Development Bank of Jamaica Limited

Facilitating economic growth and development

ANNUAL REPORT 2017-18

MISSION

The Development Bank of Jamaica provides opportunities to all Jamaicans to improve their quality of life through development financing, capacity building, public-private partnership and privatisation solutions in keeping with Government policy.

VISION

"(By 2025) DBJ is recognized as Latin America and the Caribbean's foremost development finance institution that drives private sector development and contributes to broad-based, inclusive economic growth in Jamaica."

CORE VALUES

- Professionalism
- Integrity
- Accountability
- Innovation

BACKGROUND

The Development Bank of Jamaica is a wholly owned Government company created in 2000 as a result of mergers with other development-related institutions that included the Agricultural Credit Bank of Jamaica, the National Development Bank of Jamaica and, in 2006, the National Investment Bank of Jamaica.

The DBJ provides, to all levels of Jamaican entrepreneurs, a range of services that includes:

- Access to low-cost financing (available through its network of Approved Financial Institutions and Micro Finance Institutions)
- A partial loan guarantee
- Renewable energy solutions
- Technical assistance and capacity development solutions
- Private equity and venture capital support; and
- Opportunities to broaden the entrepreneurship and ownership base of the country via privatisation services and public-private partnership options

The DBJ facilitates economic growth and development across all sectors and includes all Jamaicans, regardless of socio-economic strata, in its quest to meet the Vision 2030 goal of making Jamaica "the place of choice to live, work, raise families and do business."

TABLE OF CONTENTS

BOARD OF DIRECTORS


Paul B. Scott
Chairman


Milverton Reynolds
Managing Director


Barrington Chisholm


Sherene Golding Campbell


John Jackson


Kerry-Ann McKoy Tulloch


Dr. Adrian Stokes


David Wan


A. Cecile Watson


Carlene O'Connor


Shakira Pickersgill
Company Secretary

MANAGEMENT TEAM


Milverton Reynolds
Managing Director


Denise Arana
General Manager, Public-Private Partnerships & Privatisation Services


Tamara Baugh-Brissett
General Manager, Audit Services


Christopher Brown
General Manager, Strategic Services


Paul Chin
General Manager, Micro Finance Services


Edison Galbraith
General Manager, Loan Origination & Portfolio Management


Sheron Henry
General Manager, Legal Services


Cleveland Malcolm
General Manager, Management Information Systems


Dorothea Simpson
General Manager, Finance & Treasury


Yvonne Williams
General Manager, Human Resources & Administration


Adrian Dunkley
Manager, Risk & Compliance


Claudette White
Manager, Communication & Marketing

CHAIRMAN AND MANAGING DIRECTOR'S REPORT

Paul B. Scott
Chairman

Milverton Reynolds
Managing Director

DBJ aspires for a greater role in development finance!

Facilitating Private Sector Investments

The DBJ's commitment to provide opportunities which will increase private sector investments in Jamaica was the primary theme for the 2017/18 Financial Year. The main areas of focus to achieve our major targets included:

(i) Developing the MSME Ecosystem
(ii) Investing in Strategic Sectors; and
(iii) Increasing divestments and public-private partnerships.

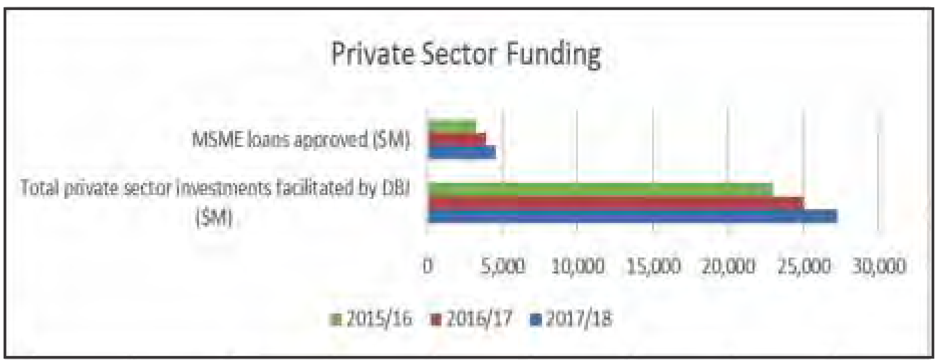
These areas allowed the Bank to focus on micro, small and medium-sized enterprises (MSME) and the expansion of businesses operating in the strategic sectors that are identified by the Government as necessary for economic development and growth.

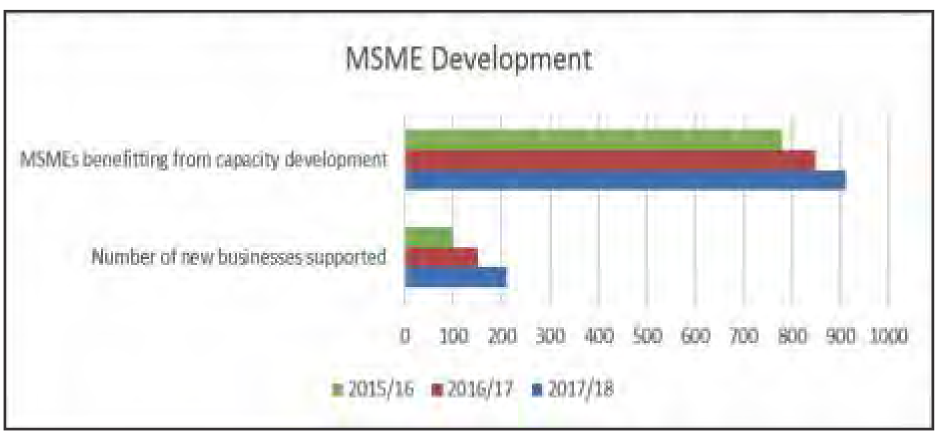
The DBJ's ability to achieve its objectives was measured by eight major targets, of which seven were surpassed:

- Total investments supported by DBJ J$32.94M
- Total number of potential jobs facilitated through DBJ financing 5688 persons
- Number of new businesses supported or created from DBJ intervention 252 businesses
- Number of MSMEs benefitting from DBJ's capacity development interventions 913 businesses
- Net profit J$1245.2M
- Growth in MSME loans 25%

The Bank did not meet its target for cost savings of J$500 million from Public-Private Partnerships and Privatisation. Instead, the figure realised was J$175M.

The DBJ remains committed to increasing private sector investments and developing MSMEs as engines of growth for Jamaica. Our activities have increased (i) MSMEs' investments in expanding their businesses; (ii) investments made by the private sector in infrastructure projects; and (iii) support for new businesses and (iv) capacity building for MSMEs.





Economic Overview

Contextualizing the DBJ's performance is very important in understanding the Bank's performance. Many events and shocks have occurred, both positive and negative in the local and global spheres that help to put the DBJ's performance and the Jamaican economy's performance in context.

Global Growth

Global growth in 2017 was 3.1% and there is a similar forecast for 2018. Main issues affecting global growth were tightening financial conditions, protectionism, and political strife.

Global stock markets boomed in 2017 fueled by growth in developed nations and President Donald Trump's plan to cut US corporate tax rates which are expected to boost company profits and shareholder returns. Additionally, the British Pound staged a Brexit recovery, rising by about 10% in 2017 and the Eurozone also started mending in 2017 stabilizing despite expectations that the European Union would succumb to populist politics.

Jamaica's stock markets in 2017 mirrored the performance of global stock markets for the same period with the Jamaica Stock Exchange's (JSE) main index ranking among the top 10

The Atkins Farm, contracted to supply poultry to Jamaica Broilers, received a DBJ loan through Sagicor Bank in December 2017 for the purchase of equipment and construction of two tunnel-ventilated poultry houses. This expansion allowed the Howell's Content, Clarendon-based company to create two new jobs, increasing its employment to five persons.

capital markets in the world with an increase in equity capital of 28% and the Jamaica Junior Stock Exchange's (JJSE) value increasing by 76%.

The performance of these indices demonstrated business growth and improved business confidence in the private capital markets.

Oil Prices

Oil prices bubbled up in 2017, recovering sharply from its previous slump. This recovery was fueled mostly by increased demand from China. OPEC also limited supply in order to maintain price increases. It is speculated that US shale oil may become economical to produce once again which may cause overall oil prices to fall in the future.

As a major imported commodity, the increase in global oil prices negatively affected Jamaica's trade balance affecting GDP growth.

Jamaican Market Performance

Jamaica continues to be an upper middle income country that struggles with low growth, high public debt and external shocks which weaken its economy. By the end of 2017, public and publicly guaranteed debt fell to 115% of GDP. Exacerbating Jamaica's vulnerability, Jamaica's GDP grew by approximately 0.5% in 2017, falling from 1.4% in 2016. This represents the fifth consecutive year of positive GDP growth in Jamaica which was facilitated by increased external and internal demand, improved macroeconomic stability (as reflected in moderate inflation, reduced interest rates and greater predictability in exchange rate movements).

Total employment grew by 2.3% in 2017. Unemployment fell to 10.4% in October 2017 while youth unemployment fell by 7% to 25.4% (lowest since 2007).

This indicates that there has been progress in maintaining macroeconomic stability.

Inflation & Exchange Rates

Both inflation and exchange rate increased in 2017 to 5.2% and $128.4, respectively.

Major Agreements

During the 2017/18 Financial Year, Jamaica demonstrated its commitment to the three-year Precautionary Standby Agreement (PSBA) agreement with the International Monetary Fund (IMF) valued at US$1.64 million.

Under the PSBA, Jamaica met all the fiscal and monetary indicators for the period ended March 2018, specifically tax revenues, non-borrowed reserves and inflation – demonstrating improving fiscal management by the Government of Jamaica. After the second review in October 2017, the IMF announced that the programme was on track and "macroeconomic stability is entrenched with stronger fiscal and external positions, subdued inflation and employment at historic highs."

Jamaica's Credit Rating

The country's debt reduction and the stabilization of the economy have contributed to an improvement in the country's credit rating positive reviews from major agencies:

Jamaica's credit rating along with DBJ's performance and credit rating have allowed the Bank to become an attractive partner to our International Development Partners (IDPs) when considering the expansion of the Bank's activities.

Policy Developments

The Bank of Jamaica (BOJ) implemented several changes in 2017 which had some impact on the operations of the DBJ. These included Cash Reserve Requirement on foreign currency denominated liabilities, the introduction of a Foreign Exchange Intervention and Trading Tool (B-FXITT) to support greater two-way movement of the exchange rate and to foster development, transparency and predictability of the market.

In Parliament, the MSME and Entrepreneurship draft policy was tabled as a Green Paper in November 2017, while other relevant acts that were modified or passed in 2017 included:

- The BOJ Act
- The Company Act
- Special Economic Zone Act; and
- Public Debt Management Act

The Government-appointed Economic Growth Council (EGC) continues to perform as an advisory agency, to facilitate the removal of obstacles to the growth of the Jamaican economy. The EGC worked alongside the DBJ to execute the Bank's critical role in driving growth in two of the eight initiatives under the Government's Growth Agenda by improving the local business community to attract capital as well as better utilize GOJ assets.

DBJ's 2017/18 Performance

It is against the background of the international activities and the performance of the Jamaican economy in 2017/18 that the DBJ created policies to assist Jamaican entrepreneurs and the business community in growing the national economy.

DBJ is financially strong

The DBJ experienced a financially successful year with a recorded net profit of 1,245.2 million exceeding the 2017/18 Financial Year's target by $900 million which was 195.0% above net profit in the previous year.

The company's asset base of $31,925.9 million and shareholder's equity of $11,162.8 million increased by 10.2% and 10.1% respectively above what was recorded during the previous Financial Year 2016/17.

The DBJ's strong Asset and Equity bases will enable the Bank to attract additional funding and successfully undertake its mandate of assisting in the economic development of the Jamaican economy.

Providing appropriate financing solutions to the MSME Sector

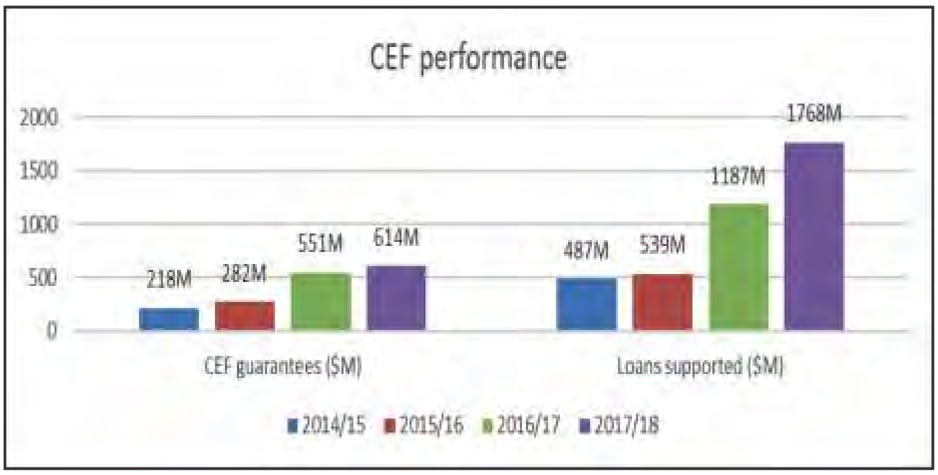
An estimated 90 per cent of all Jamaican business enterprises are defined as MSMEs which contribute greatly to the country's social and economic infrastructure.

In the period under review, the DBJ facilitated the approval of 12,570 MSME loans with a value of $4,873 million through its intermediaries for MSME sub-borrowers. Approximately 30% of the value of loans approved by the DBJ, totaling $1,448 million, was made to micro businesses.

Over the past three years, the DBJ has increased the value of loans provided to MSMEs, demonstrating an increase in access to financing afforded to MSMEs through our Approved Financial Institutions (AFIs).

A common challenge facing MSMEs as they seek to access credit from financial institutions is their limited access to collateral, which oftentimes do not meet the requirements posed by our AFIs. The DBJ's Credit Enhancement Facility (CEF), closed this gap by providing collateral guarantees for MSMEs with sound business models.

Since the programme's inception in 2009, guarantees in the amount of $1,900 million have been made to 435 MSMEs. These collateral guarantees have enabled the private sector to invest over $4,539 million in upgrades, expansion and new equipment leading to greater production. During the 2017/18 Financial Year, CEF guarantees supported $1,768 million in loans, a 49% increase over the loans supported by guarantees in 2016/17.



New Era Fencing Limited has been involved in the construction and installation of fences, general construction and building maintenance services since 1999. The Kingston-based company received a DBJ loan through First Global Bank in October 2017 to acquire equipment and provide working capital which allowed expansion of its operations, improved efficiency and the creation of new jobs leading to a total 37 employees.

Another challenge affecting MSMEs' access to capital is the entrepreneurs' ability to effectively manage their businesses and expand into new markets.

The 2017/18 Financial Year marked the third year of the implementation of the Voucher for Technical Assistance (VTA) programme. It was also the period in which there was tremendous growth in the demand for business development services, facilitated through the creation of a web platform, increasing MSMEs access to the subsided business services offered by the programme.

In order to expand the development of MSMEs, businesses in their early and growth stages require support such as acceleration and incubator programmes which were provided through our IGNITE programme and other MSME development initiatives through partnerships with trade associations and private sector groups.

913 MSMEs have benefitted from capacity development interventions of DBJ-supported programme. (Target 810 MSMEs)

252 new businesses were supported or created by the business development programmes (Target 200 MSMEs)

J$100M grants disbursed to MSMEs

Along the business life cycle, businesses in the early stage require financing as well as market linkages to scale their operations locally and globally. Private equity financing is a growing source of financing for businesses in Jamaica with more businesses gaining access to equity funds. Private Equity Funds as well as the new Private Credit Fund have made 12 investments, totaling US$43 million in Jamaican businesses.

➢ Investments in Business Process Outsourcing (BPO) Industry

During the 2017/18 Financial Year, the Bank continued to lend directly to companies operating in the BPO industry, to establish new facilities as well as expand existing ones. The industry has the potential to create over 100,000 jobs and therefore play a significant role in providing opportunities for the unemployed or underemployed. The DBJ provided a total of US$71 million in financing to 14 BPO projects islandwide, up from US$64.8 million made to 12 projects in the previous financial year.

In addition to the increased value of funds provided directly to the private sector by DBJ, there was an increase in the appetite of private financial markets for these investments. Our Approved Financial Institutions (AFIs) began to fund businesses involved in the BPO industry, a business model which had found it difficult to attract funding in the past.

➢ Unlocking value for Government of Jamaica assets

The Bank succeeded in facilitating J$17.5 billion in investments and provide J$175 million of savings to the Government, through the Private-Public Partnership and Privatisation (P4) Programme . Accelerating the pace of the programme's execution is critical to increasing the value to be received by the Government, was one of the key areas of focus during the 2017/18 Financial Year.

The Bank is currently executing 15 transactions which are at various stages of the P4 project development process.

➢ Corporate Governance, Risk Management and Compliance

The Bank believes that strong corporate governance is imperative to achieving its mandate. The DBJ's customized Integrated Enterprise Risk Management Framework has facilitated a structured and disciplined approach towards managing risk which is applied to all categories of risks across functional, structural and departmental silos including strategic, credit, market, liquidity, operational and reputational risks. The DBJ manages compliance with prudential regulations and standards, and other local and international regulatory requirements.

➢ The DBJ's Credit Rating is reaffirmed

Caribbean Information and Credit Rating Services Limited (CariCRIS) reaffirmed its Corporate Credit ratings of CariBBB+ (Foreign Currency Rating) and CariA- (Local Currency Rating) on the regional rating scale and jmAA on the Jamaica national scale for the DBJ with a stable outlook.

➢ The DBJ's Strategy for 2018/19 and beyond

The DBJ will continue to focus on the three strategic pillars in order to fulfill our mandate:

The DBJ understands that these are policies which affect the business environment and which will improve MSME business performance, increase private sector involvement in expanding strategic sectors and increase savings for the Government.

DBJ FINANCIAL HIGHLIGHTS

COMPARATIVE FINANCIAL SUMMARY (J$M)

Year Ended 31-Mar	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total Income	**2,882.8**	**1,934.9**	**1,671.8**	**2,342.4**	**2,110.3**	1,586.40	2,740.60	4,413.20	4,175.50
Total Interest Income	**1,384.8**	**1,321.8**	**1,294.9**	**1,255.5**	**1,198.6**	1,142.50	1,764.80	3,688.50	3,792.90
Total Interest Expense	**624.6**	**570.4**	**524.9**	**494.3**	**531.0**	477.1	1,053.50	2,889.50	2,992.20
Non-Interest/Other Income	**1,498.0**	**613.1**	**376.8**	**1,086.9**	**911.7**	443.9	975.8	724.7	382.6
Non-Interest Expense	**983.8**	**926.2**	**779.3**	**724.9**	**650.1**	603.1*	567.3	805.8	705.3
Net Profit Before Impairment Loss	**1,245.2**	**571.0**	**371.9**	**1,108.2**	**929.2**	506.2	1,119.90	1,002.60	604.3
Impairment Loss	**0.0**	**149.3**	**16.5**	**0.0**	**(177.4)**	(2,928.30)	(407.50)	(279.10)	(287.90)
(Loss)/Profit for year	**1,245.2**	**421.7**	**355.4**	**1,108.2**	**742.8**	(2,453.2)	691.7	723.5	316.4
Total Assets	**31,925.9**	**28,966.7**	**27,122.6**	**24,407.9**	**23,269.2**	22,167.8	22,624.4	48,928.0	49,686.2
Total Equity	**11,167.8**	**10,135.4**	**9,817.1**	**9,616.1**	**8,468.2**	7,641.3	10,634.6	9,978.7	9,536.1
Loans Payable	**19,925.8**	**18,065.6**	**17,305.5**	**14,294.5**	**14,433.5**	14,125.6	11,491.2	38,597.9	39,851.5
Regular Loan Portfolio	**19,421.5**	**17,801.3**	**17,317.8**	**16,729.2**	**15,263.5**	11,966.7	11,948.2	9,060.9	12,239.9

The DBJ's financial performance for 2017/18 represents another successful year for the organization. The Bank's statement of financial position has remained healthy with total assets of $31,925.9 million, an equity base of $11,167.8 million and net profit of $1,245.2 million. These results were driven by strategic management of the Bank's mandate, expert liquidity management, pro-active and effective management of risk. The DBJ's strong asset and equity bases enabled it to play a pivotal role in the development of the national economy.

Income

DBJ's Total Income of $2,882.8 million for the period under review represents an increase of 48.9% or $947.9 million above the previous financial year's figure.

The increase in income was mainly due to a Cabinet Decision dated 19th March 2018 to write off loans with a value of $424.9 million plus interest of $634.6 million outstanding. These loans are statute-barred since they are outstanding before 2002 in the books of the Jamaica Development Bank (JDB), a Government company formed in 1971 which provided retail lending to projects until it ceased operations in June 1981. The operations of the JDB was transferred to the DBJ after the merger of the Agricultural Credit Bank and the National Development Bank in April 2000 to form the DBJ.

As a result of the aforementioned Cabinet Decision, an amount of $1,059,500 was transferred to profits. Additionally, $308.2 million is to be transferred to the DBJ in exchange for shares to be issued to the Accountant General.

Interest Income

Interest Income amounted to $1,384.8 million and represented an increase of 4.8% above the previous financial year.

The following sources generated the interest income:

	2018 $'000	2017 $'000
Loans and advances	1,061,907	1,029,532
Income from sugar loan agreement	45,554	39,980
Investment securities	183,811	206,186
Reverse repurchase agreements	90,513	43,857
Cash and deposits and other	3,027	2,277
	1,384,812	**1,321,832**

The following are noteworthy changes in the Bank's interest earning assets when compared with the previous financial year:

- The interest income from the Loans Portfolio amounted to $1,061.9 million and represented an increase of 3.1% above the earnings recorded for the previous year.
- Interest income on reverse repurchase agreements increased by 106%. This was mainly due to the Bank's investment in reverse repurchase agreements increasing by $928.0 million or 24.8% when compared with the Investments in this category for the previous financial year.
- Interest income on investments amounted to $183.8 million and was 10.8% below the earnings recorded for the previous financial year. This decrease in income was due to the reduced interest rates offered in the market.

Central Imaging Company Ltd., a diagnostic imaging facility in Mandeville, Manchester, offers radiographs (X-Ray), ultrasound, fluoroscopy and computerized tomography (CT) scans. The company received a DBJ loan and partial guarantee through Sagicor Bank in September 2017 for the purchase of equipment and working capital support, allowing it to create four new jobs for a total of seven employees.

Other Income

During the period under review, the DBJ recorded a 122.3 % increase over Other Income in the 2016/17 period due primarily to a write off of the aforementioned JDB Loans amounting to $1,059,500. Other Income included administrative fees, rental income, commitment fees and Public-Private Partnerships & Privatisation fees which are highlighted below:

Other Income	2017/18 $'000	2016/17 $'000
Administrative Fees	20,979	20,278
Commitment Fees	33,002	42,094
Rental Income	99,681	98,627
Dividends	-	14,595
JDB Income	1,059,500	-
Public-Private Partnerships & Privatisation fees	49,533	43,248
Foreign Exchange (Loss)/Gains	(135,140)	72,897
Appreciation in fair value of investment properties	31,411	111,096
Gain on sale of investments	117,119	110,649
Gain on disposal of property and equipment	1,453	1,509
IDB Venture Capital Conference – Income	6,521	23,030
IDB Venture Capital Conference – Expenses	(6,521)	(23,034)
Collections in respect of loans previously written off	9,444	15,450
Miscellaneous	75,896	82,651
	1,362,878	613,090

Miscellaneous income relates to interest from staff loans, processing fees from loans, penalty interest arising on late payments and a reversal of liability not considered genuine.

Interest Expenses

In the period under review, there was an increase in the interest expenses of 9.5%.

Interest expenses amounted to $624.6 million compared with the previous year's interest of $570.4 million. The increase was mainly due to additional loans drawn down during the year.

The Bank honored its loan obligations to the multilateral Institutions on a timely basis during the year under review.

Non-Interest Expenses

During 2017/18, the DBJ incurred operating costs totaling $983.8 million representing an increase of 6.2% above the costs incurred in 2016/17 of $926.2 million. This is attributed to an increase of 5% in salaries awarded by the Government.

The Bank continues to monitor its costs by implementing cost-containment measures.

The following items are significant or showed increases over the previous year:

Staff Costs

	2018 $'000	2017 $'000
Salaries and Wages	402,341	346,943
Payroll taxes	25,270	22,908
Pension costs - defined benefit plan	10,193	8,139
Performance incentive bonus	25,681	26,326
Other	94,454	85,450
	557,940	489,766

Staff costs increased by $68.2 million or 13.9% which was mainly attributable to the 5% increase in salaries and additional staff employed.

Professional Fees

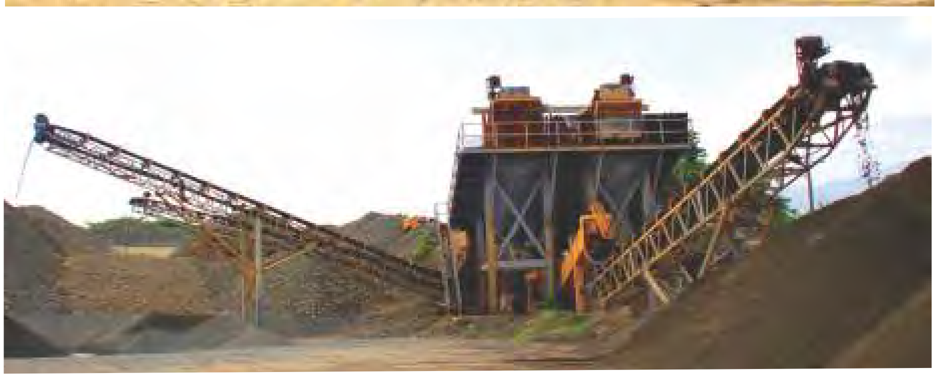
Professional Fees for the financial year ended March 31, 2018, was $36.2 million representing 17.4% below the previous year.

Occupancy costs

There was a 20 percent increase in occupancy costs for the period under review when compared with the costs incurred in 2016/17. Occupancy costs include electricity, insurance, security and repairs and maintenance. The increase resulted mainly from higher costs of maintaining the building and property as well as increased electricity costs.

Net Profit

The DBJ recorded a net profit of $1,245.2 million for the year ended March 31, 2018, which was 195.0% above net profit recorded in 2016/17. The Bank continues to provide financial solutions to viable projects and facilitating growth and development in the economy and has adequate reserves and assets to continue this mandate.



ASSET AND EQUITY BASES

Asset Base

The DBJ had an asset base of $31,925.9 million as at 31 March 2018 which was an increase of 10.2% above the total assets recorded for 2016/17 of $28,966.7 million. This increase was mainly due to an increase in reverse repurchase agreements and loan disbursements to viable projects in the economy.

Morant Bay Quarry Ltd., located in St Thomas, is engaged in quarrying and extraction of stones used in the construction sector. The company received a DBJ loan and partial guarantee through CIBC First Caribbean International Bank in May 2017 to purchase equipment allowing improved production, efficiency, savings for the business and an increase in its employment to five persons.

Equity Base

There was an increase of 10.1% in Shareholder's Equity which moved from $10,135.4 million at the beginning of the year under review to $11,167.8 million at the end of March 2018. The Equity base remains strong, providing the foundation for the Bank to execute its mandate and play a pro-active role in fostering growth in the economy.

"Loans totaling $4,080.8 million were received from the PetroCaribe Development Fund; $887.6 million was received from the European Investment Bank.....

FUNDING

Funding to meet the Bank's loan disbursements and debt obligations during the year came principally from loan reflows, internally generated cash provided from operations, and loans drawn in the amount of $6,294.5 million.

Loans totaling $4,080.8 million were received from the PetroCaribe Development Fund; $887.6 million was received from the European Investment Bank and $915.3 million from the World Bank Foundations for Growth and Competiveness Project. Loan proceeds were also received from the National Insurance Fund of $35.7 million.

FUNDS MANAGEMENT

As one of its functions, the DBJ manages the following funds:

1. Capital Development Fund
2. Intech Fund
3. Rio Tinto Alcan Legacy Fund
4. National Investment Bank of Jamaica
5. Credit Enhancement Fund
6. Divestment Escrow Fund

The Bank also provides accounting services to National Road Operating and Constructing Company Ltd. (NROCC), Harmonisation Ltd. and Silver Sands Estates Ltd.

LOAN PORTFOLIO

At the end of the 2017/18 Financial Year, the total outstanding loan portfolio of the Bank stood at $19,421.5 million compared to $17,801.3 million for the financial year ended 31 March 2017, an increase of 9.1%.

The distribution of the outstanding loan portfolio at the end of the years 2018 and 2017 is shown as follows:

	2018 J$'000	2017 J$'000
Loans to AFIs	11,662.6	10,222.5
Loans to PC Banks	681.7	803.6
Loans to direct to borrowers	5,080.0	4,423.7
MFIs	1,533.8	1,361.3
Mortgage receivable from Ackendown	333.8	990.2
Mortgage receivable from Ministry of National Security	129.6	-
	19,421.5	17,801.3

INVESTMENT IN ASSOCIATED COMPANIES

DBJ's interest in its Associated Companies increased by 3.3% from $1,021.8 million at the beginning of the year to $1,055.3 million at March 31, 2018.

Solvency

At the end of the period under review, the Bank reported a debt/equity ratio of 1.78:1 in line with the ratio of 1.7:1 at the end of the previous year. This ratio remains within the guidelines of the multilateral lending agencies, which stipulate a maximum range of between 4:1 and 6:1. The DBJ's strong Asset and Equity bases will enable the Bank to attract additional funding and successfully undertake its mandate of assisting in the economic development of the Jamaican economy.

LOAN ORIGINATION AND PORTFOLIO MANAGEMENT

REVIEW OF LENDING ACTIVITIES

The DBJ's lending operations, carried out through the Loan Origination and Portfolio Management (LOPM) Division, continued to support the Government's Growth Agenda in 2017/18, by delivering 12,580 loans to support new investments of $10,554 million and 5,688 potential new jobs while maintaining 17,128 existing jobs.

The loans approved, investments supported and potential new jobs created for 2017/18 were distributed by sector as below:

	No. of Loans		Approvals		Investments		New Jobs	
Sector		%	J$M	%	J$M	%		%
Agriculture	1,629	12.9%	557.579	8.4%	696.674	6.6%	14	0.2%
Agro-Industry	2	0.0%	18.300	0.3%	34.040	0.3%	4	0.1%
Distribution	5,892	46.8%	1,246.181	18.8%	1,463.506	13.9%	61	1.1%
Manufacturing	319	2.5%	425.279	6.4%	758.310	7.2%	116	2.0%
Mining & Quarry	1	0.0%	4.550	0.1%	7.000	0.1%	-	0.0%
Service & Transport	4,716	37.5%	2,190.744	33.0%	3,506.029	33.2%	263	4.6%
ICT/BPO	4	0.0%	1,094.503	16.5%	2,273.150	21.5%	5,086	89.4%
Tourism	17	0.1%	1,096.118	16.5%	1,815.372	17.2%	144	2.5%
TOTAL	12,580	100.0%	6,633.254	100.0%	10,554.081	100.0%	5,688	100.0%

Aqua Flow has produced the Pump-n-Spray portable shower that allows users to conveniently transport, store and efficiently use water to shower. In 2017-18, the company received a grant under the DBJ's IGNITE programme to help market its products.

LOAN APPROVALS

During the year, the DBJ approved 12,580 new loans with a total value of $6,633 million compared to 16,532 new loans with a total value of $6,394 million in the previous year.

The Bank's loan approvals were distributed to various sectors and through the following channels as below:

Channel	# of Loans	Loan Approval in J$'M	%
NPCB	-	-	0.0%
AFI	1,654	4,320.293	65.1%
MFI	10,924	1,448.607	21.8%
Direct	2	864.354	13.0%
Total	**12,580**	**6,633.254**	**100.0%**

Domestic Currency Approvals

Local currency loan approvals facilitated for the year, compared to the previous year, amounted to 12,574 loans valued $4,700 million. These loans were realized through the following channels:

- Approved Financial Institutions – 1,650 loans valued at $3,252 million, up from 112 loans valued at $2,833 million
- National People's Co-operative Bank – 0 loans valued at $0 million, down from 5 loans valued at $173 million
- Micro Finance Institutions – 10,924 loans valued at $1,448 million, down from 16,410 loans valued at $1, 519 million
- Direct Lending – 0 loans valued $0 million, down from 1 loan valued $90 million

Foreign Currency Approvals

Foreign currency loan approvals for the year, compared to 2016/17, amounted to 6 loans valued at US$15.5 million. These loans were realized through the following channels:

- Approved Financial Institutions – 4 loans valued at US$8.6 million, up from 2 loans valued at US$7.2 million
- Direct Lending - 2 loans valued at US$6.9 million, up from 2 loans valued at US$6.7 million

LOAN DISBURSEMENTS

The DBJ's loan disbursements for the year amounted to $8,052 million.

Local Currency Disbursements

Local currency disbursements for the year amounted to $3,608 million. These loans were realized through the following channels:

- Approved Financial Institutions – $2,077 million, up from $1,544 million in the previous year
- National People's Co-operative Bank (NPCB) – $82 million, down from $173 million
- Micro Finance Institutions – $1,448 million, down from $1,529 million
- Direct Lending – $0.2 million, down from $0.8 million

Foreign Currency Disbursements

Foreign currency disbursements for the year amounted to US$35 million. These loans were realized through the following channels:

- Approved Financial Institutions – US$25.2 million, up from US$8.5 million in 2016/17
- Direct Lending – US$10.3 million, up from US$5.8 million

REVIEW OF LENDING PROGRAMMES

DBJ's Lending to Micro, Small and Medium-sized Enterprises (MSME)

During the year, the Bank provided strong support to initiatives for increasing access to affordable credit for MSMEs.

