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Verbatim Report

[VERBATIM REPORT]

STANDING COMMITTEE ON FOREIGN AFFAIRS AND DEFENCE

ANNUAL REPORT

2024 Annual Report

ENTITY: Fiji Development Bank (FDB)

VENUE: Big Committee Room (East Wing)

DATE: Friday, 27th March, 2026

VERBATIM REPORT OF THE MEETING OF THE STANDING COMMITTEE ON FOREIGN AFFAIRS AND DEFENCE HELD AT THE COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS, ON FRIDAY, 27TH MARCH, 2026, AT 8.50 A.M.

Present

(1) Hon. L.S. Qereqeretabua - Chairperson
(2) Hon. R.R. Sharma - Deputy Chairperson
(3) Hon. V. Lal - Member
(4) Hon. I.S. Vanawalu - Alternate Member

Apologies

(1) Hon. P.K. Ravunawa - Member
(2) Hon. I. Tuiwailevu - Member
(3) Hon. T.R. Matasawalevu - Member

Interviewee/Submittee: Fiji Development Bank In Attendance:

(1) Mr. Filimone Waqabaca - Chief Executive Officer
(2) Ms. Priya Chand - Head of Risk and Compliance
(3) Ms. Titilia Kamil - Chief Relationship & Sales Office
(4) Mr. Bimal Sudhakar - Chief Operating Officer
(5) Mr. Saiyad Hussein - Chief Financial Officer
(6) Ms. Setaita Tamanikaiyaroi - Manager Climate and Eco-Finance
(7) Mr. Ramesh Chand - Acting Head of Relationship and Sales

MADAM CHAIRPERSON.- *Vinaka vakalevu,* honourable Members, representatives from the Fiji Development Bank (FDB) - the CEO and your Management Team, members of the media and the public. Good morning, it is my pleasure to welcome everyone to this room, as well as those of you joining us live on this broadcast.

I want to advise that pursuant to the Standing Orders of Parliament, specifically Standing Order 111, all Committee meetings are open to the public and to the media. Any sensitive information relating to this submission that cannot be disclosed publicly should be provided to the Committee either in writing or in a closed session, but this is only permitted in limited circumstances, including:

(1) matters relating to national security;
(2) third-party confidential information;
(3) personnel or human resource matters; and
(4) deliberation as a Committee, as we put together our report before we present it back to Parliament.

All comments and questions should be directed through me, the Chair, and for those of you who are viewing this coverage live, if you have any questions, please, put your questions on the comments section, and only relevant questions will be considered by the Committee.

Members of the Committee may want to interject during your presentation, or we may wait until after to ask our questions. All information provided is protected under the Parliamentary Powers and Privileges Act and the Standing Orders of Parliament. No slander or libel of any sort will be condoned. All information presented to the Committee should be factual. We just ask that we keep movement to a minimum and, please, put your phones on vibrate, especially as the cameras are on. Now, I want to introduce the members of this Committee.

(Introduction of Committee Members and Secretariat)

Honourable Members, members of the public and the media, the Committee will be receiving an in-person submission from the FDB in relation to their 2024 Annual Report. Now, I invite the CEO and Management Team to introduce themselves before you proceed with your submission.

MR. F. WAQABACA.- *Vinaka vakalevu,* Madam Chairperson and honourable Members of the Standing Committee on Foreign Affairs and Defence. We thank you for this opportunity to come and present our responses to the FDB 2024 Annual Report. We have before you, honourable Members, the Executive Team from FDB, and I will quickly ask that they introduce themselves before I proceed.

(Introduction of FDB Officials)

MR. F. WAQABACA.- Madam Chairperson, before we walked in, I was calculating the number of years of development banking experience that this team has. It is 144 years combined, and then add my one year, it is 145 years.

Madam Chairperson, we were working on a 30-minute session, and had 36 questions, so we are calculating 0.83 seconds per question, but we are thankful that we have one hour. I have asked our presenter, the Chief Operating Officer, to keep maybe 15 minutes to quickly run through presentation, but the answers have been provided, and we would be most happy to add any responses to supplementary questions that you may have.

MR. B. SUDHAKAR.- *Vinaka*. Madam Chairperson and Members of the Committee, it is an opportunity to present along the lines of the questions that were provided. We have provided an update on the questions, and a brief of that is being presented by me on behalf of the organisation.

About FDB, everyone knows that it is the only Development Bank in the Pacific, and we are created for climate finance as well. We have been in operations for more than 50 years, and to be 56 years next year.

In terms of agenda, we have covered about FDB - our mandate, structure, governance and overview, our financial performance, lending and development impact, reporting, risks, digital and climate, strategy and outlook.

Our total assets as at 30th June 2024 stood at $529 million, of which, it was 9,709 active accounts, meaning customer base, and 11 Branches nationwide with 55 years of service, as I had mentioned earlier.

In terms of governance and oversight, we have a Board of Directors and seven non-executive directors, who are directly appointed by the honourable Minister for Finance. We also want to enhance that under the supervisory requirements of the Central Bank, now they go for "fit and proper" as well for our process. In the last three years, we have, subsequently, gone down from the Board to three sub-committees – the Audit, Risk and Talent and Organisational. Currently, we have included the Investment Sub-Committee as well, plus a Product and Policy Sub-Committee.

The Internal Audit is an independent Unit directly reporting to the Bank Audit Committee. Risk-based audits across departments are held. They also cater for special investigation should it be needed through processes of Board, management or staff. External audit is conducted annually by the Office of the Auditor-General under the Fiji Development Bank Act 1966 and the Financial Management Act 2004.

On the Reserve Bank of Fiji (RBF) supervision, we are now fully supervised by the Central Bank of Fiji. Monthly and quarterly supervisory reports are submitted on the 18 Policies that we adhere to.

On ethics and compliance, the formal code of conduct for all Directors are in place and the Conflict of Interest Register is maintained for all management staff and Board. The Whistleblower Policy is also intact, in line with the Central Bank's requirements. There were no complaints received under the Whistleblower Policy for the financial year.

In terms of financial performance for the year, the net profit as we note, was $5.6 million. That is a growth of 46.21 percent from the 2023-year period. Loan disbursed in the year was $91.26 million, and we achieved a target of 114 percent of what we had set. The loan portfolio stood at $464.4 million, with total equity of $187.85 million.

On our income statement, interest income was $26.45 million compared to $33.74 million for the previous year. The net interest income was $22 million against $26 million. Total operating income was $29 million against $32 million. Operating expenses was $14.78 million in 2023 and $15.54 million in 2024. The net profit in 2023 was $3.83 million as compared to the 2024 period which was $5.6 million.

The key drivers in the achievement of those profits were operating expenses held at $15.5 million versus an expected budget of $16.46 million. Our borrowing costs reduced by $2.82 million, which was 38 percent overall. Credit impairment allowance also reduced through a genuine credit enhancement of the total portfolio well managed and portfolio growth, so it was sustainable in terms of the change in shift we had brought into our portfolio management from the ensuing year.

On lending and development impact, we had shared some figures based on portfolio by sector - wholesale/retail/hotels, agriculture of the total disbursed made the largest amount, which is our focus sector. Of that, we achieved disbursement target of 114 percent, and 54 percent of that achievement of disbursed loans was made into rural areas, into the core segments. We had 9,709 active accounts at the closure of 30th June. The non-performing accounts made up for the financial year was $82 million of the total percentage of the portfolio.

On financial inclusion - women, youth and MSMEs, women-led accounts grew significantly under the strategy of the Bank to include women-led businesses under the initiative of the Government's equity programme and unsecured lending for FDB that we brought in, in the late 2022, and then you see the trajectory of the portfolio growth into 2,943 accounts by 2024.

Youth portfolio, which is defined from the age of 18 years to 35 years, either individual or business, set at 17 percent of the total account number. By portfolio - 15 percent, and there was a growth of 46 percent on that as well. These were driven exclusively by our MSME sustainability package, which is a $3.99 million subsidy product by the Government's initiative on interest subsidy.

The number of accounts on that sat at 293, at a portfolio size of $13.35 million when it was initially launched to where we are today. The same has been with the FDB women entrepreneur loans.

On measuring the development impact - on how FDB measures socio-economic impact, the first is employment generations. We are now measuring that. If we fund a client, how many more people are impacted? It is more impact-driven, and we cover that. In the business with five employees, then in the community, how do they get things into the business, that is added to an evaluation that we just did on that, so jobs created, sustained by client business, tracked through postdisbursement and field visits.

On income growth, visible changes in household or business income levels reported by borrowers. We do annual reviews, and subsequently they would say that they were making a turnover of this, their turnover has changed, so subsequently what are they benefiting from that high turnover? Investing into the community, getting more employment, creating more employment, et cetera.

On agricultural productivity, improvements in yield, production volumes and market access, especially for agricultural value chains. We now collaborate with the Ministry of Agriculture and get yield defined for products. Based on that, we are able to evaluate and give customers serviceability assessments so that those yields are tested annually to say that they do grow, what is the ensuing year's crop, and based on that, our product enhancements are done annually.

On financial impulsion, increased access to finance the underserved areas, enabled by digital platforms and agri-value chain. In 2022, we launched an FDB Online Literacy Programme where should you apply online, it prompts customers to go on to that training module to do financial literacy. Do you understand the basics? Do you need help to prepare cash flows? We have seen the usage of that and that happens on online digital. Then we have our marketing team that goes out into communities, providing financial literacy, with 11 Branch staff who are also part of that focus sector.

On social impact, improvement in livelihood, resilience and community development, particularly, for women and MSME beneficiaries. One thing that the FDB has done in the last three years is the core sector's revisit of credit concentration. In 2021 post-pandemic, we realised we were 80:20 - 80 meaning large lending and 20 in the focus sector - agriculture, MSMEs. That has now changed significantly to 60:40. We have to have incorporate clients and commercial because that is where our income is generated to operate, but we have segmented our focus sector as 60 percent of our portfolio now into the core industries.

On portfolio guarantees, institutional guarantees leverage access for rural-based clients who lack traditional collateral. We have signed off two current guarantees - one is with AFD, a French entity, which is FJD7.1 million, where portfolio is guaranteed, where we can take a little bit more risk on behalf of the clients. The risk is protected at bank level, but not at client level, but allows us to do a little bit more where normal traditional lending will not be provided. As such, we have this year also a blue climate finance guarantee of $1 million, allowing more sustainable finance facilities to be given to customers because it is creating awareness, and then the Bank initiates it through this guaranteed programme to de-risk the portfolios.

On risk, digital and climate; risk management, especially, the largest risk for the Bank is credit risk. You will see that non-performing loans have been under scrutiny for the Bank over the past years. This has been under a strategy with the Board over a three-year scope period where we have analysed what the Bank had inherited over 15 years and carried forward. With that initiative, the Bank has now worked with the honourable Minister for Finance, to put a strategy in the first year and second year, so we are in the third year this year where we will be tidying up the portfolio that has been carried forward.

As of date, the Bank has non-performing loans up to $67 million, of which none of them, of the new loans that have been written in the three years, above $500,000 per year. That is the change and shift in managing the non-performing loans.

Percentage is pretty high. The Central Bank requires a 10 percent benchmark. For development banks across the Pacific, 10 percent is not achievable because of the high risk we take. However, FDB, over the period of ensuing years, have achieved 15 percent from the 32 percent it used to sit at. The credit risk within appetite is 78 percent, operational appetite is 69 percent and market risk is stable. These are from our enterprise risk management appetites that are set annually for sectoral limits or operational limits and the breaches or tolerance, and these are the percentage that we have just shared with you today.

On digital transformation and service delivery, 63.81 percent of delivery of loans has been done through online submissions. You will see that now, we have our women entrepreneurs, sustainability energy packages, rice and agriculture value-chain and sugarcane, all happening online. However, our traditional banking branch presence is still maintained because we have farmers who come in. They love to come into the Bank, so that is also maintained. Overall, 63 percent have gone digital, and the balance is basically what we maintain through traditional, coming into branch visitations.

Customer satisfaction is set at 4.09 percent of the 5 percent achievement. This was independent survey through Maxumise and the benchmark was achieved. There is room for improvement that we have taken feedback, and we are working on that on certain areas in the ensuing years.

For core banking system, our total project cost investment is $4 million. We started this a few years ago because of technical glitches and the enhancements that we need. It has taken a little while, but we expect to deliver in June this year.

We had reached community outreach roadshows, *talanoa* session, radio programmes and outer island tours across our 11 Branches and the Microfinance Unit in 2024, which totalled to 364 outreach programmes.

