

National Reserve Bank of Tonga

ANNUAL REPORT



2025

Issued by:

National Reserve Bank of Tonga
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Annual reports are available on the Reserve Bank's website.

Hon. 'Aisake Valu Eke
Prime Minister and Minister for Finance
Ministry of Finance
St. George Building
Nuku'alofa

Subj. **NRBT Annual Report for the Year Ended 30 June 2025**

In accordance with Section 54(1) of the National Reserve Bank of Tonga (NRBT) Act, I submit the Annual Report of the National Reserve Bank of Tonga for the year 2025.

The Report presents NRBT operations and performance for the year, including the Balance Sheet, Income Statement, and the Statement of Cash Flows as audited by KPMG. A copy of the 2025 Audited Annual Financial Statement attached for reference.

Despite the global uncertainties and challenges of the past year, the Bank delivered strongly on its responsibilities under the leadership of the Board of Directors, who consistently set higher standard of service in governance and performance. This annual report reflects those efforts to safeguarding monetary and financial stability, while supporting Tonga's economic prosperity and well-being of our people.

On behalf of the Bank, I wish to thank you for your continued support and guidance as we work together to achieve our shared vision for the financial well-being of the people of Tonga, at home and abroad.

Respectfully,



Tatafu Moeaki
Governor.

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Our Mandate

The National Reserve Bank of Tonga (Amendment) Act, 2014, Section 4 sets out the principal objectives of the Bank. It states:

Objectives of the Bank

1. The principal objectives of the Bank shall be to maintain internal and external monetary stability.
2. Without prejudice to its principal objective, the Bank shall –
 - a. promote financial stability; and
 - b. promote a sound and efficient financial system.
3. Subject to subsections (1) and (2), the Bank shall conduct its activities in a manner that supports macroeconomic stability and economic growth.

Maintaining internal monetary stability is pursued by the Reserve Bank through promoting low and stable inflation over the medium term. The Reserve Bank's reference inflation rate is to be maintained below 5%.

Maintenance of external monetary stability is pursued through **maintaining an adequate amount of foreign currencies (foreign reserves)** to meet the country's foreign currency demands to pay for imports and other obligations. As such, the Reserve Bank's monetary policies aim **to ensure that Tonga always have foreign reserve holdings of at least three to four months of import cover.**

The National Reserve Bank Act, Section 4A also sets out the Reserve Bank's functions:

The principal functions of the Bank shall be, to:

- a. issue currency.
- b. formulate and implement monetary policy.
- c. prescribe the regime for the determination of the external value of the Tongan currency in consultation with the Minister.
- d. determine the foreign exchange rate and implement foreign exchange policy.
- e. determine and implement financial stability policy and oversee the maintenance of the stability of the financial system as a whole.
- f. regulate as required the supply, availability and international exchange of money.
- g. exclusively hold and manage the external reserves of the Kingdom.
- h. provide advisory services to the Minister on banking and monetary matters.
- i. be the principal banker, fiscal agent and depository of the Government.
- j. undertake banking business, in Tonga or elsewhere, subject to the provisions of this Act.
- k. regulate and supervise financial institutions, including non-bank financial institutions.
- l. oversee and promote the efficient, sound and safe functioning of the payment system.
- m. collect and produce statistics.
- n. cooperate with and participate in international councils and organisations, including public international financial institutions, and cooperate with domestic and foreign public entities, concerning matters related to its objectives and functions.
- o. regulate and supervise capital markets in Tonga; and
- p. to manage and promote financial inclusion initiatives and related activities; and
- q. carry out any other function or any ancillary activities incidental to the exercise of its functions under this Act or any other Act.

Details on how the Reserve Bank applied its functions to meet its objectives are outlined in this report and other publications.

Board of Director's Statement

Annual Report FY2024–25

Overview

During FY2024–25, the Board focused on strengthening the Bank's ability to support Tonga's financial and economic stability and development. While global uncertainty persisted, domestic inflationary pressures moderated compared to the previous year, although core inflation remained above target. The Board continues to monitor these inflationary pressures closely, with greater focus on the major local drivers of these pressures.

Monetary Policy and Market Operations

Inflation eased during the year, but underlying drivers of price instability remain a serious concern.

The Bank is implementing measures to restore its influence over the domestic money market, including the planned issuance of NRBT notes in the upcoming financial year. This initiative aims to improve monetary policy transmission and ensure fairer deposit and lending rates for households and businesses. However, the Tongan finance sector is still 'underdeveloped', and has unique characteristics and challenges that can affect the desired outcomes of the policy.

Core Achievements in FY2024–25

The core achievements during the year included:

- *Maintaining the Pa'anga's exchange rate peg and safeguarded external reserves.*
- *Preserving price stability and ensured an adequate supply of high-quality currency to meet public demand.*
- *Advancing banking supervision and strengthened anti money laundering and counter finance terrorism (AML/CFT) compliance among financial institutions and foreign exchange dealers. Much remains to be achieved.*
- *Progressing payment system reforms to enhance efficiency, safety, and accessibility of financial services.*

- *Implementation of an Enterprise Risk Management Framework to strengthen operational risk management.*

Financial Performance

The Bank recorded a net profit of T\$32.5 million for the year ended 30 June 2025 (FY2023–24: T\$35.8 million; FY2022–23: T\$20.4 million).

Although slightly lower than the previous year, this result exceeded the budget target by T\$5 million, driven by disciplined expenditure management despite declining global interest rates.

Governance and Risk Management

The Board reinforced its commitment to strong governance and risk oversight, and the key risks addressed included:

- *Maintaining correspondent banking relationships;*
- *Ensuring affordable and accessible remittance services;*
- *Deepening financial intermediation in productive sectors such as agriculture, tourism, handicrafts, and fisheries;*
- *Ensuring adequate staff and technology resources and innovations are made available to efficiently and effectively implement financial system AML/CFT supervision, and the Reserve Bank's enterprise risk management framework. Australia and NZ have been requested to provide relevant staff assistance in these high-risk areas.*

Acknowledgement

The Board commend the Governor and the staff for their dedication to the success of the Bank and call on them to continue aiming for the highest standards of commitment and performance to ensure the achievement of the Bank's Objectives.

Lord Sevele 'o Vailahi
Chairman

Board of Directors

June 2025



Lord Sevele 'o Vailahi

Chairman



Mr. Richard Prema

Deputy Chairman (Term completed on 5 July 2024)



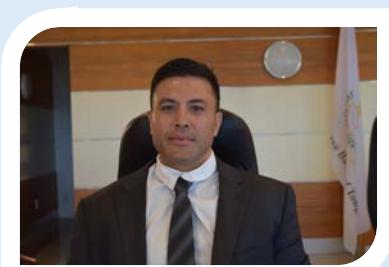
Mr. Giulio Masasso T. Pāunga

Deputy Chairman (Appointed on 5 July 2024)



Mrs. Siosi Mafi

Director



Mr. John Paul Chapman

Director



Mrs. Vika Fusimālohi

Director



Mrs. Kilisitina Tuaimei'api

Ex-Officio Director

Secretary for Finance



Mr. Tatafu Moeaki

Ex-Officio Director

Governor



Ms. 'Ungatea Lātū

Secretary to the Board

Deputy Governor

Governor's Foreword

The Reserve Bank's mandate requires diligence, foresight, and adaptability in navigating both global and domestic challenges. We proudly marked the Bank's 35th anniversary of service to the Kingdom of Tonga during the financial year 2025, a milestone that coincided with another year of strong performance and resilience.



- **Performance Delivery:** Out of 68 planned outputs, 87% were delivered including those outputs in progress towards achievement¹ and the remainder were offset by additional unplanned but critical tasks. They include deeper reviews of monetary policy effectiveness, banking and foreign exchange dealers' supervision and enforcements, litigation matters, and strengthened reporting and accountability to the Board of Directors.
- **Price Stability:** Inflation was reduced from 8% average in 2024 to 3% in 2025, well below our 5% reference rate, through prudent monetary policy measures, the issuance of two Monetary Policy Statements, amendments to the NRBT Act, and enhanced economic analysis to guide policy relevance.
- **Financial System Stability:** Credit to the private sector grew by 23% in 2025, up from 2% in the previous year. We also advanced measures to safeguard Tonga from money laundering risks, protect correspondent banking relationships, and address financial deepening challenges.

- **Financial position continued to strengthen** during the year with its net worth increased to \$51.7 million end of June 2025, up from \$42.8 million in 2024, increasing its capital base to implement monetary policy measures, when necessary to safeguard price stability and protect public interest.
- **Risks to the Bank** are managed through both our Risk and Compliance, and Internal Audit Departments and the collegial management of executive decisions.



South Pacific Central Bank Governors Meeting, Nadi, November 2024

¹ Include outputs assessed in progress of achievements as documented under the NRBT Corporate Plans for Financial Years 2025 and 2026.

Several reforms were advanced during the year to strengthen its effectiveness including the review of our 6-monthly monetary policy, liquidity management, currency management improvements, development of National Payment Services, reserves investment strategy, strengthened risk management and compliance framework, transition to paperless performance systems, and delivering greater efficiency. The Bank's anniversary celebrations recognized the dedication of our staff and reinforced our commitment to capacity building, technology adoption, and streamlined processes.

These achievements were possible through the oversight and leadership of our Chairman and Board of Directors, with strong support from the Government of Tonga, the Ministry of Finance, and our international central banking partners. Together, we strengthened the foundations of monetary and financial stability, while positioning the National Reserve Bank of Tonga to better serve the Kingdom in the years ahead.

