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TOWARDS A DIGITAL SUSTAINABLE FUTURE

FIJI DEVELOPMENT BANK ANNUAL REPORT 2022

8,526 Customers

Launch of E2E online loan application process

36.68% Agriculture Customer Base

16,161 Applications, 94% were received online

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Chairperson's Letter

24 May 2023

The Honourable Professor Biman Prasad,
Deputy Prime Minister and Minister for Finance,
Strategic Planning, National Development and Statistics,
Ro Lalabalavu House,
Victoria Parade,
SUVA.

Dear Minister,

RE: 2022 ANNUAL REPORT

On behalf of the Fiji Development Bank, I am pleased to submit the enclosed 2022 Annual Report and Accounts for the Financial Year ending 30 June 2022.

Yours sincerely,

Damend Gounder
Chairman

Vision

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

Objectives

Our objectives set the broad direction for FDB.

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

Mission

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

Goal

To remain sustainable in servicing our customers while adapting to the changes in our environment.

Core values

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

Collaboration:

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

Innovation:

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

Development:

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

Accountability:

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

Integrity:

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

Executive Report

Mr Saud A Minam

Chief Executive Officer (CEO)

The Fiji Development Bank's 2022 Financial Year performance was exemplary despite the challenges paused by the second wave of COVID-19.

Year in Review

The Bank's operations underwent significant changes at the height of the second COVID-19 wave. The remote work program persisted until it was safe for employees to return to their offices. The health safety restrictions put in place to combat the spread of the virus led the Bank to reevaluate how it delivered customer service, which served as the impetus for FDB's digital transformation. Digitalization of the Bank's processes greatly enhanced the customer experience during the COVID outbreak and for the first time, customers could lodge entire applications online.

By providing loans to especially the agriculture and SME sectors, FDB contributed significantly to helping businesses survive the pandemic. A number of government projects were also launched and FDB was clearly the first financial institution to elevate these to new levels and make the products accessible to a larger audience.

Market Conditions

The beginning of the 2022 Financial Year was marked by uncertainty. The spread of the Delta COVID variant considerably slowed down economic activity, which adversely affected the Bank's credit and collection activities.

A slight improvement was noted towards the end of the first quarter of the Financial Year, as the socio-economic situation within the country started improving. This was due to businesses adapting to the COVID-19 environment and beginning operationsunder strict COVID-19 protocols. The economic situation was expected to further improve with the opening of international borders in December 2021. Hence, the Bank was optimistic that loan repayments from tourism and its related businesses would improve soon.

Early in 2022, the Russia/Ukraine conflict significantly hampered supply chains, raised food and energy costs and put extra strain on local communities and businesses. Consequently, the Bank had to extend repayment moratoriums for selected businesses on a case-by-case basis.

The year-ending performance demonstrates sustainability, resilience and the Bank's ability to adapt to re-engineered processes.

Despite these challenges, the Bank remained focused on delivering key outcomes to its customers and stakeholders.

RBF Supervision

The RBF onsite review was also a highlight of the Financial Year which was scoped around corporate governance, credit and liquidity risk. As FDB comes under RBF's supervision,FDB must adhere to the operating and reporting requirement of the Central Bank. A review was conducted and the FDB Executive Committee, through the review report, reacted to the shortfalls and necessary action was factored into the timeline for improvements.

Year Performance

The easing of the health restrictions in place and the business operations slowly transitioning to normal in the latter part of the year resulted in a movement in the costs of the Bank.

The Bank's operating expense increased by $0.89 million (6.97%) in comparison to the prior Financial Year. The increase in total operating expenses is mainly attributed to the increase in employee costs by $0.98 million.

The gross loan portfolio increased from $618.81 million in the 2021 Financial Year to $629.04 million recording a growth of $10.23 million. Approval and disbursement of new credit ($118 million) during the year have resulted in the growth of the gross loan portfolio.

Regardless of the challenges faced during the Financial Year, the Bank recorded a net profit of $1.79 million.

Due to the second wave of COVID-19, the protracted closure of the tourism industry and a downturn in economic activity, a number of the Bank's customers were still experiencing extreme pressure throughout the first half of the 2022 Financial Year. As a result, the Bank provided customers with extended repayment moratoriums to help them manage their loan obligations. In accordance with IFRS 9 and the RBF Credit Impairment Guidelines, the position of these accounts subsequently worsened, resulting in net projected credit losses of $21.10 million for the year.

The Bank managed its borrowing portfolio well taking into consideration the economic situation and the maturity obligations of the Bank. There was an increase of $16.90 million (3.90%) in the Bank's total liabilities for the 2022 Financial Year.

Portfolio Performance

The total gross loan portfolio stood at $629.04 million for this Financial Year, in comparison to $618.81 million last Financial Year.

Furthermore, the portfolio stood at 8,526 by number when compared to 4,590 for the 2021 Financial Year. The Bank's Market Share stood at 7.35% - a drop in overall market share by 0.03% in comparison to the previous Financial Year.

Loan Performance

The Performing Loan Portfolio (PLP) increased by 0.05%, representing a slight increase from the previous Financial Year. The Non-performing Loan (NPL) portfolio dropped by 6.55% from $162.98 million to $152.31 million.

Approvals

The Bank approved a total of 5,339 applications worth $120.81 million.

Product Mix

FDB's product mix comprises lending and deposits. Under its lending products, FDB continued to provide working capital and syndicated loans to its Corporate, SME and Agriculture customers.

Agriculture lending continues to be the Bank's priority. However, Public Enterprises lending ranked highest in the market share with 88.30% while lending in the agriculture sector was second at 48.62%. the Bank continues to dominate the Sugarcane portfolio at 91.58%. The Bank also worked with support partners such as the Ministry of Agriculture, Ministry of Commerce, Trade, Tourism and Transport and formalised MoUs with relevant anchors such as Fiji

Rice Limited for the Rice Mobility Package and Kaiming and Freshpac for the Ginger Loan Facility under the AVCF.

The following new products were also launched during the year:

- COVID-19 Recovery Credit Guarantee Scheme (Government initiative)
- SME Sustainability Package
- Rice Mobility Package under AVCF
- Ginger Loan Facility under AVCF

Farmers giving feedback during Ginger Loan Facility launch.

The Fiji Development Bank (FDB) had adopted the Agriculture Value Chain Financing (AVCF) method to improve access to financing, through tailor-targeted financial solutions. It commenced financing through the value chain with the launch of the Rice Mobility Package in conjunction with Fiji Rice Ltd and for Ginger Loan Facility- this is in conjunction with the 2 major exporters of ginger in Fiji (anchors) Kaiming Agroprocessing Ltd and Freshpac Ginger Fiji Ltd. In addition, Small and Medium Enterprises (SME) Sustainability Package was also launched for existing SMEs aiming to expand, refurbish and maintain their businesses.

The Bank intends to further expand its offerings in the next financial year.

Digital Services

Despite the pandemic's challenges, FDB remained committed to implementing transformational ideas and practices for continuous operational excellence.

The pandemic presented a great opportunity to relook at many of the Bank's processes and digital transformation took the lead. The milestone achievement was the development of an end-to-end (E2E) process, enabling customers to access the loan facilities completely online through our website – from the application stage to receiving the outcomes in their emails.

Other successful digital projects include:

- work-from-home facilitation;
- infrastructure capacity upgrade, where the Wide Area Network (WAN) capacity was upgraded by increasing the inter-Branch bandwidth two-fold together with other advancements;
- upgrading the offsite Disaster Recovery (DR) infrastructure by implementing a truly high-availability co-location with TFL through a 100M link to their DR site in Valelevu;
- trial and implementation of a Microsoft 365 pilot project which is currently being rolled out gradually across the Bank to migrate every user to the cloud applications as supposed to the traditional on-premises mode of operation and
- the Bank adopted a 2-tier firewall to protect and secure both the edge/peripherals network as well as internal mission-critical applications.

Future Outlook

As the economy recovers from the pandemic's effects, it is anticipated that the Bank's operations will return to normal and clients will resume their repayments.

The Bank's future efforts will be concentrated on improving customer service delivery, advancing digital transformation and developing sector-specific products that support business resilience and sustainability while also promoting economic growth.

Acknowledgement

I acknowledge the commitment of the staff in carrying out their work diligently despite the hurdles presented by the second wave of COVID-19. Their efforts made sure that our services were barely interrupted.

I would also like to express my gratitude to our Board of Directors and the Executive Management team for another great year.

Final results of the Business we served.

Despite the pandemic's challenges, FDB remained committed to implementing transformational ideas and practices for continuous operational excellence.

7.35%

Market Share

$629.04M

Gross Loan Portfolio

8526 Customers

> FDB continued to provide innovative financial solutions to its Agriculture, SME & Commercial customers.

Board Of Directors

Mr Andre Viljoen
Board Chairperson

Mr Vadivelu (Wella) Pillay
Board Director

Mrs Asilika Muavesi Rogers
Board Director

Ms Maimuna Haniff
Board Director

Mr Rajesh Patel
Board Director

Mr Inia Naiyaga
Board Director

Board of Directors BIO

Mr Andre Viljoen

Appointed August 2020

Andre Viljoen, a Mauritian citizen, has 40 years of seasoned airline experience, and holds an Hour's Degree in Accounting and Commerce and is a Chartered Accountant (CA). He is also a Fellow of the Royal Aeronautical Society (FRAES). He started his airline career with British Airways (Comair) in South Africa in the 1980s as Financial Manager and soon grew to the position of Group Financial and Commercial Director, which he held for more than 10 years. He then went on in 1992 to join South African Express Airways, the largest regional airline in South Africa, as Chief Operating Officer and eventually CEO. In 1995, he joined South African Airways, South Africa's National Airline, firstly as Chief Financial Officer in 2000 until 2025. He then went on to join the tour operator group Cullinan Holdings as Chief Executive Officer in 2006. In 2009, he joined Air Mauritius, Mauritius' National Airline, initially as Chief Financial Officer and then from 2010 as Chief Executive Officer. Andre officially started with Fiji Airways in October 2015 with a three-year contract which has now been extended to the end of 2024. Under Andre's leadership, Fiji Airways has logged up significant achievements over the past four years.

Mr Rajesh Patel

Appointed December 2019

Mr Patel is the Director of the R.C. Manubhai Group of Companies. He chairs the FDB Board Audit Committee and sits on the Talent and Organisational Development Board Committee. He is the first Fijian to serve on the FIFA Council as a Member. For his commitment towards developing soccer in Fiji and as the President of the Fiji Football Association, Mr Patel has been awarded the Medal of the Order of Fiji. Recently, he was also awarded with 50th Independence Medal. Under his leadership, Fiji qualified for both its first FIFA tournament and first Olympic Games. Mr Patel is also the former senior Vice President of the Oceania Football Confederation and a current Executive Committee Member. He is also the Board Director for APCO Coatings PTE Ltd. He holds a Diploma in Textile Engineering from M.S University. He is also a Justice of Peace, and PTFA President for the Board of Governance at Xavier College.

Mr Vadivelu (Wella) Pillay

Appointed December 2015
Reappointed December 2019

Mr Pillay is a well-known and seasoned Fijian businessperson. He lived in New Zealand before his return to Fiji to start up his business ventures in the Western Division. Before he migrated to New Zealand, he had worked at the Bank of New Zealand's Sigatoka branch. A golf enthusiast, Mr Pillay also devotes his time to the community and is an active member of TISI Sangam Fiji. He is the chairman of Trustees for Friends of Fiji Heart Foundation, a New Zealand registered charitable trust, which provides free operations for the poor and needy citizens who suffer from valvular heart disease. He is also the Trustee the for Fiji Football Association, the Northern Club of Lautoka and the Lautoka Club.

Mr Inia Naiyaga

Appointed December 2015
Reappointed December 2019

Mr Naiyaga is a Chartered Accountant, a Life Member of the Fiji Institute of Chartered Accountants, a Fellow of the Fiji Institute of Bankers (Hon) and was a Fellow of the Australian Institute of Directors. He was a career Central Banker for 40 years and retired as the Deputy Governor of the National Reserve Bank of Tonga for five years. He is the Managing Director of Sun Insurance, Chairman of the Insurance Association of Fiji, Board Member of the National Fire Authority, Member of the University of the South Pacific (USP) Finance and Resources Committee, Member of the Christian Mission Fellowship International International Executive Board and Chairman of the Fijian Holdings Trustees Limited.

Ms Maimuna Haniff

Appointed February 2022

Ms Haniff is an Executive Finance Director with 18 years of leadership and financial management experience in a multinational business. She has a successful track record of being an enabler in adding commercial value to the business through the conception and implementation of strategic initiatives to create people growth, revenue growth, cost efficiencies, sustainability and accountability. She has been employed by British American Tobacco in Fiji, Australia and New Zealand in various roles since 2004. She is a Member of the Australian Institute of Company Directors (AICD), a Fellow of CPA Australia, a Chartered Accountant with the Fiji Institute of Accountants and a Company Director for British American Tobacco, Fiji and Future Farms Limited. Ms. Haniff holds a Bachelor's degree in Accounting from the University of the South Pacific.

Ms Asilika Muavesi Rogers

Appointed April 2022 Appointed April 2022

Ms Rogers is a Lawyer with Toganivalu Legal. She has also worked for Patel Sharma Lawyers and Amrit Chand Lawyers. She holds a Bachelor of Laws from the Fiji National University, a Graduate Diploma in Legal Practice from the University of Fiji, a Postgraduate Certificate in International Relations and Diplomacy and a Postgraduate Diploma in International Relations and Diplomacy.

Corporate Governance

Corporate governance at the Fiji Development Bank complies with the requirements of the FDB Act of July 1, 1967 (FDB ACT) and the Fiji Companies Act of 2015.

FDB's corporate governance framework encompasses its governing bodies and as such, the corporate governance framework is the foundation upon which FDB is operated, managed, and controlled.

Serving under its highest governing body, FDB has a two-tier management structure of the Board of Directors and the Executive Committee.

Establishing Clear Responsibilities for Board Oversight

Separation of Duties

The positions of the Chairman of the Board and the Chief Executive Officer (CEO) are held by separate individuals to ensure segregation of duties to achieve a balance of power and authority. The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives whereas the CEO has the delegated authorities of the Board to take direct charge of the Bank on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Bank.

This segregation ensures a clear distinction between the Chairman's responsibility to manage the Board and the CEO's responsibility to manage the Bank's operation. The division of responsibilities between the Chairman and CEO is clearly established and set out in the Board Charter.

Board Charter

The Board Charter is a policy document that clearly defines the respective roles, responsibilities, and authorities of the Board of Directors (both individually and collectively) in setting the direction, management, and control of the Bank. The Board is ultimately responsible for all decision-making, with the core objective of adding long-term value to the Bank while upholding the interests of its shareholders and stakeholders. The Board strives to achieve a balance of skills, knowledge, experience and perspective among its Directors.

An Effective Board

Board Composition

According to the FDB Act, the Minister of Economy is responsible for the appointment of the Board of Directors. Every appointment of the Director is valid for a period of three years after which the Director is eligible for reappointment. The FDB Board comprises of six (6) Board Members at the end of the Financial Year with some incoming and outgoing Board Members during the Financial Year. The Board welcomed two new Board Directors during the Financial Year; Ms Maimuna Haniff and Ms Asilika Rogers whilst Mr Romit Meghji's term expired in April 2022.

For the Financial Year, the Board Members were as follows:

Directors	Title	Appointment Date	Term of Appointment
Mr Andre Viljoen	Chairman	August 2020	1st Term
Mr Wella Pillay	Director	December 2019	3rd Term
Mr Rajesh Patel	Director	December 2019	3rd Term
Mr Inia Naiyaga	Director	December 2019	3rd Term
Ms Maimuna Haniff	Director	February 2022	1st Term
Ms Asilika Rogers	Director	April 2022	1st Term
Mr Romit Meghji	Director	April 2019 – April 2022	1st Term

Board Director's Remuneration

The Directors of the Bank are eligible for a fixed Board and Sitting Allowance to compensate for their responsibilities which they take on with the time and commitment they devote to the performance of their duties. The Directors are informed at least two (2) weeks in advance of the Board Meeting date and are provided with appropriate travel allowance. The Directors of the Bank are also covered under the Directors and Officer Insurance Policy which is an insurance coverage intended to protect Directors from legal liabilities. It can also cover the legal fees and other costs the Bank may incur because of such a suit.

Board Meetings

The Board met six (6) times during the Financial Year for Board Meetings and six (6) times during the Financial Year for Special Board Meetings. The attendance are as follows:

Directors	**Board Meetings**		**Special Board Meetings**	
	Attended	**Held**	**Attended**	**Held**
Mr Andre Viljoen	5	6	4	6
Mr Wella Pillay	6	6	6	6
Mr Rajesh Patel	5	6	6	6
Mr Inia Naiyaga	6	6	6	6
Ms Maimuna Haniff	2	6	1	6
Ms Asilika Rogers	1	6	0	6
Mr Romit Meghji	4	6	5	6

Gender Diversity

The Bank's Code of Corporate Principles specifies that the Board should always have Members whose skills, experience and attributes together reflect diversity, balance, consistency and matches the demands facing the Bank.

This Financial Year the Bank had 1/3 female and 2/3 male Board Members with a wide range of skills and knowledge who provide valuable insights while decision-making for the Bank.

Board Sub-Committees

The Board has formally constituted three sub-committees namely the Audit, Talent and Organisational Development and Risk Committee. These Sub-Committees have their own Charter through which they are governed as it sets out their respective objectives, roles and responsibilities that have been delegated by the Board of Directors.

Board Audit Committee

The Board has an Audit Committee which meets at least quarterly to support the Board in overseeing the effectiveness of the Bank's financial reporting process, system of governance, internal control, and risk management framework. In particular, the Audit Committee oversees and monitors the integrity of the Bank's financial reporting. On Audit matters, the Committee is responsible for monitoring the internal and external audit of the Bank's affairs including considering the appointment of the auditors and the audit fee. The Audit Committee was chaired by Mr Rajesh Patel.

The Members of the FDB Audit Committee are tabulated below:

Members	Position
Mr Rajesh Patel	Chairman
Mr Inia Naiyaga	Member
Mr Andre Viljoen	Member

Board Talent and Organizational Development Committee

The Talent and Organizational Development Committee is responsible for advising the Board on human resource matters which includes remuneration and conditions of employment. It also monitors and makes recommendations to the Board on FDB's talent and organizational Policies and Procedures.

The Members of the FDB Board Talent and Organizational Development Committee for this Financial Year are tabulated below:

Members	Position
Mr Wella Pillay	Chairman
Mr Andre Viljoen	Member
Mr Rajesh Patel	Member

Board Risk Committee

The Risk Committee assists the Board in implementing an effective risk management framework designed to identify, assess, and manage the Bank's strategic, credit and investment, market, and operational risks, and in general, it looks at the entire risk of the Bank. The Risk Committee's responsibilities include approval of applicable primary risk policies and review of certain associated frameworks, analysis and reporting established by Management. The Bank is committed to ensuring that effective risk management remains central to all its activities. The Bank regularly assesses its control environment and has in place a risk management framework that comprises a comprehensive list of policies and procedures and a Corporate Risk Register. These enable the Bank to effectively manage inherent and emerging risks to economic growth and stability of the financial system. The Bank continues to strengthen its risk management framework.

The members of FDB's Board Risk Committee are tabulated below:

Members	Position
Mr Andre Viljoen	Chairman
Mr Inia Naiyaga	Member
Mr Wella Pillay	Member

The Board Committee meetings and attendance during the financial year were as follows:

Directors	Audit Committee Meetings		Talent & Organizational Development Committee Meetings		Risk Committee Meetings	
	Attended	Held	Attended	Held	Attended	Held
Mr. Andre Viljoen	2	3	3	3	-	-
Mr. Wella Pillay	N/A	N/A	2	3	-	-
Mr. Rajesh Patel	2	3	3	3	-	-
Mr. Inia Naiyaga	3	3	N/A	N/A	-	-
Ms. Maimuna Haniff	N/A	N/A	N/A	N/A	-	-
Ms. Asilika Rogers	N/A	N/A	N/A	N/A	-	-
Mr. Romit Meghji	1	3	N/A	N/A	-	-

Though no formal meetings for the Risk Committee were held, all the papers were circulated for decision through flying minutes.

Appointment of the Chairman, Chief Executive Officer, and Board Secretary

Board Chairman

The Minister of Economy appoints the Board Chairman as outlined in the FDB Act 1967. The responsibilities of the Chairman and decision making is clearly outlined in the Board Charter.

Mr Andre Viljoen was the Board Chairman for the Financial Year.

Chief Executive Officer (CEO)

The appointment of the Chief Executive Officer (CEO) is undertaken by the Board of Directors. The CEO is responsible for developing and implementing the Bank's strategies and policy guidelines; managing budgets, financial reports, and key performance indicators; ensuring compliance with regulatory and statutory requirements, managing effective relationships with internal and external parties, and leading and developing a team of staff. The CEO is also responsible for chairing the Executive Committee (ExCo) meetings, providing all such information to the Board as necessary to enable the Board to monitor the performance of Management and providing complete and correct information in a timely manner to the Board enabling the Board to make assessment of proposals made. Mr Saud A. Minam was the Chief Executive Officer (CEO) of the Bank.

Board Secretary

The Board appoints a competent Board Secretary who is the administrative link between the Board and the Management. The Board Secretary also monitors statutory requirements and Board policies and procedures and ensures that they are followed in a timely manner. The Board Secretary is also responsible for coordinating board functions and providing secretariat functions in committees as necessary. Ms Sheik Maizabeen Nisha was the Board Secretary for the Financial Year.

Timely and Balanced Disclosure

Annual Report

The Bank ensures that the Annual Report is compiled and published in a timely manner. The Annual Report of the Bank once tabled in the Parliament, is then available to the public through the Bank's website.

Continuous Disclosure

The Bank continues to make timely, accurate and full disclosure of information to the Bank staff and to the public. For any internal matters, the information is communicated to the Bank staff through a Head Office Circular and any matter that concerns the public, is made available through the print and digital platforms of the Bank.

Executive Committee

The Executive Committee of the Bank is responsible for the implementation of the principles, policies, strategies, and objectives of the Bank. The Executive Committee of the Bank is headed by the CEO as per the ExCo Charter and the remaining committee members comprise of the General Managers of the Bank. The current practice at the Bank is that the committee members meet fortnightly (every Tuesday) to evaluate the operational performance of the Bank and make decisions within their discretion or authority level.

