F·D·B

your partner in progress

2020 ANNUAL REPORT

VISION

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

OBJECTIVES

Our objectives set the broad direction for FDB.

- 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.

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

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.

VALUES

The values our staff embrace in the execution of their duties reflect the pivotal role the Bank plays in the development of Fiji.

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.

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.

CONTENTS

CHAIRPERSON'S LETTER

your partner in progress

25 August 2021

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: 2020 ANNUAL REPORT

On behalf of the Fiji Development Bank (FDB) Board, I have much pleasure in submitting the enclosed 2020 Annual Report and Accounts for the Financial Year ending 30 June 2020.

The Bank's lending portfolio grew to $541.88 million at the end of the Financial Year. Despite a precarious external environment, a marginal increase from the previous year. A total of $62.95 million was disbursed and this growth was driven by meeting 62.85% of the annual disbursement target. The Banks operating revenue grew by 15.69%.

The loan portfolio represents a customer base of 4,825 accounts. A slight decrease from 5,149 accounts in the previous year is attributed to loans being paid off during the year.

The Bank recorded a net profit of $1.14 million. The underlying performance was offset by an increased allowance for expected credit loss, reflecting primarily the decline in current and expected macroeconomic indicators. The Bank took a conservative approach in mitigating the impacts caused by external factors.

Nine months into the Financial Year, from March 2020, the Bank started witnessing the impacts of the Novel Coronavirus (COVID19) pandemic. This followed the implementation of strategies that prioritized business continuity and resilience.

Overall, the year was one highlighting the Bank's commitment to supporting the business continuity of its customers, especially Small and Medium Enterprises (SMEs) in the affected sectors. With the retirement of the Board Chair and the CEO, Management and Staff continued to be a "Partner in Progress" to the Fijian people.

I take this opportunity to commend the Board Directors, Executive Management, and Staff for their show of resilience during such demanding times.

The Fijian Government's unfaltering support for and collaboration with FDB has also been critical to allowing the Bank to target development impact financing to those Fijians that need it.

Finally, I am honoured and grateful to be part of this development financial institution's journey, as it continues to develop Fijians across generations as their partner in progress.

Yours sincerely,

Andre Viljoen
CHAIRMAN

EXECUTIVE REPORT

Process re-engineering, business continuity, and building resilience for customers were the key focus for the Fiji Development Bank (FDB) in the 2020 Financial Year (1 July 2019 – 30 June 2020).

Saiyad Hussain
Acting Chief Executive Officer

YEAR IN REVIEW

Overall, the 2020 Financial Year reflects FDB's unwavering support to its customers, staff, and the shareholder.

In the last quarter of the 2020, priorities demanded a shift from the pre-existing work plan to supporting customers' business continuity, and recovery for those affected by the impacts of the COVID19 pandemic-induced economic downturn. This shift in focus was targeted to customers in sectors which the pandemic exacted heavy economic toll, such as Tourism, and Small and Medium Enterprises (SMEs).

MARKET CONDITIONS

Some of the challenges that the Bank encountered in the year and that were intensified due to the pandemic included low collection rate, varying cost of borrowing, and increasing cost of recovery for the Bank. Nevertheless, the Bank operated within a cost-effective budget while maintaining a productive and safe working environment for its employees.

New lending activity during the year resulted in a slight increase of $3.15 million (26.77%) in interest expense, an increase of 26 basis points in comparison with the previous year.

In the year the Yaubula Term Deposit Facility was reviewed to make it more competitive. This supported the Bank's various financial strategies such as diversifying funding sources to counter fluctuations in cost and availability of capital.

The portfolio concentration on the tourism sector posed a concern to the Bank considering the impacts the COVID19 pandemic had on these and related sectors by year-end.

Other sectors that relied on the tourism sector related activities such as Transport (SMEs), Agriculture (distributors), and service sectors, like entertainment and tour operators, funded by the Bank, were also impacted.

These were largely in the following financing sectors for the Bank:

- Transport & Storage Sector
  - tours and transfers
  - rental companies
  - travel agencies
  - manufacturers
  - suppliers to retail outlets, garment outlets, building and construction companies
- Wholesale, Retail, Hotels and Restaurants Sector
  - hotels
  - backpackers
  - homestay
- Agriculture Sector
  - supply of agriculture produces to hotels and food processing companies
  - wholesale food suppliers
- Manufacturing and Professional & Business Services Sector
  - food processors
  - garment suppliers
  - suppliers of agriculture produce foods items
  - sports and recreational services.

FDB has financed a number of Agri-tourism businesses such as the Namosi Eco Retreat in the Namosi highlands.
Source: Namosi Eco Retreat

Large hotel developments that constitute 90% of the Bank's construction sector loan were being restructured and closely monitored by year-end. This will continue in the next Financial Year.

Funding the agriculture, tourism, transport, and renewable energy sectors remained well within the risk appetite of the Bank to assist in the economic recovery after the first wave of the COVID19 pandemic as situation began to normalize towards the end of the quarter.

When the borders reopen, the Fijian economy is expected to see a multiplier effect, both economically and socially, with the operationalization of such businesses, and subsequently FDB customer-base in the tourism and related industries, such as agriculture and SMEs would benefit.

RBF SUPERVISION

From December 2019, in line with Section 69 of the Banking Act, RBF was granted approval by the Minister for Economy to conduct full supervisory oversight of FDB. Although the Bank was not formally required to report to RBF prior to December 2019, as part of its prudential strategies, FDB had reported and consulted the RBF on matters of policy as well.

YEAR PERFORMANCE

Despite business disruptions in the year, the Bank managed its operational cost by driving growth in income. Stringent cost control measures implemented during the year contributed towards a reduction in expenses.

The Bank noted a reduction of $0.17 million (1.07%) in comparison to the previous Financial Year in its operating expenses. The Bank's Employee Costs also declined by $0.07 million (0.61%).

In driving growth in income, the Bank maintained a healthy loan portfolio. FDB noted a slight increase in its total loan portfolio in the year. Further, the increase in the weighted average interest rate had a positive impact on the Bank's operating revenue.

Growth of $4.99 million (15.69%) was achieved in operating revenue with a modest increase of $2.13 million (0.39%) in the Bank's total loan portfolio.

The Bank achieved a net profit of $1.14 million in the face of challenging market conditions throughout the year. The underlying performance was offset by the increased allowance for expected credit loss, reflecting primarily the decline in current and expected macroeconomic indicators.

There was a reduction of $6.25 million (1.67%) in the Bank's total liabilities for the 2020 Financial Year. The Bank noted a decrease in the Bank's borrowings by $7.55 million (2.12%).

Implementation of the new accounting standard, IFRS 16-Leases, brought about new inclusion to the Bank's liabilities structure through recognising lease liability for the remaining term of leased assets.

The Bank was able to manage its borrowing portfolio well taking into consideration the economic situation, which has improved its debt-to-equity ratio from 2.07% to 2.03%.

SWIFT RESPONSE FOR COVID AFFECTED CUSTOMERS

The Bank had rolled out its customer relief and rehabilitation packages to support business continuity and recovery from the COVID19 pandemic. The relief package included loan repayments options such as:

- interest only repayments;
- repayment holiday;
- interest rate reduction.

Those who were assisted with the relief packages were also assisted with waiver of rescheduling and inspection fees.

While the rehabilitation package included financing under:

- the Reserve Bank of Fiji's Disaster Rehabilitation and Containment Facility (RBF DRCF);
- Reserve Bank of Fiji's MSME Credit Guarantee Facility (RBF MSMECGS).

The Bank supported over 800 customers through the relief assistance and other means of re-negotiations on loan contracts. This helped to ease pressure on their cash flow and allowed the businesses to remain open, pay bills and keep Fijians employed. FDB also approved financing to 13 customers through the RBF's DRCF. Customers not eligible for DRCF were referred to assistance programs such as the Government's Micro and Small and Medium Enterprise (MSME) COVID19 Concessional Finance Support Package, and the MSME Credit Guarantee Scheme Facility.

PORTFOLIO PERFORMANCE

The total gross loan portfolio stood at $541.88 million for this Financial Year, in comparison to $539.75 million last year. An increase of $2.13 million (0.39%) was recorded in the Bank's total loan portfolio.

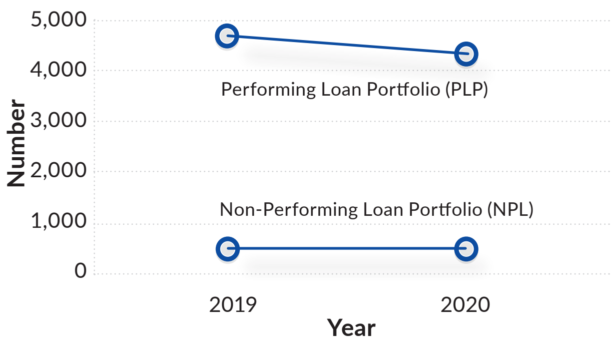
Further, the portfolio stood at 4,825 by number when compared to 5,149 for the 2019 Financial Year. For the 2020 Financial Year, the Bank's market share stood at 6.62% overall compared to 6.63% in the previous Financial Year. The Bank's Market Share in the agriculture sector was the largest held by any financial entity in the year.

LOAN PERFORMANCE

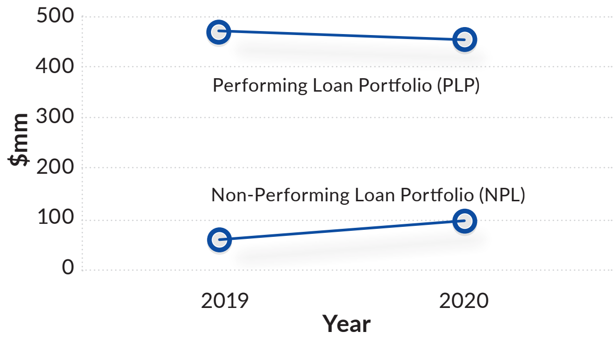
The Performing Loan Portfolio (PLP) recorded a 2.39% decrease by value while the Non-Performing Loan Portfolio (NPL) increased by 14.51% in value.

The number of NPL accounts were actively managed in the year and reduced from 634 to 575 in the 2020 Financial Year.

Portfolio Building - Comparison by Number



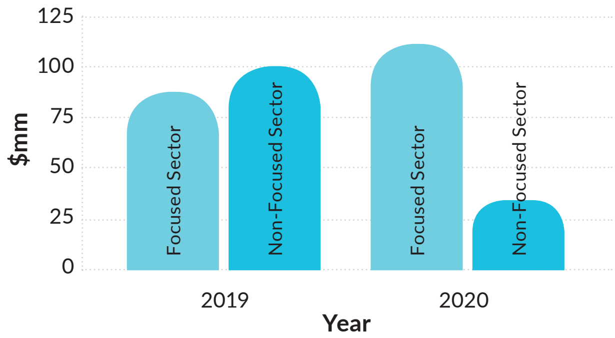
Portfolio Building - Comparison by Value



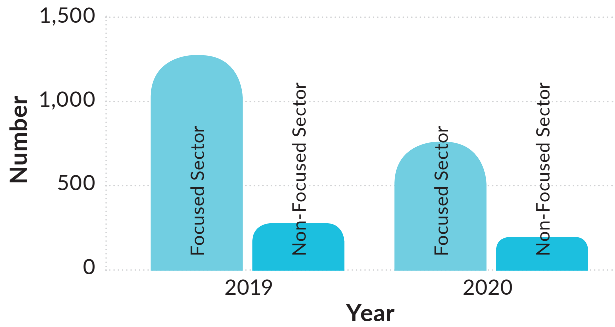
APPROVALS

The Bank committed $138.04 million to new loan approvals in the 2020 Financial Year by providing finance to 966 customers. However, the slow economic activity during the second half of the year noted a decrease of 39.44% by number and 26.42% by value when compared to the previous Financial Year.

Approvals 30 June 2020 By Value



Approvals 30 June 2020 By Number



FOCUSED SECTOR

The Focused Sector comprised 81.60% by number of the total portfolio for the 2020 Financial Year, and 41.19% by value which was 3,937 accounts worth $223.20 million.

A decrease by 159 accounts and $10.79 million by value was noted when compared to the 2019 Financial Year.

The Bank's portfolio towards the fisheries sectors as at 30 June 2020 was $44.29 million.

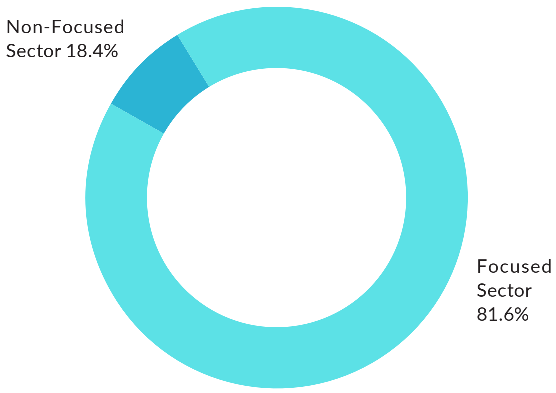
NON-FOCUSED SECTOR

At the end of the 2020 Financial Year, the Non-Focused Sector contributed to 18.40% by number of loans, and 58.81% by value of the total portfolio, which equated 888 accounts worth $318.68 million, respectively.

A decrease of 15.67% by number and an increase of $12.93 million was imminent in contrast to the 2019 Financial Year.

The following piecharts illustrate the Bank's portfolio buildup by Focused and Non-Focused Sector by number and value.

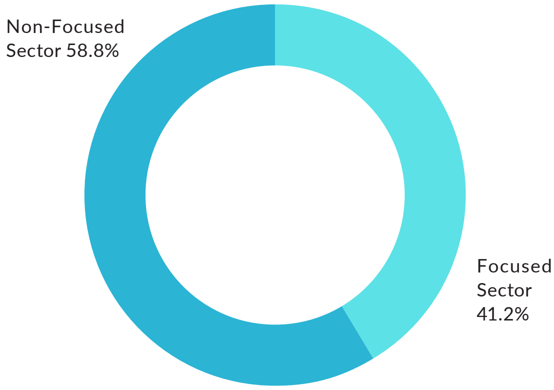
Portfolio - Focused Sector vs Non-Focused Sector-By Number



PRODUCT MIX

FDB's product mix comprises of lending and deposits. Under its lending products, FDB continued to provide working capital and syndicated loans to both its Corporate, SME and Agriculture customers. In the year, FDB continued to support startups, particularly, SMEs and agriculture through working capital loan signaling support for innovation and entrepreneurship.

Portfolio - Focused Sector vs Non-Focused Sector-By Value



Overall, FDB's majority lending continued to adopt the first-tier operation where it lends directly to customers. To manage the increasing credit default risk as well as utilising the opportunity under the Personal Property Securities Act, FDB partnered with ADB PSDI Team. This partnership focused on designing a lending modality that aims to lend through the value chain particularly in the agriculture sector. To complement these efforts, FDB collaborated with farmers as well as the Ministry of Agriculture.

Contribution to the economic sector development of the Fijian economy has largely been through the agriculture sector (52.84% market share).

In comparison, three economic sectors recorded above 10% market share with Building & Construction (17.87% market share) topping the list followed by Public Enterprise (15.56% market share) with lending to the Non-Bank Financial Institutions (12.78% market share).

A significant contribution to the 52.84% market share attained by the agriculture sector was recorded in sugar cane growing.

FDB's financial solutions help address long term food security in the country as well as one that enhances the entire agriculture value chain.

In the year, the Bank acknowledged the opportunity to grow the Fisheries and Forestry and Logging sub-sectors that accounted for 26.20% and 16.51% respectively of Fiji's total lending market.

The Bank's emphasis on sustainable logging practices will continue through customer education initiatives in the next year.

Sectors that the Bank intends to focus lending on in the next Financial Year are manufacturing, electricity, gas and water, transport, communication and storage and SME in professional and business services sector.

MARKET BASED SUSTAINABLE DEVELOPMENT FINANCE

Bank's portfolio recorded 4,825 loans in the Financial Year. Of this, 4,694 were SMEs, which comprised of 1,708 non-agriculture SMEs and 2,986 agriculture SME accounts.

Of the total SME portfolio of 4,694 accounts, 4,141 accounts are under the Performing Loan Portfolio (PLP), while 553 are under the Non-Performing Loan (NPL) Portfolio.

The Bank's portfolio towards the fisheries sector as at 30 June 2020 was $44.29 million.

CUSTOMER SATISFACTION

FDB carried out an independent Customer Service and Product Survey in January 2020.

With an independent team conducting the survey, the Bank was at ease knowing that the findings represented critical data in devising strategies for the new Strategic Plan 2021-2023, as well as implementing policy solutions from lessons learnt from the previous years.

FDB's financial solutions help address long term food security in the country as well as one that enhances the entire agriculture value chain.

Briefly, the findings reveal that overall, 95% of customers are satisfied with the services and financial solutions offered by FDB.

In the year, the Bank also revised its business hours after reviewing customer and visitor traffic flow to branches. The new timing also allows our employees more time to attend to back-end processes, contributing to increased efficiency.

With most services being satisfactory, the Bank will focus on strengthening its loan processing time and community outreach initiatives on educating customers on individual solutions available and value chain financing.

Apart from improving service delivery, the Bank also invested in providing customers with a comfortable experience when they visit the branches. In April 2020, the Head Office Customer Service Area renovation work was completed. The new waiting and meeting space were well received by visitors.

The findings have fast tracked FDB's commitment to focus on gender inclusive finance as well. While FDB remains the first and only local financial institution to develop a Gender Equity and Social Inclusion Policy (GESI), the Bank intends to do more in this area in the next Financial Year.

Presently, the Bank has over 500 women customers. In comparison with male customers, 91.17% women customers are in the Performing Loans Portfolio whereas male customers sit at 87.70%.

ORGANISATIONAL ACHIEVEMENTS

Efforts from previous years that focused on implementing transformational programs advocating for continuous operational excellence, enhancing people development, employee engagement and community engagement initiatives were being realized as positive outcomes in this year.

In the year, the Bank continued with its transformational programs, including an independent review of its Asset Management Unit to identify recovery strategies to manage Non-Performing Loans (NPL).

These included recovery operations to establish a framework and standards for NPL prevention, early recognition, classification, management, monitoring and evaluation, including recommendations for changes to underwriting processes.

FDB's commitment in investing in its people through capacity building initiatives strengthened in the year as the Talent and Organisational Development team identified diverse opportunities to enhance internal competencies and knowledge base of employees.

This was reflected in more than 80% completion rate of in-house training programs that were designed, facilitated, and conducted in response to the Bank-wide and individual employee Training Need Analysis (TNAs).

Previous investments in digital transformation and business continuity planning assisted the Bank to navigate through the challenging year.

The Bank revised its Business Continuity Plan in December 2019.

