FIJI DEVELOPMENT BANK

1967
2017

DEVELOPMENT FOR FIJIANS
ACROSS GENERATIONS!

2018 ANNUAL REPORT

F·D·B

your partner in progress

The vision for FDB in 2020 is that of a development bank that is strongly positioned as one that drives for changes that promote inclusive, green and sustainable development providing for innovative financing, business models that incorporate social and environmental safeguards in its lending policies ...

FDB Board Chair - Mr Robert Lyon, 2017

The creation of the Bank did not merely constitute a change of name. It was a momentous occasion and an important event in Fiji's programme of development.

FDB Board Chair - Mr H P Ritchie, 1968

TABLE OF CONTENTS

OUR VISION

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

OUR MISSION

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

OUR VALUES

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

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

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

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

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

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

OUR GOALS

The goals are specific aims set to achieve the wider objectives. 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

OUR OBJECTIVES

Our objectives set the broad direction for FDB.

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

CHAIRMAN'S LETTER

F·D·B
your partner in progress

Development Bank Centre
360 Victoria Parade
GPO Box 104
Suva, Fiji
Tel: 3314866
Fax: 3314886

14 February 2019

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

Dear Minister,

RE: 2018 ANNUAL REPORT

On behalf of the Board, I have much pleasure in submitting the enclosed Fiji Development Bank's 2018 Annual Report and accounts for the Financial Year ending 30 June, 2018.

The Bank's lending portfolio grew to $487.05 million at the end of the Financial Year, an increase of $48.96 million or 11.17% from the previous year. The major driver of this increase were disbursements of $108.21 million. The loan portfolio represents a customer base of 5,150 accounts – an increase of 4.19% from the previous year.

The Bank achieved a net profit of $7.41 million for the 2018 Financial Year. Despite increased revenue, the Bank also experienced rising funding, staff and operational costs and increased provisions for impairment. More widely, the Bank experienced tightening liquidity and higher interest rates within the economy.

Developing Fijians across generations since 1967, the Bank marked its fiftieth year of establishment this year. We launched our 50^{th} year anniversary celebrations to celebrate development financing and FDB's achievements reflecting on its journey with Fijians as their partner in progress for half a century.

The journey started with the launch of the new three-year Strategic Plan [2018-2020], a development financing roadmap that is for the first time most inclusive and engaging in FDB's history.

The Board commends the Executive Management and staff for their continued efforts and commitments throughout the financial year and in their endeavour to charter FDB on a course that is more relevant and innovative in addressing the diverse challenges of development agenda in the 21^{st} century.

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

We look forward to the continued support and contribution of the Fijian Government in our endeavour to provide affordable developmental financing for the economic and social development of Fiji.

Yours sincerely,

Robert G. Lyon
CHAIRPERSON

EXECUTIVE REPORT

The FDB 2018 Financial Year was marked by a number of transformational projects and initiatives generated by the much-anticipated 2018-2020 Strategic Plan, initiated against a backdrop of celebrations marking 50 consistently fruitful years of delivering development outcomes for Fiji and her people.

Mr. Mark Clough
Chief Executive Officer

In that time, the Bank and its economic importance have grown beyond recognition. From a modest single office with 33 staff disbursing loans totalling $1.01 million to 754 customers in its first year, it has developed into a major provider of a variety of financial services to Fijian companies and individuals from all economic and social sectors. Today FDB boasts annual disbursements of over $100 million, a customer base of more than 5,000, a loan portfolio of close to $500 million, a capital base far exceeding regulatory requirements, and a complement of 200 well-informed staff capably operating twelve strategically-located branches and agencies across the country.

It is Fiji's only development bank, driving economic growth through the funding of successful businesses and projects in the Agriculture, SME, Tourism and other sectors, consistently attracting, and managing, substantial risk in the process. It is a unique and financially sustainable instrument critical to the Fijian economy, focused on delivering not only on its own mission and vision, but on Government budget initiatives, the National Development Plan, and obligations both local and global such as those attached to our Green Climate Fund (GCF) accreditation.

The Bank is the first national entity within the Pacific region to gain GCF accreditation as a Direct Access Entity, and we did not rest on our laurels. By year's end, in collaboration with a number of potential partners, the Bank was already examining a number of initial projects in areas including low-emission transport, renewable energy, climate-resilient housing, water security and re-forestation.

These activities will now gain momentum as contenders are prioritised, resourced and progressed through to implementation, in partnership with appropriate private sector interests. FDB will thus advance from being an enabling entity for Fijian businesses, to becoming a fully-fledged key economic transformation agent.

INSIDE THE FDB STRATEGIC PLAN 2018 – 2020

The FDB's 2018 – 2020 Strategic Plan is its new template for all deliverables. It is focused on the delivery of the

Bank's Mission and Vision in an increasingly competitive environment, and identifies six specific areas for attention:
- Financial;
- Customers;
- Internal Business Processes;
- Learning and Growth;
- Employee Engagement;
- Community and Environment.

Less than one year into the 2018 – 2020 Strategic Plan, the Bank has made significant progress through:
- Green Climate Fund activities;
- diversifying the established funding base and revenue streams;
- improved cost management;
- facilitating improved customer responsiveness;
- improving corporate visibility through asset renovation;
- technological renewal and process re-engineering;
- product development and renewal;
- improving workforce culture, competencies and communication;
- community programmes and business linkages.

Process improvement is to be a continued focus, driving onward cost and operational efficiencies.

FINANCIAL ROBUSTNESS

To remain financially sustainable in the face of increasing competition, while the Bank applies rigorous cost controls and looks to fund lower risk opportunities, it also continues to fund projects and businesses in high-risk sectors, where they are judged capable of contributing significantly to economic growth.

These twin strategies generated a net profit for the 2018 Financial Year of $7.41 million. Against increased revenue, the Bank also experienced rising funding, staff and operational costs, and increased provisions for impairment. More widely, the Bank experienced tightening liquidity and higher interest rates within the economy.

The Bank's net operating income for the year was $30.29 million, while total operating costs amounted to $13.76 million. Provisions for impairments increased to $9.04 million. From 1 July 2018, the new IFRS 9 accounting standard governing provisioning for impairment will apply. Given the Bank's existing conservative approach, however, this change is unlikely to have a significant impact.

The Bank's total assets expanded by 16.33% in 2018, to $467.72 million. Within this figure is a gross loan portfolio of $487.05 million, an increase of $48.96 million over 2017. The major driver of this increase was a disbursements tally of $108.21 million. The loan portfolio represents a customer base of 5,150 accounts – an increase of 4.19% on the previous year. Most significantly, the Bank's total capital and reserves increased to $157.97 million, strengthening the Bank's capacity to expand its risk appetite in its lending activities.

Although significant additional marketing, infrastructure and other expenditure is planned for the coming year to energise and manage further growth, process improvements will make the Bank more efficient. In 2018 we began a major upgrade of our Core Banking Software, an initiative that will see greater functionality across every aspect of the Bank's operations.

GREEN CLIMATE FUND ACCREDITATION

In the final build-up to Fiji assuming the Presidency of COP23 in Bonn in November 2017, there came cause for further celebration, this time in an announcement from the 18th Meeting of the GCF Board on 2 October in Cairo. News of Fiji's successful application for GCF accreditation through FDB represented the culmination of two years of committed effort by the Bank's Nafitalai Cakacaka, in support of a nomination made by the Fijian Government to the United Nations Framework Convention on Climate Change (UNFCCC).

In addition to his role as the Bank's key liaison officer with the GCF Secretariat, Nafitalai is our General Manager Business Risk Services. He is to be congratulated on a job very well done.

GCF accreditation will provide the means to marshal unprecedented levels of international agency and private sector support, both financial and technical. Low-emission and climate-resilient initiatives forming part of Fiji's mitigation and adaptation programmes will be eligible for loans of up to USD10 million per project.

Formal GCF accreditation will take effect upon the Bank satisfying a number of conditions, including the review and any necessary further development of key policies and procedures. As of the end of the 2018 Financial Year, this process was nearing completion. The Bank acknowledges its development aid partners who have assisted in this work, including USAID, UNEP, World Bank, ADB, WRI, GGGI, NDA, and UNDP. We are most grateful for their participation in our accreditation journey.

PORTFOLIO GROWTH

At the close of the 2018 Financial Year, the Bank's total lending portfolio stood at $487.05, an increase of $48.96 million, or 11.17%, over the previous year. The Focused Sector of the portfolio is the most closely aligned to the Bank's Mission and Vision, while the Non-Focused Sector comprises investment opportunities that are essentially commercial. A breakdown by sector, value and number for 2017 and 2018, is shown in the tables that follow.

	2017		2018	
	Number of Accounts	%	Number of Accounts	%
Focused Sector	3,985	80.62	4,128	80.16
Non-Focused Sector	958	19.38	1,022	19.84
Total	4,943		5,150	

	2017		2018	
	Account Balances ($mm)	%	Account Balances ($mm)	%
Focused Sector	197.89	45.17	220.98	45.37
Non-Focused Sector	240.21	54.83	266.07	54.63
Total	438.09		487.05	

While good growth in terms of numbers was recorded in the Agriculture, Transport and SME sub-sectors of the higher risk Focused Sector, this was outstripped by the dollar value of growth in the Construction and Tourism sub-sectors of the lower risk Non-Focused Sector.

During the year the Bank approved a total of 1,621 loans with a value of $121.86 million, compared to 1,400 loans of value $145.30 million for 2017. A profile of these approvals is shown below.

	2017		2018	
	Number of Approvals	%	Number of Approvals	%
Focused Sector	1,251	89.36	1,311	80.88
Non-Focused Sector	149	10.64	310	19.12
Total	1,400		1,621	

	2017		2018	
	Approvals Value ($mm)	%	Approvals Value ($mm)	%
Focused Sector	87.79	60.42	84.51	69.35
Non-Focused Sector	57.51	39.58	37.35	30.65
Total	145.31		121.86	

The Bank continues to be a major financier of projects and businesses in the Agriculture sector, with a market share of 58.60%. Loan use includes farm vehicle and equipment purchase, crop establishment and land acquisition. Loans advanced to Fiji Sugar Corporation, cane co-operatives and individual farmers in 2018 were allocated to the purchase of harvesters and other machinery.

Equally important is FDB's ongoing support of SMEs – mainly in the Transport, Wholesale, Retail, Hotels and Restaurant, and Professional and Business Services sectors. The Bank disbursed funding of $16.45 million to SMEs in 2018, an increase of 18.52% on the year prior.

FDB aims to be the preferred banker for Fijian businesses. It understands that this can be achieved only through a vigorous and sustained focus on relevance, accessibility, customer responsiveness and efficiency, and with constant monitoring and supervision. It therefore formulates its lending sectoral limits on the prevailing and desired contributions to economic activity of the different sectors, and is rightly seen as a responsive and effective facilitator of economic development.

TALENT AND ORGANISATIONAL DEVELOPMENT AND CULTURAL CHANGE

Early in the 2018 Financial Year, the Bank embarked on a programme to transform staff behaviour and attitude, strengthen leadership qualities and bring about the alignment of HR systems and policies to improve on performance and deliveries at every level.

A new General Manager position was established for Talent and Organisational Development (TOD) where Ms Mere Asi was appointed. Mere is a highly experienced banking professional, and under her leadership the Bank's staff management and development processes have already undergone significant change.

Importantly, TOD has been at the centre of cultural change to enhance staff satisfaction and productivity, which will ultimately result in superior outcomes for our customers. The Bank's cultural change journey brings into play its guiding values of Development, Innovation, Collaboration, Integrity and Accountability (DICIA).

A number of initiatives set in motion by TOD during the Financial Year are aimed at engaging staff, promoting their growth and learning and building careers, rather than merely providing jobs. These have included:

- the review, amendment and re-awareness of staff-related policies;
- a new Performance Management System designed to provide clarity on performance targets, incentivise staff and reward them appropriately;
- formulation of a comprehensive Bank-wide training plan to impart essential skills and knowledge to staff, assist them in their development, and, provide them with the resources to deliver further positive outcomes for customers;
- the launch of the first Emerging Leaders Programme (ELP) – an intensive programme aimed at the ongoing development of identified future leaders within the Bank;

- a Job Evaluation (JE) exercise conducted in collaboration with PriceWaterhouseCoopers whereby every position within the Bank is benchmarked to its industry counterparts to determine appropriate remuneration levels, and ensure that the Bank remains competitive in attracting and rewarding talent;
- the introduction of Employee Excellence Awards (EEAs), through which outperforming and inspirational individuals, leaders and teams are recognised and rewarded by the CEO for visibly promoting the Bank's values;
- wellness promotion, through awareness, check-ups, and a focus on diet and activity. This is important in the context of national health issues, the impact on Bank productivity, and ultimately, on customer responsiveness.

Initiatives in the coming year will include further succession planning and organisational structure and development following the Bank's recent re-alignment exercise.

THE BANK BIDS A FOND FAREWELL TO ITS TWO LONGEST-SERVING STAFF

It was with a combination of celebration, gratitude and sadness that FDB farewelled its two longest-serving staff members, Salote Tavainavesi and Tevita Madigibuli. Salote retired from her position as Manager Legal Services, after nearly 40 years of service. Tevita, our General Manager Relationship & Sales, retired after some 36 years of service. Their contributions to the Bank have been immense, and we wish them both health and happiness in their retirement.

MICRO AND SMALL BUSINESS GRANT DISBURSEMENTS

Over the past four years, FDB has partnered with the Ministry of Industry, Trade & Tourism (MITT), in an important programme of grant disbursements to aspiring Micro and Small Business entrepreneurs. This also included rehabilitation funds for those that had been impacted due to Tropical Cyclone Winston.

The Bank hopes these grants will serve as effective seeds of further economic growth, and as springboards to additional funding to assist viable businesses through the next critical stages of their development.

NEW PRODUCTS AND SERVICES

During 2018, in order to remain relevant to customers while contributing to the growth of the Fijian economy and the advancement of Fijians, the Bank developed a number of new products and reviewed existing ones. A case in point was the financing of tractors and farm implements for cane farmer co-operatives, an important initiative to drive efficiency in the important Sugar sector.

In view of another sector's importance to growing numbers of participating individuals and SME operators, the Bank additionally undertook a complete review of its taxi portfolio, following the issuing of a large number of licences. The review focused on internal policies and procedures to address risk, as well as providing more definition to our customers in this major transport sub-segment.

An exciting new cash flow financing product targeting infrastructure projects was also developed. The Bank will now release loans for projects or contracts backed by good credit payment arrangements and sound contractor or operator expertise, rather than on traditional assets-based security. The product is expected to support the large numbers of infrastructure projects to be rolled out Fiji-wide in coming years.

Continuing growth, inflation and competition for talent places pressure on staff and funding costs in particular. At year's end the Bank was preparing to launch its Yaubula Term Deposit product, created with the benefit of significant assistance from the Reserve Bank of Fiji and the Asian Development Bank. The objective is to provide an attractive and secure shorter-term investment option to customers and prospective customers, as well as a means of acquiring funding at a lower cost than our traditional source of publicly-issued bonds.

The product has appeal for investors seeking a shorter-term option offering an attractive, low risk return. Depositors will have the added satisfaction of knowing their investments are driving national development. Investments are available for amounts greater than $50,000, and tenures of between one and five years.

Significant progress has also been made on a new Agricultural loan product, designed to assist experienced and otherwise qualified farming families who have no lease or formal ownership of the land on which they occupy and work. Funding will be provided for land and crop development, as well as for dwellings and infrastructure.

An intimate knowledge of customer and stakeholder requirements is essential to the Bank in sustaining relevance and market share through sought-after products and services. Accordingly, the Bank has revised its customer survey framework.

The analysis and results of the customer survey results will drive the design of the Bank's financial products and solutions of the near- and longer-term future. In the year ahead, the focus of the Bank will be on increasing its visibility and relevance. In large part, this will be achieved through more stakeholder engagement, customer profiling and more research-based product development as well as improvements in access and amenity of our branches infrastructure.

50TH ANNIVERSARY CELEBRATIONS

The year after the Bank replaced the Agricultural and Industrial Loans Board on June 30, 1967, FDB chairman, Mr. H P Ritchie said, "The creation of the Bank did not merely constitute a change of name. It was a momentous occasion and an important event in Fiji's programme of development."

The occasion of the Bank's 50th Anniversary gave us cause to reflect on those words. The Bank's achievements of five decades have proved Mr Ritchie correct, and the milestone was deserving of considerable celebration. A programme of special events spanned an entire twelve months, engaging FDB customers, management, and all members of staff across Fiji.

The tone was set with a high-profile launch function staged on 28 July, 2017 at Suva's Grand Pacific Hotel. The event attracted extensive media coverage and provided a platform to showcase the Bank's 2018 – 2020 Strategic Plan.

In his keynote address, the Honourable Prime Minister, Josaia Voreqe Bainimarama, said he was delighted to look back on the history of the national development institution, and celebrate the enormous good work FDB had achieved for hundreds of thousands of Fijian people.

"The FDB – as it stands today – is true to its tag line as a partner in progress to my Government, and has played a major role in making us the modern, dynamic island economy that we are today," he said.

Other highlights of the lead event included the presentation of awards to our longest-established customers and longest-serving staff in the Central and Eastern Divisions. In August, the Western Division and in September, Northern Division customers were similarly honoured.

The FDB 50th Anniversary provided a catalyst for a significant upgrade of the Bank's webpage, resulting in a more interactive and informative interface. Announcing the move at the Western Division Golden Jubilee Client Cocktail held in early August at Lautoka's Tanoa Waterfront Hotel, FDB Board Chairman, Mr. Robert Lyon, marked the revamp as an indication of FDB's commitment to its clients and stakeholders.

In September, further celebrations and award ceremonies were enjoyed in the Northern Division. An added cause for celebration in Labasa was the launch of a 50th Anniversary Special Promotion offering discounted fees for new loan applicants.

November saw lasting recognition for four former Chief Executive Officers of the Bank, with the unveiling of their portraits in a new Hall of Fame at the Head Office Customer Service area. The four visionaries had been instrumental in the formation and governance of the Association of Development Financial Institutions in the Pacific (ADFIP).

These ceremonies took place at a cocktail reception for other distinguished past CEOs in the presence of an ADFIP delegation and Bank colleagues from across the region. Mr. Isoa Kaloumaira, who was the Bank's Managing Director from 1997 to 2003, and Mr. Tukana Bovoro, our CEO from 2003 to 2008, conducted the unveilings.

Our special 50th Anniversary events programme ran in tandem with our regular events programme, and November also witnessed the annual launch of the National SME Awards. This signature event not only rewards some of the Bank and non-bank best-performing SME customers, but excites interest among vast numbers of unsung heroes and heroines with similar potential.

In February 2018, the thirteen inspirational winners for 2017 received their Awards from His Excellency Major-General (Retired) Jioji Konusi Konrote, the President of Fiji, in a ceremony held at the Grand Pacific Hotel.

COMMUNITY AND THE ENVIRONMENT

In May of 2018, our Western Division Relationship and Sales staff were joined by Head Office Support Teams in Ba to offer rehabilitation assistance to customers affected by tropical cyclones Josie and Keni. The occasion also provided an opportunity for prospective new customers to enquire about FDB products and services. Live coverage of proceedings by the Fiji Broadcasting Corporation contributed to the success of this important community gathering.

FDB's Mission, Vision and the 2018 – 2020 Strategic Plan represent a formal commitment both to the community and to the environment. This commitment has been further strengthened with the Bank's GCF accreditation, and is demonstrated in its switch to solar power for its branches, and in measures to significantly reduce its use of paper.

Over the 2018 Financial Year the Bank's involvement in community programmes and the support of worthy causes was, as always, varied and extensive. Some examples are:

- the incorporation of financial literacy in the design of new Bank products targeting Agriculture and SME sector customers, as a means of promoting management expertise;
- Christmas community visits;
- financial contributions to organisations aligned with our mandate, including those involved in wellness, social inclusion, dialogue, women in business, financial literacy and promoting SMEs; and
- participation in roadshows and EXPOs organised by our stakeholders.

In the beginning...

The Fiji Development Bank has lived up to its name. Since taking over from the Agricultural and Industrial Loans Board on 1st July, 1967, the FDB has concentrated on the task of promoting development. Financial support has been given to agricultural, industrial and tourism projects and annual reports over the years show the Bank has continually expanded its role to meet the developing needs of the nation. In 1968, the FDB Chairman Mr H P Ritchie said: "The creation of the Bank did not merely constitute a change of name. It was a momentous occasion and an important event in Fiji's programme of development."

1967-1973

Mr H P Ritchie was appointed first Chairman of the Fiji Development Bank. In his annual report Mr Ritchie revealed that the Bank had a net capital of 1,005,343 pounds 14s. 1 1d, after deducting the operating deficit for the financial year July 1, 1967, to June 30, 1968. He also reported that the Bank had access to further funds of 671,304pounds 6s. 1d. Staff moved into their new premises, the Development Bank Centre on Victoria Parade. The FDB recorded its first profit since establishment - $58,000. A new branch opened in Lautoka, adding services already being provided through offices in Suva, Sigatoka, Ba and Labasa. Mr B D Lawlor was appointed chairman, and Mr C S Sadleir became the Bank's first Managing Director.

1974 - 1977

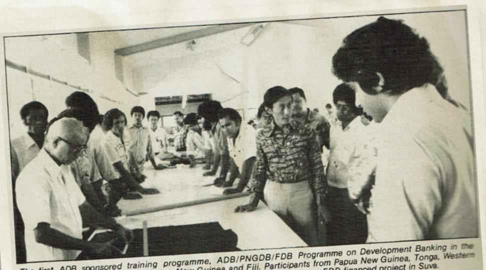
Profits increased to $94,414. Loan approvals exceeding $3 million doubled for the second year running, and brought total approvals since operations began to $8.3 million. The Bank had a total staff of 80 and 8 branches. Approvals exceeded an average of $1 million per month. The Bank allocated $1.65 million to finance farmers participating in the Yalavou Beef Development Scheme over a ten-year period.

