part of its activities, CDU performs monthly loan validations on the CS-DRMS, dispatches QEDs to the World Bank and uploads auction treasury bills results on the CS-SAS after each weekly auction. CDU also maintains the External Private Debt database. CDU also holds regular meetings with the DMU on administrative and technical issues including capacity development issues.

The external public debt profile is made up of thirty-five (35) active loans of which 29 are fully disbursed, 4 still disbursing and 2 are yet to be disbursed. The amount disbursed from July to December totalled to \$103.53 million. The Principal creditors includes the Asian Development Bank (ADB), International Development Association (IDA), European Union (EU); International Fund for Agriculture Development (IFAD) and Export Import Bank of Republic of China (EXIM). Figure 4.10 below, shows the outstanding balance of public external debt of Solomon Islands.

The Public Disbursed Outstanding debt (DOD) of the Solomon Islands at 31st December 2016 increased to \$692.43 million. The increase in the total stock was mainly due to exchange rate movement and disbursement of ADB and IDA Loans during the year. The DOD is anticipated to



Source: CBSI

increase in volume in to 2017 due to forecasted disbursements on the new loans that were contracted in 2014 and 2015 respectively.

Total external debt repayments in 2016 were \$60.66 million of which \$52.05 million was for Principal repayments and \$8.61 million for interest payments.

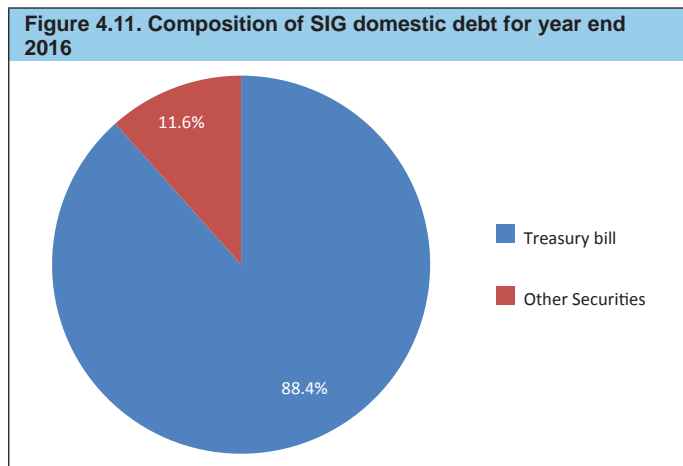
In terms of currency composition of the total official debt, the Special Drawing Rights (SDR) accounted for 85.24% of the total DOD or \$590.27.06 million followed by the United States Dollar with 13.55% or \$93.79 million, and the European Currency Units with 1.21% or \$8.36 million.

### Government’s Domestic Securities Debts

Solomon Islands Government (SIG) domestic debt outstanding at the end of the year was \$42.58 million, a reduction of \$0.28 million compared to \$130.7 million in December 2015. The domestic debt outstanding balance comprised of \$37.64 million in Treasury Bills, and \$4.9 million in other SIG special securities. Debt service repayment during the year totalled \$0.34 million.

The major holders of domestic securities were the Solomon Islands National Provident Fund (SINPF) with 32.53%, Commercial Banks with 43.98%, CBSI with 11.80%, General Public with 10.36%, and other Creditors with 2.34%. The composition of the Government domestic debt is shown in figure 4.11 below.

The decline in the outstanding balances for both the external public debt and domestic debt reflected the governments continued commitment towards its debt service obligations.



Source: CBSI

## BANKING SERVICES

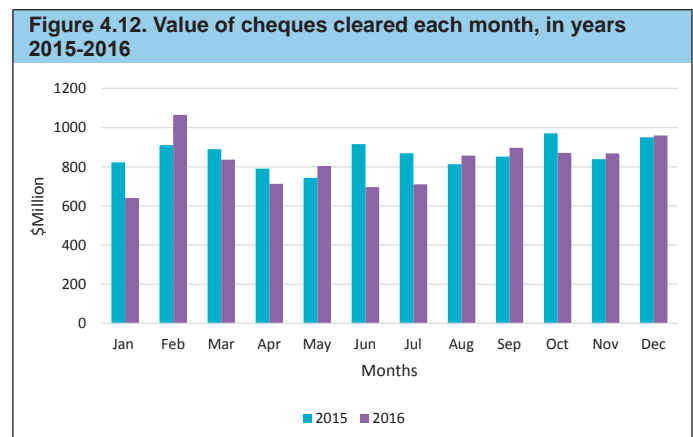
The Bank continued to deliver banking services to licensed financial institutions, the Solomon Islands Government (SIG) and other non-banking financial institutions as mandated in the CBSI Act 2012. These services include, but are not limited to, administering the local and foreign currency denominated accounts established with the Bank by SIG and its donor partners, facilitating domestic transfer

payments, providing general account enquiry services, daily monitoring of free liquidity of the commercial banks and the safe up keeping of e-registers and records for audit requirements.

### Clearing House Activities

The CBSI supervises the daily clearing of cheques drawn on all the licensed commercial banks operating in the country. In 2016, the total value of cheques cleared amounted to \$9.9 billion with a monthly average value of \$827 million in cheques exchanged via the Clearing House. Compared to 2015, the total value of cheques cleared declined by 4% from \$10.4 billion to \$9.9 billion in 2016.

On a monthly basis, the month of February registered the highest value of cheques cleared in the Clearing House as noted in the chart below. Overall, the decline in the total value of cheques could be attributed to the reforms in payment arrangements, which favours electronic transfers. However, all high value payments including payments in the securities market are still paid out in cheques.



Source: CBSI

### Work slowly progressed on the establishment of a National Payments System.

In February 2016, the Cabinet agreed to have a new law on the National Payment System (NPS) and, approved that the Attorney Generals Chambers liaise with the Ministry of Finance and CBSI to draft the new law. Following the Cabinet decision, a MOU was signed with the International Financial Corporation (IFC) for the implementation of an automated clearing and settlement system in the country.

With the support of the Payments System Development Team in the World Bank Group together with IFC, a draft NPS legislation and a policy paper to support the drafting process was delivered.

The CBSI teamed up with the Economic Reform Unit in the Ministry of Finance and Treasury to carry out a country-wide consultation on the NPS Policy Note between September and November, 2016.

In the absence of a NPS legislation, however, the Central

Bank is given the power under Sections 26 and 27 of the CBSI Act 2012 to provide facilities, including intra-day credit, to oversee payment, clearing and securities settlement systems, and their participants, to ensure the safety, soundness and efficiency of the system.

The Central Bank recognises the need to have a Payment Systems Legislation that will support the reform of the national payment system and reduce risks, harmonize the provision of services, introduce oversight on the market and guarantee protection of the customers. In addition, the importance of secondary legislations to provide additional details in the area of Electronic Fund Transfers, Agents and Retail Payments after the NPS bill has been enacted.

CBSI continues to work closely with the World Bank and IFC payment experts which saw the success of the nationwide stakeholder consultation done in the 4th quarter of 2016. CBSI with the support of all stakeholders and the financial community is hoping for a more effective collaborative approach to ensure this project is achieved within the time frame.

### SMALL BUSINESS FINANCE SCHEME

The CBSI administered Small Business Finance Scheme (SBFLS) came under review in 2016. The review was jointly conducted by the Ministry of Commerce, Industries, Labour and Immigration (MCILI) together with the Ministry of Finance and Treasury (MoFT) and CBSI. Consequently, a new arrangement materialised in the form of the Micro, Small and Medium Enterprises Business Loan Guarantee Scheme (MSME-BGLS), which came into existence in November 2016. A seed fund totalling \$2 million was deposited into the respective account for the guarantee scheme, established with CBSI.

In retrospect, no nominations for guarantees under the SBFLS was received from the participating banks in 2016 as was also the case in 2015. No guarantees were claimed from banks in 2016 as compared to a total of two (2) claims paid to ANZ in 2015 bringing YTD guarantees cancelled (as claims on the scheme) to thirteen (13) compared to eleven (11) at end 2014.

YTD loans approved under the scheme remained at sixty-four (64) with fifty-nine (59) nominations from ANZ Bank, BSP with three (3) and former Westpac bank with two (2).

In terms of YTD numbers, gross loan amount remains at SBD14.5 million as in 2015. As at end 2016, a sum total of \$1.2 million was paid to commercial banks for claims on the guaranteed amount – this represents 13 borrowers that defaulted on their loans.

On that same bearing, a total of \$3.7 million in guarantees was cancelled as the borrowers had repaid in full their loan obligations – this represents 46 borrowers who successfully paid off their loans.

Subsequently, only five (5) guarantees were outstanding at end 2016.

### No change recorded in nominations by Provincial Location

No nominations were submitted by participating banks in the SBFLS to CBSI in 2015 and 2016. Issues such as limited access to banking services in the provincial towns and growth centres, lack of adequate and acceptable collateral, loan application processing costs, complex application and decision making processes are key issues SMEs highlighted during the review.

## INFORMATION TECHNOLOGY

The Bank uses information technology to support its operational activities and corporate objectives. The information technology department shoulders the responsibility to improve, strengthen and maintain the information technology function of the bank. These include:

- Deploying of computers and software/systems within the departments to help them get their job done.
- Facilitating the workflow and information within the departments and to the clients of the bank.
- Securing the Bank's corporate electronic data and information.
- Enabling internet connections for officers to access information through internet services
- Allowing the Bank to disseminate economic information to stakeholders on timely manner for their use and to make informed decisions.

In 2016 the Bank focused on the following projects and activities:

- **Technology One Financial System Live Implementation:** This final phase of the project involved ceasing the parallel run of the old financial system and accepting the sole implementation of the new financial system. Configuration work and training for users on the Budget module were carried out. Receipt feature was also configured, tested and uses live and replace the manual receipting. Other features of the system will be progressively explored and tested as of next year.
- **Website Upgrade:** The Bank redesigned its website in-house with updated web software and improves its outlook and easy to administer and use. The upgrade allows the visitors to easily find and access the required information on the website. It is built on software platform that accommodates easy upgrades or maintenances in the future.
- **International Payment system upgrade:** The Bank carried out swift software applications upgrade on its SWIFT systems. These include upgrading to the current applications: SWIFT

Alliance Access/Entry 7.1.20, Browser 7.0.25, Alliance Web Platform 7.0.70, SWIFT Net Link 7.0.41 and SWIFT Alliance Gateway 7.0.41.

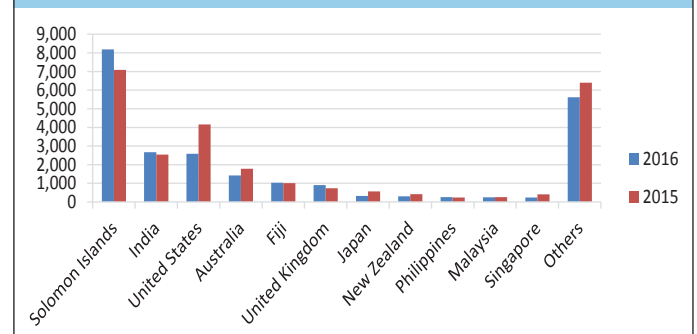
- **Paperless and Workflow:** The Bank also pursues the concept of minimising the use of paper and improving the workflow through introduction of the shared point system solution.
- **Currency Working Store system.** Focus on this system included monitoring the updated transactions and worked with users in maintaining and enhancing the reporting functions of the system. The users are using the system to maintain stock records of currency notes and coins which their balances are used to reconcile with the general ledger balances.
- **Exchange Control System:** Development of this outstanding system is work-in-progress with some activities carried out during the year included assessment of requirements, import features, monitoring and reconciliation, export and payments and prepared server environments for testing. The system if completed will improve the bank's recording, accessing and monitoring compliance with Foreign Exchange Control regulations on imports and exports transactions.
- **Maintaining Local Area Network (LAN) services:** These included resolving server issues on storage and processor, maintain operating system and server security updated patches, maintain LAN connections and access, as well as continue to monitor Anti-virus reports and ensuring no major threat are imminent.
- **Maintaining the Banks Software:** The Bank renewed its license software to maintain support by the supplier. This included the Bank's TechnologyOne Financial System, the statistical forecasting software Eview 9, the anti-virus software - Symantec Protection Enterprise Suite 4.1, the firewall - Smoothwall, the payroll system - Micropay Meridian, external mail - the Google Apps and Foreign Exchange trading system - Bloomberg. The Bank also maintains its current databases.
- **Maintaining the Bank's computer hardware items:** These involve repairing the faulty desktops, laptops and printers. The Bank replaced its aging hardware items with 10 desktops, 18 laptops, 12 Microsoft Surface Tablets and 5 printers including the 3 receipt printers.
- The Bank also provided support and maintenance services on its internet and emails.

### Visitors to CBSI Website

In 2016, the total number of visits to the CBSI website reduced by 7% to 20,237 compared to 2015 visits of 25,597. Among visitors from all over 200 countries, Solomon Islands make the most visits to the CBSI website.

The Bank also provided new and updated information on its website for public to access and gather useful information about the Solomon Islands economy.

**Figure 4.13. Number of visits by top countries to CBSI website 2015-2016**



Source: CBSI

### Disaster Recovery, Policies and Procedures

To improve and automate the manual backups of systems and data from the production servers at the main office and to restore the systems and data to the Contingency Servers at the Bank's temporary Disaster Recovery (DR) office, the Bank engaged Our Telekom and completed the installation of the Fibre Optic cabling and allow the bank to configure and setup connections between these two banks network sites.

The connection was available and live replication of data and virtual machines (systems) from the Production servers to the DR Servers started in the second half of the year. The testing of the systems and data at the DR office is planned to be carried out in 2017.

Work on drafting the department manual started in the year. The purpose of the manual is to define, develop, and document the information policies and procedures that support the goals and objectives of the bank.

### INTERNAL AUDIT

The Internal Audit Unit (IAU/Unit) was able to recruit its second Internal Audit Assistant officer during the year – an internal transfer from the Finance and Accounts Department.

Though the Board Audit Committee (BAC) was not able to meet due to membership issue, the Unit had been functioning as normal and was able to review most of its 2016 possible high risk auditable areas.

The Unit was and will continue to ensure that management established Internal Control systems and processes, are not only working as expected but are robust in nature; that risks areas of potential risks that may potentially hinder the achievement of Bank objectives are appropriately and timely mitigated.

Table 4.9 Activities carried by the Internal Audit Unit in 2016	
Area of Assessment/ Review	Review Objective and Scope
Payroll Process and related activities	Compliance to External Regulatory Requirements <ul style="list-style-type: none"> <li>• SINPF Act Requirements and the effective administration of staff contributions</li> <li>• IRD PAYE Employer obligations and the effective administration of staff fortnightly PAYE deductions</li> </ul>
Subsidised Financial Assistants to Staff	Compliance to governing policies: <ul style="list-style-type: none"> <li>• Security and safeguarding of Bank's Financial Resources.</li> <li>• Staff responsibilities and obligations</li> <li>• Effective administration of the schemes</li> </ul>
General Ledger Reconciliations	Ensure quality of financial data/information had been stored and reported through Management and External Financial reporting <ul style="list-style-type: none"> <li>• Accurate and timely reconciliation of all reconcilable Accounts (generally, all Assets and Liabilities in the Chart of Accounts)</li> <li>• Accurate and timely reversal or adjustment of any wrongly posted (reconciling item) transaction.</li> <li>• Effective supervision of all related reconciliation processes</li> </ul>
IMF weekly/monthly Monetary Reports	As per IMF requirement - ensuring the integrity of the weekly/monthly Monetary report sent to the IMF by the Bank
Soiled Notes processing and Destruction	Assuring the Management that the Internal Controls (ICs) covering the safe keeping to the final shredding and burning of unfit currency notes are effective and robust.
Investment of External Reserve	Compliance assurance as per the approved Investment portfolios and placement limits in terms of currency and investment types
Management's influence over towards good governance and best accounting practices	To assure the Board through the Board Audit Committee (BAC) that, whilst the management is the primary custodian and implementer of policies, rules and procedures covering most staff and management benefits, the members of the management team do have high regard for good governance and best accounting practices. <ul style="list-style-type: none"> <li>• Application, assessment and disbursement of managers' home, personal and vehicle loans.</li> <li>• Complete and accurate accounting for the Bank's Credit Cards disbursements</li> <li>• Compliance to applicable external legal requirements/provisions</li> </ul>

**CHAPTER 5: FINANCIAL INCLUSION**



A CBSI officer points out to the interested members of the public the security features of Solomon Islands currency during the Kodili Festival held in Buala, Isabel Province. Educating the public to always be on guard against fake money and caring for our currency notes is part of CBSI's public education objectives during its participation in festivals held around the provinces.

In 2016, efforts in the financial inclusion activities continued to expand. The main highlight for financial inclusion during the year was the adoption of the second national financial inclusion strategy (NFIS2) 2016-2020 after being peer reviewed by the Alliance for Financial Inclusion (AFI's) working group – Financial Inclusion Strategy Peer Learning Group (FISPLG) – in Dar es Salaam, Tanzania. With the adoption of the strategy, financial inclusion has now been nationalized, as embedded in the definition of financial inclusion. In the context of Solomon Islands, financial inclusion is defined as “the process by which (i) appropriate and relevant financial products and services are sustainably provided by the formal and semi-formal financial intermediaries, (ii) governed by suitably tailored regulations and/or guidelines, (iii) at a fair, transparent and affordable cost, (iv) so that the disadvantaged, low-income segments of society can have access to and repeatedly use these financial products and services to enhance their financial competency and security, thereby improving their livelihoods”. The other highlight was the celebration of the Global Money Week (GMW), which coincided with the Central Bank’s 40th Anniversary. The theme of the GMW was ‘take part, save smart’.

	2011	2012	2013	2014	2015	2016
Commercial Banks	3	3	3	4	3	3
Agencies	7	7	7	7	7	7
Branches	13	13	12	14	14	15
ATMs	36	38	38	39	41	42
EFTPOS Terminals	175	224	306	346	400	310
EFTPOS Merchants			72	325	353	256
Mobile Banking Agents			0	105	164	192

Source: CBSI

In 2016 number of commercial banks licensed in the country remained the same as in previous year., The most notable improvement in financial services access is the increase in the mobile banking agents to 192 from 164 a year ago. Further, there was one additional ATMs installed bring the number of ATMs to 42 but, EFTPOS terminals numbers fell relative to 2015.



A CBSI staff helps two women to get information about financial services during the Kodili festival. Under the NFIS2, by 2020 the number of women who will be users of financial services is 150,000.

**The National Financial Inclusion Strategy 2 (NFIS2)**

The NFIS2 aims to have 300,000 new users of formal and semi-formal financial services and products by 2020 of which half (or 150,000 users) must be women. In order to reach this target, six broad objectives were identified. They are: (a) amplify the reach and quality of digital finance channels; (b) improve financial services delivery to the MSME sector; (c) include women, youth and rural adults as fully engaged participants in the national financial sector; (d) build financial resilience in households and communities; (e) build financial empowerment in ways that are relevant to daily life, motivating and actionable; and (f) execute NFIS2 through effective stakeholder coordination, responsive data and sound evidence.



Children from BSP adopted primary schools putting on their financial education fashions wears during the Solomon Money Smart Day in 27 2016.

These objectives are implemented through the establishment of four working groups; they are digital Financial Services working group (DFSWG); micro, small and medium entrepreneurs working group (SMEWG); consumer empowerment working group (CEWG); and inclusive insurance working group (IIWG). Consequently, implementation of the NFIS2 began during the year with the establishment of the first working group – the inclusive insurance working group. The remaining working groups will be established in 2017.

### 2016 Global Policy Forum

The Alliance for Financial Inclusion (AFI) eighth Global Policy Forum (GPF) was co-hosted by the Reserve Bank of Fiji, at Denarau in Nadi, Fiji from 7-9 September, 2016 with the theme “Building the Pillars of Sustainable Inclusion”. The forum brought together more than 500 senior policymakers, regulators, leaders from international organizations and the private sector around the globe. Eighth key areas of sustainable inclusion were the focus of the forum: they were green financial inclusion; SME financing; de-risking and re-risking; financial inclusion data; technology and innovation; consumer empowerment; and partnerships. The Solomon Islands delegation comprised the Central Bank of Solomon Islands, the Ministry of Commerce, Industries, Labour and Immigration (MCILI) and the Solomon Islands Women in Business (SIWIBA).



CBSI's custom king and queen promote Solomon Islands traditional monies and valuable as part of the AFI Global Financial Inclusion Forum held at Denarau, Fiji.

The final outcome of the forum was the production of an action plan called the 'Denarau Action Plan', which is AFI's commitment to Gender and women financial inclusion. One of the highlights for Solomon Islands in the forum was a commitment to assist the MCILI to provide an enabling and accommodating environment to improve financial service delivery to the Micro, Small, and Medium Enterprises (MSME). This commitment was made under the auspices of Maya Declaration. Another highlight was the participation of Solomon Islands in a cultural show during the forum.



Chung Wah and St. Nicholas students: POB adopted Primary Schools prepare to march to Art Gallery as part of CBSI's 40th Anniversary celebration 27 June 2016.



A Student reads an information pamphlet collected from CBSI stall during the Mala Mweimwei Yam Festival, in 2016

### Microfinance Institution

The microfinance institution space is currently under-represented in the country. The South Pacific Business Development (SPBD) is the only microfinance institution operating in the country. Since inception, it has continued to assist women to improve their livelihood through saving and micro-credit. By the end of 2016, total savings account increased to 7,370 from 4,644 in 2015. In terms of the amount of loans disbursed in 2016 was \$25 million. In the first quarter in 2016, SPBD expanded its services to Western Province and established a branch in Munda.

### Other Achievements

Other activities related to financial inclusion were also achieved during the year. For example, on 12 August a joint ANZ/Pacific Financial Inclusion Program (PFIP) coconut value Chain partnership, which was funded by the Australian Department of Foreign Affairs and Trade (DFAT), was launched. This project will see the expansion of digital finance to the agriculture value chain with the coconut farmers being the target as the starters of the value chain. This initiative will assist these farmers to access



to formal financial services, especially in saving, credit and payment services through ANZ's goMoney mobile banking platform.

Also during the year, a working group on inclusive insurance was established following a consultation workshop held on 20 February, 2016. This working group is the first of the four working groups that will implement the NFIS2. The inclusive insurance working group aimed at tapping the low income earners segment of the market. This segment is currently excluded from accessing financial services.

The second working group, Digital Financial Services, is scheduled to be established in the first quarter of 2017. A consultation workshop was conducted on 5 October, 2016. This working group will initially focus on digitizing government payments, mainly in the G2P and P2G space. Thereafter, an economy-wide focus on digitizing payments will follow suit.

Finally, financial inclusion activities in 2016 wind up with a launch of the Micro, Small and Medium Enterprises (MSME) guarantee loan scheme. The guarantee scheme



**Raynold Moveni and Eddie Maek ask questions to members of Pacific Islands Regional Initiatives (PIRI) on lessons on how to introduce micro insurance to the poor during a PFIP & AFI organized workshop in Denarau, Nadi Fiji in 2016. According to Demand Side Survey carried out by PFIP, AFI and CBSI in 2015, it was revealed that 93% of the Solomon Islands population is uninsured. One of the objectives of NFIS2 is introduce affordable insurance to the people.**

was a government initiative to support MSMEs in the country, and is facilitated by the Central Bank of Solomon Islands.

## CHAPTER 6: COMBATING MONEY LAUNDERING AND FINANCIAL CRIMES

The Solomon Islands Financial Intelligence Unit (SIFIU) is established under the Money Laundering and Proceeds of Crime Amendment Act 2010 (MLPCAA 2010). The vision of the SIFIU is “Protecting Solomon Islands from Money Laundering”. The roles and functions of the SIFIU are provided under the MLPCAA 2010. SIFIU is one of the leading agencies in Solomon Islands that is primarily responsible for preventing and detecting money laundering and terrorist financing activities. The Unit maintains its four (4) seconded officers in 2016, three from the CBSI and one from the Ministry of Police, National Security and Correctional Services. In terms of operational functions; the SIFIU reports to the Anti-Money Laundering Commission (AMLC), established under section 11 (1) of the MLPCAA 2010. The Attorney General of Solomon Islands chairs the Commission.



Director of Solomon Islands Financial Intelligence Unit holds meeting with representative of reporting institutions on proper reporting of transaction required under the MLPCAA 2019 to protect Solomon Islands from money laundering and financial crimes.

The Solomon Islands Anti-money laundering regime has been carrying out its obligations to fight money laundering and terrorism financing activities seriously since its establishment in 2006. This is evident from the good ratings it received for the majority of the FATF core and key recommendations on the 2009 World Bank Mutual Evaluation report. Solomon Islands has also been given good and commendable ratings for its follow-up reports on the subsequent years after the 2009 mutual evaluation by the Asia Pacific Group (APG) on Money Laundering. We are hoping for even better ratings on our next Mutual Evaluation in 2018.

Money laundering and terrorism financing are rising activities in the world today. Solomon Islands therefore is not immune to these problems. In combating these unwanted practices, the country has put in place mechanisms and controls we are confident of capable to making our financial system safe from the misuse by criminals. The SIFIU is committed to carrying out its obligations to ensure Solomon Islands is protected from money laundering and terrorism financing activities.

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

SIFIU is a member of the Asia Pacific Group (APG) on Money Laundering and also a member of the EGMONT Group. As a member of these international and regional organizations, the SIFIU and the AMLC are committed to performing their responsibilities to meet International AML/CFT standards and requirements. In addition, being members of these international bodies ensures that Solomon Islands remain in compliance with the best practices in combating money laundering and anti-terrorists financing.

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

Funding for the operation of the SIFIU in 2016 came from the SI Government and the Central Bank of Solomon Islands, totalled up to \$989,540.72, of which \$709,800 from the Government and \$279,740.72 from the CBSI. The Government’s funding increased slightly in 2016 from \$676,000 in 2015 to \$ 709,800 in 2016, a 5% increase. The SIFIU expended \$970,718.72 of the total revenue on its operation in 2016. Apart from meeting the salaries and other benefits of two (2) of its officers, the CBSI also supported the Unit through subsidising some of its expenditure heads, such as medical benefits, leave entitlements, office equipment and IT services.

### SIFIU maintained its relationships with reporting agencies through regular contacts

The SIFIU maintained close working relationships with the reporting agencies during the year. Quarterly meetings were held with the AML reporting officers from the three commercial banks in the country, ANZ, BSP and POB to discuss AML/CFT issues. It is encouraging to note that financial institutions in the country continue to play their part in ensuring the financial system of the country is free from money laundering and terrorism financing activities.

### Advising Public Against Financial Scams

The SIFIU in 2016 was again involved in advising the public against “financial scams”. The Unit attended to numerous queries from the public during the year on false financial schemes and purported lottery wins. The Famous Family Charity Fund is still a much talked about subject in town. Victims of the scheme are still waiting for their promised returns. Numerous advices put out by the SIFIU and the CBSI through media, felled on deaf ears.

There is a rise in ATM card skimming in the Pacific region. There were reports of such crimes experienced in Samoa, Tonga and as well as in Fiji. SIFIU gave out a warning to the public through media press release during the year on this kind of financial crime, warning the public to take extra care when using ATM machines.



