Development Bank of Jamaica Limited

Facilitating economic growth and development

JAMAICA 60

Re-igniting a Nation for Greatness

ANNUAL REPORT 2021 - 2022

VISION

By 2025, the 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.

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.

PROFESSIONALISM

INTEGRITY

ACCOUNTABILITY

INNOVATION

BACKGROUND

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

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

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

IN

BOARD OF DIRECTORS

**Milverton Reynolds retired as the DBJ's Managing Director on March 31, 2022. He was replaced by Anthony Shaw.*

PAUL B.
SCOTT
CHAIRMAN

MILVERTON
REYNOLDS*
MANAGING DIRECTOR

BARRINGTON
CHISHOLM

SHERENE
GOLDING CAMPBELL

ALOK
JAIN

KERRY-ANN
MCKOY TULLOCH

CARLENE
O'CONNOR

DR. ADRIAN
STOKES

A. CECILE
WATSON

SHELLY-ANN
THOMPSON
COMPANY SECRETARY

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 Chairman of Seprod Limited and General Accident Insurance Company; and serves as a director of several other local companies and organisations 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 his contribution to business development in Jamaica and the Caribbean.

MILVERTON REYNOLDS, CD

MANAGING DIRECTOR

Mr. Reynolds has been the Managing Director of the Development Bank of Jamaica since January 2007. He has been a management executive in financial institutions in both the public and private 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 and Credit Rating Services Limited) among others. In October 2015, he received a national award – Jamaica's 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 the Chairman of National Insurance Fund (NIF) Resort Management Company Limited: Melia Braco Hotel; National Chest Hospital; Hope Institute; Sir John Golding Hospital; and Barana Limited. He is also Member, Supervisory Appeals Board (Banking Services Act 2014) and a Trustee of Elsie Bemand Home.

SHERENE GOLDING CAMPBELL

Mrs. Campbell is the principal attorney at Golding Campbell & Associates, Attorneys-at-Law, where her practice focuses on corporate and commercial matters. She is an experienced Supreme Court-certified mediator and acts as a member of quasi-judicial panels in the public service system and an arbitrator in private commercial disputes. She holds a Juris Doctor from Georgetown University, a Master of Science from Rutgers University and a Bachelor of Science from Howard University. Mrs. Campbell serves as a government member in the Senate.

ALOK JAIN

Mr. Jain, a Chartered Accountant and a CFA Charterholder, has been a Consultant to the Prime Minister of Jamaica since January 2020, advising on various matters of national policy as well as conceptualizing and driving implementation of certain priority projects. He previously spent over 28 years in the accountancy profession holding a number of senior roles, the most recent being Regional Advisory Services Leader at PricewaterhouseCoopers in the Caribbean. He has extensive experience in audits, valuations, going public, mergers and acquisitions, capital restructuring and public-private partnerships. He is the Chairman of the Port Authority of Jamaica and serves as a Director on the boards of Mayberry Investments Limited, TransJamaican Highway Limited, Stratus Alternative Funds SCC, and Bermudez Group Limited.

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. Additionally, she 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 Deputy Financial Secretary (Public Enterprises Division) in the Ministry of Finance and the Public Service, a director of the board of Air Jamaica Ltd./Air Jamaica Holdings and a director of the Public Accountancy Board.

DR. ADRIAN STOKES

Dr. Adrian Stokes is the CEO of Quantas Capital, a recently formed Alternative Asset Management Company. He has significant experience in Investment Management, Product Development, Corporate Strategy, and Risk Management. He holds a Ph.D. in International Finance, and a master's in Economics.

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.

THE 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
Project, Product, Programme Execution (PMO)

EDISON
GALBRAITH
General Manager, Channels, Relationships and Marketing

SHERON
HENRY
General Manager, Legal Services

GEORGIA
MUNROE
General Manager, Risk & Compliance

DEBORAH
NEWLAND
General Manager, Strategic Services

DOROTHEA
SIMPSON
General Manager, Finance & Treasury

DELANO
WALTERS
General Manager, Management Information Systems

DAVID
WAN
General Manager, Credit Enhancement Facility

YVONNE
WILLIAMS
General Manager, Human Resources & Administration

CLAUDETTE
WHITE**
Manager, Corporate Communication & Public Relations

NOTE

**Milverton Reynolds retired as the DBJ's Managing Director on March 31, 2022. He was replaced by Anthony Shaw, who assumed the position on April 1, 2022.*

***Claudette White is not a General Manager. She sits on the Management Team by virtue of the position she holds.*

****The company underwent a restructuring exercise which resulted in the removal of Micro Finance Services.*

CHAIRMAN & MANAGING DIRECTOR'S REPORT

THE DBJ: PARTNERING WITH THE JAMAICAN BUSINESS COMMUNITY

During the 2021/22 Financial Year, the DBJ continued to provide opportunities to all Jamaicans, regardless of their social strata, to improve their quality of life through loans, capacity development, technical assistance programmes, collateral support, and public-private partnerships and privatisation.

As shown in the infographic below, the strategic pillars that guided the Bank's operations were:

- The development of Micro, Small and Medium-sized Enterprises (MSME) while still providing support to large companies
- Correcting market failures in the financial sector; and
- Increasing privatisation of, and public-private partnerships involving, Government-owned assets

On a solid foundation of People, Development and Productivity, the Bank was equipped to continue its focus on improving the entrepreneurial ecosystem for MSMEs, identifying market gaps and the solutions to fill them, increasing the divestment and improving the utilisation of current GOJ assets while reducing Government expenditure, supported by the most important asset of the DBJ, its staff.

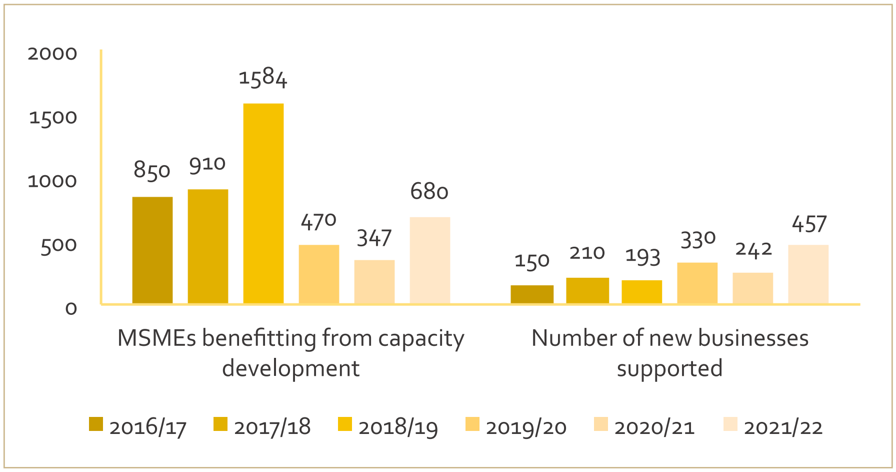
The DBJ's ability to achieve its objectives were measured by five major targets[1]; all of which were achieved during the financial year.

These indicators were:

Total Investment Supported by the DBJ (JMD)	# of MSMEs benefiting from Capacity Development	# of new businesses created/ supported by DBJ intervention	Total value of loans approved (JMD)	Net Profit (JMD)
$31.32B	680	457	$11.81B	$881.20M
Annual Target $31.93B	Annual Target 380 MSMEs	Annual target 280 businesses	Annual Target $8.83B	Annual Target $679.73M

[1] For the total investment supported by the DBJ as at March 31, 2022, $31.32 billion was achieved, this was 1.9% below the annual target of $31.94 billion, however it was considered achieved, as it was within the Bank's +/-5% tolerance limit

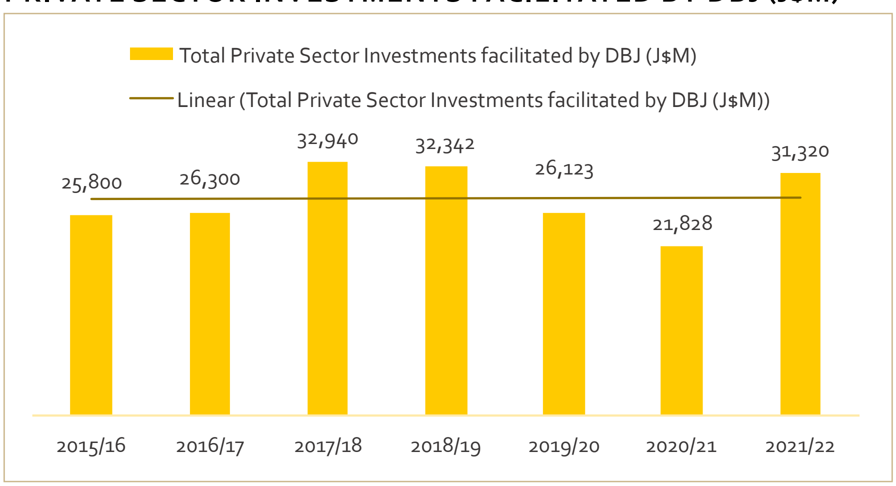
MSME DEVELOPMENT



As we navigated the negative effects of the pandemic, we were able to pivot in our business operations in order to continue to provide our stakeholders with the support needed to grow their businesses. In the period under review, the number of MSMEs that benefited from capacity development increased by 96% increase over 2020/21. Similarly, there was an increase (89%) in the number of new businesses approved in 2021/22 over the previous year.

These numbers were close to the Bank's pre-pandemic performance as detailed below.

PRIVATE SECTOR INVESTMENTS FACILITATED BY DBJ (J$M)



The investments facilitated by DBJ in 2021/22 were 43% higher than in 2020/21. This was similar to our performance in the pre-pandemic period, specifically the 2017/18 & 2018/19 financial years.

For the period under review, the achievements realized under the Public-Private Partnerships and Privatisation (P4) Programme included the commercial close for 5 projects:

1. Greater Bernard Lodge (sale of land – Light Industrial)
2. Greater Bernard Lodge (sale of land – Residential)
3. Montpelier (sale of lands to the National Road Operating and Construction Company)
4. School Energy Efficiency & Solar PPP; and
5. Silver Sands Phase 2.

Of the $31.21 billion in investments supported by the DBJ, the P4 transactions contributed 44% or $13.9 billion. These transactions spanned sectors that include real estate, security, justice, logistics, transportation, tourism, entertainment, water & wastewater treatment, manufacturing, agriculture, agro-processing, energy and mining, and solid waste management.

For the Financial Year 2021/22, the DBJ's mandate and commitment to Jamaican businesses were continually demonstrated through its activities in development financing, capacity development, technical assistance, public-private partnerships and privatisation programmes and venture capital and private equity.

Financing
- Ensuring that low-cost funds for business projects are available to all viable enterprises (MSMEs & large companies) in the productive sectors.

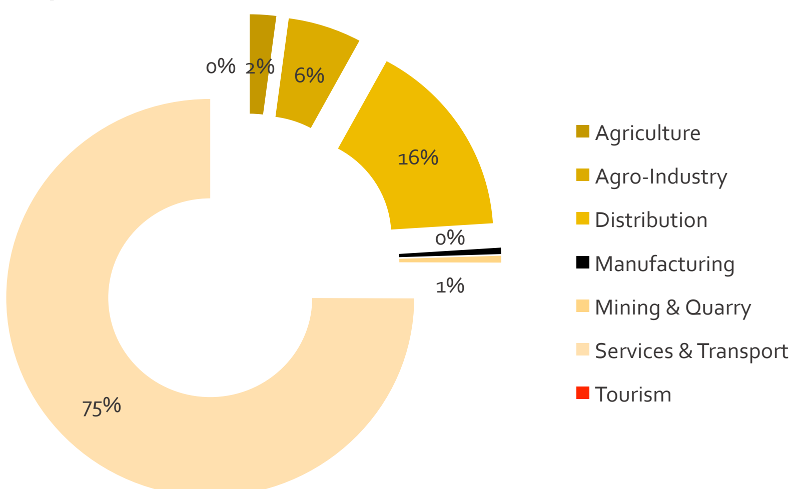
Capacity Development and Technical Assistance
- Increasing demand for development finance by strengthening the capacity of MSMEs to borrow, invest and expand

Public-Private Partnerships & Privatisation
- Managing and executing the Government's Public-Private Partnerships and Privatisation programmes, through which entrepreneurship is developed and the ownership base of public entities is broadened;

Venture Capital and Private Equity
- The development and implementation of a viable and sustainable venture capital and private equity industry in Jamaica to provide access to long-term, patient financing required by high potential small and medium-sized enterprises and innovative start-ups, for sustained growth and development.

HIGHLIGHTS OF SECTOR CONTRIBUTION

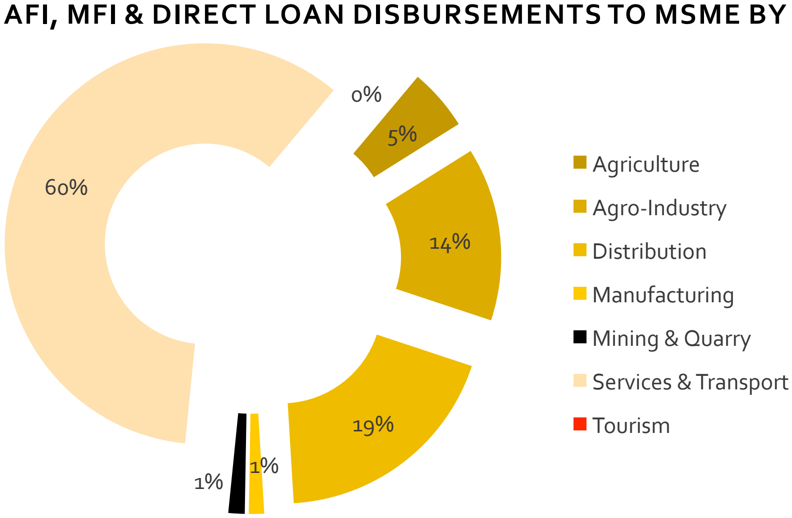
AFI, MFI & DIRECT LOAN DISBURSEMENTS BY SECTOR (APRIL 1, 2021 - MARCH 31, 2022)



The majority of DBJ loans that were disbursed during the 2021/22 Financial Year were granted to businesses in the services and transport industries (75%), followed by distribution (16%) and the agro-industry (6%) as shown in the graphic above. This amounted to $ 4.99 billion in overall funding.

Loans to the manufacturing and tourism sectors were approved, but none were disbursed.

AFI, MFI & DIRECT LOAN DISBURSEMENTS TO MSME BY SECTOR (APRIL 1, 2021 - MARCH 31, 2022)

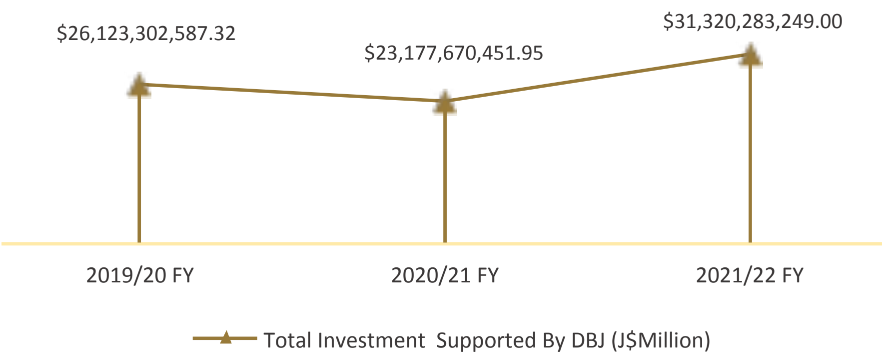


As it related to loans disbursed to MSMEs, a total of $2.09 billion was disbursed to the service & transport sectors (60%), distribution (19%), agro-industry (13%), agriculture (5%) manufacturing (1%) and mining & quarrying (1%).

ECONOMIC IMPACT

Estimation of the DBJ's contribution Towards Key Growth Indicators

DBJ MAJOR TARGETS FOR 2019 - 2022



	2019/20 FY	2020/21 FY	2021/22 FY
Contribution to Growth (Growth Impact)	0.07%	0.06%	0.07%

During 2021, Jamaica recorded GDP of $619.5334 billion with a 4.4% growth rate. The DBJ contributed $31.32 billion in total investments for FY2021/22, which was calculated to be a 0.07% contribution to the Jamaican economy for the period. Compared to FY2020/21, this was a 0.01% improvement.

THE DBJ'S 2021/22 PERFORMANCE

Party Time Services provides catering services and is involved in the rental of chairs, tents, portable restrooms, bounce-abouts and other party equipment. A DBJ loan and guarantee assisted with the purchase of additional equipment and an increase in employment.

DBJ Continues to be Financially Strong

In 2021/22, the Bank's financial performance was a success despite the global pandemic. The statement of financial position remained healthy with total assets amounting to $39,846.50 million (9.5% higher than in 2020/21), and an equity base of $14,228.30 million (3.6% higher than in 2020/21). Net profit was recorded at $881.20 million, which was 29% higher than the target of $679.73 million (181% higher than in 2020/21).

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

Providing appropriate financing solutions to the MSME Sector

During the year, the DBJ approved a total value of $11,817.56 million in loans compared to $4,471.88 million in the previous year.

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 Government of Jamaica provided a lifeline to many MSMES, by the provision of financing at concessionary prices for the Bank to on-lend.

The DBJ SERVE Jamaica Programme, short for Social and Economic Recovery with Vaccination Programme, was one such lifeline. It was designed to assist MSMEs earning less than $425 million annually to "Pivot, Recover and Grow" through the pandemic with low-cost loans and grants that would help them recover from COVID-19 and become more resilient. The Programme was launched on September 15, 2021, by Minister of Finance and the Public Service The Hon. Nigel Clarke who encouraged the creation of loan facilities totaling $3 billion to. The objectives of the programme were to accelerate the digital transformation of MSMEs through the adoption of cutting-edge technology and reduce the debt service burden for new and existing MSME projects that demonstrate viability.

The DBJ SERVE Jamaica Programme consisted of three products that included:

1. The DBJ Go-Digital Voucher in which businesses earning less than $75 million annually were able to access 100% up to a maximum of $300,000 for digital transformation services
2. The DBJ MSME Go-Digital Loan which offered MSMEs earning $425 million and less up to $800,000 at 2% over 3 years to access digital transformation software and hardware; and
3. The DBJ MSME Recovery Loan, which allowed MSMEs earning $425 million and less to access up to $10 million at 5% over 8 years.

The funds were disbursed through our network of commercial banks, microfinance institutions and credit unions using a line of credit modality for efficient processing.

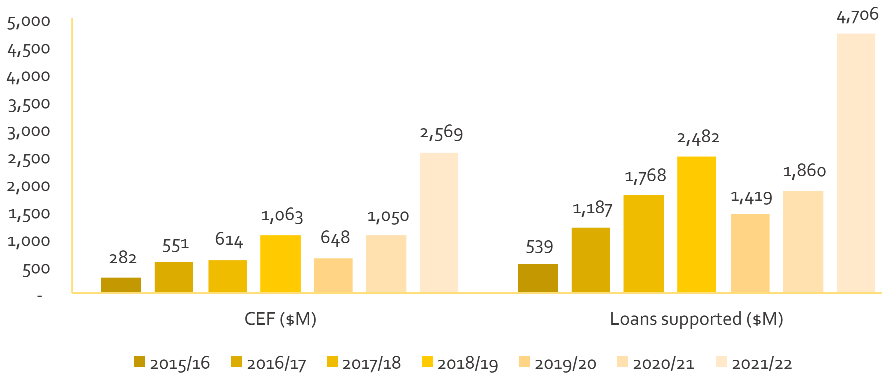
Between September 15, 2021, and March 31, 2022, SERVE loan applications of $2.98 billion were completed for 14 financial institutions with a total MSME Recovery loan approval of $2.8 billion and total approvals for Go-Digital loans of $182 million.

Providing appropriate financing solutions to the MSME Sector – Credit Enhancement Facility (CEF)

MSMEs have had difficulties accessing collateral, limiting their access to credit from financial institutions. The 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 2020, the CEF was revamped into a Portfolio Scheme, which significantly expanded the number of MSMEs who would be able to receive the benefits of the CEF. Under the new Portfolio Scheme, Approved Financial Institutions (AFIs) receive automatic approval of CEF requests and need not submit loan proposals to DBJ individually. During Financial Year 2021/22, 408 MSMEs were facilitated in accessing bank financing via the CEF, compared to 208 in Financial Year 2020/21, an increase of 96%. Since the beginning of the programme in 2010, 1,317 MSMEs have been assisted via the CEF.

CEF PERFORMANCE (J$M)



Of the total $4.706 billion in loans supported by the CEF during 2021/22, $4.60 billion was provided to MSMEs. This was supported by the IDB Credit Enhancement Programme for MSMEs under the Access to Finance Project.

Boosting Innovation, Growth and Entrepreneurship Ecosystems (BIGEE) Programme

The BIGEE Programme became effective in September 2020. Since then, BIGEE has introduced five (5) grant products that included the Innovation Grant Fund, Go-Digital Vouchers, Acceleration Services Support, Incubation Services Support, and IGNITE. These were designed to assist companies in the execution of their innovative initiatives, in the digitization of their operations, and in gaining access to incubation and acceleration services.

During the period under review, the startup and MSME communities responded positively to the implementation of these products:

- Six (6) projects were approved under the Innovation Grant Fund, and a grant commitment of US$530,000 was made.
- The Go-Digital vouchers were given to 80 enterprises, who then used them to create websites (with e-commerce capabilities), engage in web-based marketing, and digitize company procedures.
- Incubation and acceleration services, such as mentorship, training, access to capital, and new markets, were offered to 152 companies. The companies accessed these services through our partnering incubators and accelerators.

- Twenty-one (21) businesses were awarded grants totaling US$600,000 under the IGNITE Programme for the execution of their innovative projects.

Investments in the Information, Communications and Technology/Business Process Outsourcing (ICT/BPO) Industry

During the year, the DBJ executed direct co-financing loans for an ICT/BPO facility totaling US$1.36 million. The project was able to obtain US$5.8 million in financing using DBJ funds. The Bank was able to support the participation of the private sector in the financing for the industry.

These loans raised DBJ's total ICT/BPO lending to US$92 million, enabling an aggregate investment of US$153 million to construct 20 BPO facilities, and resulting in the creation of 1.1 million square feet of space and 27,500 jobs. The DBJ disbursed US$84 million through March 31, 2022, enabling the completion of 19 facilities with a peak employment of 21,394.

Promoting Alternative Financing

The Private Capital Technical Unit (PCTU) was established during the latter part of fiscal year 2021/22, to manage the DBJ's growing private capital investment portfolio. During the year, the Bank continued to increase its investment in private capital funds, with the disbursement of funds to satisfy capital calls for previous investment commitments.

The investments in funds (paid-in capital) stood at some US$3.48 million from commitments of US$4.25 million, made in five (5) funds – Portland JSX, Caribbean Mezzanine, Sygnus Credit, SEAF & MPC Caribbean Clean Energy Fund.

Unlocking value for Government of Jamaica assets

The P4 transactions supported by the DBJ (including existing concessions) resulted in $13.874 billion in total investments (sales proceeds and projected investments) during the 2021/22 Financial Year; this was 16% above the target of $12 billion. The transactions being executed (including newly executed asset sales) generated $8.28 billion in revenues, surpassing the $5 billion target. This included revenues from the concession fees from Kingston Container Terminal and Norman Manley International Airport PPPs. US$34,000 in grant funding was received from the Inter-American Development Bank (IDB) during the period under review to support the engagement of PPP practitioners to train and certify twenty-four (24) Government officials in the APMG Public-Private Partnerships Level 2 Certification Programme.

As at March 31, 2022, there were thirty-three (33) projects in the P4 portfolio (excluding projects in the Contract Management Phase) across nine (9) sectors, representative of the broad reach and diversified impact of the P4 programme on the economy.

Most of the transactions (64%) are being executed as privatisations, which broadly includes distinct modalities for asset sales and leases, while PPPs comprise 36% of the portfolio and reflects the emerging shift of the Government in considering private participation in the development of public infrastructure in more sectors of the economy.

Corporate Governance, Risk Management and Compliance

The DBJ's sound corporate governance activities ensures that the organisation is effective and efficient in playing its role in making Jamaica "the place of choice to live, work, raise families and do business." It has embarked on a process of continuous improvement of its corporate governance practices, to ensure that its systems remain robust and satisfy existing regulatory requirements.

The Board serves as the focal point for corporate governance, promotes transparency, maintenance of a strong culture of accountability and strengthening of internal controls.

The Board's appointment is approved by Cabinet and thereafter appointments are made pursuant to the Companies Act, to oversee the Bank's strategic direction. This is enabled by the establishment of systems, protocols and allocating the necessary tools and resources. They are equipped with the skills, competencies, experience, and diversity required by the GOJ Corporate Governance Framework (2012).

Independent non-executive directors make up 67% of the Board with three Directors with 'executive director' status. The gender ratio is 56% male and 44% female, which is in line with international best practices.

The DBJ's Enterprise Risk Management Framework is the nucleus of the Bank's Mission and Vision. This is translated into its strategy, business objectives and operations, leading to the ultimate aim of enhanced performance and is pivotal to the Bank's success as a facilitator for growth in the Jamaican economy. Evidence of this was prominent, as the DBJ navigated the COVID-19 pandemic. During the period under review, unprecedented levels of risks impacted the industries and strategic sectors that the DBJ supports. Nevertheless, the Bank was able to continue its support and provide additional assistance where necessary, whilst ensuring continued viability.

Research & Policy

GEM PARTNERSHIP

The DBJ has embarked on a programme of applied research with the strategy being to partner with local regional and international entities to build and enhance a culture of data-driven decision making, not only within the Bank and among its stakeholders but also to support Jamaica's 'Ease of Doing Business' strategy as well.

With this in mind, in March 2022 the DBJ provided sponsorship of $5 million to the University of Technology, to finance the undertaking of the Global Entrepreneurship Monitor 2021 Survey for Jamaica.

The GEM is a long-term study of Jamaica's entrepreneurial ecosystem that seeks to understand the factors that contributes to innovation, productivity and employment.

This GEM Survey will aid the DBJ in deepening its understanding of the entrepreneurship landscape, help to determine any structural changes in the ecosystem and highlight trends or patterns in the performance of entrepreneurs.

This partnership is also important in bridging the gap between academic research and its utilisation among policy practitioners. It also underscores a 'solution focused' initiative that will harness not only the expertise of the one of the Jamaica's leading universities but also the global consortium of other participating countries.

Through these partnerships, the DBJ will facilitate the cultural shift and practices toward greater utilisation of hard, robust and credible data, to inform policies and in the making of key decisions at every level in our tri-partite workflows with government officials, financiers, and businesses, as well as with all our key internal and external stakeholders. This will stimulate the development of more sustainable forms of entrepreneurship and promote even more robust, healthy entrepreneurial ecosystems.

DBJ's Environmental & Social Management

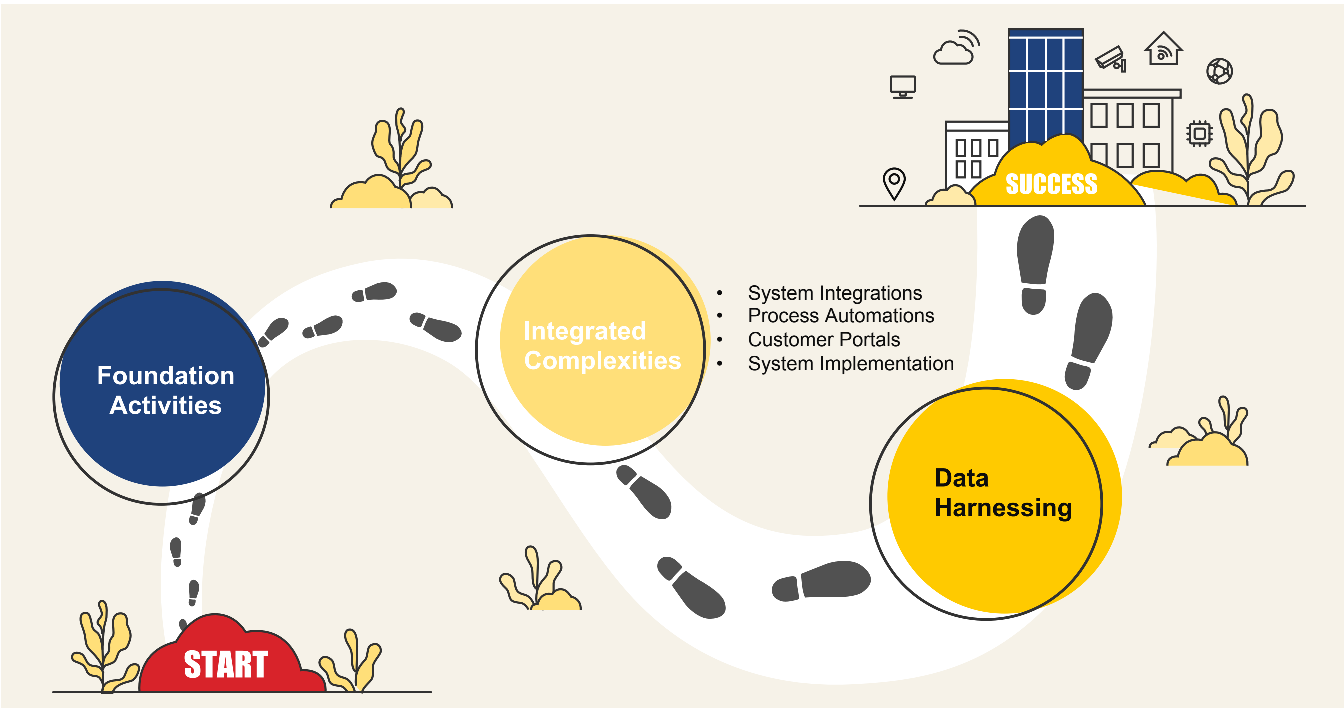
The DBJ has historically supported female entrepreneurs through its products and services in multiple industries in recognition to the link between gender and sustainable development and the impact of cross-cutting issues such as climate change.

In negotiations with multilateral partners over the years the DBJ has noted the trend of an increasing focus on climate and gender-related activities as core components of their lending strategy and criteria. Therefore, one of the Bank's key activities over the relevant period was the provision of supporting documentation towards achieving accreditation from the Green Climate Fund (GCF). This aligned with the GOJ's legislative and policy direction, and all Government ministries, agencies and departments (MDAs) moved in the direction of supporting these critical areas.

In May 2021, the DBJ Board approved the Environmental and Social Management System (ESMS), which is intended to guide the DBJ's operations relating to environmental and social performance and responsibility. It comprises an Environmental and Social Management Policy and Implementation Plan. The approval was on condition that the document be amended to include outstanding guidelines and tools such as a Stakeholder Engagement Plan, Grievance Redress Mechanism and Climate Change considerations for the Bank's operations. It was also recommended by the Board that the Bank explore the development of an Environmental, Social and Governance (ESG) Framework that would encompass the ESMS and Gender Policy.

DBJ's Digital Transformation

The DBJ's Digital Transformation Strategy involves all aspects of the organisation including the business model, funding, culture, people strategy, operating model, technology, talent and more, to create an integrated digital enterprise to the benefit of our internal and external stakeholders. This comprehensive approach is intended to ensure that the Bank is creating innovative ways to increase its operational efficiency and effectiveness in line with international standards. The strategy employs an agile model and prioritises the assessment and automation of processes as the primary driver of productivity.



OVERVIEW OF THE PERFORMANCE OF DIGITAL TRANSFORMATION STRATEGY

During 2021/22, the focus of the digital strategy was to build integrated complexities onto the foundational components laid during the previous years.

Below are the foundational works that were carried out in the previous years of the strategy:

- Hardware, software, and communications upgrades
- Process automations
- Customer experience
- Business continuity
- Cyber security

1. Banking Customer Experience Management Tools

A core component of the digital transformation was the implementation of tools that would improve the efficiency and effectiveness of the management of the customer experience. This included the implementation of three core systems:

- Credit Enhancement Fund Management System
- Customer Relationship Management System
- Human Resource Management System

These systems were successfully implemented and there was continued work done during FY2021/22 to integrate with corresponding systems, customize and automate key processes.

a. Credit Enhancement Fund Management System

Under the World Bank's Access to Finance for MSMEs Project, the IT platform was completed and launched in November 2019 together with the improved CEF. The CEF Portfolio Scheme is now equipped with a new MIS platform, which allows it to:

- Automate the following processes: account monitoring, recovery follow-up, financial calculations and analysis, fee collecting, claims processing and payout, and guarantee registration and approval.

- Send an automatic response to the AFI and AFI verifying a guarantee's registration after validating the data input per the acceptable requirements for each AFI. Requests for exceptional guarantees will be forwarded to the platform for DBJ's evaluation and approval.
- Create a random list of guarantees from time to time for the CEF staff to review. The team will validate all supporting paperwork and requirements for these transactions. This will help to ensure that AFIs are not making errors and lessen the risk of moral hazard.

b. Customer Relationship Management System

The Customer Relationship Management System was successfully implemented. This will be the central system for the storing of customer data and their interaction with the DBJ. With the implementation completed and core functionalities active, the focus was placed on the automation of processes within the customer relationship life cycle. Below are the processes that were customized and automated during FY2021/22 to allow for greater efficiency and accuracy of our records:

- Customer lead process
- AFI/MFI Pipeline loan process
- AFI/MFI line of credit process
- Automatic generation of loan summary documents

The aim of the system is to allow the Bank to gain increased insight into customer behaviour and collect useful data for product development, marketing, and customer service. The system will also support the Bank's ability to make informed strategic decisions, facilitate increased predictive analytics, data visualizations, and modeling as we transition into a more advanced data-driven ecosystem.

The next step in the transformation process is to conduct further automation of processes and to facilitate the integration with BI tools to allow for the mining of data.

c. Human Resource Management System (HRMS)

The HRMS was successfully implemented with the digitizing of some core HR functions.

The initial core functionalities that will be moved onto the system are:

- Employee Data Management
- Leave Management
- Attendance Management
- HR Request Management

There was an initial piloting of the HRMS by the MIS and Finance divisions to ensure that the processes that were customized worked as expected. After completion, there will be a full rollout of the system across the entire organisation.