1978 -1984

Growth was evident in all areas. Customer loans totalled $31,397,412 and an analysis showed that the Bank helped most sectors of the economy. With the opening of a branch at Savusavu, the Bank operated nine branches. Bank assets totalled $51.7 million. The annual report noted that dairy approvals peaked in 1978 when the Bank assisted an expansion programme of the Rewa Co-operative Dairy Co. Ltd. Lending reached a plateau with approved loans totalling $16.9 million. Total assets stood at $56.5 million. Mr Laisenia Qarase became the first local to be appointed as Managing Director when he replaced Mr Glen Forgan. Loans approved totalled $16.2 million in 1982.

1985 -1987.

The Bank had an outstanding loans portfolio of $108,580,000, the cumulative value of some 7,576 accounts at the end of the financial year where it had invested $8,974,133 in 18 companies. To improve operational efficiency, the Suva Branch was merged into Industrial and Agricultural Loans Division following a review of the Banks operations.



The first ADB sponsored training programme, ADB/PNGDB/FDB Programme on Development Banking in the South Pacific, was partly held in Papua New Guinea and Fiji. Participants from Papua New Guinea, Tonga, Western Samoa, Cook Islands, Solomon Islands and Fiji are seen visiting an FDB financed project in Suva.

Report for the Year Ended 30th June 1978

F·D·B

your partner in progress

1967 2017

DEVELOPMENT FOR FIJIANS ACROSS GENERATIONS!

THE BOARD OF DIRECTORS

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

MR. ROBERT GORDON LYON

Chairman

Appointed August 2010

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 and worked extensively in the Asia Pacific region, including 12 years as Managing Director Pacific, during which time he also looked after ANZ's retail operations in Asia.

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

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

MR. VADIVELU (WELLA) PILLAY
Deputy Chairman

Appointed December 2015

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

A golf enthusiast, Mr. Pillay also gives time to community work for TISI Global Sangam, and is a Trustee for Friends of Fiji Heart Foundation. He is the Director and Chief Executive Officer of Gecko Trucking (Fiji) Ltd, Construction Equipment Hire (Lautoka) Ltd and Wairiki Logging Ltd.

MR. INIA NAIYAGA
Director

Appointed December 2015

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

He was a career Central Banker for 40 years and retired as the Deputy Governor of the Reserve Bank of Fiji in May 2014. Prior to that, he was the Deputy Governor of the National Reserve Bank of Tonga for five years. He is the current Managing Director of Sun Insurance, Director of NFA, Member of the USP Finance and Investment Committee and Member of the Christian Mission Fellowship International Executive Board.

MR. RAJESH PATEL
Director

Appointed December 2015

Mr. Patel is the Director for R.C. Manubhai Group of Companies and for Nando's Fiji. He chairs the FDB Board Audit Committee and sits on the Talent and Organisational Development Board Committee. He also sits on the FIFA Audit & Compliance Committee, representing Fiji. He holds a Diploma in Textile Engineering from M.S. University. He is the President of the Fiji Football Association and Vice President of the Oceania Football Confederation. He is also a Justice of Peace, and PTFA President for the Board of Governance at Xavier College.

GOVERNANCE STATEMENT

The Board of Directors, Executive Committee (EXCO) and staff of Fiji Development Bank jointly ensure that the Bank always meets high standards of performance, governance and ethical conduct.

The Bank recognises that it has responsibilities to its shareholders, customers, employees and suppliers, as well as to the communities in which it operates.

The Board has decisive authority oversight of the Bank and regards corporate governance as a critical element in achieving the Bank's objectives. Consequently, the Board has adopted appropriate charters, codes and policies, and established Board Committees to discharge its duties.

The Bank's Governance Policy meets the standards set out in the Fiji Development Bank Act 1967 and Companies Act of Fiji, 2015. The policy is periodically reviewed and enhanced, to incorporate any changes in the laws and governance practices.

THE BOARD

The Board is governed through the Bank's Board Charter, which describes the overall roles and responsibilities and regulates Board procedures. The overall responsibility of the Board is to act honestly, transparently and diligently in building sustainable value and image for the Bank, its shareholders, customers, communities and staff.

The Board also determines the Bank's management structure and, in the interests of efficiency, delegates some of its powers to appointed Committees, and to the Chief Executive Officer (CEO). The CEO is responsible for ensuring that the Executive Committee executes the Bank's Corporate Objectives as set.

BOARD COMPOSITION AND DIRECTORS

The Board's composition is determined in agreement with the FDB Act 1967 and Bank's Board Charter, whereby the Minister for Economy appoints the Directors to the Board. The initial appointment of Directors is for a period of three years, and they are eligible for re-appointment. The required number of Directors to form a quorum is four.

In appointing the Directors, the Minister and the Bank ensure that a balance of skills, knowledge, expertise and experience is maintained for effective and sound decision-making.

The appointed Board members were as tabulated below:

Directors	Position	Appointment Date	Terms
Robert G. Lyon	Chairman	September 2016	Third Term
Wella Pillay	Deputy Chairman	December 2015	First Term
Inia Naiyaga	Director	December 2015	First Term
Rajesh Patel	Director	December 2015	First Term

It is the Board's responsibility to oversee the implementation of the Bank's strategic goals, in accordance with its mandate to assist in the economic development of Fiji and, in particular, the development of Agriculture, Commerce and Industry.

APPOINTMENT OF CHAIRMAN AND DEPUTY CHAIRMAN

The Minister for Economy, as prescribed by the FDB Act 1967, appoints the Chairman and Deputy Chairman for Bank.

The Chairman, in collaboration with Deputy Chairman, Directors and the Executive Committee (EXCO), takes a lead role in upholding a high standard of corporate governance and ethical practice.

The key determinants which the Chairman oversees are:

- that business operations are delegated to EXCO;
- that EXCO conducts its day-to-day activities in accordance with policy; and
- that the Board, Management and staff actively engage in Bank policy making and risk management.

APPOINTMENT OF CHIEF EXECUTIVE OFFICER (CEO)

The appointment of the FDB CEO is the responsibility of the Chairman and the Board of Directors. The current CEO is Mr. Mark Clough, who joined the Bank in November 2017. Prior to Mr Clough's appointment as CEO, during the reporting year General Manager Finance and Administration (GMFA), Mr. Saiyad Hussain, and General Manager Business Risk Services (GMBRS), Mr. Nafitalai Cakacaka, acted in a shared caretaker CEO capacity under the guidance of Director Mr. Inia Naiyaqa.

In addition to the overall success of the Bank, the CEO is responsible for driving the development and execution of strategies, increasing shareholder value, making major corporate decisions, managing the Bank's operations and resources generally, and acting as the main point of communication with the Board members.

APPOINTMENT OF BOARD SECRETARY

The Board Secretary is the administrative link between the Bank's Board and its Management. The current Board Secretary is General Manager Finance and Administration, Mr. Saiyad Hussain.

All Directors have direct access to the Board Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are adhered to. The primary responsibilities of the Board Secretary are to handle secretariat services to the Board and Board Committee meetings and to carry out other functions specified as per FDB policies and procedures relating to Board secretariat services. The Board Secretary must ensure good information flows both within the Board and its Committees and between the Management and Directors.

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

In this capacity, Mr. Saiyad Hussain ensures that the statutory requirements, Board policy and procedures, Board agenda and materials are communicated, coordinated and dispatched in a timely manner. He is also responsible for ensuring that the Board has access to minutes and recordings on major decisions of the Board.

DELEGATION

The Board's role is to set strategic direction and policies for the Bank for the benefit of its shareholders and other stakeholders. The Board is accountable for the overall operation, growth and success of the Bank.

In order to achieve what shareholders and other stakeholders ask of it, as has been mentioned, the Board delegates some of its powers to Board Committees, the CEO and the EXCO. In doing so, it nonetheless retains control of important decisions being made, and implemented, at Board meetings by Board Directors as a whole.

DIRECTOR SKILLS AND KNOWLEDGE

While recognising that no single Director will be fully qualified and experienced in each and every area of the Bank's operations, the Board always ensures that its Directors collectively possesses all the required expertise.

Directors' professional development and skills expansion are incorporated in the Board programme. Directors are given frequent opportunities to attend conferences and seminars to upgrade their skills and knowledge.

They also engage in community works undertaken by the Bank, and are invited to observe initiatives financed by the Bank in order to deepen their understanding of the FDB role in developing the national economy from the grassroots up.

DIRECTORS' REMUNERATION

Directors each receive fixed Board Allowances and Sitting Allowances as compensation for the responsibilities they shoulder and the time and commitment they give to discharging their duties. When Directors are required to travel to meetings or events on behalf of the Bank, they are paid appropriate Travel Allowances.

CONFLICT OF INTEREST

Directors are required to notify the Chairman of any conflicts of interest at the commencement of any Board meeting. In the event of any such conflict being disclosed, the Board acts appropriately and the Board Secretary minutes the actions.

The Board Charter sets out the process to be applied should a conflict of interest arise for a Director. In particular, a Director who has a conflict with respect to a matter will not, without the Chairman's consent, be involved in any related decision-making process. In the event that the Chairman has a conflict, the Deputy Chairman will preside over the relevant matter.

BOARD AND BOARD COMMITTEE MEETINGS

During the 2018 Financial Year, the Board met physically on six occasions, with additional committee meetings and discussions held via communications technologies or flying minutes. Board Meetings were chaired by the Chairman, and Board Committee Meetings by the appropriate Chairpersons. Invitations were extended to the CEO and relevant EXCO members to have direct communication and discussions.

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

Directors	Board Meetings (6 per year)	Audit Committee Meetings (3 per year)	Talent and Organisational Committee Meetings (3 per year)	Credit Risk Committee Meetings
Robert G. Lyon	6/6	3/3	3/3	-
Wella Pillay	6/6	-	2/3	-
Inia Naiyaga	6/6	3/3	3/3	-
Rajesh Patel	6/6	3/3	3/3	-

Whilst there were no physical meetings of the Credit Risk Committee during the 2018 Financial Year, communications and discussions took place through flying minutes.

EXECUTIVE COMMITTEE (EXCO)

Whilst the Board is responsible for ensuring that the principles and objectives of Corporate Governance are adhered to and enforced, it is Management's responsibility to see them implemented, and to ensure that corporate objectives approved by the Board are achieved.

The CEO heads the EXCO. He is assisted by 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 a EXCO secretary.

EXCO meets fortnightly to review operations and make decisions. Its key functions are to:

- implement the policies, corporate objectives and strategic direction set by the Board;
- allocate resources within the Board-approved budget;
- manage the day-to-day affairs of the Bank to achieve targets and goals set by the Board to maximize shareholder value;
- ensure compliance with all laws and regulations;
- establish and apply an effective internal control system, commensurate with business requirements.

AUDIT AND REGULATORY COMPLIANCE

Internal Audit

The Bank has an Internal Audit Division which provides independent assurance that the Bank's governance, risk management and internal controls are working effectively. Its operations are guided by an Internal Audit Charter established by the Bank and approved by the Board.

The Internal Audit team is headed by the Manager Internal Audit, who reports directly to the Board Audit Committee with day to day reporting to the CEO, to ensure the independence of the Internal Audit Division. 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 FDB Act 1967, the Bank's financials are independently audited annually by the Auditor General of Fiji.

For the 2018 Financial Year, the Bank's annual financial accounts were audited by the Office of the Auditor General who evaluated the Bank's 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.

The Reserve Bank of Fiji

The Bank ensures full compliance with the relevant Banking Supervision Policies of the Reserve Bank of Fiji (RBF), reporting to the RBF on a monthly basis, quarterly basis and as and when required. The Bank consults RBF on policy changes and when articulating new policies.

Internal Control and Risk Management

Internal controls for the management of risk are essential to FDB operations and the fulfillment of its business objectives. A sound system of internal control contributes significantly to the preservation of both the Bank's assets and the investments of its stakeholders.

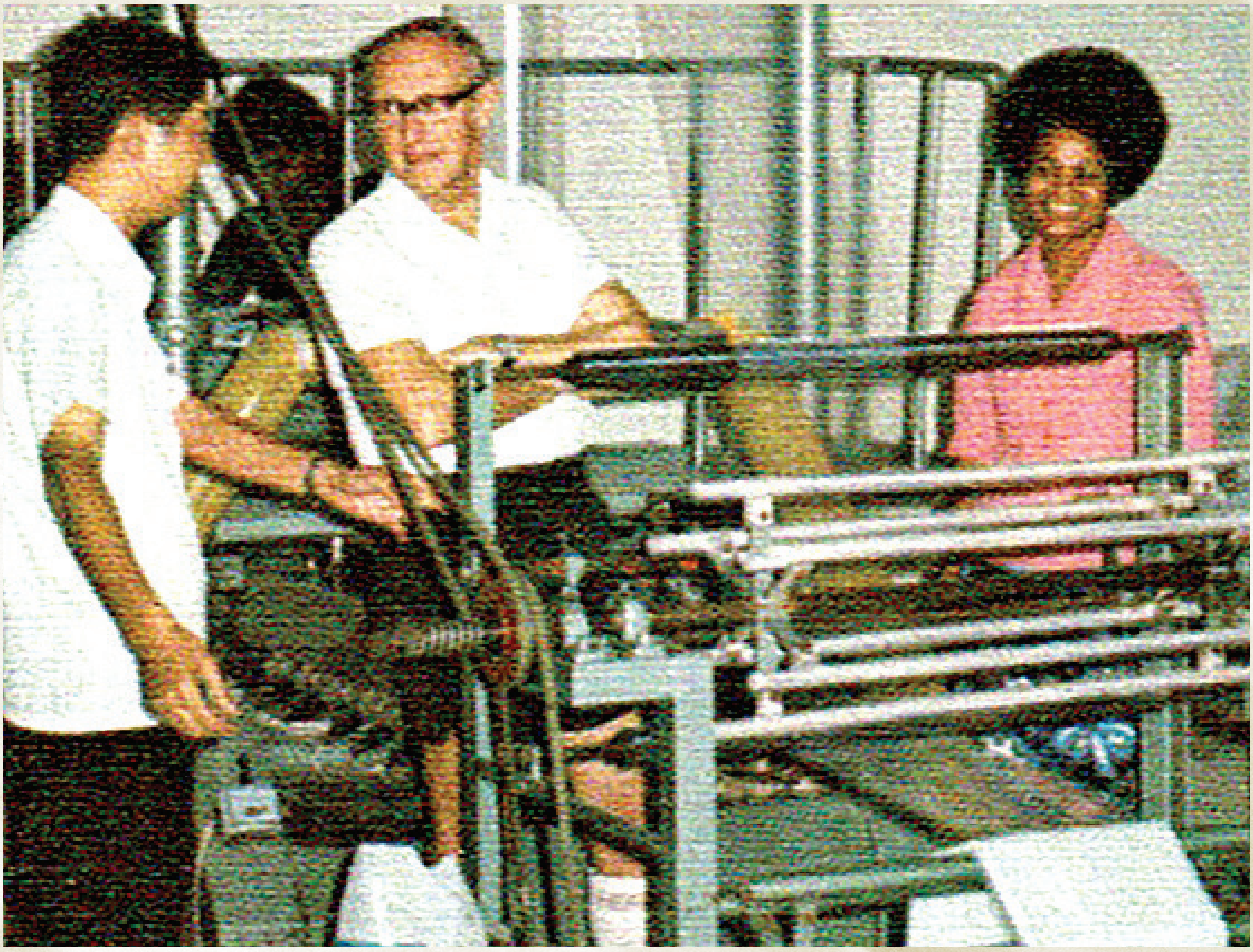
It is the responsibility of the Board of Directors and EXCO to set the Bank's internal control and risk management systems. In determining its policies the following considerations are taken into account:

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

STAKEHOLDER INTERESTS

Shareholder

The Bank strives to assist in the economic development of Fiji, and in particular, the development of Agriculture, Commerce and Industry, in accordance with goals set by the Fijian Government.



Employees

The Bank continues to build a working environment and culture that enables productivity, career progression coupled with appropriate remuneration. The Talent and Organisational Development Division of the Bank ensures that employees commit to and abide by the Bank's Code of Conduct and Oath of Secrecy, and that they declare any conflict of interest that may arise while fulfilling their duties as employees of the Bank.

Any non-compliance or non-performance is dealt with in accordance with the employment laws of Fiji, set procedures stipulated in the collective agreement with the Fiji Bank and Finance Sector Employees Union and the General Instructions of the Bank.

Customers

The Bank strives to deliver the highest levels of customer service and satisfaction. It maintains a close and harmonious relationship with customers across Fiji, and continually seeks to better understand and satisfy their individual needs.

Where a customer feels that they have not been treated fairly, a complaint procedure is in place whereby they may lodge a written complaint directly to the Office of the CEO for consideration at the very highest level.

Community and Environment

The Bank considers itself a responsible corporate entity, routinely contributing to the wellbeing of its communities and the health of the environment in numerous different ways.

Over the years, the Bank has supported financial literacy programmes in our secondary schools, given recognition and assistance to small and medium entrepreneurs, participated in various clean up drives and other community initiatives. It maintains an annual allocation for sponsorship of various charitable works, and is there to help pick up the pieces in the wake of catastrophe.

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

EXECUTIVE MANAGEMENT

MR. MARK CLOUGH
Chief Executive Officer

The Chief Executive Officer of the Fiji Development Bank is Mark Clough. He is responsible for leading the Bank in its new strategic direction, positioning it as one that drives innovative and inclusive development and climate financing solutions for all Fijians.

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

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

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

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

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

He was appointed CEO on 20 November 2017.

MR. NAFITALAI CAKACAKA
General Manager Business Risk Services

The Bank's General Manager Business Risk Services is Nafitalai Cakacaka, who is also the key liaison officer with the Green Climate Fund Accreditation Panel for FDB's accreditation.

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

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

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

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

MR. TEVITA MADIGIBULI

General Manager Relationship & Sales

Tevita Madigibuli is responsible for leading the Relationship and Sales team of the Bank's nine branches and three sub-branches across Fiji.

With over thirty years' experience in development banking, he predominantly focuses on client relationships and sales, sustainable growth and the acquisition of a quality customer base.

Working in tandem with the Business Risk Services, Talent and Organisational Development and Finance and Administration teams, he has been instrumental in empowering his people to make informed decisions leading to consistent increases in the Bank's loan portfolio.

Prior to his GM appointment, Tevita served in a number of other managerial positions.

He is an Associate Member of the New Zealand Institute of Managers and Leaders, and a Member of the Fiji Institute of Bankers. He holds a Master of Business Administration from the University of the South Pacific and a Bachelor of Arts Degree in Business Studies. He also has a Diploma in Tropical Agriculture.

Mr Madigibuli retired at the end of June 2018 following a distinguished career of over thirty years within the Bank.

MR. SAIYAD HUSSAIN

General Manager Finance & Administration

The Fiji Development Bank's General Manager Finance and Administration is Saiyad Hussain, who also serves as FDB Company Secretary. He has been with the Bank for more than 27 years.

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

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

MS. MERE AISAKE ASI

General Manager Talent & Organisational Development

The General Manager Talent & Organisational Development is Mere Aisake Asi. She is the first woman to be appointed to an Executive Management role in the Bank's fifty-year history.

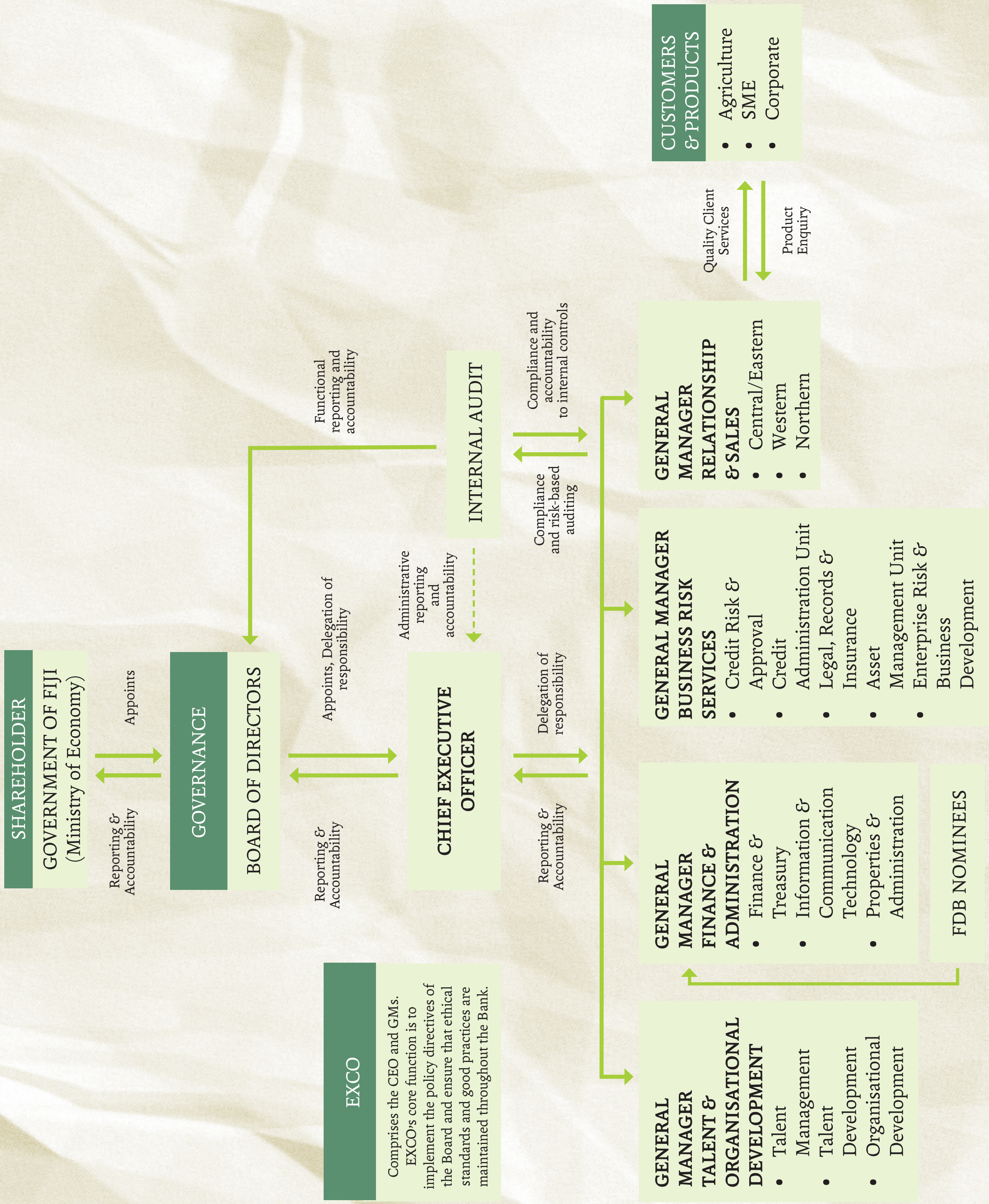
Mere has over twenty years of local, regional and international experience in the financial sector, joining the Bank in July 2017 to fill a newly-created GM position to strengthen service delivery through culture change, empowering teams, guiding career development, coaching and initiating leadership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

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

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

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

FIJI DEVELOPMENT BANK ORGANIGRAM



Powering on...