On climate finance and sustainability, FDB is the only Bank in the South Pacific that is aggregated to the climate fund directly as a national access entity since 2017. The Green Climate Fund (GCF) readiness grant – we have two grants readiness totalling USD2 million, received to build absorptive capacity for climate finance engagement. We had an Agro Photovoltaic (APV) project of $10 million. The FDB at this stage is considering full funding under its own entity because GCF has categorised that into a different category which they cannot fund.

On Climate Smart Agriculture Guarantee Facility, we have a concept note that was approved in November 2005. The project preparation funding has been secured. We are now on to the assessment of that and providing more coverage to get this guarantee back to FDB and do the agriculture value chain guarantee programme under GCF.

We have an Environment and Social Safeguards (ESS) Framework now mandated in the Bank for all lending above $1 million, that incorporates sustainable climate conditions embedded into loan conditions assessment where needed. We are transitioning this from normal traditional development lending to more sustainable. As such, you will also note that since the CEO came in last year, we had revisited our vision and mission and added sustainable in the word 'development' initially used.

On Gender Equity & Social Inclusion (GESI), we have drafted our own GESI which incorporated across gender balance and equity, so our Board is incorporating female members. Now, we are inclusive of 50 percent male and female. You will see the same in our UNESCO management meetings and leadership as well, and the same interthread into portfolio. Thus, we have brought in the women entrepreneur loans.

On regional leadership advancing the Pacific Climate Bank concept under the RPACA engagement at UNESCO, we are also working with the World Bank to see if FDB could be the leading Bank in the South Pacific as the Green Bank and then provide regional support into the Pacific.

On strategy and outlook in terms of key strategic risks, staff retention. We have noted the loss of specialised skills, especially in project finance, credit risk, finance modelling, and these are being addressed through recognition, remuneration, training and succession planning. We are also looking into revisiting our processes in terms of talent acquisition where we can enhance rather than normal interviews, headhunting and all those things under the prerogative of the Board and the CEO's powers.

On market condition, interest rate movements and competition from commercial banks remain the biggest challenges for FDB. Our cost of fund in terms of operation is quite high, compared to other banks. In 2023 post-pandemic, the Bank lost a total of $100 million to other banks refinancing our customers based on pricing. We are now focussing on pricing relationship and loyalty basis to maintain our existing client base. That is cost of funds.

On pricing model, we review our pricing model every six months to ensure that we sustain any stress in the interest market. Where needed, we are able to negotiate with customers on basis points, just to ensure our operating model.

We have a two-tone strategy in maintaining cost of funds through customers. One, when we onboard customers is to build a portfolio size and two is for income. We strategically write our proposal based on that. Why are we bringing this customer? This customer is an impact-based customer and maybe pricing or income is not priority here, but the impact is a priority. The other is onboarding clients which gives interest income to the Bank. We do have a liquidity framework. The UN had helped us draft our policy. Daily cash flows are now being monitored, and three months reporting liquidity management is being maintained as well.

On standby facilities, we have mutual agreement with FNPF and a commercial bank where should there be an emergency, we can borrow liquidity funds from these two entities. I spoke about 60:40 portfolios. So, 60 percent is into development sectors either commercial, corporate, agriculture, SME, microfinance, focus sector, and balancing the other 40 percent across the other non-focus sector. We are also RBF compliant in terms of liquidity reporting and all applicable RBF policies are maintained. Monthly, quarterly and annual reports are now provided to the Central Bank on the Bank' mandated ratios.

On balancing the dual mandate, as I had mentioned, the development mandated sectors and commercial financial stability, we have converted from 80:20 to 60:40. That has seen the shift in terms of more microfinance, agriculture and SMEs coming on board. Commercial business with stronger repayment capacity allows the Bank to maintain its operational model without dependency on the Government for support on income or provisioning for liquidity as well. On our own governance, we are able to borrow from the market now.

That is, in summary, the basic coverage of the questions provided and answered in that form. Also, covering the high-level numbers of the Bank's performance for the 2024 financial year.

MADAM CHAIRPERSON.- Thank you very much, Mr. Sudhakar. I will now open the floor for questions.

HON. V. LAL.- Thank you, Mr. Sudhakar, the CEO and Team for your comprehensive presentation. I can see in slide 18 on Strategic Risk and Resilience 2024-2028 on the RBF compliance. You were saying that RBF policies are compliant with but on page 8 of your report, I can see that in the RBF supervision policy requirements, only 13 out of 18 of those requirements are being complied with. Can you explain that - is it good for the Bank, not so good for the Bank and why there is not full compliance? I can see the contradictory reports in both your presentation and the report itself.

MS. P. CHAND.- Madam Chairperson, through you, the statement in the 2024 Annual Report reflects the applicability of RBF policies to FDB. There were 18 RBF policies, however, only 13 are applicable to FDB, as we are a development financial institution. The remaining five are applicable to the commercial banks. So, from the 13, we fully provide assurance that we are fully compliant with those.

HON. R.R. SHARMA.- The issue I have with this Report is that it is very well written and that presentation is a better detailed report of what FDB has to offer. What I do not see are the challenges, more data, but I see a lot of SDGs and a lot of success stories. What about those who could not sustain their businesses, where is their coverage? Remember, we learn from our failures and mistakes, and this is the issue I have now. That is more detailed, but when someone reads this, it paints a very good picture. The Fiji Development Bank Act 1966, do you look for any amendments that needs to be made so that FDB keeps up with modern and relevant times?

MR. F. WAQABACA.- You are correct. We continuously review the Act to see whether it allows us to expand the work that we do for a number of reasons. One is to ensure that FDB remains relevant, given the competition in the market. We cannot continue to operate as is, but we need to see other forms of businesses that will allow us to generate the revenue that we need to remain sustainable. Secondly, and I think most importantly, allow us to continue to service the mandated areas.

As of now, I think our main mode of operation has been lending. We are also exploring avenues such as equity financing and partnering with not only businesses, but faith-based organisations that have a lot of assets and likewise, communities that may have resources but cannot venture into commercial enterprise because of the difficulty of accessing funds. So, FDB is also exploring that, whether we can form partnerships.

I think for some of these new measures includes small transitions towards commercial banking. If we are able to accept small retail deposits to help us with our cost of funds, because when we have lower cost of funds, we immediately pass that on to our customers. For That, we have reached out to international multilateral organisations to help us review the Act so that it can give us the flexibility to do certain businesses that will sustain us, make us relevant, and better serve our mandated areas.

HON. R.R. SHARMA.- Obviously, I have declared my interest from the beginning because I had been a loan recipient during the COVID-19 times. You talked about refinancing and faith based. I am interested in Grace Road. We sent an email yesterday, but I guess one of your PAs failed to respond to the Committee Secretariat on that information. Do you have data on FDB refinancing these million-dollar businesses? Some which I know of, I will not name, but I would like to know from you, is Grace Road a loan recipient? If yes, why was their name not mentioned when we had a list of names for the Committee to go and visit for the site visitations?

MR. F. WAQABACA.- Grace Road was a recipient of a loan from FDB at the very initial stage, I think, when they entered the Fiji market. The FDB was a financier at that point, and they paid off their debt in 2021. They were in our books, and they paid off in 2021. Recently, they made applications also to FDB which was assessed and has been taken up to our Board Risk Committee. For me, as the CEO and wearing the development hat, I use the Constitution as the guide in extending or assessing loan proposals. I tell our team that as much as possible, we should not be discriminatory in our approach, especially, if it is a business and it comes to FDB. We will have hearsay, we will have other comments being tagged against the business, but we must assess it in a fair manner and give it our best opinion.

We currently have an application which we are assessing, but I look at the business more as what is the country getting from this business. Are we getting an impact? Is it making an impact? Those are the type of questions that we will be contemplating as we assess the application from Grace Road but, otherwise, at this point, they have repaid and they are not in our books.

HON. R.R. SHARMA.- That is well noted, CEO. Why we asked these questions is because, as you had said, there is a lot of hearsay, so the Parliament Committee platform is a way to provide clarity and clear all this misinformation.

When we look at page 36 - incident management and refinancing risk appetite, tolerance thresholds and embedding risk intelligence into strategic decisions, moving ahead with FDB's risk framework, yet what I saw in the recent mid-term fiscal strategy in the Ministry of Finance's page is that FDB is still assessed as high risk. What I am trying to gather from this Report is, in what direction is this financial institution moving? More detailed information is what I could not find, that is why I am placing the question to you. This is a 2024 Report, and the median fiscal strategy is for 2025, 2026 and 2027, and assessed as a high risk, Government being the guarantee. Can you elaborate on that?

MR. F. WAQABACA.- In terms of why we have been assessed as high risk, it is probably due to the fact that the Government provides us with Government guarantee on the funds that we have to raise in the market. However, the Government does not give us any money to operate. I want to make that very clear. The Government just provides that guarantee. Apart from that, there is a subsidy of, I think, $4 million, which helps ease the burden on the micro, small, and the clientele. Perhaps, because we are being given that Government guarantee, which becomes a contingent liability of Government, we are perceived as being risky. However, so far, we have been trying to make marginal profit, despite the challenges that are before us.

As we have stated, Madam Chairperson, one of our biggest challenges is the cost of funds.

We are borrowing in the market at over 5 percent, and when clients come to us and ask for 3 percent or 2 percent, it is very difficult. However, the banks are able to offer that because they accept deposits at 0.001 percent or 0.008 percent. Therefore, once we are being labelled as risky in the medium-term review of the Ministry of Finance, I think it is due to the fact that they are providing that Government guarantee. I always pose this dilemma.

In a well-developed market, when government provides government guarantee to an institution, and that institution goes to the market to borrow funds, the tendency is that the interest rate will be lower because they see a government-backed guarantee, but it is never the case in Fiji's market. In fact, I think it is the opposite. Our interest rate goes higher. We hope that our other players in the market will be able to support FDB to continue to provide this developmental role, because there are other key players in the market which, I believe, if they do support FDB in its cost of funds, we will generate more development for this country.

HON. V. LAL.- My question is along similar lines. The purpose of FDB is for development purposes, financing small businesses, et cetera. I can see here you are disbursing about $20 million to the bigger entities, such as FSC. Not even that, $7 million goes to the Ministry of Finance. How do you justify that?

MR. B. SUDHAKAR.- As we had mentioned earlier, with all due respect, the Bank had to look into the existing portfolio to rightfully answer FSC. The FSC is not just an entity for the Bank, but because of the sugar industry itself, we have farmer loans, so we have a significant portfolio for sugarcane farmers. If the Bank does not support the organisation that deals with the manufacturing of the sugarcane that the farmers provide, we see that is has an impact on the nation.

HON. V. LAL.- I just want to clarify this, is it loan to the FSC or to individual farmers?

MR. B. SUDHAKAR.- This one that we are talking about is to the FSC itself, but we have a portfolio size of above $34 million directly lent to sugarcane farmers. It incorporates a total sugarcane lending structure in the appetite statement to the manufacturer and to the farmers as well. If we do not support the manufacturer, the farmers' loans will be impacted in terms of repayment capacity. We have to outline our risk appetite to say why we have to play that role in terms of enhancing support to the manufacturer so that the farmers are able to survive. For example, if we decide not to fund FSC through the support of the government guarantee, at the immediate stage, about 1,500 farmers in the sugarcane field will be impacted in the year.

HON. V. LAL.- But, Madam Chairperson, Government provides guarantee to FSC as well.

MR. B. SUDHAKAR.- That guarantee is provided to seek financial support for the ensuing year for them to operate. They use that guarantee to come and borrow.

HON. R.R. SHARMA.- How long has this trend been going on?

MR. B. SUDHAKAR.- For FSC itself?

HON. R.R. SHARMA.- For FDB putting out millions of dollars towards FSC?

MR. B. SUDHAKAR.- FSC goes and borrows in the market, so it is either a commercial bank or FDB. Probably, a portion to FDB and a portion to a commercial bank.

HON. R.R. SHARMA.- The FDB is seen as a development bank. The question by honourable Lal is, if these are developed entities, we understand, of course, they have their own challenges for decades. However, someone new, a young graduate or a farmer who has innovative ideas, I want to see where are we going forward? Are we going to empower those with innovative ideas but do not have the financial backing, capacity and mentoring or are we just going to be backing up these financial institutions, these major institutions in Fiji just to keep the workforce or the institution alive? How do you strike this balance? There are talented people in this country who do not have land, they do not have access to having shops, financial backing and mentorship. I am an example of it. We see Fiji as a difficult place to start a business, for example. What do the youngsters do? Well, let us go abroad, and this is one of the parts of brain drain as well. How can FDB strike that balance?

