



**RESERVE BANK OF FIJI
AUGUST 2016-JULY 2017 REPORT**

Our Vision

Leading Fiji to Economic Success

Our Mission

- Enhance our role in the development of the economy
- Provide proactive and sound advice to Government
- Develop an internationally reputable financial system
- Conduct monetary policy to foster economic growth
- Disseminate timely and quality information
- Recruit, develop and retain a professional team

Our Values

- Professionalism in the execution of our duties
- Respect for our colleagues
- Integrity in our dealings
- Dynamism in addressing our customers' needs
- Excellence in everything

The principal purposes of the Reserve Bank shall be

- to regulate the issue of currency, and the supply, availability and international exchange of money;
- to promote monetary stability;
- to promote a sound financial structure;
- to foster credit and exchange conditions conducive to the orderly and balanced economic development of the country;
- to regulate the insurance industry; and
- to regulate the capital markets and the securities industry.

Section 4, Reserve Bank of Fiji Act (1983) and the Reserve Bank of Fiji (Amendment) Decree 2009

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Letter To The Minister

RESERVE BANK OF FIJI



Governor

Our Reference: D17/12233

Your Reference:

29 September 2017

Mr Aiyaz Sayed-Khaiyum
Honourable Minister for Economy
Ministry of Economy
Ro Lalabalavu House
Victoria Parade
SUVA

Dear Sir

Re: Reserve Bank of Fiji Annual Report and Accounts for the financial year ended 31 July 2017

In terms of section 56(1) of the Reserve Bank of Fiji Act 1983, and on behalf of the Reserve Bank of Fiji, I submit the following: -

- (i) A copy of the RBF Annual Accounts for the year ended 31 July 2017 certified by the Auditors and
- (ii) A report on the RBF's Operations for the 2016/2017 financial year.

Yours faithfully


Ariff Ali
Governor



Our Functions

The Reserve Bank of Fiji (RBF) is the central bank of the Republic of Fiji established in 1984 through an Act of Parliament - the RBF Act of 1983.

Section 153(2) of the 2013 Constitution states that “in pursuing its primary objects, the Reserve Bank of Fiji must perform its functions independently and without fear, favour or prejudice but there must be regular consultation between the Reserve Bank and the Minister responsible for Economy”.

Monetary Stability

Under section 4(b) of the RBF Act (1983), the Bank is required to promote monetary stability through low and stable inflation and to maintain an adequate level of foreign reserves. The Bank undertakes this responsibility through the formulation and implementation of monetary policy. Policy tools include the Overnight Policy Rate (OPR), Open Market Operations (OMO), Statutory Reserve Deposits, and other direct and indirect tools which have been used at various times.

In managing the country’s foreign reserves, the Reserve Bank also administers exchange control policies under the Exchange Control Act (Rev. 1985).

Financial Stability

Under section 4(c) of the RBF Act (1983), the Bank is mandated to promote a sound financial structure. In undertaking this function, the Bank licenses and supervises banking, insurance and superannuation institutions, as well as foreign exchange dealers.

The supervised institutions must comply with relevant legislative requirements, as well as prudential policies and guidelines issued by the Reserve Bank.

As part of its mandate to ensure financial stability, the Bank identifies and takes steps to mitigate and counter growing risks in individual institutions and the financial system. In this regard, macroprudential monitoring has been initiated to ensure systemic stability. The Bank’s supervisory role also includes activities to combat money laundering and terrorist financing as mandated under the Financial Transactions Reporting (FTR) Act (2004) and the FTR Regulations (2007).

The Reserve Bank acts as the banker for commercial banks and provides payment and settlement services through FIJICLEAR. This is administered under the Payment and Settlement Systems Oversight Regulations (2004).

Under the Companies Act (2015), the Bank is also responsible for regulating, supervising and developing the capital markets in Fiji. In addition to this, the responsibilities for the administration of takeovers; regulation of securities exchanges & central depository; regulation of securities and industry licences; transactions involving listed securities; capital raising; debentures; managed investment schemes, insider trading; offences and investigations and information gathering have also been placed with the Bank.

Part 2 of the Fair Reporting of Credit Act (2016) places specific responsibilities with the Reserve Bank to register, licence and regulate credit reporting agencies, credit information providers and credit report recipients as well as to maintain proper standards of conduct and acceptable credit reporting practices.

Currency Management

Pursuant to section 22(1) of the RBF Act, the Bank has the sole right to issue currency in Fiji.

The Reserve Bank is the sole entity responsible for the printing of notes, minting of coins and the destruction and disposal of used and unserviceable notes and coins. The Reserve Bank also determines the denominational structure, design, content, material and composition of Fiji’s currency, subject to the approval of the Minister for Economy.

Financial System Development

The Bank also drives financial inclusion activities, financial and capital market developments and oversees the complaints management process in all supervised entities.

Other

The Bank provides banking, registry and foreign exchange services to Government and is a lender of last resort to the commercial banks. Policy advice is provided to the Government through participation in various committees and on request.

The Bank’s organisational structure is illustrated on page 6. Details of the Reserve Bank Board of Directors are provided on page 8 and the roles of the Board and Management, and the Governance structure are described on pages 8 to 13.

Governor's Foreword



The Fijian economy is projected to grow for the eighth consecutive year in 2017 by 4.2 percent after a modest growth of 0.4 percent in 2016. Following weaker sectoral performances last year due to the adverse effects of natural disasters, most major sectors are forecast to pick up momentum in 2017. Investment continues to grow amid favourable labour market and financial conditions and rising business optimism. Consistent with this, RBF's twin objectives of an adequate level of foreign reserves and low inflation remain intact.

On a financial year (FY) basis, the Fijian economy is estimated to have grown by a modest 1.7 percent in 2015-2016, and by 2.4 percent in 2016-2017. Economic recovery continues to gather pace boosted by post-cyclone related reconstruction activities and better sectoral performances, aided by strong macroeconomic fundamentals and supportive macroeconomic policies.

The services sector-led growth was underpinned by strong performance in the tourism industry reflecting record visitor arrivals during the review period. The industrial and primary sectors performed favourably, consistent with the recovery momentum while consumption and investment activities remained upbeat. Furthermore, favourable financial conditions evident in ample bank liquidity levels and low interest rates remained conducive to growth.

Additionally, the improved performance envisaged for the global economy in 2017 led by expansion in advanced economies coupled with the relatively low international commodity prices, augur well for Fiji's ongoing economic recovery. Prospects for domestic growth remained positive while the outlook for inflation and reserves continues to be favourable. As such, the Reserve Bank maintained an accommodative monetary policy stance throughout the financial year, keeping the OPR unchanged at 0.5 percent. At the end of the 2016-2017 FY, inflation had fallen to 2.0 percent as prices normalised following the easing of cyclone-led supply shortages in agricultural commodities while foreign reserves improved to a new record high of \$2,315.9 million, equivalent to 5.8 months of retained imports of goods and non-factor services. Higher receipts from tourism and remittances underscored the significant increase in foreign reserves.

The financial sector remained sound with supervised

industries registering satisfactory levels of solvency capital and earnings. The commercial banking industry, which holds more than 40 percent of the financial system's assets, continued to lead the growth of the financial sector on the back of a sustained high demand for credit and comfortably low levels of non-performing loans. The Fijian insurance industry displayed resilience despite the increased level of claims following Tropical Cyclone (TC) Winston and the April 2016 floods. Insurance companies recorded surplus solvency positions and growth in total assets through increased investments and amounts received from reinsurers.

For the superannuation industry, reforms by the Fiji National Provident Fund (FNPF), which have placed the Fund in a sustainable foothold ensuring the protection of member savings and the long-term viability of its pension scheme, were completed in June 2017 while the development of a substantive legislative framework for the Pension Savings sector is under review.

In efforts to further develop the financial system, the Bank undertook various policy initiatives during the year, including the expansion of mobile financial services, microfinance development and financial literacy awareness programs. This culminated in the launch of its first Financial Inclusion Annual Report 2016, Financial Sector Development Plan (2016-2025) and the second Financial Inclusion Strategic Plan (2016-2020). On financial reforms, the Personal Property Securities Bill was tabled in Parliament in July after it was reviewed by the Standing Committee on Justice, Law and Human Rights.

The Reserve Bank recorded a profit of \$28.3 million in the financial year ended 31 July 2017. In spite of a higher level of foreign reserves - the main source of income for the Bank, the profit reflected a relatively volatile international financial market and lower interest rates in most of our trading

partner countries. A total of \$29.4 million will be transferred to the Government in late September, which includes \$2.1 million; being one-fifth of the Revaluation Reserve Account (RRA), in accordance with the Reserve Bank of Fiji Act (1983). Additionally, \$1.0 million will be transferred to the General Reserve Account.

I am pleased to highlight the Reserve Bank's efforts in pioneering financial inclusion, which have progressively received international recognition since its inception. The Child Youth & Finance International in December 2016 jointly awarded the 2016 Global Inclusion Award for the Asia Pacific region to the Reserve Bank of Fiji and the Central Bank of Mongolia.

One of the highlights of the year was the co-hosting of the Alliance for Financial Inclusion (AFI) 8th Global Policy Forum at Denarau, Nadi in September 2016. The financial inclusion event attracted over 500 delegates to Fiji from 78 countries comprising of policy makers, regulators and development partners. I take this opportunity to thank the Government, our fellow stakeholders and my team at the Bank for the tremendous work and support provided to us, which led to the success of this milestone event.

To commemorate Fiji's first ever Olympic Gold medal win by the Fiji Rugby 7s team at the Rio 2016 Olympics, the Bank issued special limited edition circulation currency comprising a \$7 banknote and 50-cent coin in April 2017. The combined 3.3 million pieces of commemorative currency in circulation also served to mark the significance of 7s rugby sports in uniting all Fijians.

The Bank continued to engage in corporate social responsibility activities and building relationships across a broad spectrum of the community through sponsorship of various corporate events and awards.

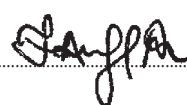
The Bank completed an extensive review of its organisation structure with the objective of building a "fit for purpose" institution. The exercise, which engaged and sought feedback from all RBF staff, confirmed that the current structure was adequate to fulfil the organisation's mandated objectives, functions and strategic intentions.

Going forward, Fiji's economic recovery is expected to gain momentum in the months ahead through the on-going rebuilding activities and broad based performances in manufacturing, financial & insurance activities, construction, wholesale & retail trade and the transport sectors. Inflows from tourism and remittances are projected to grow further in line with trading partner growth thereby supporting stability in the level of foreign reserves. The current low inflation environment is expected to continue as the temporary price pressures following the recent natural disasters have fully subsided.

For the remainder of 2017, the Bank will continue with the implementation of its Strategic Plan 2014-2018 and outcomes from the strategic review exercise. Further work will include review of the Insurance Act (1998), Consumer Credit Bill and the Credit Union Bill and other relevant legislations, in consultation with the Office of the Solicitor General.

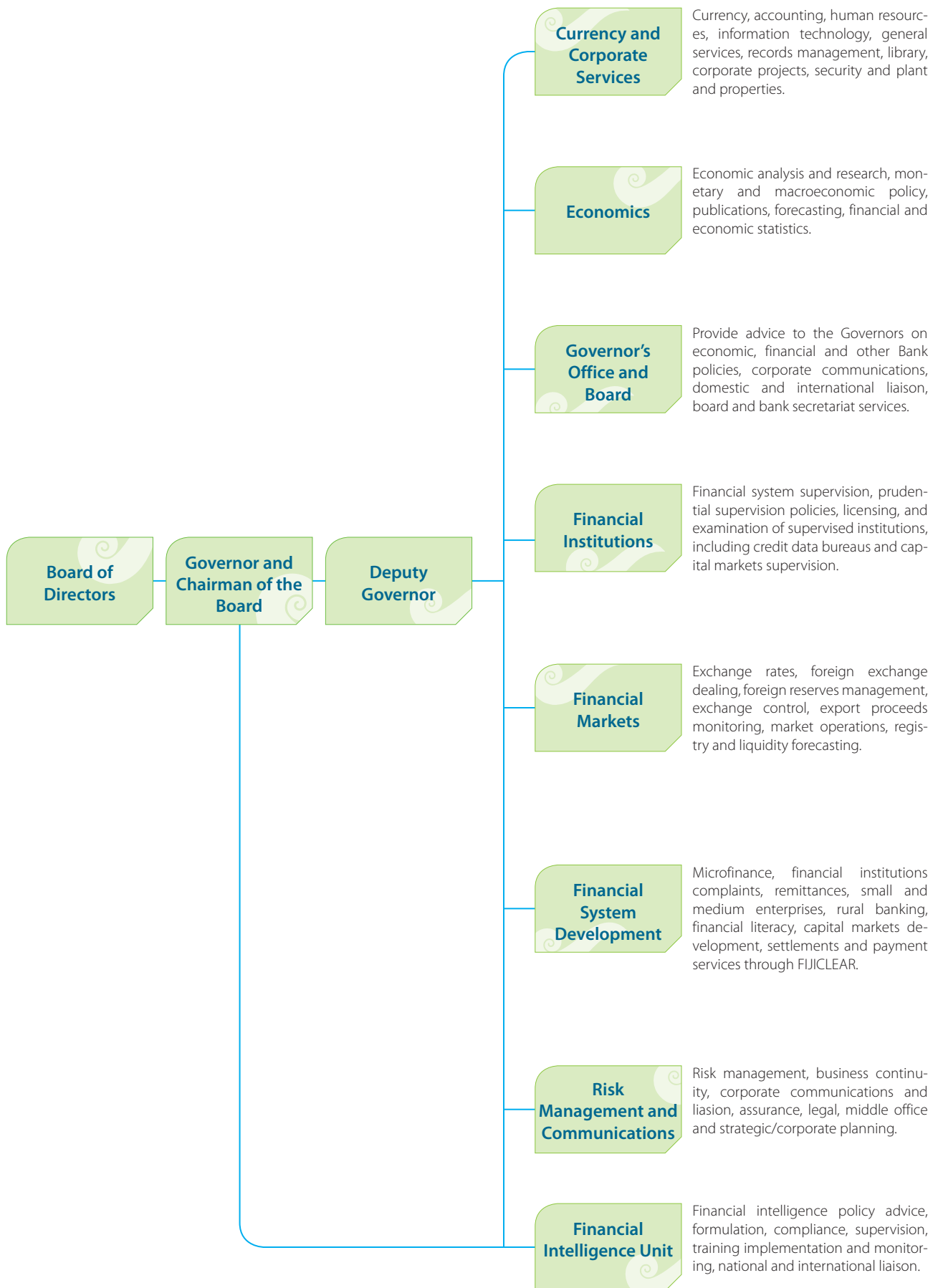
I would like to take this opportunity to thank the former Governor, Mr Barry Whiteside for his 40 years of dedicated service, leadership, commitment and contribution to the Bank and our nation, Fiji.

Finally, I also extend my deep appreciation to the Board of Directors for their support and guidance, and to all members of Team Reserve Bank for their hard work, commitment and cooperation in the 2016-2017 financial year.



Ariff Ali
Governor and Chairman of the Board

Organisation Structure





Board of Directors



1. Ariff Ali¹ Governor and Chairman of the Board

Appointed as Governor with effect from 11 September 2017 for five years. Alternate Governor for Fiji at the International Monetary Fund (IMF) and the Asian Development Bank (ADB). Chairman of the Monetary Policy Committee. Chairman of the Macroeconomic Committee. Chairman of the Capital Markets Advisory and Development Taskforce. Chairman of the National Financial Inclusion Taskforce. Chairman of the Government Tender Board. Chairman of the Sugar Cane Growers Fund and Board Director of the Fiji Sugar Corporation Limited.

2. Makereta Konrote Permanent Secretary, Ministry of Economy (Ex-officio)

Appointed to the Board on 11 January 2016. Former Senior Adviser to the Executive Director of the South East Asia Constituency Office at the World Bank. Board Director of the Fiji National Provident Fund, Fiji Revenue & Customs Authority and the Fiji Ports Corporation Limited. Member of the Macroeconomic Committee. Alternate Governor for Fiji at the World Bank.

3. Pradeep Patel Director

Appointed to the Board on 9 June 2014. Reappointed on 9 June 2017 for three years. Chairman of the Board Audit and Risk Committee and Member of the Board Governance Committee. Senior Partner of BDO, Chartered Accountants. Member of the Capital Markets Development Taskforce set up by Reserve Bank of Fiji. Former President of the Fiji Institute of Accountants. Member of the Standards Committee of the Fiji Institute of Accountants, and has previously served on numerous committees of the Fiji Institute of Accountants, including Business & Government Committee, Law Review Committee and Disciplinary Committee.

4. Tevita Kuruvakadua Director

Appointed to the Board on 9 June 2014. Reappointed on 9 June 2017 for three years. Chairman of the Board Governance Committee. Member of the Board Audit and Risk Committee. General Manager of iTaukei Land Trust Board. Board Member of the Fiji National Provident Fund and the Fiji Sugar Corporation Limited.

5. Tony Whitton Director

Appointed to the Board on 3 March 2015 for three years. Member of the Board Governance Committee. Managing Director of the Rosie Travel Group of Companies. Board Member of Fijian Holdings Limited (FHL) and Chairman of Pacific Cement Ltd. Served as a Board Member of Tourism Fiji and Former President of the Society of Fiji Travel Associates. Member of the Australian Institute of Company Directors (AICD). Chairman and Trustee of the International School Nadi. Board Member and Trustee of the Koroipita Model Towns Charitable Trust and Cure Kids Fiji.



Barry Whiteside

Governor from 5 May 2011 to 27 May 2017

Abdul Khan

Board Director up to 3 November 2016

¹ Appointed as Deputy Governor on 27 May 2014. Appointed as Acting Governor with effect from 28 May 2017 prior to being confirmed as Governor on 11 September 2017.

Executive Management



1. Lorraine Seeto

Chief Manager Risk Management and Communications

2. Esala Masitabua

Chief Manager Financial Markets

3. Razim Buksh

Director Financial Intelligence Unit

4. Caroline Waqabaca

Chief Manager Economics

5. Susan Kumar

Chief Manager Currency and Corporate Services

6. Vereimi Levula

Chief Manager Financial System Development

7. Vilimaina Dakai

Chief Manager Financial Institutions

8. Subrina Hanif

Board Secretary



Corporate Governance

The RBF is established as an independent institution under the RBF Act (1983) and is fully owned by the Government of Fiji. The functions and duties of the Reserve Bank are specified in the RBF Act (1983), RBF (Amendment) Decree 2009, the Banking Act (1995), the Insurance Act (1998), the Exchange Control Act (Rev. 1985), the FTR Act (2004), Payment and Settlement Systems Oversight Regulations (2004), the Fiji National Provident Fund Decree (2011), the Companies Act (2015) and the Fair Reporting of Credit Act (2016).

Section 153 of the 2013 Constitution of the Republic of Fiji also states: -

- (1) The RBF is the central bank of the State, whose primary objects are: -
 - a) To protect the value of the currency in the interest of balanced and sustainable economic growth;
 - b) To formulate monetary policy;
 - c) To promote price stability;
 - d) To issue currency; and
 - e) To perform other functions conferred to it by a written law.
- (2) In pursuing its primary objects, the RBF must perform its functions independently and without fear, favour, or prejudice, but there must be a regular consultation between the RBF and the Minister responsible for Economy.
- (3) The powers and functions of the RBF are those customarily exercised and performed by central banks.
- (4) The Governor of the Reserve Bank shall be appointed by the President on the advice of the Constitutional Offices Commission, following consultation with the Minister responsible for Economy.
- (5) A written law must provide for the composition, powers, functions and operations of the RBF.
- (6) The RBF must deliver quarterly and annual reports to Parliament, and any other reports when required by law, or requested by resolution.

The RBF's performance is documented in an Annual Report and tabled in Parliament every year. Under section 56(1) of the RBF Act, the Annual Accounts and a Report of Operations of the Bank must be submitted to the Minister for Economy within three months after the end of the financial year.

Under the Insurance Act, the Insurance Annual Report is published annually on a calendar year basis and must be submitted to the Minister for Economy by 30 June of the following year. The Financial Intelligence Unit (FIU) and Financial Inclusion Annual Reports are also published annually on a calendar year² basis.

The Vision of the Bank is "Leading Fiji to Economic Success" and is supported by the Mission statements and a set of Values.

The Governor

The Governor is the Bank's Chief Executive Officer and is responsible to the Board for the management of the Bank and the execution of its policies. Mr Ariff Ali was appointed as the Governor of the Reserve Bank of Fiji with effect from 11 September 2017 for a 5-year term. Prior to being confirmed as the Governor, he served as the Deputy Governor with effect from 27 May 2014 and was later appointed as acting Governor on 28 May 2017. Mr Barry Whiteside completed his term as Governor on 27 May 2017.

Board of Directors

The Board comprises the Governor, who serves as the Chairman, the Permanent Secretary of the Ministry of Economy, as an ex-officio member, and five other non-executive members. Under the RBF Act, the Minister for Economy appoints the Directors. The Directors may hold office for a period not exceeding three years but are eligible for re-appointment. Ms Makereta Konrote, Permanent Secretary for Economy, is an ex-officio member appointed on 11 January 2016. Other Board Directors holding office as at 31 July 2017 were Mr Pradeep Patel, Mr Tevita Kuruvakadua, and Mr Tony Whitton.

Board Meetings

Under the RBF Act, the Board is required to meet at least ten times in a calendar year. Four Directors form a quorum for a meeting of the Board. In the absence of the Governor, the Deputy Governor may participate in the Board meetings and is entitled to exercise a vote. The Board met on ten occasions during the review period.

Board and Board Committee Meetings August 2016-July 2017 - Attendance by Members

Director	Board		Board Audit and Risk Committee		Board Governance Committee	
	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend
Ariff Ali*	3	3	NM		NM	
Makereta Konrote**	9	10	3	4	NM	
Pradeep Patel	10	10	7	7	5	5
Tevita Kuruvakadua	9	10	7	7	5	5
Tony Whitton	9	10	NM		4	5
Barry Whiteside***	7	8	NM		NM	
Abdul Khan****	2	2	2	3	NM	

NM - Not a Member
 *Attended the November 2016 Board Meeting in his capacity as Deputy Governor, in the absence of Governor. He attended the June and July 2017 Board Meetings in his capacity as Acting Governor, with effect from 28 May 2017.
 **Appointed as Member of the Board Audit and Risk Committee with effect from 4 November 2016.
 ***Governor and Chairman of the Board up to 27 May 2017.
 ****Board Director up to 3 November 2016.

Source: Reserve Bank of Fiji

² Calendar year runs from 1 January to 31 December while the RBF financial year (aligned to the Government fiscal year) runs from 1 August to 31 July in the following year.

Board Committees

There are two Committees of the Board, the Audit and Risk Committee and the Governance Committee, which comprise non-executive members. Decisions of the Committees are submitted to the Board for ratification.

The *Board Audit and Risk Committee* monitors the adequacy of the audit function in the Bank and assists the Board in fulfilling the requirements of the RBF Act in relation to the Bank's accounting and reporting practices. Mr Pradeep Patel is the Chairman of the Board Audit and Risk Committee while Mr Tevita Kuruvakadua and Ms Makereta Konrote³ are members. In carrying out these functions, the Committee: -

- Reviews and monitors the functions of the external and internal auditors;
- Evaluates the Bank's accounting control system by reviewing audit reports and monitoring management's responses and actions to correct any noted deficiencies;
- Reviews accounting policies to ensure compliance with laws, regulations and accounting standards; and
- Reviews the annual financial statements of the Reserve Bank.

During the financial year, the Board Audit and Risk Committee met on seven occasions.

The role of the Board Governance Committee is to strengthen the governance of the Bank and to ensure the accountability of the Office of the Governor to the Board. The main functions of the Committee are to oversee compliance with the Bank's Corporate Governance Charter and to undertake the annual performance appraisal of the Governor and Deputy Governor based on agreed key performance indicators (KPIs). Those members of the Board who are not members of the Board Governance Committee are invited to attend the meeting to assess the performance of the Governors.

Since 2013, the Board had embarked on a performance assessment system for the Board and its Committees. In doing so, the Board Governance Committee had designed comprehensive assessment forms to evaluate the performance of the Board and its two Committees, including self-assessment for the Board Directors.

Assessments are undertaken internally on an annual basis with the aim of identifying areas of improvement. In the review period, the Board internally assessed the Bank's internal and external auditors using the in-house designed assessment forms. The Board will continue to monitor the performance of its Committees and the auditors annually. Members of the Board Governance Committee are Mr Pradeep Patel and Mr Tony Whitton with Mr Tevita Kuruvakadua as the Chairman.

The Corporate Governance Charter was reviewed in March 2017 to reflect changes to the internal policies of the Bank.

In addition, the Board Governance Committee reviews and approves strategies on terms and conditions of employment for Executive Management and staff. The Committee also reviews and approves strategies on the remuneration policy

for all staff.

The Board Governance Committee met five times during the review period in the FY 2016-2017.

Bank Management

The Executive Management of the Reserve Bank comprises the Governor, Deputy Governor and all Heads of Group. The Governor is advised by a number of internal committees within the Bank: -

- *Executive Management Committee* meets fortnightly to consider the management and day-to-day operations of the Bank;
- *Monetary Policy Committee* meets monthly, or more often as necessary, to discuss economic and monetary developments;
- *Market Operations Policy Committee* meets monthly to discuss the Bank's domestic markets operations;
- *Financial System Policy Committee* meets monthly to review financial system soundness and efficiency;
- *Investment Committee* meets monthly to provide strategic direction and oversight of the Bank's domestic and foreign investments;
- *Financial System Development Policy Committee* meets monthly to discuss financial system and capital markets developments, payment systems, financial inclusion and consumer issues including complaints management;
- *Currency and Corporate Services Policy Committee* meets quarterly to discuss issues relating to currency and internal services;
- *Information Technology Steering Committee (ITSC)* meets quarterly to discuss IT development and operations; and
- *Risk and Business Continuity Management Committee* meets quarterly to identify and assess risks and their impact on the business of the Bank, formulate effective strategies to address these risks as well as respond, manage and recover from any incident or crisis event faced by the Bank.

The Governor chairs all these Committees.

All activities and expenditure in the Bank must be authorised in accordance with the respective delegations, policies and procedures. The Board receives monthly reports comparing the actual outcomes against budget.

The Code of Conduct policy provides guidance on compliance to ethical standards.

The Declaration of Compliance, signed annually by all staff, provides assurance that they have complied with the Code of Conduct, Delegation of Authority, Internal Rules and Orders and all policies (e.g. IT, Fraud, etc) policies of the Bank.

The Delegation of Authority is updated regularly to ensure that it is current.

³ Ms Makereta Konrote replaced Mr Abdul Khan from 4 November 2016.

Strategic Plan

The Bank's Strategic Plan for the period 2014-2018 was implemented in 2014 and is reviewed annually. A review of the Bank's Strategic Plan was done in July-August 2017 and results will be presented to the Board. Chief Managers are responsible and accountable for implementing the Strategic Plan.

In addition the IT, Human Resources and FIU Strategic Plans for the same period are also in place.

Corporate Plan

Corporate planning is undertaken annually in the Reserve Bank. The annual planning cycle is aligned to Government's fiscal year, which runs from 1 August to 31 July.

The Bank's work plan begins with a review of the previous year's plan in December.

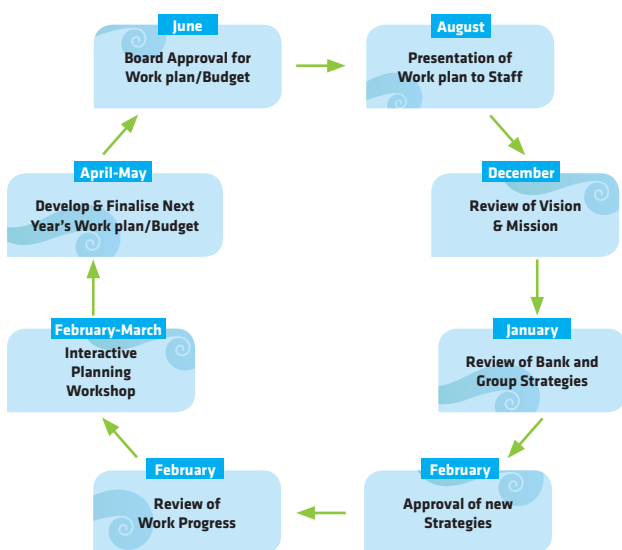
Following this, in January, all Bank and Group strategies are reviewed with any changes to be approved in February.

In February, Groups will review their work progress for the first six months of the current financial year (August-January) and a report submitted to the Board.

From February to March, extensive discussions are held on the new work plan. Each Group will hold an interactive planning workshop and feedback is obtained from both internal and external stakeholders on work to be implemented going forward.

Once the Groups have drawn up their new work plans, the proposed output and resources required to achieve that output are matched, and combined to form the Bank's next work plan and budget for the coming year. These are presented to the Board for approval in June.

New Fiscal Year Annual Planning Cycle



Source: Reserve Bank of Fiji

The work plan is developed and presented according to the Mission statements of the Bank. Every strategy, output and process must identify with a Mission statement, which in turn will contribute to the achievement of the Vision of the Bank. Each Mission statement has a list of KPIs.

The Bank uses zero based budgeting in determining the necessary financial resources for the coming year, based on the work plans submitted by the Groups. The Chief Managers are responsible and accountable for their respective Group's KPIs and budgets. These indicators are monitored regularly by the Governors and the Board.

In June 2017, the Board approved the annual work plan and budget for the period 1 August 2017 to 31 July 2018.

Risk Management

Risk management is an integral aspect of the Reserve Bank's daily operations. The Bank faces many risks; some are general, while others are unique to central banks.

The Bank identifies risks and implements controls in its operation and management of foreign reserves holdings. The other major financial risks that the Bank faces are liquidity risk, credit risk, market risk and operational risk.

Relevant committees are set up to ensure that risks are appropriately managed through vigilant monitoring of economic developments and pre-emptive monetary policy formulation. This ensures that the financial system is sound and stable and the Bank's reputation and credibility is maintained.

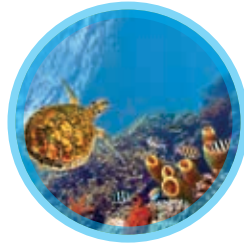
Other risks relate to:

- Staff turnover - the RBF being a relatively small organisation means that any loss of key staff can have a significant impact;
- Currency - such as counterfeit, adequacy and safety issues; and
- Glitches in the operations of Fiji's payments system, FIJICLEAR - due to technical issues.

In line with the Bank's Strategic Plan 2014-2018, the Risk Management and Communications Group which was established in 2014 is the second tier of defence in the management of risks. A bankwide awareness was conducted on risk identification and assessment process to streamline and standardise the methodology used by the teams in managing risks. The risk register is reviewed quarterly to include emerging risks and discussed annually by the Board Governance Committee.

