

7247.98 ▲ 21.93 (0.30%)

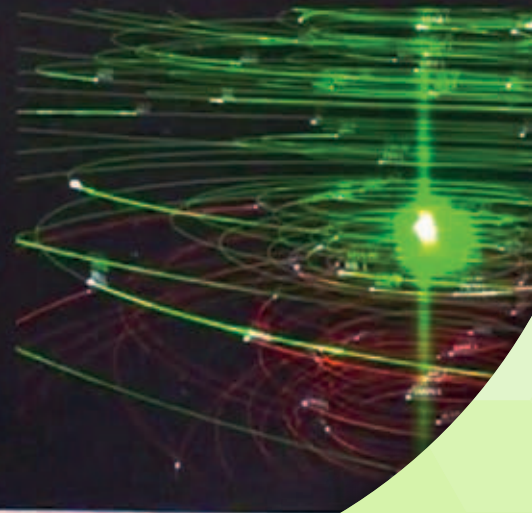


London Stock Exchange welcomes

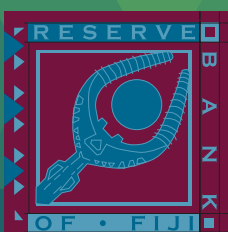
The Honourable Voreqe Bainimarama,
Prime Minister of Fiji and President of COP23 and
The Rt Hon Claire Perry MP,
Minister of State for Energy and Clean Growth
celebrating Fiji's sovereign green bond

WORLD INDICES

INDEX	PRICE	CHANGE
FTSE 100	7247.98	21.93 (0.30%)
FTSE 250	19868.90	39.55 (0.20%)
FTSE 350	4043.88	11.51 (0.29%)
FTSE Small Cap	5748.43	17.10 (0.30%)
FTSE All Share	3995.90	11.39 (0.29%)
FTSE AIM	1030.73	1.48 (0.14%)
FTSE AIM 100	5346.53	11.86 (0.22%)
FTSE MIB	23676.40	27.34 (0.12%)
Nikkei 225	22158.20	310.61 (1.42%)
AXI-25	551.45	0.14 (0.03%)
PSI-20	5471.22	12.92 (0.24%)
CAC 40	5367.86	14.32 (0.27%)
DAX	3552.61	54.41 (1.56%)
ASX Australia	485.06	1.65 (0.34%)
TSX Canada	558.56	-0.00 (-0.00%)
NASDAQ Comp	7281.10	-0.00 (-0.00%)
	12596.70	11.16 (0.09%)
	30062.80	0.00 (0.00%)
	9820.60	16.70 (0.17%)



LSE.L ▲ 410



RESERVE BANK OF FIJI AUGUST 2017 - JULY 2018 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: D18/8431

Your Reference:

28 September 2018

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

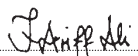
Dear Sir

Re: Reserve Bank of Fiji Annual Report and Accounts for the financial year ended 31 July 2018

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 2018 certified by the Auditors and
- (ii) A report on the RBF's Operations for the 2017/2018 financial year.

Yours faithfully


Ariff Ali
Governor

Our Functions

The Reserve Bank of Fiji (RBF) is Fiji's central bank of the Republic of Fiji established in 1984 under the RBF Act (1983).

Section 153(2) of the 2013 Constitution of the Republic of Fiji states that “in pursuing its primary objects, the RBF 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

The Bank is mandated to promote monetary stability through low inflation and having an adequate level of foreign reserves, as stipulated under section 4(b) of the RBF Act (1983). This is achieved through the formulation and implementation of appropriate monetary policies. Policy tools include the Overnight Policy Rate (OPR), Open Market Operations (OMO), Statutory Reserve Deposits (SRD), and other direct and indirect tools which are implemented whenever appropriate.

In managing Fiji'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 as a whole. In this regard, macroprudential surveillance 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 responsible for

regulating, supervising and developing the capital markets in Fiji. Supervisory functions in this regard include regulation of securities exchanges and central depository; regulation of securities and industry licences; transactions involving listed securities; capital raising; debentures and managed investment schemes (MIS).

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 under its mission of *'Enhancing our Role in the Development of the Economy'* drives the national financial inclusion agenda through various developmental activities, and enhanced efforts in consumer protection through the management of financial services customer complaints.

Other

The Bank provides banking, registry and foreign exchange services to Government and plays the lender of last resort role to commercial banks. Under its mission *'Providing Proactive and Sound Advice to Government'*, the Bank, when requested gives policy advice to the Government, undertaken through interactive committee meetings and various inter-agency fora.

The organisational structure of the RBF is depicted on page 6. Details of the Bank's Board Directors are provided on page 8 with the roles of the Board and Management including the Governance structure detailed on pages 8 to 13.

Governor's Foreword



The 2017-2018 financial year (FY) saw positive growth in the Fijian economy by an estimated 3.2 percent, an improvement from the 1.8 percent recorded in 2016-2017. Typical of our small island economy, the tourism and services sector continued to drive domestic growth. This outturn was largely driven by an expanding global economy and favourable domestic conditions supported by upbeat consumption and investment activities coupled with ample liquidity and generally low interest rates.

In line with our mandate of ensuring monetary stability, the Bank during the course of the financial year maintained an accommodative monetary policy stance, in pursuit of the Bank's twin monetary policy objectives of maintaining an adequate level of foreign reserves and stable inflation. In this regard, foreign reserves remained adequate at around five months of retained imports of goods and services and inflation has been at par with the Bank's forecasts over this period. Headline inflation has been averaging at around 3.1 percent, while core underlying inflation (excluding volatile items such as food, energy, education and yaqona prices) has been stable averaging 1.1 percent.

A milestone achievement for the Bank in this financial year is the successful listing of Fiji's Green Bond on the London Stock Exchange. The design and issue, including the subsequent listing of Fiji's Green Bond, a first by a developing country, is considered as a valued response by the Bank to the global issue of climate change and is being significantly featured as the theme of this year's Report.

The RBF is responsible for the issue and administering the supply of our currency. The value of our currency has remained largely stable throughout the financial year, evident in the marginal appreciation (0.7%) of the Nominal Effective Exchange Rate (NEER). This has enabled the general public to trade, save and invest with confidence in a stable monetary environment.

Our role to ensure financial stability has been reflected in our licensed and supervised financial institutions continuing to be assessed as safe and sound throughout the year. The Bank published externally its first Financial Stability Report (FSR) in November 2017, seeking to highlight the health of our financial system and the policy measures and directions the Bank will pursue to maintain financial stability. It is reassuring to note that our supervised and licensed financial institutions continue to meet key prudential requirement of capital

adequacy and solvency, with the Fijian financial system registering a growth of 8.1 percent over the financial year.

The International Monetary Fund (IMF) conducted a Financial Sector Stability Review (FSSR) for Fiji during the year. While the FSSR reaffirmed notable progress since the Financial Sector Assessment Program (FSAP) mission in 2006, it has made key recommendations to further enhance the Bank's banking supervision role, crisis management framework and Fiji's financial system stability oversight. These recommendations of the FSSR are significant in the effective undertaking of the Bank's financial stability mandate in the next 3 to 5 years.

The year also saw the issuing of a licence to a credit reporting agency under the newly enacted Fair Reporting of Credit Act (2016) and key industry players are working on ensuring that all necessary arrangements are in place before the licensed credit reporting agency starts operations.

The Bank's accommodative monetary policy stance has enabled the continual downward trend in commercial bank lending rates thereby reducing the cost of borrowing for many of our borrowers. However, commercial bank deposit rates have increased during the year resulting in a narrowing of the interest rate spread.

The Bank continued to be at the forefront of the national financial inclusion agenda, leading efforts through the National Financial Inclusion Taskforce (NFIT). I am pleased to report that the NFIT has met the majority of the mid-term Core Financial Inclusion Targets set in its five-year Strategic Plan 2016-2020. Some of our shared achievements during the year include the enabling of Fiji's first bundled insurance product and the hosting of the 2018 National Microfinance Awards.

As Governor and Chair of the Board, I am proud to state that the Bank and its representatives are ultimately accountable to the people of Fiji. In this regard, the Bank has completed and

Governor's Foreword

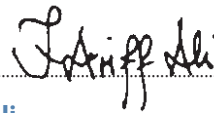
achieved the majority of its targets set out in its 2014 to 2018 Strategic Plan and will be embarking on the formulation of a new five-year Strategic Plan from August 2019 to July 2024.

Amidst a challenging year of low investment yields on the global stage, the Bank was able to report an audited profit of \$31.5 million for the 2017-2018 financial year, 11.3 percent above the previous year's profit performance. At the end of July 2018, the Revaluation Reserve Account (RRA) balance was \$9.8 million, of which \$2.0 million was transferred to Government in the FY 2018-2019. This compares with \$2.1 million that was transferred in the FY 2017-2018.

The Bank transferred a total of \$32.5 million to Government, of which \$30.5 million was from the Bank's profit and \$2.0 million from the RRA.

I take this opportunity to acknowledge the Board, the Management and the staff of the Reserve Bank and all industry stakeholders for their support throughout the year and for tirelessly working and striving to achieve our shared vision of "*Leading Fiji to Economic Success*".

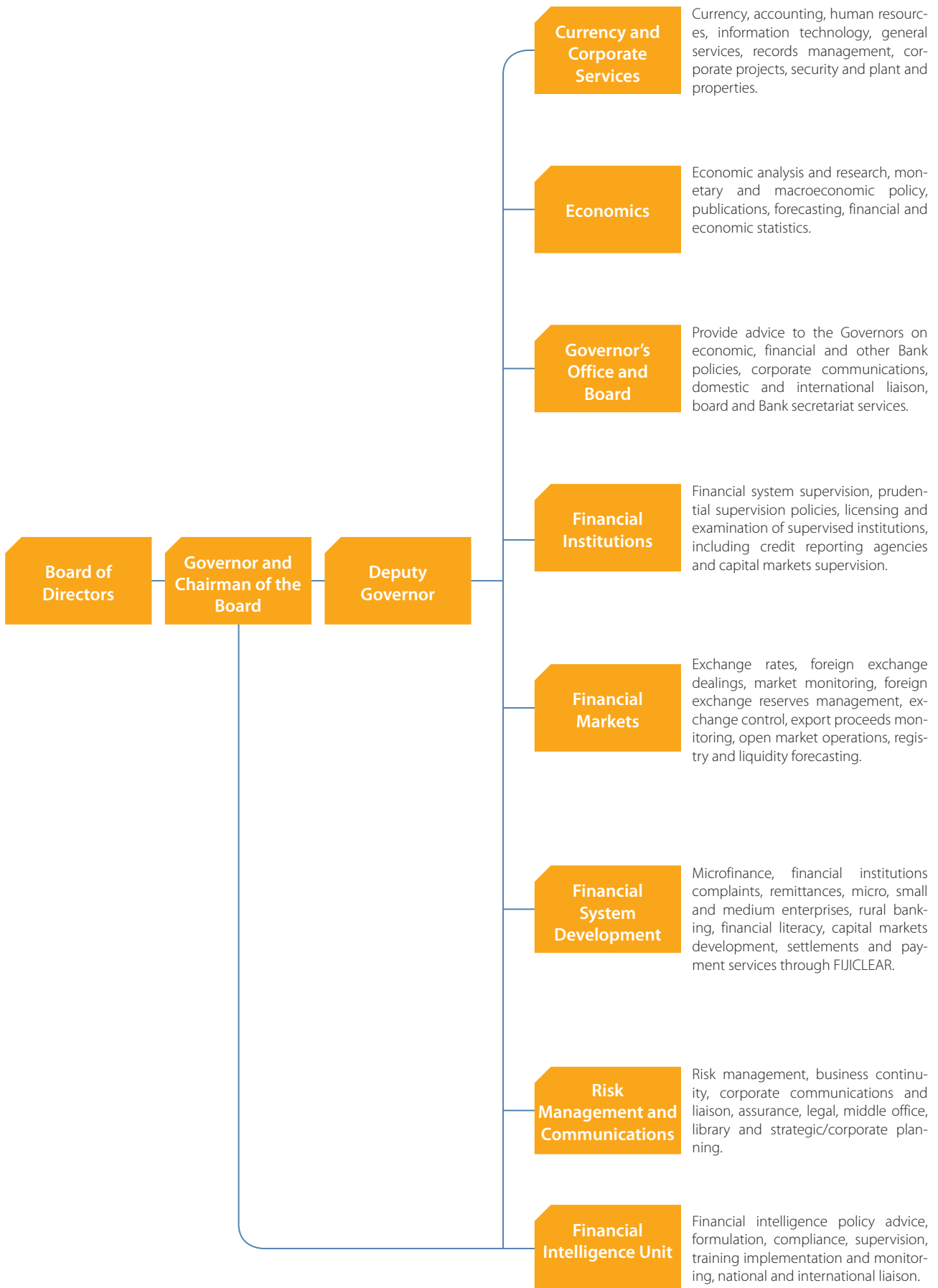
In the coming financial year, we will be soliciting views from the public through a survey to gauge stakeholder expectations on the Bank's role and these will be considered in our next Strategic Plan. Central banks the world over are going through a digital transformation phase as new technologies emerge and much of the Bank's work in the year ahead would be driven through a structured Information Technology (IT) reform process. I look forward to the support of the Board, Management and staff of the Reserve Bank and industry stakeholders in the coming year.



Ariff Ali
Governor and Chairman of the Board



Organisation Structure





London Stock Exchange
welcomes
Ariff Ali
Governor, Reserve Bank of Fiji
Celebrating
Fiji's Sovereign Green Bond
18 April 2018



London
Stock Exchange

Board of Directors



Tony Whitton Director

Appointed to the Board on 03 March 2015 for three years. Reappointed on 02 March 2018 for three years. Member of the Board Governance Committee. Managing Director of the Rosie Travel Group of Companies. Board Member of Fijian Holdings Ltd 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. Chairman and Trustee of the International School Nadi. Board Member and Trustee of the Koroipita Model Towns Charitable Trust and Cure Kids Fiji.

Tevita Kuruvakadua Director

Appointed to the Board on 09 June 2014. Reappointed on 09 June 2017 for three years. Chairman of the Board Governance Committee. Member of the Board Audit and Risk Committee. Chief Executive Officer of iTaukei Land Trust Board. Board Member of the Fiji National Provident Fund (FNPF) and the Fiji Sugar Corporation (FSC) Limited.

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 IMF and the Asian Development Bank (ADB). Chairman of the Monetary Policy Committee. Chairman of the Macroeconomic Committee (MC). Chairman of the Capital Markets Advisory and Development Taskforce (CMADT). Chairman of the NFIT. Chairman of the Government Tender Board. Chairman of the Sugar Cane Growers Fund, Chairman of the Accident Compensation Commission Fiji and Board Director of the FSC Limited.

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

Appointed to the Board on 11 January 2016. Board Director of the FNPF and Fiji Revenue & Customs Service (FRCS). Member of the Board Audit and Risk Committee and Member of the MC. Alternate Governor for Fiji at the World Bank and the Asian Infrastructure Investment Bank.

Pradeep Patel Director

Appointed to the Board on 09 June 2014. Reappointed on 09 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 Fiji Institute of Accountants (FIA), Certified Practising Accountants (CPA) Australia and Australian Institute of Company Directors. Member of the CMADT set up by RBF. Former President of the FIA. Member of the Standards Committee of the FIA and has previously served on committees of the FIA, including Business & Government Committee, Law Review Committee and Disciplinary Committee.

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

Executive Management



1. Esala Masitabua

Deputy Governor²

2. Lorraine Seeto

Chief Manager Governor's Office³

3. Caroline Waqabaca

Chief Manager Financial Markets⁴

4. Poasa Werekoro

Acting Chief Manager Financial System Development⁵

5. Seci Taleniwesi

Acting Chief Manager Financial Institutions⁶

6. Susan Kumar

Chief Manager Currency and Corporate Services

7. Subrina Hanif

Board Secretary

8. Razim Buksh

Director Financial Intelligence Unit

9. Vilimaina Dakai

Chief Manager Risk Management and Communications⁷

10. Petaia Tuimanu

Chief Manager Economics⁸

² Appointed as Deputy Governor with effect from 01 January 2018. Prior to this, he was Chief Manager Financial Markets.

³ Appointed as Chief Manager Governor's Office since 01 January 2018. She was Chief Manager Risk Management and Communications prior to this.

⁴ Appointed as Chief Manager Financial Markets on 01 January 2018. Previously, she was Chief Manager Economics.

⁵ Acting as Chief Manager Financial System Development with effect from 01 January 2018.

⁶ The position of Chief Manager Financial Institutions is currently vacant. Managers of the Group are acting in this capacity on a rotational basis.

⁷ Appointed as Chief Manager Risk Management and Communications with effect from 02 April 2018. Prior to this, she was Chief Manager Financial Institutions.

⁸ Appointed as Chief Manager Economics with effect from 01 August 2018. Prior to this, he was acting in this position.

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 FNPF 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 3 months after the end of the financial year.

Under the Insurance Act, the Bank is required to publish the Insurance Annual Report and submit 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 year⁹ 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 RBF with effect from 11 September 2017 for a five-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.

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 2018 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 year.

Board Committees

The RBF Board has two Committees - the Audit and Risk Committee and the Governance Committee, made up of non-executive members. Decisions of the Committees are submitted to the Board for ratification.

Mr Pradeep Patel is the Chairman of the *Board Audit and Risk Committee* and members are Mr Tevita Kuruvakadua and Ms Makereta Konrote. The *Board Audit and Risk Committee* monitors the adequacy of the audit function in the Bank and

Board and Board Committee Meetings August 2017-July 2018 - 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	10	10		NM		NM
Makereta Konrote	5	10	1	4		NM
Pradeep Patel	10	10	4	4	5	5
Tevita Kuruvakadua	10	10	4	4	5	5
Tony Whitton	9	10		NM	5	5

NM - Not a Member
Source: Reserve Bank of Fiji

⁹ Calendar year runs from 01 January to 31 December while the RBF financial year runs from 01 August to 31 July in the following year.

assists the Board in fulfilling the requirements of the RBF Act in relation to the Bank's accounting and reporting practices. 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 four occasions.

The Board Governance Committee is chaired by Mr Tevita Kuruvakadua and members are Mr Pradeep Patel and Mr Tony Whitton. 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). Board members 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 undertaken its performance assessment as well as 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. From 2017, the Executive Management has also undertaken a performance assessment of the Board Directors on an annual basis using an in-house evaluation questionnaire. These assessments are undertaken internally with the aim of identifying areas of improvement.

In the review period, the Board undertook an assessment of 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.

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 2017-2018.

Bank Management

The Executive Management of the Reserve Bank comprises the Governor, Deputy Governor and all Heads of Group. The Governor is advised by several 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 to further elevate the focus on Consumer Empowerment and Market Conduct (CEMC) initiatives; including complaints management;
- *Currency and Corporate Services Policy Committee* meets quarterly to discuss issues relating to currency and internal services;
- *Information Technology Steering Committee* 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 the Management Committees.

Delegation of Authority

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) of the Bank.

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

Strategic Plan

The Bank's 2014-2018 Strategic Plan guided the work in aligning the 2017-2018 Annual Work Plan of the Bank to the strategic outcomes planned for the 2017-2018 financial year. Head of Groups are responsible for ensuring that planned outcomes are achieved. A review of how the Bank was progressing with the implementation of the 2014-2018

Strategic Plan was undertaken in January 2018. Some re-prioritisations were approved during the year as the Bank diverted resources to outputs needing urgent attention.

With the RBF 2014-2018 Strategic Plan coming to its full cycle by 31 December 2018, the Bank has recognised the need to change the period of its Strategic Plan to the Bank's FY, in line with Government from August to July. The Bank's 2014-2018 Strategic Plan will now be extended for another seven months to July 2019, before the new Strategic Plan of August 2019-July 2024 will be released.

The re-alignment will give the Bank time to effectively review the success of the current Strategic Plan, ensure the acknowledgement of the changes in its operating environment in the next 12 months and a robust strategic planning process for the next strategic plan.

Annual Corporate Planning Cycle

Corporate planning is undertaken annually in the Reserve Bank. The initial formulation of the Bank's work plan for the new fiscal year commences in December. 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.

In January, all Bank and Group strategies were reviewed with changes approved and implemented in February. Groups will review their work progress for the first six months of the current fiscal year (August-January) and a report submitted to the Board.

From February to March, extensive discussions are then held on the new annual work plan. Each Group will hold an interactive planning workshop and feedback is obtained from both internal and external stakeholders on suggested areas to be considered by the Bank in preparing its annual work plan for the next year.

Once the annual work plan for the next financial year is established, it is presented to the Board, together with the annual budget for approval in June.

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.

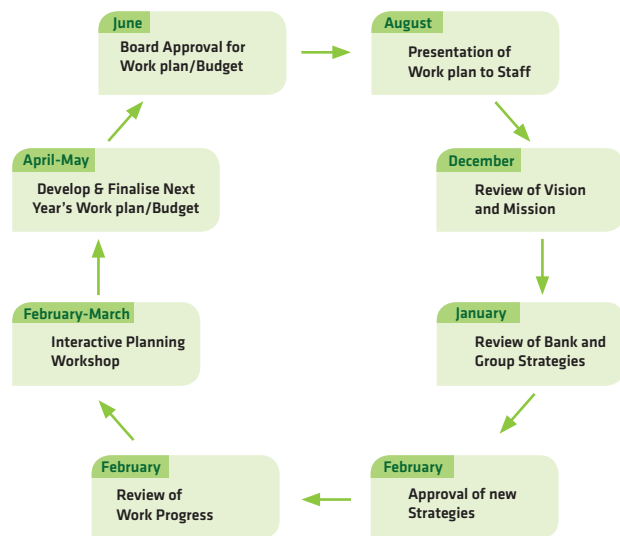
In June 2018, the Board approved the annual work plan and budget for the period 01 August 2018 to 31 July 2019.

Risk Management

As the oversight authority for risks to economic growth and stability of the financial system, it is only prudent that the RBF ensures that it has an effective risk management framework that accounts for risks, inherent and emerging, in its operations. With its Risk Management and Communications function established in 2014, the Bank has been able to establish a risk management framework through a comprehensive list of risks now contained in its Corporate Risk Register.

The Bank's primary risks are those directly related to its core

Fiscal Year Annual Planning Cycle



Source: Reserve Bank of Fiji

mandates of price stability and financial stability.

Inadequacy of foreign reserves linked to inappropriate monetary policy stances and a failure of a licensed financial institution that is considered systemically important are top of the risk register which require vigilant ongoing monitoring. Equally important are settlement, credit and liquidity risks relating to the Bank's market operations.

Ineffective processes and inadequacies in human resources are risks that the Bank also prioritises in ensuring the efficient management of its institutional operations. Ongoing quality management initiatives and capacity building continued to be the focus of the Bank's development programme.

The Bank is planning to review its Risk Management Framework in the latter part of 2018 to ensure its continued alignment and relevance to global and domestic developments.

Incident Reporting is part of the Risk Management Framework of the Bank. A reporting framework is in place for reporting incidents and monitoring is ongoing to ensure that all incidents reported are resolved, with lessons learnt recorded for future references. A total of 33 incidents were reported during the year and have all been resolved.

The Bank's Business Continuity Plan (BCP) remained in place during the year. The BCP framework includes a Business Resumption Site (BRS) as backup for critical operations should the Reserve Bank's main building become inaccessible due to an emergency or a disaster 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 BRS also houses the Bank's archives.

Best practice requires that BCP procedures are regularly tested to ensure their effective readiness for emergency situations. The Bank's crisis communication procedures through established call trees were tested twice during the year with

two fire drills conducted to ensure awareness of emergency procedures by staff and tenants of the RBF building.

The Bank will continue to conduct training, drills and call tree exercises to familiarise staff with emergency response procedures in an effort to enhance disaster preparedness and planning.

The Risk Management and Communications Group is the second line of defence in the management of risks in the Bank and is also responsible for the middle office operations and monitoring the Bank's external markets operations' compliance to approved investment guidelines.

Compliance reports are prepared by the Middle Office and

discussed at the Investment Committee meetings held monthly.

The audit function as a third line of defence under the Bank's risk management function continued to assist in the effective oversight of risks in the Bank. The internal audit function is outsourced to KPMG while external audit is undertaken by PricewaterhouseCoopers.

