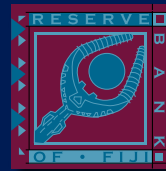


RESERVE BANK OF FIJI ANNUAL REPORT 2015



What is Alliance for Financial Inclusion (AFI)?

The AFI is the first global knowledge sharing network designed exclusively for financial inclusion policymakers from developing countries. Established in 2008, the AFI network continues to grow each year and now represents the largest organisation of financial inclusion policymakers from the developing world. The AFI is a member-driven, inclusive and independent organisation that is focused on results and is free of vested national and commercial interests with its headquarters in Kuala Lumpur, Malaysia.

What does AFI do?

The AFI engages with its members by facilitating and enabling a knowledge sharing platform to develop and implement financial inclusion policies that increase access to financial services for the poor.

AFI's Seven Key Policy Areas:

1. Balancing Inclusion, Integrity and Stability
2. Consumer Empowerment and Market Conduct
3. Digital Financial Services
4. Financial Inclusion Strategy
5. Measuring Financial Inclusion
6. Small and Medium Enterprises (SME) Finance
7. Other Financial Inclusion Policies

The AFI achieves its mission by administering several types of financial inclusion policy related activities. These include: a membership program; working groups; grants and peer-exchange platforms such as the yearly Global Policy Forum (GPF). They also develop and implement Regional Initiatives that enable interaction and dialogue between member countries on key priority financial inclusion issues and agendas.



AFI's Regional Initiatives

- Latin America and Caribbean Regional Initiative
- African Mobile Phone Financial Services Policy Initiative
- Pacific Islands Regional Initiative

What is the GPF?

The GPF is the annual flagship event that gathers AFI members (financial sector policymakers and regulators from developing and emerging countries) and external stakeholders from standard-setting bodies, the private sector, the development community and academia to discuss collaborative ways to increase access to financial services and advance the financial inclusion agenda globally. The Forum is now recognised as the largest and the most significant annual meeting for financial inclusion. The event is co-hosted by a different member institution in a different region of the world each year with an appropriate theme.

- GPF 2016 | Fiji – “Building the Pillars of Sustainable Inclusion”
- GPF 2015 | Mozambique – “Inspiring Innovation to Advance Inclusion”
- GPF 2014 | Trinidad and Tobago – “Global Partnerships, National Goals, Empowering People”
- GPF 2013 | Malaysia – “Driving Policies for Optimal Impact”
- GPF 2012 | South Africa – “Making Financial Inclusion Real”
- GPF 2011 | Mexico – “Taking Stock, Setting Goals, Moving Forward”
- GPF 2010 | Indonesia – “Taking Financial Inclusion to the Next Level”
- GPF 2009 | Kenya – “A Marketplace of Ideas”

The 2016 GPF will be held in Nadi, Fiji on 7-9 September 2016 and is an important event as it will be co-hosted by the Reserve Bank of Fiji.

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

29 February 2016

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

Dear Sir

Re: Reserve Bank of Fiji Annual Report and Accounts 2015

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 Accounts for the year ended 31 December 2015 certified by the Auditors
- (ii) A report of the RBF's Operations for the 2015 fiscal year.

Yours faithfully


Barry Whiteside
Governor



Our Functions

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

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

Monetary Stability

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

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

Financial Stability

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

The supervised institutions are required to comply with prudential policies and guidelines issued by the Bank. These complement the Bank's supervisory function of fostering financial stability and ensuring financial soundness. They are also required to comply with the RBF Act (1983), Banking Act (1995), Insurance Act (1998), the Fiji National Provident Fund Decree (2011) and the Exchange Control Act (Rev. 1985).

The Bank identifies and takes steps to mitigate and counter growing risks in the financial system. As part of its mandate to ensure financial stability, macroprudential monitoring is undertaken to maintain systemic stability.

Maintaining financial stability also encompasses the responsibility of combating money laundering and

terrorist financing under the Financial Transactions Reporting (FTR) Act (2004) and the FTR Regulations (2007).

To achieve these requirements, the Bank registers and licenses financial institutions and uses a risk based supervision system. The Reserve Bank acts as the banker for the commercial banks and provides payment and settlement services through FIJICLEAR. This is administered under the Payment and Settlement Systems Oversight Regulations (2004).

The Bank is also responsible for regulating, supervising and developing the capital markets in Fiji under the Capital Markets Decree (2009).

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 and minting of coins and 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 Finance.

Financial System Development

The Bank also drives and facilitates projects in the areas of microfinance, mobile banking, financial literacy, complaints management and local value-adding. In addition, financial system development and financial inclusion initiatives are promoted.

Other

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

The Bank's organisational structure is illustrated on page 6. Details of the Reserve Bank Board of Directors are provided on page 11 and the roles of the Board and Management, and the Governance structure are described on pages 13 to 16.



Governor's Foreword



In 2015, amidst weaker global economic activity, the Fijian economy recorded growth for the sixth consecutive year. The economy is estimated to have expanded by 4.0 percent during the year, the third successive year where growth has been 4.0 percent or more. With the robust economic performance, the RBF's twin objectives remained intact with foreign reserves reaching a new record level while inflation was below our forecast.

The Fiji economy is envisaged to have grown by 4.0 percent in 2015, its sixth consecutive annual expansion. Similar to previous years, the higher growth was driven by improved demand led by robust consumption and investment activities including higher Government spending.

The services sector provided the major impetus to growth during the year, backed by better-than-expected performance in the tourism industry as visitor arrivals reached a new peak. The industrial and primary sectors also contributed positively to growth although to a relatively lesser extent. Favourable financial conditions evident in adequate liquidity levels and low interest rates provided a conducive environment for private investment and credit growth in the economy.

Despite the increasing global uncertainties and prevailing domestic risks, prospects for domestic growth remained positive as the outlook on inflation and reserves were intact. As such, the Reserve Bank maintained an accommodative monetary policy stance throughout the year, leaving the OPR unchanged at 0.5 percent. At the end of 2015, inflation was subdued at 1.6 percent while foreign reserves had improved to \$1,943.7 million, equivalent to 5.9 months of retained imports of goods and non-factor services cover.

The financial sector performed strongly in 2015 as banks recorded adequate earnings, higher capital, improved asset quality and liquidity positions. Coupled with this, insurance companies reported lower insurance claims, record high assets and surplus solvency positions in the absence of major catastrophic events. The Fiji National Provident Fund (FNPF) registered an improvement in its asset base led by higher investments, while making further progress in investment rehabilitation

and implementation of a new Information Technology (IT) system during the year. Reflecting the growing confidence in the economy, a new credit institution, Kontiki Finance Limited (KFL), was licensed by the Reserve Bank in 2015. Credit institutions maintained a strong capital position, marginal asset quality and satisfactory earnings during the year.

Notwithstanding the overall soundness of financial institutions, the Reserve Bank continued to be prudent in its monitoring and surveillance of the financial system.

On financial sector reforms, the Bank completed the draft of the Financial Sector Development Plan (FSDP) 2015-2025 aimed at further developing and deepening Fiji's financial sector. A taskforce will be established to guide and monitor the implementation of the Plan. Other policy initiatives included expansion of mobile financial services, microfinance development, initiating the secured transactions reform and the continuation of financial literacy awareness programs.

In terms of the Bank's operations, there was a significant increase in the issue of currency notes for circulation led by higher demand for \$100 notes to support increased spending in the economy. On reserves management, interest income from investment of foreign reserves was adversely affected by low global interest rates as most of our major trading partner countries continued with their accommodative monetary policy stances.


Accordingly, the Bank recorded a lower profit of \$27.9 million in 2015, compared to \$28.5 million in 2014, while one-fifth of the balance of the Revaluation Reserve Account (RRA) was also lower at \$4.3 million in 2015 from the \$6.7 million recorded in 2014. In accordance with the RBF Act, these will be transferred to the Government on 1 March 2016.

Improving work quality and strengthening capacity continued to be key priorities for the Bank. Staff development was supported through various training opportunities both locally and abroad. In addition, a Staff Engagement Survey (SENSE) was conducted during the year to help enhance the work culture in the Bank. Four main areas for improvement have been identified from the results of the survey. In its pursuit for excellence, the Bank entered the Fiji Business Excellence Awards (FBEA) competition for the first time and won an award in the "Prize" category.

The year also marked Fiji's selection to host the eighth AFI GPF in Nadi in September 2016. This forum will provide Fiji with the opportunity to bring together global actors and experts in the field of financial inclusion to discuss key issues and map the way forward for the world. At the same time, the event also provides an opportunity to showcase Fiji's natural attractions and rich culture to the world. During the year, the Bank hosted the 37th Meeting of SEACEN Directors of Research & Training followed by the Directors of Research and Directors of Training High Level Seminar in Nadi.

As part of its social corporate responsibility, the Bank continued to strengthen its engagement with the community to facilitate better relations through sponsorship of various corporate events and awards. These included the sponsorship of the Services Award at the Fiji Development Bank's (FDB's) SME Awards, Investment Fiji's Prime Minister's Exporter of the Year Award for Agriculture, Silver sponsor at the Ministry of Agriculture's Central Division Agriculture Show and hosting the Microfinance Awards for the third consecutive year. In addition, the Bank held Financial Inclusion Expositions in Nasinu and at the Hibiscus Festival to increase awareness on financial literacy. Within the Bank, individual Groups and staff continued to extend a helping hand to various charitable organisations either through cash or kind donations.

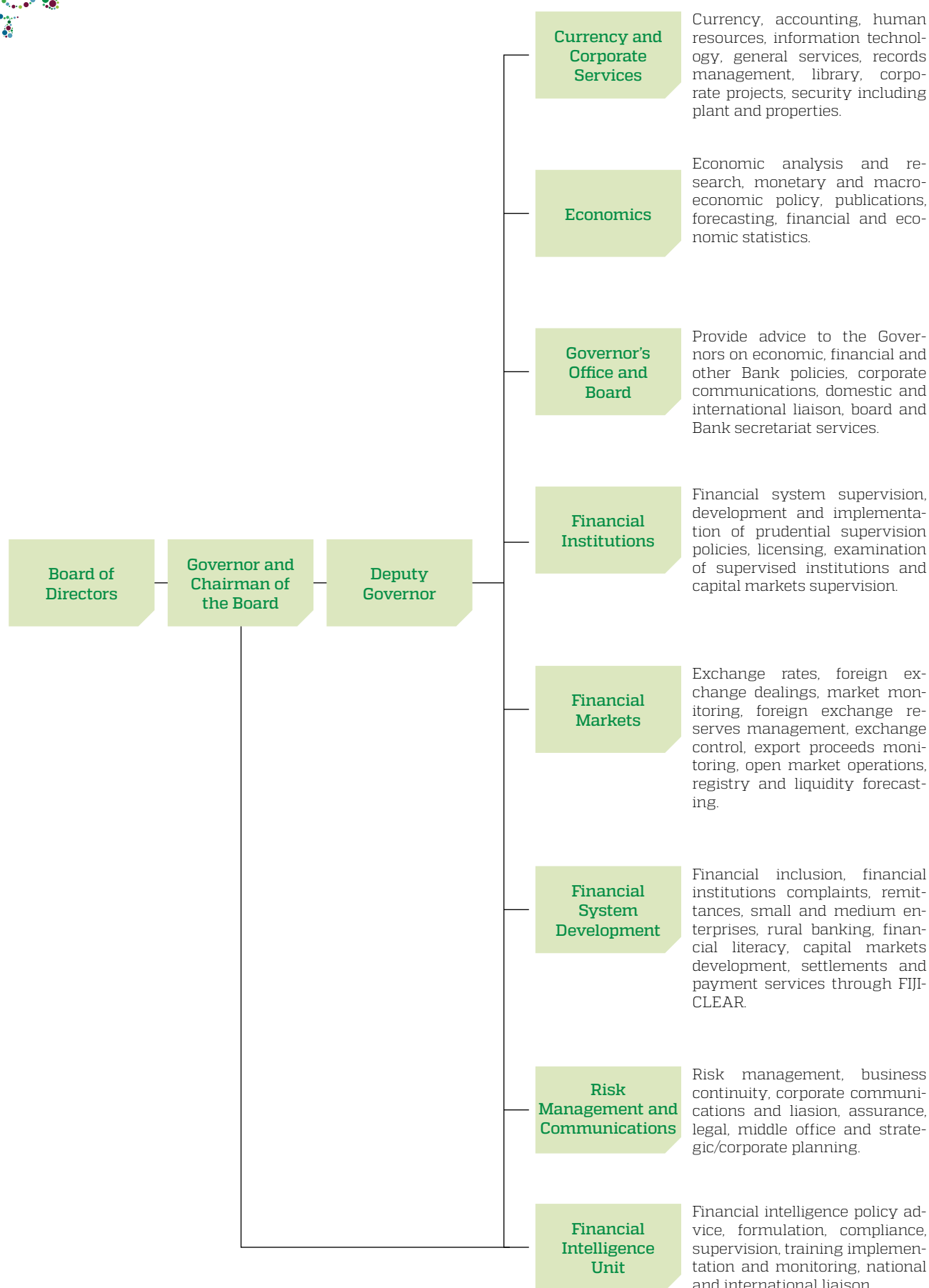
Overall, the Reserve Bank successfully met all its key objectives for the year, and I take this opportunity to thank the Board of Directors, Executive Management, staff and all stakeholders for their hard work, dedication and commitment in making 2015 another fruitful year for the Bank.



Barry Whiteside
Governor and Chairman of the Board



Organisation Structure





THE RESERVE BANK OF FIJI WILL
BE CO-HOSTING



THE 2016 AFI GLOBAL POLICY FORUM

Building the Pillars of
Sustainable Inclusion

NADI, FIJI 7-9 SEPTEMBER



Key Milestones to Fiji's Financial Inclusion Journey

YEAR	EVENT	YEAR	EVENT
Aug. 2008	Regional leaders and central bank governors support the Coombs Declaration which recognises the importance of financial literacy, consumer empowerment and financial inclusion to support economic development and financial deepening in the Pacific Island Countries (PICs)	Aug. 2010	Pacific RBF hosts Mobile Money Workshop in conjunction with AFI, Consultative Group to Assist the Poor and PFIP for national stakeholders in Suva
Apr. 2009	RBF announces that all commercial banks will need to set up microfinance service centres in all their branches by January 2010	Aug. 2010	RBF launches Green Ribbon Campaign to promote financial literacy
Apr. 2009	RBF establishes new group, the Financial System Development and Compliance Group headed by a Chief Manager tasked with the development of financial inclusion, amongst other responsibilities	Aug. 2010	RBF hosts the 1st Microfinance Village at Albert Park during the Hibiscus Festival
Jul. 2009	Governor, Sada Reddy delivers opening address at Pacific Microfinance Week and announces RBF's plans to support financial inclusion	Sept. 2010	RBF participates at the 2nd AFI GPF in Bali, Indonesia
Jul. 2009	RBF becomes a member of the AFI GPF Network	Sept. 2010	RBF hosts Microfinance Expo in Labasa
Aug. 2009	Fiji's Financial Intelligence Unit (FIU) issues new guidelines to facilitate customers' access to financial services through simplified Know Your Customer minimum identity requirements for low risk customers such as rural dwellers, farmers, students and senior citizens	Dec. 2010	The South Pacific Business Development Microfinance Fiji Limited begins its operations in Fiji
Sept. 2009	RBF participates at the 1st AFI GPF in Nairobi, Kenya	Jan. 2011	NFIT holds its 3rd meeting
Sept. 2009	Governor, Sada Reddy delivers the opening address at the 2nd Pacific Credit Union Technical Congress 2009, Nadi	Jan. 2011	Westpac Banking Corporation (WBC) launches and distributes social welfare payments bank cards in Fiji for Government
Nov. 2009	RBF with Pacific Financial Inclusion Programme (PFIP) host the National Microfinance Workshop to develop a medium term strategy for financial inclusion	Feb. 2011	Fiji Financial Education Curriculum Development Project official launch by the Minister for Education, Filipe Bole
Dec. 2009	RBF announces the issuance of policy guidelines to commercial banks to establish microfinance units at every bank branch, the complaints management framework and Local Advisory Boards (LAB). The three policy guidelines becomes effective from 1 January 2010	Mar. 2011	National financial inclusion stakeholders review financial inclusion progress and how to take financial inclusion to the next level
Feb. 2010	The National Financial Inclusion Taskforce (NFIT) held its 1st meeting. NFIT is established to coordinate and monitor the overall target of reaching 150,000 unbanked by 2014 and guide the development of financial inclusion in Fiji	Mar. 2011	RBF and financial inclusion stakeholders hold the 1st Maritime Financial Inclusion Exposition covering Savusavu, Taveuni, Koro, Levuka and Gau
May 2010	ADB assessment study "Microfinance and Microinsurance Opportunities and Challenges in Fiji" is released	Mar. 2011	Regional Supervision Workshop for non-banks is conducted by Mark Flaming, an international expert on microfinance supervision and regulation, and Dr Mohamed Nasr of the International Finance Corporation (IFC)
May 2010	Governor Sada Reddy attends 2010 Groupe Speciale Mobile Association Mobile Money Summit in Rio de Janeiro, Brazil	Apr. 2011	Life Insurance Corporation of India (LIC) launched its Microinsurance Product
Jun. 2010	RBF launches e-Money Fiji Project to support the development of digital finance in Fiji	Jul. – Aug. 2011	RBF and two MFI representatives attend three weeks Boulder Institute of Microfinance Training Program in Turin, Italy
Jun. 2010	NFIT holds its 2nd meeting in Ba and announces that it supports the Report by the New Zealand based Young Enterprise Trust Consultants, on how Fiji can integrate financial education into the school curriculum from primary to secondary school levels	Aug. 2011	NFIT holds its 4th meeting
Jun. 2010	RBF and NFIT host the 1st Microfinance Exposition in Ba	Aug. 2011	RBF at the invitation of Government conducts onsite inspections of government funded microfinance institutions
Jun. – Jul. 2010	Vodafone and Digicel launch mobile money services for the first time	Aug. 2011	RBF and PFIP launch "Financial Inclusion in Fiji – An Evolving Story" a video documentary
Jul. – Aug. 2010	One RBF staff and two Microfinance Institutions (MFI) representatives attend three weeks Boulder Institute of Microfinance Training Program in Turin, Italy	Aug. 2011	RBF launches "Vuli the Vonu" Fiji's Financial Literacy mascot
Aug. 2010	Pacific Islands Central Bank Governors meet in Nadi to discuss how to promote financial inclusion in the	Aug. 2011	RBF hosts the Microfinance Village at Albert Park during the Hibiscus Festival
		Sept. 2011	Vodafone M-PAiSA Fiji launched its 1st cross-border international remittance to allow Vodafone mobile phone users in Fiji to receive money from relatives and friends in Australia and New Zealand
		Sept. 2011	RBF make financial inclusion commitments as part of the Maya Declaration, and is amongst the first 17 countries that are part of the first global measurable commitments at the AFI GPF in Mexico
		Sept. 2011	Central Bank of Solomon Islands Knowledge Exchange visit to RBF to learn about Financial Education (FinEd) and NFIT
		Oct. 2011	Digicel Mobile Money in partnership with KlickEx, launches their web to mobile wallet money transfer to facilitate cross-border remittances from Australia and New Zealand
		Nov. – Dec. 2011	A National Survey to assess financial competency of low income households is undertaken
		Dec. 2011	NFIT holds its 5th meeting in Suva

YEAR	EVENT	YEAR	EVENT
Mar. 2012	NFIT holds its 6th meeting in Suva		Union Technical Congress, Nadi, Fiji
May 2012	RBF and NFIT host Microfinance Expo at Korovou, Tailevu	Oct. 2013	NFIT holds its 11th meeting in Suva
Jul. 2012	Pan-Pacific Regulators Workshop: Making Insurance Work for the Poor, Nadi	Oct. 2013	Governor Barry Whiteside delivers keynote address at the 4th Pacific Microfinance Week, Sheraton Fiji, Denarau
Jul. 2012	3rd Pacific Microfinance Week, Port Vila, Vanuatu. Vanuatu and Fiji delegation share their experience of financial inclusion initiatives in Fiji	Oct. 2013	RBF co-sponsors the Inaugural National Microfinance Awards during the Pacific Microfinance Week at the Sheraton Fiji, Denarau, Nadi
Aug. 2012	Representatives from RBF and WBC attend three weeks Boulder Institute of Microfinance Training Program in Turin, Italy	Oct. 2013	Association of Financial Supervisors Annual Meeting reviews the oversight of credit unions, microfinance institutions and financial inclusion, Apia, Samoa
Aug. 2012	RBF sponsors Financing Day and the Farmer and Young Farmer of the Year Award at the Annual Crest Agriculture Show, at Churchill Park, Lautoka	Nov. 2013	Cabinet endorses Fiji's first National Financial Literacy Strategy
Aug. 2012	NFIT holds its 7th meeting in Suva	Nov. 2013	Governor Whiteside presents on Emerging Issues on Inclusive Finance for Growth and the Fijian Experience at the 49th South East Asian Central Banks (SEACEN) Governors' Conference, High Level Seminar and 33rd meeting of SEACEN Board of Governors in Nepal.
Aug. 2012	VISA in partnership with NFIT sponsors Financial Literacy Radio Campaign		
Aug. 2012	RBF and NFIT host the Financial Inclusion Village during the annual Vodafone Hibiscus Festival	Dec. 2013	28th South Pacific Central Bank Governors' meeting in Port Moresby, Papua New Guinea to review financial inclusion and financial education developments in the region
Aug. 2012	Knowledge Exchange visit by Bank of Papua New Guinea to RBF to learn about financial inclusion expositions		
Sept. 2012	RBF and PFIP host a National Financial Competency Development Workshop to discuss the findings from the financial competency survey	Dec. 2013	NFIT holds its 12th meeting in Suva
Sept. 2012	RBF participates at the 4th AFI GPF, Cape Town, South Africa	Mar. 2014	NFIT holds its 13th meeting in Suva
Oct. 2012	RBF and NFIT host the Financial Inclusion Village at Sigatoka Village, Sigatoka	Mar. 2014	RBF hosts back to back the AFI 12th PIWG meeting and the 4th FISPLG Meeting, Denarau, Nadi
Dec. 2012	RBF issues Agent Banking Guidelines for commercial banks with the aim of improving financial access in remote and rural areas	May 2014	RBF participates at 2nd SME Finance Working Group (SMEFWG) meeting in Indonesia
Dec. 2012	NFIT holds its 8th meeting in Suva	Jun. 2014	NFIT holds its 14th meeting in Suva
Feb. 2013	RBF participates at the 10th AFI Pacific Islands Working Group Meeting (PIWG), Honiara, Solomon Islands	Jul. 2014	Mobile Money Providers sign Trust Deed that gives added assurance to customers
Feb. – Mar. 2013	RBF participates at the Building Sustainable Microfinance: The Global-Local Experience, Pullman Hotel, Auckland, New Zealand	Jul. 2014	NFIT launches first Poverty Scorecard in the South Pacific
Mar. 2013	RBF participates at the AFI's Financial Inclusion Strategy Peer Learning Group (FISPLG) 2nd meeting and SME Finance Policy Makers' Roundtable, Okura Prestige Hotel, Bangkok, Thailand	Sept. 2014	RBF participates at the 6th AFI GPF, Port of Spain, Trinidad and Tobago
Mar. 2013	NFIT holds its 9th meeting in Suva	Sept. 2014	NFIT holds its 15th meeting in Suva
Apr. 2013	RBF participates at PIWG Data Subgroup meeting, Apia, Samoa	Oct. – Dec. 2014	National Financial Services Demand-Side Survey Fieldwork
May 2013	RBF participates in a Knowledge Exchange Visit to Brazil and Mexico on Agent Banking	Nov. 2014	RBF hosts the 2nd National Microfinance Awards
May 2013	RBF participates at the Bank Negara Malaysia, AFI Capacity Building Program Access to Financial Services for the Micro, Small and Medium Enterprises (MSME) sector, Kuala Lumpur, Malaysia	Dec. 2014	National Reserve Bank of Tonga Knowledge Exchange visit to RBF on financial inclusion
Jul. 2013	NFIT holds its 10th meeting in Suva	Dec. 2014	NFIT holds its 16th meeting in Suva
Jul. 2013	RBF and NFIT host three financial inclusion expositions in Kadavu to raise awareness on financial inclusion	Mar. 2015	NFIT holds its 17th meeting in Suva
Aug. 2013	RBF participates at the Insurance Regulators Workshop on Supervision on Microinsurance in Nadi	May 2015	RBF participates at the Pacific Islands Regional Initiative (PIRI) meeting in Timor-Leste
Aug. 2013	RBF participates at the Universal Standards for Social Performance Management for Microfinance and Client Protection Principles Workshop at the Holiday Inn, Suva	May 2015	NFIT holds its 18th meeting in Suva
Aug. 2013	RBF hosts the Financial Inclusion Village during the Vodafone Hibiscus Festival and officially launches the "be Money Wi\$e" program	Jun. 2015	Launch of the 2015 Microfinance Awards
Sept. 2013	RBF participates at the 5th AFI GPF, Kuala Lumpur, Malaysia. Fiji is awarded the inaugural Maya Declaration Award by AFI	Jul. 2015	NFIT holds its 19th meeting in Suva
Sept. 2013	Chief Manager Financial System Development delivers the keynote address at the 5th Pacific Credit	Jul. 2015	RBF and VISA help improve financial literacy in the South Pacific with the launch of the NFIT website, designed especially for Fijians
		Sept. 2015	RBF participates at the 7th AFI GPF, Maputo, Mozambique
		Sept. 2015	Launch of Fiji's Financial Services Demand-Side Survey Report
		Sept. 2015	NFIT holds its 20th meeting in Suva
		Oct. 2015	NFIT holds its 21st meeting in Suva
		Nov. 2015	RBF and PFIP host the National Financial Inclusion Strategy Consultation Workshop, Grand Pacific Hotel (GPH) Suva
		Nov. 2015	RBF hosts the 3rd National Microfinance Awards at the GPH, Suva
		Nov. 2015	RBF participates at the PIRI meeting in Nukualofa, Tonga
		Nov. 2015	RBF participates at the Europe and Central, A Regional Forum on Financial Inclusion Policy, Skopje, Macedonia

Board of Directors



1. Barry Whiteside

Governor and Chairman of the Board

Appointed as Governor on 5 May 2011. Reappointed with effect from 28 May 2014 for three years. Alternate Governor for Fiji at the International Monetary Fund and the Asian Development Bank. Former Deputy Chairman of the Capital Markets Development Authority. Chairman of the Macroeconomic Committee. Chairman of the Capital Markets Development Taskforce. Chairman of the National Financial Inclusion Taskforce. Chairman of the Secured Transactions Reform Taskforce. Member of the National Anti-Money Laundering Council. Honorary Fellow of the Fiji Institute of Bankers. Fellow of the Australian Institute of Company Directors. President of the Fiji Badminton Association.