Future activities planned are to activate and customize the Time and Attendance, and Performance Management modules of the system. This will be done in 2022/23.

2. Cybersecurity

With an increased digital focus across the organisation, the DBJ is exposed to more digital threats. After laying the groundwork for security with the rollout of our Enterprise Immune System which detects all threat types, including novel attacks and insider threats before they become destructive or damaging.

We set out to increase our resilience and preparedness for cyber-attacks, by outlining plans to conduct both a penetration test and cyber security posture assessment.

The learnings from these two exercises will be used to further increase the Bank's security and network resilience.

3. Website Redesign

The DBJ's corporate website was successfully overhauled including core coding, content, and esthetics.

A new visual design was chosen to highlight a modern forward-thinking institution, a bank of the future. This was also coupled with refreshing of the content to ensure that the information was up to date and relevant to our client base.

In keeping with the overall digital transformation, focus was placed on ensuring cybersecurity of the platform chosen as the backbone of the website.

Conclusion

The first few years of the digital transformation were focused on executing the foundational activities and remediation of vulnerabilities. These included network review and remediation and implementation and system implementations.

The DBJ is on track to achieve its digital objectives and it is well positioned to move into the next phase of transformation where we will be looking at further process automation, system integrations, and additional system implantations to increase efficiency and accuracy. Having done the foundational work, it is now to take a holistic look at our technology landscape and tie everything together in a cohesive ecosystem. This will enable greater harnessing of data for decision and market evaluation.

FY2022/23 will see the Bank making strides into more advanced integrations, implementation of customer access portals, and bringing on stream additional process automation.

The DBJ's Strategy for 2022/23 and beyond

In embracing the changes happening in our environment, the strategic direction for the 2022/23 FY for the Bank will be as follows:

Vision – "By 2030, the DBJ is Latin America & the Caribbean's leading development finance institution that drives sustainable development and contributes to innovation & broad-based socio-economic growth in Jamaica and the region."

Macs Pharmaceutical & Cosmetics 05 Limited in Old Harbour, St. Catherine, manufactures over-the-counter high-quality products that include creams, ointments, gels, solutions and tablets. A DBJ loan allowed the company to acquire and install equipment to facilitate the sterilization of the ingredients used to manufacture IV Fluid and Eye Drops.

Mission – "The Development Bank of Jamaica, through its customer-centric approach, 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 policies and sustainable development goals."

Core Values – Professionalism, Integrity, Innovation, Accountability

The policies that would be executed to support the corporate objectives and the strategic direction of the Bank are:

5 STRATEGIES TO SUPPORT THE ACHIEVEMENT OF THE BANK'S VISION

VISION

"By 2030, the DBJ is Latin America & the Caribbean's leading development finance institution that drives sustainable development and contributes to innovation & broad-based socio-economic growth in Jamaica and the region."

01 Customer & Marketing Strategy – We are rebuilding DBJ around our key customer segments...in order to understand their needs; and to create and deliver superior value for our customers, clients and partners... in a manner that meets and exceeds their expectations"

02 Funding Strategy – DBJ's fundraising strategy will enable the Bank to meet the demand of our clients for Loans, complete projects and programs, cover operating expenses, and create a reserve or cushion for the future.

03 PPP&P Strategy – Our PPP&P strategy is to provide revenues to the GOJ's Treasury and to facilitate private investments in the Jamaican economy through the efficient and transparent privatisation of Government-owned assets and implementation of Public-Private Partnerships.

04 Digital Strategy – Our Digital Strategy is to maximize the benefits of our existing technology assets, harmonize our existing platforms while leveraging new and emerging technologies to create a Digital

05 People Strategy – The DBJ's People Strategy is re-affirming that the staff are the most critical component of the organization and its success.

We will continue to focus on four strategic pillars in order to fulfil our 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

GENDER POLICY

Through the accreditation process with the GCF the creation of our Gender Equality Policy and Action Plan (GEPAP) became a priority and was developed over the period 2019–2020, with the support of the Caribbean Development Bank under the Development Finance Institutions (DFIs) Engage in Gender Equality Project. The DBJ has developed a policy, that will define and shape the DBJ's commitment to actively promote gender equality in all spheres of its activities.

The GEPAP provides strategic direction enabling it to play an effective role in the national, regional and international agenda for gender lens investing and building a gender-responsive organisational culture. GEPAP was developed through consultations with DBJ's staff and a sample of its customers. Data collection and a detailed analysis of relevant documentation under DBJ's loan portfolio data also informed the development of this GEPAP. It is critical to note that incorporating gender mainstreaming within our organisation and in our work with local and international partners and stakeholders is called for by Vision 2030 Jamaica – National Development Plan, and the 2009 National Gender Strategy.

GENDER MAINSTREAMING

The importance of gender mainstreaming in national and organisational policies, plans and programmes is highlighted as critical for achieving Vision 2030 Jamaica – National Development Plan and the Sustainable Development Goals.

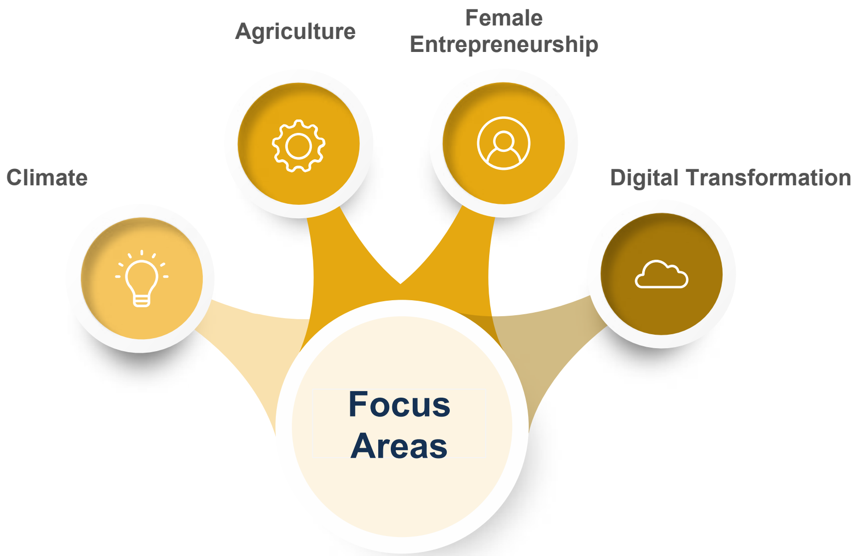
The DBJ has recognized and acted on this global and national push by seeking to scale up female entrepreneurship through the various projects that have come on stream, such as the BIGEE.

The Strategic Services Division (SSD) in FY2022/23 will engage a Gender Specialist to rationalize the GEPAP towards receiving Board approval and to begin implementation. The Research Unit will also investigate and determine the DBJ's role in bridging gaps for female entrepreneurs.

BUILDING PARTNERSHIPS

The SSD team in partnership with UN Women, will advocate for membership with the 2X Collaborative, a structured network focused on mobilizing capital towards women's empowerment. The 2X Gender and Climate Finance Taskforce will support the DBJ to drive gender-smart investing in thematic areas. This partnership with the Collaborative will assist the DBJ to develop critical networks to further build out the gender policy. It will also provide gender focused opportunities such as peer learning, capacity building, and co-investment prospects. If successful, the DBJ will be the second Caribbean-based development bank with membership, after the Bahamas Development Bank.

AREAS OF FOCUS IN THE UPCOMING FY2022/23



Headley Allen's egg farm in Nightingale Grove, St. Catherine, involves the operation of 4,000 ready-to-lay pullets producing approximately 85,000 eggs per year. A DBJ loan assisted Mr. Allen to expand his farm.

2022/23 STRATEGIC INITIATIVES

The strategic initiatives that will be executed in the 2022/23 Financial Year include:

- Explore the possibility of DBJ tapping into digital currency being offered by the BOJ
- Develop climate related product/ programs that can be used to access the GCF funding once accredited.
- Roll out the DBJ's ESMS
- Develop DBJ's ESG Reporting Framework
- Complete build-out of the CRM Platform for all the Bank's Products
- Develop and implement the Bank's Succession Planning Framework
- Develop and implement the Bank's Change Management

All the strategies, initiatives and activities highlighted will support the Bank in providing $9.5 billion in loans to MSMEs. In addition, provide businesses with access to $6.24 billion in loan guarantees, US$24.4 million in equity funding, and 440 MSMEs benefiting from capacity development interventions.

The DBJ will continue to (a) support and finance various sectors through the Digital Technical Assistance and SME Private Equity facilities as part of the $5 billion Social and Economic Recovery and Vaccine (SERVE Jamaica) Programme, and (b) help in the divestiture of Government-owned assets by facilitating investment through public-private partnerships and privatisations.

This will support the economic growth programme of the Government of Jamaica.

FINANCIAL HIGHLIGHTS

COMPARATIVE FINANCIAL SUMMARY (J$M)

YEAR ENDED 31-MAR	2022	RESTATED* 2021	RESTATED* 2020	2019	2018	2017	2016	2015	2014
Total Income	2,738.2	1,936.0	2,621.8	3,749.0	2,734.3	1,934.9	1,671.8	2,342.4	2,110.3
Total Interest Income	1,418.7	1,391.6	1,380.0	1,348.3	1,384.8	1,321.8	1,294.9	1,255.5	1,198.6
Total Interest Expense	628.6	599.9	587.2	630.8	624.6	570.4	524.9	494.3	531.0
Non-Interest/Other Income	1,029.3	623.3	1,241.8	2,400.7	1,498.0	613.1	376.8	1,086.9	911.7
Non-Interest Expense	1,212.0	956.4	1,064.9	1,615.1	983.8	926.2	779.3	724.9	650.1
Net Profit Before Expected Credit Recovery/(Loss) *	1,022.0	194.8	1,043.9	1,437.6	1,245.2	571.0	371.9	1,108.2	929.2
Expected Credit Recovery /(Loss)	(140.8)	119.1	(11.5)	22.8	0.0	149.3	16.5	0.0	(177.4)
Profit for year	881.2	313.9	1,032.4	1,460.4	1,227.2	421.7	355.4	1,108.2	742.8
Total Assets *	39,846.5	36,378.7	34,313.0	32,007.2	31,925.9	28,966.7	27,122.6	24,407.9	23,269.2
Total Equity *	14,228.3	13,730.4	12,802.6	12,368.0	11,167.8	10,135.4	9,817.1	9,616.1	8,468.2
Loans Payable	24,725.5	21,857.1	20,773.0	18,968.1	19,925.8	18,065.6	17,305.5	14,294.5	14,433.5
Regular Loan Portfolio	15,549.0	16,132.2	15,927.4	16,895.4	19,421.5	17,801.3	17,317.8	16,729.2	15,263.5

**Restated to remove the Credit Enhancement Fund*

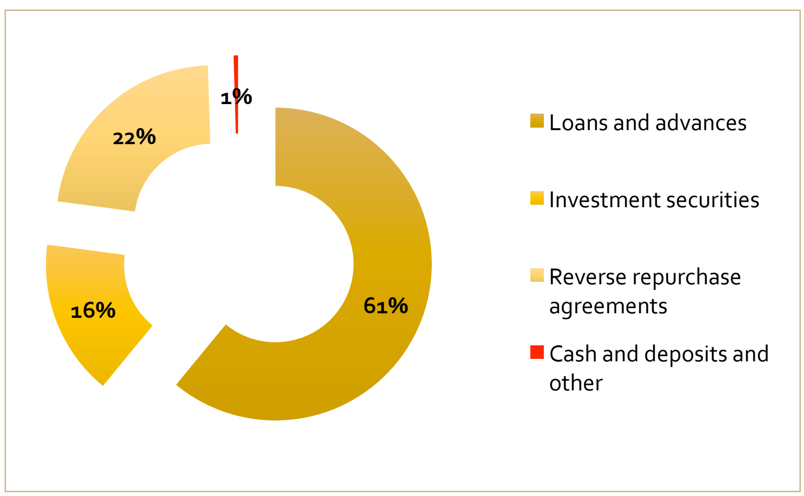
The Financial Year ended March 31, 2022, marked another successful year for the organisation despite the challenges of the COVID 19 pandemic.

This period under review saw the Bank's statement of financial position remaining strong with total assets of $39,846.5 million, an equity base of $14,228.3 million and a net profit of $881.2 million. The Bank continued to have a profound impact on its environs enabled by expert liquidity management, proactive and effective management of risk and robust strategic management; while its strong asset and equity bases enabled it to play a pivotal role in the development of the Jamaican economy.

The Statement of Financial Position for the years ended March 31, 2020, and March 31, 2021, were restated, as the Bank reversed the CEF investment and profit amounting to $577.1 million and $181.9 million respectively from the accounts of the DBJ, based on the CEF Trust Deed.

Income

DBJ's total income of $2,738.2 million for the period under review represents an increase of 41.4% above the previous financial year's figure. Of this amount, interest income amounted to $1,418.7 million representing an increase of 2% or $27 million above the previous financial year and this is highlighted below:



	2022 $'000	2021 $'000
Loans and advances	864,863	939,915
Investment securities	228,883	216,864*
Reverse repurchase agreements	318,406	229,853*
Cash and deposits and other	6,522	4,932
	1,418,674	**1,391,564**

**$5,051 reclassified from Investment securities to Reverse repurchase agreements*

The marginal increase in the Bank's interest income when compared with the previous financial year resulted from the following: -

- Income from our loan portfolio at the close of the financial year reported a decrease of $75.1 million or 8% below the corresponding period in the previous financial year. This level of decrease during the COVID 19 period was mainly due to loans totaling J$3 billion under a special recovery programme attracting low interest rates and a small margin to the bank. Loans borrowed at 1% were on-lent to our financial intermediaries at 2% p.a.
- Interest income on investment securities amounted to $228.9 million and was 5.5% above the earnings recorded for the previous financial year. This increase in income was due to the higher interest rates offered for longer tenure in the market.
- Interest income on Investments held in reverse repurchase agreements increased by 38.5%. Investment increased from $5,799.8 million to $10,896.8 million. The increase was due mainly to additional loan funding under the Jamaica SERVE Loan programme.

Other Income

During the period under review, the DBJ recorded a 65.2% increase above other Income in the 2020/21 period and was mainly due to the recovery of non-performing loans. Other Income included administrative fees, rental income, commitment fees, appreciation in fair value of investment property, gain on disposal of bonds, foreign exchange gains and Public-Private Partnerships & Privatisation fees and are highlighted below: -

OTHER INCOME	2021/22 $'000	2020/21 $'000
Administrative Fees	16,136	10,730
Commitment Fees	54,695	15,472
Dividends	16,054	20,864
Gain on disposal of property and equipment	-	1,695
Rental Income	92,977	103,682
Foreign Exchange Gains	339,574	362,071
Recovery of provisions of loans previously written off	390,340	6,727
Public-Private Partnerships & Privatisation fees	74,005	60,566
Miscellaneous	45,519	41,457
	1,029,300	**623,264**

Coffee Roasters of Jamaica Limited is involved in the manufacturing, packaging and marketing of Jamaican coffee locally and internationally. The company has benefited from both DBJ funding and guarantees under the Credit Enhancement Facility.

The other category of miscellaneous income in the table above relates to interest from staff loans, processing fees from loans and commission earned on debt collection from a third party.

During the year, the Bank reported an amount of $200.5 million being an increase in the value of investment property and an income of $89.6 million being an adjustment on the Norman Manley financial asset receivable.

Interest Expenses

In the period under review, there was an increase in the interest expenses of 4.8%. Interest expense amounted to $628.6 million compared with the previous year's interest of $599.9 million. The increase was mainly due to additional loans drawn during the year and the effect of the devaluation of the J$ vis a vis the US$.

Non-Interest Expenses

During 2021/22, the DBJ incurred costs totaling $1,212.0 million representing an increase of 26.7% above the costs incurred in 2020/21 of $956.4 million.

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

STAFF COSTS

	2022 $'000	2021 $'000
Salaries and wages	538,507	510,573
Payroll taxes	36,965	31,570
Pension costs – defined benefit plans	9,715	12,600
Performance incentive bonus	62,703	62,703
Other	86,099	86,514
	733,989	**703,960**

Staff Costs

Staff costs increased by $30.0 million or 4.3% which was mainly attributable to an incremental increase and additional staff employed to ensure the bank is resourced to deliver as it undertakes a business logistics review and embarks on a digitization program.

Impairment on financial asset reflected an amount of $140.8 million which was due mainly to the discount to record the time value of money over the 7-year period.

Other operating costs amounted to $337.3 million and represented a reduction of 9% or $34 million below the operating costs incurred in the previous financial year.

The reduction was due mainly to:
A reduction in advertising costs as social media was used to advertise most of the bank's products.

No additional discount was recorded on the Investment in Harmonisation based on an assessment which indicated the company adequate collateral to cover its obligations to the bank.

There was an 8.9% increase in occupancy costs for the period under review when compared with the costs incurred in 2020/21 Financial Year. Occupancy costs include utilities, insurance, security, repairs, and maintenance of property. Utilities was the item with the largest increase and was due mainly to several factors including increase in fuel, devaluation of the Jamaican dollar usage.

Expected Credit Loss

Based on an assessment of the Bank's assets there was an improvement in expected credit losses calculations (ECL) under the International Financial Reporting Standard 9 (IFRS).

At the end of March 2022, our expected credit loss totaled $477.2million representing a reduction of 11.9% below corresponding period in the previous financial year when $542.0 million was reported.

Net Profit

The DBJ recorded a net profit of $881.2 million for the year ended March 31, 2022, representing 181.1% increase above the restated net profit recorded in 2020/2021 amounting to $313.9million. The increase in profit was driven by the higher foreign exchange gains, recovery of provisions of loans previously written off and the appreciation in fair value on investment property reported during the current period under review. 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 Development Bank reported an asset base of $39,846.5 million as of 31 March 2022 representing an increase of 9.5% above the total assets recorded for the Financial Year 2020/21 of $36,378.8 million. This increase was mainly due to an 87.8% or $5,097.0 million increase in investments held in Reverse repurchase agreements and a fair value increase in Investment properties amounting to $200.5 million.

Equity Base

There was an increase of 3.6% in Shareholder's Equity which moved from **$13,730.7*** million at the beginning of the year under review to $14,228.3 million at the end of March 2022. The Equity base remains strong providing the foundation for the Bank to execute its mandate and play a proactive role in fostering growth in the economy.

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 from the Ministry of Finance & the Public Service under the Jamaica SERVE programme amounting to $3 billion.

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 2021/22 Financial Year, the total outstanding loan portfolio of the Bank stood at $15,549.0 million compared to $16,132.2 million for the financial year ended 31 March 2021, a **decrease** of 3.6%.

The distribution of the outstanding loan portfolio at the end of the year 2022 and 2021 is shown as follows:

	2022 J$'000	2021 J$'000
Loans to AFIs	10,283.6	9,492.8
Loans to MFIs	1,221.8	2,049.7
Loans to PC Banks	108.8	160.4
Loans to Direct Borrowers	3,934.8	4,393.9
Mortgage receivable from Ministry of National Security	-	35.4
	15,549.0	**16,132.2**

Investment in Associated Companies

DBJ's interest in its Associated Companies increased by 0.7% from $1,114.4 million at the beginning of the year to $1,407.9 million at March 31, 2022.

Solvency

At the end of the period under review, the Bank reported a debt/equity ratio of **1.74:1** in line with the ratio of **1.59:1*** at the end of the previous year. This ratio remains within the guidelines of the multilateral lending agencies, which stipulates 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.

***Restated**

CHANNELS, RELATIONSHIPS AND MARKETING

The DBJ's Channels, Relationships and Marketing (CRM) Division was created in April 2021 to consolidate all customer-facing functions involved in the delivery of DBJ's financing and business support products while repositioning DBJ as a customer-centric organisation.

The division evolved out of, and is largely staffed by, the members of the former Loan Origination & Portfolio Management Division that, for the previous 10 years, originated, evaluated and managed the Bank's loan and guarantee portfolios; and managed relationships with lending partners, borrowers and other stakeholders.

The CRM Division is comprised of four (4) units as outlined below:

MARKETING UNIT

- Developing and executing initiatives to identify and reach target markets
- Build awareness of DBJ and its offerings and generating leads through mass marketing
- Content management including digital and traditional media

INVESTOR RELATIONSHIPS UNIT

- Direct selling through engagement of entrepreneurs, sectors, associations
- Process customer queries
- Guide individuals and groups to DBJ loans, grants, guarantees, equity
- Underwriting DBJ direct exposure
- Reverse factoring product roll out

INTERMEDIARY RELATIONSHIPS UNIT

- Channel management
- Build and manage relationships with DBJ AFIs, MFIs, BSIs, BDOs, Funds
- Convert loan leads to transactions
- Optimize DBJ product utilization by intermediaries

SERVICE QUALITY & CUSTOMER EXPERIENCE UNIT

- Improve customer journey and customer satisfaction with DBJ and channels and internal service quality
- Process and document transactions
- Measure and continuously improve DBJ processing time for all product transactions and customer responses

PROJECT MANAGER DBJ SERVE – MSME RECOVERY & GO-DIGITAL

- Manage the execution of DBJ's COVID 19 recovery project to deliver $3 billion in loans and $100M vouchers to MSMEs through AFIs, MFIs and BDOs in 8 months
- Engage AFIs, MFIs associations, MSMEs, BDOs and technology suppliers to develop, deliver and utilize solutions

WHAT WE DO

To achieve the Bank's targets, CRM builds awareness, markets and sells DBJ's products; engages and manages relationships with intermediaries, sectors, associations and individual customers – so as to understand their needs, create, and communicate the value of DBJ offerings.

CRM also generates and tracks leads to drive utilisation of DBJ products and processes transactions from application through approval, documentation and disbursement.

In addition, CRM underwrites credit transactions in which DBJ takes direct exposure.

CRM BUILDS AND MANAGES RELATIONSHIPS WITH:

- **11 Microfinance Institutions** (credit unions and microcredit lenders)
- **26 Approved Financial Institutions** (commercial banks, near banks and credit unions)
- **30+ Business Associations** (sector, trade etc.)
- **50+ Business Development Organizations** (business service providers)
- **Key GOJ Ministries, Departments and Agencies** that facilitate Investment

WHO WE SERVE AND WITH WHAT

EXTERNAL CUSTOMERS

To increase investment, economic growth and development, the DBJ provides a range of services to businesses in Jamaica operating in all sectors and at all stages of the business life cycle.

Most of the Bank's products are provided through intermediaries which are encouraged to grow their own businesses and the overall market through the utilisation, and ultimately the adoption, of DBJ's products.

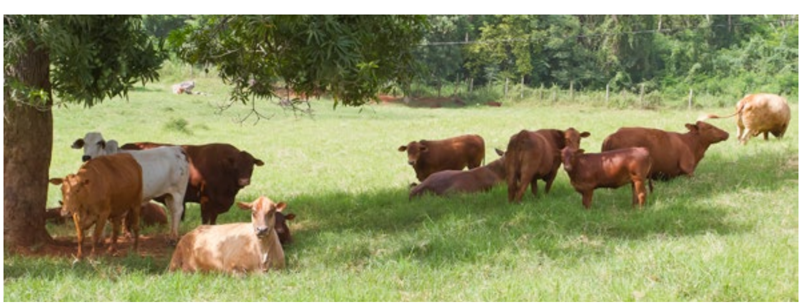
Micro, Small & Medium-sized Enterprises (MSMEs)

For MSMEs with annual revenue up to $425 million, the DBJ provides access to DBJ loans through its network of 11 Micro Finance Institutions (MFIs) and 26 Approved Financial Institutions (AFIs).

For MSMEs, the Bank finances up to 90% of the project cost with interest rates and limits depending on the market segment and DBJ's sources of funds.

LOANS THROUGH MFI

DBJ-funded MFI loans are typically up to $750,000 with short tenures of less than two years. To support growing microenterprises, MFIs are also allowed to make small business loans of up to $2.5 million with tenures of up to 42 months.



The cattle section of the Douglas Williams farm in St. Catherine. DBJ funds were used to expand the business.

LOANS THROUGH AFI

Small business loans are typically up to $30 million with tenures up to 10 years. Medium-sized and large loans range up to US$5 million or JMD equivalent with tenures of up to 10 years

PARTIAL CREDIT GUARANTEES

AFIs and MFIs can access partial credit guarantees of 90% up to $10 million and 80% up to $30 million to support SME loans under DBJ's Credit Enhancement Facility (CEF). Larger DBJ guarantees up to 50% or US$2 million or its JMD equivalent are available for larger loans.

VOUCHER FOR TECHNICAL ASSISTANCE (VTA)

Micro and small enterprises (MSEs) with revenue up to $75 million can access DBJ's VTA programme to pay up to 70% of the cost for over 30 business improvement services available through over 50 DBJ accredited business development organisations (BDOs). Services include preparation of business and marketing plans, accounting, financial statements, software and business coaching.

OTHER GRANTS

CRM also builds awareness of, and refers customers to, DBJ's IGNITE, Innovation Grant, Supply Chain and other grant products offered under the BIGEE Programme.

The DBJ SERVE Programme

During the year, the DBJ executed the SERVE (Social and Economic Recovery with Vaccination) Programme, a special $3 billion facility, funded by the Ministry of Finance & the Public Service, for on-lending to MSMEs at discounted interest rates to support their recovery from the negative effects of the COVID-19 pandemic.

The DBJ SERVE Programme comprised three products:

- The MSME Recovery Loan Facility - $2 billion MSMEs had access to MSME Recovery loans of up to $10 million through AFIs and MFIs for their businesses including refinancing of existing debts, as well as overdrafts and credit cards incurred due to the COVID-19 pandemic.
- The Go-Digital Loan Facility - $1 billion MSMEs had access to Go-Digital loans of up to $800,000 through AFIs and MFIs to digitalize their businesses.
- The Go-Digital Voucher Facility - $100 million MSMEs earning less than $75 million annually had access to Go-Digital vouchers of up to $300,000 through DBJ's accredited BDOs to assist with software and services required to digitalize their businesses.

Reverse Factoring Programme

To improve the liquidity and reinvestment of supply chains involving several suppliers to a buyer, DBJ has invested in an electronic Reverse Factoring Platform. The product will allow suppliers of a participating buyer the option to get paid earlier against invoices approved by that buyer. DBJ is currently rolling out the product using two modalities – that of offering the service directly to supply chains or allowing AFIs to utilize the platform and offer the service for a fee.

Large Enterprises in Strategic Sectors

For large projects with annual revenue above $425 million DBJ provides:

LOANS THROUGH AFIS

Larger borrowers are able to access DBJ loans of up to US$5 million or JMD equivalent through our AFIs for high impact projects in the productive sectors. The DBJ will finance 70% of the project cost up to US$5 million or JMD equivalent with tenures up to 10 years.

DIRECT LENDING

Direct lending by DBJ has been restricted to large, high-impact projects in strategic sectors, on terms as approved by the board of directors from time to time.

CREDIT RISK-SHARING

As an alternative to direct lending, DBJ also offers risk-sharing transactions including a large guarantee, co-financing with AFIs or participation in syndications arranged by our AFIs.

Coffee Roasters of Jamaica Limited is involved in the manufacturing, packaging and marketing of Jamaican coffee locally and internationally. The company has received both DBJ funding and guarantees under the Credit Enhancement Facility.

LARGE GUARANTEES

AFIs may access larger (non-CEF) guarantees of up to 50% of a loan and not exceeding US$2 million or the J$ equivalent guarantees are available on large loans through our AFIs for a 3% annual premium.

CO-FINANCING AND SYNDICATION

The DBJ will also participate in co-financing or syndicated loans arranged by our AFIs up to 50% of the loan amount not exceeding US$10 million or J$ equivalent – with tenures up to 12 years.

THE DBJ'S INTERMEDIARIES

MICRO FINANCE INSTITUTIONS (MFIS) AND APPROVED FINANCIAL INSTITUTIONS (AFIS)

CRM builds and manages relationships with DBJ-accredited MFIs and AFIs to understand their appetite and needs, guide our offerings to them, encourage them to utilize and adopt DBJ products, channel customers to them, and process their applications.

BUSINESS DEVELOPMENT ORGANISATIONS (BDOS)

CRM manages relationships with the DBJ's accredited BDOs which help businesses improve their operations and become more bankable or investable. CRM markets the VTA services to the public, and encourages BDOs to grow their own businesses and create value for customers beyond the VTA.

BUSINESS ASSOCIATIONS

CRM builds and manages relationships with business, trade and sector associations to understand their members' needs, guide DBJ's products and services, to communicate the value of DBJ offerings, and to support their members in accessing and utilizing DBJ's products.

OTHER INTERMEDIARIES

CRM also screens and refers customers seeking funding to DBJ's Business Support Intermediaries (BSI), Incubators, Angel Investors and Private Capital Fund Managers as appropriate.

INTERNAL CUSTOMERS

CRM coordinates with other DBJ divisions to achieve the efficient and effective development, processing and delivery of the Bank's products and to assure customer satisfaction.

CRM UNIT HIGHIGHTS FOR 2021/22

MARKETING

A marketing function was created within the CRM Division to provide close support for and coordination with the sales team.

The core objectives of the Marketing Unit are to identify and reach DBJ's target markets, build awareness of DBJ and its products, and drive demand to the Bank and its intermediaries.

The Unit also provided marketing support for all DBJ's products and services, including loans, the Voucher for Technical Assistance, the Credit Enhancement Facility, the BIGEE and Access to Finance projects - including the environmental and social management framework – as well as DBJ's Privatisation and Public-Private Partnerships Programme.

These activations generated thousands of customer queries to DBJ partners, as well as to the Bank's websites, social media channels, email, telephone and WhatsApp contact points.

DBJ International Women's Day campaign

The Marketing Unit closed the year with a one-month International Women's Day campaign on social media and in the press. This campaign highlighted Jamaican women in business who have benefitted from DBJ's products, as well as women who lead the Bank's intermediaries and facilitate delivery of the products to encourage more women to access financial services.

INVESTOR RELATIONSHIPS

During the year the Investor Relationships Unit replaced the former Credit Services Unit to refocus on processing incoming customer queries generated by DBJ's marketing campaigns and soliciting new business through structured direct engagement of entrepreneurs, associations, and industry stakeholders.

Over the period, the Unit's engagement with its constituent groups grew steadily to a high of 1,585 engagements as outlined in the table and graph below.

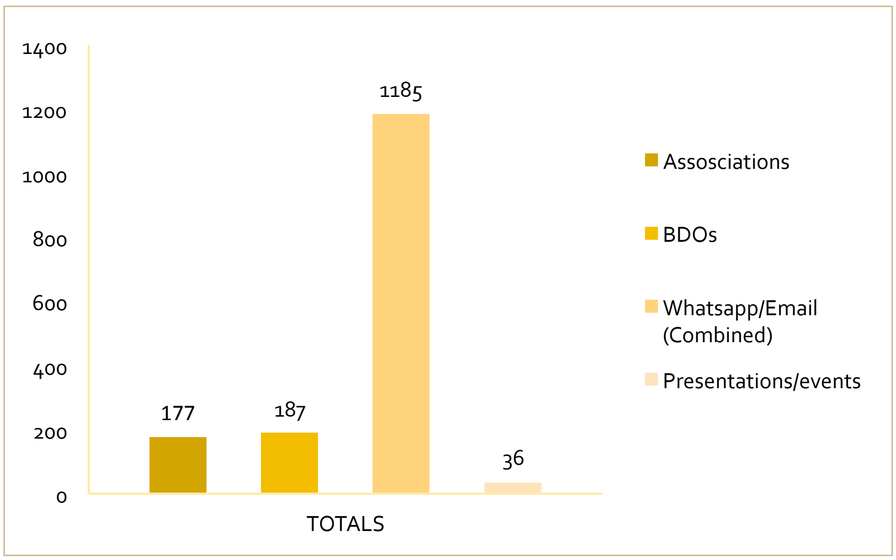
Given COVID-19 restrictions which were in effect during the entire review period, the Unit's engagements occurred predominantly via the virtual route, with emails and WhatsApp text messaging being the most common inbound queries, as evidenced by 1,185 incoming product queries handled by the Unit. These queries were screened and recorded and the customers supported to access the relevant products and services.

The Unit also had direct engagements with BDOs and associations and sector groups as a means to reach their members, understand their needs and give them access to DBJ's products and services.

Customers were screened and assessed for loan readiness and were either referred to DBJ's Intermediary Relationships Unit for support to secure financing or to our BDOs for the relevant business support services.

Graph 1.0 shows the Investor Relationships Unit's performance across the various contact channels.

SUMMARY OF ENGAGEMENT



1.0 Graph of 12 Months Summary of Engagements

Monitoring of DBJ's Direct Loan & Guarantee Portfolio

During the review period, the Unit continued its monitoring of DBJ's direct loans and guarantees to ensure compliance with the Bank's loan terms, project implementation criteria, and scheduled repayment of the Bank's loans.

Compliance for the review period averaged more than 90% across the portfolio.

During the year, the Unit also processed direct co-financing loans totaling US$1.36 million for a business process outsourcing (BPO) facility. The DBJ's participation enabled the project to secure US$5.8 million in funding from an AFI utilizing DBJ funds, thereby furthering DBJ's mandate of participation in private sector financing for the BPO sector.

These loans bring DBJ's total lending for BPO to US$92 million, facilitating overall investment of US$153 million to build 20 BPO facilities to create 1.1 million square feet of space with the potential to employ 27,500 persons.

Up to March 31, 2022, DBJ disbursed US$84 million allowing the completion of 19 facilities that recorded peak employment of 21,394, with facilities still ramping up. One facility is due to start construction in 2022/23.

To date US$50 million has been repaid reducing the portfolio to US$34 million.

INTERMEDIARY RELATIONSHIPS

The Loan Origination Unit was converted to the Intermediary Relationships Unit as at April 1, 2021. The new unit is tasked with management of DBJ's intermediary channels involved in the delivery of the Bank's funding products not only to DBJ's Approved Financial Institutions but also to Micro Finance Institutions, business service intermediaries (BSIs) and fund managers.