DBJ's lending team has continued to engage MSMEs and their associations to understand their needs, while communicating the benefits of DBJ's products and facilitating collaboration with lenders.

MSME Loan Approvals 2017/18

Channel	# of Loans	Loan Approval in J$'M	%
NPCB	-	-	0.0%
AFI	1,644	2,560.230	52.5%
MFI	10,924	1,448.607	29.7%
Direct	2	864.354	17.7%
Total	**12,570**	**4,873.191**	**100.0%**

Elaine Morrison-Williams, a micro entrepreneur in business for over 14 years in Lionel Town, Clarendon, retails household chemicals, cosmetic items and wholesale frozen juices. She is a repeat borrower who has received several DBJ-funded loans from First Heritage Cooperative Credit Union, a DBJ-accredited micro finance institution.

In 2017/18 DBJ facilitated the approval of 12,570 MSME loans with a value of $4,873 million through its intermediaries for MSME sub-borrowers compared to 16,513 loans with a value of $4,232 million in 2016/17. Of this total, the vast majority – 10,924 loans totaling $1,448 million - were facilitated through Micro Finance Institutions; 1,644 loans valued at $2,560 million were facilitated by Approved Financial Institutions; and 2 loans valued at $864 million were facilitated through Direct Clients to MSMEs.

SME Credit Enhancement Facility

The Credit Enhancement Facility (CEF), the DBJ's partial guarantee programme, was established with the objective to significantly increase the number of SMEs that access credit by providing AFIs with additional collateral coverage on loans made to SMEs. Constant developments to increase the attractiveness of the CEF to AFIs resulted in an increase in the coverage amount of guarantees and resulted in amendments to the facility to allow available guarantee coverage for both DBJ and AFI funded loans as follows:

- General SME loans - 50% of the loan up to a maximum of $15 million

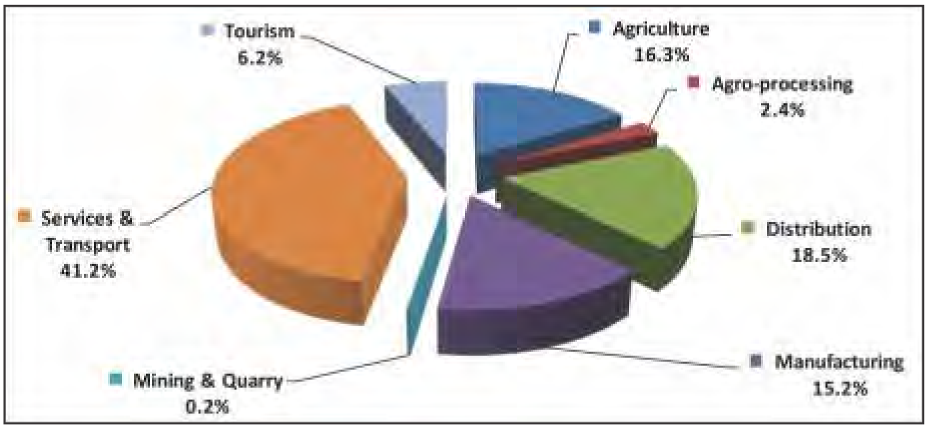
- SME Energy loans - 80% of the loan up to a maximum of $15 million
- Small loans ($6.25 million or less) 80% of the loan up to a maximum of $5 million

During the year, the DBJ approved 106 guarantees valued $614 million and supporting $1,768 million in loans through eight AFIs including 58 guarantees approved for loans funded by AFIs. This compares to 78 guarantees valuing $552 million and supporting 1,187 million in loans through eight AFIs in 2016/17.

Since inception, the CEF has facilitated the issue of $4.53 billion in loans to 402 SME sub-borrowers with 435 guarantees totaling $1,940 million as outlined below.

CEF Loan Approvals and Guarantees Since Inception 2010 (by year)			
	Loan	Guarantee	#
Mar-10	30,000,000	8,320,000	4
Mar-11	10,800,000	3,956,000	3
Mar-12	34,700,000	10,750,000	3
Mar-13	254,969,378	166,797,000	108
Mar-14	225,994,000	83,957,150	26
Mar-15	487,378,123	218,662,568	51
Mar-16	539,201,456	282,331,343	56
Mar-17	1,187,304,154	551,606,882	78
Mar-18	1,768,778,089	614,579,889	106
TOTAL	**4,539,125,200**	**1,940,960,832**	**435**

Since inception, the CEF has supported various sectors. The services sector accounted for 41% with 159 of the 435 guarantees issued. The agriculture sector received a total 153, accounting for 16.3% of the total guarantees issued. Distribution accounted for 18.5%, manufacturing for 15.2%, tourism 6.2% and agro-processing 2.4%.



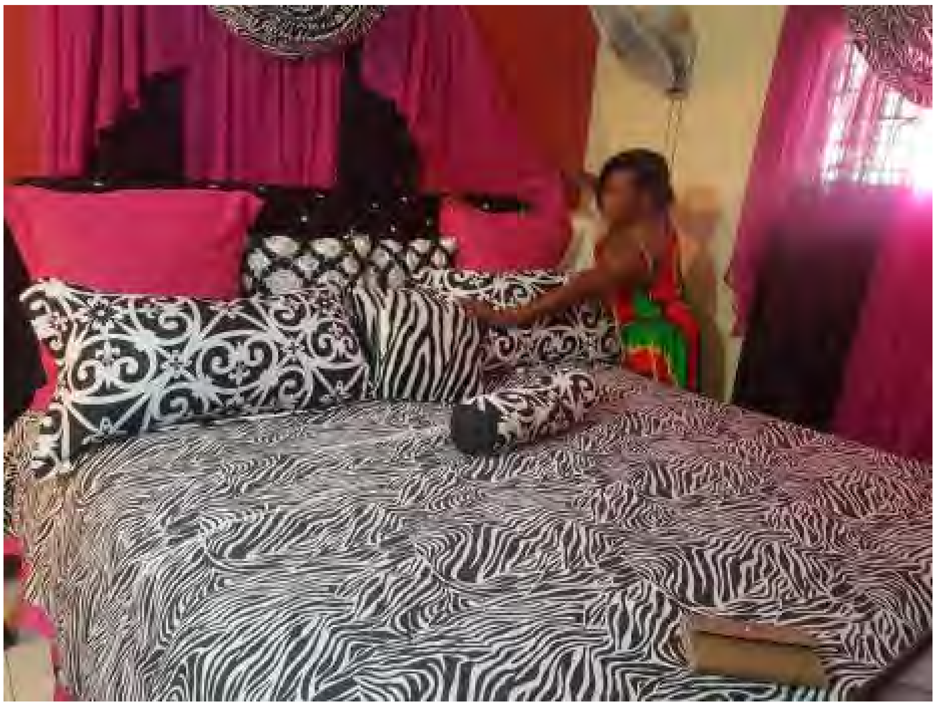
The fund continues to perform well, having grown to over $496 million with 13 claims against the CEF for $35 million to date. The DBJ continues to work on improving the facility and to explore options to enhance its utilization and attractiveness to the market.

During the year, AFIs accessed 58 guarantees valued $296 million to support $967 million in loans funded from their own resources. This reflected a significant increase from 42 guarantees valued $250 million supporting $555 million in AFI-funded loans in 2016/17.

To further expand DBJ's partial credit guarantee programme, the Government signed agreements with the Inter-American Development Bank (IDB) and the International Bank for Reconstruction and Development (IBRD) of the World Bank in September 2017 and March 2018 respectively.

Under its 'Credit Enhancement Programme for MSMEs' the IDB is making US$20 million available to expand the size of the guarantee fund and thereby increase the number of MSMEs that the CEF is able to assist. The IDB will also provide a technical assistance grant of US$250,000 during 2018/19 to implement an information technology system to improve the operations of the CEF.

Under its US$15-million 'Access to Finance' project, the World Bank is allocating US$5 million to expand the guarantee fund, plus an additional US$0.55 million to be used in 2018/19 to develop an improved business plan, financial model, and policies and procedures for the operation of the CEF, as well as to support training and awareness building among lenders and businesses.



Jeniese Tomlinson-Venson, a micro entrepreneur based in Linstead, St. Catherine, has been operating a manufacturing, interior design and decorating business for over 20 years. She accessed a DBJ loan funded by the European Investment Bank and on-lent through Jamaica National Small Business Loans Limited, a DBJ-approved micro finance institution.

The DBJ-PetroCaribe ICT/BPO Loan Facility

In November 2011, DBJ in conjunction with the PetroCaribe Development Fund, the Ministry of Industry, Investment and Commerce and Jamaica Promotions Limited (JAMPRO) launched a line of credit to provide direct loans to clients for the renovation and new construction of Information Communications Technology/Business Process Outsourcing (ICT/BPO) facilities.

The terms of the loan facility to each client were as follows:

a. Maximum Loan: US$5 million per project, representing a maximum of 70% of project cost
b. Rate: 4.5% per annum on the reducing balance payable monthly
c. Tenor: Up to a maximum of 12 years
d. Moratorium: Up to a maximum of 18 months on principal and interest
e. Security: Land & Building, Debenture over fixed and floating assets, Assignment of Revenues, Personal & Corporate Guarantees

As at 31 March 2018, the DBJ has committed US$71 million in financing to 14 BPO projects island wide. To date, the DBJ has disbursed US$60.56 million to the BPO sector which represents approximately 85% of its total loan commitments. DBJ's financing has assisted in the build out and creation of approximately 1M sq. ft. of BPO commercial space within the country. As a result, it is expected that as much as 22,720 jobs can be created when all projects are completed and at full capacity during operations.

BPO Portfolio as at 30 April 2018	# of Projects	Project Size	Projected Jobs	Actual Jobs Created	Loan Approved Amount (US$M)	Loan Amount Disbursed (US$M)
Directly Funded Projects	11	840,170	16,320	9,604	52.02	43.01
AFI (Indirect) Funding	3	207,000	6,400	1,350	18.70	17.55
Total BPO Portfolio	**14**	**1,047,170**	**22,720**	**10,954**	**70.72**	**60.56**

BPO projects funded by DBJ are located in various locations across the country mainly in Kingston & St. Andrew (5 projects), St. James (5 projects), St. Catherine (2 projects), Manchester (1 project) and Hanover (1 project). Of the 14 BPO projects funded, 11 have been provided direct funding by the DBJ. The other three projects have been funded indirectly through Approved Financial Institutions, namely NCB Capital Markets, First Caribbean International Bank and First Global Bank, respectively.

To date, 12 of the 14 clients have at least completed phase 1 (renovation) of the development process with all 12 having been tenanted by a BPO Operator evidenced by actual employment of approximately 11,000 jobs.

After other phases of the projects are completed (new construction), BPO operators are expected to take up more commercial space and hire additional staff thereby increasing the employment numbers closer to the 22,720 projected jobs.

Additionally, one project has not yet commenced construction, while for another the first phase is ongoing and is not yet in a position to attract a BPO operator. After these projects are implemented, economic activity is expected to increase with more BPO operators present and increased employment.

One project may fall into more than one category as stated below as each project is at varying stages of development.

BPO Project financed by the DBJ

Stanley Motta Limited, a member of the Musson Group of Companies, has undertaken construction works at 58 Half Way Tree Road, Kingston 10, to facilitate the first phase of a Business Processing Outsourcing (BPO) project of approximately 132,000 square feet.

The cost to undertake this phase of the project amounts to approximately US$9.92 million with DBJ financing US$5 million or approximately 51% of the project cost.

All renovation works have been completed and new construction is also going on at the facility with work being far advanced.

It is expected that once the new construction is completed, BPO operators will take up the additional BPO space.

This phase of the project is expected to create approximately 2,700 jobs when completed and fully occupied. To date, the BPO project has facilitated the creation of 800 actual jobs with this employment number expected to increase as the project is implemented.

MICRO FINANCE SERVICES

The DBJ received approval in April 2009 to establish a micro finance lending window to provide funding to Micro Finance Institutions (MFI). Since then, the DBJ - through its Micro Finance Services Division - has coordinated all related interventions in the micro finance sector on behalf of the Government.

The provision of funding and technical assistance grants to micro entrepreneurs are delivered through approved MFIs, the National People's Co-operative Bank of Jamaica (NPCB) and the Financial Inclusion Project, with objectives of:

a) Providing funding to accredited institutions for on-lending to micro, small and agricultural enterprises

b) Strengthening the institutional capacity of MFIs and the NPCB through the provision of technical assistance

c) Increasing transparency and information in MFIs and the NPCB through reporting and adherence to best practices

d) Providing assistance to MFIs, NPCB and micro entrepreneurs through education, training and awareness-raising events or workshops.

Paul Chin, General Manager of the DBJ's Micro Finance Services Division, speaks with a participant in the Financial Empowerment and Technological Awareness (FETA) workshop, held in Morant Bay, St. Thomas, in February 2018.

"The target for disbursement in the review period was $1,481 million or 90.0% of the loan approval target. Total disbursements amounted to J$1,448.6 million, being $31.9 million, or 2.2% below target.

REVIEW OF ACTIVITIES

The key performance targets for micro finance institutions are as outlined below.

Loan Approval and Disbursement Targets

The 2017/18 target of $1,645 million for loan approvals represents an increase of 17.0% or $245 million over the 2016/2017 target of $1,400 million. The Division's final out-turn of $1,448.6 million in loan approvals to accredited MFIs was below target by $196.3 million or 11.3%. The total number of loans supporting this out-turn was 11,672.

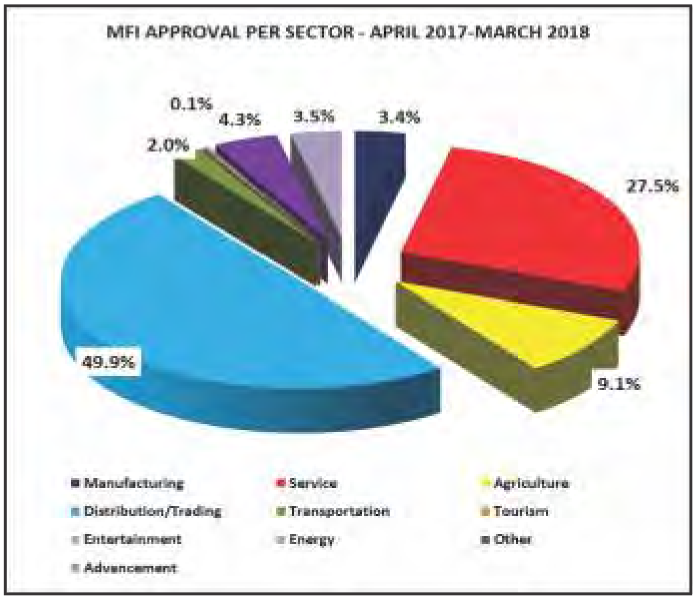
The target for disbursement in the review period was $1,481 million or 90.0% of the loan approval target. Total disbursements amounted to J$1,448.6 million, being $31.9 million, or 2.2% below target.

A section of the large group of participants in the Financial Empowerment and Technological Awareness (FETA) workshop, held in Morant Bay, St. Thomas in February 2018.

In the period under review, the borrowing pattern of the micro and small business sectors continued to mirror past years with the Distribution/Trading sector accounting for some 49.9% of funds on-lent by the Bank. The Services sector accounted for 27.5% of funds; while the Agriculture and Manufacturing sectors, accounted for 9.1% and 3.4%, respectively. The category "Other", which includes construction and miscellaneous business services, accounted for 4.3% of funds lent; while "advancements" to MFIs accounted for 3.5% of funds.

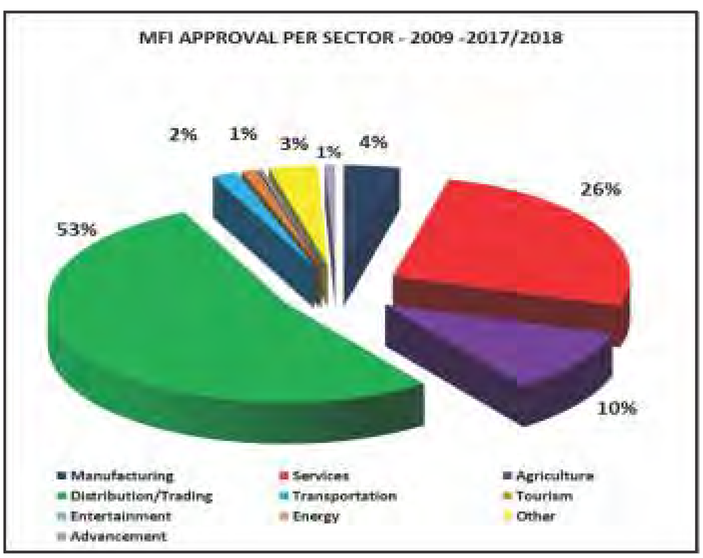
The table and chart below outline the distribution of loans across the applicable sectors for the review period:

MFI SUMMARY	No. of Loans	APPROVAL	%
Manufacturing	337	49,654,909.05	3.4%
Service	2,974	397,820,950.85	27.5%
Agriculture	1,710	131,802,666.43	9.1%
Distribution/Trading	6,291	723,212,241.31	49.9%
Transportation	101	28,530,650.00	2.0%
Tourism	4	1,750,000.00	0.1%
Entertainment	14	3,500,000.00	0.2%
Energy	-	-	0.0%
Other	241	62,335,472.01	4.3%
Advancement	-	50,000,000.00	3.5%
Totals	11,672	1,448,606,889.65	100%



The graph below shows that the performance of all sectors continues on the same trend since the inception of the microfinance lending window in 2009; with Distribution/Trading and the Services sectors commanding the majority of MFI funding with an average of 53% and 26% respectively, over the period.

The Agriculture and Manufacturing sectors have averaged 10% and 4%, respectively.



MFI Accreditation

Two MFIs lost their accreditation during the year, thereby reducing the number of accredited MFIs to 11. There were two approvals; however, at the end of the financial year, the necessary documentation to finalize their accreditation had not yet been completed.

The accredited MFIs as at March 31, 2018, are as follows:

LIST OF ACCREDITED MICRO FINANCE INSTITUTIONS	
Access Financial Services Ltd.	JN Small Business Loans Ltd
Bull Investments Ltd.	LASCO Financial Services Ltd.
COK Sodality Co-operative Credit Union	McKayla Financial Services Ltd
F.O.D. Finance Co. Ltd.	Monaire Financial Services Ltd
First Heritage Co-operative Credit Union	St. Elizabeth Co-operative Credit Union
First Union Financial Co. Ltd	

Investments

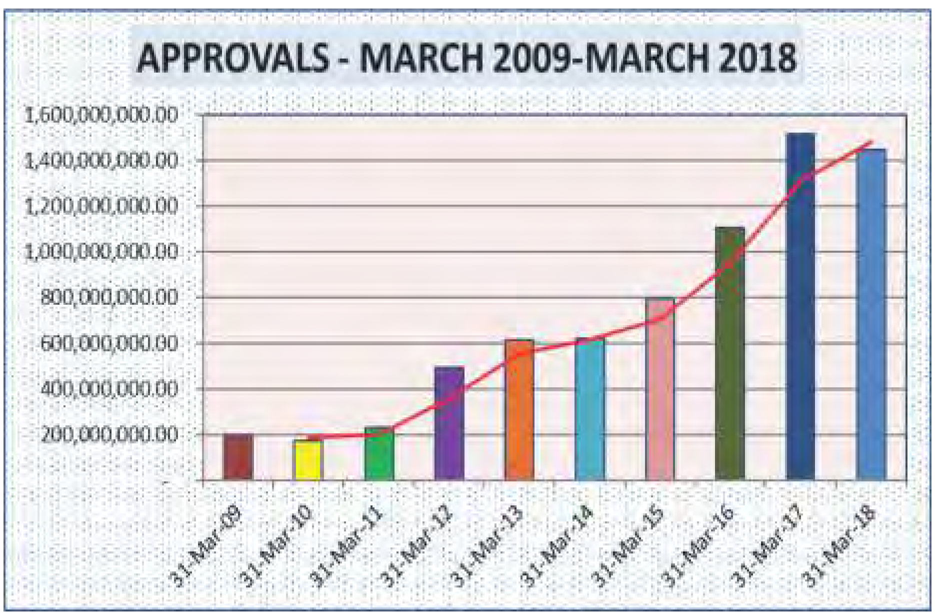
Total investment facilitated by the Division for the review period amounted to $1,808.2 million, which was $248 million or 12% below target.

Summary – 2009-2018

Since the launch of the MFI lending window in 2009, a total of $7,196.58 million has been on-lent to MFIs to support 84,176 loans to micro and small businesses in the productive sector.

The graph and table (on next page) show the performance of the lending window since inception.

Summary MFI Lending - 2009 to 2018		
Year ended	**No. of Loans**	**Approved**
31-Mar-09	4,347	200,000,000.00
31-Mar-10	2,077	174,172,970.32
31-Mar-11	4,215	228,602,855.37
31-Mar-12	6,995	491,482,736.12
31-Mar-13	8,207	613,682,596.97
31-Mar-14	9,642	620,030,451.00
31-Mar-15	8,931	795,938,877.17
31-Mar-16	11,680	1,104,710,948.06
31-Mar-17	16,410	1,519,360,519.35
31-Mar-18	11,672	1,648,606,889.65
Total	**84,176**	**7,396,588,844.01**



National People's Co-operative Bank (NPCB)

The long history of support for the NPCB continued in 2017/18 as the DBJ worked closely with the institution to resolve the issues which have stymied its financial health and growth over the past three years. While the institution is still in a loss-making position, these losses have been at a significantly declining rate, evidencing improvements in operations.

Governance & Operations

The Agricultural Credit Board Act was repealed and replaced by *"The Agricultural Loan Societies and Approved Organisations Act"*, on November 21, 2017; effectively, moving the supervision of the NPCB from the Agricultural Credit Board to the Registrar of Co-operative Societies.

The senior management changes which started in the 2016/17 Financial Year continue to positively impact the operations of the institution, resulting in the rescheduling and collection of a number of non-performing loans, as well as a general improvement in the loan quality. Over time, these measures are anticipated to positively impact the institution.

Improvements in governance are evident as the NPCB has adopted a revised set of rules to govern its operations and bring them in line with best practices. Additionally, the institution's financial statements for years ended December 2015 and 2016 were formally adopted and approved in March 2018, bringing the NPCB closer to regularizing its financial reporting obligations. The financial statements for the period ended December 31, 2017, are also expected to be finalized in accordance with legal reporting guidelines.

The NPCB did not borrow from the DBJ in this review period as it focused on improving the quality of its loan underwriting through increased training of its staff.

The continued aggressive collection of bad debt and marketing of its services to the agricultural sector are also two areas of focus for the institution's management as it works towards returning the NPCB to profitability.

Promoting Financial Inclusion in Jamaica through Mobile Money for Microfinance

In September 2015, the DBJ, in partnership with two private sector partners concluded the development and testing of a mobile money platform for micro-entrepreneurs. Having achieved its objectives as a participant in the development of mobile money services, the Inter-American Development Bank granted its approval for an extension in the project implementation timeline to September 2018.

The objectives and scope of the project were therefore modified in October 2015 to ensure continued alignment with the corporate objectives and mission of the DBJ. The project name was also modified and is now called - Financial Empowerment and Technological Awareness – **Project FETA**

The Project will be delivered under two Pillars, namely:

Pillar A, treating with **Mobile Wallets & Electronic Retail Payment Services (EPRS) Development & Growth.** The primary initiative under Pillar A will be the hosting of a conference on Mobile Financial Services and other ERPS in Jamaica, aimed at raising awareness of the benefits of electronic payment systems and how they can contribute to inclusiveness within the financial sector. The conference will be hosted jointly with the Bank of Jamaica and will take place in June 2018.

Pillar B, treating with **Financial Education & Training for MFIs & Micro Entrepreneurs**, with the primary initiative being the hosting of a series of twelve (12) workshops – *My Money Workshop: Financial Empowerment and Technological Awareness* - targeting micro entrepreneurs across the island.

At the end of the review period, the Bank had successfully executed a total of ten (10) workshops and seminars and facilitated capacity building to eight hundred and forty-four (844) micro-entrepreneurs and small business owners.

OTHER DIVISIONAL INITIATIVES IN 2016/17

I. Diversification of Funding

The DBJ has successfully disbursed the entire 10 million Euros (approximately J$1,400 million) obtained from the European Investment Bank (EIB) in 2016 under its Caribbean and Pacific Impact Finance Facility. This facility is extended to a group of financial institutions located in Caribbean and Pacific countries, pursuant to the Partnership Agreement entered into on 23rd June 2000 between the African, Caribbean and Pacific Group of States (the "**ACP States**") and the European Union and its member states.

The facility was made available to MFIs for on-lending to micro and small enterprises. Having exhausted the funds, the Bank will be seeking to source additional amounts from the EIB for on-lending to micro and small businesses.

II. Microcredit Act

The Ministry of Finance & Public Service, continues to pilot the Microcredit Bill to regulate institutions providing financing to micro, small and medium-sized businesses. Consultations with stakeholder organisations, including the DBJ, continued during the review period and the Bill is expected to be finalized in the 2018/19 Financial Year.

III. Climate Change Adaptation Line of Credit

As a part of a loan agreement under the Adaptation Programme and Financing Mechanism Project for the Pilot Programme for Climate Resilience, a US$2.5 million line of credit known as the Climate Change Adaptation Line of Credit (CCALoC) has been established.

These funds are currently being passed through the DBJ, as Fund Facilitator, to the micro finance institution JN Small Business Loans Limited (JNSBL) for on-lending to MSMEs in the tourism and agri-business sectors to help them increase resilience to climate change.

At the end of the review period, a total of J$135 million has been disbursed to JNSBL for on-lending to agricultural and tourism projects.

STRATEGIC SERVICES

The Strategic Services Division (SSD) plays a pivotal role in assisting the sustainable development and growth of micro, small and medium-sized enterprises (MSME) by providing them with capacity development to improve their access to financing. SSD also manages special projects that strengthen the DBJ's ability to support Jamaica's economic growth; and develop new products that allow the Bank to deliver greater value to its stakeholders.

The Division also supports the execution of the Bank's business units by (i) providing enterprise-wide research, product development and analytics support to measure and monitor DBJ's impact and (ii) managing the Bank's strategic planning and execution.

In 2017-18, BAUGHaus Design Studio received a grant under the DBJ's IGNITE programme to produce high-end porcelain home goods and bespoke lighting fixtures.

BUILDING THE CAPACITY OF MSMEs

The DBJ strengthens and builds the capacity of both MSMEs and their intermediaries by providing training, coaching, mentorship and technical assistance that allow them to grow, invest and expand.

To address the gaps that are identified in the sector, the DBJ provides capacity development support to firms and projects in priority areas such as:

* Access to financing
* Access to global markets and the development of supply chains
* Fostering innovation and entrepreneurship; and
* Improving productivity through investments in renewable energy and energy efficiency

Impact in Financial Year 2017/18

During the 2017/18 Financial Year, the Bank made significant strides in providing capacity development support to entrepreneurs as follows:

650 MSMEs benefitted from capacity development

195 new businesses were supported or created

309 new jobs were created

1,397 vouchers were issued for technical assistance to **764** companies to improve their business operations

Kazanya Suzanne Graham is a vendor of agricultural produce in Kingston's largest food market, Coronation Market. She has accessed DBJ loans from Access Financial Services, a DBJ-accredited micro finance institution to expand her business.

IMPROVING MSMEs CAPACITY AND ACCESS TO FINANCING

1. Voucher for Technical Assistance

The Voucher for Technical Assistance (VTA) programme aims to contribute to sustainable growth of Jamaican MSMEs, by issuing electronic vouchers for business support services to MSMEs to help build their capacity and/or improve their access to financing and to contribute to the creation of more viable business operations.

These vouchers are redeemed at approved Business Development Organizations (BDOs) for 27 business support services that include, among other things, training, management consulting, financial software acquisition, business plans, marketing plans, product development services, business process improvement services and financial statements.

MSMEs across Jamaica involved in the productive sectors such as agriculture and agro-processing, manufacturing, tourism, non-metallic mining, information technology, energy and services are able to access vouchers.

Since its launch in May 2014, the VTA programme has reached MSMEs in every parish with over 2,332 vouchers being issued to 1,320 companies. There was a 178% increase in the number of vouchers issued during the 2017/18 financial year when compared to the 2016/17 financial year; this increase was as a result of the online user application modality, which was launched in July 2016.

During the period under review, the VTA programme has resulted in the following:

Impact of VTA project during the 2017/18 Financial Year		
 **1,397** vouchers were issued **293** vouchers were redeemed	Recipients **actually** created **19** permanent and **10** temporary jobs from DBJ financing	 **8** DBJ loans were approved for VTA recipients totaling **$141.5M** and supporting **$425.7M** in investment
368 **new** businesses received vouchers 	**128** new businesses redeemed vouchers	**5** businesses that accessed vouchers received guarantees of **$6.55M** under DBJ's Credit Enhancement Facility (CEF) programme 

2. Land Titling Financial Assistance through the Land Administration Management Programme (LAMP)

In Jamaica's current banking system, a pre-requisite for accessing financing is often the possession or ownership of tangible assets such as cash or land. An attempt to increase the asset base of Jamaicans resulted in a partnership since 2016 between the DBJ and the Ministry of Economic Growth & Job Creation (MEGJC) formerly the Ministry of Water, Land, Environment and Climate Change (MWLECC) to assist with the issuance of titles under the Land Administration Management Programme (LAMP) Project. The objective of the programme aligns with the DBJ's strategy for social inclusion and increasing access to financing.

The programme was structured to allow a Conditional Grant being made available to a beneficiary or registered proprietor to fund the surveying and registration costs in order to provide him or her with a Duplicate Certificate of Title. In the event that the said beneficiary or registered proprietor seeks to transfer or mortgage the lands within 10 years of receipt of the relevant portion of the Conditional Grant, the amount advanced under the LAMP Project shall become repayable to LAMP/MEGJC and refunded to the DBJ.

"The programme has supported the processing of over 2,350 titles, while 1,745 titles have been distributed to beneficiaries with grant assistance in the amount of $70 million during the 2017/18 Financial Year.

The programme has supported the processing of over 2,350 titles, while 1,745 titles have been distributed to beneficiaries with grant assistance in the amount of $70 million during the 2017/18 Financial Year.

2353
titles processed

1,745
titles distributed

The project was implemented over a duration of three years in the LAMP designated parishes of St. Catherine, St. Mary, Trelawny, St. Ann, St. James, Hanover, Westmoreland, Portland, St. Thomas, Manchester, Clarendon and St. Elizabeth.

3. Access to Finance Programme

The DBJ was charged with the responsibility for the execution of two projects funded by multilateral agencies and geared towards improving access to finance for MSMEs:

(i) The World Bank-funded Access to Finance for MSMEs; and

(ii) The Inter-American Development Bank-funded Credit Enhancement Programme for MSMEs.

Both projects are funded by loans to the Government with the DBJ as the implementing agency. This has resulted in the establishment of a project-implementing unit with responsibility for managing the projects within the DBJ's Strategic Services Division

Temper Tantrum Ltd. makes Jamaican chocolates in a variety of flavours using cocoa beans from farms across the island. In 2017-18, the company received an IGNITE grant from the DBJ to commercialise its operations.

World Bank - Access to Finance for MSMEs

THE WORLD BANK

In January 2018, the World Bank's Board of Director's approved funding for an Access to Finance for MSMEs project in the amount of US$15 million. The project will be executed over the five-year period, January 2018 to January 2023. The project components are:

I. Capitalization and Revamping of the DBJ's Credit Enhancement Fund

II. Supporting the establishment of an SME Fund

III. Enabling environment for MSMEs including the development of financial instruments & Business development services for MSMEs to improve bankability

IV. Project Management

During the last financial year, feasibility studies for the introduction of factoring and leasing as new financial instruments was completed paving the path for the development and introduction of these new products to the Jamaican market.

Bresheh Enterprises was the recipient of a DBJ IGNITE grant to improve its production capacity and expand its workforce in the design, manufacture and distribution of high quality bags.

One-on-One Educational Services Limited provides personalized educational services and e-learning solutions to secondary school students and corporate entities. A DBJ IGNITE grant assisted the company in expanding its services.

IDB - Credit Enhancement Programme for MSMEs

IDB

The Inter-American Development Bank's Credit Enhancement Programme for MSMEs is a US$20 million project that will be executed over a five-year period from September 2017 to September 2022 with the objective of improving access to finance for MSMEs in Jamaica. The programme will be supplemented by a US$250,000 grant for the Digitization of the CEF Management Process.

Activities under this programme will include:

I. Capital Injection into the CEF to increase the capital base of the fund

II. Administrative, monitoring and evaluation and external audit cost

III. Grant -The procurement of an IT system that will improve the efficiency and effectiveness of the programme as it is scaled and supports more MSMEs

The approval for funding by both International Development Partners (IDPs) will increase the capital of the Credit Enhancement Facility (CEF) to increase the support provided to MSMEs which lack the collateral required to access loans from the Bank's Approved Financial institutions.