A staff from the SIFIU conducts a training session for bank officers and reporting institutions on the reporting requirements of the Solomon Islands Financial Intelligence Unit.

### Numbers of suspicious transactions (STRs) received from the reporting agencies increased

The number of Suspicious Transaction Reports (STRs) received increased from 60 in 2015 to 72 in 2016 while the number of Case Disseminated Reports to law enforcement agencies decreased to eight (8), a 38% decrease. The reason behind the decrease in the case dissemination reports is because of the diversion of SIFIU's limited resources, staffing especially to the prioritized project for the year, the AML/CFT National Risk Assessment. The work on AML/CFT National Risk Assessment commences on the second half of the year.

SIFIU is confident, reporting agencies in the country now have good level of understanding on AML/CFT matters. This is evident in the increase in the number of reports they are now forwarding to the SIFIU. There is a significant increase in the number of Cash Transaction Reports reported in 2016, up by 121% from 51,058 reports in 2015 to 112,970 reports in 2016. There is also a significant increase in the number of Electronic Funds Transfer Reports reported in 2016, up by 75% from 14,402 reports in 2015 to 25,233 reports in 2016. There is however, a fall in the number of Border Currency Reports received in 2016, by 6% from 97 reports in 2015 down to 91 reports in 2016. We presume, the main reason for the drop is because people are now using the banking system more to transfer money as they become more aware of the AML/CFT requirements every Jurisdictions are required to roll out.

Table 6.1 below show the type and number of reports received by SIFIU in 2015.

Table 6.1 Type of Reports	Received		Disseminated	
	2016	2015	2016	2015
Suspicious Transaction Report (STR)	72	60	8	13
Cash Transaction Report (CTR)	112,970	51,058	0	0
Electronic Funds Transfer Report (EFTR)	25,233	14,402	0	0
Border Currency Report (BCR)	91	97	6	0

Source: CBSI/SIFIU

### Meeting of the AMLC held during the year

During the year the AMLC met three (3) times. Attendance by members of the AML Commission was 75%. The AMLTEG was able to meet 4 times during the year with a 100% attendance by members. The AMLROs were only able to meet three (3) times during the year with the percentage turn-out of 75% by member institutions. For the Unit staff meetings, only six (6) meetings were held during the year with only 13% turn out rate. The lower turnout rate is due to the small size of the Unit where not all officers always present in the office as part of their job responsibilities involves undertaking other activities outside of office.

Table 6.2 below show the meeting types and number of meetings held in 2015.

Table 6.2 Meeting types and number of meetings				
Year	Meeting Type	Meetings Planned	Actual Meetings Held	Success Rate Percent (%)
2016	AMLC	4	3	75
	AMLTEG	4	4	100
	AMLRO	4	3	75
	Staff	48	6	13

Source: CBSI/SIFIU

### Over Seas Trainings/Workshops and Meetings Attended

The Table below show the number of training courses and workshops attended by the SIFIU and supporting institutions in Solomon Islands.

Table 6.3 Show the Number of Workshops and Meetings attended in 2016		
Date	Particular of Training	Facilitator
04 – 08/04/2016	Implementing the International AML/CFT Standards	STI-IMF Training Institute
16 – 17/05/2016	Bali Process: Following the Money Forum	Australian Attorney Generals Office
05 – 09/09/2016	APG Plenary Meeting	Asia Pacific Group on Money Laundering (APG)
14 – 18/11/2016	AML/CFT Assessed Country Course	STI-IMF Training Institute
28 Nov – 1 Dec 2016	APG Typologies Workshop	APG – Jeddah, Saudi Arabia Attended by an AMLC Member

Source: CBSI/SIFIU

### Local Training and Workshops

The unit also conducted workshops for local stakeholders in the country as well, as shown in Table below.

Table 6.4 show the number of workshops held for local stakeholders in 2016.				
Date	Particular of Training	Participants	Facilitator	No. of Participants
23/03/2016	Basic AML/CFT	Banks, Insurance Companies And Credit Institutions	FMSD SIFIU CBOD	27
26/05/2016	Roles & Functions of SIFIU	Institute of Solomon Islands Accountant Members	SIFIU	105
08/06/2016	Basic AML/CFT	Pan Oceanic Bank Staff	SIFIU	30
25- 27/07/2016	Scams/Pyramid Schemes	Members of the public who have attended the Yam Festival, Afio South Malaita	SIFIU CBOD	30
31/08/2016	Money Laundering & Terrorism Financing National Risk Assessment	Financial Institutions, LEAs, Cash Dealers and CBSI	NRA Technical Advisor	36
26 – 30/09/2016	Scams/Pyramid Schemes	Members of the public who have attended the Kodili Festival, Buala Isabel Province	SIFIU CBOD	40

Source: CBSI/SIFIU

## CHAPTER 7: CALENDAR OF EVENTS 2016

• Month	• Events
• January	
• February	<ul style="list-style-type: none"> <li>Chief Manager Financial Market Supervision and Chief Manager International attended Portfolio Construction Class 2016 in Nadi, Fiji</li> </ul>
• March	<ul style="list-style-type: none"> <li>Manager Internal Audit attended the 2016 South Pacific and Asia Conference of Internal Auditors - hosted by IIA - Australia in Brisbane.</li> <li>CBSI received application from Bred Solomons to establish a bank in Solomon Islands</li> <li>CBSI performed an onsite prudential examination of Royal Solomon Islands Police Credit Union Limited</li> </ul>
• April	<ul style="list-style-type: none"> <li>Chief Manager Financial Market Supervision participated in an IMF-STI course on Macro-Financial Surveillance in Singapore</li> <li>Senior Analyst Credit Union participated in Implementing the International AML/CFT workshop in Singapore</li> <li>Advisor to the Governor's Office attended AFI's FISPLG work group meeting in Dar es salaam, Tanzania.</li> </ul>
• May	<ul style="list-style-type: none"> <li>CBSI grants a 12-month Interim Banking License to Bred Solomons</li> <li>Manager Financial Market Supervision participated in onsite examination of ANZ (Fiji) Bank in Suva, Fiji.</li> </ul>
• June	<ul style="list-style-type: none"> <li>CBSI celebrated 40<sup>th</sup> Year Anniversary with the theme: Celebrate past success, harsh the future".</li> <li>Global Money Day and Solomon Islands Money celebrated by National Financial Inclusion partners and six commercial banks adopted primary schools in Honiara on the theme, "Take Part Save Smart" to highlight the need for financial education in primary schools.</li> <li>Chief Manager Financial Market Supervision attended annual meeting of Association of Financial Supervisors of Pacific Countries in Koror, Palau</li> <li>Manager Applied Research, Policy and Regulation within Financial Market Supervision participated in regional seminar on Electronic Banking and Mobile Financial Services in Bangkok, Thailand</li> <li>Advisor and Chief Manager Economics, Research, and Statistics attended the South Pacific Central Banking Symposium in Brisbane, hosted by Griffith University.</li> </ul>
• July	<ul style="list-style-type: none"> <li>Deputy Governor &amp; Chief Manager, Economics Research Statistics Department attended the 8<sup>th</sup> Australia Solomon Islands Business Forum in Brisbane, Australia.</li> <li>Manager Financial Market Supervision and Analyst Insurance participated in prudential review of an insurance service provider in Dili, Timor Leste</li> </ul>
• August	<ul style="list-style-type: none"> <li>Senior Research and Policy Development officer within Financial Market Supervision undertook one-month policy development internship with Australian Prudential Regulatory Authority in Sydney, Australia</li> <li>CBSI, along with APRA and financial sector supervisors of Cook Islands, Papua New Guinea, Samoa, Timor Leste and Vanuatu performed an onsite examination of Bank South Pacific</li> </ul>
• September	<ul style="list-style-type: none"> <li>Governor and Deputy Governor led a team of CBSI officers, a representative from the Ministry of Commerce Industries Labour &amp; Immigration and a representative of SIWBA to attend the Alliance for Financial Inclusion (AFI) Global Policy Forum in Denarau, Fiji.</li> <li>CBSI Board issued its midyear Monetary Policy stance choosing to remain with the accommodative stance.</li> <li>SINTA Credit Union reviewed with Technical Assistance from PFTAC advisor.</li> <li>Governor, Chief Manager Financial Market Supervision and Senior Analyst Banking attended annual Bank South Pacific College meeting in Port Moresby, Papua New Guinea</li> <li>CBSI conducted an onsite examination on QBE Insurance</li> </ul>
• October	<ul style="list-style-type: none"> <li>Deputy Governor attended NZ-OECD Global Symposium on Financial Education in Auckland, New Zealand.</li> <li>CBSI receives banking license application from Expire Solomons Bank</li> </ul>
• November	<ul style="list-style-type: none"> <li>Governor and Chief Manager Financial Market Supervision participated in forum on Strengthening Pension System in the Pacific in Suva, Fiji</li> <li>Governor, Policy Adviser, and Chief Manager, Financial Market Supervision Department attended South Pacific Governors Conference in Delili, Temor Leste</li> <li>Ministry of Commerce, Industries, Labour and Immigration and CBSI launched Micro, Small, Medium Enterprise Business Loan Scheme.</li> <li>Manager Financial Market Supervision attended Maximizing the Power of Financial Access and Optimal Balance Between Financial Inclusion and Financial Stability in Bali</li> <li>Manager International and Investment officer attended BIS Reserves management Workshop in Hong Kong, BIS Asia Region Office.</li> </ul>
• December	<ul style="list-style-type: none"> <li>CBSI Board declined application from Empire Solomon Bank to establish banking business in Solomon Islands</li> <li>Senior Analyst Insurance and Analyst Insurance within Financial Market Supervision attended a workshop on Risk Based Supervision, Risk Management and Disaster Insurance for SMEs and Agro-Business in Sydney, Australia</li> <li>Senior Analyst Banking and Analyst Superannuation Fund within Financial Market Supervision participated in IMF-STA Workshop on Financial Soundness Indicators.</li> <li>Chief Manager International attended Sixth IMF Roundtable of Official Asset Managers meeting in IMF Washington DC, USA and Brief Official Visit to Federal Reserve Bank in New York USA.</li> </ul>



CENTRAL BANK OF SOLOMON ISLANDS

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DIRECTORS' REPORT

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## DIRECTORS' REPORT

The Directors present their report together with the financial statements of the Central Bank of the Solomon Islands ("the Bank") for the year ended 31 December 2016 and the auditors' report thereon.

### DIRECTORS

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

- Denton Rarawa (Chairman and Governor)
- Gane Simbe (Deputy Governor)
- Harry D Kuma ( appointed 13 May 2015)
- Sir Thomas Ko Chan ( appointed on 3 August 2015)
- Loyley Ngira (contract end on 5 February 2016)
- Lily Lomulo (contract end on 5 February 2016)
- John Usuramo ( appointed on 18 December 2013)
- Tele Barttlet (contract end on 17 July 2016)
- Primo Afeau (contract end on 17 July 2016)
- David K C Quan (appointed on 17 August 2016)
- Leslie Teama (appointed on 17 August 2016)

### STATE OF AFFAIRS

In the opinion of the Directors:

- there were no significant changes in the state of affairs of the Bank during the financial year under review not otherwise disclosed in this report or the financial statements;
- the accompanying statement of financial position gives a true and fair view of the state of affairs of the Bank as at 31 December 2016 and the accompanying statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows give a true and fair view of the results, of the Bank for the year then ended.

### PRINCIPAL ACTIVITIES

The Bank's role as a central bank, as defined in the Central Bank of Solomon Islands Act, 2012 is:

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

### RESULTS

The net loss of the Bank for the year ended 31 December 2016 was \$42.5m (2015: \$44.31m profit).

### RESERVES

The Board approved the following transfers of reserves in the statement of profit and loss and other comprehensive income during the year:

- (\$66.35m) (2015: \$26.10m) to the foreign exchange revaluation reserve; and
- \$23.84m (2015: \$17.61m) to the general reserve.

### PROVISIONS

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

**GOING CONCERN**

The Board believes that the Bank will continue to operate as a going concern.

**ASSETS**

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

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

**DIRECTORS' BENEFIT**

No director of the Bank has, since the last financial year, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by directors shown in the Bank's financial statements) by reason of a contract made with the Bank or a related corporation with the director or with a firm of which he is a member, or in a Bank in which he has a substantial financial interest.

**UNUSUAL TRANSACTIONS**

Apart from these matters and other matters specifically referred to in the financial statements, in the opinion of the Directors the results of the operations of the Bank during the financial year were not substantially affected by any item, transaction or event of a material unusual nature, nor has there arisen between the end of the financial year and the date of this report any item, transaction or event of a material unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Bank in the current financial year.

**EVENTS SUBSEQUENT TO BALANCE DATE**

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Bank, to affect significantly the operations of the Bank, the results of those operations, or the state of affairs of the Bank, in future financial years.

**OTHER CIRCUMSTANCES**

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

Dated at Honiara this twentieth day of April 2016.

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



Denton Rarawa  
Chairman of the Board and Governor



Harry Kuma  
Director



## STATEMENT BY DIRECTORS

In the opinion of the Directors:

- (a) the accompanying statement of profit and loss and other comprehensive income is drawn up so as to give a true and fair view of the results of the Bank for the year ended 31 December 2016;
- (b) 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 31 December 2016;
- (c) the accompanying statement of changes in equity is drawn up so as to give a true and fair view of the changes in equity of the Bank for the year ended 31 December 2016;
- (d) the accompanying statement of cash flows is drawn up so as to give a true and fair view of the cash flows of the Bank for the year ended 31 December 2016;
- (e) at the date of this statement there are reasonable grounds to believe the Bank will be able to pay its debts as and when they fall due;
- (f) all related party transactions have been adequately recorded in the books of the Bank, and
- (g) the financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") and Central Bank Solomon Islands Act 2012 ("Act 2012").

For and on behalf of the Board of Directors by authority of a resolution of the Directors this 20<sup>th</sup> of April 2017.



Denton Rarawa  
Chairman of the Board and Governor



Harry Kuma  
Director

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

### SOLOMON ISLANDS OFFICE OF THE AUDITOR-GENERAL



#### Report on the financial Statements

##### *Opinion*

I have in joint consultation with the Board of Directors ("the Board") of the Bank pursuant to Section 60(1) of the *Central Bank of Solomon Islands Act 2012* contracted KPMG Fiji which is part of the KPMG International network to assist me to audit the accompanying financial statements of Central Bank of Solomon Islands ("the Bank"), which comprise the statements of financial position as at 31 December 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out in notes 1 to 27.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

##### *Emphasis of matter*

As at 31 December 2016, the Bank's total assets amounted to \$4.666 billion. This was less than the sum of the Bank's total monetary liabilities and its unimpaired capital which total \$4.727 billion. These conditions have arisen from the Bank's large open position in foreign currency which is subject to foreign exchange rate movements.

Under section 56 of the *Central Bank of Solomon Islands Act 2012*, the Bank will be required to inform the Minister for Finance within 30 days of this report of the reasons for this shortfall and request a capital contribution to remedy the shortfall.

Without further modifying my opinion, I draw attention to Note 2 (b) in the financial statements which indicates that the bank had a deficiency in net assets of \$11.4 million as at 31 December 2016. These conditions indicate the existence of a material uncertainty which the Bank must address under Section 56 of the *Central Bank of Solomon Islands Act 2012* through a request to the Minister of Finance for capital contribution by the Government to remedy the deficit and maintain reputable going concern.

##### *Basis for Opinion*

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

##### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management 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.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for 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 Banks's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

### **Report on Other Legal and Regulatory Requirements**

I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purposes of my audit.

In my opinion:

- i) proper books of account have been kept by the Bank, sufficient to enable financial statements to be prepared, so far as it appears from my examination of those books; and
- ii) to the best of my knowledge and according to the information and explanations given to me the financial statements give the information required by the Central Bank of Solomon Islands Act 2012, in the manner so required.



**PETER LOKAY**  
Auditor-General

Office of the Auditor-General  
Honiara, Solomon Islands

28 April, 2016

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 \$000	2015 \$000
<b>Income</b>			
Interest income	4(a)	41,444	39,844
Fees and commission income	4(b)	38,859	43,898
Other income	4(c)	6,153	4,695
Change in fair value of investment properties	10	-	600
Net unrealized foreign exchange revaluation gain		-	26,101
<b>Total income</b>		<u>86,456</u>	<u>115,138</u>
<b>Expenses</b>			
Interest expense	4(d)	5,058	12,463
Fees and commission expense		1,684	1,221
Administration expenses	4(e)	33,999	34,919
Other expenses	4(f)	21,873	22,227
Net unrealized foreign exchange revaluation loss		66,346	-
<b>Total expenses</b>		<u>128,960</u>	<u>70,830</u>
<b>Net operating (loss)/profit</b>		<u>(42,504)</u>	<u>44,308</u>
<b>Other comprehensive losses</b>			
Net change in fair value (available - for - sale financial assets)		-	14,626
Net change in revaluation (property, plant and equipment)		17,869	(26,890)
<b>Total other comprehensive (loss)/income</b>		<u>17,869</u>	<u>(12,264)</u>
<b>Total comprehensive (loss)/ income</b>		<u>(24,635)</u>	<u>32,044</u>

  
Chairperson and Governor

  
Director

*This statement of profit and loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 44 to 62*

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2016**

	Note	2016 \$000	2015 \$000
<b>Foreign currency assets</b>			
Cash at bank	20	1,048,532	781,517
Accrued interest		5,320	6,495
Held-to-maturity investments	5	2,859,056	3,094,483
Available-for-sale investments	6	225,460	206,921
International Monetary Fund	7	263,467	206,302
<b>Total foreign currency assets</b>		<u>4,401,835</u>	<u>4,295,718</u>
<b>Local currency assets</b>			
Cash on hand	20	202	196
Loans and advances	8	12,261	11,629
Currency inventory	9	36,116	36,623
Investment properties	10	13,262	13,262
Property, plant and equipment	12	149,644	150,180
Other assets	11	52,334	4,516
<b>Total local currency assets</b>		<u>263,819</u>	<u>216,406</u>
<b>Total assets</b>		<u>4,665,654</u>	<u>4,512,124</u>
<b>Foreign currency liabilities</b>			
International Monetary Fund	7	390,348	324,646
Demand deposits	13(a)	59,202	16,240
<b>Total foreign currency liabilities</b>		<u>449,550</u>	<u>340,886</u>
<b>Local currency liabilities</b>			
Demand deposits	13(b)	2,519,783	2,573,231
Currency in circulation	14	868,395	776,640
Fixed deposits	15	761,658	721,677
SIG monetary operations account	16	51,359	58,422
Employee entitlements	17	15,671	17,000
Other liabilities	18	10,628	11,025
<b>Total local liabilities</b>		<u>4,227,494</u>	<u>4,157,995</u>
<b>Total liabilities</b>		<u>4,677,044</u>	<u>4,498,881</u>
<b>Net assets</b>		<u>(11,392)</u>	<u>13,243</u>
<b>Capital and reserves</b>			
Paid up capital	21	50,000	50,000
General reserve	22(a)	77,021	53,179
Foreign exchange revaluation reserve	22(b)	(214,677)	(148,331)
Asset revaluation reserve	22(c)	104,318	104,318
Gold revaluation reserve	22(d)	(89,929)	(107,798)
Capital asset reserve	22(e)	61,875	61,875
<b>Total (deficiency)/surplus in capital and reserves</b>		<u>(11,392)</u>	<u>13,243</u>

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

  
Denton Rarawa  
Chairperson of the Board and Governor

  
Harry Kuma  
Director

*This statement of profit and loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 44 to 62*

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Issued & paid up capital \$000	Gold revaluation reserve \$000	General reserve \$000	Foreign exchange assets revaluation reserve \$000	Asset revaluation reserve \$000	Capital assets reserve \$000	Total \$000
Balance as at 1 January 2015	50,000	(80,908)	35,572	(174,432)	89,092	61,875	(18,801)
<b>Total comprehensive income for the year</b>							
Profit (loss) for the year (Note 19)	-	-	17,607	26,101	600	-	44,308
<i>Other comprehensive income/(losses)</i>							
Fair value gains - gold	-	(26,890)	-	-	-	-	(26,890)
Fair value gains - Property, plant and equipment	-	-	-	-	14,626	-	14,626
<b>Total other comprehensive income/(losses)</b>	-	(26,890)	17,607	26,101	15,226	-	32,044
<b>Balance as at 31 December 2015</b>	<b>50,000</b>	<b>(107,908)</b>	<b>53,179</b>	<b>(148,331)</b>	<b>104,318</b>	<b>61,875</b>	<b>13,243</b>
Balance at 1 January 2016	50,000	(107,908)	53,179	(148,331)	104,318	61,875	13,243
<b>Total comprehensive income for the year</b>							
Profit (loss) for the year (Note 19)	-	-	23,842	(66,346)	-	-	(42,504)
<i>Other comprehensive income/(losses)</i>							
Fair value losses - gold	-	17,869	-	-	-	-	17,869
Fair value gain - Property, plant and equipment	-	-	-	-	-	-	-
<b>Total comprehensive income/(losses)</b>	-	17,869	23,842	(66,346)	-	-	(24,635)
<b>Balance as at 31 December 2016</b>	<b>50,000</b>	<b>(89,929)</b>	<b>77,021</b>	<b>(214,677)</b>	<b>104,318</b>	<b>61,875</b>	<b>11,392</b>

This statement of profit and loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 44 to 62

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$000	2015 \$000
<b>Operating activities</b>			
Interest received		42,666	38,500
Other income		45,013	48,494
Interest paid		(4,943)	(12,427)
Cash paid to suppliers and employees		(55,549)	(57,050)
Net movement in held to maturity investments		235,427	(209,933)
Net movement in International Monetary Fund accounts		33,759	(1,160)
Net movement in other receivables		(45,819)	38,990
Net movement in other payables		-	4,945
<b>Cash flows used in operating activities</b>		<b>250,554</b>	<b>(149,641)</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment		(4,803)	(2,777)
Proceeds from sale of premises, plant and equipment		-	99
Net movement in available-for-sale investments		(670)	(12,443)
Net movement in loan to government		(27)	63,950
Net movement in loans and advances to staff		(652)	(280)
<b>Cash flows used in investing activities</b>		<b>(6,152)</b>	<b>48,549</b>
<b>Financing activities</b>			
Net movement in currency in circulation		91,754	82,297
Net movement in demand deposits		(10,485)	96,270
Net movement in fixed deposits received		39,981	99,948
Solomon Islands government monetary operations		(7,063)	28,207
Net movement in International Monetary Fund credit facilities		(25,222)	(26,965)
<b>Cash flows (used in)/from financing activities</b>		<b>88,965</b>	<b>279,757</b>
<b>Net effect of exchange rates</b>		<b>(66,346)</b>	<b>26,101</b>
Net increase/(decrease) in cash		267,021	204,766
Cash and cash equivalents at the beginning of the financial year		781,713	576,947
<b>Cash and cash equivalents at the end of the financial year</b>	<b>20</b>	<b>1,048,734</b>	<b>781,713</b>

*This statement of profit and loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 44 to 62*

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 1. Principal activities and principal place of operations

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

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

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

The financial statements were authorised for issue by the Board of Directors on 20<sup>th</sup> April 2017.

#### 2. Basis of preparation

##### (a) Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ('IFRS') and the Central Bank of Solomon Islands Act, 2012, except where the Central Bank of Solomon Islands Act 2012, requires different treatment in which case the Central Bank of Solomon Islands Act, 2012 takes precedence.

The Bank will comply with the requirements of the Central Bank of Solomon Islands Act (Section 56) which requires that in the event that the value of its assets falls below the sum of its monetary liabilities and its unimpaired authorised capital, then –

- (a) The Board, with the advice of the external audit of the Bank, shall assess the situation and prepare a report on the causes and extent of the shortfall and assess the situation within a period of no more than 30 calendar days;
- (b) If the Board approves the report under paragraph (a), the Bank shall request the Minister of Finance for a capital contribution to be made by the Government to remedy the deficit; and
- (c) Upon receipt of this request the Government shall, within a period of no more than 30 calendar days, transfer to the Bank the necessary amount in currency or in negotiable debt instruments with a specified maturity issued at market-related interest rates prevailing in Solomon Islands.

As at 31 December 2016, the Bank's total assets amounted to \$4.67 billion. This was less than the sum of the Bank's total monetary liabilities and its unimpaired capital which totalled \$4.73 billion. The Bank had requested the Ministry of Finance for a capital contribution during the year to remedy the prior year deficit but the request had been repudiated. An emphasis of matter has been included in the audit report relating to this matter.

##### (b) Going concern basis of accounting

The financial statements have been prepared on a going concern basis, and as at 31 December 2016 the Bank had a deficiency in net assets of \$11.4 million.

The Bank's deficiency in net assets had implicate materiality on its going concern and requires reliable support of the Solomon Islands Government. These conditions indicate the existence of a material uncertainty which the Bank will address to maintain a reputable going concern.

The Board consider it appropriate to prepare these financial statements on a going concern basis and as provided for by section 56 of the Central Bank of Solomon Islands Act 2012 the Bank will again request through the Minister of Finance for capital contribution by the Government to remedy the deficit.

The financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts and classification of liabilities that might be necessary should the Bank be unable to continue as a going concern.

##### (c) Basis of measurement

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

- Available-for-sale financial assets are measured at fair value.
- Held to maturity financial assets are measured at amortised cost.
- Land and buildings classified as property, plant and equipment are measured at fair value.
- Investment properties are measured at fair value.

##### (d) Functional and presentation currency

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

##### (e) Use of estimates and judgement

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

### Impairment of financial assets

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

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

### 3. Statement of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

#### (a) Foreign currency

Transactions in foreign currencies are translated into the functional currency of the Bank at the spot exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss.

#### (b) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the statement of profit and loss and other comprehensive income include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- Interest on available-for-sale investments securities calculated on effective interest basis.

#### (c) Fees and commission

Fees and commission income and expense relate mainly to transaction and service fees, which are recognised as revenue when services are rendered or expensed as the services are received.

#### (d) Other income

Other income are brought to account on an accrual basis.

#### (e) Tax expense

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

#### (f) Financial assets and financial liabilities

##### i. Recognition

The Bank initially recognises loans and advances, deposits and debt securities on the date that they are originated. All other financial assets and liabilities are recognised initially on the trade date, which is the date that the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

##### ii. Classification

##### Financial assets

The Bank classifies its financial assets in one of the following categories:

- loans and advances;
- held to maturity;
- available-for-sale.

##### Financial liabilities

The Bank classifies its financial liabilities as measured at amortised cost.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

*iii. Derecognition*

**Financial assets**

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

**Financial liabilities**

The Bank derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

*iv. Amortised cost measurement*

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

*v. Fair value measurement*

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

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

Assets are measured at a bid price, while liabilities are measured at an asking price. Fair values reflect the credit risk of the instrument and include adjustments to take account of credit risk of the Bank.

**(g) Cash and cash equivalents**

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

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

**(h) Held-to-maturity**

Held-to-maturity investments are non-derivative assets with fixed or determinable payment and fixed maturity that the Bank has the positive intent and ability to hold to maturity. Held-to-maturity investments comprise of fixed term deposits, short term commercial papers and bonds.