MR. F. WAQABACA.- I think for FDB, it is always a balancing act. I will first address the FSC issue and why we are lending to FSC. I think, Mr. Sudhakar mentioned that we have farmers and the industry, so we cannot support one and neglect the other. We have to play that role. I think for the lending to FSC, I see it as us sharing the burden of the Government. If we do not lend to FSC, then the Government will probably have to take it on board as part of their budget support. I think the Government provides the guarantee so that FSC can source funds from other financial institutions.

On these young and budding entrepreneurs who are coming into the market, we also have redesigned our packages. We want to support those who have business ideas. We are working with the RBF. They have started this incubation centre and young people with enterprising ideas about businesses, can start.

We had also stated that we lend to women and to youth. Those too are the focus areas, apart from farmers. We would welcome any young entrepreneur with great business ideas to come and talk to FDB, because we have packages designed to provide them the catalyst that they need or seed capital to begin a business. As I have said, we cannot ignore other institutions which are deemed as important for the country. Sometimes, when other banks do not support them, there is no other avenue for them but the FDB, and we have to play that role of supporting them.

HON. V. LAL.- I am still interested to know why $7 million was given. That is fine, women, youth, we all want to be happy. That is good, carry on, but why $7 million was given to the Ministry of Finance, who is the major financer of all the Ministries?

MR. B. SUDHAKAR.- Just to disclose, there was an arrangement with the Ministry previously through the FDB as a funding arrangement for the Momi Bay project - the road construction. Everyone is aware of that, I believe. That debt was written off at the end of 2023. There was a sustainable amount that the Bank had to recover. That is the recovery amount that we negotiated through the Ministry - to pay the Bank back and the Momi Bay settlement.

HON. V. LAL.- So this $7 million was recovered through the Ministry of Finance. Is that just what you are saying?

MR. B. SUDHAKAR.- It is a settlement payment to the arrangement that was way pending 15 years ago. It was the closure of the amount, so the Bank decided to fund the Ministry so that they can clear that obligation off. We did not want to take it on our balance sheet to write-off or whatever. They borrowed from the Bank to pay off that obligation on a payment arrangement.

HON. V. LAL.- So the Bank has written-off that amount from its books?

MR. B. SUDHAKAR.- Initial bad debt portfolio of the previous year, there is a significant write-off amount, which was that amount. Of that amount, there was an outstanding settlement that needed to be done. For that, that is the $7 million that was funded as a payment arrangement, not as a gift.

HON. R.R. SHARMA.- When I see the Fiji Development Bank Report, I see a farmer holding *dalo*, a lady with a tree, a small shop. If this is what we are promoting, we must stick by that. I am sure any government, institution, and Ministry of Finance or the Minister, should allocate rightfully what is for that Ministry and FDB's main mandate must be developing Fiji.

The FDB must live up to its name. I am unhappy to hear that we are trying to pay off bad debts, support FSC when you have a whole structure in place. Funding is given, they have their own borrowings, because what I see is gaps in our sectors in terms of moving the economy forward. Do you have data on locally owned enterprises that have been loan recipients under FDB? Do you have that data segregated? Do you have a list that you publish every year who are the loan recipients? Again, I see this as taxpayers' money. Can you elaborate, please?

MR. B. SUDHAKAR.- We generally do not publish our client base under confidentiality now that we are under Reserve Bank of Fiji's Supervisory Act. However, we can confirm to you that 95 percent of our customer base is local domiciled customers, 5 percent is investment, jointly invested in Fiji.

HON. R.R. SHARMA.- Do you have these recipients of government funding? There are so many fundings under the then Ministry of Trade and Commerce, I believe. I think every Ministry has these grant opportunities. Do you have the recipients or are you connected with these Ministries when it comes to grant recipients that come to FDB and say if they can put this as equity and borrow more, invest on land, or what are your programmes? I just want to see the level of connect or disconnect, because FDB can really help these grant recipients further and widen their vision.

MS. T. KAMIL.- We have an active role in these arrangements with the various Ministries. That includes the Ministry of Agriculture for their commercial package, former Ministry of Trade, which is now renamed, through the various programmes that they have, and one is the IHRDP, and the Ministry of Tourism as well in terms of the micro pilot project for tourism. With trade, we have the National Export Strategy programme. We are very connected. We are part of the panel and had co-assisted those who qualify in that programme. We are guided by the Ministry because any applications related to this goes through the Ministry.

They come to us if they need the funding, the co-financing, which is either one-third or 20 percent, then we do finance for that. However, proper due diligence is done at both levels, even at the onboarding at the Ministry and service when they come to the Bank. When they come to the Bank, it is ready-to-finance capacity. It is a tick for us on that. We are also involved in some monitoring after we do disbursement. We are very active in the monitoring of those projects as well that have been co-assisted through Government.

HON. R.R. SHARMA.- For example, if I am the Minister for Finance in the future and I have a debt to pay off and I know that FDB has funding, do I have the full authority to do so, or does FDB have the power to deny me?

MR. B. SUDHAKAR.- I will answer that question. This is one of the questions why we are also trying to de-risk FDB from Government. The World Bank, IFC, the Ministry also categorises high risk. What we have done in 2021 is to revisit our governance structure in terms of putting it independent off the Ministry. What now happens is, once the honourable Minister appoints the Board members, they become independent of any Ministry directives directly.

The Board has subsequently from the governance operation of RBF model, provided a discretion of authority for approving loans. That does not sit with the Board anymore. It sits independently with the Board Risk Committee where the Committee has identified that if only a proposal is endorsed through management, then we will look into it. There is no other authority that can come to the Board and say, "Management, look into this proposal and bring it up to us." It is through the normal process change of governance that we now operate our credit approval discretion model. There is no connection of a Minister coming to the Chair and saying, "This was happening in the Bank. This is a lesson learned." One of the questions that we have also answered.

Significantly, post-2019, these things have been changed, revised under the governance requirement, credit appetite changed and credit discretion aligned to the Central Bank's requirement where discretion from the Board was removed and brought down to subcommittee level. That elevates that movement of someone instructing and someone saying to do it. Also, with due respect, all the discretions at high level are dual. No one has a single authority to approve discretion. Even our CEO does not have a sole discretion at this stage.

HON. R.R. SHARMA.- Thank you for the clarification. When you look at these geopolitics at play, global supply disruptions and chain disruptions, I am talking about there is possibility of the appreciation of the US dollar, which is going to affect us. How does it affect your lending capacity and interest rates in the future? What is the forecast?

MR. F. WAQABACA.- Fortunately, for us, our borrowings are all in Fiji dollars. We have not borrowed in external markets. If we had done so, then the currency movement will have to be a consideration in our operation. All our borrowings are through funds from FNPF, banks and insurance companies. We are probably shielded as a result from this foreign currency movement at this stage. However, unless the sources of our funds or institutions that we borrow from have external exposures and any adverse movement in exchange rates, should they use that to adjust the interest rates in the country, then we are likely to be affected.

HON. R.R. SHARMA.- Just a word on that, just be mindful that we trade on US dollar. Most of our government international debt is on US dollar. So, anything that happens nationally is going to trickle down on us, trickle down to you. That is where I am coming from. That is well noted.

MR. F. WAQABACA.- Yes, the Government does borrow and trade in external dollars, but for our operation, we borrow in Fiji dollars.

HON. V. LAL.- I can see some of your loans had been refinanced by commercial banks. What does this mean? Is FDB in competition with commercial banks?

MR. F. WAQABACA.- Yes, you are correct. As I had stated before when honourable Sharma asked about the Act, one of the reasons why we want to review our Act so that we can remain afloat.

There is competition in the financial system. Some of the players in the market are beginning to move into our space, so we have to adjust so that we can survive also. That is why we lend some to the corporate so that we can get money to pay for our bills and lend to the micro and small enterprises.

However, for us, the competition always is the interest rate. When we are unable to give the interest rate which the customers ask for, businesses are very smart. They shop around, and they know which financial institution is able to lend to them at a much lower rate. That is why I referred to our borrowing rate in the market. We borrow at 5 percent and above. When a client is offered 3 percent or 2 percent by other financial institutions, we cannot hold on to them. However, we wish them all the best and tell them that we will still be around should they need our help in the future. I think that is why they move to other financial institutions.

MR. B. SUDHAKAR.- I just thought to add one more thing to that. When I joined FDB as a commercial bank and became a development bank, and I saw what the bank's portfolio was, and some questions that honourable Sharma has raised, as a development entity of the country, we feel proud that other banks have refinanced these commercial or corporate clients. As a conduit, we have provided them the baseline, and then when they go into the market, they become smarter that they need better facilities and they move out. So, yes, we did lose it on pricing but, yes, we do feel proud that we have played our development role when this financial institution has never touched this type of financing.

One of the things that I feel proud with FDB is that Nawi Island. When I was a commercial banker, none of the commercial bankers at that period – I was at two banks – wanted to fund or wanted to even touch that proposal on Nawi Island, but FDB did so. As soon as we funded, as soon as the project went off the ground, commercial banks took that, so we feel proud of them playing that development role. Yes, it is a mismatch, but as CEO has also alluded to, if someone helped us to reduce our cost of fund, we would be in the same playing field as the commercial banks in Fiji.

HON. V. LAL.- In fact, my understanding is, for development purposes, our rates should be the lowest. Anyway, you can talk on that, but I can see a lot of success stories in this Report. There may be some unsuccessful stories as well, where some of your major clients must have pain to pay and then written off. Can you give some details of some of the major companies which have actually been written off?

MR. B. SUDHAKAR.- Under confidentiality, we cannot, but if you want, we can list it down for your purposes and provide you the list. As a strategy also, we have realised our bad debt portfolio. What we have done in this financial year, we have created a team that will go and collect. We have also noted, in terms of the interest of our citizens, playing the role as the rightful citizens of this country. They have taken advantage of the Development Bank as well because of how the Development Bank has channelled in the past, giving forgiveness and all those, we have noted that some of these businesses remain operating under the same names with debt forgiven. So, FDB is now collecting.

The same message, I would like to allude as well as the Chief Operating Officer of the Bank, is the COVID-19 loans. Those who think that it was given as a guarantee, backed by the Bank, and is not paying, FDB is coming to collect it. We will make sure if you want better roads, if you want better medical system, if you pay these loans, we pay tax to the Government as well, and that goes into that. We want to enhance that programme that we are also going to collect our bad debt, and we have a target set now for that as well.

MR. F. WAQABACA.- Madam Chairperson, just a final point on that one, if I may add - it pains us also when a business is unable to pay. As the Development Bank, we will do everything possible to keep that business operating. We will restructure the loan and give some grace periods. I do not think other financial institutions do that. They are ruthless, but that is not our job. We will

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try our utmost best to keep them sustainable until we have reached the very end and we cannot no longer go. It is then when we part ways.

MADAM CHAIRPERSON.- Thank you very much, Mr. Waqabaca, and thank you to your Executive Team. Thank you very much for your time today. It has been a very interesting conversation, and I thank the honourable Members for being prepared for this session. We look forward to seeing you again maybe next year after your next Annual Report. I wish you all the best for the next weekend and stay safe.

The Committee adjourned at 9.52 a.m.