Castor Black Gold Jamaica Ltd. produces 100% pure Jamaican-grown dark castor oil. The company received an IGNITE grant in 2017-18 to establish an organic 350-acre castor farm and processing plant in Clarendon.

SUPPLY CHAIN DEVELOPMENT AND ACCESS TO GLOBAL MARKETS

1. Foundations for Competitiveness and Growth Project – Jamaica Business Fund (JBF)

The Foundations for Competitiveness and Growth Project has created the Jamaica Business Fund (JBF) as a financing mechanism that provides support directly to SMEs by funding a combination of supply chain learning, skills upgrading and productivity improvements.

The purpose of the JBF is to promote economic development through inclusive growth in high-potential supply chains. This will improve the productivity of SMEs in the supply chain and pass cost savings and increased output through to medium-sized and larger buyer (anchor) firms, and their downstream clients, enhancing the competitiveness of exports and import-competing products.

The Fund is focused on improving the capabilities of SMEs in specific, eligible supply chains in order to meet the purchasing needs of anchor firms, as well as other local and foreign buyers.

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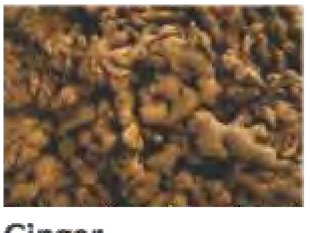
During the financial year, three productivity improvement supply chain projects (grant cycle no. 1) were fully executed accessing JBF funding of approximately J$49.5 million or US$387,000. This represented a utilization rate of 81%. Under these three projects, the private sector provided financial inputs in the amount of $34.7 million, for total investment of J$84.2 or US$657,800. These investments were all in the agriculture sector and provided funding to the following sub-sectors:



Ginger

Hot Pepper

Coffee

The investments can be further analyzed based on the strategic issues to be solved under the various supply chains.

Based on the total investments under grant cycle no.1, as at March 31, 2018, the investment distribution is as follows:

No.	Investment Categories	Amount (JMD)	%
1. Strategic Consumable Production Inputs	The provision of strategic inputs which are **utilised/consumed within the production or cultivation cycle** *(such as enhanced fertiliser, drip irrigation, plastic mulch, and quality seedlings)* and are directly linked to **efforts to increase production, productivity, and/or quality of a particular crop, output or service produced by SMEs**	**55.1M**	65.4%
2. Strategic Asset-based Inputs	The provision of strategic inputs which can be **utilised over multiple production or cultivation cycles** *(such as live wells for lobster, drip irrigation, and greenhouse supplies)* and are directly linked to **efforts to increase production, productivity, and/or quality of a particular crop, output or service produced by SMEs**	**20.5M**	24.4%
3. Capacity Building	The provision of **training, training outputs, and technical services** for improved knowledge, know-how, and practices **important for sustained SME development in the particular sector/sub-sector**	**2.8M**	3.3%
4. Operations & Logistics	The provision of **improved processes, coordination support, management support, and scheduling mechanisms** for **improved efficiency, reduced defects, and cost savings for SME's operations**	**5.8M**	6.9%
	GRAND TOTAL	**84.2M**	

“The JBF launched its 2nd Call for Proposals on May 12, 2017, which yielded some 37 concept note submissions valued approximately J$806 million or US$6.3 million.

The JBF launched its 2nd Call for Proposals on May 12, 2017, which yielded some 37 concept note submissions valued approximately J$806 million or US$6.3 million. A total of 19 supply chain projects were shortlisted further to the evaluation process, with 17 projects submitted on the deadline of September 1st. A total of nine projects were recommended for support with the agriculture sector again earmarked as the recipient productive sector. There was, however, increased diversity based on the sub-sectors to be supported in the form of lobster, fresh vegetables, ackee, onion, Irish potato, fresh produce, condiments, and cassava.

As at the end of the reporting period, one contract was signed in support of an onion supply chain project. This project commenced implementation in earnest and booked JBF disbursements totaling J$7.03 million and counterpart contribution of J$1.91 million as at March 31st.

Description	Actual Status	Achievement Rate
Number of SMEs receiving direct support under supply chain projects	**240** **186** (within supply chain) **54** (outside of supply chain)	**133%** of target
Volume of private co-financing provided by SMEs receiving grants	**USD$286,116**	**28.6%** of target

Based on the projects supported under grant cycle no.1 and implementation progress under grant cycle no.2, 240 SMEs have received direct support, while US$286,116 in private co-financing was provided by the SMEs which have received grants to date.

SMEs benefiting outside of supply chains, which totaled 54, relate to the implementation of project activities which were accessed by SMEs not named under any particular supply chain project. In all instances, their participation assisted with building capacity for improved production and productivity.

2. EXPORT MAX II – Enterprise Development for Export Growth Programme

The Export Max II programme was implemented by JAMPRO with DBJ's continued grant commitment of $10 million, over the three-year period, 2014-17, ending in September 2017. It was aimed at building the capacity of 20 existing export-ready firms to better position them to increase export sales and increased market penetration.

The DBJ's contribution to the programme has assisted in the companies' achievements as follows:

- Investments of over J$700 million
- Penetration of 7 new markets namely Canada, UK, Aruba, Haiti, Suriname, Antigua, and Korea;
- Created over 146 jobs
- Increased export sales by 181%.

PROMOTING INNOVATION

1. Innovation Grant from New Ideas to Entrepreneurship (IGNITE) - Pilot

In 2015 the Bank developed the pilot programme *Innovation Grant from New Ideas to Entrepreneurship (IGNITE)*, which offered grants to innovative new businesses through existing MSME development organisations and incubator programmes.

Grants of up to $4.0 million (or 70% of a project cost) were awarded for implementing innovative business products, processes or models that support the growth of new firms in the productive sectors. In July 2016, 27 MSMEs were selected and awarded IGNITE grants totaling $72 million coupled with business development training and mentorship in the 18-month programme which ended in December 2017.

The DBJ is committed to the expansion of the IGNITE programme and will be inviting applications in the second quarter of the 2018/19 Financial Year through its network of Business Services Intermediaries to invite Cohort 2 of MSMEs to improve their business operations, grow their business and provide employment to Jamaicans.

Between July 2016 and July 2017, the IGNITE programme has resulted in the following:

Improving productivity through investments in renewable energy and energy efficiency

1. The DBJ's Energy Audit Grant Programme (EAGP)

The DBJ continues to execute an energy audit grant programme to provide businesses with grant funding to analyse their energy usage and make recommendations on how to reduce the overall cost and/or their consumption of energy.

The audit level required to provide a comprehensive analysis is dependent on the complexity of the business, its size and the way it consumes electricity.

The steps for an energy audit grant are as follows:

The audit typically begins with a review of historical and current utility data and benchmarking of your building's energy use against similar commercial buildings.

The main outcomes of an energy audit are to provide the client with a list of recommended energy efficiency measures (EEMs)/energy opportunity measures (EOMs), their associated energy savings potential, and an assessment of whether EEM/EOM installation costs are a good financial investment.

The resulting report documents the entity's energy usage patterns and opportunities, among other things.

During the period under review, the EAG programme resulted in the following:

JAMAICA VENTURE CAPITAL PROGRAMME

Shani Bennett (3rd left) and Kevonne Martin (4th left), founders of Queritel, the University of the West Indies-based winning company in the 2018 National Business Model Competition, celebrate with sponsors and other supporters. From left are, Jennifer McDonald, Chief Executive Officer at the Private Sector Organisation of Jamaica; Joanna Banks, Vice President, Strategy & New Business Development, PanJam Investments; Milverton Reynolds, Managing Director, Development Bank of Jamaica; Ashli Rose Davis and Dawn Morgan, coordinators of the UWI Business Model Competition; and Audrey Richards, Project Coordinator of the DBJ's Venture Capital Programme.

The DBJ's Jamaica Venture Capital Programme (JVCP) was established chiefly to *ensure that all players in the private equity and venture capital ecosystem are equipped with the relevant knowledge and supportive systems to facilitate high potential entrepreneurship with access to finance through dynamic venture capital and private equity markets*.

For the 2017/18 Financial Year, the JVCP Unit continued to execute on this mandate and to build on the successes of the previous years.

It is noteworthy that private equity, as an asset class, has increasingly gained traction on the local landscape, with entrepreneurs and local businesses becoming more receptive to equity funding as an alternative source of funding; a significant achievement in a previously debt-centric environment. On the supply side, local capital market players have also become increasingly receptive to the inclusion of private equity and other alternative investments in their portfolios.

Some of the key trends which have supported the attractiveness of private equity investments over the period include:

- Increased knowledge of and exposure to the asset class through training and investing activities.
- A conducive macroeconomic environment which has seen reductions in Jamaican Government debt levels, accompanied by the reduction in local inflation and interest rates.
- The continued positive performance of the Jamaica Stock Exchange, particularly since the introduction of a Junior Market in 2009, has seen 16 listings, raising capital of $13.8 billion over the 2017/18 period. This has brought the total new listings to 68 securities over the past 9 years, with a capital raised of $39.3 billion.
- The existence of this vibrant public market has resulted in a significant increase in pre-IPO companies and this augurs well as an exit

mechanism for investments held by fund managers. Recent IPOs have also been substantially over-subscribed, indicating continued strong investor interest.

- The interventions of angel investors who, over the period, have contributed to capacity building of early stage companies and have invested some US$468,300 in three companies. This brings total investments, since May 2015, to US$1.21 million in 8 local businesses, including follow-on rounds in two of the investee businesses.

- Legal and regulatory reforms including the Insolvency Act which has modernized the treatment of companies in bankruptcy.

- Increased business and consumer confidence evidenced by reports issued over the period.

- The raising of Jamaica's profile on the Doing Business Report, indicating an improved investment environment;

- The recovery of the real estate markets and the preparation of new infrastructure projects, particularly in the energy sector, attracting interest from local and international funds.

These developments have positively impacted the local private equity and venture capital (PE/VC) markets and have validated the strategy of the JVCP which is aimed at catalyzing private sector participation and leadership in the industry. The development of an entrepreneurial and early stage ecosystem and the addressing of any gaps which may hinder market activity are at the core of this strategy.

The improvements in the ecosystem were evident in Jamaica's improved score and ranking on the Latin American Private Equity and Venture Capital Association's (LAVCA) 2017/18 Scorecard, issued July 2017, which saw Jamaica now being ranked the highest among the countries of the Caribbean.

As part of its capacity building for university incubators, the Venture Capital Unit was instrumental in the organisation of the Canadian Incubators Study Tour in June 2017. Participants included, from left to right, Lu'Shana Francis-Cheddesingh, DBJ's Manager of Capacity Development; Audrey Richards, Coordinator of the Jamaica Venture Capital Programme; Dr. Marjorie Buckley of Northern Caribbean University (NCU); Sandra Glasgow, Managing Director of Biz Tactics Ltd.; Christopher Brown, DBJ's General Manager of Strategic Services; Terry-Ann Segree, JVCP Investment Manager; Hazel O'Conner, Executive Director of NCU's Morris Entrepreneurship Centre; Dr. Georgiana Gordon-Strachan and Dr. Sharon Smith of the University of the West Indies; and Dionne Palmer and Dr. Colin Gyles of the University of Technology.

Key Programme Initiatives

In keeping with the 3-year Technical Cooperation Agreement, entered into with the Inter-American Development Bank's Multilateral Investment Fund (MIF) in 2016, key programme initiatives, during the financial year centred around:

- Developing a sustainable deal flow of investment-ready entrepreneurs;
- Promoting the supply of capital through new private sector managed funds, with the DBJ acting as anchor investor in some of these funds;
- Leading initiatives aimed at continued improvement in the legal, regulatory and taxation framework.

Entrepreneurship Development and Support

i) Capacity Building University Incubators

During the year under review, the JVCP embarked on a programme of capacity building and technical assistance to three university incubators – Technology Innovation Centre at the University of Technology, Jamaica; Mona Entrepreneurial & Commercialization Centre at the University of the West Indies; and the Morris Entrepreneurship Centre at Northern Caribbean University.

The multi-pronged programme covered: a needs assessment of each university, an international study tour, the development of strategic plans and the provision of a pool of financial resources to implement the respective plans. Arising from this tour, each university was better equipped to revise their incubator's strategic plan in order to access funding for the capacity-building programme, which will run over 18 months commencing April 2018.

It is anticipated that this initiative will see each incubator enhancing its capability to deliver effective business support services that will positively impact innovative and dynamic early stage entrepreneurs.

ii) Investment Readiness Workshops

Through a partnership spearheaded by DBJ and including BizTactics Ltd., FirstAngelsJa, and eight business services providers, 41 entrepreneurs and SMEs were invited to participate in two investment readiness workshops held during the period February to March 2018. The participants were provided with two full days of high-level presentations and roundtable discussions to prepare them for investment.

The entrepreneurs were exposed to a wide range of topics that included:

- Personal Audit and Introduction to Finance
- Creating a winning business plan and pitch deck
- Exit strategy and valuing your business
- Finalizing the investment

The outcomes of this intervention, to date, include:

- One entrepreneur received investments of $17.3 million from angel investors
- Two entrepreneurs have undergone due diligence
- New pitch events scheduled for early June 2018.

iii) SME Summit

On November 7, 2017, a one-day summit targeting small and medium-sized businesses, under the theme '**Empowering for success:** *talk, connect grow'*, was held in Kingston.

The event featured keynote presentations, plenaries and panel discussions, covering topics such as:

- Innovative Jamaican Businesses
- Putting together the Pieces to Drive Growth for the SME sector
- Understanding the role of culture in businesses
- Boosting Creative Potential
- Acquiring the Right Capital to extend regionally and internationally; and
- Technological Solutions & Productivity Tools for Innovative 21st Century SMEs

Approximately 160 SMEs attended this engaging event and were provided with cutting-edge information and tools to assist them in growing and sustaining their businesses. The SME Summit was extremely well received and plans are in place to ensure that similar events are held annually in November during the celebrations of Global Entrepreneurship Week.

iv) National Business Model Competition (NBMC)

The NBMC, an initiative of the DBJ, JVCP and partners, is now in its fifth year and is executed on the campuses of four universities – Edna Manley College of the Visual and Performing Arts, Northern Caribbean University, University of Technology, Jamaica; and the University of the West Indies.

The NBMC provides these tertiary level students with:

- A platform to promote entrepreneurship, innovation and the use of technology
- A unique opportunity to put entrepreneurial principles into practice with an integrative learning experience
- Relationship building among budding entrepreneurs and private sector mentors and financiers
- An opportunity for human capital development and creation of their own employment
- A unique opportunity to be at the forefront of the necessary transformation of the entrepreneurial culture in Jamaica.

Factory 75 Company Ltd. is a full-service video production, media and motion picture company with products tailored for corporate, commercial and entertainment projects. A DBJ IGNITE grant allowed the company to expand its suite of products and services and to acquire additional post-production equipment.

The fifth staging of the NBMC took place on March 23-24, 2018, in Kingston. Fourteen student teams entered the competition and at the end of two days of competition, the

UWI's student-entrepreneur teams – Queritel, a research-based project, and Eco-Structures, a company that repurposes plastic waste through integrating it into viable and safe construction material, were placed first and second respectively, with NCU's Pneulyfe and BEASC Technologies, being awarded third and fourth places, respectively.

As in previous years, the high calibre of business models from all participating teams was impressive.

Queritel, the winner of the 2018 NBMC, received an all-expenses paid trip to participate in the International Business Model Competition (IBMC) on May 10–11, 2018, in Utah, USA.

International Business Model Competition, May 10-11, 2018, Utah, USA

The International Business Model Competition (IBMC), the first and largest international lean startup competition, is anchored by Brigham Young University in Utah, USA, through the Rollins Centre for Entrepreneurship & Technology. The competition is hosted by various organizations that include Harvard University, Microsoft Ventures, Computer History Museum and Brigham Young University.

Jamaica began competing at the IBMC in 2014 through the NBMC and is allowed one automatic qualification to the quarter-final round. However, other institutions can apply to compete at the IBMC by applying to the highly competitive At-Large Round. There are only 14 of these slots and teams are judged by a team of independent judges.

For the 2018 IBMC, four additional teams from UWI and NCU applied through this round and were all awarded slots, resulting in five teams from Jamaica participating in the IBMC for the first time.

At the end of the two-day event, BEASC Technologies and Eco-Structures were awarded the first and second places, with a third team Queritel placing seventh.

This outstanding performance by Jamaican student entrepreneurs at this prestigious competition is an amazing feat and is an excellent platform on which to build, for the DBJ, its partners and local universities. Already, the JVCP has received expressions of interest from two local universities wishing to join the current group of institutions.

The NBMC has established a strong foothold in the Jamaican entrepreneurial ecosystem and is now a critical component of the DBJ-JVCP entrepreneurship development. The sponsors of the 2018 NBMC were the Inter-American Development Bank's Multilateral Investment Fund, PanJam Investments, Musson Foundation, Sagicor Group, Scotiabank Jamaica, Restaurants Associates through their Burger King brand, GK Capital Management, PetroCaribe Development Fund and NCB Foundation. They have already signaled their continued commitment and support of the initiative. It is the DBJ-JVCP's intention to continue to grow and transform the initiative.

Promoting the supply of new funding sources

i) Investments to date in funds

The DBJ, through the JVCP, committed US$2.25 million to three funds which, among them, raised some US$53 million from local investors and US$234.5 million in total, locally and internationally. To date, the funds have made a combined 17 investments valued at approximately US$142.8 million in Jamaica, the Caribbean, and Central America. Twelve of these investments, totalling US$43 million, were made in Jamaican businesses.

The DBJ's investments are in:

- **Portland JSX Limited** (a local limited partner aggregation vehicle which was created primarily to invest as a limited partner in the Portland Caribbean Fund II). This investment was made in 2015/16.

- **Caribbean Mezzanine Fund I Limited (CMF1)**, which is jointly managed by local fund managers Eppley Limited and NCB Capital Markets Limited. DBJ's commitments were made in 2016/17, with periodic disbursements made on receipt of capital calls.
- **Sygnus Credit Limited**, a private credit fund geared toward providing non-traditional debt solutions to SMEs. The DBJ investment was made in June 2017.

ii) Call for Proposals from new fund managers

On November 30, 2017, the DBJ issued its second 'Call for Proposals' from fund managers interested in investing in Jamaican businesses requiring seed capital, venture capital, growth and expansion capital, large-scale private equity or infrastructure. At the close of the 'Call' on February 28, 2018, three proposals were received. They are currently being reviewed.

iii) SME Fund

The Government of Jamaica has received financing from the World Bank under its five-year Access to Finance (A2F) Project which has among its deliverables, advancing MSME financing in Jamaica. One initiative under this project, that is managed through the JVCP, is the establishment of a private sector-managed SME Fund, anchored by the Government.

It is anticipated that the Government will invest US$5 million in the fund, for which the selected private sector fund manager will be expected to raise a minimum amount of US$10 million in private capital. The Fund, when established, will provide SMEs with increased access to finance and provide them with strategic partnerships to grow and scale their businesses.

Once the A2F project becomes effective early in FY2018/19, it will include procurement of the fund manager, with a target date to establish the fund by mid-year fiscal 2019/20.

Legal, Regulatory & Taxation Framework

A robust and sustainable private equity/venture capital (PE/VC) industry requires an environment that is conducive to seamless transactions by local and international investors and, as such, one the JVCP's priorities has been the identification and spearheading of activities to remove legislative roadblocks.

Under the A2F project, a number of legal and regulatory impediments have been identified. During the financial year, the JVCP continued to work closely with, and to lobby, the Government and its agencies, including the Financial Services Commission, to address the legal and regulatory issues that are likely to impact the availability of long-term funding.

High on the JVCP's agenda are:

- Finalization of amendments to regulations regarding the limits for pension fund investments in the private equity asset class
- Finalization of the regulations relating to the Partnership (General) and the Partnership (Limited) Acts.

Looking to the future

The Financial Year 2018/19 will see the following programmes being implemented:

I) Taxation:
- Review of the taxation issues impacting PE/VC investments by local and international investors and recommending necessary amendments;

ii) Ecosystem Development and Funding:
- The establishment of a Venture Capital-Private Equity Association with local, regional and international private sector membership & leadership. Further engagement of the Jamaican and Caribbean diaspora will be achieved through this vehicle.

- Promotion of continuous professional training in private equity and other alternative investments through the development and implementation of the curriculum for a specialized training module, in collaboration with the Jamaica Stock Exchange's E-Campus
- Establishment of new sources of innovation funding for startups developing their prototypes or minimum viable products
- Further investment in new funds providing financing at all phases of the business lifecycle
- Encouraging the deepening of the local capital markets with long term private equity funding for infrastructure projects

iii) Entrepreneurship & Innovation:
- Establishment of a hub for innovation, with private sector partnership & leadership
- Support of programmes to significantly drive high potential entrepreneurship and a deal flow of investment-ready businesses;

iv) Hosting of Jamaica's 4th Venture Capital and Private Equity Conference, attracting local, regional and international entrepreneurs, investors and fund managers.

Cold Bush Organics Ltd. farm organically grown premium Jamaican cocoa products which they manufacture a wide range of products that include white and milk chocolates, cocoa butter and cocoa powder. The DBJ awarded the company an IGNITE grant to help with the automation of its flavoured chocolate production process.

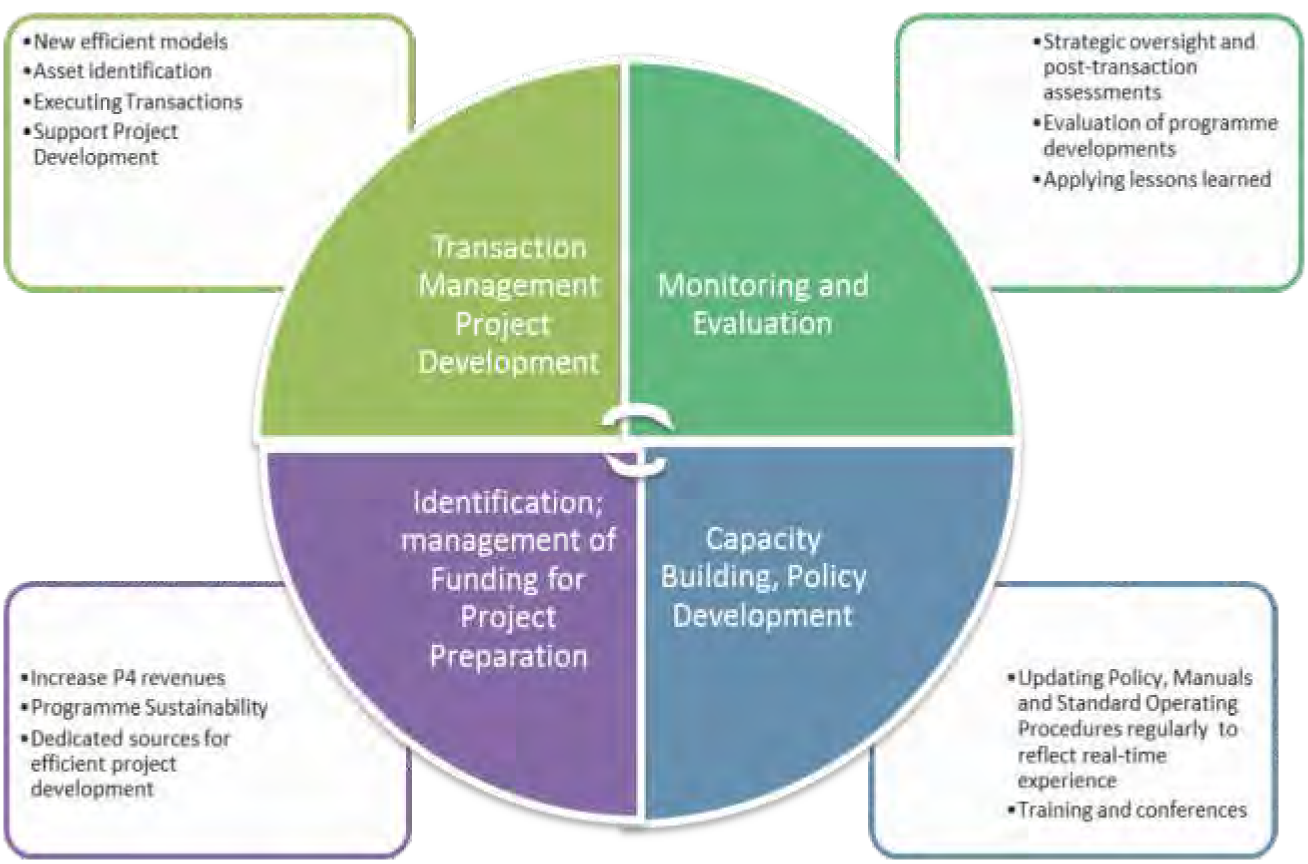
PUBLIC-PRIVATE PARTNERSHIPS & PRIVATISATION

Recognizing the importance of accelerating the pace of programme execution, many of the activities of the Public-Private Partnership and Privatisation (P4) Division during the Financial Year 2017/18, focused on assessing the privatisation process to identify policy and operational initiatives to improve efficiency.

Two major consultancies undertaken during the period resulted in recommendations for significant policy amendments to introduce new asset classifications and related transaction modalities, and a new procurement process for engaging consultants. Once approved by Cabinet in the coming year, these amendments are expected to facilitate the DBJ's capacity to deliver a scaled-up, more efficient and effective P4 programme.

During the year, the Division continued to execute its mandate to advance the Government's objectives for the P4 Programme through its multi-functional approach of managing transactions and assessing projects for development, reviewing and implementing policy, managing funding for the programme, executing capacity-building activities and evaluating programme performance.

FUNCTIONS AND OPERATIONS



Of note, the Division introduced, on the recommendation of the Economic Growth Council, multi-transaction Enterprise Teams (ETs) and two such teams were established; the National Water Commission (NWC) ET and an Urban Development Corporation (UDC) ET.

PERFORMANCE HIGHLIGHTS

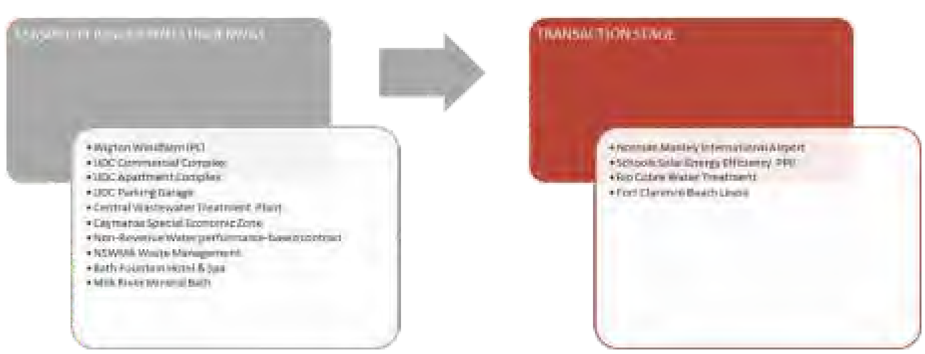
Investments Facilitated and Savings Generated

DBJ-supported P4 transactions resulted in $17.5 billion in investment in the economy during the review period. This included continued investments made by Kingston Freeport Terminal Limited (KFTL) in the Kingston Container Terminal (KCT), as part of its committed development plan related to the port's privatisation and handover in June 2016. Savings of $175 million were achieved based on the sale of Montpelier lands in this financial year and lease proceeds from the previous privatisation process.

Transaction Management and Execution

During the year, the DBJ divested 103.16 acres of land at the Montpelier property to the Ministry of National Security while four other projects advanced to the transaction stage and commenced the competitive tender process to identify suitable investors. These were the Norman Manley International Airport (NMIA) PPP, Schools Solar and Energy Efficiency PPP, Fort Clarence Beach Park lease and Rio Cobre Water Treatment Plant PPP.

Feasibility assessments to inform the transaction structure were underway for several other transactions. One transaction, the Jamaica Railway Corporation PPP, was terminated during the period.



Policy Review and Implementation

In December 2017, Cabinet approved amendments to the GOJ's Public-Private Partnership Policy to recognise the GOJ's Public Investment Management System (PIMS) and the role of the Public Investment Management Committee (PIMC) and its Secretariat as the first point of assessment for PPP project development, unsolicited proposals and strategic investments.

Programme Funding

Since the inception of the Project Preparation Facility (PPF), approximately US$1.9M has been committed under contract for disbursement. During the review period, the PPF provided project preparation support and technical assistance to five projects.

Capacity Building

During the year, the DBJ hosted four capacity building and sensitization sessions involving 131 attendees. These included a Contract Management Workshop, Dispute Resolution Board Workshop, and two sessions to discuss the proposed changes to the GOJ's Privatisation Policy via a Modalities Workshop and Procurement Policy Workshop.

Evaluation and Compliance

During the review period, the DBJ assessed 11 projects for suitability for development as PPPs as part of the Public Investment Management Secretariat (PIMSec) assessment process.

TRANSACTION MANAGEMENT AND EXECUTION

COMPLETED PRIVATISATION TRANSACTIONS

Sale of Montpelier Lands

During the financial year, 103.16 acres of the Montpelier property were divested to the Ministry of National Security for $160.5 million. The Montpelier Citrus Company Limited and Commissioner of Lands executed a sale agreement in March 2018 for the sale of 75 acres of Block A and 28.16 acres of Block F of the Montpelier lands. The Ministry of National Security (MNS) intends to utilize the lands to establish a detention centre and to house a mobile reserve unit. This development will enhance the MNS's security capabilities in western Jamaica.

During the financial year, the DBJ's Public-Private Partnerships & Privatisation Division began work on the Rio Cobre Water Treatment Plant as a PPP transaction.

PRIVATISATION TRANSACTIONS IN PROGRESS

As at financial year end, the following transactions were at varying stages of the P4 project development process.

Wigton Windfarm Limited (WWFL) Initial Public Offering (IPO)

WWFL is being considered for privatisation via listing of shares on the Jamaica Stock Exchange (JSE) via an Initial Public Offering.

The DBJ supports the WWFL Enterprise Team (WWFLET) as Transaction Manager and Secretariat. During the year the DBJ, on behalf of the Petroleum Corporation of Jamaica, engaged Ernst & Young to value WWFL; Mayberry Investments as Financial Transaction Structure Advisor & Stock-Broker to undertake the WWFL IPO and Patterson, Mair, Hamilton as Legal Advisor. As at year end, the Government's feasibility assessment was near completion and the recommended transaction structure being finalized with the WWFL Enterprise Team. It is expected that the IPO will be completed by the third quarter

This transaction will signal the resumption of JSE listing as a viable privatisation mechanism which will see the broadening of the ownership base in the economy, stimulation of local capital markets and the provision of well-needed revenues to the Government.

Sale of GOJ's shares in Central Wastewater Treatment Company (CWTC) and Expansion of Soapberry Wastewater Treatment Plant

The NWC is seeking to privatise its 85% shareholding in Central Wastewater Treatment Company Limited (Soapberry) to facilitate private investment to expand the Soapberry Wastewater Treatment facility to meet the projected increase in demand based on developments contemplated. During the year, financial and legal consultants were engaged through the Project Preparation Facility and the GOJ's due diligence activities were completed. As at financial year end, the valuation report, transaction options analysis and recommended transaction structure were being finalized. It is anticipated that the transaction structure will be approved by Cabinet by the second quarter FY 2018/19. This transaction will increase revenues to the Government and mobilise private investment in infrastructure.

Privatisation of Fort Clarence Beach Park

The UDC, through the UDCET, is seeking to privatise the Fort Clarence Beach Park via a long-term lease. The DBJ assists the UDCET in this transaction. As at financial year end, the pre-qualification process to identify a suitable private party was completed and bid documents issued. It is expected that the preferred bidder will be confirmed and the lease terms approved by the second quarter of 2018/19.

Sale of the commercial assets of the Cocoa Industry Board

Consequent upon termination of the discussions with the previous preferred bidder in Financial Year 2016/17, and the submission of recommendations by the DBJ on a revised privatisation strategy, the Ministry of Industry, Commerce, Agriculture and Fisheries (MICAF) has been considering and assessing the approach to divestment. As at financial year end, the DBJ was seeking to update the valuation of the cocoa assets in anticipation of MICAF's recommendation and approval by Cabinet on the resumption of the process.

PUBLIC-PRIVATE PARTNERSHIPS TRANSACTIONS IN PROGRESS

Norman Manley International Airport (NMIA)

In June 2017, the Government, through a competitive tender, prequalified eight bidders and issued to them the draft Concession Agreement (CA) and the Request For Proposal (RFP). Subsequently, the prequalified firms have been conducting their due diligence, including site visits and clarification questions on all aspects of the airport operations.

A bidders' conference, held in June 2017, provided bidders with the opportunity to have face-to-face meetings with the NMIA Enterprise Team and other Government representatives.

The NMIA PPP process contemplates an upfront negotiation of the CA prior to the bid submission and, during the year, one round of negotiation plus follow-up, one-on-one discussions were held with bidders.

The Government finalized the RFP and CA accordingly and, as at year-end, Cabinet approval was being sought to issue the final bid documents to the prequalified bidders to facilitate the submission of their bids.

It is anticipated that the announcement of the Preferred Bidder and commercial close will take place by the second quarter of 2018/19.

School Solar Project PV PPP

The National Education Trust (NET), through an ET supported by the DBJ, has structured a PPP transaction that will provide photovoltaic energy and energy efficiency solutions to 30 secondary schools.

The objective of the project is to encourage energy efficiency and conservation in schools and to utilize renewable energy to save on energy costs.

