

RESERVE BANK OF VANUATU
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

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RESERVE BANK OF VANUATU
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

DIRECTORS' REPORT

In accordance with a resolution of the Board of Directors, the directors herewith submit the financial statements of the Reserve Bank of Vanuatu ("the Bank") for the year ended 31 December 2024 and the auditors' report thereon.

1. DIRECTORS

The following were directors of the Bank at any time during the financial year and up to the date of this report:

	Appointed	Resigned
Andrew Kausiama – Chairman	20/01/2021	-
August Letlet	10/11/2023	-
Serah Obed	07/07/2021	-
Steven Tahi	16/03/2021	-
Votausi Mackenzie-Reur	16/03/2021	-

2. 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 financial statements; and
- The accompanying statement of financial position gives a true and fair view of the state of affairs of the Bank as at 31 December 2024 and the accompanying statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows give a true and fair view of the results for the year then ended.

3. PRINCIPAL ACTIVITIES

The Bank's role as a central bank, as defined in the Reserve Bank of Vanuatu Act [CAP 125] are:

- (a) to regulate the issue of currency and the supply, availability and international exchange of money;
- (b) to promote monetary stability;
- (c) to promote a sound financial structure;
- (d) to foster credit and exchange conditions conducive to the orderly and balanced economic development of the country; and
- (e) to regulate the banking and insurance industry.

4. TRADING RESULTS

The net income of the Bank for the year ended 31 December 2024 was VT 2.346 billion (2023: VT 1.915 billion).

5. GOING CONCERN

The Directors believe that the Bank will be able to continue to operate for at least 12 months from the date of this report.

6. RESERVES

In accordance with section 7(1) of the Reserve Bank of Vanuatu Act, the Bank is to transfer its profit to the general reserve. There were no transfers from the statement of profit and loss and other comprehensive income to special retained earnings reserves during the year (2023: Nil).

RESERVE BANK OF VANUATU
FINANCIAL STATEMENTS
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DIRECTORS' REPORT – continued

7. DISTRIBUTION TO GOVERNMENT

In accordance with the Reserve Bank of Vanuatu Act [CAP 125] section 7(3), the balance of the net profit for the financial year remaining after all allocation under section 7(1) and section 7(2) shall be paid to the Government of Vanuatu.

Realized gains (if any) from retained earnings reserve may be distributed to the Government of Vanuatu depending on Board approval.

A dividend of VT 363.9 million were paid out to the Government of Vanuatu and the board approved a distribution of VT700million out of the distributable profit for the 2024 financial year. (2023: Vt Nil).

8. BAD AND DOUBTFUL DEBTS

The Directors took reasonable steps before the Bank's financial statements were made out to ascertain that all known bad debts were written off and adequate provision was made for doubtful debts.

In the opinion of the directors, the provision for doubtful debts of VT 27.16 million for the year ended 31 December 2024 reflects a prudent estimate based on available information, and they are not aware of any factors that would significantly impact the adequacy of this provision or the amount written off as bad debts.

9. PROVISIONS

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

10. 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 realized in the ordinary course of business.

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

11. DIRECTORS' BENEFIT

No director of the Bank has, since the end of the previous financial year, received or become entitled to receive a benefit by reason of a contract made by the Bank with the director or with a firm of which the director is a member, or with a company in which the director has substantial financial interest, other than that which is disclosed in the financial statements.

12. EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year the directors are not aware of any matter or circumstances not otherwise dealt with in this report that has significantly affected the operations of the Bank, the results of those operations or the state of affairs of the Bank.

13. BASIS OF ACCOUNTING

The Directors believe that the basis of preparation of accounts is appropriate and the Bank will be able to continue its operation for at least 12 months from the date of this statement. Accordingly, the Directors believe that the classification and carrying amounts of the assets and liabilities as stated in the accounts to be appropriate.

RESERVE BANK OF VANUATU
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

DIRECTORS' REPORT – continued

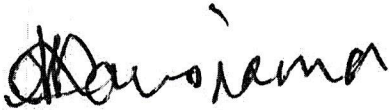
14. OTHER CIRCUMSTANCES

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 any amounts stated in the financial statements misleading.

15. UNUSUAL TRANSACTIONS

The results of the Bank's operations during the financial year have not in the opinion of the directors been substantially affected by any item, transaction or event of a material and unusual nature.

For and on behalf of the Board of Directors in accordance with a resolution of the Directors this 27 day of August 2025.



.....
Director (Chairman)



.....
Governor

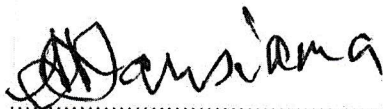
RESERVE BANK OF VANUATU
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

STATEMENT BY DIRECTORS

In the opinion of the Directors:

- a. the accompanying statement of profit or 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 2024;
- 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 2024;
- c. the accompanying statement of changes in equity is drawn up so as to give a true and fair view of the movement in equity for the year ended 31 December 2024;
- 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 2024;
- e. at the date of this statement there are reasonable grounds to believe the Bank will be able to pay its debt 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 appropriately prepared in accordance with International Financial Reporting Standards ("IFRS") and the Reserve Bank of Vanuatu Act [Cap 125].

For and on behalf of the Board of Directors in accordance with a resolution of the Directors this 27 day of August 2025.



Director (Chairman)



Governor

Independent Auditors' Report to the Board of Directors of Reserve Bank of Vanuatu

Audit Opinion

We have audited the accompanying financial statements of Reserve Bank of Vanuatu ('the Bank') which comprise the statement of financial position as at 31 December 2024, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements which includes a summary of significant accounting policies and other explanatory notes set out on pages 7 to 39.

In our opinion, the financial statements have been properly prepared in accordance with the provisions of the Reserve Bank of Vanuatu [CAP 125] and give a true and fair view of the financial position of the Bank as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in compliance with International Financial Reporting Standards.

Basis for Opinion

We have conducted our audit in accordance with International Standards on Auditing. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial statements in Vanuatu. We have fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of Matter

We draw attention to Note 27 to the financial statements, which describes the impact of the earthquake that occurred on 17th December 2024. The extent of damage to the entity's assets and the related insurance claim are still under assessment as at the date of this report. As stated in Note 27, the financial statements do not reflect any adjustments in this regard due to the uncertainty surrounding the final outcome. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Other Information

Other Information is both financial and non-financial information in Reserve Bank of Vanuatu's annual reporting which is provided in addition to the financial statements and the auditor's report. The Directors are responsible for the Other Information.

Our opinion on the financial statements does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report, we have nothing to report.

Independent Auditors' Report to the Board of Directors of Reserve Bank of Vanuatu (continued)

Responsibilities of directors for the financial statements

The directors of the Bank are responsible for:

- the preparation and fair presentation of these financial statements and the information they contain, in accordance with International Financial Reporting Standards and the Reserve Bank of Vanuatu [CAP 125];
- implementing necessary internal controls to enable the preparation of the financial statements that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

assessing the Bank's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Bank or to cease operations or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. They 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 the International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. A further description of our responsibilities for the audit of the financial statements is located at the website https://www.ifac.org/system/files/publications/files/ISA-700-Revised_3.pdf. This description forms part of our auditor's report.

