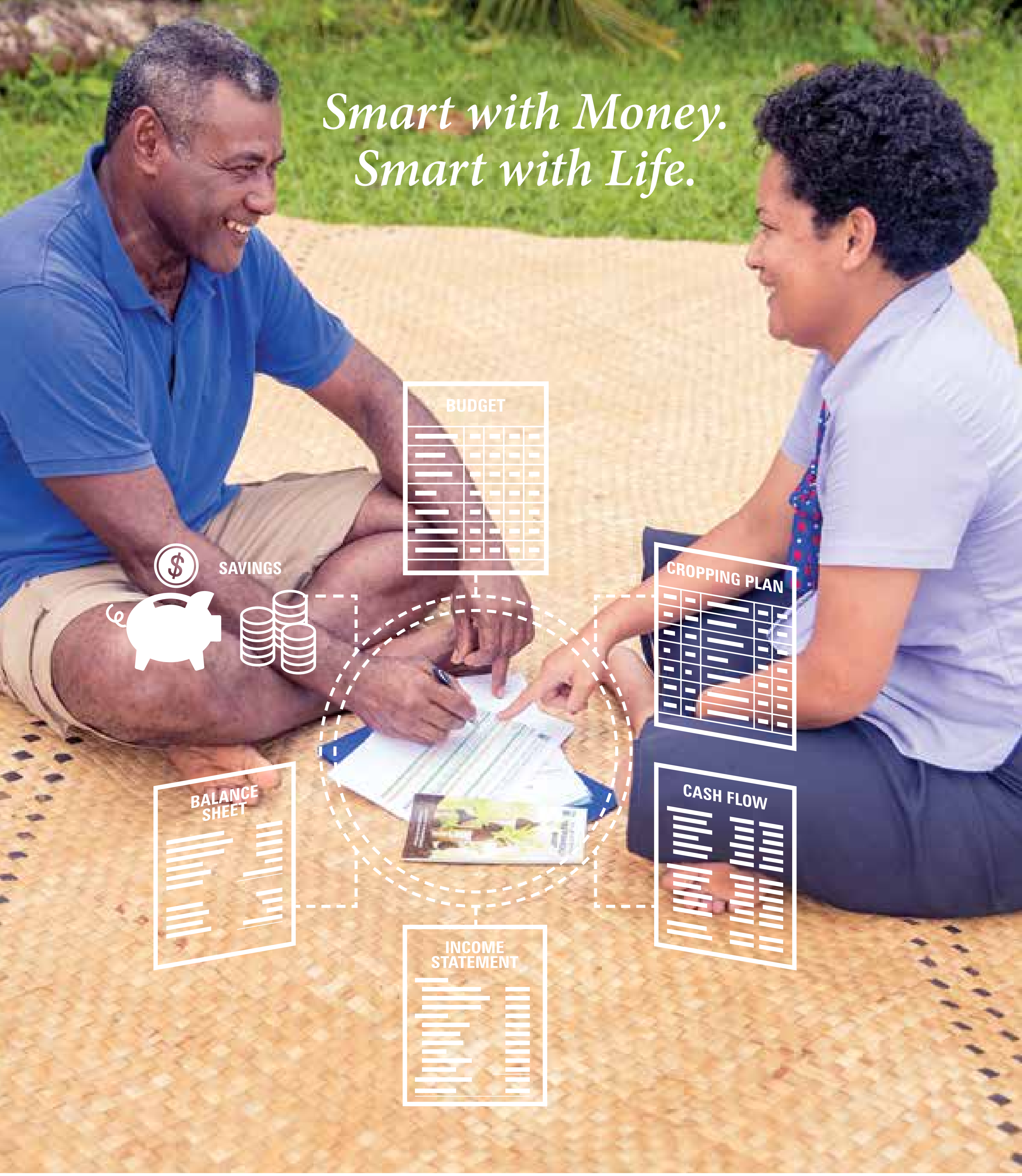
Smart with Money.
Smart with Life.



F·D·B
your partner in progress

FIJI DEVELOPMENT BANK

2019 Annual Report

FDB has been in existence for more than 50 years and remains Fiji's only national development financial institution.

The award-winning Bank is also the first development bank in the South Pacific to be accredited to the Green Climate Fund, the world's largest climate fund, as a Direct (National) Access Entity.

FDB is an autonomous statutory body, the operations of which are controlled by a Board of Directors appointed by the Minister for Economy.

Under the Act, the Bank provides finance for projects and businesses that contribute to the development of Fiji's economy and improves the quality of life for the people of Fiji.

FDB continues to pursue its mandate by focusing on inclusive growth for all Fijians, sustainable development and forging public private partnerships to promote the growth of small and medium enterprises, development of the rural-agro sectors and the growth of the industrial and commercial sectors.

Our strategies are crafted to strengthen FDB's role as a direct contributor to employment and job creation, promotion of women and youth entrepreneurship, and a community that is financially informed and empowered to sustain growth and development for future generations.

The vision for FDB in 2020 is that of a development bank that is strongly positioned as one that drives for changes that promote inclusive, green and sustainable development through the provision of innovative financing.

Contents

Innovation: FDB continuously strives to exceed customers' expectations with products and services that would meet the changing needs of all customers and also taking advantage of emerging opportunities before competitors can.

Collaboration: FDB always works as one team and communicates one message for the development of Fiji and its people.

Integrity: FDB exhibits the highest levels of objectivity, honesty, transparency, fairness and responsibility at all times.

Accountability: FDB acknowledges and assumes responsibility for its actions with the overarching obligation to report, explain and be answerable for resulting consequences.

OUR OBJECTIVES

Our objectives set the broad direction for FDB.

OUR VISION

To be a dynamic financial service provider in the development of Fiji.

OUR MISSION

We provide finance, financial and advisory services to assist in the economic development of Fiji, and in particular in the development of Agriculture, Commerce and Industry.

OUR VALUES

The values our staff embrace in the execution of their duties reflect the pivotal role the Bank plays in the development of Fiji. The acronym 'DICIA' brings these values readily to mind.

Development: FDB continuously focuses on the economic development of our country that is why we exist. We believe in the development of Fiji and bringing success to its entire people.

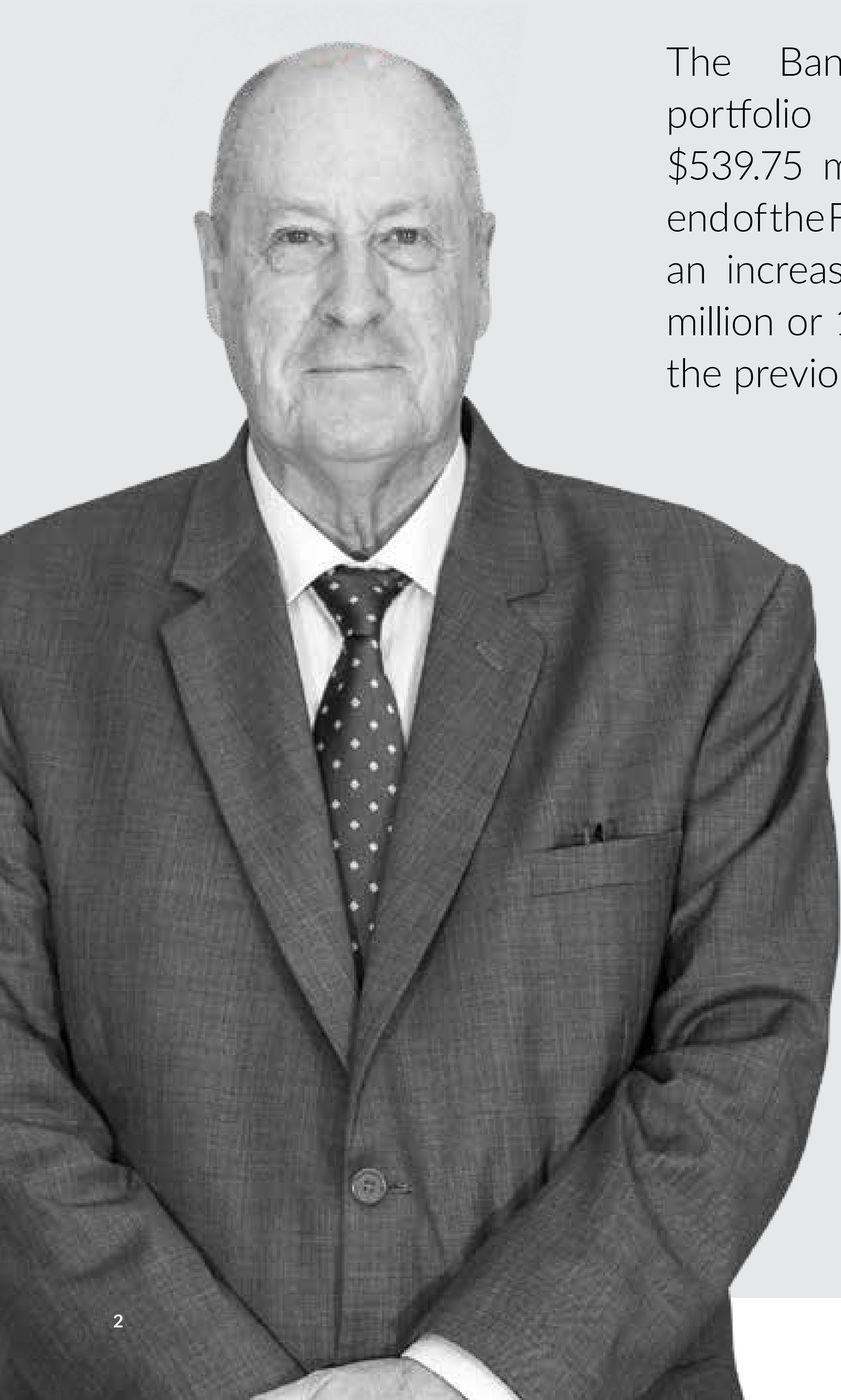
- To improve the socio-economic status of people by assisting them with their needs making the right development investments and financing; and
- To stay financially and economically sustainable.

OUR GOALS

The goals are specific aims set to achieve the wider objectives of the current Strategic Plan.
Each is addressed under one of six clearly defined thematic areas of focus:

1. Financial – Deployment of Prudent Financial Management Practices
2. Customers – Industry Level Customer Service Experience
3. Internal Business Processes – Focused Internal Business Processes
4. Learning and Growth – Developing a Culture of Innovation and Growth
5. Employee Engagement – Employee Engagement throughout the Network
6. Community and Environment – Integrated Approach to Community and Environment

Chairperson's Letter



The Bank's lending portfolio grew to $539.75 million at the end of the Financial Year, an increase of $52.70 million or 10.82% from the previous year.

Mr. Robert G. Lyon,
Board Chairman.

F·D·B

your partner in progress

RGL/MC/SH/ST/pg
27th August 2019

The Honourable Aiyaz Sayed-Khaiyum,
Attorney-General and Minister for Economy,
Public Enterprises, Civil Service & Communications,
Level 7 Suvavou House,
Victoria Parade,
SUVA.

Dear Minister,

RE: 2019 ANNUAL REPORT

On behalf of the Board, I have much pleasure in submitting the enclosed Fiji Development Bank 2019 Annual Report and accounts for the Financial Year ending 30th June, 2019.

The Bank's lending portfolio grew to $539.75 million at the end of the Financial Year, an increase of $52.70 million or 10.82% from the previous year. The major driver of this increase were disbursements of $112.94 million. The loan portfolio represents a customer base of 5,149 accounts.

The Bank achieved a net profit of $4.07 million. Despite increased revenue, the Bank also experienced rising funding, staff and operational costs and increased Allowance for Expected Credit Losses. More widely, the Bank continued to experience tightened funding availability and higher funding costs that it expects to continue into the near term. These factors will be managed through smarter strategies to maintain the Bank's financial sustainability.

This report documents the Bank's journey with a focus on financial literacy initiatives, which is a multi-dimensional tool delivering whole-of-life and loan outcomes. It reflects not only financial knowledge but also skills, attitudes, and actual behaviour of our customers, which, if applied effectively, leads to a strong foundation for the financial wellbeing of individuals, projects and businesses.

The Board commends the Executive Management and staff for their continued efforts and commitments throughout the financial year and in their endeavour to strengthen FDB's role as a direct contributor to economic growth, creation of employment, and a community that is financially informed, thus empowered to sustain development for future generations.

The Government's continued collaboration with FDB and the Bank's engagement with its public and private sector stakeholders have collectively contributed favourably with regard to the quality of projects and businesses financed during the year.

As this is my 10th and final report, I would like to place on record my thanks to you and the Fiji Government for the support that you have given to me and the Bank. It is a much larger, stronger and more complex business than it was in 2010 and hopefully we have contributed to the significant growth in Fiji's economy over the last decade.

Yours sincerely,

Robert G. Lyon
CHAIRMAN

Executive Report

Mr. Mark Clough
Chief Executive Officer

Transformation at the individual and Bank level was a key focus for the 2019 Financial Year for the Fiji Development Bank (FDB). FDB believes that transformation will translate to delivering financial solutions that are relevant, impactful, efficient and responsive for its customers, staff and stakeholders.

In this regard FDB commenced the 2019 Financial Year with the launch of the 'Yaubula' Term Deposit Facility, thus providing an attractive savings and investment option for customers as well as diversification of the Bank's funding base. Within a few months, the Bank delivered another financial solution to its largest customer base – the agriculture sector – with the launch of FDB's Agriculture Family Loan (AFL) Facility. This product breaks the barrier to accessing finance, and creates opportunities for women participation in the agricultural sector, through loan finance which does not require landed security. The Bank steered forward with another financial solution, a 'Matching Grant' support scheme for Small and Medium Enterprises (SMEs), to promote market-oriented agricultural production by farmers in remote and rural areas. This product is a result of a strategic partnership between the Ministry of Agriculture (MoA) and the International Fund for Agricultural Development (IFAD).

Common in these new solutions has been FDB's strategic focus on financial literacy as a foundation of good financial management and business performance. To achieve this, the Bank has rolled out a number of financial literacy programmes aligned to specific products. A unique element of these programmes was the incorporation of cropping plan and cash flow management tools that are specific to the agriculture sector customers. Financial literacy training such as this is an extension of the FDB $mart Series that includes Money $mart, a programme targeted at inculcating a savings culture in the children of Fiji.

It is the Bank's firm belief that financial literacy is a whole-of-life and whole-of-loan cycle process which can drive prosperity and growth. Given, this, the theme for the 2019 Annual Report is *Financial Literacy.*

Market Conditions

The Bank was tested in the second half of the 2019 Financial Year with a higher cost of funds and reduced availability of capital. This resulted in increased scrutiny on the application of its capital, and cost saving measures. In line with FDB's key Strategic Plan theme of diversifying funding sources to counter fluctuations in the cost and availability of its capital, the Bank launched the 'Yaubula' Term Deposit Facility. It has also been examining offshore funding options, and is more focused on increased facilities available through the Reserve Bank of Fiji (RBF). During the year the Government announced that Bank-issued bonds would be tax-free. The Bank will continue to respond to economic conditions, the needs of customers and the direction of Government to develop financial solutions relevant for Fijian individuals, businesses and projects.

Continued Financial Robustness

The Bank continued to fund important projects and businesses to contribute to economic growth; often in high-risk sectors and in sectors not supported by other banks. The Asian Development Bank refers to this as 'additionality', and is a crucial role for development banks.

To remain financially sustainable, the Bank continues to balance higher risk lending as outlined above with lower risk and corporate loans, but in the face of increasing competition. This approach needs to be accompanied by rigorous cost control measures and a dedicated focus on maintaining loan quality through monitoring and supervision.

The Bank achieved a net profit of $4.07 million in the face of challenging market conditions. Despite increased revenue, the Bank experienced tightened funding availability and rising funding, staff and operational costs and increased Allowances for Expected Credit Losses.

The International Financial Reporting Standards (IFRS) 9 was implemented for the financial year and unlike the previously used IAS 39, it includes Credit Loss Allowances once loans are booked as opposed to once a credit loss event has occurred or is likely to occur.

As a result, the Bank's Allowance for Expected Credit Losses relating to lending assets increased by $3.00 million in comparison to the previous financial year. On a positive note, a decrease of $0.45 million in allowance for interest and fees suspended was noted during the 2019 Financial Year, indicating successful recovery of arrears from defaulting loan accounts.

The Bank's Net Operating Income for the 2019 Financial Year was $31.79 million (reflecting a growth of 4.97%), while Total Operating Expenses amounted to $16.06 million.

The Bank's financial position strengthened with an increase in total assets from $467.65 million to $545.30 million as well as an increase in the Bank's gross loan portfolio. Also included in total assets and capital figures is a re-valuation increment on owned properties, as well as higher cash levels to reflect pending End of Year (EOY) disbursements.

The Bank's total capital and reserves increased to $172.05 million, representing a capital adequacy ratio of over 40% - far in excess of the minimum required. This level of capital will provide greater opportunity for the Bank to pursue further quality lending.

The Bank's financial position strengthened with an increase in total assets from $467.65 million to $545.30 million as well as an increase in the Bank's gross loan portfolio.

Overall, a slowdown in economic activity is likely to put pressure on revenue. The Bank must maintain marketing initiatives, including product development momentum to generate new and relevant income streams. The Bank will also seek to initiate projects in partnership with existing or prospective customers where appropriate to fill market gaps and generate new income streams. A renewed focus will be on maintaining loan quality from inception, but accelerating the non-performing loan recovery process and realising value from bad debt portfolios. Process improvements will continue to be pursued to mitigate the likelihood of operating cost increases.

Portfolio Growth

The Bank's lending portfolio grew to $539.75 million at the end of the 2019 Financial Year, an increase of $52.70 million or 10.82% from the previous year. The major driver of this increase were disbursements of $112.94 million, a 4.37% increase from the previous year.

A profile of the Bank's portfolio, by value and number of accounts, is shown in the tables that follow.

Portfolio as at 30th June 2019	2019		2018	
	Number of Accounts	%	Number of Accounts	%
Focused Sector	4,096	79.55	4,128	80.16
Non-Focused Sector	1,053	20.45	1,022	19.84
Total	5,149		5,150	

Portfolio as at 30th June 2019	2019		2018	
	Value of Accounts ($mm)	%	Value of Accounts ($mm)	%
Focused Sector	234.00	43.35	220.98	45.37
Non-Focused Sector	305.75	56.65	266.07	54.63
Total	539.75		487.05	

The Bank's total portfolio stood at $539.75 million for 5,149 accounts at the end of the 2019 Financial Year, compared to $487.05 million and 5,150 accounts for the 2018 Financial Year.

In number, the Focused Sector accounts comprised 79.55% of the FDB portfolio, and 43.35% by value, or 4,096 accounts worth $234.00 million.

In comparison to the 2018 Financial Year, an increase of $13.02 million was noted in value despite a decrease in the number (32) of accounts.

The bulk of the Focused Sector portfolio comprised agriculture loans at $110.62 million, followed by the Transport, Communication & Storage at $50.64 million.

The bulk of the Non-Focused Sector portfolio comprised Wholesale, Retail, Hotels & Restaurant loans at $148.88 million, followed by the Building and Construction at $69.57 million.

The Non-Focused Sector comprised 20.45% by number of loans, and 56.65% by value of the total portfolio, which equated to 1,053 accounts worth $305.75 million respectively. An increase of 3.03% and $39.68 million, respectively, was noted in comparison to the previous financial year.

Approvals as at 30th June 2019	2019		2018	
	Number of Approvals	%	Number of Approvals	%
Focused Sector	1,313	82.32	1,311	80.88
Non-Focused Sector	282	17.68	310	19.12
Total	1,595		1,621	

Approvals as at 30th June 2019	2019		2018	
	Value of Accounts ($mm)	%	Value of Accounts ($mm)	%
Focused Sector	87.48	46.63	84.51	69.35
Non-Focused Sector	100.11	53.37	37.35	30.65
Total	187.59		121.86	

In 2019, the Bank approved a total of 1,595 loans, valued at $187.59 million.

Of this, 1,313 loans valued at $87.48 million, were approved in the Focused Sector. This reflects 82.32% of loan approvals in number and 46.63% in value.

There were 282 loans approved in the Non-Focused Sector, valued at $100.11 million. This reflects 17.68% of loan approvals in number and 53.37% in value.

The Bank's focus in the coming year will be on improving turnaround time (TAT) and the quality of its portfolio, through continued improvements in credit assessment and account management, as well as through the development of products which are relevant and have impact in the context of more challenging market conditions.

Green Climate Fund Accreditation

The Bank proudly executed its accreditation with the Green Climate Fund (GCF) on 5th November 2018, and became effective on 28th March 2019. This milestone ignites the Bank towards increasing foreign investment in local climate change mitigation and adaptation projects. It also supplements the Bank's effort in promoting sustainable development in Fiji.

The GCF is a global fund that supports developing countries' efforts to adapt their economies to the impacts of climate change through low-emission and climate-resilient initiatives. It is pleasing to note that, in the absence of readiness funding, development partners such as the UN Environment Programme, the USAID Ready Project and the Asian Development Bank (ADB) came on board to support the Bank. These development partners assisted in fulfilling three of the four conditions that were to be met prior to the submission of the first funding proposal to the GCF.

To generate high quality proposals for climate finance investment in low emission and climate-resilient projects and programmes, FDB commenced institutional building with knowledge development for staff. The year started with a two day GCF Awareness Session for staff to strengthen their knowledge on the Fund, its requirements, the science behind climate change and climate financing. This followed workshops on newly developed policies that were drafted in response to GCF's requirements. By financial year end, the Bank had submitted its first Entity Work Programme to the GCF.

Multifaceted Solutions for Climate Action

The Bank has submitted its first Concept Note to access climate financing from the GCF for Fiji's first Agro-Photovoltaic project to be developed in the old capital, Ovalau. In responding to the Bank's focus area (Agriculture) and the Government's Fiji 2020 Agriculture Policy, the Bank hopes to gain the GCF's support for the project. Ovalau is part of the Government's planned area for transformation to renewable energy as detailed in the Fiji LEDS Strategy Development, 2018-2050. The project also fulfills both the Government's and the Bank's commitment towards the Sustainable Development Goals (SDGs) of eradicating poverty, food security, zero hunger, affordable and clean energy and clean water.

Combining renewable energy technology with new technology in agriculture, including research and capacity building that the Ministry of Agriculture will participate in, addresses the country's plan to maximize land utilization in a sustainable manner. This innovative approach has the potential to be replicated in other parts of Fiji and the Region.

Envelops Co. LTD, a Korea-based company, with the assistance of Korea International Cooperation Agency (KOICA), has developed this project. The project involves an Independent Power Producer (IPP) renewable energy business and a farming operation underneath elevated solar panels, which is supplemented by an energy storage system. Smart Farm technology promoting high value agriculture and climate-resilient crops will include solar pumping of water for irrigation.

Fiji's first Agro-Photovoltaic project will be developed in the old capital, Ovalau.

Source: Fraunhofer ISE.

During the year FDB continued to direct efforts in finalizing another GCF Concept Note. In March of 2019, it signed a Memorandum of Understanding (MOU) with the Global Green Growth Institute (GGGI) on Green Growth and Climate Finance Co-operation. GGGI has been providing technical support to FDB through the secondment of a staff member to develop a GCF Concept Note on electric bus and to access climate finance through the GCF. The partnership primarily aims at finalizing a pilot programme Concept Note on Promoting the Decarbonization of the Public Bus Transport in Fiji for submission to the GCF. With this FDB will take a lead role in driving the use of new green transport technologies in Fiji.

New Financial Solution for Fijian Investors

In July 2018, FDB announced the launch of the Government-guaranteed Yaubula Term Deposit Facility. The Bank is grateful to the Asian Development Bank (ADB) and the Reserve Bank of Fiji (RBF) for their input into the development of the Facility.

The objectives of the Facility are threefold - to provide a holding option for large customers with periodicity in their cash flows, to provide an attractive, secure, longer-term investment option generating recurrent income, as well as means of diversifying the Bank's funding base. The Facility will also allow businesses to contribute to the growth of the Fijian economy by choosing to collaborate with a development finance institution.

The Facility also reinforces FDB's brand story of the need for financial literacy and savings to its customers. The name "Yaubula" means natural resources in the i-Taukei language and that too is a call to nurture the environment and natural resources similar to the idea of nurturing any term deposit investment.

Multi-dimensional Financial Solution for those Lacking Formal Land Tenure

In breaking the barrier to accessible finance, FDB introduced a financial solution in December 2018 for the further development of the agriculture sector in Fiji.

Farmers that have more than ten years of farming experience but who have previously lacked access to finance due to the absence of savings, assets or formal land lease to put forth as collateral for loans from banks can now take advantage of the FDB Agriculture Family Loan (AFL) Facility.

This Facility focuses on the growth of farming families by providing finance for land development on the farm, construction of farmhouses and infrastructure such as farm inroads, water supply and irrigation, or renewable energy to support the farm.

This milestone achievement is a multi-dimensional solution to achieving sustainable agriculture in Fiji, which at the same time promotes rural development and contributes towards achieving the Government's financial inclusion agenda. For those whose loans are approved, the Bank has a financial literacy training programme available. The Facility has its own financial literacy guide booklet in the English and vernacular languages.

The launch of the Facility was also one of its kind, with FDB inviting various stakeholders to establish information booths on various related products and services. It was a "literacy festival" in some sense that allowed farmers to access information and services such as those of plant doctors, renewable energy and farm implant service providers.

Customers & staff at the AFL launch.

Access to Financing for Agro-SMEs

In April 2019, FDB and one of its core partners, the MoA, signed a MoU on a Matching Grant support scheme for SMEs to promote market-oriented agricultural production by farmers in remote rural areas. This was possible through a strategic partnership between MoA and IFAD which funded the Fiji Agricultural Partnerships Project (FAPP).

Agriculture-based SMEs that previously lacked access to finance in expanding their business to work with small-scale farmers, particularly to the more rural areas, can now invest through a matching grant and loan package that will meet up to 75% of the total investment cost.

With IFAD providing an incentive grant that will meet 25% of the total investment cost, FDB is the only bank that will provide a financial solution constituting a loan sum meeting half of the total cost of the planned investment. The grant amount equals the borrower's equity contribution for the expansion project. By year end, FDB and its partners were nearing completion of necessary groundwork to initiate disbursements.

Culture Change and Organisational Development

Other than its Vision and Mission, the Bank's guiding principles include values of Development, Innovation, Collaboration, Integrity and Accountability (DICIA). These values continued to partner with cultural change, process improvement and organisational development initiatives with the objectives of reducing costs, increasing efficiencies and productivity, reducing risk and improving outcomes for customers.

The Bank completed a major structural review during the year, from which will be implemented:

- the merger of the Legal and Credit Administration Unit (CAU) functions to generate a seamless, end-to-end loan origination legal process;
- the separation of Prime Lending (servicing corporate customers) from the Suva branch lending operations;
- establishment of a separate Marketing and Business Development function to provide more focus on relevant and impact financial solutions and the Bank's place in the market; and
- separation of the Enterprise Risk Management (ERM) function for governance purposes and to provide additional risk and reporting focus.

In addition, further work will be undertaken with the Asset Management Unit (AMU) to increase its efficiency and the velocity and value of non-performing loan and bad debt recoveries.

A major Projects function has been established to review and monitor large project exposures as well as initiate projects where there are fulfilment gaps in the market and additional revenue can be generated for the Bank.

The Bank continually pursues process improvements. Front of mind this year has been the implementation of an upgraded Core Banking System. FDB will continue its march towards digitization and the reduced use and movement of paper. All files will be substantially digitized by the end of the next financial year.

An asset quality review will be undertaken of the Bank's loan portfolio to determine its robustness and opportunities for improvement also. In keeping with the Bank's move to 'public company' levels of efficiency and accountability, it will attempt to release its Annual Report within 4 months of the financial year end.

A comprehensive, Bank-wide scheduled training plan continues to enable staff development but, ultimately, to deliver higher-quality outcomes for customers. Ad hoc training addresses more pressing needs as well as new policy and product releases.

Training and staff engagement highlights include:

- enlisting the Association of Development Financing Institutions in the Asia Pacific (ADFIAP) to provide a case study-based training session for 25 Bank officers over four days in April on Risk-Based Credit Appraisal;
- GCF Awareness sessions in August for Bank GCF Champions engaging partners USAID and the University of the South Pacific;
- continuation of the Emerging Leaders Programme (ELP) as well as commencement of the process of designing the programme for the next;
- wellness themes, with the focus on awareness, check-ups, diet and activity. In addition, the Bank finalised the implementation of a medical scheme at competitive rates for staff and their families to provide genuine and comprehensive protection;
- re-launch of the FDB Sports & Social Club with family-based events, activities and benefits planned. There is an important inter-relation between wellness, community and social club activities – including team building initiatives to increase productivity; and
- the Women's Forum provided energy to specific Bank and community initiatives over the year.

Farewell of Long Serving Staff

During the year, we celebrated the departure of some long-serving staff, including:

- Aisake Radu – Regional Manager Central/Eastern; and
- Sikeli Ralulu – Manager Seaqaqa Branch.

The Bank is grateful to them for their service and wish them well in their future endeavors.

With shock and sadness we also experienced the passing of three dear staff members:

- Viliame Bauleka – Manager Nausori Branch; and
- Mere Naise – Administration Officer Lautoka Branch.

The Bank wishes their family, friends and colleagues peace in their grief.

Environmental Action

Earlier in the year, FDB launched a call for climate action to be strategic, and not merely voluntary. The Bank was the first financial institution to commit to supporting reforestation. In February of 2019, in partnership with the Ministry of Forestry and i-Taukei Affairs Board, FDB entered into a MoU with the Ministry to assist with the Four Million Trees in Four Years ('4MT4Y') reforestation initiative.