Faka'apa'apa atu,

A handwritten signature in black ink, appearing to read 'Tatafu Moeaki', is positioned here.

Tatafu Moeaki
Governor.

Our Executive Management



Mr. Tatafu Moeaki
Governor



Ms. 'Ungatea Lātū
Deputy Governor

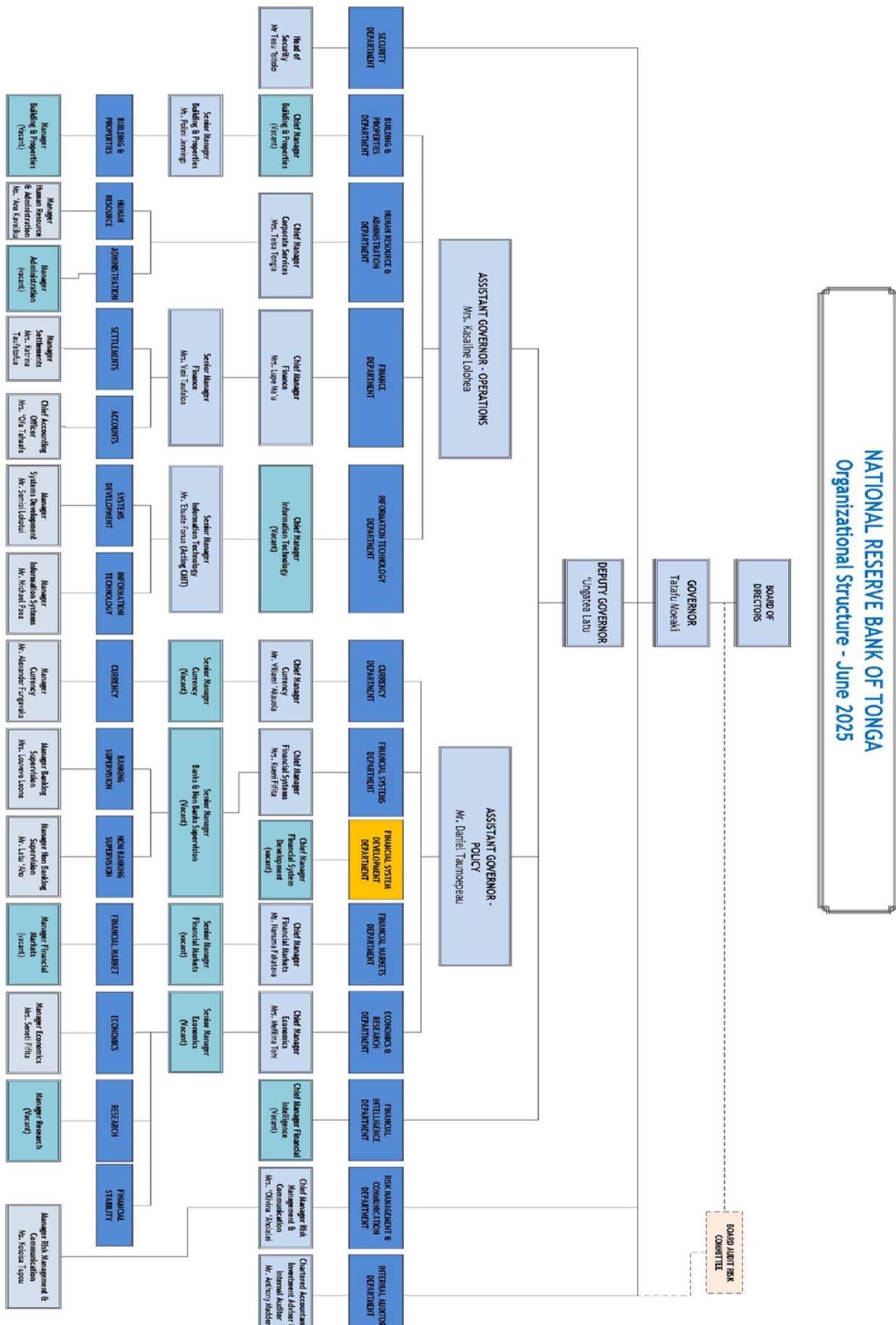


Mrs. Kasaline Lolohea
Assistant Governor - Operations



Mr. Taniela Taumoepeau
Assistant Governor - Policy

Organizational Chart



Highlights of the Year

PRICE STABILITY:

Inflation eased from 8.0% average to **3.0%** in FY2025.



Foreign Reserves:

Foreign Reserves rose to **\$925.1 MILLION** with a **10.6 months'** worth of imports



\$32.5 MILLION

Net Profit for Financial Year 2024/2025
FY 2023/24: \$35.8 MILLION

Financial Stability:

- Banking sector maintains strong capitalization and ample liquidity & profitability but risks have heightened.
- The SRD Ratio was maintained at 15%, setting aside a higher portion of liquid assets in the banks' SRD accounts.

Banknotes and coins:



Banknotes and coins in circulation up to
\$132.4 MILLION
in 2024/25 compared to \$128.0M in 2023/24

\$22.8 MILLION

Distribution to Government to support overall development
FY 2024: \$25 MILLION



June 2025

Reserve Bank launched its
Regulatory Sandbox Framework



Reserve Bank completed its
National Payment Services Bill 2025, New Credit Registry Bill 2025, and Financial Deepening Initiatives

Corporate Plan

OUR STRATEGIES AND OUR PERFORMANCE IMPROVEMENTS

#1

Ensure Sustainable and Inclusive Development for Tonga

#2

Safeguard the Financial Stability and Prosperity of Tonga

#3

Embrace Transparency, Engagement and Innovation

#4

Develop Well-Researched Data and Information for Informed Decision-Making

#5

Elevate Organisation Excellence in Our Staff and in Our Processes

VISION

**ENSURE SUSTAINABLE AND INCLUSIVE
DEVELOPMENT FOR TONGA**

MISSION

**Facilitation of Inclusive, Sustainable, and
Resilient Development for the benefit of all
the people of Tonga**

VALUES

- ✓ We embrace our **Christian values** and **integrity**
- ✓ We are **one team**, embracing **excellence**
- ✓ We work to **improve performance** and to **innovate**
- ✓ We work with **respect** and **humility**, aligned with the national culture of Tonga

Price Stability

Economic Analysis and Research

The Tongan economy continues to face challenges of weak growth, high cost of living, and escalating uncertainties in the global economy. Tonga's growth is below the Pacific average, and the long-term potential growth rate is below 2%. We therefore undertook several economic analyses and research on key drivers of inflation and the impacts of past monetary and fiscal policies, such as exchange rates, taxes, and subsidies, as well as topics relevant to boosting domestic growth and addressing the high cost of living, while maintaining financial stability.

Tonga's First Quarterly Projection Model

We consistently strive to enhance the quality of our economic analysis and research methods through various capacity building training programs. In January 2025, the multi-year IMF technical assistance mission on Forecasting and Policy Analysis System (FPAS) was completed, which provided additional tools for GDP and Inflation Nowcasting and Forecasting, and enhanced our macroeconomic diagnostics. Quarterly Projection Models (QPM) were also developed to assist in assessing the impact of various shocks on macroeconomic indicators and the effectiveness of monetary policy. We implemented these models into our work procedures which generate regular updates of the inflation and GDP forecasts to Management and the Board to inform monetary policy decisions. The QPM was also used for the assessment of the impacts of the US Tariffs on the Tongan economy. We also work closely with the data sources to ensure data quality is maintained. Consequently, refresher training is provided for OET (Overseas Exchange Transactions) compilers, as and when requested.

Tonga's First Financial Stability Report

In our commitment to safeguarding financial stability, the newly established Financial Stability Unit (FSU) within the Economics Department has commenced its role of identifying and monitoring key macro-financial risks, conducting preliminary stress tests of the financial system, and developing recommendations to reduce vulnerabilities and enhance overall financial sector resilience. A key output of the Unit's initial work is the compilation of the first Financial Stability Report (FSR) that was endorsed by the Board for publication. However, the FSU is still in its nascent stage, and more resources and capacity building are required to fully develop and implement the macro-prudential framework.

Other Publications

Key publications were produced and disseminated during FY2024/25 to support evidence-based policy decisions, economic dialogues, and research include:

1. *August 2024 & February 2025 Monetary Policy Statements*
2. *2 Quarterly Bulletins*
3. *12 Monthly Monetary Policy Data Sheets*
4. *12 Monthly Economic Updates on the performance in key sectors of the economy*
5. *4 GDPNow and 4 InflationNow Reports*

Economic Advice to Stakeholders

We value the contributions of our stakeholders to monetary policy and the wider macro-economy. During the year, we hosted several stakeholder consultations with Government Ministries and private sector institutions for an inclusive discussion of the development and implementation of our monetary policies.

We also actively engaged in policy discussions with various Government entities through joint meetings, such as the Macroeconomic Technical and Advisory Committees, the Agricultural Sector Growth Committee, and other national forums, to strengthen the coordination of fiscal and monetary policies. Monetary Policy update was also provided for the Government's Budget Statement for FY2025/26 through the Ministry of Finance. Furthermore, we participated in knowledge sharing forums to provide economic and financial analyses to external stakeholders, such as development partners through platforms like the Ministry of Finance's Donors Forum, the Tonga National Business Forum, the Joint Policy Reform Matrix (JPRM) meeting, Tourism Forum, and the National Strategy Forum, to name a few.

To better align with the needs of stakeholders, some of the economic publications have been restructured, such as the Quarterly Bulletins and monthly reports. Regular data updates are provided to multilateral organisations including the IMF, World Bank, and the ADB, in addition to Statistical agencies. During the year, we responded to numerous data requests, mostly for technical assistance projects, policy-related analysis, and academic research.