Promoting Ethical and Responsible Decision Making

Code of Conduct

The Bank has a Code of Corporate Governance which is made available to the Board Directors upon appointment to the Board. The Code of Conduct meets the standards set out in the Fiji Development Bank Act 1st July 1967 (FDB Act) and the Fiji Companies Act 2015.

Conflict of Interest Register

A Conflict-of-Interest register is maintained by the Bank in line with the Code of Corporate Governance. The Directors at the beginning of each meeting notify the Board Chairman of any conflict of interest and the Board Secretary records these statements and subsequent decisions in the minutes of the meeting and thereafter updates the register.

Bank information is kept strictly confidential within its premises and is not divulged to any third party without the consent of the owner of the material unless required by law. Directors, Management and Staff at every level are obliged to declare any conflict of interest and are to sign and abide by the Banks Code of Conduct and Ethics.

The Key duties of the Executive Committee are:

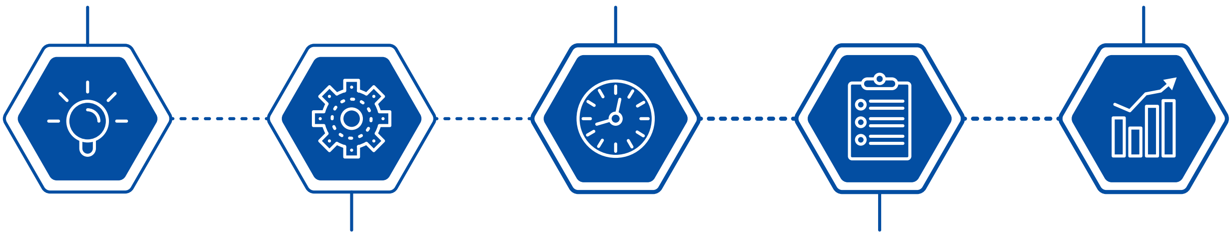
Implementing of policies strategic objective and directions set out by the Board.

Allocating of resources within the allocated budget approved by the Board.

Managing the day-to-day affairs of the Bank to achieve the targets and the goals set by the Board to maximize the shareholder's value.

Ensuring compliance of all regulations and laws.

Setting up and implementing an effective internal control system, commensurate with the business requirements.



Respect the Rights of Shareholders

Shareholders

In line with the development agenda set by the Fijian Government, the Bank strives to assist in the economic development of the country by providing finance to Agriculture, Commerce, and Industry.

Employees

The Bank continues to build a strong working environment and culture that enables career progression and suitable remuneration. The staff are rewarded with a bonus based on their performance through the Performance Measurement System and upon the successful achievement of the Bank's set target. The Talent and Organisational Development department of the Bank ensures that employees sign and abide by the Bank's code of conduct, oath of secrecy and declare any conflict of interest that may arise while fulfilling their duty as employees of the Bank.

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

The employees of the Bank are also engaged to be part of the Internal and External Training to upskill and upgrade their knowledge in the required area.

Customers

Our customers are the most valuable stakeholders. The focus in building the business-client relationship lies in ensuring that the products we offer continue to be relevant to the needs of our customers, the majority of whom are rural dwellers. The Bank strives to maintain the highest level of customer service.

The Bank's Relationship & Sales Officers maintain close contact with their customers throughout Fiji and provide regular visits to the customers to better understand their needs at the grassroots level. Where a customer feels that he/she is not been treated fairly; a Complaints Management Framework has been provided by the Bank to address such concerns and the same is addressed by the Office of the CEO. These complaints are usually resolved within five (5) business days whilst ensuring customer confidentiality.

Community

The Bank is sincere and aware of its responsibility and contribution to society by participating in activities to improve the quality of life in various communities. As a responsible employer and business operator in the community, the Bank has supported financial education programs across schools and communities by providing credit and support to small and medium-sized entrepreneurs, and by participating in various clean-ups and other community initiatives over the year. The Bank also continues to maintain an annual allocation for sponsorship and donations to various charities and educational institutions as part of its corporate social responsibility program.

The Fiji Development Bank had joined other organisations namely the Ministry of Forestry and the Suva City Council to support the Government's commitment and target of planting 30 million trees in 15 years. The Bank recognized the need for collaborative efforts and supported such great initiatives in support of climate resilience.

The Bank's Relationship & Sales Officers maintain close contact with their customers throughout Fiji and provide regular visits to the customers to better understand their needs at the grassroots level.

FDB Staff and Family members participated in the '30 million trees in 15 years' initiative in partnership with Ministry of Forestry at Silana Village in Tailevu.

Website

The Bank maintains an up-to-date website to supplement the official release of information to the public. The website address is www.fdb.com.fj

Corporate Sustainability

Fiji Development Bank adopts an integrated approach to corporate sustainability. The Bank is committed to continuously improving its business practices to maximize positive and minimize negative social, environmental, and economic impacts. This enhances employee engagement and retention, supports corporate reputation, and manages risk.

Accountability and Audit

Internal Audit

Internal audit operations are guided by an internal audit charter. The audit team monitors the operations of the Bank and determines compliance with internal control systems and procedures. The team ensures a systematic, disciplined approach to evaluating and improving the effectiveness of processes that surround risk management, control, and governance. The Audit Department directly reports to the Chairman of the Board Audit Committee, however, for operational matters, the Audit Department reports to the CEO of the Bank.

For the 2022 Financial Year, all Branches in the Bank were audited by the Internal Audit team despite the impact of COVID-19 to ensure that all Branches comply with the set policies, procedures, and guidelines. In line with the Bank's Risk Management Framework and applicable regulatory requirements, an Internal Audit Plan is compiled at the beginning of the Financial Year.

External Audit

Under the FDB Act and the Financial Management Act (FMA) of 2004 as well as its subsequent amendments promulgation (no.21) of 2007, the financial statement of the Bank is required to be independently audited annually by an external auditor. The Bank's financial statements are audited by the Office of the Auditor General. Once the audit is successfully completed, the Bank is provided with the Auditor's Report which is an independent and unbiased assessment of the Bank's performance that provides assurance that the financial statement is free from material misstatements.

Reserve Bank of Fiji (RBF)

The Bank ensures full compliance with the Banking Supervision Policy of the Reserve Bank of Fiji as part of prudential requirements. The Bank reports to RBF on a regular basis and consults RBF on policy changes and when articulating new policies.

The Bank also provides supervisory reports to RBF on a monthly and quarterly basis with regular consultations on matters relating to the development of new products and changes to the existing guidelines. The Bank has also been providing frequent updates to RBF on issues and challenges faced during the pandemic by means of having quarterly meetings with the Governor and the Financial Institutions Supervision Team. RBF also undertook an on-site examination targeted at prudential corporate governance and credit and liquidity risk during the financial year. RBF also maintains a close tab on the external audit updates of the Bank by means of having opening and exit meetings with the Management and external auditors of the Bank.

Risk Management

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

The internal control system is aimed at improving the effectiveness and efficiency of activities, keeping reliable and accurate financial and management accounts, and ensuring compliance with the requirements of the Bank. The responsibility of setting the Bank's internal control and risk management systems lies with the Board of Directors and Executive Committee of the Bank. Below are some of the considerations which the Board and Management took into account for the determination of the policies regarding internal controls and risk management:

Whistle Blower Policy

A policy is in place to address unethical behaviour, actual dishonesty, fraudulent, corrupt, or illegal behaviour, accounting, or internal control matters. The policy is reviewed and updated annually. The Bank is committed to providing its best standard of integrity, transparency, professionalism, accountability, and a culture of openness. The Whistle Blower Policy can be used by employees to report activities by Insiders that they reasonably consider being illegal, dishonest or in violation of this Policy.

Whistleblowing encourages employees to bring unethical or illegal practices to the forefront so they are addressed accordingly without causing any risks to the Bank. The identity of the whistleblower is kept confidential. All reports by the whistle-blowers are treated fairly and properly to the greatest extent possible. The Bank does not retaliate against any Whistleblower acting in good faith.

The process is not used to support personal grievances about conditions of employment or disputes. Employees and/or others wishing to anonymously report suspicious activity can e-mail their concerns to Fraud.Alert@fdb.com.fj

Executive Management

Mr Saud A Minam

Chief Executive Officer (CEO)

Saud is responsible for leading the Bank on a path that promotes innovative and inclusive development and climate financing solutions for all Fijians. He has more than 30 years of experience within the financial sector and is a thoughtful leader and passionate knowledge sharer within the banking sector. He is well-recognized for his ability to negotiate contracts and manage banking agreements with integrity and discretion. He has extensive experience working with stakeholders to exceed client needs, assessing commercial needs, and acting as the conduit between operational practicalities and technical abilities. Prior to taking up his position as the Chief Executive Officer (CEO) of FDB in July 2021, Saud for more than 7 years headed as CEO of ANZ Bank Fiji and Commercial Banking Head of Pacific. He also held multiple positions at ABN AMRO/ANZ in five different countries (Pakistan, Hong Kong, China, Singapore, and Indonesia) over a span of 27 years. He enjoys working collaboratively, leading and mentoring staff to ensure team effectiveness. He holds a Bachelor of Computer Science from the University of North Texas State.

Mr Saiyad Hussain

General Manager Finance and Administration (GMFA)

Appointed to his senior role in 2010, he manages FDB's Finance and Treasury, Properties, Information and Communication Technology and Marketing and Business Development departments. Saiyad has been with the Bank for more than 27 years. He has vast experience in devising budgets for the overall FDB strategic plan that incorporates profitability, growth, sustainability, and operating performance targets. A qualified Chartered Accountant, he is a Board Director of the South Pacific Stock Exchange and a Member of the Fiji Institute of Bankers. He is also a member of the Australian Institute of Company Directors (AICD). He has a Postgraduate Diploma in Banking and Financial Management and holds a Bachelor of Arts Degree in Accounting and Financial Management, Economics and Public Administration & Management from the University of the South Pacific.

Mr Shaukat Ali

General Manager Relationship and Sales (GMRS)

Shaukat leads the Bank's twelve Branches – Relationship and Sales teams across Fiji. He was appointed to the position in 2018 prior to which he served as the Regional Manager, Relationship and Sales for the Western region. He has over 30 years of experience in development banking, predominantly focusing on relationship banking and sales. Building sustainable growth and acquisition of a reputable customer base in a crowded and competitive market is Shaukat's core focus. His role is instrumental in empowering his team to make informed decisions to contribute towards an increase in the Bank's loan portfolio, in collaboration with both the internal and external stakeholders Business Risk Services, Talent and Organizational Development and Finance and Administration teams. Before being appointed to the GM Relationship and Sales role, Shaukat served in various managerial positions within the Bank, since joining in 1987, including lending, audit, business risk services, corporate business services and asset management team. He holds a Bachelor of Arts in Business Studies from the University of the South Pacific and a Diploma in Business Studies from the Fiji Institute of Technology.

Mr Bimal Sudhakar

General Manager Business Risk Services (GMBRS)

Bimal Sudhakar brings in over 18 years of local and regional banking and executive leadership experience to FDB. He has diverse experience in commercial banking and a grasp of credit and operational risk management. Appointed to his role in October 2021, he manages FDB's Legal, Insurance and Records, Asset Management and Credit Risk and Approval departments and Enterprise Risk Management. Prior to taking up his position at FDB, Bimal held the position of General Manager Credit at HFC bank. He is known to be a people person with strong collaborative and interpersonal skills. He is also a very astute believer in healthy living and promotes work-life balance.

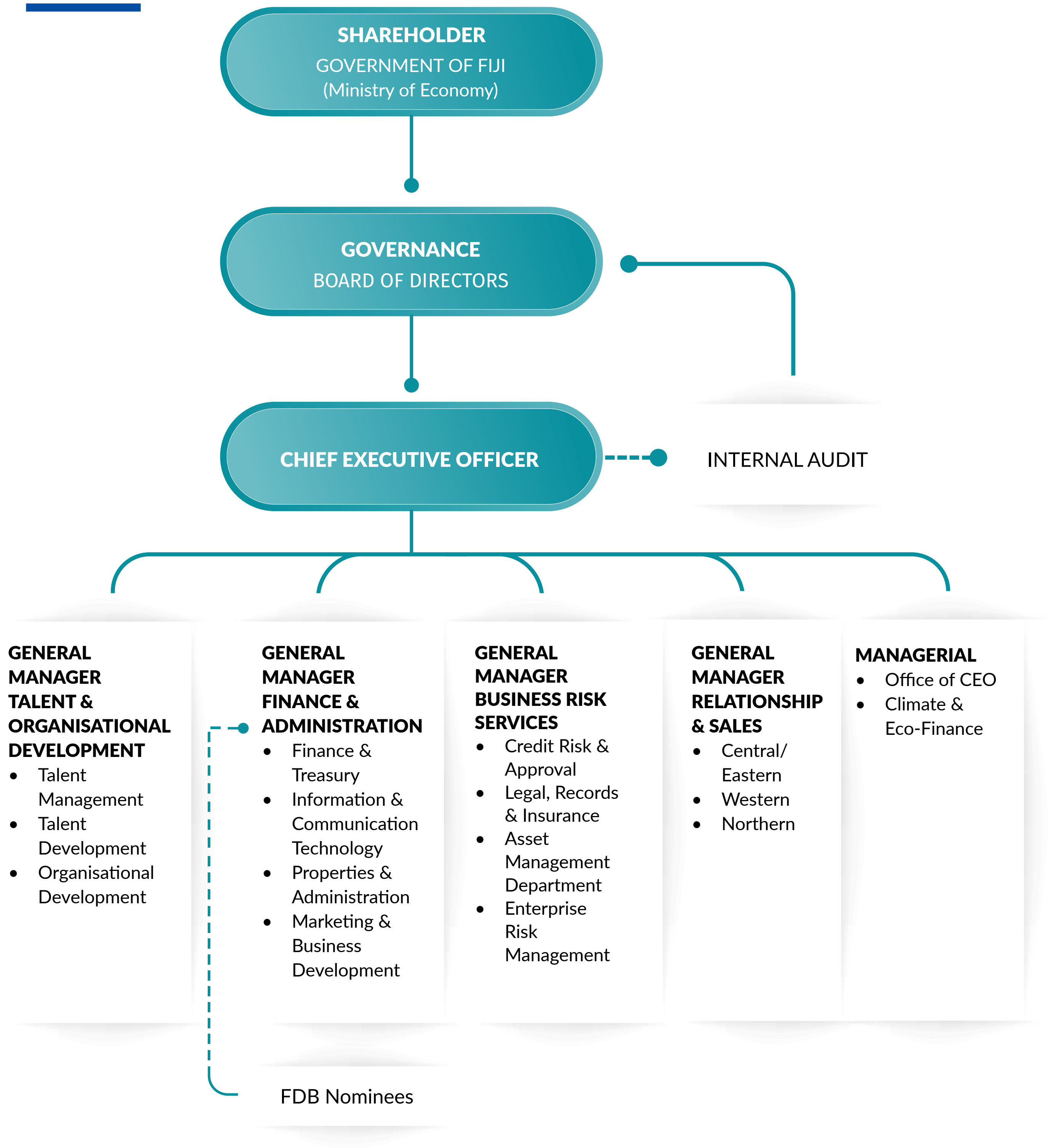
Mr Semisi Biumaiwai

General Manager Talent and Organisational Development

Semisi Biumaiwai is a seasoned HR practitioner, with almost two decades of combined experience in the government and private sector. He started working with the then Fiji Revenue & Customs Authority following the completion of his tertiary studies at the University of the South Pacific. After just over six years, he joined the ANZ Bank and spent the majority of his time in Fiji with stints across the Pacific, from Guam to Timor Leste to the Solomon Islands. His career has covered the breadth of the HR field, from the traditional personnel-type functions like pay and benefits on the one hand to more intensive and challenging duties like policy drafting and review, union negotiations and ER-related matters on the other. He is a firm believer that people are vital to the sustained success of any organization, and that culture and leadership are key in harnessing potential. Before being appointed to FDB in October 2021, he was the Senior Talent and Culture Business Partner at ANZ.

Fiji Development Bank

Organigram



Finance and Administration

Year in Review

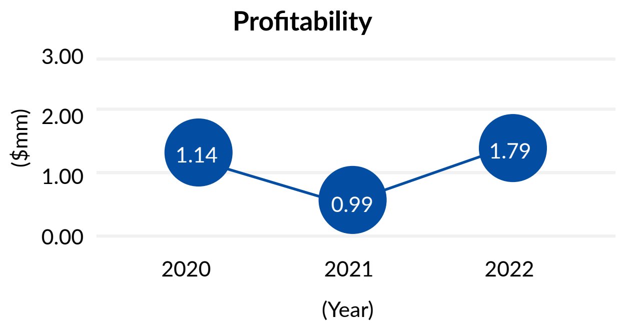
Financial Operations and Performance

The 2022 Financial Year started against an uncertain backdrop. The Bank's credit and collection activities were adversely impacted as economic activity significantly slowed down due to the severe spread of the Delta variant. A slight improvement was noted towards the end of the first quarter of the Financial Year, as the socio-economic situation within the country started improving; as businesses adapted to the Covid-19 environment and began opening up under strict Covid-19 protocols. The Bank swiftly packaged the COVID-19 Recovery Credit Guarantee Scheme announced by Government in its 2021-2022 National Budget to assist over 4000 customers who were impacted by the pandemic. The Bank was optimistic that loan repayments from tourism and its related businesses would improve soon after the opening of international borders in December 2021.

The Russia / Ukraine war in early 2022 further disrupted supply chains and caused an increase in food and energy prices, exerting additional pressure on local communities and businesses. This resulted in the extension of repayment moratoriums for selected businesses on a case-by-case basis.

Despite a lot of volatility, the Bank remained focused on delivering key outcomes to its customers, communities and its shareholder by reinforcing its mandate to assist in the economic development of Fiji.

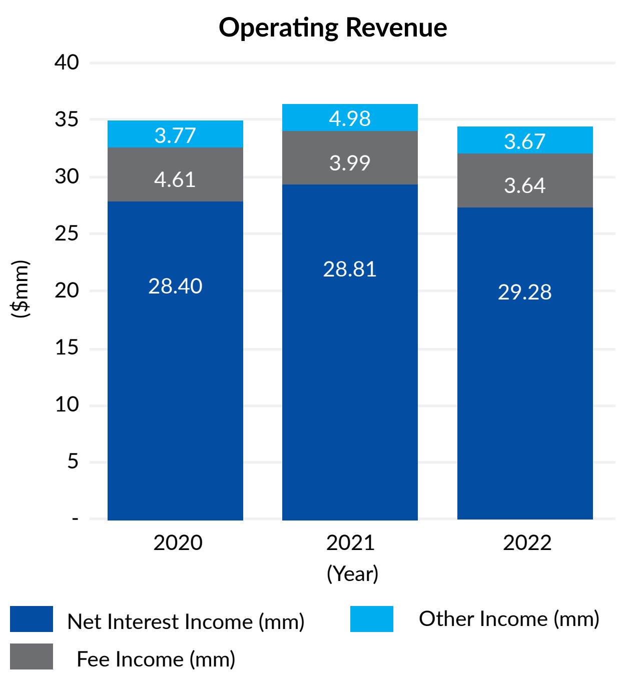
The Bank's longstanding strategy to remain sustainable while addressing the communities unmet needs has seen the Bank recording a net profit of $1.79M during the 2022 Financial Year. This is a 79.10% improvement in overall performance in comparison to the 2021 Financial Year.



Income

The Bank's revenue streams include Interest Income, Fee Income and Other Income and overall, all income streams recorded a decline of 3.25% over the year. The Bank disbursed new loans of $118.51M during the year to assist customers throughout the pandemic period. A significant portion of these advances ($81.36M) were facilitated through the RBF COVID-19 Recovery Credit Guarantee Scheme and the RBF ISEFF facilities to allow customers to maximize on the low interest rate of 3.99% offered under these facilities as a rehabilitation measure. Apart from the low interest rates, there were no fees and charges applied to these loans. Disbursing a significant portion of loans under this facility at concessional rates combined with the reduction in debt balances of certain large loans at higher interest rates contributed to an overall decrease in interest and fee income levels.

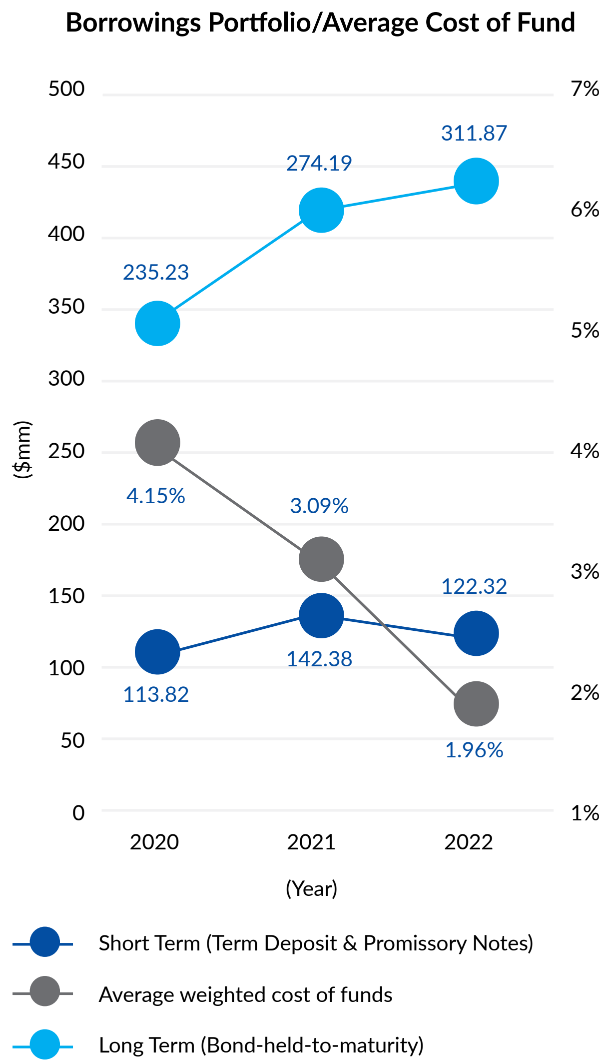
Low bad debt recoveries, lease/rental moratoriums offered to tenants and low market investment rates due to the excess liquidity situation during the pandemic period also contributed to the decline in other income streams.