2. Filimone Waqabaca

Permanent Secretary, Ministry of Finance (Ex-officio)

Appointed to the Board on 7 February 2011. Former Advisor to the Executive Director at the International Monetary Fund. Chairman of Air Terminal Services and Tax Agents Board. Board Director of the Fiji Revenue & Customs Authority and Fiji National Sports Commission. Member of the University of the South Pacific Council, Fiji National University Council, Macroeconomic Committee, National Employment Centre, National Financial Inclusion Taskforce, National Disaster Management Council and National Housing Council. Alternate Governor for Fiji at the World Bank. Appointed as Fiji's High Commissioner to New Zealand at the end of 2015.

3. Pradeep Patel

Director

Appointed to the Board on 9 June 2014 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 Information Technology and Computing Services Steering Committee. Member of the Capital Markets Development Taskforce set up by Reserve Bank of Fiji. Former President of the Fiji Institute of Accountants. Member of the Standards Committee of the Fiji Institute of Accountants, and has previously served on numerous committees of the Fiji Institute of Accountants, including Business & Government Committee, Law Review Committee and Disciplinary Committee.

4. Tevita Kuruvakadua

Director

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

5. Abdul Khan

Director

Appointed to the Board on 3 March 2015 for three years. Member of the Board Audit and Risk Committee. Executive Chairman of the Fiji Sugar Corporation Limited. Chairman of the South Pacific Fertilisers Limited and Pacific Cogeneration Company Limited. Director of Sugar Research Institute of Fiji and AJYNK Limited, Director of Sugar Cane Growers Fund and Chairman of Fiji Sugar Corporation Projects Limited.

6. Tony Whitton

Director

Appointed to the Board on 3 March 2015 for three years. Member of the Board Governance Committee. Managing Director of Rosie Group of Companies. 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.

Deo Saran

Director (up to 10 February 2015)

Appointed to the Board on 11 February 2009. Term expired on 10 February 2015. Appointed as Fiji's Ambassador to Belgium and Permanent Representative to the European Union in March 2015.



Executive Management



1. Ariff Ali
Deputy Governor

2. Lorraine Seeto
Chief Manager Risk Management and Communications

3. Esala Masitabua
Chief Manager Financial Markets

4. Razim Buksh
Director Financial Intelligence Unit

5. Caroline Waqabaca
Chief Manager Economics

6. Susan Kumar
Chief Manager Currency and Corporate Services

7. Vereimi Levula
Chief Manager Financial System Development

8. Vilimaina Dakai
Chief Manager Financial Institutions

9. Subrina Hanif
Board Secretary



Corporate Governance

The RBF is established as an independent institution under the RBF Act 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), Fiji National Provident Fund Decree (2011) and the Capital Markets Decree (2009).

The 2013 Constitution of the Republic of Fiji has included a specific provision on the RBF. Section 153 of the Constitution 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 finance.
- (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 finance.
- (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 Finance no later than 31 March of the following year. Under the Insurance Act, the Bank is mandated to submit its Insurance Annual Report to the Minister for Finance by 30 June of the subsequent year. The Financial Intelligence Unit Annual Report is also published annually.

The Vision of the Bank is "Leading Fiji to Economic Success". The Mission statements and Values are listed on the inside cover of this Report.

The Governor

The Reserve Bank Act makes the Governor the Bank's Chief Executive Officer who is responsible to the Board for the management of the Bank and the execution of its policies. Mr Barry Whiteside was appointed Governor on 5 May 2011 for a period of three years. He was reappointed for a three year term on 28 May 2014.

Board of Directors

The Board comprises the Governor, who serves as the Chairman, the Permanent Secretary of the Ministry of Finance, as an ex-officio member, and five other non-executive members. Under the RBF Act, the Minister for Finance appoints the Directors. The Directors may hold office for a period not exceeding three years but are eligible for reappointment. Board Director, Mr Deo Saran's term ended on 10 February 2015. Mr Abdul Khan and Mr Tony Whitton were appointed as Board Directors on 3 March 2015 for a period of three years. Other Board Directors holding office in 2015 were Mr Filimone Waqabaca, ex-officio member, Mr Pradeep Patel and Mr Tevita Kuruvakadua.

Board Meetings

Under the RBF Act, the Board is required to meet at least 10 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 10 occasions in 2015.

Board and Board Committee Meetings in 2015 - 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
Barry Whiteside	10	10	NM		NM	
Filimone Waqabaca*	5	10	0	3	2	3
Pradeep Patel	10	10	6	6	6	6
Tevita Kuruvakadua	6	10	5	6	5	6
Abdul Khan**	7	8	2	3	1	1
Tony Whitton**	8	8	NM		4	4
Deo Saran***	1	1	Not applicable		Not applicable	

NM - Not a Member.

*Member of Board Audit and Risk Committee and Board Governance Committee up to 31 March 2015.

**Appointed to the Board on 3 March 2015.

***Term expired on 10 February 2015.

Source: Reserve Bank of Fiji

Board Committees

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

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

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

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

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

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

Assessments are undertaken internally on an annual basis with the aim to identify areas of improvement. In 2015, the Board internally assessed the Bank's internal and external auditors using the in-house designed assessment forms. The Board will continue to monitor the performance of its Committees and the auditors annually. Members of the Board Governance Committee are Mr Pradeep Patel and Mr Tony Whitton with Mr Tevita Kuruvakadua as the Chairman.

The Terms of Reference for the two Committees and the Corporate Governance Charter were reviewed in 2015 to capture additional responsibilities and effective functioning of the Committees.

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.

During 2015, the Board Governance Committee met six times.

Bank Management

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

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

The non-executive member of the ITSC continued to provide independent advice on IT issues.

The Governor chairs all these 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 Internal Rules and Orders of the Bank and the Code of Ethics and Business Conduct policy provide 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 Ethics, Delegation of Authority, Internal Rules

and Orders and IT policies of the Bank.

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

Strategic Plan

The Bank's Strategic Plan for the period 2014-2018 was implemented in 2014. The Information Technology (IT), Human Resources (HR) and FIU Strategic Plans for the same period were also put in place and are aligned to the Bank's Strategic Plan.

The Chief Managers are responsible and accountable for implementing the Strategic Plans. A review of the Bank's Strategic Plan was conducted in 2015 and presented to the Board in August. Another annual review will be done in 2016.

Corporate Plan

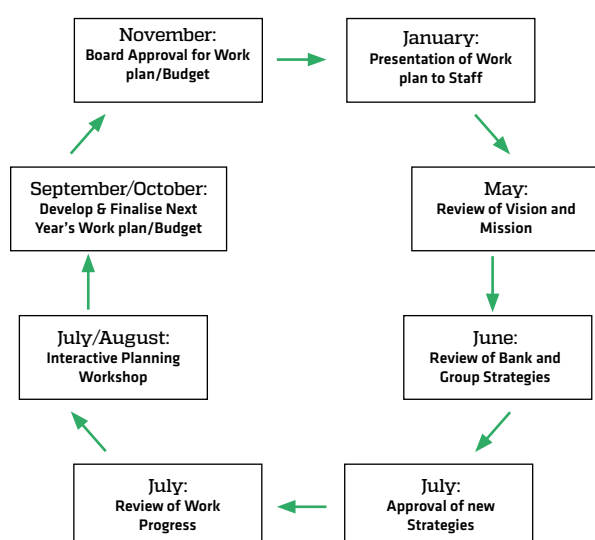
Corporate planning is carried out annually in the Reserve Bank. The formulation of the Bank's work plan for the following year commences in May, with a review of its corporate statements – the vision, mission and values.

The Bank and Group strategies are reviewed accordingly. All Groups review their progress for the first six months of the year and submit a report to the Board in July.

Extensive discussions are held during the interactive planning workshops and feedback is obtained from internal and external stakeholders in August.

Output and resources are matched, and the work plan and budget for the coming year are presented to the Board for approval in November.

Annual Planning Cycle



Source: Reserve Bank of Fiji

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

Vision of the Bank. Each Mission statement has a list of KPIs.

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

In November 2015, the Board approved the annual work plan and budget for 2016.

Risk Management

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

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

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

Other risks relate to: -

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

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

The Bank's Business Continuity Plan (BCP) continued to be rolled out during 2015. In addition, the Bank implemented other initiatives including planning and documenting procedures for reference, as well as strengthening procedures in the case of natural disasters.

The BCP strategy includes a Business Resumption Site (BRS) as a backup site for critical operations should the Reserve Bank's main building for some reason become inaccessible, or if the systems in the building become inoperable. Critical operations include foreign reserves management, settlements and some domestic market processes, including FIJICLEAR operations. The site also houses the Bank's archives.

Corporate Governance

During 2015, the Bank continued to invest in technology at the Bank's BRS and trained staff to carry out business recovery during and after a crisis situation with minimal disruption. This included quarterly simulation testing of systems, particularly critical operations such as foreign reserves management, settlements, domestic market processes and FIJICLEAR operations.

The Bank continued to conduct training, drills and call tree exercises to familiarise staff with emergency response procedures in an effort to enhance disaster preparedness and planning and continued to review and strengthen its processes relating to BCP. Monitoring of performance and operational procedures of the Bank relating to

external and domestic investments was continued by the Middle Office team. An outsourced internal audit function by Ernest & Young provided the Bank with information on risk areas that need to be addressed. Areas for improvement that are identified by internal and external sources are addressed as appropriate. The recommendations of the special audit on the IT operations of the Bank continue to be implemented.

The Board, the Board Audit and Risk, the Board Governance and the in-house Risk and Business Continuity Management Committees also contribute to the review and strengthening of the Bank's risk management process.



Economic Overview

The global economy is envisaged to have grown by 3.1 percent in 2015 albeit at a slower pace compared to 3.4 percent in 2014. According to the International Monetary Fund (IMF), the modest expansion was led by improvements in advanced economies relative to 2014, against the China-led slowdown in emerging markets and developing economies. Lower commodity prices and increased financial market volatility were additional key concerns for the global economy in 2015.

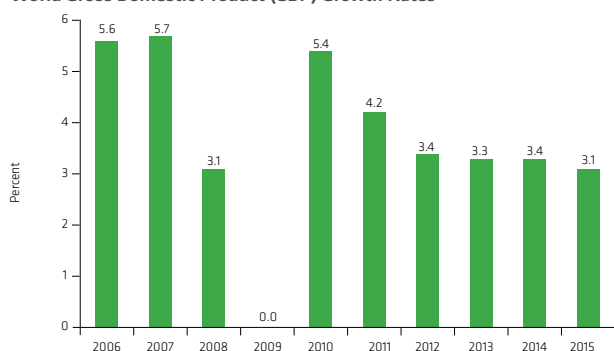
International Economic Developments

World economic growth decelerated to 3.1 percent in 2015 from the 3.4 percent growth in 2014.

The modest and uneven recovery in advanced economies, coupled with subdued growth in emerging and developing economies particularly China, falling commodity prices, increased financial volatility and geopolitical tensions were the key contributors to subdued world economic activity.

For Fiji's major trading partner economies, better performances were noted in the United States (US), the Euro zone and Japan, whereas Australia and New Zealand recorded positive albeit lower economic growth outcomes.¹

World Gross Domestic Product (GDP) Growth Rates



Source: IMF WEO (January 2016)

The US economy is estimated to have grown by 2.5 percent in 2015, slightly better than the 2.4 percent growth in 2014. This was led by improved consumer confidence, relatively stable industrial activity and business confidence. In contrast, the weaker global economy, tapered growth in China and the strengthening US dollar weighed negatively on export demand during the year. Nevertheless, the positive economic developments filtered through the labour market, as the unemployment rate fell to 5.0 percent in 2015 while core inflation rose to 2.1 percent. Having met its key objectives, the Federal Reserve implemented the anticipated interest rate hike on 16 December 2015 by raising the federal funds rate by 25 basis points.

The Euro zone economy picked up pace in 2015, albeit modestly, as it expanded by 1.5 percent compared to a 0.9 percent growth in 2014. This was largely on account

of improved demand conditions, particularly consumer spending, and strengthening export performance, backed by the depreciating Euro. A major factor that affected business confidence in the Euro zone was the Greek debt crisis that eventually led Greece to default on its IMF debt on 30 June 2015. However, a third² bailout program agreed by European leaders in August provided much needed funding and major relief to the economy in the second half of the year. Inflation slid to negative territory in the first quarter and was 0.2 percent at the end of the year. This prompted the European Central Bank (ECB) to inject further stimulus³ into the economy while maintaining its benchmark interest rate at 0.05 percent throughout the year.

The Japanese economy is envisaged to have grown slightly, by 0.6 percent in 2015, following no growth in 2014. The modest turnaround was led by improved residential and service sector investments, while consumer spending remained volatile throughout the year. The deceleration in the Chinese economy and increased financial volatility affected external demand for Japan in the second and third quarters. Labour market conditions were equally fragile, as the downward movement in unemployment was rigid. Despite the Bank of Japan's (BOJ's) extensive monetary stimulus, inflation remained near zero on the back of lower global crude oil prices. In light of this, the BOJ kept its benchmark interest rate at zero percent throughout the year.

Economic expansion in Australia is estimated at 2.4 percent in 2015 compared with 2.7 percent in 2014. Declining iron ore prices, the fading mining sector boom and other related investments created imbalances during the year resulting in lower growth. Unemployment remained elevated throughout the year but improved only towards the last quarter as the economy gained traction. Inflationary pressures were relatively low, aided by lower commodity prices. This prompted the Reserve Bank of Australia (RBA) to reduce its benchmark interest rate twice during the year by 50 basis points to 2.0 percent in December.

Similar to Australia, the New Zealand economy is estimated to have grown at a slower pace of 2.2 percent in 2015, following a 3.3 percent expansion in 2014. Lower dairy production due to poor dairy prices and weaker demand from China affected agriculture output and slowed economic activity. On a positive note, strong net immigration and robust tourism activity augured well for the labour market. Lower petrol prices pushed inflation,

¹ This is based on the IMF's January 2016 and October 2015 World Economic Outlook (WEO).

² This amounted to 86 billion Euros in exchange for pension, tax and other reforms.

³ Apart from the monthly asset purchase of 60 billion Euros, the ECB expanded this program to include the purchase of public securities from March 2015 onwards.

below the Reserve Bank of New Zealand's (RBNZ's) target allowing the RBNZ to reduce its benchmark interest rate four times during the year to 2.5 percent from an initial 3.5 percent.

Economic Developments in Fiji

In 2015, the Fijian economy is estimated to have grown by 4.0 percent, the sixth consecutive year of economic expansion, following a peak 5.3 percent growth in 2014.

The sustained growth trajectory is attributed to a combination of pro-growth Government policies, including tax reforms, notable investment in infrastructure, and the RBF's accommodative monetary policy together with the absence of any major supply-side shocks to the economy.

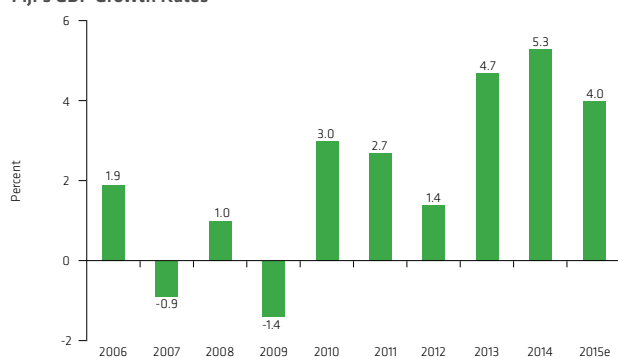
In terms of sectoral performances, the services sector provided the largest impetus to the 2015 growth outcome, backed by robust tourism related activities, on account of record visitor arrivals (754,835), increased financial sector services, and expanded service delivery by government-related sectors.

The growth contribution by the industrial sector was also positive due to higher construction activity relating to various private sector projects and infrastructure upgrades, particularly roads, as well as increased manufacturing, electricity and mining & quarrying output.

The sugar and electricity sectors performed better-than-expected despite the prolonged dry weather conditions, while the extensive mine upgrades by the Vatukoula Gold Mines Limited in 2014 and early 2015 boosted gold production. However, the primary sector's contribution to growth was minimal even with the better-than-expected cane production.

The fishing and forestry & logging sectors performed below expectation over the year despite the promise of a good season due to El Nino, constrained by lower world demand for timber-related products and supply-side issues.

Fiji's GDP Growth Rates



Similar to recent years, favourable demand conditions particularly for consumption, private investment and government spending continued to drive economic activity in 2015.

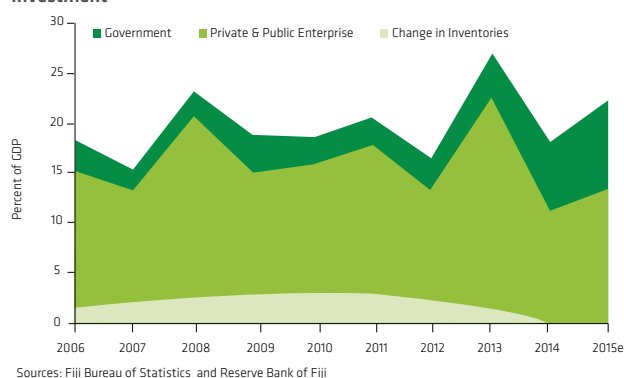
Rising individual incomes (as indicated by higher Pay

as You Earn collections), favourable labour market conditions, strong tourism activity and record inward remittances supported increased consumer spending in 2015. As a result, growth was noted in partial indicators for consumption activity such as Net Value Added Tax (VAT) collections (12.4%) and commercial banks' new lending for consumption purposes (1.2%) for 2015.

Investment activity remained steady during the year, backed by increased construction activity. This was reflected in higher value of work put-in-place (11.4%) cumulative to September 2015, an acceleration in cement production (18.1%) and domestic cement sales (42.2%) in 2015.

In addition, competitive interest rates led to higher demand for credit as new lending for investment purposes rose over the year in 2015 (77.7%) underpinned by increased credit to the real estate (86.4%) and building & construction (68.1%) sectors. Overall, investment is estimated to be around 22.3 percent of GDP in 2015.

Investment



Government spending was robust in 2015 mirroring the expansionary fiscal stance to further stimulate the economy by promoting an investment-led growth. Accordingly, the Government budgeted for a net deficit of 2.5 percent of GDP. This was on account of budgeted higher capital spending (42.1%) for infrastructural and public utilities development and higher allocations for key sectors of the economy, including education, health and the primary sector.

Outstanding Government borrowing in 2015 is estimated at 46.3 percent of GDP.

Government Balance



In line with the upbeat domestic economy, labour market conditions were buoyant in 2015. This was substantiated by the record 18.7 percent growth in the number of advertised vacancies (10,912), as per the Reserve Bank's Job Advertisements Survey.⁴ Increased demand for labour emanated mostly from the primary and services sectors.

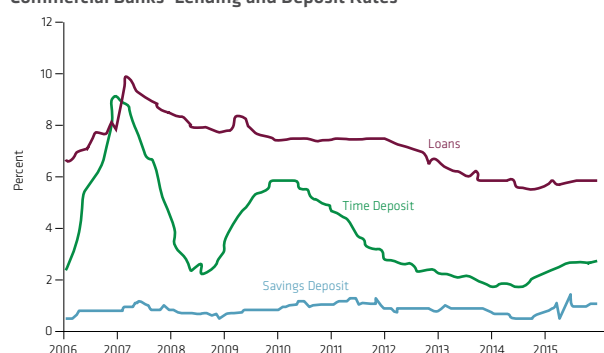
Inflation by the end of 2015 was subdued at 1.6 percent,⁵ though still above that for 2014 (0.1%). This was amid weak global oil prices, low trading partner inflation and the absence of major domestic supply-side shocks.

Financial conditions remained favourable in 2015 with ample liquidity in the banking system and competitive interest rates.

In December 2015, the commercial banks' weighted average lending rate rose to 5.90 percent from 5.72 percent in December 2014. Over the same period, the commercial banks' weighted average savings and time deposit rates increased to 1.01 percent and 2.71 percent from 0.57 percent and 2.15 percent, respectively.

Broad money grew by 14.0 percent in 2015 due to an expansion in net foreign assets (12.3%) and net domestic credit (13.6%), which was led by the growth in private sector credit (14.4%).

Commercial Banks' Lending and Deposit Rates



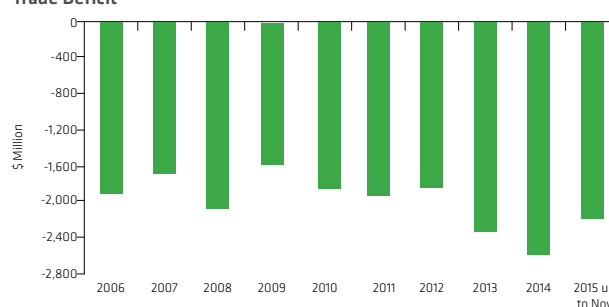
Source: Reserve Bank of Fiji

On the external front, the merchandise trade deficit is envisaged to have narrowed in 2015. Latest available data up to November 2015 revealed a narrowing of 5.5 percent in the trade gap to \$2,182.9 million, compared to a widening of 11.1 percent for the same period in 2014.

Total exports (excluding aircraft) declined by an annual 19.5 percent, underpinned by lower re-exports⁶ (-31.8%) and domestic exports (-5.4%), while total imports (excluding aircraft) fell by an annual 12.1 percent to \$3,873.3 million, led by lower imports of intermediate goods (-32.6%), investment goods (-3.6%) and consumption goods (-2.8%).

Lower global fuel prices were key to the lower re-exports and imports.

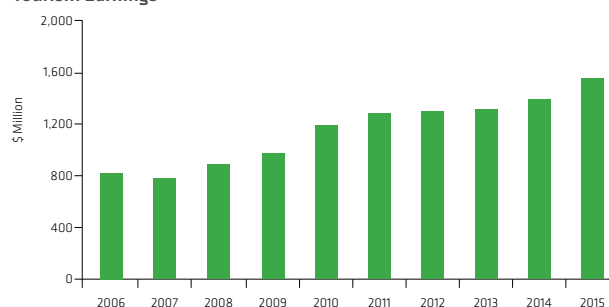
Trade Deficit



Source: Fiji Bureau of Statistics

Consistent with the narrowing of the trade deficit in 2015, the overall current account deficit is estimated to be much lower at 3.8 percent of GDP in 2015 compared to a deficit of 7.2 percent of GDP in 2014. This was also attributed to bigger surpluses in the services (tourism earnings) and secondary income (personal remittances) accounts.

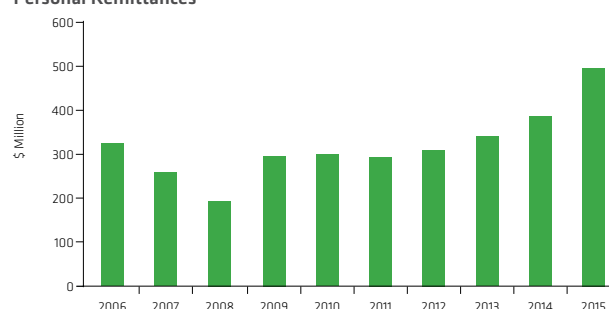
Tourism Earnings



Source: Fiji Bureau of Statistics

Tourism earnings rose by 11.1 percent to \$1,560.2 million, while inward remittances increased by 28.3 percent to a record \$491.7 million in 2015.

Personal Remittances



Source: Reserve Bank of Fiji

⁴ This is based on advertised positions in the Fiji Times.

⁵ The RBF inflation forecast for 2015 was 2.0 percent.

⁶ Re-exports mainly include petroleum products, fish and others, excluding aircraft.



Conduct Monetary Policy To Foster Economic Growth

The RBF is the prime institution responsible for the conduct of monetary policy to achieve the twin objectives of maintaining price stability and an adequate level of foreign reserves. This is stipulated in the RBF Act (1983).

Monetary Policy Formulation

Chronology of Monetary Policy Actions

In 2015, the monetary policy direction was guided by both international developments and domestic economy considerations for the Bank's twin objectives of maintaining an adequate level of foreign reserves and ensuring price stability.

Although the global economy was subdued in 2015, its negative spillovers through our trading partner economies did not significantly impact the domestic economy as inflows from tourism earnings, remittances and foreign direct investment remained strong. These, together with lower commodity prices particularly crude oil, sustained our foreign reserves and kept inflation low, despite the robust domestic demand conditions from buoyant consumption and investment activities.

Accordingly, the risks to our twin objectives were assessed to be manageable in 2015 and this led to the Reserve Bank maintaining its accommodative monetary policy stance. As a result, the RBF kept the OPR unchanged at 0.5 percent throughout the year, allowing the economy to maintain its positive growth momentum.

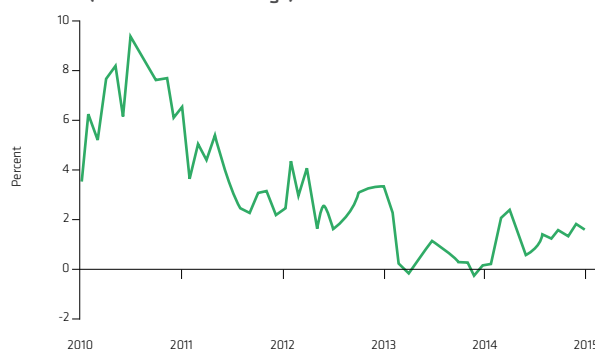
Monetary Policy Outcomes for 2015

Monetary and credit aggregates grew further in 2015 consistent with the expansionary monetary policy stance aimed at maintaining ample liquidity in the banking system and low interest rates.