Such projects contribute not only towards climate change mitigation initiatives but also contributes towards coastal communities' adaptation capabilities.

The programme operates with the goal of rehabilitating degraded forest sites, and is closely aligned to FDB's strategic priorities of generating positive environmental outcomes and engaging its staff with communities to build lasting relationships and enhance their socio-economic livelihoods.

FDB had embarked on its ambitious journey of contributing towards environment sustainability and employee engagement with the launch of its 2018-2020 Strategic Plan in 2017.

2019 saw a number of other initiatives that involved staff organizing foreshore clean-ups, mangrove replanting and recycling campaigns.

Inclusive and Green Development for SMEs

The Bank hosted yet another successful National SME Awards in February of 2019. The national awards programme is being driven with the vision of promoting the inclusive and sustainable growth of the SME sector, through recognition of successful and innovative entrepreneurs. It is a platform to advocate for good business practices as is evident from the awards eligibility and judging criteria. It is also the only awards platform that recognizes SMEs for being responsive to the impacts of climate change.

FDB is grateful to His Excellency Major-General (Ret'd) Jioji Konusi Konrote, the President of the Republic of Fiji, for officiating at the event for the second consecutive year.

The awards would not be possible without the support of the sponsors and partners, the Development Ambassadors of the Fijian business community.

FDB Executive Management members and colleagues at the ADB Annual Meeting.

Source: Arif Khan, Cacao Fiji.

ADB Annual Meeting

FDB's senior management attended the ADB's Annual Meeting and Conference that was hosted by Fiji in early May 2019. It was an important event to glean what global issues and initiatives are relevant to Fiji and the Bank, how Fiji and the Pacific fit into the strategic plans for ADB and other international agencies, and an opportunity to interact and determine areas of co-operation with those agencies.

It was also an opportunity to initiate ideas for technical assistance, assistance in developing new financial products and structures, particularly for the unbanked and for economically significant projects.

FDB, Stakeholders and the Community

Social, environmental and community outcomes are important to FDB. A point of differentiation is that FDB has an intimate relationship with Government and other stakeholders, as well as the community.

Other than its strategic environmental activities, the Bank also:

- attended the National Co-operatives Day in Suva in July 2018;
- launched the University of the South Pacific Entrepreneurial Fair in February 2019;
- presented to Pacific Island Countries on climate change and disaster risk finance in June 2019;
- organised 'Talanoa' sessions in all regions;
- supported a number of charities with donations.

Further to the Government agency interaction, the Bank continued to engage throughout the year with the Ministry of Industry, Trade & Tourism (MITT) in its programme of grant disbursements to aspiring micro and small business entrepreneurs. To date the Bank has assisted in the disbursement of near 40,000 grants.

Most importantly, the Bank continually refines its financial literacy programmes, and not just for customers. In the near term, it will incorporate the need for insurance and discretionary savings into its programmes.

The Bank does not see a start or end for financial literacy. It sees it as a foundation for prudent financial management – in the household or in business. A whole-of-life and whole-of-loan approach must be taken, and if the Bank is convinced of this in a customer then it reflects favourably in its assessment of finance for that customer.

About the Fiji Development Bank

The Fiji Development Bank (FDB) provides financing that contributes to the development of the Fijian economy leading to the enhancement of the quality of life for all Fijians.

The Bank was established under the Fiji Development Bank Act (Cap 214) on 1st July 1967, sixteen years after development banking started in Fiji with the Agricultural and Industrial Loans Board.

It is an autonomous statutory body, the operations of which are controlled by a Board of Directors appointed by the Minister for Economy.

The award-winning Bank is also the first development bank in the South Pacific to be accredited to the Green Climate Fund (GCF), the world's largest climate fund, as a Direct (National) Access Entity.

The Bank has been in existence for more than 50 years now and remains Fiji's only national development financial institution to this date. It has contributed significantly to the success story of the Fijian economy across generations.

Development Financial Institution (DFI) Role

FDB's mandate is unique. It clearly distinguishes it from commercial institutions for the following broad reasons:

Strong Development Mandate

The Bank is committed to its mission of delivering on objectives that support the economic development of Fiji, and in particular in the sustainable development of the agriculture, manufacturing, wholesale and retail, professional and business services, building and construction, sustainable mining and quarrying, real estate (development), tourism, transportation, communication technology, storage, and the renewable energy sectors. Its core business is initiating and delivering on financial solutions.

Unlike commercial banks, FDB's strong development mandate is balanced with generating financial returns that are necessary in ensuring the Bank is able to remain commercially viable. However, the Bank aims to be financially sustainable in the long term to allow it to deliver consistently on its development mandate.

This focus on overall financial sustainability rather than profitability allows FDB to fund areas that are riskier, but emerging, innovative and technologically advanced. Such lending involves some degree of risk that commercial lenders may not be willing to take on.

Targeting Development Impact Finance

As a DFI, the Bank is in a position to finance directly those sectors of the economy that contribute towards achieving the national development goals, National Budget initiatives and the Sustainable Development Goals (SDGs).

It adds value by targeting strategic sectors of the economy. This includes supporting those customers that are in need of access to finance as well as those projects

The Bank has been in existence for more than 50 years now and remains Fiji's only national development financial institution to this date. It has contributed significantly to the success story of the Fijian economy across generations.

Source: Arif Khan, Cacao Fiji.

Source: King Prawns (Fiji) PTE Limited.

that have the highest multiplier effect, both economically and socially.

Local communities and vulnerable groups, including women, youths, cooperatives and Small and Medium Enterprises are unlikely to be supported by traditional financial institutions in their initial development.

FDB targets such customers and businesses and helps improve them by providing access to finance and invests in improving their skill sets through training and financial literacy programs. These help mitigate risks involved in sustaining businesses and ensures consistent loan conduct with the Bank.

Fills the Credit Supply Gap

FDB contributes towards building a robust financial sector in Fiji by stepping in to fill gaps in credit supply, allowing it to lend to businesses and projects that cannot normally access finance from commercial banks. FDB manages and mitigates risks of lending to such businesses and projects. The Asian Development Bank (ADB) in its recent Finding Balance Study confirmed this 'additionality' provided by development banks.

Supports Economic Stability

The Bank is also an instrument in promoting economic stability by playing a counter cyclical role during financial and economic downturns when the commercial financial sector may be in distress, by maintaining supply of financing.

Social and Environmental Safeguards

As a DFI, the Bank has the responsibility of improving standards by incorporating social and environmental safeguards in its operations and of those it finances. This is not only critical in terms of maximizing the development impact of activities and minimizing negative impacts, but helps improve investments and promotes long term sustainable project outcomes.

Apart from just supporting the national development agenda, this supports the delivery of the SDGs.

FDB has taken a strong stance on incorporating social and environmental safeguards in its lending. Compliance towards social, labour, gender and environmental laws and policies are embedded in the Bank's lending policies. The Bank also carries out its due diligence in ensuring that its customers uphold financial transparency as regulated.

The Bank is also one of the first local financial institutions to develop a Gender Equity and Social Inclusion Policy (GESI).

Apart from GESI, to effect the GCF conditional accreditation, the Bank rolled out its new Procurement Policy and also revised its Complaints Management Framework, Information Disclosure Policy, Insider Trading & Countering the Financing of Terrorism Policy and Anti-Money Laundering Policy.

FDB's Strategic Vision

Being relevant, meeting customers' changing needs, and developing a culture of learning, innovation, and growth is at the forefront of the Bank's personality under the Strategic Plan 2018-2020.

The Bank continually strives to exceed customers' expectations by tailoring financial solutions and offering products and services that meet its customer needs and the expectations of its stakeholders.

The Bank is committed to its standing as the 'preferred banker' when it comes to development financing. This commitment motivates it to meet needs, deliver diverse solutions, improve its service delivery, and enhance value and create business linkages for its customers.

Being financially and economically sustainable, by diversifying its revenue and funding base and managing costs prudently, the Bank is able to contribute towards improving the socio-economic status of the Fijian people by making important development financing decisions.

FDB hopes to improve its responsiveness as an institution by focusing on its internal business processes. Process re-engineering, ensuring compliance, implementing best practices and mechanisms for risk identification and mitigation are strongly reflected in the work of all parts of the Bank.

Creating dynamic and empowering teams, fostering a culture of learning, innovation and growth and employee engagement are primary focus areas of management, and is led by the Talent and Organisational Development team.

FDB is extending its commitment to the community and the environment. The Bank has advocated for strategic actions rather than just ticking off corporate social responsibility boxes while interacting with its stakeholders, the community and to the environment.

Being financially and economically sustainable, by diversifying its revenue and funding base and managing costs prudently, the Bank is able to contribute towards improving the socio-economic status of the Fijian people by making important development financing decisions.

The Bank has been providing development financing across generations.

Board of Directors

The Board is ultimately responsible for all decision-making, with the core objective of adding long-term value to the Bank while upholding the interests of its shareholder and stakeholders.

The Board strives to achieve a balance of skills, knowledge, experience and perspective among its Directors.

1. Mr. Robert Gordon Lyon - Chairman

Appointed August 2010; Reappointed September 2016

Mr. Lyon is one of the most experienced and respected business leaders in the South Pacific. He spent over 43 years with the Australia and New Zealand Banking Group (ANZ) and worked extensively in the Asia Pacific region, including 12 years as Managing Director Pacific. He has also looked after ANZ's retail operations in Asia.

His vibrant career has seen him serve on numerous boards, including as Chairperson of FINTEL/ Kidanet and Melbourne City Marketing, and Board Member of Melbourne Chamber of Commerce, Pacific Economic Bulletin, APNGBC and APIBC. Mr. Lyon also spent 14 years with the Australia Fiji Business Council and was President for five years. Currently, he chairs the Fiji Development Bank, Foundation for Development Cooperation, Sunergise Group, Kula Fund Investment Board and FHL Investment & Strategy Committee. He sits on the Board of Fijian Holdings Limited, Fiji Television Limited, and is Patron of the Australia Fiji Business Council.

He holds a Graduate Diploma in Organisation Development from RMIT University and is a Fellow of the Australian Human Resources Institute, Member of the Australian Institute of Company Directors, and a Senior Fellow of the Financial Services Institute of Australasia. In 2005, he was awarded the 30th Independence Anniversary Commemorative Medal by the PNG Government for services to the banking industry.

2. Mr. Vadivelu (Wella) Pillay - Deputy Chairman

Appointed December 2015; Reappointed December 2017

Mr. Pillay is a well-known and seasoned Fijian businessman. After spending some time in New Zealand, he returned to Fiji to start up his business ventures in the Western Division. Mr. Pillay sits on FDB's Board Credit Risk Committee which is established to review, assess and monitor the implementation of the risk policy and plan.

Prior to his migration to New Zealand, he had worked at the Bank of New Zealand's Sigatoka branch. A golf enthusiast, Mr. Pillay also gives time to community work for TISI Global Sangam, and is a Trustee for Friends of Fiji Heart Foundation. He is the Director and Chief Executive Officer of Gecko Trucking (Fiji) Ltd, Construction Equipment Hire (Lautoka) Ltd and Wairiki Logging Ltd.

3. Mr. Inia Naiyaga - Board Member

Appointed December 2015; Reappointed December 2017

Mr. Naiyaga is a Chartered Accountant, Life Member of the Fiji Institute of Accountants, Fellow of the Fiji Institute of Bankers (Hon) and was a Fellow of the Australian Institute of Directors.

He was a career Central Banker for 40 years and retired as the Deputy Governor of the Reserve Bank of Fiji in May 2014.

Prior to that, he was the Deputy Governor of the National Reserve Bank of Tonga for five years. He is the current Managing Director of Sun Insurance, Director of NFA, Member of the USP Finance and Investment Committee and Member of the Christian Mission Fellowship International Executive Board.

4. Ms. Kalpana Kushla Lal - Board Member

Appointed April 2019

Ms. Lal, a chartered accountant with the Fiji Institute of Accountants, is the Head of Finance & Administration at the German International Cooperation (GIZ) Pacific Operations and is part of the Executive Management Team of GIZ Pacific.

She has over a decade of professional experience in accounting and financial management.

Ms. Lal is a Board Director at Fijian Holdings Limited (FHL), Fiji National Provident Fund and is the Chair of FHL Fund Management Limited. She has served as an Independent Board Director on FHL subsidiary, Basic Industries Limited since November 2016 where she also served as Chair of the Audit and Risk Committee.

Ms. Lal is a CPA and a member of CPA Australia. She is also a member of the Australian Institute of Company Directors and Member of Association of Certified Fraud Examiners.

Ms. Lal holds a Bachelor of Arts Degree from the University of the South Pacific in Accounting and Financial Management and Information Systems.

She is the first female to have been awarded the Chartered Accountant of the Year by Fiji Institute of Accountants at their Annual Congress in April 2017.

5. Mr. Rajesh Patel - Board Member

Appointed December 2015; Reappointed December 2017

Mr. Patel is the Director for R.C. Manubhai Group of Companies and for Nando's Fiji. He chairs the FDB Board Audit Committee and sits on the Talent and Organisational Development Board Committee.

He also sits on the FIFA Council. He holds a Diploma in Textile Engineering from M.S. University. He is the President of the Fiji Football Association and Vice President of the Oceania Football Confederation

He is also a Justice of Peace, and PTFA President for the Board of Governance at Xavier College.

6. Mr. Romit Parshottam Meghji - Board Member

Appointed April 2019

Mr. Meghji is the Executive Director of P. Meghji Group of Companies. He also holds a Directorship at Ritam Investments (Property owners of Sheraton Tokoriki Resort and Spa), Cloud Investments, Virtualflex IT Company, Fresh Choice Supermarket, Krisp Investments, P. Meghji Trading and P. Meghji Co. Ltd.

Mr. Meghji holds a Bachelor of Business in Accounting degree from the Auckland University of Technology.

He has over a decade of experience in managing family-owned businesses and has been instrumental in guiding these businesses to their strategic goals.

Mr. Meghji is a keen sports enthusiast representing Fiji in Squash to the Commonwealth and Pacific Games. He holds various leadership positions within the Gujarati Community in Fiji and the Region focusing on Education, Sports and Community Development.

Corporate Governance

FDB recognizes the importance of upholding good corporate governance at every level.

The Fiji Development Bank (FDB) believes that a strong corporate governance framework, founded in the principles of good governance, is critical to building and maintaining a corporate culture of credibility and accountability.

The basic principles of good governance of fairness, transparency, integrity, disclosure and accountability are embedded in the corporate governance structure of the Bank.

The Code of Corporate Governance

The Bank's strategic objectives, corporate plans, and the overall risk management procedures are all developed with the aim of ensuring that good corporate governance practices are upheld at all times and across all levels.

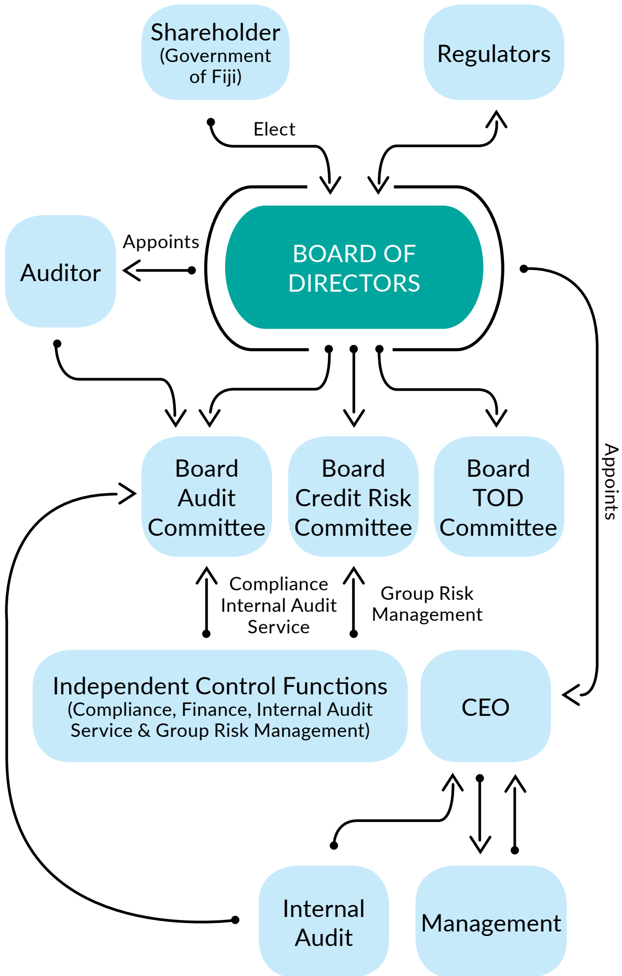
The Bank's Code of Corporate Governance, reviewed in 2019, governs the Board's appointment, composition, functions and practices.

The Code meets the standards set out in the Fiji Development Bank Act (Cap 214) 1st July 1967 (FDB Act) and the Fiji Companies Act 2015.

This Code is periodically reviewed and enhanced to incorporate changes in law and best practices.

Corporate Governance Structure

The following illustrates the corporate governance structure of the Bank.



The Fiji Development Bank (FDB) believes that a strong corporate governance framework, founded in the principles of good governance, is critical to building and maintaining a corporate culture of credibility and accountability.

FDB Board of Directors

The Bank's Board of Directors recognizes the role of good corporate governance in enabling the Bank to implement controls and monitoring mechanisms to ensure compliance, accountability, transparency, and to achieve sustainability.

The Board is responsible to the shareholder (Government) for the governance of FDB, oversees its operations and financial performance. It sets the strategic direction and financial objectives, determines the appropriate risk appetite of the Bank and monitors operational performance.

The Board appoints the Chief Executive Officer (CEO) who is also the main point of contact with the Board of Directors on behalf of the Bank. The Board also determines the structure of the management of the Bank and delegates day to day operations to the CEO.

While the Board and CEO are responsible for the overall management of the Bank, staff are also responsible to ensure that the Bank is governed with policies and systems that uphold good corporate governance.

During the year, staff took ownership of incorporating good governance practices into their work plans by living up to the five values of FDB: development, innovation, collaboration, integrity and accountability. 'Living up to these values' was incorporated into staff Key Performance Indicators.

The Board performs a number of critical functions such as these.

Board Composition and Directors

The Minister and Board strive to achieve a balance of skills, knowledge, experience and perspective among its Directors. This is particularly important for the banking sector, as banks have close relationships with their customers across every sector of the economy and need to understand events in the local and global economy.

Aligned to the FDB Act, the Code of Corporate Governance determines the Board's composition.

The appointed Board Members for the 2019 Financial Year are tabulated below:

Directors	Position	Appointment Date	Term of Appointment
Mr. Robert G. Lyon	Chairman	Reappointed-September 2016	Third Term
Mr. Wella Pillay	Deputy Chairman	Reappointed-December 2017	Second Term
Mr. Inia Naiyaga	Director	Reappointed-December 2017	Second Term
Mr. Rajesh Patel	Director	Reappointed-December 2017	Second Term
Ms. Kalpana Lal	Director	April 2019	First Term
Mr. Romit Meghji	Director	April 2019	First Term

In the 2019 Financial Year, the Board was chaired by Mr. Robert Lyon, who has been the longest serving member of the Board. He shouldered the responsibility to oversee that the Bank's vision, mission, strategic and operational objectives are realised.

Board Directors included Mr. Wella Pillay (Deputy Chairman), Mr. Inia Naiyaga, Mr. Rajesh Patel, Ms. Kalpana Lal and Mr. Romit Meghji.

Appointment of the Chairperson, Deputy Chairperson and the Chief Executive Officer

The Minister for Economy, as prescribed by the FDB Act, appoints the Bank's Chairperson and the Deputy Chairperson.

The initial appointment of Directors is normally for a period of three years and each Director is eligible for re-appointment. The required number of Directors to form a quorum is four.

Appointment of Board Secretary

The Board Secretary is the administrative link between the Board and the CEO.

The Board Secretary is accountable to the Board through the Chairperson, on all governance issues.

The Directors have direct access to the Board Secretary.

The Secretary carries out functions specified by the Code of Corporate Governance relating to Board secretarial services, and strongly focuses on ensuring that there is a smooth flow of information within the Board, its Committees and between the Management and the Board.

The current Board Secretary is FDB's General Manager Finance and Administration, Mr. Saiyad Hussain.

Delegation

The Board delegates aspects of its Management Function to the Executive Management. Such delegation clearly articulates the extent of the authority level. Overall, the Board in executing its power to delegate ensures that it does not hinder its overall ability to discharge its function. At the same time, the Board ensures that there is balance and transparency. A periodic review of such delegation is conducted by the Board to ensure relevance and adaptability to the Bank's evolving needs.

Directors' Skills and Knowledge Pool

While recognizing that no single Director will be fully qualified and experienced in every area of the Bank's operations, the Board ensures that the Directors are collectively empowered or have access to the overall required expertise and skill set.

Directors' professional development and capacity building is incorporated into capacity building plans. Directors are offered opportunities to attend conferences and seminars to this effect.

They also engage in community initiatives led by the Bank and are invited to observe initiatives financed by the Bank to enhance their understanding of the Bank's role as a Development Financing Institution (DFI).

Directors' Remuneration

The Directors receive fixed Board and Sitting Allowances as compensation for the responsibilities they shoulder and the time and commitment they offer FDB in discharging their duties.

These allowances as regulated by the Ministry of Economy and, if a Director is required to travel out of his/her area of residence to attend meetings or events or for any other purpose on behalf of the Bank, travel allowance is paid. In addition, Directors who perform additional services in Board Committees are paid Sitting Allowance.

Conflict of Interest

Directors are required to notify the Chairperson of any conflict of interest at the commencement of the Board meeting. The Board Secretary records such declarations and the subsequent decisions in the meeting minutes.

The Code of Corporate Governance sets out the process that the Bank must apply if a conflict of interest arises for its Directors. Directors who have a conflict with respect to a matter are, without the Chairperson's consent, not allowed to be involved in any decision making process. The Deputy Chairperson presides over matters in which the Chairperson has a conflict.

Board and Board Committee Meetings

During the 2019 Financial Year, the Board met physically on six occasions, with additional meetings and discussions held via the use of communication technologies. While the Board meetings were chaired by the Chairman, and Board Committee meetings were chaired by their respective chairpersons. Invitations were extended to the CEO and relevant EXCO members to have direct communication and discussions when required.

Attendance details concerning Board and Board Committee meetings held during the reporting period are shown below:

Directors	Board Meetings (6 per year)	Audit Committee Meetings (3 per year)	Talent and Organizational Development Committee Meetings (3 per year)	Credit Risk Committee Meetings
Mr. Robert G. Lyon	6/6	2/3	3/3	Flying Minutes
Mr. Wella Pillay	6/6	N/A	N/A	Flying Minutes
Mr. Inia Naiyaga	6/6	3/3	2/3	Flying Minutes
Mr. Rajesh Patel	6/6	3/3	3/3	N/A
Ms. Kalpana Lal	2/6	N/A	N/A	N/A
Mr. Romit Meghji	2/6	N/A	N/A	N/A

Whilst there were no in person meetings for the Credit Risk Committee during the 2019 Financial Year, communication and discussions were held through flying minutes.

Board Committees

The Board is supported in its role by three Board Committees, namely, Audit Committee, Talent and Organizational Development (TOD) Committee and the Credit Risk Committee.

Members are selected based on the skills and experience that they can contribute towards the respective committees. Appropriate structures for these delegations are in place, accompanied by monitoring and reporting systems to ensure transparency and efficiency. These Committees are authorized to make decisions in accordance with their delegated powers. Each committee acts within its respective Committee Charter.

Details concerning the Board Committees are shown below:

Board Audit Committee

- Oversees the financial reporting and disclosure process;
- Monitors choice of accounting policies and principles;
- Oversees the hiring, performance and independence of the external auditors;
- Oversights regulatory compliance, ethics and whistle-blower policy; and
- Monitors internal control processes.

Board Audit Committee Members

Members	Position
Mr. Rajesh Patel	Chairman
Mr. Robert G. Lyon	Member
Mr. Inia Naiyaga	Member

Board Credit Risk Committee

- Reviews and monitors implementation of the risk policy and plan, and
- Assesses the integrity and adequacy of the Credit Risk Management function of the Bank.

Board Credit Risk Committee Members

Members	Position
Mr. Robert G. Lyon	Chairman
Mr. Wella Pillay	Member
Mr. Inia Naiyaga	Member

Board TOD Committee

- Ensures that necessary policies and processes are in place under which all the employees are fairly and competitively rewarded.

Board TOD Committee Members

Members	Position
Mr. Robert G. Lyon	Chairman
Mr. Rajesh Patel	Member
Mr. Inia Naiyaga	Member

Executive Committee (EXCO)

While the Board is responsible for ensuring principles and objectives of good corporate governance are adhered to and enforced, it is the Management's responsibility to see it is implemented and to ensure corporate objectives of the Bank as approved by the Board are achieved.

The CEO chairs the EXCO. Members include the General Manager Business Risk Services (GMBRS), General Manager Relationship and Sales (GMRS), General Manager Finance and Administration (GMFA) and General Manager Talent and Organisational Development (GMTOD) and assisted by an appointed EXCO Secretary.

EXCO sits weekly to review operations and make decisions. The key functions of EXCO are:

- implement corporate objectives, policies, and strategic direction set by the Board;
- allocate resources within the allocated budget approved by the Board;
- ensure compliance of all regulations and laws, and
- establish and implement an effective internal control system, aligned to the business requirements.

Audit and Regulatory Compliance

Internal Audit

The Bank has an Internal Audit Department, which provides independent assurance that the Bank's governance, risk management and internal controls are functioning effectively. The Board approved Internal Audit Charter guides the Department's operations.

The Manager Internal Audit reports directly to the Board Audit Committee but with day to day reporting to the CEO to ensure the independence of the Internal Audit Department. Internal Audit also works collaboratively with the external auditor to ensure that a comprehensive audit scope is always maintained and managed.

External Audit

In accordance with the Financial Management Act (FMA) of 2004 and under the Fiji Development Bank Act (Cap 214) 1st July 1967, the Auditor General of Fiji independently audits the Bank's financials annually.

For the 2019 Financial Year, the Office of the Auditor General audited the Bank's financial accounts, evaluated the operations and internal controls, and provided reasonable assurance based on its evaluation.

This provided a transparent, independent and unbiased assessment of the Bank's governance and financial health.

Reserve Bank of Fiji

The Bank ensures full compliance with the Banking Supervision Policy of the Reserve Bank of Fiji (RBF) as part of prudential requirements.

The Bank reports to RBF on a regular basis. The Bank consults RBF on policy changes and when articulating new policies.

Internal Control and Risk Management

Internal controls for the management of risk are essential to promote the achievement of the Bank's goals and enhance preservation of both the Bank's assets and the investment of its shareholder.

The internal control system is aimed at improving the effectiveness and efficiency of activities, keeping reliable and accurate financial and management accounts, and ensuring compliance with the requirements applicable to FDB.

Asian Development Bank (ADB) is assisting the Bank in aligning its Enterprise Risk Management Framework to international standards and Basel guidelines in 2019 as well.

It is the responsibility of the Board of Directors and EXCO to set the Bank's internal control and risk management systems. Following considerations are taken into account in determining its policies regarding internal controls and risk management:

- the nature and extent of the risks facing the Bank;
- the extent and categories of risk;
- the tolerance limit and the risk appetite of the Bank;
- the likelihood of the risks concerned materializing;
- the Bank's ability to reduce the incidence and impact on the Bank of risks that do materialize, and
- the costs of operating particular controls relative to the benefits obtained.

Stakeholder Interests

As a development financing institution, FDB is accountable to its shareholder (Government), customers, employees and stakeholders, as well as to the community and to the environment in which it operates in.

Shareholder

The Bank strives to assist in the economic development of Fiji and in particular, the development of agriculture, commerce and industry, to contribute towards realizing the goals of the national development agenda set by the Fijian Government.

Employees

The dynamic Bank continues to strengthen its corporate culture and build a working environment that enables productivity, career progression, coupled with appropriate remuneration.

The Talent and Organisational Development Division ensures that the Bank's Code of Conduct, Oath of Secrecy, and other policies guide employees.

The Bank manages terms of employment in accordance with the law, the General Instructions of the Bank, and through procedures stipulated through collective agreement with the Fiji Bank and Finance Sector Employees Union.

The Bank as part of its professional development programmes has provided capacity building for its staff both in-house and externally on a regular basis.

External training for staff in the 2019 Financial Year included both overseas and locally sourced opportunities.

Customers

Customer contentment is a priority for the Bank as it continues to build and nurture life-long relationships with its customers. The financial solutions offered by the Bank are some of the most flexible and tailor-made products in the market to suit customer needs.

Regular consultation and engagement with customers are maintained through visitations by the Relationship and Sales Officers to project sites, including to the maritime islands where the Bank has a handful of customers.

To safeguard the interest of its customers, the Bank has strict guidelines to ensure customer information confidentiality is maintained at all times.

The Bank has a Complaints Management Framework to allow customers to lodge written complaints directly to the CEO, should a customer feel that s/he was treated unfairly. These complaints are dealt directly by the Office of the CEO allowing complaints to be addressed promptly, within five working days.

Community and the Environment

The Bank has strongly positioned itself as a good corporate citizen reflecting responsibility and ownership of its commitment to the community and to the environment.

Over the years, the Bank has supported financial literacy programmes in schools and the community at large,

given recognition and assistance to Small and Medium Entrepreneurs, participated in various clean up drives and other community initiatives.

In 2019, the Bank in advancing its commitment to climate action advocated for businesses to move away from taking up community programmes or corporate social responsibility initiatives to merely tick off boxes. The Bank called for a strategic approach towards community, environment and climate action initiatives.

Further, the Bank continued to support various charitable works through sponsorship programmes.

All of this will continue. Such community support is firmly and irrevocably embedded in the Bank's culture and values.