Interest and Borrowing Expenses

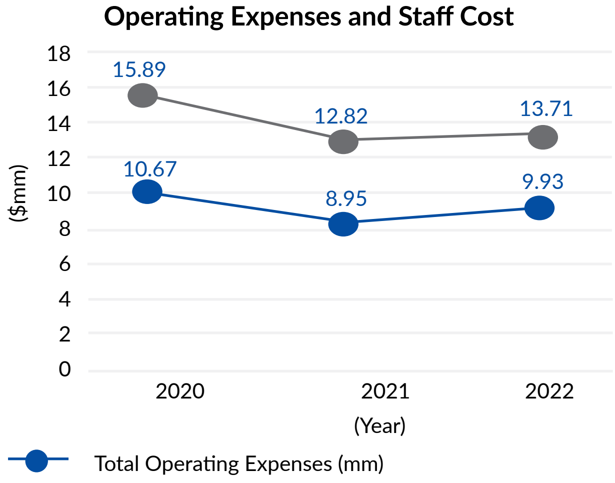
The Banks cost of funds decreased from 3.09% in June 2021 to 1.96% at the end of June 2022 while its interest expense stood at $10.81M when compared to $14.64M during the 2021 financial year.

Market interest rates have been quite low during the year; due to the build-up of excess liquidity in the financial market. As a result of this, the Bank has been able to acquire new borrowings at low interest rates mostly through term deposits. All borrowing undertaken through the RBF COVID-19 Recovery Credit Guarantee Scheme and the RBF ISEFF facilities were at the set interest rate of 0.25%.



Operating Expenses

The Bank's operating expense increased by $0.89 million (6.97%) in comparison to the prior Financial Year. The increase in total operating expenses is mainly attributed to the increase in employee costs by $0.98 million. Key vacant positions, including the role of CEO and two General Managers, were filled during the year. The Bank also continued with 10% Employer FNPF contributions from April 2022. The pandemic also pushed the Bank to change its processes to manage costs efficiently, resulting in the Bank embarking on a digital journey. Over 14,000 COVID-19 Recovery facility applications were received electronically and disbursements for approved loans were processed through various payment platforms electronically. This has been a major shift in terms of digital transformation for a sustainable future and has been a convenient and faster way of reaching and serving our customers.



Allowance for Expected Credit Loss

A number of the Bank's customers were still under immense pressure within the first half of the 2022 Financial Year due to the second wave of the COVID-19 pandemic, the prolonged closure of the tourism industry and a slowdown in economic activity. This resulted in the Bank offering extended repayment moratoriums to assist customers to manage their loan obligations. Nevertheless, a significant increase in arrears ageing and non-performing loans were noted during the year despite all efforts to assist customers on a case-by-case basis. The deterioration in the status of these accounts resulted in the Bank booking net expected credit losses of $21.10 million during the year; in line with IFRS 9 and RBF Credit Impairment guidelines.

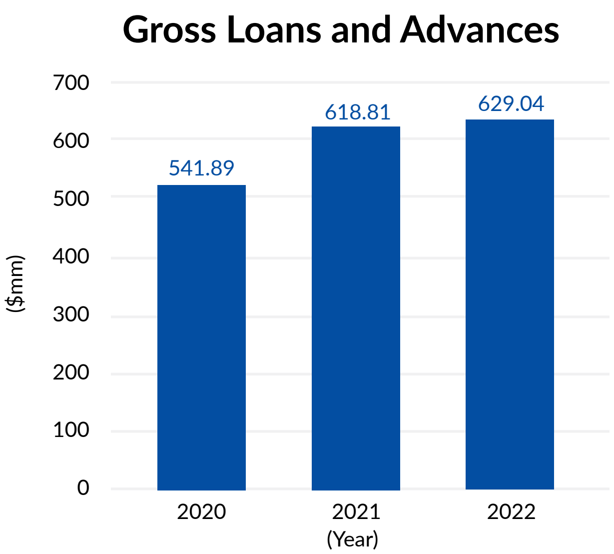
A summary of the Bank's Income Statement as at 30 June 2022 is as follows:

Income Statement ($mm)	2022 ($mm)	2021 ($mm)	Change ($mm)	Change rate (%)
Interest Income	40,090	45,202	(5,112)	(11.31)
Interest& Other borrowing expenses	(10,807)	(14,637)	3.830	26.17
Net interest income	29,283	30,565	(1.282)	(4.19)
Net Fees Income	3,639	3,994	(0.355)	(8.89)
Other Income	3,670	4,981	(1.311)	(26.32)
Total Operating Income	36.592	39.540	(2.948)	(7.46)
Operating Expenses	(13.709)	(12.816)	(0.893)	(6.97)
Profit before Allowances	22.883	26.724	(3.841)	(14.37)
Total Allowances	(21.098)	(25.728)	(4.630)	(18.00)
Net Profit	1.785	0.996	0.789	79.22

Assets Structure

A summary of the Bank's Asset Structure as at 30 June 2022 is as follows:

Balance Sheet Review ($mm)	2022 ($mm)	Composition (%)	2021 ($mm)	Composition (%)
Liquid Assets	104.032	16.62%	75.388	12.41%
Investments	0.035	0.00%	2.035	0.33%
Net loans and advances	488.775	78.08%	494.615	81.45%
Receivables	2.740	0.44%	4.554	0.75%
Right of Use	1.573	0.25%	1.521	0.25%
Fixed Assets with Intangibles	28.827	4.61%	29.182	4.81%
Total Assets	625.982	100.00%	607.245	100.00%



The Bank's gross loan portfolio increased from $618.81 million in the 2021 Financial Year to $629.04 million, recording a growth of $10.23 million. Approval and disbursement of new credit ($118 million) during the year have resulted in the growth of the gross loan portfolio.

The Bank's total assets also grew by 3.08%. This growth is mainly due to the increase in the Bank's liquid assets. Low investment prospects due to excess liquidity in the market and low demand for credit under normal loan facilities have resulted in a higher cash position. Nevertheless, the strong cash position was also used as a risk mitigation strategy to manage any sudden liquidity shocks that the Bank may face during the pandemic period.

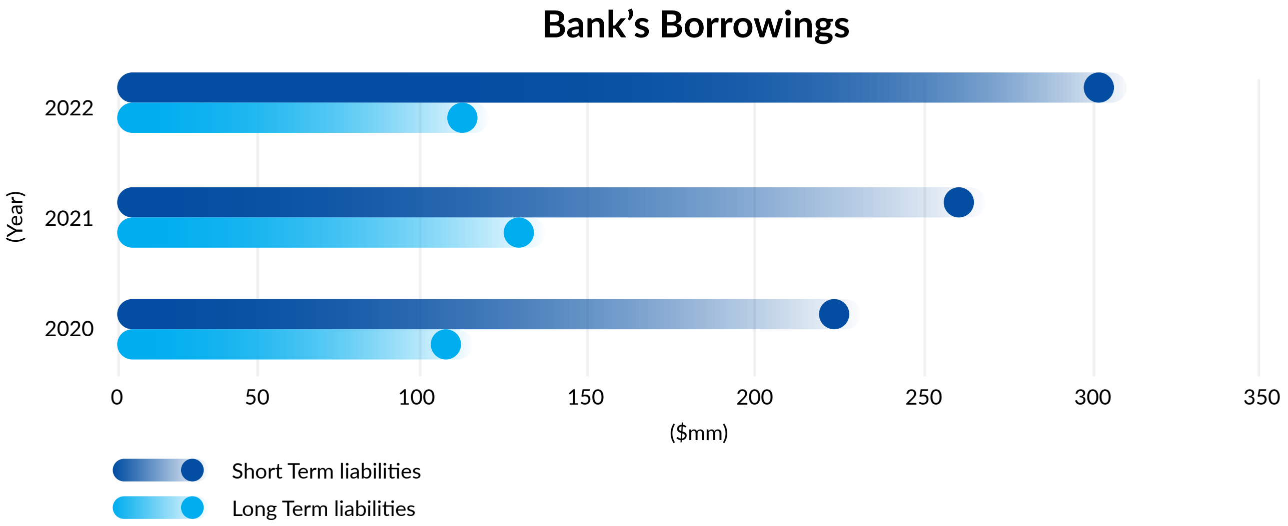
Liabilities Structure

A summary of the Bank's Liability as at 30 June 2022 is as follows:

Balance Sheet Review ($mm)	2022 ($mm)	Composition (%)	2021 ($mm)	Composition (%)
Accounts payable & accruals	4.513	0.72%	4.836	0.80%
Lease Liability	1.626	0.26%	1.555	0.25%
Short Term Borrowings	122.332	19.54%	142.378	23.45%
Other Liabilities	9.527	1.52%	10.007	1.65%
RBF Facility including Term Deposit	235.869	37.69%	169.085	27.84%
Bond –held to maturity	76.000	12.14%	105.103	17.31%
Total Liabilities	449.867	71.87%	432.964	71.30%
Total Equity	176.115	28.13%	174.331	28.70%
Total Liabilities and Equity	625.982	100.00%	607.295	100.00%

The Bank managed its borrowing portfolio well taking into consideration the economic situation and the maturity obligations of the Bank. There was an increase of $16.90 million (3.90%) in the Bank's total liabilities for the 2022 Financial Year.

The Bank managed most of its funding needs through Term Deposits ($93.86 million) and the RBF ISEFF / Covid -19 Relief facilities ($88.83 million). Issue of longer-term bonds was minimal during the year. In addition to providing assistance to its customers to recover from the impact of the pandemic, the Bank also managed to reduce its cost of funds and interest expenses.



Capital Structure

A summary of the Bank's capital structure as at 30th June 2022 is as follows:

Balance Sheet Review ($mm)	**2022**	**2021**
Total Assets	625.982	607.295
Total Liabilities	449.867	432.964
Total Equity	176.115	174.331

Properties and Adminstration Department

The Department is responsible for providing the support services, management and upkeep of the Bank's buildings around Fiji, keeping in mind Gender Equality and Social Inclusion.

FDB Lautoka Branch opening.

To ensure business continuity and to maintain staff and customer safety, safe COVID-19 protocols were implemented at all offices. The Properties team actively managed decontamination efforts at Head Office and remotely coordinated logistics with respective Branches as and when there was a need.

Furthermore, the Department closely collaborated with the ICT team and managed logistics relating to transferring workstations to various staff as part of the work-from-home imitative.

Since major capital projects were delayed, Properties played a critical role in driving the procurement processes, preparing, and negotiating service and tenancy contracts in meeting our core business. We implemented inventory management practices and adhered to industry best practices, achieving a normal operating inventory stock holding level and enhancing digitalization.

The Bank completed its new Lautoka Branch Office and has taken on board special facilities for disabled customers and a staff reflection room. This model will now be replicated across the Bank's network and is part of the Bank's commitment to providing its customers with comfortable, convenient, and safe banking amenities while ensuring the staff have a safe and productive work environment.

The completion of the two-storey building at the DBC Property at the Head Office was delayed due to the Covid -19 restrictions and is likely to be completed within the next Financial Year.

ICT Department

The Department is the backbone in providing out of the box solutions in driving the digital agenda of the Bank.

The ICT Department comprises of the Systems Development and the Network and Infrastructure sections and collectively they are responsible for planning, development and implementation of computer-based information systems to provide cost-effective operational systems that meet current and future user requirements. The Bank's operations increasingly rely on ICT, it is, therefore, important to ensure that the Bank's information system adequately supports the Bank's core business areas of lending and enterprise risk management and also supports the Bank's Management by providing timely and accurate data and information for informed decision making, availability of business applications, network and communication infrastructure, disaster recovery, Internet, E-mail and office automation tools.

Network and Infrastructure

The Network & Infrastructure team has successfully implemented and achieved several notable milestones.

- COVID-19 Work-from-home Facilitation–Users were connected securely from their homes to the corporate network through a VPN service to allow them to access Bank systems applications like Financial GL, ESS, BMS, Email, etc. Laptops were deployed to those who worked in these critical business areas of the Bank to ensure a "business as usual" environment prevails during the height of the pandemic.
- Infrastructure Capacity Upgrade – the upgrading of Wide Area Network (WAN) Infrastructure capacity by increasing the inter-Branch bandwidth two-fold, upgrading the dedicated Internet links to all three of our telecommunication providers TFL, Vodafone and Digicel resulting in significant connectivity performance. This upgrade was timely and proved to be very beneficial for a productive work-from-home experience and during an influx of loan applications under the Covid-19 Recovery Credit Guarantee Scheme.
- Offsite DR Upgrade and Replication – upgrading of the offsite Disaster Recovery (DR) Infrastructure by implementing a truly high-availability co-location with TFL through a 100M link to their DR site in Valelevu. This enables the Bank to replicate its mission-critical data and applications in real-time in its secondary data center.
- Office 365/Cloud Computing Roll-out – successfully trialled and implemented a Microsoft 365 pilot project which is currently being rolled out gradually across the Bank to migrate every user to the cloud applications as supposed to the traditional on-premises mode of operation. Microsoft 365 includes high-end collaboration platforms like Exchange and SharePoint. These upgrades were timely and provided the Bank with an ideal platform to provide staff with the homework-from-home option during the peak of the pandemic.
- New Firewall System –The Bank successfully procured and implemented a 2-tier firewall to protect and secure both the edge/peripherals network as well as internal mission-critical applications.

Systems Development

The Systems Development team's major responsibilities include BMS end-user support and process automation re-engineering. There were a lot of process automation and re-engineering requirement from the Bank which the team collaborated with relevant Departments and delivered according to scope.

The Development team worked tirelessly to develop an online application to facilitate loan applications electronically via the Bank's website. This was developed, tested and put to a live environment within a month's time to allow our customers to apply for the Covid-19 Recovery Credit Guarantee Scheme. This was done to ensure the safety of our staff and customers as the second wave of the pandemic was widely spreading and physical contact was being discouraged. It was hailed a huge success as over 14,000 applications were received via the portal during the pandemic period. Subsequently, the team also used the same platform to enhance it for the SME Sustainability Package, Rice Loan Application and the Ginger Loan Facility launched by the Bank.

As part of the Bank's digital transformation journey, the team also developed the COVID Assistance Admin Portal, Marketing and Business Development Helpdesk, E-Statement, ICT Dashboard, Customer Survey and Finance Helpdesk to assist various teams in streamlining their processes and improving turnaround time to both internal and external customers.

The biggest ICT project is the Core Banking Transformation Project. The tender was announced in December 2021 and closed in February 2022. The Bank anticipates to go Live in December 2023 as per the plan.

FDB staff testing the Financial Literacy webpage before launch.

FDB's Market Share

	FDB ($)	FDB ($M)	Commercial Banks ($M)
Agriculture	78,907,000	78.9	62.7
Sugarcane Growing	16,316,000	16.3	1.4
Forestry & Logging	2,500,000	2.5	5.0
Fisheries	4,178,000	4.2	9.1
Others	55,913,000	55.9	47.2
Mining & Quarrying	1,004,000	1.0	38.4
Manufacturing	77,872,000	77.9	590.8
Food, Beverages and Tobacco	30,757,000	30.8	229.5
Textiles, Clothing and Footwear	1,739,000	1.7	96.3
Metal Products and Machinery	1,366,000	1.4	54.0
Others	44,010,000	44.0	211.0
Building and Construction	127,138,000	127.1	725.4
Real Estate (Development)	84,072,000	84.1	1,389.1
Non-Bank Financial Institutions	1,359,000	1.4	4.8
Public Enterprises	95,101,000	95.1	11.8
Wholesale, Retail, Hotels and Restaurants	91,076,000	91.1	1,499.1
Hotels and Restaurants	47,022,000	47.0	507.8
Other Commercial Advances	44,054,000	44.1	991.3
Transport, Communications and Storage	33,373,000	33.4	447.7
Electricity, Gas and Water	1,821,000	1.8	196.9
Professional Business Services	22,138,000	22.1	168.6
Private Individuals	15,176,000	15.2	2,124.4
Housing	14,753,000	14.8	1,869.4
Car or Personal Individual Transport	303,000	0.3	61.5
Others	120,000	0.1	193.5
Central and Local Government	-	-	6.2
Other Sectors	-	-	167.7
TOTAL	**629,037,000**	**629.0**	**7,433.6**

Credit Institutions ($M)	Fiji Total ($M)	FDB as a % of Fiji Total	CB as a % of Fiji Total	CI as a % of Fiji Total
20.7	162.3	48.62	38.6	12.8
0.1	17.8	91.58	7.9	0.6
5.2	12.7	19.69	39.4	40.9
0.7	14.0	29.89	65.1	5.0
14.7	117.8	47.46	40.1	12.5
4.1	43.5	2.31	88.3	9.4
11.0	679.7	11.46	86.9	1.6
0.8	261.1	11.78	87.9	0.3
1.1	99.1	1.75	97.1	1.1
3.4	58.8	2.32	91.9	5.8
5.7	260.7	16.88	80.9	2.2
52.3	904.8	14.05	80.2	5.8
1.0	1,474.2	5.70	94.2	0.1
3.1	9.3	14.68	51.8	33.5
0.8	107.7	88.30	11.0	0.7
50.0	1,640.2	5.55	91.4	3.0
11.1	565.9	8.31	89.7	2.0
38.9	1,074.3	4.10	92.3	3.6
93.9	575.0	5.80	77.9	16.3
0.3	199.0	0.91	98.9	0.2
35.1	225.8	9.80	74.7	15.5
215.1	2,354.7	0.64	90.2	9.1
-	1,884.2	0.78	99.2	-
-	61.8	0.49	99.5	-
-	193.6	0.06	99.9	-
-	6.2	-	100.0	-
6.2	173.9	-	96.4	3.6
493.6	**8,556.2**	**7.35**	**86.9**	**5.8**

Relationship and Sales

Fiji Development Bank (FDB) started recuperating from the COVID-19 pandemic in 2021, despite the fact that the effects of the crisis continued to be felt intensely.

Financial

Lending Activities during the Year

The Bank's portfolio was projected to grow by 2.62% during the 2022 Financial year, with a disbursement target of $60.13 million. However, the Bank supported $117.53 million in credits to 5339 clients out of which the DRCF FDB COVID-19 Recovery CGS loan was funded for $62.33 million. The disbursement noted a slight decrease of 0.50% when compared to the 2021 Financial Year. This result was the net impact of a few big settlements that took place during the year. In any case, the approvals mirrored an increase of 493.88% by number and 83.71% by value in contrast with the past Financial Year.

The Bank's customer base is primarily comprised of the Agriculture sector at 36.68%, followed by Wholesale, Retail, Hotels & Restaurants at 28.81% then Transport, Communication & Storage at 10.95% signifying the Bank's continued commitment to its developmental role in supporting resource-based sectors and the strategic objectives of the government.

Portfolio

At the end of the 2022 Financial Year, the Bank's all-out credit portfolio recorded a minimal net growth of 1.65% in worth at $629.04 million while a major increase in the number of credits by 85.75% was noted.

With the Government's continued focus on the development of resource-based sectors, the Bank sees the outlook for 2023 as optimistic with continuous economic recovery noted following the opening of international borders.

The Bank's Performing Loan Portfolio (PLP) was $476.76 million, a slight increase from the previous financial year.

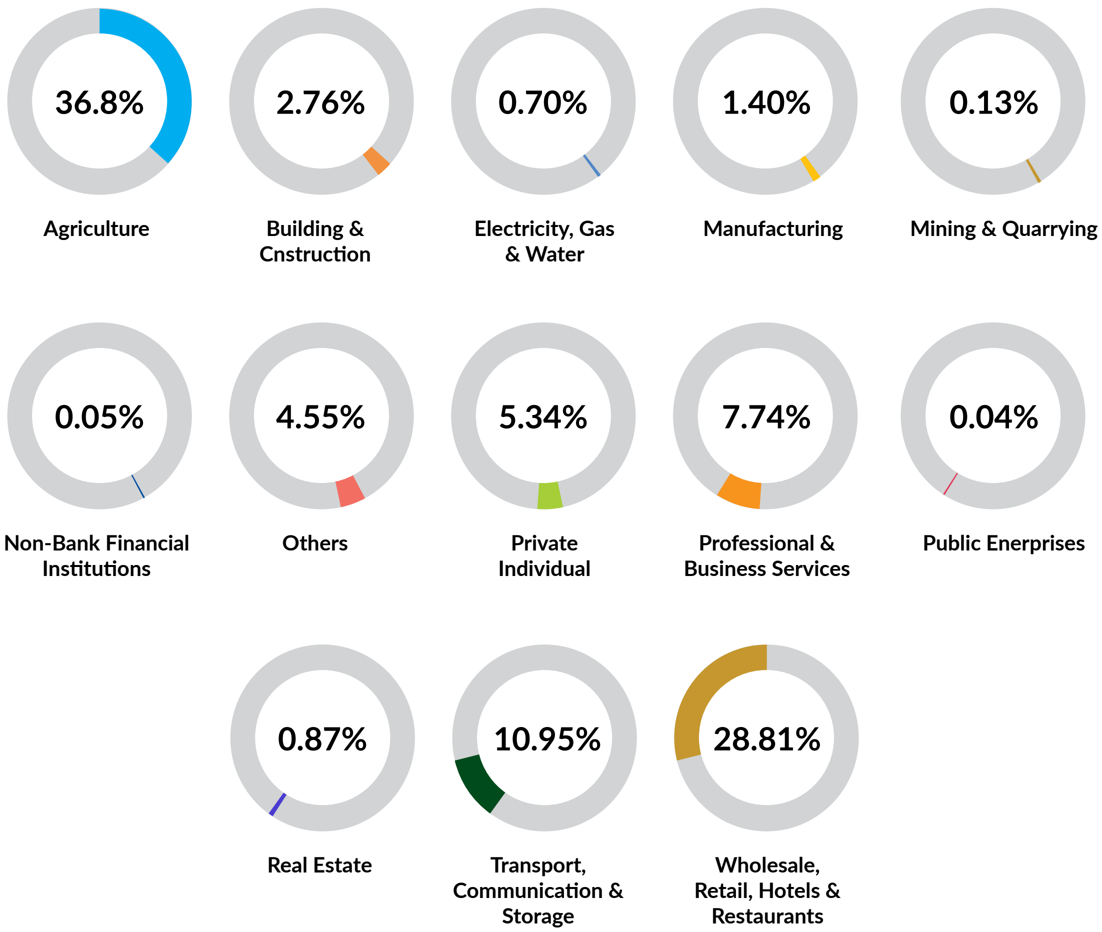
On the other hand, the Non-Performing Loan (NPL) portfolio dropped by 6.55% from $162.98 million to $152.31 million during the 2022 Financial Year because of mid-stream renegotiates and runoffs. NPL accounts increased from 499 to 540 in the 2022 Financial Year.

