DEVELOPMENT BANK OF JAMAICA LIMITED

Facilitating economic growth and development

Annual Report

2020-21

Development Bank of Jamaica Limited

Facilitating economic growth and development

VISION

By 2025, the DBJ is recognized as the 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.

CORE VALUES

PROFESSIONALISM

INTEGRITY

ACCOUNTABILITY

INNOVATION

BACKGROUND

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

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

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

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

CONTENTS

BOARD OF DIRECTORS

Paul B. Scott
Chairman

Milverton Reynolds
Managing Director

Barrington Chisholm

Sherene Golding Campbell

Alok Jain
(Mr. Jain joined the board on January 25, 2021)

Kerry-Ann McKoy Tulloch

Carlene O'Connor

Dr. Adrian Stokes

David Wan
(Mr. Wan resigned from the Board on October 7, 2020)

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 a director of several other local companies and organizations including American International School of Kingston and Harmonisation Limited. He is a former President of the Private Sector Organisation of Jamaica. 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. Golding Campbell is the principal attorney at Golding Campbell & Associates, Attorneys-at-Law, where her practice focuses on corporate and commercial matters, and family law. She is an experienced Supreme Court-certified mediator and often acts as a member of quasi-judicial panels in the public service system. She holds a Juris Doctor from Georgetown University, a Master of Science from Rutgers University and a Bachelor of Science from Howard University. She serves as director on the board of e-learning Jamaica Company Limited.

Alok Jain

(Joined the Board on January 25, 2021)

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 Jamaica Biscuit Company 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 and 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. Stokes is Senior Vice President and Head of Wealth Management and Insurance at Scotia Group Jamaica. He has significant experience in Investment Management, Product Development, Corporate Strategy, and Risk Management. 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.

David Wan

(Resigned from the Board on October 7, 2020)

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

Shelly-Ann Thompson

Company Secretary

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

MANAGEMENT TEAM

Milverton Reynolds
Managing Director

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

Tamara Baugh-Brissett
General Manager, Audit Services

Christopher Brown
General Manager, Strategic Services

Sophia Bryan-Terry*
Acting General Manager, Micro Finance Services

Paul Chin**
General Manager, Micro Finance Services

Edison Galbraith
General Manager, Loan Origination & Portfolio Management

Sheron Henry
General Manager, Legal Services

Delano Walters
General Manager, Management Information Systems

Deborah Newland
General Manager, Logistics and Corporate Development

Dorothea Simpson
General Manager, Finance & Treasury

David Wan***
General Manager, Credit Enhancement Facility

Yvonne Williams
General Manager, Human Resources & Administration

Georgia Munroe****
Manager, Risk & Compliance

Claudette White****
Manager, Communication & Marketing

**Sophia Bryan-Terry acted as General Manager, Micro Finance Services, when General Manager Paul Chin was appointed Project Manager of Reverse Factoring*
***Paul Chin was seconded on October 1, 2019, to become Project Manager, Reverse Factoring*
****David Wan was appointed CEF General Manager on January 4, 2021*
*****Georgia Munroe and Claudette White are not General Managers who head Divisions within the DBJ. They sit on the Management Team by virtue of the positions they hold.*

CHAIRMAN AND MANAGING DIRECTOR'S REPORT

THE DBJ: A RAY OF HOPE FOR THE JAMAICAN BUSINESS COMMUNITY

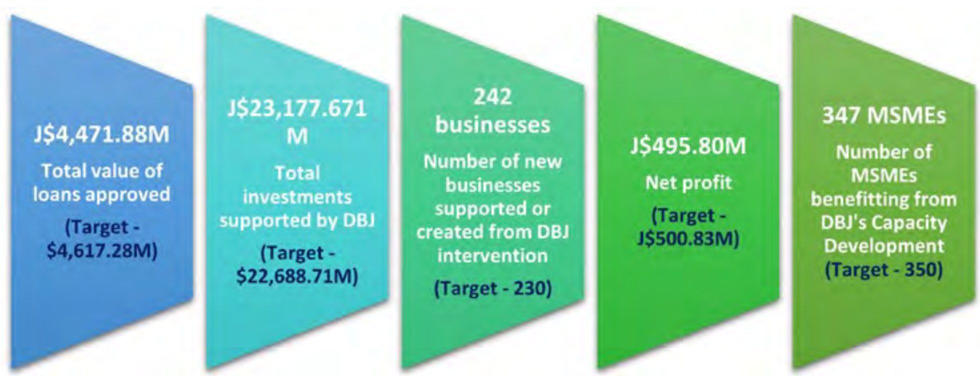
For the Financial Year 2020/21, the DBJ continued to provide opportunities to Jamaicans through loans, capacity development, technical assistance programmes, collateral support and public-private partnerships and privatisation.

STRATEGIC PILLARS THAT GUIDED OUR OPERATIONS

These pillars allowed the Bank to focus on improving the entrepreneurial ecosystem for micro, small and medium-sized enterprises (MSMEs), identifying market gaps and the solutions to fill them, increasing the divestment – and improving the utilization – of current GOJ assets while reducing government expenditure, all while focusing on the foundation of the DBJ, its staff.

The DBJ's strategic pillars

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



For the period under review, the Public-Private Partnership and Privatisation (P4) Programme recorded several successes. These included the German Ship Repair Jamaica Project achieving commercial close and the Energy Savings Performance Contract for the Schools Energy Efficiency and Solar PPP receiving Cabinet approval of the final terms. Additionally, seven purchasers were identified for seven of the nine Silver Sands Estates properties advertised.

Of the $23.18 billion in investments supported by the DBJ, the P4 transactions contributed to 47% or $11 billion. These transactions spanned several sectors including energy and water infrastructure, real estate, transport, manufacturing and logistics.

The DBJ continues to be committed to Jamaican MSMEs and businesses in general. With the negative impact of the COVID-19 pandemic on the Jamaican business sector, the MSME loans approved, and the investments facilitated by the DBJ in this financial year were lower than in 2019/20. In examining the MSME loans approved over the last five

1 Total Value of Loans Approved and Net Profit, were within the Bank's +/-5% acceptable tolerance level, as such the target was achieved. The achievement for Total Value of Loans Approved was 3.14% below target; and Net Profit was 1% below target.

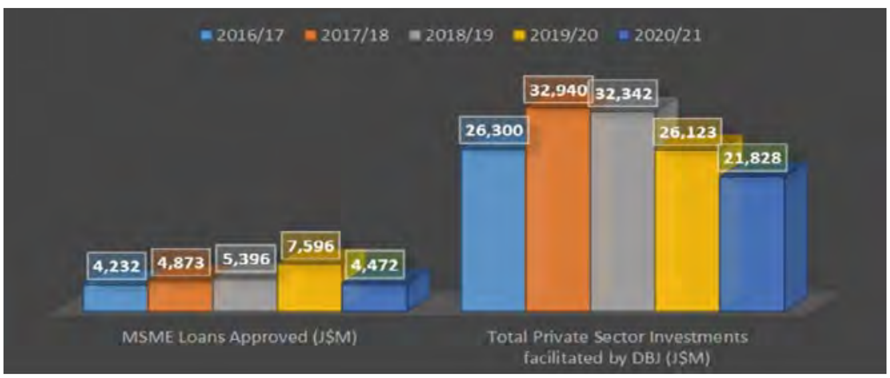
years, inclusive of the year under review, there was an increase between 2016/17 and 2019/20 and then a decline in 2020/ 21; this was a function of the decline in demand by MSMEs for DBJ loans.

For the total Private Sector Investments facilitated by the DBJ, there was an increase between 2016/17 and 2017/18, thereafter there was a decline in the investments facilitated by the DBJ, attributable to the lowered demand for the DBJ's products, as well as the increased liquidity in the financial sector.

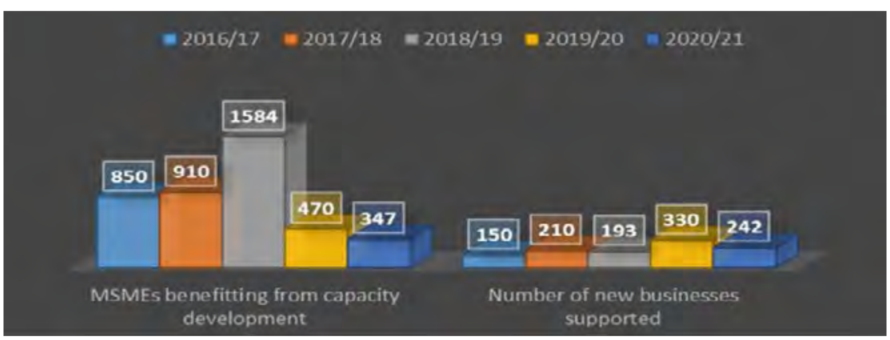
Notwithstanding, the DBJ remains committed to Jamaican businesses, by:

i. Providing loans to MSMEs
ii. Offering partial credit guarantees for MSMEs
iii. Supporting new businesses by the provision of financing and capacity development
iv. Giving capacity development to MSMEs
v. Supporting the establishment of private sector-led venture capital and private equity funds; and
vi. Structuring private sector infrastructure projects

PRIVATE SECTOR FUNDING



MSME DEVELOPMENT



Party Time, a company that provides catering services and rental of party equipment, received a DBJ loan and guarantee which allowed the purchase of additional equipment and an expansion in employment.

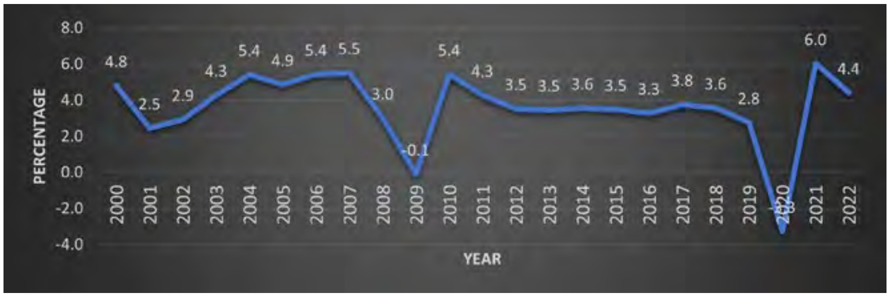
ECONOMIC OVERVIEW

OVERVIEW

The performance of the Jamaican economy during 2020/21 was overshadowed by the COVID-19 pandemic which spread with frightening speed, infecting millions of persons and crippling economic activities globally. This health crisis quickly catapulted into what the International Monetary Fund (IMF) has called 'The Great Lockdown', with the economic damage representing the largest economic shock the world has experienced in decades and emphasizing the highly interconnected nature of the global economy and its susceptibility to shocks.

The global economy plummeted into unprecedented rates of decline in 2020/21 to -3.3%, falling from 2.8% in the previous year. This decline was significantly lower than the -0.1% experienced during the 2009 global financial crisis, as seen in the diagram below.

GLOBAL GROSS DOMESTIC PRODUCT (% GROWTH RATE)



Source: International Monetary Fund, World Economic Outlook Database, April 2021

There have also been declines in other key global indicators including global Foreign Direct Investment flows, trade rates, unemployment and debt.

The performance of the global economy over the 2020/21 fiscal year provides insight into movements and trends in the local economy, helping to contextualize the DBJ's performance.

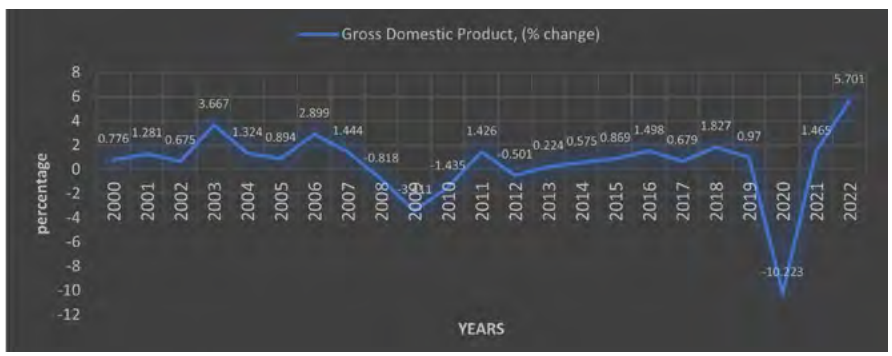
THE KEY ECONOMIC INDICATORS OF THE JAMAICAN ECONOMY

Real GDP Growth Rate and Industry Performance

Jamaica continues to be an upper middle-income country that struggles with low growth, high public debt and external shocks which weakens its economy. The shock of the COVID-19 pandemic has hurled Jamaica into a period of economic recession in the 2020/21 Financial Year.

Jamaica's GDP in 2020 was J$701.176 billion. This represented a decline in growth rate to -10.23% coming from 0.97% in 2019/20. This highlights the extreme vulnerability of Jamaica to economic shocks. This decline was significantly worse than the performance in the 2008 recession where the rate was -3.41%.

REAL GDP GROWTH RATE 2000-2022



Source: International Monetary Fund, World Economic Outlook Database, April 2021

While the Real GDP growth rate in Financial Year 2021/22 is projected to be within the range of 1.47%, it must be noted, however, that Jamaica is not projected to return to its pre-COVID-19 level of output until 2023/24.

The global pandemic has also tremendously affected trade activities in Jamaica. Therefore, it is expected to have a consequent negative impact on the foreign direct inflows.

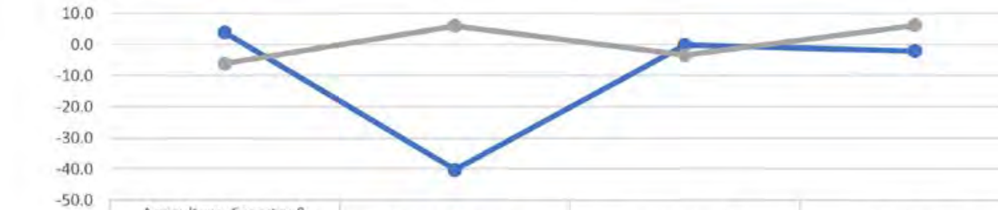
Despite this, the DBJ contributed approximately J$4,471.88 million in loans toward the GDP. However, this represents a decline of 41.1% from the previous period.

Industry Performance

The decline in the 2020/21 GDP growth rate to -10.2% was a result of the contraction of both the Goods Producing and the Services industries.

The Goods-Producing industry contracted to an estimated 0.6%, due mainly to the downturn in Agriculture, Forestry & Fishing (-6.1%) and Manufacturing (-3.4%) sectors. However, the Mining and Quarrying (6%) and Construction (6.2%) sectors grew, in comparison to the previous financial year.

REAL VALUE ADDED GROWTH IN GOODS PRODUCING SECTOR OCT - DEC 2019 & 2020



	Agriculture, Forestry & Fishing	Mining & Quarrying	Manufacturing	Construction
2019	3.8	-40.3	-0.1	-2.1
2020	-6.1	6.0	-3.4	6.2

Source: Planning Institute of Jamaica, February 2021

...the Mining and Quarrying (6%) and Construction (6.2%) sectors grew , in comparison to the previous financial year.

The DBJ contributed $675 million in approved investments towards Agriculture, Forestry and Fishing, and $553 million towards Manuafacturing both of which reflected declines in investments. However, the Bank contributed $388 million towards the Mining and Quarrying Industry, which reflected a significant increase up from $9 million in the previous year.

REAL VALUE ADDED GROWTH IN SERVICES INDUSTRY OCT - DEC 2019 & 2020

	Electricity & Water Supply	Transport, Storage & Communication	Wholesale & Retail Trade; Repair & Installation of Machinery	Finance & Insurance Services	Real Estate, Renting & Business Services	Producers of Government Services	Hotels & Restaurants	Other Services
2019	2.8	0.3	0.9	3.7	0.5	0.4	3.7	1.8
2020	-9.2	-15.2	-10.4	-5.0	-2.0	0.1	-52.8	-20.0

Source: Planning Institute of Jamaica, February 2021

The Services industry contracted to 11.5%, reflecting lower Real Value Added in all industries such as Electricity and Water Supply (-9.2%), Transport, Storage and Communication (-15.2%), Wholesale & Retail Trade (-10.4%), Finance and Insurance Services (-5.0%), Real Estate, Renting and Business Services (-2.0%), Hotels and Restaurants (-52.8%) and Other (-20%) except for Producers of Government Services which grew by 0.1%.

Of special note was the performance of the Hotel and Restaurants and Transport, Storage and Communication sectors. The Hotel and Restaurants sub-sector, which represents a large portion of the Tourism sector, was significantly reduced from 3.7% in 2019 to -52.8% in 2020. Also, total visitor expenditure fell by 61.9% to US$355.4 million.

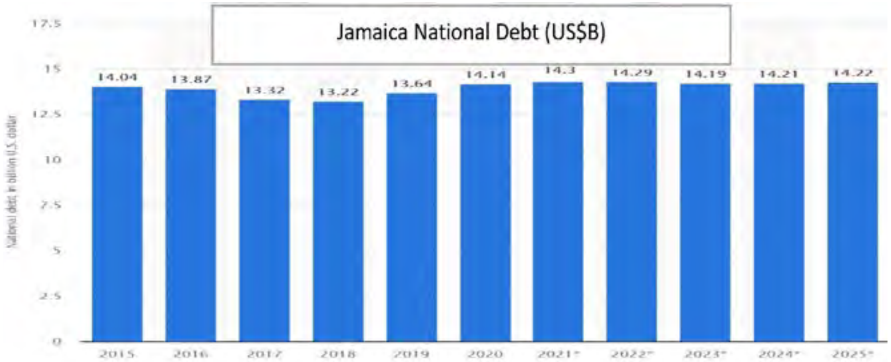
The Transport, Storage & Communication sector also fell by 15.2%. This resulted from contraction in the Air Transport and Maritime sub-sectors. The Air Transport reported a decrease of 73% in passenger movements. Specifically, departures were down by 74.4% and arrivals were down by 71.2%. The overall performance of the Services industry largely reflected the impact of the measures implemented by the government to contain the spread of the COVID-19 pandemic.

The DBJ contributed $705 million towards loan approvals in Wholesale and Retail Trade, Installation and Machinery; $1,214 million towards Transport, Storage and Communication; $819 million towards ICT/BPO and $118 million towards Hotel and Restaurants. These all represented a decline in each category except for Hotel and Restaurants which registered an increase from $1.9 million, when compared to the 2019/20 Financial Year.

Debt

By the end of the 2020/21, the Gross National Debt of Jamaica amounted to approximately US$14.14 billion, rising from US$13.64 billion and reflecting an increase of US$0.5 billion.

JAMAICA NATIONAL DEBT (US$B)



Source: International Monetary Fund, World Economic Outlook Database, April 2021

It must be noted that Jamaica's public debt moderately increased from US$13.64 billion in 2019 to US$14.14 billion in 2020.

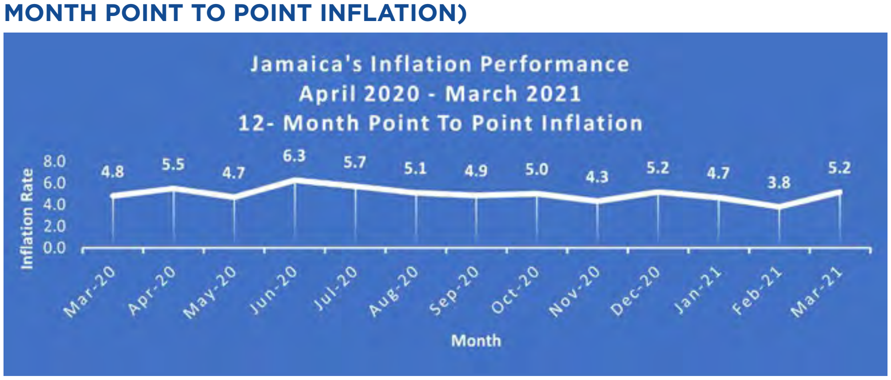
The national debt is expected to increase moderately in Financial Year 2021/22 to US$14.3 billion.

While the impact has been marginal there are concerns that the prolonged effect of the pandemic could have a more critical blow on the debt servicing costs on government budgets.

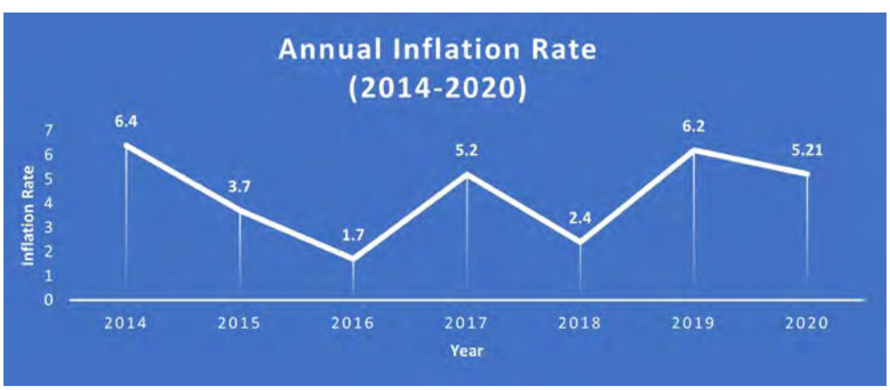
Inflation Rate

The inflation rate has fluctuated over the period under review but recorded its highest level of approximately 6.3% in June 2020 and a low of 3.8% in February 2021. The annual inflation rate for the financial year was 5.21%.

JAMAICA'S INFLATION PERFORMANCE APRIL 2020 - MARCH 2021 (12 - MONTH POINT TO POINT INFLATION)



Source: Bank of Jamaica, June 2021

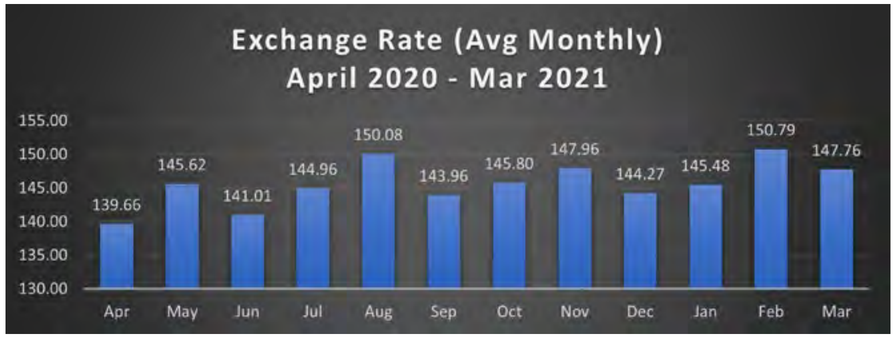


Source: Bank of Jamaica, June 2021

The 'Cluster, Collaborate, Export & Thrive' facility in Old Harbour, St. Catherine, produces ornamental fish for export. The project is a recipient of grant funding from the DBJ.

Exchange Rate

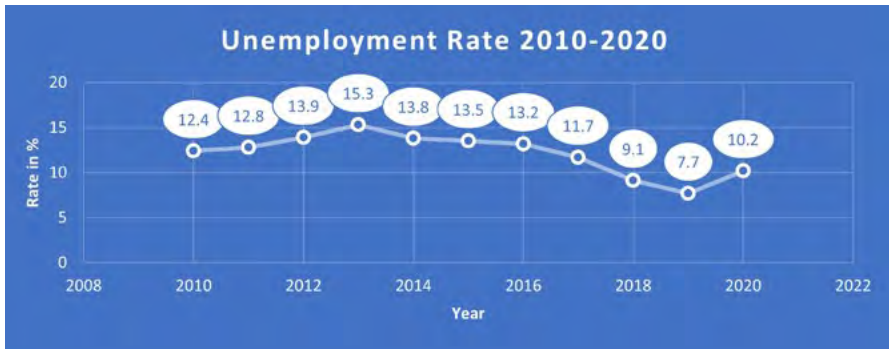
The exchange rate also fluctuated in the period under review but recorded its highest increase level in February 2021 at J$150.79: US$1.00 and its lowest levels in April 2020 at J$139.66: US$1.00.



Source: Bank of Jamaica, June 2021

Unemployment

In 2020/21, the unemployment rate was 10.2%, representing an increase of 3.5% points higher than the rate recorded in Financial Year 2019/20. The higher unemployment rate reflected increased rates for both females (up from 4.4% to 13.0%) and males (up from 2.7% to 8.6%).



Source: Statistical Institute of Jamaica, June 2021

Of special note, the employed labour force contracted by 92,600 persons to 1,155,800 persons.

Based on the support provided[2] by the DBJ, approximately 6,300 jobs would have been provided to Jamaicans, in various sectors, during the period under review.

GOVERNMENT OF JAMAICA RESPONSE TO COVID-19 PANDEMIC

In response to the impact of the COVID-19 pandemic, the Government of Jamaica (GOJ) acted quickly and decisively by implementing fiscal, monetary and balance of payments amelioration measures.

The GOJ adopted a series of actions initially comprised of fiscal measures of $25 billion through the Spending Stimulus Care Programme of $10 billion and Tax Reductions of $15 billion. This was aimed at creating safety nets to safeguard the most vulnerable citizens and businesses in the MSME sector. The economic fallout from the pandemic could push a vast amount of vulnerable Jamaicans into extreme poverty, reversing years of a positive trend.

The second main component was the monetary measures aimed at stabilizing financial markets and ensuring the adequate flow of credit.

2 Support provided include loans through the AFIs and the MFI, and equity financing from the Venture Capital Programme

The third component, the policy actions shifted to balance of payments where the GOJ secured a $73 billion Rapid Financing Instrument from the International Monetary Fund aimed at providing urgent balance of payments needs should the need arise.

In the most recent response, the Government's efforts have shifted to purchasing and distributing vaccines.

DBJ'S RESPONSE TO COVID-19

The COVID-19 pandemic has had a significant negative impact on Jamaican businesses, and the DBJ's operations were not spared. The organization experienced decreased loans created, delays in P4 transactions, and decreased profit, to name a few.

However, the DBJ ensured that our key stakeholders - specifically our MSMEs - were provided with the critical support they needed to chart the pandemic. The Bank was one of the first responders to assist MSMEs by offering:

1. Reduction of interest rates to clients
2. Moratoriums offered on over 30,000 loans valued at $14.95 billion
3. Expanded Credit Enhancement Facility (CEF) partial guarantee programme claims cap for AFIs
4. Expanded CEF eligibility criteria
5. Designed new technical assistance products for businesses

The Bank also put a number of measures in place, to keep its employees safe as well as productive. Some of the measures included:

- **Building Rules**
  - Temperature checks done on all persons (tenants, visitors, team members)
  - High touch areas were disinfected several times daily
  - Masks were mandatory on entering the building and in common areas on the floors
  - Steam-cleaning of high traffic areas – elevators, stairwell, cafeteria, foyers each Sunday
  - Overall deep cleaning done on Saturdays
- **Technology**
  - Staff who are able to work from home were equipped with laptops
  - Virtual Private Network (VPN) was upgraded for staff
- **Sanitizers and Personal Protective Equipment (PPE)**
  - Sanitizers were placed at strategic places in the building for use by team members.
  - Masks and other PPE equipment were also available to staff if needed.
- **Work from Home Protocols mandated by the Government**
  - Team members who could work from home were encouraged to do so and were only required to come into office twice per week - IF they are able to.
  - Special accommodations were made for members with school-age children without childcare arrangements.

JAMAICA'S POLICY RESPONSE TO THE COVID-19 PANDEMIC

Through various phases of the health pandemic, the Government adopted unprecedented economic policies to contain the spread of the pandemic and balance competing policy objectives, between addressing the public health crisis and economic considerations. These policy objectives included, but were not limited to:

- Confronting the budget deficits weighed against increasing government spending to support unemployed workers and sustain social safety nets.
- Providing financial support for national health systems that are under pressure to distribute vaccines while also funding efforts to care for and safeguard citizens.
- Implementing monetary and fiscal policies that support credit markets and sustain economic activity broadly, while also assisting specific sectors and businesses under financial distress.
- Implementing fiscal policies to stimulate economic activity and support the most heavily affected households, weighed against the prospects of rising rates of inflation, potentially rising debt servicing costs.

CONCLUSION

Despite a rebound in some key economic indicators from the pandemic-related economic recession in 2020/21 both globally and in Jamaica, the COVID-19 pandemic continues to negatively affect economic growth on a scale not experienced since the global financial crisis of 2008-2009.

Although prospects have brightened for renewed rates of growth, the economic situation remains highly fluid globally. The staggered economic recovery is projected to widen gaps in living standards between developed and developing countries. Uncertainty about the length and depth of the health crisis-related economic effects continue to drive perceptions of risk and volatility in financial markets and corporate decision-making. In addition, uncertainties concerning the global pandemic and the effectiveness of public policies intended to contain its spread and prevent a subsequent round of infections have added to market volatility. At various times, corporations have postponed investment decisions, laid off workers and, in some cases, filed for bankruptcy.

Although recent vaccine approvals have raised hopes of a turnaround in the pandemic during the 2021/22 financial year, new variants of the virus pose concerns for the outlook. However, until a vaccine can be broadly distributed, there is need to weigh continuing efforts that balance the competing requirements of households, firms, and state and local governments.

The DBJ will continue to monitor these trends and adjust accordingly to remain relevant, effective and efficient in our operations, and provide assistance to Jamaican businesses.

THE DBJ'S 2020/21 PERFORMANCE

DBJ CONTINUES TO BE FINANCIALLY STRONG

In 2020/21, the Bank's financial performance was a success despite the global pandemic. The statement of financial position remained healthy with total assets amounting to $37,137.90 million (6% higher than in 2019/20), and an equity base of $14,489.50 million (8% higher than in 2019/20). Net profit was recorded at $495.80 million, which was 1% less than the target of $500.83 million (52% lower than in 2019/20).

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

The Bank through its lending operations delivered 3,338 loans to MSMEs to support new investments of $6,259.73 million by the private sector. The DBJ expanded its MSME collateral support and capacity building to increase the flow of bankable MSMEs and facilitated their access to finance through increased engagement with its lending partners. This was done through the Government boosting private sector credit by releasing liquidity and reducing policy interest rates.

During the year, the DBJ approved a total value of $4,471.88 million in loans compared to $7,595.56 million in the previous year. Of the $4,471.88 million, 52% ($2,321.16 million) was loaned to MSMEs.

As part of its COVID-19 response to the micro and small sector, the Bank rescheduled a total of $2,513 million (or 99.7%) of the microfinance portfolio on both principal and interest for periods between three to six months and further reduced its interest rates to the MFIs from 8.8% per annum to 8.25% per annum.

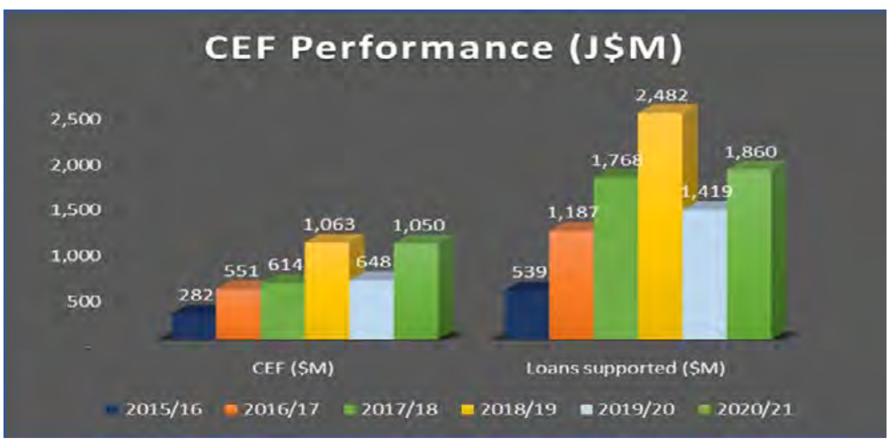
Loan approvals to micro and small businesses through the accredited MFIs for 2020/21 totalled $417.363 million to 3,119 entrepreneurs. Expectedly, this was a decrease over 2019/20 and below the revised target of $1.004 billion. The achievement rate for the year was 42% in comparison to 108% for the 2019/20.

THE CREDIT ENHANCEMENT FACILITY

MSMEs have had difficulties accessing collateral, limiting their access to credit from financial institutions. The Credit Enhancement Facility (CEF) was established to close this gap and significantly increase the number of SMEs that access credit by providing AFIs with additional collateral coverage on loans made to SMEs.

During 2020/21, the facility transitioned from an Individually Underwritten Guarantee Scheme to the Portfolio Guarantee Scheme. This is now better for both the MSMEs and the AFIs; credit decisions are made faster for MSMEs, AFIs are now more productive in loan processing and are more efficient in granting guaranteed loans to MSMEs.

Since the beginning of the programme in 2010, guarantees in the amount of $4.7 billion have been made to 910 MSMEs. For the 2020/21 Financial Year, $1,050 million in guarantees supported $1,860 million in loans, which is a 31% increase over the loans supported by guarantees in 2019/20.



REVERSE FACTORING

A portion of the proceeds of the loan funds under the Access to Finance (A2F) Project is being used to establish the creation of a new DBJ product called Reverse Factoring, also known as Supply Chain Financing, as another way of improving the environment for Jamaican entrepreneurs to be able to access financing to start or upgrade their businesses, and to facilitate greater access to working capital financing by MSMEs.

Under Reverse Factoring, large buyers will cooperate with financial institutions (such as commercial banks) to facilitate short-term financing for their suppliers, based on the buyers' creditworthiness. Suppliers will be required to discount approved invoices to the financial institution and can obtain liquidity through an early payment process for invoices which would normally be settled in 30 days or longer.

Overall, we expect that the financial processes within supply chains will improve by releasing significant amounts of liquidity which is tied up in payables and receivables.

The benefit of Reverse Factoring is that it can present a lower funding cost option for working capital than traditional debt, as the usual credit risk is taken on the large buyer and not on smaller suppliers. The availability of the product in the Jamaica market will mean a line of finance to MSMEs that was previously inaccessible.

The DBJ will introduce Reverse Factoring to the Jamaican market in 2021 by launching it directly, as well as through the DBJ's network of Approved Financial Institutions, using an electronic platform to facilitate transactions. The electronic platform has already been acquired and tested. To date, five commercial banks have signaled an intention to participate in the programme and are undertaking the necessary due diligence to access the electronic platform, while discussions are ongoing with potential large buyers for the DBJ direct programme.

CAPACITY DEVELOPMENT SOLUTIONS

MSMEs continue to face challenges managing their businesses effectively and their expansion into new markets, especially during the pandemic. In response, the DBJ conducted several capacity development interventions (both new and existing) during the year, to assist them in growing and expanding their businesses. The existing interventions included the Voucher for Technical Assistance (VTA) programme, the Innovation Grant from New Ideas to Entrepreneurship (IGNITE) programme, the Jamaica Business Fund while the new ones were the Go-Digital Voucher, the Mentors for Innovation & Entrepreneurship Programme, and the Innovation Grant Fund.

The 2020/21 Financial Year marked the sixth year of the VTA programme implementation with a voucher redemption rate of 37%.

The Go-Digital Voucher initiative was launched during the financial year. This was geared towards assisting micro and small enterprises (MSEs) to utilize technology and operate electronically during the pandemic. These vouchers could be redeemed at IT Business Development Organizations. At the end of the year 25 MSEs applied for the Go-Digital voucher and are being assessed.

To expand the development of MSMEs, businesses in their early and growth stages require support such as acceleration and incubator programmes. This support was provided through the IGNITE programme and other MSME development initiatives through partnerships with trade associations and private sector groups. IGNITE continues to provide grant support to businesses with innovative products and services. In March 2021, the Bank graduated 23 entrepreneurs from IGNITE II and launched IGNITE III. The IGNITE II beneficiaries performed exceptionally, generating on average three times more in revenues, than what they started the programme with.

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

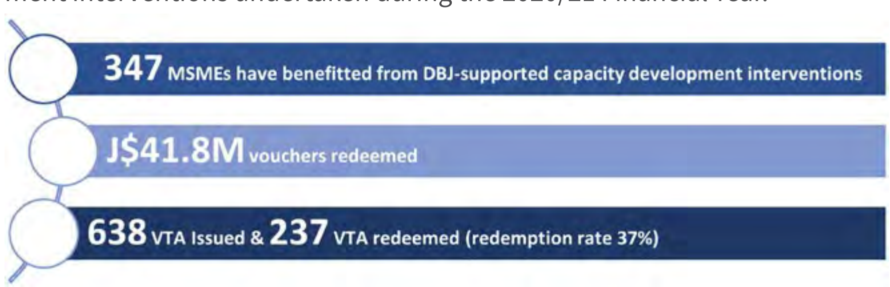
The Mentors for Innovation & Entrepreneurship Programme (MIEP) is a legacy project of the Jamaica Venture Capital Programme (JV-Capital), which has been subsumed under the Boosting Innovation and Entrepreneurship Ecosystems (BIGEE) project. MIEP is one of the Bank's efforts to address the "innovation-mentorship gap" in the local entrepreneurship environment.

Aquarium Fish Exports Jamaica Limited, which produces and exports ornamental fish in Old Harbour, St. Catherine, received a DBJ loan and a partial guarantee under the Credit Enhancement Facility for working capital and infrastructural improvement.

It was launched in April 2020 after the start of the COVID-19 pandemic in Jamaica, and was implemented in partnership with the IDB Lab. At the end of the financial year, 12 high potential Jamaican start-ups were being supported with technical expertise and funding, to remove product and business development roadblocks they were facing in developing export-driven growth.

The Innovation Grant Fund (IGF), which falls under the BIGEE project, was launched in September 2020. It provides grants of up to $14 million per entity and is geared toward supporting the development of new products and services, implementation of new business models and entry into new or an expansion of existing markets. It is expected that new employment will result from the growth of the companies financed by the IGF.