By year-end, FDB had successfully completed several mock exercises providing assurance that the Bank will be able to continue with its business post disaster with critical minimal resources or to initiate remote access for employees when deemed necessary.

DIGITAL FINANCIAL SERVICES

In the year, FDB promoted its digital platforms to more customers. While FDB was already offering digital services, such as those for repayment options for customers, the Bank automated several manual processes in the year for the benefit of its employees.

Most of these were developed in-house to streamline the Bank's various processes such as recruitment, and record keeping. This improved turn-around time, brought about cost efficiency, and provided our employees and our customers with a better user experience.

The Bank is now working towards starting the development of an online loan application portal in the next Financial Year.

FUTURE OUTLOOK

The 2020 Financial Year also noted the end of the 2018-2020 Strategic Plan for FDB. Extensive work was carried out holding discussions with the Parliamentary Standing Committee, various Ministries, partners, customers, and our staff to develop the Strategic Plan for 2021-2023. The development of the strategies and action plans under the new three-year plan resulted from re-evaluating our past performance and thinking outside the box to adapt to the new normal.

FDB embarks into FY 2021 with an intense focus "to remain sustainable in servicing our customers while adapting to the changes in our environment."

FDB will continue to take a holistic approach to realizing its goal with our people aligned to the six thematic areas of the 2021-2023 Strategic Plan being our Community and Environment, Employee Engagement, Organization Capacity, Internal Business Processes, Customers and Financial.

The Bank remains focused and confident on its ability to strategically expand its business interests to deliver services consistently and adding value throughout its branch network successfully.

ACKNOWLEDGEMENT

The "FDB Family" witnessed the sudden passing of the General Manager Talent and Organizational Development, late Ms. Mere Aisake Asi – may she rest in eternal peace. We acknowledge with deep appreciation her valuable contribution.

We also acknowledge our former Chief Executive Officer, Mr. Mark Clough, and thank him for his service to the Fijian people.

I take this opportunity to thank our Board of Directors, our Executive Management team, and our hardworking employees for their commitment, especially towards our customers and the Bank.

BOARD OF DIRECTORS

Mr. Robert Gordon Lyon
-Board Chairperson

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. He has also chaired Boards at the Foundation for Development Cooperation, Sunergise Group, Kula Fund Investment Board and FHL Investment & Strategy Committee, 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.

Mr. Vadivelu (Wella) Pillay
- Board Director and FDB Board Credit Risk Committee Member

Appointed December 2015
Reappointed December 2019

Mr. Pillay is a well-known and seasoned Fijian businessperson.

He lived in New Zealand prior to his return to Fiji to start up his business ventures in the Western Division.

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 devotes his time to community and is an active member of TISI Sangam Fiji.

He is the chairman of Trustees for Friends of Fiji Heart Foundation, a New Zealand registered charitable trust, which provides free operations for the poor and needy Fijian citizens who suffer from valvular heart disease. He is also the Trustees for Fiji Football Association, the Northern club of Lautoka and the Lautoka club of Lautoka.

He is the Managing Director and Chief Executive Officer of Gecko Trucking (Fiji) Ltd, Construction Equipment Hire (Lautoka) Ltd and Wairiki Logging Limited.

Mr. Inia Naiyaga
- Board Director and FDB Board Credit Risk Committee and Audit Committee Member

Appointed December 2015
Reappointed December 2019

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 Managing Director of Sun Insurance, Chairman of the Insurance Association of Fiji, Board Member of the National Fire Authority, Member of the University of the South Pacific (USP) Finance and Investment Committee, Member of the Christian Mission Fellowship International Executive Board and Chairman of the Fijian Holdings Trustees Limited.

Ms. Kalpana Kushla Lal
- Board Director and FDB Board TOD Committee Chair

Appointed April 2019

Ms. Lal, is a Fellow of CPA Australia, holds a Bachelor of Arts Degree from the University of the South Pacific in Accounting, Financial Management and Information Systems and has completed Fiji Directors Course with AICD.

Ms. Lal is a Chartered Accountant (CA) with the Fiji Institute of Accountants and is the Head of Unit, Finance & Administration at the German International Cooperation (GIZ) Pacific Operations and member of the Executive Management Team of GIZ Pacific.

She has over 15 years of professional experience in accounting, financial management, human resources and corporate governance.

Ms. Lal is the Chair of FHL Fund Management Limited, Board Director of Fiji National Provident Fund (FNPF), Board Director of Amalgamated Telecom Holdings Limited (ATH), Board Director of Vodafone Fiji Limited, Board Member of Pacific Governance Institute (PCGI) and Board Member of Women in Business (Fiji).

Ms. Lal currently serves as Chair of the Board Audit and Risk Committee at FNPF.

Ms. Lal is a member of CPA Australia, Australian Institute of Company Directors, Fiji Institute of Accountants and Member of Association of Certified Fraud Examiners.

Ms. Lal 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, has been awarded 'Excellence in Executive Leadership" by Women in Business in 2019 and recognised by Rotary International as a "Paul Harris Fellow" for her contribution to the local community in Fiji.

Mr. Rajesh Patel
- Board Director and FDB Board Audit Committee Chair

Appointed December 2015
Reappointed December 2019

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

He is the first Fijian to serve on the FIFA Council as a Member.

For his commitment towards developing soccer in Fiji and as the President of the Fiji Football Association, Mr. Patel has been awarded the Medal of the Order of Fiji. Recently he was also awarded with 50th Independence Medal. Under his leadership, Fiji qualified for both its first FIFA tournament and first Olympic Games.

Mr. Patel is also the former senior Vice President of the Oceania Football Confederation and current Executive Committee Member.

He is also the Board Director for APCO Coatings PTE Ltd.

He holds a Diploma in Textile Engineering from M.S. University.

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

Mr. Romit Parshottam Meghji
- Board Director

Appointed April 2019

Mr. Meghji is the Executive Director of P. Meghji Group of Companies.

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

He 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.

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 values the principles of good corporate governance and endeavours to uphold it at every level.

The Fiji Development Bank believes that a strong corporate governance framework, founded on the principles of good governance, is vital to building and maintaining a corporate culture of credibility and accountability.

The basic principles of good governance of fairness, transparency, integrity, disclosure, and accountability comprise the FDB values and 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 common aim of ensuring that good corporate governance practices are always upheld and across all levels.

The Bank's Code of Corporate Governance meets the standards set out in the Fiji Development Bank Act 1966 and the Fiji Companies Act 2015.

This Code is periodically reviewed and enhanced to incorporate changes in law and best practices. Last reviewed in 2020, the Code governs the Board's appointment, composition, functions, and practices.

CORPORATE GOVERNANCE STRUCTURE

The Bank's corporate governance structure is captured in the following illustration.

FDB BOARD OF DIRECTORS

The Bank's Board of Directors (Board) acknowledge the importance of good corporate governance and how it enables their role to help the Bank in implementing controls and monitoring mechanisms to promote effective compliance, accountability, transparency, and overall sustainability.

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

The Board appoints and delegates day to day operations of the Bank to the Chief Executive Officer (CEO). The appointee is also the primary contact of the Bank with the Board of Directors. The Board also determines the structure of the management of the Bank.

While the Board and the 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 the principles of good governance at every level.

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.

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 reappointment. The required number of Directors to form a quorum is four.

The Chief Executive Officer is appointed by the Board.

The Code of Corporate Governance manual and the Board Charter defines the division of responsibilities between the Board and the CEO.

The Chairperson oversees that the Board functions effectively and ensures that all key and critical issues are discussed by the Board in a timely manner.

The CEO is responsible for the leadership and management of the Bank. The Board delegates the responsibility for the execution and administration of operations to the CEO and this includes responsibility for implementing FDB's Strategic Plan and managing the Bank's day-to-day operations.

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 is responsible in ensuring that information flow is smooth within the Board, its Committees and between the Management and the Board.

The Board Secretary is FDB's General Manager Finance and Administration, Mr. Saiyad Hussain. With him Acting in the CEO position, Manager Finance, Ms. Sheik Maizabeen Nisha, in her capacity as the Acting General Manager Finance and Administration, was the relieving Board Secretary in the 2020 Financial Year.

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 Bank-relevant conferences and seminars to this effect.

DIRECTORS' REMUNERATION

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

These allowances are 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.

The appointed Board Members for the 2020 Financial Year are tabulated below:

Directors	Title	Appointment Date	Term of Appointment
Mr. Robert G. Lyon	Chair	December 2019 (Reappointed)	Third Term
Mr. Vadivelu (Wella) Pillay	Director	December 2019 (Re-appointed)	Third Term
Mr. Inia Naiyaga	Director	December 2019 (Re-appointed)	Third Term
Mr. Rajesh Patel	Director	December 2019 (Re-appointed)	Third Term
Mr. Romit Meghji	Director	April 2019	First Term
Ms. Kalpana Lal	Director	April 2019	First Term

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.

The Board composition is aligned to the FDB Act and the Code of Corporate Governance.

The responsibility to oversee that the Bank's vision, mission, strategic and operational objectives are realized is shouldered by the Chairperson of the Board.

FDB's longest serving Board Chairperson, Mr. Robert G. Lyon, retired from the Board in September 2019.

Board Directors, Mr. Wella Pillay, Mr. Inia Naiyaga, Mr. Rajesh Patel, Ms. Kalpana Lal and Mr. Romit Meghji, continued to steer the Bank in its strategic direction.

The CEO, Mr. Mark Clough, resigned in 2019. The General Manager Finance and Administration, Mr. Saiyad Hussain, acted in the role in the 2020 Financial Year from there onward.

BOARD AND BOARD COMMITTEE MEETINGS

During the 2020 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 Board Chairperson, 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.

Details and attendance to the Board and Board Committee meetings held during the reporting period is tabulated on the next page.

BOARD COMMITTEES' MEMBERSHIP

Three Board Committees support the Board in its role, namely, the Board Audit Committee, Board Talent and Organizational Development (TOD) Committee and the Board 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.

Directors	Board Meetings (6 per year)	Audit Committee (3 per year)	Talent and Organizational Committee (3 per year)	Credit Risk Committee
Mr. Robert Lyon	1/6	N/A	N/A	Flying Minutes
Mr. Wella Pillay	6/6	N/A	N/A	Flying Minutes
Mr. Inia Naiyaga	6/6	3/3	2/2	Flying Minutes
Mr. Rajesh Patel	6/6	3/3	2/2	N/A
Mr. Romit Meghji	6/6	N/A	N/A	N/A
Ms. Kalpana Lal	6/6	N/A	2/2	N/A

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.

The members of the Board Audit Committee are:

Members	**Positions**
Mr. Rajesh Patel	Chairman
Mr. Inia Naiyaga	Member

During the 2020 Financial Year, key activities undertaken by the Board Audit Committee included:

- Review of Bank's policies and manuals;
- Review of the Internal Audit reports and approval of the 2020/2021 Internal Audit program; and
- Provision of strategic advice as and when required.

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.

The members of the Board Credit Risk Committee are:

Members	**Positions**
Mr. Wella Pillay	Member
Mr. Inia Naiyaga	Member
Mr. Rajesh Patel	Member

During the year, there were no credit risk meetings held; however, the discussions were communicated via flying minutes.

Board TOD Committee

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

The members of the Board TOD Committee are:

Members	**Positions**
Ms. Kalpana Lal	Chairperson
Mr. Rajesh Patel	Member
Mr. Inia Naiyaga	Member

During the year, the key activities undertaken by TOD Committee included:

- Review of the Bank's recruitment strategies;
- Assessment and monitoring of the Bank's culture, including the results of the 2019-2020 staff survey; and
- Monitoring learning and organizational development strategies and activities across the Bank.

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 Executive Committee meeting. 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 the Committee is 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 1966, the Auditor General of Fiji independently audits the Bank's finances 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.

The Reserve Bank of Fiji was granted approval (in line with Section 69 of the Banking Act) by the Minister for Economy to conduct full supervisory oversight of FDB, from December 2019.

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) has assisted the Bank in aligning its Enterprise Risk Management Framework to international standards and Basel guidelines.

Under the Three Lines of Defence (LoD) Model, the 1st LoD is the Relationship & Sales and Business Risk Services Division, 2nd LoD is Enterprise Risk Management Department and 3rd LoD is Internal Audit Department of the Bank.

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.

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 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 programs provides capacity building for its staff both in-house and externally on a regular basis.

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 always maintained.

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 is 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 programs 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.

The Bank, in advancing its commitment to climate action, has been advocating for businesses to move away from taking up community programs or corporate social responsibility initiatives to merely tick off boxes. The Bank has 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.

EXECUTIVE MANAGEMENT

Mr. Saiyad Hussain
Acting Chief Executive Officer (ACEO)

Saiyad shoulders the role of the CEO following the resignation of the former CEO from January 2020.

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

Saiyad has previously acted in the position as well in his over twenty-seven years with FDB. He is the General Manager Finance & Administration. He also serves as FDB Board Secretary.

Appointed to his senior role in 2010, he manages FDB's Finance and Treasury, Properties, and Information and Communication Technology Departments.

Saiyad has vast experience in devising budgets for the overall FDB strategic plan that incorporates profitability, growth, sustainability, and operating performance targets.

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 is also a member of the Australian Institute of Company Directors (AICD).

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.

Mr. Nafitalai Cakacaka
General Manager Business Risk Services (GMBRS)

He was the key liaison personnel with the Green Climate Fund Secretariat for Fiji's accreditation through the FDB.

Nafitalai has over thirty years of experience in development banking and strategic risk management. He is involved in various capacities in stakeholder engagements, promoting sustainable development of projects in Fiji's rural agro-based sectors, as well as infrastructure, clean energy, and small and medium enterprises.

He has been instrumental in incorporating the principles of financial inclusion and literacy in important policy and development agenda at the Bank and at the national level.

He is a Member of Fiji's National Financial Inclusion Task force and serves as Chairman of the Inclusive Products & Services Working Group. He is also a member of the Fiji Institute of Bankers.

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, USA.

Mr. Shaukat Ali
General Manager Relationship & Sales (GMRS)

He leads the Bank's thirteen 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.

Ms. Sheik Maizabeen Nisha
Acting General Manager Finance & Administration (AGMFA)

She has held the Manager Finance position at FDB since March 2012 and was appointed to the acting GM position in January 2020.

Nisha, a chartered accountant with the Fiji Institute of Accountants, shoulders the responsibility of overseeing the operations of the Finance, Information Communications and Technology and Properties Department of the Bank.

She has over 15 years of professional experience in accounting and financial management.

In her current role, she is responsible for identifying systems and standards required for a profit-focused culture. She is the lead in implementing and maintaining such a culture across FDB.

Further, she oversees the review and approval of the treasury plan and the cash flow of the Bank.

She is also the relieving Board Secretary.

Nisha holds a Bachelor of Arts degree in Accounting & Financial Management and Economics.

She is a member of CPA Australia.

Mr. Kishore Kumar
Acting General Manager Talent and Organisational Development (AGMTOD)

He is the Manager Talent Management and Development.

He was appointed to the acting GM position in October 2019, where he is responsible for strengthening service delivery through culture change, empowering teams, guiding career development, coaching and initiating leadership development programmes across the Bank.

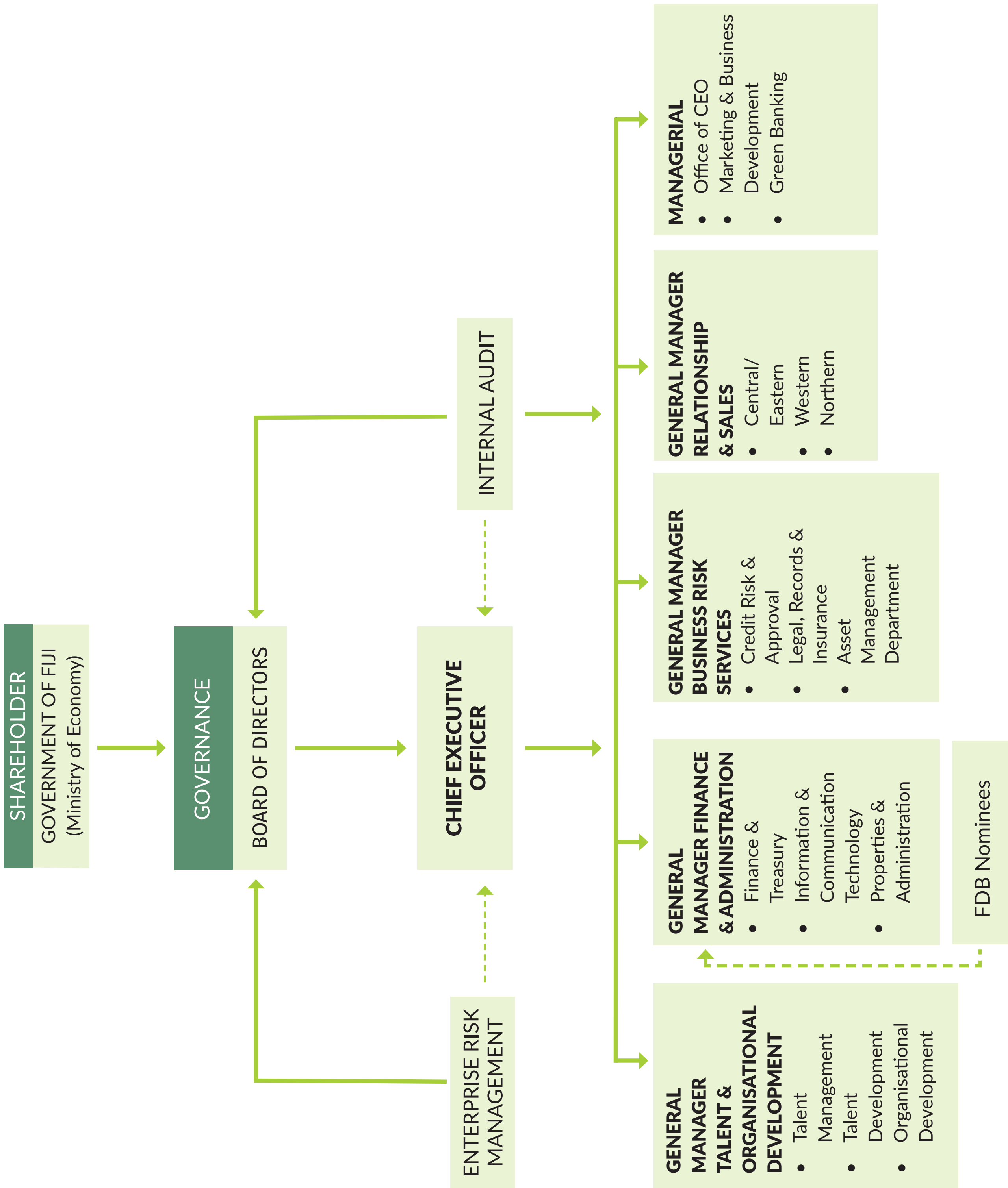
Kishore has been instrumental in a number of Our People oriented programmes across the Bank with his thirty-plus years of experience in various roles, including Audit and Relationship and Sales.