Areas for improvement identified by internal and external audits are addressed as appropriate. The Board, the Board Audit and Risk Committee, the Board Governance Committee and the Risk and Business Continuity Management Committee also contribute to the review and strengthening of the Bank's risk management process.



2017-2018 At A Glance

Economic Growth

3.2%



Forecasted for 2018

Overnight Policy Rate

0.5%



OPR Maintained

Foreign Reserves

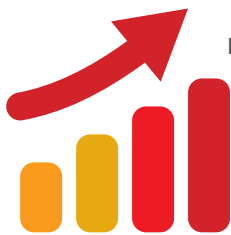
5.0 MONTHS



\$2,161.9 million of Foreign Reserves sufficient to cover 5.0 months of retained imports

Inflation Rate

4.7%



In July 2018

Reserve Bank's Profit

\$31.5M



For FY 2017-2018

Currency in Circulation

\$837.4M



As at 31 July 2018

Green Bond

\$100.0M



Gross value issued in FY 2017-2018

Tourism Earnings

\$1,757.9M



Increased by 4.9 percent in 11 months of FY 2017-2018

Financial Inclusion

12,045 Farmers



Covered under Fiji's first bundled insurance product

Employment

2.6%



Increase in vacant positions advertised

Financial Stability

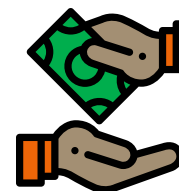
\$19.8B



Fijian financial system grew by 8.1 percent in FY 2017-2018

Inward Remittances

\$555.2M



Increased by 3.4 percent in FY 2017-2018

Net Value Added Tax

\$788.8M



Increased by 12.3 percent in the FY to July 2018

Government Debt

47.5%



As a percentage of GDP as at July 2018

Anti-Money Laundering

566 STRS



(suspicious transaction reports) were received during the FY 2017-2018

Economic Overview

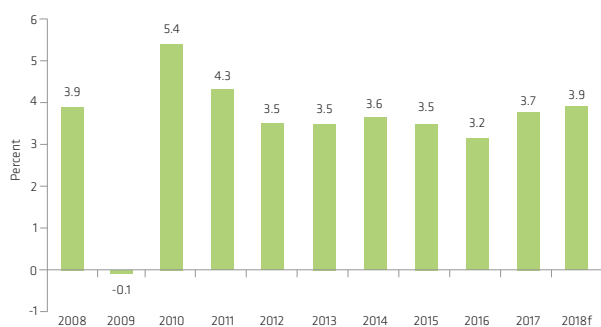
Fiji's economy is expected to record a 3.2 percent growth in 2018, following a 3.0 percent growth in 2017. The 2018 growth is expected to be driven by the wholesale & retail trade; accommodation & food services; public administration & defence and the construction sectors. The growth rate expected in FY 2017-2018 is 3.2 percent while FY 2016-2017 was 1.8 percent. Global growth is projected at 3.9 percent in 2018, higher than the 3.7 percent growth in 2017.

International Economic Developments

The IMF in its July 2018 World Economic Outlook (WEO) kept its global growth forecast unchanged at 3.9 percent for 2018 as economic progress continued however, the pace of growth has become rather uneven across economies and risks have escalated.

Growth forecasts for Japan and the Euro zone for 2018 were revised downward following soft performances in the March quarter. Despite India's strong first quarter outcomes, a gradual slowdown is anticipated this year due to the significant impact of increased oil prices on the nation's domestic demand. On the other hand, the economic outlook for the United States (US) and China remained stable.

World Gross Domestic Product (GDP) Growth Rates



Source: IMF WEO July 2018

For Fiji's major trading partner economies, stronger performances are forecast for the US and Australia while growth for the Euro zone, Japan and New Zealand (NZ) are expected to slow in 2018.

The US economy is forecast to grow by 2.9 percent in 2018 compared to the 2.3 percent growth in 2017. Increased government spending, higher private final demand and continued positive performance underpinned this outcome. Industrial production remained stable as output from mining increased while expansion in the services sector led to more job opportunities. Despite the tax reform in early 2018 to stimulate investment, individual savings and domestic demand, the strengthening US dollar and increased prices of steel have dampened some of the expected gains. The trade dispute¹⁰ with China, Canada, Mexico and the European Union has weighed negatively on imports and manufacturing activity. Nevertheless, the broadly positive economic developments filtered through the labour market as the unemployment rate fell to 3.9 percent in July (compared to 4.3 percent a year ago). Core inflation rose to 2.4 percent in July (compared to 1.7 percent a year ago) mainly led by rising oil

and gasoline prices. Having met its key objectives, the Federal Open Market Committee hiked the target funds range twice in March (1.50-1.75%) and June (1.75-2.00%).

Growth in the Euro zone economy is anticipated to slow to 2.2 percent in 2018, following a 2.4 percent expansion in 2017. Latest data for the first half of 2018 indicate mixed outcomes for the region. Expansion in the services sector remained stable, led by increased output, new orders and job opportunities while manufacturing activity decelerated due to a decline in production and new orders. Consumer confidence fell significantly, resulting from gloomy expectations over the region's future economic activity, unemployment and personal savings. However, the improvement in labour market conditions was marked by the continuous decline in jobless rate since September 2017. Inflation rose to 2.1 percent in July 2018 led by increased prices of energy and food. Since the region's inflation rate has hovered around the European Central Bank's (ECB) target of below or close to 2.0 percent, the ECB reduced its monthly asset purchases¹¹ further to €30 billion (from €60b in 2017) but kept the benchmark interest rate at zero percent in the first half of 2018.

The Japanese economy is envisaged to grow at a slower pace of 1.0 percent this year from the 1.7 percent growth in 2017. Contractions in the March quarter underpinned this outcome. In the year to June, business conditions remained soft as expansion in both the services and manufacturing sector weakened. However, labour market conditions improved as the jobless rate fell to 2.5 percent in July from 2.8 percent in July last year. External sector performance is projected to boost the nation's economy further after the Japanese government ratified the Trans Pacific Partnership trade deal combined with the positive outcomes on its free trade agreement with the European Union. Inflation remained low at 0.9 percent in July due to the lower prices of food and housing. Based on these developments, the Bank of Japan maintained its policy interest rate at -0.10 percent during the first half of 2018.

The Australian economy is anticipated to expand by 2.8 percent in 2018, higher than the 2.2 percent growth last year. Latest economic indicators reveal upbeat performance boosted by a rebound in exports, increased government expenditure, consumer spending and non-dwelling construction. The services sector noted a stronger expansion in June backed by increased sales and higher employment but the manufacturing activity decelerated due to a decline in new orders. Consumer spending remained strong, evident by the acceleration in annual retail sales. External sector performance remained favourable as the trade surplus

¹⁰ Apart from China, the US also imposed tariffs on steel and aluminium imported from three of its biggest trading partners - Canada, Mexico and the European Union. In return, these countries have also retaliated with their own tariffs against imported products from the US.

¹¹ The ECB plans to reduce its monthly asset purchases further to €15 billion by October 2018 before ending its tapering programme in December.

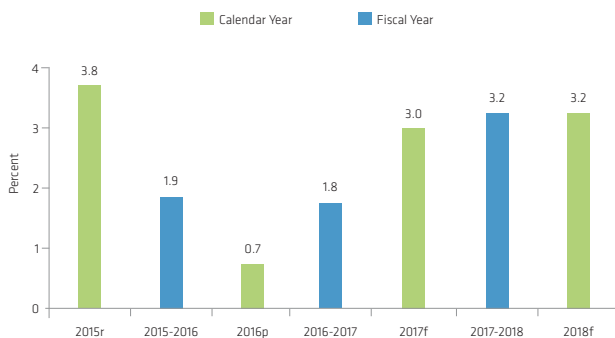
continued to widen led by higher growth in exports relative to imports. Labour market conditions also improved with the jobless rate at 5.3 percent, compared to 5.6 percent in July 2017. Annual inflation remained below 2.0 percent, owing to a softer pace of growth in housing and transport prices. Based on the nation's firm economic progress and the current low inflation environment, the Reserve Bank of Australia (RBA) kept its benchmark interest rate unchanged at 1.5 percent in the first six months of 2018.

The New Zealand economy is forecast to grow by 2.7 percent in 2018, similar to the 2.8 percent growth last year. Recent data for the first six months of 2018 reveal ongoing moderate performance. Both the services and manufacturing sectors expanded at a weaker pace. The Government's initiative on families' package (extending maternity & paternity leave, weekly allowance for children below age three and tax credits) is expected to boost household incomes and spur consumer demand. Other concerns for the nation's economy include trade tensions in the global economy which can affect external sector performance. Following an assessment of these developments and its dual mandates (sustainable employment level and price stability), the Reserve Bank of New Zealand kept its official cash rate unchanged at 1.75 percent in the first half of 2018.

Economic Developments in Fiji

Fiji's economy is forecast to reach its ninth year of consecutive growth (3.2%) in 2018 following a 3.0 percent growth in 2017. The wholesale & retail trade; accommodation & food services; public administration & defence and the construction sectors are expected to drive growth in 2018. For the FY 2017-2018, growth is anticipated at 3.2 percent compared to a 1.8 percent growth estimated in the FY 2016-2017.

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



Sources: Fiji Bureau of Statistics and Macroeconomic Committee

Sectoral performances are broadly positive for the FY 2017-2018 with favourable outcomes emanating from electricity, tourism, timber and gold production. Partial indicators for consumption remained positive while investment activity portrayed mixed results.

In the FY 2017-2018, electricity production grew by 2.2 percent to 985,187 megawatt hours of electricity, of which 53.9 percent was from renewable sources. In the same period, electricity consumption rose by 4.8 percent, supported by demand from the commercial (6.2%), domestic (6.2%), industrial (0.5%) and other¹² (3.3 %) users. Similarly, visitor arrivals rose annually by 4.8 percent, mainly driven by NZ, the US, Australia and the Pacific Islands. The Fiji Airways' new partnership and codeshare agreement with British Airways in May and new direct flights to Narita, Japan in July and the additional flight to Singapore is expected to attract more European, Japanese and Asian tourists. Likewise, further increase in visitor arrivals and activity in the tourism sector are anticipated during its peak season in July to October.

Similarly, gold production grew on an annual basis by 3.4 percent in the FY 2017-2018, owing to improved mine efficiency. In the same period, log supply rebounded strongly to 391,211 tonnes resulting in a more-than-double increase in woodchip production to 315,477 tonnes. Higher log production in Vanua Levu and increased woodchip produced at both the Wairiki and Drasa mills supported the robust recovery. However, mahogany production fell to 8,988 cubic meters over the same period partly due to mahogany licensing issues and disruptions from wet weather conditions. Nonetheless, timber production is expected to remain favourable supported by the issuance of new mahogany licenses and barring any adverse weather conditions.

For the sugar industry, the 2018 crushing commenced on 19 June, 18 days later than the 2017 season. As at 10 September, the FSC Limited crushed 779,247 tonnes of raw cane compared to 808,278 tonnes of cane crushed in the comparable period of 2017, representing an annual decline of 3.6 percent. Similarly, sugar production fell further by 6.2 percent to 81,602 tonnes. However, targeted assistance provided to cane farmers affected by the natural disasters in April and continued financial support in the FY 2018-2019 National Budget should augur well for the industry going forward.

In terms of aggregate demand, consumption activity remained strong as per partial indicators. New vehicle registrations rose by 32.8 percent while second-hand vehicle registrations declined by 9.5 percent in FY 2017-2018.¹³ In the same period, commercial banks' new lending

¹² This includes streetlights and institutions such as schools.

¹³ The movement in vehicle registrations is driven by duty changes announced in the FY 2016-2017 National Budget.

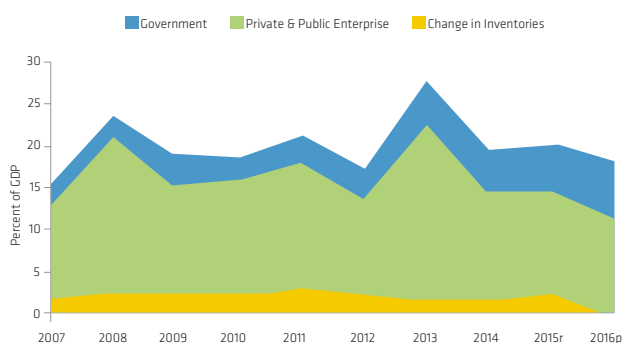
for consumption purposes rose by 21.2 percent, led by increased lending to both the wholesale, retail, hotels & restaurant (26.0%) and private individuals (6.3%) categories. Higher personal remittances (which noted a growth of 3.4%) together with improved labour market conditions also supported consumer spending. Net Value Added Tax collections in the FY 2017-2018 rose by 12.3 percent to \$788.8 million driven by increased domestic, customs import VAT and other government department VAT collections.

Looking ahead, consumer spending is expected to remain buoyant supported by accommodative monetary policy, the ongoing Government's Cyclone Assistance Relief Effort (CARE) programmes¹⁴ and expansionary fiscal policies as per the FY 2018-2019 National Budget.

Partial indicators of investment indicated mixed outcomes over the FY. Similarly, in the FY 2017-2018, commercial banks' new lending for investment purposes rose by 3.5 percent, mainly attributed to the growth in new lending to the real estate (19.6%) sector which more than offset the reduction in the building & construction (-16.1%) sector.

In the near-term, investment activity is projected to pickup owing to post disaster rehabilitation works¹⁵, ongoing private and public sector projects including investment initiatives announced in the FY 2018-2019 National Budget.

Investment



Source: Fiji Bureau of Statistics

Government has projected a lower net deficit of \$414.2 million (-3.5% of GDP) for the FY 2018-2019, emanating from a budgeted expenditure of 39.8 percent of GDP and budgeted revenue of 36.3 percent of GDP. Higher salaries & wages (\$1,093.2m), operating grants & transfers (\$839.9m) and increased transfer payments on capital construction (\$1,308.2m) underpin the higher budgeted Government spending for the new fiscal year.

Total Government debt stood at 47.5 percent of GDP in the FY 2017-2018, higher than the 47.2 percent recorded in the same period last year.

The RBF's Job Advertisements Survey¹⁶ revealed favourable conditions for the labour market. The number of vacant positions advertised rose over the FY to July 2018 by 2.6 percent as higher demands were noted for the community, social & personal services, manufacturing, electricity & water and mining & quarrying sectors.

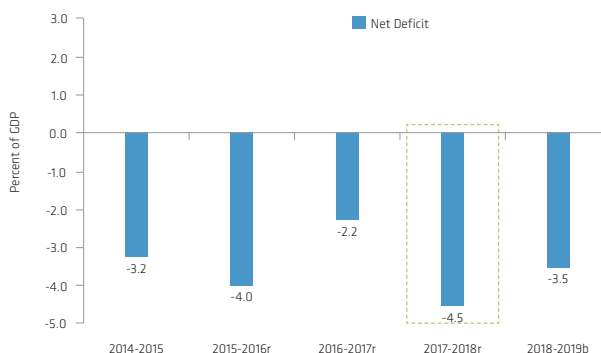
¹⁴ This includes a wide range of assistance packages such as the eTransport CARE, Homes CARE, Farms CARE, Welfare CARE, Sugarcane CARE and Leaseholders CARE.

¹⁵ Homes CARE initiative activated by Government to assist in rehabilitation.

¹⁶ This is based on both the Fiji Times and Fiji Sun advertised vacant positions.

¹⁷ 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 (r) represents revised amount.

Government Balance¹⁷



Source: Ministry of Economy

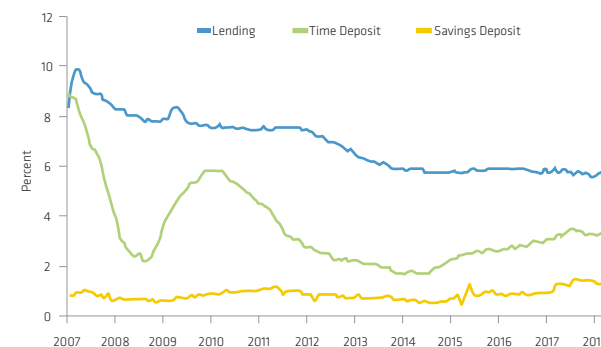
Inflation rose significantly to 4.7 percent in July 2018 compared to 2.0 percent in the same period in 2017. The outturn was driven by higher prices of alcohol, tobacco, yaqona, food and fuel. Taking into account the expected surge in global crude oil prices and duty increases on alcohol & tobacco and sweetened and carbonated drinks announced in the FY 2018-2019 National Budget, the year-end inflation projection for 2018 is around 5.0 percent.

Financial conditions remained firm with adequate levels of liquidity and prevailing low interest rates that supported economic activity. At the end of July 2018, bank liquidity remained at adequate levels (\$496.9m). In the same period, commercial banks' weighted average outstanding lending rate fell over the year to 5.68 percent (from 5.75%) while new lending rate rose to 5.80 percent from 5.77 percent a year ago.

The commercial banks' existing time deposit and savings deposit rates increased to 3.36 percent and 1.41 percent from 3.35 percent and 1.28 percent, respectively, over the same period.

Annual growth in broad money in the year to July 2018 fell to 2.9 percent from 10.5 percent in the corresponding period last year. This was led by a slowdown in annual growth of net foreign assets to 5.6 percent compared to a growth of 16.4 percent in July 2017. The growth in net domestic credit also contributed to the slowdown, falling to 7.5 percent in July 2018 compared to 9.1 percent for the same period in 2017.

Commercial Banks' Lending and Deposit Rates



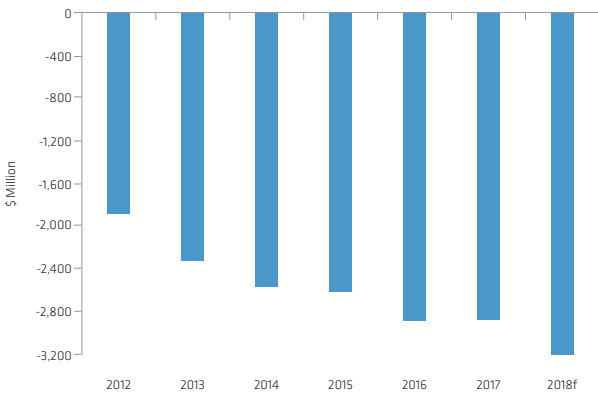
Source: Reserve Bank of Fiji

Cumulative to June 2018, total exports (excluding aircraft) rose on an annual basis by 5.1 percent (to \$965.8m) while total imports (excluding aircraft) grew by 10.2 percent (to \$2,552.6m).

The higher re-exports and exports of woodchips, gold, yaqona and paints & chemicals underpinned the positive outturn in exports while increased imports for machinery & transport equipment, chemicals, mineral fuels, crude materials, manufactured goods, beverages & tobacco and oils & fats underpinned the growth of imports.

Thus, the merchandise trade deficit (excluding aircraft) widened by 13.6 percent to \$1,586.8 million cumulative to June, compared to a 16.1 percent widening in the same period a year ago.

Trade Deficit



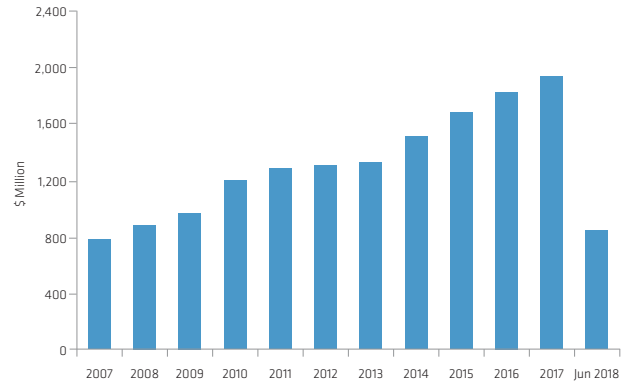
Sources: Fiji Bureau of Statistics and Reserve Bank of Fiji

The current account deficit (excluding aircraft) is estimated to have increased to \$725.7 million (6.6% of GDP) in the FY 2017-2018 from \$553.0 million (5.4% of GDP) in the FY 2016-2017. This is underpinned by a deterioration in the trade deficit (led by mineral fuel imports) and primary income balance which more than offset improvements in tourism receipts and personal remittances.

In the year to June, tourism earnings grew by 4.6 percent to \$838.5 million, compared to a 6.1 percent growth in the same period in 2017. The growth was mainly led by increased

earnings from India, China, Canada and Continental Europe. Nevertheless, Australia still accounts for bulk of the tourism earnings. Tourism earnings are forecast to be around \$1,944.2 million in 2018.

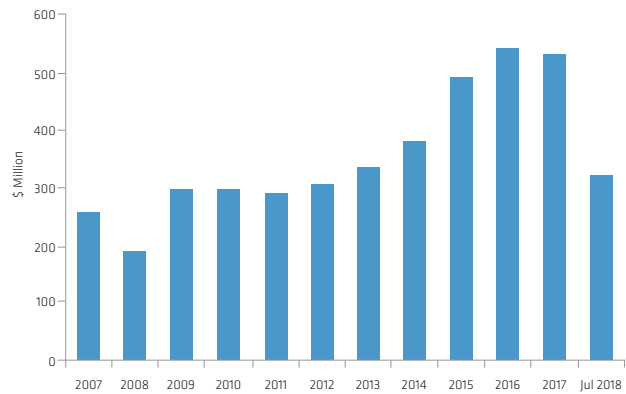
Tourism Earnings



Source: Fiji Bureau of Statistics

Cumulative to July 2018, inward remittances rose by 7.4 percent to \$319.5 million compared to a 1.6 percent decline in the same period last year. The higher outcome was largely contributed by personal receipts (116.8%) followed by gifts, maintenance & donations (11.1%) which offset the decline in immigration transfers (-16.7%).

Personal Remittances



Source: Reserve Bank of Fiji

Mission

Conduct Monetary Policy To Foster Economic Growth

The RBF 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 maintained its accommodative monetary policy stance during the FY 2017-2018 to support domestic demand and enhance economic growth. Developments in the domestic economy and monetary policy formulation continued to reflect changes in the global economy and major trading partner performances.

The economy registered a growth of 1.8 percent in the FY 2016-2017, despite the devastating impact of Tropical Cyclone (TC) Winston that struck the economy in early 2016. Inflation was mainly domestic driven as prices of agricultural produce stayed high. For the FY 2017-2018, growth is expected to increase to 3.4 percent, mainly driven by public administration & defence; construction; wholesale & retail trade; information & communication and the financial & insurance activities sectors. Aggregate demand remained buoyant backed by strong consumption while investment outlook is positive despite the mixed outcomes by partial indicators. Consistent with growth expectations, monetary and credit aggregates rose at a softer pace during the year, due to base-related effects, however, the RBF continued to closely monitor the developments in the domestic financial system.

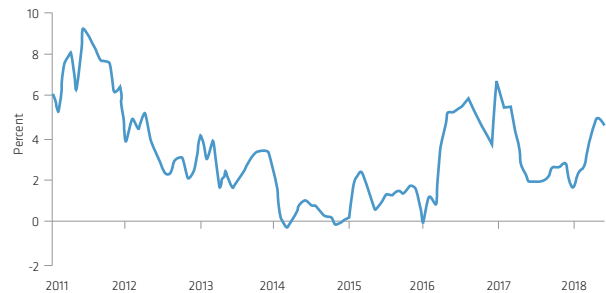
Given the favourable near-term outlook for inflation and foreign reserves, the Reserve Bank kept the OPR at 0.5 percent to support domestic activity and growth.

Monetary Policy Outcomes for 2017-2018

The Reserve Bank's twin objectives remained intact in the FY 2017-2018. Ample liquidity was maintained in the banking system, supported by a generally low interest rate environment. New lending for consumption purposes and new investment lending remained positive. However, growth in broad money slowed mainly due to the contraction of net foreign assets (-0.9%).

In the FY 2017-2018, inflation averaged 3.1 percent led by higher prices of yaqona, alcohol and fuel. The impact of natural disasters¹⁸ in April and the upswing in global crude oil prices have resulted in the increase in inflation from 1.5 percent in January 2018 to a high 4.7 percent in July 2018.