The expansion in the NPL portfolio by number was an immediate effect of the COVID-19 third wave that influenced the Fijian economy. Many Small and Medium Enterprises (SMEs) collapsed during the pandemic as they couldn't endure the effects for 2 years.

Application

A total of 16161 applications were received during the 2022 Financial Year, of which 94% were submitted online, indicating a shift toward digital transformation. Out of these, 5339 applications worth $120.81 million were approved, an increase of 493.88% by number when compared to the 2021 Financial Year. The value of approvals when compared to the 2021 Financial year also increased by 83.71%. The remaining applications were deemed unsuccessful, as they failed to meet the merits of the credit assessment. This outcome indicates that a significant number of applicants did not fulfil the loan requirements.

Portfolio by Number as at 30th June 2022



Women Entrepreneurs during Market Day at FDB Head Office, Suva.

FDB CEO, Mr Saud Minam explains the online application process.

The 2022 Financial Year saw a significant increase in the number and value of SME accounts compared to the previous Financial Years.

Rising numbers in endorsements were directly connected with the DRCF FDB COVID-19 Recovery CGS loan facility that commenced in August 2021 while SME Sustainability Package started in March 2022. These 2 initiatives brought about an 85.75% expansion in the Bank's client base.

Sectorial Composition

For the 2022 Financial Year, the total market share of the Bank's portfolio in relation to total loans and lease advances outstanding by all Commercial Banks and other Licensed Credit Institutions stood at 7.35%. A drop in overall market share by 0.03% was noted for the 2022 Fiscal Year in comparison to the previous Financial Year.

Agriculture lending continues to be the Bank's priority, however, Public Enterprises lending ranked highest in market share with 88.30% while lending in the agriculture sector was second at 48.62%. The Bank continues to dominate the Sugarcane portfolio at 91.58%.

Strengthening Outreach

Due to the harsh effects of numerous firms failing to survive the pandemic, the Bank tailored-made new facilities to assist businesses to keep afloat. The Bank will hold more outreach events in the upcoming Financial Year to market its products. Easing of health restrictions will be an advantage to meeting the customers directly and assisting them.

Although Fiji has put plans in place to normalize and is adjusting to a world with COVID-19, economic activity, difficulties, and hazards still exist. Financial sector outcomes have increased in line with the domestic economy's recovery. The policy actions taken by the central bank continue to support extremely accommodating financial conditions. Together with historically low interest rates, system liquidity is at an all-time high. With the resurgence of the desire to borrow money and the anticipated acceleration of bank lending to companies in the private sector, system credit growth will maintain its steady growth course.

The Bank's Branches are strategically placed throughout Viti Levu and Vanua Levu to allow for accessibility and customer visibility. The strategic locations also make it easier for the Bank employees to undertake routine agency visits within their local neighbourhood and outside islands. The main municipalities of Suva, Nausori, Rakiraki, Ba, Lautoka, Nadi, Sigatoka, Savusavu, Nabouwalu, Labasa, Seaqaqa, and Taveuni are home to the Branches.

Development Financing

Over the past two years, investments around the world have been held back by the COVID-19 pandemic's uncertainty. Additionally, due to supply bottlenecks and the detrimental effects of the Ukraine War, investment has recently lost impetus.

The Bank signed a Memorandum of Understanding (MoU) with the Ministry of Agriculture on the 8th of October 2021 for the Commercial Farmers Equity Package (CFEP) program. This was done in keeping with the FDB values of collaboration, building on the customers and internal business processes strategy for customer retention and acquisition, and promoting effective linkages with key stakeholders, respectively. The initiative gave farmers, producers, and processors, who wished to invest and expand their agricultural ventures, 20% equity support. Its goals were to promote commercial agriculture and aid farmers in raising exports, household income, quality of life, and employment options.

FDB's core business segments are Small and Medium Enterprises (SMEs) and Agriculture. In its endeavour to further support these segments with tailor-made facilities, FDB embraced the Agriculture Value Chain Financing (AVCF) technique. AVCF came into effect in December 2021 with the introduction of the Rice Mobility Package related to Fiji Rice Limited.

Another new facility, the Small and Medium Enterprises (SME) Sustainability Package, turned into a well-known loan facility for existing SMEs expecting to extend, restore and keep up with their organizations following its start in March 2022. The Bank expects to help small businesses in reducing their expense of obligation and permitting them to put resources into development and acquiring new assets that will assist with increasing production.

In May 2022, the Bank launched the Ginger Loan Facility under AVCF, which ensured guaranteed market access to the customers.

Moreover, FDB lent a further $1.50 million to South Pacific Business Development (SPBD) Microfinance, aimed at expanding SPBD's abilities to reach out to the women micro-entrepreneurs. By funding the SPBD Fiji, FDB targeted the strategic sector of the economy where SPBD upholds those clients that needed access to finance as well as those tasks that have the most noteworthy multiplier impact, both economically and socially.

FDB provided a further loan of $1.5M to the South Pacific Business Development (SPBD) Microfinance.

Financing for Sustainable Development

Development financing refers to the provision of innovative financial solutions to further develop sectors aligned with the Bank's mandate.

It also includes the provision of consessional loans, co-financing and guarantees that are possible through partnerships with Government and other relevant stakeholders.

Agriculture

The $91.97 million portfolio value illustrates FDB's dedication to assisting Fiji's agriculture sector in becoming more competitive, sustainable, and value-adding. This amount corresponds to 14.62% and 36.68% of FDB's entire portfolio, respectively.

The percentage of approvals for the 2022 fiscal year was 15.86% by number and 10.29% by dollar amount.

In Fiji, this industry accounts for the second-largest market share (48.62%) however, the same noted a decrease of 0.04% when compared to 2021 Financial Year shares which were at 50.61%.

The Bank is also working on creating brand-new, cutting-edge products to serve the agricultural industry in the coming financial year.

Electricity, Gas & Water

As part of its dedication to the energy sector, FDB provided funding for energy that is dependable, sufficient, and reasonably priced to support economic growth in a manner that is socially, economically, and environmentally sustainable. Market share for this industry was 0.91% which recorded a drop in shares by 0.57%.

FDB assists in supplying access to more inexpensive and clean energy by identifying creative solutions and exchanging knowledge with the private sector and partner development organizations.

The portfolio, which had 60 loans in it, was worth $3.03 million during the 2022 fiscal year. This represented a rise of 500.00% by number while a decrease of 29.43% by portfolio value in comparison to the 2021 Financial year, or 0.70% by number and 0.48% by value.

53 approvals totalling $3.83 million, or 3.17% of all approvals, were made throughout the year.

Manufacturing

While FDB is dedicated to helping Fiji become a manufacturing powerhouse for the Pacific, the Bank's market share in this industry further climbed to 11.46% from 10.83% in the previous Financial Year.

At the end of the financial year, the manufacturing portfolio had a value of $53.78 million. There were 119 loans in total, which represents 1.40% of all loans.

$13.52 million was granted through 77 accounts for the 2022 Financial Year. This represented 11.19% of total approvals in terms of value and 1.44% of loans in the Focused Sector in terms of quantity.

Mining & Quarrying

FDB's investment in promoting a sustainable mining sector that has continued to provide employment, income, foreign exchange earnings and revenue for the government saw the portfolio stand at $0.92 million for the 2022 Financial Year. This comprised of 0.15% in the value of the total portfolio. There were eleven (11) loans in total, reflecting 0.13% of total loans by number.

FDB's market share in this industry decreased to 2.31% in the 2022 Financial Year from 2.92% in the year before. The Bank continues to promote sustainable mining activities. Stringent monitoring and evaluation mechanisms are in place to ensure environmental management plans are implemented.

Professional & Business Services

The total value of this portfolio, which included 658 loans, was $9.66 million. A change seen as a result of the introduction of new rehabilitation products during the year included a $7.94 million increase in the portfolio's worth and 600 additional loans.

Nevertheless, the FDB approved 640 accounts in the year, contributing $9.39 million to this industry. Projects in the health sector include but are not limited to, those in the areas of consulting, manufacturing/repair of machinery for manufacturing, wholesaling, and retailing, chiropractic and wellness, hairdressing and beauty salons, and medical and dental services.

From 3.40% the year before, the market share soared to 9.80% this year.

Public Enterprise

The portfolio stood at $95.16 million with only three (3) loan accounts. The net impact of 1 account worth $19.97 million was noted.

There was only one approval in the year for new loans worth $20.0 million.

The 2022 Financial year had another massive increase in market share, from 64.86% in the 2021 Financial year to 88.30%, knocking the Commercial Banks and other Licensed Credit Institutions in the market. It had been another such year following the 2021 Financial year where the FDB market share roared higher under public enterprise lending.

Transport, Communication and Storage

The Bank observed growth in this industry, both in terms of new approvals and portfolio, but it was the opposite in the fiscal year 2021.

The portfolio, which had 934 loans in it, had a value of $43.83 million in the 2022 Financial Year. This represented 10.95% numerically and 6.97% economically. As a direct result of the DRCF FDB COVID-19 Recovery CGS loan facility and SME Sustainability Package, the value of the portfolio grew by $2.86 million.

As opposed to 93 approvals totalling $4.13 million the year before, 698 approvals totalling $13.31 million were processed in the 2022 Financial Year.

The market share further decreased to 5.80% this year from 6.80% in the 2021 Financial Year.

Wholesale, Retail, Hotels & Restaurants

This industry concentrates on funding wholesale or retail sales of food, root crops, machinery, equipment, personal and household goods, as well as initiatives involving hotels, restaurants, and other tourism-related businesses.

There was a significant increase in the number of new approvals for this industry, with 2287 approvals totalling $33.58 million, an increase of 2332.98% in terms of number and 656.20% in terms of value. The biggest portfolio value is still held by the portfolio.

The value of the portfolio dropped from $199.66 million to $181.08 million, but the portfolio's size increased from 345 to 2456 in the 2022 Financial Year. By value, this represented 28.78% of the entire portfolio.

The value of the new approvals increased by $29.14 million, demonstrating the direct effect of the pandemic-related rehabilitation products introduced.

The third and the fourth wave of the COVID-19 impact had an overall adverse impact on this sector, which had been experiencing numerous operational difficulties as it was growing, and resorts and restaurants were welcoming residents at local prices until the opening of international borders in April 2022.

Nonetheless, the market share trend for the past 4 years has been growing gradually. From 4.00% to 5.55% since the 2019 Financial Year.

Building & Construction

In this portfolio of 235 loans valuing $72.10 million, 196 were new loans that had been approved for the 2022 fiscal year. These approvals totalled $5.28 million in value.

Despite an increase in approval and portfolio numbers, a decrease in the debt level in comparison to the 2021 Financial Year under this sector—which accounts for 11.46% of the portfolio—was seen. The share market witnessed a reduction in the shares by 0.21% in contrast to the 2021 Financial Year.

Non-Bank Financial Institutions

By boosting transportation, job creation, wealth creation, bank credit in rural regions, and support for the economically weakest segments of society, FDB is devoted to the overall growth of the economy. It is essential for directing limited financial resources toward capital production.

Due to the weak economic activity, only 2 new loans were booked under this sector. Hence, the portfolio decreased by 49.23% in value when compared to the last Financial Year while the portfolio by number grew by only 1 account.

Market share recorded a downward trend which stood at 14.68%.

Real Estate

In comparison to the prior year, the number of securities in this portfolio increased, however, their value dropped. The 74-loan portfolio's value, down $1.26 million, was $55.98 million. Similarly, the market share also witnessed a down 0.06% in shares as it stood at 5.70% in the 2022 Financial Year than what it had in the 2021 Financial year (6.10%).

Twenty-seven approvals totaling $1.42 million were recorded during the year or 1.18% of all approvals.

In a partnership with the Fijian Government, the Bank assisted Ratu Naevo Farms Cooperative Limted to purchase a farm tractor.

Business Risk Services

Managing 'Risk' is everyone's responsibility at the Bank.

Review of the Year

The Business Risk Services (BRS) Division has over the 2022 Financial Year managed to overcome the uncertainty posed by the impacts of the pandemic and economic recession. With restricted credit appetite, the Bank was able to divert into sector and commodity value-adding products and maintain a well-balanced approach to new credits.

With the second wave of the pandemic, government initiatives were rolled out and the Fiji Development Bank (FDB) was clearly the first financial institution to take these to new heights and facilitate the products to a wider public reach. As for the COVID-19 Recovery CGS, over the course of a few months, the Bank had appraised over 13,000 applications, of which, over 4,000 approvals were made. This resulted in a $62.33 million inflow from the Reserve Bank of Fiji (RBF) for disbursement for the approvals. The mammoth task needed all divisions of the Bank to work together in sync to accomplish the full end-to-end process of the facility within a limited time.

The driving force in the recovery of Fiji's economy was lending in the agriculture and SME sectors. The Bank resorted to government initiatives and self-product devising tactics to promote products to customers struggling during the pandemic. There was an influx in the uptake of the products from the general public which provided the opportunity to serve our existing and new customers, assisting them to resurface from the downfall brought in by COVID-19. At the end of the 2022 Financial Year, the portfolio by number was 8,526, which is a growth of 85.75% from the previous Financial Year.

The Management Team headed by the newly appointed Chief Executive Officer gave much-needed direction towards embracing technology in the Bank's quest for the digital transformation of our processes to be more efficient, thus increasing the effectiveness of customer service during the COVID outbreak.

Financial

The Business Risk Services Division consists of 4 units, namely, Legal Department, Asset Management Department (AMD), Enterprise Risk Management (ERM) unit and Credit Risk and Approvals (CRA) unit; and they all are supervised by the General Manager Business Risk Services (GMBRS).

Each unit practices prudent operations, keeping within expenditure budgets and reaching towards maximizing income. AMD is tasked with rehabilitating and recovering. The Department makes enormous efforts to rehabilitate accounts, nursing them back to performing status. However, in cases where rehabilitation efforts do not work, recovery action is taken to protect the interest of the Bank. Bad debt accounts are still attempted to be recovered to minimize the Bank's losses. The 2022 Financial Year had AMD report $9.42 million in revenue, these were mostly interest income and fees, whereby only $1.19 million accounted for bad debts (written-off debts) recovered.

Legal Department is also a revenue centre for the BRS Division, earning two streams of income; Insurance and Legal Fees. For the 2022 Financial Year, Legal Fees income amounted to $0.59 Million and Insurance income amounted to $0.13 million. Within the year, Insurance was realigned to front-line business in light of market practices.

Choice Home Loan (CHL) is a product that has been suspended for some years now and the existing loans are supervised by AMD. The CHL portfolio has been decreasing over the years through loan settlement and refinancing with other financial institutions. At the end of the 2021 Financial Year, the CHL portfolio was valued at $5.30 million, at the end of the 2022 Financial Year, it was valued at $4.14 Million, noting a decline of 21.91%.

Customers

The Bank has always strived for greater market share in the SME and Agriculture sectors, as a result, many products have been re-visited, re-vamped and new, more demanding products introduced in the market. Brainstorming sessions were frequent with Relationship and Sales and Marketing and Business Development Teams in devising products and services. The reception from the public was very inviting and significant uptake of products was evident in the Bank's books.

The 2022 Financial Year saw a significant increase in the number and value of SME accounts compared to the previous Financial Years. This was a result of the COVID-19 Disaster Recovery Credit Facility (DRCF) initiative from the government for SMEs which the Bank took on.

A major milestone for the Bank was the creation of a platform for receiving applications from customers for the COVID DRCF loans. As there were major social distancing restrictions during the Financial Year, the platform assisted with virtual interaction between bank staff and applicants, and it also allowed for document uploads for the assessment process. This in turn made businesses continue and thrive during the social distancing era. The same platform was used for all of the products of the Bank, cutting down paper usage and promoting environmentally friendly practices which the Bank fosters.

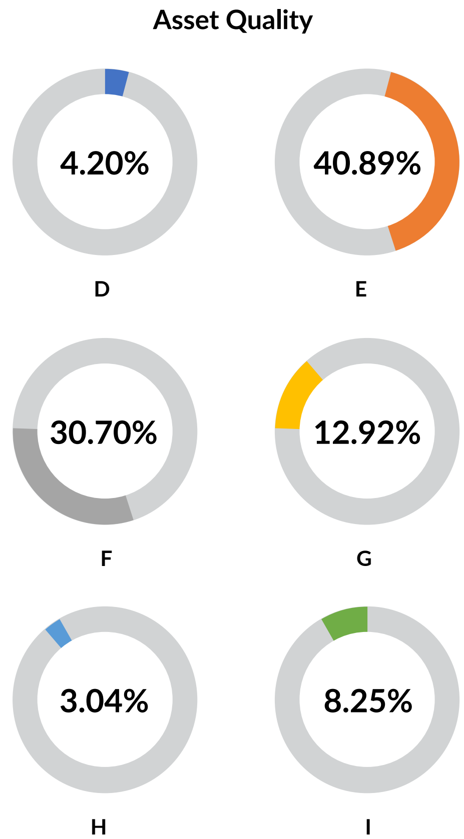
Internal Business Process

The Bank's intention is to streamline its business processes to be leaner and more efficient, and better suited to customers' needs.

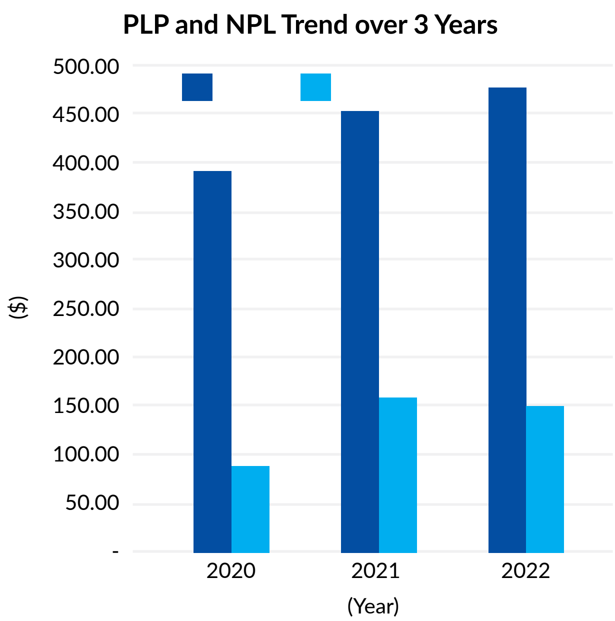
FDB has adopted a paperless mode of internal business processes, realizing the need to reduce the cost associated with paper, not only the procuring of the commodity but also the storage space needed for files. The new digital transformation has seen many benefits apart from cost savings. The processes are more real-time, better reporting, easily transferable and easily stored. This adoption proved to be extremely beneficial during the COVID-19 social distancing restriction as customers could lodge an application from the comforts of their homes.

The RBF onsite review was also a highlight of the Financial Year which was scoped around corporate governance, credit and liquidity risk. As FDB comes under RBF's supervision it is necessary that the Bank adheres to the operating and reporting requirement of the Central Bank. The review report was provided to the Management Committee to react to the shortfalls and necessary actions were factored into the timeline for improvements.

Portfolio



The portfolio asset quality consistency is majority concentrated with grade 'E' holding 40.89% of the portfolio, and 30.70% of the portfolio is graded 'F'. Grades 'D', 'E' and 'F' are Performing Loans Portfolio (PLP) and grades 'G', 'H' and 'I' are considered Non-Performing Loans (NPL). As at end of the 2022 Financial Year, 24.21% of the portfolio was regarded as NPL portfolio, while 75.79% was PLP.



The NPL portfolio with AMD saw a slight rise in non-performing loans, which was accepted under the circumstances of the time. Despite the increase, there were many accounts, including some significant ones that were rehabilitated or settled during the Financial Year.

As at the end of the 2022 Financial Year, NPLs with AMD amounted to $137.09 million compared to $123.60 million as at end of the 2021 Financial year. Total bank NPL as at end of the 2022 Financial Year amounted to $152.31 Million which is 24.21% of the total portfolio. Although this is a large proportion of the portfolio that is non-performing, this figure has decreased from the last Financial Year and is expected to further decrease as the economy recovers.

Community & Environment

Like any other year, the BRS representatives accompanied by the newly appointed General Manager Business Risk Services made their way to Colonial War Memorial Hospital's Oncology Unit bearing toiletries and gifts for the little patients in December of 2021.
The visit is part of the Team's annual tradition of 'BRS Christmas Cheers', spreading the cheer during Christmas for children suffering from cancer.

FDB BRS Representatives at the Oncology Unit of the CWM Hospital handing over gifts and toiletries.

Looking Ahead

It has been a challenging year indeed, and a lot can be learnt from it. How customer service is rendered has changed since the restriction period, as a result, more organizations are moving towards digital platforms to cater to their customers. FDB is no different. The Bank provides a platform for applications that can be accessed from anywhere, saving both time and money for the customers. However, at the same time, the Bank has customer service staff ready at Branches for a more personal dialogue when needed. BRS Division benefits from this as information relating to credit history and security details are already available as part of the application, hence their decision-making turnaround time is significantly decreased.

The Bank has plans for a new Core Banking System (CBS) to be implemented to cater to the increasing demand for data by the Management. The new system will overcome the limitations of the current system and will be more robust in recording, analyzing and displaying data fit for business processing in this day and age of digital savviness. The current business environment has become very complex, thus needing complex solutions to capture all relevant details in the initial stages of the application process.

FDB has partnered and intends to partner with many government and non-government organizations for many of its projects and awareness sessions, giving the Bank the reach to the unbanked in remote communities. FDB feels strongly about climate protection and climate-friendly business practices, as a result, similar engagements are necessary for the Bank's climate programs to accomplish the objectives.

The unit structure and alignment to RBF Banking Supervision Policy Statement (BSPS) is one of the major mini projects being undertaken on a "plan for plan" action. This will entail a more prudent and well-managed reporting, understanding and alignment to regulator requirements sustaining FDB's financial literacy and responsible lender culture.

Bringing joy to the Paediatric Oncology patients during the festive season. The Business Risk Division has continued this tradition for over 10 years now.

Talent and Organisational Development

To support our goal of being sustainable and adaptable, the Talent and Organisational Development (TOD) Division has the direct responsibility of ensuring our people are capable, motivated, and Values-led.

In addition, through engagement and simplification initiatives, TOD seeks to indirectly influence and support our workforce toward a diversified revenue base, a cost–disciplined approach, a unique experience for the Bank's customers, and policies and procedures that promote flexibility and efficiency. It goes without saying that, post-COVID, the FDB as an organization must forge new norms that are tailored for our people without undermining our Bank objectives.