The feasibility assessment was completed in the second quarter of 2017/18 and Cabinet approved the transaction structure and commencement of the transaction phase in the third quarter. The transaction commenced in December 2017 with the publication of the Request for Qualification which was ongoing as at year-end. It is anticipated that the preferred bidder will be selected and commercial close completed by the fourth quarter of 2018/19.

The project is expected to save the Government an estimated $100 million annually based on an anticipated 40% reduction in energy costs and consumption at all 30 schools. Once the project proves to be successful, the Government will consider scaling it up to cover 200 secondary schools.

During 2017/18, the P4 Division worked with the National Water Commission Enterprise Team to procure an advisor to develop a feasibility study on the Northern Parishes Water Supply Project.

Rio Cobre Water Treatment Plant

The National Water Commission (NWC) is seeking to establish a 15-million-gallons-per-day water treatment plant in Content, St. Catherine, to meet the water demand in the Kingston Metropolitan Area (KMA). During 2017/18, NWC continued negotiations with a private sector firm for the implementation of the project via a PPP arrangement.

Under the PPP, the firm will design, construct, finance and operate the facility with the NWC making payments based on agreed performance targets being met. The facility will be transferred to the NWC at the end of the contract.

As at year-end, the NWCET was reviewing the transaction documents and terms being negotiated and it is anticipated that the final transaction structure and terms will be agreed and approved with commercial close completed by the end of 2018/19.

Northern Parishes Water Supply Project

The NWC is seeking to increase its water supply capabilities to meet the needs of a number of tourism and housing developments planned for the northern parishes of Jamaica. Through funding received from the Caribbean Development Bank and the Inter-American Development Bank a pre-feasibility assessment was completed in the first quarter FY 2017/18.

Based on this assessment and approval received from PIMC, the development of a feasibility assessment for a performance-based contract for Non-Revenue Water (NRW) will be undertaken. The NWCET is currently initiating the procurement process to engage an advisor and it is anticipated that the consultant will be in place by the third quarter of 2018/19.

Waste Management PPP Project

The Government, through the Ministry of Local Government and Community Development (MLGCD), is seeking to develop an integrated solid waste management (ISWM) programme that is driven by private sector involvement in the municipal solid waste sector.

In seeking to fulfil its mandate, the DBJ facilitated the engagement of a consultant through funding from the Public-Private Infrastructure Advisory Facility (PPIAF) to prepare a pre-feasibility report to assess readiness for privatisation and identify areas where private sector involvement would be feasible by examining key technical, social and financial features of the concept and outline a road map for the development of the project. The pre-feasibility study was completed in October 2017.

In August 2017, the DBJ and the SWM Enterprise Team commenced discussions with the International Finance Corporation (IFC) for the provision of technical assistance to assess the options for the structuring of a public-private partnership (PPP) transaction. As at year end, the engagement was being finalised by the MLGCD.

The assessment, which will determine the optimal transaction structure, is anticipated to be completed by the final quarter of 2018/19.

Bath Fountain Hotel & Spa and Milk River Spa

The Government, through the Ministry of Tourism (MOT) is seeking private sector investment and innovation to undertake the required capital investments to transform the Bath Fountain Hotel & Spa (in St. Thomas) and the Milk River Mineral Bath (in Clarendon) into world-class operations that will attract international visitors, create employment and other business opportunities while maintaining access to the mineral waters for Jamaicans.

A feasibility study that was completed in 2016/17 highlighted several key recommendations to facilitate the privatisation strategy and engagement of the private sector. During 2017/18 the MOT and the ET, supported by the DBJ, have worked on finalising the privatisation strategy with a view to making a recommendation to Cabinet by the third quarter of 2018/19.

PROJECTS UNDER ASSESSMENT FOR DEVELOPMENT AS PPPs

Centres of Excellence in Oncology and Nephrology

The Ministry of Health (MoH) is seeking to develop Centres of Excellence that will provide specialty tertiary care that can reduce premature deaths from cancers and complicated nephrological cases. In this regard, St. Joseph's Hospital in Kingston and Cornwall Regional Hospital in St. James were identified as suitable locations for the development of these Centres of Excellence, given that both sites have newly installed and active linear accelerators (specialized equipment) and may be able to otherwise accommodate the required facilities. The Centres are expected to provide specialty screening and tertiary medical care services and is also to be used for medical training purposes.

The MoH received support from the PPF to engage a Transaction Advisor to undertake a comprehensive feasibility assessment as well as Transactions Advisory Services to implement the project. As at year-end, the procurement of the advisor was underway and the engagement of the Transaction Advisor is expected to be completed by the second quarter of 2018/19.

Caymanas Special Economic Zone (CSEZ)

During 2017/18, the Planning Institute of Jamaica spearheaded the procurement of the consultant for the feasibility assessment of CSEZ which culminated with a Cabinet Decision on the engagement of International Development Group Advisory Services, LLC (USA).

The feasibility study commenced in the second quarter of 2017/18 and is expected to be completed in the second quarter of 2018/19. Phase 1, which included site assessments, geological studies, market analysis, demand forecast, financial modeling and a concept master plan for the development, was completed at the end of 2017/18.

Urban Development Corporation (UDC) PPP Transactions

In September 2017, Cabinet gave approval for the establishment of a UDCET to oversee specific Privatisation and Public-Private Partnership (PPP) initiatives to be undertaken by the UDC. The UDC intends to develop three projects - a multi-storey office complex, a multi-storey parking garage and an apartment complex - on the Kingston Waterfront and is considering their implementation by the private sector, under public-private partnership (PPP) or privatisation arrangement(s).

A Strategic Financial Consultant was engaged by the UDC in August 2017 and DBJ has assisted the UDC and the UDCET in the development of these projects. As at year end, the feasibility studies for the Downtown Projects were being undertaken.

Macs Pharmaceuticals & Cosmetics 05 Limited is a St. Catherine-based manufacturer of over-the-counter high quality products that include creams, ointments, gels, solutions and tablets. A DBJ loan allowed the company to acquire and install equipment to assist in the production of eye drops and IV fluid.

PROGRAMME FUNDING: PROJECT PREPARATION FACILITY

Funding for Project Preparation

Overall, US$3.5 million has been allocated for project preparation and technical assistance since the inception of the Project Preparation Facility (PPF) in June 2014.

The PPF is a component of the Foundations for Competitiveness and Growth project (FCGP), Jamaica's flagship growth inducement initiative that is funded by a loan from the World Bank. The PPF finances studies and technical assistance to enable the Government to prepare and close large strategic investment transactions with private sector participation.

As at the end of 2017/18, the PPF has contracted US$1.9 million in support of the development of several P4 projects.

Projects receiving assistance to date for project preparation support include the School Solar PV Project, Central Wastewater Treatment Company, Caymanas Special Economic Zone, Bath Fountain Hotel and Spa, and Milk River Mineral Bath. Technical assistance support to the Attorney General's Chambers' Commercial Task Force has facilitated the commercial and financial close of four transactions since inception.

It is expected that several other projects will benefit from the PPF in the coming financial year, including projects being considered by the Urban Development Corporation, National Water Commission, Ministry of Health and Ministry of Tourism.

POLICY REVIEWS

Revision of the Privatisation and PPP Policies

During the financial year, consultations continued on amendments to the Privatisation and PPP policies.

- Cabinet, in December 2017, approved amendments to the PPP Policy to recognise:

  a) The Government's Public Investment Management System (PIMS) and the role of the Public Investment Management Committee (PIMC) in PPP project development and approval process.

  b) The Government's Public Investment Management Secretariat (PIMSec) as the first point of contact and assessment for all Unsolicited Proposals and Strategic Investments.

  These revisions were subsequently tabled in the Houses of Parliament in April 2018.

- Over the years, the DBJ has experienced significant delays in procuring consultants for project development. The Bank's research indicate that the speed of transactions is largely influenced by several critical factors, including the procurement regime to engage consultants. During 2017/18, the Planning

Institute of Jamaica, through the Foundations for Competitiveness and Growth Project (FCGP), engaged a procurement consultant from the International Procurement Institute Jamaica Limited (INPRI) to prepare a Manual for the Procurement of Consultants for PPP & Privatisation transactions detailing a modified procurement process that would reduce the timelines to engage consultants, while maintaining equity and transparency. As at year end, consultations were being undertaken with the Procurement & Asset Policy Unit at the Ministry of Finance & the Public Service for their approval.

- The DBJ engaged Castalia Strategic Advisors to review processes and procedures and to make recommendations for new modalities to undertake privatisation transactions in order to improve efficiencies in P4 transactions. A series of preliminary consultation sessions were held with key stakeholders and a Policy Steering Committee formed to oversee the consultation process to finalise the policy amendments. Subsequent consultations are currently being undertaken and a Cabinet approval will be sought in 2018/19 for the proposed policy amendment on the privatisation programme.

CAPACITY-BUILDING PROGRAMME

General PPP Capacity Building within the GOJ

Acknowledging the importance of building the capacity of the Government to develop and execute P4 transactions effectively and efficiently, during the year of review, the DBJ continued its programme of capacity-building workshops. In keeping with the DBJ's corporate strategy, the P4 Unit achieved its mandate for the FY 2017/18 by executing four training activities.

- **Contract Management Workshop:** A training workshop on Contract Management was held in June 2017 involving over 20 Government officials from entities involved in projects that are currently at the transaction or implementation stage, and DBJ staff. Audley Deidrick, President and Chief Executive Officer of Airports Authority of Jamaica (AAJ) facilitated the training session drawing from the AAJ's 15-year monitoring of the concession for

West Indies Petroleum Company Limited (WIPL) operates as a petroleum marketing, distribution and retailing company with a licence to operate as a petroleum importer and bulk distributor. Additionally, it bunkers and provides refueling services to ships at the Port of Kingston, Kingston Wharf, Kingston Container Terminal and in Montego Bay, with expansion plans to incorporate the ports in Falmouth, Trelawny, and Ocho Rios, St. Ann. WIPL received a DBJ loan and partial guarantee in April 2017 through First Global Bank for working capital, allowing the creation of 17 new jobs for a total of 38 employees.

the Sangster International Airport (SIA) and the lessons learned.

Content included understanding contract management and how it creates value for the Government; skills and behaviours required for successful contract management and risk processes in contract management.

- **Legal Training and Discussion Forum on Dispute Boards as Dispute Resolution Mechanisms**: In June 2017, the P4 Unit, in conjunction with the DBJ Legal Unit, hosted a one-day legal training and discussion forum for Government officials and attorneys on the topic *Dispute Boards as Dispute Resolution Mechanisms to ensure completion of projects under Concession Agreements*.

The forum was facilitated by Jose Antonio Rivas, a Legal Consultant of Arnold and Porter Kaye Scholer based in the USA, and aimed to increase awareness of dispute boards as an effective dispute settlement mechanism enabling completion of infrastructure projects planned under agreements, such as concessions. Thirty-five participants from Government agencies attended the forum.

The training activities of the forum were approved as Continuing Legal Professional Development of attorneys-at-law and 17 attorneys were awarded credits by the Accreditation Committee of the General Legal Council.

- **Privatisation Modalities Workshop**
The DBJ facilitated two workshops with key stakeholders on the proposed updated privatisation modalities which were facilitated by David Ehrhardt, CEO, Castalia Strategic Advisors. These were held in July and October 2017. The workshops were undertaken as preliminary consultations on the recommendations of the consultancy which assessed the Government's privatisation policies, laws and procedures to develop a framework that more efficiently executes privatisation transactions. Thirty-seven officials from various Government ministries, departments and agencies attended the workshop.

The feedback from the workshop has been included in Castalia's final recommendations to the DBJ on the revised privatisation modalities.

- **Procurement Consultation Workshop**
As part of the consultation process with INPRI, a workshop was held in February 2018 with key stakeholders to present and discuss the draft procurement manual entitled "A Guide to Procurement of Consultants for Privatisation and Public-Private Partnership Transactions."

Thirty-three persons, including technical personnel and procurement practitioners from several Government ministries, departments and agencies, participated in the workshop. Feedback from the participants has been included in INPRI's final recommendations to the DBJ.

Partnering with JAMPRO at CARIF 2017

The DBJ, through the P4 Unit, partnered with JAMPRO and collaborated with the NWC and the UDC to host an investment opportunities breakfast in December 2017 at the 2nd annual Caribbean Infrastructure Forum (CARIF 2017), held at the Hilton Rose Hall Resort and Spa in Montego Bay.

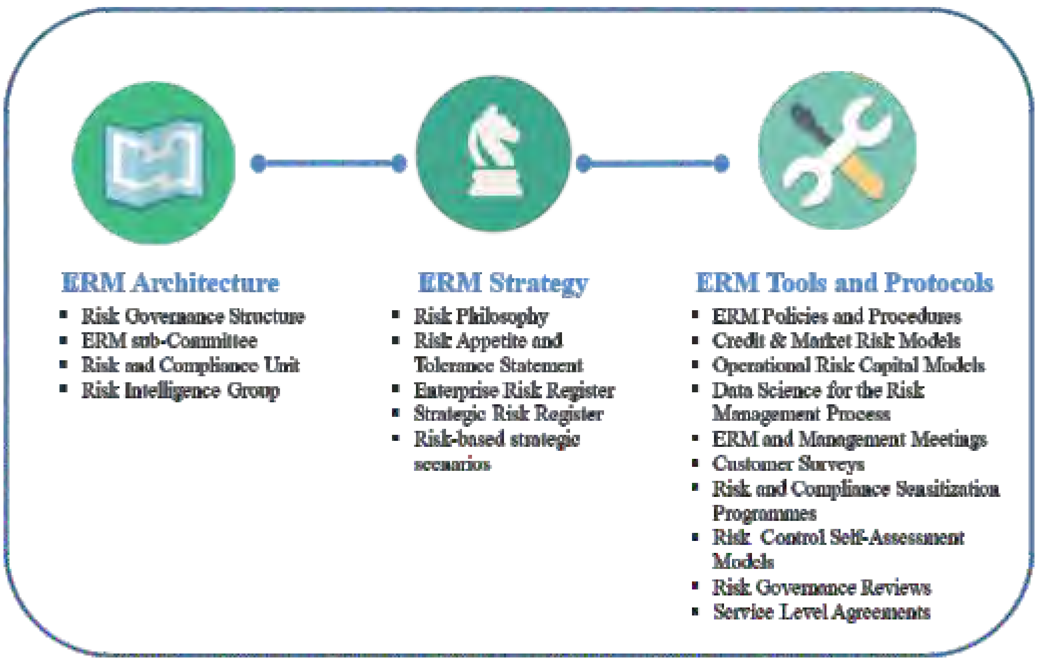
The breakfast aimed to promote Jamaican investment projects in infrastructure to over 40 local and international investors and financiers who attended the event.

Presentations focusing on the urban renewal of downtown Kingston and potential investments in real estate were delivered by Dr. Damian Graham, General Manager of the Urban Development Corporation, while Mark Barnett, President of the National Water Commission, spoke on the NWC's capital investment programme as viable investment opportunities for the private sector.

RISK MANAGEMENT AT THE DBJ

Since implementation in 2012, Enterprise Risk Management (ERM) has been integral in the achievement of the Bank's mission and vision. By taking risks, the Bank becomes a catalyst for growth in the economy. However, the DBJ realises that if risks are not properly managed, then the Bank could face unexpected and possibly severe financial distress or fail to take advantage of opportunities.

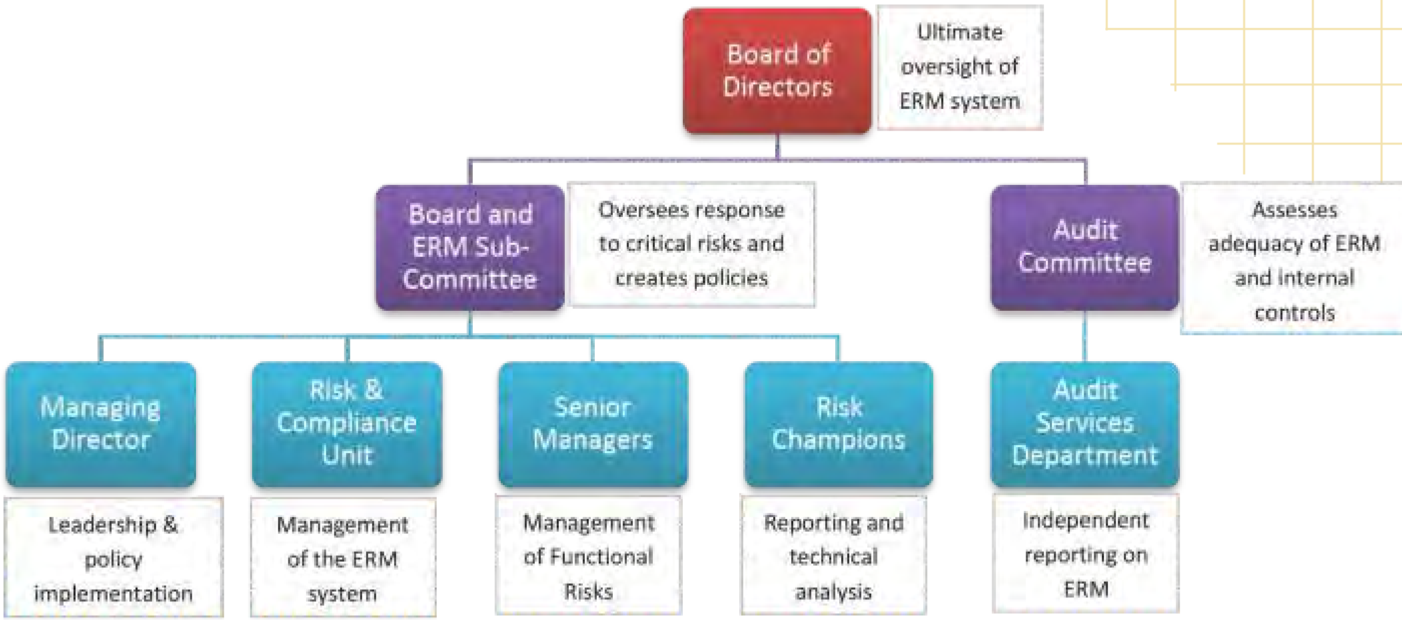
A sound ERM framework therefore addresses the integration of risk management in high level decision making, as well as day-to-day business decisions, and outlines the Board's role in effective oversight. Therefore, the Bank manages its risks on an enterprise-wide basis, ensuring on-going, continuous risk management which is embedded within the business cycle, starting with strategic planning, and carrying through to execution, monitoring and evaluation.



DBJ's ERM Framework

The DBJ's customized Integrated Enterprise Risk Management Framework was influenced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the International Organization for Standardization - ISO 31000:2009 ERM frameworks and other established frameworks; and has facilitated a structured and disciplined approach towards managing risk. This structure is applied to all categories of risks across functional, structural and departmental silos including strategic, credit, market, liquidity, operational, cyber and reputational risks. The framework considers the following:

DBJ's Enterprise Risk Management Governance Structure



Role of the ERM Board Sub-Committee

Policy
Approves and monitors ERM and other risk policies and makes recommendations to the Board.

Approval
Reviews high-level risk management reports and makes recommendations to Management and the Board

Risk Appetite and Tolerance
Establishes and reviews Appetite & Tolerance levels.

Management of Risks
Assesses the management of key business risks within the risk management policy and risk tolerance levels.

Decision Making & Assurance
Makes decisions regarding critical risk treatment options. Establishes assurance processes to ensure an effective ERM programme is in place.

THE DBJ's Risk Management process

DBJ's Risk Appetite & Tolerance Levels

Risk Philosophy

Risk Appetite - The amount and type of risk an organization is willing to pursue to achieve strategic objectives.

Risk Tolerance – The amount of uncertainty an organization is prepared to accept in pursuit of strategic objectives.

The DBJ believes that risk appetite and risk tolerance levels are the cornerstones of its risk management framework. Risk appetite and risk tolerance levels establish risk culture and are directly connected to both operational management "on the ground" and strategic decision making at the Board and Management levels. The DBJ measures and monitors appetite and tolerance using clearly defined metrics, such as capital at risk. The DBJ's capital is the fuel with which it pursues its strategic objectives, and as such key risks are represented in terms of capital exposure to ensure adequate buffers are in place to absorb potential losses.

The DBJ operates in an environment of great uncertainty; however, as a development bank, certain risks are inevitable while some should be exploited to fulfil our mandate to facilitate economic growth and national development. The DBJ is on a continuous path of self-improvement to ensure the necessary systems, policies, procedures, analytical tools, human and technical resources are in place to help effectively manage risks.

Managing Risk Appetite and Tolerance Levels

The DBJ has defined risk appetite levels and risk tolerance thresholds for each of its strategic objectives, major business activities and risk categories. Risk appetite and tolerance levels are aligned with strategic objectives and monitored using clearly defined and measurable metrics. Levels and thresholds have been established by the Board's ERM sub-Committee and approved by the Board of Directors. Adherence with these levels and thresholds is assessed & reported on quarterly to the ERM Board Committee.

Data Science for Risk Management

Enterprise Risk Management requires understanding of an organization, the environment it operates in, and its internal and external stakeholders.

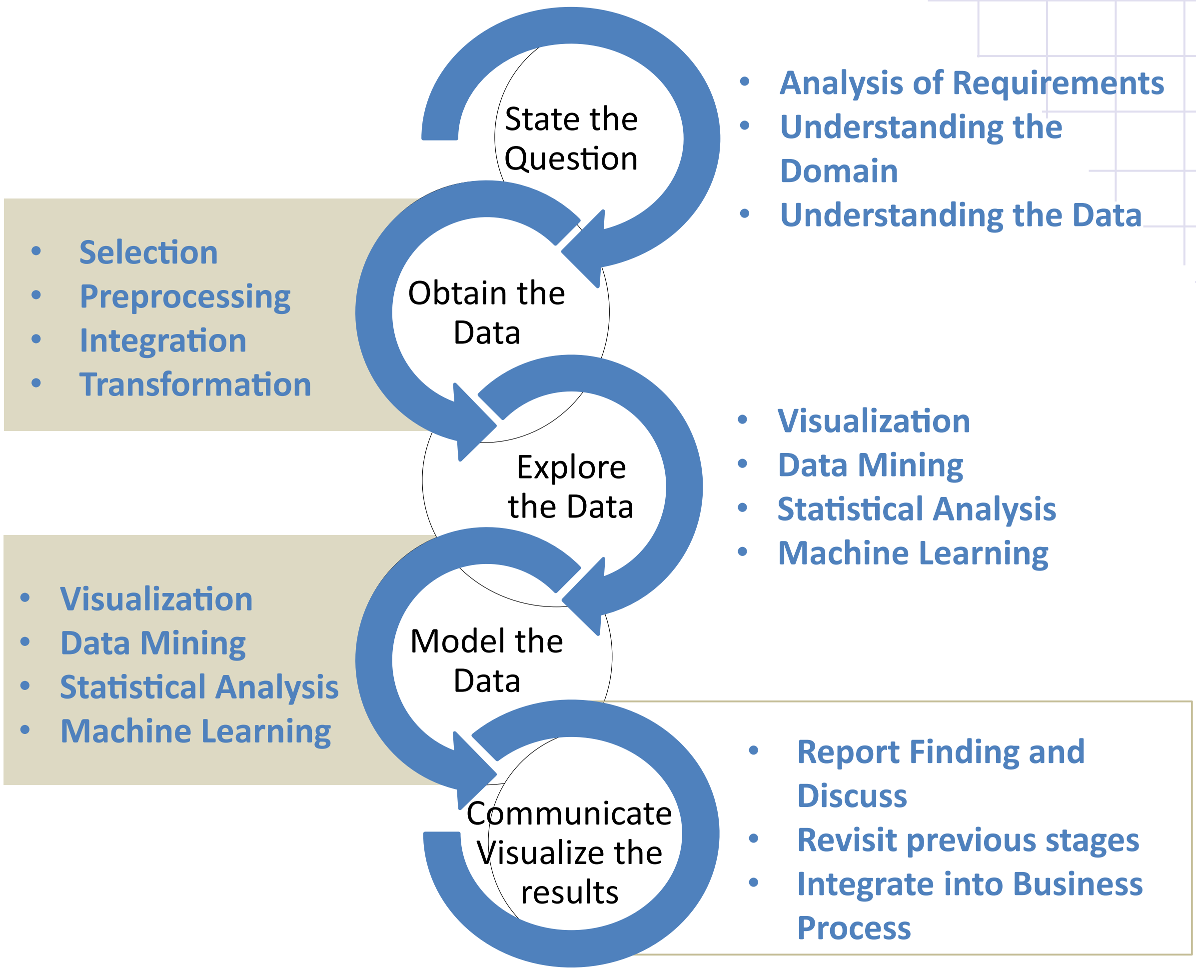
The DBJ relies on different types of data from numerous sources to manage risks and identify opportunities. To ensure as much value as possible is acquired from the available data, the DBJ has openly embraced Data Science in its Risk Management Process.

Data Science is an interdisciplinary field that employs mathematics, statistics, computer science and domain expertise to extract useful insights from data in various forms and from various sources. Data Science was introduced for the following reasons;

- It is applicable to many different fields,
- It relies on domain expertise, teamwork and knowledge sharing,
- It can be used to help answer important questions and discover questions that should be asked,
- The Data Science process is cyclical, requiring results to be tested, methods reviewed and models improved to ensure optimal value is produced.

Optical Solutions International Limited provides ophthalmic care ranging from minimal eye care to surgeries and prescription lenses and frames for sale. A DBJ loan allowed the company to purchase optical equipment and maintain or create approximately 40 jobs.

DBJ's Data Science Process



Credit Risk

Credit risk is the potential for loss to the organization arising from failure of borrowers to honour their contractual obligations to the Bank.

The DBJ is exposed to credit risk from direct lending as well as wholesale lending through intermediaries namely Approved Financial Institutions (AFIs) and Micro Finance Institutions (MFIs). The Bank employs prudent credit risk management tools and strategies to manage credit risk.

The DBJ's Credit Risk Management framework is a combination of strategic & reputational assessments, predictive credit risk models, periodic reporting, and Board & management reviews. The DBJ's Credit Risk Model toolkit uses a combination of the CAMEL methodology, scenario analysis and machine learning algorithms, such as decision trees and logit models to estimate default probabilities and expected losses. Credit decisions are also made based on alignment with the Bank's risk appetite and tolerance levels, as defined by its Board of Directors.

Market Risk

The DBJ is exposed to the risk that movements in specific market variables, including interest rates and foreign exchange rates, will have on income and/or portfolio value.

Forward-looking risk indicators based on time series forecasting, value at risk models and the movement of market variables are monitored by the Risk & Compliance Unit. In the event these risk indicators signal a potential loss/gain, pre-set management responses are triggered. Management responses are guided by the Bank's policies and strategies.

Liquidity Risk

Liquidity Risk is the risk arising from the DBJ's potential inability to meet all payment obligations or financial demands when they come due or only being able to meet these obligations at excessive costs. The DBJ's Finance and Treasury Division ensures fulfilment of payment obligations and management of liquidity and funding risks within risk appetite levels, through continuous cash flow monitoring, forecasts based on liquidity drivers, and regular communication with Divisions centred on cash flow requirements and uncertainty of cash inflows.

Strategic Risks

Strategic risk refers to the risk that the DBJ's execution of strategies and/or achievement of business objectives will be affected by internal and/or external events. The Bank's risk management structure was designed to integrate risk management with strategy management. The Strategic Services Division is responsible for managing objectives and goals, which guide the setting of risk appetite and tolerance levels. The Risk & Compliance Unit is responsible for managing the risks faced in the pursuit of these strategies. Strategic risks are actively monitored and assessed with regular reporting to the ERM sub-Committee and Board.

Operational Risks

Operational risks emanate from the execution of business activities. Operational risks are identified, analyzed and monitored at the departmental level with quarterly assessment and reporting occurring at the Senior Management level. Operational risks that have a big impact on the Bank or a relatively high likelihood of occurrence are escalated to the level of Key Business Risk (KBR), which are given special managerial and Board attention.

The DBJ's Operational Risk framework is a combination of risk registers influenced by BASEL II methodologies, capital allocation to potential operational losses, and the application of network analysis. This approach has the following advantages:

- Allows for the identification of business continuity issues before incidents,
- The mapping of granular day-to-day operations and relationships across Divisions to ensure enterprise-wide communication and proper governance practices are being adhered to,
- Guaranteeing that risk mitigation strategies are linked to the sequence of events which could result in a downside risk event.

Cyber Risks

Cyber Risk refers to potential loss resulting from breaches of, or attacks on, information systems. The DBJ's IT systems combat threats from malware, hacking, targeted fraud attacks, and unauthorized access. A Cyber Risk event can have the following impacts:

- Disruption to operations
- Reputational damage
- Misappropriation of funds or assets
- Financial losses to the DBJ, and or its internal or external customers
- Impact to integrity of financial reporting processes

The DBJ's Cyber Risk management framework includes the following:

- Penetration and Vulnerability testing of systems outsourced to an IT security firm
- Devices are password protected and Internet traffic monitored for threats and misuse
- Staff Awareness programmes
- Access to sensitive data and storage locations by Staff are managed by MIS and formal requests with justification are required for any Staff to gain access to any source of sensitive data.
- Cyber Risk Policy (*to be approved by the Board of Directors in 2018/19 FY*)

Reputational Risks

Reputational risk is the risk of an event changing how the DBJ is perceived by local and international stakeholders. This can lead to lose/gain in revenue, funding opportunities, and overall ability to achieve objectives.

Downside Reputational risks can emerge if the DBJ:

- Fails to deliver satisfactory standards of service
- Fails to comply with legal, statuary laws and ethical standards
- Commits operational failures
- Fails to adhere to DBJ's policies, established practices and procedures and/or best practices
- Fails to meet stakeholder expectations on responsible behaviour; and/or is unethical in its practices and beliefs.

The DBJ manages reputational risks through the establishment of policies, documentation of key processes and procedures, and ensuring the adherence of good governance principles throughout the organization's structure. To quantify reputational risks surveys and social media sentiment analysis are used to measure and monitor the public's awareness and perception of the DBJ and its counterparties.

True Shade Cosmetics Ltd. is a manufacturer of skin and beauty products from natural minerals and by using sustainable green practices. An IGNITE grant from the DBJ allowed the company to build capacity, acquire new equipment, redesign its packaging and improve its marketing, among other things.

Risk Reporting

The DBJ performs monthly, quarterly and annual risk assessments, the results of which are presented to the Management Team, ERM sub-Committee and the Board of Directors. The Risk and Compliance Unit uses a combination of techniques to disseminate and report on Risk, these include dashboards, presentations, and infographics

Compliance Management

The DBJ manages compliance with prudential regulations and standards, and other regulatory requirements both local and international. This is achieved using a combination of policies, procedure manuals and data-driven models to pre-empt compliance issues. Compliance is monitored using defined metrics that measure level of compliance and dollar value losses due to levels of non-compliance. Compliance reports are provided to the Board on a monthly basis.

Risk and Compliance Sensitization

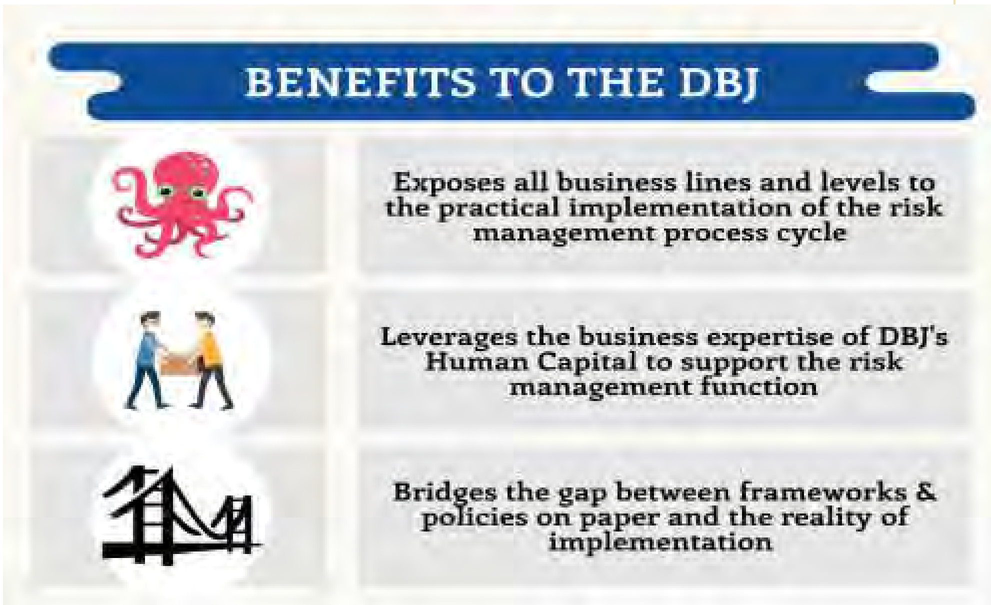
The DBJ understands the practice of risk and compliance management is applicable to the personal and professional lives of its employees. For this reason, an on-going programme was launched in 2016 to educate all staff and the Board about approaches to Risk Management and best practices. The goal of the programme is to encourage the seamless integration of risk and compliance management in stakeholder's daily work flows. The programme uses quizzes, “what-if” scenarios and infographics to relate risk and compliance to everyday situations.

Risk Champions – Catalyst for effective Risk Management

Risk Champion – A designated officer who by virtue of his/her expertise champions a particular aspect of the risk management process

The Risk Champion Initiative was launched and approved by the Board of Directors in the 2017/18 financial year.