Monetary Policy Formulation

Over the last 16 years, the Bank relied heavily on capital and monetary controls, and as market conditions evolved, the market has been nonresponsive to these policy measures, challenging the Bank's ability to steer domestic monetary conditions.

In formulating monetary policy, the Bank continued to assess domestic and external macroeconomic developments, economic outlook and projections, the performance of policy tools, and recommendations for future policy direction.

The analysis was supported by input from Government fiscal policy, other partners, stakeholder consultations, and surveys of key economic and financial indicators.

Despite these efforts, the effectiveness of monetary policy remained constrained by persistent excess liquidity in the financial system, which has weakened the transmission of policy measures. The inability of existing tools to absorb liquidity and stimulate an active interbank market has limited the Bank's leverage over domestic monetary conditions.

To address these weaknesses, the Bank engaged external expert assistance since November 2024 to review the monetary policy framework. The review recommended modernization of the framework, with a focus on strengthening the interest rate channel, reviewing the interest rate corridor, and introducing NRBT notes issuance to absorb the excess liquidity and restore more effective policy transmission.



Participants during the Economic Stakeholder Meeting at Fā'onelua Convention Centre, September 2024

Monetary Policy Decisions

To safeguard stability, the Pa'anga is pegged to a basket of Tonga's major trading partners' currencies. This peg is essential for maintaining predictable prices for imports (food,

fuel and medicine), and for protecting households and businesses from sudden exchange rate and price swings.

For our peg to remain sustainable, it is critical that domestic market interest rates are broadly aligned with those in the economies² that make up the currency basket. Recognizing the need for stronger and effective policy transmission, the Bank initiated modernization of its monetary policy framework, a reform adopted by the Board of Directors in March 2025.

The shift comes against the backdrop of cooling inflation, stagnant growth, and heightened uncertainties weighing on the outlook. In response, the following monetary policy decisions were approved during FY2024-25.

Price Stability

To maintain price stability:

- *Maintain the zero percent interest rate on banks' Exchange Settlement Accounts, while transitioning the NRBT policy rate from a floor rate to a conventional mid-rate, providing clearer signal for the overnight rates.*
- *Conduct regular reviews of the exchange rate framework to enhance the pass-through effect to domestic inflation.*
- *Maintain Statutory Reserve Deposit at 15 percent.*
- *Strengthen collaboration closely with fiscal policy authorities on measures to address supply-side constraints and excessive business costs that contribute to domestic inflation.*
- *Gradually strengthen the interest rate channel to improve the effectiveness of monetary policy in influencing aggregate demand and inflation.*

Macroeconomic Stability

To maintain macroeconomic stability, emphasis was put on supporting private sector development through greater access to finance and prudent credit growth.

- *Issue NRBT notes to mop up the excess liquidity in the banking system, allowing the NRBT to be in the driver's seat of liquidity management and influencing the interest rate market.*
- *Following the IMF-World Bank 2024 Annual Meeting, expert assistance was mobilized to support the Modernization of the Monetary Policy Framework and Operations of the NRBT by gradually adjusting market settings through development of the domestic market, providing the*

- NRBT with more policy tools to deliver its multiple core objectives.
- Collaborate closely with Government on addressing structural barriers for access to finance and investment by the private sector.

Notwithstanding challenges beyond the control of the NRBT during the year, inflation has eased below the 5% reference rate, and economic growth is recovering slowly. Foreign reserves is still sufficient above the optimal threshold supporting the exchange rate, although it is gradually declining. Excess liquidity is still persistent in the banking system, weakening the effectiveness of monetary policy.

Monetary Policy Outcomes

Inflation

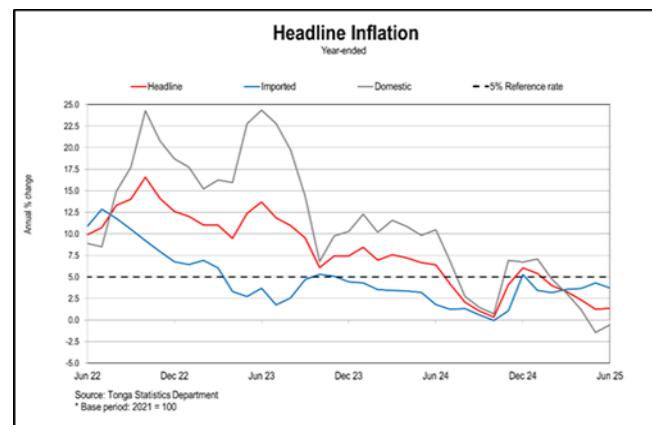
The new CPI (Consumer Price Index) rebase from 2018 to 2021 base year, resulting in a relatively higher headline inflation compared to previous reports. The differences were due to the reallocation of weights amongst CPI groups, with a significant jump in the weight of the Restaurants-and-accommodation-services from 3.1% to 15.0%. Based on these reallocations, Tonga's inflation has become more sensitive to domestic food prices, which are vulnerable to supply-side shocks and are unresponsive to monetary policy actions.

Nonetheless, headline inflation dropped below the 5% reference rate to 1.4% in June 2025 from 6.4% in June 2024, with a 12-month average of 3.0% compared to 8.0% in the previous year. The lower inflation was supported largely by improvements in the prices of local food items, the costs of electricity, gas, and other fuels, as well as the pass-through effects of lower oil prices. The escalating trade tensions and ongoing conflicts in major commodity markets are expected to put pressure on inflation in the near-term, with spillover effects through imports and exchange rates.

Despite the easing headline inflation, core inflation has surged to 9.8% in June 2025 compared to 1.6% in the previous year. This reflects the broader pass through of accumulated inflation hikes in previous years to base costs, keeping the cost of living in Tonga relatively high. Core prices are also sticky with a response lag to the headline inflation trends.

Core inflation is projected to slowly converge back to the headline towards the end of the year.

Figure 1: Inflation



Foreign Reserves

Foreign reserves remained comfortable above the optimal threshold of 7.5 months, at 10.6 months of imports at the end of June 2025 (TOP 925.1 million). The inflows of budget support, official grants, and remittances in FY2024/25 continued to sustain the level of foreign reserves. However, foreign exchange outflows are also increasing rapidly due to higher imports, debt repayments, and offshore investment. In that respect, we remain vigilant in balancing the management of foreign reserves to safeguard the exchange rates, while ensuring sufficient foreign exchange is available for Tonga's development needs.



Asia Development Bank's Foreign Reserve Management Group, Bali, Indonesia

Financial Stability

Risks for financial stability remain elevated with non-performing loans still at relatively high levels. While our supervisory function focused on enhanced monitoring of credit risk management at banks, the review of prudential standards was also important to ensure they remain relevant in managing emerging risks to financial stability. We conducted our normal supervisory function through offsite collection and analysis of reports and other relevant information, as well as onsite examination of financial institutions' operations and performance to verify compliance with the prudential requirements.

Prudential Regulation

The review of the prudential requirements or prudential banking standards was in its final stages with the assistance of the Pacific Financial Technical Assistance Centre (PFTAC) to ensure ongoing compliance with the Basel framework and best international practices. The draft revised Prudential Banking Standard 9 on Governance was issued to the banks for their comments during the year, and meetings were held to clarify the requirements, upon banks' request. Impact study of the remaining draft revised Prudential Banking Standards will be conducted as part of the consultation process in the next financial year. In addition, PFTAC provided technical assistance for developing a risk-based supervisory tool for the supervision of banks.

In monitoring the impacts of the Monetary Policy Statement (MPS) on financial stability, banks' liquidity was closely monitored as credit growth (including Government Development Loans) was recorded over the year. This was reflected in the loans to deposit ratio increasing to 59.3% in June 2025 from 54.5% in the same time last year. In line with the economic recovery, credit growth has rebounded strongly over the year, recording a 13.4% growth compared to only 4.0% in the previous year. This was driven by a notable 22.9% increase in Banks' lending to businesses (up from 2.0% in June 2024), coupled with a 4.1% rise (lower than 6.0% in June 2024) in household lending.

Prudential Supervision

Overall, financial stability was maintained with adequate capital and liquidity in the banking system, however the ongoing deterioration of asset quality evidenced through rising non-performing loans was monitored closely with ongoing offsite and onsite assessments. Our supervisory role focused

on ensuring stronger credit risk management, including maintaining adequate loan loss provisions, as well as the conduct of stress testing and analysis of potential shocks to the financial system. Key supervisory actions during the year includes:

- 1 *ad-hoc onsite visits to one bank particularly on credit risk management*
- 2 *Ongoing offsite analysis of each bank's position, performance and compliance with prudential requirements*
- 3 *13 administrative penalties imposed on breach of SBL requirements and lateness in submission of audit reports*
- 4 *3 tripartite meetings with external auditors of banks (with 3 meetings with external auditors without the banks)*
- 5 *3 bilateral meetings with banks*
- 6 *Prudential Banking Standard Consultations*
- 7 *1 Technical meeting with a bank*
- 8 *2 Press releases*

As of June 2025, the banking sector's capital adequacy remained strong with the consolidated risk-weighted capital ratio at 30.7%, well above the 15% regulatory requirement, supported by the sector's solid profitability. However, the banking system's Non-Performing Loans (NPLs) to total loans ratio increased from 11.2% in June 2024 to 14.2% at the end of June 2025. Nonetheless, systemic risks to the financial system is well contained, while the NRBT closely monitors the Commercial Banks' workout strategies for the NPLs.