These relationships are managed with the primary objective being to facilitate access to funding for businesses through the implementation and utilisation of DBJ's product offerings. The Unit provided direct selling and support to our intermediaries for DBJ's loans and guarantees, and referrals to fund managers and BSIs for businesses seeking equity or grant financing, respectively.

The channel management strategy was executed utilizing various initiatives which are outlined below:

- We created, built, managed, and leveraged relationships with our intermediaries at the CEO, executive and officer levels to understand their needs and tailor DBJ solutions, and to increase their awareness and utilisation of DBJ's revenue generating products. This included the execution of various sales promotion activities, training and introductory sessions across the branch networks.
- We maintained a robust pipeline of prospective loans by pre-screening customers then referring and handholding them through our financial intermediaries.
- We prioritized efficient processing of loan applications, disbursement and other requests from our partners throughout the period allowing us to consistently

Achievements

The CRM Division surpassed all major targets for 2021/22, as illustrated in tables 1.1 and 1.2 below.

The Intermediary Relationships Unit facilitated $7.7 billion Jamaican dollar-denominated loans approved by intermediaries for the 2021-2022 period. This was 24.19% above the $6.2 billion target.

The Unit also facilitated $11.5 billion of investments supported through intermediaries which was $2 billion or 21.05% above the target of $9.5 billion.

FY 2021-2022 MAJOR TARGET BILLIONS

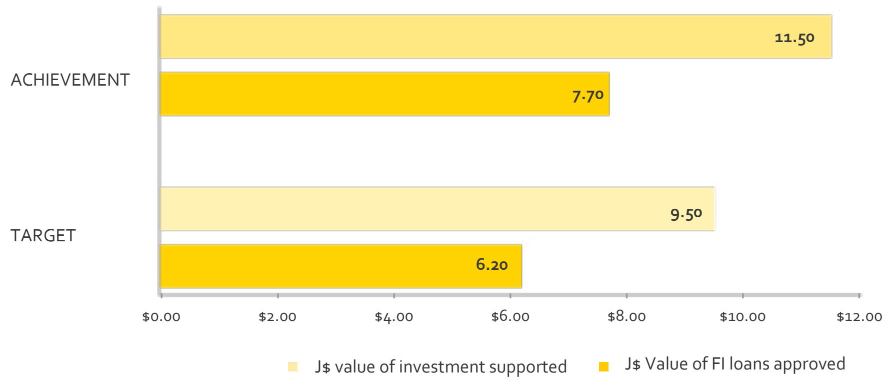


Table 1.1

FY 2021-2022 MAJOR TARGET US$ MILLIONS

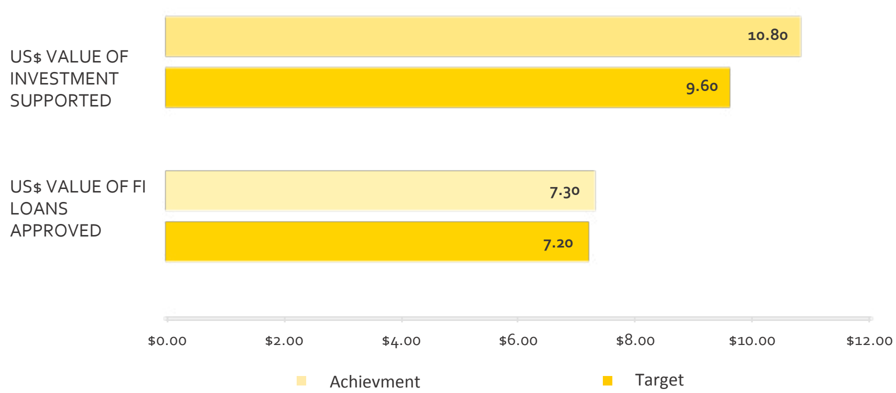


Table 1.2

The Unit achieved US$7.3 million in the value of United States dollar-denominated loans approved through intermediaries compared to the target of target US$7.2M. While US$10.8 million in United States dollar denominated investment was supported surpassing the target of US$9.6 million by US$1.2 million or 12.5%.

William Foster enters his photo studio in Kingston. The microentrepreneur accessed DBJ funding from Access Financial Services Limited, a DBJ-approved micro finance institution in Kingston.

Between September 2021 and March 2022, the Intermediary Relationships Unit under the leadership of a Project Manager, was responsible for disbursing the $3-billion loan facility for MSMEs comprised of the Go-Digital Loan and the MSME Recovery Loan.

By March 31, 2022, overall SERVE loan applications of $2.98 billion were completed for 14 financial institutions with a total MSME Recovery loan approval of $2.8 billion and total approvals for Go-Digital loans of $182 million.

SERVICE QUALITY & CUSTOMER EXPERIENCE

The Service Quality & Customer Experience Unit, formed on April 1, 2021, is responsible for repositioning the DBJ as a customer-centric organisation delivering high quality service and customer satisfaction that meet and/or exceed our customers' expectations.

This is achieved by improving and ensuring consistent, reliable, and efficient service from initial contact with clients through to delivery of our products and services.

Goals and Achievements

With a view to revolutionize the DBJ customer experience, the goals set out for the Unit included:

- To maintain and/or improve DBJ's loan transaction processing timelines according to established service level agreements and legal requirements. To provide consistent, reliable, and efficient service that is always on-time and error-free ensuring that we are always able to meet clients' expectations in a timely manner.

  During the period, the DBJ consistently met the loans processing and loans disbursement turn-around time at a rate of 100% throughout the year. The DBJ also achieved a 99% compliance rate for turnaround time for loan documentation.

- Digitization of the processes, procedures, and documentation pertinent to loan approvals and compliance processing through the newly acquired Microsoft Dynamics 365 Customer Relationship Management (MDCRM) software as well as electronic signatures software, which will directly impact the transactions processing turn-around timelines.

  The processes involved streamlining the management of all Loan Leads, Loan Pipeline prospects, loan applications, applications for loan disbursements, processing requests under the line of credit modality, and automation and generation of loan documentation.

  The platform assisted the team to efficiently track, monitor, and report on all our customer transactions consistently which improved our ability to provide the highest level of service to our clients.

- Improve DBJ's responsiveness to customer needs by addressing customer concerns and queries promptly; through the improvement, streamlining and monitoring and reporting on all customer contact points. This will directly impact DBJ's response time to customer queries, ensuring that clients have the best experience while improving overall efficiency.

  A Virtual Contact Centre was created to address all inbound customer contacts and queries received via email, websites, lobby kiosk, WhatsApp, and telephone which are now automatically assigned to DBJ officers and integrated into the MDCRM platform for efficient lead management and measurement.

  Over the reporting period, the average response time to all customer queries was reduced from a high of five days to an average of one day consistently over the last seven months of the reporting period that coincided with the DBJ SERVE surge in customer queries.

  To operationalize the processes and procedures for the line of credit modality available to our financial partners, which include AFIs and MFIs, the processes and procedures for the line of credit modality were operationalized and rolled out to all financial partners.

Children at Kidz in Paradise Nursery and Pre-School in Kingston. The school was expanded using DBJ funding which it accessed from Access financial Services, a DBJ-approved micro finance institution.

We established an efficient process flow for handling of the MSME Go-Digital and MSME Recovery loans line of credit which ensured expedited and timely processing. This involved creating new application forms suitable for processing new loans and disbursements, and data capture software used by our financial partners to electronically submit data for approved loans under the line of credit.

CREDIT ENHANCEMENT FACILITY

The Portfolio Guarantee Scheme performed well during Financial Year 2021/22. We facilitated $4.8 billion in loans to SMEs, through disbursement of 408 loans compared to 2020/21 when $1.86 billion facilitated 208 SME loans.

Although the CEF did not achieve its plan, the growth momentum of this financial year, puts the DBJ in a good position to achieve the future targets for the CEF.

Damian Johnson, CEO of Epic Displays, confers with a member of his staff. The company, a beneficiary of the CEF, manufactures signs, displays for retail and wholesale products, labels, and apparel with full or partial colour prints, among other things.

SECTOR IMPACT

During the year, the Distribution sector was the largest beneficiary of CEF Guarantees, accounting for 50% of the loans guaranteed. This was followed by the Services and Transport sectors at 29%.

Ludlow Bryce, Managing Director of EZ Stationery, checks inventory at his company which is a supplier of stationery and office products. EZ Stationery is a beneficiary of the CEF.

GENDER AND GEOGRAPHIC IMPACT

During the year, 39.1% of the 408 loans guaranteed were to rural-based SMEs (outside of Kingston & St. Andrew and Portmore). In addition, 31.7% of the loans guaranteed were to Female majority owned SMEs.

Sonya Dunstan, Managing Director of A Taste of the Caribbean, stands by the company's products. The company which benefited from the CEF, manufactures jellies, coconut products, sauces, and low-calorie dressings made from local fruits and vegetables, under the brand name, 'Dunsons'.

OUTLOOK

We are very optimistic about the future level of utilisation of the CEF by the Approved Financial Institutions, based on current trends.

During the financial year, four new AFIs and MFIs signed on to the CEF and the on-boarding process was completed.

It is expected that in the new financial year, AFIs who were focusing on protecting their loan portfolios will return to building their portfolios with new originations.

PROJECT MANAGEMENT OFFICE

The Project Management Office (PMO) is a new division within the DBJ with responsibility for product development and project management. It was created to improve synergies across the programmes and projects under management by the Bank, and consists of the following three units:

- Product Development – responsible for the creation of new products and programmes
- Project Management – effective management of internal and externally-funded projects and programmes
- Programme Execution – responsible for operational activities supporting loan and technical assistance programmes offered by the DBJ

During Financial Year 2021/22, three major externally funded programmes were managed by PMO.

PROJECT/PROGRAMME	INTERNATIONAL DEVELOPMENT PARTNER	DURATION
Credit Enhancement Programme (CEP)	Inter-American Development Bank	Sept 2017 – Sept 2022
Access to Finance Project (A2F)	World Bank	Jan 2018 – Jan 2023
Boosting Innovation, Growth and Entrepreneurship Ecosystems (BIGEE) Programme	Inter-American Development Bank	Mar 2020 – Mar 2025

The PMO Division is responsible for the management of the DBJ's technical assistance and capacity building programmes for micro, small and medium-sized enterprises (MSMEs). During the year, the Bank executed five (5) technical assistance programmes to support the development and growth of MSMEs in Jamaica.

These programmes included:

1. Voucher for Technical Assistance
2. Energy Audit Grant
3. Jamaica Business Fund
4. Innovation Grant Fund
5. Innovation Grant from New Ideas to Innovation (IGNITE)

Many of the technical assistance provisions are supported by one of the above-mentioned projects or programmes funded by the multilateral agencies.

For the period under review, the DBJ had a stellar performance with its technical assistance and grant portfolio.

Over 450 MSMEs were supported with grants or technical assistance to facilitate digitization, innovation and improved productivity within their businesses. Of this number, approximately 200 startups were supported, and 60 innovation and technology businesses were supported.

PROJECTS AND PROGRAMMES

Boosting Innovation, Growth and Entrepreneurship Ecosystems (BIGEE)

The Boosting Innovation, Growth and Entrepreneurship Ecosystems (BIGEE) Programme is being implemented by the DBJ as part of the Government's push to improve the business landscape of the country. BIGEE, which is funded through a loan in the amount of US$25 million to the GOJ from the Inter-American Development Bank (IDB), and will be executed over the 5-year period, September 2020 to September 2025.

The main objective of the programme is to promote sustainable and robust growth among startups and MSMEs in Jamaica by:

i. Promoting innovation and productivity among established MSMEs with high growth potential
ii. Promoting sustainable growth in scalable startups[2]; and
iii. Creating a sustainable pipeline of high-growth potential startups.

The programme is structured in four distinct components:

- Component 1: Innovation and Growth for Established MSMEs (US$8.35 million)
- Component 2: Facilitating Innovation and Growth for Scalable Startups (US$8.99 million)
- Component 3: Facilitating Innovation and Growth for High Potential Startups (US$3.4 million)
- Component 4: Programme Administration and Management (US$4.185 million).

COMPONENT	PRODUCT/PROGRAMME	TARGET GROUP
C1	Innovation Grant Fund	Established medium-sized firms
C1	Go-Digital Vouchers	Traditional Businesses
C2	Acceleration Services Support	Scalable Startups
C3	Incubation Services Support	High Potential Startups
C3	Seed Fund	Scalable Startups and Startups

Since the programme started, the DBJ has launched four (4) grant products and programmes geared at providing support to businesses in the implementation of their innovation projects, for digitization and for access to incubation and acceleration services.

The four grant products and programmes include:

- IGNITE III
- Innovation Grant Fund
- Go-Digital Voucher
- Incubator and Accelerator

Startups and MSMEs have responded very well to the introduction of these products and programmes with the following results observed as at March 31, 2022:

- Six (6) projects were approved and US$530,000 in grant funding was committed
- Eighty (80) businesses received Go-Digital vouchers which were utilized to develop websites (with e-commerce functionality), for web-based marketing and for digitizing business processes.
- 152 startups and scaleups were provided incubation and acceleration services which included mentorship, training, and access to financing and new markets. These businesses were able to access these resources through the Bank's partnerships with the following incubators and accelerators
  - TBR Lab
  - RevUp Caribbean
  - Branson Centre of Entrepreneurship
  - Jamaica Business Development Corporation
  - CreaTech
- The IGNITE Programme has awarded grants of approximately US$600,000 to 21 companies for the implementation of their innovation projects. Manufacturing and Information Communications Technology (ICT) account for 50% of the projects represented in this cohort of the programme.

A worker at the Leon Blackwood poultry farm in Bannister, St. Catherine, demonstrates the use of a brooder that is used to keep the baby chicks warm. A DBJ loan is being used to purchase and install solar panels on the poultry houses.

[2] A scalable startup is only just beginning operations but aims to become an extremely high-growth profitable company.

During FY2021/22

For the period under review, the financial expenditure was US$1,471,221 across all components.

EXPENDITURE BY COMPONENT	TOTAL BUDGET	TOTAL EXPENDITURE	BUDGET 2021-2022	ACTUAL 2021-22
Component 1	$8,350,000.00	$466,018.02	$905,000.00	$431,426.31
Component 2	$8,990,000.00	$220,126.37	$700,000.00	$220,126.37
Component 3	$3,475,000.00	$533,631.29	$345,000.00	$388,650.46
Component 4	$4,185,000.00	$521,785.92	$495,000.00	$431,018.44
TOTAL EXPENDITURE	**$25,000,000.00**	**$1,741,561.61**	**$2,445,000.00**	**$1,471,221.58**

ACCESS TO FINANCE FOR MSMES PROJECT

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

PROJECT COMPONENTS:

A. Component 1 (US$5.55 million) – Capitalization and Revamping of the CEF including Marketing, Training and Software for AFI qualification assessment

B. Component 2 (US$7 million) –Supporting the establishment of an SME Fund

C. Component 3 (US$1.56 million) – Enabling environment for MSMES including the development of financial instruments (Factoring & Leasing) & Business development services for MSMEs to improve bankability

D. Component 4 (US$0.89 million) – Project Management

Component 1: Capitalization and Revamping of the CEF including Marketing, Training and Software for AFI qualification assessment

1. **Development of a business plan, financial model, policies and procedures for the operations of the CEF, and training (Completed)**

2. **Capitalization of the CEF (95% Completed)**

The enhanced scheme was launched in November 2019 and began operations in January 2020. As of March 2022, US$4.75 million (J$671 million) has been injected into the CEF by the A2F Project to support the approval of additional guarantees. An additional US$0.25 million under the Project will be injected in FY2022/23.

3. **Software for AFI qualification (Completed)**

A2F Consulting LLC (firm) was selected to provide a Risk Enterprise Management Software System (REMSS) to the DBJ to automate the approval process for financial institutions to access guarantees under the CEF as well other products offered by the DBJ.

The REMSS was an off-the-shelf system and was customized based on the DBJ's Risk Rating Model. The DBJ has now moved 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.

4. **Technical assistance / training for strengthening AFI assessment (Completed)**

GBRW Consulting a London-based firm was contracted to provide consultancy for technical assistance and training to the DBJ to support the strengthening of its Credit Risk Management framework for its AFIs. GRBW submitted its final report and presented its recommendations to the DBJ Board in late September 2021. The DBJ senior management team will continue its work based on the recommendations provided.

GBRW Consulting provided a series of courses to support the strengthening of the DBJ's Credit Risk Management framework over the period November 30 to December 16, 2021. Three courses were conducted as follows: Credit Risk Management; SME Banking; and Bank's

Organisational Structure. Approximately 40 participants from the DBJ attended all three courses.

5. **Marketing, awareness raising to Approved Financial Institutions and SMEs (Under way – December 2020 to December 2022)**

The Access to Finance Project has contracted a marketing agency to execute an integrated marketing and awareness programme over two years, to inform Jamaicans in general, and AFIs and MSMEs about the products and services supported by the Project and, in particular, its. The campaign began in May 2021 and will focus on the Enhanced CEF, Voucher for Technical Assistance Programme, Reverse Factoring and Environmental and Social Management Framework.

Component 2: Supporting the Establishment of a SME Fund for Risk Capital Financing to SMEs

To date, tasks under Component 2 are as follows:

- Completed Supply & Demand Assessment for SME Fund Feasibility (Fund to provide risk capital for SMEs in Jamaica)
- Completed the Assessment of the Taxation Regime for Private Equity and Venture Capital (PEVC) in Jamaica
- Completed the Review of the Legal and Regulatory Framework for PEVC in Jamaica
- Established Working Groups that completed the review of the recommendations of the Assessment of the Taxation Regime and Legal & Regulatory Framework for PEVC in Jamaica and provided a list of prioritized recommendation for further consideration by the GOJ to Reform PEVC: to facilitate greater investment by local and international investors by enabling them to have less restrictions on areas of possible investment.
- Completed the assessment of the feasibility of a Fund of Fund structure for the DBJ and Investor Partners
- Completed the Selection of an SME Fund Manager to establish and manage an SME fund in Jamaica

UPDATE ON SME FUND TO BE ESTABLISHED BY SELECTED FUND MANAGER

Actus Partners Ltd, a management consultancy firm focused on alternative Private Equity & Venture Capital solutions, based in London, England, has been selected to establish and manage a new Small and Medium-sized Enterprises Fund, based in Jamaica. A letter of Notification was signed in April 2021.

The Jamaica Actus Small & Medium Enterprises Fund I (JASMEF) has been established and will provide growth and risk capital financing to invest in high-growth SMEs in Jamaica, in addition to other investments undertaken in the Caribbean.

JASMEF will receive an investment of US$5 million from the DBJ, through the A2F Project, and will be required to raise additional funding of a minimum of US$10 million, in order to meet the DBJ's objective of having a minimum level of funding dedicated to Jamaican-based SMEs.

The project will also provide an envelope of funding up to US$500,000 to provide technical assistance, pre- and post-investment, for SME beneficiaries of the fund.

Component: 3 - Improving the enabling environment for access to finance and business development services for MSMEs ("Enabling Environment")

Component 3A - Enabling environment for MSMES including the development of financial instruments

The following studies/activities have been completed as at March 31, 2022

1. Feasibility assessment for factoring in Jamaica
2. Market assessment of the leasing sector in Jamaica
3. Feasibility assessment for Reverse Factoring in Jamaica and the Development of a Reverse Factoring Product (Payables Financing) and Platform Selection
4. Implementation of a Reverse Factoring Platform

COMPONENT 3B - BUSINESS DEVELOPMENT SERVICES FOR MSMEs TO IMPROVE BANKABILITY

1. Assessment of the DBJ's Capacity Development Strategies Programmes (Completed)
2. New Interactive technological platform for DBJ's Voucher for Technical Assistance (VTA) Programme (Platform Operational)
3. Resources for new vouchers under VTA programme: As at September 2021, the Project provided J$45 million (US$310K) to Support 248 MSMEs under the DBJ's VTA Programme, by providing vouchers for technical services, business plans, financial statements, etc.

FINANCIAL MANAGEMENT

Disbursement under the project as at March 31, 2022, totaled US$7.81 million (52.1%) of the total project amount, with expenditure of US$7.66 million.

IDB CREDIT ENHANCEMENT PROGRAMME FOR MSMEs PROJECT

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

Activities

- US$19.8 million - Capital injection into the CEF to increase the capital base of the fund
- US$200,000 – Administrative, monitoring and evaluation, and external audit costs
- US$250,000 (Grant) -The procurement of an IT system that will improve the efficiency and effectiveness of the programme as it is scaled and supports more MSMEs

The value of guarantees approved as at March 31, 2022, under the IDB Credit Enhancement Programme for MSMEs totals US$30.9 million (J$4.6 billion):

- 777 guarantees were approved totaling J$4.6 billion supporting loans totaling J$9.2 billion.
- 43% of the guarantees approved supported loans to women-owned MSMEs
- 3% of the guarantees approved supported loans to MSMEs for energy-related projects.
- Of the 777 guarantees approved, 297 (38.2%) were approved for micro enterprises, 285 (36.7 %) to small enterprises and 185 (23.8%) to medium-sized enterprise.
- 36% of the guarantees approved supported MSMEs operating in the services sector, 36% Distribution, 12% Agriculture, 7% Manufacturing, 6% Transportation and 2% Tourism.

As at March 31, 2022, US$12.83 million of the allocated US$19.8 million under the IDB Credit Enhancement Programme for MSMEs has been injected into the CEF.

The CEP has exceeded the 464 targeted number of guarantees by 67.5% (313 guarantees).

US$250,000.00 (Grant) -The procurement of an IT system that will improve the efficiency and effectiveness of the programme as it is scaled and supports more MSMEs

The IT platform was finalized and launched with the enhanced CEF under the World Bank Access to Finance for MSMES Project in November 2019. The new MIS platform enables the CEF Portfolio Scheme to:

- Automate guarantee approval and registration, fees collection, claims processing and payout, financial calculations and analysis, account monitoring, recovery follow-up.
- Validate the data input against the approved criteria for each AFI, and will send an automated response confirming a guarantee's registration to the AFI and DBJ. Request for exceptional guarantees will be routed to the DBJ for review and approval on the platform.
- Periodically generate a random list of guarantees for the CEF staff to review from time to time. All documentation and criteria will be validated by the team for these transactions. This will aid in ensuring AFIs are not making mistakes and reduce the potential for moral hazard.

The AFIs continue to express significant satisfaction with the CEF MIS platform as the fast turnaround time for guarantee approvals has positively impacted their operations in a significant way.

Businesses from all parishes and various sectors[3] have benefitted from this facility, with 55% of the beneficiaries from Kingston and St. Andrew, followed by St. Catherine with 20%.

Notably, up to March 2022, the programme assisted over 780 established or existing businesses at a value of $189.5 million and approximately 1,075 MSE startups[4] totaling $267.72 million.

TECHNICAL ASSISTANCE PROGRAMMES

VOUCHER FOR TECHNICAL ASSISTANCE

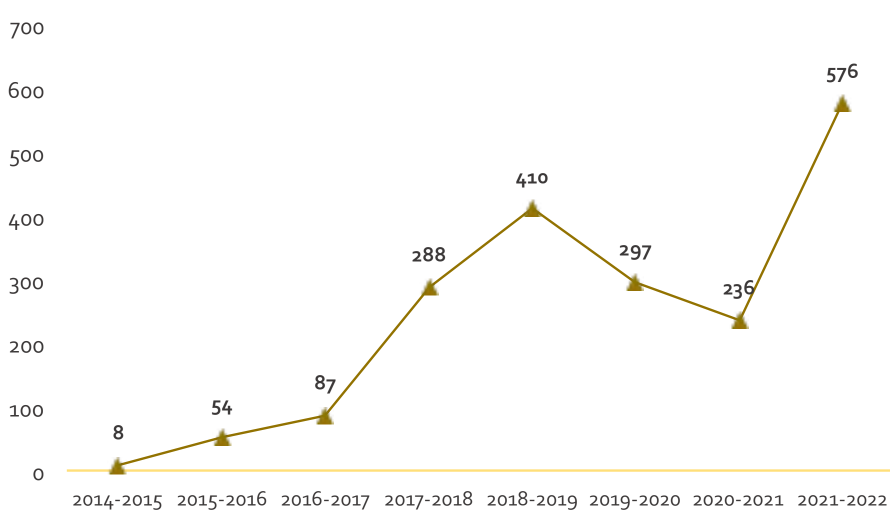
The Voucher for Technical Assistance (VTA) programme which was launched in 2014 is an arrangement among the DBJ, its AFIs, the Private Sector Organisation of Jamaica (PSOJ), and selected BDOs with the following objectives:

i. Assisting MSEs in improving the management capacity of their business operations
ii. Improving the ability of MSEs to access loans through AFIs and other financing options; and
iii. Expanding business activity generally, thereby increasing production, employment, and the sustained development of MSEs in Jamaica.

The programme affords MSEs access to funding for business development services to improve their business operations and thereby fill management gaps, which might have hindered creditworthiness. The vouchers are valued between $50,000 and $300,000 and the services are offered via 87 DBJ-approved BDOs.

Since its inception in 2014, over 7,800 vouchers have been issued to more than 5,300 businesses, of which approximately 1,630 businesses redeemed over 1,950 vouchers for business development services. The image below shows the breakdown of the redeemed vouchers since 2014.

FIGURE 1: VOUCHERS REDEEMED BETWEEN 2014/15 & 2021/22



2021/22 FINANCIAL YEAR APPROVALS

The approval rate increased significantly during the year under review, wherein over 3,500 vouchers were issued, in comparison to 640 for 2020/21. A significant number of the approvals were of Go-Digital vouchers.

Five hundred and eighty-seven (587) vouchers were redeemed with 566 MSEs directly benefiting, at an overall DBJ spend of approximately $125.22 million during the year.

Go-Digital Voucher Programme

In September 2021, the DBJ in partnership with the Ministry of Finance, restructured the Go-Digital Voucher facility under the SERVE Programme aimed at assisting MSEs to employ cutting-edge technology to digitally transform manual products and service delivery processes, including, but not limited to cloud infrastructure, cyber security,

[3] Sectors benefitting from the VTA include manufacturing, mining, agriculture, services, agro-processing, ICT, tourism, and energy.
[4] During FY2021/22, 68.9% of all vouchers redeemed were by startups.

digital productivity tools, business applications, digital channels and online banking and digital training.

With the restructuring of the facility, the value of the Go-Digital voucher increased from $200,000 to $300,000; and specific vouchers for financial statements and business plans were increased from $200,000 to $250,000.

Consequently, 1,991 Go-Digital vouchers (for purposes that include digital transformation, web-based marketing, and financial and accounting systems) were approved, of which 191 were redeemed, as shown below.

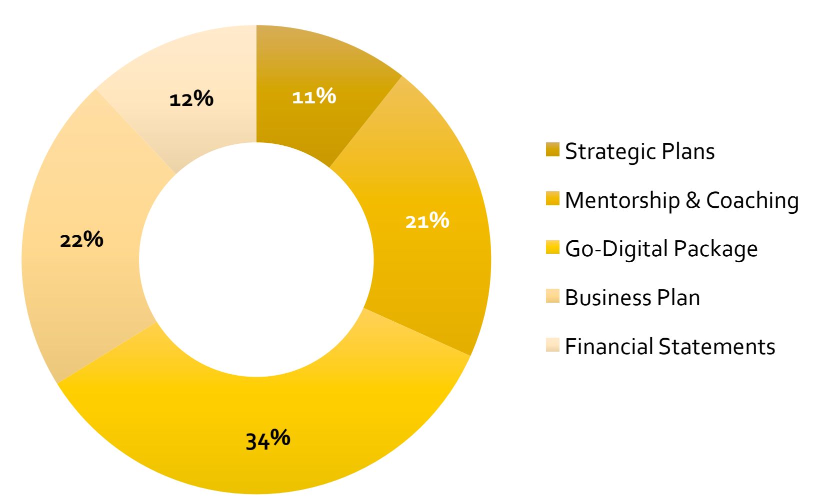
SERVICE	#	DBJ SPENT
Go-Digital Package (*including Digital Transformation, Web-based Marketing and Financial & Accounting System)*	191	50,934,247.19
Business Plan	90	$18,536,325.69
Financial Statements	47	$10,750,000.00
GRAND TOTAL	**328**	**$ 80,220,572.88**

Ninety (90) business plans and forty-seven (47) financial statements were utilized, occasioning an increase of 221% (28 in 2020/21) and 194% (16 in 2020/21) respectively over the 2020/21 Financial Year.

The Go-Digital voucher was an overwhelming success and was by far the most requested service during the fiscal year with 22.49% of all vouchers redeemed.

The top five vouchers redeemed during the financial year were as follows:

TOP 5 VOUCHERS REDEEMED - 2021/2022



It should be noted that for the Fiscal Year 2021/22, thirty-three (33) MSEs who received vouchers also accessed DBJ's CEF at a value of $213.47 million. Thirteen (**13**) other voucher recipients benefited from DBJ loans valuing $148.95 million, resulting in investments of $166.7 million as well.

JAMAICA BUSINESS FUND (JBF)

The Jamaica Business Fund was established in 2016 under the Jamaica Foundation for Competitiveness and Growth Project (FCGP), financed by the Government of Jamaica and the World Bank. The financing mechanism is aimed at strengthening private businesses by providing matching grants to commercially and economically viable value chains that can generate increased production, productivity, direct employment, and output growth, as well as increased integration of productivity and capacity development of supply chains.

The programme is currently in its 4th cycle of implementation.

As at the end of the Financial Year 2021/22, the JBF facilitated $788.9 million of investments in 24 supply chain projects across the island. Of this number, 18 have been completed and 6 are currently in the implementation phase. Private sector investment currently represents 35% or $274.1 million as the counterpart funding for the 24 projects.

JBF investment spans several sectors, however it should be noted that the agricultural sector received 92% of benefits under this initiative.

Since 2020, the DBJ became the official fund manager, and has been tasked with implementing six projects through the following anchor firms[5] that were successfully awarded the grant facility under the 4th cycle.

[5] An anchor firm has a key position in the economy through its interactions with suppliers and other firms. Anchor firms are traditionally large or influential businesses.

1. CARIBBEAN BROILER - POULTRY SUPPLY CHAIN IMPROVEMENT AND EFFICIENCY PROJECT

The Caribbean Broiler Group (CBG) is a privately-owned entity, which produces chicken meat, and has a well-established and fully functional supply chain for poultry farmers.

To support the company's market expansion at an overall cost of $91.1 million, they were granted funding under the JBF project of $51.1 million and the balance of $40.1 million being private sector investment.

The project is being implemented in the parishes of Clarendon and St. Catherine with 12 participating supply chain members.

It is anticipated that this intervention will result in more efficient poultry farms and increased productivity of the supply chain by introducing technologies such as:

- Water quality and purification systems
- Installation of solar systems and energy-saving devices on 8 farms
- Installation of 5 windrowers to deal with litter management
- Establishment of cluster management systems and litter management

To date, eleven (11) energy audits have been completed for beneficiaries and windrowers fully commissioned.

2. BLUE MOUNTAIN COFFEE VENTURE LIMITED

Blue Mountain Coffee Venture Ltd. (BMCV), located in Flamstead, St. Andrew, is a family-owned company which produces, procures, and markets Jamaica Blue Mountain coffee beans.

In 2001, the company introduced the first low water volume coffee pulping machine to the Jamaican coffee industry and subsequently established its own drying, storage, grading, and sorting facility to convert coffee berries to clean green beans for its export markets in Asia, Europe, and North America.

To extract maximum value from the market, with the grant funding under the JBF, BMCV will undertake a project titled 'Bolstering the Coffee Supply Chain Through Heightened Productivity', aimed at meeting the following three main objectives through a multiplicity of activities:

1. Increasing productivity of supply chain farms
2. Optimizing the throughput of the factory
3. Deepening market reach by enabling migration up the value chain.

The project has an overall cost of $46.5 million of which $28.6 million is JBF funded and the remaining $17.9 million represents private sector investment. The project is being implemented in the parish of St. Andrew, with fourteen (14) participating supply chain members.

3. TECHNOSOL LIMITED – PIMENTO AND ESSENTIAL OILS TRADE [PEOT] PROJECT

Technosol is one of Jamaica's largest manufacturers and suppliers of Jamaican essential oils for the local and international food, flavour, fragrance, and cosmetic markets.

The company's extraction facility is located in St. Elizabeth, and its main export product is Jamaican Pimento Leaf Oil. It also produces smaller amounts of Rosemary Oil, West Indian Lemongrass Oil and West Indian Lemongrass Hydrosol. As anchor firm, Technosol is the critical link in the supply chain between the end market and primary producers - the farmers.

The JBF will offset $11.1 million of the total project cost of $17.1 million and private sector investment is $5.9 million. The project is being implemented in the parishes of St. Ann, St. Elizabeth, and Manchester with twelve (12) participating supply chain members.

The objectives of the project include:

1. Improving the firm's pimento leaf oil through technological upgrades
2. Increasing efficiency and productivity gains
3. Increasing farmer knowledge and business management capacity through technological upgrades and innovations.

To date, the anchor has been able to acquire planting materials, undertake training in good agronomic practices and procure upgraded equipment.

4. FRESH & DIRECT LIMITED - POTATO FARMERS CAPACITY IMPROVEMENT

Fresh and Direct Limited is a vegetable distributor, dealing mainly with potatoes, onions, and garlic. Since 2013, the company has operated a programme providing seeds and fertilizer to farmers to assist them with establishing their crops.

The project, which is being implemented in St. Mary with twelve (12) participating supply chain members, has an overall cost of $66.4 million of which $48.5 million is JBF funded with counterpart expense of $20.3 million from private sector investment.

The objectives of the project include:

1. Improving harvesting efficiencies to make potato growing a more viable and sustainable engagement for the supply chain
2. Increasing production and reducing waste

The expenditure incurred to date has resulted in the procurement of mechanization equipment and construction of a pond.

5. ASSOCIATED MANUFACTURERS LIMITED

Associated Manufacturers Limited (AML), owners of the Walkerswood brand, produces jerk seasoning products for the local and international market, with a product line consisting of over 20 products, from seasonings to sauces and condiments.