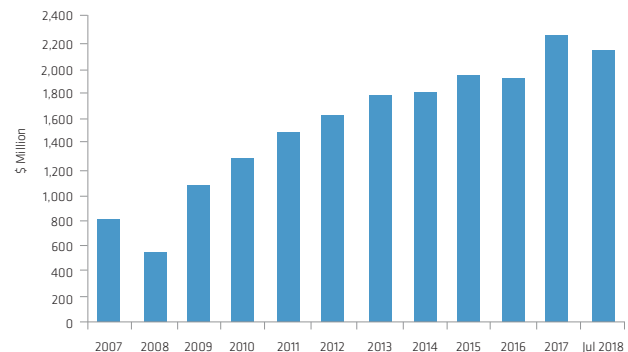
Inflation (Annual Percent Change)



Source: Fiji Bureau of Statistics

The increased payments for mineral fuel due to rising global crude oil prices led to a decline in the level of foreign reserves in the first half of 2018, however, the import coverage remained adequate. At the end of July 2018, foreign reserves were \$2,161.9 million, sufficient to cover 5.0 months of retained imports of goods and non-factor services.

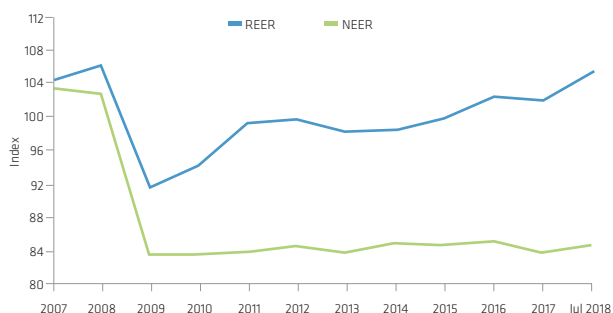
Foreign Reserves



Source: Reserve Bank of Fiji

In the FY 2017-2018, the Fiji dollar appreciated against the NZ (5.3%) and the Australian (3.2%) dollars, but depreciated against the US dollar (-4.3%), the Japanese Yen (JPY) (-3.9%) and the Euro (-3.9%), which led to a 0.7 percent increase in the NEER Index. Similarly, the Real Effective Exchange Rate (REER) Index also increased (3.5%) as domestic prices were relatively higher than trading partner countries over this period.

¹⁸ TC Josie and Keni and the flooding that followed.

REER/NEER (Monthly Average)

Source: Reserve Bank of Fiji

Monetary Policy Implementation**Open Market Operations**

In line with the Reserve Bank's accommodative monetary policy stance, the OPR was kept unchanged at 0.5 percent throughout the FY 2017-2018. Consistent with this policy stance, there has been no auctioning of RBF Notes for the period under review and subsequently, no associated cost to monetary policy.

Management of Foreign Reserves

The RBF is conferred the custodial and management authority of the country's foreign reserves by the RBF Act (1983). As a core function of the Bank, the management of foreign reserves is undertaken with the objectives of preserving capital, ensuring adequate liquidity and optimising returns, respectively.

Foreign reserves are principally maintained in the currencies of the Fiji dollar basket, namely the US, Australian and NZ dollars, the JPY and the Euro. The Bank also retains IMF Special Drawing Rights and minimal portions of gold and the British Pound.

The global economy remained resilient throughout the financial year despite the emergence of significant downside risks to the global economic recovery. Protectionist policies of the US government, which include an outright trade war with China have been at the core of global uncertainties. The rise of nationalism in the developed world has also been a major driver of financial market movements over the year. Additionally, the ongoing lack of clarity on the United Kingdom's (UK) exit from the European Union remains a key risk for the medium-term.

The US Federal Reserve continues to lead the path towards normalisation of the global monetary policies, having raised policy rates three times over the past year. The ECB also provided a definitive timeline for the end of its quantitative easing programme while the central banks of Australia and New Zealand provided indications that the bottom of their current monetary easing cycle has been reached. Consequently, bond yields and equities have generally trended higher during the year. However, inflationary pressures have not transpired, which may limit the tightening phase of major central banks. Thus, the low interest rate environment may remain a key challenge for foreign reserves management over the next year.

Gross foreign reserves (RBF holdings) attained a historical high of \$2,445.1 million in September of 2017. Reserves averaged around \$2,242.2 million during the FY 2017-2018, higher than the \$2,031.0 million average of the previous financial year.

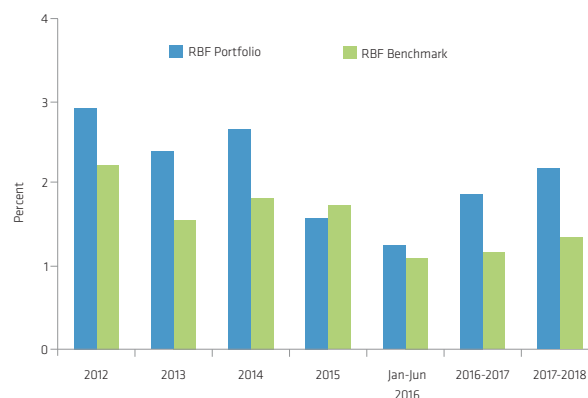
Investible reserves, which accounted for 91.5 percent of gross foreign reserves, was also higher averaging F\$2,051.8 million compared to the average of F\$1,843.0 million in the prior year.

Return on External Reserves

	Jan-Jul 2016	Aug 2016-Jul 2017	Aug 2017-Jul 2018
Net Foreign Exchange Income (\$M)	21.7	41.7	45.0
Average Month-End Level of Investible Reserves (\$M)	1,778.0	1,843.0	2,051.8
Return on Investible Reserves (%)	2.09	2.26	2.19

Source: Reserve Bank of Fiji

Net foreign exchange income for the FY 2017-2018 was \$45.0 million, representing a return on investible reserves of 2.19 percent. This was slightly lower than the 2.26 percent annualised return recorded in the FY 2016-2017.

Performance of RBF Benchmark and Portfolio

Source: Reserve Bank of Fiji

For the financial year, the Bank's foreign investment portfolio recorded a return of 2.20 percent, outperforming the benchmark portfolio return of 1.36 percent.¹⁹

The impact of movements in exchange rate on the value of foreign reserves is captured in the Bank's RRA and reflected on the balance sheet. To hedge against exchange rate volatility, foreign reserve assets are aligned closely to the composition of the Fiji dollar basket currencies.

In accordance with the RBF Act (1983), the Bank transfers a fifth of the year-end balance in the RRA to the Government. At the end of July 2018, the RRA balance was \$9.8 million, of which \$2.0 million was transferred to Government in the FY 2018-2019. This compares with \$2.1 million that was transferred in the FY 2017-2018.

Exchange Rates

The value of the Fiji dollar relative to the US dollar and other Fiji dollar basket currencies (AUD, EUR, NZD and JPY) is set by the Bank daily. These rates are made available on the RBF website, Thomson Reuters and Bloomberg platforms. Local commercial banks use these official exchange rates to determine trading rates at which they transact foreign exchange with customers. Retail spreads on all basket

¹⁹ The benchmark portfolio uses a customised version of the JP Morgan Index.

currencies are regulated by the Bank.

Foreign Exchange Derivative Markets

Commercial banks can offer forward exchange and swap contracts to customers, while options contracts may be offered upon application to the Bank. The Bank continued its monitoring of transactions in the derivatives market to ensure compliance with the Foreign Currency Derivatives guidelines.

Foreign Currency Receipts and Payments

The Bank continued to deliver foreign currency banking services to the Fijian Government and statutory bodies as well as supranational organisations²⁰ and other central banks during the year.

Exchange Control

In light of the favourable outlook on foreign reserves, the Bank continued to ease exchange controls by increasing delegations to Authorised Dealers. The changes were aimed at improving operational efficiency and boosting investor confidence.

The Bank also continued to monitor compliance by Restricted Foreign Exchange Dealers (RFED) and exporters. Spot checks were carried out on their operations and exporter meetings were held to ensure compliance with the regulations. A total of \$2,001 million of outstanding export receipts, representing more than 90.0 percent reconciliation rate, were reconciled during the year.

During the year, the Bank completed the training of authorised foreign exchange dealers on the newly developed Exchange Control e-Service system. The automated system is easily accessible and user friendly and has modernised the manual application and approval system of transferring funds offshore. Customers will be able to lodge their e-forms for foreign exchange payments and receive their approvals online. Creating awareness of the new system is ongoing.

The Bank's participation in the Government's initiatives and programmes towards improving foreign investment facilitation and ease of doing business continued during the year.



²⁰ This includes the ADB, IMF and the International Bank for Reconstruction and Development.

Mission

Develop An Internationally Reputable Financial System

A safe and sound financial system is essential for a robust economy and is a pre-requisite for economic growth.

The entities supervised/licensed by the Reserve Bank include the commercial banks, credit institutions, insurance companies and insurance intermediaries, the FNPF, RFEDs & money changers, credit reporting participants, the South Pacific Stock Exchange (SPSE), unit trusts, stock brokers and capital market intermediaries.

Financial System Regulation and Supervision

Fiji's financial system noted a satisfactory performance in the FY 2017-2018, with financial soundness indicators supporting a satisfactory outlook. The banking industry remained stable and recorded growth in assets, while maintaining sufficient capital.

There was no major insurable natural catastrophic event in the financial year however, the general insurance industry continued to disburse progressive claims relating to TC Winston, TC Josie and TC Keni. Life insurers on the other hand experienced increased levels of policy maturities. Overall the insurance industry continued to meet solvency requirements with improved earnings performance.

Similarly, the FNPF as the single largest supervised entity continued to meet its solvency requirement under section 32 of the FNPF Act (2011).

Supervisory Developments

To enhance the regulatory and supervisory framework, the Reserve Bank continued to develop and review prudential policy statements.

Corporate governance supervision policies for the banking, insurance and capital markets industries underwent the second round of industry consultations and is envisaged to be implemented by the end of 2018.

For the insurance industry, a draft policy on the management of money laundering and terrorist financing risk was issued in May 2018 for industry consultation. A similar draft policy was issued to RFEDs for consultation in November 2017. These draft policies will be finalised and implemented in the new financial year.

The Reserve Bank granted the first licence under the Fair Reporting of Credit Act (2016) in March 2018 to a credit reporting agency. It is expected that this will bring benefits to both the lenders and borrowers by reducing information asymmetry between lenders and prospective borrowers. The Reserve Bank also commenced with the registration of credit information providers and credit report recipients.

During the year, the Reserve Bank released its first publication on Financial Sector Stability for Fiji. The publication is one of the key strategies under the Bank's Strategic Goal of Macroeconomic Stability earmarked in the Reserve Bank 2014-2018 Strategic Plan. The FSR aims to provide information to stakeholders on the probable sources of risks and vulnerabilities to the Fijian financial system from global and domestic factors and raise awareness on concerns that are material, for safeguarding the stability of the financial

system.

The IMF conducted the FSSR for Fiji with a scoping mission in November 2017 and the full mission in February 2018 with the objective of enhancing financial stability, financial sector deepening and inclusion. The final report was completed in June 2018 and the Bank will be working towards implementation of recommendations with the support of IMF technical assistance.

To promote a system-wide culture of good risk management, the Reserve Bank conducted the first thematic credit risk review of the licensed commercial banks from March to June 2018. The outcome of this review would be published in the 2018 RBF FSR.

As part of the Reserve Bank's supervisory framework, onsite examinations and spot checks of licensed financial institutions and RFEDs were carried out during the FY 2017-2018. These included two credit institutions, two insurance companies, four insurance brokers, all licensed capital markets entities and all licensed foreign exchange dealers.

The winding down of the National Bank of Fiji's Asset Management Bank (AMB) continued during the year.

Other supervisory developments included the ongoing review of the Credit Union Act (1954) which involved the second round of consultation with relevant industry stakeholders.

The Financial System

The total number of commercial banks operating in Fiji remained at six in 2018, comprising 68 branches and 126 agencies and agent banking centres. There was an increase in the number of Electronic Funds Transfer at Point of Sale (EFTPOS) terminals and Automated Teller Machines (ATMs) over the year from 6,079 to 6,277, denoting a wider access to cash and payment channels to the people of Fiji. The number of credit institutions remained at four and in July 2018, one licensed credit institution was listed on the SPSE.

The composition of the insurance industry remained unchanged with seven general insurers, two life insurers and four insurance brokers. However, the number of licensed insurance agents increased to 580 from 543 in June 2017.

In 2018, nine licensed RFEDs continued operations in Fiji while the number of money changers reduced to one over the year. The number of licensed players in the capital markets industry decreased to 20 in 2018 compared to 21 in 2017 while the number of intermediary representatives increased from 48 to 49 over the year.

Licensed Financial Entities including Branches/Agencies (Number)

	2014	2015	2016	Jun 2017r	Dec 2017	Jun 2018p
Commercial Banks	6	6	6	6	6	6
- Branches	71	72	70	70	69	68
- Agencies and Agent Banking	104	101	95	102	119	126
- ATMs	281	292	326	325	325	328
- EFTPOS	5,388	5,737	6,081	5,754	5,872	5,949
Credit Institutions	3	4	4	4	4	4
- Branches	13	15	17	16	17	18
- Agencies	0	1	0	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	404	498	526	543	537	580
Foreign Exchange Dealers	9	9	9	9	9	9
Money Changers	2	2	2	2	1	1
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	12	12	12	11
Stock Brokers	3	3	3	3	3	3
Dealers	3	3	3	3	3	3
Managed Fund Representatives	12	15	16	15	14	15
Stock Broker/Dealer Representatives	15	17	13	11	10	13
Investment Advisor Representatives	19	19	20	22	22	21

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

The Fijian financial system continued to grow in this review period with gross assets increasing by 8.1 percent to \$19.8 billion as at 30 June 2018. The banking industry accounted for the largest share of the total assets of the Fijian financial system, at 53.1 percent, followed by the FNPF (32.8%) and the insurance industry (8.4%).

Gross Assets of the Financial System (\$ Million)

	2014	2015	2016	Jun 2017r	Dec 2017	Jun 2018p
Regulated Financial Entities						
Commercial Banks	7,281	8,688	8,990	9,425	9,988	9,903
Credit Institutions	252	335	443	497	558	628
Insurance Companies	1,347	1,451	1,569	1,585	1,658	1,676
FNPF	4,846	5,244	5,496	5,882	6,139	6,511
Insurance Brokers	56	55	49	49	52	52
Capital Markets ¹	179	210	236	238	279	324
Total	13,961	15,983	16,783	17,676	18,674	19,094
Non-Regulated Financial Entities						
Non-Bank Financial Institutions ²	622	654	664	683	727	748
Total	622	654	664	683	727	748
Total Financial System³	14,583	16,637	17,447	18,359	19,401	19,842

¹ Includes Unit Trusts, SPSE and Stock Brokers.

² Includes Fiji Development Bank (FDB) and Housing Authority of Fiji (HA).

³ Excludes RBF. From July 2017 Annual Report, table includes Capital market assets.

Source: Reserve Bank of Fiji

Fiji's capital markets industry also expanded over the year by 25.6 percent to \$6.5 billion as at 30 June 2018.

Composition of the Capital Markets (\$ Million)

	2014	2015	2016	Jun 2017r	Dec 2017	Jun 2018p
Equities Market ¹	907	1,074	1,319	1,489	1,797	2,364
Unit Trust Market ²	174	205	227	244	271	315
Bonds Market ³	2,932	3,087	3,387	3,444	3,636	3,822
Total	4,013	4,366	4,933	5,178	5,704	6,501

¹ Based on the market capitalisation of the listed companies.

² Based on the funds under management.

³ Based on outstanding bonds.

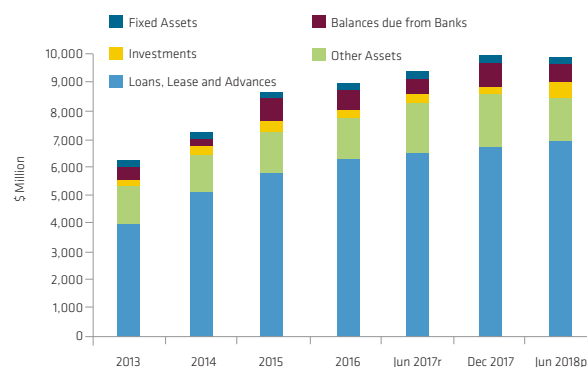
Source: Reserve Bank of Fiji

The Commercial Banking Industry

The commercial banking industry registered a satisfactory performance as at 30 June 2018 with acceptable levels of capital, asset quality, earnings and liquidity.

Combined total assets of the commercial banks increased by 5.1 percent and stood at \$9.9 billion as at 30 June 2018, largely underpinned by the growth in loans and advances (\$308.0m), balances due from banks (\$163.0m) and investments (\$144.0m). Other assets, on the other hand declined by 8.2 percent relative to the same period in 2017.

Credit growth continued, however at a slower pace of 4.7 percent to \$6.8 billion as at 30 June 2018, down from the growth rate of 11.0 percent noted in the prior year. Increased lending to private sector business entities and private individuals largely contributed to the increase in loans and advances (including leases, bills receivable and foreign currency loans).

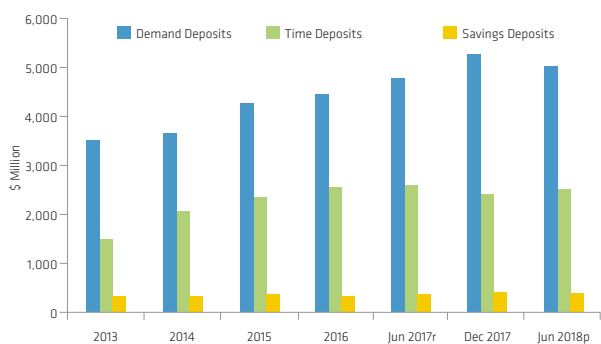
Commercial Banks' Assets

Source: Reserve Bank of Fiji

Private individuals accounted for the majority of the commercial banks' lending portfolio at 30.1 percent, followed by wholesale, retail, hotels and restaurants (20.6%), real estate (14.6%), building and construction (10.4%) and manufacturing (7.4%).

Commercial banks' balances with the Reserve Bank stood at \$1.3 billion at the end of June 2018, which comprised \$789.5 million in SRD and \$470.1 million in exchange settlement accounts.

Components of Deposits

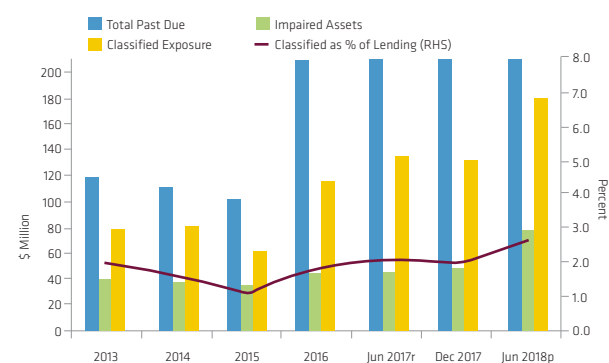


Source: Reserve Bank of Fiji

Major funding of commercial banks' lending continued to be from deposits, which increased over the year by 2.7 percent to a record high of \$7.9 billion as at 30 June 2018. This was attributed to the increase in savings deposits and demand deposits by 14.5 percent and 5.0 percent, respectively while time deposits declined by 2.9 percent over the year.

As at 30 June 2018, all commercial banks complied with the minimum capital adequacy requirement of 12.0 percent, reporting a combined capital adequacy ratio of 15.7 percent.

Asset Quality



Source: Reserve Bank of Fiji

Classified exposures of commercial banks increased by 34.5 percent over the year to \$181.4 million. Despite the increase, asset quality remained satisfactory as classified exposures only made up 2.7 percent of gross loans and advances, as at 30 June 2018.

Total specific provisions increased to \$73.2 million as at 30 June 2018 from \$68.5 million in 2017. The levels of specific provisions to classified exposures stood at 40.4 percent compared to 50.8 percent in 2017. Moreover, the general reserves for credit losses (GRCL) represented 1.1 percent of net loans.

Total past due loans and advances of commercial banks stood at \$321.5 million as at 30 June 2018, up by 47.9 percent from the 2017 levels, with the majority (75.4%) in the one to three months category.

Commercial banks' problem loans were concentrated in the building and construction (24.5%), private individuals (23.3%), wholesale, retail, hotels and restaurants (18.1%), transport and storage (10.1%) and real estate (8.6%) sectors.

Summary of Commercial Banks' Profitability (\$ Million)

	2014 ¹	2015 ¹	2016 ¹	Jun 2017r ²	Dec 2017	Jun 2018p ²
Interest Income	290.5	321.5	360.0	189.8	386.9	201.7
Interest Expense	58.0	88.6	101.1	60.9	130.4	68.0
Net Interest Income	232.5	232.9	258.9	128.9	256.5	133.7
Add: Non Interest Income:	184.3	209.8	204.9	115.5	231.3	117.0
Income from Overseas Exchange Transactions	69.2	78.7	80.5	38.4	84.0	44.1
Commission	14.0	15.5	14.0	8.1	14.5	8.6
Fee Charges	78.9	83.0	83.1	40.0	85.2	44.6
Other Income	22.2	32.6	27.3	29.0	47.6	19.7
Total Operating Income	416.8	442.7	463.8	244.4	487.9	250.7
Less: Operating Expenses	224.8	236.9	237.0	125.2	245.6	128.2
Less: Bad debts and Provisions	35.0	13.2	22.0	13.0	24.8	5.6
Profit Before-Tax and Extraordinary Items	157.0	192.6	204.8	106.2	217.5	116.8
Less: Tax	32.0	39.2	44.2	21.1	46.4	24.4
Net Profit After-Tax	125.0	153.4	160.6	84.9	171.1	92.4
Add/Less: Extraordinary Items	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit After-Tax and Extraordinary items	125.0	153.4	160.6	84.9	171.1	92.4
Average Assets	6,599.0	7,681.7	8,446.7	8,872.6	9,148.4	9,540.6
After-Tax Return on Equity (%)	19.5	19.6	18.4	18.0	17.7	18.0
Efficiency (%)	53.9	53.5	51.1	51.2	50.3	51.2
Yield on Earning Assets (%)	5.0	4.8	4.8	4.8	4.8	4.8
Cost of Funding Liabilities (%)	1.0	1.3	1.3	1.6	1.6	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

Net profit before-tax of commercial banks' stood at \$116.8 million for the 6 months ending 30 June 2018, compared to \$106.2 million in the corresponding period of 2017. The annualised return on equity (ROE) ratio marginally fell to 18.0 percent while return on assets (ROA) and efficiency ratios (annualised) remained at 1.9 percent and 51.2 percent, respectively as at 30 June 2018.

Commercial Banks' Profitability (% of Average Assets)

	2014 ¹	2015 ¹	2016 ¹	Jun 2017r ²	Dec 2017	Jun 2018p ²
Net Interest Income	3.5	3.0	3.1	2.9	2.8	2.8
Charges for Bad & Doubtful Debts	0.5	0.2	0.3	0.3	0.3	0.1
Non-interest Income	2.8	2.7	2.4	2.6	2.5	2.5
Operating Expenses	3.4	3.1	2.8	2.8	2.7	2.7
Net Profit Before-Tax	2.4	2.5	2.4	2.4	2.4	2.4
Net Profit After-Tax	1.9	2.0	1.9	1.9	1.9	1.9

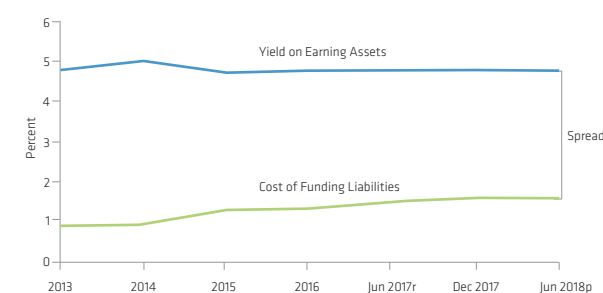
¹ Calendar year profits for all commercial banks used.

² 6 months profits for all commercial banks used.

Source: Reserve Bank of Fiji

The annualised interest spread decreased to 3.2 percent at the end of June 2018 from 3.3 percent in the same period in 2017. The yield on earning assets remained at 4.8 percent, with cost of funds at 1.6 percent.