Held-to-maturity investments are carried at amortised costs using the effective interest method less any impairment losses. A sale or reclassification of more than an insignificant amount of held-to-maturity investments prior to maturity would result in the reclassification of all held-to-maturity investments as available for sale, and would prevent the Bank from classifying investment securities as held to maturity for the current and the following two financial years.

**(i) Available-for-sale**

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise of gold holdings and are carried at fair value.

Fair value changes other than impairment losses are recognised in other comprehensive income and presented in the gold revaluation reserve in equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss. Impairment losses are recognised in profit or loss.

**(j) Loans and advances**

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

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

**(k) Currency Inventory**

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

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

**(l) Currency in circulation**

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

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

*Recognition and measurement*

Certain items of property, plant and equipment are initially measured at cost less accumulated depreciation and any accumulated

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

impairment losses. Land and buildings are initially recognised at cost less accumulated depreciation and subsequently revalued to fair value.

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

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

### *Subsequent costs*

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

### *Depreciation*

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

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

### *Periodic revaluation*

The Board has determined that apart from land and buildings, the remaining fixed assets of the Bank are recorded at values approximating recoverable market values. With Board approval, a three year periodical revaluation of its land and buildings was first done in 2012 and recently done in 2015. This included a review of the asset classes, estimated useful lives and depreciation rates, and current market values where deemed appropriate. The basis of this valuation is the open market value, that is, the highest and best value the property would expect to be realised for, if put for sale on private treaty. The Board proposes to have such assets revaluation every three years. The next revaluation will be done in 2018.

### **(n) Investment property**

Investment property, is property held either to earn rentals or for capital appreciation or for both. Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss. Costs include expenditure that is directly attributable to the acquisition of the investment property.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of the property changes such that it is reclassified as property, plant and equipment, its fair value at the date of the reclassification becomes its cost for subsequent accounting.

### **(o) Demand deposits**

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

### **(p) Employee entitlements**

#### *Short-term employee benefits*

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

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

#### *Long-term employee benefits*

Long-term employee benefits comprises of long service leave and early retirement benefit.

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

### **(q) Impairment**

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

### **(r) Comparative figures**

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

### **(s) New standards and interpretations not yet adopted**

IFRS 9 'Financial instruments', published in July 2014, replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Mea-

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

surement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. The standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 16 'Leases', removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the lease accounting requirements. There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. The standard is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.

IFRS 15 Revenue from Contracts with Customers was issued in 2014 by IASB. The standard is not mandatorily effective for the Bank until 1 January 2018. IFRS 15 contains new requirements for the recognition of revenue and additional disclosures about revenue. It is expected that a significant proportion of the Bank's revenue will be outside the scope of IFRS 15.

	2016 \$000	2015 \$000
<b>4. Income and expenses</b>		
<b>(a) Interest income</b>		
Overseas investments	41,214	38,371
Local investments	230	1,473
	<u>41,444</u>	<u>39,844</u>
<b>(b) Fees and commission income</b>		
Foreign currency dealings	38,283	43,249
Local dealings	576	649
	<u>38,859</u>	<u>43,898</u>
<b>(c) Other income</b>		
Gain on disposal of fixed assets	1	99
Rent received	882	1,075
Sale of numismatic coins	78	80
Gains on foreign currency exchange	-	1,016
Royalties on numismatics	4,239	2,301
Others	953	124
	<u>6,153</u>	<u>4,695</u>
<b>(d) Interest expense</b>		
Foreign liabilities	66	57
Local liabilities	4,992	12,406
	<u>5,058</u>	<u>12,463</u>
<b>(e) Administrative expenses</b>		
Staff costs	23,516	25,012
Telecommunication	1,785	1,727
Utilities	2,101	1,801
Repairs and maintenance	3,021	2,304
Insurance	516	441
Consumables	424	430
Stationery, printing and postage	490	478
Consultancy	452	1,351
Other	1,694	1,375
	<u>33,999</u>	<u>34,919</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	\$'000	\$'000
<b>(f) Other expenses</b>		
Board of directors remunerations and expenses	161	326
Currency expenses	11,569	14,952
Depreciation	5,339	5,335
Auditors remuneration	300	330
Other	4,504	1,284
	<u>21,873</u>	<u>22,227</u>
<b>5. Held-to-maturity investments</b>		
Fixed term deposits	2,680,828	2,828,000
Short term commercial paper	57,990	175,294
Bonds	120,238	91,189
	<u>2,859,056</u>	<u>3,094,483</u>
<b>6 Available-for-sale investments</b>		
Unallocated gold - at fair value	109,285	100,299
Gold bullion - at fair value	116,175	106,622
	<u>225,460</u>	<u>206,921</u>

## 7. International Monetary Fund

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

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

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

The standby credit facility with IMF commenced in 2010 with first disbursement received 23 June 2010. The final disbursement was transacted on the 1<sup>st</sup> December 2011.

The extended credit facility with IMF was approved and drawn down on 11<sup>th</sup> December 2012.

### IMF related assets and liabilities

	2016	2015
	\$'000	\$'000
<b>Foreign currency assets</b>		
- Reserve tranche position	34,155	5,981
- Special drawing rights	37,944	93,243
- Currency subscription	191,368	107,078
	263,467	<u>206,302</u>
<b>Foreign currency liabilities</b>		
- Standby credit facility	73,069	101,753
- Special drawing rights allocation	109,918	107,714
- Extended credit facility	11,537	8,076

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	\$000	\$000
- Securities	190,895	102,388
- Capital subscription	4,929	4,715
	<u>390,348</u>	<u>324,646</u>

**8. Loans and advances**

*Solomon Islands Government*

Loans and advances	46	46
Development bonds	27	27
Treasury bills	10	30
Other securities	4,936	4,936
Amortising bonds	-	-
	<u>5,019</u>	<u>5,039</u>

*Staff loans*

Staff housing loans	5,780	5,039
Management car loans	512	453
Personal loans	950	1,044
	<u>7,242</u>	<u>6,590</u>
	<u>12,261</u>	<u>11,629</u>

**9. Currency inventory**

Notes	11,164	11,339
Coins	24,952	25,284
	<u>36,116</u>	<u>36,623</u>

**10. Investment properties**

Balance at beginning of financial year- at fair value	12,262	12,662
Add: Changes in fair value	-	600
Balance at end of financial year- at fair value	<u>13,262</u>	<u>13,262</u>

Investment property comprises of a commercial and a residential property that are leased to third parties. Each lease contains a lease period of 3 and 2 years respectively with annual rental subject to increase upon renewal indexed to the Honiara retail price index. Subsequent renewals are negotiated with the lessee.

When rent reviews or lease renewals have been pending with anticipated reversionary increases, all notices, when appropriate counter-notices, have been served validly and within the appropriate time.

Rental income from investment properties of \$881,845 (2015: \$1,075,000) has been recognised in other income.

**Fair value hierarchy**

The fair value of investment property and land and building (refer to note 12) was determined by an external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuer provides the fair value of the Bank's investment property portfolio on a regular basis.

The fair value of the Bank's investment property are categorised into Level 3 of the fair value hierarchy.

**Valuation techniques and significant unobservable inputs**

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as significant unobservable inputs used.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Replacement cost method: where the improvements are valued using current replacement cost and an allowance for depreciation and obsolescence plus the freehold value of the land (notable sales of comparable vacant sites within Honiara are noted).	<ul style="list-style-type: none"> <li>• Depreciation rate applied.</li> <li>• Locality of the property</li> <li>• Proximity to civic amenities</li> <li>• Topography/geographical feature of the land</li> <li>• Demand for the land</li> </ul>	The estimated fair value would increase (decrease if: <ul style="list-style-type: none"> <li>• depreciation rate were lower (higher);</li> <li>• the property located in urban locality;</li> <li>• closer to civic amenities;</li> <li>• the higher the demand for the land.</li> </ul>

<b>2016</b>	<b>2015</b>
<b>\$000</b>	<b>\$000</b>

### 11. Other assets

Commercial bank clearing	49,274	696
Others	3,060	3,820
	<u>52,334</u>	<u>4,516</u>

### 12. Property, plant and equipment

	Land & buildings \$000	Plant, equipment & furniture \$000	Motor vehicles \$000	Computer \$000	Work in progress \$000	Total \$000
<i>Cost/valuation</i>						
<b>Balance at 1 January 2015</b>	135,274	25,325	2,191	7,066	2,301	172,157
Transfer from Investment property	5,670	-	-	-	-	5,670
Acquisitions	-	162	237	570	1,808	2,777
Transfers	28	465	-	1,670	(2,163)	-
Disposals	-	(1,863)	(523)	(1,093)	-	(3,479)
Balance at 31 December 2015	140,972	24,089	1,905	8,213	1,946	177,125
Acquisitions	-	-	-	-	4,803	4,803
Transfers	-	643	-	1,194	(1,837)	-
Disposals	-	(122)	-	-	-	(122)
Balance at 31 December 2016	140,972	24,610	1,905	9,407	4,912	181,806
<i>Accumulated depreciation</i>						
Balance at 1 January 2015	6,039	20,583	1,524	5,895	-	34,041
Depreciation charge for the year	2,932	1,199	388	816	-	5,335
Disposals	(8,956)	(1,863)	(523)	(1,089)	-	(12,431)
Balance at 31 December 2015	15	19,919	1,389	5,622	-	26,945
Depreciation charge for the year	2,963	784	293	1,299	-	5,339
Disposals	-	(122)	-	-	-	(122)
Balance at 31 December 2016	2,978	20,581	1,682	6,921	-	32,162
<i>Carrying amount</i>						
At 1 January 2015	129,235	4,742	667	1,171	2,301	138,116
At 31 December 2015	140,957	4,170	516	2,591	1,946	150,180
At 31 December 2016	137,994	4,029	223	2,486	4,912	149,644

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 \$000	2015 \$000
<b>13. Demand deposits</b>		
(a) Foreign currency demand deposits		
Demand deposits	59,240	16,240
Demand deposits include deposits from international organisations such as the Asian Development Bank (ADB), European Development Bank (EDB), International Fund for Agricultural Development (IFAD) and International Development Association		
	2016 \$000	2015 \$000
<b>(b) Local currency demand deposits</b>		
Commercial banks	1,747,864	1,510,974
Solomon Islands Government	759,033	1,050,278
Other financial corporations	4,809	5,077
Other	8,077	6,902
	<b>2,519,783</b>	<b>2,573,231</b>
<b>14. Currency in circulation</b>		
Notes	837,146	748,548
Coins	31,249	28,092
	<b>868,395</b>	<b>776,640</b>
<b>15. Fixed deposits</b>		
Bokolo bills	761,658	721,677
Boko1o bills are short term discount securities issued and backed by the Central Bank of Solomon Islands. The instrument is used by the Bank for its monetary operations.		
	2016 \$000	2015 \$000
<b>16. SIG monetary operations account</b>		
SIG monetary operations account	51,359	58,422
<b>17. Employee entitlements</b>		
Gratuity	1,080	1,096
Long service leave	631	1,404
Early retirement benefit	13,960	14,500
	<b>15,671</b>	<b>17,000</b>
<b>18. Other liabilities</b>		
Unpresented bank cheques	6,913	6,258
Other liabilities	3,715	4,767
	<b>10,628</b>	<b>11,025</b>
<b>19. Determination of distributable profit</b>		

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

- a) Section 54(2)(a) states that unrealised revaluation gains shall be deducted from the net profits and shall not be available to be distributed but allocated to the respective unrealised revaluation reserve account;
- b) The realised gains from previous years shall be deducted from the appropriate revaluation reserve account and added to the distributable earnings as determined in section 54(2)(a).



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	\$000	\$000
<i>Net profit distribution according to CBSI Act 2012</i>		
Net operating loss	(42,504)	44,308
Add/(less) net unrealised foreign exchange loss/(gain)	66,346	(26,101)
(Less) changes in fair value in investment properties	-	(600)
Net (loss)/gain to be recorded in general reserve	<u>23,842</u>	<u>17,607</u>
Section 55(3) of the Central Bank of Solomon Islands Act, 2012 states that negative distributable earnings shall first be charged to the general reserve account and subsequently applied to authorised capital.		

	2016	2015
	\$000	\$000

### 20. Cash and cash equivalents

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

Cash on hand - local currency	202	196
Cash and cash equivalents- foreign currency	<u>1,048,532</u>	<u>781,517</u>
	<u>1,048,34</u>	<u>781,713</u>

### 21. Share capital

Section 6 (1) of the CBSI Act, states that the authorised and paid up capital of the bank shall be an amount equivalent to \$50 million dollars (2015: \$50 million). The capital is fully subscribed by the Government of Solomon Islands.

	2016	2015
	\$000	\$000
Balance at the beginning of the year	50,000	50,000
Transfer from General Reserve according to Section 6(1) of CBSI Act., 2012	-	-
Balance at the end of the year	<u>50,000</u>	<u>50,000</u>

### 22. Reserves

Under Section 53(2) of the CBSI Act., 2012, the Bank shall maintain the following reserves. Their purpose and method of operation are to be as follows:

- a) **General reserve**  
The general reserve was established under Section 53(1) as a reserve for the purposes of covering losses sustained by the Bank.
- b) **Foreign exchange asset revaluation reserve**  
Unrealised gains and losses on revaluation of foreign exchange balances are recognised in the profit and loss under other comprehensive income and are transferred to the foreign exchange asset revaluation reserve at the end of the accounting period.
- c) **Asset revaluation reserve**  
The asset revaluation reserve reflects the impact of changes in the market value of property.
- d) **Gold revaluation reserve**  
The unallocated and allocated gold is valued at current quoted market prices. Gold is accounted for as an available for sale financial asset. Unrealised gains and losses arising from revaluation are recognised in the gold revaluation reserve at the end of the accounting period.
- e) **Capital asset reserve**  
The capital asset reserve is used to strengthen the Bank's equity position in relation to future major capital investment in buildings and equipment.

### 23 Financial risk and management policies

#### (a) Introduction and overview

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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

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

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and procedures for measuring and managing risk.

**Risk management framework**

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

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

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

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

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

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

**(b) Liquidity risk**

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

*Management of liquidity risk*

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

The Central Bank of Solomon Islands Act (Section 56) requires that in the event that the value of its assets falls below the sum of its monetary liabilities and its unimpaired authorised capital, then –

- (a) The Board, with the advice of the external auditors of the Bank, shall assess the situation and prepare a report on the causes and extent of the shortfall and assess the situation within a period of no more than 30 calendar days;
- (b) If the Board approves the report under paragraph (a), the Bank shall request the Minister of Finance for a capital contribution to be made by the Government to remedy the deficit; and
- (c) Upon receipt of this request the Government shall, within a period of no more than 30 calendar days, transfer to the Bank the necessary amount in currency or in negotiable debt instruments with a specified maturity issued at market-related interest rates prevailing in Solomon Islands.

As at 31 December 2015, the Bank's total assets amounted to \$4.51 billion. This was less than the sum of the Bank's total monetary liabilities and its unimpaired capital which totalled \$4.55 billion.

**Maturity analysis as at 31 December 2016**

The maturity analysis noted below includes all financial assets and liabilities as at 31 December 2016.

	On Demand	0-3 Months	3-6 Months	6-12 Months	Over Year	Undefined	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Foreign currency financial assets</b>							
Money on demand	1,048,532	-	-	-	-	-	1,048,532
Fixed term deposit	-	1,929,862	743,184	17,606	-	-	6,690,652
Holding on special drawing rights	-	-	-	-	-	37,944	37944,243
Reserve tranche	-	-	-	-	-	34,155	34,155
Subscription	-	-	-	-	-	191,368	191,368
Gold investment	-	-	-	-	-	225,460	225,460
Bonds	-	31,828	655	61,666	35,044	-	129,193
Short term commercial paper	-	-	29,121	29,121	-	-	58,242

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

	On Demand \$000	0-3 Months \$000	3-6 Months \$000	6-12 Months \$000	Over Year \$000	Undefined \$000	Total \$000
	1,048,552	1,961,862	772,960	108,393	35,044	488,927	4,415,546
<b>Local currency financial assets</b>							
Cash on hand	202	-	-	-	-	-	202
Other receivables	-	49,215	59	-	-	-	49,274
Loans and advances	-	-	-	-	12,261	-	12,261
	202	49,215	59	-	12,261	-	61,737
<b>Total Financial Assets</b>	1,048,734	2,010,905	773,019	108,393	47,305	488,927	4,477,283
<b>Foreign currency financial liabilities</b>							
Demand deposits	59,202	-	-	-	-	-	59,202
IMF standby credit facility	-	-	-	-	-	73,069	73,069
IMF special drawing rights allocation	-	-	-	-	-	109,918	109,918
IMF extended credit facility	-	-	-	-	-	11,537	11,537
IW' securities	-	-	-	-	-	190,895	190,895
Capital subscription	-	-	-	-	-	4,929	4,929
	59,202	-	-	-	-	390,348	449,550
<b>Local currency financial liabilities</b>							
Demand deposits	2,519,784	-	-	-	-	-	2,519,784
Currency in circulation	-	-	-	-	-	868,395	776,640
SIG monetary operations account	-	51,359	-	-	-	-	58,422
Fixed deposits	-	750,771	11,258	-	-	-	721,677
Employee entitlements	-	-	-	-	15,670	-	17,000
Other liabilities	6,913	3,767	-	-	-	-	11,025
	2,526,697	805,474	11,258	-	15,670	868,395	4,227,493
<b>Total Financial Liabilities</b>	2,585,899	805,474	11,258	-	15,670	1,258,743	4,677,043
<b>Net assets/(liabilities)</b>	(1,537,165)	1,205,431	761,761	108,393	31,635	(769,816)	(199,761)

**Maturity analysis as at 31 December 2015**

The maturity analysis noted below includes all financial assets and liabilities as at 31 December 2015.

	On Demand \$000	0-3 Months \$000	3-6 Months \$000	6-12 Months \$000	Over Year \$000	Undefined \$000	Total \$000
<b>Foreign currency financial assets</b>							
Money on demand	781,517	-	-	-	-	-	781,517
Accrued interest	-	5,959	536	-	-	-	6,495
Fixed term deposit	-	2,083,482	744,518	-	-	-	2,828,000
Holding on special drawing rights	-	-	-	-	-	93,243	93,243
Reserve tranche	-	-	-	-	-	5,981	5,981
Subscription	-	-	-	-	-	107,078	107,078
Gold investment	-	-	-	-	-	206,921	206,921
Bonds	-	-	-	-	91,189	-	91,189
Short term	-	175,294	-	-	-	-	175,294
	781,517	2,364,735	745,054	-	91,189	413,223	4,295,718
<b>Local currency financial assets</b>							
Cash on hand	196	-	-	-	-	-	196
Other receivables	-	-	696	-	-	-	696
Loans and advances	-	-	-	-	11,629	-	11,629

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

	On Demand \$000	0-3 Months \$000	3-6 Months \$000	6-12 Months \$000	Over Year \$000	Undefined \$000	Total \$000
	196	-	696	-	11,629	-	12,521
<b>Total Financial Assets</b>	781,713	2,264,735	745,750	-	102,818	413,223	4,308,239
<b>Foreign currency financial liabilities</b>							
Demand deposits	16,240	-	-	-	-	-	16,240
IMF standby credit facility	-	-	-	-	-	101,753	101,753
IMF special drawing rights allocation	-	-	-	-	-	107,712	107,712
IMF extended credit facility	-	-	-	-	-	8,076	8,076
IW' securities	-	-	-	-	-	102,389	102,389
Capital subscription	-	-	-	-	-	4,716	4,716
	16,240	-	-	-	-	324,646	340,886
<b>Local currency financial liabilities</b>	2,573,231	-	-	-	-	-	2,573,231
Demand deposits	-	-	-	-	-	776,640	776,640
Currency in circulation	-	58,422	-	-	-	-	58,422
SIG monetary operations account	-	710,432	11,245	-	-	-	721,677
Fixed deposits	-	-	-	-	17,000	-	17,000
Employee entitlements	6,258	4,767	-	-	-	-	11,025
Other liabilities	2,579,489	773,621	11,245	-	17,000	776,640	4,157,995
	2,595,729	773,621	11,245	-	17,000	1,101,286	4,498,881
<b>Total Financial Liabilities</b>	(1,814,016)	1,491,114	734,505	-	85,818	(688,063)	(190,642)
<b>Net assets/(liabilities)</b>	(1,920,099)	1,711,232	430,021	31,195	161,393	(619,444)	(205,702)

(c) Credit risk

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

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

The Bank uses Standard and Poor's, Moody's and Fitch credit ratings for assessing the credit risk of foreign counter parties. The credit ratings of counter parties are closely monitored and are updated as new market information is available. Foreign exchange limits per bank are imposed for all currency dealings.

**Concentration of credit exposure**

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

	2016 \$000	2015 \$000
<b>Foreign currency assets</b>		
Cash at Bank	1,048,532	781,517
Held to maturity investment	2,859,056	3,094,483
International monetary fund	263,467	206,302
Gold investment	225,460	206,921
	4,396,515	4,289,233
<b>Local currency assets</b>		
Loans and advances	12,261	11,629
	4,408,776	4,300,852

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

Concentration by currency	2016		2015	
	\$000	%	\$000	%
USD	2,436,841	56	2,293,297	53
AUD	986,192	23	841,733	20
EURO	129,059	3	214,842	5
SDR	263,468	6	206,302	5
NZD	232,219	5	267,494	6
SGD	154,076	3	155,461	4
STD	194,074	4	310,091	7
SBD	12,261	-	11,629	-
JPY	3	-	3	-
CNY	583			
<b>Total financial assets</b>	<b>4,408,776</b>	<b>100</b>	<b>4,300,852</b>	<b>100</b>
<b>Concentration by sector</b>				
<b>Foreign currency assets</b>				
Central banks	1,226,178	28	1,048,000	24
Commercial banks	2,906,870	66	3,034,921	71
International Monetary Fund	263,467	6	206,302	5
	<b>4,408,776</b>	<b>100</b>	<b>4,289,223</b>	<b>100</b>
<b>Local currency assets</b>				
Solomon Islands Government loan and advances	5,019	41	5,039	92
Staff loan and advances	7,590	57	6,590	8
	<b>12,261</b>	<b>100</b>	<b>11,629</b>	<b>100</b>
<b>Total financial assets</b>	<b>4,408,776</b>		<b>4,300,852</b>	

### d) Market risk

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

#### Interest rate risk management

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

At the reporting date the interest rate profile of the Bank's interest-bearing financial instruments was:

	2016	2015
	\$000	\$000
	Carrying amount	
<b>Fixed rate instruments</b>		
Cash at Bank (Financial assets)	575,273	581,341
Held-to-maturity investments (Financial assets)	2,859,056	3,094,483
Loans and advances (Financial assets)	12,261	11,629
Demand deposits (Financial liabilities)	-	(340,603)
SIG monetary operations account (Financial liabilities)	-	(37,923)
Fixed deposits (Financial liabilities)	(761,658)	(721,677)
	<b>2,684,932</b>	<b>2,587,250</b>
<b>Variable rate instruments</b>		
Cash at Bank (Financial assets)	267,896	192,180

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

International Monetary Fund (Financial assets)	37,944	92,243
International Monetary Fund (Financial liabilities)	(107,430)	(107,714)
	<u>198,410</u>	<u>177,709</u>

*Fair value sensitivity analysis for fixed instruments*

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

*Cash flow sensitivity analysis for variable rate instruments*

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

	Profit or loss	
	100bp increase	100bp decrease
31 December 2016 Variable rate instruments	1,981	(1,984)
31 December 2015 Variable rate instruments	1,777	(1,777)

*Foreign exchange risk management*

Exchange rate risk relates to the risk of loss of foreign reserves arising from changes in the exchange rates against the Solomon Islands dollar. The Bank has adopted a currency risk management policy, which maintains the Solomon Islands dollar value of the foreign reserves and manages the fluctuations in the revaluation reserve account. While the effect of fluctuations in foreign exchange are recorded in profit or loss, foreign exchange fluctuations are not included as part of profit distribution but transferred to the revaluation reserve for monitoring purposes.

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

(e) Market risk

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

**2016 foreign currency risk**

Foreign currency financial assets	USD \$000	NZD \$000	AUD \$000	EURO \$000	STG \$000	Others \$000	Total \$000
Money on demand	575,273	-	267,313	129,059	76,300	587	1,048,532
Fixed term deposit	1,636,108	232,219	540,650	-	117,773	154,076	2,680,826
Holding on special drawing rights	-	-	-	-	-	37,944	37,944
Reserve tranche	-	-	-	-	-	34,155	34,155
Subscription	-	-	-	-	-	191,368	191,368
Gold investment	225,460	-	-	-	-	-	225,460
Bonds	-	-	120,238	-	-	-	120,238
Short term commercial paper	-	-	57,990	-	-	-	57,990
<b>Total</b>	<b>2,436,841</b>	<b>232,219</b>	<b>986,191</b>	<b>129,059</b>	<b>194,073</b>	<b>418,130</b>	<b>4,396,513</b>
<b>Foreign currency financial liability</b>							
Demand deposits	59,202	-	-	-	-	-	59,202
IMF standby credit facility	-	-	-	-	-	73,069	73,069
IMF special drawing rights allocation	-	-	-	-	-	109,918	109,918
IMF extended credit facility	-	-	-	-	-	11,537	11,537
IMF securities	-	-	-	-	-	190,895	190,895
Capital subscription	-	-	-	-	-	4,929	4,929
<b>Total</b>	<b>59,202</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>390,348</b>	<b>449,550</b>
<b>Net foreign currency asset</b>	<b>2,377,639</b>	<b>232,219</b>	<b>986,191</b>	<b>129,059</b>	<b>194,073</b>	<b>27,782</b>	<b>3,946,963</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 2015 foreign currency risk

Foreign currency financial assets	USD \$000	NZD \$000	AUD \$000	EURO \$000	STG \$000	Others \$000	Total \$000
<b>Foreign currency financial assets</b>							
Money on demand	581,342	-	41,067	151,112	7,993	3	781,517
Fixed term deposit	1,505,034	267,494	534,183	63,730	302,098	155,461	2,828,000
Holding on special drawing rights	-	-	-	-	-	93,243	93,243
Reserve tranche	-	-	-	-	-	5,981	5,981
Subscription	-	-	-	-	-	107,078	107,078
Gold investment	206,921	-	-	-	-	-	206,921
Bonds	-	-	91,189	-	-	-	91,189
Short term commercial paper	-	-	175,294	-	-	-	175,294
<b>Total</b>	<b>2,293,297</b>	<b>267,494</b>	<b>841,733</b>	<b>214,842</b>	<b>310,091</b>	<b>361,766</b>	<b>4,289,223</b>
<b>Foreign currency financial liability</b>							
Demand deposits	16,240	-	-	-	-	-	16,240
IMF standby credit facility	-	-	-	-	-	101,753	101,753
IMF Special drawing rights allocation	-	-	-	-	-	107,714	107,714
IMF extended credit facility	-	-	-	-	-	8,076	8,076
IMF securities	-	-	-	-	-	102,389	102,389
Capital subscription	-	-	-	-	-	4,716	4,716
<b>Total</b>	<b>16,240</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>324,648</b>	<b>340,888</b>
<b>Net foreign currency asset</b>	<b>2,293,297</b>	<b>267,494</b>	<b>841,733</b>	<b>214,842</b>	<b>310,091</b>	<b>37,118</b>	<b>3,948,335</b>

### Concentration of foreign exchange

The Bank's net holdings of foreign exchange (excluding its holding of Special Drawing Rights) were distributed as follows as at 31 December 2016:

	2016		2015	
	\$000	%	\$000	%
USD	2,377,639	58	2,277,057	56
AUD	986,191	24	841,733	21
EURO	129,059	3	214,842	5
NZD	232,219	6	267,494	7
SGD	154,076	4	155,461	-
STG	194,073	5	310,091	4
JPY	3	-	3	8
CNY	583	-	-	-
	<b>4,073,843</b>	<b>100</b>	<b>4,066,681</b>	<b>100</b>

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

	Reporting date spot rate	
	2016	2015
AUD	0.1717	0.1701
USD	0.1236	0.1240
NZD	0.1780	0.1810
STG	0.1010	0.0837
EURO	0.1182	0.1135
JPY	14.4836	14.940
SGD	0.1792	0.1753
SDR	0.0922	0.0920
CNY	0.8594	-

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Sensitivity to foreign exchange rate risk	2016 \$M	2015 \$M
<b>Impact of a:</b>		
Change in profit/equity due to a 2 per cent appreciation in the reserves - weighted value of the Solomon Islands dollar	82	(78)
Change in profit/equity due to a 2 per cent depreciation in the reserves - weighted value of the Solomon Islands dollar	(78)	80

### (e) Operational risk management

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure and from external factors other than liquidity, credit and market risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk arises from all of the Bank's operations.