Two projects are being implemented under this company, namely:

5A. CLIMATE SMART SCALLION PRODUCTION

This project is being executed in the parishes of Clarendon and St. Elizabeth with eleven (11) participating supply chain members. It has an overall cost of $54.4 million of which $38.1 million is JBF funded and $16.3 million from private sector investment.

The objectives of the project include:

- Improving yield per acre on hydroponic farms
- Reducing growing time to 10 weeks.

To date the project has achieved the following results:

- Hydroponic technology is used for scallion production by two other firms
- Yield improvement among hydroponic farmers and open field farmers
- Shortening of growing time from 14 weeks to 10 weeks for hydroponic farmers.

5B. PRECISION AGRICULTURE (PEPPER)

The pepper project has an overall cost of $53.7 million of which $37.6 million is JBF funded and $16.1 million represents private sector investment. It has eleven (11) participating supply chain members and is being implemented in the parish of St Catherine.

The objectives of the project include:

- Improvement in yield and efficiency by utilizing precision agro tools
- Improvement in the basic computer software and smart device application literacy of the farmers, and to provide specific training on the use of the farm management software
- Provision of basic business training to enable the farmers to improve their management of the farming enterprise.

To date, the project has achieved the following results:

- Increased yield as a result of improved implementation of best practices taught in training
- Reduction in cost of production by virtue of improved cost control and yield
- Increased profitability
- Reduction in water usage and fertilizer usage

RIO TINTO ALCAN LEGACY FUND (RTALF) SCHOLARSHIP

The Rio Tinto Alcan Legacy Fund (RTALF) is a US$1.8 million self-sustaining legacy fund in perpetuity in which 25% of the interest from the revenues are allocated to agricultural scholarships for Jamaican youth enrolled in an agricultural study in secondary, tertiary, or vocational institution in the parishes of St. Ann, Manchester, and St. Catherine.

The Jamaica 4-H Clubs is responsible for selecting students who will benefit from either a scholarship or a bursary.

The RTALF was established by Rio Tinto (formerly Alcan Jamaica) to fulfil a promise made to the Government of Jamaica to ensure that Rio Tinto Alcan Inc. will continue to be perceived by this and future generations of Jamaicans as a responsible corporate citizen. The RTALF will perpetuate the positive image Alcan had built up over the years in its relations with successive governments, the National Workers Union, and the communities within which it carried out its mining operations.

The purpose of the RTALF Scholarship is to promote social development activities by investing in skills development and training of Jamaican youth by providing scholarships to students attending agricultural educational institutions in Jamaica.

The RTALF Scholarship will target tertiary institutions and secondary schools that give young people hands-on practical training for use in the agricultural sector.

During the 2021/22 financial period, approximately $8 million was disbursed from which there were 165 beneficiaries as follows:

PARISHES	BENEFICIARIES	TYPE OF BENEFIT
St. Ann	41	Tertiary Funds and Vocational Funds
St. Catherine	92	Tertiary Funds
Manchester	32	Tertiary Funds
TOTAL	**165**	

Since the inception of the programme, over 1,500 students have benefitted from this initiative and over $134 million has been disbursed in both scholarships and bursaries.

ENERGY AUDIT GRANT PROGRAMME

The Energy Audit Grant Programme was established in August 2013 to boost the uptake of a line of credit made available through the PetroCaribe Development Fund to companies wanting to invest in energy conservation, energy efficiency and alternative energy solutions.

The purpose of an energy audit include:

- Determining where, why, when, and how energy is used in a facility
- Identifying opportunities to improve efficiency

The main outcome of an energy audit is a list of recommended Energy Efficiency Measures (EEMs)/Energy Opportunity Measures (EOMs), their associated energy savings potential, and an assessment of whether EEM/EOM installation costs are a good financial investment.

The grant is available to MSMEs to cover the cost of an energy audit up to a maximum of $200,000 per audit, to have an Energy Audit done on their facility and make recommendations to assist these SMEs in being more energy efficient. Applicants may only be approved once for an energy audit grant for the lifetime of the programme. Under the programme, energy audits are conducted by DBJ's list of Certified Energy Managers who are certified with the Association of Energy Engineers.

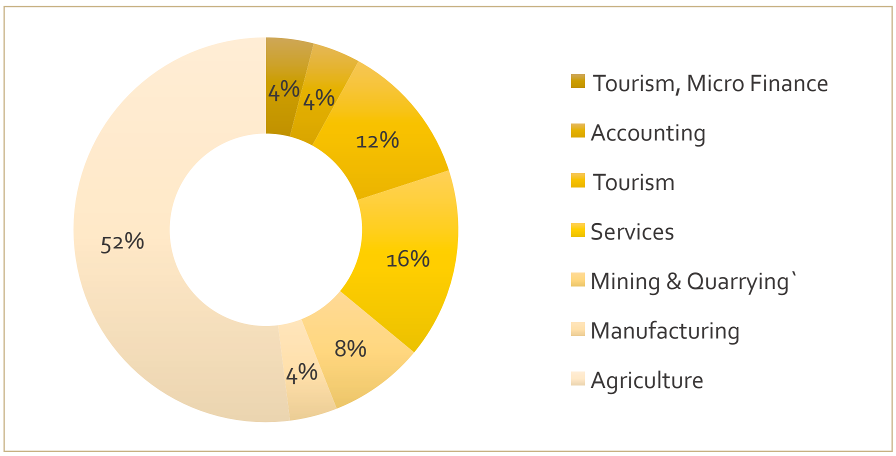
During the 2021/22 financial period a total of $4.5 million was paid out to 25 entities across Jamaica who applied for the energy audit grant, which were approved. Audits were completed by DBJ's Certified Energy Managers.

ENERGY AUDIT GRANT PROGRAMME KEY PERFORMANCE INDICATORS

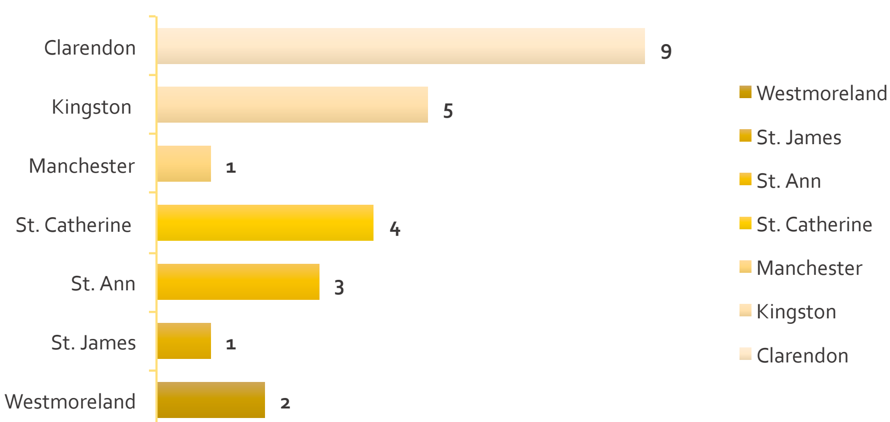
NUMBER OF BENEFICIARIES OF THE EAGP	TOTAL FUNDS DISBURSED
25	$4.5M

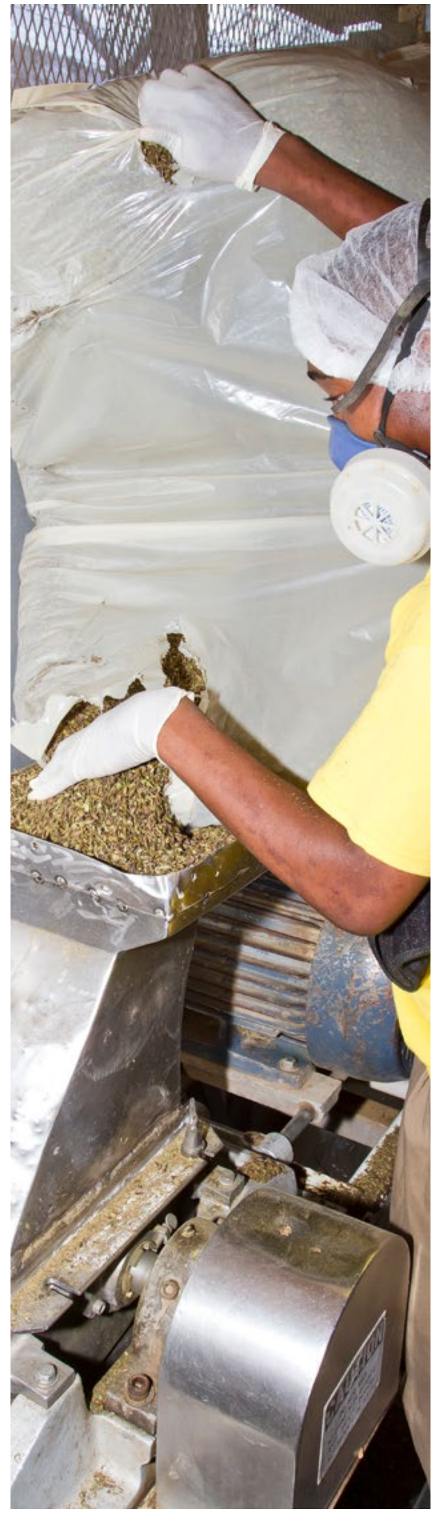
BENEFICIARIES DATA

TOTAL GRANT DISBUSED PER SECTOR



TOTAL ENERGY AUDIT GRANT DISTRIBUTED PER PARISH





A worker prepares tea leaves for processing at the agro-processor, Perishables Jamaica Limited. On a monthly basis, this DBJ-funded company sources approximately thousands of pounds of raw material from over 400 farmers in Manchester and Portland.

PRIVATE CAPITAL TECHNICAL UNIT

The Private Capital Technical Unit (PCTU) was established during the latter part of Fiscal Year 2021/22, to manage the DBJ's growing private capital investment portfolio.

Under the IDB Lab-funded Jamaica Venture Capital Programme (JVCapital), which commenced in 2016, the DBJ assumed a dual role in the development of Jamaica's alternative investment industry, through its investment as an anchor investor in private capital funds, in addition to its role as catalyst for the development of the private capital ecosystem.

With the successful completion of the JVCapital Programme, in FY2020/21, several successor projects and initiatives were established. These included:

- Caribbean Alternative Investment Association (CARAIA) which, under private sector leadership, will continue the JVCapital ecosystem building activities, and expand into the Caribbean
- Boosting Innovation, Growth and Entrepreneurship Ecosystems (BIGEE) Project, aimed at funding and supporting innovation and grant opportunities for Jamaican businesses
- Expansion of private capital investments, to include investments in private equity SME funds, and venture capital funds.

In addition, a Knowledge 'Toolkit' along with case studies relating to the lessons learnt, under JVCapital, are being made available to DBJ networks, locally and regionally, in order to support the development of regional ecosystems.

DBJ Investments in Private Capital Funds

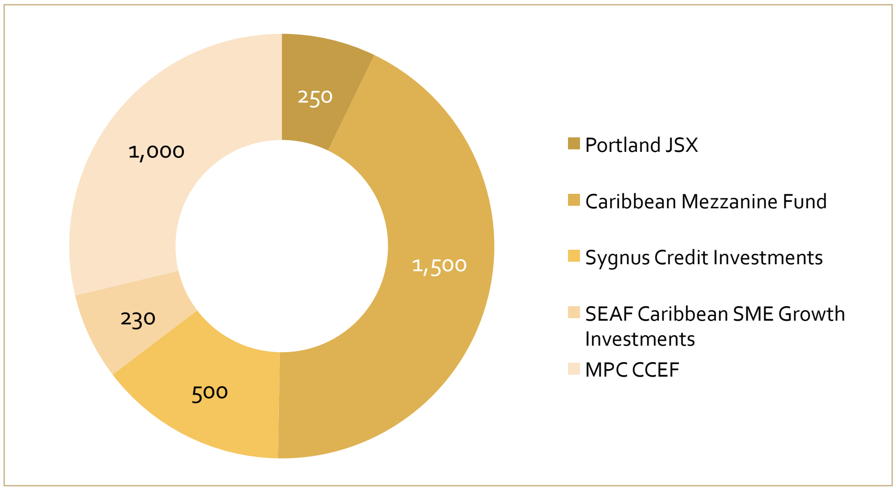
The DBJ recognized that to achieve previously unattainable high levels of sustainable economic growth, flexible and innovative financing structures were needed to support private sector-led investments and expansion of export-oriented businesses. This need for tailored, patient, and smart capital has become even more evident following the impact that the COVID-19 pandemic has had on previously sound businesses.

During FY2021/22, the DBJ continued to increase its investment in private capital funds, with the meeting of Capital Calls by funds to which investment commitments had been made previously.

The investments in funds (paid in capital) stood at some US$3.48 million from commitments of US$4.25 million, made in the following five (5) funds:

1. Portland J$X
2. Caribbean Mezzanine
3. Sygnus Credit Investments
4. SEAF Caribbean SME Growth Fund
5. MPC Caribbean Clean Energy Fund

PAID IN CAPITAL (PIC)



DBJ/PCTU FUNDING SOURCES (AS OF MARCH 31, 2022)

- US$446.7M raised by 5 Funds operating within the Region
- US$90.9M invested in 25 Jamaican SMEs
- US$3.48M Current Investment by DBJ in 5 PE Funds
- US$700K Unfunded Commitments
- US$4.89M – Total Value of Investments (Inclusive of Dividends) by DBJ
- Total Value to Paid-in-Capital (TVPI): 1.41X

To date, none of these funds have exited the investments made, but distributions in the form of dividends have been received from the Sygnus Credit Investments Limited, Caribbean Mezzanine Fund and MPC Caribbean Clean Energy Fund.

A teacher interacts with children at Kidz in Paradise Nursery and Pre-School in Kingston. The school was expanded using DBJ funding which it accessed from Access financial Services, a DBJ-approved micro finance institution.

DBJ Proposed New Investments in Private Capital Funds

For the new Fiscal Year 2022/23, the DBJ will be finalizing commitments to three (3) new SME Private Equity funds and will be seeking also to expand its investment portfolio by identifying a fund manager for a proposed venture capital fund. The DBJ will also be investing alongside angel investors in a proposed Sidecar fund to be established during 2022/23. The criteria and selection processes for these angel investors are already under way through the BIGEE Project.

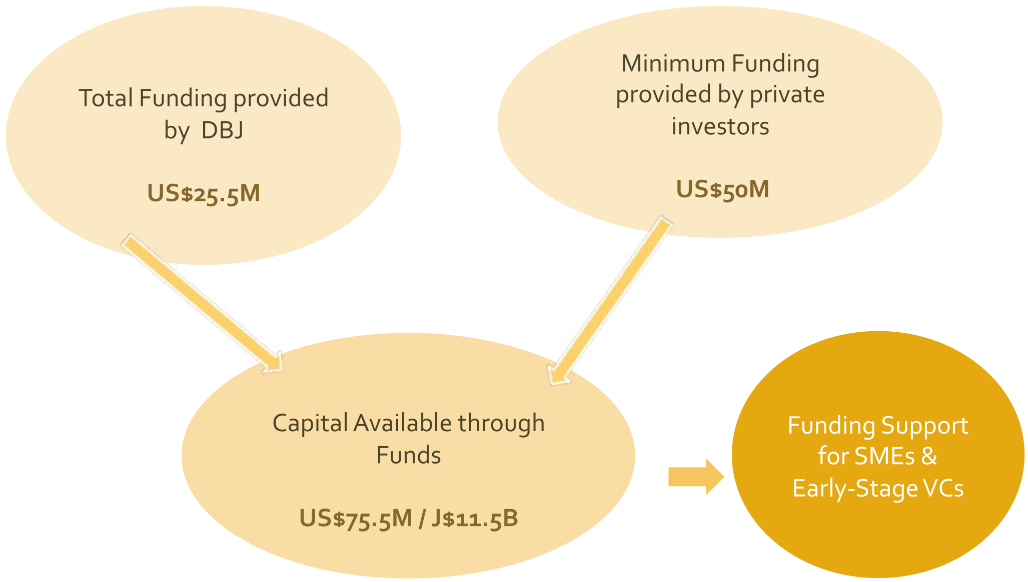
The fund managers for the SME funds were selected following Calls for Proposals, issued between 2020 and 2021. Each fund manager was assessed according to detailed investment criteria and is required to raise matching capital of two times the DBJ's capital invested in the fund.

These expanded investments were made possible with funding provided through the Ministry of Finance and the Public Service (MOFPS), under the following several new programmes:

DBJ INVESTMENT IN PRIVATE EQUITY (PE) SME FUNDS

FUND DESCRIPTION	DBJ INVESTMENT COMMITMENT	MINIMUM FUND SIZE	SOURCE OF FUNDING FOR DBJ
A2F SME Fund	US$5M	US$15M	GOJ/ World Bank Loan
GOJ SERVE SME Funds	J$2B	J$6B	DBJ received a loan from MOFPS to seed two SME Funds, under the SERVE Jamaica Programme
Sidecar Fund (DBJ Angel Fund)	US$1.5M	US$3M	Financing from MOFPS under the BIGEE Project
Venture Capital Fund	US$4.9M	US$10M	Financing from MOFPS under the BIGEE Project

DBJ PRIVATE EQUITY & VENTURE CAPITAL FUNDS



The DBJ's planned investment of US$25.5 million is expected to leverage funding of a minimum of US$50 million from private investors, resulting in funding of US$75.5 million or J$11.5 billion available for investments through these funds. Some of the selected managers for the funds have indicated their intention to raise capital well in excess of the minimum fund size, for investments to be made over the next 5 to 10 years.

This planned expansion of the Private Capital Funds Portfolio is in keeping with the DBJ's mandate of increasing access to finance for high potential SMEs and early-stage businesses.

The SERVE Programme SME Private Equity Funds reflect the commitment by the GOJ to provide appropriate and targeted financing for Jamaican businesses, many of which were impacted by the COVID-19 pandemic.

TRAINING AND CAPACITY BUILDING

During the year, the PCTU in collaboration with the Caribbean Alternative Investment Association (CARAIA) hosted two training sessions for fund managers, led by private equity expert, Peter Tropper, former Private Equity Chief Investment Officer of the International Finance Corporation.

These training sessions are in keeping with the commitment to inculcate best international practices in the operations of local and regional fund management companies.

CARAIA VIRTUAL REGIONAL ROADSHOWS

Again, in collaboration with CARAIA, the Virtual Roadshow Series which started in 2020, continued during the year and were held in the Dominican Republic, Barbados and the OECS. This again reflects a commitment to expand the alternative investment markets and networks of fund managers and investors, across the Caribbean Region, as it is recognized that a robust regional private capital market, provides greater opportunities for local and regional entrepreneurs and investors.

PLANNED ACTIVITIES 2022/2023

For the upcoming year, the PCTU will continue its focus on implementing projects aimed at realization of key ecosystem building initiatives. This will be achieved, in many instances, through collaboration with local, regional, and global players including CARAIA.

Strategic Objectives of the PCTU include:

1. Supporting private sector-led growth through the projects aimed at continued expansion of the alternative investments ecosystem and attracting talent to the local markets.
2. Increasing expertise of market practitioners, through training, workshops, and technical capacity building for investors (such as pension fund managers) and first-time fund managers.
3. Influencing the pace of implementation of (already identified), legal, taxation, and regulatory changes to enhance the local private capital ecosystem.
4. Supporting sustainable, resilient growth for Jamaican businesses and achievement of sustainable development goals particularly climate resilience and gender-based financing, by investing in funds with appropriate environmental and social governance policies and/or facilitating access to global sources of impact capital.

A worker on the job at Southside Distributors in Junction, St. Elizabeth. DBJ funded the purchase of equipment and expansion of factory space for the manufacturing of juices, seasoning, tomato ketchup, among other products.

5. Supporting new, innovative funding structures, led by local and regional fund managers, and aimed at attracting local, regional, and global investors to opportunities ranging from early-stage impact funding to large scale digital, and energy, infrastructure.

The commitment by DBJ to the development of the private capital markets is in recognition of the fact that countries which have exhibited significant economic growth and innovation, have invested at levels equating to 1% to 2% of GDP annually, through private equity. Jamaica's investments currently fall far short of these levels, hence the goal to significantly, and sustainably, expand these markets.

PUBLIC-PRIVATE PARTNERSHIPS & PRIVATISATION (PPP)

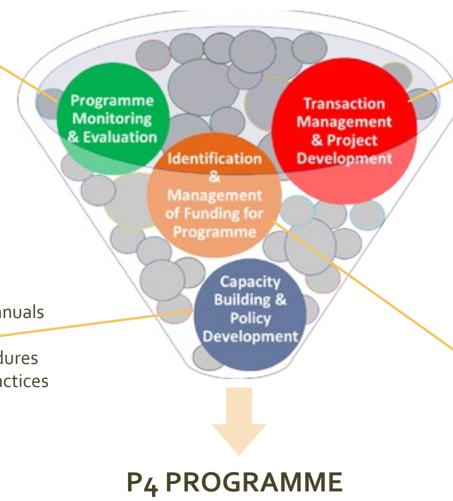
The Public-Private Partnerships and Privatisation (P4) Programme is integral to the Government's public sector transformation and fiscal reform programmes, through its facilitation of private sector-led growth and investment in the economy.

The DBJ, as the lead implementing Agency for the Government's P4 programme performs several cohesive and inter-related functions and activities which support the Programme's success.

These functions are:

- Strategic Oversight Post-transaction
- Evaluation of Programme Developments

- New Efficient Privatisation Modalities
- Execute Transactions with Enterprise Teams
- Support Project Development from Concept to Financial Close



- Update Policy Manuals and Standard Operating Procedures to reflect best practices
- Training and Conferences

- Privatisation Agency Sustainability
- Project Preparation Costs
- Overall Programme Execution (capacity building, technical assistance)

PERFORMANCE HIGHLIGHTS

Investments $13.87 Billion	COMMERCIAL CLOSE 5 PROJECTS
	Greater Bernard Lodge (Sale of Land – Light Industrial) Greater Bernard Lodge (Sale of Land – Residential) Montpelier (Sale of Lands to NROCC) School Energy Efficiency & Solar PPP Silver Sands Phase 2
Government Revenue $8.28 Billion	NEW P4 ASSETS IDENTIFIED 7 PROJECTS
	PREFERRED INVESTORS SELECTED 3 PROJECTS
APMG Level 2 PPP Certification – 21 Persons	

PERFORMANCE METRICS

Investments Facilitated

DBJ supported P4 transactions (including existing concessions) resulted in approximately $13.874 billion in total investments (sales proceeds and projected investments) during Financial Year 2021/22, achieving and exceeding its target of $12 billion.

Revenues from P4 Transactions

The on-going concessions and newly executed asset sales generated $8.28 billion in revenues for the Government of Jamaica during the financial year, surpassing the $5 billion target. This included revenues from the concession fees from KCT and NMIA PPPs.

Grant Funding

During the Financial Year 2021/22, approximately US$34,000 in grant funding was received from the Inter-American Development Bank (IDB) which supported the engagement of PPP practitioners to train and certify twenty-four (24) Government officials in the APMG Public-Private Partnerships Level 2 Certification Programme.

Policy Review and Development

Our policy development work to implement process efficiency measures and incorporate climate resilience considerations into the PPP and Privatisation policies continued this year.

As at year end consultations on the Cabinet submissions seeking approval of the recommended Privatisation and PPP policy revisions are ongoing.

The DBJ expects to receive Cabinet's approval for the policy revisions in Financial Year 2022/23.

Standard Operating Procedures

During the year, the P4 Unit finalised its Standard Operating Procedures (SOP) Manual, documenting several standardized operating processes for identifying, assessing, and procuring PPPs.

TRANSACTION MANAGEMENT & EXECUTION

Portfolio Statistics and Highlights

SECTORS

As at March 31, 2022, there were thirty-three (33) projects in the P4 portfolio (excluding projects in the Contract Management Phase) across nine (9) sectors, representative of the broad reach and diversified impact of the Programme on the economy.

Real Estate and Housing is now the leading sector with 24% of the Programme transactions falling under this sector. This is primarily due to the implementation of the Greater Bernard Lodge Development phases and includes Jamaica Mortgage Bank, Silver Sands Estates and proposed sale of lands at Tower Street.

Logistics and Transport continues to be strongly represented at 12% of the portfolio, with four (4) transactions in various stages of the project development. Two (2) transactions in this sector, German Ship Repair Jamaica and Montpelier (sale of lands to NROCC) are at commercial close.

A growing sector to note is *National Security and Justice* – where three (3) potential PPPs for judicial infrastructure were added to the portfolio during the year.

MODALITIES

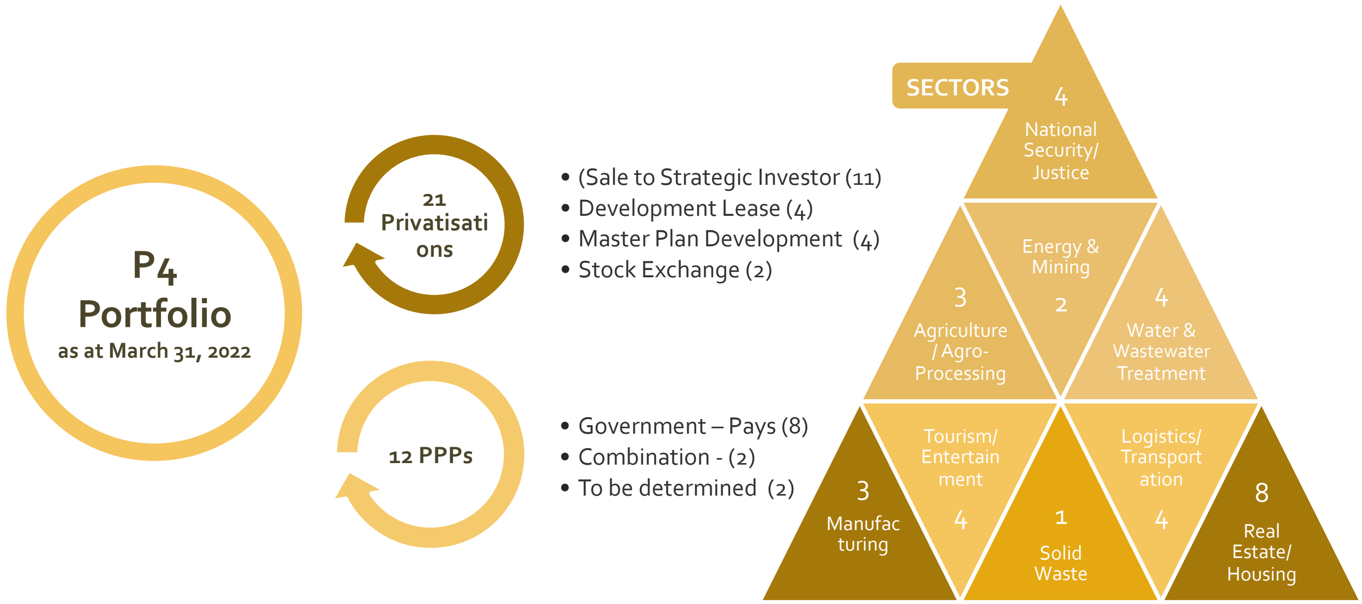
Most of the transactions (64%) are being executed as privatisations, which broadly includes distinct modalities for asset sales and leases (*Sale to Strategic Investors*, sales via *Stock Exchange* listings, *Development Leases* and *Master Plan Developments*).

While *Sale to a Strategic Investor* remains the primary mechanism, *Stock Exchange* listings and *Development Leases* are increasingly being considered and sales under *Master-Planned Developments* modality was introduced this financial year with the Greater Bernard Lodge Development.

PPPs comprise 36% of the Portfolio and reflects the emerging shift of the Government to considering private participation in the development of public infrastructure in more sectors such as justice.

Of significance is that most of the projects under consideration are Government-pays PPPs or a hybrid revenue regime combining user-payments and Government payments. This also reflects the Government's shift in focus to social infrastructure.

Optical Solutions International Limited provides ophthalmic care ranging from minimal eye care to surgeries; and prescription lens and frames for sale in their 10 locations islandwide. A DBJ loan and guarantee allowed OSIL to purchase equipment and expand employment.



Transaction Stages

Projects progress through five (5) stages, commencing with Concept, followed by the Business Case, Transaction, Commercial Close & Financial Close and finally Contract Management.

CONCEPT

Preliminary discussions are underway with the owing MDAs before formal submission to Cabinet or PIMSec to approve project development.

- Commercial Assets of the Cocoa Industry Board
- Factories Corporation of Jamaica White Marl Complex
- Greater Bernard Lodge Social Services PPPs
- NWC Corporatisation
- Tower Street (Land Sale)

BUSINESS CASE (FEASIBILITY)

Approval has been received for project development, and feasibility assessments are being undertaken to determine viability and fiscal impact. On completion, a recommendation is made on how best to structure the transaction for a successful outcome.

- Agricultural Marketing Corporation
- Bath Fountain Hotel & Spa
- Braco Village Resorts
- Correctional Facility **PPP**
- CWTC Soapberry Wastewater Treatment Plant **PPP**
- Integrated Solid Waste Management **PPP**
- Jamaica Mortgage Bank
- Jamaica Public Service Co. Ltd.
- Jamaica Railway Corporation
- Lionel Densham Aerodrome **PPP**
- Manchester Court Complex **PPP**
- Milk River Mineral Bath
- Montpelier (Agri Lands)
- Nutrition Products Limited
- NWC Islandwide NRW Reduction Project **PPP**
- St. Ann Court Complex **PPP**
- St. Catherine Court Complex **PPP**
- Vernamfield Lite **PPP**

TRANSACTION

Once Cabinet approval is received on the transaction structure, the GoJ executes a competitive tender process to identify a preferred investor to execute the project.

- Greater Bernard Lodge (Phase 2 - Sale of Lands)
- Greater Bernard Lodge (Phase 2 - Urban Town Centre)
- Jamaica Exotic Flavours & Essences
- Rio Cobre Water Treatment Plant **PPP**

COMMERCIAL / FINANCIAL CLOSE

The preferred investor is confirmed and executes the commercial legal agreement/contract with the GoJ.
Financial Close: The investor has secured the required financing to implement the project.

- German Ship Repair Jamaica
- Greater Bernard Lodge (Sale of Lands 1 - Residential)
- Greater Bernard Lodge (Sale of Lands 2 – Light Ind.)
- Silver Sands Estate Phase 2
- School Solar Energy and Efficiency **PPP**
- Montpelier (Sale of Lands to NROCC)

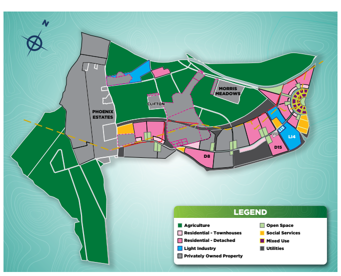
CONTRACT MANAGEMENT

The GoJ monitors and manages the contract to ensure compliance

- Kingston Container Terminal **PPP**
- Norman Manley International Airport (NMIA) **PPP**
- NMIA/SIA Contract Review **PPP**

Transactions Achieving Commercial Close

GREATER BERNARD LODGE DEVELOPMENT



In January 2021, Cabinet appointed an Enterprise Team to oversee the sale of over 1,000 acres of lands in Greater Bernard Lodge. It is to facilitate the establishment of an ideal municipality for citizens, providing a high standard of living, sound environmental management and affordable quality housing aimed at creating a sustainable socio-economic environment.

PHASE I RESIDENTIAL AND PHASE I LIGHT INDUSTRIAL

The GOJ launched two tender processes in July 2021 to identify preferred developers for three residential lots and two light industrial lots. Of the fourteen (14) bids received developers were identified for all lots and sale agreements were executed and deposits paid. The sale of residential lots yielded $648 million, and proposed investments $8.9 billion. Phase I Light Industrial raised $720 million and proposed investments $10.3 billion.

Phase I anticipates 800 jobs annually during construction and 830 housing units.

MONTPELIER (SALE OF LANDS TO NROCC)

The Government, through the Ministry of Economic Growth and Job Creation (MEGJC), gave approval for the DBJ to engage in discussions with National Road Operating and Constructing Company Limited (NROCC) for the acquisition of Montpelier lands to facilitate the Long Hill Bypass Road. NROCC's offer for approximately 305 acres of the lands for J$95 million was accepted. The Sale Agreement was executed on March 31, 2022, and the deposit paid. NROCC is now finalizing the alignment for the road.

SILVER SANDS ESTATE (PHASE 2)

The DBJ, on behalf of Harmonisation Limited continued the process to sell nine (9) undeveloped lots and one (1) villa at the Silver Sands Estate in Duncans, Trelawny. All nine (9) undeveloped lots were divested for $172 million. The villa is awaiting the necessary GOJ approvals before it can be sold.

SCHOOL ENERGY EFFICIENCY AND SOLAR PPP

The Government, through the Ministry of Education and Youth (MOEY) and the National Education Trust (NET) entered into a 15-year energy savings performance contract (ESPC) with Roswall Institutional Sustainable Energy Limited – an Energy Savings Company (ESCO) on March 29, 2022. An estimated amount of US$5 million is expected to be invested in the 30-school Pilot Project.

The ESCO will be required to finance, install and maintain solar panels and energy efficient systems resulting in energy savings.

GERMAN SHIP REPAIR JAMAICA

The company (which is the existing lessee) acquired lands to establish a ship repair and floating dry dock facilities at Harbour Head in Kingston. During the year the investor was in the process of finalising financing and acquiring the necessary approvals to implement the project.

Transactions with Preferred Investors Identified

JAMAICA EXOTIC FLAVOURS & ESSENCES

The Government, through the Ministry of Agriculture and Fisheries (MAF), was seeking to sell its 90% stake in Jamaica Exotic Flavours and Essences (JEFE). Negotiations with the minority shareholder were discontinued in July 2020 as a suitable offer price for the asset could not be reached. In January 2021, Cabinet's approval was received for the sale of the asset, the involuntary winding up, or any other legal options available for winding up.

JEFE engaged the auctioneering services of D. C. Tavares & Finson Realty to sell the asset, the Spinning Cone Column which is a technology used for extraction purposes, and its supporting equipment. The asset was advertised, and two bids received in July 2021. Cabinet approved the JEFE Board to commence negotiations with Southern Foods and Processors. On March 7, 2022, Cabinet approved the sale of the Spinning Cone Column to Southern Foods and Processors.