Today the total lending portfolio of the Bank has increased substantially, several development schemes have been implemented, the number of equity investments have increased, and the Bank's structure has been modified to suit the ever changing conditions of the domestic and international economies," said the General Manager Operations, Mr George Pickering.

1988- 1995

"Equity Window" scheme established, with the Bank acquiring shares in existing businesses for Venture Loans Scheme discontinued. Nadi Branch opened. EIMCOL reorganised following a reduction in Government funding. Managing Director Laisenia Qarase attended the Maori development conference in New Zealand. Housing finance scheme inaugurated.

In 1992, the year began with the Bank's 25th Anniversary celebrations after completing 25 years of operation. A revised housing loan package was introduced to allow the financing of construction and purchase of more than one home.

The Bank recorded a major improvement in financial performance and adopted a 5-year corporate plan which introduced changes to the organisational structure and operational strategies. During the year the Bank was instrumental in forming a trust fund for the regional organisation ADFIP (Association of Development Financing Institutions in the Pacific) which assisted in meeting operating expenses of ADFIP. In November, 1995 a lease finance operation was launched to widen the Bank's business base. This facility was to provide finance for commercial vehicles, heavy equipment, plant & machinery, office equipment and aircraft.

1996-1999

The Bank introduced yet another new product, its working capital facility following the positive response to its lease financing facility in 1995. The Bank achieved another important milestone in 1996 with the establishment of a dial up connection to the Internet, the global computer information network. Through this online medium the Bank was able to advertise two properties for sale and received a number of overseas investor enquiries.

The Bank made a submission to the Reserve Bank of Fiji for approval to accept term deposits from corporate clients and the public. The Bank had a total portfolio of 150 accounts valued at $440,020. The Bank ushered in its new Loans Management System (LMS) replacing a 10-year-old loan debtor's system.

Development Bank Centre as it is seen from Victoria Parade. FDB is housed in the ground floor.

F·D·B

your partner in progress

1967 2017

DEVELOPMENT FOR FIJIANS
ACROSS GENERATIONS!

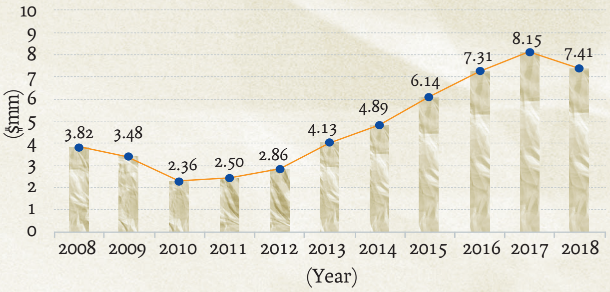
REVIEW OF FINANCE AND ADMINISTRATION

The Bank routinely operates in a highly competitive environment, and the Financial Year ending June 2018 was no exception in view of strong competition in the market and added increased borrowing expenditure.

OVERVIEW

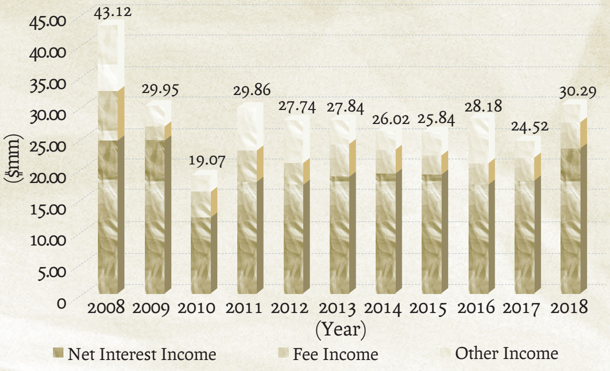
The Bank rose to the challenge however, to achieve a respectable net profit of $7.41million, albeit a 9.12% decline in comparison to 2017.

Net Profit



Against this decrease, the Bank's total operating revenue recorded impressive growth of 23.52%. As part of its customer retention strategy, the Bank was also able to retain the majority of its corporate customer base, while achieving a growth of 11.17% in its customer portfolio.

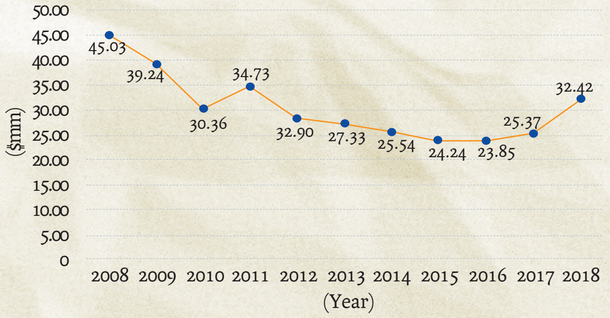
Operating Revenue



INCOME

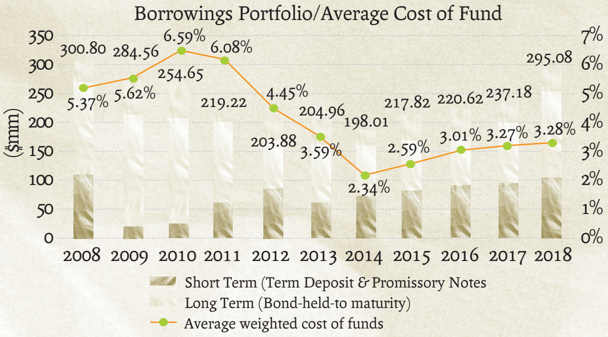
The Bank's primary source of revenue, Gross Interest Income, increased by 27.81% compared to 2017 Financial Year. This was mainly due to significant growth in the Bank's overall loan portfolio, assisted by a slight increase in lending interest rates for new customers. A slight increase was also noted in other income streams, such as insurance commissions, rental income and gain from the sale of property, plant and equipment.

Gross Interest Income



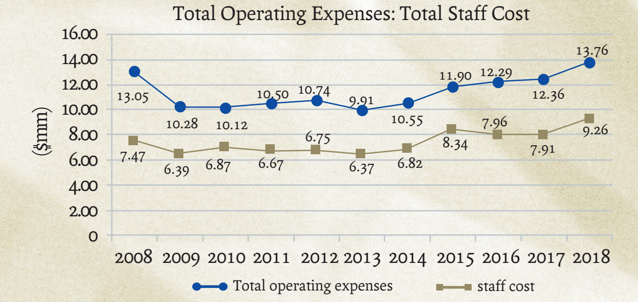
Increased disbursements and growth in the Bank's customer base resulted in an increase of $1.84 million in interest expenses compared to 2017 Financial Year. A slight increase of one basis point was noted in cost of funds, from 3.27% at the end of June 2017 to 3.28% at the close of June 2018.

Borrowings Portfolio/Average Cost of Fund



OPERATING EXPENSES

Operating expenses grew by 11.31% compared to the same period in 2017. The increase was mainly due to marketing and PR activities undertaken in view of the Bank's 50th anniversary celebrations, professional consultancy works done relating to the International Financial Reporting Standard (IFRS) 9, job evaluation assessment activities, and internal office renovations. Employee cost also rose due to payments awarded subsequent to the job evaluation/ market movement exercise and an increase of 18 in staff numbers.



ALLOWANCE FOR CREDIT IMPAIRMENT

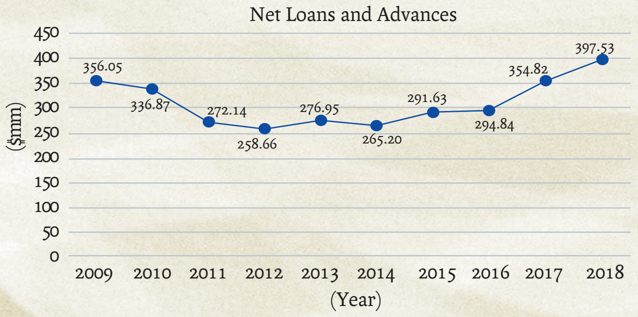
As allowances were created for non-performing loans, total credit impairment charges relating to lending assets increased by $5.11 million over 2017 Financial Year. Moreover, it was a challenging year for the Bank as its arrears recovery was low which resulted in an increased allowance for interest, and suspended fees.

Income Statement ($mm)	2018 ($mm)	2017 ($mm)	Change ($mm)	Change rate (%)
Interest Income	32.423	25.369	7.054	27.81
Interest & Other Borrowing Expenses	(9.251)	(7.412)	(1.839)	(24.81)
Net Interest Income	23.172	17.957	5.215	29.04
Net Fees Income	4.249	3.801	0.448	11.79
Other Income	2.867	2.763	0.104	3.76
Total Operating Income	**30.288**	**24.521**	**5.767**	**23.52**
Operating Expenses	(13.761)	(12.363)	(1.398)	(11.31)
Profit before Allowances	**16.527**	**12.158**	**(4.369)**	**(35.94)**
Total Allowances	(9.116)	(4.003)	(5.113)	(127.73)
Net Profit	**7.411**	**8.155**	**(0.744)**	**(9.12)**

ASSETS STRUCTURE

Balance Sheet Review ($mm)	2018	Composition (%)	2017	Composition (%)
Liquid Assets	44.682	9.55%	24.550	6.10%
Investments	2.035	0.44%	2.035	0.51%
Net Loans and Advances	397.529	85.01%	354.820	88.25%
Receivables	2.870	0.61%	2.837	0.71%
Fixed Assets with Intangibles	20.529	4.39%	17.818	4.43%
Total Assets	**467.645**	**100.00%**	**402.060**	**100.00%**

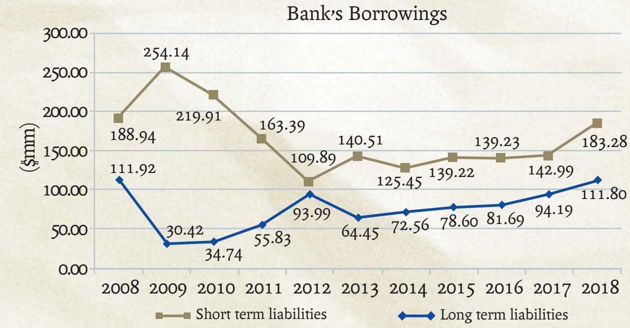
Conversely, the Bank's financial position strengthened considerably in 2018, with an increase in total assets from $402.06 million to $467.65 million recorded. The Bank's gross loan portfolio stood at $487.06 million, an improvement of $48.95 million (11.17%) over 2017 Financial Year. Portfolio growth was achieved through effective customer relationships and efficient lending methods, which combined to attract more Agriculture, SME and Corporate customers, while retaining existing ones. The Bank's liquid assets, fixed assets and other receivables also recorded increases over 2017.



LIABILITIES STRUCTURE

Balance Sheet Review ($million)	2018	Composition (%)	2017	Composition (%)
Accounts Payable & Accruals	3.824	1.23%	6.072	2.41%
Short Term Borrowings	111.799	36.10%	94.187	37.45%
Other Liabilities	10.765	3.48%	8.243	3.28%
Bond- Held to Maturity	183.279	59.19%	142.990	56.86%
Total Liabilities	**309.667**	**66.22%**	**251.492**	**66.55%**
Total Equity	**157.978**	**33.78%**	**150.568**	**37.45%**
Total Liabilities and Equity	**467.645**	**100.00%**	**402.060**	**100.00%**

While favourable growth in the Bank's total loan portfolio was noted in the 2018 Financial Year, this came at the cost of an increase in borrowings, and a rise of 23.13% in the Bank's total liabilities. An increase of $57.90 million in total borrowings catered for disbursements of $108.21 million.



Historical Performance	2014	2015	2016	2017	2018
Financial					
Net profit($mm)	4.89	6.14	7.31	8.15	7.41
Total Assets ($mm)	335.07	361.83	374.91	402.06	467.65
Total Assets / Equity (%)	**2.65**	**2.73**	**2.63**	**2.67**	**2.96**
Average Earning Assets (AEA) ($mm)	342.99	371.81	381.03	442.98	491.96
Borrowing Cost / Average Earning Assets (%)	**1.85**	**1.45**	**1.71**	**1.67**	**1.88**
Total Cost / AEA (%)	4.92	4.65	4.94	4.46	4.68
Profit (Loss) / Average Equity (%)	**3.94**	**4.74**	**5.96**	**5.57**	**4.85**
Long Term Debt : Equity	0.99:1	1.05:1	0.98:1	0.95:1	1.16:1
Interest Spread (%)	5.11	4.27	3.41	2.97	3.73
Earning Spread (%)	6.98	6.15	5.73	4.48	5.18
Operating Efficiency					
Staff Cost / AEA (%)	**1.99**	**2.24**	**2.09**	**1.79**	**1.88**
Total Income / AEA (%)	7.59	6.95	7.39	5.54	6.16
Lending					
Approvals (Number)	**1,249**	**1,532**	**1,529**	**1,400**	**1,621**
Approvals ($mm)	140.76	108.89	120.46	145.31	121.86
Loan Portfolio (Number)	**3,843**	**4,189**	**4,608**	**4,943**	**5,150**
Gross Loan Portfolio ($mm)	339.05	367.24	375.51	438.09	487.05
Growth in Loan Portfolio (%)	**-2.41**	**8.31**	**2.25**	**16.67**	**11.17**
Arrears / Loan Portfolio (%)	12.90	12.02	14.34	13.40	14.98

OTHER FINANCE AND ADMINISTRATION ACTIVITY

1) **Properties Administration Department**

The Bank's Properties Department employs innovative skills and technologies to provide a safe and comfortable environment for FDB staff, tenants and customers. It is responsible for the management and upkeep of all the Bank's properties around Fiji, including office space leased to other parties. This involves ongoing liaison with stakeholders to manage relationships and facilitate timely deliverables by contractors, architects, engineers, consultants, other service providers, tenants and regulatory/compliance authorities.

2018 was a highpoint for the Properties team as they overcame challenges ranging from adverse weather to materials shortage to complete their largest project in several years. The refurbishment of the exterior of the Fiji Development Bank Centre will enhance the Bank's corporate image and raise the building's appeal for top-notch corporate tenants, boosting its rental income potential.

The team also engaged in a number of office interior remodelling projects, bringing a more contemporary look to the wider FDB workplace and providing greater functionality. Disruption to business was kept to a minimum through careful forward planning and co-ordination, completing work phase by phase within approved timelines in consultation with contractors and other departments to ensure that the next step could begin on schedule.

More substantial refurbishments were carried out at the Bank's Rakiraki and Nausori branches.

With Rakiraki Branch expanding, it was noted that working areas were becoming cramped, and so a rear extension was added to accommodate the branch's washroom, tea room and records storage facility, and allow staff far more 'elbow room' in and around their work stations.

The Nausori project involved the relocation of the office to level 1, and provision for the Bank's secondary data backup recovery centre. It also included an extensive upgrade of the entire building, to enable the leasing of the remaining space to quality corporate tenants.

At its Seaqaqa Branch, the Properties team made an eco-friendly improvement, installing a customised on-grid solar system to harness clean renewable energy to power the office and help reduce carbon emissions. The system is fully maintenance-free.

This can be viewed as the Bank leading by example, it having earlier launched an initiative encouraging clients in the Agriculture and Businesses sectors to adopt sustainable energy technologies in place of fossil fuels for their power generation systems.

Increasing costs and limited skill sets within the construction industry continues to challenge majority of the Properties Department projects.

2) **Information and Communication Technology (ICT) Operation**

The ICT Centre is responsible for the planning, development and implementation of computer-based information systems providing cost-effective solutions that meet current and future user needs. The Bank relies very heavily on ICT services and it is important to ensure that technologies employed adequately support its objectives in every area of operation. Timely data and information access via specialist applications, networked infrastructure, internet, e-mail and office automation tools is absolutely essential not only to the Bank's core lending function, but to everything it does.

A major upgrade of the Bank's core banking software over a period of 18 months is underway. In the 2018 Financial Year, an extensive information-gathering and consultation exercise was conducted throughout the Bank to solicit user input on the scope of the proposed system. This resulted in a Board-approved Request for Proposal (RFP) specification, following which the tender was announced, generating much interest from offshore contenders. Eight bids were registered, and as per the Board's instructions, the Bank will engage a consultant to assist in the process of their evaluation and vendor selection due diligence.

With the evaluation phase scheduled to run from November 2018 to April 2019, the Board is mindful of the ambitious timeline. It is anticipated that a contract will be signed with the selected vendor in May 2019, with implementation to commence in June through to July 2020.

During the 2018 Financial Year, the ICT team undertook a holistic review of the Bank's ICT policies to accommodate modern technology trends and improve controls. The revised policies are to be submitted for the Board approval in the course of the next Financial Year.

A review of the Bank's Business Continuity Plan (BCP), led by Manager ICT, was another critical venture undertaken during the year, with input sought from all stakeholders. Following approval by the EXCO and Board, responsibility for the updated BCP's incorporation into the Enterprise Risk Management Framework was handed to the Enterprise Risk & Business Development team.

Voko Industry workers cleaning fish.

The ICT Department also overhauled its Disaster Recovery Plan (DRP), the final model being put to the ultimate test in a successful mock failover exercise at the primary disaster recovery site in Tamavua, using the live financial GL system. A new ICT Department Risk Register was also formulated, as required under the Enterprise Risk Management Framework.

Meanwhile the Systems Support & Development and Network & Infrastructure Support teams continued to work in close collaboration with other centres in the Bank to provide key deliverables that include:

- An upgrade of the Bank's network operating environment from Windows Server 2008 to Windows Server 2016, with the email system receiving an upgrade from Exchange 2013 to Exchange Server 2016. A systematic bank-wide refresh of the end-user desktop operating environment from Windows 7 to Windows 10 was also implemented, together with an upgrading of desktop application from Microsoft Office 2013 to the 2016 version.

- Significant capacity upgrade was achieved and value added to existing services by way of negotiations with providers. The WAN bandwidths to all branches were doubled in preparation for the new Core Banking System and the rollout of the Electronic Documents and Records Management System (EDRMS). Other additions seen were a new 10M dedicated internet link and a 10M redundant fibre link to Nausori Branch, for use as a secondary in-house Disaster Recovery backup and replication site.

- After the successful implementation by the Records Department of the pilot EDRMS, the scope is expanding to include other departments. The Finance Department was next to come on board with implementation successfully achieved. It is anticipated that the EDRMS will roll out to all branches in the new Financial Year.

Gets better...

"This was a difficult year in which the Bank was obliged to implement stringent cost cutting measures and introduce certain policies to protect itself from the effects of a severely negative external environment. Despite the spill over effects of the events of May 19, 2000 the Bank was thus able to achieve a $301,594 net profit" Mr Timoci Vesikula (Chairman)

2000-2005

Launched in 2000, the Small Business Scheme (SBS) was initiated by the government to provide loans carrying interest subsidies for all other communities that do not qualify for the Special Loans Scheme for Fijians, Rotumans and eligible members of minority groups. Similarly, in 2001 the Small Business Equity Scheme (SBES) was established for small businesses who were unable to meet the equity contribution requirement of 20% for total project costs. Economic Rehabilitation Package (ERP) - The FDB was chosen to administer a financial package for those who had suffered massive damage to commercial property and businesses as a result of civil disorder during May 19, 2000. The FDB received a 20th century achievement award from ADFIAP (Association of Development Financing Institutions in Asia and the Pacific) for its service to development financing.

Small holder chicken farm projects were launched looking at lending for the purposes of developing a site, meeting infrastructure construction, plumbing and shed construction costs.

The Bank utilised the services of the user pay services called Data Bureau Limited, the only Credit Bureau in Fiji. In 2004, a Special Northern Division Loan Facility was implemented. FDB launched its Choice Home Loan product. In 2004, FDB introduced its first Small Business Award Competition. The Bank hosted the annual ADFIAP Annual Meetings in Nadi, Fiji. A group of 54-member development Banks in 26 countries in the Asia Pacific Region attended the event.