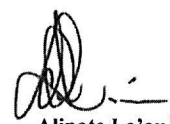
Report on Other Legal and Regulatory Requirements

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.

In our opinion:

1. proper books of account have been kept by the Bank, sufficient to enable financial statements to be prepared, so far as it appears from our examination of those books; and
2. to the best of our knowledge and according to the information and explanations given to us the financial statements give the information required by the Reserve Bank of Vanuatu [CAP 125], in the manner so required.


LAW PARTNERS
Chartered Accountants
(Qualified auditors under Section 130 of the Companies
Act No. 25 of 2012 of the Republic of Vanuatu)


Alipate La'au
Partner
Port Vila
27 August 2025

RESERVE BANK OF VANUATU
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

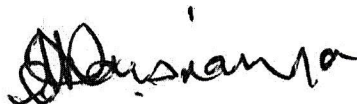
	Note	2024 VT '000	2023 VT '000
Revenue			
Interest income	6 (a)	3,661,859	3,284,571
Net realised / unrealised foreign exchange gains		25,746	-
Net gains in foreign securities market prices		11,795	75,305
Other income	6 (b)	74,977	105,290
Total revenue		<u>3,774,377</u>	<u>3,465,166</u>
Expenses			
Interest expense	7	48,600	21,164
Net foreign exchange loss		-	14,649
Personnel expenses	8	636,320	936,176
Other operating expenses	9	743,034	578,670
Total expenses		<u>1,427,954</u>	<u>1,550,659</u>
Net income for the year		<u>2,346,423</u>	<u>1,914,507</u>

This statement of profit or 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 11 to 39.

RESERVE BANK OF VANUATU
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

	Note	2024 VT '000	2023 VT '000
Assets			
Cash and cash equivalents	10	7,754,003	3,331,281
Investment securities	10	65,468,873	68,403,652
Government bonds	11	6,419,261	4,364,701
International Monetary Fund (IMF):			
Reserve tranche position	10,19	642,725	623,214
Currency subscription	19	3,535,014	3,535,014
Special drawing rights	10, 19	2,744,609	3,010,315
Other receivables	12	1,321,355	1,219,853
Currency stock (notes and coins)	13(a)	600,140	687,756
Property, plant and equipment	14	1,672,055	1,618,785
Intangible assets	15	168,091	154,272
Total Assets		<u>90,326,126</u>	<u>86,948,843</u>
Liabilities			
Demand deposits	16	50,819,104	49,139,517
Other creditors and accruals		451,316	505,159
Currency in circulation	13(b)	21,189,885	19,610,262
Reserve Bank of Vanuatu notes		2,835,317	4,586,387
International Monetary Fund	19	9,699,764	9,766,604
Employee provisions	18	386,875	379,593
Total Liabilities		<u>85,382,261</u>	<u>83,987,522</u>
Net Assets		<u>4,943,865</u>	<u>2,961,321</u>
Capital and Reserves			
Paid up capital	20	500,000	100,000
General reserve	4	3,537,874	1,955,330
Asset revaluation reserve	5(a)	325,731	325,731
Special retained earnings reserve	5(b)	580,260	580,260
Total Capital and Reserves		<u>4,943,865</u>	<u>2,961,321</u>

Signed in accordance with the resolution of the Board of Directors


.....
Director (Chairman)


.....
Governor

Port Vila, 27 August 2025

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 39.

RESERVE BANK OF VANUATU
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	Paid Up Capital VT '000	General Reserve VT '000	Asset Revaluation Reserve VT '000	Special Retained Earnings Reserves VT '000	Total Capital Reserves VT '000
Balance as at 1 January 2023		100,000	40,823	325,731	580,260	1,046,814
Net income for the year		-	1,914,507	-	-	1,914,507
Transaction with Government recognized directly in equity						
Dividend declared and paid out to Government of Vanuatu		-	-	-	-	-
Balance as at 31 December 2023		100,000	1,955,330	325,731	580,260	2,961,321
Net income for the year		-	2,346,423	-	-	2,346,423
Transaction with Government recognized directly in equity						
Dividend declared and paid out to Government of Vanuatu		-	(363,879)	-	-	(363,879)
Increase in paid up capital		400,000	(400,000)	-	-	-
Balance as at 31 December 2024		500,000	3,537,874	325,731	580,260	4,943,865

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 39.

RESERVE BANK OF VANUATU
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 VT' 000	2023 VT' 000
Cash flows from operating activities			
Interest received		3,564,029	3,021,714
Interest paid		(48,600)	(21,164)
Other operating receipts		51,750	68,053
Other operating payments		(1,235,048)	(1,431,488)
Purchase of currency stock		-	39,476
Net movement of amortised cost investment securities		8,149,184	(10,346,502)
Net movement in International Monetary Fund accounts		(19,511)	(9,986)
Net movement in fair-value through profit or loss investments		(5,202,610)	6,459,560
Net cash provided by/used in operating activities		5,259,194	(2,220,337)
Cash flows from investing activities			
Net acquisition of Government bonds		(2,054,560)	(1,039,645)
Net movement in staff loans		19,555	6,854
Purchase of property, plant and equipment		(155,886)	(36,590)
Purchase of intangible assets		(13,819)	(84,277)
Net cash used in investing activities		(2,204,710)	(1,153,658)
Cash flows from financing activities			
Net movement in currency in circulation		1,578,988	1,014,345
Net movement in commercial banks deposits		830,180	(1,271,364)
Net movement in Government deposits		536,474	209,892
Net movement in international institution & agencies deposits		(50,946)	(354,698)
Net movement in IMF credit facilities		198,866	68,753
Net movement in Reserve Bank of Vanuatu notes		(1,751,070)	1,092,975
Net cash provided by financing activities		1,342,492	759,903
Net increase / (decrease) in cash and cash equivalents		4,396,976	(2,614,092)
Cash and cash equivalents at the beginning of the financial year		3,331,281	5,960,021
Effects of exchange rate changes on foreign currency balances	3(b)	25,746	(14,648)
Cash and cash equivalents at the end of the financial year	10	7,754,003	3,331,281

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 39.

RESERVE BANK OF VANUATU
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

1. GENERAL INFORMATION

(a) Legal framework

The Reserve Bank of Vanuatu ("the Bank") operates under the Reserve Bank of Vanuatu Act [CAP 125] ("RBV Act"). The Bank is an independent legal entity wholly owned by, and reporting to, the Government of the Republic of Vanuatu. The Bank is responsible for ensuring:

- Regulation of the issue, supply, availability and international exchange of the currency of Vanuatu;
- Supervision and regulation of banking business and the extension of credit;
- Advising the Government on banking and monetary matters;
- Promoting monetary stability;
- Promoting a sound financial structure;
- Fostering economic conditions conducive to the orderly and balanced economic development of Vanuatu, and
- Regulation and supervision of domestic and international (offshore) banks.