Broad money expanded by 14.0 percent in the year to December, supported by an annual growth in net foreign assets (12.3%) and net domestic credit (13.6%), led by the expansion in private sector credit (14.4%).

Inflation in 2015 averaged 1.4 percent, while the year-end rate was 1.6 percent, mainly underpinned by the food & non-alcoholic beverages and the alcoholic beverages, tobacco & narcotics categories. Low trading partner inflation and weak global oil prices kept inflationary pressures subdued in 2015.

Inflation (Annual Percent Change)

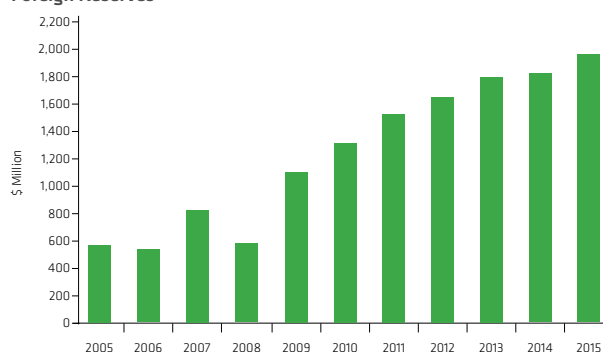


Source: Fiji Bureau of Statistics

The external position remained comfortable in 2015, aided by lower fuel prices and strong inflows of tourism earnings, remittances and foreign direct investment.

At the end of 2015, foreign reserves were \$1,943.7 million, sufficient to cover 5.9 months of retained imports of goods and non-factor services.

Foreign Reserves

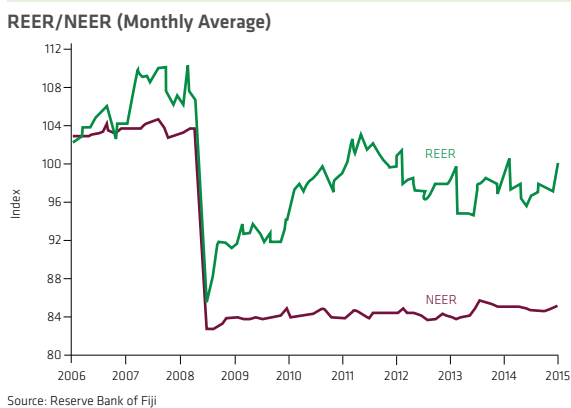


Source: Reserve Bank of Fiji

In 2015, the Fiji dollar appreciated against most of its trading partner currencies led by the New Zealand (7.0%), and Australian (5.1%) dollars and the Euro (4.1%)



but depreciated against the US dollar (-6.6%) and the Yen (-5.7%) causing the Nominal Effective Exchange Rate (NEER) Index to rise marginally by 0.2 percent. The Real Effective Exchange Rate (REER) Index also rose by 1.2 percent in 2015.



Monetary Policy Implementation

Open Market Operations

The Reserve Bank implements monetary policy through changes in the OPR and OMO. OMO involves the auctioning of RBF Notes to adjust the level of liquidity in the banking system in order to influence short-term money market rates in line with the OPR. There were no issues of RBF Notes during the year as system liquidity was assessed to be supportive of the OPR and the Bank's accommodative monetary policy stance. The Bank has not conducted OMO since 2010.

Management of Foreign Reserves

The RBF Act (1983) vests the custody and management of the country's foreign reserves with the RBF. In carrying out these responsibilities under this mandate, the Bank aims to ensure that the capital value of reserves is preserved, while maintaining sufficient liquidity and an acceptable rate of return. Foreign reserve assets are

mainly held in the currencies of the Fiji dollar basket, namely the US, Australian and New Zealand dollars, the Euro and the Japanese Yen. The Bank also holds a portion in physical gold, IMF Special Drawing Rights and the British Pound.

In 2015, the international economy was dominated by concerns about deflation, falling commodity prices and fears of an emerging market crisis led by the developments in China. The phenomenon of divergent monetary policy in the US relative to other major economies added to these concerns. The US Federal Reserve began its interest rate normalisation process while most other central banks either commenced or extended their monetary easing cycles. The ECB and BOJ's quantitative easing program and downward adjustment to monetary policy yielded negative returns. Additionally, the Australian and New Zealand dollar investments were low yielding due to interest rate cuts during the year by the RBA and RBNZ. In contrast, the US dollar investment yields became appealing as the Fed normalised US policy interest rates towards the end of the year.

In March, foreign reserves fell to a seasonal annual low of \$1,744.4 million before surpassing the \$2,000.0 million mark to a record high of F\$2,042.2 million in September. Movements in investible reserves corresponded to the trend in foreign reserves over 2015, accounting for 89.9 percent or \$1,747.7 million of foreign reserves.

Average investible reserves were notably higher at \$1,721.7 million compared to \$1,522.3 million in 2014.

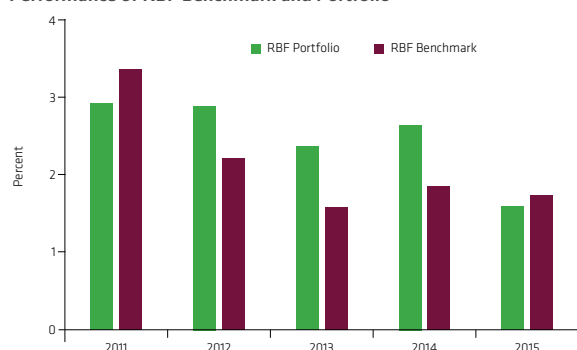
Return on External Reserves

	2013	2014	2015
Net Foreign Exchange Income (\$M)	38.3	36.9	38.7
Average Month-End Level of Investible Reserves (\$M)	1,511	1,522	1,722
Return on Investible Reserves (%)	2.54	2.42	2.19

Source: Reserve Bank of Fiji

While the net foreign exchange income was higher by \$1.8 million relative to 2014, it declined as a percentage of investible reserves, mainly due to generally lower investment yields.

Performance of RBF Benchmark and Portfolio



Source: Reserve Bank of Fiji

The Bank's investment portfolio of foreign reserves earned a lower return of 1.6 percent compared to the benchmark portfolio return of 1.7 percent.⁷ The underperformance was mainly attributed to fluctuations in exchange rate movements.

The impact of exchange rate movements on the value of foreign reserves is captured in the RRA. Holdings of foreign reserves are therefore aligned to the Fiji dollar basket currencies composition as a hedge against exchange rate volatility.

At the end of 2015, the RRA stood at \$21.7 million, of which a fifth or \$4.3 million will be transferred to Government in 2016 as required by the RBF Act (1983). This compares to \$6.7 million transferred in 2015.

Exchange Rates

The value of the Fiji dollar relative to the US dollar is fixed daily by the RBF and published along with exchange rates for other Fiji dollar basket currencies on the RBF website and other platforms. These rates remain unchanged for the day and are used by commercial banks to determine rates for customers within restricted interbank spreads.

Foreign Exchange Derivatives Markets

The monitoring of transactions in the derivatives market was strengthened to ensure strict compliance with the Foreign Currency Derivatives guidelines. Commercial banks continued to offer forward foreign exchange and swap contracts while the use of options facilities required prior approval from the RBF. Activity in the forwards

market recorded a notable increase compared to 2014.

Foreign Currency Receipts and Payments

The Bank continued to extend foreign currency banking services to the Fijian Government, statutory bodies, supranational organisations,⁸ and other central banks over the year.

Exchange Control

In 2015, restrictions on exchange controls were eased further by the Reserve Bank in line with the accommodative monetary policy stance and build-up of foreign reserves. The easing provided positive impetus for trade and investment facilitation in Fiji.

Effective from 1 January 2015, the Reserve Bank increased the limits on foreign medical, education and merchant goods payments delegated to commercial banks and restricted foreign exchange dealers (RFEDs). In addition, the limit on forward foreign exchange sales contracts in excess of purchase contracts written by commercial banks was increased by \$10 million to \$50 million. The Bank continued to place due emphasis on compliance and undertook three spot checks on the operations of foreign exchange dealers and a commercial bank. Staff training was conducted at commercial banks to promote awareness of the exchange control guidelines. The Reserve Bank supported the Amnesty on Declaration of Offshore Assets by Fijian residents announced by the Fiji Revenue & Customs Authority (FRCA). Fiji residents were encouraged to disclose and register their offshore assets during the six-month period from January to June 2015 and the Bank further extended this period to October 2015.

Export Proceeds Reconciliation and Monitoring

Collaboration with the FRCA on the ASYCUDA system continued throughout the year. The system allows online access to import and export data generated by the Customs Department which is then used for reconciliation purposes. This has facilitated the Bank's ongoing efforts to ensure export proceeds are repatriated into the country in line with the requirements of the Exchange Control Act (Rev. 1985). A total of \$1.7 billion in outstanding export receipts was reconciled during the year compared to \$1.9 billion in 2014.

⁷ The benchmark portfolio uses a customised version of the JP Morgan Index.

⁸ This includes the Asian Development Bank (ADB), IMF and the International Bank for Reconstruction and Development.



Develop An Internationally Reputable Financial System

A safe and sound financial system is important for a growing economy. The financial system consists of financial institutions, financial markets, and clearing and settlement systems. The Reserve Bank promotes the safety and soundness of the financial system by regulating and supervising financial institutions and sectors which fall within its supervisory ambit.

These financial institutions include commercial banks and credit institutions, insurance underwriters and intermediaries, the FNPF, RFEDs and money changers (MCs). Financial market players under the Reserve Bank's supervision include the South Pacific Stock Exchange (SPSE) and licensed unit trusts and stock brokers.

The RBF Act (1983) and the RBF (Amendment) Decree 2009 entrust the responsibility of promoting a sound financial system to the Reserve Bank. In line with this responsibility, the Banking Act (1995), Insurance Act (1998), Exchange Control Act (Rev. 1985), FNPF Decree (2011) and Capital Markets Decree (2009) confer powers on the Reserve Bank to issue licences, regulations, prudential guidelines and directives to licensed financial institutions and to conduct offsite supervision and onsite reviews.

Financial System Regulation and Supervision

Fiji's financial system remained sound in 2015 and asset growth was noted across all industries. Banking industry asset quality indicators remained satisfactory amidst sustained credit growth. There were no major natural catastrophic events in 2015 and the insurance industry was also assessed as sound. The reform program for the FNPF continued with progress noted in its rehabilitated investments.

Supervisory Developments

To strengthen the regulatory framework for the banking sector, the Reserve Bank commenced the review of a number of existing banking supervision policies in 2015, to align with international best practices.

A new policy was implemented for the banking industry on the Minimum Requirements for the Management of Market Risk and as part of the review program, the Reserve Bank issued a revised policy statement on the Role of External Auditors in the Supervision of Licensed Financial Institutions.

For the insurance industry, the Reserve Bank reviewed and issued for parallel run the supervision policy statements on the Minimum Solvency Requirements for Life and General Insurers.

In terms of policy development for the capital markets, the Reserve Bank issued for industry consultation the supervision policy statement for the Continuing of Professional Education, and Capital Raising through Equity Securities. Strengthening of Fiji's regulatory framework will continue in 2016.

Monitoring of FNPF reforms by the Reserve Bank continued in 2015, given the significance of the FNPF as the largest single financial institution in Fiji. The Technical Assistance (TA) program co-funded by the ADB

has completed the drafting of the Pension Savings Act for the supervision of the FNPF and the pension industry in Fiji. It is envisaged that the draft Act will undergo the required legislative vetting process before stakeholder consultation commences.

The regulation and supervision of foreign exchange dealers continued in 2015, to ensure compliance with requirements of legislations and prudential supervision policies relevant to their operations.

As part of its supervision activities, the Reserve Bank conducted onsite reviews of five banks, three insurers, two credit institutions, three stock brokers and 10 foreign exchange dealers during the year. One of the onsite reviews was part of the Pacific Onsite Supervision Program administered by the Australian Prudential Regulation Authority (APRA) and funded by the Australian Agency for International Development assistance.

The Reserve Bank continued with its controllership of the National Bank of Fiji's (NBF) Asset Management Bank (AMB) and is expected to conclude this process in 2016. During the year, the Reserve Bank completed the winding up of the Insurance Trust of Fiji and undertook the deregistration of the entity.

The Reserve Bank provided comments on the new Companies Act and its subsequent regulations. Other legislative work involved seeking assistance from the IMF's Pacific Financial Technical Assistance Centre (PFTAC) towards the Reserve Bank's review of the Credit Union Act 1954 as part of the initiative to include the credit union sector under the Reserve Bank's supervisory ambit.

The Financial System

In 2015, six banks were operating in Fiji across 72 branches, with an additional 103 agencies and agent

banking centres. The number of bank branches increased by one, while the number of agencies decreased by one when compared to 2014.

The number of Automated Teller Machines (ATMs) and Electronic Funds Transfer at Point of Sale (EFTPOS) terminals also increased in 2015, providing greater access to cash and payments channels.

The Reserve Bank after assessing compliance to its Conditions of Approval,⁹ issued Kontiki Finance Limited (KFL) a licence to conduct banking business as a credit institution in March 2015.

Licensed Financial Entities including Branches/Agencies (Number)

	2011	2012	2013	2014	2015p
Commercial Banks ¹	4	5	5	6	6
- Branches	63	60	64	71	72
- Agencies and Agent Banking	43	38	110	104	103
- ATMs	212	226	259	281	296
- EFTPOS	2,937	3,639	4,907	5,388	5,737
Credit Institutions	3	3	3	3	4
- Branches	14	15	17	13	15
- Agencies	0	2	1	0	1
Life Insurance Companies	2	2	2	2	2
General Insurance Companies ²	8	8	7	7	7
Insurance Brokers	4	4	4	4	4
Insurance Agents ³	357	312	334	404	498
Foreign Exchange Dealers	8	8	8	9	9
Money Changers	3	2	2	2	2
Securities Exchange	1	1	1	1	1
Unit Trusts	2	2	2	2	2
Property Trusts	1	0	0	0	0
Investment Advisors	11	11	11	11	11
Stock Brokers	3	3	3	3	3
Dealers	3	3	3	3	3
Managed Fund Representatives	9	11	12	12	15
Stock Broker Representatives	18	16	14	15	17
Investment Advisor Representatives	22	21	19	19	19

¹ AMB is excluded from 2009, when it came under the controllership of the RBF. It is currently being wound up.

² Includes FAI Insurance (Fiji) Limited until 2012.

³ An agent may hold more than one licence to sell various classes of insurance in a calendar year.

Source: Reserve Bank of Fiji

The number of players in the insurance industry remained unchanged from 2014, with seven licensed general insurers, two life insurers and four insurance brokers. However, the number of licensed insurance agents increased to 498 from 404 in 2014.

In 2015, the number of licensed RFEDs and MCs remained at nine and two, respectively. The number of players in the capital markets also remained unchanged while the number of intermediary representatives increased during the year.

Throughout 2015, the Reserve Bank assessed and subsequently approved a number of capital market-related applications including a single proposal for compliance listing on the SPSE and five capital raising

applications, including two for private placements and three for raising capital through debt (bonds).

Gross Assets of the Financial System

Total assets of Fiji's financial system grew by 13.8 percent to \$16.4 billion in 2015, more than the 8.2 percent increase recorded in 2014.

The banking sector continued to hold the majority of the financial system assets at 53.0 percent, followed by the FPNF and the insurance sector with 32.0 percent and 8.8 percent, respectively.

Credit institutions recorded the highest growth during the year at 32.9 percent, followed by commercial banks at 19.3 percent. The provision of a new licence to KFL added to the growth of this sector in 2015.

Gross Assets of the Financial System (\$ Million)

	2011	2012	2013	2014	2015p
Regulated Financial Entities					
Commercial Banks	4,954	5,389	6,222	7,281	8,688
Credit Institutions	448	506	546	252	335
Insurance Companies	1,044	1,212	1,307	1,347	1,438
FPNF	4,077	4,235	4,521	4,846	5,244
Insurance Brokers	34	41	62	55	38
Total	10,557	11,383	12,658	13,781	15,743
Non Regulated Financial Entities					
Non-Bank Financial Institutions (NBFIs) ¹	621	635	648	622	654
Total	621	635	648	622	654
Total Financial System²	11,178	12,018	13,306	14,403	16,397

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

² Excludes RBF.

Source: Reserve Bank of Fiji

The capital markets industry grew by 8.8 percent in 2015 owing to expansions in the equities (18.4%), unit trust (17.8%) and bonds (5.3%) markets.

Composition of the Capital Markets (\$ Million)

	2011	2012	2013	2014	2015p
Equities Market ¹	744	816	768	907	1,074
Unit Trust Market ²	117	123	142	174	205
Bonds Market ³	3,025	2,972	2,930	2,932	3,087
Total	3,886	3,911	3,840	4,013	4,366

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

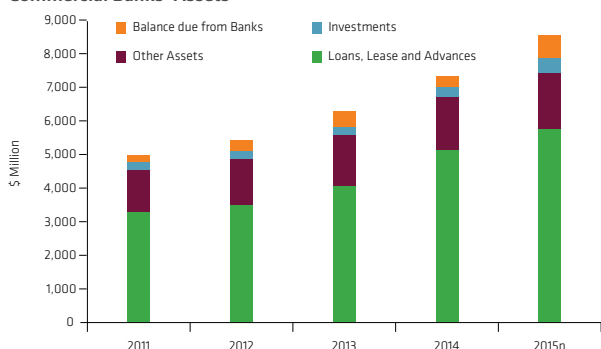
Commercial banks continued to perform satisfactorily in 2015, on account of adequate levels of earnings, capital, asset quality and liquidity positions.

Total assets of commercial banks as at 31 December 2015 were \$8.7 billion, representing an increase of 19.3 percent from 2014. In addition, increased funding activities contributed to the significant growth noted in balances due from banks, investments and loans and advances.

⁹ This was issued in October 2014.



Commercial Banks' Assets



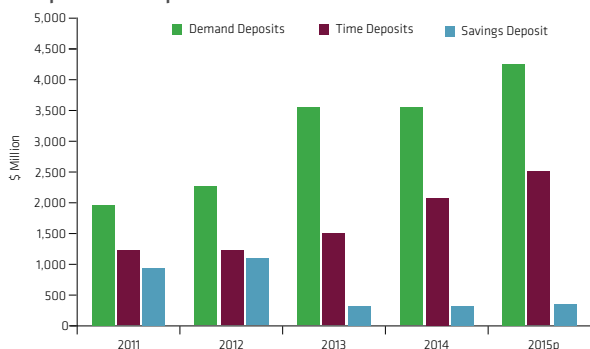
Source: Reserve Bank of Fiji

However, the pace of growth for loans and advances (including leases, bills receivable and foreign currency loans) slowed to 13.5 percent over the year (\$5.8b), from a 27.1 percent growth in 2014.

Increased lending activities were noted for the agriculture, building and construction, real estate, private individuals and "others" sectors. Private individuals' borrowings for housing purposes made up 69.4 percent of total lending to private individuals, followed by borrowings for "others," including credit card balances and personal transport financing.

Investments, which mainly comprised Government securities, increased considerably during the year by 36.7 percent to \$388.7 million. Similarly, balances due from banks increased by 146.9 percent to \$797.0 million.

Components of Deposits



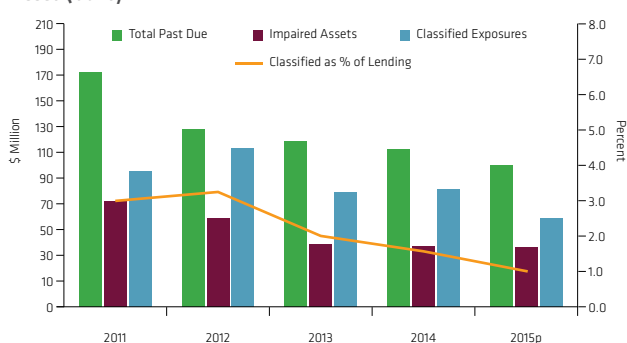
Source: Reserve Bank of Fiji

Total deposits, which remained the main funding source for commercial banks, grew over the year by 15.4 percent

to a new record level of \$7.0 billion. The overall growth was led by increases in demand and time deposits, by \$615.8 million and \$292.7 million, respectively.

During the year, commercial banks repatriated \$60.9 million of profits to their head offices. Notwithstanding this, capital and reserves further expanded by 15.8 to \$772.9 million. Commercial banks continued to maintain capital positions above the minimum requirement of 12.0 percent. As at 31 December 2015, commercial banks' capital adequacy ratio was 14.9 percent.

Asset Quality



Source: Reserve Bank of Fiji

Commercial banks' asset quality improved further during the year as classified exposures, amounted to \$60.2 million, representing 1.0 percent of the industry's gross loans (2014:1.6%). Growth in gross loans and advances, a decline in classified exposures, low interest rates and sustained economic activity contributed to the improved trend.

However, total specific provisions (individually and collectively assessed) covering classified exposures increased by 0.7 percent to \$53.8 million, representing 89.3 percent of total classified exposures. In terms of coverage over unimpaired assets, \$67.0 million of general reserves for credit losses (GRCL) was maintained, which represented 1.2 percent of net loans.

Total past due loans declined further in 2015 by 9.0 percent to \$101.3 million, led mainly by the decline in the one to six months and over two years categories.

By value, the majority of problem loans were with private individuals (38.1%), and private business enterprises (61.0%).

Summary of Commercial Banks' Profitability¹ (\$ Million)

	2011	2012	2013	2014	2015p
Net Interest Income	168.3	177.0	187.3	218.5	234.0
Add: Non Interest Income:	141.2	147.1	160.5	179.5	203.6
Income from Overseas Exchange Transactions	66.9	66.6	67.3	67.5	77.7
Commission and Charges	69.9	73.3	87.4	90.5	95.8
Other Income	4.6	7.2	5.9	21.5	30.1
Total Operating Income	309.5	324.1	347.8	398.0	437.6
Less: Operating Expenses	189.5	193.0	203.2	220.6	228.3
Less: Bad debts and Provisions	8.0	4.1	10.5	34.2	16.6
Profit Before-Tax and Extraordinary Items	112.0	127.1	134.1	143.2	192.7
Less: Tax	32.9	31.6	27.6	30.2	40.6
Net Profit After-Tax	79.1	95.4	106.5	113.0	152.1
Add/Less: Extraordinary Items	0.0	0.0	0.0	0.0	0.0
Net Profit After-Tax and Extraordinary items	79.1	95.4	106.5	113.0	152.1
Average Assets	4,973.1	5,278.1	5,493.0	6,414.2	7,629.1
After-Tax Return on Equity (%)	13.8	17.5	20.5	18.9	20.7
Efficiency (%)	61.2	59.5	58.4	55.1	52.2
Yield on Earning Assets (%)	5.9	5.3	5.0	5.0	4.7
Cost of Funding Liabilities (%)	2.1	1.3	0.9	1.0	1.2

¹ Financial year-end profits for all commercial banks used.

Source: Reserve Bank of Fiji

Commercial banks' net profit before-tax stood at \$192.7 million, which was 34.6 percent higher than 2014.

This was mainly attributed to a decline in bad debt expenses, and increases in net interest and non-interest income.

Commercial Banks' Profitability (% of Average Assets)¹

	2011	2012	2013	2014	2015p
Net Interest Income	3.4	3.4	3.4	3.4	3.1
Charges for Bad & Doubtful Debts	0.2	0.1	0.2	0.5	0.2
Non-Interest Income	2.8	2.8	2.9	2.8	2.7
Operating Expenses	3.8	3.7	3.7	3.4	3.0
Net Profit Before-Tax	2.3	2.4	2.4	2.2	2.5
Net Profit After-Tax	1.6	1.8	1.9	1.8	2.0

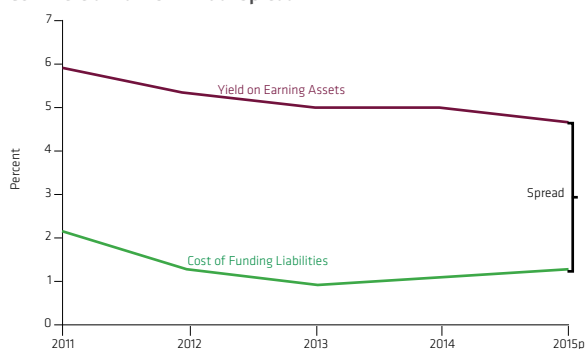
¹ Financial year-end profits for all commercial banks used.

Source: Reserve Bank of Fiji

Commercial banks' efficiency ratio decreased to 52.2 percent from 55.1 percent because of improved operating expenditure, compared to operating income.

The commercial banks' combined interest spread for 2015 declined to 3.5 percent from 4.0 percent in 2014, mainly due to the decline in yield on earnings assets by 27 basis points to 4.7 percent, while cost of funds increased to 1.2 percent from 1.0 percent in 2014.

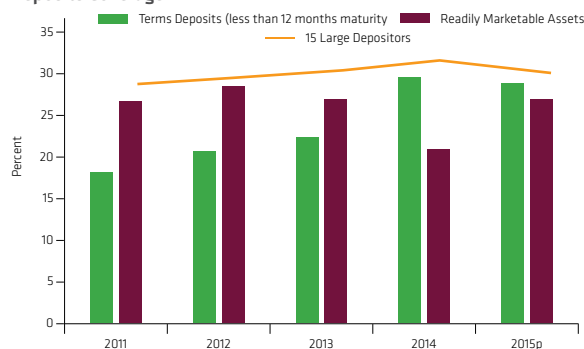
Commercial Banks' Annual Spread



Source: Reserve Bank of Fiji

As at 31 December 2015, the banking industry's total liquid assets stood at \$1.9 billion, noting a significant annual increase of 46.9 percent. The outcome was underpinned by increases in deposits with banks, investments and cash on hand.