The roll out of the Bank's Business Continuity Plan (BCP) continued during the FY 2016-2017. In addition, the Bank implemented other initiatives including planning and documenting procedures for reference, as well as strengthening procedures in the case of natural disasters.

The BCP strategy includes a Business Resumption Site (BRS) as a backup site for critical operations should the Reserve Bank's main building for some reason become inaccessible,



or if the systems in the building become inoperable. Critical operations include foreign reserves management, settlements and some domestic market processes, including FIJICLEAR operations. The site also houses the Bank's archives.

During the financial year, the Bank continued to invest in technology at the Bank's BRS and trained staff to carry out business recovery during and after a crisis with minimal disruption. This included quarterly simulation testing of systems, particularly critical operations such as foreign reserves management, settlements, domestic market processes and FIJICLEAR operations. Critical systems are operated from the BRS quarterly.

The Bank continued to conduct training, drills and call tree exercises to familiarise staff with emergency response

procedures in an effort to enhance disaster preparedness and planning and continued to review and strengthen its processes relating to BCP.

The Middle Office team continued to monitor the performance and operational procedures of the Bank relating to external and domestic investments. An outsourced internal audit function by Ernst & Young and KPMG provided the Bank with information on risk areas that need to be addressed. Areas for improvement that are identified by internal and external audit sources are addressed as appropriate. The Board, the Board Audit and Risk, the Board Governance and the in-house Risk and Business Continuity Management Committee also contribute to the review and strengthening of the Bank's risk management process.

Economic Overview

The global economy is forecast to grow by 3.5 percent in 2017, slightly higher than the 3.2 percent growth in 2016. According to the International Monetary Fund, the steady recovery is attributed to better growth outcomes in large emerging market and developing economies (EMDEs) including Brazil, China and Mexico as well as in several advanced⁴ economies. Additionally, expansions in industrial output, manufacturing and global trade signal sustained growth for the rest of the year. Over the medium-term, some country specific risks remain key concerns to the global outlook.

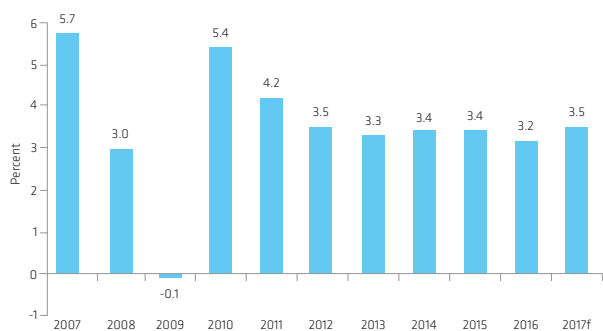
International Economic Developments

The IMF in its July 2017 World Economic Outlook (WEO) maintained its global growth projection for 2017 at 3.5 percent as global recovery remained stable since April despite idiosyncratic factors across major economies.

Growth projections for Japan and the Euro zone economies for 2017 were revised upward following positive activity in late 2016 and early this year. Similarly, China remains on track to achieve a higher growth in 2017 backed by stronger March quarter performance and expected continuation of fiscal support. Conversely, growth prospects for the United States (US) were lowered amidst weaker performances earlier in the year and expectations for a less expansionary fiscal policy.

Despite a stable outlook for the world economy, risks emanating from protracted periods of policy uncertainties, excessive credit growth in China and increased financial sector risks, faster-than-expected US monetary policy normalisation, protectionist actions by advanced economies, and geopolitical tensions could potentially derail global growth projections.

World Gross Domestic Product (GDP) Growth Rates



Source: IMF WEO July 2017

For Fiji's major trading partner economies, better performances are forecast for Japan and the Euro zone while growth for the US, Australia and New Zealand are anticipated to be lower yet positive in 2017.

The US economy is expected to grow by 2.1 percent in 2017, better than the 1.6 percent growth in 2016. Despite the downturn in personal consumption expenditures earlier in the year, higher private inventory investment, Government spending and industrial production continued to drive economic activity. Latest indicators for July 2017 suggested a moderate performance to date although uncertainty persists over low inflation, fiscal and other government policies.

Business activity recorded some softness following subdued manufacturing and service activity.

However, labour market conditions have gradually improved with the unemployment rate falling to 4.3 percent in July from 4.9 percent a year ago. Consumer prices have also eased since February as inflation fell to 1.7 percent in July led by lower energy costs. The on-going job gains in the market are expected to support the growth in incomes and improve consumer spending. Moreover, the stable global recovery is likely to support further gains in US exports. In light of these developments, the Federal Reserve raised its target funds rate twice this year in March (0.75-1.00%) and June (1.00-1.25%) to enhance employment and maintain price stability.

The Euro zone economy is on a firm recovery path, projected to grow by 1.9 percent in 2017, following a growth of 1.8 percent in 2016. Stronger manufacturing sector performance and gradual increases in fixed investment as well as household consumption are expected to drive growth this year. Business confidence remained broadly stable as economic activity improved, evident by growth in output, new orders and strong job creation in the manufacturing sector.

However, trade performance fluctuated, owing to the volatility in the Euro. Inflation remained low at 1.3 percent in July this year on account of lower prices for processed food. As a result, the European Central Bank (ECB) continued its monthly net asset purchases of €60 billion while maintaining its benchmark interest rate at zero percent during the first seven months of 2017. The substantial degree of monetary accommodation is expected to support the Euro area's recovery efforts and the ECB's aim to raise the inflation rate towards 2.0 percent. Overall, the region's major economies, particularly France, Germany, Italy and Spain recorded positive performances early this year and the momentum of stronger domestic demand is expected to continue for the rest of the year.

In Japan, economic growth this year is projected at 1.3 percent, slightly improved from the 1.0 percent growth in 2016. In the year to June, economic activity expanded at a moderate pace, mainly underpinned by higher private consumption, exports and private non-residential investments. Favourable business conditions were supported by increased activity in the manufacturing and services sectors. Additionally, labour market conditions have improved with the jobless rate falling to 2.8 percent in June from 3.1 percent a year ago. However, external sector performance has yet to gain momentum after the Japanese Government sealed a free trade deal⁵ with the European Union to boost the export of Japanese cars. Despite the Bank of Japan's (BOJ's) extensive monetary

⁴ This includes Canada, France, Germany, Italy and Spain.

⁵ The specific terms of the agreement are yet to be finalised.



stimulus, inflation remained near zero percent. In light of these developments, the BOJ kept its policy interest rate at -0.10 percent during the first seven months of the year mainly to support growth and price stability.

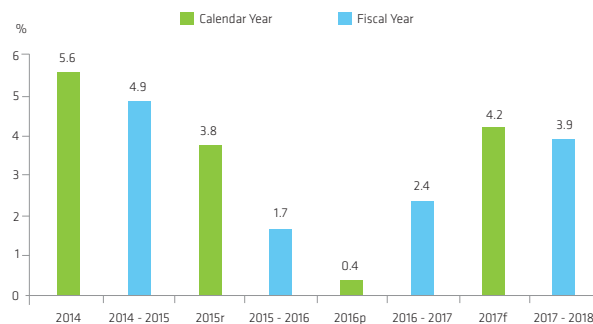
The Australian economy is forecast to expand by 2.1 percent this year, slower than the 2.5 percent growth last year. Recent economic data revealed subdued performance in the economy. Net trade and investment outcomes remained weak despite the positive contributions from domestic demand and changes in inventories. Manufacturing activity slowed amidst easing sales, production and exports. However, business confidence remained positive as weather-related disruptions waned while consumer confidence has trended lower since the beginning of the year due to pressures on household finances and concerns over the economic outlook. External sector activity has been less favourable, as exports declined faster than imports. On a positive note, labour market conditions improved as the unemployment rate fell to 5.6 percent in July from 5.8 percent last year, reflective of strong job growth, increased domestic demand and inflation. Given these recent developments, the Reserve Bank of Australia kept its cash rate unchanged at 1.50 percent during the first seven months of the year to support sustainable economic growth and achieve its inflation target range of 2-3 percent over time.

Similarly, the New Zealand economy is expected to expand at a slower pace of 2.6 percent this year from a 3.1 percent growth in 2016. The deceleration is attributed to lower output in construction, transport, postal as well as warehousing activity early this year. However, consumption remained robust as consumers gained confidence. Additionally, increased immigration coupled with a booming tourism industry augured well for the labour market. The NZ\$1.3 billion higher fiscal surplus announced in May and an accommodative monetary policy stance are expected to support the growth momentum throughout the year. Thus, the Reserve Bank of New Zealand maintained its official cash rate at 1.75 percent throughout the January to July period.

Economic Developments in Fiji

The Fijian economy is anticipated to achieve its eighth consecutive year of growth (4.2%) in 2017, following a lower growth of 0.4 percent in 2016. The public administration & defence; manufacturing; wholesale & retail trade; construction and the financial & insurance activities sectors are expected to be the major drivers of growth in 2017. For the FY 2016-2017, growth is forecast at 2.4 percent⁶ following a 1.7 percent growth estimated in the FY 2015-2016.

Fiji's GDP Growth Rates (Calendar and Fiscal Year)



Sources: Fiji Bureau of Statistics, Reserve Bank of Fiji and Macroeconomic Committee

Sectoral performances in the FY 2016-2017 remained mixed although on an overall basis, the economy is on track to achieve higher growth. Among the major industries, the electricity and tourism sectors performed favourably while gold and timber recorded declines in the review period. However, partial indicators for consumption and investment activity remained positive.

Electricity production in the year to July 2017 grew by 5.9 percent to 963,928 Megawatt hours (MWh) of electricity, of which 54.4 percent was from renewable sources. Similarly, electricity consumption rose in the same period, by 6.3 percent, due to increased demand by domestic (6.3%), commercial (6.9%), industrial (5.6%) and other⁷ (3.1%) users. Additionally, visitor arrivals rose on an annual basis by 5.7 percent, underpinned by arrivals from New Zealand, the US, Rest of Asia and the Pacific Islands. The resumption and increased frequency of the San Francisco - Nadi flights, new direct Nadi - Adelaide flights and the start of the tourism peak season from July are expected to further boost tourist numbers and activity in the industry.

The sugar industry is anticipated to recover this year from the impact of TC Winston in 2016. The 2017 crushing season commenced on 1 June, 15 days earlier than the 2016 season. As at 31 July, the Fiji Sugar Corporation Limited (FSC) had crushed 652,416 tonnes of cane to produce 68,419 tonnes of sugar, representing annual growths of 76.6 percent and 83.3 percent, respectively. The FSC has estimated a cane output of 1.8 million tonnes for the 2017 crushing season.

Gold production rose on an annual basis by 4.8 percent in the year to July 2017. The soft-paced growth is due to improved mining processes⁸ coupled with a stop work order at the Vatukoula Gold Mines Limited's underground operations in April this year. In the year to July, log production by Tropik

⁶ FY 2016-2017 refers to August 2016-July 2017 period.

⁷ This includes streetlights and institutions such as schools.

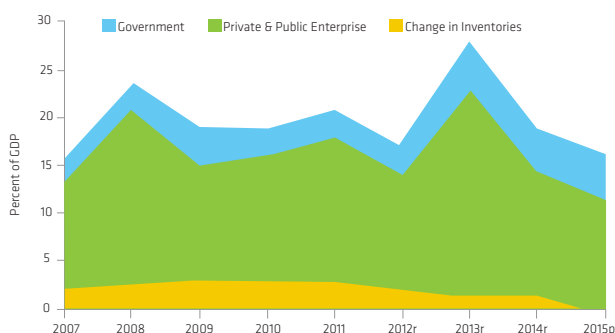
⁸ The increase in gold production on an annual basis is due to better production in the August to December of 2016 - mainly from improvements in mining process. From January-March 2017, production had been affected by the mine audit and closure.

Wood Industries Limited declined annually by 43.4 percent, leading to lower woodchip production by 46.7 percent. However, in the year to June, mahogany production declined by 72.6 percent due to irregular buying from license holders and accumulated stock. The industry is expected to pick up later in the 2017 following the restructure of the licensing mechanism and issuance of 13 new mahogany licenses by the Mahogany Industry Council.⁹

Partial indicators for aggregate demand revealed buoyant consumption activity during the year. In the year to July 2017, new vehicle registrations rose by 11.5 percent while second hand vehicle registrations declined by 19.0 percent.¹⁰ New bank lending for consumption purposes rose by 7.9 percent (\$37.0m) to \$506.9 million in the year to July 2017 compared to the 10.0 percent annual increase last year, led by increased credit to the wholesale, retail, hotels & restaurant sectors (27.6%). Conversely, net Value Added Tax (VAT) collections declined by 8.4 percent to \$702.5 million due to the change in VAT rate (from 15 percent to 9 percent) since January 2016. Overall, consumer spending remained favourable, encouraged by improved labour market conditions, higher income and personal remittances. Pay As You Earn tax collections – a partial indicator for income grew by 10.2 percent while inward remittances noted a growth of 5.3 percent in the year to July 2017. Consumer spending is expected to remain strong in the medium term, supported by higher disposable incomes.

Investment related activity continued to surge during the year. Partial indicators showed a 36.7 percent (\$85.0m) increase in commercial banks' new lending for investment purposes for the year to July 2017 compared to a contraction of 15.6 percent (-\$42.7m) in the same period last year. The annual expansion in lending was attributed to increased credit to the real estate (58.1%) and building & construction (16.6%) sectors. Cement sales in the domestic market - an indicator of local construction activity grew by 13.7 percent in the same period. Overall, the construction sector is forecast to improve further in the months ahead as capital projects initially earmarked for the FY 2016-2017 are expected to rollover into the next FY (2017-2018) when the positive impact from various budget incentives and measures including reduced construction related costs, should be felt.

Investment



Sources: Fiji Bureau of Statistics and Reserve Bank of Fiji

⁹ The restructure of mahogany licenses involves re-evaluating license applications and issuing two licenses for each of the five grades of mahogany logs where previously only one license was issued. The restructure will also allow cross purchasing whereby a licensee may purchase logs for which they may not have a license, should the license holder of the particular grade not be able to buy the logs within specific timeframes.

¹⁰ The movement in vehicle registrations is driven by duty changes announced in the 2016-2017 National Budget.

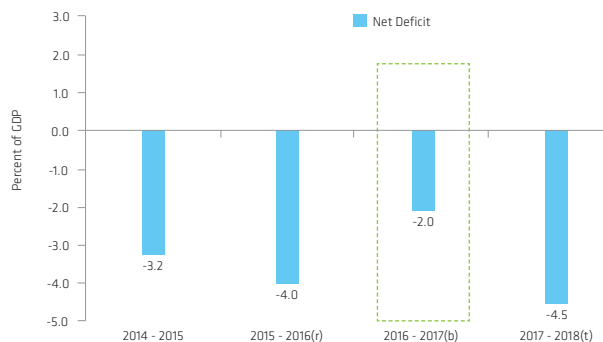
¹¹ Under the new FY, the net deficit is only available from 2014-2015. However, the net deficit/surplus in prior years under the calendar year was as follows: 2012 - (1.1%), 2013 - (0.5%), 2014 - (4.1%) and 2015 - (2.5%). (b) represents budgeted while (t) represents targeted amount.

¹² This is based on both the Fiji Times and Fiji Sun advertised positions.

¹³ Over the FY 2015-2016, advertised vacancies totalled 20,856 led by the increased demand for labour in the community, social & personal services and wholesale & retail trade & restaurants & hotels categories.

For the FY 2017-2018, the Government has estimated a higher net fiscal deficit of \$499.5 million (4.5% of GDP). This increase is due to a higher budgeted total expenditure (39.7% of GDP) relative to the total revenue forecast (35.1% of GDP). Increased wages & salaries (\$213.0m) and capital spending (\$566.0m) underpin the rise in Government's spending in the new FY.

Government Balance¹¹



Source: Ministry of Economy

Total outstanding Government debt stood at 44.0 percent of GDP at the end of July 2017, lower than the 46.2 percent of GDP recorded at the end of 2016 and 45.8 percent of GDP a year ago.

Labour market conditions remained favourable as partially indicated by the Reserve Bank's Job Advertisements Survey.¹² Notably, demand for labour rose significantly as the number of jobs advertised grew annually by 17.2 percent in the first seven months of 2017 from the wholesale & retail trade & restaurants & hotels; community, social & personal services; electricity & water; agriculture, forestry & fishing and mining & quarrying sectors.¹³

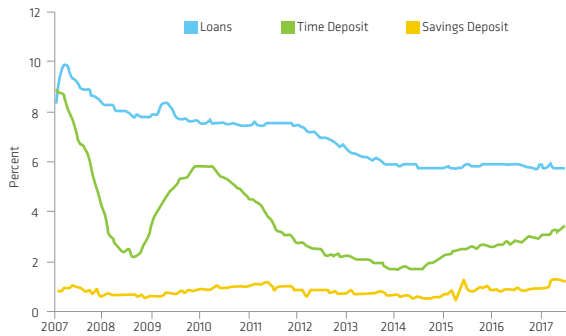
Inflation fell significantly to 2.0 percent in July 2017, from 5.5 percent in July last year. The lower outcome was led by declines in prices of food & non-alcoholic beverages; health; recreation & culture; clothing & footwear; communication and miscellaneous goods & services. Year-end inflation is forecast at 2.5 percent as the downward trend in the prices of food & non-alcoholic beverage and low trading partner inflation is envisaged to offset the upward inflationary pressures resulting from expansionary policy measures in the 2017-2018 National Budget.

Conditions in the financial sector continued to support domestic economic activity, as interest rates remained generally low and liquidity ample. At the end of July 2017, overall banking liquidity remained high at \$740.4 million. In the same period, commercial banks' weighted average outstanding lending rate and new lending rate both declined over the year, to 5.75 percent and 5.77 percent, from 5.89 percent and 5.82 percent, respectively.

However, the commercial banks' existing time deposit and savings deposit rates rose to 3.35 percent and 1.28 percent, from 2.85 percent and 0.95 percent, respectively, over the same period.

Annual growth in broad money in the year to July 2017 rose to 10.4 percent from 7.3 percent in the same month last year. The annual increase was led by higher growth in net foreign assets of 16.4 percent compared to 7.3 percent in July 2016. Net domestic credit also contributed to the outturn with a slightly higher growth of 8.6 percent in July 2017 compared to 8.3 percent for July 2016.

Commercial Banks' Lending and Deposit Rates



Source: Reserve Bank of Fiji

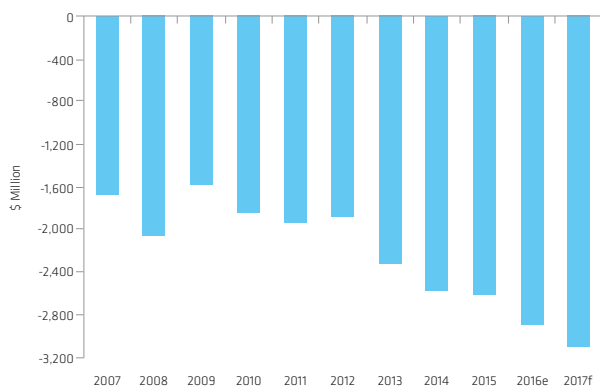
Cumulative to May 2017, total exports (excluding aircraft) declined on an annual basis by 0.5 percent (to \$750.5m) while total imports (excluding aircraft) rose by 13.3 percent (to \$1,944.1m).

The weaker exports outcome was a result of lower earnings from timber, fish, gold, and garments while increased payments for intermediate goods, investment goods and consumption goods underpinned the higher imports.

Consequently, the merchandise trade deficit (excluding aircraft) widened by 24.2 percent to \$1,193.6 million, compared to a 3.6 percent decline in the same period in 2016.

In 2017, the merchandise trade deficit (excluding aircraft) is expected to widen by 6.9 percent to \$3,103.3 million (29.2% of GDP), compared to a 11.1 percent decline in the previous year.

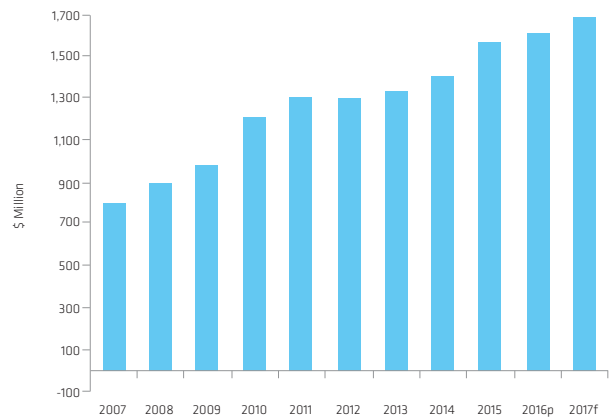
Trade Deficit



Sources: Fiji Bureau of Statistics and Reserve Bank of Fiji

The current account deficit (excluding aircraft) is projected to increase to \$528.8 million (4.6% of GDP) in the FY 2016-2017 from \$378.0 million (3.7% of GDP) in the FY 2015-2016. This higher deficit was attributed to a worsening in the trade balance, which reflected higher imports following TC Winston and a rebound in fuel prices that partly offset the higher growth in exports.

Tourism Earnings



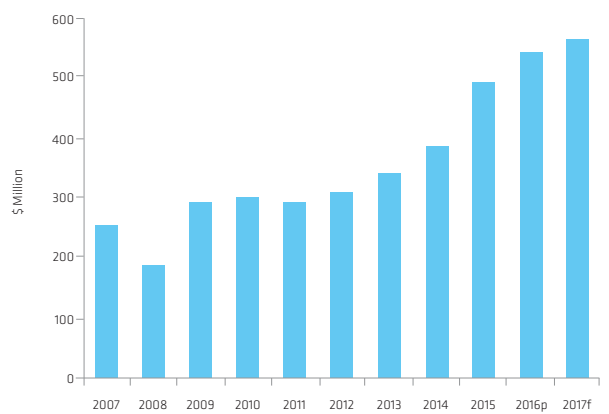
Source: Fiji Bureau of Statistics

Higher services receipts during the year was driven by tourism earnings, which rose on an annual basis by 2.7 percent to \$1,602.9 million in 2016 compared to 11.1 percent (\$1,560.2m) in 2015.

Despite the reduced growth in tourism earnings, traditional markets like Australia, the US, New Zealand and the Pacific Islands have continued to contribute positively and offset the negative contributions from some Asian countries including Japan. Tourism earnings are forecast to grow by 5.0 percent to reach a new record of \$1,731.9 million in the FY 2017-2018.

Inward remittances cumulative to June 2017 rose by 3.1 percent to \$253.7 million compared to 5.9 percent (\$246.2m) a year ago.

Personal Remittances



Source: Reserve Bank of Fiji

Conduct Monetary Policy To Foster Economic Growth

The Reserve Bank of Fiji under the RBF Act 1983 is entrusted with the conduct of monetary policy in Fiji aimed at maintaining price stability and adequate levels of foreign reserves.

Monetary Policy Formulation

Chronology of Monetary Policy Actions

The Reserve Bank continued its accommodative monetary policy stance during the FY 2016-2017 against a backdrop of moderate recovery in the world economy and in support of the on-going reconstruction efforts on the domestic front in the aftermath of TC Winston. Domestic growth prospects and monetary policy formulation continued to be influenced by developments on the global front, particularly in major trading partner economies.

Despite the effects of TC Winston in the FY 2015-2016, the economy registered a growth of 1.7 percent. Inflation however, was very volatile driven by domestic supply shortages of market related items. For the FY 2016-2017, growth is expected to improve to 2.4 percent mainly driven by public administration & defence; manufacturing; wholesale & retail trade; construction and the information & communication sectors. Aggregate demand indicators have remained firm, supported by consumption and investment activities. In line with growth expectations, monetary and credit aggregates expanded further during the year, albeit at a slower pace due to base-related effects while a closer monitoring of developments in the domestic financial system was maintained.

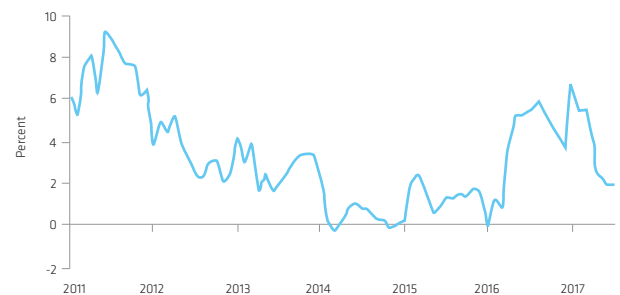
With risks to price stability and foreign reserves contained in the near term, the Reserve Bank kept the OPR at 0.5 percent to support a more sustainable economic recovery and growth.

Monetary Policy Outcomes for 2016-2017

The twin objectives of monetary policy remained intact in the FY 2016-2017. The Reserve Bank maintained sufficient levels of bank liquidity and a generally low interest rate environment to support further growth in investments. Consequently, new lending for investment and consumption purposes were upbeat, aided by generally optimistic business and consumer sentiments. This led to expansions in broad money, mainly led by the growth in net domestic assets (7.8%).

Inflation remained high, at an average of 5.2 percent in the first half of the FY 2016-2017 due to increased prices of food especially fruit, vegetables, root crops and yaqona whose supply were impacted by TC Winston and the Tropical Depression (TD04F). However, supplies began to normalise in the second half of 2016 resulting in a decline in headline inflation from 6.8 percent in January 2017 to a low 2.0 percent in July 2017.

Inflation (Annual Percent Change)

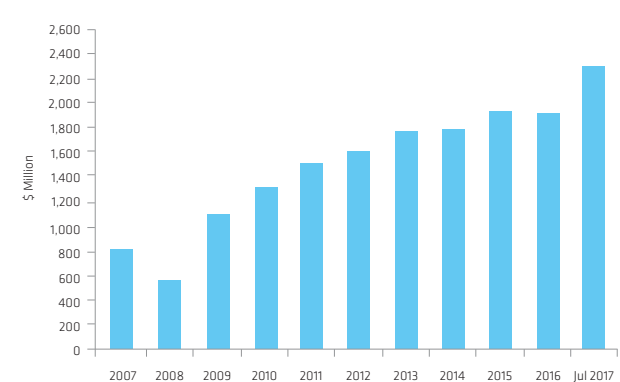


Source: Fiji Bureau of Statistics

The level of external reserves remained comfortable in the FY 2016-2017, aided by lower fuel prices and strong inflows of tourism earnings, remittances and foreign direct investment.

At the end of July 2017, foreign reserves were \$2,313.7 million, sufficient to cover 5.8 months of retained imports of goods and non-factor services.

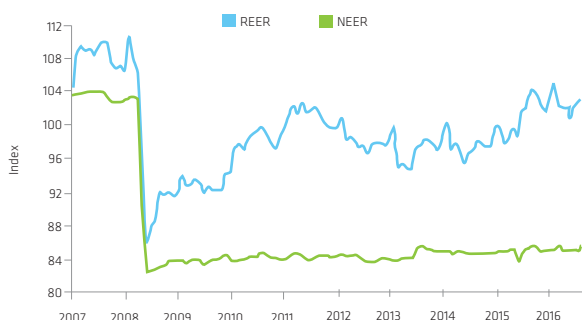
Foreign Reserves



Source: Reserve Bank of Fiji

On an annual basis, the Fiji dollar appreciated against the Yen (8.5%) and the US dollar (3.3%) but depreciated against the Australian dollar (-2.9%), the Euro (-2.6%) and the New Zealand dollar (-2.5%). As a result, the Nominal Effective Exchange Rate (NEER) Index rose marginally by 0.2 percent in the same period. Consequently, this was reflected in the Real Effective Exchange Rate (REER) Index, which rose by 0.7 percent, although domestic inflationary outcomes remained low during the review period.

REER/NEER (Monthly Average)



Source: Reserve Bank of Fiji

Monetary Policy Implementation

Open Market Operations

In line with the accommodative monetary policy stance, the OPR was kept unchanged at 0.5 percent throughout the FY 2016-2017. Consistent with this policy stance, there has been no auctioning of RBF Notes again for the period under review and subsequently, no associated cost to monetary policy.

Management of Foreign Reserves

The Reserve Bank of Fiji, through the mandate of the RBF Act (1983), assumes custodial and management authority of the country's foreign reserves. Foreign reserve management is an integral function of the Bank, and is undertaken with the objectives of safety, liquidity and profitability in order of priority.

Foreign reserves are predominantly maintained in the currencies of the Fiji dollar basket, namely the US, Australian and New Zealand dollars, the Japanese Yen and the Euro. The Bank also holds IMF Special Drawing Rights and minimal portions of gold and the British Pound.

The FY 2016-2017 reflected a continued expansion in global economic activity which provided a steady backdrop for financial assets and set the stage for rising bond yields and inflation expectations. Bond yields rose sharply following the US presidential elections in November raising hopes of pro-growth policies from the new US government. However, the absence of tangible policies by the new US government, along with political uncertainties in Europe and intermittent geopolitical tensions, placed downward pressure on yields. There was some recovery in yields towards the end of the fiscal year, following a period of encouraging macroeconomic data and on expectations of a reduction in quantitative easing in the US and Europe.

Global monetary policy while remaining accommodative became increasingly less so. Leading the path towards policy normalisation was the US Federal Reserve, which raised benchmark policy rates thrice in the fiscal year.

Gross foreign reserves (RBF holdings) attained multiple historical highs during 2016-2017, peaking in July at F\$2,315.9 million. Reserves averaged around F\$2,026.5 million during the year, higher than the F\$1,987.1 million average of the previous financial year.

Investible reserves, which accounted for 90.74 percent of gross foreign reserves, also averaged higher at F\$1,843.0 million compared to the average of F\$1,778.4 million in the first seven months of 2016. In July, investible reserves for the first time in the Bank's history surpassed the US\$1-billion mark.

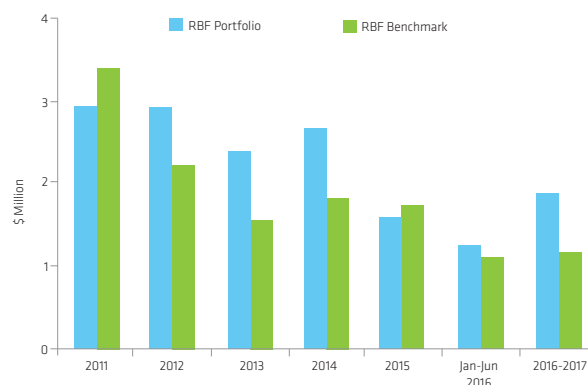
Return on External Reserves

	2015	Jan-Jul 2016	Aug 2016-Jul 2017
Net Foreign Exchange Income (\$M)	38.7	21.7	41.7
Average Month-End Level of Investible Reserves (\$M)	1,722	1,778	1,843
Return on Investible Reserves (%)	2.25	2.09	2.26

Source: Reserve Bank of Fiji

Net foreign exchange income for the FY 2016-2017 was \$41.7 million, representing a return on investible reserves of 2.26 percent. This was higher than the 2.09 percent annualised return recorded in 2016.