Risk Champions support the risk management process in specific areas across the DBJ, bridging the gap between policies and the reality of implementation. Each Division and Unit has at least one designated Risk Champion. The Risk Champion Group meets monthly to report on risk events, for risk management training, and to discuss recommendations for improving operational processes across the DBJ. The Risk Champion Group reports to the ERM sub-Committee.



Approved Risk Management and Compliance Policies

In executing its day-to-day functions, the Risk & Compliance Unit is guided by several Board approved policies, internal manuals and the Risk Appetite & Tolerance Statement. Department policies also include risk management measures to ensure the responsibility of managing risk is shared across business lines and levels.

Enterprise Risk Management Framework & Policy	Addresses the Board's role in effective oversight, the role of key personnel in the ERM process and the integration of risk management in high-level decision making as well as the day-to-day business decisions. The policy provides an understanding of how Enterprise Risk Management is applied, reported and monitored within the DBJ.
Compliance Policy	Provides guidance as it relates to the on-going assessment and monitoring of compliance obligations which the Bank and its subsidiaries are required to meet, as well as the compliance obligations of relevant external parties to the DBJ.
Anti-Money Laundering/Anti-Terrorism Financing (AML/ATF) Policy	Establishes the DBJ's AML/ATF framework, and guides the Bank in fulfilling its local and international legal obligations, reduces possible financial and reputational risks, fulfils objectives of good governance, transparency and integrity and upholds industry and international standards and best practices.
Risk Appetite and Tolerance Statement	Defines the amount and type of risk the DBJ is willing to take to meet its strategic objectives.
Department Policies	Risk Management Processes are included in Policies and Operational Manuals.

DBJ's Risk Management Framework recognized

Public Sector Corporate Governance Awards

The Private Sector Organization of Jamaica (PSOJ) in collaboration with the Ministry of Finance and the Public Service on Wednesday, December 13, 2017 issued six awards under its Public Sector Corporate Governance Initiative. The DBJ was awarded the **Risk Measurement and Internal Controls Award.**

DBJ's 2016/17 CariCRIS Rating

The Caribbean Information and Credit Rating Services Limited (CariCRIS) re-affirmed the Development Bank of Jamaica's “adequate creditworthiness” ratings for the Financial Year ended March 31, 2017.

The DBJ's Corporate Credit rating of CariBBB+ (Foreign Currency Rating) and CariA- (Local Currency Rating) continues to have a stable outlook. The DBJ's rating on the national scale improved, moving from jmAA to jmAA+. The regional scale ratings indicate that the level of creditworthiness of the DBJ, adjudged in relation to other obligors in the Caribbean, is Adequate. The Jamaica national scale rating indicates that the creditworthiness of local currency debt of the DBJ, adjudged in relation to other local currency debt obligations in Jamaica is High. These ratings include 2-notch uplift for the high likelihood of support if needed from its sole shareholder, the Government of Jamaica (GOJ).

“ The DBJ's Corporate Credit rating of CariBBB+ (Foreign Currency Rating) and CariA- (Local Currency Rating) continues to have a stable outlook.

DBJ's Ratings re-affirmed by CariCRIS

The Caribbean Information and Credit Rating Services Limited (CariCRIS) has re-affirmed the Development Bank of Jamaica's "adequate creditworthiness" ratings for the Financial Year ended March 31, 2018.

CariCRIS has reaffirmed the assigned Corporate Credit ratings of CariBBB+ (Foreign Currency Rating) and CariA- (Local Currency Rating) on the regional rating scale and jmAA+ (Local Currency Rating) and jmAA (Foreign Currency Rating) on the Jamaica national scale to the US $5 million debt issue (notional) of the Development Bank of Jamaica Limited (DBJ).

The regional scale foreign currency ratings indicate that the level of creditworthiness of this obligor, adjudged in relation to other obligors in the Caribbean, is adequate. The Jamaica national scale ratings indicate that the creditworthiness of debt issued by DBJ, adjudged in relation to other debt obligations in Jamaica is high.

These ratings include a 2-notch uplift for the high likelihood of support if needed from its sole shareholder, the Government of Jamaica.

The supporting factors for CariCRIS' rating were as follows:

- Sound risk management framework supporting strategic planning and business processes
- The Strategic importance to the GOJ as the lead development financier and divestment manager of state assets
- A growing capital base supported by healthy capital adequacy ratio and good liquidity
- Good financial performance supported by continued revenue and asset growth

CariCRIS also expressed the view that the DBJ's overall approach to risk management is strong and the Bank's ERM framework will serve to minimize the impact of any shocks to capital, should they occur. The ratings agency's sole constraining factor was high sovereign risk exposure in spite of improved economic conditions.

CariCRIS is the Caribbean's regional credit rating agency aimed at fostering and supporting the development of regional debt markets. A CariCRIS credit rating is an objective assessment of an entity's creditworthiness relative to other debt issuing entities and provides a regionally relevant risk assessment of entities and the debt that they issue within a wider context of an analysis of economic trends and financial developments.

CORPORATE GOVERNANCE

'The DBJ, a leader in corporate governance...'

A teacher and students at the Lister Mair Gilby School for the Deaf examine the U-TOUCH II application on a tablet. The DBJ provided a grant to the University of Technology to develop software to teach standard English to deaf and hard-of-hearing students.

> The Bank's philosophy is that good and sound corporate governance ensures that the organisation complies with regulations and laws; and that its operations are sustainably, responsibly and efficiently managed in the interests of its stakeholders and shareholder.

The 2017/18 Financial Year saw the DBJ demonstrating its commitment and resolve to ensure that good corporate governance practices are promoted. At the DBJ, our values, policies, guidelines and Code of Ethics are important tools in our approach to doing business.

The Bank's philosophy is that good and sound corporate governance ensures that the organisation complies with regulations and laws; and that its operations are sustainably, responsibly and efficiently managed in the interests of its stakeholders and shareholder.

The Board of Directors, sub-Committees, senior management and staff have all recognized and contributed to the Bank's success of maintaining a strong governance system by adhering to its core principles of fairness, performance and responsibility, accountability, disclosure and transparency, integrity and ethical behavior. Therefore, good corporate governance underpins the DBJ's systems of accountability, transparency and efficiency.

DBJ operates in an environment where risk changes rapidly, and our team understands that a strong ethical compass is central to navigate those challenges, especially those associated with international matters where the laws, environmental requirements and social conditions differ. As a result, the DBJ fully conforms to key internal and external regulations established to ensure efficiency in its operations. These include:

- The Government of Jamaica Corporate Governance Framework for Public Bodies (2012)
- The Public Bodies Management Accountability Act (2012)
- Financial Administrative & Audit Act
- Companies Act of Jamaica
- The DBJ Whistleblower Policy (2018)

DBJ's CORPORATE GOVERNANCE STRUCTURE

The Board of Directors oversees the strategic direction of the Bank through a majority of independent directors.

The role of the Managing Director and Chairman are separated to ensure a clear distinction between the Chairman's responsibility to oversee the Bank's strategic policy direction and the Managing Director's responsibility to manage the Bank's operational activities, inclusive of implementation of programmes and projects.

The division of responsibilities between the Chairman and the Managing Director is clearly established and set out in the Bank's Corporate Governance Charter.

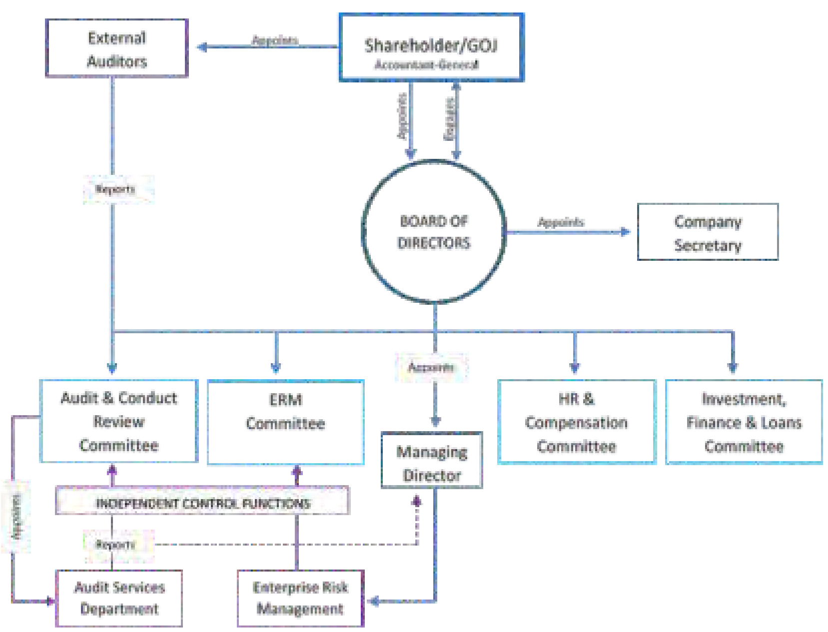
The primary role of the Board is to protect and enhance long-term shareholder value. It sets the overall strategy for the Bank and supervises senior management. It also ensures that good corporate governance policies and practices are implemented within the Bank.

In the course of discharging its duties, the Board acts in good faith, with due diligence and care, and in the best interests of the Bank, its shareholders and stakeholder. The Board currently comprises 10 members who contribute their wealth of experience spanning several disciplines to the continued success of the DBJ. Their biographical details are set out on the Bank's website with regular updates if or when directors change.

The Board and management are committed to maintaining a high standard of corporate governance practices within the Bank and, to this end, devote considerable effort to identify and formalize best practices.

Sound and effective corporate practices are fundamental to the smooth, effective and transparent operation of the Bank and its ability to attract investments, protect the rights of its shareholder and stakeholders, and enhance the quality of life for all Jamaicans.

Set out below is the Bank's current corporate governance structure:



DBJ LEADS IN CORPORATE GOVERNANCE

The DBJ has demonstrated its leadership in corporate governance in the Private Sector Organisation of Jamaica/Ministry of Finance and the Public Service Public Sector Corporate Governance Award ceremony held December 2017, by winning two of the four sectional awards for **Compliance and disclosure of information** and **Risk Measurement and Internal Controls**, and placing second overall in the competition.

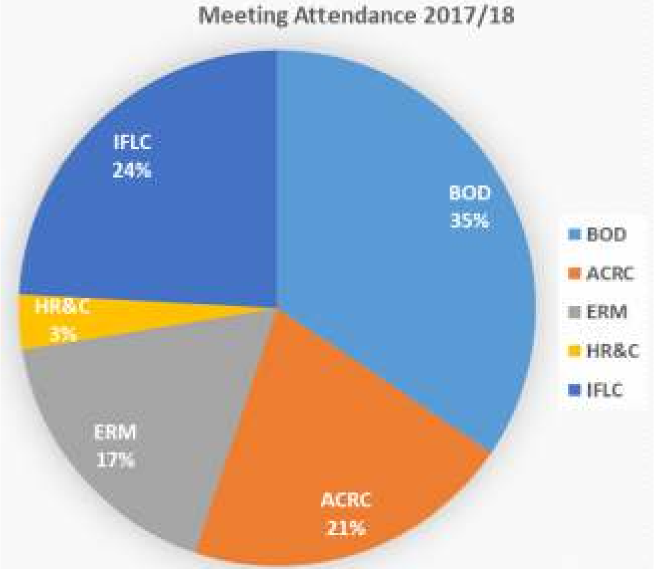
This means that the DBJ promotes awareness and adherence to the principles of good corporate governance, encourage improvements in the standard of corporate governance disclosure and has established high standards of corporate governance disclosures and practices. The Bank was also the winner for the **Best Annual Report 2016/17.**

DBJ staff celebrate with the awards won at the PSOJ's inaugural Public Sector Corporate Governance Awards. From right to left are Milverton Reynolds, DBJ's Managing Director; Dorothea Simpson, General Manager, Finance & Treasury; Blaine Baker, Manager Quality Assurance; Shakira Pickersgill, Legal Officer & Company Secretary; Cleveland Malcolm, General Manager, Management Information Systems; and Randre Bennett, Risk & Compliance Officer.

During the financial year, the Board was pro-active in its approach to ensuring the DBJ's corporate governance systems were fully aligned with the Government's and globally accepted standards by undertaking a fulsome review of the company's Corporate Governance Framework. This was conducted through a consultancy arrangement and involved development and/or updating of key charters such as Governance and Board Charter, and terms of references for sub-committees including the ERM, IFLC, HR & Compensation.

The Board has approved new terms of references for the ERM and IFL committees, with the review at a significant stage of completion. This is in addition to the establishment of a Corporate Governance sub-committee.

BOARD COMPOSITION, PARTICIPATION AND INVOLVEMENT



The Board collectively has the right mix of skills, competencies, experience and diversity enabling the DBJ to achieve its purpose and strategy.

The Board and management work collaboratively to develop and execute the Bank's corporate strategy by actively contributing their professional expertise and experiences to ensure that the company is effectively and efficiently contributing to Jamaica's 'Vision 2030' of making the nation the place of choice to live, work, raise families and do business.

During the period under review, the Board of Directors met at least once monthly and engaged in a combined 29 meetings with an average attendance record of six Directors for board meetings.

The attendance record of each of the Directors for the Board and sub-Committees meetings held during 2017/18 is listed at Table 1:

Table 1 - DBJ's Board and sub-Committees' Meeting Attendance

Name of Director	Board of Directors	Audit & Conduct Review Committee	Enterprise Risk Management	HR & Compensation Committee	Investment, Finance & Loans Committee
Meetings Held	**10**	**6**	**5**	**1**	**7**
Executive Directors:					
Milverton Reynolds	10		5		7
Carlene O'Connor[1]	1				
Veronica Warmington[2]	2	2			
Independent Directors:					
Paul B. Scott[3]	10			1	5
Barrington Chisholm	6		3	1	6
Sherene Golding Campbell	8	6	4		
John Jackson	8	4			4
Kerry-Ann McKoy Tulloch	7		3		6
Christopher Zacca[4]	1				1
Adrian Stokes	5		5		
David Wan	8	6			5
A. Cecile Watson	9		3	1	7

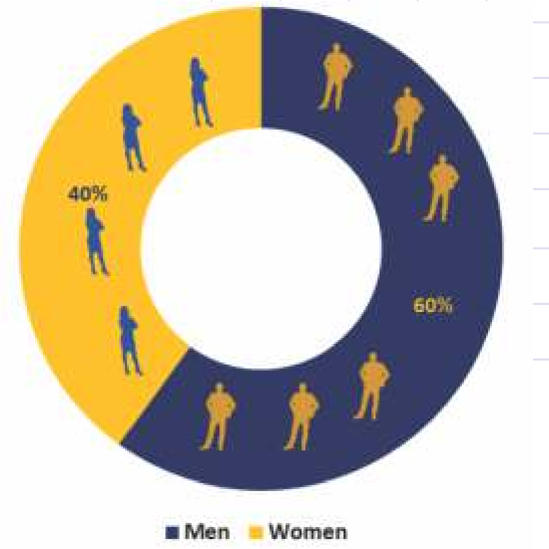
Key Board Activities

In performing its roles and functions, the DBJ Board, met on a monthly basis, deliberated and made decisions on key initiatives in achievement of the Bank's corporate objectives that included.

- Approval of Corporate Plan and Budget
- Appointment of External Auditors

[1] Appointed to the Board effective February 19, 2018
[2] Resigned effective June 01, 2017
[3] Appointed Board Chairman October 20, 2017
[4] Resigned effective April 30, 2017

- MFI Policy review and approval
- Post-Privatisation monitoring
- Loan monitoring and approvals
- Direct and NPCB Lending
- Capacity Development Grant approvals
- AFI accreditation
- Key Performance Indicators (KPIs) monitoring
- Monthly review of Managing Director's Report
- Performance Assessment for VTA Programme
- Amendment to the CEF Security Sharing Trust Deed under Access to Finance Programme
- Working Capital Monitoring
- Strategic Sector Investment Initiative – New sector identification
- Business Performance and Job Assessment Study
- Winding up of Jamaica Development Bank (JDB)
- Monitored strategies implemented to reduce loan arrears
- Oversight of NPCB, inclusive of plans to re-structure the NPCB
- HEART Trust/NTA Support Programme
- Financial distribution to Ministry of Finance and Public Service
- Updating of AFI Credit Risk Rating Methodology
- DBJ Communication Programme
- Harmony Cove Project
- Corporate Governance Charter Review
- Sponsorship of projects/programmes
- Approval of Whistle-Blower Policy



Board Size and Composition

Issues are deliberated by a mix of executive and independent directors. As at March 31, 2018, the Bank's 10-Member Board of Directors comprised of 70% independent directors – more than the required 25% - and maintains its independence through the separation of its governance and management functions.

Four of 10 (40%) Board members are women. This 60:40 ratio aligns the DBJ with global best practices on gender quota.

Board Talent Diversity

The Directors on DBJ's Board come from various business and professional backgrounds and possess a strong and diverse pool of skills, knowledge, qualifications, experience, gender and age, a critical principle of good corporate governance as prescribed by the Government of Jamaica Corporate Governance Framework (Principle 9). The 10-member body share their collective expertise and have made a significant contribution of their skills to assist the Bank in achieving its objectives and add optimal value.

All DBJ directors are competent in general management and strategic management; while 90% in development finance/economics and risk management.

The table below highlights public and private sector Directors and their respective skills set.

Table 2 - Directors Skills Set

	Independent Director								Executive Directors	
	Paul Scott	Barrington Chisholm	Sherene Golding Campbell	John Jackson	Kerry-Ann McKoy Tulloch	Adrian Stokes	David Wan	A. Cecile Watson	Carlene O'Connor	Milverton Reynolds
Public Sector (Pub)/ Private Sector (Pvt)	Private	Private	Private	Private	Private	Private	Private	Private	Public	Public
Skills										
Development Banking						✓		✓		✓
General Mgmt	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Banking, Finance, Loan Mgmt & Economics	✓	✓		✓			✓	✓	✓	✓
Audit				✓	✓			✓		
Strategic Mgmt	✓		✓		✓		✓	✓		✓
Venture Capital	✓			✓				✓		
Public-Private Partnership			✓				✓			✓
Human Resources		✓	✓				✓	✓		✓
Risk Mgmt		✓		✓			✓	✓		✓
Marketing & Communication				✓			✓	✓		✓
Legal			✓		✓					
Insurance	✓						✓	✓		✓
Information, Communications & Technology	✓									

Board sub-Committees

The Board delegates its powers and authorities from time to time through four sub-Committees:

- Audit and Conduct Review Committee (ACRC)
- Enterprise Risk Management Committee (ERM)
- Investment Finance and Loans Committee (IFLC)
- Human Resource and Compensation

This ensures that operational efficiency is maintained and specific issues are being handled with the relevant expertise. Each of these sub-committees has its specific duties and authorities set out in its own terms of reference, which are embedded within the Corporate Governance Charter.

Investment, Finance & Loans Committee

Members	Christopher Zacca, Chairman up to April 30, 2017; Paul B. Scott, Chairman, effective May 1, 2017; Barrington Chisholm, John Jackson, Kerry-Ann McKoy Tulloch, David Wan, A. Cecile Watson, Milverton Reynolds
Major responsibilities	1. Recommends to the Board of Directors policies and changes to policies relating to investment, finance and loans; 2. Monitors the investment portfolio to identify and manage risks e.g. liquidity risks associated with exchange rates and interest rates that might affect the Bank's commitments; 3. Approves and or recommends investments and divestment of properties or companies under the Government of Jamaica divestment programme; 4. Approves loans to AFIs within loan limits set by the Board
Key activities during 2017/18	1. Review Corporate Plan and Budget 2. Monitor and review of investments 3. Review and recommend loans for approval – AFI, MFI, NPCB and Direct 4. Performance appraisal incentive approval 5. Monitoring of operational expenses 6. Monitoring Global Bonds Custodial arrangements 7. Monitoring of Divestment Escrow Account

Human Resource & Compensation Committee

Members	Christopher Zacca, Chairman up to April 30, 2017; Paul B. Scott, Chairman, effective May 1, 2017; Barrington Chisholm, A. Cecile Watson, Milverton Reynolds
Major responsibilities	1. Ensures that the Bank has up-to-date policies and procedures which govern its employment practices and are in accordance with the guidelines of the Ministry of Finance and the Public Service, and are in compliance with the Jamaica Labour Relations and Industrial Disputes Act, and other relevant acts, laws and regulations. 2. Recommends a remuneration policy to the Board, which is within the Government of Jamaica guidelines
Key activity during 2017/18	Review and approve performance incentive payment

Enterprise Risk Management Committee

Members	Adrian Stokes – Chairman, Barrington Chisholm, Sherene Golding Campbell, Kerry-Ann McKoy Tulloch, A. Cecile Watson, Milverton Reynolds
Major responsibilities	1. Establishes and reviews risk tolerance levels and makes recommendations regarding the overall risk appetite of the DBJ to the Board of Directors 2. Assesses the management of key business risks within the risk management policy and risk tolerance levels;
Key activities during 2017/18	1. Monitor Operational Risks 2. P4 Monitoring & Accountability Tool 3. Sector Analysis of MFI 4. Foreign Exchange Exposure (FOREX) Dashboard monitoring 5. Liquidity and investment monitoring 6. Lending Risk Appetite and Tolerance Review 7. AFI and MFI reporting 8. NPCB monitoring 9. Monitoring of DBJ's loan portfolio 10. Review AFI and MFI accreditation 11. Recommend for approval ERM Committee's Terms of Reference 12. Security Dealers dashboard monitoring 13. Operational Plan performance review 14. CariCRIS annual assessment 15. Key Business Risk reporting 16. Review Microfinance (MFI) Lending Policy 17. Review the evaluation of applicants for Custodial Investment Funds

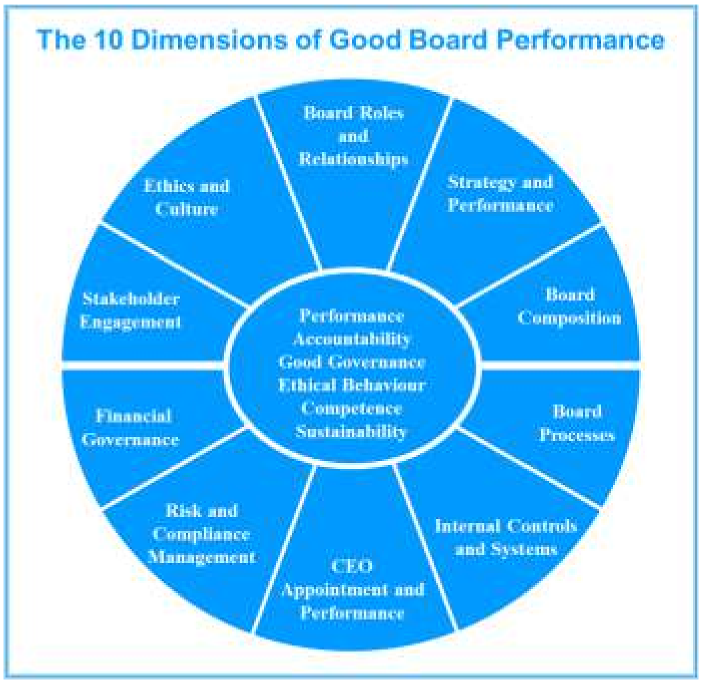
Board Evaluation 2017-2018

The DBJ is committed to fostering a culture of good corporate governance practices, highlighted in its 2017/18 Board of Directors evaluation.

The completion of the evaluation which was done via a survey, signals the Bank's further compliance with the Government of Jamaica's Corporate Governance Framework.

The framework is used by Jamaican public bodies to assess the performance of public boards, board committees, board chairs and individual board members. The Board Performance Evaluation framework takes best practice governance standards and principles for boards into account and utilizes 10 dimensions of good board performance to assess public boards as outlined in Figure 1.

Figure 1 showing the 10 dimensions of good board performance



Nine of the 10 board members completed the 17-page survey, indicating a 90% compliance rate. The 10th board member was appointed to the Board one month prior to the end of the financial year and therefore opted not to participate on a point of prudence.

The attributes provided in the framework created the base for the DBJ's board evaluation. Of the 10 dimensions evaluated, the board scored in the 90%-100% range in five areas and 75%-89% range in four areas. The board scored in the 70%-74% range in only one dimension – Stakeholder Engagement.

The majority of DBJ's board members agreed that the board was performing at a high standard, reflected in the high Board Effectiveness Index score of over 86% detailed in Table 1 below.

Board Effectiveness Index

Roles and Responsibility	Weighted Scores for level of agreement	Highest Possible Score	(Mean score /highest possible score)*100
Roles & Responsibility	4.04	5	80.80
Board Composition	3.95	5	79.00
Ethics & Culture	4.42	5	88.40
Strategy & Performance	4.60	5	92.00
Internal Controls & Systems	4.75	5	95.00
Risk & Compliance Management	4.63	5	92.60
Managing Director appointment & Performance	3.75	5	75.00
Financial Governance	4.93	5	98.60
Board Processes	4.64	5	92.80
Stakeholder Engagement	3.50	5	70.00
Total	**43.21**	**50**	**86.42**

AUDIT AND CONDUCT REVIEW COMMITTEE (ACRC) REPORT

The Audit and Conduct Review Committee assists the Board of Directors to fulfill its oversight responsibilities to the Bank and the Government of Jamaica. It is primarily responsible for:

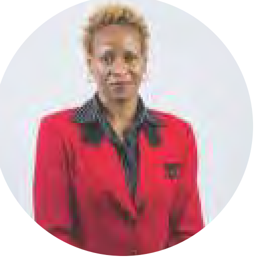
a) Overseeing the Bank's standards of integrity and behaviour;
b) Overseeing the Bank's reporting of financial information;
c) Monitoring the internal control systems;
d) Overseeing the Bank's corporate governance activities; and
e) Monitoring the terms and conditions of the engagement of the external auditors to ensure independence, efficiency and effectiveness

Its detailed roles and responsibility is set out in its Charter and its written terms of reference. The ACRC comprises of four independent Directors who meet in at least four meetings annually.

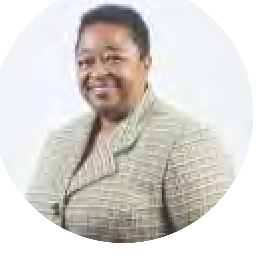
The Members of the ACRC are:

John Jackson

David Wan - Chairman



Sherene Golding Campbell



Veronica Warmington

[6] See Table 1 for attendance record for ACRC meetings.

ACRC work performed during 2017/18

On a quarterly basis during the year, the Committee:

1. Reviewed and recommended for approval the Audited Financial Statements of the Bank for 2016/17.
2. Monitored the system of governance, risk management and internal control (GRC) systems of the DBJ
3. Reviewed and approved the DBJ's Annual Risk-based Audit Plan
4. Reviewed the Audit Services Department (Internal Audit) annual performance report and the internal audit reports prepared during 2017/18 by the General Manager for Audit Services
5. Updated the ACRC Charter
6. Reviewed the ACRC Terms of Reference
7. Reviewed and recommended for approval the DBJ's Whistleblower Policy
8. Reviewed the DBJ Corporate Governance Framework
9. Monitored Management's Corrective Actions (MCAs) on audit points
10. Recommended for approval the National Investment Bank Jamaica Ltd. Audited Financial Statements (2016 and 2017)

Internal Audit Function

The Audit Services Division functionally reports to the Audit and Conduct Review Committee and administratively to the Managing Director, thereby securing a system of objectivity and independence.

The Institute of Internal Auditors International Professional Practices Framework (IPPF) provides the benchmark by which the Audit Services activities are performed. The Division adds value by providing independent, objective assurance and consulting activity designed to improve the DBJ's operations. It supports achievement of the Bank's corporate objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and internal controls processes.

The DBJ's tone-at-the-top promotes a strong internal control environment. This is reflected in management's attitude towards maintaining a strong system of internal control over the Bank's operations. Audit points have been successfully addressed evidenced by management's corrective actions (MCAs) which remains at 100%; management's response rate to the Audit & Conduct Review Committee is timely for engagements performed; and implementation of recommendations designed using a cross-divisional approach. Using a Risk-based Annual Audit Plan approved by the DBJ Board, key audits were performed by the Audit Services Department during 2017/18.

"Audit points have been successfully addressed evidenced by management's corrective actions (MCAs) which remains at 100%; management's response rate to the Audit & Conduct Review Committee is timely for engagements performed; and implementation of recommendations designed using a cross-divisional approach.

Irie Rock Yaad Spa manufactures skincare solutions with products made from natural ingredients that include plant extracts and vitamins. An IGNITE grant from the DBJ allowed the company to upgrade its production capacity, improve its marketing and automate its filling processes at the packaging facility.

Audit Engagement

1. Compliance with Contracts and Agreements	2. Portfolio Management
3. Foundations for Growth and Competitiveness Project	4. Project Management
5. PBMA Act - Annual Compliance Review	6. Micro Finance Services
7. Bank Reconciliation -DBJ	8. Business Continuity Management
9. Management of Investment Properties	10. Server Security
11. Loan Payables	12. Threat & Vulnerability Management
13. Payments	14. Capacity Development
15. Cashier Operations	16. Bank Reconciliation (NROCC)[1]
17. Payroll	18. Payroll
19. Pension Fund Management	20. Special Closed User Group Review
21. Treasury Management	22. Members' Pension Contribution Benefit Statement - Special Audit
23. Training & Development	24. Loan Administration – MFI Lending
25. Annual Returns	26. Monitoring & Reporting – MFI Lending
27. Securities Management	28. Review of Proactive Financial Services Limited (PFSL)- Special Audit
29. Credit Enhancement Fund	30. Members' Pension Contribution Benefit Statement - Special Audit
31. Direct Lending	32. Review of Women Innovators Network in the Caribbean Acceleration Program Jamaica (WINCAPJa))- Special Audit
33. Lending for Energy Conservation	34. DBJ Whistleblower (protected disclosure) Policy
35. Loan Origination Management	36. Vacation Leave – Special Request

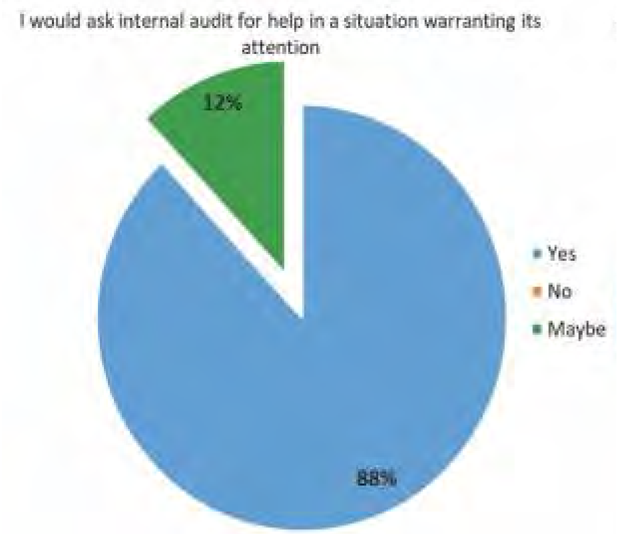
> "The ACRC utilizes the Institute of Internal Auditors Inc.'s Quality Assurance Improvement Programme (QAIP) which is designed to enable an evaluation of the DBJ's internal audit activity's conformity with the Standards and application of the Code of Ethics.

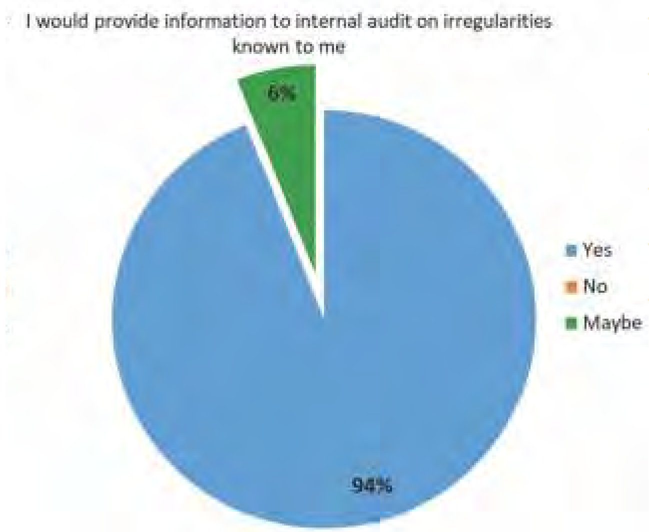
During 2017/18, the results of all audit engagements along with Management's responses were formally presented on a quarterly basis by the General Manager of the Audit Services Department. This approach enabled the Committee to carry out its role with greater levels of efficiency.

The ACRC utilizes the Institute of Internal Auditors Inc.'s Quality Assurance Improvement Programme (QAIP) which is designed to enable an evaluation of the DBJ's internal audit activity's conformity with the Standards and application of the Code of Ethics. This is done annually by the ACRC, the Board, senior management, middle managers and supervisors as they possess sufficient knowledge of internal audit practices.