Over the years, the Bank has supported financial literacy programmes in schools and the community at large, given recognition and assistance to Small and Medium Entrepreneurs, participated in various clean up drives and other community initiatives.

Executive Management

1. Mr. Mark Clough
Chief Executive Officer

He is responsible for leading the Bank in its new strategic direction, positioning it as one that drives innovative and inclusive development and climate financing solutions for all Fijians.

Mark is an investment and financial services professional, with over 30 years of experience as an advisor to governments, and as a senior executive of large international institutions focusing primarily on social infrastructure, renewable energy transactions and real estate development and investment.

Within these sectors, Mark has continually specialised in the marriage of strategy, innovation, funding and social outcomes.

His non-executive roles have included Board positions for schools, community housing, disability services and child welfare organisations.

Mark is an experienced industry practitioner in corporate, structured and project financing, and has held leadership roles in Australia at ANZ Investment Bank, Baulderstone/Lend Lease and Challenger Financial Group, in addition to his own consulting firm.

He holds a degree in Mathematics and Statistics, as well as post-graduate finance, actuarial and governance qualifications and professional memberships.

He was appointed CEO on 20 November 2017.

2. Mr. Nafitalai Cakacaka
General Manager Business Risk Services

He is also the key liaison officer with the Green Climate Fund Accreditation Panel for FDB's accreditation.

Nafitalai has over thirty years' experience in development banking and strategic risk management. He is involved in various capacities in stakeholder engagements, promoting sustainable development projects in Fiji's rural Agro-based sectors, Infrastructure, Clean Energy and Small & Medium Enterprises.

He has been instrumental in incorporating the principles of financial inclusion and literacy both within the Bank's internal policy and development agenda, and at the national level.

A Member of the Fiji Institute of Bankers and of Fiji's National Financial Inclusion Task force, he serves as Chairman of the Inclusive Products & Services Working Group.

Nafitalai holds a Bachelor of Arts in Business Management from the University of the South Pacific, and a Certificate Masters-level in Banking from the Pacific Bankers Management Institute - Pacific Coast Banking School.

3. Mr. Saiyad Hussain
General Manager Finance & Administration

He also serves as FDB Board Secretary. He has been with the Bank for more than 27 years.

Appointed to his senior role in 2010, he manages FDB's Finance and Treasury, Properties, and Information and Communication Technology departments. A qualified Chartered Accountant, he is a Board Director of the South Pacific Stock Exchange and a Member of the Fiji Institute of Bankers.

He has a Postgraduate Diploma in Banking and Financial Management and holds a Bachelor of Arts Degree in Accounting and Financial Management, Economics and Public Administration & Management from the University of the South Pacific.

4. Mr. Shaukat Ali
General Manager Relationship and Sales

He leads the Bank's twelve branches' Relationship and Sales teams across Fiji. He was appointed to the position in 2018 prior to which he served as the Regional Manager, Relationship and Sales for the Western region.

Shaukat has over 30 years of experience in development banking, predominantly focusing on relationship banking and sales. Building sustainable growth and acquisition of a reputable customer base in a crowded and competitive market is Shaukat's core focus.

His role is instrumental in empowering his team to make informed decisions to contribute towards an increase in the Bank's loan portfolio, in collaboration with both the internal and external stakeholders Business Risk Services, Talent and Organizational Development and Finance and Administration teams.

Before been appointed to the GM Relationship and Sales role, Shaukat served in various managerial positions within the Bank, since joining in 1987, including lending, audit, business risk services, corporate business services and asset management team.

Shaukat holds a Bachelor of Arts in Business Studies from the University of the South Pacific and a Diploma in Business Studies from Fiji Institute of Technology.

5. Ms. Mere Aisake Asi
General Manager Talent & Organisational Development

She is the first woman to be appointed to an Executive Management role in the Bank's fifty-year history.

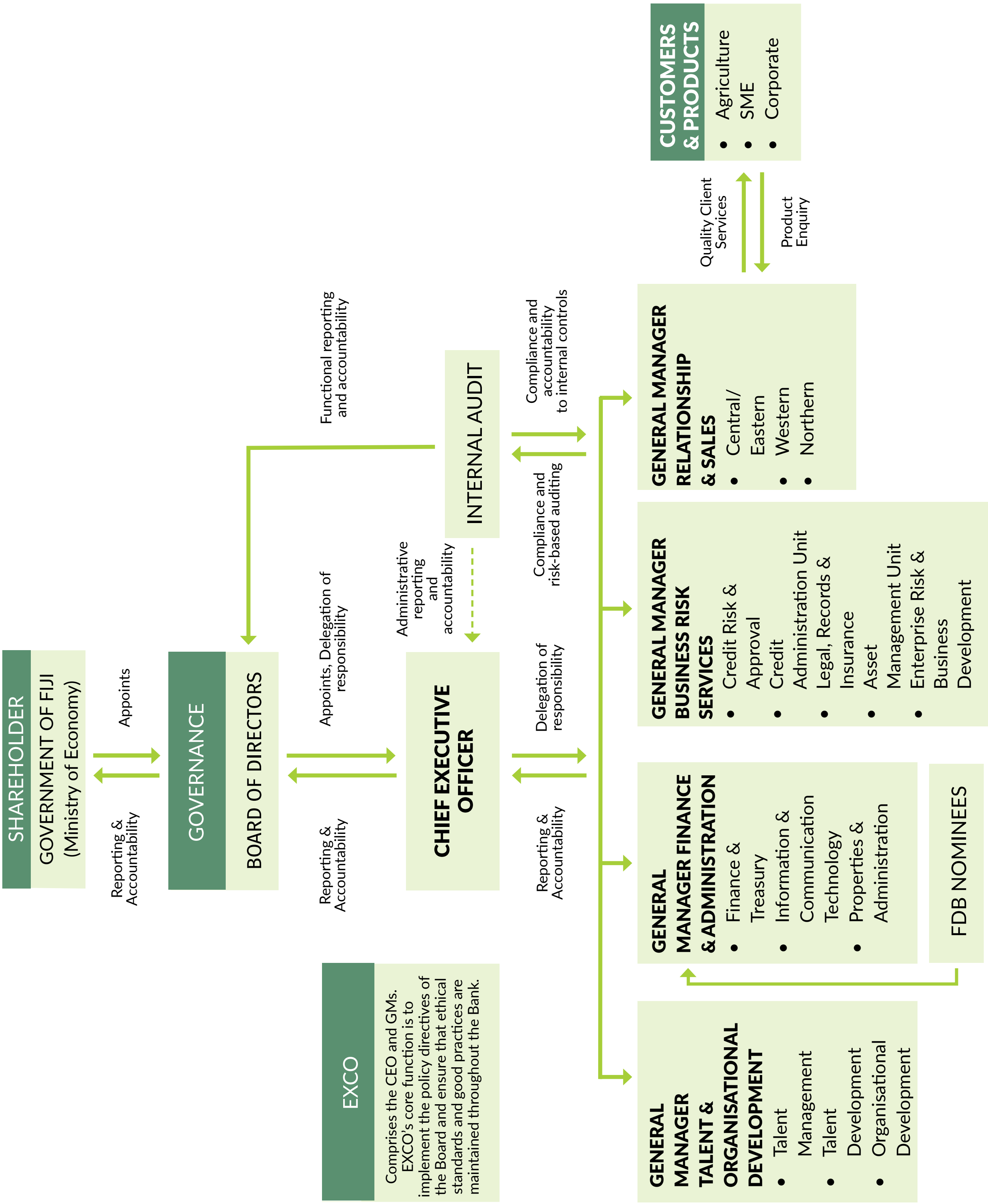
Mere has over twenty years of local, regional and international experience in the financial sector, joining the Bank in July 2017 to fill a newly-created GM position to strengthen service delivery through culture change, empowering teams, guiding career development, coaching and initiating leadership development programmes.

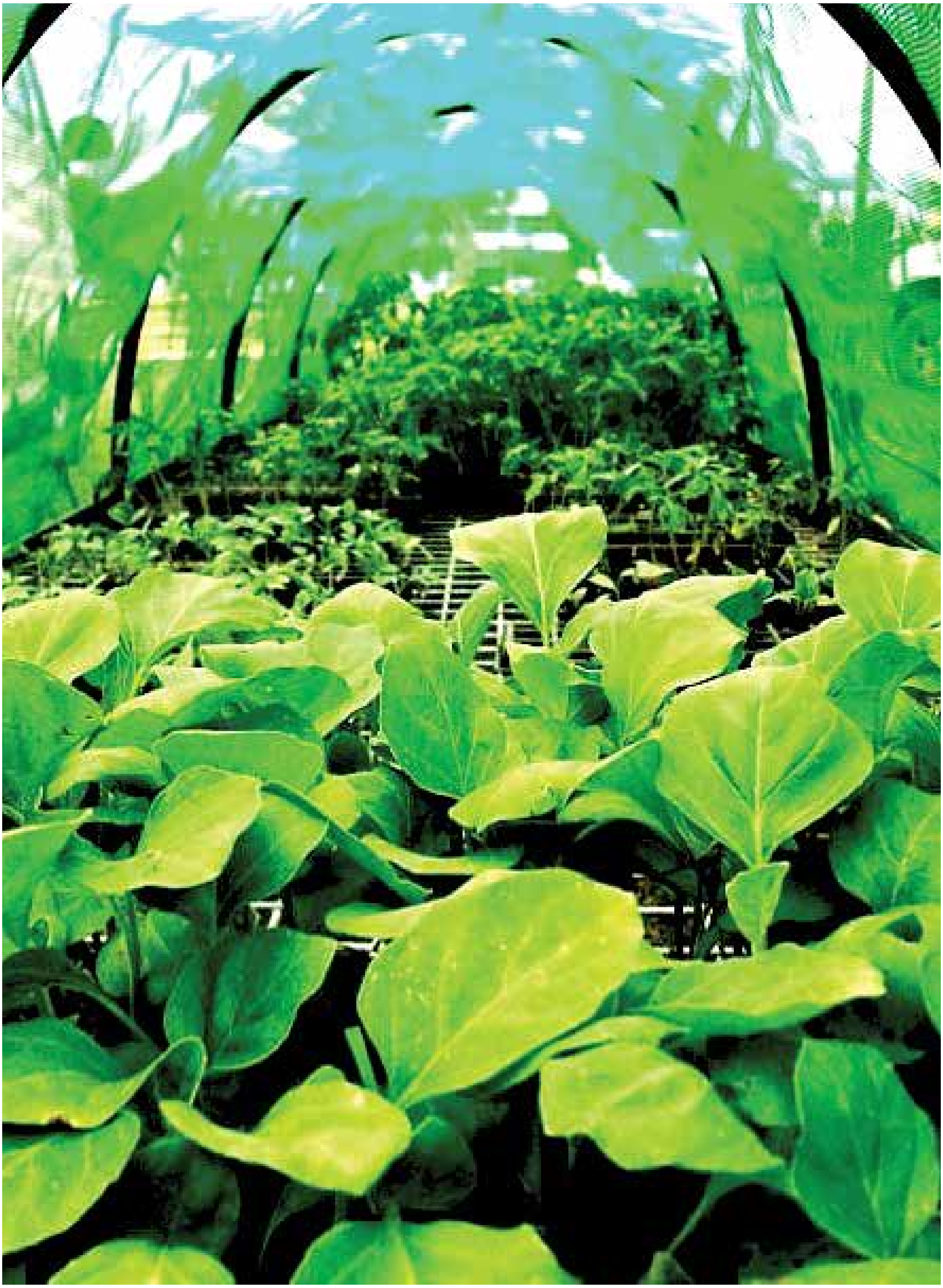
Mere is dedicated to applying her experience in the financial sector, having delivered projects of international standards on talent and leadership development with the end result of enhancing our business strategies and performance.

Prior to joining the Bank, Mere was Manager Policies & Product at the HFC Bank, Sales & Marketing Manager at Computer Services Limited (CSL) Samoa, Administration & Finance Manager at the Scientific Research Organisation of Samoa (SROS), and NZAID Development Program Coordinator Samoa. Even before this, she had held leadership roles with ANZ Bank in Fiji, Samoa and Tonga, and at the ANZ Pacific Head Office in Melbourne, Australia.

She holds a Master of Business Administration from the Central Queensland University, a Postgraduate Diploma, Certificate in Management and Bachelor of Arts Degree in Business Studies from the University of the South Pacific.

Fiji Development Bank Organigram

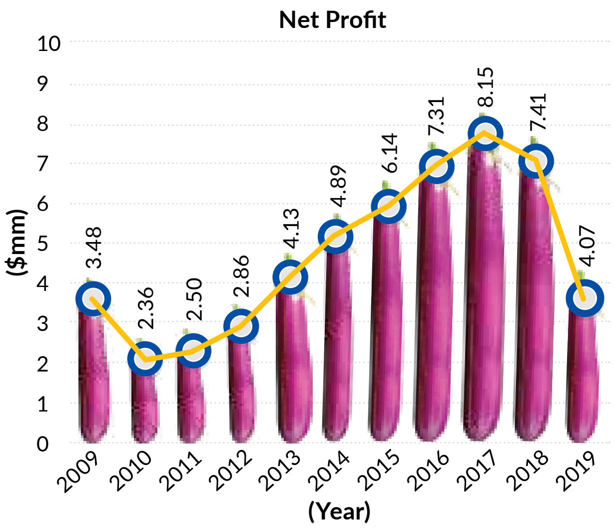




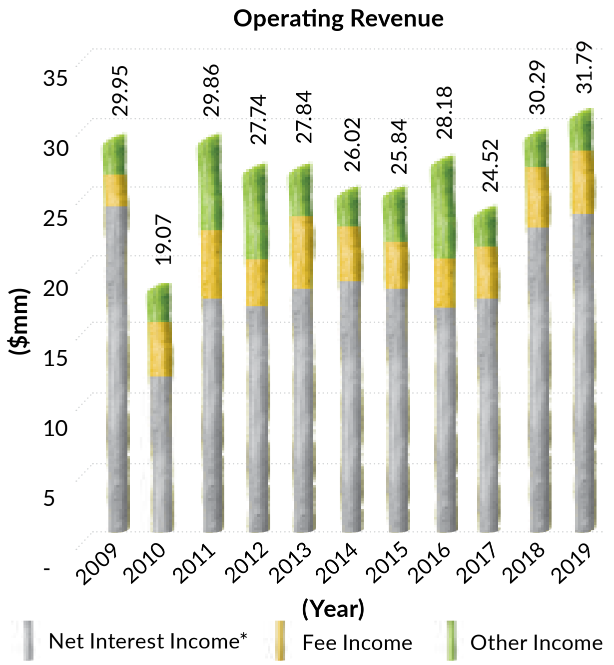
Review of Finance and Administration

Overview

Despite a challenging year with greater operating costs, increasing allowances for expected credit losses, higher cost of funds and a slowdown in economic performance, the Bank achieved a modest net profit of $4.07 million during the year.



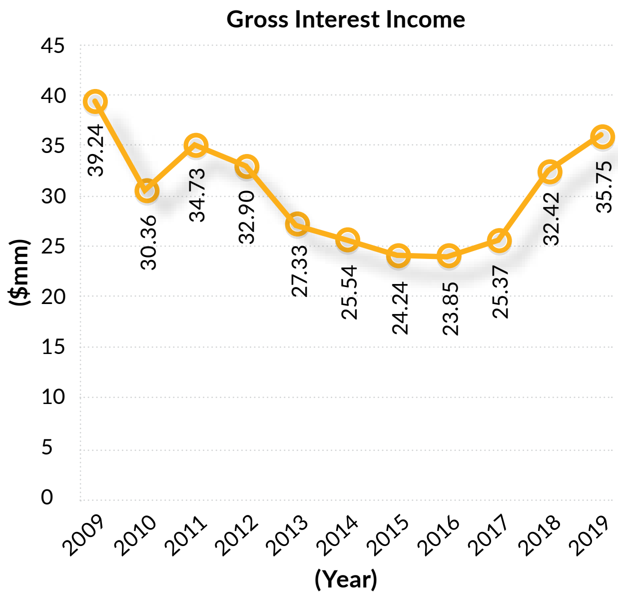
On a positive note, the Bank's total operating revenue recorded a growth of 4.97%. In addition to achieving a growth of 10.82% in its total loan portfolio, the Bank was able to maintain the quality of its portfolio.



* Net Interest Income is gross interest income after inclusion of subsides received and borrowing costs.

Income

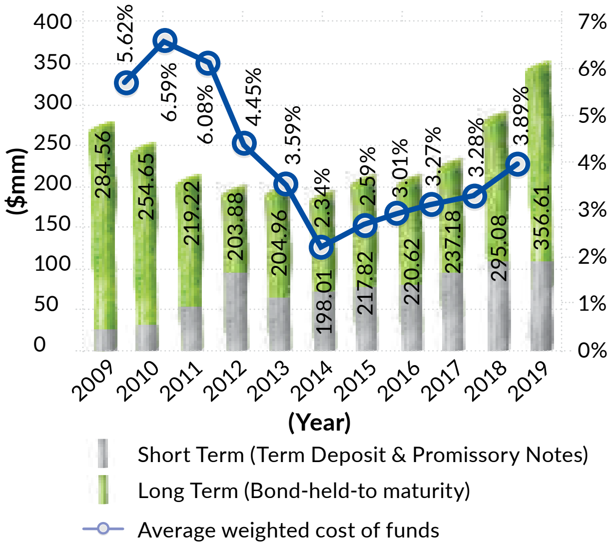
The Bank's main income stream, interest earnings increased by 10.26% compared to the 2018 Financial Year. The impressive performance on interest income was largely attributable to a significant growth in the Bank's overall loan portfolio and a slight increase in the weighted average lending rate to new customers. Other income such as insurance commission and rental income also noted an increase.



Interest and Borrowing Expenses

Increased disbursements and growth in the Bank's customer base resulted in an increase of $2.53 million in the Bank's interest expenses compared to the 2018 Financial Year. Furthermore, the Bank's cost of fund also increased from 3.28% at the end of June 2018 to 3.89% at the end of June 2019, an increase of 61 basis points. Higher maturity obligations during the year coupled with a drop in market liquidity levels resulted in an increase in the Bank's borrowing expenses as new borrowings were largely acquired at higher interest rates.

Borrowings Portfolio and Average Cost of Fund



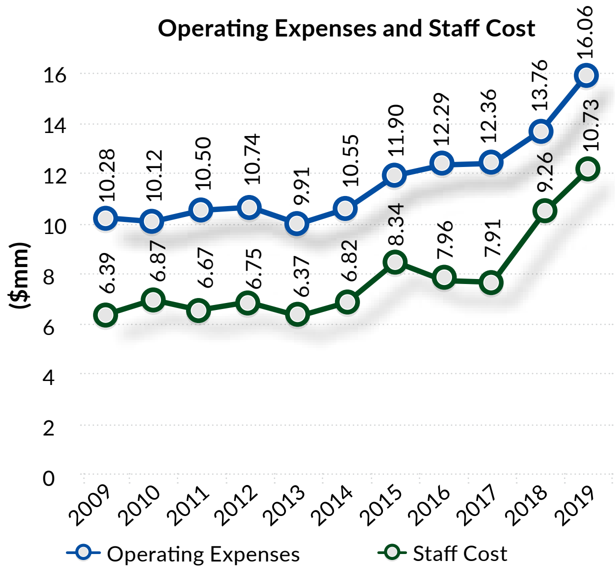
With the launch of a new financial solution, the Bank had diversified its borrowings portfolio to better manage its borrowing expenses. In July 2018, FDB launched its Government-guaranteed Yaubula Term Deposit Facility, which offers customers a secure investment opportunity with attractive returns.

The Bank faced stiff competition from other banks and financial institutions on terms and interest rates offered, but achieved a portfolio of $15.25 million at the end of the 2019 Financial Year.

Operating Expenses

Operating expenses grew by 16.68% compared to the same period last year. The increase was mainly due to increased marketing and public relations activities undertaken during the launch of two new products – the Agriculture Family Loan Facility and the Yaubula Term Deposit Facility, depreciation expenses due to the revaluation of Bank properties and internal office renovations of FDB branches in Taveuni, Sigatoka, Ba and Labasa rental properties. Substantial effort was also put into improving the Bank's corporate image, branding and visibility. Similarly, the Bank also engaged in reforestation programmes across the country, as part of its call for strategic climate action initiatives in collaboration with the Ministry of Forestry. Employee cost also increased with an increase in staff complement by 14 and further marking of salaries to market. The Bank also introduced a staff medical insurance scheme with Capital Insurance and significant capacity building programmes were undertaken in 2019.

Though there has been an increase in the overall operating expenses, close monitoring, coupled with stringent control measures enabled the Bank to manage its day to day expenses within the budgeted levels.



Allowance for Expected Credit Losses

The Bank's Accounting Policy changed with the implementation of International Financial Reporting Standards (IFRS 9), which introduced a 'forward-looking' provision model, replacing the 'incurred loss' provision model under International Accounting Standard (IAS 39). As a result, the Bank's Allowance for Expected Credit Losses relating to lending assets increased by $3.00 million in comparison to the previous financial year.

On a positive note, a decrease of $0.45 million in allowance for interest and fees suspended was noted during the 2019 Financial Year, indicating successful recovery of arrears from defaulting loan accounts.

Income Statement

A summary of the income statement as at 30th June 2019 is as follows:

Income Statement ($mm)	2019 ($mm)	2018 ($mm)	Change ($mm)	Change rate (%)
Interest Income	35.748	32.423	3.325	10.26
Interest & Other Borrowing Expenses	(11.779)	(9.251)	(2.528)	27.33
Net Interest Income	23.969	23.172	0.797	3.44
Net Fees Income	4.779	4.249	0.530	12.47
Other Income	3.046	2.867	0.179	6.24
Total Operating Income	**31.794**	**30.288**	**1.506**	**4.97**
Operating Expenses	(16.057)	(13.761)	(2.296)	16.68
Profit before Allowances	**15.737**	**16.527**	**(0.790)**	**(4.78)**
Total Allowances	(11.671)	(9.116)	(2.555)	28.03
Net Profit	**4.066**	**7.411**	**(3.345)**	**(45.14)**

Assets Structure

A summary of the Bank's asset structure as at 30th June 2019 is as follows:

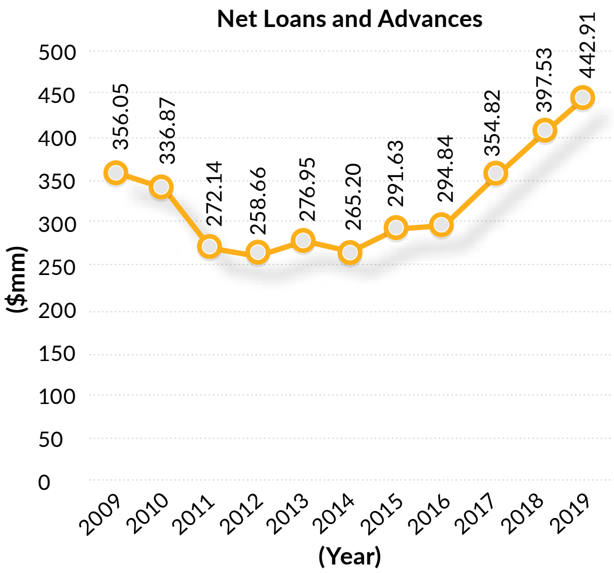
Balance Sheet Review ($mm)	2019	Composition (%)	2018	Composition (%)
Liquid Assets	65.919	12.09%	44.682	9.55%
Investments	2.035	0.37%	2.035	0.44%
Net Loans and Advances	442.915	81.22%	397.529	85.01%
Receivables	4.007	0.73%	2.870	0.61%
Fixed Assets with Intangibles	30.421	5.58%	20.529	4.39%
Total Assets	**545.297**	**100.00%**	**467.645**	**100.00%**

The Bank's financial position strengthened during 2019 with a 16.60% increase in total assets from $467.65 million to $545.30 million.

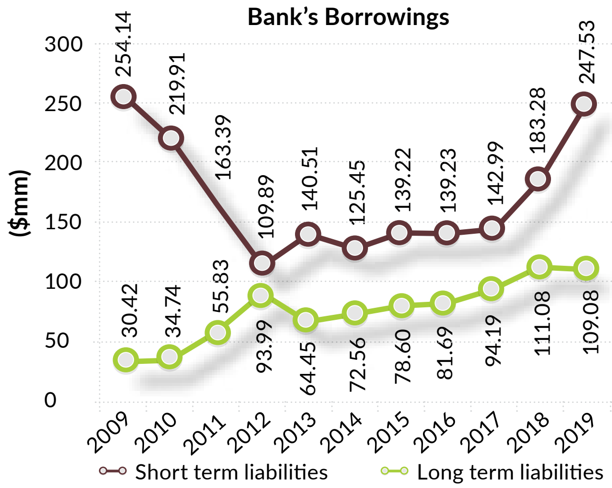
The Bank's gross loan portfolio stood at $539.75 million, a growth of $52.70 million (10.82%) in comparison to the same period last year.

The growth in the portfolio was due to effective customer relationships and efficient lending methods used to increase its agricultural, small and medium enterprise and corporate customer base and retaining its existing customers. The Bank's Liquid Assets, Fixed Assets and Other Receivables also recorded an increase compared to the same period last year. A major increase was noted in the Bank's Fixed Assets with Intangibles as a result of an upward revaluation of Bank owned properties.

A summary of the Net Loans and Advances as at 30th June 2019 is as follows:



There was a growth of 20.53% in the Bank's Total Liabilities for the 2019 Financial Year. The increase in borrowings was mainly to cater for increased loan disbursements. An increase of $61.53 million in total borrowings took place during the financial year to cater for disbursements of $112.94 million.



Capital Structure

A summary of the Bank's capital structure as at 30th June 2019 is as follows:

Balance Sheet Review ($mm)	2019	2018
Total Assets	545.297	467.645
Total Liabilities	373.247	309.667
Total Equity	172.050	157.978

Liabilities Structure

A summary of the Bank's liability structure as at 30th June 2019 is as follows:

Balance Sheet Review ($mm)	2019	Composition (%)	2018	Composition (%)
Accounts Payable & Accruals	5.831	1.07%	3.824	1.23%
Short Term Borrowings	109.077	20.00%	111.799	36.10%
Other Liabilities	10.808	1.98%	10.765	3.48%
Bond-Held to Maturity	247.531	45.39%	183.279	59.19%
Total Liabilities	**373.247**	**100.00%**	**309.667**	**100.00%**

Other Finance and Administrative Activities

Properties Administration Department

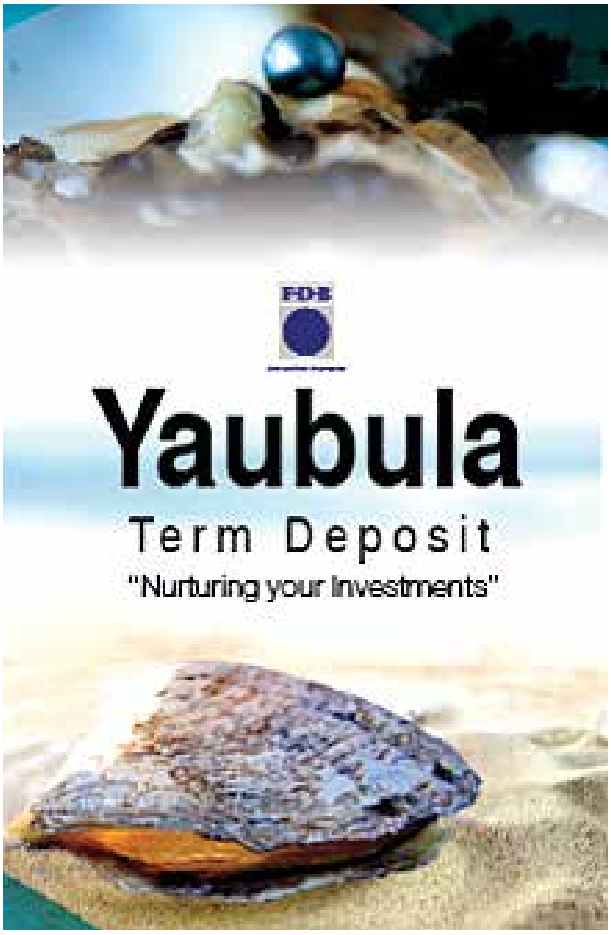
The Bank's Properties Department is responsible for the management and upkeep of all the Bank's buildings and fleet around Fiji, including office space that have been leased out to other parties. This involves frequent liaison with stakeholders to manage relationships and facilitate timely deliverables by contractors, architects, engineers, consultants, other service providers, tenants and regulatory/compliance authorities.

The Bank is committed to providing its customers with comfortable, convenient, and safe banking amenties. Concurrently, it also strives to provide its staff with functional and aesthetically pleasing facilities conducive to a productive work environment. As such, the Bank has commenced preliminary planning and design works for the Fiji Development Bank Center (FDBC) garage and recreational facility at the Head Office. A new look Lautoka Branch office on Level 1 is also in the pipeline. Groundwork on both projects is anticipated to start in the new financial year.

A revamp of customer reception and meeting areas was undertaken to make customers feel comfortable while waiting to be served at all branches.

Furthermore, the Bank has provided mobile access with emails to its Relationship & Sales Officers across its network to enable greater connectivity, and communication with customers and higher productivity and efficiency. The services of our telecommunication partners have also been secured to remind customers on their obligatory loan payments through a short message service (SMS) platform.

Professional valuations of all Bank properties undertaken during the year has seen a significant increase in the value of its properties. Overall, the Bank's rental income performance was pleasing with consistent occupancy rates throughout the year.



Yaubula Term Deposit Product was launched in July 2018.

The Bank also undertook significant upgrading works to its properties including electrical, plumbing and fire alarm system upgrades in order to enhance organizational safety and adhere to regulatory requirements. This upgrading program will continue into the next financial year.