Written Response


FIJI DEVELOPMENT BANK
2024 Annual Report
Response to the Standing Committee on Foreign Affairs & Defence
Parliamentary Presentation | March 2025

Agenda

01 About FDB

Mandate, structure & governance overview

02 Financial Performance

Profit, revenue, assets & sustainability

03 Lending & Development Impact

Disbursements, NPL, rural reach & inclusion

04 Risk, Digital & Climate

Risk management, digital transformation & climate finance

05 Strategy & Outlook

Forward risks, resilience & the dual mandate

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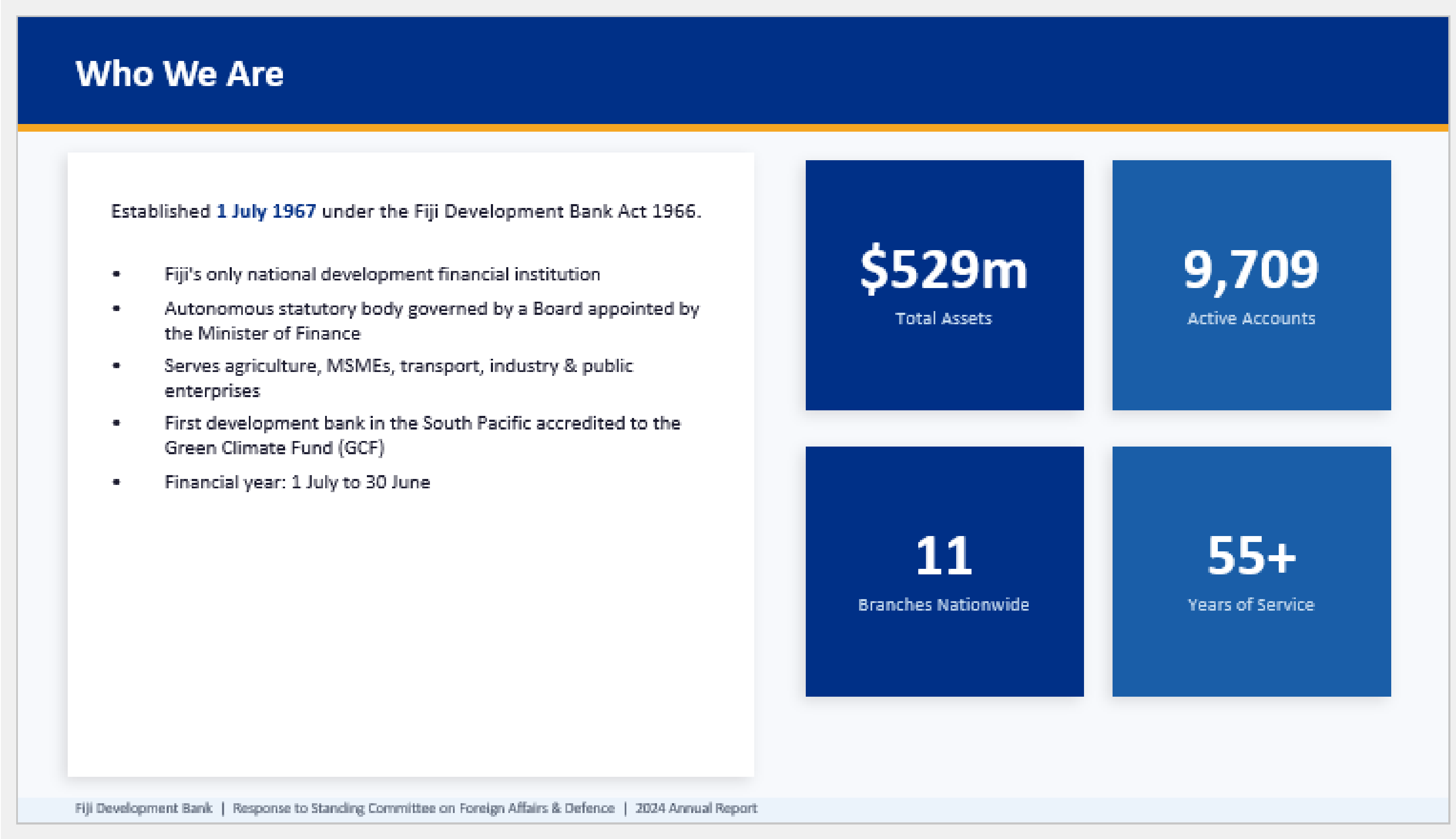
01 | About FDB


Who We Are
Established 1 July 1967 under the Fiji Development Bank Act 1966.
Fiji's only national development financial institution
Autonomous statutory body governed by a Board appointed by the Minister of Finance
Serves agriculture, MSMEs, transport, industry & public enterprises
First development bank in the South Pacific accredited to the Green Climate Fund (GCF)
Financial year: 1 July to 30 June
$529m
Total Assets
9,709
Active Accounts
11
Branches Nationwide
55+
Years of Service
Fiji Development Bank | Response to Standing Committee on Foreign Affairs & Defence | 2024 Annual Report

Governance & Oversight

Board of Directors

7 non-executive Directors appointed by the Minister of Finance. 3-year terms. No new appointments in FY2024 — continuity maintained.

Board Committees

Three permanent sub-committees: Audit (BAC), Risk (BRC), and Talent & Organisational Development (BTOD). All operate under defined charters.

Internal Audit

Independent unit reporting directly to BAC. Risk-based audits across all departments. Special investigations conducted on request.

External Audit

Conducted annually by the Office of the Auditor General under the FDB Act and Financial Management Act 2004.

RBF Supervision

Fully supervised by the Reserve Bank of Fiji. Monthly & quarterly supervisory reports submitted. 13 of 18 applicable policies complied with.

Ethics & Compliance

Formal Code of Conduct for all Directors. Conflicts of Interest Register maintained. Whistle-blower policy in place. No complaints received in FY2024.

Fiji Development Bank | Response to Standing Committee on Foreign Affairs & Defence | 2024 Annual Report


02 | Financial Performance

Key Financial Highlights — FY2024

$5.6m	$91.26m	$464.4m	$187.85m
Net Profit	**Loans Disbursed**	**Loan Portfolio**	**Total Equity**
+46.21%	114% of target	9,709 accounts	Strong capital base

Income Statement Summary ($m)

Item	FY2024	FY2023
Interest Income	26.45	33.74
Net Interest Income	22.01	26.48
Total Operating Income	29.10	32.95
Operating Expenses	(15.54)	(14.78)
Net Profit	5.60	3.83

Key Drivers

- Operating expenses held at $15.54m vs $16.46m budget
- Borrowing costs reduced by $2.82m (38.84%)
- Credit impairment allowance down $11.72m — genuine portfolio improvement
- Profit growth: sustainable, not one-off

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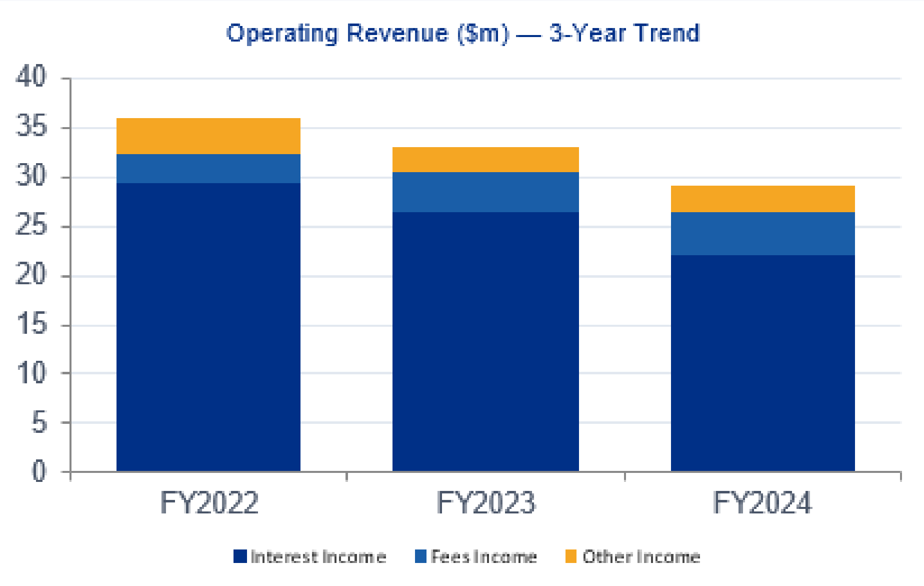
Balance Sheet & Revenue Context



Revenue declined 11.69% — driven by low market interest rates (1.8%–2.1%) and competitive pricing pressure.
Long-term outlook: revenue expected to recover through portfolio growth and disciplined cost management.

Total Assets **$529.01m**

↓ from $593.95m — driven by lower cash holdings, not lending contraction

Total Liabilities **$341.16m**

↓ by $70.55m — FDB repaid high-cost borrowings; minimal new debt

Total Equity **$187.85m**

↑ from $182.24m — strong capital position

Net Loans & Advances **$357.80m**

Core lending assets; portfolio quality improved to 82.25% performing

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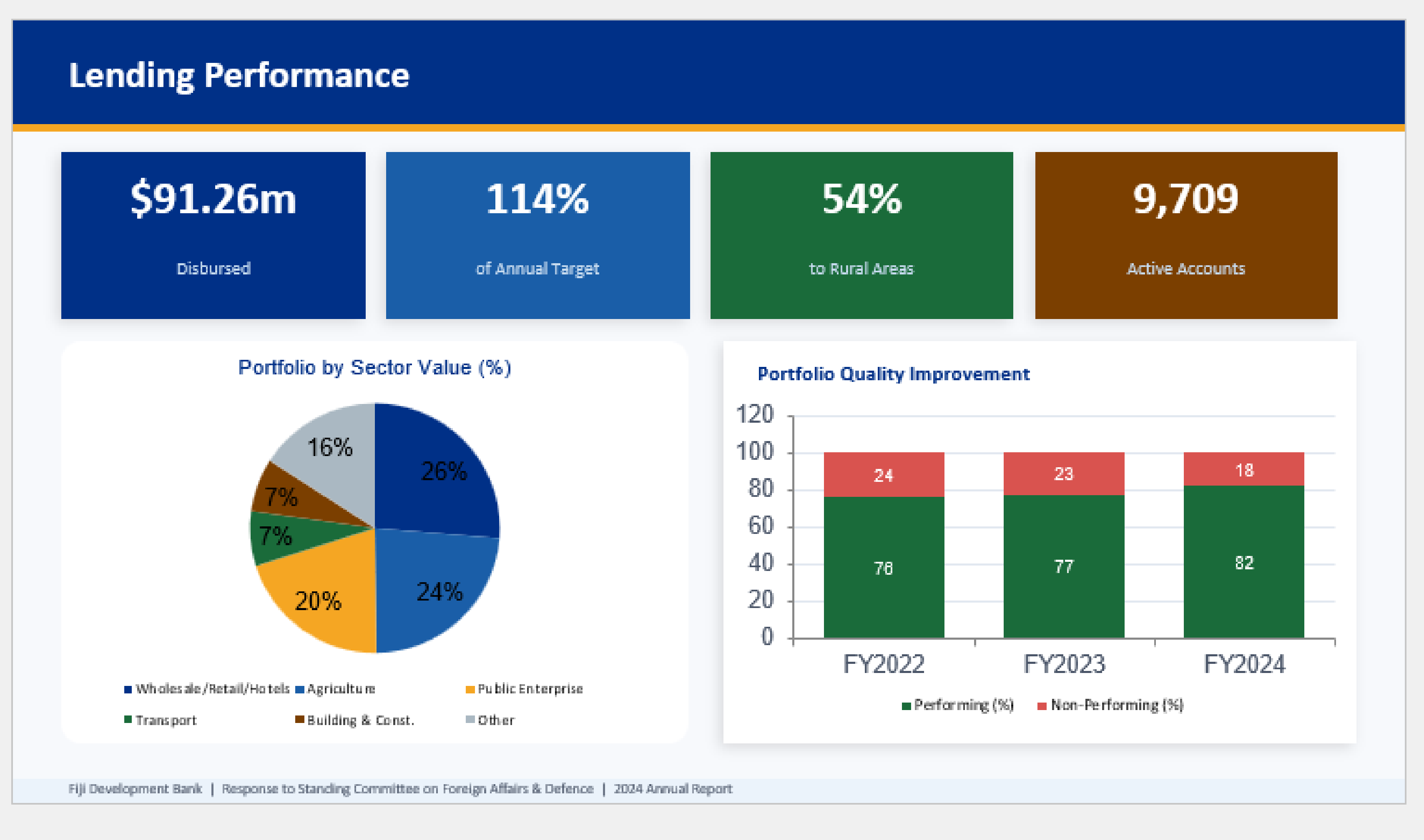
03 | Lending & Development Impact


Lending Performance
$91.26m
Disbursed
114%
of Annual Target
54%
to Rural Areas
9,709
Active Accounts
Portfolio by Sector Value (%)
26%
24%
20%
7%
7%
16%
Wholesale/Retail/Hotels
Agriculture
Public Enterprise
Transport
Building & Const.
Other
Portfolio Quality Improvement
120
100
80
60
40
20
0
24
23
18
76
77
82
FY2022
FY2023
FY2024
Performing (%)
Non-Performing (%)
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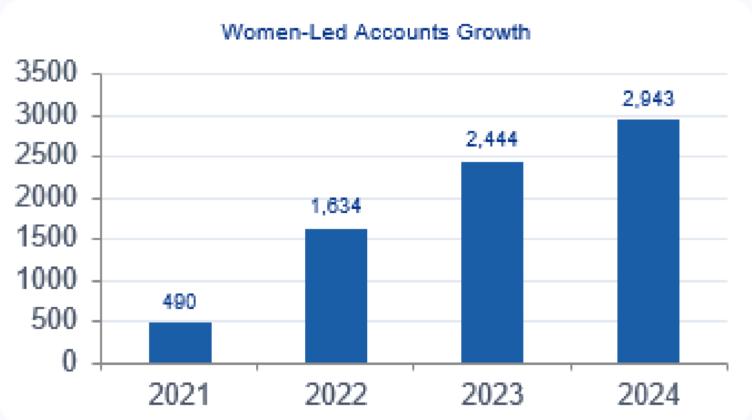
Financial Inclusion — Women, Youth & MSMEs



Youth Portfolio

17% of total accounts

15% of portfolio value

+46% YoY growth in loans

Youth defined as ages 18–35. All applicants assessed for viable business plans. Closer relationship banking and financial literacy support in place.

