

TRAFALGAR DEVELOPMENT BANK LTD

The TDB Story

THE FIRST TEN YEARS

(Million of J\$)

FISCAL YEAR	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
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PROJECT INVESTMENTS

Loan/Lease Approvals	24.0	45.3	47.7	70.1	76.4	98.2	196.4	218.3	284.3	556.8
Number of Projects	21	21	22	47	49	37	40	45	36	37

Loan/Lease Disbursements	16.9	22.5	51.0	45.7	76.2	89.2	148.6	176.7	198.0	279.4
Number of Projects	16	10	24	37	43	36	48	39	38	32

INVESTMENT PORTFOLIO

Loan/Lease Portfolio	16.5	36.4	81.4	112.3	170.6	237.2	310.4	450.5	560.5	726.0
Equity Portfolio	-	1.3	1.8	1.8	1.8	4.5	20.0	21.6	22.0	29.4

RESOURCES & INCOME

Total Assets	42.8	57.5	101.8	146.4	214.9	349.4	571.6	857.6	1,216.0	1,540.0
Long Term Liabilities	9.7	27.6	66.4	95.2	146.5	229.1	334.1	456.6	695.7	938.2
Net Worth	24.3	26.7	29.7	35.3	47.4	65.9	111.7	256.9	323.6	377.0

EARNINGS

Net Income	1.5	2.3	3.0	6.4	15.2	23.3	51.7	67.8	87.8	74.6
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THE FIRST TEN YEARS

PROVISION OF FINANCING

Since its inception in May 1985, the Bank has provided development funds in the form of loans, leases and equity investments to enterprises in the manufacturing (including agri-processing), tourism, agriculture/horticulture, mining (non-metallic) and the services sectors.

As at September 30, 1995, the Bank had approved loan and lease financing of J\$1.6 billion to 199 companies. Total disbursements for the same period were J\$983.3 million. Given the fact that the Bank's investment policy dictates a maximum 60:40 debt to equity ratio, it can be concluded that the total loan commitment of J\$1.6 billion would result in total investment outlays of up to J\$2.7 billion to the productive sector over the last ten years.

TDB has also approved financing of J\$34.9 million in the form of equity capital to 23 companies. At the end of the 1995 financial year equity disbursements totalled J\$28.8 million to 21 companies.

Of the total financing of approximately J\$1 billion disbursed by the Bank as at September 30, 1995, 54% was used to finance projects in the manufacturing sector, 23% in the tourism sector, 16% in the agriculture/horticulture sector and 7% to services.

CONTRIBUTION TO ECONOMIC DEVELOPMENT

TECHNOLOGY TRANSFER

An analysis of the Bank's project investment portfolio indicates that the institution has contributed significantly to the promotion of balanced growth and development within the economy. This is emphasized by the level of technology transfer, regional decentralization, value added effect, foreign exchange impact, market impact and environmental sustainability.

Of the 324 projects financed by the Bank, 62% facilitated the expansion of businesses, 23% the development of new enterprises and 14% the introduction of new technology. The other 1% was used for working capital support. The tourism sector accounted for 37% of new businesses created, while the manufacturing sector accounted for 28%. Of the financing granted to facilitate the introduction of new technology, 69% related to manufacturing.

Of the total investments made for business expansion, 56% went to the manufacturing sector, while 19% and 15% went to agriculture and tourism, respectively.

REGIONAL DISTRIBUTION

Jamaica, like most developing countries is experiencing a strong and growing trend towards urbanization and is therefore plagued by rural exodus of its population. In order to reverse this trend, the Bank has assisted in the development of the productive sector in the rural areas. 52% of the total number of financing approved was for projects located in rural areas.

EMPLOYMENT CREATION

Projects financed by TDB have directly provided close to eight thousand jobs, along with significant amounts of indirect employment. Projects in the tourism and agriculture (including horticulture) sectors provided most of the jobs, accounting for 38% and 29% respectively, while manufacturing and services provided the remaining 33%.

MARKET IMPACT

The Bank's contribution to the quantity and quality of goods produced and distributed locally, has been significant. Of the total number of projects financed, 45% produced goods and services for the domestic market, while 12% facilitated the import substitution process.

The Bank has also played a critical role in the diversification and penetration of new markets, through financial assistance granted in the form of foreign exchange loans to exporting companies.