The infographic below displays some of the results of the capacity development interventions undertaken during the 2020/21 Financial Year.



INVESTMENTS IN THE ICT AND BUSINESS PROCESS OUTSOURCING (BPO) INDUSTRY

The DBJ-PetroCaribe ICT/BPO loan facility enabled private sector developers to construct BPO space over the past nine years. This improved the attractiveness of Jamaica as a BPO destination by providing funding to BPO operators and creating jobs. Since 2013, the DBJ has provided US$85.27 million in financing for 19 BPO projects to expand the sector throughout the island with a total project cost of US$134.52 million.

The DBJ's financing has assisted in building over one million square feet of BPO commercial space and over 26,000 jobs are expected to be created at completion and full capacity operation of the projects. The Bank's intervention and engagement have also stimulated increased private sector financing for the BPO sector with seven loans valued US$22.72 million that have been financed through the DBJ's approved financial institutions.

PROMOTING ALTERNATIVE FINANCING

The 2020/21 Financial Year represented the final year of the Jamaica Venture Capital Programme under the Technical Cooperation (TC) Agreement signed between the DBJ and the IDB Lab in 2016 to support the development of the early stage and entrepreneurial ecosystems for Jamaica. Since 2016, the DBJ's investments in funds totalled US$4.25 million, while the fund managers, in turn, raised some US$390 million in private capital for investment in Jamaica and the region.

During the 2020/21 the following were achieved under the Venture Capital Programme:

- A new fund (Caribbean Mezzanine Fund II) was created; the transfer of assets from Caribbean Mezzanine Fund Limited I to Fund II was completed on March 4, 2021.
- MPC Caribbean Clean Energy Fund acquired a solar park in El Salvador.
- Portland JSX Limited completed its investment phase with 10 Caribbean-based companies in its portfolio.
- SEAF Caribbean SME Growth Fund raised US$47 million from local and international investors, with the aim to generate both attractive financial returns and a strong social impact by providing equity and active business partnership to companies that have traditionally lacked access to institutional risk capital.
- Sygnus Credit Investment successfully raised an estimated US$27.1million in its additional public offering (APO) in December 2020; SCI plans to use the funds to repay a bridge loan of US$10 million as well as fund its current pipeline of investments.
- Capacity development support for entrepreneurship and innovation was provided via webinar series, under the theme – Building the Economy: with funding through Alternative Investments and Investment Readiness Workshops.

All entrepreneurial activities including the Mentorship Programme, the National Business Model Competition, and the series of Investment Readiness Workshops have been transferred to the BIGEE Project.

UNLOCKING VALUE FOR GOVERNMENT OF JAMAICA ASSETS

The Bank succeeded in facilitating $11 billion in investments and $5.089 billion in revenue through the Private-Public Partnerships and Privatisation (P4) Programme. The activities of the P4 Division secured US$816,000 in grant funding, from the Inter-American Development Bank to support programme activities.

The P4 portfolio, as at 31 March 2021, included 24 transactions at varying stages of execution. Four were at the concept stage, 11 were at the feasibility stage, five at the transaction stage, two at commercial close and two and contract management stage.

In April 2020, Cabinet approved the final sale terms for 5.36 acres of land for German Ship Repair Jamaica Limited Project and the sale agreement was executed in April 2021. This transaction will facilitate over $8 billion in investments. The final terms of the School Solar Energy & Efficiency PPP project were approved by Cabinet in December 2020.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE

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

The DBJ's customized Integrated Enterprise Risk Management Framework has facilitated a structured and disciplined approach towards managing risk which is applied to all categories of risks across functional, structural and departmental silos. The DBJ manages compliance with prudential regulations and standards, and other local and international regulatory requirements. It should be noted that prior to the regional outbreak, the DBJ management team established a working COVID-19 committee to ensure business continuity. A key component of this exercise was the identification and measurement of risks and implementation of controls taking into consideration the strategic objectives, and the financial and operational activities.

THE DBJ'S CREDIT RATING

The Caribbean Information and Credit Rating Services Limited (CariCRIS) lowered the Bank's credit ratings as follows:

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

Although the ratings were lowered, the regional scale ratings indicate that the level of creditworthiness of this notational debt issue is good. The Jamaica national scale ratings indicate that the creditworthiness of the debt of DBJ, in relation to other debt obligations in Jamaica is high. The lowering of our rating was because of the deterioration of the credit risk profile of Jamaica over the past 12 months, due to the low economic growth resulting from the pandemic, as well as the country's high debt burden.

It is important to note that DBJ's outlook was upgraded from negative to positive.

DBJ'S DIGITAL TRANSFORMATION

The Development Bank of Jamaica's Digital Transformation Strategy was approved in 2019 by the Board of Directors for immediate implementation. It represented a key strategic priority for the Bank to achieve its vision, to drive private sector development and contribute to broad-based, inclusive economic growth in Jamaica.

The digital transformation process involves all aspects of the organization 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 holistic 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.

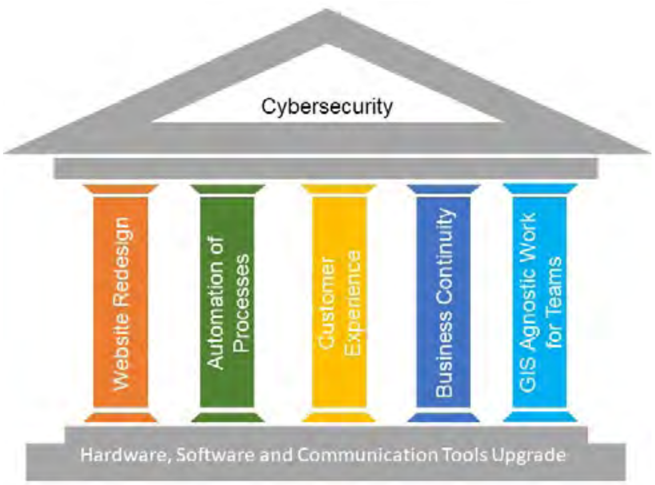
Digital Strategy and COVID-19

In response to the COVID-19 pandemic; to correlate and emphasize the impact of the Digital Strategy on our ability to pivot at the outset of the Pandemic, the Bank was at an advanced stage in its Digital Strategy by the end of 2019. We were therefore able to quickly reassess the status of our digital initiatives, to ensure that it could target immediate technology needs of the DBJ team to ensure business continuity and for productivity to remain above optimal.

Our Digital Transformation initiatives were fast-tracked to deploy end-to-end use of online collaboration tools, upgrade of cloud-based storage, hardware and software enhancements on the critical component of Cybersecurity to ensure we are operating in keeping with international standards. This was done in parallel with the creative, agile reassessment of the needs of our external stakeholders, developing programmes to provide near term assistance in creative and innovative ways.

Overview of the Performance of Digital Transformation Strategy

During 2020/21 the main components undertaken in the strategy are included in the diagram below:



1. Banking Customer Experience Management Tools

Two core components of our Digital Transformation were the implementation of the Customer Relationship and the Human Resource Management Systems which will deeply and broadly revolutionise our customer experience.

The development of these systems was initiated in 2020/21 and is steadily advancing as seen below:

- **CUSTOMER RELATIONSHIP MANAGEMENT SYSTEM (CRM)**

  The Customer Relationship Management System (CRM) will allow the Bank to gain increased insight in 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 modelling as we transition into a more advanced data driven ecosystem.

- **HUMAN RESOURCE MANAGEMENT SYSTEM**

  Under the Human Resource Management (HRM) system the Leave Management portal was developed and will be tested and rolled out in the new financial year.

  Research into new and emerging technologies is continuous to ensure that the Bank has the most current software solutions available to enhance productivity. We built in Business Process Management as a new important component of the Corporate Strategy and these initiatives are being conducted to ensure reduction in functional overlaps in process while identifying areas where automation will increase efficiency and effectiveness across all business units.

2. Business Continuity

On the specific objective of Business Continuity, we re-assessed our Business Continuity Plan in light of the COVID-19 threats, in order to define and plan recovery objectives supported by through data risk and recovery time profiles. The Digital Strategy team facilitated the training of critical personnel and while technologies were updated for safeguarding data, including backup, disaster recovery, vaulting, snapshot and replication.

3. Remote Working

In March 2020, in light of the impact of the Pandemic on Jamaica, the Government approved and recommended remote working for the Public Service as a critical COVID-19 containment and suppression measure. As such, the Bank was able to respond immediately to provide targeted and upgraded tools, technology and training.

4. Cybersecurity

In a digital world, cybersecurity must be built into the DNA of any operation. The DBJ's Cybersecurity Policy was reviewed and updated, while new and internationally benchmarked initiatives were implemented to protect the Bank's information assets and tech infrastructure. We rolled out our Enterprise Immune System which detects all threat types, including novel attacks and insider threats before they become destructive or damaging. We have upgraded our periodic user testing, firewall firmware, exchange environment and, of course, coupled with the required training.

5. Website Redesign

The DBJ is in the final stage of redesigning its website with an expected launch in July 2021. This involved a complete revolution of work on code, content, structure, and visuals of the current website. As the "front page" of our organisation in a digital age, the new website will improve user experience, lower bounce rates, link and enhance social media engagement, presence and marketing of DBJ's products and services to our target markets.

Conclusion

Our Digital Strategy aims to transform the DBJ through the use of technology, not only to address fundamental operational challenges, but also to maximize the potential of emerging technologies for true developmental impact. The COVID-19 pandemic tested the resilience of the Bank's ability to pivot and allowed us the ability to fast track many of the planned innovations. We proved successful in our adjustment and have "new and now" initiatives to implement in the next period.

Digital Transformation by nature is ongoing. With the pace of technology, our team is at the reins harnessing short-term and long-term benefits with the support of sustained organizational effort and commitment. The DBJ is on track in the achievement of our digital objectives and is well positioned to complete the first level of strategy within the second quarter of 2021 and to move into the future.

THE DBJ'S STRATEGY FOR 2021/22 AND BEYOND

For the 2021/22 Financial Year, the Bank will be focusing on four strategic pillars in order to fulfil its mandate:

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

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

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

- Identifying sectors that DBJ will support and develop appropriate financial instruments for those sectors.
- Establishing framework to build strong relationships with clients and intermediaries, in order to increase the take-up of DBJ products and services.
- Conduct Market Research to identify the needs and gaps of the DBJ's target market
- Gain accreditation from the Green Climate Fund
- Digitise the key business processes in the Bank
- Implement recommendations from the 2019/20 Staff Satisfaction Survey

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

FINANCIAL HIGHLIGHTS

COMPARATIVE FINANCIAL SUMMARY (J$M)

Year Ended 31-Mar	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total Income	2,318.5	2,621.8	3,749.0	2,734.3	1,934.9	1,671.8	2,342.4	2,110.3	1,586.40	2,740.60
Total Interest Income	1,391.6	1,380.0	1,348.3	1,384.8	1,321.8	1,294.9	1,255.5	1,198.6	1,142.50	1,764.80
Total Interest Expense	599.9	587.2	630.8	624.6	570.4	524.9	494.3	531.0	477.1	1,053.50
Non-Interest/Other Income	623.0	868.0	2,400.7	1,498.0	613.1	376.8	1,086.9	911.7	443.9	975.8
Non-Interest Expense	1,338.8	1,064.9	1,615.1	983.8	926.2	779.3	724.9	650.1	603.1*	567.3
Net Profit Before Expected Credit Recovery/(Loss)	370.0	1,043.9	1,437.6	1,245.2	571.0	371.9	1,108.2	929.2	506.2	1,119.90
Expected Credit Recovery /(Loss)	125.8	(11.5)	22.8	0.0	149.3	16.5	0.0	(177.4)	(2,928.3)	(407.5)
Profit/(Loss) for year	495.8	1,032.4	1,460.4	1,227.2	421.7	355.4	1,108.2	742.8	(2,453.2)	691.7
Total Assets	37,137.9	34,890.1	32,007.2	31,925.9	28,966.7	27,122.6	24,407.9	23,269.2	22,167.8	22,624.4
Total Equity	14,489.5	13,379.7	12,368.0	11,167.8	10,135.4	9,817.1	9,616.1	8,468.2	7,641.3	10,634.6
Loans Payable	21,857.1	20,773.0	18,968.1	19,925.8	18,065.6	17,305.5	14,294.5	14,433.5	14,125.6	11,491.2
Regular Loan Portfolio	16,132.2	15,927.4	16,895.4	19,421.5	17,801.3	17,317.8	16,729.2	15,263.5	11,966.7	11,948.2

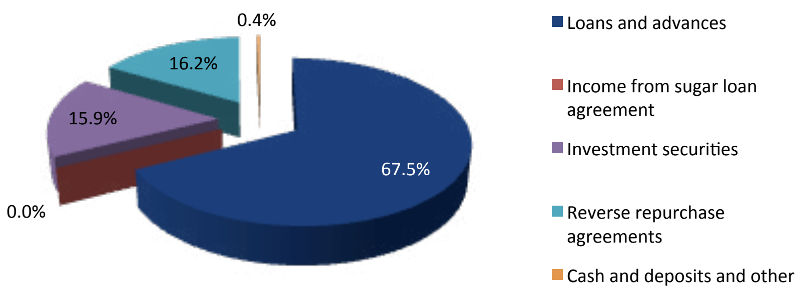
The DBJ's financial performance for 2020/21 represents another successful year for the organization despite the challenges of the COVID-19 pandemic. The Bank's statement of financial position has remained healthy with total assets of $37,137.9 million, an equity base of $14,489.5 million and net profit of $495.8 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. The Bank's strong asset and equity bases enabled it to play a pivotal role in the development of the Jamaican economy.

INCOME

DBJ's total income of $2,318.5 million for the period under review represents a decrease of 11.6% below the previous financial year's figure. The income of the bank, during the previous year was impacted by higher foreign exchange gains amounting to $691.5 million compared with gains of $362 million for the year under review. This was the main contributor to the decrease in total income. Our loans portfolio at the close of the financial year reported an increase of $205 million or 1.3% above the corresponding period in the previous financial year. This level of increase during the COVID-19 period was mainly due to our proactive endeavors to assist clients and facilitate their needs.

A worker carries out duties at Aquarium Fish Exports Jamaica Limited, in Old Harbour, St. Catherine. The company accessed a DBJ loan and a partial guarantee under the Credit Enhancement Facility.

Interest Income amounted to $1,391.6 million which represented an increase of 0.8% above the previous financial year and this is highlighted below:-



	2021 $'000	2020 $'000
Loans and advances	939,915	925,804
Income from sugar loan agreement	-	55,207
Investment securities	221,915	205,273
Reverse repurchase agreements	224,802	187,958
Cash and deposits and other	4,932	5,773
	1,391,564	1,380,015

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

- The interest income from the Loans Portfolio amounted to $939.9 million and represented an increase of 1.5% above the earnings recorded for the previous year. This was mainly due to the solid loan portfolio that the Bank was able to maintain in spite of the challenges from the pandemic.
- Interest income on investment securities amounted to $221.9 million and was 8.1% 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 reverse repurchase agreements increased by 19.6%. This was mainly due to the Bank's investment in reverse repurchase agreements increasing by $36.9 million when compared with the Investments in this category for the previous financial year.

OTHER INCOME

During the period under review, the DBJ recorded a 28.2% decrease below other Income in the 2019/20 period and was mainly due to the higher foreign exchange gains reported in the previous year. 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	2020/21 $'000	2019/20 $'000
Administrative Fees	10,730	12,710
Commitment Fees	15,472	21,889
Dividends	20,864	24,985
Impairment recovery/(loss)	6,727	(135,772)
Gain on disposal of property and equipment	1,695	2,226
Rental Income	103,682	103,198
Foreign Exchange Gains	362,071	691,517
Public-Private Partnerships & Privatisation fees	60,566	48,332
Miscellaneous	41,457	98,418
Public-Private Partnerships & Privatisation fees	60,566	48,332
Miscellaneous	41,015	98,418
	623,264	867,503

The other category of miscellaneous income relates to interest from staff loans, processing fees from loans and penalty interest arising on late payments.

During the year, the Bank realized a gain of $174 million from the disposal of bonds and an amount of $119.1 million representing expected credit loss assessment (ECL) was also recovered.

INTEREST EXPENSES

In the period under review, there was an increase in the interest expenses of 2.2%. Interest expense amounted to $599.9 million compared with the previous year's interest of $587.2 million. The increase was mainly due to additional loans drawn down in the last quarter of the year and the effect of the devaluation of the Jamaican dollar vis-a-vis the US dollar.

NON-INTEREST EXPENSES

During 2020/21, the DBJ incurred costs totaling $1,338.8million representing an increase of 25.7% above the costs incurred in 2019/20 of $1,064.9 million. The increase is mainly due to the discount on the financial asset, (Norman Manley success fees) amounting to $263.3 million.

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

	2021 $'000	2020 $'000
Salaries and wages	510,573	480,630
Payroll taxes	31,570	29,727
Pension costs – defined benefit plans	12,600	2,318
Performance incentive bonus	62,703	37,557
Other	86,514	106,790
	703,960	657,022

STAFF COSTS

Staff costs increased by $46.9 million or 7.1% which was mainly attributable to an incremental 5% increase and also additional staff employed to ensure the bank is re-sourced to deliver as it undertakes a business logistics review and embarks on a digitization programme.

ADVERTISING AND PUBLIC RELATIONS

This category of expenditure for the financial year ended March 31, 2021, was $ 38.8 million or 31% above the previous year when $29.6 million was incurred. The increase charge represents an extra effort by the bank to ensure the public is aware of our various products.

OCCUPANCY COSTS

There was a marginal 0.7 percent decrease in occupancy costs for the period under review when compared with the costs incurred in the 2019/20 Financial Year. Occupancy costs include electricity, insurance, security, repairs and maintenance of property.

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 2021, our expected credit loss totaled $542.0 million representing a reduction of 17.5% below corresponding period in the previous financial year.

NET PROFIT

The DBJ recorded a net profit of $495.8 million for the year ended March 31, 2021, representing 51.9% decrease below the net profit recorded in 2019/2020. The reduction in profit was driven by the higher foreign exchange gains and appreciation in fair value on investment property reported in the previous financial year. 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.

West Indies Petroleum Company Limited (WIPL) operates as a petroleum marketing, distribution and retailing company, providing bunker and refueling services to ships in Kingston, St. James and Trelawny. WIPL received a DBJ loan for working capital.

ASSET AND EQUITY BASES

ASSET BASE

The DBJ reported an asset base of $37,137.8 million as at 31 March 2021, representing an increase of 6.4% above the total assets recorded for Financial Year 2019/20 of $34,890.1 million.

This increase was mainly due to a 32.2% increase in investment securities of $1,043.6 million and a 73.9% increase in other receivables of $1,288.8 million. Included in other receivables is a loan, originally denominated in United States dollars, from the Government of Jamaica through the Ministry of Finance and the Public Service (MOFPS) to the DBJ. The loan was disbursed in Jamaican dollars and subsequently converted to a Jamaican-dollar facility. Given that the DBJ required the funds in US dollars, the Bank of Jamaica facilitated the conversion of these funds after the year end.

EQUITY BASE

There was an increase of 8.3% in Shareholder's Equity which moved from $13,379.7 million at the beginning of the year under review to $14,489.5 million at the end of March 2021. 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 in the amount of J$1,251.2 million and US$10 million from the Ministry of Finance & the Public Service.

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 2020/21 Financial Year, the total outstanding loan portfolio of the Bank stood at $16,132.2 million compared to $15,927.4 million for the financial year ended 31 March 2020, an increase of 1.29%.

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

	2021 J$'000	2020 J$'000
Loans to AFIs	9,492.8	9,405.8
MFIs	2,049.7	2,447.3
Loans to PC Banks	160.4	226.1
Loans to direct to borrowers	4,393.9	3,779.6
Mortgage receivable from MNS	35.4	68.6
	16,132.2	15,927.4

Investment in Associated Companies

The DBJ's interest in its Associated Companies decreased by 0.7% from $1,121.4 million at the beginning of the year to $1,114.4 million at March 31, 2021.

SOLVENCY

At the end of the period under review, the Bank reported a debt/equity ratio of 1.37:1 in line with the ratio of 1.53:1 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.

LOAN ORIGINATION AND PORTFOLIO MANAGEMENT (LOPM)

REVIEW OF LENDING ACTIVITIES

During 2020/21, the DBJ continued to pursue its mandate of encouraging private sector financial institutions to provide financing for MSMEs and for larger businesses in underserved sectors. As the Government of Jamaica continued to stimulate private sector credit by increasing liquidity and reducing policy interest rates, the DBJ expanded its collateral support and capacity building to increase the flow of bankable MSMEs and to facilitate their access to finance through increased engagement with its lending partners.

Jamaica and the DBJ's lending operations, however, were considerably impacted by the COVID-19 pandemic. As such the Bank's focus for the year shifted to providing relief to existing borrowers whose cash flows were impacted by the decline in economic activity brought on by the pandemic. In this regard, the DBJ engaged its intermediaries in March 2020, encouraging them to reach out to their sub-borrowers to ascertain the likely impact of COVID-19 on their businesses. The DBJ also encouraged sub-borrowers to maintain contact with their lenders and keep them updated on the status of their businesses.

DBJ COVID-19 RELIEF

In March 2020 the DBJ's Board approved a COVID-19 stimulus package for existing sub-borrowers that included:

a. Rescheduling of loans to sub-borrowers up to 12 months on a case-by-case basis
b. A 12-month relaxation of certain terms of the Credit Enhancement Facility (CEF) including eligibility criteria for MSMEs and an increase in the claims cap for AFIs to 20%.
c. Two (2) month reduction by 0.75% of the DBJ's interest rate spread on existing loans to sub-borrowers through AFIs
d. Two (2) month moratorium on interest and principal for direct loans to business process outsourcing (BPO) developers with extension of loan tenure

Given the foregoing, over the course of the 2020/21 Financial Year the DBJ facilitated relief on over 30,000 loans valued at $14.95 billion, including $2 billion of microfinance loans.

DBJ LENDING

Despite the adverse impact of the COVID-19 pandemic, during the year the DBJ delivered 3,346 loans to support new investments of $6,259.734 million by the private sector to support 2,895 potential new jobs while maintaining 9,642 existing jobs.

The loans approved, investments supported, and potential new jobs created for 2020/21 were distributed by sector as below:

Sector	No. of Loans		Approvals		Investments		New Jobs	
		%	J$M	%	J$M	%		%
Agriculture	536	16.0%	661.551	14.8%	1,109.136	17.7%	160	5.5%
Agro-Industry	3	0.1%	13.600	0.3%	15.788	0.3%	6	0.2%
Distribution	1,863	55.7%	705.056	15.8%	874.257	14.0%	212	7.3%
Manufacturing	89	2.7%	552.672	12.4%	759.392	12.1%	72	2.5%
Mining & Quarry	5	0.1%	388.400	8.7%	394.098	6.3%	27	0.9%
Service & Transport	846	25.3%	1,213.751	27.1%	1,644.118	26.3%	519	17.9%
ICT/BPO	2	0.1%	819.350	18.3%	1,198.944	19.2%	1,880	64.9%
Tourism	2	0.1%	117.500	2.6%	264.000	4.2%	19	0.7%
TOTAL	3,346	100.0%	4,471.880	100.0%	6,259.734	100.0%	2,895	100.0%

LOAN APPROVALS

During the year, the DBJ approved 3,346 new loans with a total value of $4,471.88 million compared to 17,521 new loans with a total value of $7,595.563 million in the previous year.

Note: The difference in the number of loans for FYE 2020 of 3,404 is due to an approved loan for which the impact data was received after the end of the financial year.

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

TOTAL LOAN APPROVALS 2020/21

Channel	# of Loans	Loan Amount in J$'M	%
AFI	227	4,054.517	90.7%
MFI	3,119	417.363	9.3%
Total	3,346	4,471.880	100.0%

DOMESTIC CURRENCY APPROVALS

Local currency loan approvals facilitated for the year, compared to the previous year, amounted to 3,337 loans valued $3,740.53 million. These loans were realized through the following channels:

- Approved Financial Institutions – 226 loans valued at $3,323.167 million up from 102 loans valued at $2,214 million
- Micro Finance Institutions – 3,119 loans valued at $417.363 million, compared to 17,410 loans valued at $2,342 million in the previous financial year.

Note: The difference in the number for MFI loans of 3,404 (ie. 17410-14006) is due to an approved loan for which the impact data was received after the FY end March 2020.

FOREIGN CURRENCY APPROVALS

Foreign currency loan approvals for the year, compared to 2019/20, amounted to 1 loan valued at US$5 million. The loan was realized through the following channels:

- Approved Financial Institutions – 1 loan valued at US$5 million, compared to 3 loans valued at US$3.4 million granted in the previous financial year.

LOAN DISBURSEMENTS

The DBJ's loan disbursements for the year amounted to $3,054.088 million.

LOCAL CURRENCY DISBURSEMENTS

Local currency disbursements for the year amounted to $1,706.356 million. These loans were realized through the following channels:

- Approved Financial Institutions – $1,288.993 million compared to $1,327.37 million in the previous year.
- Micro Finance Institutions – $417.363 million compared to $2,342.304 million in the previous year.

FOREIGN CURRENCY DISBURSEMENTS

Foreign currency disbursements for the year amounted to US$9.214 million. These loans were realized through the following channels:

- Approved Financial Institutions – US$2.15 million up from US$0.8 million in the previous Financial Year.
- Direct Lending – US$7.064 million, up from US$4.8 million in 2019/20

REVIEW OF LENDING PROGRAMMES

DBJ'S LENDING TO MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES

During the year, the DBJ was challenged by the impact of the COVID-19 pandemic. Despite this, the Bank was able to provide support to initiatives for increasing access to affordable credit for micro, small and medium-sized enterprises (MSMEs).

The DBJ's loan origination team continued to engage MSMEs and their associations to understand their needs, while communicating the benefits of the Bank's products and facilitating their engagement with lenders to access financing.

Supported by the DBJ's dedicated MSME lines of credit, guarantees and capacity building, AFIs continued to build out their small business lending units and resource centres to provide support for entrepreneurs.

MSME LOAN APPROVALS 2020/21

Channel	# of Loans	Loan Amount in J$'M	%
AFI	216	1,903.797	82.0%
MFI	3,119	417.363	18.0%
Total	3,335	2,321.160	100.0%

In 2020/21, the DBJ facilitated the approval of 3,335 MSME loans with a value of J$2,321.16 million through its intermediaries for MSME sub-borrowers compared to 17,512 loans with a value of J$6,919 million in 2019/20. Of this total, 3,119 loans totaling J$417.363 million were facilitated through Micro Finance lending and 216 loans valued at J$1,903.797 million were facilitated by Approved Financial Institutions.

Note: The difference in the number of loans for FYE 2020 of 3,404 is due to an approved loan for which the impact data was received after the end of the financial year.

PROMOTING ENVIRONMENTAL AND SOCIAL SAFEGUARDS AND RESPONSIBLE LENDING

With the mainstreaming of environmental, social and governance (ESG) standards and responsible banking, DBJ continued the implementation of its own environmental and social management framework (ESMF) for its MSME lending and guarantee facilities. The ESMF has been introduced by DBJ as requirement for AFIs to access loan and guarantee facilities funded by the World Bank and the Inter-American Development Bank. These interventions will also position the DBJ's AFIs to access support from international donors.

In this regard, the DBJ continued to assist its AFIs incorporate the consideration of environmental and occupational safety compliance and opportunities into their loan assessments through the provision of environmental checklists and screening of loans by DBJ's in-house Environmental Specialist.

In January 2021, the DBJ also coordinated the free participation of some 80 Jamaican loan officers and energy financiers from 21 institutions in the Banking Solar Initiative, a live online 5-day training course hosted by the International Solar Alliance. The course which trains bankers to assess and finance solar photovoltaic projects was funded by the Indian Renewable Development Agency and the Skill Council for Green Jobs.

In 2018, CEAC Outsourcing Company Limited received US-dollar funding to finance the construction of a 60,000 sq. ft. business process outsourcing (BPO) facility in St. Andrew. The building was completed in March 2021 and is leased to a BPO operator.

THE DBJ-PETROCARIBE ICT/BPO LOAN FACILITY

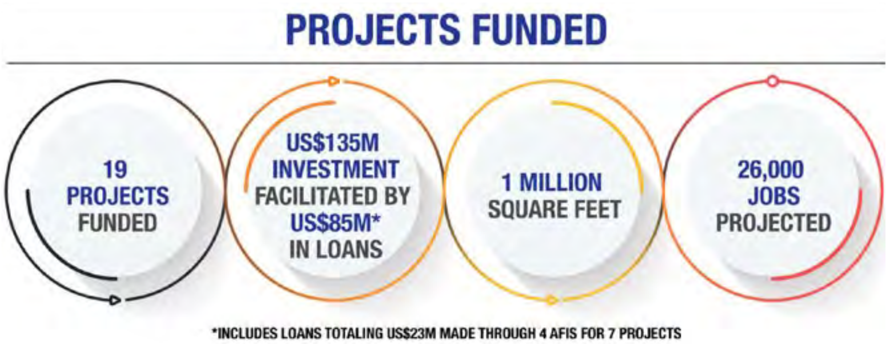
Over the past nine years, the DBJ-PetroCaribe ICT/BPO Loan Facility has delivered exceptional results by enabling private sector developers to construct over 1 million square feet of BPO space, which has improved Jamaica's attractiveness as a BPO destination by attracting BPO operators to Jamaica which has resulted in the creation of over twenty thousand jobs. The DBJ's intervention and engagement has also stimulated increased private sector financing for the BPO sector.

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

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

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

As at 31 March 2021, the DBJ has committed US$85.27 million in financing to expand the sector island-wide facilitating overall investment in BPO projects amounting to US$134.52 million. This includes seven (7) loans valued at US$22.72 million made through four (4) approved financial institutions, confirming DBJ's success in achieving private sector financing of the sector. To date, the DBJ has disbursed US$80.57 million to its BPO clients with subsequent client repayments amounting to US$35.88 million. The DBJ's current exposure to the sector is now US$44.69 million due to repayments over time.



In 2020, Chalmer's Commercial Limited received US-dollar funding to finance the construction of a new 80,000 sq. ft. ICT/BPO facility in St. Andrew.

The DBJ's BPO portfolio continues to perform well with all accounts being current with repayment and the portfolio having been paid down to US$44.69 million. There remains a pending full pay out of a loan by another one of DBJ's client's which will further reduce the portfolio exposure.

The DBJ's financing has assisted in the build out and creation of over 1 million square feet of BPO commercial space within the country. It is anticipated that approximately 26,000 jobs will be created when all projects are completed and are operating at full capacity.

BPO projects funded by the DBJ can be found across six (6) parishes in Jamaica. The DBJ has, to date, financed seven (7) projects in Kingston & St. Andrew, Six (6) projects in St. James, three (3) projects in St. Catherine along with one (1) project in the parishes of Manchester, Hanover and St. Ann. The table below illustrates a breakdown of the DBJ's BPO portfolio by location/parish:

DBJ ICT-BPO PORTFOLIO BY LOCATION / PARISH	Number of Projects	Project Size (Sq. Ft.)	Projected Maximum Number of Jobs to be created	Highest Monthly Number of Jobs created to March 2021	Project Cost (US$M)	Loan Amount		
						Total Approved (US$M)	Disbursed To Date (US$M)	Current Principal Balance (US$M)
Total ICT-BPO Projects	19	1,057,033	26,313	20,918	134.52	85.27	80.57	44.69
* St. James	6	347,000	9,120	7,900	51.78	37.10	36.41	15.92
* Kingston & St. Andrew	7	411,069	10,020	6,478	49.09	25.98	22.45	16.18
* Manchester	1	99,750	2,000	1,500	7.64	6.09	6.08	5.17
* St. Ann	1	24,064	450	320	2.50	2.00	1.52	1.35
* Hanover	1	87,000	3,000	2,300	10.70	7.00	7.00	5.01
* St. Catherine	3	88,150	1,723	2,420	12.81	7.11	7.11	1.06

LOCATIONS

19 PROJECTS FINANCED ACROSS 6 PARISHES

To date, a total of 18 of the 19 projects have fully completed the project construction works funded by DBJ with all completed buildings having been tenanted by a BPO operator and achieved actual employment of approximately 20,000 jobs. There remains one project that is currently under construction and once completed is expected to be leased and occupied thereby creating additional jobs and boosting economic activity.

IMPLEMENTATION

*TO COMPLETE CONSTRUCTION AND FIT-OUT WORKS

After completion of construction of the remaining project and given the expected immediate take-up, BPO operators are anticipated to hire additional staff thereby leading to increased employment numbers expected to peak at some 26,313 projected jobs as shown in the table below:

DBJ ICT-BPO PORTFOLIO BY PROJECT STATUS		Number of Projects	Project Size (Sq. Ft.)	Projected Maximum Number of Jobs to be created	Highest Monthly Number of Jobs created to March 2021	Project Cost (US$M)	Loan Amount		
							Total Approved (US$M)	Disbursed To Date (US$M)	Current Principal Balance (US$M)
Total ICT-BPO Projects		19	1,057,033	26,313	20,918	134.52	85.27	80.57	44.69
*	Fully Completed, Leased & Occupied	18	977,033	23,813	20,918	124.07	77.96	75.28	39.40
*	Under Construction/ Construction to Commence	1	80,000	2,500	0	10.45	7.31	5.29	5.29
*	Not Leased	0	0	0	0	0.00	0.00	0.00	0.00

THE DBJ'S COLLATERAL SUPPORT FOR LARGER LOANS

In November 2020, LOPM transferred responsibility for the Credit Enhancement Facility (CEF) that provides partial credit guarantees for MSMEs into a new DBJ department. Since April 2011, LOPM processed 794 CEF guarantees valued $4,207.9 million supporting loans of $9,317.0 million and managed the successful transition of the CEF to a portfolio scheme.

LOPM has retained responsibility to build out the DBJ's loan guarantee product for larger enterprises and loans that would not qualify for the CEF.

CEAC Outsourcing Company Limited received US-dollar funding from the DBJ for the construction of a BPO facility in St. Andrew, which is now leased to a BPO operator.

The DBJ's large guarantee product provides indemnities of up to the lower of 50% of a loan or US$2 million (or the Jamaican dollar equivalent) to support larger loans issued through the Bank's Approved Financial Institutions (AFIs). The large guarantee seeks to fill the market gap of allowing AFIs to make loans to larger viable projects that do not have sufficient tangible collateral to meet the criteria of our AFIs.

Since October 2017, the DBJ has approved a total of 13 of these guarantees valued J$1,006.903 million to support loans of J$2,368.599 million. To date, there have been no claims made on this guarantee product.

At year end, the DBJ's overall exposure to these guarantees was $266.584 million supporting eight loans of $693.968 million. Loans to BPO operators account for the largest proportion of these guarantees issued as the facility was initially introduced to encourage private sector lenders to provide loans to that sector. Its utilization has subsequently been expanded to other sectors including manufacturing, agriculture and energy.

During the year, the Bank approved four new Jamaican-dollar denominated guarantees valued $308.561 million to support loans valued $784.120 million. This compares with four guarantees valued $56.143 million supporting loans of $153.813 million in the prior year and brings the total approved to eight Jamaican-dollar guarantees to $364.705 million supporting loans of $937.933 million. During the year, one (1) guarantee valued $225 million supporting a $450.0 million loan was de-committed. At year end, the Jamaican dollar guarantee exposure was $103.919 million supporting three loans of $368.638 million.

During the year, the Bank approved one (1) new United States dollar denominated guarantee valued US$2.0 million to support a US$5.0 million loan, which was subsequently de-committed. No United States dollar guarantees were issued in the prior year. The total United States denominated guarantees approved since October 2017 amounted to five guarantees valued US$4.391 million supporting loans of US$9.781 million. At year end, the DBJ's United States-dollar guarantee exposure was US$1.112 million supporting three loans of US$2.224 million.

CREDIT ENHANCEMENT FACILITY

The Credit Enhancement Facility (CEF) has been in operation since 2010, as an Individually Underwritten Guarantee Scheme. It was felt that for significant growth and impact, a separate Division would be necessary for the focus on this product. In concert with our multilateral partners, it was agreed to establish the stand-alone Division, using a Portfolio Guarantee Scheme (PGS).

The major event for the financial year is the full transition from the Individually Underwritten Guarantee Scheme to the (PGS), as a new DBJ Division. Financial Year 2020/21 is the first year of the operation of the PGS, which has numerous advantages for the Approved Financial Institutions (AFI) using the PGS.

The advantages to the AFIs include:

FEATURE	BENEFIT
Credit underwriting by the AFI only (vs. underwriting by AFI and DBJ)	Rapid credit decisions for MSMEs
AFIs enter loans online, rather than by hard copy to DBJ	AFIs are more productive in loan processing
AFIs are granted a credit limit for the year (vs. reapplying for each loan)	AFIs are more efficient in granting guaranteed loans to MSMEs

PERFORMANCE FOR THE YEAR

The Portfolio Partial Guarantee Scheme (PPGS) proved popular with banks and other lenders as 12 AFIs signed on to the system.

The Credit Enhancement Facility closed the year with $4.7 billion in loans facilitated since the inception in 2010, and $1.99 billion of that amount was still being guaranteed by the CEF as of March 31st, 2021.

During the period April 2020 to March 2021, $1.86 billion (accounting for 208 loans) was facilitated which compares to $1.42 billion (104 loans) in the previous year. During the year, 99% of all loans facilitated were to MSMEs, and 1% to large enterprises.