Deposits Coverage



Source: Reserve Bank of Fiji

The ratio of marketable assets (liquid assets to total deposits) rose from 21.0 percent to 26.9 percent on the back of the growth in liquid assets. The ratio of the 15 largest depositors as a percentage of total deposits stood at 30.8 percent.

Credit Institutions

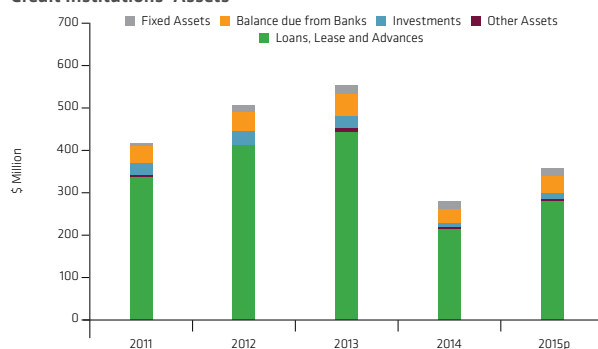
Credit institutions continued to perform satisfactorily in 2015, following the licensing of two new entrants into the industry (Bank of South Pacific (BSP) Finance and KFL). Credit institutions maintained a strong capital position, backed by a marginal asset quality position, and satisfactory earnings performance.

As at 31 December 2015, the credit institutions' combined balance sheet stood at \$335.0 million, representing a significant annual expansion of 32.9 percent.

The private business entities sector and private individuals lending portfolios recorded large increases in 2015 of 26.7 percent and 67.1 percent to \$197.9 million and \$63.4 million, respectively.

Total investments also grew by 1.7 percent to \$11.6 million in 2015, as credit institutions continued to comply with the minimum unimpaired liquid assets requirement of 10.0 percent during the year.

Credit Institutions' Assets



Source: Reserve Bank of Fiji

On the liabilities side, total deposits rose by 40.9 percent to \$214.5 million, underpinned by the growth in deposit placements by NBFIs (127.8%), private individuals (38.1 %), public enterprises (35.6%) and private business entities (32.2%).

Capital and reserves grew by 13.3 percent to \$71.5 million, on account of an increase in paid-up capital and GRCL.

Capital injections by the two new entrants contributed to the increase in paid-up capital. As at 31 December 2015, credit institutions' capital adequacy ratio stood at 28.4 percent compared to 34.9 percent in 2014.

Credit institutions' asset quality position was assessed as marginal over 2015, despite a decline in total past due levels and classified exposures.

The ratio of classified exposures to loans, advances and leases declined from 16.6 percent in 2014 to 10.5 percent in 2015. Total past due levels fell by 8.5 percent to \$37.0 million.

In line with the decline in classified exposures, total specific provisions (individually and collectively assessed) also fell by 5.1 percent to \$10.1 million. Specific provisions were assessed to cover 36.7 percent of classified exposures, indicating a marginal improvement on an annual basis.

However, the coverage of GRCL to net loans ratio fell slightly over the year to 1.4 percent.

Summary of Credit Institutions' Profitability (\$ Million)

	2011	2012	2013	2014	2015p
Interest Income	49.3	48.3	51.7	32.3	33.6
Interest Expense	18.6	16.1	13.7	6.0	5.9
Net Interest Income	30.7	32.2	38.0	26.3	27.7
Add: Non Interest Income	4.2	5.7	5.5	2.3	2.9
Total Operating Income	34.8	37.9	43.5	28.6	30.6
Less: Operating Expenses	12.7	13.3	15.0	9.6	11.9
Less: Bad debts and Provisions	4.2	4.1	5.2	1.3	1.1
Profit Before-Tax	17.9	20.5	23.3	17.7	17.6
Less: Tax	5.5	6.0	5.0	3.5	4.0
Net Profit After-Tax	12.4	14.5	18.3	14.3	13.6
Earning Assets	386.1	415.6	457.3	354.6	245.1
Cost of Funds	299.5	323.8	352.4	264.8	173.3
Average Assets	399.7	431.5	476.0	371.1	259.5
After-Tax Return on Equity (%)	15.6	17.3	19.1	16.5	18.5
Efficiency (%)	36.3	35.2	34.5	33.6	38.9
Yield on Earning Assets (%)	12.8	11.6	11.3	9.1	13.7
Cost of Funding Liabilities (%)	6.2	5.0	3.9	2.3	3.4

¹ Financial year-end profits for all credit institutions used.

Source: Reserve Bank of Fiji

Credit institutions recorded a net profit before-tax of \$17.6 million for the 2015 financial year.

The return on equity and return on assets ratios stood at 18.5 percent and 5.2 percent, respectively, while the industry's efficiency ratio was 38.9 percent.

The combined credit institutions' spread rose to 10.3 percent, following a larger increase in yield on earning assets compared to the cost of funds.

The Insurance Industry

The insurance industry remained sound in 2015, amidst lower insurance claims due to the absence of catastrophic

events. In addition, sufficient liquidity levels ensured the positive solvency position of the industry throughout the year.

Total insurance industry assets grew by 6.8 percent to a record high level of \$1.4 billion. This was mainly driven by the growth in life insurers' assets, new investments and asset appreciation. Investments continued to account for the majority of the insurers' total assets at 79.2 percent, followed by loans at 6.6 percent.

Net premium income of the insurance industry decreased in 2015 by 6.6 percent to \$247.0 million, underpinned by general insurers. Similarly, net claims paid declined by 13.6 percent to \$129.1 million, due to the relative absence of major losses during the year.

In terms of net claims paid in 2015, general insurers accounted for 51.0 percent while the remaining 49.0 percent was accounted for by life insurers.

Offshore placements for covers not available locally or where the premium in the local market was 15.0 percent higher than the offshore market, continued in 2015 with a total of 1,324 applications valued at \$29.6 million approved by the Reserve Bank. The number of applications approved under offshore placement increased by 16.2 percent while the premiums remitted decreased by 8.9 percent, respectively. By class of insurance, Material Damage and Business Interruption continued to account for the majority of the premiums remitted offshore, at \$16.1 million.

Fiji National Provident Fund

The Fund is the single largest supervised institution and accounted for 32.0 percent of total financial system assets in 2015. The Fund's total assets grew by 8.2 percent to \$5.2 billion in 2015 compared to a growth of 7.2 percent (\$4.8b) in 2014, on the back of an expansion in its investment portfolio.

Local equities,¹⁰ offshore term deposits and private sector loans recorded significant growth in 2015, contributing to an increase of \$293.2 million in the Fund's investment portfolio. The investment portfolio of the FNPF continued to be weighed heavily towards fixed income securities, which accounted for 73.5 percent of total investments.

Members' balances grew by 9.8 percent to \$4.0 billion compared to a growth of 8.0 percent in 2014 (\$3.7b). The slightly higher growth in members' balances was attributed to the high net contribution (\$139.1m) and higher interest payment (\$213.2m) credited to members as at 30 June 2015.

The higher interest¹¹ paid out to members was reflected in the lower growth in reserves by 8.7 percent (or \$56.6m) to \$707.9 million compared to 17.9 percent (or \$98.8m) in 2014 (\$651.4m). Reserves represent transfers from retained earnings after the declaration of the crediting rate from the previous financial year.

Total contributions collected in 2015 amounted to \$428.5 million, a 6.4 percent growth from the previous year. Total withdrawals on the other hand fell during the year, by 4.6 percent to \$293.8 million, largely due to the reduction in retirement and partial withdrawals.

¹⁰ New investments in Fiji Ports (\$65.0m) and Momi Bay (\$57.0m).

¹¹ 6.0% compared to 5.5% in 2014.

As part of the reform program, the new Provident Fund Management Information System was rolled out in March 2015, providing a platform for operational efficiency. Given the Fund's systemic importance, the Reserve Bank continued to convene prudential consultations to closely monitor the progress of reform actions, with a focus on investment rehabilitation and the implementation of the new IT system.

The Consultants engaged to draft the new legislation on the regulation and supervision of the superannuation sector have submitted a final draft of the Bill for the Pension Savings Act, together with the draft supporting legislations (Pension Rules). Parliamentary approval is expected to be sought in 2016 before consultation with relevant stakeholders commences.

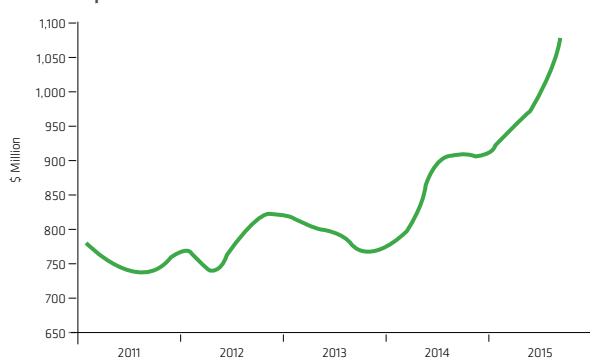
Capital Markets

The volume and value of shares traded on the stock exchange increased significantly in 2015, triggering an increase in market capitalisation and the SPSE Total Return Index (STRI).

Market capitalisation increased significantly by 18.4 percent to \$1.1 billion and reached an all-time high in 2015. This was attributed to the increase in the share prices for 15 of the 18 listed securities. At the end of 2015, the top five listed securities accounted for 83.1 percent of the stock market.

Amalgamated Telecom Holdings Limited continued to dominate the stock market at 49.1 percent, followed by Paradise Beverages Fiji Limited (10.8%), Flour Mills of Fiji Foods Limited (10.5%), RB Patel Group Limited (8.6%) and Toyota Tsusho South Seas Limited (4.1%).

Market Capitalisation



In line with the increase in market capitalisation, the STRI, which is a measure of stock market performance that shows total returns in the form of price, dividend and interest returns, increased by 24.2 percent to 2,854.6.

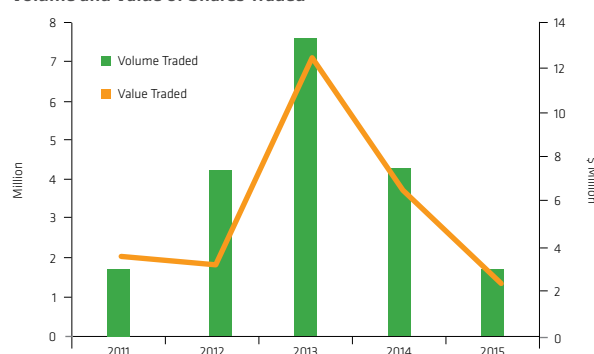
SPSE Total Return Index



In 2015, a total of 74.6 million shares and notes were traded via 1,017 transactions, resulting in a total consideration of \$91.4 million. This was a significant improvement from the 6.9 million shares and notes with a total consideration of \$8.6 million in 2014.

Ten special crossing transactions¹² were conducted in 2015, with 73.0 million shares valued at \$89.0 million traded in large parcels. Excluding special crossing transactions, the volume and value of shares and notes traded in 2015 was 1.7 million and \$2.4 million, respectively.

Volume and Value of Shares Traded¹³



The average total return from the stock market continued to increase in 2015 at 15.6 percent compared to 14.8 percent in 2014.

The average dividend and interest yield for the year was 4.2 percent, while average capital growth was recorded at 11.5 percent. The high yields from the stock market resulted in increased demand for blue chip shares.

The buy-to-sell order ratio declined in 2015 to 1:0.8 from 1:1 in 2014 and was attributed to the rising demand for shares. In 2015, the average bid-offer spread¹⁴ stood at \$0.40.

¹² Special crossing transactions are bilateral deals on the sale and purchase of larger quantities of shares in a security, which are one-off transactions.

¹³ This graph excludes Special Crossing Transactions.

¹⁴ The bid-offer spread is the difference in price between the highest price that a buyer is willing to pay and the lowest price for which a seller is willing to sell a particular security.



Kontiki Price Matching Services, which provides an over-the-counter price matching system/trading registry for four unlisted public companies, recorded trades with a consideration of \$0.3 million. In 2015, the market capitalisation of companies under this trading registry increased by 9.9 percent to \$63.0 million.

Funds under management in the unit trust market rose by 17.8 percent in 2015 from 22.5 percent (\$174.3m) in 2014. This was due to the continuous growth in unit sales which exceeded the level of redemptions and recorded a net value of \$28.1 million in 2015, compared to \$28.2 million in 2014.

In terms of the unit trusts' investment portfolio, unlisted securities dominated at 28.5 percent, followed by bonds (22.0%), listed securities (18.5%), deposits held at financial institutions (17.3%), loans and receivables (12.7%), and "others" (1.1%). The number of unit holders grew by 7.6 percent to 22,797 in 2015, of which 65.2 percent were private individuals, and 34.8 percent institutions and other groups.

Complaints Management

The Reserve Bank continued to focus on addressing consumer complaints efficiently and effectively and ensuring the prioritisation of consumer issues by regulated financial institutions.

Over the year, 71 complaints were lodged with the Bank compared to 62 in 2014 and the majority of which were against commercial banks and insurance companies. Customer complaints against commercial banks were largely on mortgages, interest rates, repayment terms, fees and charges. Complaints relating to insurance companies largely focussed on insurance claims disagreements, in particular life and motor vehicle insurance.

As part of its efforts to resolve received complaints, the Reserve Bank convened 54 meetings with various consumers, and consulted with relevant regulated financial institutions and a number of other organisations. At the end of the year, two complaints remained under investigation. Onsite reviews of seven institutions were conducted in 2015 to ensure compliance with the Policy Guideline on Complaints Management.



Combating Money Laundering

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

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

The FIU is responsible to the Governor of the Reserve Bank in the discharge of its powers and functions.

The FIU is the lead agency in Fiji on anti-money laundering (AML) and countering the financing of terrorism (CFT) policy formulation and enforcement in Fiji.

Financial Institutions' Compliance with the FTR Act

The FIU and the RBF continued to work closely with financial institutions in 2015 to encourage and ensure that they implement and comply with the provisions of the FTR Act and Regulations.

In 2015, the FIU issued eight ad-hoc policy advisories explaining various requirements of the FTR Act and Regulations. Majority of the ad-hoc policy advisories were related to customer due diligence requirements of relevant AML and CFT laws. There are currently 102 registered AML compliance officers from financial institutions and designated non-financial businesses and professions covered under the FTR Act.

Receipt and Analysis of Financial Transaction Information

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

In 2015, the FIU received 516 suspicious transaction reports (STRs) from various financial institutions, an increase of 34.3 percent from the previous year.

Suspicious Transactions Reported to the FIU (Number)

	2011	2012	2013	2014	2015
STRs	728	579	522	384	516

Source: Financial Intelligence Unit

The majority of STRs received in 2015 were from commercial banks.

Reporting Financial Institutions - 2015 (Number)

Reporting Financial Entities or Persons	STRs Received
Commercial Banks	397
Money Remittance Service Providers ¹	86
Finance Companies	2
Members of the Public	18
Regulatory Authorities	5
Securities and Unit Trust	3
Real Estate Businesses	2
Others	3
Total	516

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

Source: Financial Intelligence Unit

The FIU referred 255 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	STRs Disseminated				
	2011	2012	2013	2014	2015
Inland Revenue Services	195	168	176	158	166
Fiji Police Force	89	61	58	77	63
Immigration	6	4	0	1	1
Customs	4	0	19	7	5
Others ¹	24	13	31	10	20
Total	318	246	284	253	255

¹ Includes RBF, Transnational Crime Unit and Fiji Independent Commission Against Corruption.

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.

In 2015, the FIU received 579,849 cash transaction reports (CTRs) and 1,029,993 international electronic funds transfer reports (EFTRs).

Cash Transactions and Electronic Fund Transfers Reported (Number)

Reports Received	2011	2012	2013	2014	2015
CTRs	144,191	200,404	380,430	1,042,074	579,849
EFTRs	450,849	830,959	1,147,728	1,308,633	1,029,993

Source: Financial Intelligence Unit

Border Currency Reporting

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

In 2015, the FIU received 491 border currency reports compared to 557 received in 2014. These reports are analysed for possible currency smuggling, money laundering and related criminal offences.

Cash/Fund Declarations by Travellers (Number)

Persons Declaring	2011	2012	2013	2014	2015
Declarations made by inbound travellers	93	117	141	231	187
Declarations made by outbound travellers	101	360	318	326	304
Total	194	477	459	557	491

Source: Financial Intelligence Unit

Assistance to Partner Agencies

Under the FTR Act, the FIU may provide assistance to various partner agencies.

In 2015, the FIU handled 27 requests from Government agencies for due diligence checks on persons or entities of interest.

Requests for Background Checks from National Agencies - 2015 (Number)

Requesting Agency	Requests	Checks on Entities	Checks on Individuals
Attorney General's Office/ Ministry of Justice	1	1	1
Immigration Department	1	1	0
Investment Fiji	7	5	17
Mineral Resources Department	1	1	2
Ministry of Immigration, National Security and Defence	2	1	3
Ministry of Education, Heritage and Arts	1	3	0
Ministry of Foreign Affairs	1	0	1
Ministry of Industry & Trade and Tourism	7	22	17
Reserve Bank of Fiji	6	6	8
Total	27	40	49

Source: Financial Intelligence Unit

Background checks were carried out on 40 business entities and 49 individuals.

The FIU also handled 213 requests from local and foreign law enforcement agencies for assistance in money laundering and other related investigations.

Requests for Investigative Assistance - 2015 (Number)

Requesting Agency	Requests	Checks on Entities	Checks on Individuals
Department of Immigration	1	1	2
Fiji Independent Commission Against Corruption	30	23	76
Fiji Police Force	81	37	266
Foreign FIUs	22	87	206
FRCA	70	167	153
Reserve Bank of Fiji	3	24	2
Others	6	12	3
Total	213	351	708

Source: Financial Intelligence Unit

Domestic Coordination and Information Sharing

In 2015, Fiji underwent a mutual evaluation on its compliance with the Financial Action Taskforce (FATF) international standards on AML/CFT, known as the FATF 40 Recommendations. The evaluation was conducted by international AML/CFT experts and was led by the Asia Pacific Group (APG) on Money Laundering.

A desk-based review of Fiji's legislations, regulations and institutional arrangements was done in April 2015 and an onsite visit was made in October 2015 when the assessment team held meetings with the representatives of Government agencies, including the RBF, FIU and the

private sector.

The FIU was appointed by the Ministry of Justice as the coordinating agency for Fiji's mutual evaluation. The APG mutual evaluation will be finalised and published in July 2016.

Secretarial support continued to be provided by the FIU to the National AML Council as well as its three working groups (WG) in 2015. The National AML Council held two meetings during the year.

The Governor of the Reserve Bank and Director FIU are members of the National AML Council and contributed to Council discussions and decisions in 2015.

International Coordination and Initiatives

During the year, the FIU provided five days of work attachment for officers from the FIUs of Solomon Islands, the Republic of Palau and Papua New Guinea.

The attachment program covered areas of policy, compliance, intelligence management and national and international coordination. In 2015, the FIU completed its TA program for the Cook Islands FIU on their information management system.

The FIU participated in the 2015 Egmont Group's Annual Plenary Meeting held in Bridgetown, Barbados. The Egmont Group is an international association of 146 FIUs from various jurisdictions.

The goal of the Egmont Group is to provide a forum for its member FIUs to improve support to their respective governments in the fight against money laundering, terrorist financing and other financial crimes. The Director FIU is the regional representative for the Egmont Group's Asia Pacific region.

In 2015, the FIU signed Memorandum of Agreements (MOA) with two foreign FIUs, namely the FIU's of Japan and Bangladesh. This brings the total number of MOAs that the Fiji FIU has signed with foreign FIUs to 27.

During the year, the FIU also liaised closely with the APG on various AML programs and initiatives held in the region. The FIU attended the APG's 18th Annual Plenary in Auckland, New Zealand. Director FIU also co-chaired the 2015 APG Typologies and Capacity Building Workshop in Kathmandu, Nepal. The FIU also contributed to various surveys conducted by the APG and liaised with the APG on Fiji's mutual evaluation and other AML/CFT issues relevant to Fiji.

National Assessment of Money Laundering and Terrorist Financing Risk

During the year, a national assessment of the risk of money laundering and terrorist financing was undertaken by a taskforce set up by the National AML Council. The RBF and the FIU were part of this taskforce. The National Risk Assessment (NRA) on money laundering and terrorist financing risk involved consultation with representatives from government and the private



sector and data collections from various sources. The NRA identified that the banking and the remittance sectors were vulnerable to money laundering in Fiji. In addition, the NRA highlighted Fiji's reliance on cash as a high vulnerability that can facilitate the movement and concealment of illicit funds. The NRA identified the following crime types as the most significant generators of illicit funds in Fiji:

- illicit drug related offences;
- fraud against the Government (including income tax evasion, VAT fraud and duty evasion);
- deception, misappropriation, cybercrime, bribery and

corruption; and

- illicit cross border movement of currency.

The NRA recommended that key mitigating strategies be implemented in the following areas:

- i. cash economy;
- ii. supervision of non-regulated financial institutions;
- iii. technical resources; and
- iv. financing of terrorism due to high risks globally.

The findings and recommendations of the NRA have been endorsed by the relevant agencies.



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 Finance.

Note Processing

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

In 2015, 33.3 million returned notes were processed compared to 40.6 million for 2014. Of this total, 18.8 million pieces were deemed fit for reissue while 14.5 million pieces were considered unfit and subsequently destroyed.

Unfit notes largely comprised the \$10, \$20 and \$50 denominations.

Notes Processed

Notes Processed	2014		2015	
	Value (\$ Million)	Pieces (Million)	Value (\$ Million)	Pieces (Million)
Notes Saved for Reissue	390.1	15.5	571.6	18.8
Notes Destroyed	589.7	25.1	345.1	14.5
Total Processed	979.8	40.6	916.7	33.3

Source: Reserve Bank of Fiji

Currency in Circulation

In 2015, total currency in circulation grew by 14.2 percent to \$732.6 million. The value of notes in circulation in 2015 rose by 14.9 percent to \$681.6 million. The \$100 note denomination recorded the highest growth of 25.5 percent to \$261.6 million, mainly due to its increased usage in ATMs. The \$10 note recorded the highest volume of notes in circulation.

In 2015, the value of coins in circulation increased by 6.0 percent to \$51.0 million. The \$1 coin registered the highest growth of 9.5 percent to \$12.7 million. The 5-cent coin accounted for the highest volume of coins in circulation.

Notes and Coins in Circulation (\$ Million)

Notes in Circulation			
Denomination	2013	2014	2015
\$0.50	0.1	0.1	0.1
\$1	1.7	1.7	1.7
\$2	7.4	7.3	7.9
\$5	18.3	19.4	20.9
\$10	47.2	46.9	52.4
\$20	80.1	78.0	86.4
\$50	210.4	231.1	250.3
\$100	163.8	208.4	261.6
Pre-decimal Currency	0.3	0.3	0.3
Total	529.3	593.2	681.6

Coins in Circulation			
Denomination	2013	2014	2015
1c	1.3	1.3	1.3
2c	1.1	1.1	1.1
5c	3.5	3.8	4.0
10c	4.0	4.2	4.4
20c	5.6	5.9	6.3
50c	6.7	7.3	7.7
\$1	10.9	11.6	12.7
\$2	10.2	12.7	13.3
Pre-decimal Currency	0.2	0.2	0.2
Total	43.5	48.1	51.0

Notes and Coins in Circulation			
	2013	2014	2015
Notes	529.3	593.2	681.6
Coins	43.5	48.1	51.0
Currency in Circulation	572.8	641.3	732.6

Source: Reserve Bank of Fiji

Cost of Currency

In 2015, the cost of currency issued by the Bank increased by 3.4 percent to \$3.0 million.

Over the same period, the cost of notes issued rose by 5.3 percent to \$2.0 million mainly due to higher demand for \$100 notes while the cost of coins was unchanged at \$1.0 million.

Cost of Currency Issued (\$ Million)

	2013	2014	2015
Notes	3.1	1.9	2.0
Coins	0.7	1.0	1.0
Total	3.8	2.9	3.0

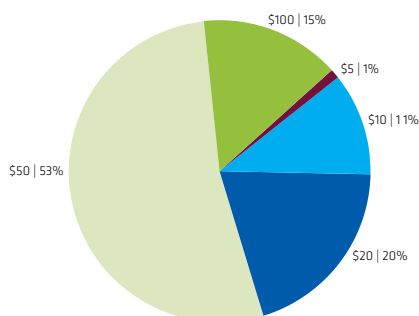
Source: Reserve Bank of Fiji

Banking Transactions

In 2015, the value of currency issued to commercial banks rose by 16.4 percent to \$995.5 million, of which \$983.8 million was in notes and \$11.7 million in coins.

The value of \$100 notes issued recorded the highest increase of 31.5 percent to \$144.7 million, again attributed to their increasing usage in ATMs for cash dispensing and distribution while the value of \$10 notes issued recorded the lowest increase of 6.7 percent to \$109.0 million.

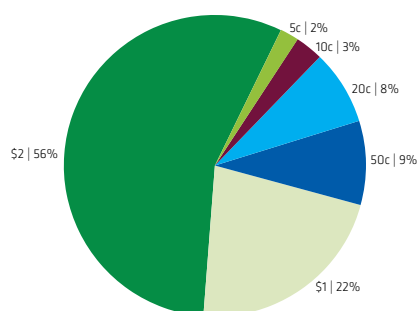
Notes Issued in 2015 (Total Value: \$983.8 million)



Source: Reserve Bank of Fiji

In addition, the increase in usage of \$100 notes demonstrate the public's growing reliance on higher denominations for daily transactions.

Coins Issued in 2015 (Total Value: \$11.7 million)



Source: Reserve Bank of Fiji

During the year, there was a fluctuation in the demand for different coin denominations.

The 20-cent coin registered the highest increase by value of 20.2 percent to \$0.9 million, while the demand for the \$2 coin fell significantly by 33.5 percent to \$6.5 million.