Performance of RBF Benchmark and Portfolio



Source: Reserve Bank of Fiji

The Bank's foreign investment portfolio registered a return of 1.87 percent for the financial year, outperforming the benchmark portfolio return of 1.14 percent.¹⁴

Movements in exchange rate can vastly influence the value of foreign reserves. Exchange rate gains and losses for the Bank are recorded in the RRA and are reflected in the Balance Sheet. As a hedge against exchange rate volatility, foreign reserve assets are aligned closely to the weighting of the Fiji dollar basket currencies.

In accordance with the RBF Act (1983), the Bank transfers a fifth of the RRA balance to the Government each year. At the end of July 2017, the RRA balance was \$10.5 million, of which \$2.1 million will be transferred to Government in the FY 2017-2018. This compares with F\$3.0 million that was transferred in September 2016.

Exchange Rates

The Bank is responsible for setting the value of the Fiji dollar relative to the US dollar and other Fiji dollar basket currencies (AUD, EUR, NZD and JPY) on a daily basis. These rates are published on multiple platforms such as the RBF website,

¹⁴ The benchmark portfolio uses a customised version of the JP Morgan Index.

Reuters and Bloomberg. Local commercial banks use the RBF's exchange rates to set trading rates at which they transact foreign exchange with customers. Retail spreads on all basket currencies are regulated by the Bank.

Foreign Currency Receipts and Payments

The Bank continued to provide foreign currency banking services to the Fijian Government and statutory bodies as well as supranational organisations¹⁵ and other central banks during the year.

Exchange Control

There were no changes to exchange controls during the FY 2016-2017 as the Bank continued to focus on compliance and improving operational efficiencies in its processes.

Several spot checks were carried out at Restricted Foreign Exchange Dealers and meetings with exporters were held to ensure compliance with the regulations. A total of \$1,200 million of outstanding export receipts, representing more than 90 percent reconciliation rate, were reconciled during the year.

In the same period, development work on the e-service system was completed. The system will allow customers to lodge their applications for foreign exchange payments and receive their approvals online. Robust testing of the system is currently in progress before training is carried out with commercial banks.

Collaboration with other government agencies continued with the aim of improving foreign investment facilitation and ease of doing business.



¹⁵ This includes the ADB, IMF and the International Bank for Reconstruction and Development.

Develop An Internationally Reputable Financial System

The Reserve Bank seeks to ensure that Fiji maintains an internationally reputable financial system by promoting the safety and soundness of individual licensed entities and the financial system as a whole. The financial stability mandate of the Reserve Bank is therefore legally enforced through the RBF Act (1983) and the RBF Amendment Decree (2009), Banking Act (1995), Insurance Act (1998), Exchange Control Act (Rev. 1985), FNPF Act (2011), Companies Act (2015) and Fair Reporting of Credit Act (2016). The legislations confer powers to the Reserve Bank to issue licences, develop regulations, and prudential guidelines, issue directives and conduct offsite surveillance and onsite reviews.

Entities in Fiji which are prudentially supervised by the Reserve Bank include commercial banks, credit institutions, insurance companies and insurance intermediaries, the FNPF, restricted foreign exchange dealers (RFEDs) and money changers, credit reporting participants, the South Pacific Stock Exchange (SPSE), unit trusts, stock brokers and licensed capital market intermediaries.

Financial System Regulation and Supervision

The Fijian financial system continued to expand in the review period underpinned by asset growth across most supervised industries. The banking industry remained sound with performance indicators averaging a satisfactory assessment in the four quarters to June 2017. The insurance industry although impacted by higher claims emanating from TC Winston losses for the general insurance sector, reported an acceptable performance with losses cushioned by reinsurance and a buoyant life insurance sector. The FNPF as the single largest supervised institution, registered an acceptable performance over the review period on the back of a successful reform program initiated in 2010.

Supervisory Developments

An important component of the Reserve Bank of Fiji's risk-based supervision framework is the development and ongoing review of prudential supervision policies and guidelines.

The review of Banking Supervision Policy Statement (BSPS) No.4 on the Minimum Requirements for the Management of Foreign Exchange Risk for Licensed Commercial Banks was completed and the revised policy was implemented from 01 October 2016.

A comprehensive review of the current Corporate Governance policies for the banking, insurance and capital markets industries was initiated during the review period, with the proposed consolidated revised policy expected to be circulated for industry consultations by October 2017.

The reform of the FNPF was completed on 30 June 2017. The Reserve Bank continued to monitor the Fund's key activities and undertook regular prudential consultations with the institution over the review period. The development of a substantive legislative framework for the superannuation industry through the proposed Pension Savings legislation is currently under review, after which the draft legislation will

be issued for industry consultations.

The Reserve Bank continued to conduct onsite examinations of licensed financial institutions during the year. These included the FNPF, three commercial banks, one credit institution, an insurance company, all licensed capital markets entities and all licensed foreign exchange dealers. Technical assistance was provided by the Australian Prudential Regulation Authority (APRA) for the FNPF onsite review as part of the APRA Government Partnerships for Development Programme (GPDF).

The winding down of the National Bank of Fiji's Asset Management Bank (AMB) significantly progressed in July 2016 with the reduction in the size of the AMB staff to one from six. On other supervisory developments, the Reserve Bank continued to liaise with the credit union industry stakeholders on the drafting of relevant policy documents for the proposed revised Credit Union legislation.

The Financial System

Six commercial banks continued to operate in Fiji, comprising 70 branches and 101 agencies and agent banking centres in June 2017. The number of branches and agencies has decreased by one when compared to June 2016.

Electronic Funds Transfer at Point of Sale (EFTPOS) terminals and Automated Teller Machines (ATMs) increased over the review period from 6,032 to 6,079.

Four credit institutions remained in operation. Seven general insurers, two life insurers and four insurance brokers continued to operate in Fiji in the review period.

As at the end of June 2017, the number of licensed insurance agents increased to 543 while the number of licensed RFEDs and money changers remained at nine and two, respectively. The number of licensed players in the capital markets industry remained the same while the number of intermediary representatives increased from 47 in June 2016 to 48.

Licensed Financial Entities including Branches/Agencies (Number)

	2013	2014	2015	Jun 2016r	Dec 2016	Jun 2017p
Commercial Banks	5	6	6	6	6	6
- Branches	64	71	72	72	70	70
- Agencies and Agent Banking	110	104	101	102	95	101
- ATMs	259	281	292	315	326	325
- EFTPOS	4,907	5,388	5,737	5,717	6,081	5,754
Credit Institutions	3	3	4	4	4	4
- Branches	17	13	15	16	17	17
- Agencies	1	0	1	0	0	0
Life Insurance Companies	2	2	2	2	2	2
General Insurance Companies	7	7	7	7	7	7
Insurance Brokers	4	4	4	4	4	4
Insurance Agents ¹	334	404	498	522	526	543
Foreign Exchange Dealers	8	9	9	9	9	9
Money Changers	2	2	2	2	2	2
Securities Exchange	1	1	1	1	1	1
Unit Trusts	2	2	2	2	2	2
Property Trusts	0	0	0	0	0	0
Investment Advisors	11	11	11	11	12	12
Stock Brokers	3	3	3	3	3	3
Dealers	3	3	3	3	3	3
Managed Fund Representatives	12	12	15	14	16	15
Stock Broker Representatives	14	15	17	13	13	11
Investment Advisor Representatives	19	19	19	20	20	22

¹ An agent may hold more than one licence to sell various classes of insurance in a calendar year.

Source: Reserve Bank of Fiji

Gross Assets of the Financial System

Gross assets of the Fijian financial system registered an annual growth of 7.4 percent reaching a record level of \$18.1 billion as at 30 June 2017. The banking sector continued to account for the majority of financial system assets at 54.9 percent, followed by the FNPF (31.1%) and the insurance industry (8.9%).

Gross Assets of the Financial System (\$ Million)

	2013r	2014r	2015r	Jun 2016r	Dec 2016	Jun 2017p
Regulated Financial Entities						
Commercial Banks	6,222	7,281	8,688	8,724	8,990	9,425
Credit Institutions	546	252	335	387	443	497
Insurance Companies	1,307	1,347	1,451	1,540	1,569	1,566
FNPF	4,521	4,846	5,244	5,236	5,496	5,616
Insurance Brokers	62	56	55	48	49	49
Capital Markets ³	147	179	210	228	236	238
Total	12,805	13,961	15,983	16,163	16,783	17,391
Non Regulated Financial Entities						
Non-Bank Financial Institutions (NBFIs) ¹	648	622	654	662	664	682
Total	648	622	654	662	664	682
Total Financial System²	13,453	14,583	16,637	16,825	17,447	18,073

¹ Includes FDB, Housing Authority, and AMB (from 2010).

² Excludes RBF. From July 2017 Annual Report, table includes Capital market assets.

³ Includes Unit Trusts, SPSE, and Stock Brokers.

Source: Reserve Bank of Fiji

Similarly, the composition of the capital markets industry recorded an annual growth of 9.2 percent reaching \$5.2 billion as at 30 June 2017.

Composition of the Capital Markets (\$ Million)

	2013	2014	2015	Jun 2016r	Dec 2016	Jun 2017p
EquitiesMarket ¹	768	907	1,074	1,230	1,319	1,489
Unit Trust Market ²	142	174	205	227	227	231
Bonds Market ³	2,930	2,932	3,087	3,272	3,387	3,444
Total	3,840	4,013	4,366	4,729	4,933	5,164

¹ Based on the market capitalisation of the listed companies.

² Based on the funds under management.

³ Based on outstanding bonds.

Source: Reserve Bank of Fiji

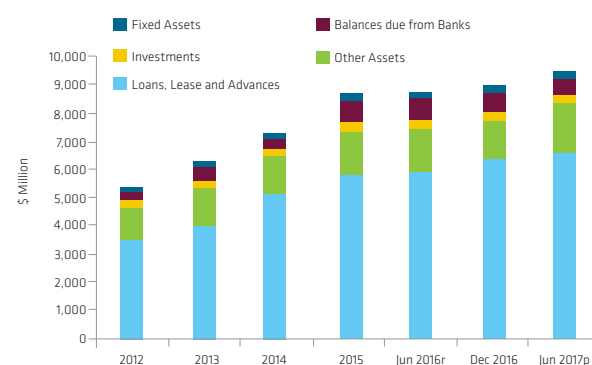
The Commercial Banking Industry

The commercial banking industry performed satisfactorily for the most part of the period under review attributed to acceptable levels of capital, asset quality, earnings and liquidity.

Total assets of the commercial banks stood at a record \$9.4 billion as at 30 June 2017, up by 8.0 percent from \$8.7 billion recorded in June 2016, largely underpinned by the growth in loans and advances (\$646.0m) and other assets (\$283.0m). The increase in assets over the review period more than offset the decreases in balances due from banks (\$173.0m) and investments (\$71.0m).

At the end of June 2017, gross loans and advances (including leases, bills receivable and foreign currency loans) stood at \$6.5 billion. This represented an increase of 11.0 percent from June 2016, attributed to increased lending to private sector business entities and private individuals.

Commercial Banks' Assets

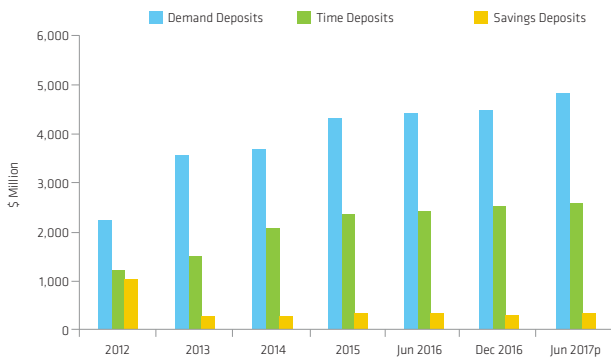


Source: Reserve Bank of Fiji

Total borrowing by private business entities of \$4.2 billion were mainly for the wholesale, retail, hotels and restaurants (30.2%), real estate (19.1%), building and construction (15.3%) and manufacturing (11.6%) sectors. Similarly, private individual loans of \$1.8 billion as at 30 June 2017 were mainly for housing (72.0%) and transportation (7.4%) purposes.

Commercial banks' balances with the Reserve Bank stood at \$1.5 billion at the end of June 2017, which comprised \$739.6 million in statutory reserve deposits and \$735.7 million in bank demand deposits.

Components of Deposits

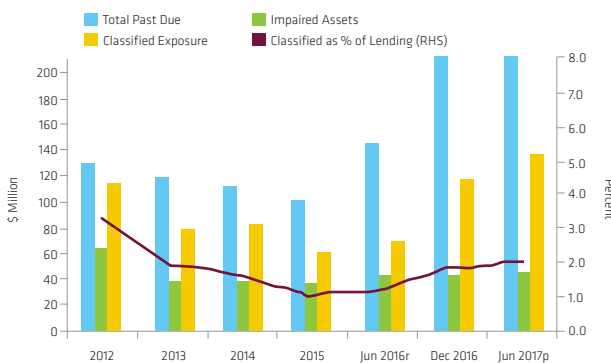


Source: Reserve Bank of Fiji

In terms of the industry's liabilities, total deposits increased by 8.2 percent from June 2016 to \$7.7 billion at the end of June 2017. The majority of deposits comprised demand deposits (62.4%), followed by term and savings deposits at 33.5 percent and 4.1 percent, respectively.

The combined capital adequacy ratio of commercial banks stood at 15.7 percent as at 30 June 2017, above the minimum capital adequacy requirement of 12 percent.

Asset Quality



Source: Reserve Bank of Fiji

Commercial banks' value of classified exposures increased to \$134.8 million as at the end of June 2017 from \$70.0 million in June 2016. Nevertheless, the ratio of classified exposures to gross loans remained at a comfortable level of 2.1 percent.

Past due loans of commercial banks stood at \$217.1 million as at 30 June 2017, with the majority (61.5%) in the one to three months' time bucket.

Total specific provisions (individually and collectively) increased to \$68.5 million as at 30 June 2017, and covered 50.8 percent of commercial banks' classified exposures. General reserves for credit losses (GRCL) on the other hand, represented an average of 1.0 percent of net loans.

At the end of June 2017, problem loans were concentrated in the wholesale, retail, hotels and restaurants (26.9%), private individuals (24.4%), transport and storage (13.1%) and building and construction (12.0%) sectors.

¹⁶ Efficiency ratio is the ratio of operating expenses to operating income.

Summary of Commercial Banks' Profitability (\$ Million)

	2013 ¹	2014 ¹	2015 ¹	Jun 2016r ²	Dec 2016	Jun 2017p ²
Interest Income	231.0	290.5	321.5	174.4	360.0	189.8
Interest Expense	44.0	58.0	88.6	49.1	101.1	60.9
Net Interest Income	187.0	232.5	232.9	125.3	258.9	128.9
Add: Non Interest Income:	157.8	184.3	209.8	99.8	204.9	115.5
Income from Overseas Exchange Transactions	65.6	69.2	78.7	38.2	80.5	38.4
Commission	11.6	14.0	15.5	7.7	14.0	8.1
Fee Charges	74.7	78.9	83.0	41.5	83.1	40.0
Other Income	5.9	22.2	32.6	12.4	27.3	29.0
Total Operating Income	344.8	416.8	442.7	225.1	463.8	244.4
Less: Operating Expenses	197.9	224.8	236.9	121.7	237.0	125.2
Less: Bad debts and Provisions	12.4	35.0	13.2	7.6	22.0	13.0
Profit Before-Tax and Extraordinary Items	134.5	157.0	192.6	95.8	204.8	106.2
Less: Tax	29.1	32.0	39.2	21.5	44.2	21.1
Net Profit After-Tax	105.4	125.0	153.4	74.3	160.6	85.1
Add/Less: Extraordinary Items	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit After-Tax and Extraordinary items	105.4	125.0	153.4	74.3	160.6	85.1
Average Assets	5,467.1	6,599.0	7,681.7	8,365.3	8,446.7	8,872.6
After-Tax Return on Equity (%)	20.2	19.5	19.6	17.7	18.4	18.7
Efficiency (%)	57.4	53.9	53.5	54.1	51.1	51.2
Yield on Earning Assets (%)	4.8	5.0	4.8	4.8	4.8	4.8
Cost of Funding Liabilities (%)	0.9	1.0	1.3	1.4	1.3	1.6

¹ Calendar year profits for all commercial banks used.

² 6 months profits for all commercial banks used.

Source: Reserve Bank of Fiji

The commercial banking industry reported a net profit before tax (NPBT) of \$204.8 million for the 12 month period ending 31 December 2016, while NPBT for the subsequent six-month period ending 30 June 2017 stood at \$106.2 million. The efficiency ratio¹⁶ was at 51.2 percent while the return on equity (ROE) and return on assets (ROA) ratios stood at 18.7 percent and 1.2 percent, respectively as at 30 June 2017.

Commercial Banks' Profitability (% of Average Assets)

	2013 ¹	2014 ¹	2015 ¹	Jun 2016r ²	Dec 2016	Jun 2017p ²
Net Interest Income	3.4	3.5	3.0	1.5	3.1	1.5
Charges for Bad & Doubtful Debts	0.2	0.5	0.2	0.1	0.3	0.1
Non-interest Income	2.9	2.8	2.7	1.2	2.4	1.3
Operating Expenses	3.6	3.4	3.1	1.5	2.8	1.4
Net Profit Before-Tax	2.5	2.4	2.5	1.1	2.4	1.2
Net Profit After -Tax	1.9	1.9	2.0	0.9	1.9	1.0

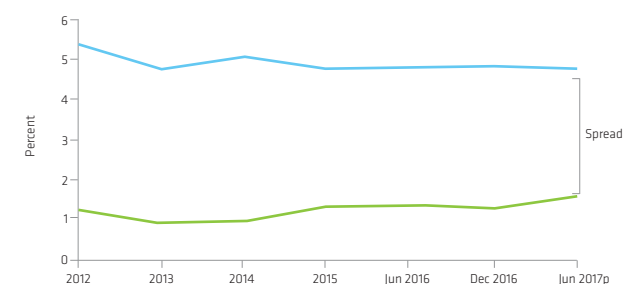
¹ Calendar year profits for all commercial banks used.

² 6 months profits for all commercial banks used.

Source: Reserve Bank of Fiji

The combined interest spread of commercial banks decreased further to 3.2 percent at the end of June 2017 from 3.4 percent in the same period in 2016.

Commercial Banks' Annual Spread

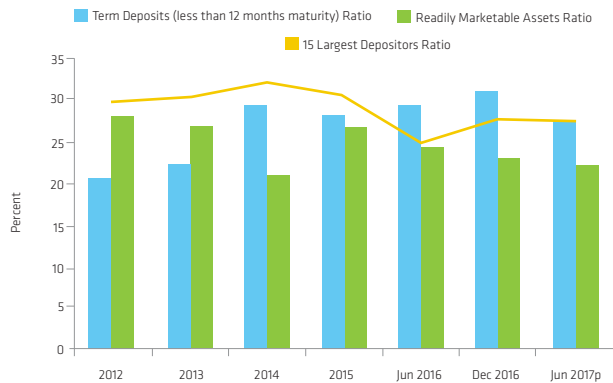


Source: Reserve Bank of Fiji

Commercial banks' liquid assets stood at \$1.7 billion at the end of June 2017 mainly comprising the exchange settlement account (42.1%) and balances with banks and at call (30.4%).

The ratio of marketable assets (liquid assets to total deposits) decreased to 22.2 percent in June 2017, from 24.6 percent in June 2016. The ratio of the 15 largest depositors as a percentage of total deposits, stood at 27.4 percent as at 30 June 2017.

Deposits Coverage



Source: Reserve Bank of Fiji

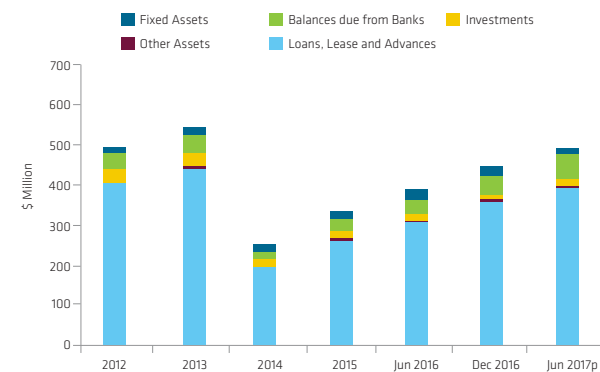
Credit Institutions

Credit institutions' performance was assessed as marginal for the most part of the review period, underpinned by marginal liquidity and poor asset quality levels, despite a strong capital position and satisfactory earnings level.

Combined assets of the credit institutions stood at \$497.1 million at the end of June 2017, up by 28.5 percent from \$386.7 million in June 2016. The increase in assets was attributed to loans and advances, balances due from banks and other assets.

Loans and advances stood at \$391.0 million as at 30 June 2017, an increase of 28.1 percent from June 2016 due to increased lending to private individuals and private sector business entities. Investments totalled \$12.4 million as at 30 June 2017 with the majority in Fiji Government bonds.

Credit Institutions' Assets



Source: Reserve Bank of Fiji

In terms of liabilities, total deposits of credit institutions stood at \$321.2 million as at the end of June 2017. Private sector business entities made up the majority of deposits at 33.0 percent, followed by private individuals (28.0%), non-bank financial institutions (17.2%) and public enterprises (16.6%).

The combined capital adequacy ratio of credit institutions stood at a comfortable level of 22.5 percent as at 30 June 2017, above the minimum requirement of 15 percent.

Classified exposures of credit institutions increased to \$41.0 million at the end of June 2017. Classified exposures to gross loans ratio stood at 10.5 percent, down from 9.5 percent as at 30 June 2016.

Past due loans stood at \$56.7 million at the end of June 2017, the majority (58.9%) of which was in the one to three months category.

The credit institutions industry reported total specific provisions (individually and collectively assessed) of \$12.9 million as at 30 June 2017, assessed as adequate to cover 31.5 percent of classified exposures. General reserves for credit losses (GRCL) represented 1.1 percent of net loans.

Summary of Credit Institutions' Profitability (\$ Million)

	2013 ¹	2014 ¹	2015 ¹	Jun 2016 ²	Dec 2016 ¹	Jun 2017p ²
Interest Income	52.6	31.8	34.6	23.0	49.6	30.2
Interest Expense	13.2	5.8	6.3	4.7	10.7	6.9
Net Interest Income	39.4	26.0	28.3	18.3	38.9	23.3
Add: Non Interest Income	4.8	2.4	2.9	2.2	4.2	2.1
Commission	0.6	0.0	0.2	0.4	0.8	0.4
Fee Charges	3.4	1.4	1.9	1.1	2.0	0.9
Other Income	0.8	1.0	0.8	0.7	1.4	0.8
Total Operating Income	44.2	28.4	31.2	20.5	43.1	25.4
Less: Operating Expenses	16.8	9.6	13.3	8.3	17.3	9.5
Less: Bad debts and Provisions	3.9	1.3	1.2	1.5	6.3	3.3
Profit Before-Tax	23.5	17.5	16.7	10.7	19.5	12.6
Less: Tax	5.0	3.4	3.8	2.1	4.1	2.6
Net Profit After-Tax	18.5	14.1	12.9	8.6	15.4	10.0
Earning Assets	500.8	221.7	299.3	345.3	392.7	444.4
Cost of Funds	385.3	152.2	225.0	266.0	314.3	355.4
Average Assets	504.9	299.5	269.5	345.6	371.9	450.0
After Tax Return on Equity (%)	17.9	18.1	17.2	21.3	18.9	22.3
Efficiency (%)	38.2	33.7	42.5	40.7	40.1	37.4
Yield on Earning Assets (%)	10.9	11.3	13.7	14.2	14.3	14.4
Cost of Funding Liabilities (%)	3.5	2.8	3.5	3.8	4.0	4.2

¹ Calendar year profits for all credit institutions used.

² 6 months profits for all credit institutions used.

Source: Reserve Bank of Fiji

Credit institutions reported a combined NPBT for the 12-month period ending 31 December 2016 of \$19.5 million, while NPBT for the subsequent six months ending 30 June 2017 stood at \$12.6 million. The industry's efficiency ratio was reported at 37.4 percent while the ROE and ROA ratios stood at 22.3 percent and 5.6 percent, respectively, as at 30 June 2017.

The credit institutions' industry reported an interest spread of 10.2 percent as at 30 June 2017, a marginal decline from 10.4 percent at the end of June 2016.

Liquid assets of credit institutions stood at \$78.2 million as at the end of June 2017 mainly comprising deposits with banks (84.2%) and investments (15.8%).

The Insurance Industry

The Fijian insurance industry remained resilient despite the significant losses sustained by the general insurers from TC Winston and the April floods in 2016. Notwithstanding the increased level of claims incurred, both the life and general insurance sectors continued to comply with the mandated solvency requirements registering surpluses in the review period. Solvency surpluses were recorded at \$286.2 million for the life insurance sector and \$87.8 million for the general insurance sector as at 30 June 2017.

Total assets of the insurance industry expanded over the year to June 2017, by 2.0 percent. Assets of the life insurance sector increased by 7.1 percent to \$1.2 billion, underpinned by the appreciation in equity and property investments, and increases in government securities and bank deposits. On the other hand, the assets for the general insurance sector recorded a decline of 7.6 percent to \$399.3 million mainly due to the decline in amounts due from reinsurance on outstanding claims and bank deposits.

Net premium income of the insurance industry grew over the year to 30 June 2017 by 8.8 percent to \$282.8 million. Both the life and general insurance sectors' net premium income grew by 7.9 percent and 9.7 percent, respectively. Life insurers accounted for 48.6 percent of the combined net premium income.

The industry's total net policy and claims payments significantly increased over the year to 30 June 2017 by 19.1 percent to \$204.1 million, attributed to an increase in policy payments for the life insurance sector and the payment of claims arising from TC Winston and the April floods in 2016 for the general insurance sector. Reinsurance arrangements however provided some cushion for the downside impact on claims and profitability for the general insurers.

Insurance brokers continued to effectively intermediate for insurance premiums and claims, by arranging policies locally with the licensed insurers in Fiji and offshore. A total of 904 applications amounting to \$21.4 million in premiums was placed with offshore insurers for the six months ending 30 June 2017, compared to 626 applications placed with offshore insurers for the six months ending 30 June 2016, amounting to \$15.9 million in premiums.

Fiji National Provident Fund (FNPF)

The total assets of the FNPF stood at \$5.6 billion as at June 2017, representing 31.1 percent of the Fijian financial system assets. These assets recorded an annual growth of 11.7 percent in June 2017 attributed to the expansion (\$361.0m) in the Fund's investment portfolio and the increase in its demand deposit holdings by \$211.1 million. Investments continued to dominate the asset base of the Fund at \$5.0 billion, representing 88.6 percent of total assets.

The Fund's investment portfolio grew by 8.6 percent (\$397.6m) to \$5.0 billion as at 30 June 2017, underpinned by increases in both the growth (\$168.0m) and fixed income (\$229.6m) portfolios. Government securities registered the highest growth of \$160.5 million to \$2.3 billion followed

by foreign equities, which grew by \$73.4 million to \$180.6 million. The Fund's investment portfolio was noted to be heavily weighted towards fixed income securities accounting for 69.8 percent.

Member balances grew over the year by 12.2 percent to \$4.6 billion as at June 2017, compared to a growth of 1.6 percent in the previous year. The upward growth in member liabilities was due to a relatively higher growth in contributions and higher interest payment (\$270.0m) credited to members as at 30 June 2017; while the lower growth recorded in 2016 was on the back of large withdrawals by members under the TC Winston assistance scheme.

Total contributions collected for the 12 months to June 2017 amounted to \$546.2 million, averaging around \$45.5 million per month. This was higher than the average of \$40.5 million per month recorded for the same period in 2016.

Interest declared to members continued to trend upward as noted over the last five financial years; 5.5 percent (\$155.6m) in 2013, 5.75 percent (\$175.0m) in 2014, 6.0 percent (\$213.2m) in 2015, 6.25 percent (\$239.0m) in 2016 and 6.35 percent (\$270.0m) in 2017.

The persistent higher growth in interest declared is reflective of improved returns to the Fund's investment portfolio with gross investment income at \$310.8 million, equivalent to a 6.5 percent return on investment (ROI) for the financial year ending June 2017.

Given the systemic significance of the FNPF in the Fijian financial system, the Reserve Bank continued its closer monitoring of the institution and its reform program. In this regard, monthly prudential consultations and regular liaison with key personnel were undertaken on the progress of the reform program in areas including investment rehabilitation, the new IT system (PROMIS), follow-ups on the implementation of the Reserve Bank's previous on-site recommendations and the most recent organisational structure review.

The draft proposed Pensions Savings legislation has been finalised and submitted to the Office of the Solicitor General (OSG) for vetting.

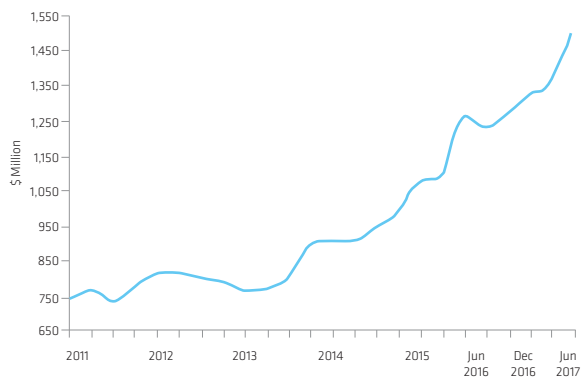
Capital Markets

The volume and value of shares traded on the SPSE decreased significantly in the year ended June 2017 as trading normalised following the listing of Vision Investments Limited (VIL) that had resulted in significantly larger volume and values of shares traded in 2016.

Market capitalisation increased over the year by 21.1 percent to an all-time high of \$1.5 billion as at June 2017 from \$1.2 billion in June 2016. This was consequent to the listing of Free Bird Institute Limited (FBL) with 2.0 million shares in February 2017 and the continuous increase in share price movements of all listed securities and additional quotations of shares through the dividend reinvestment plan of FijiCare Insurance Limited.

At the end of June 2017, the top five listed securities, by market capitalisation, accounted for 82.4 percent of the stock market. Amalgamated Telecom Holdings Limited continued to dominate the stock market at 42.5 percent, followed by VIL (16.0%), Paradise Beverages Fiji Limited (8.7%), Flour Mills of Fiji Foods Limited (8.6%) and RB Patel Group Limited (6.6%).