His current role contributes towards the design, delivery and implementation of the Bank's Talent and Organisational development strategies.

He is a Member of the Fiji Institute of Bankers and the Fiji Human Resources Institute.

Kishore holds a Certified Master's in human resource management from the International Institute of Executive Training and a Bachelor of Commerce degree in Banking and Accounting from the University of the South Pacific.

FIJI DEVELOPMENT BANK ORGANIGRAM



FINANCE AND ADMINISTRATION

The Bank cushioned the impact of the downturn in the external environment and the changing risk landscape during the year, because of its well-established financial risk management framework and the stringent monitoring mechanisms in place.

With a downturn in domestic and global economic forecasts, the role of the Finance and Administration (FA) Division was critical as a strong influencer to the Banks financial and organizational performance. Swift responses on measures relating to containing costs were introduced along with exploring rigorous business continuity models as circumstances were quite unpredictable.

Although the effects of the COVID19 pandemic presented an unprecedented volatile situation, the Bank's resilience, and capacity to adapt quickly resulted in the Bank still being able to sustain various relief options for its customers.

The challenges continued to demand on-going preparedness and adaptive response strategies to the "new" normal.

OVERVIEW OF FUNCTION

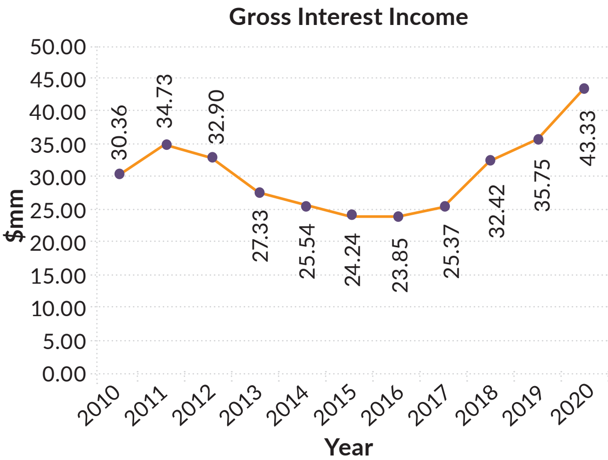
The Bank's Finance and Administration Division is the custodian of the Financial, ICT and Property operations and managing its respective risk mechanisms of the Bank. The Division comprises of Finance and Treasury, Information and Communication Technology (ICT), and the Properties and Administration Department.

FINANCIAL OPERATIONS AND PERFORMANCE

The Bank achieved a modest net profit of $1.14 million during the Financial Year ending June 2020. The underlying performance was offset by increased allowance for expected credit loss, reflecting primarily the decline in current and expected macroeconomic indicators and the Bank taking a conservative approach in mitigating the impacts caused by the pandemic.

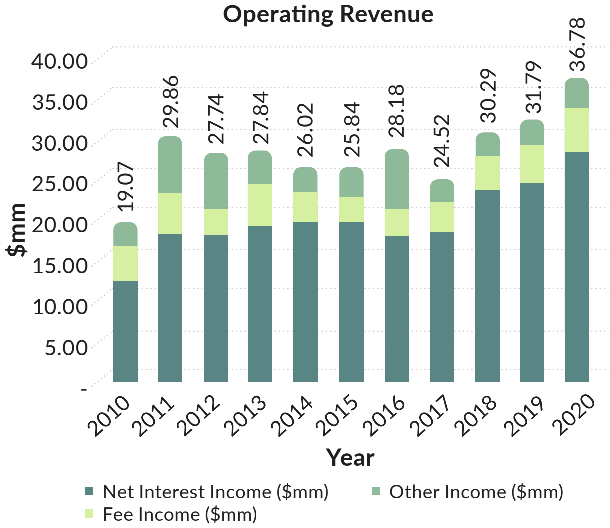
INCOME

The Banks interest income increased by $7.59 million (21.22%) in comparison to the previous Financial Year. This increase is attributed to better portfolio management, prioritization of customer retention efforts and a marginal increase in the Bank's weighted average interest rate at the beginning of the Financial Year.



A growth of $4.99 million (15.69%) was also achieved in the Banks total operating revenue, as a result of a $2.13 million (0.39%) growth in the Bank's total loan portfolio coupled with the increase in the average lending interest rate. Furthermore, the Bank also recorded slight increases in income from the establishment fees, bank service fees, and rental and other sources.

Operating Revenue



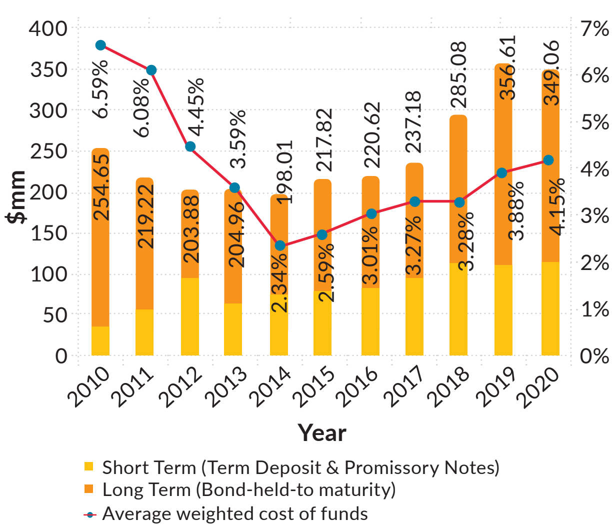
INTEREST AND BORROWING EXPENSES

New borrowings acquired at higher interest rates with weakening liquidity in the first six months of the Financial Year had resulted in an increase in the Bank's interest expense.

As the effects of the pandemic intensified, interest rates reduced in the second half of the Financial Year due to excess liquidity in the market.

Borrowings undertaken to facilitate new lending activity during the year resulted in an increase of $3.15 million (26.77%) in interest expenses. Moreover, the Bank's cost of funds increased by 26 basis points in comparison with the previous year.

Borrowings Portfolio/Average Cost of Fund



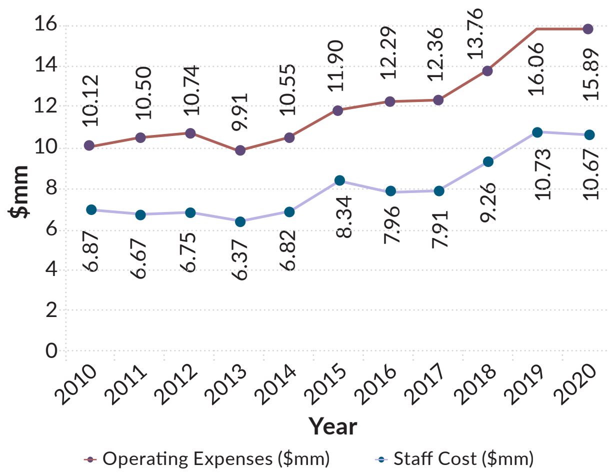
OPERATING EXPENSES

The Bank successfully managed its operating expenses as a result of stringent cost control measures implemented during the year.

The adoption of accounting standard IFRS 16: Leases and subsequent changes to accounting policies on lease recognition resulted in additional operating expenses being taken up on amortization of Right of Use (ROU) assets and finance costs. Despite this, the Bank managed its operating expenses well.

There was a slight reduction in the Bank's Employee Costs since few managerial positions remained vacant at the end of the Financial Year.

Operating Expenses and Staff Cost



ALLOWANCE FOR EXPECTED CREDIT LOSS

The Bank's operational strategies were impacted as economic activities slowed down due to the pandemic.

A more conservative approach of allocating additional allowance for expected credit loss for loans and advances were taken to cater for doubtful loans due to the impact of the pandemic under the IFRS 9 credit impairment model. This led to an increase in allowance for expected credit loss by $6.24 million (77.58%) in comparison to the prior Financial Year. Moreover, allowance for interest and fees suspended also increased by $1.84 million (50.79%) due to an increase in the non-performing loan portfolio during the Financial Year.

A summary of the Bank's Income Statement as at 30 June 2020 is as follows:

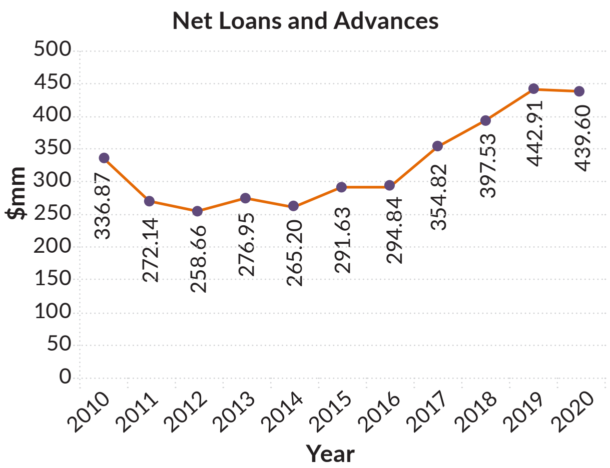
Income Statement ($mm)	2020 ($mm)	2019 ($mm)	Change	Change rate (%)
Interest Income	43,332	35.748	7.584	21.22
Interest & Other Borrowing Expenses	(14,932)	(11.779)	(3.153)	26.77
Net Interest Income	28,400	23.969	4.431	18.49
Net Fees Income	4.616	4.779	(0.163)	3.41
Other Income	3.766	3.046	0.720	23.64
Total Operating Income	36.782	31.794	4.988	15.69
Operating Expenses	(15.886)	(16.057)	0.171	1.06
Profit before Allowances	20.896	15.737	5.159	32.78
Total Allowances	(19.751)	(11.671)	(8.080)	69.23
Net Profit	1.145	4.066	(2.921)	(71.84)

ASSETS STRUCTURE

A summary of the Bank's Asset Structure as at 30 June 2020 is as follows:

Balance Sheet Review ($mm)	2020	Composition (%)	2019	Composition (%)
Liquid Assets	63.466	11.74	65.919	12.09
Investments	2.035	0.38	2.035	0.37
Net Loans and Advances	439.600	81.36	442.915	81.23
Receivables	3.980	0.74	4.007	0.73
Right of Use	1.471	0.27	-	-
Fixed Assets with Intangibles	29.779	5.51	30.421	5.58
Total Assets	540.331	100.00	545.297	100.00

The Bank's gross loan portfolio has slightly increased from $539.75 million in the 2019 Financial Year to $541.88 million, a growth of $2.13 million (0.39%). Effective customer relationship management and customer retention strategies contributed to this growth in the portfolio. New disbursements also assisted in strengthening the loans and advances portfolio. Nevertheless, the increase in allowance for expected credit loss led to a slight decline in net loans and advances.



While the Bank's liquid assets recorded a decline compared to the same period last year, the Bank did achieve a favorable decline in its debt securities issued. It also managed to achieve a slight reduction in its receivables through implementation of better collection mechanisms.

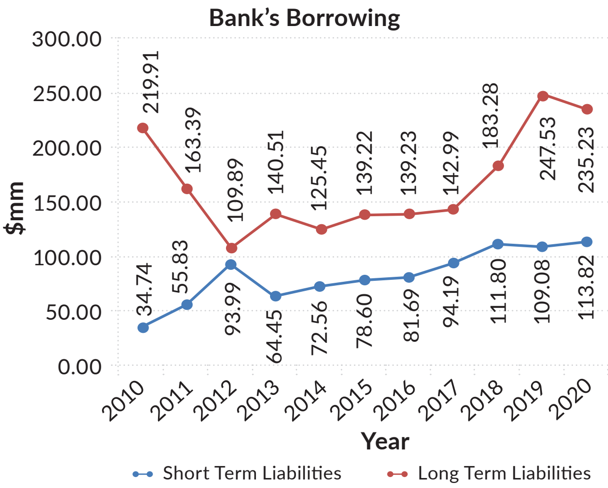
A major change was noted in the Bank's fixed assets and intangibles through the implementation of new accounting standard, IFRS 16-Leases, that led to introduction of new terminology Right of Use (ROU), as the Bank had to reassess all its leased fixed assets. The new requirements removed the classification of leases as either operating or finance lease for the Lessee, effectively treating all leases as finance leases. There were also changes in accounting over the life of the lease. In particular, the Bank was required to recognize expenses for most leases in the early years of the lease term, even when constant annual rentals were paid. This was recorded as ROU assets and as lease liabilities for the Bank, which were measured at the present value of the remaining lease payments, discounted at the Bank and the Group's incremental borrowing rate.

A summary of the Bank's Liability as at 30 June 2020 is as follows:

Balance Sheet Review ($mm)	2020	Composition (%)	2019	Composition (%)
Accounts Payable & Accruals	6.083	1.12	5.831	1.07
Lease Liability	1.498	0.28	-	-
Short Term Borrowings	113.821	21.07	109.077	20.00
Other Liabilities	10.361	1.91	10.808	1.98
Bond – held to maturity	235.234	43.54	247.531	45.39
Total Liabilities	**366.997**	**67.92**	**373.247**	**68.45**
Total Equity	**173.334**	**32.08**	**172.050**	**31.55**
Total Liabilities and Equity	**540.331**	**100.00**	**545.297**	**100.00**

There was a reduction of $6.25 million (1.67%) in the Bank's total liabilities for the 2020 Financial Year. Lower levels of new lending activity during the Financial Year due to the downturn in economic activity, resulted in reduced borrowings hence a decrease in the Bank's borrowings by $7.55 million (2.12%).

The Bank was also able to manage its borrowing portfolio effectively by taking into consideration the economic situation, which improved its debt to equity ratio from 2.07% to 2.01%.



CAPITAL STRUCTURE

A summary of the Bank's capital structure as at 30 June 2020 is as follows:

Balance Sheet Review ($mm)	2020	2019
Total Assets	540.331	545.297
Total Liabilities	366.997	373.247
Total Equity	173.334	172.050

PROPERTIES AND ADMINISTRATION AND ICT OPERATIONS

Properties and Administration Department

The Bank's Properties and Administration 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 tenants. 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 amenities. Concurrently, it also strives to provide its staff with functional and aesthetically pleasing facilities conducive to a productive work environment.

As such, the Bank had commenced multiple construction, renovation and upgrade projects during the year. These included the Fiji Development Bank Center (FDBC) garage and recreational facility at the Head Office, which involved construction of a two-level structure to accommodate filing and storage for the Finance and the Records Departments. The project also includes housing nine parking spaces, a kitchenette, Bank contractors' space, a small office and a meeting room.

The construction was affected by the pandemic and resulting delays caused by the lockdown and supply of materials.

Increased maintenance costs and the impact of the pandemic within the building and construction industry posed challenges to most of the projects undertaken by the Properties and Administration Department, with the procurement and supply of materials from aboard being affected.

Despite the project timelines being adjusted for the projects, the Bank endeavors to continue providing a safe working environment for staff and tenants within allocated budgets and challenges caused by external factors.

A new look Lautoka Branch office was also in the pipeline for completion. Groundwork started in 2019 and the project consists of construction of the first floor into new office space while converting the existing branch space into shop/Office outlets for rental space. This project timeline has also been adjusted to now complete in the next Financial Year.

As part of the Bank's upgrade of the Head office, major sewer, fire, and electrical upgrade works were scheduled for completion in the year. These projects too are now scheduled for commencement in the 2021 Financial Year.

Independent consultants have been engaged to supervise these projects to ensure that there are no downtimes for the Bank's operations and its tenants during the normal operating hours.

Information & Communication Technology (ICT) Department

The ICT Department comprises two specialist Units: Systems Support & Development and Network & Infrastructure Support. Collectively, the Department 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.

In the 2020 Financial Year, the ICT Department embarked on an exciting journey on automation of various manual procedures at the Bank through the development of online web-based portals. Not only does automation enable users efficiently, but process automation also contributes towards savings by reducing the cost of papers, printing cost, filing space, as it contributes to a healthy planet in the long term.

Automation has streamlined various processes, improved turn-around time, and has contributed to cost efficiency. Overall, it has also provided its users a better user experience. Regrettably due to the pandemic, certain capital technical projects were deferred in the year following a budget revision.

The Core Banking Transformation Project

The upcoming Core Banking Software was the ICT Department's major project for the year. The Request for Proposal (RFP) call followed the tender evaluation and vendor selection phase in the previous and this Financial Year.

An independent consultant was engaged to assist the Bank in its vendor selection process. A comprehensive tender evaluation matrix facilitated the section of a software vendor with a proven record of accomplishment in core banking solutions that met the Bank's RFP requirement and specifications. An independent consultant was also engaged to conduct due diligence in ensuring the selected vendor and recommended solution meets the Bank's requirements.

Online Recruitment Portal

The Bank rolled out its online recruitment portal following a decision to improve the turnaround time in filling a vacant position from 32 days to 14 days. Therefore, the manual recruitment process has been automated into a web-based application portal. This contributes towards better time management, efficiency in resource use and in assisting to improve the overall efficiency in filling of vacant positions.

Automated Behavioral Evaluation & Learning Evaluation Form

The fair bit of paper documentation with various forms to fill after the completion of training sessions have been eliminated with the automation of the post-training reports.

ICT developed, in-house, an online platform that allows training staff, course participants and their immediate supervisors to fill and complete various training reports online, hence, eliminating the tedious manual paper documentation.

Advanced Threat Protection

Technology advancements also bring about an increase of viruses and cyber threats to vulnerable users through browsers and email. Such risks to the Bank's data have been managed through the enhancement of the FORCEPOINT Firewall and Border Security by implementing the additional Advanced Threat Protection module of FORCEPOINT which ensures that virus, malware, malicious scripts and SPAM are neutralized before entering the FDB network.

Record Digitization and Archiving

In compliance with the Bank's Strategic Plan on process re-engineering for TAT improvement, ICT connected the Record, Finance and Properties teams by digitizing their manual record system using the Canon Therefore EDRMS solution.

Similarly, the teams are exploring the paperless workflow features that are available in the upgraded essentials license of the Software. The Department intends to continue its programs of process re-engineering to generate greater efficiencies and provide a seamless service for both customers and staff.

WAY FORWARD

The Bank will continue to devise and implement policies that strengthen recovery, build resilience and restore initiatives that would influence financial performance towards sustainability.