Mutilated and Old Design Currency Assessments

In 2015, \$1.0 million was reimbursed to commercial banks, businesses and individuals for mutilated and old design currency compared to \$0.9 million in 2014.

Counterfeit Notes

The volume of counterfeit notes discovered during the year increased significantly by 171.4 percent to 76 notes, compared to 28 in 2014.

The value of counterfeits remained negligible, at less than 0.1 percent of the value of total currency in circulation.

Counterfeit Note Summary

Denomination	2014		2015	
	Value (\$)	Number of Notes	Value (\$)	Number of Notes
\$2	-	-	-	-
\$5	-	-	-	-
\$10	30	3	510	51
\$20	100	5	240	12
\$50	850	17	650	13
\$100	300	3	-	-
Total	1,280	28	1,400	76

Source: Reserve Bank of Fiji

The \$10 note was the most counterfeited denomination as it is a commonly used denomination.

In its efforts to address counterfeiting, the Bank continued to assist the Fiji Police Force with relevant investigations and distributed awareness materials to various organisations, schools and the general public.

Numismatics

In 2015, numismatic or "collector" currency income decreased by 72.2 percent to \$0.5 million over 2014.

This was attributed to a decrease in overseas sales of existing silver coins, single, pairs and uncut sheets of the new flora and fauna notes including other currency collectible items.

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



Payments and Settlements System

The Payments and Settlements System is critically important to the Reserve Bank, as it is the primary channel to transmit monetary policy impulses and facilitate the movement of large value transactions.

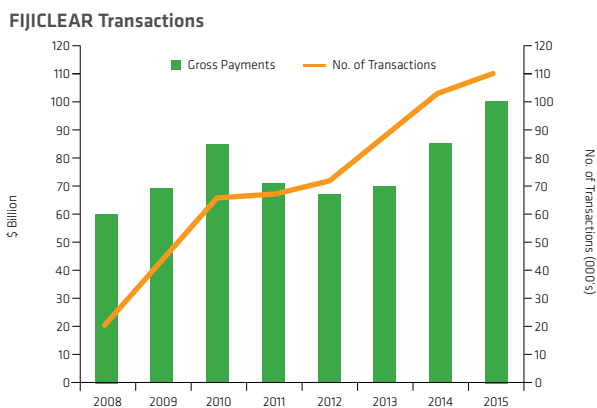
The Reserve Bank has continued to update its payments and settlements system since the late 1990s when it subscribed to the Society for Worldwide Interbank Financial Telecommunication (SWIFT) settlement system for foreign currency transactions. During the last decade, FIJICLEAR was introduced in 2007 to settle large value low volume Fiji dollar payments for commercial banks on a real time gross settlement (RTGS) basis.

The expansion of other forms of payment systems, predominantly making low value high volume payments, has been encouraged by the Reserve Bank as part of its mission.

FIJICLEAR

FIJICLEAR is the name of Fiji's RTGS system, operated and supervised by the Bank. Six commercial banks enjoy the exclusive use of FIJICLEAR.

It represents a major part of the national payments system. It has brought greater efficiency through the timely settlement of transactions conducted through the system and enhanced the liquidity management capability of the participant banks.



In 2015, FIJICLEAR recorded a total of 109,722 transactions valued at \$100.7 billion. A growth of 6.6 percent was realised in transaction volume, while the total value of transactions rose by 17.9 percent, due to an increase in large value payments.

Monthly Average FIJICLEAR Transactions

Monthly Average	2010	2011	2012	2013	2014	2015
Gross Payments (\$M)	7,096	5,885	5,612	5,879	7,122	8,395
No. of Transactions	5,414	5,550	5,914	7,316	8,573	9,144

Source: Reserve Bank of Fiji

The expansion of other forms of payment systems, predominantly making low value high volume payments, has been encouraged by the Reserve Bank as part of its mission.

Settlements

The role of Settlements is supportive of the reserves management function of the Bank.

All foreign currency trades undertaken by the Bank are settled accurately and in a timely manner, through SWIFT, to negate any liability on the part of the Bank arising from late or incorrect settlement.

The accurate accounting of such trades on Hi-Portfolio, the Bank's Foreign Exchange Accounting System, ensures that positions are updated constantly and relevant information is correctly disseminated to stakeholders.

National Payment System

The Reserve Bank with the assistance of the International Finance Corporation and the World Bank drafted a specific legislation to govern payment systems in Fiji.

The aim of the legislation is to strengthen the legal framework for payment systems in Fiji by providing the Reserve Bank with legislative powers to ensure the effective and efficient operations of the national payment system.

The draft was forwarded to Government for legislative consideration.

Mobile Money Development

The Mobile Financial Services ecosystem gradually expanded during 2015 as additional services were provided by the Mobile Network Operators (MNOs).

New partnerships and alliances were formed to use the mobile money platform as a payment distribution channel by linking mobile wallets with bank accounts.

As at 31 December 2015, there were 361 registered active agents around Fiji compared to 2,327 in 2014. The huge decline is attributed to the current impasse in the e-ticketing development which has seen most of the registered agents, not providing mobile money services.



The majority of the transactions performed by the agents were to facilitate deposits and withdrawal of funds to and from their Mobile Money account.

Since the launch of mobile money in June 2010, a cumulative total of 85,324 person-to-person (P2P) transfers valued at \$8.4 million were recorded. For 2015, there were 21,746 P2P transfers valued at \$2.3 million. This compares with 12,888 P2P transfers valued at \$1.2 million in 2014.

The average value of P2P transfers rose to \$107.40 from \$94.70 in 2014. The number of registered mobile money customers stood at 608,864 compared to 352,514 in 2014. Since the implementation of the remittance facility in August 2011, the total amount of inward remittances received through the mobile money channel, as at end-2015 stood at \$4.3 million. Most of these funds came from Australia, New Zealand and the United Kingdom (UK). The total value of electronic money in circulation stood at \$5.5 million as at 31 December 2015, compared to \$4.5 million in 2014.

Remittances

In line with the growth in inward remittances in 2015,

the MNOs continued to develop and improve their services to the market. In 2014, approval was given to the Vodafone Fiji Limited to collaborate with HomeSend¹⁵ to facilitate inward remittances into Fiji using the M-PAiSA platform from Australia, New Zealand, US, UK and Canada. In 2015, this service was extended to include other countries in the European Union. As a result, there was a significant growth in both the volume and value of inward remittances recorded. In 2015, there were 8,203 inward remittances valued at \$2.5 million compared to the 2,692 inward remittances valued at \$0.8 million in 2014 conducted via the mobile money channel. Both the volume and value of inward remittances grew by 204.7 percent and 227.0 percent respectively and is expected to continue to grow. This development is anticipated to provide competition in the market and reduce the average cost of remitting funds from these countries.

Fiji receives the highest volume of remittances in the South Pacific region and these funds are a major foreign exchange earner for the country. The funds have also helped improve the livelihood of recipients, supported the country's external position while helping generate economic activity.

¹⁵ HomeSend is a joint venture created by MasterCard, eServGlobal and BICS that enables B2B cross-border and cross-network value transfers through a single connection.



Enhance Our Role In The Development Of The Economy

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

Import Substitution and Assistance to the Export Sector

The Reserve Bank provides funding at a concessional rate of interest to businesses involved in exports, import substitution and renewable energy projects under the Import Substitution and Export Finance Facility (ISEFF).

In 2015, the facility assisted 16 eligible businesses with loans amounting to \$11.5 million, compared to 29 businesses with the total loan value of \$12.3 million in 2014.

Most of the funds were approved for import substitution related businesses involved in the agriculture sector such as poultry, rice, aquaculture, fruit and vegetable farming. The maximum interest rate charged under the facility was 5 percent per annum. The interest rate charged by RBF to the lending institutions remained at 1 percent per annum. At year-end, total outstanding loans under the facility stood at \$51.5 million against the total allocation of \$80.0 million.

During the year, the Reserve Bank conducted a review of the facility to gauge the impact of ISEFF lending to businesses, as well as to reassess the current allocation under the facility.

Going forward, this review will be conducted annually to ensure that the facility remains effective and continues to contribute towards improving Fiji's balance of payments position.

Small and Medium Enterprises Credit Guarantee Scheme (SMECGS)

The Government's SMECGS continued to be administered by the Reserve Bank in 2015. Since its establishment in 2012, the Government has committed a total of \$4.0 million in support of the SMECGS. To date, only two claims have been made on the Government guarantee amounting to \$38,251.

By December 2015, approximately 1,133 SME loans totaling \$68.5 million were registered for cover under the SMECGS compared with 708 loans valued at \$41.6 million in 2014. The Government has indicated that it will continue to support the Scheme in 2016.

Housing Facility

The Reserve Bank's Housing Facility was set up in 2012 to assist low-income earners to own a home. The Facility allows the HA and the Public Rental Board (PRB) to provide affordable housing loans to households that earn up to \$25,000 per annum. The loans are for five-

year periods at a maximum interest rate of 5 percent per annum. The allocation of \$25.0 million to the HA was fully disbursed in 2015 while an additional allocation of \$10.0 million to the PRB was withdrawn. The Reserve Bank will continue to assess its role in supporting the development of affordable housing in 2016.

Secondary and Retail Bond Market

The Government floated \$10.0 million in Viti Retail Bonds in 2015, of which \$7.0 million was issued to 88 investors compared to the \$5.6 million in Viti Bonds issued to 77 investors in the previous year. The total value of outstanding Viti Bonds at the end of 2015 was \$22.2 million.

The Reserve Bank stands ready to purchase Viti Bonds in the event investors wish to liquidate their investments. In 2015, the Bank bought 29 parcels of Viti Bonds valued at \$0.7 million which was higher than the 23 parcels of Viti Bonds valued at \$0.3 million purchased in the previous year.

Apart from the Reserve Bank purchases of Viti Bonds, there was no Secondary Bond Market activity in 2015.

Microfinance Development

In partnership with key stakeholders, the Bank organised two financial inclusion expositions during the year. The first was part of the Nasinu Trade Show held in July and the second was the Financial Inclusion Village during the Vodafone Hibiscus festival in August. The stakeholders included commercial banks, microfinance institutions, insurance companies, credit institutions, capital market intermediaries, statutory bodies and other finance companies.

The Bank participated in roadshows, the "Agriculture Show" and the "International Day for the Eradication of Poverty" organised by the Government.

The third National Microfinance Awards was hosted by the Bank on 13 November 2015. This event was facilitated through the support and sponsorship of the PFIP, Australia and New Zealand (ANZ) Bank, BSP, WBC, Bank of Baroda (BOB), Home Finance Company (HFC) Bank and LIC. In Addition, a "Young Entrepreneur" category was introduced in 2015.

Secured Transactions Reform

In 2015, the Government of Fiji requested TA from the ADB's Private Sector Development Initiative (PSDI) to assist Fiji's secured transactions reform. The RBF is the designated lead agency with the Governor as the

chairman of the Secured Transactions Reform Taskforce (STRT). The STRT consists of members from both the private and public sector.

The purpose of this reform is to allow movable property to be held as collateral through an electronic registry system which can allow financial institutions to increase their lending to the SME sector.

The secured transactions reform framework enables borrowers to easily pledge movable property as security for loans and comprises three parts: (i) Legislation; (ii) Product Design; and (iii) Implementation. Although the principles of pledging collateral as security are easily understood, an effective and very specific legal framework is needed.

As such, the ADB PSDI team in collaboration with the STRT developed the draft Secured Transactions Bill which is being vetted by the Office of the Solicitor General. The ADB PSDI team will provide extensive assistance during the implementation phase and assist financial institutions to tailor make SME products as appropriate under the reform.

The STRT met six times during the year to consider various policy issues that emerged while drafting the legislation for Fiji. This work and the policy decisions are reflected in the draft Secured Transactions Bill. The STRT also considered the practical implications of the reform once the legislation is enacted and the Secured Transactions Registry becomes operational.

The Secured Transactions Bill is expected to be enacted in 2016 which will be followed by the development and implementation of the Secured Transactions Registry.

NFIT

The Taskforce held five meetings including an introductory meeting with the United Nations Capital Development Fund's Executive Secretary, Ms Judith Karl, and the Director Financial Inclusion Practice Area, Mr Henri Dommel.

The NFIT expanded its WG structure to four, with the addition of the "Inclusive Insurance WG." The Inclusive Insurance WG was established to develop and implement a policy framework for inclusive insurance in Fiji.

The framework is to provide an effective structure of implementing the necessary regulations, product design and related consumer awareness programs for the inclusive insurance product. The WG includes representatives from the insurance industry, PFIP, Ministry of Finance, National Disaster Management Office, FRCA and RBF.

In partnership with the PFIP, the Bank released the Financial Services Demand-Side Survey Report in June. A consultation workshop was held in November to review the Report's findings and develop a National Financial Inclusion Strategic Plan for 2015-2020. The Strategic Plan will provide the roadmap for national stakeholder collaboration and builds on the first financial inclusion

strategic plan (2010-2014).

LAB

During the year, the Bank held three individual and one collaborative meeting with the LAB of foreign owned commercial banks.

The Bank also made a presentation to the non-executive LAB members of all the commercial banks in 2015. The presentation focused on Government's National Development Objectives and key policies issued by the Reserve Bank.

Financial Literacy

Improving financial literacy of Fijians is one of the strategic areas that support financial inclusion. The Bank, through NFIT, works closely with the Government to improve the level of financial literacy for all Fijians.

Training was provided to 3,488 primary school teachers from May to August to strengthen the delivery and implementation of the FinED program.

Collaboration between the Bank and the global payments technology company, VISA to improve financial literacy in the country, culminated in the launch of the NFIT website (www.nfitfiji.com) in July.

The Financial Literacy WG worked closely with its stakeholders in coordinating and monitoring the delivery of adult financial education initiatives. During the year, over 13,300 adults participated in community based financial education seminars facilitated by the commercial banks and other stakeholders around Fiji.

FSDP

In 2015, the Reserve Bank finalised the draft FSDP 2015-2025. The FSDP is envisaged to further develop, deepen and grow Fiji's financial sector. It charts a clear direction and articulates ten key focus areas (Pillars) for development and reform programs at national and institutional levels.

The FSDP also sets the foundation or building blocks to achieve the longer term objective of "Transforming Fiji into a regional Financial Hub of the South Pacific." The draft FSDP was sent to the Minister for Finance for review and endorsement in 2015.

In 2016, following the endorsement by the Minister, final consultations will be carried out and the finalised Plan will be launched. A FSDP Taskforce will be established to guide and monitor the implementation of the FSDP. Relevant WGs will be established and annual work plans will be formulated to implement the agreed strategies. The FSDP Taskforce will monitor and evaluate the progress and achievement of the ten Pillars of the FSDP.



RBF in the Community

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

The Bank continues to devote resources to building relationships across a broad spectrum of the community, in its efforts to gain first-hand insights into developments in various industries and areas of the country through site visits. The Board Directors also accompany Bank officials on these visits.

In an effort to keep the public informed of its assessment of the economy, the Governor and senior staff regularly give 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 are also articulated to Fiji's embassies abroad and to locals earmarked for diplomatic postings. The Bank also makes available information on its website and Facebook page that users can easily access.

A "RBF" prize is awarded annually to the 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 where students are provided information about the Bank.

The Governor appeared before the Parliamentary Standing Committee on Economic Affairs to inform of the Bank's core functions, structure and KPIs. He also made a submission on the Companies Bill to the Parliamentary Standing Committee on Justice, Law and Human Rights.

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 Exporter of the Year Award for Agriculture. In addition, 2015 was the third year that the Bank held the Microfinance Awards with the theme "Bringing out the Best." The Awards were sponsored by the Bank in partnership with PFIP, ANZ Bank, BSP, WBC, BOB, HFC Bank and LICI.

The Bank contributed financially as a silver sponsor towards the hosting of the 2015 Agriculture Show in Syria Park, Nausori from 9-11 September. The theme "Sustain our Soil, Nourish our Nation, Reaffirm our Future" reflected the linkages of the agricultural sector in supporting and promoting a healthy and wealthy Fiji. Apart from the financial support, the Bank also sponsored special recognition awards including the Central Farmer of the Year Award. The Bank also had a booth for the three day event to disseminate information about what we do, particularly the facilities that we have in place for exporters.

The Bank engaged with the community during the Hibiscus Festival and at the Nasinu Expo. At both events, the Bank had a booth to inform the public about what we do and how the Bank's facilities can assist them.

The Bank partnered with the Ministry of Finance from 20-25 July at the Government Information Centre informing the public of the functions of the Bank.

Donations are also made to national charitable organisations as part of the Bank's corporate social responsibility. In 2015, cash donations were made to Suva Special Education School, Fiji Crippled Children's Society, St Christopher's Home, Dilkusha Orphanage, Fiji Disabled People's Association, Fiji Society for the Blind, Father Law Home, Home of Compassion and Salvation Army.

To assist schools in rural areas, the Bank collected books during the Library Week Book Drive and donated them to Nairukuruku District School, Vanuakula Catholic School, Vuna District School, Lomanikaya Village, Noikoro District School, Shiloh Kindergarten Nasole and St Agnes Primary School. In addition, 28 children diagnosed with AIDS in the Suva to Nadi corridor also received library books. Used computers and new printers were also provided to a small community clinic, Nadrau Primary School, Nuku Catholic Primary, Nabukaluka Primary School, Nadakuni Village School, Rokotuiratu District School, Nadakuru District School and District Office and Nadarivatu High School and Health Centre.

Some members of Team RBF served on committees set up by the Government and professional bodies. Two members were judges for awards.

Apart from formal donations, Team RBF also voluntarily contributes and participates in community projects. Some of the charitable projects undertaken by staff in 2015 included contributions of groceries, toiletries and other consumables for the Nakasi Housing Assistance and Relief Trust, Women's Prison at Korovou Correctional Centre, St Christopher's Home and Vincent Home. Team RBF also cleaned up the compound at St Giles and the wall at the Sacred Heart Cathedral. Books, bed sheets, fruit, DVD players and an electric kettle were donated to the Oncology Ward at the Colonial War Memorial Hospital.

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

In addition, the Bank's Sports and Social Club organised visits to Pearce Home and Gospel School of the Deaf to celebrate the Bank's 42nd birthday. The Social Club also organised social events and cultural activities such as Eid, Diwali and Chinese New Year for staff. A blood drive and morning tea was hosted for Pinktober to raise funds for the Fiji Cancer Society. Staff also participated in the Kidney Foundation of Fiji Walkathon, Westpac Morning Walk and the 5km Dash for Diabetes organised by Petero Civoniceva.

In 2015, Bank staff also participated in various business house sports events like volleyball, touch rugby, netball, and bowling.



Provide Proactive And Sound Advice To Government

Policy advice to the Government is provided in many ways. During 2015, the Governor met with Government officials on a number of occasions to discuss various issues pertaining to the economy.

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

Policy Coordination

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

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

The MC is chaired by the Governor of the Reserve Bank and membership comprises officials from the Ministry of Finance, Ministry of Industry, Trade & Tourism, Fiji Bureau of Statistics, Prime Minister's Office, Ministry of Local Government, Housing, Environment, Infrastructure & Transport, FRCA, Investment Fiji and the Reserve Bank. During the year, there were two forecasting rounds, two MC meetings and six Macroeconomic Technical Committee meetings.

As part of the macroeconomic forecasting process, the Reserve Bank met with key industry groups in 2015. Information gathered from these meetings were used as a basis for forecasting national macroeconomic indicators, as well as providing advice to the Government through the MC reports and input to the National Budget.

In 2015, the Reserve Bank continued to be actively involved in many Committees of national interest. The Reserve Bank participated in the Debt and Cashflow Committee and met three times to evaluate Government's financing needs.

Registry and Banking Services

The Reserve Bank is the registrar and fiscal agent for domestic debt securities issued by the Government and statutory corporations.

In addition, the Bank provides banking services, such as the "lender of last resort" facilities to the Government and commercial banks.

The total nominal value of outstanding Government and statutory corporation bonds at the end of 2015 was \$3,086.5 million compared to \$2,932.1 million at the end of 2014.

The level of outstanding Government bonds rose over the year by 5.2 percent to \$2,836.4 million while outstanding statutory corporation bonds increased by 5.5 percent to \$250.1 million, as bond issues exceeded redemptions.

Outstanding Bonds in 2015 (\$ Million)

	Issued	Redeemed	Outstanding
Total Government	257.4	116.0	2,836.4
o/w Fiji Development Loan Bonds	-	115.4	1,981.4
o/w Fiji Infrastructure Bonds	250.4	0.6	832.8
o/w Viti Bonds	7.0	-	22.2
Fiji Development Bank	42.0	28.7	134.2
Fiji Electricity Authority	-	25.3	37.3
Housing Authority	-	-	53.6
Fiji Sugar Corporation	25.0	-	25.0
Total	324.4	170.0	3,086.5

Source: Reserve Bank of Fiji

Total registry payments fell by 9.6 percent (\$75.8m) to \$713.7 million at the end of 2015. Lower payments were a result of a decline in Bond redemptions by \$112.2 million to \$169.9 million. However, redemptions payments on Treasury Bills rose during the year.

Weighted Average Yields on Long-Term Government Securities



Source: Reserve Bank of Fiji

Short-term yields on Government securities declined in 2015 mainly due to oversubscription of tenders on short-term securities. However, yields on longer term maturities rose as domestic funding needs by the Government resulted in upward pressure on interest rates.

Treasury Bills (\$ Million)

	2013	2014	2015
Flotations	158.0	360.0	350.0
Allotments	138.5	309.5	336.0
Redemptions	148.3	281.5	321.0
Outstanding	102.6	130.6	145.6

Source: Reserve Bank of Fiji

Issuance of Treasury Bills has steadily increased over the last few years in line with the Government's short-term funding needs. In 2015, the net issue of Treasury Bills was \$15.0 million. In contrast, Treasury Bill yields fell over the year due to high liquidity and continuous oversubscription of tenders.



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.

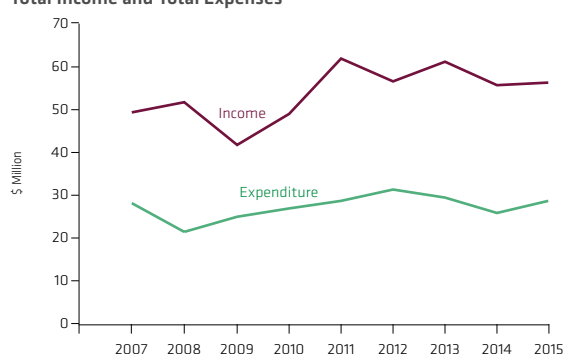
RBF Foreign and Domestic Income (\$ Million)

	2012	2013	2014	2015
Foreign Interest Income	38.4	40.8	36.8	40.5
Domestic Interest Income	13.7	13.2	11.5	10.2
Other Income	4.6	7.4	6.5	5.5
Total	56.7	61.4	54.8	56.2

Source: Reserve Bank of Fiji

For the 2015 financial year, total income was recorded at \$56.2 million. The level of foreign interest income was mainly driven by the high level of foreign reserves held by the Bank during the financial year.

Total Income and Total Expenses



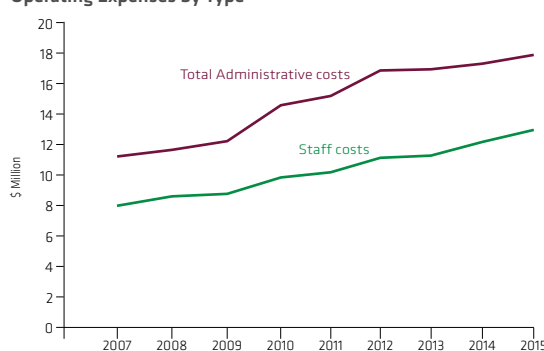
Source: Reserve Bank of Fiji

Expenditure

Total expenditure incurred in 2015 noted a 8.0 percent (\$2.1m) increase to \$28.3 million from 2014. Administrative expenditure was recorded at \$17.9 million in 2015, a slight increase of \$0.3 million from 2014.

Staff costs represent the single largest operating expenditure for the Reserve Bank accounting for over 46.3 percent of total operating costs. Other expenses for the 2015 financial year recorded a slight increase of 0.3 percent from 2014.

Operating Expenses by Type



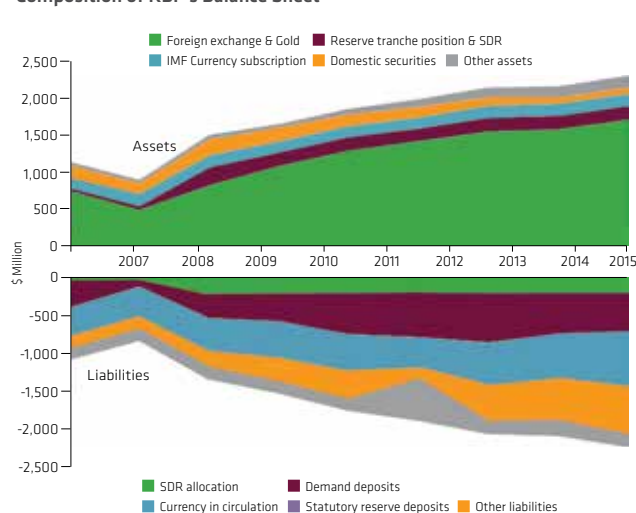
Source: Reserve Bank of Fiji

Assets and Liabilities

The Bank's total assets were \$2.4 billion at the end of 2015. Over the year, total assets rose by 10.0 percent driven mainly by the increase in foreign reserves holdings.

The Bank's total assets have grown by an average 19.7 percent over the past eight years. The increase in liabilities is mainly reflected in the build-up of 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 2015 was \$27.9 million, compared to \$28.5 million in 2014. There was no transfer to the General Reserve Account in 2015. Therefore, as required under the RBF Act (1983), the total operating profit will be transferred to the Government early March 2016.

The Act also requires the Reserve Bank to transfer one-fifth of the RRA balance to the Government which amounted to \$4.3 million for 2015. The amount transferred from the RRA was \$6.7 million in the previous year.