Managing operational risk in the Bank is an integral part of day-to-day operations and oversight. This includes adherence to Bank wide corporate policies. There is also an active internal audit function carried out on a quarterly basis.

Operating loss is the risk of loss from breakdown of internal controls. The Bank has established an internal audit function which will exercise monitoring and control over accounting policies and procedures, and the effective functioning of the system of internal controls at the Bank.

Operational risk relating to the activities of foreign currency reserves management is controlled by a number of internal instructions, and there is clear segregation of front office and back office activity. The latter is one of the mechanisms for managing operational risk.

## 24. Fair value of financial assets and liabilities

The fair value of an instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction. Quoted market values represent fair value when a financial instrument is traded in an organised and liquid market that is able to absorb a significant transaction without moving the price against the trader.

### *Valuation of financial instruments*

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active market for similar instruments; quoted market prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation techniques include inputs not based on observable data and the unobservable inputs have a significant impact on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

If the inputs used to measure the fair value of an asset might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The table below analyses financial instruments measured at fair value at the end of the reporting period

31 December 2016	Note	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<i>Investment securities</i>					
Available for sale financial assets (Gold)	6	225,460			225,460
Investment Property	10			13,262	13,262
<b>31 December 2015</b>	<b>Note</b>	<b>Level 1 \$000</b>	<b>Level 2 \$000</b>	<b>Level 3 \$000</b>	<b>Total \$000</b>
<i>Investment securities</i>					
Available for sale financial assets (Gold)	6	206,921			206,921
Investment Property	10			13,262	13,262
Property, Plant and equipment (only land & buildings)	12			140,957	140,957

Refer to note 10 and note 12 which shows a reconciliation from the opening balances to the closing balances for the Level 3 fair values above.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 25. Related parties

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

The Board of Directors during the year were:

Denton Rarawa (Chairman and Governor)  
 Gane Simbe (Deputy Governor)  
 Harry D Kuma (appointed 13th May 2015)  
 Sir Thomas Ko Chan (appointed on 3rd August 2015)  
 Loyley Ngira (contract end on 5th February 2016)  
 Lily Lomulo (contract end on 5th February 2016)  
 John Usuramo (appointed on 18th December 2013)  
 Tele Bartlett (contract end on 17th July 2016)  
 Primo Afeau (contract end on 17th July 2016)  
 David Quan (appointed on 17th August 2016)  
 Leslie Teama (appointed on 17th August 2016)

#### *Directors' fees and emoluments*

Amounts paid to directors during the year are disclosed in Note 4 (f). No other emoluments were paid or are due to the directors at year end.

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

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

Denton Rarawa	Governor
Gane Simbe	Deputy Governor
Luke Forau	Advisor to Governors
Ali Homelo	Chief Manager International
Daniel Haridi	Chief Manager Currency and Banking Operations
Michael Kikiolo	Chief Manager Economics Research and Statistics
Bella Simiha	Chief Manager HR and Corporate Services
Emmanuel Gela	Chief Manager Finance and Accounts
Raynold Moveni	Chief Manager Financial Market Supervision
Edward Manedika	Chief Manager Information Technology

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

	2016 \$000	2015 \$000
Short-term employee benefits	2,647	2,568
Long-term benefits	1,120	785
	<u>3,767</u>	<u>3,353</u>

Short-term benefits include cash salary, and in the case of staff, annual leave, motor vehicle benefits, health benefits and the fringe benefits tax paid or payable on these benefits.

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

As at 31 December 2016 loans by the Bank to key management personnel are as follows:

	2016 \$000	2015 \$000
Housing Loan	1,631	1,494
Personal Loan	59	62
Management Car Loan	180	126
	<u>1,870</u>	<u>1,682</u>

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

### **Transactions with the Solomon Islands Government**

The transactions with the Solomon Islands Government include banking services, foreign exchange transactions, registry transactions and purchase of Government securities. During the year, the Bank received \$nil (2015: \$1.3m) of interest income relating to their investments in Government securities. The Bank also paid \$0.3 million (2015: \$8.3m) to the Government in accordance with Section 34 of the CBSI Act, 2012. The balance of the Bank's investment in Government securities at year end amounted to \$4.9 million (2015: \$4.9m).

## **26. Commitments and contingent liabilities**

The Bank has guaranteed staff housing loans with the commercial banks to the sum of \$0.79 million as at 31 December 2016 (2015: \$0.79m). The guarantee scheme was no longer available to staff since 2011 and is valid for eligible staff until the date of cessation of employment with the Bank.

In 2007 the Solomon Islands Government introduced and provided \$10 million for the establishment of the Small Business Finance Guarantee Scheme to be administered by CBSI. As at 31 December 2016, a total of 5 (2015: 64) loans with a net guarantee of \$0.678m (2015: \$5.53m) million have been administered under the scheme.

## **27. Events subsequent to balance date**

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Bank, the results of those operations, or the state of affairs of the Bank in future financial years.





CENTRAL BANK OF SOLOMON ISLANDS

AUDITORS' REPORT TO THE BOARD

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the Central Bank of Solomon Islands for the year ended 31st December, 1986.

In our opinion proper books of account have been kept by the Bank, so far as appears from our examination of these books.

The Bank's balance sheet and profit and loss account, the subject of this report are in agreement with these books of account.

In our opinion, and to the best of our information and according to the explanations given us, the accompanying balance sheet and profit and loss account, which have been prepared under the historical cost convention stated in the first note to the accounts, give the information required by the Central Bank of Solomon Islands Act, 1976 as amended, in the manner so required, and so as to give a true and fair view of the state of the Bank's affairs at 31st December, 1986 and of the results of its operations for the year then ended.

  
PEAT, MARWICK, MITCHELL & CO.  
CHARTERED ACCOUNTANTS

HONIARA *27th March* 1987

CENTRAL BANK OF SOLOMON ISLANDS  
BALANCE SHEET as at 31st DECEMBER, 1986

	1986	1985		1986	1985
LIABILITIES	(\$000's)	(\$000's)	ASSETS	(\$000's)	(\$000's)
<b>DOMESTIC</b>			<b>DOMESTIC</b>		
<b>CAPITAL</b>			<b>GOVERNMENT</b>		
Paid up Capital (Note 2)	2,597	2,597	Loans and Advances	864	4,879
General reserve (Note 3(a))	6,000	4,916	Development Bonds	75	19
Revaluation reserve (Note 3(b))	19,029	11,210	Treasury Bills	2,561	3,240
Other Reserves (Note 3(d))	250	-	Other Securities	1,333	1,333
	-----	-----		-----	-----
	27,876	18,723		4,833	9,471
	-----	-----		-----	-----
<b>CURRENCY IN CIRCULATION</b>			<b>NON GOVERNMENT</b>		
Notes	13,922	13,305	<b>LOAN &amp; ADVANCES</b>		
Coins	1,434	1,483	Banks	6,550	6,600
	-----	-----	Statutory Authorities	100	-
	15,356	14,788		-----	-----
	-----	-----		6,650	6,600
				-----	-----
<b>FIXED DEPOSITS</b>			<b>SECURITIES &amp; INVESTMENTS</b>		
Solomon Islands Government	9,932	24,190		580	500
				-----	-----
<b>DEMAND DEPOSITS</b>			<b>FIXED ASSETS</b>		
SI Government	5,385	3,765	Premises & Equipment (less	4,110	3,908
Banks	7,741	8,390	provision for depreciation		
	-----	-----	(Note 9)		
	13,126	12,155			
	-----	-----			
<b>PROVISION FOR TRANSFER TO CONSOLIDATED FUND (Note 7)</b>			<b>OTHER DOMESTIC ASSETS (Note 10)</b>		
	1,447	1,139		1,196	979
<b>OTHER DOMESTIC LIABILITIES (Note 8)</b>					
	281	780	<b>EXTERNAL</b>		
			Special Drawing Rights Holdings	3,122	1,363
<b>EXTERNAL</b>			Money at call	6,449	14,996
ALLOCATIONS OF SPECIAL DRAWING RIGHTS BY INTERNATIONAL MONETARY FUND (Note 4)	1,246	848	Term Deposits	29,242	22,420
CAPITAL SUBSCRIPTIONS (Note 5)	4,569	4,187	Securities	18,226	17,368
OTHER EXTERNAL LIABILITIES (Note 6)	1,631	1,766	Other	1,056	971
	-----	-----		-----	-----
	75,464	78,576		58,095	57,118
	-----	-----		-----	-----
				75,464	78,576
				-----	-----

Notes numbered 1 to 12 form part of these accounts.

Date: 25 March 1987 Signed: A. H. Hughes (Governor)

..... [Signature] (Manager Banking Department)

CENTRAL BANK OF SOLOMON ISLANDS

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31ST DECEMBER, 1986

	1986 (\$000's)	1985 (\$000's)		1986 (\$000's)	1985 (\$000's)
Transfer to General Reserve in terms of Section 14(1) of Central Bank of Solomon Islands Act, 1976, as amended.	1,084	1,139	Net profit (Note 12)	2,781	2,278
Transfer to Consolidated Fund in terms of Section 14(2) of Central Bank of Solomon Islands Act, 1976, as amended.	1,447	1,139			
Transfer to Other Reserves in terms of Section 14(2) of the Central Bank of Solomon Islands Act, 1976, as amended.	250	-			
	----- 2,781 =====	----- 2,278 =====		----- 2,781 =====	----- 2,278 =====

Notes numbered 1 to 12 form part of these accounts.

CENTRAL BANK OF SOLOMON ISLANDS

(NOTES TO AND FORMING PART OF THE ACCOUNTS)  
for the year ended 31st December, 1986

1. STATEMENT OF ACCOUNTING METHODS

The accounting methods adopted by the Bank are in accord with the laws of Solomon Islands and in particular the Central Bank of Solomon Islands Act, 1976, as amended. The accounts have been prepared on the basis of historical costs and do not take into account changing money values or current valuations of non current assets.

Set out below is a summary of the significant accounting methods adopted by the Bank and in particular the accounting method adopted where there exists a choice between two or more acceptable methods.

(a) Depreciation

Depreciation is provided on all fixed assets so as to write off the assets progressively over their estimated economic life. Fixed assets are first depreciated in the year of acquisition. The straight line method of depreciation has been used.

(b) Foreign Currencies

Transactions involving foreign currencies have been recorded in Solomon Island dollars using the rates of exchange ruling on the date of the transaction.

Assets and liabilities in foreign currencies have been translated into Solomon Island dollars at the rates of exchange prevailing at the year end.

(c) Valuation of overseas assets and liabilities

The gains or losses arising from appreciation or depreciation of the Bank's overseas assets and liabilities due to movements in exchange rates have been dealt with in accordance with Section 34A of Central Bank of Solomon Islands Act, 1976, as amended and are not included in the determination of net profit. (See also notes Nos. 3 and 7.).

(d) Revenues and Expenditures

Revenues and expenditures have been accounted for on the accrual basis.

2. CAPITAL	1986 (\$000's)	1985 (\$000's)
Authorised capital	3,000	3,000
	=====	=====
Paid up capital	2,597	2,597
	=====	=====



CENTRAL BANK OF SOLOMON ISLANDS

(NOTES TO AND FORMING PART OF THE ACCOUNTS)  
for the year ended 31st December, 1986

3. RESERVES	1986 (\$000's)	1985 (\$000's)
(a) General Reserves		
Balance 1.1.1986	4,916	3,777
Transfer in terms of Section 14(1) of Central Bank of Solomon Islands Act, 1976, as amended.	1,084	1,139
	-----	-----
Balance 31.12.1986	6,000	4,916
	-----	-----
(b) Revaluation Reserve		
Balance 1.1.1986	11,210	1,811
Transfer of portion gains/(losses) for year in terms of section 34A of Central Bank of Solomon Islands Acts, 1976 as amended.	7,819	(7,489)
(c) Reversal of transfers to consolidated fund in terms of section 34(4) of Central Bank of Solomon Islands Act 1979 as amended for the years ended 31st December 1983 and 1984 due to Section 1(2) and 13(b) of the Central Bank of Solomon Islands (Amendment) Act 1985.		
	-	1,910
	-----	-----
Balance 31.12.1986	19,029	11,210
	-----	-----
(d) Other Reserves		
Provision against losses arising under the small Loans Guarantee Scheme or similar contingent obligations of the Central Bank in terms of Section 14(2) of the Central Bank Act, 1976 as amended	250	-
	-----	-----
TOTAL RESERVES	25,279	16,126
	=====	=====

4. ALLOCATIONS OF SPECIAL DRAWING RIGHTS(SDR) BY INTERNATIONAL  
MONETARY FUND (IMF)

This liability represents the net IMF special drawing rights deposited with the Bank by the Solomon Islands Government. At 31st December, 1986 the item related to SDR654,400 and was converted to Solomon Island dollars at the SDR/SI\$ exchange rate determined by the IMF at their year end, 30th April, 1986.

CENTRAL BANK OF SOLOMON ISLANDS

(NOTES TO AND FORMING PART OF THE ACCOUNTS)  
for the year ended 31st December, 1986

5. CAPITAL SUBSCRIPTION

This liability includes subscriptions to IMF which are maintained in two accounts, namely, IMF No.1 and No.2 Accounts. IMF keeps the balances both in SDR as well as in Solomon Islands dollars while CBSI keeps balances only in Solomon Islands dollars.

6. OTHER LIABILITIES

Demand deposits of international organisations such as Asian Development Bank (ADB), European Development Fund (EDF), International Development Association (IDA) and International Fund for Agricultural Development (IFAD).	1,297
---	-------

Interest Payable - Accrued but not due (Interest payable on SDR allocations and other External Liabilities).	334
--	-----

TOTAL OTHER EXTERNAL LIABILITIES	1,631
	=====

7. PROVISION FOR TRANSFER TO CONSOLIDATED FUND

	1986 (\$000's)	1985 (\$000's)
Balance 1.1.1986	1,139	2,833
Payment during year	(1,139)	(924)
Transfer of portion of net profit in terms of section 14(2) of Central Bank of Solomon Islands Act, 1976, as amended	1,447	1,139
Reversal of transfers of portions of gains arising from valuation of overseas assets and liabilities in terms of Section 34A(4) of Central Bank of Solomon Islands Act, 1976, as amended for the years ended 31st December 1983 and 1984 due to Sections 1(2) and 13(b) of the Central Bank of Solomon Islands (Amendment) Act 1985.	-	(1,909)
Balance 31.12.1986	1,447	1,139
	=====	=====

CENTRAL BANK OF SOLOMON ISLANDS

(NOTES TO AND FORMING PART OF THE ACCOUNTS)  
for the year ended 31st December, 1986

8. OTHER LIABILITIES

	1986 (\$000's)	1985 (\$000's)
SDR allocation	-	73
Interest due to SIG on Euroloan 1984	-	644
Other	281	63
	----	----
	281	780
	====	===

9. FIXED ASSETS

	1986 (\$000's)	1985 (\$000's)
Premises - at cost	3,731	4,055
Accumulated depreciation	342	216
	-----	-----
Written down value	3,389	3,839
	-----	-----
Furniture and Equipment - at cost	915	154
Accumulated depreciation	200	96
	-----	-----
Written down value	715	58
	-----	-----
Motor Vehicles - at cost	26	26
Accumulated depreciation	20	15
	-----	-----
Written down value	6	11
	-----	-----
Total Fixed Assets	4,672	4,235
Less Total Accumulated depreciation	562	327
	-----	-----
Total Written down value	4,110	3,908
	=====	=====

10. OTHER ASSETS

	1986 (\$000's)	1985 (\$000's)
Other banks cheques held	3	3
Interest due from SIG on Euro currency loan 1984	-	470
Other	1,193	506
	-----	-----
	1,196	979
	=====	=====

11. EUROCURRENCY LOAN

The Solomon Islands Government (SIG) Eurocurrency loan, the proceeds of which were sold to CBSI for SI dollars, result in interest being earned by SIG on a SI dollar deposit and by CBSI on the corresponding foreign exchange assets in which the loan funds are invested.

CENTRAL BANK OF SOLOMON ISLANDS

(NOTES TO AND FORMING PART OF THE ACCOUNTS)  
for the year ended 31st December, 1986

12. NET PROFIT

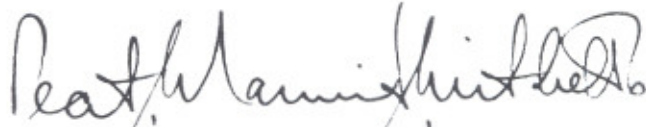
Net profit for the year was determined in terms of Section 13 of Central Bank of Solomon Islands Act, 1976, as amended.

	1986 (\$000's)	1985 (\$000's)		1986 (\$000's)	1985 (\$000's)
Interest received on			Administration expenses	575	359
- External investments	5,590	5,558	Currency issue expenses	52	13
- Domestic investments	1,843	1,075	Interest paid/accrued		
Royalties on numismatic issues	-	4	- External	457	510
Commissions and fees	110	99	- Domestic	2,920	3,130
Other Income	13	32	Salaries and wages	430	305
			Small Loans Guarantee Scheme	80	-
			Depreciation	246	162
			Audit fees	15	11
			Net profit	2,781	2,278
	-----	-----		-----	-----
	7,556	6,768		7,556	6,768
	=====	=====		=====	=====

DISCLAIMER

The additional financial data presented in the following pages is in accordance with the books and the records of the Central Bank of Solomon Islands which have been subjected to the auditing procedures applied in our statutory audit of the Bank for the year ended 31st December 1986. It will be appreciated that our statutory audit did not cover all details of the additional financial data. Accordingly, we do not express an opinion on such financial data and no warranty of accuracy or reliability is given.

In accordance with our firm policy, we advise that neither the firm nor any member or employee of the firm undertake responsibility arising in any way whatsoever to any person (other than the Central Bank of Solomon Islands) in respect of such data, including any errors or omissions therein, arising through negligence or otherwise however caused.



PEAT, MARWICK, MITCHELL & CO.  
CHARTERED ACCOUNTS

HONIARA *27th March* 1987

This report presents a flow of funds analysis for the operations of Statutory Corporations for 1985. Because the Corporations have different balance dates, the consolidated data is not comparable with other data on a calendar year basis. Often inter-corporation funding does not appear in the same accounting year for both corporations.

For the purposes of analysis, the Corporations are grouped as follows:

Services & Production	:	SI Electricity Authority (SIEA)
		Livestock Development Authority (LDA)
		SI Ports Authority (SIPA)
		SI Housing Authority (SIHA)
Financial Intermediation:		Development Bank of SI (DBSI)
		National Provident Fund (NPF)
		Government Shareholding Agency (GSA)
		Commodities Export Marketing Authority (CEMA)

The Housing Authority is at present reorganising its operations to more actively perform its role as a housing financier; it is probable that it will be reclassified as a Financial Intermediary in future years.

Statutory Corporations are created by Act of Parliament to perform the functions specified in their enabling legislation. They have an important role to play in the Solomon Islands economy. While subject to the overall direction of Government, each Corporation is given considerable autonomy in pursuing the objectives laid down in the establishing Act and operate in response to market forces.

The aggregate of the balance sheets shows that the eight corporations had assets of \$124.7 million in 1985, an increase of \$18 million over the 1984 total. This annual increase is the same as that recorded over the previous year.

(\$000's)	<u>ASSETS</u>		
	1984	1985	Increase
S.I.E.A.	7201	7900	699
L.D.A.	2097	3419	1322
S.I.P.A.	9716	10501	785
S.I.H.A.	4957	4680	(277)
D.B.S.I.	9900	12395	2495
N.P.F.	27493	35827	8334
G.S.A.	28819	31148	2329
C.E.M.A.	16089	18825	2736
Total	106272	124695	18423

The assets of the financial intermediaries, DBSI, NPF, GSA and CEMA, increased by \$15.9 million (\$16.8 million the previous year). Contributions accumulated by NPF amounted to \$8.0 million, an increase of \$1.2 million on the previous year. The NPF also drew down \$1.2 million of term deposits. DBSI increased its long term loans from the NPF by almost \$2 million while GSA's term loans, also from the NPF, increased by \$2.1 million. GSA also received grants from the Government of \$0.4 million, partly funded by overseas aid, and had an operating surplus of \$0.2 million. CEMA increased its bank overdraft by \$2.5 million, had an operating surplus of \$1.6 million and received grants from the Government of \$0.3 million. It also ran down stocks and debtors as a source of a further \$1 million. Looking at the uses to which these funds were put, NPF increased its loans to quasi government institutions, mainly statutory corporations as set out above, by \$7.5 million. It also increased its funding of the government by \$1.6 million and its holding of fixed assets by \$0.3 million. DBSI increased its loans, net of provisions for losses, by \$2.2 million, GSA increased its investments by \$3.1 million. CEMA increased its term deposits by \$2.5 million and reduced its creditors by \$1.6 million.

In the services and production sector, SIEA increased its long term loans by \$0.3 million and drew down deposits of \$0.1 million. It had an operating profit of \$0.1 million. LDA increased its accumulated funds by \$0.9 million; this mainly represents grants by the Government funded by loans from the Asian Development Bank. SIPA had an operating surplus of \$0.8 million for the year. SIHA increased its bank overdraft by \$0.1 million and creditors by a further \$0.1 million. Housing deposits were a source of \$0.2 million. Looking at the uses to which these funds were put, SIEA increased fixed assets by \$0.3 million. Its debtors increased by \$0.4 million while inventories increased by \$0.2 million. LDA increased its fixed assets by \$0.9 million. Its debtors increased by \$0.1 million and the value of livestock by a further \$0.2 million. SIPA increased its term deposits by \$1.1 million. SIHA had an operating loss of \$0.5 million for the year. This included depreciation of \$0.1 million and the write off of \$0.2 million of certain site development work in progress. It reduced its loans outstanding by \$0.2 million. Total assets of authorities in the services and production sector increased by \$2.5 million.

STATUTORY CORPORATIONS

SOURCE OF FUNDS 1985

\$000's

	S I E A	L D A	S I P A	S I H A	D B S I	N P F	G S A	C E M A	T O T A L
<u>Short Term</u>									
Increase in:									
Bank Overdrafts & Loans	48	25	-	140	128	-	-	2521	2862
Creditors	20	54	47	118	27	-	-	-	266
Other Current Liabilities	62	352	1	9	-	-	86	-	510
Decrease in:									
Cash & Term Deposits	147	-	105	25	-	1236	314	-	1827
Other Current Assets	90	11	8	232	-	13	11	1129	1494
<u>Long Terms</u>									
Increase in:									
SIG Loans	-	-	-	-	113	-	-	-	113
Contribution Account	-	-	-	-	-	8019	-	-	8019
Other Long Term Loans	329	-	-	-	1955	-	2104	-	4388
Shareholders Equity	-	-	-	-	272	-	-	-	272
SIG Capital Grants	12	895	-	-	-	-	426	272	438
Unappropriated Reserves	-	-	789	-	-	315	-	-	1104
Accumulated Funds	146	-	-	-	-	-	214	1660	3187
Other Long Term Liabilities	81	-	-	153	-	-	-	-	234
Decrease in:									
Fixed Assets	-	-	284	62	-	-	-	-	346
Other Long Term Assets	-	-	-	10	-	-	502	-	512
	935	1337	1234	749	2495	9583	3657	5582	25572



STATUTORY CORPORATIONS

USE OF FUNDS 1985

\$000's

	S I E A	L D A	S I P A	S I H A	D B S I	N P F	G S A	C E M A	T O T A L
<u>Short Term</u>									
Decrease in:									
Bank Overdrafts & Loans	-	-	-	-	-	-	-	-	-
Creditors	-	-	-	-	-	-	-	-	-
Other Current Liabilities	-	4	129	-	-	-	-	1717	1850
Increase in:									
Cash & Term Deposits	-	-	1054	-	43	-	-	476	1573
Other Current Assets	602	445	-	91	17	87	1	141	1384
<u>Long Term</u>									
Decrease in:									
Accumulated Funds	-	-	-	455	-	-	500	-	955
Loans	-	-	51	203	-	-	-	-	254
Decrease in:									
Term Deposits	-	-	-	-	-	-	-	2874	2874
Loans & Investments									
Private	-	-	-	-	2228	24	2704	-	4956
Quasi Govt. SIG	-	-	-	-	-	7496	426	-	7922
Fixed Assets	333	888	-	-	207	332	26	373	2159
<b>Total</b>	<b>935</b>	<b>1337</b>	<b>1234</b>	<b>749</b>	<b>2495</b>	<b>9583</b>	<b>3657</b>	<b>5582</b>	<b>25572</b>

The two tables of FET summaries presented in this appendix bring this series which has been included in earlier annual reports and mid year reviews, up-to-date to the end of 1986. More details of both summaries is presented in the quarterly and annual receipts and payments tables contained in the statistical annex of this report. Values in this appendix are expressed in million SI dollars; because of roundings, values may not exactly add up.

Foreign exchange transactions (FET) record all cash transactions between Solomon Islands and the rest of the world passing through the banking system (commercial banks and Central Bank) and transactions between Solomon Islands firms and their foreign parents or correspondents through intercompany accounts. Non cash flows are not included in these tables, partly explaining the differences that exist between FET and trade data.

The exchange record and trade data form the main framework of BOP statistics and allowances are made for these variations when compiling the balance of payments.

