Development Bank of Jamaica Limited

Facilitating Economic Growth & Development

ANNUAL REPORT 2019-2020

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)
- Partial loan guarantees
- 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."

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BOARD OF DIRECTORS

Paul B. Scott, CD
Chairman

Mr. Scott is the Group Chairman and Chief Executive Officer of the Musson Group and its subsidiaries, one of the largest privately held groups in the region with business units in some 30 Caribbean and Central American countries. He is also Chairman of Seprod Limited; and General Accident Insurance Company and serves as a Director of several other local companies and organizations including American International School of Kingston and Harmonisation Limited. He is a former President of the Private Sector Organisation of Jamaica. In 2017, Mr. Scott was awarded Jamaica's Order of Distinction (Commander Class) for contribution to business development in Jamaica and the Caribbean.

Milverton Reynolds, CD
Managing Director

Mr. Reynolds has been the Managing Director of Development Bank of Jamaica Limited since January 2007. He has been a management executive in financial institutions in both the private and public sectors, having served as the Managing Director of the National Housing Trust, Life of Jamaica (now Sagicor), the National Housing Development Corporation and the Jamaica Mortgage Bank, among other organisations. He sits on several boards including Allied Insurance Brokers; NCB Insurance Company; Harmonisation Limited and CariCRIS (Caribbean Information & Credit Rating Services Limited), among others. In October 2015, he received a national award, the Order of Distinction (Commander Class), for outstanding leadership in housing development and in August 2018 an Honorary Doctorate from the Northern Caribbean University.

Barrington Chisholm, JP

Mr. Chisholm, an entrepreneur, is a retired banker with over 30 years of experience with Scotiabank Jamaica. He is Chairman of National Chest Hospital; Hope Institute; Sir John Golding Hospital; and Barana Limited; a Director of the National Insurance Fund and NIF Resort Management Limited; and is a Trustee of Elsie Bemand Home.

BOARD OF DIRECTORS

Sherene Golding Campbell

Mrs. Golding Campbell is the principal attorney at Golding Campbell & Associates, Attorneys-at-Law, where her practice focuses on corporate and commercial matters, conveyancing, labour and employment matters; and family law. She is an experienced Supreme Court certified mediator and often acts as a member of quasi-judicial panels in the public service system. She holds a Juris Doctor from Georgetown University, a Master of Science from Rutgers University and a Bachelor of Science from Howard University. She also serves as a Director of the Board of e-Learning Jamaica Company Limited.

John J. Jackson

Resigned from the Board - September 12, 2019

Mr. Jackson is a chartered accountant, financial analyst and entrepreneur. He is Chairman of Jetcon Corporation and Jamaica Deposit Insurance Corporation; Acting Chairman of Jamaica Teas and a Director of KIW International. He is the founder of the website IC Insider.com that primarily covers financial and other information within the Caribbean and Ghana; and the publisher of Investor's Choice.

Kerry-Ann McKoy Tulloch

Mrs. McKoy Tulloch is an attorney-at-law in private practice, focusing on admiralty and shipping law and maritime management; corporate and commercial transactions; conveyancing and dispute resolution. She also has considerable experience with project planning and implementation. She holds an M.Sc. in Maritime Safety & Environmental Protection; and a Master of Laws with Distinction.

Carlene O'Connor

Ms. O'Connor is a chartered accountant and holds an FCCA; FCA and a B.Sc. in Management Studies. She is the Deputy Financial Secretary (Public Enterprises Division) of the Ministry of Finance and the Public Service and a member of the Board of Air Jamaica Ltd/Air Jamaica Holdings.

BOARD OF DIRECTORS

Dr. Adrian Stokes

Dr. Stokes is Senior Vice President and Head of Wealth Management and Insurance at Scotia Group Jamaica. He has significant experience in Investment Management, Product Development, Corporate Strategy, and Risk Management; and has a Ph.D. in International Finance and a Masters in Economics.

David Wan

Mr. Wan, President of the Jamaica Employers' Federation and Chairman of the Board of Bellevue Hospital, is also a member of the Boards of the University College of the Caribbean, National Housing Trust, and Clarendon Alumina Production. He has extensive experience in banking, wealth management and insurance both in Jamaica and internationally.

A. Cecile Watson

Mrs. Watson is an engineer and former regional banker with over 30 years in the banking and finance sectors. She is the founder and CEO of ShredWIZ Limited, an information security company, and a Director of the National Health Fund.

Shelly-Ann Thompson

Company Secretary

Miss Thompson is an attorney-at-law in the DBJ's Legal Services Division. She holds a Bachelor of Laws from the University of London and a Certificate in Legal Education from the Norman Manley Law School at the University of the West Indies.

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

Sophia Bryan-Terry
Acting General Manager, Micro Finance Services

Paul Chin
*General Manager, Micro Finance Services**

Edison Galbraith
General Manager, Loan Origination & Portfolio Management

Sheron Henry
General Manager, Legal Services

Deborah Newland
General Manager, Logistics & Corporate Development

Dorothea Simpson
General Manager, Finance & Treasury

Delano Walters
General Manager, Management Information Systems

Yvonne Williams
General Manager, Human Resources & Administration

Georgia Munroe
Manager, Risk & Compliance

Claudette White
Manager, Communication & Marketing

Paul Chin was seconded on October 1, 2019, to become Project Manager, Reverse Factoring.

CHAIRMAN AND MANAGING DIRECTOR'S REPORT

Paul B. Scott
Chairman

Milverton Reynolds
Managing Director

DBJ: A beacon and an anchor for the Jamaican business community

For the 2019/20 Financial Year, the DBJ continued to provide opportunities for the Jamaican populace through loans, capacity development, technical assistance programmes, collateral support and privatisation and public-private partnerships.

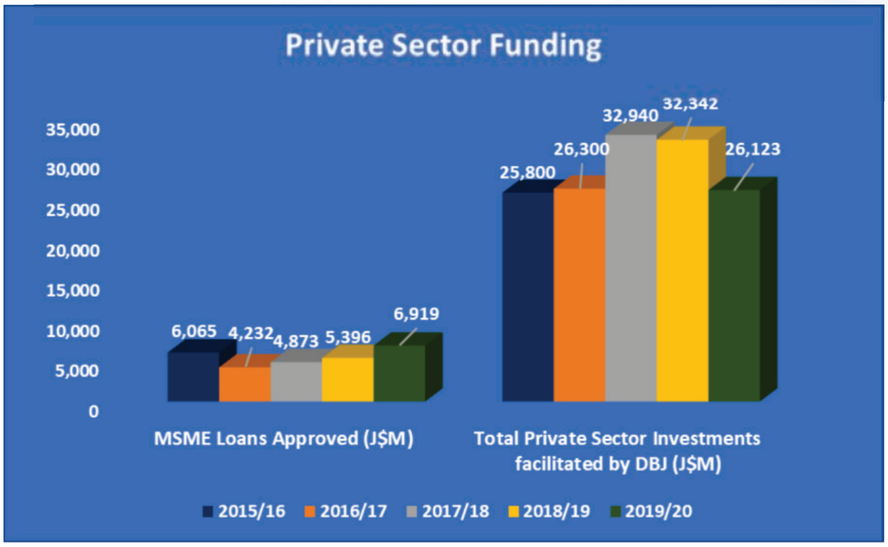
The strategic themes that guided our operations included:

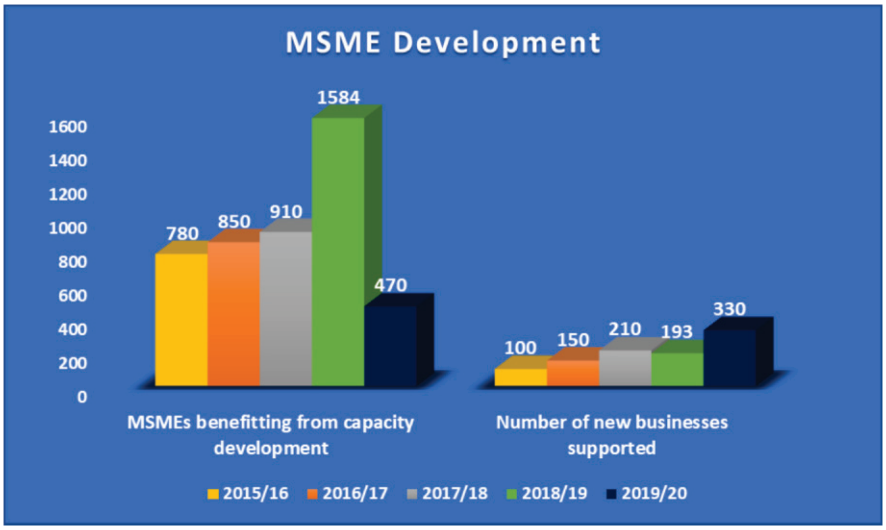
These areas allowed the Bank to focus on micro, small and medium-sized enterprises (MSMEs), the expansion of businesses operating in the strategic sectors that are identified by the Government as necessary for economic development and growth and the divestment of some Jamaican assets.

The DBJ's ability to achieve its objectives were measured by six major targets, of which five were surpassed, these were:

We were able to support 470 business enterprises with capacity development interventions during the financial year; we were however behind the target for the year.

The Public-Private Partnership and Privatisation (P4) Programme recorded significant successes during the year under review. At the end of the year, four transactions achieved commercial or financial close and one received Cabinet approval of the final negotiated terms. Negotiations with investors were under way on three transactions, and the tender process was concluded and the preferred purchaser selected on a fourth project. The majority (57% or $14.98 billion) of the $26.12 billion in investments, was attributed to the investments from P4 transactions. These transactions spanned several sectors including energy and water infrastructure, real estate, transport, manufacturing and logistics.





The DBJ continues to be committed to Jamaican MSMEs and businesses in general. Over the last five years, including the year under review, the DBJ has facilitated an increase in the private sector investments made for major infrastructure projects and MSMEs by providing:

i. Loans to MSMEs
ii. Investments by MSMEs in the expansion of their businesses
iii. Support to new businesses
iv. Capacity development to MSMEs; and
v. Structuring private sector infrastructure projects

Economic Overview

Many events and shocks have occurred over the 2019/20 fiscal and 2019 calendar years in the local and global markets, that help to contextualize the DBJ's performance.

Global Growth

Global economic growth for the Financial Year 2019/20 recorded a 2.3% increase, which was the lowest in the decade due to rising trade barriers arising from protracted trade disputes and uncertainty on business activities. This reduction was also due to the cyclical and structural slowdowns, reduction in domestic investments, and worsening of macroeconomic stress related to tighter financial conditions, geopolitical tensions, and social unrest.

Oil Prices

Oil prices per barrel was an average US$64.05 per barrel. This slightly downward movement in the oil price was due to the low global growth and higher than expected US oil production.

Oil Prices 2019/20

Petrojam: 87, 90 = -8% Auto Diesel = -18%

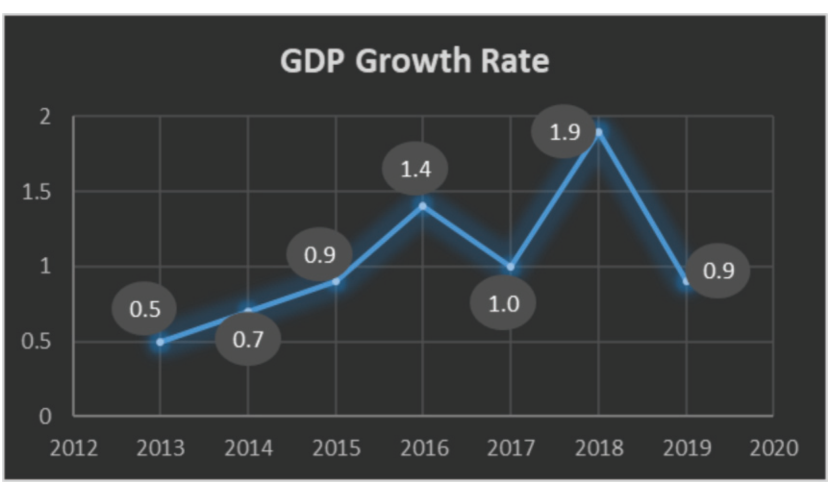
West Texas Crude Oil Spot Price: -58%

Jamaican Market Performance

Jamaica has experienced a net positive performance for the Financial Year, 2019/20.

By the end of the 2019/20 Financial Year public debt is estimated to have fallen to 91.5% of GDP, down from 94.4% at the end of 2018/19.

Jamaica's GDP rate grew by approximately 0.9% in Financial Year 2019/20 compared to the 1.9% growth rate recorded in 2018/19. This 0.9% growth was attributed to a 1.4% growth in the services industry and 0.6% decline in the goods producing industries. The Goods Producing industries had declines in Mining & Quarrying (40.4%) and Construction (1.9%) but had increased output in Agriculture, Forestry & Fishing (3.9%) and Manufacturing (0.4%)
This represents the seventh consecutive year of positive GDP growth in Jamaica. The positive out-turn for the period was due to several positive macroeconomic developments including the lowest-ever unemployment rate (7.2%), increases in consumer confidence levels, a boost in domestic demands and continued stability in the macroeconomic environment.



Total employment grew by 3% between January 2019 and January 2020. Unemployment fell to 7.2% at the end of 2019 compared to 9.1% in 2018. Youth unemployment fell by 12% to 19% in January 2020 (lowest since 2007).

In November 2019, Jamaica successfully concluded its economic reform programme, which was supported by a US$1.66-billion Stand-By Arrangement from the IMF. The country's strong performance, as well as the Government's steadfast reform implementation have resulted in a stronger economy, an all-time low unemployment rate, and a significant reduction in public debt.

Notably, on March 10, 2020 Jamaica recorded its first case of the novel coronavirus. The government responded by announcing the largest fiscal stimulus package in the country's history to combat the economic fallout of the Covid-19 pandemic. The measures amount to roughly USD$180 million, or 1.1% of 2019 GDP, and includes a lowering of the GCT and tax credits for certain SMEs. The package also includes grants for vulnerable segments of society, cash transfers to businesses and unemployment stipends for laid-off workers.

Financial (and Capital) Markets

Liquidity & Private Sector Credit

The Bank of Jamaica's policy rate[1] has been steadily declining over the years, from 48.94% in 1994 to 0.5% in 2020. In 2019 the policy rate was revised four times, moving from 1.75% to 0.50%. Notably over the period the policy rate has remained the same at 0.50%. These revisions were done in support of the inflation target policy (4%-6%). This accommodative monetary policy is intended to stimulate faster private sector credit expansion and increase economic activity and GDP growth. This policy stance resulted in increased economic activity (GDP growth of 0.9%).

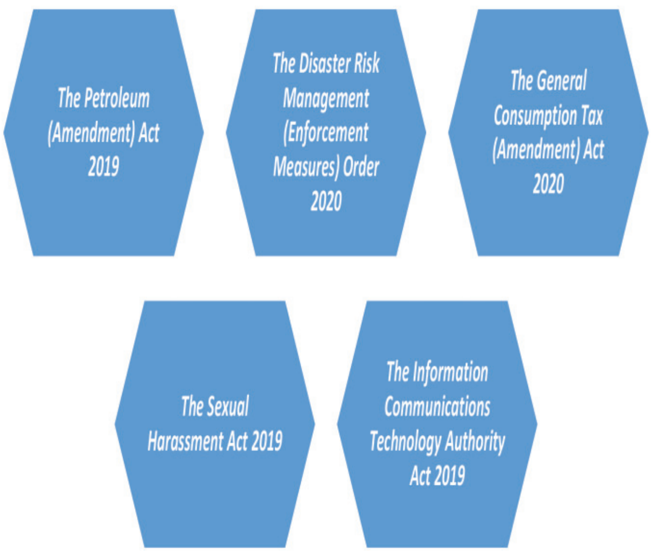
Micro entrepreneur Doreen Riley works on her chicken farm in May Pen, Clarendon. She started the project in 2015 and has received several loans through Access Financial Services, a DBJ-approved Micro Finance Institution, allowing her to expand the business five-fold, from 200 to 1,000 layers.

[1]The Bank of Jamaica policy rate is the interest rate paid on overnight deposits (balances as at March 2019) held by deposit-taking institutions at the Bank of Jamaica against prescribed liabilities.

Policy Developments

During the 2019/20 Financial Year, there were five pieces of legislation that were modified/passed that would have had an impact on the operations of the DBJ. These were:

Relevant Acts Modified/Passed in 2019/20



The Petroleum Amendment Act 2019 states that money held in accounts for the PetroCaribe Development Fund shall be consolidated and applied to pay liabilities of the fund which arose prior to the amendment. All monies now payable to the PetroCaribe Development Fund will be credited to consolidate the fund.

The Disaster Risk Management (Enforcement Measures) Order 2020 entails a series of orders and regulations put in place since the country was declared a disaster area on March 13, 2020, due to the coronavirus pandemic. This has limited the opening hours on all institutions and includes several social distancing orders.

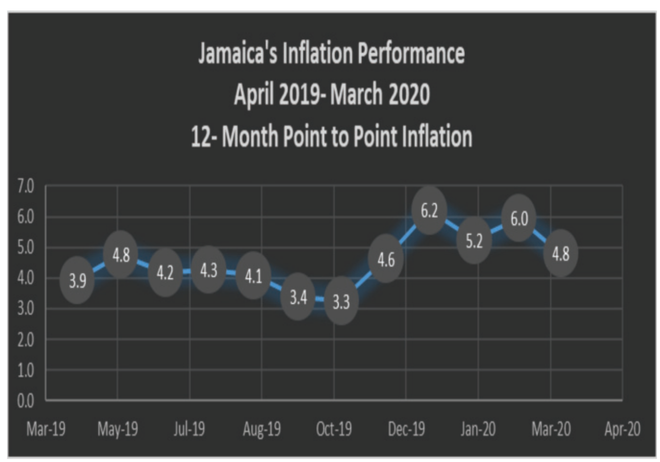
The General Consumption Tax (Amendment) Act 2020 increased the GCT threshold for businesses from $3 million to $10 million. It also states that business-persons who fall below the new GCT threshold are to be deregistered as taxpayers.

The Sexual Harassment Act 2019 states that the employer and person in charge must institute and issue a policy statement. The employer is responsible to provide an environment free from harassment and it is their duty to take action to deal with sexual harassment.

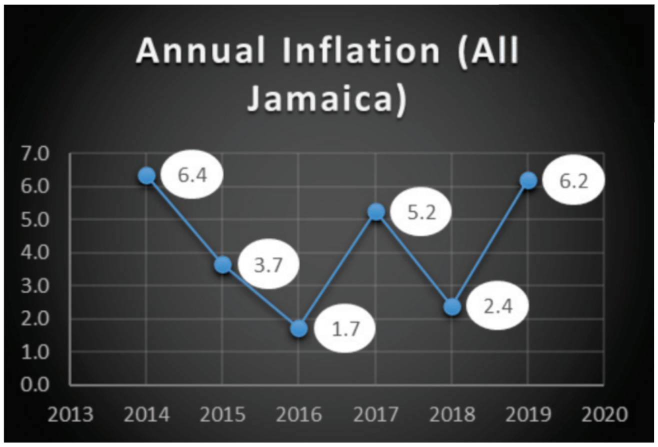
The Information and Communications Technology Act 2019 is to establish a body to promote improvements in information and communications technology services management in all public bodies. It will also transfer the functions of eGov Jamaica Limited and the office of the Chief Information Officer to the Information and Communication Technology Authority.

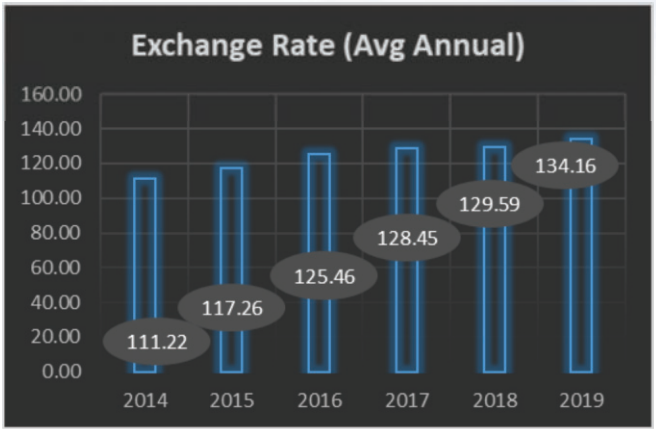
Inflation & Exchange Rates

During 2019/20, the inflation rate was relatively stable in the first seven months (ranging between 3.3-4.8%), with increases in the following months. the average inflation rate for the financial year was 4.6%. The highest inflation levels were recorded in December 2019 of 6.2%. This was the highest inflation in five years, as prices increased at a faster pace for food & non-alcoholic beverages.



Over the last five years, the annual inflation has fluctuated, recording its lowest average in 2016 and 2018 of 1.7% and 2.4% respectively.





Over the period, there has been a steady depreciation of the Jamaican dollar against the US dollar. The highest depreciation was seen between 2018 and 2019, where the average annual exchange rate depreciated by approximately 3.5%. This, in part, is due to the increase in demand, as supply conditions have remained normal.

Conclusion

Jamaica experienced a net positive performance for the Financial Year 2019/20 as the GDP rate grew by 0.9% and the Public Debt fell to 91.5% of GDP, down from 94.4% at the end of 2018/19. Despite this, the economy is expected to perform poorly in the next financial year due to the impact of the COVID-19 pandemic and the havoc that is being wrought on the global economy.

Inflation was relatively low, and the exchange rate continued to depreciate.

Best Buds Limited, a provider of horticultural and gardening products, has benefitted from a DBJ loan and partial guarantee.

DBJ's 2019/20 Performance

As a result of the country's positive macroeconomic performance, the DBJ conducted several activities that assisted Jamaican entrepreneurs and the wider business community in growing their businesses and by extension, contributing to the growth of the national economy.

- **DBJ continues to be financially strong**

  DBJ's financial performance experienced another successful year in 2019/20. The Bank's statement of financial position remained solid with total assets amounting to $34,890.1 million, and an equity base of $13,379.7 million, which was 9% and 8.2% respectively higher than the 2018/19 performance. The net profit was recorded at $1,032.4 million which exceeded the 2019/20 target by $634.8 million.

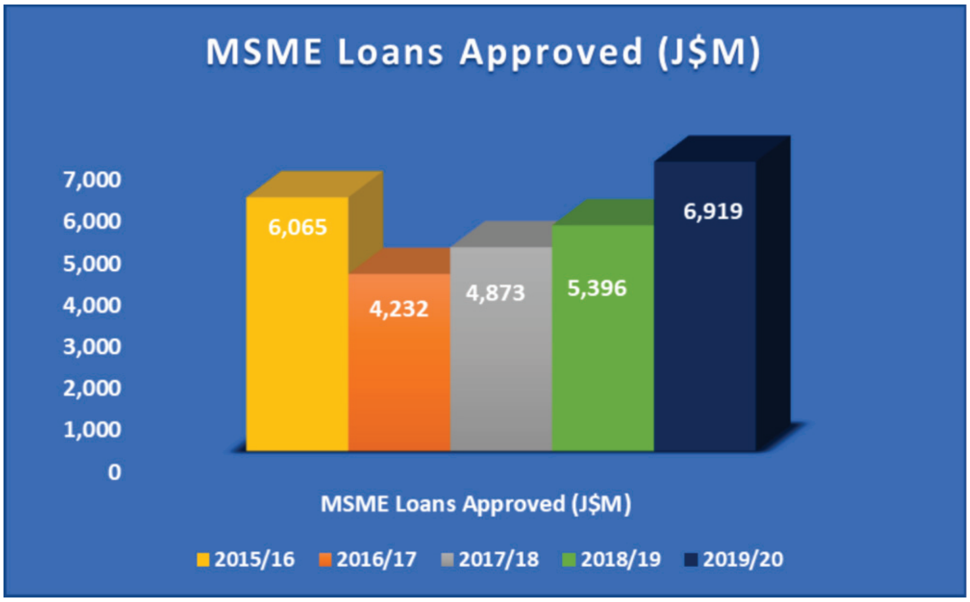
  The Bank's strong asset and equity bases enabled it to play a pivotal role in the development of the Jamaican economy.

- **Providing appropriate financing solutions to the MSME Sector**

  Through its lending operations, the Bank delivered 14,117 loans to MSMEs to support new investments of $9,361.47 million by the private sector. The DBJ expanded its MSME collateral support and capacity building to increase the flow of bankable MSMEs and facilitated their access to finance through increased engagement with its lending partners. This was done through the Government's boosting of private sector credit by releasing liquidity and reducing policy interest rates.

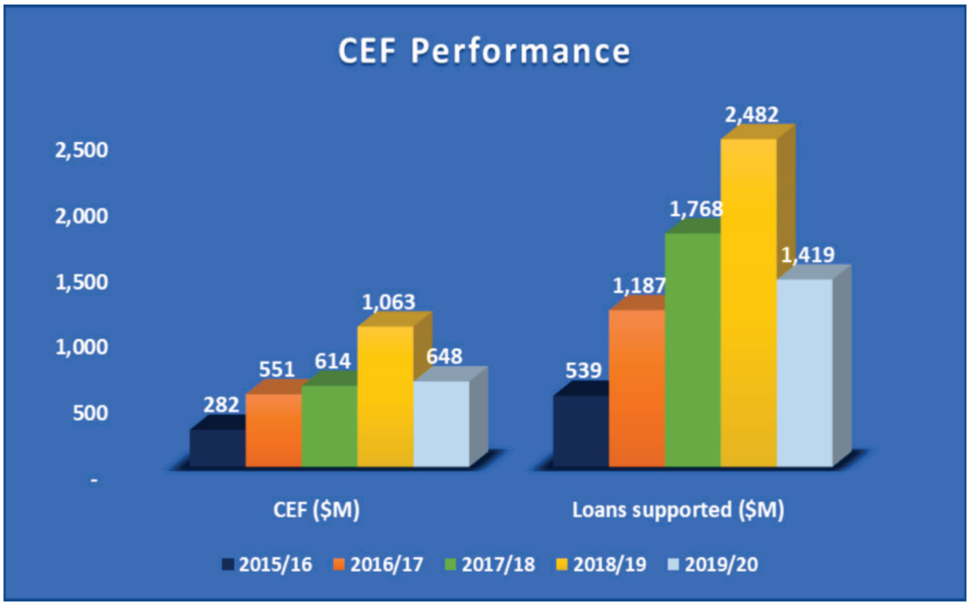
  The DBJ continues to increase the value of loans provided to MSMEs, which demonstrated an increase in access to financing for MSMEs through its network of Approved Financial Institutions (AFIs) and Micro Finance Institutions (MFIs).

  During the year, DBJ approved a total value of $7,595.56 million in loans of which 91% ($6,919.05 million) was made available to MSMEs.



MSMEs have an issue with accessing collateral, which limits their access to credit from financial institutions. The Credit Enhancement Facility (CEF) was established to close this gap and significantly increase the number of SMEs that access credit by providing AFIs with additional collateral coverage on loans made to SMEs. In 2019/20, the CEF was supported by the implementation of a Management Information System (MIS), funded by the Inter-American Development Bank, through a technical assistance grant of US$250,000; this will transition the facility to a portfolio scheme and facilitate an improvement in the product design.

Since the beginning of the programme in 2010, guarantees in the amount of $3,651 million have been made to 702 MSMEs. For the 2019/20 Financial Year, $648 million in guarantees supported $1,419 million in loans, which is a 43% decrease over the loans supported by guarantees in 2018/19.



A worker at Geotech Vision Limited, which specializes in innovative spatial technologies and business ICT solutions. The company has accessed DBJ loans.

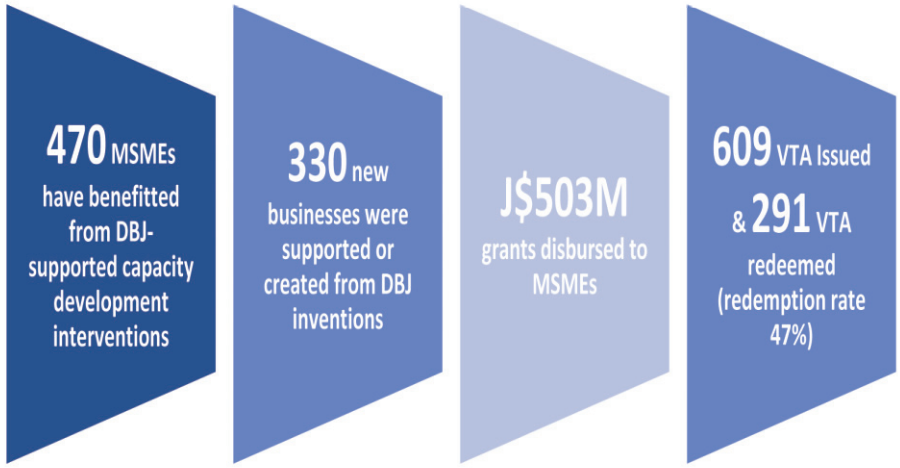
MSMEs also face challenges managing their businesses effectively and their expansion into new markets. To assist them, several capacity development interventions were conducted during the year. They included the Voucher for Technical Assistance (VTA) programme, the Innovation Grant from New Ideas to Entrepreneurship (IGNITE) programme and the Jamaica Business Fund.

The 2019/20 Financial Year marked the fifth year of the implementation of the VTA programme and this year has been successful with 47% of total vouchers redeemed.

To expand the development of MSMEs, businesses in their early and growth stages require support such as acceleration and incubator programmes. This support was provided through the IGNITE programme and other MSME development initiatives through partnerships with trade associations and private sector groups. IGNITE continues to provide grant support to businesses with innovative products and services.

The Jamaica Business Fund provides an innovative approach to supply chain development and productivity improvements through close collaboration with an Anchor Firm. This programme ensures that MSMEs are linked with larger firms with strong market knowledge and presence, which will serve as buyers for the additional output produced by the MSMEs.

The infographic below displays some of the results of the capacity development interventions undertaken during the 2019/20 Financial Year.



- **Investments in the ICT and Business Process Outsourcing (BPO) Industry**

  The DBJ-PetroCaribe ICT/BPO loan facility enabled private sector developers to construct BPO space. This improved the attractiveness of Jamaica as a BPO destination by providing funding to BPO operators and creating jobs. For the 2019/20 Financial Year, the DBJ committed US$13.68 million in financing six BPO projects facilitating US$18.62 million in private sector investments. Since 2013 DBJ has provided US$84.67 million in financing 19 BPO projects; the total project cost was US$133.81 million. The DBJ's financing assisted in building over one million square feet of BPO commercial space and over 25,000 jobs are expected to be created at completion and full capacity operation of the projects.

- **Promoting Alternative Financing**

  The Bank, through the Jamaica Venture Capital Programme, continued to build out the Private Equity and Venture Capital ecosystem. During the 2019/20 Financial Year, the following were achieved:

  - US$77 million was raised by five funds (MPC Caribbean Clean Energy Fund, SEAF Caribbean SME Growth Fund, Sygnus Credit Investments, Caribbean Mezzanine Fund, Portland JSX Limited Update)
    - US$46 million was raised from Jamaican investors
    - US$12 million was invested in Jamaican businesses
    - US$240,000 invested by angel investors in two start-ups

- Capacity development support for entrepreneurship and innovation was provided via capacity building of the university incubators, the National Business Model Competition, the 2019 International Conference on Private Equity and Infrastructure Development
- The Private Equity and Venture Capital Association (CARAIA – Caribbean Alternative Investment Association) was established with 16 founding members.

The work of the Jamaica Venture Capital Programme will come to an end during the 2020/21 Financial Year; however, many of its activities will be subsumed under the Boosting Innovation, Growth and Entrepreneurship Ecosystems (BIGEE), which will also begin in 2020/21.

We would like to thank the JVCP for the excellent work they have done over the past six years.

Unlocking value for Government of Jamaica assets

The Bank succeeded in facilitating $14.98 billion in investments and $10.17 billion in revenue through the Public-Private Partnerships and Privatisation (P4) Programme. The activities of the P4 Division secured US$12,200 in grant funding, from the Inter-American Development Bank (US$10,000) and the High Commission of Canada (US$2,200), to support programme activities. In support of project development, GOJ's Project Preparation Facility received no additional funding.

The P4 portfolio, as at 31 March 2020, included 22 transactions at varying stages of execution. Eighteen were at the feasibility stage and the remaining four were at the negotiation stages.

In May 2019, Wigton Windfarm Limited was successfully listed on the Jamaica Stock Exchange (JSE). This created history with 31,200 shareholders participating in an Offer for Sale of Shares for the JSE. This transaction was oversubscribed by 158% and raised $5.5 billion for the Government. In October 2019, the Norman Manley International Airport (NMIA) Public-Private Partnership came to a financial close. The Fort Clarence Beach Park was privatised using a long-term lease in September 2019. In November 2019 six Silver Sands lots were successfully sold for $130 million.

Corporate Governance, Risk Management and Compliance

The DBJ's Board of Directors' philosophy is that good and sound corporate governance ensures that the DBJ is effective and efficient in playing its role in making Jamaica “the place of choice to live, work, raise families and do business”. The Board is appointed by the Minister of Economic Growth & Job Creation, to oversee the Bank's strategic direction. They are equipped with the skills, competencies, experience, and diversity required by the GOJ Corporate Governance Framework (2012). Our independent non-executive directors make up 78% of our Board and two Directors are in the executive director status. The gender ratio is 55% male and 45% female, which is in line with international best practices.

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. The DBJ manages compliance with prudential regulations and standards, and other local and international regulatory requirements.

Morant Bay Quarry Ltd., located in St. Thomas, received a DBJ loan and partial guarantee to expand the company, allowing improved production, efficiency and an increase in employment.

▪ The DBJ's Credit Rating has been reaffirmed

The Bank received a confirmation of its credit ratings; this followed the upgrade received in the prior year from Caribbean Information and Credit Rating Services Limited (CariCRIS). The rating details are as follows:

1. Corporate Credits ratings were reaffirmed; the ratings were CariA- (Foreign Currency Rating) and CariA (Local Currency Rating) on the regional rating scale
2. The ratings of jmAA+ (Local Currency Rating) and jmAA (Foreign Currency Rating and the Jamaica national scale to the US$ 5 million debt issue of the DBJ were reaffirmed

▪ DBJ's Digital Transformation

The DBJ Board of Directors and Management Team recognized in 2019 that we needed a specific and comprehensive Digital Strategy as a critical vehicle through which the Bank would bring its operational efficiency and effectiveness in line with international standards. Many of the Bank's processes and operations required improvement and there were significant opportunities for us to meet our developmental objectives more easily by creating a digital environment for internal and external stakeholders.

With the support of our parent Ministry and in the context of Jamaica's ICT policy and Vision 2030, our strategy was developed with the aim of maximizing the benefits of our technology assets, harmonizing our existing platforms, while leveraging new and emerging technologies to create a "Digital Ecosystem"; all to facilitate operation across standardized digital platforms, for the mutual benefit of our internal and external stake-holders. The main pillars of our strategy are: Infrastructure, System solutions, Security and Governance.

The Digital Strategy for the Bank was approved by the Board, during the year, and we commenced the rollout of two priority matters that included:

1. Improved and consistent Internet connectivity and
2. Hardware and software rationalisation and acquisition.

In addition, we commenced the digitization of the Bank's records through two successive pilot projects, digitizing 13 years of the Bank's archived records up to 2010. Through the Pilot Project we provided opportuni-ties for several young persons, some of whom are persons with disabilities, trained in digitization methodologies through the Housing, Opportunity, Production & Employment (HOPE)[2] programme partnering with HEART/NSTA Trust.

[2]*The Housing, Opportunity, Production and Employment (HOPE) Programme is in part a training and apprenticeship programme which provides an avenue for the development of fully rounded individuals, through a system of National Service Corps, to become productive members of society. The programme will initially target unattached Jamaican youth between 18 and 24 years old.*

https://sdc.gov.jm/housing-opportunity-production-and-employment-hope-programme/

The agile approach taken by the team in rolling out our Digital Strategy proved fortuitous in 2020 with the advent of the novel Coronavirus, COVID-19, which up-ended business as we know it all around the world. We quickly revised the sequence and timelines on the components of the strategy to ensure that we could ensure business continuity in the face of the pandemic.

We are pleased to report that our work from home protocols were implemented seamlessly, with our teams being quickly and safely transitioned. By way of example, all meetings, discussions and document sharing as at March 2020 were facilitated virtually. We also identified several key processes in the business, which were automated through programmes developed in-house.

Our approval processes were automated, using internal resources, and the PBX system was upgraded to allow for transfer of calls to our closed user group cell phones to ensure continued access by external stakeholders. Hardware and software assessments were done quickly to ensure that all team members had the requisite tools to effectively work from home.

Recognizing the rapid changes internationally with greater online presence, we are even more cognizant of the increased cyber security risks in relation to our information and we have therefore revised and updated the Bank's Cyber Security Policy. With the support of the European Investment Bank (EIB) our work is ongoing to ensure that our technological business processes are compliant with international best practices and that our cybersecurity protocols meet international standards.

Whilst the pandemic certainly allowed us to fast track our activities in relation to our Digital Strategy, we will continue to execute this strategy during the 2020/21 Financial Year.

Some of these activities include:

1. Roll out of Cyber Security Policy and the necessary training of teams enterprise wide

2. Rollout of a new Customer Relationship Management system (this will allow more effective tracking of our clients, and collection of useful data for product development and decision making)

3. Rollout of a new Human Resource Management system (which will fully automate employee records and facilitate a more seamless effective rollout of our People Strategy)

4. Rollout of a new, interactive, technologically improved, more customer-facing Website.

The DBJ's Strategy for 2020/21 and beyond

For the 2020/21 Financial Year, the Bank will be focusing on four strategic pillars in order to fulfill its mandate:

STRATEGIC THEMES	STRATEGIC RESULTS	DESCRIPTION
MSME Ecosystem Development	Create an environment for MSMEs to be able to grow their businesses	To improve the MSME entrepreneurial ecosystem
Correct Market Failure in the Financial Sector	Create a more business friendly regulatory environment in the financial sector	To identify market failures, provide solutions to fill the gaps, and then encourage the private sector to partner with us.
Increase GOJ Asset Privatisation & PPP	Increased savings to the Government's Treasury	To increase the divestment of non-core GOJ assets and improve the utilization of current GOJ assets to reduce government expenditure while benefitting from the upside of private investment
People Development & Productivity	Increase output/productivity from engaged team members	Focuses on the key foundation of the Organization, its staff

The Bank is determined to achieve its vision to be recognized by 2025 *"as Latin America & the Caribbean's foremost development finance institution that drives private sector development and contributes to broad-based inclusive economic growth in Jamaica"*.

With that in mind, a number of strategic initiatives will be executed in the new financial year, these include:

- Establishment of an Innovation Fund that will support start-ups
- Gaining accreditation from the Green Climate Fund
- Implementing a robust marketing & communication programme

These initiatives along with other activities, will be undertaken to achieve this reality and support the economic growth programme of the Government of Jamaica.

FINANCIAL HIGHLIGHTS

COMPARATIVE FINANCIAL SUMMARY (J$M)

Year Ended 31-Mar	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total Income	2,621.8	3,749.0	2,734.3	1,934.9	1,671.8	2,342.4	2,110.3	1,586.40	2,740.60	4,413.20
Total Interest Income	1,380.0	1,348.3	1,384.8	1,321.8	1,294.9	1,255.5	1,198.6	1,142.50	1,764.80	3,688.50
Total Interest Expense	587.2	630.8	624.6	570.4	524.9	494.3	531.0	477.1	1,053.50	2,889.50
Non-Interest/Other Income	1,241.8	2,400.7	1,498.0	613.1	376.8	1,086.9	911.7	443.9	975.8	724.7
Non-Interest Expense	1,064.9	1,615.1	983.8	926.2	779.3	724.9	650.1	603.1*	567.3	805.8
Net Profit Before Expected Credit Loss	1,043.9	1,437.6	1,245.2	571.0	371.9	1,108.2	929.2	506.2	1,119.90	1,002.60
Expected Credit Loss	(11.5)	22.8	0.0	149.3	16.5	0.0	(177.4)	(2,928.3)	(407.5)	(279.10)
Profit/(Loss) for year	1,032.4	1,460.4	1,227.2	421.7	355.4	1,108.2	742.8	(2,453.2)	691.7	723.5
Total Assets	34,890.1	32,007.2	31,925.9	28,966.7	27,122.6	24,407.9	23,269.2	22,167.8	22,624.4	48,928.0
Total Equity	13,379.7	12,368.0	11,167.8	10,135.4	9,817.1	9,616.1	8,468.2	7,641.3	10,634.6	9,978.7
Loans Payable	20,773.0	18,968.1	19,925.8	18,065.6	17,305.5	14,294.5	14,433.5	14,125.6	11,491.2	38,597.9
Regular Loan Portfolio	15,927.4	16,895.4	19,421.5	17,801.3	17,317.8	16,729.2	15,263.5	11,966.7	11,948.2	9,060.9

The DBJ's financial performance for 2019/20 represents another successful year for the organization.