The financial system further faced challenges arising from money laundering risks and the rise in financial scams in the form of unrealistic investment opportunities and money transfers intended to bypass formal banking channels. The banks have been diligently working to keep their customers informed and make prudent decisions to protect their finances. We are developing, in collaboration with Association of Banks, a Cybersecurity Committee, to collaborate on mitigating cyber risks in the financial system and protect the interests of financial customers.



Participants from various financial entities attending the Foreign Exchange Dealers' Meeting, Fā'onelua Convention Centre, December 2024

Our supervision of sixteen (16) licensed foreign exchange dealers aimed at improving compliance with both legal and regulatory requirements, which is critical to mitigate risks of de-risking or closure of their bank accounts. Furthermore, stronger systems and controls dissuade risks of being misused for facilitation of financial crimes. Key supervisory actions include:

1. *2 quarterly spot checks to 16 foreign exchange dealers*
2. *1 annual compliance check visits to 16 foreign exchange dealers*
3. *Approval of 1 new foreign exchange dealer licence*
4. *3 enforcement actions including revocation of 3 licences*

We continued to increase the licensing of moneylenders during the year. We licensed 32 money lenders in FY2024/25, taking the total number of licensed moneylenders to 135 from 103 moneylenders (23 with licence Type A, 56 with licence Type B, and 56 for licence Type C). Upcoming supervisory actions for the next financial year include:

1. *Annual Meeting for Moneylender Type A.*
2. *Spot Check for Moneylenders Type A*
3. *Review of Moneylender license conditions and reporting template.*

Our supervision of the sole licensed microfinance institution (SPBD) continued to promote compliance with their license conditions and that the interest of their members is protected. Upcoming supervisory actions for the next financial year includes:

1. *Onsite Visit the Microfinance Institution*
2. *Revision of Offsite Supervisory Framework*

Consumer Empowerment

In empowering consumers to make prudent financial decisions the Reserve Bank requires banks to publish and disclose interest rates and fees and charges for their products and services. Exchange rates are updated on a daily and weekly basis on the NRBT's website for both banks and Foreign Exchange Dealers.

We also received, processed and closed one complaint from the banks' customers during the year. Two (2) complaints about non-banks financial institutions have been received and processed mainly covering cybersecurity and unauthorized activities.

In managing the unclaimed monies paid to the Reserve Bank by banks, 2,386 unclaimed accounts totalling \$1,186,983.21 were published to allow customers to place their claims for their funds before they are forfeited to the Government. During the year, an amount of \$130,994.59 (243 accounts) was forfeited to the Government's account pursuant to sections 94 (7) & (8) of the Banking Act 2020.

AML/CFT Supervision

The IMF continued to support building our AML/CFT supervisory capacity. Risk-Based AML/CFT supervision tools have been developed and issued to banks for adoption. Similar tools are being developed for non-bank financial institutions, in particularly the foreign exchange dealers, and designated non-financial businesses and professionals (DNFBPs). A meeting was held with FEDs to discuss the AML/CFT supervision tool, and the questionnaire issued to FEDs for data collection.

Furthermore, the NRBT conducted a joint supervisory inspection of foreign exchange dealers together with AUSTRAC (Australian Transaction Reports and Analysis Centre) and DIA-NZ (Department of Internal Affairs). This exercise was done to help make Tonga's work on combating money laundering and terrorist financing more visible in the region to ensure that banking relationships are maintained and help mitigate risks of further withdrawal of banking relationships in the Pacific.

Financial Intelligence

Intelligence Analysis and Dissemination

We continue to assess and analyze suspicious transaction reports (STRs) and other financial transaction reports received from reporting entities and law enforcement agencies in Tonga to identify suspicious trends of money laundering risks and facilitation of financial crimes. This will support and inform the investigation and prosecution of serious crimes such as the increasing cases of drugs, corruption, tax evasion and fraud risks.

Table 1: Reports Received

Types of reports filed	2021/22	2022/23	2023/24	2024/25
Suspicious Transaction Reports (STRs)	22	23	22	73
Currency Transaction Reports (CTRs)	10,969	17,790	14,863	76,148
Border Currency Reports (BCRs)	2	1	0	0
TOTAL	10,993	17,814	14,885	76,221

Source: Financial Intelligence Department, National Reserve Bank of Tonga

During 2025, the Bank received a total of 76,221 reports, consisting of Suspicious Transaction Reports (STRs) and Cash Transaction Reports (CTRs), with no Border Currency Reports (BCRs) reported.

Suspicious Transaction Reports (STRs): STRs increased significantly, from an average of around 20 in previous years to 73 in 2025. Many of these reports were disseminated to the Tonga Police and the Ministry of Revenue & Customs for further investigation.

Cash Transaction Reports (CTRs): CTRs rose sharply from fewer than 20,000 in prior years to 76,148 in 2025. Most reports involved funds entering the financial system for business-related purposes. The increase largely reflects the onboarding of new customers and businesses with banks and foreign exchange dealers, as well as heightened economic activity during the festive seasons.

The notable rise in both STRs and CTRs has strengthened the quality of financial intelligence available for analysis and enhanced Tonga's overall Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT) framework.

Table 2: Request For Investigative Assistance

Request Report(s)	2021/22	2022/23	2023/24	2024/25
Number(s) of Request for Investigative Assistance	19	27	37	66

Source: Financial Intelligence Department, National Reserve Bank of Tonga

Information sharing

In 2025, the Bank responded to 66 information requests from domestic law enforcement agencies, including the Tonga Police, the Ministry of Revenue & Customs (MRC), and the Attorney General's Office (AGO). These requests related to investigations of individuals and businesses committing or suspected to have committed various predicate offences. The increase from 37 requests in 2024 highlights stronger coordination in combating organized crime, including money laundering.

In support of our own analysis and due diligence, the Bank also initiated 66 outgoing requests for information: 59 to domestic authorities and 7 to four international agencies, namely AUSTRAC (Australia FIU), the New Zealand FIU, the U.S. FINCEN (US FIU), and the Samoa FIU.

Customer Due Diligence

During the year, the Bank conducted background checks on 258 individuals and entities to support compliance with AML/CFT requirements. The Bank also responded to several surveys from correspondent banks regarding its AML/CFT policies and procedures.

The number of background checks declined compared to the previous year, reflecting fewer new individuals and businesses conducting or attempting to conduct transactions with the Bank.

Table 3: Requests For Background Checks

Background Checks	2021/22	2022/23	2023/24	2024/25
Number of Customer of Interests/ Business of Interests	138	146	362	258

Source: Financial Intelligence Department, National Reserve Bank of Tonga

Engagement with National and International Stakeholders

Working Group on Serious Financial Crimes

NRBT is the Co-chair and Secretariat of the Working Group or the technical arm of the Cabinet Committee on Serious Financial Crimes. In addressing the APG Mutual Evaluation's recommendations to close the compliance gaps, the Attorney General's Office and FID as part of the Working Group completed the review of Tonga's Money Laundering and Proceeds of Crime Act (MLPCA) in May 2025 with technical assistance from the IMF Legal Department and Australia's Attorney General's Department.

The amendments to the MLPCA is contained in the MLPCA Bill 2025 which has been approved by the Law Committee and Cabinet for submission to Parliament. NRBT conducted stakeholder wide consultations (financial institutions and non-financial businesses such as legal practitioners, real estate agents and accountants) since August 2024, and the compiled responses were considered during the review process. The main amendments to the Act included strengthening of the FIU's enforcement banks, providing for AML supervision, and enhancing the confiscation provisions.

Tonga Law Enforcement Agencies Committee (TLEAC)

TLEAC is established under a Memorandum of Understanding between partner agencies to facilitate information sharing and law enforcement cooperation and collaboration. A meeting was convened in October 2024 by the Chairperson of the Committee, the Police Commissioner to establish a joint law enforcement agency taskforce of authorized officers under the TLEAC framework to facilitate information sharing and evidence collection related to illicit drugs, transnational organized crime, and money laundering. This was followed by a subsequent meeting in November to discuss the results. The partner agencies include Tonga

Police, Attorney General's Office, Ministry of Revenue and Customs, Ministry of Trade and Economic Development, Immigration, and the FIU.

Foreign Exchange Dealers Compliance Spot Checks

FIU officers assisted the Financial System Department with their quarterly compliance spot checks on AML requirements.

Asia Pacific Group on Money Laundering

Tonga as a member of the APG, has benefitted from various technical assistance from the APG's donor and providers group (DAP). These were aimed at ensuring effective implementation of the international standards against money laundering, terrorist financing and proliferation financing related to weapons of mass destruction.

The FIU, as the designated contact point for Tonga, continued to ensure compliance with member obligations. In addition, the FIU made submissions for Tonga's technical assistance and training needs, third Follow-Up Report on Tonga's progress with addressing the recommendations of the APG 2021 Mutual Evaluation Report, and attended the APG Annual Plenary Meeting in Abu Dhabi, United Arab Emirates.

United Nation Office of Drugs and Crime (UNODC)

UNODC held its meeting in November 2024 in Nadi, Fiji on Proliferation Financing Risk Assessment in Pacific Island Countries Outcomes and the Tonga Financial Intelligent Unit (FIU)'s attended. The outputs from this meeting included responses to a Questionnaire and a report on the UNODC Proliferation Finance Regional Risk Assessment in Pacific Island Countries, including Tonga.

AUSTRAC

The AUSTRAC continues to support building the capacity of the FIU. In June 2025, the AUSTRAC Pacific Liaison Officer, Ms. Mandy Liang, visited Tonga to assist operationalization of the TAIPAN system. As part of her visit, she delivered a practical workshop on searching, alerting, and basic data visualization to strengthen the FIU's analytical capacity.