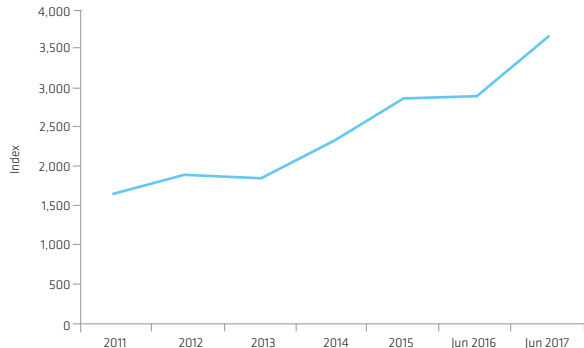
Market Capitalisation



Source: South Pacific Stock Exchange

In line with the increase in market capitalisation, the SPSE Total Return Index (STRI), a measure of stock market performance that shows total returns, increased by 26.4 percent to 3,642.3 from 2,880.5 in June 2016. This was due to positive price movements of securities and dividend and interest returns.

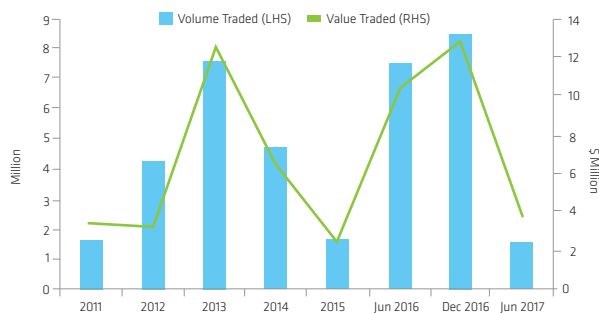
SPSE Total Return Index



Source: South Pacific Stock Exchange

Over the year to June 2017, 1.6 million shares valued at \$3.8 million were traded through 1,149 trades. This compared

Volume and Value of Shares Traded¹⁷



Source: South Pacific Stock Exchange

¹⁷This graph excludes Special Crossing Transactions.

with larger volumes of 36.6 million shares valued at \$56.3 million via 973 trades in the six-month period ended June 2016, largely attributed to the newly listed VIL shares in February 2016.

The average dividend and interest yield for the year ended June 2017 stood at 4.7 percent compared to 4.9 for the same period in 2016, while average capital growth was recorded at 8.2 percent.

The buy-to-sell order ratio as at 30 June 2017 stood at 1:0.5 relative to 1:1 as at the end of June 2016. The increase in the quantity of buy orders compared to sell orders were attributed to unexecuted FHL orders related to the company's market based dividend reinvestment orders that were placed in June 2017 and increased interest to purchase shares of the newly listed companies like VIL and FBL.

Funds under management for the Managed Investment Schemes (MIS) market as at 30 June 2017 increased by 10.8 percent to \$244.4 million from \$220.6 million as at 30 June 2016. This was largely due to the continuous growth in unit sales, which exceeded the level of redemptions, recording a net value of \$18.2 million for the year.

Listed securities dominated the MIS investment portfolio, at 29.5 percent, followed by unlisted securities (28.4%), deposits held at financial institutions (18.6%), bonds (15.4%), loans and receivables (7.2%) and 'others' (0.9%).

The MIS industry recorded a decrease of 18.0 percent in net profit to \$8.1 million for the year ended June 2017. The decline resulted from a \$1.2 million reduction in investment income and an increase in investment expenses by \$0.5 million.

The number of unit holders in the market grew by 15.9 percent to 29,561 in June 2017. Private individuals comprised 70.5 percent of total unit holders and 29.5 percent comprised institutions and other groups.

Complaints Management

In the FY 2016-2017, 93 complaints against regulated financial institutions were referred to the Bank, the majority of which related to commercial banks and insurance companies. Customer complaints against commercial banks largely involved mortgages and repayment terms while complaints against insurance companies related to disagreements on insurance claims, in particular, life and motor vehicle insurance. To address these complaints, the Reserve Bank held 82 meetings with consumers. This included mediation meetings and consultations with relevant financial institutions and other organisations. Of the total complaints, 86 were resolved and seven remained under investigation.

In addition, the Complaints Management Forum met twice in 2017 to discuss financial industry complaints and the review of the consumer protection legislation

Combating Money Laundering

The FTR Act and the FTR Regulations are Fiji's primary laws for combating money laundering in the country and protecting the financial system from money laundering activities and other serious offences.

The FIU was established under the FTR Act in 2006 as the national agency responsible for administering and enforcing the FTR Act. The FIU is administered and fully funded by the Reserve Bank pursuant to the delegation of powers by the Minister for Justice to the Governor of the RBF.

The FIU is responsible to the Governor of the Reserve Bank in the discharge of its powers and functions. The FIU is the lead agency in Fiji on anti-money laundering (AML) and countering the financing of terrorism (CFT) policy formulation, implementation and enforcement in Fiji.

Pursuant to the FTR Act and Regulations, the RBF and the FIU are the designated AML/CFT supervisors in Fiji. The RBF supervises the commercial banks, licensed credit institutions, insurance companies, foreign exchange dealers, remittance service providers, money changers, the capital market and its intermediaries, the superannuation fund and the mobile phone money services providers.

The FIU supervises all other providers of financial services including lawyers, accountants, real estate agents and credit institutions. The FIU is also responsible for the registration of AML compliance officers of all financial institutions and designated non-financial businesses and professions (DNFBPs).

Financial Institutions' Compliance with the FTR Act

The FIU and the RBF continued to work closely with financial institutions and DNFBPs during the year to encourage and ensure compliance with the various provisions of the FTR Act and Regulations.

The FIU issued 34 ad-hoc policy advisories during the year. These policy advisories explained various requirements of the FTR Act and Regulations. The majority of the ad-hoc policy advisories was related to transaction reporting requirements of the relevant AML and CFT laws. There are currently 111 registered AML compliance officers from financial institutions and DNFBPs covered under the FTR Act.

During the year, the FIU conducted onsite compliance assessments of two accounting firms and two law firms. The FIU also provided information and support to the RBF supervision team for their onsite compliance programs. The FIU continued to provide training on the requirements of the FTR Act to a number of financial institutions and DNFBPs.

Receipt and Analysis of Financial Transaction Information

Financial institutions and DNFBPs are required under the FTR Act to report to the FIU any transaction (or attempted transaction) suspected to relate to money laundering, terrorist financing or other serious offences.

For the year ending July 2017, the FIU received 745 suspicious transaction reports (STRs) from various financial institutions and DNFBPs.

Suspicious Transactions Reported to the FIU (Number)

	2013	2014	2015	Jan-Jul 2016	Aug 2016-Jul 2017
STRs	522	384	516	275	745

Source: Financial Intelligence Unit

The majority of STRs received was from commercial banks.

Reporting Financial Institutions FY 2016- 2017 (Number)

Reporting Financial Entities or Persons	No. of STRs Received
Commercial Banks	453
Money Remittance Service Providers ¹	196
Finance Companies	3
Insurance & Superannuation	16
Regulatory Authorities	14
Law Firms	5
Securities and Unit Trust	1
Real Estate Businesses	3
Others	54
Total	745

¹Includes foreign exchange dealers and mobile phone banking service providers.

Source: Financial Intelligence Unit

The FIU referred 234 STR case reports to relevant law enforcement agencies for further investigation of possible money laundering and other serious offences.

Case Reports Disseminated to Law Enforcement Agencies (Number)

Law Enforcement Agency	Number of STRs Disseminated				
	2013	2014	2015	Jan-Jul 2016	Aug 2016-Jul 2017
Inland Revenue Services	176	158	166	77	83
Fiji Police Force	58	77	63	33	78
Immigration	0	1	1	2	4
Customs	19	7	5	11	5
Others ¹	31	10	20	12	64
Total	284	253	255	135	234

¹Includes RBF, Transnational Crime Unit, Fiji Independent Commission Against Corruption, Land Transport Authority, Legal Practitioners Unit, Fijian Elections Office and Foreign FIUs.

Source: Financial Intelligence Unit

Financial institutions are also required under the FTR Act to report to the FIU all cash transactions of \$10,000 and above, and all international electronic fund transfers.¹⁸

The FIU received 616,191 cash transaction reports (CTRs) and 1,216,835 international electronic fund transfers reports (EFTRs) during the FY 2016-2017.

¹⁸ Monetary threshold for these reports is zero.

Cash Transactions and Electronic Fund Transfers Reported (Number)

No. of Reports Received	2013	2014	2015	Jan-Jul 2016	Aug 2016-Jul 2017
CTRs	380,430	1,042,074	579,849	333,037	616,191
EFTRs	1,147,728	1,308,633	1,029,993	618,723	1,216,835

Source: Financial Intelligence Unit

Border Currency Reporting

Persons travelling in or out of Fiji are required under the FTR Act to declare if they are carrying currency or negotiable bearer instruments of F\$10,000 and above.

The FIU received 709 border currency reports during the year. These reports are analysed for possible currency smuggling, money laundering and related criminal offences.

Cash/Fund Declarations by Travellers (Number)

Persons Declaring	2013	2014	2015	Jan-Jul 2016	Aug 2016-Jul 2017
Declarations made by inbound travellers	141	231	187	166	306
Declarations made by outbound travellers	318	326	304	171	403
Total	459	557	491	337	709

Source: Financial Intelligence Unit

Assistance to FIU's Partner Agencies

Under the FTR Act, the FIU may provide assistance to various partner agencies. The FIU handled 78 requests from Government agencies for due diligence and background checks on persons or entities of interest in the FY 2016-2017.

Background checks were carried out on 122 business entities and 118 individuals.

Requests for Background Checks from National Agencies – FY 2016-2017 (Number)

Requesting Agency	Number of Requests	Number of Checks on Entities	Number of Checks on Individuals
Attorney General's Office/ Ministry of Justice	1	15	5
Ministry of Industry, Trade and Tourism	30	35	46
Ministry of Economy	3	3	7
Investment Fiji	12	4	29
Ministry of Public Enterprise	8	31	3
Reserve Bank of Fiji	8	4	11
Others	16	30	17
Total	78	122	118

Source: Financial Intelligence Unit

The FIU also handled 167 requests from local and foreign law enforcement agencies for assistance in money laundering and other related investigations.

Requests for Investigative Assistance – FY 2016-2017 (Number)

Requesting Agency	Number of Requests	Number of Checks on Entities	Number of Checks on Individuals
Fiji Independent Commission Against Corruption	21	7	50
Fiji Police Force	71	31	181
Foreign FIUs	19	9	48
FRCs	45	61	73
Reserve Bank of Fiji	4	0	5
Others	7	3	10
Total	167	111	367

Source: Financial Intelligence Unit

The FIU also provides law enforcement agencies with access to the FIU database for the purpose of information exchange.

National AML Council and Domestic Initiatives

The FIU provided secretariat support to the National AML Council and its three working groups. The National AML Council held one meeting during the period. The Governor of the Reserve Bank and Director FIU are members of the National AML Council and contributed to Council discussions and decisions.

The FIU also contributes to a number of national committees on AML/CFT coordination and information exchange.

The FIU provided ongoing advice to Government relating proposed changes to the terrorist financing related laws and on Fiji's ratification of the United Nations Convention Against Transnational Organised Crime.

The FIU liaised with the Asia Pacific Group (APG) on Money Laundering and other government agencies on the finalisation of Fiji's Mutual Evaluation Report (MER). The MER outlines the findings of the assessment, conducted in 2015, of Fiji's compliance with international AML/CFT standards. The FIU also led the Fiji delegation to the APG Annual Meeting in 2016 in San Diego, USA where Fiji's MER was discussed and adopted.

The FIU provided Fiji's first follow-up report to the APG on the MER recommendations.

During the year, the FIU and the RBF coordinated efforts to address legislative deficiencies noted in the APG report. Amendments to the FTR Act and Regulations and Public Order Act were passed in early 2017.

International Coordination and Initiatives

The FIU is a member of the Egmont Group, which is an international association of 156 FIUs from various jurisdictions. The FIU contributed to the activities of the Egmont Group during the year.

During the year, the FIU continued to provide technical assistance to other FIUs. A one-week work attachment was provided to FIU officers from Cook Islands, Marshall Islands, Papua New Guinea (PNG) and Vanuatu. In early 2017, the FIU hosted a high-level Nepalese Government delegation as part of an AML/CFT knowledge-sharing program. The Nepalese delegation comprised of 14 senior officials from the Nepal Department of Money Laundering Investigation, Ministry of Finance, Nepal Reserve Bank, FIU and other government agencies. The FIU also provided technical assistance to the Republic of Marshall Islands FIU through a two-week attachment of a Fiji FIU staff with the Marshall Islands FIU. The technical assistance program was aimed at strengthening the intelligence management framework for Marshall Islands FIU.

The FIU worked closely with the APG in providing feedback on how Fiji has addressed the recommendations of the 2016 Fiji MER. The FIU also contributed to other APG initiatives such as surveys and other AML/CFT issues.

Currency

Pursuant to section 4(a) of the Reserve Bank Act (1983), the Bank is charged with regulating the issue of currency in Fiji.

The RBF is responsible for maintaining an adequate supply of quality notes and coins in circulation.

It issues notes and coins that are commensurate with demand for payment purposes and redeems any notes or coins that are mutilated or no longer fit for circulation and destroys them accordingly.

The Bank also determines the denomination and design of Fiji's notes and coins, subject to the approval of the Minister for Economy.

Commemorative Currency

In April 2017, the Bank issued a special limited edition \$7 note and 50-cent coin in circulation, commemorating Fiji Rugby 7s gold medal win at the Rio 2016 Olympics. The Honourable Prime Minister & Minister for iTaukei Affairs, Sugar Industry and Foreign Affairs, Rear Admiral (Retired) Josaia Voreqe Bainimarama officially unveiled these notes and coins.

A total of 2.3 million \$7 notes and 1.0 million 50 cents coins were produced for issuance into circulation.

Note Processing

The purpose of the note processing operation is to ensure that quality notes are in circulation. All notes returned to the Bank through the commercial banks and public are processed and sorted for fitness by a note processing machine.

For the financial year ending 31 July 2017, 39.6 million returned notes were processed. Of this, 21.3 million pieces were deemed fit for reissue while the balance was considered unfit and subsequently destroyed.

Unfit notes mainly consisted of \$10, \$20 and \$50 denominations.

Notes Processed

Notes Processed	Jan-Jul 2016		Aug 2016-Jul 2017	
	Value (\$ Million)	Pieces (Million)	Value (\$ Million)	Pieces (Million)
Notes Saved for Reissue	320.2	10.2	711.8	21.3
Notes Destroyed	266.1	10.7	468.9	18.3
Total Processed	586.3	20.9	1,180.7	39.6

Source: Reserve Bank of Fiji

Currency in Circulation

As at 31 July 2017, total currency in circulation was \$759.6 million compared with \$751.0 million a year ago.

During the FY 2016-2017, the value of notes in circulation increased marginally by 0.8 percent to \$703.0 million. The \$10 denomination was the highest circulated note and recorded the largest increase of 5.5 percent to \$52.0 million.

With the exception of the \$50 denomination, the value of all other notes increased in the review period.

The value of coins in circulation increased by 5.0 percent to \$56.6 million during the financial year. The 50-cent and \$2 coins registered a growth of 8.8 percent to \$8.7 million and 6.3 percent to \$15.2 million, respectively. The 5-cent coin accounted for the highest volume of coins in circulation.

Notes and Coins in Circulation (\$ Million)

Notes in Circulation			
Denomination	2015	Jul 2016	Jul 2017
50c	0.1	0.1	0.1
\$1	1.7	1.7	1.7
\$2	7.9	7.9	7.8
\$5	20.9	21.0	21.2
\$7	-	-	6.2
\$10	52.4	49.3	52.0
\$20	86.4	82.5	85.9
\$50	250.3	253.8	247.2
\$100	261.6	280.5	280.6
Pre-decimal Currency	0.3	0.3	0.3
Total	681.6	697.1	703.0
Coins in Circulation			
Denomination	2015	Jul 2016	Jul 2017
1c	1.3	1.3	1.3
2c	1.1	1.1	1.1
5c	4.0	4.2	4.4
10c	4.4	4.7	4.8
20c	6.3	6.7	6.9
50c	7.7	8.0	8.7
\$1	12.7	13.4	14.0
\$2	13.3	14.3	15.2
Pre-decimal Currency	0.2	0.2	0.2
Total	51.0	53.9	56.6
Notes & Coins in Circulation			
	2015	Jul 2016	Jul 2017
Notes	681.6	697.1	703.0
Coins	51.0	53.9	56.6
Currency in Circulation	732.6	751.0	759.6

Source: Reserve Bank of Fiji

Cost of Currency

For the financial year ending 31 July 2017, the cost of currency issued by the Bank was \$3.2 million.

Cost of Currency Issued (\$ Million)

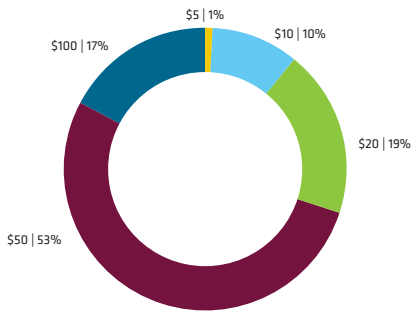
	2015	Jan-Jul 2016	Aug 2016-Jul 2017
Notes	2.0	1.5	2.6
Coins	1.0	0.9	0.6
Total	3.0	2.4	3.2

Source: Reserve Bank of Fiji

Banking Transactions

For the financial year ending 31 July 2017, the value of currency issued to commercial banks was \$1,152.0 million, of which \$1,144.1 million was in notes and \$7.9 million in coins.

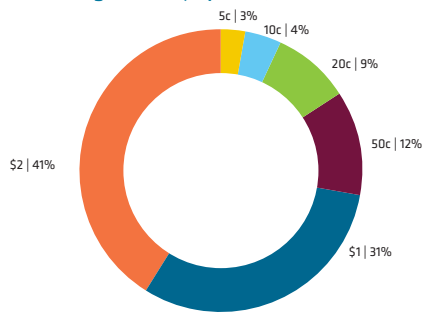
Notes Issued from August 2016–July 2017 (Total Value: \$1,144.1 million)



Source: Reserve Bank of Fiji

The \$50 note continued to be widely used demonstrating the public's growing reliance on higher denominations for daily transactions, reflected in the withdrawal of higher denomination notes through the ATMs.

Coins Issued from August 2016–July 2017 (Total Value: \$7.9 million)



Source: Reserve Bank of Fiji

The \$1 and \$2 coins continued to be the highest value of coin denominations in circulation which demonstrates the shift in public demand from low to high value coins.

Mutilated and Old Design Currency Assessments

A total of \$1.2 million in mutilated and old design currency was reimbursed to commercial banks, businesses and individuals during the financial year.

Counterfeit Notes

The volume of counterfeit notes discovered during the FY ending 31 July 2017 was negligible, at less than 0.1 percent of the value of total currency in circulation.

Counterfeit Note Summary

Denomination	Jan-Jul 2016		Aug 2016-Jul 2017	
	Value (\$)	Number of Notes	Value (\$)	Number of Notes
\$5	5	1	-	-
\$10	60	6	40	4
\$20	840	42	140	7
\$50	50	1	250	5
\$100	2,300	23	600	6
Total	3,255	73	1,030	22

Source: Reserve Bank of Fiji

In its efforts to address counterfeiting, the Bank continued to assist the Fiji Police Force with relevant investigations.

The Bank also distributed awareness materials to various organisations, schools and the general public.

Numismatics

Numismatic or "collector" currency income for the financial year ending 31 July 2017 was \$0.8 million.

The Bank continued with the sale of its existing silver and coloured coins, single, pairs and uncut banknote sheets including other currency collectible items.

During the financial year, the Bank also signed a number of agreements with partner mints for various new programs.

Payments and Settlements System

Payment and Settlement Systems is critically important to the Reserve Bank.

FJICLEAR is important in the transmission of monetary policy. The system facilitates the movement of large value transactions and ensures that liquidity is fluid and efficiently utilised over the course of a business day. Retail payment numbers have risen because of the introduction of straight through processing applications.

The expansion of other forms of payment systems, predominantly making low value high volume payments, such as M-PAiSA and Digi-Money has been encouraged by the Reserve Bank as part of its mission.

Net settlement of manual exchanges made at the Clearing House, was undertaken electronically through FJICLEAR.

FJICLEAR

The Reserve Bank oversees FJICLEAR, Fiji's Real Time Gross Settlement System. It works closely with the Association of Banks in Fiji (ABIF), software supplier CGI UK Limited and the Society for Worldwide Interbank Financial Telecommunication (SWIFT) to ensure that FJICLEAR operations remain smooth, efficient and maintained at the required international standard.

FJICLEAR processes all large value transactions, interbank payments, money market settlements, time critical customer payments, commercial bank's foreign currency deals and settlement of currency lodgements to and withdrawals from the Reserve Bank.

The commercial bank's knowledge of their Exchange Settlement Account balances in real time enables better liquidity management and provides secure interbank fund transfers.

The monthly averages for FJICLEAR operations saw a marginal decline in gross value whereas the gross volume increased.

Settlements

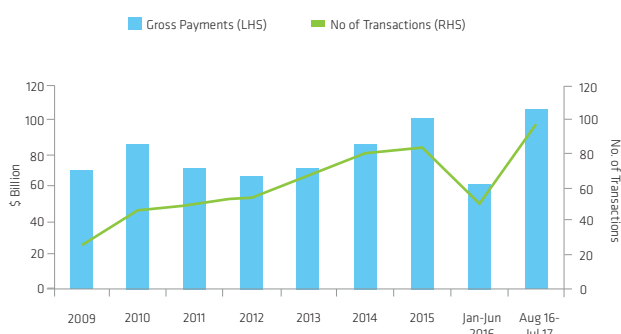
The role of Settlements is supportive of the reserves management function of the Bank. The SWIFT settlement system for foreign currency transactions, utilised by the Reserve Bank, continued their review of securing the integrity of its systems, member bank systems and ancillary applications following cyber-attacks against members. Training of personnel to combat this threat was held in Fiji and attended by regional participants. This was a joint collaboration between the Reserve Bank and SWIFT.

All instructions issued for the settlement of foreign currency trades are made through the SWIFT settlement system. These instructions need to be accurate and timely to eradicate the risk of incorrect or late settlement that could lead to a liability on the part of the Reserve Bank.

Settlements also undertakes the daily accounting of foreign currency trades on Hi-Portfolio, the Reserve Bank's Foreign Exchange Accounting System, to ensure that positions and accounts are updated and that relevant information disseminated to stakeholders is accurate.

The Bank undertook a review of its utilisation of Hi-Portfolio during the year and implemented prioritised recommendations.

FJICLEAR Transactions



Source: Reserve Bank of Fiji

FJICLEAR recorded 96,653 transactions valued at \$105.5 billion, reflecting the increased use of the system by participating banks, over the financial year.

Monthly Average FJICLEAR Transactions

Monthly Average	2012	2013	2014	2015	Jan-Jul 2016	Aug 2016-Jul 2017
Gross Payments (\$M)	5,612	5,879	7,122	8,395	8,927	8,793
No. of Transactions	5,914	7,316	8,573	9,144	9,336	10,019

Source: Reserve Bank of Fiji

National Payment System

The Fiji Interchange Network (Payments) Bill 2016 was passed in Parliament in February 2017. This was a milestone in the development of Fiji's national payments system. The Bill now cited as Fiji Interchange Network (Payments) Act 2017 enables the establishment of an Interchange Network, commonly referred to as a National Switch. The implementation date of the Act however, is yet to be gazetted. The Act also authorises the Reserve Bank to regulate payments systems in Fiji and adopt general standards and criteria for the conduct of payment services or the operation of payment systems, either generally addressing the totality of entities or a specific category.

The Act creates a level playing field for the banking sector and aims to reduce the cost of interbank transactions. The Reserve Bank, together with the Government and the Banking Industry is working towards implementing a robust system.

Mobile Money Development

Mobile money services provided by the Mobile Network Operators (MNOs) continued to grow steadily during the year with a few notable developments.

Following the initial disbursements of funds to rebuild homes destroyed by TC Winston, the Government continued to use the M-PAiSA platform to disburse funds under the Help for Homes Initiatives, which recorded significant increases in the value of e-money in circulation and bill payments.

Digicel Fiji partnered with Fiji Electricity Authority (FEA) allowing customers to purchase FEA prepay electricity tokens through Digicel Mobile Money. This provides customers a reliable and hassle-free avenue to top up their FEA meters from anywhere and at any time. A similar partnership was formed between Vodafone Fiji and FEA.

A new partnership for agency banking in Fiji was formed during the year between HFC Bank and Vodafone's M-PAiSA. This however is still in its pilot phase and allows HFC customers to carry out banking transactions via their mobile phones using Vodafone's M-PAiSA agent network. The services would include withdrawals, deposits, funds transfer, payments and point of sale purchases. In addition, the agency platform will allow for account opening and lodging of loan applications.

As at 31 July 2017, there were 345 registered active agents around Fiji compared to 351 in the same period last year. The decline is attributed to the exclusion of inactive agents i.e. agents not undertaking transactions over the last 90-day period.

Since the launch of Mobile Money in June 2010, there have been 141,576 person-to-person (P2P) transfers made valued at \$14.8 million. Since August last year, there were 40,324 P2P transfers valued at \$4.4 million. This compares with 26,487

P2P transfers valued at \$3.2 million in the same period in 2015-2016. The average value of P2P transfers declined from \$122.2 to \$108.6 as at July 2017. The number of registered mobile money customers stood at 853,342 compared to 721,923 in July 2016. The increase attributes to ongoing developments in the mobile money space and Government's Help for Homes Initiative.

Inward remittances continued to grow since the launch of the inward remittance facility in 2011. Total amount of inward remittances received through the mobile money channel as at July 2017 stood at \$15.9 million. Most of these funds came from the UK, Australia and New Zealand.

The total value of electronic money in circulation as at July 2017 stood at \$10.4 million compared to \$7.1 million in the same period last year. The significant increase was due to the second and third phase of Government's "Help for Homes" initiative in 2017.

Inward Remittances Through Mobile Money

In line with the growth in inward remittances in 2016-2017, MNOs continued to develop and improve their services to the market through continued collaboration with international money transfer platforms.

Significant growth in both the volume and value of inward remittances was noted. During 2016-2017, there were 28,225 inward remittances conducted via the mobile money channel valued at \$8.1 million compared to the 15,300 inward remittances valued at \$4.8 million in the previous corresponding period. Both the volume and value of inward remittances grew by 84.5 percent and 68.1 percent, respectively. International money transfers via mobile money is expected to grow further primarily due to being the fastest and cheapest way of sending money when compared to traditional channels.

Inward remittances continue to be the critical driver of mobile money in Fiji and are an important source of income for many families in Fiji.

Enhance Our Role In The Development Of The Economy

In addition to its core functions of conducting monetary policy, financial stability and the issue of currency, the Reserve bank also implements various initiatives to develop the economy.

Import Substitution and Assistance to the Export Sector

The Reserve Bank continues to offer concessional lending to eligible businesses under the Import Substitution and Export Finance Facility. During the FY 2016-2017, the Facility assisted seven businesses with loans amounting to \$10.0 million compared to nine businesses with the total loan value of \$6.3 million in the previous financial year. The interest rate threshold under the Facility remained at 5.0 percent per annum while the interest rate charged by RBF to lending institutions was unchanged at 1.0 percent per annum.

Since rationalisation of the Facility in July 2010, a large number of approved loans were made to the agriculture sector for dairy, cattle, poultry, piggery, fruits and vegetable farming and as well as prawn farming. The Facility was reviewed during the year with the total allocation now increased from \$80 million to \$100 million. In line with this, the sectoral coverage was extended to also support financing for public transportation particularly bus companies and other public service operators. At the end of the financial year, total utilisation under the Facility was close to \$60 million.

Small and Medium Enterprises Credit Guarantee Scheme (SMECGS)

The Reserve Bank has administered the Fiji Government Small Medium Enterprise (SME) Credit Guarantee Scheme since 2012. Funds under this guarantee can cover for default on eligible SME loans of up to \$50,000 per business from lending institutions. At the end of July 2017, a total of 1,413 active SME loans valued at \$83.5 million were registered under the SMECGS compared with 1,444 loans valued at \$85.2 million at the end of the previous financial year. The total allocation for claims under the Scheme is \$4.0 million, of which \$0.04 million has been utilised with no additional claims on the credit guarantee received during the year. The Government has indicated that it will continue to support the Scheme in the next financial year.

Housing Facility

The Reserve Bank Housing Facility was established in 2013 to assist low-income earners, via the Housing Authority of Fiji, to purchase their first home. By 2014, the Housing Authority

had utilised the full \$25.0 million allocation under the Facility to assist households earning up to \$25,000 per annum to purchase a home at a maximum interest rate of up to 5.0 percent per annum for five-year periods. During the review year, the total allocation under the Facility was increased to \$60 million while the approved lender list was extended to include commercial banks, licensed credit institutions and the FDB. First homeowners with a combined income of \$50,000 or less are now eligible to access funds under the revised Facility.

Secondary and Retail Bond Market

The Fiji Government floated \$10.0 million in Viti Retail Bonds during the financial year. The Bank noted a surge in the uptake of Viti Bonds recording a total investment of \$9.5 million by 104 investors. Outstanding Viti Bonds at the end of July 2017 was \$35.7 million. The secondary bond market recorded a significant increase in the volume of trades, solely comprising of Reserve Bank purchase of 54 parcels of Viti Bonds valued at \$1.5 million.

Microfinance Development

Financial service providers continued to work with the public sector and development partners to expand the reach of financial services to the underserved and the excluded. Whilst the Bank remains focused on improving access, there is also a concerted effort to enhance the usage of financial services.

As part of these ongoing efforts, the Reserve Bank of Fiji collaborated with the United Nations Market for Change for the Financial Seminar and Fair at the Nausori Market on 26 May 2017 and coordinated financial literacy training at the National Women's Exposition from 14-16 June 2017. The Bank also facilitated the participation of financial services stakeholders at the Government roadshow in Saqani, Vanua Levu from 21-22 June 2017 and the Kadavu island roadshow from 3-6 July 2017.

Secured Transactions Reform

In July, the Personal Property Securities Bill was tabled in Parliament and was referred to the Standing Committee on Justice, Law and Human Rights who will scrutinise the

Bill in August. There were a number of submissions on the Bill by various stakeholders. It is anticipated that the Bill will be enacted by the end of 2017. Following this process, procurement of the Registry and implementation will begin.

National Financial Inclusion Taskforce

The RBF co-hosted the Alliance for Financial Inclusion (AFI) 8th Global Policy Forum in Denarau, Nadi from 7-9 September 2016. The financial inclusion event attracted over 500 delegates to Fiji from 78 countries comprising policy makers, regulators and development partners. By hosting, Fiji and six Pacific Island nations were able to share their unique financial inclusion journey. This was the largest delegation from Fiji to attend this annual forum, and included members of the NFIT, Working Groups from the private and public sector.