The Bank's statement of financial position has remained healthy with total assets of $34,890.1 million, an equity base of $13,379.7 million and net profit of $1,032.4 million.

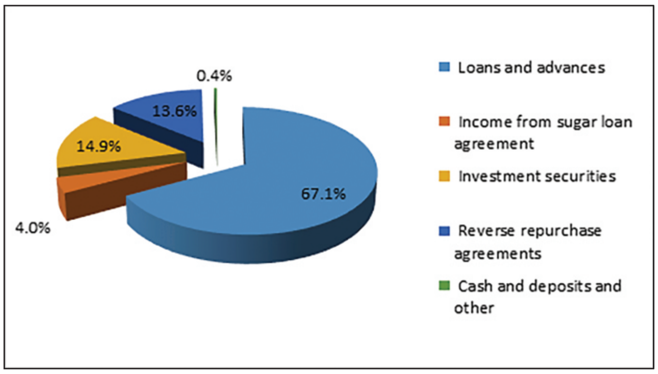
The organization continued to have a profound impact on its environs enabled by expert liquidity management, proactive and effective management of risk and robust strategic management. The Bank's strong asset and equity bases enabled it to play a pivotal role in the development of the Jamaican economy.

Income

DBJ's total income of $2,621.8 million for the period under review represents a decrease of 30.1% below the previous financial year's figure. The income of the Bank during the previous year was impacted by the success fee earned from the privatisation of the Norman Manley International Airport amounting to $1,925.9 million. This asset which is payable over 10 years was discounted by $541.3 million resulting in a net income of $1,384.6 million.

The loans portfolio at the close of the financial year reported a decline of $0.968 million or 5.7% below the corresponding period in the previous financial year. This was mainly due to a reduced demand for our loan products as cheaper interest rates were available on the market and early payment on some loans.

Interest Income amounted to $1,380.0 million and represented an increase of 2.3% above the previous financial year and is highlighted below:-



	2020 $'000	2019 $'000
Loans and advances	925,804	993,755
Income from sugar loan agreement	55,207	50,614
Investment securities	205,273	195,412
Reverse repurchase agreements	187,958	103,800
Cash and deposits and other	5,773	4,733
	1,380,015	1,348,315

The increase in the Bank's interest income when compared with the previous financial year resulted from a larger Investment portfolio evidenced by the following:

- Interest income on reverse repurchase agreements increased by 81.1%. This was mainly due to the Bank's investment in reverse repurchase agreements increasing by $2,646.9 million or 60% when compared with the Investments in this category for the previous financial year.
- Interest income on investments securities amounted to $205.3 million and was 5.0% above the earnings recorded for the previous financial year. This increase in income was due to the increased interest rates offered for longer tenure in the market.
- The interest income from the Loans Portfolio amounted to $925.8 million and represented a decrease of 6.8% below the earnings recorded for the previous year. As mentioned above this was due to a reduced demand for the bank's loan products.

Other Income

During the period under review, other income increased by 139.2% above the previous year. This category of income included administrative fees, rental income, commitment fees and Public-Private Partnerships & Privatisation fees and are highlighted as follows:-

Other Income	2019/20 $'000	2018/19 $'000
Administrative Fees	12,710	17,187
Commitment Fees	21,889	23,114
Rental Income	103,198	103,981
Impairment (Loss)/ recovery	(11,464)	22,849
Dividends	24,985	8,206
Public-Private Partnerships & Privatisation fees	48,332	90,903
Gain on disposal of property and equipment	2,226	2,907
IDB Venture Capital Conference - income	-	14,603
IDB Venture Capital Conference - expenses	-	(14,603)
Foreign Exchange Gains	691,517	-
Miscellaneous	98,418	145,454
	991,811	414,601

Warner's Hill Honey Farm Limited, located in Chatham, St. James, specializes in beekeeping and the production of honey and beeswax. The company received a DBJ loan and partial guarantee that allowed it to expand.

The increase income was mainly due to foreign exchange gains arising from the devaluation of the Jamaican Dollar.

The other category of miscellaneous income relates to interest from staff loans, processing fees from loans and penalty interest arising on late payments and a reversal of a liability amounting to $22.7 million from the former National Development Bank (NDB). An amount of $63.4 million representing non-performing loans recovered is also included.

Additional income of $250 million was earned from a valuation of Investment property.

Interest Expenses

In the period under review, there was a decrease in the interest expenses of 6.9% Interest expense amounted to $587.2 million compared with the previous year's interest of $630.8 million. The reduction was mainly due to repayment of loans. Although, the Loan liability increased during the year, the impact was minimal on the interest charge due to the timing of the drawn down.

Non-Interest Expenses

During 2019/20, the DBJ incurred costs totaling $1,064.9 million representing a decrease of 34.07% below the costs incurred in 2018/19 of $1,615.1 million. The reduction is mainly due to the discount on the financial asset (Norman Manley success fees) amounting to $541.3 million in the previous year.

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

	2020 $'000	2019 $'000
Salaries and wages	480,630	422,422
Payroll taxes	29,727	27,340
Pension costs – defined benefit plans	2,318	18,839
Performance incentive bonus	37,557	31,250
Other	106,790	96,958
	657,022	596,809

Staff Costs

Staff costs increased by $60.0 million or 10% which was mainly attributable the Government's Cost of Living Increase of 4%, an incremental 5% increase, and additional staff employed to ensure the Bank is resourced to deliver as it undertakes a business logistics review and embark on a digitization programme.

Professional Fees

Professional Fees for the financial year ended March 31, 2020, was $43.3 million, 6.9% below the previous year when $46.5 million was incurred.

Occupancy costs

There was a 5.9% increase in occupancy costs for the period under review when compared with the costs incurred in 2018/19 Financial Year. Occupancy costs include electricity, insurance, security, repairs and maintenance. The increase resulted mainly from higher costs of maintaining the building and property.

Impairment (Loss)/Recovery

The Bank recorded an additional $284.6 million in expected credit losses at March 2020 under the International Financial Reporting Standard 9 (IFRS). During the year under review, there was a recovery of $273.1 million resulting in a net Expected Credit Loss of $11.5 million. At the end of March 2020, our expected credit loss totaled $657.2 million representing a reduction of 15.8% below corresponding period in the previous financial year.

Lorraine Campbell, a micro entrepreneur from St. Catherine, has benefitted from DBJ funding as a client of Access Financial Services, a DBJ-approved Micro Finance Institution.

Net Profit

The DBJ recorded a net profit of $1,032.4 million for the year ended March 31, 2020 representing 29.3% below the net profit recorded in 2018/2019. The Bank continues to provide financial solutions to viable projects and facilitating growth and development in the economy. The Bank has adequate reserves and assets to continue this mandate.

ASSET AND EQUITY BASES

Asset Base

The DBJ reported an asset base of $34,890.1 million as at 31 March 2020 represents an increase of 9% above the total assets recorded for the Financial Year 2018/19 of $32,007.2 million. This increase was mainly due to additional Investments in Resale agreements and a significant increase in the value of property, and equipment.

Equity Base

There was an increase of 8.2% in Shareholder's Equity which moved from $12,368.0 million at the beginning of the year under review to $13,379.7 million at the end of

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 J$1,331.1million and US$10 million from the Ministry of Finance & the Public Service (MOF&PS).

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 (CEF)
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 2019/20 Financial Year, the total outstanding loan portfolio of the Bank stood at $15,927.4 million compared to $16,895.4 million for the financial year ended 31 March 2019, a decrease of 5.7%.

The distribution of the outstanding loan portfolio at the end of the year 2020 and 2019 is shown as follows:

	2020 J$'000	%	2019 J$'000	%
Loans to AFIs	9,405.8	59.1	10,069.8	59.6
MFIs	2,447.3	15.4	1,949.8	11.5
Loans to PC Banks	226.1	1.4	434.1	2.6
Loans to Direct to borrowers	3,779.5	23.7	4,341.8	25.7
Mortgage receviable from Ministry of National Security	68.7	0.4	100.0	0.6
	15,927.4		16,895.5	

Investment in Associated Companies – Harmonisation Ltd.

The DBJ's interest in its Associated Companies increased by 4.0% from $1,078.1 million at the beginning of the year to $1,121.4 million at March 31, 2020.

Solvency

At the end of the period under review, the Bank reported a debt/equity ratio of 1.53:1 in line with the ratio of 1.56:1 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.

A technician carries out tests at Erin Radiology Limited, a St. Catherine-based medical facility, which received DBJ funding to purchase equipment.

LOAN ORIGINATION AND PORTFOLIO MANAGEMENT (LOPM)

Isabelle's Day Spa in St. Andrew received DBJ funding which allowed purchase of equipment for the company.

REVIEW OF LENDING ACTIVITIES

During 2019/20, the DBJ's lending operations continued to support the Government's Growth Agenda, by delivering 14,117 loans to support new investments of $9,361.468 million by the private sector to support 5,439 potential new jobs while maintaining 23,660 existing jobs.

As the Government sought to boost private sector credit by releasing liquidity and reducing policy interest rates, the DBJ expanded its MSME collateral support and capacity building to increase the flow of bankable MSMEs and facilitated their access to finance through increased engagement with its lending partners.

The loans approved, investments supported, and potential new jobs created for 2019/20 were distributed by sector as below:

	No. of Loans		Approvals		Investments		New Jobs	
Sector		%	J$M	%	J$M	%		%
Agriculture	**2,403**	17.0%	**904.068**	11.9%	**1,099.202**	11.7%	**77**	1.4%
Agro-Industry	**2**	0.0%	**125.000**	1.6%	**185.056**	2.0%	**25**	0.5%
Distribution	**7,750**	54.9%	**1,535.785**	20.2%	**1,948.040**	20.8%	**94**	1.7%
Manufacturing	**461**	3.3%	**180.716**	2.4%	**224.960**	2.4%	**59**	1.1%
Mining & Quarry	**1**	0.0%	**9.000**	0.1%	**13.300**	0.1%	**-**	0.0%
Service & Transport	**3,489**	24.7%	**2,996.444**	39.4%	**3,376.719**	36.1%	**221**	4.1%
ICT/BPO	**7**	0.0%	**1,842.640**	24.3%	**2,507.981**	26.8%	**4,963**	91.2%
Tourism	**4**	0.0%	**1.910**	0.0%	**6.210**	0.1%	**-**	0.0%
TOTAL	**14,117**	100.0%	**7,595.563**	100.0%	**9,361.468**	100.0%	**5,439**	100.0%

LOAN APPROVALS

During the year, the DBJ approved 14,117 new loans with a total value of $7,595.563 million compared to 14,485 new loans with a total value of $7,663.562 million in the previous year.

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

Total Loan Approvals 2019/20			
Channel	# of Loans	Loan Amount in J$'M	%
NPCB	-	-	0.0%
AFI	105	2,674.420	35.2%
MFI	14,006	2,342.304	30.8%
Direct	6	2,578.839	34.0%
Total	14,117	7,595.563	100.0%

Domestic Currency Approvals

Local currency loan approvals facilitated for the year, compared to the previous year, amounted to 14,109 loans valued $4,676 million. These loans were realized through the following channels:

- Approved Financial Institutions – 102 loans valued at $2,214 million down from 163 loans valued at $2,987 million
- National People's Co-operative Bank – No local currency loans were granted over the last two financial years
- Micro Finance Institutions – 14,006 loans valued at $2,342 million, compared to 14,319 loans valued at $1,826 million in the previous financial year
- Direct Lending – One loan valued at $120 million. However, no local currency loans were granted in the previous financial year.

Foreign Currency Approvals

Foreign currency loan approvals for the year, compared to 2018/19, amounted to 8 loans valued at US$21.7 million. These loans were realized through the following channels:

- Approved Financial Institutions – three loans valued at US$3.4 million, compared to two loans valued at US$17.5 million granted in the previous financial year
- Direct Lending - Five loans valued at US$18.3 million, up from one loan valued at US$6.9 million

LOAN DISBURSEMENTS

The DBJ's loan disbursements for the year amounted to $4,426.783 million.

Local Currency Disbursements

Local currency disbursements for the year amounted to $3,669.674 million. These loans were realized through the following channels:

- Approved Financial Institutions – $1,327.37 million, up from $699 million in the previous year
- National People's Co-operative Bank – No local currency loans were disbursed in the current and previous year
- Micro Finance Institutions – $2,342.304 million, up from $1,923 million
- Direct Lending – No local currency loans were disbursed in the current and previous year

Foreign Currency Disbursements

Foreign currency disbursements for the year amounted to US$5.6 million. These loans were realized through the following channels:

- Approved Financial Institutions – US$0.8 million, down from US$17.4 million
- Direct Lending – US$4.8 million, up from US$3.9 million

REVIEW OF LENDING PROGRAMMES

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

During the year, the Bank provided strong support to initiatives for increasing access to affordable credit for micro, small and medium-sized enterprises (MSMEs). The DBJ's Loan Origination team continued to engage MSMEs and their associations to understand their needs, while communicating the benefits of the DBJ's products and facilitating their engagement with lenders to access financing.

MSME Loan Approvals 2019/20			
Channel	# of Loans	Loan Amount in J$'M	%
NPCB	-	-	0.0%
AFI	96	1,997.909	28.9%
MFI	14,006	2,342.304	33.9%
Direct	6	2,578.839	37.3%
Total	14,108	6,919.052	100.0%

In 2019/20, the DBJ facilitated the approval of 14,108 MSME loans with a value of $6,919 million through its intermediaries for MSME sub-borrowers compared to 14,480 loans with a value of $5,396 million in 2018/19. Of this total, the vast majority – 14,006 loans totaling $2,342 million – were facilitated through Micro Finance lending; no loans were granted through the National People's Co-operative Bank; 96 loans valued at $1,997.9 million were facilitated by Approved Financial Institutions; and six loans valued at $2,578.8 million were facilitated through Direct lending under DBJ's ICT/BPO programme.

SME Credit Enhancement Facility

During the year, the DBJ's Credit Enhancement Facility (CEF) was supported by the implementation of a Management Information System (MIS) funded by the Inter-American Development Bank (IDB) through a technical assistance grant of US$250,000, transitioning to a portfolio scheme and improvement in the product design to increase access to financing by MSMEs.

This involved the onboarding of the DBJ's AFI & MFI partners to the automated CEF portfolio scheme, comprehensive training of the MIS users and extensive marketing of the redesigned product. Despite the challenges experienced during implementation, the product continued to deliver good results.

Macs Pharmaceuticals & Cosmetics 05 Limited, based in St. Catherine, manufactures creams, ointments, gels, solutions and tablets. A DBJ loan allowed the company to acquire and install equipment to produce eye drops and IV fluid.

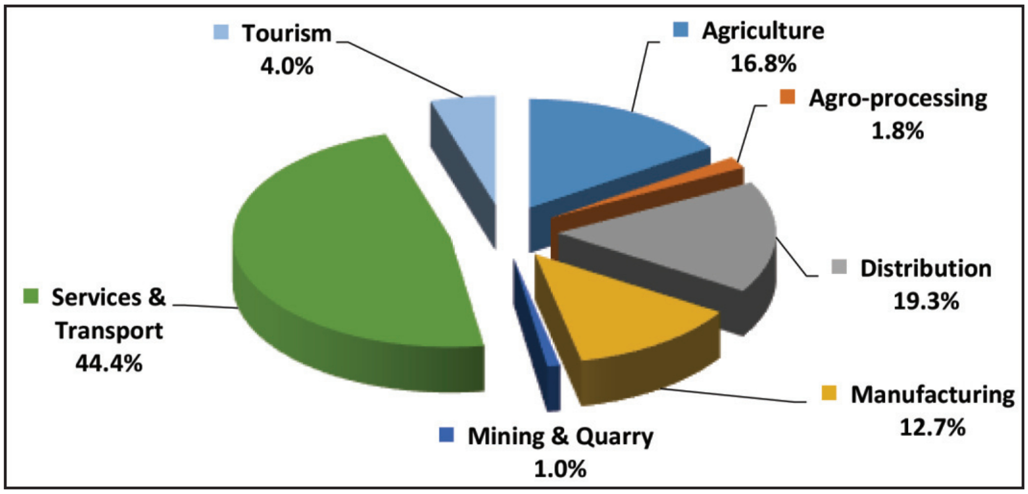
The DBJ approved 104 guarantees valued $647.8 million and supporting $1,418.6 million in loans through 10 AFIs and one MFI. This compares to 162 guarantees valuing $1,062.7 million and supporting $2,482 million in loans in 2018/19.

Since inception, the CEF has facilitated the issue of $8.4 billion in loans to 621 SME sub-borrowers and an overall total of 702 guarantees for $3.7 billion as outlined below:

CEF Loan Approvals and Guarantees Since Inception 2010 (by year)			
	Loan	Guarantee	No. of Loan Guarantees
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	241,969,378	160,297,000	106
Mar-14	238,994,000	90,457,150	28
Mar-15	487,378,123	218,662,568	51
Mar-16	539,201,456	282,331,343	57
Mar-17	1,187,304,154	551,606,882	78
Mar-18	1,768,778,089	614,579,889	106
Mar-19	2,482,421,553	1,062,660,880	162
Mar-20	1,418,601,333	647,779,611	104
TOTAL	8,440,148,085	3,651,401,323	702

As the CEF capitalized on increased AFI liquidity, it facilitated AFIs utilizing 58 guarantees valued $331 million to support $774 million in loans funded from their own resources. This reflected a 37% decrease in the number of guarantees from 92 guarantees valued $651 million to support $1,729 million in AFI-funded loans in 2018/19.

The distribution of the CEF guarantee across sectors since its inception is outlined in the graph below.



The Services & Transportation sectors account for 44.4% of the portfolio with 289 guarantees valuing $1,623 million and supporting loans of $3,750 million. The Distribution sector accounts for 19.3%, with 104 guarantees valuing $703 million and supporting loans of $1,365 million. The Agriculture sector accounts for 16.8% with 204 guarantees valuing $615 million and supporting loans of $1,619 million. Manufacturing accounts for 12.7%, Tourism 4%, Agro-Processing 1.8%, and Mining & Quarry 1%.

The CEF was established with the objective to significantly increase the number of MSMEs that access credit by providing Approved Financial Institutions with additional collateral coverage on loans made to MSMEs. Constant developments to increase the attractiveness of the CEF to AFIs resulted in an increase in the coverage amount of guarantees and amendments to the facility to allow available guarantee coverage for both DBJ and AFI funded loans as follows:

- General MSME loans - 80% of loan up to a maximum of $30 million
- Small Loans ($11.1 million or less) - 90% of loan up to a maximum of $10 million
- Start-ups (less than two years in operation) - 80% of loan up to a maximum of $5 million

The fund continues to perform well, having grown its capital to over $1.55 billion with total guarantees outstanding at year end growing to $3.65 billion and reflecting a leverage ratio of 0.94 times. The increased capital resulted from income earned and capital injection of $841.65 million and $256.44 million, over the period June 2018 to March 2020, by the IDB and World Bank, respectively.

Peak Bottling Company, located in Kingston, received a DBJ loan and partial guarantee.

The DBJ-PetroCaribe ICT/BPO Loan Facility

Over the past eight years the DBJ-PetroCaribe ICT/BPO Loan Facility has delivered exceptional results by enabling private sector developers to construct over one million square feet of BPO space, which has improved Jamaica's attractiveness as a BPO destination by attracting seven new BPO operators into Jamaica and created close to 19,000 jobs, thereby reducing youth unemployment.

The DBJ's intervention and engagement has also stimulated increased private sector financing for the BPO sector.

In November 2011, the 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

During Financial Year 2019/20, DBJ approved six BPO loans totaling US$13.68 million to facilitate private sector investments of US$18.62 million in the sector. This included three direct loans for US$10.26 million and three loans for US$3.42 million made through our AFIs. These loans will support the addition of 162,414 square feet of space and 4,500 new jobs.

As at 31 March 2020, the DBJ has committed US$84.67 million in financing to 19 BPO projects island-wide with a total project cost of US$133.81 million.

To date, the DBJ has disbursed US$71.33 million to the BPO sector which represents approximately 84% of its total loan commitments. The DBJ's BPO portfolio continues to perform well with all accounts being current with repayment and the portfolio having been paid down to US$42.64 million. The Bank's financing has assisted in the build out and creation of over 1,000,000 sq. ft. of BPO commercial space within the country. As a result, it is expected that over 25,000 jobs will be created when all projects are completed and are operating at full capacity.

These DBJ- financed BPO projects have been funded in six parishes that include Kingston & St. Andrew (seven), St. James (six), St. Catherine (three), Manchester (one), Hanover (one) and St. Ann (one) as shown in the table below:

	DBJ ICT-BPO PORTFOLIO BY LOCATION / PARISH	Number of Projects	Project Size (Sq. Ft.)	Projected Maximum Number of Jobs to be created	Highest Number of Jobs Created as at March 31, 2020	Project Cost (US$M)	Loan Amount Total Approved (US$M)	Loan Amount Disbursed To Date (US$M)	Loan Amount Current Principal Balance (US$M)
	Total ICT-BPO Projects	**19**	**1,038,033**	**25,683**	**19,678**	**133.81**	**84.67**	**71.33**	**42.64**
*	St. James	6	328,000	8,490	7,300	51.07	36.50	36.10	21.24
*	Kingston & St. Andrew	7	411,069	10,020	6,478	49.09	25.98	15.66	9.91
*	Manchester	1	99,750	2,000	1,500	7.64	6.09	6.08	5.31
*	St. Ann	1	24,064	450	0	2.50	2.00	0.00	0.00
*	Hanover	1	87,000	3,000	2,300	10.70	7.00	7.00	5.32
*	St. Catherine	3	88,150	1,723	2,100	12.81	7.11	6.49	0.86

To date, a total of 14 of the 19 projects have fully and/or partially completed the project construction works funded by DBJ with all completed buildings having been fully tenanted by a BPO operator and achieved actual employment of close to 19,000 persons. The remaining projects are either at the stage to commence construction and/or are currently under construction.

After completion of construction of the remaining projects, given the expected immediate take-up, it is anticipated that BPO operators will hire additional staff thereby leading to increased employment numbers, expected to peak at 25,683 projected jobs as shown in the table below:

DBJ ICT-BPO PORTFOLIO BY PROJECT STATUS		Number of Projects	Project Size (Sq. Ft.)	Projected Maximum Number of Jobs to be created	Highest Number of Jobs Created as at March 31, 2020	Project Cost (US$M)	Loan Amount		
							Total Approved (US$M)	Disbursed To Date (US$M)	Current Principal Balance (US$M)
Total ICT-BPO Projects		**19**	**1,038,033**	**25,683**	**19,678**	**133.81**	**84.67**	**71.33**	**42.64**
*	Fully Completed, Leased & Occupied	12	637,750	16,220	15,628	88.59	57.14	55.55	28.09
*	Partially Completed, Leased & Occupied	2	204,800	4,200	3,500	20.06	9.99	9.99	8.76
*	Under Construction/Construction to Commence	5	195,483	5,263	550	25.16	17.54	5.79	5.79
*	Not Leased	0	0	0	0	0.00	0.00	0.00	0.00

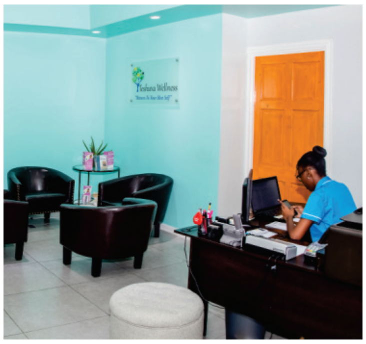
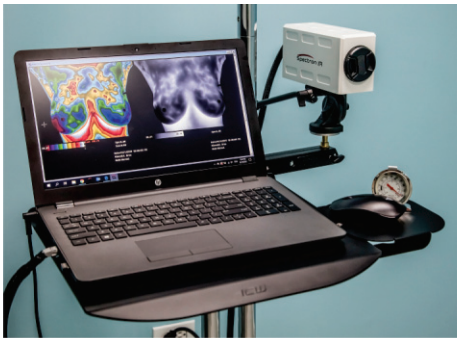
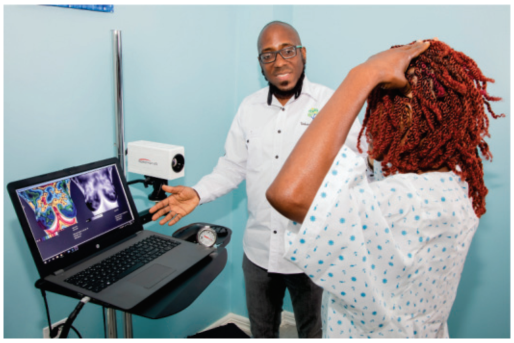
The Blackwoods' poultry farm in Bannister, St. Catherine. The company received DBJ funding through the National People's Cooperative Bank to build new tunnel-ventilated poultry houses.

The Revamped Credit Enhancement Facility – Portfolio Scheme

Recapping the successful roll out

Dr. Andre Williams, an experienced Integrative Oncologist, and his wife Neisha Williams, a practising Registered Nurse, saw the inadequacies of our local health care system to effectively care for the increasing number of patients suffering from chronic lifestyle diseases, particularly cancer, and directed their passion and commitment to improve the standard and quality of health care.

Ultimately, it was this ardent passion and entrepreneurial drive that led them to starting CCS Cancer Care Solutions Jamaica Ltd., the only oncologist centre offering naturopathic approaches as an alternative to traditional treatment, in the island.

CCS Cancer Care Solutions Limited, based in Montego Bay, St. James, received a DBJ loan and partial guarantee through the Credit Enhancement Facility to purchase equipment and increase its office space.

When the business outgrew its space, the company was successful in seeking a DBJ loan through Sagicor Bank, to build-out its new office space and to purchase new equipment. Moreover, when its collateral adequacy and suitability came into question, the DBJ was also there to provide help through the Credit Enhancement Facility (CEF).

The CEF was launched by the DBJ in 2009 to provide partial collateral guarantees to Approved Financial Institutions (AFIs) to increase their lending to Micro, Small and Medium-sized Enterprises (MSMEs).

The story of CCS Cancer Care Solutions Jamaica Ltd. exemplifies how this innovative DBJ product is changing the small business landscape by helping businesses to move to the next level.

At the end of March 2020, approximately 700 CEF guarantees valued at $3.7 billion where approved to MSMEs. These guarantees supported $8.4 billion in loans which generated $11.8 billion in investments and created over 2,500 jobs.

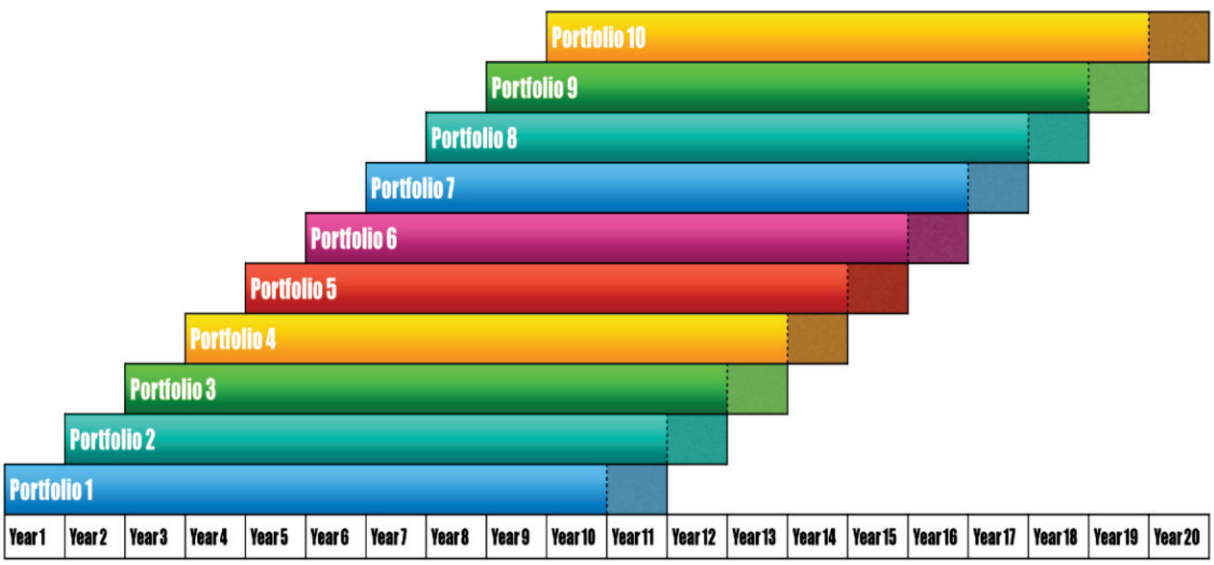
At this juncture, as the DBJ pauses to celebrate its successes, we would also like to take the opportunity to reflect on the transformational journey of the CEF.

The DBJ has continuously expanded the CEF since its inception, while managing the level of risk taken to facilitate much needed collateral support to the MSME community. However, in 2018/19 and 2019/20, the Bank made a strategic decision to undertake a substantial expansion of the CEF.

In this regard, the DBJ sought to increase the capital base of the Credit Enhancement Fund and successfully attracted a further $3,400 million in capital from the Government of Jamaica. The funding which was accessed from the Inter-American Development Bank (IDB) and the World Bank will be used to expand the volume and value of guarantees considerably between 2019/20 and 2024/25 to approximately $25,000 million supporting over $30,000 million in loans to MSMEs. It is notable that when the programme was initiated in 2009, it started with only an initial capital outlay of $250 million from DBJ's internal resources.

The IDB and World Bank have also provided technical assistance to significantly improve the operation of the CEF including product redesign and procurement of a Management Information System to automate the processing and administration of the CEF to handle the increased volumes.

The most fundamental changes included the shift from an Individual Scheme in which each individual guarantee is processed by DBJ, to a Portfolio Scheme in which processing of guarantees is delegated to each AFI based on a pre-approved annual portfolio allocation; and the introduction of a claims cap to assure the sustainable operation of the Fund.



The Portfolio Scheme enables the AFI to review and approve guarantees to MSME applicants that meet the basic eligibility criteria on site. It allows somewhat of a pre-approval arrangement where partnering AFIs can process guarantees applications within their agreed annual portfolio limits. This upgrade has significantly increased the AFI's discretion and flexibility when reviewing guarantee applications. It also reduces turnaround time for all the parties involved.

In addition, the guarantee coverage was also increased by 100% from $15M to $30M for general guarantees. Similarly, coverage for small loans was doubled and the loan coverage ratio increased by 30%.

To widen the channels and increase financial inclusion, the revamped CEF Portfolio Scheme also involved MFIs as a part of an initial pilot programme to enable them to access guarantees for MSME loans. These included Access Financial Services Limited, COK Co-operative Credit Union, First Heritage Co-operative Credit Union and JN Small Business Loans.

Given that upon commencement of the new Portfolio Guarantee Scheme on January 1, 2020, the existing Individual Guarantee scheme would be discontinued, it was imperative that an efficient and effective roll-out project was executed for the transition of the AFIs.

As such, between September 2019 and March 2020, the DBJ successfully executed a project to transition its Approved Financial Institutions (AFIs) to the new Credit Enhancement Facility Portfolio Scheme.

This project has exceeded all its targets establishing a solid base for the operation and growth of the CEF and thereby boost MSME Access to Credit from Financial Year 2020/21.

The CEF Portfolio Scheme, which was officially re-launched on Thursday, November 21, 2019, was welcomed by financial players who hailed it as a game-changer for companies that require financing but lack sufficient security.

Scenes from the launch of the Revamped Credit Enhancement Facility on November 21, 2019, in Kingston.

Speakers at the event included Dr. the Hon. Nigel Clarke, Minister of Finance and the Public Service, who delivered the keynote address. He stated that the CEF is the most revolutionary advancement in MSME lending in recent times targeted at supporting $45 billion in MSME lending over the next five years. Other presenters included P.B. Scott, DBJ's Chairman, and Milverton Reynolds, Managing Director; Adriana LaValley, Chief of Operations at the ,IDB; Karlene Francis of the World Bank; Audrey Tugwell-Henry, representing the Jamaica Bankers Association; and MSME Alliance President, Donovan Wignal.

The transition process had started with the identification of those AFIs that satisfied the eligibility criteria in the CEF Operations Manual and that achieved an acceptable borrower risk rating under the DBJ's risk criteria. As such, 15 eligible AFIs were notified and were provided with new legal agreements for their review, feedback, and execution in September 2019.

Extensive consultations were held by DBJ with representatives at the CEO, executive and operational levels with our AFIs. These consultations were designed to achieve the buy-in of CEOs, having ensured that the product and its operational framework satisfied the needs of the AFI's SME lending, risk management, underwriting, legal and MIS functions.

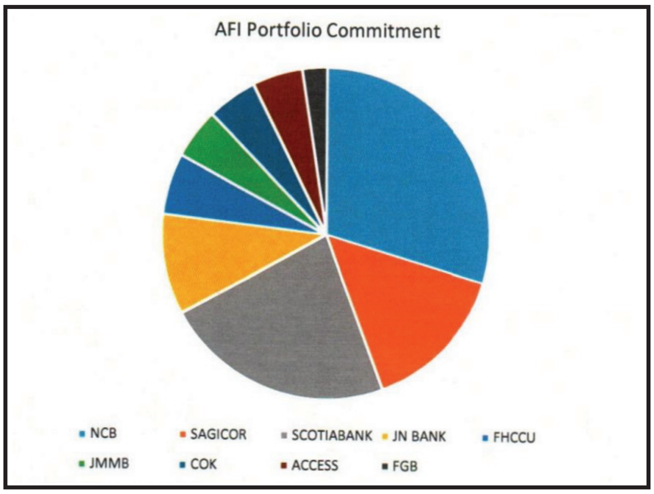
Sagicor Bank became the first AFI to reaffirm their commitment to expand MSME access to credit using the CEF Portfolio Scheme by executing the agreement on October 31, 2019.

In photo at left, Sagicor Bank CEO Chorvelle Johnson Cunningham and DBJ's Managing Director Milverton Reynolds sign the agreement making Sagicor Bank the first financial institution to commit to the Revamped CEF. In photo at right, the Sagicor team comprising Head of SME Banking Howard Smith; Vice-President of Corporate, Retail and SME Banking Michael Willacy; and Mrs. Johnson Cunningham, poses with the DBJ team of Mr. Reynolds and Coordinator of the Access to Finance Project, Hugh Grant.

By March 31, 2020, 11 eligible AFIs (listed below) had executed the legal agreements to join the new CEF Portfolio Scheme, with the others reviewing their participation.

- CIBC First Caribbean
- COK Co-operative Credit Union
- First Global Bank
- First Heritage Co-operative Credit Union
- JN Bank
- JN Fund Managers
- JN Small Business Loans
- JMMB Bank
- National Commercial Bank (NCB)
- Sagicor Bank
- Scotiabank

Of the partnering AFIs that signed on to the new Portfolio Scheme, nine have requested year-one guarantee portfolio allocations totalling $10.15 billion confirming that the redesigned CEF supported their strategies to significantly expand their lending to MSMEs. Of these, National Commercial Bank requested the largest allocation of $3 billion.



Additionally, eight of these AFIs paid commitment fees to secure their first quarter allocations of guarantees totalling $1.873 billion.

The DBJ's team conducted extensive training sessions with each AFI's team of loan officers, underwriters, risk management and executives to ensure full understanding of the redesigned product as well as the operation of the newly customized CEF MIS online platform.

Scenes from the CEF training sessions held in September 2019 with executives from the DBJ's Approved Financial Institutions.

In addition to our AFIs and MSMEs, the DBJ has collaborated with key ministries, agencies, and stakeholders in developing and rolling out the CEF Portfolio Scheme. These include the Bank of Jamaica, Jamaica Bankers Association, the Private Sector Organisation of Jamaica and the Jamaica Manufacturers and Exporters Association.

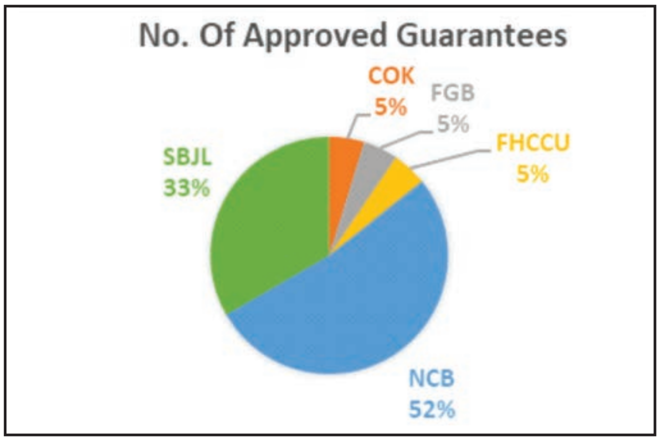
Managing Director, Milverton Reynolds signs CEF agreements with President of the Jamaica Manufacturers & Exporters Association Richard Pandohie (photo 1) and Roxann Linton, Chief Executive Officer, First Heritage Co-operative Credit Union (photos 2 and 3), and their respective teams.

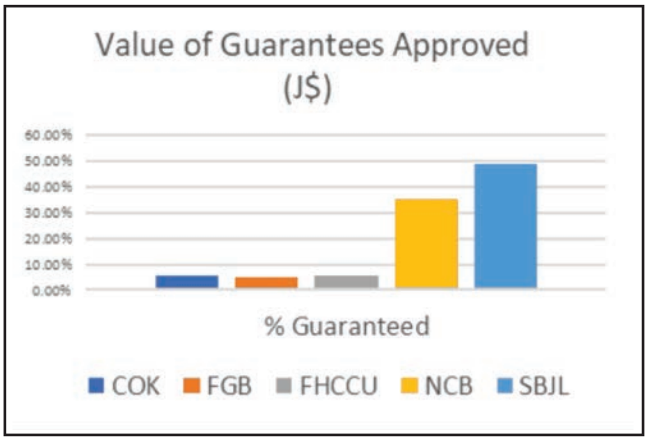
At the end of the first three months of operation, seven AFIs had successfully achieved access to the new CEF Portfolio Scheme's MIS portal with loan officers trained, authorized officers assigned and full delegation of the processing of applications by those AFIs on the platform.

On January 17, 2020, First Heritage Cooperative Credit Union was the first AFI to fully approve a guarantee on the new CEF MIS platform.

Since the rollout of the new Portfolio Scheme on January 1, 2020, up to March 31,2020, five AFIs have approved 20 CEF guarantees valued at $149.4 million in the system allowing MSMEs to access $365 million in loans that they otherwise would not have been able to secure to execute $461 million in investments.

While NCB has been the largest user of the Portfolio Scheme accounting for 52% of the number of guarantees issued over the period, Sagicor Bank stood out with the largest dollar value of guarantees utilized, at 49% of the overall portfolio.





The new CEF Portfolio Scheme has been designed to expand MSME access to credit by meeting the needs of our MSMEs and AFIs. The DBJ has been, by far, an industry leader pioneering this product in Jamaica and the Caribbean. The CEF's methodology and model have been far-reaching in terms of increasing access to finance for underserved MSMEs.

Since the CEF was recognized by the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) in 2015 for its role in addressing the collateral gap in MSME financing. The DBJ has accommodated other institutions, including the Curacao Development Institute, whose representatives visited the DBJ in February 2018 to review and examine the CEF with a view to adopting a similar programme in their own countries. In January 2019, the Bahamas Small Business Development Council also visited the DBJ with an objective of understanding MSME support in Jamaica and the role of the CEF.

The DBJ continues not only to execute its mission to improve the quality of lives for all Jamaicans by facilitating economic growth and development, but also its efforts to build awareness and enable MSMEs seeking to improve their bankability.

Jam Radiator Store Limited, based in Montego Bay, St. James, received a DBJ loan and partial guarantee under the Credit Enhancement Facility for working capital.

MICRO FINANCE SERVICES

During the period under review, the DBJ celebrated the 10-year milestone of providing financial support to Jamaica's micro and small businesses through its Micro Finance Lending Window, disbursing more than $11.46 billion to over 112,000 entrepreneurs since its inception in 2009. Funding for the Lending Window came from Government of Jamaica sources and loans from the European Investment Bank (EIB).