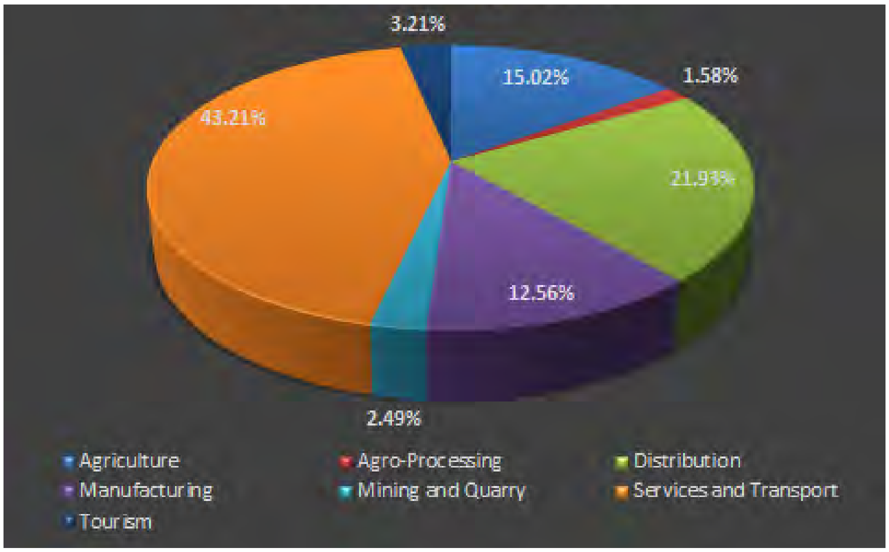
Staff display products from the Portmore, St. Catherine-based Complete Nutrition Care Diet Centre, which provides healthy pre-packaged meals. The company is the beneficiary of a grant under the DBJ's IGNITE programme.

JOBS CREATED

For the year ended March 31, over 1,520 jobs were created as a direct result of assistance attributed to the CEF.

SECTOR IMPACT

GUARANTEES BY SECTOR



The Jerome Cunningham poultry farm is recognized as one of the leading contract suppliers with Caribbean Broilers. Based in Osbourne Store, Clarendon, the company received a DBJ loan to expand production and employ additional staff.

Services & Transport is the single largest beneficiary of the DBJ Partial Credit Guarantee Scheme, accounting for 43% of loans facilitated since inception.

LOOKING AHEAD

The Claims Cap will be lifted from 20% in 2020/21 up to 30% for the 2021/22 financial year.

It is expected that Bankers and Lenders will be incentivized to use the DBJ Guarantee Facility more often with this adjustment. There has also been an extension to the COVID-19 "waivers" provided under the CEF by the DBJ during 2020/21. These include a waiver of the requirement for a Tax Compliance Certificate for micro businesses, and the substitution of a valid TRN instead.

With these changes to the CEF, we expect to have an even better year in 2021/22.

Headley Allen's egg farm with over 4,000 ready-to-lay pullets in Nightingale Grove, St. Catherine, received a DBJ loan which allowed an expansion of the farm.

MICRO FINANCE SERVICES

The Micro Finance Services Division's regular programme was diverted at the beginning of the 2020/21 Financial Year, when the DBJ sought to provide additional support to its Micro Finance Institutions (MFI) to combat the unprecedented disruption to their loan portfolio due to the COVID-19 pandemic.

As part of its COVID-19 response mechanism, the Bank rescheduled a total of $2.513 billion (or 99.7%) of the microfinance portfolio on both principal and interest for periods between three to six months and also reduced interest rates to the MFIs from 8.8% per annum to 8.25% per annum.

REVIEW OF LENDING ACTIVITIES

The key performance targets for the year under review are outlined below. Many of the Division's targets were not achieved because of the impact of the pandemic on borrowing and lending activities by the micro business sector.

LOAN APPROVAL AND DISBURSEMENT TARGETS

Approval and disbursement to micro and small businesses through accredited MFIs for 2020/21 totalled $417.363 million to 3,119 entrepreneurs. This was a massive decrease over the previous year and significantly below the adjusted target of $1.004 billion. The achievement rate for the year was 42% in comparison to 108% for 2019/20 with total approval and disbursement of $2.342 billion or $166.792 million above target.

The adjusted disbursement target of $903.929 million was also not achieved. The overall disbursement of $417.363 million generated a substantial deficit of 46% or $486.566 million below budget.

INVESTMENTS

The sum of $667.873 million was realized for total investments, producing a negative variance of $587.583 million or 47% below the target of $1.255 billion. This deficit was occasioned by the similar negatives which affected the total approval and disbursement.

MFI APPROVAL PER SECTOR – APRIL 2020-MARCH 2021

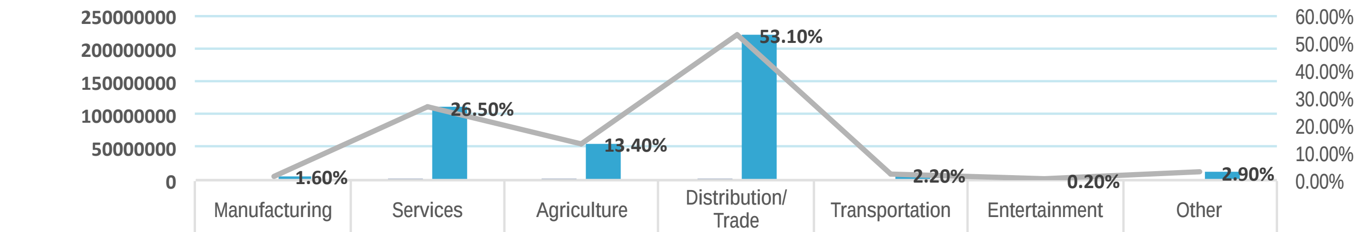
The table and chart below demonstrate the sectoral allocation of loans funded for the 2020/21 Financial Year.

The Distribution/Trade sector accounted for the highest demand for micro and small loan funding, constituting 53% of the funds on-lent, followed by the Services and Agriculture sectors of 26% and 13% respectively.

SECTOR SUMMARY	No. of Loans	APPROVAL J$	%
Manufacturing	66	7 M	1.60%
Services	717	111 M	26.50%
Agriculture	514	56 M	13.40%
Distribution/ Trade	1,790	222 M	53.10%
Transportation	19	9 M	2.20%
Entertainment	2	1 M	0.20%
Other	11	12 M	2.90%
Totals	3,119	417,363,000.00	100%

Soo Ho Trading Company Limited, a wholesale and retail company with six outlets in Kingston, received a loan from McKayla Financial Services, a DBJ-approved micro finance institution, to purchase stock.

MFI APPROVAL PER SECTOR APRIL 1, 2020 - MARCH 31, 2021



	Manufacturing	Services	Agriculture	Distribution/ Trade	Transportation	Entertainment	Other
No. of Loans	66	717	514	1,790	19	2	11
APPROVAL J$	7 M	111 M	56 M	222 M	9 M	1 M	12 M
%	1.60%	26.50%	13.40%	53.10%	2.20%	0.20%	2.90%

No. of Loans APPROVAL J$ %

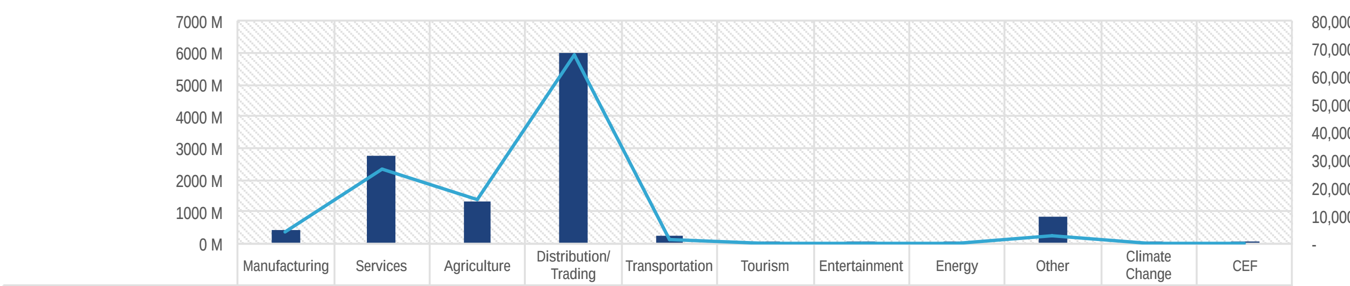
MFI APPROVAL PER SECTOR –2009-2020/21

The Micro Finance Lending Window's overall sector performance since its inception in 2009, has consistently mirrored the yearly trend with more than 50% of the total portfolio demanded by Distribution and Trade entrepreneurs, followed by Services and Agriculture with 23% and 11% respectively, as depicted in the table and chart below.

Sector	Accumulated 2009-March 2021 No.	Accumulated 2009-March 2021 $	%
Distribution/Trading	67,633	6,015,449,873.06	51%
Services	26,898	2,752,794,272.52	23%
Agriculture	15,828	1,345,475,810.33	11%
Other*	2,608	967,193,471.38	8%
Manufacturing	4,276	430,028,420.31	4%
Transportation	1,290	228,084,390.93	2%
Tourism	395	79,662,502.00	1%
CEF	14	32,450,000.00	0%
Entertainment	109	20,786,500.00	0.2%
Energy	12	7,435,840.85	0.1%
Total	119,063	11,879,361,081.38	100%

**The category 'Other' includes areas such as food services and small business construction.*

MFI APPROVAL - 2009 TO MARCH 2021



	Manufacturing	Services	Agriculture	Distribution/ Trading	Transportation	Tourism	Entertainment	Energy	Other	Climate Change	CEF
2009-March 2021 J$	430 M	2753 M	1345 M	6015 M	228 M	80 M	21 M	7 M	870 M	97 M	32 M
NO. of Loans 2009-March 2021	4,276	26,898	15,828	67,633	1,290	395	109	12	2,608	-	14

2009-March 2021 J$ NO. of Loans 2009-March 2021

MFI ACCREDITATION

As at the end of the financial year, 12 MFIs have met the Bank's criteria and were approved to on-lend funds up to $2.5 million to micro and small entrepreneurs. Currently, the 12 MFIs which are clients of the DBJ include:

> Entrepreneurs across all parishes in various productive sectors, including distribution and trade, services, agriculture, manufacturing, transportation and tourism have benefited from this lending facility.

SUMMARY – 2009-2021

As at March 31, 2021, the DBJ, through its partnership with MFIs, has approved and disbursed $11.879 billion to the microfinance sector over the last 11 years.

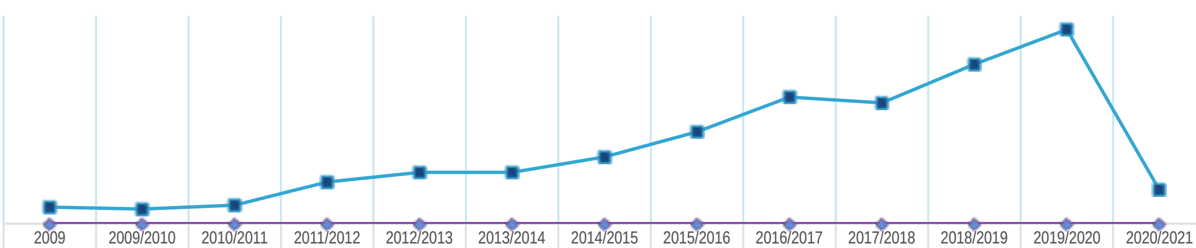
Entrepreneurs across all parishes in various productive sectors, including distribution and trade, services, agriculture, manufacturing, transportation and tourism have benefited from this lending facility.

Notably, the 2019/20 Financial Year has been the most outstanding period on record for the microfinance portfolio since its inception in 2009, in that a total of $2.342 billion was disbursed, followed by 2018/19 with $1.923 billion. Except for 2020/21, 2017/2018 and 2009/2010, funding to the sector had a yearly positive increase between 22% and as high as 114% in 2011/12. As reflected below in the table and graph, $1.924 billion less than the previous year (2019/20) was demanded by the sector in the period under review.

Year ended	No. of Loans	$ Approved
2009	4,347	200,000,000.00
2009/2010	2,077	174,172,970.32
2010/2011	4,215	228,602,855.37
2011/2012	6,995	491,482,736.12
2012/2013	8,207	613,682,596.97
2013/2014	9,642	620,030,451.00
2014/2015	8,931	795,938,877.17
2015/2016	11,680	1,104,710,948.06
2016/2017	16,410	1,519,360,519.35
2017/2018	11,712	1,448,606,889.65
2018/2019	14,318	1,923,104,786.87
2019/2020	* 17,410	2,342,304,450.50
2020/2021	3,119	417,363,000
Total	119,063	11,879,361,081.38

**The difference of 3,404, as reported in 2019/20, relates to sectoral data received after the financial year for an advance of funds.*

MFI APPROVAL - 2009 TO MARCH 2021



	2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Approved J$	200 M	174 M	229 M	491 M	614 M	620 M	796 M	1105 M	1519 M	1449 M	1923 M	2342 M	417 M
No. of Loans	4,347	2,077	4,215	6,995	8,207	9,642	8,931	11,680	16,410	11,712	14,318	17,410	3,111

OTHER DIVISIONAL INITIATIVES IN 2020/21

In addition to its continued objective of providing low-cost funding to micro and small businesses and support of best practices, the Bank continued to provide assistance via workshops and training.

Thirteen training sessions were done in collaboration with the European Investment Bank (EIB), with which the DBJ has been partnering with since 2016 – and benefitting from Technical Assistance (TA) since 2018 – through its consultant, the Frankfurt School of Finance and Management. Two sessions were with micro entrepreneurs while 11 specialized sessions were held with two MFIs, Access Financial Services and JN Small Business Loans Limited.

During the year, the MFIs had access to on-line training that included:

- **Post-COVID Bad Debt Collections,** focusing on:
  - COVID-19 crisis uniqueness and impact of clients
  - Portfolio management
  - Arrears management
  - Bad debt collections
- **Adapting your business in times of COVID-19,** with the following objectives:
  - Supporting MSMEs to adapt their businesses to the current operating environment under the pandemic
  - Strengthening the skills of MSMEs in business and cash management
  - Promoting the exchange of experiences and sharing of knowledge among entrepreneurs

Training manuals have also been provided by the consultants.

MICROCREDIT LAW

The Microcredit Act 2021 was passed in January 2021, which will require MFIs to be licensed under the regulatory and supervision of the Bank of Jamaica. During its passage, the DBJ had been consulted and provided reviews to the MOFPS on the draft Bill.

It is anticipated that the Act will come into effect in July 2021 and will seek to, among other things, protect consumers by:

- Reducing the risk of money laundering via the institutions
- Discouraging excessive interest rates
- Prohibiting predatory lending practices, threats and intimidation; and
- Promoting transparency by encouraging the disclosure of effective interest rates.

CLIMATE CHANGE ADAPTATION LINE OF CREDIT (CCALOC)

The DBJ successfully managed this line of credit valued at US$2.5 million, which was established in 2016 as a tripartite Memorandum of Understanding with the Ministry of Economic Growth and Job Creation and the JN Small Business Loans Limited (JNSBL), to facilitate the efficient and effective administration of the funds.

Spender's Convenient Store, based in Drewsland, St. Andrew, received a micro loan from Access Financial Services, a DBJ-approved micro finance institution, to replenish stock.

A total of J$305.990 million was disbursed to JNSBL between 2016 and 2019 and fully repaid to the DBJ in February 2021. MSMEs in the tourism and agri-business sectors across Jamaica were able to access financing from the CCALoC to assist them in increasing their resilience to climate change.

Of the 299 clients who benefitted, 98% were micro farmers and mostly located in the parishes of St. Elizabeth and Clarendon.

Drip irrigation (47%), water-tank harvesting (22%), construction/elevation of structures (15%) and land preparation (11%) were the solutions mostly funded. Thirty-three loans valued at $70.889 million had to be rescheduled because of the COVID-19 pandemic and some projections were not achieved. Nevertheless, the JNSBL continued its promotion of the line of credit through various mediums.

STRATEGIC SERVICES

The Strategic Services Division provides strategic direction and support to the Bank through research, strategy management, product development, business analytics and business development. The Division also manages the Bank's capacity development programme which provides technical assistance to MSMEs to strengthen the businesses' capabilities to grow and expand.

BUILDING THE CAPACITY OF MSMES

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

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

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

• IMPACT IN FINANCIAL YEAR 2020/21

COVID 19 has had a negative impact on Jamaica and on MSMEs during the 2020/21 Financial Year. The DBJ's capacity development interventions were also impacted, but the Strategic Services Division was able to achieve many of its targets during the period, providing support to entrepreneurs as follows:

65 businesses that met the Bank's technology and innovation criteria were supported (Target - 40)

347 MSMEs benefitted from capacity development (Target - 350)

237 businesses benefitted from vouchers for technical assistance (Target - 204)

INNOVATION AND ENTREPRENEURSHIP

1. VOUCHER FOR TECHNICAL ASSISTANCE

The Voucher for Technical Assistance (VTA) programme is an arrangement among the DBJ, its Approved Financial Institutions (AFI), the Private Sector Organisation of Jamaica (PSOJ), and selected Business Development Organizations (BDO) with the following objectives:

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

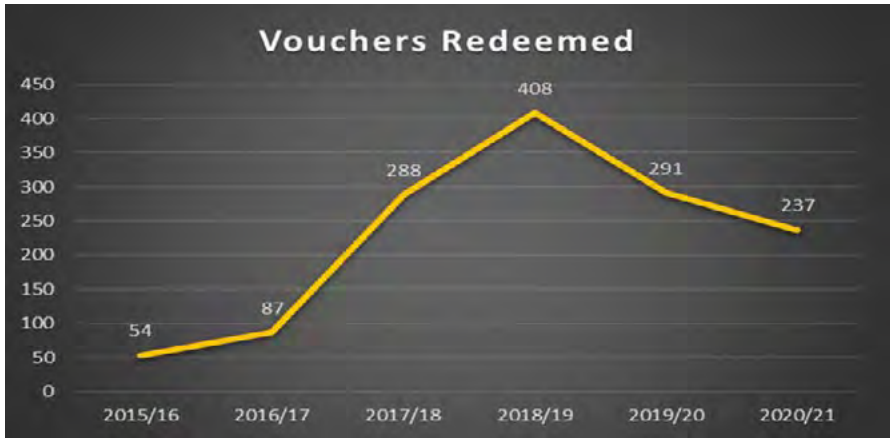
Under the programme, funding is provided for MSMEs to access business development services at reduced rates, to improve their business operations and thereby close any management gaps which may hinder their creditworthiness.

Since the inception of the programme in May 2015, 4,298 vouchers have been issued to 2,754 business, of which 1,347 vouchers for business development services have been redeemed by 1,041 businesses. The image below shows the breakdown of the redeemed vouchers over the 6 financial years.

Businesses from all parishes and from various sectors[3] have benefitted. The top 5 vouchers redeemed were:

- Business Plans
- Business Process Improvement
- Mentorship & Coaching
- Strategic Plan &
- Financial Statements

FIGURE 1: VOUCHERS REDEEMED BETWEEN 2015/16 AND 2020/21



These vouchers have supported DBJ loans of $543.9 million, resulting in investment of $1.25 billion by those MSMEs in their projects. Also, 18 businesses received collateral support totaling $112.2 million. It must be noted that 52% of the businesses that redeemed vouchers were start-ups.

In the 2020/21 Financial Year, 37%[4] of the total vouchers issued were redeemed.

2. GO-DIGITAL VOUCHER

The DBJ announced the introduction of the ***Go-Digital Voucher initiative***, a service that is geared at promoting the adoption of technology by micro and small enterprises (MSEs), by providing vouchers that are redeemable at IT Business Development Organisation (IT BDO).

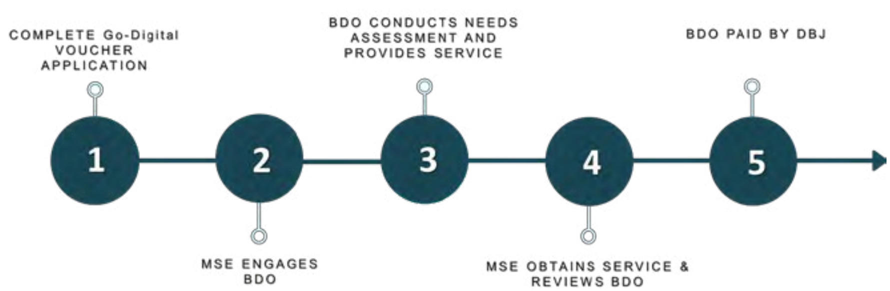
This initiative is one of the DBJ's products to enable MSEs to transform their business operations electronically during the COVID-19 pandemic.

Each Go-Digital voucher is valued at $200,000.00 inclusive of GCT, and the application process is available via an electronic portal at www.dbjvoucher.com

During the financial year, 25 Information Technology (IT) Service Providers were assessed and on-boarded to work with, and provide services to, the MSEs. Nine other companies have been shortlisted and are going through the due diligence process, with the view of signing Service Agreements.

Up to March 31, approximately 25 MSEs have applied for *Go-Digital* vouchers and are being assessed.

FIGURE 2: GO-DIGITAL VOUCHER APPLICATION PROCESS



3 Sectors benefitting from the VTA – manufacturing, mining, agriculture, services, agro-processing, ICT, tourism, energy and other
4 During the 2020/21 Financial Year, 637 vouchers were issued, of which 237 vouchers were redeemed.

3. INNOVATION GRANT FROM NEW IDEAS TO INNOVATION (IGNITE) PROGRAMME

IGNITE II CLOSE-OUT & LAUNCH OF IGNITE III

Since 2016, through the IGNITE Programme, DBJ has supported local entrepreneurs with innovative business ideas to access grant funds that facilitate commercialization of their products and services. It is one of the DBJ's most successful technical assistance programmes, with a focus on seed and early-stage businesses. To date, two cohorts (IGNITE I and IGNITE II) have been executed.

Under IGNITE II, 23 entrepreneurs benefited from over $77 million in grant support through six Business Services Intermediaries (BSIs) which included Sister's Ink, Jamaica Manufacturers & Exporters Association, Jamaica Business Development Corporation (JBDC), Caribbean Climate Innovation Centre, Technology Innovation Centre (TIC) and Branson Centre.

FIGURE 3: SECTOR DISTRIBUTION OF IGNITE II BENEFICIARIES

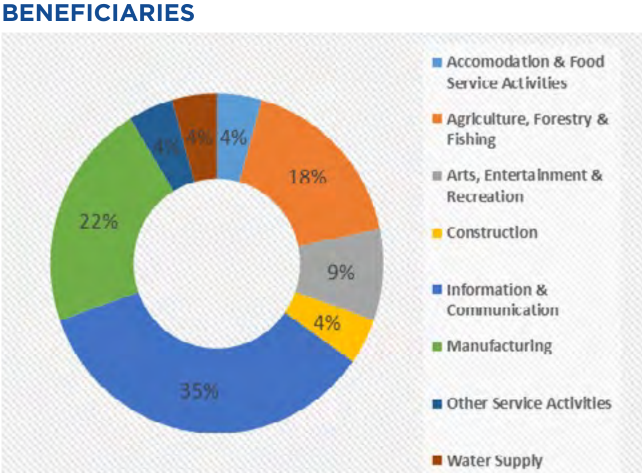


FIGURE 4: SUMMARY STATISTICS FOR IGNITE II

GRANTS APPROVED	$77,000,000.00
GRANTS DISBURSED	$72,289,950.02
EMPLOYMENT	301 JOBS
REVENUE	$717,525,001.92
EXPORT	$44,738,192.68

On March 17, the DBJ successfully hosted the close out of IGNITE II and officially launched IGNITE III. Operating in a pandemic environment, the event was hosted virtually, with the participation of Minister of Finance & the Public Service Dr. the Hon. Nigel Clarke, participating Business Service Intermediaries (BSIs) and the beneficiaries of IGNITE II.

Due to health protocols as a result of the COVID-19 pandemic, the 'close out' function was produced in multiple parts and aired via the DBJ YouTube and Facebook channels.

Milverton Reynolds, DBJ's Managing Director (3rd left) is joined by Christopher Brown (left), General Manager of the DBJ's Strategic Services Division, Kalilah Reynolds, Master of Ceremonies, and Gordon Swaby, CEO, EduFocal and top performing MSE under Ignite II.

Gordon Swaby, CEO, EduFocal, a beneficiary under IGNITE II, in discussion with Lu'Shana Francis Cheddesingh, DBJ's Manager of Capacity Development.

The entrepreneurs in IGNITE II have generated approximately $700 million in revenue which was more than three times the revenue generated before they entered the IGNITE programme.

At the closing event, special awards were presented in five categories as follows:

Category	Winner
Top Performer & Best in Class – Early Stage	EduFocal Limited
Top Revenue Earner	EduFocal Limited
Top Exporter	Adtelligent Limited
Best In Class – Seed Stage	DoorStep Jamaica
IGNITE Fan Fave	FarmLinkr & eDocine

Macs Pharmaceutical & Cosmetics 05 Limited, based in Old Harbour, St. Catherine, received a DBJ loan that allowed the company to acquire new equipment.

TOP PERFORMERS FOR IGNITE 2

EduFocal – Top Sales (Early Stage)

EduFocal is an online social learning community. The company is focused on using technology to enrich the learning experience outside of the classroom as well as to help ideate and innovate the way people move forward with technology in education. EduFocal's mission is to become the premier social learning platform in the Caribbean.

Revenue	Employment	Sector
↑ 953% in Revenue	↑ 733% in Employment	Information and Communication

ACF Amazing Concrete Finishes – 2nd Top Sales (Early Stage)

The Amazing Concrete Finishes Group Limited is in the decorative concrete business that transforms any regular concrete feature into a work of art, increasing the value of the space, enhancing the beauty and adding curb appeal. Services include Stamp Concrete, Textured Concrete, Stained Concrete, Polished Concrete, Waterfalls/Artificial Rocks and Epoxy flooring.

Revenue	Employment	Sector
↑ 430% in Revenue	↑ 275% in Employment	Construction

DOORSTEPJA.COM – Top Performer (Seed Stage)

Doorstep is solely focused on providing online delivery service that processes food and beverage orders. Delivery time ranges from 35 to 75 minutes. The company's vision is to promote convenience through their ordering platform for takeout with a focus on restaurant diners, grocery shoppers and guests at hotels.

Revenue	Employment	Sector
↑ 133% in Revenue	↑ 1413% in Employment	Accommodation and Food Service Activities

FarmLinkr – 2nd Top Performer (Seed Stage)

Farmlinkr provides both a product (sale of fresh produce) and a service (marketing platform for fresh produce such as fruits and vegetables). The company provides greater access to markets for farmers and a consistent supply for buyers.

Revenue	Employment	Sector
↑ 107,087% in Revenue	↑ from 0 to 2 in Employment	Agriculture, Forestry and Fishing

Based on the positive impact of the IGNITE programme, the DBJ was able to attract additional funding from its multilateral partner, the Inter-American Development Bank (IDB).

For IGNITE III, commencing July 2021, the value of the grants has been increased. Grants at the seed stage now range from $2.5 million to $3 million; and for the early stage, from $4 million to $7 million. Any business in operation for less than seven years with revenues under $75 million per annum may apply for an IGNITE grant.

4. MENTORS FOR INNOVATION & ENTREPRENEURSHIP PROGRAMME

The Mentors for Innovation & Entrepreneurship Programme (MIEP) is a legacy project of the Jamaica Venture Capital Programme and has been incorporated into the Boosting Innovation and Entrepreneurship Ecosystems (BIGEE) project.

MIEP, a part of the DBJ's efforts to address the "innovation-mentorship gap" in the local entrepreneurship ecosystem, is a technical business mentorship initiative launched in April 2020 immediately after the onset of the COVID-19 pandemic in Jamaica, and was developed under the 2nd Technical Cooperation Agreement that the DBJ signed with the IDB Lab.

Under MIEP, 12 high potential Jamaican start-ups are being supported with technical expertise and funding to remove product and business development roadblocks they had been facing in developing export-driven growth.

The year-long pilot started in April 2020 and has seen positive results with entrepreneurs reporting that they are more than three-quarters of the way towards achieving their project goals. Consideration is being given for a six-month extension up to October 2021, at which time a full assessment will be done on the effectiveness of the programme.

The DBJ's Board of Directors also approved the provision of $12 million in support to the MIEP participants, through a special Voucher for Technical Assistance programme that enabled each participating entrepreneur to access up to $1 million in funding to support the development of their ventures.

MIEP is being guided by a Mentorship Council that includes experienced tech entrepreneurs and international venture capitalists drawn from the Jamaican Diaspora, trained business advisors and a cadre of Programme Mentors who work directly with the entrepreneurs to remove pre-identified development issues.

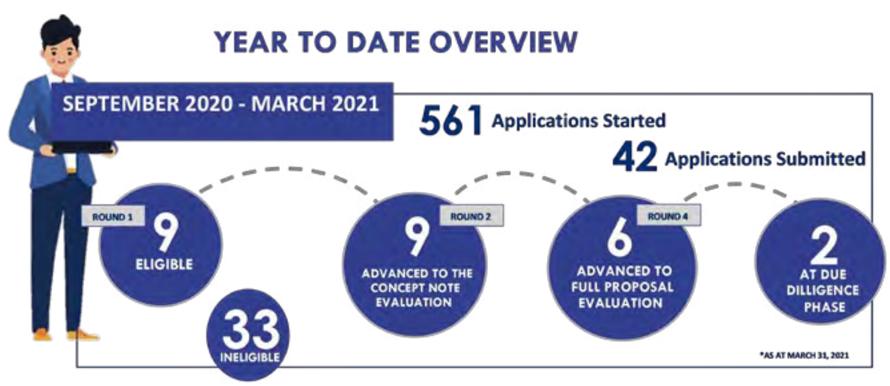
5. INNOVATION GRANT FUND

The Innovation Grant Fund (IGF), which falls under the BIGEE project, was launched in September 2020 and is expected to run for 12 months.

The IGF will provide grants of up to $14 million per entity and is geared toward supporting the development of new products and services, implementation of new business models and entry into new or an expansion of existing markets. It is expected that new employment will result from the growth of the companies financed by the Fund.

Applicants must be medium-sized businesses earning annual revenues of $75 million-$150 million, be registered and operating for more than five years. Evidence of an innovative project, an established management team and board of directors must be present/evident. Beneficiaries are expected to provide counterpart financing of 30% of the project cost.

At the end of the financial year, 42 completed applications were received through the web portal www.thinkbigee.com. Following a comprehensive and detailed evaluation by the Bank's external partners, two applications were approved for funding.



SUPPLY CHAIN DEVELOPMENT

1. JAMAICA BUSINESS FUND (JBF)

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

The JBF financing mechanism provides support directly to SMEs by funding a combination of supply chain learning, skills upgrading and productivity improvements. The main purpose of the JBF is to promote economic development through inclusive growth in high-potential supply chains. This will improve the productivity of SMEs in the supply chain and pass cost savings and increased output through to medium-sized and larger buyer (anchor) firms, and their downstream clients, thereby enhancing the competitiveness of exports and import-competing products.

The goal is to increase productivity within businesses causing an increase in exports and/or a reduction in imports through import substitution.

Since the inception of the Fund in May 2016 to the end of the 2020/21 Financial Year, it has facilitated $645.4 million in investments in 18 supply chain projects across the island.

Of the $645.4 million, the private sector has invested 37% or $236.5 million as their counterpart funds in these projects. These investments span across sectors and sub-sectors, with the agriculture sector benefitting the most from this initiative.

The beneficiaries of the Fund:

GRACE AGRO PROCESSORS

SPANISH GRAIN FOOD STORES LIMITED

JAMAICA COFFEE CORPORATION

B&D TRAWLING LIMITED

CARIBBEAN BROILERS GROUP

PERISHABLES JAMAICA LIMITED

JAMAICA STANDARD PRODUCTS

SANDALS FOUNDATION

MAVIS BANK COFFEE FACTORY LIMITED

COLLEGE OF AGRICULTURE, SCIENCE & EDUCATION

JAMAICA COCOA FARMERS ASSOCIATION

JAMAICA'S FINEST PRODUCE

SPUR TREE SPICES

UNICOMER JAMAICA LIMITED

The JBF key performance indicators:

NUMBER OF SMES RECEIVING TRAINING SUPPORT
371

NUMBER OF VALUE CHAINS BENEFITING
18

CO-INVESTMENT MADE BY SMES
US$1.89M

PROVIDING SUPPORT TO MSMES THROUGH PROJECT MANAGEMENT

1. PROJECT MANAGEMENT

Access to Finance Programme

The Access to Finance (A2F) programme represents collaboration among the Government, World Bank and Inter-American Development Bank with the DBJ being the implementing agency. Under the A2F programme, the DBJ was charged with the responsibility for the execution of two projects geared towards improving access to finance for micro, small and medium-sized enterprises. They were:

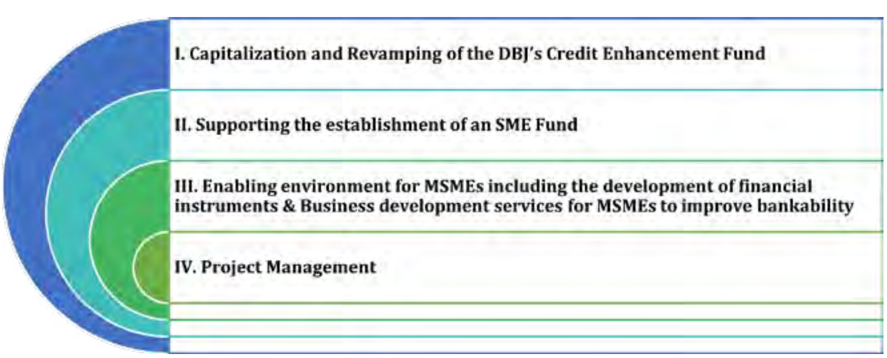
i. The World Bank-funded Access to Finance for MSMEs; and
ii. The Inter-American Development Bank-funded Credit Enhancement Facility for MSMEs.

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

World Bank - Access to Finance for MSMEs

THE WORLD BANK

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



Between January 2018 and March 2021, the following activities were completed:

Component 1

- **Development of a business plan, financial model, policies and procedures for the operations of the CEF fund as a portfolio scheme, and training.**

  The newly developed business plan and financial model recommended the CEF to operate as a new portfolio scheme utilizing a Portfolio Claims Cap.

  A Portfolio Claims Cap is the limit on the amount of loss the CEF will absorb and is in place to ensure a reduction in the incidence of moral hazard on part of the AFIs. The enhanced scheme was launched in November 2019; however, the CEF continued to operate prior to issue guarantees to MSMEs with the capital injection from the project.

- **US$1 million was injected for Financial Year 2020/21 which supported an increase in number of guarantees issued to MSMEs to 658. To date a total of US$3 million has been injected under the project.**

- **Completed the Implementation of a Software for AFI qualification and risk monitoring for the Risk unit at the DBJ**

A firm was selected to provide a Risk Enterprise Management Software System (REMSS) to the DBJ to automate the AFI qualification of financial institutions to access guarantees under the CEF as well other products offered by the DBJ. The Bank has now moved from a manual process of assessing 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 Bank will now be able to monitor more closely the risk ratings of the AFIs and track their financial performance.

Component 2

- **Completed an Assessment of the Taxation Regime for Private Equity and Venture Capital in Jamaica**

  A Demand and Supply Assessment for SME Fund Feasibility was conducted. The reports showed that there was a demand by SMEs in Jamaica for risk capital. Similarly, the Supply assessment showed that there were possible fund managers in the market locally and internationally to provide risk capital financing.

- **Completed Supply Assessment for SME Fund Feasibility (Fund to provide risk capital for SMEs in Jamaica)**

  The consultancy provided the Government of Jamaica (GOJ), through the DBJ Jamaica with an overall review on how the tax regimes for private equity and venture capital funds are typically designed (referencing best practices on a global basis) and provided recommendations for enhancements.

- **Completed a Review of the Legal and Regulatory Framework for Private Equity and Venture Capital in Jamaica**

  The consultancy provided the GOJ through the DBJ with a broad understanding of the legal and regulatory framework necessary for Private Equity and Venture Capital (PEVC) investments in Jamaica and to make recommendations on the legal/regulatory and institutional reforms that will be the catalyst to increase PEVC investments.

- **Established Working Groups for Legal, Regulatory and Taxation Reform for Private Equity and Venture Capital in Jamaica**

  The DBJ, in collaboration with the public and private sector:

  1. Reviewed the analyses and recommendations arising from the Taxation and Legal and Regulatory reports
  2. Provided further inputs to augment reports
  3. Identified key reforms which, when addressed, would remove impediments to private equity and venture capital transactions and allow the mobilization of capital for investments in, *inter alia,* innovative businesses, growth companies and infrastructure projects
  4. Provided recommendations to the portfolio minister(s) for approval

- **Completed the Selection of an SME Fund Manager to establish and manage an SME fund in Jamaica**

  Actus Partners Limited, a management consultancy firm focused on alternative private equity & venture capital solutions, based in London, England, was selected to establish and manage a new Small and Medium-sized Enterprises (SME) Fund, based in Jamaica. Actus Partners' team, which has more than 100 years of combined experience in global private equity, has established the Jamaica Actus Small & Medium Enterprises Fund I (JASMEF) which 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 Jamaica-based SMEs.

Component 3

- **Completed a Feasibility assessment for Reverse Factoring in Jamaica and the Development of a Reverse Factoring Product (Payables Financing).**

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

- **Completed the Implementation of a Reverse Factoring Platform**

  Supported by the findings of the consultancy and the consultant, the procurement process for a firm to provide Implementation Service for a Reverse Factoring Platform was completed in March 2020.