Consequently, the Bank will pay \$32.2 million to Government from its 2015 operations, compared to \$35.2 million in 2014. The lower payment for 2015 is mainly attributable to the decrease in the RRA balance and the slight reduction to the Bank's profits.

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

	2012	2013	2014	2015
Operating Profit	25.4	31.9	28.5	27.9
Less				
Transfer to General Reserves	0.0	0.0	0.0	0.0
Balance Paid to Government	25.4	31.9	28.5	27.9
One-fifth of RRA	10.0	8.0	6.7	4.3
Total Paid to Government	35.4	39.9	35.2	32.2

Source: Reserve Bank of Fiji

Publications and Press Releases

Economic and financial information continued to be released by the Bank during the year through its major publications: the monthly Economic Reviews, Quarterly Reviews and Annual Reports. In 2015, the Reserve Bank also issued 35 press releases.

The 2014 Bank, Insurance and FIU Annual Reports were also published in 2015. In addition, the Bank participated in the 2015 SPSE Annual Report Competition. The Bank's 2014 Annual Report was awarded first prize in the Statutory Authorities, Government Bodies and Unlisted Trusts category. A Student Diary for 2015 was also produced and disseminated to schools.

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

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

The Reserve Bank's website was continuously updated to include the latest information disseminated by the Bank. To enhance its dissemination of information, the Bank created a Facebook page at the end of July 2015.

Information Technology

The Bank continued to align its processes for delivery of IT Services with industry best practises and international standards. The Bank also focused on the achievement of IT strategic goals, which include strengthening IT Governance, Risk Management and Policy Framework.

Furthermore, the Bank continued to safeguard the corporate environment by maintaining a robust, reliable and adaptable enterprise infrastructure, strengthening information security, leveraging technology and business processes automation to increase organisational efficiency.

The Bank continued to enhance stakeholder awareness and promote cost effective and green initiatives.

The ITSC continued to provide guidance towards the strategic goals of IT and issues relating to information security and IT projects.

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

Some of the major projects undertaken in 2015 were the automation and development of a Financial Sector Information System and the FIU Case Management System. Development work also continued on other systems.

The Bank also approved Project eService for 2016, facilitating online lodgements of Exchange Control Applications by users.

Records Management and Library

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 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 in 2015 and will be ongoing in 2016.

In 2015, the Bank celebrated World Book and Copyright day in April, conducted a Library User Survey in May and organised Library Week activities, themed "Unlimited Possibilities at Your Library." These activities included a book drive and donation of books to various schools.

Domestic Relations

During 2015, the Reserve Bank continued to engage with different stakeholders across Fiji while conducting several economic presentations. These presentations focused on the latest economic developments and



outlook, and rationale for monetary policy decisions.

Industry consultation with commercial banks, credit institutions, insurers, brokers and foreign exchange dealers continued in 2015. Industry meetings were held on a quarterly basis with the Association of Banks in Fiji, Finance Companies Association, Insurance Taskforce and the Association of Foreign Exchange Dealers. The Reserve Bank also conducted bilateral meetings with commercial banks, insurance companies and the FNPF. The Board and Executive Management visited site operations and discussed economic issues with industry stakeholders in Navua, Sigatoka, Nadi, Malolo and Lautoka, and provided economic briefings to the business community.

During the year, the Bank briefed officials from Government ministries and statutory bodies on various economic and financial matters. In addition, a number of schools visited the Reserve Bank to learn about the role and responsibilities of the Bank, as well as to view the numismatics display.

International Relations

The Reserve Bank continued to maintain and foster international relations with multinational organisations and other central banks. The Governor led the Fiji delegation to the Annual IMF/World Bank meeting, SEACEN Board of Governors, PFTAC¹⁶ Tripartite Steering

Committee meeting and the Currency Conference.

The Deputy Governor led the Fiji delegation to the Annual ADB meeting, SEACEN Executive Committee meeting and the AFI GPF. The Governor was also visited by several foreign dignitaries. In addition, the Reserve Bank officials participated in a range of international conferences and workshops.

The Bank hosted the 37th Meeting of the SEACEN Directors of Research and Training and the Directors of Research and Directors of Training High Level Seminar from 20-22 August.

The Reserve Bank continued its liaison with the IMF, World Bank, ADB and central banks in the Pacific and South East Asia region. The Bank also coordinated the IMF Staff Visit and the Article IV Mission to Fiji during the year.

Additionally, the Bank received TA from international institutions such as the IMF, Griffith University and the APRA in the areas of monetary and financial statistics, foreign exchange, insurance, superannuation and banking supervision.

The Bank also provided TA to some South Pacific central banks and hosted attachments in various areas of central bank operations.

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

¹⁶ The PFTAC office of the IMF is responsible for providing technical assistance and training to PICs. It is a collaborative venture between the IMF, recipient countries, and bilateral and multilateral donors.



Recruit, Develop And Retain A Professional Team

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

Staffing

At the end of 2015, the Reserve Bank staff complement was 214.

RBF Staff Statistics (31 December)

	2011	2012	2013	2014	2015
Total Staff	205	207	213	213	214
Average Years of Service	8.0	8.3	9.4	9.8	9.9
Annual Staff Turnover (%)	8.3	5.3	4.3	6.6	6.5

Source: Reserve Bank of Fiji

During the year, the Bank recruited 16 staff while eight staff resigned to take up alternative employment, one migrated, two staff went for further studies and four retired from service.

Management Remuneration in 2015

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

Management Remuneration in 2015

	Base Salary	Staff Numbers
i.	\$287,500	1
ii.	\$145,000	1
iii.	\$100,000	7
iv.	\$43,895 - \$75,604	28
(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 and correspondence and short courses at both local and overseas institutions. Accordingly, the Bank organised induction, mentoring programs and on-the-job training for staff. Management is required to prepare a TNA for each member of staff, which is updated annually. The Bank continued to sponsor staff for further academic qualifications through full-time, part-time, correspondence, short courses and seminars at local and overseas institutions. In 2015, five staff were on study leave with pay pursuing postgraduate studies abroad. In addition, 20 staff pursued part-time studies at the USP,

the Institute of Internal Auditors, and the Fiji National University (FNU) towards Masters, Postgraduate, Degree, and Diploma programs.

In 2015, 92 staff undertook various short courses at local institutions including the USP, FNU, Fiji Institute of Accountants (FIA) and the Fiji Human Resources Institute (FHRI). Moreover, 54 staff attended various courses abroad that were organised by the IMF, SEACEN, ADB, Australia Asia-Pacific Economic Cooperation, APRA, Bank of England, RBA and the World Bank amongst others. In addition, staff from the Payments and Settlements Unit received training on Hi-Portfolio in February to have greater understanding of the system.

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

Employment Relations

The Bank continued to maintain a cordial relationship with the Fiji Bank and Finance Sector Employees Union (FBFSEU).

A new salary structure was implemented as a result of the 2015 PricewaterhouseCoopers Market Survey.

Labour-Management Consultation Cooperation (LMCC)

The Employment Relations Promulgation No. 36 of 2007 Section 9(3) requires the Bank to establish a 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 Labour under Regulation 7 in August 2009. The Committee comprises seven management and seven staff representatives. There were three meetings held in 2015.

National Employment Centre (NEC)

The Bank has an agreement with the NEC in compliance with the NEC Decree. Under this agreement, the Bank is required to provide workplace attachments to at least 11 unemployed persons registered with the NEC. To date, the Bank has fully complied with the NEC requirements and the Bank's vacancy advertisements also encourage candidates registered under NEC to apply.

Staff Engagement Survey (SENSE)

The Bank launched the SENSE in 2015 which is the Bank's official two yearly employee engagement survey. This is a priority area under "Work Culture Enhancement" in the Bank's 2014-2018 HR Strategic Plan. This was successfully conducted in 2015.

The SENSE survey results were launched and released to all staff.

Quality Performance Management

During 2015, the Reserve Bank maintained its quality performance management program with the aim of achieving higher quality performance. The Chief Managers drove the quality program in their respective Groups and monitored the performance of their teams.

An audit of maps and manuals was coordinated and the 18 quality teams are working towards achieving the targets set out by their Chief Managers. The self-driven teams continue to meet regularly and focus their meeting on work process improvements and building effective work relationships.

During 2015, the teams held 153 meetings, reviewed 208 processes and approved 172 processes for implementation.

On 8 October, the FNU presented the Bank with a "Special Award" in recognition of its contribution to the quality journey in Fiji. This recognition coincided with the 20th National Convention on Quality and the launch of the book "A Journey of Quality" where the Bank was also featured.

The Bank entered the FBEA competition in 2015 for the first time since commencing the quality program in 1994. The Bank used this opportunity to benchmark its quality performance against other organisations and to demonstrate its continuous commitment to quality.

Following its comprehensive submission and successful interviews with the FBEA evaluators, the Bank won the Prize Award - one level below the President's Award.

The Bank is implementing the recommendations provided by the FBEA evaluators. The Quality Teams will use the report as a tool to continuously improve all aspects of the Bank's work.

Health and Safety in the Workplace

The Bank is committed to providing and maintaining a

safe and healthy working environment for its employees and visitors to the Bank's premises. It continues to maintain the staff gymnasium to promote fit-for-life activities.

The Bank participated in various business house sporting events. A sports fun day was also organised for staff and families.

In 2015, the Bank's Occupational Health & Safety (OHS) Committee met three times. A total of 11 staff, including Management attended training on OHS related courses. A fire drill exercise was coordinated under the guidance of officers from the National Fire Authority and the Bank's fire wardens.

General Administration Services

The Bank coordinated the renewal of the General Insurance Policies and Staff Insurance programs for 2016.

Property Management and Security

The Bank ensured that the main RBF Building, the Domodomo House and the BRS were well maintained during the year. Repairs and maintenance programs were completed to ensure all systems were operating at efficient levels.

Work on the exterior refurbishment of the RBF building was completed in July 2015.

The Bank also upgraded the building management systems control panel to enhance monitoring and controlling of the main building temperature levels. The system also provides opportunities for renewable energy interfacing platforms and protocols for communications, remote monitoring and analysis.

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

Service Recognition

The Governor's Service Recognition and Long Service Loyalty Award, recognises dedicated long and meritorious service to the Bank. In 2015, four staff achieved 15 years of service, five staff achieved 20 years of service and three staff achieved 25 years of service milestones.

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

25 Years



Mrs Caroline Waqabaca



Ms Anita Prakash



Mr Jale Raguru

Acknowledgement

The Board sincerely acknowledges the efforts and contribution of all staff in 2015. The RBF Board extends its gratitude to the Government, the IMF, the World Bank, the ADB, SEACEN, PFTAC and regional central banks for

their continued support and assistance.

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



RBF on the Hosting of AFI GPF in 2016

Box 1: The AFI, the RBF membership and a lead role in the PIRI

The AFI is a global network of policymakers that was initially set up for developing and emerging economies, to work together to build inclusive financial sectors.

Founded in 2008 and publicly launched in September 2009, the network provides a vibrant platform for peer-to-peer learning and knowledge sharing for effective and innovative policy, to assist an estimated two billion of the world's population in accessing formal financial services. In 2015, membership was extended to developed countries.

In 2009, the RBF joined the global network and participated at the first AFI GPF held in Nairobi, Kenya. Since then, the Bank has been an active member of the Forum, sharing its experiences and knowledge with other countries while benefiting from AFI's multifaceted information sharing framework that includes the annual GPF, WGs, Knowledge Exchange Grants, Capacity Building Programs, research publications and web-based information exchange and networking portals.

AFI WGs are the main source of policy development, knowledge sharing and peer learning. There are six WGs that focus on thematic policy and include the Consumer Empowerment and Market Conduct Working Group; Digital Financial

Services Working Group; Financial Inclusion Data Working Group; Global Standards and Proportionality Working Group; FISPLG and SMEFWG. The RBF is represented in four of the WGs. Fiji is a member of PIRI and is on the Budget and Finance Committee.

The establishment of a regional WG by the Pacific Island members in 2010 was the first for the AFI network, and included central banks from Fiji, Samoa, Solomon Islands, Vanuatu, Papua New Guinea and Timor-Leste.

Tonga joined in 2012 and these countries have collaborated under the Pacific banner to lobby for common issues to the region which has one of the highest rates of unbanked adults in the world. In 2014, the status of the PIWG was changed to a regional initiative under PIRI. As part of the PIRI, the RBF has taken a proactive and lead role in setting the pace for financial inclusion in the region. Fiji has contributed to capacity building in the Pacific and shared its experiences in various financial inclusion initiatives such as the establishment of the NFIT, the FinED Program and consumer protection.

The African and Latin American countries have subsequently formed their own groups of regional cooperation.

Box 2: Maya Declaration Commitments and Achievements

The Maya Declaration was launched in 2011 at the AFI GPF in Riviera Maya, Mexico and was the first set of global measurable commitments by policymakers from developing and emerging countries to unlock the economic and social potential of the poor through greater financial inclusion.

The Maya Commitments reaffirmed the need to bring more of the world's poor into the formal financial system by creating an enabling environment for new technology that increases access and lowers the cost of financial services.

It also reiterated establishing a proportional framework that achieves the complementary goals of financial inclusion and financial stability; integrating consumer protection and financial literacy as key pillars of financial inclusion and collecting and utilising data to promote evidence-based policy making and measureable progress in monitoring and evaluation.

Currently, six members of the PIRI including Fiji have made commitments to the Maya Declaration. In 2011, the RBF made its commitment under four thematic focus areas:

Theme 1: Digital Financial Services

The target is to ensure the provision of an enabling legislative and regulatory environment for payment systems (including mobile money financial services) and microfinance with the view to encourage expansion of savings and structure to support greater financial inclusion by 2013.

To date, the Payments System Bill has been drafted and vetted with technical assistance from the IFC and World Bank. This has been submitted to the Solicitor General's Office before it proceeds for parliamentary approval.

Appropriate regulations covering Mobile Money and Digital Financial Services will be developed following the enactment of the Bill.

A draft Microfinance Bill covering the establishment, governance, licensing and supervision of the microfinance industry is under review by the RBF.

Theme 2: Overarching National Goal

The target of reaching at least 150,000 unbanked and underserved Fiji citizens by 2014 was achieved in February 2014. As of December 2015, this number increased to 257,991 Fiji citizens.

Theme 3: FinED

The target was to integrate education into the school curriculum from year 1 to year 12 by 2012 and complete a financial competency survey by 2012.

To meet this target the FinED program was launched in 2011 and piloted at 28 schools in 2012. In 2013, the FinED program was fully rolled out to all 910 schools in Fiji involving around 197,000 school students.

A National Financial Competency Survey of low-income households was also conducted in November 2011.

Theme 4: Data and Measurement

The target was to collect a core set of indicators by 2013. In developing and adopting the indicators, PIRI members took into account domestic considerations that are important to the Pacific. Specifically, Fiji reports on Access indicators and to some extent Usage and Quality indicators as well. The recent National Demand-Side Survey will enable Fiji to measure all financial inclusion indicators.

Winning the Maya Award

Fiji was one of the first 17 countries that made a commitment to the Maya Declaration. In 2013, the RBF won the Inaugural Maya Declaration Award for its success in setting clear and measureable targets, concerted efforts in measuring progress, and regular reporting on progress since the declaration. Other nominees for this award included Bangko Sentral ng Pilipinas (Central Bank of Philippines) and the Central Bank of Nigeria.

Box 3: Bid for the AFI GPF

In 2012, the RBF explored the idea of hosting the annual AFI GPF, which would provide the opportunity to showcase Fiji's achievements in financial inclusion and importantly raise greater awareness for the scope and benefits of financial inclusion to the people of Fiji.

In 2014, Fiji was given the opportunity to bid for the GPF

following its successful hosting of two back-to-back AFI WG meetings in Nadi. Positive feedback from participants and the effective leadership role by the RBF was widely recognised, thus encouraging the Bank to make a formal bid to host the premium financial inclusion forum. In early 2015, a formal bid was submitted to the AFI for consideration.

Box 4: Award of Bid at Maputo and 2016 Preparations for AFI GPF

At the 2015 AFI GPF in Maputo, Mozambique, the Banco de Mozambique Governor Gove announced that Fiji would be the host country for the 2016 AFI GPF. This event will be held in Denarau, Nadi from 7-9 September 2016 and will involve a close collaboration between the RBF and the PIRI members to showcase financial inclusion initiatives in the region. Hosting the 2016 GPF will also enable Fiji to exhibit its success in financial inclusion and allow stakeholders to converge in Fiji

during the duration of the forum.

Participants at the Forum are expected to come from the 127 AFI member institutions, mainly central banks and ministries of finance from 97 countries around the world. Fiji is expected to welcome over 500 senior financial inclusion policymakers and regulators, along with leaders from international organisations.



The Year Ahead

The Reserve Bank will continue to focus on fulfilling its core responsibilities in 2016. Listed below are priority areas where special effort will be focused.

Strategic Direction and Alliances

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

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

Legislations

The review of the Reserve Bank Act (1983) and the RBF (Amendment) Decree 2009 will continue in 2016. Further evaluation will continue to ensure the proposed legislation is in line with international best practices.

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

Consultation on the draft Pension Savings Bill will commence in 2016.

Work on the framework for the legislation on the Secured Transactions Bill, National Switch Fiji Interchange Network (Payments) Bill and Credit Union Act will be ongoing in 2016.

Monetary Policy

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

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

Enhanced Supervision

Our regulation and supervision practices will be further strengthened in 2016 with planned reviews and development of supervisory policies for the supervised industries and increased micro and macroprudential supervision. In addition, liaison will continue with the Registrar of Companies in 2016 regarding the additional responsibilities for the RBF under the Companies Act 2015. Under Section 13(1) of the Companies Act 2015,

the Bank is responsible for the administration of takeovers; regulation of securities exchanges & central depository; regulation of securities and industry licences; transactions involving listed securities; capital raising; debentures; managed investment schemes, insider trading; offences and investigations and information gathering. Internally, the Bank will develop processes to address the requirements of the Act. The Board of Directors will undertake training on their role under the Act. Capacity building on the new skills required to take on these additional responsibilities will also be put in place.

Developments in the Financial System

The Reserve Bank will continue to work with Government and the relevant stakeholders in building an internationally reputable financial system.

In this regard, the long-term policy framework of FSDP, which is a part of Fiji's National Development Plan, will be submitted to Cabinet for approval and this is expected to be officially launched in the year.

The Reserve Bank will host the premium financial inclusion annual AFI GPF in the second week of September in Denarau, Nadi. The GPF provides an opportunity to showcase Fiji's achievements and financial inclusion initiatives including the newly launched National Financial Inclusion Strategy for 2016-2020.

This national policy sets out the agreed targets and roadmap for collaboration and monitoring of financial inclusion amongst key stakeholders.

Corporate Services Enhancements

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

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

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

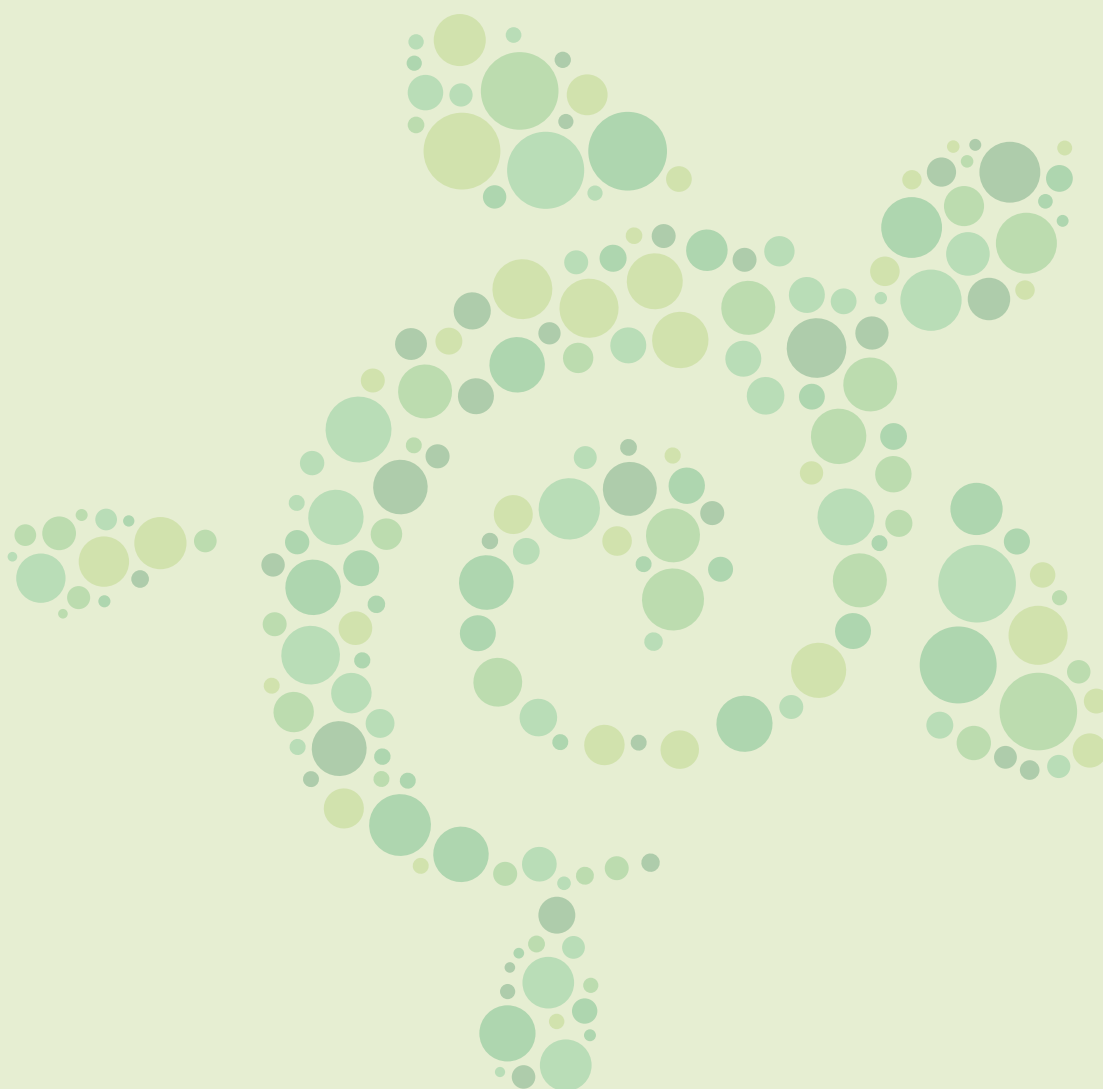


Financial Statements

For the year ended 31 December 2015

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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 December 2015 and the auditor's report thereon.

Directors

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

Barry Whiteside (Chairman and Governor)

Filimone Waqabaca (Ex-officio member up to 31 December 2015)

Makereta Konrote (Ex-officio member from 15 January 2016)

Deo Saran (up to 10 February 2015)

Pradeep Patel

Tevita Kuruvakadua

Abdul Khan (appointed on 3 March 2015)

Tony Whitton (appointed on 3 March 2015)

State of affairs

In the opinion of the Directors:

- there were no significant changes in the state of affairs of the Bank during the financial year under review not otherwise disclosed in this report or the financial statements;
- the accompanying statement of financial position gives a true and fair view of the state of affairs of the Bank as at 31 December 2015 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 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.

Trading results

The net profit of the Bank for the year ended 31 December 2015 was \$27.9m (2014: \$28.5m).

Reserves

There was no transfer to the General reserves from net profit at year end as agreed by the Board of Directors, in accordance with Section 8(1)(c) of the Reserve Bank of Fiji Act, 1983.

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 December 2015, the value of the External reserves was 92% (2014: 92%) of total Demand liabilities.

Directors' report

Payable to the Fijian Government

In accordance with the RBF Act (1983), the following amounts totalling \$32.2m (2014: \$35.2m) are payable to the Fijian Government:

Section 8(3): Net profit after transfer to General reserves - \$27.9m (2014: \$28.5m)

Section 34: One-fifth balance of Revaluation reserve account - foreign currency - \$4.3m (2014: \$6.7m)

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 year apart 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 year, received or become entitled to receive a benefit by reason of contract made by the Bank with the Director or with a firm of which the Director is a member, or with a company in which the Director has substantial financial interest.

Significant events

Capital markets and security industry

On 22 May 2015, the Companies Act 2015 was passed in Parliament. The legislation which is effective from 1 January 2016 repeals the Capital Markets Decree 2009 and mandates the regulatory and administration function of the capital markets and security industry including mergers and acquisitions to the Reserve Bank of Fiji.

Reserve Bank external facade renovation works

On 22 July 2016, the Bank completed the major renovation works to the external façade of its Pratt Street building. This was the first major external renovation project since the construction of the building 31 years ago in 1984, with a total cost of \$6.9m. On 22 October 2016, an independent valuation was carried out by Fairview Valuations on the Bank's Pratt Street building, Domodomo residence and the Bank's business resumption site. Based on the independent valuation, a revaluation increment of \$10.7m was recognised in the financial statement as at 31 December 2015.

Events subsequent to balance date

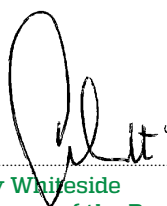
There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Bank, to affect significantly the operations of the Bank, the results of those operations,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

Other circumstances

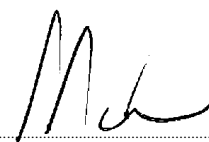
At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which render amounts stated in the financial statements misleading.

Dated at Suva this 29th of February 2016.

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



Barry Whiteside
Chairman of the Board and Governor



Pradeep Patel
Director

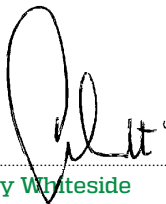
Statement by Directors

In the opinion of the Directors:

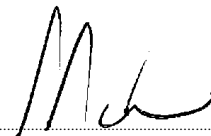
- (a) the accompanying statement of comprehensive income is drawn up so as to give a true and fair view of the results of the Bank for the year ended 31 December 2015;
- (b) the accompanying statement of changes in equity is drawn up so as to give a true and fair view of the changes in equity of the Bank for the year ended 31 December 2015;
- (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 December 2015;
- (d) the accompanying statement of cash flows is drawn up so as to give a true and fair view of the cash flows of the Bank for the year ended 31 December 2015;
- (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 \$22.8m, a decrease of \$5.1m being the currency translation loss for the year.