Since its implementation in 2009, the DBJ's micro loans have benefitted thousands of entrepreneurs in all parishes across Jamaica with the top five being St. Catherine, Manchester, St. Elizabeth, Clarendon and Kingston and St. Andrew, with over 70% of the loans taken up by women.

For the Financial Year 2019/20, the Micro Finance Services Division maintained its focus of assisting micro and small businesses, by facilitating wholesale funding, providing institutional strengthening, supporting best practices, and granting assistance through training and workshops.

REVIEW OF LENDING ACTIVITIES

Outlined below are the key performance targets for the Division.

Loan Approval and Disbursement Targets

A total of $2.342 billion was approved for the micro and small businesses through the accredited MFIs for 2019/20. Notably, this was $167 million or 8% above the earmarked amount of $2.175 billion. In comparative term, this was an overall increase of $419 million or 22% above the $1.923 billion loaned in 2018/19.

The amount of $1.958 billion budgeted for disbursement was $256 million or 15% more than the 2018/19 target of $1.702 billion. The aggregate disbursement of $2.342 billion resulted in a substantial achievement rate of 20% or $384 million above budget.

Investments

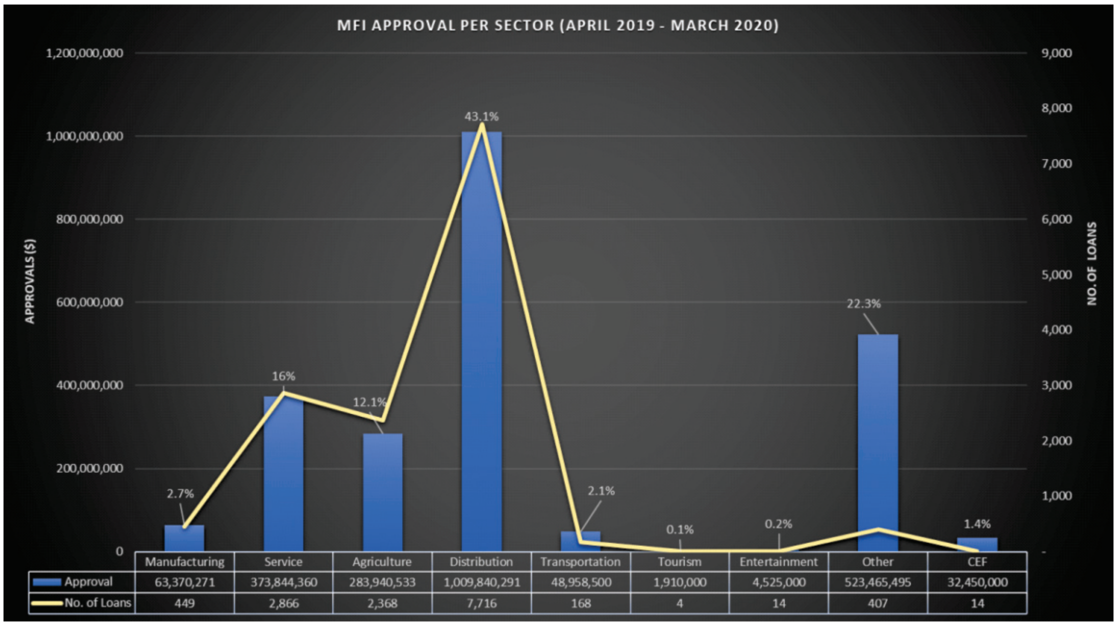
The division facilitated a total of $2.330 billion for the financial year, resulting in a negative variance of $388.47 million or 14% below the target of $2.719 billion. This shortfall is attributed to an amount not yet accounted for sectorally, and are being reported under the category of 'Other'.

MFI Approval Per Sector – April 2019-March 2020

The allocation of loans funded by sectors for the 2019/20 period is shown below in the table and chart. These indicate that the Distribution/Trade sector continued to be the dominant segment requiring micro and small loan funding, constituting 43% of the funds on-lent for the period under review. The 'Other' classification accounted for 22%, which includes various business services, while the Services and Agriculture sectors were 16% and 12% respectively.

SECTOR SUMMARY	No. of Loans	APPROVAL J$	%
Manufacturing	449	63,370,271.29	2.7%
Services	2,866	373,844,360.28	16.0%
Agriculture	2,368	283,940,533.08	12.1%
Distribution/Trade	7,716	1,009,840,290.86	43.1%
Transportation	168	48,958,500.00	2.1%
Tourism	4	1,910,000.00	0.1%
Entertainment	14	4,525,000.00	0.2%
*Other**	405	523,465,495.00	22.3%
CEF	14	32,450,000.00	1.4%
Totals	**14,006**	**2,342,304,450.50**	**100%**

*Funds amounting to $450 million were disbursed to two MFIs. However, information on the sectors which benefited will be available only after the publication of the annual report.



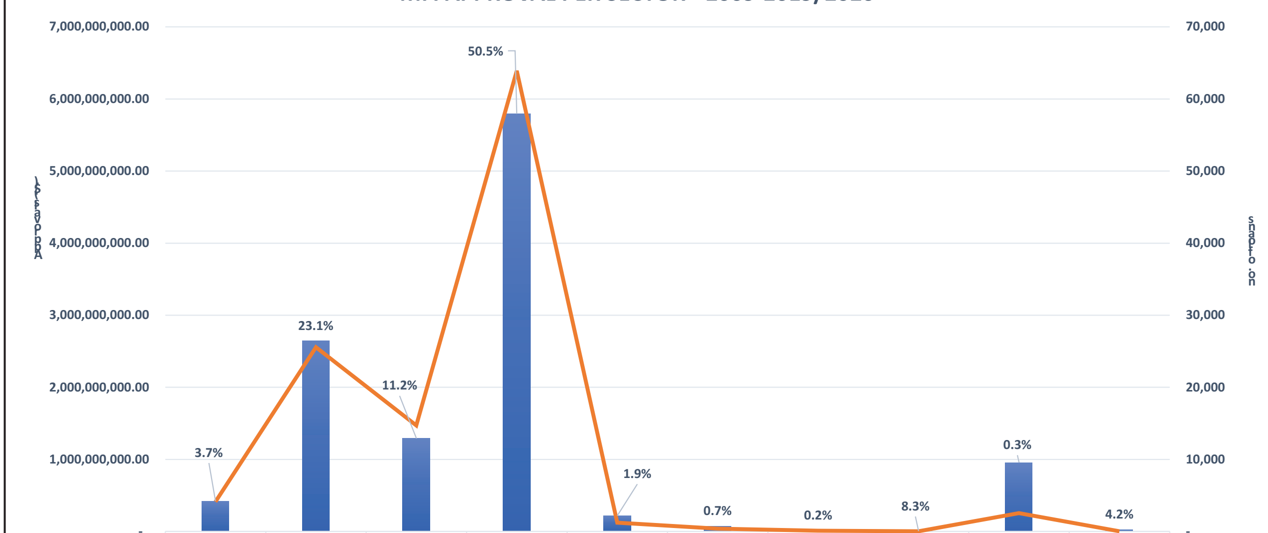
MFI Approval Per Sector –2009-2019/2020

Since the establishment of the Micro Finance Lending Window, the performance of the leading sectors maintained a similar trajectory, with more than 50% of the total portfolio demanded by the Distribution and Trade entrepreneurs, followed by Services and Agriculture with 23% and 11% respectively, as depicted in the table and chart below.

SECTOR SUMMARY	No. of Loans	APPROVAL J$	%
Manufacturing	4114	423,362,699.58	3.7%
Service	25547	2,642,020,592.39	23.1%
Agriculture	14713	1,289,442,090.14	11.2%
Distribution/Trade	63887	5,793,898,994.11	50.5%
Transport	1214	218,775,390.93	1.9%
Tourism	395	79,662,502.00	0.7%
Entertainment	102	19,999,500.00	0.2%
Energy	12	7,435,840.85	0.1%
*Other**	2542	954,950,471.38	8.3%
CEF	14	32,450,000.00	0.3%
Total	**112,540**	**11,461,998,081.38**	**100%**

**'Other' includes industries such as food services and small business construction*

MFI APPROVAL PER SECTOR - 2009-2019/2020



	Manufacturing	Service	Agriculture	Distribution	Transport	Tourism	Entertainment	Energy	Other	CEF
Approvals	423,362,699.5	2,642,020,592	1,289,442,090	5,793,898,994	218,775,390.9	79,662,502.00	19,999,500.00	7,435,840.85	954,950,471.3	32,450,000.00
No. of Loans	4,114	25,547	14,713	63,887	1,214	395	102	12	2,542	14

MFI Accreditation

Over the past decade, as many as 12 MFIs have met the Bank's criteria and were approved to on-lend funds up to $2.5 million to micro and small entrepreneurs. Currently, the 10 MFIs which are clients of the DBJ are as follows:

Access Financial Services Ltd.	First Union Financial Co. Ltd.
Bull Investments Ltd.	JN Small Business Loans Ltd.
COK Sodality Co-operative Credit Union Ltd.	LASCO Microfinance Ltd.
C&WJ Co-operative Credit Union Ltd.	McKayla Financial Services Ltd.
First Heritage Co-operative Credit Union Ltd.	Monaire Financial Services Ltd.

Summary – 2009-2019

As evidenced by the graph and table below, **112,540** micro and small businesses have accessed a total of **$11,461,998,081.38** for all sectors of the economy, with 2019/20 being the largest amount facilitated in any one year.

Year ended	*No. of Loans*	*Approved*
2009	4,347	200,000,000.00
2009/2010	2,077	174,172,970.32
2010/2011	4,215	228,602,855.37
2011/2012	6,995	491,482,736.12
2012/2013	8,207	613,682,596.97
2013/2014	9,642	620,030,451.00
2014/2015	8,931	795,938,877.17
2015/2016	11,680	1,104,710,948.06
2016/2017	16,410	1,519,360,519.35
2017/2018	11,712	1,448,606,889.65
2018/2019	14,318	1,923,104,786.87
2019/2020	14,006	2,342,304,450.50
Total	**112,540**	**11,461,998,081.38**

National People's Co-operative Bank of Jamaica Ltd (NPCB)

The DBJ continued its support to the NPCB in 2019/20, focusing on improving the financial position of the organization.

A Committee of Management was established by the Registrar of Co-operative Societies in June 2018 to direct the policies of the NPCB, in accordance with the *Agricultural Loan Societies and Approved Organisations Act.* The NPCB management team, supported by the Committee, has been employing critical strategies to strengthen the governance of the institution, intent on achieving operational stabilization, efficiency, and ultimately, profitability.

For the period under review, the DBJ facilitated $12 million as collateral support for poultry loans under the Credit Enhancement Facility though the NPCB.

The NPCB's non-performing portfolio was closely monitored by the Committee of Management during the year and as at the institution's financial year ended December 31, 2019, an accumulated deficit of $100 million was reported. Notably, this resulted in a significant decrease of $142 million or 58% over 2018. Additionally, the shareholders' support of the institution was still evident as deposit stood at over $5 billion at the end of the NPCB's financial year ended December 2019.

Other Divisional Initiatives in 2019/20

Funding and Technical Support

Emerging from a partnership with the European Investment Bank (EIB) since 2016, the DBJ has been benefiting from its Technical Assistance (TA) programme to the Caribbean, which is being administered by the Frankfurt School of Finance and Management since 2018.

The TA assistance to date includes:

- Strengthening the MFI Division's due diligence procedures
- Review of risk appetite statements
- Revision of the DBJ's MFI lending policy and enhancement of the risk rating models
- IFRS9 provisioning computation methodology
- Training to MFIs for over 200 frontline staff, loan officers and branch managers on skills development, MSME lending and portfolio/arrears management.

In addition to the aforementioned capacity building activities, the EIB hosted its first Caribbean Roadshow in Kingston on February 12-13, 2020. The two-day conference focused on 'Climate Finance: Challenges and Opportunities for the Caribbean Financial Sector', which promoted knowledge transfer around trends and innovation that affect the financial industry, facilitated the exchange of strategic experiences, and encouraged collaboration with over 80 regional stakeholders, experts and EIB Representatives.

Microcredit Bill

The Microcredit Bill remains a priority for the Ministry of Finance and Public Services and they have been collaborating with the Chief Parliamentary Council to draft a list of amendments to be presented in the House of Representatives. The microfinance industry has also been engaged to provide feedback to the latest amendments along with the recently developed rules and regulations.

Climate Change Adaptation Line of Credit

In 2016, the DBJ entered into a tripartite Memorandum of Understanding (MOU) with the Ministry of Economic Growth and Job Creation and the JN Small Business Loans Limited, to facilitate the efficient and effective administration of the Climate Change Adaptation Line of Credit (CCALoC).

Valued at US$2.5 million, the line of credit provides financing to MSMEs in the tourism and agri-business sectors across Jamaica, to assist them in increasing resilience to climate change.

During the year under review, the final tranche of $74.148 million was disbursed to JNSBL from the CCALoC for on-lending to agricultural and tourism projects, bringing the total disbursed to date to J$305.990 million (or equivalent US$2.5 million) to 259 clients, as outlined below:

Year	#	J$ Amt
2016/2017	-	38,122,380.00
2017/2018	34	96,860,000.00
2018/2019	143	96,860,000.00
2019/2020	82	74,148,062.70
Total	**259**	**305,990,442.7**

Ninety-seven percent of the loans were utilized by the agriculture sector for climate resilience projects such as drip irrigation, rainwater harvesting, green house construction, contour ploughing, and erection of water catchment facilities. Given the success of the project and the urgent need to adapt climate resilient practices, it is anticipated that the project will be extended.

Participants in the European Investment Bank-organized Caribbean Roadshow which took place February 12-13, 2020, in Kingston. The two-day conference focused on 'Climate Finance: Challenges and Opportunities for the Caribbean Financial Sector'.

STRATEGIC SERVICES

The DBJ is guided and supported by the Strategic Services Division in the areas of strategy management, research, product development, business analytics and business development.
The Bank's capacity development and technical assistance programmes are also managed by this division to help MSMEs build their capacity through more than 30 services that include training, coaching and mentorship, enabling them to grow, invest and expand.

BUILDING THE CAPACITY OF MSMEs

The DBJ continues to provide capacity development to MSMEs to address the gaps identified in priority areas such as:

- Improving productivity and efficiency of business operations
- Supply chain development
- Innovation and entrepreneurship

Impact in Financial Year 2019/20

During the 2019/20 Financial Year, the Bank provided capacity development support to entrepreneurs as follows:

366 MSMEs benefitted from capacity development

207 new businesses were supported or created through DBJ's capacity development interventions

291 businesses benefitted from vouchers for technical assistance

INNOVATION AND ENTREPRENEURSHIP

1. Voucher for Technical Assistance

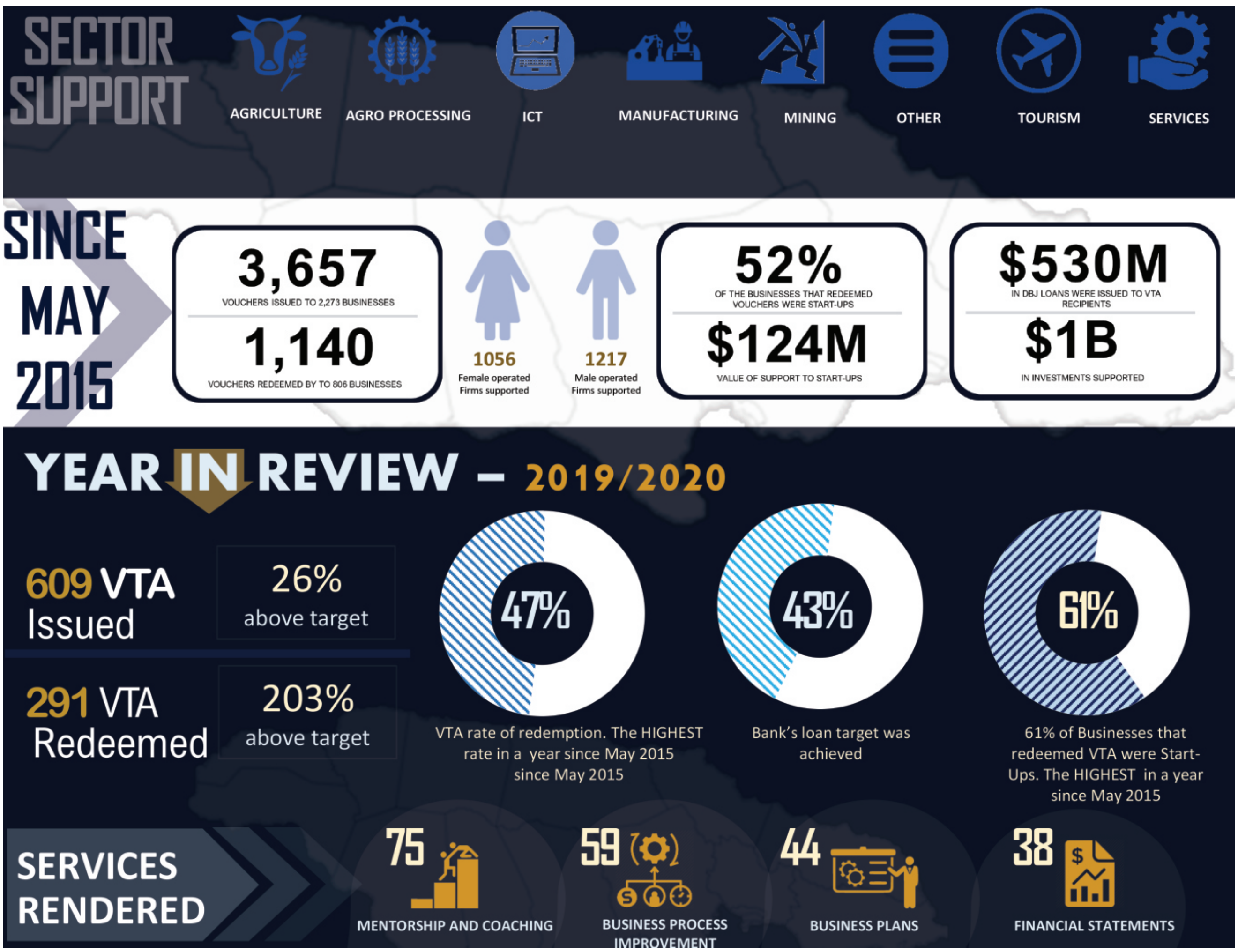
The Voucher for Technical Assistance (VTA) programme provides funding for MSMEs to allow them to access, at reduced rates, business development services which will improve business operations and close management gaps that may hinder their creditworthiness.

The VTA's main objectives are:

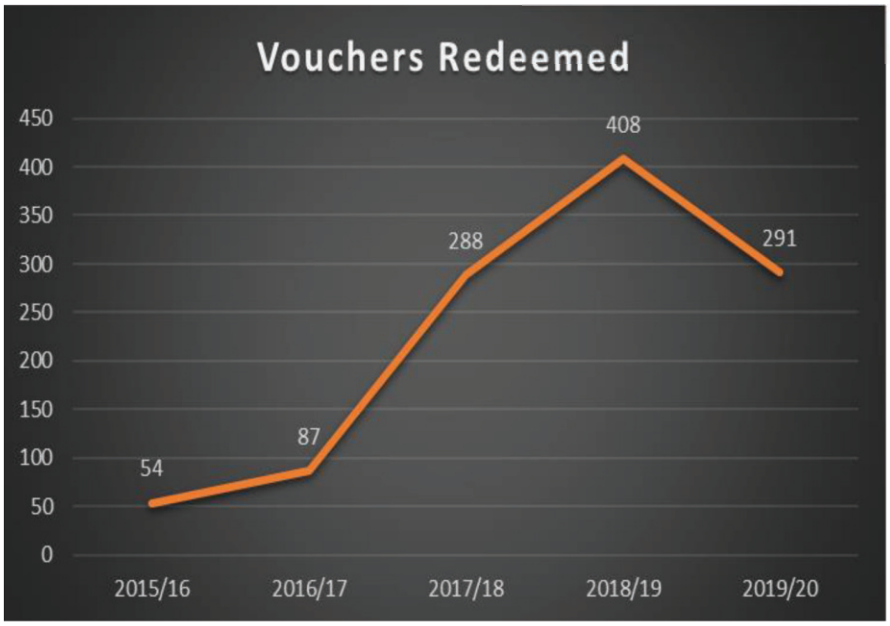
(I) To expand business activity generally, thereby increasing production, employment and sustained development of MSMEs in Jamaica.
(ii) To assist MSMEs improve the management capacity of their business operations.
(iii) To improve MSMEs' ability to access loans through the AFIs and other financing options.

The implementation of the programme is an arrangement among the Private Sector Organisation of Jamaica (PSOJ), the DBJ's network of Approved Financial Institutions (AFI), selected Business Development Organizations (BDO) and the DBJ.

The programme continues to be popular, especially with small and medium-sized entrepreneurs, with most (61%) of the businesses that redeemed their vouchers, during the current financial year, being start-ups. Additionally, in the 2019/20 Financial Year, the voucher redemption rate was 47% (i.e. 291 vouchers redeemed of 609 vouchers issued).



Since the inception of the programme in May 2015, the following results have been realized:



52% of the businesses that redeemed vouchers were start-ups

Vouchers issued to 2,273 businesses and 806 businesses redeemed 1,128 vouchers

DBJ Loans approved totalling $530M supported J$1B in investments

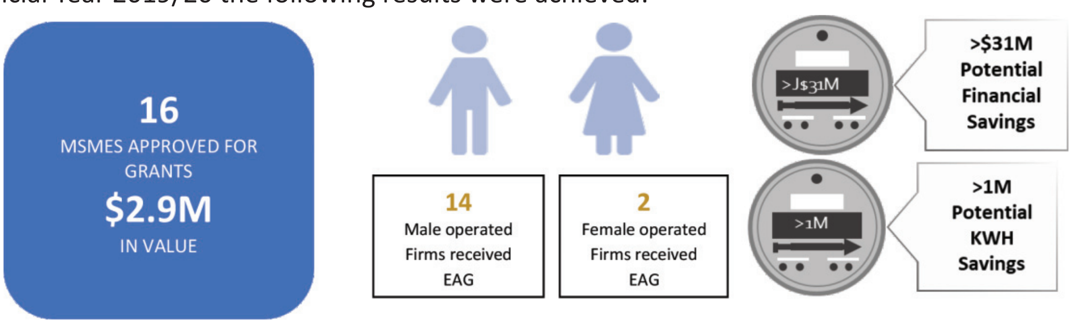
2. The Energy Audit Grant Programme (EAGP)

The energy audit grant is available to micro, small, medium-sized and large enterprises to cover the cost of an energy audit up to a maximum of $200,000 per audit. Under the programme, energy audits are conducted by Certified Energy Managers (CEMs)[3] chosen by the businesses.

The main outcomes of an energy audit are to provide:

1. The client with a list of recommended energy efficiency measures (EEMs)/energy opportunity measures (EOMs)
2. The associated energy savings potential of the client
3. An assessment of whether EEM/EOM installation costs are a good financial investment.

In Financial Year 2019/20 the following results were achieved:



[3]The designation of CEM is awarded by an international organization, the Association of Energy Engineers (AEE), on the successful completion of their examinations. The Jamaica Society of Energy Engineers (JSEE) is the official chapter of the AEE in Jamaica.

3. Innovation Grant from New Ideas to Entrepreneurship (IGNITE) Programme

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 organizations and incubator programmes.

Arising from the success of the pilot programme, it has been established as a DBJ product under which grants of up to $4.0 million are awarded to businesses for implementing innovative business products, processes or models that support the growth of new firms in the productive sectors.

During the year under review, the *IGNITE* programme continued its execution through another round, Cohort II, which began in July 2018. During this round, additional businesses were selected for support and new Business Services Intermediaries (BSI) came on board. The BSIs used to support this cohort include:

1. Branson Centre of Entrepreneurship
2. Jamaica Manufacturers and Exporters Association
3. Jamaica Business Development Corporation
4. Technology Innovation Centre
5. Climate Innovation Center Caribbean
6. Sisters' Ink

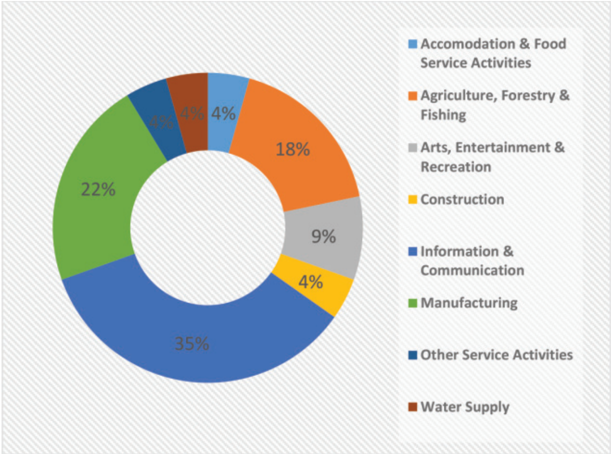
Twenty-three companies, across multiple sectors and at varying levels of the business growth stages, were selected for Cohort II with the objective of developing a commercial prototype of their products or commercialization of that product.

Of this number, 10 were in the Seed Stage and 13 were in the Early Stage of the business lifecycle. A total of $82 million was approved for these projects, with the businesses awarded grants of either $2.5 million or $4.0 million towards the implementation of innovative business products, processes or models that support their growth.

Employees carry out their tasks at Lifespan Water Company, in Portland. Funding by the DBJ allowed the company to expand.

IGNITE – Cohort II

IGNITE II
SECTOR DISTRIBUTION



Execution of the projects under Cohort II began in March 2019 with results and performance as follows:

Project's investment supported	Revenue generated	Profit generated	Value of loans accessed
$206.03M	$358.81M	$24.42M	$19.14M

SUPPLY CHAIN DEVELOPMENT

1. Jamaica Business Fund (JBF)

The Jamaica Business Fund was implemented under the Jamaica Foundations for Competitiveness and Growth Project (FCGP), financed by the Jamaican Government and the World Bank.

The JBF is a financing mechanism that provides support directly to SMEs by funding a combination of supply chain learning, skills upgrading and productivity improvements.

The main 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 goal is to increase productivity within businesses which cause an increase in exports and/or reduce imports through import substitution.

Since the inception of the Fund in May 2016 to the end of the 2019/20 Financial Year, the JBF has facilitated $427 million in investments in 18 supply chain projects across the island. Of this amount, the private sector has invested over 40%, or $175 million, as their counterpart funds in these projects. These investments span several sectors and sub-sectors, with the agriculture sector benefitting the most from this initiative.

Beneficiaries of the Jamaica Business Fund

JBF GRANT AGREEMENT STATUS - JMD Millions				
Project Cycles	Supply Chain Lead	JBF Commitment	Total Disbursements at 2/2020	% Disbursed 2/2020
CLOSED PROJECTS:				
Cycle 1	1. GKFSL (GAP 1)	44.8	42.12	94%
	2. Jamaica Standard Products	11	9.21	84%
	3. Perishables Jamaica	5.5	2.4	44%
Cycle 2	4. Spanish Grain Stores	31.8	31.8	100%
	5. B&D Trawling	43.75	29.7	68%
	6. Grace Agro Processors 2	41.1	40	97%
	7. Jamaica Finest Produce Ltd.	42.3	1.7	4%
	8. Spur Tree Spices Ltd.	35.8	29.8	83%
Cycle 3	9. Sandals Foundation	7.3	6.4	88%
	10. Mavis Bank Coffee Factory	30.2	28.7	95%
	11. Caribbean Broilers (Jamaica)	25.4	25.3	100%
	12. Caribbean Broilers (Jamaica)	23	23	100%
	13. Jamaica Coffee Corporation	29.9	25.2	84%
	14. Jamaica Cocoa Farmers	22.1	19.6	89%
	15. Wallenford Coffee Company	30.44	24.4	80%
	16. Unicomer (Jamaica) Limited	21.6	19.7	91%
	17. The College of Agriculture,Science and Education (CASE)	28.9	13.9	48%
	18. Grace Agro Processors 3	43.3	35.8	83%
	Total Closed Projects	$ 518.19	$ 408.73	79%

The JBF achievements from May 2016 to February 2020 are illustrated below:

371 MSMEs funded
37% above target

Number of MSME Beneficiaries

USD 1.95M
95% above target

USD Co-investment

18 Supply Chain Investment Projects
50% above target

Supply Chains

70% of commitments disbursed

Actual Disbursement – JMD 360 M

West Indies Petroleum Company Limited has benefitted from a DBJ loan and partial guarantee allowing an expansion and the creation of new jobs.

PROJECT MANAGEMENT SUPPORT TO MSME

Access to Finance Programme

The Access to Finance (A2F) programme is a collaboration between the Jamaican Government, World Bank and Inter-American Development Bank, with the DBJ being the implementing agency. Under the A2F programme, the DBJ is responsible for the execution of two projects geared towards improving access to finance for micro, small and medium-sized enterprises. They are:

(i) The World Bank-funded Access to Finance for MSMEs; and
(ii) The Inter-American Development Bank-funded Credit Enhancement Facility (CEF) for MSMEs.

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

Jovan Evans, Managing Director of Aqua Flow Products & Services Ltd., works on the Pump-n-Spray portable shower that allows users to conveniently transport, store and efficiently use water to shower. The company received a grant to help market its products under Cohort 1 of the DBJ's IGNITE programme.

World Bank - Access to Finance for MSMEs

THE WORLD BANK

In January 2018, the World Bank's Board of Directors approved funding for the A2F project in the amount of US$15 million. The project will be executed over the five-year period, January 2018 to January 2023 with the following components:

I. Capitalization and Revamping of the DBJ's Credit Enhancement Facility	II. Supporting the establishment of an SME Fund	III. Creating an enabling environment for MSMEs including the development of financial instruments & business development services for MSMEs to improve bankability	IV. Project Management

During the period under review, activities completed were as follows:

Component 1 – Capitalization and Revamping of the DBJ's Credit Enhancement Facility

- **Development of a business plan, financial model, policies and procedures for the operations of the CEF fund as a portfolio scheme; and training.**
  The newly developed business plan and financial model recommended the operation of the CEF as a new portfolio scheme utilizing a Portfolio Claims Cap, which is described as the limit on the amount of loss the CEF will absorb and is in place to ensure a reduction in the incidence of moral hazard on the part of the AFIs.

  The Portfolio Claims Cap will provide comfort that the potential for losses in case of a catastrophic event is limited to an agreed percentage as the cap restricts AFIs from claiming the entire guaranteed amount.

  Over the period September to October 2019, training sessions on the enhanced CEF were conducted with the financial institutions and DBJ staff.

  The enhanced scheme was launched in November 2019. However, prior to this the CEF continued to issue guarantees to MSMEs with the capital injection from the project. Some US$1.96 million was injected for the Financial Year 2019/20 which allowed an increase in the number of guarantees issued to MSMEs.

- **Procurement and implementation of software**
  A firm was selected to provide a Risk Enterprise Management Software System (REMSS) to the DBJ to automate the qualification of financial institutions to access guarantees under the CEF as well other products offered by the DBJ; this will allow the Bank to move from a manual

process to assess the risk rating of its AFIs to an automated process. AFIs will upload the required financial data and the REMSS will assign a risk rating based on the approved model.

The DBJ will now be able to monitor more closely the risk ratings of the AFIs and track their financial performance.

Component 2 – Supporting the establishment of an SME Fund

- **Completed an Assessment of the Taxation Regime for Private Equity and Venture Capital in Jamaica**
  A Demand and Supply Assessment for SME Fund Feasibility was conducted. The reports showed that there was a demand by SMEs in Jamaica for risk capital. Similarly, the Supply assessment showed that there were possible fund managers in the market locally and internationally to provide risk capital financing.

- **Completed Supply Assessment for SME Fund Feasibility (Fund to provide risk capital for SMEs in Jamaica)**
  The consultancy provided the DBJ with an overall review on how the tax regimes for private equity and venture capital funds are typically designed (referencing best practices on a global basis) and made recommendations for enhancements.

- **Completed a Review of the Legal and Regulatory Framework for Private Equity and Venture Capital in Jamaica**
  The consultancy provided the DBJ with a broad understanding of the legal and regulatory framework necessary for private equity and venture capital investments in Jamaica and made recommendations on the legal, regulatory and institutional reforms that will be the catalyst to increase such investments.

Component 3 - Enabling Environment for MSMEs including the development of financial instruments & Business Development Services for MSMEs to improve bankability

- **Completed a feasibility assessment for Reverse Factoring in Jamaica and the Development of a Reverse Factoring Product (Payables Financing).**
  An assessment for Reverse Factoring in Jamaica was conducted and the Development of a Reverse Factoring Product (Payables Financing) was done. The DBJ was supported by consultants in the Platform Selection to deploy the developed product.

- **Completed the Procurement of a Reverse Factoring Platform**
  Supported by the findings of the consultancy and the consultant, the procurement process for a firm to provide implementation service for a Reverse Factoring platform was completed in March 2020.

- **Completed an Assessment of the DBJ's Capacity Development Strategies Programmes**
  The assessment involved a review of policy documents, internal procedural and operational manuals as well as databases maintained for client management.

  Interviews and surveys were undertaken of MSMEs and service providers involved in the Energy Audit Grant, IGNITE and VTA programmes. Recommendations were provided to further enhance the programmes.

- **Supported 76 MSMEs under the DBJ's VTA Programme - by providing vouchers for technical services, business plans, financial statements and nearly 30 other services.**

IDB - Credit Enhancement Programme for MSMEs

The IDB's Credit Enhancement Programme for MSMEs is a US$20-million project that is being 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 has been supplemented by a US$250,000 grant for the digitization of the CEF management process.

Activities under this programme include:

As at the end of the last financial year, funding received under the IDB project supported an additional 219 guarantees to MSME totaling $1.3 billion and supporting loans totaling $3.2 billion.

The Management Information System has been completed and now allows the DBJ to automate guarantee approval and registration, collection of fees, claims processing and payout, financial calculations and analysis, account monitoring, and recovery follow-up under the Enhanced CEF.

JAMAICA VENTURE CAPITAL PROGRAMME

Tech entrepreneurs speak at a panel discussion at the DBJ's 2019 Conference. From left are Dwight Scott, CEO Blackrock Technologies; Tyrone Wilson, CEO iCreate; Melarka Williams, CEO, Ingenuity Technologies; and Christopher Brown, DBJ's General Manager for Strategic Services.

Background

In 2013, the DBJ – through its Jamaica Venture Capital Programme (JVCAPITAL) – signed an initial two-year Technical Cooperation (TC) Agreement with the IDB Lab (the innovation arm of the Inter-American Development Bank) which laid the foundation for the establishment of a private equity and venture capital (PE-VC) industry.

Under the terms of a second TC Agreement, signed in 2016, the focus has been the building of a sustainable and robust entrepreneurial and early-stage ecosystem, thereby creating a pipeline of investable businesses seeking to attract funding from angel investors, venture capital, and private equity funders.

This creation of private capital funding for Jamaican businesses, reflects the DBJ's strategy of increasing the avenues for access to financing for high potential, Jamaican micro, small and medium-sized enterprises (MSMEs).

The Vision underpinning the DBJ's JVCAPITAL Programme is - ***by 2020, Jamaica is among the top three entrepreneurial and investment hubs in the Caribbean and Central America.***

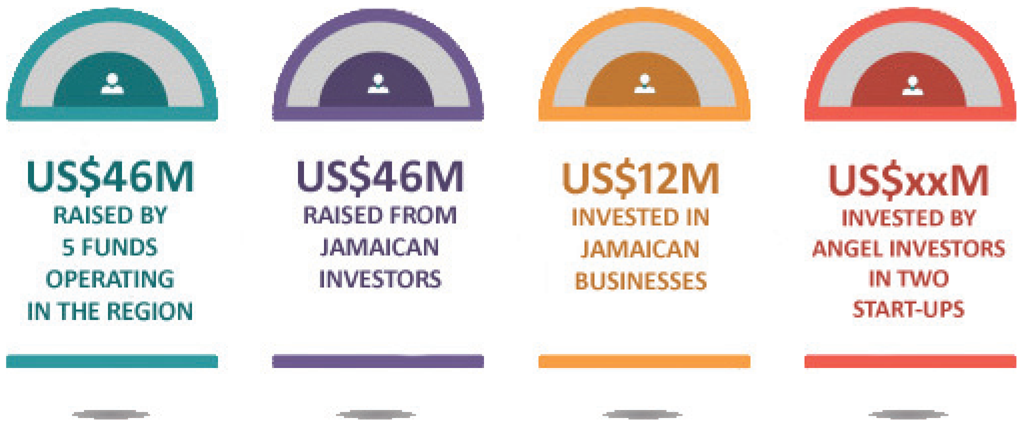
This report outlines another successful year of activities for the project unit, and will focus on the following key deliverables of the programme and the outcomes achieved:

- Promoting the supply of equity capital through new private-sector managed funds, with the DBJ acting as the anchor investor in some funds
- Promoting the development of Entrepreneurship & Innovation Ecosystems
- Promoting Knowledge Development & Expertise of all stakeholders
- Establishing a Private Equity-Venture Capital Association

It is to be noted that the 2020/21 Financial Year will see the closing out of projects undertaken through the Second TC Agreement and, as such, the focus has been on ensuring the sustainability and transitioning of programme activities to private sector stakeholders as well as 'seeding' other programmes to be undertaken by the DBJ.

These 'next steps' for the ecosystem building programme are highlighted throughout the report.

Promoting Alternative Investment Funding Sources



Through the JVCAPITAL, some US$12 million (J$1.68 billion) has been mobilized for Jamaican businesses, during the 2019/20 fiscal year, from private capital sources, investing equity and private credit.

These private capital funds operating in Jamaica have, over the past five (5) years, mobilized some US$352.2 million (J$49 billion) in funding from local, regional, and international sources.

The DBJ, as an anchor investor, has participated in the funding of the following private capital funds:

1. MPC Caribbean Clean Energy Fund - Investment in Paradise Park

On October 2, 2019, the inauguration of the Paradise Park project, a 51.5-megawatt photovoltaic solar farm based in Westmoreland, was commissioned. Paradise Park now delivers to Jamaica Public Service, the cheapest electrical energy produced in the country, with a base tariff of US$0.085/KWh through a 20-year power purchase agreement.

Paradise Park, whose shareholders include French company, Neoen, with 50%, MPC Caribbean Clean Energy Fund at 34.4%, and Rekamniar Frontier Ventures, 15.6%, was successful in achieving various construction milestones. On May 26, 2019, it surpassed the minimum standards to be accepted by the grid operator in order for the park to be connected to the JPS network, following which, the commissioning & testing of the entire plant was completed, affording it with the ability to begin producing electricity on 6th June 2019. The solar park was completed on-budget and on-schedule on June 23, 2019.

MPC Caribbean Clean Energy Limited, the entity in which the DBJ invested US$1 million, in 2018, plans to raise fresh equity capital in a rights issue for its Class B shares listed on the Jamaica and Trinidad & Tobago Stock Exchanges, which would bolster its capital base for 14 additional deals in its pipeline.

The Fund made a dividend payment of US$0.89 per share, from cash flows received from its wind farm investment in Costa Rica. DBJ received US$89,000 from this dividend payment, in October 2019.

2. SEAF Caribbean SME Growth Fund

The Subscription for US$1 million of the Class A shares of US$1.00 each, in SEAF Caribbean SME Growth Investments Limited, a St. Lucia exempted IBC, licensed as a private mutual fund, which was approved by the Board in October 2019, has now been completed.

SEAF's 40th fund, the SEAF Caribbean SME Growth Fund, is a private equity fund that invests growth capital in small and medium-sized enterprises throughout the English-speaking countries of the Caribbean Common Market (CARICOM).

The Fund has secured over US$35 million in its first close, in October 2019, and is ultimately targeting US$100 million by September 2020. As at March 31, 2020, the Fund has raised US$47 million from local and international investors. As with all SEAF-managed funds, the Fund aims to generate both attractive financial returns and a strong social impact by providing equity and active business partnership to companies that have traditionally lacked access to institutional risk capital. Payments into the fund by investors will be made in accordance with periodic Calls from the fund manager, in accordance with the Operating and Shareholder's Agreement, and will coincide with the investing milestones of the fund over the next five years.

SEAF will establish complementary funds and establish a Centre for Entrepreneurship Education & Development (CEED) in Jamaica to support its investments and the PE and entrepreneurial ecosystem in general. CEED currently links 20,000 entrepreneurs globally and is another unique strength that SEAF brings to the Jamaican ecosystem.