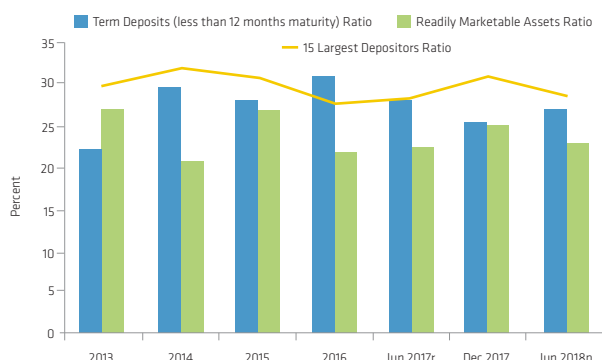
Commercial Banks' Annual Spread



Source: Reserve Bank of Fiji

As at 30 June 2018, the commercial banks' liquid assets stood at \$1.8 billion from \$1.7 billion in the same period in 2017. Liquid assets comprised deposits with banks and at call (37.8%), exchange settlement account (25.6%), investments (25.1%) and cash (11.5%).

Deposits Coverage



Source: Reserve Bank of Fiji

Credit Institutions

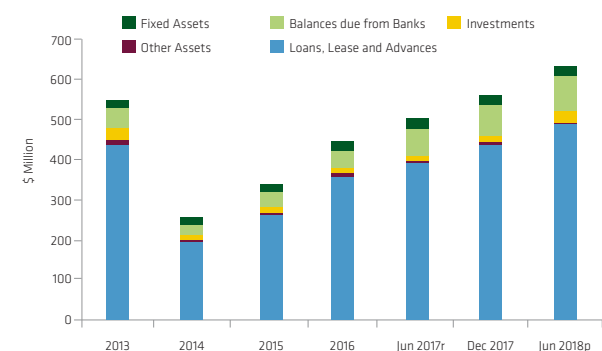
Credit institutions' performance was assessed as marginal based on strong capital, satisfactory levels of earnings, poor asset quality position and marginal liquidity.

Combined total assets of credit institutions grew by 26.3 percent to \$628.0 million as at 30 June 2018. All categories of assets noted increases, with growth mainly in loans and advances, balances due from banks and investments.

Credit growth remained upbeat with loans and advances increasing to \$484.2 million from \$391.0 million in the corresponding period of 2017. Private individuals and private sector business entities recorded the highest increases at 39.3 percent and 17.4 percent, respectively.

The total investment portfolio of the credit institutions was \$28.1 million, up from \$12.4 million in the prior year. Government bonds continued to account for the major share of investments at 77.4 percent.

Credit Institutions' Assets



Source: Reserve Bank of Fiji

Deposits of credit institutions continued to grow and stood at \$415.5 million at the end of June 2018, an increase of \$94.3 million from the same period in 2017. Deposits from private individuals and private sector business entities accounted for the majority of credit institutions' deposits at 31.9 percent and 30.0 percent, respectively.

Credit institutions' combined capital adequacy ratio stood at 22.5 percent as at 30 June 2018, above the regulatory minimum requirement of 15.0 percent.

Classified exposures increased by 12.0 percent to \$45.9 million. However, the ratio of classified exposures to gross loans decreased to 9.5 percent from 10.5 percent in the corresponding period of 2017 largely attributed to a greater increase in gross loans and advances.

Past due loans of credit institutions stood at \$72.4 million, the majority (68.5%) of which are one to three months category.

Credit institutions' total specific provisions (individually and collectively assessed) stood at \$16.1 million and covered 35.1 percent of classified exposures, at the end of June 2018. GRCL represented 1.1 percent of net loans.

Summary of Credit Institutions' Profitability (\$ Million)

	2014 ¹	2015 ¹	2016 ¹	Jun 2017r ²	Dec 2017 ²	Jun 2018p ²
Interest Income	31.8	34.6	49.6	30.2	64.0	38.5
Interest Expense	5.8	6.3	10.7	6.9	15.2	9.5
Net Interest Income	26.0	28.3	38.9	23.3	48.8	29.0
Add: Non Interest Income	2.4	2.9	4.2	2.2	4.1	2.4
Commission	0.0	0.2	0.8	0.4	0.8	0.4
Fee Charges	1.4	1.9	2.0	0.9	1.8	1.4
Other Income	1.0	0.8	1.4	1.0	1.5	0.6
Total Operating Income	28.4	31.2	43.1	25.5	52.9	31.5
Less: Operating Expenses	9.6	13.3	17.3	9.5	20.0	12.0
Less: Bad debts and Provisions	1.3	1.2	6.3	3.6	5.4	2.6
Profit Before-Tax	17.5	16.7	19.5	12.4	27.5	16.8
Less: Tax	3.4	3.8	4.1	2.5	5.7	1.1
Net Profit After-Tax	14.1	12.9	15.4	9.9	21.8	15.8
Earning Assets	221.7	299.3	392.7	444.4	500.2	565.2
Cost of Funds	152.2	225.0	314.3	355.4	401.5	456.7
Average Assets	299.5	269.5	371.9	450.0	479.2	568.8
After-Tax Return on Equity (%)	18.1	17.2	18.9	22.1	23.1	28.8
Before-Tax Return on Asset (%)	5.8	6.2	5.2	5.5	5.7	5.9
Efficiency (%)	33.7	42.5	40.1	37.1	37.8	38.3
Yield on Earning Assets (%)	11.3	13.7	14.3	14.4	14.3	14.5
Cost of Funding Liabilities (%)	2.8	3.5	4.0	4.2	4.2	4.4

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 net profit before-tax of \$16.8 million for the 6 months ending 30 June 2018, an increase of \$4.4 million from the same period in 2017. The ROE and ROA ratios (annualised) improved to 28.8 percent and 5.9 percent, respectively. Efficiency ratio for the credit institutions' industry increased to 38.3 percent as at 30 June 2018 from 37.1 percent in the corresponding period of 2017.

The annualised interest spread of credit institutions decreased to 10.1 percent from 10.3 percent, following an increase in cost of funding liabilities.

Liquid assets expanded by 43.9 percent over the year to \$112.6 million as at the end of June 2018. The liquid assets comprised deposits with banks (75.1%) and investments (24.9%).

The Insurance Industry

The insurance industry registered sustained growth in the review period in terms of profitability and solvency. As at 30 June 2018, the life insurance sector recorded a solvency surplus of \$334.8 million, while the general insurance sector's solvency surplus stood at \$89.6 million. Both the life and general insurance sectors continued to comply with the mandated solvency requirements.

The insurance industry's total assets grew over the year to 30 June 2018 by 5.7 percent to \$1.7 billion. The life insurance sector's total assets grew by 8.8 percent to \$1.3 billion, due to further placements in government securities and bank deposits and appreciation in equity investments. However, total assets of the general insurance sector stood at \$386.3 million, decreasing by 3.3 percent, attributed to recoveries from reinsurers on settlement of large claims.

The domestic insurers' net premium income aggregated to \$280.4 million for the period ending 30 June 2018. During the year, the net premium income for the general insurance sector increased by 2.6 percent to \$145.6 million while total life insurance premium income decreased by 1.9 percent to \$134.8 million. The general insurers accounted for 51.9 percent of the combined net premium income.

During the review period, the insurance industry's combined net policy and claim payments increased by 10.3 percent to \$225.0 million, attributed to the increases in life insurers' policy payments and the general insurers' claim payments to \$122.2 million and \$102.8 million, respectively.

The insurance broking industry continued with offshore placements of insurance covers assessed to be not available locally. During the year ending 30 June 2018, 1,764 applications with premiums amounting to \$50.7 million were placed with offshore insurers compared to 1,665 applications with premiums of \$40.5 million in the prior 12 months.

Fiji National Provident Fund

The overall financial position of the Fund was assessed as acceptable during the review period as the solvency requirements under the FPNF Act (2011) continued to be satisfactorily met. This is supported by the growth in net surplus position, consistent interest rate credited to members and increase in return on investments (ROI).

The FPNF, being the single largest financial institution represented 32.8 percent of the financial system assets as at 30 June 2018. The Fund's balance sheet noted an annual growth of 10.7 percent to \$6.5 billion attributed to the expansion (\$732.6m) in the Fund's investment portfolio.

The Fund's investment portfolio continued to dominate the asset base of the Fund at \$5.9 billion, a growth of 14.1 percent (\$732.6m) over the year. This was largely attributed to the increases in both the growth (\$176.8m) and fixed income

(\$555.8m) asset portfolios. Government securities registered the highest growth of \$307.1 million to \$2.6 billion followed by local equities, which grew by \$197.8 million to \$1.1 billion.

Total member balances grew over the year by 12.4 percent to \$5.2 billion, compared to a growth of 12.2 percent in 2017. This increase was due to a relatively higher growth in contributions (\$49.9m) and higher interest payment (\$280.0m) credited to members as at 30 June 2018.

Total contributions received as at 30 June 2018 amounted to \$595.9 million, averaging around \$49.7 million per month. This was higher than the total contributions of \$546.2 million collected for the same period in 2017.

The credited interest rate (6.35%) declared for FY 2018 was equivalent to the rate declared last year and has been on an upward trend over the last five financial years.

The consistency in the interest rate declared is reflective of improved returns by the Fund's investment portfolio with gross investment income recorded at \$418.2 million for the financial year ended 30 June 2018, a \$77.1 million increase from 2017 and equivalent to a 6.8 percent ROI compared to 6.2 percent in June 2017.

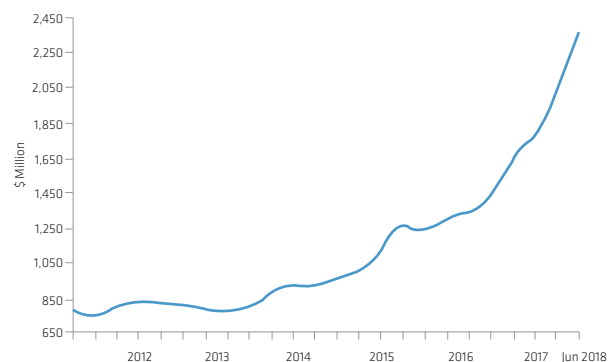
Given the Fund's systemic significance and in ensuring the sustained effectiveness of its reform actions, the Reserve Bank continued its closer monitoring of the institution during the year. In this regard, monthly prudential consultations on key significant activities, high risk areas of the Fund and follow-ups on the implementation of the Reserve Bank's previous onsite recommendations were undertaken.

Capital Markets

The stock market experienced a higher level of trading activity in the year ending June 2018 compared to the preceding year, consequently reflected in the increased volume and value of shares traded on the SPSE.

Market capitalisation reached an all-time high of \$2.4 billion, increasing from \$1.5 billion as at 30 June 2017. This was attributed to increases in the share price of 18 of the 19 listed securities. The top five listed securities, in terms of market capitalisation, accounted for 86.5 percent of the stock market as at the end of June 2018.

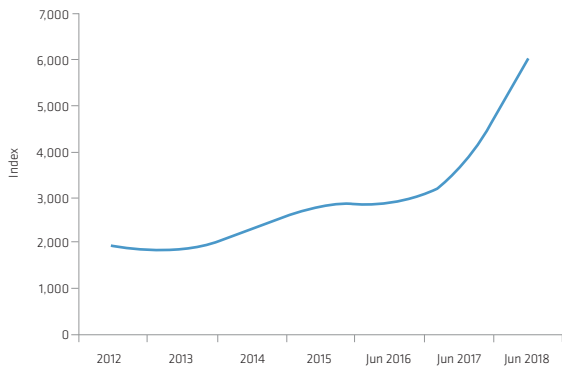
Market Capitalisation



Source: South Pacific Stock Exchange

The SPSE Total Return Index, which measures the stock market performance in terms of total returns, increased by 64.0 percent to 5,973.25 from 3,642.27 as at 30 June 2017, in line with the increase in market capitalisation. The increase was due to positive price movements of securities coupled with dividend returns.

SPSE Total Return Index

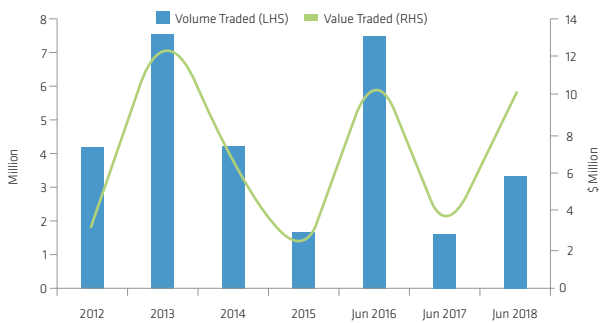


Source: South Pacific Stock Exchange

During the year, 3.4 million shares valued at \$10.2 million were transacted through 1,727 trades, compared to 1.6 million shares valued at \$3.8 million via 1,149 trades for the same period in 2017.

This excludes 11 special crossing transactions conducted during the year for four listed securities with a total volume of 7.9 million shares valued at \$11.1 million.

Volume and Value of Shares Traded²¹



Source: South Pacific Stock Exchange

The average dividend yield on the listed shares as at 30 June 2018 stood at 3.7 percent compared to 4.7 percent for the same period in 2017. However there was a significant increase in capital growth, which stood at 35.0 percent compared to 8.2 percent in 2017. The 2018 capital growth is the highest rate recorded since 2010.

The buy-to-sell order ratio as at 30 June 2018 was 1:3 compared to 1:0.5 as at the end of June 2017. The ratio is reflective of the number of high volume sell orders relative to the excess of quantity of bids in the prior year.

Funds under management for the MIS market as at 30 June 2018 stood at \$314.6 million, representing an increase of 28.7 percent from \$244.4 million as at 30 June 2017. The increase resulted from the continuous growth in unit sales which surpassed the level of redemptions by \$24.7 million and the growth in reserves by \$46.4 million that mainly stemmed from the appreciation of growth assets.

Listed securities continued to dominate the MIS investment portfolio, at 38.1 percent, followed by unlisted securities (23.2%), term deposits held at financial institutions (20.9%), bonds (11.3%), loans and receivables (5.7%) and property (0.8%).

Net profit for the MIS industry recorded an increase of 20.9 percent to \$9.8 million for the year ended 30 June 2018. This was attributed to a \$2.3 million increase in investment income arising from higher dividend and interest returns, which outweighed the increase in investment expenses of \$0.6 million. However, ROI slightly declined from 5.1 percent in 2017 to 4.7 percent in 2018 due to the larger increment in the industry's investment portfolio compared to investment income.

The number of unit holders as at 30 June 2018 was 33,292, a 12.6 percent growth from 2017. 72.9 percent of the unit holders were private individuals while 27.1 percent consisted of institutions and other groups.

Complaints Management

In the FY 2017-2018, 99 complaints against licensed financial institutions (LFIs) were referred to the Reserve Bank, an annual increase of 6.5 percent. The majority of these related to commercial banks and insurance companies.

Consumer complaints against commercial banks were around credit product key terms and conditions, product features and other fees and charges. Complaints against insurers mainly related to motor vehicle claims handling processes. To address these complaints, the Bank held 102 meetings with complainants, LFIs and other partner organisations. In total, 88 complaints were resolved by 30 July 2018.

The Complaints Management Forum met twice in the FY 2017-2018 to discuss consumerism and market conduct issues at an industry level.

²¹ This graph excludes Special Crossing Transactions.

Combating Money Laundering

The FTR Act and the FTR Regulations are Fiji's primary laws for combating money laundering 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 and is the lead agency in Fiji on anti-money laundering (AML) and combating 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 FIU supervises all other providers of financial services that are not supervised by the RBF, 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 23 ad-hoc policy advisories during the year. These policy advisories explained various requirements of the FTR Act and Regulations. Most of the ad-hoc policy advisories were related to customer identification requirements of the relevant AML and CFT laws. There are currently 122 registered AML compliance officers from financial institutions and DNFBPs covered under the FTR Act.

During the year, the FTR Act was amended to further clarify the provisions on directors' liability for breaches by financial institutions of the FTR Act.

Section 40(1) of the FTR Act states that if a body corporate (reporting financial institution) commits an offence under the FTR Act and the Regulations then a director (including an officer, employee, agent and consultant) also commits the offence and is liable to the prescribed penalty whether or not the body corporate is prosecuted or convicted for that offence if the director fails to prove that he or she had taken all reasonable steps to prevent the commission of the offence by the body corporate.

Three enforceable guidelines were also issued during the year by the FIU which provided further AML requirements for financial institutions and DNFBPs.

The FIU also conducted onsite compliance assessments of eight law firms. The FIU also provided information and support to the RBF supervision team for their onsite compliance programmes. 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 2018, the FIU received 566 suspicious transaction reports (STRs) from various financial institutions and DNFBPs.

Suspicious Transactions Reported to the FIU (Number)

	2014	2015	Jan-Jul 2016	Aug 2016-Jul 2017	Aug 2017-Jul 2018
STRs	384	516	275	745	566

Source: Financial Intelligence Unit

The majority of STRs received was from commercial banks and the most common grounds of unusual and suspicious transactions were on tax evasion, fraud and cybercrime activities.

Reporting Financial Institutions FY 2017-2018 (Number)

Reporting Financial Entities or Persons	No. of STRs Received
Commercial Banks	328
Money Remittance Service Providers ¹	171
Finance Companies	12
Insurance & Superannuation	6
Regulatory Authorities	5
Law Firms	4
Securities and Unit Trust	3
Real Estate Businesses	2
Others	35
Total	566

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

Source: Financial Intelligence Unit

The FIU referred 528 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				
	2014	2015	Jan-Jul 2016	Aug 2016-Jul 2017	Aug 2017-Jul 2018
FRCS	165	171	88	88	390
Fiji Police Force	77	63	33	78	98
Immigration	1	1	2	4	9
Others ¹	10	20	12	64	31
Total	253	255	135	234	528

¹ Includes RBF, Transnational Crime Unit, Fiji Independent Commission Against Corruption (FICAC), 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.²²

The FIU received 640,478 cash transaction reports (CTRs) and 1,295,105 international electronic fund transfers reports (EFTRs) during the FY 2017-2018.

Cash Transactions and Electronic Fund Transfers Reported (Number)

No. of Reports Received	2014	2015	Jan-Jul 2016	Aug 2016-Jul 2017	Aug 2017-Jul 2018
CTRs	1,042,074	579,849	333,037	616,191	640,478
EFTRs	1,308,633	1,029,993	618,723	1,216,835	1,295,105

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 \$10,000 and above.

The FIU received 806 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

Persons Declaring	2014	2015	Jan-Jul 2016	Aug 2016-Jul 2017	Aug 2017-Jul 2018
Declarations made by inbound travellers	231	187	166	306	406
Declarations made by outbound travellers	326	304	171	403	400
Total	557	491	337	709	806

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 106 requests from Government agencies for due diligence and background checks on persons or entities of interest in the FY 2017-2018.

Background checks were carried out on 91 business entities and 231 individuals.

Requests for Background Checks from National Agencies - FY 2017-2018 (Number)

Requesting Agency	Number of Requests	Number of Checks on Entities	Number of Checks on Individuals
Ministry of Industry, Trade and Tourism	43	28	78
FRCS	14	15	27
Investment Fiji	13	4	24
RBF	14	15	11
Others	22	29	91
Total	106	91	231

Source: Financial Intelligence Unit

The FIU also handled 175 requests from local and foreign law enforcement agencies for assistance in money laundering and other related investigations.

Requests for Investigative Assistance - FY 2017-2018 (Number)

Requesting Agency	Number of Requests	Number of Checks on Entities	Number of Checks on Individuals
FICAC	26	14	59
Fiji Police Force	70	13	157
Foreign FIUs	19	63	217
FRCS	41	46	57
RBF	2	193	15
Others	17	17	34
Total	175	346	539

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's 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.

The FIU liaised with the Asia Pacific Group (APG) on Money Laundering and other government agencies on the compilation of Fiji's second follow up report outlining how Fiji had strengthened its AML/CFT framework.

International Coordination and Initiatives

The FIU is a member of the Egmont Group, which is an international association of 155 FIUs from various jurisdictions. The FIU contributed to the activities of the Egmont Group during the year. The FIU also contributed to APG initiatives such as surveys and other AML/CFT activities including attending the Annual Meeting of the APG, which discussed Fiji's progress in strengthening its AML/CFT framework.

During the year, the FIU continued to provide technical assistance to other FIUs. A one-week work attachment was provided to FIU officers from the Solomon Islands, Papua New Guinea (PNG) and Samoa.

²² Monetary threshold for these reports is zero.

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.

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 commercial banks and the general public are processed and sorted for fitness by a note processing machine.

For the financial year ending 31 July 2018, 36.6 million returned notes were processed of which 17.0 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	Aug 2016-Jul 2017		Aug 2017-Jul 2018	
	Value (\$ Million)	Pieces (Million)	Value (\$ Million)	Pieces (Million)
Notes Saved for Reissue	711.8	21.3	732.7	17.0
Notes Destroyed	468.9	18.3	547.1	19.6
Total Processed	1,180.7	39.6	1,279.8	36.6

Source: Reserve Bank of Fiji

Currency in Circulation

As at 31 July 2018, total currency in circulation was \$837.4 million compared to \$759.6 million a year ago.

During the FY 2017-2018, the value of notes in circulation increased by 10.5 percent to \$776.6 million. The \$10 and \$50 denominations were the highest circulated notes; however, the \$100 denomination recorded the largest increase of 32.0 percent to \$370.3 million.

The value of coins in circulation increased by 7.4 percent to \$60.8 million during the financial year. The \$1 and \$2 coins registered a growth of 9.3 percent to \$15.3 million and 9.9 percent to \$16.7 million, respectively. The 5-cent coin accounted for the highest volume of coins in circulation.

The Bank continued to accept demonetised currency in circulation from the general public. Pre-decimal currency comprising of pounds, shillings and pence issued before 1969 were also accepted from the public.

Notes and Coins in Circulation (\$ Million)

Notes in Circulation			
Denomination	Jul 2016	Jul 2017	Jul 2018
\$0.50	0.1	0.1	0.1
\$1	1.7	1.7	1.7
\$2	7.9	7.8	7.9
\$5	21.0	21.2	23.1
\$7	-	6.2	6.5
\$10	49.3	52.0	47.1
\$20	82.5	85.9	85.5
\$50	253.8	247.2	234.1
\$100	280.5	280.6	370.3
Pre-decimal Currency	0.3	0.3	0.3
Total	697.1	703.0	776.6
Coins in Circulation			
Denomination	Jul 2016	Jul 2017	Jul 2018
1c	1.3	1.3	1.3
2c	1.1	1.1	1.1
5c	4.2	4.4	4.7
10c	4.7	4.8	5.1
20c	6.7	6.9	7.4
50c	8.0	8.7	9.0
\$1	13.4	14.0	15.3
\$2	14.3	15.2	16.7
Pre-decimal Currency	0.2	0.2	0.2
Total	53.9	56.6	60.8
Notes & Coins in Circulation			
	Jul 2016	Jul 2017	Jul 2018
Notes	697.1	703.0	776.6
Coins	53.9	56.6	60.8
Currency in Circulation	751.0	759.6	837.4

Source: Reserve Bank of Fiji

Cost of Currency

For the financial year ending 31 July 2018, the cost of currency issued by the Bank increased by 18.8 percent to \$3.8 million. This increase was driven by issuance of brand new notes and coins to meet demand from commercial banks.

Cost of Currency Issued (\$ Million)

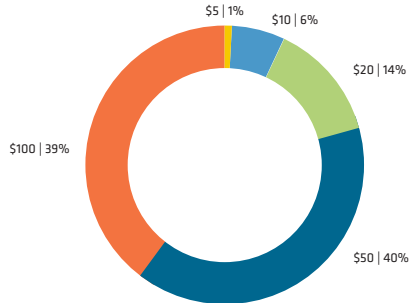
	Jan-Jul 2016	Aug 2016-Jul 2017	Aug 2017-Jul 2018
Notes	1.5	2.6	2.7
Coins	0.9	0.6	1.1
Total	2.4	3.2	3.8

Source: Reserve Bank of Fiji

Banking Transactions

For the FY ending 31 July 2018, the value of currency issued to commercial banks was \$1,278.8 million, of which \$1,270.2 million was in notes and \$8.6 million in coins.

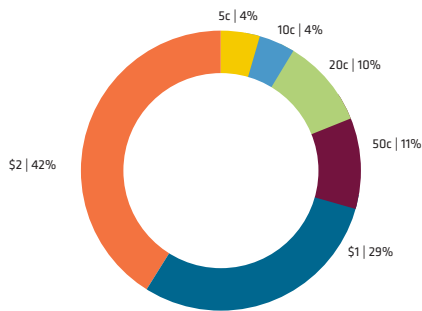
Notes Issued from August 2017–July 2018 (Total Value: \$1,270.2 million)



Source: Reserve Bank of Fiji

The \$50 and \$100 notes issued were the highest value of note denominations in circulation driven by their increasing usage in ATMs.