#### Recent Trends

The two tables in the following pages confirm the apparent improvement in FET, noticed since the June quarter. Quarterly export receipts peaked in December at \$35 million obviously in response to the record inflows from fish export receipts notably during the second half of 1986. Total export receipts for the twelve months to December 1986 were just over \$110 million, \$7 million higher than the lowest level (\$103 million), recorded during the twelve months period to June 1986. Import payments for the year to December 1986 were around the same level as the previous year, resulting in further declines in the trade deficit; a positive trend best highlighted by the annual series.

Although payments for trade related and other services continued to exceed receipts, the annual series indicates that this gap is gradually being reduced. The bulk of service payments represented the cost of the fishing fleet, travel expenditures of SI residents abroad, interest payments and SIG current payments, while receipts represented mainly port services, expenditures of foreign travellers in SI as well as interest receipts on Solomon Islands foreign reserves.

Transfer transactions (including official flows) recorded substantial inflows in 1986 mainly in response to the Namu disaster and Stabex inflows. Total transfer receipts reached \$41 million over 53% (\$22 million) of which represented official receipts. About \$17 million of this was the Stabex grant received in the latter part of the year. Outflows remained relatively stable and well below \$10 million. Net receipts were around \$34 million for the whole year.

The FET current account including aid receipts, for the twelve months to December recorded a near balance; excluding official aid the deficit was around \$24 million.

On the capital account, although the quarterly series show some variability, the annual summary highlight a declining trend in overall total capital inflow since March 1986. Total capital receipts were around \$18 million of which FET recorded just under \$3 million as SIG capital receipts; however known drawdowns of government capital exceeded \$16 million. This variation may be explained by the point made earlier that non cash flows are excluded therefore drawdowns used offshore to procure goods and services by the government will not be captured in FET.

Capital payments remained relatively insignificant during the first three quarters, but surged in the December quarter when two thirds of the drawn Euroloan facility was voluntarily repaid early by the monetary authorities. Total capital payments nearly reached \$28 million during 1986, swinging a normally surplus capital account to a deficit of just under \$10 million.

The overall net position for the year according to FET was in deficit by about \$11 million, compared with \$28 million for the same period in 1985. This was a 60% improvement in the net position over the previous year, influenced largely by the substantial inflows of unrequited transfers.

## FOREIGN EXCHANGE TRANSACTIONS

Includes inter company accounts

\$Million	Quarter Ended															
	Mar 83	Jun 83	Sep 83	Dec 83	Mar 84	Jun 84	Sep 84	Dec 84	Mar 85	Jun 85	Sep 85	Dec 85	Mar 86	Jun 86	Sep 86	Dec 86
Current Account																
Exports:																
Copra	1.2	1.0	3.9	5.0	7.6	13.3	7.3	6.6	6.8	6.8	5.0	3.1	2.4	1.5	1.5	1.3
Fish	2.1	4.9	7.9	5.5	4.0	8.2	8.3	10.1	4.0	4.6	7.2	14.2	4.3	9.4	16.7	20.9
Logs	3.5	3.4	5.3	6.4	6.7	7.4	8.3	7.9	5.9	6.5	9.1	5.6	10.1	7.6	9.7	8.3
Palm Oil & kernels	2.6	2.6	2.3	2.7	5.4	3.1	7.2	2.7	5.0	5.3	6.1	3.5	2.5	2.5	0.6	1.3
Other	0.7	0.9	1.7	1.0	1.9	1.9	3.1	2.0	2.3	2.3	2.3	2.8	1.7	2.4	2.9	3.2
Total Exports	10.1	12.8	21.1	20.6	25.6	33.9	34.2	29.3	24.0	25.5	29.7	29.2	21.0	23.4	31.4	35.0
Imports	19.4	16.6	22.9	22.2	23.3	23.6	28.7	27.9	26.9	27.8	31.2	32.1	28.7	27.4	29.5	33.0
Balance of Trade	-9.3	-3.8	-1.8	-1.6	+2.3	+10.3	+5.5	+1.4	-2.9	-2.3	-1.5	-2.9	-7.7	-4.0	+1.9	+2.0
Invisible Receipts	6.0	4.4	4.8	4.3	3.3	4.3	5.0	4.9	4.7	3.6	7.5	5.7	5.7	8.6	9.5	9.9
Invisible Payments	7.6	7.0	9.9	8.6	11.7	12.3	11.3	13.6	10.4	12.1	14.1	16.5	13.4	12.5	17.8	17.6
Net Invisibles	-1.6	-2.6	-5.1	-4.3	-8.4	-8.0	-6.3	-8.7	-5.7	+8.5	-6.6	-10.8	-7.7	-3.9	-8.3	-7.7
Transfer Receipts	2.8	2.9	2.1	2.0	2.7	2.0	2.1	2.3	2.0	2.4	2.5	2.6	3.3	5.6	4.9	5.1
Transfer Payments	2.0	1.6	1.3	1.9	1.5	1.8	1.8	1.8	2.1	1.9	2.2	1.3	1.5	1.6	1.8	2.2
Net Transfers	+0.8	+1.3	+0.8	+0.1	+1.2	+0.2	+0.3	+0.5	-0.1	+0.5	+0.3	+1.3	+1.8	+4.0	+3.1	+2.9
Current Ac. Balance	-10.1	-5.1	-6.1	-5.8	-4.9	+2.5	-0.5	-6.8	-8.7	-10.3	-7.8	-12.4	-13.6	-3.9	-3.3	-2.8
Aid Receipts	2.3	1.4	0.8	4.1	0.3	1.6	0.7	2.9	1.0	0.7	0.2	0.3	0.5	1.3	3.0	17.5
Overall current Ac. Balance	-7.8	-3.7	-5.3	-1.7	-4.6	+4.1	+0.2	-3.9	-7.7	-9.6	-7.6	-12.1	-13.1	-2.6	-0.3	+14.7
Capital Account																
Receipts:																
Private	0.3	0.3	4.2	2.9	2.1	2.4	4.1	7.0	0.2	1.5	1.4	4.5	6.2	2.0	1.3	3.4
Govt	0.7	0.7	1.9	2.3	0.6	0.7	1.5	0.3	0.4	0.2	2.4	0.2	0.3	0.3	0.7	1.4
I.M.F. & Euro \$	-	6.2	0.6	-	-	-	-	13.1	-	-	-	8.1	-	-	2.4	-
C.B.S.I.	-	-	-	-	-	-	-	-	-	6.3	7.6	-	-	-	-	-
Total	1.0	7.2	6.7	5.2	2.7	3.1	5.6	20.4	0.6	8.0	11.4	12.8	6.5	2.3	4.4	4.8
Payments:																
Private	0.3	0.3	0.1	0.9	0.5	6.3	0.4	3.1	2.1	2.2	2.3	1.4	0.3	0.7	1.1	3.7
Govt	0.2	-	-	-	-	-	-	0.2	-	0.5	0.7	0.6	-	0.4	-	0.7
I.M.F. & Euro \$	-	-	-	0.6	-	-	0.1	26.2	-	-	-	-	-	-	0.5	20.3
C.B.S.I.	-	-	-	-	-	-	-	-	-	5.0	9.2	-	-	-	-	-
Total	0.5	0.3	0.1	1.5	0.5	6.3	0.5	29.5	2.1	7.7	12.2	2.0	0.3	1.1	1.6	24.7
Total Capital Ac. Balance	+0.5	+6.9	+6.6	+3.7	+2.2	-3.2	+5.1	-9.1	-1.5	+0.3	-0.8	+10.8	+6.2	+1.2	+2.8	-19.9
OVERALL BALANCE	-7.3	-3.2	+1.3	+2.0	-2.4	+0.9	+5.3	-13.0	-9.2	-9.3	-8.4	-1.3	-6.9	-1.4	+2.5	-5.2

## FOREIGN EXCHANGE TRANSACTIONS

Includes inter company accounts

\$million	Year Ended												
	Dec 83	Mar 84	Jun 84	Sep 84	Dec 84	Mar 85	Jun 85	Sep 85	Dec 85	Mar 86	Jun 86	Sep 86	Dec 86
Current Account													
Exports:													
Copra	11.1	17.5	29.8	33.2	34.8	34.0	27.5	25.2	21.7	17.3	12.0	8.5	6.7
Fish	20.4	22.3	25.6	26.0	30.6	30.6	27.0	25.9	30.0	30.3	34.9	44.6	51.1
Logs	18.6	21.8	25.8	28.8	30.3	29.5	28.6	29.4	27.1	31.3	32.4	33.0	35.5
Palm Oil & kernels	10.2	13.0	13.5	18.4	18.4	18.0	20.2	19.1	19.9	17.4	14.6	9.1	6.9
Other	4.3	5.5	6.5	7.9	8.9	9.3	9.7	8.9	9.7	9.1	9.1	9.8	10.6
Total Exports	64.6	80.1	101.2	114.3	123.0	121.4	113.0	108.5	108.4	105.4	103.3	105.0	110.8
Imports	81.1	85.0	92.0	97.8	103.5	107.1	111.3	113.8	118.0	119.8	119.4	117.7	118.6
Balance of Trade	-16.5	-4.9	+9.2	+16.5	+19.5	+14.3	+1.7	-5.3	-9.6	-14.4	-16.1	-12.7	-7.8
Invisible Receipts	19.5	16.8	16.7	16.9	17.5	18.9	18.2	20.7	21.5	22.5	27.5	29.5	33.7
Invisible Payments	33.1	37.2	42.5	43.9	48.9	47.6	47.4	50.2	53.1	56.1	56.5	60.2	61.3
Net Invisibles	-13.6	-20.4	-25.8	-27.0	-31.4	-28.7	-29.2	-29.5	-31.6	-33.6	-29.0	-30.7	-27.6
Transfer Receipts	9.8	9.7	8.8	8.8	9.1	8.4	8.8	9.2	9.5	10.8	14.0	16.4	18.9
Transfer Payments	6.8	6.3	6.5	7.0	6.9	7.5	7.6	8.0	7.5	6.9	6.6	6.2	7.1
Net Transfers	+3.0	+3.4	+2.3	+1.8	+2.2	+0.9	+1.2	+1.2	+2.0	+3.9	+7.4	+10.2	+11.8
Current Ac. Balance	-27.1	-21.9	-14.3	-8.7	-9.7	-13.5	-26.3	-33.6	-39.2	-44.1	-37.7	-33.2	-23.6
Aid Receipts	8.6	6.6	6.8	6.7	5.5	6.2	5.3	4.8	2.2	1.7	2.3	5.1	22.3
Overall current Ac. Balance	-18.5	-15.3	-7.5	-2.0	-4.2	-7.3	-21.0	-28.8	-37.0	-42.4	-35.4	-28.1	-1.3
Capital Account													
Receipts:													
Private	7.7	9.5	11.6	11.5	15.6	13.7	12.8	10.1	7.6	13.6	14.7	14.0	12.9
Govt	5.6	5.5	5.5	5.1	3.1	2.9	2.4	3.3	3.2	3.1	3.2	1.5	2.7
I.M.F. & Euro \$	6.8	6.8	0.6	-	13.1	13.1	13.1	13.1	8.1	8.1	8.1	10.5	2.4
C.B.S.I.	-	-	-	-	-	-	6.3	13.9	13.9	13.9	7.6	-	-
Total	20.1	21.8	17.7	16.6	31.8	29.7	34.6	40.4	32.8	38.7	33.6	26.0	18.0
Payments:													
Private	1.6	1.8	7.8	8.1	10.3	11.9	7.8	9.7	8.0	6.2	4.7	3.5	5.8
Govt	0.2	-	-	-	0.2	0.2	0.7	1.4	1.8	1.8	1.7	1.0	1.1
I.M.F. & Euro \$	0.6	0.6	0.6	0.7	26.3	26.3	26.3	26.2	-	-	-	0.5	20.8
C.B.S.I.	-	-	-	-	-	-	5.0	14.2	14.2	14.2	9.2	-	-
Total	2.4	2.4	8.4	8.8	36.8	38.4	39.8	51.5	24.0	22.2	15.6	5.0	27.7
Total Capital Ac. Balance	+17.7	+19.4	+9.3	+7.8	-5.0	-8.7	-5.2	-11.1	+8.8	+16.5	+18.0	+21.0	-9.7
OVERALL BALANCE	-0.8	+4.1	+1.8	+5.8	-9.2	-16.0	-26.2	-39.9	-28.2	-25.9	-17.4	-7.1	-11.0

## INTRODUCTION

Previous Central Bank reports since 1982 have featured the external debt of Solomon Islands incorporating details of movements during the year and outstanding debt as at each end year. This appendix is a continuation of an ongoing review of the external debt situation and presents an up to date and detailed analysis of the debt position at the end of 1986.

Total foreign liabilities of both the public and private sectors at the end of 1986 stood at \$170 million, an increase - at current exchange rates - of about 36% or \$45 million. This compares with a revised gross external debt of \$125 million as at the end of 1985. Gross external reserves were \$57 million at end 1986, a rise of \$1 million.

The total cost of servicing these debts reached \$30.8 million during the year, of which \$6.9 million represented interest payments and \$23.9 million was capital repayments. Over 80% of capital repayments represented the repayment of US\$10 million (SI\$19.7 million) of the US\$15 million drawn from the Euro currency loan contracted in 1984.

## COVERAGE AND METHOD OF ANALYSIS

In this review external debt is broadly defined as the use of foreign financial resources by Solomon Islands entities (public and private) with future obligation to repay at a given price and certain conditions. This includes only formally contracted loan arrangements and excludes normal trade credit extended to importers of goods and services and inter company transactions. However certain inter company accounts, considered large and more permanent sources of financial resources and included in the past are also included in this analysis.

Data summarised in tables in this appendix were derived from a survey of about 175 private companies and from Solomon Islands Government and Central Bank accounts and records. All values are expressed in SI currency - except where stated otherwise - using end year exchange rates. Thus movements in gross debt between two corresponding end year periods also includes valuation gains or losses. This is expanded later on in this review.

## OVERVIEW

Net external debt after deducting gross reserves at end 1986 was \$113 million compared with \$69 million in 1985, an increase of about 64%. Table 1 below highlights this comparison and shows the overall external debt position of Solomon Islands at the end of 1986:

Table 1

## External Debt of Solomon Islands 1985-86 at Current Exchange Rates

SI\$Millions

	Outstanding End 1985 +	Gross * Increase	1986		Outstanding end 1986
			Repay- ments	Change in Reserve	
SI Government	80	44	20		104
Private Sector	45	24	3		66
	---	---	---		---
Gross Debt	125	68	23		170
Less					
External Reserves	56			+1	57
	---				---
Net External Debt	69				113
	===				===

+ Revised.

\* Includes movements due to changes in Exchange Rates.

Total Government debt increased by 30% from \$80 million in 1985 to \$104 million in 1986 while the private sector increased its external debt by \$21 million or about 47%. At end year Government external debt constituted 61% of the overall debt, the private sector accounting for the remaining 39%.

Movements in the level of debt depend on three factors; new drawdowns, repayments and exchange rate variations. Of these, the latter, (exchange rate movements) was a major factor in the recorded increase for 1986. All external debts are contracted in foreign currencies; therefore the depreciation of the SI dollar against those foreign currencies in which the debts are denominated will increase the SI dollar equivalent of those debts. This is reflected when such debts are repaid where more SI dollars will be needed to repay a given foreign currency amount. The reverse happens if the SI dollar appreciates against debt denominated currencies.

The depreciation of the SI dollar during 1986 has been discussed earlier in this report. The effect of exchange rate movements on external debt in 1986 is shown in table 2 below:

Table 2

## Exchange Rate Effect on External Debt 1985-86

SI\$Million	Outstanding end 1985 +	Change due to Exchange Rate	Other Net Changes	Outstanding end 1986
	-----	-----	-----	-----
SI Governmnt Eurodollar Borrowing	56	+20	+18	94
Private Sector	24	+6	-20	10
	45	+12	+9	66
	---	---	---	---
Total External Debt	125	+38	+ 7	170

+ Revised

Debt service costs during 1986 were \$31 million, up from the 1985 level of under \$11 million. Interest payments were \$7.4 million. Almost \$20 million of capital payment was on account of the reduction of the Euro Currency liability. Of the US\$15 million drawn in 1984-85, US\$10 million was repaid while US\$5 million remained outstanding at end year. The details of debt service outlay in 1986 are highlighted in table 3 below:

Table 3

## Debt Service

SI\$Millions	Interest	Capital Repayments	Total
	-----	-----	-----
SI Government	3.6	20.3*	23.9
Private Sector	3.8	3.1	6.9
	---	---	---
Total	7.4	23.4	30.8

\* \$19.7 million of this represents the voluntary early retirement of 2/3 of the drawn euro-loan facility by the monetary authorities

PURPOSE OF BOOROWINGA. SI Government:

The basic need to finance development projects despite structural shortage of foreign exchange income in developing countries like Solomon Islands forces the government to resort to foreign sources of capital. To date, all government overseas borrowing has been for exceptional financing purposes and to fund development projects.



i) Foreign Exchange Requirements:

The need to hold adequate reserves available to meet investment and consumption needs of the economy led the government to arrange Eurodollar facilities from syndicates of international banks. Since 1981 two such facilities have been contracted by the government; the first facility of US\$20 million was repaid in 1984 and the second of US\$30 million was already 50% drawn by 1985. Of the latter, two thirds of the drawn liability was repaid in November and December 1986. The outstanding US\$5 million (SI\$9.9 million) represented about 10% of total government debt. The undrawn facility of US\$25 million is available to be utilised if the need arises. The Central Bank can also borrow funds for reserves support as it did in 1985; no such liability was incurred in 1986.

ii) Project Financing:

About 90% (\$94 million) of the governments external debt has been used to finance various large scale development projects, most of which have been for the development of infrastructure, exploitation of natural resources and commerce and industry. The breakdown of these projects and their outstanding amounts at end year is highlighted in table 4:

Table 4

SI Government use of External Project Loans as at end 1986

SI\$Millions

Sector -----	Use ---	Outstanding At End 1986 -----
Natural Resources	Rural Services & Livestock Development	13.5
	Fisheries Development	6.1
Infrastructure	Education	8.5
	Housing	5.1
	Ports	2.5
	Guadalcanal Road Improvement	6.1
	Honiara Water Supply	2.9
	Telephone Exchange	12.7
	Henderson Airport	12.7
Commerce & Industry	Development Bank of S.I.	8.6
Various Development Projects		15.0
		----
		93.7

B. Private Sector:

Private sector borrowings can be classified as for financing further development, provision of working capital for existing operations, acquisition of investible assets and to finance establishment costs. Total private sector foreign debt at end 1986 was around \$66 million. The exploitation of natural resources maintained the largest sectoral share of total private debt at around 96% (\$63 million). Of this \$28 million was accounted for by agriculture notably the oil palm joint venture, \$23 million by the fishing industry and \$6 million each by the forestry and mining sectors. The other sectors remained relatively stable at insignificant levels. Table 5 illustrates the allocation of private external debt by economic sectors at end year:

Table 5  
Private Sector use of External Loans as at end 1986

Sector -----	Use ---	Outstanding At end 1986 -----	
		\$m	% of Total
Natural Resources	Agriculture	27.8	42
	Forestry	6.4	10
	Fishing	22.7	35
	Mining	6.2	9
	-----	-----	63.1
Infrastructure	Transport	-	-
	Construction	0.1	-
	-----	-----	0.1
Commerce & Industry	Tourism	1.2	2
	Distribution & Services	1.4	2
	-----	-----	2.6
TOTAL		65.8	100
		====	====

SOURCES AND TERMS OF LOAN

A. SI Government

Although the level of debt increased in 1986, the terms of government contracted loans as described in our 1985 report remain unchanged. Most borrowings are over very long periods and on near zero rates, such that some are as good as grants. Only the CDC loan for the Naha housing project has an annual interest cost of over 10%. Government loans originated from traditional sources and financial institutions like ADB, the World Bank and EIB; however non traditional sources such as Kuwait are also becoming important sources of SIG capital. The government contracted a new debt of about \$25 million under Australian export credit terms in 1986, for two fishing vessels, but no drawdown had occurred before the end of the year. The following table classifies SIG borrowing according to source and terms of loans at end 1986:

Table 6  
Terms of SI Government Project Borrowing Abroad at end 1986

Lender	Amount Borrowed	Maturity of Loans	Grace period on Capital Repayments	Interest Rate Service Charge
-----	-----	-----	-----	-----
	\$m	Years	Years	Etc.
ADB	29.6	40	10	1%
EDF	14.5	40	10	1%
OPEC Fund	4.1	10-15	3-5	0.5%/5% *
CDC	5.1	16	-	10.25%
Britain	12.4	22-25	-	Nil
World Bank	15.4	50	10	0.75%
Kuwait FAED	5.8	18	-	3%
Klockner	6.9			9.5
	----			-----
Total	93.7			2.1% +
	=====			=====

\* \$2.6 million at 0.5%

+ Weighted Average

B. Private Sector:

The majority of private sector borrowings recorded in 1986 were mainly between SI firms and their foreign parents or related correspondents, financial institutions, suppliers of equipment or loans from shareholders. Although about 17% of private loans were at interest rate above 10%, the majority (83%) were on favourable terms with interest from 10% to interest free. Table 7 shows the sectoral distribution and terms of private sector debt at end 1986:

Table 7

Private Sector Foreign Debt by Sector and Interest Rates

Sector	Interest Free	Up to 5%	5-10%	Over 10%	Total End 1986
-----	-----	----	-----	-----	-----
					\$m
Agriculture	-	-	23.2	4.6	27.8
Forestry	-	-	-	6.4	6.4
Fishing	-	-	22.7	-	22.7
Mining	6.2	-	-	-	6.2
Transport	-	-	-	-	-
Construction	-	-	-	0.1	0.1
Tourism	1.2	-	-	-	1.2
Distribution & Services	0.8	-	0.3	0.3	1.4
Total	8.2	-	46.2	11.4	65.8
Percentage Distribution	12.4	-	70.3	17.3	100

CURRENCY EXPOSURE

A. SI Government

The government's Euro currency debt is denominated in US dollars while borrowings for development purposes are contracted in a range of currencies according to the treasury convenience of the lending institution. The result is that the currency exposure of external borrowings is well spread over a range of currencies, all of them freely convertible. Table 8 shows the exposure at end 1986.

Table 8

## SI Government Debt by Currency

Currency -----	Outstanding End 1986 -----	
	SI\$m	%
US\$ (1)	18.4	17.8
Pound Stg	18.2	17.6
A\$	12.7	12.3
Yen	9.6	9.3
Kuwait Dinars	5.8	5.6
ECU (2)	14.5	14.0
SDR (3)	15.4	14.9
DM	6.9	6.7
NZ\$	1.3	1.3
other	0.8	0.7
Total	103.6	100.0

(1) Includes Eurocurrency Loan: \$10m, 9.9% of total.

(2) European Currency Unit.) (both comprise a "basket"

(3) Special Drawing Rights ) (of currencies

B. Private Sector

About 36% of private sector debt is denominated in Sterling, 34% in Japanese Yen and 21% in US dollars while other currencies remain insignificant. The following table highlights this feature of private sector debts:

Table 9

## Private Sector Debt by Currency

Currency -----	Outstanding End 1986 -----	
	SI\$m	%
Pound Stg	23.8	36
US\$	13.5	21
Yen	22.7	34
Aust\$	1.9	3
DM	2.3	4
Other	1.6	2
	65.8	100

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## CENTRAL BANK OF SOLOMON ISLANDS

## ECONOMIC INDICATORS

SI\$millions except where otherwise stated

	Quarter IV 1985	Quarter I 1986	Quarter II 1986	Quarter III 1986	Quarter IV 1986
<b>A. EXTERNAL TRADE</b>					
1. Exports	27.3	18.7	28.2	31.6	36.3
2. Imports f.o.b. of which:	27.4	20.6	26.1	34.7	22.8
a) fuel	7.4	4.3	5.0	7.6	2.7
b) investment goods	6.0	5.7	7.3	12.8	5.7
3. Balance of Trade (Deficit (-) Surplus (+))	-0.1	-1.9	+2.1	-3.1	+13.5
4. Export Trade Index: Quantity 1982 = 100	145.0	104.6	157.4	171.5	166.6
Unit Value	132.7	127.7	128.2	131.2	148.3
<b>B. OVERSEAS RESERVES AND F.E.T. BALANCES</b>					
1. Gross Official Reserves	56.0	49.3	51.9	55.7	57.0
2. Current Account Balance	-12.1	-13.1	-5.1	-2.4	+12.3
3. Capital Account Balance	+1.0	+6.2	+2.4	+2.8	+3.8
4. Monetary Capital Balance **	+7.7	-	-	+1.9	-20.7
<b>C. MONEY SUPPLY +</b>					
1. Currency outside banks	13.6	12.6	12.6	12.6	13.6
2. Demand Deposits	13.3	14.8	15.7	17.0	17.0
3. Money Supply (M1)	26.9	27.4	28.3	29.6	30.6
4. M1 and Savings Deposits (M2)	39.5	40.2	42.3	44.3	45.3
5. M2 and Term Deposits (M3)	64.8	68.1	70.9	72.2	72.2
6. Government Deposits	1.3	1.9	1.7	1.8	1.5
<b>D. BANKS' CREDIT +</b>					
1. Total Commercial Banks' Credit	57.9	61.2	61.1	61.9	64.5
a) To Government	8.8	8.9	8.5	9.2	11.6
b) To Statutory Corporations	1.8	1.5	1.6	1.0	1.3
c) Other Private Sector	47.3	50.8	51.0	51.7	51.6
2. CBSI Credit, total	16.1	21.1	22.0	20.9	11.4
a) To Banks	6.6	8.0	6.4	6.4	6.6
b) To Government	9.5	13.1	15.6	14.5	4.8
<b>E. INTEREST RATES (%) +</b>					
1. One month deposit*#	10.0	10.0	10.3	10.3	10.3
2. 6-12 month deposits*#	11.0	11.5	11.5	11.5	12.1
3. Advances*	17.0	17.5	18.0	18.0	18.0
4. Banks deposits with CBSI	8.0	8.0	8.0	8.0	8.0
5. CBSI advances to banks	14.0	14.0	14.0	14.0	14.0
<b>F. GOVERNMENT FINANCE</b>					
1. Recurrent Revenue	18.5	9.7	15.0	15.3	18.2
2. Recurrent Expenditure	16.5	15.0	13.0	15.9	18.6
<b>G. EXCHANGE RATE +</b>					
SI\$1.00 = US\$	0.6201	0.6142	0.5826	0.5480	0.5034
SI\$1.00 = A\$	0.9049	0.8625	0.8687	0.8728	0.7581
<b>H. HONIARA RETAIL PRICE INDEX +</b>					
1984 = 100	108.7	112.1	123.6	123.5	134.4