3. Sygnus Credit Investments (SCI) Performance

SCI Limited reported record six-month net profit, core revenues, and core earnings for the period ending December 2019. These results were driven by a near doubling of private credit investments in portfolio companies across the Caribbean region to a record US$54.3 million. This rapid growth in private credit investments was in keeping with SCI's strategy, to be the leading source of private credit financing for Caribbean middle-market companies.

SCI has advised that, at a meeting of its Board of Directors, held on February 13, 2020, an interim dividend of US$0.0029 per share was declared. The dividend payment will be made to all shareholders on record as of March 16, 2020 and will be paid on April 6, 2020. DBJ will receive a dividend payment of US$14,500.00. DBJ has invested US$500,000 in SCI, in June 2017.

SCI has been a pioneer in the regional private credit market and intends to continue expanding the market by strategically building long term relationships with investors, middle-market firms, and other stakeholders. SCI's solutions are customized to align with the growth strategy of middle-market companies, and this has resulted in a robust pipeline of opportunities across various industries such as manufacturing, energy, distribution, hospitality, and financial services in multiple Caribbean territories.

4. Caribbean Mezzanine Fund 1 Update

During the Financial Year 2019/20, Caribbean Mezzanine Fund 1 (CMF 1) has made additional investments, in the real estate industry. Investors have received notice of payment for their pro-rata share of the investment and DBJ's share of the investment, in the amount of US$617,000, was disbursed. As of December 2019, DBJ has paid its full commitment of US$1,500,000. CMFI has invested in eight businesses within the Caribbean region.

5. Portland Private Equity -Portland JSX Limited Update

Portland JSX Limited (the company) has completed its investment phase with 10 Caribbean-based companies in its portfolio. The company is a limited partner in Portland Caribbean Fund II and is focused on private businesses throughout the Caribbean, Central America, and Colombia. The fund is now in its operational cycle, where it will focus on driving value from its investments. For the period ending November 2019, Portland JSX made a profit of US$1.186 million, up from US$1.016 million in the previous period. DBJ invested US$250,000 in the company, in January 2016.

Promoting Entrepreneurship & Innovation Ecosystem Development

i) Capacity Building of University Incubators

The three universities participating in the University Incubator Capacity-Building Programme are in the final months of the deployment of their Strategic Plans, with the JVCAPITAL's disbursement of the third and final tranche of funds in March.

To date, the DBJ has provided the University of the West Indies' Mona Entrepreneurial Centre (MECC) with J$2 million which has been used to stage a business development boot camp, a Pitch Day and a six-week business coaching programme for UWI-based entrepreneurs.

The University of Technology's (UTECH) Technology Innovation Centre (TIC) and Northern Caribbean University's (NCU) Morris Entrepreneurial Centre (MEC) were each provided with the maximum research among its faculty and graduate students, and on improving its client services through advising sessions and workshops.

NCU-MEC launched its Accelerator Programme to support 25 companies, hired business advisor/coaches to work with the top 12 accelerator participants, arranged for mentors to support them, and transitioned from a virtual to a physical incubator in space leased in the centre of Mandeville.

N|B|M|C
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J A M A I C A
Entrepreneurship • Innovation • Wealth • Creation

The NBMC continues to attract large gatherings at the various universities' sensitizing sessions and boot camps, and has become a calendar event at the tertiary and national levels.

Plans were well advanced for the 7th staging of the NBMC having officially launched the 2020 NBMC on February 20th, with five universities, including Edna Manley College of the Visual & Performing Arts, Northern Caribbean University, University of Technology, Jamaica, University of the West Indies and, new addition, the College of Agriculture, Science & Education, when COVID-19 coronavirus pandemic necessitated the cancellation of the event, as we observed the Government of Jamaica's (GOJ) protocols regarding mass gathering.

The JVCAPITAL team wholeheartedly thanks our sponsors for their support of the NBMC and look forward to their continued interest in, and support of, these programmes, as partnerships among the public and private sectors, and academia, will be at the centre of Jamaica's recovery, growth, and prosperity.

Coordinators pose with DBJ-JVCAPITAL & PSOJ officers at the 2020 Press Launch of the NBMC (L-R) Dawn Morgan and Janice Henlin, UWI-MSBM; Audrey Richards, Project Coordinator, JVCAPITAL; Milverton Reynolds, MD, DBJ; Dr. Lila Rao-Graham and Ashli Rose Davis, UWI-MSB; Frederick Mills and Dr. Carol Nathan, UTECH; Markland Murphy, CASE; Laura Lee Jones, EMCVPA; Tracy LaCroix, PSOJ; and George Reid, NCU.

NBMC Alumni respond to the fight against COVID-19

As the global battle against the deadly COVID-19 disease wages on with each country's Government, health care industry, and general public playing its part in finding solutions to curb the pandemic, two young innovators from Jamaica, have introduced products aimed at safeguarding the public and health care workers.

NBMC alumni and student entrepreneurs Yekini Wallen-Bryan of Pree Labs, and Rayvon Stewart, Founder of Xermosol Supplies, who attend the UWI and UTech respectively, have both presented robust solutions that have been hailed locally and internationally as having provided game-changing weapons in the fight against the COVID-19 coronavirus pandemic.

Stewart's invention, Xermosol, which won him 4th place in the 2019 NBMC, is a simple-to-install device that uses ultraviolet light to automatically disinfect doorknobs and other surfaces, where bacteria and viruses can easily be transmitted from one person to another.

Wallen-Bryan and the Pree Labs team members, Kriston Kong and Shane Smith, have spearheaded the production of locally made 3D face shields and the repairing of emergency ventilators that will supplement the shortage of personal protective equipment and available assisted-breathing machines, in local hospitals. The team, working through the organisation 'Citizens Response JA', has produced 3-D face shields for the Ministry of Health and Wellness. Interest has been received from the United Kingdom, United States, and Canada, and the team is in talks with Trinidad & Tobago to collaborate and deploy a solution that can be used in the region.

Most notably too, the Xermosol team was able to attract the attention of the Commonwealth Secretary-General, Baroness Patricia Scotland, who in a letter sent to its 54-member countries, named the product – Xermosol – as a key weapon in containing the Coronavirus spread. Xermosol has received validation for use locally in hospitals, airports, schools, and, most recently, in Australia, for use on public transportation.

I) Other key projects during the fiscal year include:

- **Standardized Curriculum on Equity Financing - Guide to Equity Financing for BSIs**

In July 2019, the JVCAPITAL offered a series of training workshops for 30 of Jamaica's Business Service Organizations (BSO) in Equity Financing. The training workshops were the culmination of a consultancy led by Consultant, Dr. Winsome Leslie of DevSolutions, to develop a standardized curriculum - Introduction to Equity Financing - for BSOs.

- **Development of a Standardized Business Strategy Guide on Intellectual Property**

Two workshops on Intellectual Property Rights (IPR) for Business Enablers, were hosted by JVCAPITAL, and led by facilitator and leading IPR attorney, Kayanne Anderson. The targeted attendees were entrepreneurs and organizers of the University and National Business Model Competitions.

- **Establishment of a Mentorship Programme for Innovators & Entrepreneurs**

Twelve Jamaican start-ups and small businesses have been selected to participate in a 12-month pilot programme titled - Mentors for Innovation & Entrepreneurship Programme (MIEP). They were selected from a pool of 105 applicant companies and reflect a range of innovations in industries including food & beverage manufacturing, naturopathic healing solutions, education technology software platforms, and industrial machinery.

Nine participating Business Development Organisations have been selected for training in standardized business advising. They are Caribbean Climate Innovation Centre; Innovate 10X; CMU Centre for Digital Innovation & Advanced Manufacturing; Mona Entrepreneurial & Commercialization Centre at UWI; Morris Entrepreneurial Centre at NCU; Jamaica Manufacturers' & Exporters' Association; Biz Tactics; Agro-Investment Corporation and Sisters' Ink.

The BDOs will be having weekly business advising meetings with the awardees during which they will leverage their JVCAPITAL-sponsored training in the "global gold standard" GrowthWheel Business Advising System, to perform 360^{0} assessments of the start-ups, assist the entrepreneurs to set and follow-through on their mentorship and business advising goals, and provide the needed programme reports and analytics for the DBJ's monitoring and evaluations. Local and international mentors and industry experts will be lending their expertise in the guidance to entrepreneurs as they pursue their business development goals.

Knowledge Development & Expertise

The 2019 DBJ-JVCAPITAL's commitment towards ensuring that all stakeholders within the Jamaican economy are exposed and provided with world-class experiences and best practices through our series of conferences and executive education and training programmes. During the year under review the following were accomplished.

i) Conference

The DBJ's 2019 International Conference on Private Equity and Infrastructure Development was held over the period June 10 to 13, at the Jamaica Pegasus Hotel. Organised under the theme: 'DELIVERING ECONOMIC GROWTH THROUGH PARTNERSHIPS: ***Financing Regional Infrastructure, SMEs & Innovation'***, the conference included 'fireside' conversations, plenaries, roundtable discussions, workshops, market soundings, and numerous networking opportunities. More than 80 speakers, including notable local finance industry leaders, were in attendance to highlight the readiness and attractiveness of investment opportunities on the island, through the range of topics covered.

Dr. the Hon. Nigel Clarke (centre), Minister of Finance & the Public Service, was the Keynote Presenter on Day 1 of the DBJ's 2019 conference. He is joined by (L-R) Milverton Reynolds, MD, DBJ; Adriana LaValley, Chief of Operations, IDB, Jamaica; Sylvia Dohnert, Executive Director, Compete Caribbean; and Her Excellency, Laurie Peters, Canadian High Commissioner to Jamaica.

The 2019 conference built on the successes of previous ones in that the DBJ was able to attract keynote presenters such as Paul Ahlstrom, Venture Capitalist, Founder and CEO of Alta Ventures, USA (who had participated in 2013); Dr. Josh Lerner, Harvard professor, and renowned private equity expert (2014); and Chinedu Echeruo, tech-entrepreneur and founder of HopStop.com (2016). In 2017, and again in 2019, the conference focus was expanded through a strategic partnership between JVCAPITAL and Public-Private Partnerships & Privatisation Division to include infrastructure financing.

DBJ Board directors pose with American entrepreneur Paul Ahlstrom (third left), one of the featured speakers at the DBJ's 2019 Conference. Others from left are: David Wan, Kerry-Ann McKoy-Tulloch, A. Cecile Watson, Sherene Golding Campbell, and Managing Director Milverton Reynolds.

The four-day event consisted of concurrent training and interactive workshops, and very targeted presentations for distinct stakeholder groups that also included tech entrepreneurs and tertiary-level entrepreneurship students. Presentations largely focused on catalysing a culture of innovation and dynamic entrepreneurship, while training specialists at The Development Alchemists in the U.K., conducted an interactive workshop on the Psychology of Entrepreneurship Success.

Two sessions of note were executed in partnership with the IDB and Compete Caribbean, as part of their Sub-Regional Policy Dialogue on Science, Technology, and Innovation. They included:

- ***Market Sounding/Investment Opportunities in Jamaica and the Caribbean:*** Infrastructure investment opportunities and PPPs, being developed in Jamaica and select Caribbean countries.

- ***SMEs, Innovation & Entrepreneurship Day:*** Focus on the adoption of 21st-century technologies under the 4th Industrial Revolution, to boost Jamaica's goal of being a competitive hub for innovative entrepreneurs.

Participants in the engaging panel discussion on "Caribbean Funders. Angels, VCs & PE... adopting Silicon Valley funding models or creating models relevant to our realities" (L-R) Nicholas Scott, Managing Director, Eppley, Ltd.; Audrey Richards, Project Coordinator, JVCAPITAL; Berisford Gray, CEO, Sygnus Credit Investment; Melanie Subratie, Chairman, Stanley Motta & member of FirstAngelsJA; and Christopher Williams, CEO, PROVEN Investment.

ii) Online Professional Development Training in Alternative Investments

The DBJ- JVCAPITAL Memorandum of Understanding, for the development of an online curriculum on Alternative Investments, continued apace, and the full roll-out of the training modules will commence the summer of 2020. Two distinct courses will be offered – **Beginners Guide to Alternative Investments** (basic) and **Alternative Investments for Professionals** at the intermediate level. The term, Alternative Investments, covers the asset class of non-traditional financial products, including private equity, private credit and mezzanine financing, real estate, and venture capital.

The Jamaica Stock Exchange (JSE) has been rated amongst the best performing in the world, and we, at the DBJ, are proud to be partnering with the JSE as we seek to build the knowledge levels of market stakeholders within the local capital markets. 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 financing – listed and unlisted - as an alternative source of funding. This is significant when taken against a previously debt-centric environment.

As the industry expands and new persons are being employed in the sector, it is critical for them to be trained, have knowledge of, and be exposed to, new developments and international best practices.

iii) Investment Readiness Workshops

In 2018, the DBJ, through the JVCAPITAL, signed a Memorandum of Understanding (MOU) with Biz Tactics Limited, to develop and execute a programme of training and coaching for founders of high potential, growth and early-stage companies, who are seeking equity financing, from the local angel networks, in order to grow their ventures. Many of the founders had previously been NBMC participants, recipients of IGNITE grants or DBJ loans through an AFI or were the beneficiaries of services from one of the DBJ's Business Services Intermediaries.

The programme has been successful, and, to date, 120 founders have been trained, 41 have been coached, eight have pitched their business model to Angels, and four have received investments totalling J$76 million.

Establishment of the Private Equity & Venture Capital Association

In November 2019, the Caribbean Alternative Investment Association (CARAIA) was officially launched in Kingston. Anchored by the DBJ, through JVCAPITAL, and bolstered by a group of local and international investors, the Association is a non-profit organization that is aimed at promoting the expansion of private equity, venture capital, real estate, private credit, mezzanine financing, and other Alternative Investment instruments.

The establishment of CARAIA, at this time, is appropriate when set against the background of the tremendous growth of Jamaica's capital markets over the past 12-18 months.

The Association, although conceptualised and established in Jamaica, has reached out to fund managers, investors, and other stakeholders throughout the Caribbean and Central American regions, with the recognition that many investors and businesses enjoy a regional focus on raising capital, investing, and starting businesses. As such, the many synergies among these stakeholders will be the foundation for the expansion of regional private capital markets.

Paul B. Scott, DBJ Chairman, delivering the main address at the launch of the Caribbean Alternative Investment Association (CARAIA).

A section of the audience that attended the launch of CARAIA

CARAIA will be the vehicle that will advocate, locally and internationally, for the collective interests, promote best practices, encourage and promote improvements in the regional capital markets, promote good and responsible corporate governance and facilitate professional development for its members. The aim will be to enhance the 'voice and visibility' of the regional markets, and to positively benchmark these markets against their global counterparts. An important strategic focus will be on research and information dissemination centred on a database platform, that will track regional market activities.

The 16 Founding Members of CARAIA are ATL Pension Fund; Eppley Limited; ICD Group Holdings; JMMB Group; JN Fund Managers; MPC Renewable Energies GMbH; Mayberry Investments; NCB Capital Markets; PanJam Investment; Portland Private Equity; PROVEN Investments; Sagicor Investments; Scotia Investments Jamaica; SEAF Management LLC; Sygnus Capital; and Development Bank of Jamaica.

Outlook & Expressions of Thanks

As we enter the final 'leg' of the second TC with the IDB Lab, the DBJ-JVCAPITAL team is proud and delighted at the growth of the alternative investment markets and the entrepreneurial and early stage ecosystems, over these past four years. The DBJ-JVCAPITAL has much for which to be grateful, and our many partners to whom we wish to express our appreciation. We recognize the IDB Lab, local and international fund managers and investors, our universities and institutions of higher learning, business advisors, trainers, and private and public sector stakeholders, many of whom have spent countless hours, through our Steering and Oversight Committees, providing feedback, advice, and approvals for our deliverables.

We particularly wish to recognize the intrepid and innovative entrepreneurs with whom we have worked. Your work ethic, your drive, and determination augur well for Jamaica's future development.

CARAIA has a seven-member board of directors with Christopher Williams (PROVEN Investment) as Chairman, Nicholas Scott (Eppley Limited) as Vice Chairman, and Jason Morris (Sygnus Capital Investment) as Treasurer. Other members of the inaugural board are Martin Vogt of MPC Renewable Energies GMbH; Keith Collister, representing ATL Pension Fund, Brian Frazer, Scotia Investments Jamaica, and Audrey Richards, representing the DBJ. Sub-committees for Advocacy, Membership and Events, and Finance, support the work of the Board.

In expressing our thanks, the JVCAPITAL team is grateful to our colleagues within the DBJ for their support, and to the confidence reposed in our small team, by the Management and Board, as we were tasked with building the private equity, VC, and entrepreneurship ecosystems.

It should be noted that the work, begun back in 2013, will not end with the funding from the IDB Lab. Back then, when the programme was designed, continuity and sustainability were critical and at the forefront of our deliberations.

It can be rightfully construed that the recently announced Boosting Innovation, Growth, and Entrepreneurship Ecosystems (BIGEE) is a 'scaled-up' JVCAPITAL Programme, as aspects of the work done to date will be continued and/or transferred under this new project. This includes, but is not limited to, Entrepreneurship Development, the National Business Model Competition, incubator and business advisor support, and establishment of new funds, among others. Similarly, under another DBJ-led, World Bank funded project, Access to Finance (A2F) new funding sources will be established.

CARAIA will assume the training and development of fund managers, investors and other market stakeholders under programmes such as biennial conferences, Executive Training Programmes, industry workshops, and seminars, as well as the monitoring and reporting on funding sources and market activity. The Association, in collaboration with the DBJ and other stakeholders, will also continue to lobby and advocate to the regulatory and other government authorities as it relates to the legal, taxation, and regulatory framework for alternative investments in Jamaica.

The Knowledge Documents (NBMC Case Study and the JVCAPITAL Case Study and Toolkit) that are being produced, under the programme, will be templates, learnings and best practices, available for adoption and use by other jurisdictions seeking to establish their own PE-VC-alternative investments industries.

PUBLIC-PRIVATE PARTNERSHIPS & PRIVATISATION

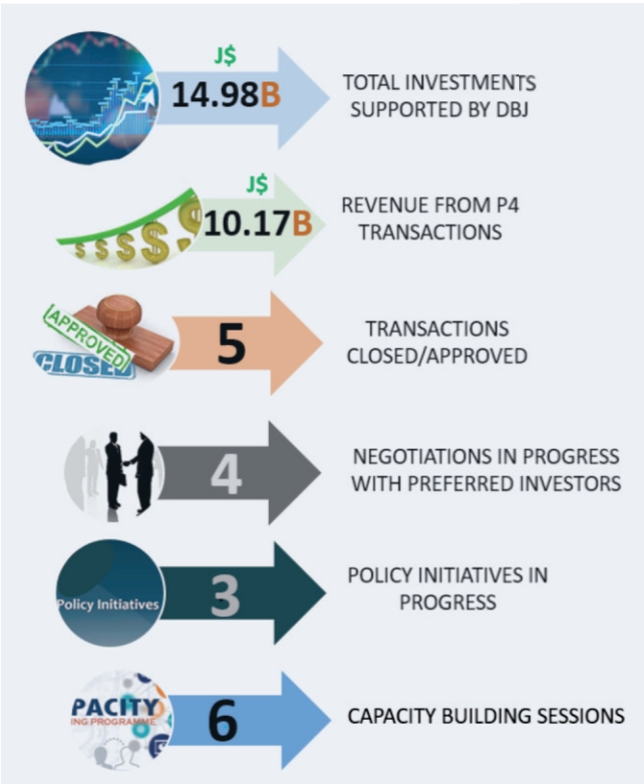
During the Financial Year 2019/20, the Public-Private Partnerships and Privatisation (P4) Programme recorded significant successes and ground-breaking achievements.

These included the historical listing of the Wigton Windfarm Ltd. on the Jamaica Stock Exchange and the financial close of the Norman Manley International Airport PPP. Total investments supported by the P4 Programme amounted to $14.98 billion while the total revenue to the Jamaican Government generated from asset sales was $10.17 billion.

Private investors were identified on nine transactions which were in advanced stages of negotiations or contract closing. Of these, four transactions achieved commercial or financial close and one received Cabinet approval of the final negotiated terms. Negotiations with investors were under way on three transactions and on a fourth project the tender process was concluded and the preferred purchaser selected. These deals spanned several sectors including energy and water infrastructure, real estate, transport, manufacturing and logistics.

Major achievements during the period under review included:

- The successful listing of Wigton Windfarm Limited on the Jamaica Stock Exchange (JSE) in May 2019 created history by registering 31,200 shareholders, the highest recorded number of shareholders participating in an Offer for Sale of Shares; 11,700 of whom were new investors on the JSE. This transaction, which was oversubscribed by 158%, raised $5.5 billion for the Government. It also signaled the resumption of the use of the JSE as a privatisation mechanism to achieve the Government's primary privatisation objective of increasing broad-based ownership in the economy.
- In October 2019, financial close of the Norman Manley International Airport (NMIA) Public-Private Partnership (PPP) transaction was achieved and the operations were handed over by the Airports Authority of Jamaica to PAC Kingston Airport Ltd.
- The Fort Clarence Beach Park, owned by the Urban Development Corporation, was privatised via a long-term lease in September 2019.
- Six lots at Silver Sands Estates were sold yielding revenues for Harmonisation Ltd.
- Cabinet approved the sale of lands at Harbour Head, in Kingston to Jamaica Fruit & Shipping Company Limited and/or their nominee German Ship Repair Jamaica Limited, for the development of a ship repair and floating dry dock facility.
- Negotiations on two Public-Private Partnership transactions, the School Solar Energy & Efficiency PPP and the Rio Cobre Water Treatment Plant PPP, were concluded with Cabinet approval anticipated by the second quarter of the new financial year. These transactions represent the first social-infrastructure and Government-pays PPPs developed under the P4 Programme and marks a significant milestone.
- Negotiations were ongoing with the minority shareholder in Jamaica Exotic Flavours and Essences Limited; and
- A Preferred investor was identified for residential lands at Montpelier, St. James.



Other transactions progressed through the project development cycle with completion of various business cases and feasibility studies.

The DBJ continued to play its multi-faceted role in supporting all aspects of the Government's P4 Programme, including policy development and capacity building. In the area of policy development, there were three policy initiatives which were undertaken during the year. These comprised recommendations to increase the efficiency of the privatisation process (included in a revised policy which at year-end was at Cabinet for approval); the finalization of a policy aimed at incorporating climate resiliency into the PPP development process; and establishing framework agreements with consultants for selected services was in progress.

The P4 Division also collaborated with the DBJ's Jamaica Venture Capital Programme to host yet another very successful Infrastructure Conference in June 2019, which drew over 260 participants from the region.

Other P4-led capacity building events trained Government officials in a wide range of topics related to P4 project development.

In addition to these achievements, the P4 Division continued to proactively ensure the sustainability of the Programme by identifying diverse sources of funding to support capacity-building efforts, project preparation and transaction execution. In this regard, disbursements continued from the World Bank-funded Project Preparation Facility (PPF) to support development of several transactions.

2019/20 ACHIEVEMENTS

PERFORMANCE METRICS

Investments Facilitated

DBJ-supported P4 transactions resulted in $14.98 billion in total investments (sales proceeds and projected investments) during the Financial Year 2019/20, exceeding the target of $12.5 billion. This included $5.5 billion to the Government from the Wigton Windfarm Offer for Sale of Shares on the Jamaica Stock Exchange, $131 million from the sale of six lots at the Silver Sands Estates and $4.27 billion proposed investments in the first year of implementation of the German Ship Repair Jamaica Limited transaction. Investments also included on-going contributions from the Kingston Container Terminal and NMIA Concessions.

Revenues from P4 Transactions

The completed transactions and on-going concessions generated $10.17 billion in revenues for the Government's coffers during the financial year, significantly exceeding the target of $2 billion. This included revenues from the Wigton Offer for Sale of Shares, sale of Silver Sands lots and concession fees from KCT and NMIA PPPs.

Grant Funding

Grant funding received during the Financial Year 2019/20 amounted to US$12.2K which included support from the Inter-American Development Bank (IDB) of approximately US$10K to engage consultants, IMG Rebel, to guide the establishment of a policy to incorporate infrastructure resiliency and climate risk in the PPP Policy framework; and CA$3K (approximately US$2.2K) from the High Commission of Canada, in respect of the DBJ Private Equity and Infrastructure Conference held in June 2019.

Programme Funding – Project Preparation Facility

Since the inception of the Project Preparation Facility (PPF) in June 2014, approximately **US$4.2 million** has been contracted and committed to support transaction development while **US$2.1 million** has been disbursed. PPF funds were fully contracted and committed at the start of the Financial Year 2019/20; hence, no additional funding was committed for any new project initiatives under the PPF during the year. Funding disbursed to date has generated investments of **US$170 million**.

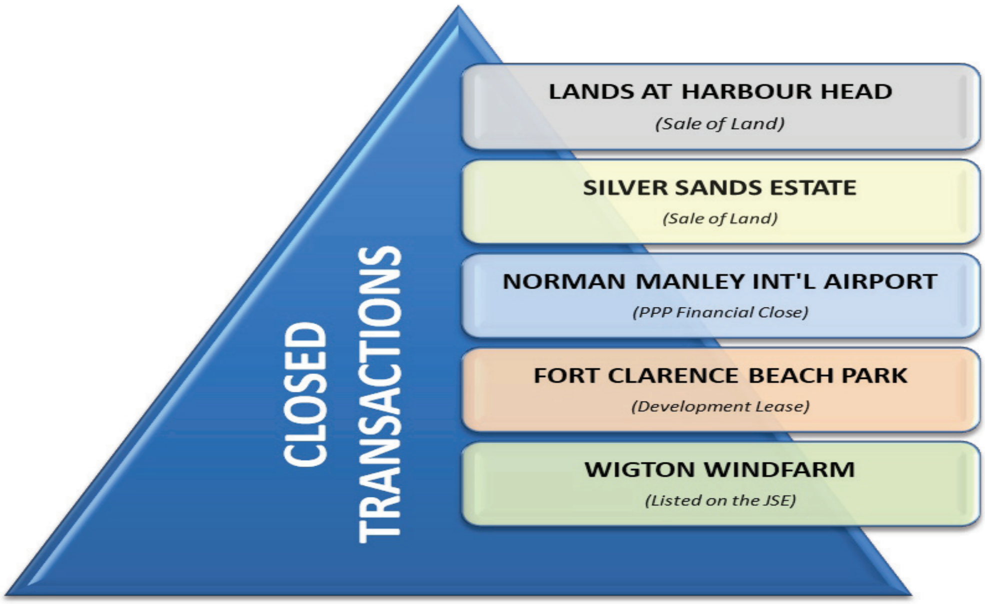
Capacity Building

Exceeding the projected target of three sessions, the DBJ hosted six capacity building and sensitisation sessions during the year, involving over 500 attendees. The highlight of the capacity-building programme was the DBJ's Private Equity and Infrastructure Development Conference held in June 2019.

Policy Review and Development

Revisions to the Government's Privatisation Policy introducing new modalities and efficiency measures were completed and the revised PPP Policy - Addendum to the Privatisation Policy was sent to the Ministry of Economic Growth & Job Creation (MEGJC), for submission to Cabinet for approval. While approval was targeted for this policy update within the financial year, as at year-end it was being reviewed in the Cabinet Submission consultation process.

Other notable developments were (a) the finalization of a policy aimed at incorporating climate resiliency into the PPP development process – executed with funding from the IDB and (b) establishing framework agreements for selected consultancy services. At year end the P4 Division was in the process of receiving submissions from qualified consultants for these services.

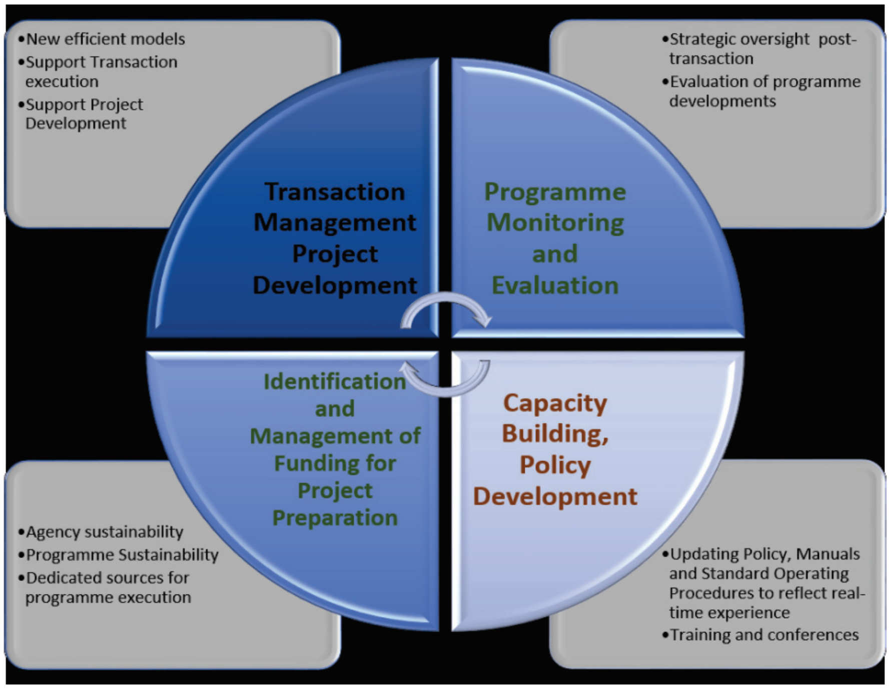


FUNCTIONS OF THE P4 DIVISION

The P4 Programme is an important element of the Government's fiscal reform programme, through its facilitation of private sector-led growth and participation in the economy.

The DBJ, as the lead P4 Agency, is responsible for the P4 programme and executes its mandate by providing several functions as demonstrated below:

i) Transaction Management and Project Development
ii) Programme Monitoring and Evaluation
iii) Capacity Building and Policy Development
iv) Identification and Management of Funding for Project Preparation



Functions of the P4 Division

TRANSACTION MANAGEMENT AND EXECUTION

Summary Portfolio Statistics

As at year end, the P4 Portfolio consisted of 22 projects at varying stages of the development cycle. Of this number, four projects were at the transaction stage where market engagement was in progress either by way of a competitive tender process being under way or completed; or negotiations with investors were being pursued; while 18 projects were at varying stages of feasibility and have not yet entered the transaction stage. Feasibility assessments include pre-divestment due diligence, options analyses and transaction structuring or business case development.

Other developments during the financial year included Cabinet approval of the resumption of the privatisation of the Jamaica Railway Corporation (*Rum Train segment)* by way of a development lease; the commencement of discussions with the Ministry of Science, Energy and Technology (MSET) regarding the privatisation of Jamaica Aircraft Refueling Services Limited and with SCJ Holdings regarding certain residential and commercial lots in the Greater Bernard Lodge Development. Cabinet decisions on these are awaited.

During the year, two transactions - privatisation of the commercial assets of the Cocoa Industry Board and the Urban Development Corporation (UDC) Special Purpose Vehicle (SPV) - were placed on hold.

The portfolio at year end included a significantly diversified mix of modalities used to facilitate private sector investments. Transactions are being executed via PPPs, Development Leases, Sale to Strategic Investors, Master-plan Developments and Stock Exchange Listing to introduce new modalities in the P4 Programme.

SNAPSHOT OF P4 PORTFOLIO MARCH 2020

Portfolio	Modalities	Sectors
Privatisation Transactions (14)	Development Lease (3)	Agriculture (1)
Public Private Partnership Transactions (8)	Public Private Partnership (8)	Airport & Logistics (3)
	Sale to Strategic Investor (7)	Energy and Mining (2)
	Stock Exchange Listing & SPV via Stock Exchange Listing (3)	Health (1)
	Master-plan Development (1)	Manufacturing (2)
		Real Estate & Housing (6)
		Solid Waste (1)
		Tourism & Entertainment (3)
		Water and Wastewater Treatment (3)

*"Success is not **Final**. Failure is not **Fatal**.*

*It is the **Courage** to continue that counts"*

~ Winston Churchill

Completed

- Wigton Windfarm (JSE)
- Fort Clarence Beach (Lease)
- Norman Manley International Airport (PPP)
- Silver Sands Estate (Sale)
- German Ship Repair (Sale)

Transaction Stage

- School Solar Energy and Energy Efficiency (PPP)
- Rio Cobre Water Treatment Plant (PPP)
- Jamaica Exotic Flavours and Essences (Sale of Shares)
- Montpellier Lands (Block A) - (Sale)

Feasibility

- Jamaica Mortgage Bank - (JSE)
- Jamaica Public Service - (JSE)
- Bernard Lodge - (Sale)
- Jamaica Ship Registry - (PPP)
- Nutrition Products Ltd - (TBD)
- Jamaica Railway Corporation - (Lease)
- Central Wastewater Treatment Plant - (PPP)
- Agricultural Marketing Complex - (TBD)
- Northern Parishes Non-Revenue Water Reduction Programme - (PPP)
- Jamaica Aircraft Refuelling - (TBD)
- Centres of Excellency in Oncology and Nephrology - (PPP)
- Silver Sands Estate (round 2) - (Sale)
- National Solid waste Management - (PPP)
- Commercial Assets of the Cocoa Industry Board - (TBD)
- Caymanas Special Economic Zone - (PPP)
- Bath Fountain Hotel and Spa - (Lease)
- Milk River Spa - (Lease)
- UDC SPV - (JSE)

COMPLETED TRANSACTIONS

Norman Manley International Airport PPP

During the period under review, a 25-year Concession Agreement for the operation of the NMIA was executed between PAC Kingston Airport Limited (PAC) – a wholly-owned subsidiary of Grupo Aeroportuario del Pacifico S.A.B De C.V. (GAP) and the Airports Authority of Jamaica (AAJ). Both parties fulfilled the condition precedent and reached financial close in October 2019, to mark the final milestone before PAC fully commences the operation and management of NMIA.

PAC now has the responsibility to operate and maintain NMIA, improve the efficiency of both landside and airside operations, finance and complete the planned modernization programme. PAC will pay to the Jamaican Government a percentage of the gross revenues earned at the NMIA and the AAJ will continue to own and monitor the operations of the NMIA.

Wigton Windfarm

In April 2019, the Wigton Windfarm Limited, which was owned by the state-run entity, Petroleum Corporation of Jamaica (PCJ), made an offer of 11 billion shares at $0.50 each. Some 2.2 billion (20% of shares) were offered to public sector workers and the remaining 8.8 billion (80% of shares) to the general public. The offer was over-subscribed by over 158% with the PCJ successfully raising $5.5 billion for their 100% shareholding in Wigton Windfarm. Wigton Windfarm was listed on the Jamaica Stock Exchange on 22 May 2019 and registered 31,200 shareholders (including over 11,700 new investors).

Prime Minister, the Most Hon. Andrew Holness (centre), Dr. the Hon. Nigel Clarke, Minister of Finance & the Public Service (third right) and the Hon. Fayval Williams, Minister of Science, Energy and Technology (third left), lead the celebrations for the successful Initial Public Offering of Wigton Windfarm Ltd. in which the PCJ raised $14 billion. Joining in are, from left, Russell Hadeed, PCJ Chairman; Gary Peart, CEO, Mayberry Investments; Milverton Reynolds, DBJ's Managing Director, and Marlene Street Forrest, Managing Director of the Jamaica Stock Exchange.

Prime Minister Andrew Holness (second left) is joined by (L-R) Finance Minister Dr. Nigel Clarke; Science, Energy and Technology Minister Fayval Williams; and General Manager of Wigton Windfarm Limited (WWL) Earl Barrett, as they watch PCJ Chairman Russell Hadeed complete the official task of listing WWL on the Jamaica Stock Exchange in May 2019.

Silver Sands Lots

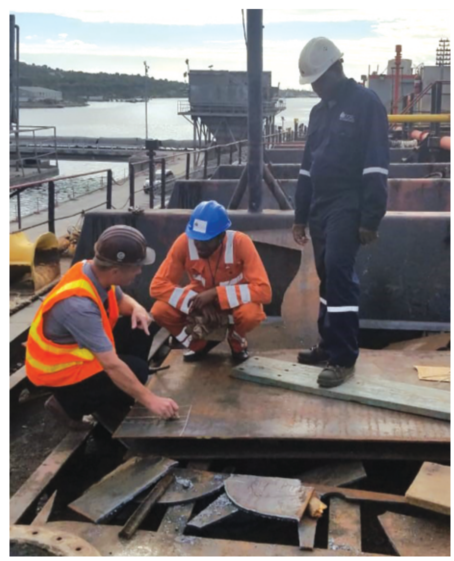
Silver Sands Estates is a special villa community nestled in Duncans, Trelawny, on Jamaica's north coast. The DBJ through Harmonisation Limited identified 15 open lots and one villa to be divested through the services of a real estate broker. The properties were marketed locally and at the conclusion of the process in November 2019, six lots were successfully sold for over $130 million.

Fort Clarence Beach Park

The DBJ supported the UDC in privatising the Fort Clarence Beach Park via a long-term lease and Guardsman Limited took over operations in September 2019. Guardsman will manage, operate and develop the 8.3-acre property.

German Ship Repair Jamaica Limited

During the financial year, the DBJ and the Commissioner of Lands completed the negotiation of the sale of approximately 5.36 acres of land at Harbour Head, Kingston, for a ship repair and dry dock facility to the existing lessee, Jamaica Fruit & Shipping Company Limited and/or the nominee, German Ship Repair Jamaica Limited. Cabinet approval was received for the sale terms in April 2020. Execution of the sale agreement is expected in the first quarter of Financial Year 2020/21. This transaction will facilitate investments of over $8 billion for Phase 1 of the expansion and anticipates employment of 300 trained professionals (welders and engineers) through a partnership with Caribbean Maritime University.



Training Exercises being conducted with staff at the Kingston Dry Dock under the German Ship Repair Jamaica Limited Project.

TRANSACTIONS AT NEGOTIATION STAGE

School Solar Project PV PPP

The National Education Trust (NET), through an Enterprise Team supported by the DBJ, has structured a PPP transaction that will provide photovoltaic energy and energy efficiency solutions to 30 secondary schools as part of an innovative pilot project. The objective of the project is to encourage energy efficiency and conservation in schools and to utilize renewable energy to save on energy costs. Cabinet approved the transaction structure and commencement of the transaction phase in December 2017. In response to a Request for Qualification, five proponents pre-qualified for the right to participate in the Request for Proposal (RFP) stage.

The DBJ issued the RFP and draft Concession Agreement (CA) to the pre-qualified bidders on November 23, 2018. Bidders undertook due diligence and site visits subsequent to the issuance of the bid documents and sought clarification on the technical and legal aspects of the Project and the bidding process. RFP submissions were received in March 2019. The Provisional Preferred Bidder was named in November 2019 and negotiations concluded in March 2020. Cabinet Approval for Commercial Close of the CA is expected in the first quarter of Financial Year 2020/21.

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 the financial year, the Government concluded the negotiation process with a private sector firm and is anticipated the Cabinet decision of the final terms of the water purchase agreement and commercial close in the Financial Year 2020/21.

Under the agreement, 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.

Jamaica Exotic Flavours & Essences (JEFE)

The Government, through the Ministry of Industry, Commerce, Agriculture and Fisheries (MICAF), is contemplating the sale of its 90% stake in Jamaica Exotic Flavours and Essences (JEFE).

The minority shareholder, who has a pre-emptive right to acquire the Government shares, indicated an interest to exercise that right to buy the shares and submitted an offer. JEFE acknowledged the shareholder's proposal and negotiations were still ongoing as at year end.

Privatisation of part of Block A Montpelier Lands

The DBJ is seeking to sell 672 acres of Block A, Montpelier Lands, in St. James for residential development. In October 2019, the DBJ accepted proposals for the privatisation of the residential lands. The proposals were evaluated, and a preferred buyer identified. In November 2019, the DBJ Board of Directors approved the selection of the preferred purchaser and as at year end the DBJ was awaiting clarification from MICAF on a related issue, which has since been received. The DBJ will seek Cabinet's approval of the purchaser and the final sale terms by the second quarter of 2020/21.