Section 6 of the RBV Act states that the net profit of the Bank for any financial year shall be determined by the application of International Financial Reporting Standards.

The financial statements were authorized for issue by the Board of Directors on ____ day of ____ 2025.

(b) Statement of compliance

The financial statements of the Bank are general purpose financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and the financial reporting provisions of the Reserve Bank of Vanuatu Act [CAP 125] ("RBV Act").

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost basis, and do not take into account changes in money values except for the fair-value-through profit or loss financial assets are measured at fair value in the statement of financial position:

(a) Functional and presentation currency

The financial statements are presented in Vanuatu currency (Vatu) which is the Banks presentation and functional currency.

(b) Standards, amendments and interpretations effective in the year ended 31 December 2024

The following standards, amendments and interpretations to existing standards became applicable for the first time during the accounting period ended 31 December 2024.

- Amendment to IAS 1 - Non-current liabilities with covenants. These amendments clarify how conditions which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these amendments.
- Amendment to IFRS 16 - Leases on sale and leaseback. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
- Amendment to IAS 7 and IFRS 7 - Supplier finance. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

The above changes did not have a material impact on the bank.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS - continued

(c) Standards, amendments, and interpretations issued but not yet effective for the year ended 31 December 2024 or adopted early

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the entity's accounting periods beginning on or after 1 January 2025 or later periods, but the entity has not early adopted them:

- Amendments to IAS 21 – Lack of Exchangeability (effective 1 January 2025 - early adoption is available). An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.
- Amendment to IFRS 9 and IFRS 7 – Classification and Measurement of Financial (effective 1 January 2026 - early adoption is available). These amendments:
 - clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
 - clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
 - add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
 - make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).
- Annual improvements to IFRS – Volume 11 (effective 1 January 2026 - with earlier application permitted). Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. The 2024 amendments are to the following standards:
 - IFRS 1 First-time Adoption of International Financial Reporting Standards;
 - IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;
 - IFRS 9 Financial Instruments;
 - IFRS 10 Consolidated Financial Statements; and
 - IAS 7 Statement of Cash Flows.
- IFRS 18 Presentation and Disclosure in Financial Statements (effective 1 January 2027). This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:
 - the structure of the statement of profit or loss;
 - required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
 - enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective 1 January 2027 - Earlier application is permitted). This new standard works alongside other IFRS Accounting Standards. An eligible subsidiary applies the requirements in other IFRS Accounting Standards except for the disclosure requirements and instead applies the reduced disclosure requirements in IFRS 19. IFRS 19's reduced disclosure requirements balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers. IFRS 19 is a voluntary standard for eligible subsidiaries. A subsidiary is eligible if:
 - it does not have public accountability; and
 - it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS – continued

New IFRS sustainability disclosure standards effective after 1 January 2025

IFRS S1, 'General requirements for disclosure of sustainability-related financial information (effective 1 January 2024 - This is subject to endorsement by the Accounting Standards Board). This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.

IFRS S2, 'Climate-related disclosures' (effective 1 January 2024 - This is subject to endorsement by the Accounting Standards Board). This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

The bank has conducted investigations and does not consider that there are any measurement or recognition issues arising from the release of these new pronouncements that will have a significant impact on the reported financial position or financial performance of the Bank.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Revenue recognition

Operating revenue is recognized on an accrual basis and includes interest income, gains on foreign securities market prices, net gains on foreign exchange dealing with commercial banks and other income.

Interest income and interest expense

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 on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

Revenue from contracts with customers

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

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

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES – continued

(b) Foreign currency translation

- i) Transactions in foreign currencies are converted to Vatu at the rates of exchange prevailing on transaction dates. Monetary assets and liabilities denominated in foreign currencies at reporting date are retranslated to functional currency at the rates of exchange prevailing at that date.
- ii) Foreign currency differences arising on retranslation of monetary assets and liabilities are recognised in profit or loss in accordance with IFRS.
- iii) Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of transaction.
- iv) According to Section 7(2) of the RBV Act, the Board may set up other special retained earnings reserves from time to time when required. Such reserves may also be built up by net unrealized gains, and any subsequent realized components would then be available for distribution to the Government of the Republic of Vanuatu.

(c) Coins sold as numismatic items

The Bank sells, or receives royalties on coins which are specially minted or packaged as numismatic items. These coins have not been accounted for as currency in circulation as they were not issued for monetary purposes.

(d) Financial Assets

Classification

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

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

The Bank's investment in foreign bonds are classified as FVTPL. All other financial assets are classified as amortized costs.

Debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Bank becomes a party to the contractual provisions of the instrument.

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

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES – continued

(d) Financial Assets (continued)

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

Financial assets: Business model assessment

The Bank makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how the performance of the portfolio is evaluated and reported to the Bank's management.
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Bank's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL. The Bank's foreign bonds forming part of its external reserve are managed and evaluated on a fair value basis.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Bank considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES – continued

(d) Financial Assets (continued)

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Impairment of financial assets

Financial instruments

The Bank recognises loss allowances for ECLs on financial assets measured at amortised cost.

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

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

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

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

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

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

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

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES – continued

(d) Financial Assets (continued)

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

Write-off

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

Modifications of financial assets

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES – continued

(d) Financial Assets (continued)

Derecognition of financial assets

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

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

(e) Financial Liabilities

Classification and recognition

The non-derivative financial liabilities of the Bank include demand deposits, creditors and accruals, and Reserve Bank of Vanuatu notes. Financial liabilities are recognized on the trade date when the Bank becomes a party to the contractual provisions of the instrument.

Measurement

These non-derivative financial liabilities are initially measured at fair values less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

Derecognition of financial liabilities

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

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

(f) Demand deposit liabilities

Demand deposits represent funds placed with the Bank by the Vanuatu Government, domestic financial institutions and other organizations. Demand deposits are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method. These deposits are at call (except for statutory reserve deposit) and are disclosed in Note 16.

(g) 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.

(h) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are initially measured at cost less accumulated depreciation and any accumulated impairment losses except for land and buildings. Land and buildings are initially recognized at cost less accumulated depreciation and subsequently revalued to fair value.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES – continued

(h) Property, plant and equipment – continued

Land acquired by way of lease is stated at an amount equal to the lease premium at the inception of the lease, less accumulated amortization and subsequently revalued to fair value.

Costs include expenditure that is directly attributable to the acquisition of the asset.

The gain or loss on disposal of assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal, and is included in profit or loss in the year of disposal.

Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Bank. Expenditure on repairs and maintenance of property, plant and equipment incurred which does not add to future economic benefits expected from the assets is recognized in profit or loss.