\* End of Period

# Middle of a range of rates

\*\* I.M.F. Eurocurrency loan and CBSI

# Interest rates on deposits over \$25,000 are negotiable

MONETARY SURVEY

\$000's

MONTHLY AVERAGE	NET FOREIGN ASSETS			NET CREDIT TO GOVT.			GROSS CREDIT TO			TOTAL DOMESTIC CREDIT	NARROW MONEY(M1)			QUASI MONEY		BROAD MONEY (M3)	OTHER NET ITEMS
	MONETARY AUTHORITY	COMMERCIAL BANKS	TOTAL	CENTRAL GOVT.	PROV GOVT	TOTAL	STAT. CORPS	PRIVATE SECTOR	TOTAL		CASH	DEMAND DEPS	TOTAL	SAVINGS DEPS	TIME DEPS		
1984																	
Jul	33380	80	33460	3141	-731	2410	9214	25000	34214	36624	11307	12316	23623	9512	29373	62508	7576
Aug	36470	476	36946	4323	-1008	3315	8385	24157	32542	35857	11581	13567	25148	9856	30166	65170	7633
Sep	36461	125	36586	5233	-1223	4010	5083	25197	30280	34290	11646	13873	25519	10521	26386	62426	8450
Oct	40120	698	40818	4642	-1272	3370	5502	26650	32152	35522	11888	14034	25922	10440	27228	63590	12750
Nov	37292	512	37804	4272	-1101	3171	5342	28391	33733	36904	11998	12186	24184	10499	26632	61315	13393
Dec	37090	1038	38128	3772	-1062	2710	5655	29454	35109	37819	12528	13986	26514	10518	25306	62338	13609
1985																	
Jan	40457	574	41031	3165	-891	2274	3608	30735	34343	36617	11969	14016	25985	10415	25828	62228	15420
Feb	38632	1049	39681	3656	-1061	2595	3830	33004	36834	39429	11498	12319	23817	10410	28310	62537	16573
Mar	38438	-955	37483	3767	-1044	2723	3590	33643	37233	39956	11762	11849	23611	10596	28077	62284	15155
Apr	34966	890	35856	4378	-796	3582	3033	35363	38396	41978	12117	12026	24143	10755	26536	61434	16400
May	32515	-383	32132	5404	-528	4876	3821	37455	41276	46152	12665	12780	25445	11172	26813	63430	14854
Jun	27471	971	28442	6710	-579	6131	4640	38728	43368	49499	12909	12142	25051	11977	26932	63960	13981
Jul	27790	967	28757	6568	-537	6031	5354	40507	45861	51892	12975	12090	25065	12006	25587	62658	17991
Aug	27236	782	28018	8164	-188	7976	4016	40954	44970	52946	12618	11938	24556	12250	23942	60748	20216
Sep	27570	742	28312	7537	-120	7417	3626	41194	44820	52237	12732	12074	24806	12557	23670	61033	19516
Oct	29120	-125	28995	8965	-390	8575	2030	43689	45719	54294	12561	11082	23643	12842	23488	59973	23316
Nov	25793	144	25937	10500	230	10730	2730	45027	47757	58487	12444	11673	24117	12950	23824	60891	23533
Dec	24444	712	25156	11433	-81	11352	2319	46422	48741	60093	13326	12703	26029	12706	24990	63725	21524
1986																	
Jan	24432	202	24634	12863	-440	12423	1711	46155	47866	60289	12572	12743	25315	12462	25250	63027	21896
Feb	24244	-241	24003	15456	-428	15028	1552	46637	48189	63217	12131	15550	27681	12492	25218	65391	21829
Mar	22507	163	22670	16718	-722	15996	1617	48287	49904	65900	12308	15819	28127	12796	26821	67744	20826
Apr	18610	1009	19619	17724	-980	16744	1401	52154	53555	70299	12278	14600	26878	12699	27780	67357	22561
May	19831	500	20331	18180	-967	17213	1462	51961	53423	70636	12402	14234	26636	12865	28379	67880	23087
Jun	22112	518	22630	19802	-697	19105	1647	50984	52631	71736	12734	16234	28968	13738	28678	71384	22982
Jul	20131	209	20340	21040	-865	20175	1334	52769	54103	74278	12737	16213	28950	14239	28751	71940	22678
Aug	19657	589	20246	22681	-805	21876	1134	51926	53060	74936	12557	14840	27397	14332	30515	72244	22938
Sep	20554	692	21246	22200	-896	21304	1026	51711	52737	74041	12702	17514	30216	14543	27925	72684	22603
Oct	23052	1142	24194	20424	-802	19622	1112	51519	52631	72253	12767	15920	28687	14857	27302	70846	25601
Nov	28334	1855	30189	15128	-755	14373	966	50918	51884	66257	12989	16596	29585	14842	25944	70371	26075
Dec	39275	1490	40765	7536	-544	6992	1206	50594	51800	58792	13550	16254	29804	14831	26486	71121	28436
1987																	
Jan	40934	1050	41984	10069	-534	9535	1272	52230	53502	63037	12798	17913	30711	14856	27180	72747	32274
Feb	39975	1946	41921	13765	-426	13338	6004	45471	51474	64813	12596	16848	29444	15220	28907	73572	33162



MONETARY STATISTICS

\$000'S

DATE	CENTRAL GOVERNMENT													PROVINCIAL GOVERNMENT			NET	PRIVATE SECTOR			TOTAL			
	CENTRAL BANK					COMMERCIAL BANKS					NET	COMMERCIAL BANKS			NET	CREDIT	CBSI	COMM BANKS	GROSS	DOM				
	DUE FROM GOVERNMENT					DUE TO GOVT	DUE FROM GOVERNMENT					DUE TO GOVT	NET TO SIG	DEPOSITS	NET TO PROV GOVT	CREDIT TO ALL	STAT. CORPS	STAT. CORPS	OTHER	CREDIT				
	ADVANCE	D'DRAFT	T/BILLS	D'BONDS	TOTAL	DEPS	ADVANCE	T/BILLS	D'BONDS	TOTAL	CALL	TERM	TOTAL	ADVANCE	CALL	TERM	GOVT	STAT. CORPS	STAT. CORPS	OTHER	CREDIT			
1984																								
Jul	417	0	18	162	597	1773	2889	2522	1242	6653	593	1742	2335	3142	64	539	256	-731	2411	4000	5214	25000	34214	36625
Aug	1100	0	15	148	1263	1992	3691	2522	1342	7555	788	1844	2632	4194	16	715	309	-1008	3186	3400	4985	24157	32542	35728
Sep	2262	1142	5	71	3480	2741	871	2546	1482	4899	1153	0	1153	4485	16	691	548	-1223	3262	250	4833	25197	30280	33542
Oct	1532	1400	9	24	2965	1993	1234	2569	1458	5261	1591	0	1591	4642	18	803	487	-1272	3370	0	5502	26650	32152	35522
Nov	1434	1506	8	13	2961	1993	398	2569	1458	4425	1120	0	1120	4273	16	639	477	-1100	3173	0	5342	28391	33733	36906
Dec	1452	1717	4	16	3189	2714	759	2569	1458	4786	1488	0	1488	3773	15	597	480	-1062	2711	0	5655	29454	35109	37820
1985																								
Jan	616	2601	5	18	3240	3436	229	2569	1458	4256	895	0	895	3165	17	425	482	-890	2275	0	3608	30739	34347	36622
Feb	716	3456	5	19	4196	3896	283	2569	1458	4310	954	0	954	3656	34	650	445	-1061	2595	0	3830	33004	36834	39429
Mar	771	3905	2	19	4697	4297	428	2569	1458	4455	1088	0	1088	3767	33	672	405	-1044	2723	0	3590	33643	37233	39956
Apr	899	3073	1	19	3992	3680	790	2668	1458	4916	849	0	849	4379	42	466	372	-796	3583	0	3033	35363	38396	41979
May	571	3044	1	19	3635	3534	1130	3061	1458	5649	347	0	347	5403	120	438	209	-527	4876	0	3821	37455	41276	46152
Jun	612	3898	123	25	4658	3564	988	3506	1458	5952	337	0	337	6709	110	506	183	-579	6130	0	4640	38728	43368	49498
Jul	536	4420	1031	25	6012	6869	3026	3126	1594	7746	320	2	322	6567	163	456	244	-537	6030	0	5354	40507	45861	51891
Aug	943	4673	1676	26	7318	6852	3256	3036	1753	8045	348	0	348	8163	356	316	228	-188	7975	0	4016	40954	44970	52945
Sep	1452	5313	2708	26	9499	8234	2209	3034	1903	7146	874	0	874	7537	432	354	198	-120	7417	0	3626	41794	44820	52237
Oct	1484	5585	2469	17	9555	9163	2530	3778	2533	8841	270	0	270	8963	380	602	168	-390	8573	0	2030	43689	45719	54292
Nov	1429	3133	2566	18	7146	5198	2570	3032	3304	8906	353	0	353	10501	688	290	168	230	10731	0	2730	45027	47757	58488
Dec	1224	3521	2996	19	7760	4337	2114	2316	3917	8347	486	0	486	11284	413	312	168	-67	11217	0	2450	46206	48656	59873
1986																								
Jan	1036	3787	3777	19	8619	3163	2248	1754	3917	7919	679	0	679	12696	298	493	184	-379	12317	0	1728	46381	48109	60426
Feb	1784	4222	3762	24	9792	1967	2092	2258	3917	8267	638	0	638	15454	252	433	248	-429	15025	0	1552	46637	48189	63214
Mar	1958	4823	4416	30	11227	1967	1957	2068	3917	7942	484	0	484	16718	210	687	245	-722	15996	0	1617	48287	49904	65900
Apr	2358	4957	4734	30	12079	1967	1919	2104	3917	7940	329	0	329	17723	155	887	248	-980	16743	0	1401	52154	53555	70298
May	2560	5390	4793	33	12776	1967	2102	2039	3918	8059	688	0	688	18180	20	759	228	-967	17213	0	1462	51961	53423	70636
Jun	3556	5926	4615	36	14133	1967	2196	2211	3917	8324	688	0	688	19802	796	650	243	-697	19105	0	1647	50984	52631	71736
Jul	3669	5356	4464	36	13525	0	2126	2298	3917	8341	826	0	826	21040	143	759	248	-865	20175	0	1334	52769	54103	74278
Aug	3924	6690	4234	38	14886	0	1632	2512	3917	8061	266	0	266	22681	136	693	248	-805	21876	0	1134	51926	53060	74936
Sep	3777	6124	3622	42	13565	0	2114	3116	3917	9147	512	0	512	22200	120	768	248	-896	21304	25	1001	51711	52737	74041
Oct	3824	5340	3430	49	12643	284	2003	3303	3917	9223	1038	120	1158	20424	117	671	248	-802	19622	100	1012	51519	52631	72253
Nov	2124	2921	2811	98	7954	1683	3005	3921	3917	10843	1486	500	1986	15128	105	611	249	-755	14373	100	866	50918	51884	66257
Dec	674	85	2594	84	3437	5662	3728	4132	3917	11777	1271	744	2015	7537	116	393	266	-543	6994	100	1106	50594	51800	58794
1987																								
Jan	1144	493	2857	74	4578	3490	3244	3845	3917	11006	1514	512	2026	10068	106	390	249	-533	9535	100	1172	52230	53502	63037
Feb	1918	969	1234	73	4194	1769	3264	3494	3917	12675	1022	312	1334	13766	89	270	246	-427	13339	5100	904	45471	51475	64814

!!!

ALL COMMERCIAL BANKS  
LIABILITIES

\$000's

MONTHLY AVERAGE	DEMAND DEPOSITS						SAVINGS DEPOSITS	TIME DEPOSITS						TOTAL DEPOSITS						DUE TO CBSI	CAPITAL & RESERVES	OTHER DOM LIABS	OTHER FOR*N LIABS	TOTAL LIABS
	S.I.	Prov	Stat	Non	Other	Total		S.I.	Prov	Stat	Non	Other	Total	S.I.	Prov	Stat	Non	Other	Grand					
	Govt	Govt	Corp	Res				Govt	Govt	Corp	Res			Govt	Govt	Corp	Res		Total					
1984																								
JUL	593	539	1866	906	9544	13448	9512	1742	256	15858	99	13415	31370	2335	795	17724	1005	32471	54330	0	3491	3826	1125	62772
AUG	788	715	1878	1343	10346	15070	9856	1644	309	16783	292	13091	32319	2632	1024	18661	1635	33293	57245	0	3491	4039	1621	66396
SEP	1153	691	2452	1846	9576	15718	10521	0	548	13570	186	12631	26935	1153	1239	16022	2032	32728	53174	0	3341	4207	1568	62290
OCT	1591	803	2316	1198	10520	16428	10440	0	487	12853	125	14251	27716	1591	1290	15169	1323	35211	54584	0	4355	3937	1229	64105
NOV	1120	639	923	958	10306	13946	10499	0	477	14394	312	11925	27108	1120	1116	15317	1270	32730	51553	0	5938	2664	1510	61665
DEC	1488	597	1035	829	12122	16071	10518	0	480	13212	338	11756	25786	1488	1077	14247	1167	34396	52375	0	5829	3578	1242	63024
1985																								
JAN	895	425	1529	754	11733	15336	10415	0	482	13939	352	11537	26310	895	907	15468	1106	33685	52061	0	6732	2268	1219	62280
FEB	954	650	1443	726	10150	13923	10410	0	445	15355	406	12549	28755	954	1095	16798	1132	33109	53088	0	7134	2323	916	63461
MAR	1088	672	2205	358	9286	13609	10596	0	405	14819	446	12812	28482	1088	1077	17024	804	32694	52887	0	6830	2823	1706	64046
APR	849	466	1824	824	9378	13341	10755	0	372	14800	263	11473	26908	849	838	16624	1087	31606	51004	0	7116	3864	1129	63113
MAY	347	438	1167	1176	10437	13565	11172	0	209	14564	351	11898	27022	347	647	15731	1527	33507	51759	200	7041	4406	1819	65225
JUN	337	506	1414	632	10097	12986	11977	0	183	13775	179	12978	27115	337	689	15189	811	35052	52078	3375	6619	4393	1692	68157
JUL	320	456	1586	544	9960	12866	12006	2	244	13262	133	12193	25834	322	700	14848	677	34159	50706	7700	7256	3757	1575	70994
AUG	348	316	1288	590	10060	12602	12250	0	228	12064	176	11702	24170	348	544	13352	766	34012	49022	8375	6702	3778	1479	69356
SEP	874	354	1126	648	10300	13302	12557	0	198	11428	154	12087	23867	874	552	12554	802	34944	49726	7375	6656	3859	1411	69027
OCT	270	602	1351	401	9330	11954	12842	0	168	10989	282	12217	23656	270	770	12340	683	34389	48452	7500	9270	3282	1312	69816
NOV	353	290	1228	759	9686	12316	12950	0	168	11047	328	12449	23992	353	458	12275	1087	35085	49258	9500	9195	3588	1425	72966
DEC	486	312	1444	748	10366	13356	12728	0	168	11498	508	12918	25092	486	480	12942	1256	36012	51176	8825	8978	3207	2132	74318
1986																								
JAN	679	493	1458	679	10714	14023	12493	0	184	12270	514	12467	25435	679	677	13728	1193	35674	51951	5900	9752	3628	2892	74123
FEB	638	433	2529	755	12266	16621	12492	0	248	12427	393	12398	25466	638	681	14956	1148	37156	54579	4625	9565	3430	2804	75003
MAR	484	687	2476	520	12823	16990	12796	0	245	13240	680	12901	27066	484	932	15716	1200	38520	56852	5325	9175	4205	1411	76968
APR	329	887	1819	480	12301	15816	12699	0	248	13471	601	13708	28028	329	1135	15290	1081	38708	56543	8644	9443	4925	1442	80997
MAY	688	759	1272	411	12551	15681	12865	0	228	12459	427	15493	28607	688	987	13731	838	40909	57153	7760	9134	6179	2428	82654
JUN	688	650	1120	1543	13572	17573	13738	0	243	11655	430	16593	28921	688	893	12775	1973	43903	60232	5635	8545	6892	1830	83134
JUL	826	759	1049	1350	13813	17797	14239	0	248	12172	330	16249	28999	826	1007	13221	1680	44301	61035	5880	9485	6113	2041	84554
AUG	266	693	1142	478	13220	15799	14332	0	248	12987	330	17198	30763	266	941	14129	808	44750	60894	5880	8850	6109	1624	83357
SEP	512	768	1646	514	15354	18794	14543	0	248	11200	311	16414	28173	512	1016	12846	825	46311	61510	5735	8416	5945	1678	83284
OCT	1038	671	1035	830	14055	17629	14857	120	248	10193	247	16862	27670	1158	919	11228	1077	45774	60156	5914	9733	4507	1397	81707
NOV	1486	611	1062	897	14638	18694	14842	500	249	9704	251	15990	26694	1986	860	10766	1148	45470	60230	6850	9756	4812	979	82627
DEC	1271	393	691	542	15021	17918	14831	744	266	10322	260	15904	27496	2015	659	11013	802	45756	60245	6570	9293	8435	1806	86349
1987																								
JAN	1514	390	684	1644	15584	19816	14856	512	249	11106	246	15828	27941	2026	639	11790	1890	46268	62613	4425	9239	10288	2242	88807
FEB	1022	270	628	2259	13960	18139	15220	312	246	11908	252	16747	29466	1334	516	12537	2511	45978	62825	325	9181	12091	1000	85422

AI

ALL COMMERCIAL BANKS  
ASSETS

\$000's

MONTHLY AVERAGE	SI CASH	DUE FROM CBST		SIG SECURITIES			ADVANCES, LOANS & BILLS RECEIVABLE					OTHER DOM ASSETS	FOR* N ASSETS	TOTAL ASSETS	TOTAL LIQUID ASSETS	LIQUIDITY RATIO	LIQUIDITY SURPLUS
		Call	Other	T/Bs	Other Approved	SIG	Prov Govt	Stat Corps	Other	Total							
1984																	
JUL	979	11882	7475	2522	1242	0	2889	64	5214	25000	33167	4301	1204	62772	24100	44.4%	15950
AUG	984	12248	9440	2522	1342	0	3691	16	4985	24157	32849	4914	2097	66396	26536	46.4%	17949
SEP	919	10998	8925	2546	1482	0	871	16	4833	25197	30917	4810	1693	62290	24870	46.8%	16894
OCT	1108	10563	8216	2569	1458	0	1234	18	5502	26650	33404	4860	1927	64105	23914	43.8%	15726
NOV	1128	8730	7075	2569	1458	0	398	16	5342	28391	34147	4537	2021	61665	20960	40.7%	13227
DEC	1157	9150	5325	2569	1458	0	759	15	5655	29454	35883	5202	2280	63024	19659	37.5%	11803
1985																	
JAN	987	10925	4710	2569	1458	0	229	17	3608	30739	34533	5245	1793	62280	20649	39.7%	12840
FEB	925	10167	4400	2569	1458	0	283	34	3830	33004	37151	4827	1965	63462	19519	36.8%	6247
MAR	851	10200	4925	2569	1458	0	428	33	3590	33643	37694	5598	751	64046	20003	38.0%	6831
APR	964	9496	1850	2668	1458	0	790	42	3033	35363	39228	5430	2019	63113	16436	32.2%	3685
MAY	988	8858	500	3061	1458	0	1130	120	3821	37455	42526	6398	1436	65225	14865	28.7%	1925
JUN	1122	8358	225	3506	1458	0	988	110	4640	38728	44466	6358	2664	68157	14669	28.2%	1650
JUL	1061	7698	0	3126	1594	0	3026	163	5354	40507	49050	5922	2543	70994	13479	26.6%	802
AUG	1011	7038	0	3036	1753	0	3256	356	4016	40954	48582	5675	2261	69356	12838	26.2%	582
SEP	1096	7430	0	3034	1903	0	2209	432	3626	41194	47461	5950	2153	69027	13463	27.1%	1032
OCT	1146	7057	0	3778	2533	0	2530	380	2030	43689	48629	5486	1187	69816	14514	30.0%	2401
NOV	1376	7197	0	3032	3304	0	2570	688	2730	45027	57015	5472	1570	72966	14909	30.3%	2594
DEC	1349	6592	0	2316	3917	0	2114	413	2450	46206	51183	6309	2652	74318	14174	27.7%	1380
1986																	
JAN	1478	7061	0	1754	3917	0	2248	298	1728	46381	50655	5909	3349	74123	14210	27.4%	1222
FEB	1578	7632	0	2258	3917	0	2092	252	1552	46637	50533	6523	2562	75003	15385	28.2%	1740
MAR	1712	7874	0	2068	3917	0	1957	210	1617	48287	52071	7752	1574	76968	15571	27.4%	1358
APR	1558	7615	0	2104	3917	0	1919	155	1401	52154	55629	7723	2451	80997	15194	26.9%	1058
MAY	1507	8183	0	2039	3918	0	2102	20	1462	51961	55545	8534	2928	82654	15647	27.4%	1359
JUN	1705	8489	0	2211	3917	0	2196	196	1647	50984	55023	9441	2348	83134	16322	27.1%	1264
JUL	1756	8730	0	2298	3917	0	2126	143	1334	52769	56372	9231	2250	84554	16701	27.4%	1442
AUG	1742	8720	0	2512	3917	0	1632	136	1134	51926	54828	9425	2213	83357	16891	27.7%	1668
SEP	1767	8437	0	3116	3917	0	2114	120	1001	51711	54946	8731	2370	83284	17237	28.0%	1860
OCT	1657	8269	0	3303	3917	0	2003	117	1012	51519	54651	7370	2540	81707	17146	28.5%	2107
NOV	1730	7405	0	3521	3917	0	3005	105	866	50918	54894	7926	2834	82627	16973	28.2%	1916
DEC	1859	6976	0	4132	3917	0	3728	116	1106	50594	55544	10624	3297	86349	16884	28.0%	1823
1987																	
JAN	1978	8074	0	3845	3917	0	3244	106	1172	52230	56752	10949	3292	88807	17814	28.5%	2161
FEB	1934	8246	0	5456	3917	0	3224	88	875	45717	49848	12858	2947	85255	19552	31.2%	3873

CENTRAL BANK OF SOLOMON ISLANDS  
LIABILITIES

\$000's

MONTHLY AVERAGE	CAPITAL FUNDS				CURRENCY IN CIRCULATION			DEPOSITS					OTHER	EXTERNAL LIABILITIES				TOTAL	
	PAID UP CAPITAL	GENERAL RES	REVAL'N RES	TOTAL	NOTES	COINS	TOTAL	SI GOVT			BANKS	OTHER	TOTAL	DOMESTIC LIABS	MARKET BORROW INGS	ALLOCAT'N OF S.O.R.s	OTHER	TOTAL	LIABS
								EURO LOAN	OTHER	TOTAL									
1984																			
Jul	2597	2854	5827	11278	11094	1200	12294	25376	1773	27149	19302	31	46482	5334	0	835	5822	6657	82045
Aug	2597	2854	5827	11278	11356	1219	12575	26026	1992	28018	21688	31	49737	6404	0	835	5737	6572	86566
Sep	2597	2854	5827	11278	11340	1234	12574	26320	2741	29061	19774	834	49669	6388	0	835	5858	6693	86602
Oct	2597	2854	5827	11278	11748	1257	13005	26064	1993	28057	18920	3336	50313	7973	0	835	5890	6725	89294
Nov	2597	2854	5827	11278	11864	1276	13140	19628	1993	21621	15808	4436	41865	7320	0	835	5818	6653	80256
Dec	2597	2854	5827	11278	12404	1289	13693	13203	2715	15918	14484	5186	35588	7308	0	835	5760	6595	74462
1985																			
Jan	2597	3777	1811	8185	11677	1288	12965	13435	3436	16871	15677	5624	38172	3111	0	848	6025	6873	69306
Feb	2597	3777	1811	8185	11152	1291	12443	13622	3896	17518	14738	5605	37861	3679	0	848	5982	6830	68998
Mar	2597	3777	1811	8185	11331	1305	12636	14190	4297	18487	15162	5548	39197	4019	0	848	5768	6616	70653
Apr	2597	3777	1811	8185	11775	1327	13102	13895	3680	17575	11346	5469	34390	3757	700	848	5850	7398	66832
May	2597	3777	1811	8185	12314	1360	13674	14071	3534	17605	9300	5477	32382	3145	2948	848	5905	9701	67087
Jun	2597	3777	1811	8185	12657	1390	14047	13957	3564	17521	8594	5477	31592	2663	2916	848	5673	9437	65924
Jul	2597	3777	1811	8185	12639	1409	14048	15049	6869	21918	7736	5683	35337	7034	3219	848	6011	10078	74682
Aug	2597	3777	1811	8185	12214	1426	13640	15195	6852	22047	7026	5819	34892	7983	2523	848	6268	9639	74339
Sep	2597	3777	1811	8185	12410	1431	13841	15314	8234	23548	7451	5319	36318	8152	578	848	6467	7893	74389
Oct	2597	3777	1811	8185	12273	1445	13718	15645	9163	24808	7502	3819	36129	10416	0	848	6411	7259	75707
Nov	2597	3777	1811	8185	12380	1452	13832	15630	5198	20828	7222	3819	31869	10910	0	848	6242	7090	71886
Dec	2597	3777	2766	9140	13148	1467	14615	15674	4337	20011	6790	1694	28495	10807	0	848	6080	6928	69985
1986																			
Jan	2597	4916	11210	18723	12792	1483	14275	24190	3163	27353	7218	68	34639	1950	0	848	5903	6751	70338
Feb	2597	4916	11210	18723	12246	1477	13723	24248	1967	26215	7707	68	33990	2995	0	848	5557	6405	75836
Mar	2597	4916	11210	18723	12549	1492	14041	23988	1967	25955	7875	67	33897	3305	0	848	5696	6544	76510
Apr	2597	4916	11210	18723	12350	1507	13857	24394	1967	26361	7570	98	34029	4398	0	848	6025	6873	77880
May	2597	4916	11210	18723	12409	1518	13927	24284	1967	26251	7708	95	34054	5057	0	848	5921	6769	78524
Jun	2597	4916	11210	18723	12962	1494	14456	25253	1967	27220	8444	92	35756	5370	0	848	5675	6523	80828
Jul	2597	4916	11210	18723	13114	1399	14513	25747	0	25747	8657	91	34495	5605	0	848	5345	6193	79529
Aug	2597	4916	11210	18723	12923	1400	14323	26497	0	26497	8720	89	35306	5602	0	848	5262	6110	80064
Sep	2597	4916	11210	18723	13083	1407	14490	27179	0	27179	8343	89	35611	6684	0	848	5734	6582	82090
Oct	2597	4916	11210	18723	13062	1407	14469	27372	284	27656	8268	88	36012	8264	0	848	6720	7568	85036
Nov	2597	4916	11210	18723	13355	1406	14761	25912	1683	27595	7405	88	35088	8860	0	848	6692	7540	84972
Dec	2597	5183	12853	20643	14030	1424	15454	17581	5662	23243	7135	87	30465	8558	0	848	6130	6978	82088
1987																			
Jan	2597	6250	19427	28274	13370	1438	14807	9932	3490	13422	7971	86	21479	4387	0	848	6184	7032	75979
Feb	2597	6250	19427	28274	13024	1445	14469	9978	1769	11747	8642	85	20474	4285	0	848	5707	6555	74057