RIO COBRE WATER TREATMENT PLANT PPP

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. Negotiations with the private sector partner is being finalized and commercial close is expected in FY 2022/23.

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.

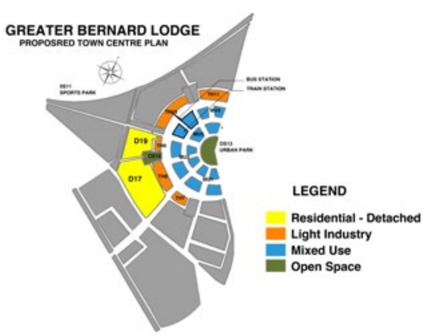
Tenders Conducted during the year

GREATER BERNARD LODGE DEVELOPMENT

PHASE II RESIDENTIAL AND URBAN TOWN CENTRE (UTC)

Residential

The DBJ launched the tender process for Phase II, which includes 'Residential' and 'Urban Town Centre' (UTC), on December 8, 2021. The bid submission deadline for Residential was February 15, 2022, which was subsequently extended to March 1, 2022, based on requests from prospective bidders. Thirteen (13) proposals were received from five (5) entities. As at financial year end, Cabinet approval was awaited for the preferred bidders and the sale terms.



Urban Town Centre

The Greater Bernard Lodge Urban Town Centre Request for Proposal (RFP) bid submission deadline was March 15, 2022.

At bid submission deadline, one (1) bid was received. The bid was evaluated and rejected as it did not meet the technical requirements.

Other Transactions

GREATER BERNARD LODGE DEVELOPMENT

PHASE III

Phase III is slated to be launched by September 2022.

CWTC SOAPBERRY WASTEWATER TREATMENT PLANT EXPANSION AND PPP

The National Water Commission (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. During the year, the DBJ undertook a tender process to engage a Transaction Advisor to assist the GOJ with undertaking the Business Case and Transaction stages. As at financial year end, negotiations were under way with the preferred consultant. The consultant is expected to be engaged by Q2 FY2022/23.

NWC ISLANDWIDE NON-REVENUE WATER REDUCTION PROJECT

Following the development of a Business Case to reduce non-revenue water for the northern parishes of Jamaica, the National Water Commission expanded the scope of the Business Case to reduce its non-revenue water levels islandwide from an estimated 70% to 30% under a performance-based contract. Through the Foundations for Competitiveness & Growth Project's (FCGP) Project Preparation Facility, a Transaction Advisor was engaged to develop the Business Case.

The islandwide Business Case is under way and is expected to be completed in the 1st Quarter FY2022/23.

INTEGRATED SOLID WASTE MANAGEMENT (ISWM) PPP

In March 2021, Cabinet approved the selection of a preferred consultant for the ISWM PPP Project. In July 2021, a preferred bidder was also identified for the Siting Study consultancy to identify suitable and alternative sites to host a sanitary landfill (SLF) and waste-to-energy (WtE) site. The Waste Characterization Study exercise was completed in February 2022 and the Business Case and Siting Study will be completed by Q2 of FY2022/23.

The Riverton Closure Plan assignment is still under way. The consultants are expected to produce a final Closure Plan for the GOJ to implement and execute. The procurement of a consultancy firm to execute an Institutional Strengthening assignment is to commence in the second quarter of FY2022/23.

The ISWM PPP project is expected to be developed over two phases: Phase I – Business Case & Transaction Structuring and Phase II – Transaction execution. Phase II will commence by Q3 FY2022/23.

JAMAICA MORTGAGE BANK

The GOJ is seeking to privatise the JMB via the Jamaica Stock Exchange. Following the completion of the due diligence assessments inclusive of the valuation report, legal due diligence report and recommended transaction structure, a draft Cabinet submission was prepared and submitted to MEGJC for Cabinet to approve the recommended transaction structure. The DBJ is awaiting Cabinet approval of the recommended transaction structure.

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. In December 2021, the draft prospectus and transaction structure report were approved by the Enterprise Team. A Cabinet submission on the recommended transaction structure was sent to MSET for consultation with Ministries, Departments, and Agencies (MDAs) stakeholders. The DBJ is awaiting Cabinet approval and completion of other due diligence activities in order to proceed with the transaction.

JAMAICA RAILWAY CORPORATION – COMMERCIAL RAILWAY NETWORK

The Government is seeking private investment via a development lease to establish the Jamaica Railway Corporation - Commercial Railway Network (Tourism Rum Train) being the leg from Montego Bay, St. James, to Appleton, St. Elizabeth. The Enterprise Team, supported by the DBJ, is finalizing the legal, technical and financial due diligence, including updating existing studies. The recommended transaction structure will be presented to Cabinet by the second quarter of the 2022/23 Financial Year.

ADDITIONAL PROJECTS

The DBJ continues to work on the following projects, which are at various stages of development.

- Agricultural Marketing Corporation Complex (AMC)
- Cocoa Industry Board (Commercial Assets)
- Milk River Mineral Bath and Bath Fountain Hotel & Spa.

New Transactions

BRACO VILLAGE RESORTS

The Ministry of Labour & Social Security approached the DBJ regarding the privatisation of Braco Village Resorts. Cabinet approved the divestment of the property in June 2021.

MINISTRY OF JUSTICE (MOJ) COURTHOUSE PPP TRANSACTIONS

The MOJ commenced discussions with the DBJ in July 2021 regarding the development of Regional Judicial Court Complexes through PPPs in Manchester, St. Ann, and St. Catherine. Transaction Advisors to be engaged to develop the Business Case in FY2022/23.

NEW CORRECTIONAL FACILITY

The Ministry of National Security (MNS) is considering a PPP for new Correctional Facility infrastructure to replace the Tower Street Adult Correctional Facility.

During the financial year, the Planning Institute of Jamaica, under the FCGP Project Preparation Fund (PPF), undertook a procurement process to engage a consultant for a Pre-Feasibility Study & Options Analysis for the new correctional facility. As at financial year end, a preferred consultant was selected and contract negotiations finalized.

The consultant is expected to be engaged in Q1 FY2022/23.

NUTRITION PRODUCTS LIMITED

Nutrition Products Limited (NPL) is a limited liability company established in 1973 by the Government of Jamaica to provide food items under the School Feeding Programme.

In June 2021, Cabinet ratified the 2018 Decision which approved the privatisation transaction. The Enterprise Team was established (in June 2021) and is now finalizing the contracts for legal and strategic consultants. The contracts are expected to be finalized by April 2022.

The vision of the Ministry of Education and Youth is that the privatisation will be considered within the context of the entire School Feeding Programme.

VERNAMFIELD LITE PPP

A Request for Expressions of Interest was issued in December 2021 and in April 2022 for a consultant to develop a masterplan and Business Case. Expressions of interest are to be received in May 2022, and evaluated thereafter.

Terminated Transactions

JAMAICA SHIP REGISTRY (JSR) PPP

After receiving non-responsive submissions from three bidders at close of the tender, the Enterprise Team (ET) recommended the termination of the PPP process in order to facilitate the Maritime Authority of Jamaica (MAJ) exploring direct negotiations with interested parties. The ET also suggested steps that could be taken by MAJ, including restructuring the JSR, which could make the JSR more marketable in a future privatisation process. The recommendations were made by the ET to the Ministry of Transport and Mining, which endorsed same. The project was closed in December 2021.

CAPACITY BUILDING

To ensure an efficient, effective and sustainable P4 Programme which delivers the anticipated benefits of private finance and participation in the economy, public sector officials and managers need to develop and maintain skills and capacities to understand the fundamentals of privatisation and PPP processes, be able to identify and assess the risks of PPPs in particular, and manage the P4 contract after the deal has been executed.

DBJ therefore views capacity building as a critical component of its overall P4 Programme mandate. The P4 Division executed two capacity building (training and sensitisation sessions) during the year.

Virtual Training and Sensitisation Sessions

AMPG PPP CERTIFICATIONS

The Inter-American Development Bank (IDB) continued its support of the GOJ PPP Programme through its sponsorship of training and accreditation of GOJ PPP practitioners. Twenty-four (24) Government officials participated in a virtual training course from September 21 to October 26, 2021, for Preparation Level II APMG Public-Private Partnerships (PPP) Professional Certification Programme. Participants were trained by K-Infra (accredited PPP practitioners), to better understand the screening and appraisal process for PPPs in order to identify and prepare viable and bankable PPP projects.

Participants included staff from the DBJ and MoFPS PPP units and representatives from other Government Ministries, Departments and Agencies.

Participants sat the Preparation Level II Examination, and were accredited the APMG Level II PPP Certification.

Of note, the IDB has confirmed that funding is secured for successful participants to pursue the Execution Stage - Level 3 training and examination in FY2022/23. Training is expected to commence in Q3 FY2022/23.

STANDARD OPERATING PROCEDURES (SOP) WORKSHOP

During the review period, a series of training activities were held in March 2022 with members of the P4 Division to sensitize and inform staff on the proper use of the templates and documentation available in the completed SOPs manual.

The sessions were led by expert PPP Analyst, Patricio Mansillo, who was hired by the Planning Institute of Jamaica through FCGP funding, to finalise the P4 SOP manual.

STAKEHOLDER/ INVESTOR ENGAGEMENT

During the year, the P4 Division participated in several sessions aimed at sensitising local and international stakeholders, potential partners and investors about the investment opportunities under development and available in the GOJ P4 Programme.

Conferences/Webinars

CANADIAN COUNCIL FOR PUBLIC PRIVATE PARTNERSHIPS CONFERENCE 2021

The Canadian Council for Public Private Partnerships hosted its 28th Annual P3 Conference, November 16-18, 2021.

The conference focused on the latest innovations, lessons learned and projects from infrastructure experts and influencers across the globe.

The DBJ presented in the International Market Sounding segment held on November 18, 2021. Virtual presentations on specific Jamaican PPP projects were delivered to over eighty (80) targeted attendees showcasing current investment opportunities being developed in Jamaica.

Investment Opportunities Webinar in collaboration with the British High Commission

The P4 Unit facilitated a Virtual Investment Opportunities Webinar on November 30, 2021, to representatives from the British High Commission and other invited participants from the United Kingdom.

The webinar was aimed at highlighting specific investment opportunities under development, increasing the knowledge and awareness of stakeholders generally on the Government of Jamaica's P4 Programme. Over 40 persons attendees from the United Kingdom participated in the Webinar.

Housing Investment Opportunities Webinar in collaboration with the US Embassy

The DBJ participated in a Housing Investment Opportunities Webinar hosted by the United States Embassy on December 1, 2021, which highlighted projects being developed in Jamaica to over 40 US companies.

Infrastructure Webinar in collaboration with JAMPRO and the British Enterprise International

The DBJ in collaboration with JAMPRO and British Expertise International hosted a webinar on Tuesday 7th December 2021 to promote commercial opportunities in the Jamaican infrastructure sector.

The aim of the webinar was to present Jamaica's national infrastructure development strategy and infrastructure project pipeline (mostly in the transportation, water and waste management, and social infrastructure sectors, of which the majority will be developed under a PPP delivery method). The webinar was attended by over 60 British companies including British professional services providers.

Sanmera Paper Products Limited, based in Kingston, manufactures and distributes paper products that include bathroom tissue, hand towels and napkins under the brands Soft Dreams, Spring Soft, Sophie and Finesse. The company received a DBJ loan to purchase a multifunctional conveyor/diverter system allowing the company to maintain and create approximately 100 jobs.

POLICY DEVELOPMENT

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

It is critical for the Government's P4 Policy and processes to incorporate and reflect good global practices and lessons learned in real time. The DBJ is optimally positioned as the central implementing agency to lead PPP & Privatisation policy review and development.

The P4 Division undertook a series of revisions to the Government's Privatisation Policy introducing new modalities and efficiency measures based primarily on four key principles which would govern programme execution (Strategy Development, Authority, Accountability/Reporting, and Sustainable Funding).

As at year end, the revised Privatisation Policy, which was sent to the Ministry of Economic Growth and Job Creation for submission to Cabinet for approval, was still in the consultation process.

Improving Climate Resilience and Disaster Risk Insurance in PPPs

The P4 Division, through assistance from the IDB, developed a Climate Resiliency Toolkit, which introduced ways to integrate the assessment of climate risks and resiliency opportunities in the preparation of infrastructure projects through PPPs.

To ensure that the relevant recommendations were effectively implemented, during the year amendments to the PPP Policy (an addendum to the Privatisation Policy) were made to include:

a. Incorporating climate resiliency considerations in the PPP development process.
b. Inclusion of disaster risk insurance to minimize possible GOJ fiscal risk and contingent liabilities due to the impact of natural disasters on PPPs.

The draft Cabinet Submission regarding amendments to the PPP Policy was submitted to MEGJC along with revised PPP Policy in March 2022 for review and finalization.

MEGJC shared the amendments with specific MDAs for comments as part of the Cabinet submission consultation process. It is expected that all amendments to the Privatisation Policy and the addendum PPP Policy will be approved in FY2022/23.

Standard Operating Procedures

During the review period, the DBJ sought to improve the efficiency of the P4 Programme through the documentation and consistent utilisation of Standard Operating Procedures.

Such standardisation is critical to achieve efficiency and uniformity in the execution of P4 transactions.

Through the FCGP, the DBJ engaged a consultant to assist the P4 Division not only to document and improve the overall efficiency within which PPP and privatisation projects are assessed, implemented, and executed but also by aligning P4's procedures with global best practices and the PPP Policy.

Optical Solutions International Limited provides ophthalmic care ranging from minimal eye care to surgeries; and prescription lens and frames for sale in their 10 locations islandwide. A DBJ loan and guarantee allowed OSIL to purchase equipment and expand employment.

The SOP Manual was completed and several workshops were conducted with the P4 Team on the subject matter.

P4 continues to improve on established templates and to continually examine established procedures to provide greater efficiency.

IDENTIFICATION & MANAGEMENT OF FUNDING FOR PROGRAMME

Project Preparation Funding

In total, US$5.2 million has been allocated for project preparation and technical assistance since the inception of the Project Preparation Facility in June 2014.

As at ending Financial Year 2021/22, the FCGP has contracted approximately US$4.2 million for pre-feasibility studies, feasibility studies and transaction advisory services approved through the PPF.

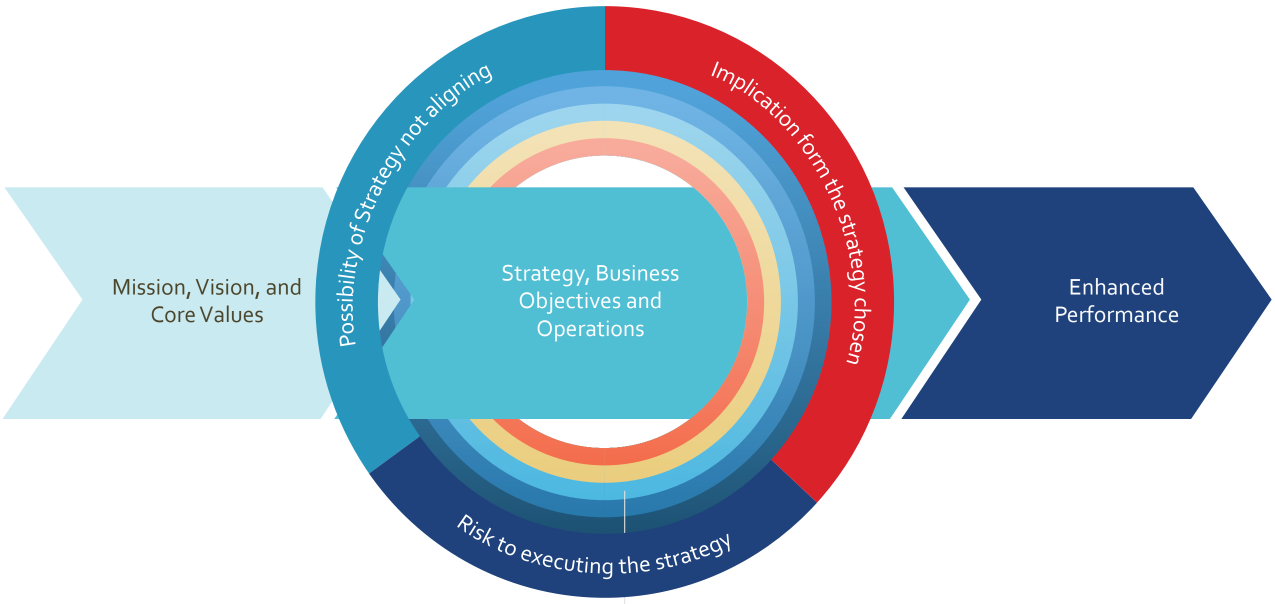
Technical assistance contracts (under Component 2B of the FCGP) amount to approximately US$1.2 million to date, these include the Attorney General's Chambers (AGC's) consultant attorneys, and the DBJ and MOFPS technical PPP advisors' capacity support consultancies. Another three initiatives approved for funding totaling $1.085 million and supported by the PPF Management Board and the FCGP project operations committee are for:

- Ministry of National Security Pre-feasibility Study and Options Analysis for New Correctional Infrastructure via PPP
- Privatisation Transaction of the Agricultural Marketing Corporation (AMC) Export Complex; and
- Transaction Advisory Services for the Outsourcing of Management of UDC Operating Entities.

To date, projects that have received assistance 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
- NWC's Northern Parishes Non-Revenue Water PPP; and
- The South Coast St. Elizabeth Road Network Traffic Study.

ENTERPRISE RISK MANAGEMENT



BACKGROUND OF ENTERPRISE RISK MANAGEMENT AT THE DBJ

At the DBJ, Enterprise Risk Management acts like a nucleus which integrates into the Bank's Mission and Vision. This translates into its strategy, business objectives and operations, leading to the ultimate aim of enhanced performance.

As an enabler of growth for the Jamaican economy, the Bank knows that enterprise risk management is critical to its operations, and pivotal to its success. The evidence was prominent as the organisation navigated the COVID-19 pandemic. During this period, although unprecedented levels of inherent risk and emerging risk were experienced in the industries and strategic sectors which the Bank supports, the DBJ was able to continue its regular support and provide additional support whilst ensuring its own continued viability.

MILESTONES

For the Financial Year 2021/22, the Bank's Enterprise Risk Management theme was centralized around the following key areas – communication, policies and frameworks, people development and operational excellence.

GOAL	STATUS
Policies and Frameworks	With the accelerated risk environment, the Enterprise Risk Management Policy and Framework was reviewed and approved by the Board in March 2022. Further, the Bank's Risk Appetite Statement was also reviewed.
Communication	Launch of RiskTalk With the aim of enhancing risk awareness and a more risk intelligence culture with the Bank, RiskTalk was launched as a part of the overall communications strategy. It takes the format of a talk show using trending topics and the relationship with risk management. RiskTalk fits into the overall communication plan which also aims to buttress the existing Risk Champions.
People Development	Given the ongoing need to keep abreast of developments and best practices in risk management, targeted training and capacity building were provided to staff members during the year.
Financial Risk Management	The Division continued to provide independent reviews of the financial risk inherent in the Bank's balance sheet. This included continued monitoring of the foreign exchange exposure.

EMERGING RISK MONITORING

In the risk management arena, two complexities are the development and mutation of new risks and threats. This impels the division to extend itself to a critical component of monitoring external emerging risks.

Some of the following emerging risk indicators were given special focus and the necessary mitigating controls:

- Global technology resilience
- Economic environment uncertainty to include inflation and the interest rate environment
- Regulatory shifts and other post-COVID-19 hangovers.

RISK MANAGEMENT FRAMEWORK

The DBJ uses a customized Integrated Enterprise Risk Management Framework influenced heavily by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the International Organization for Standardization - ISO 31000:2009 ERM framework, as well as other established ERM frameworks.

DBJ'S ERM FRAMEWORK

ERM ARCHITECTURE

- Risk Governance Structure
- Board and sub-committees
- Risk and Compliance Division
- Senior Management

ERM STRATEGY

- Risk Philosophy
- Risk Appetite and Tolerance Statement
- Enterprise Risk Register
- Risk-based strategic scenarios

ERM TOOLS & PROTOCOLS

- ERM Policies and Procedures
- Credit & Market risk models
- Operational risk capital models
- Data science integrated in the risk management process
- ERM and Management Meetings and surveys

The principles which guide the framework are:

1. **Integrated** - Risk management is an integral part of all organisational activities.
2. **Structured and comprehensive** - A structured and comprehensive approach to risk management contributes to consistent and comparable results.
3. **Customized** - The risk management framework and process are customized and proportionate to the organisation's external and internal context, related to its objectives.
4. **Inclusive** - Appropriate and timely involvement of stakeholders enables their knowledge, views and perceptions to be considered. This results in improved awareness and informed risk management.
5. **Dynamic** - Risks can emerge, change or disappear as an organisation's external and internal context changes. Risk management anticipates, detects, acknowledges and responds to those changes and events in an appropriate and timely manner.
6. **Best available information** - The inputs to risk management are based on historical and current information, as well as on future expectations. Risk management explicitly considers any limitations and uncertainties associated with such information and expectations. Information should be timely, clear, and available to relevant stakeholders.
7. **Human and cultural factors** - Human behaviour and culture significantly influence all aspects of risk management at each level and stage.
8. **Continual improvement** - Risk management is continually improved through learning and experience.

SIGNIFICANT RISKS

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

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.

LIQUIDITY RISK

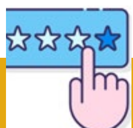
Is the risk arising from the DBJ's potential inability to meet all payment obligations or financial demands when they come due or only being able to meet these obligations at excessive costs. The DBJ's Finance and Treasury Division ensures fulfilment of payment obligations and management of liquidity 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.

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 defense 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

CORPORATE GOVERNANCE

THE DBJ'S CORPORATE GOVERNANCE STATEMENT

The DBJ's corporate governance activities are sound and ensures that 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 Bank has embarked on a process of continuous improvement of its corporate governance practices to ensure its systems remain robust and satisfy existing regulatory requirements. The Board serves as the focal point for *corporate governance; promotes transparency, maintenance of a strong culture of accountability and strengthening of internal controls. This is enabled by the* establishment of systems, protocols and allocating the necessary tools and resources.

The DBJ is committed to maintaining the highest level of transparency, accountability, and integrity in all its operations and ensures the maintenance of high ethical standards by all members and employees of the Bank which are in tandem with the organisation's core values of:

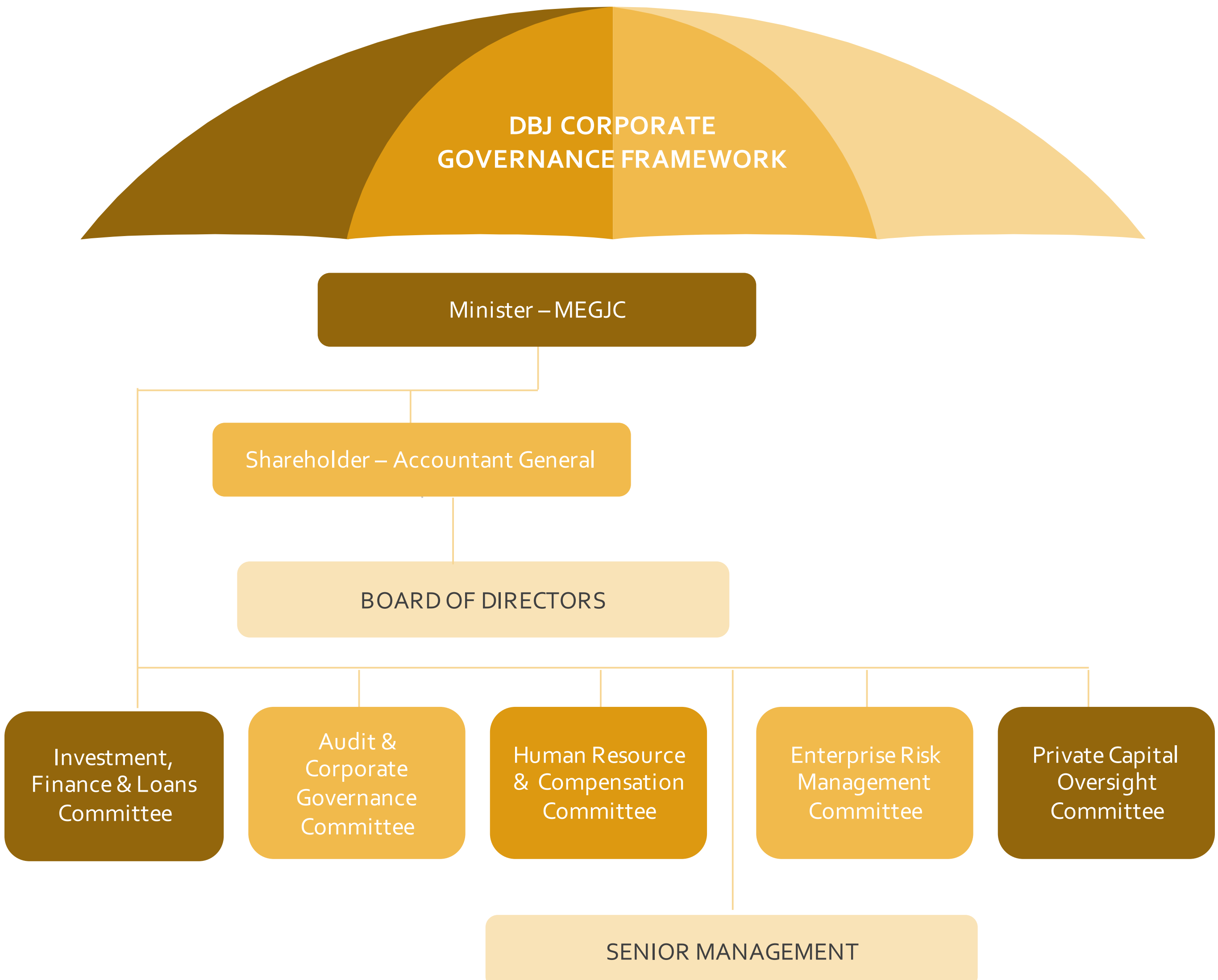
- Integrity
- Accountability
- Professionalism
- Innovativeness

The Board is guided by legislative provisions and GOJ Policies in carrying out its corporate governance activities and ensuring compliance. They include:

- The Public Bodies Management Accountability Act (PBMA)
- The Protected Disclosure Act
- The Government of Jamaica Corporate Governance Framework for Public Bodies
- Companies Act of Jamaica
- Financial Administration & Audit Act (FAA)
- The DBJ's Anti-Fraud & Corruption Control Policy
- The Public Procurement Act
- The DBJ Whistleblower Policy

THE DBJ'S CORPORATE GOVERNANCE STRUCTURE

The DBJ is a wholly owned Government company, the Board of Directors' appointment is approved by Cabinet and thereafter appointments are made pursuant to the Companies Act. The Board serves as the primary decision-making authority of DBJ and is responsible for strategic management oversight inuring to the benefit of all Jamaicans. The separation of the roles of the Board and management ensures a clear distinction between oversight of DBJ's strategy and the management of operations.



BOARD ROLES & RESPONSIBILITIES

The Board oversees the general business of the Bank and is collectively responsible for its supervision and oversight.

Board Charter

Implementing a Charter to define the roles and responsibilities of the Board, including its responsibilities for corporate governance and its Code of ethics.

Corporate Governance Framework

Develop a corporate governance framework document outlining governance and management arrangements.

Indemnity Insurance

Authorize the purchase of indemnity insurance for directors and officers.

Committees

Establish its Committees to which specialized functions are delegated: Investment Finance & Loan, Audit & Corporate Governance, Human Resources and Compensation and Enterprise Risk Management

Strategy

Developing the strategic direction of the Bank ensuring alignment with the policy direction of GoJ

Monitor Performance

Review the performance of the Bank by monitoring the Managing Director's performance, ratifying strategic decisions and approving expenditure within stipulated limits.

Appoints Managing Director

Appointment of the Managing Director and his compensation in accordance with relevant guidelines, establish performance standards and evaluate his performance annually.

Company Secretary & General Manager Audit

Lead the recruitment, performance and evaluation processes for the General Manager Audit Services and the Company Secretary.

Directors

- Fulfil legal obligations as a Director
- Devote sufficient time to the DBJ's affairs
- Establish corporate strategic objectives
- Perform corporate governance activities
- Act in the best interest of the DBJ

Company Secretary

- Executes administrative & governance functions
- Guides Board on compliance & ethical conduct
- Coordinates board evaluation and organize its activities
- Organizes Training
- Prepares Board minutes & papers

Chairman

- Leadership of the Board and its Committees
- Maintains communication protocols – Minister, Permanent Secretary & MoFPS
- Ensures that Directors are informed to perform their role
- Ensures that the Board is performing effectively
- Promotes Corporate governance policies

BOARD TENURE

All Directors have been serving on the Board for more than three years, except for Mr. Alok Jain who was appointed to the Board one year ago. This facilitates continuity. Mr. Reynolds was the longest serving director upon his retirement on March 31, 2022.

BOARD MEMBER TENURE*

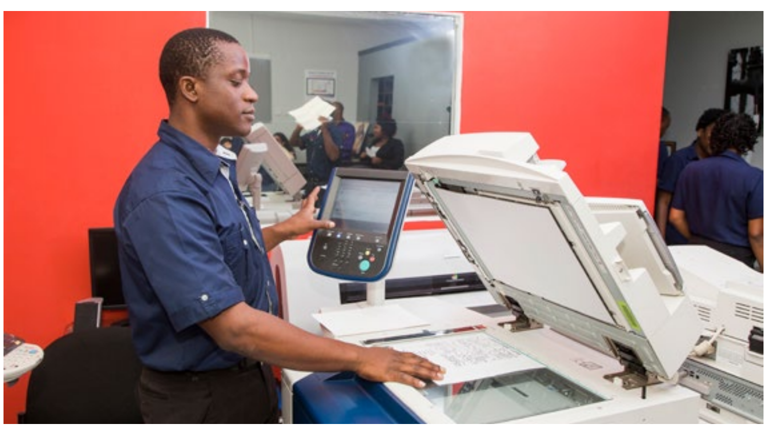
2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022

Director	Tenure
Paul B. Scott	6 Years
Milverton Reynolds	15 Years
Carlene O'Connor	4 Years
Alok Jain**	1 Year
Barrington Chisholm	5 Years
Sherene Golding Campbell	5 Years
Kerry-Ann McKoy-Tulloch	5 Years
Dr. Adrian Stokes	5 Years
A. Cecile Watson	5 Years

**Tenure as at March 31, 2021*

*** Alok Jain was appointed to the Board Jan 25, 2021*

BOARD COMPOSITION, PARTICIPATION, AND INVOLVEMENT



Copy Creations and Technology is a full-service document centre based in Kingston and providing photocopying, printing, graphic designing, document collation and other secretarial services. A DBJ loan provided working capital support and allowed the company to purchase new machinery and expand employment.

The Board comprises nine (9) directors. The independent non-executive directors represent 67% of the Board, three (3) Directors hold executive director (ex-officio) status.

An executive director (ex-officio) is employed in a full-time capacity whether permanently or contractually with DBJ and/or the GOJ and at the same time is a legal director of DBJ. The independent directors are Paul B. Scott, Sherene Golding Campbell, Barrington Chisholm, Kerry-Ann McKoy Tulloch, A. Cecile Watson and Dr. Adrian Stokes. The executive directors are Milverton Reynolds, Alok Jain and Carlene O'Connor:

MEETING ATTENDANCE 2021/22

The Board meets regularly to deliberate on the achievement of DBJ's corporate objectives. The Directors apply their skills, competencies, and experience, to effectively carry out their function especially as it relates to providing strategic guidance to management. The Board and its sub-Committees convened a combined 35 meetings during the year.

DBJ'S BOARD OF DIRECTORS & SUB-COMMITTEES' ATTENDANCE RECORD 2021/2022

	Board of Directors	SUB-COMMITTEES: Audit & Corporate Governance Committee[6]	Enterprise Risk Management Committee (ERM)	HR & Compensation Committee (HR&C)	Investment, Finance & Loans (IFLC) Committee	Private Capital Oversight Committee (PCOC)*
MEETINGS HELD	**11**	**6**	**4**	**3**	**10**	**1**
DIRECTORS						
Paul B. Scott	10	1	n/a	3	7	n/a
Milverton Reynolds	11	6	4	n/a	10	1
Carlene O'Connor	8	3	n/a	n/a	n/a	1
Alok Jain	11	n/a	n/a	1[7]	n/a	n/a
Barrington Chisholm[8]	11	6	4	3	10	n/a
Sherene Golding Campbell	10	6	4	n/a	8	n/a
Kerry-Ann Mckoy Tulloch	11	n/a	4	3	10	n/a
Dr. Adrian Stokes	9	n/a	4	n/a	n/a	1
A. Cecile Watson	10	6	1	3	4	1
Keith Collister **	n/a	n/a	n/a	n/a	n/a	1
Christopher Chaplin**	n/a	n/a	n/a	n/a	n/a	1

**Compensation for the PCOC meeting was paid in 2022-23*

*** Denotes co-opted committee members*

BOARD COMPETENCY PROFILE

The GOJ Competency Profile Instrument for the Boards of Public Bodies requires four (4) areas of competencies for public bodies. They are, Competencies for Board Chair, Competencies for Board Members, Specialized Competencies for Boards, and Technical Competencies for Specific Boards (*Development Bank of Jamaica Ltd*).

COMPETENCIES FOR BOARD CHAIR

Management of Relationship & Self

- Covers the Board Chair's political awareness, ethics, integrity, communication and people relations

Direction & Guidance

- Looks at he Chairman's role and understanding of the corporate governance, government operations and technical knowledge

Leadership & Direction

- Entails meeting the Chairman's leadership, general management, strategic leadership and planning, problem solving and decision-making, conceptual thinking and personal effectiveness

[6] Mr. Scott and Mr. Reynolds are not members of the ACGC but attend meetings as invitee and Managing Director, respectively
[7] Mr. Alok Jain is not a member of the HR&C; however, he was invited to its May 27, 2021, meeting
[8] Mr. Chisholm was appointed to the ACGC April 22, 2021

Competencies for Board Members

The three areas of competencies outlined by the GOJ Competency Profile Instrument for the Boards of Public Bodies are Interpersonal Relationship & Self-Management, Direction and Guidance, and Stewardship and Results. The Instrument specifies fourteen (14) pre-requisites under these three areas, which are demonstrated by DBJ's Board.

