



# **STANDING COMMITTEE ON ECONOMIC AFFAIRS**

## **Consolidated Review Report of the Fiji Development Bank 2020/2021 Annual Reports**



**PARLIAMENT OF THE REPUBLIC OF FIJI  
Parliamentary Paper No. 67 of 2023**

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## **Chairperson's Foreword**

The Standing Committee on Economic Affairs is pleased to submit to Parliament, the Consolidated Review Report of the Fiji Development Bank 2020/2021 Annual Reports.

The Committee noted the Fiji Development Bank achieved a net profit of \$0.99m in comparison to \$1.14m in the 2020 financial year, furthermore the lending portfolio recorded profits for both years, \$541.88m in 2020 and it grew to \$618.81m in 2021, despite COVID19.

The Bank witnessed the impacts of the Novel Coronavirus (COVID19) pandemic, tropical cyclones and subsequent floods, the bank then implemented strategies that prioritized business continuity and resilience.

The Committee received submissions from the CEO of FDB, Government Ministries and other relevant institutions such as Fiji Crop and Livestock Council and Business Assistance Fiji to understand the assistance they provide to FDB customers.

The Committee identified the gaps and duplications amongst stakeholders and recognized the need for collaborative effort between government ministries, and other stakeholders to assist applicants and customers of FDB to succeed in their business venture.

The Committee was also updated on the Agro Photovoltaic (APV) project in Levuka, and noted the delays in implementation, and request an urgent action by the Government to expedite the commencement of the project.

The Committee commends the Bank in assisting several customers with working capital loans during the pandemic period by borrowing from the Reserve Bank of Fiji through its Disaster Recovery and Containment Facility.

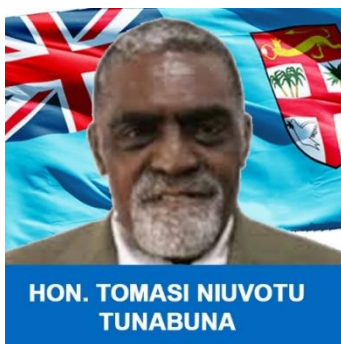
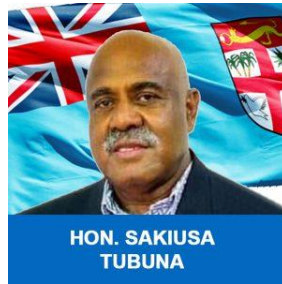
I would like to take this opportunity to extend our appreciation to the CEO of FDB and his team for being prompt in answering the various queries and questions raised by the Committee.

Finally, I would like to thank our Committee Members who were part of the team that produced this report: - Deputy Chairperson Hon. Sashi Kiran, Hon. Tomasi Tunabuna, Hon. Premila Kumar and Hon. Semi Koroilavesau.

On behalf of the Standing Committee on Economic Affairs, I submit the Consolidated Review Report of the Fiji Development Bank 2020/2021 Annual Reports to Parliament.

**Chairperson –**

## Committee Membership



## Committee Secretariat

### Staff

- Ms. Lia Korodrau

### Committee contact details.

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## **Introduction**

The Standing Committee on Economic Affairs was referred the Fiji Development Bank 2020 Annual Report on 2 December 2021 and the 2021 Annual Report on 1 September in 2022, pursuant to the Standing Order 38(2) of the Standing Orders of the Parliament of the Republic of Fiji. The Committee was mandated to review the Annual Report and table its findings back to Parliament.

## **1.2 Background**

In accordance with FDB Act the Fiji Development Bank, provides finance, financial and advisory services to assist in the economic development of Fiji, and in the development of Agriculture, Commerce, and Industry. It is an autonomous statutory body, the operations of which are controlled by the Board of Directors appointed by the Minister of Economy.

The Bank operates in twelve (12) strategic locations in Suva, Nausori, Sigatoka, Nadi, Lautoka, Ba, Rakiraki, Labasa and Savusavu. Additionally, it also operates fully fledged offices in more remote locations such as Nabouwalu, Seaqaqa and Taveuni.

As a Development Financial Institution, the Bank has the responsibility of improving standards by incorporating social and environmental safeguards in its operations and those it finances. FDB contribute towards economic development by stepping in to fill gaps in credit supply, allowing it to lend to businesses and projects that cannot normally access finance from commercial banks.