Meetings with key stakeholders were also held, including the NRBT supervision team, AML compliance officers from commercial banks, the Australian Federal Police (AFP), the Serious Organized Transnational Crime Unit (SOTCU) and Drugs Squad of the Tonga Police, and the Director of Public Prosecutions. These engagements introduced AUSTRAC's work in the Pacific, highlighted the roles of Tonga's domestic stakeholders, and explored opportunities for closer collaboration in combating financial crime.

Pacific Financial Intelligence Community (PFIC)

The PFIC, a forum for Pacific FIUs, held its third PFIC plenary meeting in November 2024 in Brisbane, Australia. PFIC aims at identifying, developing and operationalizing strategies to combat regional ML/TF threats. It encourages multilateral and bilateral collaboration on issue of mutual priority through regular dialogue and engagement between members. Engagements facilitated by PFIC supports the FIU's key priorities relating to improving financial intelligence analysis, TAIPAN User Group meeting and updates for each Pacific

FIUs, fully operationalize of the TAIPAN System as well as strengthening global collaboration.

Other Trainings and Workshops

The FIU also participated in various trainings and workshops during the year to build their skills while also being updated on developments in the AML/CFT related risks. This included forums on Virtual Assets and Crypto-currency, whole of Government Agency and asset recovery.

Payment Systems & Access to Finance

Financial Inclusion

National Financial Inclusion Strategy Implementation

We promote financial inclusion initiatives to increase access to financial services and deepen financial inclusion. Among the five (5) pillars of the NFIS are promoting Inclusive green finance (IGF) and Digital Financial Services (DFS). The NFIS presents a roadmap towards transitioning to more robust and inclusive economic growth. In 2025 we continued to collaborate with GGGI to seek assistance in developing a sector specific roadmap, to enhance and facilitate inclusive green financing in Tonga. This will commence in the last quarter of 2025. We also commenced issuing of invitation of the local stakeholders for nominations to participate and join the Taskforce and relevant committees in implementing the NFIS. The meetings of the NFIS Committees will commence in the next financial year.

Pacific Inclusion Regional Initiatives Meeting

In June 2025, we co-hosted with the Alliance of Financial Inclusion the Pacific Islands Regional Initiatives (PIRI) Meeting. We launched Tonga's FinTech Regulatory Sandbox Framework as well as the Nuku'alofa Pledge with the full support of the members of the PIRI. This Sandbox Framework provides an environment whereby FinTech companies can safely test their innovative digital financial solutions tailored to the Tongan context, to help address gaps in access and affordability of financial services in Tonga. The guideline for the Regulatory Sandbox is being finalized for adoption in the next financial year.

In recognizing the importance of advancing the financial inclusion initiatives, a new department for Financial System Development responsible for financial inclusion is being established. This department would also facilitate development of solutions to address barriers to accessing financial services, with the relevant stakeholders. This includes the development of the National Payment System and strategy, credit registry and other enablers of financial inclusion.



Prime Minister Eke with the Central Bank Governors of the Pacific, at the opening day of the Pacific Inclusion Regional Initiatives Meeting in Nuku'alofa, June 2025.

Payment Systems

We continue to work towards enhancing the efficiency and safety of the Payment Systems.

Domestic Electronic Payment System

The Domestic Electronic Payment System (DEPS) facilitates the daily settlement of interbank obligations arising from the conduct of transactions on the banks' Exchange Settlement Accounts (ESA), the Reserve Bank's own trading activities, and undertaking of banking business and depository for the Government.

In FY2025, DEPS processed:

1. 6,969 interbank transactions
2. 109,292 cheques physically exchanged between banks daily and settled through DEPS

A total of 109,292 were cleared through DEPS during the financial year 2025, compared with 113,884 cheques in 2023/24. On average, 60 transactions per day were settled, with daily clearing volumes ranging from 100-300 cheques. The cheque clearing is carried out on a bilateral basis between banks with final settlement taking place in the books of the Reserve Bank. The operating hours of the two systems are from 9.00 am to 4.00 pm. Banks are the only participants in both the systems.

DEPS has performed its core function of enabling daily settlement of interbank transactions however efficiency and security could be enhanced. Each commercial bank operates a dedicated standalone terminal provided by NRBT for

initiating and receiving DEPS transactions. These terminals are not integrated with banks' internal systems, requiring manual data entry and preventing straight-through processing. This slows down efficiency and creates significant operational risks, compounded by the fact that the current software solution is no longer supported by the provider. These limitations underscore the importance of transitioning to a modern national payment system.

Payment system providers in Tonga are mainly the banks and mobile money operators. Banks provide several payment products and services under their bank licence. This includes cards (both debit and credit cards), and deployment of ATMs and POS for facilitating card-based payments of customers. The other access channels provided by banks to customers for their payment transactions include internet and mobile banking and services through agents. A few banks also provide separate online services to corporates for initiating their payment transactions. Mobile money operators provide mobile money services to their customers and provide cash-in and cash-out services through their agents. Banks and mobile money operators through these channels facilitate P2P transfers, and utility bill payments on their own, through arrangement or through bilateral arrangements.

Cross Border Payments

In 2025, the Reserve Bank processed 1,672 offshore payments on behalf of the Government and commercial banks, reinforcing its role as a trusted intermediary for Tonga's cross-border payments. These payments were executed through the SWIFT network under stringent security standards and internal controls, including systematic reconciliation of overseas balances, ensuring the safety of Tonga's foreign reserves.

The Reserve Bank's migration to the ISO 20022 messaging standard is on track to meet the November 2025 global deadline. SWIFT MX messages have already been validated and exchanged with selected correspondent banks under the CBPR+ Standard. Work is ongoing to complete validations with all correspondent banks in the new financial year September 2025 to ensure a seamless transition.

Developing a New National Payment System for Tonga

The forthcoming National Payment System, scheduled for implementation in FY2025/26, will address the limitations of DEPS and cheque clearing. It will deliver modern features aligned with international best practices, including 24/7 instant payments, FinTech participation, open banking and API connectivity, distributed ledger innovations, regulatory sandboxes, and enhanced customer identification technologies.

Following a World Bank fact-finding mission to Tonga in September 2024, the Bank commenced work on the development of a modern National Payment System (NPS). This investment will transform Tonga's financial infrastructure by enabling real-time settlement of all types of payments, utilities, merchant payments, and international remittances. The system will also support innovations such as QR-based payments and allow participation of Fintech firms and third-party service providers.

The first milestone was the drafting of the Payment Services Bill, completed in April 2025. The Bill was approved by the Board of Directors and submitted to the Ministry of Finance for introduction into the legislative process. This new framework establishes the legal foundation for regulating payment service providers, including the non-banks such as mobile money operators, and safeguarding financial consumers. The next two steps involves:

- i. *National Payment System Strategy: the Bank is preparing a comprehensive strategy for the NPS, scheduled for completion in the second half of 2025.*
- ii. *Payment Infrastructure: the establishment of the national payment infrastructure is planned for FY2026. The success of implementation will depend on the technical readiness and system capability of banks and fintech providers to connect to and operate within the new platform.*

The development of the National Payment System marks a major reform in modernizing Tonga's financial sector, strengthening efficiency, security, and inclusiveness of payments for the benefit of households, businesses, and Government.

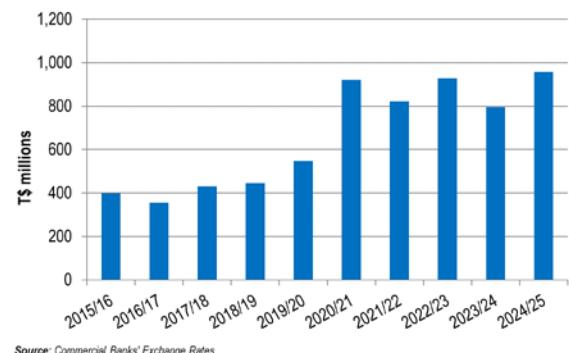
Financial Market Operations

Foreign Reserves Management

Gross official foreign reserves remained well above the IMF's optimal benchmark of 7.3 months of import cover throughout the year. Foreign reserves peaked at T\$933.5 million in July 2024 before closing at T\$925.1 million as at 30 June 2025, equivalent to 10.6 months of import cover. This compares with T\$924.3 million (11.9 months of import cover) at the end of June 2024.

The resilience of our foreign reserves reflects strong inflows of remittances, Government budget support, project funding, and other capital receipts during the year.

Figure 2: Foreign Exchange Turnover



Source: Commercial Banks' Exchange Rates

During the year, the Reserve Bank was a net purchaser in the foreign exchange markets. Purchases totaled T\$539.0 million, which was slightly above sales of T\$538.3 million, resulting in total turnover of T\$1.1 billion, up from T\$794.9 million in the previous year. The Bank executed 1,002 transactions with the Government and commercial banks, and paid T\$729,100 in foreign exchange levy to the Ministry of Finance.