ICT Operation

The ICT Department comprises of two specialist teams: Systems Support & Development and Network & Infrastructure Support. Collectively, the team is responsible for the planning, development, implementation and maintenance of technology based information system(s) to provide a cost effective operational solution to meet current and future user needs.

The Bank is heavily reliant on the ICT infrastructure and it is, therefore, important to ensure that the Bank's information system adequately supports its core business area of lending by ensuring continuous availability of applications, networked infrastructure, internet, email and other office automation tools. The system also supports the Management team by providing timely data and information for decision-making.

Overall, the 2019 Financial Year was an exciting year for the ICT Department. Further to the announcement of the Request for Proposals (RFP) for the Bank's new core banking software project in June, a third-party consultant was engaged to assist the Bank in performing the vendor selection due diligence. The process began with the drafting of the tender evaluation matrix in consultation with the ICT team. In addition to their tender analysis, the consultants were onsite for two weeks and conducted a thorough study of the existing Banking Management System (BMS) by consulting a wide range of users and stakeholders to gauge their views about the BMS business rules and processes. The consultants also looked at the datacentre specifications, network and Disaster Recovery configurations. A detailed study culminated in the presentation of an overview of findings to the FDB Management team followed by the submission of a comprehensive report articulating the gaps between the desired scope of work in the RFP document and what actually existed in the current system. The upgrade of the core banking software will continue in the new financial year with a GoLive target date set for 2020.

In addition to the on-going work on the scoping of the new core banking software, the programmers had a busy year with many process automation as part of the overall Bank's process re-engineering.

The Bank also undertook a facelift of the Bank's Intranet – INSIDER as a one-stop shop for information on all departments.

The Bank upgraded its border security by implementing a brand new two-tier firewall solution with the help of our partners from Datec Fiji Ltd.

The Bank's Help Desk facility was also revamped to standardize the system administration and interface. This system also has a comprehensive IT asset module that will streamline asset inventory management.

Procurement of 145 computers was also carried out during the year in an effort to refresh the aging end-user equipment in the Bank. This saw the replacement of 95% of computers in all Branches and at the Head Office through this periodic computer renewal exercise.

Whether property, technology or communications, the Bank intends to continue its programme of renewal and process re-engineering to generate greater efficiencies and provide a seamless service for both customers and staff. This will result in significant expenditure in the short-term offset by cost savings in the longer-term.

The Bank also undertook significant upgrading works to its properties in order to enhance organizational safety and adhere to regulatory requirements. This upgrading program will continue into the next financial year.

FDB's Market Share as at 30th June 2019

	FDB ($mm)	Commercial Banks (CB) ($mm)	Credit Institutions (CI) ($mm)	Fiji Total ($mm)	FDB as a % of Fiji Total	CB as a % of Fiji Total	CI as a % of Fiji Total
Agriculture	*107.05*	*71.00*	*22.70*	*200.75*	53.33	35.37	11.31
Sugarcane Growing	20.77	1.60	0.20	22.57	92.02	7.09	0.89
Forestry & Logging	5.47	21.90	8.70	36.07	15.16	60.72	24.12
Fisheries	4.94	8.80	1.10	14.84	33.27	59.32	7.41
Others	75.89	38.70	12.70	127.29	59.62	30.40	9.98
Mining & Quarrying	*2.37*	*27.40*	*6.50*	*36.27*	6.54	75.54	17.92
Manufacturing	*49.66*	*459.40*	*16.20*	*525.26*	9.46	87.46	3.08
Food, Beverages and Tobacco	31.11	179.40	0.60	211.11	14.73	84.98	0.28
Textiles, Clothing and Footwear	1.94	75.00	2.90	79.84	2.42	93.94	3.63
Metal Products and Machinery	0.22	42.60	4.60	47.42	0.46	89.84	9.70
Others	16.41	162.40	8.10	186.91	8.78	86.89	4.33
Building and Construction	*164.00*	*792.10*	*71.60*	*1,027.70*	15.96	77.07	6.97
Real Estate (Development)	*67.58*	*1,107.70*	*3.80*	*1,179.08*	5.73	93.95	0.32
Non-Bank Financial Institutions	*2.67*	*4.90*	*13.80*	*21.37*	12.50	22.93	64.57
Public Enterprises	-	*48.60*	*1.10*	*49.70*	-	97.79	2.21
Wholesale, Retail, Hotels and Restaurants	*63.13*	*1,462.80*	*50.60*	*1,576.53*	4.00	92.79	3.21
Hotels and Restaurants	63.13	402.60	7.50	473.23	13.34	85.07	1.58
Other Commercial Advances	-	1,060.20	43.10	1,103.30	-	96.09	3.91
Transport, Communications and Storage	*38.02*	*299.30*	*157.90*	*495.22*	7.68	60.44	31.88
Electricity, Gas and Water	-	*198.30*	*0.60*	*198.90*	-	99.70	0.30
Professional & Business Services	20.19	116.50	31.90	168.59	11.98	69.10	18.92
Private Individuals	*19.37*	*2,087.90*	*201.10*	*2,308.37*	0.84	90.45	8.71
Housing	17.40	1,650.80	-	1,668.20	1.04	98.96	0.00
Car or Personal Individual Transport	0.66	119.60	-	120.26	0.55	99.45	0.00
Others	1.31	317.50	-	318.81	0.41	99.59	0.00
Central and Local Government	-	*11.00*	*0.10*	*11.10*	-	99.10	0.90
Other Sectors	*5.69*	*325.90*	*10.40*	*341.99*	1.66	95.29	3.04
TOTAL	**539.75**	**7,012.80**	**588.30**	**8,140.85**	**6.63**	**86.14**	**7.23**

NOTE: Fiji total refers to total loans and leases advances outstanding by all commercial banks, licensed credit institutions and the Fiji Development Bank as at 30th June 2019. The Bank's market share is highlighted.

FDB financed the ***resort development*** of the multi-million dollar Pullman Nadi Bay Resort & Spa that sits on Wailoaloa Beach, Nadi.

Photo courtesy:
Gokal Group of Companies.

Review of Relationship & Sales

In the 2019 Financial Year, the Bank diversified its portfolio by offering new financial solutions for building innovative, resilient and sustainable businesses in Fiji.

Overview

FDB offers financial solutions for Agriculture, Small and Medium Enterprises and Corporate business purposes. As a development bank, it has continually strived to exceed customer expectations with products and services that meet the changing needs of its customers.

The Bank achieves this by providing risk capital for economic development projects.

It commits strongly to supporting resource-based businesses and projects and, as such, takes on risks such as unpredictable weather conditions, political and socio economic changes as well as fluctuating market conditions. Although these risks are common for most lenders, FDB attempts to fill gaps in the demand for finance not met by other finance institutions.

FDB is well-known for its encouragement of business entrepreneurship from the grass roots level. In the 2019 Financial Year, the Bank remained firm in its commitment on delivering solutions that were strategically driven to be relevant, innovative and sustainable for all Fijians.

With a strong backdrop of sound achievements of advancing ambitious national development priorities for over fifty years, FDB continues to respond to the Government's call for partnership in the delivery of officially sanctioned development projects and special assistance programmes.

Year in Review

Despite operating in some high-risk sectors, accompanied by a backdrop of an increasingly competitive business environment in the 2019 Financial Year, FDB maintained its market share by focusing on strengthening compliance and portfolio quality.

The Bank made significant further progress in lending to key economic sectors and positively contributed to supporting projects associated with agricultural exports, renewable energy, tourism developments, and assisted the transition of small businesses to medium sized businesses. The overall performance during the 2019 Financial Year was remarkable in achieving the Bank's strategic goals.

Lending Activities during the Year

In the 2019 Financial Year, FDB committed $112.94 million in loan disbursement, representing 76.93% of its target and an increase of 5.02% when compared to $107.45 million disbursed in the previous financial year.

The challenging liquidity position of the market affected the targeted portfolio growth, which was 10.82% (or $52.70 million) for the 2019 Financial Year.

Bank's Portfolio

The Bank's total portfolio stood at $539.75 million for 5,149 accounts at the end of the 2019 Financial Year, compared to $487.05 million and 5,150 accounts for the 2018 Financial Year.

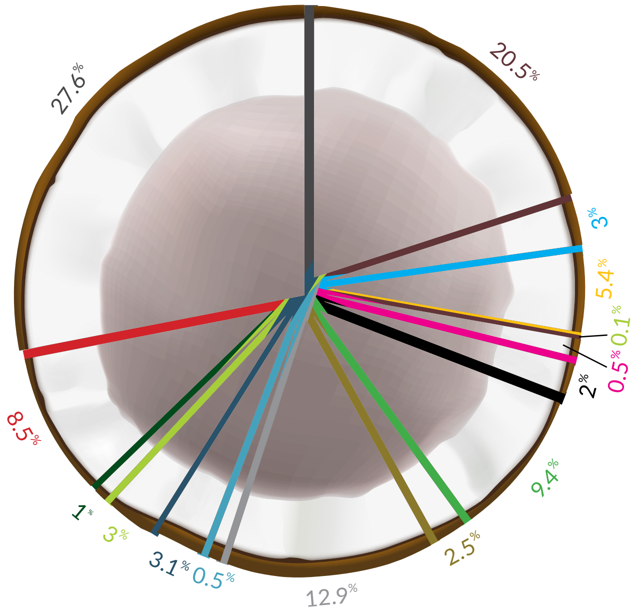
This was achieved as a result of aggressive marketing, mid-stream settlement of accounts and run offs.

The Bank's Performing Loan Portfolio (PLP) increased from $404.21 million from the 2018 Financial Year to $450.77 million for the 2019 Financial Year, representing an 11.52% increase. Non-Performing Loan (NPL) portfolio increased by 7.42% from $82.84 million to $88.99 million in the 2019 Financial Year.

Similarly, there was an increase from 4,384 Performing Loan accounts from the last financial year to 4,515 for the 2019 Financial Year. The number of Non-Performing Loan accounts were actively managed to reduce from 766 accounts in the 2018 Financial Year to 634 in the 2019 Financial Year.

The outlook for the coming year is optimistic in terms of portfolio growth with the national development agenda strongly committed to the development of resource-based sectors, renewable energy, transforming the transportation sector and expanding rural economy to name a few.

Focused and Non-Focused Portfolio as at 30th June 2019



Focused Sector
- Agriculture
- Electricity, Gas & Water
- Manufacturing
- Mining & Quarrying
- Professional & Business Services
- Public Enterprises
- Transport, Communication & Storage (SMEs only)
- Wholesale, Retail, Hotels & Restaurants (SMEs only)

Non-Focused Sector
- Building and Construction
- Non-bank Financial Institutions
- Others
- Private Individual
- Professional & Business Services
- Real Estate
- Wholesale, Retail, Hotels & Restaurants

Focused Sector

In 2008, the Bank realigned its business into two key sectors - Focused and Non-Focused sectors for classification purpose. The Focused Sector portfolio is most closely aligned to the Bank's Mission and Vision, while the Non-Focused Sector comprises investment opportunities that are essentially commercial/corporate and essential for the long-term sustainability of the Bank.

At the end of the 2019 Financial Year, FDB had disbursed $234.00 million towards the Agriculture, Mining & Quarrying, Manufacturing, Transport, Communication & Storage, and Small and Medium Enterprises (SME) in the Wholesale, Retail, Hotels & Restaurants sectors and to SMEs in the Professional & Business Services industry.

By number, the Focused Sector accounts comprised 79.55% of the FDB portfolio, and 43.35% by value, or 4,096 accounts worth $234.00 million.

In comparison to the 2018 Financial Year, an increase of $13.02 million was noted in value despite a decrease in the number (32) of accounts.

The bulk of the Focused Sector portfolio comprised Agriculture loans at $110.62 million, followed by the Transport, Communication & Storage at $50.64 million.

Non-Focused Sector

At the end of the 2019 Financial Year, FDB had disbursed $305.75 million towards the Building & Construction, Private Individuals, Real Estate, and Others and towards larger loans (above $500,000) in the Wholesale, Retail, Hotels & Restaurants sectors and the Professional & Business Services industry.

The Non-Focused sector comprised 20.45% by number of loans, and 56.65% by value of the total portfolio, which equated to 1,053 accounts worth $305.75 million respectively. An increase of 3.03% and $39.68 million, respectively, was noted in comparison to the previous financial year. A notable contribution to the increase in Non-Focused sector in the Wholesale, Retail, Hotels & Restaurant portfolio valued at $148.89 million followed by Building and Construction valued at $69.57 million.

Portfolio Based on RBF Classification as at 30th June 2019

	Number	Percentage	$mm	Percentage
Focused Sectors	**4,096**	**79.55**	**234.00**	**43.35**
Agriculture	3,017	58.59	110.62	20.50
Electricity, Gas & Water	17	0.33	16.21	3.00
Manufacturing	48	0.93	29.13	5.40
Mining & Quarrying	4	0.08	0.55	0.10
Professional & Business Services	83	1.61	2.77	0.51
Public Enterprises	1	0.02	10.67	1.98
Transport, Communication & Storage	561	10.90	50.64	9.38
Wholesale, Retail, Hotels & Restaurants	365	7.09	13.40	2.48
Non-Focused Sectors	**1,053**	**20.45**	**305.75**	**56.65**
Building and Construction	76	1.48	69.57	12.89
Non-bank Financial Institutions	3	0.06	2.67	0.50
Others	139	2.70	16.62	3.08
Private Individual	742	14.41	16.28	3.02
Professional & Business Services	4	0.08	5.59	1.04
Real Estate	61	1.18	46.13	8.55
Wholesale, Retail, Hotels & Restaurants	28	0.54	148.89	27.58
TOTAL PORTFOLIO	**5,149**	**100.00**	**539.75**	**100.00**

Market Share

For the 2019 Financial Year, the total market share of the Bank's portfolio in relation to total loans and lease advances outstanding by all Commercial Banks and other Licensed Credit Institutions stood at 6.63%.

Agriculture lending continues to be the Bank's priority. The Bank holds the highest market share of lending in the Agriculture sector at 53.33%. The Bank continues to dominate the Sugarcane portfolio at 92.02%.

Applications

A total of 1,595 applications to the value of $187.59 million were approved in the 2019 Financial Year, reflecting a decrease of 1.60% by number and increase of 53.94% by value in comparison to the previous financial year.

A slight change was noticed as the value of approvals for the Focused Sector increased by 3.51% while a significant increase in approvals for Non-Focused Sector by 168.07% was noted in comparison to the previous financial year.

Chandra Lekha is one of the oldest customers of FDB in the Central Eastern division.

Loan Approvals Based on RBF Classification as at 30th June 2019

	Number	Percentage	$mm	Percentage
Focused Sectors	**1,313**	**82.32**	**87.48**	**46.63**
Agriculture	919	57.62	30.72	16.38
Electricity, Gas & Water	12	0.75	20.48	10.92
Manufacturing	11	0.69	7.49	3.99
Mining & Quarrying	2	0.13	0.05	0.03
Professional & Business Services	32	2.01	1.93	1.03
Public Enterprises	0	0.00	0.00	0.00
Transport, Communication & Storage	218	13.67	22.70	12.10
Wholesale, Retail, Hotels & Restaurants	119	7.46	4.11	2.19
Non-Focused Sectors	**282**	**17.68**	**100.11**	**53.37**
Building and Construction	29	1.82	19.60	10.45
Non-bank Financial Institutions	2	0.13	1.70	0.91
Others	41	2.57	1.99	1.06
Private Individual	181	11.35	3.16	1.68
Professional & Business Services	2	0.13	3.46	1.84
Real Estate	13	0.82	22.47	11.98
Wholesale, Retail, Hotels & Restaurants	14	0.88	47.74	25.45
TOTAL APPROVALS	**1,595**	**100.00**	**187.59**	**100.00**

Access to Financial Knowledge, Tools and Solutions

As alluded by the FDB Board Chairperson in his letter to the Minister, FDB has confirmed to strengthen its role of developing a community that is financially informed, and thus, empowered to sustain themselves for future generations.

With the Bank mandated to contribute towards the development of the Fijian economy which would lead to the enhancement of the quality of life for all Fijians, FDB has a focus on the financial wellbeing of individuals/ businesses. In order to ensure financial wellbeing, a community first needs to be financially informed to make sound decisions for its sustainability.

In 2019, there was continued strong focus on financial literacy initiatives, including one-on-one financial advisory services, conducted by Branch Staff as part of relationship banking.

Internal Business Processes

Under the Realignment 2018-2019, the Bank's service center that provides tailored services to the high-end network corporate customers, the Prime Lending unit became a stand alone branch from its parent, Suva Branch. The Prime Lending Branch reports directly to the Regional Manager Centre Eastern.

The move was aimed at strengthening operational productivity and customer service delivery for both the Suva Branch and the Prime Lending Branch.

The Relationship and Sales team in the following financial year will continue to propose process re-engineering and capacity building initiatives. This reflects the Bank's commitment towards offering a seamless service.

FDB relocated to Waiyevo, Taveuni, taking access to financing closer to the administrative hub of Taveuni.

The Bank also increased staff complements at its Nadi, Ba, Labasa and Nausori branches following an increase in portfolio by account numbers (staff to portfolio ratio). A manageable portfolio distribuition per staff was maintained to ensure efficient and effective account monitoring. Vacant positions were filled on a timely basis to maintain quality customer service levels.

Internal capacity building activities were continuously undertaken and these resulted in new knowledge, skills and management capabilities for the Relationship and Sales Team. Staff rotations and promotions between branches were also undertaken where appropriate.

Further, communication between the Relationship and Sales officers and their customers was enhanced. The Bank provided mobile phones with data to access official emails for the team. This resulted in improved communication and access to customers and the management team. The overall outcome of this move has been rewarding through the impact on operational efficiency, productivity and service levels.

During the year, the Bank introduced a *Relationship and Sales Monthly Reporting Template* as part of Operations Reporting to the Management and the Board to better manage and monitor branch and individual officer performance.

For the year under review, Bank continued to prioritise monitoring and recovery of impaired accounts.

An Appraisal System was also proposed for the Bank Management System as well as a *Sugar Cane Template* enhancement to promote accuracy in loan assessment and data management and to generate efficiency and productivity.

Strengthening Outreach and Presence

The Bank operates in twelve (12) strategic locations in Suva, Nausori, Sigatoka, Nadi, Lautoka, Ba, Rakiraki, Labasa and Savusavu. Most importantly, it also operates full offices in more remote locations such as Nabouwalu, Seaqaqa and Taveuni with these former sub- branches now reclassified as branches in 2019. This wide network is a commitment on the part of the Bank to increase engagement and outcomes for rural dwellers by providing access to affordable financial solutions and boost investments in the rural sector.

During the year, the Bank continued its participation in community based expositions and road shows organized by the Ministry of Agriculture, Fiji National Provident Fund, Ministry of Industry, Trade and Tourism (MITT), Ministry of Sugar, Ministry of Forests and the Reserve Bank of Fiji.

In addition, the Relationship and Sales team conducted its own Roadshows/Talanoa Sessions in the Northern and Western regions to increase brand awareness and product knowledge with the aim of promoting economic empowerment, including encouraging women and youths in business.

Overall, the Bank contributed towards increasing the financial knowledge, management, skills, attitudes, and behavior of customers through these engagements. The financial wellbeing of individuals/businesses through the Bank's financial literacy initiatives was part of its commitment to individuals, businesses and households becoming financially informed to make sound financial decisions for their sustainability.

The Bank participates in a number of community expositions across Fiji.

Review of Business Risk Services

2019 FDB Planning Conference Team. The Conference was organized by Business Risk Services Division at Warwick Fiji, Korolevu.

The Bank like any other financial institution is exposed continually, to various degrees of risk. This is part and parcel of its mandate as a catalyst to economic development, focusing largely on the agriculture and rural sectors.

Working within a sound set of risk management policies, and under the supervision of the governance vested with the Board and the Credit Risk Committee, the Business Risk Services (BRS) Division is tasked with the execution of the Bank's risk and governance programmes, including regulatory compliance.

The BRS Division comprises of 5 teams, including the Legal Services (inclusive of Records and Insurance), Credit Risk and Approval, Credit Administration, Asset Management and Enterprise Risk and Business Development. The Bank, through its mandate, inherits high levels of risks as other development financial institutions do. Therefore, these units are interlinked in ways to support the Bank's risk recognition, assessment and mitigation.

The Division is responsible for protecting the Bank from all risk; in particular credit risk.

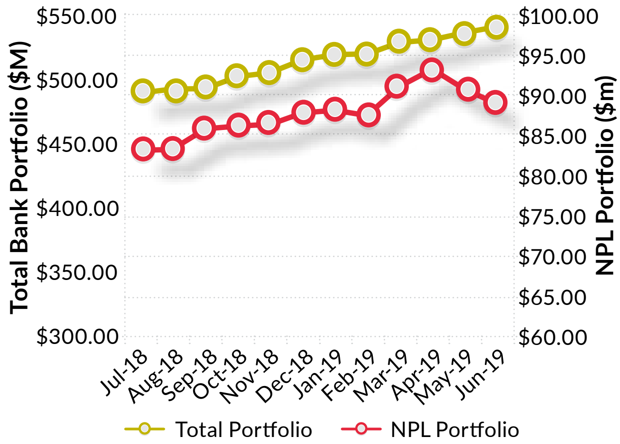
Financial

In terms of asset quality and revenue sources, the overall Non-Performing Loans (NPL) ratio to the Performing Loans Portfolio (PLP) was 16.49% for the Financial Year 2019. The target was to achieve 10%.

New accounts downgraded to the NPL portfolio of $5.27 million were recorded during the year against slow recovery of $1.60 million in sales of asset and account upgrades. Bad Debts recovered were $0.31 million and loan writes off amounted to $2.53 million.

The sale of assets for two large accounts in the NPL and Bad Debt portfolios did not attract the value expected and sales conversion of major land development projects took longer to complete due to engineering compliance related to environmental issues. There was a notable increase in allowances for doubtful debts at 14% compared to the target of 12.3%, with significant increases in the Agriculture and Transportation sectors.

Total Bank and NPL Portfolio Historical Trend (Jul 18 - Jun 19)



There was also a gradual rise in the NPL value from July 2018 to April 2019. However, from May 2019 onwards, through efforts by the Asset Management Unit (AMU) there was a downwards trend with a lower amount of $88.99 million from the highest in the 2019 year of $93.37 million.

Prudent Approach to Revenue and Expenses

The Bank also embarked on identifying new revenue streams by extending the function of Legal Services to cover other existing customer needs like transfers, which commenced during the year. The prospect of extending the services to other external customers will be explored.

Other sources of revenue generation, including an agency agreement with Sun Insurance, were revisited. Although no changes were made to the rates, increase in volumes was the objective. Sun Insurance also committed to support internal staff training on insurance products and benefits.

The overall operational cost for the Division exceeded budget due to unbudgeted costs of recovery for NPL and Bad Debt accounts. These costs included court and legal services, bailiff and security services fees. The proceeds from the sale of assets are used to recover the costs incurred.

Other savings were managed through streamlining of processes and adopting a cost conscious culture within the teams.

Green Banking

The Bank's Green Climate Fund (GCF) Accreditation was completed during the year through the signing of the Master Agreement. The formulation of pipeline projects were under development with various key partners and agencies.

The Bank has submitted its first concept note to access climate financing from the GCF for Fiji's first Agro-Photovoltaic project to be developed in the old capital island of Ovalau. This was submitted to the GCF under two years since approval in 2018.

Envelops, a Korea-based company, with the assistance of Korea International Co-operation Agency (KOICA) has developed this project. The project focuses on developing a renewable Independent Power Producer (IPP) business and farming underneath the solar panels for agriculture produce and is expected to commence in 2020.

During the year, FDB continued to direct efforts in finalizing another GCF concept note. In March of 2019, it signed a MOU with the Global Green Growth Institute (GGGI) on Green Growth and Climate Finance Cooperation. GGGI has been providing technical support to FDB through the secondment of a staff member to develop Fiji's GCF proposal on electric transport and strengthen Fiji's stance on accessing critical climate finance through the GCF. The partnership primarily aims to finalize a pilot programme concept note on Promoting Decarbonization of Public Bus Transport in Fiji for submission to the GCF.

Customer Focus

Promoting mobile and digital banking has been a focus for the Division and various meetings and forums explored ways of introducing or taking advantage of the existing platforms that are in place. This included discussions held with the Fiji Sugar Corporation to digitalize payments to farmers directly after deducting all dues, including FDB loan repayments. This will reduce time and resources involved in the manual process of receiving and refunding payments to farmers.

Blended finance opportunities with government and other agencies provided the catalyst to encourage economic participation, with FDB being the conduit for development. In search of these prospects, the 'SME Matching Grant Finance' was introduced. It offers a loan, grant, borrowers' equity, mentoring programme, monitoring and evaluation components to SMEs that a willing to invest in expanding business with small scale farmers, particularly those in the highland target areas.

The SME Matching Grant Finance is part of the Fiji Agriculture Partnerships Project (FAPP) funded by the International Fund for Agricultural Development (IFAD) through the Ministry of Agriculture.

The small-holder farmers in the targeted areas identified under FAAP also underwent relevant skills training to prepare them to undertake commercial agriculture activities. The IFAD funded the training in addition to infrastructure funding.

Ongoing meetings with the Reserve Bank of Fiji on the extension and roll over opportunities for various low cost funding facilities have been fruitful in the extension of the assistance towards the identified sectors.

Customer Needs

The outcomes of the Customer Survey reflected the customer's perceptions, expectations and experience of the Bank's services, products and general behaviour.

The various outcomes formed the basis of reviews and changes to the Bank's service culture especially in delighting customers through efficient delivery of services.

Majority responses in most areas commended the FDB services but there were inherent gaps that required short, medium and long terms solutions.

A large number of small agricultural and SME customers are still under the Micro level threshold. They qualify for Government loan incentive schemes with low interest rates and flexible terms conducive to the nature of business.

The high value customers at the large end demand competitive commercial rates and faster delivery of services. Established underwriting guidelines and more regular EXCO meetings enable faster delivery to these customers. However, rates offered by commercial banks could not be matched due to increasing cost of funds.

It is noticeable that Agricultural and Small and Medium Enterprise customers account for almost 80% of the Bank's total customer base.

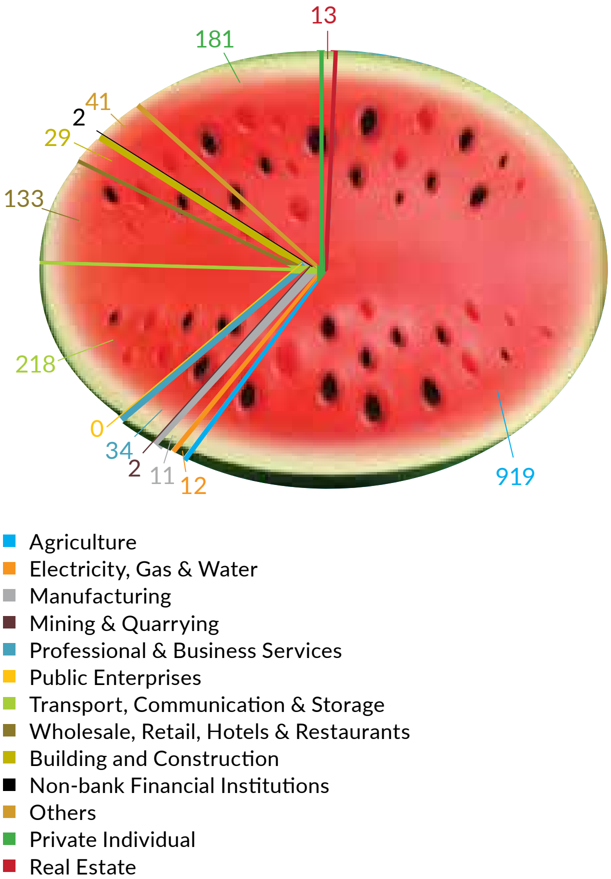
The emphasis on these customers has grown over the years despite the fact that high levels of risks are prevalent. In particular, sectors such as Agriculture, Wholesale, Retail, Hotels and Restaurants and Transport, Communication and Storage.

The Bank's cost of funds for the 2018 Financial Year was at 3.28% and the rate spiked to 3.89% for the 2019 Financial Year. This increase in the cost of funds was passed on to new customers effective from February of 2019 when the revised Bank's pricing model came into effect.

Bulk of the Bank's approvals for the 2019 Financial Year was under the Agriculture Sector, Transport, Communication & Storage, Private Individual and Wholesale, Retail, Hotels & Restaurants, respectively.

Looking at the approvals for the 2019 Financial Year, 919 approvals were made for the Agriculture Sector, costly followed by Transport, Communication & Storage with 218 approved accounts. The Focused Sector accounted for 1,313 out of the total loan approved of 1,595 accounts this reflects the Banks commitment towards fulfilling its mandate.

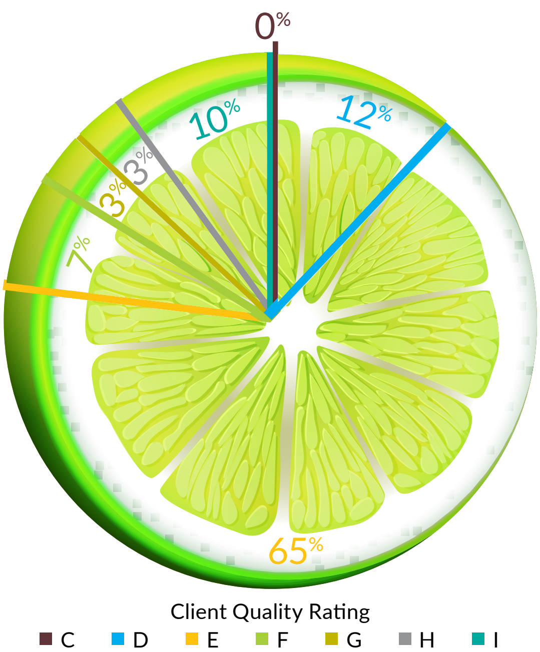
Approval for the Financial Year 2019



In addition to the usual customers, the Bank makes effort to engage in rural awareness programmes on the two main islands and other maritime islands, thus, educating the unbanked communities. With regular research and business development carried out by the Bank, it has previously devised products and facilities of significance to the people of Fiji and is continuing to do so in the future.