- **Completed an Assessment of the DBJ's Capacity Development Strategies Programmes**

  The Assessment involved a review of policy documents, internal procedural and operational manuals as well as databases maintained for client management. Interviews and surveys were undertaken of MSMEs and Service Providers involved in the Energy Audit Grant (EAG) programme, the Innovation Grant from New Ideas to Entrepreneurship (IGNITE) programme and the Voucher for Technical Assistance (VTA) Programme. Recommendations were provided to further enhance the programmes.

- **Completed the Procurement of a firm to develop a new Interactive technological platform for DBJ's Voucher for VTA Programme**

  Plusvalia Labs, a firm based in Uruguay, will design, supply, commission and test a custom solution by providing the necessary technical expertise that will ensure a rapid and efficient implementation of an Interactive Technological Platform for the DBJ. The implementation of the platform is expected to automate several processes in relation to the Voucher for Technical Assistance Program and is scheduled to be completed by December 2021.

- **Supported 161 MSMEs under the DBJ's Voucher for Technical Assistance Programme - by providing vouchers for technical services, business plans, financial statements etc.**

6. IDB - CREDIT ENHANCEMENT PROGRAMME FOR MSMES

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

Activities under this programme will include:

INJECTION OF CAPITAL into the CEF to increase the capital base of the fund

↓

ADMINISTRATION, external audit, monitoring and evaluation

↓

PROCUREMENT OF GRANTS for the procurement of an IT system that will improve the efficiency and effectiveness of the programme as it is scaled and supports more MSMEs

As at March 31, 2021, funding received under the IDB project supported an additional 427 guarantees to MSMEs totaling $2.3 billion and supporting loans totaling $4.98 billion.

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

7. BOOSTING INNOVATION, GROWTH AND ENTREPRENEURIAL ECOSYSTEMS (BIGEE)

During the year under review (2020/21), the DBJ was appointed executing agency for the Boosting Innovation Growth and Entrepreneurship Ecosystems (BIGEE) project, funded in the amount of $25 million by a loan from the Inter-American Development Bank (IDB) to the Ministry of Finance and the Public Service.

Under BIGEE, MSMEs will be supported for innovation, growth, patent development and commercialization, both at the individual and group level at all stages of the business lifecycle.

Additionally, business enablers and service providers, incubators, accelerators and tech transfer offices are to be strengthened, thereby providing MSMEs with more sophisticated services.

BIGEE is expected to provide benefits to thousands of micro, small and medium-sized enterprises across Jamaica.

The four main components to the project include:

- Component I: **Innovation & Growth for Established MSMEs**
- Component II: **Facilitating Innovation & Growth for Scalable Startups**
- Component III: **Facilitating Innovation & Growth for High Potential Startups**
- Component IV**: Project Management**

As the executing agency, the DBJ has established a Project Management Office that has been staffed by a team of experienced professionals and headed by a General Manager to marshal and ensure effective and seamless implementation of the various components of the programme. Work commenced during the period on a number of the projects falling under BIGEE.

COMPONENT I: INNOVATION & GROWTH FOR ESTABLISHED MSMEs

This component will include the establishment of a MSME Innovation window as a mechanism for supporting innovation and growth in existing firms. It will support value chain and clusters, patent development and commercialization, and provide capacity to provide Technological Extension Services to MSMEs.

During the Financial Year 2020/21, the following activities have been undertaken:

- The Innovation Grant Fund (IGF) was launched in September 2020. The Fund will provide grants of up to $14 million per entity and is geared toward supporting the development of new products and services, implementation of new business models and entry into new or, an expansion of, existing markets.
- The Bank introduced its ***Go-Digital Voucher initiative***, with the aim of promoting the adoption of technology among MSEs, by providing vouchers that are redeemable at IT Business Development Organisation (IT BDO). The ***Go Digital*** vouchers enable MSEs to transform their business operations electronically during the COVID-19 pandemic.

COMPONENT II: FACILITATING INNOVATION & GROWTH FOR SCALABLE STARTUPS

This component includes activities to stimulate Deal Flow; support the accelerating infrastructure for scalable startups, and facilitating Access to Equity for scalable startups; the capitalization or creation of a Venture Capital Fund as well as a Sidecar Angel Investment Fund

During the Financial Year 2020/21 the following activities have been under way:

- **Sidecar Fund -** The DBJ has been designing a product that will partner with Angel Investors (individual angel investors, groups of angel investors or angel investor networks), to co-invest to support innovation-based, scalable Jamaican start-ups. The DBJ, through the BIGEE programme, will commit US$1.5 million to the Sidecar Fund, and will match up to US$50,000 in each selected angel investment. The objectives of the Sidecar Fund are:
    - Increase patient investment in Jamaican start-ups
    - Boost angel investor activity
    - Reduce the funding gap for high potential Jamaican start-ups
    - Provide start-ups with access to long-term (up to 5 years) patient capital

COMPONENT III: FACILITATING INNOVATION & GROWTH FOR HIGH POTENTIAL STARTUPS

This component supports Jamaica's capacity to provide technology transfer services, incubator support services, boost entrepreneurial skills and provide support to dynamic entrepreneurs, as well as investments to help develop an entrepreneurial mindset and culture.

During the Financial Year 2020/21, the following activities have been underway:

- **Technology Transfer Programme** - The nation's innovation pipeline will be strengthened by the establishment of a technology transfer programme developed by the DBJ, that will see Jamaica's primarily university-based scientific researchers getting help with international patenting and registration of their "market-ready" discoveries, in order to earn revenue from getting them sold or licensed. The process will see the development of a technology transfer office, with the high expenses associated with such a venture being offset by what is likely to be a system of shared resources among local universities and funded mainly by the DBJ. A team of consultants is currently compiling a registry of discoveries by Jamaican academic and other scientists for listing on international platforms dedicated to the licensing or sale of commercializable research.

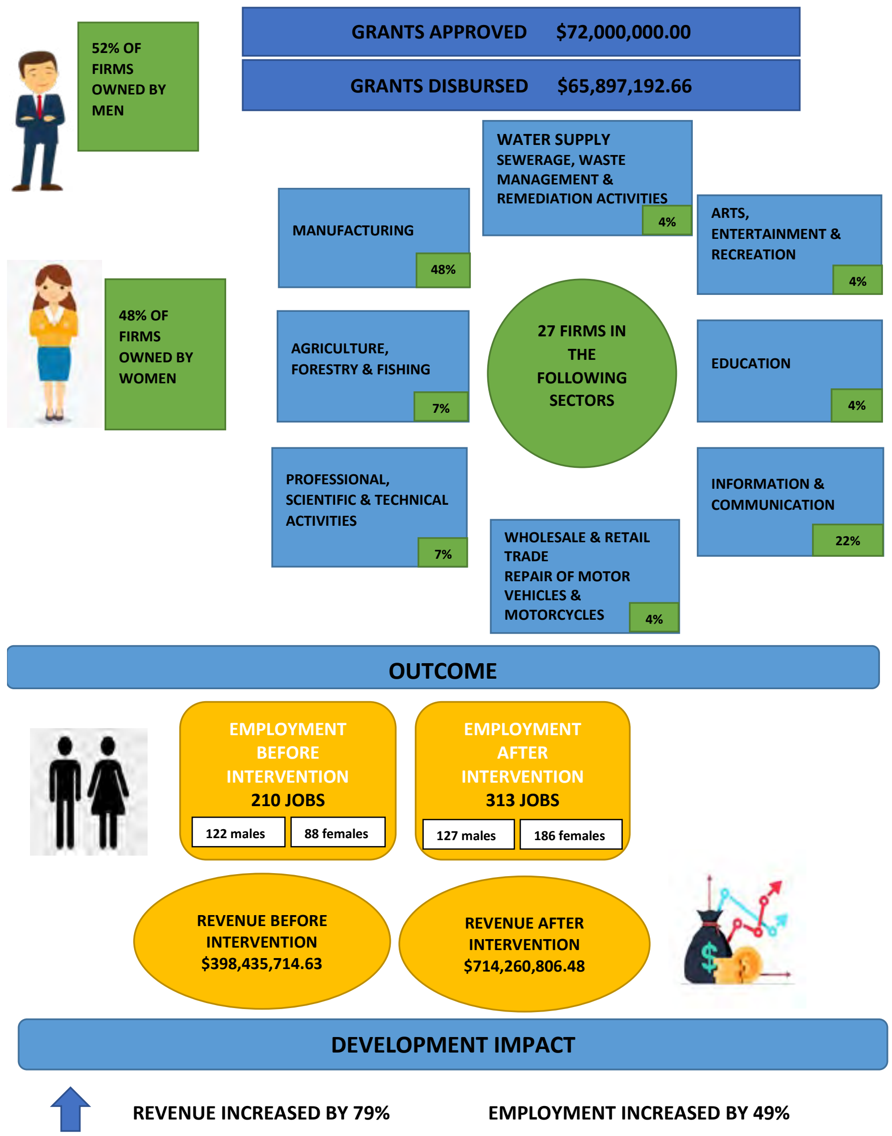
MONITORING & EVALUATION - DBJ'S IMPACT ASSESSMENT

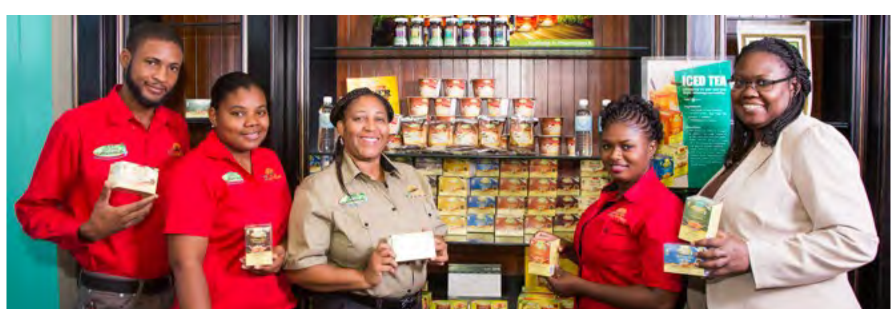
INNOVATION GRANT FROM NEW IDEAS TO ENTREPRENEURSHIP (IGNITE) PROGRAMME – COHORT 1

The IGNITE pilot programme was approved by the Board of Directors in May 2015 to undertake initiatives, and issue grants to MSMEs with innovative business models requiring financing to boost their operations.

The programme was launched in July 2015 with a budget of $72 million to support 27 projects from ideas to entrepreneurship over the period July 2016-June 2018. Memorandums of Understandings were signed on October 21, 2015, with three Business Service Intermediaries (BSIs).

The selected BSIs partnered with the DBJ to shortlist the innovative projects for evaluation, channel the funds to the selected entrepreneurs, and monitor the operations of the grant recipients. The three BSIs selected were Jamaica Business Development Corporation; Jamaica Manufacturers Association; and Branson Centre of Entrepreneurship - Caribbean.





Staff at the EHF Group display samples of the nutraceutical products that are manufactured at its Eden Garden Wellness and Lifestyle Limited location in St. Andrew. The EHF Group received DBJ support for working capital.

TOP PERFORMERS FOR IGNITE 1

Top Sales (Early Stage)

ListenMi Caribbean Limited is an award-winning Animation and Design Studio for culturally-inspired products. They make animations, apps and games, as well as help brands attract their tribe through amazing storytelling and brilliant design. They comprise of artists who are driven to excite audiences and inspire young creatives. They are committed to strengthening the creative community, while solving real problems by design. They are experts in ideation, illustration, animation and sound design.

Revenue	Employment	Sector
⬆ 4274% in Revenue	⬇ 33% in Employment	Information And Communi-cation

2nd Top Sales (Early Stage)

Complete Nutrition Care Diet Centre (CNC) prepares and packages healthy meals with low calories. The nutritious meals are prepared in the correct portions with less oil and salt so as to make it as healthy as possible without being bland. CNC provides one-on-one consultation health sessions and coaching. This keeps the clients motivated and is always accessible to them.

Revenue	Employment	Sector
⬆ 346% in Revenue	No % change in employment	Wholesale And Retail Trade

A Top Performer (Seed Stage)

Ingenuity Technologies is a Digital Transformation and Software Engineering firm that partners with medium to large organizations to help them increase efficiency and productivity, reduce operational costs, and increase net profits through digitization and automation.

Revenue	Employment	Sector
⬆ 334% in Revenue	⬆ 228% in Employment	Information And Communication

A Top Performer (Seed Stage)

IRIE ROCK is a natural cosmetic company that provides healthy natural skincare solutions. Irie Rock's products feature active ingredients that are carefully selected from nature in its purest form, which include plant extracts, vitamins, and natural pharmaceutical-based ingredients. These ingredients are uniquely formulated to deliver the most effective skin care solutions. Our products consist of Cleansers, Toners, Moisturizer, Exfoliants, Masques, and Oils for both the face and body, that treat skin conditions ranging from Acne, Hyperpigmentation and Eczema for oily, normal, dry and sensitive skin types.

Revenue	Employment	Sector
⬆ 296% in Revenue	⬆ 280% in Employment	Manufacturing

INNOVATION GRANT FROM NEW IDEAS TO ENTREPRENEURSHIP (IGNITE) PROGRAMME – COHORT 2

The Innovation Grant from New Ideas to Entrepreneurship (IGNITE) programme continued its execution through another round which began in July 2018. Additional businesses were selected for support and new Business Services Intermediaries (BSIs) came on board. The BSIs included Jamaica Business Development Corporation; Jamaica Manufacturers Association; Sisters' Ink; Technology Innovation Centre and Branson Centre of Entrepreneurship - Caribbean. 23 businesses were selected of which 10 were in the Seed Stage and 13 were in the Early Stage of the business lifecycle.

GRANTS APPROVED $77,000,000.00

GRANTS DISBURSED $72,289,950.02

57% OF FIRMS OWNED BY MEN

43% OF FIRMS OWNED BY WOMEN

23 FIRMS IN THE FOLLOWING SECTORS

WATER SUPPLY SEWERAGE, WASTE MANAGEMENT & REMEDIATION ACTIVITIES	4%
CONSTRUCTION	4%
ARTS, ENTERTAINMENT & RECREATION	9%
AGRICULTURE, FORESTRY & FISHING	18%
MANUFACTURING	22%
OTHER SERVICE ACTIVITIES	4%
INFORMATION & COMMUNICATION	35%
ACCOMODATION & FOOD SERVICE ACTIVITIES	4%

OUTCOME

EMPLOYMENT BEFORE INTERVENTION 66 JOBS

EMPLOYMENT AFTER INTERVENTION 301 JOBS

EXPORT

BEFORE INTERVENTION $10,841,586.00

AFTER INTERVENTION $44,738,192.68

REVENUE BEFORE INTERVENTION $209,093,746.53

REVENUE AFTER INTERVENTION $717,525,001.92

DEVELOPMENT IMPACT

REVENUE INCREASED BY 243%

EXPORT INCREASED BY 313%

EMPLOYMENT INCREASED BY 356%

A total of $82 million was approved for these projects with the businesses awarded grants of either $2.5 million or $4.0 million towards implementation of innovative business products, processes or models that support their growth.

Copy Creations and Technology, a full-service document centre located in Kingston, received a DBJ loan for working capital and allowed the company to purchase new machinery and expand employment.

FOUNDATIONS FOR COMPETITIVENESS & GROWTH LINE OF CREDIT (FUNDED BY THE WORLD BANK)

As a policy response to the MSME finance gap, the World Bank provided loans to financial intermediaries, mainly those specializing in lending to MSMEs, which then on-lend to these enterprises. In the case of Jamaica, the Line Of Credit (LOC) was one component of the Foundations for Competitiveness and Growth project which is geared towards enhancing competition in the business environment. The Line of Credit (LOC), which is assessed below was funded by the World Bank and distributed by the DBJ through Approved Financial Institutions (AFIs). Specifically, through 8 eligible commercial banks, however, only made loans from the LOC between 2015 and 2020.

DEVELOPMENT INPUT

DBJ LOAN ALLOCATION
$2,555,751,745.27

OUTPUT

INVESTMENT $5,586,624,865.39

LOANS APPROVED $2,015,257,745.27

OUTCOME

VALUE OF LOANS

SECTOR	FREQUENCY	
Agriculture	17	$618,236,000.00
Agro-processing	1	$10,000,000.00
Construction	6	$70,800,000.00
Manufacturing	15	$215,452,948.00
Mining/Quarry	1	$20,000,000.00
Service	66	$987,517,978.27
Tourism	5	$93,250,819.00

DEVELOPMENT IMPACT

OVERALL IMPACT FOR MSMES

- 71% Expanded production
- 55% Increased sales
- 41% Increased employment

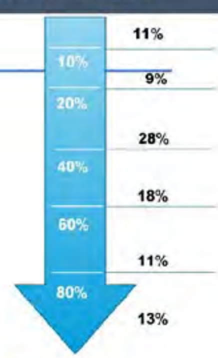
EMPLOYMENT BEFORE	2,057
EMPLOYMENT AFTER	2,686

EMPLOYMENT INCREASED BY 31%

COVID-19 IMPACT ON FCGP LINE OF CREDIT

NO DECLINE IN SALES FOR MSMEs 11%

DECLINE IN SALES



MSMEs OPERATING FULL TIME	74%
MSMEs OPERATING PART TIME	21%
MSMEs CLOSED	5%

LOAN PAYMENTS ON TIME	55%
DEFERRED WITH APPROVAL	34%
DEFERRED WITHOUT APPROVAL	21%

JAMAICA VENTURE CAPITAL PROGRAMME (JVCAPITAL)

The Financial Year 2020/21 represented the final year of the Technical Cooperation Agreement signed between the DBJ and the IDB Lab in 2016, to support the development of an early stage and entrepreneurial ecosystem for Jamaica.

Jamaica's early stage and entrepreneurial ecosystems are on an upward trajectory evidenced by the plethora of entrepreneurial activities and funding agencies that have evolved over the past few years. The ecosystem has been very active with new players emerging, and existing investment houses announcing new and exciting deals. This was further enhanced by the Ministry of Finance & the Public Service placing strong focus on SME funds and entrepreneurship development as a direct strategy to kick-start and grow the economy as a response to the COVID-19 pandemic.

Key achievements of the project include its catalytic impact in the mobilization of private capital funds (private equity, mezzanine and venture capital funds) throughout the region as well as the thousands of entrepreneurs, investors and other stakeholders trained investing in or accessing capital in what is now a rapidly expanding and increasingly visible alternative investment industry.

FUNDING SOURCES

2020-21 ACTIVITIES

This past fiscal year, JVCapital, like many other projects and businesses, was impacted by COVID-19, which upended many programmes planned and forced the team to pivot its activities from face-to-face, to virtual. Activities successfully completed virtually included:

- **WEBINAR SERIES**

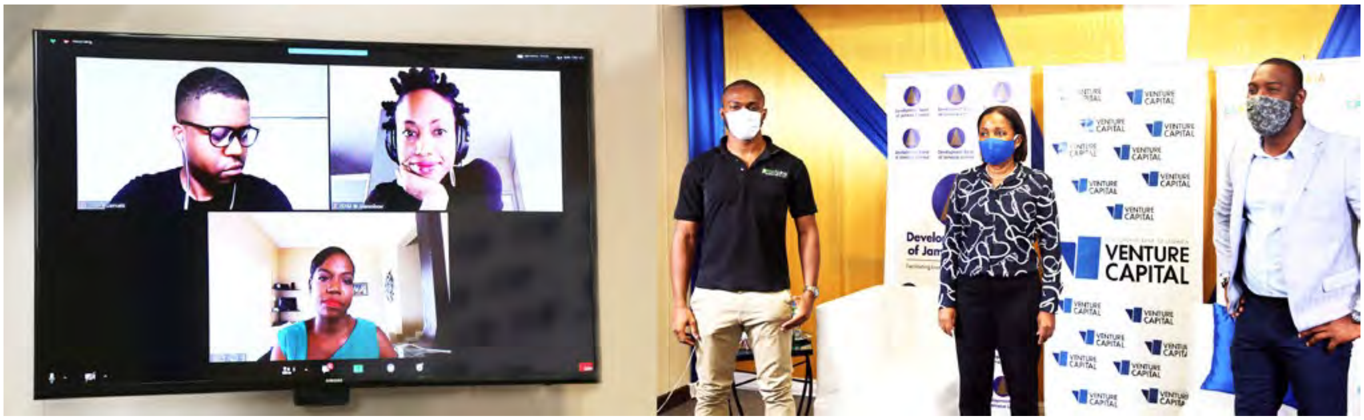
This included a series of seven webinars under the theme – *Building the Economy: with funding through Alternative Investments*, and executed in collaboration with the Caribbean Alternative Investment Association (www.caraia.org)

***Private Credit: Tailored alternatives - Mezzanine, Subordinated Debt, Inventory Financing, Preferred Shares, Profit Sharing Notes** – (L-R) Nicholas Scott, CEO, Eppley Limited, Berisford Grey, CEO, Sygnus Capital Investments; Reynaldo Thompson, Research Analyst, Sagicor Investments; and Kareem Tomlinson, General Manager, JMMB Securities Limited.*

Topics covered were:

- **Entrepreneurs**: Why you need equity financing now and how to get it
- **Private Credit:** Tailored alternatives – mezzanine, subordinated debt, inventory financing, preferred shares, profit sharing notes
- **The Role of Private Equity** as a financing tool for infrastructure development

- **Venture Capital** - Why is it called patient financing, how relevant is it, and why does it matter
- **Insolvency Legislation:** For businesses facing severe impact as a result of COVID-19, will these laws provide them with the breathing space to be restructured and rescued
- **Jamaican Innovators & Tech Entrepreneurs:** Shining light on the future
- The **Jamaican Economy:** The way forward for Alternative Investments, Boosting Innovation, Growth, and Entrepreneurship Ecosystems.



Jamaican Tech Entrepreneurs shine the light on the future *(l-R) on screen - Dwayne Samuels, Founder, Samelogic, Kenis Mattis, CEO, ListenMi, Stacey Hines (moderator), President, Jamaica Computer Society/Jamaica Technology & Digital Alliance, Yekini Wallen Bryan, Founder, PreeLabs, Audrey Richards, Project Coordinator, JVCapital, and Dwight Scott, Founder, Orba Technologies.*

The JVCapital team was joined by our partners in the private and public sectors, to present the webinars. Feedback from the participants was most encouraging, and the events received wide coverage in the print and social media.

- ## ENTREPRENEURSHIP & INNOVATION DEVELOPMENT

Investment Readiness Workshops

Twenty-four founders of high-potential, innovation-based start-ups successfully completed the 9th Cohort of Investment Readiness Workshops (IRW) organized by Biz Tactics, in partnership with JVCapital.

KNOWLEDGE DEVELOPMENT & TRANSFER OF KNOWLEDGE

385

Market stakeholders trained in Executive Training Programmes, Seminars & Workshops

Following a public relations campaign, 56 founders registered for the IRW. After intense filtering, 24 entrepreneurs were selected to participate in the workshop held in July 2020. With the onset of the COVID-19 pandemic, the method of delivery was changed from in-person, over two weekends, to a 45-hour, twice weekly, online programme, running from July 21 to September 16. Five participants were selected for special pitch coaching sessions to be prepared to pitch to angel investors.

All the participants expressed satisfaction with the programme and gave it high ratings. Over the three years of the JVCapital/Biz Tactics partnership, eight founders have pitched to the FirstAngelsJA network, and four of them received investments amounting to J$76.4 million, with an average equity stake of 28%. With this 9th workshop in the series, a total of 121 founders would have been prepared for pitching to private investors, as a result of JVCapital's intervention.

National Business Model Competition

For the second consecutive year (2019/20 and 2020/21), JVCapital had to cancel the hosting of the National Business Model Competition (NBMC).

NBMC
NATIONAL · BUSINESS · MODEL · COMPETITION
J A M A I C A
Entrepreneurship•Innovation•Wealth•Creation

At the start of the planning period all universities had reaffirmed their commitment to fielding teams to the NBMC. However, as the effects of the pandemic continued to affect the Jamaican economy and the challenges faced by some students - such as studying remotely, lack of adequate broadband service, and lack of equipment - it was the decision of the Steering Committee that the 2020-21 NBMC be cancelled. It should be noted also that the Utah-based International Business Model Competition (IBMC) was also cancelled.

Mentors for Innovation and Entrepreneurship Programme

The Mentors for Innovation and Entrepreneurship Programme (MIEP) was launched during the year, as a pilot project, with 12 entrepreneurs being paired with business advisors and with access to local mentors. These mentors, in turn, were guided by international mentors, many of whom were members of the Jamaican Diaspora.

Since its launch, as a result of challenges in the virtual environment, the MIEP administrators have made adjustments to the programme, based on feedback from participants. The incremental improvements are aimed at ensuring that the entrepreneurs remain focused on their business development goals under the programme, that a greater number of mentors are more engaged in their mentoring relationships, and that the earmarked funding of up to $1M, for each entrepreneur, is disbursed appropriately, on a timely basis, with expedited paperwork.

The administration of the MIEP was transferred to the BIGEE Programme in February, and the DBJ team will continue to maintain close contact, on a monthly basis, with each entrepreneur, mentor and advisor, to ensure the smooth progress towards the achievement of MIEP's goals.

The outcomes from this pilot project will be evaluated in the new fiscal year, to determine the next steps and long-term mentorship activities to be facilitated, including defining the respective roles of the DBJ and private sector stakeholders.

• FUND INVESTMENTS

A key objective of the JVCapital programme was to be a catalyst for, and an anchor investment in, new private capital funds. Through training, capacity building and engagement of local, regional and international stakeholders, the market for alternative investment funds was established and, since 2016, the DBJ has invested in several funds noted below:

Caribbean Mezzanine Fund (CMF I)

At the annual general meeting of Caribbean Mezzanine Fund (CMF I) on August 27, 2020, the co-managers of the Fund, Eppley Limited & NCB Capital Markets, requested shareholders to pass a special resolution to launch a new fund, Caribbean Mezzanine Fund II (CMF II), to build on CMF I's successful track record and take advantage of prevailing market opportunities. CMF I deployed US$15.95 million of committed capital in line with their investment strategy, two years ahead of schedule, and achieved its targeted returns.

The co-managers pointed to an opportunity to continue to grow the Fund beyond the current US$15.95 million of committed capital. A strong track record had been created for CMF I and, the co-managers who were also significant investors in the fund, indicated their intention to continue being investors in CMF II, thereby affirming their commitment to providing financing solutions to investee companies and creating investment opportunities for investors seeking attractive risk-adjusted returns with downside protection.

CMF I had a finite life of 10 years with approximately seven years remaining. The DBJ will continue to benefit from the returns generated by the existing CMF I portfolio, which has eight investments, with six having clear amortization schedules and, similarly, the other two equity investments have fixed contractual monthly payments and are reflected at fair value in the company's audited financial statements. The DBJ received US$188,000 in dividends which equates to an 8% cash return since inception.

The transfer of CMF I's assets to the CMF II, which is itself a segregated cell of Stratus Alternative Funds SCC ("CMF II"), was completed on March 4, 2021. CMF II was established as a permanent capital structure, in order to invest in broader range of assets with longer duration.

Mezzanine investing requires flexible, adaptive risk capital to offer innovative financing solutions to clients. Furthermore, a permanent structure means that the co-managers will not be compelled to dispose of investments that are performing well due to the constraint imposed by the Fund's limited 10-year term.

[1]Stratus Alternative Funds SCC (Stratus) was incorporated in July 2020 as a segregated cell company under the provisions of the Barbados Companies Act. It was created to provide a superstructure to facilitate the establishment of a variety of alternative funds for investments in the Caribbean region and Central America. The objective of the Company is to provide above average returns by making non-traditional types of investments more accessible for institutional and retail investors across the range of risk spectrum.

MPC CARIBBEAN CLEAN ENERGY

MPC Caribbean Clean Energy Fund (MPC CCEF)

MPC Caribbean Clean Energy Limited (a Barbados domiciled company, publicly listed in Jamaica and Trinidad), was incorporated in November 2017 as a special purpose vehicle to facilitate investments from the region into MPC Caribbean Clean Energy Fund LLC (the Fund).

The Company is part of a 'master-feeder' structure whereby it invests substantially all its assets in the Fund, a limited liability company incorporated under the laws of the Cayman Islands. The investment objective of the Fund is to generate attractive risk-adjusted returns with an emphasis on capital appreciation and generating stable cash yields, through investments primarily in solar PV and wind farm assets in the Caribbean. The current size of the Fund is approximately US$35 million.

In December 2020, the Fund acquired a 6.4 MWp solar park in San Isidro, El Salvador. The acquisition of San Isidro underlines MPC CCEF's strategic goal of growing the portfolio of wind and solar parks organically. San Isidro Solar Park is MPC's third investment in Central America and the Caribbean, after Tilawind, a 21 MW operating wind farm in Costa Rica, and Paradise Park, a 51 MWp solar PV park in Jamaica, which started energy production mid-2019.

PORTLAND JSX LIMITED

Portland JSX Limited

Portland Caribbean Fund II has completed its investment phase with 10 Caribbean-based companies in its portfolio. DBJ is an investor in Portland JSX Limited, which is a limited partner in Portland Caribbean Fund II. The Fund is focused on private businesses throughout the Caribbean, Central America, and Colombia, and is now in its operational cycle, where it will focus on driving value from its investments.

The Fund's portfolio of 10 quality businesses, are diversified geographically and across sectors. The portfolio includes smaller, higher growth younger businesses as well as mature industry leaders. The Fund is optimistic that the hard work and effort that the management of these businesses has expended to date has positioned the businesses for acceleration of growth of profit and shareholder value. For the financial year ending February 2021, Portland JSX made a profit of US$2.116 million, up from US$1.186 million in the previous period.

SEAF

SEAF Caribbean SME Growth Fund

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

The Fund had secured over US$25 million in its first close, in October 2019, and is ultimately targeting US$100 million. As of March 31, 2021, the Fund has raised US$47 million from local and international investors. As with all of SEAF's globally managed funds, the Caribbean fund aims to generate both attractive financial returns and a strong social impact by providing equity and active business partnership to companies that have traditionally lacked access to institutional risk capital. The Fund will enhance the returns on growth capital by complementing it with strategic planning, post-investment support and accessing SEAF's global network.

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

SYGNUS CREDIT INVESTMENTS

Sygnus Credit Investment (SCI)

Sygnus Credit Investments Limited (SCI) is the largest publicly listed specialty private credit investment company in the Caribbean, with total assets of US$61 million.

SCI successfully raised US$36 million in equity capital during its first year of operation and provides alternative financing to middle-market businesses across the Caribbean region. These portfolio companies typically have revenues of between US$5 million and US$25 million. The investment objective of SCI is to generate attractive risk-adjusted returns with an emphasis on principal protection, by generating current income, through investments primarily in portfolio companies using private credit instruments.

SCI successfully raised an estimated US$27.1 million in its additional public offering (APO) in December 2020. Through this APO, SCI plans to use the funds to repay a bridge loan of US$10 million as well as fund its current pipeline of investments. The increase in equity allows the company to maintain a low debt to equity ratio, and greater flexibility in the use of debt in the future. SCI has performed well in the market following its listing on the Jamaica Stock Exchange in 2018.

Panelists for the session on ***The Jamaican Economy: The way forward for Alternative Investments, Boosting Innovation, Growth, and Entrepreneurship Ecosystems.*** L-R Edison Galbraith, General Manager, Loan Origination & Portfolio Management; Christopher Williams (on screen), Chairman, CARAIA; Audrey Richards, Project Coordinator, JVCapital; Christopher Brown, General Manager, Strategic Services; and Al Edwards, Moderator of the session.

Given the growing demand for equity capital by medium-sized firms across various industries, Sygnus has launched Sygnus Deneb Limited, a private equity investment company.

Sygnus Deneb Investments Limited is a private equity investment company focusing on investing growth capital and buyout capital primarily into medium-sized firms in the Caribbean region. Sygnus Deneb intends to increase accessibility to equity capital and execute on a wide cross-section of investment opportunities in key industries such as distribution, financial services, energy, consumer goods and manufacturing. The target fund-raising of the company is US$100 million.

- **LEGACY PROJECTS**

In keeping with our commitment, under the Technical Cooperation Agreement with the IDB Lab, the JVCapital Project produced several knowledge documents to share our successful experiences with local and regional stakeholders. These include the ***JVCAPITAL Toolkit & Documentary*** and the ***NBMC Research & Case Study***.

The JVCapital legacy is reflected in the significant and sustainable development of the private capital/alternative investment market in Jamaica as well as the catalytic effect it has had on early stage and entrepreneurial ecosystem.

The activities commenced under JVCapital have now been expanded and embedded in:

a. *Caribbean Alternative Investment Association* (www.caraia.org) which was established by the JVCapital programme, in November 2019. CARAIA is a non-profit association based in Jamaica, but open to membership from other regional entities as well as international stakeholders with an interest in the Caribbean.

The organization is overseen by a well-recognized and highly respected Board of Directors and counts, among its founding member base, 16 of Jamaica's and the Caribbean's leading corporate and institutional stakeholders *(see logos below)*, in addition to the members from the leading angel investor network in the Caribbean, a Jamaican university, and members from Guyana and Trinidad and Tobago.

Going forward, CARAIA will seek to represent the collective interests of the region and will assume the JVCapital functions of training and capacity building of private capital industry stakeholders through the hosting of conferences, seminars and workshops, aimed at ensuring the development of high levels of expertise in the industry and the adoption of international best practices.

The association will be an advocate for legislative and regulatory changes within the region to ensure seamless and effective cross-border transactions. Additionally, it aims to increase the visibility of the Caribbean region on global investment 'maps' through key initiatives including data collection and disseminating analytics on regional private capital transactions.

CARAIA's FOUNDING MEMBERS

b. Transition of Projects to BIGEE

Several of the projects started and implemented by the JVCapital have been transferred to BIGEE. These include all entrepreneurial activities including the Mentorship Programme, the NBMC, and the series of Investment Readiness Workshops.

All of this will position Jamaica to continue its improvement on the Global Entrepreneurial Monitor as too other international benchmarks, including the metrics previously represented through the LAVCA Scorecard (www.lavca.org).

c. New Fund Investments

As noted above, the DBJ's investments in funds has totalled some US$4.25 million, since 2016. The managers of these funds have, in turn, raised some US$390 million in private capital for investment in Jamaica and the region.

Based on new initiatives already in the pipeline, in particular SME and venture capital funds (through the BIGEE and Access to Finance projects) as well as funding announced by the Minister of Finance, the DBJ within the next 18 months could oversee further commitments of some US$24.5 million in private capital funds. It is anticipated that these funds, in turn, could attract new private capital well in excess of US$150 million, for investment in businesses in Jamaica and the region.

This source of alternative investments would provide the patient and innovative funding necessary to drive sustainable economic activity.

PUBLIC-PRIVATE PARTNERSHIPS AND PRIVATISATION (P4)

PERFORMANCE HIGHLIGHTS

Despite the negative impact and challenges of the COVID-19 pandemic, the Public-Private Partnerships and Privatisation (P4) portfolio, managed by the DBJ, performed well during the 2020/21 Financial Year. While some transactions were delayed or terminated, several transactions progressed as expected and one transaction achieved commercial close.

Total investments supported by the P4 Programme was approximately $11 billion and total revenue to the Government of Jamaica was $5.089 billion from asset sales and concession fees.

As at year end, the P4 portfolio consisted of twenty-four (24) projects spanning nine (9) sectors, utilising a variety of modalities to facilitate private investments. The majority of the projects were in the business case development stage with various feasibilities in progress.

During the 2020/21 Financial Year:

- The German Ship Repair Jamaica (GSRJ) Project achieved commercial close
- Cabinet approved the final terms of the Energy Savings Performance Contract for the School Solar Energy and Efficiency PPP for execution with preferred bidder
- Preferred purchasers were identified for Silver Sands lots; and
- Cabinet approved an Enterprise Team to commence the privatisation of lots in the Greater Bernard Lodge Development.

The DBJ continued its policy development work to introduce and implement new modalities and process efficiency measures. Consultations on the Cabinet submission seeking approval of the recommended policy revisions were still ongoing as at year end. Additional updates to the PPP Policy incorporating Climate Resiliency and disaster risk insurance were also being developed.

During the period of review, eight virtual capacity building and programme promotion events were held. Four sessions trained 73 Government officials on a wide range of topics related to P4 project development and members of the DBJ participated in four online conferences. Of note, in December 2020, 25 Government officials inclusive of team-members from the DBJ and MoFPS PPP Units successfully attained the *APMG Public Private Partnerships Professional Programme Level 1 Certification* through funding from the Inter-American Development Bank.

ACHIEVEMENTS

Major achievements during the period under review included:

- Commercial Close of the German Ship Repair Jamaica Limited Project;
- Seven (7) purchasers identified for Silver Sands Estates properties
- Cabinet approval of the final terms for the School Solar Energy & Efficiency PPP;
- APMG Level 1 PPP Certification for 25 GOJ PPP practitioners;
- Cabinet approved the Water Purchase Agreement (WPA) between National Water Commission and the private sector for the Rio Cobre Water Treatment Plant PPP Project.

The P4 Division continued to proactively pursue Programme sustainability by identifying diverse sources of funding to support capacity-building efforts, project preparation and transaction execution. In this regard, disbursements continued from the World Bank-funded Project Preparation Facility (PPF), the Divestment Escrow Account (DEA) and grant funding was identified to support technical studies for specific transactions.

PERFORMANCE METRICS

INVESTMENTS FACILITATED

$11B

DBJ supported P4 transactions resulted in approximately **$11 billion** in total investments (sales proceeds and projected investments) during Financial Year 2020/21, achieving the revised target of $11 billion. Investments primarily included on-going contributions from the Kingston Container Terminal (KCT) and the Norman Manley International Airport (NMIA) Concessions as well as investments proceeds projected from the German Ship Repair Jamaica transaction.