PRIVATISATION TRANSACTIONS IN PROGRESS

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

Jamaica Mortgage Bank

The Government of Jamaica (GOJ) is seeking to privatise the Jamaica Mortgage Bank (JMB) via the Jamaica Stock Exchange. The Enterprise Team was established in May 2019 and the DBJ subsequently engaged a valuation consultant, legal consultant and stockbroker for the transaction. It is expected that the recommended transaction structure will be submitted to Cabinet for approval in the first quarter of 2020/21 and the listing on the Jamaica Stock Exchange later in 2020/21. JMB mobilizes financial resources for on-lending to private and public sector developers and financial institutions, developing an active secondary mortgage market and providing mortgage indemnity insurance.

Jamaica Public Service Company Limited

The Government of Jamaica is seeking to sell its 20% shares in the Jamaica Public Service Company via the Jamaica Stock Exchange. The Enterprise Team was established in December 2019. By January 2020, the DBJ engaged the valuation consultant, legal consultant and stockbroker. It is expected that the recommended transaction structure will be approved by Cabinet in the second quarter of 2020/21 and the listing on the JSE in 2020/21. JPS is the sole distributor of electricity in Jamaica and is also engaged in generation (including purchasing from independent power producers) and transmission.

Urban Development Corporation Special Purpose Vehicle Transaction

The Urban Development Corporation is seeking to identify select assets to be placed in a Special Purpose Vehicle (SPV) for ultimate listing on the Jamaica Stock Exchange. During the year, the Planning Institute of Jamaica under the Foundations for Competitiveness & Growth Project –Project Preparation Facility continued the tender process to select a Transaction Advisor including financial advisor, stockbroker and legal consultant for the transaction. As at year end, the transaction was placed on hold and the procurement of the Transaction Advisor terminated.

Senator Aubyn Hill, Executive Director of the Economic Growth Council, delivers the Keynote Address at the DBJ Private Equity and Infrastructure Development Conference in June 2019.

From left, Don Gittens, Manager for Logistics and Infrastructure, Jamaica Promotions Corporation (JAMPRO); Denise Arana, DBJ's P4 General Manager; Milverton Reynolds, DBJ's Managing Director; Diane Edwards, JAMPRO President; and Melvin Smith, Project Manager at the Planning Institute of Jamaica, meet at the DBJ's 2019 Conference.

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

The NWC is seeking to facilitate private participation to expand the Soapberry Wastewater Treatment Plant to meet the projected increase in demand based on developments contemplated. Additionally, the NWC's objective is to monetize all or part of its 85% shareholding in the company. During the year, an options analysis was finalized to determine the optimal way to structure the transaction and a recommendation was made to Cabinet for its approval. It is anticipated that the transaction structure will be approved by Cabinet in the first quarter 2020/21.

Milk River Mineral Bath & Bath Fountain Hotel and Spa

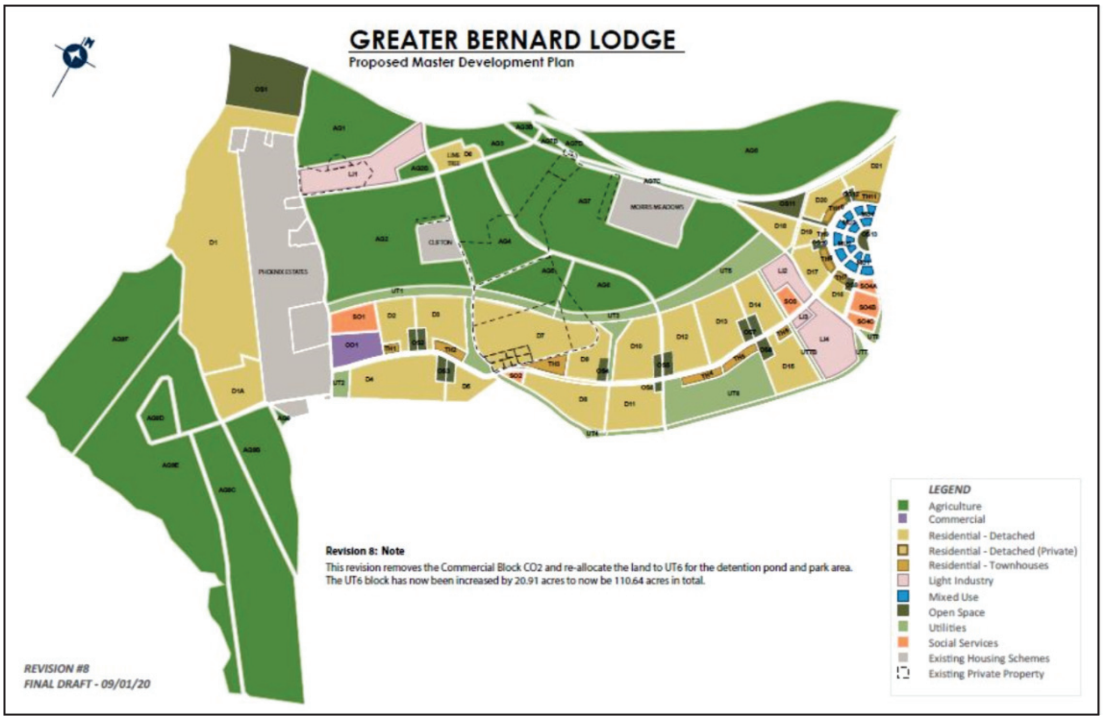
The Milk River Mineral Bath and Bath Fountain Hotel and Spa are two small hotels with mineral spas owned by the Government and operated under the umbrella of the Ministry of Tourism. The Government is seeking to engage a private operator via a long-term development lease to develop the property into world-class health and wellness tourism assets; and is currently conducting additional due diligence prior to engaging a Transaction Advisor to assist with the implementation of the transaction.

Privatisation of the Agricultural Marketing Corporation Complex (AMC)

In January 2016, Cabinet approved the privatisation of the Agricultural Marketing Complex (Land and Buildings) via the Jamaica Stock Exchange or other appropriate modalities. At year end, the Ministry of Industry, Commerce, Agriculture and Fisheries was in the process of establishing an Enterprise Team and executing a Memorandum of Understanding with Factories Corporation of Jamaica to conduct pre-feasibility studies on the asset. The AMC Complex is located on Spanish Town Road on nine acres of land that houses a total of 9,000 m² building space.

Privatisation of Nutrition Products Limited

In June 2018, Cabinet approved the divestment of Nutrition Products Limited (NPL) as part of the recommendations from the Transformation Implementation Unit (TIU). NPL is a limited liability company established in 1973 by the Government to provide food items under the School Feeding Programme. The Ministry of Education, Youth and Information (MoEYI) was provided with a high-level Options Analysis and, at year end, was conducting



the Cabinet Submission consultation process prior to seeking Cabinet's approval on establishment of an Enterprise Team.

Greater Bernard Lodge Development

The Government is seeking to sell select parcels of land for development at Greater Bernard Lodge in St. Catherine. The DBJ has been in discussions with SCJ Holdings to undertake the privatisation of certain lots and preliminary due diligence review is under way to determine readiness and identify any preparatory work required to facilitate the transaction(s). As at financial year end, the DBJ was awaiting Cabinet approval of the Enterprise Team. It is anticipated that the Bank will assist with the privatisation of approximately 630 acres of land.

Jamaica Railway Corporation - Commercial Railway Network

The Government seeks private investment via a development lease to establish the Jamaica Railway Corporation - Commercial Railway Network (Tourism Rum Train). In December 2019, Cabinet approved the privatisation of the commercial sections of the JRC Rail System being Montego Bay, St. James, to Appleton, St. Elizabeth; the establishment of the JRC Enterprise Team (JRCET); and engagement of the DBJ as Transaction Manager for the project. The Enterprise Team (ET) and the DBJ will commence the procurement of transaction advisors to update relevant studies and implement the process.

Silver Sands Lands – Phase 2 (16 properties)

The DBJ through Harmonisation Limited seeks private investors to purchase nine open lots and one villa at the Silver Sands Estate in Duncans, Trelawny. A real estate broker has been engaged to assist with the marketing of the properties. The Government anticipates the commencement and completion of the divestments within 2020/21.

Jamaica Aircraft Refueling Services (JARS)

Cabinet approved the privatisation of the Jamaica Aircraft Refueling Services Limited in early 2020. After discussions with the Ministry of Science, Energy and Technology (MSET) on this matter, the DBJ prepared a draft submission seeking Cabinet approval to appoint an Enterprise Team to oversee the privatisation and the appointment of the DBJ as Transaction Manager. As at financial year end, the DBJ awaits Cabinet approvals.

JARS is a joint venture company with BP Holdings International B.V. (BPHI), owning 51% and Petroleum Corporation of Jamaica owning 49%. JARS' main activity is the sale of aviation fuel and related products at the island's two main airports – Norman Manley International Airport and Sangster International Airport – and Tinson Pen Aerodrome.

Cocoa Industry Board (commercial assets)

Cabinet mandated the Government's exit from commercial operations of the cocoa industry to focus on its regulatory role. In January 2019, round two of the privatisation of the commercial assets of the CIB was terminated. In December 2019, MICAF advised that the privatisation is to be placed on hold to address certain industry issues, prior to resumption of the process.

As at year-end, the DBJ awaited MICAF's update on the project which will include the new privatisation strategy.

Dr. the Hon. Nigel Clarke (centre), Minister of Finance and the Public Service, meets with Her Excellency, Laurie Peters, Canadian High Commissioner of Jamaica (third right) during the visit of Infrastructure Ontario representatives to the DBJ. Others from left are Milverton Reynolds, DBJ's Managing Director; Lesley-Ann Ennevor, Trade Commissioner, Canadian High Commission; David Ho, Executive Vice President, Infrastructure Ontario; Denise Arana, DBJ's P4 General Manager; Darlene Morrison, Financial Secretary; and John Gallagher, Director of Finance, Infrastructure Ontario.

PUBLIC-PRIVATE PARTNERSHIPS TRANSACTIONS IN PROGRESS

Northern Parishes Non-Revenue Water Reduction 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 the reduction of non-revenue water from 70% to 30% under a performance-based contract. Through the Foundations for Competitiveness & Growth Project's Project Preparation Facility, a Transaction Advisor was engaged to develop the Business Case.

The Business case is in the final stage of development and is expected to be submitted to PIMSec/PIMC and Cabinet for assessment and approval in the first quarter of the coming financial year.

Waste Management PPP Project

The Government, through the Ministry of Local Government and Community Development (MLGCD), is seeking to engage the private sector in the integrated solid waste management for the island and the utilization of waste in the production of electricity as part of a PPP.

The process to engage a transaction advisor is under way. On the deadline for the RFP on 8 May 2020, six consulting firms submitted bids. The Transaction Advisor is expected to be engaged in the second quarter of 2020/21. The project is expected to be developed over two phases: Phase I – Business Case & Transaction Structuring and Phase II – Transaction execution. Phase I is expected to begin in the coming financial year.

The DBJ is in discussions with the Inter-American Development Bank to provide support for implementation of the project through a Technical Cooperation Agreement to support capacity building and technical studies.

Jamaica Ship Registry

Private sector investment is being sought to operate and develop the Jamaica Ship Registry and its related activities. Cabinet approved the Transaction Structure in December 2019. As at year end, the tender documents, including the Request for Proposal, are being prepared and are expected to be issued in the first quarter of 2020/21.

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 and Cornwall Regional Hospital were identified as suitable locations for the development of these Centres, 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 and Business Case (Phase I) as well as support to execute a PPP transaction in Phase II of the project. The draft Business Case was finalised in October 2019. However, there was additional due diligence information required to complete the Ministry of Finance's fiscal assessments and the consultants were directed to reassess the Business Case.

Subject to the further assessment, PIMC and Cabinet approval will be sought for the commencement of the Transaction Phase (Phase II) which has an estimated duration of six-eight months.

Caymanas Special Economic Zone (CSEZ)

During Financial Year 2019/20, technical support and funding from the Inter-American Development Bank allowed two rounds of market soundings to be conducted for the proposed CSEZ project in the first and third quarters of Financial Year 2019/20, which involved a range of stakeholders, including local and international developers, financiers, Government ministries, departments and agencies and local private sector entities. Subsequently, a Project Roadmap was completed in the fourth quarter of 2019/20, which reassessed the project delivery options and outlined an execution plan, taking into consideration factors that must be addressed to facilitate successful implementation of the project.

The CSEZ Enterprise Team and the Government are to consider the Project Roadmap and determine how to approach developing a transaction for the implementation of the project.

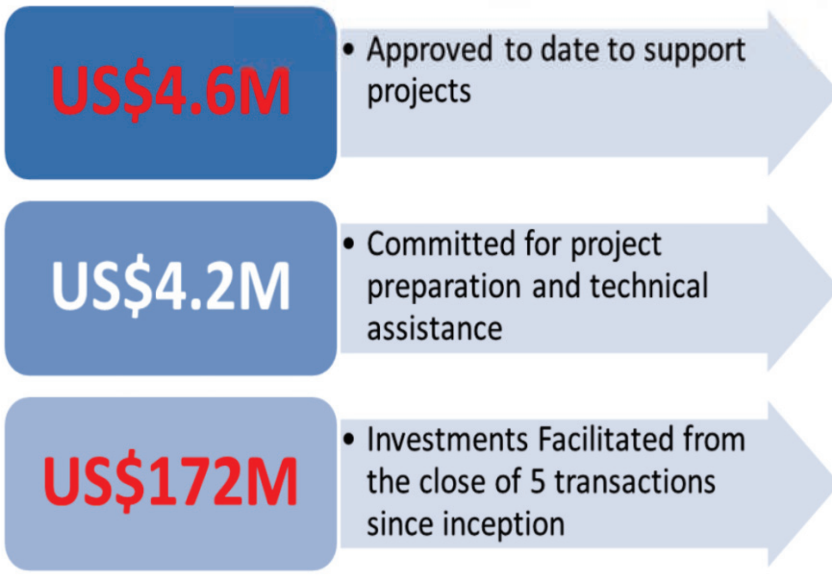
PROGRAMME FUNDING: PROJECT PREPARATION FACILITY

Project Preparation Funding

Overall, US$4.6 million has been allocated for project preparation and technical assistance since the inception of Project Preparation Facility (PPF) in June 2014.

As at Financial year 2019/20, the has contracted US$3.6 million in support of the development of several P4 projects and US$0.6 million for technical assistance. Additionally, US$0.4 million for the Urban Development Corporation Special Purpose Vehicles SPV Privatisation was committed and programmed in procurement, however this project was placed on hold.

Projects receiving assistance to date for project preparation support include the School Solar PV Project, Jamaica Ship Registry, Central Wastewater Treatment Company (Soapberry), Caymanas Special Economic Zone, Bath Fountain Hotel and Spa, Milk River Mineral Bath, Ministry of Health's Centres of Excellence in Oncology and Nephrology, and NWC's Northern Parishes Non-Revenue Water PPP. Technical assistance support through the Attorney General's Chambers' Commercial Task Force has facilitated the commercial and financial close of five transactions since inception to date, yielding investments of US$172 million.



POLICY REVIEWS IN PROGRESS

Revision of the Privatisation and PPP Policies (Modalities and Process Efficiency)

During the financial year, the DBJ continued its review of the Privatisation policy and processes, with a view to updating the Government of Jamaica's policy framework and to incorporate measures to increase process efficiency and the speed of implementing transactions. The draft revised policy framework was submitted for Cabinet approval in April 2019.

This revised policy framework highlights four main Pillars:

a. **Pillar 1:** Privatisation Strategy Development and Implementation
b. **Pillar 2:** Authority and Responsibility of the Privatisation Agency and the Ministry with responsibility for the Privatisation
c. **Pillar 3:** Accountability and Reporting Mechanism to Cabinet
d. **Pillar 4:** Sustainable Funding Mechanism

Institutional Framework for Privatisation Programme

The Ministry of Finance and the Public Service offered its 'no objection' in July 2019 and provided comments to the draft Cabinet submission and the recommendations were incorporated in the policy.

The DBJ further drafted a Concept Paper specific to strengthening the Institutional Framework of the Privatisation Programme and held final consultations with the Ministry of Economic Growth and Job Creation in that regard in January 2020. The draft Privatisation Policy was further updated and resubmitted in February 2020 for Cabinet approval. As at year end, the DBJ was awaiting comments from the Attorney General's Chambers on the Submission and revised policy.

The DBJ is undertaking further reviews of the Privatisation and PPP policies for additional updates and will further incorporate climate change resiliency recommendations and policy positions on certain standardized P4 Agreement clauses, for submission to Cabinet accordingly.

Improving Climate Resilience in PPPs - Jamaica

Jamaica, like many small island states, faces many risks associated with climate change and must prepare for a future where adverse natural hazards (*floods, coastal erosion, droughts, wildfires, and hurricanes*) are more frequent and intense. If a PPP project sustains continual exposure to hazards linked to climate change, the risk of default or contract termination due to *force majeure* will be much higher than normal. Termination of these contracts will have significant negative fiscal impacts.

As the country's stock of PPP infrastructure increases, the need to manage the associated risk of contingent liabilities arising from climate change impact becomes more urgent. Therefore, Jamaica wants to be among the first countries in the Latin American and Caribbean region to systematically develop and build any infrastructure, including those developed as PPPs, with due consideration and mitigation of risks associated with climate change.

The DBJ with the support of the Inter-American Development Bank, aims to strengthen the existing PPP framework to include climate resiliency considerations in the project assessment and development process. To achieve this, a study was completed in February 2020 to:

- Evaluate Jamaica's current PPP policy and practice as it relates to the treatment of climate-related risks and vulnerability assessments
- Develop policy recommendations based on that diagnosis, expert interviews, and emerging practices; and
- Develop a tool and initiatives that will ultimately help Government officials understand and manage climate risk throughout the design and implementation of PPP projects.

There was extensive consultations and inputs received from key stakeholders which included the PIOJ, PIMSEC, UWI, ODPEM, NEPA and the Climate Change Division of the MEGJC in developing the policy recommendations and toolkit. A regional event is being arranged in June 2020 to promote the pioneering work to link climate resilience to PPP planning and implementation.

The DBJ seeks to begin to operationalize the new tools in the planning of projects under development by the third quarter of 2020/21 and obtain Cabinet approval for the recommended PPP Policy amendments, which include improved criteria to access climate change vulnerability, by the fourth quarter of 2020/21.

Framework Agreements

In an effort to improve the P4 process and increase efficiency of procurement activities the P4 Division commenced the engagement of consultants to create Framework Agreements for specific, frequently-utilized technical services for P4 transactions.

It is envisaged that framework agreements will be executed for these specific services in the first instance and, thereafter, arrangements for other strategic services will be executed. It is anticipated that Framework Agreements will allow for a reduced procurement period from six to eight weeks to two to three weeks once it is in effect. The services that this Framework Agreement provides for are business valuation, real estate valuation and surveying, real estate valuation and land surveying.

The aim is to create a pool of consultants for each category and to conduct a competitive tender within the pool whenever the required services are needed. As the pool would have already been selected based on their capability to provide the services, the evaluation process would be more efficient and heavily driven by price. The Framework Agreement once it commences, will last for 24 months, with an option to extend for an additional 12 months.

As at year end, the DBJ concluded the tender process to engage the consultants. At tender closing only two bids were received for Business Valuation and Real Estate Valuations. The results may have been impacted by the impending crisis caused by the pandemic, COVID-19. The bids will be evaluated and the consultants advised of the outcome. The DBJ will also conduct another tender round within the next two months, when the impact of COVID-19 is under control and businesses stabilize and reopen.

Audley Deidrick (left), President and CEO, Airports Authority of Jamaica, presents a gift to Raul Revuelta, Board Chairman, PAC Kingston Airport Limited/CEO of Grupo Aeroportuario el Pacifico S.A. B De C.V. (GAP) at the handing over ceremony of the Norman Manley International Airport in November 2019.

CAPACITY BUILDING PROGRAMME

During the year in review, the P4's capacity building programme continued to strengthen the Government's ability to procure and implement P4 transactions in accordance with the Policy.

The programme specifically aims to increase the knowledge and capacity of stakeholders to identify and undertake P4 transactions effectively and efficiently and is in keeping with the Government's mandate to increase private sector investments to facilitate economic growth. It is important to promote a greater understanding of how PPPs may be utilised to deliver and maintain resilient infrastructure, especially where fiscal challenges dictate the most efficient and judicious use of limited resources.

In accordance with the Corporate Strategy, the P4 Unit exceeded its targets for capacity building. Six activities were executed during the period. These activities are as follows:

DBJ-Hosted Study Tour for Delegation from Tobago

A nine-member delegation from the Tobago House of Assembly and led by Assemblyman Joel DA Jack, Deputy Chief Secretary and Secretary of Finance and the Economy, visited the DBJ during the period 28 April to 4 May 2019 on a study tour of the institutions involved in the Government of Jamaica's (GOJ's) PPP and Public Investment Programmes.

The trip included site visits and discussions with concessionaries of the Norman Manley International Airport, Sangster International Airport and Kingston Container Terminal Limited, which are past successful PPP transactions.

At the NMIA handing-over ceremony in November 2019, DBJ's Managing Director Milverton Reynolds is flanked by (L-R) Deborah Newland, Audrey Stewart, Michelle Young, Ayanna Campbell, Denise Arana, Lu'Shana Francis, and Denise Gallimore, all DBJ staff; while Catherine Williams, from the Attorney General's Chambers; and Alicia Bish, from the Ministry of Finance and the Public Service, complete the group.

DBJ's Private Equity and Infrastructure Development Conference 2019

The DBJ delivered another successful international conference in June 2019. The Private Equity and Infrastructure Development Conference was jointly hosted by the P4 and Venture Capital divisions under the theme "DELIVERING ECONOMIC GROWTH THROUGH PARTNERSHIPS: Financing Regional Infrastructure, SMEs and Innovation".

The event attracted over 260 persons from all over the world including the United Kingdom, United States, Latin America, and the Caribbean, and included local stakeholders with a vested interest in contributing to the growth of Jamaica through investments in infrastructure and innovation.

As part of the pre-conference activities, the Inter-American Development Bank funded a PPP Workshop entitled "Implementing Climate Resiliency in Jamaica's Public-Private Partnerships" while, two days later, the P4 division hosted its first Regional Infrastructure Investment Opportunities Market Sounding Session with over 150 participants, including the keynote speaker, Assemblyman Joel Jack, Deputy Chief Secretary and Secretary of Finance and the Economy from Tobago, and Senator Aubyn Hill, Executive Director of the Economic Growth Council, who spoke on the Environment for Private Participation in Infrastructure Expansion and Economic Growth. He highlighted several economic drivers and challenges underpinning the GOJ's approach to Infrastructure development in Jamaica.

A Developers Forum for the Caymanas Special Economic Zone (CSEZ) PPP transaction was also facilitated at the conference to promote the CSEZ investment opportunity, increase project visibility and receive feedback to guide the structure to take the project to the market.

Knowledge-Sharing Mission on the Canadian PPP Model

Canada is a global leader in PPP delivery and infrastructure delivery and over the years, the P4 Division has executed several strategic initiatives with the Canadian High Commission in Jamaica to facilitate Jamaica's capacity building efforts related to PPPs. Collaboration has taken place on executing workshops, conferences and knowledge exchange missions to Canada aimed at gaining exposure to good practices in PPPs.

The DBJ hosted PPP practitioners from Infrastructure Ontario in November 2019, in a Knowledge Sharing Mission on the Canadian PPP Model. Among the activities undertaken were (a) a 'Sensitization PPP Workshop' with various PPP practitioners from various ministries, departments and agencies, at which the Canadians shared their experiences and best practices on PPPs, with specific focus on project governance and finance infrastructure; and (b) a Roundtable Discussion on the benefits and pitfalls for PPPs, value for money analysis and issues faced in the current PPP development processes.

As evidence of the importance being placed on the role of PPPs in the Jamaican economy, the Minister of Finance and the Public Service, Dr. the Hon. Nigel Clarke, met with the Canadians who outlined the work being undertaken to support and deliver Ontario's Infrastructure Programme through PPPs.

Government of Jamaica Procurement Awareness Training Session

The DBJ P4 Unit and the Legal Unit, facilitated a GOJ Procurement Awareness Training Session in November 2019 on the topic 'The Global Regional and National Foundations of Public Procurement Regulation'.

Principles of Financial Analysis

In all P4 transactions, it is important to analyse the operating performance of the asset to be privatised or the financial status of the Contracting Authority under a PPP as this will affect the marketability and value of the transaction.

As a first step to improve the efficiency of P4 due diligence and assessment processes, and development of standard financial analysis templates for the P4 Unit, a training session was held in December 2020, on the fundamentals of financial analysis. This training session was facilitated by Ernst and Young (EY) Services Limited.

DBJ partnered with JAMPRO at the Caribbean Infrastructure Forum 2020

The P4 Division partnered with JAMPRO to host an Investors Breakfast at the 4th annual Caribbean Infrastructure Forum (CARIF 2020) in January 2020. The initiative for the Investors Breakfast aimed at highlighting and promoting infrastructure projects being developed in Jamaica to stakeholders operating in the infrastructure space in the Caribbean and Latin America, including but not limited to public sector decision makers, representatives from financial institutions, developers of large scale projects and investors.

Presentations focused on current infrastructure opportunities by key stakeholders that included the National Water Commission on water projects, the Ministry of Health and Wellness on health projects, and Port Authority of Jamaica on the Kingston Logistics Park project.

INFRASCOPE REPORT 2019 - JAMAICA RANKS 4TH IN LAC

In May 2019, Jamaica's PPP Programme maintained its 4th position in the INFRASCOPE Ranking of the Latin America and Caribbean countries in implementing sustainable PPPs in infrastructure. Jamaica, which improved its overall score to 76, ranked behind Columbia and Peru, tied at number two with scores of 77 and Chile at number one with a score of 79.

The INFRASCOPE Ranking is a survey conducted by the Economist Intelligence unit that ranks 19 countries in Latin America and the Caribbean based on their capacity to mobilise private investment in infrastructure through PPPs.

The survey focuses on the following areas:

- Enabling laws and regulations
- The institutional framework
- Operational maturity
- Investment and business climate
- Financing facilities for infrastructure projects

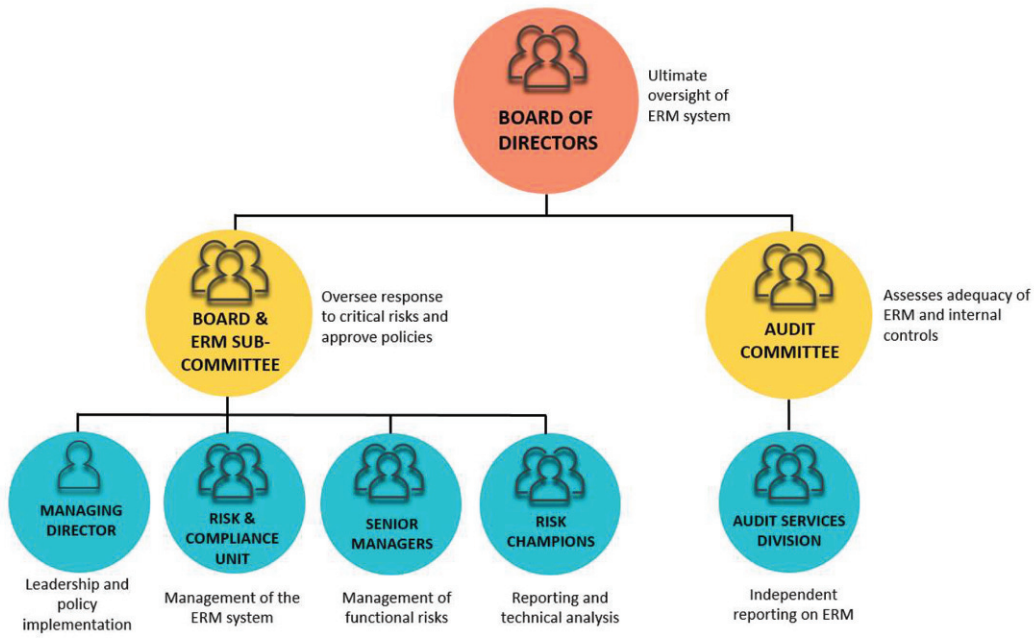
Jamaica is ranked number one in the LAC in the Operational Maturity category, which assesses the country's experience in implementing PPPs and among other things, the Government's ability to uphold laws and regulations which facilitate private sector participation.

The Government of Jamaica intends to improve the solid waste management services on the island through the engagement of the private sector for an integrated solid waste management PPP project.

ENTERPRISE RISK MANAGEMENT

The DBJ recognizes that effective risk management is integral to its overall operations and its strategic role as an enabler of growth for the Jamaican economy. As such, through the use of a value-based Enterprise Risk Management (ERM) framework, it 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. As a result, 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, evaluation, and reporting.

ENTERPRISE RISK MANAGEMENT GOVERNANCE STRUCTURE



ENTERPRISE RISK MANAGEMENT FRAMEWORK

Implemented in 2012, 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 this has facilitated a structured and disciplined approach towards managing risk. Since then, the framework has been continuously reviewed to reflect the ever-changing standards and regulations. 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.

Some key elements of the framework include:

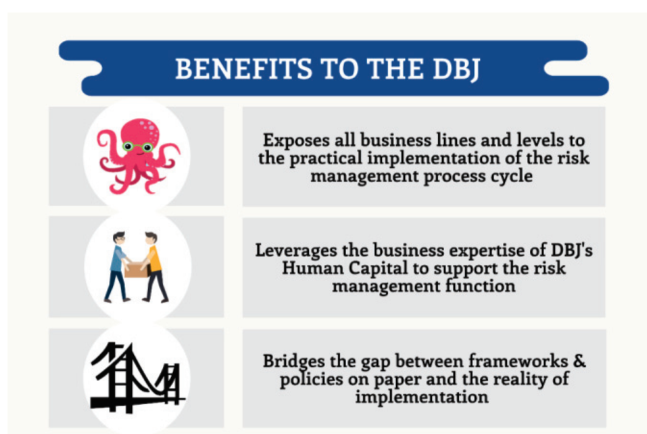
- **ERM Architecture** which details the governance process that is executed through the major lines of defence. Central to the architecture is Board-approved Risk policy which addresses the Board's role in effective oversight, the role of key personnel in the ERM process and the integration of risk 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

- **ERM Strategy** which is guided by a risk appetite statement that defines the boundaries within which the Board and Management will pursue the strategic objectives of the Bank. 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.
- **ERM Tools and protocols** guided by the risk management process of identification and assessment of risks, implementation of requisite controls, monitoring and reporting.

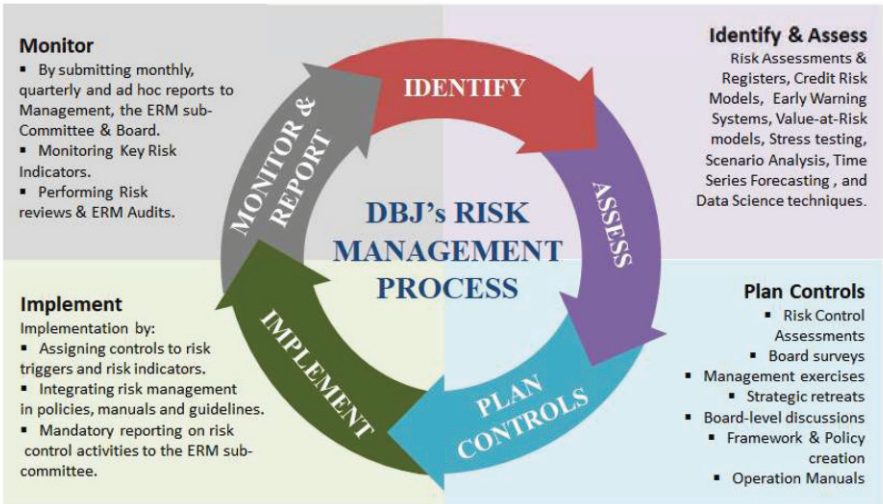
RISK CHAMPIONS

The Bank believes that Risk Champions are a catalyst for effective management and has assigned designated officers who, by virtue of his/her expertise, champions a particular aspect of the risk management process.

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 periodically to report on risk events, for risk management training, and to discuss recommendations for improving operational processes across the DBJ.



ENTERPRISE RISK MANAGEMENT PROCESS



PRINCIPAL RISK TYPES

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.

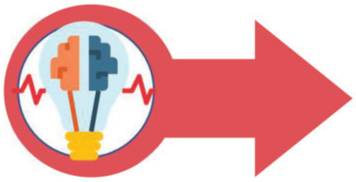
MARKET RISK

- Is the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates.
- 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

- 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 centered on cash flow requirements and uncertainty of cash inflows.

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.

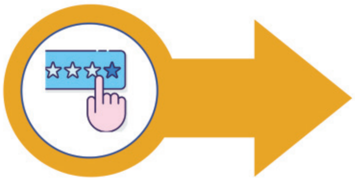
- The Strategic Services Division is responsible for managing objectives and goals, which guide the setting of risk appetite and tolerance levels. The Risk & Compliance Unit is responsible for managing the risks faced in the pursuit of these strategies. Strategic risks are actively monitored and assessed with regular reporting to the ERM Committee and Board.

OPERATIONAL RISK

- Emanates where inadequate or failed internal processes, people and systems or external conditions result in the risk of loss. Operational risks are identified, analyzed and monitored at the departmental level 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. The importance of the three lines of defence is critical to the management of operational risks along with policies and procedures. Internal Audit conduct regular reviews in order to provide assurance that the risk and internal controls frameworks are operating effectively.

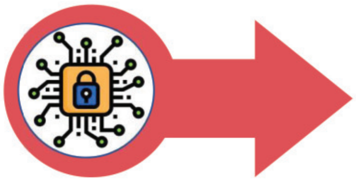
REPUTATIONAL RISK



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

- 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 and as well as it communication framework. 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.

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.

- 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 the MIS Division and formal requests with justification are required for any member of staff to gain access to any source of sensitive data and a Cyber Risk Policy

KEY ACCOMPLISHMENTS DURING 2019/20 FINANCIAL YEAR

- The DBJ attained an upgrade in its annual CariCris ratings over the 2018 period. CariCRIS upgraded the Bank's Corporate Credit ratings to CariA- (Foreign Currency Rating) and CariA (Local Currency Rating) on the regional rating scale and reaffirmed the ratings of 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).

TYPE OF RATING	RATING ASSIGNED			OUTLOOK
Corporate Credit Rating	**Foreign Currency**	**Local Currency**	**National Scale**	Stable
	Cari**A-**	Cari**A**	jm**AA+**	

- DBJ was awarded the Risk Measurement and Internal Controls award at the annual PSOJ Public Sector Corporate Governance Awards
- Implementation of IFRS 9 and periodic tracking of portfolio expected credit losses
- Rolled out Electronic Anti-Money Laundering (AML) staff training
- Selection of a risk management technological solution to assist with the assessment of financial institutions
- Revised the Bank's foreign exchange limit as a way of managing the fluctuating exchange rate

Everything Fresh Limited, a Kingston-based distributor of produce to local hotels, received DBJ funding for working capital.

CORPORATE GOVERNANCE

"Good Corporate Governance - DBJ's survival -Tool for the 21st century"

The DBJ's Board of Directors' philosophy is that good and sound corporate governance ensures that the DBJ is effective and efficient in playing its role in making Jamaica '**the place of choice to live, work, raise families and do business.'** According to Louis V. Gerstner Jr., *"The real mechanism for corporate governance is the active involvement of the owners."* By establishing systems, protocols and allocating the necessary tools and resources, the Board of Directors of the DBJ has demonstrated full and complete ownership of corporate governance within the Bank; resulting in the promotion of transparency, maintenance of a strong culture of accountability and strengthening of internal controls.

CORPORATE GOVERNANCE STRUCTURE

As a wholly owned Government company, the Board of Directors is appointed by the Minister of Economic Growth & Job Creation, to oversee the Bank's strategic direction. The Directors contribute their wealth of experiences to navigate the Bank through an environment characterized by challenges and complex risks and identify opportunities to execute its mandate of "*providing 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*." These policies include:

- The Government of Jamaica Corporate Governance Framework for Public Bodies (2012)
- The Public Bodies Management Accountability Act (2012)
- Financial Administrative & Audit Act
- The Public Procurement Act
- Companies Act of Jamaica
- The DBJ Whistle-blower Policy (2018)
- The DBJ's Anti-Fraud & Corruption Control Policy (2019)

DBJ's Corporate Governance Structure

Figure 1

BOARD DIRECTORS

The Board is constituted of a majority of independent non-executive directors and makes decisions that are to the benefit of all Jamaicans. The separation of the roles of the Board and management ensures a clear distinction between oversight of the Bank's strategy and the management of operations.

ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Government's Corporate Governance Framework outlines that the "*Board is the primary decision-making authority of a Public Body and constitutes the fundamental base for corporate governance for the organization*." The key roles of the Board are depicted at Figure 2:

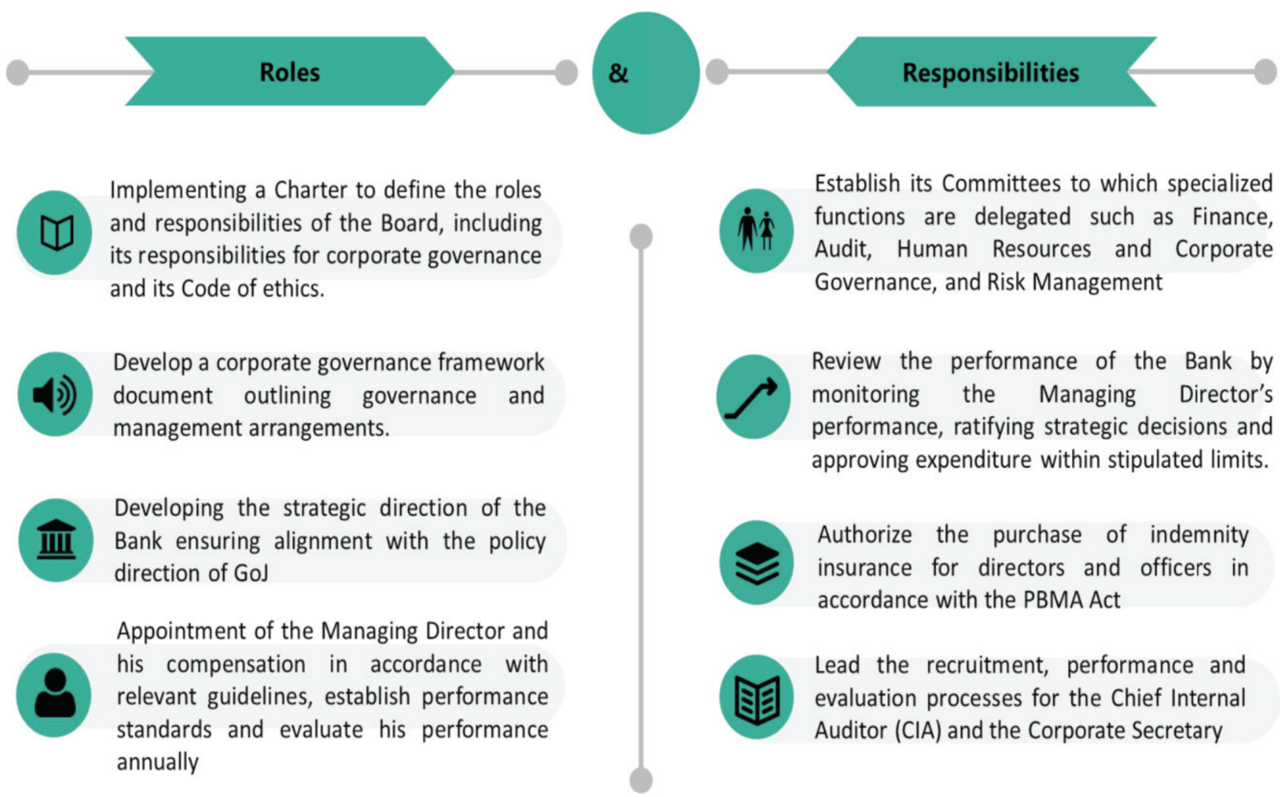


Figure 2

BOARD COMPOSITION, PARTICIPATION AND INVOLVEMENT

As at March 31, 2020, the DBJ's independent non-executive directors make up 78% of the Board, two Directors are in the executive director status. An independent non-executive director is described as:

- ✓ Not been employed by the DBJ in any executive capacity for the preceding three financial years
- ✓ In relationship to the DBJ
- ✓ Is not a significant supplier or customer
- ✓ Has no significant contractual relationship and
- ✓ Is not a professional advisor to the Bank, other than in his or her capacity as a director.

An executive director is employed in a full-time capacity whether permanently or contractually and at the same time is a legal director of the DBJ. Figure 3 highlights where each director is categorized.