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	40 years
Plant and equipment	3 – 10 years
Motor vehicles	4 years
Leasehold land is amortized over the term of the lease.	

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. This included a review of the asset classes, estimated useful lives and depreciation rates, and current market values were deemed appropriate.

Any gain on revaluation of leasehold land and buildings is recognised in other comprehensive income and transferred to the Asset Revaluation Reserve while any loss is recognised in profit or loss.

(i) Intangible assets

Intangible assets refer to acquired computer software. They are carried at historical cost less accumulated amortisation and impairment (if any). Cost of the software includes direct expenses incurred to acquire and bring to use the specific software. Other enhancement costs to the existing software are capitalized only if the benefit will produce additional future economic benefit exceeding more than one year.

Capitalized acquired software and software development costs are amortized on a straight-line basis over its estimated useful life which is 7 years. Any maintenance cost associated with the software is expensed when incurred.

(j) Currency stock (notes and coins)

Inventories of currency on hand are recognized in the statement of financial position at cost. Costs include the cost of bringing inventories to their present location and condition. When currency is issued into circulation, the value of the inventory is reduced and an expense is recorded in profit or loss. Currency issuance is determined on a first-in-first-out (FIFO) basis.

(k) Income Tax

The Bank is exempt from income tax in accordance with Section 42 of the RBV Act.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES – continued

(l) Employee entitlements

Employee remuneration entitlements are determined by the Governor (in consultation with the Board) in terms of Section 10 of the RBV Act. The provision for employees' entitlements to wages and salaries, annual leave, severance pay and other current employee entitlements (that are expected to be paid within twelve months) are accrued at nominal amounts based on current wage and salary rates.

Liabilities for other employee entitlements, which are not expected to be paid or settled within twelve months of reporting date which comprise of gratuity are accrued in respect of all employees at the present value of future amounts expected to be paid.

Vanuatu National Provident Fund

Employer contributions to the above fund are included as an expense in profit or loss.

(m) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include notes and coins held by the Bank, teller's cash, current accounts and other short-term highly liquid investments with original terms to maturity of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

(n) Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative standalone price.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES – continued

(n) Leases (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

ii. As a lessor

When the Bank acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Bank recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(o) Rounding

Amounts in the financial statement are rounded to the nearest thousand Vatu unless otherwise stated.

(p) Comparatives

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

4. GENERAL RESERVE AND DISTRIBUTION OF PROFITS

Section 7 of the RBV Act required the bank to create and maintain a General Reserve. The purpose of the General Reserve is to provide for events which are contingent and non-foreseeable, including covering exceptional losses on the Bank's holdings of domestic and foreign securities that cannot be absorbed by its other resources; the Reserve also provides for potential losses from fraud and other non-insured losses.

Section 7 of the RBV Act states that:

- (a) net profit be transferred to the General Reserve until the balance thereof is equal to half the authorized capital;
- (b) once the balance of the General Reserve is equal to half the authorized capital, half the net profit be transferred to the General Reserve until the balance thereof is equal to the authorized capital;
- (c) once the balance of the General Reserve is equal to the authorized capital, 10% of the net profit be transferred to the General Reserve;
- (d) after allocation of the net profit as above, the Board may set up special retained earnings reserve which will be built up by unrealized gains and any subsequent realized components are available for distribution to the General Reserve or to Government as dividends; and
- (e) the balance of the net profit for the financial year remaining after all deductions as above be paid to the Government.

In the current year, profit of VT 2.346 billion (2023: VT 1.915 billion) has been transferred to the General Reserve and of which VT 2,111.78 million will be available for distribution (2023: VT 763.9 million). Consequently, the General Reserve balance increased to VT 3.537 billion as at 31 December 2024 (2023: VT 1.955 billion).

RESERVE BANK OF VANUATU
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5. OTHER RESERVES

(a) Asset Revaluation Reserve

The Bank has established an Asset Revaluation Reserve for revaluation of land and buildings.

(b) Special Retained Earnings Reserves

The Bank has established a Special Retained Earnings Reserves. Unrealized gains and losses on revaluation of foreign exchange balances are recognized in the statement of profit or loss and other comprehensive income and are transferred to the special retained earnings reserves at the end of the accounting period. Any subsequent realized components are available for distribution to the General Reserve or to Government as dividends.

6. INCOME

(a) Interest Income

	2024 (VT'000)	2023 (VT'000)
Overseas Investment: Short-term investments	2,928,543	2,833,326
Overseas Investments: Long-term investments	368,293	241,433
Domestic Investments	360,605	205,457
Staff Loans & Advances	4,418	4,355
	<u>3,661,859</u>	<u>3,284,571</u>

(b) Other Income

	2024 (VT'000)	2023 (VT'000)
Sundry income	7,580	2,584
Dealing profit	28,286	47,704
Rental income	22,338	37,555
Insurance fee income	9,748	10,206
Others	7,025	7,241
	<u>74,977</u>	<u>105,290</u>

7. INTEREST EXPENSE

	2024 (VT'000)	2023 (VT'000)
Interest on Government accounts	1,017	2,427
Interest on Reserve Bank of Vanuatu notes	30,469	17,071
Other	17,114	1,666
	<u>48,600</u>	<u>21,164</u>

Interest is paid only on Government of Vanuatu's operating account which is held with the Bank.

RESERVE BANK OF VANUATU
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8. PERSONNEL EXPENSES

	2024 (VT'000)	2023 (VT'000)
Staff costs	282,313	281,296
Superannuation contribution (VNPF)	11,881	9,182
Staff training	83,084	60,385
Severance pay, long service leave, accrued annual leave and gratuity expense	94,036	427,479
Other Staff Allowances	80,170	91,162
Business travel	84,836	66,672
	<u>636,320</u>	<u>936,176</u>

9. OPERATING EXPENSES

	2024 (VT'000)	2023 (VT'000)
Amortisation and depreciation	102,616	85,707
Amortisation of currency	88,251	64,309
Auditor's remuneration	5,120	5,120
Communication expense	34,160	38,649
Corporate social responsibility	3,455	23,436
IMF charges	235,655	152,113
License and membership fees	34,428	12,650
Maintenance and other contract agreements	22,085	18,567
Other expenses	217,264	178,119
	<u>743,034</u>	<u>578,670</u>

10. EXTERNAL ASSETS

Under Section 22 of the RBV Act, the value of the external reserves (represented by the Bank's external assets) shall not be less than 50% of the total demand liabilities of the Bank. As at 31 December 2024, the value of the external reserves was 127% (2023: 128%) of total demand liabilities.

a. External assets consist of the following:

	2024 (VT'000)	2023 (VT'000)
Cash	383,279	855,349
Current and call accounts	6,700,572	1,499,131
Short term deposits	670,152	976,801
Total cash and cash equivalents	<u>7,754,003</u>	<u>3,331,281</u>
Treasury notes, term deposits, bonds and bills:		
- Financial assets at fair value through profit and loss	14,329,615	9,115,210
- Amortised cost	51,139,258	59,288,442
Total investment securities	<u>65,468,873</u>	<u>68,403,652</u>

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10. EXTERNAL ASSETS – continued

	2024 (VT'000)	2023 (VT'000)
IMF external reserve assets:		
Special drawing rights holdings	2,744,609	3,010,315
Reserve tranche position	642,725	623,214
Total IMF external reserve assets	3,387,334	3,633,529
Total external assets	76,610,210	75,368,462
<u>Current and non-current external assets</u>		
Current external assets	70,012,527	67,962,047
Non-current external assets	6,597,683	7,406,415
Total external assets	76,610,210	75,368,462

External assets are defined by the RBV Act as including any internationally recognized reserve asset. In these financial statements, external assets also include fully convertible foreign currency balances equivalent to VT 114,912 Mn (2023: VT 170,667 Mn) held with local banks in Vanuatu.