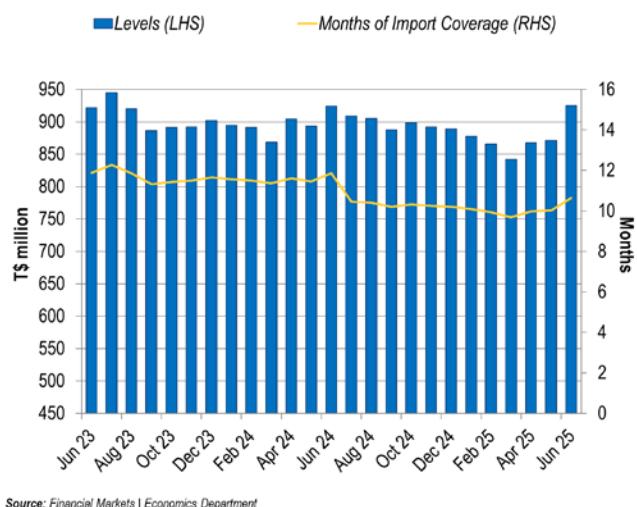
Our investment policy remains focused on safety, liquidity and preserving the value of foreign reserves, while seeking to maximize income under challenging global financial conditions. These reserves were primarily held in US dollars, Australian dollars and New Zealand dollars.

To mitigate currency risk, investments were managed in line with the exchange rate basket that underpins the Tongan Pa'anga. However, market volatility and temporary deviations from benchmark holdings led to revaluation losses during the year.

Investment income declined by T\$2.9 million compared to the previous year, reflecting lower global interest rates as the US,

New Zealand, and Australian central banks reduced policy rates to support growth amid easing inflation pressures.

Figure 3: Gross Official Foreign Reserves - Monthly



Foreign Exchange Control Operations

During the year, we managed foreign exchange operations and processed 794 exchange control applications valued at T\$437.3 million, of which 24.0% were capital transactions. This compares with 738 applications in the previous year. Exchange control data, together with information on large foreign currency payments, remain critical inputs for the Bank's foreign reserves forecast, investment decisions and monetary policy formulations, while ensuring legitimacy of underlying transactions.

We also reviewed and authorized 61 applications totalling T\$61.4 million for the cross-border transfer of physical cash (Tongan pa'anga and foreign currency above T\$10,000), an increase from T\$57.6 million in the previous year.

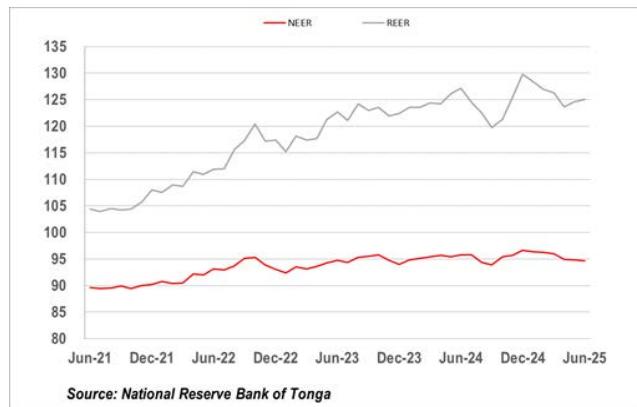
We conducted regular spot checks, reviewed monthly reports received from banks and foreign exchange dealers, and delivered targeted training to improve compliance with the Exchange Control Directive.

Exchange Rate Management

The Bank determines the daily exchange rate of the Tongan Pa'anga by reference to a weighted basket of currencies representing Tonga's major trading and financial partners. These official exchange rates provide the basis for the foreign exchange rates quoted by commercial banks.

Throughout the year, the Bank closely monitored movements in the Pa'anga to ensure that the exchange rate supported balance of payments stability and maintained price stability, consistent with the overall objective of safeguarding macroeconomic stability.

Figure 4: Nominal & Real Effective Exchange Rates - Monthly



Over the year to June 2025, the Tongan Pa'anga (TOP) generally weakened against Tonga's trading partners' currencies, except for the New Zealand dollar (NZD) and the Australian dollar (AUD). The Nominal Effective Exchange Rate (NEER) fell by 1.16%, reflecting a 0.6% depreciation against the USD, while the TOP strengthened by 0.04% against the NZD and 1.1% against the AUD.

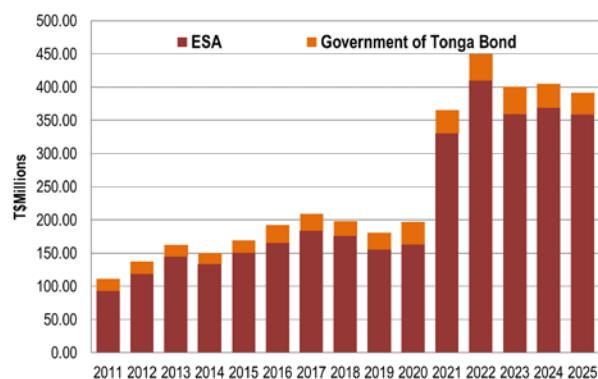
The Real Effective Exchange Rate (REER) decreased by 1.6%, consistent with the lower NEER and Tonga's relatively lower inflation compared to its major trading partners. This indicates an improvement in competitiveness for Tongan goods in international markets.

To mitigate inflationary pressures, we monitored compliance with approved limits on the exchange rate spreads by authorized dealers. In addition, we continued to publish daily and weekly comparisons of financial institutions' exchange rates and fees on its website, enabling the public to make more informed financial decisions.

Implement Monetary Policy and Develop Tonga's Financial Market

In its February 2025 Monetary Policy Statement, the Bank maintained vigilant stance on inflationary pressures. The statutory reserve deposits (SRD) ratio was held at 15% throughout the year. Excess liquidity in the banking system remained elevated and increased further to \$309 million, in line with the growing foreign reserves.

Figure 5: Banking System Liquidity



During the year, the high level of liquidity meant that there was no activity in the interbank market and no applications for repurchase agreements.

Since November 2024, the Reserve Bank, with technical support from the IMF, reviewed options to strengthen its monetary policy framework and address weaknesses in the interest rate channel and domestic monetary leverage. The IMF TA in its January 2025 report identified key challenges, including persistent excess liquidity and an inactive interbank market, which continue to hinder effective policy transmission. The review recommended:

- Adoption of a market-based operational framework,
- Strengthened policy communication strategies, and
- Development of a robust liquidity monitoring and forecasting system.

Following Board approval in March 2025, the Reserve Bank has committed to implementing these recommendations to improve monetary policy transmission and reduce excess liquidity in the system.

Financial Performance

The Reserve Bank's financial position continued to strengthen during the year. Net worth rose to \$51.7 million at 30 June 2025, up from \$42.8 million in 2024, reflecting stronger asset and liability management. This increase enhances the stability of the Bank's financial position and capacity to absorb potential macroeconomic stress. The stronger capital base supports the Bank's capacity to implement monetary policy measures, even those that may be costly, when they are necessary to safeguard price stability and protect the public interest.

Based on the external audit of the NRBT Annual Financial Statement 2025 conducted by KPMG (Fiji), the followings are disclosed with the detail statement attached as *Annex 1*.

Assets and Liabilities. Total assets stood at \$984.0 million in June 2025, compared with \$979.9 million in 2024 and \$963.1 million in 2023. The increase was mainly due to higher accrued interest income. On the liabilities side, balances declined owing to lower commercial bank demand deposits, reflecting higher net foreign currency purchases from the Reserve Bank and withdrawals from the vault.

Profitability. The Bank recorded a net profit of \$32.5 million for the year ended 30 June 2025, compared with \$35.8 million in 2024 and \$20.4 million in 2023. While lower than the previous year, profit exceeded the budget target by \$5 million, supported by controlled expenditure and despite declining interest rates in key investment markets.

Table 4: Comparison of Financial Results over the years

	2025	2024	2023	2022	2021
Foreign Currency Assets	957,558,391	952,671,684	940,998,055	878,165,991	719,707,467
Local Currency Assets	26,446,945	27,221,843	22,128,521	20,210,320	55,662,988
Total Assets	984,005,336	979,893,527	963,126,576	898,376,311	775,370,455
Foreign Currency Liabilities	123,119,308	102,559,963	140,094,098	103,511,006	70,125,399
Local Currency Liabilities	809,217,785	834,533,685	790,218,001	764,938,995	671,005,902
Total Liabilities	932,337,093	937,093,648	930,312,099	868,450,001	741,131,301
Net Assets	51,668,243	42,799,879	32,814,477	29,926,310	34,239,154
Net Profit available for distribution	32,527,488	35,778,967	20,387,379	529,534	200,050
Transfer to General Reserves (30%)	9,758,246	10,733,690	6,116,214	158,860	60,015
Transfer to Government of Tonga (70%)	22,769,242	25,045,277	14,271,165	370,674	140,035

Risk Management & Compliance

Risk Management

In 2025, the NRBT achieved significant progress in strengthening its risk management framework. Key accomplishments included:

- *Endorsement and implementation of a new Enterprise Risk Management (ERM) Framework and Policy, with zero tolerance for fraud and legal breaches.*
- *Completion of the Draft Whistleblower Policy and Anti-Fraud Policy.*

These initiatives reflect the Bank's commitment to fostering a culture of integrity, transparency, and proactive risk mitigation, while enhancing corporate governance and accountability.

Contingency Planning

To ensure operational resilience, the Bank finalized the preliminary design and negotiations for a new Resumption Site at the HMAF Taliai Camp in Fu'amotu. Funding for the design and implementation was incorporated into the 2025 Budget. This strategic investment will safeguard the stability and continuity of Tonga's financial system by ensuring uninterrupted operations should the Bank's primary office in Nuku'alofa become non-operational due to technical disruptions, natural disasters, or unforeseen national risks.

Contingent Liabilities

During the financial year to 30 June 2025, NRBT was a Defendant in three separate actions, two of which involve actions undertaken by the former CEO and former Chairman of the Tonga Development Bank (TDB). The actions are currently subject to applications for strike out and the prospects of success are remote, if not nil.

