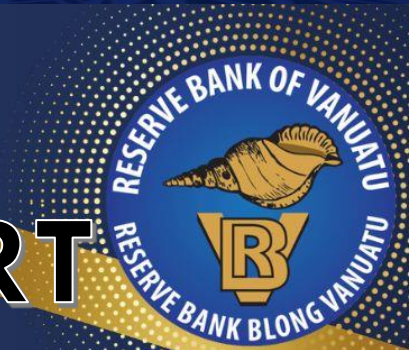


ANNUAL REPORT 2024





BANK'S VISION, MISSION, VALUES & PRINCIPAL

OUR VISION

Providing the necessary conditions for Vanuatu to build a strong economy and by ensuring confidence and stability in our monetary and financial system.

OUR MISSION

Establish appropriate monetary conditions for price stability:

- Establish financial conditions and adopt policies that will ensure an adequate level of foreign exchange reserves to meet external obligations;
- Provide proactive and sound advice to Government;
- Develop an internationally reputable financial system;
- Inspire public confidence in the Reserve Bank;
- Meet the currency needs of the public;
- Disseminate timely and quality information;
- Recruit, develop and retain a professional team dedicated to the pursuit of quality practices; and
- Ensure sound banking practices so as to provide the protection of depositors.

OUR VALUES

- Honesty, fairness and integrity;
- **Dedication** – getting the job done on time and to the highest standard;
- **Respect** and loyalty – for our colleagues;
- **Proactive** – in addressing our customer needs;
- **Excellence** – in what we do.

THE PRINCIPAL PURPOSE OF THE RESERVE BANK SHALL BE;

The principal objects of the Reserve Bank as outlined by Section 3 of the Reserve Bank Act, shall be:

- To regulate the issue, supply, availability and international exchange of money;
- To supervise and regulate banking business and the extension of credit;
- To advise the Government on banking and monetary matters;
- To promote monetary stability;
- To promote a sound financial structure;
- To foster financial conditions conducive to the orderly and balanced economic development of Vanuatu; and
- To regulate and supervise domestic and international (offshore) banks.

TABLE OF CONTENTS

BANK'S VISION, MISSION, VALUES & PRINCIPAL.....	2
GOVERNOR'S FOREWORD	5
ORGANIZATIONAL STRUCTURE.....	6
BOARD OF DIRECTORS.....	7
EXECUTIVE MANAGEMENT TEAM	8
CORPORATE GOVERNANCE	11
ECONOMIC OVERVIEW	13
MONETARY POLICY	15
OFFICIAL FOREIGN RESERVES & EXCHANGE RATE	16
CURRENCY OPERATION	18
REGULATION AND SUPERVISION	20
HUMAN RESOURCES DEVELOPMENT	25
PROPERTY AND ASSETS	26
FRANKLYN KERE LIBRARY ENGAGEMENTS	28
INFORMATION AND COMMUNICATION TECHNOLOGY	30
FINANCIAL INCLUSION 2024 HIGHLIGHTS	31
FINANCIAL STATEMENTS	35



RESERVE BANK OF VANUATU

PMB 9062 – EMILE MERCET STREET– PORT VILA – VANUATU

TEL: (678) 23333 – FAX: (678) 24231

EMAIL: rbvinfo@rbv.gov.vu / enquiries@rbv.gov.vu

WEBSITE: www.rbv.gov.vu

23 October 2025

Hon. Johnny Koanapo RASOU

Deputy Prime Minister and Minister of Finance and Economic Management

PMB 9031

PORT VILA

Dear Honourable Minister,

Re: 2024 Annual Report and Financial Statement

Pursuant to Section 42(1) of the *Reserve Bank of Vanuatu Act* [CAP 125], I have the honor to present to you the Reserve Bank of Vanuatu's Annual Report and the Audited Financial Statement for the financial year ending 31 December 2024.

Yours sincerely,

Mr. August LETLET
GOVERNOR



GOVERNOR'S FOREWORD



The year 2024 was characterized by ongoing global and domestic challenges which had bearings on the policy responses of the Bank in 2024. Despite the challenges, the Reserve Bank continues to achieve its objectives as mandated in its legal framework. At the outset, the global economy continued to expand against a backdrop of high inflation, trade policy frictions, compounding debt fragility, and ongoing geopolitical instability. Nevertheless, tighter monetary policy settings in major economies, declining commodity prices and improvement in supply chains has ease global headline inflation to 5.7 percent in 2024. On the domestic front, the domestic economy continues to recover from the impacts of the cyclones that hit in 2023, the voluntary liquidation of the national airline, Air Vanuatu (Operation) Ltd, while domestic labor shortages and delays in the implementation of the 2024 capital budget provided a drag on the economy.

Domestic inflation eased significantly from its peak of 14.0 percent in mid-2023. Average inflation slowed to 1.2 percent in 2024 from 11.3 percent in 2023. The Reserve Bank tightened its monetary policy stance in 2024, raising its policy interest rate (rediscount rate) from 2.25 percent to 2.75 percent in September 2024.

As the custodian of Vanuatu's official foreign exchange reserves, the Reserve Bank continues to ensure a sufficient level of official foreign reserves is maintained at all times to meet Vanuatu's external obligations and safeguard against external shocks. During 2024, the level of official foreign exchange reserves increased to VT76.07 billion from VT74.98 billion in 2023. The Reserve Bank also invests these reserves and revenues from these investment funds 99 percent of the Reserve Bank's budget. The Bank's

investing activities were governed by its Board approved investment guidelines.

The Reserve Bank continues to ensure Vanuatu's financial system is stable through its regulatory and supervisory functions. During 2024, the banking industry continued to show resilience, maintaining strong capital positions, solid earnings, and high liquidity positions despite operational challenges posed by the earthquake that struck on December 17th, 2024. Other financial institutions also showed resilience in 2024. The insurance sector was challenged by volatile climatic conditions and other hazards but maintained a sound financial position during the year. The industry has been protecting its underwriting books through risk transfers mechanism with reinsurance companies.

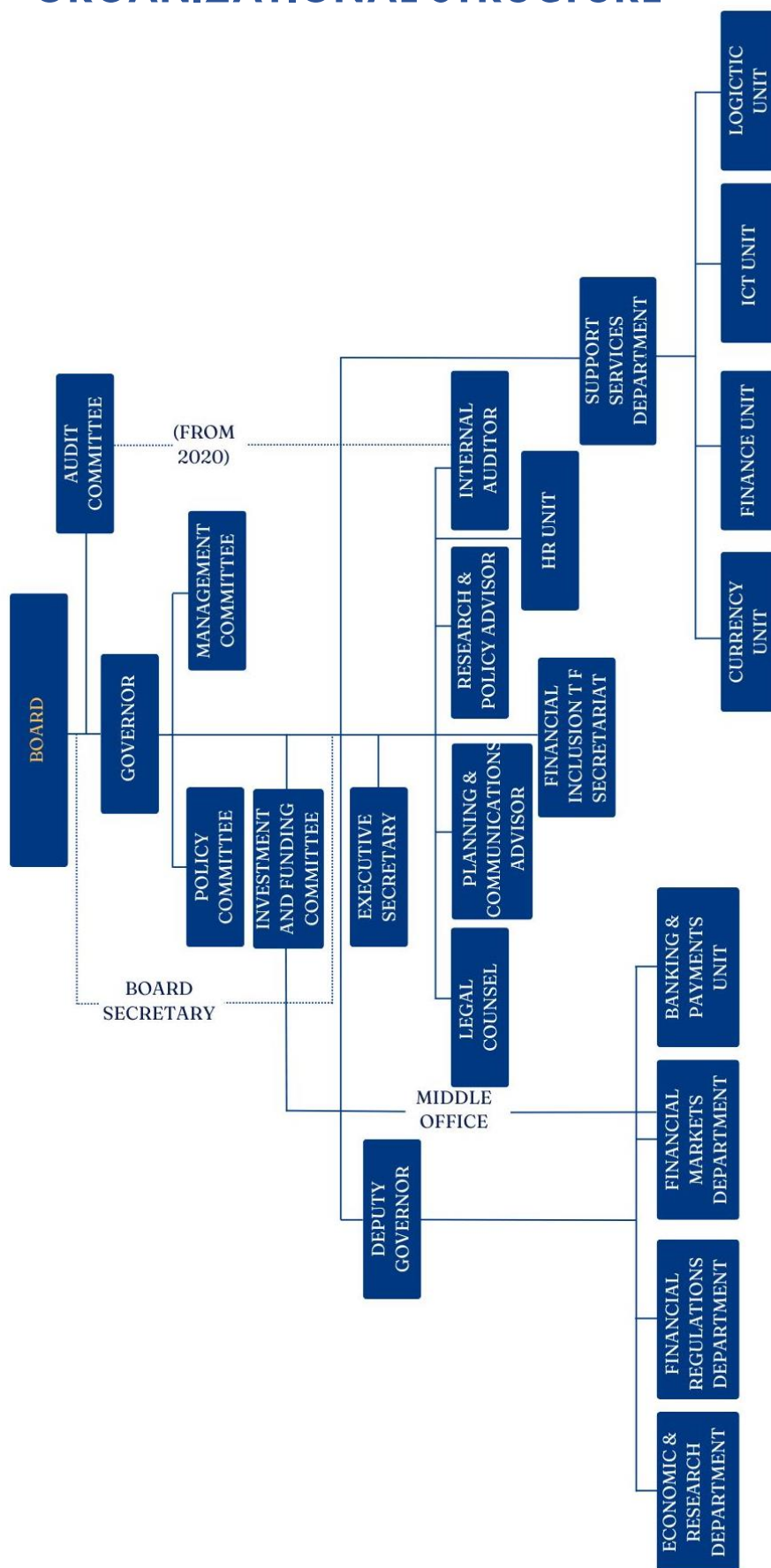
As the sole issuer of Vatu currency in the country, the Reserve Bank continues to meet the currency needs of the public and ensuring the quality of note and coins in circulation by working closely with commercial banks in Vanuatu to guarantee the fitness level of Vatu currency and withdrawing unfit notes and coins from circulation.

Regarding the Reserve Bank's financial performance for fiscal year 2024, I am pleased to note that the Reserve Bank has achieved yet another year of tremendous results, building on last year's financial results. For fiscal year 2024, total revenues stood at VT3.8 billion, an increase of 8.5 percent from VT3.5 billion in 2023. Total expenditures stood at VT1.4 billion, a decrease of 8.6 percent from 1.6 billion in 2023. Consequently, the Board declared a net profit of VT2.3 billion for fiscal year 2024, the highest ever recorded in the Reserve Bank's history.

Lastly, I thank the Reserve Bank Board of Directors and the staff of the Reserve Bank for their steadfast dedication to their work without which the Reserve Bank would not have achieved such great results during the year.

Mr. August LETLET
GOVERNOR

ORGANIZATIONAL STRUCTURE



BOARD OF DIRECTORS



ANDREW KAUSIAMA
CHAIRMAN OF THE BOARD

Mr. Andrew Kausiama, appointed Chairman of the Reserve Bank of Vanuatu Board in 2020, previously served as RBV Governor from 1998 to 2003 and held senior roles in the Vanuatu Government, including in the Prime Minister's Office and the Ministries of Trade and Finance. His career spans roles in research at RBV, development planning at the University of the South Pacific, and leadership on various national boards. He holds a Bachelor's degree in Economics and Political History from the University of the South Pacific and a Master's in Commerce (Economics) from the University of Wollongong, Australia.



AUGUST LETLET
GOVERNOR

Mr. August Letlet was appointed as Governor of the Reserve Bank of Vanuatu in November 2023 and officially assumed office on April 24 2024. He previously held senior roles at the Ministry of Finance and Economic Management, including Director General and Director of Finance and Treasury. He has served on 19 boards, including Chair of the Vanuatu National Provident Fund and member of the Reserve Bank and Air Vanuatu Boards. Mr. Letlet holds a Master's and Postgraduate Diploma in Applied Economics from the Australian National University and a Bachelor's in Economics and Public Management from the University of the South Pacific.