Coins Issued from August 2017–July 2018 (Total Value: \$8.6 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 review period.

Counterfeit Notes

The volume of counterfeit notes discovered during the FY ending 31 July 2018 was negligible at less than 0.1 percent of the value of total currency in circulation.

Counterfeit Note Summary

Denomination	Aug 2016-Jul 2017		Aug 2017-Jul 2018	
	Value (\$)	Number of Notes	Value (\$)	Number of Notes
\$5	-	-	-	-
\$7	-	-	14	2
\$10	40	4	40	4
\$20	140	7	280	14
\$50	250	5	7,700	154
\$100	600	6	1,200	12
Total	1,030	22	9,234	186

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 FY ending 31 July 2018 was \$0.9 million.

The sale of existing silver and coloured coins, single, pairs and uncut note sheets including other currency collectible items continued during the year.

The Bank also signed a number of agreements with partner mints for various new programmes.

Payment and Settlement Systems

Payment and Settlement Systems are critically important in maintaining financial stability and monetary policy. Its core role is to support the reserves management and monetary policy function of the RBF. The Bank continued to provide effective oversight of FIJICLEAR ensuring liquidity in the financial system was fluid and at the same time ensuring the smooth transmission of key wholesale and retail payments.

The expansion to other electronic payment platforms and greater awareness on the benefits of Mobile Money such as M-PAiSA and Digicel Mobile Money continued to facilitate the velocity of money. As part of its mission, the Reserve Bank continues to encourage initiatives that will further improve the efficiency of payment systems.

FIJICLEAR

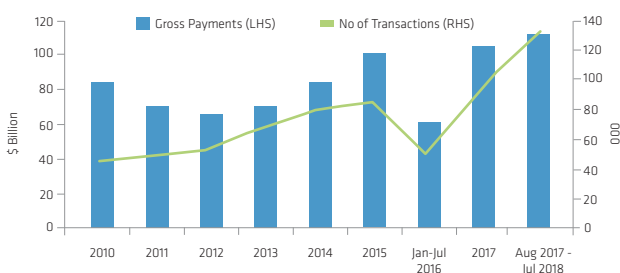
FIJICLEAR is Fiji's principal high-value payment system. In its 11th year of operation since 2007, the system provides an efficient and safe environment for the processing of payments and settlements in real time. FIJICLEAR facilitates the movement of large value transactions and ensures that money is efficiently utilised over the course of a business day.

During the year, the FIJICLEAR software was upgraded from CAS 3.70 to CAS 3.80; a mandatory upgrade required to ensure compatibility with SWIFT 7.2. The Bank successfully negotiated the costs of annual maintenance and support for the next five years with the CAS suppliers.

With close collaboration with the Association of Banks in Fiji (ABIF), the Bank was able to successfully review and finalise the FIJICLEAR Cost Recovery Agreement during the financial year. This agreement between the Reserve Bank and the ABIF on behalf of its members, outlines the methodology by which the Reserve Bank recovers annual maintenance and support costs that it prepays at the beginning of each financial year.

There was also a review of the FIJICLEAR Business Rules which will be finalised in the new financial year.

FIJICLEAR Transactions



Source: Reserve Bank of Fiji

FIJICLEAR recorded 132,178 transactions valued at \$113.5 billion at the end of the financial year. The continued growth reflects the increased reliance on the system by participating banks.

Monthly Average FIJICLEAR Transactions

Monthly Average	2013	2014	2015	Jan-Jul 2016	Aug 2016-Jul 2017	Aug 2017-Jul 2018
Gross Payments (\$ Million)	5,879	7,122	8,395	8,927	8,793	9,455
No of Transactions	7,316	8,573	9,144	9,336	10,019	11,015

Source: Reserve Bank of Fiji

The monthly averages for FIJICLEAR operations saw a marginal increase in both gross value and volume.

Settlements

Settlements plays a supportive role to the reserves management function and is responsible for the accurate and timely settlement of all foreign currency trades undertaken by the RBF as well as the accounting of all foreign currency trades into the Hi-Portfolio Investment System.

To support its day to day operations, the Bank uses SWIFT, a secure network and platform, to send all financial transactional instructions to our foreign and domestic counterparties, to facilitate the settlement of both retail and wholesale payments.

The Hi-Portfolio and CAS accounting systems ensure that positions are updated and relevant reporting information is correctly disseminated to stakeholders.

The Bank continues to keep abreast with developments in SWIFT and continued its review and implementation of all necessary upgrades in line with security requirements whilst securing the integrity of its system.

National Payment System

The Fiji Interchange Network (Payments) Act 2017²³ enables the establishment of an Interchange Network, commonly referred to as a National Switch. The implementation date of the Act 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.

²³ It was passed in Parliament in February 2017 as the Fiji Interchange Network (Payments) Bill 2016.

The Act aims to create a level playing field for the banking sector and in doing so 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) noted some significant developments during the year. FY 2017-2018 saw the Government extensively using the mobile money platform for various Government-to-Person (G2P) payments.

The following initiatives were undertaken during the year: -

- Government introduced a mandatory card-based bus fare payment system branded as eTransport. As Vodafone Fiji Limited's (Vodafone) M-PAiSA platform was leveraged to support the system, e-money in circulation now accounts for both mobile money and eTransport services. By the end of June 2018, about 1.6 million cards had been issued to users with over 12.1 million top-up transactions;
- Government, through the Tertiary Scholarship and Loans Board (TSLB) began using the M-PAiSA platform to disburse TSLB allowance payments to students. These included bus fare payments through eTransport and living allowances to those eligible. At least 6,900 students have signed up for this programme resulting in an increase in users of mobile money in Fiji;
- The FNPF, in collaboration with the Pacific Financial Inclusion Programme (PFIP), piloted an initiative to allow voluntary members to contribute to their retirement savings through mobile money. The solution allows low income earners to make small contributions conveniently anytime and anywhere using their M-PAiSA account. The digital model is designed to encourage more Fijians to actively save for retirement conveniently;
- Fiji's locally-owned bank, Home Finance Company Limited (HFC), in partnership with Vodafone, the PFIP and Newman Limited Epay launched its Agency Banking services nationwide. The new offering allows customers to carry out transactions either via Vodafone's mobile network, or through Vodafone's point of service machines which are available in more than 1,000 outlets around Fiji through an extensive agent network (non-bank retail outlets offering banking and payment services). Around 66,000 Fijians in the rural and maritime areas were identified as potential beneficiaries of this new financial service; and
- To make eTransport top up convenient, Vodafone launched the integration of M-PAiSA with eTransport enabling Fijians to top up their cards through the

M-PAiSA channel. M-PAiSA users can replenish their mobile money wallets and use funds to top up their eTransport cards from anywhere at any time without the need to visit an agent.

As at 31 July 2018, there were 376 registered active agents around Fiji, a 9.0 percent increase compared to the same period last year attributed to a number of developments in the industry including the increase in Energy Fiji Limited (EFL) prepay customers through M-PAiSA, Government's disbursement of assistance through both the TSLB and the CARE for Fiji initiative and Vodafone's Mobile Village Programme.

Since the launch of Mobile Money in June 2010, there have been 204,780 Person-to-Person (P2P) transfers made valued at \$21.6 million. The value of P2P transfers increased by 56.9 percent to \$6.9 million at the end of July 2018. Over the year, the number of P2P transfers increased by 56.7 percent to 63,204 P2P transfers. During the same period, the average value of P2P transfers increased marginally to \$108.70 from \$108.60 while the number of registered mobile money customers grew by 77.8 percent to 1,517,153. The increase is largely due to the large number of newly registered accounts that use mobile money through electronic cards disbursed as part of Government's CARE for Fiji initiative.

The total amount of inward remittances received through the mobile money channel as at July 2018 rose to \$27.5 million, a continued rising trend since the launch of the inward remittance facility in 2011. Most of these funds came from the UK, Australia and NZ.

The total value of electronic money in circulation almost tripled to \$30.5 million in July 2018 on account of a number of Government initiatives including eTransport, TSLB assistance and the CARE for Fiji initiative.

Inward Remittances Through Mobile Money

In line with the growth in inward remittances during the review period, MNOs continued to partner with international money transfer platforms to expand and better their services to the market.

During the year, significant growth was recorded in both the volume and value of inward remittances. As at 31 July 2018, the total number of inward remittance transactions recorded had increased by 47.2 percent to 41,542 while the total value registered a growth of 43.8 percent to \$11.6 million. International money transfers via mobile money are expected to grow further as MNOs continue to explore new remittance channels.

Inward remittances continue to be a convenient mode of receiving money from abroad for many rural mobile money customers.

Mission

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.

Assistance for Import Substitution and Export Sectors

The Reserve Bank continued to provide concessional lending to eligible businesses under the Import Substitution and Export Finance Facility (ISEFF) throughout FY 2017-2018. During the year, 19 businesses were given access to funding totalling \$32.4 million compared to seven businesses with the total loan value of \$10.2 million in the previous year.

Funds disbursed were mainly for export finance while lending for import substitution related business picked up particularly for public transport. Following the extension of the sectors covered under ISEFF to include public transportation, a total of \$2.8 million was approved for three bus companies and one taxi operator. Additionally, existing businesses that had previously sourced funds under the facility requested more funds from ISEFF mainly to finance the expansion of their operations due to higher market demand. The largest number of approved loans was made to the manufacturing sector, followed by the agricultural sector including dairy, cattle, poultry, piggery, fruits and vegetable farming as well as prawn farming. At the end of the FY, total outstanding loans under the Facility was over \$82.0 million.

Small and Medium Enterprises Credit Guarantee Scheme (SMECGS)

The Reserve Bank continued to administer the Fijian Government SMECGS. Since its inception in 2012, Government has committed \$4.0 million towards the scheme which is accessible to commercial banks, licensed credit institutions and the FDB. At the end of July 2018, 1,844 active SME loans valued at \$108.5 million were registered under SMECGS compared with 1,413 loans valued at \$83.5 million at the end of the previous financial year. There were two new claims during the year taking the total amount claimed under the Scheme to \$0.08 million against the total allocation of \$4.0 million.

Housing Facility

The RBF established a Housing Facility for low income first home owners in 2013. The Facility was channelled through the HA and complements Government's initiatives for providing low cost homes for Fijians. 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 home owners with a combined income of \$50,000 or less are now eligible to access funds under the revised Facility. During the year, a total of \$14.9 million was approved for 165 first home owner applications.

Natural Disaster Rehabilitation Facility

The Reserve Bank reactivated the Natural Disaster and Rehabilitation Facility (NDRF) in April 2018 to assist businesses as well as homeowners affected by TC Josie and TC Keni and the associated devastating floods particularly in the Western Division. A total of \$0.3 million was approved to assist three businesses. The borrowing window closed at the end of June 2018. At the end of July, total outstanding funds under the Facility amounted to \$14.7 million against the \$40.0 million allocated.

Secondary and Retail Bond Market

The Fijian Government Viti Bonds continued to attract retail investors over the years and subsequently another \$10.0 million was floated for the FY 2017-2018. A total of \$9.4 million was issued in Viti Bonds to 149 investors during the year with the value of outstanding Viti Bonds reaching \$42.5 million at the end of July 2018.

Activity in the secondary bond market was confined to the Reserve Bank purchase of 54 parcels of Viti Bonds valued at \$1.8 million.

Microfinance Development

The RBF recognises that financial inclusion is a multifaceted issue and that engagement with various stakeholders is crucial to achieving broader development goals. As such, the RBF continued to build strategic partnerships with financial service providers, public sector, development and international partners to expand financial services, increase awareness and build capacity on emerging topics pertaining to financial inclusion.

The RBF, in partnership with key stakeholders, hosted the fourth National Microfinance Awards in May 2018. The event continues to promote and recognise outstanding

and innovative micro-businesses as well as financial service providers.

To strengthen stakeholder partnership, the RBF signed Memoranda of Understanding with the Ministry of Agriculture and Market Development Facility (MDF) to allow for information sharing, working alliances and capacity building in areas relating to financial inclusion and agriculture, and micro small and medium enterprises (MSMEs) in Fiji.

Secured Transactions Reform

In September 2017, the Personal Property Securities Act was passed by Parliament and assented to by the President. The ADB is currently procuring the Personal Property Securities Registry through a tender process. Following this, stakeholder workshops and public awareness sessions will be conducted.

Micro Small and Medium Enterprise Development

The Reserve Bank in partnership with the Ministry of Industry, Trade and Tourism (MITT) engaged a local consultant to conduct a MSME Diagnostic Study. A report on the study is in the process of finalisation.

Given the importance of the MSME sector and its potential for boosting growth in Fiji, Reserve Bank also collaborated with the MDF to carry out a study of the MSME landscape in Fiji. Technical assistance for the study was provided by MicroSave - an international financial inclusion consultancy firm. The study involved both demand side research to understand the challenges and needs of MSMEs and supply side research to obtain the perspectives of banks, policymakers, regulators and support institutions on the support structure, impact of policies and growth strategy for the MSME sector.

A report was prepared and its key findings with recommendations were discussed with relevant stakeholders at a validation workshop in June 2018. The report is currently being finalised and the Reserve Bank will continue to work with MDF in mapping an appropriate way forward for the MSME sector in Fiji.

National Financial Inclusion Taskforce

The Bank together with the NFIT coordinated and developed a series of workshops and public awareness programmes to support the National Financial Inclusion Strategic Plan (NFIS) 2016-2020.

Following revelations by the FNPF on the high number of its members with low balances and in particular those nearing retirement, the Financial Literacy Working Group (FLWG) of the NFIT organised a retirement exposition to raise public awareness on the importance of financial planning and the

need to be financially prepared for retirement. The event, which was aligned to the Strategic Goal 5 (Financial Literacy) of the NFIS, not only provided a good platform to create awareness on retirement but also acted as a one-stop-shop for the public to access financial products and services. The tagline for the expo was "Retirement Exposition - Are You Ready?"

In line with Strategic Goal 1 of the NFIS, a Stakeholder Engagement Workshop titled "Empowering Women and Youth in the Agricultural Sector through Financial Inclusion" was jointly organised by the RBF, the Ministry of Agriculture, Ministry of Women, Children & Poverty Alleviation, Ministry of Youth and Sports and the PFIP. The purpose of the workshop was two-fold: (1) to strengthen financial inclusion and promote sustainable agricultural income amongst women and youth and (2) to promote collaboration and improve communication between key ministries, the NFIT and financial service providers in achieving common targets for women and youth in agriculture.

A second season of the iTaukei financial literacy programme titled "Noda iLavo" commenced airing on Fiji Broadcasting Corporation Television in April 2018. The new season comprises 13 episodes which cover topics relating to savings, investment, insurance, consumer protection and remittances. The purpose of the programme was to increase financial literacy and change the financial behaviour of iTaukei people over time.

To encourage financial education (FinED) in schools, the FLWG in partnership with PFIP launched a FinED Award to recognise primary schools and teachers' innovative efforts to promote financial literacy in schools. The FLWG continues to work closely with the Ministry of Education to strengthen financial literacy awareness activities in the classroom. FinED is critical to ensure a future generation of young men and women leaving school who are financially competent and able to contribute positively to their communities and the economy.

Inclusive Insurance

The Pacific's first bundled insurance product was officially launched in Fiji in November 2017. This insurance product which bundles different types of insurance cover was conceptualised by the Inclusive Insurance Working Group of NFIT and later launched commercially by FijiCare Insurance Limited. Since the launch, 12,275 farmers (sugar cane: 11,606, copra: 183, dairy: 256 and rice: 230), have each obtained a \$10,000 insurance cover that includes term life (\$3,000), funeral expenses (\$1,000), fire (\$3,000) and personal accident (\$3,000) at a premium of \$52 per annum.

Sustainable Finance

The Reserve Bank endeavours to support the development of solutions to address the growing challenges of climate change. As such, in September 2017, the Reserve Bank in collaboration with its development partners, hosted a one-day Workshop on Sustainable Finance Initiatives which brought together policy makers, financial service providers, national stakeholders, central bankers from other Pacific Islands, climate finance champions from the region and international organisations to share experiences, offer expertise and propose strategies on the topic of sustainable finance. The Workshop raised awareness on the concepts of sustainable finance among relevant government agencies and financial institutions and established the need for Fiji's financial sector to respond to the financing needs of sustainable development. The Workshop also laid out some broad strategies which formed the basis for the development of Fiji's Sustainable Finance Roadmap.

The Reserve Bank is currently in the process of developing Fiji's Sustainable Finance Roadmap in consultation with Sustainable Banking Network (SBN) and International Finance Corporation (IFC) under the World Bank Group.

Financial Services Disaggregated Data

Recognising the increasingly important role of granular financial data to help facilitate evidence-based policy interventions, the Reserve Bank issued the first draft of its Financial Sector Development Policy Statement on the Minimum Requirements for the Provision of Disaggregated Data to the financial industry. The Policy sets out to collect financial services data at a disaggregated level by gender, age and location for better understanding of the access and usage of available financial services in the country. The draft policy statement has been circulated for industry consultation and is intended to be implemented in 2019.

Capital Markets Advisory and Development Taskforce

The CMADT held three meetings during the year, encouraging growth and expansion of Fiji's capital markets and keeping track of ongoing positive developments. The CMADT was supported by its three working groups - Capital Market Awareness and Capacity Building Working Group; Capital Market Legislative and Regulatory Environment Working Group and Capital Market Industry Development Working Group.

During the review period, the following initiatives were undertaken: -

- Fiji's first ever Capital Markets Week (CMW) was organised from 02-06 July 2018. The week-long event

was in collaboration with capital markets intermediaries and relevant stakeholders focusing on creating public awareness on the investment opportunities available in Fiji's capital markets. Two key events during the week were the CMW Exposition and Fiji's inaugural National Capital Markets Quiz Competition (Quiz) for secondary schools. The CMW Exposition attracted a total of 1,400 people visiting the 14 information kiosks at FNPF Downtown Boulevard while the Quiz attracted 58 schools, participating in two preliminary rounds from which the top four schools were chosen to compete in the final round in Suva.

- The Quiz event attracted about 150 people ranging from capital market intermediaries, Taskforce Members, Officials of the Ministry of Education and RBF Executive Management & staff, along with school teachers and supporters of the Quiz teams. As part of the partnership agreement with Fiji Broadcasting Corporation Limited, the final match was recorded and will be aired on its television channel later in the year.
- Work on developing Fiji's debt market continued through an agreement with the IFC, the private sector development arm of the World Bank Group, to cooperate in the development and implementation of the Capital Markets Project 2017-2020. The collaborative effort aims to help create an enabling environment for the public and private sectors to access short and long-term funding. The Project also involved the introduction of Fiji's first ever sovereign Green Bond to raise funds for sustainable Government projects.

E-Money Taskforce

In the review period, the Reserve Bank continued its contribution to developing the payments industry and re-established the E-Money Taskforce to examine the important trends in the payments system, particularly with regard to digital financial services.

Local Advisory Boards

The Bank held three individual and one joint collaborative meeting with the local advisory boards of foreign owned commercial banks to discuss national development issues and government policies, financial development and inclusion initiatives.

Financial Sector Development Plan (FSDP)

The Reserve Bank commenced its work on the implementation of the Financial Sector Development Plan (2016-2025) through the existing Taskforces and relevant Working Groups.

RBF in the Community

The Bank as a responsible corporate citizen remains committed to ensuring it gives back to the community whether through the Bank's annual corporate donations or staff initiated community projects.

The following were the contributions to charitable causes made by the RBF during the year: -

Corporate Donations to Organisations and Schools

The following charitable organisations received contributions of \$1,000 each from the Bank in December 2017: -

- Suva Special Education School
- Fiji Crippled Children's Society
- St. Christopher's Home
- Dilkusha Home
- Fiji Disabled People's Association
- Fiji Society for the Blind
- Father Law Home
- Home of Compassion
- Salvation Army
- Hilton Special School
- Homes of Hope

In addition, the Bank also donated two computers and one printer to some schools - Kade Village School, Nakodu Mudu Primary School, Qalivakabau District School, Nabasovi District School, Vunivasa District School, Nacamaki District School, Tuatua Nasau Primary School and Koro Island High School.

Community Outreach

- A book and stationery drive was organised as part of the Bank's Library week activities to assist schools affected by TC Josie. Contributions included storybooks, educational materials and informative resources to assist students with resuming classes.
- Donations of library books and school stationery were made to schools in Vanua Levu, specifically Vatuvonu College, Vunilagi Primary, Kasavu Primary, Navonu Primary, Banaban Primary, Buakonikai Primary, Napuka Secondary, Rabi High, Nasavusavu Kindergarten, St Anne's Kindergarten and Nuku Kindergarten. In addition, Rabi High School and Napuka Secondary School each received two computers and a printer to assist the schools in enhancing the learning experience of the students.

- Cash donation to the CWM Paediatric Ward.
- 2017 Kids' Christmas Party for Dilkusha Home.
- Cash donation to Fiji Cancer Society.
- Sports equipment donation to St Anne's Primary School.
- Various donations by Quality Management Teams and staff to families and individuals in need.
 - Groceries for some families
 - School supplies (uniform, bag and stationery) for a student from Valelevu
 - Cash donations for a St Joseph Secondary School student to assist with kidney dialysis treatment costs, to persons suffering from Chron's disease and kidney failure and to Save the Children Fiji for TC Winston victims
- Contributed towards funds for a lady in the Western Division who needed surgery in India.
- Collection drive (cash and in kind) towards the TC Josie Appeal.

Community Work

- Participated in the ANZ Clean-up Campaign.
- Flood Appeal donations to the Fiji Red Cross.

Participation in the community

- 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.
- 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.
- 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 RBF Microfinance awards which recognise the achievements of the financial inclusion sector was held in May.
- 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 24 March. Other international events observed at the Bank were International Women's Day and World Secretary's Day.

- The Bank continued to benchmark itself against similar institutions and participated in the SPSE Annual Report Competition in the August 2016-July 2017 Report. The Bank won the award for quality content for unlisted companies.

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 Economic Affairs: -

- Presentation on the 2016 FIU Annual Report on 03 October.
- Presentation on the 2016 Insurance Annual Report on 04 October.
- Presentation on the RBF Annual Report August 2016–July 2017 on 05 April.
- Submission on the Personal Property Securities Bill 2017 was made to the Parliamentary Standing Committee on Justice, Law and Human Rights on 02 August.
- 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.
- The Bank participated in the activities of the Fiji Institute of Bankers (FIB) which included the Quiz Night, seminar series, Sports Day and Awards Night.
- In an effort to keep the public informed of its assessment of the economy, the Governor 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.
- 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 programme in the iTaukei language by hosting the "Noda iLavo" programme.
- External parties nominated the Bank for the Women in Business Employer of Choice and Business Executive of the Year awards. A female executive of the Bank was awarded the prize for Excellence and Commitment.
- 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 (e.g. Island Chill Suva Marathon-BSP Corporate Challenge Marathon) and sports organised by the business houses. Staff continued to participate in the blood drive organised by the Blood Bank.



Mission

Provide Proactive And Sound Advice To Government

Policy advice to the Government is provided in many ways. During the FY 2017-2018, the Governor met with Government officials on a number of occasions to discuss issues pertaining to the economy.

RBF 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

Policy formulation is critical to the effectiveness of Government's macroeconomic management, therefore, must be appropriately undertaken by relevant economic policymaking agencies. RBF continued to assist the Government through various Policy Committees during the year.

The MC and its Technical Committees prepared forecasts on Fiji's trade, GDP 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 continued to chair the MC, whose membership comprised officials from the Ministry of Economy, MITT, Fiji Bureau of Statistics, Prime Minister's Office, Ministry of Infrastructure & Transport, FRCS, Investment Fiji and the Reserve Bank. During the FY 2017-2018, there were two forecasting rounds, six Macroeconomic Technical Committee meetings and two MC meetings.

As part of the macroeconomic forecasting process, the Reserve Bank met with key industry groups in the FY 2017-2018. 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 2018-2019 National Budget submission.

The Reserve Bank continued to be actively involved in many Committees of national interest. The Governor chairs the Green Bond Steering Committee that oversees the development of Fiji's Green Bond Framework, necessary preparatory work, flotations and the monitoring and reporting mechanisms. The Reserve Bank is also currently reviewing the Terms of Reference for the Debt and Cashflow Policy Committee that would evaluate the Government's financing needs.