HISTORICAL PERFORMANCE

Historical Performance	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Financial											
Net profit($mm)	2.36	2.50	2.86	4.13	4.89	6.14	7.31	8.15	7.41	4.07	1.14
Total Assets ($mm)	378.72	345.09	332.63	338.47	335.07	361.83	374.91	402.06	467.65	545.30	540.33
Total Assets / Equity (%)	3.42	3.05	2.87	2.78	2.65	2.73	2.63	2.67	2.96	3.16	3.12
Average Earning Assets (AEA) ($mm)	435.61	381.55	330.70	351.22	342.99	371.81	381.03	442.98	491.96	545.80	547.90
Borrowing Cost / Average Earning Assets (%)	6.59	6.08	3.31	2.47	1.85	1.45	1.71	1.67	1.88	2.16	2.72
Total Cost / AEA (%)	3.83	7.17	7.52	5.27	4.92	4.65	4.94	4.46	4.68	5.10	5.62
Profit (Loss) / Average Equity (%)	2.15	2.23	2.49	3.48	3.94	4.74	5.96	5.57	4.80	2.46	0.69
Long Term Debt: Equity	1.98:1	1.44:1	0.95:1	1.16:1	0.99:1	1.05:1	0.98:1	0.95:1	1.16:1	1.44:1	1.36:1
Interest Spread (%)	0.38	3.02	3.97	3.81	5.11	4.27	3.41	2.97	3.73	3.07	3.86
Earning Spread (%)	1.96	6.18	7.25	7.12	6.98	6.15	5.73	4.48	5.18	4.51	5.31
Operating Efficiency											
Staff Cost / AEA (%)	1.58	1.75	2.04	1.81	1.99	2.24	2.09	1.79	1.88	1.97	1.95
Total Income / AEA (%)	4.38	7.83	8.39	7.93	7.59	6.95	7.39	5.54	6.16	5.83	6.71
Lending											
Approvals (Number)	1,817	717	746	1,014	1,249	1,532	1,529	1,400	1,621	1,595	966
Approvals ($mm)	56.53	50.57	76.48	139.04	140.76	108.89	120.46	145.31	121.86	187.59	138.04
Loan Portfolio (Number)	6,435	5,258	4,536	4,071	3,843	4,189	4,608	4,943	5,150	5,149	4,825
Gross Loan Portfolio ($mm)	426.21	336.80	324.51	347.41	339.05	367.24	375.83	438.09	487.05	539.75	541.88
Growth in Loan Portfolio (%)	1.63	-20.98	-3.65	7.05	-2.41	8.31	2.25	16.67	11.07	10.82	2.13
Arrears Portfolio / Loan Portfolio (%)	19.41	15.24	12.98	12.40	12.90	12.02	14.34	13.40	14.98	11.16	16.20

FDB'S MARKET SHARE

FIJI DEVELOPMENT BANK'S MARKET SHARE AS AT 30 JUNE 2020

	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	105.11	67.40	26.40	198.91	52.84	33.89	13.27
Sugarcane Growing	19.11	1.60	0.20	20.91	91.39	7.65	0.96
Forestry & Logging	4.33	13.70	8.20	26.23	16.51	52.23	31.26
Fisheries	4.29	11.10	1.00	16.39	26.20	67.70	6.10
Others	77.37	41.00	17.00	135.37	57.16	30.29	12.56
Mining & Quarrying	1.97	34.80	5.80	42.57	4.63	81.75	13.62
Manufacturing	40.05	471.80	16.30	528.15	7.58	89.33	3.09
Food, Beverages and Tobacco	29.54	171.80	0.80	202.14	14.61	84.99	0.40
Textiles, Clothing and Footwear	1.44	94.20	2.40	98.04	1.47	96.08	2.45
Metal Products and Machinery	0.12	41.70	5.00	46.82	0.26	89.06	10.68
Others	8.94	164.10	8.10	181.14	4.94	90.59	4.47
Building and Construction	163.77	680.80	71.90	916.47	17.87	74.29	7.85
Real Estate	77.36	1,270.50	2.00	1,349.86	5.73	94.12	0.15
Non-Bank Financial Institutions	2.24	4.20	11.10	17.54	12.78	23.94	63.28
Public Enterprises	8.48	45.00	1.00	54.48	15.56	82.60	1.84
Wholesale, Retail, Hotels and Restaurants	70.32	1,425.50	51.60	1,547.42	4.54	92.12	3.33
Hotels and Restaurants	45.53	425.90	8.30	479.73	9.49	88.78	1.73
Other Commercial Advances	24.79	999.60	43.30	1,067.69	2.32	93.62	4.06
Transport, Communications and Storage	36.18	290.90	150.60	477.68	7.57	60.90	31.53
Electricity, Gas and Water	8.67	170.90	0.60	180.17	4.81	94.85	0.33
Professional Business Services	6.44	118.70	35.10	160.24	4.02	74.08	21.90
Private Individuals	18.83	2,136.00	235.00	2,389.83	0.79	89.38	9.83
Housing	17.55	1,755.10	-	1,772.65	0.99	99.01	-
Car or Personal Individual Transport	0.56	94.60	-	95.16	0.58	99.42	-
Others	0.72	286.30	-	287.02	0.25	99.75	-
Central and Local Government	-	9.00	0.10	9.10	-	98.90	1.10
Others	2.46	294.30	10.80	307.56	0.80	95.69	3.51
TOTAL	**541.88**	**7,019.80**	**618.30**	**8,179.98**	**6.62**	**85.82**	**7.56**

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 30 June 2020. The Bank's Market Share is highlighted in blue.

RELATIONSHIP AND SALES

In the 2020 Financial Year, the Bank achieved a modest increase in the loan portfolio despite a precarious external environment in the last quarter of the year. The focus was mostly on strategies that supported better disbursement measures and promoted effective compliance, however the Novel Coronavirus (COVID19) contained economy and the category five Tropical Cyclone Harold affected the full achievement of these strategies.

YEAR IN REVIEW

The focus for the 2020 Financial Year was increasing advocacy for customers on concepts of business sustainability and building resilience considering the frequent natural disasters. The focus shifted to direct business continuity in the last quarter with the COVID19 pandemic response.

The Bank's total loan portfolio for the 2020 Financial Year stood at $541.88 million by value and 4,825 by number in comparison to $539.75 million and 5,149, respectively, for the 2019 Financial Year.

The Bank committed $62.95 million in disbursement, reflecting 62.85% of its target. A decrease of 43.55% was noted when compared to the $111.34 million disbursed in the previous Financial Year.

The Performing Loan Portfolio decreased in value by 2.39%, from $450.77 million to $439.98 million in the 2020 Financial Year.

The Non-Performing Loan Portfolio increased by 14.51% in value, from $88.98 million to $101.90 million in the 2020 Financial Year.

COVID19 RESPONSE AND RECOVERY

FDB moved swiftly to support its customers as soon as Fiji recorded its first case of COVID19 in March 2020 that brought with it an impending chain of events.

There were two priorities. First to support business continuity and second the recovery from the crisis.

The Bank rolled out a relief package for affected customers to help sustain the cash flow of the businesses. Repayment easement through a combination of factors like repayment holiday, interest-only payment, fee waiver, and other means of re-negotiations on loan contracts were provided. More than 800 customers were assisted through this relief package.

Rehabilitation financing through the RBF's Disaster Rehabilitation and Containment Facility (DRCF) was also approved to 13 customers.

Similar assistance was rolled out for our customers after the category five Tropical Cyclone Harold affected a number of our customers.

FOCUSED SECTOR

The Focused Sector comprised 81.60% of the loans, by number and 41.19% by value, which was 3,937 accounts worth $223.20 million.

These were distributed among the sectors of Agriculture, Electricity, Gas and Water, Manufacturing, Mining & Quarrying, Transport, Communication & Storage, Public Enterprises and Small and Medium Enterprises (SME) in the Professional & Business Services, and Wholesale, Retail, Hotels & Restaurants sector.

A drop by 159 accounts and $10.79 million by value was recorded when compared to the 2019 Financial Year.

NON-FOCUSED SECTOR

The Non-Focused Sector comprised 18.40% by the number of loans, and 58.81% by the value of the total portfolio, which equated to 888 accounts worth $318.68 million respectively.

A decrease of 15.67% by the number of accounts and an increase of $12.93 million by the value was eminent in contrast to the 2019 Financial Year.

These were distributed among the sectors of Building & Construction, Private Individuals, Real Estate, and Others and towards larger loans (above $500,000) in the Wholesale, Retail, Hotels & Restaurants and the Professional & Business Services sector.

MARKET SHARE

For the 2020 Financial Year, the Bank held an overall market share of 6.62% compared to 6.63% in the previous Financial Year.

The Bank's Market Share in the Agriculture sector continues as the largest held by any single financial entity, accentuating once again the Bank's role as the primary administrator for funding the ongoing development of the primary and resource-based sectors.

The Bank's Market Share in the sugarcane sector sits at 91.39%; at 16.51% for forestry and logging, and 26.20% for fisheries.

Portfolio Building	FY 2020 By Number	FY 2020 By Value ($mm)	FY 2019 By Number	FY 2019 By Value ($mm)
Performing Loan Portfolio	4,250	439.98	4,515	450.77
Non-Performing Loan Portfolio	575	101.90	634	88.99
TOTAL PORTFOLIO	4,825	541.88	5,149	539.75

APPLICATIONS

The Bank provided financing to 966 customers by committing $138.04 million in new loan approvals in the 2020 Financial Year.

However, in comparison to the previous year, attributed to the slower economic activity by the second half of the year, a decrease of 39.44% by number and 26.42% by value was noted for approvals.

ACCESSIBILITY AND STRENGTHENED OUTREACH

FDB Branches across Fiji, including in the rural localities, provides customers with easier accessibility, and at the same time allows the Relationship and Sales team to conduct regular agency visits within their own vicinity and outer islands.

LOCATION TREND

The Bank had 40 accounts from Outer Islands, serving the maritime communities of Fiji; 1,690 accounts were from the urban areas, and staying true to its mandate, FDB served 3,095 customers in the rural areas. The decrease, in comparison to the previous year, attributed to the overall decrease in the number of accounts. During the year, the Bank continued to participate in community-based expositions and road shows as and when opportunities presented themselves.

The Fiji Development Bank's Portfolio as at 30 June 2020

Portfolio as at 30 June 2020	By Number	%	By Value ($mm)	%
Focused Sectors	3,937	81.60	223.20	41.19
Agriculture	3,002	62.22	107.64	19.86
Electricity, Gas & Water	10	0.21	8.67	1.60
Manufacturing	51	1.06	31.96	5.90
Mining & Quarrying	4	0.08	0.52	0.10
Professional & Business Services	65	1.35	1.96	0.36
Public Enterprises	1	0.02	8.48	1.56
Transport, Communication & Storage	471	9.76	51.26	9.46
Wholesale, Retail, Hotels & Restaurants	333	6.90	12.71	2.35
Non-Focused Sectors	888	18.40	318.68	58.81
Building and Construction	78	1.62	70.01	12.92
Non-bank Financial Institutions	2	0.04	2.24	0.41
Others	55	1.14	2.19	0.40
Private Individual	658	13.64	15.55	2.87
Professional & Business Services	2	0.04	1.82	0.34
Real Estate	66	1.37	57.41	10.59
Wholesale, Retail, Hotels & Restaurants	27	0.56	169.46	31.27
TOTAL PORTFOLIO	**4,825**	**100.00**	**541.88**	**100.00**

The Fiji Development Bank's Approvals as at 30 June 2020

Approvals as at 30 June 2020	By Number	%	By Value ($mm)	%
Focused Sectors	809	83.75	105.87	76.70
Agriculture	596	61.70	16.62	12.04
Electricity, Gas & Water	1	0.10	0.05	0.04
Manufacturing	10	1.04	3.37	2.44
Mining & Quarrying	2	0.21	0.91	0.66
Professional & Business Services	14	1.45	0.65	0.47
Public Enterprises	0	0.00	0.00	0.00
Transport, Communication & Storage	114	11.80	80.72	58.48
Wholesale, Retail, Hotels & Restaurants	72	7.45	3.55	2.58
Non-Focused Sectors	157	16.25	32.16	23.30
Building and Construction	12	1.24	4.25	3.08
Non-bank Financial Institutions	2	0.21	3.00	2.17
Others	16	1.66	0.43	0.31
Private Individual	116	12.01	2.15	1.56
Professional & Business Services	0	0.00	0.00	0.00
Real Estate	7	0.72	6.08	4.41
Wholesale, Retail, Hotels & Restaurants	4	0.41	16.26	11.78
TOTAL PORTFOLIO	**966**	**100**	**138.04**	**100**

CREATING BUSINESS FROM EXISTING CUSTOMERS AND STAKEHOLDERS

The Bank financed further loans for existing customers, which were for either the same business or a diversified business. Of the 966 customers financed, 272 customers sought further financing in the year.

JOINT VENTURES

In this Financial Year, the Bank also focused on joint venture farming for Agri-financing.

FDB in partnership with the Fiji Co-operative Dairy Company Limited (FCDCL) signed a Memorandum of Understanding in December 2019 to assist the local dairy farmers with financial services.

The MOU encourages communication, and collaboration on financial solutions available with FDB for dairy farmers. It also allows FCDCL members to submit loan applications through FCDCL and allows FCDCL to provide letters of support for members' loan applications.

Over 200 farmers may benefit from this collaboration by having easier access to financing and financial literacy opportunities.

Two major projects were financed for Rural Electrification and discussion was also initiated with Kaiming Agro Processing for Ginger Farming projects at Sawakasa, as part of promoting the value chain financing model.

INTERNAL BUSINESS PROCESS

To improve on internal capacity within the Relationship and Sales Division, there was a continued focus on new initiatives to strengthen the roles and team building programs. These included re-alignment of the Suva Branch, and additional human resources for the Labasa and Nadi Branches.

The enhancement of key performance targets for improved outputs on areas like spot-audits; personal approval and control checking system; strategies on reducing non-performing accounts; automation of insurance and valuation notifications; control strategies on loan migrations; and continuous review of our loan products were some of the achievements for improving our service delivery.

In terms of staff engagement, the Bank continued with its Executive Management meeting staff through the Pair Visitations. The visit with all staff on a quarterly basis assisted Management to better understand staff needs and promote sharing of ideas to improve business processes.

The identification of training needs and regular training provided to new entrants; promoting product and services through road shows and Talanoa sessions; regular regional Managers conferences; and staff rotations were further highlights of the year for the Division.

TECHNOLOGY ADVANCEMENT

Digitalization is changing how people interact and do business on a day-to-day basis, and advancements in banking technology are continuing to influence the future of financial services around the world.

FDB offers its customers various means of accessing their accounts to check their account details, and print statements through the online client statement portal, and carry out either internet banking for payments or advances, or EFTPOS at branches, or use M Paisa, or Post Fiji Telegraphic Money Order.

DEVELOPMENT FINANCING

AGRICULTURE

FDB's commitment to supporting the agriculture sector remained strong in the Financial Year as the Bank recognized its critical role in economic development, natural-resources and rural development.

In supporting competitive, sustainable, and transformational agribusinesses in Fiji, the Bank's highest portfolio in its Focused Sector by value and by number, as well as the market share, is in the Agriculture sector. The highest number of loan approvals were also to this sector for the year. However, in terms of total portfolio, the Agriculture sector ranked the second highest by value.

With a portfolio value of $107.64 million, there were 3,002 accounts in this sector for the 2020 Financial Year.

Despite a slight decrease from the previous year, the Bank was able to maintain agriculture loans as the highest in the portfolio by number, indicating its support for the thousands of agri-businesses in Fiji.

Similarly, while there was a decrease in the number of loan approvals in comparison to the previous year, the portfolio increased to 61.70% from 57.62% in 2019.

The Bank continued to hold majority Market Share in the Agriculture sector lending in the country at 52.84%.

Portfolio	Number	Percentage (%)	Value ($mm)	Percentage (%)
2020	3,002	62.22	107.64	19.86
2019	3,017	58.59	110.62	20.50

Approvals	Number	Percentage (%)	Value ($mm)	Percentage (%)
2020	596	61.70	16.62	12.04
2019	919	57.62	30.72	16.38

The Bank has financial solutions such as the Agriculture Family Loan Facility that ensures women are actively involved in the business as well as promotes the use of renewable energy for projects within the farms such as irrigation. Further, the Bank's Export Credit Facility, Import Substitution, and Export Finance Facility, and other financings available for the Agriculture sector contribute towards achieving various targets in the National Development Plan and the Sustainable Development Goals.

ELECTRICITY, GAS & WATER

FDB is looking to broaden its support for providing access to cleaner and affordable energy to all Fijians by identifying innovative solutions, sharing information with partner development institutions, and with the private sector. Its goal is to provide financing for reliable, adequate, and affordable energy for economic growth in a socially, economically, and environmentally sustainable way.

In 2020, the Electricity, Gas & Water portfolio stood at $8.67 million, comprising of 10 loans. This reflected 0.21% by number and 1.60% by value of the total portfolio.

There was only one renewable energy project in an urban locality approved in the year, valued at $0.05 million.

FDB's Sustainable Energy Financing Facility and other financial solutions classified under Electricity, Gas & Water contribute towards ensuring access to affordable, reliable, and sustainable energy for all. The Bank's Market Share for this natural resource sector is 4.81%

Portfolio	Number	Percentage (%)	Value ($mm)	Percentage (%)
2020	10	0.21	8.67	1.60
2019	17	0.33	16.21	3.00

Approvals	Number	Percentage (%)	Value ($mm)	Percentage (%)
2020	1	0.10	0.05	0.04
2019	12	0.75	20.48	10.92

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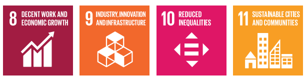
MANUFACTURING



FDB remained committed to supporting the National Development Plan of developing Fiji as a manufacturing hub of the Pacific by providing financing to this sector.

The manufacturing portfolio increased to $31.96 million in comparison to the previous year's value of $29.13

million. There was an increase in the number of loans as well.

In 2020, FDB committed $3.37 million through approval to 10 new accounts. By value, this reflected 2.44% of total approvals and 1.04% by the number of loans in the Focused Sector.

Projects financed this year included manufacturing of clothing, food, printing services, furniture, timber dressing, and structural metal product manufacturing.

FDB's Market Share for this industry stood at 7.58%, with 14.61% in the food, beverages, and tobacco sectors; 1.47% in the textiles, clothing, and footwear sectors, and 0.26% in the metal products and machinery sector.

Portfolio	Number	Percentage (%)	Value ($mm)	Percentage (%)
2020	51	1.06	31.96	5.90
2019	48	0.93	29.13	5.40

Approvals	Number	Percentage (%)	Value ($mm)	Percentage (%)
2020	10	1.04	3.37	2.44
2019	11	0.69	7.49	3.99

The Bank is committed to promoting sustainable and inclusive economic growth that comprises productive employment and decent work for all. FDB's financing also contributes towards building resilient infrastructure that paves the path for sustainable industrialization that would foster innovation.

MINING & QUARRYING

FDB's investment in promoting a sustainable mining sector that continues to provide employment and income to Fijians, foreign exchange earnings, and revenue for the Government saw the portfolio stand at $0.52 million in 2020.

The percentage by value of the total portfolio remained the same from the previous year. There were four (4) loans in total, reflecting 0.08% of total loans by number.