STEPHEN TAHI
DIRECTOR

Mr. Steven Tahi was appointed to the Reserve Bank of Vanuatu Board of Directors in 2021. With extensive experience in land management and reforms, he held principal roles in the Ministry of Lands for 14 years before transitioning to a 15-year private consultancy practice. As a qualified valuer, Mr. Tahi offers expertise on market development and trends. Additionally, Mr. Tahi is well versed in Vanuatu's legislation, practicing law as a recognized associate of a local law firm in Vanuatu.



VOTAUSI MACKENZIE-REUR
DIRECTOR

Mrs. Votausi Lucy-Ann Mackenzie-Reur has been a member of the Reserve Bank of Vanuatu Board of Directors since 2020. A renowned nutritionist, she co-hosts the Pacific Island Food Revolution film series and has led Lapita Café since 1999, which produces food products from local crops supplied by over 2,000 rural farmers. She also manages Lapita Lodge and serves as Director of Fibreglass Vanuatu Limited and Pacific Polytanks Limited. Mrs. Votausi taught at Malapoa College in the 1980s and was the National Nutrition Coordinator for the Department of Health. She holds a Master of Community Nutrition from the University of Queensland.



SERAH OBED
DIRECTOR

Mrs. Serah Obed was appointed to the Reserve Bank of Vanuatu Board of Directors in 2020. She served as Deputy Commissioner of the Vanuatu Financial Services Commission for 19 years until 2019, with extensive experience in anti-money laundering, financial regulation, taxation, and audit. Prior to this, she was a Senior and Principal Auditor at the Auditor General's Office. She holds a Bachelor in Business Studies (Accounting) from the University of New England and a Master of Business Administration from Revans University.



EXECUTIVE MANAGEMENT TEAM



AUGUST LETLET
Governor

Mr. August Letlet was appointed as Governor of the Reserve Bank of Vanuatu in November 2023 and officially assumed office on April 24 2024. He previously held senior roles at the Ministry of Finance and Economic Management, including Director General and Director of Finance and Treasury. He has served on 19 boards, including Chair of the Vanuatu National Provident Fund and member of the Reserve Bank and Air Vanuatu Boards. Mr. Letlet holds a Master's and Postgraduate Diploma in Applied Economics from the Australian National University and a Bachelor's in Economics and Public Management from the University of the South Pacific.



NOEL VARI
Deputy Governor

Noel Vari was appointed Deputy Governor of the Reserve Bank of Vanuatu in December 2021 and briefly served as Acting Governor in late 2023. He was Director of the Financial Regulation Department from 2007 to 2021. He holds a Bachelor's in Economics from the University of Papua New Guinea and a Master of Business from the University of Sydney. Mr. Vari serves on several key committees, including the Monetary Policy and Investment Committees, and chairs the Comprehensive Credit Reporting Project.



Dr. MICHAEL HILILAN
Advisor

Dr. Michael Samuel Hililan is Advisor to the Governor of the Reserve Bank and holds a PhD in Economics from the University of Wollongong, an MSc from the University of Bradford, and a BA from the University of the South Pacific. He previously served as Director of Financial Markets and of Research and Statistics, and was an advisor at the IMF Executive Director's Office in Washington, DC.



MARINETTE ABBIL
Director Financial Regulation Department

Marinette Abbil is the Director of Financial Regulations Department. She holds a Bachelor's Degree in Management and Public Administration from the University of the South Pacific, Fiji (1993), a Graduate Diploma in Business Administration from Southern Cross University, and a Masters of Business Administration from the University of the South Pacific, Emalus Campus, Port Vila (2022)



KENSEN SERI
Acting Director Support Services Department

Kensen Seri is the Acting Director of the Support Services Department, covering Currency, Banking and Payments, Finance, Logistics, Property and Assets, and Library Operations. He holds a Bachelor's Degree in Management Studies from the University of Waikato and began his career as an Assistant Chartered Accountant at PKF Chartered Accountants. His previous roles include Senior Internal Auditor in the Ministry of Finance and Economic Management.



CYNTHIA NGWELEDURU
Acting Director Economics and Research Department

Cynthia Ngweleduru is the Acting Director of the Economics and Research Department. She oversees monetary policy formulation, economic analysis, forecasting and research, data collection, statistics compilation and reports and publication. She holds a Bachelor's degree from the University of the South Pacific and a Post Graduate Diploma and Masters in International and Development Economics from the Australian National University.



FREDERIC JACOB
Acting Director Financial Markets Department

Frederic Jacob serves as the Acting Director of the Financial Market Department, overseeing foreign exchange reserves, exchange rate management, and the implementation of monetary stability in domestic financial markets. He holds a Postgraduate Diploma in Commerce Economics and a Bachelor of Commerce in Economics, Management, and Public Administration from the University of the South Pacific, Fiji.



ANDREA MOLISA
Head of Communication

Andrea Daniella Molisa is Head of Communications at the Reserve Bank of Vanuatu and a member of its Senior Management Committee since January 1, 2022. She holds a Bachelor's degree in Management, Public Administration, and Tourism Studies from USP. She ensures the Bank's messaging and communications resonate authentically with the public.



SIMON TIWOK
Head of Policy and Planning

Simon Tiwok, with a Master's in Public Policy from Victoria University of Wellington and a Bachelor's in Economics and Management from the University of the South Pacific, has strong expertise in policy formulation, financial markets, and central banking. As Head of Policy Formulation and Coordination in the Governor's Office, he leads key strategic initiatives and has represented the Bank in roles such as temporary alternate director at the Asian Development Bank and participant in ADB Annual Meetings.



LINNES TARIANGA
Legal Counsel

Linnes Tarianga is the Legal Counsel at the Reserve Bank, providing legal guidance and ensuring regulatory compliance. She holds a Bachelor of Law from USP (1997), completed further LLB studies at Emalus Campus, and earned a Professional Diploma in Legal Practice PDLP from USP Laucala Campus in 2002.

CORPORATE GOVERNANCE

The Reserve Bank of Vanuatu (RBV) was established in December 1980 under the Reserve Bank Act of 1980. Its principal objectives are defined in Section 3 of the Reserve Bank Act [Cap 125]. The Bank's regulatory roles and responsibilities are further outlined in several key legislations, including the Financial Institutions Act [Cap 254] of 1999, the International Banking Act [Cap 280] of 2002, the Insurance Act No. 54 of 2005, and the National Payment System Act No. 8 of 2021.

The Governor serves as the Chief Executive Officer of the Reserve Bank and is appointed by the Prime Minister on the recommendation of the Minister of Finance and Economic Management. The Governor is accountable to the Board of Directors for the implementation of the Bank's policies and the overall management of its operations.

1. Board of Directors

The Minister responsible for Finance and Economic Management appoints the members of the Board of the Reserve Bank, which is established under Section 8 of the Reserve Bank Act [Cap 125]. The Board is responsible for determining the policy and overseeing the affairs of the Bank. It comprises five members: The Governor, who serves as an ex-officio member, and four non-executive members, one of whom serves as Chairperson. In recent years, the composition of the Board has reflected gender balance, with two of the four non-executive members being women.

Although the position of Deputy Chairperson does not exist, the Board continued to discharge its responsibilities effectively throughout 2024, operating within the parameters of the law and in accordance with the Board Charter, which serves as the Bank's principal governance policy document.

Board Composition 2024

Chairman

Mr. Andrew Kausiama

Directors

1. Mr. August Letlet
2. Mr. Steven Tahi
3. Mrs. Votausi Mackenzie-Reur

4. Mrs. Serah Obed

Meetings and Resolutions

"The Board conducted three (3) Board meetings in 2024. Each meeting is divided into separate agendas which were spread over a number of days. The first board meeting was held at the Grant Hotel in Port Vila around September 1-2, 2024; the second meeting was held in November 22, 2024 at the RBV Board room and the third Board meeting took place in Luganville, around December 2-6, 2024 Santo.

During the first board meetings, the following policy matters were discussed and were subsequently endorsed by the Board. Presentation of the Bank's 2023 Audited Financial Statement and its endorsement; profit distribution; the September Monetary Policy Stance; Goodwill payment for long term serving staff; the RBV Financial Inclusion Demand Side Survey; Ground Breaking Ceremony and the Economic Symposium in Luganville Santo.

The second Board meeting was purely a meeting organised to endorse Pacific Lawyers Partners to be the Board retained legal counsel. The Board was concerned about pressing legal matters being staged against the Bank especially; the Judicial Review Claimed by the Governor against the Vanuatu Financial Intelligence Unit (VFIU) and the Reserve Bank of Vanuatu. Similarly, another Judicial Review being filed by the Vanuatu National Provident Fund (VNPF) against the VFIU and the Reserve Bank of Vanuatu.

During the third Board Meeting in Luganville, there are very important policy matters discussed at the Board which were endorsed. These includes the endorsement of the bank's 2025 annual budget and its annual risks budget 2025; the repatriation of cash to Australia; a sponsor initiative called 'The Canoe Race'; the IMF Safeguards 2016; Changes in RBV's payroll to fortnight, RBV's membership to the Asia Pacific Applied Economics Research Collaboration, the Bank Investment Update; Financial Regulation Department Revised Structure: RBV's Investment at Mizuho Securities Singapore Pte Ltd, RBV's Prudential's and returns, the RBV's communication policy and the RBV Staff Policy 2025."

2. Legal Counsel's Office

The Legal Office provides legal advice and opinions to all departments of the Bank on matters relating to contractual agreements, domestic and international policies, and internal issues requiring legal support.

In line with the Bank's expanding mandate and responsibilities, the Legal Office has also grown to strengthen its capacity. On 13 September 2024, the Bank appointed a Paralegal Officer to assist the Legal Counsel in performing tasks that support the Bank's overall legal functions.

The Legal Counsel's contract expired on 31 December 2024. Since then, the Paralegal Officer has continued to manage and complete tasks previously initiated by the Legal Counsel and to provide limited legal assistance on contractual agreements and policy matters.

A new Legal Counsel will be appointed in 2025. This role will play a crucial part in supporting the Bank's operations, including reviewing existing legislation, contributing to legislative amendment processes, ensuring alignment with International Monetary Fund (IMF) best practices, and strengthening the Bank's internal policies and regulations.

Laws Affecting the Operations of the Bank

As the regulator of financial institutions in Vanuatu, the Reserve Bank operates within a constantly evolving economic and financial environment. This brings new challenges that can affect the Bank's regulatory powers and legal framework.

The Reserve Bank Act [Cap 125] was last amended in 2022, which introduced operational changes within the Bank. A further review and amendment are planned to address outdated and inconsistent provisions. The IMF will assist in this process to ensure the new Act aligns with international best practices.

The Financial Institutions Act [Cap 254], administered by the Reserve Bank, has been approved by the Council of Ministers (COM) for amendment. The revision will expand the Bank's regulatory authority over financial institutions. The amended Act will be presented to Parliament in 2025 for consideration.

In addition, the Credit Union Bill, also endorsed by the Reserve Bank and approved by the COM, is

being prepared for presentation to Parliament. Once enacted, it will formally grant the Reserve Bank the legal authority to regulate credit union operations in Vanuatu.

3. External Auditors

Law Partners, a local accounting firm, has been responsible for conducting the annual financial audits of the Reserve Bank since 2021. Engaging an external auditor for the Bank's financial statements is a long-standing practice, undertaken to ensure compliance with Section 40 of the Reserve Bank of Vanuatu Act (CAP 125, as amended). The five-year engagement with Law Partners will conclude in December 2025. The Reserve Bank is expected to appoint an external audit firm in 2025 to undertake the annual audits for the next subsequent five-year period, commencing 2026 to 2030.

4. Internal Audit

The Bank's internal audit function is an independent unit established within the Bank, separate from management, and is responsible for conducting internal reviews and assessments. Functionally, and in accordance with the Reserve Bank of Vanuatu Act, the internal audit reports directly to the Audit Committee. However, due to the absence of the Audit Committee from its establishment in 2019 until recently, the internal audit has reported directly to the Governor and senior management.