11. GOVERNMENT BONDS

Government bonds held with Reserve Bank

	2024 (VT'000)	2023 (VT'000)
0-3 years	703,780	804,890
4-7 years	1,084,540	937,420
8-10 years	2,133,836	2,127,736
11-16 years	2,497,105	494,655
Balance at the end of the financial year	6,419,261	4,364,701
<u>Current and non-current government bonds</u>		
Current external assets	703,780	100,020
Non-current external assets	5,715,481	4,264,681
	6,419,261	4,364,701

These bonds are valued in accordance with note 3(d). The bonds have varying maturity with the longest term maturing in 2040. They carry yields ranging from 3.00% - 7.5%.

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12. OTHER RECEIVABLES

	2024 (VT'000)	2023 (VT'000)
Interest receivable	775,184	665,800
Staff loans and advances	264,152	283,707
Sundry debtors	78,637	47,484
Other	203,382	222,862
	<u>1,321,355</u>	<u>1,219,853</u>

13. CURRENCY ACTIVITIES

	2024 (VT'000)	2023 (VT'000)
(a) Currency Stock (notes and coins)		
Balance at the beginning of the financial year	687,756	727,232
Purchase of stock / adjustment	-	24,833
Currency issued into circulation	(87,616)	(64,309)
Balance at the end of the financial year	<u>600,140</u>	<u>687,756</u>
(b) Currency in circulation		
Notes	19,653,230	18,173,371
Coins	1,536,655	1,436,891
Total currency in circulation	<u>21,189,885</u>	<u>19,610,262</u>

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14. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings (VT'000)	Computer and Office Equipment (VT'000)	Others (VT'000)	Total (VT'000)
At 1 January 2023				
Cost or valuation	2,104,020	451,632	169,462	2,725,114
Accumulated depreciation	(525,252)	(381,350)	(150,610)	(1,057,212)
Net book value	1,578,768	70,282	18,852	1,667,902
Year ended 31 December 2023				
Opening net book value	1,578,768	70,282	18,852	1,667,902
Additions	3,903	26,421	778	31,102
Adjustment to cost & depreciation	-	-	-	-
Disposals	-	-	-	-
Depreciation	(43,901)	(28,786)	(7,532)	(80,219)
Closing net book value	1,538,770	67,917	12,098	1,618,785
At 31 December 2023				
Cost or valuation	2,107,923	478,053	170,240	2,756,216
Accumulated depreciation	(569,153)	(410,136)	(158,142)	(1,137,431)
Net book value	1,538,770	67,917	12,098	1,618,785
Year ended 31 December 2024				
Opening net book value	1,538,770	67,917	12,098	1,618,785
Additions	76,466	50,714	15,141	142,321
Adjustment to cost & depreciation	-	-	-	-
Disposals	-	-	(5,900)	(5,900)
Depreciation	(52,309)	(29,687)	(1,155)	(83,151)
Closing net book value	1,562,927	88,944	20,184	1,672,055
At 31 December 2024				
Cost or valuation	2,184,399	528,767	179,481	2,892,637
Accumulated depreciation	(621,462)	(439,823)	(159,297)	(1,220,582)
Net book value	1,562,927	88,944	20,184	1,672,055

RESERVE BANK OF VANUATU
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15. INTANGIBLE ASSETS

	Computer Software (VT'000)	WIP (VT'000)	Total (VT'000)
At 1 January 2023			
Cost	121,410	-	121,410
Accumulated amortization	(51,415)	-	(51,415)
Net book amount	<u>69,995</u>	<u>-</u>	<u>69,995</u>
Year ended 31 December 2023			
Opening net book amount	69,995	-	69,995
Additions	24,562	65,203	89,765
Disposals	-	-	-
Transfer from WIP	-	-	-
Amortisation charge	(5,488)	-	(5,488)
Closing net book amount	<u>89,069</u>	<u>65,203</u>	<u>154,272</u>
At 31 December 2023			
Cost	145,972	65,203	211,175
Accumulated amortization	(56,903)	-	(56,903)
Net book amount	<u>89,069</u>	<u>65,203</u>	<u>154,272</u>
Year ended 31 December 2024			
Opening net book amount	89,069	65,203	154,272
Additions	13,187	14,197	27,384
Disposals	-	-	-
Transfer from WIP	-	-	-
Amortisation charge	(13,565)	-	(13,565)
Closing net book amount	<u>88,691</u>	<u>79,400</u>	<u>168,091</u>
At 31 December 2024			
Cost	159,159	79,400	238,559
Accumulated amortization	(70,468)	-	(70,468)
Net book amount	<u>88,691</u>	<u>79,400</u>	<u>168,091</u>

The intangible asset relates to the computer software for the Bank's financial system.

16. DEMAND DEPOSITS

	2024 (VT'000)	2023 (VT'000)
Due to commercial banks	38,153,101	37,322,921
Due to government – Vanuatu Government	12,063,101	11,491,102
Due to international institutions and agencies	602,902	325,494
Balance at the end of the financial year	<u>50,819,104</u>	<u>49,139,517</u>

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17. DISTRIBUTION PAYABLE TO GOVERNMENT OF VANUATU

In accordance with the Reserve Bank of Vanuatu Act [CAP 125] section 7(3), the balance of the earnings available for distribution after allocation/transfer to the General reserve is to be distributed to the Government. If the Board has set up a 'retained earnings reserve' then only realized gains from this reserve are available for distribution depending on Board approval. Accordingly, VT 2,111.78 million (2023: VT 763.9 Mn) of the net profit as at balance date is available to be distributed to the Government of the Republic of Vanuatu.

On 17 June 2025, the Board of Directors approved the distribution of profits for the year ended 31 December 2024, comprising a transfer of VT 1.311 billion to the Special Retained Earnings Reserves and a dividend payment of VT 700 million to the Government of Vanuatu.