Asset Quality

Majority of the loans portfolio asset are performing at 83.51%, the rest of 16.49% are non-performing and most number of customers have the Client Quality Rating of 'E' which is of a performing category.



The Bank needs to continually assess the competencies of staff and identify capacities that are lacking for a desirable outcome, as well as refine business process. FDB hires people with high caliber and appropriate experience to accomplish the Bank's overall objectives through smaller intricate tasks. This, in turn, improves our overall customer satisfaction.

The focus moving forward to reduce our cost base and improve efficiency and responsiveness will be the increased use of technology and refinement of business process.

To realize the full value of large NPL accounts is the ideal target in the AMU unit. Loan upgrade is a priority to realise our development mandate of reinstating long term business relations with recovery of suspended interest and restoring long term future income. There were medium to large NPL accounts with ongoing repayment arrangements not qualifying for upgrade due to the prevailing non performing parameters that could not be fulfilled such as irregular remittances and absence of data and financial reports.

The sale of long-term assets as opposed to sale of business as a going-concern present some difficulties in attracting the right value even with vigorous marketing and numerous negotiations. The general tightening of lending with banks was one of the deterrents in domestic tender market as buyers needed to secure finance prior to indicating their interest. Loan write offs are the last step whereby all avenues have been exhausted or recovery through sale of assets or legal action would take its due course. Accountability assessment became part and parcel of write offs to ensure that there is transparency and compliance in our system and processes and decisions were made at the appropriate authority levels.

Staff in the Asset Management Unit work to rehabilitate accounts against willful defaulters, lack of financial discipline and frequent intervention from external parties on foreclosure action. The cost of recovering a debt is assessed with the rehabilitation opportunities and the probability of success through commitment from customers (which may show signs of deterioration) and at the same time, protect the Bank by minimizing risk through potential default of accounts. Even though rehabilitation is prioritised, recovery at times is a necessity to protect the Bank's interest. The Unit has accumulated debts from non-performing accounts for the year, but with proper action plans, we have managed to maintain it below the benchmark.

Employee Engagement and Learning & Growth

There were a number of staff programs and collaborations during the year, one of which was the activation of the ideas shared on the Ideation 360 platform by the staff engaged in the 'Emerging Leaders Program' of the Bank. The BRS team actively participated in the Ideation 360 platform.

In addition to the Ideation 360 platform, the Enterprise Risk and Business Development Unit disseminates the "This Way" newsletters on a monthly basis informing staff of events and updates that are occurring at the Bank. The Bank staff also have their departmental meeting on a regular basis to discuss operational level outputs, projects, as well as challenges and solutions.

The Way Ahead

The 2020 Financial Year looks promising with completion of policies required for the Green Climate Fund accreditation which would now advance work on the concept notes for climate resilient projects in the country.

New financial products and solutions are in development stage that addresses evolving customer expectations. Moreover, FDB will continue in its pursuit of becoming the bank of choice for Fijians who want to develop and prosper.

The 2020 Financial Year looks promising with completion of policies required for the Green Climate Fund accreditation which would now advance work on the concept notes for climate resilient projects in the country.

FDB's New Financial Solution: Agriculture Family Loan Facility

Financing Available without Formal Land Title

Farmers that have previously lacked access to finance due to the absence of a formal land title to put forth as collateral to obtain loans from banks can now take advantage of the, one-of-its kind Fiji Development Bank [FDB] Agriculture Family Loan Facility.

The Facility is an innovative tailor-made financial solution that provides access to finance to those farming for 10 years or more who do not have a formal land title.

In breaking the barrier to accessing finance, this Facility focuses on the growth of farming families by providing finance for land development on the farm, construction of farmhouse and infrastructure such as farm inroads, water supply and irrigation, or renewable energy to support the farm.

Launched in December 2018 in Labasa by the Minister for Agriculture, Rural and Maritime Development, Waterways and Environment, the Hon. Dr. Mahendra Reddy, the Facility is specifically designed for families who have a viable farming business on communally owned land, estate or privately owned land with consent given by the land-owning unit.

'FDB's Agriculture Family Loan is a multi-dimensional solution to achieving sustainable agriculture in Fiji, and contributes towards the Government's financial inclusion agenda,' said Dr. Reddy.

A large number of experienced farmers in Fiji are crippled without access to finance to progress from subsistence farming to becoming either semi-commercial or commercial farmers.

'The existing entrepreneurs who are not able to mobilise their own savings or do not have any assets to use as collateral to obtain loans from banking institutions may thus find it impossible to survive in a competitive industry.

While one may say that all farmers can use their land for collateral, this may not be possible in the case of Fiji as significant number of farmers may not be holding a formal title of the land which can be transferable should the lending institution get to that stage,' said Dr. Reddy.

'I am convinced that the product aims to contribute to our national agricultural development strategy in improving the livelihoods of smallholder farmers by accessing inputs and modern technologies, strengthening their linkages to markets, and improving access to information, research, and knowledge,' said Dr. Reddy.

For those whose loans will be approved, the Bank will deliver financial literacy and management skills training. FDB's *Be Financially $mart* booklet is designed to promote and develop entrepreneurial and business skills and capacities of farming families and SMEs that will be fundamental to their full market participation, and to take advantage of new opportunities.

In the development stage of this new financial solution, the Bank and Ministry of Agriculture have closely collaborated. One of the areas of collaboration has been administering the common goal of financial literacy programmes for farmers. The Bank and the Ministry both recognize the need for improved financial management skills amongst farmers.

In the development stage of this new financial solution, the Bank and Ministry of Agriculture have closely collaborated.

Launch of FDB Agriculture Family Loan Facility.

FDB has delivered on financial literacy for communities through workshops which were designed to promote and develop entrepreneurial and business skills. The objective included improving capacities of farming families and SMEs that will be fundamental to their full market participation, and to taking advantage of new opportunities.

Strengthening Access to Finance for Agro-SMEs

Agriculture-based Small and Medium Enterprises (SMEs) that lacked access to finance in expanding their business to work with Small-Holder farmers, particularly from the more rural areas, can now invest through a matching grant and loan package that will meet up to 75% of the total investment cost.

The Fiji Development Bank (FDB) and the Ministry of Agriculture, through its Fiji Agricultural Partnerships Projects (FAPP) funded by the International Fund for Agricultural Development (IFAD), on 8 April 2019, signed a Memorandum of Understanding (MoU) to oprationalise the 'SME Matching Grant Facility'. The Facility promotes market-oriented agricultural production by farmers in remote rural areas.

With IFAD providing an incentive grant that will meet 25% of the total investment cost, FDB is the only bank that will provide a financial solution constituting a loan sum meeting half of the total cost of the planned investment. The grant amount equals the borrower's equity contribution.

Possible uses of the investment capital raised might include a vehicle to enable the SME to access remote farming areas, other infrastructure to promote improved market-oriented production, working capital or inputs support for a contract farming venture.

With access to grant finance of up to $50,000 and loan funding of up to $100,000, Small-Holder farmers can be supported by SMEs that buy at farm gate leading to sustainable agribusiness.

IFAD's Monitoring and Evaluation team met with FAPP and FDB to evaluate the project implementation progress.

FDB is proud to partner with IFAD and the Ministry in this incentive and through this partnership, FDB will collaborate with FAPP to create an enabling environment to promote an agribusiness approach.

The Bank was responsive to FAPP's proposal to collaborate as both share the common value of improving the livelihoods of people particularly those in rural and remote areas.

The SME Matching Grant Facility promotes market-oriented agricultural production by farmers in remote rural areas.

FDB CEO, Mr. Mark Clough and Permanent Secretary for Agriculture, Mr. David Kolitagane at the MoU signing.

Smart with Money. Smart with Life.

Whole-of-life Solutions through Financial Literacy

Financial literacy initiatives, which is a multi-dimensional tool, delivers whole-of-life and loan outcomes.

Traditionally, financial literacy was popular as a set of skills that involved managing money. The ultimate goal was to be able to make sound financial decisions to accumulate wealth or savings.

Supplementary skills on budgeting, tracking income and expense, having a savings and record keeping dominated this understanding.

However, as entrepreneurship evolved and as unique challenges surfaced, financial literacy initiatives also adapted to address such barriers to business sustainability.

This adaptation strengthened the ultimate goal of wealth accumulation or savings that may lead to reducing inequalities.

Today, financial literacy has a broader purpose to fulfil.

It is no longer limited to just possessing the skills of budgeting, tracking expense, having a culture of savings but also having the ability to apply these financial management skills to find opportunities for business development.

The skills are now accompanied by awareness on financial business opportunities and risks under the whole-of-life Solutions approach.

Combined, these lead to nurture an attitude that leads to positive change in behaviour when it comes to managing money.

Now those skills of financial literacy could be understood better, and applied more innovatively.

The Fiji Development Bank's journey in 2019 focused on financial literacy initiatives.

Those initiatives involved designing templates for improving skills related to managing financials, use of cropping plans, creating business linkages for value chain financing, investing in term deposits, advocating for a culture of savings, involving women and youths in business, promoting record keeping and debt management, improving marketing and securing access to markets. The Bank focussed on educating stakeholders such as Ministry of Agriculture and Ministry of iTaukei Affairs to assist in educating farmers and valuable communities.

The year began with the launch of a term deposit product, the Yaubula Term Deposit Facility in July. Through this product, FDB offered Fijians an opportunity to invest their savings for reliable returns. The Bank held numerous awareness sessions in particular the rural part of Fiji, including in the island of Gau, on the importance of savings and investments.

Later in November, the Bank launched its FDB's National Small and Medium Enterprise Awards with a focus on reinforcing the importance of proper record keeping, having healthy banking habits and savings plans. The award criteria featured these aspects that is verified through on-site visitations for the nominees.

In breaking the barrier to access finance, FDB introduced another financial solution for farmers that lacked access to finance due to the absence of savings, assets or a formal land title to put forth as collateral. The FDB Agriculture Family Loan Facility was launched in December 2018, which followed a series of awareness and financial literacy presentations to targeted customers.

Financial literacy workshops conducted by FDB for Ministry of iTaukei Affairs.

For those whose loans are approved, the Bank has a financial literacy and management skills training programme in place. The product has its own financial literacy guide booklet in the English and vernacular languages.

The launch of the product was also one of its kind with FDB inviting various stakeholders to have information booths on various related products and services. It was a "literacy festival" in some sense that allowed farmers to access information and services such as those of plant doctors, renewable energy and farm implant service providers.

Over the year, the Bank promoted financial literacy at various *Talanoa* Sessions hosted by the Bank across the country. Here are stories of customers whose journey sums up the overall objective of FDB's initiatives.

Financial literacy workshops conducted by FDB for Extension Officers from the Ministry of Agriculture in Labasa.

Realising Equity through Financial Literacy

The story of Sakeasi Tivika of Tailevu, who is featured on the cover page, documents how financial literacy initiatives improved his farming production through a changed behaviour towards financial record keeping. Today, Sakeasi has a better understanding of linking his cropping plan to 'Cash Flow' projections.

His business is part of an agriculture value chain and he has been able to secure a market for his ginger with Kaiming Agro Processing Ltd. Further, he has accessed financing by assigning the contract with Kaiming to secure the loan with FDB.

Despite having farmed Dalo and Cocoa as well as managing a cattle farm for over 20 years, Sakeasi did not have a habit of keeping farm or financial records. He was not tracking his income or expense. As a result, he could not have a budget or a savings plan. While he had farming experience, his attempt at accessing financing was initially declined.

'I started ginger farming in 2018 on a small scale just to increase my income,' said Sakeasi.

'After being assisted by the Ministry of Agriculture in 2017 through aid money, I was able to buy farming tools such as spade, forks and knives. Then I started to concentrate on ginger,' he said.

He said that the Fiji Crop and Livestock Council (FCLC) assisted him with the hiring of a diger service provider. It was through this assistance he was able to complete land clearing which is a costly exercise.

'FCLC also assisted me in securing a market for my ginger with a large processing company and open the doors to FDB,' said Sakeasi.

In November 2018, FCLC and FDB signed a memorandum of understanding to work together to improve farmers' understanding of financial management through its Financial Literacy Tool Kit, crucial to increasing returns from their agricultural businesses.

Then in December of 2019, FDB participated at a workshop organised by FCLC and the Ministry of Agriculture with over 50 ginger farmers from Tailevu, on the main land.

'FDB brought a consultant from ADB, Simon Thompson, who talked about the Agri value chain financing and the new reform by Government, the Personal Properties Security Act (PPSA) that would allow farmers to use assets such as crops and contracts as collateral for loans,' he said.

'When I initially approached FDB for a loan, it was declined because I did not have any form of security nor records to prove my financial management skills or bank statements,' said Sakeasi.

'What I did have was a viability farm report from Ministry of Agriculture and support from the Agriculture Ministry, FCLC and my cluster group,' he said.

Sakeasi is the head of the smallholder ginger farmers of the 'Drekenivuci Ginger Farmers Cluster', based in the Naloto district in Tailevu.

'With no security, no cash deposit, no farming experience in ginger in particular, I had to start from scratch. I had to concentrate my attention to changing my attitude towards farming and start treating farming as a business,' he said.

'Through the FDB team I was introduced to cropping plan and budgeting templates to use in recording my farm activities as well as my income and expenses,' said Sakeasi.

Sakeasi, a ginger farmer, was introduced to FDB's Financial Literacy Tool Kit.

'We talked about the balance sheet, income statement, monthly farm trading account, cash flow, and I was able to understand one thing – recording helps to make decisions,' he said.

He said that the facility that FDB financed him through also required the business to engage his family in it.

'The loan account is under my wife, Merewalesi, and my name and our children and my brothers are all involved in the farm,' said Sakeasi.

He said now that he knows more about his projected income, expense and cropping plan, he is able to plan effectively. Sakeasi had also undertaken 'Contract Farming' training through the Fiji Crop Livestock Council, funded by Food & Agriculture Organization (FAO).

'The Ginger cluster that I belong to has signed an agreement with Kaiming Agro Processing Limited and I also have a contract farming agreement which I used to get a loan from FDB for my land development, agro-inputs, land clearing and planting materials,' he said.

In order to sustain his contract with Kaiming, Sakeasi now has a positive attitude towards record keeping. His changed behaviour has helped him to be more productive.

Sakeasi's story reflects how financial knowledge combined with skills, attitudes, and actual behavior change when applied effectively, lead to a strong foundation for the financial wellbeing of him and his business.

From Garment Factory to Aqua-Farmer

Arun's story documents how financial literacy initiatives, in particular her culture of savings and managing her finances, contributed towards her family and her well-being.

Arun is an award-winning aquaculture fisherwoman and a cash crop farmer whose business has been financed by the Fiji Development Bank and the Pacific Community (SPC).

From a garment factory worker, she has today ventured into becoming one of the very few fisherwomen in Fiji who has established her very own male-only cultured Tilapia ponds.

She sells vegetables and fish, and supplies fingerlings to the commercial and semi-commercial Tilapia farmers in Fiji.

As a daughter, Arun always told her mother that she could not live a life being dependent on anyone. As a victim of circumstances, she could only finish her studies up to class seven. Nevertheless, as an individual, she kept telling herself that she had faith in herself despite the numerous personal trials that came her way.

As a mother, she told her children to find a way for the rainy days.

'When my daughters were in school and we would see financial hardships coming our way, I would bake puddings or fry *Bhajia* and give it to them to sell it at the school canteen,' said Arun.

As a garment worker and the sole breadwinner, Arun realized that she needed to find other means of earning additional income.

'I would work at the garment factory and farm as well. Those vegetables that I would sell at the market helped us get through and allowed me to save some money too. Even if that meant that I would eat less,' she said.

'I have always thought of living a life that would help me to sustain myself and my family,' said Arun.

With that mind-set, it was not long before Arun saved up enough to be able to buy a piece of land. She had also neared retirement by then and accessed her retirement funds.

Despite her primary level education, Arun was always smart when it came to money.

In 2004, she finally took the big step that would change her and her children's life.

Her attitude towards money and savings and her habit of planning for the rainy days allowed her to understand that her money decisions regarding her pension and savings would determine her financial wellbeing and ultimately her quality of life.

'I knew I had to make a decision that would allow me to increase my income – that was the main goal,' said Arun.

'I used my savings and pension money to buy a land and build a farmhouse. Then I realized that I would also need some cash flow to start the farming,' she said.

'FDB came to help. After all FDB is there to improve our quality of life. So, I took a loan thinking in case I needed some cash on standby since building a farmhouse and starting all over again at a new place could bring about some unexpected expenses. We must think about all that could come up unexpectedly along the way,' said Arun.

This was her first loan to finance vegetable and rice farming. Customers of FDB are required to develop business plans and have some form of financial literacy. While Arun had not attended a single financial literacy workshop back then, she was still able to showcase impressive budgeting, planning, risk monitoring, expense tracking and savings trends.

'I would discuss these (issues) with my FDB Relationship and Sales Officer and would ask a lot of questions – that is how I learnt along the way too,' she said.

'One day I read about an all-male Tilapia farm in Indonesia and I wrote a hand-written letter to Ministry of Fisheries to help me. They put me in touch with SPC,' she said.

Through the assistance from the Pacific Community (SPC) Sustainable Pacific Aquaculture Development Project, Ministry of Fisheries and FDB, today, she has more than a decade of fish farming experience, has improved her sales, and has four new ponds and an all-male Tilapia incubator hatchery.

'The right attitude towards money and savings combined with financial literacy skills is important,' she said.

'There is no point in just attending financial literacy training if you are not going to change your behaviour and attitude towards managing your money and planning for the rainy days. I was lucky that I always had a positive mind-set when dealing with money,' said Arun.

'You have to think about savings even before you feel like you will need it,' she explained.

Arun uses her fish sales income to repay her loan, cater for her business expenses and uses her vegetable sales income to cater for her household running expenses.

'From whatever is left, I make sure I save something as well. That is what budgeting is, planning is and that is what leads to savings – savings that got me here today,' she said.

FDB's Commitment in advancing the SUSTAINABLE DEVELOPMENT GOALS and the National Development Plan (NDP)

The Fiji Development Bank (FDB) has continued to pursue its mandate for over fifty years. During this time, it has positioned itself as an important financially sustainable institution critical to the development of the Fijian economy.

FDB is committed to the Sustainable Development Goals (SDGs), which is expressed in the Bank's 2018-2020 Strategic Plan. The Plan is a development financing roadmap that is inclusive and engaging in FDB's history.

The Bank plays an important role in providing financial solutions that promote prosperity, which is the overall objective of the SDGs.

The Bank's focus has been on delivering not only on outputs related to the SDGs and its own mission and vision, but also on Government budget initiatives, the National Development Plan (NDP), and on obligations attached to its Green Climate Fund (GCF) accreditation.

FDB has contributed towards realizing the goals in the NDP by supporting and promoting inclusive socio-economic development, reducing unemployment, promoting food and nutrition security initiatives, access to clean and safe water, proper sanitation, clean energy, quality education and healthcare facilities. The Bank has also addressed youth unemployment and promoted women in business. FDB has also committed towards improving the transportation sector and digital connectivity while nurturing new and emerging growth sectors. Building vibrant cities and towns and a stronger rural economy has also been part of FDB's financial mandate.

In 2019, the Bank approved a total of 1,595 loans, valued at $187.59 million.

Of this, 1,313 loans valued at $87.48 million, were approved to sectors in its Focused Sector. This reflects 82.32% of loan approvals in number and 46.63% in value. The Focused Sector portfolio reflects 43.35% in value ($234.00 million), with 4,096 number of loans (79.55%) of FDB's total loans disbursed as at the end of the 2019 Financial Year.

There were 282 loans approved in the Non-Focused Sector, valued at $100.11 million. This reflects 17.68% of loan approvals in number and 53.37% in value. The Non- Focused Sector portfolio reflects 56.65% in value ($305.75 million), with 1,053 number of loans (20.45%) of FDB's total disbursement as at the end of the 2019 Financial Year.

Agriculture

The portfolio value of $110.62 million reflects FDB's commitment in supporting a competitive, sustainable and value-adding agriculture sector in Fiji. This value represents 20.50% of FDB's total portfolio.

The total number of loans in this portfolio is 3,017, reflecting 58.59% by total number of loans.

In the 2019 Financial Year, the Bank approved 919 loans in the agriculture sector, comprising 57.62% of the total approvals. These were valued at $30.72 million (16.38% by value of total approvals).

The Bank is notable for holding a majority of agriculture sector lending in the country, with 53.33% market share.

Sugar Industry

FDB invested $20.77 million into the market during 2019 to support a sustainable sugar industry in Fiji. With the industry playing an important role in Fiji's socio-economic development, FDB has committed to support the adoption of mechanization. Loans advanced to Fiji Sugar Corporation, cane co-operatives and individual farmers in 2019 were allocated to the purchase of harvesters and other machinery. Tractors and farm implements for cane farmer co-operatives were financed to contribute to efficiency in this sector. The Bank closely collaborated with the Ministry of Sugar Industry in this regards.

Forestry

Similarly, FDB disbursed $5.47 million into the market during 2019 to support sustainably managed and developed forestry resources in Fiji. FDB was also the first financial institution to collaborate with the Ministry of Forestry to support its 4 Million Trees in 4 Years initiative. The Bank also introduced mangrove restoration programs as part of its staff community projects. Further, it has called on customers and stakeholders to adopt a strategic approach, rather than just a corporate social responsibility stance, for climate-action initiatives.

Fisheries

In 2019, FDB invested $4.94 million into the market in supporting one of Fiji's key resource-based sectors, the fisheries sector. The Bank continued to finance projects that implements sustainable fisheries practices.

Mining and Quarrying

FDB's investment in promoting a sustainable mining sector that has continued to provide employment, income, foreign exchange earnings and revenue for the government saw the portfolio stand at $0.55 million in 2019.

This comprised of 0.10% in value of the total portfolio in 2019. There were four (4) loans in total, reflecting 0.08% of total loans by number. These were mainly for rock quarry. A calculated credit risk applied aimed at managing environmental risk.

In 2019, FDB committed $0.05 million through loan approval for the mining and quarrying industry by encouraging quarry instead of river-bed rock. By value, this stood at 0.03% of FDB's total approvals for the year. This reflected only two (2) loan approvals, standing at 0.13% of the total approvals for the year.

FDB's market share for this industry stood at 6.54%.

Manufacturing

FDB is committed to supporting the NDP of developing Fiji as a manufacturing hub of the Pacific.

The manufacturing portfolio stood at $29.13 million at the end of 2019. There were a total of 48 loans (0.93% of the total loans by number).

In 2019, FDB disbursed $7.49 million through approval to 11 new accounts. By value, this reflected 3.99% of total approvals and 0.69% by number of loans in the Focused Sector.

FDB's market share for this sector stood at 9.46%, with 14.73% in the food, beverages and tobacco sectors; 2.42% in the textiles, clothing and footwear sectors, and 0.46% in the metal products and machinery sector.

Of the total approvals for the year, 22 loans were approved to SMEs, to the value of $1.48 million.

Building and Construction

FDB has disbursed $69.57 million (portfolio value) to this sector, reflecting 12.89% of the Bank's portfolio value. There were 76 loans in this sector, reflecting 1.48% of the Bank's total portfolio by number of accounts.

In 2019, there were 29 approvals, 1.82% by number to the value of $19.60 million. This represented 10.45% of the Bank's total approvals by value.

Of the total approvals for the year, two loans were approved to SMEs, to the value of $0.18 million.

FDB's market share in this sector stood at 15.96%.

Real Estate (Development)

The Bank improved its lending into this sector and saw a market share increase from 5.71% to 5.73%. The portfolio was valued at $46.13 million, comprising 61 loans. This reflected 1.18% by number and 8.55% by value of the total portfolio.

There were 13 approvals in 2019 (0.82%) valued at $22.47 million, comprising 11.98% in total value of approvals.

Of the total approvals for the year, nine loans were approved to SMEs, to the value of $1.07 million.

Wholesale, Retail, Hotels and Restaurants

This portfolio, FDB's largest at year end, stood at $162.29 million, comprising 393 loans by number. This reflected 7.63% of the number of total loans, by number and 30.06% by value.

FDB committed $51.84 million to this sector through approval of 133 accounts in the year. This reflected an increase in the market share as well. This reflected 8.34% of the approvals for the year, by number and 27.64% by value.

Of the total approvals for the year, 155 loans were approved to SMEs, to the value of $5.18 million.

Transport, Communication and Storage

FDB's third largest investment of 2019 was its disbursement of $22.70 million in the Transport, Communication and Storage sector, comprising 12.10% by value of the total approvals for the year. There were 218 approvals, reflecting 13.67% of the total approvals for the year.

Of the total approvals for the year, 181 loans were approved to SMEs, to the value of $7.14 million.

The portfolio stood at $50.64 million, comprising 9.38% in value of the total portfolio with a total of 561 loans.

The market share increased to 7.68% in 2019.

Electricity, Gas and Water

FDB's commitment to the energy sector saw it provide financing for reliable, adequate, and affordable energy for economic growth in a socially, economically, and environmentally sustainable way.

FDB is looking to broaden support for greater energy access by also identifying innovative solutions, sharing information with partner development institutions, and with the private sector.

In 2019, the portfolio stood at $16.21 million, comprising 17 loans. This reflected 0.33% by number and 3.00% by value.

There were 12 approvals in the year, valued at $20.48 million, 10.92% in value of total approvals.

Of the total approvals for the year, three loans were approved to SMEs, to the value of $0.17 million.

Professional and Business Services

This portfolio stood at $8.36 million, comprising 87 loans by number.

FDB committed $5.39 million to this sector through approval of 34 loans in the year. This reflected an increase in the market share as well.

Of the total approvals for the year, loans approved to SMEs was to the value of $45.73 million.

This sector includes businesses providing services in the legal, dental, accounting, beautician, photography and consultancy and domestic services industry.

Non-Bank Financial Institutions

FDB approved $1.69 million in the year to this sector. This reflected two approvals which saw the portfolio stand at $2.67 million. There were three loans in total for this portfolio.

Of the total approvals for the year, one loan was approved to SMEs, to the value of $0.19 million.

Public Enterprises

The portfolio stood at $10.67 million with only one loan account.

SME and Agriculture Sectors

At the end of 2019 Financial Year, FDB achieved its 'Mission 500', targeted at a portfolio worth of $500 million that was set for 2018 Financial Year. Total portfolio at end of 2019 Financial Year stood $539.75 million compared to $487.05 million in 2018. The SME and Agriculture Sector contributed to the achievement of this target.

Financial Literacy

Working on having our customers become financially literate was a key pillar for the Bank in 2019. The approach undertaken included a collaboration between the Bank and Ministry of Agriculture and iTaukei Affairs. The wider collaborative ensures that more customers are educated.

This collaboration needs to continue in a consistant and structured manner if the real benefits are to be realised. The Bank is committed to enhancing its financial literacy programmes in the years ahead.

Access to Financial Services (Loans)

FDB was firm in its commitment to promote an entrepreneurial culture by supporting micro, small and medium as well as large enterprises by providing access to financial solutions by committing $187.59 million through loans by approving a total of 1,595 applications.

This was a decrease of 1.60% by number when compared to 2018. The value of applications received during the year rose by 53.94% when compared to the 2018 Financial Year.

Green Banking

The Bank is grateful to The United States Agency for International Development [USAID], through its Ready Project, for assisting the Bank in drafting two critical policies.

The Fiji Development Bank (FDB), was the first development bank in the South Pacific to be accredited to the Green Climate Fund (GCF), the world's largest climate fund, as a Direct (National) Access Entity in 2017.

By accessing the global funds directly, FDB will be able to engage and manage financing that better enables Fiji's businesses to implement projects that are climate-resilient.

With the Direct Access accreditation, FDB will be able to blend GCF funding of up to US $10M per project with other financing instruments to provide the best and most affordable financing package, while also continuing to deliver on its primary mandate of contributing to the sustainable development of the economy.

To effect the GCF conditional accreditation, the Bank rolled out its new GESI and Procurement Policy as well as revised its Complaints Management Framework, Information Disclosure Policy, Insider Trading & Countering the Financing of Terrorism Policy and Anti-Money Laundering Policy.

Global Green Growth Institute (GGGI) and the Bank cooperate on advancing Green Growth and Climate Finance through a MOU.

To generate high quality proposals for climate finance investments in low emission and climate-resilient projects and programmes, FDB first prioritized institutional capacity building with knowledge development for the staff.

GGGI provided interim technical support to FDB through the secondment of a staff member to develop GCF Concept Note on electric transport.

USAID Ready Project consultant, Ms. Colleen Peacock-Tautai, conducted an information session on FDB's Gender Equity and Social Inclusion (GESI) Policy.

Professor Elisabeth Holland, Director of the Pacific Center for Environment and Sustainable Development (PaCE-SD), USP, presented on "The Science behind Climate Change".

The Bank in August 2018 facilitated a two-day Green Climate Fund [GCF] Awareness Session for staff.

FDB's Climate Action Initiatives

The Fiji Development Bank's (FDB) message to its stakeholders has been 'to be strategic towards climate action'.

The call was to move away from merely engaging in corporate social responsibility initiatives to take a more strategic approach to raising awareness as well as taking on ownership of climate action initiatives in our communities.