## **Committee Remit and Composition**

The Committee is made up of five (5) Members of Parliament, three (3) of which are Government members and two Opposition members. According to Section 109(2) (a) the Standing Committee is responsible to look into matters related to economic development, finance, banking, and taxation.

### **1.3 Procedure and Programme**

The Committee began its review of the Annual Report on 12 April 2023. The review process adopted by the Committee was agreed upon through consensus by the Members to consolidate the two reports and a summary of this is as follows.

The Committee read through the Annual Reports and had discussions on matters that were noted by individual Members. From these discussions, a variety of issues were identified, which the Committee resolved and sought clarifications.

The Committee received submission from the following entities.

- FDB management on 19<sup>th</sup> April
- Business Assistance Fiji (BAF) on 25<sup>th</sup> April
- Kaiming Agro's processing Ltd - Mr. Calvin Qiu on 1<sup>st</sup> May.
- Fiji Crop and Livestock Council on 2<sup>nd</sup> May
- FDB, PS Trade, PS Agriculture, PS Fisheries and Forestry, and PS Rural and Maritime Development, Business Assistance Fiji, and Fiji Crop and Livestock Council - Round table discussion on 3<sup>rd</sup> May

At the conclusion of the review, the Committee put forth recommendations based on the discussions with stakeholders and from the content of the Annual reports.

## **Findings and Recommendations**

1. The Committee noted the performance and profits made by FDB during the period when the economy was affected by the Novel Coronavirus (COVID19) pandemic, tropical cyclones and subsequent floods. The Committee commends the bank for the implementation of the Customer Relief and Rehabilitation Packages, to support business continuity and recovery from COVID 19 Pandemic and Natural Disasters.
2. The Committee noted the increase in the Non-Performing Loan Portfolio during the period under review. The Committee recommends the strong collaboration of FDB, Government Ministries, and other stakeholders to assist the clients of FDB in improving the operations of their businesses.
3. The Committee noted the delay of the Agro photovoltaic project in Levuka. The Committee recommends urgent action by the Government to expedite the commencement of the project.
4. The Committee noted Business Assistance Fiji (BAF) provides advisory and diagnostic services to Micro Small and Medium Enterprises. The Committee recommends that FDB cooperates with BAF in referring customers that need assistance in their loan applications including any other assistance.
5. The Committee noted after thorough discussions with FDB, relevant government ministries and other stakeholders that there are gaps and duplications in the services they provide. The Committee recommends the need of a strong collaboration regarding services each stakeholder provides including sharing of data and statistics to enable FDB to design new and innovate products for the natural resources sector.
6. The Committee noted that the FDB Annual Reports were descriptive. The Committee recommends for future reports to be more informative in terms of their lending portfolio so that the Committee can make an informed decision on the performance of the bank. The report should include performance against set targets, the number of loan applications received and approved, details on non-performing loans by sector etc.



7. The Committee noted the success of the Northern Development Programme. The Committee recommends that FDB, through its partnership with the Ministry of Trade, Cooperatives, Small and Medium Enterprises, to explore opportunities for up scaling this initiative to other divisions.
8. The Committee commends FDB for the Agriculture Value Chain financing piloted of the baby ginger industry. given the success of this initiative, the Committee recommends FDB to venture out to other non-sugar sectors.

## **Sustainable Development Goals**

The Committee was pleased to note that the Fiji Development Bank dedicated a section of its report to include its progress towards achieving the Sustainable Development Goals relevant to them. Such initiatives strongly reaffirm the Bank's commitment toward fulfilling its Goals.

In 2020 The Bank had its financial solutions such as the Agriculture Family Loan Facility that ensures women are actively involved in the business as well as promotes the use of renewable energy for projects within the farms such as Solar irrigation. Further, the Bank's Export Credit Facility, Import Substitution, and Export Finance Facility, and other financing available for the agriculture sector contribute towards achieving various targets in the National Development Plan and the Sustainable Development Goals.

In 2021 the Bank developed a strategic plan to achieve sustainable development through financing roadmap that is inclusive and engaging in FDB's history. The Bank's focus has been on delivering not only on outputs related to the SDGs and its own mission and vision, but also on Government budget initiatives, the National Development Plan (NDP), and on obligations attached to its Green Climate Fund (GCF) accreditation.