Our development objectives per the training plan were significantly impeded in the first quarter of the financial year. Though we quickly pivoted to virtual training via Moodle, we were limited by the number of staff that could have full access to our Bank systems from outside our offices. The fact that the majority of our people have desktops rather than laptops was a major factor. Once restrictions continued to relax toward the second half of the year, our training delivery picked up rapidly and come year-end, we were able to exceed the

FDB staff attending a workshop.

recommended industry average training hours per FNU guideline for similar-sized organizations. Our meticulous online approach to post–training evaluations has gained us valuable feedback, enabling us to revise our training content in a timely manner to maintain relevance. Going forward, we will look to automate our training needs analysis process to further reduce paper, become more efficient, and user-friendly.

Rewarding and/or recognizing our people remains a key obligation. A motivated and engaged workforce is crucial to our success. Rewards are but one form of incentive that can encourage our people to strive for that extra mile. The Bank has seen to this with its tri-annual awards program (CEO's Employee Excellence Awards) which recognizes our people in three categories: Individual Excellence, Outstanding Leadership, and Extraordinary Teamwork. This awards program is in addition to the annual bonuses that may be available to eligible staff depending on the overall performance of the Bank.

Rewards, when used in the appropriate manner, can also incentivize the right behaviours that are critical to the cultural transformation of the Bank. The current Performance Management Framework had been in use for over a decade with slight iterations over that period however the overall approach, from the setting of KPIs, the mid-year review, and the annual performance assessment, had remained largely unchanged. The review was also driven by the following drawbacks –

1. The high number of KPIs being set, with some staff being set as many as 40 to 50 KPIs;
2. emphasis on what is achieved with little consideration of how it is achieved; and
3. high probability of overemphasis on some areas while other areas are neglected.

If we could not accurately measure our performance operationally and financially, we would not have a true picture of actual performance and more importantly, areas that need improvement. With this in mind, the Framework was revised and a 'light touch' was applied as outlined below –

1. setting of KPIs around the four (4) key categories of Financial, Customer, Process, and People;
2. for simplicity and clarity, keeping KPIs to a minimum of one (1) and a maximum of three (3) per Category; and
3. introduction of a minimum and maximum total weighting per category to avoid bias.

These changes came into effect in Jul'22 and with it, the hope that there will be an alignment of purpose not just within but across Divisions, resulting in greater collaboration, engagement and outcomes, not to mention a much-improved experience for our people.

A bank-wide Corporate Responsibility (CR) activity was held in March 2022, after a lapse of two years due to COVID. The Bank is keen to continue supporting the Government's reforestation initiative, and its aim of planting 30 million trees in 15 years. The date was chosen to coincide with the International Day of Forests. There were three sites identified in the central, western, and northern regions. Overall, it was a great success with a high turnout and engagement despite the weather. It was pleasing to see the fun and laughter in the rain and dirt, all while contributing to a good cause. As the only GCF-accredited bank these types of activities supplement our vision and fulfil our goal, and we're well on our way to planting 30M in 15. We look forward to renewing the MOU with the Ministry of Forestry and the iTaukei Affairs Board in preparation for future CR initiatives.

The Bank also kicked off its first-ever CEO Townhall in the third quarter, with one in the central region followed by subsequent events in the north and west. Whilst the Townhall concept is relatively new to FDB, it was surprising to see staff take to it eagerly and engage directly with the CEO in frank discussions. This augurs well for the Bank's efforts to foster a 'Speak Up' culture.

There were other initiatives in FY22 that we managed to get across the line. The resumption of concessional lending for our people after an extensive review of the staff loan facility, the return of Employer FNPF contribution back to pre-pandemic levels (10%), the change in fortnightly pay cycle following staff feedback, the introduction of casual Fridays, new wardrobe for staff and review of the Bank's Uniform policy, the significant reduction of the Bank's paid leave provisions, and the launch of the Bank's Employee Handbook for all new entrants to name. All these indicate our commitment to listening to and looking after our people, improving our employee-value proposition, and taking us a step closer to becoming an employer of choice.

Enterprise Risk Management

FDB adopts an integrated risk-taking approach, which cannot be defined by one figure or formula. In embedding risk in everyday decision-making, the Bank has an established Risk Management Framework.

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 framework is aligned with the ISO 31000 standards and the Basel Accord guidelines on Risk Management. An overview of the Bank's approach to effectively managing risk is provided below.

1nd Line
Functions that own and manage risks

- Guide the development and implementation of internal policies and procedures and ensure activities are consistent with Banks goals and objectives
- Executive risk assessments and identify emerging risk
- Responsible for executing risk treatment plans and maintaining effective internal controls on a day-to-day basis
- Implement and comply with risk management processes were applicable

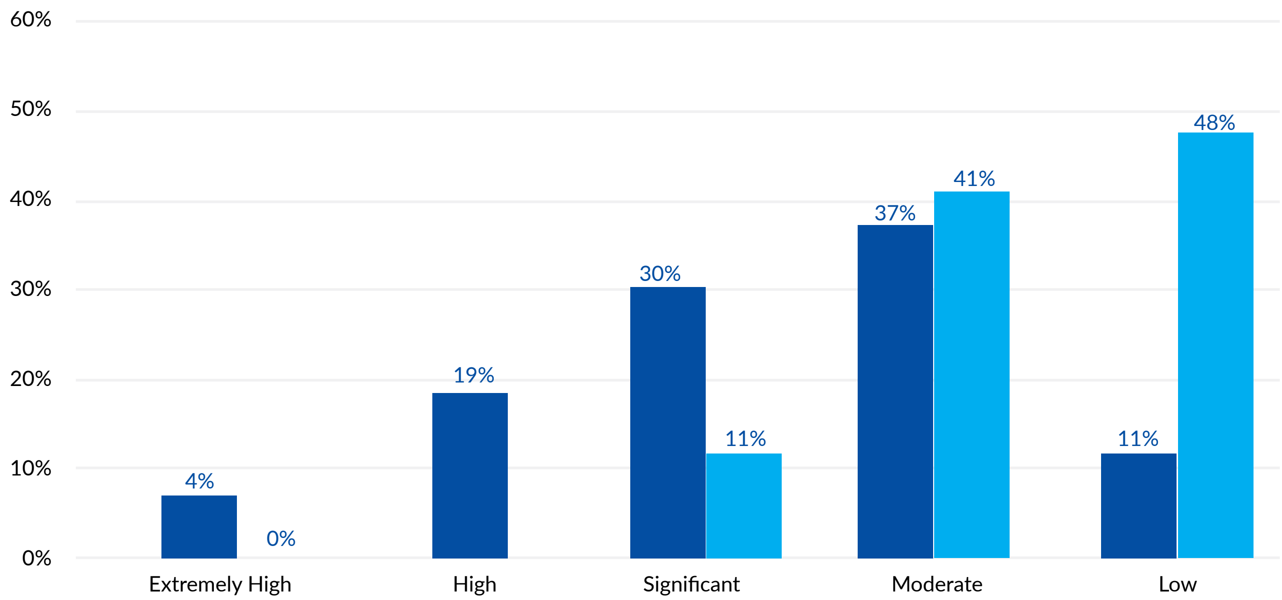
2nd Line
Functions that oversee risks

- Esrablish, monitor and report on risk management framework policy and process
- Provide guidance and cordination among all Business Units
- Identify global emerging risks, synergies, and opportunities for change
- Initiate change, integration, operationalization of new events
- Oversight and challenge risk management and compliance objectives

3rd Line
Functions that provide indepenent assurance

- Provides assurance to Management and the Board that the first and second lines' efforts are consistent with expectations.
- Provides assurance to Risk Management processes are adequate and appropriate.
- External auditors are responsible for expressing an opinion on the fairness (accuracy within a degree of materiality) of the financial statements in conformity with certain accounting standards

Risk Ratings for 2022 Financial Year



The pandemic provided an opportunity for the Bank to test out its remote working platform.

Risk Management Approach in the Digital Era

FDB has implemented an annual risk management cycle, which identifies key risks and developments that the Bank continues to address. 1st Line of Defense [LoD] in collaboration with 2nd LoD identifies and assesses the key risks. The 1st LoD is responsible to implement risk treatment plans and ensure the effectiveness of the current controls. ERM, on a monthly basis, reviews these risks based on the assessment of the current controls and the implementation of the treatment plans. Risk rating movements for the 2022 Financial Year are depicted in Table 1.

To manage its reputational risk, the Bank is committed to resolving complaints to the satisfaction of the complainant. This also provides a platform to learn from what has happened, and where appropriate, make demonstrable improvements to the Bank's services. This online management function was transferred to the office of the CEO in the second half of the 2022 Financial Year.

Active online incident management platform brought to light the significant opportunities for the Bank. This enabled the Bank to proactively resolve incidents and near-miss situations before tragic or costly events occurred. Mid-2021 Financial Year, the Bank introduced automated Risk Control Self-Assessment for all new products, new and revised policies and processes. The objective behind this initiative is to provide reasonable assurance that the identified business objectives will be met.

Key control tests were also introduced on a quarterly period to ensure key risks of the Bank were effectively managed. Gaps identified were introduced with additional controls keeping in mind the Bank's digital shift. The pandemic provided an opportunity for the Bank to test out its remote working platform. An extensive test on the remote working platform was conducted to assure Bank's business continuity during business disruptions.

A fully documented risk appetite and tolerance statement for the Bank is underway. Once implemented, this would set the Bank's risk boundaries which would be aligned with the strategy, values, policies and corporate directives.

Business Continuity and Managing Risk in Pandemic

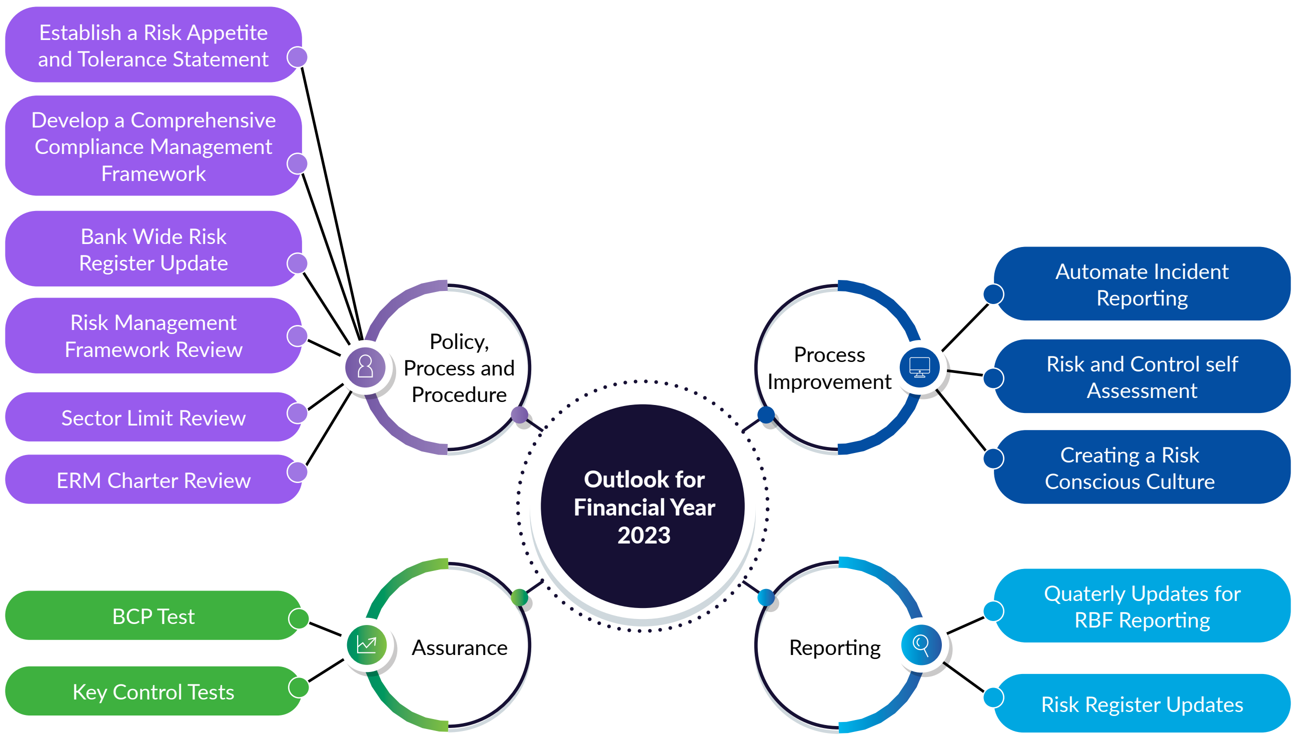
With the commencement of the 2022 Financial Year, the COVID-19 pandemic continued to pose various risks to the Bank. In adherence to the Ministry of Health [MOH] safety measures, the FDB-wide business continuity programme continued to represent a reliable recovery framework. Work from Home initiatives continued, with separate bubble protocols continuing for work from the office. ERM supported the Bank to ensure operational resilience of critical operations, services and systems.

Wider utilization of digital platforms to carry out business and various health and safety initiatives were implemented through the BCP committee. ERM continued to monitor risks pertaining to COVID-19 registered in the risk register.

The Bank, through the BCP committee, continued to revisit the safety and operational protocols as per MOH COVID-19 safety relaxation measures.

ERM Outlook

ERM's focus for the 2023 Financial Year will be on enhancing the Banks risk culture. This will be achieved through the development and review of policies, processes and procedures, process improvements, providing the second line assurance and the reporting function.



Climate and Eco-Finance - Multifaceted Solutions for Climate Action

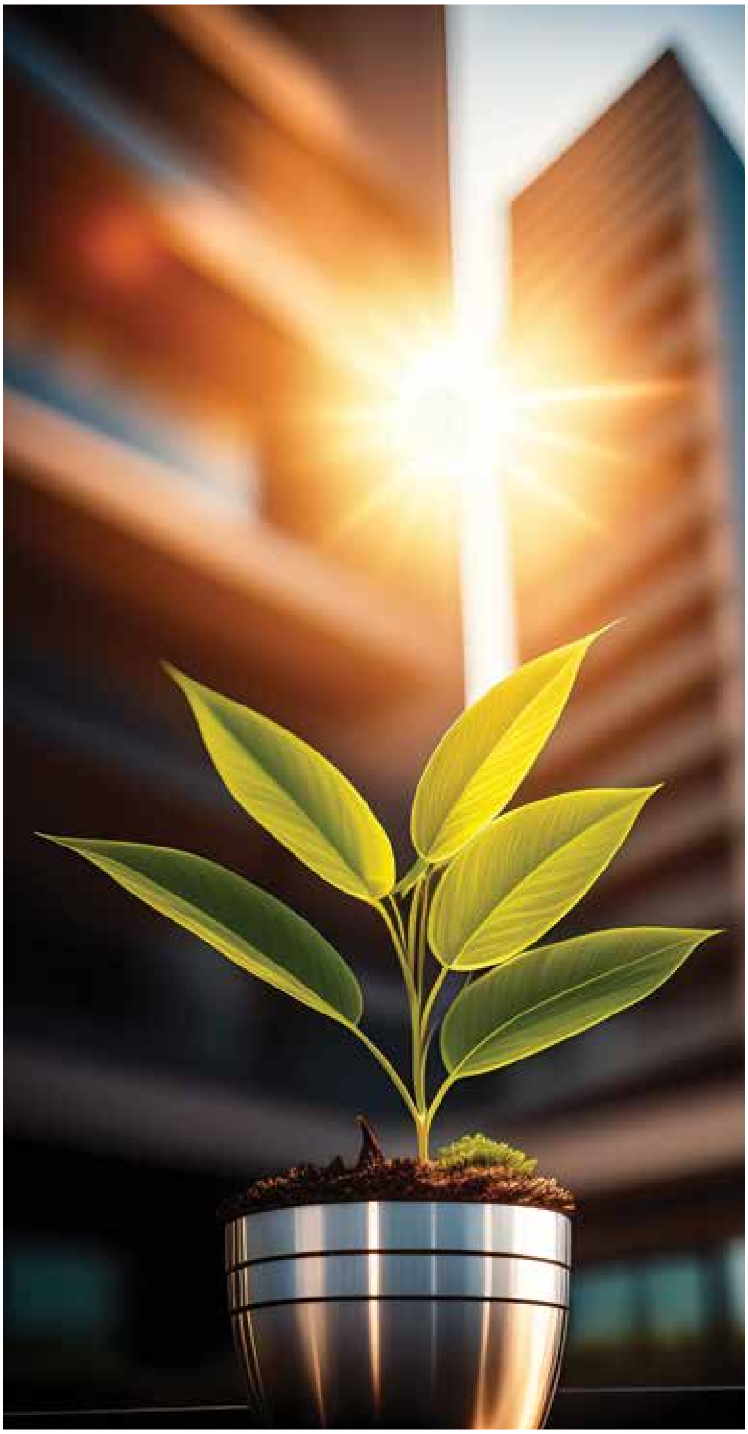
Re-Setting

Deepening its commitment to providing multifaceted solutions for climate action as well in it role as development finance institution, the FDB at the start of the FY2022 created the new Climate & Eco Finance Department. Previous year, the Green Banking Unit, was under the ambit of the Marketing & Business Development Department that carried out the climate finance activities. With the anticipated growth in climate finance projects as well the need for a dedicated specialised team, this exciting move was made. The Team currently comprises of a three-member team led by a Manager, a Monitoring, Reporting & Verification Specialist and an Environmental Social Safeguards/Gender Equity & Social Inclusion Specialist.

Heightened Access to Climate Finance

Climate & Eco Finance alignment to both FDB's mandate and external funder agencies such as the Green Climate Fund also meant a change in internal regulatory environment. Continuing from the work in the previous year, and through its first GCF Readiness Grant, completed four (4) policies and relevant manuals. These included Risk Mitigation Process for GCF Projects; On-granting Policy & Manual; Monitoring & Evaluation Policy & Manual; Toolkit for GCF Application Process aligned to the FDB internal processes. A progress report for FDB Carrying Out its Functions as an Accredited Entity & Implementing the GCF Accreditation Conditions was also completed.

It was important for the Bank to enhance the internal regulatory environment in readiness for actual project implementation. One of the key challenges though for a global climate financier like the Green Climate



Fund regulatory and operational requirements constantly evolve. For an accredited entity this adds opportunity to make the necessary adjustments though it does place added challenges on a small team. There is opportunity also to include new tools or procedures adapted to suit the entity's operation. For the Bank, it has taken the approach to apply a whole-of-bank approach in implementing these policies. In doing so, the Bank is of the view that sustainable development means sustainable financing.

One of other key achievement during the year was the completion of two concepts notes: (i) Climate Smart Agriculture and (ii) Resilient Housing. In the next year, these concept notes are expected to be formally submitted to the GCF for decision. Additionally, FDB, in heightening access to climate finance had collaborated with international accredited entities namely, the Food and Agriculture Organisation (FAO) through the Fijian Ministry of Forestry and the WWF to design projects for GCF. This approach provides opportunity for FDB to learn from more experienced accredited entities to deliver climate finance projects in Fiji by playing an executing entity role. From a risk perspective, this approach allows the Bank to manage project lead risks as an executing entity rather than as the accredited entity. FDB is expected to continue to adopt this approach.

The FDB also embarked on an exciting project titled, 'The FDB Sustainable Blue Economy Project'. This is a collaboration with the UNCDF and the Ministry of Economy. By the end of the year FDB had identified the need to articulate a policy statement and strategy that guides its participation in the Blue Economy space. In effect, this project enhances FDB's ability and increases opportunity to contribute to the sustainable management of Fiji's ocean biodiversity. FDB currently has a portfolio in the fishery sector and hopes to do finance more value adding fishery projects or customers to improve the livelihoods of those living along the coastal areas.

Learning & Growth Organisation Leads to a Climate Change Responsive Bank

As a Learning & Growth organisation, every opportunity was taken to build on FDB's internal capacity. Additionally, heightening access to climate finance meant FDB people are on par with the latest climate finance tools, climate finance financial instruments including capital raising through green or blue bonds, blended financing techniques and options, sources of blended finance and so forth. Obviously, these learning & growth opportunities create avenues to enhance FDB's digitalisation journey though access such digital platforms requires partnerships that to be pursued.

FDB's learning by doing approach continued during the year. The journey was one of collaboration as FDB was supported by various agencies. A big contributor was the GCF through the National Designated Authority (NDA), the Ministry of Economy and its delivery partner, the Global Green Growth Institute. One of FDB significant partner that contributed to its learning & growth, the Climate Ready Project Team continued with its support during the year. A new partnership formed during the year with the Commonwealth Secretariat resulted in first ever Climate Finance Writeshop training that included the introduction to the CommonSensing Project. The CommonSensing

Workshop organised by the Climate and Eco-Finance department.

The FDB is devoted to the overall growth of the Economy.

project uses the geospatial based CommonSensing platform for enhanced access to climate finance. This digital platform fits in well with FDB's digitalisation journey and the Bank looks forward to its operationalisation.

FDB is also a strong advocate for knowledge sharing. During the year, FDB partnered with the Pacific Island Forum Secretariat to shares learnt through its accreditation and project financing particularly within the private sector. This was through FDB's participation in the Melanesian Sub-Regional Private Sector Workshop. FDB also supported the NDA by participating in a similar workshop hosted in Fiji for organisations intending to apply for accreditation with the GCF. At the development financing institution level, FDB reached out its sister DFIs in the Pacific and provided support where possible.

First GCF Project

The first innovative Agrophotovoltaic (APV) project for FDB, Fiji and the Pacific, was pursued for implementation. During the year, FDB worked closely with its private sector partner, the NDA and the Private Sector Facility of the GCF to finalise two key activities that is a precursor to project implementation. At the end of the year, FDB has acquired a wealth of lessons learnt that has guided its next two concept notes. This being the first GCF Project, FDB learnt very quickly that it cannot continue to utilise the Debt as a financial instrument. Its experience and expertise in portfolio risk management quickly kicked to explore other financial instruments that were employed in the design of the two new concept notes.

By the end of the year, given the national importance of the APV project, FDB was determined to work with all key stakeholders, so the project is implemented in the next financial year.

Accreditation

One other achievement for the Bank was its completion of its mid-term accreditation review. This being an intensive exercise, the Bank took at whole of Bank approach to carry out the exercise that is expected to be passed by the GCF Board in the next financial year.