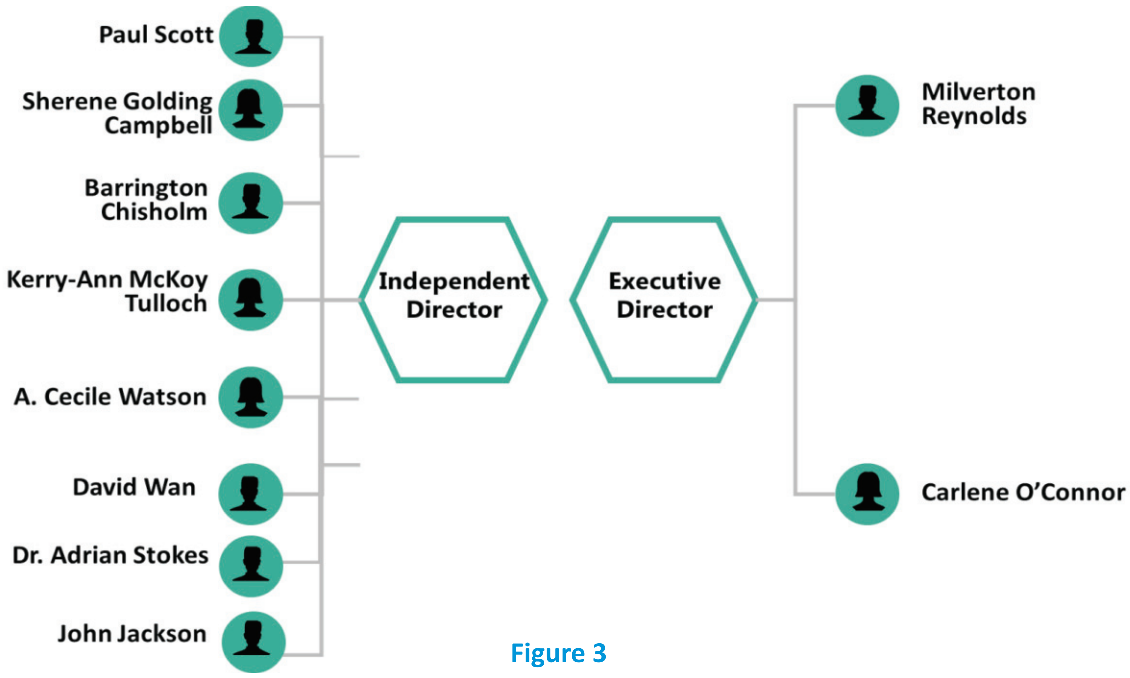


Figure 3

Meeting Attendance 2019/2020

The Board places high importance on meeting attendance (face-to-face or virtually), ensures that efficiency is achieved in its deliberations and that it is equipped with the skills, competencies, experience and diversity required by the GOJ Corporate Governance Framework (2012) to effectively guide in achievement of its corporate objectives.

Workers sort ackee at Southern Fruits and Food Processors in St. Elizabeth. The company received DBJ funding for working capital, factory improvement and machinery upgrades.

The Board and its sub-Committees participated in a combined 34 meetings with an average attendance record of seven directors for board meetings. The attendance record of each director for the Board and sub-Committees meetings held during the financial year 2019/2020 is listed at Table 1:

Table 1

Name of Committee	Board of Directors	Audit & Corporate Governance Committee	Enterprise Risk Management Committee (ERM)	HR & Compensation Committee	Investment, Finance & Loans (IFLC) Committee
Meetings Held	13	6	4	3	8
Directors					
Paul B. Scott	11	1[1]	n/a	2	7
Milverton Reynolds	13	5	4	3	8
Carlene O'Connor	9	6	n/a	n/a	n/a
Barrington Chisholm	12	n/a	2	3	6
Sherene Golding Campbell	12	3	3	n/a	3[2]
John Jackson[3]	2	3	n/a	n/a	0
Kerry-Ann McKoy Tulloch	13	n/a	4	2	7
Dr. Adrian Stokes	9	n/a	4	n/a	n/a
A. Cecile Watson	11	3[4]	4	3	6
David Wan	9	6	n/a	n/a	5[5]

Directors' Overall Attendance

This is the possible meetings for each director (inclusive of sub-Committees) to meetings attended by the Director for the year 2019/2020 shown at Figure 4.

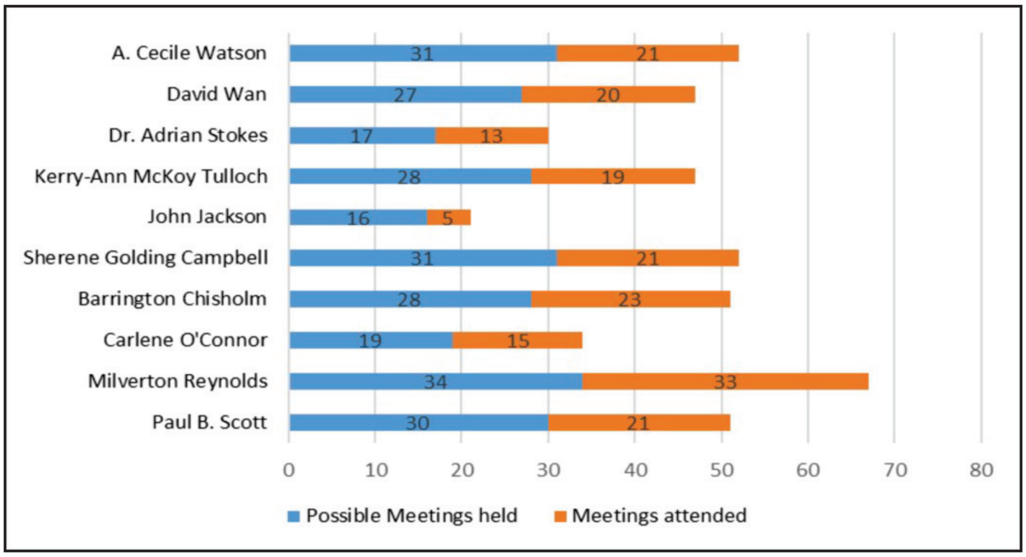


Figure 4

[1] Mr. Scott is an invitee to review the Draft Audited Financial Statements for the Financial Year 2018/2019
[2] Mrs. Golding Campbell was appointed to the Investment, Finance & Loans sub-Committee with effect September 2019
[3] Mr. Jackson resigned from the Board effective September 12, 2019
[4] Ms. Watson was appointed to the Audit & Corporate Governance Committee with effect September 2019
[5] Mr. Wan is an invitee to the IFLC and is non-voting

BOARD COMPETENCY PROFILE

The DBJ's Board possesses the required range of skill sets as required by the GOJ Competency Profile Instrument for the Boards of Public Bodies. The Board was surveyed to assess its competency in the stipulated areas:

- **I.** Competencies for Board Chair
- **II.** Competencies for Board Members
- **III.** Specialized Competencies for Boards
- **IV.** Technical Competencies for Specific Boards (Development Bank of Jamaica)

Competencies for Board Chair

The Instrument specifies three areas of competence that Board Chairmen are to possess. The results show that the DBJ's Chairman demonstrates the required competencies at a very high level as illustrated at Figure 5.

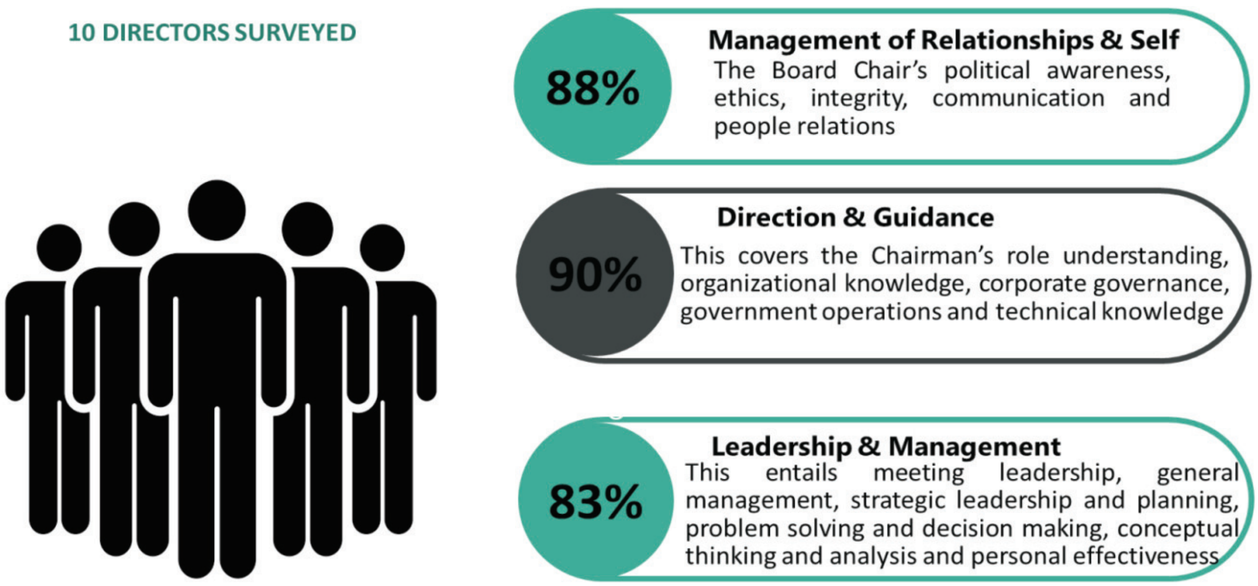


Figure 5

Competencies for Board Members

The Board is rated very high in demonstration of the three areas of competencies required for Board Members as shown at Figure 6.

Figure 6

Specialized Competencies for Boards

As it relates to Specialized Competencies, an overall 75% of the Directors say the Board possesses competencies in all eight areas, these are:

1. **Human capital and industrial relations management** - Conversant with contemporary/modern HR practices, systems and processes including talent development, employee engagement, the management of performance and the conduct of employee relations
2. **Finance & Accounting** - Conversant with the requirements for sound financial governance and contemporary financial management practices including the fiduciary responsibilities of Boards and the principles of financial accounting, financial auditing, and financial reporting
3. **Citizen centric** - Sensitive to the corporate social responsibilities of organizations and understands the requirements and expectations of citizens and customers of the organization
4. **Information & Communications Technology** - Understands the impact which Information and Communications Technology (ICT) has on the effectiveness of an organization
5. **Legal** - Conversant with legal principles, practices, and their application to the organization
6. **Marketing** – Possesses knowledge and professional expertise in the use of marketing techniques to achieve a consistent and accurate representation of the organization's brand
7. **Corporate Communication** - Conversant with techniques and methodologies which can be used to manage the organization's interface with the public in a credible manner
8. **Risk Management** - Understands the importance of evaluating and mitigating organizational risks and conversant with the methodologies and processes for meeting risk management requirements

Technical Competencies for Specific Boards (Development Bank of Jamaica)

The DBJ's Board is required to have certain Technical Competencies unique to its role, and the Board can demonstrate that it meets 100% of these competencies as at least one Director possesses one or more of these competencies as highlighted at Figure 7. Board members collectively possess a diverse pool of skills, knowledge, qualifications, and experience and are instrumental in sharing their expertise to assist the Bank in achieving its objectives and add optimal value.

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

Figure 7: DBJ Board Technical Competency Profile

Board Gender Profile

As at March 31, 2020, the DBJ's nine-member Board of Directors reflects a gender ratio of 55% male and 45% female. The Board has maintained over the past three years a gender profile in keeping with global best practices on gender quota. The Company Secretary is not a legal director; however, she is included in the gender profile of the Board. Figure 8 shows the Board's gender profile over the last three years.

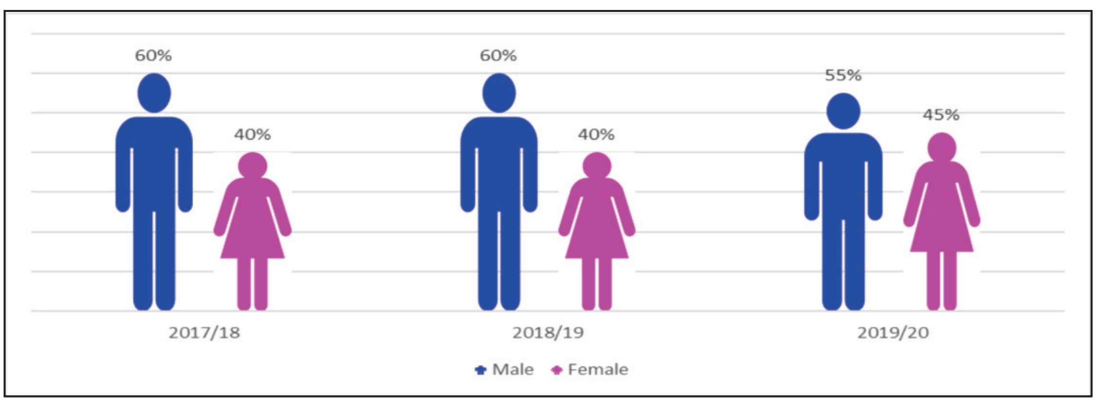


Figure 8

2019/2020 – A YEAR OF SOUND PERFORMANCE!

In the achievement of the Bank's corporate objectives, the DBJ's Board of Directors deliberated and made decisions on several key initiatives:

- ✓ Approval of Corporate Plan and Budget
- ✓ Approval of the Anti-Fraud and Corruption Control Policy
- ✓ Approval of DBJ stimulus package for COVID-19 pandemic
- ✓ Approval of the structure of the domestic Reverse Factoring programme
- ✓ Special VTA mentorship, innovation and entrepreneurship programme
- ✓ MFI Policy approval
- ✓ Post-Privatisation monitoring
- ✓ Loan monitoring and approvals
- ✓ Direct and NPCB Lending
- ✓ Capacity Development Grant approvals
- ✓ Enhanced Capacity Enhancement Facility approvals
- ✓ Key Performance Indicators (KPI's) monitoring
- ✓ Monthly review of Managing Directors Report
- ✓ Monitored strategies implemented to reduce loan arrears
- ✓ Oversight of NPCB and its Transformation Initiative
- ✓ Financial distribution to Ministry of Finance and Public Service
- ✓ Corporate Governance Charter Review
- ✓ Sponsorship of projects/programmes
- ✓ Approval of new and revised Policies
- ✓ Establishment of a private equity-venture capital association
- ✓ Complete DBJ's corporate governance review

THE DBJ'S NEW & REVISED POLICIES 2019/2020

Policies are put in place to communicate the DBJ's culture, values, and philosophy and help the Board set the tone-at-the-top. A majority of the policies are reviewed annually or biennially and new policies are implemented as risk scenarios change. During the fiscal year April 1, 2019 – March 31, 2020 the Board approved either the updating or development of seven policies as shown at Figure 9.

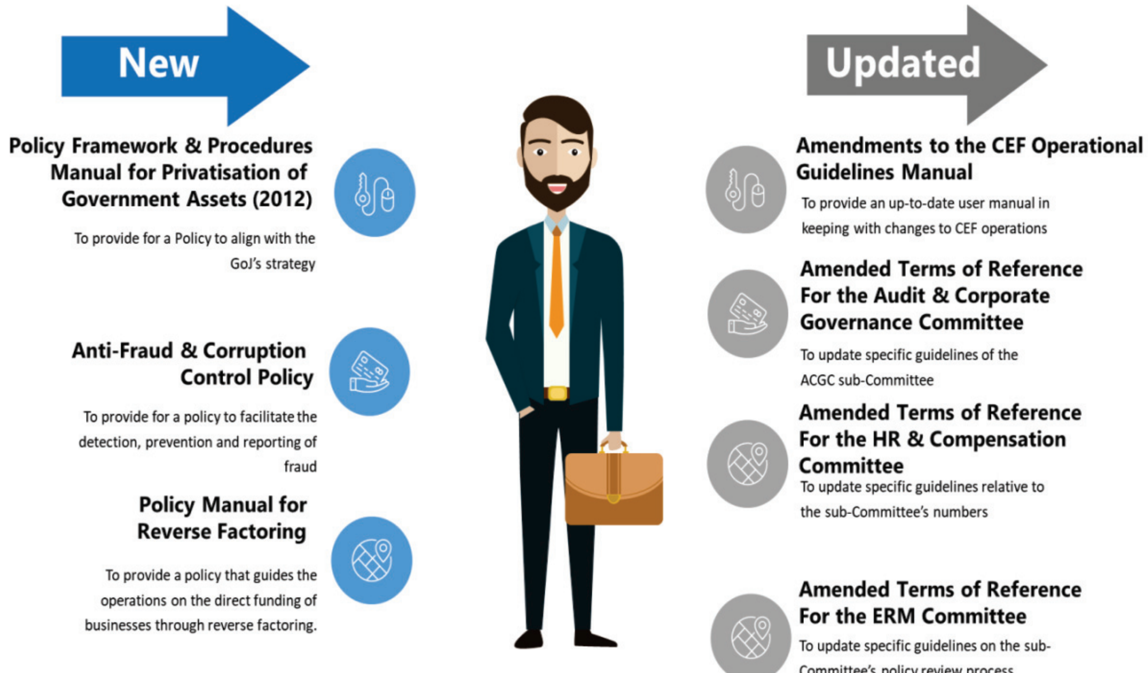


Figure 9

BOARD SUB-COMMITTEES

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

- Audit and Corporate Governance Committee (ACGC)
- Enterprise Risk Management Committee (ERM)
- Investment Finance and Loans Committee (IFLC)
- Human Resource and Compensation Committee

This ensures that operational efficiency is maintained, and specific issues are being handled with relevant expertise. Each sub-committee has specific duties and authorities set out in its own Terms of Reference. See Tables 2 - 5

Investment, Finance & Loans Committee – Table 2

Members	**Paul Scott, Barrington Chisholm, John Jackson[6] , Kerry-Ann McKoy Tulloch, A. Cecile Watson, Milverton Reynolds and David Wan (non-member invitee)**
Core Functions	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 2019/2020	1. Reviewed Corporate Plan and Budget 2. Monitored and reviewed investments 3. Reviewed and recommended loans for approval – AFI, MFI, NPCB and Direct 4. Reviewed and approved Performance appraisal incentive 5. Monitored operational expenses 6. Monitored Global Bonds Custodial arrangements 7. Monitored of Divestment Escrow Account 8. Recommended for approval sponsorship requests

[6] Mr. John Jackson resigned from the Board September 12, 2019

Human Resource & Compensation Committee – Table 3

Members	**Paul Scott – Chairman, Barrington Chisholm, A. Cecile Watson, Milverton Reynolds, John Jackson and Kerry-Ann McKoy Tulloch**[7]
Core Functions	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 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 2019/2020	1. Reviewed and approved performance incentive payment

Enterprise Risk Management Committee – Table 4

Members	**Dr. Adrian Stokes – Chairman, Barrington Chisholm, Sherene Golding Campbell, Kerry-Ann McKoy Tulloch, A. Cecile Watson, MIverton Reynolds**
Core Functions	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 2019/2020	1. Monitored 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. Reviewed AFI and MFI accreditation 11. Approved ERM Committee's Terms of Reference (TOR) 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

[7] Mrs. McKoy Tulloch was appointed to the HR & Compensation Committee November 2019

Audit & Corporate Governance Committee – Table 5

Members	*David Wan – Chairman, Sherene Golding Campbell, John Jackson[8], Carlene O'Connor, A. Cecile Watson*
Core Functions	1. Overseeing the Bank's standards of integrity. 2. Overseeing the Bank's reporting of financial information. 3. Monitoring the internal controls systems. 4. Monitoring the Bank's corporate governance activities.
Key activities during 2019/2020	*See Audit & Corporate Governance Committee Report*

BOARD ORIENTATION, SENSITISATION & PROFESSIONAL DEVELOPMENT

For the first time in its history, the DBJ conducted training in corporate governance using a digital platform. *"Our Board understands that orientation and professional development are critical components of good corporate governance and I am very pleased that, for the first time in the Bank's history, this training was delivered digitally for not one, but two sessions. This is proof that as a top performing public body, the DBJ remains on the cutting edge of technology," Milverton Reynolds, Managing Director."*

The areas covered are shown at Table 6.

Sanmerna Paper Products limited received DBJ funding to purchase a multifunctional conveyor/diverter system allowing the company to expand.

[8] Mr. Jackson resigned from the ACGC with effect September 12, 2019

Board Training (2019-2020) – Table 6

Facilitator	Programme Title	Attendance	Duration

Greta Bogues	**Best Practices in Corporate Governance for Public Bodies**
	• International best practices for public bodies: locally, regionally and globally
	• Corporate Governance Framework for Public Bodies – Key requirements
	• Functions of a Board – strategic oversight
	• Board Charter
	    o Conflict of interest
	    o Code of Conduct
		Board & Senior Management	3 hours

Greta Bogues	**Roles & Responsibilities of Directors** • Requirements under the PBMAA • Responsibilities of a Director • Responsibilities of the Chairman • Responsibilities of the CEO • Responsibilities of Corporate Secretary • Board/Management relationship	Board & Senior Management	3 hours
Greta Bogues	**Key Board Processes** • Effective use of board Committees • Board Agenda • Board evaluation • Communication with stakeholders	Board & Senior Management	3 hours

THE DBJ's ANNUAL BOARD EVALUATION (2019/20)

The DBJ Board conducts annual board evaluations to assess its corporate governance practices. The 2019/20 Board Performance Evaluation utilized the Government of Jamaica's Board Performance Evaluation Framework to assess the DBJ's Board of Directors and its four sub-Committees. The framework proposed the use of 10 dimensions for evaluation, depicted at Figure 10.

Figure 10: Ten Dimensions of Good Board Performance

These competencies and their attributes were mapped against the Competency Profile Instrument for the Boards of Public Bodies (2016) as well as the Corporate Governance Framework for Public Bodies in Jamaica (2012). The attributes provided in the framework created the base for the DBJ's board evaluation.

Seven of the nine board members completed the survey, indicating a response rate of 78%, a slight decrease when compared to an 80% response rate for 2018/19

In combining the scores for all 10 board evaluation dimensions, the resulting BEI score is 91% representing a 1% improvement over the 2018/19 score of 90%. Given the high BEI, the DBJ board is performing at a very high standard of governance.

Table 7: DBJ's Three-Year Board Effectiveness Index 2017/2018 - 2019/2020

Criteria to measure the Board's Roles and Responsibility	*BEI 2019/20 %*	*BEI 2018/19 %*	*BEI 2017/18 %*
Roles & Responsibility	96	96	80.8
Board Composition	80	78	79
Ethics & Culture	94	90	88.4
Strategy & Performance	96	92	92
Internal Controls & Systems	98	96	95
Risk & Compliance Management	98	96	92.6
Managing Director's Appointment & Performance	80	84	75
Financial Governance	98	98	98.6
Board Processes	92	94	92.8
Stakeholder Engagement	82	76	70
Average Total	**91**	**90**	**86.42**

INDEPENDENT REPORTING FOR WHISTLEBLOWERS

During the 2019/20 Financial Year the DBJ rolled out a Web-based platform for whistleblowers to independently report irregularities. The implementation the whistleblower independent reporting system complements the Bank's Anti-Fraud Programme. The global ethics hotline and case management system allow individuals to report issues either by phone or online anonymously and confidentially; thereby strengthening and safeguarding the Bank's core values of integrity, accountability, professionalism and innovativeness.

Global Ethics Hotline

Figure 11 illustrates the general process to make reports through the global ethics hotline.

Figure 11

Online Reporting

Reports are also collected online through an independent Website hosted by IntegrityCounts on their secure servers. This is not part of the DBJ's website or intranet. The link to make a report is https://www.integritycounts.ca/org/dbj or emailed to dbj@integritycounts.ca. A screen shot of the website is shown at Figure 12

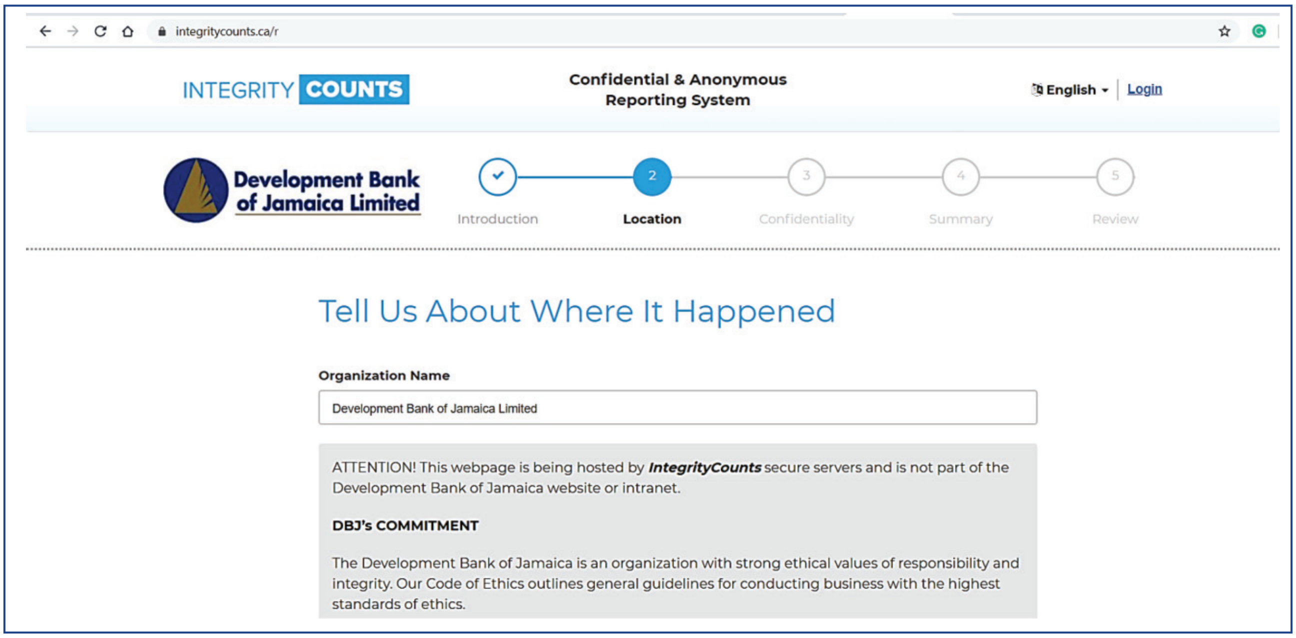


Figure 12

Figure 13

PSOJ/MoFPS CORPORATE GOVERNANCE AWARDS 2019

For the third consecutive year, the DBJ topped the Private Sector Organisation of Jamaica (PSOJ) and MoFPS Corporate Governance Awards in the category of: **'Risk Measurement, Management and Internal Controls'.** The Bank continues to remain amongst the best practitioners of corporate governance in the Public Sector. Figure 13 shows the many awards won by the DBJ since the inaugural competition held in 2017.

AUDIT AND CORPORATE GOVERNANCE COMMITTEE (ACGC) REPORT

The Board delegated authority to the Audit and Corporate Governance Committee to provide independent and objective oversight of the Bank's financial reporting, internal controls, corporate governance and the adequacy of external and internal audits.

The ACGC is comprised of four directors - three independent directors and one executive director - who meet at least four times annually to effectively carry out their responsibilities. Its detailed roles and responsibilities are set out in its Charter and its written terms of reference.

Summary of Work in 2019/20

1. Reviewed and approved the Audited Financial Statements of the Bank for Financial Year 2018/2019
2. Reviewed and recommended updates to the DBJ's Anti-Fraud & Corruption Control Policy
3. Recommended for approval the implementation of a Whistle-blower Independent Reporting System
4. Monitored the recommendations for improvements to the system of governance, risk management and internal control (GRC) systems of the DBJ
5. Approved the DBJ's Annual Risk-based Audit Plan 2019/2020
6. Reviewed and discussed the Audit Services Department (Internal Audit) audit reports prepared during the Financial Year 2018/2019
7. Updated the Audit and Corporate Governance Charter
8. Reviewed the ACGC Terms of Reference
9. Endorsed and recommend for approval its updated terms of reference
10. Reviewed and recommended for approval the reviewed Audit Committee Charter and Audit Services Department Charter
11. Monitored Management's Corrective Actions (MCAs) on audit points
12. Approved amendments to Annual Audit Plan in response to impact of COVID-19

Internal Audit Function

The Audit Services Department functionally reports to the Audit and Corporate Governance Committee and administratively to the Managing Director, this secures a system of objectivity and independence.

The DBJ's Internal Auditors are all registered members of the Institute of Internal Auditors Inc. The International Professional Practices Framework (IPPF) provides the benchmark by which the Audit Services Department's 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 were successfully addressed. This is evidenced by:

- ✓ Management's corrective actions (MCAs) which remain at 100%
- ✓ Management's response rate to the Audit & Corporate Governance Committee is timely for engagements performed
- ✓ Implementation of recommendations designed using a cross-divisional approach

The various audit tests performed on the DBJ's internal controls systems provides reasonable assurance that risks assessed are contained.

Risk-based Auditing at the DBJ

In developing its work-plan the Division applies risk-based auditing at both the planning and engagement-performance levels; this facilitates an efficient allocation of limited audit resources on a risk-basis; and provides a flexible mechanism for managing competing audit needs. In order to provide practical guidance and an authoritative framework for the development of the annual audit plan, the Division recognizes and considers the following:

- The DBJ's Corporate Objectives
- The unique interests and responsibilities of the Division as an independent function of the Bank
- Policy directives from the Ministry of Finance and the Public Service, and the Ministry of Economic Growth and Job Creation
- Concerns of the Board of Directors, Audit & Corporate Governance Committee, Senior Management and the Auditor General's Department
- Audit "hot spots" – a global scan of thought leaders and professional bodies regarding areas of focus
- Limited audit resources, thus prohibiting 100% audit coverage each year. This significant limiting factor is inherent in the concept of utilizing risk assessment to help prioritize activities to be audited.
- The flexibility of the Plan as it is viewed as a dynamic tool that can be amended throughout the year to reflect changing risks and priorities,
- There are inherent risks and limitations associated with any method or system of prioritizing audits. As a result, risk factors are periodically evaluated and modified, as necessary.
- Risk assessment by the Enterprise Risk Management (ERM) Department

Quality Assurance Improvement Programme (QAIP)

Internal Auditors must conform to a set of Standards titled the International Standards for the Professional Practice of Internal Auditing (IPPF). A Quality Assurance and Improvement Programme is the primary tool for evaluating internal audit activity and whether or not it conforms with the Standards.

The DBJ's quality assurance and improvement programme was developed in accordance with these Standards, specifically, IPPF Standard 1300 covering all aspects of the internal audit activity. The QAIP is an ongoing programme intended to increase the quality and value of internal audit services. It assesses the efficiency and effectiveness of the internal audit activity and evaluates conformance with relevant policies, procedures, standards, core values and a code of ethics. The DBJ's QAIP has been in place for over five years and ensures that a standard engagement process is established to ensure consistency, quality, and timely delivery of services. A key part of the QAIP is ongoing monitoring, this is carried out by continuous supervision throughout the audit process. Periodic self-assessment provides a holistic, comprehensive review of the standards and the internal audit activity which provides improvement opportunities.

Audit Engagements 2019/20

Using the Risk-based Annual Audit Plan approved by the DBJ's Board, key audits were performed by the Audit Services Division during the period under review.

Table 8

Audit Area	Audit Objectives Summary
Assurance Engagements	
1. PBMA Act Annual Compliance Assessment *(Compliance with the PBMA Act is a DBJ KPI)*	To determine the Bank's compliance with the requirements of the Public Bodies Management and Accountability Act.
2. Inventory Management (Supplies)	• To verify that inventory balances are complete and accurate.
3. Disposal of Assigned Vehicle	• To review the accuracy of computation for disposal and compliance with the *Government of Jamaica Revised Comprehensive Motor Vehicle Policy (GOJRCMP) for the Public Sector (2017)*
4. Jamaica Venture Capital Programme	• To verify the accuracy of the financial transactions and that the operations of the JVCP are maintained in accordance with the attending policies and procedures.
5. Credit Enhancement Facility	• To verify that the GRC systems are effective and performed in accordance with approved policies and regulations
6. Procurement	• To verify that goods and services are acquired in accordance with the Procurement Act and governance and internal controls are effective to mitigate risk.
7. Loan Origination Management	• To ascertain that the loan processes a re conducted in accor dance with established policies and procedures and within the established turnaround time
8. Jamaica Venture Capital Programme	• To verify the accuracy of the financial transactions and that the operations of the JVCP are maintained in acc ordance with the attending policies and procedures.
9. Divestment Escrow Account	• To establish that cash balances reported in DBJ's Bank statements agree with General Ledger balances, all transactions are properly approved and Bank Reconciliation activities a re conducted in accordance with approved policies and procedures.
10. Payments	• To establish that cash balances reported in DBJ's Bank statements agree with General Ledger balances, all transactions are properly approved and Bank Reconciliation activities are conducted in accordance with approved policies and procedures.
11. Bank Reconciliation	• To establish that cash balance reported in DBJ's Bank statement agrees with General Ledger balance and that Bank Reconciliation activities are conducted in accordance with approved policies and procedures.
12. Capacity Development	• To assess the performance of CD activities and verify that CD transactions are in compliance with established policies.

Audit Area	Audit Objectives Summary
13. Recruitment and Selections	• To determine whether activities relative to staff recruitment and selection are conducted in accordance with DBJ Staff Manual and GOJ Policies and Procedures.
14. Fixed Assets	• To determine the adequacy of internal controls related to recording, valuing, reporting, and safeguarding the Bank's fixed assets.
<u>Consulting Engagements</u>	
15. Anti-Fraud and Corruption Prevention Policy	• To provide for an Anti-Fraud and Corruption Control Policy that aims to foster a culture within the Bank that is intolerant of any acts of fraud and corruption.
16. Corporate Governance Policy Review	• To review the Bank's Corporate Governance Structure and to determine adherence with best practices.
17. Corporate Governance Training	• To arrange in accordance with the Company Secretary, for the Board and Management to be trained in CG Matters.
18. JPS Special Verification Review	• To verify the amount outstanding under the existing lease and/or easement agreements derived from the Cabinet Decision.
19. Whistle-blower Hotline & Incident Management Solution	• To consult on the provision of an independent incident reporting management system for the DBJ. The system is being implemented in accordance with the DBJ's Anti-Fraud & Corruption Control Policy (2019)
20. MoFPS & PSOJ Annual Corporate Governance Award 2019	• DBJ's submission for the 3rd staging of the Awards.
21. NPCB Audit Reports Review	• To ensure that the Bank's risk exposure relative to its relation with the NPCB is being monitored.
<u>Divisional planning & quality assurance</u>	
22. Annual Quality Assurance and Improvement Programme Assessment	• To provide reasonable assurance to the various stakeholders of the Internal Audit activity that Audit Services has generally complied with IPPF
23. Annual Audit Planning Financial Year 2020/2021	• To develop a risk-based Audit Plan for the DBJ in keeping with established Standard(s) and submit same to the ACGC for approval. • To prioritize the work of the Department and provide adequate audit coverage for the Bank.

ENTERPRISE RISK MANAGEMENT COMMITTEE REPORT 2019/2020

The Enterprise Risk Management Committee assist the Board by providing risk oversight to the operations of DBJ through frequent monitoring of the risk implementation policy and strategy; determining the risk tolerance levels of the Bank; and monitoring and approving risk management reports and methodologies. The Committee reports to the Board of Directors regarding the Bank's risk profile, as well as its risk management framework including the significant policies and practices employed to manage risks in the Bank's businesses as well as the overall adequacy of the risk management function.

The responsibilities include:

- Establishing and reviewing risk tolerance levels and makes recommendations to the board regarding the overall risk appetite and risk profile of the Bank in relation to capital, liquidity and enterprise value.
- Reviewing risk policies and strategies ensuring the adequacy of risk management systems at all times.
- Review and robustly assess the design, completeness and effectiveness of the risk management framework relative to the Bank's activities including those that would threaten its business model, future performance, solvency or liquidity; to review the adequacy and quality of the risk management function; and to review the effectiveness of risk reporting (including timeliness and risk events).
- Monitoring and assessing concentration risks and limits

Main activities undertaken during 2019/2020

During the year, the Committee received reports and examined the following key activities on:

1. Key Risks associated with the COVID-19 virus and the controls implemented
2. Review of Foreign exchange exposure limits
3. Strategic risks associated with the Bank's strategy
4. Cyber-security audit review and the progress on implementation of critical items
5. Group Limits for MFIs and AFIs
6. Monitoring of AFI and MFI reporting
7. Key Business Risk reporting
8. Reviewed Committee's Terms of Reference
9. Liquidity and investment monitoring
10. Reviewed accreditation of AFI and MFIs

Micro entrepreneur Herod Crump poses at his store, Chantec Electronic Repairs, on Olympic Way in Kingston. Mr. Crump, a repeat client of JN Small Business Loans Limited, a DBJ-approved Micro Finance Institution, has received DBJ funding to expand his business.

DIRECTORS' GROSS COMPENSATION

Year ended March 31, 2020

Names of Directors	Board Meetings	Committee Meetings	Total Payment
Paul B. Scott	230,000.00	75,500.00	305,500.00
Barrington Chisholm	110,500.00	52,900.00	163,400.00
David P. Wan	135,000.00	71,300.00	206,300.00
Dr. Adrian Stokes	98,000.00	34,500.00	132,500.00
A. Cecile Watson	126,000.00	54,400.00	180,400.00
Kerry-Ann McKoy Tulloch	140,000.00	55,200.00	195,200.00
Sherene Golding Campbell	140,000.00	28,825.00	168,825.00
Carlene O'Connor	98,000.00	32,500.00	130,500.00
John Jackson	28,000.00	19,500.00	47,500.00
	1,105,500.00	**424,625.00**	**1,530,125.00**

Optical Solutions International Limited provides ophthalmic care ranging from minimal eye care to surgeries. A DBJ loan and partial guarantee under the Credit Enhancement Facility allowed the company to purchase optical equipment and increase employment in several locations islandwide.

SENIOR EXECUTIVE COMPENSATION

APRIL 2019 - MARCH 2020

	POSITION OF SENIOR EXECUTIVE	BASIC SALARY (J$)	PERFORMANCE INCENTIVE DEC. 2019 (J$)	GRATUITY* (J$)	TRAVELLING ALLOWANCE (J$)	PENSION (J$)	OTHER ALLOWANCES** (J$)	TOTAL (J$)
1	MANAGING DIRECTOR MILVERTON REYNOLDS	15,095,630	1,207,650	3,773,908	793,520	0	0	20,870,708
2	GM – PPP & PRIVATISATION DENISE ARANA	7,337,844	625,363	0	1,917,674	570,545	1,038,919	11,490,345
3	GM – AUDIT SERVICES TAMARA BRISSETT	6,962.949	557,036	0	1,917,674	480,443	108,000	10,026,102
4	GM – STRATEGIC SERVICES CHRISTOPHER BROWN	5,838,265	467,061	0	1,917,674	402,840	108,000	8,733,840
5	GM – MICROFINANCE SERVICES PAUL CHIN	6,213,160	497,053	1,553,290	1,917,674	0	108,000	10,289,177
6	GM – LOAN ORIGINATION & PORTFOLIO MANAGEMENT EDISON GALBRAITH	7,337,844	547,193	0	1,917,674	570,545	1,038,919	11,412,175
7	GM – LEGAL SERVICES SHERON HENRY	7,337,844	625,363	0	1,917,674	570,545	1,038,919	11,490,345
8	GM – MANAGEMENT INFORMATION SYSTEMS*** DELANO WALTERS	3,289,816	58,383	0	1,076,028	0	108,000	4,532,227
9	GM – LOGISTICS & CORPORATE DEVELOPMENT DEBORAH NEWLAND	6,588,055	461,164	1,647,014	1,917,674	0	108,000	10,721,907
10	GM – FINANCE & TREASURY DOROTHEA SIMPSON	7,337,844	625,363	0	1,917,674	567,789	1,478,169	11,926,839
11	GM – HRD & ADMINISTRATION YVONNE WILLIAMS	7,337,844	625,363	0	1,917,674	538,104	1,047,953	11,466,938

* *GRATUITY – paid to Officers who are not members of the Pension Scheme*

** *OTHER ALLOWANCES - includes Clothing, Seniority &/or Lump sum Payments for those at the top of the Scale*

*** *GM-MIS joined the Team in September 2019*

Caribbean Resources Limited, operators of Itel BPO in Montego Bay, St. James, accessed a DBJ loan for renovations and new construction of ICT/BPO facilities.