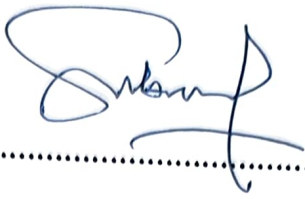
The Bank provided access to cleaner and affordable energy through identifying innovative solutions, sharing information with partner development institutions and with private sectors. These include Green Banking (GCF), Funding Renewable Energy Sources – Villages (Off-Grid), Solar Farms, Import Substitution and Export Finance Facility ISEFF (Government Facility).

## **4.0 Conclusion**

The Committee commends the overall performance of the Fiji Development Bank despite the hurdles presented by the pandemic, FDB continued its focus on implementing innovative ideas and practices for continuous operational excellence.

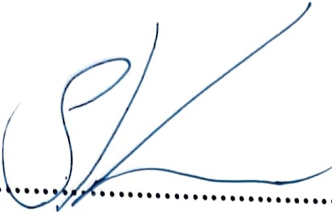
The Committee awaits positive outcomes in future reports on the strong collaboration of FDB with government ministries and other stakeholders.

## Members Signature



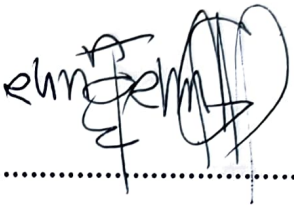
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**Hon. Sakiusa Tubuna (Chairperson)**




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**Hon. Sashi Kiran (Deputy Chairperson)**



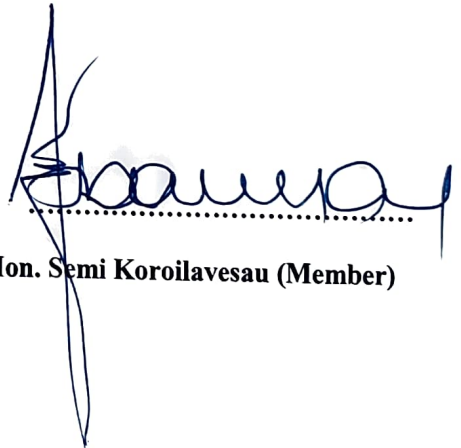
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**Hon. Tomasi Tunabuna (Member)**



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**Hon. Premila Kumar (Member)**



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**Hon. Semi Koroilavesau (Member)**

ANNEURES

## **2020 ANNUAL REPORT SUBMISSION**

### **1.0 Introduction**

The Fiji Development Bank's 2020 Financial Years key focus was on Process re-engineering, business continuity and building resilience for customers.

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

The Bank faced numerous challenges which intensified because of the pandemic included low collection rate, varying cost of borrowing, and increasing cost of recovery for the Bank. Nevertheless, the Bank operated within a cost-effective budget while maintaining a productive and safe working environment for its employees.

The Bank's new lending activity led to a slight increase in the interest expense in comparison to the previous year. To make the Yaubula Term Deposit facility more competitive it went under review to support the Bank various financial strategies.

Business portfolio related to tourism sector involving Transport (SMEs), Agriculture (distributors), and service sectors, like entertainment and tour operators, funded by the Bank raised concerns due to the impacts of the COVID19 pandemic. The major financing sectors were as follows:

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

Financial year 2020 saw the Bank making exceptional progress in terms of lending to key economic sectors and has positively contributed by supporting projects associated with better environment management, agricultural exports, renewable energy, tourism developments and growing small to medium business. The Bank's portfolio is represented by the following sectors.

<b>Industry</b>	<b>2020</b>	<b>2019</b>
	\$	\$
Agriculture	107,641,684	110,622,085
Building & Construction	70,009,330	69,568,332
Manufacturing	31,963,518	29,133,820
Mining & quarrying	516,230	554,942
Private Individuals	15,549,286	16,282,421
Professional & business services	3,776,219	8,360,416
Real estate	57,264,635	46,129,776

Transport, communication & storage	51,264,635	50,635,908
Wholesale, retail, hotels & restaurants	182,173,561	162,285,032
Others	21,587,041	46,182,693
<b>Total gross loans and advances</b>	<b>541,886,697</b>	<b>539,755,425</b>

The Agriculture sector remains the Banks key focus area. FDB holds a total market share of 52.84% in Fiji in the Agriculture sector. 91.39% of these loans are in the sugarcane growing category.