In terms of the accreditation conditions, the last condition can only be met when FDB implements a project that utilises guarantees and equity financial instrument. At this point, FDB's next two concepts note to the GCF proposes the use of the guarantee financial instrument. However, implementation is dependent on the GCF approving the concept and funding proposal that may happen in the next 5 years' time with an added 5 years for an equity instrument project. Discussions continuing with the GCF on this matter. On the other hand, FDB began preparatory work on its application for reaccreditation in consultation with the NDA. A readiness grant from the GCF is expected to be facilitated through the NDA to support FDB's reaccreditation.

Gender Responsive Banking

The FDB ended the year by running its Gender Responsive Banking workshop. The primary objective of the training was to increase FDB staff understanding of Gender Equity & Social Inclusion (GESI) concepts and principles and how they apply to FDB as an organisation. It also aimed to increase staff awareness of the Bank's current GESI Policy and Action Plan and provide an opportunity to review and update the action plan based on changes in its operating environment. The workshop included a panel session comprising of panellists from the Reserve Bank of Fiji on the topic of 'Financial Inclusion & Gender'; Fiji Ministry of Economy, on the topic of 'Gender Responsive Budgeting; NGO – Women in Fisheries; Ministry of Agriculture on, 'Policy for Gender in Agriculture' and UNCDF on Gender Mainstreaming in the PICCAP project.

One of the exciting outcomes of this workshop was the Bank making a commitment to increasing its GESI footprint by adopting a GESI whole of Bank approach. In the next financial year, the focus will be conducting a bank wide GESI audit to establish what we are doing well, identify the gaps and how to manage the gaps. In doing so, the Bank hopes to shift mindsets and work with development partners that enhances the work it is currently doing in delivering sustainable development.

As a development finance institution FDB will continue to bring out sustainable development through its operation as well as the services it provides. GESI, climate finance, eco finance are all indicative of the FDB's commitment to realising its mandate as well ensuring there are resources for our current and future customers.

Community and Environment

FDB's General Manager Talent Organizational Development, Mr. Semisi Biumaiwai hands over the award to USP Gold medalist awardee.

FDB CEO, Mr. Saud Minam and Manager Relationship and Sales- Suva Branch, Ms. Titilia Vakaoca with "Entrepreneur Award' Winner for the Prime Ministers Youth Awards.

FDB CEO hands over donations of First AID Kits to Prestige Caregivers team.

Corporate Social Responsibility

The Fiji Development Bank's dedication to corporate social responsibility programs is reflected through sponsorships, donations, and collaborative planned activities with various relevant stakeholders over the year. These programs endeavor to align this aspect to causes that are impactful to the environment, to the different sectors it serves in as well as the communities across Fiji and its mandate.

Award Sponsorships

The Bank had supported key awards throughout the financial year, one being for the USP Gold Medalists Award 2021 for the Most Outstanding Bachelor of Agriculture Graduate and the other being the "Entrepreneur Award" for the Minister's National Youth Awards under the Ministry of Commerce, Tourism. Sponsors for all categories of the USP Gold Medalists award were given great acknowledgment during the event and Professor Pal, the Vice Chancellor of USP at this time had highlighted that the partnership between the private sector and USP has seen greater collaboration with students gaining practical knowledge and research opportunities with the best organizations in the region, Fiji Development Bank being one of the sponsors for the Agriculture Graduate who is anticipated to excel in the field of Agriculture and contribute to the growth in the sector in the years to come.

The Prime Ministers Youth Awards Sponsored Entrepreneur Award was won by Mr. Sarvesh Chetty who is the Managing Director for Filter Supplies Ltd. He took over his family business when he was only 16 years old. As a development Bank, FDB is pleased to have sponsored this award in support of his dedication to developing his business and developing Fiji. The business specializes in filters including heavy industrial machines, trucks, and buses as well as the hire of generators to name a few. It has now grown to export across the Pacific to islands such as Vanuatu, Tonga, Nauru, and Samoa with plans to explore more markets in the future as an expansion plan for his business.

The Bank believes that sponsoring such awards as one of its programs builds the value of the bank to its customers and the people of Fiji. The Bank through its CSR efforts has also realized that customers in their own divisions and sectors that they serve prefer to deal with a familiar Bank that has visible and tangible imprints in improving their communities, through their social responsibility. The Fiji Development Bank has aligned its efforts accordingly and is committed to being more robust and actively involved in CSR programs in the next financial year.

It is of key emphasis to the Bank that its CSR programs are inclusive and supportive towards all sectors, and groups.

FDB Marketing and Business Development Officer, Mr. Kinijoji Bakoso hands over donations for the Lau Provincial Council Awards.

FDB CEO, Mr. Saud Minam and General Manager Finance and Administration, Mr. Saiyad Hussein handing over donation donation to Harland Deaf Ministry Trust Executive.

FDB CEO and Staff participate in the Planting a Tree initiative organized by the Suva City Council.

Additional Sponsorships and Donations

In support of sustainable development and contribution to community development, the Bank had also given donation of First Aid Kits to Prestige Caregivers Pte. Ltd to assist with community health and emergency issues in rural communities. In addition, the Bank also donated to the Lau Provincial Council Awards as well as the Harland Deaf Ministry Trust. Donations were provided to various diverse organisations within the year showing inclusivity and the Bank's dedication towards development in harder-to-reach areas such as the rural and maritime zones as well as within our more vulnerable communities in Fiji.

Furthermore, the Bank has also sponsored the South Pacific Business Development to show its support for women's empowerment and growth in the women in the business sector. It also donated to Leadership Fiji for a mangrove restoration program within which the Bank is pleased to have its very own Ms. Sheik Nisha being a member. Another worthy cause that was supported by the Bank was the WOWs Kids Fiji which had its General Manager Business Risk and Services, Mr. Bimal Sudhakar also participating in the organized 5km run to support. The Bank also sponsored the Founder for the Education of Needy Children (FENC) in Fiji and the Vodafone Festival of the Friendly North respectively.

FDB Supporting Environmental Sustainability Efforts of Fiji

The Social responsibility of the environment has been a focus within its CSR programs. FDB joined the Tree Planting Initiative organized by the Suva Town Council and had conducted its own CSR activity Bank-wide in collaboration with the Ministry Forestry teams in the North, Western and Central Divisions. This saw staff and their families eagerly braving the weather and the terrains through travels to Communities across the 3 divisions to conduct tree planting in support of the 30million trees in 15 years initiative set by the Government through the Ministry of Forestry and to contribute to sustaining the environment for Fiji's current and future generations.

It is of key emphasis to the Bank that its CSR programs are inclusive and supportive towards all sectors, and groups. Through the performance of the Bank's social responsibility programs and activities, it is also hopeful that it has over the years contributed to creating solutions to reduce poverty and contribute to reducing global warming and other relevant aspects. The unifying and organizing of efforts of the Bank with relevant stakeholders is also a step that helps create a deeper impact and better performance.

Customer

Success Story

Singh a shining example of a budding Agripreneur, thanks to FDB

Avitesh Singh isn't one to shy away from a challenge or trying something new. And it is this very trait combined with his hard work and vision that has led him to taste sweet success with his growing Guava orchid located in Nawaicoba, Nadi.

The Nadi man started his career as an Officer in the Republic of Fiji Military Forces before working as an Accountant for three different five-star hotels up until the pandemic adversely affected the tourism industry.

But the global pandemic failed to deter Singh from working on a new project as the 38-year-old set his sights on developing an agribusiness.

With a vision to become a competent agripreneur and expand into the export business, Singh acquired a farm in 2019. He registered his business as Singh's Agricultural Enterprise and set up a Hybrid Green Pearl Guava Farm.

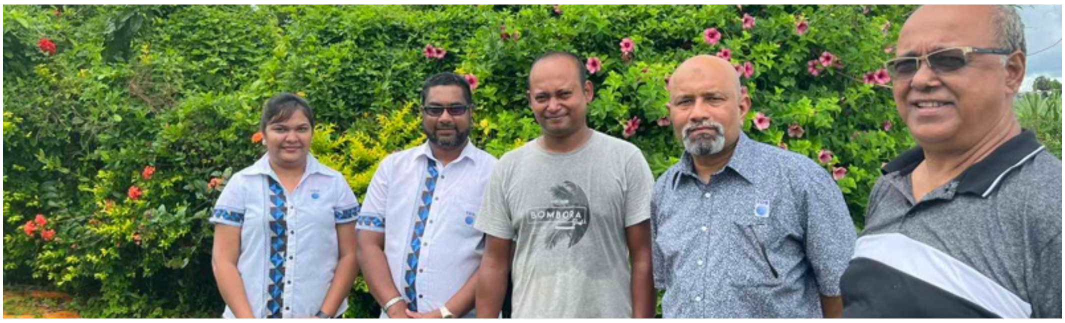
He started the business by purchasing 10 guava plants.

"Hybrid green pearl guava is one of the best fruits with high demand in local and overseas market. Thus, the returns on producing this fruit are worth the investment. These two factors were the major contributors to my decision of starting a guava farm," Singh said.

"I did not know much about growing this fruit so I decided to buy a smaller number of plants and learn about it first. Now I have around 200 green pearl hybrid guava plants."

As Singh's venture expanded, he realized that he needed financial assistance to establish an irrigation system that will help sustain his vision.

Having seen the Fiji Development Bank (FDB) assist small and medium businesses, Singh decided to take his chance.



”

“I enquired about the loan criteria, requirements and repayment options. The best choice for financing was the Fiji Development Bank (FDB). Since then FDB has been my partner in progress, providing me solutions to further expand my business.”

The financial support from FDB assisted Singh to increase his yield and he now supplies guava to major supermarkets and hotels around Nadi.

Given the success, Singh plans to acquire additional land to assist him in further increasing supply and tap into the export market. Furthermore, Singh plans to diversify operations by growing a variety of herbs and vegetables and supplying them to hotels.

Singh’s business has had a multiplier impact in the Nawaicoba community as he has been able to provide part-time employment to villagers.

His success today is a testimony to hard work and a message to individuals to never stop dreaming.

“At first my family was hesitant to support my decision of pursuing agribusiness because I belong to an academic-oriented family whereby my dad is a Retired Principal; brother is in the field of Radiography/Sonography and my wife is a high school teacher.”

“However, their perception towards my dream changed over time and today they are my biggest pillar of strength and I believe that the plants blooming with fruits on my farm are the result of my persistence and the support of my family,” he said with a smile.
While expanding his business, Singh also plans to further upgrade his qualifications, which is a great example to those thinking of pursuing similar ventures.

He completed undergraduate studies at The University of the South Pacific, then attained a Postgraduate Diploma in Business Administration from the University of Fiji. Singh then pursued Postgraduate Diploma in Accounting from Victoria University in Wellington, New Zealand. He is now looking forward to completing the Certified Practising Account (CPA) programme.

FINANCIAL REPORT

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2022

In accordance with the resolution of the Board of Directors, the Directors herewith submit the statements of financial position of the Fiji Development Bank ("the Bank") and of the Group, being the Bank and its subsidiary ("FDB Nominees Pte Ltd") as at 30 June 2022, the related statement of profit and loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date and report as follows.

DIRECTORS

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

Current Directors

Mr. Andre Viljoen	-	Chairperson; appointed on 18/08/2020
Mr. Vadivelu Pillay	-	Reappointed on 23/12/2019
Mr. Inia Rokotuiei Naiyaga	-	Reappointed on 23/12/2019
Mr. Rajesh Patel	-	Reappointed on 23/12/2019
Ms. Maimuna Haniff	-	Appointed on 24/02/2022
Ms. Asilika Rogers	-	Appointed on 29/04/2022
Mr. Romit Parshottam Meghji	-	Term ended on 02/04/2022

PRINCIPAL ACTIVITIES

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

RESULTS

The consolidated profit for the year ended 30 June 2022 was $1,789,581 (2021: $1,002,967) after providing an income tax expense of $1,242 (2021: $1,638). The profit for the Bank for the year was $1,784,611 (2021: $996,416).

DIVIDENDS

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

GOING CONCERN

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

BAD AND DOUBTFUL DEBTS

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

As at the date of this report, the Directors are not aware of any circumstances, which would render the amount written off for bad debts, or the allowance for doubtful debts in the Bank and the Group inadequate to any substantial extent.

UNUSUAL TRANSACTIONS

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

NON-CURRENT ASSETS

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

SIGNIFICANT EVENTS

The extensive spread of the COVID-19 pandemic impacted businesses in Fiji and around the globe. Governments adopted various measures to mitigate and contain further spread of the virus, including a push for herd immunity. International travel restrictions impacted many businesses around the country and as such the Bank offered repayment moratoriums to a number of its customers since March 2020 on a case-by-case basis. These moratoriums continued into the 2022 financial year to assist customers to sustain operations.

The Bank continues to be responsive to its customers and provides relief assistance to those impacted by the Pandemic. Following the announcement of the COVID-19 Recovery Credit Guarantee Scheme through the 2021-2022 National Budget, the Bank has started disbursement in August 2021 under this facility. The scheme is being offered through the Reserve Bank of Fiji (RBF) as an extension of the Disaster Rehabilitation and Containment Facility (DRCF) providing funding of $200 million at a rate of 0.25% to the Bank as well as commercial Banks and other licensed credit institutions. The funding is on-lent to customers at an interest rate of 3.99% for any loan purpose. The amount approved is based on Banks normal credit assessment and loan amount is strictly determined by the turnover of the micro, small and medium enterprises (MSME's) and the large businesses.

EVENTS SUBSEQUENT TO BALANCE DATE

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

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2022

OTHER CIRCUMSTANCES

As at the date of this report:

(i) no charge on the assets of the Bank and the Group have been given since the end of the financial year to secure liabilities of any other person;

(ii) no contingent liabilities have arisen since the end of the financial year for which the Bank and the Group could become liable; and

(iii) no contingent liabilities or other liabilities of the Bank and the Group have become or is likely to become enforceable within twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank and the Group to meet its obligations as and when they fall due.

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

DIRECTORS' BENEFITS

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors this 24th day of October 2022.

Director

Director

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
DIRECTORS DECLARATION
FOR THE YEAR ENDED 30 JUNE 2022

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

(i) the accompanying statement of comprehensive income are drawn up so as to give a true and fair view of the results of the Bank and the Group for the year ended 30 June 2022;

(ii) the accompanying statement of changes in equity are drawn up so as to give a true and fair view of the changes in equity of the Bank and the Group for the year ended 30 June 2022;

(iii) the accompanying statement of financial position are drawn up so as to give a true and fair view of the state of affairs of the Bank and the Group as at 30 June 2022;

(iv) the accompanying statement of cash flows are drawn up so as to give a true and fair view of the cash flows of the Bank and the Group for the year ended 30 June 2022;

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

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

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors this 24th day of October 2022.

Director

Director

OFFICE OF THE AUDITOR GENERAL

Promoting Public Sector Accountability and Sustainability through our Audits

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INDEPENDENT AUDITOR'S REPORT

Fiji Development Bank and its Subsidiary Company

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of Fiji Development Bank ("the Bank") including its subsidiary company (collectively "the Group"), which comprise the Statement of Financial Position as at 30 June 2022, the Statement of Profit and Loss and Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and the Directors' Report.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank and the Group as at 30 June 2022 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other information

The Management and Directors are responsible for the other information. The other information comprises the Annual report but does not include the financial statements and the auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based upon the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report the fact. I have nothing to report in this regard.

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

The Management and Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as the Directors and management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements (con't)

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

Sairusi Dukuno
ACTING AUDITOR-GENERAL

Suva, Fiji
01 November 2022

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Notes	CONSOLIDATED		THE BANK	
		2022	2021	2022	2021
		$	$	$	$
Assets					
Cash and cash equivalents	9	104,062,121	75,401,110	104,032,228	75,388,153
Debt financial assets at amortised cost	10	239,892	2,250,982	-	2,000,000
Loans and advances	11	488,775,145	494,615,163	488,775,145	494,615,163
Other receivables	12	2,740,393	4,555,680	2,739,960	4,554,041
Investment in subsidiary	13	-	-	20,000	20,000
Investments	14	15,001	15,001	15,001	15,001
Right of use assets	18	1,572,691	1,520,581	1,572,691	1,520,581
Property and equipment	16	28,529,530	28,856,367	28,529,530	28,856,367
Computer Software -Intangibles	17	297,465	325,940	297,465	325,940
TOTAL ASSETS		626,232,238	607,540,824	625,982,020	607,295,246
Liabilities					
Accounts payable and accruals	19	4,515,396	4,838,304	4,512,962	4,835,540
Lease Liability	18	1,626,421	1,555,174	1,626,421	1,555,174
Debt securities issued	20	434,200,460	416,566,466	434,200,460	416,566,466
Other liabilities	21	6,342,414	6,170,848	6,342,414	6,170,848
Employee entitlements	22	587,321	722,355	587,321	722,355
Deferred income		2,596,993	3,114,025	2,596,993	3,114,025
TOTAL LIABILITIES		449,869,005	432,967,172	449,866,571	432,964,408
Equity					
Capital	23	56,050,636	56,050,636	56,050,636	56,050,636
Reserves		25,192,968	25,192,968	25,192,968	25,192,968
Accumulated profits		95,119,629	93,330,048	94,871,845	93,087,234
TOTAL CAPITAL AND RESERVES		176,363,233	174,573,652	176,115,449	174,330,838
TOTAL LIABILITIES AND EQUITY		626,232,238	607,540,824	625,982,020	607,295,246

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors this 24th day of October 2022.

Director

Director

The statements of financial position are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 67 to 96.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	CONSOLIDATED		THE BANK	
		2022	2021	**2022**	2021
		$	$	**$**	$
INCOME					
Interest income	3	40,098,402	43,453,652	40,090,045	43,443,510
Interest expense	6	(10,806,599)	(14,637,539)	(10,806,599)	(14,637,539)
Net interest income		29,291,803	28,816,113	29,283,446	28,805,971
Fee income	4	3,639,161	3,994,200	3,639,161	3,994,200
Other income	5	3,669,535	4,981,461	3,669,535	4,981,461
OPERATING INCOME		36,600,499	37,791,774	36,592,142	37,781,632
OPERATING EXPENSES	7	(13,711,366)	(12,818,117)	(13,709,221)	(12,816,164)
OPERATING PROFIT BEFORE ALLOWANCES		22,889,133	24,973,657	22,882,921	24,965,468
					(18,312,871)
Allowance for Expected Credit Loss	11	(21,358,031)	(18,312,871)	(21,358,031)	(5,656,181)
Allowance for Interest and Fees	8	259,721	(5,656,181)	259,721	
PROFIT BEFORE TAX		1,790,823	1,004,605	1,784,611	996,416
Tax expense	1(r)	(1,242)	(1,638)	-	-
PROFIT FOR THE YEAR		1,789,581	1,002,967	1,784,611	996,416

The statements of profit and loss and comprehensive income are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 67 to 96.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

				CONSOLIDATED		
	Notes	Capital	General reserve	Revaluation reserve	Accumulated profits	Total
		$	$	$	$	$
Balance at 30 June 2020	23	56,050,636	8,064,000	17,128,968	92,327,081	173,570,685
Net profit for the 2021 year		-	-	-	1,002,967	1,002,967
Balance at 30 June 2021		56,050,636	8,064,000	17,128,968	93,330,048	174,573,652
Total other comprehensive income		-	-	-	-	-
Net profit for the 2022 year		-	-	-	1,789,581	1,789,581
Balance at 30 June 2022		56,050,636	8,064,000	17,128,968	95,119,629	176,363,233

				THE BANK		
		Capital	General reserve	Revaluation reserve	Accumulated profits	Total
		$	$	$	$	$
Balance at 30 June 2020	23	56,050,636	8,064,000	17,128,968	92,090,818	173,334,422
Net profit for the 2021 year		-	-	-	996,416	996,416
Balance at 30 June 2021		56,050,636	8,064,000	17,128,968	93,087,234	174,330,838
Total other comprehensive income		-	-	-	-	-
Net profit for the 2022 year		-	-	-	1,784,611	1,784,611
Balance at 30 June 2022		56,050,636	8,064,000	17,128,968	94,871,845	176,115,449

The statements of changes in equity are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 67 to 96.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARY COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

		CONSOLIDATED		THE BANK	
		2022	2021	2022	2021
		$	$	$	$
		Inflows	Inflows	Inflows	Inflows
	Notes	(Outflows)	(Outflows)	(Outflows)	(Outflows)
OPERATING ACTIVITIES					
Interest and subsidy received		38,788,115	42,527,623	38,788,115	42,527,623
Interest and other costs of borrowing paid		(11,350,765)	(14,659,111)	(11,350,765)	(14,659,111)
Net additional loans and advances provided		(8,931,354)	(85,599,493)	(8,931,354)	(85,599,493)
Fees received		655,260	710,282	655,260	710,282
Cash paid to suppliers and employees		(9,767,687)	(8,369,182)	(9,784,623)	(8,374,193)
Other receipts		1,716,774	6,000,482	1,716,774	6,000,482
Interest received on leases		85,095	77,399	85,095	77,399
Net additional loans in Small and Micro Grant Portfolio		-	17,030	-	17,030
Net cash provided by/(used in) Operating Activities		11,195,438	(59,294,970)	11,178,502	(59,299,981)
INVESTING ACTIVITIES					
Proceeds from the sale of property, plant and equipment		138,680	14,804	138,680	14,804
Payments for property, plant and equipment, intangibles		(778,479)	(822,066)	(778,479)	(822,066)
Net cash used in investing activities		(639,799)	(807,262)	(639,799)	(807,262)
FINANCING ACTIVITIES					
Net increase in long-term borrowings		18,135,897	29,084,061	18,135,897	29,084,061
Net (decrease)/increase in short-term borrowings		(501,902)	42,427,131	(501,902)	42,427,131
Payment for lease liability		471,377	518,524	471,377	518,524
Net cash (used in)/provided by Financing Activities		18,105,372	72,029,716	18,105,372	72,029,716
Net increase in cash and cash equivalent		28,661,011	11,927,484	28,644,075	11,922,473
Cash and cash equivalents at the beginning of the financial year		75,401,110	63,473,626	75,388,153	63,465,680
Cash and cash equivalents at the end of the financial year	9	104,062,121	75,401,110	104,032,228	75,388,153

The statements of cash flows are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 67 to 96.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Fiji Development Bank ("FDB or the Bank") is a fully owned Government of Fiji ("Government") entity domiciled in Fiji Islands. The address of the registered office is 360 Victoria Parade, Suva, Fiji. The financial statements of the Bank and the Group for the year ended 30 June 2022 comprise the Bank and its subsidiary company (collectively "the Group"). The Bank and the Group is primarily involved in the provision of finance, financial and advisory services to assist in the development of agriculture, commerce and industry in Fiji.