Since its establishment, the internal audit function has continued to provide services that promote good corporate governance, risk management, and internal controls, serving as the Bank's third line of defence.

5. Risk and Compliance

Risk and compliance is pivotal in safeguarding the Bank's operational resilience and compliance with relevant policies and regulations. The Bank's risk and compliance integrate a global risk management framework, including robust Business Continuity Planning (BCP) and Disaster Recovery Planning (DRP), to prepare for emerging threats such as cyber risks and natural disasters.

Key Achievements in 2024:

- Reactivated the Business Continuity Committee.
- Successfully activated BCP and DRP following the destructive earthquake on 17 December 2024.
- Ensured uninterrupted Bank's operations by relocating to the Disaster Recovery Site after access to the RBV Headquarters was denied due to earthquake damage.

6. Oversight

Established in 2023 under the National Payment System Act No. 18 of 2021, the Oversight function promotes the safety and efficiency of payment systems through monitoring, assessment, and implementation of necessary improvements.

2024 Key Outputs:

- National Financial Consumer Protection Policy: Contributed to developing the policy to enhance consumer protection through transparent service disclosure, grievance resolution, and incorporation of consumer feedback.
- Oversight Capacity Building: Following the 2023 Government Cash Transfer System Assessment, the Unit secured IMF technical assistance to develop an oversight framework, reporting templates, and standardized procedures.
- Fiji Peer Learning Trip: Participated in a program at the Reserve Bank of Fiji (22–24 January 2024), gaining insights into consumer protection, regulatory sandbox initiatives, financial literacy, inclusive green finance, and integration of the Oversight Unit into central bank operations.
- Registers Development: Initiated the creation of the Retail and Large Value Payment Systems Register and a Complaint Register to support monitoring that will form the foundation of a future comprehensive payment systems database.

7. Compliance

Established in 2023, the Compliance function strengthens adherence to laws, regulations, and

internal policies. In 2024, the Unit contributed to internal policy reviews, including the Staff Policy, and participated in capacity-building trainings.

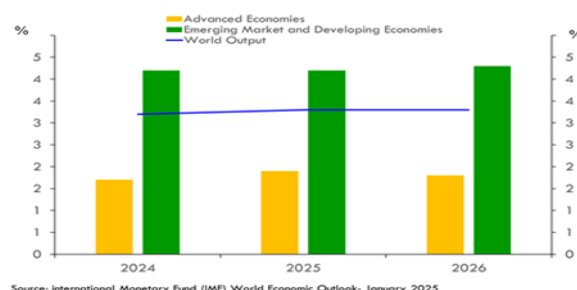
ECONOMIC OVERVIEW

Global economic growth remained subdued in 2024, constrained by trade disruptions, rising debt vulnerabilities, and geopolitical tensions. Inflation moderated globally, reflecting tighter monetary policies, lower energy and commodity prices, easing supply chain pressures, stabilized food prices, and stronger exchange rates in some economies. Domestically, economic growth slowed due to the lingering effects of the 2023 cyclones, the liquidation of Air Vanuatu, political instability, delays in capital project implementation, and the severe impact of the December 2024 earthquake on Port Vila's Central Business District (CBD).

International Economy

The global economy demonstrated resilience in 2024, though growth remained modest amid persistent inflation and policy uncertainty. According to the IMF World Economic Outlook, global output expanded by 3.1 percent, slightly below 3.3 percent in 2023 and the pre-pandemic average of 3.2 percent. Growth in advanced economies remained stable, supported by consumer recovery but constrained by rising trade policy uncertainty. In emerging markets and developing economies, growth strengthened, driven by China's late-2024 fiscal stimulus and steady performance in India.

Chart 1: World GDP Growth
(Percentage Change; Annual Data)



Source: International Monetary Fund (IMF) World Economic Outlook- January 2025

Overall, global growth was tempered by geopolitical tensions, policy uncertainty, and trade frictions. Global headline inflation eased to 5.7 percent in 2024, down from 6.7 percent in 2023,

reflecting lower energy prices and the delayed effects of monetary tightening.

Growth showed mixed trends across Vanuatu's main trading Partners. The United States expanded by 2.4 percent, supported by strong consumer and government spending but weighed down by weak investment, with inflation easing and the Federal Reserve cutting rates three times in 2024. The Euro area's growth strengthened to 1.2 percent as domestic demand improved and inflation fell, prompting four rate cuts by the European Central Bank. Australia recorded modest growth of 1.3 percent, driven by public and private spending and higher exports, while inflation declined and interest rates remained unchanged. New Zealand's economy contracted slightly due to weakness in construction and communications sectors, although inflation eased within the target range. Meanwhile, China maintained solid growth of 5.0 percent, supported by exports and targeted stimulus, despite subdued domestic demand and demographic pressures.

Domestic Economy

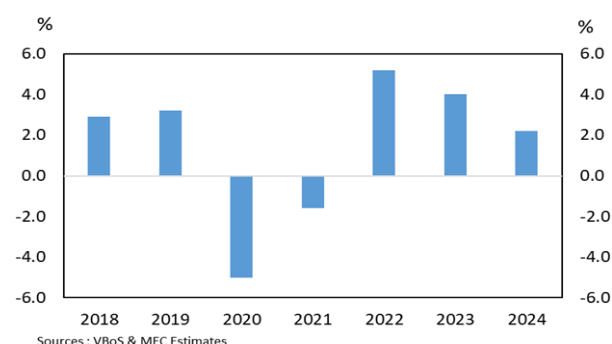
The domestic economy faced multiple challenges in 2024, both from external and internal factors. Recovery efforts from the 2023 cyclones were hindered by the liquidation of Air Vanuatu in 2024, political instability, labour shortages from the seasonal workers' program, delays in capital project implementation, slow Citizenship by Investment inflows due to extended due diligence processes, the EU's blacklisting of Vanuatu, and the December 2024 earthquake that severely affected Port Vila's CBD. As a result, the Macroeconomic Committee (MEC) estimated growth at 2.2 percent in 2024, down from 4.0 percent in 2023.

Growth in 2024 was broad-based, with moderation in the industry and services sectors and a slow recovery in the agriculture, forestry, and fisheries sector.

Following a contraction (-0.9%:2023) the agriculture, forestry and fisheries sector is estimated to have expand by 2.2 percent in 2024. Growth was driven by the crop production sub-sector while

the growth for forestry and fisheries sub-sectors remained moderate. In 2024, domestic production showed moderate performance compared to 2023. Copra and cocoa output declined, while production of kava, beef, and coffee increased. However, the closure of Port Vila's CBD following the earthquake significantly affected crop and livestock production, with some accommodation and food businesses remaining closed and factory equipment for beef and fish production damaged.

Chart 2: Real GDP growth
(percentage; annual data)



The industry sector is estimated to have grown by 2.1 percent in 2024, down from 4.6 percent in 2023, mainly due to delays in public capital project implementation. Growth was supported by ongoing infrastructure developments¹ with spill over effects to the mining and quarrying and utilities sectors. Manufacturing activities expanded modestly, driven by higher domestic demand for locally made goods and services and recovering tourism, though some businesses were affected by earthquake-related damages.

Growth in the services sector is estimated at 3.0 percent in 2024, down from 4.6 percent in 2023, mainly due to the voluntary liquidation of Air Vanuatu in May 2024, which negatively affected tourism-related services such as transport, accommodation, and food. Although the tourism industry began to recover in the second half of the year, the closure of Port Vila's CBD in December further hindered progress. Domestic connectivity remains a challenge.

¹ Vanuatu Climate Resilient Transport Projects (VC RTP), Pentecost, Santo, Ambae and Tanna Road projects, the Vanuatu Inter-Islands Shipping Support Projects (South Paray Wharf), the Vanuatu Energy

Access Projects (extension of electricity grid in Santo), the Sarakata hydro power extension, Norsup Airport extension projects, Teouma bridge construction and the Luganville Urban Road projects.

In 2024, other service sub-sectors performed well, supported by business relocations from the CBD, strong demand for engineering and insurance services for post-earthquake recovery and the introduction of the Star link network. Real estate activity grew through increased subdivisions and property sales.

In 2024, Vanuatu's money supply (M2) expanded by 9.6 percent, driven by growth in both net foreign assets and domestic credit, supported by post-earthquake inflows and increased lending to the government and private sector.

The Central Government recorded an overall fiscal deficit, reflecting higher recurrent and donor-financed spending amid continued fiscal pressures from the earthquake's impact.

The current account deficit widened sharply to VT22.3 billion due to weaker balances in services and income accounts, while the capital account improved on the back of stronger donor inflows for infrastructure and recovery projects.

Official foreign reserves rose by 1.9 percent, sufficient to cover eight months of projected imports, supported by external receipts and investment income.

Average Inflation eased significantly to 1.2 percent from 11.3 percent in 2023, primarily reflecting lower global commodity and energy prices. The appreciation of the Vatu against the Australian and New Zealand dollars contributed to cheaper imports, while favorable weather conditions and the introduction of market food scales supported a decline in domestic food prices.

MONETARY POLICY

Monetary Policy Formulation

The Reserve Bank is responsible for formulating and implementing monetary policy in Vanuatu. It maintains a pegged exchange rate regime as a nominal anchor for monetary stability. Monetary stability is translated as maintaining inflation within a range of 0-4 percent and maintaining an adequate level of foreign reserves equivalent to at least 4.0 months of import cover.

The formulation of monetary policy begins with the Economics, Research and Statistics Department (ERD), which provides regular assessments of key macroeconomic indicators to the Policy Coordination Committee (PCC). The PCC advises on the appropriate monetary policy stance, while the Monetary Policy Committee (MPC) determines the corresponding policy actions.

ERD continuously monitors macroeconomic indicators: global and domestic economic activity, inflation, fiscal policy, monetary and credit growth, exchange rates, foreign reserves, and the balance of payments, as well as their outlook in the near to medium term. The detailed assessment on the impacts of these domestic and external economic conditions on the RBV's monetary policy objectives were then presented before the Policy Coordinating Committee (PCC). The PCC deliberates on the comprehensive assessment presented by the ERD and formulates the policy advice on the appropriate monetary stance to the Monetary Policy Committee (MPC) for their approval; before presented to the RBV's Board of Directors for their endorsement, thus becoming the RBV's official monetary policy stance.

The PCC is chaired by the Director of Economics, Research and Statistics Department, and members include the Director of Financial Markets Department, Advisors from the Governor's Office, and all ERD officials. The MPC is chaired by the Governor of the RBV, and members included; the Directors of ERD, Financial Markets Department, Financial Regulation Department, Department of Support Services, the Deputy Governor and Advisors.

The PCC met three times during the course of 2024 and provided monetary policy advice to three MPC meetings. Two of these MPC meetings were to deliberate on the RBV's monetary policy stance for the March 2024 and September 2024 half yearly updates. These statements were released following updates on the recent macroeconomic developments and the outlook for the domestic and global economy. The other meeting in May 2024, was to deliberate on the policy outcomes of the monetary policy actions undertaken in late 2023 and early 2024. There were no PCC and MPC meetings in the December 2024 quarter, following the destruction

caused by 7.3 magnitude earthquake on the 17 December.

The RBV reviews its monetary policy stance bi-annually, in March and September, in light of domestic and external economic developments as well as monetary policy objectives expectations in the near and medium term.

Throughout 2024, the RBV maintained a tightening monetary policy stance by Statutory Reserve Deposit (SRD) hikes, increasing the volume of notes issued in the Open Market Operation (OMOs), and raising the Capital Adequacy Ratio (CAR) to contain inflation and excess liquidity. However, policy efficacy was hampered by fiscal dominance via RBV financing of government fiscal deficit.

Monetary Policy Actions 2024

- The Statutory Reserve Deposit (SRD) incrementally raised from 5.25 percent to 5.5 percent in January 2024.
- The Open Market Operations (OMO) was used more aggressively to mop up excess reserves (VT1,900 million worth of RBV notes issued per month since October 2023).
- Policy/Rediscount Rate was maintained at 2.25 percent early in the year; but later increased to 2.75 percent in September 2024, to address lingering inflation and liquidity issues.
- Capital Adequacy Requirement (CAR) was raised from 10 percent to 12 percent in September 2024 to bolster financial stability.