In 2020, FDB committed $0.91 million through loan approval for the mining and quarrying industry. By value, this stood at 0.66% of FDB's total approvals for the year. This reflected only two (2) loan approvals, standing at 0.21% of the total approvals for the year. Projects financed this year included those for sand and gravel.

FDB's Market Share for this natural resource sector stood at 4.63%.

Portfolio	Number	Percentage (%)	Value ($mm)	Percentage (%)
2020	4	0.08	0.52	0.10
2019	4	0.08	0.55	0.10

Approvals	Number	Percentage (%)	Value ($mm)	Percentage (%)
2020	2	0.21	0.91	0.66
2019	2	0.13	0.05	0.03

The Bank has stringent monitoring and evaluation mechanisms in place to ensure environmental management plans are implemented effectively. The four loan accounts in the Mining & Quarrying sector include two small business schemes, a commercial and an industrial account.

PROFESSIONAL & BUSINESS SERVICES

This portfolio stood at $3.78 million, comprising 67 loans by number in the total portfolio.

FDB committed $0.65 million to this sector through the approval of 14 accounts in the year. Projects financed this year included those in health services, including medical and dental, chiropractic and wellness, hairdressing and beauty salons, fire safety, information, communications and technology services, road freight, and security services.

This sector includes businesses providing services in the legal, dental, accounting, beautician, photography and consultancy, and domestic services industry. A decrease in the Bank's Market Share to 4.02% was noted in comparison to the previous year.

Portfolio	Number	Percentage (%)	Value ($mm)	Percentage (%)
2020				
Focused Sector	65	1.35	1.96	0.36
Non-Focused Sector	2	0.04	1.82	0.34
2019				
Focused Sector	83	1.61	2.77	0.51
Non-Focused Sector	4	0.08	5.59	1.04

Approvals	Number	Percentage (%)	Value ($mm)	Percentage (%)
2020				
Focused Sector	14	1.45	0.65	0.47
Non-Focused Sector	0	0.00	0.00	0.00
2019				
Focused Sector	32	2.01	1.93	1.03
Non-Focused Sector	2	0.13	3.46	1.84

The Bank remained committed to supporting the Professional Business Service types of business, especially the Small and Medium Enterprises. The Bank recognizes that this sector helps contribute to achieving a number of Sustainable Development Goals.

PUBLIC ENTERPRISE

The portfolio stood at $8.48 million with only one loan account. There were no approvals in the year for any new loans. The Bank's Market Share is 15.56% in this sector.

Portfolio	Number	Percentage (%)	Value ($mm)	Percentage (%)
2020	1	0.02	8.48	1.56
2019	1	0.02	10.67	1.98

Approvals	Number	Percentage (%)	Value ($mm)	Percentage (%)
2020	0	0.00	0.00	0.00
2019	0	0.00	0.00	0.00

TRANSPORT, COMMUNICATION, AND STORAGE

FDB's largest investment through loan approvals in 2020 was its commitment of $80.72 million to the Transport, Communication, and Storage sector, comprising 58.48% by value of the total approvals for the year.

While the number of approvals noted a slight decrease from the previous year, the value noted a significant increase.

There were 114 approvals, the third-highest reflecting 11.80% of the total approvals for the year. Projects financed included bus, minibus, taxi business, freight transportation, tours, sea, and other coastal transportation businesses.

The portfolio also increased to $51.26 million, comprising 9.46% of the total portfolio with 471 loans. The portfolio sits as the third highest by the number of the total portfolio.

The Bank's Market Share in this sector stood at 7.57% in 2020.

Portfolio	Number	Percentage (%)	Value ($mm)	Percentage (%)
2020	471	9.76	51.26	9.46
2019	561	10.90	50.64	9.38

Approvals	Number	Percentage (%)	Value ($mm)	Percentage (%)
2020	114	11.80	80.72	58.48
2019	218	13.67	22.70	12.10

WHOLESALE, RETAIL, HOTELS & RESTAURANTS

Although a decrease was noted in the number of new approvals for this sector, the portfolio continued to hold the largest portfolio by value. The types of projects financed included those wholesaling or retailing food, root crops, machinery, equipment, personal and household items, and restaurants, hotel, and other tourism-related projects.

It increased to $182.17 million by value in the 2020 Financial Year. This reflects an increase of 33.62% of the total portfolio by value. There were 360 loans in this portfolio in 2020. The Bank's Market Share is 4.54%.

Portfolio	Number	Percentage (%)	Value ($mm)	Percentage (%)
2020				
Focused Sector	333	6.90	12.71	2.35
Non-Focused Sector	27	0.56	169.46	31.27
Total	**360**	**7.46**	**182.17**	**33.62**
2019				
Focused Sector	365	7.09	13.40	2.48
Non-Focused Sector	28	0.54	148.89	27.58
Total	**393**	**7.63**	**162.29**	**30.06**

Approvals	Number	Percentage (%)	Value ($mm)	Percentage (%)
2020				
Focused Sector	72	7.45	3.55	2.58
Non-Focused Sector	4	0.41	16.26	11.78
Total	**76**	**7.86**	**19.81**	**14.36**
2019				
Focused Sector	119	7.46	4.11	2.19
Non-Focused Sector	14	0.88	47.74	25.45
Total	**133**	**8.34**	**51.85**	**27.64**

BUILDING & CONSTRUCTION

The portfolio increased by number and in value in the 2020 Financial Year. This sector is the third-largest portfolio by value at $70.01 million. There were 78 loans in this portfolio, of which 12 were new loans approved in the 2020 Financial Year. These approvals were to the value of $4.25 million. Projects financed were for businesses in agriculture, general contracting, real estate, and professional and business services. The Bank's Market Share in this sector is 17.87%.

Portfolio	Number	Percentage (%)	Value ($mm)	Percentage (%)
2020	78	1.62	70.01	12.92
2019	76	1.48	69.57	12.89

Approvals	Number	Percentage (%)	Value ($mm)	Percentage (%)
2020	12	1.24	4.25	3.08
2019	29	1.82	19.60	10.45

NON-BANK FINANCIAL INSTITUTIONS

FDB is committed to promoting financial inclusion for all Fijians. The Bank believes it would ease Fijian's access to affordable financial products and services that in the long term would contribute towards economic development and poverty reduction.

Under the Non-Bank Financial Institutions sector, the portfolio stood at $2.24 million by value. The year also saw two new approvals for loans to Non-Bank Financial Institutions. The Bank's Market Share in this sector is 12.78%.

Portfolio	Number	Percentage (%)	Value ($mm)	Percentage (%)
2020	2	0.04	2.24	0.41
2019	3	0.06	2.67	0.50

Approvals	Number	Percentage (%)	Value ($mm)	Percentage (%)
2020	2	0.21	3.00	2.17
2019	2	0.13	1.70	0.91

As Fiji's only national development financial institution, FDB continued to support the country's largest microfinance body, South Pacific Business Development Microfinance (Fiji) Limited in the 2020 Financial Year.

South Pacific Business Development Microfinance (Fiji) Limited is a leading micro-enterprise development organization that provides unsecured credit assistance to women micro-entrepreneurs, especially in the rural areas, and facilitates their capacity building.

REAL ESTATE

This portfolio saw an increase in number and in value in comparison to the previous year. The portfolio with 66 loans stood at $57.41 million, an increase of $11.28 million. Seven approvals were recorded for the year to the value of $6.08 million. Types of projects financed included those for commercial and residential rental and land subdivision purposes. The Bank's Market Share in this sector is 5.73%.

Portfolio	Number	Percentage (%)	Value ($mm)	Percentage (%)
2020	66	1.37	57.41	10.59
2019	61	1.18	46.13	8.55

Approvals	Number	Percentage (%)	Value ($mm)	Percentage (%)
2020	7	0.72	6.08	4.41
2019	13	0.82	22.47	11.98

BUSINESS RISK SERVICES

In the 2020 Financial Year, the Bank increased its scrutiny of new loan applications credit assessment to mitigate loss especially during the economic stress.

YEAR IN REVIEW

The strong economic growth over the past years attracted foreign investors to undertake large development projects in Fiji. Financial service providers in the country have been heavily involved in providing debt financing under the Reserve Bank of Fiji's foreign exchange guidelines.

Such flux of project financing has placed a lot of pressure on the concentration risk and lending limits as the Bank expanded its activity to large construction, transportation, and infrastructure projects.

The large portfolio concentration, by value, skewed towards the tourism related sector. It was directly affected by the COVID19 pandemic as the revenue streams across all sectors with border closure, business close down, unemployment and reduced working hours impacted our customers in these sectors.

This is expected to affect the credit rating for these impacted accounts should the COVID19 pandemic prolong for another 12 months. It has impacted the financial markets, increased in the cost of capital and overall, the economic and social returns to the country and the community.

In response to the effect of the pandemic, the various loan restructure of principal and interest had to be properly accounted for and addressed under the provision for loan losses policy and account grading.

An annual assessment of the appropriateness and application of provisioning policy in light of the credit risk elements, embedded in the overall loan portfolio, was carried out.

In the year, a more detailed scrutiny and tightening up of the credit assessment process for new loan proposals was necessary to minimize possible future losses during the economic downturn.

FINANCIAL

With the efforts of the Asset Management Unit (AMU), there was a reduction in AMU accounts by value (12.93%) at the end of the 2020 Financial Year, indicating effectiveness of measures put in place for rehabilitation and recovery of the Non-Performing Loan Portfolio.

However, due to the deferment of a few large settlements earmarked for the year, the Division faced some challenges such as the downturn in the economy in the later part of the year contributing to delays, and the withdrawal of buyers for land development deals,

Some properties were also advertised on tender but could not attract the right interest. Recovery under the transportation sectors with machinery, trucks and public transportation vehicles were also sometimes challenged by the Land Transport Authority (LTA) weight restrictions and fines, discouraging some transactions to transfer.

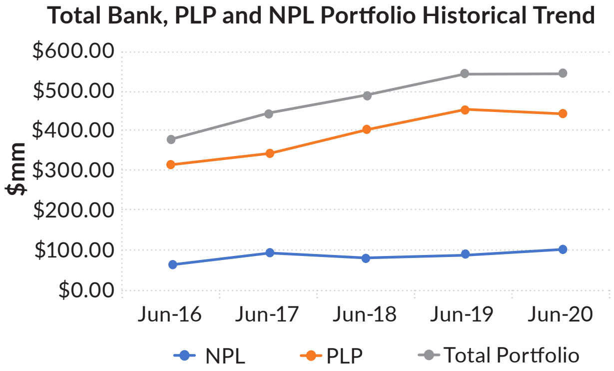
The Choice Home Loan (CHL) portfolio that was marked for total disposal has gradually achieved reductions over the Financial Year.

A total of 49 accounts were paid off and settled during the year, representing 27% of the target for the year.

The Bank's legal fees were also reviewed as part of the total fees and charges review. The objective of the review was to revise Legal Fees to appropriate values to reflect the current market price.

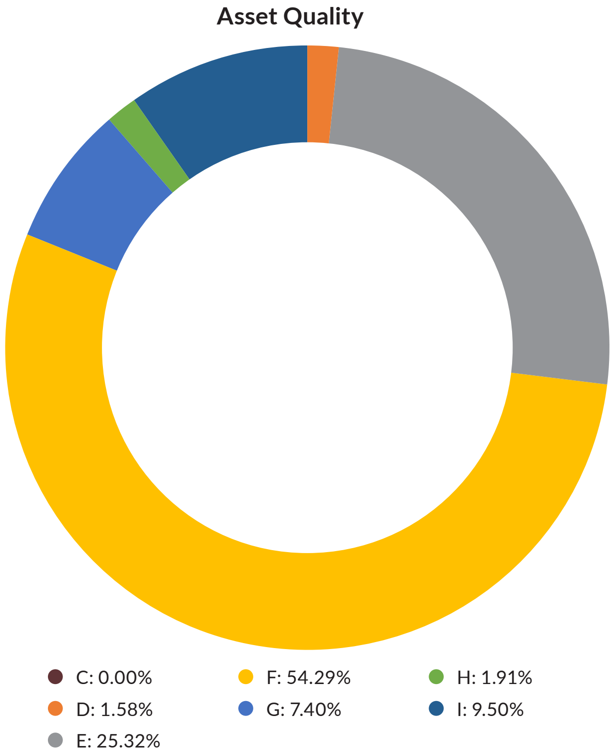
With the commencement of supervision by the Reserve Bank of Fiji (RBF), approval for revising the fees has been sought from the Central Bank.

The total Bank NPL target is 10% of the total portfolio. The Bank continues with its effort to reach this set target.



ASSET QUALITY

In terms of loan asset quality of the Bank, the distributions are concentrated mostly in grade 'F', with 54.29% of the Bank's portfolio, followed by grade 'E' at 25.32%.



Grades 'C', 'D', 'E' and 'F' are performing loan grades and grades 'G', 'H' and 'I' are NPLs.

The Asset Management Unit NPL portfolio was $64.12million. The AMU portfolio represents 62.93% of the total Bank NPL. This value excludes the CHL portfolio and other performing accounts managed by AMU. The decrease in AMU's NPL portfolio value reflects the commitment and effort put in by the team of AMU to decrease NPLs portfolio by following stringent procedures put in place to rehabilitate, recover, and maintain the relationship with customers to better assist them in servicing their loans with the Bank.

At the end of the Financial Year, total NPLs amounted to $101.90 million or 18.80% of the total Bank portfolio.

INTERNAL BUSINESS PROCESS

The Bank always strives to strengthen its internal business processes to better suit customer needs and make its process and information flow much easier. Over the years, the Bank has conducted numerous reviews by parties internal and external to FDB to make internal business processes more efficient and accommodating to the ever-changing business environment.

One such review during the 2020 Financial Year was the review of the Asset Management functions and procedures.

FDB remains committed to increasing its portfolio whilst managing the existing accounts at a healthy level.

Although operating in a precarious environment due to the COVID19 pandemic, which pose various challenges, the Bank will continue to develop policy that helps maintain the gains of financial inclusion it has invested in over its fifty years of operation.

The Bank's various mechanisms in place will continue to assist in mitigating the effects of the pandemic and assist customers in the best way possible during such difficult times.

TALENT AND ORGANISATIONAL DEVELOPMENT

In the 2020 Financial Year, the Bank continued with its efforts to align its three strategic focus areas of organisational culture with talent management and talent development to drive staff productivity and financial performance.

YEAR IN REVIEW

With a loyal workforce, FDB continued to adapt to the volatile environment to keep its commitment to its vision of being a dynamic financial service provider in the development of Fiji.

The oncoming precarious environment required continuous monitoring, re-evaluation, and capacity to devise relevant business strategies to support the workforce to operate in changing environments in the year.

To remain sustainable and deliver on its mandate by meeting the goals of national development targets and global goals, the Bank's operational self-sufficiency relied heavily on the organizational structure, its ability to function effectively and critically on the intellectual capital (employees).

The Division shouldered the responsibility of facilitating a productive workplace environment for employees to be able to do business and contributing towards the reduction of overall operating expenditure for adequate returns to the Bank.

By driving an integrated and synchronized organizational effectiveness approach, the Division implemented reasonable staff productivity initiatives.

LEARNING & GROWTH OVERVIEW

Cost cutting measures provided an opportunity for the Division to shift focus from paid capacity building programmes to internal development programmes focused on the use of internal resources, knowledge sharing and collaboration. Focus was also shifted towards compliance and risk management strategies.

TALENT DEVELOPMENT

The year started with a comprehensive talent development plan to advance FDB's commitment in increasing its internal competencies and capabilities to be able to respond to the changing environment. The Bank achieved an 80% completion rate of in-house training programmes conducted in response to the Bank's and individual staffs' Training Need Analysis (TNAs).

Capacity building was prioritized towards technical training programmes to increase employee capabilities in the areas that contributed towards portfolio management. The two key focus subjects were Project Appraisal, Supervision, and Monitoring to manage the non-performing loans portfolio.

RISK MANAGEMENT

The Division facilitated awareness on the Three Lines of Defense model through workshops delivered by the Enterprise Risk Management (ERM) Unit.

The Bank has a Three Lines of Defense (LoD) model in place that distinguishes among three groups (or lines) involved in effective risk management functions that own and manage risks (supervisory operational staff), functions that oversee risks (ERM Unit) and functions that provide independent assurance (Internal Audit).

CAPACITY BUILDING INITIATIVES

Workshops and training included focus on data and records management, policy changes and financial solution information sessions were also delivered to strengthen service delivery within the Bank and for its customers and stakeholders.

The Bank's approach in educating its workforce and empowering them with information was well received by employees in the slow business times.

The Bank's return on investment through capacity building was measured by the course evaluations in place. Notably, the result evaluation indicated that the learnings from the training were applied to everyday work and volume of audit queries had reduced as a result.

Further training was developed to address common audit queries. With quality loans booked, the Division was confident in the use of refresher training as a successful tool in promoting a culture of continuous improvement.

EMPLOYEE ENGAGEMENT OVERVIEW

With global and domestic economic forecasts from the year-start mostly alerting to a change in trends, the Division was a strong influencer of organisational performance in the year.

Measures such as how much revenue each employee generated for the Bank, staff cost, profit per staff and staff turnover helped make informed decisions.

For the first three quarters of the 2020 Financial Year, the Division was unaffected by the economic situation as the Bank is acclimated to changing circumstances and has the capacity to respond quickly and adapt. However, the impacts caused by the COVID19 pandemic presented an unprecedented volatile situation, impacting the Division's budget and causing a pause to all face-to-face interactive programmes.

To remain effective in delivering on business strategies, the Division implemented several responsive strategies such as automation of certain manual processes.

Employee commitment and connection to the Bank is critical for driving business success. The Bank has experienced high levels of engagement that promoted retention of talent, fostered customer loyalty and improved organizational performance and stakeholder value.

Employee engagement directly affects an organization's financial health and profitability and FDB is no exception.

STAFF COST TO OPERATING REVENUE RATIO

Staff cost as a percentage of operating revenue was below the set target of 32.41% in the 2020 Financial Year. This was achieved through timely planning and strict monitoring of Divisional expenses. Only necessary expenditure, such as for corporate wardrobe, was incurred.

The Bank's Employee Costs also declined by $0.07 million (0.61%). Further, the Bank's staff complement decreased.

The profit per staff ratio demonstrates the financial health of the Bank. As a valuable metric, this indicates whether the Bank has the right people, in the right place, at the right price to achieve its strategic objectives. It also expresses the Bank's profit as a proportion of its size measured in terms of the number of employees and evaluates the efficient use of its people.

In terms of gender composition, 48% are females and 52% are males.

TOD is in the process of working with GMs in formulating a competency-based succession plan to facilitate development of identified successors for critical positions once these positions become vacant due to retirement, migration and/or staff exits for better employment opportunities.