2006 - 2011

The Bank launched its savings conscious program at the grass root level with the Money $mart and Invest $mart Program. This is currently part of the core curriculum of school children. During the year the Bank introduced 5 new products targeting rural and agricultural projects and export financing. These include the Agricultural & Rural Credit Scheme, Lending for Coconut, Dairy and Beef Farming, and an Export Credit Facility.

The Bank's Maxi Lease Facility was revamped in 2006 to include lease finance arrangements for vehicles, plant and equipment. Choice Home loan product and Lease financing was ceased at the start of 2008.

The Fiji Development Bank introduced the Social Banking facility in July 2008 to provide soft loan access to the poorer segment of the society. The schemes were suspended in December 2009. In 2010, the board approved the addition of two new sub-branches in Nabouwalu, Bua and Somosomo, Taveuni.

Transportation is a major sector in which the Bank has assisted in increasing Fijian participation

F·D·B

your partner in progress

1967
2017

DEVELOPMENT FOR FIJIANS
ACROSS GENERATIONS!

FDB'S MARKET SHARE AS AT 30TH JUNE 2018

	FDB ($mm)	Commercial Banks ($mm)	Credit Institutions ($mm)	Fiji Total ($mm)	FDB as a % of Fiji Total
Agriculture	**102.35**	**51.90**	**20.40**	**174.65**	**58.60**
Sugarcane Growing	19.96	0.10	0.20	20.26	98.52
Forestry & Logging	6.06	18.30	8.70	33.06	18.32
Fisheries	4.64	11.80	1.80	18.24	25.44
Others	71.70	21.70	9.70	103.10	69.54
Mining & Quarrying	**2.64**	**26.50**	**5.20**	**34.34**	**7.69**
Manufacturing	**52.96**	**492.20**	**13.10**	**558.26**	**9.49**
Food, Beverages and Tobacco	32.97	175.80	0.40	209.17	15.76
Textiles, Clothing and Footwear	0.82	80.00	1.40	82.22	0.99
Metal Products and Machinery	0.35	39.70	3.80	43.85	0.80
Others	18.83	196.70	7.50	223.03	8.44
Building and Construction	**143.75**	**690.60**	**62.90**	**897.25**	**16.02**
Real Estate (Development)	**58.92**	**970.00**	**2.40**	**1,031.32**	**5.71**
Non-Bank Financial Institutions	**1.56**	**6.10**	-	**7.67**	**20.34**
Public Enterprises	-	**47.20**	**1.20**	**48.40**	-
Wholesale, Retail, Hotels and Restaurants	**50.01**	**1,370.10**	**44.00**	**1,464.11**	**3.42**
Hotels and Restaurants	29.01	416.10	4.50	449.61	6.45
Other Commercial Advances	20.99	954.00	39.50	1,014.49	2.07
Transport, Communication and Storage	**36.22**	**296.20**	**142.10**	**474.52**	**7.63**
Electricity, Gas and Water	-	**211.50**	**0.70**	**212.20**	-
Professional Business Services	**19.09**	**122.70**	**24.10**	**165.89**	**11.51**
Private Individuals	**14.14**	**2,000.10**	-	**2,014.24**	**0.70**
Housing	12.46	1,516.40	-	1,528.86	0.81
Car or Personal Individual Transport	0.71	135.60	-	136.31	0.52
Others	0.98	348.10	-	349.08	0.28
Central and Local Government	-	**12.90**	**0.20**	**13.10**	-
Other Sectors	**5.40**	**344.50**	**5.70**	**355.60**	**1.52**
TOTAL	**487.05**	**6,642.50**	**322.00**	**7,451.55**	**6.54**

NOTE: Fiji total refers to total loans and leases advances outstanding by all commercial banks, licensed credit institutions and the Fiji Development Bank as at 30th June 2018. The Bank's market share is highlighted.

REVIEW OF RELATIONSHIP & SALES

The Bank provides finance for ventures that contribute to the development of Fiji's economy and improve the quality of life for the people of Fiji.

OVERVIEW

Loan funds are available for businesses and projects in the Agriculture, Small and Medium Enterprise and Corporate business sectors. FDB is well-known for its encouragement of business entrepreneurship from the grass roots level.

The Government uses FDB as a financial instrument for officially-sanctioned development projects and special assistance programmes that may from time to time be implemented.

Over the years FDB has developed a range of loan packages and services aligned with its strategic objectives and changing customer needs, always mindful of the need for flexibility, and the challenge of remaining competitive with other finance providers.

Its 2018 – 2020 Strategic Plan provides a new template for all deliverables.

Lending Activities during the Year

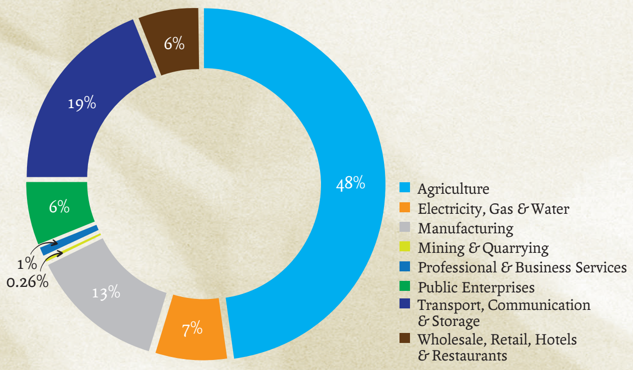
A notable increase was recorded in numbers of Performing Loan accounts, from 4,200 in 2017 to 4,384 in 2018. The portfolio attained a 17.61% increase in value, from $343.68 million in 2017 to $404.21 million in 2018.

Over the same period, the Bank's Non-Performing Loan Portfolio decreased by 12.26%, from $94.41 million to $82.84 million. Number of Non-Performing Loan accounts rose by 23, from 743 to 766, but their value reduced by $11.58 million.

In comparison to 2017 Financial Year, the Bank's total Loan Portfolio at the close of the 2018 Financial Year increased by 11.17% in value and 4.19% in number.

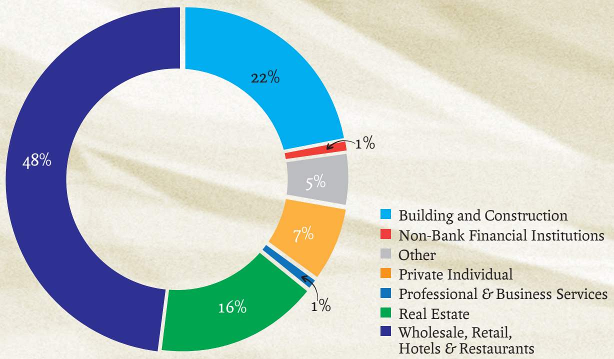
Focused Sector

In number, Focused Sector accounts comprised 80.16% of the Bank's total portfolio, with 4,128 accounts worth $220.98 million, representing 45.37% of its value. This was an increase of 143 in number and $23.09 million in value over 2017. The bulk of the Focused Sector portfolio comprised Agriculture loans at $105.50 million (48%), followed by Transport, Communication & Storage with $40.97 million (19%). The pie chart below shows the full spread of lending in the Focused Sector.



Non-Focused Sector

The Non-Focused Sector portfolio comprised 1,022 accounts, or 19.84% of the Bank's overall total portfolio. From the 2017 Financial Year, this was an increase of 64 new accounts worth $25.86 million, to stand at $266.07 million, representing 54.63% of total lending. In value, the majority of Non-Focused Sector accounts are concentrated in the Wholesale, Retail, Hotels & Restaurants sector (48%). The largest decrease by number and value recorded in 2018 Financial Year was in the Real Estate sector.



MARKET SHARE

As at 30 June 2018, based on total loans and lease advances outstanding by all commercial banks and other licensed credit institutions, the Bank held market share of 6.54%, showing an increase of 0.3% over 2017 Financial Year.

The Bank is notable for holding majority of Agriculture Sector lending in Fiji, with a 58.60% market share. This is an increase of 11.55% in comparison to 2017 Financial Year, and reflects the steadfast commitment of the Bank to ongoing support for clients in this critical sector.

FINANCIAL

Due to the market's liquidity situation, however, the targeted $150 million disbursement could not be achieved.

Nonetheless, the Bank succeeded in achieving a disbursement of $107.45 million, representing 71.63% of the target, managing to grow the portfolio by 11.17%.

Applications

During the 2018 Financial Year, a total of 1,621 applications worth $121.86 million were approved, an increase of 15.79% by number when compared to 2017. The value of applications received during the year rose by 19.41% when compared to the 2017 Financial Year.

CUSTOMERS

At different times over the course of fifty years, the Bank has focused on specific market to improve profitability. In developing products, services and marketing strategies to meet the specific needs of the various segments, it has steadily improved customer acquisition and retention.

The Bank promotes its products and services through the media, and road shows, using timely strategic alliances and other promotional strategies to focus on segments with special potential.

'Misson 500 '

The 2018 Financial Year focused on 'Mission 500', which targeted quality growth in SME and Agriculture loans. The main aim was to market and improve the customer base. Having targeted a portfolio worth $500 million by the year end, at the close of 2018 Financial Year around $487.05 million had been achieved.

Strengthening Outreach

Access to a well–functioning financing system can empower individuals both economically and socially, in particular women and those currently poor, allowing them to better integrate into the economy and actively contribute to the development of the country.

The Bank operates all over Fiji. The Head Office is located in Suva and there are branches in Nausori, Rakiraki, Ba, Lautoka, Nadi, Sigatoka, Savusavu and Labasa. Sub-branches are located in more remote locations such as Nabouwalu, Seaqaqa and Taveuni. This broad network shows a commitment on the part of the Bank to improving economic growth and living standards everywhere.

Making financial services available throughout Fiji's three largest islands, and providing access to finance to all sectors of the community, are essential to our purpose of promoting economic growth and eradicating poverty for all.

During the year, the Bank continued its involvement in community-focused expositions and road shows organised by the Reserve Bank of Fiji, the Ministry of i-Taukei Affairs and the Ministry of Agriculture. The Continuing Market for Change Business Fair, also won staunch FDB support. The event forms part of an international initiative of the United Nations Development Programme (UNDP) to promote gender equality, economic empowerment, safety and security for those seeking to earn a living in public markets.

FDB's National SME Awards

Together with the Government, the Bank continues to encourage and empower Fijians of all backgrounds to engage in business opportunities that can bring lasting benefits to their families and communities.

The high-profile FDB National SME Awards highlight some of these opportunities and give public recognition to successful and innovative participants.

Disaster Rehabilitation Package

In April 2018, in order to provide urgently-required assistance to homeowners and businesses affected by devastating flooding associated with Tropical Cyclone Josie, the Reserve Bank of Fiji reactivated the Natural Disaster Rehabilitation Facility. FDB played a major role in the emergency operation, quickly advancing necessary credit to affected customers at concessional interest rates, in support of the Government's rehabilitation and reconstruction initiatives. In cases of customers facing unexpected difficulty with existing loans, the Bank also authorised repayment moratoriums, interest rate concessions and rehabilitation arrangements. The facility was available till 30 June 2018.

INTERNAL BUSINESS PROCESSES

The Bank continually seeks to improve and add value to the services it provides through changes in its internal processes.

Innovation

The Bank looks to open up new markets and customer segments through the introduction of innovative new products, procedures and services. Ground-breaking advances in technology allowed for online transactions, a dramatically different and simple new way for customers to make repayments, and gain instant access to account information.

Internal Capacity Building

In order to build internal capacity within the Relationship and Sales team, staff rotation takes place every year between its Agriculture, SME and Corporate portfolio. This allows each individual to gain a more holistic perspective of

Air Fiji Plane

FDB supporting the aviation industry in Fiji

the Bank's business, acquire new skills, gain a diversity of experience and expand their knowledge base, so equipping them to better serve their customers.

Significant growth in the Bank's portfolio during the 2018 Financial Year created new job opportunities. Over the coming financial year the staff complement will break the 200 barrier, with an anticipated increase from 199 employees to 214.

Going forward

In order to be a dynamic and efficient service provider to the people and Government of Fiji, encouraging and facilitating development and growth through sustainable lending, FDB will introduce process improvements and continue to expand and develop its workforce. Precise requirements will be regularly reviewed and assessed on a basis of customer flow and portfolio by branch, ensuring that the quality of management and service is maintained and improved across the network.

The Bank will soon be introducing a new 'Yaubula Term Deposit' facility to reduce its cost of funds. While the facility's predecessor was limited to a maximum of just eleven accounts, 'Yaubula Term Deposit' will seek to attract potential institutional investors, as well as additional individual investors.

We look forward also to having ongoing access to very significant sums of development finance via the Green Climate Fund (GCF), with which to finance projects that will help Fiji limit its greenhouse gas emissions and adapt to climate change.

2018 FINANCIAL YEAR DATA BASED ON RBF CLASSIFICATION AS AT 30TH JUNE 2018

PORTFOLIO AS AT 30TH JUNE 2018

	No.		Value	
Focused Sectors	**4,128**	**80.16%**	**$ 220,977,893.02**	**45.37%**
Agriculture	2,862	55.57%	$105,509,759.30	21.66%
Electricity, Gas & Water	14	0.27%	$15,432,076.82	3.17%
Manufacturing	53	1.03%	$29,243,147.53	6.00%
Mining & Quarrying	4	0.08%	$573,995.28	0.12%
Professional & Business Services	79	1.53%	$2,621,352.37	0.54%
Public Enterprise	1	0.02%	$12,816,526.41	2.63%
Transport, Communication & Storage	707	13.73%	$40,975,219.09	8.41%
Wholesale, Retail, Hotels & Restaurants	408	7.92%	$13,805,816.22	2.83%
Non Focused Sectors	**1,022**	**19.84%**	**$266,072,553.55**	**54.63%**
Building and Construction	63	1.22%	$57,528,949.44	11.81%
Non-Bank Financial Institutions	3	0.06%	$1,941,691.14	0.40%
Others	145	2.82%	$14,144,158.63	2.90%
Private Individual	727	14.12%	$18,929,567.56	3.89%
Real Estate	60	1.17%	$42,464,419.90	8.72%
Wholesale, Retail, Hotels & Restaurants	22	0.43%	$128,823,214.70	26.45%
TOTAL PORTFOLIO	**5,150**	**100.00%**	**$487,050,446.57**	**100.00%**

APPROVALS FOR FINANCIAL YEAR 2017 - 2018

	No.		Value	
Focused Sectors	**1,311**	**80.88%**	**$84,515,498.99**	**69.35%**
Agriculture	950	58.61%	$55,789,408.07	45.78%
Electricity, Gas & Water	9	0.56%	$3,243,531.69	2.66%
Manufacturing	17	1.05%	$3,517,307.99	2.89%
Mining & Quarrying	0	0.00%	0	0.00%
Professional & Business Services	33	2.04%	$1,402,061.08	1.15%
Public Enterprise	0	0.00%	0	0.00%
Transport, Communication & Storage	163	10.06%	$14,983,409.51	12.30%
Wholesale, Retail, Hotels & Restaurants	139	8.57%	$5,579,780.65	4.58%
Non Focused Sectors	**310**	**19.12%**	**$37,345,018.37**	**30.65%**
Building and Construction	29	1.79%	$10,318,626.42	8.47%
Non-Bank Financial Institutions	0	0.00%	0	0%
Others	56	3.45%	$6,147,731.31	5.04%
Private Individual	212	13.08%	$3,449,607.64	2.83%
Professional & Business Services	0	0.00%	0	0.00%
Real Estate	6	0.37%	$2,939,382.00	2.41%
Wholesale, Retail, Hotels & Restaurants	7	0.43%	$14,489,671.00	11.89%
TOTAL APPROVALS	**1,621**	**100.00%**	**$121,860,517.36**	**100.00%**

Bright future...

"The vision for FDB in 2020 is that of a development Bank that is strongly positioned as one that drives for changes that promote inclusive, green and sustainable development, providing for innovative financing, business models that incorporate social and environmental safeguards in its lending policies" FDB Board Chair - Mr Bob Lyon.

2012 - 2017

The Sustainable Energy Financing Facility (SEFF) was approved and launched in May 2010. In July, 2011 the Bank through the Department of Energy was designated as a participating financial institution by the World Bank for its Sustainable Energy Financing Facility partial guarantee. The facility is in line with government initiatives to reduce imports of fossil based fuels. In 2015 the Bank hosted its first ever market day at the Suva Head Office car park, this initiative was an opportunity for Bank clients to sell their produce at a location where there is minimum competition.

The Fiji Development Bank was tasked with disbursing the $1Million grant set aside for the development of micro and small enterprises. Following a stringent process, the grant committee had finalised the 7,744 recipients who had been approved to receive the grant. This is from a total of 25,789 applications that were received. Out of these 23,417 applications were received from FDB's 11 branches Fiji wide.

Board approval for the 2016 Bank Realignment Scheme had already seen some of the changes that will lead to enhanced portfolio quality and customer satisfaction, through improved service delivery. Three Regional Managers have been appointed.

Since July 2015, FDB has been working towards obtaining GCF accreditation to access structured funding for feasible climate change adaptation projects. The Green Climate Fund is a fund within the framework of the UNFCCC founded as a mechanism to assist developing countries in adaptation and mitigation practices to counter climate change. Once accreditation has been achieved, FDB will be able to on-lend and offer climate financing opportunities.

F·D·B

your partner in progress

1967
2017

DEVELOPMENT FOR FIJIANS
ACROSS GENERATIONS!

REVIEW OF BUSINESS RISK SERVICES

Like all Development Financial Institutions, Fiji Development Bank is continually exposed to various degrees of risk. This is part and parcel of its mandate as a catalyst to economic development, focusing largely on Agriculture and rural sectors.

OVERVIEW

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

In the 2018 Financial Year a new Enterprise Risk Management framework was developed to introduce and maintain a Risk Register based on identified potential risk events across the organisation. The entire Bank undertook a review of its business units, operations and procedures to identify and maintain an inventory of internal controls mapped to key risk areas, assessment of mitigating controls, and risk treatment. The risk capacity, appetite and tolerance level would form the basis for risk parameters and risk ratings for each possible event. The Enterprise Risk Management Unit was directed to assist in the development of the framework and the monitoring of key risk indicators.

The maintenance and updating of the Bank's policies and procedures is enforced through acceptable documentation standards under various guidelines and manuals. The Lending Manual contains all lending procedures and policies that are widely used on a daily basis. It is accessible to all staff and branches through the Bank's intranet services. The Planning Unit was strengthened during the year to address the demands of a changing business environment and changing customer needs through policy reviews and amendments. The review of sectorial portfolio distribution enabled the establishment of a reasonable lending target directly related to sectorial contribution to GDP.

PRODUCT AND POLICY REVIEW

The Bank had also to respond to reviews of external regulations and Government policies. The review of Land Transport Authority regulation for example, resulted in the upgrading of Road Service Licences and Taxi Permits to tradeable commodities. There was a sudden rise in their marketability, and the new regulation allowed financiers to use road licences to secure borrowings.

The rise in taxi numbers, a history of stable industry income and the sudden increase in the value of permits pushed sales to the ceiling. Affordability then became an issue against lending restrictions imposed by the Bank. A review of the Credit Score System and Credit Assessment System was necessary to address the changes.

CREDIT ADMINISTRATION UNIT

The Credit Administration Unit (CAU) was set up during the Bank's 2016 realignment, which was under review during the year, and a supervisor appointed to manage loan documentation and data entry on the Bank Management System (BMS). Training, and hands-on experience added to the Unit's efficiency.

CAU handles all settlement documentations and certification, while the Legal Department had responsibility for all post-settlement documentation and renewals. A review saw loan documentation for Corporate (Prime) Loans being channelled to the Legal Department, in addition to the Insurance and Records Departments. The roles of both is to ensure that the Bank's risk is minimised through perfection of all security documentation.

FINANCIAL

BRS contributes to the Bank's income through various mechanisms including fee based agency agreements. Negotiation with insurance agencies resulted in agreement renewals with improved rates of commission and other benefits to customers. Review of agency agreements with digital service providers and money transfer agents were also revisited. Legal service fee income increased during the term with new business created. The BRS division also supported the introduction of the Term Deposit facility and explored opportunities to access other funding sources, both globally and locally.

The Division incorporated strategies to manage costs by reducing expenses and initiating process streamlining measures. Each unit was tasked with developing and implementing a structured system with defined procedures for re-engineering and cost control, and measurable outcomes. A number of processes were reviewed and changes made, allowing the deployment of time and resources to other productive areas.

The Credit Risk and Approval Unit maintained close monitoring of the Bank's portfolio performance in order to ensure early detection of any deterioration of account grading, recommend appropriate attention and creating appropriate allowances for loan losses. The streamlining of credit approval decision-making processes, coupled with the minimizing of loan application rework and rewrite time, improved the Unit's speed of delivery without compromising on quality.

At the outset of the 2018 Financial Year the Bank's total portfolio value stood at $444.69 million, and by year's end, a growth of 9.53% ($42.36 million) was achieved. The "Mission 500" target of a $500 million total portfolio however, was not realised. This is accounted for by the declining value of new business from January, decline in loan applications in March and April, and a gradual downward trend of undrawn funds. From April, Tropical cyclones Keni and Josie had a further, and significant, negative impact on business growth.

In terms of the Non-Performing Loan (NPL) portfolio, at the beginning of the Financial Year the NPL portfolio stood at $83.60 million with portfolio plummeting to $79.19 million in November 2017 due to rehabilitation of a large NPL account and gradually increasing up to $82.84 million at the end of the Financial Year. The overall movement suggested a decrease in NPL by 0.92% for the financial year.