18. EMPLOYEE PROVISIONS

	2024 (VT'000)	2023 (VT'000)
Opening balance	379,593	347,282
Additional provisions recognized	66,382	244,967
Utilised/ reversals	(59,100)	(212,656)
Closing balance	<u>386,875</u>	<u>379,593</u>

19. INTERNATIONAL MONETARY FUND

- Vanuatu is a member of the International Monetary Fund (IMF) and the Bank has been designated as both the Government's fiscal agency (through which the Government deals with the IMF) and assumed the Republic of Vanuatu's obligation.
- Special drawing rights ("SDR") is an interest-bearing international reserve asset created by the IMF and is allocated to members on the basis of their quotas in the IMF. As at balance date this Special drawing rights holdings (asset) had a balance of VT 2,744,609 Mn (2023: VT 3,010,315 Mn) and is included as part of External reserves of the Bank (refer to Note 10).
- The liabilities to the IMF include subscriptions which are maintained in the IMF No.1 and IMF No.2 accounts and which are disclosed together as capital subscriptions. The IMF maintains such balances in their accounts in both Special Drawing Rights (SDR) and VATU equivalents; the Bank balances are only maintained in VATU.

In June 2016, the IMF approved and disbursed an amount of SDR 8.5 million under the Rapid Credit Facility (RCF) for the purpose of supporting Vanuatu's reserves and balance of payment after extensive damages sustained by a category 5 tropical cyclone Pam in March 2015.

- Rapid Credit facility – Financing under this facility carries a Zero interest rate through 2017. It has a grace period of 5 ½ years and a final maturity of 10 years. The first repayment under this facility commenced in December 2020 until its maturity in June 2025.

	2024 (VT'000)	2023 (VT'000)
IMF Assets		
Special drawing rights holding	2,744,609	3,010,315
Reserve tranche position	642,725	623,214
Currency subscriptions	<u>3,535,014</u>	<u>3,535,014</u>
	<u>6,922,348</u>	<u>7,168,543</u>
IMF Liabilities		
No.1 account	652,492	659,983
No.2 account	363	368
Special drawing rights allocation	5,985,964	5,804,251
Securities	2,930,742	2,923,250
Rapid credit facility	<u>130,203</u>	<u>378,752</u>
	<u>9,699,764</u>	<u>9,766,604</u>

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20. SHARE CAPITAL

	2024 (VT'000)	2023 (VT'000)
Authorised capital at Vatu 1 par value	1,000,000	1,000,000
Issued and paid-up capital	500,000	100,000

21. RELATED PARTY INFORMATION

Identity of related parties

The Bank's ultimate parent entity is the Government of the Republic of Vanuatu. The Board of Directors during the financial year ended 31 December 2024 were;

Andrew Kausiama - Chairman
Letlet August
Serah Obed
Steven Tahi
Votausi Mackenzie-Reur

During the year, key management personnel consisted of the following executives:

Name	Current Position
Letlet August	Governor
Noel Vari	Deputy Governor
Dr. Michael Samuel Hililan	Principal Advisor
Simon Tiwok	Advisor, Head of Policy
Marinette Abbil	Director (Financial Regulations)
Frederic Jacob	OIC - Director (Financial Markets)
Kensen Seri	OIC - Director (Support Services Department)
Cynthia Moli	OIC - Director (Economic and Research Department)
Andrea Molisa	Head of Communication

Transactions with related parties

The transactions with the Government of the Republic of Vanuatu include banking services, foreign exchange transactions, purchase of government bonds, registry transactions and distributions as noted in the statement of changes in equity. During the year, the Bank received VT 376.65 Mn (2023: VT 196.67 Mn) of interest income from its investments in Government bonds. Refer to statement of financial position for Government securities, note 7 for interest earned by the Government on their deposits, note 11 for the Bank's investment in Government bonds at year end and note 16 for Government deposits held with the Bank at year end. Interest receivable from Government on bonds as at year end amounted to VT 180.3 Mn (2023: VT 78.7Mn).

The Board of Directors excluding the executive directors are paid a sitting allowance for the services rendered. The Bank also incurs general expenses such as venue hire for meetings and air travel expenses and provides non-cash benefits to the Executive Directors and executive officers in addition to their salaries such as use of the Bank's motor vehicles.

Total remuneration paid to Directors and key management personnel is as follows:

	2024 (VT'000)	2023 (VT'000)
Directors' sitting allowances	210	380
Directors' expenses	8,486	10,924
Executive officers	80,903	73,522
	<u>89,599</u>	<u>84,826</u>

The Bank also provides loans to its staff. Total loans owing by the executive officers as at balance date equals VT 28.81m (2023: VT 45.082 Mn). The loans attract interest which range from 2% to 6% per annum and are required to be paid in accordance with the Bank's staff loan policies approved by the Board.

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22. EMPLOYEES

The number of fulltime permanent employees as at 31 December 2024 was 106 (2023: 103).

23. CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities as at the date of signing the Directors Report. (2023: nil).

24. COMMITMENTS

There are no capital commitments at balance sheet date other than those disclosed in Note 27 (2023: nil)

25. FINANCIAL RISK MANAGEMENT POLICIES

Exposure to operational, credit, liquidity and market risk arises in the normal course of the Bank's operations. The structure of the Bank's statement of financial position is primarily determined by the nature of its statutory functions. At the same time the Bank continually manages its exposure to risk, through a variety of risk management techniques. Risk management of the Bank is regulated by internal guidelines, and closely monitored by the Board.

Operational risk is controlled by a number of internal guidelines, and there is clear segregation of front office and back-office activity which are mechanisms for managing operational risk.

Credit risk

The Bank is subject to credit risk exposure. This is the risk that a counter party will be unable to pay amounts in full when due. The Bank's maximum credit risk, excluding the value of collateral, is generally reflected in the carrying value of financial assets. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. The Bank does not require collateral in respect of financial assets except in respect of loans to staff.

Management has a credit policy in place. Credit risk on transactions in foreign currency reserves is managed through the approval of transactions and placement of funds, the establishment of limits restricting risk and constant monitoring of positions. Counter party limits are set based on credit ratings and are subject to regular review. Currency risk and the exposure in the local currency portfolio is also monitored and managed.

Credit risk on financial assets is minimized by dealing with recognized monetary institutions with minimum acceptable credit ratings and operational limits.