FDB's climate action initiatives was mostly involved with reforestation and mangrove restoration projects.

Launch of FDB's Reforestation Initiative in the Central/Eastern Region at Silana Village in February 2019.

FDB Leads in Reforestation Initiative

FDB became the first financial institution to partner with the Ministry of Forestry and I-taukei Affairs Board to commit to the Four Million Trees in Four Years ('4MT4Y') reforestation initiative.

Launch of FDB's Reforestation Initiative in the Northern Region at Dogoru Village, Macuata in May 2019.

Launch of FDB's Reforestation Initiative in the Western Region at Vatutu Village, Nawaka, Nadi in May 2019.

FDB Calls for Climate Action to be Strategic, Not Mere Voluntary

FDB team's mangrove restoration activity in Namatakula Village, Sigatoka.

FDB team's mangrove restoration activity at Nawi Island Mangrove Planting – Savusavu.

Clean Up Campaigns

Team Legal from the Head Office took time out to clean the foreshore along the Queen Elizabeth Drive in May 2019.

Corporate Social Responsibility

A Bank wide blood drive campaign was coordinated in partnership with the Fiji Red Cross Society.

Pinktober fundraiser morning tea proceeds donated to the Fiji Cancer Society, facilitated through the FDB Women's Forum.

August Undies Campaign – group drive to provide complimentary Dignity items for underprivileged young women.

An annual norm, the Business Risk Services team visited the Children's Cancer Unit at the Colonial War Memorial Hospital during the Christmas season.

Donation of school stationery items and pre-loved storybooks to the Silana Village Primary School, facilitated through the FDB Women's Forum.

FDB Team Properties' took a long journey to the interior of Namosi to the only school there to add colour to the class 7 students learning experience come the new school year by painting their classroom.

The Talent and Organisational Development Team as a Unit gave back to the community via visitations to the Elderly People's Home in Samabula with presentations of general hygiene care products.

FDB's 2018 National Small and Medium Enterprise (SME) Awards

Extending on the previous year's theme of 'Promoting SME Growth for Future Generations', the FDB's 2018 National SME Awards advocated and promoted the synergies between economic growth, social equity, and environmental sustainability with the theme 'Promoting Inclusive and Green Development for SMEs'.

The application drive for the FDB's 2018 National SME Awards, the longest for any SME Awards so far, attracted an unprecedented 532 category applicants from 193 individual SMEs.

The application drive ran for seventy days from 9 November 2018 to 18 January 2019.

The judging panel had four members this year comprising of:

1. Ms. Sangita Kumar, Senior Business Adviser, Market Development Facility.
2. Ms. Alisi Tuqa, Chief Executive Officer, Pacific Islands Private Sector Organization.
3. Mr. Trevor Ole, Chief of Party, USAID Ready Project.
4. Mr. Dwain Qalovaki, two-time international award winning Sustainability Manager.

There were two observers on the panel to reinforce the integrity of the judging process:

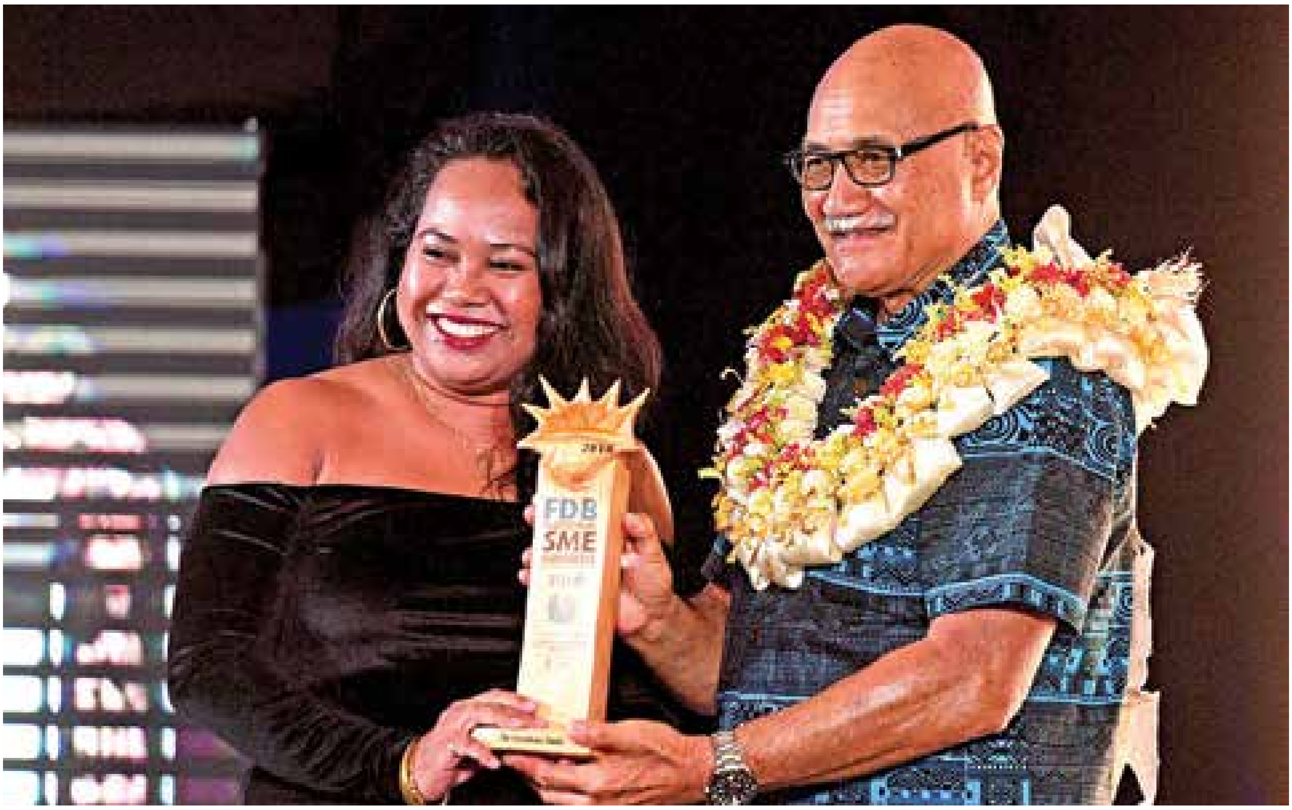
1. Mr. Tevita Gade, Reserve Bank of Fiji/National Financial Inclusion Taskforce
2. Mr. Arjun Karwal, Manager, New India Assurance Company Ltd

Meena Gounden of Gopal's Poultry Farm was the winner of the Best Risk Managed SME Award and the winner of the FDB's 2018 National SME of the Year.

'These awards are one of a kind and I applaud the Fiji Development Bank for providing such an incentive and a visionary platform to our SME sector,' ~ His Excellency, Major-General (Ret'd) Jioji Konusi Konrote, President of the Republic of Fiji at the FDB's 2018 National SME Awards, 28.02.19, Grand Pacific Hotel.

Winners of the FDB's 2018 National SME Awards are tabulated below:

Sponsored by:	Name of Award:	Winner:	Type of Business:
Vinod Patel & Company PTE Limited	Agriculture Award	Iferemi Mataiedrau	Tilivalevu Beef Scheme farmer
Sun (Fiji) News PTE Ltd	Tourism Award	Sabeto Mud Pool & Hotspring	Provides therapeutic natural spa treatment in its mud pools and hot springs.
Kookai	Manufacturing Award	8Mountains	Fashion designer and production house reaching export markets
Quality Print PTE Limited	Wholesale/Retail Award	Raju's Golden Roots Impex (Fiji)	Kava wholesaler/retailer
Merchant Finance Ltd and FDB	Professional Business Services Award	Maui Bay Chemist	Was the first retail chemist/ pharmacy in Sigatoka that offered certain medical services that were only accessible in health care facilities/hospitals.
New India Assurance Fiji	Green Conscious SME Award	Automan (Fiji)	Repairs and sells automatic transmission kits and supplies burnt clutches, plates and oil to scrap metal dealers and the burnt oil to Fletcher steel oil recyclers.
Sun Insurance Company PTE Limited	Best Risk Managed SME Award	Gopal's Poultry Farm	Poultry farming
Mechanical Services PTE Ltd	Climate Change Responsive SME	Farm Tech Ltd	Hydroponics Farming
Reserve Bank of Fiji	Most Disaster Resilient SME	Dayanand Harideo	Poultry, Taro and Kava farming
Ministry of Industry, Trade and Tourism	Youth Entrepreneur of the Year	Health Plus Diagnostics PTE Ltd	Provides quality and affordable diagnostics to GPs, Corporates and the General Public specialising in Laboratory and Ultrasound imaging services.
Ministry of Women, Children and Poverty Alleviation	Woman Entrepreneur of the Year	The Greenhouse Studio	A multi-disciplinary creative design and communication studio.
Fiji Development Bank	National SME of the Year	Gopal's Poultry Farm	Poultry farming



Hightlights from the FDB's 2018 National SME Awards, held on 28 February 2019 at the Grand Pacific Hotel.

The Bank is grateful to its Development Ambassadors (award sponsors and partners) for collaborating with FDB to recognize Fijian SMEs. The total prize money for the year's awards remained at the grand total of $61,000.

To become a sponsor or a partner, please email your interest to info@fdb.com.fj

RESERVE BANK OF FIJI

SUN INSURANCE

Vinod Patel complete home and building

Ministry of Women, Children & Poverty Alleviation

QUALITY PRINT LIMITED COMMERCIAL PRINTING & PACKAGING

FijiTV

MINISTRY OF INDUSTRY, TRADE AND TOURISM

ART & SOUL dreaming, inventing, creating

FIJI Sun

NEW INDIA ASSURANCE "The Largest General Insurer in Fiji"

MERCHANT FINANCE LTD

KOOKAÏ

GRAND PACIFIC HOTEL

MECHANICAL SERVICES LIMITED

Review of Talent and Organisational Development

In the 2019 Financial Year, the Bank strengthened its institutional capacity and business culture to deliver outcomes that promoted a culture of continuous improvement, innovation, growth and employee engagement.

Overview

FDB has a strong culture of upholding its values of Development, Innovation, Collaboration, Integrity and Accountability in its commitment to deliver on its Vision to be a dynamic financial service provider in the development of Fiji.

Culture is an important driver of business outcomes for any organisation with its people as the backbone and key element in its overall performance. Organisational culture is at the heart of how an organisation and its staff think and do things.

The TOD Unit is responsible for developing the Bank's business culture strategies and predominantly focuses on facilitating and delivering cultural transformation programs that would positively influence people's mindsets, behaviours, practices and ultimately the way things are done at FDB.

The 2019 Financial Year focused on implementing transformational programs that advocated continuous operational excellence, enhanced people development, staff engagement and community engagement initiatives, which were driven through FDB values and outcome driven approaches.

Internal Business Processes

Culture of Continuous Improvements

Committed to continuously enhance the Bank's operational efficiency levels, key structural and process improvement activities and initiatives were successfully implemented in the 2019 Financial Year.

A post review of a realignment exercise of 2016 found that the ultimate goal of enhancing operational efficiency with the establishment of a separate Credit Administration Unit [CAU] from the Legal Services unit did not meet expected outcomes of enhancing security documentation processing customer response times for six out of twelve branches.

Consequently, the two units were merged in the 2019 Financial Year to integrate and house all legal related functions, workflow processes and documentation under one business centre, under the leadership of the Manager Legal Services.

This merge was aimed at enhancing customer service turnaround times [TAT], improving access to in-house legal expertise and clarity around accountability.

The merger also resulted in the review of the Legal Services structure and position job descriptions to support streamlined workflow processes and return of core customer-facing functions back to the Relationship and Sales team. This also allowed for centralisation of key security documentation, consent and searches to the Legal Services, and the opportunity to standardise and automate routine functions, including further process re-engineering and possible policy reviews in collaboration with relevant stakeholders.

Subsequently, the Business Risk Services [BRS] Business Division was also streamlined to focus on minimising the Bank's credit exposure and losses by providing quality credit management services, legal counsel and asset management through the transfer of the Enterprise Risk Business Development [ERBD] Centre out of BRS.

ERBD had housed three teams, namely, Enterprise Risk Management [ERM], Planning Unit, and External Relations Unit.

The first phase, implemented in the 2019 Financial Year, was the setup of ERM as a standalone independent unit, reporting directly to the CEO. ERM was established with the aim of protecting the Bank from potential risks. Its functions focus on minimizing disruptions to FDB's business and customers by using a systematic process of positively identifying, assessing, treating and managing risks that threaten the attainment of the Bank's goals.

In the next financial year, the ERBD Centre would be rebranded as the Marketing & Business Development Unit, with reporting direct to the CEO. The establishment of the new Marketing & Business Development Unit is aimed at improving the Bank's market share and focusing on branding FDB as a responsive development financing institution, one that is relevant to meet the changing needs of its customers, the goals of the National Development Plan and to support the operationalization of the Bank's function as an accredited GCF Direct Access Entity.

Enhancing Customer Focus

With FDB's strong focus on being responsive to the changing needs of its customers, the Bank made further improvements to enrich customer experience for both its customers and staff.

Previously, the Bank's Prime Centre, which provided customized service to the Bank's high net worth corporate and individual customers, and the Suva Branch were merged as one Unit. In the 2019 Financial Year, the Prime Centre became a standalone branch led by a dedicated Manager separate from the Suva Branch. This move was aimed at providing the Bank's high net worth corporate and individual customers personalised service with dedicated attention on meeting their development and financial needs. In turn, this presented the Suva Branch an opportunity to review its structure, customer portfolio mix and workflow processes to better serve its client base in the agriculture and Small and Medium Enterprise (SME) sectors.

Further, to enhance staff productivity, the Bank reviewed its customer hours following the review of an in- house customer traffic flow survey findings. The change will come into effect in the next financial year, with an extra hour now allocated to the Relationship and Sales (RS) Team to attend to administrative and back-office tasks.

FDB is committed to investing in capacity building initiatives for its people.

Process Improvement and Re-engineering

Groundwork for the automation of the recruitment process in the next financial year was established and work in progress. The move away from the current manual and paper-based process would see the Bank's recruitment process reduce to less than 30 days from the closing date of vacancy advertisements to the appointment of the successful candidate.

A significant team achievement for the TOD Unit in the 2019 Financial Year has been the development of the Unit's Standard Operating Procedures (SOPs) to provide clarity on its diverse functions, outlining detailed systematic process descriptions, supplemented with process flow charts.

The SOP aimed at ensuring each new and existing team member understands how to accomplish assigned tasks/functions has helped reduce staff training time, maintained consistency and provided quality assurance standards by reducing errors and enhancing productivity by the team. It has also established levels of authority and made transfer of work simple. The SOP will be used as a guide and benchmark for the Unit's next scheduled in house audit as well.

Learning and Growth

Staff Development

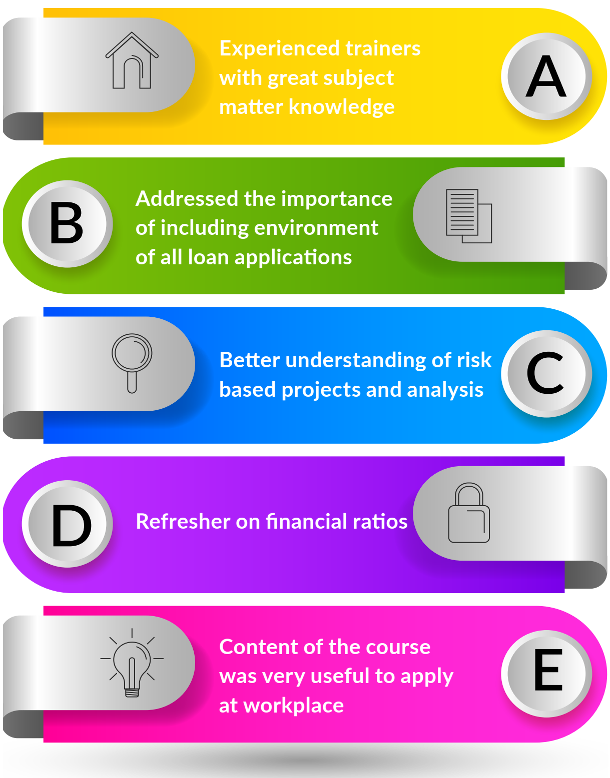
FDB's commitment to investing in its people through opportunities of enhancing internal competencies and capabilities was reflected in more than 80% completion rate of in-house training programs conducted in response to the Bank's and individual staff's Training Need Analysis (TNAs).

These TNA derived trainings featured in the Bank's the 2019 Financial Year Training Plan were successfully completed and evaluated in accordance with a monitoring and evaluation framework using Kirkpatrick's Evaluation Model.

In house staff development programs ranging from technical, behavioural, leadership, policy and mandatory occupational health and safety related training, supplemented with external local and overseas development programs, workshops and conventions in respective business specific areas, adding value to the Bank's operations and business growth were all part of development activities implemented during the year. The use of internal resource personnel and external facilitators to provide specialist practical insight and perspective also provided different and real life dimensions to staff's learning experience.

As part of the Bank's commitment to encourage innovative and effective ways of learning and developing its people, the Bank partnered with the Association of Development Financing in Asia and the Pacific [ADFIAP] to conduct a "Risk Based Credit Appraisal & Management" training over five days at FDB.

The ADFIAP Consulting Group in collaboration with FDB designed the program to support the Bank's green project financing based on best practice risk-based parameters, criteria and processes that guide investment and lending decisions towards climate and ecofriendly business models.



Staff Feedback on the ADFIP conducted on-site workshop on risk-based lending at FDB

Leadership Development

The Bank's Emerging Leaders Program [ELP] provides a practical leadership platform for select staff to apply key leadership learning outcomes and practices back in to their respective work units. The aim is to positively influence the Bank's organisational culture in the way staff think and do things in their daily activities and interactions in the Bank and with the community.

Members of the ELP group in one of their sessions.

Success measures of ELP can be attributed to some extent by the number of ELP members' promotions, nominations to and recipients of the TOD initiated CEO's Employees Excellence Award (CEO's EEA), enhanced individual members' performance appraisal ratings, and engagement in various Bank committees. These include membership in committees such as the Labour Management Consultation and Cooperation Committee (LMCC), Realignment, Ideation 360, and active participation in the Bank community and social extra-curricula activities. The success also includes positive findings of the Leadership Culture Survey (LCS) initially conducted in April 2018 and re-run in April 2019.

Additionally, a Scrum Team concept was formulated to provide a platform for exposure to learn new skills, develop new capabilities and to test capacity of ELP participants with the purpose of delivering on an assigned task were meant to be self-organizing and cross-functional by participating above and beyond members' current job responsibilities.

Using the online Ideation 360 platform, 134 ideas were registered by ELP participants and two scrum teams established to prioritise, evaluate and coordinate appropriate implementation actions of Management approved ideas with relevant stakeholders as part of identified Business Units Work Plans.

Using the online Ideation 360 platform, 134 ideas were registered by ELP participants

ELP Schedule

Employee Engagement

With a commitment to creating an environment that is conducive to staff engagement, the following employee engagement activities were undertaken with positive outcomes recorded.

Staff Surveys

Staff surveys were conducted during the year to ascertain staff feedback on their observations, experiences and preferences on various Bank leadership and operational related practices and matters. These were featured in the re-run of the Leadership Culture Survey [LCS], a combined Staff Values, Engagement and Satisfaction Survey with positive outcomes evidenced in findings and appropriate strategies developed to strengthen positive findings, including areas requiring improvement.

Detailed comparative LCS results analysis between the two years clearly evidenced a proven correlation between achieving desired behavioural attributes and high performance, effectiveness and engagement. In short, the 2019 survey findings reveal significant improvement in many aspects of leadership between the LCS completed in 2018 and April 2019, mainly in the Reactive (Below-the-Line) Leadership Competencies. Reactive leadership competencies defined as leadership behaviors that have significant strengths associated with them, but also reflect inner beliefs and behaviors that limit effectiveness, authentic expression and empowerment.

Ongoing formal and informal staff awareness, education and Talanoa sessions conducted by the TOD team on key TOD specific developments across the network continued in the year to advocate on open and effective communication in building trusting relationships amongst staff and teams.

Staff Recognition

The continuation of the CEO's Employee Excellence Award [CEO's EEA] program into its second year recorded a total of 52 nominations for the full year comprising six in the outstanding leadership award, 33 in the employee excellence award and 13 in the extraordinary teamwork award categories. The importance of recognizing behaviours that are aligned to the Bank's values and its correlating positive impact on the Bank's business and culture in general is evident in nominees and recipients' performance, interactions and relationships with internal and external stakeholders.








Creating a Culture of Corporate Wellness

The Fiji Development Bank (FDB) had launched its 2019 Corporate Wellness Program in February to strengthen its effort in steering the Bank towards a wellness-oriented mindset in the interest of reinforcing employee well-being, physically, mentally and spiritually.

As a responsible and caring organization, FDB has a strong commitment of creating a wellness conducive work environment for its staff. As such, key wellness activities were implemented in the year.

FDB collaborated with the Fiji Cancer Society, WOWS Kids Fiji, Suva Golden Oldies Rugby Club, Reproductive Family Health Association Fiji, Fiji Albinism Project, Adventist Health, Colgate Palmolive and Van Med Labs to advance its wellness campaign.

Executive Management Committee members took the lead role in monitoring their health and well-being.

National Advisor for Non-Communicable Diseases, Dr. Isimeli Tukana spoke to staff about the importance of monitoring health.

The localized motto at FDB is "We are FDB, and We will be responsive in driving dialogue and discussion around awareness, and debunking myths and misinformation about cancer."

The revival of the Bank's Staff Social and Sports Club, also supplements the Bank's Wellness Programme.

FDB participated at the 6am *Health Walk for Cancer* in February at My Suva Park.

FDB's Women's Forum took a lead role in organizing health walks and fundraising activities for occasions such as Pinktober.

FINANCIAL REPORT

Source: Fraunhofer ISE

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2019

In accordance with the resolution of the Board of Directors, the Directors herewith submit the statements of financial position of the Fiji Development Bank ("the Bank") and of the Group, being the Bank and its subsidiary ("FDB Nominees Ltd") as at 30 June 2019, the related statement of profit and loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date and report as follows.

DIRECTORS

The following are Directors of the Bank at any time during the financial year and up to the date of this report:

Current Directors

Mr. Robert G. Lyon	-	Chairperson; reappointed on 29/09/2016
Mr. Vadivelu Pillay	-	Deputy Chairperson; reappointed on 23/12/2017
Mr. Inia Rokotuiei Naiyaga	-	Reappointed on 23/12/2017
Mr. Rajesh Patel	-	Reappointed on 23/12/2017
Mr. Romit Meghi Parshottam	-	Appointed on 02/04/2019
Ms. Kalpana Kushla Lal	-	Appointed on 02/04/2019

PRINCIPAL ACTIVITIES

The principal business activities of the Bank and the Group during the course of the financial year were providing finance, financial and advisory services to assist in the development of agriculture, commerce and industry in Fiji. There were no significant changes in the nature of the activities of the Bank and the Group during the year.

RESULTS

The consolidated profit for the year ended 30 June 2019 was $4,067,412 (2018: $7,411,742) after providing an income tax expense of $251 (2018- Nil). The profit for the Bank for the year was $4,066,408 (2018: $7,411,091).

DIVIDENDS

The Directors recommend that no dividend be declared or paid for the year.

GOING CONCERN

The Directors consider the Bank and the Group to be a going concern. The Directors believe that the basis of preparation of the financial statements is appropriate and the Bank and the Group will be able to continue in operations for at least 12 months from the date of signing this report.

BAD AND DOUBTFUL DEBTS

Prior to the completion of the financial statements, the Directors took reasonable steps to ascertain that action had been taken in relation to writing off of bad debts and allowance recorded by the Bank and the Group. In the opinion of the Directors, adequate allowance has been made for doubtful debts.

As 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 allowance for doubtful debts in the Bank and the Group inadequate to any substantial extent.

UNUSUAL TRANSACTIONS

Apart from those matters and other matters specifically referred to in the financial statements, in the opinion of the Directors, the results of the operations of the Bank and the Group during the year were not substantially affected by any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Bank and the Group in the current financial year.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2019

NON-CURRENT ASSETS

Prior to the completion of the financial statements of the Bank and the Group the Directors took reasonable steps to ascertain whether any non-current assets were unlikely to be realized in the ordinary course of the business compared to the values as recorded in the accounting records of the Bank and its subsidiary. Where necessary these assets have been written down or adequate provision has been made to bring the values of such assets to an amount that they might be expected to realise. As at the date of this report, the Directors are not aware of any circumstances that will cause the value of non-current assets in the financial statements to be misleading.

SIGNIFICANT EVENTS

There were no significant changes in the state of affairs of the Bank or its subsidiary during the financial year.

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, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Bank and the Group in subsequent financial years.

OTHER CIRCUMSTANCES

As at the date of this report:

(i) no charge on the assets of the Bank and the Group have been given since the end of the financial year to secure liabilities of any other person;
(ii) no contingent liabilities have arisen since the end of the financial year for which the Bank and the Group could become liable; and
(iii) no contingent liabilities or other liabilities of the Bank and the Group have become or is likely to become enforceable within twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank and the Group to meet its obligations as and when they fall due.

As at the date of this report, the Directors are not aware of any circumstances that have arisen, not otherwise dealt with in this report or the financial statements, which would make adherence to the existing method of valuation of assets or liabilities of the Bank and the Group misleading or inappropriate.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than those included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the financial statements or received as the fixed salary of a full-time employee of the Bank and the Group or of a related corporation) by reason of contract made by the Bank and the Group or by a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors this 19th day of December 2019.

Director

Director

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
STATEMENT BY DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2019

In accordance with a resolution of the Board of Directors of the Bank and the Group, we state that in the opinion of the Directors:

(i) the accompanying statement of comprehensive income are drawn up so as to give a true and fair view of the results of the Bank and the Group for the year ended 30 June 2019;

(ii) the accompanying statement of changes in equity are drawn up so as to give a true and fair view of the changes in equity of the Bank and the Group for the year ended 30 June 2019;

(iii) the accompanying statement of financial position are drawn up so as to give a true and fair view of the state of affairs of the Bank and the Group as at 30 June 2019;

(iv) the accompanying statement of cash flows are drawn up so as to give a true and fair view of the cash flows of the Bank and the Group for the year ended 30 June 2019;

(v) at the date of these statement there are reasonable grounds to believe the Bank and the Group will be able to pay their debts as and when they fall due; and

(vi) all related party transactions have been adequately recorded in the books of the Bank and of the Group.

(vii) the financial statements of the Bank and of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and Fiji Development Bank Act (Cap 214).

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors this 19th day of December 2019.

Director

Director

OFFICE OF THE AUDITOR GENERAL
Excellence in Public Sector Auditing

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Website: http://www.oag.gov.fj

INDEPENDENT AUDITOR'S REPORT

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of Fiji Development Bank ("the Bank") and the consolidated financial statements of Fiji Development Bank and its subsidiary company (collectively "the Group"), which comprise the statement of financial position as at 30 June 2019, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and the Directors' Report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank and the Group as at 30 June 2019, of its financial performance, its changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Fiji Development Bank Act (Cap 214).

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing ("ISAs"). My responsibility under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Bank and the Group in accordance with the Fiji Development Bank Act and the *International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to my audit of the financial statements in Fiji and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Matter

The bank is governed by a board appointed by the Minister under the Fiji Development Bank Act 1967. The bank is not required to comply with the provisions of the Public Enterprises Act 2019 and Companies Act 2015. In addition, there are no formal arrangements for the bank to be supervised by the Reserve Bank of Fiji.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the Directors and management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud and error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's and the Group's ability to continue as a going concern. If I conclude that material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bank and the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank and the Group to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Other Legal and Regulatory Requirements

I have obtained all the information and explanations which, to my best of my knowledge and belief, were necessary for the purpose of my audit.

In my opinion:

a) proper books of account have been kept by the Fiji Development Bank and its subsidiary Company, sufficient to enable financial statements to be prepared, so far as it appears from my examination of those books,

b) to the best of my knowledge and according to the information and explanations given to me, the financial statements give the information required by the Fiji Development Act (Cap 214) in the manner so required.

AUDITOR - GENERAL
FIJI

Ajay Nand
AUDITOR-GENERAL

Suva, Fiji
20 December 2019

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	CONSOLIDATED		THE BANK	
		2019	2018	**2019**	2018
		$	$	**$**	$
Assets					
Cash and cash equivalents	9	65,921,380	44,683,382	65,919,401	44,681,557
Debt financial assets at amortised cost	10	2,330,370	2,049,316	2,000,000	2,000,000
Loans and advances	11	442,914,552	397,529,316	442,914,552	397,529,316
Receivable due from subsidiary	12	-	-	-	406,820
Other receivables	13	4,008,533	3,109,716	4,006,715	2,463,384
Investment in subsidiary	14	-	-	20,000	20,000
Investments	15	15,001	15,001	15,001	15,001
Property and equipment	17	30,247,123	20,389,179	30,247,123	20,389,179
Computer Software -Intangibles	18	174,611	140,638	174,611	140,638
TOTAL ASSETS		545,611,570	467,916,548	545,297,403	467,645,895
Liabilities					
Accounts payable and accruals	20	5,916,667	3,866,334	5,831,473	3,823,650
Debt securities issued	21	356,608,437	295,078,368	356,608,437	295,078,368
Other liabilities	22	6,420,099	6,960,293	6,420,099	6,960,293
Employee entitlements	23	797,424	767,990	797,424	767,990
Deferred income		3,590,264	3,036,756	3,590,264	3,036,756
TOTAL LIABILITIES		373,332,891	309,709,741	373,247,697	309,667,057
Equity					
Capital	24	56,050,636	56,050,636	56,050,636	56,050,636
Reserves		25,052,968	15,048,508	25,052,968	15,048,508
Accumulated profits		91,175,075	87,107,663	90,946,102	86,879,694
TOTAL CAPITAL AND RESERVES		172,278,679	158,206,807	172,049,706	157,978,838
TOTAL LIABILITIES AND EQUITY		545,611,570	467,916,548	545,297,403	467,645,895

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors this 19th day of December 2019.