<b>Lending Activities During the Year</b>				
<b>PORTFOLIO</b>				
	<b>Number</b>	<b>Percentage</b>	<b>\$MM</b>	<b>Percentage</b>
<b>Sectors</b>	<b>3,937</b>	<b>81.60</b>	<b>223.20</b>	<b>41.19</b>
Agriculture	3,002	62.22	107.64	19.86
Electricity, Gas & Water	10	0.21	8.67	1.60
Manufacturing	51	1.06	31.96	5.90
Mining & Quarrying	4	0.08	0.52	0.10
Professional & Business Services	65	1.35	1.96	0.36
Public Enterprises	1	0.02	8.48	1.56
Transport, Communication & Storage	471	9.76	51.26	9.46
Wholesale, Retail, Hotels & Restaurants	333	6.9	12.71	2.35
Building & Construction	78	1.62	70.01	12.92
Non-bank Financial Institutions	2	0.04	2.24	0.41
Others	55	1.14	2.19	0.40
Private Individual	658	13.64	15.55	2.87
Professional & Business Services	2	0.04	1.82	0.34
Real Estate	66	1.37	57.41	10.59
Wholesale, Retail, Hotels & Restaurants	27	0.56	169.46	31.27
<b>TOTAL PORTFOLIO</b>	<b>4,825</b>	<b>100.00</b>	<b>541.88</b>	<b>100.00</b>

## **2.0 The Board**

Under the Fiji Development Bank Act, the Minister of Economy appoints the Board of Directors. The Board is ultimately responsible for all decision making while upholding the interest of Shareholders and all its Stakeholders.

The Board of Directors during the 2020 financial year were as follows:

1. Mr. Robert Lyon: Chairman
2. Mr. Vadivelu Pillay: Member
3. Mr. Inia Naiyaga: Member
4. Mr. Rajesh Patel: Member
5. Mr. Romit Meghji: Member
6. Ms. Kalpana Kushla Lal: Member

The Board meets very second month and Board Committee meetings are held every quarter.

The Board Committees are as follows:

- Audit Committee
- Credit Risk Committee
- Talent and Organizational Development Committee

Given the urgency for approval of large loans, the Board Credit Risk Committee usually delivers decisions by flying minute.

The Bank is audited by Office of Auditor General.

### **3.0 Executive Management**

The Executive Management for the financial year 2020 were as follows:

1. Mr. Saiyad Hussain: Acting Chief Executive Officer
2. Mr. Nafitalai Cakacaka: General Manager Business Risk Services
3. Mr. Shaukat Ali: General Manager Relationship and Sales
4. Ms. Sheik Maizabeen Nisha: Acting General Manager Finance and Administration
5. Ms. Kishore Kumar: Acting General Manager Talent and Organizational Development

The Executive Committees meetings are held every two week to review operations and make operational decisions.

### **4.0 Key Highlights for Financial Year 2020**

- The Yaubula Term Deposit Facility was reviewed to make it more competitive. This supported the Bank's various financial strategies such as diversifying funding sources to counter fluctuations in cost and availability of capital.
- The Bank has financial solutions such as the Agriculture Family Loan Facility that ensures women are actively involved in the business as well as promotes the use of renewable energy for projects within the farms such as irrigation. Further, the Bank's Export Credit Facility, Import Substitution, and Export Finance Facility, and other financing available for the Agriculture sector contribute towards achieving various targets in the National Development Plan and the Sustainable Development Goals.
- From December 2019, in line with Section 69 of the Banking Act, RBF was granted approval by the Minister for Economy to conduct full supervisory oversight of FDB. Although the Bank was not formally required to report to RBF prior to December 2019, as part of its prudential strategies, FDB had reported and consulted the RBF on matters of policy as well.
- FDB in partnership with the Fiji Co-operative Dairy Company Limited (FCDCL) signed a Memorandum of Understanding in December 2019 to assist the local dairy farmers with financial services. The MOU encourages communication, and collaboration on financial solutions available with FDB for dairy farmers. It also allows FCDCL members to submit loan applications through FCDCL and allows FCDCL to provide letters of support for members' loan applications.
- The Bank promoted its digital platforms to more customers. While FDB was already offering digital services, such as those for repayment options for customers, the Bank automated several manual processes in the year for the benefit of its employees. Most of these were developed in-house to streamline the Bank's various processes such as recruitment, and record keeping. This improved turn-around time, brought about cost



efficiency, and provided our employees and our customers with a better user experience. The Bank is now working towards starting the development of an online loan application portal in the next Financial Year.