COMMUNICATION

Survey tools were employed for obtaining information to enhance Employee Engagement programmes. The feedback score of 99.48% response rate of a major survey assisted the Division to further introduce initiatives towards conducive working environment. Valuable insight into staff satisfaction with the Bank's work culture in terms of strategic objectives, ethics, supervision, working hours, rewards and incentives, career development, sharing experiences, leadership, empowerment, and communication was gathered to better inform the policy makers at the Bank.

Employee communication, career development, and recognition mechanisms stood out as areas of further enhancement for the next Financial Year.

STAFF RECOGNITION

The Bank built on the efforts of the previous years to prioritize employee appreciation after attributing increased productivity to its outcome.

With improved employee productivity yielding anticipative returns, FDB noticed further benefits such as the cultivation of a positive peer-to-peer and encouraging culture stemming from the nomination procedure associated with the CEO's Employee Excellence Award (CEO's EEA) programmes that required employees to nominate each other for recognition.

Loyal staff retiring after life-long service at the Bank is a tradition. As a proud employer, the Bank has recorded decades of service from certain employees. The Bank continued to acknowledge such Fijians' dedication to the development of the economy by committing their career lives to the development Bank. In the year, seven staff retired, and seven resigned, including the Chief Executive Officer, Mr. Mark Clough. With great sympathy, the Bank also bid farewell to two staff who left for eternal rest, including General Manager TOD, late Ms. Mere Aisake-Asi and Manager Nausori Branch, late Mr. Viliame Bauleka.

Staff development through career progress, capacity building opportunities and leadership programmes remained a priority for the Bank to maintain a pool of highly engaged employees.

ORGANISATIONAL CULTURE

Stronger commitment, higher morale, efficient performance and generally higher productivity are key outputs of a 'strong culture'. With FDB recognizing the returns on investing in organizational culture, it has been able to foster a robust cultural network of loyal employees who have been with the Bank for decades.

The Bank prides itself in being the only national development financing agency. As a development bank, core values of 'Development, Innovation, Collaboration, Integrity and Accountability' are personally embraced by its employees as well as used as motivational assessment criteria during performance management as well.

In the year, the Bank reviewed its assessment of how staff lived up to the FDB values by introducing the 360-degree Framework that better aligns employee engagement with the Bank's values.

CULTURE OF CONTINUOUS IMPROVEMENT

The Bank, concerned about the growing number of Non-Performing Loans Portfolio, commissioned a major independent review of its Asset Management Unit and the Bank's overall recovery operations. The objective of this exercise was to establish a framework and standards for NPL prevention, early recognition, classification, management, monitoring and evaluation, including recommendations for changes to underwriting processes.

The Bank secured consultancy services from the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP), through its business unit, ADFIAP Consulting (AC) Group, to develop appropriate strategies in dealing with different classes, types, sectors of non-performing businesses, projects and customers that could optimise returns to the Bank with minimum cost.

Overall, the focus from TOD's perspective was to contribute towards building a sustainable credit risk structure; demarcation and delineation of roles and responsibilities between the Bank's Recovery and Sales function; strategic planning and target setting for preventive rather than reactive action, and capacity gap assessment and building aligned to competency profiling.

An internal review also highlighted certain operational and process capacity gaps, which could be enhanced to minimize the Bank's debt recovery time, opportunities for automation at points of information exchange in tender and recovery processes and options for outsourcing.

In addition to the above exercise, the Division also closely monitored the effects of the 2019 Realignment Exercise on staff and on the overall efficiency of the Loan Cycle and facilitated restructuring of units.

An internal review was undertaken post 2019-realignment of the Legal Services Department. Standard Operating Procedures (SOP), clarification on Turnaround Times between positions, performance monitoring and management were further streamlined.

Further, there was a separation of the Enterprise Risk and Business Development (ERBD) Department into the Marketing and Business Development (MBD) Department and the Enterprise Risk Management (ERM) Unit. This was necessary in allowing the ERM Unit to act independent of the functions of the MBD Department. The Bank will continue to monitor the functions of these business units to assess the effectiveness of this exercise.

PROCESS IMPROVEMENT AND RE-ENGINEERING

With the groundwork laid in the previous year with the establishment of the SOPs and initial discussions on development and design, FDB was able to implement various process improvement and process re-engineering in this year.

An Online Recruitment portal developed in-house, further eased the recruitment process both from the user end as well as from a branding perspective.

Similarly, the Monitoring and Evaluation platform was developed to cater for staff Training Evaluation Reports.

Employee Self Service portal was also enhanced to initiate all relieving and acting appointments together with staff leave management functions.

Preliminary work on the biometrics and the attendance system was completed this year as well. The new system will replace the current manual attendance register from the new Financial Year.

In recognizing that private sector engagement is critical for climate action, FDB engaged with its development partners in developing a bankable concept note to secure climate financing from the Green Climate Fund (GCF).

By year-end, FDB was a step closer to accessing climate financing for a new innovative renewable energy source and climate-resilient agricultural project that carries huge capacity for scalability across Fiji.

The Bank submitted its first Funding Proposal to the Green Climate Fund (GCF) to access climate financing for an Agro Photovoltaic (APV) project to be developed in the old capital, Ovalau.

The project is designed to deliver social, economic, environmental, as well as gender-sensitive development co-benefits. It will also contribute towards six Sustainable Development Goals (SDGs) namely, SDG4 – Quality Education; SDG5 – Gender Equality; SDG7 – Affordable and Clean Energy; SDG 8 – Decent Work and Economic Growth; SDG 9 – Industry, Innovation, and Infrastructure and SDG13 – Climate Action.

The project is valued at USD10 million, and the Bank has submitted funding proposal for co-financing by GCF, and FDB.

The Bank was assisted by its development partners to develop the Concept Note and Funding Proposal. The Bank is grateful to the National Designated Authority, Ministry of Economy; Ministry of Infrastructure and Transport through the Department of Energy; Department of Environment; Energy Fiji Limited; Ministry of Agriculture; Korean-based Envelops Co. Ltd, and the GCF Secretariat Private Sector Facility.

COMMUNITY AND ENVIRONMENT

FDB's philanthropy continued along with its strong commitment in promoting environmental responsibility, and climate action initiatives. Such activities contribute towards achieving targets set complimentary to the National Development Agenda as well as advancing the Sustainable Development Goals contributing towards food security, improving nutrition and facilitating sustainable agriculture and rural development as cemented in FDB's mandate.

In 2020, the Bank supported Macuata Provincial Council's Seaqaqa District Yaubula Day as well as the Bua Showcase in Nabouwalu and the Lau and the Naitasiri Provincial Councils' events. Communities in these provinces are largely dependent on the agriculture sector for their economic survival.

Ensuring inclusive and quality education promoting lifelong learning opportunities for all is one of FDB's core corporate social responsibility activity favourites.

The Bank supported Fiji National University's World Mental Health Day celebrations; and Suva Primary School magazine production with a focus on savings and financial literacy.

Further, it continued with supporting the University of the South Pacific's Award for Most Outstanding Bachelor of Agriculture Graduate, in raising awareness about agro-businesses.

The Bank's reforestation activity at Qeleni Village, in Taveuni, was a success as the Branch was also able to conduct 'Talanoa' with the community on FDB's financial solutions.

Members of the FDB Family were also part of various community 'helps' such as those involving cleaning schools or old age and other care homes as well as donating items of use to animal shelters in Suva and Ba.

The Bank's risk team (Business Risk Services Division) visited the Pediatric Oncology Unit of the CWM Hospital for Christmas.

The tradition involves taking Santa Claus to the children to distribute Christmas presents.

The FDB Family also joined the pledge to help Fijian families affected by the COVID19 pandemic through the Veilomani Food Bank programme organised by the Ministry of Housing and Local Government, the Fijian Competition and Consumer Commission (FCCC) supported by the Ministry of Commerce, Trade, Tourism and Transport.

The Sports and Social Club organized the funds on behalf of each employee while the Bank topped up the amount to double the modest contribution from the "FDB Family".

PROMOTING INNOVATIVE AND SUSTAINABLE SMEs

The Bank's signature event, FDB's NSME Awards, was another successful platform that the Bank utilized to promote the growth and boost the resilience of the SME sector.

The key message at the awards function in February 2020 was highlighting success stories of SMEs in managing their vulnerability to shocks in their operating environment.

The NSMEA application drive ran from October 2019 to January 2020 and attracted an unprecedented 243 businesses who applied for 472 awards in total. The Bank is grateful to its award sponsors and partners – Development Ambassadors, for their continued support.

The awards function was officiated by His Excellency Major-General (Ret'd) Jioji Konusi Konrote, The President of Fiji, as tradition, and was broadcast Live on Fiji One, reaching thousands of Fijians locally and internationally through Fiji TV's Livestream link.

CUSTOMER SUCCESS STORIES

CONNECTING HIS VILLAGERS

Lack of access to regular transportation services in the interior of the Ra province is quite common. Nevertheless, our customer, Waisea Vuaniyasi, was not going to let that be the case for his village.

Being the only truck owner in his village of Sawanivo, Ra, he was the only hope for the village school children for their journey to and fro to school.

Waisea was approached by the Nasau District School to provide daily transportation for their students. Waisea has devoted more than a decade of his life providing transportation services to school children.

"I have to start picking up children for school early. Then in the day, I pick up passengers from here (the villages) for them to go to the market to sell or for shopping," said Waisea.

He transports about 160-200 students from the three villagers of Sawanivo, Vanuakula and Nubumakita.

The business also offers transportation services for people from the surrounding villagers to the main town Centres along the King's Road, bridging much needed access to market places and other services for the people of Nasau and surrounding communities.

FDB financed his 5-ton carrier, which has a carrying capacity of 40 passengers.

Waisea's business won the FDB's 2019 National SME Awards: Professional & Business Services Award in February earlier this year.

While receiving his award, Waisea acknowledged the Bank for their partnership in progress.

"If it's not FDB, all these things won't be possible for – I thank FDB for helping me come this far. Vinaka Vakalevu," said Waisea.

CUSTOMER IS TOP PRIORITY

At Bakewell Cakes, it is all about the customer.

From meeting customer expectations to giving in 100% effort in maintaining product quality for customer satisfaction to doorstep delivery for customer convenience. SR Foods Fiji Ltd, trading as Bakewell Cakes, financed by FDB was the winner of the Wholesale and Retail Award at the FDB's 2019 National Small and Medium Enterprise (SME) Awards. Business Owner, Mr. Rohit Deo tapped into his experience as a production baker at Flour Mills of Fiji (FMF) and turned down a job offer in New Zealand to stay home and give back to his country.

Deo said that Bakewell Cakes started in Lami five years ago and has grown since then despite numerous challenges.

"Considering the market and demand, I saw the potential in the Company. To be closer to our customers, Bakewell's entire production and retail operations was shifted to Samabula," said Deo.

Bakewell Cakes is popular for its wide variety of cakes and other pastries for all occasions from birthdays to weddings to special surprise occasions. The business is one of many cake shops in Suva. Despite operating in a competitive environment, Bakewell has managed to retain some of its start-up days' customers until today.

"A lot of cake business and home-baking is coming up. In a way this is good as it will help maintain the cake culture and at the same time competition helps us to maintain our quality and make it even better," said Deo.

"We do not compete with others instead focus on our own ideas that we believe would meet our customer expectations. The team has confidence in our own recipe and products without having to compare with others or follow trends," he said.

Deo said that the business offers free delivery between Suva and Lami corridor and is soon planning to expand the business outside Suva.

FINANCIAL REPORT

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2020

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 2020, 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; retired on 29/09/2019
Mr. Andre Viljoen	-	Chairperson; appointed on 18/08/2020
Mr. Vadivelu Pillay	-	Reappointed on 23/12/2019
Mr. Inia Rokotuiei Naiyaga	-	Reappointed on 23/12/2019
Mr. Rajesh Patel	-	Reappointed on 23/12/2019
Mr. Romit Parshottam Meghji	-	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 2020 was $1,152,006 (2019: $4,067,412) after providing an income tax expense of $1,823 (2019: $251). The profit for the Bank for the year was $1,144,716 (2019: $4,066,408).

DIVIDENDS

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

GOING CONCERN

Notwithstanding the recent novel coronavirus (COVID-19) outbreak and significant economic uncertainties resulting there from, the financial statement of the Bank and the Group have been prepared on a going concern basis. The Directors consider the application of the going concern principle to be appropriate in the preparation of these financial statement as they believe the plans and strategies put in place by the Bank and the Group, will generate and maintain the required funding to meet its liabilities and commitments as and when they fall due over the next twelve months. Accordingly, the Directors believe that the classification and carrying amounts of the assets and liabilities as stated in the financial statements to be appropriate.

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.

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

1. In March 2020, the World Health Organisation announced the spread of COVID-19 virus to be a pandemic and subsequent to 30 June 2020 there have been further domestic and international related developments. The impact of the spread of this virus is disrupting travel and businesses in Fiji and throughout the world. It is not clear at the time of finalising these financial statements, the impact this will have on services provided by the Bank during 2020 and beyond. At this stage, the financial statements do not reflect uncertain financial implications, if any, that may potentially arise from this situation.
2. The Reserve Bank of Fiji was granted approval (in line with Section 69 of the Banking Act) by the Minister for Economy to conduct full supervisory oversight of FDB, from December 2019.

EVENTS SUBSEQUENT TO BALANCE DATE

The following events were noted subsequent to the balance date:

1. The Bank has made a loan disbursement to Air Pacific Limited T/A Fiji Airways under the RBF Disaster Rehabilitation & Containment Facility (DRCF) for a sum of $75M during the month of July 2020. The loan is fully secured by a government guarantee;
2. The Green Climate Fund (GCF) has approved Fiji Development Bank's (FDB) USD 5 million project funding loan at an interest rate of 0.75% to develop an innovative solar agro photovoltaic and a battery storage system in Ovalau. The total project cost is USD 10 million and is co-financed by GCF, FDB and KOICA. The project was approved on 24th August 2020. GCF is the largest global fund that supports developing countries' efforts to adapt their economies to the impacts of climate change through low-emission and climate-resilient initiatives. The Bank is the first development bank in the Pacific accredited as a Direct National Access Entity. This will be the first mitigation project funded by GCF in Fiji;
3. The Bank client, Travel World Resorts Pte Limited t/a Pullman Nadi Bay Resort and Spa loan account moved into arrears in July 2020 as the Company defaulted on its repayment dues. The loan account was eventually downgraded and the Resort was subsequently advertised for sale in August 2020;

Furthermore, on 21 August 2020 a winding up application was filed against the Company by unsecured creditors. The Office of the Official Receiver was appointed as the Liquidator by the Court;

At the date of issue of Accounts, the Bank had secured a buyer for the resort and is awaiting full settlement.

Apart from matters mentioned above, 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 23rd day of April 2021.

Director

Director

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
DIRECTORS DECLARATION
FOR THE YEAR ENDED 30 JUNE 2020

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 2020;

(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 2020;

(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 2020;

(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 2020;

(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 23rd day of April 2021.

Director

Director

OFFICE OF THE AUDITOR GENERAL
Promoting Public Sector Accountability and Sustainability through our Audits

6-8TH Floor, Ratu Sukuna House
2-10 McArthur St
P. O. Box 2214, Government Buildings
Suva, Fiji

Telephone: (679) 330 9032
Fax: (679) 330 3812
E-mail: info@auditorgeneral.gov.fj
Website: http://www.oag.gov.fj

INDEPENDENT AUDITOR'S REPORT

To the Directors of 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") including its subsidiary company (collectively "the Group"), which comprise the statement of financial position as at 30 June 2020, the statement of profit and loss and other 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.

Basis for Opinion

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank and the Group as at 30 June 2020 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 *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.

Emphasis of Matter

I draw attention to Note 30(1) of the financial statements which notes the World Health Organisation's declaration of the outbreak of COVID-19 as a global pandemic and how this has been considered by the Directors and management of the Bank in the preparation of the financial report. As set out in Note 30(1), it is not clear at the time of finalizing these financial statements, the impact COVID-19 will have on the services provided by the Bank during 2020 and beyond. Consequently, the financial statements do not reflect uncertain financial implications, if any, that may potentially arise from this situation.

My opinion is not modified in respect of this matter.

Responsibilities of the management and those charged with governance for Financial Statements

The Directors and management are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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, the Directors and management are 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 the Directors and management either intend 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 and the Group'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 judgement 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 the Directors and management.

- Conclude on the appropriateness of the Directors' and 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

In my opinion, the financial statements have been prepared in accordance with the requirements of the Fiji Development Act (Cap 214) in all material respects;

a) I have been given all information, explanations and assistance necessary for the conduct of the audit; and

b) The Bank and the Group has kept financial records sufficient to enable the financial statements to be prepared and audited.

Ajay Nand
AUDITOR-GENERAL

AUDITOR - GENERAL
FIJI

Nasinu, Fiji
06 May, 2021

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Notes	CONSOLIDATED		THE BANK	
		2020	2019	**2020**	2019
		$	$	**$**	$
Assets					
Cash and cash equivalents	9	63,473,626	65,921,380	63,465,680	65,919,401
Debt financial assets at amortised cost	10	2,249,581	2,330,370	2,000,000	2,000,000
Loans and advances	11	439,600,211	442,914,552	439,600,211	442,914,552
Receivable due from subsidiary	12	-	-	-	-
Other receivables	13	3,981,979	4,008,533	3,979,720	4,006,715
Investment in subsidiary	14	-	-	20,000	20,000
Investments	15	15,001	15,001	15,001	15,001
Right of use assets	19	1,471,192	-	1,471,192	-
Property and equipment	17	29,443,303	30,247,123	29,443,303	30,247,123
Computer Software -Intangibles	18	335,968	174,611	335,968	174,611
TOTAL ASSETS		540,570,861	545,611,570	540,331,075	545,297,403
Liabilities					
Accounts payable and accruals	20	6,086,182	5,916,667	6,082,659	5,831,473
Lease Liability	19	1,497,513	-	1,497,513	-
Debt securities issued	21	349,055,274	356,608,437	349,055,274	356,608,437
Other liabilities	22	6,367,396	6,420,099	6,367,396	6,420,099
Employee entitlements	23	887,471	797,424	887,471	797,424
Deferred income		3,106,340	3,590,264	3,106,340	3,590,264
TOTAL LIABILITIES		367,000,176	373,332,891	366,996,653	373,247,697
Equity					
Capital	24	56,050,636	56,050,636	56,050,636	56,050,636
Reserves		25,192,968	25,052,968	25,192,968	25,052,968
Accumulated profits		92,327,081	91,175,075	92,090,818	90,946,102
TOTAL CAPITAL AND RESERVES		173,570,685	172,278,679	173,334,422	172,049,706
TOTAL LIABILITIES AND EQUITY		540,570,861	545,611,570	540,331,075	545,297,403

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors this 23rd day of April 2021.