GLOSSARY OF ACRONYMS

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

ERM – Enterprise Risk Management

ET – Enterprise Team

GOJ – Government of Jamaica

HRC – Human Resources & Compensation Committee

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

IDB – Inter-American Development Bank

IFLC – Investment, Finance and Loans Committee

JBF – Jamaica Business Fund

JAMPRO – Jamaica Promotions Limited

JVCAPITAL – Jamaica Venture Capital Programme

LAC – Latin America and the Caribbean

LOPM – Loan Origination and Portfolio Management

MOEYI - Ministry of Education, Youth and Information

MLGCD – Ministry of Local Government and Community Development

MFI – Micro Finance Institutions

MSME – Micro, Small and Medium-sized Enterprises

NMIA – Norman Manley International Airport

NPCB – National People's Co-operative Bank

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

PPP – Public-Private Partnerships

PSOJ - Private Sector Organisation of Jamaica

RFP – Request for Proposals

SEZ – Special Economic Zone

SME – Small and Medium-sized Enterprises

UDC – Urban Development Corporation

VTA – Voucher for Technical Assistance

Audited Financial Statements 2019-2020

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INDEPENDENT AUDITORS' REPORT

To the Members of
DEVELOPMENT BANK OF JAMAICA LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Development Bank of Jamaica Limited ("Bank"), set out on pages 121 to 201, which comprise the statement of financial position as at March 31, 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at March 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
DEVELOPMENT BANK OF JAMAICA LIMITED

Report on the Audit of the Financial Statements (continued)

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and 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 Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 skepticism 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 Bank's internal control.

KPMG

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
DEVELOPMENT BANK OF JAMAICA LIMITED

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

  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 additional matters 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 maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

June 30, 2020

Statement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2020
(expressed in Jamaica dollars unless otherwise indicated)

	Notes	2020 $'000	2019 $'000
Operating Income			
Interest income, calculated using the effective interest method		1,380,015	1,348,315
Interest expense		(587,203)	(630,835)
Net interest income	7	792,812	717,480
Appreciation in fair value on investment property	14	250,000	60,218
Privatisation success fee	19	-	1,925,977
Other income	8	991,811	414,601
		2,034,623	3,118,276
Operating Expenses			
Staff costs	9	(657,022)	(596,809)
Discount on financial asset	19	(49,414)	(541,336)
Other operating expenses	10	(358,455)	(476,941)
		(1,064,891)	(1,615,086)
Operating Profit		969,732	1,503,190
Share of losses of associates	15	(20,537)	(61,123)
Profit from Credit Enhancement Facility Fund	18	83,207	18,325
Profit for the year		1,032,402	1,460,392
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of employee benefits asset	20	(61,128)	220,327
Revaluation of property, plant and equipment	22	446,799	59,824
		385,671	280,151
Items that are or may be reclassified to profit or loss			
Fair value adjustments on investments at OCI	27(a)	(248,545)	11,064
Total other comprehensive income		137,126	291,215
TOTAL COMPREHENSIVE INCOME		1,169,528	1,751,607

The accompanying notes form an integral part of the financial statements.

Statement of Financial Position
March 31, 2020
(expressed in Jamaica dollars unless otherwise indicated)

	Notes	2020 $'000	2019 $'000
ASSETS			
Cash and cash equivalents	11	1,222,674	1,032,307
Resale agreements	12	7,095,295	4,448,336
Investment securities	13	3,232,035	3,144,669
Investment property	14	932,600	699,189
Investment in associates	15	1,121,408	1,078,080
Loans receivable, net of impairment allowance	16	15,927,416	16,895,437
Due from Government of Jamaica	17(a)	772,142	704,834
Due from Credit Enhancement Facility Fund	18	595,339	507,457
Other receivables	19	1,743,160	1,646,881
Employee benefits asset	20	417,380	460,401
Intangible assets	21	15,824	17,307
Property, plant and equipment	22	1,421,797	985,764
Taxation recoverable		393,036	386,537
Total assets		34,890,106	32,007,199
LIABILITIES			
Loans payable	23	20,772,959	18,968,075
Other	24	737,427	671,082
Total liabilities		21,510,386	19,639,157
EQUITY			
Share capital	25	1,757,539	1,757,539
Share premium	25	98,856	98,856
Capital reserves	26	1,212,761	1,213,434
Other reserves	27	5,773,742	5,522,138
Retained earnings		4,536,822	3,776,075
Total equity		13,379,720	12,368,042
Total liabilities and equity		34,890,106	32,007,199

The financial statements on pages 121 to 201 were approved for issue by the Board of Directors on June 26, 2020 and signed on its behalf by:

Milverton Reynolds — Managing Director

David Wan — Director

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Equity
Year ended March 31, 2020
(expressed in Jamaica dollars unless otherwise indicated)

	Note	Share Capital $'000	Share Premium $'000	Capital Reserves $'000	Other Reserves $'000	Retained Earnings $'000	Total $'000
Adjusted balances as at April 1, 2018		1,757,539	98,856	1,213,981	5,258,040	2,589,658	10,918,074
Total comprehensive income for the year							
Profit for the year		-	-	-	-	1,460,392	1,460,392
Other comprehensive income		-	-	-	291,215	-	291,215
Total comprehensive income for the year		-	-	-	291,215	1,460,392	1,751,607
Transfers							
Amortisation of grants	26(d)	-	-	(547)	-	-	(547)
Transfer of profit on CEF	27(f)	-	-	-	18,325	(18,325)	-
Transfer to technical assistance reserve	27(g)(ii)	-	-	-	(45,442)	(193,390)	(238,832)
		-	-	(547)	(27,117)	(211,715)	(239,379)
Transactions with owners, recognised directly in equity							
Dividends	28	-	-	-		(62,260)	(62,260)
Balances at March 31, 2019		1,757,539	98,856	1,213,434	5,522,138	3,776,075	12,368,042
Total comprehensive income for the year							
Profit for the year		-	-	-	-	1,032,402	1,032,402
Other comprehensive income		-	-	-	137,126	-	137,126
Total comprehensive income for the year		-	-	-	137,126	1,032,402	1,169,528
Transfers							
Amortisation of grants	26(d)	-	-	(673)	-	-	(673)
Transfer of profit on CEF	27(f)	-	-	-	83,207	(83,207)	-
Transfer to technical assistance reserve	27(g)(ii)	-	-	-	31,271	(158,448)	(127,177)
		-	-	(673)	114,478	(241,655)	(127,850)
Transactions with owners, recognised directly in equity							
Dividends	28		-	-		(30,000)	(30,000)
Balances at March 31, 2020		1,757,539	98,856	1,212,761	5,773,742	4,536,822	13,379,720

The accompanying notes form an integral part of the financial statements.

Statement of Cash Flows
Year ended March 31, 2020
(expressed in Jamaica dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
Cash Flows from Operating Activities			
Profit for the year		1,032,402	1,460,392
Adjustments for:			
Amortisation	21	7,582	6,842
Depreciation	22	44,176	44,587
Interest income		(1,380,015)	(1,348,315)
Interest expense		587,203	630,835
Allowance for impairment losses recovered		(124,006)	(37,609)
Foreign exchange (gains)/losses		(642,104)	146,507
Discount on advance to associated companies		(36,138)	1,577
Change in employee benefits asset		(18,107)	18,839
Share of losses in associated companies	15	20,537	61,123
Gain on disposal of property and equipment		(1,706)	(2,752)
Gain on disposal of investment properties		(520)	-
Surplus on revaluation of investment property	14	(250,000)	(60,218)
Amortisation of grants	26(d)	(673)	(547)
		(761,369)	921,261
Changes in operating assets and liabilities:			
Loans receivable		1,863,109	1,972,840
Due from Government of Jamaica		(16,368)	(14,648)
Taxation recoverable		(6,498)	(26,998)
Credit Enhancement Facility Fund	18	(83,207)	(18,325)
Other receivables		16,002	(1,222,459)
Other liabilities		66,346	(161,263)
		1,078,015	1,450,408
Interest received		1,359,510	1,373,583
Interest paid		(623,464)	(579,579)
Net cash provided by operating activities		1,814,061	2,244,412

The accompanying notes form an integral part of the financial statements.

Statement of Cash Flows (Continued)
Year ended March 31, 2020
(expressed in Jamaica dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
Cash Flows from Investing Activities			
Resale agreements		(2,396,291)	(881,482)
Investment securities, net		(84,068)	(152,553)
Interest in associates companies		13,957	(75,913)
Dividends received		24,985	8,206
Purchase of intangible assets	21	(6,099)	(1,207)
Purchase of property, plant and equipment	22	(33,448)	(22,078)
Proceeds from disposal of investment properties		17,109	-
Proceeds from disposals of property, plant and equipment		2,675	6,680
Net cash used in investing activities		(2,461,180)	(1,118,347)
Cash Flows from Financing Activities			
Loans received		2,954,222	1,984,176
Loans repaid		(2,018,647)	(3,072,098)
Dividends paid	28	(30,000)	(62,260)
Net cash provided/(used in) by financing activities		905,575	(1,150,182)
Net increase /(decrease) in cash and cash equivalents		258,456	(24,117)
Effect of exchange rate fluctuations on cash and cash equivalents		(68,089)	107,627
Cash and cash equivalents at beginning of year		1,032,307	948,797
Cash and cash equivalents at the year end	11	1,222,674	1,032,307

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements
March 31, 2020
(expressed in Jamaica dollars unless otherwise indicated)

1. Identification and Principal Activities

The Development Bank of Jamaica Limited ("the Bank") was established on April 1, 2000 and is domiciled in Jamaica with registered office 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 is exempt from income tax under Section 12(b) of the Income Tax Act.

The Bank has interests in certain associated companies (Note 15) all of which are incorporated and domiciled in Jamaica. The ones currently in operation are as follows:

Name of Investee	Principal Activities	Percentage Holding	Financial Year End
Harmonisation Limited and its	Property development	50%	March 31
(i) 100% subsidiary:			
Silver Sands Estate Limited	Rental of resort accommodation	50%	March 31
(ii) 49% associate:			
Harmony Cove Limited	Property development	49%	March 31

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

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. Statement of compliance and basis of preparation

(a) Statement of compliance

The financial statements as at and for the year ended March 31, 2020 ("reporting date") are prepared in accordance with International Financial Reporting Standards ("IFRS"), and comply with the relevant provisions of the Jamaican Companies Act.

Notes to the Financial Statements (Continued)
March 31, 2020
(expressed in Jamaica dollars unless otherwise indicated)

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued)

The financial statements are prepared on the historical cost basis, modified for the measurement of Fair Value through Other Comprehensive Income (FVOCI) securities, investment property and certain property and equipment at fair value.

See note 3 for new and amended standards that became effective during the year.

Use of judgements and estimates:

The preparation of the 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 6.

New and amended standards that are not yet effective

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

- Amendments to IAS 1*, Presentation of Financial Statements and* IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* are effective for annual periods beginning on or after January 1, 2020, and provides a definition of 'material' to guide preparers of financial statements in making judgements about information to be included in financial statements.

  "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

- Amendments to *References to Conceptual Framework in IFRS Standards* is effective retrospectively for annual reporting periods beginning on or after January 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

  The main change relates to how and when assets and liabilities are recognised and derecognised in the financial statements.

  - New 'bundle of rights' approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;

  - A liability will be recognised if an entity has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.

  - A new control-based approach to derecognition will allow an entity to derecognise an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

Notes to the Financial Statements (Continued)
March 31, 2020
(expressed in Jamaica dollars unless otherwise indicated)

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued)

- Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures,* effective for annual accounting periods beginning on or after January 1, 2020, address issues affecting financial reporting in the period leading up to interbank offered rates (IBOR) reform. The amendments apply to all hedging relationships directly affected by uncertainties related to IBOR reform. The entity is required to:

  - Assume that the interest rate benchmark on which hedged cash flows are based is not altered as a result of IBOR reform when assessing whether the future cash flows are highly probable.
  - Assess whether the economic relationship between the hedged item and the hedging instrument exists based on the assumptions that the interest rate benchmark is not altered as a result of IBOR reform.
  - Not discontinue a hedging relationship during the period of uncertainty arising from IBOR reform solely because the actual results of the hedge are outside the range of 80-125 per cent.
  - Apply the separately identifiable requirement only at the inception of the hedging relationship.
  - Prospectively cease applying the exceptions at the earlier of:

    (a) when the uncertainty regarding the timing and the amount of interest rate benchmark based cash flows is no longer present; and

    (b) the discontinuation of the hedging relationship (or reclassification of all amounts from the cash flow hedge reserve).

  Additional disclosures will be required for hedging relationships directly affected by IBOR reform.

The Bank is assessing the impact that these new and amended standards will have on its financial statements when they are adopted.

(b) Interest in equity-accounted entities

Associates

The Bank's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Bank has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Bank has joint control, whereby the Bank has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Bank's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

Notes to the Financial Statements (Continued)
March 31, 2020
(expressed in Jamaica dollars unless otherwise indicated)

2. Statement of compliance and basis of preparation (continued)

(c) Foreign currency translation

These financial statements are presented in Jamaican dollars, which is the functional currency of the Bank. All financial information presented in Jamaican dollars has been rounded to the nearest thousands, except as otherwise indicated.

Transactions in foreign currencies are translated into the functional currency of the Bank at the exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

For the purpose of the statement of cash flows, foreign currency exchange gains and losses recognised in profit or loss are treated as cash items and included in cash flows from operating or financing activities along with movements in the principle balances giving rise to those gains and losses.

3. New and amended standards that became effective during the year

During the year, certain new standards, interpretations and amendments to existing standards became effective. The Bank adopted IFRS 16 *Leases*, IFRIC 23, *Uncertainty over Income Tax Treatments*, and Amendments to IFRS 9, *Financial Instruments* with effect from April 1, 2019.

IFRS 16 Leases replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

As a lessee, the Bank can either apply the standard using a:

- modified retrospective approach with optional practical expedients. The lessee applies the election consistently to all of its leases; or
- retrospective approach.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition.

The adoption of IFRS 16 did not have an impact on the financial statements [See also Note 4(k)].

Notes to the Financial Statements (Continued)
March 31, 2020
(expressed in Jamaica dollars unless otherwise indicated)

4. Significant Accounting Policies

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

(a) Revenue recognition

(i) *Interest income*

Effective interest rate

Interest income is recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to its gross carrying amount.

When calculating the effective interest rate for financial instruments other than purchased or originated credit impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition of a financial asset.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset is the amount at which the financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income

The effective interest rate of a financial asset is calculated on initial recognition of a financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to the gross basis even if the credit risk of the asset improves.

Notes to the Financial Statements (Continued)
March 31, 2020
(expressed in Jamaica dollars unless otherwise indicated)

4. Significant Accounting Policies (continued)

(a) Revenue recognition (continued)

(i) Interest income (continued)

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI, includes interest on financial assets measured at amortised cost, and interest on debt instruments measured at FVOCI.

(ii) Fee and commission income

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognises revenue when it transfers control over a service to a customer.

Fee and commission income – including account service and trustees fees are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residue.

Performance obligations and revenue recognition policies:

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

Type of service	**Nature and timing of satisfaction of performance obligations, including significant payment terms.**	**Revenue recognition under IFRS 15**
Loan origination fees	*The Bank provides lending services to customers which give rise to certain fees associated with lending.*	Revenue from loan *origination fees is recognised over time as the services are provided.*
Other service fees	*Other service fees are transaction-related and are charged when the transaction takes place.*	Revenue from other service fees is recognised at a point in time when the transaction is complete.
Rental income	*The Bank provides property rental services. Rent is charged on a monthly basis and are based on fixed terms outlined in the lease agreement.*	Revenue from rental income is recognised over time as the services are provided.

Notes to the Financial Statements (Continued)
March 31, 2020
(expressed in Jamaica dollars unless otherwise indicated)

4. Significant Accounting Policies (continued)

(a) Revenue recognition (continued)

(iii) Dividend income

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

(iv) Interest expense

Interest expense is recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the amortised cost of the financial liability.

The calculation of the effective interest rate includes transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the issue of a financial liability.

The 'amortised cost' of a financial liability is the amount at which the financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

The effective interest rate of a financial liability is calculated on initial recognition of the financial liability. In calculating interest expense, the effective interest rate is applied to the amortised cost of the liability.

Interest expense presented in the statement of profit or loss and OCI includes financial liabilities measured at amortised cost.

(b) Financial instruments

(i) Recognition and initial measurement

The Bank recognises a financial instrument when it becomes a party to the contractual terms of the instrument. The Bank initially recognises loans on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

Notes to the Financial Statements (Continued)
March 31, 2020
(expressed in Jamaica dollars unless otherwise indicated)

4. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

(i) Recognition and initial measurement (continued)

When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt and equity investments; or fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

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

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

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Notes to the Financial Statements (Continued)
March 31, 2020
(expressed in Jamaica dollars unless otherwise indicated)

4. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Business model assessments:

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities that are funding these assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. However, the information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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

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

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

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

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4. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

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

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first reporting period following the change in business model.

(iii) Derecognition

Financial assets

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Bank also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Notes to the Financial Statements (Continued)
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4. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(iv) Measurement and gains and losses

Financial assets at amortised cost are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When a debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

(v) Offsetting

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

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(vi) Impairment

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets measured at amortised cost; and
- debt investments measured at FVOCI.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

Notes to the Financial Statements (Continued)
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4. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(vi) Impairment (continued)

Loss allowances for loans receivable are always measured at an amount equal to lifetime ECLs.

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank does not apply the low credit risk exemption to any other financial instruments.

12-month ECLs are the portion of ECLs that results from default events on a financial instrument that is possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses.

They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECLs are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Notes to the Financial Statements (Continued)
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4. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(vi) Impairment (continued)

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised costs are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the group on terms that the group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.

- The rating agencies' assessments of creditworthiness.

- The country's ability to access the capital markets for new debt issuance.

- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Notes to the Financial Statements (Continued)
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4 Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(vi) Impairment (continued)

Presentation of allowance for ECL in the statement of financial position

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

- *financial assets measured at amortised cost:* as a deduction from the gross carrying amount of the assets.
- *debt instruments measured at FVOCI:* no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

(vii) Specific financial instruments

(1) Loans receivable

Loans receivable are measured at amortised cost less impairment losses. They are initially measured at fair value plus direct transaction costs, and subsequently at their amortised cost using effective interest method.

(2) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term commitments rather than for investment purposes (these include short-term deposits where the maturities do not exceed three months from the acquisition date). Cash and cash equivalents are measured at amortised cost.

Notes to the Financial Statements (Continued)
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4 Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(vii) Specific financial instruments (continued)

(3) Resale agreements

A resale agreement ("reverse repo") is a short-term collaterised transaction whereby an entity buys securities and simultaneously agrees to resell them on a specified date and at a specified price. Reverse repos are accounted for as short-term collateralised lending and are measured at amortised cost.

The difference between the purchase and resale consideration is recognised in interest income using the effective interest method.

(c) Investment property

Investment property is held for long-term rental yields and capital gains.

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 profit or loss.

(d) Property, plant and equipment

Land and buildings are shown at market values based on valuations done by external valuators less impairment losses, and less subsequent depreciation for buildings. All other property, plant and equipment are measured 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 down the carrying value of each asset to its estimated residual value over the period of its expected useful life. Annual depreciation rates are as follows:

Freehold buildings	2½%
Computer equipment	20-25%
Furniture, fixtures, plant and equipment	10-20%
Motor vehicles	20%

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

The depreciation methods, useful lives and residual values are reassessed at each reporting date.

4 Significant Accounting Policies (continued)

(e) 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 measured 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.

(f) 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 from the proceeds.

Dividends on ordinary shares

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

(g) 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 fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating unit (CGU).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset or CGU.

An impairment is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

(h) Post-employment benefits

Pension benefits

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

Defined benefit pension plan

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.

Notes to the Financial Statements (Continued)
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4 Significant Accounting Policies (continued)

(h) Post-employment benefits (continued)

Pension benefits (continued)

Defined benefit pension plan (continued)

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 reporting 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 profit or loss, 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 profit or loss.

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 the reporting date are discounted to present value.

(i) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and the Bank 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.

(j) 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.

Notes to the Financial Statements (Continued)
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4 Significant Accounting Policies (continued)

(k) Operating leases

Policy applicable from April 1, 2019

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. 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. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after April 1, 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contracts to each lease component on the basis of its relative stand-alone prices.

The Bank separated non-lease components and account for the lease and non-lease components separately.

To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before April 1, 2019

Assets held under leases were classified as operating leases and were not recognised in the Bank's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

5. 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.

Notes to the Financial Statements (Continued)
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5. Financial Risk Management (continued)

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, determines the risk tolerance levels of the Bank and approves risk management reports.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign currency, interest rate and equity 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.

Notes to the Financial Statements (Continued)
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5. Financial Risk Management (continued)

(iv) Enterprise Risk Management Committee (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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:

	2020		2019	
	US$	€	US$	€
	'000	'000	'000	'000
Cash and cash equivalents	1,563	-	1,057	-
Resale agreements	32,620	-	23,823	-
Investment securities	19,316	-	22,567	-
Mortgage receivable & CEF	1,924	-	1,340	-
Loans, net of impairment losses	59,964	-	72,379	-
Total foreign currency assets	115,387	-	121,166	-
Loans payable	(104,813)	(428)	(109,370)	(504)
Net foreign currency assets/(liabilities)	10,574	(428)	11,796	(504)

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.

The exchange rates in terms of the US$ and Euro were US$1:J$134.57 (2019: J$128.81) and €1:J$151.21 (2019: J$145.79).

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5. **Financial Risk Management (continued)**

(iv) Enterprise Risk Management Committee (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	2020			2019		
	%	Change in Currency rate	Effect on profit	%	Change in Currency rate	Effect on profit
		$'000	$'000			$'000
Strengthening of the Jamaica dollar:						
USD	2%	(29,493)	(29,493)	4%	Revaluation	(58,987)
Euro	2%	1,395	1,395	4%	Revaluation	2,791
Weakening of the Jamaica dollar:						
USD	6%	88,480	88,480	6%	Devaluation	88,480
Euro	6%	(4,186)	(4,186)	6%	Devaluation	(4,186)

The analysis is done on the same basis as 2019 and 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 (Continued)
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5. Financial Risk Management (Continued)

(iv) Enterprise Risk Management Committee (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	2020						
	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	1,222,579	-	-	-	-	95	1,222,674
Resale agreements	-	7,056,543	-	-	-	38,752	7,095,295
Investments securities	-	-	-	199,447	2,569,076	463,512	3,232,035
Loans receivable, net of impairment losses	-	1,284,753	3,077,072	7,626,641	3,806,926	132,024	15,927,416
Due from Government of Jamaica	-	-	-	-	-	772,142	772,142
Due from Credit Enhancement Facility Fund	-	-	-	-	258,967	336,372	595,339
Other receivables	-	-	-	-	-	1,743,159	1,743,159
Total financial assets	1,222,579	8,341,296	3,077,072	7,826,088	6,634,969	3,486,056	30,588,060
Liabilities							
Loans payable		(415,923)	(1,372,063)	(1,046,046)	(13,261,208)	(4,677,719)	(20,772,959)
Other liabilities	-	-	-	-	-	(737,427)	(737,427)
Total financial liabilities	-	(415,923)	(1,372,063)	(1,046,046)	(13,261,208)	(5,415,146)	(21,510,386)
Interest rate sensitivity gap	1,222,579	7,925,373	1,705,009	6,780,042	(6,626,239)	(1,929,090)	9,077,674
Cumulative Interest sensitivity gap	1,222,579	9,147,952	10,852,961	17,633,003	11,006,764	9,077,674	-

Notes to the Financial Statements (Continued)
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5. Financial Risk Management (Continued)

(iv) Enterprise Risk Management Committee (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	2019						
	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	1,032,212	-	-	-	-	95	1,032,307
Resale agreements	-	4,434,541	-	-	-	13,795	4,448,336
Investments securities	-	-	-	199,447	2,605,834	339,388	3,144,669
Loans receivable, net of impairment losses	-	995,502	6,035,340	8,059,884	1,641,029	163,682	16,895,437
Due from Government of Jamaica	-	-	-	-	-	704,834	704,834
Due from Credit Enhancement Facility Fund	-	-	-	-	238,447	269,010	507,457
Other receivables	-	-	-	-	-	1,646,881	1,646,881
Total financial assets	1,032,212	5,430,043	6,035,340	8,259,331	4,485,310	3,137,685	28,379,921
Liabilities							
Loans payable		(354,812)	(1,464,957)	(1,112,156)	(13,503,903)	(2,532,247)	(18,968,075)
Other Liabilities	-	-	-	-	-	(671,082)	(671,082)
Total financial liabilities	-	(354,812)	(1,464,957)	(1,112,156)	(13,503,903)	(3,203,329)	(19,639,157)
Interest rate sensitivity gap	1,032,212	5,075,231	4,570,383	7,147,175	(9,018,593)	(65,644)	8,740,764
Cumulative Interest sensitivity gap	1,032,212	6,107,443	10,677,826	17,825,001	8,806,408	8,740,764	-

Notes to the Financial Statements (Continued)
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5. Financial Risk Management (Continued)

(iv) Enterprise Risk Management Committee (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 profit or loss.

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 profit or loss	
	2020	**2019**
	$'000	**$'000**
Change in basis points:		
Decrease - JMD -100 and USD -100	(277,973)	(260,628)
Increase - JMD +100 and USD +100	277,973	260,628)

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.

(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.

Notes to the Financial Statements (Continued)
March 31, 2020
(expressed in Jamaica dollars unless otherwise indicated)

5. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Exposure to credit risk (continued)

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	
	2020	**2019**
	$'000	**$'000**
Loan commitments	3,442,178	1,117,848
Guarantees	1,791,660	1,400,806
	5,233,838	2,518,654

Notes to the Financial Statements (Continued)
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5. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Exposure to credit risk (continued)

	2020						
	Cash and cash equivalents	Loans receivable	Investment securities	Resale agreements	Due from Govt. of Jamaica	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amounts	1,222,674	15,927,416	2,779,780	7,095,295	772,142	1,743,160	29,540,467
Concentration sector:							
Financial institutions	1,222,674	-	2,775,252	7,056,543	-	-	11,054,469
Agriculture, fishing and mining	-	2,078,248	-	-	-	-	2,078,248
Government and public entities	-		-	-	772,142	-	772,142
Manufacturing	-	1,045,435	-	-	-	-	1,045,435
Professional and other services	-	10,907,333	-	-	-	1,743,160	12,650,493
Tourism and entertainment	-	2,370,711	-	-	-	-	2,370,711
Transportation , storage and communication	-	50,815	-	-	-	-	50,815
	1,222,674	16,452,542	2,775,252	7,056,543	772,142	1,743,160	30,022,313
Interest receivable	-	132,025	14,067	38,752	-	-	184,844
	1,222,674	16,584,567	2,789,319	7,095,295	772,142	1,743,160	30,207,157
Less: Impairment losses	-	(657,151)	(9,539)	-	-	-	(666,690)
	1,222,674	15,927,416	2,779,780	7,095,295	772,142	1,743,160	29,540,467
Concentration by location:						-	
						-	
Jamaica	1,012,310	7,858,137	180,429	2,705,646	772,142	1,743,160	14,271,824
United States of America	210,364	8,069,279	2,599,351	4,389,649	-	-	15,268,643
	1,222,674	15,927,416	2,779,780	7,095,295	772,142	1,743,160	29,540,467

The DBJ lends to all viable projects mainly through the Approved Financial Institutions (AFIs). The sectors included in the above table highlight the banks lending as at March 31, 2020. The credit risks on these loans are considered low as the risk is borne by the Financial Institutions that maintain a direct relationship with the sub-borrowers.

Notes to the Financial Statements (Continued)
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5. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Exposure to credit risk (continued)

	2019						
	Cash and cash equivalents	Loans receivable	Investment securities	Resale agreements	Due from Govt. of Jamaica	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amounts	1,032,307	16,895,437	2,814,721	4,448,336	704,834	1,646,881	27,542,516
Concentration sector:							
Financial institutions	1,032,307	-	2,801,790	4,433,693	-	-	8,267,790
Agriculture, fishing and mining	-	2,804,447	-	-	-	-	2,804,447
Government and public entities	-	7	-	-	704,834	-	704,841
Manufacturing	-	1,021,868	-	-	-	-	1,021,868
Professional and other services	-	9,735,439	-	-	-	1,646,881	11,382,320
Tourism and entertainment	-	3,106,280	-	-	-	-	3,106,280
Transportation , storage and communication	-	844,770	-	-	-	-	844,770
	1,032,307	17,512,811	2,801,790	4,433,693	704,834	1,646,881	28,132,316
Interest receivable	-	163,682	12,931	14,643	-	-	191,256
	1,032,307	17,676,493	2,814,721	4,448,336	704,834	1,646,881	28,323,572
Less: Impairment losses	-	(781,056)	-	-	-	-	(781,056)
	1,032,307	16,895,437	2,814,721	4,448,336	704,834	1,646,881	27,542,516
Concentration by location:						-	
						-	
Jamaica	655,605	7,951,304	190,793	1,504,461	704,834	1,646,881	12,653,878
United States of America	376,702	8,944,133	2,623,928	2,943,875	-	-	14,888,638
	1,032,307	16,895,437	2,814,721	4,448,336	704,834	1,646,881	27,542,516

Notes to the Financial Statements (Continued)
March 31, 2020
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5. 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

	2020	2019
	$'000	$'000
Direct loans	3,779,467	4,441,791
GOJ infrastructure loans	-	7
Financial and agricultural institutions loans	12,147,949	12,453,639
	15,927,416	16,895,437
Neither past due nor impaired	16,228,082	17,147,150
Past due but not impaired:		
1 to 3 months	24,764	45,305
3 to 6 months	2,245	12,500
6 to 12 months	-	-
Over 12 months	39,768	65,402
Past due and impaired	289,708	406,136
	16,584,567	17,676,493
Less allowance for ECL	(657,151)	(781,056)
	15,927,416	16,895,437

Notes to the Financial Statements (Continued)
March 31, 2020
(expressed in Jamaica dollars unless otherwise indicated)

5. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Exposure to credit risk (continued)

- Other amounts receivable- contractual due dates:

	2020 $'000	2019 $'000
Neither past due nor impaired		
Due from Government of Jamaica:		
Notes receivable	41,039	86,249
Other	658,783	562,632
	699,822	648,881

- Other amounts receivable- no contractual due dates:

	2020 $'000	2019 $'000
No due date – deemed not impaired		
Due from Government of Jamaica:		
Privatisation	72,320	55,953
Other receivables	271,210	669,486
	343,530	725,439

The carrying amount, at the reporting date, of loans whose contractual provisions have been renegotiated was $2,877,803,000 (2019: $3,296,929,000).

(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 group 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.

Notes to the Financial Statements (Continued)
March 31, 2020
(expressed in Jamaica dollars unless otherwise indicated)

5. 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:

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.

Credit quality

The Bank identifies changes in credit risk by tracking published external credit ratings.

Loss given default (LGD) parameters generally reflect an assumed recovery rate except when the security is credit-impaired, in which case the estimate of loss is based on the instrument's current market price and original effective interest rate.

The credit quality of investment securities has a B3 credit rating.

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.

Notes to the Financial Statements (Continued)
March 31, 2020
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5. Financial Risk Management (continued)

(b) Credit risk (continued)

(ii) Management of credit risk (continued)

Loans (continued)

The Bank assesses the probability of default of individual counterparties using internal ratings. Loans are segmented into six rating classes. The Bank's rating scale, which is shown below, reflects the risk rating assigned:

Credit Score Bands		
From	To	Risk Rating
81	100	Low
71	80	Moderately Low
51	70	Average
41	50	Moderately High
31	40	High
Under	30	Very High

Collateral

The Bank holds collateral against loans in the form of mortgage interests over property, lien over motor vehicles, other registered securities over assets, hypothecation of shares and guarantees. Estimates of fair value are based on value of collateral assessed at the time of borrowing and are generally not updated except when a loan is individually assessed as impaired. In certain instances, without foreclosing, the Bank acts upon its lien over motor vehicles and mortgage interest over properties.

The credit quality of loans is as follows:

	2020			
	Stage 1	Stage 2	Stage 3	Total
	$'000	$'000	$'000	$'000
Loans receivable	15,803,546	231,153	549,868	16,584,567
Loss allowance	(197,253)	(211,029)	(248,869)	(657,151)
Carrying amount	15,606,293	20,124	300,999	15,927,416

	2019			
	Stage 1	Stage 2	Stage 3	Total
	$'000	$'000	$'000	$'000
Loans receivable	16,943,298	2,666	730,529	17,676,493
Loss allowance	(69,219)	(9)	(711,828)	(781,056)
Carrying amount	16,874,079	2,657	18,701	16,895,437

Notes to the Financial Statements (Continued)
March 31, 2020
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5. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iii) Impairment

Inputs, assumptions and techniques used for estimating impairment. See accounting policy at note 4(b)(vi).

Significant increase in credit risk

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

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due.

Credit risk grades:

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. The Bank uses these grades in identifying significant increases in credit risk under IFRS 9. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data:

- Data from credit reference agencies.
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.
- Payment record – this includes overdue status as well as a range of variables about payment ratios.
- Existing and forecast changes in business, financial and economic conditions.

Notes to the Financial Statements (Continued)
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5. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iii) Impairment (continued)

Significant increase in credit risk (continued)

Determining whether credit risk has been increased significantly:

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower.

Credit risk is deemed to increase significantly where the credit rating of a security decreased by more than 150 points and if past due between 30 and 90 days. Both quantitative as well as qualitative considerations are included in determining whether there has been a significant change in credit risk (SICR) for the financial instrument since origination. Included in the Bank's assessment of a SICR on facilities extended to individual counterparties are material decline in credit scores as follows:

Loan Types	Decline in Credit Scores
Cash Secured	-60%
Unsecured	-30%
Real Estate	-50%
Motor Vehicles	-40%

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist.

In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

Notes to the Financial Statements (Continued)
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5. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iii) Impairment (continued)

Significant increase in credit risk (continued)

Determining whether credit risk has been increased significantly (continued):

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Definition of default:

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance.

Notes to the Financial Statements (Continued)
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(expressed in Jamaica dollars unless otherwise indicated)

5. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iii) Impairment (continued)

Significant increase in credit risk (continued)

Determining whether credit risk has been increased significantly (continued):

The Bank established an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established on a group basis in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Loss allowance

The loss allowance recognised is analysed as follow: (*prepare for each category of financial asset*)

Loans receivable

	2020			
	Stage 1	Stage 2	Stage 3	Total
	$`000	$`000	$`000	$`000
Loans receivable				
Balance at April 1, 2019	(59,678)	(10)	(721,368)	(781,056)
Net remeasurement of loss allowance	197,252	122,057	(195,304)	124,005
Balance at March 31, 2020	137,574	122,047	(916,672)	(657,051)

	2019			
	Stage 1	Stage 2	Stage 3	Total
	$`000	$`000	$`000	$`000
Loans receivable				
Balance at April 1, 2018 (IAS 39)	-	-	(570,565)	(570,565)
Remeasurement on April 1, 2019 (IFRS 9)	(77,617)	(44)	(170,442)	(248,103)
Net remeasurement of loss allowance	17,938	34	19,640	37,612
Balance at March 31, 2019	(59,679)	(10)	(721,367)	(781,056)

	Stage 1	2019
	$`000	$`000
Debt securities		
Balance at April 1, 2019	(9,539)	-
Net remeasurement of loss allowance	-	(9,539)
Balance at March 31, 2020	(9,539)	(9,539)

Notes to the Financial Statements (Continued)
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5. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iii) Impairment (continued)

Significant increase in credit risk (continued)

Loss allowance (continued)

Other receivable

	2020		
	Stage 1	Stage 3	Total
	$`000	$`000	$`000
Other receivables			
Balance at April 1, 2019	(966)	(659)	(1,625)
Net remeasurement of loss allowance	(303)	-	(303)
Balance at March 31, 2020 (Note 19)	(1,269)	(659)	(1,928)

	2019		
	Stage 1	Stage 3	Total
	$`000	$`000	$`000
Other receivables			
Balance at April 1, 2018 (IAS 39)	-	-	-
Remeasurement on April 1, 2019 (IFRS 9)	(966)	(659)	(1,625)
Net remeasurement of loss allowance	-	-	-
Balance at March 31, 2019	(966)	(659)	(1,625)

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Bank formulates three economic scenarios: a base case, which is the median scenario assigned a 50% probability of occurring, and two less likely scenarios, one upside and one downside, each assigned a 20% and 30% respectively, probability of occurring. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in Jamaica.

The economic scenarios used as at March 31, 2020 assumed no significant changes in key indicators for Jamaica for the years ending March 31, 2021 to 2022.

For 2020, forward-looking information was incorporated in the ECL computation by use of a management overlay. Based on the economic scenario, a proxy of 0.6, 1.1 and 1.6 times ECL was determined to be appropriate for positive, stable and negative outlooks respectively.

Notes to the Financial Statements (Continued)
March 31, 2020
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5. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iii) Impairment (continued)

Significant increase in credit risk (continued)

Determining whether credit risk has been increased significantly (continued):

Measurement of ECLs

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD)

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

For loans secured by property, Loan-to-Value ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

5. Financial Risk Management (Continued)

(b) Credit risk (continued)

(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.

(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 (2019 - no collateral held).

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

Notes to the Financial Statements (Continued)
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5. 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:

	Loans receivable		Other receivables		Resale agreements	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Against neither past nor impaired financial assets:						
Property (land and buildings)	9,277,921	10,509,071	51,027	38,196	-	-
Debt securities	-	-		-	7,081,173	4,889,520
Motor vehicles	-	-	104,993	107,321	-	-
Other	-	-	76,062	70,644	-	-
Against past due but not impaired financial assets:						
Property (land and buildings)	-	2,160,088	-	-	-	-
Against past due and impaired financial assets:						
Property (land and buildings)	1,158,725	880,589	-	-	-	-

Notes to the Financial Statements (Continued)
March 31, 2020
(expressed in Jamaica dollars unless otherwise indicated)

5. 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 mainly 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.

	2020						
	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	446,928	1,454,045	11,850,446	3,025,107	3,996,433	20,772,959	20,772,959
Other liabilities	-	-	-	-	737,427	737,427	737,427
	446,928	1,454,045	11,850,446	3,025,107	4,733,860	21,510,386	21,510,386

	2019						
Liabilities							
Loans payable	354,813	1,464,958	1,112,216	13,503,903	2,532,185	18,968,075	18,968,075
Other liabilities	197,360	195	-	-	473,527	671,082	671,082
	552,173	1,465,153	1,112,216	13,503,903	3,005,712	19,639,157	19,639,157

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 (Continued)
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5. 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 (Continued)
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5. Financial 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.

	2020						
	Carrying amount				Fair value hierarchy		
	Amortised cost	FVOCI	Other Financial liabilities	Total	Level 1	Level 2	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at fair value:							
Quoted equity securities	-	237,387	-	237,387	237,387	-	237,387
Government of Jamaica securities	-	2,578,651	-	2,578,651	-	2,578,651	2,578,651
	-	2,816,038	-	2,816,038	237,387	2,578,651	2,816,038
Financial assets not measured at fair value:							
Government of Jamaica securities	189,872	-	-	189,872			
Unquoted equity securities*	212,058	-	-	212,058			
Resale agreements	7,095,295	-	-	7,095,295			
Cash and cash equivalents	1,222,674	-	-	1,222,674			
Other receivables	1,743,160	-	-	1,743,160			
Loans receivables	15,927,416	-	-	15,927,416			
Due from Government of Jamaica	772,142	-	-	772,142			
Due from Credit Enhancement Facility Fund	595,339	-	-	595,339			
	27,757,956	-	-	27,757,956			
Financial liabilities not measured at fair value:							
Loans payable	-	-	20,772,959	20,772,959			
Other	-	-	737,427	737,427			
	-	-	21,510,386	21,510,386			

* These are measured at cost, as the cost to determine fair value far outweighs the benefits.