- The Bank promoted its digital platforms to more customers by offering various digital repayment options. Similarly various processes were streamlined to improve turn around time and bring cost efficiency which provided by our employees' better user experience. The Bank intends to continue its programs of process re-engineering to generate greater efficiencies and provide a seamless service for both customers and staff.
- The 2020 Financial Year also noted the end of the 2018- 2020 Strategic Plan for FDB. Extensive work was carried out holding discussions with the Parliamentary Standing Committee, various Ministries, partners, customers, and our staff to develop the Strategic Plan for 2021-2023. The development of the strategies and action plans under the new three-year plan resulted from re-evaluating our past performance and thinking outside the box to adapt to the new normal.
- The Bank proudly executed its accreditation with the Green Climate Fund (GCF) on 05<sup>th</sup> November 2019, which became effective on 28<sup>th</sup> March 2020. The GCF is a global fund that supports developing countries' efforts to adopt their economies to the impacts of climate change through low-emission and climate resilient initiatives.
- The Bank also submitted its first Concept Note to access climate financing from GCF for Fiji's first Agro-Photovoltaic project to be developed in the old capital, Ovalau. Ovalau is part of the Governments plan for transformation to renewable energy.
- In 2020, the Bank supported Macuata Provincial Council's Seaqqa District Yaubula Day as well as the Bua Showcase in Nabouwalu and the Lau and the Naitasiri Provincial Councils' events.
- The Bank supported Fiji National University's World Mental Health Day celebrations; and Suva Primary School magazine production with a focus on savings and financial literacy. Further, it continued with supporting the University of the South Pacific's Award for Most Outstanding Bachelor of Agriculture Graduate, in raising awareness about agrobusinesses.
- The Bank's signature event, FDB's NSME Awards, was another successful platform that the Bank utilized to promote the growth and boost the resilience of the SME sector. The key message at the awards function in February 2020 was highlighting success stories of SMEs in managing their vulnerability to shocks in their operating environment.
- The Bank rolled out a relief package for affected customers to help sustain the cash flow of the businesses. Repayment easement through a combination of factors like repayment holiday, interest-only payment, fee waiver, and other means of re-negotiations on loan contracts were provided. More than 800 customers were assisted through this relief package. Rehabilitation financing through the RBF's Disaster

Rehabilitation and Containment Facility (DRCF) was also approved to 13 customers. Similar assistance was rolled out for our customers after the category five Tropical Cyclone Harold affected a number of our customers.

## **5.0 Key Financial Highlights for Financial Year 2020**

The Bank's lending portfolio grew to \$541.88M at the end of the Financial Year, an increase of \$2.13M or 0.39% from the previous year. The major driver of this increase was disbursements of \$138.04M to new loans. The total portfolio represents a customer base of 4,825 loan accounts.

The Bank's Performing Loan Portfolio stood at \$439.98 a decrease of \$2.39% in comparison to the previous year. On the other hand, non-performing loans recorded an increase of 14.51% totalling \$101.90M compared to the last financial year.

The Bank achieved a modest net profit of \$1.14M. Despite increased revenue, the Bank also experienced rising funding, staff and operational costs and an increase in its allowance for Expected Credit Losses due to the impacts of the pandemic under the IFRS 9 credit impairment model.

The Banks total operating revenue recorded a growth of 4.99% while its main income stream, Interest Income increased from \$35.75M in 2019 to \$43.33M in 2020. This is a growth of 21.22% and is largely due to better portfolio management, prioritization of customer retention efforts and a marginal increase in the Bank's weighted average interest rate at the beginning of the Financial Year

### **Profitability Structure**

<b>Income Statement (\$mm)</b>	<b>2020 (\$mm)</b>	<b>2019 (\$mm)</b>	<b>Change</b>	<b>Change rate (%)</b>
Interest Income	43,332	35,748	7,584	21.22
Interest & Other Borrowing Expenses	(14,932)	(11,779)	(3,153)	26.77
Net Interest Income	28,400	23,969	4,431	18.49
Net Fees Income	4,616	4,779	(0.163)	3.41
Other Income	3,766	3,046	0.720	23.64
Total Operating Income	36,782	31,794	4,988	15.69
Operating Expenses	(15,886)	(16,057)	0.171	1.06
Profit before Allowances	20,896	15,737	5,159	32.78
Total Allowances	(19,751)	(11,671)	(8,080)	69.23
Net Profit	1,145	4,066	(2,921)	(71.84)

With increased disbursements, the Banks cost of funds also increased from 3.88% at the end of June 2019 to 4.15% at the end of June, 2020, an increase of 26 basis points. Higher maturity obligations during the year coupled with a drop in market liquidity levels resulted in an increase in the Banks borrowing expenses as new borrowings were acquired at higher interest rates.