In respect of the third action, which was an action for judicial review and restitution by the Anti-Corruption Commissioner, that matter is a test case on the powers of the Anti-Corruption Commissioner and is currently before the Court of Appeal with a prospect of success being reasonable. The financial impact in respect of damages and legal costs is unable to be

confidently calculated but is regarded as being of such a minimal nature that it represents no threat to the Bank's financial stability in terms of any award and/or costs order, if it were to be made it would be hardly exceptional.

Internal Audit

The internal audit program for the financial year ending 30 June 2025 was led by the Chief Internal Auditor (CIA), appointed in December 2023.

Key accomplishments included the completion of the audit of the Currency Department and the outsourced audit of the IT function, which was carried out by Price Waterhouse Coopers (PwC) and finalized in December 2024. An Action Plan has been adopted to implement the remedies and improvements identified by PwC.

The planned audit of the Financial Market Department's reserve asset management was not completed by 30 June 2025 and will be prioritized in the upcoming audit cycle. In addition, the CIA provided leadership support to the Financial Intelligence Unit on financial crimes risk identification and management matters.

To strengthen the capacity of the Internal Audit Department at the end of the financial year one staff was recruited to increase to two members in the new financial year. Both auditors are qualified accountants with extensive financial experience. Other capacity developments were further enhanced through:

- *Finance Staff Training: Three senior Finance staff have been promoted and enrolled in online CPA qualification courses to build a pipeline of professional accounting expertise.*
- *Recruitment: Additional staff will be recruited in the new financial year to further strengthen audit and risk management functions.*

These initiatives reflect our commitment to building a highly skilled and professionally accredited internal audit function to support effective internal control, governance and risk management.

Currency Management

The Reserve Bank successfully ensured an adequate supply of high-quality banknotes and coins to meet public demand continued to be available during the financial year. In line with the Quality Banknotes and Coins Policy, unfit currency was systematically withdrawn from circulation and destroyed to maintain the integrity of Tonga's national currency. As at 30 June 2025, currency in circulation totalled \$132.4 million, an increase of 3.6% from the previous year.

- **Banknotes:** Circulation rose by 3.4% to \$125.9 million, supported by the issuance of new polymer notes and inflationary effects. The \$2 and \$50 remained the most widely used denominations over the past five years.*
- **Coins:** Circulation increased by 6.5% to \$6.4 million, with the \$0.10 coin being the most common denomination, totalling 9.7 million pieces in circulation.*

These deliverables reflect steady growth in demand for both banknotes and coins, while reinforcing public confidence in the quality, availability, and integrity of Tonga's national currency.

Table 5: Currency in Circulation

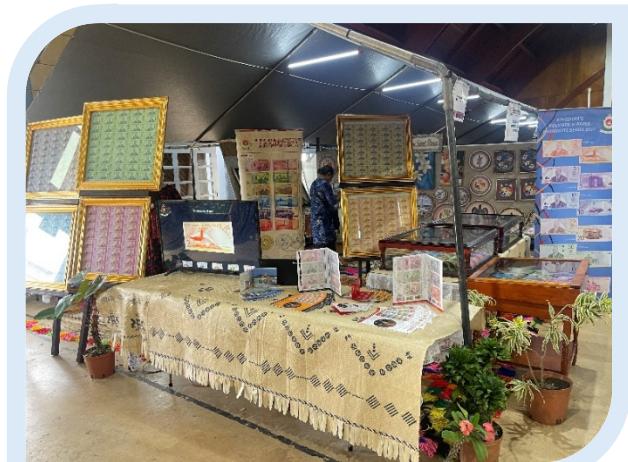
	20/21	21/22	22/23	23/24	24/25
Banknotes (\$millions)	111	132.7	112.3	122	125.9
Coins (\$millions)	4.8	5.3	5.7	6	6.4
TOTAL	115.8	138.0	118.0	128.0	132.4

To better serve public demand and support commercial bank operations, we expanded our capacity and strengthened processing within the Currency Department by simplifying the currency management policy. This helped timely issuance and reissuance of mint and good-quality notes to meet cash demand while ensuring more efficient processing of cash redeemed from the banks.

During 2024/25, the Currency Department processed 872 redeemed parcels deposited, together with 11 parcels carried over from the previous year. Of these, 862 parcels were fully counted, sorted, and processed within the required 10-day turnaround time.

- Fit notes were repacked and reissued to circulation.*
- 560 parcels of unfit notes were destroyed to maintain the quality and integrity of currency in circulation.*

As at 30 June 2025, 21 redeemed parcels remained in the vault for processing in the next financial year, along with 46 unfit parcels awaiting destruction.



The Reserve Bank's booth at the Tonga Trade Fair, showcasing the country's currency and numismatic options

These deliverables demonstrate strengthened operational efficiency, compliance with processing timelines, and the Bank's commitment to maintaining a clean and reliable currency supply for the public.

Table 6: Redeemed Parcels Processed

	FY 2024/25		
	No. of Parcel	Volume (No. Of Note Pieces)	Value (TOP\$)
Opening 1 July 2024	11	39,214	1,203,494
New Deposited	872	4,152,375	136,525,318
Counted (Authenticated)	862	4,103,143	134,688,673
Closing 30 June 2025	21	88,472	3,040,139

Public Awareness Programs

As we prioritize the integrity of Tonga's currency, key initiatives during the year to combat currency defacement and counterfeiting included:

- *Public awareness campaigns across Tongatapu and the outer islands, with visits to schools, banks, and community conventions.*
- *Press releases to highlight the importance of preserving banknotes and to emphasize the legal consequences of defacement.*

These efforts helped foster greater public awareness, promote responsible handling of currency, and strengthen compliance with currency regulations.



Numismatic display



Currency Awareness Program

Numismatic Currency

Numismatic operations recorded strong performance during the year. For the first time, specimen notes were made available for sale, contributing to higher-than-expected demand alongside the new currency series. Revenue from numismatic sales reached \$0.393 million, exceeding the target range of \$0.175 million by 125%. This outcome reflects the success of collaboration with loyal customers and growing collector interest.

In line with strategic objectives, we implemented updated policies and procedures to further strengthen currency operations. Work is also underway to expand revenue streams through alternative strategies to boost numismatic sales. The digitization of currency processes is advancing, supporting greater efficiency, innovation, and resilience in operations.

Corporate Services

Information System Technology

The IT department maintained a strong focus on ensuring a resilient network infrastructure and reliable, highly available systems to support the Reserve Bank's ongoing operations. Technology remains a vital enabler of operational excellence and plays an essential role in advancing the Bank's strategic goals and objectives. Our approach to technology management was to balance innovation with security, reliability with advancement.

Cybersecurity Initiatives

Cybersecurity remained a top priority throughout the year, with continuous threat monitoring and proactive detection of emerging security vulnerabilities to safeguard the Bank's systems and information assets. Our commitment to improve our cyber resilience is heightened due to recent attacks on other organizations in the country.

Enhanced Security Infrastructure

Our cybersecurity posture was strengthened through comprehensive programs designed to raise awareness among all our employees and through cyber intelligence-sharing with other financial institutions, the Government via TongaCERT, and other central banks in the region.

We successfully implemented an advanced Email Security Tool to strengthen the security of our email system, providing advanced threat protection against phishing and malicious communications. A more advanced email filtering system now supports staff awareness initiatives by delivering targeted campaigns focused on phishing and other email-related security risks.

Additionally, we deployed a vulnerability management platform that delivers detailed vulnerability assessments and insights regarding the security status of all endpoints connected to the Bank's network, enabling proactive risk mitigation.

Staff Training and Awareness

During the year, we strengthened our cybersecurity awareness training programs for staff through comprehensive in-house initiatives. Given the emerging risks of cyber-attacks, it was imperative that we continue to train our staff to stay alert to these vulnerabilities and maintain organizational vigilance.

Incident Response and Compliance

The Cyber Incident Response Team (CIRT) successfully conducted the annual cyber desktop exercise in November 2024. As part of this exercise, the CIRT reviewed and updated the Cyber Incident Response Plan (CIRP) 2024, addressing identified gaps and strengthening response processes. Following this exercise, we completed a comprehensive review of policies, procedures, guidelines, and templates based on lessons learned, ensuring continuous improvement in our security framework.

Towards the end of 2024, we completed the independent SWIFT Customer Security Programme (CSP) Attestation, successfully meeting all mandatory security control requirements and demonstrating our commitment to international banking security standards.

We also reviewed and strengthened access control systems to maintain appropriate security levels across all systems.

Technology Review and Security Enhancements

Network Monitoring and Assessment

As part of our ongoing commitment to enhancing network security, we successfully implemented a real-time monitoring system that delivers comprehensive analysis of logs collected from various endpoints. This system provides insights into our overall security posture and has significantly improved the department's visibility into network events and activities.

One of the achievements this financial year was the completion of the IT External Audit in November 2024, which provided valuable insights into the status of the Bank's network and technological assets. The audit findings have provided clear directions for further improvements in security and operational visibility.

Hardware Modernization

We continued our hardware refresh program, replacing staff computers and laptops with updated technology to ensure we remain current with the latest technological advances and to enhance staff productivity and work efficiency.

System Migration and Trials

We successfully trialled Microsoft Office 365 with selected staff members, with the full organization rollout planned for the next financial year. This initiative will modernize our

productivity tools and enhance collaboration capabilities across the bank.

Digital Services and Development Projects

Website Enhancement

The Bank's website was successfully redesigned with a refreshed, modern appearance that enhances user experience and accessibility. One of the key additions to this website upgrade was enabling subscription capabilities for users to receive notifications about new releases and alerts directly from the website. We also implemented third-party analytics tools to monitor and report on website performance statistics and user engagement.