The total exposure of credit risk in the Bank's portfolio is as follows:

	2024 (VT'000)	2023 (VT'000)
Foreign currency assets		
Cash and cash equivalents (exclude cash on hand)	7,370,724	2,475,932
Investment securities	64,468,873	67,403,652
International Monetary Fund (IMF): Special drawing rights / Reserve tranche position / Currency subscriptions	6,922,348	7,168,543
	<u>78,761,945</u>	<u>77,048,127</u>
Local currency assets		
Investment securities	1,000,000	1,000,000
Government bonds	6,419,261	4,364,701
Other receivables	1,321,355	1,219,853
	<u>8,740,616</u>	<u>6,584,554</u>
	<u>87,502,561</u>	<u>83,632,681</u>

25. FINANCIAL RISK MANAGEMENT POLICIES – continued

Credit risk - continued

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

Concentration by currency	2024	2023
	%	%
AUD	31.5	34.5
CNY	0.6	0.6
EUR	8.7	9.3
GBP	0.3	0.3
JPY	0.1	0.1
NZD	9.1	10.3
SDR	8.0	8.7
USD	33.0	29.7
VT	8.7	6.5
	<u>100</u>	<u>100</u>

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

Concentration by credit rating	2024	2023
	%	%
AAA	38.38	36.99
AA+	9.36	5.42
AA	1.75	3.91
AA-	15.48	22.82
A+	21.75	21.76
A	4.96	3.50
BB-	7.85	5.60
	<u>100.00</u>	<u>100.00</u>

Cash

The Bank held cash of VT 6,700,572 Mn (2023: VT 1,499.131 Mn). This cash is held with banks which are rated A- to AAA based on Standards and Poor's (S & P) credit ratings.

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

The Bank does not consider the impairment to be material. The Bank uses a similar approach of assessment of ECLs for cash to those used for debt securities.

Debt investment securities

The Bank held debt investment securities of VT 85,668.172 Mn (2023: VT 78,004.010 Mn). The debt investment securities are held with banks and the Vanuatu Government. Debt investment securities held with the foreign sovereign and corporate institutions, and Vanuatu Government are rated A to AAA and BB- respectively based on Standards and Poor's (S & P) credit ratings. The Bank monitors changes in credit risk by tracking published external credit ratings but when external credit ratings are not available or published, the Bank monitors changes in credit risk by remaining available press and regulatory information.

Impairment on debt investment securities held with banks has been measured on the 12 month expected loss basis. This is because the Bank consider that its debt investment securities held with banks have low credit risk based on the external credit ratings. Whereas, impairment on debt investment securities held with Government of Vanuatu has been measured on the lifetime expected loss basis except for Government securities which reflects the short maturities of the exposure.

The Bank does not consider the impairment to be material.

25. FINANCIAL RISK MANAGEMENT POLICIES – continued

Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting financial obligations. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates and maintaining of the adequate level of liquidity at all times.

The Bank holds a diversified portfolio of cash and cash equivalents plus highly graded Government bonds to support payment obligations and contingent funding in a stressed environment. The Bank's comfortable level of liquidity is equated to 6 months of import cover. A cash balance is maintained at all times in different current accounts and an emergency fund of about VT 1.6 billion is maintained with one of the central banks.

The Bank's assets held for managing liquidity risks comprise of high-quality instruments, including commercial papers, particularly Negotiable Certificates of Deposits and Bank Bills, and debt issued by foreign Governments which are easily converted to cash.

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25. FINANCIAL RISK MANAGEMENT POLICIES – continued

Liquidity risk - continued

The following are contractual maturities of financial assets and financial liabilities at year end. The amounts are gross and undiscounted, and include contractual interest payments.

31 December 2024	On demand (VT'000)	0 - 3 months (VT'000)	3 - 6 months (VT'000)	6 - 12 months (VT'000)	Over 1 year (VT'000)	No specific maturity (VT'000)	Total (VT'000)	Carrying amount (VT'000)
ASSETS								
Cash and cash equivalents	7,083,850	670,153	-	-	-	-	7,754,003	7,754,003
Investment securities	-	31,404,872	16,081,248	7,509,174	11,501,638	-	66,496,932	65,468,873
Government bonds	-	-	-	724,893	8,450,644	-	9,175,537	6,419,261
Other receivables *	-	112,638	9,320	18,640	185,331	-	325,929	325,929
IMF	-	-	-	-	-	6,922,348	6,922,348	6,922,348
	7,083,850	32,187,663	16,090,568	8,252,707	20,137,613	6,922,348	90,674,749	86,890,414
LIABILITIES								
Other creditors and accruals	-	451,316	-	-	-	-	451,316	451,316
Demand deposits	50,819,104	-	-	-	-	-	50,819,104	50,819,104
Reserve Bank of Vanuatu Notes	-	2,835,317	-	-	-	-	2,835,317	2,835,317
Currency in Circulation	-	-	-	-	-	21,189,885	21,189,885	21,189,885
IMF	-	-	-	-	-	9,699,764	9,699,764	9,699,764
	50,819,104	3,286,633	-	-	-	30,889,649	84,975,338	84,995,386

* - excludes interest receivables

RESERVE BANK OF VANUATU
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25. FINANCIAL RISK MANAGEMENT POLICIES – continued

Liquidity risk - continued

31 December 2023	On demand (VT'000)	0 - 3 months (VT'000)	3 - 6 months (VT'000)	6 - 12 months (VT'000)	Over 1 year (VT'000)	No specific maturity (VT'000)	Total (VT'000)	Carrying amount (VT'000)
ASSETS								
Cash and cash equivalents	2,354,480	976,801					3,331,281	3,331,281
Investment securities	-	41,100,307	21,723,150	2,783,804	3,772,886	-	69,380,147	68,403,652
Government bonds	-	-	-	103,530	5,699,431	-	5,802,961	4,364,865
Other receivables *	-	100,816	8,304	16,608	132,491	-	258,219	258,219
IMF	-	-	-	-	-	7,168,543	7,168,543	7,168,543
	2,354,480	42,177,924	21,731,454	2,903,942	9,604,808	7,168,543	85,941,152	83,526,560
LIABILITIES								
Other creditors and accruals	-	505,159	-	-	-	-	505,159	505,159
Demand deposits	49,139,517	-	-	-	-	-	49,139,517	49,139,517
Reserve Bank of Vanuatu Notes	-	4,586,387	-	-	-	-	4,586,387	4,586,387
Currency in Circulation	-	-	-	-	-	19,610,262	19,610,262	19,610,262
IMF	-	-	-	-	-	9,766,604	9,766,604	9,766,604
	49,139,517	5,091,546	-	-	-	29,376,866	83,607,929	83,607,929

* - excludes interest receivables

25. FINANCIAL RISK MANAGEMENT POLICIES – continued

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. In respect of the Bank, market risk comprises foreign exchange risk, interest rate risk and other price risk.

(i) Foreign exchange risk

Foreign exchange risk is the risk the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Bank attracts foreign exchange risk on holdings of financial assets (principally external assets) and liabilities that are denominated in a currency other than Vatu. The investment guidelines of the Bank set out the approved foreign currencies which it may invest in.

The Bank does not hedge its exposure to exchange fluctuations in these currencies.

In accordance with the RBV Act, 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 foreign currency reserves by comparing estimated risk levels with set limits.

The following table shows the currency concentration of the Bank's net exposure to major currencies as at 31 December 2024 and 2023 in Vatu equivalents.