Registry and Banking Services

The Reserve Bank is the registrar for debt securities issued by Government and statutory corporations. The registry service includes bond issuance, redemption, transfer of securities and interest payments. 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 2018 (\$ Million)

	Issued	Redeemed	Outstanding
Total Government	531.8	160.7	3,575.5
o/w Fiji Development Loan Bonds		111.4	1,752.7
o/w Fiji Infrastructure Bonds	422.4	46.8	1,680.3
o/w Fiji Green Bonds	100.0		100.0
o/w Viti Bonds	9.4	2.6	42.5
FDB	73.3	48.7	173.8
EFL			37.3
HA		9.7	34.7
FSC			25.0
Total	605.1	219.1	3,846.2

Figures may not precisely add up to the totals due to rounding.

Source: Reserve Bank of Fiji

As at July 2018, the Bank recorded a total nominal value of \$3,846.2 million in bonds compared to \$3,460.3 million in the previous financial year. During the year, Government bonds recorded a net issuance of \$371.1 million which subsequently resulted in a 11.6 percent increase in the value of total outstanding bonds to \$3,575.5 million. A similar trend was noted with statutory corporation bonds where the outstanding balance rose by a combined 5.8 percent to \$270.8 million.

Total registry payments fell by 19.4 percent (\$135.4m) to \$562.2 million at the end of July 2018. Lower payments resulted from a decrease in Treasury Bills redemptions by \$132.5 million to \$177.9 million.

Weighted Average Yields on Long-Term Government Securities



Source: Reserve Bank of Fiji

Yields on Government securities showed mixed trends. During the year, Government debt was structured on the issuance of fixed coupon benchmark bonds and subsequent reopening of these benchmark bonds. This supported the downward trend noted in the medium-term and minimal rate increases in the long-term.

For the FY 2017-2018, the Fijian Government Treasury Bills recorded total issues of \$269.0 million and redemptions worth \$177.9 million, resulting in an outstanding balance of \$187.5

million. In comparison to Government Bonds, Treasury Bills yields noted slight increases for the longer maturities.

Treasury Bills (\$ Million)

	2015	Jan - Jul 2016	Aug 2016 - Jul 2017	Aug 2017 - Jul 2018
flotations	350.0	265.0	230.0	240.0
Allotments	336.0	213.2	241.6	269.0
Redemptions	321.0	193.6	310.4	177.9
Outstanding	145.6	165.2	96.4	187.5

Source: Reserve Bank of Fiji



Mission

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), Press Releases, 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.

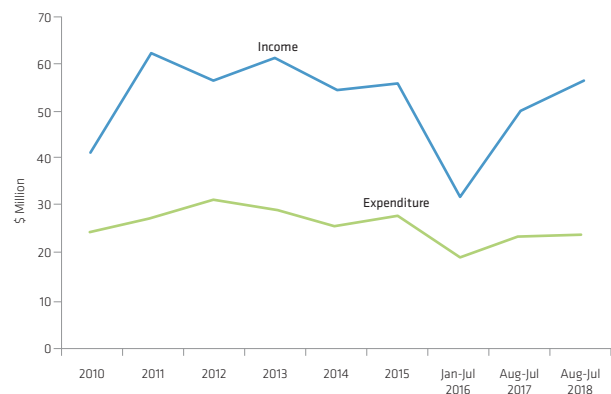
RBF Foreign and Domestic Income (\$ Million)

	2015	Jan-Jul 2016	Aug 2016 - Jul 2017	Aug 2017 - Jul 2018
Foreign Interest Income	36.4	20.4	39.8	44.8
Domestic Interest Income	10.2	5.8	9.7	9.7
Other Income	5.5	3.3	6.6	5.3
Total	52.1	29.5	56.1	59.8

Source: Reserve Bank of Fiji

For the financial year ended 31 July 2018, total income was \$59.8 million led by the high foreign interest income emanating from the high yields on the foreign reserves held by the Bank.

Total Income and Total Expenses



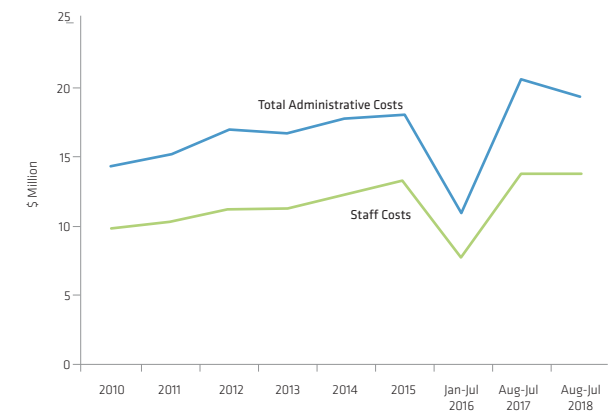
Source: Reserve Bank of Fiji

Expenditure

Total expenditure incurred in the year was \$28.3 million. Administrative expenditure was \$19.4 million with staff costs representing the single largest operating expenditure for the Reserve Bank accounting for over 48.8 percent of total operating costs.

Other expenses for the year totalled \$5.9 million.

Operating Expenses by Type

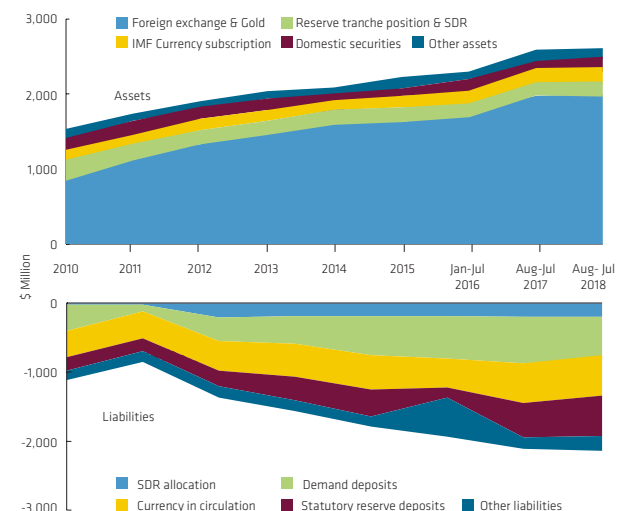


Source: Reserve Bank of Fiji

Assets and Liabilities

The Bank's total assets stood at \$2.7 billion as at 31 July 2018, representing a 3.6 percent drop due to the decrease 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 side, 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 2018 was \$31.5 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 \$2.0 million as at 31 July 2018. The amount transferred from the RRA was \$2.1 million in the previous financial period.

The Bank transferred \$32.5 million to the Government for the year ended 31 July 2018 compared to the \$29.4 million paid for the year ended 31 July 2017.

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

	2015	Jan-Jul 2016	Aug 2016-Jul 2017	Aug 2017-Jul 2018
Operating Profit	27.9	13.9	28.3	31.5
Less				
Transfer to General Reserves	0.0	0.0	1.0	1.0
Balance Paid to Government	27.9	13.9	27.3	30.5
One-fifth of RRA	4.3	3.0	2.1	2.0
Total Paid to Government	32.2	16.9	29.4	32.5

Source: Reserve Bank of Fiji

Publications and Press Releases

Disseminating timely and quality information is one of the missions of the RBF. Communication therefore is considered an important aspect of the Bank's operations. The Corporate Communications function coordinates internal and external communications by the Bank through publications, press releases, website management, responses to external enquiries and media relations.

Publications by the Bank are through annual reports, stability reports, quarterly reviews, economic reviews, research papers, monetary policy statements, annual student diaries and development plans regarding the Bank's developmental role.

During the year, the Bank released the 2016-2017 RBF Annual Report after tabling in Parliament in March 2018, submitted the 2017 Insurance Annual Report to the Minister for Economy as required under section 165 of the Insurance Act on 28 June 2018 and released the 2017 Financial Inclusion Report in July 2018. The 2017 Financial Stability Report was released externally for the first time in November 2017 and will now feature in the Bank's annual publication calendar. The 2017 Fiji FIU Annual Report has been prepared and is awaiting tabling in Parliament before release. The 2018 Student Diary was published and distributed to 37 schools in the rural and maritime areas.

Tender results of Treasury bills and Government bonds were posted on the Bank's website, Bloomberg and Reuters. Featured as well on the website were commercial banks' key disclosure statements.

The Reserve Bank issued 29 Press Releases during the year. Press Releases are aimed at ensuring that media stakeholders are provided with accurate and timely information which would then be reported to the public.

The Reserve Bank website remains the first port of call for many stakeholders of the Bank and acts as a vital information hub where the public can find out how the Reserve Bank operates.

The Reserve Bank's website and Facebook page were regularly updated during the year to ensure timely and relevant content. The website is also due for a review as the Bank seeks to ensure that it continues to be designed around the principle of making the most relevant information as accessible as possible for all its audience. The redesign will be undertaken in the next fiscal year.

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 through IT governance, risk and controls framework.

The Bank placed strong emphasis on the SWIFT infrastructure to ensure alignment to the SWIFT Customer Security Controls Framework in terms of mandatory and advisory security controls for all SWIFT users.

The growing demand for information and communications technology services has led to continued automation of business processes. The Bank completed major automation projects including the Financial Sector Information System, the FIU Case Management System and the Securities and Bond Registry System. Development work was completed for the online lodgment of Exchange Control Applications. Other automation projects completed were the Plants and Properties Management System and the Credit Information Provider and Credit Report Recipient System.

The Bank continues to perform 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 2018 and 2019.

Property Management and Security

The Bank ensured that the main RBF Building, Domodomo House and the BRS were well maintained. Repairs and maintenance programmes were completed to ensure the efficient operation of all systems. This was possible through

contractual agreements with reputable vendors for a period of two years.

The Bank replaced two air-handling units for Podiums 2 and 3 of the building. These new units use the latest technology and allow for easy maintenance and energy efficiency.

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

Domestic Relations

Over the FY 2017-2018, a number of economic presentations were organised by the Bank to continue strengthening its relationship with stakeholders.

The Bank continued consultation with commercial banks, credit institutions, insurers, brokers and foreign exchange dealers in FY 2017-2018. RBF also met with stakeholders in the industry, namely ABIF, Finance Companies Association, Insurance Taskforce and Association of Foreign Exchange Dealers on a quarterly basis.

Bilateral meetings were held with RBF and commercial banks, insurance companies and FNPF. The Board and Executive Management visited 10 sites around the country to discuss economic issues and to provide economic briefs to the business community. The Bank also provided economic and financial briefs to officials from Government ministries and other statutory bodies.

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 places special emphasis on its international relations and participation in relevant international forums

and programmes.

Regular correspondences with multinational agencies were ongoing during the year on matters relating to the IMF, the World Bank, the ADB and other related agencies. In September 2017, the Bank was represented at the 9th Alliance for Financial Inclusion (AFI) Global Policy Forum in Egypt. The Bank was also represented at the highest level during the annual meetings of the IMF and the World Bank, as well as the SBN, in Washington D.C. in October 2017. Representations were also made in November 2017 at the South Pacific Central Bank Governors' meeting in Tonga, the PFTAC Steering Committee meeting in March 2018 and the ADB Annual Meeting in Manila in May 2018.

The Bank was also represented during the year, in various international forums which had a specific interest in the Fijian Green Bond, including an Official Monetary and Financial Institutions Forum (OMFIF) event in Singapore in July 2018 where the Deputy Governor participated in a discussion on Fiji's green bond issuance.

There was an IMF Staff Visit from 29 May to 01 June 2018 and IMF Article IV Mission from 29 November to 12 December with the full mission scheduled for the latter part of 2018.

Increased liaison was also noted during the year with partner agencies supporting Fiji in various projects including the ADB and IFC on disaster risk financing, the PFIP on expansion of inclusive insurance in Fiji and the IMF's Pacific Financial Technical Assistance Centre (PFTAC) on the review of the Fiji Insurance Act.

The Bank continued to be represented in various technical forums in the region and abroad, at the senior and technical levels and hosted visits by several foreign dignitaries and regional central banks and FIUs.



Recruit, Develop And Retain A Professional Team

Human resources (HR) represent the Bank's greatest asset in the delivery of its corporate goals. The primary objective of HR management is to attract, develop, retain and motivate staff to deliver the vision of Leading Fiji to Economic Success.

Staffing

As at 31 July 2018, the Reserve Bank staff complement was 211. During the review period, the Bank recruited 18 staff while 12 staff resigned from the Bank's employment, five staff retired and a staff's contract was not renewed.

RBF Staff Statistics (as at 31 July 2018)

	2013	2014	2015	Jan-Jul 2016	2017	2018
Total Staff	213	213	214	214	210	211
Average Years of Service	9.4	9.8	9.9	9.8	9.9	9.9
Annual Staff Turnover (%)	4.3	6.6	6.5	7.5	9.1	8.6

Source: Reserve Bank of Fiji

Management Remuneration as at 31 July 2018

The approval for the Governor's remuneration package is vested with the Constitutional Offices Commission while for the Executive Management and Managers, the Board Governance Committee endorses the salary review. The Executive Management and other management staff are employed on an individual contract basis and are remunerated in line with the market.

Management Remuneration as at 31 July 2018

	Total Cash Remuneration	Staff Numbers
i.	\$335,061	1
ii.	\$219,608	1
iii.	\$170,214	5
iv.	\$60,440 - \$96,497	30
(i) - (iii) Executive Management. (iv) Other Management staff.		

Source: Reserve Bank of Fiji

Staff Development

The Staff Development Policy and Staff Training Needs Analysis (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, correspondence and short courses at both local and overseas institutions.

Accordingly, the Bank organised induction, mentoring programmes and on-the-job training for Bank staff. Management is required to prepare a TNA for each member of the 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 2017-2018, two staff were on study leave with pay pursuing Masters/Postgraduate studies abroad. In addition, 13 staff pursued part time studies at the USP and the Fiji National University (FNU) towards Masters, Postgraduate, Degree and Diploma programmes.

In the FY 2017-2018, 190 staff undertook various short courses such as those organised by the USP, FNU, FIA, SWIFT, Pure Magic International, Ministry of Employment, Productivity and Industrial Relations, National Fire Authority, FICAC, CPA, Fiji Institute of Internal Auditors (IIA), Fiji Human Resources Institute (FHRI) and those organised internally.

Moreover, 87 staff attended various courses abroad that were organised by the IMF, SEACEN, ADB, APRA, Bank of Thailand, Bank of PNG, APG, PFTAC and the World Bank amongst others.

The Bank also sponsored staff professional memberships for the FIA, FIB, IIA, FHRI, Australian Computer Society and Australian Human Resource Institute.

Employment Relations

The Bank continues to maintain a cordial relationship with the Fiji Bank and Finance Sector Employees Union (FBFSEU). The Bank continues to engage with the Union on Log of Claims matters.

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

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 (LMCC) 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 Employment, Productivity and Industrial Relations under Regulation 7 in August 2009. The Committee comprises nine management and nine staff representatives. There were three meetings held in the FY 2017-2018.

National Employment Centre

The Bank has an agreement with the National Employment Centre (NEC) in compliance with the NEC Decree (2009). Under this agreement, the Bank is required to provide workplace attachments to at least 11 unemployed persons registered with the NEC. The Bank actively seeks to comply with the NEC requirements.

Internship

The Bank introduced an Internship policy in November 2016. The policy aims to provide students with an opportunity to engage with the Bank and obtain practical work experience. The Bank engages five interns at any one time to enable the efficient and effective management of the programme.

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.

In its efforts to ensure staff wellness, the Bank gymnasium was refurbished and new gym equipment were purchased.

Furthermore, officials of the Ministry of Health and Medical Services were invited to conduct free health screening and provide health advice to all staff. The Bank also encouraged staff to participate in fitness activities organised during the year such as the weight loss incentives coordinated by the HR Unit.

In the FY 2017-2018, the Bank's Occupational Health and Safety (OHS) Committee met three times. The Bank continued to provide OHS related training and monitor OHS issues regularly to ensure that we maintain a safe and healthy work environment.

Service Recognition

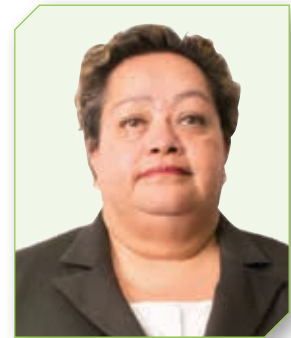
The Governor's Service Recognition and Long Service Loyalty Award recognises dedicated long and meritorious service to the Bank. In FY 2017-2018, three staff achieved 15 years of service while two employees achieved 30 years of service.

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

30 Years



Razim Buksh



Theresa Navuku



green bond

Supporting sustainable development and building resilience against climate change are increasingly becoming unequivocal national goals for many countries. These goals require more financing to meet green infrastructure needs such as reducing carbon emissions and building climate resilient infrastructure and dwellings. With this background, green bonds have emerged as a powerful financial instrument to attract and shift financing towards intended green solutions.

Green bonds are fixed income, liquid financial instruments used to raise funds committed to climate change mitigation, adaptation and other environment-friendly projects. Globally, the green bond market has grown with over 1,500 issuances valued at US\$155.5 billion, covering more than 37 countries in 2017. The global market is targeted to reach US\$1 trillion of issuance per year by 2020.

The Fijian Government and RBF collaborated with the IFC, an arm of the World Bank Group to develop Fiji's first ever Green Bond. On 1 November 2017, Fiji became the first country in the southern hemisphere, first in any emerging economy and third globally to issue sovereign green bonds.

Why issue Green Bonds?

As a small island country that is vulnerable to the effects of climate change, Fiji sees the issuance of Green Bonds as an excellent tool to fund projects with economic, environmental and societal benefits, with a particular emphasis on the climate and natural environment. Some projects that are financed with the bond proceeds include the rehabilitation and construction of schools damaged by TC Winston, rainwater harvesting system, construction of Naboro landfill, Reducing Emissions from Deforestation and Forest Degradation (REDD plus) programme and the installation of Solar Home System for rural areas.

The issuance of Green Bonds will also assist countries like Fiji achieve its commitments under the 2015 United

Nations Framework Convention on Climate Change (UNFCCC) Paris Agreement most ambitious target of limiting the rise in global temperatures to 1.5 degree Celsius above preindustrial levels and achieving net zero green gas emissions within the next few decades.

Issuing Fiji's Sovereign Green Bond

After the successful completion of all necessary groundwork within a tight timeframe of only five months relative to a typical timeline of at least a year, Fiji issued its sovereign green bond in four tranches which attracted overwhelming interest from both local and foreign investors.

Fiji Green Bond Summary Terms and Conditions

Issuer: Government of Fiji

Amount: 100 million Fiji dollars; Tranches

Pricing date: 01 November 2017–18 July 2018

Settlement date: 01 November 2017–01 July 2018

Maturity date: 01 November 2022 and 01 November 2030

Issue price: 100

Coupon: 5 years: 4.00 percent; 13 years: 6.30 percent

Denomination: Fiji dollars

Non-bank financial institutions like the FNPF, Insurance companies, Unit Trust, etc. tendered including commercial banks that normally do not invest in bonds. It was also the first time a foreign investor invested in the Fijian dollar denominated Bond. By the end of July 2018, Fiji was able to fully raise the targeted amount of \$100 million.

“The emergence of green bonds represents one of the most significant developments in the financing of low-carbon, climate resilient investment opportunities”

Ban Ki Moon
Former UN Secretary-General

International Listing and Awards

To raise Fiji's position on the global scene and bolster interest towards its innovative climate financing tool, Fiji listed its Sovereign Green Bond on the International Securities Market of the London Stock Exchange in April 2018 - a global premier listing choice. In addition, as a pioneer issuer, the IFC put together lessons drawn from Fiji in a report titled "Guidance for Sovereign Green Bond Issuers" which can be applied to assist any future sovereign issuer. Fiji was also awarded a prestigious Green Bond Pioneer Award in 2018. The Award recognises financial institutions, government bodies and individuals, which have led the development of green finance and green bond markets and through their pioneering initiatives, have provided positive examples of climate resilient and low carbon investments.

Impact Monitoring and Evaluation

To ensure credibility and transparency, Fiji's Green Bond framework is guided by the Green Bond Principles, a set of principles and guidelines for broad market use: which include the Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds and Reporting. In addition, an external independent verifier was engaged to provide a second opinion on the framework and confirmed that Fiji's Green Bond framework is credible, transparent and aligned with the core principles. This provides assurance to investors that Green Bond proceeds will be reserved in a special account and directed solely towards eligible green projects which have been established and independently verified to have clear environmental benefits and promote the transition to low carbon and climate resilient growth.

A reporting and monitoring guideline was also developed to ensure compliance with the Green Bond framework and any environmental and social risk assessment. This process concludes with a premium feature of Green Bond which is the annual release of periodical reports on the use of green bond proceeds and expected climate and/or environmental impacts of the projects until the bond matures.

"With this issuance, we've shown that Fiji is not only leading in climate advocacy, as President of COP23, but that we are leading the way among emerging economies in finding new, creative ways to raise climate finance. The funds from our Green Bond will help us carry out life-saving work to boost resilience across Fiji and the Fijian economy to climate impacts, and go towards climate mitigation and environmental protection programmes. We'd also like to thank our partners in the private sector for their confidence in our vision for a more resilient Fiji,"

**Hon. Attorney-General and
Minister for Economy
Aiyaz Sayed-Khaiyum**

**green
bond**

The Year Ahead

The Reserve Bank will continue to focus on fulfilling its core responsibilities in the FY 2018-2019. Listed below are priority areas where special efforts will focus.

Strategic Direction and Alliances

The Bank's current Strategic Plan will come to an end in December 2018. In preparation, the Bank's executives and management have commenced work on the new five-year Strategic Plan that will run from 01 August 2019–31 July 2024.

AFI and RBF will co-host a Conference in November on "Financial Inclusion and Climate Change" in Nadi. The Bank will continue this workstream in the medium-term.

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.

Legislation

The review of the Insurance Act (1998) will be escalated with the assistance of the IMF-PFTAC Office and the Reserve Bank working closely with the Solicitor General's Office on the revised legislation.

Work on the framework for the legislation on the Personal Property Securities Act, Consumer Credit Bill and Credit Union Act (1954) will be ongoing together with consultation on the draft Pension Savings Bill and the draft revised Credit Union legislation.

Monetary Policy

The Reserve Bank will continue to adopt appropriate and effective monetary policy to protect its twin objectives of maintaining low inflation and having an adequate level of foreign reserves.

In addition to its conventional monetary policy goals, the Bank will also focus on facilitating investment and enhancing economic growth and development.

Financial System Regulation and Supervision

The Reserve Bank continues its mandate of regulating and supervising Fiji's financial system by enhancing its risk-based supervision framework. Regulation and supervision practices will be further strengthened in 2019, with planned reviews and development of prudential supervision policies for the supervised industries. Planned reviews include the Liquidity Risk Management policy and the Capital Adequacy Policy for the banking industry; and Capital Raising Policy for the capital markets participants.

The new and revised policies that are earmarked for implementation in 2019 include the Corporate Governance Policy for the banking, insurance and capital markets industries and the Money Laundering & Terrorist Financing Risk Management Policy for the insurers and foreign exchange dealers.

With the recent implementation of the International Financial Reporting Standards 9 (IFRS 9), the supervised institutions are expected to adopt IFRS 9 for financial reporting purposes from January 2018. In this regard, the Reserve Bank will monitor the commercial banks' implementation of the IFRS 9 Expected Credit Losses (ECL) provisioning, to ensure a smooth transition in adopting the ECL model.

Financial System Development

The long-term policy framework for financial system development lays out the initial steps for a more responsive financial system and the longer term goal of assessing Fiji's feasibility as a financial hub in the South Pacific.

As part of 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.

MSME Development

The Bank will continue to collaborate with the Government and other development partners to implement MSME reforms focused on the promotion and development of MSMEs as stipulated in Pillar 6 of the FSDP.

CEMC Framework

Ensuring the interests of consumers are protected remains a priority for the Bank. To further elevate the focus on Market Conduct, the Bank made commitments to address Pillar 5 of the FSDP and Strategic Goal 5 of the NFIS Plan 2016-2020. Developing effective market conduct measures and supporting appropriate consumer protection mechanisms were already identified in the plan as a priority and in FY 2018-2019, the Bank will continue to focus its attention on the culture and behaviours of regulated institutions. This will include the completion of a report on "Importance of market conduct regulation for stability of regulated institutions" by the mid of next financial year.