Interpersonal Relationship & Self Management	Direction & Guidance	Stewardship & Results
Communication	Role Understanding	Financial Literacy
Ethics & Integrity	Organizational Knowledge	Strategic Focus
Interpersonal Relations	Corporate Governance	Results Driven
Professionalism	Government Operations	Accountability
Self-Management & Motivation	Independent & Critical Thinking	

Specialized Competencies for Boards

The Board is required to possesses competencies in all eight (8) Specialized Competencies as required by the GOJ.

Human capital & 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
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
Citizen Centric	Sensitive to the corporate social responsibilities of organizations and understands the requirements and expectations of citizens and customers of the organization
Information & Communications Technology	Understands the impact which Information and Communications Technology (ICT) has on the effectiveness of an organization
Legal	Conversant with legal principles, practices and their application to the organization
Marketing	Possesses knowledge and professional expertise in the use of marketing techniques to achieve a consistent and accurate representation of the organization's brand
Corporate Communication	Conversant with techniques and methodologies which can be used to manage the organization's interface with the public in a credible manner
Risk Management	Understands the importance of evaluating and mitigating organizational risks and conversant with the methodologies and processes for meeting risk management requirements

Special Technical Competencies for the Board

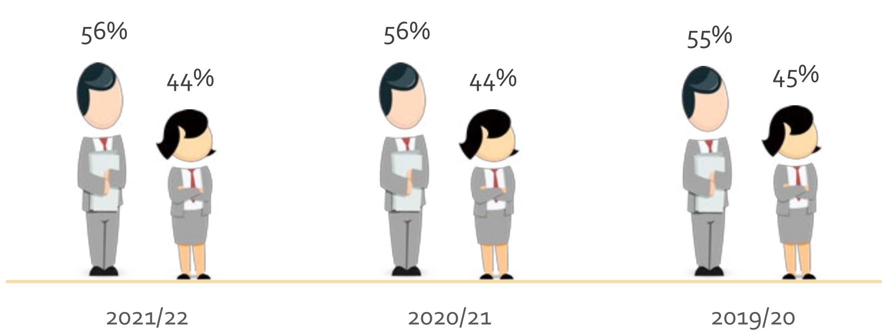
The Ministry of Finance and Public Service's Competency Profile Instrument for The Boards of Public Bodies (2017) requires DBJ's Board to have specific Special Technical Competencies unique to its role. The Board has met 100% of these competencies, as at least one Director possesses one or more Special Technical Competencies. The directors 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.

DBJ BOARD SPECIAL TECHNICAL COMPETENCY PROFILE

	Paul Scott	Milverton Reynolds	Carlene O'Connor	Alok Jain	Barrington Chisholm	Sherene Golding Campbell	Kerry McKoy Tulloch	A. Cecile Watson	Dr. Adrian Stokes
Development Banking	○	✓	○	○	○	○	○	✓	✓
General Management	✓	✓	✓	✓	✓	✓	✓	✓	✓
Banking, Finance, Loan Management & Economics	✓	✓	✓	✓	✓	○	○	✓	✓
Audit	○	✓	✓	✓	○	○	✓	✓	○
Strategic Management	✓	✓	○	○	○	✓	✓	✓	✓
Venture Capital	✓	○	○	○	○	○	○	✓	○
Public Private Partnership	○	✓	○	○	○	✓	○	○	✓
Human Resources	○	✓	○	○	✓	✓	○	✓	○
Risk Management	○	✓	○	○	✓	○	○	✓	✓
Marketing & Communication	○	✓	○	○	○	○	○	✓	○
Legal	○	○	○	○	○	✓	✓	○	○
Insurance	✓	✓	○	✓	○	○	○	✓	✓
Information Communications & Technology	✓	○	○	✓	○	○	○	○	○

BOARD GENDER PROFILE

The diversity of the DBJ's Board is reflected in the competencies displayed, as well as its gender profile. As at March 31, 2022, the Bank's 9-member Board of Directors has a gender ratio of 56% male and 44% female.



Key Activities of the Board

The Directors contribute their collective experience to navigate the Bank through challenges, complex risk scenarios 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*." In the achievement of the Bank's Corporate Objectives, the Board deliberated and made decisions on several initiatives.

Review Monthly Financial Reports	Review Managing Directors Monthly Report	Review Strategy Management Framework	Establish GOJ SERVE Jamaica Program – Equity Funds Initiative	Review Credit Risk Management Framework
Review Jamaica Screen Development Initiative (JSDI) – JAMPRO	Review Amendments to Rules of DBJ Pension Fund	Sensitization on ESG and Sustainability Reporting	Approve Corporate Plan and Budget	Oversight of Investments
Establish Funds of Funds Equity Oversight Committee	Establishment of Private Capital Committee	Monitor Privatization Transactions	Review Organizational Restructuring	Review and approve Policies
Oversight of COVID-19 Measures and Protocols	Review and approve audited Financial Statements	Loan Portfolio Oversight		

INDEPENDENT REPORTING FOR WHISTLE-BLOWERS

The DBJ's Whistle-blower policy and procedures were established in keeping with the Protected Disclosure Act. This promotes a culture of transparency and accountability. Anyone can independently make reports regarding fraud, corruption, other irregularities, and improper conduct that exposes the organisation, its employees, clients, partners, agents, and citizens of Jamaica to risks.

The platform utilized by the Bank is Web-based and is provided by Integrity Counts Confidential & Anonymous Reporting System which is independently hosted outside Jamaica. This global ethics hotline and case management system allow individuals to report issues either by phone or online anonymously and confidentially; thereby strengthening and safeguarding DBJ's core values of integrity, accountability, professionalism, and innovativeness.

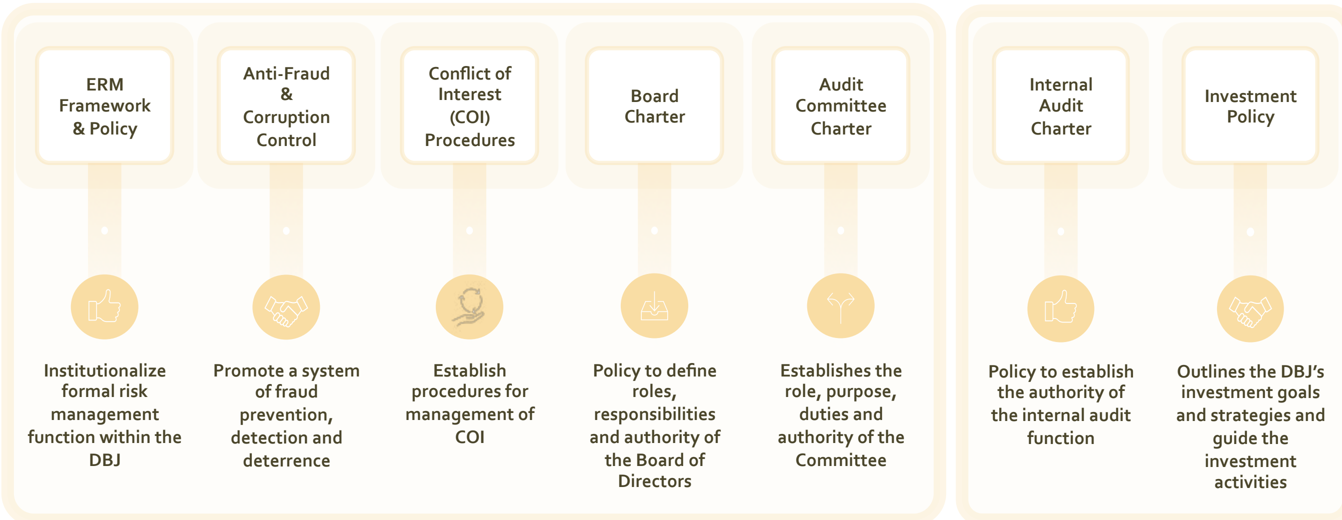
Reports can be submitted by filing them online or calling the toll-free hotline. As at March 31, 2022, nine (9) reports were received, responded to and closed for the period 2021/22. This is a 78% increase in cases reported compared to the previous year.

Online Reporting

Reports are collected online through an independent website hosted by Integrity Counts on their secure servers. This is not part of the DBJ's servers, website, or Intranet. The link to make a report is https://www.integritycounts.ca/org/dbj or emailed to dbj@integritycounts.ca.

THE DBJ'S POLICIES DISCUSSED AND/OR REVIEWED 2021/2022

The DBJ's policies help to communicate the culture, values, and philosophy of the DBJ and assist the Board in setting the tone-at-the-top. Policies are reviewed annually or biennially and new policies are implemented as risk scenarios change. The policies reviewed are as follows:



BOARD SUB-COMMITTEES

The Board is assisted in its oversight role through five (5) sub-Committees: Audit and Corporate Governance Committee (ACGC), Enterprise Risk Management Committee (ERM), Investment Finance and Loans Committee (IFLC), Human Resource and Compensation Committee and Private Capital Committee (PCC). The sub-Committees treat with all matters in keeping with the respective Terms of References. The PCOC is the newest sub-committee of the Board. It held its first meeting on March 17, 2022.

INVESTMENT, FINANCE & LOANS COMMITTEE

MEMBERS	Paul B. Scott - Chairman, Barrington Chisholm, Kerry-Ann McKoy Tulloch, Sherene Golding Campbell, and Milverton Reynolds, A. Cecile Watson
CORE FUNCTIONS	1. Recommends to the Board of Directors new 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's divestment programme 4. Approves loans to AFIs within loan limits set by the Board
KEY ACTIVITIES DURING 2021/2022	1. Reviewed Corporate Plan and Budget 2022/2023 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 9. DBJ ICT-BPO Portfolio Status monitoring 10. Digital Transformation Support to MSMEs 11. Monitoring of sale of Silver Sands lots and villa 12. Monitor SERVE Jamaica Programme 13. Reverse Factoring – monitoring of implementation 14. Directors and Officers Liability insurance 15. Review recommendations for new lending avenues 16. Monitoring of the CEF 17. Monitoring of the BIGEE Project 18. Reviewed the DBJ's Environmental and Social Management Safeguards (ESMS) Policy and Gender Policy. These are new policies. 19. Reviewed recommendations for Credit Risk Management Framework

HUMAN RESOURCE & COMPENSATION COMMITTEE

MEMBERS	Paul B. Scott – Chairman, Barrington Chisholm, A. Cecile Watson, and Kerry-Ann McKoy Tulloch.
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 the Public Service, 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 2021/2022	1. Reviewed and approved performance incentive payment 2. Reviewed and recommend the organisational restructuring of the DBJ

ENTERPRISE RISK MANAGEMENT COMMITTEE

MEMBERS	Dr. Adrian Stokes – Chairman, Barrington Chisholm, Sherene Golding Campbell, Kerry-Ann McKoy Tulloch, A. Cecile Watson, Milverton 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 2021/2022	1. Reviews Risk appetite and Tolerance Report 2. Reviews updates of the DBJ's Risk Appetite and tolerance statements to reflect the Bank's strategic objectives and key strategic sectors. 3. Monitors foreign exchange exposure 4. Monitors implementation of Side Car Fund 5. Reviewed accreditation of AFI and Micro Finance Institutions (MFIs) 6. Completes stress-test of Capital Adequacy data 7. Conducts continuous review and assessment of the Bank's risk profile via summary reports provided on periodic basis. These summary reports examined: a. Monitoring of AFI and MFI b. Loan Portfolio Dashboard c. Key Business Risk d. Liquidity and investment Report e. Credit risk f. Foreign Exchange risk

AUDIT & CORPORATE GOVERNANCE COMMITTEE

MEMBERS	A. Cecile Watson – Chairman, Sherene Golding Campbell, Carlene O'Connor, Barrington Chisholm[9]
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 2021/2022	*See Audit & Corporate Governance Committee Report*

[9] Mr. Chisholm was appointed to the ACGC April 22, 2021

PRIVATE CAPITAL OVERSIGHT COMMITTEE

MEMBERS[10]	Carlene O'Connor, A. Cecile Watson, Dr. Adrian Stokes, Keith Collister, Christopher Chaplin, Milverton Reynolds
CORE FUNCTIONS	The primary role of the PCOC is to provide advice and strategic direction on an ongoing basis to the DBJ and the Private Capital Technical Unit (PCTU). 1. Acting as a resource to the DBJ in terms of the ability to anticipate and mitigate risks in the management of the portfolio. 2. Monitoring the portfolio performance on an ongoing basis and providing strategic recommendations 3. Providing guidance with respect to the advocacy for legal and regulatory reforms supported by the DBJ, through the PCTU.
KEY ACTIVITIES DURING 2021/2022	20. Reviewed the PCOC Terms of Reference prior to Board submission inclusive of: a. Roles & responsibilities b. Composition c. Meetings d. Establishment of the SME Funds in Jamaica selection process e. Review the Private Capital Funds Strategy f. Review of the Private Capital Investment Policy g. Review Funds of Funds Feasibility Study h. Review Private Capital Workplan and Staffing

AUDIT AND CORPORATE GOVERNANCE COMMITTEE (ACGC) REPORT

I am pleased to present the report of the DBJ's Audit and Corporate Governance Committee for the financial year 2021-2022.

The primary role of the ACGC is to assist the Board in fulfilling its oversight responsibilities regarding the integrity of the DBJs' financial reporting, the effectiveness of the risk management framework, system of internal controls and corporate governance. The ACGC is scheduled to meet at least three (3) times annually. However, the Committee held 7 meetings during the year as we worked to continuously improve our performance in governance, and to implement important building blocks necessary to effectively carry out our responsibilities.

The Committee comprises of three (3) independent directors and one (1) ex-officio director. I acted as Chairman of the ACGC starting on December 22, 2020, and was formally appointed on March 25, 2021. We also welcomed Mr. Barrington Chisholm who was appointed to the ACGC effective April 22, 2021.

Corporate governance principles and standards are evolving, and we acknowledge that constant review of our procedures is imperative in ensuring that our practices are of the highest standard.

Particular focus was placed on building a more robust corporate governance environment; this included continuous improvement of the DBJ's conflict of interest procedures, anti-fraud and corruption control, and building awareness on corporate governance.

Summary of Work in 2021-2022

1. Reviewed and approved the Audited Financial Statements of the Bank for FY 2020/2021
2. Reviewed and recommended updates to the following Policies:
   - DBJ's Anti-Fraud & Corruption Control Policy
   - DBJ's Board Charter
   - DBJ's Conflict of Interest Procedures
   - DBJ's Whistle-blower (Protected Disclosure) Policy,
   - Internal Audit Charter
   - Audit and Corporate Governance Committee Charter

[10] The terms of reference of the PCOC requires 3 industry stakeholders as part of the committee's composition; Mr. Keith Collister and Mr. Christopher Chaplin are the board appointed persons from that group.

3. Monitored the recommendations for improvements to the system of governance, risk management and internal control (GRC) systems of the DBJ,
4. Approved the DBJ's Annual Agile Risk-based Audit Plan 2021/2022,
5. Reviewed and discussed the Audit Services Department (Internal Audit) Quarterly Audit reports,
6. Monitored Management's Corrective Actions (MCA's) on audit points for internal and external audit,
7. Recommended appropriate training for the Board, Management and Audit Services Team,
8. Examined the impacts of the COVID-19 pandemic on the controls and assurance environment.
9. Initiated the adoption of the ESG Framework within DBJ.

Priorities for 2022-2023

For the coming year the Committee will be prioritizing the continued strengthening of the DBJ's corporate governance systems, regulatory changes, cyber security, and monitoring the development of an Environment Social and Governance (ESG) Framework for the DBJ. The World Economic Forum in its Global Risk Report 2022 publication underscores these areas of focus; highlighting that "growing digital dependency will intensify cyberthreats", the global economy was expected to be 2.3% smaller by 2024 than it would have been without the pandemic, and "climate action failure" is ranked as the number one long-term threat to the world and the risk with potentially the most severe impacts over the next decade."

Audit Services (Internal Audit) Function

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

The Committee plays a key role in setting the right tone-at-the-top and promotes a strong internal control environment. This is reflected in the strong system of internal control over the Bank's operations. The audit points presented were addressed, Management's response to the Audit & Corporate Governance Committee was timely, implementation of recommendations was designed using a cross-divisional approach, and KPI "internal audit exceptions outstanding" remained consistently below the risk tolerance limit throughout the year. The various audit tests performed on the DBJ's internal controls systems provides reasonable assurance that risks assessed are contained.

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.

RISK-BASED AUDITING AT THE DBJ

In developing the Annual Risk-based Audit Plan, the Internal Audit Department 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 and existing legislations,
- The unique interests and responsibilities of the Department as an independent function of the DBJ,
- Policy directives from the Ministry of Finance and Public Service, and the Ministry of Economic Growth and Job Creation,
- Concerns of the Board of Directors, Audit & Corporate Governance Committee, Senior Management, and other stakeholders,
- 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, and
- Risk assessment by the Enterprise Risk Management (ERM) Department.

Morrison's Construction and Equipment and Quarrying, located in the Commodore area of St. Catherine, received DBJ funds to purchase and upgrade equipment and to expand the company.

Quality Assurance Improvement Programme (QAIP)

The DBJ's quality assurance and improvement Programme was developed in accordance with Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing (IPPF) Framework. 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.

DBJ's QAIP 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 2021-2022

The following are the approved activities performed by the Audit Services Department during the 2021-2022 financial year.

ENGAGEMENT AREA	SUMMARY OF AUDIT OBJECTIVES
1. Payroll - DBJ	To establish that adequate and effective controls are in place to safeguard the integrity of payroll transactions
2. Pension Fund Verification	Verification of Calculation for pension contributions plus credited interest.
3. Product Development	To establish that DBJ's product development activities are being performed to ensure strategic objectives are achieved and controls are in place to mitigate risks
4. BIGEE Project (two engagements were performed)	Assess the DBJ's achievement of objectives to-date under the Agreement with the Government of Jamaica and the Inter-American Development Bank, to verify that the specific objectives under the BIGEE program, which include the promotion of innovation, productivity and growth among Start Ups and established Micro, Small and Medium Enterprises (MSMEs), are in compliance with the policies and procedures.

ENGAGEMENT AREA	SUMMARY OF AUDIT OBJECTIVES
5. Information Technology – Follow up	To determine the Implementation status of the recommendation as outlined in the MIS Action Plan.
6. PBMA Act Compliance Review	To determine the Bank's compliance with the requirements of the Public Bodies Management and Accountability Act.
7. Information Security Program	To assess the achievement of objectives of the DBJ's Information Security Program.
8. Whistleblower System Monitoring & Reporting	Provided periodic updates on the reports made via DBJ's online Whistle-Blower platform. During the FY all reports were responded to and closed.
CONSULTING SERVICE(S):	
9. NPCB Audit Reports Review	To ensure that the Bank's risk exposure relative to its loan portfolio and corporate governance activities with the NPCB is being monitored.
10. Sensitization on Environmental Social and Governance (ESG) Framework	As per ACGC's directive researched and presented on the establishment of ESG Framework at the DBJ.
11. CEF Guarantee Management Platform – IT controls	This is being done to facilitate continuous monitoring of IT controls within the web-based platform.
DIVISIONAL SERVICE(S):	
12. Annual Audit Planning FY 2022/23	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.
13. IT Audit Plan FY 22/23	To develop the DBJ's IT Audit Plan for the FY 2022/2023
14. Coordinate ACGC Meetings	To support the ACGC in the performance of its role by facilitating necessary reports and follow-up on its recommendations and actions.
15. Periodic 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
16. Policy Updates	To update relevant policies to ensure relevance and currency, these were reviewed and approved by the Board: • Audit Committee Charter • Internal Audit Charter • Anti-Fraud and Corruption Control Policy • Board Charter • Declaration of Conflict-of-Interest Procedures

DBJ continues to enjoy an effective risk management and control environment. On behalf of the Board of the DBJ, I want to recognize DBJ's Internal Audit team, under the able lead of Mrs. Tamara Baugh Brissett, for their sterling professionalism, support and expert guidance to the ACGC and the board.

Finally, I want to thank my fellow directors on the ACGC (Directors Barrington Chisholm, Sherene Golding Campbell, and Carlene O'Connor) for their invaluable insight, probity, guidance, and expertise, all of which is helping to shape our contribution as a partner to the Board in good governance.

I look forward to continued service for the upcoming year.

Sincerely

A. Cecile Watson

COMPENSATION

DIRECTORS' GROSS COMPENSATION

YEAR ENDED MARCH 31, 2022

Members	Board Meetings	Committee Meetings	Interviews Meetings conducted for Post of MD	Total Gross Payment
Paul B. Scott	230,000	133,000	-	363,000
Milverton Reynolds +	-	-	-	-
Barrington Chisholm ж	154,000	167,400	27,600	349,000
Dr. Adrian Stokes	140,000	46,000	-	186,000
A. Cecile Watson	163,000	142,600	46,000	351,600
Kerry-Ann McKoy Tulloch ж	168,000	133,400	27,600	329,000
Sherene Golding Campbell	154,000	128,300	-	282,300
Carlene O'Connor	112,000	26,000	-	138,000
Alok Jain	154,000	13,800	27,600	195,400
Keith Collister ***	n/a	0	0	0
Christopher Chaplin ***	n/a	0	0	0
TOTAL	*** 1,275,000.00**	**** 790,500.00**	**^ 128,800.00**	**2,194,300.00**

NOTE:

+ Milverton Reynolds is the Managing Director and is not compensated for attendance of meetings

** Compensation for Board Meetings is paid at a rate of $23,000 per meeting for the Chairman and $14,000 for other members.*

*** Compensation for Committee Meetings is paid at a rate of $11,500 per meeting for the Committee Chairman and $6,900 for other members except Audit & Corporate Governance Meetings where the rate is $6,500.*

^ Payments were made for interview meetings for the position of Managing Director. This was not a regular committee meeting resulting in a difference in the number of meetings reported on page 67.

**** Denotes co-opted Committee Members. Compensation for the PCOC meeting was paid in 2022/23*

ж An overpayment of J$1,900 in fees to Director Barrington Chisholm, along with an underpayment of J$2,300 in fees owed to Director Kerry-Ann McKoy Tulloch, will be reconciled in the subsequent financial year.

EXPLANATION FOR VARIANCES

Paul B. Scott:	2 HR Committee meetings attended in 2020-2021 paid in current year 1 HR Committee meeting attended in 2021-2022 paid in 2022-23
Dr. Adrian Stokes:	1 Board Meeting attended in 2020-21 paid in current year 1 Committee meeting attended in 2020-21 paid in current year 1 Committee meeting attended in 2021-2022 paid in 2022-23
A. Cecile Watson:	1 Board Meeting attended in 2020-21 paid in current year Acted as Chair for 1 Board Meeting Acted as Chair for 1 Committee Meeting in 2020-21 paid in current year 3 HR Committee meetings attended in 2020-2021(acted as Chair for 1) paid in current year 1 IFLC Committee meeting attended in 2021-2022 paid in 2022-23 Chaired 1 Audit Committee meeting attended in 2021-2022 paid in 2022-23
Kerry-Ann McKoy Tulloch	1 Board Meeting attended in 2020-21 paid in current year 2 HR Committee meetings attended in 2020-2021 paid in current Year Chaired 1 Committee meeting in 2021-22
Sherene Golding Campbell	1 Board Meeting attended in 2020-21 paid in current year 1 Audit Committee meeting attended in 2020-21 paid in current year
Carlene O'Connor	1 Committee meeting attended in 2020-21 paid in current year
Alok Jain	1 Committee meeting attended in 2020-21 paid in current year
Barrington Chisholm	Chaired 2 IFLC Committee meetings in 2021-2022

DIRECTORS COMPENSATION

YEAR ENDED MARCH 31, 2022

Names and Position of Directors	Fees $	Motor Vehicle Upkeep/ Travelling or Value of Assignment of Motor Vehicle $	Honoraria $	All Other Compensation including Non-Cash Benefits as applicable $	Total $
PAUL B. SCOTT *Chairman*	363,000.00				363,000.00
MILVERTON REYNOLDS *Managing Director*	N/a				N/a
BARRINGTON CHISHOLM *Director*	349,000.00				349,000.00
DR. ADRIAN STOKES *Director*	186,000.00				186,000.00
A. CECILE WATSON *Director*	351,600.00				351,600.00
KERRY-ANN MCKOY TULLOCH *Director*	329,000.00				329,000.00
SHERENE GOLDING CAMPBELL *Director*	282,300.00				282,300.00
CARLENE O'CONNOR *Director*	138,000.00				138,000.00
ALOK JAIN *Director*	195,400.00				195,400.00

SENIOR EXECUTIVES COMPENSATION

APRIL 2021 - MARCH 2022

	Name & POSITION OF SENIOR EXECUTIVE	BASIC SALARY (J$)	PERFOR-MANCE INCENTIVE DEC. 2021 (J$)	*GRATUITY (J$)	TRAVELLING ALLOWANCE (J$)	PENSION (J$)	**OTHER ALLOWANCES (J$)	TOTAL (J$)
1	Managing Director **MILVERTON REYNOLDS**	16,484,428	1,318,754	4,081,481	1,788,798	0	0	23,673,461
2	GM – PPP & Privatisation **DENISE ARANA**	8,012,925	761,481	0	1,917,674	653,229	1,565,163	12,910,472
3	GM – Audit Services **TAMARA BRISSETT**	8,012,925	682,894	0	1,917,674	552,892	634,244	11,800,629
4	GM – Project, Product, Programme Execution (PMO) **CHRISTOPHER BROWN**	7,194,156	575,532	0	1,917,674	496,397	111,000	10,294,759
5	GM – Channels, Relationships & Marketing **EDISON GALBRAITH**	8,012,925	803,340	0	1,917,674	653,229	2,088,407	13,475,575
6	GM – Risk & Compliance **GEORGIA MUNROE**	5,556,615	444,529	0	1,917,674	383,406	111,000	8,413,224
7	GM – Legal Services **SHERON HENRY**	8,012,925	761,481	0	1,917,674	653,229	1,565,163	12,910,472
8	GM – Management Information System **DELANO WALTERS**	6,375,385	510,031	2,993,559	1,917,674	0	111,000	11,907,649
9	GM – Strategic Services **DEBORAH NEWLAND**	8,012,925	641,034	1,811,373	1,917,674	0	111,000	12,494,006
10	GM – Finance & Treasury **DOROTHEA SIMPSON**	8,012,925	803,340	0	1,917,674	649,087	2,551,616	13,934,642
11	GM – HRD & Administration **YVONNE WILLIAMS**	8,012,925	761,481	0	1,917,674	619,402	1,598,156	12,909,638
12	GM – Credit Enhancement Facility (CEF) **DAVID WAN**	7,194,156	215,825	0	1,917,674	0	111,000	9,438,655

**GRATUITY – paid to Officers who are not members of the Pension Scheme*
***OTHER ALLOWANCES - include Clothing, Seniority &/or Lumpsum Payments for those at the top of the Scale.*

GLOSSARY OF ACRONYMS

Below is a list of several acronyms and their meanings as they appear in the DBJ's 2021/22 Annual Report:

AFI	Approved Financial Institutions
BDO	Business Development Organisations
BPO	Business Process Outsourcing
BSI	Business Services Intermediaries
CEF	Credit Enhancement Facility
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
ESMS	Environmental and Social Management System
FCGP	Foundations for Competitiveness and Growth Project
GEM	Global Entrepreneurship Monitor
GOJ	Government of Jamaica
ICT	Information & Communications Technology
ICT/BPO	Information & Communications Technology/Business Processing Outsourcing
IDB	Inter-American Development Bank
IFLC	Investment, Finance & Loans Committee
JAMPRO	Jamaica Promotions Limited
JVCP	Jamaica Venture Capital Programme
LOPM	Loan Origination and Portfolio Management
MDA	Ministries, Agencies and Departments
MFI	Micro Finance Institutions
MNS	Ministry of National Security
MEGJC	Ministry of Economic Growth and Job Creation
MOFPS	Ministry of Finance and the Public Service
MSME	Micro, Small and Medium-sized Enterprises
NPCB	National People's Co-operative Bank
NROCC	National Road Operating and Constructing Company
P4	Public-Private Partnerships & Privatisation
PPF	Project Preparation Facility
PPP	Public-Private Partnerships
SME	Small and Medium-sized Enterprises
VTA	Voucher for Technical Assistance

AUDITED ACCOUNTS

31 March 2022

INDEX

Independent auditor’s report

To the Members of Development Bank of Jamaica Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Development Bank of Jamaica Limited (the Company) as at 31 March 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act.

What we have audited

The Company’s financial statements comprise:

- the statement of financial position as at 31 March 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Responsibilities of management for the financial statements

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

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

L.A. McKnight B.L. Scott B.J. Denning G.A. Reece P.A. Williams R.S. Nathan C.I. Bell-Wisdom G.K. Moore T.N. Smith DaSilva K.D. Powell

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers

Chartered Accountants
Kingston, Jamaica
30 June 2022

Statement of Comprehensive Income

Year ended 31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

	Note	2022 $'000	RESTATED 2021 $'000
Operating Income			
Interest income		1,418,674	1,391,564
Interest expense		(628,602)	(599,979)
Net interest income	5	790,072	791,585
Appreciation in fair value on investment property	12	200,541	10,514
Gain on sale of investments		-	173,995
Discount on financial assets	16	89,649	(263,270)
Other income	6	1,029,300	623,264
		2,109,562	1,336,088
Operating Expenses			
Staff costs	7	(733,989)	(703,960)
Impairment (loss)/gain on financial asset		(140,803)	119,108
Other operating expenses	8	(337,253)	(371,564)
		(1,212,045)	(956,416)
Operating Profit		897,517	379,672
Share of losses of associates	13	(16,352)	(65,815)
Net Profit		881,165	313,857
Other comprehensive income, net of taxes			
Items that will never be reclassified to statement of comprehensive income			
Re-measurement of employee benefits asset	17	(11,700)	(5,032)
Realised fair value (loss)/gain on investment through other comprehensive income	24(a)	(230,847)	549,301
Surplus on revaluation of property, plant and equipment	19	96,304	137,922
Total other comprehensive income		(146,243)	682,191
TOTAL COMPREHENSIVE INCOME		734,922	996,048

*Restated – See note 28.

Statement of Financial Position

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

	Note	2022 $'000	RESTATED* 2021 $'000	RESTATED* 2020 $'000
ASSETS				
Cash and cash equivalents	9	1,637,393	1,705,290	1,222,674
Reverse repurchase agreements	10	10,896,762	5,799,782	7,095,295
Investment securities	11	4,223,975	4,275,622	3,232,035
Investment properties	12	1,143,655	943,114	932,600
Investment in associates	13	1,407,865	1,114,369	1,121,408
Loans receivables, net of impairment allowance	14	15,549,073	16,132,232	15,927,416
Due from Government of Jamaica	15	1,041,870	915,387	772,142
Due from Credit Enhancement Facility Fund	28	18,711	32,405	18,251
Other receivables	16	1,636,162	3,031,965	1,743,160
Employee benefit asset	17	424,896	422,632	417,380
Intangible assets	18	4,537	7,660	15,824
Property, plant and equipment	19	1,619,843	1,543,441	1,421,797
Taxation recoverable		241,780	454,907	393,036
		39,846,522	36,378,806	34,313,018
LIABILITIES				
Loans payables	20	24,725,493	21,857,080	20,772,959
Other	21	892,754	791,306	737,427
		25,618,247	22,648,386	21,510,386
SHAREHOLDER'S EQUITY				
Share capital	22	1,757,539	1,757,539	1,757,539
Share premium	22	98,856	98,856	98,856
Capital reserves	23	1,233,248	1,297,509	1,212,761
Other reserves	24	5,760,899	5,869,793	5,196,654
Retained earnings		5,377,733	4,706,723	4,536,822
		14,228,275	13,730,420	12,802,632
		39,846,522	36,378,806	34,313,018

Approved for issue by the Board of Directors on 23 June 2022 and signed on its behalf by:

Paul B. Scott — Director

M. Anthony Shaw — Managing Director

*Restated – See note 28.

