



PRESS RELEASE

NATIONAL RESERVE BANK OF TONGA PAID \$4.2 MILLION TO GOVERNMENT



31st October 2019

The National Reserve Bank of Tonga Board of Directors and the Governor Sione Ngongo Kioa presented the annual dividend of the Bank for 2018/2019, a cheque of \$4.2 million to the Minister for Finance, Honourable Tevita Lavemaau, on the 30th October 2019. The National Reserve Bank of Tonga earned a record profit of \$6 million in 2018/19 and in accordance with Section 8(1) of the National Reserve Bank of Tonga Amendment Act 2014, 70% of the Reserve Bank's net profit will be transferred to the Government of Tonga. The financial results for 2018/2019 improved from previous years on the investment of Tonga's foreign reserves overseas, and sales of numismatic currency.

The objectives of the Reserve Bank are to maintain internal and external monetary stability and promote a sound and efficient financial system. In order for these objectives to be met, the Bank promotes Tonga's economic prosperity by maintaining the stability in the value of the Tongan Pa'anga in terms of its purchasing power (inflation rate), its opportunity cost (interest rate) and its relative value to other currencies (exchange rate). The Bank adopted a benchmark of 5% inflation reference rate, and as reported by the Statistics Department for September 2019, annual inflation was 0.4%, way below the 5% benchmark. To maintain external stability, the Bank adopted a minimum benchmark for foreign exchange reserves of 3 months of imports of goods and services, and in August 2019 foreign exchange reserves recorded a new high level of T\$491.8 million or 8 months of imports of goods and services. In terms of financial stability, Tonga's financial system also supplied credit intermediation and payment services to support economic growth. Credit growth is healthy at 8.6%, reaching a new record high of \$496.8 million in August 2019. Meanwhile, interest rates are low with an average lending rate of 8% and deposit rates of 2%, as well as low level of non-performing loans at 3% of total loans.

Other functions of the Bank include serving as the principal banker, fiscal agent and depository agent for the Government, providing banking and monetary advice to the Minister of Finance as well as issuing currency.

The Reserve Bank is the regulator and supervisor for the licensed financial institutions under the Financial Institutions Act and the Non-bank financial institutions. The Reserve Bank is also the Transaction Reporting Authority (FIU) under the Money Laundering and Proceeds of Crimes Act. Additionally, the Reserve Bank also administers the Foreign Exchange Control Act.

The Chairman and the Board of Directors would also like to thank the Bank's customers, stakeholders and counterparts in supporting the Bank to meet its objectives during the financial year 2018/2019.

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