The Bank together with the NFIT coordinated and developed a series of public awareness programs to promote and support the national financial inclusion strategic goals.

A new initiative through a television financial literacy program in the vernacular iTaukei language titled "Noda iLavo" was implemented. The first season broadcast from April to July and received overwhelming support and feedback from stakeholders and viewers. The Bank has signed up for a second season with Fiji Broadcasting Corporation for telecast in October 2017.

Inclusive Insurance

The Reserve Bank of Fiji in partnership with the Pacific Financial Inclusion Programme (PFIP) implemented an insurance education and awareness campaign on behalf of the Inclusive Insurance Working Group (IIWG) from 5 October to 11 November 2016. The campaign covered social media, print, television and radio. The campaign had three objectives:

- To raise awareness and understanding of the concept of insurance;
- To explain the use of insurance within a risk mitigation strategy; and
- To explain the main types of risk that can be dealt with by insurance.

Tebbutt Research conducted a market study to measure the impact of the campaign. The key findings of the study showed that the campaign performed well in generating awareness and positivity. Awareness of the campaign was solid with responses showing that two out of three people had seen or heard it. Television was the dominant source of recall, with newspapers, radio and social media also mentioned. The social media platform skewed towards those under the 30 years of age bracket.

The televised stories resonated well with the people. They remembered the widow, the young couple, the motor vehicle owner and the father and child. The message from the campaign was clear; get insured, it protects your future, mitigates risk and prepares you for the unexpected. The campaign was appealing, relevant, credible and persuasive. A high 81 percent said the campaign made them think in a more positive way about insurance while knowledge and understanding of insurance products improved significantly. For some, this translated to improved purchase intention, with 30 percent saying that they are now very likely to buy insurance in the next 12 months compared with just 22 percent before the campaign.

Following the successful insurance awareness and education campaign in 2016, the RBF in partnership with the PFIP and insurance companies funded a re-run of the media campaign in May and June 2017.

In July, a new inclusive insurance product was introduced into the market. The bundled product which has life, fire, personal accident and funeral cover under one policy has been provided by an insurance provider to approximately 12,000 sugar cane farmers.

In addition, a new insurance agency distribution model is bringing change to the Fiji market. Affordable life and hospitalisation insurance is now available to the prepaid customers of a mobile network operator. A survey of the subscribers to this new product noted that 80 percent previously never had any form of insurance. Since its launch in July 2016, over \$26,000 in claims was paid and on average, the processing of claims takes approximately six days.

Capital Market Advisory and Development Taskforce (CMDT)

The CMDT held two meetings during the year continuing dialogue and discussions for developing capital markets as stipulated in the Capital Market Development Master Plan 2025 (Master Plan).

During the review period, the following initiatives were undertaken:

- To encourage gender diversity, the Chairman of the CMDT issued a statement calling for listed companies to action the higher participation and representation of women of merit on their Boards. Gender diversity on boards of listed companies is an integral indicator of corporate governance. The Chairman called for the capital market to set a goal over the next five years for at least 20 percent of board members to be women. This was aligned to the National Gender Policy for Fiji and Sustainable Development Goal 5 - Gender Equality;

- Work on enabling capital raising for SME in Fiji continued with the early drafting of Equity Crowdfunding Legislation. It is envisaged that this will enable crowdfunding as a capital-raising product in Fiji to assist small businesses start-up and/or expand;
- Work on raising awareness and the profile of the Fijian Capital Markets through the introduction of a Capital Markets Week in Fiji.

The three working groups of the CMDT: Capital Market Awareness and Capacity Building Working Group; Capital Market Legislative and Regulatory Environment Working Group and Capital Market Industry Development Working Group continued to meet quarterly. Their collective aim is to reach at least 100,000 investors in the capital market by 2025 and make Fiji a preferred capital market centre in the South

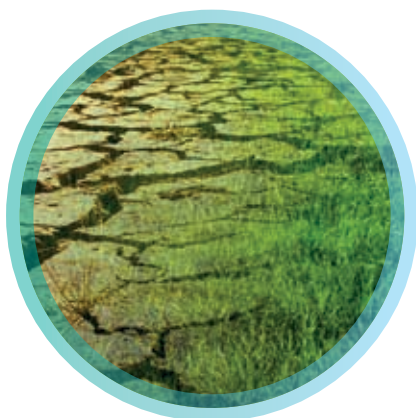
Pacific.

Local Advisory Boards

The Bank held four individual and one joint collaborative meeting with the local advisory boards (LABs) of foreign owned commercial banks to discuss national development issues and government policies.

Financial Sector Development Plan

In July 2017, the Reserve Bank published and launched the Financial Sector Development Plan (2016–2025) at its Board meeting. Further development includes the establishment of a Taskforce and relevant Working Groups to guide and monitor the implementation of the Plan and agreed strategies.



RBF in the Community

The Reserve Bank's presence in the community facilitates better relations with the public, Government, businesses and academia.

In its efforts to build relationships across a broad spectrum of the community and gain first hand insight into developments across the country, the Bank continues to devote resources to industry visits and meetings. The Board Directors also accompany Bank officials on some of the visits.

In an effort to keep the public informed of its assessment of the economy, the Governors and senior staff regularly gave presentations on the latest economic developments to Government, businesses, industry groups, community groups, and educational institutions. Presentations on the Fijian economy and policies of the Bank were also made to Fiji embassies abroad and to locals earmarked for diplomatic postings. The Bank also makes available information on its website and Facebook page including the NFIT and FIU websites that users can easily access.

Each year the Reserve Bank awards a prize to the most outstanding Economics graduate at the University of the South Pacific (USP). The Bank also supports the USP's Career and Entrepreneurial Fair and Career's Expo including the USP Open Day where students are provided information about the Bank.

The Governors and senior staff made presentations and submissions to the Parliamentary Standing Committees on a number of occasions. The following were made to the:

Standing Committee on Justice, Law and Human Rights

- A submission on the Public Order (Amendment) Bill 2016 in August.

Standing Committee on Economic Affairs

- Presentations on the 2014 Bank Annual Report and 2013 and 2014 Insurance Annual Reports were made in September 2016.
- The 2015 Insurance and FIU Annual Reports were presented in October 2016.

Public Accounts Committee

- A written submission was made in February 2017 on the FDB Annual Report 2014-2015 together with a presentation on the CMDA Accounts 2008-2009.

The Parliamentary Standing Committee on Foreign Affairs and Defence

- Submissions on the United Nations Convention against Transnational Organised Crime and Supplementing Protocols and Multilateral Convention to Implement Tax Treaty Measures to Prevent Base Erosion and Profit Shifting were made in March and May 2017, respectively.

- A written submission was made on the Asian Infrastructure Investment Bank Articles of Agreement in June 2017.

In support of SMEs, the Reserve Bank sponsors the Services Award for the FDB SME Awards. The Bank also sponsors Investment Fiji's Prime Minister's International Business Award for Agriculture. The Microfinance awards will recommence later in 2017 to recognise the achievements of the financial inclusion sector.

The Bank continued to benchmark itself against similar institutions and participated in the SPSE Annual Report competition in the Government Bodies, Statutory Authorities and Unlisted Trusts category and was awarded first runner up for its January-July 2016 Report.

For the first time, the RBF participated in the Woman in Business competition and entered the Employer of Choice category. The Bank benefitted from the discussions with the judges.

To assist in reviving the Fiji Institute of Bankers (FIB), the staff collaborated with the FIB Committee of Management in organising a Quiz night, speakers for seminars and sports day.

The Bank made financial contributions to Suva Special Education School, Fiji Crippled Children's Society, St Christopher's Home, Dilkusha Orphanage, Fiji Disabled People's Association, Fiji Society for the Blind, Father Law Home, Home of Compassion, Salvation Army, Hilton Special School and Homes of Hope.

Staff continued to assist those affected by TC Winston. Cash was donated to a former staff residing in Malake Island whose home was badly damaged during the cyclone.

As part of Library week activities, the Bank put on a book and stationery drive to assist schools affected by the cyclone. Contributions included storybooks, art and craft material, posters, pamphlets, educational resources and paper. These were distributed to Malake Village Primary School, Lovoni Primary School, Bouma Primary School, Adi Maopa Primary School, Vatukoula Primary School, Nabala Secondary School, Shastri Memorial School, St Vincent College, Dilkusha High School, Dream Centre – Educational Community Centre and Vuya Primary School. The Bank commenced its Library activities aligning to the theme for 2017 of "Ideas Meet Decisions @ Your Library". On 28 April, the Bank celebrated the World Book and Copyright day with Mrs Liviana Tabalala, Head of College of Arts and Humanities at Pacific TAFE, USP officially launching the Library program of activities. These activities include a book and stationery drive for donation to various schools, drama, quiz night with the members of FIB and awareness of resources available in the Library. The books and stationery were delivered to the schools at the end of the Library Week.



During the year, the Bank donated used computers and a new printer to Ratu Nacagilevu Memorial School in Kadavu. The donation assisted the students with their studies and with the office administration of the school. Students from primary and secondary schools also visited the Bank to learn about our policies and operations. The students also visited the Bank's numismatic centre to view the collection and visited about the history of money.

To create awareness of Bank operations, the Bank participated in talkback radio shows in Hindi and English. The Bank also featured in a financial literacy program in the iTaukei language "Noda iLavo" from July to August.

Some members of Team RBF served on boards and committees set up by the Government, international institutions, regional organisations and professional bodies. Three members of staff are judges for Investment Fiji's Business Excellence, South Pacific Business Development and SPSE awards.

Apart from formal donations, Team RBF also voluntarily contributes and participates in community projects. Some of the charitable projects undertaken by staff in the review period included cash contributions for dialysis for a 12 year old boy who is the youngest dialysis patient in Fiji, an eight month old baby that needed heart surgery in India and two teenagers who were undergoing treatment at the Colonial War Memorial Hospital for Chron's disease. Hygiene kits were

provided to Samabula Senior Citizens Home. A financial contribution was also made to the Dilkusha Circuit to assist with their Youth Conference.

Team RBF appreciated the services of its neighbours and hosted the Totogo Police Station to a morning tea near the Christmas period. For the cleaners of the RBF Building, staff acknowledged their hard work and presented them with mugs, hampers and gifts during Christmas.

Staff also assisted in national and community events with master of ceremony services.

The Bank celebrated Pinktober and Movember in October and November 2016, respectively and the generous contributions of the Bank, its staff and friends were donated to the Fiji Cancer Society.

The Bank participated in Earth Hour by turning off non-essential lights and electrical appliances at their homes and at the Bank premises for one hour to raise awareness on climate change on 28 March. Other international events observed at the Bank were International Women's Day and World Secretary's Day.

The Bank's Sports and Social Club also organised social events and cultural activities such as Diwali, Eid, Chinese New Year and Sports Day for staff. The Bank also participated in the marathons organised by the business houses. Staff continued to participate in the blood drive organised by the Red Cross.



Provide Proactive And Sound Advice To Government

Policy advice to the Government is provided in many ways. During the FY 2016-2017, the Governor met with Government officials on a number of occasions to discuss issues pertaining to the economy.

The Governor and some staff also accompanied Government officials on visits and consultations abroad. Presentations on the economy were made to Ministries and other Government agencies, as and when requested.

Policy Coordination

Proper coordination of policy formulation by economic policymaking agencies of the Government is important in the area of macroeconomic management. During the year, the Bank continued to assist the Government through various Policy Committees.

The Macroeconomic Committee (MC) and its Technical Committees prepared projections on Fiji's GDP, trade and balance of payments. These projections are critical inputs into monetary policy formulation and other national policy decision making.

The Governor of the Reserve Bank chairs the MC and membership comprises officials from the Ministry of Economy, Ministry of Industry & Trade and Tourism, Fiji Bureau of Statistics, Prime Minister's Office, Ministry of Infrastructure & Transport, Fiji Revenue and Customs Service (FRCS), Investment Fiji and the Reserve Bank. During the FY 2016-2017, there were two forecasting rounds, two MC meetings and six Macroeconomic Technical Committee meetings.

As part of the macroeconomic forecasting process, the Reserve Bank met with key industry groups in the FY 2016-2017. Information gathered from these meetings formed the basis for forecasting national macroeconomic indicators, as well as providing advice to the Government through the MC reports and the National Budget submission.

The Reserve Bank continued to be actively involved in many Committees of national interest. The Bank also participated in the Debt and Cashflow Policy Committee and met three times to evaluate the Government's financing needs.

Registry and Banking Services

The Reserve Bank as the appointed registrar and fiscal agent provides registry services for debt securities issued by Government and statutory corporations. The Bank also provides banking services, such as the "lender of last resort" facilities to the Government and commercial banks.

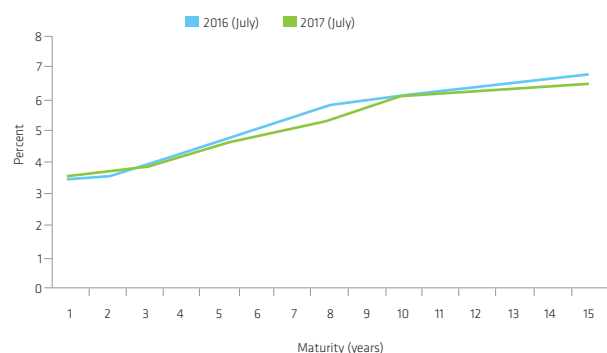
Outstanding Bonds as at 31 July 2017 (\$ Million)

	Issued	Redeemed	Outstanding
Total Government	224.2	99.6	3,204.4
o/w Fiji Development Loan Bonds	-	69.8	1,864.1
o/w Fiji Infrastructure Bonds	214.7	29.0	1,304.6
o/w Viti Bonds	9.5	0.8	35.7
Fiji Development Bank	41.0	39.0	149.2
Fiji Electricity Authority	-	-	37.3
Housing Authority	-	5.2	44.4
Fiji Sugar Corporation	-	-	25.0
Total	265.2	143.8	3,460.3

Source: Reserve Bank of Fiji

During the FY 2016-2017, the combined nominal value of the Government and the statutory corporation bonds administered by the Reserve Bank increased to \$3,460.3 million from \$3,338.9 million recorded as at the end of July 2016. The value of Government outstanding bonds increased by 4.0 percent to \$3,204.4 million, recording a net issue of \$124.6 million for the review year. However, total outstanding statutory corporation bonds fell by 1.2 percent to \$255.9 million as bond redemptions exceeded issues.

Weighted Average Yields on Long-Term Government Securities



Source: Reserve Bank of Fiji

Total registry payments at the end of July 2017 amounted to \$697.5 million. Registry payments were dominated by redemptions of Treasury Bills followed by interest and redemptions on Government and statutory corporation bonds.

The yields on Government securities were slightly lower given the prevailing high system liquidity and government appetite for credit. In May, government issued its first 10-year non-callable benchmark bond, with a fixed coupon of 6.00 percent. Government also floated a 15-year non-callable benchmark bond with a fixed coupon of 6.50 percent. Both the securities were subsequently reopened with no movements in yields.

Treasury Bills (\$ Million)

	2014	2015	Jan-Jul 2016	Aug 2016 -Jul 2017
Flotations	360.0	350.0	265.0	230.0
Allotments	309.5	336.0	213.2	241.6
Redemptions	281.5	321.0	193.6	310.4
Outstanding	130.6	145.6	165.2	96.4

Source: Reserve Bank of Fiji

During the FY 2016-2017, the Fijian Government Treasury Bills recorded total issues of \$241.6 million and redemptions worth \$310.4 million, leaving an outstanding balance of \$96.4 million. In comparison to Government Bonds, Treasury Bills yields noted slight increases for the longer maturities.



Disseminate Timely And Quality Information

In line with the mission to disseminate timely and quality information to the public and relevant stakeholders, the Reserve Bank releases economic and financial information through major publications (monthly Economic Reviews, Quarterly Reviews and Annual Reports) and Press Releases on its website and Facebook page.

Financial Performance

Income

The Reserve Bank's total income largely comprises interest income from foreign currency investments and domestic securities.

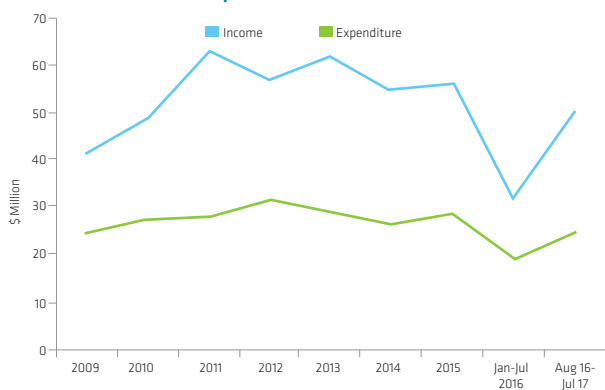
RBF Foreign and Domestic Income (\$ Million)

	2014	2015	Jan-Jul 2016	Aug 2016-Jul 2017
Foreign Interest Income	36.8	36.4	20.4	39.8
Domestic Interest Income	11.5	10.2	5.8	9.7
Other Income	6.5	5.5	3.3	6.6
Total	54.8	52.1	29.5	56.1

Source: Reserve Bank of Fiji

For the year ended 31 July 2017, total income was \$56.1 million led by the high foreign interest income emanating from the high level of foreign reserves held by the Bank.

Total Income and Total Expenses



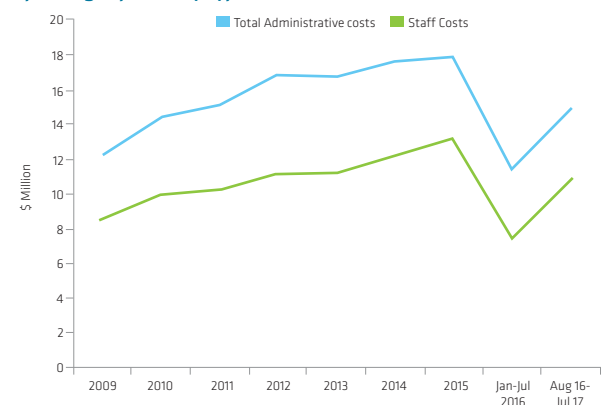
Source: Reserve Bank of Fiji

Expenditure

Total expenditure incurred in the year was \$27.8 million. Administrative expenditure was \$20.4 million with staff costs representing the single largest operating expenditure for the Reserve Bank accounting for over 49 percent of total operating costs.

Other expenses for the year totalled \$5.4 million.

Operating Expenses by Type

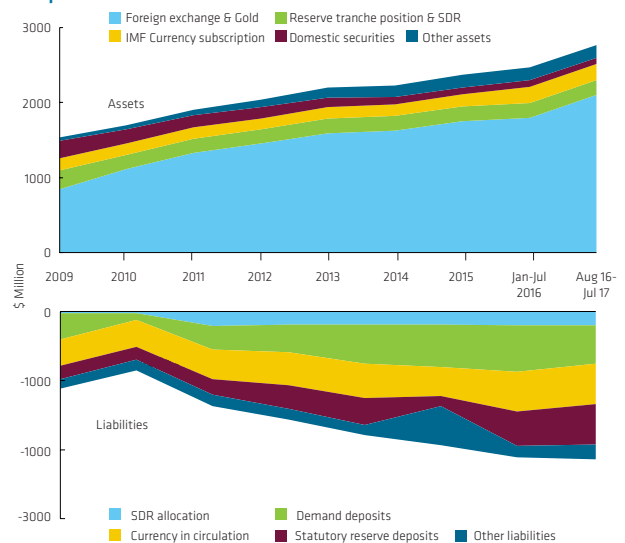


Source: Reserve Bank of Fiji

Assets and Liabilities

The Bank's total assets were \$2.8 billion as at 31 July 2017, representing a 13.0 percent rise due to the increase in foreign reserves holdings. On average, the Bank's total assets have grown by 12.5 percent over the past eight years. On the liabilities front, the increase is mainly reflected in the build-up of bank liquidity and currency in circulation.

Composition of RBF's Balance Sheet



Source: Reserve Bank of Fiji

Operating Profit and Payment to Government

The operating profit for the year ended 31 July 2017 was \$28.3 million. The Minister for Economy approved the transfer of \$1.0 million from the operating profit to the General Reserve Account. As required under the RBF Act (1983), the balance of the operating profit was subsequently transferred to Government at the end of September.

The Act also requires the Reserve Bank to transfer one-fifth of the RRA balance to Government, which amounted to \$2.1 million as at 31 July 2017. The amount transferred from the RRA was \$3.0 million in the previous financial period.

The Bank paid \$29.4 million to Government for the year ended 31 July 2017 compared to the \$16.9 million paid for the seven months of operations in 2016.

Reserve Bank's Profit Payable to Government (\$ Million)

	2014	2015	Jan-Jul 2016	Aug 2016-Jul 2017
Operating Profit	28.5	27.9	13.9	28.3
Less				
Transfer to General Reserves	0.0	0.0	0.0	1.0
Balance Paid to Government	28.5	27	13.9	27.3
One-fifth of RRA	6.7	4.3	3.0	2.1
Total Paid to Government	35.2	32.2	16.9	29.4

Source: Reserve Bank of Fiji

Publications and Press Releases

Economic and financial information continued to be released by the Bank during the fiscal year through its major publications: the monthly Economic Reviews, Quarterly Reviews and Annual Reports. In the fiscal year, the Reserve Bank issued 32 press releases.

The 2015 Insurance and FIU Annual Reports were tabled in Parliament on 26 September 2016 and the Bank's January to July 2016 Report was tabled on 22 March 2017. In addition, the Bank participated in the 2016 SPSE Annual Report Competition and was first runner up in the Statutory Authorities, Government Bodies and Unlisted Trusts category. The Financial Inclusion 2016 Annual Report was published for the first time and will now be an annual output of the Bank. A Student Diary for 2017 was also published and disseminated to schools. The Monetary Policy Statement Booklet December 2016 was published for dissemination.

Tender results of Treasury bills and Government bonds were posted on the Reserve Bank website, Reuters and Bloomberg. Commercial banks' key disclosure statements were also made available on the Reserve Bank website.

During the year, the Reserve Bank continued to disseminate information through media interviews, newspaper articles, presentations and brochures.

The Reserve Bank's website and Facebook page were continuously updated to include the latest information disseminated by the Bank. To enhance dissemination of information, the Bank published articles on its role and functions, currency and other topical issues in the newspapers.

Information Technology

The Bank continued to align its processes for delivery of IT services with industry best practices and international standards. The Bank also continued to focus on the achievement of IT strategic goals. IT operations and digital asset remained critical for the delivery of the functions of the Bank.

Furthermore, the Bank continued to ensure that IT systems and infrastructure remained stable, relevant, dynamic, resilient and adaptable to future needs. Particular emphasis was on strengthening cyber security with the aim to remain agile and nimble while dealing with cyber security related issues.

Demand for information and communications technology services has been deepening; hence the Bank's focus towards automation of business processes has remained strong. The Bank continued to work on major automation projects including the Financial Sector Information System and the Fiji Intelligence Unit Case Management System. Development work continued for Project eService for the online lodgement of Exchange Control Applications. Some of the automation projects completed were the RBF Intranet website and the Currency and Vault Management System.

The Bank performed simulation tests between its primary site and the BRS in its effort to manage business continuity through effective disaster preparedness and recovery.

Records Management

The Reserve Bank's Archives repository is located at the Bank's BRS and aligns with the requirements of good governance and the Public Records Act (Rev. 2006) for proper recording and preservation of vital official records.

The Bank uses Total Records Information Management, an integrated Electronic Document Records Management System (EDRMS), for storing and retrieving indexed and digitised records. The Bank's EDRMS project continued during the year and will be ongoing during the rest of 2017 and 2018.

Property Management and Security

The Bank ensured that the main RBF Building, the Domodomo House and the BRS were well maintained. Repairs and maintenance programs were completed to ensure efficient operation of all systems. This was possible through contractual agreements with reputable vendors for a period of two years.

The Bank also refurbished Tower 3 and 4 of the building to cater for office space requirements. In addition, the refurbishment of tea preparation areas for all tower and podium levels was completed.

The high level of security and vigilance over all currency operations and the Bank's properties and staff was also maintained.

Domestic Relations

During the year, the Reserve Bank continued to engage with different stakeholders across Fiji while conducting several

economic presentations. These presentations focused on the latest economic developments and outlook, and policy discussions.

Industry consultation with commercial banks, credit institutions, insurers, brokers and foreign exchange dealers continued in FY 2016-2017. Industry meetings were held on a quarterly basis with the Association of Banks in Fiji, Finance Companies Association, Insurance Taskforce and Association of Foreign Exchange Dealers.

The Reserve Bank also conducted bilateral meetings with commercial banks, insurance companies and the FNPF. The Board and Executive Management visited site operations, discussed economic issues with industry stakeholders in Navua, and provided economic briefings to the business community and professional bodies. During the year, the Bank briefed officials from Government ministries and statutory bodies on various economic and financial matters.

In addition, a number of schools visited the Reserve Bank to learn about the role and responsibilities of the Bank, as well as to view the numismatics display.

International Relations

The Reserve Bank continued to maintain and foster international relations with multinational organisations and other central banks.

The Reserve Bank in partnership with AFI hosted the eighth GPF in Fiji in September 2016. It was the largest GPF ever held, represented by 78 countries and attended by over 500 senior financial inclusion policymakers and regulators and leaders from international organisations and the private sector.

Governor Whiteside attended the 52nd SEACEN Governors' Conference/High Level Seminar and 36th SEACEN Board of Governors meeting in Myanmar in November. In December, he attended the 31st South Pacific Central Bank Governors' Meeting in Timor-Leste.

Mr Whiteside attended the PFTAC Steering Committee meeting in the Solomon Islands in March 2017.

The Deputy Governor attended the Annual Meeting of the IMF and World Bank in Washington D.C. in October as part of the Fiji delegation led by the Honourable Minister for Economy Mr Aiyaz Sayed-Khaiyum.

Mr Ariff Ali attended the Asian Development Bank 50th Annual Meeting in Yokohama, Japan in May 2017.

The Governors also hosted visits by several foreign dignitaries.

A team from the IMF was in Fiji for a staff visit from 10-14 April 2017.

In addition, the Reserve Bank officials participated in a range of international conferences and workshops.

The Bank also provided attachments for staff from South Pacific central banks and FIUs.

The Bank continued its liaison with the IMF, World Bank, ADB and central banks in the Pacific and South East Asia region. Additionally, the Bank received technical assistance from international institutions including the IMF and the APRA in the areas of financial statistics, foreign exchange and banking supervision.

The Bank continued its association with the IMF Resident Representative Office and PFTAC and sought assistance in the areas of financial supervision and statistics.

Recruit, Develop And Retain A Professional Team

Human resources represent the Bank's greatest asset in the delivery of the Bank's corporate goals. The primary objective of human resources management is to attract, develop, retain and motivate staff to deliver the Vision of Leading Fiji to Economic Success under the Missions and Values.

Staffing

As at July 2017, the Reserve Bank staff complement was 210. During this period, the Bank recruited 15 staff while seven staff resigned to take up alternative employment, three staff resigned to operate their own business, four staff migrated, one staff departed for further studies, two staff opted for early retirement, one staff contract expired and was not renewed and one staff resigned under compassionate grounds.

RBF Staff Statistics (as at July 2017)

	2012	2013	2014	2015	Jan-Jul 2016	2017
Total Staff	207	213	213	214	214	210
Average Years of Service	8.3	9.4	9.8	9.9	9.8	9.9
Annual Staff Turnover (%)	5.3	4.3	6.6	6.5	7.5	9.1

Source: Reserve Bank of Fiji

Management Remuneration as at 31 July 2017

The approval for the Governor's remuneration package is vested with the Constitutional Offices Commission while the Executive Management's is vested with the Minister for Economy. Other management staff are employed on an individual contract basis and remunerated in line with the market.

Management Remuneration as at 31 July 2017

	Base Salary	Staff Numbers
i.	\$287,500	0
ii.	\$160,000	1
iii.	\$125,000	7
iv.	\$58,640 - \$79,336	28

(i) - (iii) Executive Management.
(iv) Other Management staff.

Source: Reserve Bank of Fiji

Staff Development

The Staff Development Policy and TNA supports a continuous learning culture in the Bank through on-the-job training, job rotations, full-time study leave with/without pay, part-time studies and correspondence and short courses at both local and overseas institutions.

Accordingly, the Bank organised induction, mentoring programs and on-the-job training for Bank staff. Management is required to prepare a Training Needs Analysis for each member of staff, which is updated annually. The Bank continued to sponsor staff for further academic qualifications

through full-time, part-time, correspondence, short courses and seminars at local and overseas institutions.

In the FY 2016-2017, three staff were on study leave with pay and three on leave without pay pursuing postgraduate studies abroad. In addition, 16 staff pursued part-time studies at the USP, and the Fiji National University (FNU) towards Masters, Post Graduate, Degree, and Diploma programs.

In the FY 2016-2017, 197 staff undertook various short courses such as those organised by the USP, FNU, Fiji Institute of Accountants (FIA), SWIFT, Pacific Islands Telecommunication Association, Pure Magic International, Ministry of Labour, National Fire Authority, FICAC, CPA, Institute of Internal Auditors, Fiji Human Resources Institute and those organised internally.

Moreover, 32 staff attended various courses abroad that were organised by the IMF, SEACEN, ADB, Reserve Bank of Australia, APRA, Bank of Thailand, Bank of PNG, RBA, APG, PFTAC and the World Bank amongst others.

The Bank also sponsored staff professional memberships for the FIA, Fiji Institute of Bankers, Fiji Institute of Internal Auditors, FHRI, Financial Securities Institute of Australia and Australian Computer Society.

Employment Relations

The Bank continues to maintain a cordial relationship with the Fiji Bank and Finance Sector Employees Union (FBFSEU). The Bank and FBFSEU signed a new salary review successor agreement for the next three years (2017-2019).

Under the Bank's Rewards and Recognition System, performance bonuses were paid out to eligible staff in July 2017.

Labour Management Consultative Cooperation

The Employment Relations Promulgation No. 36 of 2007 section 9(3) requires the Bank to establish a Labour Management Consultation and Cooperation Committee as a forum for meaningful consultation, cooperation and exchange of workplace information to promote good faith employment relations and improve productivity.

The Committee was registered with the Ministry of Labour under Regulation 7 in August 2009. The Committee comprises seven management and seven staff representatives. There were four meetings held in the FY 2016-2017.

National Employment Centre

The Bank has an agreement with the National Employment Centre (NEC) in compliance with the NEC Decree. Under this agreement, the Bank is required to provide workplace attachments to at least 11 unemployed persons registered with the NEC. The Bank has fully complied with the NEC requirements.