Key Inclusive Loan Products

Product	Accounts (FY2024)	Portfolio Value	Launched
SME Sustainability Package	293	$13.35m	2022
FDB Women Entrepreneurs Loan	1,250	$3.16m	2023
Sugarcane Farmers Special Facility	266	$2.31m	2023

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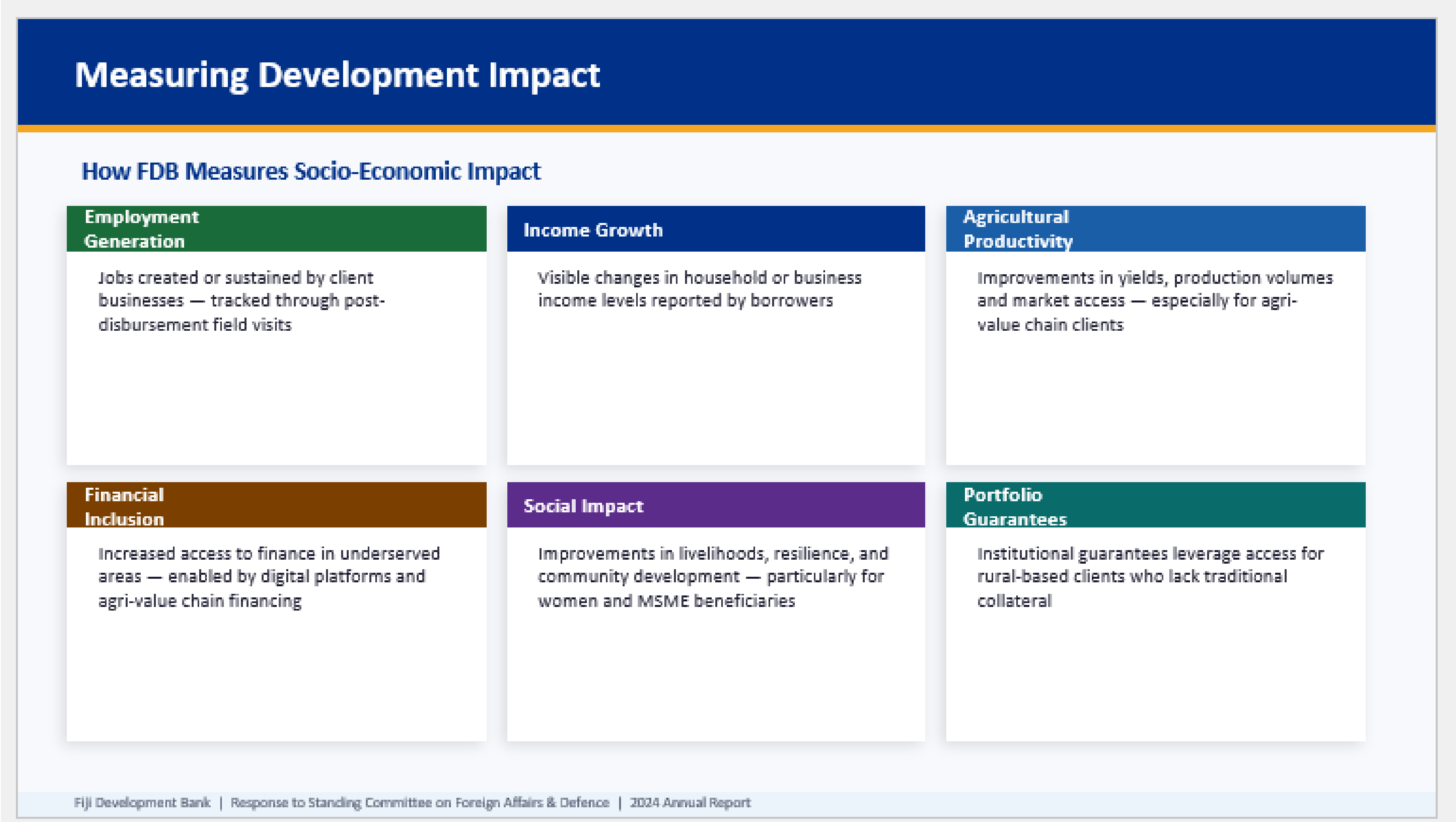
Measuring Development Impact
How FDB Measures Socio-Economic Impact
Employment Generation
Jobs created or sustained by client businesses — tracked through post-disbursement field visits
Income Growth
Visible changes in household or business income levels reported by borrowers
Agricultural Productivity
Improvements in yields, production volumes and market access — especially for agri-value chain clients
Financial Inclusion
Increased access to finance in underserved areas — enabled by digital platforms and agri-value chain financing
Social Impact
Improvements in livelihoods, resilience, and community development — particularly for women and MSME beneficiaries
Portfolio Guarantees
Institutional guarantees leverage access for rural-based clients who lack traditional collateral
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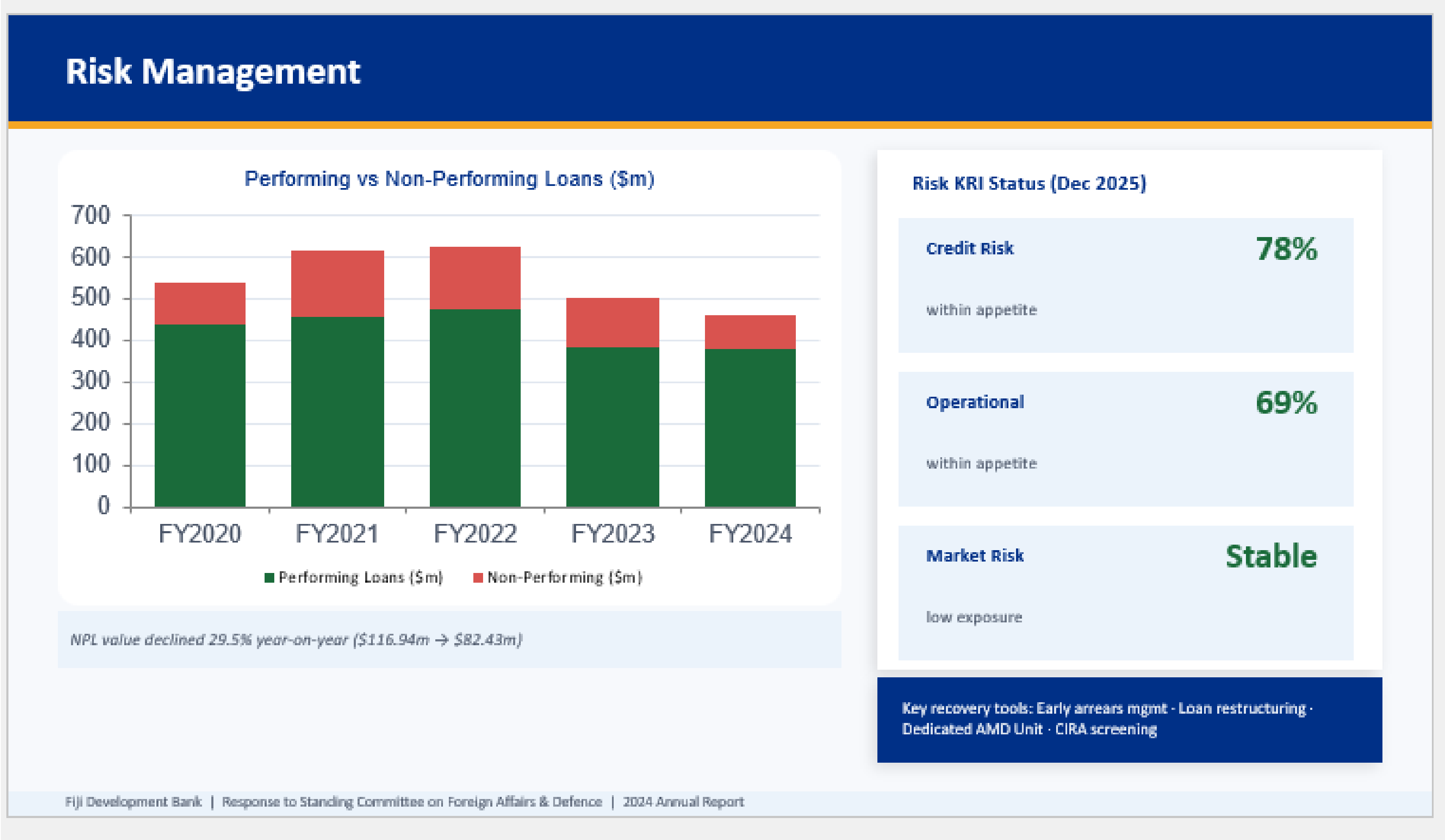
04 | Risk, Digital & Climate


Risk Management
Performing vs Non-Performing Loans ($m)
700
600
500
400
300
200
100
0
FY2020
FY2021
FY2022
FY2023
FY2024
Performing Loans ($m)
Non-Performing ($m)
NPL value declined 29.5% year-on-year ($116.94m → $82.43m)
Risk KRI Status (Dec 2025)
Credit Risk
78%
within appetite
Operational
69%
within appetite
Market Risk
Stable
low exposure
Key recovery tools: Early arrears mgmt · Loan restructuring · Dedicated AMD Unit · CIRA screening
Fiji Development Bank | Response to Standing Committee on Foreign Affairs & Defence | 2024 Annual Report

Digital Transformation & Service Delivery

63.81%

Digital Applications

Over 63% of all 2,938 loan applications received in FY2024 were submitted online — improving accessibility and processing speed.

4.09 / 5.0

Customer Satisfaction

Independent CSI survey by Maxumise. Above the 4.00 benchmark across all service dimensions — with room to improve product offerings.

~$4m / Jun 2026

Core Banking System

Full end-to-end digital platform. Expected to go live June 2026 — eliminating manual processes and improving turnaround time.

364

Community Outreaches

Roadshows, talanoa sessions, radio programs and outer island tours across all 11 branches and the MSME Unit in FY2024.

Rural accessibility maintained through 11 branches. Shift toward service centres in low-volume areas is being explored alongside digital expansion.

Fiji Development Bank | Response to Standing Committee on Foreign Affairs & Defence | 2024 Annual Report

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Climate Finance & Sustainability

First development bank in the South Pacific accredited to the Green Climate Fund (GCF) — Direct (National) Access Entity since 2017

GCF Readiness Grants

Two readiness grants totalling ~USD 2m received to build FDB's absorptive capacity for climate finance engagement.

AgroPV Project, Ovalau

USD 10m project co-financed by GCF & KOICA. Faced site challenges (ESS Category B reclassification). FDB considering full self-funding.

Climate Smart Agriculture Guarantee Facility

GCF concept note approved Nov 2025. Project Preparation Funding secured. Full Funding Proposal targeted Q1 2027.

ESS Framework

Environmental & Social Safeguards assessment mandatory for all loans above FJD 1m. Climate risk conditions embedded in Loan Offer Letters.

GESI Policy 2024–28

Gender Equity & Social Inclusion policy updated, incorporated into FDB's Strategic Plan to ensure inclusive climate finance outcomes.

Regional Leadership

Advancing the Pacific Climate Bank concept under RPACA. Engaged at UNFCCC COP29 and with ADB, World Bank, USAID Climate Ready.

05 | Strategy & Outlook

Strategic Risks & Resilience — 2024–2028

Key Strategic Risks

Staff Retention

Loss of specialised skills (project finance, credit risk, financial modelling). Addressed through recognition, remuneration, training & succession planning.