CUSTOMERS

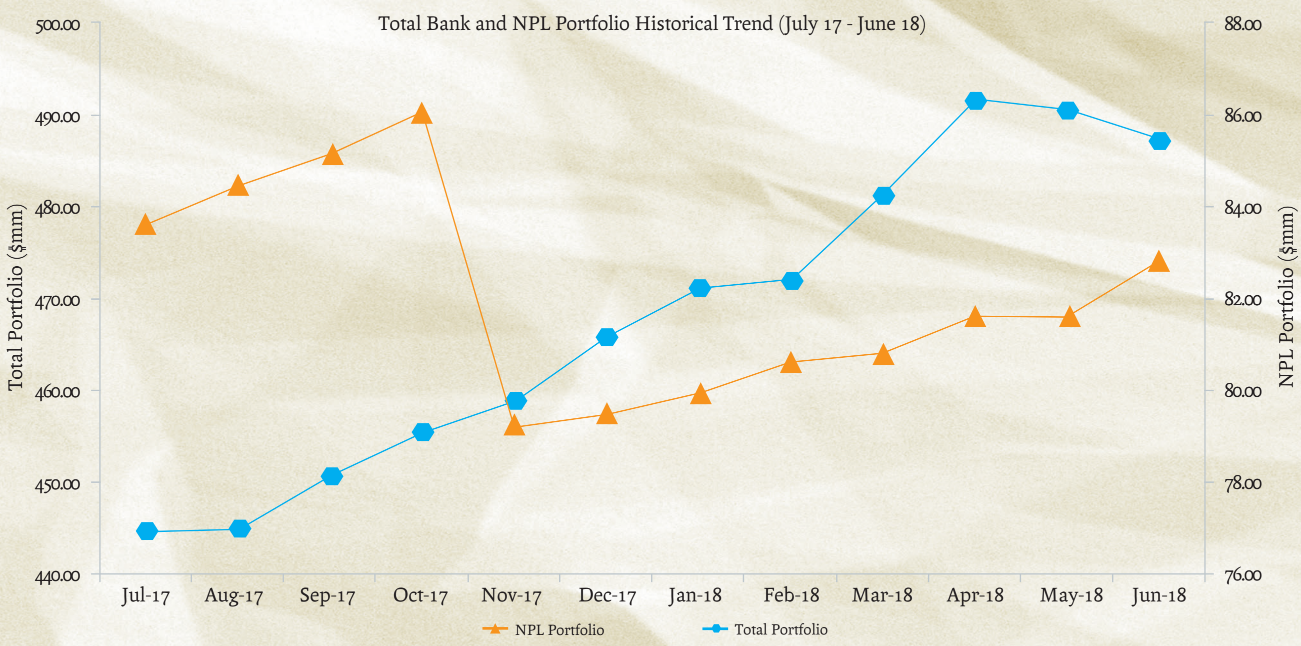
More than 70% of the Bank's customer base is in the Agriculture and Small Business Sectors, and consequently are subject to high funding costs. Elevated interest rates are a constraint for growth and economic development for small business ventures, and may even prevent them ever seeing the light of day. The Bank constantly strives to assist borrowers through the diversification of its funding base, in order to improve its cost of capital.

Towards the end of the 2018 Financial Year, following a routine 6-monthly review of its pricing and despite attempts to reduce internal costs, the Bank found it necessary to pass on a marginally increased cost of funds (3.28%, from 3.27% for 2017) to its customers.

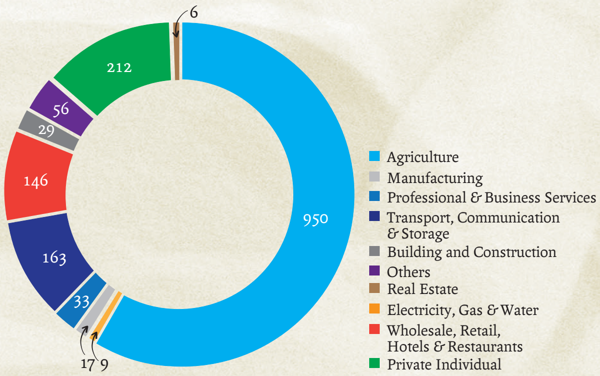
We were not alone in this. All Fiji financiers faced the same dilemma at this time.

The Government frequently assists the Bank by providing subsidies in certain circumstances, allowing loans to be offered at manageable rates. As part of this arrangement, special rates are available to customers in the North, to boost economic activity in the region.

The Bank is also able to access low-cost funds via the Reserve Bank's Import Substitution & Export Finance Facility (ISEFF). Additionally, in consideration of its unique development role, the Bank's newly-acquired Green Climate Fund accreditation will soon permit it access to substantial levels of low-cost international finance, to advance certain specifically-favoured sectors.



2018 FINANCIAL YEAR APPROVALS



The majority of Bank approvals for the 2018 Financial Year spanned the Agriculture, Transport, Communication and Storage, Wholesale, Retail, Hotels and Restaurants, Building and Construction, Manufacturing and Others sectors.

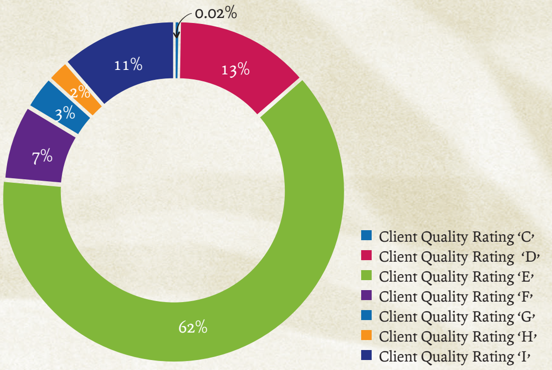
Approvals were skewed towards the Focused Sectors at 69.35% by value. In other words, the Bank gave emphasis to Agriculture, Transport, Manufacturing and Small and Medium Enterprises above more Commercial category lending.

Other Financial institutions offering attractive interest rates for commercial and large business ventures present competition for FDB in its traditional lending sectors. In response the Bank further emphasized establishing clear underwriting standards measured through customer survey and timely and quality service delivery throughout the year.

The Bank's outreach programmes targeting the rural and un-bankable sectors in addressing new risk areas and finding the missing link lead to the design of a product that does not normally comply to general Banking practices. A number of potential new products were examined and existing ones reviewed, with networking and business linkages with stakeholders created, and agreements entered into. This included concept papers on the Agriculture Family Loan facility – a product for farmers without formal lease, Infrastructure Cash Flow Financing, review of the Taxi, Minibus and Bus loan product.

ASSET QUALITY

This mechanism applies grades to the Bank's accounts. In the 2018 Financial Year in terms of the quality composition of the Bank's portfolio, also known as the Client Quality Rating, 83% of accounts were classified performing, achieving grades 'C', 'D', 'E' and 'F'. Non-performing accounts that were either under rehabilitation or recovery processes were graded 'G', 'H' or 'I'.



INTERNAL BUSINESS PROCESSES

The identification of the right set of competencies is important for each unit in promoting enhanced capability and the quality of performance of internal processes. The Bank continues to recruit new officers to its risk and business understanding process in order to meet customer expectations in terms of cost effective, efficient and supportive relationships.

Reviews were conducted of inter-departmental service level expectations in support of customer satisfaction. Each unit was encouraged to challenge and trim processes, and eliminate unnecessary costs and deficiencies. A cultural change and new motivation tactics were introduced to energise and empower staff as driven by the Talent and Organisational Development division.

EMPLOYEE ENGAGEMENT

Various department and unit meetings are held daily, weekly, fortnightly or monthly, while the Enterprise Risk & Business Development (ERBD) team publishes ThisWay, an internal monthly newsletter that keeps staff up to date on what is happening within the Bank generally.

COMMUNITY & ENVIRONMENT

Over the past seven years, the BRS division has established a tradition of visiting the Children's Cancer Ward at the Colonial War Memorial Hospital, bearing gifts and refreshments and singing favourite Christmas carols. The occasion is one of shared joy, for the children and their visitors alike.

Other units embark on community projects of their own, often joining forces with inter-department colleagues in environment-related projects such as tree and mangrove planting.

CONCLUSION

From a BRS perspective the future looks bright, with trends showing growing Bank portfolio with a healthy proportion of approval in the Focused Sector, notably Agriculture and SMEs. Ongoing measures are in place to prevent Non-Performing Loan portfolio levels from escalating, while continuous efforts are made to revive struggling projects to performing status or work out non-recoverable loans. Customers can look forward to new and exciting products and a constantly improving FDB experience.

CJ Patels Warehouse

The new Lami warehouse development in it's final stages of completion, a project financed by the FDB

REVIEW OF TALENT AND ORGANISATIONAL DEVELOPMENT

In order to remain competitive and build on the achievements of 50 years in a new, increasingly dynamic and fast changing environment, the Bank determined that the path forward lay in an all-encompassing organisational and cultural transformation.

OVERVIEW

This saw the need for leadership development and people management, conducted in an environment of continuous learning, innovative thinking, and a universal commitment to steady growth. The transformation will be achieved through adherence to the Bank's values of Development, Innovation, Collaboration, Integrity and Accountability (DICIA), in support of new business strategies and six thematic goals as earlier described.

The driving principle of the Bank's transformation journey is to enrich staff satisfaction, productivity and engagement levels to ultimately translate into superior and delightful customer experiences and achievement of FDB strategic goals.

INTERNAL BUSINESS PROCESSES

A thorough review was approved by the Board for implementation in the second quarter, to ensure that the Bank's employment policies supported its business strategy, aligned with HR industry best practice and complied with regulatory employment requirements. Comprehensive staff education sessions were then conducted to promote staff understanding and buy-in across the network. 86.03% of staff participated attaining the minimum 80% pass mark in a mandatory online quiz. The exercise is to be repeated at 6-monthly intervals to ensure that staff remain constantly informed and aware.

An enhanced objective Performance Management System (PMS) incorporating clearly defined objective measurable performance targets was implemented. This aimed at aligning staff key performance indicators (KPIs) with the Bank's corporate goals. The previous minimum KPI benchmark of 80% was raised to 90%, with merit points awarded. The Bank also amended the staff PMS submission period to align with its Financial Year and corporate performance, rather than individual start dates. Mandatory 6-monthly staff performance reviews due end of January and July were also introduced, with support provided to facilitate the achievement of KPIs.

The changes cumulatively produced more meaningful staff performance assessments, with shifts seen across all five ratings bands.

A critical Job Evaluation (JE) exercise was undertaken in collaboration with PriceWaterhouseCoopers to determine appropriate remuneration levels throughout the organisation, and ensure the Bank's competitiveness in attracting and rewarding the best talent.

A review of the Bank's talent development and training under the Bank's existing Monitoring and Evaluation (M&E) framework also took place. Kirkpatrick's four-level evaluation model was used to track and report on learning outcomes applied upon staff returning to their respective work areas, in consultation with staff and their immediate superiors. It is accepted that the impacts will likely not be immediate, since staff need time to become adept at applying newly-acquired knowledge and skills. However, the now revamped M&E framework will ensure continuity of on-the-job staff development, while providing a measure of the Bank's return on investment in this area. Training outcomes will ultimately be realised, and reflected in the Bank's overall performance and service delivery.

A marked improvement in recruitment turnaround time standards for the Bank's vacant positions.

Efforts to automate and digitise TOD functional processes for improving operational efficiencies and provide staff with timely talent management and development services are going.

The TOD Audit & Compliance team's rating for 2018 of 'Satisfactory' indicated overall compliance with Bank policy and processes, with minor routine control and follow-up weaknesses identified for improvement.

LEARNING AND GROWTH

A comprehensive Bank-wide Training Plan based on a needs analysis was submitted to develop role-specific technical, behavioural and leadership competencies. Its end aim is to further enhance the customer experience, grow the Bank's business and enrich staff professional and personal growth.

The launch of the Bank's first-ever Emerging Leaders Programme (ELP) saw the selection of fifty high-performing individuals with future leadership potential, as determined by management-approved criteria. The initiative used the Bank's Vision, Values and the 2018 - 2020 Strategic Plan as the basis to design, deliver and evaluate a change management, leadership & culture transformation and organisational development programme that is values-based and outcomes-driven.

Feedback from ELP participants has been overwhelmingly positive and reveals previously unexpressed passions concerning the need to develop productive personal connections with customers and colleagues alike.

The Bank's first staff recognition programme also met with enthusiastic approval. Based on staff feedback from the Bank's 2017 Employee Engagement Survey (EES), the CEO's Employee Excellence Awards (EEA) recognise and reward outperforming and inspirational individuals, leaders and teams who live and work according to the Bank's five values. The CEO's EEA Awards are now generating a proud and healthy culture of competitiveness amongst individuals and teams, inspiring them to excel and perform beyond standard expectations.

EMPLOYEE ENGAGEMENT

The Bank's ongoing commitment to actively engage and collaborate with its people and deliver on its corporate mandate is evidenced by two surveys conducted during the course of the year.

An early July employee engagement survey (EES) attracted 86.03% participation against a target of 80%. Key areas of improvement noted by employees were recognition to which the CEO's EEA was developed, improved communication, succession planning for key leadership roles, a wider understanding of bank systems and processes, and the availability of supportive resources with appropriate improvement action undertaken by management during the year.

In response to staff requests for improved two-way communications, TOD committed to measures ensuring staff are well informed of key developments throughout the organisation. These range from circulars and email alerts to one-on-one and group talanoa sessions, with face-to-face presentations always featuring a question and answer session to assure understanding and provide clarity. The formal approach was supplemented by quarterly pairs visit of General Managers to branches and centres.


T.W. Ltd, Design and manufacture of textiles


Cattle rancher Frieda Billings inspects her imported breeding bull with loans officer Jaiwant Krishna of the Seaqaqa branch.

The Leadership Circle Survey (LCS) in April aimed to ascertain staff views on the Bank's existing leadership culture and their desired leadership culture and practices going forward.

The findings in summary were as follows:

- the desired style of leadership is different to the style of leadership observed and experienced by staff;
- staff seek a leadership approach combining Creative/ Above the Line (relating, self-awareness, authenticity, systems awareness and achieving) with Reactive/Below the Line (controlling, protecting and complying).
- the current FDB leadership style is impeding business performance and has correlation to ineffectiveness and poor-performance.

In acknowledgement of staff feedback, appropriate action plans were put in place for the Bank's respective leaders at all levels to act and deliver on to ensure identified leadership gaps are diminished, leaders do more of the expressed desired leadership attributes and staff also do their part in collectively transforming the Bank's leadership and organisation culture to staff expressed expectations.

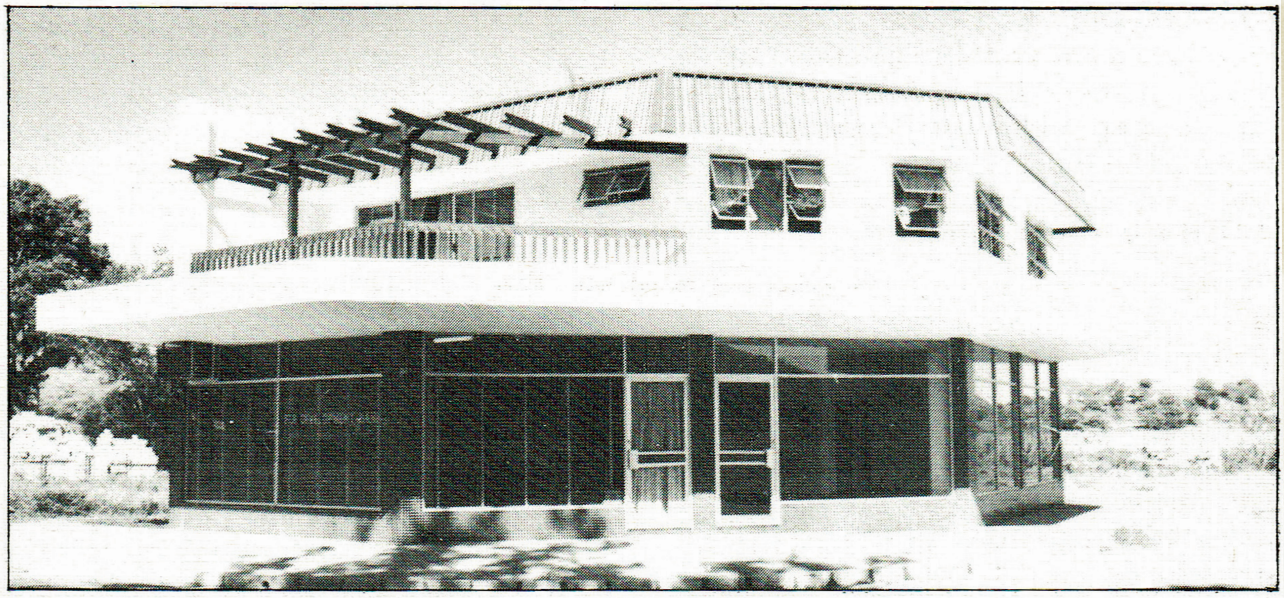
In view of the alarming increase of non-communicable diseases (NCDs) in Fiji – the main cause of death in the country – a more participatory approach to influencing staff lifestyles was advocated through a new Bank Wellness Programme.

CONCLUSION

The above mentioned achievements could not have been accomplished without the sustained commitment of our team members and Bank colleagues.

Going forward, priority areas of focus are to stay abreast of global talent management, organisational design and development trends, and best practices including digitalisation. These will be key influencing factors in the Bank's transformation in the immediate future, and its success over the next 50 years and beyond.

Reclaimed foreshore for the Hotel Development, in front of the Development Bank Centre.



The Bank is endeavouring to provide better service to the rural people. This new building houses the Bank's Rakiraki Bran ch and it was officially opened in February this year.

Home financed under FDB's Housing Loan Scheme help to improve our people's living standards.

FDB'S 2017 NATIONAL SMALL AND MEDIUM ENTERPRISE AWARDS

Among the changes mapped out for the Bank under its 2018 – 2020 Strategic Plan was an extensive revamp of the FDB Small and Medium Enterprise (SME) Awards. This entailed the elevation if the awards to a national level with the conceptualization of a brand for the SME awards with redefined incentives for applicants and integrated stakeholder engagement.

The Awards objectives, categories, sponsorship packages and the presentation event itself were all modified to underline FDB's role in progressing the Sustainable Development Goals and the global Climate Change Action Framework as a development financial institution.

The 2017 FDB's National Small and Medium Enterprise Awards (2017 NSMEA) were the first to feature a formal logo, accompanied by a theme line inspired by the Bank's hopes and dreams for Fijians of the future: 'Promoting SME Growth for Future Generations.' The event saw the longest applications drive thus far, attracting a record number of entries vying for the highest-value prize pool ever – up from $36,000 to $66,000 – and sponsorships to the value of more than $100,000. The most extensive judging process to date saw visitations to 143 SMEs across Fiji, while the event was broadcast live on television and given the highest-value media coverage, both paid and unpaid, in its history.

Proceedings began with an official launch on 29 November 2017 at which the Board Chair delivered an address outlining the changed structure of the Awards, welcomed new partners and sponsors and took questions from the media. The drive for applications then ran for 37 days, attracting a total of 355 entries for 13 awards from 168 individual businesses. 143 were shortlisted for visitation of which 24 failed to qualify.

A total of 119 applications were then evaluated by an independent panel of judges, which went on to select thirteen proud and impressive winners, who would receive their awards from His Excellency Major-General (Retired) Jioji Konusi Konrote, the President of Fiji, at a ceremony held at the Grand Pacific Hotel on 9 February 2018.

Together with a custom-made plaque and recycled-paper certificate of appreciation, twelve of these received prize money of $5,000, while the outright winner was rewarded with $6,000.

MEANINGFUL BRANDING

The new awards logo design pays tribute to the natural assets both onshore and off, on which our island economy is based, while reminding us of Fiji's vulnerability in an era of rising sea levels. The use of green alludes to the nation's rich land resources and to Fiji's imminent access to funding for clean energy projects through the Green Climate Fund, to which FDB is to hold the key. The gold represents the warmth that radiates from our people, the sun that is the lifeblood of our tourism industry, and our current cause for celebration: our Golden Jubilee.

INCLUSIVE OBJECTIVES

FDB has a deep commitment to the delivery of environmentally-sustainable development financing that focuses on growth for all. It is adept at addressing and overcoming challenges accompanying such development, and in forging public and private partnerships that promote the growth of SMEs, especially in the Rural, Agriculture, Industrial and Commerce sectors.

Previously, the core objective of the Bank's Small and Medium Enterprise Awards was to promote and encourage SME development through the recognition of successful and innovative entrepreneurs. To this has been added responsibility for progressing the Sustainable Development Goals set out in FDB's 2018 – 2020 Strategic Plan. The NSMEA have therefore been restructured accordingly.

This expanded purpose is already evident in the remodeled NSMEA, now geared towards the promotion of SMEs that embrace sustainability for the benefit of both present and future generations. The Awards now also serve a critical empowerment function, boosting the resilience of the SME sector through recognition of SMEs demonstrating a commitment in line with FDB's own, to the wider national development agenda.

Winner	Developing SMEs Category	Sponsor
Priority Fresh Supplies	Agriculture Award	Sun Insurance Company Pte Limited
Hari Deo	Advanced Agriculture Award	Vinod Patel & Company Pte Limited
Vanua Clay Fiji	Tourism Award	Sun (Fiji) News Pte Ltd
8Mountains	Wholesale & Retail Award	Quality Print Limited
Fijiana Cacao	Manufacturing Award	Kookai
Kidsfirst Fiji	Professional Business Services Award	Fijian Holdings Limited
Winner	Value-adding SMEs Category	Sponsor
Devesh and Bharos Farms	Green Conscious SME Award	New India Assurance Fiji
Chand's Towing Services	Best Risk Managed SME Award	Sun Insurance Company Pte Limited
Winner	Responsive SMEs Category	Sponsor
Devesh and Bharos Farms	Climate Change Responsive SME Award	Mechanical Services Limited
Winner	Special Awards Category	Sponsor
Kidsfirst Fiji	Woman Entrepreneur of the Year	Ministry of Women, Children and Poverty Alleviation
Devesh and Bharos Farms	Most Resilient SME Post- TC Winston Award	The Reserve Bank of Fiji
Chand's Towing Services	Youth Rookie Entrepreneur of the Year	Ministry of Industry, Trade and Tourism
Winner	National SME of the Year Category	Sponsor
Devesh and Bharos Farms	2017 National SME of the Year	Fiji Development Bank

Devesh and Bharos Farms [DBF] is a commercial nursery in Votualevu, Nadi supplying high quality seedlings and other crops suitable for export to a network of local farmers, tourism wholesalers as well as exporters of agricultural produce at large volumes. DBF has championed in its local community by showing considerable contribution to creation of decent work by employing close to twenty locals, of which 15 are women.