Director

Director

The statements of financial position are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 99 to 132.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	CONSOLIDATED		THE BANK	
		2019	2018	**2019**	2018
		$	$	**$**	$
INCOME					
Interest income	3	35,751,404	32,423,538	35,747,572	32,423,538
Interest expense	6	(11,778,538)	(9,251,202)	(11,778,538)	(9,251,202)
Net interest income		23,972,866	23,172,336	23,969,034	23,172,336
Fee income	4	4,778,784	4,248,986	4,778,784	4,248,986
Other income	5	3,046,095	2,869,389	3,046,095	2,867,470
OPERATING INCOME		31,797,745	30,290,711	31,793,913	30,288,792
OPERATING EXPENSES	7	(16,059,802)	(13,762,521)	(16,057,225)	(13,761,253)
OPERATING PROFIT BEFORE ALLOWANCES		15,737,943	16,528,190	15,736,688	16,527,539
Allowance for Expected Credit Loss	11	(8,037,760)	(5,035,555)	(8,037,760)	(5,035,555)
Allowance for Interest and Fees	8	(3,632,520)	(4,080,893)	(3,632,520)	(4,080,893)
PROFIT BEFORE TAX		4,067,663	7,411,742	4,066,408	7,411,091
Tax expense	1(q)	(251)	-	-	-
PROFIT FOR THE YEAR		4,067,412	7,411,742	4,066,408	7,411,091
OTHER COMPREHENSIVE INCOME					
Items that will not be re-classified to profit or loss		-	-	-	-
Revaluation of property and equipment	17	10,004,460	-	10,004,460	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		14,071,872	7,411,742	14,070,868	7,411,091

The statements of profit and loss and other comprehensive income are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 99 to 132.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

CONSOLIDATED

	Notes	Capital	General reserve	Revaluation reserve	Accumulated profits	Total
		$	$	$	$	$
Balance at 30 June 2017	24	56,050,636	8,064,000	6,984,508	79,695,921	150,795,065
Net profit for the 2018 year		-	-	-	7,411,742	7,411,742
Balance at 30 June 2018		56,050,636	8,064,000	6,984,508	87,107,663	158,206,807
Adjustment of initial application of IFRS 9		-	-	-	-	-
Adjusted balance as at 1 July 2018		56,050,636	8,064,000	6,984,508	87,107,663	158,206,807
Total other comprehensive income		-	-	10,004,460	-	10,004,460
Net profit for the 2019 year		-	-	-	4,067,412	4,067,412
Balance at 30 June 2019		56,050,636	8,064,000	16,988,968	91,175,075	172,278,679

THE BANK

	Notes	Capital	General reserve	Revaluation reserve	Accumulated profits	Total
		$	$	$	$	$
Balance at 30 June 2017	24	56,050,636	8,064,000	6,984,508	79,468,603	150,567,747
Net profit for the 2018 year		-	-	-	7,411,091	7,411,091
Balance at 30 June 2018		56,050,636	8,064,000	6,984,508	86,879,694	157,978,838
Adjustment on initial application of IFRS 9		-	-	-	-	-
Adjusted balance as at 1 July 2018		56,050,636	8,064,000	6,984,508	86,879,694	157,978,838
Total other comprehensive income		-		10,004,460	-	10,004,460
Net profit for the 2019 year		-	-	-	4,066,408	4,066,408
Balance at 30 June 2019		56,050,636	8,064,000	16,988,968	90,946,102	172,049,706

The statements of changes in equity are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 99 to 132.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	CONSOLIDATED 2019 $ Inflows (Outflows)	CONSOLIDATED 2018 $ Inflows (Outflows)	THE BANK 2019 $ Inflows (Outflows)	THE BANK 2018 $ Inflows (Outflows)
OPERATING ACTIVITIES					
Interest and subsidy received		34,352,866	32,312,065	34,352,866	32,312,065
Interest and other costs of borrowing paid		(11,172,029)	(8,624,230)	(11,172,029)	(8,624,230)
Net additional loans and advances provided		(59,574,390)	(51,044,941)	(59,574,390)	(51,044,942)
Fees received		1,180,446	1,077,539	1,180,446	1,077,539
Cash paid to suppliers and employees		(9,566,149)	(9,953,628)	(9,566,303)	(9,938,481)
Other receipts		4,283,505	2,020,556	4,283,505	2,020,556
Net additional loans in Small and Micro Grant Portfolio		1,538,630	39,211	1,538,630	39,211
Net cash (used in) Operating Activities		(38,957,121)	(34,173,428)	(38,957,275)	(34,158,282)
INVESTING ACTIVITIES					
Proceeds from the sale of property, plant and equipment		-	60,000	-	60,000
VAT refunds for rental properties		-	153,644	-	153,644
Payments for property, plant and equipment		(1,334,950)	(3,824,583)	(1,334,950)	(3,824,583)
Net cash used in investing activities		(1,334,950)	(3,610,939)	(1,334,950)	(3,610,939)
FINANCING ACTIVITIES					
Net increase in long-term borrowings		71,524,483	39,300,646	71,524,483	39,300,646
Net increase in short-term borrowings		(9,994,414)	18,600,250	(9,994,414)	18,600,250
Net cash provided by Financing Activities		61,530,069	57,900,896	61,530,069	57,900,896
Net increase in cash and cash equivalent		21,237,998	20,116,529	21,237,844	20,131,675
Cash and cash equivalents at the beginning of the financial year		44,683,382	24,566,853	44,681,557	24,549,882
Cash and cash equivalents at the end of the financial year	9	65,921,380	44,683,382	65,919,401	44,681,557

The statements of cash flows are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 99 to 132.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Fiji Development Bank ("FDB or the Bank") is a fully owned Government of Fiji ("Government") entity domiciled in Fiji Islands. The address of the registered office is 360 Victoria Parade, Suva, Fiji. The financial statements of the Bank and the Group for the year ended 30 June 2019 comprise the Bank and its subsidiary company (collectively "the Group"). The Bank and the Group is primarily involved in the provision of finance, financial and advisory services to assist in the development of agriculture, commerce and industry in Fiji.

The financial statements were authorised for issue by the directors on 29th August, 2019.

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

(a) Statement of compliance

The financial statements are presented in Fiji dollars, rounded to the nearest dollar. The financial statements have been drawn up in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and the requirements of the Fiji Development Bank Act.

(b) Basis of preparation

The measurement base adopted is that of historical cost as modified by the fair value through other comprehensive income measurement and financial instruments held at fair value through profit or loss. Loans and Advances are measured at amortised cost. In addition, land and buildings are carried at re-valued amount.

(c) Changes in accounting policies

Except for the changes below, the Bank and the Group has consistently applied the accounting policies to all periods presented in these financial statements.

The Bank and the Group adopted the following standards with a date of initial application of 1 July 2018. As a result, the Bank has changed its accounting policies as detailed below:

IFRS 9 Financial Instruments

The Bank and the Group has adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 July 2018. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement.*

The nature and effects of the key changes to the Bank and the Group's accounting policies resulting from its adoption of IFRS 9 are summarised below.

As a result of the adoption of IFRS 9, the Bank and the Group adopted consequential amendments to IAS 1: *Presentation of Financial Statements* which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and Other Comprehensive Income (OCI). Additionally, the Bank adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures,* which are applied to disclosures relating to 2019 but generally have not been applied to comparative information.

i. Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value thorough other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 replaces the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

For an explanation of how the Bank and the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see Note 1(k).

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

ii. Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets, debt investments at FVOCI and loan commitments issued, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39 - see Note 11.

iii. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 which was issued in 2014 have been applied retrospectively, except as described below.

- Comparative periods have not been restated. Differences in the carrying amount of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 July 2018. Accordingly, the information presented for 2018 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2019 under IFRS 9.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

The following table summarises the impact of transition to IFRS 9 on retained earnings at 1 July 2018:

Retained earnings

Closing balance under IAS 39 (30 June 2018)	86,879,694
Recognition of expected credit losses under IFRS 9	-
Opening balance under IFRS 9 (1 July 2018)	86,879,694

iv. Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Bank and the Group's financial assets and financial liabilities as at 1 July 2018.

	Note	Original classification under IAS 39	New Classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial Assets					
Debt securities	10	Held to maturity	Amortised cost	2,000,000	2,000,000
Equity securities	14 &15	Available-for-sale	FVOCI-equity instrument	35,001	35,001
Loans & advances	11	Loans and receivables	Amortised cost	397,529,316	397,529,316
Other receivables	12 &13	Loans and receivables	Amortised cost	2,870,204	2,870,204
Cash and cash equivalents	9	Loans and receivables	Amortised cost	44,681,557	44,681,557
Total Financial Assets				**447,116,078**	**447,116,078**
Financial Liabilities					
Payables	20 & 22	Other financial liabilities	Other financial liabilities	10,783,943	10,783,943
Borrowings	21	Other financial liabilities	Other financial liabilities	295,078,368	295,078,368
Total Financial Liabilities				**305,862,311**	**305,862,311**

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) (i) Changes in accounting policies (continued)

iv. Classification of financial assets and financial liabilities on the date of initial application of IFRS 9 (continued)
The Bank and the Groups accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 1(c). The application of these policies resulted in the reclassifications set out in the table above and explained below.

a. The equity securities represent investments that the Bank and the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Bank and the Group has designated these investments at the date of initial application as measured at FVOCI.
b. Debt securities that were previously classified as held-to-maturity are now classified at amortised cost. The Bank and the Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.
c. Loans, Advances, and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 July 2018.

	IAS 39 carrying amount at 30 June 2018	**Re-measurement**	**IFRS 9 carrying amount at 1 July 2018**
Financial assets			
Amortised cost			
Cash and cash equivalents:			
Brought forward: Loans and receivables	44,681,557		
Re-measurement		-	
Carried forward: Amortised cost			44,681,557
Loans & Advances to customers:			
Brought forward: Loans and receivables	397,529,316		
Re-measurement		-	
Carried forward: Amortised cost			397,529,316
Other receivables:			
Brought forward: Loans and receivables	2,870,204		
Re-measurement		-	
Carried forward: Amortised cost			2,870,204
Debt securities:			
Brought forward: Held-to-maturity	2,000,000		
Carried forward: Amortised cost			2,000,000
Total amortised cost	447,081,077	-	447,081,077
FVOCI			
Equity investments:			
Brought forward: Available-for-sale	35,001		
Reclassified to: FVOCI – equity		-	35,001
Total FVOCI	35,001	35,001	35,001

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) New standards and interpretations not yet adopted

The Bank and the Group has not adopted early any other standard, interpretations or amendments that has been issued but not effective.

The Bank and the Group will apply IFRS 16 from 1 July 2019. IFRS 16 removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets are exempt from the lease accounting requirements. There are also changes in accounting over the life of the lease. In particular, companies will now recognize a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. Lessor accounting remains similar to current practice i.e. lessor continue to classify leases as finance and operating lease. The Bank and the Group is assessing all the leasing contracts.

(e) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

- Note 1(k) and Note 11 – Impairment of Loans and advances
- Note 1(i) – Valuation of land and buildings

(f) Principles of consolidation

Subsidiary

The consolidated financial statements of the Group include the financial statements of the Bank and the Group and its wholly owned subsidiary as disclosed in Note 14. Control exists when Bank and the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that controls ceases.

The investment in subsidiary is measured at cost less impairment loss in the financial statements of the Bank.

Transactions eliminated on consolidation

The balances and effects of transactions between Bank and the Group and the controlled entity have been eliminated in the consolidated financial statements.

(g) Revenue recognition

Under IFRS 15, revenue is recognised with reference to the satisfaction of performance obligation either at a point in time (when) or over time (as). Despite the level of costs incurred, revenue will only be recognised once performance obligation fulfilment can be assessed. The impact as at 1 July 2018 as a result of changes in accounting for contracts is $Nil. This is because as at 1 July 2018, there were no contracts that were determined to be not complete.

Interest income

Interest income on investments, loans and advances is recognised in profit or loss using the effective interest method. Unearned interest on lease finance is brought into account at the time of realization.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Revenue recognition (continued)

Government interest subsidies

Government provides interest subsidies on certain loans schemes. These interest subsidies are recognised as interest income in profit or loss using the effective interest rate method.

Fees and charges

Lending fees

Fees and direct costs relating to loan origination, financing or restructuring and to loan commitments are deferred and amortised to profit or loss over the term of the loan. Lending fees not directly related to the origination of a loan are recognised as and when the service has been renewed.

Other fees and charges

When other fees and charges relate to specific transactions or events, they are recognised in profit or loss over the period that the service is provided to the customer.

Fees on impaired loans are recognised as income and impaired as doubtful debts to profit or loss.

(h) Debt securities issued

FDB registered bonds and promissory notes are measured at fair value on initial recognition. Subsequent to initial recognition they are measured at amortised cost using effective interest method. Any discount on these bonds is amortized to interest expense on a straight-line basis over the term of the bond to which it relates.

(i) Property and equipment

Items of equipment are measured at cost less accumulated depreciation and impairment loss. Items purchased at less than $500 are expensed.

Land and buildings are measured at revalued amounts being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations reflect independent assessments of the fair market value of land and buildings based on existing use. Revaluation increments are credited directly to the revaluation reserve in equity via other comprehensive income. Revaluation decrements are debited directly to equity via other comprehensive income to the extent they reverse a previous revaluation surplus. Any remaining decrease is debited to statement of profit and loss and other comprehensive income.

The Directors have adopted a policy of obtaining regular independent valuations for all of the Bank's properties on an existing use basis of valuation. The Bank and the Group's land and buildings were last revalued by Professional Valuations Limited and these valuations were adopted by Bank and the Group within the 2019 financial year. The next revaluation on land and building is expected to be conducted after three years.

All other items of property and equipment are carried at cost less accumulated depreciation and impairment losses.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property and equipment (continued)

Depreciation

Property and equipment with the exception of freehold land are depreciated over their expected useful lives using the straight-line method of depreciation at the following rates, whilst leasehold land and improvements are amortised over the shorter of their useful lives and the terms of their respective leases.

Buildings and improvements	1-2%
Equipment, furniture and fittings	10%
Motor vehicles	20%
Computer hardware	20%
Computer software	20%
Leasehold land	Term of the lease

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the asset or cash-generating units are written down to their recoverable amount. The recoverable amount of property and equipment is the higher of fair value less costs to sell and value in use. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in profit or loss statement of profit and loss and other comprehensive income.

(j) Intangible assets

The Bank and the Group recognises internally generated Banking Software (Bank Management System) and any other externally purchased software as intangible assets. Due to the finite life of the software, it is amortised on a straight-line basis at 20% per annum.

(k) Financial assets and liabilities

i.) Recognition and initial measurement

The Bank and the Group initially recognised loans and advances, other receivables and debt securities issued on the date on which they are originated. All other financial assets and financial liabilities are initially recognised when the Bank and the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

ii.) Classification and subsequent measurement

Financial assets – Policy applicable from 1 July 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and,
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and,
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial assets and liabilities (continued)

On initial recognition of an equity investment that is not held for trading, the Bank and the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment by investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Bank and the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank and the Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank and the Group management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and,
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank and the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Bank and the Group considers:
- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and,
- terms that limit Bank and the Group claim to cash flows from specified assets (e.g. nonrecourse features).

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial assets and liabilities (continued)

iii.) Derecognition

Financial assets

The Bank and the Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank and the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Bank and the Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Bank and the Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Bank and the Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in statement of profit and loss and other comprehensive income.

iv.) Modifications of financial assets

If the terms of a financial asset are modified, the Bank and the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

Policy applicable from 1 July 2018

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank and the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in statement of profit and loss and other comprehensive income. If such a modification is carried out because of financial difficulties of the borrower 1(k)(vi), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income 1(g).

Policy applicable before 1 July 2018

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognized, then impairment of the asset was measured using pre-modified interest rate 1(k)(vi).

v.) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank and the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

vi.) Impairment of assets

Policy applicable from 1 July 2018

The Bank and the Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost; and,

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial assets and liabilities (continued)

vi.) Impairment of assets (continued)

The Bank and the Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12 month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and,
- other debt securities and Bank and the Group balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Bank and the Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:
- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank and the Group expects to receive);
- financial assets that are credit-impaired at the reporting date; as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank and the Group if the commitment is drawn down and the cash flows that the Bank and the Group expects to receive.

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Bank and the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Bank and the Group on terms that the Bank would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:
- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments: generally, as allowance for credit impairment;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component, the Bank and the Group presents a combined loss allowance for both components.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial assets and liabilities (continued)

vi.) Impairment of assets (continued)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Bank and the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank and the Group's procedures for recovery of amounts due.

Bad debts are written off against the allowance in the year in which the debt is recognised as being irrecoverable. Where not previously included in the allowance, bad debts are written off directly to profit or loss. Debts previously written off and subsequently recovered are credited to profit or loss in the year in which they are recovered.

Policy applicable before 1 July 2018

Impairment of Loans and Advances

The Bank and the Group assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Credit impairment provisions were raised for exposures that are known to be impaired. Loan accounts are reviewed throughout the year to assess the allowance for impairment. The Bank and the Group had individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

Individually assessed allowance is maintained to cover identified impairment. The individually assessed allowance requirement (representing new and increased individually assessed allowances less individually assessed releases) is recorded in profit or loss.

Individually assessed allowances are made against individually significant financial assets and groups of financial assets with similar credit risk characteristics for those that are not individually significant. The determination of the amount of specific allowance is based on many factors including credit evaluation of the borrowers, value of security and collateral held, current economic conditions and past experience.

Recoveries, representing excess transfers to the specific allowance, are credited to the profit or loss.

Collective allowance

All other loans and advances that do not have an individually assessed allowance are assessed collectively for impairment. Collective allowances are maintained to reduce the carrying amount of portfolios of similar loans and advances to their estimated recoverable amounts at the balance date.

Collective allowance is maintained on all loans based on the Credit Risk Rating "(CRR)" and is allocated to reflect the associated risk. The collective allowance is based on a percentage and is reviewed on a yearly basis.

(l) Investments

Investments are those securities that the Group has purchased with positive intent and ability to hold until maturity. These securities are initially recorded at fair value and subsequently adjusted for amortisation of premium or discounts. Premiums and discounts are capitalised and amortised using the effective interest method from date of purchase to maturity. Interest income is recognized using the effective interest method. Borrowing costs are recognised as expenses in the period in which they are incurred.

(m) Land held for resale

The cane estate and other land held for subdivision and resale are carried at the lower of their carrying amount and fair value less cost to sell.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and at Bank and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short- term commitments.

(o) Other debtors

Other receivables are stated at amortised cost less impairment losses.

(p) Accounts payable and accruals

Accounts payable and accruals are stated at amortised cost.

(q) Taxation

The Bank has made no provision for taxation, as it is not subject to income tax in accordance with the Income Tax Act; 2016. However, the Bank's subsidiary FDB Nominees Ltd adopts the principles of tax effect accounting and thus is the basis of recognition of tax expense in consolidated financial statements of the Group.

(r) Employee entitlements

Annual leave

The accrual for annual leave represents the amount which the Bank and the Group has a present obligation to pay, resulting from employees' services provided up to the balance date. The accrual is based on current wage and salary rates and includes related on-costs.

Long service leave

The liability for employees' entitlements to long service leave represents the amount payable to employees, based on current wage and salary rates, for services provided up to balance date. The liability for long service leave increases according to the number of years of service completed by the employee.

Gratuity

The accrual for gratuity represents amounts payable to permanent employees who have achieved in excess of the minimum ten years of service on retirement, and is based on current wage and salary rates.

Triennial leave

The triennial leave is payable to employees on completion of every three years of service and is based on staff's grade.

Number of employees

The number of employees as at 30 June 2019 was 208 (2018: 194).

(s) Contingent liabilities and credit commitments

The Bank and the Group is involved in a range of transactions that give rise to contingent and / or future liabilities. The Bank and the Group discloses a contingent liability when it has a possible obligation arising from past events that will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Bank and the Group control. A contingent liability is disclosed when a present obligation is not recognised because it is not probable that an outflow of resources will be required to settle an obligation, or the amount of the obligation cannot be measured with sufficient reliability.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Contingent liabilities and credit commitments (continued)

The Bank and the Group issues commitments to extend credit, letters of credit, guarantees and other credit facilities. These financial instruments attract fees in line with market prices for similar arrangements. They are not sold or traded. The items generally do not involve cash payments other than in the event of default. The fee pricing is set as part of the broader customer credit process and reflects the probability of default. They are recorded as contingent liabilities at their face value.

Information on the face value and credit equivalents of commitments and contingent liabilities is shown in note 26.

(t) Deferred income

Deferred income represents establishment fees charged and is deferred and amortised using the effective interest rates over the term of the loan.

(u) Deposits and other borrowings

Deposits and other borrowings include certificates of deposits, interest bearing deposits and other related interest bearing financial instruments. They are measured at amortised cost. The interest expense is recognised using the effective interest method.

(v) Debt financial asset at amortised cost

Debt financial assets are those which carry fixed or determinable payments and have fixed maturities and which the Bank and the Group has the intention and the ability to hold to maturity. After initial measurement, debt financial assets are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Amortisation is included as 'other income' in the income statement. The losses arising from impairment of such investment are recognised in the income statement line 'impairment losses on financial investments'.

(w) Other receivables

Other receivables include interest receivable investments, interest subsidy receivable, deposits, prepayments and receivable from the subsidiary the Bank and the Group.

In the consolidation process, receivables from the subsidiary the Bank and the Group in the Bank's book of accounts are eliminated against corresponding payables recorded in the subsidiary the Bank's general ledger.

2. FAIR VALUE ESTIMATION

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank and the Group has access at that date.

When available, the Bank and the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Bank and the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of relevant observable inputs and maximising the use of unobservable inputs.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

The different levels have been defined as follows:

- Level 1 fair value measurement are those instruments valued based on quoted prices (unadjusted) in active markets for identical assets and liabilities.

- Level 2 fair value measurements are those instruments valued based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those instruments valued based on inputs for the asset or liability that are not based on observable market data (unobservable) inputs.

The following table analyses financial instruments measured at fair value at the reporting date by level in the fair value hierarchy into which the fair value measurement is categorised. It does not include fair value information for financial assets and financial abilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

2019	**Carrying amount**			**Fair value**			
	Debt financial asset at amortised cost	**Other financial**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	$	$	$	$	$	$
Assets							
Debt financial asset at amortised cost	2,000,000	-	2,000,000	-	2,363,696	-	2,363,696
	2,000,000	-	2,000,000	-	2,363,696	-	2,363,696
Liabilities							
Bonds	-	235,800,000	235,800,000	-	234,274,301	-	234,274,301
Promissory notes	-	31,999,999	31,999,999	-	31,389,144	-	31,389,144
		267,799,999	267,799,999	-	265,663,445	-	265,663,445
2018							
Assets							
Debt financial asset at amortised cost	2,000,000	-	2,000,000	-	2,586,303	-	2,586,303
	2,000,000	-	2,000,000	-	2,586,303	-	2,586,303
Liabilities							
Bonds	-	178,800,000	178,800,000	-	179,588,227	-	179,588,227
Promissory notes	-	24,000,000	24,000,000	-	23,407,564	-	23,407,564
		202,800,000	202,800,000	-	202,995,791	-	202,995,791

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

	CONSOLIDATED		THE BANK	
	2019	2018	**2019**	2018
	$	$	**$**	$

3 INTEREST INCOME

Interest Income (non – subsidised)	31,047,810	28,421,157	31,043,978	28,421,157
Interest Subsidies – (received /				
receivable from the Government for:				
- Agricultural loans	2,999,569	2,785,570	2,999,569	2,785,570
- Commercial Loans to Fijians Scheme	72,911	100,649	72,911	100,649
- Economic Rehabilitation Package Scheme	1,387	1,297	1,387	1,297
- Small Business Scheme	809,933	826,622	809,933	826,622
- Northern Rehabilitation Package	819,794	288,243	819,794	288,243
	4,703,594	4,002,381	4,703,594	4,002,381
	35,751,404	32,423,538	35,747,572	32,423,538

Interest income is recognised in statement of profit and loss and other comprehensive income using effective interest method.

4 FEE INCOME

Application fees	220,437	175,380	220,437	175,380
Establishment fees	710,125	642,575	710,125	642,575
Commitment fees	486,181	429,575	486,181	429,575
Bank Service fees	2,254,132	1,924,822	2,254,132	1,924,822
Arrears fees	147,900	174,475	147,900	174,475
Legal fees	956,359	901,399	956,359	901,399
Other fee income	3,650	760	3,650	760
	4,778,784	4,248,986	4,778,784	4,248,986

5 OTHER INCOME

The following items are included in other income:

Gain on sale of property, plant and equipment	11,528	267,823	11,528	267,823
Bad debts recovered	398,745	566,450	398,745	566,450
Insurance commission	179,347	137,667	179,347	137,667
Rental income	900,106	839,294	900,106	839,294
Other Income	1,556,369	1,058,155	1,556,369	1,056,236
	3,046,095	2,869,389	3,046,095	2,867,470

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

	CONSOLIDATED		THE BANK	
	2019	2018	**2019**	2018
	$	$	**$**	$
6 INTEREST EXPENSES				
Interest paid - Bonds	9,158,068	6,876,251	9,158,068	6,876,251
Interest paid on Call	1,225,512	1,135,250	1,225,512	1,135,250
Interest paid on Promissory Notes	1,228,701	1,147,283	1,228,701	1,147,283
Other administrative cost	166,257	92,418	166,257	92,418
	11,778,538	9,251,202	11,778,538	9,251,202
7 OPERATING EXPENSES				
Items included in administrative expenses:				
Amortisation of bond discounts	4	4	4	4
Auditors' remuneration	39,996	39,996	39,996	39,996
Directors' fees	114,134	174,710	114,134	174,710
Depreciation and amortisation	1,436,963	989,101	1,436,963	989,101
Employee costs	10,732,528	9,263,159	10,732,528	9,263,159
Other Expenses	3,736,177	3,295,551	3,733,600	3,294,283
	16,059,802	13,762,521	16,057,225	13,761,253
8 ALLOWANCE FOR INTEREST AND FEES				
Allowance for Interest	3,308,107	3,790,715	3,308,107	3,790,715
Allowance for Fees	324,413	290,178	324,413	290,178
	3,632,520	4,080,893	3,632,520	4,080,893

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

9 CASH & CASH EQUIVALENTS

	CONSOLIDATED		THE BANK	
	2019	2018	2019	2018
	$	$	$	$
Petty cash	1,680	1,980	1,680	1,980
Overdraft facility	15,500	15,500	15,500	15,500
Western Union facility	-	12,000	-	12,000
Deposit accounts - Branches	40,753,243	24,819,261	40,751,264	24,817,436
Bank of South Pacific - Call account	961,079	1,476,011	961,079	1,476,011
Bank of Baroda - Head Office	4,786,560	2,237,514	4,786,560	2,237,514
HFC Bank - Head Office	18,935,809	16,026,171	18,935,809	16,026,171
Westpac Bank - Head Office	467,509	94,945	467,509	94,945
	65,921,380	44,683,382	65,919,401	44,681,557

The Bank and the Group maintains an overdraft facility of $15,000 to cater for staff withdrawals based on their eligibility level and Western Union facility is no longer offered. Deposit accounts are maintained for the Bank and the Group 's daily transactions with its clients and the accounts earn interest at floating rates based on daily rates.

Restricted Funds

The cash at bank includes money received from the Government to be distributed to small and micro enterprises as grant. As at 30 June 2019, $1,538,630 (2018: $39,211) were yet to be disbursed and thus payable to Government. These funds are payable at call and since it is only provided by the Government to be distributed by way of grant to small and micro enterprises meeting certain criterions it cannot be used for any other activity.

10 DEBT FINANCIAL ASSETS AT AMORTISED COST

	CONSOLIDATED		THE BANK	
	2019	2018	2019	2018
	$	$	$	$
Investment In bonds	2,330,370	2,049,316	2,000,000	2,000,000

Investment in bonds relates to $2,000,000 of investments with the Reserve Bank of Fiji at 12.31%, with maturity year being 2022 and three term deposit aggregating to $330,370 (2018: $49,316) held by FDB Nominees Limited in Home Finance Corporation at 2.75% for a term of 12 months, 5% for a term of 2 months, 5 months and 12 months at Fiji Development Bank and 4.8% at a term of 12 months at Kontiki Finance Limited.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
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FOR THE YEAR ENDED 30 JUNE 2019

11 LOANS AND ADVANCES

	CONSOLIDATED		THE BANK	
	2019	2018	2019	2018
	$	$	$	$
Loans and advances	539,755,425	487,058,189	539,755,425	487,058,189
Allowance for interest and fees suspended	(20,620,603)	(19,186,493)	(20,620,603)	(19,186,493)
	519,134,822	467,871,696	519,134,822	467,871,696
Allowance for Expected Credit Loss	(76,220,270)	(70,342,380)	(76,220,270)	(70,342,380)
Net loans and advances	442,914,552	397,529,316	442,914,552	397,529,316

Loans and advances include finance lease provided to customers. There were no new finance leases granted in the current financial year.