At September 30, 1995, US\$ 33.1 million and Stg0.8 million were disbursed in foreign currency, which represented 57% of total funds disbursed to all sectors of the economy.

TDB's long-term lending in foreign currency came at a critical point when the economy was experiencing a severe shortage of foreign exchange to finance the productive sectors and when other financial institutions were issuing only short term credit.

Of the total number of projects assisted, 24% produced goods and services for foreign traditional markets, while a significant 19% produced goods for foreign non-traditional markets.

FOREIGN EXCHANGE IMPACT

The assessment of the foreign exchange impact of the projects financed is based on forecasts of the entire operational phase of the respective companies, as well as actual data at the time of evaluation. Net expected foreign exchange earnings from projects financed by the Bank is estimated at US\$1.2, while net expected foreign exchange saved is estimated at a further US\$ 253 million.

ENVIRONMENTAL SUSTAINABILITY

TDB's development policy objectives emphasize the promotion and financing of environmentally sound projects. Projects can only contribute to sustainable development if they are both profitable and environmentally compatible. The Bank therefore ensures that Environmental Impact Assessments (EIAs) play an integral part in the planning of projects. In this respect a close working relationship has been established with the National Resource Conservation Authority (NRCA) and other environmental agencies to ensure that projects financed conform to environmentally acceptable standards. This is also a requirement of all the Bank's international funding agencies.

To emphasize our concern for and commitment to environmental protection, the Bank provides technical assistance funds by way of grants, to qualifying projects to undertake EIAs. To date a total of J\$ 340,000 has been granted to assist companies to carry out such studies.

PROMOTIONAL ROLE

The promotional role of the Bank as a development finance institution is circumscribed by the following:

- . investment promotional activities and the provision of technical and management assistance for the identification, preparation, implementation and supervision of projects that conform to the development of Jamaica.
- . promoting environmentally sound development by insisting on a mandatory EIA for all major projects to ensure that they conform to restrictive environmental regulations and standards.
- . Provision of technical assistance funds for feasibility studies and for environmental impact assessment studies.

The Bank also manages two technical assistance funds on behalf of the German Investment Development Bank (DEG). Since 1991, TDB has provided technical assistance funds of J\$6.6 million to 22 clients. Of this amount: J\$1.1 million or 16% financed feasibility studies; J\$0.34 million or 5% was used to finance EIAs; J\$2.3 million or 35% provided scholarships to the UWI for business related studies; and J\$2.3 million or 35% was used for other technical assistance.

The Bank has also given commitments of support to the University of the West Indies. An amount of J\$3.6 million has been committed to support a waste water recycling project. In addition, TDB has committed to provide J\$1 million over a 5 year period to that institution and is now a Member of the UWI Century Club. The on-going development of the Youth in Agriculture programme and development of science and technology, including the development of indigenous technology programme sponsored by the UNDP/GOJ, continue to enjoy the support and active participation of the Bank.

RESOURCE MOBILIZATION

TDB began operation in May 1985, with a share capital of J\$15 million, which at September 30, 1995 had grown to J\$115 million with retained earnings of J\$262.8 million.

The Bank has a broad based shareholding, totalling some 1,200 shareholders of which 82% is owned by Jamaicans. The DEG and the Netherlands Finance Company (FMO) hold 10% and 8% respectively.

In addition to its equity capital of J\$115 million, the Bank has mobilized US\$48.8 million in long term loan funds in various foreign currencies and J\$65.5 million from international lending agencies. An additional J\$21.3 million was sourced locally through the National Development Bank and the Agricultural Credit Bank.

The international agencies, which have provided significant support to the Bank's lending activities over the past 10 years, are the United States Agency for International Development (USAID), DEG, FMO, the European Investment Bank (EIB), the Commonwealth Development Corporation (CDC) and the Caribbean Development Bank (CDB). The loans are for terms ranging from 7 to 20 years with maturities extending to the year 2015.

The EIB has also committed a total of Ecu 4 million (approximately US\$ 5.1 million) for equity investment in projects. Of this amount, the Bank has already disbursed J\$18 million equity capital to 15 companies as at September 30, 1995.

FINANCIAL PERFORMANCE

Over the ten year period, the Bank has shown steady and sustained growth. At September 30, 1995 total assets stood at J\$1.5 billion, compared to J\$42.8 million at the end of its first year of operation. The loan/lease portfolio, which stood at J\$16.5 million (net of provisions) in 1986, now stands at J\$726.1 million (net of provisions).