Monetary policy outcome.

These policy measures were undertaken to ensure the achievement of RBV's objectives of price stability and adequacy of foreign reserves. At the end of 2024 the monetary policy objectives were achieved. Vanuatu's annual average inflation decelerated to 1.2 percent in 2024 (11.3%: 2023). Official foreign reserves were adequate and sufficient to finance 8 months of imports in 2024 compared to 7.2 months in 2023. Simultaneously, ensured a continued financial sector stability in the short to medium term.

The key challenges of monetary policy in 2024 were; fiscal dominance via RBV's large lending to the government which limited room for sterilization

and banking sector liquidity overhang. Even after tightening, excess reserves remained ample at VT32,683.0 million at the end of 2024.

OFFICIAL FOREIGN RESERVES & EXCHANGE RATE

Foreign Reserves Management

The Reserve Bank is mandated by the Reserve Bank of Vanuatu Act, to manage the official foreign exchange reserves of Vanuatu. The Reserve Bank manages the official foreign exchange reserves in line with the RBV Board approved policy – the RBV Investment Guideline (IG). The Board Approved Investment Guidelines establish the parameters for managing key investment risks, including: credit risk, interest rate risk, liquidity risk, operational and compliance risk, and exchange rate risks. The policy promotes sound governance and risk management framework which comprises of the Board as policy decisions makers, Investment Committee (IC) which deliberate on strategic and tactical decisions, Middle office which oversees investment rules management operations and financial risks management. The External Market Unit (EMU) team in the Financial Markets Department (FMD) as the investment/technical team and implementers of the Reserves Management policy framework. The three principal objectives of the reserves management, in the order of priority, are: 1.) safety (capital preservation), 2.) ensuring adequate liquidity for external obligations and 3.) optimizing returns.

The Strategic Asset Allocation of foreign reserves remains a fundamental part of foreign reserves management in term of the long-term strategic goal of reserves management. It is determined by the currency composition of foreign reserves, weighted according to the Vanuatu Vatu (VUV) basket. The Vatu basket remains undisclosed. In 2024 it was agreed that a review of the currency weights will be conducted by RBV and IMF technical team during 2025. RBV also holds IMF special drawings rights as supplement to the official reserves and IMF standby Credit Facility as compliment to short term balance of payment needs.

Foreign Reserves Position

The Reserve Bank continues to ensure an adequate level of foreign exchange reserves is maintained at

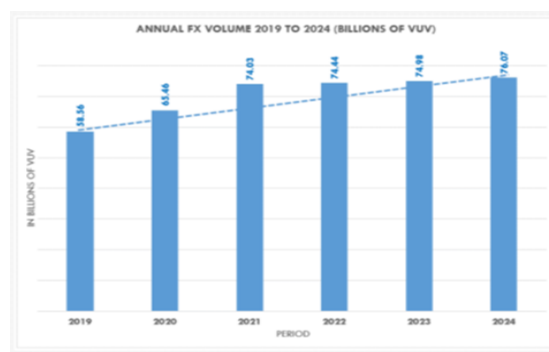
all times to meet Vanuatu's external obligations. The total foreign exchange reserves of the Reserve Bank continue to increase over the years. The Gross Foreign Reserves increased in 2024 to VT76.07 billion, equivalent to USD 612.57 million, from VT74.98 billion (USD 603.78 million) in 2023. The increase was driven mainly by inflows from donor partners including grants receipts from the recent disaster (earthquake in December 17, 2024) recovery funds and RBV investment income receipts. On the other hand, outflows during the year also increased from commercial bank FX trading payment demand, external debt settlements, RBV expenses and the Vanuatu government payment obligations. As at the end of December 2024, the level of official foreign reserves remained adequate, at around 8.0 months of import cover. This is above the conventional import cover threshold level of 4 months.

In 2024, the Bank sold VT8.80 billion of foreign exchange reserves and purchased VT7.85 billion, resulting in a net sale of VTV953.17 million. However, RBV's investment income receipts on foreign assets have increased to VTV3.29 billion brought the flows of foreign exchange to a net purchase of VT2.34 billion.

During the year, the Vanuatu Vatu weakened against the US dollar, while it strengthened against the Australian dollar, New Zealand dollar, and the Euro. As part of its reserve management activities, the Reserve Bank also executed arbitrage deals (sell & buy) in the spot market on foreign currencies exchange to rebalance its books and manage currency risk effectively from a neutral stance.

At the outset of the financial year, the Board approved an annual risk budget for foreign reserve management amounting to VT469.67 million, equivalent to 3.0 months of projected foreign exchange revenue for the year. Consistent with the preceding year, the Reserve Bank allocated the entire risk budget to interest rate risks while maintaining currency (exchange rate) risks close to zero, as the Reserve Bank continued to align its currency distribution close to its neutral position.

Chart 3: Volume of Foreign Exchange Reserves



Return on Investments of Foreign reserves / Investment Performance

During the 2024 period, the Bank has strategized excellently in its foreign Investments in line with the Investments strategies set to minimize risks involved and effort to capitalize on the high interest rates in the global financial market.

There was a challenge in the global financial market as the ongoing economic uncertainties, including inflation pressures and geopolitical risks including conflicts in the Middle East, and the uncertainty to the global economic outlook.

The Bank has intended to stay short in its overall investments up to 72 percent on short term Investments taking into considerations most of the large Central banks keep their official cash rates complex around 4 to 5 percent despite the challenges in the global financial market.

The Bank refocused its investment strategies appropriately by diverting the maximum pool of investments to short term instruments to take advantage of high market interest rates. Accordingly, the Bank external bond holdings were around 19 percent of total foreign investible reserves during the year while short term investments were increased to 72 percent of total foreign reserves, and the remaining 9 percent was in cash to meet its primary objectives. The foreign currencies short term investments were invested at the higher rates in the global financial market, and consequently the interest income received on the bank's foreign Assets investments had increased to VT3.29 billion from prior year's interest rate income of VT3.01 billion. The Bank set another record to achieve its annual rate of return to 4.58 percent based on an annual average level of investible

reserves at VT76.07 billion compared with the 2023 period of annual rate of return of 4.35 percent based on VT74.98 billion. Hence, the 2024 Annual Rate of Return on Foreign Assets Revenue was the highest record in the Bank's history compared with an annual rate of return of 2.02 percent in 2022, 1.34 percent in 2021, and 1.55 percent in 2020 as below displayed in Chart 4.

Chart 4: Annual Rate of Return on Foreign Assets Revenue

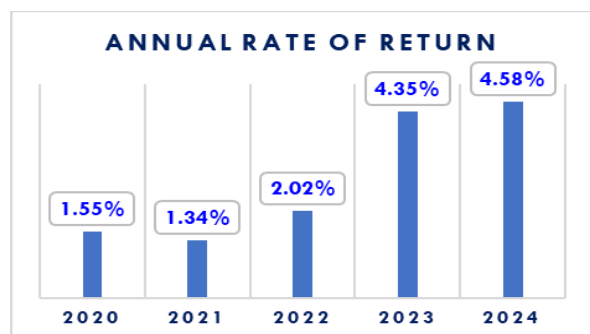


Table 1: Central Banks Policy Rates

Central Banks	2019	2020	2021	2022	2023	2024
Federal Reserve Bank (US)	1.75	0.25	0.25	4.5	5.5	4.5
Reserve Bank of Australia	0.75	0.1	0.1	3.1	4.35	4.35
Reserve Bank of New Zealand	1	0.25	0.75	4.2	5.5	4.25
European Central Bank	0	0	0	2.5	4.5	3
Bank of England	0.75	0.1	0.25	3.5	5.25	4.75
Bank of Japan	-0.1	-0.1	-0.1	-0.1	-0.1	0.25

Exchange Rate regime

As the custodian of the country's external reserves, the RBV is also responsible for the management of the exchange rate regime and policy. The Reserve Bank adopts the pegged exchange rate regime with the Vanuatu Vatu (VUV) pegged to an undisclosed basket of foreign currencies. The IMF identified as "Other Conventional fixed peg arrangements". The value of Vatu is determined on a daily basis with reference to the movement of the currencies in the basket, which are in turn, driven by the developments in the global financial markets.

In 2024, the exchange rate regime remained effective and mitigate volatility in the exchange movements.

However, the weights of the currency basket will be reviewed in 2025 as it remains unchanged and maintained over the past decade. A review on the currency weights by IMF technical mission team will be conducted in June 2025. This will ensure that the currency composition and weights of the basket appropriately reflect Vanuatu's international trade structure.

The Reserve Bank sets the Vatu exchange rate on a daily basis before 9:00 AM and communicates the indicative exchange rates to its main customers and published on the Reserve Bank website.

Table 2: Month-end Average Rate of the Vatu against Foreign Currencies

Month (2024)	USD	JPY	NZD	GBP	AUD	EUR	CAD	CNY	SDR
January	118	0.81	73.2	150	78.8	129	88.25	16.51	149.78
February	120	0.8	73.3	151	78.7	129	88.65	16.63	150.46
March	119	0.8	72.6	152	78.2	130	88.16	16.58	150.57
April	120	0.78	71.7	151	78.3	129	87.99	16.63	150.61
May	119	0.76	72.1	150	78.8	129	87.05	16.45	149.65
June	119	0.75	72.9	151	78.4	128	86.62	16.33	148.66
July	119	0.75	71.6	152	79.2	129	86.58	16.33	148.96
August	119	0.81	72	153	79.3	131	86.76	16.57	150.7
September	117	0.82	72.9	155	79.3	130	86.55	16.55	149.97
October	118	0.79	72	154	79.3	130	86.95	16.67	150.56
November	120	0.78	71.1	153	78.6	128	86.06	16.69	150.37
December	122	0.8	70.4	155	77.7	128	85.94	16.8	152.05

CURRENCY OPERATION

Notes and coins in circulation

As part of its ongoing currency operations, section 20 of CAP 125, the Reserve Bank ensures the quality of banknotes and coins in circulation by working closely with commercial banks to guarantee the fitness level of the Vatu cash. During the year, VT2,347 million worth of notes and coins were withdrawn as unfit from public circulation while VT3,800 million worth of new cash were injected into circulation.

Counter Transactions

Table 3: Counter Transactions in Million Vatu

Period (Year)	Issues	Withdrawals
2007	4576	5311
2008	5501	5772
2009	5425	5636
2010	5373	5836
2011	5960	6676
2012	6956	7458
2013	6699	8039
2014	7150	7941
2015	7355	8329
2016	8344	9069
2017	10495	11784
2018	12224	13232
2019	15136	14137
2020	15547	14115
2021	15625	14266
2022	18910	14864
2023	19523	18223
2024	19146	17524

Total counter transactions decreased from the previous year by 3 percent to VT36,670 million simultaneously pushing up the total currency in circulation by VT1,579 million to a record high of VT21,189 million from VT19,610 million in the previous year.

Looking at the currency in circulation according to denominations, the VT5,000 and VT10,000 notes continue to maintain their lead position as the highest value denominations in public circulation at 44.3 percent and 19.2 percent, respectively.

The Bank continues to exchange and pay good value for the demonetized Vatu coins (VT1 and VT2) and the VT100 paper note and encourages the public with any of these old notes or coins to present them at the Reserve Bank or any of the commercial banks in exchange for legal tender cash.

Counterfeits

One of the main advantages in support of the change over from paper-based banknotes to polymer was the unique characteristics of the polymer substrate, which acts as a security feature in itself to safeguard the Vatu notes from counterfeiting challenges.

The Bank continues to advise the general public to be vigilant at all times to safeguard the quality and integrity of their Vatu notes and coins.