REVENUES FROM P4 TRANSACTIONS

$5.089B

The on-going concessions generated **$5.089 billion** in revenues for the Government during the financial year, realizing the $5 billion target. This included revenues from the concession fees from KCT and NMIA PPPs.

GRANT FUNDING

USD $816K

During the Financial Year 2020/21, **US$816,000** in grant funding was received from the Inter-American Development Bank (IDB). Approximately US$800,000 was earmarked to fund several studies in respect of the Solid Waste Management PPP Transaction; and US$16,000 supported the engagement of PPP practitioners to train twenty-five (25) Government officials in the APMG Public-Private Partnerships Certification Programme. The target of one grant funding support was exceeded.

POLICY REVIEW AND DEVELOPMENT

Policy advocacy remains an important activity for the P4 Division. P4 achieved its target of submitting one policy recommendation to the relevant Ministries, Departments and Agencies (MDAs). The draft annual P4 Programme strategy document and an updated programme funding model were submitted to Ministry of Economic Growth and Job Creation and Ministry of Finance and the Public Service for consideration. While Cabinet approval for the revised Privatisation Policy was anticipated within the financial year, as at year-end it was being reviewed in the Cabinet Submission consultation process.

FUNCTIONS OF THE P4 DIVISION

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

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

Transaction Management & Project Development

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

Programme Monitoring & Evaluation

- *Strategic Oversight Post Transaction*
- *Evaluation of Programme Developments*

Capacity Building & Policy Development

- *Update Policy Manuals and Standard Operating Procedures to reflect good practice*
- *Training and Conferences*

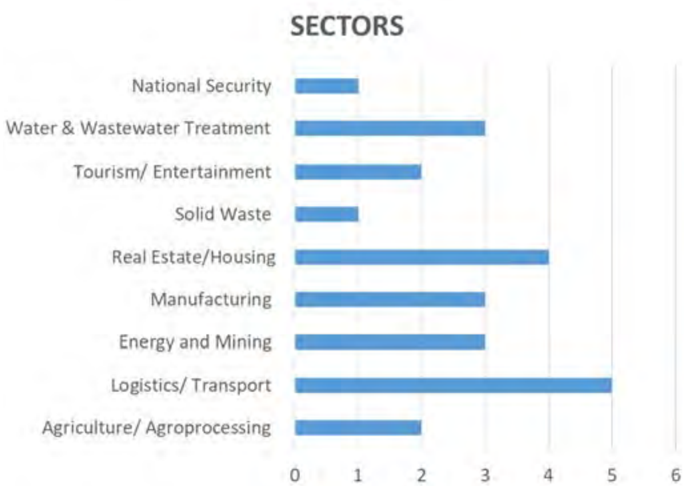
Identification & Management of Funding for Programme

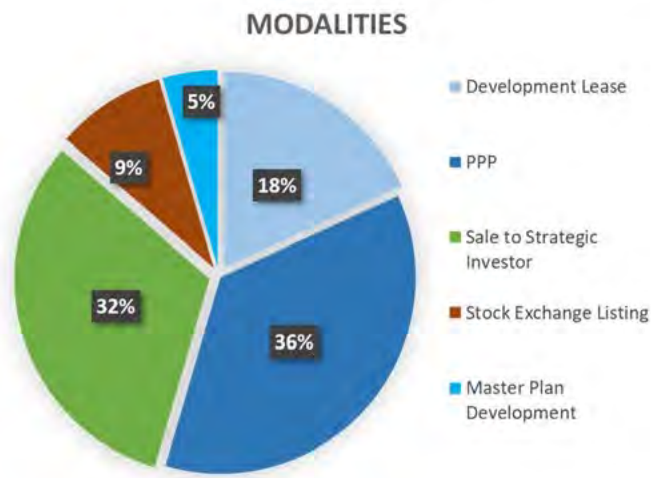
- *Privatisation Agency Sustainability*
- *Project Preparation Costs*
- *Overall Programme Execution (capacity building, technical assistance)*

TRANSACTION MANAGEMENT AND EXECUTION

SUMMARY PORTFOLIO STATISTICS AND TRANSACTION HIGHLIGHTS

There were 24 projects in the P4 portfolio across nine sectors. More than a third of the portfolio projects were in the logistics/transport and the real estate/housing, sectors.





Of the five modalities being used to facilitate private investment, PPPs and sale to a strategic investor remain the primary mechanisms, stock exchange listings and development leases are increasingly being used and sales under master-planned developments modality was introduced this financial year with the Greater Bernard Lodge Development.

The projects are in the following transaction stages:

- ***Concept***: Preliminary discussions are underway with the owning MDAs before formal submission to Cabinet or PIMSec to approve project development.
- ***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.
- ***Transaction:*** Once Cabinet approval is received on the transaction structure, the Government executes a competitive tender process to identify a preferred investor to execute the project
- ***Commercial 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
- ***Contract Management:*** The GOJ monitors and manages the contract to ensure compliance

New Enterprise Teams

In January 2021, Cabinet approved an Enterprise Team for the residential and commercial lots for the Greater Bernard Lodge Development. The team immediately commenced due diligence activities aimed at getting the lots to market within the first quarter of the financial year.

Additions to Portfolio

DBJ commenced discussions with the Ministry of National Security (MNS) to undertake a pre-feasibility assessment to determine if private investment via a PPP would be a suitable methodology to construct and maintain a new correctional facility to relocate the Tower Street Correctional Facility.

The DBJ also entered into discussions with the Factories Corporation of Jamaica (FCJ) to undertake the sale of its commercial facility located at White Marl, St. Catherine.

Tenders Launched

In January 2021, invitations for expression of interest were sent to 16 potential candidates for participation in a Limited Tender Process in respect of the Jamaica Ship Registry PPP transaction. Eleven (11) candidates declared their interests and met the qualification requirements on March 9, 2021, when Request for Proposals were issued. Bid Submissions are expected in the first quarter of the new financial year.

Terminated Transactions

During the year, the sale of Montpelier lands for residential development and the Ministry of Health and Wellness' Centres of Excellence in Oncology and Nephrology were terminated.

3.1. TRANSACTIONS ACHIEVING COMMERCIAL CLOSE

German Ship Repair Jamaica Limited

In April 2020, Cabinet approval was received for the final sale terms for the sale of approximately 5.36 acres of land at Harbour Head, Kingston, to the existing lessee, Jamaica Fruit & Shipping Company Limited and/or the nominee, German Ship Repair Jamaica Limited. However, the agreed terms were subject to further revision based on reductions in the land available for sale. Execution of the sale agreement was completed in April 2021. This transaction will facilitate investments of over $8 billion for Phase 1 of the expansion and anticipates employment of approximately 300 trained professionals (welders and engineers).

The project involves the expansion of an existing ship repair operation with the introduction of a floating dry dock. It is expected to be implemented in 3 phases with the first phase facilitating over US$61M in investments over the first 3 years.

3.2. TRANSACTIONS AT NEGOTIATION STAGE/CABINET APPROVAL OF THE FINAL TERMS

School Energy Efficiency and Solar PPP Project

The National Education Trust (NET), through an Enterprise Team supported by the DBJ, has structured a PPP transaction that will provide photovoltaic energy and energy efficiency solutions to 30 secondary schools as part of an innovative pilot project. The objective of the project is to encourage energy efficiency and conservation in schools and to utilize renewable energy to save on energy costs.

In December 2020, Cabinet gave approval for the final terms and signing of the agreement. The GOJ expects to execute the PPP agreement by the end of the first quarter of 2021/22 with the Preferred Bidder.

Rio Cobre Water Treatment Plant

The National Water Commission (NWC) is seeking to establish a 15-million gallons per day water treatment plant in Content, St. Catherine, to meet the water demand in the Kingston Metropolitan Area (KMA). During the financial year, Cabinet gave approval for the NWC to enter into a 25-year PPP arrangement as per the negotiated terms in the Water Purchase Agreement. Commercial close is expected in FY2021/22.

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

Jamaica Exotic Flavours & Essences (JEFE)

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

The negotiations with the minority shareholder were concluded as a suitable offer price for the asset could not be reached. In January 2021, Cabinet approval was received for a revised privatisation modality, as follows:

1. The sale of the asset;
2. The involuntary winding up; and
3. Any other legal options available for winding up.

The MAF is now in the process of executing the Cabinet decision, which is to sell the asset (Spinning Cone Column) which is a technology used for extraction purposes, and its supporting equipment. The winding up process for the company will be led by the MAF and the JEFE Board. The MAF is in the process of engaging an auctioneer who will publicly auction the assets.

3.3. PRIVATISATION TRANSACTIONS IN PROGRESS

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

Jamaica Mortgage Bank

The Government of Jamaica (GOJ) is seeking to privatise the Jamaica Mortgage Bank (JMB) via the Jamaica Stock Exchange. Following the completion of the due diligence assessments including the valuation report, legal due diligence report and recommended transaction structure, a draft Cabinet Submission was prepared and submitted to the Ministry of Housing, Urban Renewal, Environment & Climate Change (MHURECC) for Cabinet to approve the recommended transaction structure.

JMB mobilizes financial resources for on-lending to private and public sector developers and financial institutions, developing an active secondary mortgage market and providing mortgage indemnity insurance. As at financial year end, the Cabinet Submission with the recommended transaction structure was in the consultation process and with Cabinet approval expected by the second quarter of Financial Year 2021/22.

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 January 2020, the DBJ engaged the valuation consultant, legal consultant and stockbroker in fourth quarter of 2020/21. The due diligence for the transaction was interrupted by the COVID-19 pandemic, which caused most activities to be put on hold for strategic reasons until February 2021. It is expected that the recommended transaction structure will be approved by Cabinet in the second quarter of Financial Year 2021/22 and the listing on the JSE in 2021/22.

Milk River Mineral Bath & Bath Fountain Hotel and Spa

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

During the review period the Government acquired abstraction licenses and commenced water flow studies among other due diligence activities required to prepare the assets for private investments. The Government is conducting further due diligence activities prior to engaging a Transaction Advisor to assist with the implementation of the transaction.

Privatisation of Nutrition Products Limited

Cabinet approved the divestment in June 2018 as part of the recommendations from the Public Sector Transformation and Implementation Unit (PSTIU). Nutrition Products Limited (NPL) is a limited liability company established in 1973 by the Government to provide food items under the School Feeding Programme.

The Ministry of Education, Youth and Information was provided with a high-level analysis of the options available for structuring the transaction and the privatisation will be considered within the context of the entire School Feeding Programme.

As at year end, the Cabinet Submission consultation process was finalized and Cabinet approval to establish an Enterprise Team is expected in the first quarter of the 2021/22 financial year.

Greater Bernard Lodge Development

In January 2021, Cabinet gave approval for the appointed Enterprise Team to proceed with the sale of over 1,000 acres of lands in Greater Bernard Lodge to facilitate the establishment of the ideal municipality where there exists for citizens, a high standard of living, sound environmental management and affordable quality housing which all create a sustainable socio-economic environment.

The strategic and legal advisors have been engaged and due diligence was in train as at year end. The recommended transaction structure will be presented to Cabinet for approval by the end of first quarter of the new financial year.

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 Montego Bay, St. James, to Appleton, St. Elizabeth. The Enterprise Team (ET), supported by the DBJ and the strategic and legal consultants, 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 2021/22 financial year.

Silver Sands Lands – Phase 2 (9 properties)

The DBJ, on behalf of Harmonisation Limited continued the process to identify private investors to purchase the remaining nine undeveloped lots at the Silver Sands Estate in Duncans, Trelawny. A real estate broker was engaged to assist with the marketing of the properties and potential purchasers were identified for 7 of the lots. The Government anticipates the completion of the divestments within Financial Year 2021/22.

Cocoa Industry Board (commercial assets)

Cabinet mandated the Government's exit from commercial operations of the cocoa industry to focus on its regulatory role. The Ministry of Agriculture and Fisheries (MAF) indicated that they will be advancing the Cabinet Submission for a change of the privatisation strategy to direct negotiations with investors who have expressed an interest in acquiring the assets.

Privatisation of the Agricultural Marketing Corporation Complex (AMC)

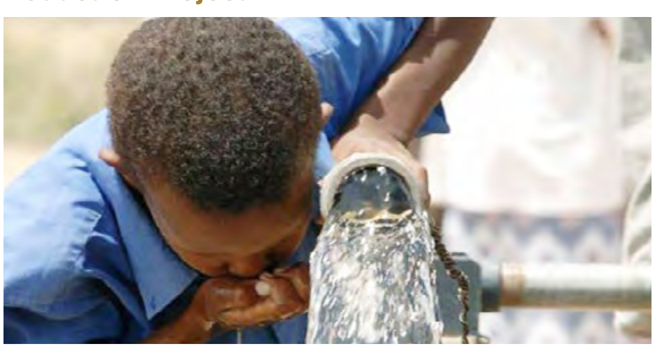
The Ministry of Agriculture and Fisheries is in the process of establishing an Enterprise Team. The Government is seeking to engage a private operator via a long-term development lease to develop the property into world-class logistics hub for agricultural activities. The AMC Complex is located on Spanish Town Road on nine acres of land that houses a total of 9,000 m^2 building space.

Jamaica Aircraft Refuelling Services Limited (JARS)

As at financial year end, the Ministry of Science, Energy & Technology advised that given the current status of the company, the disposal of JARS will be managed by the Ministry.

PUBLIC-PRIVATE PARTNERSHIPS TRANSACTIONS IN PROGRESS

Northern Parishes Non-Revenue Water Reduction Project



The National Water Commission is seeking to increase its water supply capabilities to meet the needs of a number of tourism and housing developments planned for the northern parishes of Jamaica through the reduction of non-revenue water from 70% to 30% under a performance-based contract.

Through the Foundations for Competitiveness & Growth Project's Project Preparation Facility, a Transaction Advisor was engaged to develop the Business Case.

The Business Case was completed during the financial year, however, the Government is preparing to undertake further assessment for a possible scope expansion to the entire island. The updated assessment is anticipated to commence and be completed within the 2021/22 Financial Year.

Solid Waste Management PPP Project

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

Separate procurement processes are underway to engage the requisite consultants to support the development of the Project.

The DBJ is managing the procurement of the transaction advisor and a consultant to execute a siting study, while the IDB is funding and managing the procurement of consultants for a waste characterization study, closure plan, and institutional strengthening for the National Solid Waste Management Authority.

Cabinet approved the selection of a preferred consultant for the Project in March 2021.

In a separate procurement, the DBJ also identified a preferred bidder for the siting study consultancy. This procurement is pending approval from the Public Procurement Commission in the first quarter of the new financial year.

As at year end, the IDB was in the process of procuring the consultant for the waste characterization study. The engagement process is expected to be finalized in the first quarter 2021/22 and the procurement processes for the Riverton Closure Plan and institutional Strengthening Consultancies are to commence by the end of the first quarter of 2021/22.

The project is expected to be developed over two phases: Phase I – Business Case & Transaction Structuring and Phase II – Transaction execution. Phase I is expected to commence in June 2021.

Jamaica Ship Registry

Private sector investment is being sought to operate and develop the Jamaica Ship Registry and its related activities. Cabinet approved the Transaction Structure in December 2019.

The COVID-19 pandemic delayed several activities related to the finalization and approval of the transaction documents. Despite the challenges caused by the pandemic, the transaction stage was launched in February 2021 and eleven (11) entities subsequently responded positively to the Request for Expression of Interest. The competitive tender was subsequently issued to the 11 potential investors with the bid submission deadline expected for the first quarter 2021/22.

Expansion and Privatisation of the Soapberry Wastewater Treatment Plant

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, Cabinet approved the recommended option and development of the Business Case. The DBJ, on behalf of NWC, launched a tender process in November 2020 for the selection of a Transaction Advisor to undertake the Business Case and Transaction Stage. The Transaction Advisor is expected to be engaged by the second quarter in Financial Year 2021/22.

PROJECTS UNDER ASSESSMENT FOR DEVELOPMENT AS PPPS

Caymanas Special Economic Zone (CSEZ)

Following the engagement of Deloitte, under the auspices of the Inter-American Development Bank (IDB Invest), they presented a roadmap for the Project to the CSEZ Enterprise Team in February 2020. The Roadmap highlighted the strengths and weaknesses of the project and provided specific recommendations to make the project more bankable. The recommended interventions were both short-term and medium-term in nature and required interventions from different government stakeholders.

The Enterprise Team was also encouraged to continue its engagement with the private sector to identify interested investors, which it began to pursue in March 2020. However, the work on the project was thwarted by the global economic downturn due to the COVID-19 pandemic.

The GOJ is still interested in the project and the Enterprise Team will regroup when market conditions are right, and advancements have been made in respect of the Roadmap recommendations.

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 discussions were held with MNS on the project scope and development process.

A Pre-feasibility study and Options Analysis for a new Correctional Facility to be conducted to assess the legal, financial, technical, environmental and social considerations as well as determine the optimal methodology to execute the transaction.

The Foundations for Competitiveness and Growth Project-Project Preparation Facility (FCGP-PPF) approved funding for a consultant to undertake the Pre-feasibility study and Options Analysis. The tender process to engage the consultant is expected to commence by June 2021 and the consultant is expected to be engaged by the second quarter of Financial Year 2021/22.

3.4. TRANSACTIONS TERMINATED

In the year of review, two transactions were terminated.

Centres of Excellence in Oncology and Nephrology

The Ministry of Health and Wellness (MoHW) was seeking to develop Centres of Excellence that would provide specialty tertiary care that can reduce premature deaths from cancers and complicated nephrological cases. St. Joseph's Hospital and Cornwall Regional Hospital were identified as suitable locations for the development of these Centres.

The Ministry received support from the FCGP PPF to engage a Transaction Advisor to undertake a comprehensive feasibility assessment and Business Case (Phase I) as well as support to execute a PPP transaction in Phase II of the project. The draft Business Case was finalised in October 2019. However, the Ministry of Finance and Public Service requested the MoHW and the consultants to review estimated fiscal expenditure referenced in the Business Case, to refine the fiscal and value for money assessments. The MoHW was responsible for providing the data needed to fulfill the request by MoFPS but found it difficult to fulfill the commitments due to its diverted attention to responding to the COVID-19 pandemic.

Subsequently, the contract with the consultant was terminated in August 2020 by the decision of the MOHW and FCGP on the basis of Force Majeure.

Sale of Montpelier Lands for Residential Development

During the year, the sale of Montpelier lands for residential development was terminated by the Government of Jamaica upon the advice of the National Environment and Planning Agency. The Ministry of Economic Growth and Job Creation, which has responsibility for the P4 programme, instructed that the lands totaling approximately 620 acres remain in agriculture. The DBJ will privatise the lands for agricultural purposes via a competitive tender process by the third quarter of the 2021/22 Financial Year.

PROGRAMME FUNDING: PROJECT PREPARATION FACILITY

PROJECT PREPARATION FUNDING

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

As at ending Financial Year 2020/21, the PPF has contracted and committed US$3.9 million in support of the development of several P4 projects and US$1.3 million for technical assistance. Additionally, US$0.53 million is being pursued from the Foundations for Competitiveness and Growth Project (FCGP) to fund three current initiatives. Two of which, have been approved for funding support by the PPF Management Board and the FCGP Project Operations Committee (POC). The other, is being discussed and reviewed for partial funding support.

Projects receiving assistance to date for project preparation support include the School Solar PV Project, Jamaica Ship Registry, Central Wastewater Treatment Company (Soapberry), Caymanas Special Economic Zone, Bath Fountain Hotel and Spa, Milk River Mineral Bath, Ministry of Health's Centres of Excellence in Oncology and Nephrology, NWC's Northern Parishes Non-Revenue Water PPP and the South Coast St. Elizabeth Road Network Traffic Study. The two (2) initiatives approved by both the PPF Management Board and the POC for funding support and is to commence procurement in the next financial year are: (i) Ministry of National Security Options Analysis/Pre-feasibility Study for a New Correctional Facility and (ii) Privatisation Transaction of the Agricultural Marketing Corporation (AMC) Export Complex.

Technical assistance support through the Attorney General's Chambers' Commercial Task Force has facilitated the commercial and financial close of six transactions since inception to date, supporting investments of US$234 million. The year-to-date status of the PPF results matrix shows that two of the three PPF project indicator targets have been exceeded.

P4 POLICY REVIEWS IN PROGRESS

REVISION OF THE PRIVATISATION AND PPP POLICIES (MODALITIES AND PROCESS EFFICIENCY)

The DBJ, which has responsibility for executing and managing the P4 Programme, was mandated by the GOJ to review the 2012 Privatisation Policy to improve the efficiency and effectiveness of the privatisation process in order to scale up the programme as required.

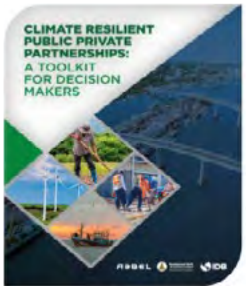
This revised policy framework highlights four main pillars:

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

TENETS OF THE REVISED POLICY

The DBJ 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 was sent to the Ministry of Economic Growth and Job Creation for submission to Cabinet for approval and the consultations on the submission were still ongoing.

IMPROVING CLIMATE RESILIENCE AND DISASTER RISK INSURANCE IN PPPS



Jamaica continues to face many risks related to climate change, raising the need to prepare for a future where adverse natural hazards are more frequent and severe. As a result, the Jamaican Government has been seeking to develop and build its PPP infrastructure with an increased role for the private sector using PPP models that are constantly evolving in the region. Arising out of this recognition, the DBJ with the support of the IDB and the consultancy firm IMG Rebel, worked to strengthen the existing PPP framework to include climate resiliency considerations in the project assessment and development process.

In June 2020, a series of consultation webinars were held with stakeholders which included the launch and publication of the *"Climate Resilient Public Private Partnerships: A Toolkit for Decision Makers"*. The purpose of the toolkit is to provide PPP professionals both locally and internationally within the Caribbean Region, with practical solutions to integrate the assessment of climate risks and resiliency opportunities in the preparation of infrastructure projects through PPPs.

The DBJ, through assistance from the IDB, undertook the necessary measures to ensure that the relevant recommendations in the climate resilient toolkit were effectively implemented. Consultations with key stakeholders were held during the period to assist with the revision process to finalise the recommended amendments to be incorporated in the PPP Policy (which is an addendum to the Privatisation Policy).

The Ministry of Finance & the Public Service is developing a Disaster Risk Policy, however measures implemented under this policy does not include PPPs. Therefore, the DBJ is making amendments to the PPP Policy related to disaster risk insurance to facilitate the improvement in the management of contingent liabilities generated by the impact of natural disasters on infrastructure PPPs. Through technical assistance from the World Bank, the DBJ is also seeking to develop standard clauses in PPP agreements related to insurance and guidelines for insurance in financial year 2021/22.

STANDARD OPERATING PROCEDURES (SOPS)

The DBJ has sought to improve the efficiency of the P4 Programme through the documentation and consistent utilization of Standard Operating Procedures (SOPs). Standardizing P4's procedures are an ongoing process. Such standardization is critical to achieve efficiency and uniformity in the execution of P4 transactions.

The following SOP activities were embarked on during the review period:

- ***Standardization of PPP clauses*** - Establishing minimum Government standards for commonly used PPP clauses. This is an ongoing activity.
- ***Implementation of SOPs templates and guidelines*** - This activity formed a part of the Bank's corporate objectives for Financial Year 2020/21. It was aimed at measuring the adherence and utilization of established templates and guidelines. This target was exceeded for the period under review.

Through the FCGP, the DBJ is in the process of engaging a consultant to assist and support the P4 Unit to improve the overall efficiency within which PPP projects are assessed, implemented and executed by undertaking the standardization of PPP and Privatisation procedures to align with global best practices and the PPP Policy. The Consultant is expected to be engaged in the first quarter of Financial Year 2021/22.

The DBJ will continue its efforts to maintain consistency and improve efficiency in the way P4 transactions are developed through ongoing improvements in SOPs.

CAPACITY BUILDING PROGRAMME

Capacity building is critical to a robust, effective and efficient public-private partnership and privatisation (P4) process. The DBJ in its role as the Government's P4 Agency continues to lead this effort.

Despite the very challenging impact of the COVID-19 pandemic, in keeping with the DBJ's Corporate Strategy the P4 Unit not only achieved but also exceeded its mandate for Financial Year 2020/21 by executing and participating in eight (8) capacity building and promotional activities which included virtual webinars, conference activities, training and sensitization sessions.

VIRTUAL TRAINING AND SENSITIZATION SESSIONS

AMPG PPP CERTIFICATIONS

The Inter-American Development Bank (IDB), sponsored the APMG Public-Private Partnership (PPP) Professional Certification Programme to support PPP accreditations to twenty-five (25) Government officials in a virtual training course during November 23 – 27, 2020. Participants were trained by K-Infra, PPP practitioners, to better understand the PPP model for contracting infrastructure services and to identify and prepare more solid, viable and bankable PPP projects.

Participants included DBJ staff members and representatives from other Government Ministries, Departments and Agencies. On December 1, 2020, the participants sat the Foundation Level 1 Examination, and all were accredited the APMG Level 1 PPP Certification.

12	DBJ
4	MOFPS
3	NWC
6	Others

The DBJ has received confirmation from IDB that funding has been secured for the participants to pursue the Level 2 training and examination. The training exercise is scheduled to commence third quarter of Financial Year 2021/22.

Sanmerna Paper Products Limited, manufacturer and distributor of paper products, received a DBJ loan to purchase equipment allowing the company to expand its operations and create new jobs.

The Financial Analysis and Disclosure Reporting Webinar

The DBJ, through the Jamaica Stock Exchange e-Campus facilitated a virtual one-day Workshop on June 16, 2020, entitled "***Fundamentals of Financial Analysis and Disclosure Reporting Webinar***." Eighteen (18) persons (mainly P4 staff) participated in the Webinar, which covered topics on understanding key financial ratios, ratio analysis, fundamental financial concepts and Investment tools and techniques.

Fair Trading Commission Awareness Session

The DBJ, through the Fair Trading Commission (FTC), facilitated an Awareness and Sensitization Session on October 2, 2020, to increase the knowledge of participants. The topics discussed were the impact of FTC regulations on PPP and Privatisation transactions; FTC's view of competition within markets and how to apply same to the PPP & Privatisation programme. Thirty-Four persons attended the online session including representatives from the Ministry of Finance and the Public Service PPP Unit, Attorney General's Chambers, and specific MDAs.

Fundamentals of the Stock Exchange and Listing on the Stock Market

The DBJ facilitated two half days of virtual training sessions via the Zoom platform on October 6 and 13, 2020, on the topic *"Fundamentals of the Stock Exchange and Listing on the Stock Market."* The workshop led by experienced Stock Market practitioners from the Jamaica Stock Exchange eCampus. Thirty-two Government officials attended the virtual sessions.

PROMOTIONAL ACTIVITIES: CONFERENCES

Western Campus University of the West Indies – Caribbean Sustainable Cities Conference

The DBJ was a Bronze Sponsor of the UWI's first Caribbean Sustainable Cities Conference – 'Go Green. Go Safe. Go Smart (GS2)' held on November 4–6, 2020. The conference aimed to critically reflect on the Caribbean's attainment of Sustainable Development Goal 11 – Sustainable Cities and Communities. P4 Manager Ricardo Munroe participated in a panel discussion on the topic *"Developing Climate Resilient Public Private Partnerships"* with special emphasis on the DBJ's recently launched toolkit on Climate Resilient Public Private Partnerships: A Toolkit for Decision makers.

Canadian Council for Public-Private Partnerships Conference 2020

The DBJ partnered with JAMPRO to present the Jamaican Investors Forum in the International Market Sounding segment of the Canadian Council for Public-Private Partnerships (CCPPP) 28th Annual P3 Conference, held on November 17–19, 2020. The conference focused on the latest innovations, lessons learned and projects from infrastructure experts and influencers across the globe.

Virtual presentations on specific Jamaican PPP projects were delivered to over fifty (50) targeted attendees showcasing current investment opportunities being developed in Jamaica. Nicola Russell, DBJ P4 Manager, delivered the keynote speech on behalf of the DBJ and gave an overview on the Jamaican PPP Investment Opportunities in Jamaica.

Investing in a Resilient Future for the Caribbean

The P4 Division was invited to participate in a virtual Joint Webinar presented by the Canadian Council for PPPs in association with the Global Infrastructure Facility and Global Affairs Canada (GAC) with strong support from the Canadian Council on Public Private Partnerships, International Finance Corporation, Inter-American Development Bank (IDB), IDB Invest and the Caribbean Development Bank and the World Bank on Wednesday, January 28, 2021, under the theme ***"Catalyzing Private Investment in PPPs and Low Carbon, Resilient and Inclusive Infrastructure."***

The four-hour webinar attracted approximately 400 participants and 23 presenters. The forum presented the Caribbean PPP Pipeline, delivering to participants a listing of current investment opportunities in infrastructure in the region.

The Caribbean Infrastructure Forum 2021

The DBJ partnered with JAMPRO for a second consecutive year, in hosting a virtual Investment Opportunities Forum on March 24–26, 2021, at the Caribbean Infrastructure Forum, 2021. This forum was aimed at showcasing new infrastructure projects being developed in Jamaica to stakeholders operating in the infrastructure space in the Caribbean region and possibly Latin America.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

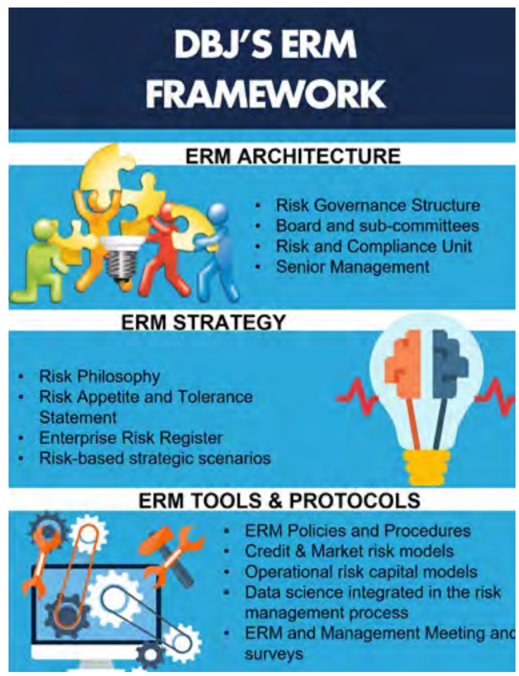
As an enabler of growth for the Jamaican economy, the Bank knows that enterprise risk management is integral to its overall operations and pivotal to its success. It addresses the integration of risk management in high-level decision making, as well as day-to-day business decisions, and outlines the Board's role in effective oversight. As a result, the Bank manages its risks on an enterprise-wide basis, ensuring on-going, continuous risk management, which is embedded within the business cycle, starting with strategic planning, and carrying through to execution, monitoring, evaluation, and reporting.

Implemented in 2012, the DBJ's customized Integrated Enterprise Risk Management (ERM) Framework was influenced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the International Organization for Standardization - ISO 31000:2009 ERM frameworks and other established frameworks; and has facilitated a structured and disciplined approach towards managing risk. Since then, the framework has been continuously reviewed to reflect the ever-changing standards and regulations. This structure is applied to all categories of risks across functional, structural, and departmental silos including strategic, credit, market, liquidity, operational, cyber and reputational risks.

GOVERNANCE STRUCTURE

The ERM architecture details the governance process that is executed through the major lines of defence. Central to the architecture is the Board-approved Risk policy which addresses the Board's role in effective oversight, the role of key personnel in the ERM process and the integration of risk management in high-level decision making as well as the day-to-day business decisions. The policy provides an understanding of how Enterprise Risk Management is applied, reported and monitored within the DBJ.

The ERM Strategy is guided by a risk appetite statement that defines the boundaries within which the Board and Management will pursue the strategic objectives of the Bank. Risk appetite and risk tolerance levels establish risk culture and are directly connected to both operational management "on the ground" and strategic decision making at the Board and Management levels. The DBJ measures and monitors appetite and tolerance using clearly defined metrics, such as capital at risk.



The ERM tools and protocols are guided by the risk management process of identification and assessment of risks, implementation of requisite controls, monitoring and reporting.

In an ever-changing risk landscape with old risks remaining important and new risks appearing on the scene, the Bank's ERM unit continues to be proactive in aiding the front-line business. One of the ways is through our risk champions – a catalyst to effective risk management.

Risk Champions support the risk management process in specific areas across the DBJ, bridging the gap between policies and the reality of implementation. Each division and unit have at least one designated risk champion.

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

SIGNIFICANT RISKS

TYPES OF RISK

CREDIT RISK

- Is the potential for loss to the organization arising from failure of borrowers to honour their contractual obligations to the Bank.
- The DBJ is exposed to credit risk from direct lending as well as wholesale lending through intermediaries namely Approved Financial Institutions (AFIs) and Micro Finance Institutions (MFIs). The Bank employs prudent credit risk management tools and strategies to manage credit risk.
- The DBJ's Credit Risk Management framework is a combination of strategic & reputational assessments, predictive credit risk models, periodic reporting, and Board & management reviews. The DBJ's Credit Risk Model toolkit uses a combination of the CAMEL methodology, scenario analysis and machine learning algorithms.

MARKET RISK

- Is the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates.
- The DBJ is exposed to the risk that movements in specific market variables, including interest rates and foreign exchange rates, will have on income and/or portfolio value. Forward-looking risk indicators based on time series forecasting, value at risk models and the movement of market variables are monitored by the Risk & Compliance Unit. In the event these risk indicators signal a potential loss/gain, pre-set management responses are triggered. Management responses are guided by the Bank's policies and strategies.

LIQUIDITY RISK

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

STRATEGIC RISK

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

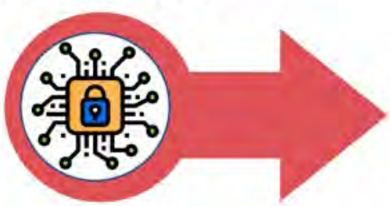
OPERATIONAL RISK

- Emanates where inadequate or failed internal processes, people and systems or external conditions result in the risk of loss. Operational risks are identified, analyzed and monitored at the departmental level and reporting occurring at the Senior Management level. Operational risks that have a big impact on the Bank or a relatively high likelihood of occurrence are escalated to the level of Key Business Risk (KBR), which are given special managerial and Board attention.
- The DBJ's Operational Risk framework is a combination of risk registers influenced by BASEL II methodologies, capital allocation to potential operational losses, and the application of network analysis. The importance of the three lines of 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

MILESTONES AND CHALLENGES

Enterprise Risk Management is typically seen as a protective and preventative role. Usually, it is during a crisis that the mettle of any ERM programme is tested, and this was the case during the Financial Year 2020/21. The COVID-19 pandemic could be referred to as an unforeseeable event, a high impact and low likelihood and so would not have factored in the top risks.

Prior to the regional outbreak, the DBJ management team established a working COVID-19 committee to ensure business continuity. A critical part of this exercise was identification and measurement of risks and implementation of controls taking into consideration the strategic objectives, financial and operational.

Some of the key activities and accomplishments of the Risk Management function during the financial year were:

- COVID-19 Risk Assessment and Risk Response planning
- Scenario forecasting and stress testing of impact of COVID-19 on the Bank's strategic objectives and balance sheet
- Business Continuity Planning and Contingency Management
- Upgrade of risk management system for the assessment and reporting of Approved Financial Institutions and Micro Finance Institutions (MFI)

STRATEGIC FOCUS

For the upcoming financial year, greater focus will be given to the following main areas:

- Integration of Environmental and Social Risks into the overall ERM Framework
- Continuous risk assessment examines old risks, new risks and recycled risks
- Capacity-building of the risk management and compliance functions
- Enhancing the technology framework

CORPORATE GOVERNANCE

THE DBJ'S CORPORATE GOVERNANCE STATEMENT

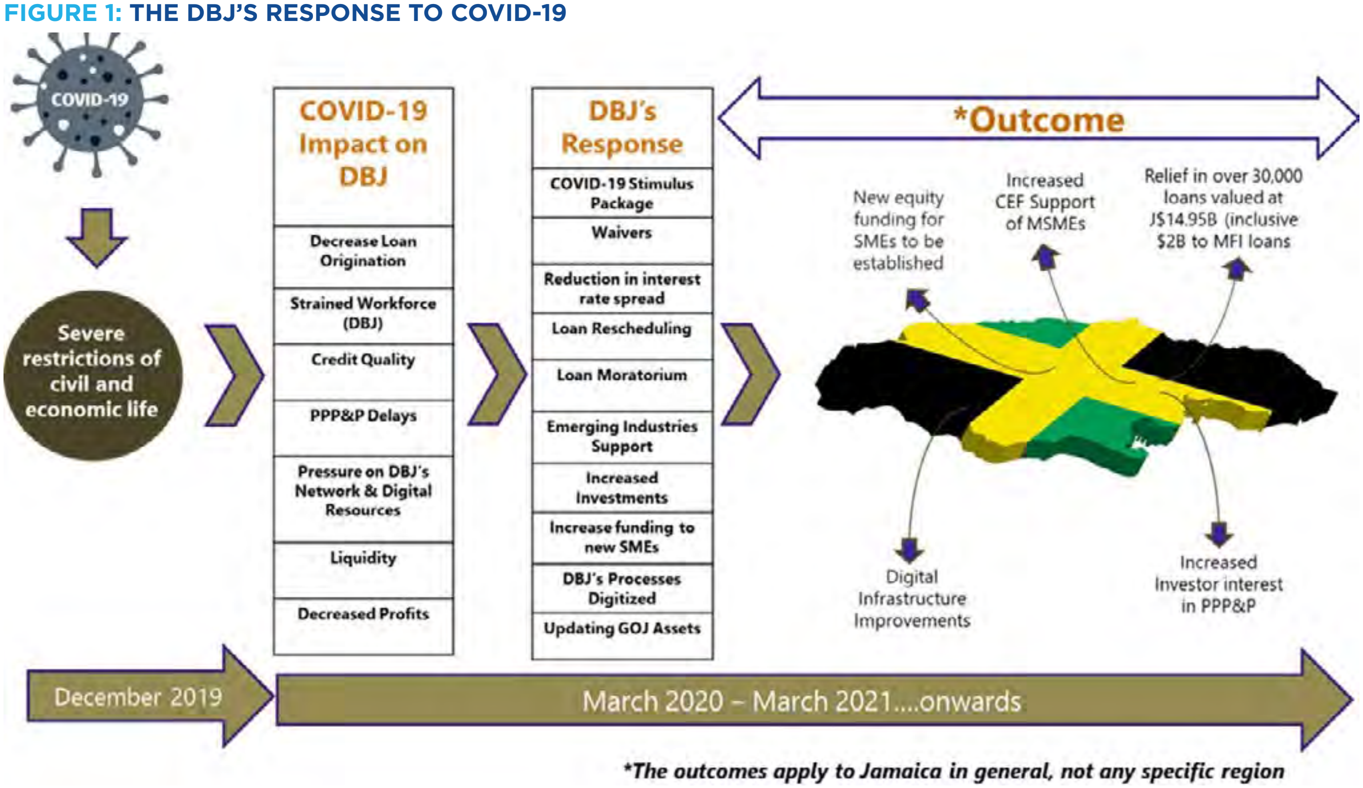
The DBJ's ability to execute its mandate in the 21st century rests on the pillars of corporate governance. The Board serves as the focal point for corporate governance and is accountable to its shareholder and stakeholders[5]. Directors collectively play their role in the oversight of the strategic management of the DBJ, and their responsibility is to ensure compliance with the Public Bodies Management & Accountability Act, Companies Act and other applicable legislation and Government of Jamaica policies.