Structural Review Exercise

The Bank commenced a review of its organisational structure at the beginning of the FY 2016-2017. The desired outcome was the incorporation of a “fit for purpose” model.

The last review was done in 1998 and in between the two reviews, the Bank made a number of alignments to its structure in line with the changing landscape of central banks and the growing demands from external stakeholders. In this regard, the review exercise has reaffirmed that the Bank has grown responsibly over the years, with staff numbers closely aligned to internal as well as external compelling factors.

Overall, the key outcome of the review exercise confirms the current structure is a “fit for purpose” model and is adequately equipped to fulfil mandated objectives, functions and strategic intentions. There were however, recommendations that were endorsed to further enhance the efficiency of the Bank.

Health and Safety in the Workplace

The Bank is committed to providing and maintaining a safe and healthy working environment for its employees and visitors to the Bank’s premises. It continues to maintain the staff gymnasium to promote fit and healthy living.

In the FY 2016-2017, the Bank’s Occupational Health & Safety (OHS) Committee met three times.

The PayGlobal OHS Module was rolled out with the purpose of reporting OHS hazards and incidents. The Bank provided OHS related training and 22 staff including members of management attended.

Service Recognition

The Governor’s Service Recognition and Long Service Loyalty Award, recognises dedicated long and meritorious service to the Bank. In 2016-2017, five staff achieved 15 years of service, two staff achieved 20 years of service, four staff achieved 25 years of service, one staff achieved 30 years of service, one staff achieved 35 years of service and one staff achieved 40 years of service.

During the year, the Governor and Chief Managers also rewarded staff for their performance.

40 Years



Barry Whiteside

35 Years



Lorraine Seeto

30 Years



Aisake Sagaitu

25 Years



Alanieta Robson



Ariff Ali



Janice Korovulavula



Pauline Wong

Acknowledgement

The Board wishes to thank the former Governor, Mr. Barry Whiteside for his service and leadership during his 40 years at the Bank. The Board also sincerely acknowledges the efforts and contribution of all staff in FY 2016-2017.

The RBF Board extends its gratitude to the Fijian Government, the IMF, the World Bank, the ADB, SEACEN, PFTAC and regional central banks for their continued support and assistance.

Furthermore, the Bank expresses its sincere appreciation to the FBFSEU for its support and assistance in industrial relations matters.



Climate Change, Natural Disasters and the Role of Central Banks

Countries around the world are subject to different weather patterns due to factors such as geographical conditions and the inevitable forces of nature. Over the years, these observed weather patterns have considerably and consistently changed, induced by the effects of human activities and the associated global warming. This altered weather pattern process is referred to as climate change which affects everyone on this planet, although at varying enormities across different geographical conditions and altitude levels and is seen as the single biggest threat facing humanity today. The effects of climate change are already adversely affecting Fiji and other Pacific Island countries because of our location and size, placing us at the frontline as vulnerable island states.

The macroeconomic and social costs of droughts, cyclones, flooding and sea level rise in Fiji is profound and threatening. For instance, in 2016 TC Winston, by far the most intense tropical cyclone in the southern hemisphere, cost Fiji a total of approximately \$2.9 billion in damages and losses, equivalent to over a quarter of Fiji's 2016 gross domestic product.¹ TC Winston is also the costliest tropical cyclone on record in the South Pacific basin. Likewise, sea level rise and flooding are a threat to the livelihood, dwellings and food security of many people along the coastal and low lying areas.

Over the last few years, the Fijian Government has taken many efforts to repair damages caused by these adverse climatic conditions and build resilience in order to safeguard the lives of every Fijian. In recognition of this vulnerability and the need to combat climate change, Fiji was among the first countries in the world to ratify the Paris Agreement and the Kyoto Protocol. Fiji is also the first and only island state in the world to hold the Presidency of the Conference of the Parties (COP) which applies to the 23rd session of the Conference of the Parties (COP23) to the United Nations Framework Convention on Climate Change (UNFCCC) in Bonn, Germany in November 2017.

Likewise, the Reserve Bank of Fiji and many other organisations have collectively scaled up efforts geared towards the common goal of fighting against climate change.

The Case for Central Banks to Respond to Climate Change²

The broad rationale for the central banks' involvement is linked to one of its mandates which is to promote monetary stability with the twin objectives of maintaining both low and stable inflation and an adequate level of foreign reserves.

- **Macroeconomic and Financial Risk**

Climate change events include the increase in frequency of higher intensity storms such as TC Winston. These events have a profound impact on economic activity and demand in the economy, affecting price stability and foreign reserves management. Domestic demand drives up prices when food security is threatened or due to increases in oil and commodity prices. Following TC Winston, prices of local fruits and vegetables spiked causing an increase in the inflation rate. This was, however, not seen in oil and commodity prices as these are in most cases triggered by impacts to oil producing countries and those that influence commodity prices.

Supply side constraints lead to increased import bill payments putting pressure on the foreign reserves. This could be from an influx of both consumption goods and investment goods to help in the rebuilding after a disaster. In this regard, it is crucial for a central bank to take account of environmental changes in monetary policy settings depending on the extent of the damages incurred. The central bank can also activate specialised financing facilities to supplement its monetary policy, to assist in the rebuilding of the country.

¹Total damages and losses including environmental impact, Fiji Government Post-Disaster Needs Assessment, May 2016.

²On the Role of Central Banks in Enhancing Green Finance, UNEP Working Paper, 2017.





There is a general consensus that central banks, as guardians of financial stability, need to extend beyond its macroprudential focus to limit systemic risks associated with climate change. This is because environmental risk and risks arising from climate change constitute a significant systemic threat to the financial sector.

- **Market Failure Argument**

Failure to incorporate climate change risks during credit assessment enables financing of undesirable activities that will harm the environment. Any changes to environmental policies could result in the credit market failure. Fiji's target to have 100 percent renewable energy by 2030³ is an indication for financial institutions to align their lending and investing activities to more renewable energy and energy efficiency sectors. Such national environmental policies can enable central banks to direct the creation and allocation of credit to greener markets and enable environmentally consistent monetary policy and financial stability tools. Credit risks for banks in Fiji are quite significant as exhibited by the composition of the top 15 largest exposures (representing 21.2 percent of total credit) which are mainly concentrated in the wholesale, retail, hotels and restaurants sector; and greatly prone to climate risks.

- **Central Banks as Credible and Powerful Actors in Developing Countries**

Central banks' strong and sophisticated institutional standing allow it to effectively influence private investment decisions and promote best practices in the industry through its transnational networks. This can also assist in addressing the market failure stressed above.

Reserve Bank of Fiji's Current Initiatives

The Reserve Bank's Financial Sector Development Plan 2016-2025 (FSDP), which complements Fiji's Green Growth Framework and National Development Plan, recognises the need for the financial sector's response in supporting sustainable development in Fiji. The Reserve Bank has also committed to working with partners on developing and promoting sustainable business models to support communities' response to climate change under the Maya Declaration and supported by the National Financial Inclusion Strategic Plan 2016-2020 (NFISP). The NFISP calls for the development of green financial products and services for individuals, households, and Micro & Small Enterprises that reduces negative environmental impacts.

In May 2017, the Reserve Bank joined the Sustainable Banking Network which comprises banking regulators and banking associations from 32 member countries to understand global and regional experiences in developing sustainable finance opportunities. It is in this regard, the Reserve Bank envisages organising Fiji's first ever Sustainable Finance Initiatives Workshop in September. After the completion of this Workshop, it is expected that private-public-partnership discussions among relevant government ministries/agencies, financial institutions and international organisations would: (1) contribute to Fiji's sustainable development goals by allowing financial institutions to engage more in sustainable financing; and (2) provide guidance and support to develop Fiji's Roadmap towards a Sustainable Financial System.

More recently, the Reserve Bank in collaboration with the Government, World Bank and the International Finance Corporation are working towards establishing a framework for Green Bonds in Fiji, aimed at raising funds to finance the transition to a low carbon economy, in particular new financing or the re-financing of projects with environmental and societal benefits. The Fijian Government is expected to issue its first Green Bonds by November 2017.



³Fijian Government Sustainable Energy For All Report, February 2014.

Recognition of Inaugural Milestone of 40 Years of Long Service to the Reserve Bank of Fiji



On 1 March 2017, the RBF Governor at the time, Barry Whiteside, completed 40 years of dedicated service to the Bank. This milestone achievement was the first-ever for an RBF staff.

Mr Whiteside joined the Bank in 1977 as an Assistant Research Officer in the Economics Department. In 1991, following a short stint in Operations (Reserves Management), he was appointed head of the Economics Department and then Chief Manager Financial Markets in 1998 after the Bank restructure during the same year. In 2002, he took on the role of Chief Manager Currency and Corporate Services and later became Chief Manager Financial Institutions in 2004.

For nearly six months of 2008 and most of 2009, Mr Whiteside acted as Deputy Governor before being appointed to the role on 1 October 2009. He then acted as Governor from 9 December 2010 onwards and was eventually appointed Governor and Chairman of the RBF Board on 5 May 2011. In 2014, Mr Whiteside was reappointed for another three-year term as Governor.

Mr Whiteside holds a Bachelor of Arts Degree in Economics and Administration from the University of the South Pacific (USP) and is a recipient of the USP Award for studies in

Administration. He also holds a Master of Arts Degree in Economics from Simon Fraser University, Canada which he completed as a Commonwealth scholar.

Mr Whiteside is a keen sportsperson and represented Fiji internationally in hockey. He also played cricket and badminton at competitive levels. Mr Whiteside was the Fiji Team Manager for badminton at the 2003 Oceania Tournament (Suva) and South Pacific Games (Suva), 2005 Oceania Tournament (Auckland), 2006 Commonwealth Games (Melbourne) and 2007 South Pacific Games (Apia). He is currently the President of the Fiji Badminton Association.

During his tenure at the Reserve Bank, Mr Whiteside assumed a number of senior roles and responsibilities. He represented the Bank on several internal and external committees, international forums and served as part of the Bank's Executive Management team for close to two decades. Mr Whiteside completed his second term as RBF Governor on 27 May, 2017.

The RBF Board, Management and staff are proud of Mr Whiteside's inaugural milestone achievement and thank him for his dedicated leadership and service, commitment and loyalty to the Bank.



The Year Ahead

The Reserve Bank will continue to focus on fulfilling its core responsibilities in the 2017-2018 financial year. Listed below are priority areas where special efforts will focus.

Strategic Direction and Alliances

The Bank will continue to implement its Strategic Plan 2014-2018 and ensure that the FIU, IT and HR Strategic Plans for the same period are aligned.

The Bank will enhance its alliance with strategic partners and institutions/organisations abroad and locally. It will endeavour to host some international meetings in Fiji to promote the country and the work of the Bank.

In early 2018, the Bank will host the SEACEN Foundational Course for Bank Examiners.

Legislations

The Insurance Act (1998) review will continue, with the Reserve Bank working closely with the Solicitor General's Office on the proposed amendments.

Work on the framework for the legislation on the Personal Property Securities Bill, National Switch (Fiji Interchange Network (Payments) Act 2017), Consumer Credit Bill and Credit Union Act will be ongoing in 2017 while consultation on the draft Pension Savings Bill will commence in 2018.

The Fiji Interchange Network (Payments) Act 2017, once gazetted will enable the Reserve Bank to regulate payments systems in Fiji and adopt general standards and criteria for the conduct of payment services or the operation of payment systems, either generally addressing the totality of entities or a specific category.

Monetary Policy

The Reserve Bank will continue to implement appropriate monetary policy to safeguard its twin objectives of maintaining low inflation and ensuring an adequate level of foreign reserves.

The Bank will also focus on supporting investment and economic growth, in addition to its conventional monetary policy goals.

Enhanced Supervision

Our regulation and supervision practices will be further strengthened in 2018 with planned reviews and development of supervisor policies for the supervised industries and increased micro and macroprudential supervision.

Financial System Developments

The Reserve Bank will continue to work with Government and relevant stakeholders towards building an internationally reputable financial system. In early 2018, the Bank will work with the IMF on a Financial Sector Stability Review.

As part of the Plan and the efforts to foster sustainable development, the Reserve Bank will host a workshop on sustainable finance initiatives. The objectives of the workshop are to create awareness within the financial sector on sustainable development, sustainable finance and climate change and global trends and opportunities for sustainable finance. Following this, the financial sector will chart a way forward in terms of a roadmap towards a sustainable financial system in Fiji.

SME Development

The Reserve Bank will continue to work with Government to implement SME reforms including the establishment of a National SME Development Council and a Central Coordinating Agency as announced in the 2016-2017 and 2017-2018 National Budgets.

Corporate Services Enhancements

Work processes will continue to be strengthened to reduce the Reserve Bank's carbon footprint. Additionally, work on record keeping for good governance will be ongoing.

Appropriate processes and systems will be employed to convert all forms of documentation to digital form.

The enhancement of automation and process re-engineering of several key processes of the Bank will also progress with a view to increase process efficiency and allow for a better information management and decision support system

Financial Statements

For the year ended 31 July 2017

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The Directors present their report together with the financial statements of the Reserve Bank of Fiji ("the Bank") for the year ended 31 July 2017 and the auditor's report thereon.

Directors

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

Barry Whiteside – Chairman and Governor up to 27 May 2017

Ariff Ali – Chairman and Governor from 11 September 2017

Acting Governor from 28 May 2017

Deputy Governor up to 27 May 2017

Makereta Konrote (Ex-officio member)

Pradeep Patel

Tevita Kuruvakadua

Tony Whitton

Abdul Khan – Director up to 3 November 2016

State of affairs

In the opinion of the Directors:

- there were no significant changes in the state of affairs of the Bank during the financial year under review not otherwise disclosed in this report or the financial statements;
- the accompanying statement of financial position gives a true and fair view of the state of affairs of the Bank as at 31 July 2017 and the accompanying statement of comprehensive income, statement of changes in equity and statement of cash flows give a true and fair view of the results, changes in equity and cash flows of the Bank for the year then ended.

Principal activities

The Reserve Bank's role as a central bank, as defined in the Reserve Bank of Fiji Act, 1983 and the Reserve Bank of Fiji (Amendment) Decree 2009, is:

- (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;
- (e) to regulate the insurance industry; and
- (f) to regulate the capital markets and the securities industry.

Operating results

The net profit of the Bank for the year ended 31 July 2017 was \$28.3m (seven months period ended 31 July 2016: \$13.9m).

Reserves

In accordance with Section 8(1) of the Reserve Bank of Fiji Act, 1983, the Minister and the Directors have agreed to transfer \$1.0m (2016: Nil) to the General Reserves as at the end of the financial year.

External reserves

Under the provisions of Section 31 of the Reserve Bank of Fiji Act, 1983, the value of the External reserves provided for in Section 30 shall not be less than 50% of the total Demand liabilities of the Bank. At 31 July 2017, the value of the External reserves was 94% (2016: 92%) of total Demand liabilities.

Payable to the Fijian Government

In accordance with the Reserve Bank of Fiji Act, 1983, the following amounts totalling \$29.4m for the year ended 31 July 2017 (seven months period ended 31 July 2016: \$16.9m) are payable to the Fijian Government:

Section 8(3): Net profit after transfer to General reserves - \$27.3m for the year ended 31 July 2017 (seven months period ended 31 July 2016: \$13.9m)

Section 34(3): One-fifth balance of Revaluation reserve account - foreign currency - \$2.1m (2016: \$3.0m)

Bad and doubtful debt

The Directors took reasonable steps before the financial statements of the Bank were made out to ascertain that all known bad debts were written off and adequate allowance was made for doubtful debts. At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts, or the amount of the provisions for doubtful debts, inadequate to any substantial extent.

Provisions

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

Assets

The Directors took reasonable steps before the Bank's financial statements were made out to ascertain that the assets of the Bank were shown in the accounting records at a value equal to or below the value that would be expected to be realised in the ordinary course of business. At the date of this report, the Directors were not aware of any circumstances which would render the values attributable to the assets in the financial statements misleading.

Directors' benefit

No Director of the Bank has, since the end of the previous financial period, received or become entitled to receive a benefit by reason of 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.

Significant events

Alliance for Financial Inclusion (AFI) Global Policy Forum (GPF)

The 2016 AFI GPF was hosted by the Bank on 7-9 September 2016 with the theme of 'Building the Pillars of Sustainable Inclusion'. The event, which was the first GPF to be held in the Pacific region, saw the announcement of the Denarau Action Plan: The AFI Network Commitment to Gender and Women's Financial Inclusion.

Launch of Commemorative \$7 banknote and 50-cent coin

On 20 April 2017, the Honourable Prime Minister and Minister for iTaukei Affairs, Sugar industry and Foreign Affairs, Rear Admiral (Retired) Josaia Voreqe Bainimarama, launched the iconic \$7 banknote and 50-cent coin commemorating Fiji Rugby 7s Gold Medal win at the Rio 2016 Olympics. The \$7 banknotes and 50-cent coins were subsequently issued into circulation on 21 April 2017 and carry legal tender status.

Events subsequent to balance date

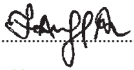
There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Bank, to affect significantly the operations of the Bank, the results of those operations,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

Other circumstances

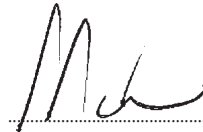
At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which render amounts stated in the financial statements misleading.

Dated at Suva this 28th of September 2017.

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



Ariff Ali
Chairman of the Board and Governor



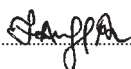
Pradeep Patel
Director

In the opinion of the Directors:

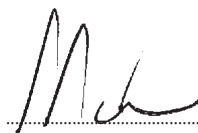
- (a) the accompanying statement of comprehensive income is drawn up so as to give a true and fair view of the results of the Bank for the year ended 31 July 2017;
- (b) the accompanying statement of changes in equity is drawn up so as to give a true and fair view of the changes in equity of the Bank for the year ended 31 July 2017;
- (c) 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 July 2017;
- (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 July 2017;
- (e) at the date of this statement, there are reasonable grounds to believe the Bank will be able to pay its debts as and when they fall due;
- (f) all related party transactions have been adequately recorded in the books of the Bank; and
- (g) the financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") except as noted in Note 2(a) to the financial statements. In accordance with the provisions of Section 34 of the Reserve Bank of Fiji Act, 1983, exchange gains and losses are credited or charged directly to the Revaluation reserve account - foreign currency and are not included in the computation of annual profits or losses of the Bank. This is at variance with International Accounting Standard 21 ("IAS 21") "Effects of Changes in Foreign Exchange Rates" which requires that currency translation gains and losses be credited or charged to profit or loss.

In the opinion of the Directors, the accounting treatment adopted is appropriate in view of the requirement of Section 34 of the Reserve Bank of Fiji Act, 1983. Had the Bank adopted IAS 21 there would have been a net profit of \$26.7m, a decrease of \$1.6m being the currency translation loss for the year ended 31 July 2017.

For and on behalf of the Board of Directors by authority of a resolution of the Directors this 28th of September 2017.



Ariff Ali
Chairman of the Board and Governor



Pradeep Patel
Director

Independent Auditor's Report

To the Board of Directors of Reserve Bank of Fiji

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of the Reserve Bank of Fiji (the 'Bank'), which comprise the statement of financial position of the Bank as at 31 July 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared, in all material respects, in accordance with the accounting policies described in Note 2 of the financial statements and in the manner required by the Reserve Bank of Fiji Act, 1983.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2(a) to the financial statements which refers to the reporting framework and the policy on the treatment of exchange gains and losses and its variance with IAS 21 "Effect of changes in Foreign Exchange Rates". Our opinion is not qualified in respect of this matter.

Independence

We are independent of the Bank in accordance with the ethical requirements of the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code) that are relevant to our audit of the financial statements in Fiji, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Other Information

Directors and Management are responsible for the other information. The other information comprises the information included in the Bank's Annual Report for the year ended 31 July 2017 (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Management for the Financial Statements

Directors and management are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and with the requirements of the Reserve Bank of Fiji Act, 1983, and for such internal control as the directors and management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers, Level 8 Civic Tower, 272 Victoria Parade, Suva, Fiji.

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PricewaterhouseCoopers is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.



In preparing the financial statements, the directors and management are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors and management either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The directors and management are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole is 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 the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors and management.
- Conclude on the appropriateness of the directors and managements use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors and management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Restriction on Use

This report is made solely to the Board of Directors of the Bank, as a body. Our audit work has been undertaken so that we might state to the Board of Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

PricewaterhouseCoopers
Chartered Accountants

Kaushick Chandra
28 September 2017
Suva, Fiji

Reserve Bank of Fiji
Statement of comprehensive income
 For the year ended 31 July 2017

	Note	Year ended 31 July 2017 \$000	Seven months period ended 31 July 2016 \$000
Income			
Interest income	4(a)	49,522	26,223
Other revenue	4(b)	6,561	3,261
Total income		56,083	29,484
Expenses			
Interest expense	4(c)	610	97
Administration expenses	4(d)	20,398	10,711
Amortisation of securities	6	1,349	790
Other expenses	4(e)	5,442	3,973
Total expenses		27,799	15,571
Net profit for the period	13	28,284	13,913
Other comprehensive income/(losses)			
Amortisation of available-for-sale reserve		(1,334)	(776)
Change in value of available-for-sale assets		(3,608)	8,929
Asset revaluation reserve movement		(92)	338
Currency translation differences	18	(1,614)	(2,293)
Total other comprehensive income/(losses)		(6,648)	6,198
Total comprehensive income for the period		21,636	20,111

The statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 61 to 86.

Reserve Bank of Fiji
Statement of changes in equity
For the year ended 31 July 2017

	Paid-up capital	General reserves	Revaluation reserve account-foreign currency	Available-for-sale reserve	Asset revaluation reserve	Retained earnings	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 January 2016	2,000	39,050	17,374	8,274	19,521	-	86,219
Total comprehensive income for 7 months period ended 31 July 2016							
Net profit	-	-	-	-	-	13,913	13,913
<i>Other comprehensive income/ (losses)</i>							
Amortisation to profit or loss	-	-	-	(776)	-	-	(776)
Fair value gains	-	-	-	8,929	-	-	8,929
Revaluation (Note 18)	-	-	-	-	338	-	338
Net losses arising from currency translation differences	-	-	(2,293)	-	-	-	(2,293)
Total other comprehensive income/(losses)	-	-	(2,293)	8,153	338	-	6,198
Total comprehensive income/ (losses) for the period	-	-	(2,293)	8,153	338	13,913	20,111
	2,000	39,050	15,081	16,427	19,859	13,913	106,330
<i>Transactions with owners, recorded directly in equity</i>							
Payable to the Fijian Government (Note 13)	-	-	(3,016)	-	-	(13,913)	(16,929)
Balance at 31 July 2016	2,000	39,050	12,065	16,427	19,859	-	89,401

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 61 to 86.

Reserve Bank of Fiji
Statement of changes in equity - continued
For the year ended 31 July 2017

	Paid-up capital	General reserves	Revaluation reserve account-foreign currency	Available-for-sale reserve	Asset revaluation reserve	Retained earnings	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 August 2016	2,000	39,050	12,065	16,427	19,859	-	89,401
Total comprehensive income for the year							
Net profit	-	-	-	-	-	28,284	28,284
Transfer to General reserves (Note 18)	-	1,000	-	-	-	(1,000)	-
<i>Other comprehensive income/ (losses)</i>							
Amortisation to profit or loss	-	-	-	(1,334)	-	-	(1,334)
Fair value losses	-	-	-	(3,608)	-	-	(3,608)
Revaluation (Note 18)	-	-	-	-	(92)	-	(92)
Net losses arising from currency translation differences	-	-	(1,614)	-	-	-	(1,614)
Total other comprehensive income/(losses)	-	-	(1,614)	(4,942)	(92)	-	(6,648)
Total comprehensive income/ (losses) for the year	-	1,000	(1,614)	(4,942)	(92)	27,284	21,636
	2,000	40,050	10,451	11,485	19,767	27,284	111,037
<i>Transactions with owners, recorded directly in equity</i>							
Payable to the Fijian Government (Note 13)	-	-	(2,090)	-	-	(27,284)	(29,374)
Balance at 31 July 2017	2,000	40,050	8,361	11,485	19,767	-	81,663

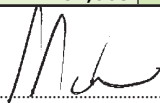
The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 61 to 86.

Reserve Bank of Fiji
Statement of financial position
As at 31 July 2017

	Note	31 July 2017 \$000	31 July 2016 \$000
Foreign currency assets			
Short-term commercial paper and current accounts	5	499,120	500,548
Marketable securities	5	1,620,223	1,283,312
Gold	5	2,121	2,324
Accrued interest		15,865	12,212
International Monetary Fund			
- Reserve tranche position	5/19	67,514	68,646
- Special drawing rights	5/19	124,719	127,573
- PRGF - HIPC Trust	19	549	562
- Currency subscription	19	211,147	216,344
Total foreign currency assets		2,541,258	2,211,521
Local currency assets			
Cash on hand	16	2,465	2,609
Domestic securities	6	82,869	91,096
Financing facilities	7	98,229	93,947
Currency inventory	8	21,162	17,929
Other assets	9	10,701	17,210
Intangible assets	10	290	361
Property, plant and equipment	11	34,007	35,744
Total local currency assets		249,723	258,896
Total assets		2,790,981	2,470,417
Foreign currency liabilities			
Demand deposits	12	164	44
IMF - PRGF - HIPC Trust	19	549	562
IMF - Special drawing rights allocation	19	190,006	194,322
Total foreign currency liabilities		190,719	194,928
Local currency liabilities			
Demand deposits	12	751,841	514,512
Payable to the Fijian Government	13	29,374	16,929
Currency in circulation	14	759,616	750,994
Statutory reserve deposits		758,359	679,570
IMF - Notes currency subscription		210,645	215,631
Other liabilities	15	8,764	8,452
Total local currency liabilities		2,518,599	2,186,088
Total liabilities		2,709,318	2,381,016
Net assets		81,663	89,401
Capital and reserves			
Paid-up capital	17	2,000	2,000
General reserves	18	40,050	39,050
Revaluation reserve account - foreign currency	18	8,361	12,065
Available-for-sale reserve	18	11,485	16,427
Asset revaluation reserve	18	19,767	19,859
		81,663	89,401

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


.....
Ariff Ali
Chairman of the Board and Governor


.....
Pradeep Patel
Director

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 61 to 86.

Reserve Bank of Fiji
Statement of cash flows
For the year ended 31 July 2017

Note	Year ended 31 July 2017 \$000	Seven months period ended 31 July 2016 \$000
Operating activities		
Rental lease income	461	232
Numismatic sales	698	470
Interest received	45,177	32,386
Other income	3,991	1,730
Interest paid	(610)	(2,688)
New currency payments	(953)	-
Administration and other expenses	(20,050)	(10,279)
Net movement of short-term commercial paper	97,302	235,154
Net movement in fixed term deposits	(5,626)	65,331
Net movement in International Monetary Fund accounts	579	(420)
Net movement of domestic securities	6,878	(31)
Net movement in financing facilities	(4,282)	(3,140)
Net movement in other assets	855	(747)
Cash flows from operating activities	124,420	317,998
Investing activities		
Payment for property, plant and equipment and intangibles	(317)	(851)
Net movement of bonds	(334,570)	(402,936)
Cash flows used in investing activities	(334,887)	(403,787)
Financing activities		
Net movement in demand deposits	237,329	21,471
Payment to the Fijian Government	(16,929)	(32,245)
Net movement in currency in circulation	8,622	18,345
Net movement in statutory reserve deposits	78,789	16,579
Cash flows from financing activities	307,811	24,150
Net effect of currency translation	(1,614)	(2,293)
Net increase/(decrease) in cash	95,730	(63,932)
Cash and cash equivalents at the beginning of the period	237,824	301,756
Cash and cash equivalents at the end of the period	333,554	237,824

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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 61 to 86.

1. Principal activities and principal place of operations

The Reserve Bank's role as a central bank, as defined in the Reserve Bank of Fiji Act, 1983 and the Reserve Bank of Fiji (Amendment) Decree 2009 is:

- (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;
- (e) to regulate the insurance industry; and
- (f) to regulate the capital markets and the securities industry.

The Bank's principal place of operations is located at 1 Pratt Street, Suva, Fiji.

2. Statement of significant accounting policies and statutory requirements

(a) Statement of compliance

The financial statements have been prepared in accordance with the provisions of the Reserve Bank of Fiji Act, 1983 and International Financial Reporting Standards (IFRS) except as detailed below.

The provisions of Section 34 of the Reserve Bank of Fiji Act, 1983 requires exchange gains and losses to be credited or debited directly to the Revaluation reserve account - foreign currency and not be included in the computation of annual profits or losses of the Bank. This is at variance with IAS 21 *"Effects of Changes in Foreign Exchange Rates"* which requires that currency translation gains and losses be credited or debited to profit or loss.

In accordance with Section 34, losses arising from exchange fluctuations are set off against any credit balance in the Revaluation reserve account - foreign currency; if such balance is insufficient to cover such losses, the Fijian Government is required to transfer to the ownership of the Bank non-negotiable non-interest bearing securities to the extent of the deficiency. Any credit balance in the Revaluation reserve account - foreign currency at the end of each financial period is applied first, on behalf of the Fijian Government, to the redemption of any non-negotiable non-interest bearing notes previously transferred to the Bank by the Fijian Government to cover losses and thereafter one-fifth of any remaining balance is paid to the Fijian Government.

In the opinion of the Directors, the accounting treatment adopted is appropriate in view of the requirement of Section 34 of the Reserve Bank of Fiji Act, 1983. Had the Bank adopted IAS 21 there would have been a net profit of \$26.7m for the year ended 31 July 2017 (seven months period ended 31 July 2016: \$11.6m), a decrease of \$1.6m (2016: a decrease of \$2.3m), being the net loss arising from currency translation differences.

(b) Basis of preparation

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the financial statements are disclosed in Note 3.

Reserve Bank of Fiji ("the Bank") operates under the Reserve Bank of Fiji Act, 1983. The financial statements are prepared on the historical cost basis except for the following:

- available-for-sale financial assets are measured at fair value
- held-to-maturity financial assets are measured at amortised cost
- property is measured at fair value.

The accounting policies as set out below have been applied consistently and, except where there is a change in accounting policy are consistent with those of the previous periods.

2. Statement of significant accounting policies and statutory requirements - continued

(b) Basis of preparation - continued

New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for financial year beginning after 1 August 2016 and have not been applied in preparing these financial statements. Those which may be relevant to the Bank are stated below.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments – addresses the classification, measurement and recognition of financial assets and financial liabilities.

The complete version of IFRS 9 was issued in September 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Bank intends to adopt IFRS 9 on its effective date and is currently assessing its full impact.

(c) Foreign currency transaction

Foreign currencies have been translated to Fijian currency at rates of exchange ruling at period end.