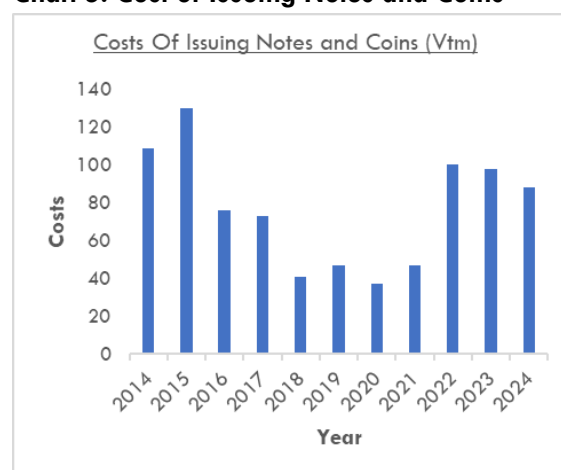
It is a criminal offence under the Reserve Bank of Vanuatu Act [CAP 125] to reproduce Vatu

banknotes or be in possession of their reproductions and perpetrators will be prosecuted.

Costs of Issuing Notes and Coins

For the financial year ending 31 December 2024, the cost of currency issued by the Reserve Bank decreased slightly by 10 percent from previous year but continued on an upward trend from previous years' costs of issues. This is due to demand for replacement of cancelled polymer notes and the high cost associated with the coin's stock replenishment. The upward spike reflects the cost of injecting new polymer notes into circulation. The downward trend since the release of new polymer notes in 2014 and the new coin series in 2015 reflected the longer durability of polymer notes with fewer replacement notes.

Chart 5: Cost of Issuing Notes and Coins



Numismatics

The Reserve Bank's numismatic operation continues to be coordinated through the Numismatic Business Centres for interested customers who call in the Bank. Information on collectible items can also be accessed through the RBV Numismatic Online shop where collectors can also shop. The Bank continues to receive royalties from the international sales of commemorative coin proof sets through signed agreements and contracts with renowned international mints. Numismatic income for the year ending 2024 was VT3.7 million.

The Bank acknowledges and encourages the growing interests from local collectors in numismatic items.

REGULATION AND SUPERVISION

Financial System Regulation and Development

Financial system regulation and supervision is one of the core functions of the Reserve Bank, ensuring safety and soundness of the supervised/regulated financial institutions operation, and ongoing financial stability. The regulatory and supervisory function is undertaken through the Financial Regulation Department which consist of Banking Supervision Unit, Insurance Supervision Unit and Other Financial Institutions Supervision Unit.

2024 began with steady progress across the financial sector, building on the recovery from previous years. However, the sector was significantly challenged by the catastrophic earthquake that struck near Port Vila on December 17, 2024. This event had a profound impact on financial institutions' operations, infrastructure, and the broader economy.

Following the earthquake, financial institutions activated their business continuity plans (BCP) and focused on maintaining essential services and staff safety. Despite the disruption, communications with supervised institutions was maintained through remote channels, allowing the Reserve Bank to monitor the situation and provide guidance and support to the sector's recovery.

Both off-site and on-site supervisory activities are conducted within the Risk Based Supervision Framework, focusing on key risks that financial institutions are exposed to, including compliance to AML/CTF prudential requirements.

RBV as a member of the Supervisory Working Group (SWG) continued work on the review of the National Risk Assessment (NRA) for Vanuatu's financial sector in 2024, which further informed the development of a new national AML strategy. This work remains a priority, particularly in preparation for future international evaluations. The Reserve Bank, together with other regulatory agencies, continued to provide guidance and support to financial institutions to strengthen AML/CTF compliance which will continue in 2025.

Work on strengthening the Risk Based Supervision Framework of the Reserve Bank has continued in 2024 through technical assistance provided by

Pacific Financial Technical Assistance Centre (PFTAC). This includes, updating majority of existing prudential guidelines for domestic banks in line with proportionate implementation of BASEL III requirements, IFRS 9 and other international best practices. However, the issuance of the new prudential standards was delayed due to the December earthquake, which caused significant damage to banking infrastructures and required banks and other financial institutions to relocate operations to disaster recovery sites and branches. One major bank building was declared unsafe and scheduled for demolition, necessitating the relocation of the entire office to new premises. The central business district remained closed for an extended period, and banks continued to operate from DR sites as town gradually opened.

Despite these unprecedented challenges, banks and other financial institutions demonstrated strong resilience and effective BCP. The sector achieved rapid recovery times, with most banking services and ATMs coming back online within days, ensuring customers could access cash and essential services. In support of customers affected by the disaster, banks offered loan relief packages, and the Reserve Bank introduced a six-month moratorium on PG2 requirements for affected borrowers.

The IMF, through its Monetary and Capital Markets Department (MCM) and Statistics Department (STA) conducted a Financial Sector Stability Review (FSSR) toward the end of 2024. The main objective of the FSSR was to help the RBV build a roadmap of technical assistance (TA) to address identified financial sector needs and gaps, with a view to strengthen resilience of financial institutions and to enhance the policy framework. The work will further strengthen supervision and resilience of the financial sector to ensure financial stability is maintained at all times.

1. Banking Industry

The Reserve Bank supervises/regulates 5 domestic banks and 10 international banks.

All international banks have a physical presence in Vanuatu; however, they only deal with non-residents through respective correspondent banks located offshore. During the financial year all banks

operated within the regulatory requirements of the Reserve Bank.

The domestic banking industry continued to show resilience in 2024, maintaining strong capital positions despite the operational disruptions caused by the earthquake. Earnings remained solid, and liquidity levels were high, as indicated by the liquid assets ratio (LAR) well above the minimum requirement. However, the quality of the banks' lending books remained an area of concern, with non-performing assets remaining elevated. Nevertheless, the majority of the industry's loans and advances continued to perform, and banks continued to accumulate general and specific provisions to prepare for any further deterioration in asset quality.

The challenges of de-risking and the EU's blacklisting of Vanuatu persisted in 2024, resulting in ongoing difficulties for banks in establishing new correspondent relationships. Existing relationships were maintained at relatively higher cost and with tighter due diligence processes.

The Reserve Bank received around 4 enquiries for both domestic and international banking license in 2024.

Chart 6: Earnings – Domestic Banks
(Levels, Billions of Vatu)

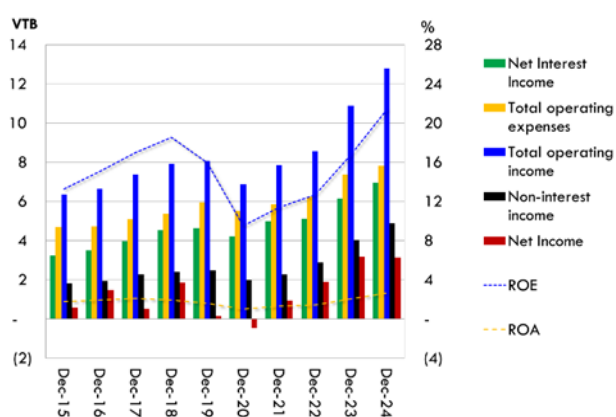


Chart 7: Capital Adequacy & Tier 1 Ratio
(Levels, Billions of Vatu)

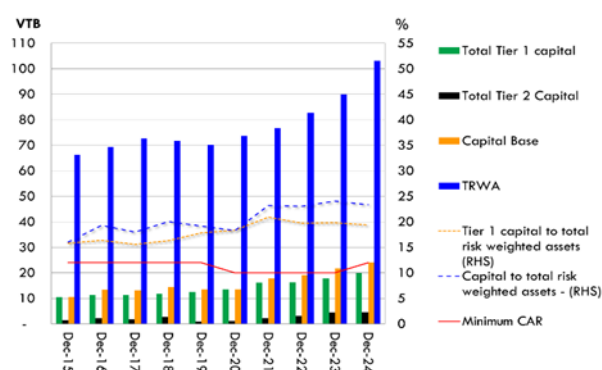


Chart 8: Asset Quality – Domestic Banks
(Share of Total Loans, By Loan Category)

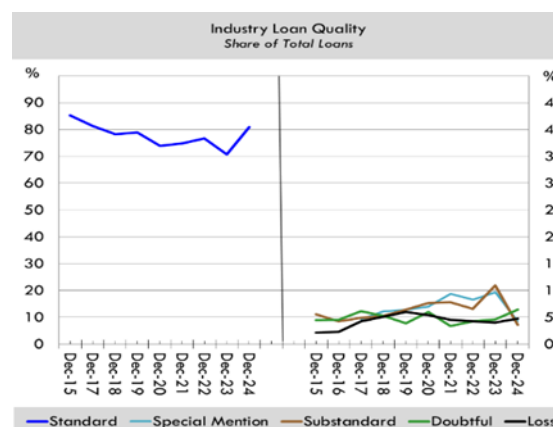


Chart 9: Liquid asset ratio –Domestic Banks
(Percentage of total assets)



2. OTHER FINANCIAL INSTITUTIONS SECTOR

The other financial institution sector includes the Vanuatu National Provident Fund (VNPF), Credit Corporation Vanuatu Limited (CCVL), the Credit Unions, Vanuatu Rural Development Bank (VRDB)

and Electronic Money and Payment Service Providers.

Vanuatu National Provident Fund (VNPF)

The VNPF remains a significant institutional investor and the sole mandatory superannuation fund in the financial system operating under the VNPF Act. In 2024, the Reserve Bank maintained close oversight of VNPF given its systemic importance and the potential implications for financial stability. The Reserve Bank's supervisory attention remained focused on investment risk, liquidity risk, governance and risk management.

As at year-end 2024, VNPF's total assets reached approximately VT28.9 billion, reflecting 16.4% growth compared to the previous year. Contribution inflows indicated an annual growth of 5%, supported by formal sector employment recovery and compliance efforts. The Fund's asset portfolio continues to be dominated by domestic investments, including government securities, real estate, and loans to members, with limited exposure to offshore assets.

In the course of the year, a few members of the Board were reappointed for a second term, and a new General Manager was appointed, Mr. Paul Kaun.

Furthermore, current management has made some progress in implementing the recommendations proposed in the 2016 Commission of Inquiry (COI) and 2017 Regulatory Task Force (RTF) reports, though yet to be fully implemented.

Credit Corporation Vanuatu Limited (CCVL)

CCVL demonstrated commendable financial resilience and operational stability, aligning with the Reserve Bank's expectations and requirements.

The institution's principal activities remain unchanged throughout the year, despite the relocation of the Port Vila office as a result of the December earthquake.

The financial year recorded a net profit of VT217.8 million, with capital adequacy and liquidity levels well above the minimum regulatory requirements. CCVL continue to maintain prudent lending practices, resulting in a healthy loan portfolio and improved

asset quality, with non-performing loans ratio of 2%, down from 11% in the prior year.

The Reserve Bank continues to engage with CCVL in carrying out its mandated supervisory responsibility, conducting a prudential consultation with the institution on August 19, 2024.

Vanuatu Rural Development Bank (VRDB)

In 2024, the Reserve Bank maintained its regulatory oversight of the VRDB, the nation's sole development bank. VRDB plays a pivotal role in financing agriculture and rural development, contributing to increased lending in underserved sectors. However, challenges persist, including a high rate of non-performing loans as well as other key structural and operational factors that contributed to a reported financial loss of VT5.8 million for the fiscal year. The RBV continues to engage with VRDB to improve governance and align operations with national development priorities, supporting inclusive economic growth and effective risk management.

Credit Unions

The Credit Union industry, comprising of only three registered and active operating unions, remain the smallest sector supervised by the Reserve Bank, yet considered important in addressing financial inclusion. During 2024, the Reserve Bank conducted prudential consultations to all the credit unions as part of its supervisory role. Key concerns observed in this sector include weak internal governance, limited financial and technical capacity, and inadequate risk assessment practices. Furthermore, the absence of reliable and timely financial data hampers effective supervision and risk analysis.

The Reserve Bank has prioritised improvements in supervisory reporting and will continue to engage credit unions on strengthening institutional resilience and sound management practices.

Electronic Money and Payment Service Providers

The active licensed electronic money and payment service providers include M-Vatu, MyCash and Kwik Pay. In 2024, the Reserve Bank continued to undertake its oversight role mandated by the National Payment System Act to ensure the operations of these entities are within their licensing conditions. Though the financial services provided by

these entities helped the Reserve Bank achieved its financial inclusion goals, regulating and supervising this sector continues to remain a challenge for the Reserve Bank due to limited human and technical resources. However, the Reserve Bank has prioritised improvements in its regulatory and supervisory frameworks and will continue to collaborate with the entities to safeguard the sector's long-term sustainability.