Market Conditions

Interest rate movements, competition from commercial banks, evolving customer needs as MSMEs recover post-COVID and natural disasters.

Cost of Funds

Working with Government and RBF to reduce cost of funds. Exploring local currency concessional financing with World Bank, ADB, and GCF.

Resilience Mechanisms

Pricing Model	Reviewed every 6 months to reflect market interest rate changes
Liquidity Framework	Daily cash flow monitoring; minimum 3-month operating buffer maintained
Standby Facilities	Mutual agreements with FNPF and a commercial bank for emergency liquidity
60/40 Portfolio	60% developmental sectors; 40% commercial — balancing impact with financial stability
RBF Compliance	Monthly liquidity reporting; all applicable RBF policies complied with

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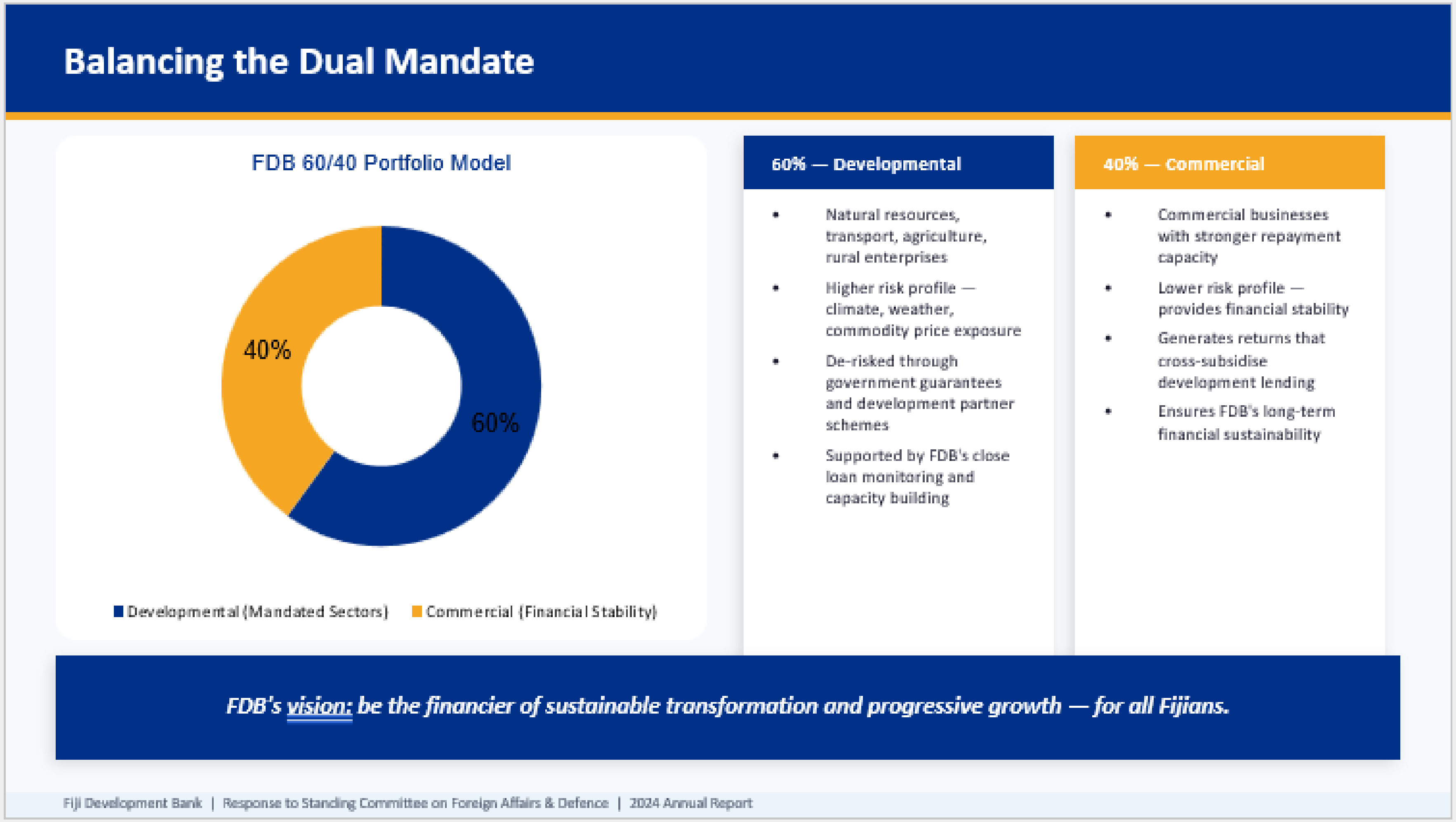
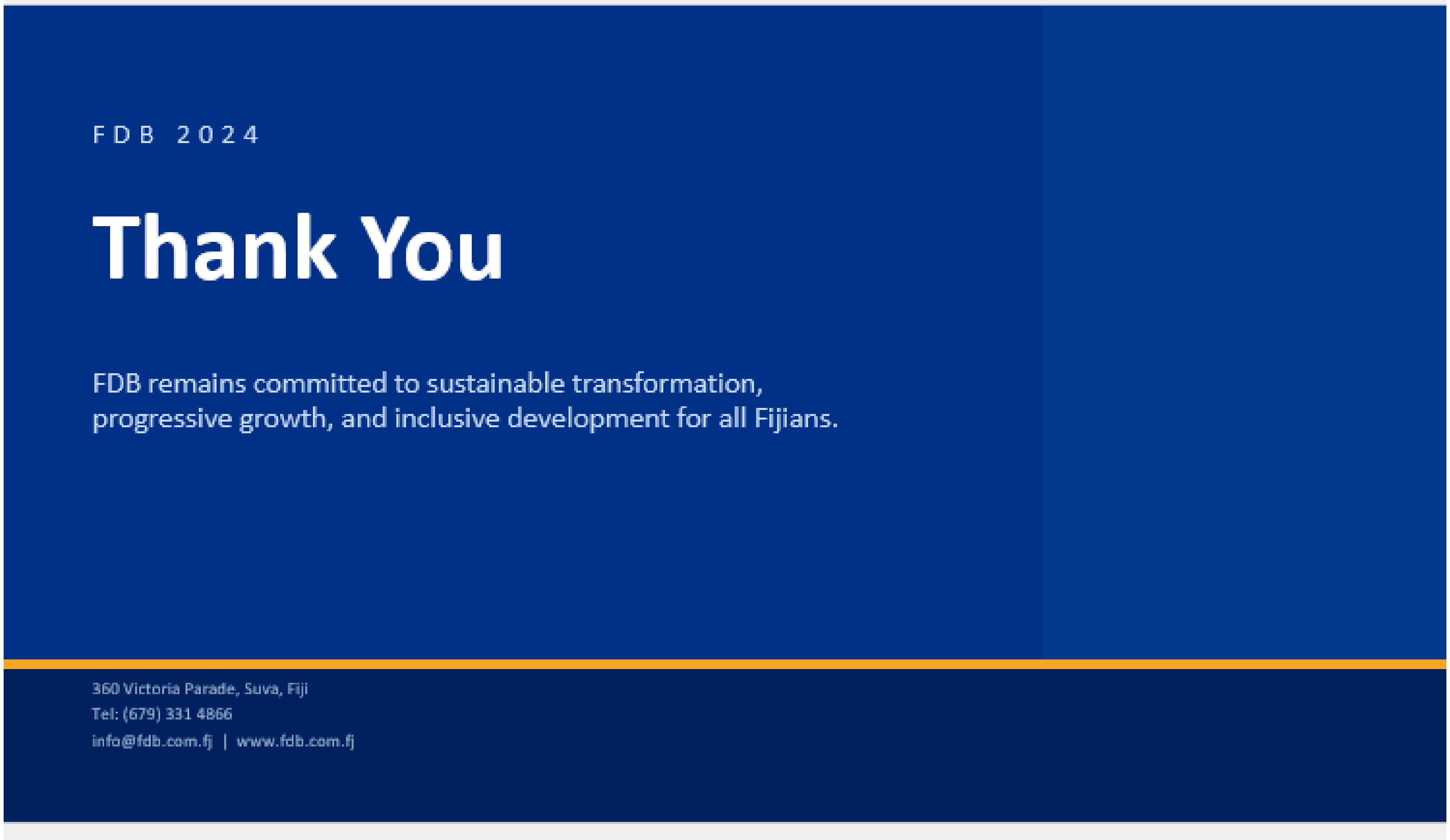

Balancing the Dual Mandate
FDB 60/40 Portfolio Model
40%
60%
Developmental (Mandated Sectors)
Commercial (Financial Stability)
60% — Developmental
Natural resources, transport, agriculture, rural enterprises
Higher risk profile — climate, weather, commodity price exposure
De-risked through government guarantees and development partner schemes
Supported by FDB's close loan monitoring and capacity building
40% — Commercial
Commercial businesses with stronger repayment capacity
Lower risk profile — provides financial stability
Generates returns that cross-subsidise development lending
Ensures FDB's long-term financial sustainability
FDB's vision: be the financier of sustainable transformation and progressive growth — for all Fijians.
Fiji Development Bank | Response to Standing Committee on Foreign Affairs & Defence | 2024 Annual Report


FDB 2024
Thank You
FDB remains committed to sustainable transformation, progressive growth, and inclusive development for all Fijians.
360 Victoria Parade, Suva, Fiji
Tel: (679) 331 4866
info@fdb.com.fj | www.fdb.com.fj

Additional Information

FIJI DEVELOPMENT BANK

Response to the Standing Committee on Foreign Affairs and Defence

In Relation to the 2024 Annual Report

Date: March 2025

To: The Chairperson and Members, Standing Committee on Foreign Affairs and Defence, Parliament of the Republic of Fiji

From: The Fiji Development Bank (FDB)

Re: Responses to Questions Arising from the FDB 2024 Annual Report

[The Fiji Development Bank (FDB) is pleased to provide the following responses to the questions raised by the Standing Committee on Foreign Affairs and Defence in relation to the FDB 2024 Annual Report (Financial Year ended 30 June 2024). Where applicable, page references to the Annual Report are provided for the Committee's ease of reference.]

SECTION 1: GOVERNANCE AND OVERSIGHT

Q1. The report states that FDB complies with 13 out of 18 Reserve Bank supervision policies. What are the outstanding gaps, and what is the timeline for full compliance?

The statement in the 2024 Annual Report reflects the applicability of RBF supervision policies to FDB, given its mandate and operating model as a development finance institution.

Of the 18 RBF supervision policies in force during the reporting period, 13 were directly applicable to FDB and the Bank confirms full compliance with all applicable requirements, with some currently in the implementation stage. The remaining five policies are specifically designed for commercial banks undertaking retail deposit-taking, advanced treasury and trading activities, and other market-based operations — activities outside FDB's legislated mandate. As such, these policies are not applicable to FDB and should not be construed as areas of non-compliance.

Applicable to FDB (13 policies):

- PSPS1 – Requirements for Corporate Governance
- BSPS1 – Requirements for Capital Adequacy
- BSPS2 – Large Exposures
- BSPS3 – Loan Classification and Provisioning
- BSPS5 – Disclosure Requirements
- BSPS6 – AML and CFT
- BSPS7 – Role of External Auditors
- BSPS8 – Disclosure of Fees and Charges
- BSPS9 – Liquidity Risk Management
- BSPS10 – Fit and Proper Requirements
- BSPS13 – Complaints Management Guidelines

- BSPS16 – Operational Risk Management
- BSPS19 – Market Risk Management

Not Applicable to FDB (5 policies):

- BSPS4 – Foreign Exchange Risk Management
- BSPS12 – Establishment of Local Advisory Board
- BSPS14 – Microfinance Divisions and Units
- BSPS15 – Appointing Heads of Licensed Financial Institutions
- BSPS18 – Agent Banking Guidelines

New Policies Released After the 2024 AR Period (Currently Under Implementation):

- PSPS2 – Cybersecurity Risk Management
- PSPS3 – Culture and Conduct Risk

FDB remains committed to strengthening its governance and risk management practices and will continue to engage proactively with the RBF to ensure alignment with evolving regulatory expectations.

Refer: Annual Report, pp. 6, 8, 17, 35–36

Q2. How does the Board ensure independence and effectiveness of the Audit and Risk Committees in overseeing financial and operational risks?

The Board ensures independence and effectiveness of its Audit and Risk Committees through clearly defined governance structures, robust oversight mechanisms, and adherence to best practice standards.