Farmers with access to quality seedlings from DBF are better enabled to produce higher yields and new varieties of crops throughout the year, enabling them to plant produce during off-season periods.

Devesh & Bharos Farms is the 2017 National SME of the Year, winner of the Green Conscious SME Award in the Value-adding SMEs Category sponsored by New India Assurance Fiji, winner of the Most Resilient SME Post T C Winston Award in the Special Awards Category sponsored by Reserve Bank of Fiji and winner of the Climate Change Responsive SME Award in the Responsive SMEs Category sponsored by Mechanical Services Limited.

Tropical Cyclone Winston caused considerable loss to DBF's seedling stock and structural damages to their nursery in 2016 and was assisted by the Fiji Development Bank [FDB] and Market Development Facility [MDF] for rehabilitation.

The SME showed resilience and did not just bounce back for business but became one of the nurseries used by the European Union and the Secretariat of the Pacific Community (SPC) to support the rehabilitation of Fijian farmers post TC Winston. DBF supplied 20,000 fruit and vegetable seedlings to the Ministry of Agriculture through the EU funded IKSA programme to boost the country's food security efforts by supplying farmers with seedlings to regrow their crops.

To strengthen its own disaster resilience, DBF has employed the idea of storing its seedlings in containers which have been slightly modified for storage.

MDF is also now helping DBF to improve its internal business controls to better manage the expansion of its business and assist the company with disaster mitigation plans to better enable them to become disaster resilient.

DBF's Managing Director Devesh Nath started the farm with minimal resources sourced from his farm for personal use. After seeing a surge in demand for seedlings from farmers, he constructed a proper nursery for business with financial assistance from his family and later formed partnership with MDF as well as FDB.

The newly completed DBF's greenhouse is currently operating in full capacity and can now raise 70,000 seedlings per month covering a variety of horticultural vegetables, fruits and crops.

The facility has the capacity to raise 3 million seedlings a year.

CELEBRATING 50 YEARS OF DEVELOPMENT FOR FIJIANS

- The Bank thanks six distinguished customers

Developing Fijians across generations since 1967, the Bank marked its fiftieth year of establishment this Financial Year.

The anniversary year has been rewarding for Fiji's only national development financial institution with the launch of a new Strategic Plan that strongly positioned the Bank on its way to progressing global sustainable goals and the national climate change framework.

On 28 July 2017, the Prime Minister, Hon. Josaia Voreqe Bainimarama, launched the Bank's yearlong 50th anniversary celebrations at the Grand Pacific Hotel in Suva.

The dynamic Fiji Development Bank of today is the product of its fifty years as a key contributor to Fiji's evolution as a nation. As ever, it gains satisfaction from providing financial backing, encouragement and expert guidance to Fijian businesses and projects.

The FDB prides itself in its tagline of "Your Partner in Progress". The Bank recognizes that its mandate of providing financing that contributes to the development of the Fijian economy comes with great responsibility. Outwardly, ordinary individuals provide ideas, aspirations and commitment which can change their lives, and those of their families and communities.

The Bank expressed its warm appreciation for their outstanding loyalty at Golden Jubilee Cocktail events across the country, where each of these very familiar faces received a personalised Plaque of Appreciation as a unique token of our gratitude.

Our three long-standing Northern Division customers received their special recognition award from the Hon. Mereseini Vuniwaqa, Minister for Women, Children and Poverty Alleviation. While in the Western Division, our two long-standing customers received their special recognition award from chief guest, Resident Magistrate Mr. Mosese Naivalu.

Fiji owes much of its economic evolution over the past five decades to the unflagging efforts of not only the Bank, but to many thousands of far-sighted customers like these. Going forward as an increasingly dynamic force for development, FDB will continue to fuel national economic growth through its committed support of the enterprising grass roots individual.

We will go on providing essential funding, encouragement and expert guidance to outwardly ordinary citizens whose ideas, the aspirations and inspiration they have to rise above their circumstances, enrich their lives and those of their families, bring positive change to their communities, and cumulatively, to their country.

Chandra Lekha, a valued FDB client since 1976.
Award-winning Fiji Development Bank's funded dairy farmer Chandra Lekha manages her 36 herd cattle farm all by herself at Vunidawa in the province of Naitasiri.

The initial loan approval was of $9,000 to her husband on 15 December 1976. She then took a loan for development cost and to date has been a client of FDB. The Bank has financed Lekha's business in value of $87,715.24 since 1976.

The mother of four manages her 59 acres' freehold land herself. She also plants dalo on her farm most of which is flat land ideal for grazing and dairy. Lekha was recently awarded at the launch of the Bank's 50th anniversary celebrations for being one of the longest serving client of the Central Division.

Ms. Chandra Lekha receives her award from the Hon. Prime Minister Frank Bainimarama for being the longest serving client of the Central Division

Mohammed Yakub Khan, a valued FDB client since 1978.
One-time sports celebrity Mr Khan, known in his wrestling days as 'King of Fiji', is the man behind family-owned trucking and earthmoving partnership M Y Khan & Company. This local hero has been in the Bank's corner since 1978. To date, FDB has financed Mohammed's business operations to the tune of $1.3 million.

Mr Khan receives his Plaque of Appreciation from chief guest, Resident Magistrate Mr. Mosese Naivalu.

Arjun Naidu, a valued FDB client since 1975.

Mr. Naidu is one of the longest serving clients of FDB in the Western Division. Having been involved in sugarcane farming all his life, this gentleman still works his farm at the age of eighty. FDB provided Mr. Naidu with the initial loan for both his farm and his home.

Mr Naidu receives his Plaque of Appreciation from chief guest, Resident Magistrate Mr. Mosese Naivalu.

Parbha Wati, a valued FDB client since 1995.

The Bank's partnership with Ms Wati, a sugarcane farmer of Vunitavawau, began in July 1995 when the Bank made an advance available to re-finance a sizeable loan from a commercial Bank. This was at a time Ms Wati had six small children as well as her farm to manage single-handed, following the loss of her husband. Further loans over the years enabled her to purchase a tractor and meet farm development costs. Her hard work, backed by FDB support, has seen her cane output rise to over 500 tons per year. Her earnings have paid her children's educational and other expenses, allowed her to renovate the family home, and helped her live a healthy and happy life.

Ms Wati receives her Plaque of Appreciation from the Hon. Mereseini Vuniwaqa in Labasa.

Salacieli Ravatuniwasaliwa, a valued FDB client since 1976.

A Seaqaqa sugarcane, yaqona and livestock farmer, Mr Ravatuniwasaliwa is another high-volume cane producer with a crop of more than 500 tons annually. His yaqona production is also very significant. From 1976 on there was never any question in his mind about where to find funding for his business ventures.

Mr Ravatuniwasaliwa receives his Plaque of Appreciation from the Hon. Mereseini Vuniwaqa in Labasa.

Bashir Khan, a valued FDB client for 47 years.

The Bank's long and productive association with this well-known Labasa businessman began in 1970, when he founded his Vunimoli Sawmills business. He is also the man behind Vanualevu Hardware Fiji Limited, and has recently gone into property rental, with FDB assisting with construction finance for a shopping mall. Mr. Khan's business journey is truly illustrative of the role of the development Bank. He finds reward not only in his personal success, but in knowing that the businesses he has created with the Bank's support are providing employment and incomes for others.

Mr Khan receives his Plaque of Appreciation from the Hon. Mereseini Vuniwaqa in Labasa.

Chandra, Mohammed, Arjun, Parbha, Salacieli, Bashir, we respectfully thank you all. The Bank does not use the term 'valued customer' lightly.

THE BANK THANKS SOME NOTABLE STAFF MEMBERS

The Bank prides itself in promoting a culture of family, and a sense of belonging. When the question arose of recognition for individuals as part of our Golden Jubilee celebrations, as well as long-established customers our thoughts turned immediately to their counterparts, on staff.

As of 28 July 2017, fourteen of the current FDB team had given the Bank thirty years' of faithful service. Their long years of loyalty were acknowledged at the Bank's 50th Anniversary Celebrations Cocktail, with a personalised Plaque of Appreciation individually presented by the Hon. Josaia Voreqe Bainimarama, Prime Minister and Minister for iTaukei Affairs and Sugar Industry.

Aisake Radu, 29 years of service.
"Vinaka Vakalevu Aisake"
The Bank's Regional Manager Central Eastern, Aisake joined the Bank in 1988 as Loans Officer Industrial and went on to prove himself a natural and adaptive leader as Manager Seaqaqa, Savusavu, Labasa, Lautoka, and Nadi.

Mr. Radu receives his Plaque of Appreciation from the Prime Minister.

Litia Lomalagi, 29 years of service.
"Vinaka Vakalevu Litia"
Litia, Team Leader Asset Management Unit North and the 'Heavenly Lady', also joined the FDB family in 1988. Initially a Head Office Loans Officer, Litia later held positions in Audit, Human Resources, and Special Projects.

Litia Lomalagi (middle) in younger days

Viliame Bauleka, 32 years of service.
"Vinaka Vakalevu Viliame"
The FDB Manager Nausori Branch joined the Bank in 1985 as a Student Trainee, and was promoted to Loans Officer Suva branch three years later. Over his long career he has served as Credit Officer - Western, Agriculture and Development Finance and Manager Credit Risk Small and Medium Enterprise.

Mr. Bauleka receives his Plaque of Appreciation from the Prime Minister.

Shaukat Ali, 30 years of service.
"Vinaka Vakalevu Shaukat"

Regional Manager Western, Mr Ali joined FDB as a Loans Officer Training in October 1987. He later served in our Lending Division, Audit Division, Business Risk Services, Corporate Business Services Western, Asset Management Unit before becoming Manager Relationship and Sales Ba.

Mr. Ali receives his Plaque of Appreciation from the Prime Minister.

Paula Toga, 30 years of service. "Vinaka Vakalevu Paula"

The Bank's Manager Relationship and Sales Sigatoka joined the Bank as a Loans Officer in 1987 and was later promoted to Senior Loans and Business Manager positions and served in Ba, Labasa, Savusavu and Lautoka branches.

Mr Toga receives his Plaque of Appreciation from the Prime Minister.

Aralai Takala, 31 years of service.
"Vinaka Vakalevu Aralai"

Aralai joined the Bank in 1986 as a Clerical Officer. Her later roles included Accounts Officer (Data Control), Training Support Officer and Agriculture Department Administration Officer. She's now a valued member of the Credit Administration Unit as a Credit Documentation Officer.

Happy days. Aralai and friends in earlier times, standing between her colleague in the red top and the gentleman in the white shirt.

Mereani Finau Rika, 31 years of service.
"Vinaka Vakalevu Mereani"

Since coming to FDB as a Clerical Officer in 1986, she has gone through many side transfers till 2014 holding the positons as Relationship and Sales Support Officer Suva Branch.

Litiana Qilu (back row, second from the right), Vasemaca Vukialau (first row, first from the left) and Mereani Finau Rika (front row, first from the right).

Vasemaca Vukialau, 32 years of service.
"Vinaka Vakalevu Vasemaca"
Following her initial appointment in 1985 as Clerical Officer Rakiraki, Vasemaca went on to become Accounts Officer Reconciliation with the Finance Department following various side transfers from 1985 to 2012. Later she was promoted as an Asset Management Officer, a position she holds currently.


Vasemaca receives her Plaque of Appreciation from the Prime Minister.

Litiana Qilu, 32 years of service.
"Vinaka Vakalevu Litiana"
Known for her efficiency, the jovial Litiana Qilu came on board as a typist with Regional Office Central Eastern in 1985. She went on to become Customer Service Officer before joining the Corporate Department as Administration Officer and Administration Officer Nausori Branch a position she currently holds.


Litiana receives her Plaque of Appreciation from the Prime Minister.

Adrienne Raman, 32 years of service.
"Vinaka Vakalevu Adrienne"
Described by colleagues as caring, cheerful, dedicated and hard-working, Adrienne began her FDB career in 1985 as a typist in the Research and Marketing Department. Two years later she was transferred to the Agriculture Department before becoming Customer Service Officer in 2004. From 2008 she held the position of Administration Officer SME Department until her transfer to the Credit Administration Unit with her current position as Credit Documentation Officer.


Adrienne receives her Plaque of Appreciation from the Prime Minister.

Nafitalai Cakacaka, 32 years of service.
"Vinaka Vakalevu Nafitalai"
Nafitalai Cakacaka began his career as a Loans Officer. His later roles included Manager Special Loans Scheme, Manager Lautoka, Manager Administration, Area Manager Central Eastern and Northern, Executive Manager Business Risk Services and Manager Risk Corporate. He currently holds the position of General Manager Business Risk Services. This quiet and generous gentleman champions Climate Change and Financial Literacy, finds strength and guidance in religion, and for relaxation turns to golf, at which he excels!


Mr Cakacaka receives his Token of Appreciation from the Board Chairman after receiving the award from the Prime Minister.

Veronika Teresia Gukibau, 33 years of service.
"Vinaka Vakalevu Veronika"
Affectionally also known as Di Vero or 'Lady Marama', Veronika joined FDB in 1984. Her career path has taken her from Clerical Officer/Typist in Personnel, Suva Branch and the Business Development Department to Personal Assistant to General Manager Loans and Administration. She has held her current position as Personal Assistant to the Chief Executive Officer since 2004.

Veronika receives her Plaque of Appreciation from the Prime Minister.

Tevita Madigibuli, 35 years of service.
"Vinaka Vakalevu Tevita"
Mr Madigibuli began his remarkable career with the Bank as a Trainee Loans Officer at Head Office in December 1982, later transferring to Savusavu to continue his training. He then held numerous positions at Head Office and elsewhere in the roles of Senior Loans Officer Agriculture, Assistant Manager Special Loans, Manager Rakiraki, Manager Sigatoka, Manager Asset Management Unit and Executive Manager Asset Management Unit Suva, prior to his appointment as General Manager Relationship and Sales in 2011.

Mr Madigibuli (front row, second from the right).

Salote Tavainavesi, 39 years of service.
"Vinaka Vakalevu Salote"
This remarkable lady is FDB's longest-serving staff member. Salote joined as a Loans Officer in 1978. Her journey saw her being promoted to Assistant Manager Agriculture prior to her appointment as Assistant Manager Legal, following her completion of a Law degree. In 1999 Salote was appointed Manager Legal Services, a position she holds to this day – together with that of lead vocalist of the FDB Choir.

The remarkable Salote Tavainavesi receives her Plaque of Appreciation from the Prime Minister.

It is the Bank's hope that all present staff members will be inspired by these fourteen dedicated and hard-working individuals to create for themselves equally long and illustrious FDB careers.

CORPORATE SOCIAL RESPONSIBILITY

As Fiji's foremost Development Financing Institution (DFI), Fiji Development Bank approaches its corporate social responsibility with both social and organisational goals.

Just as the Bank funnels mainstream development funding to those economic sectors most deserving of it, the Bank's Donations and Sponsorship Programme operates under strictly enforced guidelines designed to direct assistance to causes through which it can deliver deserved and meaningful benefit.

SUPPORT FOR SOCIAL INCLUSION

During the 2018 Financial Year, FDB proudly continued its association with the Viti Spinal Injuries Association of Fiji, a non-profit organisation committed to improving the quality of life for people living with spine-related impairments. The Association's vision is of an integrated community in which affected individuals are valued as highly as anyone else, and ensured equal access to everything society has to offer.

This precisely mirrors the Bank's own thinking.

The development of FDB products in which inclusion is specifically inbuilt is already underway. We are currently working to complete a Gender Equity and Social Inclusion Policy designed around these same objectives. We intend to eventually see inclusion for all formally incorporated in all Bank policy, and in every operational and service delivery decision taken by the Bank.

As ever, in 2018 Financial Year, the Bank sponsored events and initiatives which brought much-appreciated benefits to the community at large: the St John Association of Fiji Charity Golf Day, the Telecom Charity Drive for Save the Children Fund and Vodafone's Friendly North Festival.

FDB AS A MOTIVATOR OF POWERFUL DEVELOPMENT PARTNERS

The Bank's role as a development advocate is crucial, and as well as the wider public, it endeavors to maintain a motivating momentum amongst influential private sector players. In 2018 Financial Year, the FDB gave its support to the Top Executive Conference (TOPEX), an initiative of the Fiji Commerce and Employers Federation. The symposium saw a pool of top executives deliberating on how the private sector they represent can contribute to improving the economy.

A PARTICULAR FOCUS ON FIJI'S SINGLE MOST IMPORTANT DEVELOPMENT SECTOR, AND YOUTH

FDB enjoys a very close relationship with the critically important Agriculture Sector. Unsurprisingly, the Bank has the largest market share in this segment of any lending institution – 58.60% at June 2018. The Bank's commitment to Agriculture is applied across the entire spectrum of agricultural activity. Currently we increasingly promote investment in mechanisation and advanced technologies.

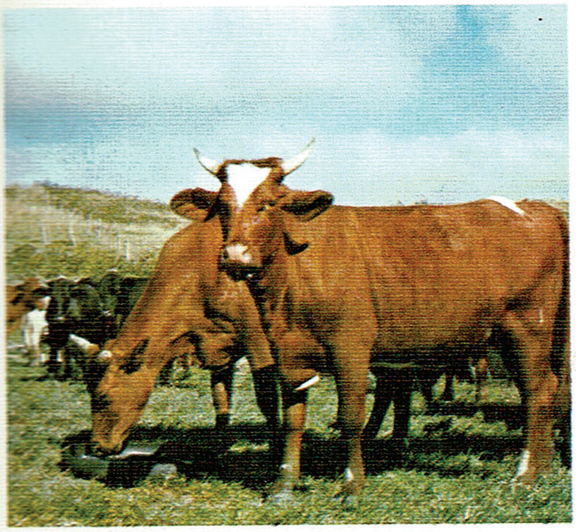
Building capacity in Agriculture is always a given FDB priority. The Bank considers itself the natural catalyst for cultivating interest in Agriculture among successive generations of rural youth. It gives encouragement to tertiary institutions promoting academic achievement in Agriculture, and indeed all FDB Focused Sectors, and Finance as well.

We proudly sponsored the Most Outstanding Bachelor of Agriculture Graduate at the University of the South Pacific's 2017 medal and prize awards ceremony, as well as supporting the USP Career and Internship Fair in 2018.

The Bank also maintains a busy calendar of activities focusing on health and wellness, and staff engagement with staff social clubs is actively encouraged. We lead by example, sponsoring the hotly contended 2017 Business House Bowls tournament for example.

POVERTY ERADICATION AND ECONOMIC EMPOWERMENT

The Bank's enduring commitment to projects contributing to poverty eradication and the economic empowerment of women and youths was once again evident in 2018: FDB continued its support of the country's largest microfinance body, South Pacific Business Development Microfinance Ltd (Fiji), and its annual awards.



ONGOING ENCOURAGEMENT FOR FIJI'S EXPORT-FOCUSED SMES

FDB is resolved to see more and more 'ordinary' Fijians emerging as exporters, actively and visibly contributing to the development of the nation. Our sponsorship of the Emerging Exporter of the Year Award at the 2017 Prime Minister's International Business Awards, was a clear expression of our ongoing commitment to the success of these remarkable individuals.

PROMOTION OF EARLY FINANCIAL LITERACY

FDB's award-winning financial literacy programmes, Money $martTM and Invest $martTM, were specifically designed to empower Fiji's schoolchildren and enable them to make informed financial decisions from a young age. The twin initiatives were integrated into the national school curriculum following the signing of a Memorandum of Understanding between the Bank and the Ministry of Education in 2006.

Money $martTM became part of the Commercial Studies syllabus of 162 Fiji secondary schools at Year 9 level, in 2007. Its key elements include budgeting, opening a savings account and forming a savings plan. The programme was later expanded into a two-year programme concluding with the Fiji Junior Certificate Examination.

Invest $martTM, which builds on the foundations of Money $martTM by teaching students how to identify opportunities for investing their savings, was introduced in 2011, at Year 10 level. It encourages these youngsters to learn more about the financial markets and where their money can achieve the best returns. Each year, close to 30,000 students continue to benefit from the two programmes.

TAKING FINANCIAL LITERACY TO THE WIDER COMMUNITY AND SMES

With the conclusion of the original Memorandum of Understanding in 2017, the Bank embarked on a review and expansion of its Financial Literacy programmes. Its relaunch as a financial inclusivity mechanism will aim to make investors of communities, women, youths, tertiary students and pensioned retirees.

The Bank will also publish a financial literacy booklet under the FDB $martTM Series umbrella, specifically for the edification of agriculture and SME operators, highlighting strategies for money management in growing their businesses.

FINANCIAL REPORT

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2018

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 2018, the related statement of comprehensive income, the statement of cash flows and statement of changes in equity for the year ended on that date and report as follows.