(d) Functional currency

The financial statements are presented in Fijian dollars, which is the Bank's functional currency.

(e) Financial assets and liabilities

Investment securities

The Bank classifies its investment securities into the following three categories: held-to-maturity, held-for-trading and available-for-sale assets.

Investment securities with fixed maturities where the Bank has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities to be held for an indefinite period of time, which may be sold in response to changes in interest rate, exchange rates or equity prices, are classified as held-for-trading. Investment securities that are not classified in any of the other categories are classified as available-for-sale. The Bank determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially recognised at cost (which includes transactions costs). Held-for-trading financial assets are valued at market value. Unrealised gains and losses arising from the valuation adjustments of these securities at period end are included in the computation of annual profits or losses of the Bank.

Held-to-maturity investments are carried at amortised cost. Any premium or discount on purchase is capitalised and amortised over the term to maturity on a constant yield to maturity basis.

2. Statement of significant accounting policies and statutory requirements - continued

(e) Financial assets and liabilities - continued

Investment securities- continued

Available-for-sale financial assets are carried at fair value (Note 18) and the premium or discount is captured in the profit or loss over the term to maturity. Unrealised gains and losses arising from changes in the fair value are recognised in other comprehensive income/(losses). When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the profit or loss.

In 2011 certain domestic securities classified as Available-for-sale at that time, were reclassified to Held-to-maturity. The fair value gains for these securities that were previously recorded in this reserve is being amortised from the reserve to other revenue over the life of these securities. During the period, \$1.33m (2016: \$0.78m) has accordingly been amortised to other revenue.

All purchases and sales of investment securities are recognised at settlement date, which is the date that the asset is transferred to/from the Bank.

Other financial assets and liabilities

Local and foreign cash, deposits and short-term advances are valued at transaction date value. Reserve Bank of Fiji notes are valued at amortised cost.

Derecognition

The Bank derecognises its financial assets when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received and any gain or loss that had been recognised in other comprehensive income is recognised in profit and loss.

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

(f) Gold

Gold is valued at the London Gold Market Fixing Limited market price ruling at period end. Revaluation gains and losses on gold due to change in fair value are transferred to asset revaluation reserve. Currency translation gains and losses on gold are transferred to the revaluation reserve - foreign currency account.

(g) Numismatic items

The Bank sells or receives royalties on notes and coins which are specifically minted or packaged as numismatic items. These numismatic items have not been accounted for as currency in circulation as they are not issued for monetary purposes. In terms of Section 55(2) of the Reserve Bank of Fiji Act, 1983, the Minister for Economy has specified by notice made under the provisions of paragraph (b) of the provision to Section 31 of the Act that the Bank shall not be required to include the face value of these numismatic items in circulation in its financial statements. It is considered that no material liability will arise in respect of these numismatic items.

(h) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash held at bank, short-term commercial paper and current accounts with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value and are used by the Bank in the management of its short term commitments.

2. Statement of significant accounting policies and statutory requirements - continued

(i) Currency inventory

Currency inventory relates to notes and coins purchased for circulation and include the new notes and coins design series. The amount expensed in profit or loss is based on the cost of notes and coins that are issued for circulation and adjustments for write-offs relating to superseded design notes and coins series.

(j) Loans and advances

Loans are carried at recoverable amount represented by the gross value of the outstanding balance adjusted for an allowance for bad and doubtful debts. A provision for bad and doubtful debts is made based on the appraisal carried out at period end. Movement in the provision is charged to profit or loss.

All known bad debts are written off against the provision in the period in which they are recognised. Bad debts, in respect of which no specific provisions have been established, are charged directly to profit or loss.

(k) Demand deposits

Demand deposits representing funds placed with the Bank by financial institutions and other organisations are brought to account on a cost basis. These deposits are at call. Interest is paid on demand deposits of commercial banks held with the Bank.

(l) Currency in circulation

The exclusive rights of national currency issue are vested with the Bank. Currency in circulation comprises notes and coins issued by the Bank and represent a claim on the Bank in favour of the holder. Currency in circulation relates to the issue of notes and coins and demonetised currency that have yet to be redeemed, less notes and coins redeemed. The liability for currency in circulation is recorded at face value.

(m) Property, plant and equipment

Recognition and measurement

Freehold land and buildings are measured at fair value, based on valuations by an independent registered valuer less subsequent depreciation and impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation. Costs include expenditures that are directly attributable to the acquisition of the asset.

Depreciation

Items of capital expenditure, with the exception of freehold land, are depreciated on a straight line basis over the following estimated useful lives as follows:

Buildings	50 years
Building improvements	5-15 years
Motor vehicles	6 years
Computers and equipment	4-5 years
Plant & machinery, equipment & furniture & fittings	5-10 years

Assets are depreciated from the date of acquisition. Expenditure on repairs and maintenance of property, plant and equipment incurred which does not add to future economic benefits expected from the assets is recognised as an expense when incurred.

2. Statement of significant accounting policies and statutory requirements - continued

(n) Intangible assets

Acquired intangible assets are initially recorded at their cost at the date of acquisition being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. Intangible assets with finite useful lives are amortised on a straight line basis over the estimated useful lives of the asset being the period in which the related benefits are expected to be realised (shorter of legal duration and expected economic life). Amortisation rates and residual values are reviewed annually and any changes are accounted for prospectively. The annual amortisation rate used for intangible assets is 25%.

(o) Statutory reserve deposit

Under Section 40 of the Reserve Bank of Fiji Act, 1983, the Reserve Bank may specify the reserves required, by each financial institution, to be maintained against deposits and other similar liabilities.

(p) Impairment

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

(q) Employee entitlements

Short-term benefits

Short-term employee benefits comprising annual leave and entitlement to Fiji National Provident Fund are measured on an undiscounted basis and are expensed as the related service is provided.

Other long-term employee benefits

The Bank's net obligation in respect of long-term benefits is the amount of future benefit that employees have earned in return for their service in the current and prior period; that benefit is discounted to determine its present value. The discount rate is based on the domestic bond portfolio.

(r) Income tax

The Bank is exempt from income tax in accordance with Section 57 of the Reserve Bank of Fiji Act, 1983.

(s) Revenue recognition

Interest income

Interest income is brought to account on an accruals basis using effective interest method.

Income from Available-for-sale securities

Gains and losses realised from the sale of Available-for-sale securities are reflected in profit or loss.

(t) Operating leases

Where the Bank is the lessee, the lease rentals payable on operating leases are recognised in profit or loss over the term of the lease.

Where the Bank is the lessor, the assets leased out are retained in property, plant and equipment.

(u) Comparative figures

Where necessary, comparative figures have been reclassified or regrouped to conform to changes in presentation in the current period.

2. Statement of significant accounting policies and statutory requirements - continued

(v) Rounding

Amounts in the financial statements are rounded to the nearest thousand dollars unless otherwise stated.

(w) Reporting Period

Current year financial statements are for 12 months period ended 31 July 2017. In 2016, the Reserve Bank of Fiji changed its reporting period from '31 December' to '31 July' period end to ensure that its financial year coincided with the new Fijian Government fiscal year as mandated under Section 54 of the Reserve Bank Act of Fiji, 1983. The 2016 financial statements were prepared in line with the Reserve Bank of Fiji's new financial period covering the seven months from 1 January to 31 July 2016. The 2017 results are not comparable to the 2016 comparatives due to the difference in the number of months comprising the financial periods.

3. Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial period are discussed in the following paragraphs.

Impairment of property, plant and equipment

The Bank assesses whether there are indicators of impairment on all property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment and where there are indicators that the carrying amount may not be recoverable, reasonable provision for impairment are created.

Impairment of financial assets

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

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

4. Revenue and expenses**(a) Interest income**

Overseas investments	39,197	20,396
International Monetary Fund	579	55
Domestic securities	8,729	5,199
Loans and advances	1,017	573

	49,522	26,223
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(b) Other revenue

Rent received	461	232
Numismatic sales	801	513
License and application fees	586	182
Foreign currency trading gains	2,541	1,365
Amortisation of available-for-sale reserve	1,334	776
Other miscellaneous income	838	193

	6,561	3,261
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(c) Interest expense

International Monetary Fund	604	66
Other	6	31

	610	97
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(d) Administration expenses

Staff costs	13,667	7,458
Other costs	6,731	3,253

	20,398	10,711
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Total number of employees at period end

	210	214
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(e) Other expenses

Depreciation	2,025	1,454
Amortisation of intangible assets	75	55
Auditor's remuneration		
- Audit fees	42	36
- Accounting services	-	-
- Other services	-	5
Board remuneration	32	28
Currency issue	3,164	2,352
Numismatic	104	43

	5,442	3,973
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5. External reserves

	31 July 2017 \$000	31 July 2016 \$000
Short-term commercial paper	257,820	376,182
Current accounts	241,300	124,366
	499,120	500,548
Marketable securities		
- Fixed term deposits	330,753	325,127
- Bonds	1,289,470	958,185
	1,620,223	1,283,312
Gold	2,121	2,324
International Monetary Fund		
- Reserve tranche position	67,514	68,646
- Special drawing rights	124,719	127,573
	192,233	196,219
Total External reserves	2,313,697	1,982,403

Under the provisions of Section 31 of the Reserve Bank of Fiji Act, 1983, the value of the External reserves provided for in Section 30 shall not be less than 50% of the total Demand liabilities of the Bank. At 31 July 2017, the value of the External reserves was 94% (2016: 92%) of total Demand liabilities.

6. Domestic securities

Domestic securities principally comprises investment in the Fijian Government bonds.

During the year, \$1.35m (2016: \$0.79m) was amortised in respect of securities held in the Domestic Bond Portfolio. Of this, \$1.33m (2016: \$0.78m) relates to securities which in 2011 were reclassified from Available-for-sale to Held-to-maturity.

	31 July 2017 \$000	31 July 2016 \$000
<i>Movement of Held-to-maturity financial assets</i>		
Opening balance	91,096	91,855
Acquisitions	1,472	831
Redemptions	(8,350)	(800)
Amortisation	(1,349)	(790)
Closing balance	82,869	91,096

7. Financing facilities

Import Substitution and Export Finance Facility
Natural Disaster Rehabilitation Facility
Housing Facility

31 July 2017 \$000	31 July 2016 \$000
59,472	55,284
13,757	13,663
25,000	25,000
98,229	93,947

These financing facilities have varying maturities up to 5 years.

8. Currency inventory*Movement of currency inventory*

Opening balance
Consignments received
Currency issued
Closing balance

31 July 2017 \$000	31 July 2016 \$000
17,929	16,610
6,397	3,671
(3,164)	(2,352)
21,162	17,929

9. Other assets

Accrued interest
Currency prepayments
Prepayments and other receivables
Staff loans and advances
Allowance for doubtful debts on other receivables

31 July 2017 \$000	31 July 2016 \$000
2,333	2,492
6,453	11,897
687	1,543
1,228	1,278
-	-
10,701	17,210

Currency prepayments represent advance payment for the purchase of notes and coins.

10. Intangible assets*Cost*

Opening balance
Acquisitions
Disposals
Transfer from properties, plant & equipment
Transfers from work in progress
Closing balance

31 July 2017 \$000	31 July 2016 \$000
4,023	3,846
-	14
-	-
-	61
4	102
4,027	4,023

Accumulated amortisation

Opening balance
Amortisation charge for the period
Disposal
Closing balance

3,662	3,607
75	55
-	-
3,737	3,662

Carrying amount

Opening balance
Closing balance

361	239
290	361

Intangible assets include costs incurred in acquiring the Bank's computer software. Computer software is capitalised on the basis of costs incurred to acquire and bring to use the specific software.

11. Property, plant and equipment

	Freehold land and buildings	Building improvements	Motor vehicles	Computers and equipment	Plant & machinery, equipment & furniture & fittings	Work in progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost/Valuation							
Balance at 1 January 2016	35,100	1,110	446	1,952	1,639	368	40,615
Additions	-	12	79	90	36	634	851
Transfer from work in progress	26	23	-	587	-	(738)	(102)
Transfer from/(to) Intangibles	(206)	-	-	145	-	-	(61)
Disposals	-	-	(64)	(87)	-	(2)	(153)
Balance at 31 July 2016	34,920	1,145	461	2,687	1,675	262	41,150
Balance at 1 August 2016	34,920	1,145	461	2,687	1,675	262	41,150
Additions	-	-	-	-	-	317	317
Transfers from work in progress	8	1	-	163	179	(370)	(19)
Transfer from/(to) Intangibles	-	-	-	-	-	-	-
Disposals	-	-	-	(3)	-	-	(3)
Balance at 31 July 2017	34,928	1,146	461	2,847	1,854	209	41,445
Accumulated depreciation							
Balance at 1 January 2016	4	769	290	1,411	1,627	-	4,101
Depreciation for the period	907	73	32	437	5	-	1,454
Transfers	-	-	-	-	-	-	-
Depreciation on disposals	-	-	(64)	(85)	-	-	(149)
Balance at 31 July 2016	911	842	258	1,763	1,632	-	5,406
Balance at 1 August 2016	911	842	258	1,763	1,632	-	5,406
Depreciation for the period	1,542	63	63	330	27	-	2,025
Transfers	-	-	-	4	-	-	4
Depreciation on disposals	-	-	-	3	-	-	3
Balance at 31 July 2017	2,453	905	321	2,100	1,659	-	7,438
Carrying amount							
Balance at 1 January 2016	35,096	341	156	541	12	368	36,514
Balance at 31 July 2016	34,009	303	203	924	43	262	35,744
Balance at 31 July 2017	32,475	241	140	747	195	209	34,007

A valuation of the Bank's freehold land and buildings was undertaken in 2015 by registered valuers Fairview Valuations. Based on the independent valuation, a revaluation increment of \$10.7m was recognised in the financial statement as at 31 December 2015.

12. Demand deposits

	31 July 2017 \$000	31 July 2016 \$000
Foreign		
International Monetary Fund	164	44
Local		
Banks' exchange settlement balances	740,399	499,459
Fijian Government	6,111	12,535
State NBF Trust account	1,520	1,520
International Monetary Fund	503	712
Other depositors	3,308	286
	751,841	514,512

State NBF Trust Account

In accordance with an agreement dated 12 September 1996 between the Fijian Government, the Reserve Bank of Fiji and NBF AMB, the State established a trust account, known as the State NBF Trust Account, with the Reserve Bank of Fiji, on the basis, among other things, that all money in the trust account is the property of the Fijian Government at all times. The purpose of the State NBF Trust Account is to meet the obligations of the AMB.

The National Bank of Fiji Restructuring Act, 1996, provides that the State, the Reserve Bank of Fiji and AMB may at any time enter into one or more deeds, agreements, arrangements and understandings relating to the performance by the State of its obligations under the guarantees of deposits with AMB. From 1 April 2007, under Section 30(2)(c)(i) of the Banking Act, 1995, Cabinet agreed that the Bank assume controllership and the ultimate winding down process of the AMB. It also permits the Bank to use money from the State NBF Trust Account to meet any controllership expenses.

13. Payable to the Fijian Government

	31 July 2017 \$000	31 July 2016 \$000
Net profit	28,284	13,913
Transfer to General Reserve	(1,000)	-
One-fifth balance of 'Revaluation reserve account - foreign currency'	2,090	3,016
	29,374	16,929

The amount payable to the Fijian Government is made in accordance with Section 8(3) of the Reserve Bank of Fiji Act, 1983.

14. Currency in circulation

	31 July 2017 \$000	31 July 2016 \$000
Notes	702,968	697,074
Coins	56,648	53,920
	759,616	750,994

The exclusive rights of national currency issue are vested with the Bank. Currency in circulation comprises notes and coins issued by the Bank and represent a claim on the Bank in favour of the holder. Currency in circulation relates to the issue of notes and coins and demonetised currency that have yet to be redeemed, less notes and coins redeemed. The liability for currency in circulation is recorded at face value.

15. Other liabilities

	31 July 2017 \$000	31 July 2016 \$000
Employee entitlements	1,586	1,458
SME Credit Guarantee Scheme	3,962	3,962
Accruals	1,843	1,131
Other liabilities	1,373	1,901
	8,764	8,452
<i>Movements in employee entitlements:</i>		
Opening balance	1,458	1,354
Net movement during the period	128	104
Closing balances	1,586	1,458

The small and medium enterprises (SME) credit guarantee scheme is a Government guarantee to pay up to 50% of the principal outstanding on defaulted SME loans to a limit of \$50,000 per business. The total allocation of \$4.0m that was established in 2012 is administered by the Bank and covers lending to all sectors except for loans to sugar cane farmers and government-subsidised businesses.

16. Cash and cash equivalents

	31 July 2017 \$000	31 July 2016 \$000
Cash and cash equivalents included in the statement of cash flows comprise of the following:		
Cash on hand - local currency	2,465	2,609
Cash - foreign currency	331,089	235,215
	333,554	237,824

Cash - foreign currency forms part of short-term commercial paper and current accounts in Note 5.

17. Share capital

	31 July 2017 \$000	31 July 2016 \$000
Authorised capital	5,000	5,000
Issued and paid-up capital	2,000	2,000

The authorised capital established under the Reserve Bank of Fiji Act, 1983 is \$5,000,000 which may be increased from time to time by any amount proposed by the Board of Directors and approved by the Minister for Economy. Upon the establishment of the Bank, an initial amount of \$2,000,000 was issued by the Fijian Government as paid capital stock. Any subsequent amount of paid capital stock shall be proposed by the Board of Directors and approved by the Minister for Economy.

18. Reserves

Reserves are maintained to cover the broad range of risks to which the Bank is exposed.

General reserves

The General reserves provide for events which are contingent and which are non-foreseeable. Transfers to this account from the profit payable to the Fijian Government, can only take place following an agreement between the Minister for Economy and the Board of Directors, in accordance with Section 8(1)(c) of the Reserve Bank of Fiji Act, 1983.

At the end of the year, the Minister and the Board of Directors have agreed to transfer \$1.0m into the General reserve from the profits that is payable to the Fijian Government.

Available-for-sale reserve

This reserve records fair value gains and losses on the Bank's Available-for-sale investments. In 2011 certain domestic securities classified as Available-for-sale at that time, were reclassified to Held-to-maturity. The fair value gains for these securities that were previously recorded in this reserve is being amortised from the reserve to other revenue over the life of these securities. During the period \$1.33m (2016: \$0.78m) has been accordingly amortised to other revenue.

Revaluation reserve account - foreign currency

Currency translation gains and losses arising from revaluation of Bank's assets and liabilities in, or denominated in gold or foreign currencies are transferred to the Revaluation reserve account - foreign currency (refer Note 2(a)).

Asset revaluation reserve

This reserve records movements between the carrying value and the fair values of the Bank's property and gold holdings. The Bank's freehold land and buildings was revalued in 2015 (refer to Note 11). As at 31 July 2017, the valuation movements of the Bank's gold holdings were captured in the asset revaluation reserve. The asset revaluation reserve comprises the following:

	31 July 2017 \$000	31 July 2016 \$000
Asset revaluation reserve		
<i>Property</i>		
Opening balance	18,830	18,830
Revaluation	-	-
Closing balance	18,830	18,830
<i>Gold</i>		
Opening balance	1,029	691
Revaluation	(92)	338
Closing balance	937	1,029
Total asset revaluation reserve		
Opening balance	19,859	19,521
Net movement	(92)	338
Closing balance	19,767	19,859

18. Reserves - continued

Management of capital and reserves

The Bank's capital and reserves management focuses on the Bank's total equity reported in its financial statements. The main drivers of the reported equity are the reported results and the Bank's distribution to the Fijian Government. The Bank's distribution to the Fijian Government is determined under the provisions of the Reserve Bank of Fiji Act, 1983 referred to in Note 13.

The Bank's main capital management objective is to have adequate reserves to effectively carry out its statutory responsibilities. The Bank assesses the extent of the financial risks and the resulting potential for losses arising from its operation. These financial risks are assessed across the statement of financial position to determine the appropriate amount of equity. Such assessments are supplemented with analysis and judgement, where appropriate.

19. International Monetary Fund

The Bank was designated to serve with effect from 17 December 1976 as the Fijian Government's fiscal agent for the purposes of the International Monetary Fund, and assumed the Republic of Fiji's obligation of membership from that date.

As at 31 July 2017, the Republic of Fiji's membership subscription to the International Monetary Fund was \$278.7m (2016: \$284.9m). Of this amount \$67.5m (2016: \$68.6m) is shown as Reserve Tranche Position and is included as part of the External reserves of the Reserve Bank (refer Note 5) and the balance representing the Currency subscription portion of \$211.2m (2016: \$216.30m) is held mainly in the form of a non-interest bearing notes payable on demand.

Special drawing rights holdings ("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 \$124.7m (2016: \$127.6m) and is included as part of External reserves of the Bank (refer to Note 5). IMF - Special drawing rights allocation (liability) with a balance of \$190.0m (2016: \$194.3m) is included under foreign currency liabilities.

The Poverty Reduction and Growth Facility (PRGF) Trust was established by the IMF to meet the objectives of poverty reduction and growth more central to lending operations in its poorest member countries. The facility is administered in line with the Heavily Indebted Poor Countries (HIPC) Initiative.

20. Financial risk management policies

a) Introduction and overview

The Reserve Bank is involved in policy oriented activities. The Bank identifies risks and implements controls in its operation and management of foreign reserves holdings. The main financial risks that the Bank faces include:

- liquidity risk
- credit risk
- market risk
- operational risk

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

Risk management framework

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

Bank management seeks to ensure that strong and effective risk management and controls systems are in place for assessing, monitoring and managing risk exposures. The Board of Directors, the Governors and Senior Management are responsible for managing and monitoring the business, strategy, risks and performance of the Bank. Internal Audit forms part of the Bank's risk management framework. This function reports to the Governor and the Board Audit and Risk Committee on internal audit and related issues. All areas in the Bank are subject to periodic internal audit review.

The majority of the Bank's financial risk arises from the management of foreign and domestic reserves. The Middle Office is responsible for monitoring and reporting compliance with various risk limits and policies. The Bank is subject to an annual external audit. Both external and internal audit arrangements are overseen by the Board Audit and Risk Committee comprising three of the Board's Directors. The Committee meets regularly and reports to the Board of Directors on its activities.

20. Financial risk management policies - continued

b) Liquidity risk

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

Management of liquidity risk

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

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net Liquid assets to total Demand liabilities. The Bank's investment guidelines requires that minimum value of foreign currency assets to be held at any point shall not be less than 50% of the total Demand liabilities of the Bank. (Demand liabilities include currency in circulation but exclude non-interest bearing notes issued to international financial institutions).

As at 31 July 2017, the value of External reserves was 94% (2016: 92%) of the total Demand liabilities.

20. Financial risk management policies - continued**b) Liquidity risk - continued****Maturity analysis as at 31 July 2017**

The maturity analysis noted below includes all financial and non-financial assets and liabilities as at 31 July 2017.

	0-3 Months \$000	3-12 Months \$000	1-5 Years \$000	Over 5 Years \$000	No Specific Maturity \$000	Total \$000
Foreign currency assets						
Short-term commercial paper and current accounts	331,089	168,031	-	-	-	499,120
Marketable securities	330,460	570,093	637,958	81,712	-	1,620,223
Gold	2,121	-	-	-	-	2,121
Accrued interest	15,865	-	-	-	-	15,865
IMF - Reserve tranche position	67,514	-	-	-	-	67,514
- Special drawing rights	124,719	-	-	-	-	124,719
- PRGF - HIPC Trust	-	-	549	-	-	549
- Currency subscription	211,147	-	-	-	-	211,147
	1,082,915	738,124	638,507	81,712	-	2,541,258
Local currency assets						
Cash on hand	2,465	-	-	-	-	2,465
Domestic securities	1,255	1,010	37,388	43,216	-	82,869
Financing facilities	5,223	17,215	75,791	-	-	98,229
Currency inventory	21,162	-	-	-	-	21,162
Other assets	10,701	-	-	-	-	10,701
Intangibles	-	-	-	-	290	290
Property, plant and equipment	-	-	-	-	34,007	34,007
	40,806	18,225	113,179	43,216	34,297	249,723
Total assets	1,123,721	756,349	751,686	124,928	34,297	2,790,981
Foreign currency liabilities						
Demand deposits	164	-	-	-	-	164
IMF - PRGF - HIPC Trust	-	-	549	-	-	549
IMF - Special drawing rights allocation	-	-	-	-	190,006	190,006
	164	-	549	-	190,006	190,719
Local currency liabilities						
Demand deposits	751,841	-	-	-	-	751,841
Payable to the Fijian Government	29,374	-	-	-	-	29,374
Currency in circulation	-	-	-	-	759,616	759,616
Statutory reserve deposit	-	-	-	-	758,359	758,359
IMF - Notes currency subscription	-	-	-	-	210,645	210,645
Other liabilities	4,802	3,962	-	-	-	8,764
	786,017	3,962	-	-	1,728,620	2,518,599
Total liabilities	786,181	3,962	549	-	1,918,626	2,709,318
Net assets	337,540	752,387	751,137	124,928	(1,884,329)	81,663

20. Financial risk management policies - continued**b) Liquidity risk - continued
Maturity analysis as at 31 July 2016**

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

	0-3 Months \$000	3-12 Months \$000	1-5 Years \$000	Over 5 Years \$000	No Specific Maturity \$000	Total \$000
Foreign currency assets						
Short-term commercial paper and current accounts	235,215	265,333	-	-	-	500,548
Marketable securities	184,697	437,264	550,425	110,926	-	1,283,312
Gold	2,324	-	-	-	-	2,324
Accrued interest	12,212	-	-	-	-	12,212
IMF - Reserve tranche position	68,646	-	-	-	-	68,646
- Special drawing rights	127,573	-	-	-	-	127,573
- PRGF - HIPC Trust	-	-	562	-	-	562
- Currency subscription	216,344	-	-	-	-	216,344
	847,011	702,597	550,987	110,926	-	2,211,521
Local currency assets						
Cash on hand	2,609	-	-	-	-	2,609
Domestic securities	2,321	6,041	20,933	61,801	-	91,096
Financing facilities	2,278	11,794	79,875	-	-	93,947
Currency inventory	17,929	-	-	-	-	17,929
Other assets	17,210	-	-	-	-	17,210
Intangibles	-	-	-	-	361	361
Property, plant and equipment	-	-	-	-	35,744	35,744
	42,347	17,835	100,808	61,801	36,105	258,896
Total assets	889,358	720,432	651,795	172,727	36,105	2,470,417
Foreign currency liabilities						
Demand deposits	44	-	-	-	-	44
IMF - PRGF - HIPC Trust	-	-	562	-	-	562
IMF - Special drawing rights allocation	-	-	-	-	194,322	194,322
	44	-	562	-	194,322	194,928
Local currency liabilities						
Demand deposits	514,512	-	-	-	-	514,512
Payable to the Fijian Government	16,929	-	-	-	-	16,929
Currency in circulation	-	-	-	-	750,994	750,994
Statutory reserve deposit	-	-	-	-	679,570	679,570
IMF - Notes currency subscription	-	-	-	-	215,631	215,631
Other liabilities	4,490	3,962	-	-	-	8,452
	535,931	3,962	-	-	1,646,195	2,186,088
Total liabilities	535,975	3,962	562	-	1,840,517	2,381,016
Net assets	353,383	716,470	651,233	172,727	(1,804,412)	89,401

20. Financial risk management policies – continued

c) Credit risk

Credit risk relates to the risk of loss to the Bank from the failure of counter-party to a transaction to meet its contractual obligations and arises principally from the Bank's investments and loans and advances to customers and other banks.

For risk management purposes, the Bank prescribes minimum credit ratings acceptable for investment and specifies the maximum permissible credit exposure to individual banks and countries. The minimum credit ratings for investments are PI/A3 for short-term debt and PI/Aaa for long-term.

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

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

	31 July 2017 \$000	31 July 2016 \$000
Foreign currency assets		
Short-term commercial paper and current accounts	499,120	500,548
Marketable securities	1,620,223	1,283,312
International Monetary Fund	403,929	413,125
	2,523,272	2,196,985
Local currency assets		
Domestic securities	82,869	91,096
Staff loans and advances	1,228	1,278
	84,097	92,374
	2,607,369	2,289,359

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

	31 July 2017		31 July 2016	
	\$000	%	\$000	%
Concentration by currency				
USD	827,574	32	673,627	30
YEN	93,545	4	67,995	3
GBP	48	-	109	-
EURO	95,459	4	110,989	5
AUD	686,732	26	579,055	25
NZD	415,985	16	352,084	15
SDR	403,929	15	413,125	18
FJD	84,097	3	92,375	4
Total financial assets	2,607,369	100	2,289,359	100

20. Financial risk management policies – continued**c) Credit risk - continued****Concentration by sector**

	31 July 2017		31 July 2016	
	\$000	%	\$000	%
Foreign currency assets				
Central banks	239,930	10	122,562	6
Commercial banks	754,801	30	632,070	29
Government	574,937	23	570,942	26
Semi Government	12,425	-	15,795	-
Supranational	537,134	21	442,475	20
International Monetary Fund	403,929	16	413,125	19
Others	116	-	16	-
	2,523,272	100	2,196,985	100
Local currency assets				
Government and statutory bodies	82,869	99	91,096	99
Staff loans and advances	1,228	1	1,278	1
	84,097	100	92,374	100
Total financial assets	2,607,369		2,289,359	

Credit exposure by credit rating

The Bank averages the credit ratings provided by the above agencies, rounded down to the lower rating in case the composite is between two ratings. The rating agencies are evenly weighted when calculating the composite. An analysis of the credit quality based on Standard and Poor's, Moody's and Fitch credit ratings is as follows:

	31 July 2017		31 July 2016	
	\$000	%	\$000	%
Summary by major credit category				
<i>Foreign currency financial asset by major credit category:</i>				
Aaa	792,492	31	720,183	33
Aa1	71,043	3	44,170	2
Aa2	62,460	2	77,165	3
Aa3	466,318	18	482,735	22
A1	232,632	9	102,925	5
A2	101,566	4	46,401	2
International Monetary Fund	403,929	16	413,125	19
Central Banks	239,930	10	122,562	6
Others and Not rated	152,902	7	187,719	8
	2,523,272	100	2,196,985	100
<i>Local currency financial asset by major credit category:</i>				
Others	84,097	100	92,374	100
Total financial assets	2,607,369	100	2,289,359	100

20. Financial risk management policies – continued**c) Credit risks - continued****Credit exposure by credit rating - continued**

Foreign currency assets under 'Others and Not Rated' include financial instruments held with other commercial banks. Local currency assets under 'Others' include financial instruments held with the Fijian Government, the Fiji Sugar Corporation Limited and staff loans and advances.

d) Market risks

Market risk is the risk that relates to changes in market prices such as interest rates and foreign exchange rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

Interest rate risk management

The principal risk to which trading portfolios is exposed is the risk of loss from fluctuations in future cash flows or fair value of financial instruments because of a change in market interest rates. The Bank limits interest rate risk by modified duration targets. The investment strategy in relation to the duration for the total portfolio is six months. The duration of the portfolio is re-balanced regularly to maintain the targeted duration.