Good and sound corporate governance ensure that the DBJ is effective and efficient in playing its role in making Jamaica "**the place of choice to live, work, raise families and do business".** By establishing systems, protocols and allocating the necessary tools and resources, the Board of Directors of the DBJ have demonstrated full and complete ownership of corporate governance within the DBJ, resulting in the promotion of transparency, maintenance of a strong culture of accountability and strengthening of internal controls.

OUR RESPONSE TO COVID-19

The DBJ, like many global entities, was not spared the onslaught of the pandemic, challenging the execution of its Mission, which not only affected its many programmes, but its people as well. The DBJ's response to the COVID-19 pandemic was premised on facing the unprecedented challenges and opportunities presented while ensuring that risks are mitigated. This required the ability to pivot which resulted in the DBJ achieving success that impacted all stakeholders. Figure 1 shows the key areas of the COVID-19 impact, the DBJ's response that encompasses its programmes and people, and key outcomes are shown below:

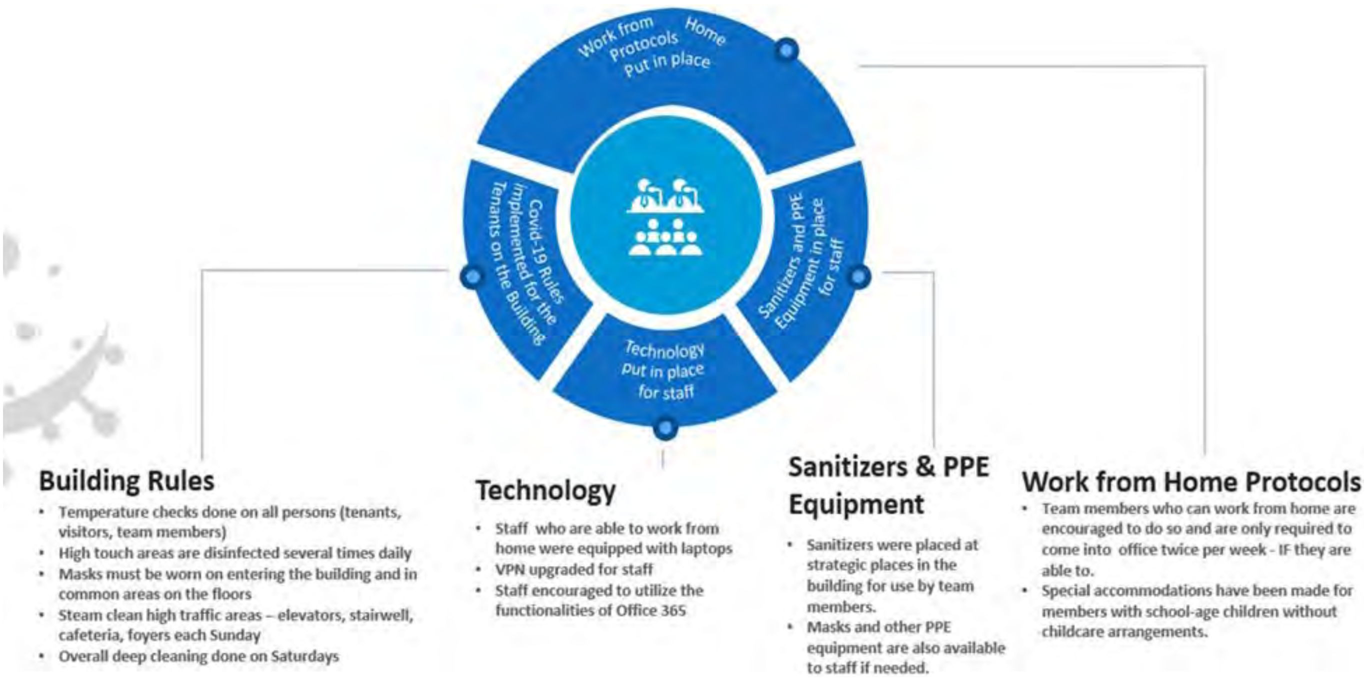
FIGURE 1: THE DBJ'S RESPONSE TO COVID-19



5 Stakeholders represents internal and external customers of the DBJ, such as AFIs, MFIs, multi-laterals, borrowers, sub-borrowers, and Jamaicans on a whole.

The Bank's employees are its most important resource, and they were central to the DBJ achieving its objectives during the pandemic. Figure 2 depicts the DBJ's support to its employees.

FIGURE 2 - COVID 19 & DBJ - SUPPORT TO EMPLOYEES



BOARD STRUCTURE, COMPOSITION, ROLES

The DBJ's corporate governance framework is built on legislative provisions, policies, and a culture of good governance which include:

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

THE DBJ'S CORPORATE GOVERNANCE STRUCTURE

As a wholly owned Government entity, the Board of Directors' is appointment is approved by Cabinet and thereafter appointments are made pursuant to the Companies Act.

The Board oversees the DBJ's strategic direction and is constituted of a majority of independent non-executive directors and makes decisions that are to the benefit of all Jamaicans. The separation of the roles of the Board and management ensures a clear distinction between oversight of the DBJ's strategy and the management of operations. Figure 3 depicts the corporate governance framework which the DBJ operates.

FIGURE 3 - CORPORATE GOVERNANCE FRAMEWORK

THE DBJ BOARD

ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The primary role of the DBJ's Board of Directors is to oversee how management serves the interests of its shareholder and stakeholders. This provides the platform for the Board to ensure it remains independent and fully informed on the key strategic risks facing the DBJ. It has met the requirement for a majority of its Board to be independent. Today, seven of the Board's 10 directors are independent directors.

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

The key roles and responsibilities of the Board are shown at Figure 4:

FIGURE 4 - BOARD ROLES AND RESPONSIBILITIES

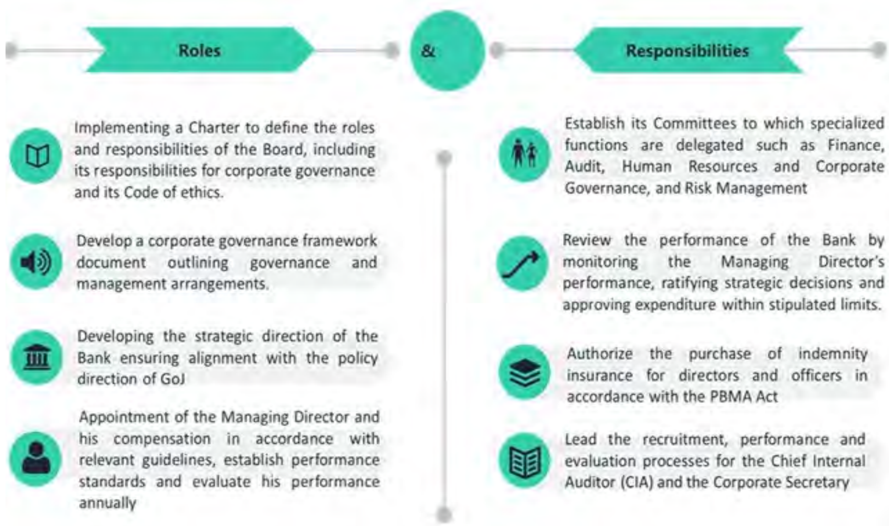
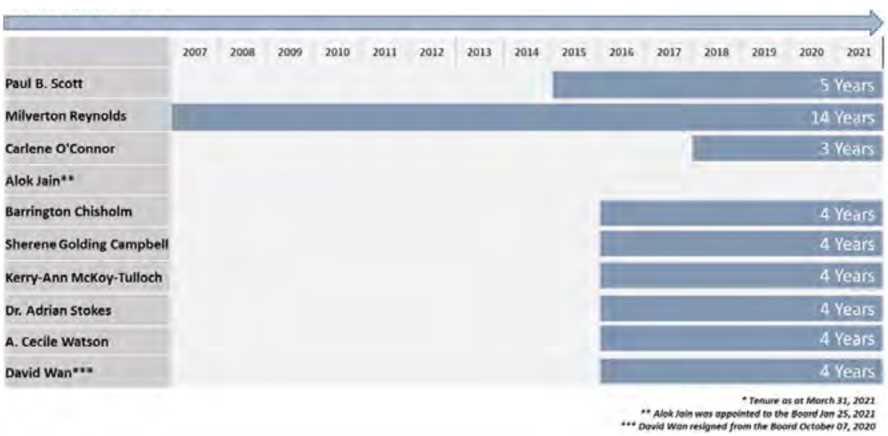


Figure 5 outlines the director's length of time on the DBJ's Board, the Managing director is the longest serving director of the Board.

FIGURE 5 - BOARD TENURE



Chocolate Dreams Limited, based in St. Andrew, a manufacturer and distributor of chocolate products received a DBJ loan for working capital support, allowing the company to expand and increase employment.

ROLE OF THE COMPANY SECRETARY

Shelly-Ann Thompson, Attorney-at-Law, was appointed Company Secretary in September 2019 and also serves as Secretary for the sub-Committees of the Board. She assists the Board in the execution of critical administrative and governance functions which demand a high degree of compliance and ethical conduct. The Company Secretary ensures that the Board complies with its obligations under law, co-ordinating the evaluation of the Board and its members; and organizing the Board's activities (including providing information, preparing agendas, reporting of meetings, evaluations, and training programmes). The Secretary prepares and circulates Board minutes and board papers. Miss Thompson is a Legal Officer of the DBJ.

BOARD COMPOSITION, PARTICIPATION, AND INVOLVEMENT

The Board comprises 10 directors. The independent non-executive directors represent 70% of the Board, three Directors hold executive director (ex-officio) status. The DBJ's Board Charter describes an independent non-executive Director as depicted at Figure 6:

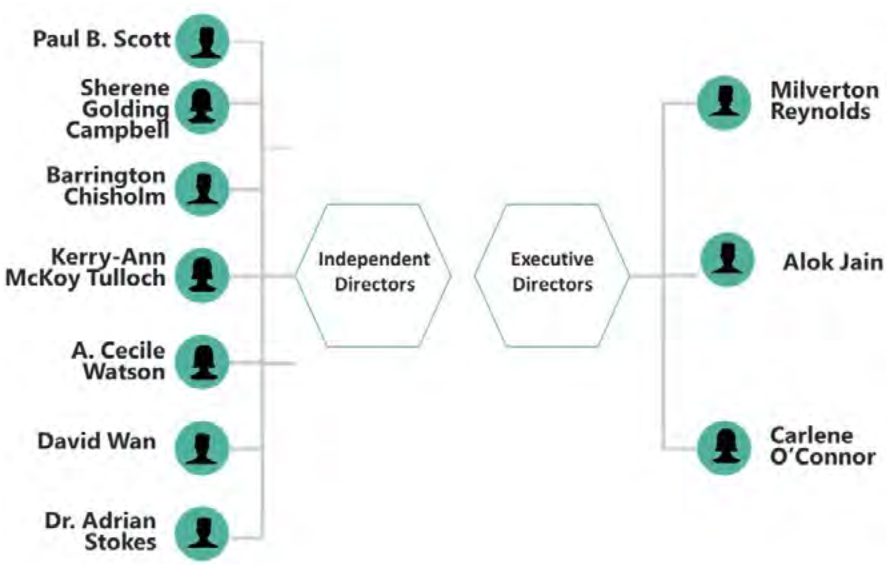
FIGURE 6 - DEFINITION OF INDEPENDENT NON-EXECUTIVE DIRECTOR

- Is not, and has not been, employed by the Bank or any of its related entities at any time during the past three years
- Is not, and has not been affiliated with an entity that acts as an advisor or consultant to the Bank, nor is not and has not acted in such capacity at any time during the past three years
- Is not and has not been affiliated with any significant supplier or contractor of the Bank at any time during the past three years. A significant supplier or contractor is one that makes payments to or receives payments from the Bank for goods or services in an amount to be agreed upon.
- Does not currently have, nor has had any personal service contracts with the Bank or its senior management at any time during the past three years
- Does not receive and has not received any additional remuneration from the Bank apart from a Director's remuneration, nor participates in the Bank's performance-related payment plans
- Is not a member of the immediate family of any individual who is, or had been at any time during the past three years, employed by the Bank as a senior executive officer
- Is not, nor has been at any time during the past three years, affiliated with or employed by a present or former auditor of the Bank
- Has not been a Director for more than ten years

An executive director (ex-officio) is employed in a full-time capacity whether permanently or contractually with the DBJ and/or the GOJ and at the same time is a legal director of the DBJ. The status of each directors' categorization is shown at Figure 7.

Aquarium Fish Exports Jamaica Limited, a producer and exporter of ornamental fish in Old Harbour, St. Catherine, received a DBJ loan and a partial guarantee under the Credit Enhancement Facility for working capital and infrastructural improvement.

FIGURE 7 - CATEGORIZATION OF DIRECTORS



MEETING ATTENDANCE 2020/21

The Board places high importance on meeting attendance (face-to-face or virtually) and ensures that efficiency is achieved in its deliberations. It is equipped with the skills, competencies, experience, and diversity required by the GOJ Corporate Governance Framework (2012) to effectively guide in the achievement of its corporate objectives. The Board and its sub-Committees convened a combined 29 meetings with an average attendance record of seven Directors for board meetings. The attendance record of each director for the Board and sub-Committee meetings held during the Financial Year 2020/21 is outlined at Table 1.

TABLE 1: THE DBJ'S BOARD OF DIRECTORS & SUB-COMMITTEES' ATTENDANCE RECORD 2020/21

Name of Committee	Board of Directors	Audit & Corporate Governance Committee	Enterprise Risk Management Committee (ERM)	HR & Compensation Committee	Investment, Finance & Loans (IFLC) Committee
Meetings Held	10	8	3	3	5
Directors					
Paul B. Scott	10	1	n/a	2	5
Milverton Reynolds	10	5	3	3	5
Carlene O'Connor	6	8	n/a	n/a	n/a
Alok Jain[6]	2	3	n/a	n/a	n/a
Barrington Chisholm[7]	10	n/a	3	3	5
Sherene Golding Campbell	10	6	3	n/a	5[8]
Kerry-Ann McKoy-Tulloch	9	n/a	3	3	5
Dr. Adrian Stokes[9]	9	1	3	n/a	n/a
A. Cecile Watson[10]	10	3	2	3	5
David Wan[11]	4	2	n/a	n/a	1

BOARD COMPETENCY PROFILE

The GOJ Competency Profile Instrument for the Boards of Public Bodies requires three (3) areas of competencies for public bodies:

1. Competencies for Board Chair
2. Competencies for Board Members
3. Specialized Competencies for Boards
4. Special Technical Competencies for Specific Boards (*Development Bank of Jamaica Ltd*)

COMPETENCIES FOR BOARD CHAIR

The Instrument specifies that the Board Chairman should possess competencies in three specific areas as shown at Figure 8:

FIGURE 8 - BOARD CHAIRMAN COMPETENCIES

MANAGEMENT OF RELATIONSHIP & SELF	This covers the Board Chair's political awareness, ethics, integrity, communication and people relations
DIRECTION & GUIDANCE	This looks at the Chairman's role and understanding of the organizational, corporate governance, government operations and technical knowledge
LEADERSHIP & DIRECTION	This entails meeting the Chairman's leadership, general management, strategic leadership and planning, problem solving and decision making, conceptual thinking, and personal effectiveness

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. As shown at Figure 9, the Instrument specifies fourteen (14) pre-requisites under these three areas, and these are demonstrated by the DBJ Board.

FIGURE 9 - COMPETENCIES FOR BOARD MEMBERS

INTERPERSONAL RELATIONSHIP & SELF MANAGEMENT	DIRECTION & GUIDANCE	STEWARDSHIP AND RESULTS
Communication	Role Understanding	Financial Literacy
Ethics and Integrity	Organizational Knowledge	Strategic Focus
Interpersonal Relations	Corporate Governance	Results Driven
Professionalism	Government Operations	Accountability
Self-Management and Motivation	Independent & Critical Thinking	

6 Mr. Jain was appointed to the Board effective January 25, 2021
7 Mr. Chisholm was appointed to the ACGC April 22, 2021
8 Mrs. Golding Campbell was appointed to the Investment, Finance & Loans sub-Committee with effect October 24, 2019
9 Dr. Stokes was appointed to the ACGC as acting Chairman December 22, 2020, he resigned from the ACGC March 25, 2021
10 Ms. Watson was appointed to the ACGC Committee October 24, 2019, appointed ACGC Chairman March 25, 2021, and resigned from the ERM Committee March 25, 2021
11 Mr. Wan resigned from the Board October 07, 2020.

SPECIALIZED COMPETENCIES FOR BOARDS

As it relates to Specialized Competencies, the Board possesses competencies in all eight areas as required by the GOJ, these are set out at Figure 10.

FIGURE 10 - SPECIALIZED COMPETENCIES FOR BOARD

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 OF THE DEVELOPMENT BANK OF JAMAICA LTD

The MoFPS Competency Profile Instrument for The Boards of Public Bodies (2017) requires the DBJ's Board to have 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. These are outlined at Figure 11.

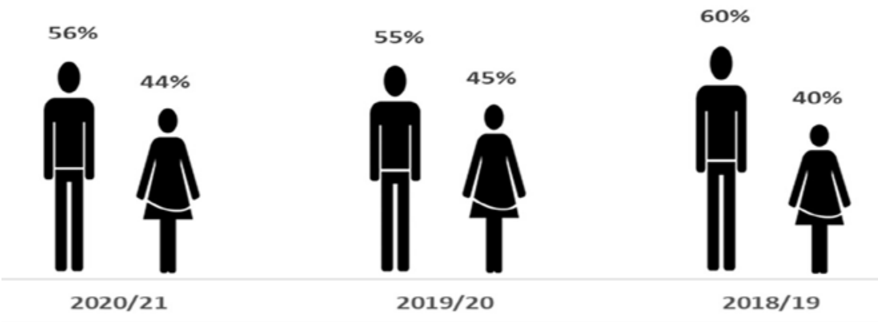
FIGURE 11: THE DBJ BOARD'S TECHNICAL COMPETENCY PROFILE

	Paul Scott	Milverton Reynolds	Carlene O'Connor	Alok Jain	Barrington Chisholm	Sherene Golding Campbell	Kerry McKoy Tulloch	A. Cecille Watson	Dr. Adrian Stokes	David Wan
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

As at March 31, 2021, the DBJ's 9-member Board of Directors reflects a gender ratio in keeping with global best practices on gender quota. The gender ratio outlined at Figure 12 is 56% male and 44% female.

FIGURE 12 - DBJ BOARD GENDER PROFILE



KEY ACTIVITIES OF THE BOARD

The Directors contribute their wealth of experiences to navigate the Bank through challenges, complex risks 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 key initiatives as depicted at Figure 13:

FIGURE 13 - KEY BOARD INITIATIVES 2020-2021

Approval of Corporate Plan and Budget	Updates on specific initiatives under the DBJ's COVID-19 Strategy.	Approval of sponsorship for climate launchpad for MSMEs	Approval of eight (8) BDO's to participate in the VTA programme.	Approval for the Jamaica Citrus Growers debt to be cleared from the DBJ's books
Approval of changes to the Credit Enhancement Facility	Loan monitoring and approvals	Key Performance Indicators (KPI's) monitoring	Monthly review of Managing Director's Report	Monitored strategies implemented to reduce loan arrears.
Financial distribution to Ministry of Finance and Public Service	Approval of amendments to the Rules of the DBJ Pension Fund	Approval of organizational review	Oversight of ERM	Corporate governance review

INDEPENDENT REPORTING FOR WHISTLE-BLOWERS

The DBJ joins the cadre of global entities that promotes a culture of transparency and accountability. Since 2019, all individuals (employees and clients) can independently make reports regarding fraud, corruption or other improper activity that exposes the DBJ, its employees, clients, partners, agents, and the public to risks. The platform utilized by the Bank is Web-based, is provided by Integrity Counts Confidential & Anonymous Reporting System and 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 the Bank's core values of integrity, accountability, professionalism, and innovativeness.

Reports can be submitted by filing a report online or calling the hotline. As at the end of March 31, 2021, we received and responded to two (2) reports. One concerning conflict of interest and the other financial reporting. We received nil reports from our telephone hotline.

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.

IMPROVEMENTS TO CORPORATE GOVERNANCE

FIGURE 14 - BOARD APPROVED RECOMMENDATIONS TO IMPROVE CORPORATE GOVERNANCE

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. During the year, the Board approved four initiatives that would see improvements to our corporate governance activities, these will be monitored by the Audit & Corporate Governance Committee. These are shown at Figure 16

Management of Conflict of Interest

There was particular focus on building a more robust corporate governance environment; a part of this year's programme entailed improving conflict of interest procedures and building awareness on corporate governance.

To this end, the following guidelines were approved by the Board:

- Annual conflict of interest declaration – This will take the form of a written form named "*The Development Bank of Jamaica Ltd Directors' Annual Conflict of Interest Declaration*". The Form must be completed by the Director
- Declaration of conflict of interest included as an agenda item for board and sub-Committee meetings. Directors would indicate if they had a conflict relative to matters to be discussed
- Sanctions for non-disclosure of conflict of interest
- Implementation of a Conflict-of-Interest Register

THE DBJ'S POLICIES DISCUSSED AND/OR REVIEWED 2020/21

Our policies help to communicate the DBJ's culture, values, and philosophy and assist the Board set the tone-at-the-top. Many of the policies are reviewed annually or biennially and new policies are implemented as risk scenarios change.

The Board deliberated on several policy documents during the year. They include:

1. **The DBJ Enterprise Risk Management Statement -** The ERM Risk Appetite Statement articulates the level and type of risks the DBJ is willing to accept while in the pursuit of its Mission and Strategic Objectives.
2. **Anti-Money Laundering and Anti-Terrorism Financing –** staff have a responsibility to be able to recognize potential money laundering transactions and to ensure that all transactions comply with the laws of Jamaica and the Anti-Money Laundering (AML)/Anti-Terrorism Financing (ATF) policies and procedures of the DBJ.
3. **The DBJ CAMEL Model Framework -** The DBJ CAMEL Model is a Risk-based Tiered Lending and rating system using the Board approved ratios and principles of the original CAMEL assessment model. The model assigns a credit rating and guides the credit limits for the Bank's existing Approved Financial Institutions (AFIs) and institutions who wish to attain AFI accreditation.
4. **The DBJ Corporate Governance Framework -** This Framework provides standards against which successive boards can assess their governance structures and processes.

5. **The DBJ Loans Policy -** The Loan Policy document outlines the Bank's approved polices for the achievement of the major targets and effective management of the approval, disbursement and monitoring of its loan portfolio, and the establishment of criteria for selection of entities to which it wholesales funds or makes direct loans.
6. **The DBJ P4 e-Booklet -** The Development Bank of Jamaica is the implementing agency of the Government of Jamaica's Public-Private Partnerships and Privatisation Programme and the lead agency for all P4 activities in the country. The e-booklet lists several investment opportunities that are being developed in the public sector. It highlights as many sectors as possible that are attractive to long-term investors.
7. **ERM Policy -** The Policy addresses the Board's role in effective oversight, the role of key personnel in the ERM process and the integration of risk management in high-level decision making as well as the day-to-day business decisions.
8. **Investment Policy -** The Investment Policy will seek to outline the Bank's guidelines in the effective management of its exposure to various types of risks arising from its lending activities and its investment activities. The latter activity seeks to invest excess cash with the aim of maximizing returns while meeting the obligations of the Bank. The document contains the policies, guidelines and limits relating to the management of the following risks: (1) Liquidity; (2) Interest Rate; (3) Credit; (4) Foreign Exchange; and (5) Settlement Risk.
9. 
Environmental and Social Management System Policy – ESMS (NEW) - The DBJ is committed to supporting "investment toward national economic growth" and ensuring environmentally and socially responsible financial investment and development. It recognises that environmental and social sustainability is a fundamental aspect of achieving outcomes consistent with its role as a development finance institution.
10. **Gender Equality Policy and Action Plan – GEPAP (NEW) -** The DBJ has recognized the link between gender and sustainable development and the impact of cross-cutting issues such as climate change. With the assistance of the Caribbean Development Bank CDB), the DBJ has therefore developed a Gender Equality Policy and Action Plan (GEPAP) ongoing since 2019 under the Development Finance Institutions (DFIs) Engage in Gender Equality Project, that will define and shape the DBJ's commitment to actively promote gender equality in all spheres of its activities.

    The GEPAP, developed through consultations with the DBJ's staff and a sample of its customers, 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 organizational culture.

    Data collection and a detailed analysis of relevant documentation under the DBJ's loan portfolio data also informed the development of this policy.
11. **P4 Policy Revisions and Developments -** The DBJ has responsibility for executing and managing the GOJ Public-Private Partnership and Privatisation (P4) Programme. The Bank was mandated by the GOJ to review the 2012 Privatisation Policy to improve the efficiency and effectiveness of the privatisation process in order to scale up the programme as required.

    The DBJ is now undertaking consultations with various stakeholders and expects to finalise the recommended amendments to the PPP Policy and to draft relevant guidelines.

    It expected that all amendments to the Privatisation Policy and the addendum - PPP Policy will be approved in this financial year.

PBMA ACT COMPLIANCE

The DBJ performs an annual review of its level of compliance with the PBMA Act. The Bank was assessed to be 100% compliant with the seventeen requirements of the Act, these are:

PBMA ACT REQUIREMENTS

1. Accounts of Public Bodies
2. Duties of audit committees.
3. Submission of Annual Report and Audited FS
4. Errors and omissions
5. Shareholdings and distributions
6. Duty of care
7. Filing of Accounts

8. Indemnification of directors
9. Exercising of borrowing powers
10. Levels of emoluments
11. Corporate Governance
12. Contents of annual reports.
13. Public bodies and Government's procurement rules
14. Other reports by public bodies.
15. Corporate plan
16. Information to be included in the Corporate Plan
17. Audit committees and auditors

BOARD SUB-COMMITTEES

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

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

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

INVESTMENT, FINANCE & LOANS COMMITTEE

Members	Paul Scott, Barrington Chisholm, Kerry-Ann McKoy-Tulloch, Sherene Golding Campbell, A. Cecile Watson, Milverton Reynolds and David Wan (non-member invitee)
Core Functions	1. Recommends to the Board of Directors policies and changes to policies relating to investment, finance and loans 2. Monitors the investment portfolio to identify and manage risks e.g. liquidity risks associated with exchange rates and interest rates that might affect the Bank's commitments 3. Approves and or recommends investments and divestment of properties or companies under the Government of Jamaica divestment programme 4. Approves loans to AFIs within loan limits set by the Board
Key activities during 2020/21	1. Reviewed Corporate Plan and Budget 2. Monitored and reviewed investments 3. Reviewed and recommended loans for approval – AFI, MFI, NPCB and Direct 4. Reviewed and approved Performance appraisal incentive 5. Monitored operational expenses 6. Monitored Global Bonds Custodial arrangements 7. Monitored of Divestment Escrow Account 8. Recommended for approval sponsorship requests 9. The DBJ ICT-BPO Portfolio Status monitoring 10. Digital Transformation Support to MSMEs 11. Monitoring of sale of Silver Sands lots and villa 12. Review of Expected Credit Loss (ECL) value 13. Recommend to the Board contracts for approval 14. Reverse Factoring – monitoring of implementation 15. Directors and Officers Liability insurance 16. Amendment to Pension Rule 17. Recommend the restructuring of the CEF 18. Monitoring of the BIGGEE 19. Reviewed the DBJ's Environmental and Social Management Safeguards (ESMS) Policy and Gender Policy. These are new policies. 20. Monitoring of the IGNITE Programme

HUMAN RESOURCE & COMPENSATION COMMITTEE

Members	Paul Scott – Chairman, Barrington Chisholm, A. Cecile Watson, Milverton Reynolds, 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 Public Service and are in compliance with the Jamaica Labour Relations and Industrial Disputes Act, and other relevant acts, laws, and regulations. 2. Recommends a remuneration policy to the Board, which is within the Government of Jamaica guidelines
Key activity during 2020/21	1. Reviewed and approved performance incentive payment 2. Reviewed and recommend the Organizational Structure Review of the DBJ

ENTERPRISE RISK MANAGEMENT COMMITTEE

Members	Dr. Adrian Stokes – Chairman, Barrington Chisholm, Sherene Golding Campbell, Kerry-Ann McKoy Tulloch, A. Cecile Watson[12], 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 2020/21	1. Review and recommend for approval the Risk Framework for Reverse Factoring 2. Review updates of the Bank's Risk Appetite to reflect the Bank's strategic objectives and key strategic sectors. 3. Review and recommend to the Board of Directors for approval, risk tolerances for Strategic, Financial and Operational areas 4. Review scenario forecasting and stress testing of implication's on COVID-19 on the Bank's strategic objectives and balance sheet 5. Review of Foreign exchange exposure limits 6. Reviewed accreditation of AFI and Micro Finance Institutions (MFIs) 7. Review and assess cyber risks and COVID-19 impact 8. 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. Key Business Risk c. Liquidity and investment d. Credit e. Foreign Exchange

Jerome Cunningham's poultry farm in Osbourne Store, Clarendon, received a DBJ loan to expand production and employ additional staff.

AUDIT & CORPORATE GOVERNANCE COMMITTEE

Members	A. Cecile Watson[13], – Chairman, Sherene Golding Campbell, , Carlene O'Connor, David Wan[14], Dr. Adrian Stokes[15]
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 2020/21	*See Audit & Corporate Governance Committee Report*

12 Ms. Watson resigned from the ERM Committee March 25, 2021
13 Ms. Watson was appointed to the ACGC Committee October 24, 2019, and appointed ACGC Chairman March 25, 2021
14 Mr. Wan resigned from the Board and the ACGC effective October 07, 2020
15 Dr. Stokes was appointed acting Chairman of the ACGC December 22, 2020, he resigned from the ACGC March 25, 2021

The DBJ Board conducts annual board evaluations to assess its corporate governance practices in keeping with the statutes of the GOJ.

THE DBJ'S ANNUAL BOARD EVALUATION (2020/21)

The DBJ Board conducts annual board evaluations to assess its corporate governance practices in keeping with the statutes of the GOJ. The 2020/21 Board Performance Evaluation utilized the Government of Jamaica's Board Performance Evaluation Framework (GOJ BPEF) to assess the DBJ's Board of Directors and its four (4) sub-Committees. As seen at Figure 15, the GOJ BPEF proposed the use of ten (10) dimensions for evaluation of good board performance.

FIGURE 15: GOJ TEN (10) DIMENSIONS OF GOOD BOARD PERFORMANCE

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

Eight of the nine board members completed the survey, indicating a response rate of 88.89%. The survey was 96 questions long.

In combining the scores for all 10 board evaluation dimensions, the resulting BEI score is 85%. Given the high BEI, the DBJ board is performing at a very high standard of governance.

THE DBJ'S THREE-YEAR BOARD EFFECTIVENESS INDEX 2018/19 - 2020/21

Criteria to measure the Boards' Roles and Responsibility	BEI 2020/21 %	BEI 2019/20 %	BEI 2018/19 %
Roles & Relationship	87	96	96
Board Composition	85	80	78
Ethics & Culture	83	94	90
Strategy & Performance	88	96	92
Audit & Internal Controls	86	98	96
Risk & Compliance Management	88	98	96
Managing Director appointment & Performance	70	80	84
Financial Governance	92	98	98
Board Processes	90	92	94
Stakeholder Engagement	79	82	76
Average Total	85	91	90

The 'Cluster, Collaborate, Export & Thrive' facility in Old Harbour, St. Catherine, produces ornamental fish for export. The project received a grant funding from the DBJ allowing it to expand.

PSOJ/MOFPS CORPORATE GOVERNANCE AWARDS 2020

For the fourth consecutive year, the DBJ participated and received awards in the Private Sector Organization of Jamaica (PSOJ) and MoFPS Corporate Governance Awards.

For the 2020 Awards, the DBJ improved its standing by placing in the top five public bodies that demonstrated that its corporate governance practices are in keeping with the GOJ Corporate Governance Framework and was category winner for **"Best Annual Report"**. The DBJ continues to remain amongst the best practitioners of good corporate governance in the Public Sector.

As shown below, the Bank has won many awards and received runner-up prizes in other categories since the inaugural presentations in 2017.

SOME OF THE MANY AWARDS WON BY THE DBJ IN THE PSOJ/MOFPS CORPORATE GOVERNANCE AWARDS.

RISK MEASUREMENT & MANAGEMENT & INTERNAL CONTROLS:
2017, 2018, and 2019

BEST ANNUAL REPORT:
2017, 2018 and 2020

COMPLIANCE AND DISCLOSURE OF INFORMATION:
2017

AUDIT AND CORPORATE GOVERNANCE COMMITTEE (ACGC) REPORT

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

The ACGC is comprises of four (4) directors: three (3) independent directors and one (1) ex-officio director who meet at least four (4) times annually to effectively carry out their responsibilities. Its detailed roles and responsibilities are set out in its Charter and its written terms of reference.

SUMMARY OF WORK IN 2020/21

1. Reviewed and approved the Audited Financial Statements of the Bank for Financial Year 2019/20
2. Reviewed and recommended updates to the DBJ's Anti-Fraud & Corruption Control Policy
3. Recommended for approval the implementation of a Whistle-blower Independent Reporting System
4. Monitored the recommendations for improvements to the system of governance, risk management and internal control (GRC) systems of the DBJ
5. Approved the DBJ's Annual Risk-based Audit Plan 2020/21
6. Reviewed and discussed the Audit Services Department (Internal Audit) audit reports prepared during the Financial Year 2020/21
7. Updated the Audit and Corporate Governance Charter
8. Reviewed the ACGC Terms of Reference
9. Endorsed and recommend for approval updated its terms of reference
10. Reviewed and recommended for approval the reviewed Audit Committee Charter and Audit Services Department Charter
11. Monitored Management's Corrective Actions (MCAs) on audit points
12. Approved amendments to Annual Audit Plan in response to impact of COVID-19

INTERNAL AUDIT FUNCTION

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

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

The DBJ's tone-at-the-top promotes a strong internal control environment. This is reflected in management's attitude towards maintaining a strong system of internal control over the Bank's operations.

Audit points were successfully addressed. This is evidenced by:

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

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

RISK-BASED AUDITING AT THE DBJ

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

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

QUALITY ASSURANCE IMPROVEMENT PROGRAMME (QAIP)

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

The DBJ's quality assurance and improvement program was developed in accordance with these Standards, specifically, IPPF Standard 1300 covering all aspects of the internal audit activity. The QAIP is an ongoing programme intended to increase the quality and value of internal audit services. It assesses the efficiency and effectiveness of the internal audit activity and evaluates conformance with relevant policies, procedures, standards, core values and a code of ethics.

The DBJ's QAIP 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 2020/21

Using the Risk-based Annual Audit Plan approved by the DBJ Board, key activities were performed by the Audit Services Department during the 2020/21 Financial Year.