For and on behalf of the Board of Directors by authority of a resolution of the Directors this 29th of February 2016.



Barry Whiteside
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 Financial Statements

We have audited the accompanying financial statements of the Reserve Bank of Fiji (the 'Bank'). The financial statements comprise the statement of financial position of the Bank as at 31 December 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' and Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors and management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements of the Reserve Bank of Fiji, which comprise the statement of financial position of the Bank as at 31 December 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes, 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.

Emphasis of Matter

We draw attention to Note 2(a) to the financial statements which refer 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.

Restriction on Distribution or Use

This report is made solely to the Board of Directors of the Bank. Our audit work has been undertaken so that we might state to the Board of Directors those matters we are required to state 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

29 February 2016
SUVA


PricewaterhouseCoopers
Chartered Accountants

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.

Statement of comprehensive income

For the year ended 31 December 2015

	Note	2015 \$000	2014 \$000
Income			
Interest income	4(a)	50,645	48,263
Other revenue	4(b)	5,537	6,484
Total income		56,182	54,747
Expenses			
Interest expense	4(c)	4,168	2,207
Administration expenses	4(d)	17,935	17,624
Amortisation of securities	6	1,387	1,639
Other expenses	4(e)	4,790	4,776
Total expenses		28,280	26,246
Net profit	13	27,902	28,501
Other comprehensive (losses)/income			
Amortisation of available-for-sale reserve		(1,334)	(1,509)
Change in value of available-for-sale assets		(4,347)	973
Asset revaluation reserve movement	18	10,664	-
Currency translation differences		(5,076)	2,263
Total other comprehensive (losses)/income		(93)	1,727
Total comprehensive income		27,809	30,228

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 59 to 84.

Statement of changes in equity

For the year ended 31 December 2014

	Paid-up capital	General reserves	Revaluation reserve account foreign currency	Available for-sale reserve	Asset revaluation reserve	Retained earnings	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 January 2014	2,000	39,050	32,095	14,491	7,990	-	95,626
Total comprehensive income for the year							
Net profit	-	-	-	-	-	28,501	28,501
<u>Other comprehensive (losses)/ income</u>							
Amortisation to profit or loss	-	-	-	(1,509)	-	-	(1,509)
Fair value gains	-	-	-	973	-	-	973
Reclassification (Note 18)	-	-	(867)	-	867	-	-
Net gains arising from currency translation differences	-	-	2,263	-	-	-	2,263
Total other comprehensive (losses)/ income	-	-	1,396	(536)	867	-	1,727
Total comprehensive (losses)/ income for the year	-	-	1,396	(536)	867	28,501	30,228
	2,000	39,050	33,491	13,955	8,857	28,501	125,854
<u>Transactions with owners, recorded directly in equity</u>							
Payable to the Fijian Government (Note 13)	-	-	(6,698)	-	-	(28,501)	(35,199)
Balance at 31 December 2014	2,000	39,050	26,793	13,955	8,857	-	90,655

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 59 to 84.

Statement of changes in equity - continued

For the year ended 31 December 2015

	Paid-up capital	General reserves	Revaluation reserve account foreign currency	Available for sale reserve	Asset revaluation reserve	Retained earnings	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 January 2015	2,000	39,050	26,793	13,955	8,857	-	90,655
Total comprehensive income for the year							
Net profit	-	-	-	-	-	27,902	27,902
<u>Other comprehensive (losses)/income</u>							
Amortisation to profit or loss	-	-	-	(1,334)	-	-	(1,334)
Fair value losses	-	-	-	(4,347)	-	-	(4,347)
Revaluation (Note 18)	-	-	-	-	10,664	-	10,664
Net losses arising from currency translation differences	-	-	(5,076)	-	-	-	(5,076)
Total other comprehensive (losses)/income	-	-	(5,076)	(5,681)	10,664	-	(93)
Total comprehensive (losses)/income for the year	-	-	(5,076)	(5,681)	10,664	27,902	27,809
	2,000	39,050	21,717	8,274	19,521	27,902	118,464
<u>Transactions with owners, recorded directly in equity</u>							
Payable to the Fijian Government (Note 13)	-	-	(4,343)	-	-	(27,902)	(32,245)
Balance at 31 December 2015	2,000	39,050	17,374	8,274	19,521	-	86,219

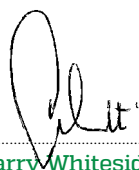
The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 59 to 84.

Statement of financial position

As at 31 December 2015

	Note	2015 \$000	2014 \$000
Foreign currency assets			
Short-term commercial paper and current accounts	5	800,002	773,519
Marketable securities	5	942,080	840,256
Gold	5	1,879	1,998
Accrued interest		10,729	10,051
International Monetary Fund			
- Reserve tranche position	5/19	49,159	47,822
- Special drawing rights	5/19	150,560	147,096
- PRGF - HIPC Trust	19	572	559
- Currency subscription	19	158,067	154,624
Total foreign currency assets		2,113,048	1,975,925
Local currency assets			
Cash on hand	16	2,240	1,496
Domestic securities	6	91,855	96,612
Financing facilities	7	90,807	96,851
Currency inventory	8	16,610	13,635
Other assets	9	19,942	17,029
Intangible assets	10	239	395
Property, plant and equipment	11	36,514	25,031
Total local currency assets		258,207	251,049
Total assets		2,371,255	2,226,974
Foreign currency liabilities			
Demand deposits	12	170	159
IMF - PRGF - HIPC Trust	19	572	559
IMF - Special drawing rights allocation	19	197,777	193,215
Total foreign currency liabilities		198,519	193,933
Local currency liabilities			
Demand deposits	12	493,041	519,463
Payable to the Fijian Government	13	32,245	35,199
Currency in circulation	14	732,649	641,315
Statutory reserve deposits		662,991	583,126
IMF - Notes currency subscription		157,749	154,533
Other liabilities	15	7,842	8,750
Total local currency liabilities		2,086,517	1,942,386
Total liabilities		2,285,036	2,136,319
Net assets		86,219	90,655
Capital and reserves			
Paid-up capital	17	2,000	2,000
General reserves	18	39,050	39,050
Revaluation reserve account - foreign currency	18	17,374	26,793
Available-for-sale reserve	18	8,274	13,955
Asset revaluation reserve	18	19,521	8,857
		86,219	90,655

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



Barry Whiteside
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 59 to 84.

Statement of cash flows

For the year ended 31 December 2015

	Note	Inflow/ (outflow) 2015 \$000	Inflow/ (outflow) 2014 \$000
Operating activities			
Rental lease income		328	284
Numismatic sales		357	1,705
Interest received		56,700	53,546
Other income		3,413	1,443
Interest paid		(4,168)	(2,207)
New currency payments		(9,020)	(6,434)
Administration and other expenses		(19,029)	(17,528)
Net movement of short-term commercial paper		(71,539)	74,522
Net movement in fixed term deposits		59,628	3,908
Net movement in International Monetary Fund accounts		(363)	244
Net movement of domestic securities		3,423	28,954
Net movement in financing facilities		6,044	(19,584)
Net movement in other assets		(21)	(31)
Cash flows from operating activities		25,753	118,822
Investing activities			
Payment for property, plant and equipment and intangibles		(2,140)	(5,408)
Net movement of bonds		(172,427)	(149,767)
Cash flows used in investing activities		(174,567)	(155,175)
Financing activities			
Net movement in demand deposits		(26,422)	(113,603)
Payment to the Fijian Government		(35,199)	(39,873)
Net movement in currency in circulation		91,334	68,490
Net movement in statutory reserve deposits		79,865	86,134
Cash flows from financing activities		109,578	1,148
Net effect of currency translation		(5,076)	2,263
Net decrease in cash		(44,312)	(32,942)
Cash and cash equivalents at the beginning of the financial year		346,068	379,010
Cash and cash equivalents at the end of the financial year	16	301,756	346,068

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 59 to 84.

Notes to and forming part of the financial statements

For the year ended 31 December 2015

1. Principal activities and principal place of operations

The Reserve Bank's role as a central bank, as defined in the Reserve Bank 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

The significant policies, which have been adopted in the preparation of these financial statements, are noted below:

(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 year 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 \$22.8m (2014: \$30.8m), a decrease of \$5.1m (2014: an increase of \$2.3m), being the net loss for the year arising from currency translation differences.

(b) Basis of preparation

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

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

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

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

New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing these financial statements. Those which may be relevant to the Bank are stated below.

Notes to and forming part of the financial statements

For the year ended 31 December 2015

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

(b) Basis of preparation - continued

IFRS 9 Financial Instruments (2013, IFRS 9 Financial Instruments (2010) and IFRS 9 Financial Instruments (2009) (together IFRS 9)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The International Accounting Standards Board (IASB) currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The IASB decided to consider making limited amendments to IFRS 9 to address practice and other issues.

The Bank will assess the appropriateness of all new accounting standards and its applicability to the Bank with a view to adopt it when it is due and where possible and practical, adopt it early.

(c) Foreign currency transaction

Foreign currencies have been translated to Fijian currency at rates of exchange ruling at year 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 needs for liquidity or 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 year 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.

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

In 2011 certain domestic securities classified as Available-for-sale at that time, were reclassified to Held-to-maturity. The fair value gains for these securities that were previously recorded in this reserve is being amortised from the reserve to other revenue over the life of these securities. During the year \$1.33m (2014: \$1.51m) has accordingly been amortised to other revenue.

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

Other financial assets and liabilities

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

Notes to and forming part of the financial statements

For the year ended 31 December 2015

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

(e) Financial assets and liabilities - continued

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 expire.

(f) Gold

Gold is valued at the London Gold Market Fixing Limited market price ruling at year 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 Finance 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.

(i) Currency inventory

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

(j) Loans and advances

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

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

(k) Demand deposits

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

(l) Currency in circulation

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

Notes to and forming part of the financial statements

For the year ended 31 December 2015

2. Statement of significant accounting policies and statutory requirements - continued**(m) Property, plant and equipment***Recognition and measurement*

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

Depreciation

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

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

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

(n) Intangible assets

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

(o) Statutory reserve deposit

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

(p) Impairment

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

(q) Employee entitlements*Short-term benefits*

Short-term employee benefits comprising of 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.

Notes to and forming part of the financial statements

For the year ended 31 December 2015

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

(s) Revenue recognition

Interest income

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

Income from Available-for-sale securities

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

(t) Operating leases

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

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

(u) Comparative figures

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

(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 year are discussed in the following paragraphs.

Impairment of property, plant and equipment

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

Impairment of financial assets

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

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

		2015	2014
		\$000	\$000
4.	Revenue and expenses		
(a)	Interest income		
	Overseas investments	40,361	36,562
	International Monetary Fund	93	188
	Domestic securities	9,107	10,608
	Loans and advances	1,084	905
		50,645	48,263
(b)	Other revenue		
	Rent received	328	284
	Numismatic sales	516	1,770
	License and application fees	155	316
	Foreign currency trading gains	2,432	2,370
	Amortisation of available-for-sale reserve	1,334	1,509
	Other miscellaneous income	772	235
		5,537	6,484
(c)	Interest expense		
	International Monetary Fund	103	199
	Other	4,065	2,008
		4,168	2,207
(d)	Administration expenses		
	Staff costs	13,133	12,061
	Other costs	4,802	5,563
		17,935	17,624
	Total number of employees at year end	214	213
(e)	Other expenses	2015 \$000	2014 \$000
	Depreciation	1,419	1,490
	Amortisation of intangible assets	180	226
	Auditor's remuneration		
	- Audit fees	41	56
	- Accounting services	-	-
	- Other services	-	-
	Board remuneration	35	41
	Currency issue	2,956	2,898
	Numismatic	159	65
		4,790	4,776

Notes to and forming part of the financial statements

For the year ended 31 December 2015

5. External reserves

Short-term commercial paper
Current accounts

Marketable securities

- Fixed term deposits
- Bonds

Gold

International Monetary Fund

- Reserve tranche position
- Special drawing rights

Total External reserves

2015 \$000	2014 \$000
677,134	662,415
122,868	111,104
800,002	773,519
390,458	450,086
551,622	390,170
942,080	840,256
1,879	1,998
49,159	47,822
150,560	147,096
199,719	194,918
1,943,680	1,810,691

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 December 2015, the value of the External reserves was 92% (2014: 92%) of total Demand liabilities.

6. Domestic securities

Domestic securities principally comprises investment in the Fijian Government bonds.

During the year, \$1.39m (2014: \$1.64m) was amortised in respect of securities held in the Domestic Bond Portfolio. Of this, \$1.33m (2014: \$1.51m) relates to securities which in 2011 were reclassified from Available-for-sale to Held-to-maturity.

Movement of Held-to-maturity financial assets

Opening balance at 1 January
Acquisitions
Redemptions
Amortisation
Closing balance at 31 December

2015 \$000	2014 \$000
96,612	125,566
652	305
(4,022)	(27,620)
(1,387)	(1,639)
91,855	96,612

Notes to and forming part of the financial statements

For the year ended 31 December 2015

7. Financing facilities

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

2015 \$000	2014 \$000
51,503	57,257
14,304	14,594
25,000	25,000
90,807	96,851

These financing facilities have varying maturities up to 5 years.

8. Currency inventory*Movement of currency inventory*

Opening balance at 1 January
 Consignments received
 Currency issued
 Closing balance at 31 December

2015 \$000	2014 \$000
13,635	11,772
5,931	4,761
(2,956)	(2,898)
16,610	13,635

9. Other assets

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

2015 \$000	2014 \$000
2,361	2,379
15,568	12,479
824	811
1,217	1,403
-	(2)
(28)	(41)
19,942	17,029

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

10. Intangible assets*Cost*

Balance at 1 January
 Acquisitions
 Disposals
 Transfers from work in progress
 Balance at 31 December

2015 \$000	2014 \$000
4,652	4,640
24	-
(830)	-
-	12
3,846	4,652

Accumulated amortisation

Balance at 1 January
 Amortisation charge for the year
 Disposal
 Balance at 31 December

4,257	4,032
180	225
(830)	-
3,607	4,257

Carrying amount

At 1 January
 At 31 December

395	608
239	395

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.

Notes to and forming part of the financial statements

For the year ended 31 December 2015

11. Property, plant and equipment

	Freehold land and build- ings	Building Improve- ments	Motor vehicles	Comput- ers and equip- ment	Plant & machinery, equipment & furniture & fittings	Work in pro- gress	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost/Valuation							
Balance at 1 January 2014	21,345	4,336	343	2,282	4,750	893	33,949
Additions	-	26	138	186	-	5,058	5,408
Transfers	91	19	-	62	96	(280)	(12)
Revaluations	-	-	-	-	-	-	-
Disposals	-	(1)	(35)	(127)	(46)	(27)	(236)
Balance at 31 December 2014	21,436	4,380	446	2,403	4,800	5,644	39,109
Balance at 1 January 2015	21,436	4,380	446	2,403	4,800	5,644	39,109
Additions	-	58	-	272	-	1,786	2,116
Transfers	11,794	(1,684)	-	73	(3,161)	(7,022)	-
Revaluations	1,870	-	-	-	-	-	1,870
Disposals	-	(1,644)	-	(796)	-	(40)	(2,480)
Balance at 31 December 2015	35,100	1,110	446	1,952	1,639	368	40,615
Accumulated depreciation							
Balance at 1 January 2014	3,438	3,243	212	1,826	4,073	-	12,792
Depreciation for the year	716	304	51	240	180	-	1,491
Depreciation on disposals	-	(1)	(31)	(127)	(46)	-	(205)
Balance at 31 December 2014	4,154	3,546	232	1,939	4,207	-	14,078
Balance at 1 January 2015	4,154	3,546	232	1,939	4,207	-	14,078
Depreciation for the year	1,021	78	58	256	6	-	1,419
Transfers	3,799	(1,213)	-	-	(2,586)	-	-
Reversal of depreciation upon revaluation	(8,970)	-	-	-	-	-	(8,970)
Depreciation on disposals	-	(1,642)	-	(784)	-	-	(2,426)
Balance at 31 December 2015	4	769	290	1,411	1,627	-	4,101
Carrying amount							
Balance at 1 January 2014	17,907	1,093	131	456	677	893	21,157
Balance at 31 December 2014	17,282	834	214	464	593	5,644	25,031
Balance at 31 December 2015	35,096	341	156	541	12	368	36,514

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

Notes to and forming part of the financial statements

For the year ended 31 December 2015

12. Demand deposits

Foreign

International Monetary Fund

Local

Banks' exchange settlement balances

Fijian Government

State NBF Trust account

International Monetary Fund

Other depositors

2015 \$000	2014 \$000
170	159
488,377	514,178
2,312	2,556
1,620	1,630
318	91
414	1,008
493,041	519,463

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

Net profit

One-fifth balance of 'Revaluation reserve account - foreign currency'

2015 \$000	2014 \$000
27,902	28,501
4,343	6,698
32,245	35,199

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

14. Currency in circulation

Notes

Coins

2015 \$000	2014 \$000
681,574	593,213
51,075	48,102
732,649	641,315

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.

Notes to and forming part of the financial statements

For the year ended 31 December 2015

15. Other liabilities

Employee entitlements
SME Credit Guarantee Scheme
Accruals
Other liabilities

2015 \$000	2014 \$000
1,354	1,109
3,962	3,972
900	1,058
1,626	2,611
7,842	8,750
<i>Movements in employee entitlements:</i>	
Balance at 1 January	1,109
Net movement during the year	245
Balance at 31 December	1,354

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

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

Cash on hand - local currency
Cash - foreign currency

2015 \$000	2014 \$000
2,240	1,496
299,516	344,572
301,756	346,068

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

17. Share capital

Authorised capital

Issued and paid-up capital

2015 \$000	2014 \$000
5,000	5,000
2,000	2,000

The authorised capital established under the (RBF 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 Finance. 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 Finance.

Notes to and forming part of the financial statements

For the year ended 31 December 2015

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 Finance and the Board of Directors, in accordance with Section 8(1)(c) of the RBF Act, (1983).

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 year \$1.33m (2014: \$1.51m) has been accordingly amortised to other revenue.

Revaluation reserve account - foreign currency

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

Asset revaluation reserve

This reserve records movements between the carrying value and the fair values of the Bank's property and gold holdings. The Bank's freehold land and buildings was revalued during the year (refer to Note 11). As at 31 December 2014, the valuation movements of the Bank's gold holdings were reclassified from the revaluation reserve account - foreign currency into the asset revaluation reserve. The asset revaluation reserve comprises the following:

Asset revaluation reserve*Property*

Opening balance

Revaluation

At 31 December

Gold

Opening balance

Revaluation/reclassification

At 31 December

Total asset revaluation reserve

Opening balance

Net movement

At 31 December

2015 \$000	2014 \$000
7,990	7,990
10,840	-
18,830	7,990
867	-
(176)	867
691	867
8,857	7,990
10,664	867
19,521	8,857

Notes to and forming part of the financial statements

For the year ended 31 December 2015

18. Reserves - continued

Management of capital and reserves

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

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

During the year, the Bank determined in its assessment that the current level of equity is adequate and there will be no transfer of profit to the General reserves.

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 December 2015, the Republic of Fiji's membership subscription to the International Monetary Fund was \$207.3m (2014: \$202.4m). Of this amount \$49.2m (2014: \$47.8m) 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 \$158.1m (2014: \$154.6m) 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 \$150.6m (2014: \$147.1m) 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 \$197.8m (2014: \$193.2m) 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.

Notes to and forming part of the financial statements

For the year ended 31 December 2015

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.

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 December 2015, the value of External reserves was 92% (2014: 92%) of the total Demand liabilities.

Notes to and forming part of the financial statements

For the year ended 31 December 2015

20. Financial risk management policies - continued**b) Liquidity risk - continued****Maturity analysis as at 31 December 2015**

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

	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	299,516	500,486	-	-	-	800,002
Marketable securities	276,526	310,212	355,342	-	-	942,080
Gold	1,879	-	-	-	-	1,879
Accrued interest	10,729	-	-	-	-	10,729
IMF - Reserve tranche position	49,159	-	-	-	-	49,159
- Special drawing rights	150,560	-	-	-	-	150,560
- PRGF - HIPC Trust	-	-	572	-	-	572
- Currency subscription	158,067	-	-	-	-	158,067
	946,436	810,698	355,914	-	-	2,113,048
Local currency assets						
Cash on hand	2,240	-	-	-	-	2,240
Domestic securities	-	3,932	26,408	61,515	-	91,855
Financing facilities	1,610	3,278	85,919	-	-	90,807
Currency inventory	16,610	-	-	-	-	16,610
Other assets	19,942	-	-	-	-	19,942
Intangibles	-	-	-	-	239	239
Property, plant and equipment	-	-	-	-	36,514	36,514
	40,402	7,210	112,327	61,515	36,753	258,207
Total assets	986,838	817,908	468,241	61,515	36,753	2,371,255
Foreign currency liabilities						
Demand deposits	170	-	-	-	-	170
IMF - PRGF - HIPC Trust	-	-	572	-	-	572
IMF - Special drawing rights Allocation	-	-	-	-	197,777	197,777
	170	-	572	-	197,777	198,519
Local currency liabilities						
Demand deposits	493,041	-	-	-	-	493,041
Payable to the Fijian Government	32,245	-	-	-	-	32,245
Currency in circulation	-	-	-	-	732,649	732,649
Statutory reserve deposit	-	-	-	-	662,991	662,991
IMF - Notes currency subscription	-	-	-	-	157,749	157,749
Other liabilities	3,880	3,962	-	-	-	7,842
	529,166	3,962	-	-	1,553,389	2,086,517
Total liabilities	529,336	3,962	572	-	1,751,166	2,285,036
Net assets	457,502	813,946	467,669	61,515	(1,714,413)	86,219

Notes to and forming part of the financial statements

For the year ended 31 December 2015

20. Financial risk management policies - continued**b) Liquidity risk - continued****Maturity analysis as at 31 December 2014**

The maturity analysis noted below includes all financial and non-financial assets and liabilities as at 31 December 2014.

	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	344,572	428,947	-	-	-	773,519
Marketable securities	181,194	426,968	232,094	-	-	840,256
Gold	1,998	-	-	-	-	1,998
Accrued interest	10,051	-	-	-	-	10,051
IMF - Reserve tranche position	47,822	-	-	-	-	47,822
- Special drawing rights	147,096	-	-	-	-	147,096
- PRGF - HIPC Trust	-	-	559	-	-	559
- Currency subscription	154,624	-	-	-	-	154,624
	887,357	855,915	232,653	-	-	1,975,925
Local currency assets						
Cash on hand	1,496	-	-	-	-	1,496
Domestic securities	-	4,049	30,678	61,885	-	96,612
Financing facilities	86	2,200	94,565	-	-	96,851
Currency inventory	13,635	-	-	-	-	13,635
Other assets	17,029	-	-	-	-	17,029
Intangibles	-	-	-	-	395	395
Property, plant and equipment	-	-	-	-	25,031	25,031
	32,246	6,249	125,243	61,885	25,426	251,049
Total assets	919,603	862,164	357,896	61,885	25,426	2,226,974
Foreign currency liabilities						
Demand deposits	159	-	-	-	-	159
IMF - PRGF - HIPC Trust	-	-	559	-	-	559
IMF - Special drawing rights Allocation	-	-	-	-	193,215	193,215
	159	-	559	-	193,215	193,933
Local currency liabilities						
Demand deposits	519,463	-	-	-	-	519,463
Payable to the Fijian Government	35,199	-	-	-	-	35,199
Currency in circulation	-	-	-	-	641,315	641,315
Statutory reserve deposit	-	-	-	-	583,126	583,126
IMF - Notes currency subscription	-	-	-	-	154,533	154,533
Other liabilities	4,778	3,972	-	-	-	8,750
	559,440	3,972	-	-	1,378,974	1,942,386
Total liabilities	559,599	3,972	559	-	1,572,189	2,136,319
Net assets	360,004	858,192	357,337	61,885	(1,546,763)	90,655

Notes to and forming part of the financial statements

For the year ended 31 December 2015

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:

	2015 \$000	2014 \$000
Foreign currency assets		
Short-term commercial paper and current accounts	800,002	773,519
Marketable securities	942,080	840,256
International Monetary Fund	358,358	350,101
	2,100,440	1,963,876
Local currency assets		
Domestic securities	91,855	96,612
Staff loans and advances	1,217	1,403
	93,072	98,015
	2,193,512	2,061,891

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

	2015		2014	
	\$000	%	\$000	%
Concentration by currency				
USD	697,310	32	660,202	32
YEN	47,132	2	39,430	2
GBP	108	-	4	-
EURO	113,015	5	90,472	4
AUD	545,929	25	517,777	25
NZD	338,588	16	305,890	15
SDR	358,358	16	350,101	17
FJD	93,072	4	98,015	5
Total financial assets	2,193,512	100	2,061,891	100

Notes to and forming part of the financial statements

For the year ended 31 December 2015

20. Financial risk management policies - continued

c) Credit risk - continued

	2015		2014	
	\$000	%	\$000	%
Concentration by sector				
Foreign currency assets				
Central banks	93,875	4	70,765	4
Commercial banks	1,087,583	52	1,149,028	58
Government	332,383	16	190,501	10
Semi Government	31,436	2	74,492	4
Supranational	169,740	8	116,202	6
International Monetary Fund	358,358	17	350,101	17
Others	27,065	1	12,787	1
	2,100,440	100	1,963,876	100
Local currency assets				
Government and statutory bodies	91,855	99	96,612	99
Staff loans and advances	1,217	1	1,403	1
	93,072	100	98,015	100
Total financial assets	2,193,512		2,061,891	

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:

	2015		2014	
	\$000	%	\$000	%
Concentration by sector				
<i>Foreign currency financial asset by major credit category:</i>				
Aaa	375,716	18	234,266	12
Aa1	108	-	14,917	1
Aa2	27,060	1	20,616	1
Aa3	708,177	34	704,819	36
A1	21,381	1	200,955	10
A2	74,456	4	231,818	12
International Monetary Fund	358,358	17	350,101	17
Central Banks	93,771	4	70,762	4
Others and Not rated	441,413	21	135,622	7
	2,100,440	100	1,963,876	100
<i>Local currency financial asset by major credit category:</i>				
Others	93,072	100	98,015	100
Total financial assets	2,193,512	100	2,061,891	100

Notes to and forming part of the financial statements

For the year ended 31 December 2015

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 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 December 2015

	USD \$000	YEN \$000	GBP \$000	EURO \$000	AUD \$000	NZD \$000	SDR \$000
Foreign currency assets							
Short-term commercial paper and current account	157,296	2,521,585	34	48,675	137,628	65,061	-
Marketable securities	170,510	150,335	-	-	214,824	167,752	-
Gold	883	-	-	-	-	-	-
Accrued interest	1,379	65	-	-	2,512	2,671	5
International Monetary Fund							
- Reserve tranche position	-	-	-	-	-	-	16,677
- Special drawing rights	-	-	-	-	-	-	51,076
- PRGF - HIPC Trust	-	-	-	-	-	-	194
- Currency subscription	-	-	-	-	-	-	53,623
Total foreign currency assets	330,068	2,671,985	34	48,675	354,964	235,484	121,575
Foreign currency liabilities							
Demand deposits	-	-	-	-	-	-	(58)
IMF - PRGF - HIPC Trust	-	-	-	-	-	-	(67,094)
IMF - Special drawing rights Allocation	-	-	-	-	-	-	(194)
Total foreign currency liabilities	-	-	-	-	-	-	(67,346)
Carrying amount	330,068	2,671,985	34	48,675	354,964	235,484	54,229

Notes to and forming part of the financial statements

For the year ended 31 December 2015

20. Financial risk management policies - continued

d) Market risks - continued

Notional carrying amounts as at 31 December 2014

	USD \$000	YEN \$000	GBP \$000	EURO \$000	AUD \$000	NZD \$000	SDR \$000
Foreign currency assets							
Short-term commercial paper and current account	198,272	1,519,738	1	28,419	136,938	40,173	-
Marketable securities	33,876	850,000	-	9,001	181,184	156,330	-
Gold	1,005	-	-	-	-	-	-
Accrued interest	1,306	464	-	2	2,225	2,445	-
International Monetary Fund							
- Reserve tranche position	-	-	-	-	-	-	16,606
- Special drawing rights	-	-	-	-	-	-	51,079
- PRGF - HIPC Trust	-	-	-	-	-	-	194
- Currency subscription	-	-	-	-	-	-	53,693
Total foreign currency assets	234,459	2,370,202	1	37,422	320,347	198,948	121,572
Foreign currency liabilities							
Demand deposits	-	-	-	-	-	-	(55)
IMF - PRGF - HIPC Trust	-	-	-	-	-	-	(194)
IMF - Special drawing rights Allocation	-	-	-	-	-	-	(67,094)
Total foreign currency liabilities	-	-	-	-	-	-	(67,343)
Carrying amount	234,459	2,370,202	1	37,422	320,347	198,948	54,229

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

Reporting date spot rate

	2015	2014
USD	0.4701	0.5031
YEN	56.69	60.10
GBP	0.3710	0.3231
EURO	0.4307	0.4136
AUD	0.6456	0.6144
NZD	0.6876	0.6424
SDR	0.3392	0.3473

Notes to and forming part of the financial statements

For the year ended 31 December 2015

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 December would have the following impact on equity as shown below.