New borrowings acquired at higher interest rates with weakening liquidity in the first six months of the Financial Year had resulted in an increase in the Bank's interest expense. As the effects of the pandemic intensified, interest rates reduced in the second half of the Financial Year due to excess liquidity in the market. Borrowings undertaken to facilitate new lending activity during the year resulted in an increase of \$3.15 million (26.77%) in interest expenses. Moreover, the Bank's cost of funds increased by 26 basis points in comparison with the previous year.

Operating expenses declined by 1.06% (from \$16.06M to \$15.89M) compared to the same period last year. The Bank successfully managed its operating expenses as a result of stringent cost control measures implemented during the year.

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

The Banks financial position weakened during 2020 with a 0.91% decrease in total assets from \$545.30 to \$540.331M.

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

There was also a reduction of 1.67% in the Banks total liabilities for the 2020 financial year. Lower levels of new lending activity during the Financial Year due to the downturn in economic activity, resulted in reduced borrowings hence a decrease in the Bank's borrowings.

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

## **2021 ANNUAL REPORT SUBMISSION**

### **1.0 Introduction**

The Fiji Development Bank's 2021 Financial Years was challenging due to the second wave of the pandemic, tropical cyclones, and the subsequent floods. The Bank had to continually reassess its position and redesign its existing plans to remain sustainable and continue assisting the customers.

The Bank adopted a new Strategic Plan in this Financial Year with strategies articulated considering our experiences and the unique environment that we expect to operate in for the next three years.

A decline in overall economic activity, supply chain disruptions and job losses occurred as a result of strong dependence on tourism revenues. Border closures and lockdowns continued to severely impact many businesses within the country. The situation deteriorated when the country was hit by two tropical cyclones. The Bank, nonetheless, continued to assist the customers using different approaches. However, the second wave of the pandemic again impeded the Bank's efforts to assist in the economic recovery as businesses continued to operate at minimal capacity adhering to the COVID safety measures in place. Additionally, the Bank had to strengthen its credit assessments to prevent losses and provisioning was significantly increased to account for possible impairment of loan assets.

Financial year 2021 saw FDB's product portfolio comprising a mix of lending and deposits. Under its lending products, FDB continued to provide working capital and syndicated loans to both its Corporate, SME and Agriculture customers. Agriculture lending continues to be the Bank's priority, but this year public enterprise had the majority market share and agriculture became second. FDB continues to introduce new product concepts for agriculture value chain addition and continue to focus on implementing transformational ideas and practices for continuous operational excellence.

The Banks portfolio is represented by the following sectors.

<b>Industry</b>	<b>2021</b>	<b>2020</b>
	\$	\$
Agriculture	101,257,563	107,641,684
Building & Construction	72,194,421	70,009,330
Manufacturing	46,425,113	31,963,518
Mining & quarrying	709,117	516,230
Private Individuals	12,719,892	15,549,286
Professional & business services	3,579,212	3,776,219
Real estate	57,237,505	57,264,635
Transport, communication & storage	40,961,605	51,264,635
Wholesale, retail, hotels & restaurants	199,655,990	182,173,561
Others	84,066,997	21,587,041
<b>Total gross loans and advances</b>	<b>618,807,415</b>	<b>541,886,697</b>

The Agriculture sector remains the Banks key focus area. FDB holds a total market share of 50.6% in Fiji in the Agriculture sector. 90.7% of these loans are in the sugarcane growing category.