Profit performance has been equally spectacular showing strong and consistent growth culminating in a record net profit of J\$86.8 million in 1994.

Another significant achievement of TDB has been the acquisition of controlling interest in TCB in 1992. In just under three years since its acquisition, TCB's asset base has grown from J\$76.3 million in September 1993 to J\$505.2 million at September 30, 1995.

TCB's portfolio of loans and advances also showed significant growth, moving from J\$21.7 million in 1993 to J\$208.5 million at September 30, 1995.

TENTH ANNIVERSARY CELEBRATIONS

Several special events were held during 1995 to commemorate the Bank's 10th Anniversary, the first being a church service held at the St. Margaret's Anglican church, Liguanea.

As part of its ongoing promotional role as a development finance institution, TDB was a major sponsor of the Caribbean Business Conference, which was held in Jamaica in June.

The Conference brought together business leaders and thinkers from across the Caribbean and Latin America to focus on some of the critical issues facing the region and explore opportunities for growth and development. The Conference attracted eminent presenters and guest speakers from the Caribbean, the United States and Europe.

Indications are that the Conference achieved its objective of enlightening the participants of the opportunities and challenges of competing in a rapidly changing world economy.

A 10th Anniversary Awards Banquet was held in October at which the bank expressed its appreciation to those members of staff who have been with the Bank in excess of five years and who have made outstanding contributions to the Bank's success.

In November, the Bank hosted a reception for its clients at the Wyndham Hotel in Kingston. Early in 1996 the Bank plans to host a similar event in Montego Bay to coincide with the official opening of its branch office in that city.

As the Bank moves into its second decade and towards the 21st Century, it will seek to build upon its financial strength through service, innovativeness, excellence and integrity. It will also continue to fulfill its commitment of promoting and financing growth and development of the Jamaican economy.

THE DEVELOPMENT BANK

PROJECT INVESTMENT

The Bank's total loan/lease portfolio increased by 30% to J\$726 million as at September 30, 1995 from J\$560.5 million in fiscal 1994, a net increase of J\$165.5 million after taking into account new disbursements, repayments, pre-payments, write-offs and translation adjustments.

During the year, the Bank approved J\$556.8 million in new loan and lease financing to 37 projects. The manufacturing sector accounted for 49%, followed by Tourism 23%, agriculture and horticulture 24% and services 4%. The amount approved was 91% higher than in fiscal 1994.

New disbursements during the year reached J\$279.4 million, compared with J\$198 million in fiscal 1994, despite a longer average time lapse between approval and disbursement, caused by the increasing complexity of projects financed by the Bank. Of the total disbursement, approximately 87% was in United States Dollars.

PROFIT PERFORMANCE

Net profit attributable to shareholders was J\$74.6 million, a decline of 15% from the previous year. This provided a return of 21% on the average shareholders funds and a return of 5% on average total assets. This profit performance resulted in a decrease in earnings per stock unit from J76 cents in 1994 to J65 cents in 1995, a decrease of 14%.

Gross income increased by J\$19.1 million or 10%, while total expenses increased by J\$32.3 million or 33%. Interest expense accounted for 45% of the total expenses for the year and represent a 25% increase over the previous year.

FUNDING

Total borrowings for the financial year amounted to US\$6 million (J\$222.6 million) which was provided by the Commonwealth Development Corporation. The Bank was able to finance J\$64.7 million from its own resources.

At the end of the year, there were undisbursed loan commitments of US\$4 million from the Caribbean Development Bank and US \$1 million from the European Investment Bank, most of which had already been approved for projects.

The Bank also had undisbursed commitments of US\$3.8 million from the EIB to finance equity investments in projects. Income from loans and investments remained the main income sources representing 51% and 38% respectively of total earnings.

Negotiations have already begun with international lending agencies to secure the foreign currency resources required to fund the Bank's investment activities for fiscal 1996. In addition, the Bank is also working with consultants to develop an appropriate mechanism for raising long-term foreign currency resources on the local and/or Caribbean capital market.

**THE COMMERCIAL BANK
EARNINGS & PROFITABILITY**

For the 1995 financial year, Trafalgar Commercial Bank (TCB) reported an after tax profit of J\$7.1 million (before payment of preference dividends of J\$4 million) compared to the deficit of J\$0.86 million (after tax) for the previous year.