Engagement Area	Summary of Audit Objectives
1. Fixed Assets	To determine the adequacy of internal controls related to recording, valuing, reporting, and safeguarding the Bank's fixed assets.
2. Payroll – The DBJ	To establish that adequate and effective controls are in place to safeguard the integrity of payroll transactions
3. Pension Fund Management	To determine whether the management and administration of the DBJ Pension Fund complies with the requirement of the Pension Act, the Regulations, and the Constitutive documents of the DBJ Pension Fund.
4. Donations and Sponsorship	To determine that the approval of Donations and Sponsorships are being properly monitored and that the Bank is compliant with the Policy and Procedural document.
5. Software and Hardware Maintenance	To determine that the management of the Bank's software and hardware are being properly monitored and that the Bank is compliant with the Software User Policy."
6. Information Technology – Follow up	To determine the Implementation status of the recommendation as outlined in the MIS Action Plan.
7. PBMA Act Compliance Review	To determine the Bank's compliance with the requirements of the Public Bodies Management and Accountability Act.
8. The DBJ's Policy Review	An extensive engagement to examine key policies to determine adequacy and existence.
Special Investigation	
9. Whistleblower Investigation	To investigate a report made via the DBJ's online Whistle-Blower platform.
Consulting Service(s):	
10. 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.
11. TeamMate+ Configuration Support to NPCB	NPCB's Internal Audit Unit received support from the DBJ to acquire TeamMate+, an Audit Management software. Audit Services provided support in the migration, configuration, and implementation of the software.
12. 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):	
13. Annual Audit Planning Financial Year 2021/22	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.
14. Periodic Quality Assurance and Improvement Program Assessment	To provide reasonable assurance to the various stakeholders of the Internal Audit activity that Audit Services has generally complied with IPPF

Optical Solutions International Limited provides ophthalmic care ranging from minimal eye care to surgeries. The company also provides prescription lens and frames for sale in its 10 locations islandwide. A DBJ loan allowed the company to purchase optical equipment.

ENTERPRISE RISK MANAGEMENT COMMITTEE REPORT 2020/21

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

THE RESPONSIBILITIES INCLUDE:

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

SUMMARY OF THE ACTIVITIES UNDERTAKEN DURING 2019/20

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

1. Review and recommend for approval the Risk Framework for Reverse Factoring
2. Review updates of the Bank's Risk Appetite to reflect the Bank's strategic objectives and key strategic sectors.
3. Review and recommend to the Board of Directors for approval, risk tolerances for Strategic, Financial and Operational areas
4. Review scenario forecasting and stress testing of implication's on COVID-19 on the Bank's strategic objectives and balance sheet
5. Review of Foreign exchange exposure limits
6. Reviewed accreditation of AFI and MFIs
7. Review and assess cyber risks and COVID-19
8. Continuous review and assessment of the Bank's risk profile via summary reports provided on periodic basis. These summary reports examine:
    a. Monitoring of AFI and MFI
    b. Key Business Risk
    c. Liquidity and investment
    d. Credit
    e. Foreign Exchange

DIRECTORS' GROSS COMPENSATION

YEAR ENDED MARCH 31, 2021

Names of Directors	Board Meetings	Committee Meetings	Total Payment
Paul B. Scott	299,000.00	87,000.00	386,000.00
Barrington Chisholm	256,000.00	69,700.00	325,700.00
David P. Wan	98,000.00	23,000.00	121,000.00
Dr. Adrian Stokes	168,000.00	57,500.00	225,500.00
A. Cecile Watson	196,000.00	141,800.00	337,800.00
Kerry-Ann McKoy Tulloch	196,000.00	83,200.00	279,200.00
Sherene Golding Campbell	196,000.00	106,575.00	302,575.00
Carlene O'Connor	168,000.00	45,500.00	213,500.00
Alok Jain	28,000.00	-	28,000.00
	1,605,000.00	614,275.00	2,219,275.00

Chocolate Dreams Limited, based in St. Andrew, specializes in manufacturing and distributing chocolate products. A DBJ loan provided working capital support, allowing the company to expand and increase employment.

SENIOR EXECUTIVES' COMPENSATION

YEAR ENDED MARCH 31, 2021

	Position Of Senior Executive	Basic Salary (J$)	Perfor-mance Incentive Dec. 2020 (J$)	Gratuity (J$)	Travelling Allowance (J$)	Pension (J$)	Other Allowances (J$)	Total (J$)
1	*Managing Director* Milverton Reynolds	15,850,412	1,268,033	3,915,429	1,917,674	0	0	22,951,548
2	*GM – PPP & Privatisation* Denise Arana	7,704,736	694,966	0	1,917,674	595,860	1,542,070	12,455,306
3	*GM – Audit Services* Tamara Brissett	7,704,736	616,379	0	1,917,674	531,627	108,000	10,878,416
4	*GM – Strategic Services* Christopher Brown	6,523,818	521,905	0	1,917,674	450,143	108,000	9,521,540
5	*Act'g Gm – Microfinance Services* Sophia Bryan Terry	4,949,259	346,448	0	1,917,674	341,499	108,000	7,662,880
6	*Project Mgr – Reverse Factoring* Paul Chin	6,523,818	456,667	1,598,594	1,917,674	0	108,000	10,604,753
7	*GM – Loan Origination & Portfolio Management* Edison Galbraith	7,704,736	694,966	0	1,917,674	595,860	1,542,070	12,455,306
8	*GM – Legal Services* Sheron Henry	7,704,736	694,966	0	1,917,674	595,860	1,542,070	12,455,306
9	*GM – Management Information System* Delano Walters	6,130,178	490,414	0	1,917,674	0	108,000	8,646,266
10	*GM – Logistics & Corp. Development* Deborah Newland	6,917,458	553,397	3,291,388	1,917,674	0	108,000	12,787,917
11	*GM – Finance & Treasury* Dorothea Simpson	7,704,736	694,966	0	1,917,674	627,822	1,502,128	12,447,326
12	*GM – HRD & Administration* Yvonne Williams	7,704,736	694,966	0	1,917,674	598,137	1,071,912	11,987,425
13	*GM – Credit Enhancement Fund (CEF)* David Wan **	1,701,914	0	0	463,953	0	0	2,165,867

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

GM-CEF- joined the Team in January 2021

GLOSSARY OF ACRONYMS

Below is a list of several acronyms and their meanings as they appear in the DBJ's 2020-21 Annual Report:

AFI	Approved Financial Institutions
BPO	Business Process Outsourcing
CEF	Credit Enhancement Facility
ERM	Enterprise Risk Management
GOJ	Government of Jamaica
ICT/BPO	Information and Communication Technology/Business Processing Outsourcing
IDB	Inter-American Development Bank
IFLC	Investment, Finance and Loans Committee
JAMPRO	Jamaica Promotions Limited
JVCP	Jamaica Venture Capital Programme
LOPM	Loan Origination and Portfolio Management
MFI	Micro Finance Institutions
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
P4	Public-Private Partnerships & Privatisation
PIMSEC	Public Investment Management Secretariat
PPF	Project Preparation Facility
PPP	Public-Private Partnerships
SME	Small and Medium-sized Enterprises
VTA	Voucher for Technical Assistance

Development Bank of Jamaica Limited

Facilitating economic growth and development

| March 31, 2021 |

AUDITED ACCOUNTS

CONTENTS

KPMG
Chartered Accountants
P.O. Box 436
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922 6640
firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
DEVELOPMENT BANK OF JAMAICA LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Development Bank of Jamaica Limited ("Bank"), set out on pages 4 to 85, which comprise the statement of financial position as at March 31, 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at March 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
DEVELOPMENT BANK OF JAMAICA LIMITED

Report on the Audit of the Financial Statements (continued)

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

Report on the Audit of the Financial Statements (continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

KPMG

Chartered Accountants
Kingston, Jamaica

June 30, 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

	Notes	2021 $'000	2020 $'000
Operating Income			
Interest income, calculated using the effective interest method		1,391,564	1,380,015
Interest expense		(599,979)	(587,203)
Net interest income	6	791,585	792,812
Appreciation in fair value on investment property	13	10,514	250,000
Gain on disposal of bonds		173,995	-
Impairment recovery on financial assets		119,108	124,308*
Other income	7	623,264	876,503*
		1,718,466	2,034,623
Operating Expenses			
Staff costs	8	(703,960)	(657,022)
Discount on financial asset	18	(263,270)	(49,414)
Other operating expenses	9	(371,564)	(358,455)
		(1,338,794)	(1,064,891)
Operating Profit		379,672	969,732
Share of losses of associates	14	(65,815)	(20,537)
Profit from Credit Enhancement Facility Fund	17	181,975	83,207
Profit for the year		495,832	1,032,402
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of employee benefits asset	19	(5,032)	(61,128)
Revaluation of property, plant and equipment	21	137,922	446,799
Items that are or may be reclassified to profit or loss			
Fair value adjustments on investments at fair value through other comprehensive income	26(a)	549,301	(248,545)
Total other comprehensive income		682,191	137,126
TOTAL COMPREHENSIVE INCOME		1,178,023	1,169,528

*Reclassified to conform with current year's presentation.

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

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

	Notes	2021 $'000	2020 $'000
ASSETS			
Cash and cash equivalents	10	1,705,290	1,222,674
Resale agreements	11	5,799,782	7,095,295
Investment securities	12	4,275,622	3,232,035
Investment property	13	943,114	932,600
Investment in associates	14	1,114,369	1,121,408
Loans receivable, net of impairment allowance	15	16,132,232	15,927,416
Due from Government of Jamaica	16	915,387	772,142
Due from Credit Enhancement Facility Fund	17	791,468	595,339
Other receivables	18	3,031,965	1,743,160
Employee benefits asset	19	422,632	417,380
Intangible assets	20	7,660	15,824
Property, plant and equipment	21	1,543,441	1,421,797
Taxation recoverable		454,907	393,036
Total assets		37,137,869	34,890,106
LIABILITIES			
Loans payable	22	21,857,080	20,772,959
Other	23	791,306	737,427
Total liabilities		22,648,386	21,510,386
EQUITY			
Share capital	24	1,757,539	1,757,539
Share premium	24	98,856	98,856
Capital reserves	25	1,297,509	1,212,761
Other reserves	26	6,628,856	5,773,742
Retained earnings		4,706,723	4,536,822
Total equity		14,489,483	13,379,720
Total liabilities and equity		37,137,869	34,890,106

The financial statements on pages 4 to 85 were approved for issue by the Board of Directors on June 30, 2021 and signed on its behalf by:

Milverton Reynolds Managing Director

Paul B. Scott Chairman

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

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

	Note	Share Capital $'000	Share Premium $'000	Capital Reserves $'000	Other Reserves $'000	Retained Earnings $'000	Total $'000
Balances as at March 31, 2019		1,757,539	98,856	1,213,434	5,522,138	3,776,075	12,368,042
Total comprehensive income for the year							
Profit for the year		-	-	-	-	1,032,402	1,032,402
Other comprehensive income		-	-	-	137,126	-	137,126
Total comprehensive income for the year		-	-	-	137,126	1,032,402	1,169,528
Transfers							
Amortisation of grants	25(d)	-	-	(673)	-	-	(673)
Transfer of profit on CEF	26(f)	-	-	-	83,207	(83,207)	-
Transfer to technical assistance reserve	26(g)(ii)	-	-	-	31,271	(158,448)	(127,177)
		-	-	(673)	114,478	(241,655)	(127,850)
Transactions with owners, recognised directly in equity							
Dividends	27		-	-	-	(30,000)	(30,000)
Balances at March 31, 2020		1,757,539	98,856	1,212,761	5,773,742	4,536,822	13,379,720
Total comprehensive income for the year							
Profit for the year		-	-	-	-	495,832	495,832
Other comprehensive income		-	-	-	682,191	-	682,191
Total comprehensive income for the year		-	-	-	682,191	495,832	1,178,023
Transfers							
Transfer of profit on CEF	26(f)	-	-	-	181,975	(181,975)	-
Transfers		-	-	84,748	(9,052)	(108,956)	(33,260)
		-	-	84,748	172,923	(290,931)	(33,260)
Transactions with owners, recognised directly in equity							
Dividends	27		-	-	-	(35,000)	(35,000)
Balances at March 31, 2021		1,757,539	98,856	1,297,509	6,628,856	4,706,723	14,489,483

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

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

	Note	2021 $'000	2020 $'000
Cash Flows from Operating Activities			
Profit for the year		495,832	1,032,402
Adjustments for:			
Amortisation	20	9,009	7,582
Depreciation	21	37,798	44,176
Interest income		(1,391,564)	(1,380,015)
Interest expense		599,979	587,203
Adjustment for impairment losses recovered		(119,108)	(124,006)
Foreign exchange (gains)		(144,453)	(642,104)
Discount on advance to associated companies		28,630	(36,138)
Change in employee benefits asset		(10,284)	(18,107)
Share of losses in associated companies	14	65,815	20,537
Gain on disposal of property and equipment	7	(1,695)	(1,706)
Gain on disposal of investment property		-	(520)
Gain on disposal of bonds		(173,995)	-
Surplus on revaluation of investment property	13	(10,514)	(250,000)
Amortisation of grants	25(d)	-	(673)
		(614,550)	(761,369)
Changes in operating assets and liabilities:			
Loans receivable		467,486	1,863,109
Due from Government of Jamaica		(3,548)	(16,368)
Taxation recoverable		(61,872)	(6,498)
Credit Enhancement Facility Fund	17	(181,975)	(83,207)
Other receivables		(1,244,361)	16,002
Other liabilities		53,879	66,346
		(1,584,941)	1,078,015
Interest received		1,397,552	1,359,510
Interest paid		(587,740)	(623,464)
Net cash (used)/provided by operating activities		(775,129)	1,814,061

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

STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

	Note	2021 $'000	2020 $'000
Cash Flows from Investing Activities			
Resale agreements		1,614,510	(2,396,291)
Investment securities, net		(620,198)	(84,068)
Interest in associates companies		(46,679)	13,957
Dividends received		20,864	24,985
Purchase of intangible assets	20	(845)	(6,099)
Purchase of property, plant and equipment	21	(21,900)	(33,448)
Proceeds from disposal of investment property		-	17,109
Proceeds from disposals of property, plant and equipment		2,075	2,675
Proceeds from disposal of bonds		563,626	-
Net cash provided/(used) in investing activities		1,511,453	(2,461,180)
Cash Flows from Financing Activities			
Loans received		2,713,400	2,954,222
Loans repaid		(2,901,409)	(2,018,647)
Dividends paid	27	(35,000)	(30,000)
Net cash (used)/provided by financing activities		(223,009)	905,575
Net increase in cash and cash equivalents		513,315	258,456
Effect of exchange rate fluctuations on cash and cash equivalents		(30,699)	(68,089)
Cash and cash equivalents at beginning of year		1,222,674	1,032,307
Cash and cash equivalents at the year end	10	1,705,290	1,222,674

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

(expressed in Jamaica dollars unless otherwise indicated)

1. Identification and Principal Activities

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

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

The primary business activity of the Bank is Development Banking.

The Bank is exempt from income tax under Section 11(b) of the Income Tax Act.

The Bank has interests in certain associated companies (Note 14) all of which are incorporated and domiciled in Jamaica. The ones currently in operation are as follows:

Name of Investee	Principal Activities	Percentage Holding	Financial Year End
Harmonisation Limited and its	Property development	50%	March 31
(i) 100% subsidiary:			
Silver Sands Estate Limited	Rental of resort accommodation	50%	March 31
(ii) 49% associate:			
Harmony Cove Limited	Property development	24%	March 31

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

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

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

2. Statement of compliance and basis of preparation

(a) Statement of compliance

The financial statements as at and for the year ended March 31, 2021 ("reporting date") are prepared in accordance with International Financial Reporting Standards ("IFRS"), and comply with the relevant provisions of the Jamaican Companies Act.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

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

(a) Statement of compliance (continued)

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

Use of judgements and estimates:

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in Note 5.

New and amended standards adopted during the year

Certain new and amended standards which were in issue came into effect during the year. The adoption of these standards did not have any impact on the amounts recognized or disclosures in the financial statements.

New and amended standards that are not yet effective

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

- Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures,* IFRS 4 *Insurance contracts and* IFRS 16 *Leases, is* effective for annual accounting periods beginning on or after January 1, 2021 and address issues affecting financial reporting in the period leading up to interbank offered rates **(**IBOR) reform. The second phase amendments apply to all hedging relationships directly affected by IBOR reform. The amendments principally address practical expedient for modifications. A practical expedient has been introduced where changes will be accounted for by updating the effective interest rate if the change results directly from IBOR reform and occurs on an 'economically equivalent' basis. A similar practical expedient will apply under IFRS 16 *Leases* for lessees when accounting for lease modifications required by IBOR reform. In these instances, a revise discount rate that reflects the change in interest rate will be used in remeasuring the lease liability.

  The amendments also address specific relief from discontinuing hedging relationships as well as new disclosure requirements.

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

(a) Statement of compliance (continued)

***New and amended standards that are not yet effective* (continued)**

- Amendments to IAS 37 *Provision*, C*ontingent Liabilities and Contingent Assets* is effective for annual accounting periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling the contract.

  The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the 'incremental cost' approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

- Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS *9 Financial Instruments,* IFRS 16 *Leases*, IAS 41 *Agriculture*, and are effective for annual accounting periods beginning on or after January 1, 2022.

  (i) IFRS 9 *Financial Instruments* amendment clarifies that – for the purpose of performing the ''10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  (ii) IFRS 16 Leases amendment removes the illustration of payments from the lessor relating to leasehold improvements.

  (iii) The amendments to IAS 41 *Agriculture* remove the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 *Fair Value Measurement*.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

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

(a) Statement of compliance (continued)

***New and amended standards that are not yet effective* (continued)**

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after January 1, 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

  Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

  With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

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

(b) Interest in equity-accounted entities

Associates

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

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

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

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

(c) Foreign currency translation

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

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

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

3. Significant Accounting Policies

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

(a) Revenue recognition

(i) *Interest income*

Effective interest rate

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

3. Significant Accounting Policies (continued)

(a) Revenue recognition (continued)

(i) *Interest income* (continued)

Effective interest rate (continued)

Amortised cost and gross carrying amount

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

Calculation of interest income

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

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

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

Presentation

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

3. Significant Accounting Policies (continued)

(a) Revenue recognition (continued)

(ii) Fee and commission income

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

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

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

Performance obligations and revenue recognition policies:

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

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

(iii) Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

3. Significant Accounting Policies (continued)

(a) Revenue recognition (continued)

(iv) Interest expense

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

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

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

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

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

(b) Financial instruments

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

(i) Recognition and initial measurement

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

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

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

3. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(i) Recognition and initial measurement (continued)

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

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

(ii) Classification and subsequent measurement

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

3. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

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

Business model assessments:

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

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

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

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

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

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

3. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

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

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

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

Reclassifications

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

(iii) Derecognition

Financial assets

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

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

Financial liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

3. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(v) Offsetting

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

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

(vi) Impairment

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

- financial assets measured at amortised cost; and

- debt investments measured at FVOCI.

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

- debt investment securities that are determined to have low credit risk at the reporting date; and

- other financial instruments on which credit risk has not increased significantly since their initial recognition.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

3. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(vi) Impairment (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses.

They are measured as follows:

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

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

Restructured financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

3. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(vi) Impairment (continued)

Credit-impaired financial assets

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

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

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

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

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

- The rating agencies' assessments of creditworthiness.

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

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

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

3. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(vi) Impairment (continued)

Presentation of allowance for ECL in the statement of financial position

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

- *financial assets measured at amortised cost:* as a deduction from the gross carrying amount of the assets.

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

Write-off

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

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

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

(vii) Specific financial instruments

(1) Loans receivable

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

(2) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

3. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(vii) Specific financial instruments (continued)

(3) Resale agreements

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

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

(c) Investment property

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

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

Rental income from investment property is recognised as other income on a straight-line basis over the term of the lease.

(d) Property, plant and equipment

Land and buildings are shown at market values based on valuations done by external valuators less impairment losses, and less subsequent depreciation for buildings. All other property, plant and equipment are measured at historical cost less accumulated depreciation and impairment losses.

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

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

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

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

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

3. Significant Accounting Policies (continued)

(e) Borrowings

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

(f) Share capital

Share issue costs

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

Dividends on ordinary shares

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

(g) Impairment of long lived assets

Property, plant and equipment and intangibles are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating unit (CGU).

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

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

(h) Post-employment benefits

Pension benefits

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

Defined benefit pension plan

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

3. Significant Accounting Policies (continued)

(h) Post-employment benefits (continued)

Pension benefits (continued)

Defined benefit pension plan (continued)

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

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

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

Past-service costs are recognised immediately in expenses.

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

Termination benefits

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

(i) Government grants

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

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

(j) Intangible assets - *Computer software*

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

3. Significant Accounting Policies (continued)

(k) Operating leases

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

As a lessor

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

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

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

Short-term leases and leases of low-value assets

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

4. Financial Risk Management

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

4. Financial Risk Management (continued)

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

(i) Investment, Finance and Loans Committee

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

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

(iii) Human Resource & Compensation Committee

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

(iv) Enterprise Risk Management Committee

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

(a) Market risk

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

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

(i) Currency risk

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

4. Financial Risk Management (continued)

(iv) Enterprise Risk Management Committee (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

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

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

	2021		2020	
	US$	€	US$	€
	’000	’000	’000	’000
Cash and cash equivalents	1,130	-	1,563	-
Resale agreements	17,538	-	32,620	-
Investment securities	28,430	-	19,316	-
Mortgage receivable and CEF	11,767	-	1,924	-
Loans, net of impairment losses	61,597	-	59,964	-
Total foreign currency assets	120,462	-	115,387	-
Loans payable	(99,849)	(396)	(104,813)	(428)
Net foreign currency assets/(liabilities)	20,613	(396)	10,574	(428)

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 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 have 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$146.27 (2020: J$134.57) and €1: J$174.40 (2020: J$151.21).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

4. Financial Risk Management (continued)

(iv) Enterprise Risk Management Committee (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	2021		2020	
	Change In Currency rate %	**Effect on profit $'000**	**Change in Currency rate %**	**Effect on profit $'000**
Strengthening of the Jamaica dollar:				
USD	2%	(60,301)	2%	(28,459)
Euro	2%	1,381	2%	1,294
Weakening of the Jamaica dollar:				
USD	6%	180,909	6%	85,376
Euro	6%	(4,143)	6%	(3,882)

The analysis is done on the same basis as 2020 and assumes that all other variables remain constant.

(ii) Interest rate risk

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

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

(expressed in Jamaica dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(iv) Enterprise Risk Management Committee (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 receivable, 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	-

(expressed in Jamaica dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(iv) Enterprise Risk Management Committee (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	2020						
	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non - Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Cash and cash equivalents	1,222,579	-	-	-	-	95	1,222,674
Resale agreements	-	7,056,543	-	-	-	38,752	7,095,295
Investments securities	-	-	-	199,447	2,569,076	463,512	3,232,035
Loans receivable, net of impairment losses	-	1,284,753	3,077,072	7,626,641	3,806,926	132,024	15,927,416
Due from Government of Jamaica	-	-	-	-	-	772,142	772,142
Due from Credit Enhancement Facility Fund	-	-	-	-	258,967	336,372	595,339
Other receivables	-	-	-	-	-	1,743,159	1,743,160
Total financial assets	1,222,579	8,341,296	3,077,072	7,826,088	6,634,969	3,486,056	30,588,060
Liabilities							
Loans payable		(415,923)	(1,372,063)	(1,046,046)	(13,261,208)	(4,677,719)	(20,772,959)
Other liabilities	-	-	-	-	-	(737,427)	(737,427)
Total financial liabilities	-	(415,923)	(1,372,063)	(1.046,046)	(13,261,208)	(5,415,146)	(21,510,386)
Interest rate sensitivity gap	1,222,579	7,925,373	1,705,009	6,780,042	(6,626,239)	(1,929,090)	9,077,674
Cumulative Interest sensitivity gap	1,222,579	9,147,952	10,852,961	17,633,003	11,006,764	9,077,674	-

4. Financial Risk Management (Continued)

(iv) Enterprise Risk Management Committee (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on profit or loss.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the floating rate of non-trading financial assets and financial liabilities. The sensitivity of other comprehensive income is calculated by revaluing fixed rate financial assets at FVOCI 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 have to be on an individual basis. It should be noted that movements in these variables are non-linear.

	Effect on profit or loss	
	2021	**2020**
	$'000	**$'000**
Change in basis points:		
Decrease - JMD -100 and USD -100	(283,354)	(277,973)
Increase - JMD +100 and USD +100	283,354	277,973

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

(b) Credit risk

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

(i) Exposure to credit risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Exposure to credit risk (continued)

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

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

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

- Credit risk exposures relating to items not recognised:

	Maximum exposure	
	2021	**2020**
	$'000	**$'000**
Loan commitments	1,658,357	3,442,178
Guarantees	2,305,499	1,791,660
	3,963,856	5,233,838

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Exposure to credit risk (continued)

	2021						
	Cash and cash equivalents	Loans receivable	Investment securities	Resale agreements	Due from Govt. of Jamaica	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amounts	1,705,290	16,132,232	3,747,574	5,799,782	915,387	3,031,965	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	-	915,847
Manufacturing	-	1,224,147	-	-	-	-	1,224,147
Professional and other services	-	11,345,296	-	-	-	3,031,965	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	3,031,965	31,729,293
Interest receivable	-	101,503	24,593	27,103	-	-	153,199
Less: Impairment losses	-	(542,034)	(8,228)	-	-	-	(550,262)
	1,705,290	16,132,232	3,747,574	5,799,782	915,387	3,031,965	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

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.

4. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Exposure to credit risk (continued)

	2020						
	Cash and cash equivalents	Loans receivable	Investment securities	Resale agreements	Due from Govt. of Jamaica	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amounts	1,222,674	15,927,416	2,779,780	7,095,295	772,142	1,743,160	29,540,467
Concentration sector:							
Financial institutions	1,222,674	-	2,775,252	7,056,543	-	-	11,054,469
Agriculture, fishing and mining	-	2,078,248	-	-	-	-	2,078,248
Government and public entities	-		-	-	772,142	-	772,142
Manufacturing	-	1,045,435	-	-	-	-	1,045,435
Professional and other services	-	10,907,333	-	-	-	1,743,160	12,650,493
Tourism and entertainment	-	2,370,711	-	-	-	-	2,370,711
Transportation , storage and communication	-	50,815	-	-	-	-	50,815
	1,222,674	16,452,542	2,775,252	7,056,543	772,142	1,743,160	30,022,313
Interest receivable	-	132,025	14,067	38,752	-	-	184,844
	1,222,674	16,584,567	2,789,319	7.095.295	772,142	1,743,160	30,207,157
Less: Impairment losses	-	(657,151)	(9,539)	-	-	-	(666,690)
	1,222,674	15,927,416	2,779,780	7,095,295	772,142	1,743,160	29,540,467
Concentration by location:						-	
Jamaica	1,012,310	7,858,137	180,429	2,705,646	772,142	1,743,160	14,271,824
United States of America	210,364	8,069,279	2,599,351	4,389,649	-	-	15,268,643
	1,222,674	15,927,416	2,779,780	7,095,295	772,142	1,743,160	29,540,467

4. 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

	2021	2020
	$'000	$'000
Direct loans	4,393,863	3,848,090
Financial and agricultural institutions loans	11,738,369	12,079,326
	16,132,232	15,927,416
Neither past due nor impaired	16,508,547	16,228,082
Past due but not impaired:		
1 to 3 months	24,945	24,764
3 to 6 months	4,523	2,245
6 to 12 months	-	-
Over 12 months	24,172	39,768
Past due and impaired	112,078	289,708
	16,674,266	16,584,567
Less allowance for ECL (note 15)	(542,034)	(657,151)
	16,132,232	15,927,416

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

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4. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Exposure to credit risk (continued)

- Other amounts receivable- contractual due dates:

	2021 $'000	2020 $'000
Neither past due nor impaired		
Due from Government of Jamaica:		
Notes receivable	-	41,039
Other	796,480	658,783
	796,480	699,822

- Other amounts receivable- no contractual due dates:

	2021 $'000	2020 $'000
No due date – deemed not impaired		
Due from Government of Jamaica:		
Privatisation	118,907	72,320
Other receivables (Notes receivable)	237,697	271,210
	356,604	343,530

The carrying amount, at the reporting date, of loans whose contractual provisions have been renegotiated was $3,069,682,972 (2020: $2,877,803,000).

(ii) Management of credit risk

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

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4. Financial Risk Management (Continued)

(b) Credit risk (continued)

(ii) Management of credit risk (continued)

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

Cash and cash equivalents

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

Investment securities and resale agreements

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

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

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.

Credit quality

The Bank identifies changes in credit risk by tracking published external credit ratings.

Loss given default (LGD) parameters generally reflect an assumed recovery rate except when the security is credit-impaired, in which case the estimate of loss is based on the instrument's current market price and original effective interest rate.

The credit quality of investment securities has a B3 credit rating.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

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4. Financial Risk Management (continued)

(b) Credit risk (continued)

(ii) Management of credit risk (continued)

Loans (continued)

The Bank assesses the probability of default of individual counterparties using internal ratings. Loans are segmented into six rating classes. The Bank's rating scale, which is shown below, reflects the risk rating assigned:

Credit Score Bands		
From	To	Risk Rating
81	100	Low
71	80	Moderately Low
51	70	Average
41	50	Moderately High
31	40	High
Under	30	Very High

Collateral

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

	2021			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'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

	2020			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Loans receivable	15,803,546	231,153	549,868	16,584,567
Loss allowance	(197,253)	(211,029)	(248,869)	(657,151)
Carrying amount	15,606,293	20,124	300,999	15,927,416

4. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iii) Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment. See accounting policy at note 3(b)(vi).

Significant increase in credit risk

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

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due.

Credit risk grades:

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. The Bank uses these grades in identifying significant increases in credit risk under IFRS 9. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data:

- Data from credit reference agencies.
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.
- Payment record – this includes overdue status as well as a range of variables about payment ratios.
- Existing and forecast changes in business, financial and economic conditions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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4. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iii) 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.

4. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iii) Amounts arising from ECL (continued)

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Definition of default:

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

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4. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iii) Amounts arising from ECL (continued)

Loss allowance

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

Loans receivable

	2021			
	Stage 1 $`000	Stage 2 $`000	Stage 3 $`000	Total $`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)

	2020			
	Stage 1 $`000	Stage 2 $`000	Stage 3 $`000	Total $`000
Loans receivable				
Balance at April 1, 2019	(59,678)	(10)	(721,368)	(781,056)
Net remeasurement of loss allowance	197,252	122,057	(195,304)	124,005
Balance at March 31, 2020	137,574	122,047	(916,672)	(657,051)

	Stage 1 $`000	Total $`000
Debt securities		
Balance at April 1, 2019	(9,539)	(9,539)
Net remeasurement of loss allowance	-	-
Balance at March 31, 2020	(9,539)	(9,539)
Net remeasurement of loss allowance	3,776	3,776
Balance at March 31, 2021	(5,763)	(5,763)

4. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iii) Amounts arising from ECL (continued)

Loss allowance (continued)

Other receivable

	2021 Stage 1 $`000	2021 Stage 3 $`000	2021 Total $`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 (Note 18)	(1,988)	(255)	(2,243)

	2020 Stage 1 $`000	2020 Stage 3 $`000	2020 Total $`000
Other receivables			
Balance at April 1, 2019	(966)	(659)	(1,625)
Net remeasurement of loss allowance	(303)	-	(303)
Balance at March 31, 2020	(1,269)	(659)	(1,928)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iii) Amounts arising from ECL (continued)

Measurement of ECLs

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

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD)

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

For loans secured by 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, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iv) Past due but not impaired loans

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

(v) Loans with renegotiated terms

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

(vi) Write-off policy

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

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

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

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

Collateral is generally not held for balances with banks or broker/dealers, except when securities are held under resale agreements. Collateral is generally not held against investment securities, and no such collateral was held at the reporting date (2020 - no collateral held).

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

(expressed in Jamaica dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(b) Credit risk (continued)

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

	Loans receivable		Other receivables		Resale agreements	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Against neither past nor impaired financial assets:						
Property (land and buildings)	9,939,199	9,277,921	55,730	51,027	-	-
Debt securities	-	-		-	6,295,387	7,081,173
Motor vehicles	-	-	107,289	104,993	-	-
Other	-	-	76,023	76,062	-	-
Against past due and impaired financial assets:						
Property (land and buildings)	920,000	1,158,725	-	-	-	-

4. Financial Risk Management (Continued)

(c) Liquidity risk

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

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

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

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

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

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

	2021						
	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	441,870	1,340,084	9,955,953	5,858,325	4,260,849	21,857,080	21,857,080
Other liabilities	-	-	-	-	791,306	791,306	791,306
	441,870	1,340,084	9,955,953	5,858,325	5,052,155	22,648,386	22,648,386

	2020						
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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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4. 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.

4. Financial Risk Management (Continued)

(f) Fair value estimation

(i) Accounting classifications and fair values:

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

	2021						
	Carrying amount				Fair value hierarchy		
	Amortised cost	FVOCI	Other Financial liabilities	Total	Level 1	Level 2	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets measured at fair value:							
Quoted equity securities	-	262,570	-	262,570	262,570	-	262,570
Unquoted equity securities	-	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	3,793,025
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			
Loans receivables	16,132,232	-	-	16,132,232			
Due from Government of Jamaica	915,387	-	-	915,387			
Due from Credit Enhancement Facility Fund	791,468	-	-	791,468			
	28,569,675	-	-	28,569,675			
Financial liabilities not measured at fair value:							
Loans payable	-	-	21,857,080	21,857,080			
Other	-	-	791,306	791,306			
	-	-	22,648,386	22,648,386			

* These are measured at fair value based on management estimates, as the cost of a professional valuation far outweighs the benefits. They would fall in level 3 in the fair value hierarchy.

The Bank has not disclosed the fair values of certain GOJ securities, 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 value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

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4. Financial Risk Management (Continued)

(f) Fair value estimation (continued)

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

	2020						
	Carrying amount				Fair value hierarchy		
	Amortised cost	FVOCI	Other Financial liabilities	Total	Level 1	Level 2	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets measured at fair value:							
Quoted equity securities	-	237,387	-	237,387	237,387	-	237,387
Unquoted equity securities*	-	212,058	-	212,058	-	-	-
Government of Jamaica securities	-	2,578,651	-	2,578,651	-	2,578,651	2,578,651
	-	3,028,096	-	3,028,096	237,387	2,578,651	2,816,038
Financial assets not measured at fair value:							
Government of Jamaica securities	189,872	-	-	189,872			
Resale agreements	7,095,295	-	-	7,095,295			
Cash and cash equivalents	1,222,674	-	-	1,222,674			
Other receivables	1,743,160	-	-	1,743,160			
Loans receivables	15,927,416	-	-	15,927,416			
Due from Government of Jamaica	772,142	-	-	772,142			
Due from Credit Enhancement Facility Fund	595,339	-	-	595,339			
	27,545,898	-	-	27,545,898			
Financial liabilities not measured at fair value:							
Loans payable	-	-	20,772,959	20,772,959			
Other	-	-	737,427	737,427			
	-	-	21,510,386	21,510,386			

*

* These are measured at fair value based on management estimates, as the cost of a professional valuation far outweighs the benefits. They would fall in level 3 in the fair value hierarchy.

The Bank has not disclosed the fair values of certain GOJ securities, 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 value.

4. Financial Risk Management (Continued)

(f) Fair value estimation (continued)

(ii) Measurement of fair values:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument.

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

Level 1

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

Level 2

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

Level 3

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

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

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4. Financial Risk Management (Continued)

(f) Fair value estimation (continued)

(ii) Measurement of fair values (continued):

Financial assets	Method
Government of Jamaica J$ securities and Bank of Jamaica securities	• Obtain bid yield from yield curve provided by a recognised pricing source (which uses market-supplied indicative bids) • Using this yield, determine price using accepted formula • Apply price to estimate fair value.

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

5. Critical Accounting Estimates and Judgements in Applying Accounting Policies

Use of judgements and estimates:

The preparation of the financial statements in conformity with IFRS requires management to make estimates and judgements that affect the selection of accounting policies and the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income, expenses, gains and losses for the period then ended. Actual amounts could differ from those estimates. The estimates and the assumptions underlying them, are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision and future periods if the revision affects both current and future periods. The critical judgements made in applying accounting policies and the key areas of estimation uncertainty that have the most significant effect on the amounts recognised in the financial statements, and or that have a significant risk of material adjustment in the next financial period, are as follows:

(i) Judgements:

For the purpose of these financial statements, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS. The key relevant judgements are as follows:

(1) Classification of financial assets:

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding requires management to make certain judgements on its business operations.

5. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Use of judgements and estimates (continued):

(i) Judgements (continued):

(2) Impairment of financial assets:

Establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL requires significant judgement.

(ii) Key assumptions concerning the future and other sources of estimation uncertainty:

Allowance for impairment losses:

'

In determining amounts recorded for impairment of financial assets in the financial statements, management makes assumptions in determining the inputs to be used in the ECL measurement model, including incorporation of forward-looking information. Management also estimate the likely amount of cash flows recoverable on the financial assets in determining loss given default. The use of assumptions make uncertainly inherent in such estimates.

Fair value of property, plant and equipment and investment property:

In making its judgement, management's best estimate of fair value is based on current prices of properties of similar nature, condition or location adjusted to reflect recent prices of similar properties in less active markets and changes in economic conditions since the dates of the last transaction or valuation.

Fair values of financial instruments

There are no quoted market prices for a significant portion of the Bank's financial instruments. Accordingly, fair values of such financial assets are estimated using prices obtained from a yield curve. That yield curve is, in turn, obtained from a pricing source which estimates the yield curve on the basis of indicative prices submitted by licensed banks and other financial institutions in Jamaica. There is significant uncertainty inherent in this approach which is categorised as a level 2 fair value; consequently, the estimates arrived at may be different from the actual price of the instrument in an actual arm's length transaction [see notes 4(f), and 12].