<b>Lending Activities During the Year</b>				
<b>PORTFOLIO</b>				
	<b>Number</b>	<b>Percentage</b>	<b>\$MM</b>	<b>Percentage</b>
<b>Sectors</b>	<b>3852</b>	<b>83.92</b>	<b>283.17</b>	<b>45.76</b>
Agriculture	3007	65.51	101.26	16.36
Electricity, Gas & Water	10	0.22	4.30	0.69
Manufacturing	49	1.07	46.43	7.50
Mining & Quarrying	4	0.09	0.71	0.11
Professional & Business Services	58	1.26	1.72	0.28
Public Enterprises	2	0.04	75.20	12.15
Transport, Communication & Storage	408	8.89	40.96	6.62
Wholesale, Retail, Hotels & Restaurants	314	6.84	12.61	2.04
Building & Construction	<b>65</b>	1.42	72.19	11.67
Non-bank Financial Institutions	3	0.07	2.59	0.42
Others	47	1.02	1.98	0.32
Private Individual	530	11.55	12.72	2.06
Professional & Business Services	3	0.07	1.86	0.30
Real Estate	59	1.29	57.24	9.25
Wholesale, Retail, Hotels & Restaurants	31	0.68	187.05	30.23
<b>TOTAL PORTFOLIO</b>	<b>4590</b>	<b>100.00</b>	<b>618.81</b>	<b>100.00</b>

## **2.0 The Board**

Under the Fiji Development Bank Act, the Minister of Economy appoints the Board of Directors. The Board is ultimately responsible for all decision making while upholding the interest of Shareholders and all its Stakeholders.

The Board of Directors during the 2021 financial year were as follows:

1. Mr. Andre Viljoen: Chairman
2. Mr. Wella Pillay: Deputy Chairman
3. Mr. Inia Naiyaga: Member
4. Mr. Rajesh Patel: Member
5. Ms. Kalpana Lal: Member (resigned March 2021)
6. Mr. Romit Meghji: Member

The Board meets very second month and Board Committee meetings are held every quarter.

The Board Committees are as follows:

- Audit Committee
- Credit Risk Committee
- Talent and Organizational Development Committee

Given the urgency for approval of large loans, the Board Credit Risk Committee usually delivers decisions by flying minute.

The Bank is audited by Office of Auditor General.

### **3.0 Executive Management**

The Executive Management for the financial year 2021 were as follows:

1. Mr. Saiyad Hussain: Acting Chief Executive Officer
2. Mr. Nafitalai Cakacaka: General Manager Business Risk Services
3. Mr. Shaukat Ali: General Manager Relationship and Sales
4. Ms. Sheik Maizabeen Nisha: Acting General Manager Finance and Administration
5. Mr. Kishore Kumar: Acting General Manager Talent and Organizational Development

The Executive Committees meetings are held every two week to review operations and make operational decisions.

### **4.0 Key Highlights for Financial Year 2021**

- The Bank developed a strategic plan to achieve sustainable development through financing roadmap that is inclusive and engaging in FDB's history. The Bank's focus has been on delivering not only on outputs related to the SDGs and its own mission and vision, but also on Government budget initiatives, the National Development Plan (NDP), and on obligations attached to its Green Climate Fund (GCF) accreditation.
- The Bank provided access to cleaner and affordable energy through identifying innovative solutions, sharing information with partner development institutions and with private sectors. These include Green Banking (GCF), Funding Renewable Energy Sources – Villages (Off- Grid), Solar Farms, Import Substitution and Export Finance Facility ISEFF (Government Facility)
- The Bank is currently developed a new model under the Agriculture Value Chain financing which involves an Anchor (processors) to ensure consistent supply and production.
- The Bank further revised the new product concepts such as the Farming for Retirement and Agriculture Value Chain Financing Lending Platforms. These products were devised by factoring in the gap in the market for such facilitation and taking account of the impact of the pandemic.
- The Bank adopted an integrated and enterprise-wide approach to managing financial and non-financial risks as established in the Enterprise Risk Management (ERM) Framework approved by the Board of Directors (BoD). This Framework guides strategic planning and day-to-day operational decision making to ensure prudent, effective, consistent, transparent, and accountable management of all types of risks.
- The Bank undertook the first GCF Agrophotovoltaic (APV) project in Fiji and the region. With funding approval from Green Climate Fund (GCF), this innovative approach aims to provide renewable energy while at the same time contributing to Fiji's food security. The aim of the project is to use the same piece of land to both generate renewable energy and produce agricultural crops with direct benefit to the local community

- The Bank continued its focus on implementing transformational ideas and practices for continuous operational excellence. The Bank continued its efforts to move toward paperless operations. Process automation included the Performance Management System. With these timely upgrades, staff were able to work from home with minimal disruptions to business during the peak of the pandemic. It also ensured the safety of our staff which would have been compromised if they reported to the office.