The Bank 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 (Continued)
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5. Financial Risk Management (Continued)

(f) Fair value estimation (continued)

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

	2019						
	Carrying amount				Fair value hierarchy		
	Amortised Cost	FVOCI	Other Financial liabilities	Total	Level 1	Level 2	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at fair value:							
Units in unit trust	-	6,050	-	6,050	6,050	-	6,050-
Quoted equity securities	-	214,654	-	214,654	214,654	-	214,654
Government of Jamaica securities	-	2,606,904	-	2,606,904	-	2,606,904	2,606,904
	-	2,827,608	-	2,827,608	220,704	2,606,904	2,827,608
Financial assets not measured at fair value:							
Government of Jamaica securities	188,836	-	-	188,836			
Unquoted equity securities*	115,294	-	-	115,294			
Resale agreements	4,448,336	-	-	4,448,336			
Cash and cash equivalents	1,032,307	-	-	1,032,307			
Other receivables	262,240	-	-	262,240			
Loans receivable	16,862,793	-	-	16,862,793			
GOJ infrastructural programmes	7	-	-	7			
GOJ receivables	618,585	-	-	618,585			
	23,528,398	-	-	23,528,398			
Financial liabilities not measured at fair value:							
Loans payable	-	-	18,968,075	18,968,075			
Other	-	-	671,082	671,082			
	-	-	19,639,157	19,639,157			

* These are measured at cost, as the cost to determine fair value far outweighs the benefits.

The Bank 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 (Continued)
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5. 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. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument.

When measuring fair value of an asset or liability, the Bank 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.

Notes to the Financial Statements (Continued)
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5. Financial Risk Management (Continued)

(f) Fair value estimation (continued)

(ii) Measurement of fair values (continued):

Financial assets	Method
Government of Jamaica J$ securities and Bank of Jamaica securities	• Obtain bid yield from yield curve provided by a recognised pricing source (which uses market-supplied indicative bids) • Using this yield, determine price using accepted formula • Apply price to estimate fair value.

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

6. Critical Accounting Estimates and Judgements in Applying Accounting Policies

Use of judgements and estimates:

The preparation of the financial statements in conformity with IFRS requires management to make estimates and judgements that affect the selection of accounting policies and the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income, expenses, gains and losses for the period then ended. Actual amounts could differ from those estimates. The estimates and the assumptions underlying them, are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision and future periods if the revision affects both current and future periods. The critical judgements made in applying accounting policies and the key areas of estimation uncertainty that have the most significant effect on the amounts recognised in the financial statements, and or that have a significant risk of material adjustment in the next financial period, are as follows:

(i) Judgements:

For the purpose of these financial statements, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well- reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS. The key relevant judgements are as follows:

(1) Classification of financial assets:

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding requires management to make certain judgements on its business operations.

Notes to the Financial Statements (Continued)
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6. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Use of judgements and estimates (continued):

(i) Judgements (continued):

(2) Impairment of financial assets:

Establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL requires significant judgement.

(ii) Key assumptions concerning the future and other sources of estimation uncertainty:

Allowance for impairment losses:

In determining amounts recorded for impairment of financial assets in the financial statements, management makes assumptions in determining the inputs to be used in the ECL measurement model, including incorporation of forward-looking information. Management also estimate the likely amount of cash flows recoverable on the financial assets in determining loss given default. The use of assumptions make uncertainly inherent in such estimates.

Fair value of property, plant and equipment and investment property:

In making its judgement, management's best estimate of fair value is based on current prices of properties of similar nature, condition or location adjusted to reflect recent prices of similar properties in less active markets and changes in economic conditions since the dates of the last transaction or valuation.

Fair values of financial instruments

There are no quoted market prices for a significant portion of the Bank's financial instruments. Accordingly, fair values of such financial assets are estimated using prices obtained from a yield curve. That yield curve is, in turn, obtained from a pricing source which estimates the yield curve on the basis of indicative prices submitted by licensed banks and other financial institutions in Jamaica. There is significant uncertainty inherent in this approach which is categorised as a level 2 fair value; consequently, the estimates arrived at may be different from the actual price of the instrument in an actual arm's length transaction [see notes 5(f), and 13].

Notes to the Financial Statements (Continued)
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6. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Use of judgements and estimates (continued):

(ii) Key assumptions concerning the future and other sources of estimation uncertainty (continued):

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.

7. Net Interest Income

	2020 $'000	2019 $'000
Interest income, calculated using the effective interest method		
Loans and advances	925,804	993,755
Income from sugar loan agreement	55,207	50,614
Investment securities	205,273	195,412
Resale agreements	187,958	103,800
Deposits and other	5,773	4,734
	1,380,015	1,348,315
Interest expense		
Loans payable	(587,203)	(630,835)
Net interest income	792,812	717,480

Notes to the Financial Statements (Continued)
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8. Other Income

	2020	2019
	$'000	$'000
Administrative fees	12,710	17,187
Commitment fees	21,889	23,116
Dividend income	24,985	8,206
Impairment (loss)/recovery	(11,464)	22,849
Gain on disposal of property and equipment and investment property	2,226	2,907
Rental income	103,198	103,982
IDB Venture Capital Conference - income	-	14,603
IDB Venture Capital Conference - expense	-	(14,603)
Foreign exchange gains	691,517	-
Public Private Partnership and Privatisation – fees	48,332	90,903
Miscellaneous	98,418	145,451
	991,811	414,601

9. Staff Costs

	2020	2019
	$'000	$'000
Salaries and wages	480,630	422,422
Payroll taxes	29,727	27,340
Pension costs – defined benefit plans (Note 20)	2,318	18,839
Performance incentive bonus	37,557	31,250
Other	106,790	96,958
	657,022	596,809

Notes to the Financial Statements (Continued)
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10. Operating Expenses

	2020	2019
	$'000	$'000
Amortisation (note 21)	7,582	6,842
Advertising and public relations	29,571	34,301
Assistance to projects	6,039	5,967
Auditors' remuneration	5,871	5,819
Depreciation (note 22)	44,176	44,587
Directors' fees	1,530	1,473
Legal fees	189	2,766
Professional fees	43,317	46,489
Motor vehicle expenses	6,410	7,468
Occupancy costs – including insurance, utilities and repairs	149,769	141,464
Travelling	6,942	4,421
Discount on additional advances made to Harmonisation	27,232	1,577
Foreign exchange losses	-	146,001
Other	29,827	27,766
	358,455	476,941

11. Cash and Cash Equivalents

	2020	2019
	$'000	$'000
Cash	95	95
Deposits	1,222,579	1,032,212
	1,222,674	1,032,307

Net debt reconciliation

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

	2020	2019
	$'000	$'000
Cash and cash equivalents	1,222,674	1,032,307
Borrowings – repayable within one year (excluding overdraft)	(3,253,838)	(3,161,382)
Borrowings – repayable after one year	(17,497,256)	(15,806,693)
Net debt	(19,528,420)	(17,935,768)

Notes to the Financial Statements (Continued)
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11. Cash and Cash Equivalents (continued)

	2020	2019
	$'000	$'000
Cash and liquid investments	1,222,674	1,032,307
Gross debt – fixed interest rates	(20,751,094)	(18,968,075)
Net debt	(19,528,420)	(17,935,768

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

	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 31 March 2018	948,797	(2,893,534)	(17,032,267)	(18,977,004)
Cash flows	(24,117)	(267,848)	1,127,815	835,850
Foreign exchange adjustments	107,627	-	97,759	205,386
Other non-cash movements	-	-		
Net debt as at 31 March 2019	1,032,307	(3,161,382)	(15,806,693)	(17,935,768)
Cash flows	122,278	(92,456)	(1,919,396)	(1,889,574)
Foreign exchange adjustments	68,089	-	228,833	296,922
Net debt as at 31 March 2020	1,222,674	(3,253,838)	(17,497,256)	(19,528,420)

12. Resale Agreements

The Bank enters into collateralised resale 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 resale agreements is accrued interest receivable of $38,752,000 (2019: $14,643,000). At the reporting date, all agreements were collaterised by Government of Jamaica securities.

Included in resale agreements are securities with an original maturity of less than 90 days amounting to $7,056,543,000 (2019: $4,433,693,000) 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 $7,081,173,000 (2019: $4,889,520,000) at the reporting date.

Notes to the Financial Statements (Continued)
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13. Investment Securities

	Remaining term to maturity 2020					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific maturity	Carrying value
	$'000	$'000	$'000	$'000	$'000	$'000
Securities measured at amortised cost:						
Government of Jamaica	-	-	45,372	144,500	-	189,872
Securities designated at FVOCI						
Unquoted equities securities	-	-	-	-	212,058	212,058
Government of Jamaica bonds	-	-	-	2,578,651	-	2,578,651
Quoted equity securities	-	-	-	-	237,387	237,387
						3,217,968
Interest receivable						14,067
						3,232,035

	Remaining term to maturity 2019					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific maturity	Carrying value
	$'000	$'000	$'000	$'000	$'000	$'000
Securities measured at amortised cost:						
Government of Jamaica	-	-	46,036	142,800	-	188,836
Securities designated at FVOCI						
Unquoted equities securities	-	-	-	-	115,294	115,294
Units in unit trust	-	-	-	-	6,050	6,050
Government of Jamaica bonds	-	-	-	2,606,904	-	2,606,904
Quoted equity securities	-	-	-	-	214,654	214,654
						3,131,738
Interest receivable						12,931
						3,144,669

(a) National Debt Exchange

Government of Jamaica ("GOJ") bonds include $136,000,000 (2019:136,000,000) 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.

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13. Investment Securities (continued)

(a) National Debt Exchange (continued)

(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).

14. Investment Property

	2020 $'000	**2019 $'000**
Balance at beginning of year	699,189	638,971
Disposals	(16,589)	-
Fair value gains	250,000	60,218
Balance at end of year	932,600	699,189
Land at Drax Hall, St. Ann	-	16,589
Manor Park apartment, Kingston - rented	32,600	32,600
21 Dominica Drive, Kingston, rented	900,000	650,000
	932,600	699,189
Income earned from the properties	66,206	64,035
Expenses incurred by the properties	(10,695)	(10,695)

The properties held are stated at fair value as determined by professional property valuers, Real Property Appraisers and Allison Pitter and Co., Chartered (Valuation) Surveyors and were last revalued in June 2019 and March 2020 respectively on the basis of an open market valuation.

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

Valuation techniques	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Market based approach: The approach is based on the principle of substitution whereby the purchaser with perfect knowledge of the property market pays no more for the subject property than the cost of acquiring an existing comparable property, assuming no cost delay in making the substitution. The approach requires comparison of the subject property with others of similar design and utility, inter alia, which were sold in the recent past. However as no two properties are exactly alike, adjustment is made for the difference between the property subject to valuation and comparable properties.	• Details of the sales of comparable properties. • Conditions influencing the sale of the comparable properties. • Comparability adjustment.	The estimated fair value would increase/(decrease) if: • Sale value of comparable properties were higher/(lower). • Comparability adjustment were higher/(lower).

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15. Investment in Associates

	2020	2019
	$'000	$'000
Ordinary shares, at cost	250	250
Advances and related accrued interest receivables (i)		
Original advances	1,519,485	1,433,960
Additional advances	89,300	85,525
Reimbursements	(61,575)	-
Gross amount receivables	1,547,210	1,519,485
Unaccreted imputed interest (ii)		
Opening discount	(308,690)	(308,675)
Discount on additional advances	(15)	(15)
Total discounts	(308,705)	(308,690)
Accretion in previous years	115,145	78,990
Unaccreted interest carried forward	(193,560)	(229,700)
Present value of amount receivable	1,353,900	1,290,035
Share of losses		
At beginning of year	(211,955)	(150,832)
Loss recognised during the year	(20,537)	(61,123)
At end of year	(232,492)	(211,955)
	1,121,408	1,077,830

(i) In 2009, 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.

Notes to the Financial Statements (Continued)
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15. Investment in Associates (continued)

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

Summary financial information on the associated companies:

	2020	2019
	$'000	$'000
Current assets	358,237	351,370
Non-current assets	2,349,344	2,350,483
Current liabilities	11,999	13,518
Non-current liabilities	3,363,703	3,333,131
Revenue	15,839	15,802
Loss from continuing operations	(13,149)	(124,945)

16. Loans Receivable, Net of Provision for Credit Losses

	2020	2019
	$'000	$'000
Direct loans to end users	3,848,090	4,441,791
Financial and agricultural institutions loans	12,079,326	12,453,639
Government of Jamaica Infrastructure Loan Programme	-	7
	15,927,416	16,895,437

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
					2020	2019
Loans receivable	98,122	300,936	2,073,653	1,611,365	4,084,076	4,816,226
Interest receivable					127,515	143,877
					4,211,591	4,960,103
Less allowance for ECL					(363,501)	(518,312)
					3,848,090	4,441,791

The loans bear interest at rates ranging from 4% - 13% (2019: 4% - 10%) per annum.

Notes to the Financial Statements (Continued)
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16. Loans Receivable, Net of Provision for Credit Losses (continued)

Financial and agricultural institutions loans:

	2020	2019
	$'000	$'000
Loans to financial institutions	12,041,892	12,206,891
Interest receivable	3,366	18,633
	12,045,258	12,225,524
Loans to National People's Co-operative Banks	326,575	489,688
Interest receivable	1,143	1,171
	327,718	490,859
	12,372,976	12,716,383
Less allowance for ECL	(293,650)	(262,744)
	12,079,326	12,453,639

Government of Jamaica Infrastructural Loan Programme

	2020	2019
	$'000	$'000
Loan amount	-	7
Interest receivables	177,431	177,431
	177,431	177,438
Less allowance for write down	(177,431)	(177,431)
	-	7

Allowance for ECL

	2020	2019
	$'000	$'000
At the beginning of the year	781,056	570,565
Add ECL based on IFRS 9	372,744	248,103
Reversed during the year	(496,649)	(37,612)
At end of year	657,151	781,056

Notes to the Financial Statements (Continued)
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17. Due from Government of Jamaica

Due from Government of Jamaica Privatisation

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

	Net recoverable/ (payable)	Amount advanced	Proceeds collected	Net recoverable/ (payable)
	$'000	$'000	$'000	$'000
	2019			2020
Projects in progress	142,972	48,125	(31,758)	159,339
Projects completed	(79,941)	-	-	(79,941)
Others	(7,078)	-	-	(7,078)
	55,953	48,125	(31,758)	72,320

Due from Government of Jamaica- Other:

(a) Note receivable:

GOJ signed an agreement dated September 20, 2011 with the Bank under which GOJ assumed certain loans owed to the Bank by three GOJ-owned sugar companies. GOJ issued a non-interest bearing promissory note to the Bank 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:

	2020	2019
	$'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 27(g)]	659,112	659,112
Principal portion repaid in instalments received to date	(618,073)	(572,863)
Carrying amount	41,039	86,249

Exchange losses on loans:		
(i) Caribbean Development Bank loans:		
Unrealised	492,024	400,967
Realised	38,754	38,753
	530,778	439,720
(ii) European Community Bank loans – realised (Note 23)	68,885	58,640
(iii) Other loans - unrealised	59,120	64,271
	658,783	562,631
	699,822	648,880

Notes to the Financial Statements (Continued)
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18. 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:

	2020	2019
	$'000	$'000
Assets -		
Investments	1,558	131,357
GOJ Global Bonds	153,736	213,469
Resale agreements	359,079	22,890
Cash at bank	71,911	13,591
Receivables	9,055	126,150
	595,339	507,457
Fund capital, reserve and liability -		
Fund capital	250,000	250,000
Accumulated profit	327,088	243,881
	577,088	493,881
Payables	18,251	13,576
	595,339	507,457

	2020	2019
	$'000	$'000
Profit for the year	83,207	18,325

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19. Other Receivables

	2020	2019
Amortised cost:	**$'000**	**$'000**
Privatization success fee (i)	1,471,949	1,384,641
Other receivables	39,897	39,035
World Bank receivables	18,097	35,980
Prepayments	22,061	17,699
Staff loan receivables	193,085	171,152
NIBJ recoveries	479,314	479,314
Impairment of NIBJ recoveries	(479,314)	(479,314)
Less ECL on staff loan receivables [note 5(b)]	(1,929)	(1,626)
	1,743,160	1,646,881

(i) This represents success fee receivable from the privatization transaction of Norman Manley International Airport as follows:

	$'000 2020	$'000 2019
Amount receivable at beginning of year	1,384,641	-
Total fees	-	1,925,977
Amount received during period	(36,278)	-
Foreign exchange adjustment	173,000	-
Amount discounted	(49,414)	(541,336)
Amount receivable as year-end	1,471,949	1,384,641

The amount is receivable over a ten-year period and is therefore being discounted at 6.5%, to arrive at the net present value, being our opportunity cost.

20. Employee Benefits Asset

(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 an insurance 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.

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20. Employee Benefits Asset (Continued)

(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.

(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 amounts recognised in the statement of financial position are determined as follows:

	2020 $'000	2019 $'000
Present value of funded obligations	(1,803,816)	(1,592,802)
Fair value of plan assets	2,221,196	2,053,203
Assets in the statement of financial position	417,380	460,401

The movement in the defined benefit obligation over the year is as follows:

	2020 $'000	2019 $'000
Balance at beginning of year	1,592,802	1,484,335
Current service cost	38,482	43,382
Interest cost	111,857	113,717
Remeasurement - experience losses	127,337	(25,644)
Members' contributions	15,677	14,068
Benefits paid	(82,339)	(37,056)
Balance at end of year	1,803,816	1,592,802

Notes to the Financial Statements (Continued)
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20. Employee Benefit Assets (Continued)

The movement in the fair value of assets during the year is as follows:

	2020 $'000	2019 $'000
Balance at beginning of year	2,053,203	1,723,806
Interest income	142,306	129,482
Remeasurement -		
Return on plan assets, excluding amounts included in interest income	66,209	194,683
Contributions	51,367	48,073
Benefits paid	(82,339)	(37,056)
Administrative expenses	(9,550)	(5,785)
Balance at end of year	2,221,196	2,053,203

Plan assets are comprised as follows:

	2020 Total $'000	%	2019 Total $'000	%
Unitised investments	66,769	3.0	72,080	3.5
Government of Jamaica bonds	944,787	42.5	881,428	42.9
Corporate bonds	229,019	10.3	152,047	7.4
Resale agreements and CDs	111,578	5.0	34,256	1.7
Real estate	134,754	6.1	129,433	6.3
Quoted equities	729,852	32.9	761,979	37.1
Net current assets	4,437	0.2	21,980	1.1
	2,221,196	100	2,053,203	100

The amounts recognised in profit or loss is as follows:

	2020 $'000	2019 $'000
Current service cost	23,217	28,819
Interest costs	111,857	113,717
Interest income	(142,306)	(129,482)
Administrative expenses	9,550	5,785
Total, included in staff costs (Note 9)	2,318	18,839

Notes to the Financial Statements (Continued)
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20. Employee Benefit Assets (Continued)

Amounts recognised in other comprehensive income:

	2020 $'000	2019 $'000
Remeasurement of funded obligation	(127,337)	25,644
Remeasurement on plan assets	66,209	194,683
	(61,128)	220,327

Movements in the amounts recognised in the statement of financial position:

	2020 $'000	2019 $'000
Assets at beginning of year	460,401	239,471
Amounts recognised in profit or loss in the statement of comprehensive income	(2,318)	(18,839)
Amounts recognised in other comprehensive income	(61,128)	220,327
Contributions paid	20,425	19,442
Assets at end of year	417,380	460,401

The significant actuarial assumptions used were as follows:

	2020	2019
Discount rate	6.5%	7.0%
Future salary increases	3.5%	3.5%
Expected pension increase	1.5%	1.5%

The estimated pension contributions expected to be paid into the plan during the next financial year is $51,367,000 (2019 - $48,073,000).

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.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on post-employment obligations			
	2020		2019	
	0.5% Increase in Assumption $'000	0.5% Decrease in Assumption $'000	0.5% Increase in Assumption $'000	0.5% Decrease in Assumption $'000
Discount rate	(1,706,212)	1,915,956	(1,510,260)	1,685,511
Future salary increases	1,826,831	(1,782,502)	1,612,809	(1,574,186)
Expected pension increase	1,887,960	(1,728,580)	1,662,730	(1,529,057)

Notes to the Financial Statements (Continued)
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20. Employee Benefit Assets (Continued)

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 obligation 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.

21. Intangible Assets

	Computer Software $'000
At Cost -	
At 1 April 2018	50,290
Additions	1,207
At 31 March 2019	51,497
Additions	6,099
At 31 March 2020	57,596
Amortisation -	
At 1 April 2018	27,348
Charge for the year	6,842
At 31 March 2019	34,190
Charge for the year	7,582
At 31 March 2020	41,772
Net Book Value –	
31 March 2020	15,824
31 March 2019	17,307
31 March 2018	22,942

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22. Property, Plant and Equipment

	Freehold Land and Buildings $'000	Furniture, fixtures, plant and equipment $'000	Motor Vehicles $'000	Computer Equipment $'000	Total $'000
Cost/Valuation					
At 1 April 2018	983,595	249,462	45,622	77,856	1,356,535
Additions	590	8,776	-	12,712	22,078
Disposals	(5,250)	(263)	(2,523)	(492)	(8,528)
Revaluation	59,824	-	-	-	59,824
At 31 March 2019	1,038,759	257,975	43,099	90,076	1,429,909
Additions	713	12,632	-	20,103	33,448
Disposals	-	-	(9,667)	(3,350)	(13,017)
Revaluation	446,799	-	-	-	446,799
Effects of movements in exchange rates	931	-	-	-	931
At 31 March 2020	1,487,202	270,607	33,432	106,830	1,898,070
Accumulated Depreciation -					
At 31 March 2018	130,639	193,418	28,449	51,632	404,138
Charge for the year	16,441	10,952	6,277	10,917	44,587
Disposals	(1,782)	(213)	(2,523)	(62)	(4,580)
At 31 March 2019	145,298	204,157	32,203	62,487	444,145
Charge for the year	15,235	10,229	4,285	14,427	44,176
Disposals	-	-	(8,698)	(3,350)	(12,048)
At 31 March 2020	160,533	214,386	27,788	73,565	476,273
Net Book Value -					
31 March 2020	1,326,669	56,221	5,644	33,265	1,421,797
31 March 2019	893,461	53,818	10,896	27,589	985,764
31 March 2018	852,956	56,044	17,173	26,224	952,397

The Bank's freehold land and buildings, with a historical cost of $96,116,000 (2019: $96,116,000), were revalued in June 2019 and March 2020 on the basis of an open market valuation, determined by independent professional property valuers. The excess of valuation over the carrying value of freehold land and buildings of $446,797,000 (2019: $59,824,000) has been credited to other comprehensive income (included in revaluation reserve) [Note 27(e)].

The fair value of freehold land and buildings has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 14 also).

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23. Loans Payable

		Interest Rate	31 March 2019	New Loans/ Adjustments	Transaction Costs/ Repaid	Exchange differences/ Interest Capitalised	31 March 2020
		%	$'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%	1,244,534	-	-	79,745	1,324,279
(iii)	MOA – Dairy Sector	-	110,078		(150)	-	109,928
(iv)	MOF Advance	-	1,945	-	-	-	1,945
(v)	GOJ – Citrus Growers	-	60,000	-	-	-	60,000
(vi)	World Bank Energy						
	(1) MOF&P – US$1.9M loan	2.70%	159,285	-	(25,678)	10,619	144,226
	(2) MOF&P – US$1.3M loan	6.00%	409,729	-	-	-	409,729
(vii)	MOF&P (FCGP) – J$2.4B loan	4.00%	2,357,668	198,084	(96,232)	-	2,459,520
(viii)	IDB Climate Change Adaption		231,842	96,013	-	-	327,855
	Total GOJ loans		4,575,201	294,097	(122,060)	90,364	4,837,602

Notes to the Financial Statements (Continued)
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23. Loans Payable (Continued)

	Interest Rate	31 March 2019	New Loans/ Adjustments	Write-Off	Transaction Costs/ Repaid	Exchange differences/ Interest Capitalised	31 March 2020
	%	$'000	$'000	$'000	$'000	$'000	$'000
(b) Direct Borrowing							
(ix) IBRD US$P.I.E.D. Line of Credit	2.82%	78,261	-	-	-	5,015	83,276
(x) Caribbean Development Bank 2002/2020:							
26ORJ	3.80%	855,736	-	-	(231,147)	58,336	682,925
11SFR/ORJ	2.50%	191,814	-	-	(15,950)	28,240	204,104
20SFR/ORJ	2.50%	986,435	-	-		62,816	1,049,251
(xi) European Community	1.00%	69,194	-	-	(10,004)	4,192	63,382
(xii) European Investment Bank							
- Loan I	7.00%	372,633	-	-	(187,665)	-	184,968
- Loan II	6.56%	740,380	(33)	-	(295,880)	-	444,467
(xiii) NHT Surehop	-	8,876	-	(8,876)		-	-
(xiv) GOJ NIF	4.00%	246,696	-	-	(145,734)	-	100,962
Balance c/f – Direct borrowing		3,550,025	(33)	(8.876)	(886,380)	158,599	2,813,335

Notes to the Financial Statements (Continued)
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23. Loans Payable (Continued)

	Interest Rate	31 March 2019	Net interest payable movement	New Loans/ Adjustments	Write-Off	Transaction Costs/ Repaid	Exchange differences /Interest Capitalised	31 March 2020
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
(b) Direct Borrowing (continued)								
Balance b/f – Direct borrowing		3,550,025	-	(33)	(8,876)	(886,380)	158,599	2,813,335
(xv) Petro Caribe Loan:								
(i) US$31.0M loan	3.00	2,894,351	-		-	(295,949)	118,794	2,717,196
(2) US$40.0M loan	2.50	6,878,281				(662,656)	441,530	6,657,155
(3) US$10M Loan	3.00	-		1,329,081			16.619	1,345,700
(4) J$1.3B Loan	4.00	-	-	1,331,077	-			1,331,077
Total direct borrowing		13,322,657	-	2,660,125	-	(1,844,985)	735,542	14,864,463
Total loans payable		17,897,858	-	2,954,222	(8,876)	(1,967,045)	825,906	19,702,065
Interest payable		1,070,217	-	582,331	(1,105)	(618,986)	38,437	1,070,894
		18,968,075	-	3,536,553	(9,981)	(2,586,031)	864,343	20,772,959

Analysis between current and non-current portions

	2020 $'000	2019 $'000
Portion due for repayment within a year of the reporting date	2,872,179	3,161,382
Portion payable thereafter	17,900,780	15,806,693
Total loans payable	20,772,959	18,968,075

Notes to the Financial Statements (Continued)
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23. 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 Bank by the Ministry of Finance and Planning ("MOF& P"). The loans which are covered by the agreement were on-lent to the Bank (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 Bank 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 Bank 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, 2020, the financial position of the Bank disclosed a ratio of 1.53:1 (2019 – 1.6:1).

(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 Bank does not pay interest on the loan, and does not charge interest on the amount on-lent.

(iv) This advance from the GOJ is interest free with no stated repayment date.

(v) 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 Bank on the amount on-lent.

(vi) (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 Bank. 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.

(2) Loan amount of US$409,229 million was drawn down as part of 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.

(vii) 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 Planning Institute of Jamaica (PIOJ) is the project execution unit; the Bank carries out the credit functions for small medium enterprises (SME's). The GOJ bears the foreign exchange risk on the loan.

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23. Loans Payable (Continued)

(a) Government of Jamaica (continued)

(viii) This loan from the Inter-American Development Bank (IDB) was on-lent to JN Small Business Limited to enhance their Climate Change Adaption Programme. No interest is charged on the Loan. This loan is to be repaid to the GOJ by JN Small Business Loans Limited in 2020.

(b) Direct borrowings

(ix) 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 Bank 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 Bank and the MOF&P.

(x) These loans, negotiated by the Bank, 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 loan, the exchange risk on which is borne by the Bank.

(xi) 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 Bank 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

(xii) 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 2021. 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.

(xiii) 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 Bank, 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 Bank. The loan with written off during the year, in agreement with NHT.

(xiv) 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.

Notes to the Financial Statements (Continued)
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23. Loans Payable (Continued)

(b) Direct borrowings (continued)

(xvi) (1) 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.

(2) This represents the balance of amounts draw down under a loan fromPetroCaribe 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.

24. Other Liabilities

	2020	2019
	$'000	$'000
Due to related entities*	166,832	160,557
Accrued charges	115,214	90,478
Statutory deductions	7,698	7,533
Other	447,683	412,514
	737,427	671,082

*Amounts due to related parties are unsecured, interest-free and have no set repayment terms.

25. Share Capital

	2020	2019
	$'000	$'000
Authorised -		
1,757,539,000 Ordinary shares at no par value		
Issued and fully paid -		
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.

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26. Capital Reserves

	2020	2019
	$'000	$'000
Funds for capital (a)	1,179,817	1,179,817
Government subvention (b)	83,180	83,180
Self-Supporting Farmers Development Programme (c)	15,941	15,941
Capital grants (d)	7,106	7,779
Other capital reserves – NIBJ (e)	139,336	139,336
Capital distribution	(212,619)	(212,619)
	1,212,761	1,213,434

(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 Bank's lending programmes.

(b) Government subvention

This represents the Government of Jamaica contribution to the Bank, of funds received from the Canadian International Development Agency.

(c) Self-Supporting Farmers Development Programme

This represents the balance of amounts recovered by the Bank and capitalised as equity under the terms of the agency agreement.

Under the terms of an Agency Agreement, dated May 27, 1982, between the Bank 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 Bank.

(ii) The portfolio be analysed and administered by the Bank. 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 Bank and such recoveries be employed in carrying out the functions of the Bank including the granting of loans direct to farmers for agricultural purposes only.

The portfolio of SSFDP previously administered by the Bank 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 (Continued)
March 31, 2020
(expressed in Jamaica dollars unless otherwise indicated)

26. Capital Reserves (Continued)

(d) Capital grants

	2020	2019
	$'000	$'000
At beginning of year	7,779	8,326
Less: Amortised during the year	(673)	(547)
At end of year	7,106	7,779

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.

27. Other Reserves

	2020	2019
	$'000	$'000
Fair value reserve (a)	32,500	281,045
General reserve – Equalisation Fund (b)	957,597	957,597
Revenue reserve (c)	2,539,391	2,539,391
Special reserve (d)	3,123	3,123
Revaluation (e)	1,340,302	893,503
Credit Enhancement Facility Fund reserve (f)	577,088	493,881
Technical assistance reserve (g)	253,374	222,103
Employee benefits reserve (h)	70,367	131,495
	5,773,742	5,522,138

(a) **Fair value reserve**

This represents unrealised gain in fair value of securities classified at FVOCI made up as follows:

	2020	2019
	$'000	$'000
At beginning of year	281,045	260,442
Transitional adjustment of adoption of IFRS 9	-	9,539
(Loss)/gain on GOJ Bonds during the year	(248,545)	11,064
At end of year	32,500	281,045

Notes to the Financial Statements (Continued)
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(expressed in Jamaica dollars unless otherwise indicated)

27. Other Reserves (Continued)

(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 Bank. 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 Bank transferred $250 million from this reserve to the Credit Enhancement Facility Fund during 2010, which was used as start up capital for the Fund.

(d) **Special reserve**

The maintenance of this reserve was a requirement of a lending agreement between the Bank 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. The loan was repaid and no further transfers are being made.

(e) **Revaluation reserve**

This represents unrealised surplus on the revaluation of land and buildings.

(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:

	2020 **$'000**	**2019** **$'000**
Fund capital	250,000	250,000
Accumulated profit transferred - at beginning of year	243,881	225,556
- for the year (Note 18)	83,207	18,325
- at end of year	327,088	243,881
Total of Fund (Note 18)	577,088	493,881

Notes to the Financial Statements (Continued)
March 31, 2020
(expressed in Jamaica dollars unless otherwise indicated)

27. 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 Bank, as set out in note 17(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.

	2020	2019
	$'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	560,944	367,554
- During year	158,448	193,390
- To date	719,392	560,944
Gross accumulated resources at end of year	1,378,504	1,220,056
Utilised - Previously	(997,953)	(759,122)
- During year	(127,177)	(238,831)
- To date	(1,125,130)	(997,953)
Net at end of year	253,374	222,103

(h) Employee benefits asset reserve

This represents the cumulative changes in the employee benefits asset recognised in other comprehensive income.

28. Dividends

	2020	2019
	$'000	$'000
Interim dividends -		
3.54 cents per stock unit – September 27, 2018	-	62,260
1.70 cents per stock unit – September 30, 2019	30,000	
	30,000	62,260

Notes to the Financial Statements (Continued)
March 31, 2020
(expressed in Jamaica dollars unless otherwise indicated)

29. 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 group (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 group 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)

(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) and;

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Bank or the parent of the Bank.

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.

(b) Related party transactions

The following transactions were carried out with government related entities and associated companies:

	2020 $'000	**2019 $'000**
Government related entities		
(i) Other income		
Rental	95,064	99,444
Administrative fees	10,817	15,866
(ii) Privatization success fee	-	1,925,977
Discount on financial asset	49,414	541,336

Notes to the Financial Statements (Continued)
March 31, 2020
(expressed in Jamaica dollars unless otherwise indicated)

29. Related Party Transactions and Balances (Continued)

(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.

	2020 $'000	2019 $'000
Salaries and other short- term employee benefits	133,173	117,751
Statutory payroll contributions	7,045	5,625
Pension benefits	4,260	4,215
	144,478	127,591
Directors' emoluments:		
Fees	1,530	1,473
Management remuneration (included above) – current year	21,836	20,984

(d) Related party balances

	2020 $'000	2019 $'000
Associated companies:		
(i) Loans	1,227,291	1,199,565
(ii) Interest receivable	319,918	354,790
Key management personnel:		
(i) Staff receivables	38,174	21,017
Government related entities:		
(i) Loans receivable	68,623	99,937
(ii) Other receivable	2,098,613	1,990,815

Investment in Related Entities

	2020 $'000	2019 $'000
Caribbean Mezzanine Fund	201,855	109,115
CariCRIS	6,728	6,178

30. Commitments and Contingencies

(a) As at 31 March 2020, there were outstanding loan commitments to disburse totalling approximately J$120 million and US$19.8 million (2019 - J$688.4 million and US$3.8 million).

(b) The Bank had capital commitments, in respect of projects being undertaken, totalling approximately $11.5 million (2019 - $1.4 million).

Notes to the Financial Statements (Continued)
March 31, 2020
(expressed in Jamaica dollars unless otherwise indicated)

30. Commitments and Contingencies (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.

31. Impact of COVID-19 on the operations of the Bank

The World Health Organization declared the Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020 and the Government of Jamaica declared the island a disaster area on March 13, 2020. The pandemic and the measures to control its human impact have resulted in disruptions to economic activity, business operations and asset prices.

In an effort to reduce the impact of COVID 19 on its operations, the Bank implemented several measures, some of which are:

(i) Employees were resourced with technologies enabling them to work from home and where employees had to visit the office, the necessary sanitation and other protocols were put in place.

(ii) The Bank facilitated a two (2) month moratorium on interest and principal to direct loan clients (largely BPO developers) with interest being capitalized and the tenure of the loans extended.

To allow sub-borrowers some relief, the Bank reduced its interest rate charged on existing loans to the Approved Financial Institutions (AFIs) by 0.75% for 2 months (April and May 2020) on the condition that this reduction be passed on to the sub-borrowers.

To make the CEF more attractive to AFIs, in meeting the needs of Micro, Small Medium Enterprises (MSMEs) during this period, several improved adjustments were offered for one year only - the 2020/21 financial year.

The Bank also encouraged the MSMEs experiencing challenges to get in touch with their bankers early to discuss the challenges and not to wait until their loans go into arrears.

The Bank has grant funding available under its Voucher for Technical Assistance programme to update business and marketing plans and acquire software among other services through the approved Business Development Organisations. The Board of Directors is available to provide the necessary business support to the MSME community during this time.

NOTES

Development Bank
of Jamaica Limited

Facilitating economic growth and development

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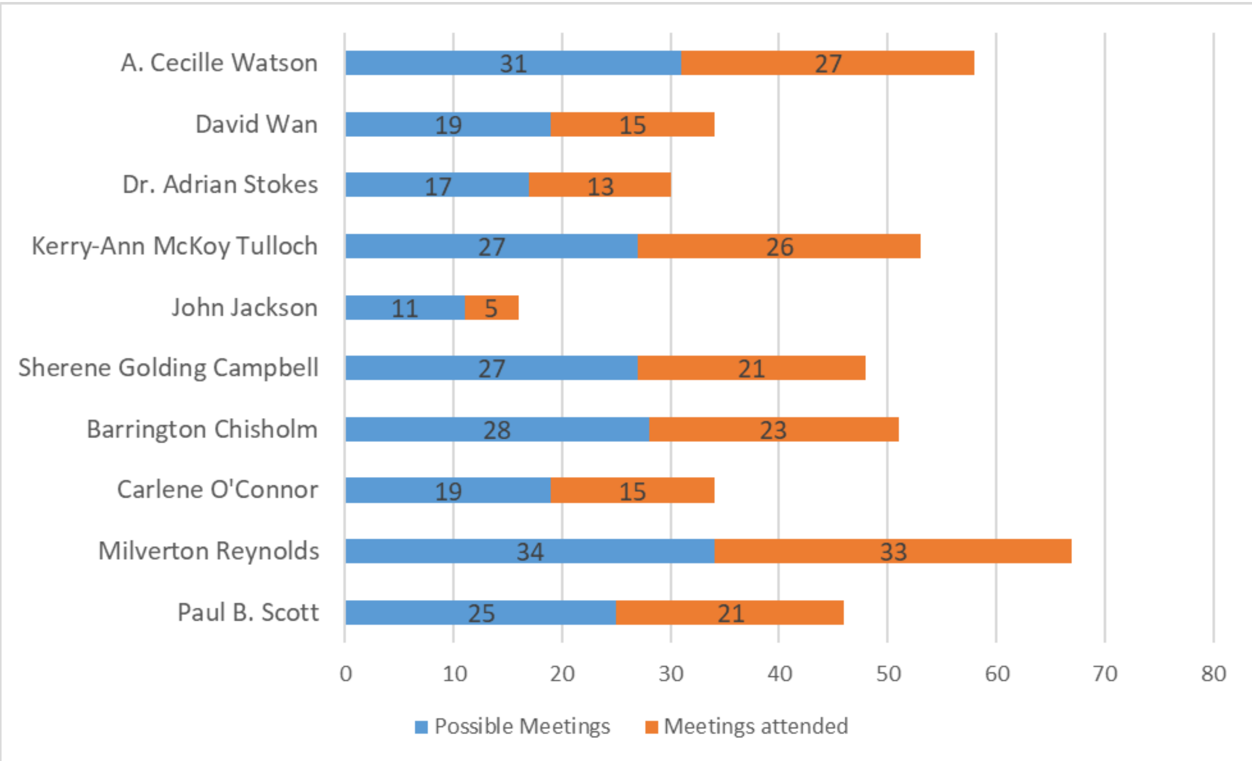
Erratum Page 97

The Board and its sub-Committees participated in a combined 34 meetings with an average attendance of seven directors for board meetings. The attendance record of each director for the Board and sub-Committees meetings held during the financial year 2019/2020 is listed at Table 1:

Meeting Type	Board of Directors	Audit & Corporate Governance Committee (ACGC)	Enterprise Risk Management Committee (ERM)	HR & Compensation Committee	Investment, Finance & Loans (IFLC) Committee
Meetings Held	**13**	**6**	**4**	**3**	**8**
Directors					
Paul B. Scott	11	1[1]	n/a	2	7
Milverton Reynolds	13	5	4	3	8
Carlene O'Connor	9	6	n/a	n/a	n/a
Barrington Chisholm	12	n/a	2	3	6
Sherene Golding Campbell	12	3	3	n/a	3[2]
John Jackson[3]	2	3	n/a	n/a	0
Kerry-Ann McKoy Tulloch[4]	13	n/a	4	2	7
Dr. Adrian Stokes	9	n/a	4	n/a	n/a
A. Cecille Watson	11	3[5]	4	3	6
David Wan	9	6	n/a	n/a	5[6]

Directors' Overall Attendance

This is the possible meetings for each director (inclusive of sub-Committees) to meetings attended by the Director for the year 2019/2020 shown at Figure 4.



[1] Mr. Scott is an invitee to review the Draft Audited Financial Statements for the Financial Year 2018/2019
[2] Mrs. Golding Campbell was appointed to the Investment, Finance & Loans sub-Committee with effect September 2019
[3] Mr. Jackson resigned from the Board effective September 12, 2019
[4] Mrs. McKoy Tulloch was appointed to the HR & Compensation November 28, 2019
[5] Ms. Watson was appointed to the Audit & Corporate Governance Committee with effect September 2019
[6] Mr. Wan is an invitee to the IFLC and is a non-voting member