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 54 to 88.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	CONSOLIDATED		THE BANK	
		2020	2019	2020	2019
		$	$	$	$
INCOME					
Interest income	3	43,344,126	35,751,404	43,332,366	35,747,572
Interest expense	6	(14,932,019)	(11,778,538)	(14,932,019)	(11,778,538)
Net interest income		28,412,107	23,972,866	28,400,347	23,969,034
Fee income	4	4,615,554	4,778,784	4,615,554	4,778,784
Other income	5	3,765,593	3,046,095	3,765,593	3,046,095
OPERATING INCOME		36,793,254	31,797,745	36,781,494	31,793,913
OPERATING EXPENSES	7	(15,888,862)	(16,059,802)	(15,886,215)	(16,057,225)
OPERATING PROFIT BEFORE ALLOWANCES		20,904,392	15,737,943	20,895,279	15,736,688
Allowance for Expected Credit Loss	11	(14,273,128)	(8,037,760)	(14,273,128)	(8,037,760)
Allowance for Interest and Fees	8	(5,477,435)	(3,632,520)	(5,477,435)	(3,632,520)
PROFIT BEFORE TAX		1,153,829	4,067,663	1,144,716	4,066,408
Tax expense	1(q)	(1,823)	(251)	-	-
PROFIT FOR THE YEAR		1,152,006	4,067,412	1,144,716	4,066,408
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		1,152,006	14,071,872	1,144,716	14,070,868

The statements of profit and loss and comprehensive income are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 54 to 88.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

CONSOLIDATED

	Notes	Capital	General reserve	Revaluation reserve	Accumulated profits	Total
		$	$	$	$	$
Balance at 30 June 2018	24	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
Total other comprehensive income		-	-	140,000	-	140,000
Net profit for the 2020 year		-	-	-	1,152,006	1,152,006
Balance at 30 June 2020		56,050,636	8,064,000	17,128,968	92,327,081	173,570,685

THE BANK

		Capital	General reserve	Revaluation reserve	Accumulated profits	Total
		$	$	$	$	$
Balance at 30 June 2018	24	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
Total other comprehensive income		-		140,000	-	140,000
Net profit for the 2020 year		-	-	-	1,144,716	1,144,716
Balance at 30 June 2020		56,050,636	8,064,000	17,128,968	92,090,818	173,334,422

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 54 to 88.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

		CONSOLIDATED		THE BANK	
		2020	2019	**2020**	2019
		$	$	**$**	$
		Inflows	Inflows	**Inflows**	Inflows
	Notes	**(Outflows)**	(Outflows)	**(Outflows)**	(Outflows)
OPERATING ACTIVITIES					
Interest and subsidy received		41,241,300	34,352,866	41,241,300	34,352,866
Interest and other costs of borrowing paid		(13,831,532)	(11,172,029)	(13,831,532)	(11,172,029)
Net additional loans and advances provided		(13,753,228)	(59,574,390)	(13,753,228)	(59,574,390)
Fees received		980,226	1,180,446	980,226	1,180,446
Cash paid to suppliers and employees		(13,049,971)	(9,566,149)	(13,055,938)	(9,566,303)
Other receipts		3,651,938	4,283,505	3,651,938	4,283,505
Interest received on leases		92,444		92,444	
Net additional loans in Small and Micro Grant Portfolio		21,877	1,538,630	21,877	1,538,630
Net cash provided by/(used in) Operating Activities		5,353,054	(38,957,121)	5,347,087	(38,957,275)
INVESTING ACTIVITIES					
Proceeds from the sale of property, plant and equipment		17,455	-	17,455	-
VAT refunds for rental properties		-	-	-	-
Payments for property, plant and equipment		(716,942)	(1,334,950)	(716,942)	(1,334,950)
Net cash used in investing activities		(699,487)	(1,334,950)	(699,487)	(1,334,950)
FINANCING ACTIVITIES					
Net increase in long-term borrowings		(40,360,747)	71,524,483	(40,360,747)	71,524,483
Net increase/(decrease) in short-term borrowings		32,807,584	(9,994,414)	32,807,584	(9,994,414)
Payment for lease liability		451,842	-	451,842	-
Net cash (used in)/provided by Financing Activities		(7,101,321)	61,530,069	(7,101,321)	61,530,069
Net (decrease)/increase in cash and cash equivalent		(2,447,754)	21,237,998	(2,453,721)	21,237,844
Cash and cash equivalents at the beginning of the Financial Year		65,921,380	44,683,382	65,919,401	44,681,557
Cash and cash equivalents at the end of the Financial Year	9	63,473,626	65,921,380	63,465,680	65,919,401

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 54 to 88.

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 2020 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 Board of Directors on 23rd day of April 2021.

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 2019. As a result, the Bank has changed its accounting policies as detailed below:

IFRS 16 Leases

The Bank and the Group applied IFRS 16 with a date of initial application of 1 July 2019. As a result, the Bank and the Group has changed its accounting policy for lease contracts as detailed below. The Bank and the Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. The details of the changes in accounting policies are disclosed below:

i. Definition of a lease

Previously, the Bank and the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Bank and the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 19. On transition to IFRS 16, the Bank and the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 July 2019.

ii. As a lessee

As a lessee, the Bank and the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Bank and the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet. The Bank and the Group decided to apply recognition exemptions to short-term leases of space (1)(c)(iv). For leases of other assets, which were classified as operating under IAS 17, the Bank and the Group recognised right-of-use assets and lease liabilities.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

ii. As a lessee

a. Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Bank and the Group's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at either:

– Their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessees incremental borrowing rate at the date of initial application.
– The Bank and the Group did not apply this approach; or – an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.
– The Bank and the Group applied this approach to all leases.

The Bank and the Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

– Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
– Applied the exemption not to recognise low value (less than $10,000 FJD) right of use assets and liabilities.
– Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
– Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

b. Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of- use asset and the lease liability at 1 July 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

iii. As a lessor

The Bank and the Group are not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The Bank and the Group accounted for its leases in accordance with IFRS 16 from the date of initial application. Under IFRS 16, the Bank and the Group is required to assess the classification of a sub-lease with reference to the right of-use asset, not the underlying asset.

iv. Impacts on financial statements

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.

On transition to IFRS 16, the Group recognised an additional $1.994 million of right-of-use assets and lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 5.10%.

	$'000
Operating lease commitment at 30 June 2019 as disclosed in the Bank and the Group financial statement	1,923
Additional Commitments at 1 July 2019 following the analysis undertaken in accordance with IFRS 16	921
Total	2,844
Discounted using the incremental borrowing rate at 1 July 2019	1,570
- Recognition exemption for: short-term leases	(29)
- leases of low value assets	-
Extension and termination options reasonably certain to be exercised	-
Variable lease payments on an index or a rate	-
Lease liabilities recognised at 1 July 2019	1,541

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) New standards and interpretations not yet adopted

The following accounting standards are available for early adoption but have not been applied by the Bank in these financial statements.

Standard	Summary of requirements	Effective Date
IFRS 17 (Insurance Contracts)	In May 2017, the IASB issued IFRS insurance Contacts (IFRS 17), a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4). This standard is not applicable to the Bank.	Annual periods beginning on or after 1 January 2021
Definition of a Business (Amendments to IFRS 3)	In October 2018, the IAS issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Bank will not be affected by these amendments on the date of transition.	Annual periods beginning on or after 1 January 2020
Definition of Material (Amendments to IAS 1 and IAS8)	In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information in material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial statements, which provide financial information about a specific reporting entity. The amendments to the definition of material is not expected to have a significant impact on the Bank's consolidated financial statements.	Annual periods beginning on or after 1 January 2020

(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

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

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.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial assets and liabilities (continued)

ii.) Classification and subsequent measurement

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.

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.

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.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial assets and liabilities (continued)

ii.) Classification and subsequent measurement (continued)

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

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).

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.

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.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial assets and liabilities (continued)

iii.) Derecognition (continued)

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.

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).

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.

Impairment of assets

The Bank and the Group recognises loss allowances for ECLs on:
– financial assets measured at amortised cost; and,

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

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial assets and liabilities (continued)

iii.) Derecognition (continued)

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.

iv.) Modification of Financial Asset

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.

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).

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

The Bank and the Group recognises loss allowances for ECLs on:
– financial assets measured at amortised cost; and,

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.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial assets and liabilities (continued)

vi.) Impairment of assets (continued)

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; and
- 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.

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.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial assets and liabilities (continued)

vi.) Impairment of assets (continued)

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.

(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.

(n) Cash and cash equivalents

Cash and cash equivalents include 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.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Employee entitlements (continued)

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 grades.

Number of employees

The number of employees as at 30 June 2020 was 198 (2019: 208).

(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.

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 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. 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 liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

2020	**Carrying amount**			**Fair value**			
Assets	**Debt financial asset at amortised cost**	**Other financial**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	$	$	$	$	$	$
Debt financial asset at amortised cost	2,000,000	-	2,000,000	-	2,312,040	-	2,312,040
	2,000,000	-	2,000,000	-	2,312,040	-	2,312,040
Liabilities							
Bonds	-	228,800,000	228,800,000	-	234,925,274	-	234,925,274
Promissory notes	-	4,000,000	4,000,000	-	3,999,991	-	3,999,991
		232,800,000	232,800,000	-	238,925,265	-	238,925,265
2019							
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

	CONSOLIDATED		THE BANK	
	2020	2019	2020	2019
	$	$	$	$

3 INTEREST INCOME

Interest Income (non – subsidised)	38,571,327	31,047,810	38,559,567	31,043,978
Interest Subsidies – (received / receivable from the Government for:				
- Agricultural loans	2,454,402	2,999,569	2,454,402	2,999,569
- Commercial Loans to Fijians Scheme	45,844	72,911	45,844	72,911
- Economic Rehabilitation Package Scheme	1,332	1,387	1,332	1,387
- Small Business Scheme	679,618	809,933	679,618	809,933
- Northern Rehabilitation Package	1,591,603	819,794	1,591,603	819,794
	4,772,799	4,703,594	4,772,799	4,703,594
	43,344,126	35,751,404	43,332,366	35,747,572

Interest income is recognised in statement of profit and loss and other comprehensive income using effective interest method.

4 FEE INCOME

Application fees	110,290	220,437	110,290	220,437
Establishment fees	853,253	710,125	853,253	710,125
Commitment fees	365,829	486,181	365,829	486,181
Bank Service fees	2,289,446	2,254,132	2,289,446	2,254,132
Arrears fees	126,800	147,900	126,800	147,900
Legal fees	866,933	956,359	866,933	956,359
Other fee income	3,003	3,650	3,003	3,650
	4,615,554	4,778,784	4,615,554	4,778,784

5 OTHER INCOME

The following items are included in other income:

Gain on sale of property, plant and equipment	17,455	11,528	17,455	11,528
Bad debts recovered	798,258	398,745	798,258	398,745
Insurance commission	187,310	179,347	187,310	179,347
Rental income	1,042,012	900,106	1,042,012	900,106
Other Income	1,720,558	1,556,369	1,720,558	1,556,369
	3,765,593	3,046,095	3,765,593	3,046,095

	CONSOLIDATED		THE BANK	
	2020	2019	**2020**	2019
	$	$	**$**	$

6 INTEREST EXPENSES

Interest paid - Bonds	11,640,847	9,158,068	11,640,847	9,158,068
Interest paid on Call	1,997,953	1,225,512	1,997,953	1,225,512
Interest paid on Promissory Notes	955,200	1,228,701	955,200	1,228,701
Other administrative cost	338,019	166,257	338,019	166,257
	14,932,019	11,778,538	14,932,019	11,778,538

7 OPERATING EXPENSES

Items included in administrative expenses:

Amortisation of bond discounts	4	4	4	4
Auditors' remuneration	19,996	39,996	19,996	39,996
Directors' fees	104,955	114,134	104,955	114,134
Depreciation and amortisation	1,356,461	1,436,963	1,356,461	1,436,963
Right of Use (ROU) Amortisation	436,596	-	436,596	-
Employee costs	10,667,086	10,732,528	10,667,086	10,732,528
Finance Cost	92,444	-	92,444	-
Other Expenses	3,211,321	3,736,177	3,208,673	3,733,600
	15,888,862	16,059,802	15,886,215	16,057,225

8 ALLOWANCE FOR INTEREST AND FEES

Allowance for Interest	5,143,344	3,308,107	5,143,344	3,308,107
Allowance for Fees	334,091	324,413	334,091	324,413
	5,477,435	3,632,520	5,477,435	3,632,520

9 CASH & CASH EQUIVALENTS

	CONSOLIDATED		THE BANK	
	2020	2019	2020	2019
	$	$	$	$
Petty cash	1,980	1,680	1,980	1,680
Overdraft facility	15,500	15,500	15,500	15,500
Deposit accounts -Branches	34,468,810	40,753,243	34,460,864	40,751,264
Bank of South Pacific- Call account	2,889,972	961,079	2,889,972	961,079
Bank of Baroda- Head office	2,955,644	4,786,560	2,955,644	4,786,560
HFC Bank- Head office	22,606,952	18,935,809	22,606,952	18,935,809
Westpac Bank- Head office	534,768	467,509	534,768	467,509
	63,473,626	65,921,380	63,465,680	65,919,401

The Bank and the Group maintains an overdraft facility of $15,500 to cater for staff withdrawals based on their eligibility level. 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 2020, $21,878 (2019: $1,538,630) 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	
	2020	2019	2020	2019
	$	$	$	$
Investment In bonds	2,249,581	2,330,370	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 five term deposit aggregating to $249,581 (2019: $330,370) held by FDB Nominees Limited in Home Finance Corporation at 3.00% for a term of 24 months, 4.00% and 4.25% for a term of 24 months at Fiji Development Bank and 4.80% at a term of 12 months at Kontiki Finance Limited.

11 LOANS AND ADVANCES

	CONSOLIDATED		THE BANK	
	2020	2019	**2020**	2019
	$	$	**$**	$
Loans and advances	541,886,697	539,755,425	541,886,697	539,755,425
Allowance for interest and fees suspended	(22,120,457)	(20,620,603)	(22,120,457)	(20,620,603)
	519,766,240	519,134,822	519,766,240	519,134,822
Allowance for Expected Credit Loss	(80,166,029)	(76,220,270)	(80,166,029)	(76,220,270)
Net loans and advances	439,600,211	442,914,552	439,600,211	442,914,552

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 represented as follows:

Current	38,846,812	38,884,447	38,846,812	38,884,447
Non-current	503,039,885	500,870,978	503,039,885	500,870,978
Total	541,886,697	539,755,425	541,886,697	539,755,425

Allowance for credit impairment as per ECL (Expected Credit Loss) model is represented as follows:

Balance at the beginning of the year	76,220,270	70,342,380	76,220,270	70,342,380
Charge to the profit or loss	14,273,128	8,037,760	14,273,128	8,037,760
	90,493,398	78,380,140	90,493,398	78,380,140
Bad debts written off against impairment allowances	(10,327,369)	(2,159,870)	(10,327,369)	(2,159,870)
Total allowance for credit impairment as per ECL (Expected Credit Loss) model	80,166,029	76,220,270	80,166,029	76,220,270

12 RECEIVABLE FROM SUBSIDIARY

	CONSOLIDATED		THE BANK	
	2020	2019	2020	2019
	$	$	$	$
FDB Nominees Limited	-	-	-	-

13 OTHER RECEIVABLES

	CONSOLIDATED		THE BANK	
	2020	2019	2020	2019
	$	$	$	$
Government guarantees & grants	5,499,216	5,499,216	5,499,216	5,499,216
Impairement loss - government guarantee & grants	(5,499,216)	(5,499,216)	(5,499,216)	(5,499,216)
Government interest subsidies	2,710,984	2,014,624	2,710,984	2,014,624
Others	1,270,995	1,993,909	1,268,736	1,992,091
	3,981,979	4,008,533	3,979,720	4,006,715
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

	CONSOLIDATED		THE BANK	
	2020	2019	2020	2019
	$	$	$	$
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.

15 INVESTMENTS

	CONSOLIDATED		THE BANK	
	2020	2019	2020	2019
	$	$	$	$
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

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)
	-	-	-	-

17 PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED AND THE BANK

	Leasehold Land and Buildings $	Plant and Equipment $	Fixtures and Fittings $	Work in Progress $	Total $
Cost or valuation					
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
Transfer in /(out)	239,720	533,339	-	(773,059)	-
Revaluation	9,396,313	-	-	-	9,396,313
Disposals	-	(199,727)	(13,114)	-	(212,841)
Balance at 1 July 2019	**27,902,631**	**7,692,985**	**108,885**	**302,420**	**36,006,921**
Acquisitions during the year	155,800	101,982	5,950	230,182	493,914
Disposal	(12,912)	(315,492)	(5,390)	-	(333,794)
Transfer In/(out)	-	178,128	-	(178,128)	-
Balance at 30 June 2020	**28,045,519**	**7,657,603**	**109,445**	**354,474**	**36,167,041**
Accumulated Depreciation					
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)	-	-	-	(608,147)
Disposal	(8,954)	(180,240)	(13,117)	-	(202,311)
Balance at 1 July 2019	**410,006**	**5,247,675**	**102,117**	**-**	**5,759,798**
Depreciation charge for the year	580,546	713,019	1,268	-	1,294,833
Disposal	(12,912)	(312,591)	(5,390)	-	(330,893)
	977,640	**5,648,103**	**97,995**	**-**	**6,723,738**
Balance at 30 June 2020					
Carrying amount					
Balance at 30 June 2019	27,492,625	2,445,310	6,768	302,420	30,247,123
Balance at 30 June 2020	**27,067,879**	**2,009,500**	**11,450**	**354,474**	**29,443,303**

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. The Bank will undertake its next valuation in the next Financial Year to assess the impact on its land and building due to COVID-19.