### **Key Financial Highlights for Financial Year 2021**

The Bank's lending portfolio grew to \$618.81M at the end of the Financial Year, an increase of \$76.93M or 14.20% from the previous year. The major driver of this increase was disbursements of \$118.54M. The total portfolio represents a customer base of 4590 loan accounts.

The Bank's Performing Loan Portfolio stood at \$455.83 and increase of \$3.60% in comparison to the previous year. On the other hand, non-performing loans recorded an increase of 59.94% totalling \$162.98M compared to the last financial year.

The Bank achieved a modest net profit of \$0.99M. This Financial Year was undoubtedly challenging for the Bank due to the second wave of the pandemic, tropical cyclones and the subsequent floods. The Bank had to continually reassess its position and adopt new plans to assist the customers and remain sustainable. Stringent cost control measures and positive movements in net operating revenue were the key contributors to achieving the profits.

The Banks total operating revenue recorded a growth of 2.76% while its main income stream, Interest Income increased from \$43.33M in 2020 to \$45.202M in 2021. This is a growth of 4.32% and is largely due to the growth in the Banks overall loan portfolio. A slight increase in the Banks weighted average lending interest rate also contributed the growth in income.

### **Profitability Structure**

Income Statement (\$mm)	2021 (\$mm)	2020 (\$mm)	Change (\$mm)	Change rate (%)
Interest Income	45.202	43.332	1.870	4.32
Interest & Other Borrowing Expenses	(14.637)	(14.932)	(0.295)	1.98
Net Interest Income	30.565	28.400	2.165	7.62
Net Fees Income	3.994	4.616	(0.622)	(13.47)
Other Income	4.981	3.766	1.216	32.29
<b>Total Operating Income</b>	<b>39.540</b>	<b>36.782</b>	<b>2.758</b>	<b>7.50</b>
Operating Expenses	(12.816)	(15.886)	3.071	19.33
<b>Profit before Allowances</b>	<b>26.724</b>	<b>20.896</b>	<b>5.829</b>	<b>27.90</b>
Total Allowances	(25.728)	(19.751)	(5.977)	30.26
<b>Net Profit</b>	<b>0.996</b>	<b>1.145</b>	<b>(0.148)</b>	<b>(12.96)</b>

With reduced economic activity and a build-up of liquidity in the financial market, there was a significant drop in market borrowing rates. As a result, the Bank took appropriate measures by aligning the Bank's investment rates with the market rates to manage its interest expenses. New borrowings acquired during the Financial Year were at a lower rate, resulting in a decrease in the Bank's interest expense. The Bank's cost of funds decreased from 4.15% in June 2020 to 3.09% at the end of June 2021.

Operating expenses declined by 19.33% (from \$15.89M to \$12.82M) compared to the same period last year. The improved performance was attributed to stringent cost control measures implemented due to the pandemic.

The Bank was progressing well until the second wave of the pandemic adversely affected our customer base. As a result, the Bank took additional allowance for expected credit loss of \$4.04 million (28.30%) in comparison to the prior Financial Year. In addition, the allowance for interest and fees suspended also increased by \$1.94 million (35.37%) during the Financial Year.

The Bank's financial position strengthened during 2021 with a 12.39% increase in total assets from \$540.331M to \$607.295M.

Balance Sheet Review (\$mm)	2021	Composition (%)	2020	Composition (%)
Liquid Assets	75.388	12.41	63.466	11.74
Investments	2.035	0.33	2.035	0.38
Net Loans and Advances	494.615	81.45	439.600	81.36
Receivables	4.554	0.75	3.980	0.74
Right of Use	1.521	0.25	1.471	0.27
Fixed Assets with Intangibles	29.182	4.81	29.779	5.51
<b>Total Assets</b>	<b>607.295</b>	<b>100.00</b>	<b>540.331</b>	<b>100.00</b>

There was an increase of \$65.97 million (17.98 %) in the Bank's total liabilities for the 2021 Financial Year. The growth is mainly attributed to the increase in borrowings undertaken during the year. The Bank assisted a number of its customers with working capital loans during the pandemic period by undertaking borrowings from the Reserve Bank of Fiji through its Disaster Recovery and Containment Facility.