3. INSURANCE SECTOR

The insurance industry comprised of four domestic insurers, one external, one reinsurer, three international insurers, three captives, four brokers, two Insurance Managers and eleven agents.

The industry continues to be challenged by volatile climatic conditions and other perils. During the reporting year, the industry recorded unprecedented insured losses, caused by a 7.2 earthquake. The initial provisioning for these losses was recorded at VT7 billion which is expected to increase as more claims are reported.

Despite these challenges, the domestic industry maintained a sound financial position for the year under review. The industry continues to utilize offshore reinsurance risk transfer facilities for natural perils and other catastrophic risks.

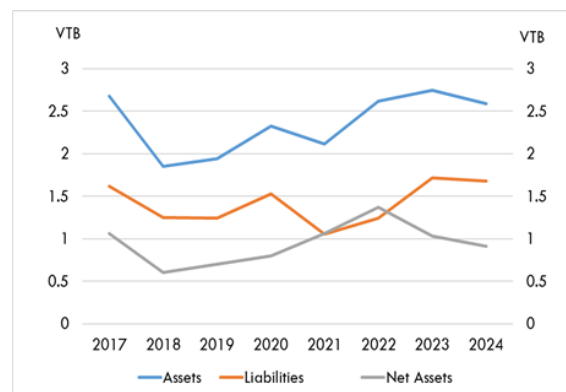
Onsite/offsite review

The unit continues to conduct offsite monitoring on the industry to ensure they remain solvent and adhere to best business practice and other regulatory requirements. This year, the unit recommenced its onsite monitoring post Covid-19 by conducting three visits to two insurance companies and one broker.

Industry Performance

Despite the frequency of severe weather conditions with incurred losses, the domestic industry maintained a sound financial position for the year under review. The industry continues to protect its underwriting books through risk transfer mechanism with reinsurance companies.

**Chart 10: Financial Position
(Level, Billions of Vatu)**



As at December 2024, the industry admissible assets drop by 6 percent to VT2.58 billion, compared to VT2.74 billion recorded in the previous year 2023. The decline was due to the greater decline in amounts due from reinsurers and other asset (prepayment) by 83 percent.

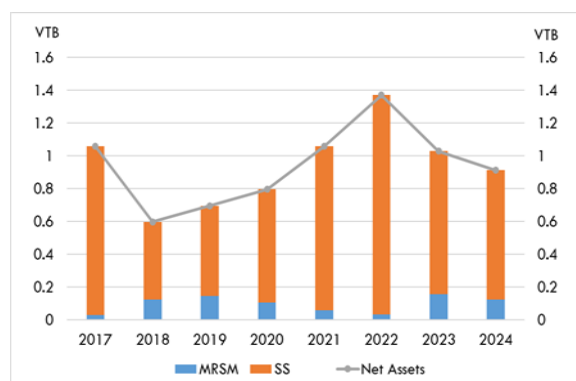
Reinsurance recoveries reportedly spike by 17.6 percent, which is attributed to the reinsurance recoveries from the 2023 twin cyclone claims settlements. The Cash on Hand and on Deposit declined by 8 percent, primarily due to ongoing settlement of outstanding TC Kevin & Judy claims in addition to payment of the recent earthquake claims.

Similarly, Insurance liabilities declined by 3 percent to VT1.67 billion, compared to VT1.71 billion recorded in 2023. The decline reflects corresponding reduction by the following liability components - unexpired risk by 11 percent, amount due to related parties by 98 percent, catastrophe claims retention by 83 percent. The trade & other creditors in comparison, recorded a significant increase by 229 percent.

Margin of Solvency

Over the year under review, the total industry surplus (admissible asset) declined by 11 percent to VT913 million compared to VT1.03 billion recorded in 2023. Required minimum solvency declined by 22 percent to VT123 million, compared to VT159 million as at end of December 2023. The solvency surplus position (after deduction of the minimum required solvency margin) drop by 9 percent to VT789 million from VT870 million in 2023.

**Chart 11: Solvency Surplus
(level, Billions of Vatu)**



The industry recorded net written premium at VT686 million in December 2024, indicating an increase of 67 percent compared to VT410 million in the previous year. The increase reflects the growth in gross written premium by 19 percent. Net claims incurred increased by 224 percent to VT428 million compared to VT132 million in the previous year. Net claim comprises of historical outstanding claims & paid claims during the reporting period. This increase is related to ongoing claims from TC Kevin & Judy and recent earthquake claims.

**Chart 12: Net Written Premium & Net Claims
(Level, Millions of Vatu)**

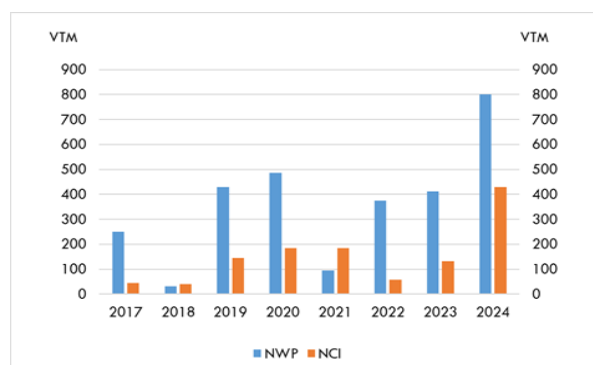
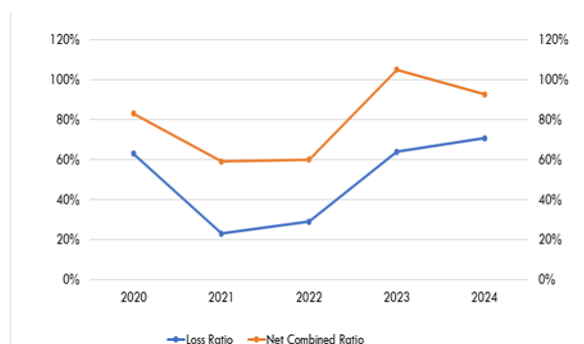


Chart 13: Industry Loss Ratio & Net Combined Ratio



The Loss ratio increased by 71 percent over a five-year period. It also recorded a year-on-year increase of 10 percent. The loss ratio comprises of net earned premium from claims paid and loss adjustment expenses. The increase is driven by the reported 2023 and 2024 disastrous events. Business lines which recorded significant losses over a period of five years are Fire (property), Householders and Marine insurance.

The Net combined ratio declined by 93 percent over a five-year period and year-on-year by 12 percent. The net combined ratio which comprises of both the loss and expense ratio is an indicator about the profitability of the business. The reduction in net combined ratio is attributed to recorded year-on-year losses in the following business lines -Fire, Household, General Accident and Marine.

As at December 2024, underwriting results recorded a slight decrease of 1 percent to VT1.50 billion compared to the previous year at VT1.52 billion. This was attributed to the decrease in premiums in the following business lines - fire & property by 21 percent, parametric cyclone product by 100 percent, domestic householders by 60 percent, personal accident and health by 65 percent, engineering by 58 percent and funeral by 5 percent.

The total premiums ceded offshore as at end of December 2024 was recorded at VT361 million, an increase of 42 percent from the previous year (VT253 million: 2023).

Commercial lines continue to record the highest gross premium at VT1billion compared to the personal lines at VT502 million. The commercial lines comprise fire/property, Industrial Special Risk (ISR) Material Damage, General Accident, Third Party Motor, Vehicle, Marine, Worker Compensation, Engineering, Liability risks and Aviation.

Personal lines on the other hand comprise Homes & Content (Householders), Personal Accident, Medical, Private Motor, Term life and Funeral.

Challenges

Given the magnitude of losses from both the 2023 twin cyclones and recent earthquake, it is expected that insurers will be reviewing their risk appetite in order to remain solvent and profitable in the market.

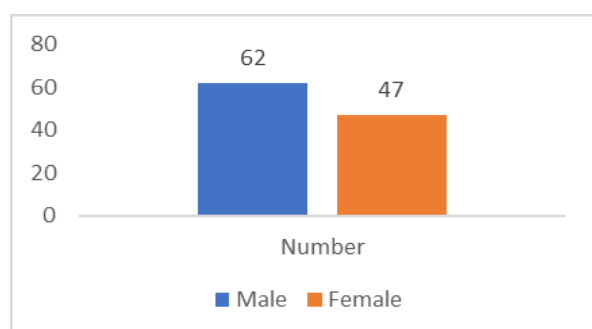
HUMAN RESOURCES DEVELOPMENT

Staffing and Gender Composition

As at 31 December 2024, the Bank employed a total of 109 staff members, comprising 62 males and 47 females.

The Bank remains committed to promoting equal employment opportunities and fostering a diverse and inclusive workplace for all Ni-Vanuatu citizens.

Chart 14: Staff Gender Composition



Source: HR Office

Staffing Updates

In 2024, the Bank successfully welcomed thirteen (13) new employees across various departments, enhancing its operational capacity and expertise.

The new recruits are as follows:

- Governor's Office: Four (4) new staff members, including the newly appointed Governor, a Paralegal (Legal Unit), a Human Resource Officer (HR Unit), and a Chief Risk Officer.
- Department of Economic Research & Statistics: Two (2) new staff members, including a Statistician and an ICT Statistician.
- Financial Regulations Department: Two (2) new Bank Supervisors.
- Department of Support Services: Five (5) new recruits, comprising one (1) Male Cleaner, two (2) Settlement Unit staff, one (1) Senior Currency Clerk, and one (1) Administration Support Officer.

The Bank extends a warm welcome to these new team members and looks forward to their valuable contributions to the institution's ongoing success and development.

Senior Management Transitions

In 2024, the Bank recorded the departure of four (4) senior management staff following the completion of their employment contracts in June and December. The Bank acknowledges their valuable contributions and extends its appreciation for their service during their tenure.

Capacity Building and Professional Development

In 2024, the Bank continued to invest in staff capacity building through a range of professional development initiatives. Staff benefited from international training and official travel opportunities, in addition to participating in mandatory virtual and in-house training programs. These sessions were facilitated by reputable institutions, including the International Monetary Fund (IMF), World Bank (WB), Pacific Financial Technical Assistance Centre (PFTAC), Budget Conference, IBE Forum, and various central banking counterparts.

These engagements have played a vital role in enhancing technical knowledge and strengthening institutional capability. Furthermore, the Governor and Deputy Governor represented the Bank on official overseas missions, reinforcing the Bank's presence and engagement in regional and international fora.

Staff Counselling and Support

In line with the Bank's mission to recruit, retain, and develop a professional workforce, the Human Resources Office continued to provide counselling services to both new and existing staff throughout 2024. These sessions have been well received, with positive feedback highlighting their role in fostering a supportive, inclusive, and responsive workplace culture. The initiative reflects the Bank's ongoing commitment to employee well-being and organizational cohesion.

Support for Tertiary Education

Reaffirming its commitment to professional development, the Bank has approved one staff member to pursue a Master of Commerce in Accounting at the University of the South Pacific (USP) from March 2025 to April 2027. In addition, several staff members are currently undertaking

part-time studies at USP's Emalus Campus. These educational initiatives underscore the Bank's ongoing support for higher learning and capacity building, contributing to the enhancement of technical expertise and the advancement of the Bank's strategic objectives.

Student Attachment Program

As part of its commitment to promoting practical learning opportunities, the Bank engaged five (5) students under its annual attachment program in December 2024. The students were assigned across key departments, with two (2) placed in the Economic Research Department (ERD), two (2) in the Support Services Department (SSD), and one (1) in the Financial Regulation Department (FRD). The program was initially scheduled to run from 10 to 30 December 2024; however, it concluded earlier than planned, on 17 December 2024, due to the earthquake. Despite the early conclusion, the program provided valuable exposure and hands-on experience to participating students in various areas of central banking operations.