18 COMPUTER SOFTWARE - INTANGIBLES

	CONSOLIDATED		THE BANK	
	2020	2019	**2020**	2019
	$	$	**$**	$
Balance at the beginning of the year	390,109	378,537	390,109	378,537
Acquisitions during the year	68,267	11,572	68,267	11,572
Work in Progress	233,642	78,881	233,642	78,881
Balance at the end of the year	692,018	468,990	692,018	468,990
Accumulated Amortisation				
Balance at the beginning of the year	294,379	237,899	294,379	237,899
Amortisation charge for the year	61,671	56,480	61,671	56,480
Balance at the end of the year	356,050	294,379	356,050	294,379
Carrying amount				
Balance at the beginning of the year	174,611	140,638	174,611	140,638
Balance at the end of the year	335,968	174,611	335,968	174,611

19 LEASE

Leases as Lessee

Property, plant and equipment comprise of owned and leased assets. The Bank and the Group leases assets includes land and building, IT equipment and other leases. Leases of land and building generally have leases terms between 19 and 98, while IT equipment generally have lease terms between 1 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Bank and the Group will apply the short term and low value lease exemptions where applicable. However, at balance date the Bank and the Group did not have any leases meeting this exemption criteria Information about lease for which the Bank and the Group is a lessee is presented below:

	Land and Building	IT Equipment and Other Leases	Total
	$	$	$
As at 1 July 2019	732,397	808,500	1,540,897
Additions	143,938	308,703	452,641
Amortisation Expenses	(18,085)	(504,261)	(522,346)
As at 30 June 2020	858,250	612,942	1,471,192

Set out below are the carrying amounts of lease liabilities showing the movement during the year:

As at 1 July 2019	1,540,897
Addition	408,458
Accretion of interest	92,444
Payments	(544,286)
As at 30 June 2020	1,497,513

19 LEASE (continued)

	CONSOLIDATED		THE BANK	
	2020	2019	**2020**	2019
	$	$	**$**	$
Lease liabilities included in the statement of financial position are as follows:				
Current	522,346	-	522,346	-
Non-Current	975,167	-	975,167	-
	1,497,513	-	1,497,513	-

The Bank and the Group had total cash outflows for leases of $544,286

Lease Liabilities				
Not Later than one year	532,835	48,056	532,835	48,056
Between one and five years	418,827	192,224	418,827	192,224
More than 5 years	2,258,829	1,682,652	2,258,829	1,682,652
	3,210,491	1,922,932	3,210,491	1,922,932

20 ACCOUNTS PAYABLE AND ACCRUALS

Interest accruals	3,426,334	2,336,583	3,426,334	2,336,583
Others	2,659,848	3,580,084	2,656,325	3,494,890
	6,086,182	5,916,667	6,082,659	5,831,473

21 DEBT SECURITIES ISSUED

Short term borrowings				
Term deposits	32,828,527	10,515,826	32,828,527	10,515,826
Promissory Notes	4,000,000	31,999,999	4,000,000	31,999,999
RBF Export Facility	3,892,094	7,061,600	3,892,094	7,061,600
FDB Registered bonds - face value	73,100,000	59,500,000	73,100,000	59,500,000
Total Short term borrowings	113,820,621	109,077,425	113,820,621	109,077,425
Non-current - Bonds				
Term deposits	15,234,893	4,740,010	15,234,893	4,740,010
RBF Export Facility	64,292,443	66,479,443	64,292,443	66,479,443
FDB Registered bonds - face value	155,700,000	176,300,000	155,700,000	176,300,000
Bond Discount	7,317	11,559	7,317	11,559
Long term borrowings	235,234,653	247,531,012	235,234,653	247,531,012
Total borrowings	349,055,274	356,608,437	349,055,274	356,608,437

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 2.75% to 5.50% in (2019: 3.50% -7.00%). 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		THE BANK	
	2020	2019	**2020**	2019
Current	**$**	$	**$**	$
Seed Capital Fund	2,248,326	2,225,400	2,248,326	2,225,400
Staff Savings account	2,133,156	1,578,785	2,133,156	1,578,785
Export Facility	1,227,228	1,227,228	1,227,228	1,227,228
Tractors and Farm Implements	630,000	1,260,000	630,000	1,260,000
Farmers Assistance Scheme	128,686	128,686	128,686	128,686
	6,367,396	6,420,099	6,367,396	6,420,099

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.

23 EMPLOYEE ENTITLEMENTS

At 1 July 2019	797,424	767,990	797,424	767,990
Utilised during the year	(565,741)	(651,063)	(565,741)	(651,063)
Arising during the year	655,788	680,497	655,788	680,497
At 30 June 2020	887,471	797,424	887,471	797,424

The employee entitlement includes accrued leave and gratuity. The gratuity is accrued for all tenure staff after continuous service of 10 years and the staff is eligible for payment on retirement after reaching the age of 55 years.

The employee entitlement's is represented as follows:

Current	759,807	680,495	759,807	680,495
Non-current	127,664	116,929	127,664	116,929
Total	887,471	797,424	887,471	797,424

24 CAPITAL

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

	CONSOLIDATED		THE BANK	
	2020	2019	2020	2019
	$	$	$	$
(a) Commitments				
(i) Loans approved but not disbursed			33,086,255	86,430,682
(b) Capital Commitments				
(i) Work In Progress			483,801	168,331
(c) Contingent liabilities				
(i) Guarantees			782,620	4,959,949

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 2020 and up to the date of this report.

Current directors

Mr. Robert G. Lyon- retired on 29/09/2019
Mr. Andre Viljoen - Chairperson; appointed on 18/08/2020
Mr Vadivelu Pillay
Mr Rajesh Patel
Mr Inia Rokotuiei Naiyaga
Mr Romit Parshottam Meghji
Ms. Kalpana Kushla Lal

	CONSOLIDATED		THE BANK	
	2020	2019	2020	2019
	$	$	$	$
Directors' Expenses	104,955	114,134	104,955	114,134

Other related party transactions

Loans amounting to Nil (2019: $2,734,885) 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.

26 RELATED PARTY TRANSACTIONS (continued)

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 – Resigned on 24/01/2020
Saiyad Hussain	Acting Chief Executive Officer
Mere Tausie Aisake	General Manager Talent & Organisational Development- Demise on 27/10/2019
Shaukat Ali	General Manager Relationship & Sales
Nafitalai Cakacaka	General Manager Business Risk Services
Sheik Maizabeen Nisha	Acting General Manager Finance and Administration
Kishore Kumar	Acting General Manager Talent & Organisational Development

The aggregate compensation of the above key management personnel (excluding Directors) comprises only short-term benefits and is set out below:

	CONSOLIDATED		THE BANK	
	2020	2019	**2020**	2019
	$	$	**$**	$
Short-term benefits	899,462	1,064,366	899,462	1,064,366

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 $4,994 (2019: $11,981) 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.

27 RISK MANAGEMENT POLICY (continued)

Credit Risk (continued)

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).

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	2020	2019
	$	$
Agriculture	107,641,684	110,622,085
Building and construction	70,009,330	69,568,332
Manufacturing	31,963,518	29,133,820
Mining and quarrying	516,230	554,942
Private individuals	15,549,286	16,282,421
Professional and business services	3,776,219	8,360,416
Real estate	57,405,193	46,129,776
Transport, communication and storage	51,264,635	50,635,908
Wholesale, retail, hotels and restaurants	182,173,561	162,285,032
Others	21,587,041	46,182,693
Total gross loans and advances	541,886,697	539,755,425

27 RISK MANAGEMENT POLICY (continued)

	THE BANK 2020	2019
	$	$
IMPAIRED AND PAST-DUE ASSETS		
Non-accrual loans		
Gross	100,439,385	88,371,586
Less: Interest and Fees suspended	(22,042,715)	(20,574,762)
	78,396,670	67,796,824
Less: allowance for expected credit loss	(57,301,006)	(63,565,180)
Net non-accrual loans without allowance for expected credit loss	21,095,664	4,231,644
Restructured loans without allowance for expected credit loss		
Gross	45,846	3,256
Less: Interest and Fees suspended	(12,144)	-
Net restructured loans without allowance for expected credit loss	33,702	3,256
Restructured loans with allowance for expected credit loss		
Gross	105,120	182,102
Less: Interest and Fees suspended	(12,450)	(41,220)
	92,670	140,882
Less: Allowance for expected credit loss	(39,961)	(29,867)
Net restructured loans with allowance for expected credit loss	52,709	111,015
Other impaired loans		
Gross	1,310,618	428,254
Less: Interest and Fees suspended	-	-
	1,310,618	428,254
Less: Allowance for expected credit loss	-	-
Net other classified loans	1,310,618	428,254
Total impaired and past-due loans	22,492,693	4,774,169
Past-due loans but not impaired		
Gross	7,769,591	16,642,532
Less: Interest and Fees suspended	(2,781)	(170)
Total past-due loans	7,766,810	16,642,362

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

2020		1-3 months	3-6 months	6-9 months	9-12 months	More than 1 year
Loans & Advance	($)	4,895,411	2,563,108	148,377	159,030	3,665

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

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 judgment. 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.

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 GDP as the main indicator and other indicators such as percentage change in tourism arrival, 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 judgment 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.

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.

27 RISK MANAGEMENT POLICY (continued)

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); and
- 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 grading. The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

	2020				
	12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loans and advances to customers	**$**	**$**	**$**	**$**	**$**
Grade-Standard	102,633,070	-	42,842,549	-	145,475,619
Grade-Special mention	294,186,085	-	-	-	294,186,085
Grade-Substandard	-	40,097,260	-	-	40,097,260
Grade-Doubtful	-	-	10,323,414	-	10,323,414
Grade-Loss	-	-	-	51,804,319	51,804,319
	396,819,155	**40,097,260**	**53,165,963**	**51,804,319**	**541,886,697**
Loss on Allowance	**(26,742,625)**	**(16,620,391)**	**(5,901,729)**	**(30,901,284)**	**(80,166,029)**
Allowance for Interest and Fees					(22,120,457)
Carrying amount	**370,076,530**	**23,476,869**	**47,264,234**	**20,903,035**	**439,600,211**

27 RISK MANAGEMENT POLICY (continued)

Measurement of ECL (continued)

2019				
	12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loans and advances to customers	**$**	**$**	**$**	**$**
Grade-Standard	413,079,794	-	-	413,079,794
Grade-Special mention	-	36,997,151	-	36,997,151
Grade-Substandard	-	15,399,126	-	15,399,126
Grade-Doubtful	-	17,984,009	-	17,984,009
Grade-Loss	-	-	56,295,345	56,295,345
	413,079,794	**70,380,286**	**56,295,345**	**539,755,425**
Loss on Allowance	**(20,593,242)**	**(18,052,836)**	**(37,574,192)**	**(76,220,270)**
Allowance for Interest and Fees				(20,620,603)
Carrying amount	**392,486,552**	**52,327,450**	**18,721,153**	**442,914,552**

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; and
- 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.

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.

2020	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	192	-	-	2,438
Loans and advances	9,643	7,183	145,154	249,032	130,875	(38,427)	503,460
Other Receivables	1,269	2,711	-	-	-	-	3,980
Total	12,912	9,955	145,339	249,224	130,875	(38,427)	509,878
Liabilities							
Other Liabilities	11,859	-	-	-	-	-	11,859
Accounts Payable	6,083	-	-	-	-	-	6,083
Borrowings	-	24,092	90,385	234,578	-	-	349,055
Total	17,942	24,092	90,385	234,578	-	-	366,997
2019							
Assets							
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 Payables	5,831	-	-	-	-	-	5,831
Borrowings	-	38,193	76,429	241,986	-	-	356,608
Total	16,639	38,193	76,429	241,986	-	-	373,247

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 conditionality's, 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).

27 RISK MANAGEMENT POLICY (continued)

Market Risk (continued)

Sensitivity Analysis

Market Risk

Market risk sensitivity due to ± 2.50% fluctuation in weighted average lending rate

	As at June 2020	Increase in Lending Rate (+2.50%)	Decrease in Lending Rate (-2.50%)
Weighted Average Lending Rate (%)	6.86	9.36	4.36
Interest Income ($)	43,332,366	13,547,167	(13,547,167)
Impact on profit or loss ($)	$1,144,716	13,547,167	(13,547,167)

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

The following events were noted subsequent to the balance date:

1. The Bank has made a loan disbursement to Air Pacific Limited T/A Fiji Airways under the RBF Disaster Relief & Containment Facility (DRCF) for a sum of $75M during the month of July 2020. The loan is fully secured by a government guarantee;

2. The Green Climate Fund (GCF) has approved Fiji Development Bank's (FDB) USD 5 million project funding loan at an interest rate of 0.75% to develop an innovative solar agro photovoltaic and a battery storage system in Ovalau. The total project cost is USD 10 million and is co-financed by GCF, FDB and KOICA. The project was approved on 24th August 2020. GCF is the largest global fund that supports developing countries' efforts to adapt their economies to the impacts of climate change through low-emission and climate-resilient initiatives. The Bank is the first development bank in the Pacific accredited as a Direct National Access Entity. This will be the first mitigation project funded by GCF in Fiji;

3. The Bank client, Travel World Resorts Pte Limited t/a Pullman Nadi Bay Resort and Spa loan account moved into arrears in July 2020 as the Company defaulted on its repayment dues. The loan account was eventually downgraded and the Resort was subsequently advertised for sale in August 2020;

Furthermore, on 21 August 2020 a winding up application was filed against the Company by unsecured creditors. The Office of the Official Receiver was appointed as the Liquidator by the Court;

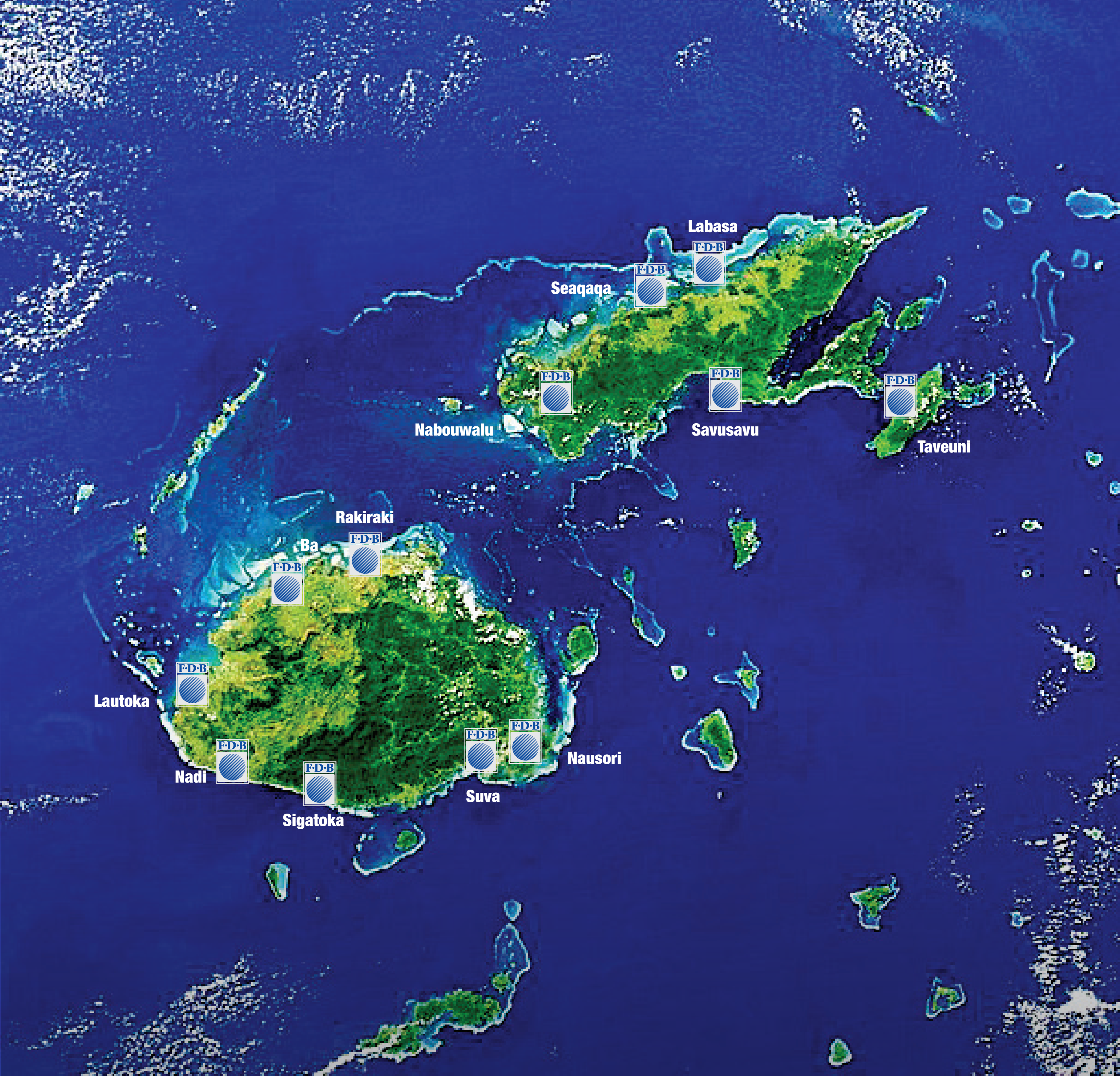
At the date of issue of Accounts, the Bank had secured a buyer for the resort and is awaiting full settlement.

Apart from matters mentioned above, 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.

30 SIGNIFICANT EVENTS

1. In March 2020, the World Health Organisation announced the spread of COVID-19 virus to be a pandemic and subsequent to 30 June 2020 there have been further domestic and international related developments. The impact of the spread of this virus is disrupting travel and businesses in Fiji and throughout the world. It is not clear at the time of finalising these financial statements, the impact this will have on services provided by the Bank during 2020 and beyond. At this stage, the financial statements do not reflect uncertain financial implications, if any, that may potentially arise from this situation.

2. The Reserve Bank of Fiji was granted approval (in line with Section 69 of the Banking Act) by the Minister for Economy to conduct full supervisory oversight of FDB, from December 2019.



Suva Branch
360 Victoria Parade,
G.P.O. Box 104, Suva.
Ph: (679) 331 4866

Lautoka Branch
38 Vitogo Parade,
P.O. Box 716, Lautoka.
Ph: (679) 666 0639

Nausori Branch
60 Main Street,
P.O. Box 317, Nausori.
Ph: (679) 347 7277

Seaqaqa Branch
Seaqaqa Township,
P.O. Box 62, Seaqaqa.
Ph: (679) 886 0166

Ba Branch
Varoka,
P.O. Box 110, Ba.
Ph: (679) 667 4211

Nabouwalu Branch
Bua,
P.O. Box 51, Bua.
Ph: (679) 883 6055

Rakiraki Branch
Vaileka Parade,
P.O. Box 82, Rakiraki.
Ph: (679) 669 4088

Sigatoka Branch
Vunasalu Road,
P.O. Box 81, Sigatoka.
Ph: (679) 650 0122

Labasa Branch
Nasekula Road,
P.O. Box 41, Labasa.
Ph: (679) 881 1944

Nadi Branch
Main Street,
P.O. Box 1718, Nadi.
Ph: (679) 670 1900

Savusavu Branch
Hugh Street, Verevere,
P.O. Box 42, Savusavu.
Ph: (679) 885 0055

Taveuni Branch
Ground Floor,
First Light Inn Building, Waiyevo.
P.O. Box 215, Waiyevo, Taveuni.
Ph: (679) 888 0084

HEAD OFFICE:
360 Victoria Parade, Suva, Fiji.
G.P.O. Box 104, Suva, Fiji.
Ph: (679) 331 4866
Website: www.fdb.com.fj

Fiji Development Bank
info@fdb.com.fj