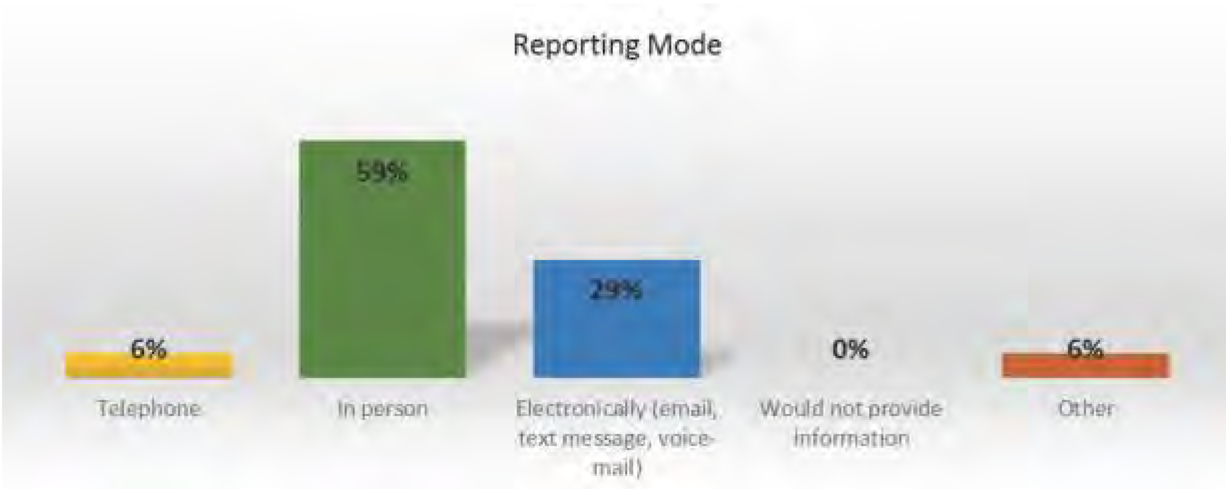
The results of the evaluation show that the DBJ's internal audit is a trusted function with 94% of respondents indicating that they would "provide information to internal audit on irregularities"; 88% said they would "ask internal audit for help in a situation warranting its attention."

[1] The DBJ provides and performs all accounting services relative to the National Road Operating and Constructing Company Ltd (NROCC)





Additionally, 94% of persons surveyed indicated they would report fraud to internal audit; the other 6% said 'maybe'. When asked of the mode of reporting, a cumulative 88% of respondents preferred a direct mode (telephone, in person or electronic) of reporting fraudulent activities to internal audit.



DIRECTORS' GROSS COMPENSATION

Year ended March 31, 2018

Members	Board Meeting	Committee meeting	Total Payment
A. Cecile Watson	126,000.00	75,900.00	201,900.00
Adrian Stokes	70,000.00	52,900.00	122,900.00
Barrington Chisholm	84,000.00	69,000.00	153,000.00
Christopher Zacca	23,000.00	23,000.00	46,000.00
David Wan	112,000.00	108,100.00	220,100.00
Paul B. Scott	221,000.00	64,400.00	285,400.00
Sherine Golding Campbell	112,000.00	67,800.00	179,800.00
Veronica Warmington	28,000.00	13,800.00	41,800.00
John Jackson	112,000.00	58,600.00	170,600.00
Kerry-Ann McKoy Tulloch	98,000.00	62,100.00	160,100.00
Carlene O'Connor	14,000.00	-	14,000.00
	1,000,000.00	**595,600.00**	**1,595,600.00**

ListenMi Caribbean uses a non-traditional brand-driven method of storytelling to address social change. The company. which offers workshops to children from socially disadvantaged and volatile communities, received a DBJ IGNITE grant to build and launch an educational interactive game to improve literacy in developing countries.

SENIOR EXECUTIVE COMPENSATION

APRIL 2017 - MARCH 2018

POSITION OF SENIOR EXECUTIVE	BASIC SALARY (J$)	PERFORMANCE INCENTIVE DEC. 2017 (J$)	GRATUITY (J$)	TRAVELLING ALLOWANCE OR VALUE OF ASSIGNED VEHICLE (J$)	PENSION (J$)	OTHER ALLOWANCES (J$)	TOTAL (J$)
MANAGING DIRECTOR MILVERTON REYNOLDS	13,538,598	1,031,512	3,384,650	120,000 **	0	0	18,074,760
GM – STRATEGIC SERVICES CHRISTOPHER BROWN	4,796,827	365,473		1,515,948	330,981	80,500	7,089,729
GM – MANAGEMENT INFORMATION SYSTEM CLEVELAND MALCOLM	6,210,459	354,883		1,515,948	428,522	80,500	8,590,312
GM – PPP & PRIVATISATION DENISE ARANA	6,917,274	527,030		1,515,948	477,292	532,198	9,969,742
GM – LOAN ORIGINATION & PORTFOLIO MANAGEMENT EDISON GALBRAITH	6,917,274	527,030		1,515,948	477,292	532,198	9,969,742
GM – FINANCE & TREASURY DOROTHEA SIMPSON	6,917,274	527,030		1,515,948	477,292	962,414	10,399,958
GM – MICROFINANCE SERVICES PAUL CHIN	5,150,235	343,349	1,287,559	1,515,948	0	80,500	8,377,591
GM – LEGAL SERVICES SHERON HENRY	6,917,274	527,030		1,515,948	477,292	532,198	9,969,742
GM – AUDIT SERVICES TAMARA BRISSETT	5,857,051	466,252		1,515,948	404,137	80,500	8,303,888
GM – HRD & ADMINISTRATION YVONNE WILLIAMS	6,917,274	527,030		1,515,948	477,292	532,198	9,969,742

*** Notional Value – FMV*
GRATUITY – paid to Officers who are not members of the Pension Scheme
OTHER ALLOWANCES - includes Clothing, Seniority and Lumpsum Payments for those at the top of the Scale.

Jerdis Electronic Solutions offers options to handle obsolete and unwanted computer and information technology equipment, thereby reducing pollution and eliminating e-waste in in landfills. The company received a DBJ IGNITE grant to assist in the acquisition of a digital floor scale, raw material and market its disposal service.

Workers at Everything Fresh Limited, pack potatoes for delivery to customers across the island. The company, a Kingston-based distributor and supplier of produce to local hotels, has received a DBJ loan for working capital.

GLOSSARY OF ACRONYMS

Below is a list of several acronyms and their meanings as they appear in the DBJ's 2017-18 Annual Report:

ACRC – Audit and Conduct Review Committee

AFI – Approved Financial Institutions

BPO – Business Process Outsourcing

CariCRIS – Caribbean Information and Credit Ratings Services Limited

CDB – Caribbean Development Bank

CEF – Credit Enhancement Facility

EFF – Extended Fund Facility

ERM – Enterprise Risk Management

ET – Enterprise Team

GOJ – Government of Jamaica

HRC – Human Resources & Compensation Committee

IBRD – International Bank for Reconstruction and Development

ICT/BPO – Information and Communication Technology/ Business Processing Outsourcing

IDB – Inter-American Development Bank

IDP – International Development Partner

IFC – International Finance Corporation

IFLC – Investment, Finance and Loans Committee

IMF – International Monetary Fund

INPRI - International Procurement Institute Jamaica Limited

JAMPRO – Jamaica Promotions Limited

JBDC – Jamaica Business Development Corporation

JVCP – Jamaica Venture Capital Programme

LAC – Latin America and the Caribbean

LAVCA – Latin America and Caribbean Association (LAVCA)

LOPM – Loan Origination and Portfolio Management

MLGCD – Ministry of Local Government and Community Development

MIF – Multilateral Investment fund

MFI – Micro Finance Institutions

MSME – Micro, Small and Medium-sized Enterprises

NMIA – Norman Manley International Airport

NPCB – National People's Co-operative Bank

NWCET – National Water Commission Enterprise Team

P4 - Public-Private Partnerships & Privatisation

PDF – PetroCaribe Development Fund

PE/VC – Private Equity and Venture Capital

PIMC - Public Investment Management Committee

PIMSec - Public Investment Management Secretariat

PPF - Project Preparation Facility

PPIAF - Public-Private Infrastructure Advisory Facility

PPP – Public-Private Partnerships

RFP – Request for Proposals

RFQ – Request for Qualification

SBA – Stand-by Agreement

SEZ – Special Economic Zone

SME – Small and Medium-sized Enterprises

SWM – Solid Waste Management

UDC – Urban Development Corporation

UDCET - Urban Development Corporation Enterprise Team

VTA – Voucher for Technical Assistance

AUDIT FINANCIAL STATEMENTS 2017-2018

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Independent Auditor's Report

To the Members of Development Bank of Jamaica Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Development Bank of Jamaica Limited (the Company) as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: (876) 922 7581, www.pwc.com/jm

L.A. McKnight P.E. Williams A.K. Jain B.L. Scott B.J.Denning G.A. Reece P.A. Williams R.S. Nathan C.I. Bell Wisdom G.K.Moore

pwc

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our 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 our 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 or 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 these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We 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 our 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- 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.

We 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 we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying stand alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants
6 June 2018
Kingston, Jamaica

Statement of Comprehensive Income
Year ended 31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Operating Income			
Interest income		1,384,812	1,321,832
Interest expense		(624,597)	(570,407)
Net interest income	5	760,215	751,425
Appreciation in fair value on investment properties	12	31,411	111,096
Gain on sale of investments		117,119	110,649
Jamaica Development Bank loan write-off	29	1,059,500	-
Other income	6	289,988	391,345
		2,258,233	1,364,515
Operating Expenses			
Staff costs	7	(557,940)	(489,766)
Impairment losses		-	(149,321)
Other operating expenses	8	(425,841)	(287,145)
		(983,781)	(926,232)
Operating Profit		1,274,452	438,283
Share of losses of associates	13	(57,722)	(40,385)
Profit from Credit Enhancement Facility Fund	16	28,477	23,788
Net Profit		1,245,207	421,686
Other comprehensive income, net of taxes			
Items that will never be reclassified to statement of comprehensive income			
Re-measurement of employee benefits asset	18	(63,990)	32,771
Items that are or may be classified to statement of comprehensive income			
Realised fair value (loss)/gain on available-for-sale investment	25	(15,000)	8,759
Surplus on revaluation of property, plant and equipment	20	60,959	73,847
Total other comprehensive income		(18,031)	115,377
TOTAL COMPREHENSIVE INCOME		1,227,176	537,063

Statement of Financial Position

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
ASSETS			
Cash and cash equivalents	9	948,797	510,188
Reverse repurchase agreements	10	3,657,509	2,929,503
Investment securities	11	3,012,474	3,030,428
Investment properties	12	638,971	607,560
Investment in associates	13	1,055,257	1,021,810
Loans receivables, net of impairment allowance	14	19,421,541	17,801,278
Due from Government of Jamaica	15	743,539	815,641
Due from Credit Enhancement Facility Fund	16	497,021	465,822
Other receivables	17	376,485	221,913
Employee benefit asset	18	239,471	295,578
Intangible assets	19	22,942	31,545
Property, plant and equipment	20	952,397	860,122
Taxation recoverable		359,543	375,323
		31,925,947	28,966,711
LIABILITIES			
Loans payables	21	19,925,801	18,065,649
Other	22	832,344	765,630
		20,758,145	18,831,279
SHAREHOLDER'S EQUITY			
Share capital	23	1,757,539	1,757,539
Share premium	23	98,856	98,856
Capital reserves	24	1,213,981	1,214,104
Other reserves	25	5,248,501	5,241,741
Retained earnings		2,848,925	1,823,192
		11,167,802	10,135,432
		31,925,947	28,966,711

Approved for issue by the Board of Directors on 25 May 2018 and signed on its behalf by:

David Wan — Director

Paul B. Scott — Director

Statement of Changes in Equity
Year ended 31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital $'000	Share Premium $'000	Capital Reserves $'000	Other Reserves $'000	Retained Earnings $'000	Total $'000
Balances at 31 March 2016		1,757,539	98,856	1,231,697	5,196,916	1,532,080	9,817,088
Total comprehensive income for the year							
Profit for the year		-	-	-	-	421,686	421,686
Other comprehensive income							
Remeasurement of employee benefits obligation	18	-	-	-	32,771	-	32,771
Net change in fair value of available-for-sale securities	25	-	-	-	8,759	-	8,759
Surplus on revaluation of property plant and equipment	20	-	-	-	73,847	-	73,847
Total comprehensive income for the year		-	-	-	115,377	-	115,377
Total comprehensive income for the year		-	-	-	115,377	421,686	537,063
Transfers							
Amortisation of grants	24	-	-	(17,593)	-	-	(17,593)
Transfer of profit on CEF	25	-	-	-	23,788	(23,788)	-
Loss on CEF		-	-	-	(1,831)	-	(1,831)
Transfer to technical reserve	25	-	-	-	(92,509)	(82,116)	(174,625)
		-	-	(17,593)	(70,552)	(105,904)	(194,049)
Transactions with owners, recognised directly in equity							
Dividends	26	-	-	-	-	(24,670)	(24,670)
Balance at 31 March 2017		1,757,539	98,856	1,214,104	5,241,741	1,823,192	10,135,432

Statement of Changes in Equity (Continued)
Year ended 31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital $'000	Share Premium $'000	Capital Reserves $'000	Other Reserves $'000	Retained Earnings $'000	Total $'000
Balances at 31 March 2017		1,757,539	98,856	1,214,104	5,241,741	1,823,192	10,135,432
Total comprehensive income for the year							
Profit for the year		-	-	-	-	1,245,207	1,245,207
Other comprehensive income							
Remeasurement of employee benefits obligation	18	-	-	-	(63,990)	-	(63,990)
Net change in fair value of available for-sale securities	25	-	-	-	(15,000)	-	(15,000)
Surplus on revaluation of property plant and equipment	20	-	-	-	60,959	-	60,959
Total comprehensive income for the year		-	-	-	(18,031)	-	(18,031)
Total comprehensive income for the year		-	-	-	(18,031)	1,245,207	1,227,176
Transfers							
Amortisation of grants	24	-	-	(123)	-	-	(123)
Transfer of profit on CEF	25	-	-	-	28,477	(28,477)	-
Transfer to technical reserve	25	-	-	-	(3,686)	(169,989)	(173,675)
		-	-	(123)	24,791	(198,466)	(173,798)
Transactions with owners, recognised directly in equity							
Dividends	26	-	-	-	-	(21,008)	(21,008)
Balance at 31 March 2018		1,757,539	98,856	1,213,981	5,248,501	2,848,925	11,167,802

Statement of Cash Flows
Year ended 31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Cash Flows from Operating Activities			
Profit for the year		1,245,207	421,686
Adjustments for:			
Amortisation	19	8,603	3,297
Depreciation	20	38,873	36,625
Interest income		(1,384,812)	(1,321,832)
Interest expense		624,597	570,407
Allowance for impairment losses		(9,444)	149,321
Foreign exchange losses\(gains)		134,868	(72,897)
Discount on advance to associated companies		4,091	3,709
Change in employee benefits asset		10,193	(8,638)
Share of losses in associated companies	13	57,722	40,385
Gain on disposal of property and equipment		(1,453)	(1,509)
Gain on disposal of investments		(117,119)	(110,649)
Surplus on revaluation of investment properties, net	12	(31,411)	(111,096)
Jamaica Development Bank loan write-off		(1,059,500)	-
Amortisation of grants		(123)	(17,593)
		(479,708)	(418,784)
Changes in operating assets and liabilities:			
Loans receivable		(1,946,356)	(287,037)
Due from Government of Jamaica		55,421	(25,246)
Income tax recoverable		15,783	40,711
Credit Enhancement Facility Fund		(36,702)	(37,580)
Other receivables		(154,572)	(58,884)
Other liabilities		(241,445)	265,021
		(2,787,579)	(521,799)
Interest received		1,458,720	1,354,681
Interest paid		(889,924)	(421,809)
Net cash (used in)/provided by operating activities		(2,218,783)	411,073

Statement of Cash Flows (Continued)

Year ended 31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Cash Flows from Investing Activities			
Resale agreements		(795,999)	(1,036,979)
Investment securities, net		(159,312)	(79,185)
Interest in associates companies		(87,079)	(50,828)
Purchase of intangible assets	19	-	(32,608)
Purchase of property, plant and equipment	20	(70,250)	(25,325)
Proceeds from disposals of property, plant and equipment		1,514	839
Net cash used in investing activities		(1,111,126)	(1,224,086)
Cash Flows from Financing Activities			
Loans received		6,294,545	2,131,064
Loans repaid		(2,501,659)	(1,681,139)
Dividends paid	26	(21,008)	(24,670)
Net cash provided by financing activities		3,771,878	425,255
Net increase/(decrease) in cash and cash equivalents		441,969	(387,758)
Effect of exchange rate fluctuations on cash and cash equivalents		(3,360)	11,946
Cash and cash equivalents at beginning of year		510,188	886,000
Cash and cash equivalents at the year end	9	948,797	510,188

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

The Development Bank of Jamaica Limited ("the Bank") was established on 1 April 2000 and is domiciled in Jamaica and its registered office is located at 11A-15 Oxford Road, Kingston 5, Jamaica.

On 24 July 2009, the Bank issued shares to the Accountant General, in trust for the Capital Development Fund, as compensation for an amount of $1,727,539,000 which represented the acquisition of certain assets and liabilities of the National Investment Bank of Jamaica Limited (NIBJ).

The primary business activity of the Bank is Development Banking.

The Bank has interests in certain associated companies (Note 13) all of which are incorporated and domiciled in Jamaica. The ones currently in operation are as follows:

Name of Investee	Principal Activities	Percentage Holding by Bank	Percentage Holding by Other
Harmonisation Limited and its	Property development	50%	
(i) 100% subsidiary:			
Silver Sands Estate Limited	Rental of resort accommodation		100%
(ii) 49% associated Bank:			
Harmony Cove Limited	Property development		49%

The other 50% of Harmonisation Limited ("Harmonisation") is owned by the National Housing Trust, a statutory body.

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities (Continued)

Harmonisation entered into a Joint Venture Agreement and a Members' Agreement with Tavistock Group Inc. to develop lands owned by Harmonisation in Trelawny, Jamaica. The development will be done through Harmony Cove Limited ("Harmony"), of whose ordinary share capital Tavistock Group Inc. owns 51%, with Harmonisation owning the remaining 49%. The lands owned by Harmonisation were valued at US$45,000,000 for the purpose of their transfer to Harmony under the Joint Venture Agreement, dated September 28, 2006.

The joint venture agreement with Tavistock Group Inc. was amended on February 3, 2009 to reflect contribution by Harmonisation, through its subsidiary, Silver Sands Estate Limited, of additional parcels of lands. In consideration of the transfer of these additional lands, Harmonisation shall be deemed to have subscribed for cumulative preference shares to be issued by Tavistock Group Inc. in the amount of US$6,662,460.

2. Significant Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investment securities, investment securities at fair value through profit or loss, derivative contracts and investment property.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in Note 4.

Standards, interpretations and amendments to published accounting standards effective in the current financial year

Certain new standards, amendments and interpretations to existing standards have been published that became effective during the current financial period. The Bank has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following are relevant to its operations:

Amendments to IAS 7, Statement of cash flows on disclosure initiative (effective for annual periods beginning on or after 1 January 2017). These amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities.

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are not effective at the date of the statement of financial position, and which the Bank has not early adopted. The Bank has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

IFRS 9, 'Financial Instruments', (effective for annual periods beginning on or after 1 January 2018). In July 2014, the IASB issued IFRS 9 which is the comprehensive standard to replace *IAS 39 'Financial Instruments: Recognition and Measurement'*, and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect the asset's cash flows, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank (continued)

IFRS 9, 'Financial Instruments' (continued)
Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

The Bank is still assessing the potential impact of adoption and whether it should consider early adoption but it is not possible at this stage to quantify the potential effect. The Bank expects the following impacts following adoption of the standard.

The Bank expects that, in many instances, the classification and measurement outcomes will be similar to IAS 39, although differences may arise, for example, since IFRS 9 does not apply embedded derivative accounting to financial assets. The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in population of financial assets measured at amortised cost or fair value compared with IAS 39.

Regarding credit loss provisioning, the Bank expects that, as a result of the recognition and measurement of impairment under IFRS 9 being more forward-looking than under IAS 39, the resulting impairment charge may tend to be more volatile. It may also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39.

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank (continued)

IFRS 15, 'Revenue from Contracts with Customers', (effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Bank is currently assessing the impact of future adoption of the new standard on its financial statements.

Amendment to IFRS 15, 'Revenue from contracts with customers' (effective for accounting periods beginning on or after 1 January 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). The IASB has also included additional practical expedients related to transition to the new revenue standard.

Annual improvements 2014 – 2016, (effective for annual periods beginning on or after 1 January 2018). These amendments impact three standards as follows:

(i) IFRS 12, 'Disclosure of interests in other entities' regarding clarification or the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2018.
(ii) IAS 28 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.

The Bank is currently assessing the impact of future adoption of the amendments on its financial statements.

Amendment to IFRS 40, 'Investment Property', (effective for annual periods beginning on or after 1 January 2018). The amendments relates to transfers of investment property. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. The Bank is currently assessing the impact of future adoption of the amendments on its financial statements.

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. **Significant Accounting Policies (Continued)**

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank (continued)

Amendments to IAS 19, 'Employee benefits on plan amendment, curtailment or settlement', (effective for annual periods beginning on or after 1 January 2019). These amendments require an entity to:

(i) use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
(ii) recognise in profit or loss as part of past service cost, or gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

The Bank is currently assessing the impact of future adoption of the amendments on its financial statements.

IFRIC 22,' Foreign currency transactions and advance consideration', (effective for annual periods beginning on or after 1 January 2018). The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts. The Bank is currently assessing the impact of future adoption of the amendments on its financial statements.

IFRS 16 'Leases', (effective for annual periods beginning on or after 1 January 2019). This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Bank is currently assessing the impact of future adoption of the amendments on its financial statements.

Annual improvements to IFRS Standards 2015 – 2017 Cycle - Announcements to IAS 23 (effective for annual periods beginning on or after 1 January 2019). These amendments include minor changes to:

(i) IAS 23, 'Borrowing cost' – The amendments to IAS 23 clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that the borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation

Associates
Associates are all entities over which the Bank has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

The Bank's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Bank does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Bank and its associates are eliminated to the extent of the Bank's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Bank determines at each reporting date whether there is any objective evidence that investments in associates are impaired. If this is the case, the Bank recognises an impairment charge in the income statement for the difference between the recoverable amount of the associate and its carrying value. Investments in associates are accounted for using the equity method of accounting, and are initially recognised at cost.

(c) Foreign currency translation
Functional and presentation currency
Items included in the financial statements of each of the Bank's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Jamaican dollars, which is the Bank's functional currency.

Transactions and balances
Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. At the date of the statement of financial position, monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate.

Exchange differences resulting from the settlement of transactions at rates different from those at the dates of the transactions, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the income statement.

Exchange differences on non-monetary financial assets are a component of the change in their fair value. Depending on the classification of a non-monetary financial asset, exchange differences are either recognised in the income statement (applicable for trading securities), or within other comprehensive income if non-monetary financial assets are classified as available-for-sale. In the case of changes in the fair value of monetary assets denominated in foreign currency classified as available-for-sale, a distinction is made between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount, except impairment, are recognised in other comprehensive income.

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(d) Revenue recognition

Interest income and expense

Interest income and expense are recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective interest method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount on treasury bills and other discounted instruments.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering the contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income ad expense

The Bank accounts for interest income on loans in accordance with Jamaican banking regulations. These regulations stipulate that, where collection of interest is considered doubtful or where the loan is in non-performing status (payment of principal or interest is outstanding for 90 days or more), interest should be taken into account on the cash basis and all previously accrued but uncollected interest be reversed in the period that collection is doubtful or the loan becomes non-performing. IFRS require that when loans are impaired, they are written down to their recoverable amounts and interest income is thereafter recognised by applying the original effective interest rate to the recoverable amount. The difference between the regulatory and IFRS bases of interest recognition was assessed to be immaterial.

Fee and commission income

Fee and commission income is recognised on the accrual basis. Loan origination fees for loans which are likely to be drawn down are deferred, together with related direct costs, and recognised as an adjustment to the effective yield on the loan. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

Dividend income

Dividend income is recognised when the right to receive payment is established.

(e) Income taxes

The Bank is exempt from income tax under Section 12(b) of the Income Tax Act.

(f) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including investment securities and fixed term deposits.

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(g) Repurchase and reverse repurchase transactions

Securities sold under agreements to repurchase (repurchase agreements) and securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised financing transactions. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

(h) Loans and advances and provisions for credit losses

Loans and advances are recognised when cash is advanced to borrowers. They are initially recorded at fair value and subsequently measured at amortised cost using the effective interest rate method.

Provision for credit losses determined under the requirements of IFRS

The Bank continuously monitors loans or Banks of loans for indicators of impairment. In the event that indicators are present, the loans or Banks of loans are tested for impairment. A provision for credit losses is established if there is objective evidence of impairment. A loan or Bank of loans is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan (a 'loss event') and that loss event has reduced the estimated future cash flows of the loan and the amount of the reduction can be reliably estimated. The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

(i) significant financial difficulty of the obligor;
(ii) default or delinquency in interest or principal payments;
(iii) having to grant the borrower a concession that would not otherwise be considered due to the borrower's financial difficulty;
(iv) the probability that the borrower will enter bankruptcy or other financial reorganisation; or
(v) observable data indicating that there is a measurable decrease in the estimated future cash flows from the loan portfolio since the initial recognition of the loans, although the decrease cannot yet be identified with the individual loan in the portfolio, including:
   a) adverse changes in the payment status of borrowers in the portfolio; and
   b) national or local economic conditions that correlate with defaults on the loan portfolio.

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(h) Loans and advances and provisions for credit losses (continued)

The Bank first assesses whether objective evidence of impairment exists individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a Bank of loans with similar credit risk characteristics and collectively assesses them for impairment. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the carrying amount of the loan and the present value of estimated future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan. For accounting purposes, the carrying amount of the loan is reduced through the use of a provision for credit losses account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

For the purposes of a collective evaluation of impairment, loans are Banked on the basis of similar credit risk characteristics (that is, on the basis of the Bank's grading process that considers loan type, industry, collateral type and past-due status). Those characteristics are relevant to the estimation of future cash flows for Banks of such loans by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the loans being evaluated.

Future cash flows in a Bank of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the Bank. Losses over the preceding 12 months are used as a baseline to determine historical loss experience for loans with credit risk characteristics similar to those in the Bank. This historical loss experience is then adjusted, if necessary, to reflect broader economic trends over the most recent 24 month period with a 36 month look back period used on the highest risk portfolios. Finally, applicable adjustments are made on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for Banks of loans should reflect and be directionally consistent with changes in related observable data and our assessment of changes in the economy from period to period (for example, changes in unemployment levels, property and motor vehicle prices, or other factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is deemed uncollectible, it is written off against the related provision for credit losses. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the provision for credit losses. The amount of the reversal is recognised in the income statement.

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(h) Loans and advances and provisions for credit losses (continued)

Provision for credit losses determined under the Bank of Jamaica regulatory requirements
The effect of the provision for credit losses determined under the Bank of Jamaica regulatory requirements is to reserve capital. No amounts are booked to the income statement in respect of regulatory provisions. Provisions calculated based on regulatory requirements that exceed the amounts required under IFRS are transferred from retained earnings to a non-distributable loan loss reserve in stockholders' equity.

The specific provision is established for the estimated net loss for all non-performing loans and performing loans that meet specified criteria. Loans are considered to be non-performing where a principal or interest payment is contractually 90 days or more in arrears. At the time of classification as non-performing, any interest that is contractually due but in arrears is reversed from the income statement and interest is thereafter recognised in the income statement on the cash basis only. The estimated net loss is defined as the net exposure remaining after deducting the estimated net realisable value of the collateral (as defined by and determined by the regulations) from the outstanding principal balance of the loan.

(i) Investment securities
Investment securities are classified into the following categories: investment securities at fair value through profit or loss, available-for-sale securities, held-to-maturity and loans and receivables. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Investment securities at fair value through profit or loss are those which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit-taking exists. They are initially recognised at fair value and transaction costs are expensed in the income statement. They are subsequently carried at fair value. Interest income on investment securities at fair value through profit or loss is recognised in interest income. All other realised and unrealised gains and losses are included in gain on foreign currency and investment activities.

Available-for-sale securities are those intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates or market prices. They are initially recognised at fair value (including transaction costs), and subsequently remeasured at fair value. Unrealised gains and losses arising from changes in fair value of available-for-sale securities are recognised in other comprehensive income. When the securities are disposed of or impaired, the related accumulated unrealised gains or losses included in other comprehensive income are transferred to the income statement.

Held-to-maturity securities with fixed or determinable payments and fixed maturities that the company has the positive intent and ability to hold to maturity are classified as held-to-maturity. On initial recognition they are measured at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method, less impairment losses. Any sale or reclassification of a significant amount of held-to-maturity investments that is not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the company from classifying investment securities as held-to-maturity for the financial year in which sale or reclassification occurs and the following two financial years.

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(i) Investment securities (continued)
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than: (i) those financial assets that the Bank intends to sell immediately or in the short term, which are classified as held for trading, and (ii) those financial assets that the entity upon initial recognition, designates as at fair value through profit or loss or that it has designated as available-for-sale.
The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Bank establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Financial assets are assessed at each date of the statement of financial position for objective evidence of impairment. A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The recoverable amount of a financial asset carried at fair value is the present value of expected future cash flows discounted at the current market interest rate for a similar financial asset.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value below cost is considered an indicator of impairment. Significant or prolonged are assessed based on market conditions and other indicators. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment losses previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement. Impairment losses recognised on the equity instruments are not reversed through the income statement.

All purchases and sales of investment securities are recognised at settlement date.

Investment securities are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

(j) Investment property
Investment property is held for long-term rental yields and is, therefore, treated as a long-term investment.

Investment property is measured initially at cost, including transaction costs, and is subsequently carried at fair value, representing open market value determined annually by the directors or by independent valuators. Changes in fair values are recorded in the income statement.

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(k) Property, plant and equipment
Land and buildings are shown at deemed cost less impairment losses, and less subsequent depreciation for buildings. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to other operating expenses during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated on the straight-line basis at annual rates that will write off the carrying value of each asset over the period of its expected useful life. Annual depreciation rates or period over which depreciation is charged are as follows:

Freehold buildings	2 1/2%
Computer equipment	20 - 25%
Furniture, fixtures and equipment	10% - 20%
Motor vehicles	20%

Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating income in the income statement.

(l) Impairment of long lived assets
Property, plant and equipment and intangibles are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purpose of the assessing impairment, assets are Banked at the lowest levels for which there are separately identifiable cash flows.

(m) Financial liabilities
The Bank's financial liabilities comprise primarily amounts due to other banks, customer deposits, repurchase agreements, , other borrowed funds and policyholders' liabilities.

(n) Borrowings
Borrowings, including those arising under securitisation arrangements, are recognised initially at fair value, being their issue proceeds, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective yield method.

(o) Provisions
Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(p) Post-employment benefits

Pension benefits

The Bank operates a retirement plan, the assets of which are generally held in separate trustee administered funds. The pension plan is funded by payments from employees and by the relevant companies, taking into account the recommendations of independent qualified actuaries. The Bank operates a defined benefit plan.

Defined benefit pension plans

A defined benefit pension plan is a plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The amount recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on Government of Jamaica bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan, included in staff costs in the income statement, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. The cost is included in staff costs in the income statement.

Past-service costs are recognised immediately in expenses.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after statement of financial position date are discounted to present value.

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(q) Share capital

Share issue costs

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, for the proceeds.

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(r) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and the company will comply with all attached conditions.

Government grants related to the purchase of property and equipment, or for other capital acquisitions, and not for the support of operating activities, are recorded in the statement of financial position as capitalisation reserve and are credited to profit or loss on the straight-line basis over the expected useful lives of the related assets.

(s) Intangible assets

Computer software

Costs that are directly associated with acquiring and developing identifiable and unique software products are recognised as intangible assets. These costs are amortised using the straight-line method over their useful lives, not exceeding a period of five years. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

(t) Loans receivable

The cash advanced to a borrower, including any transaction costs, is taken as the fair value of the loan at the date of disbursement and, accordingly, that is the amount at which the asset is initially recorded.

(u) Leased assets

Assets leased out under operating leases are included in investment properties in the statement of financial position. Rental income is recognised on the straight-line basis over the lease term.

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Bank's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Bank's financial performance through policies approved by its Board of Directors and implemented by management.

The Board has established committees with responsibility for developing and monitoring the Bank's risk management policies in their specified areas. All Board committees report regularly to the Board of Directors on their activities. The Board committees and their activities are as follows:

(i) Investment, Finance and Loans Committee

This committee is responsible for monitoring market risks that affect the Bank's investment portfolio; approving credit requests above specified amounts; ensuring that all credit facilities conform to standards agreed by the Board; and approving the mix of the Bank's investment portfolio. The committee is also responsible for approving credit write offs, specific provisions against financial assets and the terms for any renegotiating specific loans.

(ii) Audit and Conduct Review Committee

The Audit and Conduct Review Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to risks faced by the Bank. This committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and *ad hoc* reviews of risk management controls and procedures, the results of which are reported to the Audit and Conduct Review Committee.

(iii) Compensation Committee

The Compensation Committee aims to develop a disciplined and motivated staff complement through the Bank's human resource policies. The committee ensures that staff is remunerated at competitive rates and that employees are properly trained to perform their duties in such a manner as to reduce the risk of fraud and errors.

(iv) Enterprise Risk Management Committee

The Enterprise Risk Management Committee provides risk oversight to the operations of the Bank through frequent monitoring of the risk implementation policy and strategy, determine the risk tolerance levels of the Bank and approve risk management reports.

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign currency, interest rate and security prices, will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the returns. The overall responsibility for market risk resides with the Investment, Finance and Loans Committee along with the Enterprise Risk Management Committee. Market risk exposures are measured using sensitivity analysis.