DIRECTORS

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

Current Directors

Mr	Robert G. Lyon	-	Chairperson; reappointed on 29/09/2016
Mr	Vadivelu Pillay	-	Deputy Chairperson; reappointed on 23/12/2017
Mr	Inia Rokotuiei Naiyaga	-	Reappointed on 23/12/2017
Mr	Rajesh Patel	-	Reappointed on 23/12/2017

PRINCIPAL ACTIVITIES

The principal business activities of 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 Group during the year.

RESULTS

The consolidated profit for the year ended 30 June 2018 was $7,411,742 (2017: $8,155,268) after providing an income tax expense of $251 (2017- $nil). The profit for the Bank for the year was $7,411,091 (2017: $8,154,749).

DIVIDENDS

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

GOING CONCERN

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

BAD AND DOUBTFUL DEBTS

Prior to the completion of the financial statements, the Directors took reasonable steps to ascertain that action had been taken in relation to writing off of bad debts and allowance recorded by the 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 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 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 Group in the current financial year.

NON-CURRENT ASSETS

Prior to the completion of the financial statements of Fiji Development Bank ('the Bank") and its subsidiary Company ("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.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2018

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

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

OTHER CIRCUMSTANCES
As at the date of this report:

(i) no charge on the assets of the Bank or its subsidiary 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 its subsidiary could become liable; and
(iii) no contingent liabilities or other liabilities of the Bank or its subsidiary 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 subsidiary company 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 or its subsidiary 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 or of a related corporation) by reason of contract made by the Bank 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 26th day of November 2018.

Director

Director

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
STATEMENT BY DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2018

In accordance with a resolution of the Board of Directors of Fiji Development Bank and its subsidiary, 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 2018;

(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 2018;

(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 2018;

(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 2018;

(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 26th day of November 2018.

Director

Director

OFFICE OF THE AUDITOR GENERAL

Excellence in Public Sector Auditing

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 FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of Fiji Development Bank ("the Bank") and the consolidated financial statements of Fiji Development Bank and its subsidiary company (collectively "the Group"), which comprise the statement of financial position as at 30 June 2018, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and the Directors' Report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank and the Group as at 30 June 2018, of its financial performance, its changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Fiji Development Bank Act (Cap 214).

Basis for Opinion

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

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

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

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

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

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Independent Auditor's Report (Continued)

Report on Other Legal and Regulatory Requirements

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

In my opinion:

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

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

....
Ajay Nand
AUDITOR-GENERAL

Suva, Fiji
12 December 2018

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	CONSOLIDATED		THE BANK	
		2018 $	2017 $	2018 $	2017 $
Assets					
Cash and cash equivalents	9	44,683,382	24,566,853	44,681,557	24,549,882
Investments held to maturity	10	2,049,316	2,032,397	2,000,000	2,000,000
Loans and advances	11	397,529,316	354,820,471	397,529,316	354,820,471
Receivable due from subsidiary	12	-	-	406,820	404,820
Other receivables	13	2,837,174	2,806,063	2,463,384	2,431,512
Investment in subsidiary	14	-	-	20,000	20,000
Investments	15	15,001	15,001	15,001	15,001
Property and equipment	17	20,389,179	17,637,904	20,389,179	17,637,904
Computer Software -Intangibles	18	140,638	180,567	140,638	180,567
TOTAL ASSETS		467,644,006	402,059,256	467,645,895	402,060,157
Liabilities					
Accounts payable and accruals	20	3,827,098	6,077,304	3,823,650	6,072,217
Debt securities issued	21	295,078,368	237,177,512	295,078,368	237,177,512
Other liabilities	22	6,960,293	4,492,860	6,960,293	4,492,860
Employee entitlements	23	767,990	1,031,309	767,990	1,031,309
Deferred income		3,036,756	2,718,512	3,036,756	2,718,512
TOTAL LIABILITIES		309,670,505	251,497,497	309,667,057	251,492,410
Equity					
Capital	24	56,050,636	56,050,636	56,050,636	56,050,636
Reserves		15,048,508	15,048,508	15,048,508	15,048,508
Accumulated profits		86,874,357	79,462,615	86,879,694	79,468,603
TOTAL CAPITAL AND RESERVES		157,973,501	150,561,759	157,978,838	150,567,747
TOTAL LIABILITIES AND EQUITY		467,644,006	402,059,256	467,645,895	402,060,157

Signed on behalf of the board of directors in accordance with a resolution of the directors this 26th day of November 2018.

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 61 to 80.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	CONSOLIDATED		THE BANK	
		2018	2017	**2018**	2017
		$	$	**$**	$
INCOME					
Interest income	3	32,423,538	25,369,427	32,423,538	25,369,427
Interest expense	6	(9,251,202)	(7,411,560)	(9,251,202)	(7,411,560)
Net interest income		23,172,336	17,957,867	23,172,336	17,957,867
Fee income	4	4,248,986	3,801,367	4,248,986	3,801,367
Other income	5	2,869,389	2,763,885	2,867,470	2,762,644
OPERATING INCOME		30,290,711	24,523,119	30,288,792	24,521,878
OPERATING EXPENSES	7	(13,762,521)	(12,364,041)	(13,761,253)	(12,363,319)
OPERATING PROFIT BEFORE ALLOWANCES		16,528,190	12,159,078	16,527,539	12,158,559
Allowance for credit impairment	11	(5,035,555)	(1,772,938)	(5,035,555)	(1,772,938)
Allowance for Interest & Fees	8	(4,080,893)	(2,230,872)	(4,080,893)	(2,230,872)
PROFIT BEFORE TAX		7,411,742	8,155,268	7,411,091	8,154,749
Tax expense	1(q)	-	-	-	-
PROFIT FOR THE YEAR		7,411,742	8,155,268	7,411,091	8,154,749
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,411,742	8,155,268	7,411,091	8,154,749

The statements of comprehensive income are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 61 to 80.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

CONSOLIDATED

	Notes	Capital $	General reserve $	Revaluation reserve $	Accumulated profits $	Total $
Balance at 30 June 2016	24	56,050,636	8,064,000	6,984,508	71,307,347	142,406,491
Total other comprehensive income		-	-	-	-	-
Net profit for the 2017 year		-	-	-	8,155,268	8,155,268
Balance at 30 June, 2017		56,050,636	8,064,000	6,984,508	79,462,615	150,561,759
Total other comprehensive income		-	-	-	-	-
Net profit for the 2018 year		-	-	-	7,411,742	7,412,096
Balance at 30 June 2018		56,050,636	8,064,000	6,984,508	86,874,357	157,973,855

THE BANK

		Capital $	General reserve $	Revaluation reserve $	Accumulated profits $	Total $
Balance at 30 June 2016	24	56,050,636	8,064,000	6,984,508	71,313,854	142,412,998
Total other comprehensive income		-	-	-	-	-
Net profit for the 2017 year		-	-	-	8,154,749	8,154,749
Balance at 30 June 2017		56,050,636	8,064,000	6,984,508	79,468,603	150,567,747
Total other comprehensive income		-	-	-	-	-
Net profit for the 2018 year		-	-	-	7,411,091	7,484,518
Balance at 30 June 2018		56,050,636	8,064,000	6,984,508	86,879,694	157,978,838

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 61 to 80.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	CONSOLIDATED 2018 $ Inflows (Outflows)	CONSOLIDATED 2017 $ Inflows (Outflows)	THE BANK 2018 $ Inflows (Outflows)	THE BANK 2017 $ Inflows (Outflows)
OPERATING ACTIVITIES					
Interest and subsidy received		32,312,065	26,146,053	32,312,065	26,144,305
Interest and other costs of borrowing paid		(8,624,230)	(7,183,123)	(8,624,230)	(7,183,123)
Net additional loans and advances provided		(51,044,941)	(62,615,253)	(51,044,942)	(62,615,253)
Fees received		1,077,539	4,104,776	1,077,539	4,104,776
Cash paid to suppliers and employees		(9,953,628)	(12,330,824)	(9,938,481)	(12,328,900)
Other receipts		2,020,556	2,752,645	2,020,556	2,752,645
Net additional loans in Small and Micro Grant Portfolio		39,211	2,598,498	39,211	2,598,498
Net cash (used in) Operating Activities		(34,173,428)	(46,527,228)	(34,158,282)	(46,527,052)
INVESTING ACTIVITIES					
Proceeds from the sale of property, plant and equipment		60,000	11,814	60,000	11,814
VAT refunds for rental properties		153,644	-	153,644	-
Payments for property, plant and equipment		(3,824,583)	(1,530,146)	(3,824,583)	(1,530,146)
Net cash used in investing activities		(3,610,939)	(1,518,332)	(3,610,939)	(1,518,332)
FINANCING ACTIVITIES					
Net increase in long-term borrowings		39,300,646	12,284,705	39,300,646	12,284,705
Net increase in short-term borrowings		18,600,250	3,761,280	18,600,250	3,761,280
Net cash provided by Financing Activities		57,900,896	16,045,985	57,900,896	16,045,985
Net increase/(decrease) in cash and cash equivalent		20,116,529	(31,999,575)	20,131,675	(31,999,399)
Cash and cash equivalents at the beginning of the financial year		24,566,853	56,566,428	24,549,882	56,549,281
Cash and cash equivalents at the end of the financial year	9	44,683,382	24,566,853	44,681,557	24,549,882

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 61 to 80.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Fiji Development Bank ("FDB") 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 Group for the year ended 30 June 2018 comprise the Bank and its subsidiary company. The Group is primarily involved in the provision of finance, financial and advisory services to assist in the development of agriculture, commerce and industry in Fiji.

The financial statements were authorised for issue by the directors on 11th October, 2018.

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 measurement of available for sale of financial assets and financial instruments held at fair value through profit or loss. In addition, land and buildings are carried at re-valued amount.

(c) Accounting standards not yet effective

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

Standard: IFRS 9 'Financial Instruments'
Summary of the requirements: This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. The Bank is in the process of assessing the impact of this standard.

Effective Date: Annual periods beginning on or after 1 January 2018

Standard: IFRS 15 'Revenue Contracts'
Summary of the requirements: IFRS 15 was issued in 2014 by IASB and contains new requirements for the recognition of revenue and additional disclosures about revenue.

Effective Date: Annual periods beginning on or after 1 January 2018

Standard: IFRS 16 'Leases'
Summary of the requirements: IFRS 16 removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of low-value assets are exempt from the lease accounting requirements. There are also changes in accounting over the life of the lease. In particular, companies will now recognize a front-loaded pattern of expense for most leases, even when they pay constant annual rentals.

Lessor accounting remains similar to current practice i.e. lessor continue to classify leases as finance and operating lease

Effective Date: Annual periods beginning on or after 1 January 2019

(d) 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.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Use of estimates and judgements (continued)

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 – Allowance for credit impairment
- Note 1(h) – Valuation of land and buildings

(e) Principles of consolidation

Subsidiary

The consolidated financial statements of the Group include the financial statements of the Bank and its wholly owned subsidiary as disclosed in Note 14. Control exists when the Bank 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 the Bank and the controlled entity have been eliminated in the consolidated financial statements.

(f) Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefit will flow to the Group and that the revenue can be reliably measured. The principal sources of revenue are interest income, government interest subsidies, fees and charges.

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 also impaired as doubtful debts to profit or loss.

(g) 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.

(h) 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 profit or loss.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property and equipment (continued)

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's land and buildings were last revalued by Rolle Associates and these valuations were adopted by the Bank within the 2016 financial year. The next revaluation on land and buildings is expected to be conducted in the following financial year.

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 amortized 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.

(i) Intangible assets

The Bank 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.

(j) Loans and advances

Loans and advances net of lending allowances include direct finance provided to customers such as term loans, lease finance, working capital and import letter of credits.

Term loans are carried at amortised cost using effective interest method plus outstanding interest accrued. Finance leases are shown net of unearned interest. There were no new finance leases granted in the current financial year.

Policies adopted in classifying loans

Each customer account is graded individually using established guidelines. Critical factors include collectability of all principal and interest based on the contractual agreement and the security offered by the borrower.

Impaired and past due assets

The Bank has disclosed components of its loan portfolio that have been classified as impaired and past due assets. The following broad categories have been used in classifying impaired and past due assets:

(i) **Non-accrual loans**
A loan is classified as non-accrual if there is reasonable doubt over the ultimate recoverability of the principal or interest based on the contractual agreement. Non-accrual loans are those where interest and fees have been suspended and are recognized in profit or loss only when received.

(ii) **Restructured loans**
Restructured loans are those where the original terms of the contract have been modified to provide concessions of principal and/or interest to the borrower because of financial difficulties.

(iii) **Past due loans**
Facilities that are classified under past due are loans that are more than 30 days in arrears but which are not non-accrual or restructured.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Loans and advances – Impairment allowance

Loan accounts are reviewed throughout the year to assess the allowance for impairment. The Bank has individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

Individually assessed allowance is maintained to cover identified impairment. The individually assessed allowance requirement (representing new and increased individually assessed allowances less individually assessed releases) is recorded in profit or loss.

Individually assessed allowances are made against individually significant financial assets and groups of financial assets with similar credit risk characteristics for those that are not individually significant. The determination of the amount of specific allowance is based on many factors including credit evaluation of the borrowers, value of security and collateral held, current economic conditions and past experience.

Recoveries, representing excess transfers to the specific allowance, are credited to the profit or loss.

Collective allowance

All other loans and advances that do not have an individually assessed allowance are assessed collectively for impairment. Collective allowances are maintained to reduce the carrying amount of portfolios of similar loans and advances to their estimated recoverable amounts at the balance date.

Collective allowance is maintained on all loans based on the Credit Risk Rating "(CRR)" and is allocated to reflect the associated risk. The collective allowance is based on a percentage and is reviewed on a yearly basis.

Bad debts written off / recovered

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.

Impairment

The Bank assesses at each balance date whether there is any objective evidence of impairment.

If there is objective evidence that an impairment loss on loans, advances and other receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the expected future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. Short-term balances are not discounted.

(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 amortization 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 recognized 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 includes cash on hand and at Bank and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short- term commitments.

(o) Other debtors

Other receivables are stated at amortised cost less impairment losses.

(p) Accounts payable and accruals

Accounts payable and accruals are stated at amortised cost.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 Group has a present obligation to pay, resulting from employees' services provided up to the balance date. The accrual is based on current wage and salary rates and includes related on-costs.

Long service leave

The liability for employees' entitlements to long service leave represents the amount payable to employees, based on current wage and salary rates, for services provided up to balance date. The liability for long service leave increases according to the number of years of service completed by the employee.

Gratuity

The accrual for gratuity represents amounts payable to permanent employees who have achieved in excess of the minimum ten years of service on retirement, and is based on current wage and salary rates.

Triennial leave

The triennial leave is payable to employees on completion of every three years of service and is based on staff's grade.

Number of employees

The number of employees as at 30 June 2018 was 194 (2017: 176).

(s) Contingent liabilities and credit commitments

The Group is involved in a range of transactions that give rise to contingent and / or future liabilities. 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 Group's 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 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 25.

(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) Investments held-to-maturity

Held-to-maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the Bank and the Group has the intention and the ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Amortisation is included as 'other income' in the income statement. The losses arising from impairment of such investment are recognised in the income statement line 'impairment losses on financial investments'.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Other receivables

Other receivables include interest receivable investments, interest subsidy receivable, deposits, prepayments and receivable from the subsidiary company.

In the consolidation process, receivables from the subsidiary company in the Bank's book of accounts are eliminated against corresponding payables recorded in the subsidiary company'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 Group has access at that date.

When available, 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 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 abilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

2018	Carrying amount			Fair value			
	Held to maturity	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Assets	$	$	$	$	$	$	$
Investments held to maturity	2,000,000	-	2,000,000	-	2,586,303	-	2,586,303
	2,000,000	-	2,000,000	-	2,586,303	-	2,586,303
Liabilities							
Bonds	-	178,800,000	178,800,000	-	179,588,227	-	179,588,227
Promissory notes	-	24,000,000	24,000,000	-	23,407,564	-	23,407,564
		202,800,000	202,800,000	-	202,995,791	-	202,995,791
2017							
Assets							
Investments held to maturity	2,000,000	-	2,000,000	-	2,677,012	-	2,677,012
	2,000,000	-	2,000,000	-	2,677,012	-	2,677,012
Liabilities							
Bonds	-	147,200,000	147,200,000	-	147,478,616	-	139,293,106
Promissory notes	-	36,600,000	36,600,000	-	35,960,177	-	35,960,177
		183,800,000	183,800,000	-	183,438,793	-	183,438,793

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018

	CONSOLIDATED		THE BANK	
	2018	2017	**2018**	2017
	$	$	**$**	$
3 INTEREST INCOME				
Interest Income (non – subsidised)	28,421,157	21,976,009	28,421,157	21,976,009
Interest Subsidies – (received / receivable from the Government for:				
- Agricultural loans	2,785,570	2,310,259	2,785,570	2,310,259
- Commercial Loans to Fijians Scheme	100,649	129,098	100,649	129,098
- Economic Rehabilitation Package Scheme	1,297	1,159	1,297	1,159
- Small Business Scheme	826,622	850,718	826,622	850,718
- Northern Rehabilitation Package	288,243	102,184	288,243	102,184
	4,002,381	3,393,418	4,002,381	3,393,418
	32,423,538	25,369,427	32,423,538	25,369,427
4 FEE INCOME				
Application fees	175,380	183,080	175,380	183,080
Establishment fees	642,575	508,738	642,575	508,738
Commitment fees	429,575	488,314	429,575	488,314
Bank Service fees	1,924,822	1,677,343	1,924,822	1,677,343
Arrears fees	174,475	141,800	174,475	141,800
Legal fees	901,399	801,412	901,399	801,412
Other fee income	760	680	760	680
	4,248,986	3,801,367	4,248,986	3,801,367
5 OTHER INCOME				
The following items are included in other income:				
Gain on sale of property, plant and equipment	267,823	10,000	267,823	10,000
Bad debts recovered	566,450	822,581	566,450	822,581
Insurance commission	137,667	118,330	137,667	118,330
Rental income	839,294	744,877	839,294	744,877
Other Income	1,058,155	1,068,097	1,056,236	1,066,856
	2,869,389	2,763,885	2,867,470	2,762,644
6 INTEREST EXPENSES				
Interest paid - Bonds	6,876,251	5,486,064	6,876,251	5,486,064
Interest paid on Call	1,135,250	652,964	1,135,250	652,964
Interest paid on Promissory Notes	1,147,283	1,191,197	1,147,283	1,191,197
Other administrative cost	92,418	81,335	92,418	81,335
	9,251,202	7,411,560	9,251,202	7,411,560
7 OPERATING EXPENSES				
Items included in administrative expenses:				
Amortisation of bond discounts	4	89	4	89
Auditors' remuneration	39,996	39,996	39,996	39,996
Directors' fees	174,710	135,460	174,710	135,460
Depreciation and amortisation	989,101	1,001,964	989,101	1,001,964
Employee costs	9,263,159	7,908,557	9,263,159	7,908,557
Other Expenses	3,295,551	3,277,975	3,294,283	3,277,253
	13,762,521	12,364,041	13,761,253	12,363,319

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018

8 ALLOWANCE FOR INTEREST AND FEES

	CONSOLIDATED		THE BANK	
	2018 $	2017 $	2018 $	2017 $
Allowance for Interest	3,790,715	1,978,901	3,790,715	1,978,901
Allowance for Fees	290,178	251,971	290,178	251,971
	4,080,893	2,230,872	4,080,893	2,230,872

9 CASH & CASH EQUIVALENTS

	CONSOLIDATED		THE BANK	
	2018 $	2017 $	2018 $	2017 $
Petty cash	1,980	1,980	1,980	1,980
Overdraft facility	15,500	15,000	15,500	15,000
Western Union facility	12,000	12,000	12,000	12,000
Deposit accounts -Branches	24,819,261	18,813,714	24,817,436	18,796,743
Bank of South Pacific- Call account	1,476,011	172,662	1,476,011	172,662
Bank of Baroda- Head Office	2,237,514	3,840,403	2,237,514	3,840,403
HFC Bank- Head Office	16,026,171	1,504,229	16,026,171	1,504,229
Westpac Bank- Head Office	94,945	206,865	94,945	206,865
	44,683,382	24,566,853	44,681,557	24,549,882

The Bank maintains an overdraft facility of $15,000 to cater for staff withdrawals based on their eligibility level and also maintains $12,000 for Western Union money transfer facility. Deposit accounts are maintained for the Bank's daily transactions with its clients and the accounts earn interest at floating rates based on daily rates. Nabouwalu branch was given a float of $500 for the Overdraft facility.

Restricted Funds

The cash at bank includes money received from the Government to be distributed to micro and small businesses as grant. As at 30 June 2018, $39,210.94 (2017: $2,598,499) 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 micro and small businesses meeting certain criterions it cannot be used for any other activity.

10 INVESTMENTS HELD TO MATURITY

	CONSOLIDATED		THE BANK	
	2018 $	2017 $	2018 $	2017 $
Investment In bonds	2,049,316	2,032,397	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 two term deposit aggregating to $49,316 (2017: $32,397) held by FDB Nominees Limited in Home Finance Corporation at 4.00% and 4.80% for a term of 12 months respectively.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018

11 LOANS AND ADVANCES

	CONSOLIDATED		THE BANK	
	2018	2017	**2018**	2017
	$	$	**$**	$
Loans and advances	487,058,189	438,105,461	487,058,189	438,105,461
Allowance for interest and fees suspended	(19,186,493)	(17,227,702)	(19,186,493)	(17,227,702)
	467,871,696	420,877,759	467,871,696	420,877,759
Allowance for credit impairment	(70,342,380)	(66,057,288)	(70,342,380)	(66,057,288)
Net loans and advances	397,529,316	354,820,471	397,529,316	354,820,471

Loans and advances include finance lease provided to customers. There were no new finance leases granted in the current financial year.