Risk Management

The RBF will complete the review of its Risk Management framework and enhanced efforts to operationalise the framework at all levels of its operations.

Risk governance will be the focus of management discussions going forward to ensure that the voice of risk is prioritised in all decision making and establishment of critical process and controls.

Corporate Services Enhancements

The Reserve Bank will continue to strengthen its work processes to reduce its carbon footprint. Additionally, work will be ongoing on record keeping for good governance.

The Bank will also employ appropriate processes and systems to convert all forms of documentation in digital form. The website will also be redesigned so it is user-friendly and provides the right information.

To increase the Bank's process efficiency and allow for better information and decision support system, the Bank will

review and progress to enhance automation and process reengineering of several of its key processes.

International Financial Reporting Standards 9

IFRS 9 is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted but the Bank intends to adopt IFRS 9 on its effective date. The Bank is currently in the process of determining the impact of IFRS 9 on its future financial statements with a focus on classification and measurement of financial instruments including the application of the expected credit loss model to its financial assets.



Financial Statements

For the year ended 31 July 2018

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Reserve Bank of Fiji Directors' report

The Directors present their report together with the financial statements of the Reserve Bank of Fiji ("the Bank") for the year ended 31 July 2018 and the auditor's report thereon.

Directors

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

Ariff Ali – Chairman and Acting Governor from 28 May 2017 to 10 September 2017

Governor from 11 September 2017

Makereta Konrote (Ex-officio member)

Pradeep Patel

Tevita Kuruvakadua

Tony Whitton

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 2018 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:

- 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.

Operating results

The net profit of the Bank for the year ended 31 July 2018 was \$31.5m (2017: \$28.3m).

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 (2017: \$1.0m) 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 2018, the value of the External reserves was 92% (2017: 94%) of total Demand liabilities.

Payable to the Fijian Government

In accordance with the Reserve Bank of Fiji Act, 1983, the following amounts totalling \$32.5m for the year ended 31 July 2018 (2017: \$29.4m) are payable to the Fijian Government:

Section 8(3): Net profit after transfer to General reserves - \$30.5m for the year ended 31 July 2018 (2017: \$27.3m)

Section 34(3): One-fifth balance of Revaluation reserve account - foreign currency - \$2.0m (2017: \$2.1m)

Reserve Bank of Fiji Directors' report

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.

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

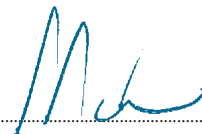
At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which render amounts stated in the financial statements misleading.

Dated at Suva this 27th of September 2018.

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



Ariff Ali
Chairman of the Board and Governor



Pradeep Patel
Director

Reserve Bank of Fiji

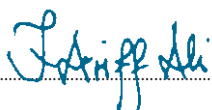
Statement by Directors

In the opinion of the Directors:

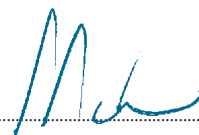
- (a) the accompanying statement of comprehensive income is drawn up so as to give a true and fair view of the results of the Bank for the year ended 31 July 2018;
- (b) the accompanying statement of changes in equity is drawn up so as to give a true and fair view of the changes in equity of the Bank for the year ended 31 July 2018;
- (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 2018;
- (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 2018;
- (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 \$33.0m, an increase of \$1.5m being the currency translation gain for the year ended 31 July 2018.

For and on behalf of the Board of Directors by authority of a resolution of the Directors this 27th of September 2018.



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 2018, 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 2018 (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.

GPO Box 200, Suva, Fiji.

T: (679)3313955 / 3315199, F: (679) 3300981 / 3300947

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


Grant Burns

27 September 2018
 Suva, Fiji

Reserve Bank of Fiji
Statement of comprehensive income
For the year ended 31 July 2018

	Note	31 July 2018 \$000	31 July 2017 \$000
Income			
Interest income	4(a)	54,523	49,522
Other revenue	4(b)	5,260	6,561
Total income		59,783	56,083
Expenses			
Interest expense	4(c)	1,584	610
Administration expenses	4(d)	19,430	20,398
Amortisation of securities	6	1,331	1,349
Other expenses	4(e)	5,937	5,442
Total expenses		28,282	27,799
Net profit for the period	13	31,501	28,284
Other comprehensive income/ (losses)			
Amortisation of available-for-sale reserve		(1,334)	(1,334)
Change in value of available-for-sale assets		(2,923)	(3,608)
Asset revaluation reserve movement		(52)	(92)
Currency translation gains/(losses)	18	1,459	(1,614)
Total other comprehensive income/(losses)		(2,850)	(6,648)
Total comprehensive income for the period		28,651	21,636

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 2018

	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)	-
Amortisation of available-for-sale reserve	-	-	-	(1,334)	-	-	(1,334)
Change in value of available-for-sale assets	-	-	-	(3,608)	-	-	(3,608)
Asset revaluation reserve movement (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 changes in equity - continued
For the year ended 31 July 2018

	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 2017	2,000	40,050	8,361	11,485	19,767	-	81,663
Total comprehensive income for the year							
Net profit	-	-	-	-	-	31,501	31,501
Transfer to General reserves (Note 18)	-	1,000	-	-	-	(1,000)	-
<i>Other comprehensive income/ (losses)</i>							
Amortisation of available-for-sale reserve	-	-	-	(1,334)	-	-	(1,334)
Change in value of available-for-sale assets	-	-	-	(2,923)	-	-	(2,923)
Asset revaluation reserve movement (Note 18)	-	-	-	-	(52)	-	(52)
Net gains arising from currency translation differences	-	-	1,459	-	-	-	1,459
Total other comprehensive income/ (losses)	-	-	1,459	(4,257)	(52)	-	(2,850)
Total comprehensive income/(losses) for the year	-	1,000	1,459	(4,257)	(52)	30,501	28,651
	2,000	41,050	9,820	7,228	19,715	30,501	110,314
<u>Transactions with owners, recorded directly in equity</u>							
Payable to the Fijian Government (Note 13)	-	-	(1,964)	-	-	(30,501)	(32,465)
Balance at 31 July 2018	2,000	41,050	7,856	7,228	19,715	-	77,849

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.

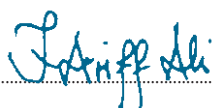
Reserve Bank of Fiji

Statement of financial position

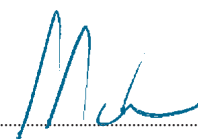
As at 31 July 2018

	Note	31 July 2018 \$000	31 July 2017 \$000
Foreign currency assets			
Short-term commercial paper and current accounts	5	326,283	499,120
Marketable securities	5	1,632,881	1,620,223
Gold	5	2,139	2,121
Accrued interest		17,828	15,865
International Monetary Fund			
- Reserve tranche position	5/19	70,675	67,514
- Special drawing rights	5/19	129,953	124,719
- PRGF - HIPC Trust	19	573	549
- Currency subscription	19	219,804	211,147
Total foreign currency assets		2,400,136	2,541,258
Local currency assets			
Cash on hand	16	1,597	2,465
Domestic securities	6	81,450	82,869
Financing facilities	7	123,232	98,229
Currency inventory	8	19,903	21,162
Other assets	9	11,579	10,701
Intangible assets	10	318	290
Property, plant and equipment	11	32,823	34,007
Total local currency assets		270,902	249,723
Total assets		2,671,038	2,790,981
Foreign currency liabilities			
Demand deposits	12	59	164
IMF - PRGF - HIPC Trust	19	573	549
IMF - Special drawing rights allocation	19	198,064	190,006
Total foreign currency liabilities		198,696	190,719
Local currency liabilities			
Demand deposits	12	502,635	751,841
Payable to the Fijian Government	13	32,465	29,374
Currency in circulation	14	837,377	759,616
Statutory reserve deposits		794,197	758,359
IMF - Notes currency subscription		219,329	210,645
Other liabilities	15	8,490	8,764
Total local currency liabilities		2,394,493	2,518,599
Total liabilities		2,593,189	2,709,318
Net assets		77,849	81,663
Capital and reserves			
Paid-up capital	17	2,000	2,000
General reserves	18	41,050	40,050
Revaluation reserve account - foreign currency	18	7,856	8,361
Available-for-sale reserve	18	7,228	11,485
Asset revaluation reserve	18	19,715	19,767
		77,849	81,663

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 2018

Note	31 July 2018 \$000	31 July 2017 \$000
Operating activities		
Rental lease income	476	461
Numismatic sales	882	698
Interest received	50,967	45,177
Other income	2,537	3,991
Interest paid	(1,584)	(610)
New currency payments	(3,322)	(953)
Administration and other expenses	(19,854)	(20,050)
Net movement of short-term commercial paper	146,864	97,302
Net movement in fixed term deposits	172,706	(5,626)
Net movement in International Monetary Fund accounts	1,050	579
Net movement of domestic securities	88	6,878
Net movement in financing facilities	(25,003)	(4,282)
Net movement in other assets	(184)	855
Cash flows from operating activities	325,623	124,420
Investing activities		
Payment for property, plant and equipment and intangibles	(893)	(317)
Net movement of bonds	(188,049)	(334,570)
Cash flows used in investing activities	(188,942)	(334,887)
Financing activities		
Net movement in demand deposits	(249,206)	237,329
Payment to the Fijian Government	(29,374)	(16,929)
Net movement in currency in circulation	77,761	8,622
Net movement in statutory reserve deposits	35,838	78,789
Cash flows from financing activities	(164,981)	307,811
Net effect of currency translation	1,459	(1,614)
Net increase/ (decrease) in cash	(26,841)	95,730
Cash and cash equivalents at the beginning of the period	333,554	237,824
Cash and cash equivalents at the end of the period	306,713	333,554
16		

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.

Reserve Bank of Fiji

Notes to and forming part of the financial statements

For the year ended 31 July 2018

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 \$33.0m for the year ended 31 July 2018 (2017: \$26.7m), an increase of \$1.5m (2017: a decrease of \$1.6m), being the net gain 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; and
- 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.

Reserve Bank of Fiji

Notes to and forming part of the financial statements

For the year ended 31 July 2018

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 years beginning on or after 1 January 2018 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 are no changes to classification and measurement requirements 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 but the Bank intends to adopt IFRS 9 on its effective date. The Bank is currently in the process of determining the impact of IFRS 9 on its future financial statements with a focus on classification and measurements of financial instruments including the application of the expected credit loss model to its financial assets.

(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.

Reserve Bank of Fiji

Notes to and forming part of the financial statements

For the year ended 31 July 2018

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 or a shorter period if this is the period to which the premium or discount relate to. 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 (2017: \$1.33m) has accordingly been amortised to other revenue (Note 4(b)).

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 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.

Reserve Bank of Fiji

Notes to and forming part of the financial statements For the year ended 31 July 2018

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 producing legal tender notes and coins that are issued for circulation and adjustments for write-offs relating to superseded design notes and coins series. Currency costs is determined on a first-in, first-out basis.

(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 has 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 is stated at historical cost less depreciation. Cost includes 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:

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.

Reserve Bank of Fiji

Notes to and forming part of the financial statements

For the year ended 31 July 2018

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. The statutory reserve deposit is a direct monetary policy tool that is used from time to time to complement the RBF's market based policy instrument. The last time the RBF changed the statutory reserve deposit was in 2010 when it was raised from 8.5% to 10%.

(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 the 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 and the related income is brought to account evenly over the period of the lease.

Reserve Bank of Fiji

Notes to and forming part of the financial statements For the year ended 31 July 2018

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

(u) Comparative figures

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

(v) Rounding

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

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 is 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.

Reserve Bank of Fiji

Notes to and forming part of the financial statements
For the year ended 31 July 2018

4. Revenue and expenses	31 July 2018 \$000	31 July 2017 \$000
(a) Interest income		
Overseas investments	43,369	39,197
International Monetary Fund	1,463	579
Domestic securities	8,465	8,729
Financing facilities	1,172	950
Staff loans	54	67
	54,523	49,522
(b) Other revenue		
Rent received	476	461
Numismatic sales	913	801
License and application fees	323	586
Foreign currency trading gains	1,660	2,541
Amortisation of available-for-sale reserve	1,334	1,334
Other miscellaneous income	554	838
	5,260	6,561
(c) Interest expense		
International Monetary Fund	1,525	604
Other	59	6
	1,584	610
(d) Administration expenses		
Staff costs	13,806	13,667
Other costs	5,624	6,731
	19,430	20,398
Total number of employees at period end	211	210
(e) Other expenses		
Depreciation	1,996	2,025
Amortisation of intangible assets	53	75
Auditor's remuneration		
- Audit fees	52	42
- Accounting services	-	-
- Other services	-	-
Board remuneration	31	32
Currency issue	3,775	3,164
Numismatic	30	104
	5,937	5,442

Reserve Bank of Fiji

Notes to and forming part of the financial statements For the year ended 31 July 2018

5. External reserves

	31 July 2018 \$000	31 July 2017 \$000
Short-term commercial paper	117,882	257,820
Current accounts	208,401	241,300
	326,283	499,120
Marketable securities		
- Fixed term deposits	158,047	330,753
- Bonds	1,474,834	1,289,470
	1,632,881	1,620,223
Gold	2,139	2,121
International Monetary Fund		
- Reserve tranche position	70,675	67,514
- Special drawing rights	129,953	124,719
	200,628	192,233
Total External reserves	2,161,931	2,313,697

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 2018, the value of the External reserves was 92% (2017: 94%) of total Demand liabilities.

6. Domestic securities

Domestic securities principally comprise investment in the Fijian Government bonds.

During the year, \$1.33m (2017: \$1.35m) was amortised in respect of securities held in the Domestic Bond Portfolio.

	31 July 2018 \$000	31 July 2017 \$000
<i>Movement of Held-to-maturity financial assets</i>		
Opening balance	82,869	91,096
Acquisitions	2,179	1,472
Redemptions	(2,267)	(8,350)
Amortisation	(1,331)	(1,349)
Closing balance	81,450	82,869

Reserve Bank of Fiji

Notes to and forming part of the financial statements

For the year ended 31 July 2018

7. Financing facilities

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

	31 July 2018 \$000	31 July 2017 \$000
Import Substitution and Export Finance Facility	82,087	59,472
Natural Disaster Rehabilitation Facility	14,862	13,757
Housing Facility	26,283	25,000
	123,232	98,229

The RBF has three financing facilities that have been approved by the Board with total approved limit of \$200 million as at 31 July 2018 (\$145 million: 2017) provided as back-to-back financing to various financial institutions at concessional rates of interest and varying maturities of up to 5 years. The aim of these facilities are to support import and export substitution businesses, assist businesses and home owners affected by natural disasters and assist first home buyers to own a home, respectively. Credit guidelines are determined by the financial institutions that tap into these facilities on behalf of their clients as ultimately, they bear the credit risk.

8. Currency inventory

Movement of currency inventory

Opening balance
Consignments received
Currency issued
Closing balance

	31 July 2018 \$000	31 July 2017 \$000
Opening balance	21,162	17,929
Consignments received	2,516	6,397
Currency issued	(3,775)	(3,164)
Closing balance	19,903	21,162

9. Other assets

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

	31 July 2018 \$000	31 July 2017 \$000
Accrued interest	2,329	2,333
Currency prepayments	7,259	6,453
Prepayments and other receivables	872	687
Staff loans and advances	1,119	1,228
Allowance for doubtful debts on other receivables	-	-
	11,579	10,701

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

10. Intangible assets

Cost

Opening balance
Acquisitions
Disposals
Transfers from work in progress
Closing balance

Accumulated amortisation

Opening balance
Amortisation charge for the period
Disposal
Closing balance

Carrying amount

Opening balance
Closing balance

	31 July 2018 \$000	31 July 2017 \$000
Opening balance	4,027	4,023
Acquisitions	-	-
Disposals	-	-
Transfers from work in progress	81	4
Closing balance	4,108	4,027
Opening balance	3,737	3,662
Amortisation charge for the period	53	75
Disposal	-	-
Closing balance	3,790	3,737
Opening balance	290	361
Closing balance	318	290

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.

Reserve Bank of Fiji

Notes to and forming part of the financial statements
For the year ended 31 July 2018

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 August 2016	34,920	1,145	461	2,687	1,675	262	41,150
Additions	-	-	-	-	-	317	317
Transfer 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
Balance at 1 August 2017	34,928	1,146	461	2,847	1,854	209	41,445
Additions	-	-	-	-	-	893	893
Transfers from work in progress	-	48	-	214	235	(578)	(81)
Transfer from/(to) Intangibles	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Balance at 31 July 2018	34,928	1,194	461	3,061	2,089	524	42,257
Accumulated depreciation							
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
Balance at 1 August 2017	2,453	905	321	2,100	1,659	-	7,438
Depreciation for the period	1,542	61	45	306	42	-	1,996
Transfers	-	-	-	-	-	-	-
Depreciation on disposals	-	-	-	-	-	-	-
Balance at 31 July 2018	3,995	966	366	2,406	1,701	-	9,434
Carrying amount							
Balance at 1 August 2016	34,009	303	203	924	43	262	35,744
Balance at 31 July 2017	32,475	241	140	747	195	209	34,007
Balance at 31 July 2018	30,933	228	95	655	388	524	32,823

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 statements as at 31 December 2015.

Reserve Bank of Fiji

Notes to and forming part of the financial statements

For the year ended 31 July 2018

12. Demand deposits

	31 July 2018 \$000	31 July 2017 \$000
Foreign		
International Monetary Fund	59	164
Local		
Banks' exchange settlement balances	496,854	740,399
Fijian Government	592	6,111
State NBF Trust account	1,470	1,520
International Monetary Fund	475	503
Other depositors	3,244	3,308
	502,635	751,841

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 2018 \$000	31 July 2017 \$000
Net profit for the year	31,501	28,284
Transfer to General Reserve	(1,000)	(1,000)
One-fifth balance of 'Revaluation reserve account - foreign currency'	1,964	2,090
	32,465	29,374

The amount payable to the Fijian Government is made in accordance with Section 8(3) of the Reserve Bank of Fiji Act, 1983. The balance payable at 31 July 2017 was paid in full to the Fijian Government during the year.

14. Currency in circulation

	31 July 2018 \$000	31 July 2017 \$000
Notes	776,547	702,968
Coins	60,830	56,648
	837,377	759,616

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.

Reserve Bank of Fiji

Notes to and forming part of the financial statements For the year ended 31 July 2018

15. Other liabilities

	31 July 2018 \$000	31 July 2017 \$000
Employee entitlements	1,525	1,586
SME Credit Guarantee Scheme	3,923	3,962
Accruals	1,864	1,843
Other liabilities	1,178	1,373
	8,490	8,764
<i>Movements in employee entitlements:</i>		
Opening balance	1,586	1,458
Net movement during the period	(61)	128
Closing balances	1,525	1,586

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 2018 \$000	31 July 2017 \$000
Cash and cash equivalents included in the statement of cash flows comprise of the following:		
Cash on hand - local currency	1,597	2,465
Cash - foreign currency	305,116	331,089
	306,713	333,554

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

17. Share capital

	31 July 2018 \$000	31 July 2017 \$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.

Reserve Bank of Fiji

Notes to and forming part of the financial statements

For the year ended 31 July 2018

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 (2017: \$1.33m) 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 were revalued in 2015 (refer to Note 11). As at 31 July 2018, 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 2018 \$000	31 July 2017 \$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	937	1,029
Revaluation	(52)	(92)
Closing balance	885	937
Total asset revaluation reserve		
Opening balance	19,767	19,859
Net movement	(52)	(92)
Closing balance	19,715	19,767

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.

Reserve Bank of Fiji

Notes to and forming part of the financial statements For the year ended 31 July 2018

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 2018, the Republic of Fiji's membership subscription to the International Monetary Fund was \$290.5m (2017: \$278.7m). Of this amount \$70.7m (2017: \$67.5m) 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 \$219.8m (2017: \$211.1m) 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 \$130.0m (2017: \$124.7m) 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 \$198.1m (2017: \$190.0m) 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, and at balance date this account had a balance of \$0.6m (\$0.5m).

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.

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.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2018

20. Financial risk management policies - continued

b) Liquidity risk - continued

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 2018, the value of External reserves was 92% (2017: 94%) of the total Demand liabilities.

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2018

20. Financial risk management policies - continued

b) Liquidity risk - continued

Maturity analysis as at 31 July 2018

The maturity analysis noted below includes all financial and non-financial assets and liabilities as at 31 July 2018.

	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	305,116	21,167	-	-	-	326,283
Marketable securities	276,316	520,637	835,928	-	-	1,632,881
Gold	2,139	-	-	-	-	2,139
Accrued interest	17,828	-	-	-	-	17,828
IMF - Reserve tranche position	70,675	-	-	-	-	70,675
- Special drawing rights	129,953	-	-	-	-	129,953
- PRGF - HIPC Trust	-	-	573	-	-	573
- Currency subscription	219,804	-	-	-	-	219,804
	1,021,831	541,804	836,501	-	-	2,400,136
Local currency assets						
Cash on hand	1,597	-	-	-	-	1,597
Domestic securities	500	17,794	19,824	43,332	-	81,450
Financing facilities	17,214	15,686	90,332	-	-	123,232
Currency inventory	19,903	-	-	-	-	19,903
Other assets	11,579	-	-	-	-	11,579
Intangibles	-	-	-	-	318	318
Property, plant and equipment	-	-	-	-	32,823	32,823
	50,793	33,480	110,156	43,332	33,141	270,902
Total assets	1,072,624	575,284	946,657	43,332	33,141	2,671,038
Foreign currency liabilities						
Demand deposits	59	-	-	-	-	59
IMF - PRGF - HIPC Trust	-	-	573	-	-	573
IMF - Special drawing rights allocation	-	-	-	-	198,064	198,064
	59	-	573	-	198,064	198,696
Local currency liabilities						
Demand deposits	502,635	-	-	-	-	502,635
Payable to the Fijian Government	32,465	-	-	-	-	32,465
Currency in circulation	-	-	-	-	837,377	837,377
Statutory reserve deposit	-	-	-	-	794,197	794,197
IMF - Notes currency subscription	-	-	-	-	219,329	219,329
Other liabilities	4,567	3,923	-	-	-	8,490
	539,667	3,923	-	-	1,850,903	2,394,493
Total liabilities	539,726	3,923	573	-	2,048,967	2,593,189
Net assets	532,898	571,361	946,084	43,332	(2,015,826)	77,849

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2018

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

Reserve Bank of Fiji

Notes to and forming part of the financial statements

For the year ended 31 July 2018

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 2018 \$000	31 July 2017 \$000
Foreign currency assets		
Short-term commercial paper and current accounts	326,283	499,120
Marketable securities	1,632,881	1,620,223
International Monetary Fund	421,005	403,929
	2,380,169	2,523,272
Local currency assets		
Domestic securities	81,450	82,869
Staff loans and advances	1,119	1,228
	82,569	84,097
	2,462,738	2,607,369

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

	31 July 2018		31 July 2017	
	\$000	%	\$000	%
Concentration by currency				
USD	769,588	31	827,574	32
YEN	99,141	4	93,545	4
GBP	20	-	48	-
EURO	62,695	3	95,459	4
AUD	646,116	26	686,732	26
NZD	381,604	16	415,985	16
SDR	421,005	17	403,929	15
FJD	82,569	3	84,097	3
Total financial assets	2,462,738	100	2,607,369	100

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2018

20. Financial risk management policies - continued

c) Credit risk - continued

	31 July 2018		31 July 2017	
	\$000	%	\$000	%
Concentration by sector				
Foreign currency assets				
Central banks	261,710	11	239,930	10
Commercial banks	528,957	22	754,801	30
Government	547,664	23	574,937	23
Semi Government	19,211	1	12,425	-
Supranational	601,616	25	537,134	21
International Monetary Fund	421,005	18	403,929	16
Others	6	-	116	-
	2,380,169	100	2,523,272	100
Local currency assets				
Government and statutory bodies	81,450	99	82,869	99
Staff loans and advances	1,119	1	1,228	1
	82,569	100	84,097	100
Total financial assets	2,462,738		2,607,369	

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 2018		31 July 2017	
	\$000	%	\$000	%
Summary by major credit category				
<i>Foreign currency financial asset by major credit category:</i>				
Aaa	1,013,590	42	792,492	31
Aa1	-	-	71,043	3
Aa2	81,344	3	62,460	2
Aa3	308,900	13	466,318	18
A1	85,343	4	232,632	9
A2	102,841	4	101,566	4
A3	12	-	-	-
International Monetary Fund	421,005	18	403,929	16
Central Banks	261,710	11	239,930	10
Others and Not rated	105,424	5	152,902	7
	2,380,169	100	2,523,272	100
<i>Local currency financial asset by major credit category:</i>				
Others	82,569	100	84,097	100
Total financial assets	2,462,738	100	2,607,369	100

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2018

20. Financial risk management policies - continued

c) Credit risk - 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 risk

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 2018

	USD \$000	YEN \$000	GBP \$000	EURO \$000	AUD \$000	NZD \$000	SDR \$000
Foreign currency assets							
Short-term commercial paper and current account	95,453	5,240,629	7	5,375	175	9,111	-
Marketable securities	270,795	-	-	20,117	415,084	257,134	-
Gold	1,018	-	-	-	-	-	-
Accrued interest	1,889	-	-	40	4,947	3,042	(6)
International Monetary Fund							
- Reserve tranche position	-	-	-	-	-	-	23,941
- Special drawing rights	-	-	-	-	-	-	44,022
- PRGF - HIPC Trust	-	-	-	-	-	-	194
- Currency subscription	-	-	-	-	-	-	74,459
Total foreign currency assets	369,155	5,240,629	7	25,532	420,206	269,287	142,610
Foreign currency liabilities							
Demand deposits	-	-	-	-	-	-	(20)
IMF - PRGF - HIPC Trust	-	-	-	-	-	-	(194)
IMF - Special drawing rights allocation	-	-	-	-	-	-	(67,094)
Total foreign currency liabilities	-	-	-	-	-	-	(67,308)
Carrying amount	369,155	5,240,629	7	25,532	420,206	269,287	75,302

Reserve Bank of Fiji
Notes to and forming part of the financial statements
For the year ended 31 July 2018

20. Financial risk management policies - continued

d) Market risk - continued

Notional carrying amounts as at 31 July 2017

	USD	YEN	GBP	EURO	AUD	NZD	SDR
	\$000	\$000	\$000	\$000	\$000	\$000	\$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

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 2018	31 July 2017
USD	0.4759	0.4971
YEN	52.86	55.01
GBP	0.3624	0.3787
EURO	0.4066	0.4231
AUD	0.6427	0.6227
NZD	0.6977	0.6624
SDR	0.3388	0.3531

Reserve Bank of Fiji

Notes to and forming part of the financial statements
For the year ended 31 July 2018

20. Financial risk management policies - continued

d) Market risk - 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 2018 \$000	31 July 2017 \$000	31 July 2018 \$000	31 July 2017 \$000
USD	(70,518)	(75,737)	86,189	92,567
YEN	(9,013)	(8,504)	11,016	10,394
GBP	(2)	(4)	2	5
EURO	(5,709)	(8,814)	6,977	10,773
AUD	(59,438)	(62,911)	72,646	76,891
NZD	(35,088)	(38,305)	42,885	46,817
SDR	(38,266)	(36,724)	46,770	44,884
	(218,034)	(230,999)	266,485	282,331

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.