The Bank's split for gross loans and advances to customers is as follows:

Current	38,884,447	35,211,501	38,884,447	35,211,501
Non-current	500,870,978	451,846,688	500,870,978	451,846,688
Total	539,755,425	487,058,189	539,755,425	487,058,189

Allowance for credit impairment as per ECL (Expected Credit Loss) model is represented as follows:

Balance at the beginning of the year as at 30th June 2018 (IAS 39)	70,342,380	66,057,288	70,342,380	66,057,288
Impact Adjustment of Initial application of IFRS 9	-	-	-	-
Adjusted balance as at 1 July 2018	70,342,380	-	70,342,380	-
Charge to the profit or loss	8,037,760	5,035,555	8,037,760	5,035,555
	78,380,140	71,092,843	78,380,140	71,092,843
Bad debts written off against impairment allowances	(2,159,870)	(750,463)	(2,159,870)	(750,463)
Total allowance for credit impairment as per ECL (Expected Credit Loss) model	76,220,270	70,342,380	76,220,270	70,342,380

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
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12 RECEIVABLE FROM SUBSIDIARY

	CONSOLIDATED		THE BANK	
	2019	2018	2019	2018
	$	$	$	$
FDB Nominees Limited	-	-	-	406,820

13 OTHER RECEIVABLES

Government guarantees & grants	5,499,216	5,499,216	5,499,216	5,499,216
Impairment loss - government guarantee & grants	(5,499,216)	(5,499,216)	(5,499,216)	(5,499,216)
Government interest subsidies	2,014,624	731,391	2,014,624	722,546
Others	1,993,909	2,378,325	1,992,091	1,740,838
	4,008,533	3,109,716	4,006,715	2,463,384
Impairment loss is represented as follows:				
Total impairment at the beginning of the year	5,499,216	5,499,216	5,499,216	5,499,216
Charge to profit or loss	-	-	-	-
Total impairment at the end of the year	5,499,216	5,499,216	5,499,216	5,499,216

14 INVESTMENT IN SUBSIDIARY

FDB Nominees Ltd	-		20,000	20,000

The Bank has 100% beneficial interest in the ordinary share capital of the subsidiary company which is incorporated in Fiji.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

15 INVESTMENTS

	CONSOLIDATED		THE BANK	
	2019	2018	**2019**	2018
	$	$	**$**	$
Shares in companies - at cost Impairment	3,334,291	3,334,291	3,334,291	3,334,291
	(3,319,290)	(3,319,290)	(3,319,290)	(3,319,290)
	15,001	15,001	15,001	15,001

Equity securities are valued in accordance with Note of the financial statement

Shares in subsidiary company				
FDB Nominees Limited	-	-	20,000	20,000
Shares in other companies				
South Pacific Stock Exchange	15,000	15,000	15,000	15,000
Adfip Trustees	1	1	1	1
Total Investments	15,001	15,001	35,001	35,001

Equity securities designated as at FVOCI

As a 1 July 2018, the Bank designated the investments shown above as equity securities as at FVOCI because these equity securities represent investments that the Bank intends to hold for the long term for strategic purposes.

16 LAND HELD FOR RESALE

Nasarawaqa Estate				
Cost at beginning of the year	99,426	99,426	99,426	99,426
Impairment at the beginning of the year	(94,531)	(94,531)	(94,531)	(94,531)
Impairment expense during the year	-	-	-	-
Impairment at the end of the year	4,895	4,895	4,895	4,895
Contributions to project	(4,895)	(4,895)	(4,895)	(4,895)
	-	-	-	-

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

17 PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED AND THE BANK

	Land and Buildings $	Plant and Equipment $	Fixtures and Fittings $	Work in Progress $	Total $
Cost or valuation					
Balance at 1 July 2017	15,035,076	6,813,806	121,860	742,728	22,713,470
Acquisitions during the year	-	531,908	-	3,277,075	3,808,983
Transfer in /(out)	3,289,522	632,623	-	(3,922,145)	-
Disposals	(58,000)	(882,022)	(3,479)	-	(943,501)
Balance at 1 July 2018	**18,266,598**	**7,096,315**	**118,381**	**97,658**	**25,578,952**
Acquisitions during the year	-	263,058	3,618	977,821	1,244,497
Revaluation	9,396,313	-	-	-	9,396,313
Disposal	-	(199,727)	(13,114)	-	(212,841)
Transfer In/(out)	239,720	533,339	-	(773,059)	-
Balance at 30 June 2019	**27,902,631**	**7,692,985**	**108,885**	**302,420**	**36,006,921**
Accumulated Depreciation					
Balance at 1 July 2017	276,330	4,683,306	115,930	-	5,075,566
Depreciation charge for the year	183,438	748,662	1,472	-	933,572
Disposal	(1,748)	(814,142)	(3,475)	-	(819,365)
Balance at 1 July 2018	**458,020**	**4,617,826**	**113,927**	-	**5,189,773**
Depreciation charge for the year	569,087	810,089	1,307	-	1,380,483
Revaluation	(608,147)	-	-		(617,031)
Disposal	(8,954)	(180,240)	(13,117)	-	(193,427)
Balance at 30 June 2019	**410,006**	**5,247,675**	**102,117**	**-**	**5,759,798**
Carrying amount					
Balance at 1 July 2017	14,758,746	2,130,500	5,930	742,728	17,637,904
Balance at 30 June 2018	17,808,578	2,478,489	4,454	97,658	20,389,179
Balance at 30 June 2019	**27,492,625**	**2,445,310**	**6,768**	**302,420**	**30,247,123**

The Directors have adopted a policy of obtaining regular independent valuations for all of the Bank's properties on an existing use basis of valuation. The land and buildings were re-valued by Professional Valuations Ltd and these valuations were adopted by the Bank within the financial year 2019.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

18 COMPUTER SOFTWARE - INTANGIBLES

	CONSOLIDATED		THE BANK	
	2019	2018	**2019**	2018
	$	$	**$**	$
Balance at the beginning of the year	378,537	362,937	378,537	362,937
Acquisitions during the year	11,572	15,600	11,572	15,600
Work in Progress	78,881	-	78,881	-
Balance at the end of the year	468,990	378,537	468,990	378,537
Accumulated Amortisation				
Balance at the beginning of the year	237,899	182,370	237,899	182,370
Amortisation charge for the year	56,480	55,529	56,480	55,529
Balance at the end of the year	294,379	237,899	294,379	237,899
Carrying amount				
Balance at the beginning of the year	140,638	180,567	140,638	180,567
Balance at the end of the year	174,611	140,638	174,611	140,638

19 OPERATING LEASE

Leases as Lessee

Minimum lease payments under non-cancellable operating leases are payable as follows:

Not Later than one year	48,056	50,045	48,056	50,045
Between one and five years	192,224	200,182	192,224	200,182
More than 5 years	1,682,652	2,103,613	1,682,652	2,103,613
	1,922,932	2,353,840	1,922,932	2,353,840

The above operating Lease Rentals relate to TLTB and Government of Fiji lease payments the Bank is required to make annually.

20 ACCOUNTS PAYABLE AND ACCRUALS

Interest accruals	2,336,583	1,741,633	2,336,583	1,741,633
Others	3,580,084	2,124,700	3,494,890	2,082,017
	5,916,667	3,866,333	5,831,473	3,823,650

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

21 DEBT SECURITIES ISSUED

	CONSOLIDATED		THE BANK	
	2019	2018	**2019**	2018
	$	$	**$**	$
Short term borrowings				
Term deposits	10,515,826	25,170,250	10,515,826	25,170,250
Promissory Notes	31,999,999	24,000,000	31,999,999	24,000,000
RBF Export Facility	7,061,600	18,628,717	7,061,600	18,628,717
FDB Registered bonds - face value	59,500,000	44,000,000	59,500,000	44,000,000
Total Short term borrowings	109,077,425	111,798,967	109,077,425	111,798,967
Non-current - Bonds				
Term deposits	4,740,010	80,000	4,740,010	80,000
RBF Export Facility	66,479,443	48,383,999	66,479,443	48,383,999
FDB Registered bonds - face value	176,300,000	134,800,000	176,300,000	134,800,000
	11,559	15,402	11,559	15,402
Long term borrowings	247,531,012	183,279,401	247,531,012	183,279,401
Total borrowings	356,608,437	295,078,368	356,608,437	295,078,368

The above short term borrowings have a repayment term of less than 1 year and have been guaranteed by the Government of Fiji. The interest rate for the short term borrowing ranges from 3.50% to 7.00% in (2018: 2.50%-4.55%). The borrowings under RBF Export Facility have term of 2 to 5 years. The FDB registered bonds have a repayment term varying between 1 to 15 years and have been guaranteed by Government of Fiji.

22 OTHER LIABILITIES

	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $	THE BANK 2019 $	THE BANK 2018 $
Current				
Seed Capital Fund	2,225,400	2,350,356	2,225,400	2,350,356
Staff Savings account	1,578,785	1,409,023	1,578,785	1,409,023
Export Facility	1,227,228	1,227,228	1,227,228	1,227,228
Tractors and Farm Implements	1,260,000	1,845,000	1,260,000	1,845,000
Farmers Assistance Scheme	128,686	128,686	128,686	128,686
	6,420,099	6,960,293	6,420,099	6,960,293

Seed Capital Fund is a revolving fund from the Government of Fiji for lending to specialised business activities in forestry, fishing and eco-tourism. Principal repayments for the seed capital loans are added back to the initial fund for re-lending. Seed Capital Fund amounts that are not utilised are repayable to the Government. Staff savings are stated at amortised cost and are repayable on demand at an average interest rate of 2.5% per annum.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

23 EMPLOYEE ENTITLEMENTS

	CONSOLIDATED		THE BANK	
	2019	2018	**2019**	2018
	$	$	**$**	$
At 1 July 2018	767,990	1,031,309	767,990	1,031,309
Utilised during the year	(651,063)	(1,034,100)	(651,063)	(1,034,100)
Arising during the year	680,497	770,781	680,497	770,781
At 30 June 2019	797,424	767,990	797,424	767,990

The employee entitlement includes accrued leave and gratuity. The gratuity is accrued for all tenure staff after continuous service of 10 years and the staffs is eligible for payment on retirement after reaching the age of 55 years.

The split for employee entitlement's is as follows:

	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $	THE BANK 2019 $	THE BANK 2018 $
Current	680,495	500,663	680,495	500,663
Non-current	116,929	267,327	116,929	267,327
Total	797,424	767,990	797,424	767,990

24 CAPITAL

	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $	THE BANK 2019 $	THE BANK 2018 $
Authorised capital	100,000,000	100,000,000	100,000,000	100,000,000
Contributed capital	56,050,636	56,050,636	56,050,636	56,050,636

The Bank was formed by an Act of Parliament and the contributed capital of $56,050,636 consists of equity contribution from the Government of Fiji.

25 COMMITMENTS AND CONTINGENT LIABILITIES

	2019	2018
	$	$
(a) Commitments		
(i) Loans approved but not disbursed	86,430,682	71,895,147
(b) Capital Commitments		
(i) Work In Progress	168,331	815,714
(c) Contingent liabilities		
(i) Guarantees	4,959,949	2,149,941
(ii) Litigation	-	-

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

26 RELATED PARTY TRANSACTIONS

Government

The related party transactions with Government have been disclosed in the respective notes of the financial statements. This includes notes 1,3,9,13, 21, 22 and 24.

Directors

The following are Directors of the Bank and the Group during the financial year ended 30 June 2019 and up to the date of this report.

Current directors

Mr. Robert G. Lyon	Chairperson
Mr. Vadivelu Pillay	Deputy chairperson
Mr. Rajesh Patel	
Mr. Inia Rokotuiei Naiyaga	
Mr. Romit Meghi Pharshottam	
Ms. Kalpana Kushla Lal	

	CONSOLIDATED		THE BANK	
	2019	2018	**2019**	2018
	$	$	**$**	$
Directors' Expenses	114,134	174,710	114,134	174,710

Other related party transactions

Loans amounting to $2,734,885 (2018: $1,786,651) were advanced to a Company where a Director has a related party interest and are included in "Loans and Advances" (refer note 11). The loans were provided under normal terms and conditions.

Key Management Personnel

Details of Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

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

Name	Current title
Mark Clough	Chief Executive Officer
Shaukat Ali	General Manager Relationship & Sales
Saiyad Hussain	General Manager Finance and Administration
Nafitalai Cakacaka	General Manager Business Risk Services
Mere Tausie Aisake	General Manager Talent & Organisational Development

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

26 RELATED PARTY TRANSACTIONS

Key Management Personnel (continued)

The aggregate compensation of the above key management personnel (excluding Directors) comprises only short-term benefits and is set out below:

	CONSOLIDATED		**THE BANK**	
	2019	2018	**2019**	2018
	$	$	**$**	$
Short-term benefits	1,064,366	1,066,313	1,064,366	1,066,313

The Key Management Personnel are contracted employees and are entitled to short term benefits only. There is no long term benefits payable.

Loans amounting to $11,981 (2018: $28,244) to executives are included in "Loans and Advances" (refer note 11). The loans were provided at arm's length transaction.

27 RISK MANAGEMENT POLICY

Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from loans and advances. The credit risk framework is in place across the organization with the end-objective of ensuring a structured and disciplined approach in pursuing the targets mutually set by the board and management. The framework focuses on corporate mission, policies, procedures, people, skills, values, controls and portfolio balance exposures. It is supported by regular portfolio analysis and detailed underwriting evaluation that identifies risk areas / concentrations, with recommended risk remedies and monitoring procedures in order to avert any probable negative impact of the account and of the portfolio.

The authority to make credit decision is layered. The Board credit committee retains the authority to approve loan amounts above a threshold that is set by the board. On the other hand, the management (EXCO) has authority and discretion to delegate defined approving limits to Risk Officers under certain conditions. The delegated credit decision authority, particularly below the threshold level is reviewed from time to time in respect of each Officer's performance, exercise of delegated authority and changes to the Bank and the Group policy guidelines. Managers are also obliged to meet reporting and review requirements, to monitor credit risk exposure under their control and to report promptly any deteriorating situations that affect the Bank and the Group.

The other component of the Bank and the Group's rating system for customers is a Client Quality Rating (CQR). This rating represents the Bank and the Group's view as to the "financial health" of the business during the past and in future. Furthermore, the Bank and the Group uses Credit Risk Rating (CRR) Systems, which were developed internally and integrates the different qualitative and quantitative variables of a borrower. The grading method takes into focus the history of the borrower, its financial performance, regulatory mandates (e.g. RBF regulations, Basel 2), industry/sectoral outlook, customer's liquidity to meet its contractual obligation and the probable loss in the event of default, a factor of the security value taken to support the facility. The credit risk grading system is robust and consistently applied on all borrowing customers. Any exceptions or variations on the risk grading for specific borrower is brought to EXCO or Board for final approval. The Bank and the Group considers and consolidates all elements of credit risk exposure (such as individual default risk, country risk and sector risk).

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

27 RISK MANAGEMENT POLICY (continued)

Credit Risk (continued)

Forecasts are made using different statistical methodologies and pricing models in order to determine the relative volatility of the portfolios against market conditions. This includes forms of analysis such as but not limited to value-at-risk; durated term of loan assets; interest rate elasticity and gaps, with the end-objective of maintaining a balance structure between the Bank and the Group's assets and liabilities; and a balance between developmental and commercial activities.

As part of credit risk management process, portfolios are subjected to systematic stress tests in order to determine the probable loss of values due to changes in interest rates (financial market condition), default ratios and durated term structure. The stress testing also covers asymmetric risk-radicals that are unexpectedly sprouted on the portfolio thereby changing the estimated risk pattern previously established.

CREDIT RISK CONCENTRATION

The Bank lends to various industry sectors. The concentration of credit risk in relation to these industry sectors is set out below:

Industry	2019	2018
	$	$
Agriculture	110,622,085	105,509,759
Building and construction	69,568,332	57,528,949
Manufacturing	29,133,820	29,243,148
Mining and quarrying	554,942	573,995
Private individuals	16,282,421	18,929,568
Professional and business services	8,360,416	4,861,905
Real estate	46,129,776	42,464,420
Transport, communication and storage	50,635,908	40,975,219
Wholesale, retail, hotels and restaurants	162,285,032	142,629,031
Others	46,182,693	44,342,195
Total gross loans and advances	539,755,425	487,058,189

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

27 RISK MANAGEMENT POLICY (continued)

	THE BANK	
	2019	2018
	$	$
IMPAIRED AND PAST-DUE ASSETS		
Non-accrual loans		
Gross	88,371,586	82,163,096
Less: Interest and Fees suspended	(20,574,762)	(19,120,852)
	67,796,824	63,042,244
Less: allowance for expected credit loss	(63,565,180)	(60,316,447)
Net non-accrual loans without allowance for expected credit loss	4,231,644	2,725,797
Restructured loans without allowance for expected credit loss		
Gross	3,256	149,183
Less: Interest and Fees suspended	-	(7,267)
Net restructured loans without allowance for expected credit loss	3,256	141,916
Restructured loans with allowance for expected credit loss		
Gross	182,102	108,199
Less: Interest and Fees suspended	(41,220)	(25,168)
	140,882	83,031
Less: Allowance for expected credit loss	(29,867)	(23,182)
Net restructured loans with allowance for expected credit loss	111,015	59,849
Other impaired loans		
Gross	428,254	415,771
Less: Interest and Fees suspended	-	-
	428,254	415,771
Less: Allowance for expected credit loss	-	-
Net other classified loans	428,254	415,771
Total impaired and past-due loans	4,774,169	3,343,333
Past-due loans but not impaired		
Gross	16,642,532	11,902,023
Less: Interest and Fees suspended	(170)	(377)
Total past-due loans	16,642,362	11,901,646

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

27 RISK MANAGEMENT POLICY (continued)

IMPAIRED AND PAST-DUE ASSETS (continued)

Ageing analysis of financial assets that are past due but not impaired or restructured

2019		1-3 months	3-6 months	6-9 months	9-12 months	More than 1 year
Loans & Advance	($)	13,163,698	3,471,266	4,508	1,301	1,759

2018		1-3 months	3-6 months	6-9 months	9-12 months	More than 1 year
Loans & Advance	($)	7,754,845	4,115,250	2,718	6,371	22,839

Default Risk

Default risk is a risk that some loans may not be repaid; implications of asset mix on risk based capital and asset quality on ability to leverage the Bank and the Group's capital.

Credit risk details relating to the Bank and the Group are set out below:

Amounts arising from ECL Inputs, assumptions and techniques used for estimating impairment.
See accounting policy in Note 1(k).

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank and the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank and the Group's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:
- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure.

The Bank and the Group allocates credit risk grades to each exposure based on certain data that is determined to be predictive of the risk of default and applying experienced credit judgement. A combination of qualitative and quantitative factors are used to assess risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Customer accounts are graded internally and all existing customers are categorised A to F. Further, the individual accounts/customer groups are classified as Standard, Special Mention, Sub Standard, Doubtful and Loss for credit risk management purposes.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage and compliance with covenants;
- Payment record – this includes overdue status as well as a range of variables about payment ratios; and
- Existing and forecast changes in business, financial and economic conditions.

Generating the term structure of Probability of Default (PD) Credit risk grades are a primary input into the determination of the term structure of Probability of Default (PD) for exposures. The Bank and the Group collects performance and default information about its credit risk exposures by credit risk grading.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

27 RISK MANAGEMENT POLICY (continued)

Significant increase in credit risk (continued)

The Bank and the Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime Probability of Default (PD) of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For all exposures, key macro-economic indicators used is percentage change in tourism arrival as the main indicator and other indicators such as GDP, unemployment rate, based on publications by the trading economics (Bureau of Statistics) and Reserve Bank of Fiji. Determining whether credit risk has increased significantly. The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

Using its expert credit judgement and, where possible, relevant historical experience, the Bank and the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. Renegotiation of loans to customers in financial difficulties is a qualitative indicator of a significant increase in credit risk. As a backstop, the Bank and the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due.

The Bank and the Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month Probability of Default (PD) (stage 1) and lifetime Probability of Default (PD) (stage 2).

Definition of default

The Bank and the Group considers loans and advances to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank and the Group in full, without recourse by the Bank and the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Bank and the Group.

In assessing whether a borrower is in default, the Bank and the Group considers indicators that are: qualitative – e.g. breaches of covenant; quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Bank and the Group; and based on data developed internally and obtained from external sources. Inputs into the assessment of whether loans and advances are in default and their significance may vary over time to reflect changes in circumstances.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

27 RISK MANAGEMENT POLICY (continued)

Incorporation of forward-looking information

The Bank and the Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of Expected Credit Loss (ECL). Based on consideration of a variety of external actual and forecast information, the Bank and the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios.

This process involves developing economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by Reserve Bank of Fiji. The base case represents a most-likely outcome. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank and the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios. The Bank and the Group has identified and documented key drivers of credit risk and credit losses for each portfolio of loans and advances and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above. Probability of Default (PD) estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures.

Loss Given Default (LGD) is the magnitude of the likely loss if there is a default. The Bank and the Group estimates Loss Given Default (LGD) parameters based on the history of recovery rates of claims against defaulted counterparties. The Loss Given Default (LGD) model considers the structure, collateral, seniority of the claim and recovery costs of any collateral that is integral to individual loans and advances. Loss Given Default (LGD) estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Exposure at Default (EAD) represents the expected exposure in the event of a default. The Bank and the Group derives the Exposure at Default (EAD) from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The Exposure at Default (EAD) of loans and advances is its gross carrying amount. For lending commitments, the Exposure at Default (EAD) includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. As described above, and subject to using a maximum of a 12-month PD for loans and advances for which credit risk has not significantly increased, the Bank and the Group measures Expected Credit Loss (ECL) considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank and the Group considers a longer period. The maximum contractual period extends to the date at which the Bank and the Group has the right to require repayment of an advance or terminate a loan commitment. Loans and advances are grouped on the basis of shared risk characteristics that include loan purpose and credit risk gradings. The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

27 RISK MANAGEMENT POLICY (continued)

Measurement of ECL (continued)

	2019					2018
	12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	Total
Loans and advances to customers	**$**	**$**	**$**	**$**	**$**	**$**
Grade-Standard	413,079,794	-	-	-	413,079,794	367,525,871
Grade-Special mention	-	36,997,151	-	-	36,997,151	35,940,794
Grade-Substandard	-	-	15,399,126	-	15,399,126	17,007,136
Grade-Doubtful	-	-	17,984,009	-	17,984,009	11,515,078
Grade-Loss	-	-	-	56,295,345	56,295,345	55,069,310
	413,079,794	**36,997,151**	**33,383,135**	**56,295,345**	**539,755,425**	**487,058,189**
Loss on Allowance	**(20,593,242)**	**(4,714,656)**	**(13,338,180)**	**(37,574,192)**	**(76,220,270)**	**(67,109,418)**
Allowance for Interest and Fees					(20,620,603)	(19,186,493)
Carrying amount	**392,486,552**	**32,282,495**	**20,044,955**	**18,721,153**	**442,914,552**	**400,762,278**

Liquidity Risk Management

Liquidity risk involves the inability of the Bank and the Group to fund increases in assets, manage unplanned changes in funding sources and to meet obligations when required, without incurring additional costs or inducing a cash flow crisis. The Bank and the Group generates its funding through issuance of bonds, with one to seven years maturities, term deposits and promissory notes of maturities less than a year. The Bank and the Group's strong and effective liquidity risk management policy and framework ensures that the Bank and the Group has sufficient liquid assets to meet liabilities that fall due in the short term and to meet any unexpected demands for funds by its depositors or creditors. The Bank and the Group's executive committee manages the Bank's liquidity and cost of funds. The Bank and the Group performs a daily cash forecast for the next three months (one quarter) to identify any probable liquidity stress points. In addition to this, the Bank and the Group performs a stress-test on its cost of funds twice a month to measure any probable deviation from its forecasted forward rates and cost benchmarks by:

- quantifying liquidity outflows in all scenarios for each risk driver;
- identifying cash flows to mitigate liquidity shortfalls identified and;
- determine net liquidity position under each scenario.

Since the Bank and the Group does not have trading activities or hedge facilities to cushion unexpected liquidity gaps, it retains a policy of maintaining 10% of its total liability position in liquid assets at all times. Fully aware of maturity mismatched between its assets and liabilities, the Bank and the Group places a heavy emphasizes on collection efficiency of its lending units. The determination of the adequacy of FDB's liquidity position depends upon an analysis of the Bank and the Group's position relative to the following factors:

- historical funding requirements
- current liquidity position
- anticipated future funding needs
- present and anticipated asset quality
- present and future earning capacity
- sources of funds.

All of the Bank and the Group's interest rates during the time of borrowing are fixed. Therefore, there is no material sensitivity to changes in interest rates.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

27 RISK MANAGEMENT POLICY (continued)

Liquidity Risk Management (continued)

Maturity Analysis

The following analysis of financial liabilities is based on remaining contractual terms to maturity.

2019	At call	1 day to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Specific provision	Total
	$	$	$	$	$	$	$
Assets	(000)	(000)	(000)	(000)	(000)	(000)	(000)
Debt financial assets at amortised cost	2,000	61	185	439	-	-	2,685
Loans and advances	6,728	9,149	174,645	250,248	98,985	(43,468)	496,287
Other Receivables	1,992	2,014	-	-	-	-	4,006
Total	10,720	11,224	174,830	250,687	98,985	(43,468)	502,978
Liabilities							
Other Liabilities	10,808	-	-	-	-	-	10,808
Accounts Payable	5,831	-	-	-	-	-	5,831
Borrowings	-	38,193	76,429	241,986	-	-	356,608
Total	16,639	38,193	76,429	241,986	-	-	373,247
2018							
Assets							
Debt financial assets at amortised cost	2,000	61	185	685	-	-	2,931
Loans and advances	5,552	6,336	127,362	254,300	93,508	(37,685)	449,373
Other Receivables	723	1,740	-	-	-	-	2,463
Total	8,275	8,137	127,547	254,985	93,508	(37,685)	454,767
Liabilities							
Other Liabilities	10,765	-	-	-	-	-	10,765
Accounts Payables	4,826	-	-	-	-	-	3,824
Borrowings	-	39,145	78,516	177,402	15	-	295,078
Total	15,591	39,145	78,516	177,402	15	-	309,667

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

27 RISK MANAGEMENT POLICY (continued)

Market Risk

Market risk refers to the uncertainty of future earnings resulting from changes in interest rates, exchange rates, market prices and volatilities. Normally financial institutions assume market risk from consumer and corporate loans, position taking, and trading and investment activities.

The impacts of market risks to the Bank and the Group are on three dimensions, namely:
- Interest rate movement as it impacts the overall weighted cost of funds;
- As it impacts the interest rate margin; and
- As it changes the value of the earning assets; or putting it in another perspective, as it changes the value-at-risk of earning assets.

The strategy for controlling the Bank and the Group's market risk involves:
- Investing surplus funds in other banks and financial institutions;
- Stringent control and limits;
- Timely Review of loan and deposit pricing;
- Regular independent review of all controls and limits; and
- Rigorous testing and auditing of all pricing, trading, risk management and accounting systems.

Market risk analysis is focused on the contemplated term of borrowing, which is then expressed by the rate offers of the Bond or Promissory Note buyers. In line with the term structure of interest rate defined by the financial market (investors or lenders), the Bank and the Group further consider the impact of such rates to its overall cost of funds. To achieve this, the Bank and the Group determines a benchmark on its weighted average cost of funds and stresses this benchmark by simulating different rate levels which the market may tender, when the Bank and the Group makes its offering.

In relation to overall cost of borrowings, the Bank and the Group re-calibrates its interest rate margin, which is the difference between the average interest yield of earning assets and the projected weighted average cost of funds. To cure the probable risk on margins, the Bank and the Group uses the reference curve approach where the durated term of groups of earning assets is matched with the durated term of group of fund sources. By matching the durated term and yield of earning assets with specific durated term and cost of borrowings, the target margin is often achieved under normal conditions. While the Bank and the Group's assets are of longer term maturities, they are repriced after a certain period thereby enabling the Bank and the Group to change its pricing structure and protecting its target interest margins.

The volatility of market interest rates impacts the value of the Bank and the Group's earning assets (also known as value-at-risk). While loan assets carry a repricing provision, they are committed for a fixed and long term, thereby making the asset structure immobile for probable contraction when warranted.

Given these conditionalities, the Bank and the Group forecasts the probable market interest rates and measures its value-at-risk on its assets under the forecast conditions. Historical value at risk is used to determine the relative depletion of asset value at existing conditions. Forecast value at risk is then computed based on simulated conditions, integrating thereto the other risk variables that would impact the value at risk.

The value-at-risk is analyzed base on "likelihood to happen" (very low, low, medium, high and very high) and the respective consequences of each likelihood which is then measured in terms of probable losses (dollar values – quantitative; and reputational impact - qualitative).

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

27 RISK MANAGEMENT POLICY (continued)

Market Risk

Sensitivity Analysis

Market Risk

Market risk sensitivity due to ± 2.50% fluctuation in weighted average lending rate

	As at June 2019	Increase in Lending Rate (+2.50%)	Decrease in Lending Rate (-2.50%)
Weighted Average Lending Rate (%)	6.00	8.50	3.50
Interest Income ($)	35,747,661	13,493,886	(13,493,886)
Impact on profit or loss ($)	4,066,408	13,493,886	(13,493,886)

Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk.

The Business & Risk Services Division, through its Planning Unit develops the policies governing the operations of the Bank and the Group. The Internal Audit Department oversees the implementation of these policies and procedures across the organization. A more recent development is the application of Risk Base Audit in contrast with the traditional audit approach where compliance is the focus.

Most operational risks are best managed within the departments in which they arise. However, overall planning, coordination, and monitoring should be provided by a centralized operational risk management department. This should closely coordinate with market risk and credit risk management departments within an overall enterprise risk management framework.

28 COMPARATIVES

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

29 SUBSEQUENT EVENTS

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 management, to affect significantly the operations of the Group or the Bank, the results of those operations, or the state of affairs of the Group or the Bank in subsequent financial years.

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