The financial statements were authorised for issue by the Board of Directors on 26th day of September 2022.

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

(a) Statement of compliance

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

(b) Basis of preparation

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

(c) Changes in accounting policies

The Bank and the Group has consistently applied the accounting policies to all periods presented in these financial statements.

(d) New standards and interpretations not yet adopted

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

Standard	Summary of requirements	Effective Date
IFRS 17 (Insurance Contracts)	In May 2017, the IASB issued IFRS insurance Contacts (IFRS 17), a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4). This standard is not applicable to the Bank.	Annual periods beginning on or after 1 January 2023
Definition of a Business (Amendments to IFRS 3)	In October 2018, the IAS issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Bank will not be affected by these amendments on the date of transition.	Annual periods beginning on or after 1 January 2023
Definition of Material (Amendments to IAS 1 and IAS8)	In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information in material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial statements, which provide financial information about a specific reporting entity. The amendments to the definition of material is not expected to have a significant impact on the Bank's consolidated financial statements.	Annual periods beginning on or after 1 January 2023

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Use of estimates and judgements

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

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

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

- Note 1(l) and Note 11 – Impairment of Loans and advances
- Note 1(j) – Valuation of land and buildings
- Note 1(h) and Note 18 - Leases

(f) Principles of consolidation

Subsidiary

The consolidated financial statements of the Group include the financial statements of the Bank and the Group and its wholly owned subsidiary as disclosed in Note 13. Control exists when Bank and the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that controls ceases.

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

Transactions eliminated on consolidation

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

(g) Revenue recognition

Under IFRS 15, revenue is recognised with reference to the satisfaction of performance obligation either at a point in time (when) or over time (as). Despite the level of costs incurred, revenue will only be recognised once performance obligation fulfilment can be assessed.

Interest income

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

Government interest subsidies

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

Rental Income

The Bank has given temporary rent waiver of $3,074.95 to some of its tenant. The Bank has applied IFRS 16 in terms of lessor accounting for the treatment of a voluntary forgiveness of lease payment.

The net income recognition is as per paragraph 81 of IFRS 16 has been implemented whereby the effect of a rent concession has been spread within the financial year.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Revenue recognition (continued)

Fees and charges

Lending fees

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

Other fees and charges

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

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

(h) IFRS 16 Leases

Leases

Under IFRS 16, the Bank and the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 18. The Bank and the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 July 2019.

(i) Lessee

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

(ii) Lessor

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

(i) Debt securities issued

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

(j) Property and equipment

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

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

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Property and equipment (continued)

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

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

Depreciation

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

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

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

(k) Intangible assets

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

(l) Financial assets and liabilities

i.) Recognition and initial measurement

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

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

ii.) Classification and subsequent measurement

A financial asset is classified as measured at: amortised cost; FVOCI or FVTPL.

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

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial assets and liabilities (continued)

ii.) Classification and subsequent measurement (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and,
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

Business model assessment

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

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

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

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank and the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Bank and the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and,
- terms that limit Bank and the Group claim to cash flows from specified assets (e.g. nonrecourse features).

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial assets and liabilities (continued)

iii.) Derecognition

Financial assets

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

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

Financial liabilities

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

Modifications of financial assets

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

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

Offsetting

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

vi) Impairment of assets

The Bank and the Group recognises loss allowances for ECLs on:
- financial assets measured at amortised cost.

The Bank and the Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:
- debt securities that are determined to have low credit risk at the reporting date; and,
- other debt securities and Bank and the Group balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial assets and liabilities (continued)

vi) Impairment of assets (continued)

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

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

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

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

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

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

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

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

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Bank and the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank and the Group's procedures for recovery of amounts due.

Bad debts are written off against the allowance in the year in which the debt is recognised as being irrecoverable. Where not previously included in the allowance, bad debts are written off directly to profit or loss. Debts previously written off and subsequently recovered are credited to profit or loss in the year in which they are recovered.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial assets and liabilities (continued)

vi.) Impairment of assets (continued)

Individually assessed allowances

Individually assessed allowance is maintained to cover identified impairment. The individually assessed allowance requirement (representing new and increased individually assessed allowances less individually assessed releases) is recorded in profit or loss. Individually assessed allowances are made against individually significant financial assets and groups of financial assets with similar credit risk characteristics for those that are not individually significant. The determination of the amount of specific allowance is based on many factors including credit evaluation of the borrowers, value of security and collateral held, current economic conditions and past experience.

Recoveries, representing excess transfers to the Individually assessed allowance (specific provision), are credited to the profit or loss.

(m) Investments

Investments are those securities that the Group has purchased with positive intent and ability to hold until maturity. These securities are initially recorded at fair value and subsequently adjusted for amortisation of premium or discounts. Premiums and discounts are capitalised and amortised using the effective interest method from date of purchase to maturity. Interest income is recognized using the effective interest method. Borrowing costs are recognised as expenses in the period in which they are incurred.

(n) Land held for resale

The cane estate and other land held for subdivision and resale are carried at the lower of their carrying amount and fair value less cost to sell.

(o) Cash and cash equivalents

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

(p) Other debtors

Other receivables are stated at amortised cost less impairment losses.

(q) Accounts payable and accruals

Accounts payable and accruals are stated at amortised cost.

(r) Taxation

The Bank has made no provision for taxation, as it is not subject to income tax in accordance with the Income Tax Act; 2016. However, the Bank's subsidiary FDB Nominees Pte Ltd adopts the principles of tax effect accounting and thus is the basis of recognition of tax expense in consolidated financial statements of the Group.

(s) Employee entitlements

Annual leave

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

Long service leave

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

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Employee entitlements (continued)

Gratuity

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

Triennial leave

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

Number of employees
The number of employees as at 30 June 2022 was 180 (2021: 187).

(t) Contingent liabilities and credit commitments

The Bank and the Group is involved in a range of transactions that give rise to contingent and / or future liabilities. The Bank and the Group discloses a contingent liability when it has a possible obligation arising from past events that will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Bank and the Group control. A contingent liability is disclosed when a present obligation is not recognised because it is not probable that an outflow of resources will be required to settle an obligation, or the amount of the obligation cannot be measured with sufficient reliability.

The Bank and the Group issues commitments to extend credit, letters of credit, guarantees and other credit facilities. These financial instruments attract fees in line with market prices for similar arrangements. They are not sold or traded. The items generally do not involve cash payments other than in the event of default. The fee pricing is set as part of the broader customer credit process and reflects the probability of default. They are recorded as contingent liabilities at their face value. Information on the face value and credit equivalents of commitments and contingent liabilities is shown in note 24.

(u) Deferred income

Deferred income represents establishment fees charged and is deferred and amortised using the effective interest rates over the term of the loan.

(v) Deposits and other borrowings

Deposits and other borrowings include certificates of deposits, interest bearing deposits and other related interest-bearing financial instruments. They are measured at amortised cost. The interest expense is recognised using the effective interest method.

(w) Debt financial asset at amortised cost

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

(x) Other receivables

Other receivables include interest receivable investments, interest subsidy receivable, deposits, prepayments and receivable from the subsidiary the Bank and the Group. In the consolidation process, receivables from the subsidiary the Bank and the Group in the Bank's book of accounts are eliminated against corresponding payables recorded in the subsidiary the Bank's general ledger.

2. FAIR VALUE ESTIMATION

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank and the Group has access at that date.

When available, the Bank and the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The Bank and the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of relevant observable inputs and maximising the use of unobservable inputs. The different levels have been defined as follows:

- Level 1 fair value measurement are those instruments valued based on quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 fair value measurements are those instruments valued based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those instruments valued based on inputs for the asset or liability that are not based on observable market data (unobservable) inputs.

The following table analyses financial instruments measured at fair value at the reporting date by level in the fair value hierarchy into which the fair value measurement is categorised. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

2022	**Carrying amount**			**Fair value**			
	Debt financial asset at amortised cost	**Other financial**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Liabilities	$	$	$	$	$	$	$
Bonds		119,100,000	119,100,000	-	124,941,856	-	124,941,856
		119,100,000	119,100,000	-	124,941,856	-	124,941,856
2021						-	
Assets							
Debt financial asset at	2,000,000	-	2,000,000	-	2,187,814	-	2,187,814
amortised	2,000,000	-	2,000,000	-	2,187,814		2,187,814
Liabilities							
Bonds		167,700,000	167,700,000	-	175,295,327	-	175,295,327
		167,700,000	167,700,000	-	175,295,327	-	175,295,327

	CONSOLIDATED		THE BANK	
	2022	2021	2022	2021
	$	$	$	$

3 INTEREST INCOME

	CONSOLIDATED 2022 $	CONSOLIDATED 2021 $	THE BANK 2022 $	THE BANK 2021 $
Interest Income (non – subsidised)	36,455,184	39,152,344	36,446,827	39,142,202
Interest subsidies – (received / receivable from the Government for:				
- Agricultural loans	1,775,937	2,207,864	1,775,937	2,207,864
- Commercial Loans to Fijians scheme	16,408	31,482	16,408	31,482
- Small Business Scheme	386,837	513,659	386,837	513,659
- Northern Rehabilitation Package	1,464,036	1,548,303	1,464,036	1,548,303
	3,643,218	4,301,308	3,643,218	4,301,308
	40,098,402	43,453,652	40,090,045	43,443,510

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

4 FEE INCOME

	CONSOLIDATED 2022 $	CONSOLIDATED 2021 $	THE BANK 2022 $	THE BANK 2021 $
Application fees	78,855	99,145	78,855	99,145
Establishment fees	866,485	778,401	866,485	778,401
Commitment fees	124,107	174,203	124,107	174,203
Bank Service fees	1,875,754	2,207,894	1,875,754	2,207,894
Arrears fees	117,555	123,420	117,555	123,420
Legal fees	573,905	608,726	573,905	608,726
Other fee income	2,500	2,411	2,500	2,411
	3,639,161	3,994,200	3,639,161	3,994,200

5 OTHER INCOME

The following items are included in other income:

	CONSOLIDATED 2022 $	CONSOLIDATED 2021 $	THE BANK 2022 $	THE BANK 2021 $
Gain on sale of property, plant and equipment	138,680	14,804	138,680	14,804
Bad debts recovered	1,188,901	2,371,457	1,188,901	2,371,457
Insurance commission	132,759	178,435	132,759	178,435
Rental income	972,371	962,766	972,371	962,766
Other Income	1,236,824	1,453,999	1,236,824	1,453,999
	3,669,535	4,981,461	3,669,535	4,981,461

	CONSOLIDATED		THE BANK	
	2022	2021	2022	2021
$	$	$	$	

6 INTEREST EXPENSES

Interest paid - Bonds	6,575,272	9,975,481	6,575,272	9,975,481
Interest paid on Call	3,884,123	4,348,849	3,884,123	4,348,849
Interest paid on Promissory Notes	-	571	-	571
Other administrative cost	347,204	312,638	347,204	312,638
	10,806,599	14,637,539	10,806,599	14,637,539

7 OPERATING EXPENSES

Items included in administrative expenses:				
Amortisation of bond discounts	-	4	-	4
Auditors' remuneration	39,996	39,996	39,996	39,996
Directors' fees	95,463	102,353	95,463	102,353
Depreciation and amortisation	1,128,362	1,191,555	1,128,362	1,191,555
Right of Use (ROU) Amortisation	427,105	452,869	427,105	452,869
Employee costs	9,931,606	8,954,204	9,931,606	8,954,204
Finance Cost	85,095	77,399	85,095	77,399
Other Expenses	2,003,739	1,999,737	2,001,594	1,997,784
	13,711,366	12,818,117	13,709,221	12,816,164

8 ALLOWANCE FOR INTEREST AND FEES

Allowance for Interest	10,334,994	7,149,481	10,334,994	7,149,481
Allowance for Fees	444,262	265,468	444,262	265,468
Doubtful Interest and Fees Recovery	(11,038,977)	(1,758,768)	(11,038,977)	(1,758,768)
	(259,721)	5,656,181	(259,721)	5,656,181

9 CASH & CASH EQUIVALENTS

	CONSOLIDATED		THE BANK	
	2022	2021	**2022**	2021
	$	$	**$**	$
Petty cash	1,880	1,980	1,880	1,980
Overdraft facility	-	15,500	-	15,500
Cashier Till Float	1,100		1,100	-
Short Term Deposit	5,492,132	27,571,971	5,492,132	27,571,971
Deposit accounts -Branches	7,018,676	13,301,998	6,988,783	13,289,041
Bank of South Pacific- Call account	11,851,659	3,641,383	11,851,659	3,641,383
Bank of Baroda- Head office	944,635	1,009,431	944,635	1,009,431
HFC Bank- Head office	30,438,080	10,667,228	30,438,080	10,667,228
Bred Bank- Head office	46,579,480	17,992,193	46,579,480	17,992,193
Westpac Bank- Head office	1,734,479	1,199,426	1,734,479	1,199,426
	104,062,121	75,401,110	104,032,228	75,388,153

Deposit accounts are maintained for the Bank and the Group's daily transactions with its clients and the accounts earn interest at floating rates based on daily rates. The Bank provided float to all its Branches to manage its day-to-day operation. Short Term Deposit is at interest of 1.00%.

10 DEBT FINANCIAL ASSETS AT AMORTISED COST

	CONSOLIDATED		THE BANK	
	2022	2021	**2022**	2021
	$	$	**$**	$
Investment In bonds	239,892	2,250,982	-	2,000,000

Investment in bonds of $2,000,000 with the Reserve Bank of Fiji at 12.31%, matured in April 2022. There are five term deposits aggregating $239,892 (2021: $250,982) held by FDB Nominees Pte Limited in Home Finance Corporation at 1.75% for a term of 12 months, and two term deposits at 4.00% at a term of 12 months at Kontiki Finance Limited.

11 LOANS AND ADVANCES

	CONSOLIDATED		THE BANK	
	2022	2021	2022	2021
	$	$	$	$
Loans and advances	629,040,262	618,807,415	629,040,262	618,807,415
Allowance for interest and fees suspended	(26,217,456)	(27,428,847)	(26,217,456)	(27,428,847)
	602,822,806	591,378,568	602,822,806	591,378,568
Allowance for Expected Credit Loss	(114,047,661)	(96,763,405)	(114,047,661)	(96,763,405)
Net loans and advances	488,775,145	494,615,163	488,775,145	494,615,163

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

The Bank's split for gross loans and advances to customers is represented as follows:

Current	34,849,138	39,218,783	34,849,138	39,218,783
Non-current	594,191,124	579,588,632	594,191,124	579,588,632
Total	629,040,262	618,807,415	629,040,262	618,807,415

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

Balance at the beginning of the year	96,763,405	80,166,029	96,763,405	80,166,029
Charge to the profit or loss	21,358,031	18,312,871	21,358,031	18,312,871
	118,121,436	98,478,900	118,121,436	98,478,900
Bad debts written off against impairment allowances	(4,073,775)	(1,715,495)	(4,073,775)	(1,715,495)
Total allowance for credit impairment as per ECL (Expected Credit Loss) model	114,047,661	96,763,405	114,047,661	96,763,405

12 OTHER RECEIVABLES

	CONSOLIDATED		THE BANK	
	2022 $	2021 $	2022 $	2021 $
Government guarantees and grants	5,499,216	5,499,216	5,499,216	5,499,216
Impairement loss - government guarantee and grants	(5,499,216)	(5,499,216)	(5,499,216)	(5,499,216)
Government interest subsidies	1,992,643	3,294,573	1,992,643	3,294,573
Others	747,750	1,261,107	747,317	1,259,468
	2,740,393	4,555,680	2,739,960	4,554,041
Impairment loss is represented as follows:				
Total impairment at the beginning of the year	5,499,216	5,499,216	5,499,216	5,499,216
Charge to profit or loss	-	-	-	-
Total impairment at the end of the year	5,499,216	5,499,216	5,499,216	5,499,216

13 INVESTMENT IN SUBSIDIARY

FDB Nominees Ltd	-	-	20,000	20,000

The Bank has 100% beneficial interest in the ordinary share capital of the subsidiary company which is incorporated in Fiji.

14 INVESTMENTS

Shares in companies - at cost Impairment	3,334,291	3,334,291	3,334,291	3,334,291
	(3,319,290)	(3,319,290)	(3,319,290)	(3,319,290)
	15,001	15,001	15,001	15,001

Equity securities are valued in accordance with Note(1)(l)(ii) of the financial statement

Shares in subsidiary company				
FDB Nominees Limited	-	-	20,000	20,000
Shares in other companies				
South Pacific Stock Exchange	15,000	15,000	15,000	15,000
Adfip Trustees	1	1	1	1
Total Investments	15,001	15,001	35,001	35,001

Equity securities designated as at FVOCI

The Bank designated the investments shown above as equity securities as at FVOCI because these equity securities represent investments that the Bank intends to hold for the long term for strategic purposes.

15 LAND HELD FOR RESALE

	CONSOLIDATED		THE BANK	
	2022	2021	**2022**	2021
Nasarawaqa Estate	**$**	$	**$**	$
Cost at beginning of the year	99,426	99,426	99,426	99,426
Impairment at the beginning of the year	(99,426)	(99,426)	(99,426)	(99,426)
	-	-	-	-

16 PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED AND THE BANK

	Leasehold Land and Buildings	Plant and Equipment	Fixtures and Fittings	Work in Progress	Total
	$	$	$	$	$
Cost or valuation					
BBalance at 1 July 2020	28,045,519	7,657,603	109,445	354,474	36,167,041
Acquisitions during the year	-	44,709	-	749,213	793,922
Transfer in /(out)	-	36,370	-	(36,370)	-
Disposals	(220,000)	(330,416)	(1,790)	-	(552,206)
Balance at 1 July 2021	**27,825,519**	**7,408,266**	**107,655**	**1,067,317**	**36,408,757**
Acquisitions during the year	204,994	249,652	19,738	303,408	777,792
Disposal	-	(299,495)	(9,191)	-	(308,686)
Transfer In/(out)	549,872	8,879	-	(558,751)	-
Balance at 30 June 2022	**28,580,385**	**7,367,302**	**118,202**	**811,974**	**36,877,863**
Accumulated Depreciation					
Balance at 1 July 2020	977,640	5,648,103	97,995	-	6,723,738
Depreciation charge for the year	576,999	574,984	1,400	-	1,153,383
Disposal	(6,817)	(316,124)	(1,790)	-	(324,731)
Balance at 1 July 2021	1,547,822	5,906,963	97,605	-	7,552,390
Depreciation charge for the year	577,942	523,369	1,940	-	1,103,251
Disposal	-	(298,117)	(9,191)	-	(307,308)
Balance at 30 June 2022	2,125,764	6,132,215	90,354	-	8,348,333
Carrying amount					
Balance at 30 June 2021	**26,277,697**	**1,501,303**	**10,050**	**1,067,317**	**28,856,367**
Balance at 30 June 2022	**26,454,621**	**1,235,087**	**27,848**	**811,974**	**28,529,530**

The Directors have adopted a policy of obtaining regular independent valuations for all of the Bank's properties on an existing use basis of valuation. The land and buildings were re-valued by Professional Valuations Ltd and these valuations were adopted by the Bank within the financial year 2019. The Bank will undertake its next valuation in the next financial year to assess the impact on its land and building due to COVID-19.

17 COMPUTER SOFTWARE - INTANGIBLES

	CONSOLIDATED		THE BANK	
	2022	2021	2022	2021
	$	$	$	$
Balance at the beginning of the year	720,162	692,018	720,162	692,018
Disposal	(61,823)	-	(61,823)	-
Work in Progress	687	28,144	687	28,144
Balance at the end of the year	659,026	720,162	659,026	720,162
Accumulated Amortisation				
Balance at the beginning of the year	394,222	356,050	394,222	356,050
Disposal	(57,772)	-	(57,772)	-
Amortisation charge for the year	25,111	38,172	25,111	38,172
Balance at the end of the year	361,561	394,222	361,561	394,222
Carrying amount				
Balance at the beginning of the year	325,940	335,968	325,940	335,968
Balance at the end of the year	297,465	325,940	297,465	325,940

18 LEASE

Leases as Lessee

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

	Land and Building	IT Equipment and Other Leases	Total
	$	$	$
As at 1 July 2021	798,547	722,034	1,520,581
Additions	-	542,624	542,624
Amortisation Expenses	(17,630)	(472,884)	(490,514)
As at 30 June 2022	**780,917**	**791,774**	**1,572,691**

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

As at 1 July 2021	1,555,174
Addition	542,624
Accretion of interest	85,095
Payments	(556,472)
As at 30 June 2022	**1,626,421**

18 LEASE (continued)

	CONSOLIDATED		THE BANK	
	2022	2021	**2022**	2021
	$	$	**$**	$
Lease liabilities included in the statement of financial position are as follows:				
Current	759,489	340,423	759,489	340,423
Non-Current	866,932	1,214,751	866,932	1,214,751
	1,626,421	1,555,174	1,626,421	1,555,174

The Bank and the Group had total cash outflows for leases of $471,377

Lease Liabilities				
Not Later than one year	482,386	408,487	482,386	408,487
Between one and five years	666,838	651,891	666,838	651,891
More than 5 years	2,040,824	2,084,791	2,040,824	2,084,791
	3,190,048	3,145,169	3,190,048	3,145,169

19 ACCOUNTS PAYABLE AND ACCRUALS

Interest accruals	2,860,836	3,405,002	2,860,836	3,405,002
Others	1,654,560	1,433,302	1,652,126	1,430,538
	4,515,396	4,838,304	4,512,962	4,835,540

20 DEBT SECURITIES ISSUED

Short term borrowings				
Term deposits	53,542,919	70,060,249	53,542,919	70,060,249
RBF Export Facility	25,689,108	9,717,406	25,689,108	9,717,406
FDB Registered bonds - face value	43,100,000	62,600,000	43,100,000	62,600,000
Total Short-term borrowings	122,332,027	142,377,655	122,332,027	142,377,655
Non-current - Bonds				
Term deposits	36,445,731	20,430,303	36,445,731	20,430,303
RBF Export Facility	199,422,702	148,655,329	199,422,702	148,655,329
FDB Registered bonds - face value	76,000,000	105,100,000	76,000,000	105,100,000
Bond Discount	-	3,179	-	3,179
Long term borrowings	311,868,433	274,188,811	311,868,433	274,188,811
Total borrowings	434,200,460	416,566,466	434,200,460	416,566,466

The short-term borrowings have a repayment term of less than 1 year and have been guaranteed by the Government of Fiji. The interest rate for the short-term borrowing ranges from 1.55% to 4.60% in (2021: 2.00% to 5.00%). The borrowings under RBF Import Substitution Export Finance Facility have term of 6 months to 5 years. The FDB registered bonds have a repayment term varying between 1 to 7 years and have been guaranteed by Government of Fiji.