Reserve Bank of Fiji

Notes to and forming part of the financial statements

For the year ended 31 July 2018

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 \$96.44m (2017: \$98.85m), 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 markets 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.

Reserve Bank of Fiji

Notes to and forming part of the financial statements
For the year ended 31 July 2018**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 2018				
<i>Foreign currency assets</i>				
Available-for-sale financial assets at quoted market price	1,369,411	-	-	1,369,411
Fijian Government bonds	-	105,423	-	105,423
	1,369,411	105,423	-	1,474,834
31 July 2017				
<i>Foreign currency assets</i>				
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

During the period ended 31 July 2018, 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 2018 \$000	31 July 2017 \$000
USD	48,385	42,947
EURO	4,948	9,542
AUD	61,597	50,509
NZD	32,554	25,949
	147,484	128,947

Reserve Bank of Fiji

Notes to and forming part of the financial statements

For the year ended 31 July 2018

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:

Ariff Ali – Chairman and Acting Governor from 28 May 2017 to 10 September 2017

Governor from 11 September 2017

Makereta Konrote (Ex-officio member)

Pradeep Patel

Tevita Kuruvakadua

Tony Whitton

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:

Ariff Ali	Governor from 11 September 2017 and Acting Governor from 28 May 2017 to 10 September 2017
Esala Masitabua	Deputy Governor from 1 January 2018 and Chief Manager Financial Markets up to 31 December 2017
Lorraine Seeto	Chief Manager Governors' Office and Board from 1 January 2018 and Chief Manager Risk Management and Communications up to 31 December 2017
Razim Buksh	Director Financial Intelligence Unit
Caroline Waqabaca	Chief Manager Financial Markets from 1 January 2018 and Chief Manager Economics up to 31 December 2017
Susan Kumar	Chief Manager Currency and Corporate Services
Vereimi Levula	Chief Manager Financial System Development up to 31 December 2017
Poasa Werekoro	Acting Chief Manager Financial System Development from 1 January 2018
Vilimaina Dakai	Chief Manager Risk Management and Communications from 2 April 2018 and Chief Manager Financial Institutions up to 1 April 2018
Petaia Tuimanu	Chief Manager Economics from 1 August 2018 and Acting Chief Manager Economics from 1 January 2018
Sailasa Vadiga	Acting Chief Manager Financial Institutions from 2 April to 31 May 2018
Seci Taleniwesi	Acting Chief Manager Financial Institutions from 1 June to 31 July 2018
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 \$15.03m (2017: \$15.47m) of interest income relating to their investments in Government securities including foreign currency denominated bonds. The Bank is also obligated to pay \$32.47m (2017: \$29.37m) 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 2018 of \$4.41m (2017: \$4.39m). The balance of the Bank's investment in Government securities including foreign currency denominated bonds at period end amounted to \$186.87m (2017: \$185.05m).

The Bank also provides an overnight standby facility to the Fijian Government. At the end of the period, the approved facility of \$20m (2017: \$20m) was not utilised.

Reserve Bank of Fiji

Notes to and forming part of the financial statements For the year ended 31 July 2018

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 2018 \$000	31 July 2017 \$000
Board remuneration expenses	31	32
Key management personnel:		
- Short-term employee benefits	1,857	1,887
- Long-term employee benefits	99	95
	1,987	2,014

23. Commitments

Commitments not otherwise provided for in the financial statements and which existed at 31 July 2018 comprise:

	31 July 2018 \$000	31 July 2017 \$000
Foreign exchange transactions:		
- Sales	8,670	13,920
- Purchases	-	-
Capital commitments		
- Other assets	148	66

24. Lease receivable

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

	31 July 2018 \$000	31 July 2017 \$000
Receivable not later than one year	519	519
Receivable later than one year but not later than five years	351	890
	870	1,409

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 2017 to July 2018

02 Aug.	Submission to the Parliamentary Standing Committee on Justice, Law and Human Rights on the Personal Property Securities Bill 2017	01 Dec.	Press Release - Appointment of the RBF Deputy Governor	03 May	National AML Council Meeting
05 Aug.	Acting Governor attended the Fiji Chamber of Commerce & Industry Fiji Business Forum 2017	07 Dec.	Press Release - RBF Releases its First Report on Financial Stability for Fiji	03-06 May	Governor attended ADB Annual Meeting, Manila Philippines
07 Aug.	Press Release - Nominations for the National Microfinance Awards Commence	08-09 Dec.	Governor presented on Accident Compensation Commission Fiji and Access to more Finance Personal Property Securities at the 19 th Attorney-General's Conference 2017	04 May	RBF Nominated for Women in Business Employer of Choice and Executive Woman of the Year at the 2018 Women in Business Awards
10 Aug.	Press Release - Reserve Bank Confirms Extension of Amnesty to Exchange Control Regulations	19 Dec.	Press Release - Monetary Policy December 2017	11 May	Press Release - Statement by the Chairman of Macroeconomic Committee and Governor of the RBF: Revised Growth Projections for 2017-2020
10 Aug.	June 2017 Quarterly Review issued	19 Dec.	Monetary Policy Statement December 2017 booklet issued	12 May	Governor attended the Fiji Bus Operators Association Annual Convention
16 Aug.	Acting Governor presented an update on the Fijian Economy during a Retreat for Members of Parliament	29 Dec.	Press Release - RBF Announces Changes in Executive Roles	25 May	March 2018 Quarterly Review issued
31 Aug.	Ordinary Board Meeting	29 Dec.	December 2017 Economic Review issued	25 May	LMCC Quarter 2 Meeting
31 Aug.	Press Release - Monetary Policy Stance Remains Unchanged	17 Jan.	LMCC Quarter 4 Meeting	28 May	Governor addressed 2017 National Microfinance Awards
01 Sep.	RBF hosted Sustainable Finance Workshop	24 Jan.	Board Audit and Risk Committee Meeting	29-31 May	Technical Assistance Scoping Visit by Asia Pacific Group on Money Laundering
01 Sep.	August 2017 Economic Review issued	24 Jan.	Board Governance Committee Meeting	29-01 Jun.	IMF Staff Visit
06 Sep.	Monetary Policy Statement August 2017 booklet issued	25 Jan.	Ordinary Board Meeting	30 May	Governor Addressed Leadership Fiji on the Fijian Economy
11 Sep.	Press Release - Appointment of the RBF Governor	25 Jan.	Press Release - Monetary Policy Stance Remains Unchanged	31 May	Ordinary Board Meeting
15 Sep.	2016 Insurance Annual Report tabled in Parliament	30 Jan.	Deputy Governor Launched 2018 RBF Student Diary	31 May	Press Release - Monetary Policy Stance Remains Unchanged
15 Sep.	Press Release - RBF Releases 2016 Insurance Annual Report	31 Jan.	January 2018 Economic Review issued	01 Jun.	May 2018 Economic Review issued
20 Sep.	Board Audit and Risk Committee Meeting	09 Feb.	Deputy Governor attended the FDB's National Small & Medium Enterprise Awards	04-05 Jun.	Deputy Governor attended the Bank of Korea International Conference 2018, Seoul, Korea
27 Sep.	Board Governance Committee Meeting	13-28 Feb.	IMF FSSR Mission	07 Jun.	Governor presented on the Fijian Green Bond to Stakeholders
28 Sep.	Ordinary Board Meeting	16 Feb.	December 2017 Quarterly Review issued	13 Jun.	NFIT Meeting
28 Sep.	Press Release - Monetary Policy Stance Remains Unchanged	22 Feb.	Ordinary Board Meeting	13 Jun.	Board Audit and Risk Committee Meeting
29 Sep.	2016-2017 RBF Financial Statements and Operations Report submitted to Minister for Economy	22 Feb.	Press Release - Monetary Policy Stance Unchanged	13 Jun.	Board Governance Committee Meeting
02 Oct.	September 2017 Economic Review issued	28 Feb.	February 2018 Economic Review issued	14 Jun.	Press Release - Agencies Strengthen Tax Compliance
03 Oct.	RBF Presentation to Parliamentary Standing Committee on Economic Affairs on the 2016 FIU Annual Report	05 Mar.	Press Release - RBF Releases 2016-2017 Annual Report	19 Jun.	2017 FIU Annual Report Published
04 Oct.	RBF Presentation to Parliamentary Standing Committee on Economic Affairs on the 2016 Insurance Annual Report	05 Mar.	RBF 2016-2017 Annual Report tabled in Parliament	21 Jun.	RBF co-hosted 2018 Griffith University-Sustainable Living Infrastructure Consortium Housing Affordability Workshop
06 Oct.	RBF nominee for SPSE Annual Awards Unlisted Organisations Category	07-09 Mar.	Governor and Deputy Governor attended the annual Industry Visit	22 Jun.	Press Release - RBF-Griffith University Seminar Series
06 Oct.	LMCC Quarter 3 Meeting	08 Mar.	Governor presented to the Nadi Town Business Community	22 Jun.	Press Release - RBF-Griffith University-Sustainable Living Infrastructure Consortium Housing Affordability Workshop
12 Oct.	Governor attended the Joint Governors' Meeting of the World Bank Group and IMF Southeast Asia Constituency	13 Mar.	NFIT Meeting	22-23 Jun.	Deputy Governor attended the Fiji Commerce & Employers Federation Top Executive Conference 2018, Change & Transition: Readiness & Resistance
13-15 Oct.	Governor attended the World Bank Group and IMF Annual Meeting, Washington D.C	15 Mar.	CMADT Meeting	23 Jun.	Deputy Governor presented on "How does Bank Credit Help the Economy?"; Top Executive Conference 2018
16 Oct.	Governor attended the SBN Annual Meeting, Washington D.C	20 Mar.	Governor presented the RBF prize and Gold medal at the USP Medals and Prizes presentation	26 Jun.	CMADT Meeting
16-17 Oct.	Deputy Governor attended the COP23 Pre COP Partnership Day	23 Mar.	Deputy Governor attended the ANZ Leadership Presentation	26 Jun.	e-Money Taskforce Meeting
17-18 Oct.	Deputy Governor attended the Pre-Conference of Parties COP23 Ministerial Dialogue	27-28 Mar.	Governor and Deputy Governor attended the PFTAC Steering Committee Meeting, Fiji	28 Jun.	Board Governance Committee Meeting
18 Oct.	Hon. Prime Minister announces Green Bonds for Climate Resilience - Deputy Governor attended	29 Mar.	Ordinary Board Meeting	28 Jun.	Ordinary Board Meeting
21 Oct.	Governor and Deputy Governor attended the Investment Fiji's Prime Minister's International Business Awards	29 Mar.	Press Release - Monetary Policy Stance Remains Unchanged	28 Jun.	Press Release - Monetary Policy Stance Remains Unchanged
27 Oct.	September 2017 Quarterly Review issued	29 Mar.	March 2018 Economic Review issued	28 Jun.	Insurance Annual Report 2017 submitted to Minister for Economy
27 Oct.	Press Release - Fiji's Economic Growth Projections Revised Upwards for 2017 and 2018	2-6 Apr.	Deputy Governor attended 10 th AFI Small Medium Enterprises Finance Workshop Group Meeting, Amman, Jordan	02 Jul.	Governor delivered the Opening Remarks at the 2018 Capital Markets Week Launch
31-2 Nov.	IMF FSSR Scoping Mission	03 Apr.	RBF grants new Credit Reporting Agency Licence	02 Jul.	Press Release - Further Exchange Control Relaxations Effective 01 August 2018
02 Nov.	Ordinary Board Meeting	03 Apr.	Press Release - RBF Reactivates the Natural Disaster Rehabilitation Facility for Homeowners and Businesses	02 Jul.	June 2018 Economic Review issued
02 Nov.	Press Release - Monetary Policy Stance Remains Unchanged	05 Apr.	Presentation to the Parliamentary Standing Committee on Economic Affairs on the RBF 2016-2017 Annual Report	03 Jul.	2018 National Capital Markets Quiz Competition Finals
03 Nov.	October 2017 Economic Review issued	09-13 Apr.	Deputy Governor attended the Bank of Negara Malaysia AFI Learning Programme on Micro Small and Medium Enterprises Financing Ecosystem, Kuala Lumpur, Malaysia	04 Jul.	2017 Financial Inclusion Report Published
03 Nov.	Press Release - Fiji FIU Hosts Pacific FIU Attachment Programme	18 Apr.	Governor attended the Listing of Green Bonds, London Stock Exchange, United Kingdom	06 Jul.	Press Release - RBF Announces Executive Appointment
14-17 Nov.	Governor attended the 32 nd Meeting of the South Pacific Central Bank Governors, Nuku'alofa, Tonga	25 Apr.	Board Audit and Risk Committee Meeting	13 Jul.	Governor addressed the Pacific Update Conference, USP
29-12 Dec.	IMF Article IV Consultation Mission	25 Apr.	Board Governance Committee Meeting	16 Jul.	Launch of the Prime Minister's International Business Excellence Awards - RBF Sponsor in the Primary Industry Category
30 Nov.	Ordinary Board Meeting	26 Apr.	Ordinary Board Meeting	17 Jul.	Deputy Governor attended the Official Monetary and Financial Institutions Forum, Bank for International Settlements Joint Meeting, Singapore
30 Nov.	October 2017 FSR released	26 Apr.	Press Release - Monetary Policy Stance Remains Unchanged	31 Jul.	July 2018 Economic Review issued
30 Nov.	Press Release - Monetary Policy Stance Unchanged	27 Apr.	Deputy Governor launched the FBFSEU 50 th Anniversary Celebrations		
01 Dec.	November 2017 Economic Review issued	02 May	April 2018 Economic Review issued		

Fiji: Key Economic and Financial Indicators

	2013	2014	2015	2016	2017	2018
I. GDP						
GDP at Market Price (\$ Million)	7,715.7	8,462.4	9,150.3	9,582.2r	10,073.3p	11,313.8f
Per Capita GDP at Current Basic Price (\$)	7,475.1	8,179.3	8,771.1	9,303.2r	9,501.7p	10,248.3f
Constant Price GDP Growth Rate (%)	4.7	5.6	3.8	0.7	3.0p	3.2f
II. LABOUR MARKET¹						
Labour Force	363,400e	367,154e	346,214e		n.a	n.a
Wage and Salary Earners (mid-year)	129,000e	129,500e	199,515e		n.a	n.a
III. INFLATION (year-on-year % change)²						
All Items	3.4	0.1	1.6	3.9	2.8	4.7
IV. GOVERNMENT FINANCE (\$ Million)³						
Total Revenue and Grants ⁴	2,098.4	2,370.8	2,908.3	2,837.4	3,372.2r	4,236.4b
Total Expenditure (excluding loan repayments)	2,136.3	2,723.1	3,292.0	3,060.3	3,869.5r	4,650.5b
V. EXTERNAL TRADE⁵						
Current Account Balance (\$ Million)	-746.6	-527.3r	-201.8r	-274.1r	-571.4p	-853.2f
Capital Account Balance (\$ Million)	8.9	8.2r	6.4r	9.0r	9.1p	9.1f
Financial Account Balance (\$ Million) ⁶	-503.5	-1,288.7r	-178.4r	-634.8r	-703.0p	-724.6f
Current Account Balance (% of GDP)	-9.7	-6.2r	-2.2r	-2.8r	-5.4p	-7.5f
VI. FOREIGN EXCHANGE RESERVES (\$ Million)⁷						
Foreign Reserves	1,778.1	1,810.7	1,943.7	1,921.2	2,272.8	2,161.9
VII. MONEY AND CREDIT (year-on-year % change)⁸						
Narrow Money	67.3	5.5	13.4	4.0	13.9	3.0
Currency in Circulation	1.1	11.0	11.7	9.5	7.1	7.1
Quasi-Money	23.2	10.6	14.3	4.6	8.5	2.7
Domestic Credit ⁹	14.0	18.7	13.4	7.6	5.9	7.3
VIII. INTEREST RATES (% p.a.)⁷						
RBF OPR ⁹	0.50	0.50	0.50	0.50	0.50	0.50
Lending Rate	5.86	5.72	5.89	5.80	5.65	5.68
Savings Deposit Rate	0.70	0.57	1.01	0.97	1.34	1.41
Time Deposit Rate	1.79	2.15	2.71	2.95	3.21	3.40
Minimum Lending Rate	1.00	1.00	1.00	1.00	1.00	1.00
IX. EXCHANGE RATES (mid rates, \$1 equals: end of period)⁷						
US dollar	0.5269	0.5031	0.4701	0.4695	0.4874	0.4759
REER (January 1999 = 100)	98.51	98.68	99.86	102.31	102.02	105.45

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 2018 - July inflation rate.

³ The revenue and expenditure figures for the years 2016 and 2017 are extracted from the fiscal year 2018-2019 National Budget.

⁴ Data from 2015 onwards are reported as fiscal year.

⁵ Balance of Payments values include aircraft imports and financing.

⁶ '-' Indicates Net Borrowing i.e. the economy receives funds from the rest of the world.

⁷ Data for 2018 is end July.

⁸ Credit to the private sector is adjusted for AMB's non-performing loans and advances.

⁹ 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	FIU	Financial Intelligence Unit	NZ	New Zealand
ACCF	Accident Compensation Commission Fiji	FLWG	Financial Literacy Working Group	NZD	New Zealand dollar
ADB	Asian Development Bank	FNPF	Fiji National Provident Fund	OHS	Occupational Health and Safety
AFI	Alliance for Financial Inclusion	FNU	Fiji National University	OMO	Open Market Operations
AMB	Asset Management Bank	FRCS	Fiji Revenue & Customs Service	OMFIF	Official Monetary and Financial Institutions Forum
AML	Anti-Money Laundering	FSC	Fiji Sugar Corporation	OPR	Overnight Policy Rate
APG	Asia Pacific Group	FSAP	Financial Sector Assessment Program	OSG	Office of the Solicitor General
APRA	Australian Prudential Regulations Authority	FSDP	Financial Sector Development Plan	P2P	Person-to-Person
ATM	Automated Teller Machine	FSR	Financial Stability Report	PFIP	Pacific Financial Inclusion Programme
AUD	Australian dollar	FSSR	Financial Sector Stability Review	PFTAC	Pacific Financial Technical Assistance Centre
BCP	Business Continuity Plan	FTR	Financial Transactions Reporting	PNG	Papua New Guinea
BRS	Business Resumption Site	FY	Financial Year	RBA	Reserve Bank of Australia
CARE	Cyclone Assistance Relief Effort	G2P	Government to Person	RBF	Reserve Bank of Fiji
CEMC	Consumer Empowerment and Market Conduct	GDP	Gross Domestic Product	REER	Real Effective Exchange Rate
CFT	Combating the Financing of Terrorism	GRCL	General Reserves for Credit Losses	REDD	Reducing Emissions from Deforestation and Forest Degradation
CMDA	Capital Markets Development Authority	HA	Housing Authority	RFED	Restricted Foreign Exchange Dealers
CMADT	Capital Markets Advisory and Development Taskforce	HFC	Home Finance Company Limited	RHS	Right Hand Side
CMW	Capital Markets Week	HR	Human Resources	ROA	Return on Assets
CPA	Certified Practising Accountants	IFC	International Finance Corporation	ROE	Return on Equity
CTR	Cash Transaction Report	IFRS	International Financial Reporting Standards	ROI	Return on Investment
DNFBP	Designated Non-Financial Businesses and Professions	IIA	Institute of Internal Auditors	RRA	Revaluation Reserve Account
ECB	European Central Bank	IMF	International Monetary Fund	SBN	Sustainable Banking Network
ECLs	Expected Credit Losses	ISEFF	Import Substitution and Export Finance Facility	SEACEN	South East Asian Central Banks
EDRMS	Electronic Document Records Management System	IT	Information Technology	SMECGS	Small and Medium Enterprises Credit Guarantee Scheme
EFL	Energy Fiji Limited	JPY	Japanese Yen	SPSE	South Pacific Stock Exchange
EFTPOS	Electronic Funds Transfer at Point of Sale	KPI	Key Performance Indicator	SRD	Statutory Reserve Deposits
EFTR	Electronic Fund Transfers Reports	LFIs	Licensed Financial Institutions	STR	Suspicious Transaction Report
EMDE	Emerging Market & Developing Economies	LHS	Left Hand Side	SWIFT	Society for Worldwide Interbank Financial Telecommunication
EUR	European Euro	LMCC	Labour Management Consultation and Cooperation	TC	Tropical Cyclone
FBFSEU	Fiji Bank and Finance Sector Employees Union	MC	Macroeconomic Committee	TSLB	Tertiary Scholarship and Loans Board
FDB	Fiji Development Bank	MDF	Market Development Facility	TNA	Training Needs Analysis
FHRI	Fiji Human Resources Institute	MIS	Managed Investment Schemes	UK	United Kingdom
FIA	Fiji Institute of Accountants	MITT	Ministry of Industry, Trade and Tourism	UN	United Nations
FIB	Fiji Institute of Bankers	MNO	Mobile Network Operator	UNFCCC	United Nations Framework Convention on Climate Change
FICAC	Fiji Independent Commission Against Corruption	MSME	Micro, Small and Medium Enterprises	US	United States
FinED	Financial Education	NDRF	Natural Disaster and Rehabilitation Facility	USP	University of the South Pacific
		NEC	National Employment Centre	VAT	Value Added Tax
		NEER	Nominal Effective Exchange Rate	WEO	World Economic Outlook
		NFIS	National Financial Inclusion Strategic Plan		
		NFIT	National Financial Inclusion Taskforce		



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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