CENTRAL BANK OF SOLOMON ISLANDS  
ASSETS

\$000's

MONTHLY AVERAGE	S.T. GOVERNMENT						DEPOSITS & LOANS		OTHER DOMESTIC ASSETS				EXTERNAL ASSETS					TOTAL ASSETS	
	ADVANCES	O/D ACCOUNT	TREASURY BILLS	D'MENT BONDS	OTHER SECS	TOTAL	BANKS	NON BANKS	SECS & INVEST	PREMS & EQUIP	OTHER	TOTAL	MONEY AT CALL	DEPOSITS	SECS	HOLDINGS OF SDRs	OTHER		TOTAL
	1984																		
Jul	417	0	18	162	1333	1930	0	4000	500	2125	8228	10853	15292	39041	8821	2108	0	65262	82045
Aug	1100	0	15	148	1333	2596	0	3400	500	2243	8925	11668	16917	39781	10103	2101	0	68902	86566
Sep	2262	1142	5	71	1333	4813	0	250	500	2400	9331	12231	11913	38648	17213	1534	0	69308	86602
Oct	1532	1400	9	24	1333	4298	0	0	500	2478	9295	12273	12078	41521	17186	1938	0	72723	89294
Nov	1434	1506	8	13	1333	4294	0	0	500	2568	9585	12653	7252	37952	16246	1858	0	63308	80255
Dec	1452	1717	4	16	1333	4522	0	0	500	2653	10160	13313	7276	32683	14879	1789	0	56627	74462
1985																			
Jan	616	2601	5	18	1333	4573	0	0	500	2766	858	4124	5808	35522	16243	1763	1273	60609	69306
Feb	716	3456	5	19	1333	5529	0	0	500	2848	1154	4502	5102	34176	16972	1700	1017	58967	68998
Mar	771	3905	2	19	1333	6030	0	0	500	2968	2032	5500	6652	27605	22630	1680	556	59123	70653
Apr	899	3073	1	19	1333	5325	0	0	500	3108	1772	5380	3177	27576	23241	1636	497	56127	66832
May	571	3044	1	19	1333	4968	200	0	500	3195	2052	5747	3371	27187	23556	1604	454	56172	67087
Jun	612	3898	123	25	1333	5991	3375	0	500	3286	2016	5802	3162	22293	23360	1520	420	50755	65923
Jul	536	4420	1031	25	1333	7345	7700	0	500	3506	2839	6845	3207	22524	25076	1591	396	52794	74684
Aug	943	4673	1676	26	1333	8651	8375	0	500	3658	1151	5309	5769	24568	19695	1576	396	52004	74339
Sep	1452	5313	2708	26	1333	10832	7375	0	500	3719	1288	5507	7444	24550	16758	1527	396	50675	74389
Oct	1484	5585	2469	17	1333	10888	7500	0	500	3795	1166	5461	7932	26026	16388	1512	0	51858	75707
Nov	1429	3133	2566	18	1333	8479	9500	0	500	3884	1288	5672	7846	22402	16544	1443	0	48235	71886
Dec	1224	3521	2996	19	1333	9093	8825	0	500	4016	1797	6313	5829	21671	16848	1406	0	45754	69985
1986																			
Jan	1036	3787	3777	19	1333	9952	5900	0	500	3921	965	5386	12975	22467	17380	1307	971	55100	76338
Feb	1784	4222	3762	24	1333	11125	4625	0	500	3952	1183	5635	13172	22319	17087	951	922	54451	75836
Mar	1958	4823	4416	30	1333	12560	5325	0	500	4014	1862	6376	12014	21310	17142	891	892	52249	76510
Apr	2358	4959	4734	30	1333	13414	8644	0	530	4081	2091	6702	6161	22378	19120	701	760	49120	77880
May	2560	5390	4793	33	1333	14109	7760	0	550	4097	1996	6643	6646	23466	19246	367	287	50012	78524
Jun	3556	5926	4615	36	1333	15466	5635	0	550	4128	1906	6584	8637	23994	19911	355	246	53143	80828
Jul	3669	5356	4464	36	1333	14858	5880	0	568	4144	2286	6998	6454	24484	20365	367	123	51793	79529
Aug	3924	6690	4234	38	1333	16219	5735	0	580	4187	1282	6049	5979	24420	21218	323	123	52063	80066
Sep	3777	6124	3622	42	1333	14898	5785	25	580	4225	2428	7233	8015	25162	19942	907	123	54149	82090
Oct	3824	5340	3430	49	1333	13976	5914	100	580	4251	2508	7339	10671	25598	18249	3066	123	57707	85036
Nov	2124	2921	2811	98	1333	9287	6850	100	580	4270	2559	7409	12454	27034	18662	3084	92	61326	84972
Dec	674	85	2594	84	1333	4770	6570	100	580	4303	2447	7330	12382	28671	18894	3160	211	63318	82088
1987																			
Jan	1144	493	2867	74	1333	5911	4425	100	580	4109	3453	8142	13768	31272	8276	3027	1056	57399	75977
Feb	1918	969	1234	73	1333	5526	450	5100	580	4112	2259	6951	11878	32188	8508	2579	878	56030	74058

## DEVELOPMENT BANK OF SOLOMON ISLANDS

End Month	Assets					Liabilities						Total Assets/ Liabilities
	Term Loans	Equity Investments	Staff Loans	Fixed * Assets	Other + Assets	Capital & Reserves	Term Liabilities			Other Liabilities		
							SIG	Overseas#	NPF			
1985 Jan	10580	304	358	836	-716	5580	108	4722	689	263	11362	
Feb	10742	304	356	815	-553	5586	175	4728	689	486	11664	
Mar	10725	304	364	829	235	5673	175	5435	1000	174	12457	
Apr	10861	304	361	834	145	5546	175	4738	856	1190	12505	
May	11914	304	356	810	-304	5505	174	4766	856	1779	13080	
Jun	12157	322	383	792	-1438	4440	171	4757	2667	181	12216	
Jul	12147	322	383	793	-1524	4397	201	4680	2067	776	12121	
Aug	12152	322	383	809	-1540	4380	201	4733	2667	145	12126	
Sep	12076	322	374	807	-1419	4375	201	4786	2667	131	12160	
Oct	12183	322	412	783	-1598	4318	201	4778	2652	153	12102	
Nov	12132	322	430	763	-1291	4270	201	4778	2645	462	12356	
Dec	12298	322	455	1033	-1713	4564	201	4616	2645	369	12395	
1986 Jan	12243	317	473	843	-1573	4414	200	4724	2645	320	12303	
Feb	12180	317	485	1030	-1465	4557	200	4851	2645	294	12547	
Mar	12052	317	563	1002	-1094	4629	230	4849	2621	511	12840	
Apr	12049	317	550	1013	-1195	4614	230	4849	2628	413	12734	
May	12052	317	563	1002	-1093	4630	230	4849	2621	511	12841	
Jun	12420	317	596	987	-1739	4508	230	4757	2621	465	12581	
Jul	12093	317	610	983	-1509	4599	230	4757	2621	287	12494	
Aug	11734	317	599	976	-976	4595	230	4864	2621	340	12650	
Sep	11611	317	607	644	-2054	3150	230	4870	2621	254	11125	
Oct	11634	285	608	650	-2121	2986	330	4865	2604	271	11056	
Nov	11716	284	784	650	-2367	2946	330	4865	2596	330	11067	
Dec	11509	285	679	641	-800	3272	330	4775	3596	341	12314	

\* less provision for depreciation      + includes provision for doubtful debts      # intermediated by SI Government

COMMERCIAL BANKS  
ANALYSIS OF ADVANCES

\$000'S

1987	1986	1985	OTHER PRODUCTION										SERVICES					NON RESIDENT	TOTAL
			MANUFACTURING & MINING	AGRICULTURE & FORESTRY	MARKETING & DEVELOPMENT	FISHING	CONSTRUCTION	MINING	TOTAL	TRANSPORT	RETAIL	OTHER	PUBLIC UTILITIES	OTHER	TOTAL	PERSONS			
JAN	2976	2136	1212	1061	10232	497	11	15179	1933	1680	5433	1610	1691	12347	4338	715	35275		
FEB	3041	2198	1434	706	10375	579	10	15302	9333	1892	5656	2023	2032	13536	5232	282	37393		
MAR	2746	2208	1614	1099	9949	632	9	15311	8030	1475	6194	1733	1415	12377	3807	410	31854		
APR	3066	2291	1702	859	10458	543	9	15062	2008	1504	4063	2257	1946	12678	7338	371	30255		
MAY	3352	2517	2327	1434	11206	777	7	18268	2284	1943	5164	2801	3855	16047	4582	497	42746		
JUN	3464	2490	2530	1275	11697	779	7	18778	2438	2114	6475	2920	2990	16967	4986	422	44614		
JUL	3376	2763	3021	1915	12230	706	9	20644	2485	2232	6604	5784	3742	20247	4912	417	49596		
AUG	3937	3177	2516	2024	11255	967	21	19990	2418	2297	6090	5008	2973	18726	4624	171	47448		
SEP	3830	3018	2231	2998	11589	993	6	20735	2399	2414	6240	4205	3007	18265	4827	383	48040		
OCT	3694	3787	2921	70	12461	691	6	19966	2421	2393	6947	4328	3290	19339	5078	389	48466		
NOV	4014	3766	3449	1300	12123	940	24	23602	2361	2419	7266	4051	3363	19460	4930	526	50532		
DEC	3902	3767	3049	65	12406	1115	6	20408	2236	2550	7039	4518	4820	21763	5244	850	51567		
JAN	3893	3826	2848	66	9385	1269	6	17400	2259	2829	9255	3558	4192	22393	5810	450	49976		
FEB	3179	3084	3490	227	10483	1221	6	18511	2755	4501	6973	3078	5649	22956	6297	23	50966		
MAR	2890	3224	3410	269	10657	1182	6	18778	2594	4370	7625	3518	5171	23278	6879	53	51878		
APR	3388	3645	4268	238	9780	1128	6	19065	2549	5183	9919	3075	5095	25821	6779	294	59347		
MAY	3079	4282	4214	284	10935	1244	6	20965	2503	4630	9039	3289	5448	24909	6754	833	56480		
JUN	3238	3768	3854	224	9488	1378	20	18732	2286	5198	7435	3324	6238	24478	7115	746	54309		
JUL	3875	4139	3586	434	9836	1732	150	19877	2664	5165	8602	3302	4883	24616	7567	491	56426		
AUG	3646	4120	3852	184	9946	1752	65	19919	2621	4933	7445	2579	5421	23019	7511	522	54617		
SEP	3108	4900	4215	106	9184	1774	70	20249	3086	5618	7171	3230	5579	24684	7450	455	55946		
OCT	3347	4917	4114	131	7911	2077	65	19235	3019	5886	6715	2416	5564	23598	7554	2	53716		
NOV	3287	5245	4467	96	7344	1620	48	18520	3727	6077	7130	4325	5582	26781	7640	457	56085		
DEC	3523	5526	4077	170	5953	1723	74	17523	2469	5850	7361	4284	5277	25241	7832	2	54707		
JAN	3469	5561	4415	99	6599	2238	109	18981	2961	7100	7388	4021	4479	25869	8206	9	56534		
FEB	3421	4783	3933	115	1655	2488	157	13111	2476	6885	7404	3987	5333	26085	7854	9	50480		

## INTERNATIONAL LIQUIDITY

SIS000's  
(except where otherwise stated)

At End of Month	Foreign Exchange				Reserve Position in IMF	SIG Overseas Assets	Net Foreign Assets
	Total Holdings	Total Holdings US\$ equiv*	Changes due to				
			Transactions	Valuation			
1984							
Jan	56,021	45,713	3,173	85	596	88	24,036
Feb	55,886	46,240	138	(3)	602	107	25,807
Mar	58,419	47,839	1,790	743	611	395	27,178
Apr	57,771	46,702	(923)	275	621	386	27,965
May	62,736	49,994	4,551	414	627	133	31,940
Jun	64,021	49,974	623	662	634	106	31,133
Jul	66,745	50,800	1,944	780	639	117	34,752
Aug	68,904	53,042	3,036	(877)	634	97	37,137
Sep	70,641	53,538	727	1,010	633	98	38,020
Oct	74,214	56,187	3,621	(48)	632	4	41,870
Nov	55,036	41,684	(19,177)	(1)	627	149	37,514
Dec	59,292	44,131	3,579	677	632	119	41,787
1985							
Jan	59,307	43,537	(428)	443	651	116	38,960
Feb	58,594	41,291	(868)	155	667	114	38,144
Mar	55,168	39,704	(2,947)	(479)	689	126	34,634
Apr	59,002	41,932	3,878	(44)	697	133	39,253
May	52,465	37,591	(6,321)	(216)	693	103	30,892
Jun	52,022	34,651	(4,234)	3,791	749	114	29,512
Jul	55,163	36,302	549	2,592	788	127	26,969
Aug	48,631	31,756	(6,539)	7	793	10	27,985
Sep	51,677	33,031	502	2,544	829	199	29,074
Oct	52,242	33,424	276	289	854	159	28,686
Nov	45,778	29,206	(7,105)	641	874	434	24,258
Dec	56,026	34,741	9,023	1,225	903	773	28,378
1986							
Jan	53,727	33,235	(3,527)	1,228	916	747	26,483
Feb	51,106	31,956	(2,668)	47	943	461	24,593
Mar	49,328	30,297	(2,870)	1,092	945	797	19,207
Apr	50,697	31,315	246	1,123	973	732	20,942
May	53,734	31,917	1,873	1,164	991	873	23,352
Jun	51,894	30,233	(2,184)	344	1,025	325	21,364
Jul	51,695	29,264	(869)	670	1,079	201	19,932
Aug	53,761	29,520	753	1,313	1,120	204	19,594
Sep	56,885	31,173	1,879	1,245	1,129	161	19,975
Oct	59,418	31,444	971	1,562	1,161	424	23,540
Nov	65,393	33,546	3,789	2,186	1,201	485	37,870
Dec	56,987	28,687	(10,459)	2,053	1,238	504	41,619
1987							
Jan	58,572	29,350	589	996	1,302	476	42,383
Feb	54,747	27,488	(4,026)	201	1,286	580	39,779

\* At end of month exchange rates



EXCHANGE RATES  
UNITS OF FOREIGN CURRENCY PER S1\$

At End of		Australia (dollar)	United States (dollar)	United Kingdom (pound)	Japan (Yen)	NZ (dollar)	S.D.R.
1983	Mar	1.0206	.8841	.6052	221.76	1.3460	.8209
	Jun	.9886	.8653	.5669	207.02	1.3128	.8093
	Sep	.9400	.8433	.5632	199.55	1.2727	.7986
	Dec	.9124	.8187	.5645	189.89	1.2384	.7834
1984	Jan	.8895	.8160	.5840	191.45	1.2454	.7889
	Feb	.8762	.8274	.5559	193.16	1.2312	.7799
	Mar	.8723	.8189	.5649	183.27	1.2184	.7675
	Apr	.8783	.8084	.5751	183.07	1.2204	.7699
	May	.8859	.7969	.5755	184.28	1.2189	.7644
	Jun	.9024	.7806	.5778	185.24	1.2182	.7550
	Jul	.9153	.7611	.5819	187.11	1.5200	.7512
	Aug	.9063	.7698	.5874	185.70	1.5320	.7569
	Sep	.9077	.7579	.6074	185.60	1.5390	.7589
	Oct	.8943	.7571	.6237	185.67	1.5366	.7619
	Nov	.8798	.7574	.6317	186.62	1.5318	.7636
	Dec	.8984	.7443	.6372	186.35	1.5475	.7579
1985	Jan	.8993	.7341	.6499	186.87	1.5453	.7527
	Feb	.9832	.7047	.6470	182.66	1.5600	.7344
	Mar	1.0227	.7197	.5867	182.10	1.5467	.7289
	Apr	1.0844	.7107	.5752	179.47	1.5491	.7196
	May	1.0792	.7165	.5622	180.27	1.5815	.7202
	Jun	.9987	.6661	.5145	165.73	1.3893	.6674
	Jul	.9114	.6581	.4616	155.79	1.2333	.6376
	Aug	.9279	.6530	.4669	154.86	1.1904	.6299
	Sep	.8978	.6392	.4553	139.54	1.1631	.6038
	Oct	.9120	.6398	.4447	135.54	1.0958	.5988
	Nov	.9287	.6380	.4319	128.56	1.1080	.5861
	Dec	.9099	.6201	.4304	124.52	1.2287	.5659
1986	Jan	.8646	.6186	.4371	119.21	1.1435	.5579
	Feb	.8955	.6253	.4239	112.51	1.1925	.5388
	Mar	.8625	.6142	.4171	110.49	1.1449	.5421
	Apr	.8343	.6177	.3987	103.59	1.0507	.5238
	May	.8246	.5940	.3985	101.64	1.0538	.5147
	Jun	.8687	.5826	.3808	96.41	1.0500	.4974
	Jul	.9273	.5661	.3802	88.25	1.0809	.4727
	Aug	.9065	.5491	.3735	86.17	1.1045	.4563
	Sep	.8728	.5480	.3824	84.21	1.1017	.4527
	Oct	.8247	.5292	.3969	85.45	1.0289	.4401
	Nov	.7886	.5130	.3589	84.44	.9964	.4253
	Dec	.7581	.5034	.3428	80.53	.9530	.4125
1987	Jan	.7573	.5011	.3260	76.34	.9148	.3924
	Feb	.7438	.5021	.3260	76.82	.8920	.3972

## S.I. GOVERNMENT SECURITIES ON ISSUE BY HOLDER

SI\$000's

AT END OF MONTH	DEVELOPMENT BONDS						TREASURY BILLS						NPF	CBSI
	BANKS	CBSI	NPF	STAT CORPS	PUBLIC	TOTAL	BANKS	CBSI	NPF	STAT CORPS	PUBLIC	TOTAL	TERM LOANS	SPECIAL SECURITIES
1984														
Jan	1242	140	2234	1182	2652	7450	2325	168	0			2493	4900	1333
Feb	1243	204	2234	1182	2587	7450	2325	3	0		419	2747	4880	1333
Mar	1243	204	4234	1173	1101	7955	2507	3	562	242	68	3382	6400	1333
Apr	1243	145	4234	1173	1101	7896	2507	3	562	242	68	3382	6880	1333
May	1243	147	4234	1231	1098	7953	2521	18	562	242	53	3396	6880	1333
Jun	1243	206	4234	1231	1095	8009	2521	18	562	242	53	3396	6880	1333
Jul	1243	147	4234	1231	1096	7951	2521	17	562	242	54	3396	6880	1333
Aug	1243	148	4234	1231	1095	7951	2521	5	562	255	59	3402	6880	1333
Sep	1459	70	4389	1229	804	7951	2569	5	806	452	49	3881	6880	1333
Oct	1459	13	4446	1229	804	7951	2569	9	1295	452	45	4370	6880	1333
Nov	1459	13	4446	1229	804	7951	2569	4	1295	457	45	4370	6880	1333
Dec	1459	18	4446	1229	799	7951	2569	5	1295	457	44	4370	6880	1333
1985														
Jan	1459	18	4446	1229	799	7951	2569	5	1295	457	43	4369	6824	1333
Feb	1463	19	4446	1229	794	7951	2569	5	1491	750	43	4858	6773	1333
Mar	1463	19	4446	1229	794	7951	2569	1	1491	750	47	4858	6747	1333
Apr	1463	19	4446	1229	794	7951	2765	1	1682	824	76	5348	6747	1333
May	1463	24	4446	1229	789	7951	3507	1	1777	934	77	6296	6747	1333
Jun	1463	25	4446	1229	788	7951	3507	245	1533	934	77	6296	6717	1333
Jul	1463	26	4446	1229	787	7951	3037	1392	853	934	77	6293	6690	1333
Aug	1783	26	8246	1229	955	12239	3037	2039	658	481	77	6292	6663	1333
Sep	2283	26	10246	1229	955	14739	3033	2705	0	489	77	6304	6663	1333
Oct	2843	17	10634	1229	712	15435	3478	2378	0	368	77	6301	6637	1333
Nov	3918	18	11134	1229	711	17010	2430	2751	0	280	84	5545	6637	1333
Dec	3918	19	11634	1229	710	17510	2195	3240	0	36	84	5554	6605	1333
1986														
Jan	3918	19	11634	1229	699	17499	1450	4447	0		84	5981	6583	1333
Feb	3918	30	11634	1229	700	17511	2191	4174	0	0	90	6455	6555	1333
Mar	3918	30	11634	1229	700	17511	2182	4658	0	0	90	6930	6549	1333
Apr	3918	30	11634	1229	700	17511	1976	4852	0	0	90	6918	6549	1333
May	3918	36	11634	1231	696	17515	2211	4620	0	0	78	6917	8521	1333
Jun	3918	36	11634	1231	696	17515	2211	4610	0	0	88	6909	8413	1333
Jul	3918	37	11634	1231	695	17515	2356	4391	0	0	162	6909	8384	1333
Aug	3918	38	11634	1231	672	17493	2742	4005	0	0	162	6909	8854	1333
Sep	3918	43	11634	1231	667	17493	3083	3654	0	0	172	6909	9354	1333
Oct	3918	74	12334	514	653	17493	3440	3294	0	0	175	6908	9325	1333
Nov	3918	100	12334	514	627	17493	4119	2610	0	0	180	6909	9274	1333
Dec	3918	75	12334	514	652	17493	4153	2561	0	0	187	6901	9135	1333
1987														
Jan	3918	73	12334	514	655	17494	3910	2806	0	0	186	6902	9134	1333
Feb	3918	73	12334	514	655	17494	5615	1153	0	0	134	6902	9125	1333

CURRENCY IN CIRCULATION

\$000's

At end of	Notes in Circulation						Coins in Circulation							TOTAL NOTES & COIN
	\$50	\$20	\$10	\$5	\$2	Total	\$1	20c	10c	5c	2c	1c	Total	
1984														
Jan		4499	2948	674	823	8944	361	361	218	84	39	28	1091	10035
Feb		4529	3133	692	830	9184	364	365	219	86	39	28	1101	10285
Mar		4839	3473	727	825	9864	371	375	225	88	40	28	1127	10991
Apr		5169	3778	787	868	10602	379	379	230	89	41	29	1147	11749
May		5309	3843	799	881	10832	389	387	235	91	42	29	1173	12005
Jun		5609	4048	799	910	11366	393	395	239	93	42	30	1192	12558
Jul		5729	4078	807	906	11520	398	399	243	95	43	30	1208	12728
Aug		5889	3003	817	924	10633	403	408	247	97	44	31	1230	11863
Sep		6109	4158	824	952	12043	409	411	248	98	44	31	1241	13284
Oct		6069	4023	824	951	11867	419	419	253	99	45	31	1266	13133
Nov		6349	4223	849	942	12363	424	425	256	101	45	32	1283	13646
Dec		6409	4173	879	939	12400	425	430	259	103	46	32	1295	13695
1985						0								
Jan		5910	3844	805	906	11465	418	426	259	103	46	32	1284	12749
Feb		5920	3889	795	880	11484	421	431	262	104	46	33	1297	12781
Mar		6280	4029	835	901	12045	426	433	268	106	47	33	1313	13358
Apr		6450	4159	840	924	12373	435	441	272	107	47	36	1338	13711
May		6960	4249	877	962	13048	448	451	284	111	48	34	1376	14424
Jun		7010	4204	880	957	13051	456	458	287	113	49	35	1398	14449
Jul		7050	4002	871	942	12865	461	465	290	114	50	35	1415	14280
Aug		7160	3997	853	951	12961	469	473	293	116	50	36	1437	14398
Sep		6990	3992	806	935	12723	463	473	295	118	51	36	1436	14159
Oct		7230	3967	828	967	12992	467	478	298	119	51	37	1450	14442
Nov		7390	4102	803	932	13227	472	481	299	120	52	37	1461	14688
Dec		7490	4057	816	942	13305	479	488	304	122	52	38	1483	14788
1986						0								
Jan		7370	3967	801	904	13042	482	488	304	123	53	38	1488	14530
Feb		7152	4033	771	876	12832	473	490	305	124	53	38	1483	14315
Mar		7312	4143	811	889	13155	480	496	309	126	54	39	1504	14659
Apr		6936	3783	784	871	12374	483	496	310	127	55	39	1510	13884
May		7316	4163	819	900	13198	489	499	310	128	55	39	1520	14718
Jun		7386	4138	831	905	13260	497	500	177	130	56	40	1400	14660
Jul		7172	4271	928	971	13342	493	500	176	131	56	40	1396	14738
Aug		7282	4261	903	950	13396	495	504	177	132	56	40	1404	14800
Sep		7243	4232	906	935	13316	496	501	179	134	56	40	1406	14722
Oct	229	7354	4222	889	959	13653	502	499	177	133	56	40	1407	15060
Nov	529	7374	4387	894	966	14150	499	499	177	133	56	41	1405	15555
Dec	780	7014	4232	914	982	13922	510	508	183	135	56	41	1433	15355
1987														
Jan	930	6394	4027	874	940	13165	513	507	182	137	57	41	1437	14602
Feb	1030	6164	4012	864	941	13011	518	514	183	139	57	42	1453	14464

HONIARA RETAIL PRICE INDEX

MONTH	FOOD	DRINK & TOBACCO	CLOTHING & FOOTWEAR	TRANSPORT	HOUSING & UTILITIES	MISC.	ALL ITEMS	MONTHLY % CHANGE	ANNUAL % CHANGE
WEIGHTS	510	100	49	66	125	150	1000		
1985									
JAN	103.3	104.3	100.9	100.1	100.1	100.9	102.3		
FEB	103.1	101.9	101.5	112.3	100.1	100.8	102.8	.5	
MAR	107.6	109.7	104.3	106.4	100.5	101.6	105.8	2.9	
APR	109.6	106.9	105.9	101.6	101.3	102.4	106.5	.7	
MAY	107.2	106.6	106.0	105.9	100.9	102.6	105.5	-.9	
JUN	106.2	106.6	105.6	109.0	101.5	102.7	105.3	-.2	
JUL	104.6	97.0	105.9	113.1	101.5	104.0	104.0	-1.2	
AUG	106.9	102.6	106.5	105.8	102.2	104.9	105.5	1.4	
SEP	106.8	115.4	106.5	106.7	102.2	105.8	106.8	1.2	
OCT	106.4	119.4	106.7	104.3	108.5	106.3	107.9	1.0	
NOV	105.3	118.7	107.3	109.1	108.5	107.0	107.7	-.2	
DEC	104.9	126.8	108.4	110.5	109.6	108.0	108.7	.9	
1986									
JAN	106.4	124.2	107.6	114.4	111.3	109.8	109.9	1.1	7.4
FEB	107.9	122.4	110.1	121.4	111.8	110.1	111.3	1.3	8.3
MAR	108.7	122.8	110.1	125.3	112.2	110.6	112.1	.7	6.0
APR	116.0	142.9	110.1	118.8	112.7	111.5	117.5	4.8	10.3
MAY	116.2	142.3	107.0	123.8	110.9	113.3	117.7	.2	11.6
JUN	127.1	142.1	108.1	124.3	112.3	111.3	123.6	5.0	17.4
JUL	122.6	139.8	110.7	131.6	111.9	112.5	121.6	-1.6	16.9
AUG	124.1	148.1	113.8	128.5	112.3	112.8	123.3	1.4	16.9
SEP	124.2	148.1	113.8	131.7	112.3	112.8	123.5	.2	15.6
OCT	122.5	156.6	114.2	131.9	111.0	113.3	123.4	-.1	14.4
NOV	120.9	156.5	114.4	130.2	110.8	114.1	122.6	-.6	13.8
DEC	119.5	267.2	114.6	143.2	111.5	117.2	134.4	9.6	23.6
1987									
JAN *	122.8	195.5	115.6	145.5	117.8	118.9	129.5	-3.6	17.8