Foreign exchange risk management

Exchange rate risk relates to the risk of loss of foreign reserves arising from changes in the exchange rates against the Fijian dollar. The Bank has adopted a currency risk management policy, which maintains the Fijian dollar value of the foreign reserves and manages the fluctuations in the Revaluation reserve account - foreign currency.

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

Notional carrying amounts as at 31 July 2017

	USD \$000	YEN \$000	GBP \$000	EURO \$000	AUD \$000	NZD \$000	SDR \$000
Foreign currency assets							
Short-term commercial paper and current account	152,733	5,145,923	18	16	36,757	25,973	-
Marketable securities	258,654	-	-	40,373	390,871	249,575	-
Gold	1,054	-	-	-	-	-	-
Accrued interest	1,694	-	-	632	3,294	3,557	4
International Monetary Fund							
- Reserve tranche position	-	-	-	-	-	-	23,840
- Special drawing rights	-	-	-	-	-	-	44,040
- PRGF - HIPC Trust	-	-	-	-	-	-	194
- Currency subscription	-	-	-	-	-	-	74,560
Total foreign currency assets	414,135	5,145,923	18	41,021	430,922	279,105	142,638
Foreign currency liabilities							
Demand deposits	-	-	-	-	-	-	(58)
IMF - PRGF - HIPC Trust	-	-	-	-	-	-	(194)
IMF - Special drawing rights allocation	-	-	-	-	-	-	(67,094)
Total foreign currency liabilities	-	-	-	-	-	-	(67,346)
Carrying amount	414,135	5,145,923	18	41,021	430,922	279,105	75,292

20. Financial risk management policies – continued**d) Market risks** - continued

Notional carrying amounts as at 31 July 2016

	USD	YEN	GBP	EURO	AUD	NZD	SDR
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Foreign currency assets							
Short-term commercial paper and current account	85,984	3,446,667	40	27	108,093	57,764	-
Marketable securities	238,097	-	-	48,164	263,081	181,442	-
Gold	1,118	-	-	-	-	-	-
Accrued interest	1,418	-	-	648	2,696	2,400	8
International Monetary Fund							
- Reserve tranche position	-	-	-	-	-	-	23,702
- Special drawing rights	-	-	-	-	-	-	44,048
- PRGF - HIPC Trust	-	-	-	-	-	-	194
- Currency subscription	-	-	-	-	-	-	74,698
Total foreign currency assets	326,617	3,446,667	40	48,839	378,870	241,606	142,650
Foreign currency liabilities							
Demand deposits	-	-	-	-	-	-	(15)
IMF - PRGF - HIPC Trust	-	-	-	-	-	-	(194)
IMF - Special drawing rights allocation	-	-	-	-	-	-	(67,094)
Total foreign currency liabilities	-	-	-	-	-	-	(67,303)
Carrying amount	326,617	3,446,667	40	48,839	373,870	241,606	75,347

The following significant exchange rates were used at period end to convert foreign currency balances to the Fijian dollar equivalent.

Reporting date spot rate

	31 July 2017	31 July 2016
USD	0.4971	0.4811
YEN	55.01	50.69
GBP	0.3787	0.3654
EURO	0.4231	0.4342
AUD	0.6227	0.6410
NZD	0.6624	0.6794
SDR	0.3531	0.3453

20. Financial risk management policies – continued**d) Market risks - continued***Sensitivity analysis for exchange rate*

A 10% strengthening and a 10% weakening of the Fijian dollar against the above currencies at 31 July would have the following impact on equity as shown below.

Effect on equity - Increase in equity/(Decrease in equity)

Period end	Strengthening by 10%		Weakening by 10%	
	31 July 2017	31 July 2016	31 July 2017	31 July 2016
	\$000	\$000	\$000	\$000
USD	(75,737)	(61,718)	92,567	75,433
YEN	(8,504)	(6,181)	10,394	7,555
GBP	(4)	(10)	5	12
EURO	(8,814)	(10,225)	10,773	12,498
AUD	(62,911)	(53,024)	76,891	64,807
NZD	(38,305)	(32,329)	46,817	39,513
SDR	(36,724)	(19,838)	44,884	24,247
	(230,999)	(183,325)	282,331	224,065

e) Operational Risk Management

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

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

To reduce operational risks in foreign reserves operations there is a clear segregation of duties between the Front Office (dealing) and the Back Office (settlements function). The Front Office comprises teams of officers (dealers) who are duly authorised to transact on behalf of the Bank. The Back Office comprises officers who independently process and settle all the deals undertaken by the Front Office.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to Senior Management within each business group. This responsibility is supported by the development of overall and business group-specific policies and procedures. The Middle Office and Internal and External Audit functions also ensure that operational risk is effectively minimised and managed.

21. Fair values of financial assets and liabilities

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

The valuation of the Bank's financial assets and liabilities are discussed below:

External reserves

The reported value of External reserves is considered to be its fair value due to the short-term nature of the financial assets. Bonds are valued at mark to market.

Domestic securities

The fair value of the Bank's Domestic securities is \$98.85m (2016: \$107.3m), based on quoted market prices.

Statutory reserve deposits

The carrying value of Statutory reserve deposits are considered to approximate their fair value as they are denominated in cash.

Demand deposits

The carrying value of Demand deposits are considered to approximate their fair value as they are payable on demand.

Currency in circulation

The carrying value of Currency in circulation is considered to be its fair value as reported in the financial statements.

Other financial assets and liabilities

The reported values of other financial assets and liabilities are considered to be their fair value.

Valuation of financial instruments

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

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

21. Fair values of financial assets and liabilities – continued

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

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
31 July 2017				
Foreign currency assets				
Available-for-sale financial assets at quoted market price	1,187,285	-	-	1,187,285
Fijian Government bonds	-	102,185	-	102,185
	1,187,285	102,185	-	1,289,470
31 July 2016				
Foreign currency assets				
Available-for-sale financial assets at quoted market price	853,709	-	-	853,709
Fijian Government bonds	-	104,476	-	104,476
	853,709	104,476	-	958,185

During the period ended 31 July 2017, there were no transfers in and out of the fair value hierarchy levels mentioned above.

Sensitivity analysis

A 10% strengthening of the quoted market prices against the above foreign available-for-sale financial assets at 31 July would have increased equity by the amounts shown below. A 10% weakening of market prices at 31 July would have had the equal but opposite effect.

Effect on equity

Period end	31 July 2017 \$000	31 July 2016 \$000
USD	42,947	35,432
EURO	9,542	11,092
AUD	50,509	33,467
NZD	25,949	15,827
	128,947	95,818

22. Related parties

Identity of related parties

The Bank has related party relationships with the Board of Directors, the Executive Management and the Fijian Government and NBF AMB. The Board of Directors during the year were:

Barry Whiteside – Chairman and Governor up to 27 May 2017

Ariff Ali – Chairman and Acting Governor from 28 May 2017

Makereta Konrote (Ex-officio member)

Pradeep Patel

Tevita Kuruvakadua

Tony Whitton

Abdul Khan – Director up to 3 November 2016

In April 2007 Cabinet agreed under the Banking Act for the Reserve Bank to assume controllership of the winding down process of NBF AMB.

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

Barry Whiteside	Governor up to 27 May 2017
Ariff Ali	Acting Governor from 28 May 2017 and Deputy Governor up to 27 May 2017
Lorraine Seeto	Chief Manager Risk Management and Communications
Esala Masitabua	Chief Manager Financial Markets
Razim Buksh	Director Financial Intelligence Unit
Caroline Waqabaca	Chief Manager Economics
Susan Kumar	Chief Manager Currency and Corporate Services
Vereimi Levula	Chief Manager Financial System Development
Vilimaina Dakai	Chief Manager Financial Institutions
Subrina Hanif	Board Secretary

Transactions with related parties

In the normal course of its operations, the Bank enters into transactions with related parties identified above. The transactions with the Board of Directors and Executive Management include the payment of board remuneration and salaries, respectively.

The transactions with the Fijian Government include banking services, foreign exchange transactions, registry transactions and purchase of Government securities. During the year, the Bank earned \$15.47m (2016: \$8.58m) of interest income relating to their investments in Government securities including foreign currency denominated bonds. The Bank is also obligated to pay \$29.37m (2016: \$16.9m) to the Fijian Government in accordance with Section 8(3) of the Reserve Bank of Fiji Act, 1983. The Bank has interest receivable on Government securities as at 31 July 2017 of \$4.39m (2016: \$4.67m). The balance of the Bank's investment in Government securities including foreign currency denominated bonds at period end amounted to \$185.05m (2016: \$195.6m).

The Bank also provides an overnight standby facility to the Fijian Government. At the end of the period, the approved facility of \$20m (2016: \$20m) was not utilised.

22. Related parties – continued

The transactions with the respective related parties are carried out on normal trading terms.

During the period the following transactions were incurred with the related parties:

	31 July 2017 \$000	31 July 2016 \$000
Board remuneration expenses	32	28
Key management personnel:		
- Short-term employee benefits	1,887	1,037
- Long-term employee benefits	95	16
	2,014	1,081

23. Commitments

Commitments not otherwise provided for in the financial statements and which existed at 31 July 2017 comprise:

	31 July 2017 \$000	31 July 2016 \$000
Foreign exchange transactions:		
- Sales	13,920	9,739
- Purchases	-	-
Capital commitments		
- Other assets	66	47

24. Lease receivable

The Bank leases out certain floors of the Reserve Bank building. The operating lease rentals receivable are as follows:

	31 July 2017 \$000	31 July 2016 \$000
Receivable not later than one year	519	441
Receivable later than one year but not later than five years	890	956
	1,409	1,397

25. Events subsequent to balance date

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

Selected Events August 2016 to July 2017

4 Aug.	Deputy Governor Mr Ariff Ali presented on the Fiji Economic Update to the Rotary Club, held at Grand Pacific Hotel, Suva	26-27 Nov.	Governor attended the 52nd SEACEN Governors' Conference/High Level Seminar and 36th SEACEN BOG Meeting in Naypyidaw, Myanmar	18 Apr.	Press Release - Reserve Bank of Fiji Announces Launch and Issuance of Circulation Banknotes and Coins Commemorating Fiji Rugby 7s Gold Medal Win at the Rio 2016 Olympics
11 Aug.	Press Release-The FIU Signs Memorandum of Understanding with the Fijian Elections Office	30-1 Dec.	Governor attended the 31st South Pacific Governors Meeting in Timor-Leste	20 Apr.	Hon. Prime Minister and Minister for iTaukei Affairs, Sugar Industry and Foreign Affairs, Rear Admiral (Retired) Josaia Voreqe Bainimarama unveiled the \$7 banknote and 50 cents coin at GPH, Suva
11 Aug.	Deputy Governor presented on the Possible Reforms in the Insurance Industry and the Way Forward at the Policies, Regulations & Consumer Concerns Related to Property Insurance in Fiji Seminar for Stakeholders, held at Novotel Convention Centre, Lami	2 Dec.	LMCC Quarter 4 Meeting	20 Apr.	Hon. Prime Minister and Minister for iTaukei Affairs, Sugar Industry and Foreign Affairs, Rear Admiral (Retired) Josaia Voreqe Bainimarama unveiled the \$7 banknote and 50 cents coins officially unveiled by Hon. Prime Minister and Minister for iTaukei Affairs, Sugar Industry and Foreign Affairs, Rear Admiral (Retired) Josaia Voreqe Bainimarama to Commemorate Fiji Rugby 7s Gold Medal Win at the Rio 2016 Olympics
17 Aug.	Acting Deputy Governor Ms Lorraine Seeto, Guest Speaker at the Fiji Women's Parliament – Pilot Project 2016: Understanding Key Policy Issues in Fiji: Understanding the Economy of Fiji: Key economic trends/review of the economy in the last five years, held at Parliament Complex, Suva	2 Dec.	National AML Council Meeting	20 Apr.	Press Release - \$7 Banknotes and 50 cents coins officially unveiled by Hon. Prime Minister and Minister for iTaukei Affairs, Sugar Industry and Foreign Affairs, Rear Admiral (Retired) Josaia Voreqe Bainimarama to Commemorate Fiji Rugby 7s Gold Medal Win at the Rio 2016 Olympics
23 Aug.	Governor Mr Barry Whiteside inaugurated Bank of Baroda ATM	2 Dec.	Press Release-Fiji Conducts Anti-Money Laundering Compliance Examination of Lawyers and Accountants	21-22 Apr.	Governor attended Fiji Institute of Accountants 45th Annual Congress, held at Shangri-La's Fijian Resort and Spa
25 Aug.	Ordinary Board Meeting	5 Dec.	November 2016 Economic Review issued	24 Apr.	Press Release - REALB Partners with FIU to Address Money Laundering
25 Aug.	Board Audit and Risk Committee Meeting	6 Dec.	Press Release - Fiji Wins Global Inclusion Award 2016	28 Apr.	April 2017 Economic Review issued
25 Aug.	Press Release - Reserve Bank of Fiji Plans Issuing A Rugby Sevens Coloured Commemorative Circulation Coin In 2017	10 Dec.	Capital Markets Development Taskforce Meeting Quarter 4	4-7 May	Deputy Governor attended ADB 50th Annual Meeting, held in Yokohama, Japan
26 Aug.	Press Release - Monetary Policy Remains Unchanged	10 Dec.	Governor presented on Digital Commerce – Are We Ready? at the 18th Attorney-General's Conference, held at InterContinental Golf Resort & Spa, Natadola	9 May	Submission to the Parliamentary Standing Committee on Foreign Affairs and Defence on Multilateral Convention to Implement Tax Treaty Measures to Prevent Base Erosion and Profit Shifting
29 Aug.	June 2016 Quarterly Review issued	10 Dec.	Governor attended 2016 Investment Fiji's Prime Minister's International Business Excellence Awards Night, held at Sheraton Fiji Resort, Nadi	18 May	Press Release - Strengthening Partnership to Investigate Financial Crimes
29 Aug.	Governor delivered opening remarks at "Developing Fiji's Financial Programming Framework" Workshop organised by PFTAC at RBF, Tower 11	14 Dec.	Board Audit and Risk Committee Meeting	19 May	Press Release - Revised Growth Projections for 2017-2019
30 Aug.	Deputy Governor attended Fijian Government Event, held at Wyndham Silkroad Ark Hotel, Fiji	14 Dec.	Board Governance Committee Meeting	22 May	Governor moderated at the Launch of the 2017 IMF Asia Pacific Regional Economic Outlook and Deputy Governor was a panellist
31 Aug.	August 2016 Economic Review issued	15 Dec.	Ordinary Board Meeting	22 May	Board Governance Committee Meeting
6-9 Sep.	Alliance for Financial Inclusion Global Policy Forum, Governor, Deputy Governor with Team GPF, held at Sheraton, Denarau Island	29 Dec.	December 2016 Economic Review issued	25 May	Ordinary Board Meeting
19 Sep.	2015 FIU Annual Report and 2015 Insurance Annual Report tabled in Parliament	30 Dec.	Press Release - Monetary Policy Press Statement December 2016	25 May	Press Release - Monetary Policy Stance Remains Unchanged
19-23 Sep.	Knowledge Exchange with Bank of Thailand on SME Development Deputy Governor, CMFSD with Minister for Industry & Trade and Tourism and Officials	24 Jan.	Governor delivered welcome remarks at the Post Insurance Awareness Campaign Media Briefing, Tower 11, RBF	26 May	Press Release - RBF Acknowledges the Role of FinTech in Enabling Innovative Financing
22 Sep.	Board Audit and Risk Committee Meeting	26 Jan.	Ordinary Board Meeting	28 May	Appointment of the Acting Governor of Reserve Bank of Fiji – Mr Ariff Ali
22 Sep.	Governor gave Keynote Address at SPSE Listing Forum, held at GPH, Suva	26 Jan.	Press Release-Monetary Policy Stance Remains Unchanged	29 May	May 2017 Economic Review issued
23 Sep.	Press Release - Fijian Officials Attend APG Meeting	29 Jan.	January 2017 Economic Review issued	30 May	March 2017 Quarterly Review issued
27 Sep.	Press Release - Financial Intelligence Unit Annual Report 2015	29-3 Feb.	Director FIU attended Egmont Group Financial Intelligence Units Meetings in Doha, Qatar	8 Jun.	Acting Governor presented the Reserve Bank of Fiji January-July 2016 Report to the Parliamentary Standing Committee on Economic Affairs
28 Sep.	Press Release - Reserve Bank of Fiji Releases 2015 Insurance Annual Report	2 Feb.	Governor was Chief Guest at the Official Listing of Free Bird Institute Limited "FBL" on the South Pacific Stock Exchange, held at Intercontinental Fiji Golf Resort & Spa, Natadola	20 Jun.	Board Audit and Risk Committee Meeting
30 Sep.	January-July 2016 RBF Financial Statements and Operations Report submitted to Minister for Economy	3 Feb.	Press Release-Gender Diversity on Boards of Listed Companies in Fiji	20-21 Jun.	Acting Governor attended the ADB Pacific Update Conference, held at USP
30 Sep.	Governor gave farewell speech to Mr Jeff Liew of PFI, held at Paradiso Ristorante, Albert Park, Suva	8 Feb.	Financial Transaction Reporting (Amendment) Act 2017 passed by Parliament and effective from 17 February, 2017	23-24 Jun.	Acting Deputy Governor Mr Esala Masitabua presented on the Fiji Economy at the FIA Technical Workshop, held at Warwick, Fiji
30 Sep.	September 2016 Economic Review issued	13 Feb.	Reserve Bank of Fiji January-July 2016 Annual Report tabled in Cabinet	27 Jun.	Written submission by Acting Governor to the Parliamentary Standing Committee on Foreign Affairs and Defence on the Asian Infrastructure Investment Bank Articles of Agreement
3 Oct.	Press Release - Reserve Bank of Fiji Will Transfer \$16.9 Million to Fijian Government	20 Feb.	Press Release - RBF Launches 2017 Student Diary	28 Jun.	LMCC Quarter 2 Meeting
5 Oct.	Deputy Governor attended the Commonwealth Central Bank Governor's Meeting in Washington D.C.	21 Feb.	Presentation to the Public Accounts Committee on CMDA Accounts 2008-2009, Written Submission to Parliamentary Standing Committee on Economic Affairs on FDB Annual Report 2014-2015	28 Jun.	Board Governance Committee Meeting
5 Oct.	Governor delivered welcome remarks at the Fiji Media Association Insurance Awareness Workshop, RBF	23 Feb.	Monetary Policy Statement December 2016 Book issued	28 Jun.	Ordinary Board Meeting
6 Oct.	LMCC Quarter 3 Meeting	23 Feb.	Ordinary Board Meeting	28 Jun.	Financial Inclusion 2016 Annual Report issued
7 Oct.	Governor was Chief Guest at 60th Foundation Day Anniversary of LIC, Fiji Operations, GPH, Suva	23 Feb.	Board Audit and Risk Committee Meeting	28 Jun.	Financial Sector Development Plan 2016-2025 issued
7-9 Oct.	Deputy Governor attended the International Monetary Fund and World Bank Group Annual Meetings, held at Washington D.C.	23 Feb.	Press Release - Monetary Policy Stance Maintained	28 Jun.	Press Release - Monetary Policy Stance Remains Unchanged
12 Oct.	RBF Presentation to Parliamentary Standing Committee on Economic Affairs on the 2015 Insurance and FIU Annual Reports	24 Feb.	December 2016 Quarterly Review issued	29 Jun.	Insurance Annual Report 2016 submitted to Minister for Economy
26 Oct.	Board Audit and Risk Committee Meeting	27 Feb.	February 2017 Economic Review issued	3 Jul.	Acting Governor attended National Poster Competition Awards Ceremony, held at Jai Narayan College Hall
27 Oct.	Ordinary Board Meeting	4 Mar.	Governor was Chief Guest at HFC Bank's 3rd Anniversary Celebration & Cash Back Promotion Launch	3 Jul.	June 2017 Economic Review issued
27 Oct.	Press Release - Monetary Policy Remains Unchanged	9 Mar.	Capital Market Advisory and Development Taskforce Quarter 1 Meeting	3 Jul.	Press Release - Further Exchange Control Relaxations
27 Oct.	Governor Declared Fiji Institute of Bankers Sports Tournament Open	13-17 Mar.	High Level Visit from the Government of Nepal on Knowledge Sharing, Capacity Building with FIU	10-11 Jul.	Acting Governor attended the South Pacific Stock Exchange and Asian Development Bank's Private Sector Development Initiative Business Leadership Training – Women in Leadership
28 Oct.	National Financial Inclusion Taskforce Quarter 3 Meeting	14 Mar.	Deputy Governor facilitated on some topics at the Consumer Credit Act Review Workshop, held at Holiday Inn	14 Jul.	2016 FIU Annual Report tabled in Parliament
1 Nov.	October 2016 Economic Review issued	15-16 Mar.	Governor attended the PFTAC Steering Committee Meeting, Honiara, Solomon Islands	14 Jul.	Press Release - Financial Intelligence Unit Annual Report 2016
11 Nov.	Press Release - Fiji FIU Hosts Pacific FIU Attachment Program	22 Mar.	Press Release - Reserve Bank of Fiji Releases January-July 2016 Report	27 Jul.	Ordinary Board Meeting
16 Nov.	Press Release - Revised Growth Projections for 2016-2019	28 Mar.	National Financial Inclusion Taskforce Quarter 1 Meeting	27 Jul.	Press Release - Monetary Policy Stance Remains Unchanged
24 Nov.	Ordinary Board Meeting	29 Mar.	Board Audit and Risk Committee Meeting	31 Jul.	July 2017 Economic Review issued
24 Nov.	Press Release - Monetary Policy Remains Unchanged	29 Mar.	Board Audit and Risk Committee		
25 Nov.	September 2016 Quarterly Review issued	29 Mar.	Board Governance Committee Meeting		
		30 Mar.	Ordinary Board Meeting		
		30 Mar.	Press Release-Monetary Policy Stance Remains Unchanged		
		31 Mar.	March 2017 Economic Review issued		
		6 Apr.	LMCC Quarter 1 Meeting		
		7 Apr.	Governor and Deputy Governor attended the IMF High Level Conference for Pacific Finance Ministers and Central Bank Governors, held at GPH		
		10-14 Apr.	IMF Staff Visit - Mission Chief, Mr Pablo Murphy Lopez and Economist, Mr Rasmene Quedraogo		
		10-21 Apr.	Technical Assistance to the Republic of Marshall Islands FIU to Strengthen Intelligence Management		

Fiji: Key Economic and Financial Indicators

	2012	2013	2014	2015	2016	2017
I. GDP						
GDP at Market Price (\$ Million)	7,109.5	7,715.7	8,462.4r	9,150.3r	9,784.5p	10,651.2f
Per Capita GDP at Current Basic Prices (\$)	7,003.2	7,475.1	8,179.3r	8,771.1r	9,198.4p	9,847.5f
Constant Price GDP Growth Rate (%)	1.4	4.7	5.6	3.8r	0.4p	4.2f
II. LABOUR MARKET¹						
Labour Force	355,000e	363,400e	367,154e	346,214e		n.a
Wage and Salary Earners (mid-year)	128,000e	129,000e	129,500e	199,515e		n.a
III. INFLATION (year-on-year % change)²						
All Items	2.5	3.4	0.1	1.6	3.9	2.5f
IV. GOVERNMENT FINANCE (\$ Million)³						
Total Revenue and Grants	1,937.1	2,098.5	2,370.8	3,122.5b	2,857.4r	2,850.5b
Total Expenditure (excluding loan repayments)	2,013.7	2,136.3	2,723.1	3,336.3b	3,105.1r	4,356.8b
V. EXTERNAL TRADE⁴						
Current Account Balance (\$ Million)	-102.2	-746.6	-639.5r	-138.4r	-530.5e	-668.5f
Capital Account Balance (\$ Million)	7.1	8.9	8.2	6.4r	6.4e	6.4f
Financial Account Balance (\$ Million) ⁵	564.2	740.8	1,018.5	654.9r	628.2e	742.4f
Current Account Balance (% of GDP)	-1.4	-9.7	-7.6	-1.5r	-5.4e	-6.3f
VI. FOREIGN EXCHANGE RESERVES (\$ Million)⁶						
Foreign Reserves	1,635.5	1,778.1	1,810.7	1,943.7	1,921.2	2,313.7
VII. MONEY AND CREDIT (year-on-year % change)⁶						
Narrow Money	5.3	67.3	5.5	13.4	4.0	13.6
Currency in Circulation	9.6	1.1	11.0	11.5	9.7	0.3
Quasi-Money	6.3	23.2	10.6	14.3	4.6	11.3
Domestic Credit ⁷	2.8	14.0	18.7	13.6	7.4	8.6
VIII. INTEREST RATES (% pa)⁶						
RBF OPR ⁸	0.50	0.50	0.50	0.50	0.50	0.50
Lending Rate	6.65	5.86	5.72	5.90	5.80	5.75
Savings Deposit Rate	0.74	0.70	0.57	1.01	0.97	1.28
Time Deposit Rate	2.28	1.79	2.15	2.71	2.95	3.35
Minimum Lending Rate	1.00	1.00	1.00	1.00	1.00	1.00
IX. EXCHANGE RATES (mid rates, F\$1 equals: end of period)⁶						
US dollar	0.5595	0.5269	0.5031	0.4701	0.4695	0.4971
Real Effective Exchange Rate (January 1999 = 100)	98.45	98.51	98.68	99.86	102.31	102.94

Sources: Commercial Banks, Fiji Bureau of Statistics, Ministry of Economy, Macroeconomic Committee and Reserve Bank of Fiji

Notes:

¹ Data based on the 2015-2016 Employment & Unemployment Survey.

² July Inflation rate.

³ The revenue and expenditure figures for the years 2016 and 2017 are extracted from the fiscal year 2017-2018 National Budget.

⁴ Balance of Payments values include aircraft imports and financing.

⁵ '-' Indicates Net Borrowing i.e. the economy receives funds from the rest of the world.

⁶ Data for 2017 is as of July.

⁷ Credit to the private sector is adjusted for AMB's non-performing loans and advances.

⁸ The RBF OPR came into effect in 2010.

Key:

e: estimate

p: provisional

b: budgeted

r: revised

n.a: not available

Abbreviations

ABIF	Association of Banks in Fiji	FHRI	Fiji Human Resources Institute	NPBT	Net Profit Before Tax
ADB	Asian Development Bank	FIA	Fiji Institute of Accountants	NZD	New Zealand Dollar
AFI	Alliance for Financial Inclusion	FIB	Fiji Institute of Bankers	OHS	Occupational Health and Safety
AICD	Australian Institute of Company Directors	FICAC	Fiji Independent Commission Against Corruption	OMO	Open Market Operations
AMB	Asset Management Bank	FIU	Financial Intelligence Unit	OPR	Overnight Policy Rate
AML	Anti-Money Laundering	FNPF	Fiji National Provident Fund	OSG	Office of the Solicitor General
APG	Asia Pacific Group	FNU	Fiji National University	P2P	Person to Person
APRA	Australian Prudential Regulations Authority	FRCS	Fiji Revenue and Customs Service	PFIP	Pacific Financial Inclusion Programme
ATM	Automated Teller Machine	FSC	Fiji Sugar Corporation	PFTAC	Pacific Financial Technical Assistance Centre
AUD	Australian Dollar	FTR	Financial Transactions Reporting	PNG	Papua New Guinea
BCP	Business Continuity Plan	FY	Financial Year	RBA	Reserve Bank of Australia
BOJ	Bank of Japan	GDP	Gross Domestic Product	RBF	Reserve Bank of Fiji
BRS	Business Resumption Site	GPF	Global Policy Forum	REER	Real Effective Exchange Rate
BSPS	Banking Supervision Policy Statement	GPFD	Government Partnerships for Development Programme	RFED	Restricted Foreign Exchange Dealer
CFT	Countering the Financing of Terrorism	GRCL	General Reserves for Credit Losses	ROA	Return on Assets
CMDA	Capital Markets Development Authority	HA	Housing Authority	ROE	Return on Equity
CMDT	Capital Markets Advisory and Development Taskforce	HFC	Home Finance Company Limited	ROI	Return on Investment
CPA	Certified Public Accountant	HR	Human Resource	RRA	Revaluation Reserve Account
CTR	Cash Transaction Report	IIWG	Inclusive Insurance Working Group	SEACEN	South East Asian Central Banks
DNFBP	Designated Non-Financial Businesses and Professions	IMF	International Monetary Fund	SME	Small and Medium Enterprises
ECB	European Central Bank	ITSC	Information Technology Steering Committee	SMECGS	Small and Medium Enterprises Credit Guarantee Scheme
EDRMS	Electronic Document Records Management System	JPY	Japanese Yen	SPSE	South Pacific Stock Exchange
EFTPOS	Electronic Funds Transfer at Point of Sale	KPI	Key Performance Indicator	STR	Suspicious Transaction Report
EFTR	Electronic Fund Transfers Reports	LAB	Local Advisory Board	STRI	SPSE Total Return Index
EMDE	Emerging Market & Developing Economies	LMCC	Labour Management Consultation and Cooperation Committee	SWIFT	Society for Worldwide Interbank Financial Telecommunication
EUR	European Euro	MC	Macroeconomic Committee	TC	Tropical Cyclone
FBFSEU	Fiji Bank and Finance Sector Employees Union	MER	Mutual Evaluation Report	TD	Tropical Depression
FBL	Free Bird Institute Limited	MIS	Managed Investment Schemes	TNA	Training Needs Analysis
FDB	Fiji Development Bank	MNO	Mobile Network Operator	UK	United Kingdom
FEA	Fiji Electricity Authority	MWh	Megawatt hours	UN	United Nations
FHL	Fijian Holdings Limited	NBFI	Non-Bank Financial Institution	US	United States
		NEC	National Employment Centre	USP	University of the South Pacific
		NEER	Nominal Effective Exchange Rate	VAT	Value Added Tax
		NFIT	National Financial Inclusion Taskforce	VIL	Vision Investments Limited
				WEO	World Economic Outlook



RESERVE BANK OF FIJI

The great double-hulled, ocean-going canoes (drua) of the ancient Fijians were remarkable crafts capable of long voyages. The tagaga (pronounced "tangaga") or masthead, was crucial for holding in place the sails, woven from the leaves of the pandanus tree. It was the tagaga which enabled the navigators to keep their drua sailing towards their destinations.

For the Reserve Bank of Fiji, a logo based on the tagaga masthead, symbolises the Bank's role in contributing towards a sure and steady course for Fiji's economy.



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