Both Committees operate under formally approved Board Committee Charters defining their mandates, authority, and responsibilities. They are composed entirely of non-executive Directors, safeguarding objectivity and impartial oversight with a clear separation between oversight and execution.

The Head of Internal Audit has direct and free access to the Audit Committee, while the Chief Risk Officer reports functionally to the Risk Committee. Both Committees meet regularly and are supported by comprehensive reporting frameworks covering financial performance, internal controls, compliance, and risk exposures. They critically review management actions, challenge assumptions where necessary, and require timely remediation of identified issues.

Refer: Annual Report, pp. 13–14 (Governance); p. 17 (Audit and Regulatory Compliance Framework)

Q3. Were there any significant governance breaches, whistle-blower reports, or conflicts of interest recorded during the year?

During the reporting period, there were no significant governance breaches recorded. No whistle-blower reports were received, supported by FDB's established Whistle-blower Policy and dedicated reporting channel (Fraud.Alert@fdb.com.fj).

In October 2024, FDB further strengthened its governance framework through the launch of a centralised Conflicts of Interest Portal to facilitate timely declarations. In addition, the Board of Directors and the CEO maintain a separate conflicts of interest register, which is formally reviewed and updated at each Board meeting.

Refer: Annual Report, p. 14 (Ethics, Transparency and Compliance)

Q4. How does the Board evaluate its own performance and that of senior management?

In accordance with the Code of Corporate Governance, the Board undertakes annual self-assessments and peer evaluations against established criteria, including effectiveness of oversight, quality of decisionmaking, and adherence to fiduciary responsibilities. The results of these evaluations are submitted to the Minister for noting.

Senior Management performance is assessed by the Board against clearly defined Key Performance Indicators (KPIs) covering financial performance, risk management, strategic delivery, and regulatory compliance under the five thematic areas of FDB's Strategic Plan. This evaluation is conducted annually and is supported by regular performance reporting throughout the year.

Refer: Annual Report, pp. 13–14 (Governance)

SECTION 2: FINANCIAL PERFORMANCE AND SUSTAINABILITY

Q5. Net profit increased by 46.21% to $5.6 million. What proportion of this growth is sustainable versus driven by one-off factors such as reduced credit impairment?

The improvement in profitability was not the result of one-off factors. It was driven by a combination of sustainable operational improvements:

- Prudent cost management, with operating expenses maintained within approved budget levels
- A $2.82 million (38.84%) reduction in borrowing expenses driven by lower market interest rates and FDB's strategic reduction of high-cost liabilities
- Improved credit risk mitigation, resulting in a $11.72 million decline in the allowance for expected credit loss, reflecting genuine portfolio quality improvement through enhanced recovery strategies FDB considers the entire profit result to be reflective of normal, sustainable business operations.

Refer: Annual Report, pp. 1, 3, 7–8, 27–30 (Financial Performance); p. 29 (Income Statement)

Q6. Net revenue declined by 11.69%. What are the long-term implications of declining revenue despite increased profitability?

The decline in net revenue (from $32.95 million to $29.10 million) was primarily driven by market-wide low interest rates and the consequent need to offer competitive pricing to retain and attract customers.

In the longer term, FDB expects revenue to improve as the loan portfolio grows. The Bank also benefits from lower borrowing costs in a low-rate environment, which cushions the impact on profitability. FDB's strategic focus on growing the portfolio in priority sectors — particularly agriculture and MSMEs — is expected to support revenue recovery over the medium term.

Refer: Annual Report, pp. 27–28 (Financial Performance); p. 29 (Operating Revenue)

Q7. Total assets declined from $593.95m to $529.01m. What are the underlying drivers, and does this indicate contraction in lending activity?

The $64.94 million decrease in total assets was primarily attributable to a decline in cash holdings (from $179 million to $73 million). FDB did not borrow from the market during the year and instead relied on existing cash reserves to fund operations and loan disbursements. This reflects a deliberate and prudent strategy to reduce high-cost liabilities rather than an underlying contraction in lending activity.

Despite the balance sheet reduction, FDB exceeded its loan disbursement target, disbursing $91.26 million — 114% of the $80 million annual target.

Refer: Annual Report, pp. 29–30 (Balance Sheet Review); p. 21 (Lending Highlights)

Q8. How is FDB managing competition from commercial banks, particularly in loan pricing and market share?

FDB's primary mandate focuses on agriculture and MSMEs — sectors that are commercially less attractive to commercial banks. FDB offers lower and often subsidised interest rates to customers in these segments, supported by concessional products and government interest subsidies.

FDB's overall market share stands at 4.5% of the total lending market. However, in priority segments such as sugarcane growing (86.2% market share) and public enterprises (89.3%), FDB holds a dominant position that is aligned with its developmental mandate rather than being in direct competition with commercial lenders.

Refer: Annual Report, pp. 19–20 (FDB's Market Share)

SECTION 3: LENDING PERFORMANCE AND DEVELOPMENT IMPACT

Q9. Loan disbursement exceeded target (114%). What measures ensured loan quality alongside increased lending?

Despite exceeding disbursement targets, loan quality was maintained through a combination of strengthened credit governance and risk management practices:

- Portfolio diversification through sectoral concentration limits set at the beginning of each financial year to avoid over-exposure
- Enhanced credit appraisal processes, including cash flow analysis and sector-specific risk evaluation for each borrower
- Risk-based loan pricing, where interest rates are aligned with borrower capacity and risk profile
- Early warning monitoring systems to identify and address potential repayment issues proactively
- Capacity building support for MSMEs through financial literacy programs and linkage to business advisory services such as Business Assistance Fiji (BAF)

Refer: Annual Report, pp. 21–22 (Lending Highlights); pp. 35–36 (Managing Risk)

Q10. Non-performing loans reduced significantly. What specific recovery strategies contributed to this improvement?

The reduction in non-performing loans (NPL value declined by 29.51%, from $116.94 million to $82.43 million) was driven by proactive and targeted recovery strategies:

- Early arrears management frameworks to address repayment issues promptly, improving collection days from 30 days to less than 15 days
- Loan restructuring and rescheduling for viable clients with genuinely affected cash flows
- A dedicated Asset Management and Recovery Unit focusing on collections and timely realisation of distressed collateral
- Enhanced client engagement through regular monitoring across the full loan lifecycle
- Legal recovery mechanisms applied in accordance with recovery policies where necessary
- Effective use of the Credit Information Reporting Agency (CIRA) to support adverse customer recovery

Refer: Annual Report, pp. 35–36 (Managing Risk); p. 3 (Performance Overview)

Q11. 54% of loans were directed to rural areas. How is FDB measuring the actual development impact of these loans?

FDB measures development impact through a combination of quantitative and qualitative indicators aligned with its development mandate:

- Post-disbursement monitoring and field visits for direct assessment of project outcomes
- Employment generation: number of jobs created or sustained by clients' businesses
- Income growth: visible changes in household or business income levels
- Agricultural productivity: improvements in yields, production volumes, and market access
- Financial inclusion: increased access to financial services in underserved areas, facilitated through digital channels and agri-value chain financing
- Social impact indicators: improvements in livelihoods, resilience, and community development, particularly for women and MSME beneficiaries

Refer: Annual Report, pp. 21–22, 25–26 (Operations); pp. 33–34 (Financing for Sustainable Development)

Q12. What safeguards are in place to ensure loans to MSMEs and rural borrowers remain sustainable and do not increase default risks?

FDB has implemented a range of safeguards to ensure sustainability and manage default risk in its MSME and rural portfolio:

- Prudent lending criteria tailored to the specific circumstances of MSMEs and rural borrowers
- Concessional products, including government interest subsidies (4%–6% subsidy on loans below $100,000), to reduce repayment burdens
- Linkage of clients to technical assistance, financial literacy programs, and business advisory support
- Insurance mechanisms, including parametric insurance for women borrowers, to minimise exposure to climate and natural disaster risks
- Ongoing loan monitoring and proactive early interventions throughout the loan lifecycle
- Risk-sharing partnerships with government and development agencies through guaranteed schemes such as the RBF MSME Credit Guarantee Scheme and the AFD EURIZ Guarantee

Refer: Annual Report, pp. 9–10 (Innovative Finance Mechanisms); p. 22 (Community Outreach)

SECTION 4: SECTORAL PRIORITIES AND ECONOMIC ALIGNMENT

Q13. Agriculture remains a major focus. How does FDB assess risks associated with climate vulnerability in this sector?

Climate vulnerability in FDB's agricultural portfolio is assessed through a combination of location risk, crop sensitivity, farmer resilience, and built-in adaptation measures, with financing decisions adjusted accordingly. For loans above FJD 1 million, borrowers are required to undergo assessment under FDB's Environmental and Social Safeguards (ESS) Framework, implemented in 2023, which includes a social and climate impact evaluation.

Refer: Annual Report, pp. 33–34, 41–42 (Climate Finance)

Q14. Over 70% of lending is concentrated in key sectors (agriculture, transport, wholesale/retail). Is this level of concentration a risk?

The 70% figure refers to disbursements against the annual target and does not directly represent portfolio concentration risk. FDB manages concentration risk through its Enterprise Risk Management (ERM) framework, which includes Board-approved sectoral limits reviewed annually. These limits ensure that lending remains diversified and within approved risk appetite thresholds.

Refer: Annual Report, pp. 7–8 (Executive Report); pp. 19–20 (Market Share); pp. 35–36 (Risk Management)

Q15. How aligned are FDB's lending priorities with Fiji's National Development Plan and SDGs in measurable terms?

FDB's 2024–2028 Strategic Plan is directly aligned with the National Development Plan (NDP) across key pillars: MSME Development and Rural Empowerment, Youth and Gender Inclusion, Agriculture Modernisation, Climate Resilience, Sustainable Finance, and Digital Transformation. Each sectoral lending activity is linked to specific SDGs, as illustrated in the Financing for Sustainable Development section of the Annual Report.

Refer: Annual Report, pp. 7–8 (Executive Report), pp. 33–34 (Financing for Sustainable Development)

Q16. What evaluation framework is used to determine whether funded projects deliver long-term economic benefits?

FDB applies a structured multi-layered appraisal and evaluation framework that includes:

- Cost-benefit and financial sustainability analysis at the point of credit appraisal
- Development impact indicators aligned with FDB's mandate
- Environmental, Social and Governance (ESG) and climate screening
- Ongoing performance monitoring through post-disbursement field visits and reporting requirements
- Inclusion assessments covering women, youth, and MSME beneficiaries

Refer: Annual Report, pp. 33–34 (Financing for Sustainable Development); pp. 41–42 (Climate Finance)

SECTION 5: INCLUSION — WOMEN, YOUTH AND MSMES

Q17. Women represent 30% of accounts but only 18% of portfolio value. What explains this disparity?

The 30% figure represents women's share of active accounts by number, while the 18% figure reflects portfolio value. This disparity is consistent with the nature of FDB's Women Entrepreneur Facility, which was designed to support micro and small-scale female entrepreneurs through accessible, lower-value loans — typically up to FJD 5,000, now being scaled up to FJD 15,000.

The product was deliberately structured to reduce barriers to entry and credit risk for women borrowers who may lack traditional collateral. As the portfolio matures and business capacity grows, FDB expects loan values to increase. The number of active women-led accounts has grown significantly from 490 in 2021 to 2,943 in 2024.

Refer: Annual Report, pp. 7–8, 21–22 (Women Portfolio); p. 3 (Performance Overview)

Q18. Youth lending increased by 46%. What mechanisms are in place to ensure repayment capacity among youth borrowers?

FDB classifies youth borrowers as individuals aged 18 to 35. Before disbursement, all youth applicants are assessed to confirm they are legitimate business operators with structured, viable business plans. The following safeguards are in place:

- Relationship banking with closer follow-up, regular check-ins on business performance, and early identification of repayment issues
- Loan restructuring where necessary to prevent defaults from escalating
- Financial literacy training and linkage to basic financial management programs, business planning support, and mentorship or advisory services

Refer: Annual Report, pp. 7–8 (Youth Portfolio); p. 3 (Performance Overview)

Q19. What measurable outcomes demonstrate improved socio-economic conditions for women and youth beneficiaries?

Key measurable outcomes for women and youth beneficiaries include:

- Income growth and improved business turnover
- Employment created or sustained
- Loan progression: clients graduating from micro to small-scale financing
- Asset ownership accumulation
- Business formalisation and improved financial management practices
- Empowerment and enhanced household decision-making

Refer: Annual Report, pp. 21–22 (Operations); Customer Success Stories, pp. 1–2, 10, 15–16, 31–32

Q20. How effective are concessional loan schemes and guarantees in reaching underserved populations?