Development Initiatives

We engaged in the development of a Currency Vault Management System, which is currently a work in progress and scheduled for completion in the next financial year. This system will enhance our currency management capabilities and operational efficiency.

Business Continuity and Disaster Recovery

Operational Resilience

We focused on the development and establishment of comprehensive business continuity and disaster recovery plans. We're currently making progress in establishing a dedicated business resumption site (an offsite office) as a backup facility to ensure operational continuity should an emergency occur. This initiative strengthens our disaster recovery capabilities and organizational resilience.

Cross Departmental Support Services

Design and Publication Support

In our collaborative approach and commitment to supporting the broader bank's objectives, our team provided support services to various departments throughout the year, assisting with publication and design requests, formatting requirements, and creative services. This included: designing banners for the bank's archway, formatting and designing the annual report publication, creating pamphlets for currency-related initiatives and providing ongoing design and formatting support to other departments as requested.

Looking Ahead

Key initiatives planned for the next financial year include the completion of the SWIFT migration to ISO 20022 standards, rollout of Office 365 bank-wide, the completion of the

Currency Vault Management System development and the review of the network infrastructure.

Building & Property

The Building and Property Unit manages the Bank's building, assets, and working environment, ensuring they remain safe, secure, and fully operational. We also play a key role in implementing the business continuity and disaster recovery plans, to maintain uninterrupted services during unforeseen events.

In the 2024/25 financial year, we remained committed to upholding excellence in the management of the Bank's buildings, property, plant, and equipment. By combining in-house capabilities with specialized external expertise, we delivered responsive, cost-effective solutions to maintain infrastructure integrity and service continuity. These proactive efforts are critical in reducing operational risks and maintaining seamless building services. We also contributed significantly to fostering a safe, functional, and efficient work environment for staff, tenants, and visitors.

Infrastructure Upgrades and Modernization

Essential Systems Enhancement

Significant progress was made in upgrading critical building systems to ensure operational reliability and enhanced performance:

- *Plumbing System Upgrade:* completed the initial phase of the NRBT plumbing system upgrade for the building's main water system, enhancing water distribution efficiency and reliability.
- *Air Conditioning Modernization:* Advanced the ongoing final phase of the centralized air conditioning system and control upgrades, improving energy efficiency and climate control throughout the facility.
- *Electrical Infrastructure:* successfully upgraded the building's main power regulator for essential electrical service lines, ensuring stable and reliable power supply to critical operations.

Specialized Area Improvements

- *Initiated the replacement of air conditioning units in the Control Room, Embassy of Japan and Board Room, ensuring optimal environmental conditions for these important spaces.*

- Progressed with office fit-out upgrades for the Embassy of the United States of America, enhancing tenant facilities and services.

Safety, Security, and Compliance

We prioritized building safety and structural integrity through comprehensive evaluations:

- **Seismic Assessment:** We completed the NRBT Structural Seismic Assessment, with recommendations to be addressed to ensure our building meets current safety standards.
- **Fire Safety Compliance:** We responded to findings from the Tonga Fire & Emergency Services inspection report, implementing necessary improvements to maintain fire safety standards.
- **Security Enhancement:** We addressed findings from the Protective Services and Security Review, strengthening our security posture and protocols.

Insurance and Risk Management

- We conducted comprehensive NRBT Building Evaluation for insurance coverage purposes, ensuring adequate protection for our assets.
- We continued engagement with insurance brokers to manage our insurance programs effectively.

Business Continuity and Operational Resilience

Disaster Recovery Planning

- We explored viable options for establishing a Business Resumption Site, advancing our disaster recovery capabilities and ensuring operational continuity during emergencies. Developing and endorsing a Business Continuity Policy remains important to guide the work on contingency planning against risks which the Bank is exposed to.
- We enhanced our preparedness for unforeseen events through strategic planning and infrastructure assessment.

Tenant Relations and Property Management

Lease Management and Tenants Services

- We successfully reviewed and renewed the lease agreement for the Japan International Cooperation Agency (JICA) for another three years, maintaining important institutional relationships.

- We continued to provide high-quality facilities and services to all building tenants.

Professional Property Management Services

- We engaged NRBT Property Management Services (CPM Ltd) and completed comprehensive building assessments to establish a preventative and urgent maintenance program.
- We implemented systematic approach to building maintenance, reducing reactive repairs and extending asset lifecycles.

Human Resources

The Human Resources department continued to elevate organizational excellence in our staff and processes, maintaining a firm focus on the development and management of our human resources. Through increased employee engagement, expanded learning and development opportunities, and the implementation of HR technology solutions, we have strengthened staff welfare and enhanced productivity throughout the organization.

Staffing Overview and Workforce Development

At the end of June 2025, the Reserve Bank's staff complement reached 87 employees, representing a 7% increase from the previous financial year. This growth reflects the Bank's expanding operations and strategic initiatives.

Our diverse workforce structure compromises:

- **75% permanent employees** proving organizational stability and continuity
- **18% fixed-term contract staff** offering flexibility for specialized projects and temporary requirements.
- **7% daily paid staff** supporting operational needs.

Figure 6: NRBT Total Number of Staff



We maintained a balanced gender composition with female staff comprising 51% of our workforce and male staff 49% consistent with previous financial years (FY2022/23 and FY2021/22), demonstrating our commitment to gender equity in the workplace.

Recruitment and Staff Movements

During the year, we recruited 8 new staff members to support various departmental needs, while managing 2 staff resignations due to various personal and professional reasons. We also completed the annual performance appraisal of staff performance with evaluation and feedback for staff development and career progression

Learning and Development Initiatives

We facilitated an extensive learning and development program comprising:

- **37 training and development programs delivered both locally and internationally**
- **23 specialized training workshops covering technical skills and professional competencies**
- **14 strategic meetings and conferences fostering knowledge sharing and industry networking.**

As part of our commitment to staff development, the Bank supported 2 staff members to pursue full-time postgraduate studies overseas this financial year, investing in their professional growth and enhancing the bank's knowledge base.

Human Resource Information System

We continued to implement and expand the use of our Human Resource Information System (ELMO HR), which has significantly modernized Human Resource operations through enhanced transparency, staff empowerment, and centralized accessibility. The system successfully automates several key functions:

- **Staff Leave Management System** – fully operational, providing efficient leave application and approval processes.
- **Learning Management System** – supporting tracking and management of staff learning and development activities.

The implementation of the **Performance Management System (PMS)** module was piloted during the financial year. This automated performance appraisal system will be fully implemented (live) from July 2025 of next financial year

(2025/2026) for the entire Bank staff, further streamlining our performance management processes through ELMO.

Policy Developments and Review

One of the major achievements this financial year was the comprehensive review of Human Resource policies. We undertook a significant restructuring of our policy framework, particularly reviewing and abolishing the overarching Terms and Condition Policy in favour of more functional and specific policies.

The Board of Directors approved the following new functional policies for implementation in Financial Year 2025/2026:

1. *Leave Policy*
2. *Temporary Assignments Policy, Acting Appointments and Secondments Policy*
3. *Overtime Policy*
4. *Performance Management System Policy*
5. *Disciplinary Policy*
6. *Employee Probation Policy*
7. *Remuneration Policy*
8. *Travel Policy.*

The Human Resources team conducted awareness programs with the staff regarding the newly endorsed policies, ensuring smooth transition and understanding across the bank. Additional policies continue to be reviewed and developed for endorsement in the next financial year.

Forward Looking

The Human Resources department's achievements this year have established a robust foundation for continued organizational excellence. With the full implementation of ELMO's Performance Management System and the rollout of our new policy suite planned for financial year 2025/2026, we are well-positioned to further enhance staff development, operational efficiency, and organizational effectiveness.

Our focus on technology integration, policy modernization, and staff development ensures that the Reserve Bank continues to attract, develop, and retain high-quality talent while maintaining a supportive and productive work environment for all employees.

General Administration

The Administration Department continued to play a vital role in supporting the bank's operational efficiency, compliance, and service delivery during FY2024/25. Operating in close coordination with other departments, the Administration team ensures continuity, sustainability, and efficiency of operations

through support services including procurement management, access control, transportation coordination, and record management systems.

Security Unit

The Security Unit maintained consistent daily operations throughout the 2024/2025 financial year, providing comprehensive security services including access control and monitoring of NRBT premises, regular security patrols, oversight of currency operations and banking transactions, escort duties for commercial bank activities, and supervision of cleaning operations. Key achievements included successful recruitment and integration of three new security personnel during the financial year, completion of Basic First Aid Training for staff in October 2024, and effective management of special operations including currency consignment handling in January 2025 and emergency response during the tsunami warning in March 2025. The Unit demonstrated operational reliability and emergency preparedness while maintaining the security and integrity of NRBT's facilities and operations throughout the year.

Conclusions

The Bank's achievements in FY2025 were made possible through the oversight and leadership of the Board of Directors, whose guidance was essential in navigating a complex and challenging year. With over 80% of planned outputs delivered, alongside additional tasks assigned during the year, the performance of both staff and the Bank reflects another year of strong results despite the demanding nature of central banking for the small open economy of Tonga.

The Bank also acknowledges the valuable support of the Government of Tonga, through the Ministry of Finance, as well as our development partners, fellow South Pacific Central Bank Governors, and international central banking partners.

Together, with the dedication of our staff, these partnerships have **strengthened the foundations of monetary and financial stability** and positioned the National Reserve Bank of Tonga to better serve the Kingdom in the years ahead.