	2024		2023	
	VT,000	%	VT,000	%
United States dollar	28,669,239	43	22,999,238	35
Australian dollar	26,130,553	39	28,327,196	43
Euro	7,486,447	11	7,604,795	12
British pound	294,455	-	254,670	1
New Zealand dollar	7,423,912	11	8,494,647	13
Other currencies	(2,591,395)	(4)	(2,312,367)	(4)
NET OPEN POSITION	67,413,211	100	65,368,179	100

The following significant exchange rates were used at year end to convert foreign currency balances to vatu.

	2024	2023
VUV/USD	123.78	116.45
VUV/JPY	0.79	0.83
VUV/NZD	69.81	73.79
VUV/GBP	155.33	148.31
VUV/AUD	76.99	79.56
VUV/EUR	128.82	128.92
VUV/CAD	86.24	88.02
VUV/CHN	16.96	16.38
VUV/SDR	153.18	148.53

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25. FINANCIAL RISK MANAGEMENT POLICIES – continued

Market Risk - continued

(ii) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes to market interest rates. The Bank limits interest rate risk by modified duration targets. The benchmark modified duration for the total portfolio is capped at eighteen months. The duration of the portfolio is re-balanced regularly to maintain the target duration.

The interest rate profile of the Bank's interest-bearing financial instruments at 31 December was:

	Carrying Amount	
	2024	2023
	(VT'000)	(VT'000)
Fixed rate instruments		
Financial assets		
Cash and cash equivalents	729,569	1,018,111
Investment securities	65,468,873	68,403,652
Government bonds	6,419,261	4,364,701
Staff loans and advance	292,948	284,837
Financial liabilities		
Demand deposits	(74,224)	(728,391)
RBV Notes	(2,835,317)	(4,586,387)
	70,001,110	68,756,523
Variable rate instruments		
Financial assets		
Current and Call Accounts	6,700,572	1,499,132
International Monetary Fund - Special Drawing Rights	2,744,609	3,010,315
	9,445,181	4,509,447

All other financial assets or financial liabilities are non-interest bearing.

Fair value sensitivity analysis for fixed instruments

The Bank accounts for its offshore bonds at fair value through profit or loss. Therefore, a change in the price of these offshore bonds at the reporting date would affect the profit or loss.

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

31 December 2024	Profit or Loss	
(VT'000)	100bp	100bp
	Increase	decrease
Fixed rate instruments	143,296	(143,296)
31 December 2023	Profit or Loss	
(VT'000)	100bp	100bp
	Increase	decrease
Fixed rate instruments	91,152	(91,152)

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25. FINANCIAL RISK MANAGEMENT POLICIES – continued

Market Risk – continued

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.

31 December 2024 (VT'000)	Profit or Loss	
	100bp Increase	100bp decrease
Variable rate instruments	94,452	(94,452)

31 December 2023 (VT'000)	Profit or Loss	
	100bp Increase	100bp decrease
Variable rate instruments	45,094	(45,094)

26. VALUATION OF FINANCIAL INSTRUMENTS

The Bank uses observable market data when measuring fair value of its financial assets. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets;
- Level 2: Inputs other than quoted prices in Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset fall into 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.

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26. VALUATION OF FINANCIAL INSTRUMENTS – continued

The following table shows the carrying amounts and fair values of the Bank's financial assets, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

	Fair value through profit or loss (VT'000)	Amortised financial assets (VT'000)	Other financial liabilities (VT'000)	Total (VT'000)	Level 1 (VT'000)	Level 2 (VT'000)	Level 3 (VT'000)	Total (VT'000)
31 December 2024								
Financial assets								
Cash and cash equivalent	-	7,754,003	-	7,754,003	-	-	-	-
Foreign bonds	14,329,615	-	-	14,329,615	14,329,615	-	-	14,329,615
Term deposits	-	29,158,049	-	29,158,049	-	-	-	-
Negotiable certificate of deposits	-	17,122,738	-	17,122,738	-	-	-	-
Treasury bills	-	1,590,178	-	1,590,178	-	-	-	-
Commercial papers	-	2,268,294	-	2,268,294	-	-	-	-
Government bonds	-	6,419,261	-	6,419,261	-	-	-	-
Other receivables	-	1,321,355	-	1,321,355	-	-	-	-
	14,329,615	65,633,878	-	79,963,493	14,329,615	-	-	14,329,615
Financial liabilities								
Demand deposits	-	-	50,819,104	50,819,104	-	-	-	-
Reserve Bank of Vanuatu Notes	-	2,835,317	-	2,835,317	-	-	-	-
Currency in circulation	-	-	21,189,885	21,189,885	-	-	-	-
Other creditors and accruals	-	-	451,316	451,316	-	-	-	-
	-	2,835,317	72,460,305	75,295,622	-	-	-	-

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26. VALUATION OF FINANCIAL INSTRUMENTS – continued

	Fair value through profit or loss (VT'000)	Amortised financial assets (VT'000)	Other financial liabilities (VT'000)	Total (VT'000)	Level 1 (VT'000)	Level 2 (VT'000)	Level 3 (VT'000)	Total (VT'000)
31 December 2023								
Financial assets								
Cash and cash equivalent	-	3,331,281	-	3,331,281				
Foreign bonds	9,115,210	-	-	9,115,210	9,115,210	-	-	9,115,210
Term deposits	-	33,597,323	-	33,597,323	-	-	-	-
Negotiable certificate of deposits	-	19,065,121	-	19,065,121	-	-	-	-
Treasury bills	-	1,491,876	-	1,491,876	-	-	-	-
Commercial papers	-	5,134,122	-	5,134,122	-	-	-	-
Government bonds	-	4,364,701	-	4,364,701	-	-	-	-
Other receivables	-	1,219,853	-	1,219,853	-	-	-	-
	9,115,210	68,204,277	-	77,319,487	9,115,210	-	-	9,115,210
Financial liabilities								
Demand deposits	-	-	49,139,517	49,139,517	-	-	-	-
Reserve Bank of Vanuatu Notes	-	4,586,387	-	4,586,387	-	-	-	-
Currency in circulation	-	-	19,610,262	19,610,262	-	-	-	-
Other creditors and accruals	-	-	505,159	505,159	-	-	-	-
	-	4,586,387	69,254,938	73,841,325	-	-	-	-

27. EVENTS BEFORE BALANCE DATE

The earthquake on 17th December 2024, which caused significant potential damage to certain assets of the entity. As of the date of approval of these financial statements, the extent of the damage is yet to be fully determined, pending the final report from the engineering assessment. The entity has initiated a claim with its insurance provider; however, the valuation of the insurance claim and confirmation of recoverable amounts are still pending.

Given that the earthquake occurred before the reporting date, it is considered an adjusting event. However, as the quantification of the financial impact is not yet available, no adjustments have been made in these financial statements. The entity will recognize the necessary adjustments once reliable information is available.

Other than above, there has not arisen in the period between the end of the financial year and the date of this report, transactions or events of a material and / or unusual nature which are likely, in the opinion of the Directors, to affect significantly the operations of the Bank, the results of those operations or the state of affairs of the bank in subsequent financial years, apart from those disclosed in the notes to the financial statements.