There has been no change in the nature of the Bank's exposure to market risk or the manner in which it measures and manages the risk.

(i) Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Bank takes on exposure to address the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank has special arrangements with Bank of Jamaica to facilitate the expeditious liquidation of foreign currency liabilities.

The Bank is exposed to foreign currency risk on transactions that are denominated in currencies other than the Jamaica dollar. The main currencies giving rise to this risk are the US Dollar and the Euro.

At the reporting date, the foreign currency assets and liabilities, by currency, were as follows:

	2018		2017	
	US$	€	US$	€
	'000	'000	'000	'000
Cash and cash equivalents	1,038	-	1,191	-
Resale repurchase agreements	25,048	-	17,839	-
Investment securities	22,553	-	22,349	-
Mortgage receivable & CEF	4,545	-	9,379	-
Loans, net of impairment losses	76,832	-	58,794	-
Total foreign currency assets	130,016	-	109,552	-
Short-term loans	-	-	(3,792)	-
Long-term loans	(119,206)	(562)	(93,630)	-
Other liabilities	-	-	(1,560)	-
Total foreign currency liabilities	(119,206)	(562)	(98,982)	-
Net foreign currency (liabilities)/assets	10,810	(562)	10,570	-

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity

The following table indicates the currencies to which the Bank have significant exposures on its monetary assets and liabilities and its forecast cash flows. The change in currency rates below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents the outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for changes in foreign currency rates. The sensitivity analysis includes loans and advances to customers, investment securities and deposits. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in each variable, variables had to be considered on an individual basis. It should be noted that movements in these variables are non-linear.

	2018				2017			
	%	Change in Currency rate	Effect on profit	Effect on equity	%	Change in Currency rate	Effect on profit	Effect on equity
			$'000	$'000			$'000	$'000
Strengthening of the Jamaica dollar:								
USD	2%	Revaluation	(27,091)	(27,091)	1%	Revaluation	(13,553)	(13,553)
Euro	2%	Revaluation	1,739	1,739	1%	Revaluation	-	-
Weakening of the Jamaica dollar:								
USD	4%	Devaluation	54,182	54,182	10%	Devaluation	81,317	81,317
Euro	4%	Devaluation	(3,477)	(3,477)	10%	Devaluation	-	-

This assumes that all other variables remain constant.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

Variable rate instruments expose the Bank to a loss of future cash flow, while fixed rate instruments expose the Bank to loss in fair value. Interest rate risk is managed by holding primarily fixed rate financial instruments which form the majority of the Bank's financial assets.

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	2018						
	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non - Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Cash and cash equivalents	943,702	-	-	-	-	95	948,797
Resale agreements	753,744	2,434,127	481,220	-	-	3,418	3,657,509
Investments Securities	-	-	-	139,447	2,800,034	12,993	3,012,474
Interest in associated companies			-			1,055,257	1,055,257
Loans, net of impairment losses	-	1,098,025	4,737,184	8,199,639	5,140,567	196,066	18,421,512
Due from Government of Jamaica	-	-	-	-	-	713,538	713,539
Due from Credit Enhancement Facility Fund	-	-	-	-	232,676	264,345	497,021
Other receivables	-	-	-	-	-	378,485	376,465
Total financial assets	1,702,446	3,532,152	5,258,404	8,389,146	8,173,277	2,657,198	29,712,523
Liabilities							
Loans payable	-	1,861,191	245,061	15,267,681	2,551,868	-	19,925,801
Other Liabilities	-	-	198,568	-	-	633,776	832,344
Total financial liabilities	-	1,861,191	443,629	15,267,681	2,551,868	633,776	20,758,145
Interest rate sensitivity gap	1,702,446	1,670,961	4,814,775	(6,878,535)	5,621,409	2,023,422	8,954,478
Cumulative Interest sensitivity gap	1,702,446	3,373,407	8,188,182	1,309,647	6,931,056	8,954,478	-

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	2017						
	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non - Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Cash and cash equivalents	393,939	-	-	-	-	113,248	510,183
Resale agreements	-	2,524,979	-	-	-	4,524	2,329,503
Investments Securities	-	11,713	-	204,426	2,718,487	95,802	3,030,428
Interest in associated companies	-	-	-	-	-	1,021,810	1,021,810
Loans, net of impairment losses	-	1,370,480	3,844,126	6,303,041	6,024,399	258,232	17,801,278
Due from Government of Jamaica	-	-	-	-	-	815,641	815,641
Due from Credit Enhancement Facility Fund	-	-	-	-	209,343	256,479	465,822
Other receivables	-	-	-	-	-	221,913	221,913
Total financial assets	393,939	4,307,172	3,844,126	6,507,467	8,952,229	2,785,650	26,796,583
Liabilities							
Loans payable	-	-	1,417,424	8,415,239	4,337,473	3,895,512	18,065,648
Other Liabilities	-	-	-	-	-	765,630	765,630
Total financial liabilities	-	-	1,417,424	8,415,239	4,337,473	4,661,142	18,831,278
Interest rate sensitivity gap	393,939	4,307,172	3,844,126	(1,907,772)	4,614,756	(1,875,492)	7,965,305
Cumulative Interest sensitivity gap	393,939	4,707,111	7,135,813	5,226,041	9,840,797	7,965,305	-

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity
The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the income statement and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the floating rate of non-trading financial assets and financial liabilities. The sensitivity of other comprehensive income is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

	Effect on Net Profit 2018 $'000	Effect on Equity 2018 $'000	Effect on Net Profit 2017 $'000	Effect on Equity 2017 $'000
Change in basis points:				
Decrease - JMD -100 and USD -50	(197,148)	197,148	(169,171)	169,171
Increase - JMD +100 and USD +100	197,148	(197,148)	169,171	(169,171)

(i) The Bank's exposure to security price risk is insignificant as the Bank's securities that derive their value from market prices are not significant.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The main financial assets giving rise to credit risk are cash and cash equivalents, resale agreements, investment securities, advances to associates, loans receivable, Government of Jamaica recoverables, due from Credit Enhancement Facility Fund, and other receivables.

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Exposure to credit risk

Current credit exposure is the amount of loss that the Bank would suffer if all counterparties to which the Bank was exposed were to default at once, without taking account of the value of any collateral held. This is represented substantially by the carrying amount of financial assets shown in the statement of financial position.

There has been no change in the nature of the Bank`s exposure to credit risk or the manner in which it measures and manages the risk.

Maximum exposure to credit risk before collateral held or other credit enhancements

The maximum exposure to credit risk before taking account of collateral held and other credit enhancements is as follows:

- Credit risk exposures relating to items recognised:
  This exposure is the carrying amounts in the statement of financial position of financial assets that are subject to credit risk.

- Credit risk exposures relating to items not recognised:

	Maximum exposure	
	2018	2017
	$'000	$'000
Loan commitments	1,278,044	4,803,647
Guarantees	434,261	822,920
	1,712,305	5,626,567

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. **Financial Risk Management (Continued)**

(b) Credit risk (continued)

(i) Exposure to credit risk (continued)

	2018						
	Cash and cash equivalents	Loans	Investment securities	Resale agreements	Due from Govt. of Jamaica	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amounts	948,797	19,421,541	2,830,955	3,657,509	743,539	376,485	27,978,826
Concentration sector:							
Financial institutions	948,797		2,817,962	3,649,091			7,415,850
Agriculture, fishing and mining	-	4,546,847	-	-	-	-	4,546,847
Government and public entities		10			743,539		743,549
Manufacturing		5,682,658					5,682,658
Professional and other services	-	7,769,691	-	-	-	376,485	8,146,176
Tourism and entertainment		1,038,137					1,038,137
Transportation, storage and communication	-	758,957	-	-	-	-	758,957
	948,797	19,796,300	2,817,962	3,649,091	743,539	376,485	28,332,174
Interest receivable	-	195,806	12,993	8,418	-	-	217,217
	948,797	19,992,106	2,830,955	3,657,509	743,539	376,485	28,549,391
Less: Impairment losses	-	(570,565)	-		-	-	(570,565)
	948,797	19,421,541	2,830,955	3,657,509	743,539	376,485	27,978,826
Concentration by location:							
Jamaica	819,404	9,510,309	2,830,955	3,657,509	743,539	376,485	17,938,200
United States of America	129,393	9,911,232	-		-	-	10,040,626
	948,797	19,421,541	2,830,955	3,657,509	743,539	376,485	27,978,826

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Exposure to credit risk (continued)

	2017						
	Cash and cash equivalents	Loans	Investment securities	Resale agreements	Due from Govt. of Jamaica	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amounts	510,093	17,801,278	2,958,886	2,929,503	816,841	424,549	25,439,850
Concentration sector:							
Financial institutions	510,093	-	2,928,500	2,924,979	-	-	6,363,572
Agriculture, fishing and mining	-	3,292,865	-	-	-	-	3,292,865
Government and public entities	-	429,293	-	-	815,641	-	1,244,934
Manufacturing	-	5,597,531	-	-	-	-	5,597,531
Professional and other services	-	6,357,519	-	-	-	424,549	6,782,068
Tourism and entertainment	-	1,786,513	-	-	-	-	1,786,513
Transportation, storage and communication	-	658,533	-	-	-	-	658,533
	510,093	18,122,354	2,928,500	2,924,979	816,841	424,549	25,725,813
Interest receivable	-	436,363	30,386	4,524			471,573
	510,093	18,558,717	2,958,886	2,929,503	816,841	424,549	26,197,339
Less: Impairment losses	-	(757,439)	-	-	-	-	(757,439)
	510,093	17,801,278	2,958,886	2,929,503	816,841	424,549	25,439,850
Concentration by location							
Jamaica	468,052	17,801,278	351,798	2,929,503	816,841	424,549	22,832,042
United States of America	42,041	-	2,607,088	-	-	-	2,649,129
	510,093	17,801,278	2,958,886	2,929,503	816,841	424,549	25,481,171

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Exposure to credit risk (continued)

Credit quality is measured and monitored after disbursement primarily by the extent to which the debtor is current:

- Loans

	2018	2017
	$'000	$'000
Direct loans	5,543,351	5,413,872
GOJ infrastructure loans	10	429
Financial and agricultural institutions loans	13,878,180	12,386,977
	19,421,541	17,801,278
Neither past due nor impaired	18,692,624	17,330,675
Past due but not impaired:		
1 to 3 months	67,404	50,242
3 to 6 months	15,905	101,007
6 to 12 months	120,314	41,976
Over 12 months	60,352	2,233
Past due and impaired	1,035,508	855,154
	19,992,107	18,381,287
Less allowance for loan losses	(570,566)	(580,009)
	19,421,541	17,801,278

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Exposure to credit risk (continued)

- Other amounts receivable- contractual due dates:

	2018	2017
	$'000	$'000
Neither past due nor impaired		
Due from Government of Jamaica :		
Note receivable	136,051	190,914
Other	566,183	577,109
	702,234	768,023

- Other amounts receivable- no contractual due dates:

	2018	2017
	$'000	$'000
No due date – deemed not impaired		
Due from Government of Jamaica :		
Privatisation	41,305	47,618
Other receivables	279,955	221,913
	321,260	269,531

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Exposure to credit risk (continued)

The carrying amount, at the reporting date, of loans whose contractual provisions have been renegotiated was $2,768,355,000 (2017 $393,922,000).

(ii) Management of credit risk

The Bank manages its credit risk primarily by review of the financial status of each counterparty, and structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or Bank of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and are subject to an annual or more frequent review. The exposure to any one borrower, including banks and brokers/dealers, is restricted by limits covering on and off-statement of financial position exposures. Actual exposures against limits are monitored daily. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest payment and principal repayment obligations, obtaining collateral and corporate and personal guarantees, and by changing lending limits where appropriate.

Credit risk is managed for specific financial assets in ways that include the following:

Cash and cash equivalents

Cash and cash equivalents are held with financial institutions that are licensed and regulated and which management regards as strong, and in such a way that there is no significant concentration. The strength of these financial institutions and the level of concentration are continually reviewed by management and the Investment, Finance and Loans Committee.

Investment securities and resale agreements

The Bank limits its exposure to credit risk for these assets by investing only with counterparties that have high credit ratings. Therefore, management's expectation of defaults by any counterparty is low.

The Bank has documented investment policies, which serve as a guide in managing credit risk on investment securities and resale agreements. The Bank's exposure and the credit ratings of its counterparties are continually monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(ii) Management of credit risk (continued)

Credit risk is managed for specific financial assets in ways that include the following (continued):

Amounts due from Government of Jamaica
Balances with Government of Jamaica are regarded as sovereign debt and risk free investment by the regulators of licensed deposit taking and other financial institutions. The default risk of Government of Jamaica is low and, therefore, the Bank does not anticipate any default on the recovery of these balances.

Loans
The management of credit risk in respect of loans is executed by the management of the Bank. The Investment, Finance and Loans Committee of the Board of Directors is responsible for the oversight of the Bank's credit risk and the development of credit policies. There is a documented credit policy in place, which guides the Bank's credit process.

(iii) Impairment

Impaired financial assets are assets for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms. In assessing the impairment of loans receivable, the main considerations are arrears of principal and interest for more than 90 days, known difficulties in the cash flows of the counterparty, and failure to comply with the original terms of the loan agreement.

Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the reporting date, on a case-by-case basis, and are applied to all accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

(iv) Past due but not impaired loans

These are loans where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate based on the quality and value of collateral held or other security available or the stage of collection of amounts owed to the Bank.

(v) Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured, it is classified and monitored.

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(vi) Write-off policy

The Bank writes off a loan (and any related allowances for impairment losses) when it determines that the loan is uncollectible. This determination is usually made after considering information such as changes in the borrower's financial position, or that proceeds from collateral will not be sufficient to pay back the entire exposure. The write-off of loans must be submitted to the Investment, Finance and Loans Committee for recommendation to the full Board for approval.

(vii) Collateral and other credit enhancements held against financial assets

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The Bank has guidelines that set out the acceptability of different types of collateral. The types of collateral held by the Bank are as follows:

- Loans — Mortgages over properties, liens over motor vehicles and other registered securities, hypothecation of shares, promissory notes, and guarantees.
- Resale agreements — Government of Jamaica securities.

Collateral is generally not held for balances with banks or broker/dealers, except when securities are held under resale agreements. Collateral is generally not held against investment securities, and no such collateral was held at the reporting date (2017 - no collateral held).

Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(viii) The fair values of collateral held against loans to borrowers and other financial assets exposed to credit risk are shown below:

	Loan Receivables		Other receivables		Resale agreements	
	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Against neither past nor impaired financial assets:						
Property (land and buildings)	12,569,460	12,378,960	28,126	15,550	-	-
Debt securities	-	-	-	-	3,577,615	2,551,133
Motor vehicles	-	-	103,382	81,491	-	-
Other	-	-	69,781	77,313	-	-
Against past due but not impaired financial assets:						
Property (land and buildings)	773,320	717,172	-	-	-	-
Against past due and impaired financial assets:						
Property (land and buildings)	880,589	802,598	-	-	-	-

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

The Bank's approach to managing liquidity is to ensure, as far as possible, that it has sufficient funding to meet its liabilities when due. A report comparing monthly projected disbursements with expected inflows is maintained and monitored to achieve maximum efficiency without incurring unacceptable losses.

The Bank's investment securities are considered readily realisable as they are Government securities. The Bank also has the ability to borrow in the short-term at reasonable interest rates to cover any shortfall that may arise from its operations.

Daily reports covering the liquidity position of the Bank, including any exceptions, and remedial action taken, are submitted regularly to the Managing Director and detailed investment schedules are presented monthly to the Investment, Finance and Loans Committee.

The Bank is not subject to any externally imposed liquidity limit.

The following table presents the undiscounted contractual maturities of financial liabilities, including interest payments, on the basis of their earliest possible contractual maturity.

	2018						
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No specific maturity	Total cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Liabilities							
Loans payable	519,155	1,017,300	5,571,259	7,565,559	5,252,528	19,925,801	19,925,801
Other Liabilities	-	198,568	-	-	633,776	832,344	832,344
	519,155	1,215,868	5,571,259	7,565,559	5,886,304	20,758,145	20,758,145

	2017						
Liabilities							
Loans payable	631,206	532,220	8,383,809	464,261	8,054,153	18,065,649	18,065,649
Other liabilities	125,467	439,445	200,718	-	-	765,630	765,630
	756,673	971,665	8,584,527	464,261	8,054,153	18,831,279	18,831,279

There was no change in the nature of the Bank's liquidity risk or its approach to managing or measuring the risk.

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all areas of the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- requirement for appropriate segregation of duties, including the independent authorisation of transactions;
- requirement for the reconciliation and monitoring of transactions;
- compliance with legal requirements;
- documentation of controls and procedures;
- requirement for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirement for the reporting of operational losses and proposed remedial actions;
- development of contingency plans;
- risk mitigation, including insurance where this is effective.

Compliance with the Bank's standards is supported by a programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit and Conduct Review Committee, which reports its findings to the Board of Directors.

(e) Capital management

The Bank is not a regulated entity and, therefore, has no externally imposed capital requirements. However, the Bank seeks to maintain a minimum capital to safeguard its ability to continue as a going concern, so that it can continue to provide benefits to its stakeholders and to maintain the capital base necessary to support the development of its business. The Bank defines its capital base as share capital, capital and other reserves and retained earnings. The Board's determination of what constitutes a sound capital position is informed by the mission of the Bank and the fact of its government ownership. The Board's policy is to maintain a balance between a sound capital position, the shareholder's demand for dividends, and the risks associated with borrowing to finance its activities. The policies in respect of capital management are reviewed from time to time by the Board of Directors.

There were no changes in the Bank's approach to capital management during the year.

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial instrument risk management (Continued)

(f) Fair value estimation

(i) Accounting classifications and fair values:

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		2018									
		Carrying amount						Fair value*			
	Note	Held to maturity	Loan and receivables	Available for sale	Fair value through profit or loss	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at fair value:											
Unit in unit trust		-	-	5,660	-	-	5,660	5,660	-	-	5,660
Government of Jamaica securities		-	-	2,637,863	-	-	2,637,863	-	2,637,863	-	2,637,863
		-	-	2,643,523	-	-	2,643,523	5,660	2,637,863	-	2,643,523
Financial assets not measured at fair value											
Government of Jamaica securities		187,018	-	-	-	-	187,018	-	-	-	-
Unquoted Equity Securities		-	181,519	-	-	-	181,519				
Resale agreements		-	3,557,508	-	-	-	3,557,508	-	-	-	-
Cash and cash equivalents		-	1,044,786	-	-	-	1,044,786	-	-	-	-
Other receivables			279,955				279,955				
Direct loans		-	5,513,361	-	-	-	5,513,361	-	-	-	-
Financial and agricultural institutions loans		-	13,873,160	-	-	-	13,873,160	-	-	-	-
GOJ Infrastructural programmes		-	10	-	-	-	10	-	-	-	-
GOJ receivables			807,467				807,467				
		187,018	25,192,798				25,379,816	-	-	-	-
Financial liabilities not measured at fair value:											
Loan payable						19,925,802	19,925,802				
Other		-	-	-	-	832,345	832,345	-	-	-	-
						20,758,147	20,758,147				

* The company has not disclosed the fair values of cash and cash equivalents, resale agreements, loans receivable, GOJ receivables, other receivables, loans payable and other liabilities because the carrying amounts of these financial instruments are a reasonable approximation of fair values.

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(f) Fair value estimation (continued)

(i) Accounting classifications and fair values (continued):

	Note	Held to maturity	Loan and receivables	Available for sale	Fair value through profit or loss	Other Financial liabilities	Total	Level 1	Level 2	Level 3	Total
		2017									
		Carrying amount						Fair value*			
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at fair value:											
Unit in unit trust		-		5,586	-	-	5,586	5,586	-		5,586
Government of Jamaica securities		-		2,582,487	-	-	2,582,487	-	2,582,487		2,582,487
		-		2,588,073	-	-	2,588,073	5,586	2,582,487		2,588,073
Financial assets not measured at fair value:											
Government of Jamaica securities		400,245	-	-	-	-	400,245	-	-	-	-
Preference shares		-	11,713	-	-	-	11,713	-	-	-	-
Resale agreements		-	2,929,503	-	-	-	2,929,503	-	-	-	-
Cash and cash equivalents		-	510,188	-	-	-	510,188	-	-	-	-
Other receivables		-	221,913	-	-	-	221,913	-	-	-	-
Direct loans		-	5,413,872	-	-	-	5,413,872	-	-	-	-
Financial and agricultural intuitions loans		-	12,386,977	-	-	-	12,386,977	-	-	-	-
GOJ infrastructural programmes		-	429	-	-	-	429	-	-	-	-
GOJ receivables		-	624,728	-	-	-	624,728	-	-	-	-
		400,245	22,099,321	-	-	-	22,499,566	-	-	-	-
Financial liabilities not measured at fair value:											
Loan payable						19,065,649	19,065,649				
Other						765,630	765,630				
		-	-	-	-	19,831,279	19,831,279	-	-	-	-

* The company has not disclosed the fair values of cash and cash equivalents, resale agreements, loans receivable, GOJ receivables, other receivables, loans payable and other liabilities because the carrying amounts of these financial instruments are a reasonable approximation of fair values.

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(f) Fair value estimation (continued)

(ii) Measurement of fair values:

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.

The company's accounting policies and disclosures require the measurement of fair values for financial assets and liabilities.

When measuring fair value of an asset or liability, the company uses observable data as far as possible. Fair values are categorized into different levels in a three-level fair value hierarchy based on the inputs used in the valuation techniques, as follows:

Level 1

Included in the Level 1 category are financial assets and liabilities that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Included in the Level 2 category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions, and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in funds with fair values obtained via fund managers, and assets that are valued using a model whereby the majority of assumptions are market observable.

Level 3

Included in the Level 3 category are financial assets and liabilities that are measured using non-market observable inputs. This means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

The following table shows the valuation methods used to measure Level 2 fair values as well as any significant unobservable inputs used.

Financial assets	Method
Government of Jamaica JS securities and Bank of Jamaica securities	• Obtain bid yield from yield curve provided by a recognized pricing source (which uses market-supplied indicative bids) • Using this yield, determine price using accepted formula • Apply price to estimate fair value.
Units in unit trust	Prices of units at reporting date as quoted by the Fund Managers.

There were no financial assets designated at Level 3. No financial assets were transferred from one level in the hierarchy to another.

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Bank's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgment, which necessarily have to be made in the course of preparation of the financial statements.

The Bank makes estimates and assumptions that may affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard.

Estimates and judgments are continuously evaluated and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgments for certain items are especially critical for the Bank's results and financial position due to their materiality.

Impairment losses on loans and advances

The Bank reviews its loan portfolio to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from loans. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Bank, or national or local economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Future obligations for post-employment benefits

The cost of these benefits and the present value of the future obligations depend on a number of factors that are determined by actuaries using a number of assumptions. The assumptions used in determining the net periodic cost or income for retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of health benefits, the expected rate of increase in health costs. Any changes in these assumptions will impact the net periodic cost or income recorded for retirement benefits and may affect planned funding of the pension plan. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Bank determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligations. In determining the appropriate discount rate, the Bank considered interest rate on government bonds that are denominated in the currency in which the benefits will be paid, and have terms to maturity approximating the terms of the related obligations. The expected rate of increase of health costs has been determined by comparing the historical relationship of the actual health cost increases with the rate of inflation. Other key assumptions for the retirement benefits are based on current market conditions.

Residual value and expected useful life of property and equipment:

The residual value and the expected useful life of an asset are estimated by management on the basis of certain assumptions. They are reviewed at least at each reporting date. and if expectations differ from previous estimates, the change is accounted for. The useful life of an asset is defined in terms of the asset's expected utility to the company.

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

5. Net Interest Income

	2018 $'000	2017 $'000
Interest income		
Loans and advances	1,061,907	1,029,532
Income from sugar loan agreement	45,554	39,980
Investment securities	183,811	206,186
Reverse repurchase agreements	90,513	43,857
Cash and deposits and other	3,027	2,277
	1,384,812	1,321,832
Interest expense		
Long term loans	(624,597)	(570,407)
Net interest income	760,215	751,425

6. Other Income

	2018 $'000	2017 $'000
Administrative fees	20,979	20,278
Commitment fees	33,002	42,094
Dividend income	-	14,595
Gain on disposal of property and equipment	1,453	1,509
Rental income	99,681	98,627
Foreign exchange gains	-	72,897
Collections in respect of loans previously written off	9,444	15,450
IDB Venture Capital Conference - income	6,521	23,030
IDB Venture Capital Conference - expense	(6,521)	(23,034)
Public Private Partnership & Privatisation - fees	49,533	43,248
Miscellaneous	75,896	82,651
	289,988	391,345

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

7. Staff Costs

	2018	2017
	$'000	$'000
Salaries and wages	402,341	346,943
Payroll taxes	25,270	22,908
Pension costs – defined benefit plans (Note 18)	10,193	8,139
Performance incentive bonus	25,681	26,326
Other	94,454	85,450
	557,940	489,766

8. Operating Expenses

	2018	2017
	$'000	$'000
Amortisation	8,603	3,297
Advertising and public relations	24,491	41,878
Assistance to projects	5,001	5,067
Auditors' remuneration	4,869	4,816
Depreciation	38,873	36,624
Directors' fees	1,596	1,807
Legal fees	2,498	4,872
Professional fees	36,240	43,892
Motor vehicle expenses	6,920	6,735
Occupancy costs – including insurance, utilities and repairs	128,232	106,951
Travelling	6,373	6,664
Discount on additional advances made to Harmonisation	4,091	3,709
Foreign exchange losses	134,691	-
Other	23,363	20,833
	425,841	287,145

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

9. Cash and Cash Equivalents

	2018 $'000	2017 $'000
Cash	95	95
Deposits	948,702	510,093
	948,797	510,188

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2018 $'000	2017 $'000
Cash and cash equivalents (Note 9)	948,797	510,188
Borrowings – repayable within one year (excluding overdraft)	(2,893,534)	(3,578,578)
Borrowings – repayable after one year	(17,032,267)	(14,487,071)
Net debt	(18,977,004)	(17,555,461)
Cash and liquid investments	948,797	510,188
Gross debt – fixed interest rates	(19,925,801)	(18,065,649)
Net debt	(18,977,004)	(17,555,461)

	Other assets	Liabilities from financing activities		
	Cash/ bank overdraft $'000	Borrowings due within 1 year $'000	Borrowings due after 1 year $'000	Total $'000
Net debt as at 1 April 2016	886,000	(3,039,645)	(13,765,255)	(15,918,900)
Cash flows	(387,758)	(538,933)	(59,270)	(985,961)
Foreign exchange adjustments	11,946	-	(662,546)	(650,600)
Net debt as at 31 March 2017	510,188	(3,578,578)	(14,487,071)	(17,555,461)
Cash flows	441,969	685,044	(3,544,850)	(2,417,837)
Foreign exchange adjustments	(3,360)	-	305,030	301,670
Other non-cash movements	-	-	694,624	694,624
Net debt as at 31 March 2018	948,797	(2,893,534)	(17,032,267)	(18,977,004)

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

10. Reverse Repurchase Agreement

The Bank enters into collateralised reverse repurchase agreements which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. Included within reverse repurchase agreements is accrued interest receivable of $8,418,000 (2017 – $4,524,000). At the reporting date, all agreements were collaterised by Government of Jamaica securities.

Included in reverse repurchase agreements are securities with an original maturity of less than 90 days amounting to $1,741,810,000 (2017 – $2,924,979,000) which are regarded as cash equivalents for the purposes of the statement of cash flows.

The fair value of the collateral underlying the resale agreements was $3,649,093 (2017 - $3,020,908) at the reporting date.

11. Investment Securities

	Remaining term to maturity					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Carrying value	Carrying value
	$'000	$'000	$'000	$'000	$'000	$'000
					2018	2017
Held to maturity:						
Government of Jamaica	-	-	46,768	140,250	187,018	340,426
Loan and receivables:						
Preferences shares	-	-	-	-	-	11,713
Unquoted equity securities	-	-	-	181,519	181,519	59,820
Available for sale:						
Units in unit trust	-	-	-	-	5,860	5,586
Government of Jamaica bonds	-	-	-	2,625,084	2,625,084	2,582,487
					2,630,944	2,588,073
Interest receivables					12,993	30,396
					3,012,474	3,030,428

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

11. Investment Securities (Continued)

(a) National Debt Exchange

Government of Jamaica ("GOJ") bonds include $136,000,000 of Fixed Rate Accreting Notes ("FRANs"). As part of the National Debt Exchange, GOJ mandated the Bank (and all other state-owned/controlled entities that held GOJ issued notes) ("Old Notes") to exchange those Old Notes for new notes – FRANs - as at February 22, 2013. Old notes with a carrying amount of $170,000,000 at that date were exchanged for FRANs with a fair value of $136,000,000, resulting in a loss of $34,000,000. The terms of the FRANs are as follows:

(i) A holder of Old Notes was issued with J$80 of initial principal value of FRANs for every J$100 of principal value of Old Notes.

(ii) Interest is payable semi-annually on February 15 and August 15 at a fixed rate of 10% p.a. on the accreted principal value with the first payment being made on August 15, 2013.

(iii) Accretion for the additional J$20 of principal value will commence in August 2017 as follows:

- 0.5% of $100 every six months from August 15, 2017 until August 15, 2020;
- Thereafter, 1.0% of $100 every six months until August 15, 2026; and
- Thereafter, 1.5% of $100 every six months until August 15, 2027.

(iv) The FRANs may be redeemed by GOJ on any interest payment date after August 15, 2020. (The value at which the FRAN could be redeemed is not included in the offer document).

12. Investment Properties

	2018 $'000	2017 $'000
Balance at beginning of year	607,560	496,464
Fair value gains	31,411	111,096
Balance at end of year	638,971	607,560
Land at Drax Hall, St.Ann	16,083	16,260
Manor Park apartment, rented	21,763	18,800
21 Dominica Drive, rented	601,125	572,500
	638,971	607,560
Income earned from the properties	60,463	57,144
Expenses incurred by the properties	(10,695)	(5,347)

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

12. Investment Properties (Continued)

The properties held are stated at fair value and determined by professional property valuers, Allison Pitter and Co., Chartered (Valuation) Surveyors.

The fair value measurement for investment property has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

13. Investment in Associates

	2018	2017
	$'000	$'000
Ordinary shares, at cost	250	250
Advances and related accrued interest receivables		
Original advances	1,338,700	1,283,994
Additional advances	95,647	80,013
Reimbursements	(387)	(25,307)
Gross amount receivables	1,433,960	1,338,700
Unaccredited imputed interest:		
Original amount of discount	(304,584)	(300,875)
Discount on additional advances	(4,091)	(3,709)
Total discounts	(308,675)	(304,584)
Accretion in previous years	80,554	80,554
Unaccreted interest carried forward	(228,121)	(224,030)
Present value of amount receivable	1,206,089	1,114,920
Share of losses		
At beginning of year	(93,110)	(52,725)
Loss recognised during the year	(57,722)	(40,385)
At end of year	(150,832)	(93,110)
	1,055,257	1,021,810

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

13. Investment in Associates (Continued)

The shareholders of Harmonisation Limited entered into a new agreement between themselves to cease charging interest on their advances and to issue preference shares to the existing shareholders in the ratio of their outstanding advances. Advances are unsecured with no fixed repayment date. At the reporting date, the preference shares had not been issued. It is expected that they will be issued when the Joint Venture and Members Agreements come into force.

As the long-term receivable is non-interest-bearing, interest income has been imputed in accordance with the requirements of IFRS.

	2018	2017
	$'000	$'000
Current assets	267,027	237,296
Non-current assets	2,351,892	2,353,357
Current liabilities	12,021	8,629
Non-current liabilities	3,126,371	2,976,374
Revenue	15,618	12,591
Loss from continuing operations	(116,856)	(77,706)

14. Loans Receivables, Net of Provision for Credit Losses

	2018	2017
	$'000	$'000
Direct loans to end users	5,543,351	5,413,935
Financial and agricultural institutions loans	13,878,180	12,386,977
Government of Jamaica Infrastructure Loan Programme	10	429
	19,421,541	17,801,278

Direct loans to end users:

	Remaining term to maturity					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Carrying value	Carrying value
	$'000	$'000	$'000	$'000	$'000	$'000
					2018	2017
Loans receivable	270,600	971,166	1,609,536	2,921,872	5,773,174	5,574,913
Interest receivable					176,020	244,803
					5,949,194	5,819,716
Less impairment allowance					(405,843)	(405,844)
					5,543,351	5,413,872

The loans bear interest at rates ranging from 4% - 10% (2017 - 4% - 10%) per annum.

Notes to the Financial Statements

31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

14. Loans Receivables, Net of Provision for Credit Losses (Continued)

Financial and agricultural institutions loans:

	2018 $'000	2017 $'000
Loans to financial institutions	13,342,906	11,744,689
Interest receivables	18,302	12,874
	13,361,208	11,757,563
Loans to National People's Co-operative Banks	680,210	802,024
Interest receivable on Loans to National People's Co-operative Banks	1,484	1,555
	681,694	803,579
	14,042,902	12,561,142
Less impairment losses on loans	(164,722)	(174,165)
	13,878,180	12,386,977

Government of Jamaica Infrastructural Loan Programme

	2018 $'000	2017 $'000
Loan amount	10	429
Interest receivables	177,431	177,431
	177,441	177,860
Less impairment losses on loans	(177,431)	(177,431)
	10	429

15. Due from Government of Jamaica

Due from Government of Jamaica Privatisation

This balance represents amounts advanced by the company in the process of divesting assets on behalf of the Government of Jamaica ("GOJ"), net of the proceeds of the divestments.