Statement of Changes in Equity

Year ended 31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

	Note	Share Capital $'000	Share Premium $'000	Capital Reserves $'000	Other Reserves $'000	Retained Earnings $'000	Total $'000
Balances at 31 March 2020		1,757,539	98,856	1,212,761	5,773,742	4,536,822	13,379,720
Effect of Restatement		-	-	-	(577,088)	-	(577,088)
		1,757,539	98,856	1,212,761	5,196,654	4,536,822	12,802,632
Total comprehensive income for the year							
Profit for the year		-	-	-	-	495,832	495,832
Effect of restatement	28	-	-	-	-	(181,975)	(181,975)
Restated profit for the year		-	-	-	-	313,857	313,857
Other comprehensive income							
Remeasurement of employee benefits obligation	17	-	-	-	(5,032)	-	(5,032)
Net change in fair value of investment securities	24(a)	-	-	-	549,301	-	549,301
Surplus on revaluation of property plant and equipment	19	-	-	-	137,922	-	137,922
Total other comprehensive income for the year		-	-	-	682,191	-	682,191
Total comprehensive income for the year		-	-	-	682,191	313,857	996,048
Transfers							
Transfer to technical reserve	24(f)	-	-	84,748	(9,052)	(108,956)	(32,260)
		-	-	84,748	(9,052)	(108,956)	(32,260)
Transactions with owners, recognised directly in equity							
Dividends	25	-	-	-	-	(35,000)	(35,000)
Restated Balance at 31 March 2021		1,757,539	98,856	1,297,509	5,869,793	4,706,723	13,730,420

Statement of Changes in Equity (Continued)

Year ended 31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

	Note	Share Capital $'000	Share Premium $'000	Capital Reserves $'000	Other Reserves $'000	Retained Earnings $'000	Total $'000
Restated Balances at 31 March 2021		1,757,539	98,856	1,297,509	5,869,793	4,706,723	13,730,420
Total comprehensive income for the year							
Profit for the year		-	-	-	-	881,165	881,165
Other comprehensive income							
Remeasurement of employee benefits obligation	17	-	-	-	(11,700)	-	(11,700)
Net change in fair value of investment securities	24(a)	-	-	-	(230,847)	-	(230,847)
Surplus on revaluation of property plant and equipment	19	-	-	-	96,304	-	96,304
Total other comprehensive income for the year		-	-	-	(146,243)	-	(146,243)
Total comprehensive (loss)/ income for the year		-	-	-	(146,243)	881,165	734,922
Transfers							
Amortisation of grants		-	-	(64,437)	-	-	(64,437)
Transfer to technical reserve	24(f)	-	-	176	37,349	(176,155)	(138,630)
		-	-	(64,261)	37,349	(176,155)	(203,067)
Transactions with owners, recognised directly in equity							
Dividends	25	-	-	-	-	(34,000)	(34,000)
Balance at 31 March 2022		1,757,539	98,856	1,233,248	5,760,899	5,377,733	14,228,275

Statement of Cash Flows

Year ended 31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

	Note	2022 $'000	RESTATED 2021 $'000
Cash Flows from Operating Activities			
Profit for the year		881,165	313,857
Adjustments for:			
Amortisation	18	8,757	9,009
Depreciation	19	36,553	37,798
Interest income		(1,418,675)	(1,391,564)
Interest expense		628,602	599,979
Allowance for impairment losses		(64,853)	(119,108)
Foreign exchange gains		(214,495)	(144,453)
Discount on advance to associated companies		(222,191)	28,630
Change in employee benefits asset		(13,964)	(10,284)
Share of losses in associated companies	13	16,352	65,663
Gain on disposal of property and equipment	6	-	(1,695)
Gain on disposal of investments		-	(173,995)
Surplus on revaluation of investment properties, net	12	(200,541)	(10,514)
Amortisation		(64,437)	-
		(627,727)	(796,525)
Changes in operating assets and liabilities:			
Loans receivable – Movement during year		1,110,513	467,486
Due from Government of Jamaica		(126,483)	(3,548)
Income tax recoverable		213,130	(61,872)
Credit Enhancement Fund		13,694	-
Other receivables		1,392,846	(1,244,361)
Reserve fund utilised		(138,630)	-
Other liabilities		101,005	53,879
		1,938,348	(1,584,941)
Interest received		1,406,708	1,397,552
Interest paid		(601,024)	(587,740)
Net cash provided by/(used in) operating activities		2,744,032	(775,129)

Statement of Cash Flows (Continued)

Year ended 31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

	Note	2022 $'000	RESTATED 2021 $'000
Cash Flows from Investing Activities			
Resale agreements		(4,915,407)	1,614,510
Investment securities, net		8,249	(620,198)
Interest in associates companies		(75,083)	(46,679)
Dividends received		(22,539)	20,864
Purchase of intangible assets	18	(5,634)	(845)
Purchase of property, plant and equipment	19	(16,651)	(21,900)
Proceeds from disposals of property, plant and equipment		-	2,075
Proceeds from disposal of		-	563,626
Net cash (used in)/provided by investing activities		(5,027,066)	1,511,453
Cash Flows from Financing Activities			
Loans received		5,000,000	2,713,400
Loans repaid		(2,681,919)	(2,901,409)
Dividends paid	25	(34,000)	(35,000)
Net cash provided by/(used in) financing activities		2,284,081	(223,009)
Net increase/(decrease) in cash and cash equivalents		1,046	(513,315)
Effect of exchange rate fluctuations on cash and cash equivalents		(68,943)	(30,699)
Cash and cash equivalents at beginning of year		1,705,290	1,222,674
Cash and cash equivalents at the year end	9	1,637,393	1,705,290

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

1. Identification and Principal Activities

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

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

The primary business activity of the Bank is Development Banking.

The Bank is exempt from income tax under Section 12 1(b) of the Income Tax Act.

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

Name of Investee	Principal Activities	Percentage Holding	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% associated Bank:			
Harmony Cove Limited	Property development	24%	March 31

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

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

1. Identification and Principal Activities (Continued)

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

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

2. Significant Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investment securities at fair value through other comprehensive income, investment property and certain property and equipment at fair value.

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

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

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

Amendments to IFRS 7, IFRS 4, and IFRS 16 – Interest rate benchmark reform – Phase 2 (effective 1 January 2021)

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

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

Amendments to IFRS 3, 'Business combinations' (effective for periods beginning on or after 1 January 2022) update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16, 'Property, plant and equipment' combinations' (effective for periods beginning on or after 1 January 2022) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' combinations' (effective for periods beginning on or after 1 January 2022) specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

Amendments to IAS 1, Presentation of financial statements', on classification of liabilities (Deferred until accounting periods starting not earlier than 1 January 2024*) These* narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 (effective for periods beginning on or after 1 January 2023). The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction 8 (effective for periods beginning on or after 1 January 2023). These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation

Associates

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

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

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

(c) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

2. Significant Accounting Policies (Continued)

(d) Revenue recognition

Interest income and expense

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

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

Interest income and expense

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

Fee and commission income

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

Dividend income

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

(e) Income taxes

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

(f) Cash and cash equivalents

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

(g) Repurchase and reverse repurchase transactions

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

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

2. Significant Accounting Policies (Continued)

(h) Loans and advances and provisions for credit losses

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

Provision for credit losses determined under the requirements of IFRS

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

(i) significant financial difficulty of the obligor;

(ii) default or delinquency in interest or principal payments;

(iii) having to grant the borrower a concession that would not otherwise be considered due to the borrower's financial difficulty;

(iv) the probability that the borrower will enter bankruptcy or other financial reorganisation; or

(v) observable data indicating that there is a measurable decrease in the estimated future cash flows from the loan portfolio since the initial recognition of the loans, although the decrease cannot yet be identified with the individual loan in the portfolio, including:

a) adverse changes in the payment status of borrowers in the portfolio; and

b) national or local economic conditions that correlate with defaults on the loan portfolio.

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

2. Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

Notes to the Financial Statements

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(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

2. Significant Accounting Policies (Continued)

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

Provision for credit losses determined under the Bank of Jamaica regulatory requirements

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

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

(i) Investment securities

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

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

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

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

2. Significant Accounting Policies (Continued)

(i) Investment securities (continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than: (i) those financial assets that the Bank intends to sell immediately or in the short term, which are classified as held for trading, and (ii) those financial assets that the entity upon initial recognition, designates as at fair value through profit or loss or that it has designated as investment.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Bank establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

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

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

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

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

(j) Investment property

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

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

Notes to the Financial Statements

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(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

2. Significant Accounting Policies (Continued)

(k) Property, plant and equipment

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

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

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

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

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

(l) Impairment of long lived assets

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

(m) Financial liabilities

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

(n) Borrowings

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

(o) Provisions

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

2. Significant Accounting Policies (Continued)

(p) Post-employment benefits

Pension benefits

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

Defined benefit pension plans

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

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

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

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

Past-service costs are recognised immediately in expenses.

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

Termination benefits

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

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

2. Significant Accounting Policies (Continued)

(q) Share capital

Share issue costs

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

Dividends on ordinary shares

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

(r) Government grants

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

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

(s) Intangible assets

Computer software

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

(t) Loans receivable

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

(u) Leased assets

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

3. Financial Risk Management

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

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

(i) Investment, Finance and Loans Committee

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

(ii) Audit and Corporate Governance 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 Audit Servicest. Audit Servicest undertakes both regular and *ad hoc* reviews of risk management controls and procedures, the results of which are reported to the Audit and Corporate Governance Committee.

(iii) Compensation Committee

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

(iv) Enterprise Risk Management Committee

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

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

3. Financial Risk Management (Continued)

(a) Market risk

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

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

(i) Currency risk

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

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

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

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

	2022		2021	
	US$	€	US$	€
	'000	'000	'000	'000
Cash and cash equivalents	1,115	-	1,130	-
Resale repurchase agreements	17,615	-	17,538	-
Investment securities	25,459	-	28,430	-
Mortgage receivable & CEF		-	11,767	-
Loans, net of impairment losses	49,771	-	61,597	-
Total foreign currency assets	93,960	-	120,462	-
Current portion of long-term loans	(20,310)	(74)	-	-
Non-current portion of long-term loans	(51,915)	(218)	(99,849)	(396)
Total foreign currency liabilities	(72,225)	(292)	(99,849)	(396)
Net foreign currency (liabilities)/assets	21,754	(292)	20,613	-

3. Financial Risk Management (Continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity

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

The exchange rates, as at the reporting date, for the US$ and Euro were US$1: J$152.61 (2021:J$146.27) and €1: J$172.9411 (2021: J$174.40).

	2022			2021		
	%	Change in currency rate	Effect on profit	%	Change in currency rate	Effect on profit
			$'000			$'000
Strengthening of the Jamaica dollar:						
USD	2%	Revaluation	(66,398)	2%	Revaluation	(60,301)
EURO	2%	Revaluation	1,009	2%	Revaluation	1,381
Weakening of the Jamaica dollar						
USD	8%	Devaluation	300,976	6%	Devaluation	180,909
EURO	8%	Devaluation	(4,035)	6%	Devaluation	(4,143)

This assumes that all other variables remain constant.

(ii) Interest rate risk

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

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

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(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

3. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	2022						
	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	1,637,298	-	-	-	-	95	1,637,393
Resale agreements	-	10,831,504	-	-	-	65,257	10,896,762
Investments Securities	-	-	-	50,000	4,148,146	25,828	4,223,974
Loans, net of impairment losses	-	2,480,832	3,340,619	5,589,219	4,063,909	74,077	15,548,657
Due from Government of Jamaica	-	-	-	-	-	1,041,870	1,041,870
Due from Credit Enhancement Facility Fund	-	-	-	-	258,967	608,289	867,256
Other receivables	-	-	-	-	-	1,636,579	1,636,579
Total financial assets	1,637,298	13,312,336	3,340,619	5,838,666	8,263,357	3,451,995	35,844,274
Liabilities							
Loans payable	-	437,292	1,579,979	2,170,826	17,764,538	2,922,797	24,875,433
Other Liabilities	-	-	-	-	-	892,755	892,755
Total financial liabilities	-	437,292	1,579,979	2,170,826	17,764,538	3,815,553	25,768,188
Interest rate sensitivity gap	1,637,298	12,875,044	1,760,640	3,667,840	(9,501,191)	(363,972)	10,076,085
Cumulative Interest sensitivity gap	1,637,298	14,512,341	16,272,981	19,940,821	10,439,640	10,076,085	-

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

3. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	2021						
	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	1,705,195	-	-	-	-	95	1,705,290
Resale agreements	-	5,772,680	-	-	-	27,102	5,799,782
Investments Securities	-	-	-	199,447	4,051,582	24,593	4,275,622
Loans, net of impairment losses	-	2,402,298	3,347,963	4,125,523	6,154,944	101,504	16,132,232
Due from Government of Jamaica	-	-	-	-	-	915,847	915,847
Due from Credit Enhancement Facility Fund	-	-	-	-	258,967	532,501	791,468
Other receivables	-	-	-	-	-	3,031,965	3,031,965
Total financial assets	1,705,195	8,174,978	3,347,963	4,324,970	10,465,493	4,633,147	32,651,746
Liabilities							
Loans payable	-	(415,924)	(1,283,599)	(611,653)	(14,807,859)	(4,738,046)	(21,857,080)
Other Liabilities	-	-	-	-	-	(791,306)	(791,306)
Total financial liabilities	-	(415,924)	(1,283,599	(611,653)	(14,807,859)	(5,529,351)	(22,648,386)
Interest rate sensitivity gap	1,705,195	7,759,054	2,064,364	3,713,317	(4,342,366)	(896,204)	10,003,360
Cumulative Interest sensitivity gap	1,705,195	9,464,249	11,528,613	15,241,930	10,899,564	10,003,360	-

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

3. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

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

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

	Effect on Net Profit 2022 $'000	Effect on Equity 2022 $'000	Effect on Net Profit 2021 $'000	Effect on Equity 2021 $'000
Change in basis points:				
Decrease - JMD -50 and USD -50	(160,708)	(160,708)	(283,354)	(283,354)
Increase - JMD +300 and USD +150	964,246	964,246	283,354	283,354

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

(b) Credit risk

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

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Exposure to credit risk

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

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

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

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

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

- Credit risk exposures relating to items not recognised:

	Maximum exposure	
	2022	2021
	$'000	$'000
Loan commitments	2,657,058	1,658,357
Guarantees	6,265,856	2,305,499
	8,922,914	3,963,856

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(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Exposure to credit risk (continued)

The DBJ lends to all viable projects mainly through the Approved Financial Institutions (AFIs). The sectors included in the above table highlight the Bank's lending as at March 31, 2021. 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.

	2022						
	Cash and cash equivalents	Loans	Investm secu	Resale agreements	from Govt	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amounts	1,637,392	15,548,657	4,215,747	10,896,761	1,523,267	1,635,470	34,985,235
Concentration sector:							
Financial institutions	1,637,392	-	4,198,146	10,831,504	-	-	16,675,261
Agriculture, fishing and mining	-	1,154,490	-	-	-	-	1,154,490
Government and public entities	-	412	-	-	1,523,267	-	1,042,282
Manufacturing	-	801,044	-	-	-	-	801,044
Professional and other services	-	11,193,038	-	-	-	1,635,470	12,829,200
Tourism and entertainment	-	2,742,944	-	-	-	-	2,742,944
Transportation , storage and communication	-	60,243	-	-	-	-	60,246
	1,637,392	15,952,174	4,206,364	10,831,504	1,523,267	1,635,470	35,777,540
Interest receivable	-	74,077	25,828	65,257	-	-	165,163
	1,637,392	16,026,254	4,223,975	10,896,761	1,523,267	1,635,470	35,492,703
Less: Impairment losses	-	(477,180)	(8,218)	-	-	-	(485,399)
	1,637,392	15,549,073	4,223,974	10,896,761	1,523,267	1,635,470	34,985,234
Concentration by location:							
Jamaica	1,467,237	7,932,927	296,393	8,208,548	1,523,267	1,635,470	21,063,842
United States of America	170,155	7615,729	3,919,353	2,688,218	-	1	14,393,453
	1,637,393	15,549,074	4,223,974	10,896,762	1,041,870	1,635,471	34,984,544

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Exposure to credit risk (continued)

	2021						
	Cash and cash equivalents	Loans	Investment securities	Resale agreements	Due from Govt. of Jamaica	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amounts	1,705,290	16,132,232	3,747,574	5,799,782	915,387	3,031,985	31,332,230
Concentration sector:							
Financial institutions	1,705,290	-	3,731,209	5,772,679	-	-	11,209,178
Agriculture ,fishing and mining	-	1,425,514	-	-	-	-	1,425,514
Government and public entities	-	-	-	-	915,387	-	915,387
Manufacturing	-	1,224,147	-	-	-	-	1,224,147
Professional and other services	-	11,345,296	-	-	-	3,031,985	14,377,261
Tourism and entertainment	-	2,502,762	-	-	-	-	2,502,762
Transportation , storage and communication	-	75,044	-	-	-	-	75,044
	1,705,290	16,572,763	3,731,209	5,772,679	915,387	3,031,985	31,729,293
Interest receivable	-	101,503	24,593	27,103	-	-	153,199
	1,705,290	16,674,266	3,755,802	5,799,782	915,387	3,031,985	31,882,492
Less: Impairment losses	-	(542,034)	(8,228)	-	-	-	(550,262)
	1,705,290	16,132,232	3,747,574	5,799,782	915,387	3,031,985	31,332,230
Concentration by location							
Jamaica	1,539,939	7,103,765	185,563	3,234,555	915,387	1,569,675	14,548,884
United States of America	165,351	9,028,467	3,562,011	2,565,227	-	1,462,290	16,783,346
	1,705,290	16,132,232	3,747,574	5,799,782	915,387	3,031,965	31,332,230

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Exposure to credit risk (continued)

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

- Loans

	2022	2021
	$'000	$'000
Direct loans	3,934,848	4,393,863
GOJ infrastructure loans	-	429
Financial and agricultural institutions loans	11,614,226	11,738,369
	15,549,073	16,132,232
Neither past due nor impaired	15,999,022	16,508,547
Past due but not impaired:		
1 to 3 months	6,101	24,945
3 to 6 months	5,909	4,523
6 to 12 months	5,598	-
Over 12 months	9,624	24,172
Past due and impaired	-	112,078
	16,026,254	16,674,266
Less allowance for loan losses	(477,181)	(542,034)
	15,549,073	16,132,232

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Exposure to credit risk (continued)

- Other amounts receivable- contractual due dates:

	2022	2021
	$'000	$'000
Neither past due nor impaired		
Due from Government of Jamaica:		
Other	931,326	768,023

- Other amounts receivable- no contractual due dates:

	2022	2021
	$'000	$'000
No due date – deemed not impaired		
Due from Government of Jamaica:		
Privatisation	110,544	118,907
Other receivables	257,571	237,697
	368,115	356,604

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Exposure to credit risk (continued)

The carrying amount, at the reporting date, of loans whose contractual provisions have been renegotiated was $113,795,644 (2021 - $3,069,682,972).

(ii) Management of credit risk

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

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

Cash and cash equivalents

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

Investment securities and resale agreements

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

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

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(ii) Management of credit risk (continued)

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

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

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

(iii) Impairment

The company considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

  Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iii) Impairment (continued)

Credit review process

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.

Company internal credit rating as at 31 March 2022	External Credit rating	Expected credit loss rate
	AAA	0.9%
High	AA	1.3%
	A	2.2%
	BBB	7.3%
Moderate	BB	10.0%
	B	12.2%
	CCC	14.0%
Low	CC	18.0%
	C	30.0%
Credit impaired	D	50.0%

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

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

3. Financial Risk Management (Continued)

(c) Credit risk (continued)

(iii) Impairment (continued)

Collateral and other credit enhancements held against financial assets

The Bank holds collateral against loans in the form of mortgage interests over properties, 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:

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Loans receivable	15,390,231	30,136	605,887	16,026,254
Loss allowance	(117,671)	(689)	(358,821)	(477,181)
Carrying amount	15,272,560	29,447	247,067	15,549,074

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Loans receivable	15,471,282	637,924	565,060	16,674,266
Loss allowance	(262,598)	(204,831)	(74,605)	(542,034)
Carrying amount	15,208,684	433,093	490,455	16,132,232

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iv) Amounts arising from ECL

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 qualitativeinformation 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 quantative test based on movement in PD;

- qualitative indicators; and
- a backstop of 30 dayspastdue.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

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

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

(b) Credit risk (continued)

(iv) Amounts arising from ECL (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.

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31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iv) Amounts arising from ECL (continued)

The Bank monitors the effectiveness of the criteria used to identify significant increases in creditrisk 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 bythe 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.

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.

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iv) Amounts arising from ECL (continued)

Loss allowance

The loss allowance recognised is analysed as follow: (*prepare for each category of financialasset*)

Loans receivable

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$`000	**$`000**	**$`000**	**$`000**
Loans receivable				
Balance at April 1, 2021	197,988	(8,067)	(731,955)	(542,034)
Net remeasurement of loss allowance	(315,659)	7,378	373,134	64,853
Balance at March 31, 2022	(117,671)	(688)	(358,821)	(477,181)

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$`000	**$`000**	**$`000**	**$`000**
Loans receivable				
Balance at April 1, 2020	137,574	122,047	(916,672)	(657,051)
Net remeasurement of loss allowance	60,414	(130,113)	184,716	115,017
Balance at March 31, 2021	197,988	(8,066)	(731,956)	(542,034)

	Stage 1	**Total**
	$`000	**$`000**
Debt securities		
Balance at April 1, 2020	(9,539)	(9,539)
Net remeasurement of loss allowance	1,311	1,311
Balance at March 31, 2021	(8,228)	(8,228)
Net remeasurement of loss allowance	10	10
Balance at March 31, 2022	(8,218)	(8,218)

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(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iv) Amounts arising from ECL (continued)

Loss allowance (continued)

Other receivable

	2022		
	Stage 1	**Stage 3**	**Total**
	$\`000	**$\`000**	**$\`000**
Other receivables			
Balance at April 1, 2021	(1,988)	(255)	(2,243)
Additional remeasurement	(166,865)	-	(166,865)
Net remeasurement of loss allowance	693	-	693
Balance at March 31, 2022 (Note 18)	(168,160)	(255)	(168,415)

	2021		
	Stage 1	**Stage 3**	**Total**
	$\`000	**$\`000**	**$\`000**
Other receivables			
Balance at April 1, 2020	(1,269)	(659)	(1,928)
Net remeasurement of loss allowance	(719)	404	(315)
Balance at March 31, 2021	(1,988)	(255)	(2,243)

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, 2021 assumed no significant changes in key indicators for Jamaica for the years ending March 31, 2022 to 2023.

For 2021, 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.

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iv) Amounts arising from ECL (continued)

Measurement of ECLs

The key inputs into the measurement of ECL are the term structure of the following variables:

i. probability of default (PD);

ii. loss given default (LGD); and

iii. 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 parametersbased 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 properties, 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.

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, evenif, 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.

(v) 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.

(vi) 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.

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31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(vii) 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.

(viii) 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 (2021 - no collateral held).

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

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31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

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

	Loan Receivables		Other receivables		Resale agreements	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Against neither past nor impaired financial assets:						
Property (land and buildings)	7,567,649	9,939,199	40,126	55,730	-	-
Debt securities	-	-	-	-	5,302,375	6,295,387
Motor vehicles	-	-	67,991	107,289	-	-
Other	-	-	81,797	76,023	-	-
Against past due but not impaired financial assets:						
Property (land and buildings)	-	-	-	-	-	-
Against past due and impaired financial assets:						
Property (land and buildings)	920,000	920,000	-	-	-	-

Notes to the Financial Statements

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(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

3. Financial Risk Management (Continued)

(c) Liquidity risk

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

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

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

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

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

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

	2022						
	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	484,454	1,596,659	2,280,755	16,471,767	4,041,798	24,875,433	24,875,433
Other Liabilities	-	-	-	-	892,754	892,754	892,757
	484,454	1,596,659	2,280,755	16,471,767	4,934,552	25,768,187	25,768,187

	2021						
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

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

3. Financial Risk Management (Continued)

(d) Operational risk

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

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

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

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

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

(e) Capital management

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

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

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(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

3. Financial instrument risk management (Continued)

(f) Fair value estimation

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

		2022									
		Carrying amount						Fair value*			
	Note	Held to maturity	Loan and receivables	Investments	Fair value through profit or loss	Other Financial liabilities	Total	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at fair value:											
Quoted Equity Securities		-	-	233,165	-	-	233,165	233,165	-	-	233,165
Government of Jamaica securities		-	-	3,486,105	-	-	3,486,105	-	3,486,105	-	3,486,105
		-	-	3,719,270	-	-	3,719,270	233,165	3,486,105	-	3,719,270
Financial assets not measured at fair value:											
Government of Jamaica securities		202,190	-	-	-	-	202,190				
Unquoted Equity Securities		-	276,686	-	-	-	276,868				
Resale agreements		-	10,896,762	-	-	-	10,896,762				
Cash and cash equivalents		-	1,637,393	-	-	-	1,637,393				
Other receivables		-	1,636,162	-	-	-	1,636,162				
Direct loans		-	3,934,848	-	-	-	3,934,848				
Financial and agricultural intuitions loans		-	11,613,809	-	-	-	11,613,809				
NROCC Receivables		-	417	-	-	-	417				
GOJ receivables		-	1,636,162	-	-	-	1,636,162				
		202,190	31,632,239	-	-	-	31,834,429				
Financial liabilities not measured at fair value:											
Loan payable		-	-	-	-	24,875,433	24,875,433				
Other		-	-	-	-	892,755	892,755				
		-	-	-	-	25,768,188	25,768,188				

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

3. Financial Risk Management (Continued)

(f) Fair value estimation (continued)

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

		2021									
		Carrying amount						Fair value*			
	Note	Held to maturity	Loan and receivables	Investments	Fair value through profit or loss	Other Financial liabilities	Total	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at fair value:											
Quoted equity securities		-	-	262,570	-	-	262,570	262,570	-	-	262,570
Unquoted equity securities		-	-	264,910	-	-	264,910	-	-	264,910	264,910
Government of Jamaica securities		-	-	3,530,455	-	-	3,530,455	-	3,530,455	-	3,530,455
		-	-	4,057,935	-	-	4,057,935	262,570	3,530,455	264,910	4,057,935
Financial assets not measured at fair value:											
Government of Jamaica securities			193,551	-	-	-	193,551				
Resale agreements		-	5,799,782	-	-	-	5,799,782				
Cash and cash equivalents		-	1,705,290	-	-	-	1,705,290				
Other receivables		-	3,031,965	-	-	-	3,031,965				
Direct loans		-	16,132,232	-	-	-	16,132,232				
Financial and agricultural intuitions loans		-	915,387	-	-	-	915,387				
GOJ infrastructural programmes		-	791,468	-	-	-	791,468				
		-	28,569,675	-	-	-	28,569,675				
Financial liabilities not measured at fair value:											
Loan payable		-	-	-	-	21,857,080	21,857,080				
Other		-	-	-	-	791,306	791,306				
		-	-	-	-	22,648,386	22,648,386				

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

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3. Financial Risk Management (Continued)

(f) Fair value estimation (continued)

(ii) Measurement of fair values:
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

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

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

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

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

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

Impairment losses on loans and advances

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

Future obligations for post-employment benefits

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

Residual value and expected useful life of property and equipment:

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

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5. Net Interest Income

	2022	2021
	$'000	$'000
Interest income		
Loans and advances	864,863	939,915
Investment securities	228,883	216,864
Reverse repurchase agreements	318,406	229,853
Cash and deposits and other	6,522	4,932
	1,418,674	1,391,564
Interest expense		
Loans payables	(628,602)	(599,979)
Net interest income	790,072	791,585

6. Other Income

	2022	2021
	$'000	$'000
Administrative fees	16,136	10,730
Commitment fees	54,695	15,472
Dividend income	16,054	20,864
Gain on disposal of property and equipment and investment property	-	1,695
Rental income	92,977	103,682
Foreign exchange gains	339,574	362,071
Recovery of provisions of loans previously written off	390,340	6,727
Public Private Partnership & Privatisation - fees	74,005	60,566
Miscellaneous	45,519	41,457
	1,029,300	623,264

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7. Staff Costs

	2022	2021
	$'000	$'000
Salaries and wages	538,507	510,573
Payroll taxes	36,965	31,570
Pension costs – defined benefit plans (Note 17)	9,715	12,600
Performance incentive bonus	62,703	62,703
Other	86,099	86,514
	733,989	703,960

8. Operating Expenses

	2022	2021
	$'000	$'000
Amortisation	8,757	9,009
Advertising and public relations	28,854	38,829
Assistance to projects	-	665
Auditors' remuneration	5,829	5,871
Depreciation	36,553	37,798
Directors' fees	2,194	2,219
Legal fees	2,009	1,258
Professional fees	18,258	29,230
Motor vehicle expenses	4,873	4,831
Occupancy costs – including insurance, utilities and repairs	162,095	148,771
Travelling	1,239	1,877
Discount on additional advances made to Harmonisation	-	28,630
Subscription Fees - Reverse Factoring	29,176	21,621
Other	37,416	40,955
	337,253	371,564

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9. Cash and Cash Equivalents

	2022	2021
	$'000	$'000
Cash	95	95
Deposits	1,637,298	1,705,195
	1,637,393	1,705,290

Net debt reconciliation

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

	2022 $'000	2021 $'000
Cash and cash equivalents (Note 9)	1,637,393	1,705,290
Borrowings – repayable within one year (excluding overdraft)	(3,519,078)	(3,293,798)
Borrowings – repayable after one year	(21,206,415)	(18,563,282)
Net debt	(23,088,100)	(20,151,790)
Cash and liquid investments	1,637,393	1,705,290
Gross debt – fixed interest rates	(24,725,493)	(21,857,080)
Net debt	(23,088,100)	(20,151,790)

	Other assets	Liabilities from financing activities		
	Cash/ bank overdraft $'000	Borrowings due within 1 year $'000	Borrowings due after 1 year $'000	Total $'000
Net debt as at 1 April 2020	1,222,674	(3,253,838)	(17,497,256)	(19,528,420)
Cash flows	451,912	(39,960)	(1,415,204)	(1,003,252)
Foreign exchange adjustments	30,704	-	349,178	379,882
Net debt as at 31 March 2021	1,705,290	(3,293,798)	(18,563,282)	(20,151,790)
Cash flows	(136,840)	(225,280)	(3,334,730)	(3,696,850)
Foreign exchange adjustments	68,942	-	691,598	760,540
Net debt as at 31 March 2022	1,637,392	(3,519,078)	(21,206,414)	(23,088,100)

10. Reverse Repurchase Agreement

The Bank enters into collateralised reverse repurchase agreements which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. Included within reverse repurchase agreements is accrued interest receivable of $65,257,000 (2021 – $27,102,000). At the reporting date, all agreements were collaterised by Government of Jamaica securities.

Included in reverse repurchase agreements are securities with an original maturity of less than 90 days amounting to $10,831,504,000 (2021 – $5,772,680,000) 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 $11,254,311,914 (2021 - $6,295,387,000) at the reporting date.

11. Investment Securities

	Remaining term to maturity					
	Within 3 months	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Carrying value**	**Carrying value**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
					2022	**2021**
Held to maturity:						
Government of Jamaica	-	-	-	152,190	152,190	193,094
Corporate bond	-	50,000	-	-	50,000	-
Loan and receivables:						
Unquoted equity securities	-	-	-	276,686	276,686	264,910
Investments:						
Quoted equity securities	-	-	-	233,165	233,165	262,570
Government of Jamaica bonds	-	-	-	3,486,105	3,486,105	3,530,455
					4,198,146	4,251,029
Interest receivables					25,829	24,593
					4,223,975	4,275,622

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11. Investment Securities (Continued)

(a) National Debt Exchange

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

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

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

(iii) Accretion for the additional J$20 of principal value will commence in August 2015 as follows:

- 0.5% of $100 every six months from August 15, 2015 until August 15, 2020;
- Thereafter, 1.0% of $100 every six months until August 15, 2026; and
- Thereafter, 1.5% of $100 every six months until August 15, 2027.

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

12. Investment Properties

	2022	**2021**
	$'000	**$'000**
Balance at beginning of year	943,114	932,600
Fair value gains	200,541	10,514
Balance at end of year	1,143,655	943,114
Manor Park apartment, rented	43,655	43,114
21 Dominica Drive, rented	1,100,000	900,000
	1,143,655	943,114
Income earned from the properties	11,034	66,206
Expenses incurred by the properties	(10,695)	(10,695)

12. Investment Properties (Continued)

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

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

13. Investment in Associates

	2022	2021
	$'000	$'000
Ordinary shares, at cost	250	250
Advances and related accrued interest receivables		
Original advances	1,634,617	1,547,210
Additional advances	87,554	87,520
Reimbursements	(353)	(113)
Gross amount receivables	1,722,524	1,634,617
Unaccredited imputed interest:		
Original amount of discount	(308,720)	(308,705)
Discount on additional advances	(15)	(15)
Total discounts	(308,735)	(308,720)
Accretion in previous years	308,735	86,529
Unaccreted interest carried forward	-	(222,191)
Present value of amount receivable	1,722,524	1,412,676
Share of losses		
At beginning of year	(298,307)	(232,492)
Loss recognised during the year	(16,352)	(65,815)
At end of year	(314,659)	(298,307)
	1,407,865	1,114,369

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13. Investment in Associates (Continued)

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

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

	2022	2021
	$'000	$'000
Current assets	550,587	418,523
Non-current assets	2,348,624	2,349,852
Current liabilities	33,784	34,480
Non-current liabilities	3,702,928	3,536,316
Revenue	144,237	9,496
Loss from continuing operations	(16,352)	(65,663)

14. Loans Receivables, Net of Provision for Credit Losses

	2022	2021
	$'000	$'000
Direct loans to end users	3,934,848	4,393,863
Financial and agricultural institutions loans	11,614,225	11,738,369
	15,549,073	16,132,232

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
					2022	2021
Loans receivable	89,804	350,756	1,559,989	2,040,777	4,041,326	4,420,681
Interest receivable					66,741	91,553
					4,108,067	4,512,234
Less impairment allowance					(173,219)	(118,371)
					3,934,848	4,393,863

The loans bear interest at rates ranging from 4% -10% (2021: 4% - 13%) per annum.

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

Financial and agricultural institutions loans:

	2022 $'000	2021 $'000
Loans to financial institutions	11,770,036	11,891,499
Interest receivables	5,636	8,500
	11,775,672	11,899,999
Loans to National People's Co-operative Banks	140,813	260,583
Interest receivable on Loans to National People's Co-operative Banks	1,703	1,451
	142,516	262,034
	11,918,187	12,162,033
Less impairment losses on loans	(303,962)	(423,664)
	11,614,225	11,738,369

Allowance for ECL

	2022 $'000	2021 $'000
At the beginning of the year	542,034	657,151
Additional ECL during the year	315,659	130,014
Reversed during the year	(380,512)	(245,131)
At the end of year	477,181	542,034

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15. Due from Government of Jamaica

	2022	2021
	$'000	$'000
Government of Jamaica - Privatisations	110,544	118,927
Government of Jamaica - Other	931,326	796,460
	1,041,870	915,387

Due from Government of Jamaica Privatisation

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

	Net recoverable/ (payable)	Amount advanced	Proceeds collected	Net recoverable/ (payable)
	$'000	$'000	$'000	$'000
	2021			2022
Projects in progress	205,946	63,012	(71,395)	197,563
Projects completed	(79,941)	-	-	(79,941)
Others	(7,078)	-	-	(7,078)
	118,927	63,012	(71,395)	110,544

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15. Due from Government of Jamaica (Continued)

Due from Government of Jamaica- Other:

(a) Note receivable:

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

	2022	2021
	$'000	$'000
Face value of 10- year interest – free note	-	1,004,168
Imputed interest	-	(345,056)
Fair value at date of issue (Note 24f)	-	659,112
Principal portion repaid in instalments received to date	-	(659,112)
Carrying amount	-	-

(b) Exchange losses on loans:

	2022	2021
(i) Caribbean Development Bank loans:		
Unrealised	755,428	620,009
Realised	38,754	38,754
	794,182	658,763
(ii) European Investment Bank loans :		
Realised	92,710	74,705
(iii) Other loans:		
Unrealised	44,434	62,992
	931,326	796,460
	931,326	796,460

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16. Other Receivables

	2022 $'000	2021 $'000
Privatization success fee (i)	1,377,581	1,331,979
BOJ receivables (ii)	-	1,462,289
Other receivables	28,603	20,286
World Bank receivables	14,700	15,029
Prepayment (iii)	25,376	15,094
Staff receivables	202,884	189,531
NIBJ recoveries	480,325	479,314
NIBJ provision recoveries	(479,314)	(479,314)
Less ECL on Access to Finance [note 3(b)(iii)]	(12,443)	-
Less ECL on staff loan receivables [note 3(b)(iii)]	(1,550)	(2,243)
	1,636,162	3,031,965

(i) This represents success fee receivable from the privatization transaction of Norman Manley International Airport as follows:

	2022 $'000	2021 $'000
Amount receivable at beginning of year	1,331,979	1,471,949
Amount received during period	(139,601)	(94,318)
Foreign exchange adjustment	95,554	217,618
Amount discounted	89,649	(263,270)
Amount receivable as year- end	1,377,581	1,331,979

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.