Concessional loan products and credit guarantee facilities are among FDB's most effective tools for reaching underserved groups. Key evidence includes:

- 54% of total loans disbursed to rural areas
- 46% growth in youth lending
- 30% of total accounts held by women entrepreneurs
- The SME Sustainability Package has grown from zero to a portfolio of $13.35 million since its 2022 launch

- Interest subsidies of 4%–6% on targeted loans below $100,000 directly reduce the cost of borrowing for small farmers, women entrepreneurs, and youth-led businesses

Refer: Annual Report, pp. 9–10 (Innovative Finance Mechanisms); p. 3 (Performance Overview)

SECTION 6: RISK MANAGEMENT AND CREDIT CONTROL

Q21. Credit impairment allowances declined by $11.72 million. Does this reflect genuine portfolio improvement or changes in provisioning policy?

The reduction in credit impairment allowances reflects genuine portfolio improvement, not a change in provisioning policy. Key drivers include a tightening of the arrears management framework — reducing collection days from 30 to less than 15 days — which prevents loans from deteriorating into nonperforming status, and successful recoveries on previously non-performing loans.

Refer: Annual Report, pp. 29–30 (Allowance for Expected Credit Loss); pp. 35–36 (Risk Management)

Q22. What are the current levels of credit, operational, and market risks, and how are these trending?

FDB maintains a well-monitored risk profile across credit, operational, and market risk, with all Key Risk Indicators (KRIs) tracked against Board-approved risk appetite thresholds. Based on the Bank's risk position as at December 2025:

- Credit Risk: 78% of KRIs are within appetite. Asset quality is improving, supported by strengthened underwriting and targeted recovery strategies.
- Operational Risk: 69% of KRIs are within appetite. Internal controls are stable with no material losses or systemic failures reported.
- Market Risk: Limited exposure consistent with FDB's development finance mandate. Interest rate and liquidity risks are actively managed and within set appetite.

Overall, FDB's risk profile remains stable and within risk appetite, underpinned by strong governance, continuous monitoring, and an integrated enterprise risk management approach.

Refer: Annual Report, pp. 35–36 (Managing Risk); pp. 79–82 (Risk Management Policy — Notes to Financial Statements)

SECTION 7: DIGITAL TRANSFORMATION AND OPERATIONAL EFFICIENCY

Q23. Digital applications account for over 63% of loan applications. How has this improved processing time and service delivery?

The shift to digital loan applications — currently representing 63.81% of all applications — has improved FDB's onboarding process significantly. It has reduced manual data entry, enabled faster credit assessment, and improved accessibility for clients in rural and remote areas. The Bank's Women Entrepreneur Facility has been fully digital and paperless since 2022, supporting the 69.28% approval rate for women under this facility.

Refer: Annual Report, pp. 21–22 (Operations)

Q24. What risks are associated with increased digitalisation, particularly cybersecurity and data protection?

FDB recognises that increased digitalisation introduces cybersecurity and data protection risks. The Bank mitigates these through:

- Strong encryption and secure system architecture
- Multi-factor authentication for system access

- Staff and customer awareness programs
- Regular system audits and real-time monitoring
- Data governance frameworks and privacy policies

FDB also tracks compliance with RBF's PSPS2 – Cybersecurity Risk Management policy, which was released after the 2024 Annual Report period and is currently under implementation.

Refer: Annual Report, pp. 27–28 (Advancing Digital Transformation)

Q25. What is the status and cost of the new Core Banking System, and what benefits are expected?

The total budgeted cost of the new Core Banking System (CBS) is approximately FJD 4 million. The system is expected to go live in June 2026 and will provide FDB with a full end-to-end digital banking platform, eliminating manual processes and significantly improving service efficiency, turnaround time, and customer experience.

Refer: Annual Report, pp. 27–28 (Advancing Digital Transformation)

Q26. How is FDB ensuring accessibility for rural communities with limited digital access?

While FDB has prioritised digital investment, it recognises that a significant portion of its client base continues to require branch-based services. FDB maintains an 11-branch network across Fiji's three regions and an MSME Unit. In 2024, the Bank conducted 364 community outreach activities including roadshows, talanoa sessions, radio talkback programs, and participation in outer island tours.

FDB is exploring a transition toward service centres in lower-volume areas while maintaining full operational hubs in major regions, balancing cost-efficiency with inclusivity.

Refer: Annual Report, pp. 21–22 (Community Outreach); p. 23 (Outreach by Branches)

SECTION 8: CLIMATE FINANCE AND SUSTAINABILITY

Q27. As a Green Climate Fund-accredited entity, what volume of climate-related financing was disbursed in 2024?

FDB became the first development bank in the South Pacific to be accredited to the Green Climate Fund (GCF) as a Direct (National) Access Entity in 2017. The Accreditation Master Agreement became effective in April 2019.

To date, FDB has received two GCF readiness grants totalling approximately USD 2 million to build absorptive capacity. In terms of project financing, FDB in 2020 co-secured GCF approval for the Fiji Agrophotovoltaic Project in Ovalau (USD 10 million), with co-financing from FDB, GCF, and KOICA. However, the project encountered challenges between 2020 and 2024, including site changes due to environmental developments, which shifted its ESS classification from Category 'C' to Category 'B', precluding further GCF climate finance for this project. FDB is currently considering fully self-funding the revised project.

Looking ahead, FDB received GCF concept note approval in November 2025 for a Climate Smart Agriculture Guarantee Facility, with Project Preparation Funding approval also secured. A Full Funding Proposal is expected to be approved in the first quarter of 2027. FDB is also applying for a further GCF Readiness Grant of USD 2.23 million.

Refer: Annual Report, pp. 41–42 (Transforming Finance for Climate Action)

Q28. How does FDB measure the environmental impact of its lending portfolio?

FDB measures the environmental impact of its lending portfolio through its Environmental and Social Safeguards (ESS) Policy and Procedure, designed with GCF Readiness Grant support. For loans above FJD 1 million, borrowers are required to complete an ESS assessment that identifies environmental and social risks, with mitigation measures embedded as loan conditions and monitored through the loan monitoring process.

Refer: Annual Report, pp. 41–42 (Climate Finance)

Q29. How is climate risk integrated into credit assessment and portfolio management?

Climate risk is integrated into FDB's credit assessment and portfolio management through the ESS assessment framework, which is a mandatory requirement for all loan proposals above FJD 1 million. ESS risks and mitigations identified through this assessment are reflected as specific conditions in Loan Offer Letters and monitored through FDB's loan monitoring process. FDB's Sustainable Blue Lending Guidelines further embed eight principles to ensure financed projects align with climate resilience and sustainability objectives.

Refer: Annual Report, pp. 41–42 (Climate Finance)

SECTION 9: OPERATIONAL PERFORMANCE AND SERVICE DELIVERY

Q30. Customer Satisfaction Index is 4.09. What key service gaps remain despite high satisfaction levels?

Despite the overall CSI score of 4.09 (against a benchmark of 4.00), FDB has identified the following service gaps for improvement:

- Turnaround time for loan processing, approvals, and disbursements — expected to improve significantly with the implementation of the new Core Banking System
- Communication: proactive updates on application status, clearer requirements, and improved accessibility to responsible officers
- Accessibility in rural and maritime areas, including addressing language barriers and reaching financially underserved groups
- Product flexibility: more tailored loan structures, customised SME and agriculture products, and flexible repayment options
- Staff capability: continued investment in product knowledge, advisory skills, and frontline customer service consistency

Refer: Annual Report, pp. 23–24 (Customer Satisfaction Index)

Q31. There were 1,080 withdrawn applications. What are the main reasons, and how can this be reduced?

Withdrawn loan applications primarily result from: customers using FDB's conditional approval to negotiate with other financiers and subsequently securing funding elsewhere; customers gaining access to alternative financing sources; and customers being unable to meet the compliance-based conditions attached to their approved loan.

FDB will work to reduce withdrawals through earlier client engagement, clearer communication of loan conditions upfront, and enhanced advisory support to assist customers in meeting pre-disbursement requirements.

Refer: Annual Report, pp. 23–24 (Applications)

SECTION 10: ACCOUNTABILITY AND VALUE FOR MONEY

Q32. How does FDB ensure that public funds and government-backed schemes deliver value for money?

FDB ensures value for money through:

- Rigorous project appraisal ensuring only projects with demonstrable economic and social value receive government-backed financing
- Targeted allocation of subsidies and guarantees to groups with the highest development need, evidenced by 54% rural lending, 46% youth lending growth, and 30% women's account participation
- Continuous loan performance monitoring with early intervention on underperforming accounts
- A results-based funding approach ensuring public funds generate actual socio-economic returns
- Annual external audits by the Office of the Auditor General and ongoing prudential supervision by the Reserve Bank of Fiji

Refer: Annual Report, pp. 17–18 (Audit and Regulatory Compliance Framework); p. 43 onwards (Financial Report)

SECTION 11: FORWARD STRATEGY AND RISKS

Q33. What are the key risks to achieving the 2024–2028 Strategic Plan?

The key strategic risks include:

- Staff retention: FDB faces challenges retaining staff with specialised skills in project financing, financial modelling, and credit risk. This is being addressed through a staff retention strategy covering recognition, remuneration, training, and succession planning.
- Market conditions: Interest rate movements, competition, and evolving customer needs — particularly as MSMEs continue to recover from COVID-19 and the impacts of natural disasters.
- Cost of funds and capital structure: FDB is working to reduce its cost of funds through business model changes with Government and RBF support, and by exploring local currency concessional financing with development partners including the World Bank, ADB, and GCF.

Refer: Annual Report, pp. 7–8 (Executive Report)

Q34. How resilient is FDB to macroeconomic shocks such as interest rate changes or global downturns?

FDB reviews its pricing model every six months to ensure that changes in market interest rates are factored into lending decisions. This is a standard practice given FDB's inherent exposure to market rate movements. The Bank also maintains liquidity well above the minimum RBF requirement, monitored monthly. FDB's balance sheet is not exposed to complex treasury or trading activities, which limits its vulnerability to global financial market volatility.

Refer: Annual Report, pp. 81–82 (Market Risk Sensitivity Analysis)

Q35. What contingency plans are in place for liquidity or capital stress?

FDB maintains a robust Liquidity Management Framework in line with RBF guidelines. Key contingency measures include:

- Daily cash flow reviews with funds maintained for a minimum of three months of normal operations
- Compliance with RBF's minimum liquidity requirement, monitored on a monthly basis
- Standby facility agreements with FNPF and one commercial bank for emergency liquidity support

Refer: Annual Report, pp. 79–80 (Liquidity Risk Management)

Q36. How will FDB balance its dual mandate of development impact and financial sustainability going forward?

FDB operates on a 60/40 portfolio approach: 60% directed to mandated developmental sectors (natural resources, transport, agriculture, and rural enterprises in line with the FDB Act 1966), and 40% to commercial businesses where repayment risk is generally lower, providing the financial stability that underpins the Bank's overall sustainability.

Within the developmental 60%, FDB works with government and development partners to de-risk the portfolio through guarantee schemes and, in future, through insurance mechanisms. Internally, FDB's emphasis on close loan monitoring, capacity building, and relationship banking further supports the balance between development impact and financial resilience.

Refer: Annual Report, pp. 7–8 (Executive Report); p. 5 (Chairman's Message)

Yours sincerely,

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This document constitutes FDB's formal written response to the Standing Committee on Foreign Affairs and Defence in relation to questions arising from the Fiji Development Bank 2024 Annual Report (Financial Year ended 30 June 2024). All page references are to the FDB 2024 Annual Report.

Site Visitation – [30 March-April 17 2026]

Images Taken During the Standing Committee on Foreign Affairs and Defence Site Visitation to the Fiji Development Bank at the Western and Northern Division on Monday 30 March to 17 April 2025.

The following appendix presents photographic documentation from the Parliamentary Committee's site visits to the Fiji Development Bank's Western and Northern offices, including selected client engagements. These visits were undertaken as part of the Committee's review of outstanding annual reports, with particular emphasis on regional service delivery. The images provide supplementary context to the Committee's observations, illustrating frontline operations, staff working conditions, infrastructure constraints, safety considerations, and the broader challenges affecting service delivery in rural and maritime areas.

Central Division Offices and Successful Client Sites

Western Division Offices and Successful Client Sites


Northern Division Offices and Successful Client Sites









END