	Net recoverable/ (payable) $'000 2017	Amount advanced $'000	Proceeds collected $'000	Net recoverable/ (payable) $'000 2018
Projects in progress	134,637	47,991	(54,303)	128,325
Projects completed	(79,941)	-	-	(79,941)
Others	(7,078)	-	-	(7,078)
	47,618	47,991	(54,303)	41,306

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

15. Due from Government of Jamaica (Continued)

Due from Government of Jamaica- Other:

(a) Note receivable:

GOJ signed an agreement dated September 20, 2011 with the company under which GOJ assumed certain loans owed to the company by three GOJ-owned sugar companies. GOJ issued a non-interest bearing promissory note to the company in the amount of J$1,004,168,000 repayable over a ten-year period commencing 1 April 2011 and ending 31 March 2021 in semi-annual instalments. The carrying amount is made up as follows:

	2018	2017
	$'000	$'000
Face value of 10- year interest – free note	1,004,168	1,004,168
Imputed interest	(345,056)	(345,056)
Fair value at date of issue (Note 25)	659,112	659,112
Principal portion repaid in instalments received to date	(523,063)	(468,198)
Carrying amount	136,049	190,914

(b) Exchange losses on loans:

	2018	2017
(i) Caribbean Development Bank loans:		
Unrealised	396,481	421,469
Realised	38,753	38,753
	435,234	460,222
(ii) European Investment Bank loans (Note 21):		
Realised	47,647	37,677
(iii) Other loans:		
Unrealised	83,303	79,210
	566,184	577,109
	743,539	815,641

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

16. Credit Enhancement Facility Fund

The Credit Enhancement Facility Fund ("the Fund"), which was established with effect from July 2009, is an arrangement between the Approved Financial Institutions ("AFI") and the Bank, which is aimed at providing partial collateral guarantees to AFIs for loans to Small and Medium-sized Enterprises ("SMEs") which do not meet the full collateral requirements, and the Fund was set up as a part of the arrangements. Losses arising from these guaranteed loans are shared between the Bank and the AFIs.

The Bank indemnifies the AFIs for losses incurred on loans made, with the indemnity maximised at (1) the lower of $15 million or 50 per cent of the value of the loan on regular SME loans (2) the lower of $15 million or 80 per cent of the value of the loan on SME Energy loans and (3) the lower of $5 million or 80 per cent of the value of the loan on regular SME loans not exceeding $6.25 million.

The Bank has transferred $250 million from its investments and placed it in a Trust, managed by a Board of Trustees with a trust deed in place.

The financial position and performance of the Fund during the year are detailed below:

	2018	2017
	$'000	$'000
Assets -		
Investments	131,357	131,357
GOJ Global Bonds	214,843	209,343
Repurchase agreement	2,165	2,084
Cash at bank	29,149	12,247
Receivables	119,507	110,791
	497,021	465,822
Fund capital, reserve and liability -		
Fund capital	250,000	250,000
Accumulated profit	225,556	197,079
	475,556	447,079
Payables	21,465	18,743
	497,021	465,822

	2018	2017
	$'000	$'000
Profit for the year	28,477	23,788

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

17. Other Receivables

	2018	2017
	$'000	$'000
Broker receivables	96,530	-
Other receivables	49,671	78,885
World Bank receivables	46,146	1,610
Prepayment	17,525	13,723
Staff receivables	166,613	127,695
NIBJ recoveries	479,314	479,314
NIBJ provision recoveries	(479,314)	(479,314)
	376,485	221,913

18. Employee Benefit Assets

	2018	2017
	$'000	$'000
Assets recognised in the statement of financial position –		
Pension scheme	239,471	295,578
Amounts recognised in profit or loss –		
Pension scheme	10,193	8,139
Amounts recognised in other comprehensive income –		
Pension scheme	63,990	(32,271)

(a) The Bank operated a defined-contribution pension scheme for the former employees of The National Development Bank of Jamaica Limited (NIBJ); it was administered by a company. Benefits to retired members were based on employee and employer contributions, bonuses and interest credited. The assets of the scheme were held independently of the Bank's assets in separate trustee-administered funds. Approval for the winding up of the scheme was received from the Financial Services Commission in June 2012, and, following an actuarial valuation done as at June 2012, all members entitled to benefits received them in the form of annuities secured through a Company.

(b) As a result of the merger of (NIBJ) and the Bank on 1 September 2006, the employees of NIBJ were transferred to the Bank and became members of the Development Bank of Jamaica (DBJ) Pension Scheme. Permission was sought from, and granted by, the FSC for the transfer of the plan assets and benefit obligations of the NIBJ Scheme and the subsequent winding up of that Scheme, effective as of the merger date

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

18. Employee Benefit Assets (Continued)

(c) The Bank has a defined-benefit scheme, which is administered by Trustees appointed by the Bank and by an employee-appointed trustee. The scheme, which is open to all full time, permanent employees, is funded by employer and employee contributions of 6.9% and 5% of pensionable salaries, respectively. In addition, the employees may voluntarily contribute a further 8.1% of pensionable salaries. The pensionable amount of annual pension on retirement at normal retirement date shall be that pension equal to 2% of the member's final pensionable salary multiplied by his years of pensionable service, plus such amount as may be determined by the actuary to be the pension equivalent of any voluntary contributions, accumulated with interest computed to the date of retirement, standing to the credit of the member on the date the pension is to commence. The funding valuation of the scheme as at 31 December 2012 had a past service surplus of $195,517,000.

The amounts recognised in the statement of financial position are determined as follows:

	2018 $'000	2017 $'000
Present value of funded obligations	(1,484,335)	(1,234,855)
Fair value of plan assets	1,723,806	1,530,433
Assets in the statement of financial position	239,471	295,578

The movement in the defined benefit obligation over the year is as follows:

	2018 $'000	2017 $'000
Balance at beginning of year	1,234,855	1,012,924
Current service cost	40,582	34,931
Interest cost	119,866	93,682
Re-measurements -		
Experience losses	116,402	107,204
Members' contributions	12,095	10,877
Benefits paid	(39,465)	(24,763)
Balance at end of year	1,484,335	1,234,855

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

18. Employee Benefit Assets (Continued)

The movement in the defined benefit asset during the year is as follows:

	2018 $'000	2017 $'000
Balance at beginning of year	1,530,433	1,267,610
Interest income	145,190	114,484
Re-measurement -		
Return on plan assets, excluding amounts included in interest income	52,412	139,476
Contributions	43,515	39,780
Benefits paid	(39,465)	(24,763)
Administration expenses	(8,279)	(6,154)
Balance at end of year	1,723,806	1,530,433

The amounts recognised in profit or loss in the statement of comprehensive income is as follows:

	2018 $'000	2017 $'000
Current service cost	27,238	22,787
Interest costs	119,866	93,682
Interest income	(145,190)	(114,484)
Administration expenses	8,279	6,154
Total, included in staff costs (Note 7)	10,193	8,139

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

18. Employee Benefit Assets (Continued)

Plan assets are comprised as follows:

	2018			
	Quoted	Unquoted	Total	
	$'000	$'000	$'000	%
Unitised investments	-	58,974	58,974	3.4
Government of Jamaica bonds	-	728,741	728,741	42.2
Corporate bonds	-	191,350	191,350	11.1
Resale agreements and CDs	-	134,700	134,700	7.9
Real estate	-	117,978	117,978	6.8
Equity securities	488,733	-	488,733	28.4
Net current assets	-	3,330	3,330	0.2
	488,733	1,235,073	1,723,806	100

	2017			
	Quoted	Unquoted	Total	
	$'000	$'000	$'000	%
Unitised investments	-	50,004	50,004	3.3
Government of Jamaica bonds	-	796,624	796,624	52.1
Corporate bonds	-	181,491	181,491	11.8
Resale agreements and CDs	-	23,519	23,519	1.5
Real estate	-	115,455	115,455	7.5
Equity securities	356,072	-	356,072	23.3
Net current assets	-	7,268	7,268	0.05
	356,072	1,174,361	1,530,433	100

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

18. Employee Benefit Assets (Continued)

Expected contributions to the post-employment plan for the year ending 31 March 2018 are $43,515,000 (2017 - $39,780,000).

Movements in the amounts recognised in the statement of financial position:

	2018 $'000	2017 $'000
Assets at beginning of year	295,578	254,686
Amounts recognised in profit or loss in the statement of comprehensive income	(10,193)	(8,139)
Amounts recognised in other comprehensive income	(63,990)	32,271
Contributions paid	18,076	16,760
Assets at end of year	239,471	295,578

The significant actuarial assumptions used were as follows:

	2018	2017
Discount rate	7.5%	9.5%
Future salary increases	5.0%	7.0%
Expected pension increase	2.25%	3.25%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 60.

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

18. Employment Benefit Assets (Continued)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on post-employment obligations		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		$'000	$'000
Discount rate	0.5%	1,400,125	1,581,561
Future salary increases	0.5%	1,504,942	1,465,241
Expected pension increase	0.5%	1,556,371	1,420,071

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

19. Intangible Assets

	Computer Software $'000
At Cost -	
At 1 April 2016	17,682
Additions	32,608
At 31 March 2017	50,290
31 March 2018	50,290
Depreciation -	
At 1 April 2016	15,448
Charge for the year	3,297
At 31 March 2017	18,745
Charge for the year	8,603
31 March 2018	27,348
Net Book Value -	
31 March 2018	22,942
31 March 2017	31,545

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

20. Property, Plant and Equipment

	Freehold Land and Buildings $'000	Furniture, fixtures, plant and equipment $'000	Motor Vehicles Furniture & Equipment $'000	Computer Equipment $'000	Total $'000
Cost/Valuation					
At 1 April 2016	813,882	229,542	53,139	49,218	1,145,781
Additions	-	4,062	5,848	15,415	25,325
Disposals	-	-	(15,169)	(1,004)	(16,173)
Revaluation	73,847	-	-	-	73,847
Adjustment	2,222	-	(2,222)	-	-
At 31 March 2017	889,951	233,604	41,596	63,629	1,228,780
Additions	32,685	16,163	6,615	14,787	70,250
Disposals	-	(305)	(2,589)	(560)	(3,454)
Revaluation	60,959	-	-	-	60,959
At 31 March 2018	983,595	249,462	45,622	77,856	1,356,535
Accumulated Depreciation -					
At 1 April 2016	106,511	170,781	28,271	37,119	342,682
Charge for the year	11,495	12,537	6,009	6,584	36,625
Disposals	-	-	(9,666)	(983)	(10,649)
At 31 March 2017	118,006	183,318	24,614	42,720	368,658
Charge for the year	12,633	10,344	6,424	9,472	38,873
Disposals	-	(244)	(2,589)	(560)	(3,393)
At 31 March 2018	130,639	193,418	28,449	51,632	404,138
Net Book Value -					
31 March 2018	852,956	56,044	17,173	26,224	952,397
31 March 2017	771,945	50,286	16,982	20,909	860,122

The Bank's freehold land and buildings, with a historical cost of $96,116,000 (2017 – 96,116,000), were last revalued in February 2018 on the basis of an open market valuation, by independent professional valuers. The excess of valuation over the carrying value of freehold land and buildings of $61,230,000 (2017 – $73,847,000) has been credited to other comprehensive income (included in revaluation reserve) (Note 24).

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

21. Loans Payables

	Interest Rate	31 March 2017	New Loans/ Adjustments	Transaction Costs/ Repaid	Exchange differences/ Interest Capitalised	31 March 2018
	%	$'000	$'000	$'000	$'000	$'000
(a) Government of Jamaica (GOJ)						
(i) Ministry of Mining and Energy	-	120	-	-	-	120
(ii) International Bank for Reconstruction and Development 1994/2001	2.82	1,266,190	-	-	(26,395)	1,239,795
(iii) MOA – Dairy Sector	-	110,228	(150)	-	-	110,078
(iv) MOF – US$29.03M	6.00	2,144,033	-	(1,617,533)	8,008	534,508
(v) MOF Advance	-	1,945	-	-	-	1,945
(vi) GOJ – Citrus Growers	-	60,000	-	-	-	60,000
(vii) GOJ- YEP Programmes	-	2,595	(2,595)	-	-	-
(viii) World Bank Energy						
(1) MOF&P – US$1.9M loan	1.19	210,373	-	(24,396)	(3,664)	182,311
(2) MOF&P – US$1.3M loan	6.00	409,729	-	-	-	409,729
(ix) MOF&P (FCGP) – J$2.4B loan	4.00	962,712	915,256	-	-	1,877,968
(x) IDB Climate Change Adaption		38,122	96,860	-	-	134,982
Total GOJ loans		5,206,047	1,009,371	(1,641,931)	(22,051)	4,551,436

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

21. Loans Payables (Continued)

	Interest Rate	31 March 2017	New Loans/ Adjustments	Write-Off	Transaction Costs/ Repaid	Exchange differences/ Interest Capitalised	31 March 2018
	%	$'000	$'000	$'000	$'000	$'000	$'000
(b) Direct Borrowing							
(xi) IBRD US$P.I.E.D. Line of Credit	2.82	79,623	-	-	-	(1,660)	77,963
(xii) Caribbean Development Bank 2002/2020:							
30ORJ	2.97	747,599	278,263	-	(7,740)	(4,501)	1,013,621
26ORJ	2.97	1,305,940	-	-	(215,339)	(25,004)	1,065,597
11SFR/ORJ	2.50	195,151	-	-	-	(4,068)	191,083
20SFR/ORJ	2.50	1,003,604	-	-	-	(20,921)	982,683
(xiii) European Community	1.00	89,691	-	-	(9,628)	7,998	88,061
(xiv) European Investment Bank							
- Loan I	7.00	514,530	-	-	-	-	514,530
- Loan II	6.56	-	887,634	-	(846)	-	886,788
(xv) Jamaica Development Bank							
- Loan I	4.00	6,738	-	(6,738)	-	-	-
- Loan II	4.00	139,000	-	(139,000)	-	-	-
- Loan III	3.00	60,971	-	(60,971)	-	-	-
- Loan IV	4.00	487,915	-	(487,915)	-	-	-
(xvi) NHT Surehop	-	77,780	-	-	-	-	77,780
(xvii) GOJ NIF	4.00	579,769	35,738	-	(172,785)	-	442,742
Balance c/f – Direct borrowing		5,288,331	1,201,635	(694,624)	(406,338)	(48,156)	5,340,848

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

21. Loans Payables (Continued)

	Interest Rate	31 March 2017	Net interest payable movement	New Loans/ Adjustments	Write-Off	Transaction Costs/ Repaid	Exchange differences /Interest Capitalised	31 March 2018
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
(b) Direct Borrowing (continued)								
Balance b/f – Direct borrowing		5,288,331	-	1,201,635	(694,624)	(406,338)	(48,156)	5,340,848
(xviii) Petro Caribe Loan:								
(1) US$8.6M loan	5.00	499,726	-	-	-	(501,540)	-	(1,814)
(2) US$31.0M loan	3.00	1,699,568	-	964,033	-	(325,469)	36,517	2,374,649
(3) US$40.0M loan	2.50	3,707,816	-	3,116,761	-	(259,366)	61,515	6,626,726
Total direct borrowing		11,195,441	-	5,282,429	(694,624)	(1,492,714)	49,876	14,340,409
Total loans payable		16,401,488	-	6,291,800	(694,624)	(3,134,644)	27,825	18,891,845
Interest payable		1,664,161	(630,205)	-	-	-	-	1,033,956
		18,065,649	(630,205)	6,291,800	(694,624)	(3,134,644)	27,825	19,925,801

Analysis between current and non-current portions

	2018	2017
	$'000	$'000
Portion due for repayment within a year of the reporting date	2,893,534	3,578,578
Portion payable thereafter	17,032,267	14,487,071
Total loans payable	19,925,801	18,065,649

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

21. Loans Payable (Continued)

(a) Government of Jamaica

In a letter dated January 31, 1985, the Government of Jamaica ("GOJ") agreed to bear the exchange risk on loans negotiated and on-lent to the company by the Ministry of Finance and Planning ("MOF& P"). The loans which are covered by the agreement were on-lent to the company (and are repayable to the Government) in Jamaica dollars. The repayment to the GOJ is usually done by an off-set against certain amounts due to the Company by the GOJ.

(i) This represents funds received for lending via the People's Co-operative Banks to establish a Biogas Programme.

(ii) This loan represents the GOJ contribution to the company in accordance with certain agreements. The International Bank for Reconstruction and Development (IBRD) agreement recommends that the debt/equity ratio does not exceed four times its equity. At March 31, 2018, the financial position of the company disclosed a ratio of 1.8:1 (2017 - 1.7:1).

(iii) This is a loan from the Ministry of Agriculture (MOA) which was on-lent to the National Peoples Cooperative Bank (NPCB) for on-lending at 1% to the Dairy Sector. The company does not pay interest on the loan, and does not charge interest on the amount on-lent.

(iv) This loan was made by the Ministry of Finance to NIBJ to facilitate investment in the development of Jamaica's South Coast through Ackendown Newtown Development Company Limited (ANDCO). The loan bears interest at a rate of 6% per annum and is to be repaid in 20 equal instalments on June 30 and December 31 each year. The current portion is being repaid to the Government of Jamaica.

(v) This advance from the GOJ is interest free with no stated repayment date.

(vi) This loan was obtained from GOJ to be used for working capital purposes by the Jamaica Citrus Growers Association Limited. The principal amount is to be repaid in monthly instalments after a 3-month moratorium. No interest is charged by the company on the amount on-lent.

(vii) This amount represents funds received from the GOJ for its Young Entrepreneurs Programme, which is an initiative of the GOJ to provide training and funding for school leavers at high and tertiary levels to develop small businesses. No interest is charged by the company on the amounts on-lent. This loan was repaid during the year.

(viii) (1) This represents the J$ equivalent of the amount of US$1,916,650, being the amount drawn down up to the reporting date out of a loan of US$4,600,000 from the Government of Jamaica, which on-lent money borrowed from the World Bank for the Energy Security and Efficiency Enhancement Project being managed by the company. Under the terms of the sub-loan:

- Interest is payable at the rate of 6-month LIBOR plus a variable spread computed by MOF&P, after a moratorium of one year from the date of disbursement.
- Principal is repayable in 49 instalments on March 15 and September 15, commencing March 15, 2018 and ending March 15, 2040.

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

21. Loans Payable (Continued)

(a) Government of Jamaica (continued)

(viii) (2) Loan amount of US$2,683,350 was drawn down on the loan of US$4,600,000. The Government of Jamaica bears the foreign exchange risk on this portion of the loan and this loan bears interest at a rate of 6 per cent per annum.

(ix) The MOF&P has entered into a loan agreement with the International Bank for Reconstruction and Development referred to as the World Bank to fund the Foundation for Competitiveness and Growth (FCGP). The PIOJ is the project execution unit; the DBJ carries out the credit functions for small medium enterprises (SME's). The GOJ bears the foreign exchange risk on the loan.

(x) This loan from the Inter-American Development Bank (IDB) was on-lent to Jamaica Small Business to enhance their Climate Change Adapttion Programme. No interest is charged on the Loan. This loan is to be repaid to the GOJ by Jamaica National Small Business in 2020.

(xi) This represents funds borrowed by GOJ under the International Bank for Reconstruction & Development (IBRD) US dollar Private Investment and Export Development (PIED) Line of Credit and on-lent to the company for on-lending to private enterprises to support the development of export of goods and services. It bears interest at the rate of 2.82% per annum and this amount will be settled as part of the debt off-set by the company and the MOF&P.

(xii) These loans, negotiated by the company, are denominated in United States dollars and are repayable in 2020. The Government of Jamaica has undertaken to bear the exchange risk associated with the CDB loans except for the 26 ORJ and 30 ORJ loans, the exchange risk on which is borne by the company.

(xiii) This represents the balance of Euro 1,629,099 drawn down under an ECU 1.86 million line of credit granted under a Financing Contract dated April 2, 1986, between the company and the European Community. The loan bears interest at the rate of 1% per annum, and is repayable in 60 semi-annual instalments, the first of which was due on October 1, 1995. The loan is guaranteed by the Government of Jamaica

(xiv) This is a line of credit from the European Investment Bank (EIB) equivalent to Euro 10 million. The EIB bears the foreign exchange difference on this line. The first tranche carries an interest rate of 7% and is payable quarterly with eleven instalments ending in January 2021. The second tranche carries an interest rate of 6.56% payable in twelve equal instalments to 30 September 20121. The borrower undertakes that the proceeds of the loan shall exclusively be made available to Microfinance Institutions in order to be on lent to Final Beneficiaries for the financing of projects.

(xv) The Government of Jamaica in winding up the Jamaica Development Bank (JDB) has approved the write off of Loans to the former National Development Bank and the Agricultural Credit Bank prior to 2002 in the JDB books by Cabinet decision # 10/18 d/d March 2018. The amount of $1,059,000 was therefore transferred to the DBJ and $308.2 million is to be transferred to the DBJ in exchange for shares to the Accountant General.

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

21. Loans Payable (Continued)

(b) Direct borrowings

(xvi) This represents the balance of amounts drawn down, together with interest capitalized, from National Housing Trust (NHT). The amount has been on-lent to sugar workers for the development of three hundred and ninety five (395) housing benefits under the Sugar Housing Redundancy Programme. The loan has no fixed repayment date and, with effect from February 28, 2007, interest is no longer charged thereon.

Under the terms of the loan agreement, NHT is to provide mortgages to all purchasers of lots who qualify for loans in accordance with the requirements of NHT. The loan financing, together with interest accrued, is to be converted to mortgages to the extent that the purchasers qualify.

NHT is also to purchase from the company, the lots not taken up by sugar workers. The proceeds of the mortgages and the sale of lots to NHT are to be applied to reduce the loan amounts. Any amount of the loan remaining thereafter is to be converted to a mortgage to be repaid by the company.

This amount represents the balance of amounts drawn down under a loan facility of $450 million received from the National Insurance Fund (NIF) for on-lending to small and medium enterprises (SME). The loan bears interest at a rate of 4% p.a., and is repayable in March 2020.

(xvii) (1) This represents the balance of amounts drawn down under a US$ loan from the PetroCaribe Development Fund to provide financing to the productive sector. Interest is payable semi-annually at a rate of 4% per annum. The loan matures in December 2025. The interest rate was increased during the year to 5%

(2) This represents amount drawn down under a loan from PetroCaribe Development Fund to finance loans to the Productive sector, Interest is payable semi-annually at a rate of 3% per annum.

(3) This represents the balance of amounts draw down under a loan from PetroCaribe Development Fund, specific to the Information Communication and Technology Sector (ICT) for the construction of ICT/Business Processing Outsourcing (BPO) facilities. It bears interest of 2.5% per annum, paid quarterly over a 15 year period and matures in 2026 with three years moratorium on principal.

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

22. Other Liabilities

	2018	2017
	$'000	$'000
Due to related entities	359,328	355,995
Accrued charges	86,882	71,666
Statutory deductions	10,316	6,767
Other	375,818	331,202
	832,344	765,630

23. Share Capital

	2018	2017
	$'000	$'000
Authorised		
1,757,539,000 Ordinary shares	1,757,539	1,757,539
Issued and fully paid, no par value -		
1,757,539,000 Ordinary shares at no par value	1,757,539	1,757,539

In accordance with Section 39(7) of the Jamaican Companies Act, 2004, share premium of $98,856.000 is not included in the Bank's stated capital.

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

24. Capital Reserves

	2018	2017
	$'000	$'000
Funds for capital	1,179,817	1,179,817
Government subvention	83,180	83,180
Self-Supporting Farmers Development Programme	15,941	15,941
Capital grants	8,326	8,449
Other capital reserves – NIBJ	139,336	139,336
Capital distribution	(212,619)	(212,619)
	1,213,981	1,214,104

(a) Funds for capital

This includes amounts totalling $450 million and $500 million received during the years ended March 31, 1999, and March 31, 2009, respectively, from the Government of Jamaica through the Capital Development Fund, as equity injections to finance the company's lending programmes.

(b) Government subvention

This represents the Government of Jamaica contribution to the company, of funds received from the Canadian International Development Agency.

(c) Self-Supporting Farmers Development Programme

This represents the balance of amounts recovered by the company and capitalised as equity under the terms of the agency agreement.

Under the terms of an Agency Agreement, dated 27 May 1982, between the company and the Government of Jamaica in relation to the Self-Supporting Farmers Development Programme (SSFDP), it was agreed that:

(i) All assets be transferred to the company.

(ii) The portfolio be analysed and administered by the company. Reasonable steps should be taken to recover loans determined at that time to be doubtful.

(iii) All loan recoveries be utilised to assist in the capitalisation of the company and such recoveries be employed in carrying out the functions of the company including the granting of loans direct to farmers for agricultural purposes only.

The portfolio of SSFDP previously administered by the company was transferred to the People's Co-operative Banks (PCB) in 1997 as a contribution to the equity of those banks. This balance represents collections under the SSFDP portfolio prior to the portfolio being transferred to the PCB in 1997.

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

24. Capital Reserves (Continued)

(d) Capital grants

	2018	2017
	$'000	$'000
At beginning of year	8,449	26,042
Less: Amortised during the year	(123)	(17,593)
At end of year	8,326	8,449

These represent the EUR 200,000 received from the European Investment Bank (EIB) for the provision of Technical Assistance (TA) funding to microfinance sector.

(e) Other capital reserves

This represents gain on the sale of investments and rights issue, as well as capital grants, transferred from NIBJ.

25. Other Reserves

	2018	2017
	$'000	$'000
Fair value reserve	260,442	275,442
General reserve – Equalisation Fund	957,597	957,597
Revenue reserve	2,539,391	2,539,391
Special reserve	3,123	3,123
Revaluation	833,680	772,721
Credit Enhancement Facility Fund reserve	475,556	447,079
Technical assistance reserve	267,544	271,230
Employee benefits reserve	(88,832)	(24,842)
	5,248,501	5,241,741

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

25. Other Reserves (Continued)

(a) **Fair value reserve**

This represents unrealised gain in fair value of available-for-sale securities made up as follows:

	2018	2017
	$'000	$'000
At beginning of year	275,442	266,683
(Loss)/Gain on GOJ Bonds during the year	(15,000)	8,759
At end of year	260,442	275,442

(b) **General reserve - Equalisation Fund**

This reserve was established to absorb exchange losses on loans denominated in foreign currency which were negotiated directly by the company. A minimum of 20% of profit for the year (after crediting exchange gains but before crediting profits from other transfers) was transferred to the reserve. No transfer was made during the year as the loan to which the requirement for this transfer applies has been repaid.

(c) **Revenue reserve**

This represents an accumulation of a minimum of 40% of profits transferred over the years (after other transfers) to this reserve.

The company transferred $250 million from this reserve to the Credit Enhancement Facility Fund during 2010, which was used as start up capital for the Fund.

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

25. Other Reserves (Continued)

(d) **Special reserve**

	Exchange Equalisation		Total	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Balance at beginning of year	3,123	3,123	3,123	3,123
Balance at end of year	3,123	3,123	3,123	3,123

(i) Exchange equalisation

The maintenance of this reserve was a requirement of a lending agreement between the company and the European Investment Bank which provided, during the period of the lending agreement, for the annual transfer to the exchange equalisation account of a portion of the interest differential on loans funded from the proceeds of the loan received under the lending agreement. This loan has been repaid and no further transfers are being made.

(e) **Revaluation reserve**

This represents unrealised surplus on the revaluation of land and buildings.

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

25. Other Reserves (Continued)

(f) **Credit enhancement facility fund reserve**

This represents funds transferred from reserve to be used as start up capital for the fund, plus Accumulated profit or loss from the fund, and is made up as follows:

	2018	2017
	$'000	$'000
Fund capital	250,000	250,000
Accumulated profit transferred – at beginning of year	197,079	175,122
for the year (Note 16)	28,477	23,788
– loss on CEF	-	(1,831)
– at end of year	225,556	197,079
Total of Fund (Note 16)	475,556	447,079

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

25. Other Reserves (Continued)

(g) **Technical assistance reserve**

i. This represents the transfer from retained earnings of an amount equivalent to the discounted present value of the non-interest-bearing, 10-year note issued by GOJ consequent on its assumption of the loans due from three GOJ-owned sugar companies and previously written-off by the company, as set out in note 15 (a). The Board of Directors has decided that, together with certain funds from multilateral agencies, the cash received from GOJ under the note will be used as seed funding to strengthen various institutions. This will be monitored by the Institutional Strengthening and Research Division.

ii. This represents 10% of profit transferred to the Technical Reserves as per Board Decision.

	2018	2017
	$'000	$'000
Original amount assumed by the GOJ	1,004,168	1,004,168
Imputed interest	(345,056)	(345,056)
Original amount transferred from retained earnings	659,112	659,112
Interest transferred from retained earnings - Previously	197,565	115,449
- During year	169,989	82,116
- To date	367,554	197,565
Gross accumulated resources at end of year	1,026,666	856,677
Utilised - Previously	585,447	410,822
- During year	173,675	174,625
- To date	759,122	585,447
Net at end of year	267,544	271,230

(h) **Employee benefits asset reserve**

This represents the cumulative changes in the employee benefits asset recognised in other comprehensive income.

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

26. Dividends

		2018	2017
		$'000	$'000
Interim dividends -			
1.40 cents per stock unit –	30 September 2016	-	24,670
1.19 cents per stock unit	4 October 2017	21,008	-
		21,008	24,670

27. Related Party Transactions and Balances

(a) Definition of related party

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 Related Party Disclosure as the "reporting entity" in this case the Bank).

(i) A person or a close member of that person's family is related to the Bank if that person:

(1) has control or joint control over the Bank;

(2) has significant influence over the Bank; or

(3) is a member of the key management personnel of the Bank or of a parent of the Bank.

(ii) An entity is related to the Bank if any of the following conditions applies:

(1) the entity and the Bank are members of the same Bank (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(2) one entity is an associates or joint venture of the other entity (or an associate or joint venture of a member of a Bank of which the other entity is member);

(3) both entities are joint venture of the same third party;

(4) one entity is a joint venture of a third entity and the other entity or an associate of the third entity;

(5) the entity is a post-employment benefit plan for the benefit of employees of either the Bank or an entity related to the Bank;

(6) the entity is controlled or jointly controlled by a person identified in (i) and;

(7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent entity).

A government related entity is an entity that is controlled, jointly controlled or significantly influenced by a government. A related party transaction is a transfer of resources, services or obligations between the Bank and a related party, regardless of whether a price is charged.

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

27. Related Party Transactions and Balances (Continued)

(b) Related party transactions

The following transactions were carried out with government related entities and associated companies:

	2018	2017
	$'000	$'000
(i) Other income:		
Other income – rental: Government related entities	89,334	88,848

	2018	2017
	$'000	$'000
(ii) Other expenses:		
Administrative fees : Government related entities	15,366	15,366

(c) Key management personnel compensation

Key management personnel comprise those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including the Directors and the members of the senior or executive management of the Bank.

	2018	2017
	$'000	$'000
Salaries and other short- term employee benefits	106,667	99,496
Statutory payroll contributions	5,599	5,338
Pension benefits	3,966	3,637
	116,232	108,471
Directors' emoluments:		
Fees	1,596	1,807
Management remuneration		
(included above)- current year	21,336	23,455

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

27. Related Party Transactions and Balances (Continued)

(d) Related party transactions

	2018	2017
	$'000	$'000
(1) Loans:		
Government related entities		
Associated companies	1,114,294	1,019,032
(2) Interest receivable:		
Associated companies	319,918	319,918
(3) Staff loans receivable	20,692	14,913

28. Contingencies and Commitments

(a) As at 31 March 2018, there were outstanding commitments to disburse loans totalling approximately J$162.7 million and US$8.9 million (2017 - J$894.5 million and US$17.1 million).

(b) The Bank had capital commitments, in respect of projects being undertaken, totalling approximately $7.2 million (2017 - $19.8 million).

(c) As lessee, the Bank has lease commitments under a non-cancellable 99 year operating lease for which the future minimum lease payments were, in relation to the reporting date, as follows:

	2018	2017
	$'000	$'000
Not later than one year	288	288
Later than one year and not later than five years	1,152	1,152
Later than five years	22,752	23,040
	24,192	24,480

Notes to the Financial Statements
31 March 2018
(expressed in Jamaican dollars unless otherwise indicated)

28. Contingencies and Commitments (Continued)

The Bank is subject to various claims, disputes and legal proceedings in the ordinary course of business. Provision is made for such matters when, in the opinion of management and its legal advisors, (1) it is probable that a payment will be made by the Bank, and (2) the amount can be reasonably estimated.

The Bank has not provided for those claims against it in respect of which management and legal counsel are of the opinion that they are without merit, can be successfully defended, or will not result in material exposure to its financial position.

29. Jamaica Development Bank loan write-off

On 19 March 2018, the Cabinet gave approval to write off loans with a value of $424.9 million plus interest of $634.6 million outstanding since 2002 in the books of the Jamaica Development Bank (JDB). JDB is a Government company formed in 1971 which provided retail lending to projects until it ceased operations in June 1981. The operation of the JDB was transferred to the DBJ after it's merger with the NDB in April 2000. As a result of the above mentioned Cabinet Decision, an amount of $1,059,000 was transferred to profits. Additionally, $305.5 million is to be transferred to the DBJ in exchange for shares to be issued to the Accountant General.

Notes

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