(ii) The Government of Jamaica through the Ministry of Finance and the Public Service provided a loan to the Development Bank of Jamaica which was originally denominated in US dollar. The loan was disbursed in JAD and subsequently converted to a JAD facility. Given that the DBJ required the funds in USD the BOJ facilitated the conversion of these funds after the year end.

(iii) Prepayment is comprised as follows:

16. Other Receivables (Continued)

	2022 $'000	2021 $'000
General Insurance	2,122	1,849
Computer Maintenance	5,572	1,805
Subscription	14,348	9,135
Professional Fees	2,322	2,305
Stationery	1,012	-
	25,376	15,094

17. Employee Benefit Assets

	2022 $'000	2021 $'000
Assets recognised in the statement of financial position –		
Pension scheme	2,565,304	2,403,772
Amounts recognised in profit or loss –		
Pension scheme	9,715	12,600
Amounts recognised in other comprehensive income –		
Pension scheme	(11,700)	(5,032)

(a) The Bank operated a defined-contribution pension scheme for the former employees of The National Development Bank of Jamaica Limited (NIBJ); it was administered by a company. Benefits to retired members were based on employee and employer contributions, bonuses and interest credited. The assets of the scheme were held independently of the Bank's assets in separate trustee-administered funds. Approval for the winding up of the scheme was received from the Financial Services Commission in June 2012, and, following an actuarial valuation done as at June 2012, all members entitled to benefits received them in the form of annuities secured through a Company.

(b) As a result of the merger of (NIBJ) and the Bank on 1 September 2006, the employees of NIBJ were transferred to the Bank and became members of the Development Bank of Jamaica (DBJ) Pension Scheme. Permission was sought from, and granted by, the FSC for the transfer of the plan assets and benefit obligations of the NIBJ Scheme and the subsequent winding up of that Scheme, effective as of the merger date.

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17. Employee Benefit Assets (Continued)

(c) The Bank has a defined-benefit scheme, which is administered by Trustees appointed by the Bank and by an employee-appointed trustee. The scheme, which is open to all full time, permanent employees, is funded by employer and employee contributions of 6.9% and 5% of pensionable salaries, respectively. In addition, the employees may voluntarily contribute a further 8.1% of pensionable salaries. The pensionable amount of annual pension on retirement at normal retirement date shall be that pension equal to 2% of the member's final pensionable salary multiplied by his years of pensionable service, plus such amount as may be determined by the actuary to be the pension equivalent of any voluntary contributions, accumulated with interest computed to the date of retirement, standing to the credit of the member on the date the pension is to commence.

The amounts recognised in the statement of financial position are determined as follows:

	2022 $'000	2021 $'000
Present value of funded obligations	(2,140,408)	(1,981,140)
Fair value of plan assets	2,565,304	2,403,772
Assets in the statement of financial position	424,896	422,632

The movement in the defined benefit obligation over the year is as follows:

	2022 $'000	2021 $'000
Balance at beginning of year	1,981,140	1,803,816
Current service cost	52,092	45,631
Interest cost	169,250	119,458
Re-measurements -		
Experience losses	22,036	35,486
Members' contributions	19,054	17,928
Benefits paid	(103,164)	(41,179)
Balance at end of year	2,140,408	1,981,140

Amounts recognised in other comprehensive income:

	2022 $'000	2021 $'000
Remeasurement of funded obligation	(22,036)	(35,486)
Remeasurement on plan assets	10,336	30,454
	(11,700)	(5,032)

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

17. Employee Benefit Assets (Continued)

The movement in the defined benefit asset during the year is as follows:

	2022 $'000	2021 $'000
Balance at beginning of year	2,403,772	2,221,196
Interest income	202,155	144,622
Re-measurement -		
Return on plan assets, excluding amounts included in interest income	10,336	30,454
Contributions	60,617	57,716
Benefits paid	(103,164)	(41,179)
Administration expenses	(8,412)	(9,036)
Balance at end of year	2,565,304	2,403,772

The amounts recognised in profit or loss in the statement of comprehensive income is as follows:

	2022 $'000	2021 $'000
Current service cost	34,208	28,728
Interest costs	169,250	119,458
Interest income	(202,155)	(144,622)
Administration expenses	8,412	9,036
Total, included in staff costs (Note 7)	9,715	12,600

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

17. Employee Benefit Assets (Continued)

Plan assets are comprised as follows:

	2022			
	Quoted	Unquoted	Total	
	$'000	$'000	$'000	%
Unitised investments	-	79,555	79,555	3.1
Government of Jamaica bonds	-	845,800	845,800	33.0
Corporate bonds	-	145,037	145,037	5.7
Resale agreements and CDs	-	124,099	124,099	4.8
Real estate	-	159,929	159,929	6.2
Equity securities	1,197,914	-	1,197,914	46.7
Net current assets	-	12,970	12,970	0.5
	1,197,914	1,367,390	2,565,304	100

	2021			
	Quoted	Unquoted	Total	
	$'000	$'000	$'000	%
Unitised investments	-	74,293	74,293	3.1
Government of Jamaica bonds	-	887,016	887,016	36.9
Corporate bonds	-	169,938	169,938	7.1
Resale agreements and CDs	-	160,710	160,710	6.7
Real estate	-	139,663	139,663	5.8
Equity securities	968,111	-	968,111	40.3
Net current assets	-	4,041	4,041	0.1
	968,111	1,435,661	2,403,772	100

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31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

17. Employee Benefit Assets (Continued)

Expected contributions to the post-employment plan for the year ending 31 March 2022 are $60,617,000 (2021 - $57,716,000).

Movements in the amounts recognised in the statement of financial position:

	2022 $'000	2021 $'000
Assets at beginning of year	422,632	417,380
Amounts recognised in profit or loss in the statement of comprehensive income	(9,715)	(12,600)
Amounts recognised in other comprehensive income	(11,700)	(5,032)
Contributions paid	23,679	22,884
Assets at end of year	424,896	422,632

The significant actuarial assumptions used were as follows:

	2022	2021
Discount rate	8.0%	8.5%
Future salary increases	5.5%	6.0%
Expected pension increase	2.5%	1.5%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 60.

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

17. Employment Benefit Assets (Continued)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on post-employment obligations		
	Change in Assumption	Increase in Assumption	Decrease in, Assumption
		$'000	$'000
Discount rate	0.5%	(2,025,871)	2,270,603
Future salary increases	0.5%	2,171,488	(2,112,425)
Expected pension increase	0.5%	2,236,381	(2,053,681)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

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(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

18. Intangible Assets

	Computer Software $'000
At Cost -	
At 1 April 2020	57,596
Additions	845
At 31 March 2021	58,441
Additions	5,634
At 31 March 2022	64,075
Depreciation -	
At 1 April 2020	41,772
Charge for the year	9,009
At 31 March 2021	50,781
Charge for the year	8,757
31 March 2022	59,538
Net Book Value -	
31 March 2022	4,537
31 March 2021	7,660

Notes to the Financial Statements

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(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

19. Property, Plant and Equipment

	Freehold Land and Buildings	Furniture, fixtures, plant and equipment	Motor Vehicles Furniture & Equipment	Computer Equipment	Total
	$'000	$'000	$'000	$'000	$'000
Cost/Valuation					
At 1 April 2020	1,487,202	270,607	33,432	106,829	1,898,070
Additions	-	5,876	-	16,024	21,900
Disposals	-	-	(3,005)	(2,196)	(5,201)
Revaluation	137,922	-	-	-	137,922
At 31 March 2021	1,625,124	276,483	30,427	120,657	2,052,691
Additions	-	792	14,773	1,086	16,651
Revaluation	96,304	-	-	-	96,304
At 31 March 2022	1,721,428	277,275	45,200	121,743	2,165,646
Accumulated Depreciation -					
At 1 April 2020	160,533	214,386	27,790	73,564	476,273
Charge for the year	11,788	7,842	2,659	15,509	37,798
Disposals	-	-	(3,005)	(1,816)	(4,821)
At 31 March 2021	172,321	222,228	27,444	87,257	509,250
Charge for the year	12,700	7,597	2,200	14,056	36,553
At 31 March 2022	185,021	229,825	29,644	101,313	545,803
Net Book Value -					
31 March 2022	1,536,407	47,450	15,556	20,430	1,619,843
31 March 2021	1,452,803	54,255	2,983	33,400	1,543,441

The Bank’s freehold land and buildings, with a historical cost of $96,116,000 (2021 – 96,116,000), were last revalued in March 2022 on the basis of an open market valuation, by independent professional valuers. The excess of valuation over the carrying value of freehold land and buildings of $96,304,000 (2021 – $137,922,000) has been credited to other comprehensive income (included in revaluation reserve) (Note 24).

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

20. Loans Payables

		Interest Rate %	31 March 2021 $'000	New Loans/ Adjustments $'000	Transaction Costs/ Repaid $'000	Exchange differences/ Interest Capitalised $'000	31 March 2022 $'000
(b)	Government of Jamaica (GOJ)						
(i)	Ministry of Mining and Energy	-	120	-	-	-	120
(ii)	International Bank for Reconstruction and Development 1994/2001	2.82	1,439,416	-	-	62,391	1,501,807
(iii)	MOA – Dairy Sector	-	109,928	-	-	-	109,928
(iv)	GOJ / DBJ MSME	1.00	-	-2,857,600	-	-	2,857,600
(v)	GOJ –DBJ Go-Digital Program	0.25	-	142,400	-	-	142,400
(vi)	GOJ DBJ SME	0.25	-	2,000,000	-	-	2,000,000
(vii)	World Bank Energy						
	(1) MOF&P –	2.70	129,302	-	(28,860)	5,811	106,253
	(2) MOF&P – US$1.3M loan	6.00	409,729	-	-	-	409,729
(viii)	MOF&P (FCGP) – J$2.4B loan	4.00	2,363,289	-	(96,231)	-	2,267,058
(ix)	MOF&P – US$10M loan	3.00	2,582,323	(1,119,627)	(29,872)	63,928	1,496,752
(x)	MOF&P – J$ 4B loan	4.00	2,924,850	1,119,631	-	-	4,004,481
(xi)	IDB Climate Change Adaption	-	255,990	-	(50,000)	-	205,990
	Total GOJ loans		10,214,947	5,000,004	(204,963)	132,130	15,142,118

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

20. Loans Payables (Continued)

	Interest Rate	31 March 2021	New Loans/ Adjustments	Transaction Costs/ Repaid	Exchange differences/ Interest Capitalised	31 March 2022
	%	$'000	$'000	$'000	$'000	$'000
(b) Direct Borrowing						
(xii) IBRD US$P.I.E.D. Line of Credit	2.82	90,516	-	(94,439)	3,923	-
(xiii) Caribbean Development Bank 2002/2022:						
- 26ORJ	3.30	494,670	-	(260,567)	24,055	258,158
- 11SFR/ORJ	2.50	221,850	-	(28,903)	38,519	231,466
- 20SFR/ORJ	2.50	1,140,900	-	(48,520)	96,900	1,189,280
(xiv) European Community	1.00	67,197	-	(17,752)	(534)	48,911
(xv) European Investment Bank						
- Loan II	6.56	145,894	33	(145,927)	-	-
(xvi) GOJ NIF	4.00	23,015	(17)	(22,998)	-	-
Balance c/f – Direct borrowing		2,184,042	16	(619,106)	162,863	1,727,815

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

20. Loans Payables (Continued)

	Interes t Rate	31 March 2021	Net interest payable movement	New Loans/ Adjustments	Write-Off	Transaction Costs/ Repaid	Exchange differences /Interest Capitalised	31 March 2022
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
(b) Direct Borrowing (continued)								
Balance b/f – Direct borrowing		2,184,042	-	16	-	(619,106)	162,863	1,727,815
(xvii) Petro Caribe Loan:								
- US$31.0M loan	3.00	2,580,583	-	-	-	(385,265)	108,100	2,303,418
- US$40.0M loan	2.50	5,724,836	-	-	-	(1,587,134)	256,202	4,393,904
Total direct borrowing		10,489,461	-	16	-	(2,591,505)	527,165	8,425,137
Total loans payable		20,704,408	-	5,000,020	-	(2,796,468)	659,295	23,567,255
Interest payable		1,152,668	61,071	-	(55,501)	-	-	1,158,238
		21,857,077	61,071	5,000,020	(55,501)	(3,116,172)	659,295	24,725,493

Analysis between current and non-current portions

	2022 $'000	2021 $'000
Portion due for repayment within a year of the reporting date	3,519,078	1,699,520
Portion payable thereafter	21,206,415	20,157,557
Total loans payable	24,725,493	21,857,077

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(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

20. Loans Payable (Continued)

(a) Government of Jamaica

In a letter dated January 31, 1985, the Government of Jamaica ("GOJ") agreed to bear the exchange risk on loans negotiated and on-lent to the company by the Ministry of Finance and Planning ("MOF& P"). The loans which are covered by the agreement were on-lent to the company (and are repayable to the Government) in Jamaica dollars. The repayment to the GOJ is usually done by an off-set against certain amounts due to the Company by the GOJ.

(i) This represents funds received for lending via the People's Co-operative Banks to establish a Biogas Programme.

(ii) This loan represents the GOJ contribution to the company in accordance with certain agreements. The International Bank for Reconstruction and Development (IBRD) agreement recommends that the debt/equity ratio does not exceed four times its equity. At March 31, 2022, the financial position of the company disclosed a ratio of 1.80:1 (2021 - 1.65:1).

(iii) This is a loan from the Ministry of Agriculture (MOA) which was on-lent to the National Peoples Cooperative Bank (NPCB) for on-lending at 1% to the Dairy Sector. The company does not pay interest on the loan, and does not charge interest on the amount on-lent.

(iv) This Line of credit represents J$2,857.6 billion MSME Recovery loan from the Government of Jamaica under the Serve Jamaica Program. It was fully drawn at the reporting period March 31,2022. Interest is payable at the rate of one percent per annum on a quarterly basis. Principal repayment commences one year from the date of disbursement. Principal is repayable in 36 instalments quarterly commencing October 30, 2022, ending July 30, 2031.

This represents the J$142.4 million Line of credit Go-Digital under the Serve Jamaica Program from the Government of Jamaica. It was fully drawn down as at the reporting period March 2022, interest is payable at the rate of 0.25 percent per annum on a quarterly basis. Principal repayment commences one year from the date of disbursement. Principal is repayable in 36 quarterly instalments commencing October 30, 2022 and ending July 30, 2031.

(v) This represents the J$2 billion Line of credit from the Government of Jamaica being Private Equity Funds under the Serve Jamaica Program. It was fully drawn down as at the reporting period March 2022 and interest is payable at the rate of 0.25 percent per annum after 5 years.

Principal repayment commences 10 years from the date of disbursement. Principal is repayable in 20 quarterly instalments commencing March 30,2032 and ending December 30, 2036.

20. Loans Payable (Continued)

(a) Government of Jamaica (continued)

(vi) This represents the J$ equivalent of the amount of US$1,916,650, being the amount drawn down up to the reporting date out of a loan of US$4,600,000 from the Government of Jamaica, which on-lent money borrowed from the World Bank for the Energy Security and Efficiency Enhancement Project being managed by the company. Under the terms of the sub-loan:

- Interest is payable at the rate of 6-month LIBOR plus a variable spread computed by MOF&P, after a moratorium of one year from the date of disbursement.

- Principal is repayable in 49 instalments on March 15 and September 15, commencing March 15, 2022 and ending March 15, 2040.

Loan amount of J$409.728 million was drawn down on the loan of US$4,600,000. The Government of Jamaica bears the foreign exchange risk on this portion of the loan and this loan bears interest at a rate of 6 per cent per annum.

(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 PIOJ is the project execution unit; the DBJ carries out the credit functions for small medium enterprises (SME's). The GOJ bears the foreign exchange risk on the loan.

(viii) This represents US$10 million line of credit, being fully drawn down as at the reporting period March 2021 from the Government of Jamaica, interest is payable at the rate of 3 percent quarterly. Principal repayment commences two years from the date of disbursement.

- Principal is repayable in 52 instalments quarterly commencing March 23, 2022 and ending December 23, 2034.

(ix) This represents the J$ equivalent of the amount of US$20 million, being fully drawn down as at thereporting period March 2021 from the Government of Jamaica, interest is payable at the rate of 4 percent quarterly. Principal repayment commences two years from the date of disbursement.

- Principal is repayable in 52 instalments quarterly commencing April 3, 2022 and ending January 3, 2035.

(x) This loan from the Inter-American Development Bank (IDB) was on-lent to Jamaica Small Business to enhance their Climate Change Adaption Programme. No interest is charged on the Loan.

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

20. Loans Payable (Continued)

(b) Direct borrowings

(xi) This represents funds borrowed by GOJ under the International Bank for Reconstruction & Development (IBRD) US dollar Private Investment and Export Development (PIED) Line of Credit and on-lent to the 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.

(xii) These loans, negotiated by the Bank, are denominated in United States dollars and are repayable within the next 5 years. 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.

(xiii) This represents the balance of Euro 1,629,099 drawn down under an EEC 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

(xiv) This is a line of credit from the European Investment Bank (EIB) equivalent to Euro 10 million. The EIB bears the foreign exchange difference on this line. The first tranche carries an interest rate of 7% and is payable quarterly with eleven instalments ending in January 2021. The second tranche carries an interest rate of 6.56% payable in twelve equal instalments to September 30, 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.

(xv) 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 2022.

(xvi) (1) This represents the balance of amounts draw down under a loan from PetroCaribe Development Fund to finance loans to the productive sector. Interest is payable semi-annual at 3% per annum.

(2) This represents the balance of amounts draw down under a loan from PetroCaribe Development Fund, specific to the Information Communication and Technology Sector (ICT) for the construction of ICT/Business Processing Outsourcing (BPO) facilities. It bears interest of 2.5% per annum, paid quarterly over a 15-year period and matures in 2026 with three years moratorium on principal.

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21. Other Liabilities

	2022	2021
	$'000	$'000
Due to related entities	183,498	173,603
Accrued charges	179,377	141,562
Statutory deductions	10,933	8,941
Other	518,946	467,200
	892,754	791,306

22. Share Capital

	2022	2021
	$'000	$'000
Authorised -		
1,757,539,000 Ordinary shares	1,757,539	1,757,539
Issued and fully paid, no par value -		
1,757,539,000 Ordinary shares at no par value	1,757,539	1,757,539

In accordance with Section 39(7) of the Jamaican Companies Act, 2004, share premium of $98,856,000 is not included in the Bank's stated capital.

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23. Capital Reserves

		2022	2021
		$'000	$'000
(a)	Funds for capital	1,179,817	1,179,817
(b)	Government subvention	83,180	83,180
(c)	Self-Supporting Farmers Development Programme	15,941	15,941
(d)	Capital grants	7,106	7,106
(e)	Other capital reserves – NIBJ	139,336	139,336
(f)	Self-Supporting Jamaica Business Fund (f)	20,311	84,748
(g)	Mentors Innovation & Entrepreneurship Program	176	-
(h)	Capital distribution	(212,619)	(212,619)
		1,233,248	1,297,509

(a) **Funds for capital**

This includes amounts totalling $450 million and $500 million received during the years ended March 31, 1999, and March 31, 2009, respectively, from the Government of Jamaica through the Capital Development Fund, as equity injections to finance the company's lending programmes.

(b) **Government subvention**

This represents the Government of Jamaica contribution to the company, of funds received from the Canadian International Development Agency.

(c) **Self-Supporting Farmers Development Programme**

This represents the balance of amounts recovered by the company and capitalised as equity under the terms of the agency agreement.

Under the terms of an Agency Agreement, dated 27 May 1982, between the company and the Government of Jamaica in relation to the Self-Supporting Farmers Development Programme (SSFDP), it was agreed that:

(i) All assets be transferred to the company.

(ii) The portfolio be analysed and administered by the company. Reasonable steps should be taken to recover loans determined at that time to be doubtful.

(iii) All loan recoveries be utilised to assist in the capitalisation of the company and such recoveries be employed in carrying out the functions of the company including the granting of loans direct to farmers for agricultural purposes only.

The portfolio of SSFDP previously administered by the company was transferred to the People's Co-operative Banks (PCB) in 1997 as a contribution to the equity of those banks. This balance represents collections under the SSFDP portfolio prior to the portfolio being transferred to the PCB in 1997.

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(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

23. Capital Reserves (Continued)

(i) **Capital grants**

These represent the EUR 200,000 received from the European Investment Bank (EIB) for the provision of Technical Assistance (TA) funding to microfinance sector.

(j) **Other capital reserves**

This represents gain on the sale of investments and rights issue, as well as capital grants, transferred from NIBJ.

(k) **Self-Supporting Jamaica Business Fund**

The Jamaica Business Fund is a Supply Chain Grant Fund which supports the improvement in productivity of selected supply chains. The resources are disbursed to the DBJ by the Planning Institute of Jamaica (PIOJ) for distribution over the life of the projects.

(l) **The Mentors for Innovation & Entrepreneurship Programme (MIEP)**
MIEP provided business mentorship by industry experts to high-growth potential business innovative products or services. The support to the entrepreneurs is provided though technical experts and business intermediaries; able to assist them in reducing the barriers to the growth and development of their business.

(m) **Capital Distribution**
Interim dividend, (being capital distribution) of 0.12 cents per share, paid in November 2012 to the Accountant General Department

Notes to the Financial Statements

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24. Other Reserves

			RESTATED
		2022	2021
		$'000	$'000
(a)	Fair value reserve	350,954	581,801
(b)	General reserve – Equalisation Fund	957,597	957,597
(c)	Revenue reserve	2,539,391	2,539,391
(d)	Special reserve	3,123	3,123
(e)	Revaluation	1,571,094	1,474,788
(f)	Technical assistance reserve	285,105	247,758
(g)	Employee benefits reserve	53,635	65,335
		5,760,899	5,869,793

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(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

24. Other Reserves (Continued)

(a) Fair value reserve

This represents unrealised gain in fair value of investment securities made up as follows:

	2022	2021
	$'000	$'000
At beginning of year	581,801	32,500
(Loss)/Gain on GOJ Bonds during the year	(230,847)	549,301
At end of year	350,954	581,801

(b) General reserve - Equalisation Fund

This reserve was established to absorb exchange losses on loans denominated in foreign currency which were negotiated directly by the company. A minimum of 20% of profit for the year (after crediting exchange gains but before crediting profits from other transfers) was transferred to the reserve. No transfer was made during the year as the loan to which the requirement for this transfer applies has been repaid.

(i) Exchange equalisation

The maintenance of this reserve was a requirement of a lending agreement between the company and the European Investment Bank which provided, during the period of the lending agreement, for the annual transfer to the exchange equalisation account of a portion of the interest differential on loans funded from the proceeds of the loan received under the lending agreement. This loan has been repaid and no further transfers are being made.

(c) Revenue reserve

This represents an accumulation of a minimum of 40% of profits transferred over the years (after other transfers) to this reserve.

The company transferred $250 million from this reserve to the Credit Enhancement Facility Fund during 2010, which was used as start up capital for the Fund.

(d) Special reserve

	Exchange Equalisation		Total	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Balance at beginning of year	3,123	3,123	3,123	3,123
Balance at end of year	3,123	3,123	3,123	3,123

(e) Revaluation reserve

This represents unrealised surplus on the revaluation of land and buildings.

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(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

24. Other Reserves (Continued)

(f) Technical assistance reserve

i. This represents the transfer from retained earnings of an amount equivalent to the discounted present value of the non-interest-bearing, 10-year note issued by GOJ consequent on its assumption of the loans due from three GOJ-owned sugar companies and previously written-off by the company, as set out in note 15 (a). The Board of Directors has decided that, together with certain funds from multilateral agencies, the cash received from GOJ under the note will be used as seed funding to strengthen various institutions. This will be monitored by the Institutional Strengthening and Research Division.

ii. This represents 20% of profit transferred to the Technical Reserves as per Board Decision.

	2022	2021
	$'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	828,348	719,392
- During year	175,979	108,956
- To date	1,004,327	828,348
Gross accumulated resources at end of year	1,663,439	1,487,460
Utilised - Previously	(1,239,704)	(1,125,130)
- During year	(138,630)	(114,574)
- To date	(1,378,334)	(1,239,704)
Net at end of year	285,105	247,758

(g) Employee benefits asset reserve

This represents the cumulative changes in the employee benefits asset recognised in other comprehensive income.

25. Dividends – paid to the Accountant General Department

	2022	2021
	$'000	$'000
Interim dividends -		
1.920 cents per stock unit – 14 October 2021	34,000	-
1.98 cents per stock unit – 15 October 2020	-	35,000
	34,000	35,000

26. Related Party Transactions and Balances

(a) Definition of related party

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 Related Party Disclosure as the “reporting entity” in this case the Bank).

(i) A person or a close member of that person’s family is related to the Bank if that person:

(1) has control or joint control over the Bank;

(2) has significant influence over the Bank; or

(3) is a member of the key management personnel of the Bank or of a parent of the Bank.

(ii) An entity is related to the Bank if any of the following conditions applies:

(1) the entity and the Bank are members of the same Bank (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(2) one entity is an associates or joint venture of the other entity (or an associate or joint venture of a member of a Bank of which the other entity is member);

(3) both entities are joint venture of the same third party;

(4) one entity is a joint venture of a third entity and the other entity or an associate of the third entity;

(5) the entity is a post-employment benefit plan for the benefit of employees of either the Bank or an entity related to the Bank;

(6) the entity is controlled or jointly controlled by a person identified in (i) and;

(7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent entity).

A government related entity is an entity that is controlled, jointly controlled or significantly influenced by a government. A related party transaction is a transfer of resources, services or obligations between the Bank and a related party, regardless of whether a price is charged.

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

26. Related Party Transactions and Balances (Continued)

(b) Related party transactions

The following transactions were carried out with government related entities and associated companies:

	2022	2021
	$'000	$'000
(i) Other income:		
Other income – rental: Government related entities	88,135	94,147
Other income – administrative fees: Government related entities	9,650	9,300

	2022	2021
	$'000	$'000
(ii) Other expenses:		
Discount on financial asset: Government related entities	(89,649)	263,270

(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.

	2022	2021
	$'000	$'000
Salaries and other short- term employee benefits	161,080	149,865
Statutory payroll contributions	8,397	7,631
Pension benefits	4,545	4,359
	174,022	161,855
Directors' emoluments:		
Fees	2,194	2,219
Management remuneration		
(included above)- current year	26,142	25,862

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

26. Related Party Transactions and Balances (Continued)

(d) Related party transactions

	2022 $'000	2021 $'000
(1) Loans:		
Government related entities	416	35,424
Associated companies	1,402,355	1,314,698
(2) Interest receivable:		
Associated companies	319,854	319,854
(3) Staff loans receivable	34,680	34,107
(4) Other receivable	2,141,951	2,185,999

Investment in related entities

	2022 $'000	2021 $'000
Caribbean Mezzanine Fund	235,100	219,405
CariCRIS	7,630	7,313

27. Contingencies and Commitments

(a) As at 31 March 2022, there were outstanding commitments to disburse loans totalling approximately J$1,475.1 million and US$7.7 million (2021 - J$ 120 million and US$10.5 million).

(b) The Bank had capital commitments, in respect of projects being undertaken, totalling approximately $Nil (2021 - $32.6 million).

(c) As at 31 March 2022, the bank had commitments to pay Technical Assistance grant in the amount of J$451.9 million.

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.

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

28. Restatement

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.

During the year, the Bank's reversed profits amounting to $759,063,000 that was being recorded in the books of the Bank since 2009. The Trust deed states that the Fund is an independent entity reporting to a Board of Trustees and governed by the trust deed. The balance as at 31 March 2020 was J$577,088,000 and amounted to J$181,975,000 for the year ended 31 March 2021. Amounts reflected after the restatement are actual receivables from the Fund.

The tables below reflect the effect of the above restatements of financial position for the year ended March 2020.

	As previously stated	Effect of Restatements	As Restated
ASSETS	**2020 ($'000)**		**2020 ($'000)**
Cash and cash equivalents	1,222,674	-	1,222,674
Securities - Resale Agreements	7,095,295	-	7,095,295
Investment Securities	3,232,035	-	3,232,035
Investments in Property	932,600	-	932,600
Investments in Associated Companies	1,121,408	-	1,121,408
Loans receivables	15,927,416	-	15,927,416
Due from Government of Jamaica	772,142	-	772,142
Credit Enhancement Facility Fund	595,339	(577,088)	18,251
Other Receivables	1,743,160	-	1,743,160
Retirement Benefit Asset	417,380	-	417,380
Intangible assets	15,824	-	15,824
Property Plant and Equipment	1,421,797	-	1,421,797
Taxation recoverable	393,036	-	393,036
Total Assets	34,890,106	(577,088)	34,313,018
LIABILITIES			
Loans Payable	20,772,959	-	20,772,959
Other	737,427	-	737,427
Total Liabilities	21,510,386	-	21,510,386
EQUITY			
Share Capital	1,757,539	-	1,757,539
Share Premium	98,856	-	98,856
Capital Reserves	1,212,761	-	1,212,761
Other Reserves	5,773,742	(577,088)	5,196,654
Retained Earnings	4,536,822	-	4,536,822
Total Equity	13,379,720	(577,088)	12,802,632
Total Liability and Equity	34,890,106	(577,088)	34,313,018

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

28. Restatement

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.

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Investments in Associated Companies	1,121,408	-	1,121,408
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Other Reserves	5,773,742	(577,088)	5,196,654
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Total Equity	13,379,720	(577,088)	12,802,632
Total Liability and Equity	34,890,106	(577,088)	34,313,018

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

28. Restatement (Continued)

The tables below reflect the effect of the above restatement on the statement of comprehensive income for the year ended March 2021.

	As previously stated 2021 ($'000)	Effect of Restatements	As Restated 2021 ($'000)
Operating Income			
Interest income	1,391,564	-	1,391,564
Interest expense	(599,979)	-	(599,979)
Net interest income	791,585	-	791,585
Appreciation in fair value on investment property	10,514	-	10,514
Gain on sale of investments	173,995	-	173,995
Impairment recovery on financial assets	119,108	-	119,108
Other income	623,264	-	623,264
	1,718,466	-	1,718,466
Operating Expenses			
Staff costs	(703,960)	-	(703,960)
Impairment losses	(263,270)	-	(263,270)
Other operating expenses	(371,564)	-	(371,564)
	(1,338,794)	-	(1,338,794)
Operating Profit	379,672	-	379,672
Share of losses of associates	(65,815)	-	(65,815)
Profit from Credit Enhancement Facility Fund	181,975	(181,975)	-
Net Profit	495,832	(181,975)	313,857
Other comprehensive income, net of taxes			
Items that will never be reclassified to statement of comprehensive income			
Re-measurement of employee benefits asset	(5,032)	-	(5,032)
Realised fair value gain on investment through OCI	549,301	-	549,301
Surplus on revaluation of property, plant and equipment	137,922	-	137,922
	682,191	-	682,191
	1,178,023	(181,975)	996,048

Notes to the Financial Statements

31 March 2022

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

28. Restatement (Continued)

The tables below reflect the effect of the above restatement on the statement of financial position for the year ended March 2021.

	As previously stated 2021 ($'000)	Effect of Restatements	As Restated 2021 ($'000)
ASSETS			
Cash and cash equivalents	1,705,290	-	1,705,290
Securities - Resale Agreements	5,799,782	-	5,799,782
Investment Securities	4,275,622	-	4,275,622
Investments in Property	943,114	-	943,114
Investments in Associated Companies	1,114,369	-	1,114,369
Loans receivables	16,132,232	-	16,132,232
Due from Government of Jamaica	915,387	-	915,387
Credit Enhancement Facility Fund	791,468	(759,063)	32,405
Other Receivables	3,031,965	-	3,031,965
Retirement Benefit Asset	422,632	-	422,632
Intangible assets	7,660	-	7,660
Property Plant and Equipment	1,543,441	-	1,543,441
Taxation recoverable	454,907	-	454,907
Total Assets	37,137,869	(759,063)	36,378,806
LIABILITIES			
Loans Payable	21,857,080	-	21,857,080
Other	791,306	-	791,306
Total Liabilities	22,648,386	-	22,648,386
EQUITY			
Share Capital	1,757,539	-	1,757,539
Share Premium	98,856	-	98,856
Capital Reserves	1,297,509	-	1,297,509
Other Reserves	6,628,856	(759,063)	5,869,793
Retained Earnings	4,706,723	-	4,706,723
Total Equity	14,489,483	(759,063)	13,730,420
Total Liability and Equity	37,137,869	(759,063)	36,378,806

Notes to the Financial Statements

31 March 2022

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29. 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 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.

Generally, the pandemic has not otherwise impacted the operations of the Bank significantly.

Notes

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