A breakdown of the Bank's gross loans and advances to customers is as follows:

Current	35,211,501	35,643,505	35,211,501	35,643,505
Non-current	451,846,688	402,461,956	451,846,688	402,461,956
Total	487,058,189	438,105,461	487,058,189	438,105,461

Allowance for credit impairment is represented as follows:

Individually assessed allowance				
Balance at the beginning of the year	57,825,298	57,790,714	57,825,298	57,790,714
Charge to the profit or loss	3,218,430	487,673	3,218,430	487,673
	61,043,728	58,278,387	61,043,728	58,278,387
Bad debts written off against allowance for credit impairment	(750,463)	(453,089)	(750,463)	(453,089)
Balance at the end of the year	60,293,265	57,825,298	60,293,265	57,825,298
Collectively assessed allowance				
Balance at the beginning of the year	8,231,990	6,946,725	8,231,990	6,946,725
Charge to the profit or loss	1,817,125	1,285,265	1,817,125	1,285,265
	10,049,115	8,231,990	10,049,115	8,231,990
Total allowance for credit impairment	70,342,380	66,057,288	70,342,380	66,057,288

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018

12 RECEIVABLE FROM SUBSIDIARY

	CONSOLIDATED		THE BANK	
	2018 $	2017 $	2018 $	2017 $
FDB Nominees Limited	-	-	406,820	404,820

13 OTHER RECEIVABLES

	CONSOLIDATED 2018 $	CONSOLIDATED 2017 $	THE BANK 2018 $	THE BANK 2017 $
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	731,391	619,918	722,546	619,918
Other	2,105,783	2,186,145	1,740,838	1,811,594
	2,837,174	2,806,063	2,463,384	2,431,512
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 2018 $	CONSOLIDATED 2017 $	THE BANK 2018 $	THE BANK 2017 $
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 2018 $	CONSOLIDATED 2017 $	THE BANK 2018 $	THE BANK 2017 $
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

16 LAND HELD FOR RESALE

	CONSOLIDATED 2018 $	CONSOLIDATED 2017 $	THE BANK 2018 $	THE BANK 2017 $
Nasarawaqa Estate				
Cost at beginning of the year	99,426	99,426	99,426	99,426
Impairment at the beginning of the year	(94,531)	(94,531)	(94,531)	(94,531)
Impairment expense during the year	-	-	-	-
Impairment at the end of the year	4,895	4,895	4,895	4,895
Contributions to project	(4,895)	(4,895)	(4,895)	(4,895)
	-	-	-	-

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018

17 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED AND THE BANK				
	Land and Buildings $	Plant and Equipment $	Fixtures and Fittings $	Work in Progress $	Total $
Cost or valuation					
Balance at 1 July 2016	15,140,912	6,780,948	119,975	217,905	22,259,740
Acquisitions during the year	-	114,784	1,885	1,392,112	1,508,781
Transfer in /(out)	594,164	273,125	-	(867,289)	-
Disposals	(700,000)	(355,051)	-	-	(1,055,051)
Balance at 1 July 2017	**15,035,076**	**6,813,806**	**121,860**	**742,728**	**22,713,470**
Acquisitions during the year	-	531,908	-	3,277,075	3,808,983
Disposal	(58,000)	(882,022)	(3,479)	-	(943,501)
Transfer In/(out)	3,289,522	632,623	-	(3,922,145)	-
Balance at 30 June 2018	**18,266,598**	**7,096,315**	**118,381**	**97,658**	**25,578,952**
Accumulated Depreciation					
Balance at 1 July 2016	87,794	4,262,972	113,135	-	4,463,901
Depreciation charge for the year	188,536	758,397	2,795	-	949,729
Disposal	-	(338,063)	-	-	(338,063)
Balance at 1 July 2017	**276,330**	**4,683,306**	**115,930**	-	**5,075,566**
Depreciation charge for the year	183,438	748,662	1,472	-	933,572
Disposal	(1,748)	(814,142)	(3,475)	-	(819,365)
Balance at 30 June 2018	**458,020**	**4,617,826**	**113,927**	**-**	**5,189,773**
Carrying amount					
Balance at 1 July 2016	15,053,118	2,517,976	6,840	217,905	17,795,839
Balance at 30 June 2017	14,758,746	2,130,500	5,930	742,728	17,637,904
Balance at 30 June 2018	**17,808,578**	**2,478,489**	**4,454**	**97,658**	**20,389,179**

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 Rolle Associates and these valuations were adopted by the Bank within the financial year 2016.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018

18 COMPUTER SOFTWARE - INTANGIBLES

	CONSOLIDATED		THE BANK	
	2018	2017	**2018**	2017
	$	$	**$**	$
Balance at the beginning of the year	362,937	341,573	362,937	341,573
Acquisitions during the year	15,600	-	15,600	-
Work in Progress	-	21,364	-	21,364
Balance at the end of the year	378,537	362,937	378,537	362,937
Accumulated Amortisation				
Balance at the beginning of the year	182,370	130,135	182,370	130,135
Amortisation charge for the year	55,529	52,235	55,529	52,235
Balance at the end of the year	237,899	182,370	237,899	182,370
Carrying amount				
Balance at the beginning of the year	180,567	211,438	180,567	211,438
Balance at the end of the year	140,638	180,567	140,638	180,567

19 OPERATING LEASE

Minimum lease payments under non-cancellable operating leases are payable as follows:

Not Later than one year	50,045	47,614	50,045	47,614
Between one and five years	200,182	190,455	200,182	190,455
More than 5 years	2,103,613	2,050,606	2,103,613	2,050,606
	2,353,840	2,288,675	2,353,840	2,288,675

The above operating lease rentals relate to TLTB and Government of Fiji where the Bank is the lessee and the lease payments is required to be done annually.

20 ACCOUNTS PAYABLE AND ACCRUALS

Interest accruals	1,741,633	1,130,064	1,741,633	1,130,064
Others	2,085,465	4,947,240	2,082,017	4,942,153
	3,827,098	6,077,304	3,823,650	6,072,217

21 DEBT SECURITIES ISSUED

Short term borrowings				
Term deposits	25,170,250	6,450,000	25,170,250	6,450,000
Promissory Notes	24,000,000	36,600,000	24,000,000	36,600,000
RBF Export Facility	18,628,717	7,437,013	18,628,717	7,437,013
FDB Registered bonds - face value	44,000,000	43,700,000	44,000,000	43,700,000
	111,798,967	94,187,013	111,798,967	94,187,013
Non-current - Bonds				
Term deposits	80,000	200,000	80,000	200,000
RBF Export Facility	48,383,999	39,270,967	48,383,999	39,270,967
FDB Registered bonds - face value	134,800,000	103,500,000	134,800,000	103,500,000
Unamortised discount	15,402	19,532	15,402	19,532
Long term borrowings	183,279,401	142,990,499	183,279,401	142,990,499
Total borrowings	295,078,368	237,177,512	295,078,368	237,177,512

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 2.50% to 4.55% in (2017: 2.85% to 4.40%). 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.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018

22 OTHER LIABILITIES

	CONSOLIDATED		THE BANK	
	2018	2017	**2018**	2017
	$	$	**$**	$
Current				
Seed Capital Fund	2,350,356	2,416,135	2,350,356	2,416,135
Staff Savings account	1,409,023	1,239,379	1,409,023	1,239,379
Export Facility	1,227,228	727,228	1,227,228	727,228
Tractors and Farm Implements	1,845,000	-	1,845,000	-
Farmers Assistance Scheme	128,686	110,118	128,686	110,118
	6,960,293	4,492,860	6,960,293	4,492,860

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 fair value and are repayable on demand at an average interest rate of 2.5% per annum.

23 EMPLOYEE ENTITLEMENTS

At 1 July 2017	1,031,309	1,471,177	1,031,309	1,471,177
Utilised during the year	(1,034,100)	(849,437)	(1,034,100)	(849,437)
Arising during the year	770,781	409,569	770,781	409,569
At 30 June 2018	767,990	1,031,309	767,990	1,031,309

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.

A breakdown of employee entitlement's is as follows:

Current	500,663	494,520	500,663	494,520
Non-current	267,327	536,789	267,327	536,789
Total	767,990	1,031,309	767,990	1,031,309

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

	2018	2017
	$	$
(a) Commitments		
(i) Loans approved but not disbursed	71,895,147	72,577,376
(b) Capital Commitments		
(i) Work In Progress	815,714	137,613
(c) Contingent liabilities		
(i) Guarantees	2,149,941	1,821,190
(ii) Litigation	-	-

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018

26 RELATED PARTY TRANSACTIONS

Government

The related party transactions with Government have been disclosed in the respective notes to the financial statements. This includes notes 1, 3,9,13, 21, 22 and 24.

Directors

The following are Directors of the Bank during the financial year ended 30 June 2018 and up to the date of this report.

Current directors

Mr. Robert G. Lyon	Chairperson
Mr. Vadivelu Pillay	Deputy chairperson
Mr. Rajesh Patel	
Mr. Inia Rokotuiei Naiyaga	

	CONSOLIDATED		THE BANK	
	2018	2017	**2018**	2017
	$	$	**$**	$
Directors' Expenses	174,710	135,460	174,710	135,460

Other related party transactions

Loans amounting to $1,786,651 (2017: $3,118,947) were advanced to a Company where a Director has a related party interest and are included in "Loans and Advances" (refer note 11). The loans were provided under normal terms and conditions.

Key Management Personnel

Details of Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

During the year the following persons were the Executives identified as key management personnel, with the greatest authority and responsibility for the planning, directing and controlling the activities of the Bank.

Name	Current title
Mark Clough	Chief Executive Officer
Tevita Madigibuli	General Manager Relationship & Sales
Saiyad Hussain	General Manager Finance and Administration
Nafitalai Cakacaka	General Manager Business Risk Services
Mere Tausie Aisake	General Manager Talent & Organisational Development

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

	CONSOLIDATED		THE BANK	
	2018	2017	**2018**	2017
	$	$	**$**	$
Short-term benefits	1,066,313	814,080	1,066,313	814,080

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 $28,244 (2017: $213,834) to executives are included in "Loans and Advances" (refer note 11). The loans were provided at arm's length transaction.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018

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 Bank's 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.

The other component of the Bank's rating system for customers is a Client Quality Rating (CQR). This rating represents the Bank's view as to the "financial health" of the business during the past and in future. Furthermore, the Bank 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 1), 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 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'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	2018	2017
	$	$
Agriculture	105,509,759	86,155,450
Building and construction	57,528,949	54,600,299
Manufacturing	29,243,148	28,422,252
Mining and quarrying	573,995	847,274
Private individuals	18,929,568	18,852,721
Professional and business services	4,861,905	3,361,776
Real estate	42,464,420	60,576,977
Transport, communication and storage	40,975,219	36,640,070
Wholesale, retail, hotels and restaurants	142,629,031	108,128,686
Others	44,342,195	40,519,956
Total gross loans and advances	487,058,189	438,105,461

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018

27 RISK MANAGEMENT POLICY (continued)

	THE BANK	
	2018 $	2017 $
Impaired and Past-Due Assets		
Non-accrual loans		
Gross	82,163,096	78,284,029
Less: Interest and Fees suspended	(19,120,852)	(17,166,803)
	63,042,244	61,117,226
Less: individual assessed allowance	(60,316,447)	(57,767,960)
Net non-accrual loans without individual assessed allowance	2,725,797	3,349,266
Restructured loans without individual assessed allowance		
Gross	149,183	144,537
Less: Interest and Fees suspended	(7,267)	(4,452)
Net restructured loans without individual assessed allowance	141,916	140,085
Restructured loans with individual assessed allowance		
Gross	108,199	25,154
Less: Interest and Fees suspended	(25,168)	(19,968)
	83,031	5,186
Less: individual assessed allowance	(23,182)	(5,785)
Net restructured loans with individual assessed allowance	59,849	(599)
Other impaired loans		
Gross	415,771	351,193
Less: Interest and Fees suspended	-	(899)
	415,771	350,294
Less: Individual assessed allowance	-	(51,553)
Net other classified loans	415,771	298,741
Total impaired and past-due loans	3,343,333	3,787,493
Past-due loans but not impaired		
Gross	11,902,023	9,444,602
Less: Interest and Fees suspended	(377)	(24,774)
Total past-due loans	11,901,646	9,419,828

Ageing analysis of financial assets that are past due but not impaired or restructured

2018		1-3 months	3-6 months	6-9 months	9-12 months	More than 1 year
Loans & Advance	($)	7,754,845	4,115,250	2,718	6,371	22,839

2017		1-3 months	3-6 months	6-9 months	9-12 months	More than 1 year
Loans & Advance	($)	6,300,742	3,008,254	115,963	8,620	11,023

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018

27 RISK MANAGEMENT POLICY (continued)

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's capital.

Liquidity Risk Management

Liquidity risk involves the inability of the Bank 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 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's strong and effective liquidity risk management policy and framework ensures that Bank 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's executive committee manages the Bank's liquidity and cost of funds. The Bank 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 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 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 places a heavy emphasis on collection efficiency of its lending units.

The determination of the adequacy of FDB's liquidity position depends upon an analysis of the Bank's position relative to the following factors:

- historical funding requirements
- current liquidity position
- anticipated future funding needs
- present and anticipated asset quality
- present and future earning capacity
- sources of funds.

All of the Bank's interest rates during the time of borrowing are fixed. Therefore, there is no material sensitivity to changes in interest rates.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018

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.

2018

	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)
Investments held to maturity	2,000	61	185	685	-	-	2,931
Loans and advances	5,552	6,336	127,362	254,300	93,508	(37,685)	449,373
Total	7,552	6,397	127,547	254,985	93,508	(37,685)	452,304
Liabilities							
Other Liabilities	10,765	-	-	-	-	-	10,765
Accounts Payables	4,826	-	-	-	-	-	4,826
Borrowings	-	39,145	78,516	177,402	15	-	295,078
Total	15,591	39,145	78,516	177,402	15	-	310,669

2017

	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							
Investments held to maturity	2,000	61	185	932	-	-	3,178
Loans and advances	6,182	10,220	113,231	219,520	88,952	(34,517)	403,588
Total	8,812	10,281	113,416	220,452	88,952	(34,517)	406,766
Liabilities							
Other Liabilities	8,242	-	-	-	-	-	8,242
Accounts Payables	6,072	-	-	-	-	-	6,072
Borrowings	-	27,886	66,302	142,971	19	-	237,178
Total	14,314	27,886	66,302	142,971	19	-	251,492

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018

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 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 Bank'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 further consider the impact of such rates to its overall cost of funds. To achieve this, the Bank 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 makes its offering.

In relation to overall cost of borrowings, the Bank 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 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's assets are of longer term maturities, they are repriced after a certain period thereby enabling the Bank to change its pricing structure and protecting its target interest margins.

The volatility of market interest rates impacts the value of the Bank's earning assets (also known as value-at-risk). While loan assets carry a repricing provision, they are committed for a fixed and long term, thereby making the asset structure immobile for probable contraction when warranted.

Given these conditionalities, the Bank 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).

Sensitivity Analysis

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

	As at June 2018	Increase in Lending Rate (+2.50%)	Decrease in Lending Rate (-2.50%)
Weighted Average Lending Rate (%)	5.76	8.26	3.26
Interest Income ($)	32,423,538	12,176,455	(12,176,455)
Impact on profit or loss ($)	7,575,058	12,176,455	(12,176,455)

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018

27 RISK MANAGEMENT POLICY (continued)

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. The Internal Audit Department oversees the implementation of these policies and procedures across the organization. A more recent development is the application of Risk Base Audit in contrast with the traditional audit approach where compliance is the focus.

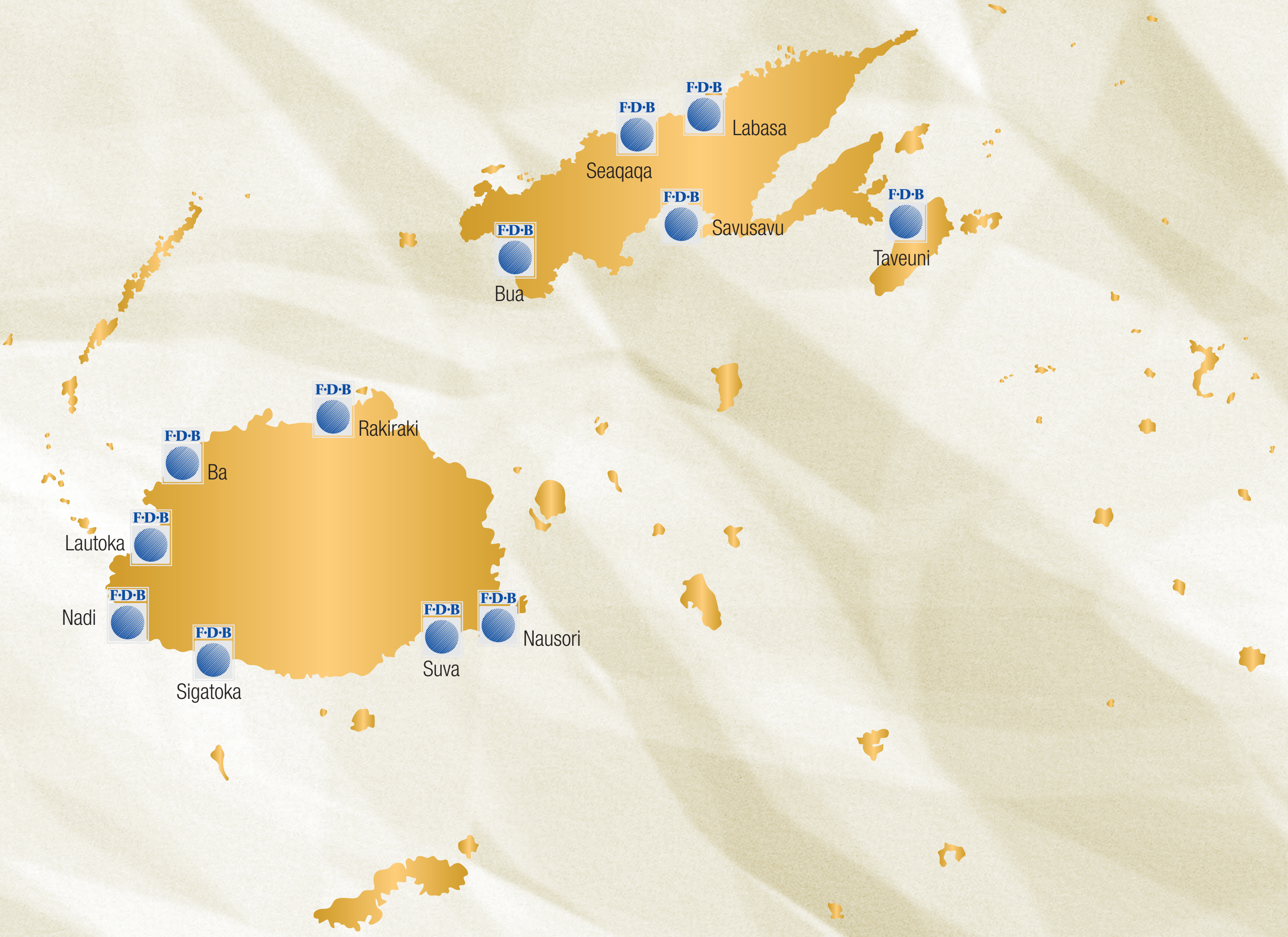
Most operational risks are best managed within the departments in which they arise. However, overall planning, coordination, and monitoring should be provided by a centralized operational risk management department. This should closely coordinate with market risk and credit risk management departments within an overall enterprise risk management framework.

28 COMPARATIVES

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

29 SUBSEQUENT EVENTS

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



Suva Branch
360 Victoria Parade,
G.P.O. Box 104, Suva.
Ph: (679) 331 4866
Fax: (679) 331 4886

Ba Branch
Varoka,
P.O. Box 110, Ba.
Ph: (679) 667 4211
Fax: (679) 667 4031

Labasa Branch
Nasekula Road,
P.O. Box 41, Labasa.
Ph: (679) 881 1944
Fax: (679) 881 4009

Lautoka Branch
38 Vitogo Parade,
P.O. Box 716, Lautoka.
Ph: (679) 666 0639
Fax: (679) 666 5950

Nabouwalu Branch
Bua,
P.O. Box 51, Bua.
Ph: (679) 828 0400
Fax: (679) 828 0401

Nadi Branch
Main Street,
P.O. Box 1718, Nadi.
Ph: (679) 670 1900
Fax: (679) 670 3552

Nausori Branch
60 Main Street,
P.O. Box 317, Nausori.
Ph: (679) 347 7277
Fax: (679) 340 0484

Rakiraki Branch
Vaileka Parade,
P.O. Box 82, Rakiraki.
Ph: (679) 669 4088
Fax: (679) 669 4784

Savusavu Branch
Hugh Street, Verevere,
P.O. Box 42, Savusavu.
Ph: (679) 885 0055
Fax: (679) 885 0629

Seaqaqa Branch
Seaqaqa Township,
P.O. Box 62, Seaqaqa.
Ph: (679) 886 0166
Fax: (679) 886 0168

Sigatoka Branch
Vunasalu Road,
P.O. Box 81, Sigatoka.
Ph: (679) 650 0122
Fax: (679) 652 0399

Taveuni Branch
Ground Floor,
First Light Inn Building, Waiyevo.
P.O. Box 215, Waiyevo, Taveuni.
Ph: (679) 888 0084
Fax: (679) 888 0057

HEAD OFFICE:
360 Victoria Parade, Suva, Fiji.
G.P.O. Box 104, Suva, Fiji.
Ph: (679) 331 4866
Fax: (679) 331 4886
Website: www.fdb.com.fj

Fiji Development Bank
info@fdb.com.fj