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

31 December	Strengthening by 10%		Weakening by 10%	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
USD	(63,829)	(60,436)	78,013	73,866
YEN	(4,285)	(3,585)	5,237	4,382
GBP	(10)	-	12	-
EURO	(10,274)	(8,225)	12,557	10,053
AUD	(49,983)	(47,400)	61,091	57,933
NZD	(31,134)	(28,154)	38,052	34,411
SDR	(14,533)	(14,197)	17,762	17,352
	(174,048)	(161,997)	212,724	197,997

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.

Notes to and forming part of the financial statements

For the year ended 31 December 2015

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 \$112.9m (2014: \$121.5m), based on quoted market prices.

Statutory reserve deposits

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

Demand deposits

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

Currency in circulation

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

Other financial assets and liabilities

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

Valuation of financial instruments

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

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

Notes to and forming part of the financial statements

For the year ended 31 December 2015

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 December 2015				
<i>Foreign currency assets</i>				
Available-for-sale financial assets at quoted market price	446,979	-	-	446,979
Fijian Government bonds	-	104,643	-	104,643
	446,979	104,643	-	551,622
31 December 2014				
<i>Foreign currency assets</i>				
Available-for-sale financial assets at quoted market price	307,789	-	-	307,789
Fijian Government bonds	-	82,381	-	82,381
	307,789	82,381	-	390,170

During the financial period ended 31 December 2015, there were no transfers in and out of the fair value hierarchy levels mentioned above.

Sensitivity analysis

A 10.0 percent strengthening of the quoted market prices against the above foreign available-for-sale financial assets at 31 December would have increased equity by the amounts shown below. A 10.0 percent weakening of market prices at 31 December would have had the equal but opposite effect.

Effect on equity

	2015 \$000	2014 \$000
USD	22,007	16,073
EURO	-	-
AUD	27,565	21,961
NZD	5,590	783
	55,162	38,817

Notes to and forming part of the financial statements

For the year ended 31 December 2015

22. Related parties***Identity of related parties***

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

Barry Whiteside (Chairman and Governor)

Filimone Waqabaca (Ex-officio member up to 31 December 2015)

Makereta Konrote (Ex-officio member from 15 January 2016)

Deo Saran (up to 10 February 2015)

Pradeep Patel

Tevita Kuruvakadua

Abdul Khan (appointed on 3 March 2015)

Tony Whitton (appointed on 3 March 2015)

Filimone Waqabaca who was during the year on secondment without remuneration to the Fijian Government, was appointed as Permanent Secretary for Finance on 7 February 2011. Filimone Waqabaca has a related party relationship with Caroline Waqabaca (Chief Manager Economics) through marriage.

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

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

Notes to and forming part of the financial statements

For the year ended 31 December 2015

21. Related parties - continued***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 \$16.5m (2014: \$17.6m) of interest income relating to their investments in Government securities including foreign currency denominated bonds. The Bank is also obligated to pay \$32.2m (2014: \$35.2m) 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 December 2015 of \$4.09m (2014: \$4.43m). The balance of the Bank's investment in Government securities including foreign currency denominated bonds at year end amounted to \$196.5m (2014: \$179.0m).

The Bank also provides an overnight standby facility to the Fijian Government. At year end, the approved facility of \$20m (2014: \$20m) was not utilised.

During the year, the Bank received \$0.1m (2014: \$0.1m) of rental income from NBF AMB.

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

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

	2015 \$000	2014 \$000
Board remuneration expenses	35	41
Key management personnel:		
- Short-term employee benefits	1,630	1,865
- Long-term employee benefits	487	256
	2,152	2,162

23. Commitments

Commitments not otherwise provided for in the financial statements and which existed at 31 December 2015 comprise:

	2015 \$000	2014 \$000
Foreign exchange transactions:		
- Sales	1,553	5,253
- Purchases	11,851	12,959
Capital commitments		
- Reserve bank building façade	-	1,400
- Other assets	23	17

During the year, the Bank completed the major renovation works to the external façade of its Pratt Street building.

Notes to and forming part of the financial statements

For the year ended 31 December 2015

24. Lease receivable

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

	2015 \$000	2014 \$000
Receivable not later than one year	435	264
Receivable later than one year but not later than five years	1,118	14
	1,553	278

25. Events subsequent to balance date

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



Selected Events in 2015

8 Jan.	Press Release - "be Money Wi\$e" Essay Competition	9 Jul.	Sun Insurance Building
29 Jan.	Ordinary Board Meeting	10 Jul.	2014 FIU Annual Report Tabled in Parliament
29 Jan.	Press Release - Monetary Policy Stance Remains Unchanged	10 Jul.	Complaints Management Forum
30 Jan.	January 2015 Economic Review Issued	15 Jul.	Deputy Governor presented on Macroeconomic Policy at the 2015 Pacific Update held at ICT Centre, USP
10 Feb.	Press Release - Assessment of Fiji's Money Laundering and Terrorist Financing Risk	21-25 Jul.	RBF Nasinu Financial Inclusion Exposition
10 Feb.	National Anti-Money Laundering Quarter 1 Council Meeting	24 Jul.	Press Release - Financial Intelligence Unit Releases 2014 Annual Report
11 Feb.	Board Governance Committee Meeting	27 Jul.	National Finance Inclusion Taskforce Committee Quarter 2 Meeting
23 Feb.	Board Audit and Risk Committee Meeting	27 Jul.	Launch of NFIT Website
24 Feb.	Ordinary Board Meeting	27 Jul.	Press Release - VISA and Reserve Bank of Fiji Teach Financial Skills with New Partnership
24 Feb.	Press Release - Monetary Policy Stance Remains Unchanged	28 Jul.	Press Release - Fijian Officials Attend APG Meeting
24 Feb.	Press Release - Reserve Bank of Fiji Announces Support for the Amnesty on Declaration of Offshore Asset	30 Jul.	Ordinary Board Meeting
24 Feb.	Press Release - Reserve Bank of Fiji releases 2013 Insurance Annual Report	30 Jul.	Press Release - Monetary Policy Stance Remains Unchanged
25 Feb.	February 2015 Economic Review Issued	30 Jul.	RBF Facebook Page Activated
27 Feb.	Press Release - Reserve Bank of Fiji Encourages Student to Save and Invest	31 Jul.	July 2015 Economic Review Issued
27 Feb.	Governor attended 2nd MSG Finance Ministers and Governors of Central Bank High Level Consultation held at Port Vila, Vanuatu	4 Aug.	Capital Market Development Taskforce Committee Quarter 2 Meeting
3 Mar.	December 2014 Quarterly Review Issued	5 Aug.	Press Release - Fiji Completes National Risk Assessment on Money Laundering and Terrorist Financing
4 Mar.	Governor's Presentation to the Parliamentary Standing Committee on Economic Affairs	11 Aug.	National Finance Inclusion Taskforce Committee Quarter 2 Meeting
4 Mar.	Press Release - Reserve Bank of Fiji Issues New Credit Institution Licence	12 Aug.	June 2015 Quarterly Review Issued
6 Mar.	Press Release - Reserve Bank Issues Caution on Investment Company	14 Aug.	Hibiscus Festival Week - Financial Inclusion Village Exposition
11 Mar.	Board Audit and Risk Committee Meeting	15-22 Aug.	2014 Insurance Annual Report Tabled in Parliament
12-13 Mar.	Governor attended PFTAC Steering Committee Meeting held at Rarotonga, Cook Islands	18 Aug.	37th Meeting of SEACEN Directors of Research and Training and Directors of Research and Directors of Training High -level Seminar held at Nadi
20 Mar.	Press Release - Reserve Bank Awards 3 Top Essays in "be Money Wi\$e" Essay Competition to mark Global Money Week	20-22 Aug.	Press Release - Reserve Bank of Fiji Releases 2014 Insurance Annual Report
23 Mar.	Board Audit and Risk Committee Meeting	26 Aug.	Ordinary Board Meeting
24 Mar.	Board Governance Committee Meeting	27 Aug.	Press Release - Monetary Policy Stance Remains Unchanged
24 Mar.	Capital Markets Development Taskforce Quarter 1 Meeting	27 Aug.	August 2015 Economic Review Issued
25 Mar.	Ordinary Board Meeting	28 Aug.	Press Release - Reserve Bank of Fiji Hosted SEACEN Directors of Research and Training Meeting
26 Mar.	LMCC Quarter 1 Meeting	1-4 Sept.	Deputy Governor attended the 2015 AFI Global Policy Forum held at Maputo, Mozambique, South-East Africa
27 Mar.	Press Release - Monetary Policy Stance Remains Unchanged	8 Sept.	Press Release - Measuring Financial Inclusion-Global Findex Update
30 Mar.	National Finance Inclusion Taskforce Committee Quarter 1 Meeting	9-11 Sept.	RBF participated in the Agriculture Show Central Division, Nausori
31 Mar.	Deputy Governor presented on the Fijian Economy at the Fiji Law Society Continuing Legal Education Seminar held in Suva	17 Sept.	Board Governance Committee Meeting
31 Mar.	2014 RBF Accounts and Annual Report Submitted to the Minister for Finance	17 Sept.	Board Audit and Risk Committee Meeting
1 Apr.	Press Release - RBF Transfers \$35.2 Million to Fijian Government	17 Sept.	National Finance Inclusion Taskforce Committee Quarter 3 Meeting
1 Apr.	RBF presented Submission to the Standing Committee on Justice, Law and Human Rights on Companies Bill	17 Sept.	Press Release - Launch of Fiji's Demand-Side Survey Report
2 Apr.	March 2015 Economic Review Issued	17 Sept.	June 2015 Quarterly Review Issued
9 Apr.	Deputy Governor presented on the Fijian Economy to the Rotary Club of Suva held at Grand Pacific Hotel	22-24 Sept.	Board Industry Visit to the West
10 Apr.	Press Release - Economic Growth for 2014 and 2015 Stronger than Earlier Forecast	26 Sept.	Deputy Governor presented on the Fijian Economy to the 2015 National Budget Forum held at Grand Pacific Hotel, Suva
20 Apr.	Deputy Governor presented on the Fijian Economy to the Fiji Business Mission held at Tanoa Plaza	29 Sept.	Capital Markets Development Taskforce Quarter 3 Meeting
29 Apr.	Governor presented on the Fijian Economy at the Workshop for Government Agencies on the Sugarcane Industry Strategic Action Plan 2013-2017 held at the Public Service Commission, Nasese	30 Sept.	September 2015 Economic Review Issued
30 Apr.	Ordinary Board Meeting	1-4 Oct.	Deputy Governor attended SEACEN EXCO Meeting, held at Papua New Guinea
30 Apr.	Press Release - Monetary Policy Stance Remains Unchanged	5 Oct.	Press Release - \$5 Polymer Bank Notes
1 May	April 2015 Economic Review Issued	8 Oct.	Reserve Bank of Fiji was presented the 20th National Convention on Quality "Special Award" in Recognition of the Bank's Contribution to the Quality Journey in Fiji, held at Grand Pacific Hotel, Suva
2-5 May	Deputy Governor attended ADB Annual Meeting, held at Baku, Azerbaijan	9-11 Oct.	Governor attended IMF/World Bank Annual Meeting, held at Lima, Peru
10-13 May	Governor attended Currency Conference held in Vancouver BC, Canada	15-17 Oct.	Governor attended the Fiji-Australian Business Council Meeting, held at Sydney, Australia
20 May	National Finance Inclusion Taskforce Committee Quarter 2 Meeting	15-28 Oct.	IMF Article IV Consultation Mission
21 May	Deputy Governor presented on the Role of the Reserve Bank of Fiji in the Budget Reporting Workshop organised by Pacific Media Assistance Scheme at Tanoa Plaza	16 Oct.	LMCC Quarter 3 and 4 Meeting
25 May	Press Release - Positive Results from the Demand-Side Survey on Financial Inclusion	22 Oct.	National Finance Inclusion Taskforce Committee Quarter 4 Meeting
28 May	Ordinary Board Meeting	22 Oct.	Press Release - NFIT Website Awareness Campaign Announces Lucky Winners
28 May	Press Release - Monetary Policy Stance Kept Unchanged	29 Oct.	Ordinary Board Meeting
29 May	March 2015 Quarterly Review Issued	29 Oct.	Press Release - Monetary Policy Stance Remains Unchanged
1 Jun.	May 2015 Economic Review Issued	31 Oct.	Reserve Bank of Fiji awarded the Fiji Business Excellence Award Prize, held at the Sheraton Fiji Resort, Nadi
3 Jun.	National Anti-Money Laundering Quarter 2 Council Meeting	3 Nov.	October 2015 Economic Review Issued
4 Jun.	Complaints Management Forum	12 Nov.	Board Audit and Risk Committee Meeting
4 Jun.	Deputy Governor presented on the Fijian Economy to the FIB held in Suva	12 Nov.	Board Governance Committee Meeting
9-11 Jun.	Deputy Governor attended 6th AFI Financial Inclusion Strategy Peer Learning Group Meeting Kuala Lumpur, Malaysia	12 Nov.	Press Release - New Strategy for Financial Inclusion in Fiji
12 Jun.	Microfinance Media Launch	13 Nov.	RBF Microfinance Awards
17-23 Jun.	IMF Staff Visit	13 Nov.	National Strategy for Financial Inclusion Workshop
22 Jun.	Board Audit and Risk Committee Meeting	24 Nov.	Press Release - Further Exchange Control Relaxations Effective 1 January 2016
23 Jun.	Board Governance Committee Meeting	24 Nov.	Board Audit and Risk Committee
25 Jun.	Governor moderated the IMF High Level Dialogue - Enhancing Macroeconomic Resilience to Natural Disasters and Strengthening Fiscal Frameworks in the Pacific Islands held at Sheraton Hotel, Nadi	25-27 Nov.	Governor attended the 51st SEACEN Governor's Conference/High-Level Seminar and 35th SEACEN Board of Governors' meeting in Philippines
30 Jun.	2014 Insurance Annual Report Submitted to the Minister for Finance	30 Nov.	Ordinary Board Meeting
30 Jun.	June 2015 Economic Review Issued	1 Dec.	Press Release - Monetary Policy Stance Remains Unchanged
30 Jun.	Press Release - Reserve Bank Announces Extension of Time for Declaration of Offshore Assets	1 Dec.	Monetary Policy Stance Remains Unchanged
2 Jul.	LMCC Quarter 2 Meeting	1 Dec.	November 2015 Economic Review Issued
6 Jul.	2014 RBF Annual Report Tabled in Parliament	2-4 Dec.	Governor attended the 30th South Pacific Governors' Meeting in Wellington, New Zealand
7 Jul.	Press Release - Reserve Bank of Fiji Releases 2014 Annual Report	7 Dec.	Deputy Governor presented on "Consumer's Right to Redress in Financial Services" held at Tanoa Plaza, Suva
8 Jul.	Press Release - Pacific Region Loses Financial Inclusion Advocate	7 Dec.	September Quarterly Review 2015 issued
8 Jul.	Deputy Governor presented on the Fijian Economy to Leadership Fiji held at	9 Dec.	Board Audit and Risk Committee Meeting
		10 Dec.	Board Governance Committee Meeting
		10 Dec.	Ordinary Board Meeting
		11 Dec.	Capital Markets Development Taskforce Quarter 4 Meeting
		31 Dec.	December 2015 Economic Review Issued



Fiji: Key Economic and Financial Indicators

	2011	2012	2013	2014	2015
I. GDP					
GDP at Market Price (\$ Million)	6,768.5	7,119.6	7,726.7	8,552.9p	9,124.1e
Per Capita GDP at Current Factor Cost (\$)	6,731.8	7,015.0	7,487.9	8,253.1p	8,669.0e
Constant Price GDP Growth Rate (%)	2.7	1.4	4.7	5.3p	4.0e
II. LABOUR MARKET					
Labour Force	336,900e	337,900e	339,400e	342,900e	n.a
Wage and Salary Earners (mid-year)	131,583e	128,000e	129,000e	129,500e	n.a
III. INFLATION (year-on-year % change)					
All Items	6.4	2.5	3.4	0.1	1.6
IV. GOVERNMENT FINANCE (\$ Million)					
Total Revenue and Grants	1,804.1	1,937.1	2,098.5	2,370.8	3,122.5b
Total Expenditure (excluding loan repayments)	1,898.3	2,013.7	2,136.3	2,723.1	3,336.3b
V. EXTERNAL TRADE¹					
Current Account Balance (\$ Million)	-348.2	-94.7	-759.3	-638.2p	-348.4e
Capital Account Balance (\$ Million)	10.6	7.1	8.9	8.1p	8.1e
Financial Account Balance (\$ Million) ²	-437.4	-478.6	-610.5	-961.4p	-610.2e
Current Account Balance (% of GDP)	-5.3	-1.4	-10.2	-7.9p	-3.8e
VI. FOREIGN EXCHANGE RESERVES (\$ Million)					
Foreign Reserves	1,512.5	1,635.5	1,778.1	1,810.7	1,943.7
VII. MONEY AND CREDIT (year-on-year % change)					
Narrow Money	41.1	5.3	67.3	5.5	13.4
Currency in Circulation	3.8	9.6	1.1	11.0	11.5
Quasi-Money	15.8	6.3	23.2	10.6	14.3
Domestic Credit ³	1.0	2.8	14.0	18.7	13.6
VIII. INTEREST RATES (% p.a.)					
RBF OPR ⁴	0.50	0.50	0.50	0.50	0.50
Lending Rate	7.42	6.65	5.86	5.72	5.90
Savings Deposit Rate	0.91	0.74	0.70	0.57	1.01
Time Deposit Rate	2.97	2.28	1.79	2.15	2.71
Minimum Lending Rate	1.00	1.00	1.00	1.00	1.00
IX. EXCHANGE RATES (mid rates, F\$1 equals: end of period)					
US dollar	0.5493	0.5595	0.5269	0.5031	0.4701
Real Effective Exchange Rate (January 1999 = 100)	96.77	98.45	98.51	98.68	99.86

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

Notes:

¹ Balance of Payments values include aircraft imports and financing.

² Indicates Net Borrowing i.e. the economy receives funds from the rest of the world.

³ Credit to the private sector is adjusted for AMB's non-performing loans and advances.

⁴ The RBF OPR came into effect in 2010.

Key:

e: estimate

p: provisional

b: budgeted

n.a: not available

p.a: per annum



Abbreviations

ADB	Asian Development Bank	LAB	Local Advisory Board
ADB PSDI	Asian Development Bank's Private Sector Development Initiative	LICI	Life Insurance Corporation of India
AFI GPF	Alliance for Financial Inclusion Global Policy Forum	LMCC	Labour-Management Consultative Cooperation
AMB	Asset Management Bank	MCs	Money Changers
AML	Anti-Money Laundering	MC	Macroeconomic Committee
ANZ	Australia New Zealand Bank	MFI	Microfinance Institutions
APG	Asia Pacific Group	MNOs	Mobile Network Operators
APRA	Australian Prudential Regulations Authority	MOA	Memorandum of Agreement
ATM	Automated Teller Machine	MSME	Micro, Small and Medium Enterprises
BCP	Business Continuity Plan	NBF	National Bank of Fiji
BOJ	Bank of Japan	NBFI	Non-Bank Financial Institution
BOB	Bank of Baroda	NEC	National Employment Centre
BRS	Business Resumption Site	NEER	Nominal Effective Exchange Rate
BSP	Bank of South Pacific	NFIT	National Financial Inclusion Taskforce
CFT	Countering the Financing of Terrorism	NRA	National Risk Assessment
CTR	Cash Transaction Reports	OHS	Occupational Health and Safety
ECB	European Central Bank	OMO	Open Market Operations
EDRMS	Electronic Document Records Management System	OPR	Overnight Policy Rate
EFTPOS	Electronic Fund Transfer at Point of Sale	P2P	Person to Person
EFTRs	Electronic Funds Transfer Reports	PFIP	Pacific Financial Inclusion Programme
FATF	Financial Action Taskforce	PFTAC	Pacific Financial Technical Assistance Centre
FBEA	Fiji Business Excellence Awards	PICs	Pacific Island Countries
FBFSEU	Fiji Bank and Financial Sector Employees Union	PIRI	Pacific Islands Regional Initiative
FDB	Fiji Development Bank	PIWG	Pacific Islands Working Group
FHRI	Fiji Human Resources Institute	PRB	Public Rental Board
FIA	Fiji Institute of Accountants	PRGF-HIPC	Poverty Reduction and Growth Facility for Heavily Indebted Poor Countries
FIB	Fiji Institute of Bankers	RBA	Reserve Bank of Australia
FinED	Financial Education	RBF	Reserve Bank of Fiji
FISPLG	Financial Inclusion Steering Peer Learning Group	RBNZ	Reserve Bank of New Zealand
FIU	Financial Intelligence Unit	REER	Real Effective Exchange Rate
FNPF	Fiji National Provident Fund	RFEDs	Restricted Foreign Exchange Dealers
FNU	Fiji National University	RRA	Revaluation Reserve Account
FRCA	Fiji Revenue & Customs Authority	RTGS	Real Time Gross Settlement
FSDP	Financial Sector Development Plan	SDR	Special Drawing Rights
FTR	Financial Transactions Reporting	SEACEN	South East Asian Central Banks
GDP	Gross Domestic Product	SENSE	Staff Engagement Survey
GPH	Grand Pacific Hotel	SME	Small and Medium Enterprises
GRCL	General Reserves for Credit Losses	SMECGS	Small and Medium Enterprise Credit Guarantee Scheme
HA	Housing Authority	SMEFWG	Small and Medium Enterprises Financial Working Group
HR	Human Resources	SPSE	South Pacific Stock Exchange
IAS	International Accounting Standards	STR	Suspicious Transaction Report
IFC	International Finance Corporation	STRI	SPSE Total Return Index
IFRS	International Financial Reporting Standards	STRT	Secured Transactions Reform Taskforce
IIWG	Inclusive Insurance Working Group	SWIFT	Society for Worldwide Interbank Financial Telecommunication
IMF	International Monetary Fund	TA	Technical Assistance
ISEFF	Import Substitution and Export Finance Facility	TNA	Training Needs Analysis
IT	Information Technology	UK	United Kingdom
ITSC	Information Technology Steering Committee	US	United States
KFL	Kontiki Finance Limited	USP	University of the South Pacific
KPIs	Key Performance Indicators	VAT	Value Added Tax
		WBC	Westpac Banking Corporation
		WG	Working Group



RESERVE BANK OF FIJI

The great double-hulled, ocean-going canoes (drua) of the ancient Fijians were remarkable craft 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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