\* PROVISIONAL

PRODUCTION BY VOLUME

Year	Copra (m.tonne)	Palm Oil (m.tonne)	Palm Kernels (m.tonne)	Rice Dry Paddy Harvested (m.tonne)	Cocoa (m.tonne)	Fish Catch (m.tonne)	Number of Cattle Slaughtered	Timber (Total Log Production) ( '000 Cum)	
1976	23810	4535	358	3829	114	15464	0	264	
1977	29205	7044	1435	6269	163	12056	0	259	
1978	27529	10911	1963	7658	235	17453	778	274	
1979	33616	13010	2258	10224	309	23804	1711	299	
1980	29169	14228	2349	14256	346	22755	1696	299	
1981	33673	18081	3163	13866	592	23317	1550	264	
1982	32172	19238	3603	10538	668	20434	1724	387	
1983	28421	19654	4005	9481	1115	35219	1753	395	
1984	42586	19666	3979	7137	1709	35927	1624	423	
1985	43557	18636	4093	5954	1671	31106	1666	379	
1986	30950	14560	3133	2355	1704	48800	1616	431	
Quarters									
1980	Mar	7179	4110	687	3559	52	1728	421	70
	Jun	7696	4300	728	3397	105	2403	480	87
	Sep	6943	2390	376	3505	124	8410	434	56
	Dec	7351	3428	558	3795	64	10214	351	86
1981	Mar	8092	5613	924	3605	101	2128	384	97
	Jun	9572	5170	922	3126	109	6970	382	71
	Sep	8577	3457	622	3588	197	9182	360	115
	Dec	7423	3841	695	3547	185	7037	424	82
1982	Mar	7766	5163	955	3609	152	1222	470	89
	Jun	9446	5257	963	2990	164	6177	483	77
	Sep	8059	3887	593	1950	150	6509	382	96
	Dec	6881	4931	1092	1989	201	6526	389	126
1983	Mar	5413	5775	1193	2995	203	2032	369	88
	Jun	7629	4375	1150	2221	270	7705	443	76
	Sep	7629	4375	857	2227	445	12292	468	100
	Dec	9009	3939	803	2038	197	13190	473	130
1984	Mar	10180	5455	1078	1945	248	3466	422	109
	Jun	11675	6097	1244	2048	495	13099	287	101
	Sep	10518	4232	891	1623	621	12546	469	98
	Dec	10213	3882	766	1521	345	6816	446	116
1985	Mar	9992	5361	1060	1440	220	2067	442	79
	Jun	10976	5549	1206	1514	566	6561	391	72
	Sep	10104	4387	915	1601	430	11058	469	130
	Dec	10663	4703	996	1399	455	11420	364	98
1986	Mar	8827	5549	1193	1737	402	3513	382	85
	Jun	7600	3646	790	618	694	12415	403	52
	Sep	8050	2739	643	0	213	17292	425	151
	Dec	6473	2626	507	0	395	15580	406	143

## EXPORTS SELECTED COMMODITIES BY VALUE

\$000's

Year	Fish			Fish Sub Total	Rice	Cocoa	Tobacco Manu- facture	Copra	Palm Kernels	Timber (Logs)	Sawn Timber	Timber		Palm Oil	Gold	Other Exports	Re- Exports	Total Exports	
	Fresh Frozen	Fish Smoked	Fish Canned									Sub Total	Marine Shells						Total
1976	5,965	225	1,195	7,385	12	201	78	3,634	53	6,062	196	6,258	203	1,160	58	0	0	19,042	
1977	6,375	388	1,520	8,283	297	553	117	7,988	282	7,725	178	7,903	179	2,895	56	0	0	28,553	
1978	4,979	736	1,581	7,296	807	596	94	10,212	421	6,837	344	7,181	165	4,653	89	0	0	31,514	
1979	14,587	438	1,906	16,931	950	648	67	16,922	616	14,721	1,146	15,867	278	6,590	172	26	903	60,040	
1980	19,757	781	2,641	23,179	1,510	637	132	10,515	386	14,882	1,081	15,963	326	6,650	595	757	627	51,276	
1981	19,047	344	2,573	21,964	901	894	95	8,050	432	14,728	1,343	16,071	403	7,093	520	375	753	57,555	
1982	9,886	1,147	2,934	13,967	879	895	80	8,078	520	21,387	1,463	22,850	334	6,820	416	493	1,226	56,560	
1983	24,350	1,261	3,589	29,200	87	2,258	152	8,374	1,007	18,792	1,184	19,976	531	7,789	508	379	961	71,224	
1984	25,088	610	3,101	28,799	68	3,366	105	32,199	1,963	28,742	1,316	30,060	691	15,332	715	599	2,865	116,761	
1985	27,661	727	3,566	31,955	24	5,009	87	23,471	1,365	23,769	1,035	24,808	876	12,382	770	562	2,563	103,864	
1986	46,890	1,232	4,805	52,937	9	6,472	81	5,951	412	33,953	1,774	35,727	1,201	5,611	2,219	1,143	3,138	114,890	
Quarters																			
1980	Mar	2,369	85	631	3,085	297	114	27	3,331	173	3,452	213	3,665	106	1,680	168	215	95	12,956
	Jun	0	29	347	376	394	181	45	2,096	99	5,108	362	5,470	95	1,666	83	110	77	10,692
	Sep	2,976	193	937	4,106	550	244	3	2,659	28	2,749	274	3,023	73	2,020	197	242	146	13,290
	Dec	14,412	474	726	15,612	269	98	57	2,429	86	3,573	232	3,805	52	1,284	147	190	309	24,338
1981	Mar	2,887	22	789	3,698	143	134	46	2,226	125	3,635	318	3,953	73	1,224	94	52	55	11,822
	Jun	3,496	24	664	4,185	172	107	23	1,399	34	2,803	374	3,177	64	1,909	196	186	351	12,005
	Sep	7,496	88	678	8,262	148	374	13	2,503	191	5,073	241	5,314	80	2,547	167	58	249	19,908
	Dec	5,167	210	442	5,819	138	279	13	1,922	82	3,217	410	3,627	186	1,413	163	79	98	13,820
1982	Mar	623	356	879	1,858	452	274	13	1,858	126	4,425	363	4,788	72	1,389	96	62	234	11,199
	Jun	2,504	32	787	3,323	278	161	26	1,742	91	4,874	383	5,257	94	1,925	92	146	297	13,531
	Sep	3,504	188	453	4,145	149	354	28	2,605	91	4,617	423	5,040	92	1,872	92	212	191	14,872
	Dec	3,255	571	815	4,641	0	133	13	1,873	112	7,471	294	7,765	76	1,634	136	73	504	16,958
1983	Mar	1,402	0	896	2,298	0	342	28	1,372	227	4,913	207	5,138	125	1,938	108	114	59	11,749
	Jun	4,621	580	368	5,569	12	334	14	642	72	3,958	310	4,268	122	1,023	140	107	320	12,624
	Sep	7,476	312	2,085	8,873	44	1,047	47	3,375	386	4,429	333	4,762	109	2,659	111	60	248	21,721
	Dec	10,851	369	1,240	12,460	31	535	63	2,985	322	5,474	334	5,808	175	2,169	143	104	334	25,129
1984	Mar	1,517	104	803	2,424	37	378	15	7,914	441	6,461	391	6,852	141	5,675	284	112	887	25,160
	Jun	8,316	157	672	9,145	12	1,264	15	10,657	500	6,219	488	6,708	113	4,445	136	146	737	33,877
	Sep	9,487	261	628	10,376	10	871	25	8,077	587	7,316	212	7,528	191	2,860	175	145	280	31,125
	Dec	5,768	88	999	6,855	9	853	50	5,551	435	8,746	225	8,971	246	2,352	120	196	961	26,599
1985	Mar	2,180	71	825	3,076	4	574	17	8,098	380	5,328	161	5,498	204	1,877	211	69	599	20,598
	Jun	4,336	195	641	5,173	4	1,538	70	8,035	549	6,437	175	6,612	173	4,892	225	227	608	28,102
	Sep	7,959	188	949	9,096	9	1,320	0	4,757	143	8,231	291	8,522	222	2,889	245	109	513	27,825
	Dec	13,186	273	1,151	14,610	7	1,577	0	2,581	293	3,773	408	4,181	277	2,724	89	157	843	27,339
1986	Mar	2,662	0	1,065	3,737	7	1,352	19	2,854	181	6,888	239	7,127	347	2,072	613	202	274	18,774
	Jun	11,126	168	1,318	12,611	2	1,930	0	1,337	128	8,750	536	9,286	285	1,650	435	245	294	28,203
	Sep	15,403	524	1,186	17,113	0	2,105	41	702	61	9,067	460	9,527	289	382	623	303	495	31,641
	Dec	17,699	540	1,236	19,476	0	1,085	21	1,058	42	9,248	539	9,787	280	1,507	548	393	2,075	36,272

EXPORTS - SELECTED COMMODITIES BY VOLUME

Year	Fish Fresh Frozen (mt)	Fish Smoked (mt)	Fish Canned (mt)	Fish Sub Total (mt)	Rice (mt)	Cocoa (mt)	Tobacco Manuf. (mt)	Copra (mt)	Palm Kernels (mt)	Timber Logs (000cm)	Sawn Timber (000cm)	Timber Sub Total (000cm)	Marine Shells (mt)	Palm Oil (mt)	Gold (Kg)	
1976	12,098	140	672	909	0	85	20	23,015	250	241	2	243	606	3,549	24	
1977	9,826	106	671	10,602	0	164	28	26,915	1,300	238	2	240	418	6,246	14	
1978	10,327	223	666	11,216	3,070	240	18	32,115	2,050	246	3	249	313	10,334	18	
1979	23,430	142	761	24,333	4,161	286	1	34,430	2,045	258	9	267	341	12,779	22	
1980	21,578	187	772	22,537	5,103	365	21	31,679	2,550	258	7	265	399	15,649	37	
1981	23,721	70	725	24,543	3,498	584	15	31,810	2,900	315	7	322	421	16,914	42	
1982	15,261	272	939	16,472	2,694	623	11	33,946	3,442	333	7	340	379	18,566	36	
1983	30,750	302	1,149	32,201	1,194	1,235	18	25,519	4,450	337	7	343	538	19,973	50	
1984	33,227	154	745	34,126	960	1,409	11	42,040	3,611	392	7	399	525	18,983	81	
1985	27,242	212	938	26,610	346	1,528	9	43,557	4,093	330	4	334	524	18,639	74	
1986	39,565	226	1,040	40,831	137	2,037	8	32,431	3,242	434	6	440	714	14,490	117	
Quarters																
1980	Mar	2,848	30	198	3,076	1,088	52	4	7,598	850	60	1	61	123	3,456	11
	Jun	0	9	106	115	1,167	105	8	5,359	750	76	3	79	100	3,494	7
	Sep	3,241	48	288	3,577	1,891	144	0	6,986	250	46	2	48	105	5,019	12
	Dec	15,489	100	180	15,769	957	64	9	11,736	700	76	1	77	71	3,680	7
1981	Mar	3,194	5	218	3,417	486	92	7	8,410	900	85	2	87	83	2,864	7
	Jun	3,813	5	188	4,006	1,810	82	4	5,184	100	59	2	61	44	4,520	7
	Sep	9,635	18	205	9,858	565	239	2	9,785	1,100	103	1	104	77	5,911	14
	Dec	7,079	42	141	7,262	637	173	2	8,431	500	68	2	70	217	3,619	14
1982	Mar	514	80	295	889	1,248	153	2	7,485	800	79	2	81	79	3,806	9
	Jun	3,472	9	232	3,713	928	105	3	7,343	1,302	81	2	83	110	5,147	9
	Sep	6,090	49	141	6,280	518	257	4	10,584	500	69	2	71	103	4,665	8
	Dec	5,185	134	271	5,590	0	108	2	8,534	840	104	1	105	87	4,948	10
1983	Mar	1,742	0	297	2,039	0	228	4	6,099	1,500	80	1	81	188	5,888	7
	Jun	5,709	134	142	5,985	207	187	2	2,526	500	69	1	70	121	3,095	12
	Sep	9,536	76	335	9,947	585	567	5	10,843	1,650	87	2	89	104	7,325	14
	Dec	13,763	92	375	14,230	402	253	7	6,051	800	101	2	103	125	3,667	17
1984	Mar	1,912	25	231	2,168	481	163	2	11,392	899	104	2	106	156	6,691	31
	Jun	11,208	37	193	11,438	204	510	2	12,917	980	87	3	90	94	5,085	17
	Sep	11,763	68	179	12,010	154	371	3	9,674	907	92	1	93	129	3,784	21
	Dec	8,344	24	142	8,510	121	365	4	8,057	825	109	1	110	146	3,423	12
1985	Mar	1,532	20	230	1,782	53	225	2	12,048	919	68	1	69	125	2,566	22
	Jun	4,692	50	180	4,922	52	613	7	13,007	1,496	85	1	86	102	6,473	22
	Sep	8,657	65	245	8,967	138	476	0	10,220	464	116	1	117	132	4,089	22
	Dec	12,361	77	283	12,721	103	439	0	8,282	1,214	61	1	62	165	5,511	8
1986	Mar	2,289	0	257	2,546	103	443	2	10,658	1,342	100	1	101	205	3,813	41
	Jun	10,693	32	315	11,040	34	642	0	5,509	1,100	114	2	116	174	5,106	29
	Sep	13,030	103	233	13,366	0	630	4	10,111	500	114	1	115	170	1,224	25
	Dec	13,553	91	235	13,879	0	322	2	6,153	300	106	2	108	165	4,347	22

IMPORTS BY COMMODITY GROUP AND VALUE

(SI\$'000)

Year	Food	Beverages & Tobacco	Crude Materials Inedible	Mineral Fuels Lubricates & related Material	Animol & Vegetable Oil & Fats	Chemicals	Manuf.goods Classified Chiefly by Material	Machinery & Transport Equipment	Misc.Manuf.& Articles	Misc. Transactions n.e.s.	TOTAL	
1976	3,488	1,003	130	2,700	215	1,563	3,830	6,243	1,783	198	21,088	
1977	4,076	1,220	180	3,543	277	2,048	4,577	7,002	2,538	292	25,753	
1978	4,934	1,466	241	3,547	170	2,779	5,840	8,460	3,048	282	30,766	
1979	6,362	1,906	222	6,468	584	3,309	8,818	18,908	3,724	215	50,516	
1980	6,631	1,816	417	9,874	401	3,164	10,188	24,141	4,707	207	61,544	
1981	7,046	2,343	593	15,221	333	3,830	12,127	19,306	5,029	251	66,080	
1982	8,509	2,132	545	14,404	511	3,756	9,143	13,260	4,939	234	57,443	
1983	8,210	2,723	801	17,857	741	4,205	12,605	18,472	4,798	220	70,632	
1984	13,144	3,747	1,235	19,061	788	5,044	13,553	20,051	6,735	479	80,837	
1985	15,660	3,948	886	20,829	1,806	6,120	16,181	27,003	9,792	441	102,664	
1986	16,899	4,130	862	19,641	840	5,004	16,288	31,552	8,481	753	104,450	
Quarters												
1980	Mar	1,298	353	73	1,635	136	671	2,030	6,712	862	27	10,798
	Jun	1,264	426	181	2,736	28	718	2,170	3,606	1,117	55	12,299
	Sep	2,295	496	56	2,784	145	816	3,392	7,547	1,081	60	18,652
	Dec	1,774	541	107	2,719	92	959	2,596	6,276	1,647	85	16,795
1981	Mar	1,542	458	175	3,541	89	873	2,509	3,991	1,067	74	14,319
	Jun	1,879	664	73	2,835	144	1,250	4,296	4,945	1,482	64	7,633
	Sep	1,751	634	247	3,816	62	944	2,693	4,791	1,316	40	16,314
	Dec	1,874	587	98	5,029	38	763	2,629	5,579	1,164	53	17,814
1982	Mar	1,367	425	68	3,461	224	766	2,207	2,600	730	20	11,868
	Jun	2,339	475	102	3,362	73	1,240	2,226	3,315	1,365	62	14,559
	Sep	2,483	594	172	4,159	117	929	2,289	3,953	1,351	70	16,117
	Dec	2,320	638	203	3,422	97	821	2,421	3,392	1,493	82	14,889
1983	Mar	1,528	530	240	4,666	115	1,343	2,355	4,333	872	49	15,905
	Jun	1,937	577	172	2,992	32	906	2,189	3,474	1,129	59	13,467
	Sep	2,543	779	238	4,914	123	979	2,886	5,591	1,601	51	19,705
	Dec	2,202	837	151	5,285	471	977	5,175	5,074	1,241	61	21,475
1984	Mar	2,713	769	224	3,171	69	1,051	2,484	3,722	1,209	102	15,541
	Jun	3,193	832	456	2,810	342	1,389	3,768	4,542	1,743	167	19,242
	Sep	3,840	1,048	364	5,959	174	1,641	3,253	5,773	1,729	92	23,873
	Dec	3,398	1,071	197	7,121	203	963	4,048	6,014	2,054	118	25,181
1985	Mar	3,017	761	183	3,191	415	1,416	4,117	5,352	2,260	133	20,846
	Jun	4,786	1,011	170	4,615	278	1,797	3,708	7,906	2,356	87	26,712
	Sep	4,087	1,101	360	5,606	906	1,392	4,111	7,723	2,255	127	27,668
	Dec	3,770	1,075	173	7,417	207	1,515	4,245	6,022	2,921	94	27,438
1986	Mar	3,113	907	188	4,311	251	1,250	3,286	5,708	1,519	93	20,626
	Jun	4,148	1,030	247	5,055	169	1,347	4,220	7,316	2,700	129	26,360
	Sep	4,493	1,006	226	7,611	296	1,264	4,763	12,832	1,881	326	34,698
	Dec	5,145	1,187	201	2,664	124	1,143	4,019	5,696	2,381	205	22,766



FOREIGN EXCHANGE PAYMENTS  
(includes inter company accounts)

\$'000	Quarter Ended				Year to Dec 86
	Mar 86	Jun 86	Sep 86	Dec 86	
Current Payments					
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Imports:					
Govt Imports	1,045	434	468	685	2,632
Oil Imports	5,776	5,858	3,473	4,250	19,357
Other	24,581	24,004	27,874	30,067	105,560
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Total Imports, Freight & Insurance	31,402	30,296	31,815	35,002	127,549
Services:					
Charter Fees	-	775	3,537	5,950	10,466
Travel & Transportation	2,545	2,546	2,589	2,924	10,604
Insurance	490	358	124	118	1,090
Royalties Fees etc.	905	613	634	1,280	3,432
O/S Expenses of SI Firms	737	400	471	910	2,518
Profits, Dividends & Interest	1,442	841	3,038	792	6,113
SIG: Current Payments	1,982	2,181	2,284	1,189	7,636
Official Interest	1,446	1,213	965	1,029	4,653
Other	1,152	1,440	1,898	1,473	5,963
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Total Services	10,699	10,367	15,540	15,665	52,475
Transfers:					
Gifts and Donations	529	684	708	590	2,511
Transfers by Temporary Residents	427	860	965	1,479	3,731
Emigrant Transfers	511	84	165	175	935
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Total	1,467	1,628	1,838	2,244	7,177
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Total Current Payments	43,568	42,291	49,193	52,911	187,201
Capital Payments					
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Private:					
Repayment of Loans	6	4	839	1,605	2,454
Repatriation of Investments	244	83	236	1,211	1,774
Decreasing Liabilities & & Increasing Assets	35	602	46	898	1,581
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Total	285	689	3,716	36	5,811
S.I. Government	-	416	13	737	1,166
C.B.S.I.	-	-			
Euro \$ Loan	-	-		19,662	19,662
I.M.F. Transactions	-	-	474	612	1,086
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TOTAL PAYMENTS	43,853	42,634	50,801	77,638	214,926
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Source: C.B.S.I.

FOREIGN EXCHANGE PAYMENTS  
(includes inter company accounts)

\$'000	Year Ended				
	Dec 85	Mar 86	Jun 86	Sep 86	Dec 86
Current Payments					
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Imports, Freight & Insurance	123,175	126,801	127,488	126,260	127,549
Services:					
Charter Fees	8,169	8,169	8,578	9,928	10,466
Travel & Transportation	10,554	10,710	10,860	10,797	10,604
Insurance	963	1,332	1,155	1,070	1,090
Royalties Fees etc.	5,492	4,566	3,540	2,832	3,432
O/S Expenses of SI Firms	5,994	5,056	3,951	3,041	2,518
Profits, Dividends & Interest	5,176	5,213	4,552	6,047	6,113
SIG: Current Payments	6,375	7,261	7,133	7,934	7,636
Official Interest	2,682	3,395	4,383	4,142	4,653
Other	2,469	3,344	4,172	5,838	5,963
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Total Services	47,874	49,046	48,120	51,629	52,475
Transfers:					
Gifts and Donations	2,789	2,491	2,520	2,593	2,511
Transfers by Temporary Residents & Emigrants	4,707	4,368	4,112	3,648	4,666
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Total	7,496	6,859	6,632	6,241	7,177
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Total Current Payments	178,545	182,706	183,206	184,130	187,201
Capital Payments					
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Private:					
Repayment of Loans & Investments	4,334	5,132	3,037	2,515	4,228
Decreasing Liabilities & & Increasing Assets	3,696	1,056	1,658	1,012	1,581
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Total	8,030	6,188	4,695	3,527	5,811
S.I. Government	1,787	1,787	1,737	1,054	1,166
C.B.S.I.	14,251	14,251	9,215		
Euro \$ Loan	-	-	-		19,662
I.M.F. Transactions	-	-	-	474	1,086
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TOTAL PAYMENTS	202,613	204,932	198,091	189,185	214,926
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Source: C.B.S.I.

## FOREIGN EXCHANGE RECEIPTS

[includes inter company accounts]

\$'000	Quarter Ended				Year To Dec 86
	Mar 86	Jun 86	Sep 86	Dec 86	
Current Receipts					
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Exports:					
Copra	2,395	1,525	1,465	1,295	6,680
Fish	4,301	9,369	16,742	20,935	51,347
Logs	10,073	7,590	9,661	8,305	35,629
Palm Oil & Kernels	2,468	2,536	608	1,250	6,862
Cocoa	613	1,273	1,375	847	4,108
Other	1,507	1,316	1,679	2,626	7,128
Total Exports, Freight & Insurance	21,357	23,609	31,530	35,258	111,754
Services:					
Ports Services	1,263	1,537	2,079	2,030	6,909
Fares & Transportation	21	25	83	37	166
Expenditure of O/S Travellers	1,000	1,264	1,041	1,446	4,751
Insurance	9	1,006	2,005	644	3,664
SI Expenses of O/S Firms	159	1,812	1,391	1,935	5,297
Profits, Dividends & Interest	-	15	74	67	156
Official Interest	1,695	1,221	1,102	1,139	5,157
Other	1,130	1,472	1,598	2,017	6,217
Total Services	5,277	8,352	9,373	9,315	32,317
Transfers:					
Official:					
Foreign Aid	540	1,311	2,976	17,488	22,315
Foreign Government	1,277	2,677	600	1,022	5,576
International Organisations	219	644	548	638	2,049
Private:					
Gifts, Donations, Pensions, Legacies	332	575	866	633	2,406
Transfers by Temporary Residents & Immigrants	713	636	1,013	1,238	3,600
Churches & Charitable Institutions	714	1,100	1,903	1,604	5,321
Total Transfers	3,795	6,943	7,906	22,623	41,267
Total Current Receipts	30,429	38,904	48,809	67,196	185,338
Capital Receipts					
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Private Foreign Investments:					
Direct	2,255	745	940	1,499	5,439
Other	48	-	0	0	48
Private Capital	2,930	367	409	1,381	5,087
Increasing Liabilities	993	922	0	523	2,438
Total Private Capital	6,226	2,034	1,349	3,403	13,012
SI Government	263	298	734	1,394	2,689
C.B.S.I.	-	-	0	0	0
Euro \$ Loan	-	-	0	0	0
I.M.F. Transactions	-	-	2,379	0	2,379
TOTAL RECEIPTS	36,918	41,236	53,271	71,993	203,418

FOREIGN EXCHANGE RECEIPTS  
[includes Inter company accounts]

\$'000	Year Ended				
	Dec 85	Mar 86	Jun 86	Sep 86	Dec 86
Current Receipts					
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Exports:					
Copra	21,787	17,337	12,111	8,508	6,680
Fish	30,019	30,358	35,085	44,617	51,347
Logs	27,064	31,221	32,314	32,892	35,629
Palm Oil & Kernels	19,787	17,303	14,546	9,080	6,862
Other	11,354	10,797	10,846	11,255	11,236
-----					
Total Exports, Freight & Insurance	110,011	107,016	104,902	106,352	111,754
Services:					
Ports Services	3,960	4,886	6,203	6,223	6,909
Fares & Transportation	465	335	177	140	166
Expenditure of O/S Travellers	3,743	3,950	4,524	4,307	4,751
Insurance	13	22	1,028	3,020	3,664
SI Expenses of O/S Firms	1,130	1,205	2,675	3,896	5,297
Profits, Dividends & Interest	107	55	35	96	156
Official Interest	5,876	5,944	6,030	5,079	5,157
Other	4,712	4,501	5,168	5,312	6,217
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Total Services	20,006	20,898	25,840	28,073	32,317
Transfers:					
Official:					
Foreign Aid	2,195	1,735	2,318	5,125	22,315
Foreign Government	1,943	2,916	4,830	5,140	5,576
International Organisations	1,452	1,204	1,532	1,759	2,049
Private:					
Gifts, Donations, Pensions, Legacies	1,611	1,473	1,567	2,043	2,406
Transfers by Temporary Residents & Immigrants	2,041	2,213	2,569	2,973	3,600
Churches & Charitable Institutions	2,550	3,011	3,503	4,509	5,321
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Total Transfers	11,792	12,552	16,319	21,549	41,267
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Total Current Receipts	141,809	140,466	147,061	155,974	185,338
Capital Receipts					
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Private Foreign Investments:					
Direct	984	3,239	3,727	4,479	5,439
Other	120	168	68	68	48
Private Capital	3,849	6,630	6,677	5,890	5,087
Increasing Liabilities	2,736	3,630	3,704	3,675	2,438
-----					
Total Private Capital	7,689	13,667	14,176	14,112	13,012
SI Government	3,102	2,962	3,099	1,478	2,689
C.B.S.I.	13,924	13,924	7,628	-	-
Euro \$ Loan	8,063	8,063	8,063	8,063	-
I.M.F. Transactions	-	-	-	2,379	2,379
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TOTAL RECEIPTS	174,587	179,082	180,027	182,006	203,418
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Source: C.B.S.I.