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

5. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Use of judgements and estimates (continued):

(ii) Key assumptions concerning the future and other sources of estimation uncertainty (continued):

Future obligations for post-employment benefits

The cost of these benefits and the present value of the future obligations depend on a number of factors that are determined by actuaries using a number of assumptions. The assumptions used in determining the net periodic cost or income for retirement benefits include the expected long-term rate of return on the relevant plan assets and the discount rate. 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. An external committee of actuaries and accountants 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 committee 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. Other key assumptions for the retirement benefits are based on current market conditions.

6. Net Interest Income

	2021 $'000	2020 $'000
Interest income, calculated using the effective interest method		
Loans and advances	939,915	925,804
Income from sugar loan agreement	-	55,207
Investment securities	221,915	205,273
Resale agreements	224,802	187,958
Deposits and other	4,932	5,773
	1,391,564	1,380,015
Interest expense		
Loans payable	(599,979)	(587,203)
Net interest income	791,585	792,812

7. Other Income

	2021	2020
	$'000	$'000
Administrative fees	10,730	12,710
Commitment fees	15,472	21,889
Dividend income	20,864	24,985
Other impairment recovery/(loss)	6,727	(135,772)
Gain on disposal of property and equipment and investment property	1,695	2,226
Rental income	103,682	103,198
Foreign exchange gains	362,071	691,517
Public Private Partnership and Privatisation – fees	60,566	48,332
Miscellaneous	41,457	98,418
	623,264	867,503

8. Staff Costs

	2021	2020
	$'000	$'000
Salaries and wages	510,573	480,630
Payroll taxes	31,570	29,727
Pension costs – defined benefit plans (note 19)	12,600	2,318
Performance incentive bonus	62,703	37,557
Other	86,514	106,790
	703,960	657,022

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9. Operating Expenses

	2021	2020
	$'000	$'000
Amortisation (note 20)	9,009	7,582
Advertising and public relations	38,829	29,571
Assistance to projects	665	6,039
Auditors' remuneration	5,871	5,871
Depreciation (note 21)	37,798	44,176
Directors' fees	2,219	1,530
Legal fees	1,258	189
Professional fees	29,230	43,317
Motor vehicle expenses	4,831	6,410
Occupancy costs – including insurance, utilities and repairs	148,771	149,769
Travelling	1,877	6,942
Discount on additional advances made to Harmonisation	28,630	27,232
Subscription Fees - Reverse Factoring	21,621	-
Other	40,955	29,827
	371,564	358,455

10. Cash and Cash Equivalents

	2021	2020
	$'000	$'000
Cash	95	95
Deposits	1,705,195	1,222,579
	1,705,290	1,222,674

Net debt reconciliation

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

	2021	2020
	$'000	$'000
Cash and cash equivalents	1,705,290	1,222,674
Borrowings – repayable within one year (excluding overdraft)	(3,293,798)	(3,253,838)
Borrowings – repayable after one year	(18,563,282)	(17,497,256)
Net debt	(20,151,790)	(19,528,420)

10. Cash and Cash Equivalents (continued)

	2021 $'000	2020 $'000
Cash and liquid investments	1,705,290	1,222,674
Gross debt – fixed interest rates	(21,857,080)	(20,751,094)
Net debt	(20,151,790)	(19,528,420)

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

	Other assets	Liabilities from financing activities		
	Cash/ bank overdraft $'000	Borrowings due within 1 year $'000	Borrowings due after 1 year $'000	Total $'000
Net debt as at 31 March 2019	1,032,307	(3,161,382)	(15,806,693)	(17,935,768)
Cash flows	122,278	(92,456)	(1,919,396)	(1,889,574)
Foreign exchange adjustments	68,089	-	228,833	296,922
Net debt as at 31 March 2020	1,222,674	(3,253,838)	(17,497,256)	(19,528,420)
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)

11. Resale Agreements

The Bank enters into collateralised resale agreements, which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. Included within resale agreements is accrued interest receivable of $27,102,000 (2020: $38,752,000). At the reporting date, all agreements were collaterised by Government of Jamaica securities.

Included in resale agreements are securities with an original maturity of less than 90 days amounting to $5,772,680,000 (2020: $7,056,543,000).

The fair value of the collateral underlying the resale agreements was $6,295,387,000 (2020: $7,081,173,000) at the reporting date.

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12. Investment Securities

Remaining term to maturity 2021

	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific maturity	Carrying value
	$'000	$'000	$'000	$'000	$'000	$'000
Securities measured at amortised cost:						
Government of Jamaica	-	-	44,324	148,770	-	193,094
Securities designated at FVOCI:						
Unquoted equities securities	-	-	-	-	264,910	264,910
Government of Jamaica bonds	-	-	-	3,530,455	-	3,530,455
Quoted equity securities	-	-	-	-	262,570	262,570
	-	-	44,324	3,679,225	572,480	4,251,029
Interest receivable						24,593
						4,275,622

Remaining term to maturity 2020

	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific maturity	Carrying value
	$'000	$'000	$'000	$'000	$'000	$'000
Securities measured at amortised cost:						
Government of Jamaica (a)	-	-	45,372	144,500	-	189,872
Securities designated at FVOCI:						
Unquoted equities securities	-	-	-	-	212,058	212,058
Government of Jamaica bonds	-	-	-	2,578,651	-	2,578,651
Quoted equity securities	-	-	-	-	237,387	237,387
	-	-	45,372	2,578,651	449,445	3,217,968
Interest receivable						14,067
						3,232,035

(a) National Debt Exchange

Government of Jamaica ("GOJ") bonds include $136,000,000 (2019:136,000,000) of Fixed Rate Accreting Notes ("FRANs"). As part of the National Debt Exchange, GOJ mandated the Bank (and all other state-owned/controlled entities that held GOJ issued notes) ("Old Notes") to exchange those Old Notes for new notes – FRANs - as at February 22, 2013. Old notes with a carrying amount of $170,000,000 at that date were exchanged for FRANs with a fair value of $136,000,000, resulting in a loss of $34,000,000. The terms of the FRANs are as follows:

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

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

12. Investment Securities (continued)

(a) National Debt Exchange (continued)

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

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

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

13. Investment Property

	2021 $'000	2020 $'000
Balance at beginning of year	932,600	699,189
Disposals	-	(16,589)
Fair value gains	10,514	250,000
Balance at end of year	943,114	932,600
Manor Park apartment, Kingston - rented	43,114	32,600
21 Dominica Drive, Kingston, rented	900,000	900,000
	943,114	932,600
Income earned from the properties	66,206	66,206
Expenses incurred by the properties	(10,695)	(10,695)

The properties were revalued by the directors during the year, after consultation with professional valuers. They were last revalued by professional property valuers, Real Property Appraisers and Allison Pitter and Co., Chartered (Valuation) Surveyors and in June 2019 and March 2020 respectively on the basis of an open market valuation.

The fair value measurement for investment property and freehold land and buildings has been categorized as a Level 3 fair value based on the inputs to the valuation technique used as follows:

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Market based approach: The approach is based on the principle of substitution whereby the purchaser with perfect knowledge of the property market pays no more for the subject property than the cost of acquiring an existing comparable property, assuming no cost delay in making the substitution. The approach requires comparison of the subject property with others of similar design and utility, inter alia, which were sold in the recent past. However as no two properties are exactly alike, adjustment is made for the difference between the property subject to valuation and comparable properties.	• Details of the sales of comparable properties. • Conditions influencing the sale of the comparable properties. • Comparability adjustment.	The estimated fair value would increase/(decrease) if: • Sale value of comparable properties were higher/(lower). • Comparability adjustment were higher/(lower).

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14. Investment in Associates

	2021	**2020**
	$'000	**$'000**
Ordinary shares, at cost	250	250
Advances and related accrued interest receivables (i)		
Original advances	1,547,210	1,519,485
Additional advances	87,520	89,300
Reimbursements	(113)	(61,575)
Gross amount receivables	1,634,617	1,547,210
Unaccreted imputed interest (ii)		
Opening discount	(308,705)	(308,690)
Discount on additional advances	(15)	(15)
Total discounts	(308,720)	(308,705)
Accretion in previous years	86,529	115,145
Unaccreted interest carried forward	(222,191)	(193,560)
Present value of amount receivable	1,412,676	1,353,900
Share of losses		
At beginning of year	(232,492)	(211,955)
Loss recognised during the year	(65,815)	(20,537)
At end of year	(298,307)	(232,492)
	1,114,369	1,121,408

(i) In 2009, the shareholders of Harmonisation Limited entered into a new agreement between themselves to cease charging interest on their advances and to issue preference shares to the existing shareholders in the ratio of their outstanding advances. Advances are unsecured with no fixed repayment date. At the reporting date, the preference shares had not been issued. It is expected that they will be issued when the Joint Venture and Members Agreements come into force.

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14. Investment in Associates (continued)

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

Summary financial information on the associated companies:

	2021 $'000	2020 $'000
Current assets	418,523	358,237
Non-current assets	2,349,852	2,349,344
Current liabilities	34,480	11,999
Non-current liabilities	3,536,316	3,363,703
Revenue	9,496	15,839
Loss from continuing operations	(65,663)	(13,149)

15. Loans Receivable, Net of Provision for Credit Losses

	2021 $'000	2020 $'000
Direct loans to end users	4,393,863	3,848,090
Financial and agricultural institutions loans	11,738,369	12,079,326
	16,132,232	15,927,416

Direct loans to end users:

	Remaining term to maturity					
	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Carrying value $'000 2021	Carrying value $'000 2020
Loans receivable	300,578	547,493	1,288,461	2,284,149	4,420,681	4,084,076
Interest receivable					91,553	127,515
					4,512,234	4,211,591
Less allowance for ECL					(118,371)	(363,501)
					4,393,863	3,848,090

The loans bear interest at rates ranging from 4%-13% (2020: 4% - 13%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

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15. Loans Receivable, Net of Provision for Credit Losses (continued)

Financial and agricultural institutions loans:

	2021 $'000	2020 $'000
Loans to financial institutions	11,891,499	12,041,892
Interest receivable	8,500	3,366
	11,899,999	12,045,258
Loans to National People's Co-operative Banks	260,583	326,575
Interest receivable	1,451	1,143
	262,034	327,718
	12,162,033	12,372,976
Less allowance for ECL	(423,664)	(293,650)
	11,738,369	12,079,326

Allowance for ECL

	2021 $'000	2020 $'000
At the beginning of the year	657,151	781,056
Additional ECL during year	130,014	372,744
Reversed during the year	(245,131)	(496,649)
At end of year	542,034	657,151

16. Due from Government of Jamaica

	2021 $'000	2020 $'000
Government of Jamaica - Privatisations (a)	118,927	72,320
Government of Jamaica - Other (b)	796,460	699,822
	915,387	772,142

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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16. Due from Government of Jamaica (continued)

(a) Due from Government of Jamaica Privatisation

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

	Net recoverable/ (payable)	Amount advanced	Proceeds collected	Net recoverable/ (payable)
	$'000	$'000	$'000	$'000
	2020			2021
Projects in progress	159,339	58,837	(12,230)	205,926
Projects completed	(79,941)	-	-	(79,941)
Others	(7,078)	-	-	(7,078)
	72,320	58,837	(12,250)	118,927

(b) Due from Government of Jamaica- Other:

Note receivable:

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

	2021	2020
	$'000	$'000
Face value of 10- year interest – free note	1,004,168	1,004,168
Imputed interest	(345,056)	(345,056)
Fair value at date of issue [Note 26(g)]	659,112	659,112
Principal portion repaid in instalments received to date	(659,112)	(618,073)
Carrying amount	-	41,039

	2021	2020
Exchange losses on loans:		
(i) Caribbean Development Bank loans:		
Unrealised	620,009	492,024
Realised	38,754	38,754
	658,763	530,778
(ii) European Community Bank loans – realised	74,705	68,885
(iii) Other loans - unrealised	62,992	59,120
	796,460	658,783
	796,460	699,822

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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17. Credit Enhancement Facility Fund

The Credit Enhancement Facility Fund ("the Fund"), which was established with effect from July 2009, is an arrangement between the Approved Financial Institutions ("AFI") and the Bank, which is aimed at providing partial collateral guarantees to AFIs for loans to Small and Medium-sized Enterprises ("SMEs") which do not meet the full collateral requirements, and the Fund was set up as a part of the arrangements. Losses arising from these guaranteed loans are shared between the Bank and the AFIs.

The Bank indemnifies the AFIs for losses incurred on loans made, with the indemnity maximised at (1) the lower of $15 million or 50 per cent of the value of the loan on regular SME loans; (2) the lower of $15 million or 80 per cent of the value of the loan on SME Energy loans; and (3) the lower of $5 million or 80 per cent of the value of the loan on regular SME loans not exceeding $6.25 million.

The Bank has transferred $250 million from its investments and placed it in a Trust, managed by a Board of Trustees with a trust deed in place.

The financial position and performance of the Fund during the year are detailed below:

	2021	2020
	$'000	$'000
Assets -		
Investments	1,558	1,558
GOJ Global Bonds	276,625	153,736
Resale agreements	470,564	359,079
Cash at bank	21,530	71,911
Receivables	21,191	9,055
	791,468	595,339
Fund capital, reserve and liability -		
Fund capital	250,000	250,000
Accumulated profit	509,063	327,088
	759,063	577,088
Payables	32,405	18,251
	791,468	595,339

	2021	2020
	$'000	$'000
Profit for the year	181,975	83,207

18. Other Receivables

	2021	2020
Amortised cost:	$'000	$'000
Privatization success fee (i)	1,331,979	1,471,949
Other receivables	20,286	39,897
Receivable – BOJ (ii)	1,462,289	-
World Bank receivables	15,029	18,097
Prepayments	15,094	22,061
Staff loan receivables	189,531	193,085
NIBJ recoveries	479,314	479,314
Impairment of NIBJ recoveries	(479,314)	(479,314)
Less ECL on staff loan receivables [note 4(b)(iii)]	(2,243)	(1,929)
	3,031,965	1,743,160

(i) This represents success fee receivable from the privatization transaction of Norman Manley International Airport as follows:

	$'000 2021	$'000 2020
Amount receivable at beginning of year	1,471,949	1,384,641
Amount received during period	(94,318)	(36,278)
Foreign exchange adjustment	217,618	173,000
Amount discounted	(263,270)	(49,414)
Amount receivable as year-end	1,331,979	1,471,949

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.

19. Employee Benefits Asset

(a) The Bank operated a defined-contribution pension scheme for the former employees of The National Development Bank of Jamaica Limited (NDB); it was administered by an insurance company. Benefits to retired members were based on employee and employer contributions, bonuses and interest credited. The assets of the scheme were held independently of the Bank's assets in separate trustee-administered funds. Approval for the winding up of the scheme was received from the Financial Services Commission in June 2012, and, following an actuarial valuation done as at June 2012, all members entitled to benefits received them in the form of annuities secured through a company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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19. Employee Benefits Asset (Continued)

(b) As a result of the merger of (NIBJ) and the Bank on September 1, 2006, the employees of NIBJ were transferred to the Bank and became members of the Development Bank of Jamaica (DBJ) Pension Scheme. Permission was sought from, and granted by, the FSC for the transfer of the plan assets and benefit obligations of the NIBJ Scheme and the subsequent winding up of that Scheme, effective as of the merger date.

(c) The Bank has a defined-benefit scheme, which is administered by Trustees appointed by the Bank and by an employee-appointed trustee. The scheme, which is open to all full time, permanent employees, is funded by employer and employee contributions of 6.9% and 5% of pensionable salaries, respectively. In addition, the employees may voluntarily contribute a further 8.1% of pensionable salaries. The pensionable amount of annual pension on retirement at normal retirement date shall be that pension equal to 2% of the member's final pensionable salary multiplied by his years of pensionable service, plus such amount as may be determined by the actuary to be the pension equivalent of any voluntary contributions, accumulated with interest computed to the date of retirement, standing to the credit of the member on the date the pension is to commence.

The amounts recognised in the statement of financial position are determined as follows:

	2021 $'000	2020 $'000
Present value of funded obligations	(1,981,140)	(1,803,816)
Fair value of plan assets	2,403,772	2,221,196
Assets in the statement of financial position	422,632	417,380

The movement in the defined benefit obligation over the year is as follows:

	2021 $'000	2020 $'000
Balance at beginning of year	1,803,816	1,592,802
Current service cost	45,631	38,482
Interest cost	119,458	111,857
Remeasurement - experience losses	35,486	127,337
Members' contributions	17,928	15,677
Benefits paid	(41,179)	(82,339)
Balance at end of year	1,981,140	1,803,816

19. Employee Benefit Assets (Continued)

The movement in the fair value of assets during the year is as follows:

	2021 $'000	2020 $'000
Balance at beginning of year	2,221,196	2,053,203
Interest income	144,622	142,306
Remeasurement -		
Return on plan assets, excluding amounts included in interest income	30,453	66,209
Contributions	57,716	51,367
Benefits paid	(41,179)	(82,339)
Administrative expenses	(9,036)	(9,550)
Balance at end of year	2,403,772	2,221,196

Plan assets are comprised as follows:

	2021		2020	
	Total		Total	
	$'000	%	$'000	%
Unitised investments	74,293	3.1	66,769	3.0
Government of Jamaica bonds	887,016	36.9	944,787	42.5
Corporate bonds	169,938	7.1	229,019	10.3
Resale agreements and CDs	160,710	6.7	111,578	5.0
Real estate	139,663	5.8	134,754	6.1
Quoted equities	968,111	40.3	729,852	32.9
Net current assets	4,041	0.1	4,437	0.2
	2,403,772	100	2,221,196	100

The amounts recognised in profit or loss is as follows:

	2021 $'000	2020 $'000
Current service cost	28,728	23,217
Interest costs	119,458	111,857
Interest income	(144,622)	(142,306)
Administrative expenses	9,036	9,550
Total, included in staff costs (Note 8)	12,600	2,318

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19. Employee Benefit Assets (Continued)

Amounts recognised in other comprehensive income:

	2021 $'000	2020 $'000
Remeasurement of funded obligation	(35,486)	(127,337)
Remeasurement on plan assets	30,454	66,209
	(5,032)	(61,128)

Movements in the amounts recognised in the statement of financial position:

	2021 $'000	2020 $'000
Assets at beginning of year	417,380	460,401
Amounts recognised in profit or loss in the statement of comprehensive income	(12,600)	(2,318)
Amounts recognised in other comprehensive income	(5,032)	(61,128)
Contributions paid	22,884	20,425
Assets at end of year	422,632	417,380

The significant actuarial assumptions used were as follows:

	2021	2020
Discount rate	8.5%	6.5%
Future salary increases	6.0%	3.5%
Expected pension increase	1.5%	1.5%

The estimated pension contributions expected to be paid into the plan during the next financial year is $57,716,000 (2020 - $51,367,000).

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 60.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on post-employment obligations			
	2021		2020	
	0.5% Increase in Assumption $'000	0.5% Decrease in Assumption $'000	0.5% Increase in Assumption $'000	0.5% Decrease in Assumption $'000
Discount rate	(1,879,662)	2,096,380	(1,706,212)	1,915,956
Future salary increases	2,008,140	(1,955,588)	1,826,831	(1,782,502)
Expected pension increase	2,065,347	(1,893,075)	1,887,960	(1,728,580)

19. Employee Benefit Assets (Continued)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension obligation recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

20. Intangible Assets

	Computer Software $'000
At Cost -	
At 1 April 2019	51,497
Additions	6,099
At 31 March 2020	57,596
Additions	845
At 31 March 2021	58,441
Amortisation -	
At 1 April 2019	34,190
Charge for the year	7,582
At 31 March 2020	41,772
Charge for the year	9,009
At 31 March 2021	50,781
Net Book Value –	
31 March 2021	7,660
31 March 2020	15,824
31 March 2019	17,307

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21. Property, Plant and Equipment

	Freehold Land and Buildings	Furniture, fixtures, plant and equipment	Motor Vehicles	Computer Equipment	Total
	$'000	$'000	$'000	$'000	$'000
Cost/Valuation					
At 31 March 2019	1,038,759	257,975	43,099	90,076	1,429,909
Additions	713	12,632	-	20,103	33,448
Disposals	-	-	(9,667)	(3,350)	(13,017)
Revaluation	446,799	-	-	-	446,799
Effects of movements in exchange rates	931	-	-	-	931
At 31 March 2020	1,487,202	270,607	33,432	106,829	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
Accumulated Depreciation -					
At 31 March 2019	145,298	204,157	32,203	62,487	444,145
Charge for the year	15,235	10,229	4,285	14,427	44,176
Disposals	-	-	(8,698)	(3,350)	(12,048)
At 31 March 2020	¤ 160,533	214,386	27,790	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
Net Book Value -					
31-Mar-21	1,452,803	54,255	2,983	33,400	1,543,441
31-Mar-20	1,326,669	56,221	5,644	33,265	1,421,797
31-Mar-19	893,461	53,818	10,896	27,589	985,764

The Bank's freehold land and buildings, with a historical cost of $96,116,000 (2020: $96,116,000), were revalued. during the year by the directors based on consultations with professional valuers. In the prior year, the revaluation was done by independent professional property valuers. The excess of valuation over the carrying value of freehold land and buildings of $137,922,000 (2020: $446,799,000) has been credited to other comprehensive income (included in revaluation reserve) [Note 26(e)].

The fair value of freehold land and buildings has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 13 also).

22. Loans Payable

	Interest Rate	31 March 2020	New Loans/ Adjustments	Transaction Costs/ Repaid	Exchange differences / Interest Capitalised	31 March 2021
	%	$'000	$'000	$'000	$'000	$'000
(a) Government of Jamaica (GOJ)						
(i) Ministry of Mining and Energy	-	120	-	-	-	120
(ii) International Bank for Reconstruction and Development 1994/2001	2.82 %	1,324,279	-	-	115,137	1,439,416
(iii) MOA – Dairy Sector	-	109,928	-	-	-	109,928
(iv) MOF Advance	-	1,945	(1,945)	-	-	-
(v) GOJ – Citrus Growers	-	60,000	(60,000)	-	-	-
(vi) World Bank Energy (1)	2.70%	144,226	-	(27,371)	12,447	129,302
(2) MOF&P – US$1.3M loan	6%	409,729	-	-	-	409,729
(vii) MOF&P (FCGP) – J$ loan	4%	2,459,520	-	(96,231)	-	2,363,289
(viii) MOF&P – US$10B loan	3%	1,345,700	1,462,154	-	116,996	2,924,850
(ix) MOF&P – J$ loan	4%	1,331,077	1,251,246	-	-	2,582,323
(x) IDB Climate Change Adaption		327,855	-	(71,865)	-	255,990
Total GOJ loans		7,514,379	2,651,455	(195,467)	244,580	10,214,947

22. Loans Payable (Continued)

	Interest Rate	March 31, 2020	New Loans/ Adjustments	Transaction Costs/ Repaid	Exchange differences/ Interest Capitalised	March 31, 2021
	%	$'000	$'000	$'000	$'000	$'000
(b) Direct Borrowing						
(xi) IBRD US$P.I.E.D. Line of Credit	2.82%	83,276	-	-	7,240	90,516
(xii) Caribbean Development Bank 2002/2020:						
26ORJ	4.50%	682,925	-	(245,033)	56,778	494,670
11SFR/ORJ	2.50%	204,104	-	(18,590)	36,336	221,850
20SFR/ORJ	2.50%	1,049,251	-		91,649	1,140,900
(xiii) European Community	1%	63,382	-	(5,697)	9,512	67,197
(xiv) European Investment Bank						
- Loan I	7%	184,968	-	(184,968)	-	-
- Loan II	6.56%	444,467		(298,573)	-	145,894
(xv) GOJ NIF	4%	100,962	-	(77,947)	-	23,015
Balance c/f – Direct borrowing		2,813,335	-	(830,808)	201,515	2,184,042

22. Loans Payable (Continued)

	Interest Rate	31 March 2020	Net interest payable movement	New Loans/ Adjustments	Transaction Costs/ Repaid	Exchange differences /Interest Capitalised	31 March 2021
	%	$'000	$'000	$'000	$'000	$'000	$'000
(b) Direct Borrowing (continued)							
Balance b/f – Direct borrowing		2,813,335	-		(830,808)	201,515	2,184,042
(xvi) Petro Caribe Loan:							
(i) US$31.0M loan	3%	2,717,196	-		(364,965)	228,353	2,580,583
(2) US$40.0M loan	2.5%	6,657,155	-		(532,197)	(120,123)	5,724,836
Total direct borrowing		12,187,686	-		(2,007,970)	426,741	10,489,461
Total loans payable		19,702,065	-	2,851,456	(2,203,437)	554,325	20,704,409
Interest payable		1,070,894	554,356	971	(633,448)	159,898	1,152,668
		20,772,959	554,356	2,652,427	(2,836,885)	714,223	21,857,077

Analysis between current and non-current portions

	2021 $'000	2020 $'000
Portion due for repayment within a year of the reporting date	1,699,520	2,872,179
Portion payable thereafter	20,157,557	17,900,780
Total loans payable	21,857,077	20,772,959

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

22. Loans Payable (Continued)

(a) **Government of Jamaica**

In a letter dated January 31, 1985, the Government of Jamaica ("GOJ") agreed to bear the foreign exchange risk on loans negotiated and on-lent to the Bank by the Ministry of Finance and Planning ("MOF& P"). The loans which are covered by the agreement were on-lent to the Bank (and are repayable to the Government) in Jamaica dollars. The repayment to the GOJ is usually done by an off-set against certain amounts due from the GOJ.

(i) This represents funds received for lending via the People's Co-operative Banks to establish a Biogas Programme.

(ii) This loan represents the GOJ contribution to the Bank in accordance with certain agreements. The International Bank for Reconstruction and Development (IBRD) agreement recommends that the debt/equity ratio does not exceed four times its equity. At March 31, 2021, the financial position of the Bank disclosed a ratio of 1.37:1 (2020 – 1.53:1).

(iii) This is a loan from the Ministry of Agriculture (MOA) which was on-lent to the National Peoples Cooperative Bank (NPCB) for on-lending at 1% to the Dairy Sector. The Bank does not pay interest on the loan, and does not charge interest on the amount on-lent.

(iv) This advance from the GOJ was interest free and was fully repaid during the year.

(v) This loan was obtained from GOJ to be used for working capital purposes by the Jamaica Citrus Growers Association Limited. The principal amount was to be repaid in monthly instalments after a 3-month moratorium. No interest was charged by the Bank on the amount on-lent and the loan was settled during the year.

(vi) (1) This represents the J$ equivalent of US$1,916,650, being the amount drawn down up to the reporting date out of a loan of US$4,600,000 from the Government of Jamaica, which on-lent money borrowed from the World Bank for the Energy Security and Efficiency Enhancement Project being managed by the Bank. Under the terms of the sub-loan:

- Interest is payable at the rate of 6-month LIBOR plus a variable spread computed by MOF&P, after a moratorium of one year from the date of disbursement.
- Principal is repayable in 49 instalments on March 15 and September 15, commencing March 15, 2018 and ending March 15, 2040.

(2) Loan amount of J$409.229 million was drawn down as part of the loan of US$4,600,000. The Government of Jamaica bears the foreign exchange risk on this portion of the loan and this loan bears interest at a rate of 6 per cent per annum.

(vii) The MOF&P has entered into a loan agreement with the International Bank for Reconstruction and Development referred to as the World Bank to fund the Foundation for Competitiveness and Growth (FCGP). The Planning Institute of Jamaica (PIOJ) is the project execution unit; the Bank carries out the credit functions for small medium enterprises (SME's). The GOJ bears the foreign exchange risk on the loan.

(viii) This represents the J$ equivalent of the amount of US$20 million, being fully drawn down as at the reporting 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

22. Loans Payable (Continued)

(a) Government of Jamaica (continued)

(xi) 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.

(x) This loan from the Inter-American Development Bank (IDB) was on-lent to JN Small Business Limited to enhance their Climate Change Adaption Programme. No interest is charged on the Loan.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

23. Other Liabilities

	2021	2020
	$'000	$'000
Due to related entities*	173,603	166,832
Accrued charges	141,562	115,214
Statutory deductions	8,941	7,698
Other	467,200	447,683
	791,306	737,427

*Amounts due to related parties are unsecured, interest-free and have no set repayment terms.

24. Share Capital

	2021	2020
	$'000	$'000
Authorised -		
1,757,539,000 Ordinary shares at no par value		
Issued and fully paid -		
1,757,539,000 Ordinary shares at no par value	1,757,539	1,757,539

In accordance with Section 39(7) of the Jamaican Companies Act, 2004, share premium of $98,856,000 is not included in the Bank's stated capital.

25. Capital Reserves

	2021	2020
	$'000	$'000
Funds for capital (a)	1,179,817	1,179,817
Government subvention (b)	83,180	83,180
Self-Supporting Farmers Development Programme (c)	15,941	15,941
Capital grants (d)	7,106	7,106
Other capital reserves – NIBJ (e)	139,336	139,336
Self-Supporting Jamaica Business Fund (f)	84,748	-
Capital distribution	(212,619)	(212,619)
	1,297,509	1,212,761

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

25. Capital Reserves (continued)

(a) Funds for capital

This includes amounts totalling $450 million and $500 million received during the years ended March 31, 1999, and March 31, 2009, respectively, from the Government of Jamaica through the Capital Development Fund, as equity injections to finance the Bank's lending programmes.

(b) Government subvention

This represents the Government of Jamaica contribution to the Bank, of funds received from the Canadian International Development Agency.

(c) Self-Supporting Farmers Development Programme

This represents the balance of amounts recovered by the Bank and capitalised as equity under the terms of the agency agreement.

Under the terms of an Agency Agreement, dated May 27, 1982, between the Bank and the Government of Jamaica in relation to the Self-Supporting Farmers Development Programme (SSFDP), it was agreed that:

(i) All assets be transferred to the Bank.

(ii) The portfolio be analysed and administered by the Bank. Reasonable steps should be taken to recover loans determined at that time to be doubtful.

(iii) All loan recoveries be utilised to assist in the capitalisation of the Bank and such recoveries be employed in carrying out the functions of the Bank including the granting of loans direct to farmers for agricultural purposes only.

The portfolio of SSFDP previously administered by the Bank was transferred to the People's Co-operative Banks (PCB) in 1997 as a contribution to the equity of those banks. This balance represents collections under the SSFDP portfolio prior to the portfolio being transferred to the PCB in 1997.

(d) Capital grants

	2021	**2020**
	$'000	**$'000**
At beginning of year	7,106	7,779
Less: Amortised during the year		(673)
At end of year	7,106	7,106

These represent the Euro 200,000 received from the European Investment Bank (EIB) for the provision of Technical Assistance (TA) funding to microfinance sector.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

25. Capital Reserves (Continued)

(e) Other capital reserves

This represents gain on the sale of investments and rights issue, as well as capital grants, transferred from NIBJ.

(f) 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.

26. Other Reserves

	2021	2020
	$'000	$'000
Fair value reserve (a)	581,801	32,500
General reserve – Equalisation Fund (b)	957,597	957,597
Revenue reserve (c)	2,539,391	2,539,391
Special reserve (d)	3,123	3,123
Revaluation (e)	1,474,788	1,340,302
Credit Enhancement Facility Fund reserve (f)	759,063	577,088
Technical assistance reserve (g)	247,758	253,374
Employee benefits reserve (h)	65,335	70,367
	6,628,856	5,773,742

(a) **Fair value reserve**

This represents unrealised gain in fair value of securities classified at FVOCI made up as follows:

	2021	2020
	$'000	$'000
At beginning of year	32,500	281,045
Gain/(loss) on GOJ Bonds during the year	549,301	(248,545)
At end of year	581,801	32,500

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

26. Other Reserves (Continued)

(b) General reserve - Equalisation Fund

This reserve was established to absorb exchange losses on loans denominated in foreign currency which were negotiated directly by the Bank. A minimum of 20% of profit for the year (after crediting exchange gains but before crediting profits from other transfers) was transferred to the reserve. No transfer was made during the year as the loan to which the requirement for this transfer applies has been repaid.

(c) Revenue reserve

This represents an accumulation of a minimum of 40% of profits transferred over the years (after other transfers) to this reserve.

The Bank transferred $250 million from this reserve to the Credit Enhancement Facility Fund during 2010, which was used as start up capital for the Fund.

(d) Special reserve

The maintenance of this reserve was a requirement of a lending agreement between the Bank and the European Investment Bank which provided, during the period of the lending agreement, for the annual transfer to the exchange equalisation account of a portion of the interest differential on loans funded from the proceeds of the loan received under the lending agreement. The loan was repaid and no further transfers are being made.

(e) Revaluation reserve

This represents unrealised surplus on the revaluation of land and buildings.

(f) Credit enhancement facility fund reserve

This represents funds transferred from reserve to be used as start up capital for the fund, plus accumulated profit or loss from the fund, and is made up as follows:

	2021 $'000	2020 $'000
Fund capital	250,000	250,000
Accumulated profit transferred - at beginning of year	327,088	243,881
- for the year (Note 17)	181,975	83,207
- at end of year	509,065	327,088
Total of Fund (Note 17)	759,063	577,088

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

26. Other Reserves (Continued)

(g) Technical assistance reserve

i. This represents the transfer from retained earnings of an amount equivalent to the discounted present value of the non-interest-bearing, 10-year note issued by GOJ consequent on its assumption of the loans due from three GOJ-owned sugar companies and previously written-off by the Bank, as set out in note 16(b). The Board of Directors has decided that, together with certain funds from multilateral agencies, the cash received from GOJ under the note will be used as seed funding to strengthen various institutions. This will be monitored by the Institutional Strengthening and Research Division.

ii. This represents 10% of profit transferred to the Technical Reserves as per Board decision.

		2021	2020
		$'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 [note 16(b)]		659,112	659,112
Interest transferred from retained earnings	- Previously	719,392	560,944
	- During year	108,956	158,448
	- To date	839,148	719,392
Gross accumulated resources at end of year		1,487,460	1,378,504
Utilised	- Previously	(1,125,130)	(997,953)
	- During year	(114,574)	(127,177)
	- To date	(1,239,704)	(1,125,130)
Net at end of year		247,756	253,374

(h) Employee benefits asset reserve

This represents the cumulative changes in the employee benefits asset recognised in other comprehensive income.

27. Dividends

		2021	2020
		$'000	$'000
Interim dividends -			
1.70 cents per stock unit –	September 30, 2019	-	30,000
1.98 cents per stock unit –	October 15, 2020	35,000	-
		35,000	30,000

28. Related Party Transactions and Balances

(a) Definition of related party

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 Related Party Disclosure as the "reporting entity" in this case the Bank).

(i) A person or a close member of that person's family is related to the Bank if that person:

(1) has control or joint control over the Bank;

(2) has significant influence over the Bank; or

(3) is a member of the key management personnel of the Bank or of a parent of the Bank.

(ii) An entity is related to the Bank if any of the following conditions applies:

(1) the entity and the Bank are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(2) one entity is an associates or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is member);

(3) both entities are joint venture of the same third party;

(4) one entity is a joint venture of a third entity and the other entity or an associate of the third entity;

(5) the entity is a post-employment benefit plan for the benefit of employees of either the Bank or an entity related to the Bank;

(6) the entity is controlled or jointly controlled by a person identified in (i)

(7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent entity) and;

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Bank or the parent of the Bank.

A government related entity is an entity that is controlled, jointly controlled or significantly influenced by a government. A related party transaction is a transfer of resources, services or obligations between the Bank and a related party, regardless of whether a price is charged.

(b) Related party transactions

The following transactions were carried out with government related entities and associated companies:

	2021 $'000	2020 $'000
Government related entities		
(i) Other income		
Rental	94,147	95,064
Administrative fees	9,300	10,817
(ii) Privatization success fee		
Discount on financial asset	263,270	49,414

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2021

(expressed in Jamaica dollars unless otherwise indicated)

28. Related Party Transactions and Balances (Continued)

(c) Key management personnel compensation

Key management personnel comprise those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including the Directors and the members of the senior or executive management of the Bank.

	2021 $'000	2020 $'000
Salaries and other short- term employee benefits	149,865	133,173
Statutory payroll contributions	7,631	7,045
Pension benefits	4,359	4,260
	161,855	144,478
Directors' emoluments:		
Fees	2,219	1,530
Management remuneration (included above)	25,862	21,836

(d) Related party balances

	2021 $'000	2020 $'000
Associated companies:		
(i) Loans	1,314,698	1,227,291
(ii) Interest receivable	319,854	319,918
Key management personnel:		
(i) Staff receivables	34,107	38,174
Government related entities:		
(i) Loans receivable	35,424	68,623
(ii) Other receivable	2,185,999	2,098,613

Investment in related entities

	2021 $'000	2020 $'000
Caribbean Mezzanine Fund	219,405	201,855
CariCRIS	7,313	6,728

29. Commitments and Contingencies

(a) As at 31 March 2021, there were outstanding loan commitments to disburse totalling approximately J$ 120 million and US$10.5 million (2020 - J$120 million and US$19.8 million).

(b) The Bank had capital commitments, in respect of projects being undertaken, totalling approximately $32.6 million (2020 - $11.5 million).

29. Commitments and Contingencies (continued)

The Bank is subject to various claims, disputes and legal proceedings in the ordinary course of business. Provision is made for such matters when, in the opinion of management and its legal advisors, (1) it is probable that a payment will be made by the Bank, and (2) the amount can be reasonably estimated.

The Bank has not provided for those claims against it in respect of which management and legal counsel are of the opinion that they are without merit, can be successfully defended, or will not result in material exposure to its financial position.

30. 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.

DEVELOPMENT BANK OF JAMAICA LIMITED

Facilitating economic growth and development

11A - 15 OXFORD ROAD,
Kingston 5, Jamaica W.I.

Tel: (876) 929-4000; (876) 619-4000

Fax: (876) 929-6055
e-mail: mail@dbankjm.com