Occupational Health and Safety

The Bank remains committed to maintaining a safe and healthy working environment for all staff. Throughout 2024, routine workplace inspections and safety audits were carried out to ensure full compliance with established occupational health and safety standards.

Following the earthquake that struck Port Vila on 17 December 2024, the Bank promptly activated its BCP and collaborated with relevant government authorities to conduct structural assessments of its premises. Safety briefings were provided to all staff, and appropriate measures were implemented, including the temporary relocation of operations to the Bank's Disaster Recovery (DR) site, to mitigate identified risks.

These actions underscore the Bank's proactive approach to safeguarding staff well-being while ensuring operational resilience and continuity in times of crisis.

PROPERTY AND ASSETS

In 2024, the Bank continued to strengthen its infrastructure, facilities, and operational readiness

to support its mandate. The Bank, through the Property and Assets Section under the Logistics Unit of the Department of Support Services, managed its buildings, land, equipment, and investment properties, ensuring they met both current and future operational needs. The section also supported staff development through the Performance Management Plan, which achieved positive outcomes for 85% of participating staff. Key refurbishment and maintenance initiatives included the Archive Room renovation and urgent repairs to the main entry sliding door, ensuring continued accessibility, security, and proper record preservation.

Modernisation/upgrade of Core Building Infrastructure

Critical building systems were upgraded or replaced to maintain operational efficiency. Water booster pumps, air conditioning units in the old building (Levels 2 and 3), and the original hot water heater were all replaced or retrofitted with energy-efficient solutions. Standby air conditioning units were installed in the ICT Server Room and UBS Room, and exhaust fans with upgraded LED lighting were installed in the relocated Level 4 store room to improve air quality and working conditions. Fire alarm systems at both the Headquarters and Disaster Recovery Site were also replaced to ensure continued safety and security.

Figure 1: New booster pump – replacement job by South Pacific Electrics.



Enhancement of Infrastructure Resilience

Infrastructure resilience was further enhanced through cyclone-related repairs and upgrades. Parking lot fencing damaged by the 2023 cyclones was restored, and parking expansion Phase One was completed to accommodate additional staff and tenant vehicles. Residential properties were

prepared for certified cyclone resistance, and roller shutters damaged by the cyclones were fully restored. The Disaster Recovery Site's main entry gate was upgraded, and the main gate at headquarters received a new motor, control systems, and remotes, ensuring durability, security, and operational reliability.

Figure 2: Parking lot iron fencing.



Enhancement of Communication and Water Systems

Connectivity and sanitation improvements were also carried out. Fibre connections to the Disaster Recovery Site were repaired and re-routed following accidental damage during construction activities, while an 8-core fibre cable was installed to connect the guardhouse for enhanced communication. Septic tanks were emptied and maintained, and water systems—including a Level 8 water filter and relocated water softener—were upgraded to ensure clean, safe, and reliable supply for building occupants.

Figure 3: Excavation by CGGC and connectivity re-route and completion work by PACNET at Presidential Palace Main Entry.



Development of the Northern Region Operations Centre

In addition, the Bank advanced its regional presence through the Northern Region Operations Centre

project in Luganville, Santo. The Bank is overseeing the design and documentation phase in coordination with the Bank Project Committee, Mainguy Consulting Engineers, Project Management, and Kramerausenco for a new structure to support future operations in the northern region. This initiative is ongoing and scheduled to continue throughout 2024 and 2025.

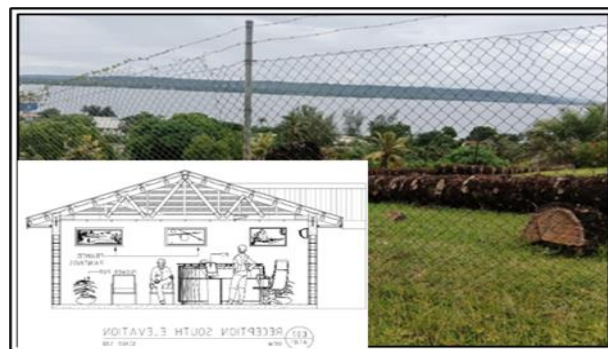


Figure 4: Project site overlooking the Luganville Harbor.

Through these coordinated efforts, the Reserve Bank of Vanuatu has reinforced the resilience, efficiency, and safety of its facilities, supporting uninterrupted central banking operations and safeguarding both staff and critical assets.

General Maintenance

The Bank's Maintenance Officer, appointed in October 2023 under the Property & Assets Unit, is responsible for carrying out minor maintenance works across Bank facilities, including repairs, adjustments, and general upkeep to ensure a safe and functional environment. All tasks are managed through a formal maintenance requisition process coordinated by the Property & Assets Unit.

Landscaping

In addition to maintenance responsibilities, the Maintenance Officer collaborates with the Bank's gardener on landscaping enhancements, beginning with upgrades to the flower beds at the front of the building, with plans to extend these improvements to other areas of the premises.



Figure 5: Newly raised concrete flower bed, awaiting top soil placement, painting and introducing of new flowers.

Gardener

The Bank's gardener is responsible for maintaining and enhancing the landscape within the main premises. With support from the Maintenance Officer, landscaping projects have advanced efficiently, including the introduction of new plant species and the commencement of plant husbandry in Q1 2024. The nursery has been relocated to the Disaster Recovery Site, where further landscaping upgrades will take place upon completion of works at the main premises.

Daily responsibilities include maintaining cleanliness and plant care, pruning, weeding, cutting grass, managing waste disposal, and ensuring proper tool storage. The gardener also assists the Maintenance Officer with major repairs, furniture relocation, and conference room setup as required.

Security Unit

The Security Unit maintained effective daily operations, overseeing access control, perimeter patrols, and contractor supervision. Despite minor operational challenges, the unit successfully safeguarded Bank premises and ensured risk management during major works such as the VRF retrofit on Levels 2 and 3 of the old building.

FRANKLYN KERE LIBRARY ENGAGEMENTS

Access to information is a cornerstone of sustainable development, economically, socially, and environmentally. The Bank recognizes that without access to reliable information, individuals, communities, and nations are limited in their ability to make informed decisions, innovate, and participate meaningfully in society. In support of this principle, the Bank's Kere Library and Archives

Section continues to play a vital role in promoting equitable access to information, knowledge, and learning resources that contribute to national development.

Throughout 2024, the Kere Library and Archives Section continued to provide a comprehensive range of services supporting the Bank's staff, students, researchers, and the general public. These services included circulation and lending, student research and study support, reading and reference facilities, in-house colour printing, photocopying, laminating, binding and scanning, research and reference assistance for Bank staff, as well as public exhibitions and displays.

The library serves as an important information hub and a welcoming space for learning, research, and engagement. It regularly accommodates visiting students, community groups, and schools undertaking educational field trips to the Reserve Bank.



Figure 6: Student browsing through a book at the library (left) and students observing a display board during a library exhibition.



Figure 7: RBV staff reading newspaper for information.

The library operates under an integrated library management system and maintains a collection of approximately 5,000 items, including books, periodicals, CDs, DVDs, and Official Gazettes. The layout consists of four main areas: bookshelf aisles, a reading area, an exhibition area, and a small museum section.



Figure 8: Librarian explaining the items displayed in the glass exhibition case.

During the year, the library continued to deliver essential in-house services, particularly printing support. A total of 5,000 items were printed in 2024, primarily for the Vanuatu Demand Side Survey and the Financial Literacy and Money Minded Awareness Programs conducted in Santo and Malo. Usage statistics indicate consistent demand, confirming that the library continues to provide quality and relevant services to its users.

In addition to its daily operations, the library complements its permanent displays with guided tours, educational talks, and thematic exhibits that promote financial literacy, heritage awareness, and cultural appreciation.

External Engagement

In 2024, the Kere Library and Archives Section actively participated in several national and institutional events:

1. World Consumer Rights Day (March) and ANZ Money Minded “Train the Trainer” Program (June) – in collaboration with the Financial Inclusion Unit (FIU) to promote consumer awareness and financial literacy.
2. Book Presentation (April) – as part of community learning activities.

The library also took part in the International Language Day and World Book and Copyright Day in April, through a presentation at the National University of Vanuatu. The event highlighted the importance of reading and English literature, and brought together local writers and authors to share insights on writing, creativity, and the promotion of literacy.

Community Engagement

The library continued to collaborate closely with the FIU in support of the Financial Literacy Outreach Program held in November and December 2024. However, the planned Central Banking Outreach Program for South Santo and Maewo in June was postponed due to national disturbances, including Air Vanuatu’s domestic flight cancellations and the Teachers’ National Strike. The RBV remains committed to relaunching this program once conditions allow, reaffirming its dedication to community engagement and financial education.



Figure 9: RBV librarian giving out information to students.



Figure 10: Book presentation at the VNU



Figure 11: The participants, RBV staffs and financial stakeholders of Financial Literacy Awareness Program that was conducted throughout Santo.

Archive Management and Renovation

A risk assessment conducted in late 2023 by the Property and Assets Section identified significant

structural concerns in the Bank's basement archive storage, including concrete deterioration. Based on the assessment, the Library Section was tasked with developing and implementing a renovation plan. Archive restoration commenced in March and was completed by May 2024, with coordination support from the Security and Support Division (SSD).

The project involved a complete archive turnover, including the removal, cleaning, re-boxing, relabelling, and re-shelving of all archival records. In total, 1,653 archive boxes were replaced (780 from Archive Room 1 and 873 from Archive Room 2). The process ensured the proper preservation and organization of historical records.

To complement the renovation, two Book Eye Scanners were acquired to initiate the digitisation of archival and library materials. The digitisation process began with older publications and will enhance record preservation while improving accessibility through the Library's Electronic Management System (EMS). This development represents an important step towards modernising RBV's knowledge management and safeguarding institutional memory.



Figure 12: The two RBV librarians overlooking the archiving process.

Earthquake Impact

The RBV Library also sustained damage by the earthquake on 17 December 2024. This included collapsed bookshelves, fallen books, and broken computer equipment, which temporarily affected operations. Despite these challenges, the Bank is committed to restoring full functionality and ensuring the continued preservation and accessibility of its information resources.



Figure 13: Damage in the library by the devastated earthquake in the last quarter of 2024.

INFORMATION AND COMMUNICATION TECHNOLOGY

The Reserve Bank places greater importance on Information and Communications Technology (ICT), ensuring that the key systems and processes that support the operations of the Reserve Bank continue without interruption.

The Reserve Bank engages annually an independent external auditor to vet its systems, policies and ICT processes. To promote resilience, the Reserve Bank ensures that internal ICT policies are enforced and reviewed according to ICT best standard practices. Similarly, the Reserve Bank operates a fully functional disaster recovery site to accommodate the Bank's overall Business Continuity Plans (BCP). To date, the Reserve Bank's core operations have been simulated from this site and areas of improvement have been noted for redress and correction.

Network and data security for the Reserve Bank is vital and the ICT team continues to ensure that this is maintained and managed efficiently. As part of its ongoing operations, the ICT Unit is responsible for managing day-to-day network services, network and data security, update services, data storage, email services, backup services and maintaining the core banking systems including the National Payment System. The unit also maintains and updating of the Reserve Bank's official website, ecommerce site and social media pages.

In response to continued cyber threats and vulnerability assessments, the Reserve Bank's core systems and network have undergone security audits. And as per policies, they are required to be attested annually in compliance with international ICT security standards.

Furthermore, the December 2024 earthquake was a real test on the Bank's resiliency mechanisms, in particular with key operations. Despite of the earthquake events, the Bank was able to recover its critical operations by utilizing its Disaster recovery site.

Going forward

In strengthening the Reserve Bank's business continuity plan, the ICT Unit in collaboration with the Bank's Business Continuity Committee, is progressively updating its Business continuity policy frameworks. This approach is being taken seriously by the Management and Board given the recent experiences with increased and ongoing cyber-attacks including natural disasters which poses a significant threat to the Bank's ICT infrastructures.

Furthermore, with the changing corporate landscape, the Reserve Bank has shifted some of its focus into secure cloud service and Artificial Intelligence providers in alignment with regional central banks. Likewise, technical resources will be sought from qualified external and internal service providers whenever required as per the Reserve Bank's policies and standards. Such strategic investments are required to keep abreast with technological updates and achieving a cost-effective approach in supporting the Reserve Bank's Objectives.