21 OTHER LIABILITIES

	CONSOLIDATED		THE BANK	
	2021	2020	**2021**	2020
Current	**$**	$	**$**	$
Seed Capital Fund	2,336,091	2,309,709	2,336,091	2,309,709
Staff Savings account	2,800,409	2,419,172	2,800,409	2,419,172
Export Facility	1,077,228	1,133,281	1,077,228	1,133,281
Tractors and Farm Implements	-	180,000	-	180,000
Farmers Assistance Scheme	128,686	128,686	128,686	128,686
	6,342,414	6,170,848	6,342,414	6,170,848

Seed Capital Fund is a revolving fund from the Government of Fiji for lending to specialised business activities in forestry, fishing and eco-tourism. Principal repayments for the seed capital loans are added back to the initial fund for re-lending. Seed Capital Fund amounts that are not utilised are repayable to the Government. Staff savings are stated at amortised cost and are repayable on demand at an average interest rate of 2.5% per annum.

22 EMPLOYEE ENTITLEMENTS

At 1 July 2021	722,355	887,471	722,355	887,471
Utilised during the year	(626,160)	(623,621)	(626,160)	(623,621)
Arising during the year	491,126	458,505	491,126	458,505
At 30 June 2022	587,321	722,355	587,321	722,355

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

The employee entitlement's is represented as follows:

Current	508,724	662,502	508,724	662,502
Non-current	78,597	59,853	78,597	59,853
Total	587,321	722,355	587,321	722,355

23 CAPITAL

Authorised capital	100,000,000	100,000,000	100,000,000	100,000,000
Contributed capital	56,050,636	56,050,636	56,050,636	56,050,636

The Bank was formed by an Act of Parliament and the contributed capital of $56,050,636 consists of equity contribution from the Government of Fiji.

24 COMMITMENTS AND CONTINGENT LIABILITIES

	THE BANK	
	2022	2021
	$	$
(a) Commitments		
(i) Loans approved but not disbursed	19,127,973	42,676,049
(b) Capital Commitments		
(i) Work In Progress	450,000	-
(c) Contingent liabilities		
(i) Guarantees	-	221,226

25 RELATED PARTY TRANSACTIONS

Government

The related party transactions with Government have been disclosed in the respective notes of the financial statements. This includes notes 1,3,12, 20, 21 and 23.

Directors

The following are Directors of the Bank and the Group during the financial year ended 30 June 2022 and up to the date of this report.

Current directors

Mr. Andre Viljoen - Chairperson; appointed on 18/08/2020
Mr. Vadivelu Pillay- Reappointed on 23/12/2019
Mr. Rajesh Patel- Reappointed on 23/12/2019
Mr. Inia Rokotuiei Naiyaga- Reappointed on 23/12/2019
Ms. Maimuna Haniff - Appointed on 24/02/2022
Ms. Asilika Rogers – Appointed on 29/04/2022
Mr. Romit Parshottam Meghji- Term ended on 02/04/2022

	CONSOLIDATED		THE BANK	
	2022	2021	**2022**	2021
	$	$	**$**	$
Directors' expenses	95,463	102,353	95,463	102,353

Other related party transactions

Loans amounting to Nil (2021: Nil) were advanced to a Company where a Director has a related party interest and are included in "Loans and Advances" (refer note 11).

25 RELATED PARTY TRANSACTIONS (continued)

Key Management Personnel

Details of compensation

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

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

Name	Current title
Saud Minam	Chief Executive Officer
Shaukat Ali	General Manager Relationship & Sales
Bimal Sudhakar	General Manager Business Risk Services
Saiyad Hussain	General Manager Finance and Administration
Semisi Biumaiwai	General Manager Talent & Organisational Development

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

	CONSOLIDATED		THE BANK	
	2022 $	2021 $	2022 $	2021 $
Short-term benefits	938,166	694,980	938,166	694,980

The Key Management Personnel are contracted employees and are entitled to short term benefits only. There is no long-term benefits payable.

Loans amounting to Nil (2021: Nil) to Executives are included in “Loans and Advances” (refer note 11).

26 RISK MANAGEMENT POLICY

Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from loans and advances. The credit risk framework is in place across the organization with the end-objective of ensuring a structured and disciplined approach in pursuing the targets mutually set by the board and management. The framework focuses on corporate mission, policies, procedures, people, skills, values, controls and portfolio balance exposures. It is supported by regular portfolio analysis and detailed underwriting evaluation that identifies risk areas / concentrations, with recommended risk remedies and monitoring procedures in order to avert any probable negative impact of the account and of the portfolio. The authority to make credit decision is layered. The Board credit committee retains the authority to approve loan amounts above a threshold that is set by the board. On the other hand, the management (EXCO) has authority and discretion to delegate defined approving limits to Risk Officers under certain conditions. The delegated credit decision authority, particularly below the threshold level is reviewed from time to time in respect of each Officer’s performance, exercise of delegated authority and changes to the Bank and the Group policy guidelines. Managers are also obliged to meet reporting and review requirements, to monitor credit risk exposure under their control and to report promptly any deteriorating situations that affect the Bank and the Group.

26 RISK MANAGEMENT POLICY (continued)

Credit Risk (continued)

The other component of the Bank and the Group's rating system for customers is a Client Quality Rating (CQR). This rating represents the Bank and the Group's view as to the "financial health" of the business during the past and in future. Furthermore, the Bank and the Group uses Credit Risk Rating (CRR) Systems, which were developed internally and integrates the different qualitative and quantitative variables of a borrower. The grading method takes into focus the history of the borrower, its financial performance, regulatory mandates (e.g. RBF regulations, Basel 2), industry/sectoral outlook, customer's liquidity to meet its contractual obligation and the probable loss in the event of default, a factor of the security value taken to support the facility. The credit risk grading system is robust and consistently applied on all borrowing customers. Any exceptions or variations on the risk grading for specific borrower is brought to EXCO or Board for final approval. The Bank and the Group considers and consolidates all elements of credit risk exposure (such as individual default risk, country risk and sector risk).

Forecasts are made using different statistical methodologies and pricing models in order to determine the relative volatility of the portfolios against market conditions. This includes forms of analysis such durated term of loan assets; interest rate elasticity and gaps, with the end-objective of maintaining a balance structure between the Bank and the Group's assets and liabilities; and a balance between developmental and commercial activities. As part of credit risk management process, portfolios are subjected to systematic stress tests in order to determine the probable loss of values due to changes in interest rates (financial market condition), default ratios and durated term structure. The stress testing also covers asymmetric risk-radicals that are unexpectedly sprouted on the portfolio thereby changing the estimated risk pattern previously established.

CREDIT RISK CONCENTRATION

The Bank lends to various industry sectors. The concentration of credit risk in relation to these industry sectors is set out below:

Industry	2022	2021
	$	$
Agriculture	91,973,011	101,257,563
Building and Construction	72,097,630	72,194,421
Manufacturing	53,776,564	46,425,113
Mining and Quarrying	920,396	709,117
Private Individuals	11,393,188	12,719,892
Professional and Business Services	11,285,060	3,579,212
Real Estate	57,237,505	57,237,505
Transport, Communication and Storage	55,979,184	40,961,605
Wholesale, Retail, Hotels and Restaurants	181,080,664	199,655,990
Others	93,297,060	84,066,997
Total gross loans and advances	629,040,262	618,807,415

26 RISK MANAGEMENT POLICY (continued)

	THE BANK	
	2022	2021
	$	$
IMPAIRED AND PAST-DUE ASSETS		
Non-accrual loans		
Gross	149,071,008	161,983,611
Less: Interest and Fees suspended	(25,629,335)	(27,072,790)
	123,441,673	134,910,821
Less: allowance for expected credit loss	(50,195,774)	(55,443,780)
Net non-accrual loans without allowance for expected credit loss	73,245,899	79,467,041
Restructured loans without allowance for expected credit loss		
Gross	53,401	-
Less: Interest and Fees suspended	(924)	-
Net restructured loans without allowance for expected credit loss	52,477	-
Restructured loans with allowance for expected credit loss		
Gross	-	60,871
Less: Interest and Fees suspended	-	(1,198)
	-	59,673
Less: Allowance for expected credit loss	-	(35,056)
Net restructured loans with allowance for expected credit loss	-	24,617
Other impaired loans		
Gross	3,184,172	932,540
Less: Interest and Fees suspended	36,960	-
	3,147,212	932,540
Less: Allowance for expected credit loss	-	-
Net other classified loans	3,147,212	932,540
Total impaired and past-due loans	76,445,588	80,424,198
Past-due loans but not impaired		
Gross	8,904,384	8,637,401
Less: Interest and Fees suspended	-	-
	8,904,384	8,637,401
Less: Allowance for expected credit loss	2,250	-
Total past-due loans	8,902,134	8,637,401

26 RISK MANAGEMENT POLICY (continued)

Impaired and Past-Due Assets (continued)

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

2022		1-3 months	3-6 months	6-9 months	9-12 months	More than 1 year
Loans & Advance	($)	8,807,494	95,531	1,359	-	-

2021		1-3 months	3-6 months	6-9 months	9-12 months	More than 1 year
Loans & Advance	($)	8,228,755	406,603	-	-	2,043

Default Risk

Default risk is a risk that some loans may not be repaid; implications of asset mix on risk-based capital and asset quality on ability to leverage the Bank and the Group's capital.

Credit risk details relating to the Bank and the Group are set out below:

Amounts arising from ECL Inputs, assumptions and techniques used for estimating impairment.
See accounting policy in Note 1(l).

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank and the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank and the Group's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:
- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure.

The Bank and the Group allocates credit risk grades to each exposure based on certain data that is determined to be predictive of the risk of default and applying experienced credit judgment. A combination of qualitative and quantitative factors are used to assess risk of default. These factors vary depending on the nature of the exposure and the type of borrower. Customer accounts are graded internally and all existing customers are categorised A to F. Further, the individual accounts/customer groups are classified as Standard, Special Mention, Sub Standard, Doubtful and Loss for credit risk management purposes.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data:
- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage and compliance with covenants;
- Payment record – this includes overdue status as well as a range of variables about payment ratios; and
- Existing and forecast changes in business, financial and economic conditions.

Generating the term structure of Probability of Default (PD) Credit risk grades are a primary input into the determination of the term structure of Probability of Default (PD) for exposures. The Bank and the Group collects performance and default information about its credit risk exposures by credit risk grading.

26 RISK MANAGEMENT POLICY (continued)

Significant increase in credit risk (continued)

The Bank and the Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime Probability of Default (PD) of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For all exposures, key macro-economic indicators used is GDP as the main indicator and other indicators such as percentage change in tourism arrival, unemployment rate, based on publications by the trading economics (Bureau of Statistics) and Reserve Bank of Fiji. Determining whether credit risk has increased significantly. The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

Using its expert credit judgment and, where possible, relevant historical experience, the Bank and the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. Renegotiation of loans to customers in financial difficulties is a qualitative indicator of a significant increase in credit risk. As a backstop, the Bank and the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due.

The Bank and the Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:
- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month Probability of Default (PD) (stage 1) and lifetime Probability of Default (PD) (stage 2).

Definition of default

The Bank and the Group considers loans and advances to be in default when:
- the borrower is unlikely to pay its credit obligations to the Bank and the Group in full, without recourse by the Bank and the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Bank and the Group.

In assessing whether a borrower is in default, the Bank and the Group considers indicators that are: qualitative – e.g. breaches of covenant; quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Bank and the Group; and based on data developed internally and obtained from external sources. Inputs into the assessment of whether loans and advances are in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Bank and the Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of Expected Credit Loss (ECL). Based on consideration of a variety of external actual and forecast information, the Bank and the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by Reserve Bank of Fiji. The base case represents a most-likely outcome. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank and the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios. The Bank and the Group has identified and documented key drivers of credit risk and credit losses for each portfolio of loans and advances and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

26 RISK MANAGEMENT POLICY (continued)

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:
- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above. Probability of Default (PD) estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures.

Loss Given Default (LGD) is the magnitude of the likely loss if there is a default. The Bank and the Group estimates Loss Given Default (LGD) parameters based on the history of recovery rates of claims against defaulted counterparties. The Loss Given Default (LGD) model considers the structure, collateral, seniority of the claim and recovery costs of any collateral that is integral to individual loans and advances. Loss Given Default (LGD) estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Exposure at Default (EAD) represents the expected exposure in the event of a default. The Bank and the Group derives the Exposure at Default (EAD) from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The Exposure at Default (EAD) of loans and advances is its gross carrying amount. For lending commitments, the Exposure at Default (EAD) includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. As described above, and subject to using a maximum of a 12-month PD for loans and advances for which credit risk has not significantly increased, the Bank and the Group measures Expected Credit Loss (ECL) considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank and the Group considers a longer period. The maximum contractual period extends to the date at which the Bank and the Group has the right to require repayment of an advance or terminate a loan commitment. Loans and advances are grouped on the basis of shared risk characteristics that include loan purpose and credit risk grading. The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

	2022				
	12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loans and advances to customers	**$**	**$**	**$**	**$**	**$**
Grade-Standard	283,606,486	-	-	-	283,606,486
Grade-Special mention	193,125,196	-	-	-	193,125,196
Grade-Substandard	-	81,277,632	-	-	81,277,632
Grade-Doubtful	-	-	19,125,558	-	19,125,558
Grade-Loss	-	-	-	51,905,390	51,905,390
	476,731,682	**81,277,632**	**19,125,558**	**51,905,390**	**629,040,262**
Loss on Allowance	**(51,072,711)**	**(20,508,138)**	**(10,555,292)**	**(31,911,520)**	**(114,047,661)**
Allowance for Interest and Fees					(26,217,456)
Carrying amount	**425,658,971**	**60,769,494**	**8,570,266**	**19,993,870**	**488,775,145**

26 RISK MANAGEMENT POLICY (continued)

Measurement of ECL (continued)

2021					
	12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loans and advances to customers	**$**	**$**	**$**	**$**	**$**
Grade-Standard	175,182,328	-	-	-	175,182,328
Grade-Special mention	280,648,065	-	-	-	280,648,065
Grade-Substandard	-	77,904,706	-	-	77,904,706
Grade-Doubtful	-	-	29,233,316	-	29,233,316
Grade-Loss	-	-	-	55,839,000	55,839,000
	455,830,393	**77,904,706**	**29,233,316**	**55,839,000**	**618,807,415**
Loss on Allowance	**(20,038,186)**	**(25,831,371)**	**(15,195,964)**	**(35,697,884)**	**(96,763,405)**
Allowance for Interest and Fees					(27,428,847)
Carrying amount	**435,792,207**	**52,073,335**	**14,037,352**	**20,141,116**	**494,615,163**

Liquidity Risk Management

Liquidity risk involves the inability of the Bank and the Group to fund increases in assets, manage unplanned changes in funding sources and to meet obligations when required, without incurring additional costs or inducing a cash flow crisis. The Bank and the Group generates its funding through issuance of bonds, with one to seven years' maturities, term deposits and promissory notes of maturities less than a year. The Bank and the Group's strong and effective liquidity risk management policy and framework ensures that the Bank and the Group has sufficient liquid assets to meet liabilities that fall due in the short term and to meet any unexpected demands for funds by its depositors or creditors. The Bank and the Group's executive committee manages the Bank's liquidity and cost of funds. The Bank and the Group performs a daily cash forecast for the next three months (one quarter) to identify any probable liquidity stress points. In addition to this, the Bank and the Group performs a stress-test on its cost of funds twice a month to measure any probable deviation from its forecasted forward rates and cost benchmarks by:

- quantifying liquidity outflows in all scenarios for each risk driver;
- identifying cash flows to mitigate liquidity shortfalls identified; and
- determine net liquidity position under each scenario.

Since the Bank and the Group does not have trading activities or hedge facilities to cushion unexpected liquidity gaps, it retains a policy of maintaining 10% of its total liability position in liquid assets at all times. Fully aware of maturity mismatched between its assets and liabilities, the Bank and the Group places a heavy emphasizes on collection efficiency of its lending units. The determination of the adequacy of FDB's liquidity position depends upon an analysis of the Bank and the Group's position relative to the following factors:

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

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

26 RISK MANAGEMENT POLICY (continued)

Liquidity Risk Management (continued)

Maturity Analysis

The following analysis of financial liabilities is based on remaining contractual terms to maturity.

2022	At call	1 day to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Specific provision	Total
	$	$	$	$	$	$	$
Assets	(000)	(000)	(000)	(000)	(000)	(000)	(000)
Debt financial assets at amortised cost	-	-	-	-	-	-	-
Loans and advances	6,202	6,374	213,861	182,291	220,312	(50,196)	578,844
Other Receivables	747	1,993	-	-	-	-	2,740
Total	6,949	8,367	213,861	182,291	220,312	(50,196)	581,584
Liabilities							
Other Liabilities	11,154	-	-	-	-	-	11,154
Accounts Payable	4,513	-	-	-	-	-	4,513
Borrowings	-	34,636	87,696	310,868	1,000	-	434,200
Total	15,667	34,636	87,696	310,868	1,000	-	449,867

2021	At call	1 day to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Specific provision	Total
Assets							
Debt financial assets at amortised cost	2,000	61	131	-	-	-	2,192
Loans and advances	9,930	7,110	196,974	219,006	185,787	(56,502)	562,305
Other Receivables	1,259	3,295	-	-	-	-	4,554
Total	13,189	10,466	197,105	219,006	185,787	(56,502)	569,051
Liabilities							
Other Liabilities	11,512	-	-	-	-	-	11,512
Accounts Payables	4,873	-	-	-	-	-	4,873
Borrowings	-	29,457	110,287	275,822	1,000	-	416,566
Total	**16,385**	**29,457**	**110,287**	**275,822**	**1,000**	**-**	**432,951**

26 RISK MANAGEMENT POLICY (continued)

Market Risk

Market risk refers to the uncertainty of future earnings resulting from changes in interest rates, exchange rates, market prices and volatilities. Normally financial institutions assume market risk from consumer and corporate loans, position taking, and trading and investment activities.

The impacts of market risks to the Bank and the Group are on three dimensions, namely:

- Interest rate movement as it impacts the overall weighted cost of funds;
- As it impacts the interest rate margin; and
- As it changes the value of the earning assets; or putting it in another perspective, as it changes the value-at-risk of earning assets.

The strategy for controlling the Bank and the Group's market risk involves:

- Investing surplus funds in other banks and financial institutions;
- Stringent control and limits;
- Timely Review of loan and deposit pricing;
- Regular independent review of all controls and limits; and
- Rigorous testing and auditing of all pricing, trading, risk management and accounting systems.

Market risk analysis is focused on the contemplated term of borrowing, which is then expressed by the rate offers of the Bond or Promissory Note buyers. In line with the term structure of interest rate defined by the financial market (investors or lenders), the Bank and the Group further consider the impact of such rates to its overall cost of funds. To achieve this, the Bank and the Group determines a benchmark on its weighted average cost of funds and stresses this benchmark by simulating different rate levels which the market may tender, when the Bank and the Group makes its offering.

In relation to overall cost of borrowings, the Bank and the Group re-calibrates its interest rate margin, which is the difference between the average interest yield of earning assets and the projected weighted average cost of funds. To cure the probable risk on margins, the Bank and the Group uses the reference curve approach where the durated term of groups of earning assets is matched with the durated term of group of fund sources. By matching the durated term and yield of earning assets with specific durated term and cost of borrowings, the target margin is often achieved under normal conditions. While the Bank and the Group's assets are of longer term maturities, they are repriced after a certain period thereby enabling the Bank and the Group to change its pricing structure and protecting its target interest margins.

The volatility of market interest rates impacts the value of the Bank and the Group's earning assets (also known as value-at-risk). While loan assets carry a repricing provision, they are committed for a fixed and long term, thereby making the asset structure immobile for probable contraction when warranted. Given these conditionality's, the Bank and the Group forecasts the probable market interest rates and measures its value-at-risk on its assets under the forecast conditions. Historical value at risk is used to determine the relative depletion of asset value at existing conditions. Forecast value at risk is then computed based on simulated conditions, integrating thereto the other risk variables that would impact the value at risk.

The value-at-risk is analyzed based on "likelihood to happen" (very low, low, medium, high and very high) and the respective consequences of each likelihood which is then measured in terms of probable losses (dollar values – quantitative; and reputational impact - qualitative).

Sensitivity Analysis

Market Risk

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

	As at June 2022	Increase in Lending Rate (+2.50%)	Decrease in Lending Rate (-2.50%)
Weighted Average Lending Rate (%)	5.55	8.05	3.05
Interest Income ($)	40,090,045	15,726,007	(15,726,007)
Impact on profit or loss ($)	$ 1,784,611	15,726,007	(15,726,007)

26 RISK MANAGEMENT POLICY (continued)

Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk.

The Finance and Administration, through its Marketing and Business Development Unit develops the policies governing the operations of the Bank and the Group. The Internal Audit Department oversees the implementation of these policies and procedures across the organization. A more recent development is the application of Risk Base Audit in contrast with the traditional audit approach where compliance is the focus.

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

27 COMPARATIVES

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

28 SIGNIFICANT EVENTS

The extensive spread of the COVID-19 pandemic impacted businesses in Fiji and around the globe. Governments adopted various measures to mitigate and contain further spread of the virus, including a push for herd immunity. International travel restrictions impacted many businesses around the country and as such the Bank offered repayment moratoriums to a number of its customers since March 2020 on a case-by-case basis. These moratoriums continued into the 2022 financial year to assist customers to sustain operations.

The Bank continues to be responsive to its customers and provides relief assistance to those impacted by the Pandemic. Following the announcement of the COVID-19 Recovery Credit Guarantee Scheme through the 2021-2022 National Budget, the Bank has started disbursement in August 2021 under this facility. The scheme is being offered through the Reserve Bank of Fiji (RBF) as an extension of the Disaster Rehabilitation and Containment Facility (DRCF) providing funding of $200 million at a rate of 0.25% to the Bank as well as commercial Banks and other licensed credit institutions. The funding is on-lent to customers at an interest rate of 3.99% for any loan purpose. The amount approved is based on Banks normal credit assessment and loan amount is strictly determined by the turnover of the micro, small and medium enterprises (MSME's) and the large businesses.

29 SUBSEQUENT EVENTS

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

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