Overall, the Reserve Bank will continue to review its ICT work plans and policies in correlation with the Bank's overall Objectives and role.

FINANCIAL INCLUSION 2024 HIGHLIGHTS

1. Financial Literacy Workshops around Port Vila.

Promoting financial literacy and consumer empowerment remains a key objective of financial inclusion in Vanuatu. Through the Consumer Empowerment and Market Conduct Working Group, the Bank continues to conduct financial literacy workshops to educate individuals on available financial products and services, enabling them to make informed financial decisions that improve their livelihoods.

In collaboration with key stakeholders - including the National Bank of Vanuatu (NBV), ANZ Bank,

Vanuatu Financial Services Commission (VFSC), Vanuatu National Provident Fund (VNPF), Vanuatu Post Ltd, Vodafone, Digicel, Maua App, and the Department of Cooperatives, the Bank organized a series of workshops across Port Vila. During the second and third quarters of 2024, sessions were held in Erakor Village, Kaweriki SDA Church (Manples), Blacksand SDA Church, Freshwota Malasitapu Church, and the Bible Church (Tagabe).

Participant feedback was overwhelmingly positive, with requests for additional sessions. Attendance ranged from 25 to 40 participants per venue, demonstrating strong community interest and engagement.



Figure 14: Participants of the Financial Literacy Workshop conducted by RBV in partnership with its key stakeholders.

2. Peer Learning Trip to Fiji.

In January 2024, the Bank, through the Alliance for Financial Inclusion (AFI) network, undertook a two-week Peer-to-Peer Learning Program with the Reserve Bank of Fiji. The program focused on Financial Consumer Protection, Regulatory Sandbox development, Financial Literacy, and Inclusive Green Finance.

Five senior staff members participated, Mr. Tomkalsal Warsal, Manager ICT, Mr. Andrew John, Manager Financial Inclusion Unit, Mr. Alex Ralph, Manager Other Financial Institutions, Mr. Derek Alexander, Manager Banking and Ms. Priscilla Kalsakau, Oversight Officer.



Figure 15: RBV staffs attending the peer learning trip with the governor (third, right) and deputy governor (middle) of the Reserve Bank of Fiji (RBF).

3. World Consumer Rights Day

World Consumer Rights Day is celebrated annually on 15 March. For 2024, the organizing committee—comprising representatives from the Reserve Bank, Price Control Unit, Telecommunications, Radio communications and Broadcasting Regulator (TRBR), Utilities Regulatory Authority (URA), Ministry of Trade (MoT), and the Office of the Government Chief Information Officer (OGCIO)—rescheduled the event to 22 March due to unforeseen circumstances.

Held at Feiawa Seafront Park, Port Vila, the event featured opening remarks by the Deputy Governor of the Bank, a welcome address from the Ministry of Trade, and a keynote speech by the CEO of the Price Control Unit. Activities included panel discussions on consumer rights, school debates (Anglophone and Francophone), and stakeholder booths. The celebration successfully raised public awareness of consumers' rights and responsibilities.



Figure 16: RBV staffs at the booth display, giving information to students.

4. The Vanuatu Second Demand Side Survey

The Vanuatu Second Demand Side Survey (DSS) was conducted in May 2024, following the initial survey of 2016. The DSS provides valuable data on

consumers' access to and use of financial services, guiding future financial inclusion policies.

Led jointly by the Reserve Bank and the Vanuatu Bureau of Statistics (VBoS), the survey was supported by the Alliance for Financial Inclusion (AFI). A Memorandum of Understanding (MOU) was signed on 16 February 2024 to formalize collaboration. The DSS Committee, chaired by Mr. Pita Toa, included representatives from RBV and VBoS. The members were Mrs Lonneth Jonas, Mr. Charlington Leo, Mr. Tabe Isaiiah, Mr. Alex Ralph, Mr. Philip Hivo and the Secretariats; Mr. Andrew John, Mr. Ronny Tarimankem Ms. Prirose Timbaci:

For the first time, data extraction and compilation were carried out internally by RBV's Economics and Research Department, enhancing staff capacity and technical expertise. The survey will form the foundation for developing the next Vanuatu National Financial Inclusion Strategy (2025–2030).



Figure 17: Signing of the MOU between the Reserve Bank; Senior Statistician, Mr Pita Toa (second, right), Alliance for Financial Inclusion (AFI) and Vanuatu Bureau of Statistics (VBoS), Mr. Charlington Leo.

5. Signing of MOU between RBV and ANZ bank for RBV (FIU staffs & Librarians) to conduct Money Minded Training.

To strengthen community financial literacy, the Reserve Bank signed an MOU with ANZ Bank to authorize RBV staff to deliver Money Minded training. This initiative followed increased community interest in the program during financial literacy workshops.

Five staff members from the Financial Inclusion Unit and Library participated in a two-week facilitator training led by ANZ's Financial Inclusion Manager, Mr. Turoa Vatoko. The certified trainers are: Mr. Andrew John, Mrs. Betty Williams, Mr. Ronny

Tarimankem, Mrs. Glenda Massing, and Ms. Prirose Timbaci.

Moving forward, all Money Minded sessions within the Financial Literacy Workshop program will be delivered exclusively by certified trainers to ensure consistency and wider outreach to rural communities.



Figure 18: RBV staff group discussion during the money minded training.

6. Community Based Financial Literacy Workshop in Santo Island & Malo Island.

During the final quarter of 2024, the Reserve Bank, in collaboration with key stakeholders, conducted financial literacy workshops in South Santo, Malo, Luganville, Fanafo, and East Santo. Participating RBV departments included the Financial Inclusion Unit (FIU), Economics and Research Department (ERD), Financial Regulations Department (FRD), and the Library.

Workshops were hosted in communities such as Ipayato, Najingo, Namorou, Narango and South Santo 2 Area in South Santo, Avunatari, Amabelau, Alowaru on Malo Island and Hog Harbour, Fanafo, Port Olry and Kole in East Santo Area. In Luganville, the workshops were conducted at Vunamele Church of Christ and Unity Park. Stakeholders provided targeted sessions on their products and services—VNPF on informal sector products, Vanuatu Post on Kwik Pay, Digicel on MyCash, and NBV on savings products and tools.

Participants expressed appreciation for the initiative, many noting it was their first exposure to comprehensive financial education.



Figure 19: Participants of Financial Literacy Workshop by RBV with its key stakeholders in Santo and Malo.

7. Development of the Vanuatu Financial Consumer Protection Policy.

The Vanuatu Financial Consumer Protection (FCP) Policy was developed following the Asian Development Bank (ADB)-led Diagnostic Report released on 15 August 2024. The policy aims to safeguard consumers from power imbalances and information asymmetries, foster trust in the financial sector, and stimulate financial inclusion and economic growth.

The Diagnostic Report was prepared under the ADB-funded Pacific COVID-19 Business Recovery Program (CBRP) at the request of the Governor of the Bank. Following extensive consultations in February and August 2024, the draft FCP Policy underwent further stakeholder review in November 2024.

The RBV Board approved the FCP Policy in December 2024, and it is now pending submission to the Council of Ministers. The next phase involves developing implementing guidelines and drafting the FCP legislation.



Figure 20: The participants of the Vanuatu Financial Consumer Protection Diagnostic Report stakeholder's consultation led by ADB.

8. Vanuatu National Regulatory Sandbox Consultation Workshop.

The National Regulatory Sandbox Framework allows the Bank to evaluate innovative digital financial solutions from FinTech providers. The framework, led by Mr. Tom Warsal, Manager ICT, was developed with support from AFI's Pacific Islands Regional Initiative (PIRI).

A two-day consultation workshop on 27–28 August 2024 brought together regulators, RBV staff, and stakeholders. Discussions covered the sandbox's objectives, establishment process, participant eligibility, duration, risk management, and reporting requirements.

The draft framework is now undergoing peer review by AFI and the Financial Inclusion Technical Advisory Committee. An online submission portal for interested participants has also been developed by the ICT Unit.



Figure 21: Participants of the Regulatory Sandbox consultation workshop.

9. New National Financial Inclusion Strategy 2 Design Consultation.

With the conclusion of the National Financial Inclusion Strategy 2018–2024, the Reserve Bank has commenced preparations for NFIS 2 (2025–2030). In partnership with the United Nations Capital Development Fund (UNCDF), the consultancy firm FinValue was engaged to lead the development process.

Lead consultant Mrs. Bhavana Srivastava conducted consultations with financial inclusion stakeholders in Port Vila to assess market challenges and

opportunities. The draft NFIS 2 will undergo peer review with AFI before its finalization in April 2025.



Figure 22: RBV staffs FIU and head consultant of FinValue, Mrs. Bhavana Srivastava (middle).

10. 2024 Alliance for Financial Inclusion (AFI) Global Policy Forum.

The 2024 AFI Global Policy Forum (GPF) was held in San Salvador, El Salvador, from 2–5 September 2024 under the theme “Innovation for an Inclusive World.” The event brought together over 500 senior policymakers and regulators from 84 AFI member countries to exchange insights and share best practices on advancing financial inclusion. The Reserve Bank was represented by Mr. Andrew John (Manager, Financial Inclusion Unit), Mr. Derek Alexander (Acting Director, Department of Support Services), Mr. Alex Ralph (Manager, Other Financial Institutions), and Ms. Prirose Timbaci (Financial Inclusion Analyst).

The forum featured plenary sessions, workshops, and expert briefings focusing on innovative approaches to improving access to financial services globally.



Figure 23: RBV staffs attending the 2024 Alliance for Financial Inclusion (AFI) Global Policy Forum.



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

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

Contents	Page
Directors' report	1 - 3
Statement by directors	4
Independent Auditor's Report	5 - 6
Statement of profit or loss and other comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to and forming part of the financial statements	11-39

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
FOR THE YEAR ENDED 31 DECEMBER 2024

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

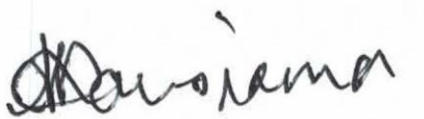
14. OTHER CIRCUMSTANCES

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

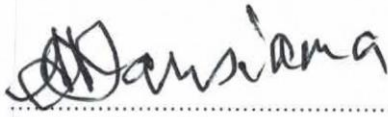
RESERVE BANK OF VANUATU
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

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

August 2025

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

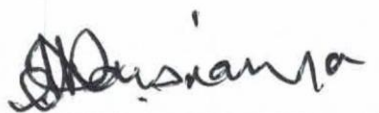
	Note	2024 VT '000	2023 VT '000
Revenue			
Interest income	6 (a)	3,661,859	3,284,571
Net realised / unrealised foreign exchange gains		25,746	-
Net gains in foreign securities market prices		11,795	75,305
Other income	6 (b)	74,977	105,290
Total revenue		<u>3,774,377</u>	<u>3,465,166</u>
Expenses			
Interest 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.

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 derecognised 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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

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>

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

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	<u>3,387,334</u>	<u>3,633,529</u>
Total external assets	<u>76,610,210</u>	<u>75,368,462</u>
<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	<u>76,610,210</u>	<u>75,368,462</u>

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	<u>6,419,261</u>	<u>4,364,701</u>
<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
	<u>6,419,261</u>	<u>4,364,701</u>

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%.

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

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>

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

14. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Computer and Office Equipment	Others	Total
	(VT'000)	(VT'000)	(VT'000)	(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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

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>

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

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	386,875	379,593

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	3,535,014	3,535,014
	6,922,348	7,168,543
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	130,203	378,752
	9,699,764	9,766,604

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

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.

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:

	2024	2023
Concentration by currency	%	%
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.

	2024	2023
Concentration by credit rating	%	%
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.

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

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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

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

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)

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.

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

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	-	-	-	-

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

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.



Reserve Bank Of Vanuatu



www.rbv.gov.vu



rbvinfo@rbv.gov.vu



(+678) 23333